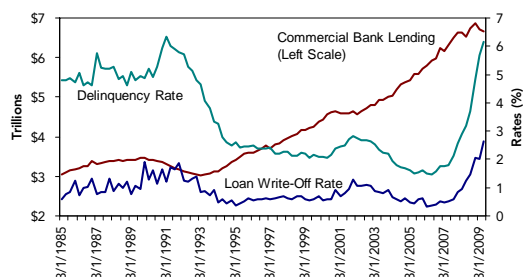


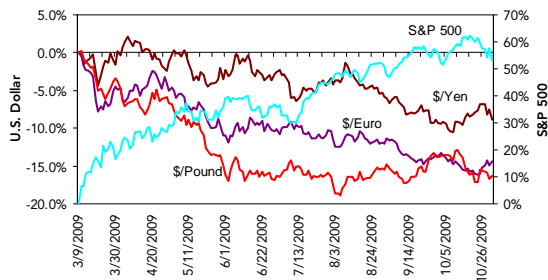
Public rumination regarding the future of the dollar as the world's reserve currency added to volatility of world currency and commodity prices during October. Rumors of support for changing the pricing of crude oil to a basket of currencies were quickly denied by OPEC. Oil prices increased 9% in October, as traders responded to the uncertainties. The world economies moved toward healing, as China posted third quarter GDP growth of 8.9%, the Australian central bank raised interest rates as commodity output ignited inflation potential, and the U.S. economy grew for the first time since second quarter 2008, rising 3.5%. Contributing to the expansion were increases in residential investment and auto sales, as well as a smaller drawdown of inventories (a quirk of the GDP calculation methodology). Residential investments rose for the first time since the fourth quarter of 2005. Imports and exports of goods rose at multi-year high rates, highlighting a rebound in world trade.

### Non-Payments Curtail Bank Lending



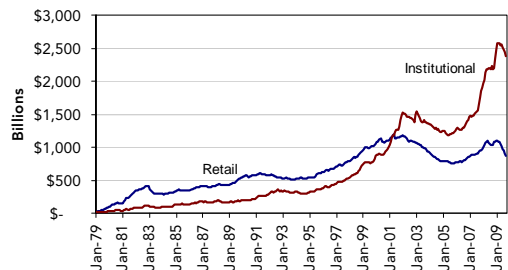
Source: Federal Reserve  
Lending Amounts Adjusted for Inflation

### Dollar Falls Since Market Bottom



Source: Bloomberg

### Money Fund Assets



Source: Federal Reserve  
Adjusted for Inflation

### Market Returns

As of October 31, 2009

	October	3 Months	YTD
S&P 500	-1.9%	5.5%	17.1%
Russell 1000 Value	-3.1%	6.0%	11.3%
Russell 1000 Growth	-1.4%	5.0%	25.4%
Russell 2000	-6.8%	1.4%	14.1%
MSCI EAFE	-1.3%	8.1%	27.4%
Barclays Agg	0.5%	2.6%	6.2%
3-Month T-Bills	0.0%	0.1%	0.2%

Investors and consumers were cautious about inflation. While year-over-year consumer inflation measures remained negative through October, the most pertinent question remains the timing and extent of future inflation. Although traditional measures of money supply growth forecast above average inflation, the lynchpin to increased inflation is the ability of consumers and businesses to access credit. The reluctance of banks to loan money has prevented much of the expanded money supply from reaching the market, thus low money velocity has reduced inflation potential, while also hampering growth. Bank reserves continued to grow, surpassing \$1 trillion in October, more than a fivefold increase from levels following the collapse of Lehman Brothers. While loans to small businesses are severely limited and mortgage lending is increasingly dependent upon government funding, banks' reticence to lend money is unclear, beyond rising delinquencies and defaults from outstanding loans. The commercial real estate market, which is expected to see an increase in non-performing loans in the next several years, may be the primary reason for the banks' restrained lending.

Since the stock market lows of March 9, 2009, the U.S. dollar fell 8.9%, 14.3%, and 16.3% against the Yen, Euro, and Pound, respectively. Central bank purchases of the dollar fell sharply, as countries further diversified their holdings during this period of dollar weakness. On the contrary, institutional investors continued to purchase Treasury bonds, as the perceived safety of their returns outweighed potential currency losses. Yields on 10-year Treasury bonds moved between 3.17% and 3.56% during October.

The healthcare debate revved up as Congress worked to reconcile House and Senate versions of the bill. Points of debate included a government run insurance option, non-coverage penalties for individuals and businesses, and ultimate costs. Both plans provided for increased Medicaid spending, which is split between the states and federal government. With many states experiencing severe budget deficits, the expected increase in mandated spending will likely be filled through increased borrowing or taxes. Many businesses indicate that expansion or hiring plans depend upon the outcome of healthcare legislation, as the current climate of uncertainty limited their willingness to implement long-term plans. Congress also faced an upcoming vote to expand the federal debt ceiling to \$13 trillion.

The Dow Jones Industrial Average topped 10,000 for the first time since October 2008. Investors favored technology, materials, and consumer discretionary companies in 2009. Federal regulators proposed stronger oversight regulations for the derivatives market, while the Federal Reserve and Treasury voiced support for salary controls at a wide swath of financial institutions, beyond those that received monies from the TARP.