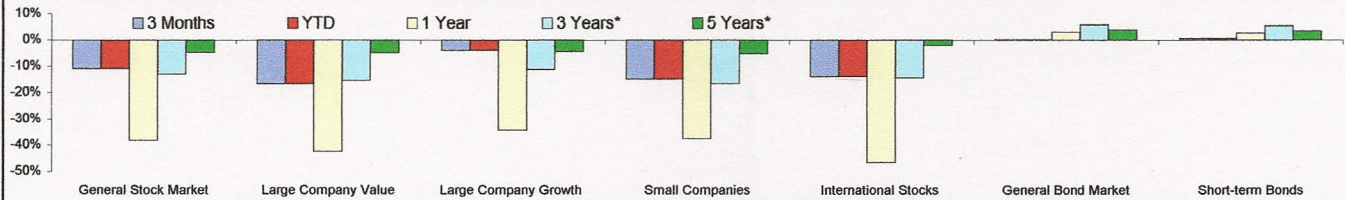


Market Overview

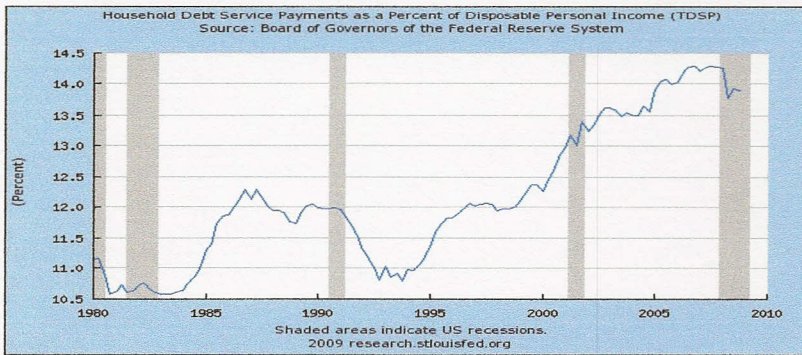
Market Description	Index	3 Months	YTD	1 Year	3 Years*	5 Years*
General Stock Market	S&P 500	-11.01%	-11.01%	-38.09%	-13.05%	-4.76%
Large Company Value	Russell 1000 Value	-16.77%	-16.77%	-42.42%	-15.40%	-4.94%
Large Company Growth	Russell 1000 Growth	-4.12%	-4.12%	-34.28%	-11.28%	-4.38%
Small Companies	Russell 2000	-14.95%	-14.95%	-37.50%	-16.80%	-5.24%
International Stocks	Morgan Stanley EAFE(US\$-net)	-13.94%	-13.94%	-46.51%	-14.47%	-2.18%
General Bond Market	Barclays Capital Aggregate	0.12%	0.12%	3.13%	5.78%	4.13%
Short-term Bonds	Barclays Capital 1-3 Yr Govt/Cr.	0.57%	0.57%	2.77%	5.39%	3.68%



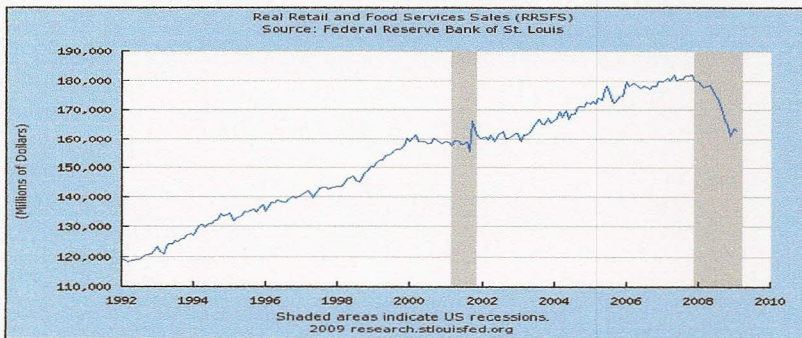
Economic Overview

Category	Statistic	Most Recent*	3-mo Prior	3-mo Change	12-mo Prior	12-mo Change
Long-term Rates	10-year Treasury Yield	2.71%	2.25%	20.44%	3.45%	-21.45%
Short-term Rates	Effective Fed Funds Rate	0.16%	0.14%	14.29%	2.51%	-93.63%
Consumer Inflation	Consumer Price Index*	212.2	212.4	-0.11%	211.7	0.24%
Producer Inflation	Producer Price Index*	169.5	177.5	-4.51%	182.7	-7.22%
Job Growth	Non-farm Payrolls	133019	135074	-1.52%	137814	-3.48%
Worker Earnings	Average Hourly Earnings	18.5	18.40	0.54%	17.90	3.35%
Economic Output	Industrial Production*	98.8	104.9	-5.86%	112.0	-11.83%

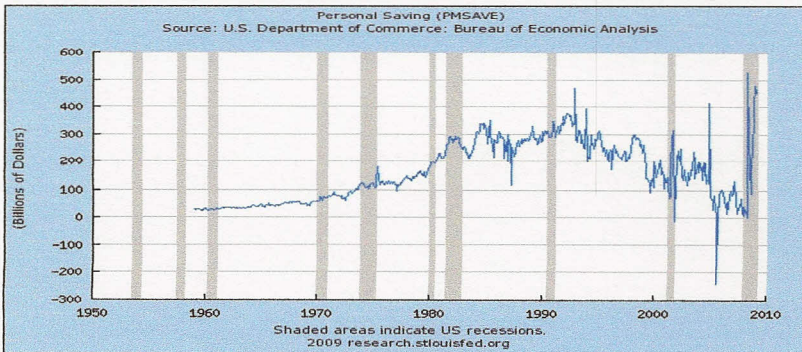
*Economic data for certain statistics are as of the month prior to period end. Period end data was not available at time of publication. All statistics are subject to revision. Market returns greater than 1 year are annualized.



Since 1995, consumers have taken on greater debt that now absorbs a greater portion of income. We are probably starting to see a reversal of this trend within the current recession. Consumer debt repair probably makes the recovery a tougher assignment for the Fed and Treasury.



The debt situation described above, along with the recession, has produced a notable decline in retail sales.



As expected, a worried consumer has increased their saving. This growth in saving, however, is one of the strongest surges in saving ever seen. This "savings spree" may shorten the time to repair the debt issue illustrated above.

Information within this report was obtained from sources deemed to be reliable but cannot be guaranteed by Timberline Investment Management, LLC.



On the surface, 2009 appears to have started right where 2008 ended. Economic and market conditions remained weak as evidenced by several indicators and an 11% loss from the S&P 500. Beneath the surface, however, I think the first quarter of 2009 was even more complicated and volatile than the very difficult fourth quarter of 2008. A historic inauguration and single party control brought forth an aggressive agenda of greater government involvement in many areas. For the economy, a massive stimulus plan was passed and new ideas were floated to help the beleaguered credit markets.

For the first two months of 2009, investors were not happy. The S&P 500 was down about 25% at its low point when it appeared that government involvement in the areas of finance, energy, healthcare, auto, and utilities had the potential to significantly alter the basic nature of business in this country. Adding to the worry were government financial ideas that were not well thought out and were often negative in tone. March, on the other hand, was one of the strongest investment months in recent history. Along with being oversold, stocks did well when several banks announced that they were profitable at the start of the year, retail sales showed some improvement, and certain commodity prices firmed up as well. Government communications also became clearer and more positive in message.

Along with the mentioned signs of investment life, it is also worth noting that many major banks are now reporting strong deposit flows which stands in stark contrast to the liquidity runs experienced in the fall of last year. Perhaps government can be credited with stabilizing the banking system which will help credit conditions over time. Nevertheless, the credit task remains very large as the securitization and other non-bank channels that provided over 70% of credit just a few years ago remain largely out of commission. Banks face a challenging situation with government pushing them to lend money while facing growing difficulties in consumer and commercial credits.

While there are encouraging signs, the overall environment remains weak. Job losses continue to mount and company earnings are depressed. Stimulus spending should kick in over the next few months but time will tell if the velocity of the dollars spent will create economic life or will quietly end up in the savings account of a cautious consumer. As always, the investment markets are forward looking. If minor improvements continue, even in a weak environment, equities can do well if investors believe business conditions are improving. As much as there has been a justified focus on how bad things have become, I think that we are close to having a legitimate debate on the potential for some things to get better. Overall, I have not changed my outlook with 2009 being a year with modest equity market return potential as expectations and sentiment are aligned well with the financial realities we face. Nevertheless, this outlook should be tempered with the following offering of humor from economist John Kenneth Galbraith.

“Economic forecasting was invented to give astrology a good name.”

Let me say thank you once again for your business and interest in Timberline Investment Management. Your comments and feedback are always welcomed.

Gregg Giboney, CFA
President