



October 18, 2007

Dear S.A.F.E. Investor,

"OIL PRICES HIT ALL-TIME HIGH; DOLLAR AT ALL-TIME LOW VERSUS EURO" 10 18 07 CNN MONEY

HOENIG OF FED SAYS HE IS, "OPTIMISTIC ON THE OUTLOOK FOR THE US ECONOMY"

"US HOUSING SLUMP MAY TIP ECONOMY INTO RECESSION" BLOOMBERG 10 19 07

PIANALTO OF FED SAYS, "HOUSING WEAK BUT MARKETS STABLE" 10 18 07

CONTRADICTIONS.

It's nearly *impossible* to determine the *truth* in spite of the vast pool of information available to us every second! The market continues to react to these *contradictions* in a violent manner creating nothing short of whiplash - up 100, down 75, up 15, down 150 - all in mere minutes.

So, exactly how do we remain "Confident" in a "Contradictory" market?

CONSISTENCY. CLARITY. CONVICTION.

A consistent trading plan. A clear understanding of market conditions. A conviction or firm belief that the truth will come out.

The SAFE fund deploys a simple trading methodology based on operational cash flow, diversity, and opportunity. StockDiagnostics™ the proprietary software platform we use to identify close to 250 of the *healthiest* publicly traded companies, combined with the *diversity* of "short" or "hedged" investments, and the *opportunity* associated with our "private" or "special situation" investments.

*This month the SAFE fund closed down 11.39 percent for September. (Our worst performing month since inception.) We do not react to single month figures - in the **negative OR positive** direction. We know our methodology is designed for the long term. *Nonetheless, clarity or a clear understanding of performance is necessary.* Two key factors affected our performance for the month of September:*

- 1. Our "short" position security in each of our folios*
- 2. Our "special situation" holding of TRES*



1. "Short" Position

As you may recall, StockDiagnostics™ does not just provide us the cash flow metrics of individual companies, but its algorithms provide us information on the **market as a whole**. All *"free cash flow" indicators for the overall market have been very poor*. The "sub-prime" issue is real according to the data and it cannot be repaired without losses being incurred. The recommendation of the software was the inclusion of securities that *"short"* the market indices. Ed Hosinger, our portfolio manager, concurs with the recommendations of the data.

What the software algorithms cannot tell us is "when." **When will the market react to the data?** This cannot be determined, especially when external factors play a role.

- ◆ The Federal Reserve supporting a "stable market" theory.
- ◆ Large institutions pooling resources to "artificially" or "temporarily" mask the situation.

Our *"short" position* created losses for us as the market continued to rally in spite of the data. We remain in these positions as of this writing on October 18th because we know we must be **"CONSISTENT"** in our trading.

Will the market begin to show the decline that all the indicators tell us is real? *Eventually*, as the truth always comes out. In the meantime, we monitor the data and continue to review the information StockDiagnostics™ provides us to ensure **"CLARITY."**

2. Our "special situation" holding of TRES

Many of our early SAFE investors will recall our participation in the offering of TRES, the company responsible for the sales of StockDiagnostics™ software. Understanding the power of StockDiagnostics™, this *"special situation"* investment was a **natural** for us.

"Special Situation" investments afford us the **opportunity** to significantly **outperform** market averages. Our initial investment price is low with the ability to realize **"turbocharged"** gains as the company evolves. These types of investments require an in-depth, thorough understanding of the company, their product, their management and their business plan.

It's one thing to recognize a "special situation:" it's another to **act on it**. SAFE Management has studied and applied TRES's StockDiagnostics™ technology daily for **over three years** and we **make it our business** to monitor their plan for progress.



Throughout 2007, TRES has experienced many organizational and structural changes that **solidified** our belief in the company. The pivotal events began with the naming of Nick Maturo as the Chairman and CEO on January 23rd. Mr. Maturo was the CEO of EduTrades where he grew revenues from zero to \$120 million in less than four years. Nick brings experience, influence, and institutional investors to the TRES plan for growth. He immediately reorganized and expanded the scope of TRES, beyond that of just StockDiagnostics™, to begin to position the company as a leading provider of *“education and services”* in the financial sector.

In the last eight months, Mr. Maturo has established a new headquarters, hired key senior management personnel, and designed the framework to launch TRES well-beyond EduTrade. This plan includes targeting strategic key **acquisitions**, securing complete **ownership** and rights of proprietary products, and facilitating the selection of Vince Pipia, Managing Director of Investment Banking for American Capital Partners to secure the necessary **financing**.

The on-line financial education and information industry has maintained year over year growth in excess of 20% and is expected to continue at that rate for at least the next five years. This sector trades with high price to earning ratios. [Bankrate (RATE) 55x earnings, TheStreet.com (TSCM) 27x earnings]

It was expected that certain portions of Mr. Maturo’s plan would be announced by the late August/early September timeframe. *As the market waits for no one* - their timeframes were delayed and the stock fell during this period.

TRES remains a powerful “special situation” investment for us.

Our **CONVICTION** is strong, not only to our asset allocation model, but, also to our “select” or “special situation” investments.

CONTRADICTIONS.

They, like the media and taxes, will never go away.

The SAFE fund **does not** promise performance but, we are committed to a **CONSISTENT** trading plan, with a **CLEAR** understanding of the market, and a **CONVICTION** that the *“truth always prevails.”*

We cannot tell you **WHEN** but, we can tell you **HOW** and **WHY**.

Sincerely,

Annette Raynor
General Partner