



Summary of Market Activity

The U.S. stock market battled back from a near mid-quarter correction, down 9.6% to finish with its fourth consecutive positive quarter, up 5.4% as measured by the S&P 500 Index. Corporate profits rebounded as consumer confidence improved, companies replenished inventories, while workers' compensation remained little changed. Investors flocked to smaller companies as well as those with weaker profitability profiles (as measured by ROE) during the quarter with the hope of taking advantage of the rebounding economy (see page 3). As was the case for a significant portion of 2009, the weakest performing sectors of the capital markets in 2008 (financials, small-caps, low quality debt) were among the best performers in the first quarter of 2010. After nearly 13 months of a largely uninterrupted rally, the S&P 500 is 74% above its low, but still over 22% away from its all time high.

Bond investors were also rewarded for taking risk during the first quarter. The broadest measure of quality U.S. bond market performance, the Barclay's Capital U.S. Aggregate Bond Index, gained 1.8% for the quarter and the Barclay's High Yield Bond Index gained 4.6%. Although still positive, Treasuries lagged corporates and yield spreads on risky debt narrowed.

Having outperformed the U.S. equity markets 8 out of the past 10 years, foreign stock markets bucked this trend so far in 2010 with the developed markets essentially breaking even at 0.9% and the emerging markets gaining 2.5%. Developed markets returned 4.4% in local terms but adjustments due to U.S. Dollar strength versus the major currencies took away some of the gains; emerging markets gained 1.4% in local terms and U.S. investors benefited further from a falling U.S. Dollar relative to most emerging market currencies.

Commodity markets slumped, coinciding with a decline in core inflation (first since 1982), a renewed belief that the U.S. economy has significant excess capacity, and a rising U.S. Dollar versus the major currencies of the developed world. Energy and Grain prices were weak, while metal prices showed an increase. In aggregate, the DJ UBS Commodity Index declined 5% in the quarter while the energy heavy S&P GSCI Index fell only 1%.

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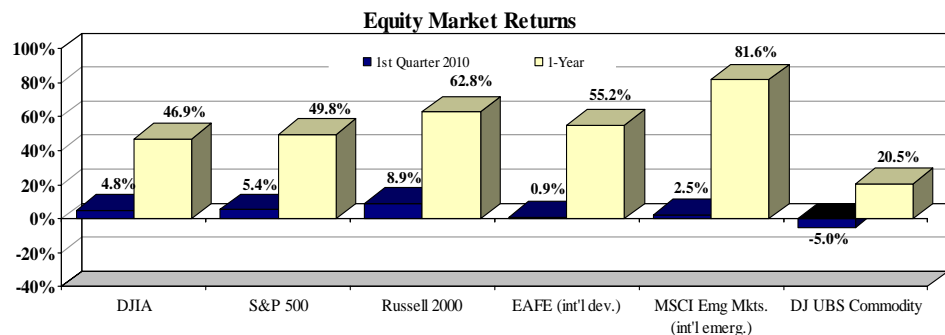


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Source: StyleAdvisor

Average Equity Fund Performance

2010 started where 2009 left off with another strong quarter for actively managed U.S. equity funds, with the average fund up 5.7%, according to Lipper Analytical. Value oriented funds beat growth funds and small-cap outperformed large-cap funds, while domestic equity generally outperformed international equity funds. On average, it was a tough quarter for actively managed funds as they generally underperformed their passive indexes.

STYLE PERFORMANCE MATRIX

	1st Quarter 2010 Total Return			AVERAGE
	Value	Core	Growth	
Large-Cap	5.7%	4.8%	4.3%	5.0%
Mid-Cap	8.4%	7.9%	7.2%	7.8%
Small-Cap	9.5%	7.6%	7.0%	8.1%
AVERAGE	7.9%	6.8%	6.2%	

Source: Lipper, Inc.



Near-Term Capital Markets Outlook

U.S. Economy – Recovery Continues

During the first quarter, the U.S. economy continued to rebound from its largest decline in GDP since the 1930's. The leading economic indicators advanced, but their pace slowed on a month-over-month basis, as orders for durable goods, and building permits took a breather. We believe the momentum for continued economic growth is in place, sparked by an initial surge of economic activity in mid-2009. We expect exports to continue to be an important part of the U.S. economic recovery. It's apparent to us that while unemployment remains stubbornly high at 9.7%, U.S. corporations (now earning on average 50% of their revenues overseas) have been able to capitalize on rising global prosperity through the expanding middle class. We believe this recovery will be one with persistently high domestic unemployment and that strong increases in productivity will continue to further delay hiring. Inflation remains subdued with low capacity utilization and high unemployment making it difficult for prices, other than natural resources, to climb. Key economic forces on the horizon include the removal of numerous fiscal stimulus programs (near-term negative) and the gradual relaxation of the ties between the Chinese Renminbi and the U.S. Dollar (positive). We expect continued weakness in housing prices as a record number of foreclosures and the end of the home buyer's tax credit come to fruition in the second quarter. Historically low interest rates are partially masking the unprecedented run-up in government debt. The increased tax burden and government spending cuts that will result are likely to have a meaningful impact on future U.S. economic growth for many years to come.

Domestic Equities – Neutral/Overweight

We are affirming our Neutral/Overweight rating on U.S. equities this quarter based-upon the continued improvement in the global economy. Our enthusiasm stems from both fundamental and technical analysis. Fundamentally, with corporate profits expected to grow over 30% year over year this quarter and slow wage growth driving productivity rapidly higher, corporate earnings growth is poised to remain strong. Technically, according to the Leuthold Group, bull markets (markets with gains in excess of 20%) have averaged nearly four years in length. At 13 months, this would be the second shortest bull market in the S&P 500's 84 year history (see table on page 3). So while there are a number of potential storm clouds growing on the horizon, (higher taxes, higher interest rates, inflation) we remain confident in our original projection of a double digit return from U.S. stocks in 2010 and expect another 10-15% move to the upside from here (1169). We favor large-cap over small-cap and growth over value stocks. In terms of valuation, as reported by Bloomberg, the S&P 500 is trading at 19 times trailing earnings and 15 times forward or estimated earnings. Given that we remain in a low inflation and lower interest rate environment, we think these valuation levels are reasonable. While it seems obvious now in hindsight, our recommendation to underweight small-cap stocks, because of valuation concerns, has proven to be a mistake. Small-caps tend to outperform large-caps during an economic recovery, and that is exactly what has happened since the market low on March 9, 2009 (Russell 2000 up 97%, versus S&P 500 up 72%).

International Equities – Neutral (Developed), Overweight (Emerging)

We are affirming our ratings on international equities. While international equities have underperformed year-to-date, we remain positive on emerging market equities but still cautious about the developed markets. The World Bank projects emerging market economies to grow at 8% in 2010, more than twice the rate of the developed world. Emerging economies are being aided by stable/rising commodity prices, strong capital inflows, low interest rates, strong local currencies, and government stimulus programs. In terms of valuation, emerging markets continue to trade mostly in-line with U.S. stocks as the trailing P/E is 19 and forward P/E is 13 (as reported by Bloomberg). Such valuation parity challenges us to reconsider our overweight position, but we remain comfortable with the recommended course of action. Meanwhile, European Union countries are saddled with the bailout of over-leveraged Greece and teetering economies in Portugal, Italy, Ireland, Greece, and Spain (now affectionately known as the "PIIGS") which have contributed to a weaker Euro.

Domestic Bonds – Underweight

We are lowering our rating on the broader domestic bond asset class to Underweight. We believe that the fundamentally stronger-than-consensus U.S. economy has dramatically reduced the chances for the kind of double-dip recession that would be a catalyst for falling long-term interest rates and hence overweighting domestic bonds. The yield curve is the steepest it's been since 2002-2006. During steep yield curve time periods, capital markets tend to favor equities. Since 1954, during periods with the steepest yield curves (top quintile), equities (as measured by the S&P 500) have returned an average annualized one-year prospective price return of 14.88%. However, it is important to note, for investors who use bonds as part of their asset allocation, we still lean towards the broad corporate bond market versus Treasuries. Finally, despite the very steep yield curve that encourages long-term bond bets, we continue to advise investors remain on the short end of the duration spectrum in anticipation of even higher 10-year yields.

Hard Assets – Neutral/Overweight

We are upgrading our rating on Hard Assets to Neutral/Overweight based on our growing conviction in the strength of the global economy. Despite January's monthly decline in core inflation, which has not occurred since 1982, we believe growing demand for natural resources from emerging economies, and increasing risk of "dollar debasement" inflation from burgeoning U.S. budget deficits, point to an investment scenario that favors exposure to Hard Assets. We are recommending investors position 5-20% of their portfolios in this asset class, up from a range of 5-15%.



Exhibit 1 – Speculative Rally in Large- and Small-Cap Stocks

Large -Cap Stocks (Russell 1000)		1st Quarter Return
ROE Category 5 (Poorest Profitability)		8.82%
ROE Category 4	No Profits! No Problem!	10.01%
ROE Category 3		5.41%
ROE Category 2		4.28%
ROE Category 1 (Best Profitability)		4.64%
Long Term Debt to Capitalization 1 (Most Leveraged Companies)		11.20%
Long Term Debt to Capitalization 2		6.20%
Long Term Debt to Capitalization 3		5.85%
Long Term Debt to Capitalization 4		1.20%
Long Term Debt to Capitalization 5 (Least Leveraged Companies)		5.24%

Small-Cap Stocks (Russell 2000)		1st Quarter Return
Small-Cap Returns by Return on Equity		
ROE Category 5 (Poorest Profitability)		11.37%
ROE Category 4	No Profits! No Problem!	12.13%
ROE Category 3		7.16%
ROE Category 2		7.62%
ROE Category 1 (Best Profitability)		7.77%
Long Term Debt to Capitalization 1 (Most Leveraged Companies)		15.00%
Long Term Debt to Capitalization 2		10.08%
Long Term Debt to Capitalization 3		8.58%
Long Term Debt to Capitalization 4		5.90%
Long Term Debt to Capitalization 5 (Least Leveraged Companies)		6.32%

In both large-cap stocks and small-cap stocks, in Q1 2010 those companies with the weakest profitability profiles and highest amounts of long-term debt were the biggest winners in.

*Source: FactSet Research Systems, Courtesy of Perimeter Capital
The data presented here in summary form is a sampling of the Russell 1000 and 2000 companies

Exhibit 2 - S&P 500 Bull Markets

©The Leuthold Group 2010			(1926 to Present)			
Stock Market Peaks & Troughs			Bear Market Statistics			
Date of Market Trough	Market Trough Level	Market Peak Level	Date of Market Peak	Trough To Peak Performance	Duration of Bull Market	
*****	*****	*****	*****	*****	*****	
Jul-8-1932	4.41	12.20	1	Jul-18-1933	177%	24.5 Months
Mar-14-1935	8.06	18.68	2	Mar-10-1937	132%	24 Months
Mar-31-1938	8.50	13.79	3	Nov-9-1938	62%	8.5 Months
Apr-28-1942	7.47	19.25	4	May-29-1946	158%	49 Months
Jun-13-1949	13.55	49.75	5	Aug-2-1956	267%	85.5 Months
Oct-22-1957	38.98	72.64	6	Dec-12-1961	86%	50.5 Months
Jun-26-1962	52.32	94.06	7	Feb-9-1966	80%	43.5 Months
Oct-7-1966	73.20	108.37	8	Nov-29-1968	48%	25 Months
May-26-1970	69.29	120.24	9	Jan-11-1973	74%	32.5 Months
Oct-3-1974	62.28	107.83	10	Sep-21-1976	73%	23.5 Months
Mar-6-1978	86.90	140.52	11	Nov-28-1980	62%	32 Months
Aug-12-1982	102.42	336.77	12	Aug-25-1987	229%	60.5 Months
Dec-4-1987	223.92	368.95	13	Jul-16-1990	65%	30.5 Months
Oct-1-1990	295.46	1186.75	14	Jul-17-1998	302%	93 Months
Aug-31-1998	957.28	1527.46	15	Mar-24-2000	60%	19 Months
Oct-9-2002	776.76	1565.15	16	Oct-9-2007	101%	60 Months
				Average	123%	41 Months
				Median	83%	32 Months
Mar-9-2009	676.53	???	17	???	76%*	13 Months*

*as of 4/5/10 high

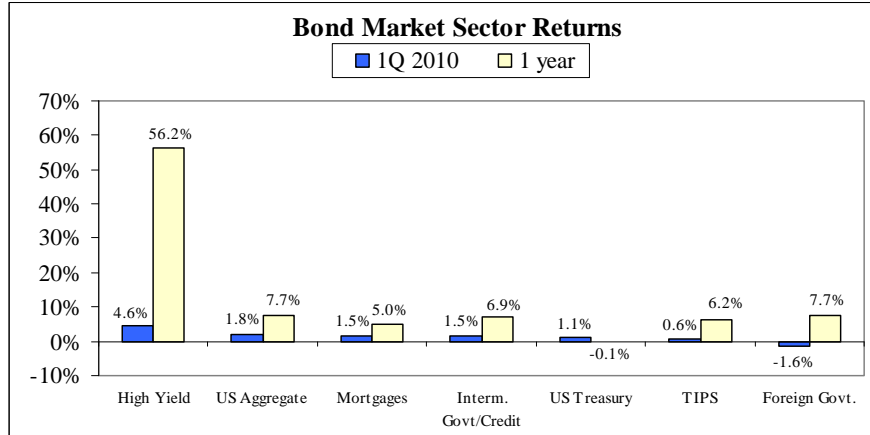


First Quarter 2010

Capital Markets Details

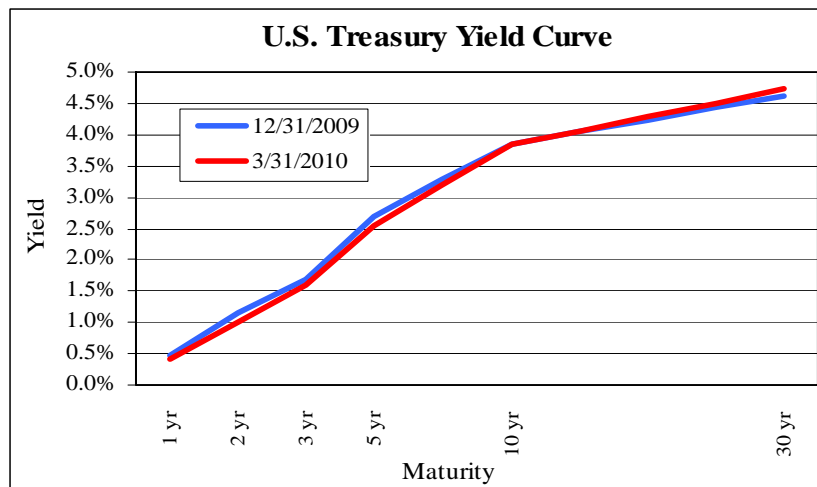


Multiple Bond Indexes



Source – StyleAdvisor, Domestic indices from Barclay’s Capital, Foreign Gov’t is the Merrill Lynch Global Gov’t Ex U.S. Index

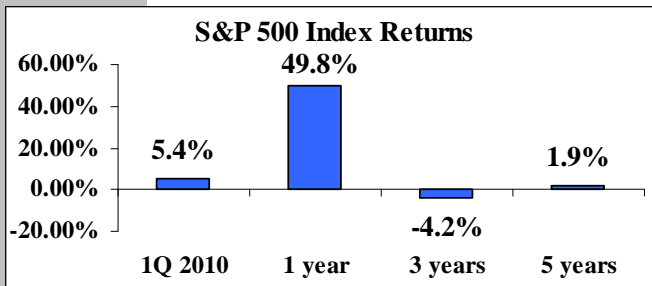
The Barclay’s Capital U.S. Aggregate Bond Index, an investment grade only index, returned 1.8% in the first quarter and pushed its one year return to 7.7%. With high yield bond default rates dropping from over 10% to just above 6%, risk taking was rewarded and the high yield sector experienced some of the strongest gains of 4.6%. Despite residential mortgage delinquency rates increasing to over 10% from 8% in 2009 as well as the Fed weaning itself off the mortgage purchase program, mortgage-related securities managed to essentially keep pace with the broader bond market with a gain of 1.5%. Helping drive bond returns this quarter was a slight drop in interest rates during the quarter; the Treasury yield curve fluctuated some, but by quarter’s end it looked essentially like a mirror image of itself from the end of 2009. A slight contraction of spreads on the 1-10 year end of the curve resulted in a gain of 1.1% for nominal bonds (those that do not adjust for inflation). For example, the 1-year and 7-year yields decreased by 0.06% and 0.10% each. Yet, the yield curve remains very steep, and in our opinion it is a reflection of the improving economy as well as incorporating concerns about the fiscal status of the United States. Despite core inflation measures dropping, Treasury Inflation-Protected Securities (TIPS) gained 0.6% but underperformed the Aggregate Index. In terms of Fed Policy, no changes were made to the 0.0% to 0.25% targeted Fed Funds rate; however, there was one policy member who advocated tighter fiscal conditions. The TED spread (the yield differential between the 3-month T-bill and 3-month LIBOR, the confidence gauge in the overall financial system) at 10bps is well below its recent historical average of 60 bps. In terms of overseas fixed income markets, bond markets in developed nations declined due to a stronger U.S. Dollar versus most of the major currencies (as measured by the U.S. Dollar Index); similar to the U.S., the Euro Zone, U.K., and Japanese yield curves are all upward sloping. Most central banks are not raising interest rates at this time, but Australia is leading the developed world in tightening campaigns being the first to increase short-term interest rates and has done so 4 times. Emerging market debt performed very well in the quarter with a gain of 4.6%, aided to a degree by a weakening dollar versus most emerging market currencies.



Source: U.S. Dept. of the Treasury



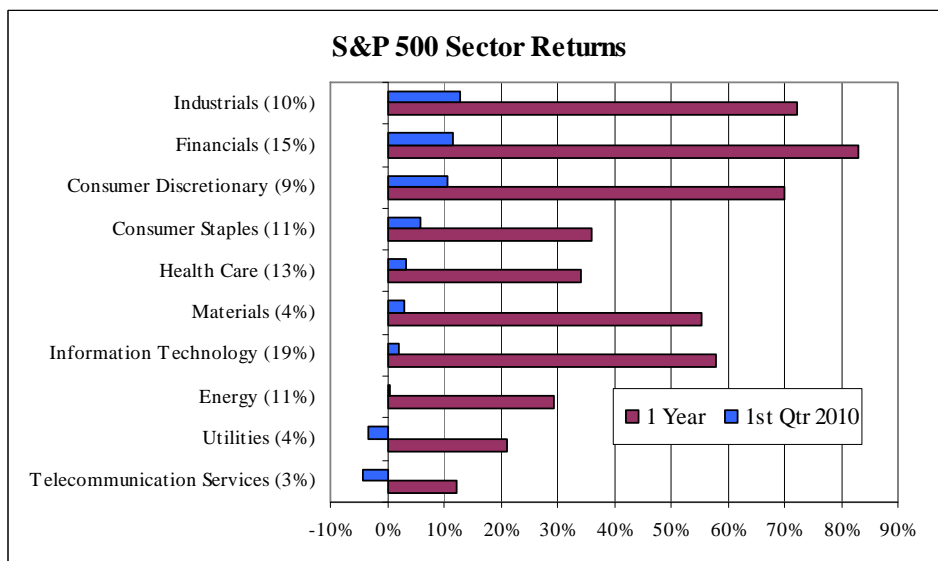
Large-Cap Equities



Source: StyleAdvisor

Large-cap stocks, as measured by the S&P 500 Index, gained 5.4% in the first quarter. This quarter, the sectors that outperformed the broader market included Industrials (+13.0%), Financials (+11.5%), Consumer Discretionary (+10.5%), and Consumer Staples (+5.8%). In contrast, several sectors underperformed the broader market which included Telecommunications (-4.3%), Utilities (-3.4%), Energy (+0.6%), Information Technology (+1.9%), and Health Care (+3.4%). Performance of “value” oriented equities was impressive, as measured by the S&P 500 Value Index, which gained 7.1% in the

first quarter. While still turning in positive returns, “growth” oriented equities, as measured by the S&P 500 Growth Index, underperformed value albeit with a gain of 3.7% in the quarter. For the first quarter, the top contributors to the index included General Electric (+21.0%), Bank of America (+18.6%), Apple (+11.5%), Wells Fargo (+15.5%), Citigroup (+22.4%), Boeing Company (+35.1%), J.P. Morgan Chase (+7.5%), Cisco (+8.7%), Ford Motor Company (+25.7%), and United Parcel Service (+13.2%). In contrast, stocks that detracted the most from the Index were Qualcomm (-8.9%), Monsanto Company (-12.4%), Verizon Communications (-4.9%), Devon Energy (-12.2%), ExxonMobil (-1.1%), Coca-Cola Company (-2.7%), Exelon Corporation (-9.3%), as well as Boston Scientific (-19.8%) and Southwestern Energy (-15.5%). Dividends showed some signs of trickling back to life in the first quarter of 2010 after suffering some of the worst cuts in history in 2009. While it may take some time to recover to dividend payouts experienced in 2006/2007, the S&P 500 Index constituent companies saw only 48 companies cut their dividends this quarter, compared to 367 this time last year, and payouts were positive overall. 399 Companies made positive dividend actions this quarter. Other good news released this quarter included an increase in stock buybacks by 37% in the fourth quarter to \$47.8B from \$34.8B in the third quarter. The sectors with the largest aggregate dollars of buybacks included Information Technology, Consumer Staples, and Health Care while the weakest areas for buybacks were Telecommunications and Materials. Buybacks are a positive signal for shareholders and shareholders of companies such as Microsoft, IBM, and Hewlett-Packard benefited from these corporate actions. In terms of valuation, the S&P 500 is trading at 15 times forward earnings and 19 times trailing earnings while the earnings yield (inverse of forward P/E) is 6.67% and is favorable versus the 10-Year Treasury yield at 3.83%. When the earnings yield is greater than the yield on the 10-year Treasury, this is generally a bullish indicator for stocks.

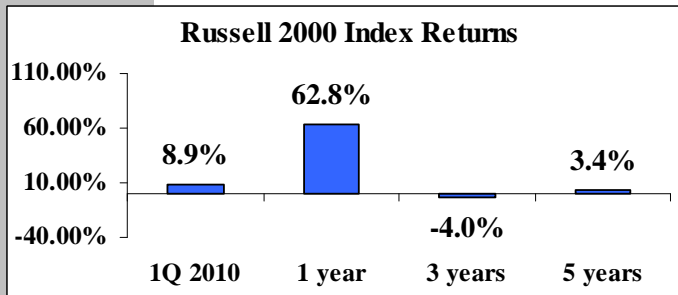


Source: Morningstar Direct

Industrials turned in the best returns for the quarter followed by the Financials and Consumer Discretionary sectors. Telecommunications Services, Utilities and Health Care all underperformed in the period.



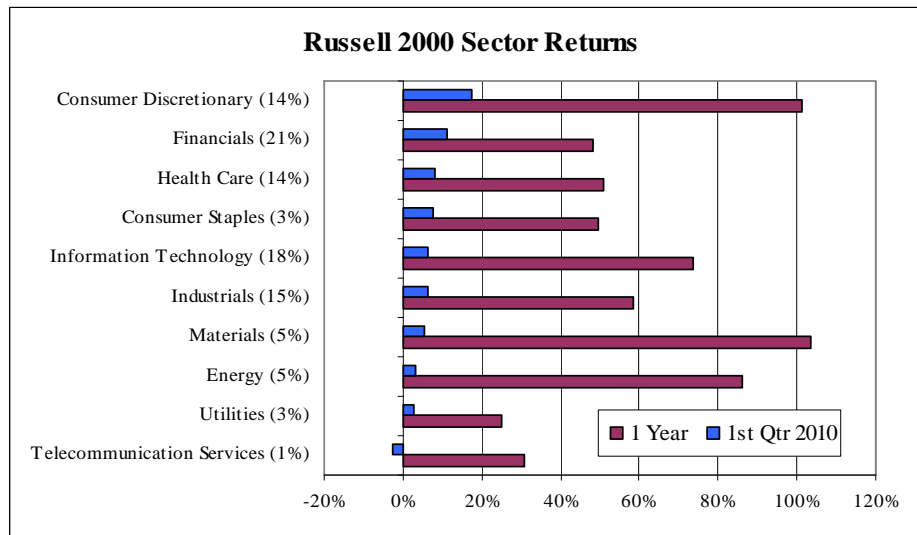
Small-Cap Equities



Source - StyleAdvisor

The Russell 2000 Index, which measures the performance of U.S. small-cap stocks, gained 8.9% in the first quarter and 62.8% over the last year. Over the last year, small-caps hold an 11.2% edge over large-caps. As was the case across the market capitalization spectrum, value stocks outperformed growth stocks this quarter with small-cap value returning 10.0% compared to 7.6% for small-cap growth. Nine of the ten economic sectors in the Russell 2000 were in positive territory with Consumer Discretionary (+17.7%), Financials (+11.3%), and Health Care (+8.2%) leading the way. Lagging sectors included Telecommunications (-2.8%), Utilities (+2.6%), and

Energy (+3.4%). Some of the more recognizable small-cap names that performed particularly well in the quarter were Denny's (+75.8%), Tivo (+68.3%), Dominos Pizza (+62.8%), Crocs (+52.7%), US Airways (+51.9%), and Build-A-Bear (+45.6%). In contrast, Palm (-62.5%), Caribou Coffee (-14.3%), Chiquita Brands (-12.8%), Revlon (-12.7%), and Avis Budget Group (-12.4%) underperformed. On a trailing basis, small-cap stocks look fairly valued on an absolute basis and overvalued relative to their historical relationship with large-caps. At the end of the quarter, the Russell 2000 Index was trading in-line with its 20-year average P/E ratio of 17.7. Small growth stocks were trading at a slight discount to historical P/E while small value stocks were trading at a slight premium. Based on expected earnings for 2010, small-caps (17.3 forward P/E) are trading at a 16% valuation premium to large-caps (14.9 forward P/E), which deviates from a historical median discount of 2%. Similarly, a comparison of 5-year normalized P/E ratios suggests small-caps trade at a 0.5% premium compared to a historical average discount of 14%.

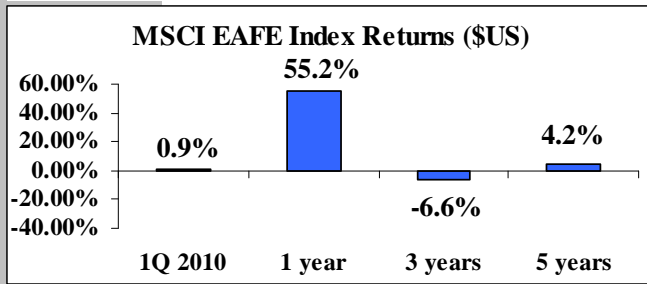


Consumer Discretionary stocks gained on improving economic results in the first quarter, and Financials benefited from the belief that most of the losses are behind us. More defensive sectors like Utilities and Telecom lagged in the quarter and over the last year.

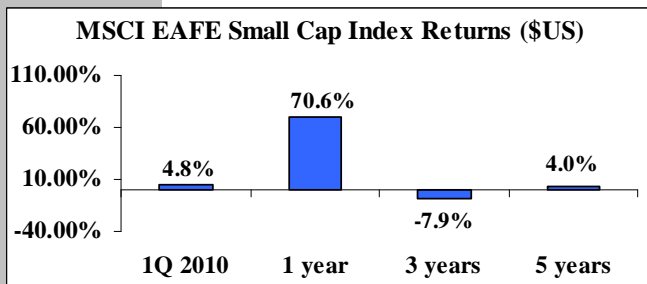
Source: Morningstar Direct



International Equities



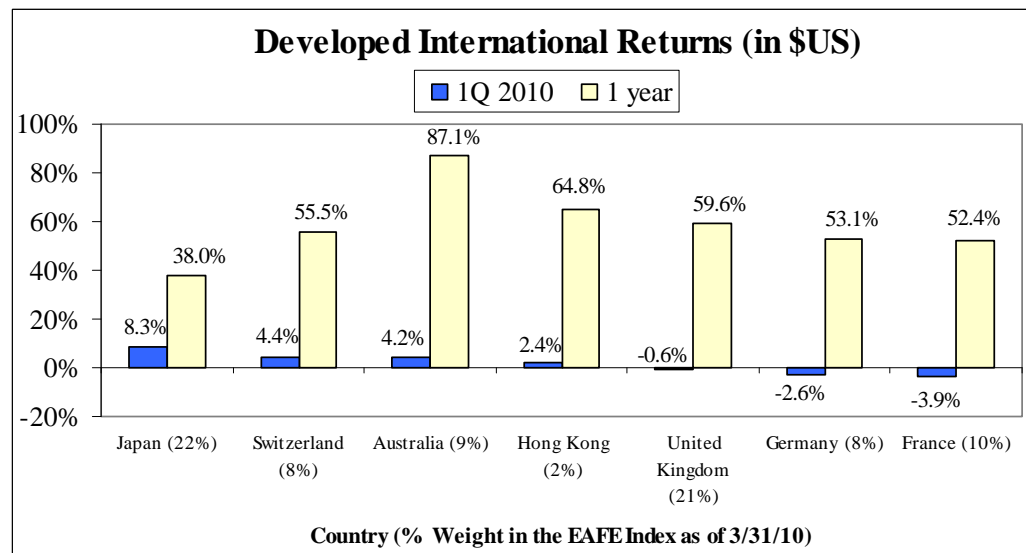
Source – StyleAdvisor



Source – StyleAdvisor

Developed international equities, as measured by the EAFE Index, gained 0.9% in the first quarter and 55.2% over the last year. In the first quarter, continued strength in the U.S. dollar (+6.9% vs. Euro, +1.1% vs. Yen) detracted from the 4.4% return generated in terms of local currency. Similar to domestic markets, international small-cap stocks (+4.8%) outperformed large-caps (+0.6%) in the first quarter, but unlike domestic markets, international growth stocks (+2.0%) outperformed their value counterparts (-0.2%). The top performing countries in the EAFE index this quarter were Finland (+12.4%), Denmark (+10.0%), and Japan (+8.3%). The worst performing markets were the distressed nations of Spain (-15.2%), Greece (-13.2%), and Portugal (-10.3%). In the first quarter, most developed nations experienced brisk manufacturing growth, strengthening export demand, and rising consumer confidence. However, in many cases, economic growth remains subdued, unemployment hasn't budged, fiscal deficits are ballooning, credit is scarce, and concerns about global housing markets persist. Among developed markets, economists are expecting first quarter growth of 3.5% in Japan, 2.7% in Australia, and around 1% in most European countries. Much of Japan's GDP growth was fueled by demand from China. As exports grew at the fastest pace in 30 years, Japan's unemployment fell to

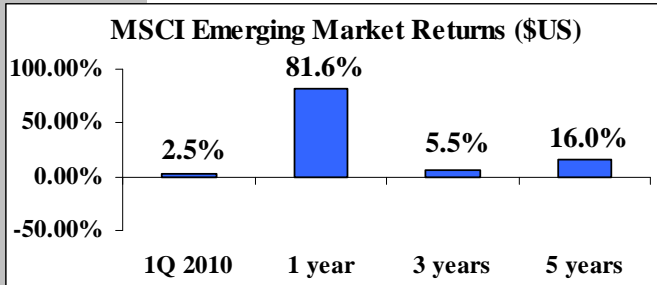
4.9%, wages increased for the first time since 2008, and consumer spending has risen steadily. However, debt-to-GDP is still the highest in the developed world at 190%. In Europe, manufacturing in Germany and the U.K. expanded at the fastest rate in 15 years, and a weaker Euro is making exports more competitive. However, Q4 GDP in the Eurozone was 0%, 2010 Eurozone GDP growth is only expected to be 1.5%, unemployment is still rising in many areas (towards 20% in Spain), and the U.K. has a bigger budget deficit than Greece at 12.9% of GDP. Australia's central bank raised rates for a fourth time as housing prices continued to climb and investment in the mining industry contributes to economic growth. From a valuation standpoint, international developed stocks are roughly 20% cheaper than historical valuation levels based on a P/E ratio of 25.36 and a P/B ratio of 1.59.



Source – StyleAdvisor



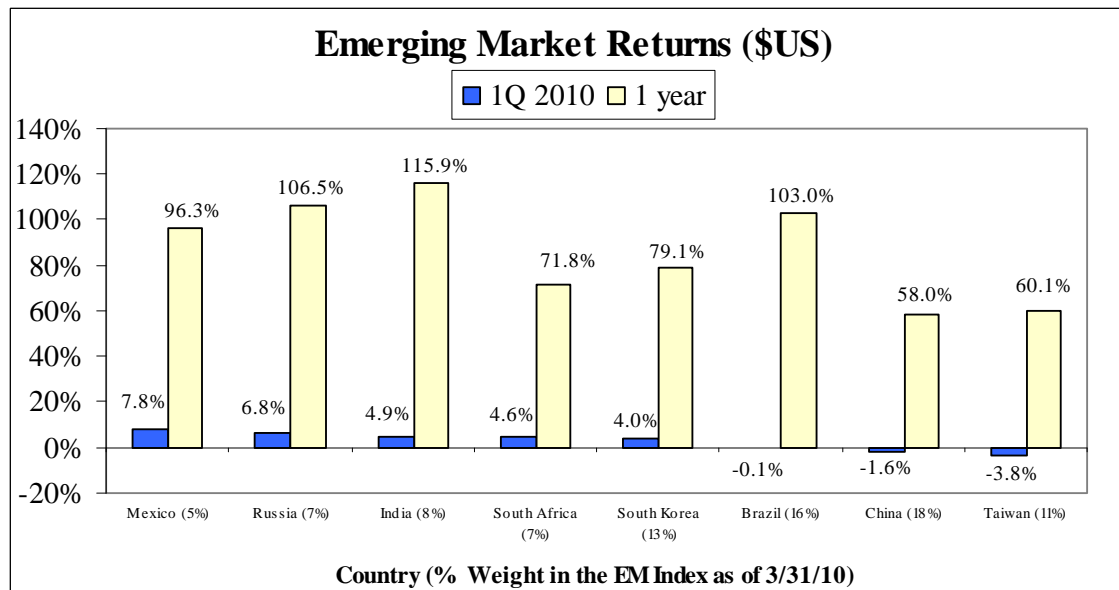
Emerging Market Equities



Source - StyleAdvisor

Emerging market equities (EM) moved higher in the first quarter with a gain of 2.5% pushing the 1-year return to an astounding 81.6%. EM equities have been the best performing asset class in the last 12-months and returns were enhanced by weakness in the U.S. Dollar (relative to emerging market currencies) which contributed an additional 1.1% over the local currency return of 1.4% for the quarter and an additional 16.2% over the local return of 62.8% for the year. During the quarter, EM small-caps outperformed large- and mid-caps with a gain of 5.1% vs. 2.5% and 2.5% respectively. Growth and value were essentially tied in

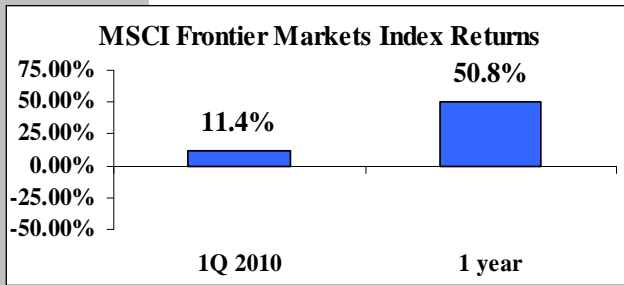
the quarter with gains of 2.5% and 2.4% respectively. The BRICs (Brazil, Russia, India and China) underperformed the broader market with a gain of 1.0% and small-caps in this region outperformed by an even stronger margin over large-caps with a return of 5.9% vs. 1.4%. Within the BRICs, growth stocks outperformed with a return of 2.3% vs. value equities that carried a loss of 0.3%. Regionally, Europe and the Middle East accounted for some of the strongest gains at 6.9% followed by Latin America at 1.7% and Asia with a gain of 1.4%. In terms of country market performance, Thailand (+13.3%), Hungary (+12.6%), Egypt (+11.9%), Colombia (+10.4%), and Israel (+10.0%) were big winners this quarter while Taiwan (-3.8%), China (-1.6%), Czech Republic (-0.2%), Brazil (-0.1%), and Chile (+0.3%) were among the weakest markets. It's quite noteworthy that nine of the EM nations have experienced triple-digit gains in the last year through the end of the quarter. These include markets such as Hungary (+181.0%), Indonesia (+147.6%), and Turkey (+136.6%) and it's also appropriate to note that these nations are among some of the riskier in the EM Index which demonstrates the market's appetite for risk is strong. In terms of valuations as reported by Bloomberg, EM equities are trading at 19 times trailing earnings and 13 times forward earnings, which is very similar to valuations of the S&P 500 Index. The broad economic strength of these countries in combination with significant currency reserves gives a solid fundamental foundation for investing in these regions.



Source - StyleAdvisor



Frontier Markets

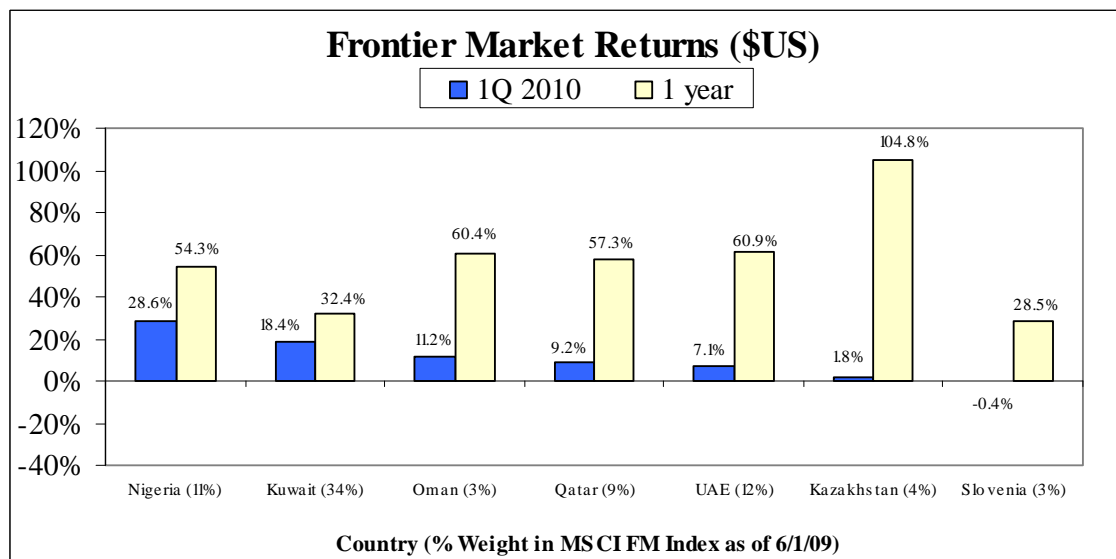


Source - StyleAdvisor

The Frontier markets powered ahead this quarter with a strong gain of 11.4%, as measured by the MSCI Frontier Markets Index. During the quarter, the best returning markets were Ukraine (+48.6%), Estonia (+38.9%), Nigeria (+28.6%), Romania (+21.4%), Kuwait (+18.4%) and Kenya (+12.9%). In contrast, several frontier markets underperformed the Index such as Bulgaria (-6.2%), Mauritius (-5.9%), Vietnam (-2.6%), Bahrain (-0.7%), and Slovenia (-0.4%). As we continue our review of the Frontier Markets, we've provided an overview of Jordan and Romania.

Jordan is one of the smallest economies in the Middle East, and struggles to provide for itself in the way of natural resources to support its infrastructure. Not surprisingly, the country relies heavily on foreign assistance to finance its needs. However, foreign grants declined meaningfully in 2009 resulting in a widening of the budget deficit to worrisome levels. In response, S&P cut Jordan's debt rating by one level to BBB- from BBB with an outlook of stable. In hopes to stimulate economic activity, the Central Bank of Jordan has cut the benchmark interest rate twice in December and February to 4.25% (originally 5.25%). The economic slowdown adversely affected Jordan's GDP growth and foreign assistance; however, the country was not as severely depressed as some of its Middle Eastern counterparts. Jordan posted positive GDP growth in 2009 of 2.8%, compared to 7.9% in 2008, and the International Monetary Fund predicts GDP growth of 4.0% in 2010. Jordan's economy is primarily service oriented, depending on industries such as real estate and construction, financial services, and tourism. The country's financial services sector has been relatively isolated due to a limited exposure to overseas markets.

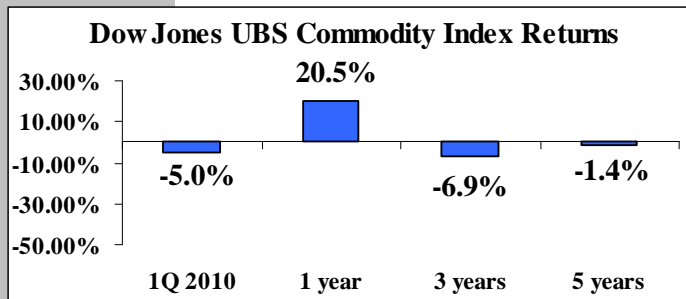
Romania, the European Union's second-poorest member, has felt the effects of the global recession in the financial markets and trade. The country, once among the fastest growing economies in the EU, has seen unemployment double, construction and commerce falter, and foreign investment diminish. As a result, the country was forced to request monetary assistance from the International Monetary Fund and EU, ultimately receiving a bailout loan of \$29.7 billion aimed to help finance deficits. The loan was suspended in November, due to political infighting that caused the toppling of the Romanian government. The IMF recently announced its plans to reinstate the loan distributions, following the formation of a government and the approval of a 2010 budget. The new budget seeks to constrict the deficit to 5.9% of GDP. Additionally, the Romanian government has agreed to cut investment plans, freeze state wages, raise taxes, and cut 100,000 positions from the state work force. Following the IMF announcement it would unfreeze the loan, Fitch and S&P both raised their outlook from negative to stable.



Source - StyleAdvisor, MSCI Barra



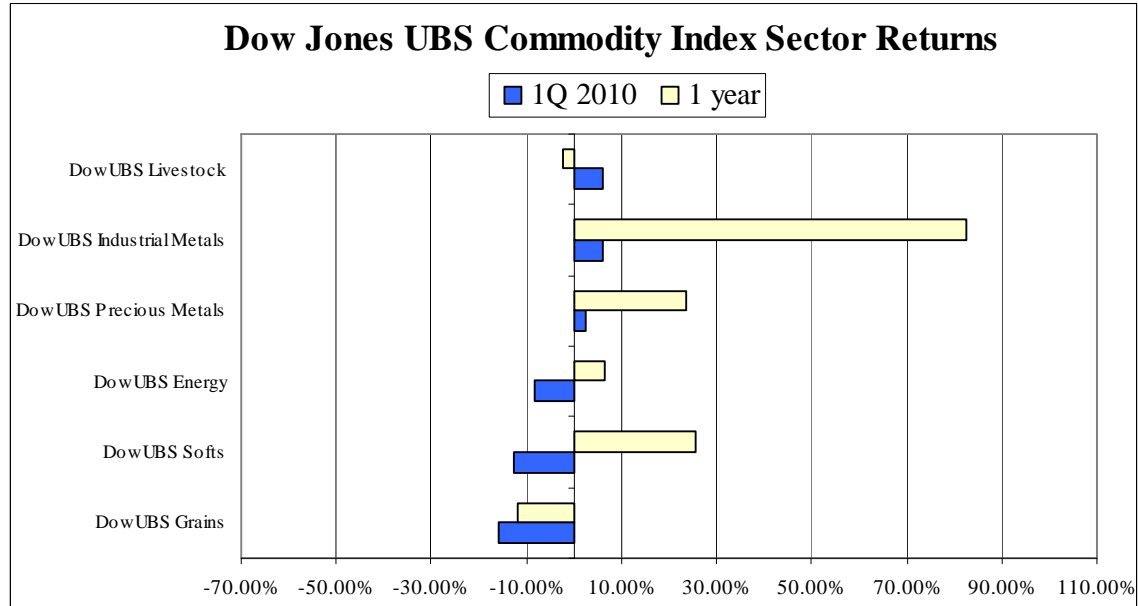
Hard Assets



Source - StyleAdvisor

“Hard Assets” as measured by the Dow Jones UBS Commodity Index lost 5.0% in the first quarter and underperformed financial assets. Within the 19 contracts that are aggregated in this Index, the spread between the highest and lowest returning contracts was 71.2%, which demonstrates the internal volatility of these markets and why a diversified strategy here is prudent. The industrial metals and livestock categories showed the largest gains with each group returning 6.1%. Petroleum and Precious Metals also experienced gains of 3.4% and 2.3% respectively. However, most commodities turned in losses this quarter with Grains (-16.0%), Agriculture (-13.7%), Softs (-12.6%), and Energy (-8.3%) moving

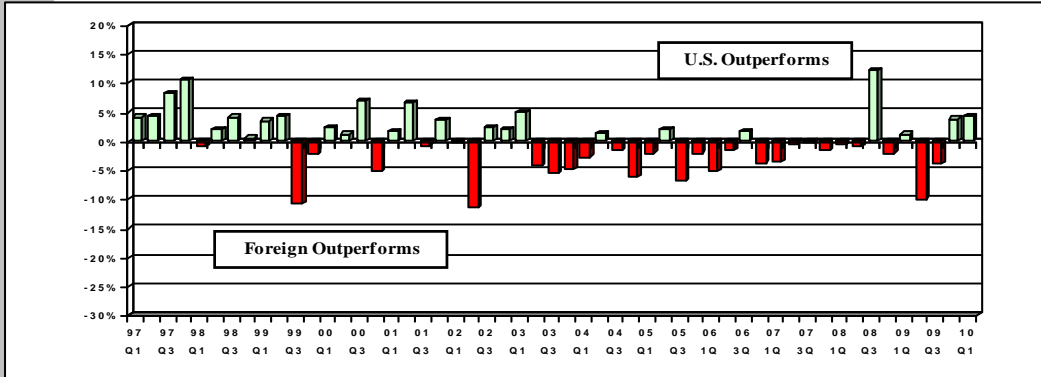
lower. Top performing commodities this quarter included Nickel (+34.6%), Lean Hogs (+6.5%), Live Cattle (+5.9%), Copper (+5.6%), Cotton (4.9%), as well as Unleaded Gas (+4.4%) and Silver (+3.9%). Commodities from various sectors showed weakness and included Sugar (-36.6%), Natural Gas (-30.5%), Corn (-19.4%), Wheat (-19.3%), Lead (-12.6%), Soybeans (-11.2%), and Cocoa (-10.6%). The two generally most talked about commodities, Gold and Crude Oil, returned 1.5% and 3.5% respectively. As a general observation, futures contracts for Copper and Nickel had a forward curve structure described as “backwardation” while those that performed poorly such as Natural Gas and Soybean Oil were in “contango.” Term structures of contracts in backwardation exhibit higher spot prices than futures prices and can earn a “roll-yield” while upward sloping forward curves (contango - where the futures prices are greater than spot prices) generally cannot earn the “roll-yield.” At the beginning of 2010, the Index was rebalanced to equally weight in total exposure to Energy, Agriculture, and Metals one-third each. However, once the rebalancing takes place, the contracts’ total exposure will float based on market movements.



Source - StyleAdvisor

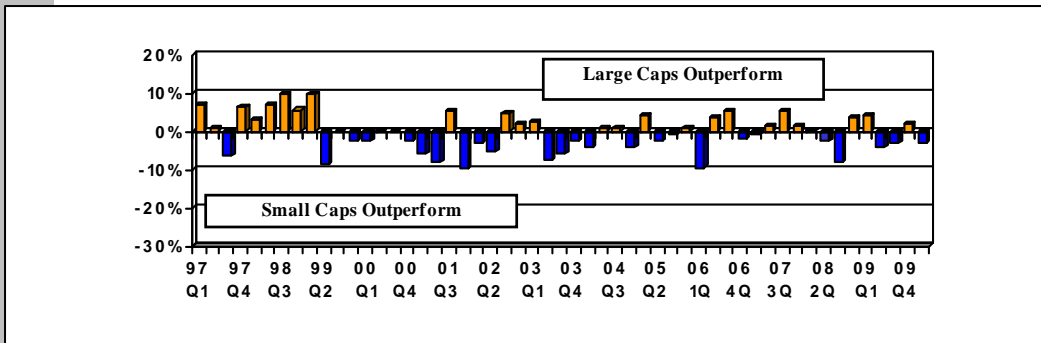


Domestic vs. International (S&P 500 minus MSCI EAFE Index)



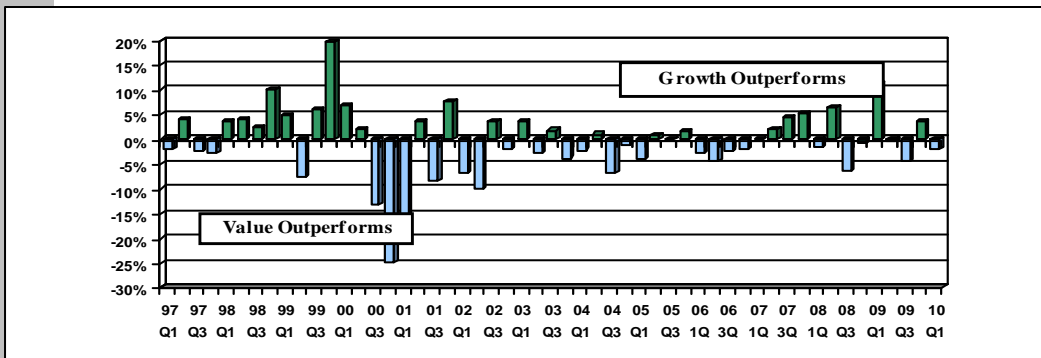
U.S. equities outperformed international developed this quarter, but the long-term trend has mainly been U.S. underperforming (since 2001).

Large-Cap vs. Small-Cap (Russell 1000 minus Russell 2000)



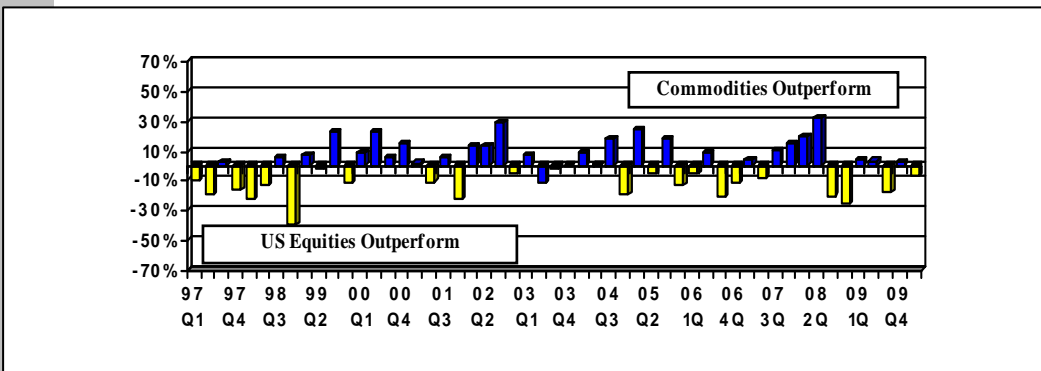
As has historically been the case, small caps are leading large caps coming out of a recession, and this quarter saw significant small-cap outperformance.

Growth vs. Value (Russell 1000 Growth minus Russell 1000 Value)



Large-cap value outperformed growth in the quarter thanks to the market embracing the economic turnaround.

S&P 500 vs. Commodity Returns (S&P GSCI minus S&P 500 Index)



Financial assets outperformed hard assets in the quarter as commodities fell on increased supply and slightly less than expected demand.



PASSIVE INDEX DEFINITIONS

Indices used to answer the question, “Has the manager added value through skilled security selection?”

90-DAY TREASURY BILL INDEX - This index is comprised solely of Treasury Bills and will always have an average maturity of 90 days.

RYAN LABS 3-YEAR GIC INDEX - This index is the arithmetic mean of the ten highest quotes from a representative universe of three-year high quality GIC issues as measured by Ryan Labs, Inc.

BARCLAY’S CAPITAL AGGREGATE BOND INDEX - This index is composed of approximately 25% U.S. Treasuries, 50% Agencies/Mortgages, and 25% Corporates, with an average duration of approximately 4.5 years.

BARCLAY’S CAPITAL INT. GOVT/CREDIT BOND INDEX - This index is composed of approximately 35% U.S. Treasuries, 25% Agencies, and 40% Corporates, with an average duration of approximately 3.5 years.

BARCLAY’S CAPITAL GOVT/CREDIT BOND INDEX - This index is composed of approximately 40% U.S. Treasuries, 20% Agencies, and 40% Corporates, with an average duration of approximately 5.0 years.

DOW JONES INDUSTRIAL AVERAGE (DJIA) - This index consists of the 30 largest and most widely held public companies in the United States which have been chosen to represent the U.S. stock market because they are larger, more actively traded issues, and leaders of American industry.

DOW JONES UBS COMMODITY INDEX (DJ-AIGCI) - Composed of futures contracts on physical commodities traded on U.S. exchanges, with the exception of aluminum, nickel and zinc. Sub-indexes include: Energy, Petroleum, Precious Metals, Industrial Metals, Grains, Livestock, Softs, Agriculture and ExEnergy.

STANDARD & POORS 500 INDEX (S&P 500) - A basket of 500 stocks that are considered to be widely held. The S&P 500 index is weighted by market value, and its performance is thought to be representative of the U.S. equity market as a whole.

WILSHIRE 5000 INDEX – Measures the performance of virtually all U.S. headquartered equity securities with readily available price data. Composed of approximately 7,300 capitalization weighted securities, with additions/deletions to the index made monthly and represents virtually 100% of U.S. equity market.

RUSSELL 3000 INDEX – Composed of approximately 3,000 of the largest U.S. companies based on total market capitalization, which represents approximately 98% of the U.S. equity market.

RUSSELL 1000 INDEX – Composed of approximately 1,000 of the largest companies in the Russell 3000 Index, which represents the large-cap segment of the U.S. equity market.

RUSSELL 1000 VALUE INDEX – Composed of stocks with lower price-to-book ratios and lower forecasted growth values among the largest 1000 companies in the Russell 3000 Index. Currently there are 679 holdings in this index.

RUSSELL 1000 GROWTH INDEX – Composed of stocks with higher price-to-book ratios and higher forecasted growth values among the largest 1000 companies in the Russell 3000 Index. Currently there are 623 holdings in this index.



RUSSELL MID-CAP INDEX – Composed of the smallest 800 stocks in the Russell 1000 Index, which represent the mid-cap segment of the U. S. equity market.

RUSSELL 2000 INDEX – Composed of approximately 2,000 of the smallest companies in the Russell 3000 Index, which represents the small-cap segment of the U.S. equity market.

RUSSELL 2000 VALUE INDEX – Composed of stocks with lower price-to-book ratios and lower forecasted growth values among the smallest 2,000 companies in the Russell 3000 Index. Currently there are 1,393 holdings in this index.

RUSSELL 2000 GROWTH INDEX – Composed of stocks with higher price-to-book ratios and higher forecasted growth values among the smallest 2,000 companies in the Russell 3000 Index. Currently there are 1,275 holdings in this index.

MSCI ALL-COUNTRY WORLD EX-U.S. INDEX - An arithmetic average of over 2,000 securities listed on the stock exchanges of the countries outside the United States, and includes exposure to emerging markets.

NASDAQ COMPOSITE INDEX – Composed of the return of stocks listed on the NASDAQ over-the-counter stock exchange. Typically, the index is comprised of mainly technology and emerging company stocks.



ACTIVE INDEX DEFINITIONS

Indices used to answer the question, “How does the manager compare to other managers with a similar investment style?”

LIPPER INTERMEDIATE INVESTMENT GRADE BOND FUND INDEX – A peer group index comprised of fixed-income funds with an average duration consistent with intermediate range (3-5 years) and average credit quality of at least investment grade (AAA, AA, A, or BBB).

LIPPER CORPORATE DEBT A BOND FUND INDEX – A peer group index comprised of fixed-income funds focused on corporate-issued debt with an average credit quality of A.

LIPPER BALANCED FUND INDEX – Funds whose primary aim is to conserve principal by maintaining at all times a balanced portfolio of equities and bonds, with at least 50% in equity securities and at least 25% in fixed income securities. Typically, the equity/bond ratio is approximately 60%/40%.

LIPPER SMALL CO. AVERAGE FUND INDEX – Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) less than 250% of the dollar-weighted median of the smallest 500 of the middle 1,000 securities of the S&P SuperComposite 1500 Index.

MORNINGSTAR WORLD ALLOCATION UNIVERSE – A peer group of tactical asset allocation products.

LIPPER LARGE-CAP VALUE FUND INDEX – Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) greater than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index.

LIPPER LARGE-CAP CORE FUND INDEX – Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) greater than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index.

LIPPER LARGE-CAP GROWTH FUND INDEX – Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) greater than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index.

LIPPER INTERNATIONAL FUND INDEX – A peer group index comprised of the universe (approximately 900 mutual funds) of international mutual funds classified by Lipper Analytics, Inc.



ECONOMIC SECTOR & INDUSTRY DEFINITIONS

CONSUMER DISCRETIONARY

Auto Components (AutoNation, Johnson Controls, Goodyear Tire & Rubber, O'Reilly Automotive)
Automobiles (Harley Davidson, Ford)
Household Durables (Leggett & Platt, Whirlpool, Snap-On, Pulte Homes, Lennar, Fortune Brands, Black & Decker, D R Horton, Stanley Works, Newell Rubbermaid)
Educational Services (Devry)
Leisure Equipment & Products (Eastman Kodak, Mattel, Hasbro)
Text, Apparel & Luxury Goods (Nike, Coach, Ralph Lauren, V F Corp.)
Hotels, Restaurants & Leisure (McDonalds, Starbucks, Carnival, Wyndham, International Game, Starwood, Darden, Marriott, Yum Brands)
Media (CBS Corp., Comcast, Direct TV, Interpublic, Meredith, Monster Worldwide, News Corp., Omnicom, Scripps Networks Interactive, Walt Disney, Time Warner, Viacom, Gannett, NY Times, McGraw Hill, Washington Post)
Internet & Catalog Retailing (Amazon, Expedia, Priceline.com)
Multi-Line Retail (Big Lots, Costco, Family Dollar, JC Penny, Nordstrom, Kohls, Macy's, Sears, Target, Wal-Mart)
Specialty Retail (Abercrombie & Fitch, AutoZone, Bed Bath & Beyond, Best Buy, GameStop, Gap, Home Depot, Lowes, Limited Brands, Office Depot, RadioShack, Ross Stores, Sherwin Williams, Staples, Tiffany & Co., TJX Co.)

CONSUMER STAPLES

Food & Staples Retailing (CVS Caremark Corporation, Medco Health Solutions, Kroger, Supervalu, Safeway, Sysco, Walgreens, Whole Foods)
Beverages (Brown Forman, Coca Cola, Pepsi, Constellation Brands, Dr Pepper Snapple Group, Molson Coors)
Food Products (Archer Daniels, Conagra Foods, Campbell, Dean Foods, General Mills, Heinz, Hershey, Hormel Foods, J.M. Smucker Co., Kellogg, Kraft, McCormick & Co., Sara Lee, Tyson Foods)
Tobacco (Altria Group, RJ Reynolds, Lorillard, Philip Morris)
Household Products (Kimberly Clark, Colgate Palmolive, Proctor & Gamble, Clorox)
Personal Products (Avon Products, Estee Lauder, Mead Johnson Nutrition)

ENERGY

Energy Equipment & Services (Baker Hughes, BJ Services, Halliburton, Nabors, Noble, National Oilwell Varco, Rowan, Smith, Schlumberger, Cameron, FMC Technologies)
Oil, Gas & Consumable Fuels (Apache, Anadarko Pete, Peabody Energy, Cabot Oil & Gas, Chesapeake Energy, Conoco Phillips, Chevron, Devon Energy, EOG Resources, Hess, Marathon Oil, Massey Energy, Murphy Oil, Noble Energy, Occidental Pete, Range Resources, Spectra Energy, Sunoco, Tesoro, Valero Energy, Exxon, XTO Energy, Denbury Resources)

FINANCIAL SERVICES

Capital Markets (Ameriprise, Bank of New York, E Trade, Goldman Sachs, Janus, Morgan Stanley, Charles Schwab)
Commercial Banks (Bank of America, BB&T, Comercia, Fifth Third Bancorp, First Horizon, Huntington Bancshares, Hudson City Bancorp, Keycorp, M & T, Regions, Northern Trust, SunTrust, Zion's, Wells Fargo, U.S. Bancorp, Marshall & Ilsley, PNC)
Diversified Financial Services (Citigroup, CME, Intercontinental Exchange, Federated Investors, Franklin Resources, Invesco Ltd., Janus Capital Group, JP Morgan Chase, Legg Mason, Leucadia, Moody's, NASDAQ OMX, NYSE, People's United Financial, Principal Financial, State Street, T. Rowe Price, The Western Union)
Insurance (Aflac, American, Assurant, Allstate, Aon, Chubb, Cincinnati, Genworth, Hartford, Lincoln, Loews, MetLife, Marsh & McLennan, Metropolitan Life Insurance, Progressive, Prudential, Torchmark, Travelers, Unum, XL Capital)
Real Estate (Apartment Investment & Management, AvalonBay Communities, Boston Properties, CB Richard Ellis Group, Equity Residential, Host Hotels & Resorts, Kimco, Health Care REIT, Plum Creek Timber, Prologis, Public Storage, Simon Properties, Vornado, HCP, Ventas)



HEALTH CARE

Health Care Equipment & Supplies (Baxter, Bard, Becton Dickinson & Co., Boston Scientific, CareFusion, Dentsply International, Intuitive Surgical, Medtronic, Patterson, St. Jude, Stryker, Varian, Zimmer)
Health Care Providers & Services (AmerisourceBergen, Aetna, Cardinal Health, Cigna, Coventry Health, Davita, Quest Diagnostics, Express Scripts, Humana, McKesson, Medco Health, Patterson, Tenet Healthcare, UnitedHealth Group, WellPoint)
Biotechnology (Amgen, Biogen, Celgene, Genzyme, Gilead Sciences, Laboratory, Life Technologies)
Pharmaceuticals (Abbott, Allergan, Bristol Myers, Cephalon, Forest, Hospira, Johnson & Johnson, King, Lilly Eli, Merck, Mylan, Pfizer, Watson)

INDUSTRIALS

Aerospace & Defense (Boeing, Rockwell Collins, General Dynamics, Goodrich, Honeywell, L-3
Communications, Lockheed Martin, Northrop Grumman, Precision Castparts, Raytheon, United Technologies)
Building Products (Fastenal, Masco)
Construction & Engineering (Fluor, Jacobs, Quanta Services)
Electrical Equipment (Rockwell Automation, Emerson Elec., First Solar, Roper Industries)
Industrial Conglomerates (3M, General Electric, Textron)
Machinery (Deere & Co., Caterpillar, Cummins, Flowserve, Paccar, Eaton, Danaher, Dover, ITT, Illinois Tool, Parker Hannifin, Pall)
Trading Companies & Distribution (Grainger WW, Genuine Parts))
Commercial Services & Supplies (Apollo Group, Automatic Data Processing, Avery Dennison, Cintas, Equifax, Fiserv, H&R Block, IMS Health, Paychex, Pitney Bowes, Molex, Robert Half, Donnelley R. R. & Sons, Republic Services, Stericycle, Waste Management)
Air Freight & Logistics (United Parcel Service, FedEx, C. H. Robinson, Expeditors)
Airlines (Southwest)
Road & Rail (Union Pacific, CSX, Burlington Northern, Norfolk Southern, Ryder)

INFORMATION TECHNOLOGY

Internet Software & Services (Akamai, EBay, Google, Yahoo, Visa)
IT Services (Affiliated, Computer Sciences, Cognizant, Dun & Bradstreet, Fidelity, Total System, Iron Mountain, SAIC)
Software (Adobe, Autodesk, BMC Software, CA Inc., Compuware, Citrix, Electronic Arts, Intuit, McAfee, Microsoft, Novell, Oracle, Red Hat, Salesforce.com, Symantec, VeriSign)
Communications Equipment (Cisco, Motorola, Harris, Qualcomm, Corning, Tellabs, JDS Uniphase, Juniper Networks)
Computers & Peripherals (Dell, Apple, EMC, Sun Microsystems, Hewlett Packard, IBM, Lexmark, Netapp, SanDisk, Teradata, Western Digital Corp.)
Electronic Equipment & Instruments (Agilent, Amphenol, Flir Systems, Harman International, Jabil Circuit, Millipore, Millipore, Waters)
Office Electronics (Xerox)
Semiconductors & Semi Equipment (Analog Devices, Altera, Applied Materials, Advanced, Broadcom, Intel, KLA-Tencor, Linear, LSI, Microchip, Micron, National Semiconductor, Nvidia, Novellus, SanDisk, Teradyne, Texas Instruments, MEMC Electric, QLogic, Xilinx)

MATERIALS

Chemicals (Air Products & Chemicals, CF Industries Holdings, Du Pont, Dow Chemicals, Ecolab, Eastman, FMC Corp., International Flavors, Monsanto, PPG, Praxair, Sigma Aldrich)
Construction Materials (Vulcan Materials)
Containers & Packaging (Sealer Air, Ball, Pactiv, Bemis, Owens-Illinois)
Industrial Gases (Airgas)
Metals & Mining (Alcoa, AK Steel Holding, Consol Energy, Diamond Offshore Drilling, Pioneer Natural Resources, U.S. Steel, Freeport-McMoran, Newmont Mining, Nucor, Allegheny, Titanium Metals, Cliffs Natural Resources)
Paper & Forest Products (Intl Paper, MeadWestvaco, Weyerhaeuser)



TELECOMMUNICATION SERVICES

Diversified Telecom Services (AT&T, Frontier Communications, Windstream, Verizon, Qwest, CenturyTel)
Wireless Telecom Services (Sprint Nextel, American Tower, MetroPCS Communications)

UTILITIES

Electric Utilities (Allegheny Energy, Duke Energy, Edison, Entergy, FirstEnergy, Progress, Exelon, Pinnacle West, Pepco, PPL, Southern, American Electric Power, FPL)

Gas Utilities (El Paso, EQT, Nicor, NiSource, Questar)

Industrial Power Production / Energy Trd (Constellation Energy, AES)

Multi-Utilities & Unreg. Power (Ameren, CMS, Centerpoint, Dominion, DTE, Consolidated Edison, Northeast Utilities, PG&E, Public Service, Scana, Sempra, Teco, Integrys, Williams, Xcel)

Companies represented in the industries were selected from the S&P 500 Index as of 1/11/10.

Source: Morningstar Direct