INNOVEST MONTHLY MARKET COMMENTARY

January 2011

Doug Inglee
Research Analyst

Bond Rates	1/28/2011	12/31/2010
U.S. Federal Funds Target Rate	0.25%	0.25%
U.S. Two-Year Treasury Yield	0.55%	0.60%
U.S. Ten-Year Treasury Yield	3.33%	3.30%
U.S. Ten-Year Muni Yield	3.91%	3.75%
High Yield	6.99%	7.51%

Exchange Rates		
$ per €	1.36	1.34
$ per £	1.58	1.57
¥ per $	82.29	81.11

Latest Returns						
EQUITIES						
Index	Jan-11	3 months	YTD	1 Year	3 Years	5 Years
S&P 500	2.37%	9.23%	2.37%	22.19%	-0.05%	2.24%
S&P 400 Midcap	2.00%	11.91%	2.00%	33.46%	6.44%	4.95%
S&P 600 Small Cap	0.15%	11.67%	0.15%	30.93%	4.80%	3.01%
MSCI EAFE	2.36%	5.32%	2.36%	15.38%	-3.21%	1.72%
MSCI Emerging Markets	-2.71%	1.48%	-2.71%	22.48%	3.25%	9.81%
FIXED INCOME						
Index	Jan-11	3 months	YTD	1 Year	3 Years	5 Years
BC Aggregate Bond	0.12%	-1.53%	0.12%	5.08%	5.37%	5.83%
BC Muni Bond 1-10 Yr	-0.22%	-2.03%	-0.22%	2.31%	4.01%	4.50%
BC High Yield	2.21%	2.84%	2.21%	16.18%	11.69%	9.05%
BC Global Aggregate Bond	0.18%	-2.37%	0.18%	5.62%	4.96%	6.51%
CSFB Bank Loan Index	1.96%	3.81%	1.96%	10.13%	6.09%	4.68%
OTHER						
Index	Jan-11	3 months	YTD	1 Year	3 Years	5 Years
DJ UBS Commodity	1.00%	11.41%	1.00%	27.25%	-4.67%	1.01%
DJ Wilshire US REIT	3.55%	6.34%	3.55%	40.68%	1.35%	1.48%
S&P Developed World Property	1.55%	4.33%	1.55%	29.90%	-2.42%	1.66%
LPX 50 TR	2.53%	7.70%	2.53%	33.58%	-8.44%	-4.57%
HFRI Fund of Funds Index	-0.27%	1.79%	-0.27%	5.77%	-1.65%	1.79%
3 Month T-Bills	0.01%	0.03%	0.01%	0.13%	0.63%	2.36%

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

The Markets

During January, large-cap domestic stocks, as represented by the S&P 500 Index, finished the month with a gain of 2.37%, breaking a streak of three consecutive years when the S&P 500 Index started off a new year with a down month. Of the 133 subsectors that comprise the S&P 500 Index, 86 (65%) subsectors posted a gain during the month. Energy was the top performing major sector, up 7.3%. Mid-cap stocks underperformed large-cap stocks and outperformed small-cap stocks. Small-cap stocks eked out a fractional gain in January, significantly underperforming both large- and mid-cap stocks. International equities performed in line with large-cap domestic equities in January. Due to higher commodity prices as well as political instability in Egypt, emerging market stocks faced increased volatility and significantly underperformed their developed counterparts during the month

In the fixed income markets, high yield bonds finished January up 2.21%, outperforming the 10-Year Treasury (-0.37%) and the Barclays Aggregate Bond Index (0.12%), while underperforming equities for the month. CCC-rated bonds continued their run, returning 3.06% for January while relatively more conservative BB-rated and B-rated bonds returned 1.38% and 2.40%, respectively. The demand for municipal bonds was curbed in 2010 by concerns over significant budget deficits in many states, a trend that continued into the first month of 2011. According to the Investment Company Institute, net inflows to municipal bond funds totaled approximately $11 billion in 2010, down from $69 billion in 2009.

The Dow Jones-UBS Commodity index was up 1.00% in January thanks primarily to an increase in demand for metals used in manufacturing. The price of gold, which finished 2010 at $1,421 an ounce, fell to $1,333 per ounce. During January the price of oil remained virtually unchanged and closed the month at $92.19 per barrel. REITs outperformed nearly every equity market during January and continued to be one of the best performing asset classes since the equity market lows in March 2009.

The Economy

Economic news in January was mostly positive, beginning with the release of an improving fourth quarter GDP estimate and modest news on the labor market front. Retail sales continued to be a positive, while home sales continued to disappoint.

Fourth quarter GDP estimates released in January indicated

Doug Inglee~ Research Analyst ~ Innovest Portfolio Solutions LLC
4643 South Ulster Street, Suite 1040 ~ Denver, CO 80237
(303) 694-1900 ~ (303) 694-4707 fax ~ www.innovestinc.com

that the economic recovery gained modest momentum. During the final three months of 2010, GDP grew by 3.2%, accelerating from 2.6% in the prior quarter. During calendar year 2010, GDP increased by 2.9%, in contrast to a decrease of 2.6% in calendar 2009. Inventories grew by just $7.2 billion, resulting in a very large drag on growth. Offsetting the drag from inventories was a very large contribution from net exports. Exports rose by 8.5% while imports fell by 13.6%, resulting in a significant boost to GDP.

For only the third time since May 2008, the Consumer Confidence Index finished above 60. January's consumer confidence reading was better than expected, increasing from 53.3 to 60.6, at least three points stronger than the most optimistic forecast. Improved consumer confidence can likely be attributed to improvements in the labor market and an ongoing stock market rally. However, declining home prices and stubbornly high levels of unemployment continued to keep the Consumer Confidence Index at historically low levels. The Conference Board typically considers a score of 90 or more a good indicator of a solid economy. In addition, the Institute for Supply Management Manufacturing Index climbed to 60.8 in January, up from 58.5 in December. A reading above 50 indicates that the manufacturing economy is generally expanding. The January advance put the index at its highest level since 2004.

The January labor market report appeared to be more confusing than many previous reports. While payrolls grew by a modest 36,000 jobs, the unemployment rate dropped sharply from 9.4% to 9.0%, its lowest level since April 2009. Sectors hiring the most workers in January were leisure/hospitality and healthcare. The 0.4% decline in the unemployment rate was most likely driven by lower labor force participation. Many analysts believe that the drop in unemployment was most likely due to severe winter weather which kept people from seeking jobs, thus removing them from the workforce temporarily. Overall, jobless claims for unemployment insurance continued to decline, suggesting that layoffs have peaked. Job growth, however, is still anemic.

Outlook

While the short-term outlook appears to be positive for the United States economy and financial markets, the longer term remains full of challenges. Several factors continue to hinder recovery of the labor market, including tight bank lending, increased corporate efficiency and increased technology spending (spending that could be dedicated towards hiring). Firms that cut their expenses sharply during the recession are now operating more efficiently than in the pre-crisis period, and thus are not expected to hire back as many employees as the economic recovery continues. Additionally, the reduced availability of credit to small businesses and start-ups, two key sources of job creation, may continue to hamper job creation in the current economic recovery. The political turmoil in Egypt reminded investors that geopolitical risks are always present and caused them to question whether unrest will spread to other regions of the world.

Innovest has updated its five-year outlook for the economy and financial markets and looks forward to discussing our expectations with our clients. We continue to believe that prudent investors should develop realistic expectations and build a well diversified portfolio in accordance with their risk tolerances and return objectives.

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