



K E R N S

CAPITAL MANAGEMENT, INC.

Kerns Capital Management Special Market Report

November 21, 2008

With the S&P 500 down over 22% for the month and over 50% since last October, I thought a note to assure our clients might be in order.

All of our models are either flat or up slightly for the month.

As of last night, our mutual fund, KCM Macro Trends Fund (KCMTX), is up 0.55% for the month according to Bloomberg. Bloomberg ranks it in the top 3% of the 3,391 "Flexible Portfolio Asset Allocation" funds it tracks.

All 401(k) accounts we manage have not lost any money for several months while the market has plummeted.

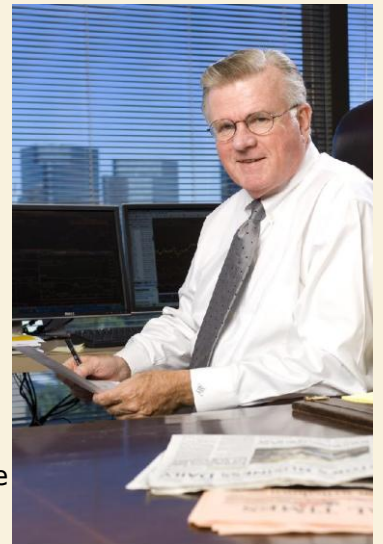
The market is in a historical decline and I have no way of knowing how much longer it will last. The annualized rate of this month's decline is 99%. This rate of decline cannot last much longer.

While I think that the odds of a tradable rally starting before yearend are good, we will maintain a defensive posture as long as the decline persists. When you consider that someone who suffers a 50% loss of their portfolio must have a 100% gain just to get back to their beginning balance - the need for active risk management becomes obvious.

If you know people whose advisors are just telling them to "hang in there", they need a new advisor. This decline has again proven that "Buy-and-Hold" investing is bad for your wealth. Friends don't let friends "Buy-and-Hold".

Please visit our website at www.KernsCapital.com and click on Philosophy for a discussion of risk management. It is very much on point.

Lane Kerns



You can visit www.KernsCapital.com to view your Schwab Account, as well as your 401(k) Account if our sister company M. L. Kerns & Associates administers your company's 401(k) plan.

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