SIMMS
GLOBAL INVESTORS

FIRST QUARTER 2009

PERFORMANCE

	1Q 2008	*Trailing 12 Months*	*3Years*	*5 Years*
SCM US Equity	**-6.39%**	**-36.31%**	**-12.29%**	**-4.76%**
vs. Russell 1000 Growth	-4.12%	-34.29%	-11.29%	-4.38%
vs. S&P 500 (total return)	-11.01%	-39.09%	-13.05%	-4.76%
SCM Int'l Equity	**-10.25%**	**-42.71%**	**-11.18%**	**-2.92%**
vs. MSCI EAFE Growth	-12.43%	-45.35%	-13.11%	-1.98%
vs. MSCI EAFE	-13.94%	-46.50%	-14.47%	-2.18%

Performance is net of fees. Past performance is not indicative of future results. Please see last page for important GIPS disclosures.

Led by the US, the global market volatility from last year has continued as investors try to keep up with the changing rules of the game. This has kept many investors on the sidelines as they wait for consistent policies. However, the Fed and other Central Banks are working hard to clarify policy and stimulate the global economy. We participated in a 20% rally during the last three weeks of the quarter. SCM's International Portfolio continues where it left off last year, ahead of both its benchmarks (EAFE & EAFE Growth), while our Domestic Portfolio trailed the Russell 1000 Growth but handily beat the S&P 500.

To date, global stimuli are anticipated to boost local GDP as follows: US by 2% this year and 1.8% in 2010; Germany by 1.5% then 2.0%; France by 0.7% both years; UK by 1.4% then minus 0.1% next year; and China's stimulus adds 2.0% to GDP both years. Japan is the highest at 5% of GDP when all three of their stimulus packages are added together.

We wish to reiterate that Simms Capital is NOT a hedge fund; is NOT dependent on (and does NOT invest in) the credit markets; does NOT employ leverage, short selling or derivatives. The firm is stable and debt-free. (We utilize client-designated custodians and independent third party broker/dealers in order to maintain segregation of fiduciary duties).

NORTH AMERICA:

The ups and downs of the market were severe, depending on the news. At the start of the quarter, many were disappointed that our new President didn't have a plan in place (-). Then, many were disappointed that a speech by the Treasury Secretary didn't live up to expectations (--). Then, Citigroup, as well as other banks announced that they were profitable for the first two months of the year (+). Then, the Fed announced that it would pump money into the economy and buy toxic debt from banks and Wall Street firms (++). There was also an unexpected bounce in home sales (+).

Downward earnings revisions continue. Thomson Reuters expects Q1 operating earnings for the S&P to decline 36%. At the start of the quarter, consensus was expecting a 13% drop. For the full year, the earnings decline is expected to be 7.1% versus an anticipated 22% increase at the beginning of the year.

EUROPE

Europe ex-UK lost 16.2% this quarter with a wide range of country returns. Norway was the only country in the black at +3.2%. Finland was the worst (-22.2%). The large economy returns were France (-16.0%), Spain (-18.5%), Germany (-19.5%). GDP in the euro region fell 1.6% in the fourth quarter, the most in at least thirteen years as companies cut production and consumer spending declined. The economy grew 0.8% for 2008 but the OECD is predicting that it will shrink 4.1% this year. The ECB just cut its benchmark rate by 25 bps to 1.25% (down 300 bps since early October) disappointing many who thought the bank should have lowered rates more drastically. But the ECB wants room to maneuver and is looking for other ways to stimulate growth. The latest jobs report shows unemployment at 8.5%, the worst in three years.

UK

At its last meeting (4/9), the BOE left its benchmark interest rate unchanged at 0.5% (lowest ever) and said it will keep buying government bonds to fight the recession. This is a three month program to purchase 75 billion pounds ($110 billion) of assets to push down yields and ease credit markets. As the economy shrinks at the fastest pace since 1980, there is a risk that inflation will fall below the BOE's 2% target and lead to deflation. The Treasury's deficit this fiscal year will reach 10.4% of GDP, the second biggest of any country in the 27 member EU (average 4.4%) behind Ireland (11.0%). There are some glimmers of a turnaround with UK house prices unexpectedly rising for the first time since October 2007 last month and mortgage approvals rising to a nine-month high. The UK performance was in the middle of the European pack (-10.7%), as it was last quarter.

JAPAN

While Japan was not the worst performing developed economy (in US$) as it was last year, it was still fairly close to the bottom at -16.6%, beating only Spain, Germany, Italy (-20.6%) and Finland. In January, Japan had a current-account deficit for the first time in thirteen years as the global recession caused exports to plunge. The country returned to a surplus in February due to a record drop in imports, suggesting that demand at home is weakening as companies cut output and fire workers. Exports continued to be weak as shipments to the US, the country's biggest market, plunged an unprecedented 58% in February versus the prior year, and exports to Europe and Asia also dropped.

On April 10th, Prime Minister Taro Aso unveiled his third stimulus package since taking office in September. This latest package totals a record 15.4 trillion yen ($153 billion) bringing total spending to 25 trillion yen. The government will sell more than 10 trillion yen in bonds to pay for the spending package, adding to what is already the largest debt burden in the industrialized world. It is estimated that the economy will shrink at a 10.9% pace in the June quarter following a 12.1% decline in the March quarter, the worst since 1974. The Central Bank has also been buying corporate debt and stocks to prevent a credit crunch from making the recession worse since interest rates are already at 0.1%.

EMERGING MARKETS

The Emerging Markets came roaring back this quarter from 2008's (-54%) disaster of a year with most of the gains coming in March. Chile (+13.6%) and Brazil (+12.5%) hit double digits, and Russia (+5.9%) and China (+1.3%) were also positive. Korea and India were slightly negative. Mexico lost 14% (despite a 13% comeback in March!), while the Eastern European nations fared the worst.

China's four trillion yuan ($585 billion) stimulus plan has caused bank lending to surge and prodded the first increase in manufacturing in six months. The package is focused on infrastructure projects (railroads and bridges) but there is concern that the government is not doing enough to get citizens to spend the money they save to pay for medical expenses or retirements. Consumer spending only represents 35% of China's GDP compared with more than 66% in the US. 20 billion yuan is being spent in rural areas to subsidize purchases of televisions and refrigerators, and there are also plans to increase spending on welfare by 29%. Inflation has been easing, giving policymakers room to introduce more support measures.

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Brazil's fourth quarter GDP fell 3.6% after growing 1.7% in Q3. For 2009, the economy is expected to shrink 4.5% which would be the largest contraction in 61 years. On April 11th, the Central Bank cut the overnight rate by 150 bps, the biggest reduction in five years, to 11.25%. Policy makers may lower the rate to a record 9.25% by year-end. The lower rates combined with rising household income could ignite a rebound by year-end.

Mexico's dramatic rise in March was caused by its technically oversold position, but also optimism about the US economy and currency appreciation. Mexico continues to be extremely dependent on the US, since it sells about 80% of its exports to the US. Growth forecasts have been cut because of shrinking investment, declining remittances from Mexicans living abroad, and a slowdown in manufacturing. Mexico is seeking a $47 billion credit line from the International Monetary Fund and will also tap a $30 billion swap line with the Federal Reserve to bolster investor confidence, private investment and job growth, as well as strengthen the currency. The cost of the IMF credit line is low compared with other ways of increasing foreign reserves.

INTERNATIONAL RESULTS AND ACTIVITY

EAFE Growth (-12.43%) handily beat Value (-15.53%) this quarter. SCM International (-10.25%) outperformed both EAFE (-13.94%) and EAFE Growth by 369bps and 218bps, respectively. This was despite the biggest one day drop in the dollar versus the euro in the decade that the euro has existed, after the US Federal Reserve announced (March 18th) that it would directly purchase US Treasury bonds. The Fed is trying to lower borrowing costs to ease economic pressures, but there was fear at the announcement that the move would lead to inflation in the long-run since the Fed would be printing money to buy US debt. This inflation would diminish the value of the dollar, making it less desirable to foreigners.

In the first quarter, there were three EAFE sectors that were *only* down single digits (Materials, Energy and Consumer Discretionary). There were no positive sectors in the Index. These three best sectors were also SCM's best sectors, and *our* returns for all three were <u>positive</u>. Our small overweight and stock selection in both Energy (outperformance by Petrobras, BG Group and Tenaris) and Materials (outperformance by Vale, BHP and Syngenta) provided the bulk of our outperformance for the quarter. We remained heavily overweight Healthcare and three of our larger positions significantly outperformed (Teva, Novo Nordisk and Roche). Our sizeable underweight in Financials which was the worst sector except for Utilities also added to our outperformance. Being very underweight Utilities also helped. All of our Telecom stocks outperformed (KPN, Telefonica and China Mobile) the sector and we were overweight. We put some cash to work and finished the quarter with 9%, increasing the number of stocks in the portfolio from 36 at the start of the quarter to 42.

U.S. RESULTS AND ACTIVITY

The Russell 1000 Large Cap Growth index (-4.12%) substantially outperformed both the Russell 1000 Large Cap Value (-16.77%) and broader market S&P 500 (-11.01%) indices during the first quarter. SCM (-6.32%) lagged the Russell 1000 Growth but outperformed the S&P 500.

SCM began the year defensively postured with a substantial cash position, and underweight most sectors, notably Consumers (Staples & Discretionary), Energy and Industrials, with an overweight only in Healthcare focusing on "Obama resistant" companies. This approach worked quite well through February with adjustments to reduce Healthcare exposure, while adding selectively to Consumer Staples and Technology holdings. This approach did not work in March and our Staples purchases (Clorox, Colgate & Heinz) were too slow, while Healthcare trims were not sizeable enough. Our technology additions gained nicely by double digits (Cisco, MEMC Electronic & Qualcomm). However, surging gains in Consumer Discretionary and Financial shares propelled the market higher. While SCM handily beat the S&P 500, we lagged the more volatile Russell 1000 Growth Index. Energy, Materials and Consumer Staples were our best sectors due to superior stock selection, highlighted by Transocean and Monsanto. New purchase Mylan was a notable outperformer in Healthcare.

SUMMARY

While there is still a tremendous amount of volatility in the market, and certainly a bit more bad news to come, we have seen a few positive data points and the market is turning hopeful. We are optimistic about the future and are positioning our portfolios accordingly in companies that have tangible earnings expectations and real businesses with healthy balance sheets.

CHARACTERISTICS*

	SCM US Equity	SCM INTL Equity		SCM US Equity	SCM INTL Equity
P/E 2009	14.7X	9.7X	Yield	1.4%	3.2%
P/E 2010	11.8X	10.7X	PEG 2009	1.1X	.9X
5 Year Growth Rate	15.6%	10.9%	PEG 2010	.8X	1.1X
ROE (LT Gr. Rate)	20.4%	18.7%	Avg. Mkt. Cap.	$40.3B	$53.9B

*Supplemental Information

Friday, April 17, 2009