



LOTUS GROUP

A D V I S O R S

Financial Exploration | Investment Advice | Portfolio Management

## Mid-Quarter Newsletter

### INSIDE THIS ISSUE:

Market Update	1
Investor Psychology	1
Improvements	2

#### HAPPY MOTHER'S DAY!

We know how much you care for your family and that you have concerns for their futures. Here are some areas where we can help:

#### HOW WILL I PAY FOR MY KIDS'/GRANDKIDS' EDUCATION?

##### COLLEGE SAVINGS PLANS

We can help you select a college savings plan, look for tax benefits, and manage it within your portfolio.

#### WHAT WOULD WE DO IF SOMETHING HAPPENED TO ME OR MY SPOUSE?

##### CONTINGENCY PLAN

We can help you put a plan in place and safe-keep the document so that you know what to do during the most difficult of times.

#### DO WE HAVE THE RIGHT AMOUNT OF INSURANCE & DO WE PAY TOO MUCH? NEEDS ANALYSIS

Our process analyzes how much insurance coverage you really need and compares it to what you have and what you're paying. This way, you pay for only what you need while getting A-grade insurance at the lowest cost.

[www.LGAdvisors.com](http://www.LGAdvisors.com)

## Q2 / 2008 High-Level Market Update

Global equity markets have rewarded courageous investors with a partial rebound since the emotionally driven mid-January lows. This rebound has been driven by a number of positive happenings, including unprecedented moves by US central bankers to provide liquidity and rate cuts to locked-up credit markets. Additionally, US government rebate checks have started going out with the expectation that spending and personal debt reduction will help improve consumer confidence. Finally, US exports have increased significantly while imports have declined, due to our declining US dollar that makes our goods and services seem inexpensive abroad.

On the negative side, we are in the midst of a major oil price spike, and consequently, we expect to see US gas prices to rise above \$4.00 per gallon in the near future. High oil prices continue to negatively affect corporate profits through higher raw material costs. They are also hurting individuals whose budgets are squeezed by higher transportation and utility bills. However, high oil prices can trigger a self-corrective process through reduced consumer demand and increased supply from profit-seeking entities which expand their oil exploration and alternative energy investments. We have already seen rapidly increasing sales of scooters, declining sales of Hummers, and an incredible new push towards energy alternatives such as solar, wind, clean coal, and nuclear power.

For the time being, we remain in a mixed investment environment, with positive bullish forces continuing to battle with bearish forces. LGA portfolios continue to be positioned defensively until fundamental and technical indicators provide more clarity. We remain exposed to hedged asset classes such as bonds and commodities, and are using active trading strategies and rebalancing to capture some benefit from the market's short-term fluctuations.

## Investor Psychology

### *Separating the Hype from Reality*

For all the crowing about how bad the economy is (which typically happens in an election year since it is hard to get elected if everything is going "right"), it appears that there is more of a rotation between the haves and have-nots versus an outright recession. For example, the ailing US auto industry has driven a high 7.6% unemployment rate in Midwestern states like Michigan. However, Montana and Nebraska are enjoying over 5 times the national GDP rate due to the agricultural boom from expanding ethanol usage and surging global food prices. We also see this contrast in Corporate America, pitting the struggling industries of housing and finance against globally booming areas such as industrial equipment makers (John Deere, etc.) and consulting / technology firms (IBM, HP, etc.). So while the politicians and media complain about how terrible things are, our GDP has actually continued to grow (albeit at a reduced pace), and the data shows that underlying strength exists due predominantly to globalization and trade. Ironically, globalization and trade were the evils of yesteryear, when politicians highlighted lost jobs to overseas countries and immigrants...now these areas appear to be the backbone of our growth and the savior against our declining industries.



## Continuous Improvement

As part of our continuous improvement efforts, we have made some important strides during early 2008. From an investment strategy perspective, we added a few new asset classes that have helped us reduce portfolio fluctuations and generate modest returns during this volatile period of time. These asset classes include the following:

- **Commodity – Fertilizer:** This asset class has surged as the agricultural boom has accelerated globally. During boom periods, investors often benefit from the “picks and shovels” that go into producing the boom product. This saying and approach comes from the Great US Gold Rush where most miners didn’t make money, but the suppliers of picks and shovels got rich.
- **US Bond – Inverse:** This asset class goes up in value as US Bond prices go down. With US interest rates at extremely low levels and the Federal Reserve indicating an aversion to further rate cuts, the time has come to invest against US Bonds.
- **US Oil Producers – Inverse:** This asset class goes up in value as oil producer’s stock prices go down. With the surge of oil to the \$125 price range, we expect that this bubble will burst in the near- to mid-term future, at which time the oil producer’s stock prices will decline rapidly.

Additionally, we have added a new service for all our Clients. As part of our contingency planning service, we typically review the appropriate level of life & disability insurance that clients should have and then help them benchmark the prices they are currently paying. We have sourced relationships with wholesale insurance companies to get bargain-basement rates to our clientele. If you are interested in a quick review of your situation and benchmark of your rates, please contact your advisor email us at [info@lgadvisors.com](mailto:info@lgadvisors.com) and we will get you setup with our LGA insurance specialist, Wim Taylor.

As always, we encourage you to pursue life’s dreams as we manage, protect, and grow your wealth.

Warm Regards,

LotusGroup Advisors Management Team

## QUESTIONS?

As always, we are available to discuss any questions you may have regarding our progress towards your financial and investment objectives.

## REFERRALS?

We appreciate your referrals as they are the lifeline to our business. Please let your family, friends and colleagues know about our wealth management services.

**Contact Your Advisor or  
Our Main Office**

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