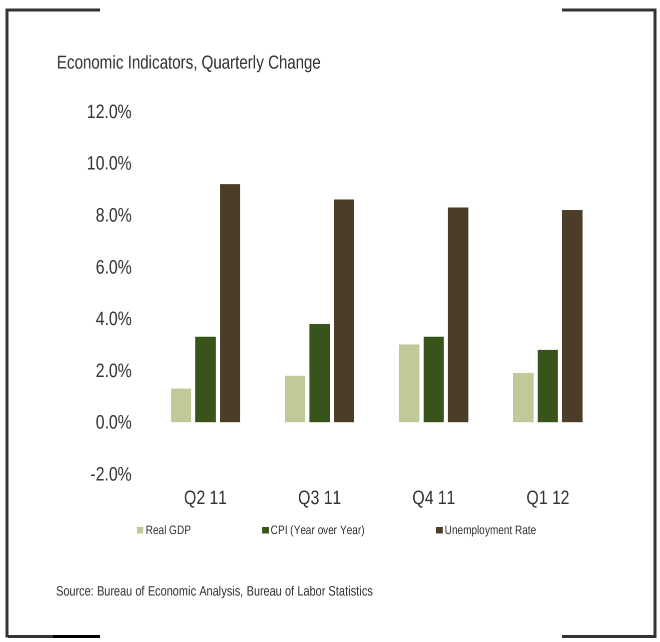
Economic Update

The unemployment rate in the 17-nation eurozone rose to a record high of 11.1% in May. The broader European Union's unemployment rate remained at 10.4%, according to Eurostat. The weak unemployment figures coupled with 11 straight months of contraction in the manufacturing sector appeared to be enough fodder for central banks to take action. The European Central Bank (ECB) lowered its key interest rate by a quarter point to 0.75%, and at the same time the Bank of England implemented £50 billion of quantitative easing. Meanwhile the People's Bank of China also cut several key interest rates for the second time in less than one month, bringing its lending rate down to 6%.

The weak numbers out of the Philly Fed survey from two weeks ago proved to be a harbinger for the Institute for Supply Management's (ISM) broader manufacturing index. The PMI showed contraction in June for the first time since July 2009, falling 3.8 percentage points to 49.7. The new orders component plummeted into contraction as well, but the prices index for raw materials also fell considerably which should help margins for manufacturers. Comments from respondents were still positive, but there are some concerns that weakness in Europe and China will be a headwind for demand. The ISM non-manufacturing report, on the other hand, showed the service sector grew for the 30th consecutive month. Given that automobile sales are still strong and construction spending is picking up, the weaker manufacturing report is not nearly enough to signal an impending recession.

Initial jobless claims fell a respectable 14,000 to 374,000 in the final week of June, according to the Labor Department. There was also good news from the ADP report which showed a higher-than-expected 176,000 increase in payrolls for June, and planned job cuts fell to a 13-month low of 37,511 according to Challenger, Gray and Christmas. Despite all this, the monthly employment situation report showed only modest growth with 80,000 jobs added. Seasonal factors appear to still be working against the number. The economy needs to add about 125,000 jobs per month to keep up with population growth. The unemployment rate remained at 8.2%.



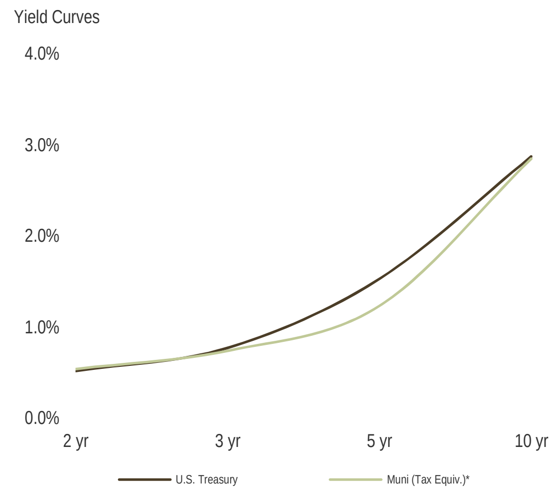
Jul. 2nd	ISM Mfg. Index - Level, June	49.7
Jul. 2nd	Construction Spending, May Monthly Chg.	0.9%
Jul. 3rd	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.2%
Jul. 3rd	Factory Orders, May Monthly Chg.	0.7%
Jul. 5th	MBA Purchase Applications Index, Wkly. Chg.	1.0%
Jul. 5th	Initial Jobless Claims (week ending 7/05)	374,000
Jul. 5th	ISM Non-Mfg. Index, June	52.1
Jul. 5th	EIA Natural Gas Report, Wkly. Chg.	39 bcf
Jul. 5th	EIA Petroleum Status Report, Wkly. Chg.	-4.3M Barrels
Jul. 6th	Non-farm Payrolls, June Monthly Chg.	80,000
Jul. 6th	Unemployment Rate, June	8.2%

Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

U.S. Treasuries finished the week sharply higher after the Federal Reserve began buying Treasuries as part of its program to replace $667 billion of short-term debt in its portfolio with longer-term Treasuries in an effort to further reduce borrowing costs. A disappointing U.S. jobs report on Friday also sent investors into the safety of government debt. The Fed's purchases have been one of the primary drivers of keeping yields range-bound near all-time low levels. This along with the prospect of additional stimulus measures has scared away market participants willing to bet against the rally in Treasuries.

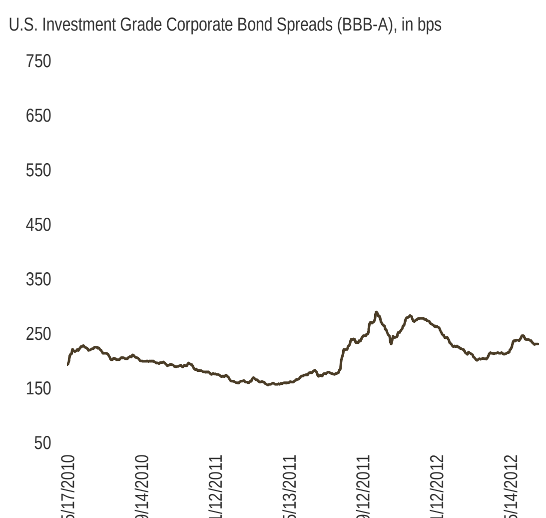
Meanwhile, the muni market continues to wade through a long list of issues including new GASB pension accounting rules, the Supreme Court's healthcare decision, the Stockton CA bankruptcy, and the aftermath of the Moody's downgrade to junk of all California redevelopment agency debt. There has been no evidence that the market views the pension concerns as anything new, or that it anticipates any contagion from specific municipality defaults. The new GASB changes are generally positive for state and local governments as they will improve the transparency of pension reporting. Most strategists feel these GASB changes will not lead to any downgrades by the rating agencies because they are already well aware of the magnitude of underfunding faced by municipalities.



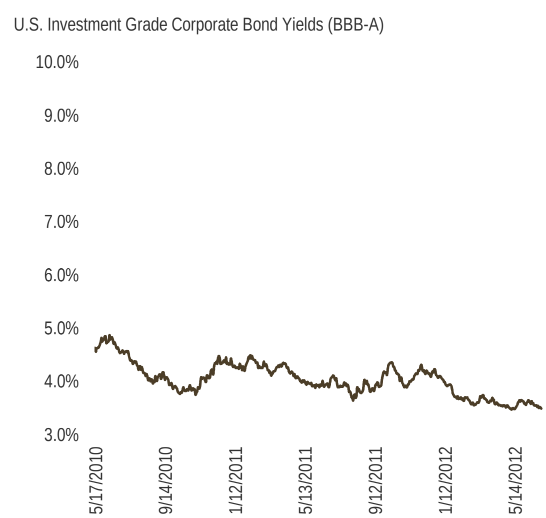
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	6.29.12	7.6.12	Change
3 month T-Bill	0.09%	0.08%	-0.01%
2-Year Treasury	0.33%	0.27%	-0.06%
5-Year Treasury	0.72%	0.64%	-0.08%
10-Year Treasury	1.67%	1.57%	-0.10%
30-Year Treasury	2.76%	2.66%	-0.10%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

Domestic and international stock markets continued to remain volatile as central bank easing from three major economies on Thursday failed to give global investors much confidence. Another disappointing jobs report in the U.S. on Friday led to a sell-off in domestic stocks. The Dow Jones Industrial Average closed at 12772.47 down 0.8% for the week. The S&P 500 Index closed at 1354.68, a decrease of 0.6% since last week. The NASDAQ Composite Index fared slightly better and managed to end the week at 2937.33, 0.1% higher than last Friday.

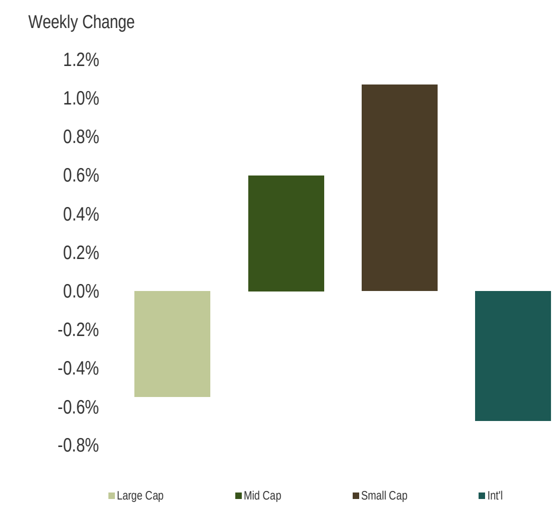
The People’s Bank of China cut interest rates again to combat an expected slowdown in the rate of economic growth. Despite a 1% rally on Friday, the Shanghai Composite Index finished the week with a 0.1% decline, its third consecutive weekly loss. Other Asian markets were mixed with Japan and Hong Kong posting gains for the week.

The European Central Bank (ECB) also eased rates on Thursday to try and prevent further deterioration in European economies. ECB President Mario Draghi stated that risks to Europe’s economic outlook are still to the downside amid “a renewed increase in the tensions in several euro area financial markets.” The Bank of England announced an increase in its asset purchase target and indicated additional stimulus measures are possible in the future.

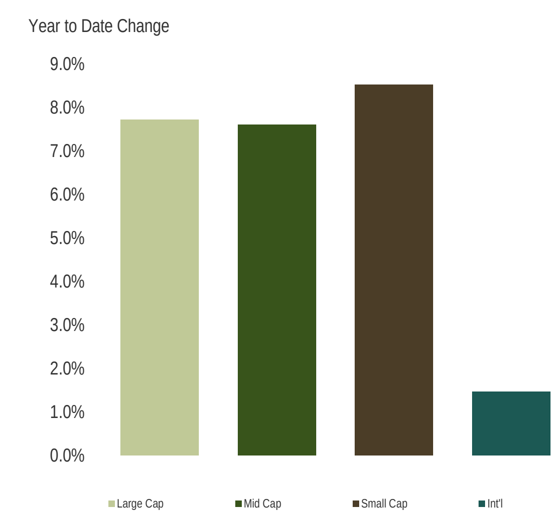
Domestically, the equity markets reacted negatively to Friday’s weaker than expected June jobs report. June non-farm payrolls came in at only 80,000 and capped a disappointing quarter of job growth. Major averages in the U.S. were down roughly 1% on Friday, ending the holiday shortened week on a negative note. Next week’s focus will be on earnings reports as companies begin reporting results for the second quarter. Particular attention will be paid to projections for the rest of the year, coming off a weaker than expected quarter.

Issue	6.29.12	7.6.12	Change
Dow Jones	12,880.09	12,772.47	-0.84%
S&P 500	1,362.16	1,354.68	-0.55%
NASDAQ	2,935.05	2,937.33	0.08%
Russell 1000 Growth	634.43	634.44	0.00%
S&P MidCap 400	941.65	947.29	0.60%
Russell 2000	798.49	807.02	1.07%
MSCI EAFE	1,423.38	1,413.83	-0.67%
MSCI Small Cap	906.71	955.18	-0.16%

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, Wolfe Trahan.



Source: Standard & Poor's, Russell Investment Company, MSCI



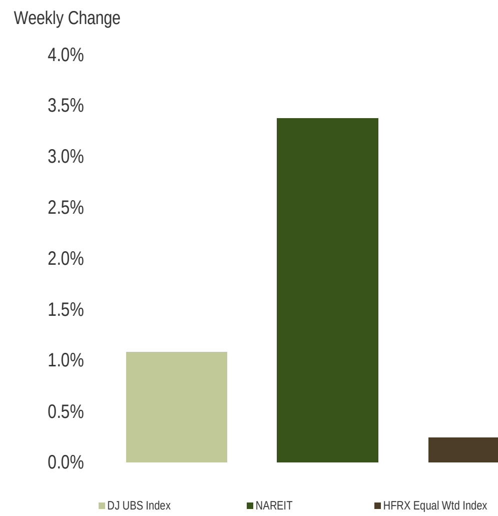
Source: Standard & Poor's, Russell Investment Company, MSCI

Alternative Investments Market Update

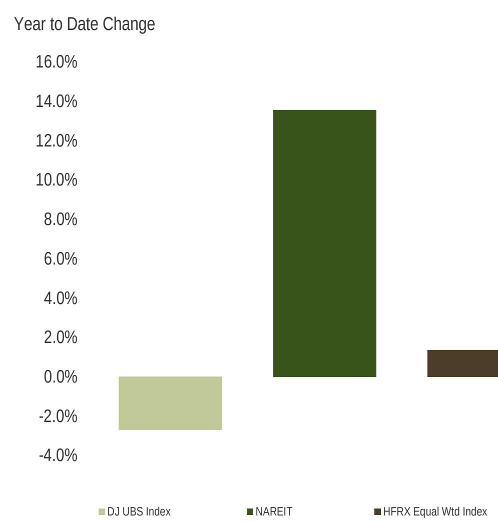
This holiday week saw a big commodity rebound, even as the U.S. dollar index rallied following the ECB rate cut. The ECB decided to cut interest rates by 25 bps, now at .75%, and deposit rates by the same, bringing that rate down to zero. Job reports in the U.S. were slightly positive, and the non-manufacturing ISM fell, indicating a contraction in growth. These factors contributed to a late-week fall for precious metals, with gold ending the week down 1%. As long as the dollar continues to move upward against the euro, gold and silver prices may continue to experience downward pressure. Crude oil (both Brent and WTI) rose slightly but dropped at the end of the week due to the sluggish June job report on Friday.

In real estate, the S&P CaseShiller home price index released April data last week showing a 1.3% increase in home prices, the first increase in seven months. Prices are still down over 30% from the high in 2006, but are hovering near 2003 levels. The housing situation has increased the demand for rentals, which has in turn brought rental inventory down to 10-year lows and increased demand significantly; rents grew 1.3% in the second quarter of 2012. Although many factors in the housing market seem to be improving, real estate investors are holding back on purchases until the market shows further improvement. London-based Tristan Capital Management says headwinds are still extremely strong for the European real estate market, and there are massive amounts of capital sitting on the sidelines. Private equity fundraising in real estate has fallen by nearly half since the end of 2011 because of market uncertainty, making the environment for the 450 private equity real estate fund managers currently vying for these funds even more competitive.

In hedge fund news, Greenlight Capital and ThirdPoint both issued year-to-date returns for the first six months of the 2012 on Tuesday. It is clear why they were eager to report – they showed returns of 3.9% and 3.7%, respectively, while the average hedge fund was only up about 1% for that period, according to FINalternatives, a hedge fund news source.



Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research



Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research

Issue	Previous Week	Current[1]	Change
Gold	1,597.90	1,583.20	-0.92%
Crude Oil Futures	84.81	84.15	-0.78%
Copper	349.70	341.85	-2.24%
Sugar	21.01	22.25	5.90%
HFRX Equal Wtd. Strat. Index	1,109.71	1,112.42	0.24%
HFRX Equity Hedge Index	1,005.81	1,016.78	1.09%
HFRX Equity Market Neutral	932.12	937.45	0.57%
HFRX Event Driven	1,344.72	1,350.14	0.40%
HFRX Merger Arbitrage	1,513.83	1,510.04	-0.25%
Dow Jones UBS Commodity Index	135.42	136.89	1.08%
FTSE/NAREIT All REIT	151.85	156.98	3.38%

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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