











The Economy

Aside from the close monitoring of U.S. job growth, which has yet to accelerate to meaningful levels, the news has been encouraging with respect to commercial real estate. The consensus among REIT analysts calls for double-digit returns in 2011, the third year in a row, according to REIT.com. Analysts are looking at a range of 10-15%. REIT returns averaged 28% over the past two years. John Perry, analyst at Deutsche Bank Securities, noted that fundamentals in all major sectors had either stabilized or turned positive. REITs are beginning to raise their dividends and Perry sees it continuing throughout 2011. Overall, nonfarm productivity (+2.6% in Q4'10 vs. 2.4% 20-yr. avg.) suggests that companies are operating efficiently at current staffing levels.

Consumer Confidence 60.6 (Jan) 52.5 (Dec) 	Crude Oil (Mo.-End) \$92.19 (Jan) \$91.38 (Dec) 	Personal Spending 0.7% (Dec) Nov was 0.4% 	ISM Manufacturing 60.8 (Jan) 57.0 (Dec) 	ISM Non-Manufacturing 59.4 (Jan) 57.1 (Dec) 
Gold (Mo.-End) \$1333.80 (Jan) \$1421.40 (Dec) 	Natural Gas (Mo.-End) \$4.42 (Jan) \$4.41 (Dec) 	Factory Orders 0.2% (Dec) Nov was 0.7% 	New Home Sales 329,000 (Dec) 290,000 (Nov) 	Existing Home Sales 5.28M (Dec) 4.68M (Nov) 

The Stock Market

Indices (Source: Bloomberg)

	Jan	12-mo.
S&P 500	2.4%	22.2%
DJIA	2.9%	21.4%
NASDAQ 100	2.9%	32.1%
S&P 400	2.0%	33.5%
Russell 2000	-0.3%	31.4%
Russell 3000	2.2%	24.0%
MSCI World (ex U.S.) (USD)	2.2%	17.5%
MSCI Emerging Markets (USD)	-2.7%	22.6%

Growth/Value (Source: Bloomberg)

	Jan	12-mo.
S&P 500 Citigroup Growth	1.5%	23.2%
S&P 500 Citigroup Value	3.2%	21.3%
S&P Midcap 400/Citigroup Growth	1.4%	37.8%
S&P Midcap 400/Citigroup Value	2.6%	29.3%
Russell 2000 Growth	-0.6%	34.4%
Russell 2000 Value	0.1%	28.4%

Eighty-six out of the 133 subsectors (65%) that comprise the S&P 500 posted a gain in January, down from 125 last month, according to S&P. Energy was the top performing major sector, up 7.3%. In January, the dividend-payers (374) in the S&P 500 (equal weight) posted a total return of 2.08%, vs. 2.10% for the non-payers (126), according to Standard & Poor's. For the 12-month period ended January, payers were up 24.30%, vs. a gain of 24.60% for the non-payers. The number of dividend increases in January totaled 29, up from 15 increases a year ago. There were no decreases, compared to one a year ago. The broader stock market has now more than doubled off its low on 3/9/09, as measured by the 103.7% cumulative total return on the Russell 3000 Index. This market-cap weighted index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market, so it has some mid- and small-cap exposure. The S&P 500 Index, which is primarily a market-cap weighted index of large-cap stocks, posted a 97.7% cumulative total return since the 3/9/09 low. That indicates that despite its (Russell 3000) exposure to mid- and small-caps, their impact on its performance was muted by the overweight in large-caps. The S&P 400 (mid-caps) and Russell 2000 (small-caps) returned 135.1% and 133.4%, respectively.

U.S. Dollar (U.S. Trade-Weighted Basket) -1.1% (Jan thru 28 th) -3.6% (12-mo. thru 1/28) \$ was down 5.9% in '09 	CBOE Total Equity Options (# of contracts in millions) Jan: 58.0 (+25.3%)  Dec: 46.3 (-4.9%) Record 7/08: 67.2 million	Short Interest (NYSE) Jan 14: 12.6B (-5.3%)  Dec 15: 13.3B (-3.6%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 19.53 (1/31)  17.75 (12/31) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)

	Jan	12-mo.	Yield
U.S. Treasury: Intermediate	0.30%	4.13%	1.52%
GNMA 30 Year	-0.02%	5.36%	3.70%
Municipal Bond (22+)	-1.54%	-0.91%	5.73%
U.S. Aggregate	0.12%	5.06%	2.97%
Intermediate Corporate	0.66%	7.21%	3.31%
U.S. Corporate High Yield	2.21%	16.19%	7.02%
Global Aggregate	0.18%	5.30%	2.82%
Global Emerging Markets	0.10%	10.72%	5.83%

The selling pressure that hit the municipal bond market in December continued in January. While most debt groups were flat to up, tax-frees were down about 1.5%. The appetite for municipal bond funds was curbed in 2010 by concerns over severe budget shortfalls in such states as California, New York and Illinois. Net inflows to municipal bond funds totaled \$11.2 billion in 2010, down from \$69.1 billion in 2009, according to the Investment Company Institute. Fears over the potential for rising defaults, the wind down to the Build America Bond program (may result in higher tax-free issuance in 2011) and the two-year extension to the Bush tax cuts (qualified stock dividends and capital gains more attractive) likely added to the pressure. Until investors receive some better guidance on tax-frees, the corporate sector still trumps sovereigns.

Key Rates as of January 31 Fed Funds 0-0.25% 2-Yr. T-Note 0.57% 10-Yr. T-Bond 3.37% 30-Yr. Mortgage 4.81% Bond Buyer 40 5.76% (Source: Bloomberg)	Key Yield Spread The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Bond was 417 basis points on 1/31/11, down from 457 on 12/31/10. It was 565 on 1/29/10. (Source: Bloomberg)	2010 Debt Issuance (Source: Thomson Reuters) <table border="1"> <thead> <tr> <th>Debt Category</th> <th>\$ Amount</th> <th>% change over '09</th> </tr> </thead> <tbody> <tr> <td>Treasury</td> <td>\$2.30 Trillion</td> <td>+11.0%</td> </tr> <tr> <td>Corporate</td> <td>\$1.02 Trillion</td> <td>+12.5%</td> </tr> <tr> <td>Convertible</td> <td>\$29.1 Billion</td> <td>-11.8%</td> </tr> <tr> <td>Asset-Backed</td> <td>\$109.3 Billion</td> <td>-27.6%</td> </tr> <tr> <td>Municipal</td> <td>\$433.1 Billion</td> <td>+5.7%</td> </tr> </tbody> </table>	Debt Category	\$ Amount	% change over '09	Treasury	\$2.30 Trillion	+11.0%	Corporate	\$1.02 Trillion	+12.5%	Convertible	\$29.1 Billion	-11.8%	Asset-Backed	\$109.3 Billion	-27.6%	Municipal	\$433.1 Billion	+5.7%
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Equity funds reported net cash inflows totaling \$826.0 million in 12/10, vs. an upwardly revised \$511.0 million of inflows in 11/10, according to the Investment Company Institute. Bond fund outflows totaled \$20.4 billion, vs. \$849.0 million of outflows in 11/10. Money Market fund outflows totaled \$8.9 billion, vs. \$24.7 billion of inflows in 11/10. In 2010, equity funds reported net outflows totaling \$28.8 billion, vs. \$246.0 billion of inflows for bond funds and \$524.1 billion of outflows for MMFs.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	1565.15	10/09/07	676.53	03/09/09	1286.12	-17.83%	2.37%	1.81%
S&P 500/Citigroup Growth	730.83	10/12/07	363.99	03/09/09	668.66	-8.51%	1.54%	1.65%
S&P 500/Citigroup Value	836.19	07/13/07	307.16	03/09/09	608.64	-27.21%	3.23%	1.99%
S&P 400	939.56	01/18/11	372.88	10/09/02	924.77	-1.57%	2.00%	1.29%
S&P 400/Citigroup Growth	419.43	01/18/11	162.27	10/09/02	412.15	-1.74%	1.36%	0.82%
S&P 400/Citigroup Value	361.18	06/04/07	135.55	10/09/02	325.81	-9.79%	2.63%	1.76%
S&P 100	729.79	10/09/07	322.13	03/09/09	579.23	-20.63%	2.49%	1.93%
DJIA	14164.53	10/09/07	6547.05	03/09/09	11891.93	-16.04%	2.85%	2.39%
NASDAQ 100	2607.16	02/01/01	804.64	10/07/02	2281.91	-12.48%	2.91%	0.77%
Russell 2000	855.77	07/13/07	327.04	10/09/02	781.25	-8.71%	-0.26%	1.27%
Russell 2000 Growth	455.25	10/10/07	169.69	10/09/02	437.90	-3.81%	-0.56%	0.70%
Russell 2000 Value	1276.63	06/04/07	469.32	03/09/09	1057.95	-17.13%	0.06%	1.87%
Russell 3000	907.58	10/09/07	389.61	03/09/09	765.14	-15.69%	2.18%	1.71%
MSCI World x U.S. (USD)	5379.90	10/31/07	1636.59	03/12/03	4259.12	-20.83%	2.15%	N/A
MSCI Emerging Markets (USD)	473.35	10/29/07	75.12	09/21/01	425.16	-10.18%	-2.71%	N/A
Bovespa/Brazil (USD)	44638.24	05/19/08	2160.80	10/16/02	39803.24	-10.83%	-4.35%	3.50%
RTS/Russia (USD)	2487.92	05/19/08	161.27	04/04/01	1870.31	-24.82%	5.65%	1.45%
Bombay SE 500/India (USD)	226.04	01/07/08	16.50	09/21/01	155.28	-31.30%	-12.78%	1.33%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	423.15	-47.77%	-0.44%	1.48%
KOSPI/South Korea (USD)	2.29	10/31/07	0.36	04/04/01	1.85	-19.48%	2.13%	0.89%
Hang Seng (USD)	4082.25	10/30/07	1078.13	04/25/03	3007.19	-26.33%	1.47%	2.67%
MSCI Euro (USD)	1988.53	10/31/07	598.84	03/12/03	1232.91	-38.00%	7.42%	3.52%
S&P Consumer Discretionary	318.54	06/04/07	125.72	03/09/09	293.42	-7.89%	-0.66%	1.45%
S&P Consumer Staples	306.61	12/10/07	182.72	03/10/03	298.26	-2.72%	-1.56%	3.23%
S&P Energy	668.81	05/20/08	163.83	07/23/02	543.84	-18.69%	7.33%	1.65%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	161.03	-28.08%	1.16%	4.19%
S&P Financials	509.55	02/20/07	81.74	03/06/09	220.70	-56.69%	2.84%	1.10%
S&P Banks	414.38	02/20/07	49.02	03/05/09	151.73	-63.38%	2.03%	0.86%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	443.41	-34.46%	4.12%	3.51%
S&P Health Care	426.93	05/07/07	252.84	03/05/09	366.18	-14.23%	0.51%	2.09%
S&P Pharmaceuticals	463.96	02/12/01	214.50	03/03/09	291.13	-37.25%	-1.99%	3.68%
NYSE Arca Biotechnology	1333.16	01/18/11	280.09	07/10/02	1279.57	-4.02%	-1.39%	1.24%
S&P Information Technology	566.74	02/01/01	172.88	10/09/02	421.56	-25.62%	4.23%	0.84%
Philadelphia Semiconductor	732.19	01/31/01	171.32	11/20/08	440.51	-39.84%	7.00%	1.01%
S&P Telecom Services	227.72	02/01/01	79.00	09/30/02	123.79	-45.64%	-2.78%	5.29%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	313.88	-17.65%	4.30%	1.89%
S&P Materials	285.91	05/16/08	102.55	10/09/02	239.26	-16.32%	-0.06%	1.73%
Philadelphia Gold & Silver	228.76	12/06/10	45.82	02/14/01	199.92	-12.61%	-11.68%	0.95%
Reuters/Jefferies CRB	473.52	07/02/08	183.52	10/22/01	341.42	-27.90%	2.59%	N/A
Merrill Lynch Perpetual Preferred	197.85	05/08/07	51.79	03/09/09	154.76	-21.78%	0.72%	7.19%
Merrill Lynch High Yield Master II	266.60	01/31/11	106.67	10/10/02	266.60	0.00%	2.10%	7.54%