

MONTHLY REVIEW—JULY 2010

MARKET INDEXES

Index	1 Month	3 Months	Year-to-Date	Trailing 1 Year
<u>Domestic Equity (Large Cap)</u>				
Russell 1000 (Core)	6.95	(7.01)	0.11	14.51
Russell 1000 Growth	7.13	(6.49)	(1.06)	13.65
Russell 1000 Value	6.77	(7.52)	1.30	15.39
<u>Domestic Equity (Small/Mid Cap)</u>				
Russell 2500 (Core)	7.04	(8.01)	5.23	21.77
Russell 2500 Growth	6.67	(7.00)	4.73	20.21
Russell 2500 Value	7.36	(8.85)	5.67	23.20
<u>International Equity</u>				
MSCI World ex US (Core)	9.24	(4.22)	(4.38)	6.88
MSCI World ex US Growth	8.15	(3.87)	(3.20)	8.34
MSCI World ex US Value	10.38	(4.57)	(5.56)	5.41
MSCI Emerging Markets	8.33	(1.80)	1.85	20.24
<u>Domestic REITs</u>				
NAREIT	9.52	(1.75)	15.61	53.90
<u>Commodities</u>				
Dow Jones-UBS Commodity	6.77	(0.30)	(3.48)	6.27
<u>Domestic Fixed Income</u>				
Barclays U.S. Aggregate	1.07	3.52	6.46	8.91

ECONOMIC INDICATORS

	Most Recent	Year-to-Date	Trailing 1 Year
U.S. Dollar (July)	-1.7%	1.2%	-2.6%
Housing Prices (May)	0.5%	1.5%	6.0%
Consumer Sentiment (level)	67.8	72.5	66.0
Retail Sales (June)	-0.5%	1.7%	5.0%
Job Gains/Losses (June)	(125,000)	882,000	(167,000)
Inflation (June)	-0.1%	0.9%	1.1%

The absence of any major negative headlines helped calm the panic that sent equity markets tumbling in May and June. Even though economic data reports in July pointed to anemic growth, corporate earnings were stronger than expected, increasing confidence. Not only did the broad U.S. and international equity markets surge in July, but REITs and commodities also participated. Bonds were positive as inflation fears remained at bay; however, gold, which generally strengthens with investor fear, went down 5% during the month.

The market will likely remain volatile as we move throughout the year, and investors should be prepared for a bumpy ride. Even Fed Chairman, Ben Bernanke, who recently testified before the Senate banking, housing and urban affairs committee, stated that the economy was "unusually uncertain." He acknowledged the plan was to tighten monetary policy, but stated that the central bank would be willing to take action to stimulate growth if deemed necessary. He referenced the Greek sovereign debt issue, and also pointed out that banks are still struggling and millions of Americans are still without employment.

On July 12th, earnings season began with Alcoa announcing its quarterly results, and it will end on August 17th with Wal-Mart's report. According to seekingalpha.com, as of July 28th, 71% of U.S. companies had beaten the average earnings estimate of Wall Street analysts. The average, they report, since 1998 is 62%. In the S&P 500, 78.8% had beaten expectations.

During the month, investors did not appear to discriminate. There was a small spread between the performance of growth and value stocks, and both large cap and small cap indexes were up about 7.0% in July. In the Russell 3000 index, all sectors were positive. Although the materials, industrials and energy sectors were some of the strongest performers, up 11.9%, 9.9% & 8.1%, respectively, they were not the largest contributors to performance. Information technology, 18.6% of the benchmark was up 7.1%, and financials, 17.0% of the benchmark, were up 6.6%. The two collectively contributed 2.4% to the benchmark's 6.9% return. Participating in the broad market rally, REITs also rebounded in July. They did outperform the Russell 3000 index, finishing the month up 9.5%. The group continues to lead the broad market, up 15.6% year-to-date versus the Russell 3000 Index, up 0.5% year-to-date.

As Europe addresses deficit issues, investors bought stocks, pushing the developed international markets up 9.2%, (4.6% in local currencies). The weakening of the U.S. Dollar provided a tailwind for U.S. investors investing internationally.

Emerging markets performed well in July, rallying 8.4%, (6.2% in local currencies). Data reports out of China, suggest growth is slowing, but that overall, the Chinese economy is still expanding, just at a slower rate. Belief that China is still growing and that the developed world is also growing, even though at a slow pace, gave support to the commodities market, which was up 6.8% in July. Gold, as mentioned earlier, was weak.

Going forward, lack of conviction in the stability of the global economy will likely continue to create volatility in the capital markets.