



**GERALD L. RAY**  
& ASSOCIATES, LTD.  
Investment Advisors

# THE RAY REPORT

April 28, 2009

## A New Alliance

This quarter represented a new milestone for Gerald L. Ray and Associates. We completed the asset acquisition of Weisberg & Fields and welcomed our new Executive Vice Presidents, Leo Fields and Michael Kane, to our offices. Leo and Michael bring years of experience to our firm and offer new perspectives to our organization. They join our investment committee giving us five portfolio managers full of new ideas and new insights into areas like income producing assets and an expanded use of research data.

While many firms have reduced people and services during this difficult time, we believe it is important to enhance the customer experience with greater depth and understanding to take advantage of investment opportunities that have been created. All of us at Gerald L. Ray and Associates appreciate your loyalty as we look forward together to the early prospects of recovery that we are beginning to see in today's market. Please feel free to call if you have any questions or comments.

Sincerely,

Joseph H. Ray  
President  
Gerald L Ray & Associates, Ltd.

For the current clients of Gerald L. Ray and Associates, we look at this union as an opportunity to add outstanding financial minds that will benefit the portfolios going forward. For the clients of Weisberg & Fields, we welcome you to Gerald L. Ray and Associates. We will strive to provide you the highest quality customer service during this transition and beyond. We also offer a number of services such as budgeting, bookkeeping, bill-paying and tax services under the supervision of our in-house CPA, Rose Pasillas, that you may find useful. You will find our quarterly reports and newsletter valuable, and if you need anything that we are not currently providing, just ask. Michael and Leo are here working for you within our organization to enhance your investment results.

### Market Performance For The March 2009 Quarterly Period

<i>Dow Jones Industrials</i>	- 12.43%
<i>Standard &amp; Poor's 500</i>	- 10.93%
<i>Russell 1000 Growth</i>	- 4.59%

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Investment Professionals	Ext.
Gerald Ray	126
Joseph Ray	128
Michael Beck	136
Leo Fields	131
Michael Kane	143
Bookkeeping Services	
Rose Pasillas	125
Marcia Talbott	127
Janet Thomas	122
Operations	
Vicki Whittington	135
Cyndi Shackelford	132
Administrative/Marketing	
Bobbi Dinsmore	120
Asgid Tedros	129
Information Tech	
Charles Gideon	124



## Simple Stuff Redux and the Undoing of Cox

The market has rallied and it is obvious to many that things are improving. One clear improvement is the political rhetoric in Washington, which makes Wall Street less of a villain. This rally began when Citi and BankAmerica said January and February were profitable, and accelerated when Obama talked of stock ownership. This thing could really take off now that we realize the disaster that Chris Cox was at the SEC and undo many of his policies. Last newsletter, we talked about the Simple Stuff that could be done to give the market and financial institutions some breathing room and some time to improve their situation. Well thankfully, someone seems to be finally listening.

The "uptick" rule - which was a rule that prohibited shorting of stocks except of upticks - will be reinstated in some form soon. Cox thought the rule was unnecessary in today's modern market, but its suspension allowed shorts to pile on when a stock was down. Its effect on the low price bank stocks cannot be underestimated. Cox also went along with FASB rule 157 which provided "mark to market" accounting. This type of accounting was in place in the Great Depression and hurt many banks as they were forced to write down assets which there was no market. The fact that Cox reinstated this type of accounting in 2007 after 70 years coincides with the market top and cost the government hundreds of billions of dollars in the name of

Transparency. Today, these rules are relaxed by FASB but the damage was unreal. Cox negatively impacted the market in other ways that need to be examined. Still there are things that can be done that could help further. The levered short ETFs like the SKFs should be abolished and the stringent enforcement against naked short-selling needs to return. Additionally, the SEC needs to develop markets for CDOs and look into whether the product is really even needed going forward. There also needs to be better enforcement to prevent future Madoffs and Stanfords. While there remains much to do, the undoing of Cox has begun and that is a great start to rebuilding the markets.

## ETFs

One of the most important developments in individual investing over the last few years is the rise of Exchange Traded Funds (ETFs) as alternatives to owning individual common stocks and bonds. ETFs are similar to mutual funds in that they pool together assets like stocks and bonds and allow for investments in specific indices, industries (such as technology, biotech, financials, etc.), regions (India, China, Europe) or a specific kind of security (such as High Yield or Corporate bonds). Unlike mutual funds, these instruments tend to not be actively managed and thus fees are kept low often less than a third the cost of some mutual funds. These funds can also be levered to provide greater volatility as a result have become popular for traders as well.

ETFs can work like mutual funds to provide diversification at a much lower expense rate as mutual funds. They can allow a client to invest a particular industry without worrying if you bet on the right horse. At Gerald Ray & Associates, we have worked hard to learn about this asset class and expect them to be a greater part of our investment process over time. Please call us if you want to discuss ETFs and how they can be part of your portfolio in further detail.

## Animal Spirits

Merck-Schering, Dow-Rohm & Haas, Oracle-Sun, Genetech-Roche and Pfizer-Wyeth. Mergers are returning to the market and their importance cannot be understated. Mergers are important for a number of reasons. First, they show that credit availability is beginning to flow back into the system and that the acquirers are able to get credit on terms that make economic sense. Second, it shows that corporate executives are willing to do more than just survive. They are beginning to think strategically. Third, the fact that many of these mergers are for cash shows that many companies believe their stock is too cheap to give away and, lastly and most importantly, I believe it shows a return of the "animal spirits" that are so critical to the growth and future that is American business. All in all, an excellent sign that recovery may be on the way.

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