

# INVESTMENT LETTER

A PUBLICATION OF CALDWELL TRUST COMPANY

MARKET SNAPSHOT: DECEMBER 31, 2007

DJIA: 13,264.82

NASDAQ: 2,652.28

S&P 500: 1,468.36

10 YEAR TREASURY NOTE: 4.03%

## 2008 INVESTMENT ROADMAP

Before reading this message, please take a look at the reverse page. There you will find Caldwell Trust Company's annual report, showing the five-year track record and performance of various investment allocations.

As you can clearly see, the stock market took us on a bumpy ride over the last 12 months, but despite hysteria about the "credit crunch" and plunging real estate prices, 2007 ended as an average year. The DJIA closed out 2007 at 13,264, just 801 points higher for the year. That's approximately a 6.4 percent price change. Allowing for dividends earned, the Dow posted a respectable 8.9 percent total return—very typical of market performance over the past 50 years.

We are now charting a course of recommended 2008 investments for our clients. As with any journey, the first step—even before choosing a destination—is to pinpoint the starting point. Where are your investments today? Few investors take the time to analyze their investments because it's time-consuming and, for many, it's difficult. Yet proper asset allocation is key to investing wisely. To make it easier, use fewer and larger categories: cash; fixed income; international stocks; small-cap, mid-cap and large-cap stocks. And,

don't forget to add in your real estate.

The first time we analyze a portfolio, many clients are astounded, first by the total amount of assets they have accumulated, and second by where their money is and is not invested. Once you understand your true market position, you can determine your investment goal and map the best way to get there. As with a road trip, do you want the shortest route, even if road conditions are uncertain, or the safer but possibly longer way? Your individual goals and needs can help you decide whether to choose safe investments that may grow more slowly or those potentially offering the highest absolute return regardless of risk.

We manage funds on a risk-adjusted basis, tailored to each client's individual circumstances. Overall, in today's complex world our clients typically have from 50 percent to 75 percent in stocks, with the balance in fixed income and yield-producing securities.

Of the portion invested in stocks, we generally recommend placing half in large-cap stocks as core holdings. We break the remaining half into smaller positions in international and growth stocks. As an effective way to invest internationally, we utilize exchange-traded funds (ETFs). Both the growth stocks and international exposures

require careful monitoring in today's world.

Looking down the road in 2008, we anticipate more of what we saw in 2007: a few bumps, a lot of market noise, continuing headlines about the "subprime credit crunch" and "real estate bubble"—and another positive year. Overall, we see the roadway eventually smoothing out, with our economy slowing but still providing a solid foundation for investors.

## COMING SOON: NEW NEWSLETTER

I am pleased to announce that Caldwell Trust Company is developing a new, improved newsletter. The first issue, due in mid- to late February, will contain this investment letter along with educational and informational topics and some case studies on investment and financial situations. We will mail this newsletter, as always, and can also send it electronically. If you'd prefer to receive it by e-mail, just write us at [info@ctrust.com](mailto:info@ctrust.com).

Our best wishes to you and your family for a very happy and prosperous 2008.

RG "Kelly" Caldwell, Jr.

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## Recent Performance History of Selected Investments

*(2003 — 2007 With Dividends/Interest Reinvested)*

	2003	2004	2005	2006	2007	Value of \$10,000
<b><i>Stocks/Equities</i></b>						
<b>Indices</b>						
Lipper International Index	36.00%	18.60%	15.67%	25.89%	14.57%	\$26,910
NASDAQ Composite	50.10%	8.59%	1.37%	9.52%	9.81%	\$19,871
S&P 500 Index	28.69%	10.88%	4.91%	15.79%	5.49%	\$18,285
Dow-Jones Industrial Average	28.28%	5.31%	1.72%	19.05%	8.88%	\$17,812
<b>Mutual Funds</b>						
C/Growth Stock Fund	34.40%	16.22%	14.56%	10.45%	26.02%	\$24,907
Lipper Large Cap Growth Funds	26.96%	7.18%	6.72%	6.01%	12.32%	\$17,291
Lipper Balanced Funds	19.94%	8.99%	5.20%	11.91%	6.76%	\$16,430
C/Fund	19.39%	2.91%	0.26%	14.78%	8.40%	\$15,327
<b><i>Fixed Income</i></b>						
<b>Taxable</b>						
Long-term Governments	2.48%	7.70%	6.50%	1.85%	9.81%	\$13,146
Intermediate Governments	2.11%	2.02%	1.56%	3.51%	8.83%	\$11,918
1 Year Bank CD	1.20%	1.47%	2.77%	3.70%	3.72%	\$11,351
Bank Money Market	0.54%	0.48%	0.66%	0.80%	0.86%	\$10,338
<b>Non-Taxable</b>						
Lehman Brothers Municipal Bond Index	5.31%	4.48%	3.51%	4.84%	3.36%	\$12,341
<b>Junk Bonds</b>						
Lipper High Yield Bond Funds Index	26.48%	10.34%	2.89%	10.10%	1.77%	\$16,089
<b><i>Other Investments</i></b>						
Gold Bouillon	19.50%	5.36%	18.40%	22.95%	31.35%	\$24,066
Residential Real Estate	6.03%	12.97%	12.02%	6.00%	0.80%	\$14,337



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