

MONEYWATCH

ADVISORS

February 8, 2011

Newsletter to Clients

HAS IT BEEN LONG ENOUGH TO HAVE FORGOTTEN THE FRIGHTENING INVESTMENT EXPERIENCE IN 2008? The market decline began in July 2007 but did not accelerate until one year later, actually in the fourth quarter of 2008. We hit bottom in late 2008 and fortunately we had the courage and patience to stay the course.

When I talk with prospective clients, I try to outline my view of our 'joint' responsibilities. I view the relationship as similar to a marriage, which takes both partners to work together for it to be successful. It will have its ups and downs, agreements and disagreements. Working with Moneywatch can be like that also. We manage the financial side of your life, which because of the investment markets, can have its ups and downs.

While we always try to adhere to the plan we set for a client, there can be unexpected pitfalls, just as life presents them to us. However, our role as financial planners is to try to adhere to the plan in spite of the pitfalls, which may be market caused for us (such as mentioned above), or an unexpected event in the life of the client. Our role then is to keep our eye on the goal and to work as hard as possible to achieve it.

Harris & Harris, Inc. (TINY, \$5.50) has recently been the subject of good news and write ups in the press. This venture capital company which you will recall focuses on tiny technology, that is nanotechnology, has seen one of its portfolio companies be bought for \$1-billion by Amgen. That's when the stock price jumped from \$4.5 to \$5.00. TINY invests in private companies, for which no public stock is traded, making it difficult for the average investor to value its worth. About two weeks later, another of their investments went public for the first time and the stock market continued to celebrate. Now the stock sells for \$5.50.

BlackRock Floating Rate Income Trust (BGT, \$16.00) has been the subject of what appears to have been substantial institutional buying. One day recently, 690,000 shares traded (compared to average volume of 97,100 shares) and the price broke above \$17/share, reaching a three-year high price of \$17.18. Remember, in October 2007 when the price was last in the \$17 area, the distribution (dividend) was considerably higher than today, 12.5 cents per share/month versus 7.5 cents per share/month now. We can only assume the buyers today anticipate a higher distribution rate in the future fueled by coming higher short term interest rates.

We want to remind you that we have the ability to email your net worth statement, this newsletter and news releases about our portfolio investments if you will provide us with permission and your email address. I don't know how many of you take advantage of this timely and convenient method of communication but I do know at least one client was not aware of the service as I discovered when I was telling him about how TINY was doing.

Thanks for your continuing confidence.