INNOVEST MONTHLY MARKET COMMENTARY

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Latest Returns						
EQUITIES						
Index	**Nov-09**	**3 months**	**YTD**	**1 Year**	**3 Years**	**5 Years**
S&P 500	6.00%	7.91%	24.07%	25.39%	-5.79%	0.71%
S&P 400 Midcap	4.05%	5.01%	29.27%	35.53%	-3.96%	2.86%
S&P 600 Small Cap	2.61%	1.74%	15.59%	22.65%	-7.39%	0.13%
MSCI EAFE	2.00%	4.58%	29.91%	37.72%	-5.52%	4.13%
MSCI Emerging Markets	4.30%	13.90%	71.73%	85.12%	5.29%	15.70%
FIXED INCOME						
Index	**Nov-09**	**3 months**	**YTD**	**1 Year**	**3 Years**	**5 Years**
BC Aggregate Bond	1.29%	2.86%	7.61%	11.63%	6.39%	5.49%
BC Muni Bond 1-10 Yr	1.34%	1.87%	7.32%	8.99%	5.36%	4.51%
BC High Yield	1.01%	8.69%	53.19%	64.95%	5.23%	6.10%
BC Global Aggregate Bond	2.55%	5.24%	11.12%	18.02%	7.95%	5.69%
CSFB Bank Loan Index	0.29%	4.26%	41.10%	35.71%	1.04%	3.13%
OTHER						
Index	**Nov-09**	**3 months**	**YTD**	**1 Year**	**3 Years**	**5 Years**
DJ UBS Commodity	3.52%	8.59%	16.59%	11.37%	-5.95%	0.54%
DJ Wilshire US REIT	6.88%	9.17%	20.06%	41.31%	-16.26%	-0.40%
S&P Developed World Property	1.76%	5.64%	32.56%	45.67%	-12.88%	1.79%
LPX 50 TR	2.36%	5.22%	48.86%	46.89%	-20.98%	-4.83%
HFRI Fund of Funds Index	1.08%	2.72%	10.92%	9.27%	-0.72%	2.97%
3 Month T-Bills	0.01%	0.06%	0.20%	0.20%	2.55%	3.06%

Returns provided by outside vendor. Innovest is not responsible for accuracy of numbers presented.

Bond Rates	**12/4/2009**	**12/31/2008**
U.S. Federal Funds Target Rate	0.25%	0.25%
U.S. Two-Year Treasury Yield	0.85%	0.76%
U.S. Ten-Year Treasury Yield	3.48%	2.25%
U.S. Ten-Year Muni Yield	3.10%	3.91%
High Yield (Merrill U.S. Corporates)	8.96%	16.58%

Exchange Rates		
$ per €	1.49	1.39
$ per £	1.65	1.44
¥ per $	89.95	90.65

The Economy

The U.S. economy has begun its recovery from a deep recession: third quarter gross domestic product (GDP) grew at 2.8%. While this percentage gain was somewhat less than the initial estimate, nonetheless it was a welcomed sign that the recession is likely over. Improving corporate profits and strong productivity levels should eventually lead to job creation and continued economic growth.

Retailers remain worried about holiday sales due to relatively low consumer confidence. The National Retail Federation estimates that the 2009 holiday shopping season will experience the second consecutive decline in year-over-year spending due to high unemployment, deleveraging consumers and tempered consumer confidence. Average spending over the post-Thanksgiving weekend declined 7.9% with overall sales falling 0.3%, indicating that consumers may be waiting for more enticing bargains in December.

Additionally, the U.S. dollar continued to slide through the month of November. Contrary to popular belief, a weakening dollar is not all bad, especially for exporting companies. A weaker dollar means that U.S. produced goods are more attractive to foreign buyers, thus driving up demand for U.S. goods.

November provided evidence that the economy is on the verge of producing jobs. The unemployment rate improved slightly from 10.2% at the end of October to 10.0% at the end of November. Strong gains in productivity and rising corporate profits have caused an increase in the hiring of temporary workers, contributing to a steady decline in initial unemployment claims through the month of November. Of 271 industries, 40.6% were hiring in November, which was the highest growth measure in 18 months. Job growth has the potential to continue because past job cuts eliminated hiring excesses and a growing economy has produced a hiring deficit. However, skeptics remain concerned that potential healthcare reforms may hinder small and medium-size companies from hiring. Under the recently passed House plan, employers who

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do not currently offer healthcare benefits to their employees will be forced to choose between introducing a plan and paying a considerable and prohibitory tax. Coupled with restrained budgets, small- to mid-sized employers may delay hiring until the implications of healthcare reform are known.

While the deep recession appears to be over, significant headwinds remain. High unemployment and restrained consumer spending will continue to plague the recovering economy. While fourth quarter GDP may benefit from the jump in temporary labor and the holiday shopping season, overall economic growth is likely to be sluggish well into 2010.

Financial Markets

Equity markets finished November in positive territory. With 80% of S&P 500 companies surpassing their third quarter earnings estimates, the S&P 500 rose 6.0% for the month. As the dollar continues to weaken and global demand for U.S. goods increases, high quality U.S. companies with earnings abroad should receive a lift to dollar revenues.

For the second consecutive month, small cap stocks lagged large and mid cap stocks, with the S&P 600 up 2.6%. Emerging markets posted a modest gain in November, with the MSCI Emerging Markets index up 2.0%.

For the month of November, high yield bonds returned 1.30%, underperforming the 10-year Treasury which finished the month up 1.90%. CCC-rated bonds returned 2.14% for the month, outperforming BB-rated bonds and B-rated bonds, which returned 0.75% and 0.44%, respectively. Year-to-date, CCC rated bonds have returned 101.35%, vastly surpassing and outperforming B-rated and BB-rated bonds (up 42.16% and 36.71%, respectively). Approximately $28.9 billion has flowed into high yield mutual funds over the first 11 months of 2009. The extraordinary levels of fear reflected in bond spreads last year have dissipated.

The Dow Jones–UBS Commodity index was up 3.3%, signifying that the prices of oil, gold and other commodities continue to increase as the dollar weakens and inflation remains a concern. Over the long term, commodities prices have not kept pace with either bonds or stocks, but during periods of high inflation and weakness in the U.S. dollar, commodities have tended to outperform.

Summary

The dramatic rallies in stocks and corporate bonds since March of this year have provided investors with welcomed relief and significant gains in 2009. The ongoing challenge, however, is to look forward. Innovest's research and investment professionals are working diligently to develop our outlook for the economy and financial markets over the next five to ten years. The scope of our current economic research includes: the potential for an extended period of sluggish economic growth and high unemployment; the implications of ongoing weakness in the U.S. dollar; the potential for rising interest rates and rising inflation; heavier government regulation and its impact on corporate profitability; and, higher income taxes and dramatically higher government indebtedness. Our review of asset classes encompasses: much-less-attractive valuations for equities and low-quality corporate bonds; the potential for less optimistic expectations for corporate profits; the balance between U.S. and overseas exposure to both stocks and bonds; the low relative yields on high-quality bonds; opportunities in distressed assets and direct real estate; and the pros and cons of various hedging strategies. In the first quarter of 2010 we will be discussing with our clients our long-term expectations for the capital markets and conduct formal asset allocation studies.

As always, we recommend that investors keep their portfolios broadly diversified, take the opportunities to rebalance between asset classes and look for attractive risk/reward opportunities. Thank you for your ongoing confidence in Innovest.

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