Kiely Financial Services, Inc.

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BEHIND THE SCENES

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Opening Thoughts

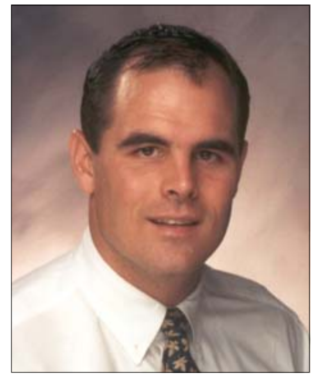
I hope this first newsletter of 2008 finds you happy, healthy, and looking forward to the New Year. The year just completed brought a number of unique challenges, both on and off Wall Street, and I suspect 2008 will be no different. There are typically plenty of surprises every year, on both the up and down sides, and we don't expect 2008 to be any different. Personally, I think that's what makes life so interesting and enjoyable. Each new day brings a new surprise or two…some of which can bring immense happiness and joy, others of which can bring unique challenges. Frankly, I believe we learn (and grow) more from dealing with adversity, even though it is not something we typically enjoy at the time. So as we move into 2008, let's hope for an abundance of happy days with just a smattering of "small" challenges to help keep us on our toes!

Newsletter Specifics

The overriding theme in the financial markets at present is, in short, pessimism. It's amazing to see how pessimistic the media and investors can become in such a short period of time. The bad news bears in the media (remember, if it bleeds it leads…) contribute greatly to this phenomenon, but investors who allow themselves fall victim to all the negativity play a large role as well. In fact, some investors are having a hard time remembering (or even recognizing) that their stock portfolios actually grew in 2007. Yes, grew!! As we have said before, the tone of the "financial news" is inconsistent with the fundamentals of the domestic companies and global economies—which are good—particularly looking out long term. We obviously have some near-term issues to work through (i.e. the subprime mortgage mess and the worsening housing market) and the economy will almost certainly continue to slow from its current growth rates. But for long term investors, these are temporary issues which can provide significant opportunities.

In this newsletter we want to examine the two distinct "halves" of 2007. The first six months of the year brought significant growth, as you may remember, while the last half of the year saw the return of volatility (which we had long been forecasting) and an erosion of much of the gains generated earlier in the year. Even with the increased volatility, the markets still finished positive on the year. As is typically the case in volatile markets, we had some exceptional managers during 2007 and we also had a few laggards. This is to be expected, although we believe much of the underperformance has been driven by unwarranted and irrational investor behavior. We expect our managers to stick to their guns under such circumstances, and are willing to accept periods of underperformance, should they result. Good managers are frequently ahead of the curve, so savvy investors have to be willing to ride out some short-term bumps in order to enjoy the true benefits later.

In this edition, we will also discuss how our managers fared in 2007 and examine the style rotation currently occurring in the marketplace. For years, small cap value stocks (and value stocks in general) have led the way, but this year mid-cap growth (and growth stocks overall) took the crown.



Dr. Joseph Kiely

Inside this issue:

Client Appreciation Dinner Dates 2008

Asheville Dinner
Asheville Country Club
Wednesday, January 23rd
6:00 - 8:00 PM

Sunset Beach Dinner
Sea Trails Convention Center
Monday, January 28th
6:00 - 8:00 PM

Greenville Dinner
Brook Valley Country Club
Tuesday, January 29th
6:30 - 8:30 PM

With respect to the economy, we'll look at two distinct scenarios: 1) a continued growing economy, and 2) a potential recession. We believe a recession is far from a foregone conclusion, but there are certainly factors in place that could tip the scales in that direction.

Finally, as you may have noticed, we have been increasing our global holdings over the past few years. We intend to continue doing so, and will discuss the rationale for this decision and our plans regarding international diversification going forward. There are many challenges that remain regarding the development of effective global investing strategies and we'll discuss some of those as well. And as always, we'll end with this latest edition of the newsletter with "10 questions with Joe" and the obligatory update on the happenings at Kiely Financial Services. Here's to a happy, healthy and prosperous 2008 for everyone!

The Year In Review

The First Half of 2007

Looking back at 2007 is much like looking at the tale of two markets. During the first half of the year, the stock market continued its torrid winning streak, driven mostly by merger and acquisition activity, increased corporate profits and an expanding global economy. During this time, the S&P 500 and the Russell 2000 indexes both hit a number of all time highs. The economy was clearly clicking on all cylinders. However, in our April newsletter, we discussed the issue of volatility and warned that the current low rate of volatility had likely run its course. We still liked the economy and the market, but recognized that it could not continue increasing at the current pace. We noted the incredible run in the S&P 500 over the previous five years and the lack of a true market correction during that time period. In our July Newsletter, we discussed how we liked the overall direction of the economy still, but noted that "a short-term dip could be right around the corner." As if on cue, stock market volatility jumped dramatically in mid-July and remained high throughout the end of the calendar year.

The Second Half of 2007

The increased stock market volatility in the second half of the year was largely the result of worsening problems in the credit markets, driven primarily by the difficulties with subprime mortgages. After peaking in mid-July, the stock market dipped sharply through mid-August. Between mid-August and mid-October the market recaptured most of its losses, however, and things appeared to be looking up. Volatility had returned, to be sure, but the stock market remained resilient. In fact, large company stocks (as measured by the S&P 500 index) hit an all-time high on October 9th. Unfortunately, from that point through the end of November stocks fell again and the S&P 500 experienced its first 10% correction in more than 4 years. The main culprit was once again the implosion of the subprime mortgage market and continuing slowdown in the housing sector. Many market watchers became convinced the credit slowdown was beginning to work its way into the broader economy. The beginning of December saw a market resurgence, based on excellent reports on the economic growth, inflation and unemployment fronts…only to be followed by worsening news regarding the credit crisis and its effects on the broader economy. At year end we remained at a crossroads, with investors jittery over the prospects for 2008.

The Numbers

The 4th quarter of 2007 was not a kind one to stock investors, with large stocks (as measured by the S&P 500 index) and small stocks (as measured by the Russell 2000 index) falling by 3.83% and 4.58%, respectively—an average decline of more than 4%. On the good news front, however, our portfolios held up quite well during this time period, which is precisely what well-diversified portfolios should do. During periods of stock market increases, our equity portfolios should increase by more. Conversely, during the inevitable dips our portfolios should decline by less. When you examine your quarterly statement in this mailing, we think you'll be pleasantly surprised with your results versus the broad market benchmarks.

For all of 2007, large stocks (S&P 500) were up 3.53% while small stocks (Russell 2000) fell by 1.57%, for an average increase of around 1%. Again, the good news is that our portfolios held up quite well during this time period, which is precisely what we want to see. Although 2007 was not a great year in the stock market, we feel very good about our portfolio returns relative to the broad market benchmarks. We think you'll wholeheartedly agree when you examine your enclosed year-end statements.

Looking back over the past five years, large cap stocks (S&P 500) have grown at an average annual rate of 12.8%, assuming dividend reinvestment. Over the same period, small cap stocks (Russell 2000) have increased 16.2% annually. Note that these returns came on the heels of our last "bubble" in the market. In our opinion, there is no

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reason why similar returns can't be generated over the next 5 years. That said, we're also aware that the ride will not be straight-up (it never is) and there will be a number of short-term challenges (there always are).

KFS Funds and Managers

Style Rotation - A Change in Leadership

For years now, we have been advocating well-diversified portfolios across all style indexes for our domestic stock portfolios. Why? Because the longer term trends in the stock market are undeniable and extremely compelling. In previous newsletters we have touched on the fact that value stocks tend to outperform growth stocks over time, and that the stocks of smaller companies tend to outperform those of their larger-sized counterparts. Academics refer to these phenomena as the "value premium" and "size premium" respectively. In general, we believe these anomalies exist because investors, on average, hold lower amounts of small company stocks and value stocks than they should. Accordingly, we have long advocated equal investments (by percentage) across the large, medium and small cap universes, with equal splits between value and growth. This strategy (which, by the way, differs markedly from the majority of other advisors who advocate allocating larger amounts of money to large cap stocks) has paid off in spades for our long-term investors. In fact, from 2000 through 2006, small company stocks outperformed large company stocks every single year. Further, with the exception of 2003, value stocks outperformed growth stocks every single year over the period, across all three size categories: large, medium and small. (In 2003, growth slightly outperformed value across the three size categories but the difference was trivial). Please see the enclosed Style Index Spreadsheet for a look at how the various size and style categories have performed over the long-run (See Table 1 enclosed).

In contrast to the preceding seven years, the style leadership situation changed significantly in 2007. This is precisely why we build and maintain well-diversified portfolios. Even though we know small value stocks tend to outperform over long time periods, no one knows which style category is going to lead in any given year. This year, for example, mid-cap growth stocks led the way, increasing an average of 14.98% by year's end. They were followed by large cap growth stocks (12.45%), small cap growth (7.64%), large cap value (1.36%), mid-cap value (0.77%) and small cap value (-6.02%). This is almost an exact reversal of the longer-term trend, but is something that is not uncommon historically. If history is any indicator, and we believe it is, the current rotation from growth to value could be relatively short-lived.

Our Managers

When you examine the performance of our domestic stock fund managers in 2007, the large growth managers performed best overall, followed by our mid-growth managers. Given the rotation into larger, more growth-oriented stocks discussed above, this should come as no surprise. However, two of our widely-held "value" managers generated the best performance relative to their specific benchmarks. It should also come as no surprise that David Williams (Excelsior Value & Restructuring fund) and John Keeley (Keeley Small Cap Value fund) are those two managers. With the headwinds against them, these two managed to put up truly impressive performance numbers relative to their respective Morningstar categories. Excelsior Value outperformed its large value counterparts by 9.01% in 2007, while Keeley Small Cap Value beat its small blend brethren by 8.27% (performance and categories according to Morningstar). That's the kind of impressive performance we've come to expect from these two stellar managers.

Some of our other fund managers, however, had less than stellar years in 2007…perhaps none more so than Polaris Global Value (PGVFX), which lost 3.97% on the year. In speaking with the Polaris Global managers, it is clear they are disappointed by their performance but undaunted in their convictions about the process they use and the stocks they hold. PGVFX is a pure value fund, and the managers at Polaris analyze a universe of over 24,000 companies in 50 countries to identify companies they believe possess the most undervalued streams of sustainable cash flows, which they then invest in. This management team has a long history of success using this process, and while we too are disappointed by the 2007 performance, even the best funds and fund managers have off years from time-to-time. The managers at Polaris point out that many of the firms in their portfolio have been caught in the subprime-loan market downdraft, even though these companies themselves don't have much exposure to the area. Another drag on performance has been the fact that Polaris invests almost exclusively in deep value stocks and also holds many smaller companies. Mid and small cap value stocks were the two worst-performing sectors in 2007 and this clearly hurt the performance of Polaris Global. In the end, however, the management team is sticking to their guns, convinced that

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the stocks they own have been unfairly punished by the market. Frankly, this is something we applaud. Why? Because we believe the long history of success they've established weighs heavily in their favor.

A Lesson in Patience

To help you understand our thought process on Polaris Global and why we applaud managers who stay true to their convictions, let's look back at Keeley Small Cap Value fund (KSCVX) when it faced a similar situation at the end of the 1990's. From 1998 through 1999, Keeley was in a situation very reminiscent of the one Polaris Global faces today—being a value-oriented fund during a period when value investing had fallen out of favor. John Keeley, who has run KSCVX since its inception, is an adherent to the principals of such value-investing luminaries as Warren Buffet and Benjamin Graham. And from 1998-99, while his fund faltered, he remained steadfast in his value-investing convictions. In 1998 the S&P 500 gained an impressive 28.58%, driven largely by tech-oriented growth stocks, while KSCVX, with no tech in the portfolio, gained just 0.62%. Things didn't get much better the following year, as the S&P 500 grew 21.04% compared with the fund's rather pedestrian 6.18% return. During this period, of course, investors seeking instant gratification and higher returns fled KSCVX in droves…mostly to invest in anything with a "dot-com" in its name. But those savvy enough to recognize a good manager and a sound investment philosophy when they see one remained—and would soon reap a major windfall. In 2000, Keeley Small Cap Value gained 12.87% and followed this respectable result with a 13.65% return in 2001. Over the same period, the S&P 500 index generated returns of -9.1% and -11.89%, respectively. Ouch…

Perhaps even more interesting is the 10-year performance record of Keeley Small Cap Value versus the S&P 500 index. Over the period from 1998-2007, KSCVX generated average annual returns of 13.20%, which is even more impressive when one considers this period includes the fund's disappointing 1998 and 1999 performances. Over the same stretch, the S&P 500 averaged just 5.91% per year. Double ouch…

The point is that John Keeley stuck to his guns during a rough 1998-99 period, much like Polaris Global managers are sticking to their guns today, and he was rewarded for it. This is a great lesson, as it indicates the importance of *carefully considered perseverance* in investing. Another lesson, perhaps even more compelling, is that impatience and chasing last period's hot sector (or sectors) can be lethal. Many who bailed on KSCVX after the subpar 1998-99 period no doubt jumped directly into tech stocks or tech-heavy funds…just as the tech bubble was getting ready to burst. We obviously don't want our clients to make a similar mistake.

Fixed Income

When you examine the performance of our bond fund managers in 2007 you will see it was a good year across the board, with all of our open-end fixed income funds returning more than 7%. In fact, Bill Gross, the venerable manager of the PIMCO Total Return fund, was recently named the 2007 Fixed-Income Manager of the Year by Morningstar. This is the third time he has won the award in his career, an incredible feat given the hundreds of fixed-income managers he is competing against. If the Federal Reserve continues to cut interest rates, as many expect, 2008 could turn out to be another banner year for bonds and our bond fund managers.

Market Directions

A Tale of Two Directions

The direction the economy takes over the first month or two of 2008 will likely drive the direction of stock market over the next 6-12 months. January often provides a strong indicator of how the year will play out. Over the long term, we believe our economy is strong, resilient, and on a good foundation. Over the short run, however, things could get dicey, with the potential for slipping into a recession. We believe the ingredients are in place to support either a continued growing economy (and a growing, or "bull" stock market) or a recession (and a declining, or "bear" market). Let's look at both scenarios, beginning with the bull market scenario.

The Bull Market Scenario

Many believe it is counterintuitive to predict a good year in the stock market with a backdrop of a slowing economy, an imploding housing bubble, high oil prices and a credit crunch. We respectfully disagree. First, as we discussed in an earlier update, we believe oil prices are artificially inflated, driven by speculation, and will eventually revert to more reasonable levels (like real estate, technology stocks, and Beanie Babies before them). Second, we have a very bright and highly capable Federal Reserve Board who has already begun easing interest rates in an effort to boost the economy. History shows that, on average, the stock market rises 19% in the twelve months

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following the start of a Federal Reserve easing cycle. In fact, since 1933 there have been fourteen easing cycles and the Dow Jones Industrial Average was higher one year later in thirteen of them (this equates to a .920 batting average… which isn't too bad). Third, in spite of higher oil prices we have seen very few signs of inflation, which makes it easier for the Fed to cut rates going forward. Fourth, the media always tends to over-hype "negative" news, and this may have already succeeded in helping to drive stocks down below where they should be. As a matter of fact, many of our managers tell us they are having no problems finding some very attractive stocks at current prices. Further, Morningstar released a report on December 10th stating that stocks were 8% below fair value…and since that time stocks have declined another 6%. Finally, we look at stocks as long term investments and see no reason why stocks won't average 10% to 12% annually over the next five years. (Interestingly, Warren Buffet agrees with us, which is always nice to hear…)

The Bear Market Scenario

There are only two historical examples of the stock market not increasing in value one year after the beginning of a Federal Reserve rate-cut cycle. The first was during the Great Depression, and the second was 2001-2002. The common denominator in each case was a major speculative bubble. While the possibility remains that the current housing bubble is large enough that the Fed's rate cuts will prove insufficient to avert recession, up to this point we believe this is still just a possibility. We believe unemployment and income growth will be key indicators going forward. As long as unemployment rates remain relatively low, people will continue to spend. On the other hand, if unemployment increases to the point where people begin fearing for their jobs, the curtailed spending that will result would likely drive the economy into recession. Even if this does occur, however, we believe it will be short-lived, as the Federal Reserve will respond by aggressively cutting rates in order to stimulate the economy. If we slip into recession, we also believe that Congress would provide swift and significant tax relief (remember, 2008 is an election year). The net result could well be another run in the market like the one we've experienced since the end of 2002, which was the last time Congress provided one-time tax-cutting stimulus.

So even if a recession occurs, we believe it may already be largely priced into the value of stocks and would likely be short-lived. Either way, we believe the odds of a recession are no greater than 20% to 30% at this point.

GLOBAL PORTFOLIOS

A New Addition

In the past, we have always constructed stock portfolios by using a stable of excellent money managers and by spreading our clients' monies equally across each of the style boxes. For clients with long-term time horizons (5+ years), we have often put most of their money into the stock market. However, for clients with current income needs we generally use a separate bond portfolio, in some combination with our stock portfolio, the percentage of each being determined by amount of current income needed from the overall portfolio. This quarter, we are going to introduce a new global portfolio as the third leg of our portfolio strategy.

As our markets have become more globally integrated, we have added greater and greater percentages of international stocks to our portfolios. One problem we always confronted, however, was that there were relatively few international funds that met or exceeded our strict selection criteria. Over the last few years, however, this situation has begun to improve and we have added several large cap managers to our stable. Unfortunately, until recently, we have been unable to gain exposure to foreign mid and small cap stocks. In turn, this precluded us from diversifying the international component of our client portfolios across all style boxes as we do on the domestic side of our portfolios. This was troubling, because there is strong academic evidence that the "value and size" premiums we see in the domestic market also extend internationally. We will introduce global diversification strategies at our client dinners in January and will hopefully have fully diversified international portfolios in place by the end of February.

10 QUESTIONS WITH DR. JOE

Q1: Dear Dr. Kiely, What is the history of market returns during elections years and during recessions? J.M.

A: Dear J.M; Since 1888, election years have provided investors with positive returns 73% of the time. That said, each election year is different and each has unique economic issues to deal with, so we really don't pay much attention that statistic. In addition, the number of observations in this dataset is small, making any results unreliable.

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Regarding a recession, the numbers are again hard to gauge. First, a recession is defined as **two consecutive** quarters of negative growth in the economy. Dating back to the Great Depression there have been many instances of a single quarter of negative growth, but only eight occurrences of a true recession. During the last four recessions, the stock market was barely positive in 1974, up more than 20% in 1980, down 4% in 1981-82, and up over 20% in 1991-92. In general, one might conclude from this that recessions are usually priced into the market before they occur, but with a dataset of just 4 observations any conclusion would be highly suspect.

Q2: Dr Joe, What is the difference between a correction and a bear market? P.J.

A: Dear P.J.; A correction is defined as a 10% decrease in a specific index. During the 4th quarter, we experienced a correction in the S&P 500. Over the last five years, we have had a number of corrections in the Russell 2000, which we have written about many times. It should be noted that the Russell 2000 has provided much higher returns than the S&P 500 over the past five years, so patient investors have been rewarded for holding smaller stocks.

In contrast, a bear market is defined as a decrease of 20% or more in a specific index. The S&P 500 last experienced a bear market between 2000 and 2002, while the Russell 2000 experienced a bear market in 2002. It should be noted that although the tech-heavy Nasdaq index had a good year last year, it still remains almost 50% below the all-time high it reached in 2000.

Q3: Dear Joe, What do you think of the price of gold and the use of it as an inflation hedge? G.M.

A: Dear G.M.; If you follow football, there is a well-known football coach, Jim Mora who was asked what he thought of his team's playoff chances? He responded with the well-documented crazy rant "Playoffs! Playoffs! You want to talk about Playoffs?!!" as if to say his team had absolutely no chance.

In a tribute to Jim Mora, my response is…"Inflation! Inflation! You want to talk about Inflation?!" (Sorry, I may still be sore about my Steelers losing in the wild-card game.) Truthfully, there is very little evidence of core inflation - and - if there is a slowdown, any chance of inflation will be virtually eliminated. Regarding gold, I learned a very valuable lesson from my father years ago in 1980. Gold had a huge run-up leading into 1980 (largely due to speculation) and people said it would continue to grow forever. My father sold all of his gold, at an all time high, and helped pay for the educations of his six children over the next 15 years. It was a smart move, as gold actually lost value over the next 20 years through 2000. Over the past few years, gold has increased at a dramatic rate to new all-time highs…which means this is likely the time to be SELLING rather than buying. I have no idea what gold will do over the next few years, but I can tell you that it's hard to make money buying speculative commodities at or near all-time highs, particularly when there is little or no sign of increasing inflationary pressures. In fact, if there is a inflation, one could argue it's in gold.

Q4: Dear Joe, Do the personal portfolios of your firm's employees look like ours? R.S.

A: Dear R.S.; Yes, our stock portfolios look exactly like yours. We think it's important to practice what we preach by owning exactly what our clients own. When the market goes up, we are rewarded just as you are. When the market goes down, we feel the same pain, which aligns our interests. In fact, in my case, I feel it even more. The value of the company (Kiely Financial Services) is directly proportional to the size of our asset base. Thus, as the market decreases, I feel it not only in my personal portfolio, but I also feel it (in a magnified way) in the value of my company. In other words, I have plenty of incentive to keep a close eye on our portfolios at all times!

Also, keep in mind that we understand investors don't like periods of negative returns. No one does. At the same time, however, market corrections and occasional large dips are part of the price of admission for stock investors. There is a risk/return tradeoff, and in order to capture the higher long-run returns that stocks provide, investors must necessarily expose their portfolios to some volatility (i.e. risk). We seek to minimize this risk by using the best managers we can find, employing extensive diversification in the construction of our portfolios, and by proactively rebalancing. That said, there is simply no way to eliminate investment risk entirely. I have been investing for clients almost 20 years, Brownie for over ten and Scott has been doing so for longer than either of us. Invariably, we find that market dips like those we are experiencing are where good portfolio managers find their best deals. So even though we are focused on managing downside risk, we are excited about the opportunities the current market environment presents to our managers. The overriding message here is one of patience. Given skilled managers and well-diversified portfolios, which we have, patience will be rewarded.

Frankly our biggest concern is not managing money… it's managing people's emotions. For the most part, we

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have a patient, level-headed clientele who aren't prone to panic. We are very thankful for that. However, from time to time even the most experienced investors can become nervous or scared, and that's where we come in. Our primary role in market downturns is to keep long-term investors from making emotional investment decisions that could potentially devastate their portfolios. (As an aside we have updated and included the S&P 500 Returns & Dips chart thru 2007. You will notice stock market "dips" are common and are usually followed by significant increases–Please see Table 2.)

Q5: Dear Joe, When looking at the Champlain fund on Morningstar, I see it only has a three year track record. Can you give me more info on this manager and this fund? M. A.

A: Dear M.A.; You must have missed our second quarter newsletter where we went over Scott Brayman's resume. Scott is the manager of Champlain Small Company Fund and has a stellar track record, both at Champlain and at Sentinel Small Company fund before it. His ten year track record (three at Champlain and seven at Sentinel) is terrific and extremely consistent and the fund is small in size, meaning Brayman has the flexibility to get in and out of stocks as he pleases. Brayman brought virtually his entire research team with him from Sentinel and runs Champlain using the same processes and overriding philosophy. I should also note we are one of the few advisors who have access to this fund, as it is currently closed to new investors.

Q6: Dear Dr. Kiely, Any new managers and/or funds you like? W.L.

A: Dear W.L.; There are always new funds that our investment committee is looking at. One large cap fund that we have started to add into our portfolios over the past month is 1st Source Monogram Income Equity. The manager, Ralph Shive has an excellent long-term track record versus the S&P 500 and the fund's asset base is relatively small, which we like. We are also looking at about ten new international funds and will present our findings at the client appreciation dinners in January and in subsequent e-mail updates. At this point we are extremely pleased with our bond managers, but continue to beat the bushes for new managers in this area as well.

Q7: Dr. Joe, Have you noticed the large amount of cash sitting on the sidelines? B.M.

A: Dear B.M.; We actually follow the cash flows on a number of different fronts. First, we follow the general cash flows of the companies our managers hold. In general, companies are loaded with cash right now, and they basically have three things they can do with it: Pay dividends, invest in new projects, or buy back their own stock. Right now we're seeing a lot of stock buybacks, which implies companies think their stock is cheap.

The second type of cash flow we look at comes from corporate insiders. Tracking insider transactions lets you know what the executives of a company are doing with their personal cash flows, which can be valuable information to have. Right now we are seeing lots of insider buying, again implying that insiders think their firms' shares are cheap.

Another cash flow we look at is how individual investors are allocating their resources. Since August, cash has been flowing out of stock mutual funds and the stock market and into money market funds. Right now, over $350 billion is being held in money market funds. Since the small investor is usually wrong, we take this as a positive as well.

Q8: Dear Joe, You always seem to be too optimistic about the world and our economy. Care to comment? T.K.

A: Dear T.K.; Look, let me be honest. I wish I could find reasons to get up in arms or worried about the recent stock market volatility, but I just can't. Inflation is tame; unemployment is down; the consumer continues to spend; companies continue to grow earnings; trade barriers continue to fall; and we have a pro-active Federal Reserve with plenty of weapons at its disposal to keep the economy growing. There will always be risks and there will always be short-term challenges, but we believe the long-term prospects for stock investors are better now than at any time in history, and we're far from alone. What we're seeing occur in the global economy is simply unprecedented. At this moment, literally billions of people have the opportunity to escape the hopelessness, unemployment and starvation that previously were inescapable, and they are seizing on these opportunities with enthusiasm and delight. For the first time in their lives (and in human history), these people have the chance to control their own destinies, and if that's not exciting I don't know what is. In the process, of course, they are transforming the economy of the entire world, and they will continue to do so. With so much positive going on around the world, I just find it impossible not to be optimistic.

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Q9: Dear Dr. Kiely, What do you do to unwind and relax? P. B.

A: Dear P.B.; I do three things. I travel, which I believe helps me understand the world around me and it allows me to see the opportunities abroad, of which there are many. I garden, which is highly therapeutic and it allows me to problem solve without beating an issue to death. And I kite surf, which I have found is one of the rare activities which keeps me in the moment. Interestingly, I have met a number of other people in the financial field who kite surf. I should note that even when I'm away from the office I still logon to the computer each day and check the markets and respond to e-mails. If I don't check on things each dayI find I can't relax and unwind.

Q10: Dear. Dr. Kiely, I was reading about Emotional IQ's in the recent U.S. News and world report. Any thoughts? A.L.

A: Dear A.L.; I assume you are referring to the August 6th, 2007 edition which examined the strategies of Warren Buffet. An "Emotional IQ" refers to the mindset (or temperament) investors need to have to deal with the inevitable ups and downs of the stock market. As I have stated many times, our biggest worry is not managing money…it's managing clients' personalities. Since you appear to be referring to the article on Warren Buffet, I'll quote him. He said, "Investing is not a game where the guy with a 160 IQ beats the guy with a 130 IQ. Once you have ordinary intelligence, what you need is the temperament to control urges that get other people into trouble when investing." Very well put...

KFS News

As most of you know, we at KFS had a chance to learn a little bit more about each others jobs and responsibilities during 2007. First, Katie Burr gave birth to a beautiful baby girl, named Reese. Next, I had a run-in with a nasty staph infection that slowed me down for a while. After that, we had our five year audit with the SEC (which went very smoothly). Finally, we added Kristen Below to the staff to manage our office in Greenville. The good news is, the team is at full strength and things are running extremely well. Over the past few years, we have made an effort to continually increase our efficiency and the quality of service we provide, and this year has been very successful on both fronts.

Over the past few years, we have also developed a number of plans and procedures to address any type of disaster…including death or disability. This insures our offices will be able to function unabated regardless of who is in charge. I'm personally planning on running this firm well into my sixties or seventies, but my short absence and Katie's planned absence served as test cases for the plans we have in place, and we passed with flying colors. This gives me great confidence that our clients' financial needs will be handled expertly no matter what the future holds.

For the year, there is no doubt as to who the Kiely Financial Services MVP was in 2007. Brownie Cordell continued to serve his clients expertly, while also filling in for Katie during her absence. His help behind the scenes, his work with our fund managers, his guidance with health care issues, his terrific attitude, and his leadership are exemplary. There is no doubt that Brownie went above and beyond this year and our clients all benefited significantly from Brownie and his efforts. Congratulations Brownie!

A FINAL NOTE

As usual, I want to thank each of you for investing with us. As we go forward, we remain committed to continuing to refine and improve everything we do. As always, our goal is to provide each of you with the best possible mix of assets given your particular situation.

If you need anything or if your goals or time horizon have changed, please do not hesitate to call or drop an e-mail to set up an appointment. We are here to serve your financial needs, whatever they may be. We thank you for your kind referrals and your continuing feedback regarding this newsletter and our e-mail updates. Comments and questions are always welcome!

We wish you a happy, healthy and prosperous 2008!

~Joe and The Gang at KFS

TAX NOTE

As an extra addition to our quarterly statements, we have also added your Realized Gains and Losses for the tax year 2007. This report should generate the information needed in preparing your 2007 tax returns. This report, paired with your TD Ameritrade 1099, will give your tax advisor the proper forms needed for finishing your 2007 taxes.

An additional note, your TD Ameritrade 1099's will be sent out around the first of February.

If you have questions or concerns regarding these reports, please contact Katie Burr by email at katie@kielyfinancial.com or call her at 877-366-5623.

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***IMPORTANT DISCLOSURE INFORMATION**

***Performance results** represent results reported by each reflected mutual fund during the corresponding time period. Kiely Financial Services, Inc. ("KFS") currently utilizes these mutual funds in managing actual client portfolios. However, the individual mutual fund performance results **do not** reflect the results of any specific KFS client portfolio or any KFS composite.*

***Past performance** may not be indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable, or equal either the performance results reflected or any corresponding historical index. The historical index performance results are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a specific investment meets, or continues to meet, investment objective(s). It **should not** be assumed that any account holdings will correspond directly to any comparative index. The performance results do not reflect the impact of taxes.*

***Please Note**: the individual depicted mutual fund results **do not** reflect the results of any specific KFS client portfolio or any KFS composite. **For reasons including** variances in portfolio account holdings, market fluctuation, and any account contributions or withdrawals, the performance of a specific client's account may have varied substantially from the indicated reported mutual fund results. In addition, the above results only reflect the results as reported by each respective mutual fund company. Portfolios managed by KFS would also incur a KFS advisory fee, the deduction of which would result in decreasing the reported performance results. **For example:** a KFS advisory fee of 1% compounded over a 10 year period would reduce a 10% return to an 8.9% annual return).*

***Please Remember:** In the event that there has been a change in a client's investment objectives or financial situation, he/she/it is encouraged to advise KFS immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by KFS) will be either suitable or profitable for a client's or prospective client's portfolio. **In addition**, the mutual funds depicted are funds that KFS may utilize and/or recommend as of specific date, and are subject to change without notice **Accordingly**, no client or prospective client should assume that the above reflected mutual funds serve as the receipt of, or a substitute for, personalized advice from KFS, or from any other investment professional. **Information** pertaining to each depicted mutual fund is set forth in each respective fund's prospectus, a copy of which is available directly from each mutual fund company or from KFS upon request.*

***All performance results** reflect the performance results reported by each respective mutual fund to Morningnstar**,** and have not been independently verified by KFS. KFS also maintains all information supporting the reflected mutual fund performance results.*

***Information pertaining** to KFS' advisory operations, services, and fees is set forth in KFS' current disclosure statement, a copy of which is available from KFS upon request.*

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