Quantitative Asset Management, LLC
Investment & Advisory Services

Newsletter

January 18, 2008

Dear Clients,

Quarter Ending December 31, 2007		
Year to Date Performance	**YTD**	**Last Full Quarter**
Dow Jones Industrial Averages	8.88%	(3.9%)
NASDAQ Composite Price	9.81%	(1.83%)
Standard & Poor's Averages	5.50%	(3.33%)
Lehman Brothers Muni Bond Index	3.40%	1.37%
Lehman Brothers Bond Index	7.25%	3.10%
EAFE	11.64%	(1.71%)

As the new year unfolds, it is becoming more apparent that the sub-prime mortgage mess of last year is infecting more than just the mortgage market. The real estate and mortgage markets, broker firms, banks, rating agencies and consumers have all been infected, and eventually almost all corporations will feel the effect of this crisis. As I write this letter it is apparent that the foreign markets have begun to succumb to the U.S. financial market problems. I believe we have yet another issue the markets must address over the coming quarters and that is consumer's credit card debt.

Over the last few years consumers have been inundated with offers of easy credit, and they have obliged. Some probably used easy credit to forestall the loss of their residence. The markets are likely to show some additional weakness until we have reported and disclosed the effect on the economy from what I believe will be higher default rates. Banks and credit card companies will need to continue to improve their capital structures in order to survive the added losses from this sector.

The headlines over the coming months should be interesting. If we are not in a recession now, we are likely to be in one soon. The good news is they all end and the Fed will have some say in how deep and long it lasts.

The investment markets across the board have all suffered as a result of these issues. Even some of the historically defensive sectors have succumbed to the selling pressures as market sentiment has gone negative. An example of this is the NAREIT Index, for Real Estate Investment Trusts, which to date has declined 37% from February of '07, reaching historic oversold proportions not seen since 1998 and 1999.

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We will continue to look for cash flow, dividends and defensive strategies, i.e. option writing, to try and mitigate the market declines. Higher than normal liquidity levels and a defensive bias should provide better investment opportunities in the coming months. This should produce better upside performance when the markets resume their upward trends. It is during times like these our patience will be tested. The Fed should be proactive, and the defensive bias will hopefully ease the pain.

Sincerely,

Jeffrey L. Farni Sr.

**As required by Advisors Act Rule 204-3 advisory disclosure documents (ADV Part 2A) are available upon request.*

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