



Global Tactical Asset Allocation – Q1 2010
(Mutual fund investment strategy)

After most accounts enjoying investment returns in excess of 24% for year 2009, and with an economic recovery still in some question, I entered 2010 with a decidedly cautious investment posture. In order to reduce risk, I held as much as 25% of portfolio assets away from the equity markets at various times during Q1 --- holding those assets in less volatile/risky money market funds and high yield bonds. I wanted to see more convincing financial and economic data which would confirm that the domestic economy was indeed headed for sustained recovery before I would assume higher portfolio risk and become more fully invested. Further, I wanted to see evidence that money was beginning to flow into equity mutual funds from the large horde of cash parked in the safety of money market funds sitting on the sidelines. Positive money flows means an increased number of buyers of equities and higher equity prices often follow.

In early March, the financial, economic and money flow data turned positive enough for me to become more fully invested and by quarter's end, portfolios were more than 90% invested. By adopting a conservative posture for most of Q1, we somewhat lagged the performance of the S&P 500, but I felt it important to be more conservative with client assets as we entered 2010.

We enter Q2, 2010 pretty much fully invested. I have reduced our international investments since the US economy appears to be recovering faster than most international markets and we are over-weighted in domestic small cap and mid cap "Value" stocks, technology and financials. While I am long term positive on the energy sector, I have reduced our energy exposure since this sector performed poorly in Q1 and the money flows into this sector continues to be weak. We are also under-weighted in the healthcare sector.

We want to thank you for your confidence in allowing us to manage your investment assets and welcome any questions you may have.

Sincerely,

A handwritten signature in cursive script that reads "Rudy Polanski".

Rudy Polanski
Senior Portfolio Manager