

Market Commentary- April 2007



By Stuart M. Sneddon, CFA

Chief Investment Officer and Portfolio Manager

Market Outlook

In the term we have become cautious and expect a pullback/consolidation to occur sometime during the next few months. In our view the strong market gains that have occurred so far this year have gotten ahead of the fundamentals, putting the sustainability of the current market rally in question. Also, we are approaching the seasonally weak May to October period.

Despite our above concerns, we still expect 2007 to be another solid year for the stock market. Our S&P 500 target price for year-end 2007 remains 1500 to 1525, indicating an anticipated 6% to 8% advance over 2006. Major reasons why we continue to expect 2007 to be a good year include solid US and Global economic growth, stable/declining inflation and interest rates, strong corporate balance sheets/cash flow enabling increasing dividends and share buybacks, a high level of merger and acquisition activity, and a market P/E that is significantly below its 16-year average – all of which we believe are enough to counterbalance concerns regarding decelerating earnings growth rates, a slow down in the US housing market, terrorism/violence in the Middle East, and geopolitical tensions involving North Korea and Iran.

Strategy Summary

Given our above concerns, Tower has implemented a more defensive strategy. Look for Tower to realize/take full or partial profits on winners, exit/reduce positions when we judge risk to reward to no longer be attractive, or execute protective stop loss orders should they be triggered. Major stock picking themes that Tower will continue to emphasize include companies that have a high proportion of sales from

international sources, growth stocks (stocks that can maintain strong earnings momentum in a decelerating earnings environment), and Foreign stocks (stocks with exposure to Europe and fast growing emerging markets in Asia, Eastern Europe, and Latin America). Any sell-offs/corrections will be viewed as a buying opportunity/chance to employ any excess cash reserves.