

Dear Shareholders:

Stocks are at some critical support levels. For the DOW that is at approximately 9500. This level has been tested significantly over the last few days. If it can hold here and move up again, that will be a good sign. A decisive breakdown below 9500 would probably send the DOW back to post-9/11 lows. The next few days will be interesting.

I continue to remain cautiously optimistic. So much is positive about the economy. The three previous multiyear losing markets were mired in far worse conditions.

1929-1931 -- 4 straight losing years. The Great Depression. Little compares with today.

1939-1941 -- 3 straight losing years. End of Depression. War-driven productivity was the major component of the economy. Likewise not too comparable.

1973-1974 -- 2 straight losing years. Oil Embargo instigated downturn, rising inflation and interest rates. "Stagflation." Again, not much like today.

TODAY (2000-?): No depression. Terrorism war a small component of economy. No oil crisis. No inflation.

By all rights, this market should be recovering. The cause of continued down markets would appear to be more the "Bear" psychology rather than than any fundamental impetus for delay.

This is almost a mirror image of 1999 into early 2000. The "Bull" psychology prevented investors from acknowledging rising interest rates and speculative buying bidding up markets beyond reason. This created a bigger fall and larger pain, which is affecting attitudes today.

Can this market go down further? Sure. But the doomsday mentality just might signal that the end of this Bear may be very near. If it does break downward, it might be the last selloff. If not, then this support level may be the base of the next bull market. There are no guarantees, but history and common sense certainly can offer insights.

We will remain vigilant and continue to follow our long-term principles. One of those principles is that "Companies are the economy." And we believe American business, and global business for that matter, are far from being dead. If you believe that businesses will continue to grow and be worth more in 3-5 years, then now is not the time to be afraid of stocks. ([www.staarfunds.com/home.htm](http://www.staarfunds.com/home.htm) Click on "[Working Principles](#)")

The approach is to be well diversified, pay attention to quality and when the bull market resumes, be prepared to add to your stock investments.

Sincerely,

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