

# RUSHMORE INVESTMENT ADVISORS, INC.



## Equity Market Overview – 1Q09

### A Stock Pickers Market

With the Financial sector falling 83% from its 2007 high, it is fair to say that a great deal of bad news has been “priced in.” The strong rebound in equity markets from significant lows is very encouraging, increasing the likelihood the market is in the early stages of a multi-year recovery. As we have witnessed over the last 4 to 5 weeks, the equity market can and will make dramatic moves to the upside during a recovery cycle, leaving us little doubt that investors must be active in the market and looking to the future.

The economic storm that continues to swirl has made it difficult for almost all businesses, yet we have been impressed with many of the RIA portfolio holdings and their ability to respond quickly to the adverse business environment. These companies have reduced costs, continued to focus on customer value-added, and have been able to leverage healthy balance sheets into a competitive advantage. This highlights the continued importance of stock selection. A rising tide will not necessarily lift all boats. Only companies with strong competitive positions, flexible capital structures and differentiated products will possess the ability to truly thrive in this uncertain environment. In this atmosphere we continue to favor the Health Care and Technology sectors. Both sectors have defensive characteristics but have many growth opportunities. We are cautiously optimistic that the Material and Energy sectors possess greater upside potential in a sustained market recovery.

Over the next few quarters, market performance will likely be tied to the effectiveness of the Treasury’s bank plan. If the government’s incentives are sufficient to encourage private investors into providing the much needed liquidity to the distressed mortgage and bank loan markets, it will advance us one step closer to the ultimate goal of a healthier banking system. The plan will not magically improve homeowners’ ability to pay their mortgages, but it will begin the process of healing in several ways. The plan will enable greater price discovery, transfer the ownership of these “distressed” assets to stronger hands, and perhaps most importantly, will provide transparency to the actual health of individual banks.

The U.S. banking crisis has drawn parallels to the Japanese “lost decade” with its real-estate and banking crisis of the late 1980s and 1990s. While both situations were due to over leverage and irresponsible lending, the U.S. response to the crisis has been drastically different. The

Japanese meltdown was well underway by 1989 but officials did not genuinely start addressing the issue until 1998. Contrast that with our current government’s response which can be measured in months instead of years. The comparison becomes one of apples and oranges. (*New York Times*, March 28, 2009).

Market volatility has come down from record highs reached in late 2008, but remains well above historical levels with the VIX (Volatility Index) remaining above 40 for most of the quarter. The dramatic up and downs make it easy to become distracted by incessant chatter regarding market direction. At Rushmore we do not know if the market will be up or down next week, but we do see encouraging signs and believe long-term investors will be rewarded over the next several years.

For additional information about Rushmore Investment Advisors, Inc. please call 972-599-9550 or visit our website at [www.rushadv.com](http://www.rushadv.com).

### Summary of RIA Portfolio Characteristics

3/31/2009	Large Cap Growth Equity	Small/Mid Cap Growth Equity	Non-US ADR Growth	S&P 500
Wtd Avg Market Cap (\$ in Bn's)	\$42,758	\$2,383	\$27,561	\$70,494
P/E Multiple T4Q (Reported EPS)	16.82x	24.64x	16.03x	15.54x
Forward 12-Month P/E Multiple	15.05x	14.45x	14.80x	15.09x
EPS Growth LFY	21.16%	27.40%	29.61%	-1.49%
EPS Growth Last 3-Yr Avg	33.84%	28.02%	30.30%	10.62%
EPS Growth Rate 5 yrs out	13.38%	14.84%	11.29%	-3.48%
Return on Equity T4Q	28.28%	19.17%	29.69%	12.71%
EBITDA Margin LFY	25.50%	28.04%	28.71%	21.74%
Net Profit Margin T4Q	13.49%	10.37%	14.42%	5.25%
LT Debt	31.53%	34.92%	56.09%	87.13%

# RUSHMORE INVESTMENT ADVISORS, INC.



## Performance Summary

Annualized Gross and Net Returns, as of 3-31-2009

Investment Portfolio	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
US Large Cap Growth (Gross)	-1.41%	-1.41%	-33.88%	-9.38%	0.36%	-1.63%	1.76%
US Large Cap Growth (Net) (Inception Date 5/31/98)	-1.58%	-1.58%	-34.35%	-10.12%	-0.59%	-2.72%	0.65%
Russell 1000 Growth	-4.12%	-4.12%	-34.28%	-11.27%	-4.38%	-5.26%	-2.53%
US Small / Mid Cap Growth (Gross)	-3.57%	-3.57%	-40.07%	-14.63%	-3.12%	-	-0.27%
US Small / Mid Cap Growth (Net) (Inception Date 12/31/00)	-3.78%	-3.78%	-40.59%	-15.47%	-4.14%	-	-1.38%
Russell 2500 Growth	-5.97%	-5.97%	-38.14%	-15.38%	-4.46%	-	-3.02%
Non-US / ADR Growth (Gross)	-9.53%	-9.53%	-47.64%	-11.59%	-	-	-3.10%
Non-US / ADR Growth (Net) (Inception Date 3/31/05)	-9.62%	-9.62%	-48.07%	-12.25%	-	-	-3.85%
MSCI EAFE Growth	-12.32%	-12.32%	-45.12%	-12.79%	-	-	-4.59%

**Disclosure** - RIA is an SEC registered investment advisor. Composite performance results for the RIA products include actual total returns for all full discretion, non-wrap accounts in this strategy. These gross- and net-of-fee composite returns are calculated on an asset-weighted basis and include transaction costs and their investment of dividends. Past performance is no guarantee of future results. Further information on performance is available upon request.

Performance data quoted represents historically achieved results and is no guarantee of future performance. Future investments may be made under different economic conditions, in different securities and using different investment strategies. The value of an investment may fall as well as rise. Please note that different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will either be suitable or profitable for a client or prospective client's investment portfolio. Investor principal is not guaranteed and investors may not receive the full amount of their investment at the time of redemption if asset values have fallen.

Performance is expressed in US dollars. Actual performance may differ from composite returns, depending on the size of the account, brokerage commissions, investment guidelines and/or restrictions, inception date and other factors. Care should be used when comparing these results to those published by other investment advisors, other investment vehicles and unmanaged indices due to possible differences in calculation methods. Consultants and investors supplied with these performance results are advised to use this data in accordance with SEC guidelines.

RIA claims compliance with the Global Investment Performance Standards (GIPS®). To receive a list and description of RIA composites and/or a presentation that adheres to the GIPS® standards, contact the firm at 1-800-564-8266.