Fourth Quarter Market Summary

Fourth quarter 2009 results for your portfolio benefited from continued strong equity market results, particularly in the U.S., which outperformed most other developed markets. Technology, consumer discretionary, and health care were the fourth quarter's best performing U.S. sectors, while the financial sector reversed course and ended the quarter down. For much of the year, we were underweighted the consumer discretionary, technology, and the financial sectors given most investors remaining uneasiness with the equity markets. Master limited partnerships (MLPs) again performed extremely well during the quarter. High double digit returns from MLPs are not likely to be soon repeated, and we should expect high single digit returns for the coming year, more in line with the group's historic norm. Bonds generally outperformed the Barclays Aggregate Bond Index, mainly because of our focus on investment grade corporate bonds, which continued to outperform most other bond sectors.

Some will notice that their portfolio's allocation in bonds exceeds the proportion in the custom benchmark, a result of actions taken to reduce risk in light of the extraordinary volatility of the last twelve months. During the fourth quarter, we began scaling back on bonds, in particular those that have significantly appreciated in value or have lengthy maturities. Bonds performed well beyond expectations throughout 2009, performance very unlikely to be repeated in the near future. We feel it is warranted to reduce interest rate risk by shortening bond maturities given our view that interest rates will continue to rise, leading to low or flat bond returns for 2010 and beyond. Funds generated from the sale of bonds have tended to be redeployed into U.S. and non-U.S. equities with relatively high dividend yields, including MLPs, for those with more income oriented portfolios. Portfolios less dependent on the need to generate current income have seen the addition of what still appear to be reasonably valued equities within the technology, consumer discretionary, and energy sectors, as well as the aforementioned high dividend equities.

The accompanying Economic and Markets Commentary describes potential recovery scenarios in 2010, with the consensus view that this recovery will be considerably weaker than that seen coming out of past recessions. The strength of this recovery will be very dependent on the employment numbers, asset price stability, for example home pricing, and the effect these factors will have on consumer sentiment and spending.

As always, please contact us at anytime to discuss your asset allocation and to share your thoughts on your portfolio or special needs.

Sincerely,

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