

OUR 2009 FIRST QUARTER MARKET SCORECARD

Economy	Negative	The U.S. economy officially entered a recession in December 2007. GDP declined -6.3% in the fourth quarter of 2008 down from -0.5% during the third quarter. Exports turned down sharply. Consumer spending continued to decline. Business investment decreased. Forecasts were for this downturn to be the most severe post WWII recession. ¹
Employment	Negative	Unemployment increased to 8.5% in March with a sharp loss of 663,000 jobs. This brought the number of unemployed persons to 13.2 million. Since the recession began, 5.1 million jobs have been lost, with almost two-thirds of the decrease in the last five months. Total employment declined with the civilian labor force at 140.9 million employed persons. ²
Productivity	Neutral	Labor productivity slipped in the fourth quarter and declined by -0.4% in both the business and nonfarm business sectors. Year-over year, productivity increased by +2.2%. Durable goods manufacturing declined by -14.8% in the fourth quarter due to double digit declines in output and hours worked. ³
Housing	Negative	The housing market continued to be difficult but the excess inventory declined. In February, existing home sales rose +5.1% and pending home sales rose +2.1. Interest rates on most mortgages reached historic lows. An \$8,000 tax credit for first time home buyers created renewed interest in purchasing homes as median home prices fell. ⁴
Consumer	Negative	The Consumer Confidence Index declined sharply in February and was flat in March nearly at an all-time low of 26.0 (1985=100). Apprehension existed in consumers minds for the outlook of the economy, the labor market, and earnings. Consumers were pessimistic and do not expect a turnaround over the coming six months. ⁵
Liquidity	Neutral	Over the past year, the Federal Reserve, Treasury, & FDIC implemented a number of new tools to deal with the financial crisis. This included increasing lending to financial institutions, providing liquidity to key credit markets, and purchasing longer-term securities. As a result, many financial markets improved to near-normal levels. ⁶
Inflation	Positive	Headline inflation (including energy & food) decreased -0.5% (annualized) over the past three months ending in February and increased 0.2% over the past twelve months. As a result, deflation fears continued. However, core inflation (excluding energy & food) increased 1.5% for the past three months and 1.8% for the year. ⁷
Interest Rates	Positive	The Federal Reserve continued to hold short-term rates at very low levels and expanded their balance sheet to bring down long-term rates in hopes of stimulating the economy. This was part of the Fed's statement that they will employ all available tools to promote the economic recovery and to preserve price stability. ⁸
Earnings	Negative	4 th quarter corporate profits fell -15.5%, the largest decline since the 4 th quarter of 1953. Financial corporate profits fell -59% and non-financial corporate profits fell -11%. For the full year of 2008, corporate profits fell -10.1% compared to 2007. Earnings in 2009 should reflect broader economic weakness but may be up provided financial write-downs abate. ⁹
Valuations	Positive	Stocks continued to be undervalued historically and relative to bonds as the S&P 500 earnings yield was 3.2% above the 10 year Treasury yield. The trailing P/E ratio for the S&P 500 was 16.9x and forward P/E ratio was 13.3x. versus a 20 year average of 22.5x as of 3-31-09. Many asset classes appeared attractive assuming a return to economic growth. ¹⁰
Investment Returns	Negative	During the first quarter, major domestic stock indices were negative with growth stocks outperforming value. International stock indices were generally negative with the exception of Emerging markets. Fixed income indices were generally positive with leadership from High Yield, TIPS, and Emerging Markets Debt. Treasuries and Corporate Bonds were slightly negative during the quarter.

Important disclosures on back page.

Sources:

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| 1 Sources: Bureau of Economic Analysis & Univ. of Michigan | 2 Sources: Bureau of Labor Statistics |
| 3 Sources: Bureau of Labor Statistics | 4 Sources: National Association of Realtors |
| 5 Sources: The Conference Board | 6 Sources: Federal Reserve Bank Beige Book |
| 7 Sources: Bureau of Labor Statistics | 8 Sources: Federal Reserve Board of Governors |
| 9 Sources: Bureau of Economic Analysis & J.P. Morgan | 10 Sources: J.P. Morgan |
| 11 Sources: Wall Street Journal and J.P. Morgan | |

The prices of small and mid cap company stocks are generally more volatile than large company stocks. Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. High-yield bonds, also known as junk bonds, are subject to greater risk of loss of principal and interest, including default risk, than higher-rated bonds. Past performance is not a guarantee of future results.

The price/earnings (P/E) ratio is the price of a share of a stock divided by earnings per share, usually calculated using the latest year's earnings. The Russell 2000 Index consists of the smallest 2,000 securities in the Russell 3000 Index. This is the Frank Russell Company's small capitalization index that is widely regarded in the industry as the premier measure of small capitalization stocks. The Russell 3000 Index is composed of the 3,000 largest U.S. securities, as determined by total market capitalization. The Russell Midcap™ Index measures the performance of the 800 smallest companies in the Russell 1000® Index. The Russell 3000 Index is composed of the 3,000 largest U.S. securities, as determined by total market capitalization. The S&P 500 (a registered trademark of the McGraw Hill Companies) is an unmanaged, index of common stock. The indices are presented to provide you with an understanding of their historic long-term performance and are not presented to illustrate the performance of any security. Investors cannot directly purchase any index.

The MSCI Emerging Markets Index (EMF) is a free float-adjusted market capitalization index that is designed to measure equity market performance. As of May, 2005, the index consisted of the following 26 developed market country indexes: Argentina, Brazil, Chile, China, Columbia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, Turkey, and Venezuela.

The Consumer Confidence Index (CCI) is a unique indicator, formed from survey results of more than 5,000 households and designed to gauge the relative financial health, spending power and confidence of the average consumer. The index started in 1985 at 100 and is normalized based on the Consumer Confidence level when it began.

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