Second Quarter Newsletter
June 2008

New Website

We have completed the design of our new web site which you will find much more informative. Our site is mapped out with the following menu items:

- **About Us** and **Strategy** - discusses our market and our commitment to long term asset growth.
- **Quant*folio*** - describes in some detail the background, the management and the goals of our Quant*folios.*
- **Team** – has brief descriptions of our team including Dr. John Nofsinger, our academic consultant from Washington State University.
- **401(k) Plans** – explains our unbundled partnerships with Third Party Administrators to offer a complete 401(k) plan package offering for businesses.
- **Performance** – shows in graph form the growth of $10,000 in our 80%Equity/20%Fixed Income Quant*folio* compared to the Benchmark. The newsletters can also be accessed from this page.
- **Links** – connects to Schwab Alliance or to Matrix so you can log into and view your personal account.
- **Contact** – lists our address and e-mail if you need to contact us.

Please visit us at **www.ampinvestment.com**.

Mutual Fund Update:

During the second quarter, four mutual fund changes were completed.

1. In early April, it came to our attention that one of the Schwab low risk bond funds (in which we do not invest), had incorporated structured mortgage notes. In our opinion, these notes were not appropriate for a low risk fund. This management team was also managing the Schwab Short Term Bond Fund. Even though there were no investments of this type in the Schwab Short Term Bond that AMP uses, it was replaced with the Pimco Low Duration Bond Fund.

2. During 2007 we developed an additional analytic process to evaluate the incorporation/elimination of funds into AMP Quant*folios*. Utilizing this data, the decision was made to eliminate the Dodge and Cox Stock fund and add the Fairholme Fund.

3. There is a tendency among fund managers to incorporate stocks similar to their tracking benchmarks. To move away from this closet indexing and to add diversity, the Sound Shore Fund has been replaced with the Croft Leominster Value Fund.

4. Using our analytic process to evaluate the large foreign category, the Alliance Berstein International Fund has been replaced with the American Europacific Fund.

Market Update:

The US economy is under pressure from the housing slump, tight credit conditions, elevated energy prices and inflation. Although these formidable storms have taken a toll on activity, the economy has been resilient and managed a 1% GDP growth during the first quarter.

The housing market correction has been among the worst in history. Housing prices have fallen approximately 20% since the spring of 2006. Building permits and housing starts continued to decline in May and inventories of unsold homes continues to increase. It appears as though this troubled sector will not begin its recovery until 2009.

In the credit arena, banks are more restrictive with their lending practices. This return to strict requirements for loan applicants is beginning to reduce the systemic risk in our financial system. We anticipate further write downs as the securitized mortgage instruments are purged of poor quality loans.

The energy shock has crystallized at the most inopportune time. This sword is not going to dull until we reduce consumption, develop alternative energy sources and begin to tap our 139 billon barrel reserve. If Congress enacts legislation to allow drilling, we will probably see stabilization of oil prices.

Pressure is increasing in domestic inflation. The Consumer Price Index was up 0.6% in May. The principal factor was the increasing oil prices.

On a positive note, domestic firms have held down labor costs, been cautions with business development and have taken advantage of export-oriented activities. The increases in oil (transportation cost) and increasing Far East labor costs are bringing some of the off-shore production back to the US.

We think this volatile trading period will continue into the first quarter of 2009.The structure of AMP's Quant*folios* should help mitigate some of this risk.

Dr. Jerome A. Mahalick, CIMC
Wayne E. Hansen, MS
Gregory T. Mahalick, MBA
John R. Nofsinger, Ph.D.