UPDATE

April 2008 Investment Management News

ABOUT OUR COMPANY

Company Profile:

Concord Investment Counsel is an Irvine based, fee-only investment management company specializing in Domestic Equity and Domestic Fixed Income Management. Our prudent investment philosophy is ideal for conservative investors seeking growth, income, and risk management.

Investment Strategy:

Concord invests in mid- to large-cap growth oriented companies with strong leadership, superior products, and sustainable growth plans. Our investment strategy incorporates both growth and value methodologies.

Company Goals:

- *High Alpha*
- *Low Tracking Error*
- *Average Volatility*
- *Excellent Client Communications*
- *Comfortable Relationships*

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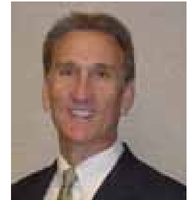
U.S. Problems Spreading Globally



Mitch Pletcher
President & Chief
Investment Officer

After spreading globally, the fallout from economic problems here in America has become the topic of discussion amongst global economists and international think tanks evaluating the outlook. Global growth as forecasted by the Peterson Institute for International Economics (a Washington DC think tank) is expected to slow to 3.8% in 2008 from 4.7% last year. The outlook for the global economy has faded from strong optimism in the fall of 2007 to moderate concern currently.

The financial tornado that began in Florida, California and Nevada housing markets has coursed its way around the globe, wreaking havoc in some areas while leaving others mostly unscathed. The storm has left many important players in our financial system severely distressed and dysfunctional in their ability to continue in many of their usual lending and counterparty roles.

The U.S. downturn has taken an uneven toll across the globe in sharp contrast to past periods of financial upheaval. Conditions appear to be quite different in this economic cycle as the performance of emerging and developing countries seems to be decoupled from the problems of the industrialized world. Can this diversion continue? Will the strength in these younger economies keep the U.S. out of a long or deep recession? It would seem like there currently is more optimism than pessimism toward these questions amongst economists and investors. Current U.S. market indices, although down 10-15% from their highs, have valuations that support optimism.

The evidence of economic weakness is visible in Japan and Europe. Exports to the U.S. have decelerated steadily over the last 2 years in Japan while credit problems have rocked several European banks, adding to the ongoing problem of the strong Euro.

Canada and Latin America are close trading partners with the U.S. and very vulnerable to U.S. spending trends, although Canada seems a bit better positioned given their strong ties to a robust energy sector.

Fundamentals in the Asian economies remain favorable as they continue to grow strongly. Structural reforms, current account surpluses, and positive changes in trade terms have allowed capital flows and direct investments to Asia, producing significant gains in income, wealth, and domestic consumption throughout the region.

The strength that continues in many parts of the globe has been a welcome source of strength in the businesses of U.S. multinationals.

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U.S. Problems Spreading Globally

By Mitch Pletcher

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The U.S. central bank, however, well aware of the damage brought upon the U.S. and parts of the globe by the present financial storm, has acted in swift and innovative ways to bring aid to the most important areas of concern. Since Countrywide Home Loans and Bear Stearns are essential cogs in the American financial system's engine, they were wisely allowed to remain standing. Countrywide services a great majority of the nation's mortgages; and Bear Stearns provides critically needed counterparty risk management to the banking and securities markets.

While the storm is largely over, the cleanup will take at least 1-2 years with significant drag on U.S. growth.

These facts considered, our outlook for equity markets is better than what we see for the U.S. economy. Capital flows toward stocks can be significant during periods of slow growth, modest inflation and friendly central bank posture. This is what likely lies ahead for the U.S. economy and markets.

SECTOR REVIEW *03/31/08*

Best Performers	Quarterly % Change	Worst Performers	Quarterly % Change
Platinum & Precious Metals	29.42	**Travel & Tourism**	-19.64
Home Construction	15.19	**Gambling**	-20.35
Railroads	10.05	**Airlines**	-21.75
Trucking	8.04	**Full Line Insurance**	-23.24
Steel	4.94	**Internet**	-25.65
General Mining	4.15	**Investment Services**	-26.80
Delivery Services	3.19	**Health Care Providers**	-28.05
Home Improvement Retailers	2.95	**Mortgage Finance**	-30.12
Exploration & Production	2.35	**Consumer Electronics**	-40.19
Farming & Fishing	0.81	**Mobile Telecommunications**	-40.21

Source: The Wall Street Journal

MARKET DIARY *03/31/08*

Equity Returns	Quarterly Change	YTD Change		Quarterly Change	YTD Change
US Large Cap Core	-10.22%	-10.22%	Mid Cap Core	-9.62%	-9.62%
US Large Cap Growth	-11.55%	-11.55%	Small Cap Core	-9.98%	-9.98%
US Large Cap Value	-9.47%	-9.47%	International	-9.18%	-9.18%

Returns are mutual fund averages from Lipper as reported by The Wall Street Journal. Performance includes dividends.

	Quarterly Change	YTD Change		Quarterly Change	YTD Change
CIC Asset Allocation Growth	-7.04%	-7.04%	S&P 500	-9.92%	-9.92%
CIC Focused Growth	-12.07%	-12.07%	DJIA	-7.55%	-7.55%
CIC Diversified Equity	-11.22%	-11.22%	Nasdaq	-14.07%	-14.07%

The data above for Asset Allocation Growth, Focused Growth and Diversified Equity are CIC model portfolios and not composites of client accounts. Performance data for equity indices and CIC model portfolios listed here exclude dividends. The information and data contained in this newsletter were obtained from sources considered to be accurate. Their accuracy and/or completeness cannot be guaranteed.

CIC Managed Assets

Balanced Portfolios

Asset Allocation for Growth

A dynamic blend of stocks, bonds, and cash for moderate investors with a bias toward growth balanced by income-producing investments.

Allocation as of 03/31/08:

US Stocks	44.3%
Int'l Stocks	11.9%
Bonds	35.3%
Cash	8.5%

Asset Allocation for Income

A portfolio of stocks, bonds, and cash for moderately-conservative investors seeking income and growth with relative stability.

Allocation as of 03/31/08:

US Stocks	33.9%
Int'l Stocks	8.1%
Bonds	52.7%
Cash	5.3%

Equity Portfolios

Focused Growth

A portfolio of large- and mid-cap US stocks that are industry leaders with strong brands and timely products.

Diversified Equity

A global, all-cap equity portfolio following economic trends across capitalization and geographic ranges.

Focused REIT

A portfolio of companies whose primary business is owning and leasing real properties.

Fixed Income Portfolios

Strategic Total Return Bond

A diversified portfolio of mid-and long-term bonds, actively managed for yield, capital preservation, and strategic capital gains.

Ultra Short-Term Bond

A short-duration bond portfolio offering active management for yield, safety, and liquidity.

Industry Focus

By Brian Thomas, Senior Analyst

The housing-inspired credit crisis has proven to be larger than most experts anticipated and now threatens the health of the consumer and broader economy. Under these circumstances, there aren't many bank-related companies that are expected to increase earnings this year. Fiserv is one exception. With U.S. banks as its main clients, the company has seen its stock fall 20% from recent highs set last summer, dogged by concern that banks will stop spending on technology in a slowdown. Yet while tech spending budgets will likely be examined and perhaps trimmed, the kind of processes that Fiserv offers are really nondiscretionary. Add to that the growth from last year's purchase of electronic bill-payment leader CheckFree and the company looks poised to perform well in any forthcoming banking recovery or during a continued period of credit-related turmoil.

Fiserv's main products for banks and credit unions relate to "core processing" — the systems and services allowing banks to post checks, open new checking and savings accounts, and keep track of loans. It's pretty boring stuff, until all of the complexity surrounding compliance, efficiency, security, and customer service issues is taken into account. That's how Fiserv gets 75% of its nearly $4 billion in revenues from these core services. The company commands an industry-leading 34% market share of this business. Its customers renew services at a healthy 90%-plus rate and usually sign three to five year contracts with fees based on either the assets under management or the volume of transactions. Smaller customers outsource almost all of their transaction processing chores to Fiserv, while others use a narrower selection of its systems. The very largest banks usually have their own systems, yet Fiserv still counts all of the top 100 banks in the country as customers, most of which use more than one Fiserv product. The number of banks has nearly halved from the early 1990s, yet banking assets have more than doubled to $12 trillion in that time. This leaves plenty of opportunity for Fiserv to grow — not to mention the fact that many of its technology solutions help banks sort through legacy networks as the industry continues to consolidate.

Currently, Fiserv is in a period of dynamic transition. Having achieved much of its growth via acquisition (150 deals since 1984), CEO Jeff Yabuki realized there are considerable cost savings yet to be achieved from managing all the individual units in a more centralized structure. Boldly named "Fiserv 2.0," the company already has managed to significantly boost margins and sees additional upside. The corporation also recently sold a mortgage credit reporting business, most of their health management business, and a majority of their investment services group in a further effort to boost margins and focus on their financial services core. This is all part of a strategic effort to become the preeminent provider of technology solutions to the banking industry.

Perhaps the most important contribution to Fiserv's newly focused strategy was last year's $4.4 billion acquisition of CheckFree. The fast growing bill pay and e-bills services that CheckFree dominates not only gets Fiserv into a more rapidly growing market segment, but creates significant cross-selling opportunities as well. This results from Fiserv having a small- to mid-sized customer base while CheckFree's customers are mostly larger financial institutions. Roughly half of Fiserv's 6,000 core processing clients currently have no electronic bill pay solution, and CheckFree's existing relationships with large banks might be the edge that Fiserv needs to make inroads selling more of its core products to bigger customers. There are also significant cost synergies in the merger, further supporting the margin expansion story.

While Fiserv is no stranger to integration risk, CheckFree marks the first acquisition of its size. A large amount of new debt had to be issued to make the purchase. In combination with macroeconomic headwinds and 2.0 initiatives, there is a lot riding on a smooth marriage and the realization of both cost and revenue synergies. If successful, however, the combined company is likely to participate in a banking industry recovery without any related credit portfolio risks.

Bond Market Review

By Steve Davis

The 1st Quarter of 2008 saw most of the bond market perform poorly with the exception of Treasuries. Home prices continued to decline, the economy showed further evidence of slowing, and the credit crisis showed no signs of letting up. As a result, the Federal Reserve was forced to come up with alternative solutions to these troubled areas.

In the corporate bond market, concerns about the economy held fast as spread product performed poorly relative to Treasuries. The spread between Treasuries and corporate bonds continued to widen amid falling prices. Like the 4th quarter of 2007, Treasuries outperformed mortgage-backed securities, which outperformed corporate bonds. Investment-grade spreads rose 1% relative to Treasury bonds for the quarter, and junk bond spreads grew 2%.

Treasury bonds were one area of the bond market that performed well as investors maintained their flight to quality. Yields continued to fall for the quarter while prices rose. Yields on the three-month T-bill finished the quarter at 1.32% after dropping to levels as low as 0.5%, while the 30-year Treasury bond finished at 4.29% for the quarter.

Weakness in the subprime housing market prolonged the pain among prominent financial institutions on Wall Street. Many bulge bracket firms took additional billion dollar plus write-downs during the quarter. Revered Bear Stearns was on the verge of bankruptcy before the Federal Reserve engineered a buyout of the 85-year old institution by J.P. Morgan Chase. In an unprecedented move, the Fed also offered brokerage firms lending access to its discount window in order to help ease shortages of liquidity within the financial system. In addition, the Fed lowered the federal funds rate another 2% during the quarter, bringing the rate at which banks lend money to each other to 2.25%.

Wide credit spreads and a flight to safety in Treasuries remain the theme in the bond market as economic and credit fears persist in vexing investor sentiment. While the final impact of subprime mortgage write-downs still unfolds, liquidity within the credit world remains limited. For these reasons, investors continue to show a slim appetite for credit risk.

Asset Allocation Review

By Michael Buccowich

Michael Buccowich CFP
Investment Consultant

But For Bonds, a Bruising Quarter Across the Board

Investors will need to look hard to find a bright spot in their quarterly performance reports this spring unless they hold bonds in their investment mix. The economic clock quickened its pace through late expansion towards the contraction phase as illness in the credit markets brought chills across the system. The malaise that feels more and more like a recession with time caused declines in all equity markets during the quarter.

As the table below shows, last year's style trend of growth outperforming value evaporated, leaving no respite for investors looking for strength in equity categories. International stocks showed less weakness compared to domestic stocks due to currency trends and more resilient global markets than in the past. Alone in the lead for 1Q08, the Lehman Aggregate Bond Index is the only asset class below that offered growth along all time frames, deriving about 3/4 of its return from government, agency, and AAA-rated debt. If recession takes hold, this quarter's performance pattern may persist; but a mere slow-growth environment could bring stocks back into favor. Time will tell, as always. Either way, portfolios with a broader footprint of assets may experience less volatility and even measured growth when weakness afflicts the economy.

	Index Name	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Large-Cap Equity	Russell 1000® Growth	-0.61	-10.18	-10.18	-0.75	6.33	9.96	1.28
	Russell 1000® Value	-0.75	-8.72	-8.72	-9.99	6.01	13.68	5.54
Mid-Cap Equity	Russell Midcap®	-1.45	-9.98	-9.98	-8.92	7.36	16.31	7.65
Small-Cap Equity	Russell 2000®	0.42	-9.90	-9.90	-13.00	5.06	14.90	4.96
International Equty	MSCI Eur/Asia/Far East	-1.05	-8.91	-8.91	-2.70	13.32	21.40	6.22
Int'l Emerging Equity	MSCI Emerging Markets	-5.29	-10.99	-10.99	21.33	29.24	35.53	12.27
Fixed Income	Lehman Aggreg Bond	0.34	2.17	2.17	7.67	5.48	4.58	4.84

Percent returns ending 03/31/08. Source: Russell Investments, Barclays Global Investors

Our Investment Process

By Brian Thomas, Senior Analyst

Qualitative Review

Our investment process aims to consistently find companies whose growth outlook exceeds the expectations of investors. To achieve this we utilize both quantitative and qualitative research methods. Our quantitative screen is engineered to identify companies in various phases of growth; its results further filtered by the investment team to decide which names will undergo a deep qualitative review.

Our qualitative work aims to evaluate the sustainability and profile of the current phase of growth a company is experiencing. We begin with an examination of the industry, first considering its health and measuring demand, assigning scores for several critical metrics. We attempt to understand the industry's secular growth drivers; not only the strength of its growth but the rate of change (if any) in the growth's trajectory. We also study the cyclical pattern of the industry to learn where we are in the current product cycle. Lastly, we grade the industry at the competitive level in an effort to measure not only the number but relative strength of industry players.

Our process then moves to the company level, which garners the majority of the potential points in our proprietary score sheet. We focus intently on the quality, uniqueness, and demand for a company's products. Our obsession with the product story evolves from our strongly held belief that an equity investment's success or failure can be traced invariably back to a correct understanding of the key product. We work to understand each company's product on several levels, ultimately scoring it on past and future superiority relative to the industry, depth and growth of product offering, pricing, market penetration, and competitive barriers to entry.

Our next step is to analyze the margin story for the company. How high are operating margins relative to the competition? What has the trend looked like? How sustainable are healthy margins? Much of our analysis of the company and the industry help us accurately forecast the top line growth for a business. But because Concord's philosophy centers on rising earnings expectations driving leadership in the equity market, it becomes very important to understand how a company's margins will translate sales growth into earnings growth.

We conclude our analysis by assigning scores for criteria such as the company's track record, its demonstrated ability to evolve within its industry, and the depth and quality of management. Finally, we score the financial strength of the business as measured by historically sound use of capital and returns on invested capital. Once complete, we have a final score for the company which carries a universal benchmark. Our strategic rating allows us to move on to our expectations analysis and ultimately to make the appropriate investment decision.