May 2011 Market Commentary

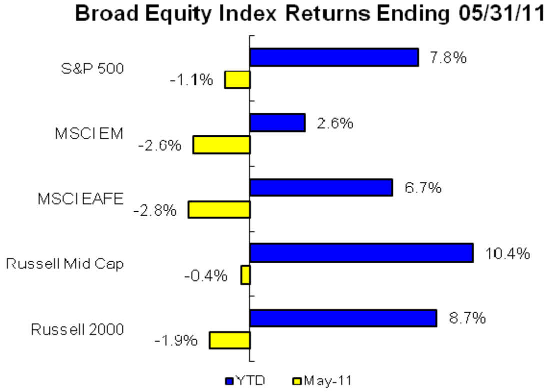
U.S. and international developed and emerging markets ended the month of May mostly lower on renewed sovereign debt fears, concerns about slowing global economic growth, as well as the prospects of fading monetary policy support.

For the month, the Russell 2000 Index of smaller companies ended down 2%, while the S&P 500 Index declined 1%. Healthcare, consumer staples and telecommunications services were among the top performing areas, while sectors such as financial services, energy and materials underperformed. Across market capitalizations, large- and mid-cap companies generally outperformed smaller companies. No investment style emerged as a favorite as growth fared best among mid-caps, but trailed among small- and large-caps.

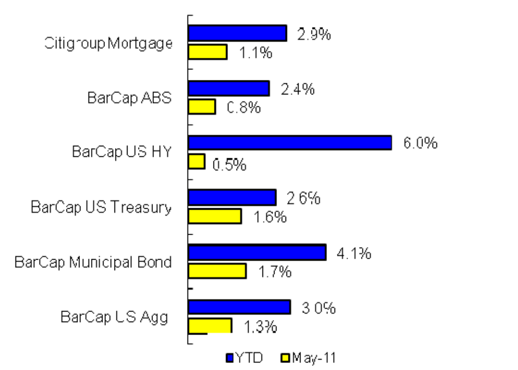
U.S. fixed income markets posted positive results as interest rates declined across the yield curve. U.S. Treasuries moved higher with longer maturities outperforming intermediate issues. Investment grade corporate securities were also strong performers during the month. Lower quality, higher yielding corporate securities also posted mild gains with higher-rated issues outperforming. Other sectors, including asset-backed securities (ABS), mortgage-backed securities (MBS) and municipals, also advanced.

International markets posted mostly negative results, with the MSCI EAFE declining 3%. Among the largest European markets, France and Germany fell 3% and 6%, respectively. Within the Pacific region, Japan ended down 2%. Meanwhile, Hong Kong rose 1%, while New Zealand rallied 5%. In the emerging markets, the MSCI EM fell 3% on weakness from select Emerging Asian, Latin American and EMEA (Eastern Europe, Middle East and Africa) countries.

Broad Equity Index Returns Ending 05/31/11



Broad Fixed Income Index Returns Ending 05/31/11



World Market Recap

Economy

- First quarter GDP rose 1.8% according to the second estimate. The increase primarily reflected positive contributions from personal consumption expenditures (PCE), private inventory investment, nonresidential fixed investment and exports that were partly offset by negative contributions from federal, state and local government spending.

- The Federal Reserve continues to keep rates on hold at the 0% to 0.25% range, the same level since 2008. In a recent press conference Fed Chair Ben Bernanke outlined worries about growth in the second half of 2011 and steered clear of discussion of more quantitative easing. The next FOMC meeting is scheduled for June 21st-22nd, 2011.

U.S. Equity

- U.S. equities moved lower during May on concerns about slowing economic growth amid negative housing data and disappointing employment trends. Investors rotated from cyclical financials, materials and energy-related stocks to more defensive sectors.

- Traditionally defensive healthcare-related stocks were among the leading performers during the month of May as the stock market's direction became unclear and investor sentiment turned more conservative.

- Consumer staples also moved higher despite rising input costs with packaged foods, beverages and household products performing particularly well. Names such as Kraft, PepsiCo and Procter & Gamble were notable performers.

- The energy sector was among the laggards during the month as concerns about the global economic outlook weighed on commodity prices causing the price of oil to retreat from recent highs. Meanwhile, gas prices continued to rise, even as the oil used to make it dropped in price.

- The materials and industrials sectors also came under pressure as the U.S. dollar advanced against the Euro, exacerbating the decline in commodity prices and dampening enthusiasm for exporters.

Fixed Income

- U.S. Treasuries posted positive results during the month as interest rates declined across the yield curve. Similar to last month, longer maturity U.S. Treasuries outperformed intermediate issues in a declining rate environment.

- Investment grade corporate securities also posted solid gains during the month of May with investment grade utility and industrial-backed issuers significantly outperforming financial-related bonds.

- Lower quality, higher yielding corporate securities posted positive results but trailed their investment grade counterparts. Higher quality issued outperformed with BB-rated issues rising 0.93%, while CCC-rated issues gained 0.23%.

- For the second consecutive month, municipals were among the best performing segments of the fixed income market. With a two-month return of nearly 4%, the muni market has almost fully reversed its fourth quarter 2010 negative return. The recovery has been led by the higher quality sectors.

- Other sectors, including commercial mortgage-backed securities (CMBS), asset-backed securities (ABS) and mortgage-backed securities (MBS), also advanced.

International Developed Markets

- Canada fell 3% as the central bank left rates on hold at 1%. On the political front, PM Stephen Harper won a majority of seats in Parliament, ending years of minority government. Harper has governed since 2006 with a minority of seats, meaning he's had to rely on support from opposition lawmakers to pass laws. The election victory will help Harper push through stalled initiatives such as reducing the corporate tax rate and accelerating the timetable for balancing the federal budget.

- The United Kingdom fell 2% as the Bank of England (BOE) kept interest rates on hold at 0.5% and left its quantitative easing program unchanged. The latest economic data in the U.K. indicated a fragile recovery as household consumption slowed, the manufacturing sector weakened and private sector job creation decelerated.

- The European Central Bank (ECB) left rates on hold at 1.25% in May. Following month-end, ECB President Jean-Claude Trichet said that strong vigilance was needed to keep inflation at bay in the 17-country Eurozone and that the central bank was ready to act in a firm and timely manner, leading many to believe a rate hike is imminent. Among the largest European markets, France, Spain, Germany and Italy declined 3%, 5%, 6% and 7%, respectively.

- Within the Pacific region, Japan ended down 2%. Meanwhile, Hong Kong rose 1%, while New Zealand rallied 5%. In Japan, GDP contracted by a larger-than-expected 3.5%, largely as a result of the devastating earthquake and tsunami. On the political front, pressure continues to build on Japanese PM Naoto Kan to resign amid claims he has failed to adequately lead the country during this time of crisis.

International Emerging Markets

- Within Asia, India declined 4% as the central bank raised interest rates to 7.25%. Year-to-date the Indian stock market is among the worst performing emerging markets, down 10%. China ended unchanged as government officials continued to implement further monetary policy tightening measures by raising the reserve requirement for the fifth time this year.

- In Latin America, Brazil and Mexico each fell 3%. Oil giant Petrobras weighed on the Brazilian market after officials pressured the firm to cut fuel prices. Weakness from Mexico’s largest telecom provider America Movil hurt results as the company came under increased regulatory scrutiny. Meanwhile, the small markets of Peru and Colombia gained 1% and 2%, respectively.

- Among EMEA countries, South Africa ended down 5%. In the Middle East, Egypt advanced 11%, while Turkey declined 12%. Within Eastern Europe, Russia declined 6%. Meanwhile, Poland, the Czech Republic and Hungary lost 3%, 6% and 7%, respectively.

*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.

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

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.

Note: The information contained in this correspondence was taken from sources which we deem reliable. We do not represent that it is accurate nor complete and it should not be relied upon as such. Any opinions expressed herein reflect our judgment at this date and are subject to change.