Economic Update

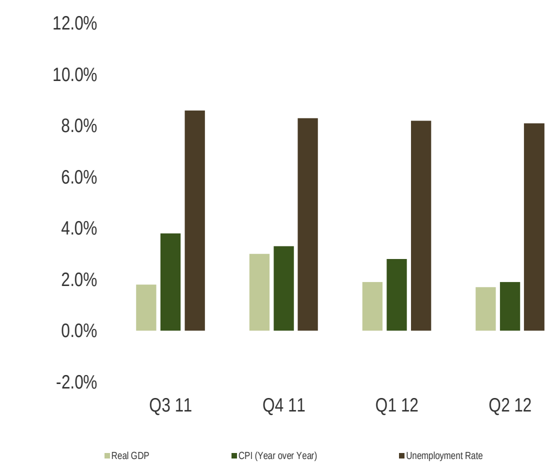
Economic growth picked up in the third quarter, boosted by stronger consumer spending and an improving housing market. GDP growth came at 2.0%, slightly above market expectations and well above the second quarter's reading of 1.3%. The number is still sluggish, as a rate of 3.0% growth or more is generally needed to put a serious dent in unemployment. Even so, the strength in consumer purchases of durable goods including automobiles and a 14% increase in residential construction hints the consumer is becoming more optimistic about the economy.

The new home market, once a major a drag on the economy, has now become an increasing source of strength. New home sales were up sharply in September, climbing 5.7% to 389,000. The strength in sales is even more impressive when you consider the 4.5 month supply – the tightest since 2005 – is limiting sales activity. Median prices eased 3.2% to $242,000 for the month, but are up 11.7% from last year.

The number of Americans filing for first-time unemployment benefits fell 23,000 to 369,000 in the week ended October 20. Seasonal adjustments have been causing a great deal of volatility in the initial jobless claims numbers over the past few weeks, but behind the big swings the overall trend has been improving. The four-week moving average is 368,000 which is nearly 10,000 below the month-ago figure.

Economic conditions in Europe continue to be much worse than here in the U.S. Spain fell deeper into recession in the third quarter, with their economy shrinking a further 0.4%. Year-over-year the Spanish economy contracted 1.7%. Amidst the weakening economy and 25% unemployment Prime Minister Mariano Rajoy presented further austerity measures this week, sparking more angry protests. Despite the nation's troubles yields on 10-year Spanish government bonds have fallen to just above 5% after soaring above 7% in July.

Economic Indicators, Quarterly Change



Source: Bureau of Economic Analysis, Bureau of Labor Statistics

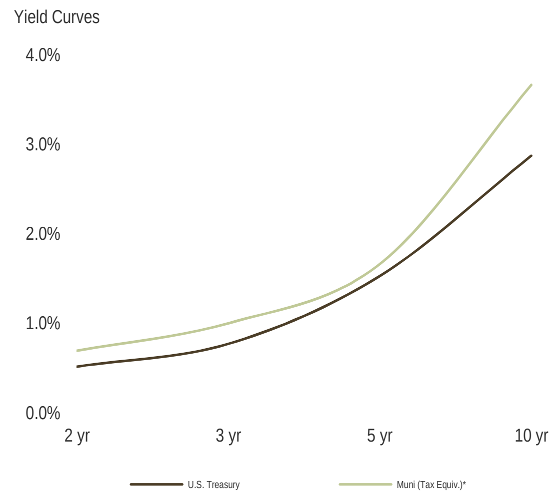
Oct. 23rd	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.7%
Oct. 24th	MBA Purchase Applications Index, Wkly. Chg.	-12.0%
Oct. 24th	New Home Sales, September	389,000
Oct. 24th	EIA Petroleum Status Report, Wkly. Chg.	5.9M Barrels
Oct. 25th	Durable Goods New Orders, Sep. Monthly Chg.	9.9%
Oct. 25th	Initial Jobless Claims (week ending 10/20)	369,000
Oct. 25th	Pending Home Sales, Sep. Monthly Chg.	0.3%
Oct. 25th	EIA Natural Gas Report, Wkly. Chg.	67 bcf
Oct. 26th	Real GDP, Q3a Quarterly Change SAAR	2.0%
Oct. 26th	GDP Price Index, Q3a Quarterly Change SAAR	2.8%
Oct. 26th	Consumer Sentiment Index, October	82.6

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

Bolstered by continued anxieties over the global economic growth outlook, U.S. Treasuries rose modestly for the week as investors found comfort in the flight-to-quality trade. Despite weaker than anticipated economic data in some areas, fears over the possibility of the eurozone's debt crisis spiraling out of control have eased recently amid announcements of bond-buying programs from both the Federal Reserve and European Central Bank. Alongside this, the European Union and ECB said on Friday the first aid disbursements for the Spanish banks may be ready soon, sparking a modest rally in its financial sector bonds. EU authorities have completed the first review of the country's banking sector bailout, which may be as much as 100 billion euros.

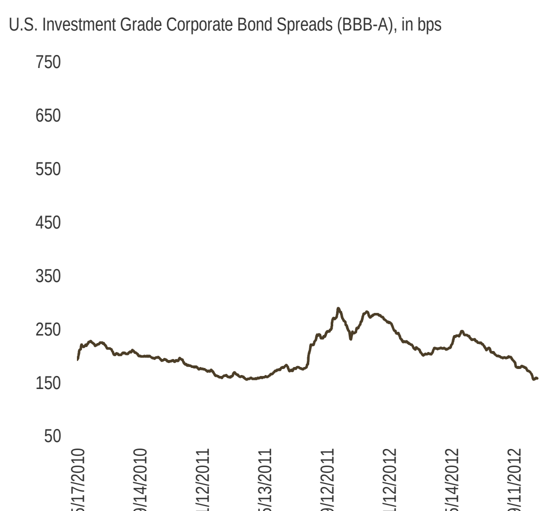
Looking forward, the combination of ECB President Mario Draghi's remarks to do whatever it takes to preserve the euro and more aggressive financial easing programs should keep peripheral area interest rates at reasonable levels. Separately, the negative feedback loop between governments and banks, particularly in Spain, is under control with a number of European stability mechanisms in place to supply capital to ailing banks. At the same time, recently approved European bank supervision by the ECB should help to curb excessive risk taking in the banking industry.



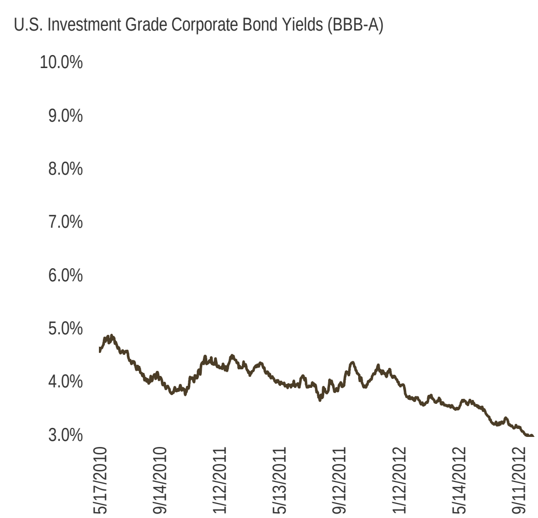
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	10.19.12	10.26.12	Change
3 month T-Bill	0.10%	0.11%	0.01%
2-Year Treasury	0.30%	0.31%	0.01%
5-Year Treasury	0.77%	0.82%	0.05%
10-Year Treasury	1.79%	1.86%	0.07%
30-Year Treasury	2.94%	2.98%	0.04%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

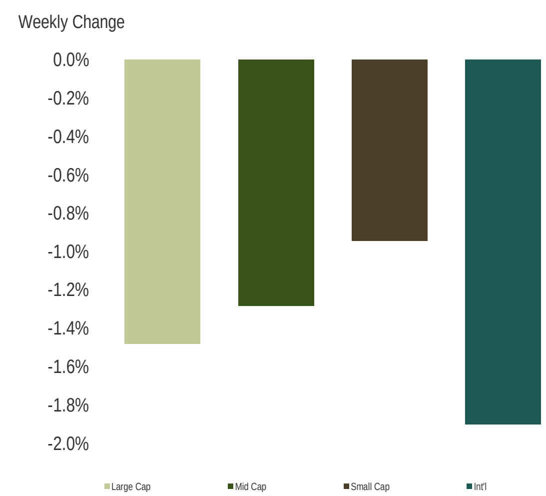
Equity investors were not impressed with quarterly earnings reports this week, leading to market declines across the board. Friday's better than expected third quarter GDP and the highest consumer sentiment reading in five years was not enough to offset weak earnings and a report the German Finance Minister raised concerns on Greece's ability to meet its bailout requirements. The Dow Jones Industrial Average declined 1.7% for the week to close at 13107.21. The S&P 500 Index finished at 1411.94, down 1.5% over the five-day trading period. The NASDAQ Composite Index was the best performer, down only 0.6% to 2987.95 for the week.

Overseas, European stocks as measured by the Stoxx Europe 600 fell 1.3% after reaching a 16-month high last Thursday. The good news out of Europe this week was positive third quarter economic growth for the UK after three quarters of recession. China manufacturing data improved to 49.1 according to the preliminary PMI reading from HSBC. Companies in Asia reported weak quarterly earnings including telecom giant China Unicom Hong Kong Ltd and Maanshan Iron & Steel Company Ltd, reporting a net loss due to lower steel prices. Japan's Kawasaki Heavy Industries Ltd reported sales weakness in China and Europe.

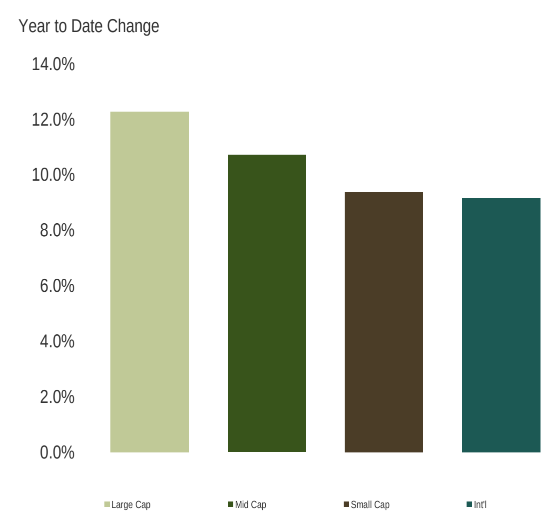
Apple was in the news this week with the unveiling of the iPad Mini and third quarter earnings that came in slightly below expectation. The company also issued cautious guidance for this quarter as higher costs for all its new products will likely impact profits. Marketwatch.com reported that consumer discretionary companies have turned in the best earnings performance for the third quarter thus far. More than thirty major consumer discretionary companies have issued earnings reports in the last few weeks, with 71% beating analysts' estimates, according to Thomson Reuters I/B/E/S. For the S&P 500 Index as a whole, only 62% of companies have surpassed earnings expectations. Revenues have been even weaker, with only 37% of companies surpassing the Wall Street consensus forecasts.

Issue	10.19.12	10.26.12	Change
Dow Jones	13,343.51	13,107.21	-1.77%
S&P 500	1,433.19	1,411.94	-1.48%
NASDAQ	3,005.62	2,987.95	-0.59%
Russell 1000 Growth	657.68	650.23	-1.13%
S&P MidCap 400	987.4	974.74	-1.28%
Russell 2000	821	813.25	-0.94%
MSCI EAFE	1,550.49	1,521.02	-1.90%
MSCI Small Cap	1,013.36	999.12	-1.02%

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

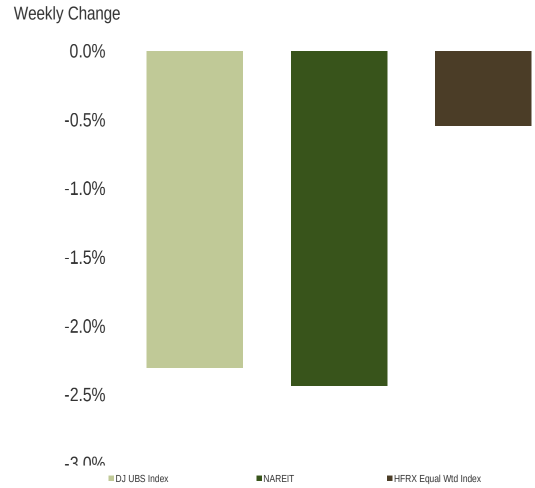


Source: Standard & Poor's, Russell Investment Company, MSCI

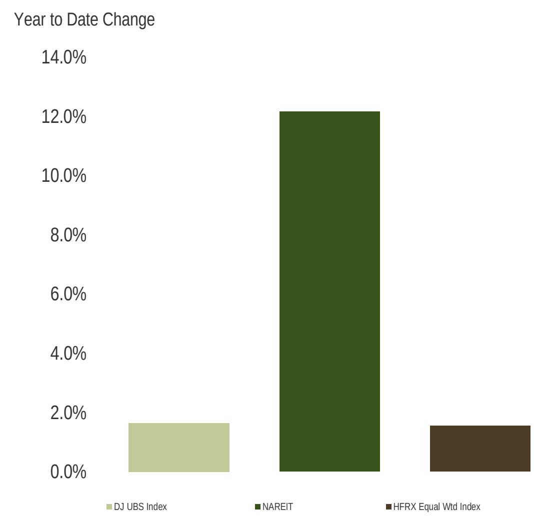
Alternative Investments Market Update

Crude oil dropped 4.42% this week to settle at $86.08 a barrel. The losses could have been steeper, though, had it not been for oil prices gaining on Friday amid signs of recovery in the U.S. economy over a 2% rise in U.S. Q3 GDP. These gains ended a six-day losing streak, the longest for oil since May. Such a signal gives rise to hopes that oil-demand with the world's biggest petroleum user could recover from what a 2.2% year-to-date decline as of October 19. Near-term prices will be impacted by the path of Hurricane Sandy, expected to move up the East Coast as a tropic storm, which will impact Florida and the Carolinas by Saturday. The storm will at least cut near-term demand for gasoline and diesel fuel, analysts forecast, and could have longer-term impacts on the supply side if refineries or port facilities in the region are damaged. According to the Energy Information Administration, U.S. gasoline fell 2.7% to a 9-year low for the week of October 19 to 8.493 million barrels a day. Output topped demand by about 500,000 barrels a day in the week, pushing inventories up by 1.4 million barrels to their highest level since August 31.

Gold managed to squeeze out small gains on Friday after positive U.S. economic figures, but the metal still dropped 0.65% for the week, its third-weekly decline in row, on uncertainty over the future of the U.S. Federal Reserve's monetary stimulus. Many analysts believe uncertainty over the global economic recovery and questions about the future of U.S. monetary policy that has been ultra-loose under Fed Chairman Ben Bernanke could dent the metal's appeal as an inflation hedge. Analysts also are under the assumption investors could buy gold as a safe-haven due to uncertainty over the outcome of the U.S. election and the potential upcoming "fiscal cliff" with automatic spending cuts and tax rises which threaten to send the country back into recession if Congress fails to reach a deficit reduction deal by the end of the year. These analysts believe if Republican presidential candidate Mitt Romney wins, the dollar could get a boost and the Fed's easing policy might not continue. After losing nearly $11 this week, the precious metal closed at $1,711.50 an ounce.



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	1,722.70	1,711.50	-0.65%
Crude Oil Futures	90.06	86.08	-4.42%
Copper	363.00	355.65	-2.02%
Sugar	20.23	19.35	-4.35%
HFRX Equal Wtd. Strat. Index	1,120.48	1,114.39	-0.54%
HFRX Equity Hedge Index	1,045.93	1,037.33	-0.82%
HFRX Equity Market Neutral	929.16	924.36	-0.52%
HFRX Event Driven	1,373.60	1,363.09	-0.77%
HFRX Merger Arbitrage	1,504.63	1,485.74	-1.26%
Dow Jones UBS Commodity Index	146.37	143.00	-2.30%
FTSE/NAREIT All REIT	158.91	155.04	-2.44%

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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