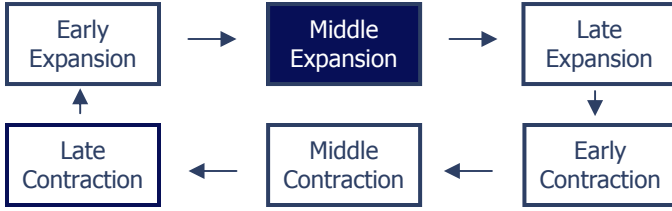




CURRENT ECONOMIC CYCLE



ECONOMIC NEWS

- The possibility of defaults on the sovereign debt of Greece sparked fears of a domino effect on other countries in Europe.
- The European Central Bank and the IMF responded with a “shock & awe” approach with a trillion dollar package to provide liquidity.
- Concerns are mounting over the rising global public debt levels.
- In the U.S. the consumer showed surprising strength with sales growth continuing to improve.

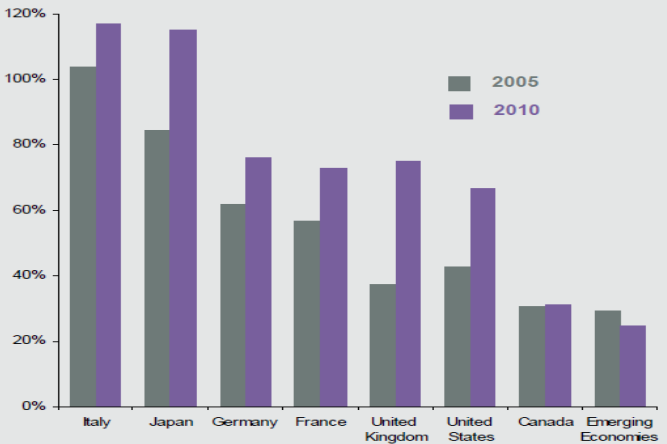
CURRENT ASSET CLASS ALLOCATIONS

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

MARKET TRENDS

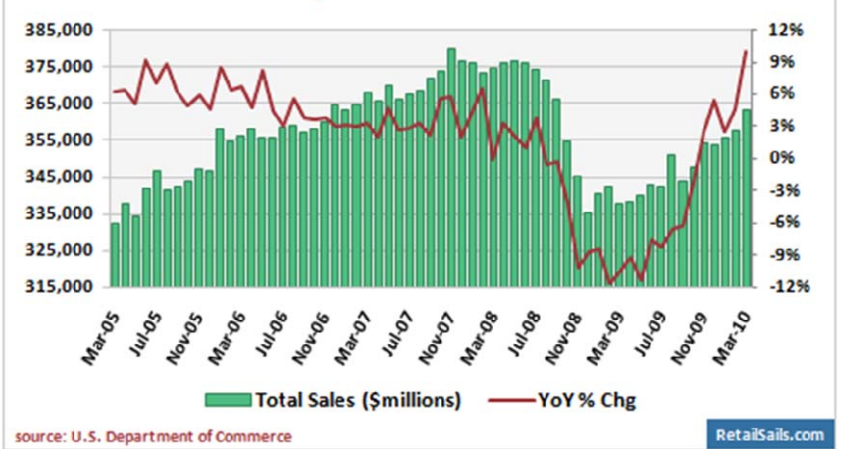
- Global markets pulled back from their highs as the situation in Europe grew more unstable with riots in Greece.
- The volatility in the U.S. market was evident when the Dow dropped almost 1,000 points intraday with regulators continuing to search for reasons as to what really happened.
- On the bright side, earnings continue to surprise to the upside with sales growth now being a contributing factor.

Government Debt to GDP by Country
IMF estimate of net debt as a % of GDP



The levels of debt for the developed countries, with the exception of Canada, is continuing to rise as a % of economic output. It is projected that the U.S. will reach the 90% level this year, a point that interest costs become a significant economic burden.

Total Monthly US Retail & Food Services Sales



Retail and food service sales have seen a sharp increase since the lows of last year. The strength of the consumer has been key to a sustainable economic recovery. It appears that a level of confidence is returning as evidenced by an increasing willingness to spend.

CURRENT THOUGHTS

Volatility has returned to the financial markets as the perceived risk has shifted from the private sector to the possibility of default on sovereign government debt. Although the problems at present are concentrated in Europe, as we saw with the financial crisis of 2008 we live in a global economy that is more connected than ever before. The approach to the problem has been to make liquidity available through loans, but it is difficult to solve a debt crisis by adding more debt. Consequently, there is growing speculation as to the survival of the European Union and the Euro currency. The situation in the emerging economies, specifically China, is a different issue. China is trying to slow its economy by restricting loan availability that is tied to residential real estate. We do not believe that this will lead to a protracted downturn in their stock market since there remains underlying economic strength. U.S. markets are in a corrective phase, but improving earnings should provide support when announcements begin.

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.