Commentary & Market Outlook
2nd Quarter 2010

Index & Mutual Fund Categories	Second Quarter 2010	2010 Year-To-Date
Dow Jones Industrial Average	-9.36%	-5.00%
S&P 500	-11.43%	-6.65%
MSCI EAFE (Foreign)	-13.97%	-13.23%
MSCI Emerging Markets	-8.37%	-6.17%
Barcap Aggregate Bond	3.49%	5.33%
Barcap LT Government	11.83%	12.92%
Barcap Credit	3.27%	5.62%
CSFB High Yield	0.21%	4.69%

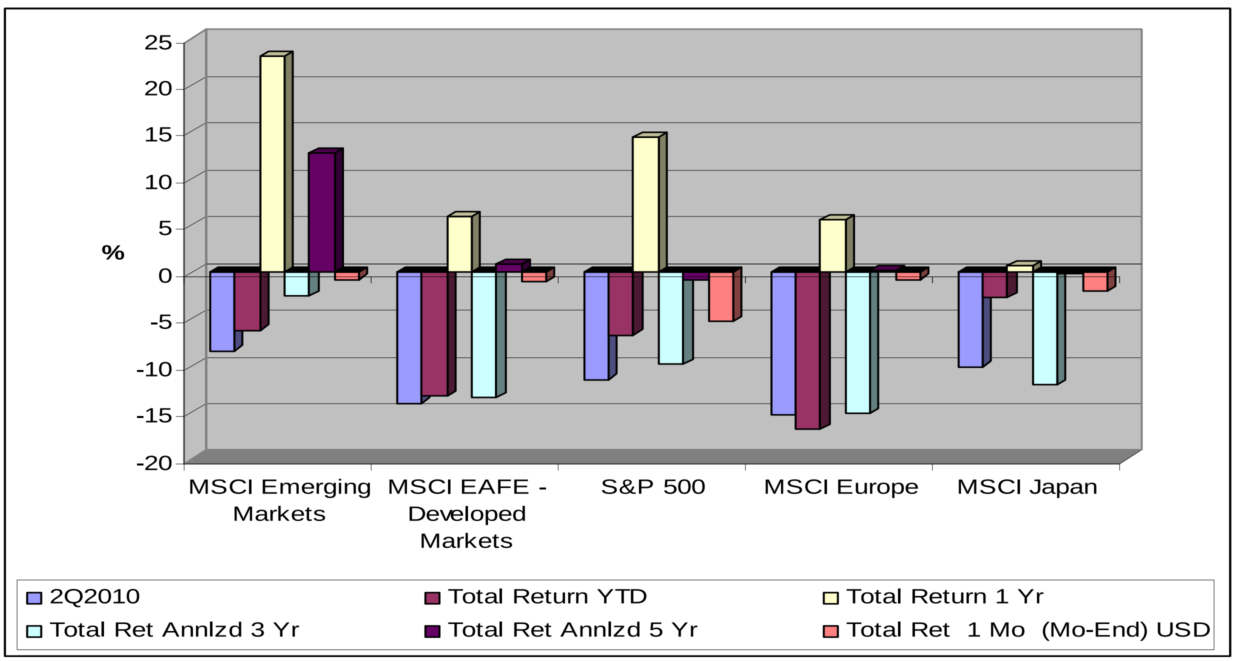
An index is a portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Indexes are unmanaged portfolios and investors cannot invest directly in an index. Past performance is no guarantee of future results. The index returns are all "Total Return" with dividends re-invested, which means the return is not only the change in price for the securities in the index, but any income generated by those securities. See Index definitions on disclosure page. *Source: Morningstar Direct. Total return data as of 06/30/2010. Returns are in U.S. Dollars.*

EQUITY MARKETS

Volatility reappeared in the global markets during the 2nd quarter, as investors sold off stocks and headed for more defensive investments, such as U.S. Treasuries and gold, setting an end to the "risk" rally that started in March of 2009. The Standard & Poor's 500 Index ended the second quarter down 11.4%, as concerns about the health of the consumer, the growing deficit and Europe's fiscal woes overshadowed the improving earnings picture. Looking at data from Standard & Poor's, the S&P Composite 1500 Index, which comprises large, mid, and small cap companies, is estimated to have operating earnings growth of 46.3% for 2010 and 17.1% for 2011. This compares with actual profit growth of -39.4% in 2008 and 12.1% in 2009. If this 2010 estimate is remotely accurate, this growth will serve as a strong tail wind to counter some of the head winds such as high unemployment, a weak housing market, and an uncertain future for the Euro. If these estimates are revised down too much, or worse, if companies start reporting earnings well below these estimates, we could see this tail wind quickly turn into a head wind for stocks as a decline in earnings would push valuations higher and have a greater drag on stock price returns. As has been mentioned in previous newsletters, we are of the strong belief that revenue growth will need to play a key role in earnings growth as cost-cutting measures can only go so far and do so much to help the bottom line. Though year over year revenue growth, according to Zacks Investment Research, was 11.67% and is currently expected to grow by more than 6% for the next year, only time will tell whether these trajectories will be maintained or will be revised downward.

Starting with the fiscal crisis in Greece, global financial markets saw volatility return during the second quarter as investors reduced their exposure to “risky” assets in light of the fiscal issues across Europe and concerns of the sustainability of the global economy recovery. While the rescue package put into place by the EU and IMF addressed immediate liquidity and default concerns, investors remain worried that the needed austerity measures to address fiscal challenges will put further pressure on the Euro and an already slow Eurozone economic recovery. Officials in China are also taking steps to slow its economy and address potential asset bubbles. This sent shock waves through the markets, resulting in a 22.9% sell-off in the Shanghai Composite, as investors became concerned that they may hit the brakes too hard and stunt the main engine of global growth, as GDP and earnings growth in China are at double digit levels.

The resulting flight to quality placed pressure on equity markets globally and strengthened the U.S. Dollar, particularly against the Euro. The Euro dropped another 8.3% during the second quarter, bottoming in June at around $1.18 as concerns of $/Euro parity came into play, before recovering to $1.2386 at the end of the quarter as some short covering took place. Valuations, particularly in Europe, appear attractive trading around 9x – 10x current year estimates and between 8x – 9x next year estimates, though risks remain regarding the impact on local economies of cuts in government spending and austerity measures. In U.S. Dollar terms, overseas developed markets, as measured by the MSCI EAFE, pulled back by 13.97% with European equities lagging for the second straight quarter. The MSCI Emerging Markets Index was down 8.37% during the quarter, its first quarterly decline since the fourth quarter of 2008.



Source: Morningstar Direct. Returns as 6/30/2010 and reflected in US Dollar terms

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BOND MARKETS

Yields on the 10-year U.S. Treasury fell below 3%, ending the quarter at 2.96%, the lowest level since April 2009 as investors fled to safety once again. This yield was a significant drop from the 3.84% levels we saw when the quarter began, in spite of the $300 billion supply of new debt the Treasury Department issued during the quarter. Due to this risk aversion, the strength in the credit markets slowed during the quarter as yield spreads rose relative to Treasuries as the sovereign debt worries in Europe drove up borrowing costs and investors pulled out of the more risky areas of the fixed income markets. In spite of this, high-yield bonds remain relatively attractive with yields hovering around 9% and default rates still on a downward trajectory.

THE GLOBAL ECONOMY

Much of the strong economic gains that were seen in the 2nd half of 2009 and early into 2010 were due to companies realizing the recession was less severe than anticipated and they had been overaggressive in cutting costs. They quickly had to increase production and investment levels to meet the demand of a growing economy. The robust pickup in economic activity has already started to moderate to lower levels. Pauses in an economic upturn aren't uncommon, as recoveries aren't always a straight line up and hiccups can occur. The economy currently isn't soaring, or falling, but just treading water at a relatively modest level. While a double dip recession is unlikely, the economy may lose a little steam as we head into the second half of 2010. 1st quarter GDP growth was 2.7%, with an expectation of 3.6% for the 2nd quarter, with estimates trailing off to 2.5% to 3.0% in the 2nd half of this year. The battle being waged now is over the best way to handle the economy moving forward, as many favor increased government spending as the most effective way to get the economy growing and increasing employment with interest rates already at low levels, while others feel that spending cuts are the more prudent path to take right now with the growing debt levels.

The Federal Reserve became more subdued on the outlook for the U.S. economy at their recent meeting in June, where they stated rates would remain near zero for "an extended period". It appears it will be mid 2011 at the earliest before rates are pushed higher as inflation has "trended lower", even in the energy and commodity space that had been rising until recently. Unemployment remains high as well, with non-farm payrolls falling 125,000 in June, as 225,000 census workers were let go by the government. Private sector employment grew by 83,000, a level below expectations. The unemployment rate declined to 9.5% from 9.7%, due to the fact that 652,000 workers stopped looking for work as they dropped out of the labor force. While personal incomes have started rising of late (rising 0.4% in May), spending increased only 0.2% as the savings rate rose to 4%. Consumer spending grew at an inflation-adjusted 3% in the 1st quarter but with likely slower growth in the 2nd quarter. With market losses, high unemployment, and a struggling real estate market the extent that consumers can increase spending will be predicated on any future hiring and wage gains.

Europe will benefit from the weaker Euro and relatively stronger economic recoveries outside the EU in terms of export trade, though we expect to see divergences in terms of growth at the country level as members address fiscal deficit and debt issues. Germany is expected to be one of the main drivers of European growth as export-oriented European companies are looking more attractive than those more domestically focused. Naoto Kan, who became Japan's 5th prime minister since 2006, faces continued deflation with mounting total debt to GDP levels approaching 200%, the highest of any major economy. Japan's economy also continues to recover primarily on export growth, particularly to Asia.

IN SUMMARY

With the higher volatility levels currently in the equity markets, downside protection is more vital than ever. Managing risk has become a more important aspect in the management of portfolios than it was in the recent past, as the environment from the 1980's to 2008 was a relatively robust time for the markets in general. It is our belief that the asset allocation decisions across and within asset classes will be the drivers of return as distinct winners and losers will likely develop, unlike what we have seen in the recent past when the majority of the equity and bond markets moved up and down in tandem. Overall, we will likely be in a low return environment, but with areas that will provide investors with opportunities. A buy-and-hold U.S. stock portfolio alone can't be expected to provide attractive returns over the coming years. Alternative asset classes and certain segments of the stock and bond markets are current areas of focus. We currently are favoring high-yield bonds, floating rate securities, alternative investments, emerging market debt and equity, amongst others that we feel can provide alpha generation (excess return), risk reduction or the ability to capitalize on long-term trends.

There are still many reasons for optimism. While unemployment is not growing fast, it is also not declining anymore. We have seen incomes start to rise for consumers which should help support consumer spending. Corporate cash on hand is very high and should be supportive of investment and hiring. The industrial recovery we have seen thus far has been strong, even though inventory rebuilding provided much of this boost. Finally, profit growth has been strong and should help keep valuations attractive.

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DISCLOSURES – Index definitions:

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks.

The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends.

The MSCI Emerging Markets Index is a float-adjusted market capitalization index. As of May 2005, it consisted of indices in 26 global emerging economies.

Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment grade, fixed rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and ten years.

The Barclays Capital Long U.S. Treasury Index includes all publicly issued, U.S. Treasury securities that have a remaining maturity of 10 or more years, are rated investment grade, and have $250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible.

Barclays Capital U.S. Credit Index measures the performance of investment-grade corporate debt and sovereign, supranational, local authority and non-United States agency bonds that are dollar-denominated and have a remaining maturity of greater than or equal to one year.

Credit Suisse High Yield Index is designed to mirror the investable universe of the $US-denominated high yield debt market. Issues must be rated “5B” or lower. That is, the highest Moody’s/S&P ratings are Baa1/BB+ or Ba1/BBB+

The MSCI Europe Index is a free-float weighted equity index designed to measure the equity market performance of 16 developed markets in Europe. Countries include: Austria, Germany, Spain, Belgium, Greece, Ireland, Sweden, Denmark, Italy, Switzerland, Finland, Netherlands, United Kingdom, France and Norway.

The MSCI Japan Index is a free float adjusted market capitalization index that is designed to measure large and mid cap Japanese equity market performance.

Gross Domestic Product (GDP)- The monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory. GDP is commonly used as an indicator of the economic health of a country, as well as to gauge a country's standard of living.

RISK DISCLOSURES:

Investments in model strategies have additional management fees and expose the investor to the risks inherent within the model and the specific risks of the underlying funds directly proportionate to their fund allocation.

Cash Equivalents – There are risks associated with these investments including credit risk, interest rate risk shortfall risk and loss of purchasing power due to inflation.

International Markets – The risks associated with investing on a worldwide basis include differences in regulation of financial data and reporting, currency exchange differences, as well as economic and political systems that may be different from those in the United States.

Emerging Markets – International investing involves special risks not found in domestic investing, including increased political, social and economic instability. Investing in emerging markets can be riskier than investing in well-established foreign markets.

Corporate Bonds – There is risks associated with fixed income investments, including credit risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities. Non-investment-grade securities, commonly called “high-yield” or “junk” bonds, generally have more volatile prices and carry more risk to principal and income than investment grade securities.

U.S. Government Bonds – Although backed by the full faith of the government, there are risks involved to include: relative yield risk, reinvestment risk, inflation risk, market risk, selection risk, timing risk, legislative risk, duration risk and call risk

Foreign Bonds – These are issued by governments or corporations located outside of one's domestic market and trade on foreign financial markets. Also, as one may expect, these bonds most often trade in the currencies of their domestic markets. A strong move by the U.S. dollar against the foreign currency would reduce the effective interest/principal payment you would receive after conversion. As such, it is important when investing in foreign bonds to understand this risk and evaluate the likely move of the relevant currencies before purchase. Default risk is of particular concern for foreign bonds that are issued in less industrialized countries or nations where there is considerable political strife. Under these conditions, interest rates and monetary policy can fluctuate more widely than in more established countries.

Alternative investments- These provide investors with exposure to markets and investment strategies that cannot be accessed through traditional fixed income and equity markets (such as real estate, commodity or natural resources). Investing in these investments is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investments.

Investing involves risk, including loss of principal. Investment returns, particularly over shorter time periods are highly dependent on trends in the various investment markets. An investor's shares, when sold, may be worth more or less than the original purchase price.

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