MARYLAND CAPITAL ADVISORS INC.
◊ SEC-Registered Investment Advisory ◊

INVESTMENT COMMENT — February 20, 2009
DJIA Back to November 20th Low – What's Different?

Financial media are singularly focused on yesterday's closing level of the Dow Jones Industrial Index at a new "Crisis Low". Although that fact is true, its usefulness as guidance for diversified investors is questionable. Consider the relative returns of selected asset classes since November 20th, 2008, shown in the accompanying table. Recall that the DJIA represents only one sub-asset class within a diversified portfolio. Asset class diverse investors have benefitted from exposure to various sub-asset classes since November 20th – *most with significantly higher returns.* In fact, only Commodities (-3.5%) and International Real Estate (-3.1%) have performed worse than the DJIA (-0.2%) during this period.

Selected Asset Classes Return through 2/19/09	Since 11/20/08
DJIA	**- 0.2%**
S&P 500 Index	**+4.4%**
TOP-5 EQUITY RISK ASSET CLASSES	
Emerging Markets Equities	**+22.6%**
US Small Cap Growth	**+14.8%**
US Mid Cap Growth	**+13.0%**
US Large Cap Growth	**+10.3%**
US Small Cap Core	**+9.1%**
TOP-5 FIXED-INCOME ASSET CLASSES	
High Yield Intermediate	**+13.7%**
Emerging Markets Bonds	**+9.2%**
High Yield Floating Rate	**+8.3%**
Investment Grade Long	**+7.7%**
Treasury IPS (TIPs)	**+6.3%**
BALANCED PORTFOLIO STRATEGIES	
Vanguard Domestic 60/40	**+5.0%**
DFA Global 60/40	**+3.7%**
DFA Global 25/75	**+2.1%**

Source: Bloomberg Professional
Note: Returns include reinvested dividends

So, in answer to the question posed, a more-detailed review of capital market returns shows that ***much is different since the DJIA was last at today's level***. Additionally, many aspects of global credit markets have moved toward historically-normal pricing in response to massive, targeted central bank programs since November 20th. Even "fear" measures in both Equity and Bond markets have subsided, as shown below (lower numbers correspond to less fear).

Market Measures of "Fear" Index Level	11/20/08	2/19/09
EQUITY MARKET		
CBOE Volatility Index (VIX)	**80.86**	**47.08**
BOND MARKET		
LIBOR – OIS Spread	**88.3**	**25.3**
Treasury – Eurodollar Spread	**173.5**	**97.0**

Source: Bloomberg Professional

Our overall approach to risk management has not changed during the current crisis, although it has not always been easy to keep a long-term perspective. During the 4th Quarter and continuing this year, we have continued to focus on prudent decision-making within each client's asset allocation strategy:

- Remain patient in rebalancing Equity risk to targets (sell bonds, buy stocks)
- Significant tactical restructuring within bond portfolios: replaced US Treasuries with Bank CDs and added Investment Grade bonds. We are actively monitoring many bond sectors.

All equity market asset class returns are negative year-to-date and have discounted a tremendous amount of macroeconomic and financial system uncertainty. Is it enough? We will only know after-the-fact. Listening to superficial commentary on market news sources, however, is not as helpful as a disciplined process of taking portfolio risks for which we are adequately compensated and constraining such risks to appropriate levels.

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