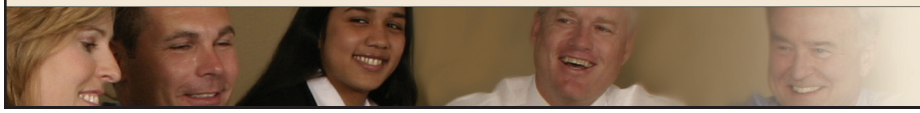
Monthly Market
COMMENTARY

INNOVEST
PORTFOLIO SOLUTIONS



Performance Powered by People

January 2009

Peter Mustian
Senior Analyst

LATEST PERFORMANCE	Jan-09	Y-T-D	1 Year	3 Year	5 Year
EQUITY					
S&P 500	-8.43%	-8.43%	-38.63%	-11.78%	-4.24%
S&P 400	-7.25%	-7.25%	-36.97%	-12.70%	-2.00%
S&P 600	-12.70%	-12.70%	-36.73%	-13.94%	-2.38%
MSCI EAFE	-9.81%	-9.81%	-43.74%	-12.25%	-0.70%
MSCI Emerging Markets	-6.46%	-6.46%	-50.12%	-10.23%	5.51%
FIXED INCOME					
Barclays Aggregate	-0.88%	-0.88%	2.59%	5.19%	4.30%
Barclays Muni Bond 1-10 Yr	3.05%	3.05%	5.15%	5.21%	4.00%
Barclays High Yield	5.99%	5.99%	-20.67%	-4.24%	-0.01%
Barclays Global Aggregate	-3.27%	-3.27%	-1.38%	5.34%	4.25%
CSFB Bank Loan	5.78%	5.78%	-22.25%	-6.46%	-1.87%
OTHER					
DJ-AIG Commodity	-5.38%	-5.38%	-41.57%	-10.82%	-1.23%
DJ-Wilshire US REIT	-18.08%	-18.08%	-49.95%	-19.72%	-4.03%
S&P-Citi World Property	-12.30%	-12.30%	-52.01%	-17.54%	-2.29%
Red Rocks Domestic LPE	-12.66%	-12.66%	-67.20%	-31.39%	-16.37%
Red Rocks Global LPE	-14.41%	-14.41%	-65.14%	-25.04%	-6.05%
HFRI Fund of Funds	0.98%	0.98%	-17.81%	-1.89%	1.89%
3-Month T-Bills	-0.01%	-0.01%	1.54%	3.85%	3.23%

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

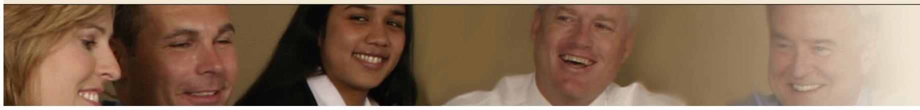
The Market

Following a short lived rebound from late November to early January, the equity markets proceeded to have their worst January ever, as measured by the performance of the S&P 500 Index and the Dow Jones Industrial Average. The continued release of bleak economic news and disappointing corporate earnings reports proved too difficult for the markets to overcome. During the month nearly all equity markets provided negative returns for investors. In a shift from 2008, large cap growth indexes outperformed smaller and more value-oriented indexes. This change was mostly a function of the dismal performance found within the financial sector, as investors' fears of further write-downs and the potential collapse of certain U.S. banks continued to mount. International stocks slightly underperformed domestic equities, and emerging markets surprisingly outperformed developed markets. Within the fixed income markets, the Barclays Capital Aggregate Index was slightly negative for the month. However, high yield bonds and floating rate leveraged loan products significantly outperformed as credit spreads began to narrow. REITs struggled mightily and their 18% monthly decline offset their nearly 18% gain in the month of December. Lastly, on the back of the slight rebound in credit, hedge funds posted a net gain in January with the HFRI Fund of Funds composite index gaining 0.98%.

The Economy

During the month of January the preliminary fourth-quarter gross domestic product (GDP) report was released, which showed that the US economy contracted at an annualized rate of -3.8%. Although this contraction was better than many economists had expected, it represents the largest decline since 1982. Not only were consumer spending and business investment levels down, but the report

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



revealed a sharp rise in inventories. This increase in inventories is concerning because it indicates that companies could not sell goods fast enough even after cutting back on production. The current quarter is also likely to remain weak.

Recent news on the U.S. housing market has been mixed. During the month it was announced that home sales rose 6.5% in December. However, one reason for the increase in sales was due to the depressed prices currently found in many housing markets. The median home price fell 15.3% in a year, from $207,000 in December 2007 to $175,400 in December 2008. Lastly, the markets were also forced to deal with some ominous employment data. The Labor Department reported that employers slashed 598,000 jobs in January -- the single highest monthly job-loss total since December 1974. These job cuts brought the U.S. unemployment rate up to 7.6%, its highest level since September 1992.

Outlook

Clearly the economy faces many grave challenges as we move ahead in 2009. However, during these taxing times we believe it is important to remain forward-looking and recognize there are some reasons to remain cautiously optimistic. According to a report from BlackRock, lower energy prices are providing a boost to spending; lower home prices and lower mortgage rates have made housing more affordable; money growth has picked up; and credit spreads continue to narrow. Additionally, there is substantial historical evidence that illustrates that periods of significant negative returns have generally been followed by periods of strong positive returns. After the worst portion of the Great Depression, the cumulative return on stocks for the five-year period after May 1932 was 367%. More recently, following the worst recession in 25 years, the cumulative return on equities during the five years after July 1982 was 267%. Further, equity valuations are currently very attractive, and cash levels are at all-time highs. The current normalized (five-year trailing) P/E ratio is 13.0, which is significantly lower than the long-term (December 1930 to November 2008) average P/E ratio of 17.2. Collectively the markets are currently inundated with competing forces, and its difficult to draw hard conclusions on which factors will ultimately prevail and when. However, during these times we continue to recommend a well diversified and disciplined investment approach, which we believe is the key to long-term success.

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