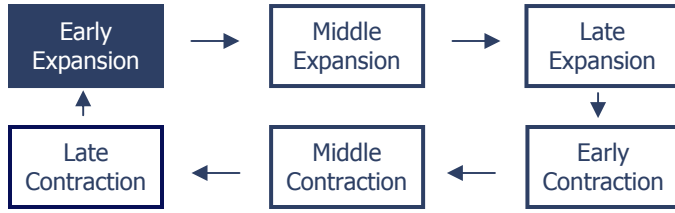




CURRENT ECONOMIC CYCLE



ECONOMIC NEWS

- Signs of improvement in the economy continue to appear with retail sales showing surprising strength and better than expected employment numbers with actual job creation.
- As a result of the depth of the declines in certain areas of the economy, the road back will be long, with the residential real estate market being a prime example.
- Consumer confidence will be key to a sustained recovery.

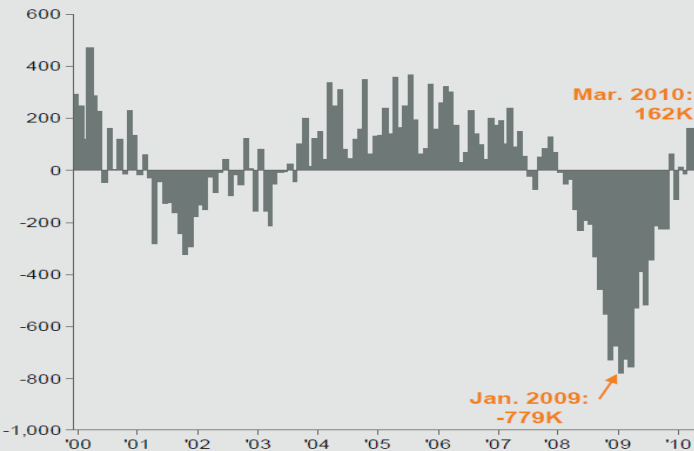
CURRENT ASSET CLASS ALLOCATIONS

Cash & Equivalents	<i>Underweight</i>
Fixed Income	<i>Looking to Underweight</i>
Equities	<i>Looking to Over Weight</i>

MARKET TRENDS

- After a pullback in February, the U.S. stock markets rallied to new highs for the year as fears of debt defaults in Europe subsided.
- The bond markets...especially U.S. Treasuries...have come under pressure as interest rates are beginning to move higher.
- The emerging markets saw a correction in the first quarter, but have recently been rallying.
- This rebound has spurred commodity and oil prices higher.

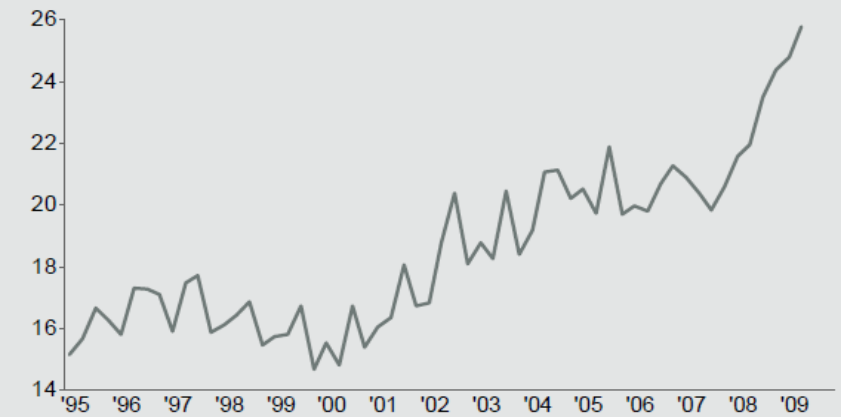
Employment - Total Non-farm Payroll
Total job gain/loss (thousands)



There was positive job creation in March for the first time in almost three years. However, in this recession over 8 million jobs have been lost. Job growth will have to accelerate even more to begin to reduce the unemployment rate substantially.

Corporate Cash as % of Current Assets

S&P 500 companies – cash and cash equivalents, quarterly



If the economy's recovery shows continued strength with sales revenue growth, corporate America has the cash available to fuel expansion or acquisitions. The same is true for banks since excess reserves that can be used to fund loans are at record levels.

CURRENT THOUGHTS

The current trends in the U.S. economy and the equity markets remain positive. The expected growth in corporate earnings for the next reporting period should provide support for stock prices at this level. Even though interest rates have moved higher recently, they remain historically low and should not be impacted by inflationary pressure until excess capacity in our economy is diminished by increasing demand for goods and services. Personal spending is showing signs of improvement without the expansion of consumer credit. In fact, outstanding debt continues to contract in the private sector...a good sign for the future. However, in the public sector the government has replaced those debt levels, and then some. This remains the biggest concern for the sustainability of the economic expansion since deficits will lead to higher interest costs and higher taxes. With the possibility of these burdens, the emerging markets appear better positioned than the U.S. to have economic growth at more robust levels.

The purpose of update is to share some of our current views and research. Although we make every effort to be accurate in our content, data are derived from other sources. While we believe these sources to be reliable, we cannot guarantee their validity.