



Dear Friends and Investors—

In the past six weeks, we have witnessed the first legs of confidence bringing the market out of the deep bottoming sell off that started 2009. The single most important factor has been the successful intervention by the government into the banking sector. Wells Fargo, JP Morgan, Citigroup, Goldman Sachs and GE reported healthy operating earnings that were far higher than the pessimistic outlook of analysts. These stocks rallied 100% from their lows.

Public skepticism and low analyst expectations are part of the herding effect on Wall Street due to the credit crisis. Now famous New York economist Nouriel Roubini, who predicted the economic crisis in 2006 with better timing than countless other natural skeptics over the past decades, still insists on lower prices, when clearly a recovery is inevitable. As I stated on CNBC, this is the best time to be bullish on the market and invest in blue chip companies such as GE. As the chart below shows, GE has since doubled to \$12.



I have long argued that once one loses the commitment to investing, the decision to get back in becomes impossible. Some of your friends may have bragged about “getting out” of the market, but few sold when prices were high. Maybe they got out a bit higher than here but you need to ask them “Are you back in, because there is no one left to sell!” Realize this: people have gone from selling out of fear, to waiting out of fear, and nearly everyone who wanted to get out has already done so. By the time they decide to join the rally in a year or two or maybe never, the market will have swept far past them.

I am positioning MWS Capital for the inevitable squeeze higher by increasing our exposure to smaller, more nimble companies, emerging markets and natural resources. I am firm in my conviction that the worldwide economies will stage a strong recovery, and these types of stocks will capitalize on rebounding investment markets, complementing our core blue chip growth strategy and my forecast of strong growth. As always, I look forward to speaking with you as we look towards a future where market prospects have dramatically improved.

—Matt Shapiro, President, MWS Capital, April, 2009