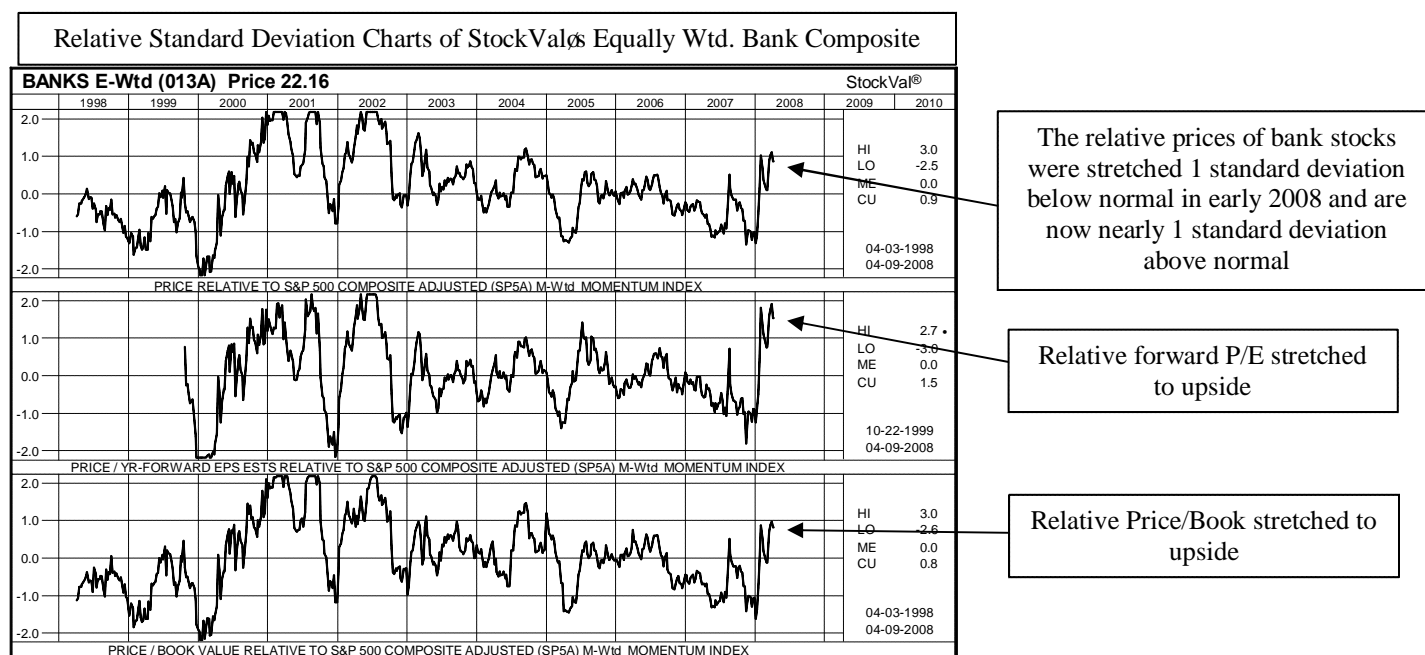


**Trader Notes: April 10, 2008**

**Doug Sandler, CFA**

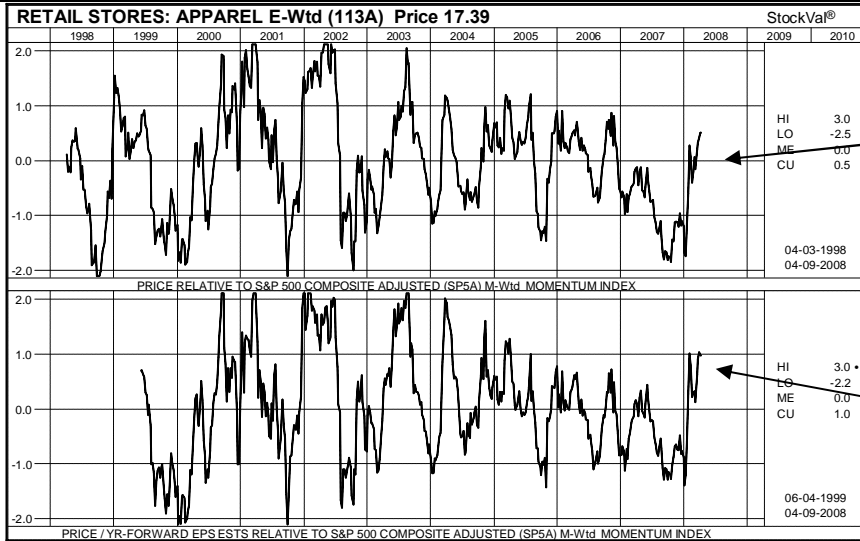
**What a Difference a Quarter Makes! Banks and Retailers no Longer Oversold... Vulnerability is High.**

In 2008 we have been reluctant buyers of banks and retailers. While we felt that these groups were not out of the woods we were afraid to aggressively underweight them given the degree to which they were oversold. Today, neither group is oversold from a relative price or relative valuation perspective. In fact both groups, in our opinion, now appear overbought and overvalued (See charts below). Therefore, we are comfortable returning to an underweight stance and advise taking profits and tightening up risk disciplines (stop-losses, protective options, etc) with regard to holdings in these sectors. We recommend moving portfolios that are Overweight or Neutral retailers or banks to a Slight Underweight. Banks and retail represent roughly 8% and 3% of the S&P 500, respectively. Those looking to trim positions in the banking sector should begin with the large diversified financials first, like Citigroup (C-N-\$23.58), in our opinion. On the other hand, those looking to cut back on their retail exposure should initially consider national multi-line retailers like Macy's (M-N-\$23.21).



Charts Courtesy StockVal

Relative Standard Deviation Charts of StockVal's Equally Wtd. Apparel Retail Composite



The relative prices of apparel retailers were stretched nearly 2 standard deviation below normal in early 2008, they are now back to normal

Relative forward P/E stretched to upside

Charts Courtesy StockVal

*Note: We believe the Apparel Retail composite is representative of many other segments of retail, including multi-line, home improvement and consumer electronics.*

*The specific securities identified do not represent all of the securities purchased, sold or recommended for client portfolios. Other securities mentioned may be considered by Riverfront Investment Group for purchase or sale in client portfolios in the future. The opinions expressed are current as of the date shown and are subject to change. They are not intended to be investment recommendations. Past performance is no guarantee of future results.*