

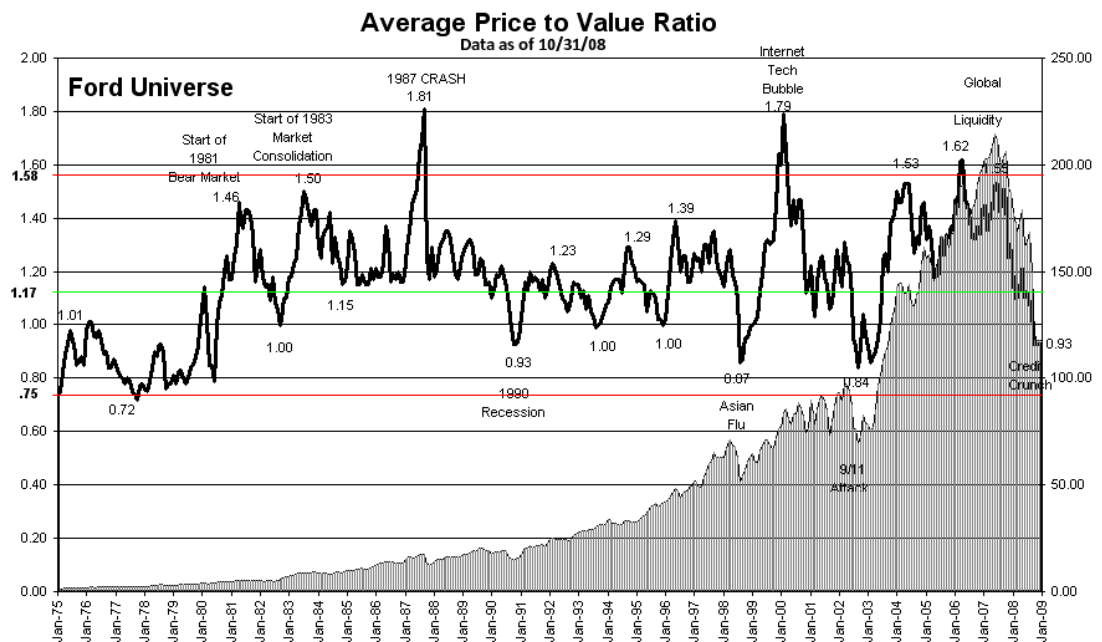
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Average Price to Value Points to a Buying Opportunity

The average Price to Value Ratio (PVA) on the 4,400 stocks that make up the Ford universe offers an excellent tool to identify a market that is either dangerously overvalued or presents a low-risk buying opportunity. PVA is computed by dividing a company's stock price by the value derived from our proprietary intrinsic value model that incorporates earnings, quality rating, dividends, projected growth rate and prevailing interest rates. A PVA greater than 1.0 indicates that a company is overpriced while a value of less than 1.0 implies that a stock is trading below its intrinsic value. By extension, the average of PVA over the universe of stocks gives us an indication of overall market valuation. Despite the fact that extremes in market valuation can persist for many months, adjusting market exposure when the measure of average PVA tests historical limits can substantially improve long-term performance. This study reviews some of the historical periods of extreme PVA and the market moves that followed and examines the current level of average PVA for some insight into near-term market direction.

Overvalued warnings that occurred in recent years preceded significant market declines. In June 2004 the marking of an average PVA of 1.53 was followed by a two-month decline of 7%. However, the market then had an advance of 47% before topping out two years later. In April 2006, the 1.62 average PVA preceded an 8% decline in the next three months followed by an 11.4% advance over the following 13 months. In June 2007, average PVA reached 1.53, giving a final warning signal leading to the current market weakness.

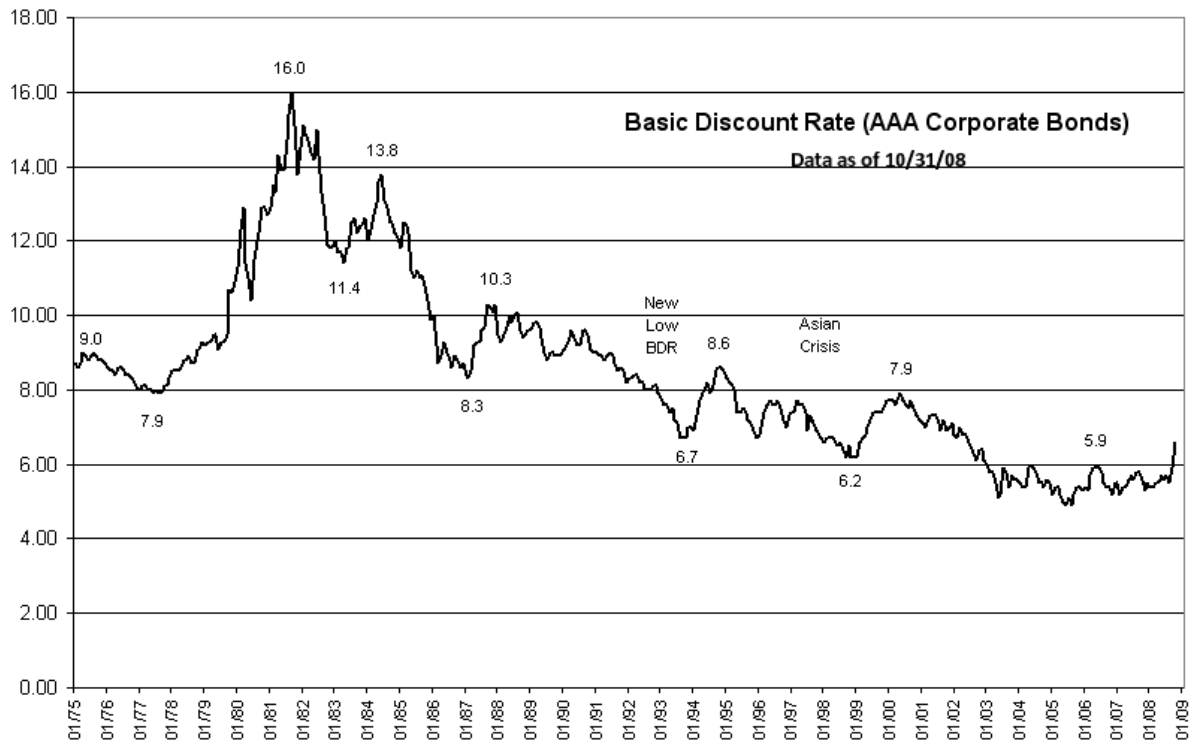
The graph below shows that the 25% average price decline in the Ford universe that occurred in October resulted in the average PVA dropping below 1.0 for the first time since June 2002. PVA has dropped below 1.0 seven previous times - April 1973, April 1976, April 1980, September 1990, August 1993, August 1998, and June 2002. In each of these cases, the market made an initial low within the first 3 months. However, the recovery from these lows was frequently impressive, with gains that averaged 18% and 34% over the following 12 and 24 months, respectively. An exception was 1973, when the market rallied back to even before declining 39% over the subsequent 18 months. Based on the historical pattern, with the current level of PVA well below 1.0 we should expect to see that the market has bottomed by year-end.



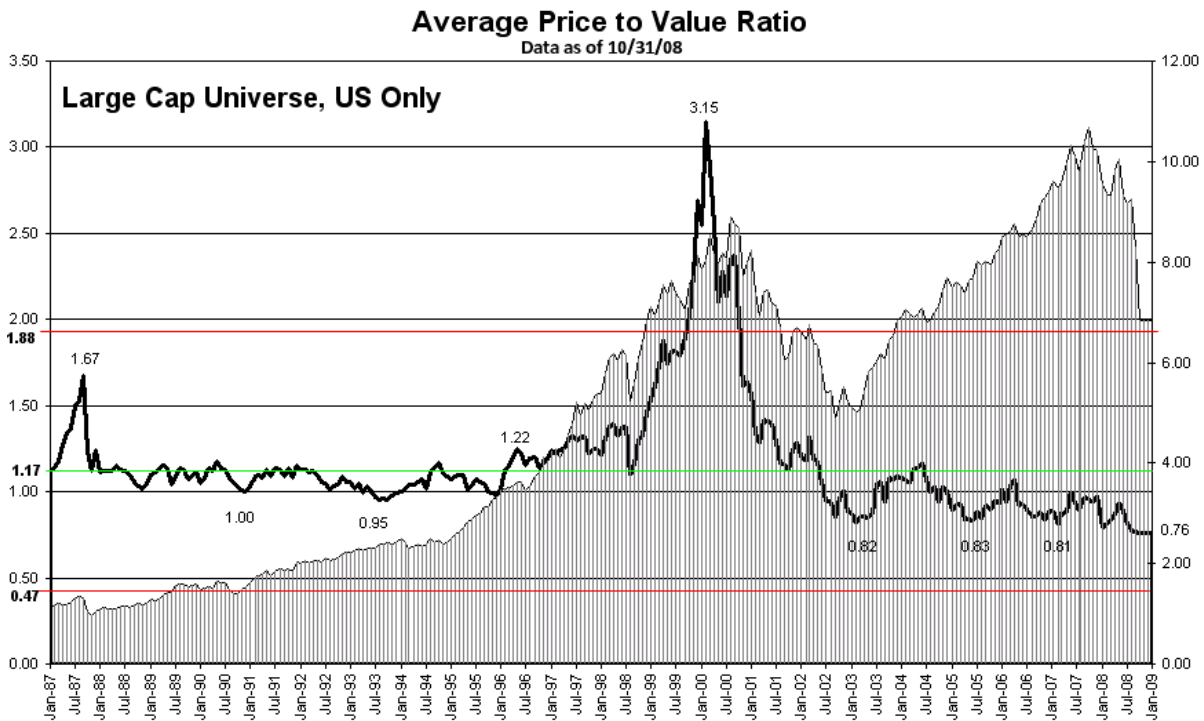
A few notes about the graph on the previous page are in order. The green line in the center represents the average PVA (in this case 1.17) for the complete time period. As the price to value ratio exceeds its average level, the market is considered overvalued. Likewise, when the average PVA falls below the average stocks are considered undervalued. Assuming a normal distribution of average PVA, we expect that 95% of the time the measure will fall between the two red lines, which represent two standard deviations about the average. This indicates that periods when the average PVA is at or near those extremes are rare. The shaded area is a price index, indicating the performance of the Ford US universe. Notice that the 1981 bear market, the 1983 market consolidation, the 1987 crash, the 2000 tech bubble top and the June 2007 readings all occurred near or above the top red line. Average price to value ratios equal-to or below 1.0 have been excellent buying opportunities. These included the start of the 1982 bull market, the 1990 market bottom, the 1998 Asian crisis bottom, the 2002 tech bubble bottom. The current average PVA may be presenting a similar opportunity.

Interest Rates and PVA

The graph below shows the 30-year AAA corporate bond rate. Ford considers this rate the basic cost of capital which we adjust based on individual company quality and use as the discount rate in our intrinsic value calculation. Other things being equal, as interest rates rise the average PVA will also increase. Market tops typically coincide with periods of rising bond rates. Conversely, periods of declining bond rates have often resulted in excellent buying opportunities. October showed a sharp rise in this bond rate from 5.9% to 6.6% which offset part of the drop in the price to value ratio. Since that time the rate has dropped to 5.6% and the average PVA to 0.68.

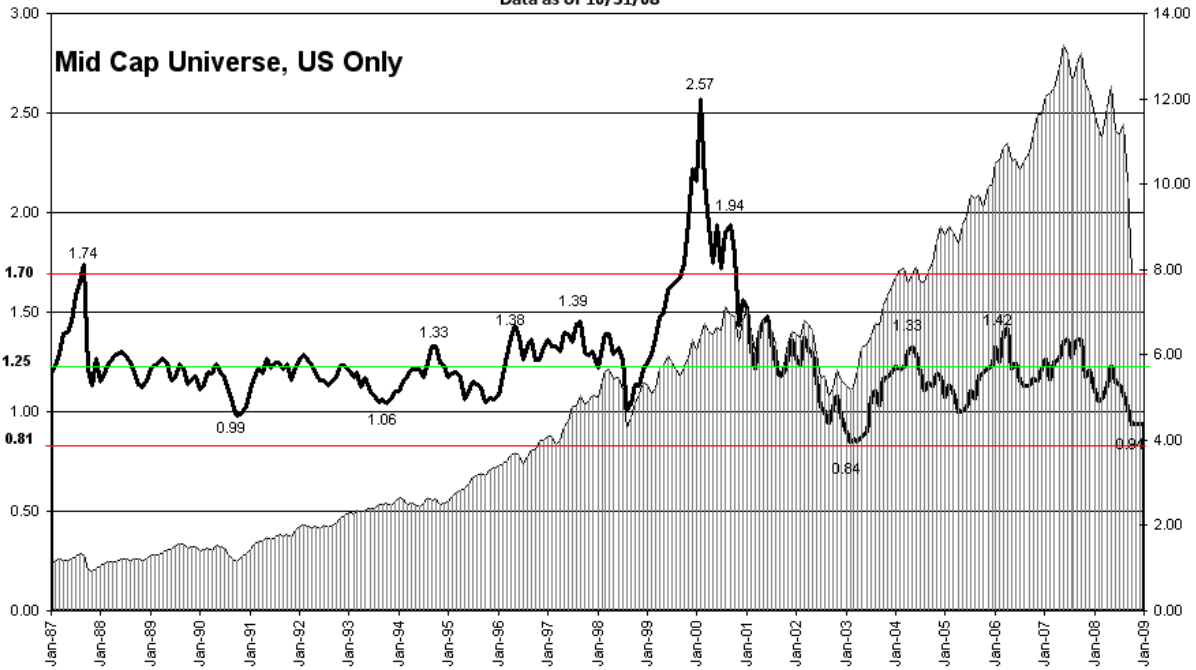


The following three graphs point out an interesting divergence in PVA of large capitalization (top 200 US cap companies), mid cap (next 800 cap companies), and small cap (next 2000 cap companies) stocks. Each of these represent equally-weighted average PVA. After reaching extreme overvaluation in 2000, large caps suffered the largest decline to 2002 and have remained undervalued to this point. Mid cap stocks also reached an extreme overvaluation in 2000. Their subsequent decline was not as severe as for the large caps. However, they did have good performance prior to the current market decline and are currently undervalued. Small cap companies did not reach as extreme an overvaluation in 2000. Consequently, small caps performed well into 2002. They also turned in the best performance reaching overvalued levels in 2004, 2006 and 2007. Small cap companies have not reached the undervalued level of the large and mid cap stocks and appear to be the riskiest sector based on this valuation.



Average Price to Value Ratio

Data as of 10/31/08



Average Price to Value Ratio

Data as of 10/31/08

