RESPONSIVE FINANCIAL GROUP, INC.
A Registered Investment Advisory Firm

July 17, 2008

If you are watching the news and reading the papers to decide how your investments with us are doing let me reassure you, the reports of their demise have been greatly exaggerated! It has been a rough road since the most recent US markets peak near the end of October 2007. The suspension provided by our Risk-Adjusted Portfolios and internal disciplines have functioned well, we have experienced only a small fraction of the losses the market has.

It has been widely reported that this was the worst June on record since the depression. That is interesting but entirely unimportant. The quarter itself was volatile and *the market** ended down 2.72%. For the year that puts the index down 11.91% and since the end of October 2007, near *the market's* peak, down 16.24%. Not fun to watch, but again not important to you, our client. What is important to you is your own portfolio. Look at your portfolio, and do so in comparison with the news you have heard. I think you will be reassured.

Our Moderate and Moderate NTF portfolios are down only 4.32% and 3.75% respectively for the year to date. **From October 31st 2007, to June 30th 2008, the Moderate is down only 5.55% compared to *the market's* loss of 16.24%.** Amongst our Risk-Adjusted Portfolios, the returns corresponded similarly to their level of exposure to equities, more equity exposure a bit more loss, less equity exposure, less loss. **Over the last year the market was down 13.11%; our Moderate and Moderate NTF portfolios were down only 0.98% and 1.29%!**

This is excellent news because when market recoveries arrive they tend to be very profitable. When you can get past the bear with so little damage it means that your investment capital and emotional capital are intact to take advantage of the recovery. We are not predicting that this bear is over although there are reasons to believe that the bear's demise is not far off. It appears that the fund manager's in our portfolios have also been able to find investment opportunities amid this bear's rein.

We have done a great deal of digging into our manager's funds and reactions to market activity and considering the results, are even more pleased. In October of 2007, the cash position of our Moderate portfolios was approximately 25%, even though our model had only a 1% dedicated allocation to cash. By April that cash position was down to 15% without any change on our part. So while performing so much better than the market

** The S&P 500 index with dividends.*

these managers were making opportunistic investments by choice. That portends well for the patient investor.

There is a great deal being reported and said about markets, politics, geo-politics, oil, commodities, currency, inflation, home prices, mortgages, (did I forget anything?). In the popular press, reporting has virtually all been negative, including the "fact" that the reporting and markets have not yet been negative enough to mark a bottom. There is a substantial difference between the popular press and a number of other sources we seek out. First, fund managers themselves, both ours and others; a fair number with the freedom to be opportunistic are finding what they believe are opportunities. The Wharton School, CATO, opinions of historian's, other economic researchers published in the *Wall Street Journal* or smaller circulation journals and web sites offer insightful research and thinking as well. The differences are interesting.

The less popular journals and publications, those oriented towards professional *investors;* in contrast with those targeted to *traders, speculators* or popular press; are much more granular in their comments on investment opportunities. What I mean is that they focus on what they can DO in the present and in so doing they avoid the "worried" overtones that permeate so much of the wider circulation press.

That is another of the advantages of our choice to base the core of our portfolios in actively managed funds and securities as opposed to passive or indexed securities. It is OK to focus just on "what you can do" because the overall market, trader, speculator, investor, economist combined mindset which is the moving force of "the market" is just one of the factors necessary to consider, and it is rarely the principal factor. It falls to a secondary consideration after the fundamentals of the individual securities or real assets in each fund managers fund or under their consideration or as with one of our core funds it is but one of more than 130 specific factors that are considered and numerically weighted.

All of this is not to say that we are not concerned about these markets and their effects on your portfolios. Part of the reason it has taken me nearly two weeks to write this quarter's commentary is due to that concern and the amount of reading and some portfolio work we have been involved in. Over this time the markets have only gotten worse with worries, particularly about the financial sector in general and credit markets and banks in particular weighing heavily. You may recall our letter from early this year about keeping your deposits with FDIC insured banks under the FDIC Insured umbrella. Last week IndyBank failed and fully $1 billion of their $19 billion in deposits was uninsured!

** The S&P 500 index with dividends.*

This is a time for sober, cool headed and assertive thinking and action regarding investment strategies and tactics. That is what we intend to keep doing.

I would like to rant a bit about the sources of many of the problems our economy face but I will spare you the soap box speech.

This quarter has had some big ups and downs for my family. As the quarter closed Rosie, Hannah, Maddie, Lara, Bandit and I moved back into our house, having moved out in March to complete the interior remodel of our kitchen, living room, dining room (gone!) and family room. Yea! In May however my father was diagnosed with colorectal cancer and had surgery in early June which he had a tough recovery from. Major boo. But now he has recovered very well, his spirits are up, he and mom are back in Illinois and the prognosis for him with the next 8 months of chemo and radiation is excellent. Yea again! Then just this week we learned that Bandit, our 9 year old Bernese Mountain Dog has stage 5 Lymphoma and could go any time now. Another boo. The kids are all excited to go get another dog soon and maybe the immune therapies we are trying on her will keep her comfortable or even healthy for awhile and she can have a little buddy. I don't know which that is, yea or boo!

Several of you have had even more significant ups and downs this quarter than what my family has experienced. I hope that for the rest of you, things have gone along fairly nicely and continue to do so through the summer.

The sum of all of your lives and experience teaches me and helps me keep things in perspective. I guess the point is that we must all be prepared for the good and the bad. Make plans, and plan to change them sometimes. Prepare for your future, but don't forget that today is all you are assured of. Consider that you'll be remembered for what you were to others, and, thankfully, you get to choose (I believe) which "others" opinions matter to you!

Sincerely,

Benjamin G Baldwin III, CFP® ChFC

** The S&P 500 index with dividends.*