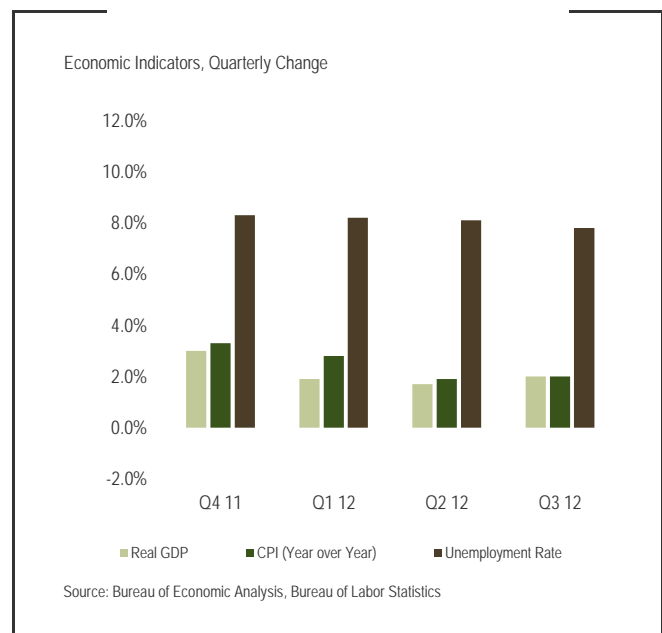


Economic Update

After a great amount of political posturing and tense negotiations, Congress finally agreed to a deal on New Year's Day to address at least the tax side of the fiscal cliff. Most of the Bush-era tax cuts will remain in place, but for those earning over \$400k (\$450k if married, filing jointly) both income tax rates and capital gains tax rates will be going up. The 2% reduction in Social Security payroll taxes was allowed to expire, so the majority of Americans will still be seeing smaller paychecks in the New Year. On the spending side there was a one-year extension of federal unemployment benefits and a one-year delay in Medicare reimbursement cuts, but the big decisions on sequester cuts were pushed off two months. That means the negotiations will coincide with a need to raise the debt ceiling again and the expiration of the current continuing budget resolution on March 27, so we believe we can expect more political theater and resulting market volatility over the next few months.

Nonfarm payrolls came in as expected with 155,000 jobs being added in the U.S. and the unemployment rate holding steady at 7.8%. The private sector added 168,000 jobs with strength being seen in manufacturing and construction, while government jobs fell another 13,000 following a drop of 10,000 in November. An upward revision of 15,000 to last month's number was a positive in the report. The bottom line is, despite the uncertainty surrounding the fiscal cliff, job growth has been good and steady over the latter half of the year.

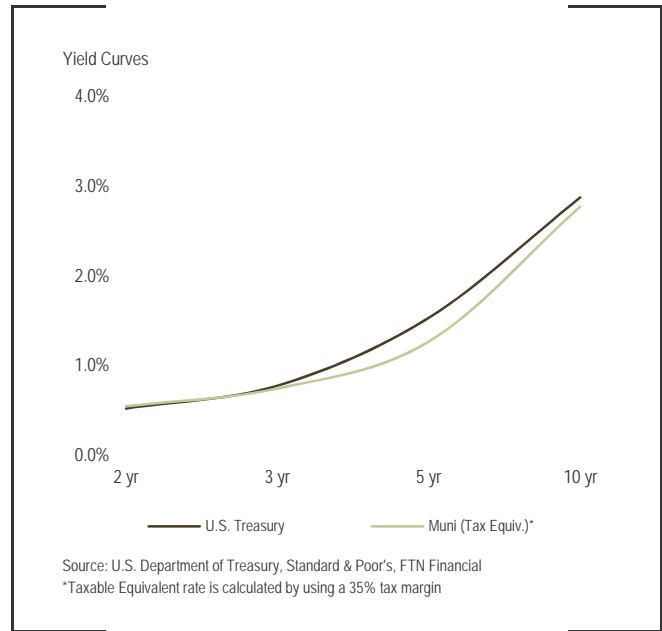
There was only marginal growth seen in manufacturing in December in the face of uncertainty regarding government regulations and taxes. The ISM's manufacturing index rose to 50.7 for the month after dipping to a sub-50 reading of 49.5 in November. There was more strength seen in the non-manufacturing index which rose 1.4 points to 56.1. Overall we feel the service side of the economy is showing a lot of positive momentum which is we see as a good sign for the bulk of the U.S. economy. Meanwhile, HSBC said growth accelerated in China as their PMI rose to a 19-month high of 51.5. Manufacturing in China had been contracting for a full year until the last two months, and it would appear economic growth looks poised to accelerate in the world's second largest economy.



Jan. 2 nd	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.6%
Jan. 2 nd	ISM Mfg. Index - Level, December	50.7
Jan. 2 nd	Construction Spending, Nov. Monthly Chg.	-0.3%
Jan. 3 rd	MBA Purchase Applications Index, Wkly. Chg.	-21.6%
Jan. 3 rd	Initial Jobless Claims (week ending 12/29)	372,000
Jan. 3 rd	Non-farm Payrolls, Dec. Monthly Chg.	155,000
Jan. 4 th	Unemployment Rate, December	7.8%
Jan. 4 th	ISM Non-Mfg. Index, December	56.1
Jan. 4 th	Factory Orders, Nov. Monthly Chg.	0.0%
Jan. 4 th	EIA Natural Gas Report, Wkly. Chg.	-135 bcf
Jan. 4 th	EIA Petroleum Status Report, Wkly. Chg.	-11.1M Barrels

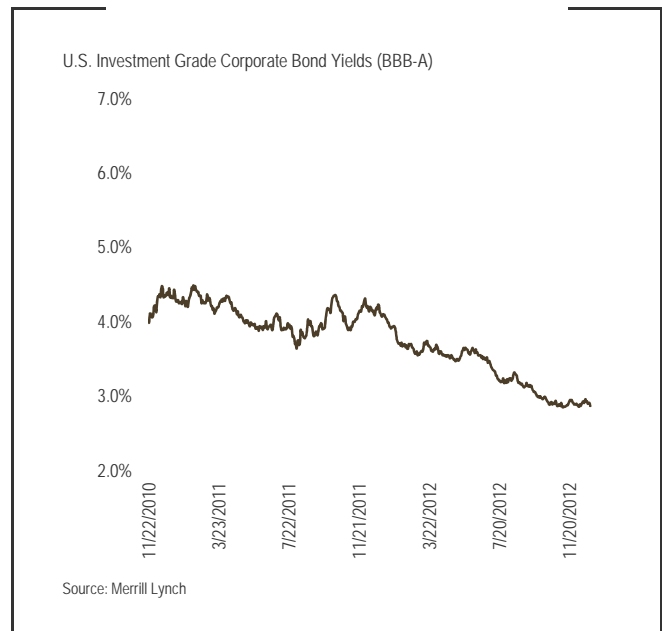
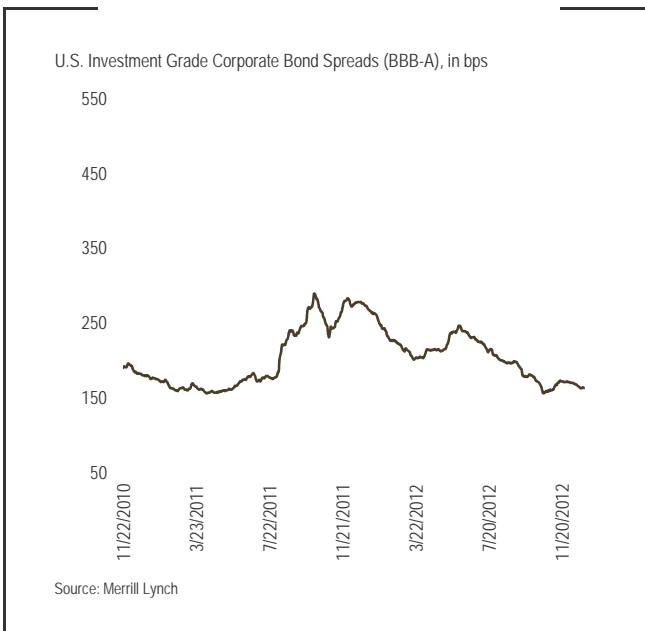
Bond Market Update

Largely attributable to increased inflation fears, U.S. Treasuries finished sharply lower for the week, with yields on 10-year notes reaching their highest levels in eight months. Also driving demand lower, minutes from the Fed's FOMC meeting show a divide among voting members on how long the central bank's bond buying program should last. Several Fed members said it would be appropriate to end the purchase somewhere around mid-2013. Strategists are now beginning to question whether yields, which have been stuck in a trading range over the past six months, might start to move even higher, with some recommending an outright sale of all government debt. Technical analysts, who follow moving averages and other indicators, feel if the yield on the 10-year note remains near its current levels, a spike is likely. At the same time, Treasuries are trading at their least expensive levels in eight months, according to the Federal Reserve's term premium model. Meanwhile, the average yield on high yield bonds fell below 6% for the first time ever, suggesting a benign outlook from a valuation perspective. With prices nearing their highest levels in a decade, nearly 46% of high yield bonds are at or above prices at which companies could buy them back, according to Barclays. Twelve months ago, the level was 27% and the long-term average is 15%.



Issue	12.28.12	1.4.13	Change
3 month T-Bill	0.01%	0.08%	0.07%
2-Year Treasury	0.27%	0.27%	0.00%
5-Year Treasury	0.72%	0.81%	0.09%
10-Year Treasury	1.73%	1.92%	0.19%
30-Year Treasury	2.88%	3.12%	0.24%

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



Stock Market Update

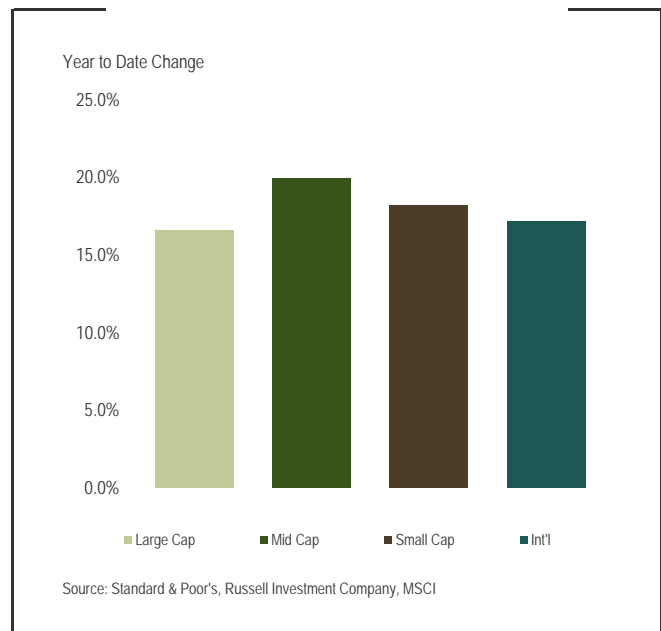
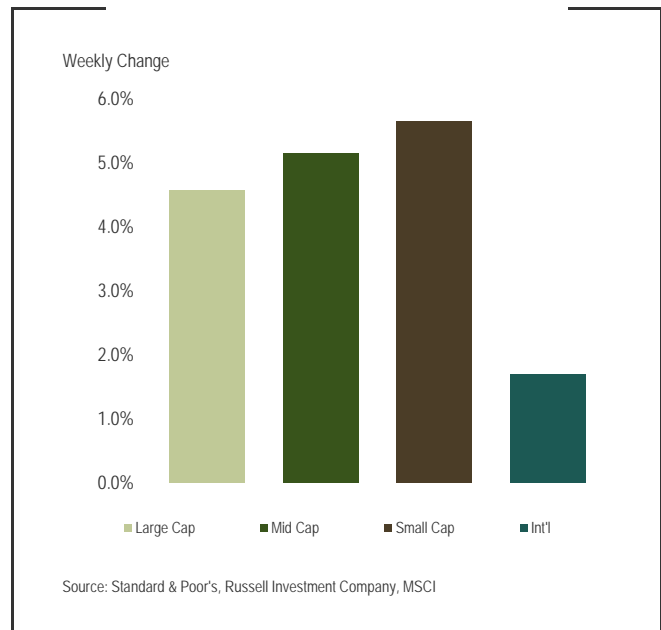
After a week of the equity market selling off stocks rallied the final day of the year to end December in positive territory. More importantly, politicians were able to play a game of 'kick the can' causing the markets to rally after coming back from the New Years Day holiday. The Dow Jones Industrial Average closed at 13,435.21, up 497 points for the week, or up 3.84%. The broader S&P 500 Index ended the week up 4.57% to close at 1,466.47, while the NASDAQ Composite finished higher by 141 points, or up 4.77% to close the week out at 3,101.66.

The equity markets responded positively to a "partial deal" over several of the fiscal cliff issues along with positive economic data. The first week of 2013 marked the best week for the equity markets in over a year. The energy sector, which was a laggard in 2012 started the year rising over 4% the first three days. Financials, which led the way in 2012, were second to Energy to start the year. A big focus next week will be on corporate earnings as Alcoa (AA) is set to announce results on Tuesday, marking the beginning of the earnings season.

The beginning of the year got off to a great start for shareholders of Zipcar (ZIP) after it was announced Wednesday morning that Avis Budget (CAR) would acquire the company at a 50% premium to the previous closing price. CAR has been facing competition from rivals in the hourly rental segment of the market and instead of building the hourly business from the ground up they acquired an hourly rental car company. Zipcar originally went public back in April 2011 at an IPO price of \$18/share and with the announcement of the purchase at \$12.25/share this leaves some share holders questioning the deal.

Issue	12.28.12	1.4.13	Change
Dow Jones	12,938.11	13,435.21	3.84%
S&P 500	1,402.43	1,466.47	4.57%
NASDAQ	2,960.31	3,101.66	4.77%
Russell 1000 Growth	646.70	675.36	4.43%
S&P MidCap 400	1004.33	1056.07	5.15%
Russell 2000	832.1	879.15	5.65%
MSCI EAFE	1,605.82	1,633.07	1.70%
MSCI Small Cap	1,049.45	1,082.68	1.72%

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.



Alternative Investments Market Update

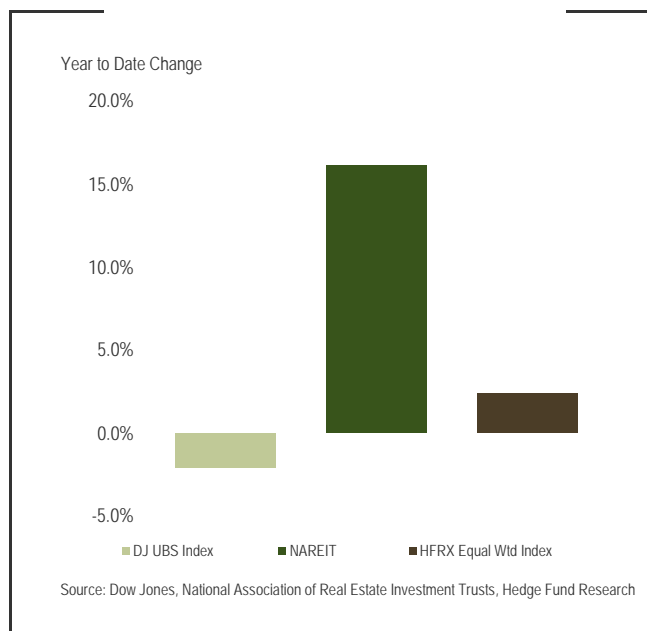
Crude oil ended the week up 2.67%, settling at \$93.10 a barrel, despite a massive 11.1 million-barrel drop in nationwide crude oil inventories as part of an annual end-of-year occurrence linked to tax considerations—lower year-end inventories means lower tax exposure for companies, so refiners lower inventory by temporarily reducing imports. This trend generally rebalances in the ensuing weeks. Data from the Energy Information Administration (EIA) shows 93% of the drop occurred in the U.S. Gulf Coast refining region, as a direct result of their tax considerations. Many analysts claim such a report be pushed to the side, with more focus on the upcoming weeks. EIA reported crude oil stocks fell 3% nationwide, which was the biggest drop since December 2011. On a per-barrel basis, the decline last week was the largest since February 2011. Crude imports plunged 931,000 barrels a day, to 7.094 million barrels a day, the lowest level since February 20, 1998. In the Gulf Coast region, imports were the lowest since September 2008, when hurricanes Gustav and Ike disrupted operations.

Gold fell on Friday, but rebounded sharply off a nearly 5-month low after U.S. data showed job market growth has slowed, suggesting the Federal Reserve may retain its monetary stimulus in the near-term. The precious metal has been particularly sensitive to any indications that the Fed could withdraw its stimulus. The U.S. central bank has linked the continuation of its loose monetary policy to evidence of a sustained upturn in the jobs market. The metal was unable to escape negative territory for the week though, losing 0.2%, settling at \$1,658.05 an ounce, its sixth consecutive weekly decline.

Hedge funds lagged the broader markets for the fourth straight year in 2012, with estimated returns of about one-third the performance of the S&P 500. The average hedge fund rose 5.5% last year, according to Hedge Fund Research (HFR), which is better than the average 5% loss suffered in 2011 but still well behind the S&P 500's 16% return. HFR notes hedge funds have not beaten the broad-market index since 2008, when the S&P was down nearly 40%, while the average hedge fund was down less than 20%. It is the longest period of underperformance for the industry since 1998.

Issue	Previous Week	Current ¹	Change
Gold	1,654.75	1,658.05	0.20%
Crude Oil Futures	90.68	93.10	2.67%
Copper	359.05	369.95	3.04%
Sugar	19.42	18.85	-2.94%
HFRX Equal Wtd. Strat. Index	1,124.14	1,123.88	-0.02%
HFRX Equity Hedge Index	1,046.89	1,044.37	-0.24%
HFRX Equity Market Neutral	934.80	934.19	-0.07%
HFRX Event Driven	1,377.25	1,378.72	0.11%
HFRX Merger Arbitrage	1,508.26	1,508.22	0.00%
Dow Jones UBS Commodity Index	139.08	137.73	-0.97%
FTSE/NAREIT All REIT	157.67	160.54	1.82%

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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