

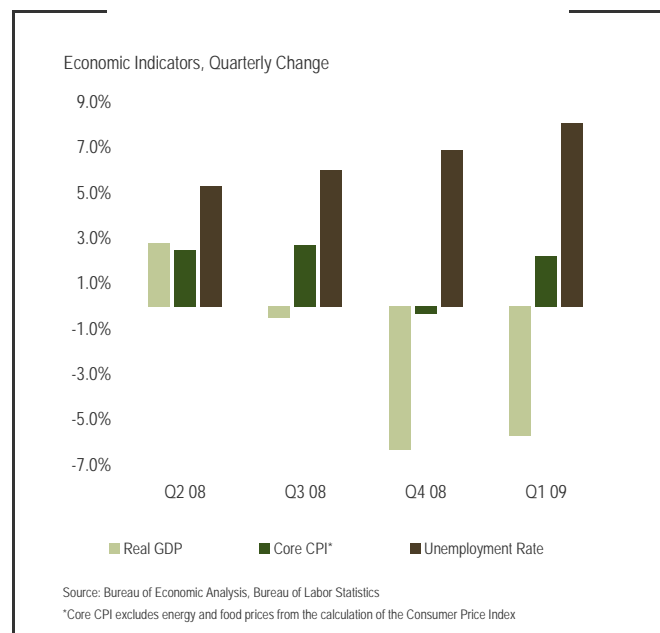
## Economic Update

Significant regulatory changes proposed by the Obama administration Thursday would impact nearly every aspect of the banking and financial markets. President Obama and Treasury Secretary Timothy Geithner both referenced the economic consequences of inadequate government oversight in discussing the proposed overhaul of the financial system. The proposal includes, according to the Wall Street Journal, the creation of an agency with regulatory powers over mortgages, credit cards, savings accounts and annuities, increased shareholder voice in setting executive pay, federal regulation of hedge funds, changes to mortgage securitization rules for banks, and exchange-based trading of complex derivative securities. In addition, it would substantially increase funding for the International Monetary Fund (IMF). The IMF noted that this increase in international funding will help in boosting the global economy and strengthened the commitment of the U.S. to "a multilateral approach to resolving global economic and financial challenges." Separately, the IMF announced its revised forecast for economic growth, expecting the U.S. to contract by 2.5% in 2009 and to grow 0.75% next year. The IMF attributed its improved outlook to monetary and fiscal stimulus as well as stabilizing in the financial markets.

The U.S. Department of Labor announced that the Consumer Price Index (CPI) advanced 0.1% in May, yet annual inflation to continue a downward trend. The 1.3% annual decline marked the largest decline since April 1950. Excluding food and energy, CPI increased 0.1% for the month. The modest increases suggest that the risk of deflation is beginning to ease. The Labor Department also reported that the Producer Price Index (PPI) increased 0.2% in May. Prices for intermediate goods advanced 0.3% for the month while prices for crude goods soared 3.6%.

The housing market showed further signs of stabilizing, according to the U.S. Department of Commerce. Housing starts surged 17.1% in May, up for the third consecutive month. The National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) declined slightly in June, however, the NAHB noted that the outlook for home sales has improved in the last few months.

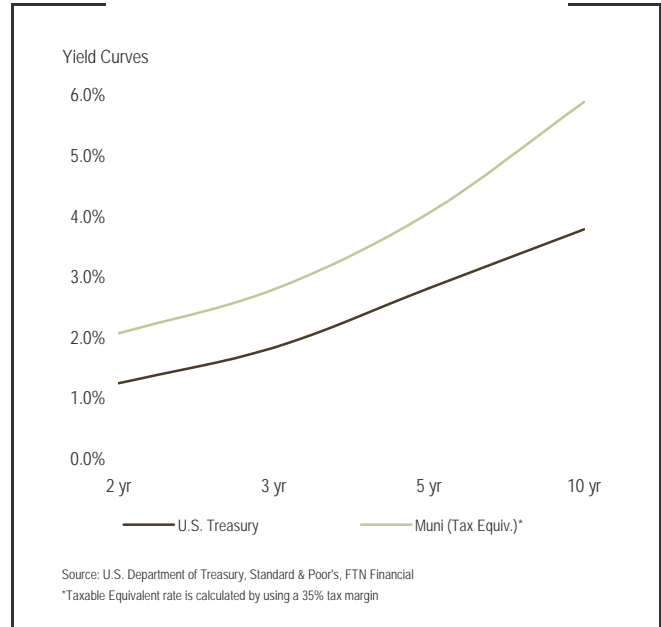
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, The Wall Street Journal, Bloomberg, International Monetary Fund, National Association of Home Builders.



June 15 <sup>th</sup>	Empire State Mfg Survey, June	-9.4
June 15 <sup>th</sup>	Frgn Dmnd for LT US Securities, April	\$11.2B
June 15 <sup>th</sup>	Housing Market Index	15
June 16 <sup>th</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.6%
June 16 <sup>th</sup>	Housing Starts, May	0.532M
June 16 <sup>th</sup>	Producer Price Index for May	0.2%
June 16 <sup>th</sup>	Industrial Production, May Monthly Chg.	-1.1%
June 17 <sup>th</sup>	MBA Purchase Applications, Index Level	261.2
June 17 <sup>th</sup>	Consumer Price Index, May Monthly Chg.	0.1%
June 17 <sup>th</sup>	EIA Petroleum Status Report, Wkly. Chg.	-3.9M
June 18 <sup>th</sup>	Initial Jobless Claims ( Week ending 6/13)	608,000
June 18 <sup>th</sup>	Leading Indicators, May Mithly. Chg.	1.2%
June 18 <sup>th</sup>	EIA Natural Gas Report, Wkly. Chg.	114 bcf

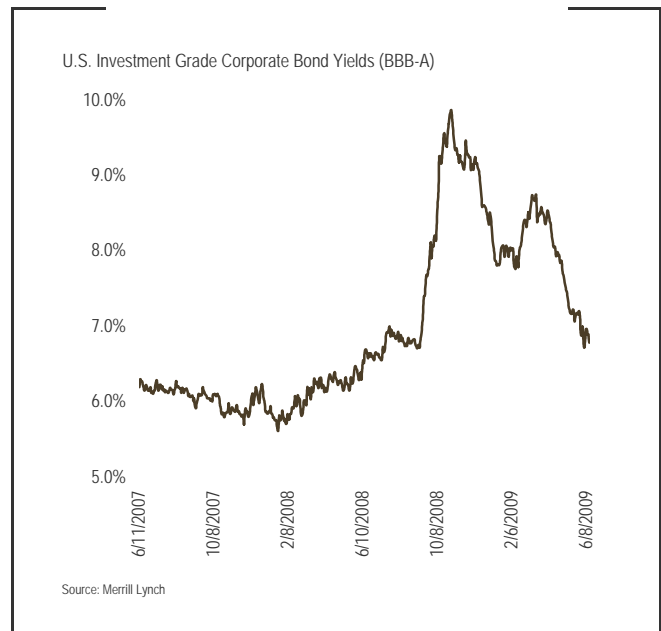
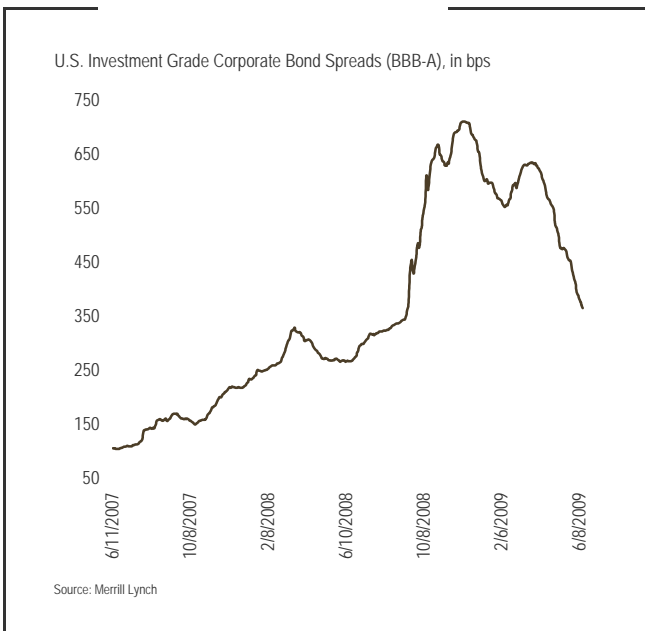
Bond Market Update

Another round of mid week volatility ends with bond yields little changed. Early in the week the Obama administration provided new details for their overhaul of the financial regulatory system in the United States. Initially, Wall Street cheered these reforms and sent bond prices higher. Details are still being decided, but some of the proposed reforms in the regulatory overhaul include increased powers by the Federal Reserve and Treasury Department, as well as a new, and expected to be powerful, Consumer Financial Protection Agency. Better than expected results for weekly jobless claims and both the PPI and CPI also firmed Treasury pricing. Mid-week, ten of the largest companies that received TARP money paid back \$68 billion in federal bailout funds. The next step for these firms is to negotiate a price for which they may purchase Warrants also granted to the government. At the end of the week, it appeared that 10-year yield was rapidly approaching the psychologically important 4.0% level, but buyers stepped in strongly. Despite continued street protests over the Iranian elections, this escalation in global political risk failed to push Treasuries prices higher in a flight to quality. Even continued moves by North Korea to pursue nuclear weapons failed to impact Treasuries.



Issue	6.12.09	6.19.09	Change
3 month T-Bill	0.19%	0.19%	0.00%
2-Year Treasury	1.30%	1.25%	-0.05%
5-Year Treasury	2.81%	2.82%	0.01%
10-Year Treasury	3.81%	3.79%	-0.02%
30-Year Treasury	4.65%	4.52%	-0.13%

Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.



Stock Market Update

Just one week after the Dow Jones Industrial Average closed in positive territory for the first time since early January, the index dropped back into negative territory this week. The DJIA lost 259.53 points, or 2.95%, to close the week at 8,539.73. The broader S&P 500 lost as well, ending the week at 921.23, 24.98 points or 2.64% lower than last week.

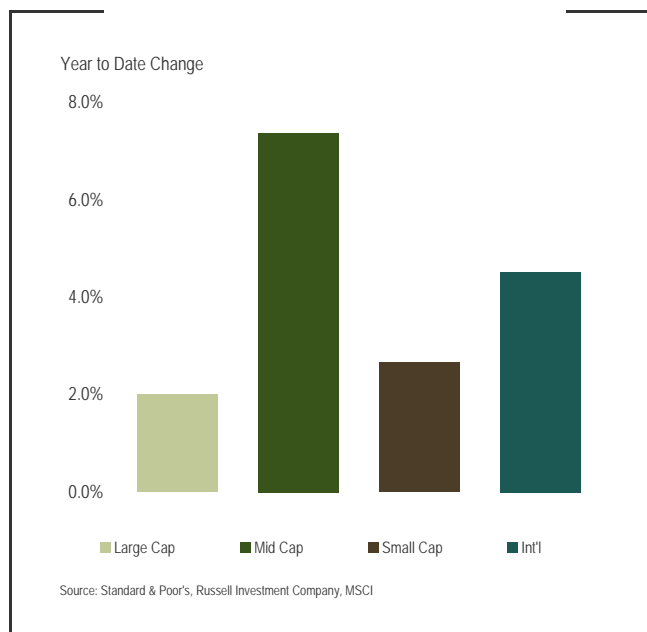
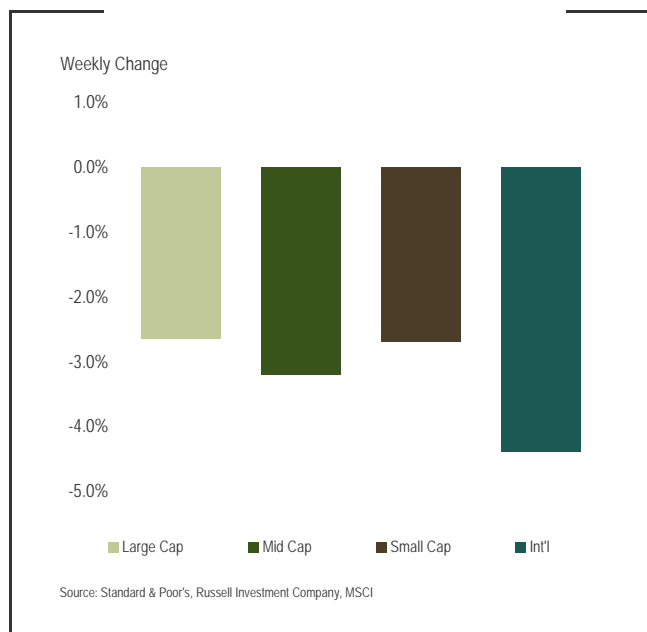
Energy and materials stocks led the downside this week on weak commodity prices. Energy shares lost 8.04% while materials shares shed 6.96% this week. The sole positive sector for the week was healthcare, which gained 1.76%. Financial shares were volatile as investors reacted to the President Obama's sweeping vision for a new regulatory environment. The White House argued that expanded federal regulatory power is vital to protect the financial system and is likely to impact bank profitability as well as consumers' access to credit.

CarMax Inc. (KMX) reported first-quarter results of \$0.11 a share, triple analysts' expectations. The used car dealer gained 17% on the news Friday, according to Bloomberg. Apple Inc. (AAPL) gained 2.6% on strong expected demand for its latest version of the popular iPhone, which was released Friday.

Stocks in Japan and Europe sold off this week with Japan's NIKKEI 225 Index losing 3.45%, the FTSE 100 losing 2.16% in the U.K. and the DAX shedding 4.59% in Germany.

Issue	6.12.09	6.19.09	Change
Dow Jones	8,799.26	8,539.73	-2.95%
S&P 500	946.21	921.23	-2.64%
NASDAQ	1,858.80	1,827.47	-1.69%
Russell 1000 Growth	420.01	410.47	-2.27%
S&P MidCap 400	597.02	577.98	-3.19%
Russell 2000	526.84	512.72	-2.68%
MSCI EAFE	1,352.63	1,293.36	-4.38%
MSCI EM	791.03	743.72	-5.98%
MSCI Small Cap	121.52	116.34	-4.26%

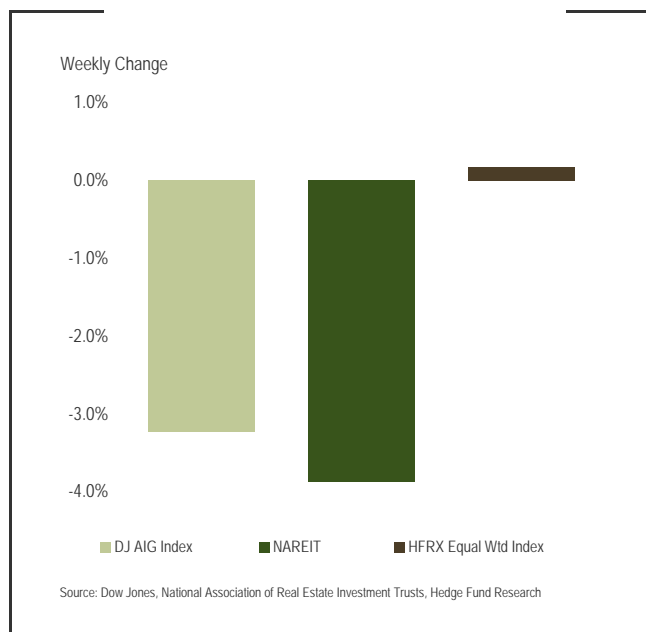
Prices reflect most recent data available at the time of publication  
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch.





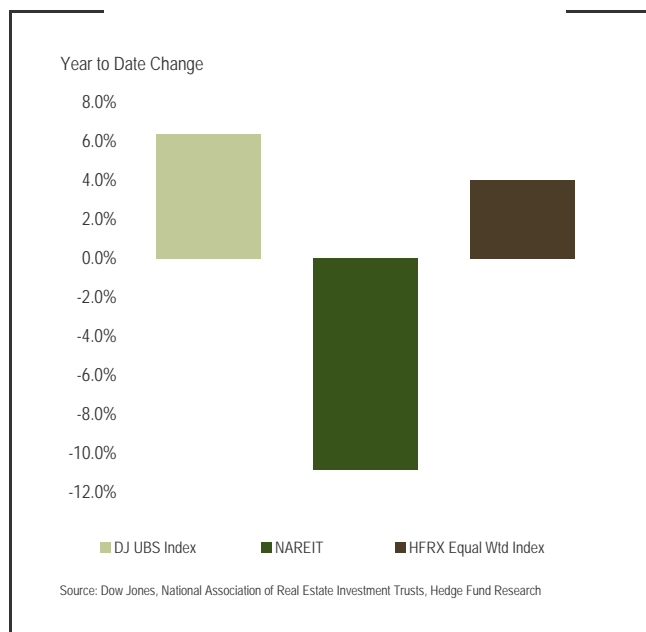
Alternative Investments Market Update

New York City based private equity firm Kohlberg Kravis & Roberts Co., is planning to merge its business with its Amsterdam-listed affiliate, KKR Private Equity Investors, which invests in KKR funds and portfolio companies. The Wall Street Journal reported that the intention is to ultimately finalize an initial public offering on the New York Stock Exchange. KKR most recently reported an earnings loss of \$1.2 billion in 2008. Despite the economic slowdown, deal activity for the private equity firm has picked up in recent weeks, when it purchased Oriental Brewery Co. for \$1.8 billion from Anheuser-Busch InBev NV. KKR also announced a deal last week to invest approximately \$350 million into East Resources, a natural gas exploration firm.



Issue	Previous Week	Current <sup>1</sup>	Change
Gold	940.70	936.20	-0.48%
Crude Oil Futures	72.04	69.55	-3.46%
Copper	2.37	2.26	-4.64%
Sugar	22.70	22.45	-1.10%
HFRX Equal Wtd. Strat. Index	1,042.28	1,044.06	0.17%
HFRX Equity Hedge Index	1,075.62	1,062.95	-1.18%
HFRX Equity Market Neutral	1,013.72	1,003.98	-0.96%
HFRX Event Driven	1,244.86	1,253.87	0.72%
HFRX Merger Arbitrage	1,378.46	1,376.36	-0.15%
Dow Jones UBS Commodity Index	128.89	124.73	-3.23%
FTSE/NAREIT All REIT	81.55	78.40	-3.86%

<sup>1</sup> Prices reflect most recent data available at the time of publication  
Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research, Bloomberg, The Wall Street Journal.



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