



September 2011 Outlook

ECONOMIC & FINANCIAL LANDSCAPE

<i>Index Performance (as of 8/31/11)</i>	<u>YTD (%)</u>	<u>1 Yr (%)</u>	<u>3 Yr (%)</u>	<u>5 Yr (%)</u>
<i>Russell 3000</i>	-2.32	19.30	0.84	1.14
<i>MSCI EAFE (US\$)</i>	-6.02	10.01	-2.96	-1.48
<i>MSCI Emerging (US\$)</i>	-8.55	5.53	5.05	8.40
<i>BofAML Municipal Master</i>	7.52	2.60	6.08	4.92
<i>DJ UBS Commodity</i>	1.31	25.83	-4.50	0.84

Consumer Confidence August Results are Disappointing

Consumer confidence fell in August in the United States and the 17 countries that use the euro. Views have worsened regarding future business conditions, jobs, and income. The debt-ceiling debate and the market volatility over the past few weeks also contributed to the decline. The consumer confidence index fell to 44.5 in August from 59.2 in July and it is at the lowest level since April 2009.

Payrolls Flat in August

Nonfarm payrolls were unchanged in August, which is the weakest performance in nonfarm payrolls since a decline in September 2010. As a result, the unemployment rate remains unchanged at 9.1% in August. The private sector added 17,000 jobs, however, that was offset by the decrease in public sector jobs. Many economists had expected payroll growth of 50,000 or greater so this number was surprising and disappointing. There has been a sharp decline in consumer and business confidence over the past few months after Washington displayed difficulty from both parties to reach an agreement on raising the debt ceiling in July. Businesses have not increased their layoffs, which is good, but they are not hiring. The August number is including the 45,000 Verizon employees that were on strike.

The Fed is now under more pressure to do more and they may purchase more government bonds or lengthen the maturity of the ones the Fed holds. The Fed will be meeting on September 20th and 21st to discuss next steps.

Gold Continues to Rise

Gold has risen 28% year-to-date through August 30, 2011. It reached a record high of \$1,917.90 an ounce in August, not adjusted for inflation. Gold is historically viewed as a protection against inflation and turbulent markets. The price of gold continues to rise in relation to the dollar and the euro as so many people use it to ensure the safety of their money and for investment gain. Some investors view gold as an alternate currency. If the economy does have more fiscal stimulus, gold is a direct beneficiary of that. When investors are worried about other asset classes and the market environment, they flock to gold for safety. So, as the volatility in the markets remains, there may be continued interest in gold. Although speculation is contributing to gold's rising price, the reasons above are also contributing to its price rising. Though benefitting today from a flock to safety, gold is fully capable of going down sharply (e.g. the 10.4% drop in two days in August 2011 and the 65% peak to trough decline from 1980 to 1984). Since gold has a negative correlation to US stocks and low correlation to bonds, it is still compelling as a diversifier as it is important to maintain your portfolio's diversification during this market volatility.

This letter may include forward-looking statements. All statements other than statements of historical fact are forward-looking statements (including words such as "believe," "estimate," "anticipate," "may," "will," "should," and "expect"). Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Various factors could cause actual results or performance to differ materially from those discussed in such forward-looking statements.