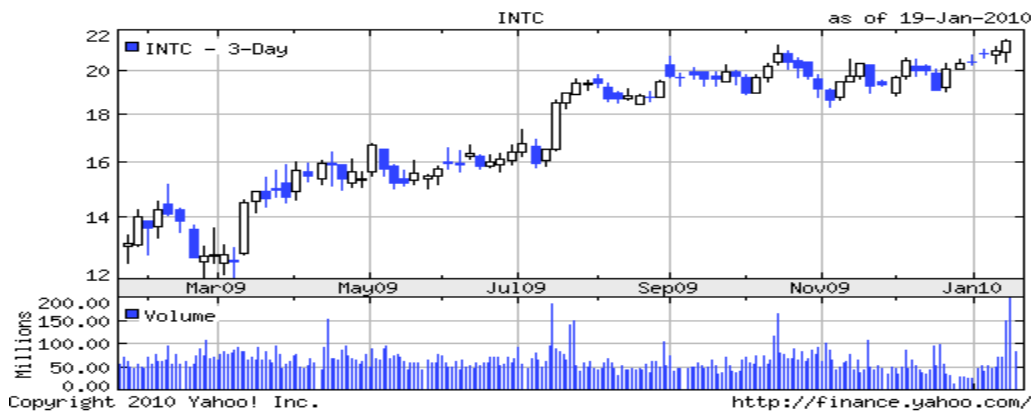


Dear Friends and Investors—

I am pleased to report that I believe the Financial Crisis is over. Considering we came through the worst financial panic since the 1930's and succeeded in preserving capital, your funds are poised for success in 2010. When the Dow first fell below 10,000 about 15 months ago, I said that it would come back in a flash. It did come back—in about a year. It was rough, but short in investment time. We were vindicated to hold our ground, there were once in a lifetime buying opportunities, and we made back most, if not all. Assets at MWS Capital are at a new high, and we made 29.4% in our equity oriented account in 2009.

What is in store for 2010? Well, it is impossible to predict economic or investment outcomes, but so far it is clear that production and recovery is ramping up. In the long run, stock gains are due to rising economic fortune, and for 2010, the final piece of recovery should be reemployment and rising incomes. It will take time to heal real estate, yet in my opinion; there is no reason to believe that current signals of strong recovery will be reversed.

One place to be is Big Cap stocks, directly our strength in core holdings such as UPS, Procter & Gamble and Big Technology. These companies rapidly adjusted and maintained their earnings and hefty dividends. S&P 500 cash flow, or money coming in the door, is at an all time high, and by this measure stocks are well below historical valuations. Owning stocks that are undervalued and pay great dividends fits my strategy of all weather portfolios that preserve assets and capitalize on the inevitable long term expansion of the economy.



Despite superb earnings, investors will not pay extra for the vast profits of Cisco, Intel and Microsoft, our core technology holdings, and together the largest stock investments at MWS Capital. These stocks are extremely undervalued relative to their financial strength, yet investors pay near Treasury bond prices for what little debt these cash rich companies issue. So, in my opinion, Cisco, Intel, and Microsoft have a rare opportunity to sell \$60B of bonds at interest rates near what the US Treasury pays, and use this capital to buy back shares and raise their stock prices at least 30-50%. Whether or not they will do this is an open question, but because they can, each of these stocks are worth far more than their current prices.

—Matt Shapiro, President, MWS Capital, January, 2010