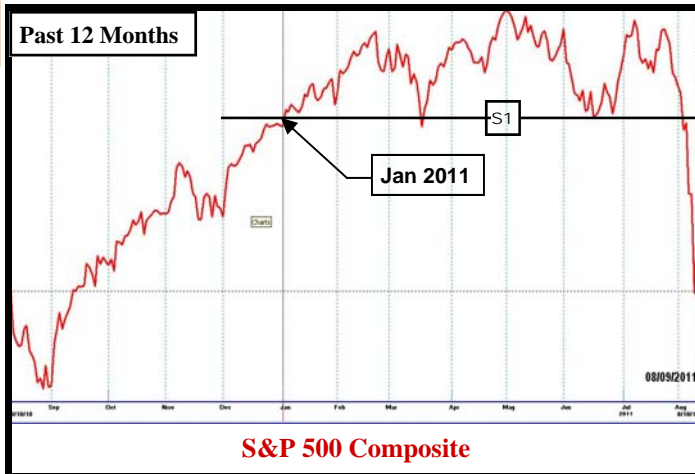


MARKET COMMENTARY



Saying that the markets are in a downtrend today is sort of like the weatherman saying it is going to rain as he looks out the window during a torrential downpour. To say that it is all a big surprise is another thing. There were numerous indicators of weakness developing in the market since early this year.

If we look at the market since the beginning of the year, we see that the market had been in a trading range with the support level indicated by S1.

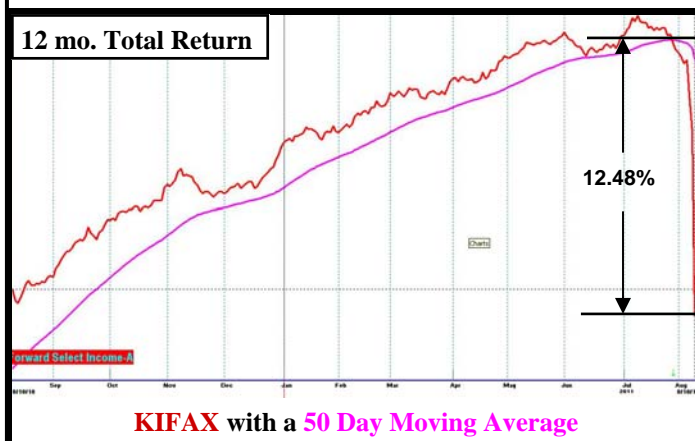
Any time there is a breakout either up or down from a well established trading range it is an indication of a new trend. In the last 7 trading sessions the market has given up 12.9% with tremendous volatility and intraday swings in excess of 600 points. Since its peak at the first of May the market drop to its lowest was down 17.8%. There is no way of knowing or pre-

dicting exactly where the bottom will be. Any attempt to do so at this point is purely speculative.

On the other hand, we do know that another opportunity is forming. Once the fear is removed from the market and it returns to trading on fundamental information, a new trend will form. We will not know exactly which sector will lead, but once the trend begins to establish itself, we will look for an entry point. Obviously we will not be re-entering the market at its exact bottom, but we will have our capital in tact since we have avoided the steep portion of the drawdown and we will be entering at a point defined by higher lows and higher highs. Since, there are no guarantees, we will also establish stops to take us back out in the event that the new trend breaks down and the bear market continues downward.

The whole point is to avoid the large drawdowns and put ourselves in a position to take advantage of trends as they develop. All of our accounts are currently 85-100% cash.

Below is a chart of one of the High Yield Bond funds we were previously holding. Note that it enjoyed a relatively smooth rise over the past year with very limited volatility. This is one of the extremely desirable attributes of these type of funds. But also note that when it rolled over and crossed the 50 day moving average, it was a precipitous drop of 12.48%, wiping out the entire years gains in just 7 days. We sold our holdings the day after it crossed the 50 DMA and thus avoided all of this drop.



Once the market stabilizes, we can expect to see funds like this establish new trends. Often this new trends are characterized by extremely high returns with very low risk for their initial phase of growth. This phase can last for a couple of months or as long as several years.

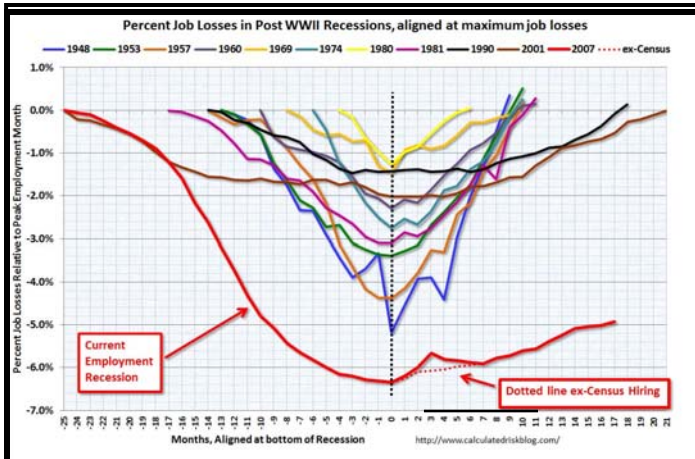
Again there is no way to predict what they will do, but we can use the tools we have to monitor their growth and take action when there is a change, as we did this last week. I can not think of a better illustration as to why we monitor all account holdings daily. There is simply no reason why anyone should have to hold an investment through this sort of market action.

Kirk Zickler
P.O. Box 131646
Houston, Texas 77219

Phone: 713-621-9898
Fax: 713-621-2007

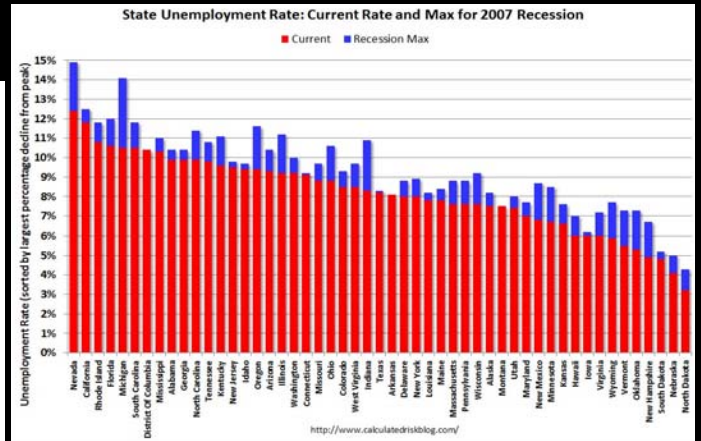
August 11, 2011

E-mail: kirk@coastal-wealth.com

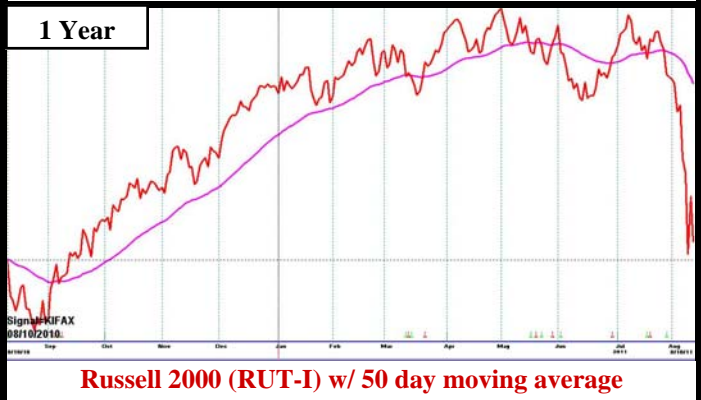
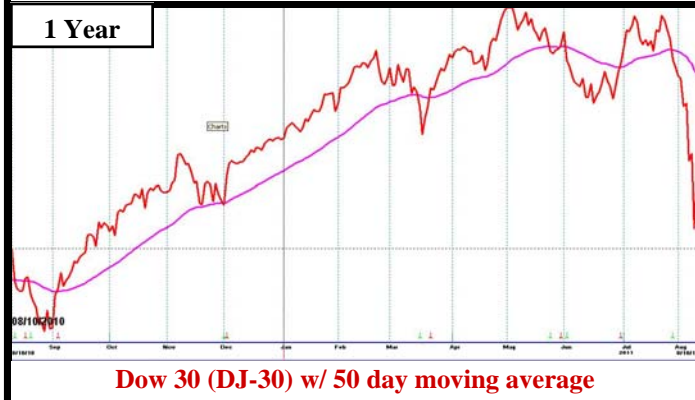
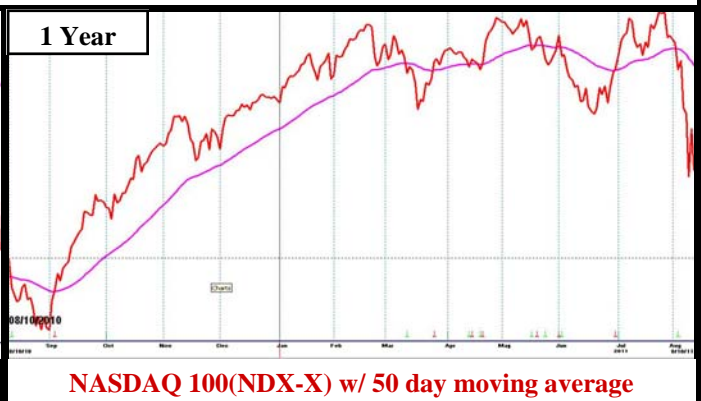
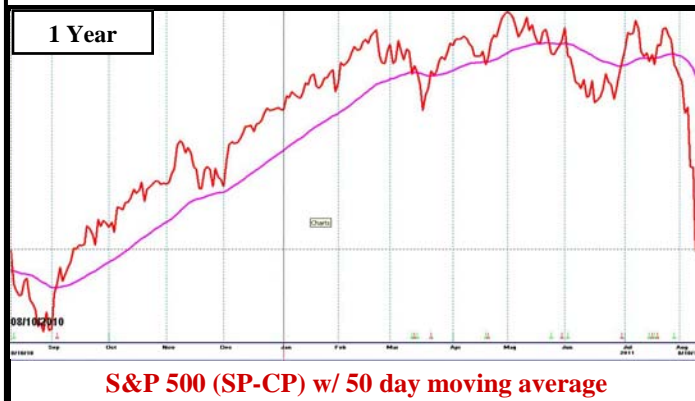


At left is a chart a chart of the percent of job losses for each recessionary period since WWII. They are aligned at the center points to illustrate that each successive recession has endured a greater loss of jobs and the time for recovery has increased with each period. The red line is the current recession. Note that the low point is centered at 15 months from the start and that we are approximately 17 months past the low. The implication is that at the current rate of employment growth, we will endure approximately one more year before we return to pre-recessionary employment levels.

The chart at the right show the employment rate by state. While the national average is 9.1%, it is the local employment rate that most of us feel directly. Texas falls in about the middle with approximately 8% unemployment. The five worst are Nevada, California, Rhode Island, Florida and Michigan. The five best are North Dakota, Nebraska, South Dakota, New Hampshire and Oklahoma. It bears noting that the best states are also comparatively sparsely populated.



MARKET SNAPSHOT



Kirk Zickler
P.O. Box 131646
Houston, Texas 77219

August 11, 2011

Phone: 713-621-9898
Fax: 713-621-2007
E-mail: kirk@coastal-wealth.com