

April 2009 Market Commentary

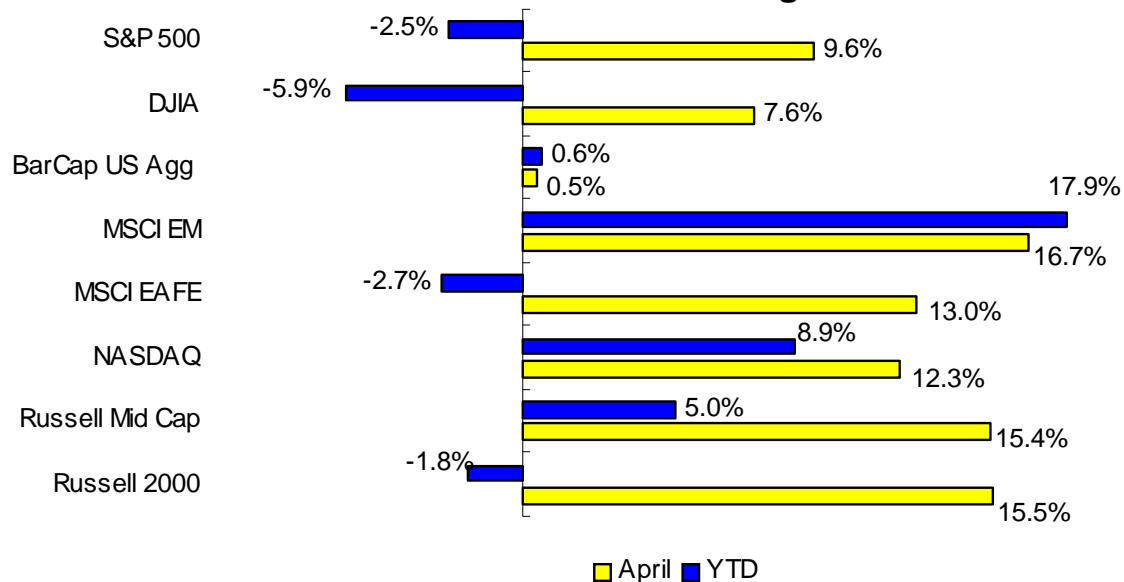
U.S. and overseas equity markets rallied sharply in April as both economic news and credit conditions improved. The latest statement from the Federal Open Market Committee (FOMC) indicated that the economic outlook had "improved modestly".

For the month, the S&P 500, the technology-heavy NASDAQ Composite and the Russell 2000 Index gained 10%, 12% and 16%, respectively. Meanwhile, the Dow Jones Industrial Average rose 8%. Financials, consumer discretionary and industrials were among the top performing sectors, while healthcare, utilities and telecommunications services underperformed. Across market capitalizations, mid- and small-cap companies generally outperformed larger companies while value stocks outperformed their growth counterparts.

U.S. fixed income markets posted mostly positive results, with riskier assets performing particularly well. Lower quality, higher yielding corporate securities posted double digit gains as investors became willing to take on more risk. Investment grade corporate securities also posted gains with the lower the quality, the higher the return. The mortgage-backed securities (MBS) sector ended slightly higher as the Federal Reserve continued to purchase MBS at a steady rate. Treasuries came under pressure as the pace of government debt issuance increased and as economic news improved.

International markets moved higher, with the MSCI EAFE ending up 13%. Among the largest European markets, France and Germany advanced 13% and 17%, respectively. Within the Pacific region, Hong Kong rose 17%, while Singapore gained 18%. Meanwhile, Japan rose 10% amid an improving political outlook. The Japanese government's announcement of another stimulus plan helped stem the negative tide against Prime Minister Aso as did his tough stance against North Korea's rocket launch, calling it extremely provocative. In the emerging markets, the MSCI EM rose 17% on strength from select Emerging Asian, Latin American and EMEA countries.

Broad Market Index Returns Ending 04/30/09



World Market Recap

Economy

- First quarter GDP declined 6.1% according to preliminary data. The decrease primarily reflected negative contributions from exports, private inventory investment, equipment & software and residential fixed investment that were partly offset by a positive contribution from personal consumption expenditures (PCE).
- Unemployment climbed to 8.9% as many businesses remained wary of hiring. The jobless rate is the highest since the fall of 1983; that's when the country was recovering from a severe recession that drove unemployment past 10%.
- While most economic indicators remained discouraging, there were several signs that housing may be close to bottoming. The decline in home prices in 20 major U.S. cities slowed for the first time since 2007, potentially signaling that the market may be stabilizing.

U.S. Equity

- The financial sector posted solid gains as news surfaced that many of the banking stocks, including Goldman Sachs, JP Morgan and American Express, would likely be able to repay billions of dollars they borrowed under the U.S. government's Troubled Asset Relief Program. Banks want to return the money to escape restrictions on compensation that were imposed on TARP recipients in early 2009.
- Elsewhere in financials, REITs rallied sharply during the month. REITs have been punished by both the economic slowdown and by leveraged and tight credit.
- Within the industrials and materials sectors, the paper and chemical industries responded positively to signs that the worst of the economic crisis may have passed.
- In the consumer discretionary space, automaker Chrysler filed for bankruptcy protection on April 30th after failing to win a deal with secured lenders to cut its debt. General Motors now faces a June 1st deadline to restructure its bond debt and reach a deal with its union. If unable, GM will likely face bankruptcy as well.

Fixed Income

- The commercial mortgage-backed securities (CMBS) sector posted solid gains fueled by expectations the Federal Reserve would broaden its \$1 trillion lending program to include long-term CMBS debt.
- Treasuries declined as yields rose again in April by as much as 50 basis points (on longer maturities). The Treasury market came under pressure as the pace of government debt issuance increased and as economic news improved. Thus far in 2009, the yield on the two-year note has increased 14 basis points, while the 10- and 30-year yields are up 91 and 135 basis points, respectively.
- Lower quality, higher yielding corporate securities surged double digits with the lower the quality, the higher the return. CCC-rated issues surged 19%, which was far better than the 8% gains for BB-rated issues.

- Boosted primarily by financials, investment grade corporate securities also posted gains with the lower the quality, also the higher the return. The BBB Index recorded a total return of 5% versus 1% for the AA Index.

Currency Markets

- Of the major currencies, the Euro and Swiss franc fell slightly against the U.S. dollar. Meanwhile, the British pound, Japanese yen and the Canadian dollar moved higher against the U.S. dollar. In the emerging markets, the South Korean won, Brazilian real, South African rand and Indonesian rupiah moved sharply higher against the U.S. dollar.

International Developed Markets

- Canada gained 14%. The Bank of Canada cut interest rates by 25 basis points to 0.25% and said that the Canadian recession will be deeper than anticipated. The lending rate will remain at the 0.25% level until the middle of 2010, depending on inflation rates, as the central bank tries to get the economy moving.
- The United Kingdom gained 13% as the Bank of England left interest rates unchanged at 0.5% and agreed to continue pumping £75 billion (\$110.13 billion) in new money into the economy. In March, the Monetary Policy Committee embarked on a policy of quantitative easing, buying government and a much smaller amount of corporate bonds, over a period of three months to end in early June.
- The European Central Bank cut interest rates by a smaller-than-expected 25 basis points to 1.25%, but signaled it could cut rates again and introduce new measures to shore up the struggling Eurozone economy as soon as next month.
- In the Pacific region, Hong Kong rallied 17% on strength in property stocks. Singapore gained 18% despite data that the city-state's economy contracted a worse-than-expected 19.7% in the first quarter. Meanwhile, Japan rose 10% as the government's announcement of another stimulus plan helped stem the negative momentum against Prime Minister Aso.

International Emerging Markets

- In Emerging Asia, China underperformed the region but still posted gains of 11% as economic growth slowed in the first quarter from the previous period. South Korea and India outperformed, gaining 21% and 20%, respectively. Indonesia soared 31% on a strengthening currency, while Thailand rallied 19% despite fierce protests against the government.
- Within Latin America, Mexico gained 15% as the government struggled to contain the swine flu outbreak. Tourism, which is Mexico's biggest moneymaker after oil and remittances from abroad, has suffered markedly and the long-term ramifications are yet to be known. Brazil advanced 20%, led higher by financials as banks benefited from a surge in lending.
- Within Eastern Europe, the smaller markets of Hungary, Poland and the Czech Republic gained 27%, 26% and 18%, respectively, despite lingering debt crisis concerns. Higher energy prices sent the Russian stock market 22% higher.



*All indices are unmanaged and investors can not actually invest directly into an index. Past performance is not indicative of future results.

The S&P 500 Index is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's.

The Dow Jones Industrial Average is based on the average performance of the 30 blue-chip stocks monitored.

Russell 2000 Index measures the performance of the small-cap stocks.

The NASDAQ Composite measures all domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market.

MSCI EAFE is a market-cap weighted index representing 20 of the developed markets outside North America. These 20 countries include 14 European countries and 6 Pacific countries. MSCI Emerging Markets is a market-cap weighted index representing 26 of the emerging countries in the world.

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