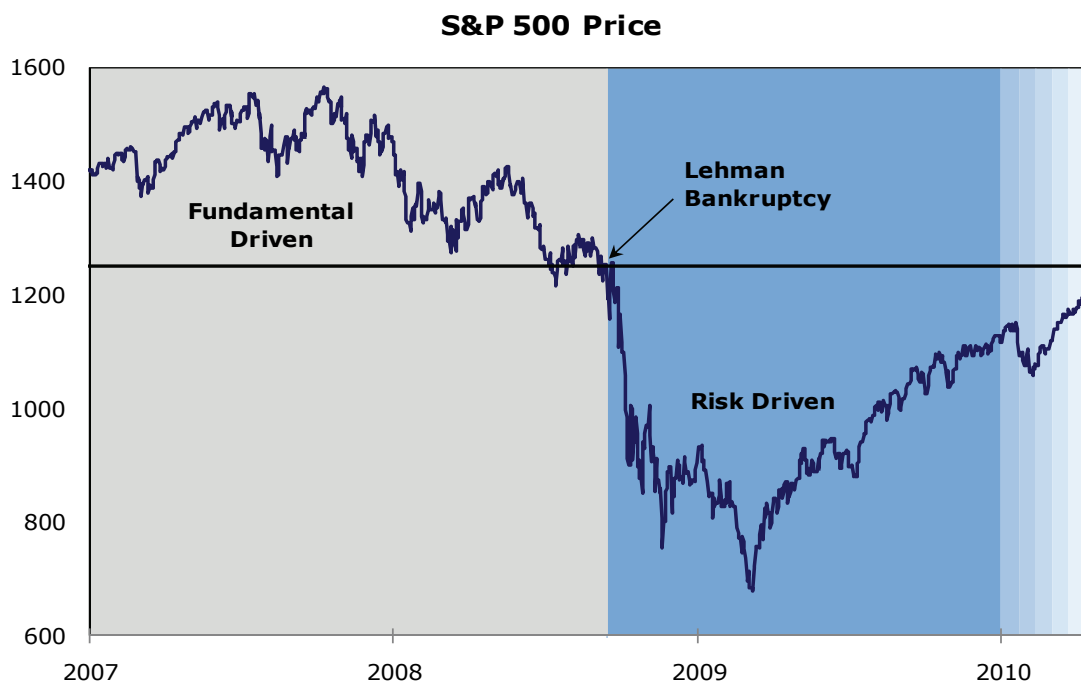


Aging Bull or Just Hitting Its' Stride?

Much has been made of the length and magnitude of the current bull market. Thirteen months and a 79% positive move surely seems reason to become cautious. But let's put this move in perspective. The S&P 500 was trading at 1250 the day before the Lehman collapse, compared to about 1200 today. Before that fateful date the market had already lost 19% due to the unraveling of the real estate bubble and the mortgage woes of the banking system. Yet, it was September 2008 that really undid the markets with a total seizure of the banking system and fears of insolvency throughout the world of business.



Risk vs. Fundamentals

So using the above perspective, is the market now trading on risk criteria or fundamentals? One could contend that stocks have not fully retraced their fall in the mad rush to reduce risk since they are not back to pre-Lehman levels. A full round trip would complete the risk trade. But that is probably a bit simplistic. Risk driven markets tend to be dominated by beta and momentum, with little concern for the quality or earnings potential of the specific companies. Fundamentally driven markets do differentiate between stocks using these more traditional business drivers. Most of 2009 was a risk driven market, while the early part of 2010 is beginning to show signs of a transition taking place. Investors are beginning to pay attention to growth prospects, yet beta has not totally given up its influence. We are currently seeing alternating periods between risk and fundamental drivers. The bull is maturing but is really just returning to an environment where earnings analysis is meaningful. On the other hand, with a shift to a fundamentally driven market it will be increasingly important that companies deliver against expectations for a return to profitability akin to 2007-2008 levels.

Past performance is not indicative of future results. As with any investment vehicle, there is always a potential for profit as well as the possibility of loss. Nothing contained in this presentation should be construed as a recommendation to buy or sell a security or economic sector.