



Playing good defense

October was a horrendous month for almost all markets and the only nice thing about it is that it is over. Stock markets around the world collapsed. Commodity prices collapsed across the board.

The good news is that K&A clients don't have much to cry about in October. Our worst performing model for the month was The New World, down approximately 1%. Our best performing model for the month was Halifax, **UP** almost 1%. Most of the rest were down less than ½%. Losses were fractional. We played excellent defense during the month.

Now we actually hope to go on the offense a little and I will be writing about that this weekend. By Monday you will have a very comprehensive newsletter regarding our plans for the models for November and December. The rally this week did not end the bear market, far from it. But we believe we can make some money in the last two months of the year. We will be explaining the plan.

In the meantime the insanity in our markets continues as well as the insanity coming out of Wall Street and big banks. Here is my RANT for the day. Did you know that Goldman Sachs Group Inc., Morgan Stanley and Merrill Lynch & Co., have already set aside \$20 billion to pay **BONUSES** this year. You read that right. These are three of the nine companies that just split \$125 BILLION of new capital received from the TARP plan!

These companies were in danger of going out of business just a few short weeks ago, and now that they have all this fresh new capital, which you and I as taxpayers are saddled for—they are paying out BILLIONS IN BONUSES TO MANY OF THE SAME KNUCKLEHEADS WHO CREATED THIS CRISIS.

Give me a friggin break!

I can't tell you how furious I am about this and I hope Congress or the New York State Attorney General stops them.

Write or call your congressman about this. Contact the New York State Attorney General and tell Andrew Cuomo to stop this travesty.

Here is the link to their website. <http://www.oag.state.ny.us/contact.html>

K&A clients, in my humble opinion we did great in one of the worst months in the history of financial markets. Take care. Back on Monday.

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K&A manages accounts with various histories and investment objectives. Various accounts may be managed differently from time to time.

Krsek makes frequent reference to the model portfolios called Hatteras, Mendocino, Halifax, Bonavista, Fresnel and The New World. During 2005 Paul Krsek was appointed Chief Investment Officer of K&A, and as such is responsible to make all trading and management decisions for all client accounts which are being managed according to a specific portfolio model. A description of each of our models can be found on our website at <http://www.kaassets.com/choices.htm>.

Not all accounts managed by K&A are "modeled" accounts. We strongly urge our clients to understand which model, if any, are being used to manage their accounts.

As of July 3, 2007 Lee O'Dwyer joined K&A as a portfolio manager. Paul Krsek and Lee O'Dwyer frequently discuss investment ideas, model portfolio strategies and the investment policies of K&A. But when it comes to the implementation of those policies Krsek is primarily responsible to manage the accounts that fit into each model portfolio description. He generally makes all final investment and trading decisions relative to those accounts that are considered to be "modeled." However, in Krsek's absence O'Dwyer does have the authority to trade all client accounts. He has been actively trading accounts in the various models since joining K&A.

From time to time K&A receives requests from clients to purchase securities that are not included in the model portfolio to which they are assigned. Effective May 24, 2006 K&A has encouraged clients to hold such securities in a separate account for the client. Because K&A is a "fee only" registered investment advisor" it charges its normal management fee for monitoring such securities in the separate accounts in which they are held.

K&A makes every effort to exclude securities that are 'requested by the client' from the modeled portfolio accounts.

The investment objectives of various accounts and models may be substantially different from one another. Therefore topics or investments mentioned in E-Ellumination may or may not apply to specific managed accounts and/or models.

Trades or adjustments to accounts mentioned in ELLUMINATION may or may not happen in every account managed by portfolio managers at K&A.

If you are not satisfied with the investment results in your account it is your responsibility to inform Krsek or Andreae and to discuss possible changes that can be made to the account to accommodate and satisfy your needs.

The assets held in managed accounts at K&A Asset Management, LLC may include stocks, bonds, cash, commodities, foreign exchange or mutual funds or exchange traded funds (ETF's), money market accounts or limited partnerships that represent the same. They are subject to market fluctuation and the potential for losses. The assets are not insured. The value and income produced by these investment products may fluctuate, so that an investor may get back less than they initially invested.

The portfolio managers at K&A Asset Management, LLC do not guarantee results.

Past performance should not be considered an indicator of potential future performance. If you do not consider yourself suitable, either emotionally or financially, to experience volatility and/or losses in financial markets, you should not invest.

From time to time Krsek lists the simple annual returns of the six model accounts in this newsletter. These accounts are "models" and do not represent the actual results accruing to individual accounts. Simple annual return does not represent "time weighted return" as reported individually to clients in their quarterly reports prepared using Centerpiece.

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Sincerely,

Paul Krsek
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