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2009 Major Stock Market Index Performance

	1 st Qtr
S&P 500	-11.7%
DJIA (Dow Jones Industrial Avg.)	-13.3%
Nasdaq Composite	-3.1%
MSCI EAFE (International)	-14.6%

Source: The Wall Street Journal and MSCI Barra. These indices are unmanaged and gross of all fees. Your individual performance is not represented by these indices.

First Quarter 2009 Newsletter

Market Commentary

The first quarter of 2009 continued a trend of six quarters in a row of negative stock market performance, but ended with **a record rally in March** for a rare positive month. World Governments have been scrambling in response to our global credit crisis, but it is only now that a plan is emerging to deal with our troubled banking system and the flow of capital/money through our economy. There are positive signs that our housing crisis has hit a bottom as existing homes sales increased 2% in February. Our economy is showing a pulse with retail sales and manufacturing also increasing, and even some bank CEOs announced that they expect positive earnings for the first quarter. World Governments came together at the G20 meeting and announced coordinated efforts to provide money to the International Monetary Fund to aid developing countries and the U.S. revised accounting standards to help financial companies value their "bad assets". **Any good news is welcome and the stock market responded with the best four week rally since 1933.** The Nasdaq Index which is heavily weighted with technology stocks had its best four week period in its history!

While the rally was a relief, there continues to be significant risks for our market and our economy. We are approaching earnings season where corporations report their profit/losses for the first quarter. The numbers will be ugly, but investors are hoping for signs that the worst is over and are watching for the market's response. There are still a lot of unknowns surrounding the plan to cleanse bank balance sheets. What are all these bad assets worth? If these assets are sold to private investors at a large discount, how will a bank survive when it is recognizing even more large losses? Should our Government be committing so much money to encourage private investors to buy these assets? There will continue to be a lot of questions about our economic health until we have answers to these questions.

We will not likely see another strong rally until we have visibility on corporate earnings and will not be confident of an end to our recession until we see these bad assets removed from the banks and bank lending at healthy levels. Our economy will continue to suffer for the next several months, but stock markets have historically preceded the economy by 3-6 months. **We will likely see the market rebound long before the economy.**

What Next?

We want you to be positioned for a market recovery ahead of time and are looking at asset classes, sectors and themes that will benefit you in the coming months. One of the best performing sectors in March was technology companies and they will be a leader in the market recovery. Basic Materials and commodities will also outperform when our economy begins to recover. Bonds are trading at rock-bottom prices and there are great opportunities in triple AAA rated corporate bonds as well as certain foreign bonds. High Yield bonds are trading at prices that assume a catastrophic economy. **For the choosy investor, there are incredible buys, but the key is to not overpay and to pay attention to the quality of the investments in your portfolio. Diversification is always important as any one company can implode.**

With oil prices down, retail goods on sale and autos at extremely cheap prices, inflation is non-existent. But, to stimulate our economy and bail out our banks, the U.S. has borrowed and printed trillions of dollars which increases the likelihood of higher inflation in the future. We want to hedge this risk by owning things like Treasury Inflation Protected Bonds and real assets such as commodities in your portfolios.

We are also looking at the Managers in your portfolio. 2008 provided a great stress-test of these managers and their investment discipline. While they all performed relatively well, we are doing our due diligence on other Managers and may make changes in the near future.

News

We are excited to roll out a new website, www.baycityfinancial.com ! See the enclosed brochure.

If you would like a copy of our updated annual ADV Disclosure, please let us know.

401(k) Corner

Company Plan Participants, now is the time to review your deferral amounts to make sure you are putting enough away for your future retirement. Pensions and Social Security may help fund our current retirees, but you will most likely depend on your own saving discipline. You may live 20-30 years in retirement and you will continue to need a large portion in stocks to fund your living expenses and rising medical costs. It is never too late to start and depressed stock prices are providing a rare opportunity to buy companies at large discount.

The **BCFS Wealth Management Program** takes **comprehensive** research, **independent** advice and **professional** management to formulate an investment strategy that builds wealth in accordance to **Your Financial Plan.**