



TAURUS

CAPITAL MANAGEMENT

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Bubble, Bubble, Toil and Trouble...

In the immortal words (borrowed liberally) of Britney Spears, "Oops, we did it again!" Just as we were recovering from the deleterious effects of the "dot.com" bubble and bust, we were collectively and unknowingly blowing fresh air into the bubble maker again...this time real estate. Record low interest rates, freewheeling lending policies, and speculative investing all contributed to a frothy housing market. As with any good financial bubble, the dramatic wealth creation was an irresistible siren's song for would-be tycoons who wanted a piece of the action. Topping off this set of unfortunate circumstances was a significant development in the financial markets where more extensive "securitizations" of mortgages enabled lenders to absolve themselves of the underwriting risks and the rating agencies assisted by awarding many risky investment vehicles with nearly riskless "AAA" ratings. The Federal Reserve came to the rescue by swiftly reducing the federal funds rate from 4.25% to 2.25%, opening the discount window to investment banks to borrow from, and generally maintaining liquidity within the banking system. The apex of the banking risks was the sudden and near collapse of Bear Stearns, one of the oldest investment banks in the United States. Since then, market volatility appears to have moderated. Many U.S. banks large and small have successfully attracted roughly \$150 billion dollars of new investment to reassure nervous investors and bolster confidence in many financial institutions. Banks are reloading with equity in a sort of "do over" recapitalization of their balance sheets.

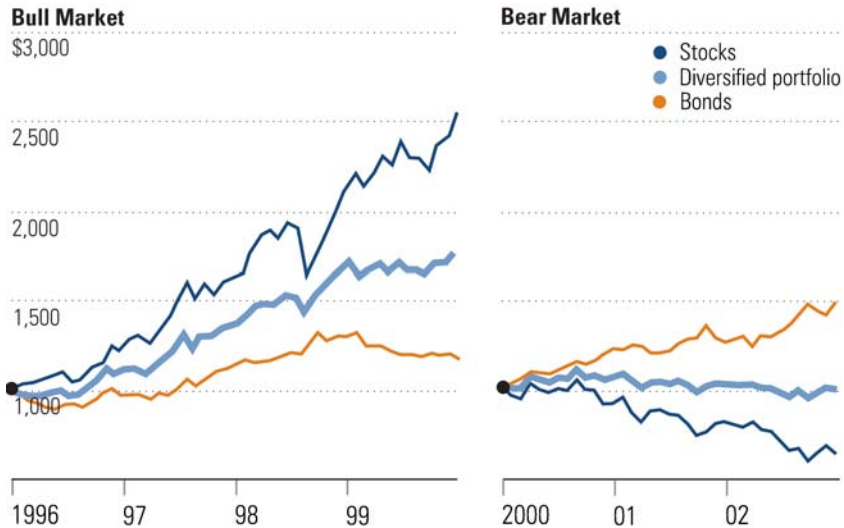


The Smartest Guys in the Room...Part Deux

How many people remember the lessons from Enron or Long Term Capital Management? Both entities had new business models built on devising the most complex financial schemes for their respective markets. They thought they were "the smartest guys in the room." One important lesson from all of this is that the "experts" do not know nearly as much as you (and they) think they do. If all those investment bankers and investment advisors at venerable houses such as Bear Stearns, Merrill Lynch, Citigroup, UBS, and Credit Suisse, among many others, are so smart, why and how did they collectively lose hundreds of billions of dollars? I am convinced the reason is simple, the ideas for new investment vehicles got so complicated that nobody really understood what was going on. All of this leads to one conclusion, "Keep it simple, stupid."

Back to Basics

Time tested methods of investing are employed at Taurus Capital Management. The only proven method that works involves long-term investing, diversified asset allocation, a resistance to market timing, low costs, and low tax implications. During periods of uncertainty, there is often an urge for some to sell now that the markets are down and repurchase at a "better time," presumably after the markets have gone up. Selling low and buying high has never been a successful investment strategy, but it is one to which many investors naturally cling. Nobody has successfully timed the markets because that would require someone having the ability to consistently predict the future. Having a plan with a diversified portfolio and sticking to that plan is the best path to long term investment results. As illustrated in the graphs below, an investor's portfolio experienced better returns with less volatility in both bull and bear markets by having a diversified portfolio. During the bull market, the stock portion of the portfolio contributed to growth while the bond allocation helped mitigate volatility and down side risk during the bear market.





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Is it over yet...?

Some investment professionals and media outlets have proclaimed that this is the worst housing market since the Great Depression. While much of the fear has subsided, the housing market remains weak in most parts of the country and many existing homeowners continue to be at risk. One statistic indicates that roughly 18% of the homes in the U.S. have negative equity today, meaning the mortgages are higher than the value of the homes. Nonetheless, there are a few things to be optimistic about. Unemployment is around 5% which is great by worldwide standards. Additionally, most sectors of the stock market are down by single digits, which compares well to the real Great Depression when the stock market lost 43% in 1931 alone. Low interest rates will help consumers by lowering rates on variable mortgages and credit card balances, though this benefit is somewhat offset with higher fuel and food prices. All in all, things could be worse. Additionally, economies in other parts of the world are still experiencing growth and the low dollar is helping exports to those countries. Typically it is the U.S. economy which stabilizes the rest of the world, but this time around it may be vitality elsewhere that helps sustain our economy. The stock market is always looking forward and, at least for now, investors seem to be cautiously optimistic about U.S. economic prospects.

Taurus Capital Management & the Community

We not only work here, we live here.

Taurus Capital Management will always look to take an increasingly responsible roll in giving back to the community. During the 2007 fiscal year, approximately 23% of TCM's *revenue* was proudly donated to the following organizations:

- Doernbecher Children's Hospital
- Portland Youth Philharmonic
- Schoolhouse Supplies
- Stand for Children
- Whitman College
- Goodwill Industries
- Habitat for Humanity

Thank you for being a valued client of Taurus Capital Management. If you have a cause for which you feel Taurus Capital Management's support would be valued, please let us know.

Market Timing

As we embark on another year of unknowns, we can take comfort through examination of historical circumstances. The study of the past will not provide us with prescient powers to predict the future, but we can remind ourselves of past uncertainties and the eventual outcomes from those times. Human emotional behavior makes us want to do the opposite of what is logically right.

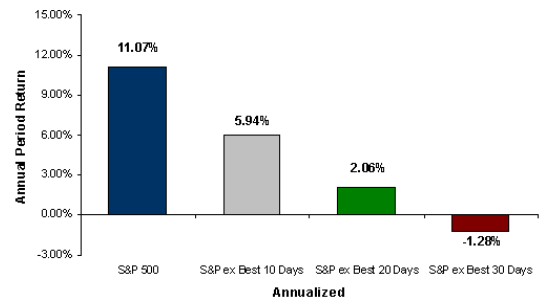
Consider John Templeton, founder of Templeton Growth Fund and widely regarded as one of the best investors of any generation. His advice about getting into the market is simple. "The best time to invest is when you have money. This is because history suggests it is not *timing* which matters, it is time."

Examine the lower left table. The returns over any single year can be quite dramatic. However, average returns moderate over longer periods. Over any 10-year period of time, there has been only one instance when there was a negative annual average return (1929-1938), a span that included the Great Depression and up to the start of World War II. Even then, the average loss was less than 1% annually. Over any given 20-year period of return, the worst outcome was a 3.11% annual gain from 1929-1948, again a span which includes two of the largest calamities of the 20th century.

	1-year Period		5-Year Period	
	Year	Return	Year	Return
Highest	1933	53.99%	1995-1999	28.55%
Lowest	1931	-43.34%	1928-1932	-12.47%
	10-Year Period		20-Year Period	
	Year	Return	Year	Return
Highest	1949-1958	20.06%	1980-1999	17.87%
Lowest	1929-1938	-0.89%	1929-1948	3.11%

Compound Annual Returns

June 1992 to December 2003 (2,520 business days)



The upper right table further illustrates the negative impacts of trying to time the markets. For the 10 years (1992 to 2003) covered in the table, an investor in the stock market would have earned 11.07% annually. However, if that investor missed just the 10 best days each year, his/her return would have been reduced to 5.94%. If that same investor missed the best 30 days each year, their realized returns would have been negative!



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Taurus Capital Management is here to guide you through these difficult times and to help you understand and maintain perspective on the markets. While it is always more fun to see the markets going up, volatility is to be expected. If you ever have questions, please never hesitate to contact us. We always remember that you have entrusted us with your hard-earned savings and we work tirelessly to protect and growth your wealth with prudent and time-tested methods.

Taurus Capital Management in 2008

Portland Business Journal Recognition

During the first quarter of 2008, Gregory Saliba, founder and president of Taurus Capital Management was a recipient of the Portland Business Journal's "Forty Under 40" Award. The award recognizes local business and community leaders each year.

New Logo, Website, and Technology

Taurus Capital Management is working to improve its look and delivery of information to you. Now that the company is two years old, it needed a face lift. You will see that a new logo has been designed for the company and this will be complemented with a new website shortly. The website will have a more professional look and will be a place where you can go to find articles as well as archived newsletters that you may want to read or share. The new website should be active within a month.

On the technology and reporting side, Taurus Capital Management has invested in a new reporting program with Morningstar. The new reports will enable me to more precisely track your returns and provide you with analytical reports that will facilitate more informed discussions between us.

Additional Market Data

Market Indices Performance	March	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
Standard & Poor's 500 Index	-0.43%	-9.44%	-9.44%	-5.08%	5.85%	11.32%	3.50%
Russell 1000 Growth	-0.61%	-10.18%	-10.18%	-0.75%	6.33%	9.96%	1.28%
Russell 1000 Value	-0.75%	-8.72%	-8.72%	-9.99%	6.01%	13.68%	5.54%
Russell MidCap	-1.45%	-9.98%	-9.98%	-8.92%	7.36%	16.31%	7.65%
Russell 2000 (Small Stocks)	0.42%	-9.90%	-9.90%	-13.00%	5.06%	14.90%	4.96%
EAFE (International)	-1.05%	-8.91%	-8.91%	-2.70%	13.32%	21.40%	6.18%
MSCI Emerging Markets	-5.28%	-10.92%	-10.92%	21.65%	29.64%	35.95%	12.53%
Lehman Aggregate	0.34%	2.17%	2.17%	7.67%	5.48%	4.58%	6.04%
LB 20+ Treasury	1.66%	3.55%	3.55%	13.36%	7.20%	6.52%	7.54%
91 Day Treasury Bill	0.11%	0.52%	0.52%	3.68%	4.13%	3.04%	3.47%

Source: Standard and Poor's Aim Micropal

As always, earning your continued confidence and trust in Taurus Capital Management is the cornerstone of all we do. Please feel free to share this newsletter with anyone who may be interested. Referrals are always welcome and appreciated!

Gregory G. Saliba
Principal