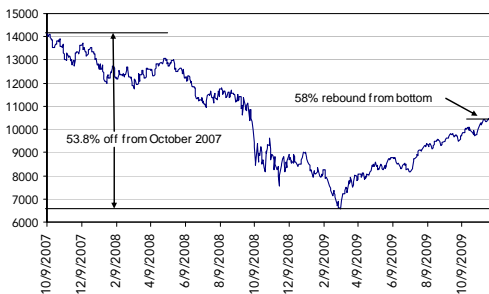


During November, the real estate bubble further collapsed in Dubai as Dubai World, a sovereign wealth fund of the city-state, delayed for six months \$59 billion in debt payments. Markets worldwide reacted negatively to the prospect of an overextended sovereign wealth fund defaulting. The U.A.E. government pledged local bank funding to assist debt payments, which is held mostly by Asian and European investors, but provided no direct loan support. On November 16, the U.S. federal debt passed \$12 trillion. Third quarter GDP was scaled back to 2.8%, reflecting downward revisions to business construction and consumer spending. In California, income tax collections were accelerated by 10% to cover massive budget shortfalls, with interest-free repayments expected sometime in 2010. As the Euro-region economies stabilize, the European Central Bank announced plans to reign in special support programs that provided emergency liquidity during the crisis. Tensions in the Middle East rose as Iran announced an expansion of its nuclear efforts, igniting world outrage and potential market uncertainty in the months to come.

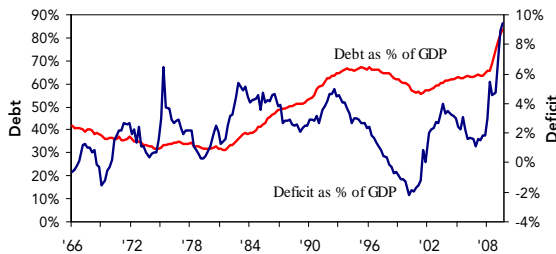
Dow Jones Rebound Continues



Source: Bloomberg

The unemployment rate rose to 10.2% in October, the first time it has surpassed 10% since June 1983. The construction, manufacturing, and hospitality sectors had the highest rates of unemployment, exceeding 18%, 12%, and 12%, respectively. The lowest rate of unemployment, 3.5%, was among government workers. Education/Healthcare and finance sector rates were the next lowest at 6% and 7%, respectively.

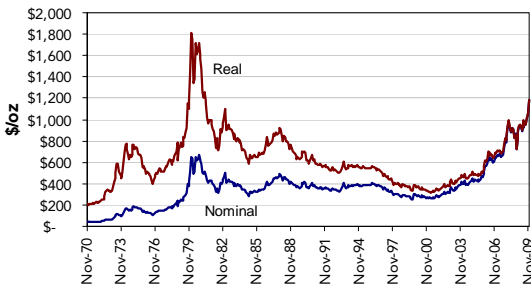
Debt and Deficit as % of GDP



Sources: Bureau of Economic Analysis; Bloomberg

The fallout from CIT's bankruptcy filing remains to be determined. The company provides financing for over one million smaller-sized businesses, and intends to continue lending operations while it reorganizes under Chapter 11 bankruptcy protection. Large businesses got a boost as Warren Buffett's Berkshire Hathaway purchased the remaining interest in the Burlington Northern railroad. Buffett sees it as a strategic purchase in anticipation of a recovery, which will be more dependent upon rail transport.

Real and Nominal Gold Prices



Sources: Bloomberg, Bureau of Labor

The federal homebuyer tax credit was extended and widened. Now applicable to purchases made by April 30, 2010, first-time buyers will receive \$8,000 in tax credits, while existing homebuyers will receive \$6,500. Home purchases in October saw a surge as the original deadline loomed. As the federal government pressures its agencies to extend mortgage credit, Fannie Mae requested an additional \$15 billion in bailout funds to shore up its reserves as foreclosure losses continued to pile up. As banks continued to fail, mainly due to bad real estate loans, the FDIC deposit reserve fund plunged into negative territory. It had earlier announced plans to shore up the fund in the coming years with an early collection of dues.

Market Returns

As of November 30, 2009

	November	3 Months	YTD
S&P 500	6.0%	7.9%	24.1%
Russell 1000 Value	5.6%	6.4%	17.6%
Russell 1000 Growth	6.1%	9.2%	33.1%
Russell 2000	3.1%	1.7%	17.7%
MSCI EAFE	2.0%	4.6%	29.9%
Barclays Agg	1.3%	2.9%	7.6%
3-Month T-Bills	0.0%	0.1%	0.2%

Mutual fund fees went to the Supreme Court in *Jones v. Harris*. The plaintiff accused Oakmark funds (the subject funds are managed by Harris Associates) of breaching its fiduciary responsibility by charging retail investors excessive fund fees compared to institutional investors. The Labor Department canceled plans to permit mutual fund companies to provide investment advice to defined contribution participants over concerns about protections afforded to fund companies.

Initial holiday shopping results were mixed, as more shoppers were active, yet per-shopper spending averages were below 2008 levels. Consumers gravitated towards the most heavily discounted items.

Gold hit an all time nominal high of \$1,195/oz. on November 25. The inflation adjusted high of \$1,812/oz. was reached in January 1980, after the price doubled in just six months. Investors continued to shun the U.S. dollar, following comments from Ben Bernanke about the government's support of a "strong" dollar.