

INNOVEST MONTHLY MARKET COMMENTARY

**April
2010**



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Latest Returns						
EQUITIES						
Index	Apr-10	3 months	YTD	1 Year	3 Years	5 Years
S&P 500	1.58%	11.04%	7.05%	38.84%	-5.05%	2.63%
S&P 400 Midcap	4.26%	17.52%	13.74%	48.92%	-0.44%	6.89%
S&P 600 Small Cap	5.85%	18.99%	14.96%	47.79%	-2.03%	5.87%
MSCI EAFE	-1.81%	3.60%	-0.96%	34.43%	-8.91%	3.86%
MSCI Emerging Markets	1.21%	9.77%	3.65%	57.13%	4.00%	16.56%
FIXED INCOME						
Index	Apr-10	3 months	YTD	1 Year	3 Years	5 Years
BC Aggregate Bond	1.04%	1.29%	2.84%	8.30%	6.32%	5.38%
BC Muni Bond 1-10 Yr	0.81%	1.09%	1.67%	5.26%	5.59%	4.55%
BC High Yield	2.34%	5.72%	7.07%	42.58%	7.02%	8.49%
BC Global Aggregate Bond	0.02%	-0.37%	0.04%	9.59%	6.21%	4.74%
CSFB Bank Loan Index	1.28%	3.80%	5.68%	32.27%	2.67%	4.38%
OTHER						
Index	Apr-10	3 months	YTD	1 Year	3 Years	5 Years
DJ UBS Commodity	1.94%	4.41%	-3.19%	21.97%	-6.64%	0.22%
DJ Wilshire US REIT	7.07%	24.72%	17.58%	72.11%	-9.98%	3.59%
S&P Developed World Property	3.20%	13.09%	7.41%	57.78%	-12.56%	3.35%
LPX 50 TR	1.68%	13.08%	14.41%	74.63%	-20.62%	-2.81%
HFRI Fund of Funds Index	0.98%	2.83%	2.45%	12.60%	-1.91%	3.41%
3 Month T-Bills	0.01%	0.02%	0.02%	0.15%	1.84%	2.86%

Returns provided by outside vendor. Innovest is not responsible for accuracy of numbers presented.

Bond Rates	4/30/2010	12/31/2009
U.S. Federal Funds Target Rate	0.25%	0.25%
U.S. Two-Year Treasury Yield	0.97%	1.14%
U.S. Ten-Year Treasury Yield	3.66%	3.84%
U.S. Ten-Year Muni Yield	3.20%	3.05%
High Yield (Merrill U.S. Corporates)	8.01%	8.63%

Exchange Rates	4/30/2010	12/31/2009
\$ per €	1.33	1.43
\$ per £	1.53	1.61
¥ per \$	94.01	93.10

The Economy

The U.S. economy continued its recovery from the deep recession as the first quarter's Gross Domestic Product (GDP) grew at an annualized pace of 3.2%. Unlike prior quarters when the growth was led by inventories and government related spending, the first quarter number was led by strong growth from the U.S. consumer. Consumer spending rose the most in three years, according to a report released by the U.S. Department of Commerce. Additionally, the Consumer Confidence Index increased to 57.9 in April, from 52.3 in March, an increase to the highest level since September 2008. However, the index still remains well below pre-recession levels, and many economists remain cautious about the stability of the U.S. consumer with unemployment at 9.9%. Over the past two years, the U.S. economy has lost 8.5 million jobs.

On the domestic housing front, home prices slipped for the fifth straight month, as many markets remained under

pressure from foreclosures and high inventories. However, applications to purchase homes rose 7.4%, as April 30, 2010 was the expiration of the home-buyer's tax credit. Lastly, the Federal Reserve reaffirmed its intention to keep interest rates unchanged near zero percent for an extended period due to benign inflation data. The central bank also moderately upgraded its assessment of the U.S. economy.

While the U.S. economy continued to show moderate signs of improvement, many international economies face significant challenges associated with the increasingly ominous European sovereign debt crisis. During the month of April, Standard & Poor's cut Greece's debt rating by three levels to junk status, while also reducing the ratings on debt in Spain and Portugal. Greece's budget deficit last year was 13.6% of GDP, one of the highest in Europe and more than four times the limit under the European Union rules. Their debt as a percentage of GDP is approaching 120%. Given the severity

of Greece's economic woes and the increasing threat of contagion, the International Monetary Fund and European leaders developed an aid package to help Greece avoid default. However, the package has numerous conditions and requires Greece to adopt austerity measures, which have been met by fierce protest among many Greek workers. The situation and potential ramifications have led to significant volatility in the financial markets, which are likely to continue until the threat of contagion to other economically weak and debt-engulfed countries begins to subside.

The Market

During the month of April, the S&P 500 Index gained 1.6%, its 12th positive total return month in the last 14 months. The trailing 12-month total return for the S&P 500, as of the end of April, was 38.8%, the ninth best trailing one-year return for the stock index in the last 20 years. For the month, nearly all U.S. equity markets provided positive returns for investors, with small and mid sized companies noticeably outperforming larger companies. Additionally, the most impressive gains were among more value-oriented indexes, which outperformed their growth counterparts. This dispersion in returns was largely influenced by strong earnings reports on a year-over-year basis from consumer discretionary, industrials and energy companies. Similar trends existed on year-to-date basis, as smaller, more cyclical companies with value characteristics outperformed. International stocks, noticeably underperformed during the month as the European sovereign debt crisis weighted heavily on investors' returns and many global currencies depreciated relative to the dollar. Within the fixed income markets, the Barclays Capital Aggregate Index was slightly positive for the month. From a sector standpoint, mortgages underperformed Treasuries in April as the Fed stopped buying mortgage-backed securities. The BBB credits continued to perform better than high quality credits. High yield bonds and floating rate leveraged loans continued their impressive run, generating year-to-date returns of 7.1% and 5.7%, respectively. Finally, REITs continued their strong rebound, appreciating 7.1% for the month and nearly 25% over the last three months.

Outlook

Despite a largely positive month for domestic markets and encouraging economic reports on the U.S. economy, the

sovereign debt crisis in Europe will likely remain a source of pessimism and continue to lead to increased volatility for the financial markets. The Dow Jones Industrial Average experienced three triple-digit moves in the last week of April as news continued to surface regarding the extent of the Grecian debt crises. Investors are concerned that even if a solution and its implementation ultimately help to stabilize Greece's financial situation, there is no guarantee that it will prevent financial contagion. Some market observers contend that the more important issue is the potential impact on other European countries with severe fiscal challenges, including Portugal, Spain, Italy and Ireland. Bailing out these countries with nearly \$4 trillion of combined outstanding public debt could have grave consequences for Europe and economies worldwide. However, as always, we remind investors of the importance of maintaining a diversified portfolio and staying focused on the long term. Overreacting to short-term market moves and trying to time the market can prove to be a costly endeavor. As well-regarded investor Peter Lynch commented, "Far more money has been lost by investors preparing for corrections or trying to anticipate corrections than has been lost in the corrections themselves."