

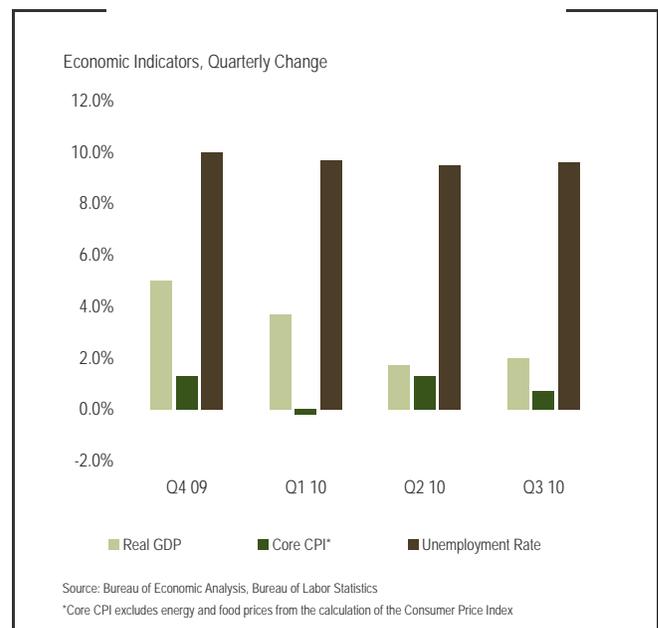
Economic Update

Employment data released this week by the U.S. Labor Department reflected an unexpected decrease in the unemployment rate, which fell from 9.8% to 9.4% in December, its lowest measure in 19 months. The drop is not a purely positive sign, however, as a large portion of the decrease can be attributed to a third consecutive contraction in the labor force as job-seekers continue to exit the market in the face of stagnating job prospects. Languid wage inflation and a payroll increase that failed to meet consensus estimates contributed to the disappointing report. Jobless claims data provided some positive news on the labor front, coming in under analyst estimates. The Challenger Job-Cut Report was another bright spot, exhibiting the lowest amount of announced layoffs in over 10 years.

Federal Reserve Chairman Ben Bernanke testified before the Senate Budget Committee on Friday, communicating an optimistic economic outlook in his first address since revealing the details of the government's second round of quantitative easing. Bernanke noted that there exists "increased evidence that a self-sustaining recovery in consumer and business spending may be taking hold," adding that it is likely the recovery will strengthen in 2011. In regard to concerns that were raised about the inflationary ramifications of the previously implemented bond-buying program, Bernanke ensured that the Fed is committed to keeping inflation near 2% and is capable of doing so. The chairman also urged lawmakers to devise a plan for reducing the budget deficit, suggesting that the negative economic and financial impact of staying the current course could be severe.

Factory orders in November rose 0.7%, surpassing analyst predictions of no change. The largest contribution came from the durable goods component, which was upwardly revised 1% to -0.3% on strength in metals and electronics. Shipments also showed strength, doubling to a 0.8% increase. Domestic motor vehicle sales rose 3.3% to an annual rate of 9.4M units in December, reflecting a high concentration of consumer spending on vehicles. The ISC-Goldman index measuring same-store sales rose 0.4% in the first week of January on continued strength from the holiday season. The index rose 3.6% in 2010.

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

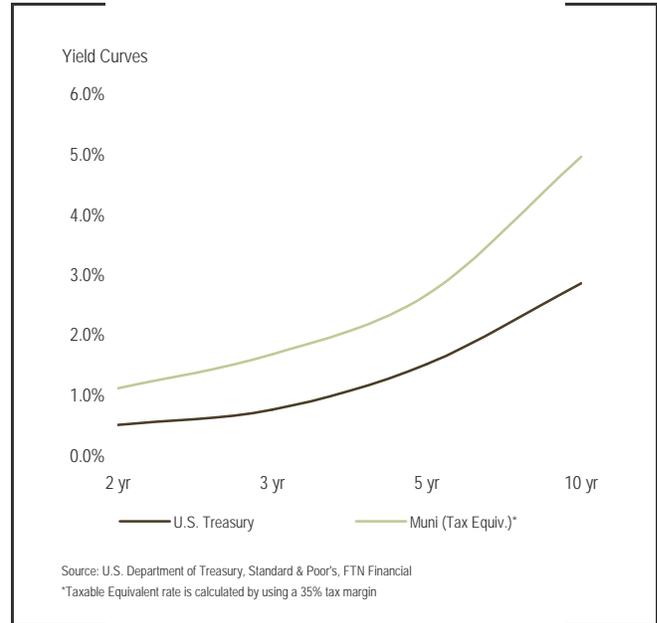


Jan. 4 th	Domestic Motor Vehicle Sales, December	9.4M
Jan. 4 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.4%
Jan. 4 th	Factory Orders, Nov. Monthly Chg.	0.7%
Jan. 5 th	MBA Purchase Applications Index, Wkly. Chg.	-0.8%
Jan. 5 th	Announced Layoffs, December	32,004
Jan. 5 th	ISM Non-Mfg. Index, December	57.1
Jan. 5 th	EIA Petroleum Status Report, Wkly. Chg.	-4.2M Barrels
Jan. 6 th	Initial Jobless Claims (Week ending 1/1)	409,000
Jan. 6 th	EIA Natural Gas Report, Wkly. Chg.	-135 bcf
Jan. 7 th	Non-farm Payrolls, Dec. Monthly Chg.	103,000
Jan. 7 th	Unemployment Rate, December	9.4%
Jan. 7 th	Consumer Credit, Nov. Monthly Change	1.4B
Jan. 7 th	ISM Mfg. Index - Level, December	57.0
Jan. 7 th	Construction Spending, Nov. Monthly Chg.	0.4%

Bond Market Update

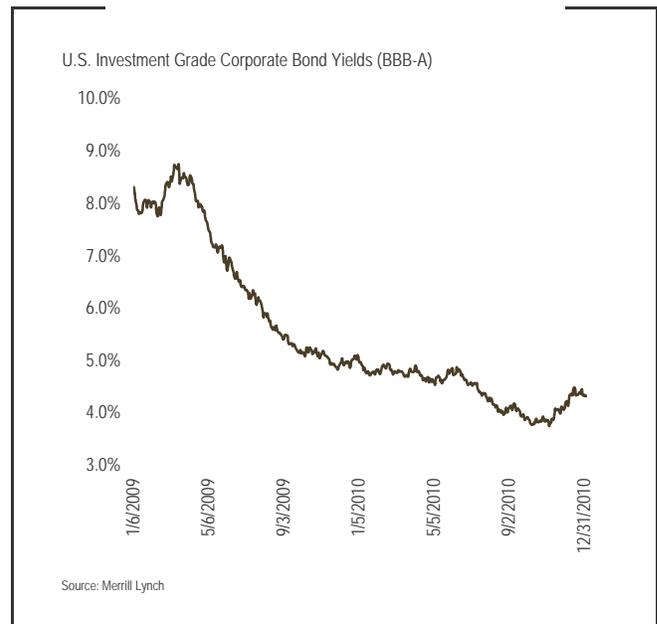
U.S. Treasuries finished the week mixed, with gains on the short-end and losses on longer-dated maturities. Treasuries rose on Friday after a weaker than expected U.S. jobs report, along with comments from Federal Reserve Chairman Ben Bernanke that suggested the labor market may take four to five years to “normalize fully.” Many investors also focused on safe-haven Treasuries as stocks of major banks dropped on a report that U.S. Bancorp and Wells Fargo lost a home foreclosure case in Massachusetts. Separately, longer-dated maturities underperformed amid \$66 billion in new debt supply next week. Market makers tend to push up long-term bond yields as a way to underwrite bond auctions at more attractive levels.

Meanwhile, widely followed PIMCO manager Bill Gross said that while he still feels the bull market in bonds has ended, the beginning of a far-reaching bear market is not on the near-term horizon given the overall weakness in broad employment gains. Treasury yields will drift up “gradually, but not significantly,” Gross said. The combination of the Fed’s quantitative easing program and near-zero benchmark interest rates will likely keep pressure for higher yields tempered. Given this outlook and a still steep yield curve, it is likely that securities with intermediate-term maturities would benefit.



Issue	12.31.10	1.7.11	Change
3 month T-Bill	0.12%	0.15%	0.03%
2-Year Treasury	0.66%	0.68%	0.02%
5-Year Treasury	2.06%	2.09%	0.03%
10-Year Treasury	3.38%	3.44%	0.06%
30-Year Treasury	4.43%	4.53%	0.10%

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



Stock Market Update

Stocks rose in the first week of trading in 2011, with the Dow Jones Industrial Average (DJIA) gaining 97.25 points or 0.84% to end the week at 11,674.76. The broader S&P 500 closed at 1,271.50, 13.86 points higher, or 1.10%. The technology-heavy NASDAQ Composite gained 1.9% to close at 2,703.17.

Information technology stocks had the strongest sector returns this week, posting a gain of 2.05%. Tech stocks were led by graphic-chip maker Nvidia Corp (NVDA) with a 29.03% gain. The company announced plans Thursday to develop its first computer processor for mainstream computing, a plan that would compete directly with Intel (INTC) and Advanced Micro Devices (AMD).

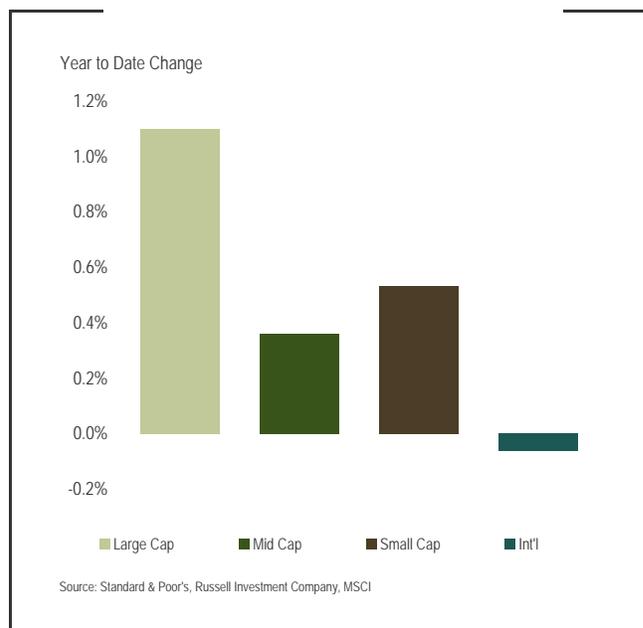
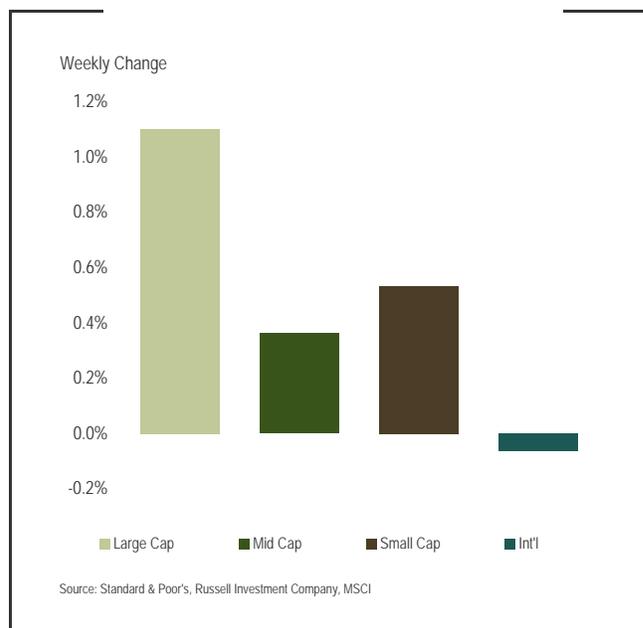
Consumer stocks generally traded lower this week as some retailers announced disappointing holiday shopping results. Among the companies announcing weak results were Target (TGT), which reported an 8% drop in same-store sales, and Gap Inc. (GPS), which reported a lower-than-expected 0.9% rise in same-store sales. Target lost 8.44% this week while Gap shed 7.36%.

Financial stocks were set to be among the sector leader this week until a Massachusetts court ruled that Wells Fargo (WFC) and U.S. Bancorp (USB) failed to prove they were the holders of certain mortgages during foreclosure, according to the Wall Street Journal. The news sparked concern that banks would face trouble foreclosing on some of its mortgages. Banks sold off on the news, with the KBW Bank Index shedding 0.94% on Friday.

Ford Motor Co. (F) introduced its first electric car on Friday, which is slated to go on sale later this year. The company will begin selling an all electric version of its Focus compact car that is claimed to offer a better mile-per-gallon equivalent than the Chevrolet Volt, according to a press release. Additionally, Ford announced its plans to deliver five electrified vehicles to North America and Europe by 2013.

Issue	12.31.10	1.7.11	Change
Dow Jones	11,577.51	11,674.76	0.84%
S&P 500	1,257.64	1,271.50	1.10%
NASDAQ	2,652.87	2,703.17	1.90%
Russell 1000 Growth	574.67	580.64	1.04%
S&P MidCap 400	907.25	910.53	0.36%
Russell 2000	783.65	787.83	0.53%
MSCI EAFE	1,649.69	1,648.65	-0.06%
MSCI EM	1,145.79	1,154.99	0.80%
MSCI Small Cap	168.31	168.23	-0.05%

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

Broad commodities fell for the week as the U.S. dollar experienced its largest weekly gain against a basket of currencies since August. Improving jobless claims data reduced the need for safety buying sending nearby gold contracts 3.68% lower for the week, the largest weekly decline in nearly six months. Crude oil futures fell to a 3-week low, losing 3.32% largely due to a rising U.S. dollar. Profit-taking occurred early in the week after oil prices reached a two-year high. Soybeans pulled back on speculation that rainfall will aid the South American crop, alleviating some pressure for the U.S. to meet the world's demands.

The largest investor in Goldman Sachs' fraudulent collateralized debt obligation (CDO), better known as ABACUS, has sued the firm. Goldman was accused of misleading investors about the role of star hedge fund manager John Paulson, who helped construct the CDO but intended to short the security. The Securities and Exchange Commission (SEC) sued Goldman in late 2009 and settled for \$550 million. According to FINalternatives, ACA Financial Guaranty is seeking \$120 million in damages after claiming the security was "worthless" from the start. ACA bought millions worth of ABACUS notes and also insured part of the portfolio.

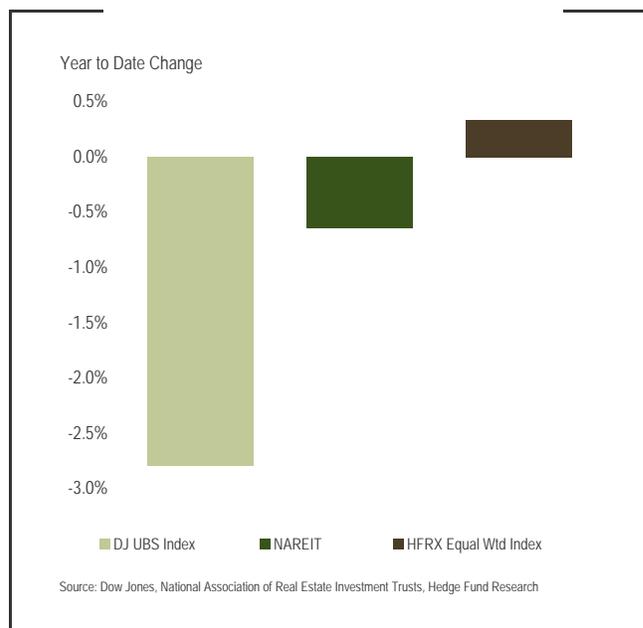
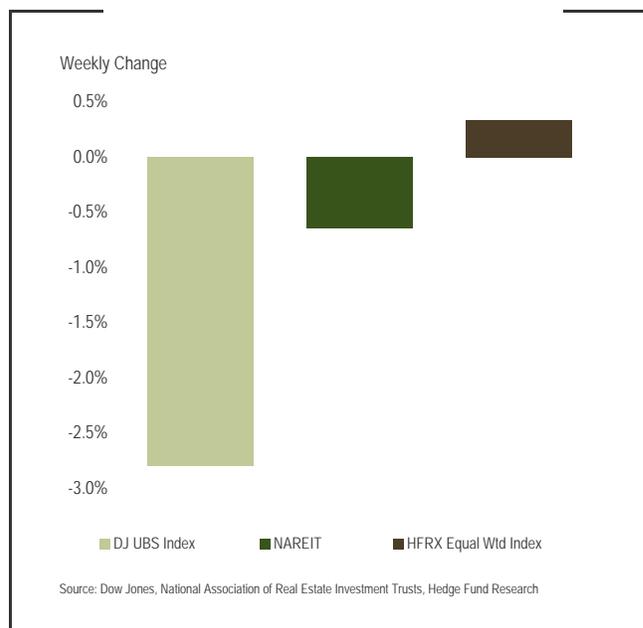
The SEC launched an investigation into whether California failed to provide adequate disclosures about its public pension fund, CalPERS. Nearly 25% of its portfolio was wiped away during the financial crisis and the investigation is looking into whether or not risk levels were adequately disclosed. The investigation carries much interest as the government is pushing for further transparency among public pension funds.

Partners Group, a Swiss private equity firm, released a study communicating favorable conditions for mezzanine financing in 2011. The report notes default risk for mezzanine debt would fall to as low as 1-2% in 2011 as the use of leverage has decreased significantly.

Issue	Previous Week	Current ¹	Change
Gold	1,421.50	1,369.20	-3.68%
Crude Oil Futures	91.48	88.44	-3.32%
Copper	443.90	428.10	-3.56%
Sugar	32.12	31.53	-1.84%
HFRX Equal Wtd. Strat. Index	1,167.24	1,171.13	0.33%
HFRX Equity Hedge Index	1,223.89	1,236.33	1.02%
HFRX Equity Market Neutral	1,013.14	1,010.90	-0.22%
HFRX Event Driven	1,374.18	1,374.64	0.03%
HFRX Merger Arbitrage	1,521.87	1,525.66	0.25%
Dow Jones UBS Commodity Index	162.39	157.86	-2.79%
FTSE/NAREIT All REIT	134.83	133.96	-0.65%

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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