

Economic Update

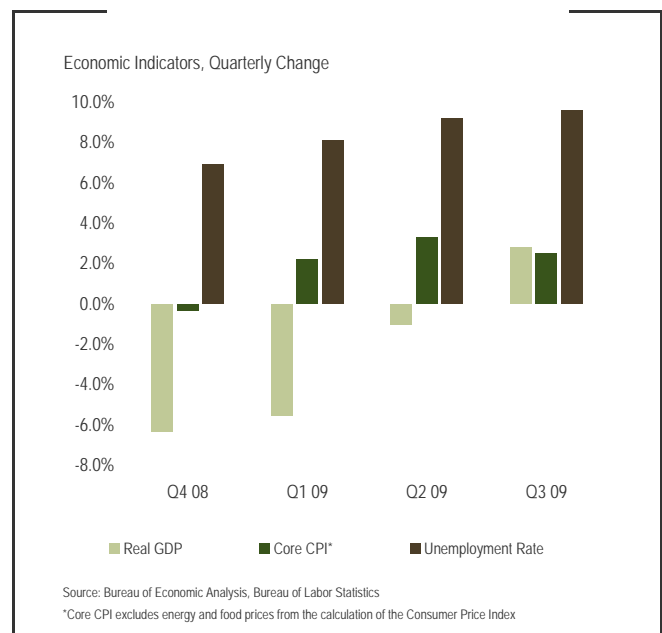
On Friday, the U.S. Department of Labor announced that non-farm payrolls shed 85,000 jobs in December. Revisions to November 2009 data showed that payrolls added 4,000 jobs opposed to the originally estimated loss of 11,000. The highly anticipated report indicated that, despite further payroll declines, the unemployment rate held steady at 10% in December. Minutes from the Federal Open Market Committee (FOMC) December meeting, released Wednesday, noted that the Committee's belief that further signs of improvement are needed to "provide convincing evidence of recovery in the labor market."

The Institute for Supply Management (ISM) reported that the Purchasing Managers Index (PMI) increased to 55.9%, signaling expansion in the manufacturing sector for the fifth consecutive month in December as new orders, production, and employment within the sector all grew at an accelerated rate. ISM also reported that the Non-Manufacturing Index (NMI) increased above the 50% level, indicating that the non-manufacturing sector began to expand again in December. ISM concluded that survey responses were generally "neutral or slightly more optimistic about business conditions." Separately, the JPMorgan Global All-Industry Output Index increased again in December, marking the fifth consecutive month that global manufacturing and service sectors have been in expansionary territory.

The Pending Homes Sales Index slipped in November after increasing for several months, according to the National Association of Realtors (NAR). This forward-looking indicator of housing activity has contributed to the NAR's belief that significant increases in sales activity are unlikely before the traditional spring market. However, NAR chief economist, Lawrence Yun, acknowledged that pending home sales are well-above levels one year ago.

According to the International Council of Shopping Centers, U.S. retail sales rebounded in December with the strongest monthly gain since April 2008. A survey of 33 retail-chain stores showed that sales at stores open more than one year advanced 2.8% compared with December 2008.

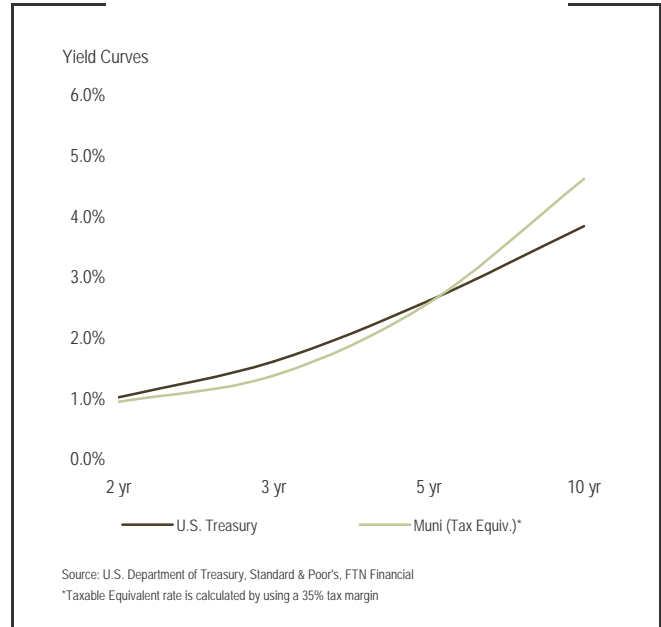
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, Institute for Supply Management, Markit Economics, National Association of Realtors, International Institute of Shopping Centers.



Jan. 4 th	ISM Mfg. Index - Level, December	55.9
Jan. 4 th	Construction Spending, November Monthly Chg.	-0.6%
Jan. 5 th	Domestic Motor Vehicle Sales, December	8.5M
Jan. 5 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	1.5%
Jan. 5 th	Factory Orders, November Monthly Chg.	1.1%
Jan. 5 th	Pending Home Sales, November Monthly Chg.	-16.0%
Jan. 6 th	MBA Purchase Applications Index, Wkly. Chg.	3.6%
Jan. 6 th	Announced Layoffs, December	45,094
Jan. 6 th	ISM Non-Mfg. Index, December	50.1
Jan. 6 th	EIA Petroleum Status Report, Wkly. Chg.	1.3M Barrels
Jan. 7 th	Initial Jobless Claims (Week ending 1/2)	434,000
Jan. 7 th	EIA Natural Gas Report, Wkly. Chg.	-153 bcf
Jan. 8 th	Unemployment Rate, December	10.0%
Jan. 8 th	Non-farm Payrolls, December Monthly Chg.	-85,000
Jan. 8 th	Wholesale Inventories, December Monthly Chg.	1.5%
Jan. 8 th	Consumer Credit, November Monthly Chg.	-17.5B

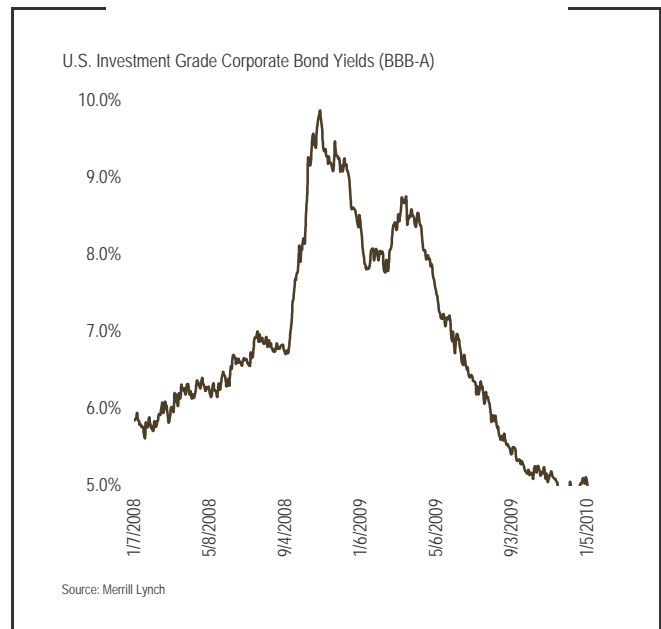
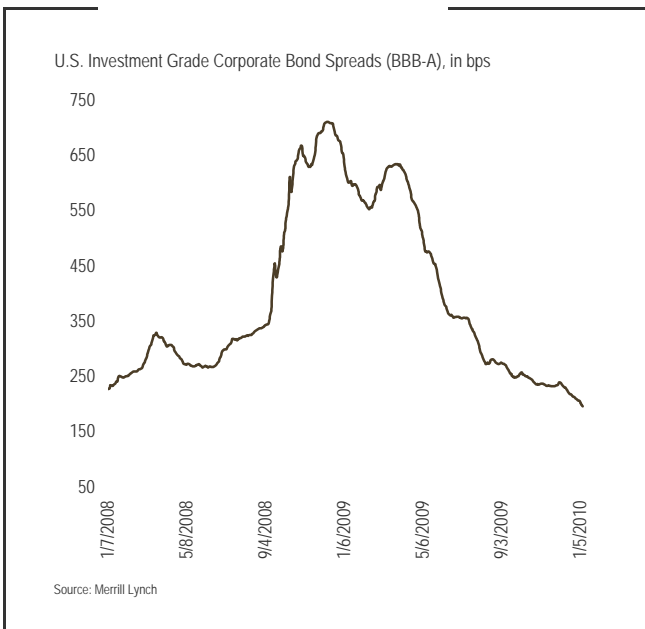
Bond Market Update

U.S. Treasuries ended mixed for the week, with the yield curve steepening to record levels. Shorter-dated securities closed higher after a weaker than expected key jobs report fueled doubt of a strong near-term economic recovery. Longer-dated bonds fell for the week before next week's Treasury auction of notes and bonds. A bout of profit taking often occurs before auctions, as market makers tend to push up long-term bond yields as a way to underwrite these auctions at more attractive levels. The spread, or difference in yield, between two- and 30-year government securities widened to an all-time high of 3.75% as a weak labor market continues to compel the Federal Reserve to keep rates at an ultra-low level near zero. Surprisingly, the difference in yields on 10-year notes and Treasury Inflation Protected Securities (TIPS), a gauge of trader expectations for consumer price inflation, widened to 2.47%, the most since July of 2008. Meanwhile, emerging market bond funds recorded net inflows for the week, extending 2009's record increase. With an increase in investor demand for higher yielding securities, the spread between emerging market yields and U.S. Treasuries narrowed to 2.68%, close to the lowest premium since June of 2008, according to JP Morgan.



Issue	1.1.10	1.8.10	Change
3 month T-Bill	0.06%	0.05%	-0.01%
2-Year Treasury	1.14%	1.03%	-0.11%
5-Year Treasury	2.69%	2.62%	-0.07%
10-Year Treasury	3.85%	3.85%	0.00%
30-Year Treasury	4.63%	4.69%	0.06%

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



Stock Market Update

Stocks started the New Year with the biggest rally in almost two months and continued to climb for the rest first week of 2010. The Dow Jones Industrial Average (DJIA) gained 190.14 points, or 1.82%, to end Friday at 10,618.19, while the broader S&P 500 added 29.88 points, or 2.68%, to close at 1,144.98. The technology-heavy NASDAQ Composite rose 0.74%.

Four S&P sectors split the leadership this week, with energy, financials, industrials and materials all gaining over 5%. Utilities lost 0.97% for the week, the only loss of the ten S&P sectors.

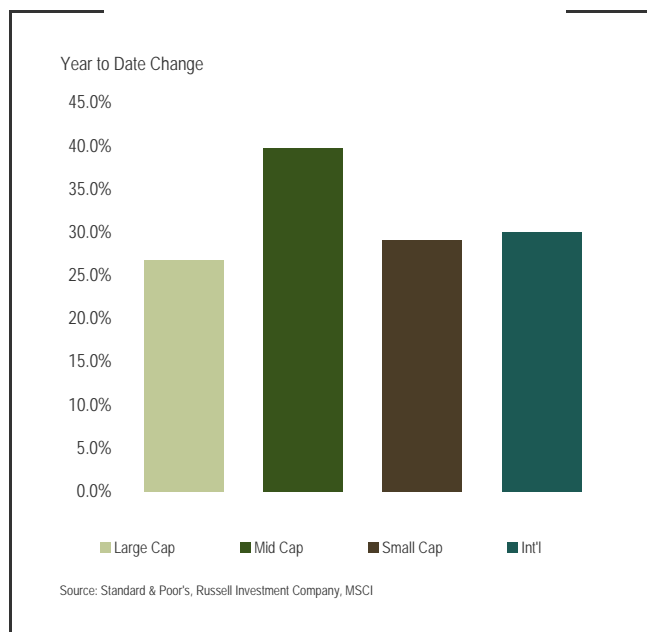
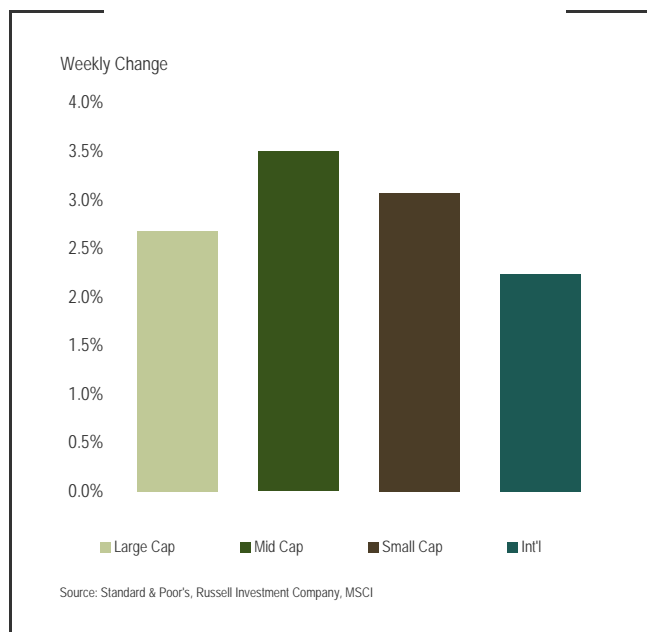
Novartis (NVS) launched a \$28.1 billion bid to acquire the remaining shares of eye-care company Alcon Inc. (ACL) it does not own. According to the Wall Street Journal, the deal follows Novartis' 2008 25% acquisition of Alcon from Nestle; the total acquisition is expected to cost approximately \$46.8 billion.

Warren Buffet's Berkshire Hathaway (BRK) made headlines on Tuesday when it announced that it would not support Kraft's (KFT) proposal to issue new shares so that it could increase its bid for British candy company Cadbury PLC. Berkshire is the largest shareholder of Kraft, with a 9.4% stake. Kraft shares jumped 4.9% on the news as investor fears eased that Kraft would overpay for Cadbury.

In its latest encroachment on the territory of Apple (AAPL), Google Inc (GOOG), announced its much anticipated Google-branded cell phone. The handset will use Google's Android operating system and will be sold online and through T-Mobile. In other wireless news, AT&T (T) announced that it would soon sell mobile phones that run on Google's Android operating system, a move that the Wall Street Journal called a hedge against AT&T's soon to expire exclusivity contract to sell Apple's iPhone.

Issue	1.1.10	1.8.10	Change
Dow Jones	10,426.76	10,618.19	1.84%
S&P 500	1,115.10	1,144.98	2.68%
NASDAQ	2,269.15	2,317.17	2.12%
Russell 1000 Growth	500.22	509.31	1.82%
S&P MidCap 400	726.67	752.08	3.50%
Russell 2000	625.38	644.56	3.07%
MSCI EAFE	1,573.17	1,608.36	2.24%
MSCI EM	980.61	1,014.42	3.45%
MSCI Small Cap	141.89	147.07	3.65%

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.



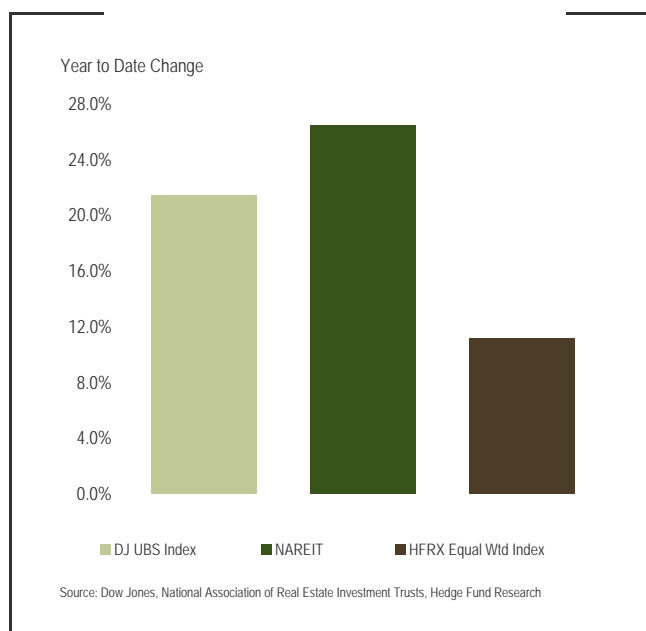
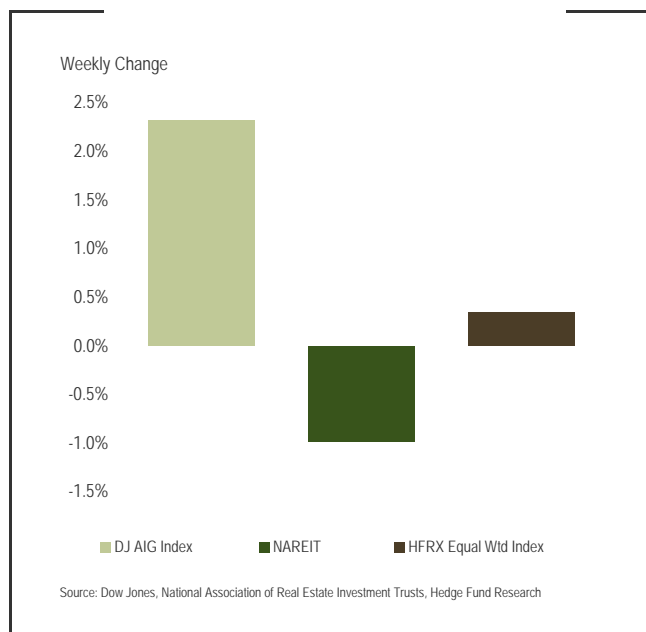
Alternative Investments Market Update

The lingering effects of an early winter season cold snap are being felt in the commodity markets. Just this week, oil managed to hit a 15-month high of \$81.51 per barrel. By week's end, front month oil futures contract had made 10 sequential higher closes, only to have Friday break the streak with a modest loss. This rally was only the second in recent history, the other being a 10-day rally in February 1996 when oil rose 20% from \$17.54 to \$21.05 before declining 6% on the 11th day. A dearth of news on the economic front and a disappointing December jobs report, a surprising loss of 85,000, drove gold and other commodities higher this week. Meanwhile, record setting heavy rainfall in Argentina has allowed for some grain analysts to predict a bumper crop of corn there later this year, with harvests totaling 40% more than in 2009.

Greenwich, Connecticut-based hedge fund firm AQR has recently launched two retail based mutual funds, a global equity fund and a managed futures fund. According to a recent report by FactSet Research, institutional investors held more than 80% of all outstanding real estate investment trusts (REITs) shares as of year end 2009, compared to ten years ago when they held only 40%. This change in the ownership of REITs may have been in response to industry trends in 2009 to reduce cash payouts, or make those distributions with additional shares of stock, something that the perceived cash flow hungry individual investor did not appreciate. Separately in the ongoing insider trading investigation of Galleon hedge fund founder Raj Rajatanam, the indicted ex-McKinzie partner, Amil Kumar plead guilty to securities fraud and admitted he had been paid \$1.75 million by Rajaratnam for tips.

Issue	Previous Week	Current ¹	Change
Gold	1,095.70	1,137.10	3.78%
Crude Oil Futures	79.53	82.91	4.25%
Copper	334.70	342.85	2.44%
Sugar	26.95	27.53	2.15%
HFRX Equal Wtd. Strat. Index	1,111.79	1,115.62	0.34%
HFRX Equity Hedge Index	1,135.61	1,150.17	1.28%
HFRX Equity Market Neutral	986.89	977.74	-0.93%
HFRX Event Driven	1,347.91	1,353.22	0.39%
HFRX Merger Arbitrage	1,447.03	1,445.65	-0.10%
Dow Jones UBS Commodity Index	139.19	142.41	2.32%
FTSE/NAREIT All REIT	112.34	111.24	-0.98%

¹ 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, The International Monetary Fund.



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