

Focus on The Markets

	YTD % 1st Q 2007
DJIA	-0.9
S&P 500	0.2
S&P SmallCap	3.0
Nasdaq	0.3
Russell 2000	1.7
MSCI EAFE	3.5
Oil/Barrel	\$65.87
30 mortgage	5.83
15 mortgage	5.56
	YIELD
30 Yr	4.84
10 Yr	4.65
Money Mkt	3.76

**Note: Definition of
terms on back page**

DEMOCRACY AND CAPITALISM ALWAYS BENEFIT FROM A LITTLE MORAL SUPPORT

Some people believe that the efficient allocation of capital is distorted when performance is not the sole investment criterion; that corporate social behavior should have no part of the investment process unless it has a direct and explicit potential earnings impact (if, for example, a cavalier attitude toward legal or regulatory matters portends costly accidents or litigation). We disagree.

For example, people who don't approve of smut and violence on television but buy the products of firms that advertise on shows that contain such material shouldn't be surprised when these shows proliferate. By the same token, investors who buy stock in firms that engage in behavior they consider objectionable shouldn't kid themselves about whether they are a party to the activity.

Money is an enormously powerful tool for both good and evil. Every expenditure is a vote of sorts, and it is our opinion that we should neither deny nor overlook the social, ethical and moral consequences of these votes, most especially during these times of accelerated social decay.

It is worth noting that while issues of primary interest to liberals appeared to dominate the ethical investment scene in the early days, it was conservative and religious organizations that really formed

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What's the Word

from J. Patrick Kearns,
President & CEO, Fulcrum

Welcome to the inaugural issue of "On Balance," the first of what will be a quarterly newsletter published by Fulcrum Securities as part of our ongoing commitment to staying in touch with you, our clients. We hope you find it interesting, even useful, and who knows, sometimes we might even go so far as to be amusing.

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the bedrock of this entire trend, they just did so quietly and without fanfare, giving careful consideration to the way economic actions affected others around them and avoiding investments that violated their core beliefs.

At the heart of our support for the concept of social investing is our belief that the economic system we call capitalism is not “good” in and of itself. We believe capitalism is good or bad depending upon the society in which it operates. Thus, in our opinion, any grassroots measure that serves to keep the destructive side of capitalism in check is welcome, even if parts of the package include some nonsense.

This view is contrary to the belief that pure capitalism is such a good thing that it naturally, all by itself, leads to the best result for all individuals and for society as a whole. This idea can be traced to a mistaken interpretation of Adam Smith’s “invisible hand” theory. But Smith did not say that society always benefits when an individual pursues his own best interests exclusively, with no regard to the impact on society. What he said was that when an individual pursues his self-interest, he “frequently promotes the interest of the society more effectually than when he really intends to promote it.”

*“Respect for
the lives and
property of
others makes
for better
Markets”*

The fact is that Smith expounded extensively in each of his major works and in his lectures on his belief that commercial society cannot thrive in a climate of moral decay. In “The Theory of Moral Sentiments,” for example, he maintained that “upon the tolerable observance” of such duties as politeness, justice, trust, chastity, and fidelity “depends the very existence of human society, which would crumble into nothing if mankind were not generally impressed with a reverence for these important rules of conduct.” Smith maintained that social order was not spontaneous or automatic, but was founded on institutions that promote self-control, prudence, gratification deferral, respect for the lives and property of others, and some concern for the common good.

If this little exposition on capitalism and democracy appears to bear no relation to the present-day concerns of the financial markets, consider if you will the widespread and growing conviction in the investment community that the proliferation of democracy and capitalism around the world is an unalloyed good.

We’re not saying that this dream is entirely unrealistic, we’re simply saying that investors should pause to remember that the soil from which the American versions of these social structures sprung was carefully nurtured by the descendants of the likes of the Puritans, Quakers, and the deeply religious Virginia planters, and that capitalism (and democracy) springing from different soils will almost certainly bear a different and possibly even bitter fruit.

Ethical investing is not a cure for a sick society, nor will it, by itself, prevent society from becoming sicker. But the presence of large groups of citizens who are willing to defend a principle or send a moral message to a corporation that is out of line is a healthy sign that there is still hope for the American form of democratic capitalism, i.e., one that is founded, supported, and sustained by a citizenry that is still imbued with a love and respect for Adam Smith’s eternal “moral sentiments.”



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Founded in 2003, Fulcrum Securities is an NASD registered full service investment firm offering brokerage and money management services to individual and institutional investors. Fulcrum Advisory Services is an SEC registered investment advisory firm providing asset management and consulting services.

With many years experience overseeing assets for a diversified client base, we are uniquely suited to offer unparalleled personalized attention and advice to our clients.

For further information about Fulcrum and our services, please give us a call.

“Investment Solutions for Today’s Investors”

... What’s the Word

Fulcrum Securities is an investment firm dedicated to providing strategies, services, and products that add value for our institutional and private clients. At the core of our operating model is a commitment to “treating others as you would like to be treated,” something that is far too rare in business today. What does that approach demand?

1. An unwavering commitment to ethical conduct.
2. Smart, dedicated employees who collectively blend the wisdom of experience with the energy of youth.
3. Availability to our clients 24/7, our cell phones are always on!
4. A work ethic unsurpassed by any of our competitors. We believe that you make your own luck in the financial markets.
5. Pricing our services at, or below, our competitors.
6. Taking our responsibilities seriously, but not ourselves.

This first year, we will publish our newsletter quarterly, but the frequency could increase. We will also send, via e-mail, any critical alerts that we think need your immediate attention, and of course, we will continue our tradition of quarterly reviews with each client.

We hope you enjoy our first issue of “On Balance,” and welcome any feedback you might have.