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MAY 09

Current Observations



Call, Click or Handshake By Paul Sutherland, CFP®

Facilitating understanding and providing comfort are the simple reasons FIM Group produces a monthly newsletter. Our newsletters are written specifically to inform our clients of what we are thinking and doing and why – not to “pump” investments or sell our company’s financial and investment management expertise.

We understand that the amount of time our clients spend reviewing their portfolios varies widely; some rarely open their monthly portfolio appraisals, while others are online daily checking their balances. We also understand that our newsletters can’t cover every financial topic and answer all our clients’ questions. So it is always our intention – our challenge – to utilize as many types of media as possible (newsletter, website, etc.) to communicate with our clients as straightforwardly and effectively as possible.

For instance, we have begun to update our website (www.fimg.net) to include webinars, podcasts and other helpful links that allow our clients better access to more complete and up-to-date information. We have also recently conducted a series of in-house seminars at our Michigan location that gave our clients an opportunity to learn new information firsthand and provided a forum through which they could directly address their questions and concerns. (For those who were unable to attend, these seminars will be posted on our website.) In the seminar titled, “What Is In My Portfolio and Why?” we addressed FIM Group investments and detailed various holdings. We chatted about some of our favorite holding companies, including Criteria CaixaCorp, Pargesa, Guaco, Cheung Kong, Berkshire Hathaway and others. Many clients provided positive feedback and enjoyed knowing a bit more about the holdings and why we think they make sense.

Few of our clients know that the Swiss company Pargesa (our largest client holding) owns a large chunk of the energy company, Total S.A., and the largest cement maker in the world, Lafarge. And the Hong Kong-based Cheung Kong has 240,000 employees worldwide with interests in ports, telecommunications, energy and real estate.

Many of our holdings also have significant family or management ownership, which provides comfort knowing that management is personally invested. Some clients have asked why we buy “holding companies” versus owning the securities they hold individually. Put simply, the holding company structure offers some unique benefits to investors in today’s market environment. One of the biggest advantages is the ability to buy the group of holdings at a discount to the price of owning each individually while fully participating in the earnings and cash flow of those holdings.

Great Things Often Come in Small Packages

One common concern for many of our clients is the idea of “penny” or low-priced stocks. We own powerhouse companies like Berkshire Hathaway, which sells at \$3,000 a share, and we also own companies like Meghmani Organics, Babcock & Brown, Kingdee, Total Produce, Singapore Post and others that are priced at less than \$1 per share. *Low share price does not reflect or represent the quality of the company.* Kingdee, for example, is the largest software developer in China, Meghmani is a large maker of paint and ink pigments and agrochemicals, Babcock & Brown is one of the world’s top-five wind utilities and Singapore Post is one of the most efficient postal operators in the world.

Using as many forms of communication as necessary, FIM Group wants each client to understand as much as possible the rationale and common sense behind his or her portfolio. Of course you can always make an old-fashioned phone call to any of our advisers and discuss the details and nuances of your portfolio.

At FIM Group, information about your portfolio is just a call, click or handshake away.

SELECTED HOLDINGS

Criteria CaixaCorp

- Holding company
- Spain-based investment group
- Committed to international growth with stakes in financial and industrial companies
- Largest initial public offering in Spain in 2007
- Pays out 80% to 90% of net earnings in dividends as policy
- 7.98% cash dividend as of April 9, 2009

Cheung Kong

- Largest holding company in Hong Kong
- Market capitalization of HK\$510 billion
- Operates in 54 countries
- Employs 240,000 people
- Large property development and strategic investment company
- One of the largest developers in Hong Kong – approximately one in seven residences were developed by the company
- 5.21% cash dividend as of April 9, 2009
- 5-year dividend growth rate of 9.02% per year

Jardine Strategic Holdings Limited

- Asian-based portfolio of leading businesses
- Founded as a trading company in China in 1832
- Holdings include:
 - ² The famous Mandarin Hotels with 41 hotels in 24 countries
 - ² Mercedes-Benz and Hyundai franchises in Hong Kong
 - ² Risk-management adviser and insurance/reinsurance broker
 - ² Dairy Farm – The leading Asian retailer with 4,359 outlets, including supermarkets, hypermarkets (super stores), health and beauty stores, convenience stores, home furnishing stores and restaurants
 - ² Jardine Cycle & Carriage – Has a 50.1% interest in Astra International, the largest independent automotive group in Southeast Asia
- Reinvests most earnings; therefore, pays only a modest dividend

Holdings are subject to change. The selected holdings discussed may not be held in all FIM Group portfolios and represent only a sample of companies held in FIM Group portfolios.

EDP Group

- Largest unregulated seller of electricity in Portugal
- Serves 9.7 million electric customers
- Third-largest energy operator in the Iberian Peninsula
- Fourth-largest player in wind energy in the world
- Owns Horizon Wind Energy, leading developer of wind energy in the U.S.
- Owns 62.4% of Energias do Brasil
- 5.09% dividend as of April 9, 2009
- 5-year dividend growth rate of 5.75% per year



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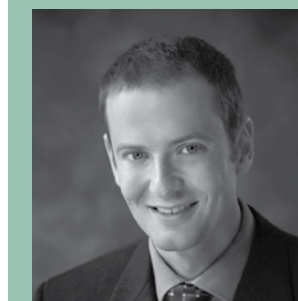
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Investment Spotlight : Total Produce

Recently we have been adding Total Produce to FIM Group portfolios. Total Produce has €2.5 billion in annual sales with a current share price of €0.29 on the Irish Stock Exchange, or 37 cents USD per share.

For investors, the share price of a stock is less important than what that price represents. Some investors are of the unfounded belief that a smaller share price somehow automatically means that the company is inexperienced and speculative. This is simply not true. Speculative companies have floated their shares at high prices to avoid the stigma, and many countries issue stocks with smaller prices due to cultural, stock exchange or corporate mandate.

Total Produce distributes 250 million cases of fresh fruit and vegetables from nearly 90 locations annually. They are focused on growth through synergies, nurturing retailers and consumers, and building partnerships to help deliver increasing shareholder value. Total Produce has a solid balance sheet as well as consistent sales and earnings growth over the years.

We have personally met their management team and believe they are delivering a quality product that is in constant demand, which should help make them recession-resistant.

Total Produce's final cash dividend, declared on March 5, 2008, will be paid June 3, 2009, to shareholders of record as of May 1, 2009, in the amount of \$.0115. The cash dividend brings Total Produce's yield to 6% based upon its April 22, 2009, share price of \$0.28.

Total Produce's price-earnings ratio is 6x, their price-per-book ratio is 0.7x and their price-to-sales ratio is .09x, all factors that make the company a bargain-priced investment using any matrix.



Total Produce
www.totalproduce.com

- Employs 4,000
- Europe's largest fresh food provider
- 90 depots operating in 13 countries

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The Act also modifies the Hope credit for financial assistance for individuals seeking a college education. For 2009 and 2010, ARRTA provide taxpayers with a new "American Opportunity Tax Credit" of up to \$2,500 of the cost of tuition and related expenses paid during the taxable year. Under this new tax credit, taxpayers will receive a tax credit based on one-hundred percent (100%) of the first \$2,000 of tuition and related expenses (including books) paid during the taxable year, and twenty-five percent (25%) of the next \$2,000 of tuition and related expenses paid during the taxable year. This tax credit will be subject to a phase-out for taxpayers with adjusted gross income in excess of \$80,000 (\$160,000 for married couples filing jointly). Additionally, for college students, the purchase of any computer technology or Internet access service will now qualify as a qualified expense from a tax-advantaged 529 education account.

In order to stimulate the real estate markets, ARRTA expands on the refundable "First-Time Home Buyer

Credit" that was put into place last year. The new law raises the current maximum \$7,500 first-time home buyer tax credit to \$8,000, and extends it at that level through homes purchases through November 30, 2009. It also eliminates any required repayment of the credit to the IRS after living in the home for more than 36 months. These enhancements apply to purchases of a principal residence by a first-time home buyer after December 31, 2008. Purchases on or after April 9, 2008, and before January 1, 2009, continue to be governed by the original credit enacted last year. This credit is phased out with taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 for married couples filing jointly).

ARRTA also provides taxpayers with a deduction for state and local sales and excise taxes paid on the purchase of new cars, light trucks, recreational vehicles and motorcycles through 2009. This deduction is subject to a phase-out for taxpayers with adjusted gross income in excess of \$125,000 (\$250,000 for married couples filing jointly). It is also allowed for those claiming the standard deduction.

For tax years beginning in 2009, ARRTA provides more than 26 million families with tax relief for this year by extending Alternative Minimum Tax (AMT) relief for nonrefundable personal credits and increasing the AMT exemption amount to \$70,950 for joint filers and \$46,700 for individuals. Once again, only a patch and not a long-term solution to the outdated AMT tax system.

Lastly, for those less fortunate who may have experienced a disruption in employment, ARRTA has provided some relief by temporarily suspending taxation of unemployment benefits. For 2009, up to \$2,400 of unemployment benefits received this year are excluded from gross income. In addition, the Act has provided a limited-time 65% subsidy for COBRA continuation premium coverage of unemployed workers who were involuntarily terminated between September 1, 2008, and December 31, 2009. The subsidy is not taxable.

The FIM Group Team

Each and every FIM Group investment account is backed by a dedicated team of individuals – all proven experts in their fields – whose collaborative efforts and primary focus are on our clients. We want to ensure that each of our clients receives the very best service and the most effective investment management. At FIM Group, world-class client care is more than a motto, it's our way of doing business.

We are honored to work with our clients and hope that you will take some time to get to know each of our team members. Please feel free at anytime to call or e-mail any member of our team.

American Recovery and Reinvestment Tax Act of 2009

By Kevin Russell, CPA®, CFP®, AAMS®, CRPC®

The American Recovery and Reinvestment Tax Act (ARRTA) that was recently signed into legislation provides tax relief for many individuals during a very difficult financial time. Below are some of the highlights of ARRTA.

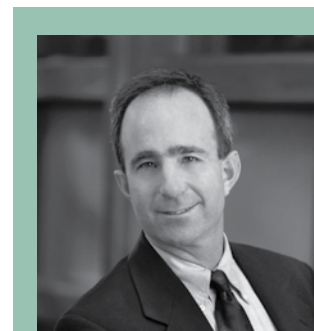
Under the new law, for 2009 and 2010, the Act provides a "Making Work Pay" tax credit of up to \$400 for working individuals and \$800 for working families. This tax credit would be calculated at a rate of 6.2% of earned income, and would phase out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 for married couples filing jointly). Taxpayers can receive this benefit through a reduction in the amount of income tax that is withheld from their paychecks or through claiming the credit on their tax returns. The new law will also provide a one-time payment of \$250, for 2009, to individuals on a fixed income, including Social Security recipients, railroad retirees, disabled veterans and retired government workers.



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"The achievements of an organization are the results of the combined effort of each individual."

- Vince Lombardi