**RESPONSIVE FINANCIAL GROUP, INC.**
*A Registered Investment Advisory Firm*

April 7, 2008

It seems like such a short time, but five full years have passed since I founded Responsive Financial Group to take over the operations of Avis & John Bonnett's Responsive Financial Services and of my own prior firm (with Michael Falk) The Financial Concepts Company. It would have been nice if markets had celebrated with more appropriate fanfare for the occasion. I suppose it is fitting that they instead chose to plainly demonstrate the value of the hallmark of our investment management operations, the management of risk.

For the first quarter of 2008, the S&P 500 with dividends was down 9.45%. The US Treasury Bill Index finished up just 0.98%. All of our Risk Adjusted Portfolios[1] (RAPs) beat their benchmarks for the quarter by a minimum of 1.45% for the Capital Preservation Portfolio to a maximum of 3.15% for our Moderate Portfolio. All but the Capital Preservation Portfolio were down for the quarter, but by much less than the market as a whole or their own benchmark.

Since its peak near the end of October last year the S&P 500 has dropped 13.87%. Our Moderate and Moderate NTF Portfolios dropped only 4% and 5.05% over the same time period. Those performances exceed their benchmarks by more than 5.5% and 4.5% respectively. While no one likes to see declines in their account balances, we are very pleased with that kind of performance and hope that you are (at least) relieved! Since I have been at the helm of RFG and your portfolio management team for a full five years now, the S&P 500 (with dividends) has reported an 11.32% average annualized return. Every one of our portfolios have (after all of our fees and our fund manager's fund expenses) beaten their benchmarks by a minimum of 0.47% for the Conservative (not the Conservative NTF) Portfolio to a maximum of 4.89% for the Opportunity NTF portfolio. Please note that these are the **average annual** returns in **excess** of the benchmark, and that your accounts benefit from the compounding of those kinds of results. The returns of our Conservative NTF, both Moderate, Opportunity and the All Equity Portfolios ALL exceeded the gross return of the S&P 500 (with Dividends) over that same period.

While these returns are great to be able to report, and we are proud of them, please recall that there were times in the last 5 years where you may not have been thrilled with our results. There were periods of months, quarters, even one 12 month period and a little more that some of our Portfolios trailed their benchmarks and the S&P 500. Those kinds of periods will happen again. It is the nature of our style of management to differ from the indexes, our objective in so doing is to reduce the volatility of a portfolio and yet remain invested in equity (or stock) allocations appropriate to your needs. We believe that over time, the risk management techniques which we employ in concert with the methods employed by our hybrid fund managers will continue to produce superior returns on a gross and risk adjusted basis. We appreciate your patience during those times when a risk managed approach appears to simply be a mediocre or chicken hearted approach. Our approach is not either, as our short and long term results attest.

My father passed along an old saying to me; “Old age and deception will out, over youth and skill”. With that in mind I offer the following.

It has become the “conventional wisdom” among many of the top practitioners in the wealth management field that it is important to teach our clients to **not** pay so much attention to investment performance. That, in order to focus on many of the other things that a sound financial future relies upon it is necessary to eliminate as much as possible this factor from the conversation, reporting and focus. Practitioners of this mindset have eliminated or reduced performance reporting from their communications with clients and have often adopted “passive” investment methodologies focused on appropriate asset allocations but using indexed or index like securities with very low costs. They often tend not to believe that the averages can be “beat” by a manager or management technique. Tremendous energy is spent proving this right or wrong. We don’t care about the debate or the research in this regard; both methods of reaching a decision suffer from a fatal flaw. Neither can ever take into account all the right data, and as such, brilliant conclusions are rendered moot or foolish. We believe here that;

> **Performance Counts**; only when you are confident that you are getting performance from your investments that is appropriate to your needs and reasonable compared to others (the market as a proxy) can you take your eyes off of that 800 pound gorilla and focus on other things.
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> Those who would attempt to take the focus off of performance by ignoring it must do so in part by distraction or avoidance. Neither of these is appropriate in a fiduciary environment. Watching performance is not chasing performance, but it is to be educated by it. We watch every security we manage for you every day, and yet we trade en masse perhaps twice per year at most and typically over less than ¼ of the portfolio.
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> It is presumed that the “markets” approximate the fair value of the securities traded on them. We believe that that is an inappropriate presumption. Markets do periodically pass through fair value, usually with great haste (momentum) enroute to some unfair over or under value. In that sort of environment we believe that the careful consideration of specific securities to the exclusion of others, and of specific and changing buy and sell decisions or techniques can reduce that volatility and provide more stable, useful returns with little if any cost to long term total return.
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> While markets do represent well the average of the performance of their underlying securities, they represent VERY poorly the actual performance

or value of most of the securities represented. Therefore market indexes tell you a great deal about very little.

**Reporting Counts**; it lets you know how the car is running. Is it being maintained properly? Does something seem amiss? If so, more frequent reporting allows you to notice more quickly, allowing for small, considered corrections while you are still in balance and control.

More frequent reporting helps you to learn more effectively over time what are normal and reasonable behaviors and which "just don't feel right". It lets us know when you have reached that "just doesn't feel right" point also. Comfort is important in investment vehicles, if you have a thousand mile trip and you can only sit in a chair for three hours without shooting yourself in the head, you don't want to ride in my RV, you want a jet. On the other hand if the idea of going 600 miles per hour, 5 miles high in a tin can maintained on a small pacific island makes you ill, my RV might be just right. A quick look at the gauges (your reports), frequently, helps both of us ensure that you're in the right vehicle and gives us lots of opportunities to discuss the matter.

I greatly appreciate the value of youth, its skills, energy and new ideas. I really like it when the old bull can work with the young bull to really leverage the energy and dynamism of youth with the wisdom, experience, resources and occasional downright sneakiness of the old bull. I believe we are creating an environment here at RFG that will do just that, and that all of us together will benefit from it.

New RFG web site!

Your reports have already been posted to your Client Private Page or are enclosed. While we have found the efficiency of being able to post your reports as opposed to mail them helpful, we have also found our execution of the process to be inadequate. It is currently too difficult for you to navigate. We are within a week or two of launching an entirely new home page. Within this new home page we will house an entirely new reporting and document delivery system that is generations advanced from the Client Private page we now provide and far easier to navigate. It will provide more dynamic and complete reporting in a completely new format and with easy access to acrobat document copies of the same reports you receive from us currently. Within the next week or so you will receive a letter from Susan providing you with an introduction to the site and instructions for you to login to the client only sections of the site. Paul will also be sending you a letter describing the account and performance reporting and research tools available to you on the site. The site will be the central repository of the investment and wealth management services we provide. We will send an email to all when the new site is launched, and you won't need to learn a new address, the old site will simply disappear and be replaced by the new.

We are very pleased to be able to begin the next 5 years with the launch of our new home page and we hope that you will find it to be a far more efficient and effective way to monitor your progress towards your financial goals.  We look forward to unveiling all its rich resources to you over time.

Have a great Spring!

Sincerely,

Benjamin G Baldwin III CFP® CHFC
President