

OUR 2010 SECOND QUARTER MARKET SCORECARD

Economy	Positive	Real gross domestic product (GDP) rose 2.7% in the 1 st quarter following a 5.6% increase in the 4 th quarter. This moderation was due to a slowdown in inventory, exports, business investment, and housing. NABE forecasters estimate that GDP will grow by 3.2% for the full year of 2010. The Leading Economic Index increased 0.4% in May. ¹
Employment	Negative	Unemployment rate declined to 9.5% in June from 9.7% in March. Nonfarm payroll employment decreased by 225,000 in June; but private-sector employment increased by 83,000. The number of unemployed persons also declined to 14.6 million in June. Total employment increased slightly to 139.1 million in June. ²
Productivity	Positive	Labor productivity increased in the 1 st quarter by 2.8% in the nonfarm business sector. Year-over-year, productivity increased by 6.1% in the nonfarm business sector. Unit labor costs fell 4.2% over the last four quarters as output per hour increased by 6.1% while hourly compensation only increased by 1.6%. ³
Housing	Negative	Existing home sales declined slightly by 2.2% in May following the expiration of the home buyer tax credit at April 30 th . A bill is pending to extend the closing deadline to September 30 th . As a result, May pending home sales fell sharply as expected. Interruption of the National Flood Insurance Program and the Gulf oil spill has also delayed potential sales. ⁴
Consumer	Neutral	The Consumer Confidence Index declined sharply in June to a level of 52.9 following a reading of 62.7 in May (1985=100). Consumers were apprehensive about the future state of the economy and the slowdown in job growth. Their short-term outlook turned pessimistic in June due to concern over worsening business conditions. ⁵
Liquidity	Neutral	Since the financial crisis began in August 2007, many new government programs were implemented. The Federal Reserve's balance sheet ballooned from \$869 billion on 8/8/07 to \$2.334 trillion on 6/30/10. Bank lending activity was mixed in most Federal Reserve Districts as both commercial and consumer lending remained weak. ⁶
Inflation	Positive	CPI – Core Inflation (excluding energy & food) increased 0.1% in May and increased 0.9% over the past twelve months. This was well below the 2.0% average annual increase over the past 10 years. However, CPI - Headline Inflation (including energy & food) decreased by -0.2% in May and increased by 2.0% for the past year. ⁷
Interest Rates	Positive	During the 2 nd quarter, the yield curve flattened as investors became concerned about future economic growth prospects. The 317 basis point spread on the yield of 10-year vs. 3-month Treasuries dropped from a spread of 368 basis points in March. This suggests weak GDP growth over the next year. Thirty-year fixed rate mortgages declined to 4.80%. ⁸
Earnings	Positive	S&P 500 operating earnings rose 13% to \$19.41 in the 1 st quarter 2010 from \$17.16 in the 4 th quarter 2009. Forecasts were for this trend to continue as the economy improved. Revenue growth was subdued, but corporate profits benefited from productivity gains, declines in labor costs, and low interest rates. ⁹
Valuations	Positive	Stocks appeared undervalued as earnings continued to grow while stock prices declined. The S&P 500 earnings yield increased to 8.7% which was 5.7% above the 10-year Treasury yield of 3.0%. The S&P 500 trailing P/E ratio was 14.7x versus a 20-year average of 19.8x at 6/30/10. The forward P/E ratio was 11.5x versus a 20-year average of 17.2x. ¹⁰
Investment Returns	Negative	During the 2 nd quarter, most bond indices enjoyed gains in the range of 3% to 6% while stock indices lost value. The S&P 500 lost -11.4% during the 2 nd quarter and -6.7% YTD. The MSCI EAFE declined by -13.8% during the 2 nd quarter and -12.9% YTD. The MSCI EM declined by -8.3% in the 2 nd quarter and -6.0% YTD. ¹¹

Important disclosures on back page.

Sources:

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| 1 Sources: Bureau of Economic Analysis, Nat'l Assoc. for Business Economics, and The Conference Board | 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 System and Fed Beige Book |
| 7 Sources: Bureau of Labor Statistics | 8 Sources: Cleveland Federal Reserve Bank and Wall Street Journal |
| 9 Sources: J.P. Morgan | 10 Sources: J.P. Morgan |
| 11 Sources: Wall Street Journal and J.P. Morgan | |

Past performance is not a guarantee of future results. Positive, negative, and neutral scores are historical, based on CapTrust's research and opinions of 2nd quarter activities and events in the domestic and/or global markets. Therefore, scores should not be interpreted as a forecast of the future market environment.

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.

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 Russell Investment'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 (EMI) is a free float-adjusted market capitalization index that is designed to measure equity market performance. As of June, 2010, the index consisted of the following 22 developed market country indexes: Brazil, Chile, China, Columbia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The Consumer Confidence Index[®] (CCI) is a unique indicator, formed from survey results of a representative sample of 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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