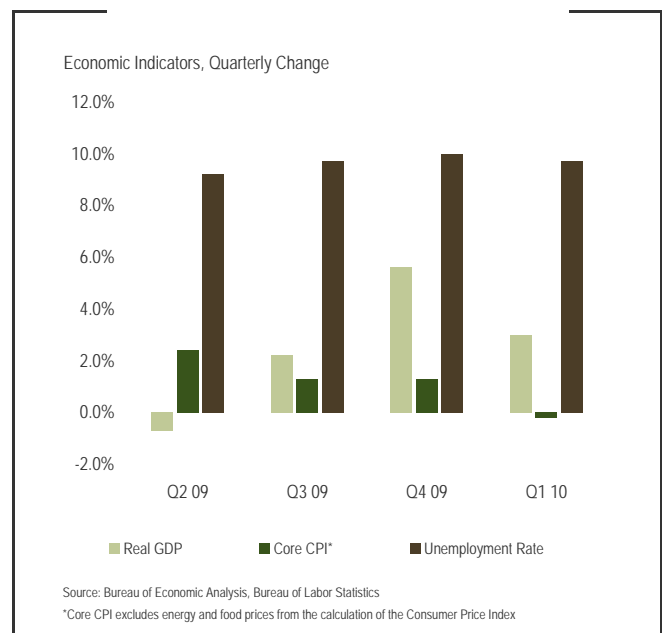


Economic Update

The Institute for Supply Management (ISM) announced that momentum within the non-manufacturing sector decelerated last month. The sector expanded for the sixth straight month, but the business activity/production, new orders, and inventories component indexes all grew at a slower rate. ISM noted that survey responses were generally "positive about business conditions; however, there is concern about the effect of the employment on the economic recovery." Separately, data released this week indicated that the global manufacturing and service sectors also experienced slowing growth in June. The JPMorgan Global All-Industry Output Index signaled that "growth may have already passed its peak," according to the report produced by Markit Economics. Markit Economics released the results of the HSBC Emerging Markets Index for the second quarter on Thursday. The index reflected softening within the emerging economies, which HSBC partially attributed to a significant pullback in export demand.

Outstanding consumer credit continued to trend lower in May, as shown by data released by the Federal Reserve on Thursday. Consumer credit declined at an annual rate of 4.5%, following a revised decrease of 7.3% in April. This cautious consumer behavior echoes the advance in the personal savings rate in May that the U.S. Department of Labor reported last week. In addition, gauges of retail activity have reflected lower sales in June than many retailers anticipated. The Wall Street Journal noted that an index that Thomson Reuters follows of 28 retailers indicated that same store sales increased by a lower than expected 3.1% in June and retailers have had to maintain deep discounts to attract buyers.

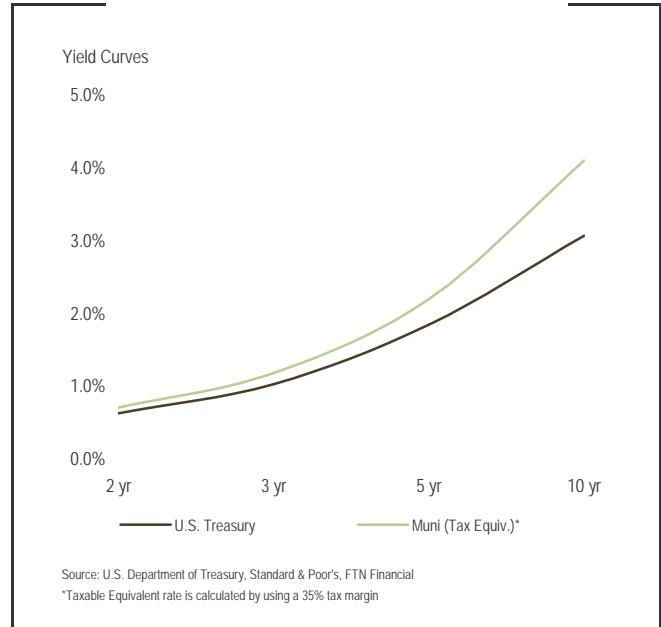
On Friday, the U.S. Census Bureau announced that wholesale inventories increased by 0.5% in May from the previous month. This largely resulted from a 0.7% increase within the durables component. Total wholesale sales slipped 0.3% for the month, causing the inventories to sales ratio to increase to 1.14. Despite the modest increase, this ratio remains well below its recession peak of 1.42 in January 2009.



| | | |
|----------------------|---|---------------|
| July 6 th | ISM Non-Mfg. Index, June | 53.8 |
| July 7 th | MBA Purchase Applications Index, Wkly. Chg. | -2.0% |
| July 7 th | ICSC-Goldman Same Store Sales, Wkly. Chg. | 1.0% |
| July 8 th | Initial Jobless Claims (Week ending 7/3) | 454,000 |
| July 8 th | EIA Natural Gas Report, Wkly. Chg. | 78 bcf |
| July 8 th | EIA Petroleum Status Report, Wkly. Chg. | -5.0M Barrels |
| July 8 th | Consumer Credit, May Monthly Change | -9.1B |
| July 9 th | Business Inventories, May Monthly Chg. | 0.5% |

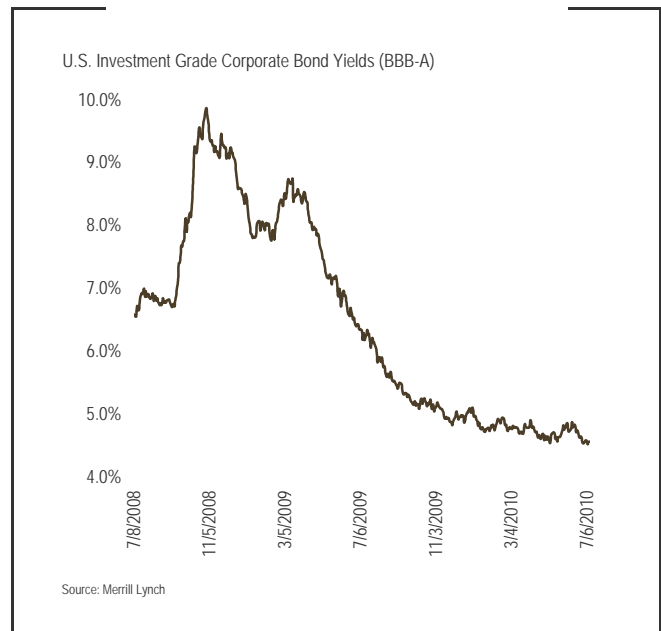
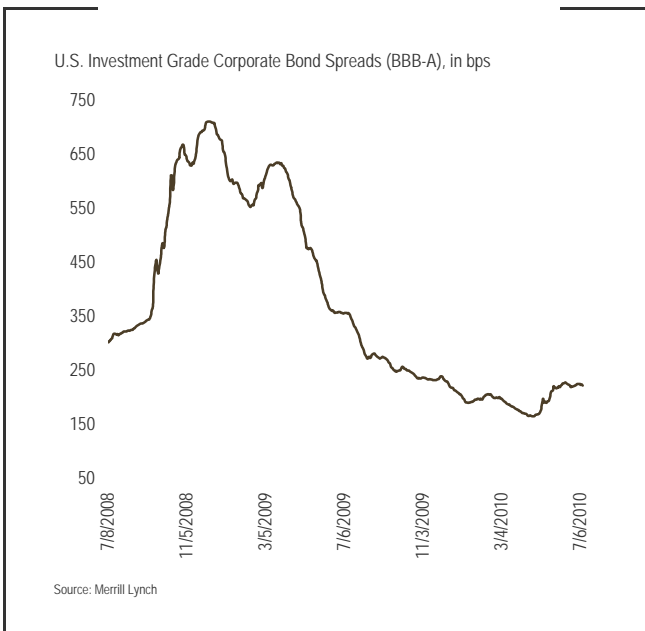
Bond Market Update

For the first time in several weeks, U.S. Treasuries finished the week lower, as a strong stock market eased concerns that the economy is slipping back into a recession and the government prepared to sell \$69 billion in notes and bonds. All else equal, as Treasury supply increases prices tend to fall, as market makers push up long-term bond yields as a way to underwrite bond auctions at more attractive levels. Although stocks rallied by over 5% for the week, Treasuries have outperformed stocks by a wide margin year-to-date, with the S&P 500 down by over 3% and government bonds gaining more than 5.5%. Bonds, while not cheap, continue to guarantee a modicum of return in an uncertain climate. However, from a conceptual perspective, some analysts feel yields may continue to rise after failing to break through key technical levels, as the 10-year yield closed well above "resistance" at 2.93%. "This type of price action is indicative of a beginning technical bottom in yields," noted Jim Vogel, head of agency-debt research at FTN Financial. The term "resistance" refers to areas on charts where orders may be clustered, with a breach of that level often implying an extension of the move to the next technical area.



| Issue | 7.2.10 | 7.9.10 | Change |
|------------------|--------|--------|--------|
| 3 month T-Bill | 0.17% | 0.16% | -0.01% |
| 2-Year Treasury | 0.63% | 0.63% | 0.00% |
| 5-Year Treasury | 1.80% | 1.85% | 0.05% |
| 10-Year Treasury | 2.96% | 3.07% | 0.11% |
| 30-Year Treasury | 3.88% | 4.04% | 0.16% |

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



Stock Market Update

Stocks rose four out of four days this holiday-shortened week as investors looked ahead to second quarter earnings. The S&P 500 bounced off the low made last Friday to end this week at 1,077.95 an increase of 55.37 points or 5.41%. The Dow Jones Industrial Average (DJIA) posted its best weekly rally in nearly 12 months, according to the Wall Street Journal. The index ended the week at 10,198.03, 511.55 points or 5.28% higher than the close last Friday.

On Friday, Google (GOOG) announced that China had renewed the company's license to operate in the country. The license renewal was in doubt after the long-running dispute over China's censorship of Google's search results. Google shares gained 2.39% Friday on the news.

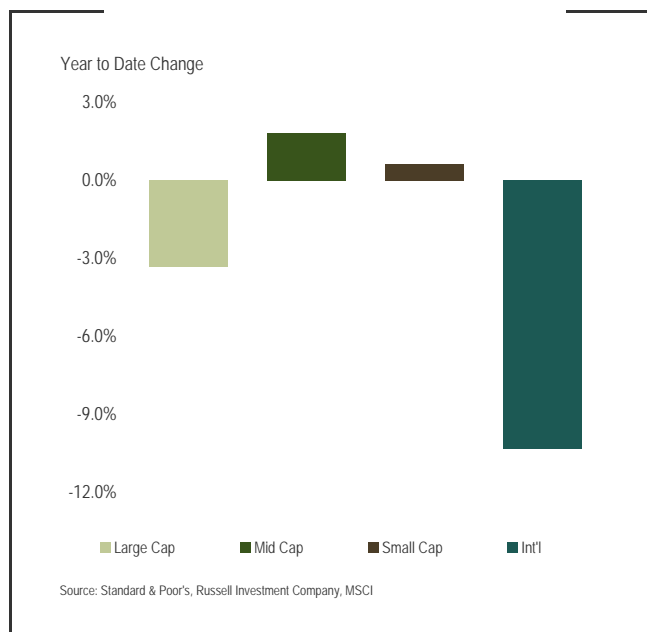
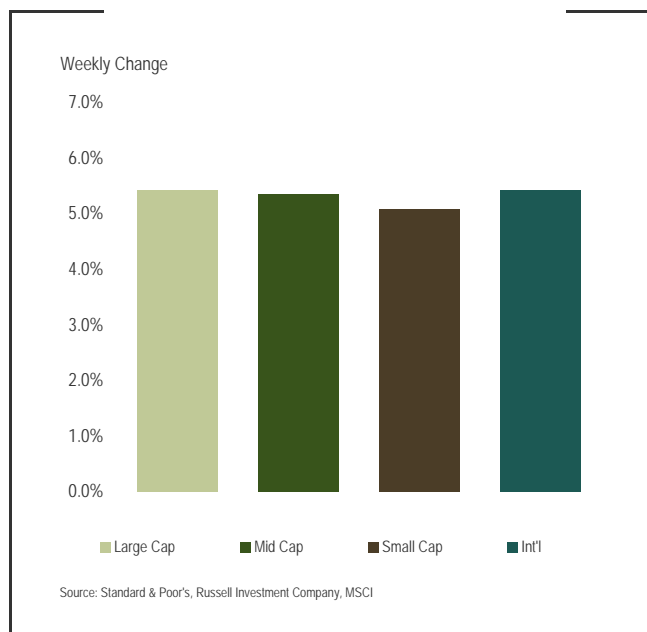
Money management firm, State Street Corporation (STT) announced on Wednesday that it expects second quarter earnings to exceed Wall Street expectations, according to Reuters. State Street shares gained 9.87% Wednesday on the news.

BP (BP) announced that it may be able to contain the flow of oil from its Gulf of Mexico well within four days. The company plans to remove in-place devices that are collecting about 16,000 of the estimated 60,000 barrels flowing into the gulf. The operation would temporarily increase the flow of oil while crews attach a tightly sealed cap with connections to the surface. The timeline for the three to four day operation has been accelerated due to fears that the next storm to come through the gulf would hamper containment efforts. BP stock rose 16.01% this week to close at \$34.05 on Friday.

International equity markets also rose this week with the FTSE 100 gaining 6.09% in London, the Shanghai Composite gaining 3.69% in China, and the NIKKEI 225 gaining 4.15% in Japan.

| Issue | 7.2.10 | 7.9.10 | Change |
|---------------------|----------|-----------|--------|
| Dow Jones | 9,686.48 | 10,198.03 | 5.28% |
| S&P 500 | 1,022.58 | 1,077.96 | 5.42% |
| NASDAQ | 2,091.79 | 2,196.45 | 5.00% |
| Russell 1000 Growth | 457.77 | 478.87 | 4.61% |
| S&P MidCap 400 | 702.29 | 739.89 | 5.35% |
| Russell 2000 | 598.97 | 629.43 | 5.09% |
| MSCI EAFE | 1,337.85 | 1,410.40 | 5.42% |
| MSCI EM | 909.30 | 940.75 | 3.46% |
| MSCI Small Cap | 129.58 | 135.96 | 4.92% |

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

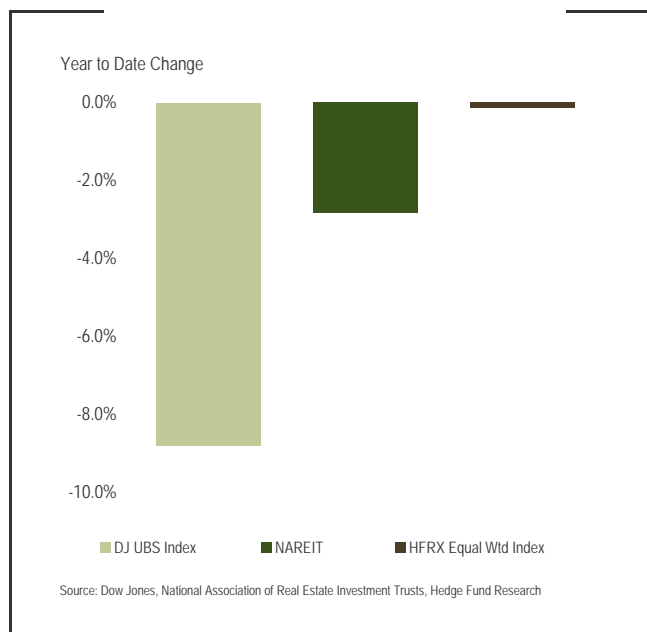
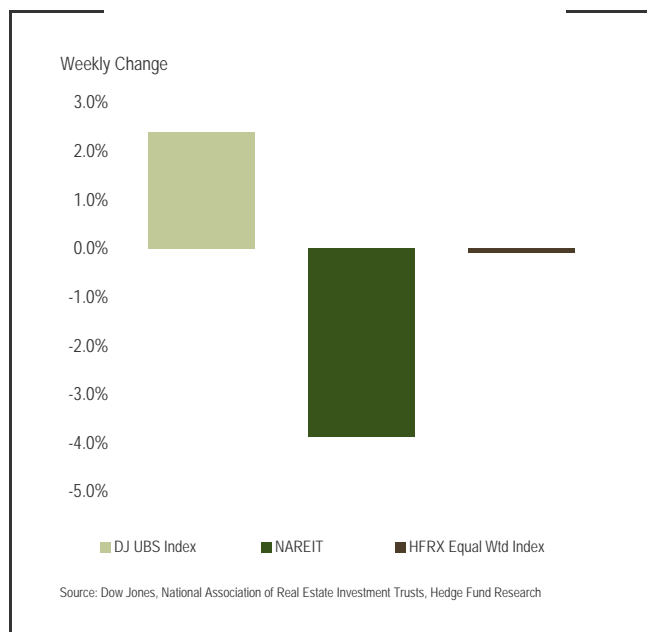
Last week's worries about slowing global economic growth carried over as crude oil fell for the sixth straight day on Tuesday. On Wednesday, crude oil began a stretch of three straight increases after positive economic forecasts from Australia, news that China is planning a \$100 billion energy-intensive capital spending project, and a surprising drop in initial unemployment claims that might spur demand for gasoline and other crude byproducts. The American Petroleum Institute reported inventories plunged 5 million barrels on Wednesday, more than double the predicted 1.8 million barrel drop forecast. Since last Friday, crude oil rose 5.50%, the best week since May. Despite trading flat for the week, gold futures settled below \$1,200 per ounce for the first time since May 24th on Tuesday. For much of the week, investors backed out of gold and put money into other assets, causing gold to fall to its lowest point in over a month. However, gold rose 1.1% Friday, back above the \$1,200 level, due to bargain hunting. A recent Wall Street Journal article notes that coffee futures are at their highest level in 12 years and supplies remain tight enough to keep prices elevated for the near term. The article indicates the higher prices level will be felt more by retailers than consumers; retailers are reluctant to increase price and instead absorb additional cost.

According to Private Equity News, Alpinvest Partners, Europe's largest private equity firm, is rumored to be for sale. If the deal takes place, it could greatly alter the industry landscape. Alpinvest has €48 billion in private equity commitments, €9 billion in available capital yet to deploy, and has twice been named Europe's most influential investor. Citigroup has agreed to unload \$900 million of direct private equity exposure to Lexington Partners. The unit was put up for sale last year in response to pressure from the government after providing billions in bailout money.

Hedge fund Paulson & Co. paid \$2 billion in redemptions during June as the firm struggles with poor performance and the ongoing lawsuit surrounding their involvement with Goldman Sachs.

| Issue | Previous Week | Current ¹ | Change |
|-------------------------------|---------------|----------------------|--------|
| Gold | 1,211.30 | 1,210.30 | -0.08% |
| Crude Oil Futures | 72.23 | 76.20 | 5.50% |
| Copper | 293.25 | 306.35 | 4.47% |
| Sugar | 16.70 | 16.61 | -0.54% |
| HFRX Equal Wtd. Strat. Index | 1,111.26 | 1,110.38 | -0.08% |
| HFRX Equity Hedge Index | 1,096.21 | 1,094.05 | -0.20% |
| HFRX Equity Market Neutral | 1,003.96 | 1,001.91 | -0.20% |
| HFRX Event Driven | 1,338.13 | 1,335.36 | -0.21% |
| HFRX Merger Arbitrage | 1,445.35 | 1,450.78 | 0.38% |
| Dow Jones UBS Commodity Index | 123.99 | 126.94 | 2.39% |
| FTSE/NAREIT All REIT | 113.56 | 109.17 | -3.87% |

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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