NEXT
GENERATION
WEALTH MANAGEMENT

NG Wealth Market Commentary
1st Quarter, 2007

The stock market spent the majority of March attempting to recover from a sharp sell-off in February. But, as of the end of the first quarter, the primary indexes remained below the cyclical highs. For now, at Next Generation Wealth Management, the equity market continues to look healthy, justifying an overweight exposure to stocks. But a weaker financial market may well develop during the second half of 2007. As we've previously stated, there is too much cash (often referred to as liquidity) on the sidelines and too much pessimism exists amongst investors for a significant correction to be looming around the corner.

For the first quarter, the small year-to-date gains/losses posted by the major indexes belie the volatility we've seen this year. Five individual days in March had S&P 500 fluctuations exceeding 1%, causing a nice break in the recent complacency in the financial markets. As we've seen in the past, the year-to-date performance leadership edge is coming from a familiar source, as the Russell 2000 is ahead of the Dow Jones Industrial Average (DJIA) and the S&P 500.

For the 1st quarter 2007, *here are the returns for the major indices (% change):*

Dow Jones Industrial Average	- 0.33
Standard & Poor 500	0.64
NASDAQ	0.26
Russell 2000	1.95
MSCI EAFE	4.08

THE ECONOMY

The average economic expansion since WWII has been slightly less than five years, while the current expansion is 63 months and this has been accomplished with GDP exhibiting below average growth. Nevertheless, profit margins are at all time highs. Economic expansions during the Clinton and Reagan administrations ran eight to ten years, however, these should not be viewed as typical. Alan Greenspan recently observed that it is possible a recession could get underway later in 2007, and he supported this observation using the same historical statistics we have presented to you.

The consumer may have finally become lethargic (a.k.a. "tapped out"), GDP growth is slowing, and corporate profit margins might be contracting from record levels. The primary anti-recession arguments, as seen by NG Wealth, are global liquidity and the low long term interest rates around the world.

INSIDE THE FIXED INCOME MARKET

The Federal Reserve met twice in the first quarter and each time elected to leave the overnight lending rate unchanged at 5.25%, marking six consecutive meetings leaving rates steady. Although the Fed left rates unchanged, they did shift their stance from a restrictive bias to neutral again with a concern on moderating inflation.

The bond market gained 1.50% (as measured by the Lehman US Aggregate Index) for the quarter ended March 31, 2007. High yield bonds fared even better posting a 2.64% return, indicating to us that investors continue to focus on yield and secondarily on risk. According to Barron's, the issuance of speculative grade bonds continued to surge in the first quarter of 2007 as compared to 2006. Again, it is this type of behavior that signals to us that investors need to be mindful of the type of risk(s) they are potentially undertaking within their portfolio.

"Those Who Don't Know History Are Doomed To Repeat It"

CONCLUSION

As we've mentioned in previous publications, we are concerned about the longevity of the latest bull market run (since October 2002 lows) and what might be an extended economic expansion. While we expect volatility to remain and perhaps increase, NG Wealth will adhere to our disciplines – disciplines that have served us well in the past – and adjust portfolios accordingly. It may be that 2007 is a year we have opportunities to make returns early on, but most important, take measures to reduce risk later in the year.

If you would like additional information or would like to discuss our investment strategies, please contact Next Generation Wealth Management, Inc. at (262) 242-4433. Or, if you prefer, you may visit our website at www.ngwealth.com.

Thank you.

David A. Massart, President

Next Generation Wealth Management, Inc. is an independent state-registered investment advisor providing investment management and advisory services to a variety of clients including individuals, families, family businesses, trusts and foundations.

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