2009 MARKET VIEWS – SUMMARY

**Economy**
- We believe the U.S. economy is stabilizing and it is likely there will be modest growth by year end 2009.
- Our forecast conclusions include sustained low inflation and interest rates, weak consumption activity, and relatively weak corporate earnings during the next 18 months.
- We anticipate that the U.S. savings rate will probably increase to 10% over the next three to five years.
- In our view, the U.S. unemployment rate will probably not peak until 2010, and may remain persistently high as consumer retrenchment causes dislocation in employment.

**Equity Markets**
- Beginning in the second half of 2009 and extending into 2010, we anticipate domestic equities will lead most global equity markets in terms of price recovery.
- We believe the domestic equity market’s rebound from March lows seems to reflect investors’ belief of a return to economic and market normalcy and provides a degree of optimism regarding the unfolding global recovery.
- We anticipate that emerging markets will likely lead developed international markets over the near and intermediate term.

**Fixed Income Markets**
- Current rates on Treasury securities appear to be too low and may represent a risk to investors; rates are likely to rise.
- The credit markets, outside of Treasuries, may represent a potentially attractive opportunity for investors.
- Non-Treasury spreads narrowed during the first half of 2009, but are still historically attractive in investment grade and high yield corporate debt.

**Commodity Markets**
- We expect commodity prices to track the global economy.

**Real Estate Markets**
- Residential real estate is likely near its nadir, but high unemployment and housing supply will likely keep prices low.
- Commercial real estate seems to be weakening and we anticipate this weakness could track into 2010.

**CURRENT ECONOMIC UPDATE**

**Domestic**
- U.S. Consumer Prices Index (CPI) was unchanged in July and down 2.1% year-over-year, representing the largest 12-month decline since 1950.
  - Core CPI was up 0.1% or 1.5% year-over-year
  - Core CPI was up less than expected due to plummeting lodging prices.
- Gasoline prices dropped 0.8%.
- Clothing and tobacco prices rose.
CURRENT ECONOMIC UPDATE, Cont’d.

Domestic, Cont’d

• The Reuters/University of Michigan Consumer Sentiment Survey released August 14 was 63.2, down from 66.0 in July.
  – The Sentiment Index is well below the market expectations of 68.5, despite improvements in other areas of the economy, such as jobs, manufacturing, and housing. Consumer weakness is centered in the current conditions component of the survey (64.9 vs. 70.5)
  – The Index of Consumer Expectations, a component of the Index of Leading Economic Indicators (LEI), fell to 62.1 for August, down from 63.2 in July
    > The consumer sector seems to have an increasingly negative pull on the recovery—as evidenced in recent retail reports

• July import prices fell 0.7%, down 0.2% from June (excluding petroleum). This was the first decline since the beginning of the year. The expectation was for a 1% decline.
  – Import prices are down 19.3% from July 2008, the largest decline since this index was created
  – Export prices fell 0.3% from June and are down 8.1% from year-ago levels

• Non-farm productivity quarter-over-quarter change and unit labor costs quarter-over-quarter change both rose.
  – Productivity was expected to improve by 5.5%, actual 6.4%
  – Unit labor costs consensus with an expected decline of 2.8%, declined 5.8%. Changes were the result of hours worked decreasing faster than output. Hours worked dropped an annualized rate of 7.6%, while the output slipped only 1.7%
  – The report suggests corporate profitability should be positively impacted

• The Federal Open Market Committee voted 10-0 to maintain the target federal-funds rate for interbank lending at a record-low range of zero to 0.25%.
  – The panel reiterated its commitment to keeping rates low for some time, but suggested the economy is on more stable ground. This is additional confirmation that the severe recession is either already over or will be very soon

MARKETS AT-A-GLANCE

<table>
<thead>
<tr>
<th></th>
<th>Fed Funds Target Rate</th>
<th>10-yr Treasury Yield</th>
<th>S&amp;P 500 Close</th>
<th>DJIA Close</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAST WEEK (08/14/09 close)</td>
<td>0.00 – 0.25%</td>
<td>3.56%</td>
<td>1,004.09</td>
<td>9,321.40</td>
</tr>
<tr>
<td>Last Month (07/31/09 close)</td>
<td>0.00 – 0.25%</td>
<td>3.50%</td>
<td>987.48</td>
<td>9,171.61</td>
</tr>
<tr>
<td>Year End (12/31/08)</td>
<td>0.00 – 0.25%</td>
<td>2.25%</td>
<td>903.25</td>
<td>8,776.39</td>
</tr>
</tbody>
</table>

Data Source: Factset

Please refer to important disclosures on page 6
CURRENT MARKET EVENTS

Equity Markets

- The equity markets were mixed last week as the S&P 500 Index traded modestly lower and the MSCI EAFE Index, modestly higher.
  - The macro numbers for the week (with the exception of a lower reading on consumer confidence) were firm both domestically and internationally, consistent with recent weeks
  - The S&P 500 finished the week 50% higher off the lows established in early March, a dramatic run in a condensed period of time
  - Earnings estimates continue to move higher with the consensus numbers for 2009 now centering on $59+ per share and 2010 estimates in the $75 per share range. At current prices, the market is selling for approximately 13x 2010 estimates, a relatively low P/E ratio especially in light of the low global inflation rate
  - Enhanced operating leverage due to cost cuts provide some degree of upside revision potential to each set of estimates. Many S&P 500 companies are currently experiencing production-led and foreign driven revenue gains that, hopefully, will lead to more participation by the U.S. consumer

- In recent trading days, large cap domestic stocks have outperformed smaller cap names. This may signal a shift to more stable and internationally exposed larger cap equities as we move forward.
  - The initial "blast off" for equity prices off the bottom has come and gone. We are likely to rotate to a higher quality, larger cap upward drift (post a consolidation period) that is typical of a cyclical bull market rally

- Some degree of consolidation and/or a slight pullback is likely in the near term, especially for emerging markets. Many of these markets have traded higher coupled with higher global commodity prices and legitimate indications of country specific economic expansion.
  - Japan's GDP, the domestic reading on consumer confidence and Monday's global sell off are helpful reminders that global and financial market recoveries do not happen in an uninterrupted straight line
  > Improvement in the labor picture will most likely to a constructive development as this element supports the notion of consumer re-engagement, a necessary ingredient to any sustained earnings driven market advance

Fixed Income Markets

- Treasury rates rose sharply last week as the market again absorbed record supply of $75 billion in notes and bonds.
  - The three-year and 30-year auctions went extremely well as they received strong bid-to-cover orders
  - The bond market was supported by mixed economic data and rallied strong on a weak consumer confidence number along with a Consumer Price Index (CPI) number that showed inflation is still not a concern
  - The bond market will be influenced this week by housing starts and permits on August 18 and by initial jobless claims and the Leading Economic Index (LEI) to be released on August 20

- The issuance of Treasury's is light this week and it will be interesting to see if a recent pattern repeats itself.
  - A pattern has developed over the last 45-60 days with the bond market selling off the week before a large offering of treasury auctions and then rallying the week of the auctions as witnessed last week. This could present a better buying opportunity for investors prior to the auctions
CURRENT MARKET EVENTS, Cont’d.

Fixed Income Markets, Cont’d
• The Corporate Bond Market lagged in performance as spreads widened on the weak economic picture. This is worth watching, as Corporate Bonds, both investment grade and high-yield have been the beneficiaries of significant spread tightening.
  – We believe the market could give back some of the spread tightening we have seen since March both in corporates and agencies. If corporate bond spreads continue to widen over the next several weeks, the market could be forecasting a decline in economic and consumer demand

Commodities Markets
• Commodities prices fell 3% (S&P GSCI Index) paced by Crude Oil, down 5%, on higher U.S. inventories and weaker demand.
  – According to the weekly Energy Information Administration Report, crude oil inventories were up 2.5 million barrels, over last week, to 352 million barrels. That is up 55 million barrels over the prior year.
  – Demand for gasoline was down to 8.95 million barrels per day from 9.19 million barrels per day in the prior week and 9.446 last year.
> The Organization of Petroleum Exporting Countries (OPEC) released its monthly Oil Market Report last week. In it they confirm the decline in U.S. oil consumption, but note that it is being mitigated by consumption increases in the rest of the world, especially China (up 2.6% in June year-over-year), India (up 13.6% in June year-over-year) and Latin America

Real Estate Markets
• The Dow Jones Composite REIT Index fell 4.7% for the last week, as REITs significantly underperformed the broad U.S. equity market.
  – U.S. REITs have recently been very strong, up 78.2% since the March 9th low, versus the S&P 500 up 49.9%
  – REIT valuations seem to now be trading around fair value, with fundamentals likely to deteriorate through pressure on funding sources

CURRENT ASSET ALLOCATION STRATEGY
• There are no recommended changes to tactical guidance this week

Balanced Portfolio Strategy – Tax Aware
Tactical Allocation Effective: August 4, 2009

<table>
<thead>
<tr>
<th>Equity – 62% / Overweight</th>
<th>Fixed Income – 33% / Overweight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Large Cap: Underweight</td>
<td>Investment Grade: Overweight</td>
</tr>
<tr>
<td>Domestic Mid-Cap: Overweight</td>
<td>High Yield: Overweight</td>
</tr>
<tr>
<td>Domestic Small-Cap: Neutral</td>
<td>TIPS*: Underweight</td>
</tr>
<tr>
<td>Developed International: Underweight</td>
<td>Foreign Debt: Neutral</td>
</tr>
<tr>
<td>Emerging International: Overweight</td>
<td>Hedged Fixed: Neutral</td>
</tr>
<tr>
<td>Private Equity: Neutral</td>
<td></td>
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<tr>
<td>Hedged Equity: Overweight</td>
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Real Estate – 0% / Underweight     Commodities – 5% / Overweight

*Treasury Inflation-Protected Securities

Please refer to important disclosures on page 6
DEFINITIONS
Gross Domestic Product (GDP) is the total market value of all final goods and services produced in a country in a given year.
Consumer Price Index (CPI) is a measure of the average change in prices over time in a market basket of goods and services and is one of the most frequently used statistics for identifying periods of inflation and deflation.
Purchasing Managers Index (PMI) is an indicator of the economic health of the manufacturing sector. PMI is based on five major indications: new orders, inventory levels, production, supplier deliveries, and the employment environment.
Michigan Consumer Sentiment Survey is a survey of consumer confidence conducted by the University of Michigan. The Michigan Consumer Sentiment Index (MCSI) uses telephone surveys to gather information on consumer expectations regarding the overall economy.
Expectations Index is a sub-index of the Conference Board’s Consumer Confidence survey and measures overall consumer sentiments toward the short-term (six-months) future economic situation.
Federal Open Market Committee (FOMC) is the branch of the Federal Reserve Board that determines the direction of monetary policy. They meet eight times per year to set key interest rates and to decide whether or not to increase or decrease the money supply.
Fed Funds Target Rate is a short-term rate objective of the Federal Reserve Board. The actual Fed Funds Rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. The real rate changes daily, but is usually close to the target rate desired by the Federal Reserve.
Leading Economic Index (LEI) is compiled by The Conference Board, a private-sector consulting firm. The index is designed to indicate the future direction of economic activity. A rising index signals that economic activity can be expected to increase in the near future.
MSCI Europe, Australasia & the Far East Index (EAFE) a benchmark for developed foreign market stocks.
Dow Jones Composite REIT Index contains all the publicly traded U.S. REITs in the Dow Jones U.S. stock universe.
Energy Information Administration Report provided by the Energy Information Administration (EIA), a report containing information regarding important energy-related factors such as future energy inventories, demand and prices.
Real Estate Investment Trusts (REITs) are securities that sell like a stock on the major exchanges and invest in real estate directly, either through properties or mortgages.
Sentiment Survey is the real estate industry’s most comprehensive measure of senior executives’ confidence in the real estate environment.
Spread is the difference between the yields of two bonds with differing credit ratings (most often, a corporate bond with a certain amount of risk is compared to a standard risk-free Treasury bond); the bond spread will show the additional yield that could be earned from a bond which has a higher risk.
Treasury yield is the effective rate of interest paid on a debt obligation issued by the U.S. Treasury for a specified term (e.g., two years).
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