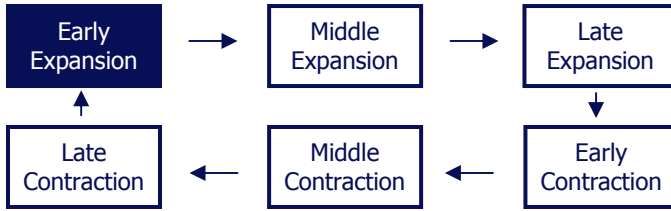


CURRENT ECONOMIC CYCLE



ECONOMIC NEWS

- Preliminary 3rd quarter GDP numbers exceeded expectations at 3.5%...but Government programs, such as "Cash for Clunkers", were the major components of GDP growth.
- October retail sales showed modest improvement, the best results since April 2008, but Christmas sales will be the critical measure of the return of the consumer.
- Unemployment rate is now above 10%...highest level since 1983.

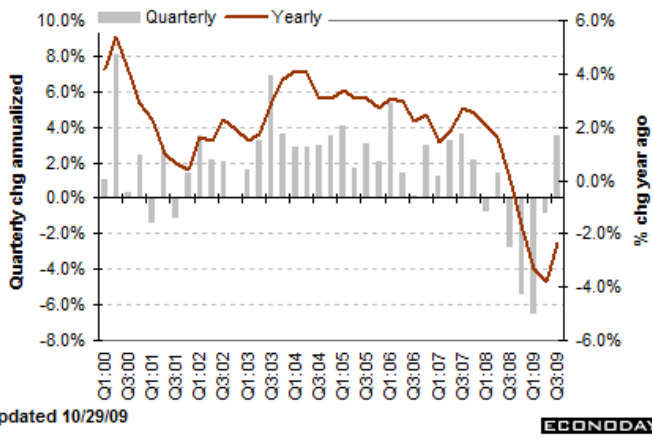
CURRENT ASSET CLASS ALLOCATIONS

Cash & Equivalents	<i>Underweight</i>
Fixed Income	<i>Reducing to Target</i>
Equities	<i>Equal Weight</i>

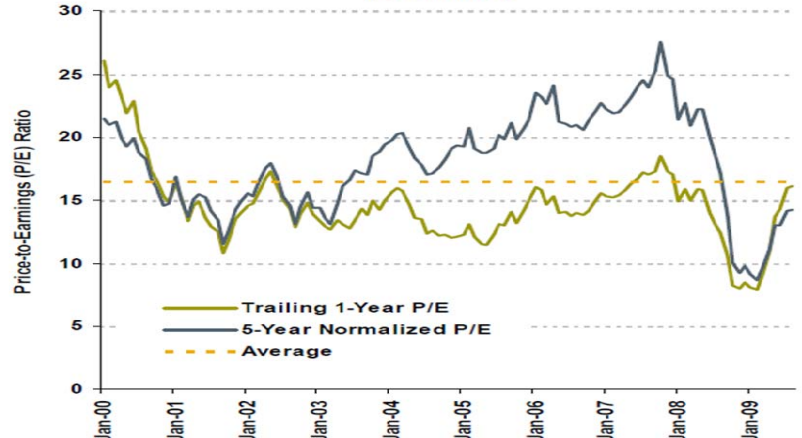
MARKET TRENDS

- 3rd quarter earnings surprised to the upside, and 4th quarter earnings are expected to dramatically increase given the favorable year-over-year comparisons.
- With the continued weakening of the US dollar, commodity prices continue to rise with gold reaching an all-time high.
- With the sharp rally in Emerging market stocks, valuation concerns have arisen...but values are still below the average.

Real GDP Growth



Emerging-Market Stocks' P/E Ratio (2000-2009)



3rd quarter GDP growth turned positive, first since the beginning of the recession, with positive contributions from exports. However, the largest contributions come from Government spending, a short-term plus but costly over the long-term as deficits grow.

Although Emerging market stocks are up 91% since the market low in March, the current price-to-earnings (P/E) ratio of these stocks suggest there is still significant opportunity for appreciation as many of these countries are not burdened with government deficits and real growth is being seen.

CURRENT THOUGHTS

Signs of recovery in the economy are becoming more prevalent, making the near-term outlook more positive. Corporate earnings continue to improve and beat expectations, providing underlying support for stock prices, as well as creating upward market momentum. Accordingly, we have been increasing our equity allocations towards our goal weight, with an eye to having an approach that will take advantage of current market trends and provide a transition to longer-term strategies. The U.S. dollar remains a key factor, with weakness leading to rallies in both equity and commodity prices. We have increased our allocations to areas that will continue to benefit from a falling dollar, including gold, foreign bonds, and the global equity markets, offering a longer-term inflation hedge. The sustainability of the advance in U.S. stock prices depends on the timing of government stimulus being withdrawn early enough to avert an inflationary spike due to the combination of a devalued currency and mounting deficits.

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 is derived from other sources. While we believe these sources to be reliable, we cannot guarantee their validity.