



Financial Concepts Unlimited, Inc.

1803 Research Blvd, Suite 200A
Rockville, MD 20850
Phone: (301) 315-6344
Fax: (301) 315-6343

Michael S. Standridge
Portfolio Analyst

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MARKET RESEARCH & INVESTMENT COMMENTARY 1:

I would like to formally introduce myself and share with you some thoughts and perspectives on the financial markets from a macro and micro level. After performing extensive investment research and analysis, I find the topics listed below to be of interest going into 2008, and could have a noticeable impact on several leading asset classes worldwide.

FEDERAL RESERVE:

U.S. Central Banks recently cut interest rates 75 basis points on Nov 22nd and 50 basis points again on November 30th due to recessionary concerns. This sequential rate cut from 4.25% to 3.0% is the largest monetary policy move in the last 25 years. Overseas, the European Central Bank has kept its respective rate at 4.0%, while the Bank of England recently lowered its rate 25 basis points to 5.25% due to economic concerns. One can expect further rate cuts as we go into 2008.

Despite all of this, markets have not reacted too favorably due to lingering concerns over shaky credit markets, unstable earnings projections, weak profits, and high levels of consumer debt. Rate cuts can take 6 to 12 months to be effective, but they are often used to lessen the impact of a recession once it has begun, not prevent it from occurring. *(see footnote 1)*

DOMESTIC & OVERSEAS GROWTH:

Gross Domestic Product in the U.S. is expected to average 3.0 to 3.5% this year, while the rate of growth globally has averaged around 3.7% during the past 20 years. Domestically, our economic outlook remains positive as a result of low unemployment combined with moderate levels of consumer and corporate spending over the past few years. *(see footnote 2)*

STANDARD & POOR'S 500:

Currently, the S&P 500 index is trading at 15 times next year's earnings forecast. Historically, this widely viewed market index has traded at around 17 times forward earnings. Estimates for U.S. stock earnings growth during 2008 are projected at 5 to 8%, while overseas earnings growth is forecast at 7 to 9%. Presently, the overall market is considered to be fully and fairly valued. *(see footnote 3)*

OIL PRICES:

For much of 2007, oil prices worldwide had experienced volatile price movements testing the \$100 a barrel level on several occasions. The primary causes were sporadic demand, limited inventory in the Middle East, and speculative buying from market participants. Oil prices continue to fluctuate due to milder winter conditions in the Northeast plus increased production on the part of OPEC and accompanying oil rich nations. *(see footnote 4)*

THE U.S. DOLLAR:

The relative purchasing power of the U.S dollar continues to weaken and is trading at a significant deep discount to the Euro (1.00 euro = 1.4726 dollar), or inversely, the U.S. dollar has a relative purchasing power of about \$ 0.679 compared to the Euro equivalent. This 11 year low has caused investors to abandon the U.S. dollar as the ultimate safe haven benchmark currency and seek the purchasing power of other currencies denominated in Europe and Asia. *(see footnote 5)*

HOUSING MARKET:

There is little hope that the housing market will recover in the near future due to stricter lending standards, increasing number of foreclosures, oversupply of existing inventory, and decreasing homeowner's equity. Experts predict within 12 to 16 months, one trillion dollars of adjustable rate mortgages will ratchet upward, causing mortgage payments to rise.

During 2007, the number of subprime housing related bankruptcy's rose to an all time high, while foreclosure rates and over due loan payment notices rose to double digits nationwide. It should be noted that this subprime segment represents only 10% of the nation's total residential real estate market. *(see footnote 6)*

GOLD & PRECIOUS METALS:

In an attempt to establish a hedge against inflation, investors are aggressively buying gold with prices fast approaching a \$1,000 per troy ounce. Several semi precious metals have also risen to multiyear highs - aluminum, steel, copper, palladium, nickel, and silver. Investors should exercise caution as base metal prices are historically expensive at these levels, and may not be the best asset class to consider when seeking a safe haven against rising inflation. *(see footnote 7)*

EMERGING MARKETS:

There is a growing concern amongst investors over the instability that exists in emerging markets. The outlook for the regions of Asia, Eastern Europe and the Middle East remain weak due to currency devaluations, geopolitical risks, and the challenge of fluid imports and exports. It should be noted that these regions fell 12% in value during 2007. *(see footnote 8)*

ECONOMIC OUTLOOK:

As we progress into the 2nd and 3rd quarter, employment and the consumer will be two closely watched leading economic indicators. Since the 4th quarter of last year, the rate of unemployment has been around 5%, a historically low level, despite recent market conditions. Ultimately, we believe that a positive U.S. economic outlook coupled with the Federal Reserve lowering interest rates diminishes the chance of a recession occurring in the U.S.

In closing,

Yinmo Wang, fellow portfolio analyst, and myself are keeping a close watch on the state of the markets and looking for the next opportunity to make additional investments. We remain confident with our decision to stay mostly invested in cash and when market opportunities present themselves we will act promptly. From this point, you can expect an updated quarterly research report.

Thank you,

Michael S. Standridge
Portfolio Analyst

FINANCIAL MARKET DATA AND STATISTICS FOR FEBRUARY 25, 2008:
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Year to Date Statistics	Current Rates	Current Yields
DOW – DOWN 6.7%	Oil Price - \$99.35 a barrel	Federal Funds – 3.0%
NASDAQ – DOWN 13.2%	Gold Price - \$941 an ounce	30 Year Mortgage – 6.05%
S&P 500 – DOWN 7.8%	Euro per Dollar – 0.679	10 Year Treasury – 3.79%
Russell 2000 – DOWN 9.2%	Rate of inflation – 2.2%	5 Year CD – 3.35%
Volatility Index – UP 6.9 %	Unemployment – 5.0%	Money Market – 2.78%

Foot Note Source Disclosure:

footnote 1 – The Washington Post, January 2008; footnote 2 – FSC Securities Corp, February 2008; footnote 3 – Investor’s Business Daily, February 2008; footnote 4 – Barron’s, February 2008; footnote 5 – The Wall Street Journal, February 2008; footnote 6 – Standard & Poor’s, January 2008; footnote 7 – Investor’s Business Daily, January 2008; and footnote 8 – Business Week, January 2008.

There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio in any given market environment. The price of commodities is subject to substantial price fluctuations of short periods of time and may be affected by unpredictable international monetary and political policies. The market for commodities is widely unregulated and concentrated investing may lead to higher price volatility. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications, and other factors. Foreign investments involve special risks including greater economic, political, and currency fluctuation risks, which may be even greater in emerging markets. Indexes cannot be invested in directly, are unmanaged and do not incur management fees, costs or expenses. Investors should be aware that there are risks inherent in all investments, such as fluctuations in investment principal. With any investment vehicle, past performance is not a guarantee of future results.

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