UDINE
WEALTH MANAGEMENT

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The 2nd quarter is now behind us and what a tough one it was. The Dow Jones Industrial Average was down 7.4% for the quarter and is down over 14% for the year. The S&P500 was down 3.3% for the 2nd quarter and is down 13% for the year and the Nasdaq was flat for the quarter and is now down 13.6% for the year. In my 21 years of managing money, I have never seen the environment so difficult.

On a more positive note, our accounts navigated the treacherous markets in outstanding fashion. For the quarter ***WE WERE UP ABOUT 10.25% (net of all fees).*** We did extremely well in the months of April and May and then played great defense in protecting our gains in the month of June. In June alone, all the major indices were down about 9-10% and it capped the worst month for the markets in over six years.

As I have mentioned (or maybe preaching, sorry!) over the last few months there are times when it is very easy and the gains come quickly and then there are times, like now, where it is extremely difficult and preservation of capital is the name of the game. It is my job to recognize those times and adjust our portfolios accordingly. I think you will agree we did just that in the quarter. As we start the third quarter things look extremely oversold and I think we are ripe for a short term bounce. As always, I am starting to position for that and will try and capitalize on it as much as possible. However, I will keep in mind the environment we are in (oil, housing, financials) and make sure our capital is always protected.

One quick thing I wanted to mention with you as I feel it is time appropriate is the investor thinking with regards to buy and hold and so called blue chip investing. In the last 6 months, I have met with a number of new clients and referrals. The overriding theme with almost every one of them is that their Merrill, UBS or Wachovia brokers or money managers continually preach to them the value of buying and holding a basket of blue chips and letting them grow. The problem with doing that is for every blue chip winner in the portfolio, there are 3-5 major losers that get taken out back and destroyed. All companies and industries go through ups and downs and money from the big institutions rotate accordingly.

The perfect example of that is this past year. Money has moved aggressively into the Oils, Fertilizers and Commodities and has left the so called blue chips of the past in debilitating bear markets. If you take a look at the most widely held positions of the major brokerage houses, (Merrill, UBS, Wachovia, Morgan Stanley, etc.) and invested $100,000 in them on January 1, 2000, nearly 8 ½ years later you would have over a 31% loss. I am speaking about names like AIG, AT&T, Bank of America, Bristol Myers, Cisco, Coke, Dell, GE, GM, Intel, Merck, Merrill Lynch, Microsoft, Pfizer, Wal Mart and many others just like it. What I am trying to say is that you can't just buy the names you know and like without regard for the market environment. Portfolios need to be actively managed and, in the end, you need to think of your portfolio like a garden. You plant new seeds and things grow in nicely, but you must prune the dead plants and continuously monitor the whole area for growth and prosperity. It is a never ending job and needs to be done by someone that wants to put in the time and the work and is passionate about what he does. That is what I do for your portfolio.

I am proud of our accomplishments in this very difficult environment and look forward to a successful 2nd half of the year. As always, feel free to call or contact me with any questions or concerns.

Scott R. Udine

1730 Main Street, Suite 214, Weston, FL 33326
(p) 954-217-7201 (f) 954-217-7204
www.udinewealth.com