



RESPONSIVE FINANCIAL GROUP, INC.

A Registered Investment Advisory Firm

January 22, 2008

In most parts of the country winter's cold has set in, on Wall Street the climate is colder than our Chicago winter. Since our year end letter, the market has been volatile, (and mostly the down volatile we all hate) giving up all the gains of last year and then some. This may be nerve wracking, but remember that the important thing is how your account is doing, not how the market is doing. The risk-adjusted portfolios we manage do not move hand in hand with the Dow Jones the Nasdaq or even the S&P 500 index. It is during times like this that the essence of risk management is highlighted and appreciated. Losing less when the markets are down is one critical key to investment success. Another is reacting to market distress properly. I'll come back to that in a moment.

Let's look at how losing less is a winning strategy.

The S&P 500 is down about 10% this year till 01/22/08, our average portfolio is down only about 5% in that time period. A portfolio down 10%, needs to recover 11.1% to get back to even, one down 5% needs to recover only 5.25%. So we have that going for us!

In addition, by being broadly and conservatively allocated before things get bad, we can view the current carnage with patience and the ability to watch it pass calmly and soberly. Also, we can look to the markets with a cold and calculating eye towards how to profit from the decline, as opposed to having to react in haste to move to safety when the cost of safety is high and the damage already done. So we will be looking for opportunities to rebalance our portfolios, at the appropriate time, buying into areas down, but not out. We aren't saying that we will do so, soon, later or for certain, simply that we will be looking for the opportunity.

It is hard to see account values go down but if we give each of our managers our confidence, and allow them to work, they have the resources to manage through a market drop, depending upon their style, each in a slightly different way. Each manager has a way to do so, as long as they retain the assets to do so. By losing less it is easier to have the staying power to let managers work through difficult times.

We have purposefully added a unique element to that concept at Responsive, in our Risk Adjusted Portfolios, 7 of the 10 fund managers that we use have and use varying amounts of discretion to actually change their portfolios among asset classes, not just from one stock to another, but to decide between assets such as stocks, bonds, cash, commodities, real estate, etc. Each of these managers does

so with a long term growth objective, but using very different analytical and operational techniques to achieve the goal. This has been a huge factor working favorably for all of us.

We monitor each portfolio and security on a daily basis and if any opportunistic change needs to be made we attempt to do so at the right time. That doesn't mean we do, for example, after we got out of REITs they continued to go up for nearly 2 years and a substantial amount at that. There will always be sectors that will over perform and sectors that will underperform, but because most managers that we use maintain diversified exposure to not only various industries but also across different asset classes, wild swings are well contained.

It is evident that the strategies and allocations are working based on how the portfolios performed last year as well as they are now amidst market weakness.

It is important to remember the objectives of those you listen to regarding money and investing. Media sources are selling media. Acquaintances may wish to look good in front of others or simply to appear "in the know". We are beholden to you, and only you. We do better, only if you do better, we do worse if you do worse. We will, as always continue to do our very best for you.

It may not be an auspicious start to the year but what matters is long term consistent growth of capital. If short term uneasiness is dealt with in the right way, long term results will be favorable. If the market overall is reasonably valued then a market correction like the current one is simply putting it on sale. All we have to do is be patient.

Sincerely ,

Paul Mahadevia

PS - From Ben;

What do we need you to do now about your investments?

Make sure that we know if your needs or objectives change.

If you can, increase your systematic investments when markets are down.

Remember buy low?

If you have been too conservative in the past call so we can discuss a way to move slowly into a more suitable asset allocation for you over the next year or three.

That's it really!

Ben & your team at RFG