



MARKET COMMENTARY AND OUTLOOK:

Capturing solid returns was a welcome relief for many investors in 2009 following the devastating market decline that began in October, 2007. Though the pace of gain slowed during the fourth quarter, markets continued to climb. Entering 2010, there is clear potential that the trend could continue.



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As we enjoy the progress, it is also critical that we do not allow relief to become complacency. This could be the early stage of a sustained recovery; it could also be merely the eye of the storm. In either case, the market has already come a long way. Even the most insightful assessments cannot provide clear direction from here, for decisions not yet made and actions not yet taken will be among the determinants of future outcomes.

Massive government intervention helped stabilize the economic system, but the underlying problems are far from solved. Monetary flows more than fundamentals appear to have been the primary drivers of the market surge, particularly in its later stages. Continued government inputs on too large a scale could spawn alternate versions of the very bubbles from which we are struggling to recover, yet untimely removal of those inputs could torpedo a still fragile recovery. Thus, the course we walk remains precarious, and a severely stretched and weakened economic system has little capacity to absorb major missteps. The sheer magnitude of events and the response to those events, realistically uncharted in terms of prior history, means widely divergent outcomes are possible. All of those

possible outcomes must be accounted for in setting investment strategy.

Within global equity markets, our assessment is that relative risk/reward continues to favor the U.S. and emerging markets over developed foreign markets in Europe and Japan. Recent sovereign credit concerns serve as reminders of the vulnerability in the European banking system in particular. Emerging markets in Asia and Latin America could be seriously impacted in a general downturn, but strong recovery from such an event appears equally likely.

Looking across the investment landscape, a variety of themes appear to offer attractive opportunity despite the challenges. Among them is agriculture, where we have adopted a dual approach, accumulating selected equities to complement an

agricultural commodities ETF. To further sharpen the focus on the commodities side of the theme, we transitioned late in the year to a position targeted exclusively to grains.

On another front, the relentless expansion of government debt would appear destined to drive interest rates higher, extending the general 2009 trend in long term rates. A short position against 10-year Treasuries helps hedge this interest rate risk for our debt positions while providing growth potential in the event rates continue to climb.

Though some profits have been selectively taken, two objectives drive a continuing exposure to gold and gold mining shares. Growth potential remains attractive for both fundamental and technical reasons, and the positions additionally provide an important hedge against ongoing global credit and currency risks.

These examples illustrate a diversified tactical approach that seeks opportunity while managing risk, in the process avoiding one-way bets. When executing a strategy that is targeted for growth yet managed for risk, it is sometimes hard to be patient, but the result, viewed across the full perspective of market ups and downs, can be gratifying. Though future outcomes cannot be guaranteed, our focus lies in maintaining the discipline and continuity of that approach.

TARGET ALLOCATION BY ASSET CLASS

53.5%	Equities - Domestic & Foreign
14.0%	Gold, Energy & Commodity Related
0%	Foreign Currency
9.5%	Equities - Short (Leveraged 200%)
8.0%	Bonds
10.0%	Bonds - Short
5.0%	Cash

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All investing involves market risk and possible loss of principal, and past performance doesn't guarantee future results. Additionally, asset allocation doesn't assure a profit or guarantee against a loss in a declining market.