

Spectrum Investor® Special Report
August 2007

Christiansen Investments, Inc.

Registered Investment Adviser

US stocks hit a record high just three weeks ago, peaking at just over 14,000 on July 19th. The Dow closed Friday, August 10, 2007 at 13,239.54 or 5.4% below its July 19th peak. Even with the correction, the Dow has had a good run in 2007 starting at 12,463 on December 31, 2006 (*WSJ* 8/14/07). In spite of the recent losses, the Dow is up 6.2% since January 1 (*NY Times* 8/13/07).

The excesses in the financial markets have been generally in the complex mortgage securities arena, not in the traditional stock and bond markets where the average American invests their money. The S&P 500 Index has fallen 6.4% since July 19th. It is considered normal for the market to fall as much as 10% periodically during bull markets. That leaves room for the Dow to fall another 640 points to 12,600. In the mean time, the average American can expect more turmoil and uncertainty in the stock market and may have a harder time attaining a mortgage, however, ordinary long-term investors, as long as they are diversified, should worry less. Last week the Federal Reserve and other central banks calmed the markets by lending \$293 billion to banks to keep short-term rates from rising and also to ensure that there was enough money to lend to borrowers (*NY Times* 8/13/07).

There is no way to predict where the market will go, but many investment specialists say the economy is fundamentally strong. Interest rates are still relatively low, with the 10-year Treasury currently at 4.76%, while corporate America's profits have been strong. As a comparison, in the October 1987 crash, when the 10-year Treasury yield spiked from 8.83% at the start of the year to 10.23% by October, the Dow ended up falling 23% in a single day. With a 10.23% yield on treasury notes in 1987, bonds were a better alternative to stocks than they are today. As long as the 10-year Treasury rate hovers in the 4.50% to 5.25% area, and corporate earnings remain strong, the markets should recover for the long-term (*InvestTech Research* 2/28/07).

In the mean time, continue to focus your core equity holdings on large cap funds holding multi-national stocks (purple, green and red), international funds (white) with a 5% to 10% position in natural resources (black). We suggest no more than a 5% allocation in small cap stocks in this environment. If you are having trouble sleeping in this market, you may want to consider allocating a greater portion to **balanced or moderate allocation funds**, which are generally investing about 60%-65% stocks and 35%-40% bonds and cash. Depending on your risk tolerance, a total allocation of 20%-40% in balanced fund options, would be prudent in this market. In the one month period from July 12, 2007 to August 9, 2007, when the S&P 500 Index lost 6%, the average balanced fund was down 3.9%. Year to date as of August 9, 2007 the S&P 500 Index is up 3.42% while with less risk, the average balanced fund is up 3.53%. The average balanced fund during the 2000-2002 bear market was down a total of 13.92%, while the S&P 500 Index for the same period was down a total of 43.0%. Over the last 10 years, the average balanced or moderate allocation fund has had a return of 6.7%, while the S&P 500 Index return is 7.13% (*Morningstar* 6/30/07). Keep in mind, past performance is not an indication of future results (*Barrons* 8/13/07).

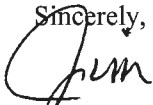
You may want to refer to your 401(k) fund lineup. In your lineup you should find one or more of the following balanced or moderate allocation options: **American Balanced, American Income Fund of America, Dodge & Cox Balanced, Fidelity Balanced, Fidelity Puritan, Oakmark Equity & Income, T. Rowe Price Capital Appreciation, Vanguard Wellington, American Funds Capital Income Builder, or BlackRock World Allocation**. Please read your prospectus before investing.

If you have more than one balanced fund, allocate a portion to each one. As we have mentioned in our previous newsletters, unless you are in your 20s to 30s, we suggest no more than 70% of your assets in stocks. Incidentally, despite the turbulent market, out of over 10,000 participants, our office has received less than a dozen phone calls regarding the market.

If you wish to reallocate your 401(k) investment portfolio and are unsure of how to use your 401(k) provider website, or you forgot your pin number, check out our website for instructions and copies of our newsletters at www.ciadviser.com.

Thank you for your business.

Sincerely,



James F. Marshall
President

Securities offered through:
H. Beck, Inc.
Member NASD, SIPC

11140 Rockville Pike
4th Floor
Rockville, MD 20852
301 468-0100

Christiansen Investments, Inc.
is not affiliated with
H. Beck, Inc.

West Bay Commerce Center
7100 W. Donges Bay Road
Mequon, Wisconsin 53092

262 238-4010
FAX 262 512-2704
800-242-4735
e-mail ci@ciadviser.com