
Metropolitan Capital Strategies, LLC
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4:15 EST

Sharon Snow:

Good afternoon everyone. Thank you for joining us for this conference call. I'm Sharon Snow, CEO of Metropolitan Capital Strategies, and with us today are our trader, Conrad Heinz, and our Chief Investment Officer, Dave Schombert.

The main purpose of our call today is to alleviate your concerns and answer your questions. At MCS, Our three main objectives are to never have a negative annual return, double our clients' funds in 5 years, and to outperform the S&P 500 by 20% each year. Despite any occurrences in the market, these objectives have not changed. As some of you on the call today may know, our FACT Funds strategy allows us to go to any asset class at any time, not limited by market cap or sectors. FACT is an acronym for Flexible Asset Class Trading. We utilize Exchange Traded Funds, which are baskets of stocks typically tied to an index or sector, options, and cash, which can be money market accounts - as our main investment vehicles.

With his thirty years in the investment community, Dave leads our strategy with our Flexible Asset Class Trading philosophy and his proprietary algorithms.

Dave, would you like to start things off?

Dave Schombert:

Good afternoon everyone, and welcome. What we'll begin with today is to address some of your concerns and questions, and clarify what our analysis indicates is happening in the market at this point in time. As some of you know, MCS has been concerned about the enormous amount of cash that was available in the marketplace since May of 2007, which led us to identify at that point the impending credit crisis.

In light of this analysis, we took the position that enabled us to capture gains in the August to October 2007 time frame. Since obtaining these gains, we have been able to keep these profits and added additional gains to the portfolios with minimal risk by utilizing the money markets and options portion of our strategy.

Now, with respect to money market accounts, MCS evaluates on a continual basis the holdings that back these accounts to ensure that we have the least amount of risk and the greatest amount of security available.

Since last October, the market, according to the S&P 500 Index, has dropped approximately 23%, yet despite the market's drop; all the profits made in 2007 at MCS are intact.

Moving forward, MCS evaluates the market risk daily and we are positioned to go into the market the moment that the risk/return rate indicates that it is prudent to do so.

Sharon Snow:

Speaking of market conditions, Dave, why don't you tell us about the current bear market?

Dave Schombert:

We are in a bear market – defined as 20% or more drop from the stock markets high point, which was last October. Generally speaking, bulls last 4-7 years and bears last 18 - 36 months which would indicate a time frame of between March 2009 and October 2010. The current bear market consists of two parts; the economic conditions and the credit crisis, but even without the credit crisis we would still have had an economic downturn. This bear market could be prolonged beyond October 2010 but it is too early to predict at this juncture, and our best estimate at this point is it will not go beyond October 2010.

Two of the major indicators that we are tracking are new home starts and existing homes sales. People will not spend money if they believe their home values will continue to decrease in value. Both need to bottom out before a strengthening in the economy should occur. In addition, the market volatility needs to significantly decrease and resume a more normal and stable volume and price environment.

The stock market earnings reporting season begins next week and we are expecting the earnings to be weaker than last quarter in most cases. Concerning the currency issue, the dollar could be directly affected by increased debt; and therefore the dollar could continue to weaken, especially with current inflation concerns and with the treasury possibly printing money to cover the \$700 billion bailout.

Sharon Snow:

Great point, can you elaborate more on the government intervention?

Dave Schombert:

The Feds are trying to keep cash flowing in the financial markets. \$700 billion may not be enough, but they are trying to ensure cash flow remains available to banks, financial institutions and ultimately to the consumer, in the form of loans and credit. Government will probably overpay for the credit default swaps and other at risk financial instruments that are on the balance sheets.

Sharon Snow:

How does this affect MCS?

Dave Schombert:

We are currently in the bear market that we had anticipated last year. Primarily because of the housing and mortgage disaster, which led to the severe financial crisis, the Feds changed some of the rules. MCS has adapted to these changes and we will capitalize on opportunities as they present themselves; again, by utilizing the tools that we have developed over a long period of time. During the time that we are in "cash" we will continue to write options to add additional income to our portfolios, and we remain on track to meet the primary objective of doubling client's account balances in five years from the date of inception, net of fees, with minimal risk.

Sharon Snow:

Thanks Dave, I think that alleviates some concerns and tells us where MCS stands on increasing clients portfolios. Now let's answer some of today's calls participant questions. Our first question is...

Question - Where do you see the commodity market headed in the next year?

Dave Schombert:

Answer - Most people think of oil and gold when they speak of commodities. Commodities actually include energy, metals, agriculture and livestock, etc. Commodities typically have a 7 year run and we are in the 7th year. Oil should go into a channel between \$90-120, best guess. Gold should stay in between \$650-\$1,000 for the next year. They may go out of that channel temporarily while seeking a more permanent pricing structure.

Sharon Snow:

Question - Do you anticipate any additional regulation in the near future or changes in the plan the Treasury proposed?

Dave Schombert:

Answer - Yes, but it is not identified at this time because Congress has not had time to develop any outline for those new regulations.

Sharon Snow:

Question - What sectors and industries are you recommending now?

Dave Schombert:

Answer - At this time, the only sector or asset class that we feel comfortable recommending is a money market that has been analyzed and evaluated for risk. The reason the best asset class to be in at this moment in time is the money market is because the stock market continues to hit new lows. When the opportunity to move to another asset class presents itself, we are ready to move with lightening speed.

Sharon Snow:

Question - What are the ramifications of liquidating positions now for new clients that are with other managers and have taken such a beating?

Dave Schombert:

Answer - Because of the potential for further downside risk in the market, we would suggest liquidating all positions at this point in time and moving funds into a low risk money market account. By doing this, you will eliminate any further risk in your portfolio and you will position yourself to take advantages of the opportunities as they arise.

Sharon Snow:

Ok, well the next question certainly applies to the next few months of this year...

Question - How do you see the election factoring in?

Dave Schombert:

Answer - With our approach to the marketplace, the presidential election is not relevant to our strategy or performance.

Sharon Snow:

Question - Taking into account all of the unprecedented government involvement in the last week, what is your plan going forward for our investments?

Dave Schombert:

Answer - As we are currently in a cash position, there are no changes necessary at this time. Certain ETF's will ultimately perform better than others even with the Government involved, i.e. small-cap, mid-cap. Looking forward we envision meeting our goal of doubling our accounts every five years with our strategy because it has been dissected, analyzed, and has proven itself to be a very reliable approach.

Sharon Snow:

Question - Could MCS be in the money market for the remaining part of the year?

Dave Schombert:

Answer - Possibly, we could be, however due to the volatility in the market it is very probable that the market could heavily undervalue itself, to the point that we would step in and take advantage of that opportunity. In addition, I want to reiterate, MCS will continue to write options to bring in income and once the risk is low enough and the projected returns are high enough, we will invest in the market at that point in time.

Sharon Snow:

Ok, thanks Dave. So to recap, our clients' accounts are currently in money market and we will continue to write options in the growth strategy to enhance the portfolio values. Once the market gives us the opportunity, MCS will move into specific ETF's. That opportunity could arise quickly or it may take some time with this uncertain economic environment. This in no way changes the long term objectives of doubling our clients accounts in 5 years with minimal risk.

Thanks to everyone that participated in this call.

Please email any feedback to info@mcsmgr.com or give us a call 571-379-8586.

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