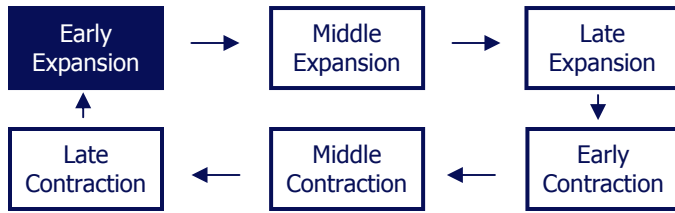


**CURRENT ECONOMIC CYCLE**



**ECONOMIC NEWS**

- Concern over the danger of default by the Greek government on their sovereign debt has shaken the financial markets as the fear of a domino effect has gripped investors.
- It appears that the European Union will take steps to guarantee payments and the markets have rallied on the news.
- The Chinese central bank has begun to tighten credit, attempting to slow their economy, causing the emerging markets to fall.

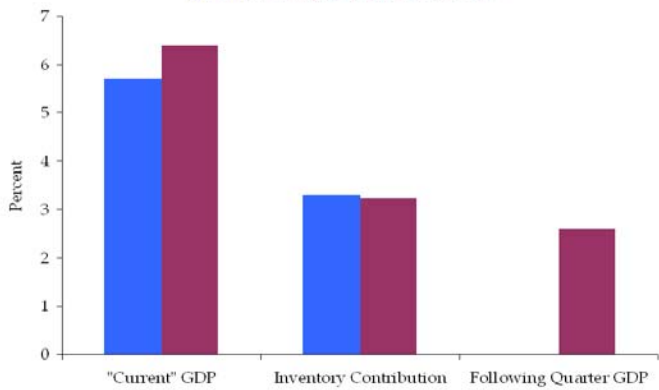
**CURRENT ASSET CLASS ALLOCATIONS**

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

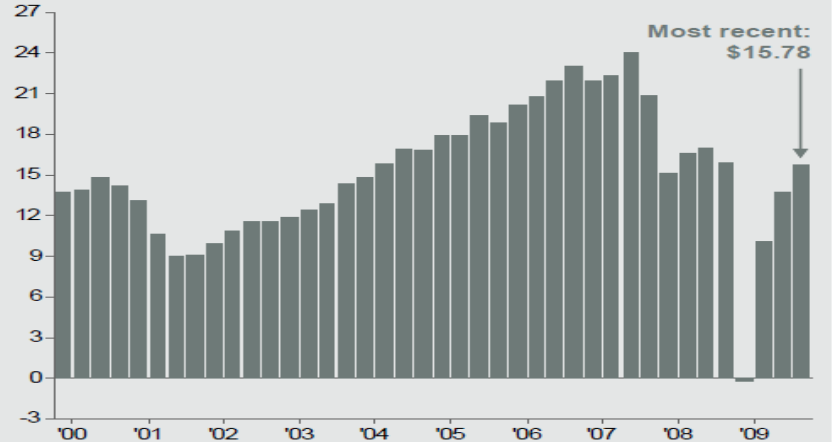
**MARKET TRENDS**

- After starting the year strong, U.S. stocks declined 8% from their highs, bringing us back to October '09 levels.
- We believe that we remain in a Bull market and are experiencing a correction that will hopefully set the stage for the next move in stock prices to higher levels.
- Earnings have been improving and should provide a reason for buyers to return once the concerns over Europe subside.

GDP Following Similar Inventory: "Bounce"  
Q4 '09 vs. Average Similar Period Since 1959\*



S&P 500 Earnings  
Operating basis, quarterly



Recent reports showing the economy growing at yearly rate of 5.7% are a bit misleading due to a nonrecurring event. When inventories are the main contributor, the following quarter GDP is much lower, reflecting this seasonal 4th quarter anomaly.

The most recent quarterly earnings for companies in the S&P 500 index show a very positive trend. This bodes well for stock valuations providing more momentum for prices if investors believe the trend will continue. The recent correction has more to do with the foreign market, not earnings in the U.S..

**CURRENT THOUGHTS**

With the poor performance of the stock market since the middle of January, the Bulls vs. Bears debate has resurfaced. Was the sharp snapback in stock prices in 2009 just a Bear market rally...or was it the beginning of a new Bull market? We believe that we are in a Bull market cycle that can be measured in months as opposed to years at this time. All markets go through corrective phases as investors catch their breath and try to digest all the information and signals that will reveal the next move. We believe that earnings will continue to improve over the next few months, supporting the uptrend in stock prices. Our concerns are to the longer-term impact of mounting government debt on fiscal policies and whether the consumer will return to provide the sales growth that is needed to sustain earnings growth. We see modest growth in the U.S. economy for the balance of this year, with real economic growth being concentrated in Asia and the Far East, but China's financial policies must be closely watched.

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.