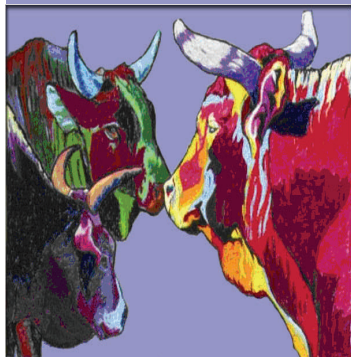


SPRING 2007



WESTWOOD ASSET MANAGEMENT
WESTWOODAM.COM

Smart & Finally!

In the first quarter of this year Apollo Management LP announced they would acquire the Los Angeles based food service supplier for \$22.00 per share.

Smart & Final WAREHOUSE GROCERIES

ket capitalization of about \$300MM and we valued the real estate at over a \$100M. So with

“Smart & Final is about one quarter to a third the size of the normal Costco or Wal-Mart.

Smart & Final was able to achieve an intercity niche. They were able to compete in locations which normally wouldn't support a large

Our clients had originally purchased shares of

“We were originally attracted to Smart & Final because of they owned the real estate underlying 50-60 of their wholesale stores”

Smart & Final (SMF) in late 2005 with a purchase price around \$12.00.

“We were originally attracted to Smart & Final because of they owned some of the real estate underlying their wholesale stores,” **Portfolio Manager, Allen Cooke** explained. “At the time they had a mar-

\$2 billion in revenues we thought they were valued fairly cheaply and projected a higher share price.”

Smart & Final operates “small box” wholesale stores to the public mainly in California.

Managing Partner, Byron Stead explained,

wholesaler and gain market penetration just based on their size.”

The transaction included the assumption of over \$200MM in debt is valued at \$812MM and is expected to close in the second quarter of 2007.

CREDIT SUISSE/ TREMONT HEDGE FUND INDEX

Index*	Return YTD	Index**	Return YTD
Dedicated Short Bias	1.64%	DJIA	.54%
Emerging Markets	3.20%	S&P 500	1.49%
Distressed	4.25%	CRB (Commodities)	3.08%
Global Macro	3.02%		

*Thru March 2007

**As of April 4th, 2007

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Special points of interest:

- Westwood completes build out of corporate offices

CALL US TODAY 800-985-4926

THE FIZZ ON JONES SODA

Due to our success with Hansen's Natural and its Monster Energy Drink many of our clients have asked us what we think of Jones Soda.

Earlier this month Jones Soda announced that their soft drinks will be in over 25 retailers including Wal-Mart, Costco, Kroger and Kmart.

When we originally started looking at Jones Soda (JSDA) two years ago. We were unexcited because of their lack of income.

Today Jones Soda has a market capitalization of \$650MM. We believe their valuations look fairly rich when compared to current annual revenues of about \$40mm.



Jones Soda

It's also difficult for us to get excited about Jones Soda given their very small pre-tax net income profit margins.

Hansen's Natural and Coke have a 40%-50% pre-tax net income margin. As of last quarter Jones

Soda had a pre-tax net income margin of less than 10%.

"We happy to see Jones Soda getting shelf space in major retailers." **Managing Partner, Byron Stead explains,** "However many of those retailers force companies to sell at very low margins. And with growth you'll see a rise in their SG&A expenses (Sales, General and Administrative expenses)"

Although the stock has had a nice run up and Westwood Asset Management wouldn't be surprise to see the stock continue to move higher, it doesn't fit the investment value/ growth criteria of our firm.

WESTWOOD ASSET MANAGEMENT

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"The main objective of Westwood Asset Management is to continuously improve the value of client investment portfolios in the most tax efficient manner"

TO OPEN AN ACCOUNT

CALL US AT

800-985-4926

invest@westwoodam.com

KEY RATES AND YIELD CURVES

Rates as of April 5th, 2007

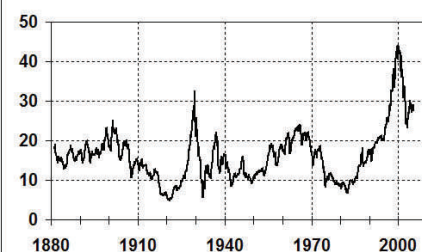
MONEY RATES

Treasury Issues (%)	
3-month	5.04%
Federal Funds Rate	5.19%
2-year	4.54%
LIBOR 6-month	5.34%
10-year	4.65%

COMMODITY FUTURES

Oil	\$61.87
Gold	\$679.80

S&P Price/Earnings Ratio



The representative yields shown are subject to market conditions and may fluctuate. Past performance is no guarantee of future results.



WESTWOOD
Asset Management

WESTWOOD INVESTMENT STRATEGIES

Compounding Account Growth

Simply stated this is the most valuable aspect of account management, and the area where Westwood seeks to exert the most influence. As an example: an account that compounds at 10 percent annually after taxes and fees will double every 7.2 years. In the opinion Westwood percentage growth on top of percentage growth is the most important factor for long term account management. This area is where we deploy our strategies and experience.

Favorable Tax Strategies

There a number of common strategies that Westwood uses to reduce the effect of taxes. The primary strategy is to hold securities for long term gain. Many mutual fund and money managers have a performance first and only outlook. This can result in more short term gains, which are taxed at an individuals normal income rate. Higher tax rates on an investors account translates into slower compounded growth.

Investing for a Long Term Horizon

One of the primary mistakes made by investors and managers is to attempt fast gains. This can result in additional risks and often time losses. Our strategy is to minimize account turnover and invest for the long term. Minimizing account transactions, or turn-over, reduce commission cost, which benefits the account. Investing for the long term reduces risk.

The Continuous Addition of Capital

New investors should consider that additional contributions to their accounts are as important as any other strategy. Don't try to play catch up, this can be disastrous. New investors should invest for the long term and strategize for reasonable growth.

R. ALLEN COOKE, Portfolio Manager



Allen Cooke, the Portfolio Manager of Westwood Asset Management, has over fifteen years of experience serving institutional and individual clients. Prior to Westwood Asset Management, he was

the head of fixed income, research and trading for Western International Securities.

Mr. Cooke has researched and correctly forecasted a number of economic situations involving companies, markets and industries. His financial history also includes complex analysis of individual companies. Mr. Cooke holds series 86 and 87 analyst license.

Mr. Stead has over ten years of experience serving institutional and individual clients. His clientele as a bond trader included some of the most well known companies in the mutual fund and hedge fund industry.

BYRON STEAD, Managing Partner



His financial history and educational background include analysis in macro-economics, mathematics, chapter 11 reorganization, multi-currency, and fixed income markets.

In Step with Andrew Lahde of Lahde Capital Management

Hedge fund Lahde Capital has earned more than 67% (before fees) year to date from the imploding subprime mortgage market. The primary strategy is to engage in derivative transactions that benefit from loan defaults in the sub prime mortgage pools.

“During February the wheels came off the subprime bus almost all at once” says Mr. Lahde. New Century, the poster child of subprime and the second largest subprime originator, filed for bankruptcy, ceased underwriting and fired thousands of employees after a federal criminal probe was launched focusing on its accounting.

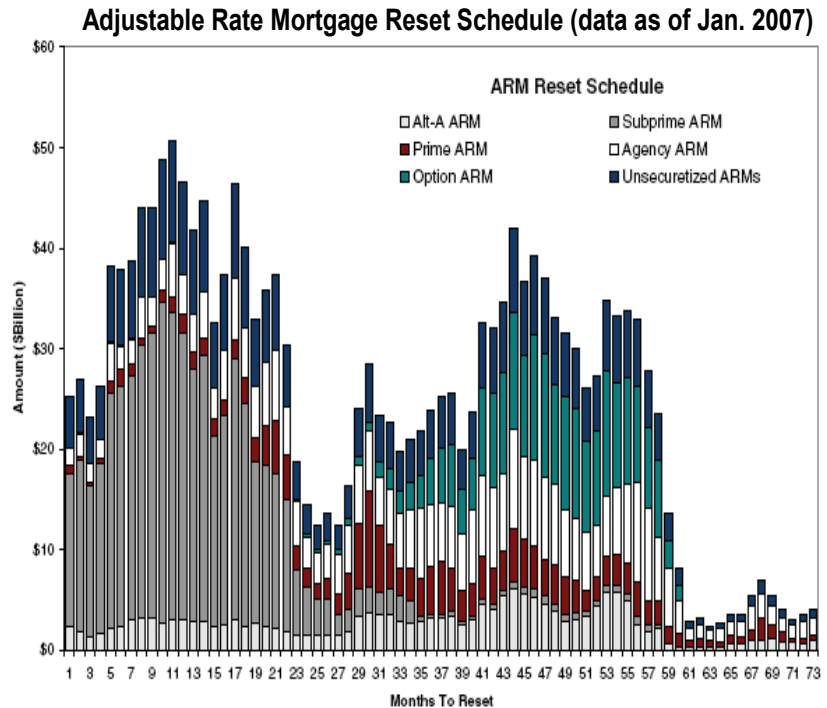
Allen Cooke Commented: “I do not recall ever seeing an industry implode so quickly. The main factor was the overnight revocation of the lending lines from the large banks to the subprime originators.”

Mr Lahde added more insight: “If you think the worst is behind us, consider ARM resets do not peak for another nine months and they peak at a level that is twice as high as it was last month.”

Lenders tightened their lending standards over the past month so abruptly and so severely that as many 20% to 50% of the loans that were written in 2006 would not be approved today.

When these resets occur, the interest rates on the mortgages typically jump by 4% to 6%, resulting in payments that are 30% to more than 100% higher than initial payments. The above diagram demonstrates the reset amounts looming for the subprime borrowers.

Resets Do Not Peak For Another 9 Months



Source: Credit Suisse Fixed Income U.S. Mortgage Strategy

New investments in Lahde Capital are only available to institutions that invest \$1-25 million at a time.

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*Westwood Asset Management is not affiliated with Lahde Capital Management. For more information about Lahde Capital Management and their strategy contact them directly at; Lahde Capital Management, LLC
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