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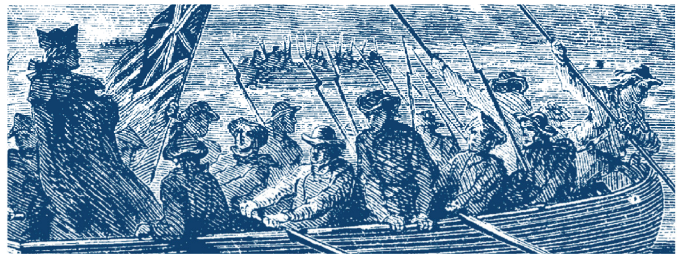

Quarterly Update
January 6, 2010

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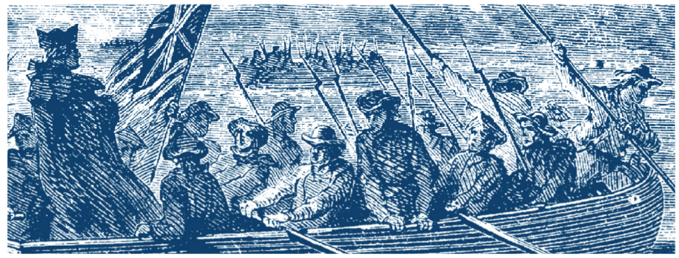
Tactical Asset Allocation Observations First Quarter 2010

- Improvement continues to be seen in credit and the U.S. economy, along with global production and trade.
- Portfolio changes have been made throughout 2009 in response to these changes. Unlike a year ago, when portfolio concentration in riskier assets was very low, we have increased exposure to economically sensitive risk assets in portfolios.
- Equity focus has been broadened out from a large cap, domestic growth bias to incorporate foreign stocks, smaller capitalization stocks, and value segments of the equity market. Sector concentration has been refocused on sectors levered to changes in global output.
- The momentum of improvement in the economy can be seen in our various indices that track credit, the domestic economy, and trade. We believe that this momentum is attributable to unprecedented government intervention, along with the depth of the falloff in activity that preceded 2009.

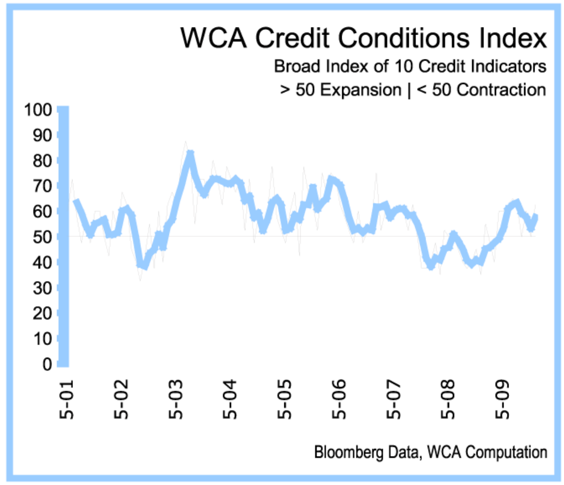
- The WCA Composite Conditions Index rose to 78.
- The WCA Credit Conditions Index rose to 63.
- The WCA U.S. Economic Conditions Index rose to 82.
- The WCA Foreign Conditions Index rose to 89.

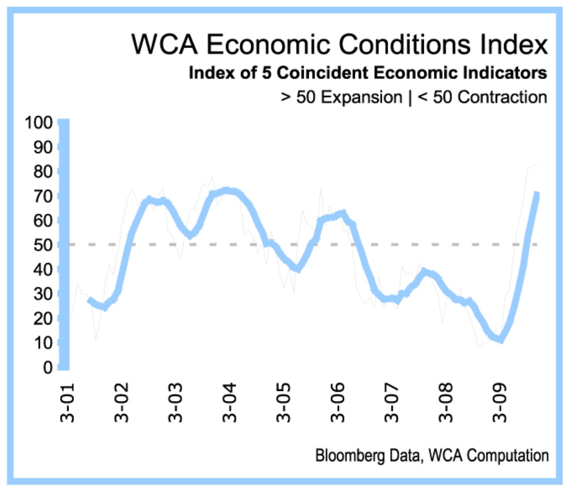


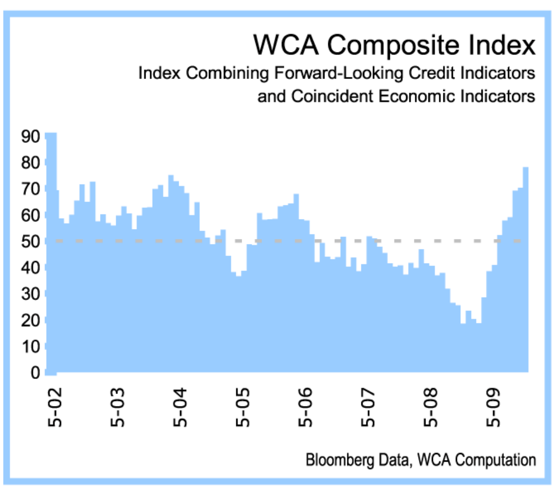
Quantitative Economic Observations

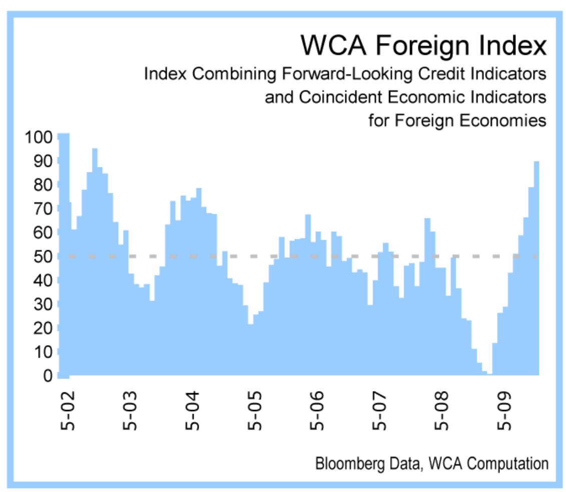
The economy improved during the fourth quarter as seen in the form of positive developments in credit markets, the domestic economy, and trade. While overall levels of economic activity remain well below those seen in 2007, the rate of change has become modestly positive for several items. The pace of job loss, for example, has now flattened out. There are some signs that retail sales are better, foreign trade has improved, and so on. We now estimate that the U.S. economy's recession trough occurred in the first half of 2009, and that S&P 500 earnings reached their trough in the third quarter of 2009. From a purely quantitative standpoint, the rate of change in composite data is similar to the improvement seen at the beginning of the last recovery, as our WCA Composite Conditions Index has risen above 70 (see Composite Chart).

In recognition of the improved data, equity exposure was boosted throughout 2009 across all portfolios. As we will discuss later, we remain mindful that extraordinary actions taken by the government and the Fed are not sustainable in the face of continued rapid advances in this data. Withdrawal of stimulus, in its many and varied forms, will be a key thematic for 2010. This withdrawal will provide the first real test of the durability of recovery for the private sector.









Market Currents

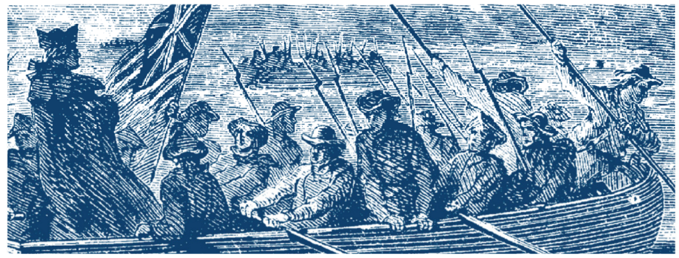
You might be wondering what all the excitement was about in the stock market last year. After all, there seems to be lots to be concerned about in the economy. Unemployment is very high (north of 10%), housing is in the doldrums (home prices are down some 30% from the peak), and deficits are widespread. Nonetheless, the U.S. stock market has regained 50% of its losses from the 2007 peak, based on S&P 500 performance. Commodity markets have regained about 25% of their losses, based on the Commodity Research Bureau's Commodity Price Index. National real estate prices have recently regained about 10% of their drop, based upon the 10-City S&P/Case-Shiller Index. Long-term Treasury Bonds have lost ground over the past year. Cyclical sectors like industrials, materials, consumer, and technology performed much better than defensive sectors like consumer staples, utilities, and telecommunications. Even inflation-protected Treasury bonds and Gold rose throughout the year relative to plain vanilla Treasury bonds. What gives?

Simply put, markets have begun to expect recovery (instead of recession) by looking at the "marginal changes" in data. In other words, trends need to become "less bad" before they improve. The charts on the previous page capture that phenomenon. But in addition to sniffing out recovery in the "less bad" data, they have also concluded that falling prices, or deflation, is no longer a threat. That is why gold, inflation-protected Treasuries, and commodity prices have staged something of a comeback lately. Whether these are correct assumptions or not remains to be seen, but suffice it to say that markets are hoping for 2009's "marginal improvements" to be a down-payment on further improvements as economic recovery and inflation becomes more entrenched.

One way to look at expectations priced into markets is to look at what analysts expect for earnings. The consensus opinion among analysts is for strong growth in S&P 500 profits during 2010. They currently expect the S&P 500 to earn $76 by the end of 2010[1], which would be a marked 30-40% improvement over 2009. With the S&P closing out 2009 at 1,115, the market is trading at a not unreasonable 15 times those expected earnings. Supporting stock prices from here, however, requires that these earnings expectations are met – which is where things get more difficult. Specifically, a key factor in getting to $76 is that revenue growth hits targets. It is currently expected that revenue will grow by 7% over the year, which is a tall order, especially when considering that pricing power is largely absent in the face of weak demand and an overall weak price level in the economy. Credit demand is also absent, which makes the hurdle even higher. Our own forecast envisions something less robust in earnings growth. We assume $70 as our starting forecast for the year predicated upon continued decent performance by the economy as seen in our WCA Composite Conditions Index. While our estimates are less rosy, we are sticking with our previous contention that S&P 500 earnings reached a cyclical trough in the third quarter of 2009 and will work higher from there.

Do not confuse, however, improvement in the stock market for instant relief to the challenges that lay ahead for the U.S. economy. Better functioning credit and equity markets are a necessary, but insufficient, prerequisite for whatever recovery might proceed from here.

[1] Bloomberg data



As we have said elsewhere, we believe the accumulated debt burden and burden of malinvestments from the past cycle of credit expansion will remain with us. The price tag for government intervention to bail out the economy will create additional burdens on top of existing debt and exacerbate already under-funded entitlement program obligations. Higher taxes and re-regulation of significant portions of the economy will create additional headwinds.

As the market moves higher, increased pressure is put on the economy and corporations to deliver results, and for policy makers to withdraw supports. The typical seasonal pattern for early year optimism in earnings typically fades as data accumulates throughout the year. So for markets to deliver on expectations, it is imperative that revenue accelerate. To do that, volume demand and prices must also move higher and stabilize, respectively. Tax rates must remain unchanged, and cost to borrow must remain at or near current levels. Write-downs of bad assets must continue to subside and fall below the overall level of profits. Naturally, a material rise in interest rates would also pressure valuations and make a sustained advance in equity markets more difficult. In short, this is the markets' "to do" list for 2010.

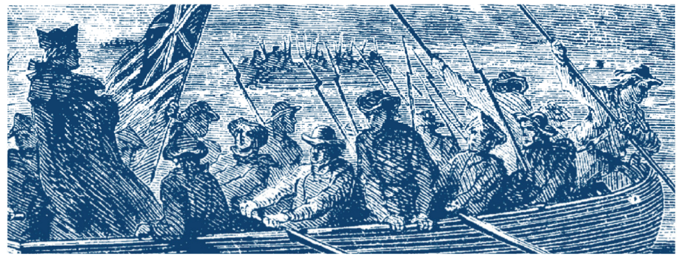
Any significant deterioration in the economic backdrop should show up in the data and increase the likelihood that results fall short of expectations. Hence, we will continue to update you on the various indicators that help drive our tactical allocation decisions as seen on the prior page.

2009 Model Portfolio Changes

Stocks ⇧ Bonds ⇩
During 2009, we increased equity exposure to 68% of financial assets from 34% of financial assets in balanced portfolios. Growth portfolios saw an increase in equity exposure to 88% of financial assets from 60%. Conservative portfolios saw an increase in exposure to 44% from 12%. These changes reflect improvements seen in our WCA Composite Conditions Index, as seen on page 2. We also recognized the emergence of trends favoring risk assets as the year progressed. Economic data trends remain favorable, as seen in our WCA Composite Conditions Index, and the relative price performance by equities remains strong compared to bonds.

Foreign ⇧ Domestic ⇩
A renewed decline in the foreign exchange value of the dollar, coupled with recovery in commodities markets, led to renewed out-performance by foreign stocks over domestic and, in particular, emerging markets over developed. Beginning in June, we added significant exposure to foreign assets to the equity and bond portion of portfolios. Foreign exposure as a percent of overall equity exposure was increased to 40% of equity exposure compared to 0% at the start of 2009. Foreign bonds were raised to 20% of the bond portfolio. As the year closed, we noted some reversal in the prevailing dollar trend and have added foreign assets to our "watch list" for potential action in 2010.

Cyclical ⇧ Defensive ⇩
During October 2009, a shift in markets occurred, favoring cyclical sectors (such as technology, materials, consumer discretionary) over defensive sectors (such as utilities, telecommunications, and healthcare). This shift is consistent with improvement in our WCA Composite Conditions Index.



Small ⇧ Large ⇩
During August 2009, exposure to mid and smaller capitalization sectors was increased to 28% of holdings from 18% of holdings at the start of the year. Although smaller capitalization stocks typically lead larger capitalization stocks during recoveries, the relative performance of small versus large throughout 2009 has been uneven. Nonetheless, smaller capitalization companies have performed better through the close of the year in tandem with a stronger dollar, as mentioned earlier.

Growth ⇧ Value ⇩
During November 2009, portfolio exposure was tilted toward growth and away from value. At the start of the year, the mix of growth and value was more evenly distributed. Sectors such as computers, retail, software, telecommunications, and healthcare products are among the heaviest weights in the growth segments. Value, on the other hand, is dominated by banks, oil and gas, and pharmaceuticals.

Corporate Bonds ⇧ Treasuries ⇩
Higher yields on corporate bonds relative to Treasuries set the stage for a rally in corporate bonds compared to Treasury bonds. We saw spreads on the Moody's Baa corporate bond index reach more than 6% higher than 10-year Treasury bonds in early 2009. Those more attractive yields, coupled with evidence of improvement in the economy, reduced the risk of default while still offering relatively attractive yields to assume the risk of corporate default. By midyear, with expected default rates falling, corporate credits established sustained uptrend relative to Treasuries. In June, corporate bond exposure was increased and preferred stock exposure was added while Treasury exposure was cut.

Bond Duration Bonds ⇩
As a result of changes in our credit index and observations about inflation emerged, our average duration in the portfolio was trimmed. Extended duration Treasury bonds, which helped portfolios in the later part of 2009 but produced a drag early in 2009, were replaced with bonds of a shorter average duration.

Watch List

A few of the more timely focus items we see, and their potential impact on portfolios:

Recovery durability
Impacts: Stocks vs. Bonds; Cyclical vs. Domestic Sectors; Credit vs. Treasuries.

Dollar direction
Impacts: Foreign vs. Domestic Exposure; Large vs. Small Equity Exposure.

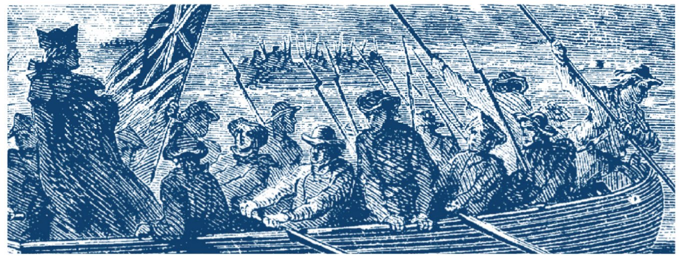
Inflation
Impacts: Commodities vs. Bonds; Stocks vs. Bonds; Short- vs. Long-Term Bonds.

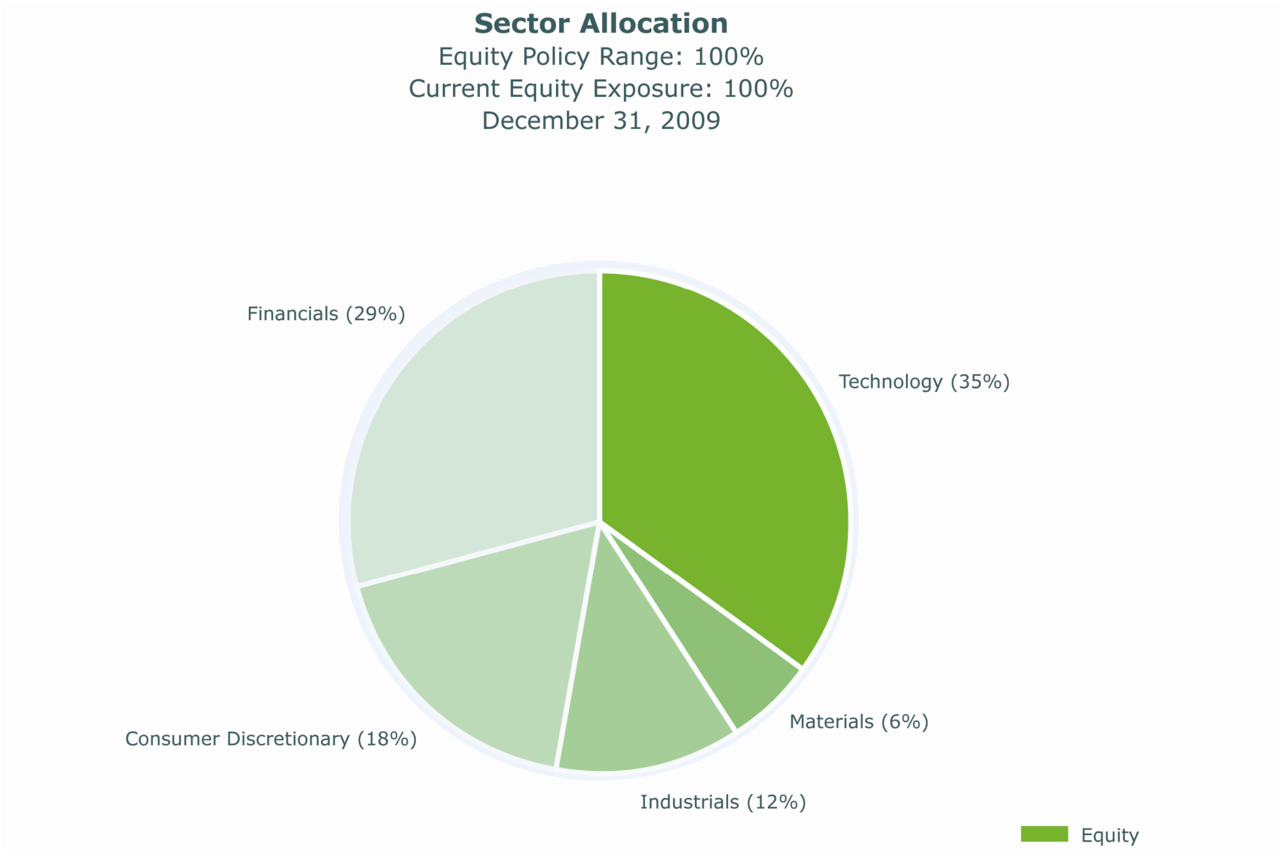
Healthcare
Arguably cheap on a relative basis, but underperformance continues. Potentially interesting to investors given demographic changes, consistency of cash flow, and lower relative valuation. Watching for turn.

Energy
Group is the only cyclical category to underperform in 2009 despite commodity price lift. If commodity price rally persists, group should find a bid.

Sector Portfolio Changes

Sector	Current Weight	S&P 500 Weight	Comments
Technology	35%	18.5%	Technology spending is expected to increase in 2010, as companies seek to make productivity improvements to improve profitability. Expansion of wireless data services is the key driver for data processing. The sector possesses strong cash position, with modest debt and leverage.
Healthcare	0%	13.1%	Healthcare underperformed in 2009. Lack of earnings leverage to recovery and uncertainty over reform cause near-term drag. Recent improvement in relative performance suggests potential relative improvement post healthcare reform. Cash flows remain supportive of share buybacks.
Staples	0%	11.5%	Higher commodity prices pressure margins; relative earnings momentum lackluster. However, consistent profitability makes this sector a strong defensive position should economic recovery stall.
Discretionary	18%	9.2%	Consumer discretionary companies have performed better than the market of late, as consumer spending has perked up a bit. Although volumes at retailers are down, sales growth appears to be stabilizing. Coupled with better inventory management, potential for earnings momentum is improved.
Financials	29%	15.3%	Spread business is improved, and much of the TARP funding has been repaid. Loan volumes remain poor, however, and potential for renewed weakness in housing and more write-downs remains a potential risk. The group has not recovered nearly as much as the broad market and remains cheap by most historic valuation measures.
Energy	0%	11.7%	Energy has lagged the broad market of late despite rise in commodity prices. This divergence should not continue indefinitely.
Telecom	0%	3.2%	Intense competition, large capital spending requirements, and heavy debt loads are making life difficult for some carriers. Soft economy is also contributing to the group's relative underperformance.
Industrials	12%	10.3%	Global recession collapsed demand for industrial goods, but modest improvements have raised hopes for normalizing earnings over time. Inventory management has been better than past cycles, and emerging markets / weak dollar helping exports for some U.S. manufacturers.
Utilities	0%	3.7%	Electricity demand remains weak; materially lower interest rates as a driver for yield-oriented electric utilities is not likely, in our view.
Materials	6%	3.5%	Overcapacity remains in many industries, but generally improved commodity price levels are helping drive earnings.





Investment Posture

- Economically sensitive sectors (those with earnings closely tied to economic growth, such as technology, materials, industrials, and consumer discretionary) have enjoyed the leadership role in the economy since March, while the more defensive sectors have tended to lag. Technology and consumer discretionary sectors have provided the most powerful leadership among the cyclical sectors.
- The more stable and consistent defensive sectors (those with earnings less closely tied to economic growth, such as healthcare, utilities, staples, telecom, and financials) have lagged.

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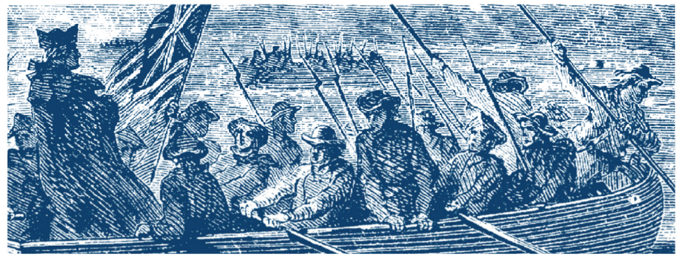

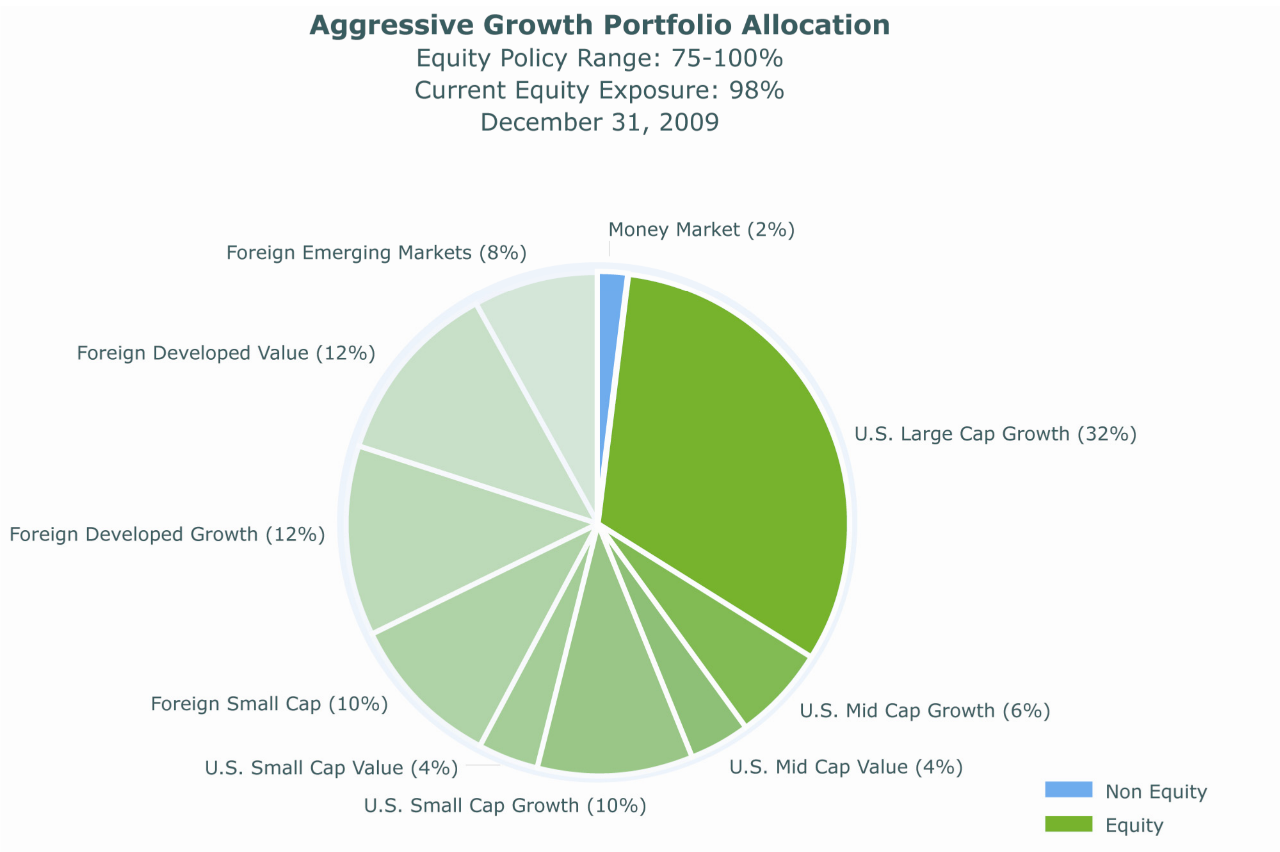

Investment Posture

This portfolio is intended to be a complement to a bond portfolio or as an investment for highly risk tolerant investors. The portfolio's target common stock range is 75-100% invested at all times. Currently, the portfolio is 98% invested, with the remainder held in cash or equivalents.

- We expect this portfolio to be more volatile than the broad equity market and appropriate for the most risk-oriented investors. The portfolio has no bonds and little cash and is thus more exposed to prospects for economic growth. The portfolio has a combined gross dividend yield (before fees and expenses) of 1.9%.

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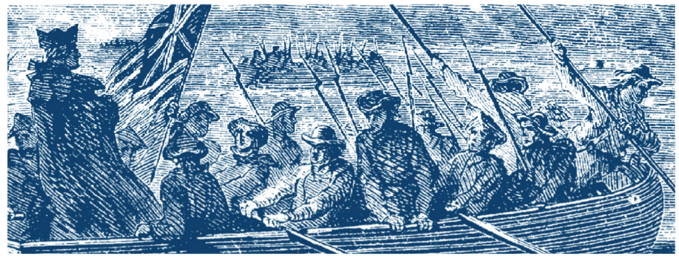
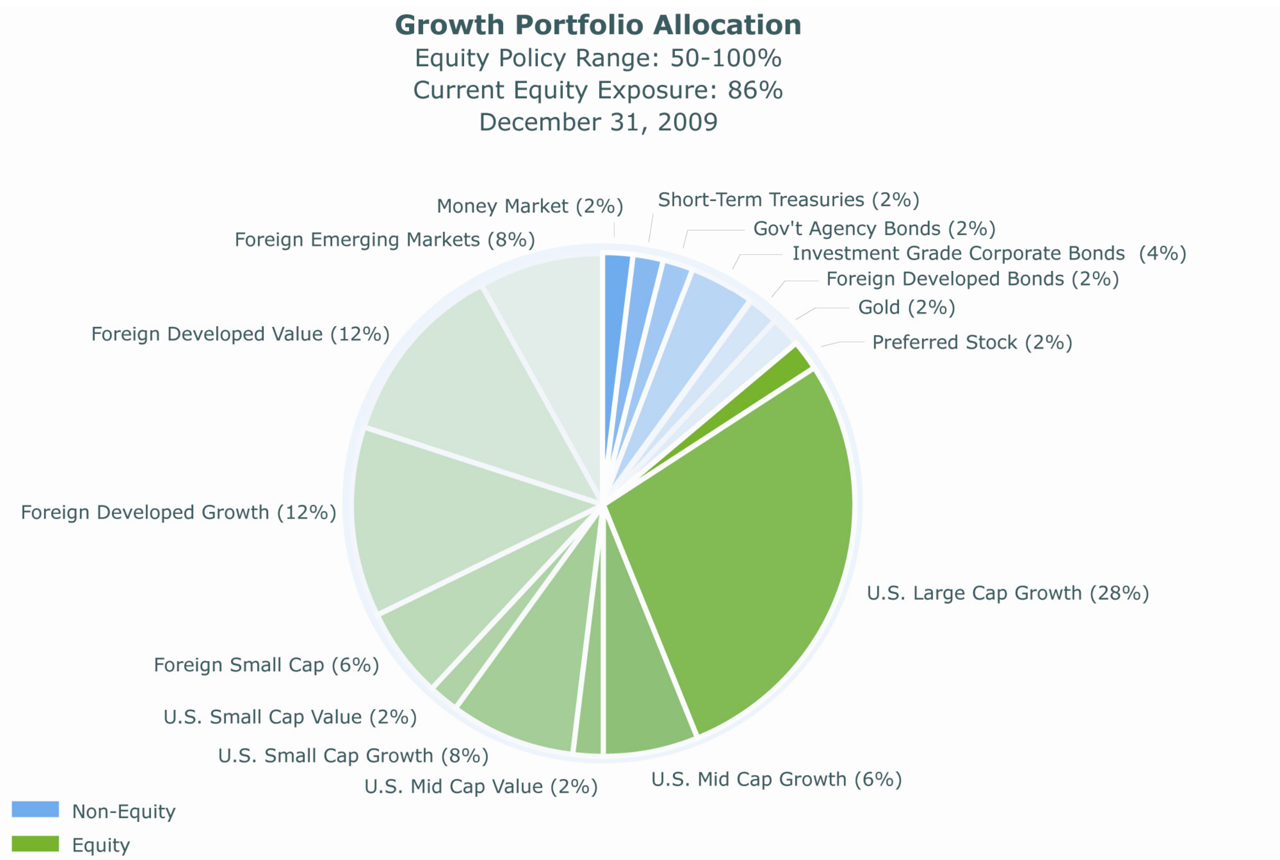




Investment Posture

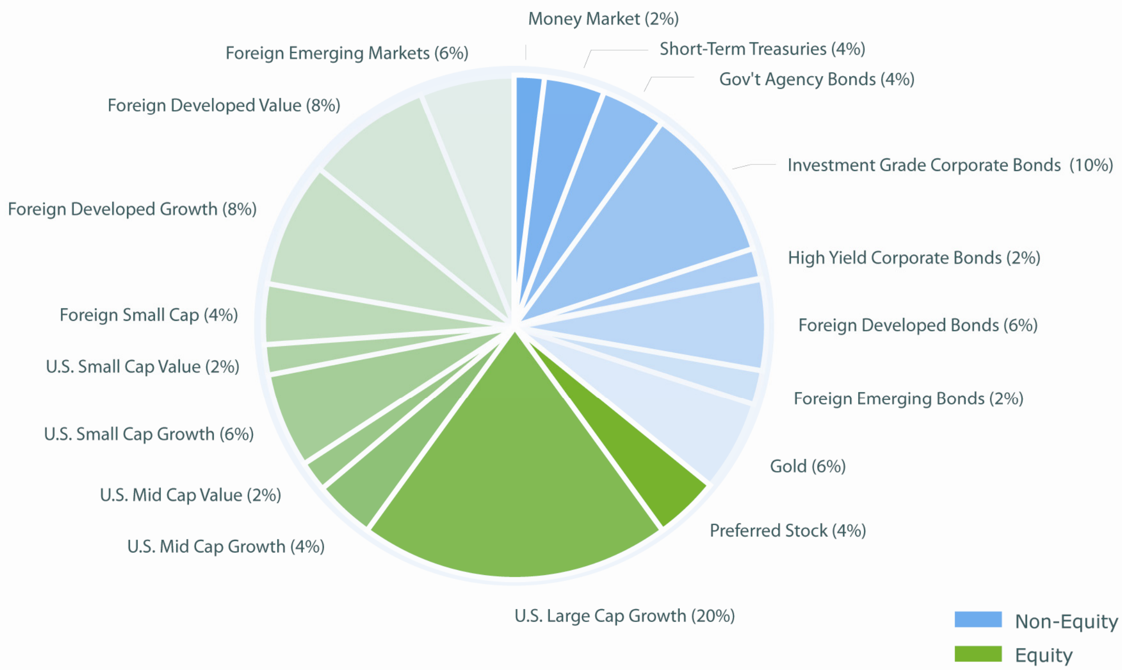
The growth portfolio model recommends between 50-100% of exposure to common stocks. It is most appropriate for investors with a long investment time horizon and a higher than average tolerance for risk.

- ❖ This portfolio is more heavily concentrated in equities, but includes some exposure to bonds. At present, the equity component in the portfolio is above the midpoint of target policy range at 86% of portfolio value. The target range is 50-100%. This higher exposure is consistent with the higher reading in our WCA Composite Conditions Index™.

- ❖ The portfolio should produce greater volatility than a portfolio with lesser equity exposure and is appropriate for risk-oriented investors with a longer time horizon. The portfolio carries a gross dividend yield, before fees and expenses, of 2.2%.

Balaned Portfolio Allocation

Equity Policy Range: 25-75%
Current Equity Exposure: 64%
December 31, 2009



Investment Posture

The balanced portfolio invests between 25-75% in common stocks. It provides primarily a mix of equity and fixed income investments. It is most appropriate for investors with a long to medium time horizon and moderate risk tolerance.

- ❖ The balanced portfolio has a higher percentage of its assets allocated to non-common stock investments than either our growth or aggressive growth portfolios, which invest primarily in common stock.

- ❖ This portfolio offers a more balanced mix of stocks and bonds appropriate for investors with a more moderate risk profile. As such, the portfolio should offer a return more consistent with a diversified mix of assets than either the growth or aggressive growth portfolios. The portfolio has an indicated gross dividend yield, before fees and expenses, of 2.4%

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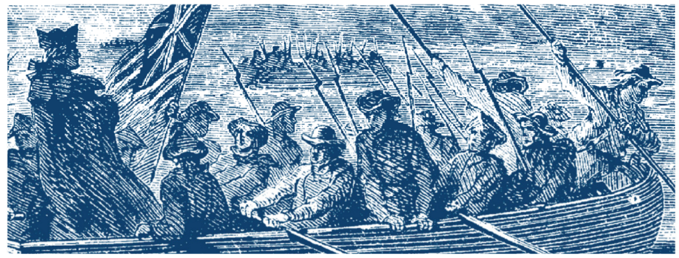
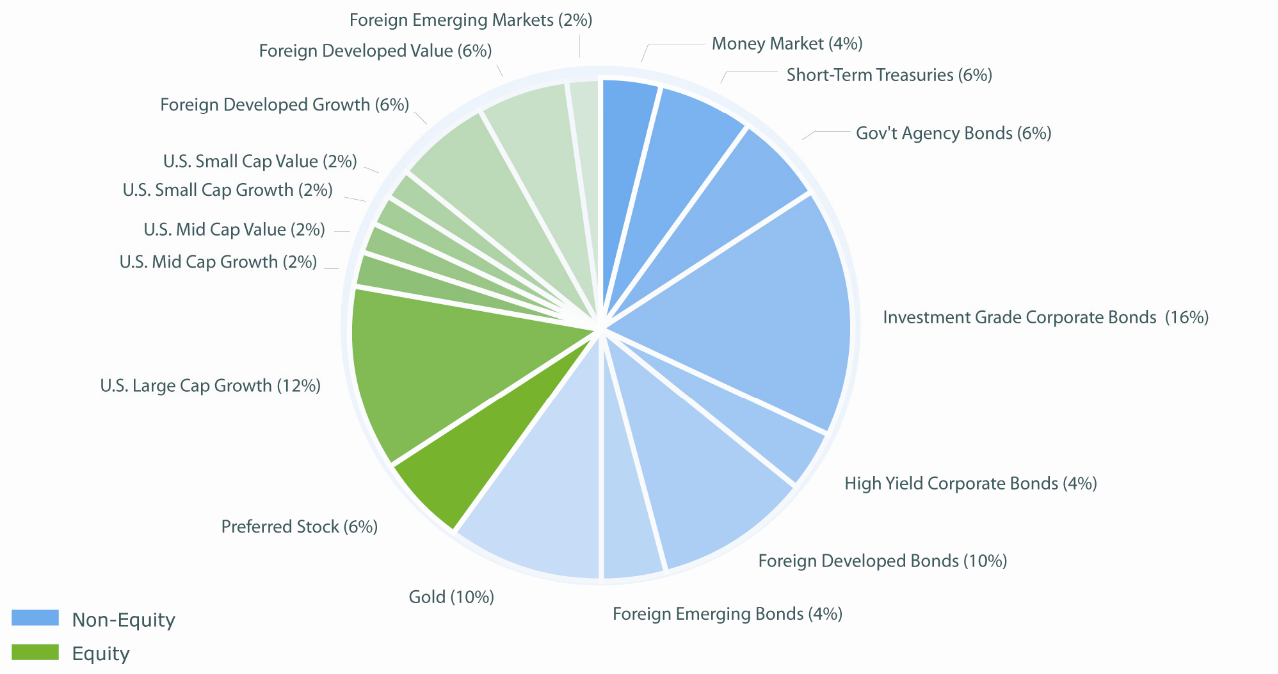


Conservative Portfolio Allocation

Equity Policy Range: 0-50%

Current Equity Exposure: 40%

December 31, 2009

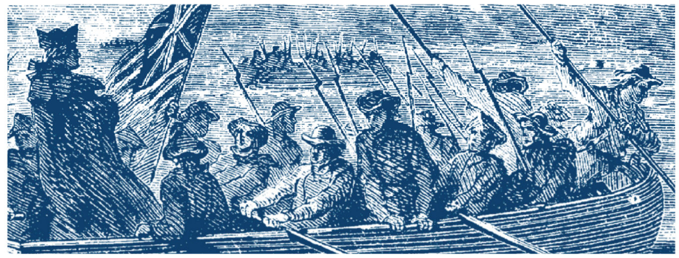


Investment Posture

The conservative portfolio invests between 0-50% in common stocks. This portfolio offers a more conservative mix of equity, bond, and shorter-term Treasury instruments. Investors with a short to medium time horizon and lower risk tolerance who desire some modest growth may prefer this option.

- Economic and credit trends remain under pressure. Accordingly, the equity exposure in this portfolio has been small, and bonds have been overweighted for some time now.

- The portfolio invests mainly in fixed income instruments, but can have equity investments in the portfolio up to 50% of portfolio value. The portfolio is, therefore, more appropriate for investors with less ability to sustain risk associated with a more fully invested equity portfolio. The portfolio's indicated gross dividend yield, before fees and expenses, is 2.9%

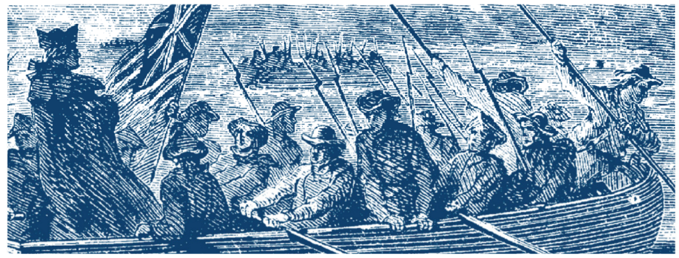


Databank: Economy

Economic Data Source Data: Bloomberg	Current Reading	3 Month Average	6 Month Average	9 Month Average
Private Sector Employment (Year/Year % Change)	-4.2%	-4.4%	-4.8%	-4.7%
Initial Jobless Claims (Year/Year % Change)	-15.4%	-10.4%	11.9%	30.2%
Real Personal Income (Index level; December 31, 2000 = 1)	-4.4%	-4.3%	-4.3%	-4.4%
Retail Sales (Year/Year % Change)	1.9%	.1%	-4.8%	-6.5%
Consumer Expectations (Survey Index Level)	66.5	67.4	67.7	65.8
Consumer Price Index (Year/Year % Change)	1.8%	1.0%	-0.8%	-0.8%
CRB Commodity Price Index (Year/Year % Change)	23%	18%	-10%	-21%
Durable Goods Orders to Inventory Ratio	42%	42%	41%	40%
Average Work Week (Hours)	40.4	40.3	40.0	39.8
Building Permits (Thousands)	584.0	575.6	570.7	550.1

Credit Data Source Data: Bloomberg	Current Reading	3 Month Average	6 Month Average	9 Month Average
6Mo Commercial Paper / T-Bill Spread	18 Bps	23 Bps	35 Bps	51 Bps
Term Spread (3-Month / 10-Year Treasury)	379 Bps	343 Bps	334 Bps	331 Bps
Credit Spread (Moody's Baa / 10-Year Treasury)	248 Bps	284 Bps	305 Bps	357 Bps
Conforming Mortgage Spread (30-Year Mortgage / Treasury)	36 Bps	65 Bps	84 Bps	80 Bps
Stocks vs. Bonds Performance (12-Month Change)	45.8%	23.3%	0.9%	-11.7%
Credit Card Delinquencies (Percent >30 Days Past Due)	6.2%	6.1%	5.9%	6.0%
Credit Card Payments (Avg. Percent of Bill Paid)	16.4%	16.8%	16.9%	16.7%
Real Short-Term Interest Rates (T-Bill Less Yr/Yr CPI Change)	-1.8%	-1.1%	0.3%	0.7%
Bank Loans and Federal Reserve Assets (Total; Yr/Yr Change)	11.4%	10.2%	11.0%	10.8%
Consumer Credit Outstanding	-3.6%	-3.4%	-3.2%	-2.3%

Foreign Data	Current Reading	3 Month Average	6 Month Average	9 Month Average
German Industrial Production (Year/Year % Change)	-13.0%	-13.0%	-15.7%	-17.6%
German Exports (Year/Year % Change)	-17.6%	-17.6%	-20.2%	-21.1%
Japan Industrial Production (Year/Year % Change)	-8.6%	-8.6%	-17.1%	-21.8%
Japan Exports (Year/Year % Change)	-12.9%	-12.9%	-28.0%	-32.6%
Euro Zone Industrial Production (Year/Year % Change)	-5.8%	-5.8%	-6.9%	-6.4%
Euro Zone Exports (Year/Year % Change)	-12.3%	-12.3%	-18.9%	-21.1%
China Cargo Handled At Ports (Year/Year % Change)	2.4%	2.4%	0.8%	-0.6%
China Exports (Year/Year % Change)	-5.8%	-5.8%	-16.2%	-18.1%
Brazil Industrial Production (Year/Year % Change)	-5.1%	-5.1%	-8.4%	-9.7%
Brazil Exports (Year/Year % Change)	-26.1%	-26.1%	-29.3%	-24.4%



Index Definitions

Barclays U.S. Government Inflation-Linked Bond Index measures the performance of the U.S. Treasury Inflation-Protected Securities ("TIPS") market. Used as a proxy for "inflation-protected bonds."

Bloomberg/EFFAS Bond Indices U.S. Government 1-3 Year Total Return Index is a transparent benchmark for government bond markets. Indices are grouped by country and maturity sectors. Bloomberg computes daily returns and index characteristics for each sector. Used as a proxy for "short-term Treasuries."

Bloomberg/EFFAS Bond U.S. Government 10+Year Total Return Index is a transparent benchmark for the total return of the 10+ year U.S. Government bond market. Used as a proxy for "long-term Treasuries."

FINRA-Bloomberg Active Investment Grade U.S. Corporate Bond Index and **FINRA-Bloomberg Active High Yield U.S. Corporate Bond Index** are comprised of the most frequently traded investment-grade and high yield U.S. corporate fixed coupon bonds represented by the Financial Industry Regulatory Authority (FINRA) transaction reporting facility.   Used as proxy for "high-yield bonds."

FTSE NAREIT Equity REIT Total Return Index is a total return performance index of all equity REITs tracked by NARIET. Used as a proxy for REITs.

MSCI EAFE International Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets excluding the U.S. and Canada. As of June 2007, the MSCI EAFE Index consisted of 21 **developed** market country indices. Used as a proxy for "developed foreign."

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. Used as a proxy for "emerging markets."

Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 index. The **Russell 3000 Index** measures the performance of the 3,000 largest US Companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. Used as proxy for domestic "large cap stocks."

Russell 2000 Index measures the performance of the 2,000 smallest companies in the broader Russell 3000 index. Used as proxy for "small cap domestic stocks."

Russell 3000 Growth Index measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. Used as proxy for "domestic growth stocks."

Russell 3000 Value Index measures the performance of those Russell 3000 Index companies with lower price-to-book ratios. Used as proxy for "domestic value stocks."