MARKET COMMENTARY

January 2009

Fourth Quarter Recap

The difficulty that roiled the markets in the third quarter accelerated into the fourth quarter. It appears the collapse of Lehman Brothers during mid-September had the unforeseen consequence of seizing up the capital markets and causing significant dislocations that have moved from Wall Street to Main Street. The failure of Lehman Brothers rapidly escalated the magnitude of fear, which spread like a pandemic across all segments of the capital markets. In the fixed-income markets, there was a massive rush out of any security that was not backed directly by the US government. During the fourth quarter, yields on the 10 year Treasury note and 30 Treasury bond fell below 2.1% and 2.6% respectively. According to Barclays Capital (formerly Lehman Brothers), the 30 year Treasury bond generated a 41.3% gain for 2008, much of that gain being generated in the fourth quarter which saw a 33.1% gain. The 10 year Treasury note generated a return of 20.1% for 2008 and a fourth quarter return of 15.0%. Much of the money that moved into the treasury bond market came from other segments of the fixed-income market causing yields on investment grade (corporate and municipal bonds) and high-yield bonds to move to historical highs versus comparable treasury securities. Part of the sell off in investment grade corporate bonds reversed course as these bonds rallied during the latter part of the quarter, which pushed the Barclays Capital Aggregate Bond Index into positive territory for the quarter and the year. Even with the year-end rally in investment grade corporate bonds, they still offer historically high yields vs. comparable treasury securities. Municipal bonds also remain a very attractive segment of the bond market. Due to the significant dislocations within the credit markets, municipal bonds continue to offer yields that are in excess of 100% of yields on comparable treasury bonds. Given the tax advantaged nature of municipal bonds, they have historically yielded less than a comparable treasury bond since most of these bonds are not subject to federal income taxes as are treasury bonds. At the beginning of 2008, a typical AAA rated 10 year municipal bond yielded approximately 80% of the yield offered by a 10 year treasury note. We ended 2008 with the typical AAA rated 10 year municipal bond yielding approximately 140% of the 10 year Treasury note.

PERFORMANCE MATRIX

Index	2008 4Q	2008 YTD
S&P 500	-22.0%	-37.0%
Russell 1000 Growth	-22.8%	-38.4%
Russell 1000 Value	-22.2%	-36.9%
Russell Mid Cap	-27.3%	-41.5%
Russell 2000 (small cap)	-26.1%	-33.8%
Wilshire 5000	-22.9%	-37.3%
MSCI EAFE (international, $, net)	-20.0%	-43.4%
Barclays Capital Municipal Bond	0.8%	-2.5%
Barclays Capital Aggregate Bond	4.6%	5.2%

In the equity markets, fear created one of the largest quarterly sell offs since the fourth quarter of 1987. For the year, the S&P 500 produced the third worst return in its history (only exceeded by the 47.1% fall in 1931 and the 38.6% drop in 1937). The fourth quarter sell off in equities impacted not only domestic large cap stocks, such as those found in the S&P 500 index, it also impacted domestic mid cap and small cap stocks as well. As illustrated by the matrix above, the downturn in the fourth quarter was fairly broad based with each of the domestic equity indexes falling by 22% or more. The carnage of the fourth quarter even hit the international equity markets with the MSCI EAFE, a broad based equity index of developed markets, falling by 20%. For the year, this index fell by 43.4%, underperforming the S&P 500 index by 6.4%. Even more pain was visited upon the BRIC equity markets which are comprised of Brazil, Russia, India and China. The MSCI BRIC equity index fell 30.2% during the fourth quarter and 59.4% for the full year of 2008.

The pain was also felt in the commodity markets which fared even worse. The S&P/Goldman Sachs Commodity Index, a basket of commodities, fell by approximately 50% during the fourth quarter and finished the year down 46.5%. The largest sector in this index is the energy complex, which represents approximately 74% of the index. During the fourth quarter, the price of crude oil fell approximately 56% and for the year was down 54% - a small blessing for our economy and consumers.

The spillover from the markets' tumult has clearly taken hold of our economy and this became more evident during the fourth quarter. On December 1, 2008, the National Bureau of Economic

Research announced that the US economy was officially in a recession which began in December 2007. This announcement actually followed 10 consecutive monthly declines in employment data.

To provide you with additional insight into the performance of the S&P 500, we have included our standard S&P 500 sector performance chart. As you can see from the exhibit below, all ten sectors of the S&P 500 generated negative returns during the fourth quarter and for the full year. The sectors, which traditionally have been perceived to be defensive did outperform both the other sectors and the S&P 500 as a whole for the quarter and the full year. Consumer staples, health care and utilities generated the following returns for the quarter and the year respectively: Consumer Staples -13.5% 4th qtr / -17.7% 2008, Health Care -12.7% / -24.5% and Utilities -11.9% / -31.6%. The worst performing sectors this quarter and for the year are as follows: Financials -37.6% / -57.0%, Materials -31.4% / -47.1%, Information Technology -26.0% / -43.7%. The relative performance of these sectors confirms the recessionary fears that have taken hold of our economy. To sum up the breadth of the poor performance experienced by equities, Standard & Poor's provided an interesting statistic: for 2008, there were only 25 stocks out of 500 (5% of the index) that finished the year in positive territory.

S&P 500 SECTOR PERFORMANCE

S&P 500 Sector	Sector Wt. (12/31/08)	2008 3Q	2008 YTD
Energy	13.3%	-21.1%	-35.9%
Materials	2.9%	-31.4%	-47.1%
Industrials	11.1%	-24.7%	-41.5%
Consumer Discretionary	8.4%	-23.4%	-34.7%
Consumer Staples	12.9%	-13.5%	-17.7%
Health Care	14.8%	-12.7%	-24.5%
Financials	13.3%	-37.6%	-57.0%
Information Technology	15.3%	-26.0%	-43.7%
Telecommunications Services	3.8%	-2.9%	-33.6%
Utilities	4.2%	-11.9%	-31.6%
S&P 500	**100.0%**	**-22.0%**	**-37.0%**

Outlook

To put into perspective where we are and to help establish possible outcomes for 2009, it makes sense to look back at where we have been. From the perspective of the equity and fixed income markets, there was a lengthy period of time where the perception of risk by investors and many

market participants was grossly understated relative to the historic realities of the market. During the period of time that started in early 2004 and ended in mid 2007 there was a significant disregard for market risk. This can be seen by the willingness of many lenders and investors to accept minuscule yields on the riskier parts of the fixed income markets. During this period of time, high-yield bonds (the lower grade/risky segment of the bond market) offered additional yields over comparable treasury securities that hovered in the low single digit range, well below historical norms. Investors hungered for additional yield regardless of the associated risk. In the equity markets, this period of time presented a very benign time in which indices drifted upward with small pull backs representing opportune times to add to equities. As in the bond market, there are risk barometers that measure investor/market participants' willingness to accept risk. Here again, this period of time saw a significant willingness by many investors to accept risk without appropriate compensation. In the real world, we saw a ballooning of consumer debt that helped the consumer maintain their standard of living or often times go beyond it. We saw a massive jump in real estate debt in both the residential and commercial space and the bubble in residential real estate accelerated. It took more and more debt to move the economic needle of GDP. This stopped in 2007 and we entered into a new phase of the economy. The deleveraging phase that began in late 2007 and that accelerated as 2008 came to a close is the new reality, at least for awhile. This phase, though painful, will lay the foundation for a healthier economy and a vibrant recovery in the equity and fixed income markets. To gauge where we are now, we can look at the same risk barometers in the fixed income and equity markets that we mentioned above. Risk has become the primary focus now. Corporate high-yield bonds now offer yields that are in excess of 16% over comparable treasuries, even investment grade corporate bonds are trading at yields in excess of 6% over comparable treasury bonds. These yield differentials are very high by historical standards. In the equity markets, we have seen a massive jump in volatility and the associated volatility barometers. In 2008, we experienced the highest level of daily moves in the U.S. stock market (in which the closing prices were either 3% higher or lower than at the beginning of the day) than at any time since the late 1930s. Investors and market participants now demand additional compensation for taking risk. As mentioned above, these yield differentials along with the equity volatility and other risk barometers are very high by historical standards. We may be reaching a point where the perception of risk is becoming overstated relative to the potential risks that our markets and economy face.

For the first half of 2009, the equity markets, and perhaps to a lesser extent, the fixed income markets may continue to experience significant volatility until we receive additional information on President Obama's stimulus package and its implementation. Amidst all of the negative news regarding the economy, there are some factors that are developing that could have a positive impact on our markets and the economy. In addition to the potential to see very large cash flows into our economy from a new stimulus package, there has already been a massive amount of liquidity that has been pumped into the financial system by the numerous programs established by Federal Reserve and the Treasury Department. These inflows into our economy may help to stem any further significant deterioration. Another factor that may have a more direct

and positive impact on the price of equities and fixed income securities is the large build-up of cash in money market funds, CDs and other short-term investments that took place over the past year. During December's FOMC meeting, the Federal Reserve set the new Fed funds target rate to a range of 0% to 0.25%. The result of this action has caused yields to fall on all short-term investments. The low rates on these investments may be enough to entice investors to search for higher yields elsewhere. There is a potential to see a significant amount of money move out of these short-term investments and back into longer-term investment. We may likely see these investors test the waters by initially moving back into high quality fixed income securities. As the investment grade segment of the market starts to show signs of life, it may lay the foundation for other capital flows that could potentially find their way into the equity markets as the credit markets begin to normalize.

As you know, we are closely monitoring the financial markets and our clients' investment programs. If you have any questions or concerns regarding your portfolio or the markets, please feel free to contact us.

Other Matters

In accordance with SEC regulations, we request that you contact us in the event that there have been any material changes in your financial circumstances or investment objectives, or if you wish to impose any reasonable restrictions on the management of your accounts or modify existing restrictions on the management of your accounts.

Sincerely,

Mintz Levin Financial Advisors, LLC