INVESTMENT COMMENTARY

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1st Quarter 2010

The Markets

Index	Quarter	Year to Date	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Trailing 10 Years
Domestic Equity						
S&P 500	5.39	5.39	49.77	-4.16	1.92	-0.65
Russell 1000 (Large Cap)	5.70	5.70	51.60	-3.98	2.31	-0.36
Russell MidCap	8.67	8.67	67.71	-3.30	4.20	4.84
Russell 2000 (Small Cap)	8.85	8.85	62.76	-3.99	3.36	3.68
International Equity						
MSCI World ex US (Developed)	1.34	1.34	55.96	-6.15	4.33	1.70
MSCI Emerging Markets	2.45	2.45	81.54	5.45	16.00	10.11
Real Estate						
FTSE/Nareit Equity REITs (public)	10.02	10.02	106.70	-10.61	3.79	11.42
Domestic Fixed Income						
Barclays U.S. Aggregate	1.78	1.78	7.70	6.14	5.44	6.29
Barclays U.S. TIPS	0.56	0.56	6.18	6.01	4.84	7.19
Barclays Municipal	1.25	1.25	9.70	4.57	4.59	5.58
Barclays High Yield	4.62	4.62	56.18	6.65	7.78	7.46
Citigroup 3-Month T-Bill	0.03	0.03	0.11	1.46	2.65	2.65
International Fixed Income						
Citigroup Non-$ World Gov't Bond	-2.10	-2.10	8.41	7.45	4.68	6.49
Commodities						
UBS/Dow Jones Commodity Index	-5.05	-5.05	20.37	-8.41	-4.00	2.98

Equities

In the global equity markets during the 1st quarter, the U.S. market (S&P 500) was up 5.4% and outpaced both the developed international world (MSCI World, ex U.S.), up 1.3% and the emerging markets (MSCI EM), up 2.5%.

The strength in the S&P 500 is significant in light of the 26.5% rally in 2009. Many investors entering 2010 were uncertain of the sustainability of the market's recovery. This is reflected in January's performance in which the market returned -3.6%. As economic news began to confirm that a recovery was slowly taking place, the market responded, up 3.1% in February and 6.0% in March.

Many sectors were positive during the quarter, although three had a significant impact on performance. Within the Russell 3000 Index, which includes both large and small cap stocks, the financial sector added the most to performance, returning 11.4%. Next was the Consumer Discretionary sector, up 12.2% and the Industrial sector, up 11.7%. Negatively contributing to the index's performance were Utilities, down 2.6% and Telecom, down 3.5%.

The REIT industry is one segment of the market that stood out as a top performer. Not only are investors seeking yield from this group but they are positioning themselves for a strong commercial real estate recovery. Commercial real estate has not yet experienced a rebound from the market lows like the other asset classes did in 2009. However, over the last twelve months, the NAREIT Equity Index is up an astounding 106.7% and 10.0% in the first quarter this year. REITs still have not recovered all that was lost as the three year trailing return is still negative. Within the REIT industry, Hotel REITs, performed the best during the quarter. This group is more sensitive to economic conditions relative to other types of REITs because their clients do not lock in rates with long-term contracts. Patrons can "rent" a room for just one night. Therefore, REIT investors assume they will benefit first as the economy recovers. We believe this is another example of investors showing signs of confidence that the economic recovery is sustainable.

A large percentage of the MSCI World, ex U.S. Index is comprised of the U.K. and Eurozone countries. During the quarter, the MSCI World, ex-U.S. Index was up 1.3% (4.1% in local currencies). The strength of the U.S. Dollar explains much of the underperformance versus the S&P 500 that U.S. investors experienced. Coupling high debt levels with slow economic growth in the U.K. and news of sovereign risk concerns swirling around the Eurozone, with Greece as the lead headline, it is not surprising that the World, ex U.S. Index slightly underperformed the S&P 500 even in local currencies. Japan is also a significant portion of the index and unlike developed Europe, the Japanese market (Nikkei), returned 5.6% in the first quarter. Investors were encouraged by strengthening exports to Asia; however they remain cautious as the country is still battling deflation.

After being up 78.5% in 2009, the MSCI Emerging Market Index returned 2.5% in the first quarter (1.4% in local currencies), which is positive but below the S&P 500 as well. Looking at the MSCI National Indexes, China was actually down 1.6%, while Brazil was basically flat, -0.1%. India was up 4.9% and Russia returned a positive 6.8%. The positive momentum witnessed in 2009 appears to be slowing a bit.

Bonds

In an effort to add support to the economy the Fed announced, around Thanksgiving of 2008, a $500 billion program to buy mortgage backed securities. By March 2009, the dollar commitment increased to $1.25 trillion. Instead of ending the buying spree in December, the Fed extended the program through March 2010. During this time, bond returns have been impressive. With the federal government acting as a buyer of mortgages, investors, looking for yield, felt comfortable investing in riskier assets such as investment grade bonds and especially high yielding "junk" bonds over Treasuries. The Barclay's High Yield Index was up 4.6% during the quarter and returned 56.2% over the last twelve months. The Barclay's U.S. Aggregate Index was up 1.8% during the quarter and is up 7.7% over the past twelve months.

The wide spreads witnessed in 2009 have narrowed. The Fed ceased buying mortgage backed securities on March 31, and if the economy continues to improve, there is a future possibility the

Fed will raise interest rates. None of which bode well for bond returns.

Commodities

The Dow Jones Commodity Index, comprised of a diversified basket of commodities, was down 5.1% in the first quarter 2010. The Energy sector was down 8.3%, influenced by a 30.5% fall in Natural Gas due to an unanticipated rise in U.S. inventories. Agriculture commodities were down 13.7%. Most segments were negative, except for cotton, which was up 4.8%. Sugar was the worst performing, down 36.6% during the quarter after hitting a 29 year high in February. The potential for an increase in global supply has risen as Brazil hints at the large size of its upcoming crop. Livestock futures were up 6.1%. Industrial Metals were up 6.1%, with Nickel up 34.5%. Nickel is used in the production of stainless steel. Zinc was the worst performing, down 8.4%. Precious metals were up 2.3%.

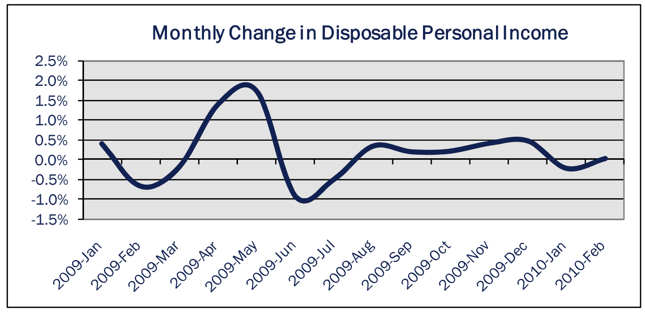
We want to note the importance of diversification in commodities. It limits a portfolio's exposure to any one of the underlying commodity's performance, which can be quite volatile. Although we do not see inflation as a near term problem, commodities are highly correlated to inflation and typically work as a good inflation hedge in a well diversified portfolio.

Economic Insights

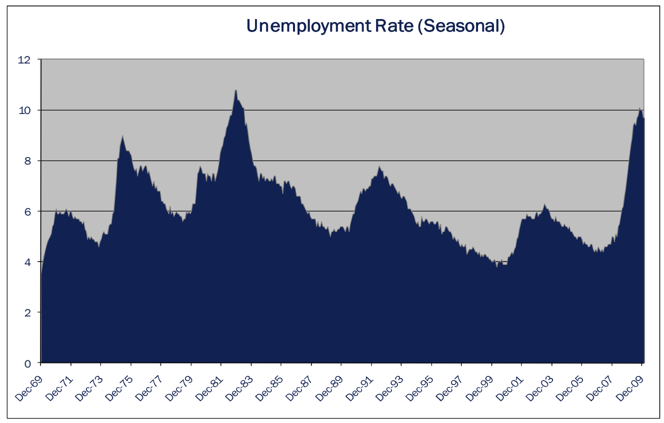
Over the last year and a half in the U.S., there has been a focus on the consumer's enormous levels of debt. However, in a combination of consumers walking away from debt obligations, leaving lenders to write it off as bad debt and the consumer actually paying it down, the situation is improving.

Consumer spending is not back to pre-crisis levels but has improved moderately. However, income levels have not increased. As jobs are added, more people have cash to spend; however, higher wages would help to ensure a continued improvement in consumer spending.

On April 2, the Labor Department reported that 162,000 workers were hired in March. Although



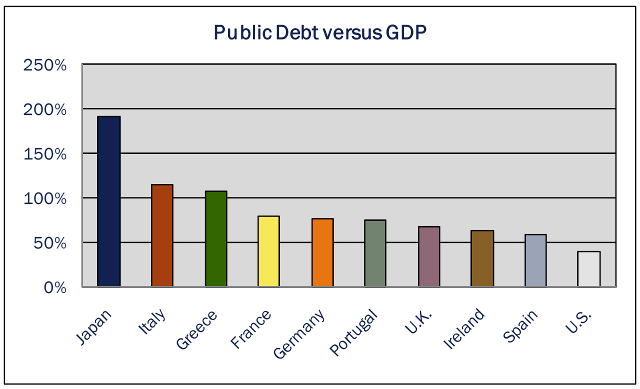
this was viewed positively and is a confirmation for many investors that the economy is stabilizing, the unemployment rate remains at 9.7%. Additionally, due to population growth, 100,000 jobs need to be created each month just to keep the unemployment rate the same.



Although the economy is showing signs of life and appears to be recovering, unemployment remains high. Unless there is significant improvement, this should keep the Fed from raising interest rates in the near term, which would be positive for the market. However, the consumer is not spending at pre-crisis levels, and it may take years to improve personal balance sheets. All things considered, we continue to expect muted growth and a relatively slow recovery.

What once was a consumer debt issue is now a government debt issue. Globally, governments have stepped in and assumed the spending role of the consumer in an effort to keep their countries from falling further into recession and possibly depression. These actions have raised the debt levels of developed countries to impressive levels.

Beginning with the situation in Greece hitting the headlines, many investors have become concerned as to whether or not certain countries in this group can meet their obligations. A word frequently used in the media is contagion; however, certain countries such as Japan, Germany and France are not being referenced. Why is this? Their country's debt levels are nothing to take lightly. Japan's debt level is the highest, close to 200% of GDP, but with the majority of debt held domestically and the long time span at which this has been the situation in Japan, investors could be concerned but are not investing in a way that reflects an immediate worry of default. Without talk of a catalyst, it seems like old news. In countries such as France and Germany, positive economic data suggests that the countries are recovering, thus investor concern is relatively low.



Although the U.S. is currently in much better shape than most of the other developed countries, there is a growing concern that the trend of government spending and growing levels of U.S. debt is problematic. Additionally, there are no indications that this trend will reverse any time soon. Some may argue that U.S. Treasuries will always be in demand because the U.S. Dollar is the world's reserve currency. This may be true today, but potentially, in future years, this may no longer be the case.

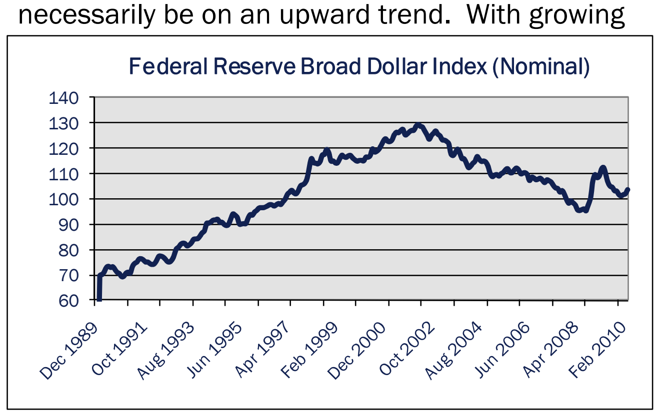
Certain countries among the PIIGS (Portugal, Ireland, Italy, Greece & Spain), along with the U.K. are feared to have the same potential problem as Greece. Debt levels are rising while economic growth is contracting, such as in Spain, or is anticipated to contract throughout the year, such as in Ireland or is feared to potentially contract , such as in the U.K.

Sovereign risk worries added volatility to the markets in the first quarter. Although there have been no defaults, the fear of default remains. Unfortunately, it does not appear that this storyline will leave the headlines anytime soon, and there is always the risk of a different unanticipated occurrence of some sort that will hit the papers, creating noise and thus volatility in the markets.

In the emerging markets, the debt situation is quite different as many countries, especially China, are sitting on massive reserves, giving them the ability to stimulate their economy as needed without taking on potentially harmful levels of debt. What the emerging markets are facing is the threat of high inflation. Governments will have to be mindful of this potential threat, and we should expect them to continue to take action throughout the year. Investors will be keeping an eye on each country's economic growth as governments raise key interest rates or remove economic stimulus, such as in China, where they have already raised cash reserve requirements for banks. As emerging markets work to slow the growth of their economies, investors are likely to pause, at least in the near term, putting pressure on those markets.

The U.S. Dollar

The U.S. Dollar has been on a downtrend since February 2002. However, due to the highly publicized sovereign debt issues and fiscal irresponsibility in the Eurozone, the Dollar strengthened against the Euro in the first quarter. Although, it appears that the Dollar is stabilizing, it may not necessarily be on an upward trend. With growing



debt levels and even considering the positive signs of economic stability, there is not a strong fundamental reason the Dollar should trend higher. If the Dollar continues to trade in a range around current levels without reason to trend higher or lower, unforeseen events, whether positive or negative for the Dollar will potentially increase volatility as investors trade on short term news.

There has also been a lot of news on the fact that China's yuan (remimbi) is pegged to the Dollar. The Obama administration has strongly encouraged the Chinese government to let it float against the Dollar, arguing the remimbi is significantly undervalued thus giving China an unfair advantage. Why does the U.S. care? Well, if the Dollar is valued less than another currency such as the remimbi, then U.S. goods are relatively cheaper, thus potentially increasing exports which would increase economic growth.

In our opinion, it would not be a good idea for the U.S. to anger one of its biggest creditors. Also, allowing the remimbi to float and potentially appreciate in value would only make Chinese goods more expensive. However, that does not mean that they would be more expensive than U.S. produced goods, causing consumers to want to buy American. If American made and Chinese made goods were both expensive, the U.S. consumer would be the one to suffer and would likely seek a new source of cheaper goods.

It is difficult to know the exact motivations of the Chinese government; however, we believe the government does not want to jeopardize its export business, knowing that an increase in its currency would make Chinese goods more expensive. However, as China faces a potential inflation problem, letting the remimbi float and increase in value, thus slowing growth, would aide them in that battle.

Summary

As we pointed out in our *Global Economic and Capital Markets Overview*, which may be found on our website, 2010 will likely be one of volatility as governments in the developed world work to remove massive amounts of stimulus and allow the economies to operate on their own. Investors will be closely watching economic data to get further confirmation that a recovery can be sustained without government intervention. Thus, eyes will be on central banks. In the U.S. investors will be asking the question will the Fed raise rates or will they continue to keep rates low to ensure an economic recovery, especially in light of a 9.7% unemployment rate. In the emerging world, investors will be watching as governments work to keep their economies from overheating while not stifling growth completely. In summary, equities will be volatile, bonds will need to find a catalyst for returns and the U.S. Dollar has likely stabilized but is not likely on an upward trend.