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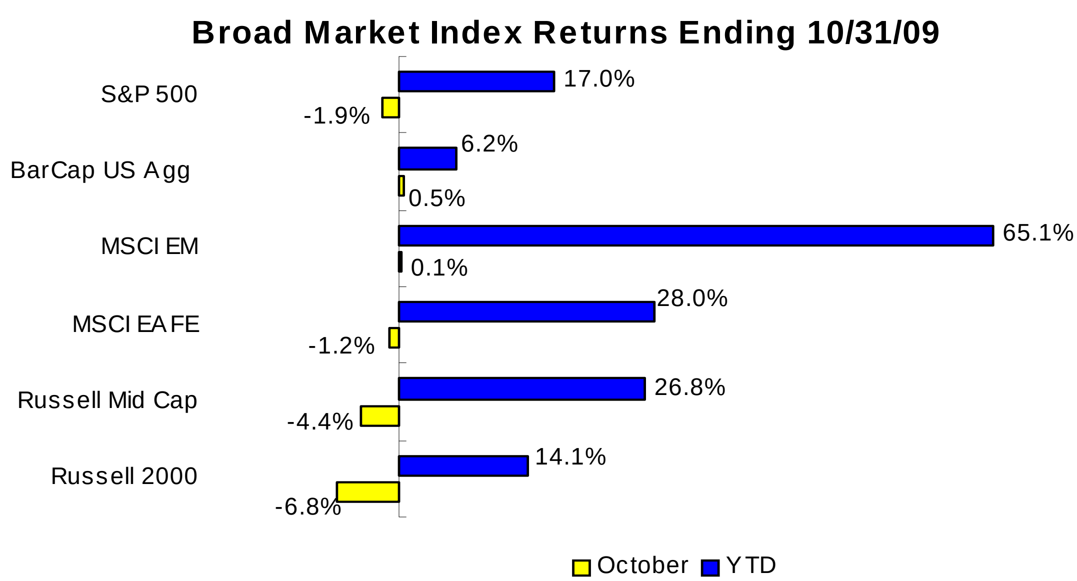
October 2009 Market Commentary

U.S. and overseas equity markets posted mixed results as investors questioned the sustainability of the global economic recovery once monetary and fiscal stimulus programs had run their course.

For the month, the S&P 500 Index and the Russell 2000 Index of smaller companies declined 2% and 7%, respectively. Energy, information technology and consumer staples were among the top performing sectors, while financials, materials and telecommunications services underperformed. Across market capitalizations, large- and mid-cap companies generally outperformed smaller companies. No investment style emerged as a favorite as value fared best among small-caps, but trailed among large- and mid-caps.

U.S. fixed income markets posted mostly positive results as volatility in bonds dropped significantly during the month of October. Lower quality, higher yielding corporate securities posted solid gains, with lower quality issues outperforming. Investment grade corporate securities also posted gains. However, the breakneck pace of the corporate credit rally has slowed from earlier in the year. U.S. Treasuries ended slightly lower and remain the only domestic sector with negative performance year-to-date. Municipal bonds were among the worst performers.

International markets moved mostly lower, with the MSCI EAFE ending down 1%. Among the largest European markets, France and Germany each declined 4%. Within the Pacific region, results were mixed. Hong Kong and New Zealand advanced 3% and 1%, respectively. Meanwhile, Japan declined 3%, while Singapore fell 1%. In the emerging markets, the MSCI EM ended unchanged as strength from select Latin American and Eastern European countries was offset by weakness from select Emerging Asian countries.



World Market Recap

Economy

- Third quarter GDP advanced 3.5% according to the “advance” estimate. The increase primarily reflected positive contributions from personal consumption expenditures, exports, private inventory investment, federal government spending, and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased.

- Following month end, the Fed kept its target for interest rates at a range of 0% to 0.25%. The Fed repeated that it continues to anticipate that economic conditions are likely to warrant exceptionally low levels of interest rates for an extended period. The Fed also said it would purchase less debt from federal housing agencies. The Fed now plans to purchase $175 billion, down from $200 billion.

- Economic data remains mixed. Home prices and home sales appear to be showing signs of stabilization. The Institute for Supply Management (ISM) has signaled expansion by surpassing the 50 percent mark. Meanwhile, labor markets remain particularly troublesome, with unemployment inching higher.

U.S. Equity

- On the last trading day of October, the stock market's fear gauge jumped to its highest level in nearly four months, moving above 30, a level that traditionally indicates heightened concern among traders. The Chicago Board Options Exchange's volatility index, or VIX, spiked to an intraday high of 31.25.

- The financials sector came under pressure, particularly late in the month in the face of a possible bankruptcy by commercial lender CIT Group. Small business lender CIT Group filed for Chapter 11 bankruptcy on Sunday, November 1st in the fifth largest corporate bankruptcy in U.S. history. Only Lehman Brothers, Washington Mutual, Worldcom and General Motors had more in assets when they filed for protection.

- The industrials and materials sectors also fell despite signs of improving demand. China imported a record amount of copper and iron ore last month.

- Results in the information technology sector were mixed. Despite being among the top performing areas, the sector posted slightly negative results. Google shares jumped on increased advertising revenue, while eBay shares declined on lowered earnings guidance.

- The energy sector bucked the trend and provided positive returns on higher crude oil prices.

Fixed Income

- Lower quality, higher yielding corporate securities posted solid gains, with lower quality issues outperforming. The year-to-date return now stands at over 50%.

- Investment grade corporate securities also posted gains. However, the breakneck pace of the corporate credit rally has slowed from earlier in the year. Financials were the top performers, outpacing the non-financial corporate sectors such as industrials and utilities.

- The mortgage-backed securities (MBS) sector also ended the month positive, continuing to benefit from the announcement that the Fed would extend the duration of its program of buying MBS into early 2010.

- Municipal bonds were among the weakest performers during the month as bond fund flows slowed dramatically and on the perception that the municipal market has gotten ahead of itself.

International Developed Markets

- Canada declined 5%. The Bank of Canada extinguished speculation that it would follow Australia in hiking interest rates quickly, warning that favorable economic developments were being undermined by the strength of the Canadian dollar. The bank kept its key overnight interest rate at a very low 0.25% and reiterated its intention to keep it there through mid-2010.

- The United Kingdom advanced 1% as the Bank of England (BOE) left interest rates unchanged at a historic low of 0.5% and made no changes to its asset purchase program. However, the BOE said it would keep its asset purchase program - known as quantitative easing - under review.

- The European Central Bank (ECB) left interest rates unchanged at a record low of 1% to support a recovery from the worst economic slump since World War II. ECB President Jean-Claude Trichet signaled the central bank has no plans to raise borrowing costs, describing their level as "appropriate". European policy makers are trying to keep their recoveries on track as unemployment rises and an ongoing credit squeeze hurts company investment.

- In the Pacific region, results were mixed. Singapore and Japan declined 1% and 3%, respectively. Meanwhile, New Zealand and Hong Kong rose 1% and 3%, respectively. Australia ended unchanged. The Reserve Bank of Australia (RBA) raised interest rates by 25 basis points to 3.25% and said it was safe to begin to unwind stimulus now that the worst danger for the economy had passed. The RBA is the first of the Group of 20 (G-20) central banks to tighten credit as the global financial crisis eases.

International Emerging Markets

- In Emerging Asia, South Korea declined 6%, while Indonesia, India and Taiwan each fell 4%. China was the notable standout advancing over 6% as the country remains an economic growth engine. GDP increased by an 8.9% annual rate in the third quarter, following a 7.9% rise in the second quarter. Growth was in-line with analyst expectations, although there is rising fear that the government's massive stimulus is inflating property and stock prices.

- Within Latin America, Brazil gained 3% as Rio de Janeiro was elected host city for the 2016 Summer Olympics, becoming the first South American city to host the Games after beating out Chicago, Madrid and Tokyo. Mexico also moved slightly higher, rising 1%. Meanwhile, the smaller markets of Peru and Colombia declined 4% and 9%, respectively.

- Among the EMEA countries, Turkey and South Africa declined 2% and 1%, respectively. Within Eastern Europe, Hungary, Russia and Poland advanced 1%, 5% and 7%, respectively. Meanwhile, the Czech Republic declined 4%.

*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.