First Quarter 2010
Market and Economic Commentary

DIVERSIFIED INVESTMENT ADVISORS

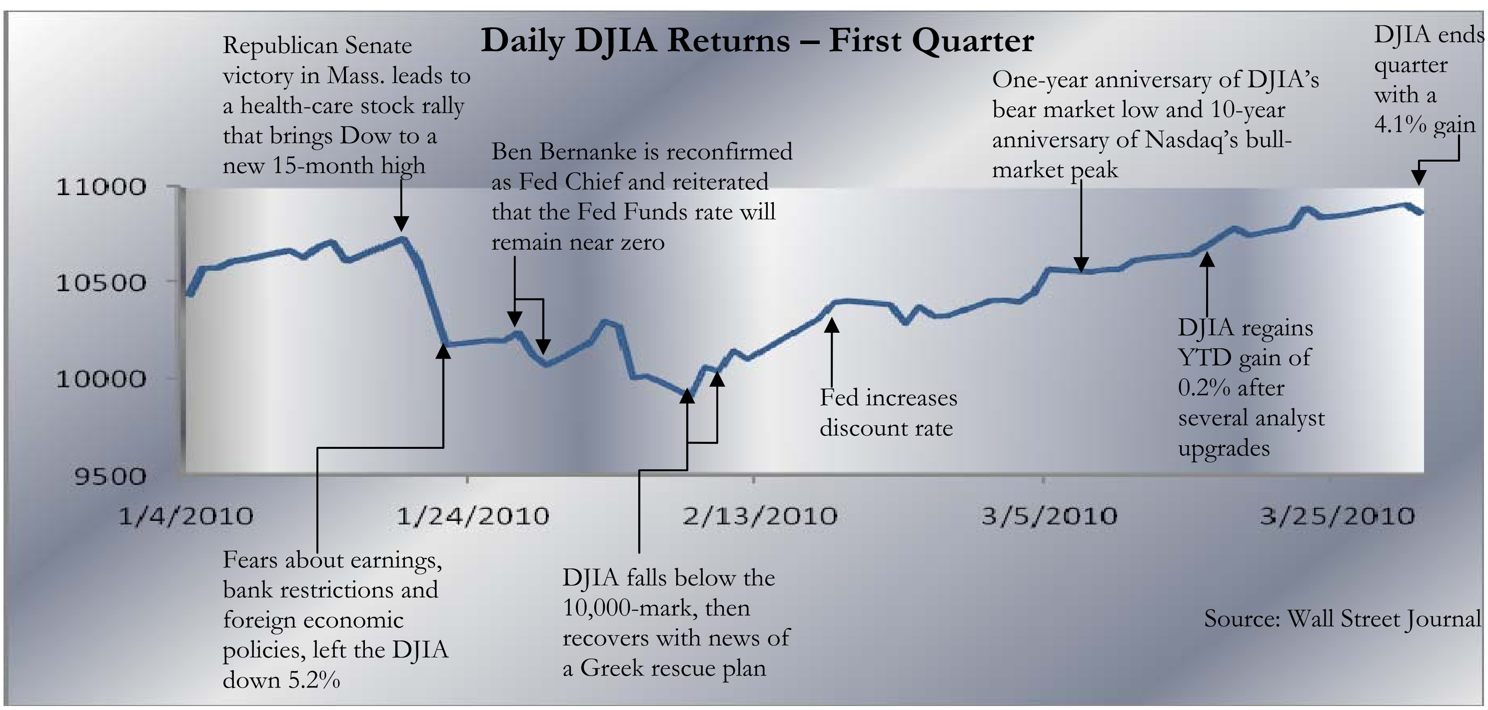
I. Financial Markets Review

Equity markets ended the first quarter strong, fighting back from a slide in prices in February caused by an upsurge in global economic and political uncertainty. Despite periodic losses seen throughout the quarter, the rally of the last nine months of 2009 continued with the Dow Jones Industrial Average (DJIA) reporting its best first quarter performance since 1999 with gains of 4.8%. The broader Standard & Poor's 500 Index (S&P 500) saw an even stronger 5.4% return for the period, though the index still remains 25% below its all-time high from October 2007, while the technology-laden NASDAQ Composite Index posted a better 5.9% for the same period.

The quarter was plagued with volatility, a potential condition that could become very familiar to investors during the coming months as markets continue onward through the process of recovery from the 2008 financial crisis. Uncertainty surrounding the health-care debate and potential bank regulation in Washington pulled the market down 5% year-to-date by February 9th, before worries were relaxed and markets returned to an upward trend. In a continuation of recent performance, the stronger stocks this quarter were generally lower-quality names and smaller-capitalization stocks. The Russell 2000 Index, for example, posted the largest returns of the main benchmarks with an 8.9% gain for the period. Additionally, financial stocks continued on their upward trend during the period, after their large losses at the end of 2008 and beginning of 2009, even with the likelihood of stricter regulation by year-end. Though equity gains were widespread this quarter, these weren't as strong as the returns of the 2009 rally.

Global equity market performance was more tepid than U.S. stock performance during the first quarter as fears persisted in many regions around the world. The MSCI EAFE Index returned just 0.9% for the quarter, while the MSCI World Ex-USA Index returned a slightly-better 1.4%. As debt and deficit problems in Greece continued, the European Union, in conjunction with the International Monetary Fund, scrambled to form an agreement to provide backstop loans just before the quarter-end, easing some of investors' panic.

Emerging Market countries, the big winners of 2009 as a whole, saw less-stellar performance during the quarter. Brazil, for example, which returned more than 80% for the full-year last year, as presented by the MSCI Brazil Index, saw a meager 2.5% increase during the period, while India struggled after efforts to tighten monetary policy again. China, one of the leaders of this recovery that is being closely followed worldwide, began to tighten lending policies as an initial step of reversing the recent stimulus programs, only to see a 5.1% drop in stock prices, as represented by the Shanghai Composite Index. Overall, the MSCI Emerging Markets Index reported a 2.5% return for the first quarter.



Fixed Income markets, as a whole, did not fare as well as equity markets during the first quarter. Specifically, government bonds lagged other sectors of the fixed income market during the period. At the end of the quarter, Treasuries were drawing less demand than expected, while prices for long-dated Treasuries suffered the most. The 10-year Treasury yield ended the quarter at 3.837%, slightly up from the 2009 year-end yield of 3.834%, though, the yield had fallen as low as 3.546% at the beginning of February. Many of the government bond indices dipped in March, with the BarCap U.S. 20+ year Treasury Index losing as much as 2.5% for the month. Even with bond performance recording far-from-robust returns, many individual investors continued to shift into bond funds, instead of stock funds, throughout the quarter.

The beginning of 2010 saw continued corporate bond issuance increases and rising prices, extending the 2009 rally into the new year. Investors flip-flopped throughout the quarter, recording falling demand for corporate bonds in early February, due to concerns over proposed financial regulations, only to be shortly followed by increased demand for corporate bonds as Treasury bond yields remained negligible. For the quarter as a whole, the Barclays Capital Aggregate Bond Index returned 1.8%.

U.S. junk bonds were back in vogue during March, with $35.3 billion in new issuances, which broke the single-month record of $31.2 billion from November 2006. High Yield bonds continued to lead the pack during the first quarter, with the Merrill Lynch High Yield Master II Index gaining 4.8%. In general, High Yield and Credit spreads have fallen back to the levels seen just prior to the beginning of the Great Recession at the end of 2007. Risk premiums tightened further during the beginning of 2010 with the spread between high yield junk bonds versus U.S. treasuries falling from just under 1600 basis points at this time last year, to approximately 600 basis points at the end of March. Similarly, credit yield spreads versus treasuries ending March slightly above 150 basis points, down from almost 500 basis points from a year earlier.

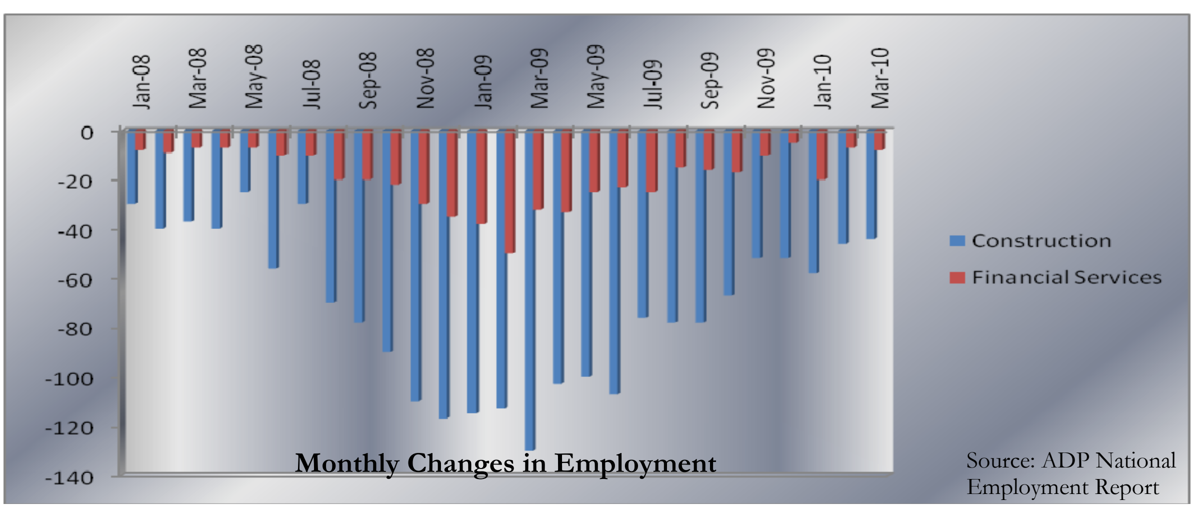
Both investment-grade and high-yield bonds performed well within secondary markets due to increased demand from those investors needing greater income that have had to shift away from low-yielding money market funds. Going forward, fixed income investors are cautious about rising interest rates, which could hurt the value of existing bond positions, but remain optimistic as the Federal Reserve continues to reiterate its decision to keep rates low for an extended period.

II. Economic Review

Unemployment remained high during the first quarter, but signs of improvement have also been released. In March, employers added 162,000 jobs, according to the Labor Department, including within the construction sector, which hasn't seen any job growth since mid-2007. However, the unemployment rate remained unchanged from February at 9.7%. Overall, the number of workers filing new claims for jobless benefits, as indicated by the Labor Department's four-week moving average has continued to fall, signaling we have entered a slow, healing phase within the labor market. Responding to the continued difficult unemployment situation, President Obama has introduced a series of expansions to foreclosure prevention programs targeting unemployed Americans.

Fears of the 'double dip' theory have begun to dissipate as the continued stock rally in the first quarter provided support that the U.S. economy is normalizing, despite some ongoing areas of weakness. U.S. consumer confidence, as reported by the Conference Board's Consumer Confidence Index, rebounded in March, following a steep decline in February, as consumers' reported improving short-term outlooks. Alternatively, the Consumer Sentiment Index, as reported by Thomson Reuters/University of Michigan, remained unchanged in March due to the lingering high unemployment rate.

The quarter saw additional signs of an economic rebound. The Institute of Supply Management's manufacturing



Source: ADP National Employment Report

Index posted the strongest uptick in March since July 2004, ending the month at 59.4. Readings above 50 have indicated an expansion is underway. Prices and inventories showed the strongest levels of expansion. Home prices continued to increase in 2010, albeit at a slow pace. The S&P/Case-Shiller Index of home prices increased 0.3% in January, from the previous month, with many of the most-battered U.S. markets posting gains. The Index is still down from a year earlier, indicating that, though the worst of the price declines are now in the past, the housing market remains frail. As housing continues to struggle, construction is negatively impacted. According to the Commerce Department the U.S. Construction Spending fell 1.3% in February, the fourth consecutive monthly decline.

One of the most surprising developments during the first quarter was the revival of the U.S. dollar, setting the stage for a potential broader run in coming quarters. Most of the U.S. dollar's gain came at the expense of the Euro, which has struggled during the prolonged debt crisis in Greece. Additionally, concerns over similar situations occurring in the debt-heavy nations of Portugal and Spain helped drive the Euro down 6% during the first quarter. Greece has raised 20 billion Euro with bond sales so far in 2010, though its borrowing needs are estimated at a total 54 billion Euro. Additional forecasts add on another 10 billion Euro to that figure, due to the refinancing and budgetary needs over the coming months. Even after a 'last resort' safety net for the country was decided by the European Union, with help from the International Monetary Fund, during the final week of March, the rising 10-year Greek yield spread, which peaked at 4.05 basis points in late January, indicates continued deterioration in investors' views on the strength of the debt. Economists fear that Europe could be headed for an extended down period.

Lastly, commodity prices fell during the first quarter as the economic recovery was tripped up in many parts of the world, especially emerging markets countries, which drive the demand for these goods. The Dow Jones-UBS Commodity Index fell 5% for the period, a very different result than the 19% gain seen in 2009. As sovereign-debt levels of many of the smaller European Union countries became an issue at the end of January, investors shifted to safer investment options, driving the prices of riskier assets, such as commodities, down. As plans to help Greece were released, some of the earlier commodity losses were recovered; the Index had fallen as much as 13% at one point. Oil prices recorded a fifth straight quarterly gain, of 6%, though they traded in a very narrow band for much of the period. Oil prices were supported by increased consumption, but capped by the remaining abundant supply. Copper, another strong commodity performer during the quarter, gained 6.6%. Extra focus will be on the Chinese economy in the coming months, where demand for raw materials is thought to be the driver for many commodity stocks and, therefore, a good indicator of the outlook for both energy and material stocks.

As the second quarter gets under way, equity markets will face one of the largest hurdles of 2010 as the Federal Reserve moves forward with its plans to ease out of its stimulus aid. Stronger U.S. corporate balance sheets and reasonable equity valuations may keep stocks on a steady path still, but only time will tell. Key questions remain, regarding when interest rates will rise and how will the stock market respond to that increase, encouraging investors to remain vigilant in the coming months. We recommend maintaining a widely diversified portfolio focused on long-term goals to help protect against any sudden changes as the economy and capital markets continue on their path to normalization.