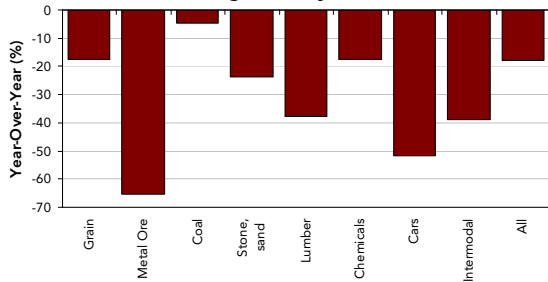


World economic conditions weakened in June, albeit at a lesser pace than earlier in the year. The U.S. economy showed signs of rising confidence and China continued to grow, but European prospects remained negative as much of the continent suffered from diminished trade, high unemployment, and high tax burdens. The OECD projected world GDP to fall 2.2% in 2009, while expanding 2.3% in 2010, as the U.S. and emerging economies, including China, regain their footings. Tensions in Iran spilled over into violence as protests erupted following a disputed presidential election. Short-term effects of Ahmadinejad's pronounced victory were minimal, with oil prices showing virtually no reaction, and threats of sanctions gaining little traction. California pleaded for federal assistance to pay its debts and was rejected, leaving the state to solve its budget problems internally. New York's legislative agenda was thrown into chaos as leadership in its Senate was challenged, causing delays in spending and tax reform.

Railroad Traffic Falls Significantly



Source: American Association of Railroads

The Federal Reserve maintained interest rates at 0-0.25%, while easing its stance about possible deflation. The Fed's Term Auction Facility, used to guarantee short-term financing, continued to contract as credit availability from traditional sources increased. The Facility, the Fed's largest lending program, fell from a high of \$455 billion in April, to just over \$330 billion in June. Support for the Facility was extended into 2010, while the program to guarantee money market funds will end in October. The money market support program was never implemented, as no funds under its backing fell below \$1 per share.

The monetary base has held steady in 2009, growing by less than 1%, as the Fed works to drawdown its support programs and ease future inflation concerns. With a \$900 billion expansion in money supply since June 2008, inflation remains a concern. Congress and the President have urged banks to lend more aggressively, however, unleashing a large amount of money into the economy too quickly will lead to inflation. The Federal Reserve is expected to raise the interest it pays on member banks' deposits, in order to incentivize banks to not withdraw reserves too quickly for loans and other investments.

Infrastructure money from the federal stimulus bill began arriving in greater amounts. Road construction and water projects comprised the majority of projects which have commenced. While about half of the money appropriated has been delivered, President Obama pushed for a more rapid dispersion of the remaining monies to help spur economic activity. A new highway bill faced delays as the President deferred his support until funding is found to pay for the bill, which is projected to cost \$450 billion over six years. The current appropriation ends in September, and the highway fund is projected to run dry in August, falling victim to decreased gasoline tax revenues.

Congress continued debate on healthcare proposals. Current healthcare spending is near \$7,400 per capita, while pending plans (aiming for \$100 billion annually) would increase that to \$7,700. A compromise remained distant, as consensus alluded legislators. Faced with a Medicare revenue shortfall beginning in 2016, cost constraints remain one of the largest obstacles to government involvement in healthcare, as higher taxes will be needed if benefits are not scaled back. The U.S. House narrowly passed legislation known as cap-and-trade, aimed at limiting carbon dioxide emissions. Senate passage faces stronger obstacles, as the resulting costs for consumers and businesses are weighed against potential benefits of the bill.

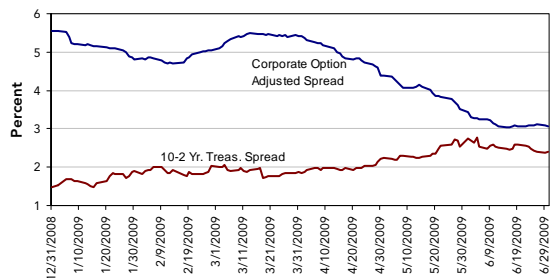
The Supreme Court issued precedent setting rulings on employment and evidence. A decision overturning a Connecticut racial discrimination ruling makes proving discrimination more stringent without evidence of intent to discriminate. A separate ruling on evidence tightened the factual requirements needed for evidence before bringing a case to trial. The ruling is expected to save businesses millions in legal defense costs.

Infrastructure Funds Start Flowing



Photo Courtesy of Don Delaney, Stratford Advisory Group

Corporate Spreads Drop, Treasuries Widen



Source: Barclays Capital

Market Returns

As of June 30, 2009

	June	3 Months	YTD
S&P 500	0.2%	15.9%	3.2%
Russell 1000 Value	-0.7%	16.7%	-2.9%
Russell 1000 Growth	1.1%	16.3%	11.5%
Russell 2000	1.5%	20.7%	2.6%
MSCI EAFE	-0.6%	25.4%	8.0%
Barclays Agg	0.6%	1.8%	1.9%
3-Month T-Bills	0.0%	0.1%	0.1%