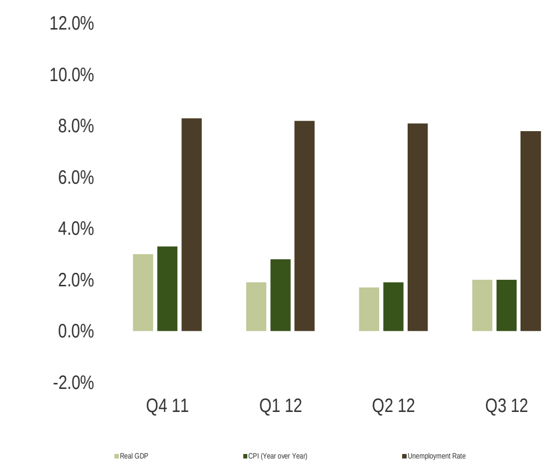
Economic Update

The effects of Superstorm Sandy are working their way into the data, distorting economic numbers and making it difficult to gage underlying trends. Retail sales edged down 0.3% in October following a 1.3% jump the previous month. Motor vehicle sales fell 1.5%, and softening across other core components was broad based. Gasoline sales were up 1.4% despite prices easing during the month, perhaps due to hoarding ahead of the storm. Sandy also caused a huge spike in initial unemployment claims which skyrocketed up 78,000 to 439,000 for the week ended November 10. It was the largest jump in claims since the wake of Hurricane Katrina in September 2005 and the highest level since April 2011. It will take a few weeks to determine how much of a long-term impact the storm had on jobs and how many of these claims are just transitory.

As anticipated, lower energy prices helped keep inflation in check in October. The Consumer Price Index edged up 0.1% as the energy component dipped 0.2%. Within the core the cost of shelter rose 0.3% with the rent component climbing 0.4%, its largest increase in over four years. Year-over-year CPI is up 2.2% versus 2.0% in September. At the producer level PPI came in weaker than expected, falling 0.2% during the month. Continued tame inflation like this allows the Fed to maintain its accommodative policies and should bode well for the economy.

Some economies outside the U.S. are not doing so well. The eurozone slipped into recession for the second time in four years as economic contraction in the troubled southern nations weighed on the region. Economic output for the 17-nation currency union edged down 0.1% in the third quarter after declining 0.2% the previous quarter, according to Eurostat. Things were even worse in Japan, where GDP fell sharply at an annual rate of 3.5%. A territorial dispute with China over a few tiny islands has resulted in reluctance by Chinese consumers to buy Japanese products. China is Japan's largest trading partner and accounts for almost 20% of their exports. We are likely to see additional easing out of the Bank of Japan to combat this economic slowdown.

Economic Indicators, Quarterly Change



Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Nov. 13th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.7%
Nov. 14th	MBA Purchase Applications Index, Wkly. Chg.	12.6%
Nov. 14th	Producer Price Index, October Monthly Chg.	-0.2%
Nov. 14th	Retail Sales, October Monthly Chg.	-0.3%
Nov. 14th	Business Inventories, Sep. Monthly Chg.	0.7%
Nov. 15th	Consumer Price Index, October Monthly Chg.	0.1%
Nov. 15th	Initial Jobless Claims (week ending 11/10)	439,000
Nov. 15th	Empire State Mfg Survey, November	-5.22
Nov. 15th	Philidelphia Fed Survey, November	-10.7
Nov. 15th	EIA Natural Gas Report, Wkly. Chg.	-18 bcf
Nov. 15th	EIA Petroleum Status Report, Wkly. Chg.	1.1M Barrels
Nov. 16th	Industrial Production, Oct. Monthly Chg.	-0.4%

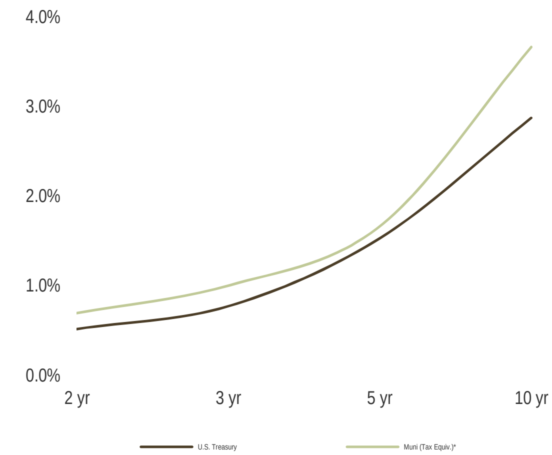
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

Fixed income investors followed last week's trend and continued to move into lower risk investments. Internationally, investors were spurred by continued bickering amongst IMF and EU leaders in regards to Greece's debt problem. The long running problem came to the fore again as consensus in reigning in the overall debt-to-GDP level proved elusive. Investors sitting on three months of gains on non-core government EU debt took the latest concerns as an opportunity to book gains and watch the developments from the sidelines.

Likewise, continued concerns over the fiscal cliff had domestic investors reducing risk and moving into Treasuries. The move is a significant reversal of the past few months as investors look to position their portfolios with heightened recession concerns for next year. Weakness was particularly sharp in the U.S. high yield corporate debt sector. BlackRock's high yield corporate ETF saw the biggest one day outflow ever this week and prices in the secondary market sagged. Analysts attributed at least a portion of the pull back in high yield to fundamentals as record issuance this year has led to an increase in lower quality deals hitting the market.

Yield Curves

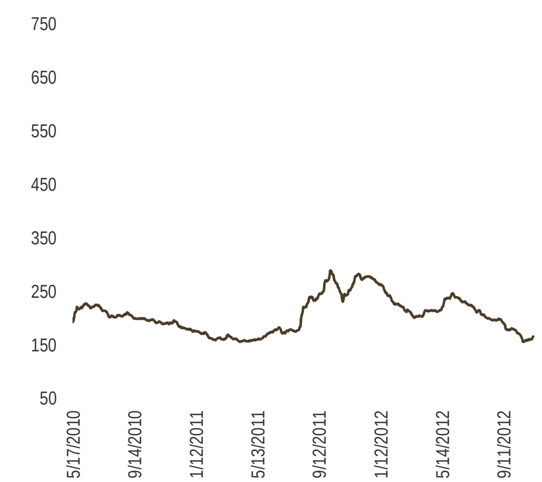


Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	11.9.12	11.16.12	Change
3 month T-Bill	0.09%	0.06%	-0.03%
2-Year Treasury	0.27%	0.24%	-0.03%
5-Year Treasury	0.65%	0.62%	-0.03%
10-Year Treasury	1.61%	1.58%	-0.03%
30-Year Treasury	2.75%	2.73%	-0.02%

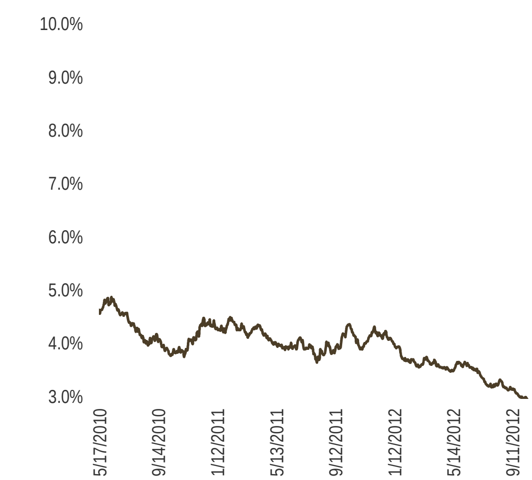
Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.

U.S. Investment Grade Corporate Bond Spreads (BBB-A), in bps



Source: Merrill Lynch

U.S. Investment Grade Corporate Bond Yields (BBB-A)



Source: Merrill Lynch

Stock Market Update

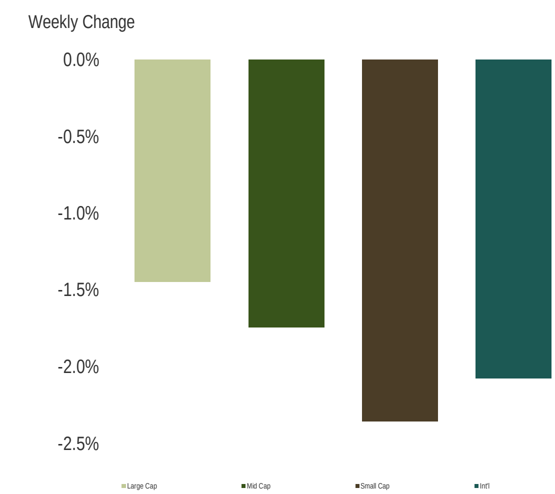
Most stock markets declined again this week as concerns about the fiscal cliff dominated the headlines. Weak economic data as a result of Hurricane Sandy, while expected, also weighed on investor sentiment. The Dow Jones Industrial Average declined 1.8% for the week to close at 12815.39. The S&P 500 Index finished at 1359.88, down 1.4% over the five-day trading period. The NASDAQ Composite Index fell 1.8%, ending the week at 2853.13.

According to data from the European Union, the region slipped back into recession as third-quarter eurozone gross domestic product fell 0.1% compared to the second quarter. Germany managed to post positive growth of +0.2%, down from +0.1% in the previous quarter, while France rebounded to +0.2% growth from a 0.1% contraction. European stocks as measured by the Stoxx Europe 600 fell 1.1% on Friday to its lowest close since August, and the index was down 2.7% for the week. In Japan, stocks were boosted by speculation that there may be major changes in monetary policy if the opposition Liberal Democratic Party wins in next month's election. The Nikkei average rose 2.2% on Friday alone and closed up 3% for the week.

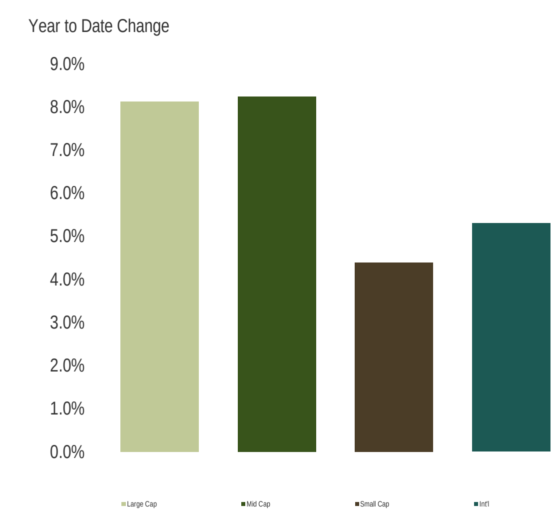
Another sign of the rebound in the housing market came with this week's earnings report from Home Depot. The company beat on the top and bottom line, reporting comparable store increases in 33 of 40 regions across the US. The company raised its guidance for fourth quarter revenue and earnings, citing expectations for rebuilding efforts as a result of Hurricane Sandy. Cisco also surprised analysts with strength in its Enterprise and Service Provider businesses. Earnings upside came from better than expected margins as manufacturing efficiencies and favorable business mix drove improvement in the gross margin while cost controls helped expand the operating margin. Cisco's services business continues to show strength with revenue up 12% year-over-year. Service gross margins improved to nearly 66%, 450 basis points above the corporate average.

Issue	11.9.12	11.16.12	Change
Dow Jones	12,815.39	12,588.31	-1.77%
S&P 500	1,379.85	1,359.88	-1.45%
NASDAQ	2,904.87	2,853.13	-1.78%
Russell 1000 Growth	638.50	629.97	-1.34%
S&P MidCap 400	969.82	952.93	-1.74%
Russell 2000	795.02	776.28	-2.36%
MSCI EAFE	1,498.43	1,467.33	-2.08%
MSCI Small Cap	995.31	974.33	-2.37%

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 futures rallied Friday as an escalating conflict involving Israel renewed fears about widening tensions in the Middle East and the prospect of a disruption to oil supplies. After trading in the red most of the week, prices got a lift as Israel began mobilizing soldiers and amplified its campaign of air strikes in the Gaza Strip. Oil market participants have been closely following the recent flare-ups in the Middle East ever since longstanding regimes were upended in the region, shaking the crude-oil market, a year ago. Although many of the countries that have been touched by conflict recently are not major oil producers, traders worry about the possibility of a wider conflict that could drag in neighboring states who are big producers. Also, gold headed for another weekly loss on worries over demand trends playing out in metals markets as investors wait to see what steps the U.S. government takes to avoid the "fiscal cliff".

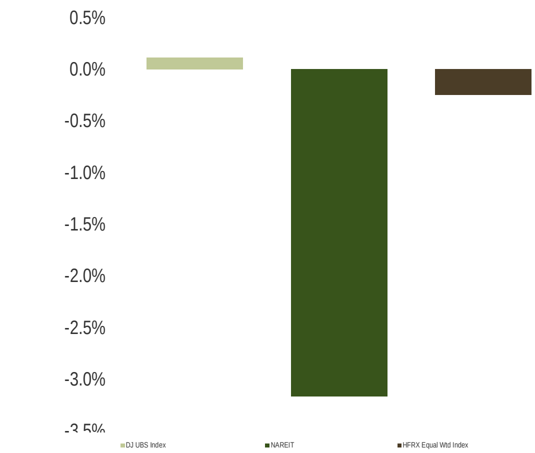
The health care industry is poised to take advantage of increasing opportunities to grow, according to panelists this week at the NAREIT Annual Convention in San Diego. Panelists, composed of CEOs from several health care REITs, agreed that mergers and acquisitions within the industry will continue due to the need for low-cost, efficient health care solutions combined with an aging baby boomer demographic. Market pressure for more efficient health care will create more mergers and acquisition transactions that many believe should benefit health care REITs. Most of the panelists anticipated that the second term of President Barack Obama's administration will be a net positive for health care providers and REITs.

In rather upsetting news this week, Hostess Brands announced it would close up its operations. The forces most responsible for this decision were two hedge funds that control hundreds of millions of Hostess debt, which finally decided they wouldn't "squeeze any more filling into the Twinkie". According to CNBC, the funds, Silver Point and Monarch, are known as distressed debt investors, in which they buy the debt of troubled companies, usually at steep discounts. Only these two funds could have kept Hostess out of liquidation and kept the Twinkie and its friends alive. Unfortunately, they were unable to reach a deal with the unions that represent the workers who make and deliver products like Twinkies, Wonderbread and Ding Dongs. Without these large union concessions, these two hedge funds decided Hostess would have to die.

Issue	Previous Week	Current[1]	Change
Gold	1,731.35	1,713.35	-1.04%
Crude Oil Futures	86.08	87.14	1.23%
Copper	344.50	346.05	0.45%
Sugar	19.06	19.15	0.47%
HFRX Equal Wtd. Strat. Index	1,112.40	1,109.62	-0.25%
HFRX Equity Hedge Index	1,037.83	1,030.42	-0.71%
HFRX Equity Market Neutral	927.63	928.24	0.07%
HFRX Event Driven	1,357.50	1,350.74	-0.50%
HFRX Merger Arbitrage	1,481.74	1,479.78	-0.13%
Dow Jones UBS Commodity Index	140.79	140.95	0.11%
FTSE/NAREIT All REIT	153.32	148.46	-3.17%

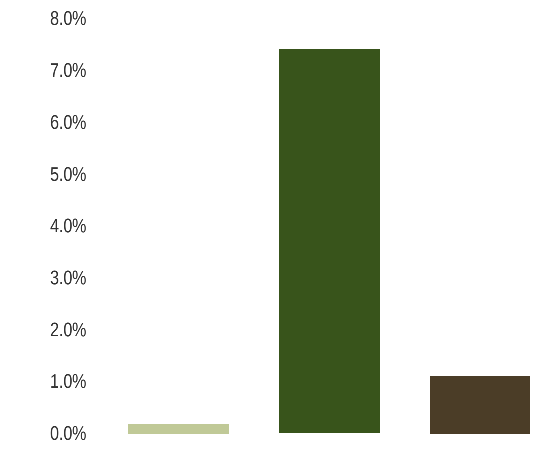
1 Prices reflect most recent data available at the time of publication
Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research, Bloomberg, The Wall Street Journal, The International Monetary Fund.

Weekly Change



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

Year to Date Change



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

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