

Stocks returned to favor in the third quarter despite lingering concerns about unemployment and the economy in general. Speculation that the Federal Reserve would take further steps to stimulate the economy sent stock indexes higher as quarter end neared. The result was the best September for the S&P 500 since 1939.

Corporate earnings continued to show strength during the quarter. When all reports were in, S&P 500 companies registered an impressive 29% growth in 2<sup>nd</sup> quarter earnings as compared to the prior year. Expectations are for continued growth in earnings in the second half of the year as well.

All sectors of the market produced gains in the 3<sup>rd</sup> quarter, led by the telecommunications and materials sectors. Industrial and consumer discretionary stocks also performed well and have performed best year to date. Financials were just up slightly during the quarter, lagging the market due to concerns about new industry regulation and problem loans.

We remain optimistic about the prospects for further gains from the equity market. Valuations remain attractive, even after September's market advance, and cash on corporate balance sheets has grown to very high levels. We expect dividend hikes, share repurchases, and acquisitions to accelerate as companies deploy excess cash.

Return of Various Market Indices								S&P 500		
Data as of: September-2010 [periods > 1 year annualized]								Economic Sector Returns		
Index	Last Month	Last Quarter	Year-to-Date	1 Year	3 Year	5 year	10 Year	Wgt.	Sector	YTD Return
3-Mo US T-Bills (Cash)	0.01%	0.04%	0.09%	0.10%	0.91%	2.41%	2.34%	10.1%	Consumer Discr.	13.37%
Barclays 1-3 Year Gov't Bonds	0.18%	0.62%	2.53%	2.62%	4.30%	4.48%	4.37%	10.5%	Industrial	13.25%
Barclays Gov't/Corp Bonds	0.27%	3.28%	8.95%	8.73%	7.46%	6.15%	6.52%	3.0%	Telecomm	11.06%
Dow Jones Industrial Average	7.85%	11.13%	5.57%	14.12%	-5.38%	3.13%	2.51%	11.4%	Consumer Staple	7.57%
DJ Wilshire 5000	9.47%	11.66%	5.33%	11.51%	-6.12%	1.37%	0.41%	3.6%	Utility	4.49%
S&P 500 Composite	8.92%	11.29%	3.89%	10.16%	-7.16%	0.64%	-0.43%	3.5%	Technology	2.78%
S&P/Citigroup Growth	10.12%	12.63%	3.63%	11.67%	-4.32%	1.71%	-2.86%	15.9%	Financial	0.69%
S&P/Citigroup Value	7.74%	9.98%	4.15%	8.54%	-10.13%	-0.55%	1.65%	18.9%	Materials	-0.09%
S&P 500 Utilities Sector	2.93%	12.35%	4.32%	11.90%	-3.75%	2.51%	1.08%	11.0%	Energy	-0.71%
Russell 2000 (Smallcap Stocks)	12.46%	11.29%	9.12%	13.35%	-4.29%	1.60%	4.00%	12.1%	Health Care	-0.72%
MSCI EAFE (Int'l Stocks)	9.82%	16.53%	1.46%	3.71%	-9.06%	2.45%	2.99%	100%	S&P 500	3.89%

