

The impressive stock market rally from March 2009 lows took a breather in the second quarter. Concerns early in the quarter about the health of European economies spread to the U.S. after economic data suggested the domestic economy's recovery may be slowing. New home sales slowed following the expiration of government tax credits for buying a home and the private sector continues to add jobs at a very slow pace.

Corporate earnings reports remained a bright spot during the quarter as S&P 500 companies reported much stronger 1st quarter earnings than in 2009. Analyst estimates for full year 2010 corporate earnings moved higher during the quarter as well.

There was nowhere to hide in the equity market as all economic sectors provided negative returns for the quarter. Sectors more sensitive to an economic recovery performed worst, with the materials and industrial sectors down sharply. Financial stocks also had a rough quarter on concerns about exposure to European debt and the future impact of financial industry reform legislation coming out of Washington.

While the S&P 500 ended the quarter about 15% below its 2010 high set in April, it still remains more than 50% higher than March 2009 lows. Current valuations in the equity market appear attractive and should support higher stock prices going forward.

| Return of Various Market Indices | | | | | | | | S&P 500 | | |
|----------------------------------|------------|--------------|--------------|--|---------|--------|---------|-------------------------|-----------------|------------|
| Index | Last Month | Last Quarter | Year-to-Date | Data as of: June-2010 [periods > 1 year annualized] | | | | Economic Sector Returns | | |
| | | | | 1 Year | 3 Year | 5 year | 10 Year | Wgt. | Sector | YTD Return |
| 3-Mo US T-Bills (Cash) | 0.01% | 0.04% | 0.05% | 0.09% | 1.27% | 2.57% | 2.49% | 10.5% | Industrial | -0.97% |
| Barclays 1-3 Year Gov't Bonds | 0.49% | 1.17% | 1.89% | 2.85% | 4.94% | 4.37% | 4.53% | 10.1% | Consumer Discr. | -1.55% |
| Barclays Gov't/Corp Bonds | 1.80% | 3.88% | 5.49% | 9.65% | 7.37% | 5.26% | 6.48% | 11.3% | Consumer Staple | -2.76% |
| Dow Jones Industrial Average | -3.43% | -9.36% | -5.00% | 18.94% | -7.39% | 1.66% | 1.68% | 15.7% | Financial | -3.54% |
| DJ Wilshire 5000 | -5.58% | -11.21% | -5.67% | 16.20% | -9.08% | -0.08% | -0.67% | 3.6% | Utility | -7.14% |
| S&P 500 Composite | -5.23% | -11.43% | -6.65% | 14.43% | -9.81% | -0.79% | -1.59% | 2.9% | Telecomm | -8.37% |
| S&P/Citigroup Growth | -4.72% | -11.28% | -7.99% | 12.59% | -6.90% | -0.22% | -4.61% | 12.3% | Health Care | -8.80% |
| S&P/Citigroup Value | -5.73% | -11.57% | -5.30% | 16.40% | -12.82% | -1.51% | 1.10% | 19.0% | Technology | -10.59% |
| S&P 500 Utilities Sector | -0.64% | -3.74% | -7.14% | 5.73% | -6.81% | 1.57% | 2.79% | 11.1% | Energy | -12.10% |
| Russell 2000 (Smallcap Stocks) | -7.75% | -9.92% | -1.95% | 21.48% | -8.60% | 0.37% | 3.00% | 3.5% | Materials | -12.81% |
| MSCI EAFE (Int'l Stocks) | -0.97% | -13.75% | -12.93% | 6.38% | -12.94% | 1.35% | 0.59% | 100% | S&P 500 | -6.65% |