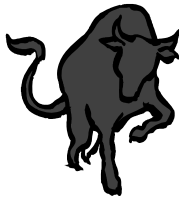




Index	Quarter Return	2009 YTD Return
DJIA	8.1	22.7
S & P 500	6.0	26.5
NASDAQ	6.9	43.9
Russell 2000	3.9	27.2
MSCI EAFE	2.2	31.8
Barclay's Aggregate Bond	0.2	5.9
Consumer Price Index	0.0	2.7



#### Fourth Quarter Investment Commentary

When the dust settled on one of the most eventful and upended years in memory, investors had generous gains in stocks and some segments of the bond market to salve the wounds of 2008 and the first quarter of 2009. Stocks finished the year strongly, continuing their powerful run that began in early March.

For domestic stocks, the S&P 500 returned 6% for the fourth quarter and 26.5% for the year with smaller capitalization companies growing 27.2% in the year. Foreign equities returned an average of 31.8% with emerging markets at 76%. In the first quarter, we saw what can best be described as panic with the fear of an economic Armageddon in the air. As it became clearer that disaster would not happen (consistent with our predictions), the rebound in all liquid investments reflected a rapid change from extreme risk aversion to extreme preference for risk. The lower the quality and the greater the decline in 2008 the greater the 2009 return. As an example, emerging markets declined over 60 % from 2007 to March 2009, and their 100 % return from March 2009 still left them almost 25% below their 2007 highs. This large loss even after their dramatic return in 2009 illustrates why we try to avoid large losses in your portfolio.

While our most aggressive investors exceeded the overall market increase, our most conservative investors were up far less, but they encountered only slight losses in the 2008 stock market debacle. The wide divergence in returns over the last couple of years shows why we spend so much time ensuring that you are in the correct investment profile considering your experience, your needs and your psychological comfort zone.

## **Where We Are Today**

It is apparent that we are in the midst of a major debt-driven transition in the world economies that will keep risks elevated and accelerate the build-up of the government debt. Governments and central banks around the world have been filling the vacuum created by a consumer retrenchment with extremely expansionary monetary and fiscal policy, thus helping the world economy recover from the Great Recession. We continue to believe that the weight of the evidence makes a strong case for a sustainable but subpar recovery with a risk of falling back into recession at some point in the next two years as the stimulus is unwound. We expect multi-year U.S. economic growth of between 2 and 3 percent compared to the 4 to 5 percent growth of the last 15 years.

## **Investment Strategy**

We see an unusually wide range of potential economic outcomes for 2010. As stated earlier, the higher risk (lower quality) investments have been bid to higher levels relative to the lower risk (higher quality) investments. The higher quality companies will better weather the storm in the event of further economic stress. The U.S. is facing a maturing economy, having lost a great deal of its manufacturing base. The higher quality, large capitalization global companies we are emphasizing should compensate for that decline; they derive more than half of their revenues from outside the U.S. In our foreign investments, we are emphasizing emerging markets as they should experience much greater growth than developed countries, both domestic and foreign.

After the dramatic returns in 2009, risk reduction seems the prudent course of action. The cheap valuations of early 2009 have given way to higher valuations that are suggesting everything is going to be fine this year, which is certainly not guaranteed. We started reducing the risk in all of our profiles during the fourth quarter. We added funds such as Absolute Strategies, Arbitrage, and Yacktman that will give some upside in a higher market with significant protection in the event of a market decline.

On the fixed income side, we are emphasizing higher quality, shorter duration investments. With the weak economy and the Fed policy of keeping rates low, interest rates have nowhere to go but up. Over the long haul, all of the government borrowing likely will put upward pressure on interest rates. While the Federal Reserve is confident it can raise interest rates in an orderly manner, the Fed's track record in recent years has not been good. When rates do start to go up, there is a good chance they will rise quickly, resulting in an unpleasant experience for all but short-term fixed-income investors.

As always, our goal is to be down significantly less in down markets while capturing the majority of up markets. History shows that we have consistently delivered on these objectives.