

Economic Update

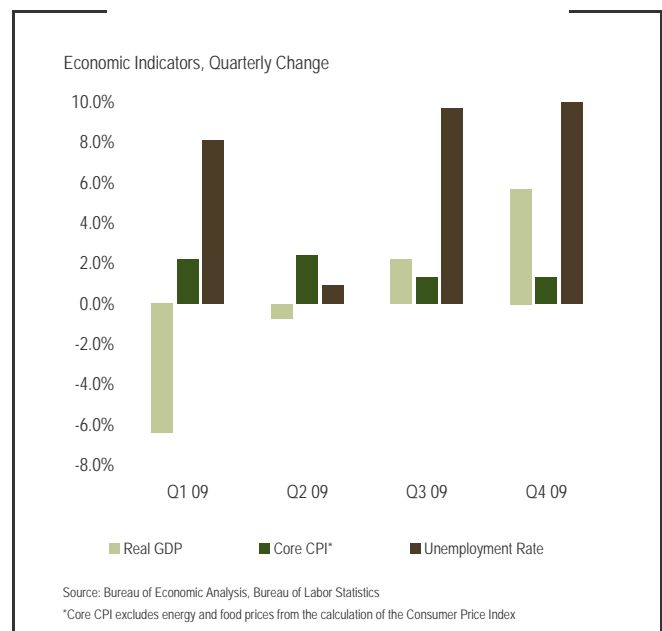
Another volatile week on Wall Street and fresh economic data suggest an uneven economic recovery. Consumer sentiment, as assessed by the Reuters/University of Michigan Consumer Sentiment Index, fell from a two-year high to 73.7. The survey combines barometers of current economic conditions and consumer expectations. While the assessment of current conditions improved, consumer expectations sank largely due to employment data. "Few consumers anticipated any significant decline in the jobless rate any time soon," said Richard Curtin, director of the surveys.

First-time jobless claims dropped to 440,000, a sharp decline of 43,000. The Labor Department said the drop largely reflects the end of administrative backlogs in states that had elevated claims in the preceding weeks. The four-week average fell by 1,000 indicating the job market improved only modestly. Most analysts still expect unemployment to hover near 10% through year-end.

The U.S. trade deficit expanded to -40.2B in December, which was largely due to higher oil prices and replenishing depleted inventories. Exports edged 3.3% higher while imports rose 4.8%. International trade, without the petroleum deficit, improved indicating trade is recovering. January retail sales improved 0.5%, matching consensus estimates, which possibly suggest economic growth in coming months. Strength came from general merchandise retailers as consumers spent holiday cash and gift cards.

Federal Reserve Chairman Ben Bernanke released a prepared statement on Wednesday outlining the relaxation of federal emergency liquidity programs. Bernanke concluded that the U.S. economy still needs support of accommodative policy, but "at some point the Federal Reserve will need to tighten financial conditions," most likely by raising short-term rates and reducing outstanding bank reserves. He indicated that the fed funds rate could temporarily be replaced by the interest rate the Fed pays on excess reserves, which currently is 0.25%. No indication was made as to when the central bank might begin to scale back their unprecedented intervention.

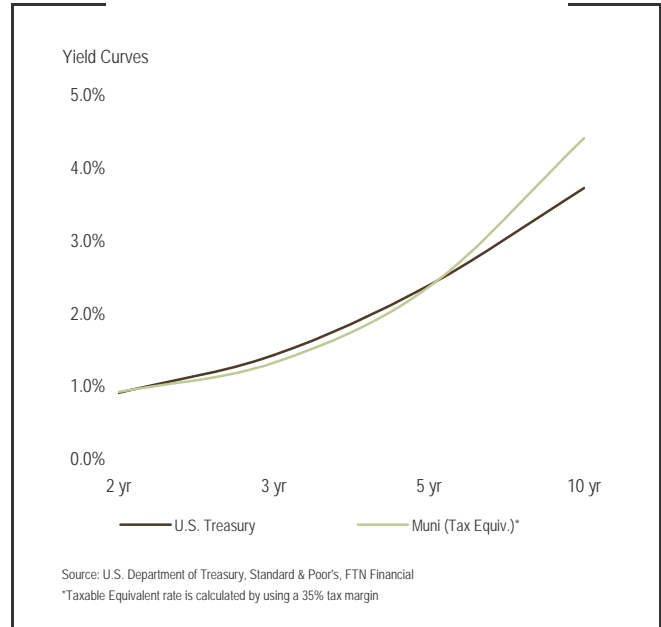
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, the Institute for Supply Management, National Association of Realtors.



Feb. 9 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	1.4%
Feb. 9 th	Wholesale Inventories, Dec. Monthly Chg.	-0.8%
Feb. 10 th	MBA Purchase Applications Index, Wkly. Chg.	-7.0%
Feb. 10 th	International Trade Balance Level, December	-40.2B
Feb. 11 th	Initial Jobless Claims (Week ending 2/6)	440,000
Feb. 12 th	Retail Sales, Jan. Monthly Chg.	0.5%
Feb. 12 th	Consumer Sentiment Index, February	73.7
Feb. 12 th	Business Inventories, Dec. Monthly Chg.	-0.2%
Feb. 12 th	EIA Natural Gas Report, Wkly. Chg.	-191 bcf
Feb. 12 th	EIA Petroleum Status Report, Wkly. Chg.	2.4M Barrels

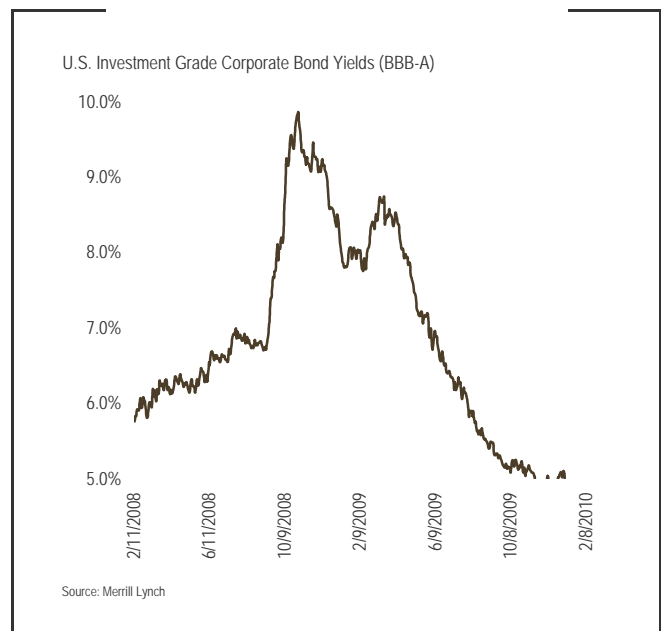
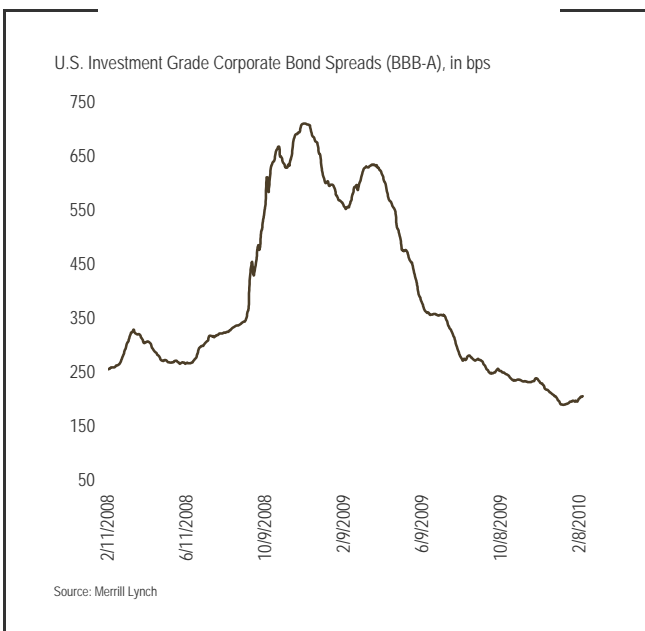
Bond Market Update

U.S. Treasuries finished the week lower across the entire yield curve as remarks earlier in the week from Federal Reserve Chairman Ben Bernanke hinted that the central bank might be preparing to unwind some of its monetary stimulus policies. However, Treasuries rose on Friday on speculation that the European Union's efforts to support Greece's monetary crisis will not be strong enough to prevent the country from defaulting on its debt. Meanwhile, the spread, or the difference in yield, between two- and 10-year U.S. government notes widened to 2.85%, approaching the record level of 2.90% set in January. Historically, the slope of the yield curve has been a good leading indicator of where investors think interest rates are headed in the future. All else equal, a steep yield curve has typically preceded an increase in interest rates, particularly in the one- to five-year range. Despite expectations for higher rates, investors with moderate positions in money market funds or other cash instruments may benefit from taking advantage of yield differences by extending to one- or two-year maturities. Market strategists feel the yield pick-up would likely outweigh the potential risk of rising rates and lower prices.



Issue	1.22.10	1.29.10	Change
3 month T-Bill	0.10%	0.11%	0.01%
2-Year Treasury	0.77%	0.91%	0.14%
5-Year Treasury	2.23%	2.39%	0.16%
10-Year Treasury	3.59%	3.73%	0.14%
30-Year Treasury	4.51%	4.69%	0.18%

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



Stock Market Update

Stocks ended a volatile week higher, ending a four week slide. The Dow Jones Industrial Average gained 86.91 points, or 0.87% to end the week at 10,099.14. The broader S&P 500 rose 9.33 points, or 0.88%, this week to close at 1,075.51, while the technology-heavy NASDAQ Composite posted a 1.98% gain.

Energy stocks led the gain this week, up 2.49% on higher oil prices while utilities stocks posted a loss of 0.38%, the only loss of the ten S&P 500 sectors.

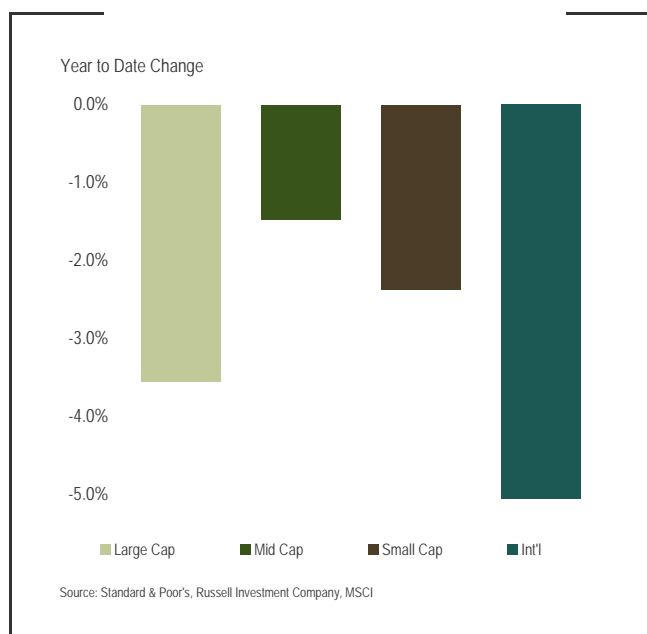
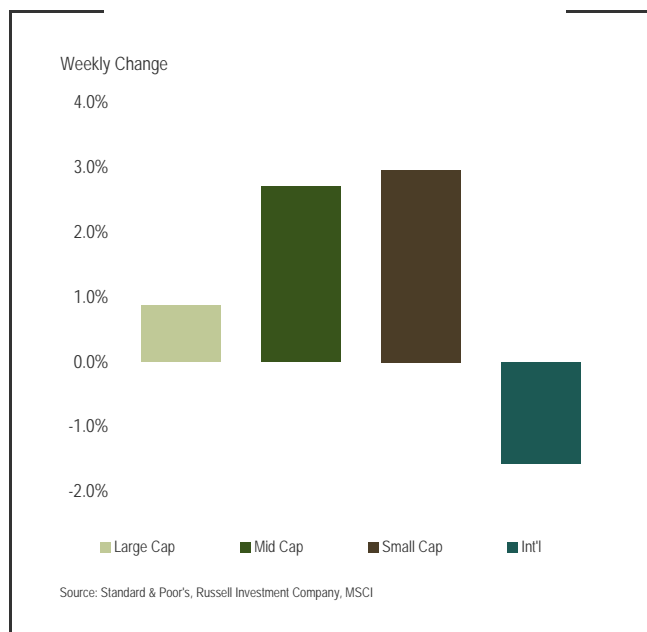
Berkshire Hathaway (BRK) was added to the S&P 500 at the close of trading on Friday, replacing its acquisition target, railroad Burlington Northern Santa Fe (BNI). As part of the acquisition agreement, Berkshire split its "B" shares 50 to 1, thus increasing the number of shares traded per day allowing the company to meet the criteria for inclusion in the S&P 500 index.

Utility company FirstEnergy Corp (FE) agreed to acquire Allegheny Energy Inc (AYE) for \$4.7 billion, a 32% premium over Wednesday's closing price. The all stock deal is likely to face intense scrutiny from state regulators, according to the Wall Street Journal, who hesitate to approve any deal that might lead to job cuts. The merger would expand FirstEnergy's reach across seven states and six million customers, primarily in Ohio, Pennsylvania and West Virginia, according to the Wall Street Journal.

Just a month after announcing that it would sell a Google-branded cell phone, Google Inc (GOOG) announced that it would build a fiber-optic network in select U.S. cities to sell high-speed Internet services to consumers. Google's intent is to speed-up the adoption of faster networks and to ultimately expand the usage of its Internet services.

Issue	1.22.10	1.29.10	Change
Dow Jones	10,012.23	10,102.85	0.91%
S&P 500	1,066.18	1,075.47	0.87%
NASDAQ	2,141.12	2,183.53	1.98%
Russell 1000 Growth	476.33	482.85	1.37%
S&P MidCap 400	697.09	715.96	2.71%
Russell 2000	592.98	610.53	2.96%
MSCI EAFE	1,488.60	1,465.46	-1.55%
MSCI EM	926.41	922.91	-0.38%
MSCI Small Cap	140.05	136.89	-2.26%

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

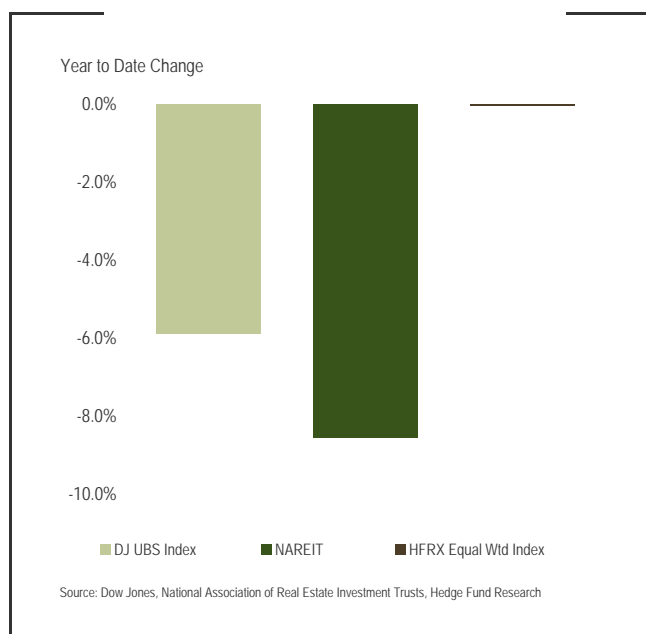
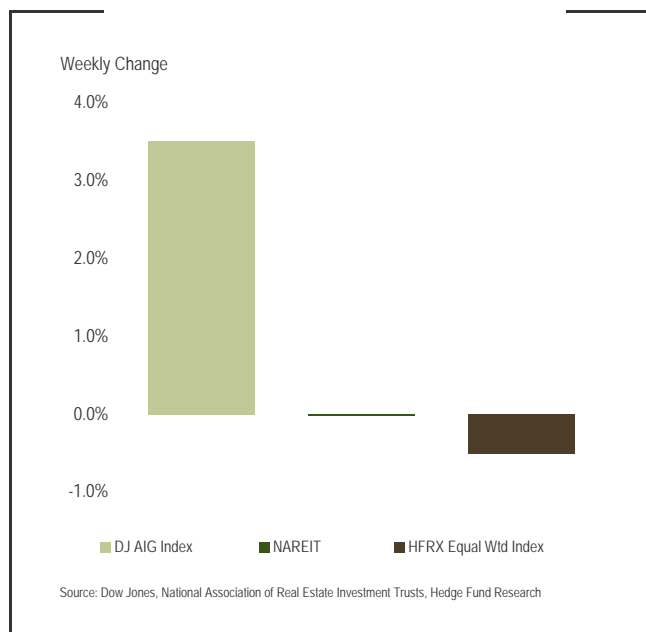
The debt and deficit problems facing Portugal, Ireland, Greece and Spain, was felt beyond stocks and bonds but also in commodity prices. Gold had begun the week with a weak technical bounce off of last week's steep drop, but rallied strongly on the news of the ECB efforts to help Greece. Oil jumped \$2 around speculation of the perceived bailout, but gave it back on news that oil stockpiles for the week rose by 2.3 million barrels compared to a consensus forecast of a 1.2 million build. The CBOE Volatility Index, or VIX, rose nearly 50% from 21 to 30 early in the week, but fell back to 23 by week's end on news that the ECB would put a plan in place to back stop Greece's debt payments. Trading and arbitrage based hedge funds can thrive in environments of higher VIX levels.

A recent article in the Wall St. Journal reported that publicly traded REITs are having trouble spending their excess cash. In 2009, REITs raised about \$24 billion through secondary offerings of stock, but only spent \$5 billion on acquisitions. With commercial prices being so low, industry participants are now complaining that the only parcels for sale are those with little appeal to public REITs.

The year's first billion dollar private equity deal was unveiled this week. SkillSoft PLC, an Ireland based software company, was acquired by a consortium of four private equity firms for \$1.1 billion. The price tag was only 10% higher than Thursday's market cap, a far cry from the 30% or higher premiums of just a few years ago.

Issue	Previous Week	Current ¹	Change
Gold	1,065.90	1,093.10	2.55%
Crude Oil Futures	71.80	74.11	3.22%
Copper	288.85	309.75	7.24%
Sugar	26.17	26.33	0.61%
HFRX Equal Wtd. Strat. Index	1,117.17	1,111.45	-0.51%
HFRX Equity Hedge Index	1,133.00	1,122.46	-0.93%
HFRX Equity Market Neutral	983.30	983.52	0.02%
HFRX Event Driven	1,359.94	1,352.87	-0.52%
HFRX Merger Arbitrage	1,449.15	1,446.99	-0.15%
Dow Jones UBS Commodity Index	126.56	131.00	3.51%
FTSE/NAREIT All REIT	102.75	102.73	-0.02%

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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