CORNERSTONE Investment Partners, LLC

Market Letter
April 6, 2009

Conclusion:
The S&P and DJIA declined by 11.01% and 12.48% respectively for the quarter ended March 31, 2009. For the twelve months ended March 31, 2009, the S&P 500 and DJIA were down 38.81% and 38.13% respectively. The S&P 500 was down 43.32% and the DJIA was down 40.58% for the twelve months ended February 28, 2009, one of the worst periods in history. The 8.76% gain for the S&P 500 and the 7.94% gain for the DJIA in March 2009 provided some relief to investors. The quarterly, and year to date results for the S&P 500 and the DJIA are shown below:

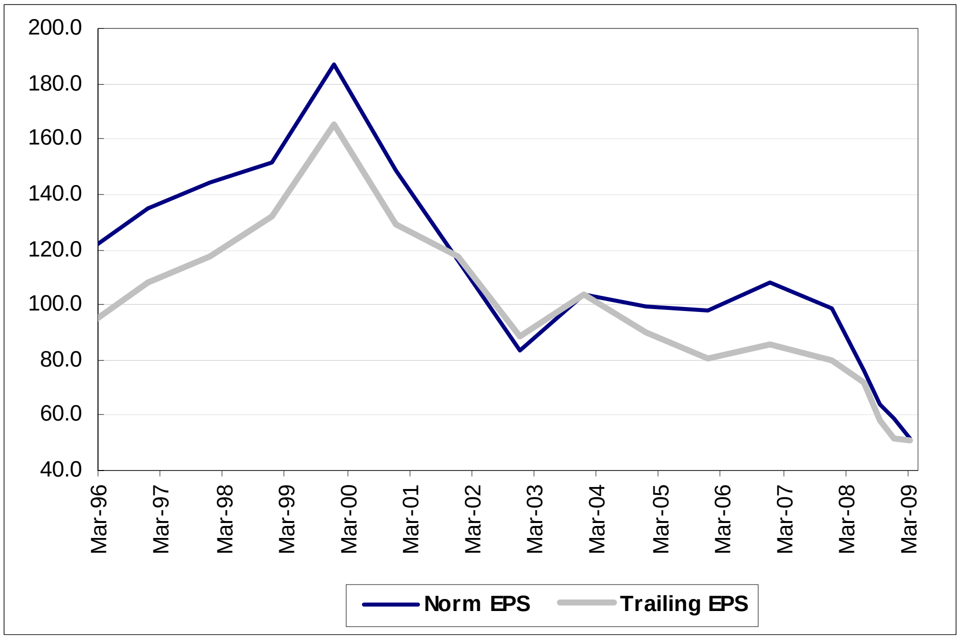
	208 Quarter	308 Quarter	408 Quarter	109 Quarter	Year-to-date March 31, 2008
S&P 500	-2.73%	-8.37%	-21.94%	-11.01%	-38.81%
DJIA	-6.85%	-3.71%	-18.39%	-12.48%	-38.13%

We have tracked the degree of market deterioration statistically from the standpoint of price earnings ratio, dividend yield, and price-to-book value from peak levels in the most recent market up swing to March 31, 2009. The price earnings ratio peaked on January 16, 2004 at 20.49 times earnings, and the dividend yield bottomed on the same date at 1.64%. As of March 31, 2009, the price earnings ratio had fallen to 9.32 times earnings and the dividend yield had risen to 3.19%. The price-to-book value peaked on February 13, 2004 at 3.01 times falling to 1.62 times as of March 31, 2009.

Economies have continued to decline globally and everyone is looking for signs that the worst is over. The U.S. economy has continued to decline with sales of houses and autos severely depressed from year ago levels. Retail sales are beginning to level out from year ago figures. Speculators have returned to the market salivating at the high percentage gains they can rapidly obtain from the large number of single digit stocks. A dollar move in the price of a stock can translate into a double-digit gain. A small number of brave investors have become emboldened by rising stock market prices in the face of continuing negative economic news. Most investors continue to contribute to their IRA's despite the large and rapid decline in the equity markets they have experienced in the recent past. Others are still hunkering down despite little or no return they are receiving from FDIC insured deposits or U.S.Treasury securities.

The government has been doling out tremendous sums of stimulus and bailout money that will ultimately lead to huge cumulative deficits and the potential for future hyperinflation. Some investors are already purchasing stocks that would benefit from rising inflation despite the extremely weak earnings comparisons they will soon report. Can they be blamed for trying to protect themselves from reckless government profligacy? Government fiscal policies have been generated to please the masses in order to get their votes.

Stock prices that were fairly valued at the end of 2007 started to fall in advance of declining valuations that held up well throughout 2008. Valuations should begin to decline sharply as the March 2009 quarter earnings are reported. Stock prices have started to rise from the bottom and at some point will meet falling valuations. At that point, investors will have to be cautious. The most favorable scenario would be that the rate of decline decelerates in each ensuing quarter and eventually a positive comparison with the year earlier quarter occurs in 2010.



Source: Cornerstone Investment Partners **Chart I**

Risk Premium begins to erode from unprecedented highs

Our risk premium that reached a high of 14.11% on March 6, 2009 declined to 10.83% on March 31, 2009. Rapidly rising stock prices after March 6th is the main reason that the risk premium declined. Still, a risk premium of over 10% is extremely high historically. Given that stock prices and the benchmark 10-year U.S. Treasury Bond remain relatively stable in the second quarter of 2009, falling earnings should eat away at the risk premium. Should stock prices continue to move upward or the benchmark interest rate rise, the risk premium would fall by a greater amount.

	06/30/08	09/30/08	12/31/08	03/31/09
Normalized Price-To-Value	76.5	67.4	59.1	55.0
Expected Return from Appreciation	7.52%	8.64%	9.46%	10.35%
Yield	2.32%	2.58%	3.18%	3.19%
Expected Total Return	9.84%	11.22%	12.64%	13.54%
Less Ten Year U.S. Treasury Yield	3.97%	3.82%	2.21%	2.71%
Risk Premium	*5.87%*	*7.40%*	*10.43%*	*10.83%*

Source: Cornerstone Investment Partners

Earnings Expectations

S&P 500 Consensus Earnings Estimates

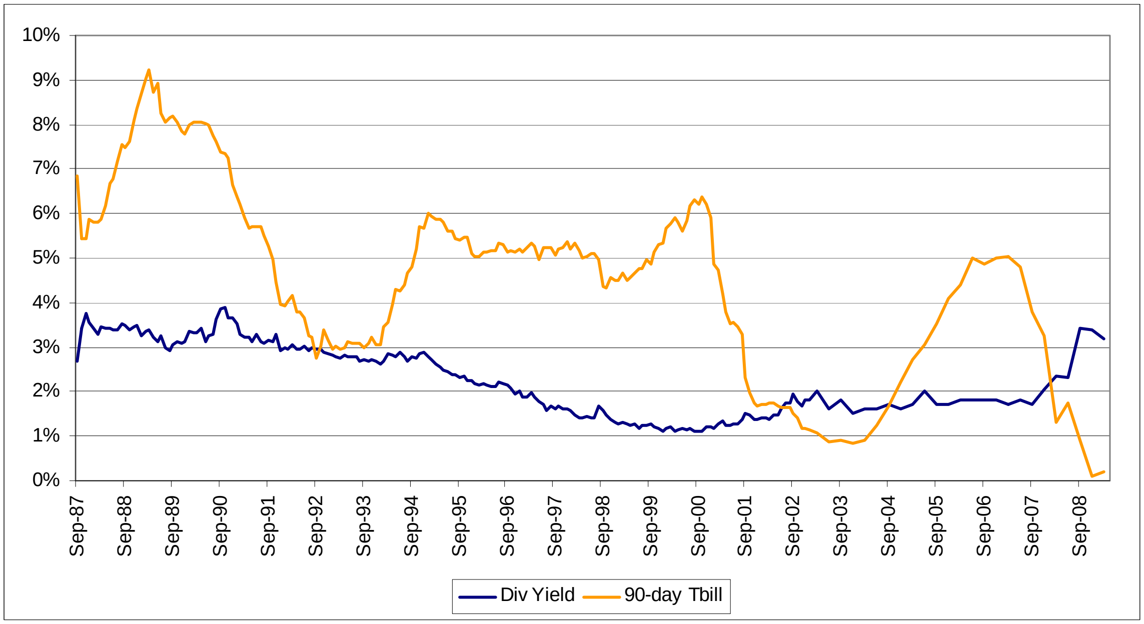
	2003	2004	2005	2006	2007	2008	2009E	2010E
EPS	$55.55	$66.99	$76.29	$88.17	$86.20	$68.64	$62.53	$77.56
% Change	15.4%	20.8%	13.9%	15.6%	-2.2%	-20.4%	-8.9%	24.0%

Source: First Call

As always, we caution that the earnings estimates are gradually adjusted downward under adverse conditions, until the actual earnings reports present evidence of a much worse situation. After being way off in our market letter dated 12/31/08 when compared to the market letter dated 09/30/08, earnings estimates varied little in this report from the previous report.

Returns on Short and Longer Term Treasuries

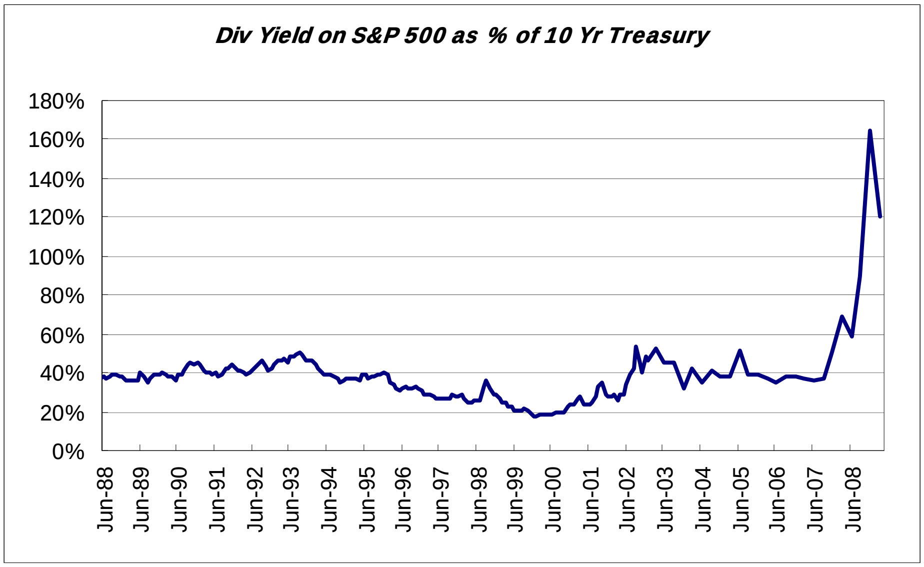
As of March 31, 2009, the 90 day U.S. Treasury Bill provided a yield of 0.21%, a discount of 2.98% to the 3.19% yield on common stocks. Falling stock prices, offset by dividend cuts at a larger number of companies, have increased the yield on stocks. The difference between the yield on stocks and 90 day U.S. Treasury Bills is unprecedented because of the flight to safety by so many investors. This is further evidence of the abject fear of stocks that continues to exist among many investors. See Chart II.



Source: Baseline

Chart II

The spread between the yield on stocks of 3.19% and the yield on the 10 year U.S. Treasury Bond of 2.71% narrowed from 97 basis points to just 48 basis points in the past quarter. In the past, the yield on the 10 year U.S. Treasury Bond has usually been 300 to 600 basis points higher than the yield on common stocks. The transformation of stocks, from being viewed as source of high return to a security to be avoided, has served to reverse the historical relationship between the two investment vehicles in regard to relative yield. The acceptance of such a low yield on a 10-year Treasury bond suggests that some investors are disregarding the likelihood that the government monetary printing presses will result in higher future inflation. Investors buying the 10-year Treasury bond prefer a relatively high nominal rate of return, albeit a low absolute rate of return, exposing them to the probability of a negative real rate of return. See Chart III.



Source: Baseline

Chart III

Fred Wetzel, Jr.

Appendix:

Table I
800 Stock Model

	Discount Rate	P/E Ratio	Div Yield	Norm EPS	Price/Value Trailing EPS
12/31/95	6.25%	17.3	2.1%	119.0	92.3
12/31/96	6.75%	19.1	1.7%	134.8	108.4
12/31/97	6.25%	21.8	1.4%	144.4	117.4
12/31/98	5.25%	27.1	1.1%	151.8	132.1
12/31/99	6.50%	31.2	1.2%	186.9	165.1
12/31/00	6.00%	24.3	1.4%	148.9	129.4
12/31/01	5.00%	22.2	1.4%	116.2	117.8
12/31/02	4.00%	18.0	1.8%	83.7	88.8
12/31/03	4.50%	20.1	1.7%	103.6	103.7
12/31/04	4.25%	18.0	1.8%	99.6	89.9
12/31/05	4.50%	16.7	1.8%	98.2	80.2
12/31/06	4.75%	16.1	1.9%	108.2	85.6
12/31/07	4.50%	16.0	2.0%	98.6	80.1
6/30/08	4.00%	14.6	2.3%	76.5	71.6
9/30/08	4.00%	11.8	2.7%	64.0	57.8
12/31/08	3.50%	9.7	3.2%	59.1	51.9
3/31/09	3.00%	9.3	3.2%	51.8	50.6
					A Price/Value ratio of 100 is fair value

Table II
Dow Jones Industrial Average

	Discount Rate	P/E Ratio	Div Yield	Norm EPS	Price/Value Trailing EPS
12/31/95	6.25%	16.8	2.3%	112.0	83.5
12/31/96	6.75%	18.8	2.1%	129.3	98.6
12/31/97	6.25%	22.1	1.7%	139.0	108.2
12/31/98	5.25%	27.2	1.5%	137.3	122.9
12/31/99	6.50%	33.4	1.0%	178.9	156.4
12/31/00	6.00%	23.6	1.3%	124.4	115.5
12/31/01	5.00%	24.2	1.4%	112.8	116.8
12/31/02	4.00%	18.5	2.0%	80.1	87.3
12/31/03	4.50%	20.6	1.9%	95.1	98.4
12/31/04	4.25%	17.3	2.2%	84.7	84.8
12/31/05	4.50%	15.9	2.4%	79.9	74.0
12/31/06	4.75%	16.3	2.4%	96.0	85.7
12/31/07	4.50%	15.5	2.6%	85.8	77.0
6/30/08	4.00%	13.4	3.2%	61	66.7
9/30/08	4.00%	12.7	3.4%	62.8	66.2
12/31/08	3.50%	10.6	3.8%	57.8	56.6
3/31/09	3.00%	9.7	3.4%	50.7	52.9
					A Price/Value ratio of 100 is fair value

Source: Cornerstone Investment Partners