

2009 year-end update:

Historically speaking, markets typically bottom about 12 months before unemployment peaks and broader economic data begins to reflect recovery.

The corporate bond market, which we felt served as an excellent barometer of fear in the capital markets during the last market downturn bottomed in November 2008 when investment grade interest rate spreads to US Treasuries were at their widest in over 30 years. The US equity markets as measured by the SP 500 bottomed about 4 months later in March 2009.

During the last 12 months, the equity markets have rallied as a reflection of expected recovery and has in our view discounted the earnings and credit recovery that has taken place to this point.

At the end of 2008, our strategy took advantage of the unique opportunities in the corporate and convertible bond markets. In March of 2009, our strategy took advantage of the unique opportunity to invest in very high quality global US companies with very strong cash and balance sheet positions and compelling valuations that we had not seen in over 10 years. In the early autumn of 2009 we began to move back out of many of our bond positions after they had appreciated significantly over the prior 10-12 months and into some of the areas which reflect our global gravitational themes to include infrastructure, renewable energy, healthcare innovation, clean technology, and the emerging middle class consumer in India and China (please see attached).

As we position for 2010, we will be watching closely over the next few months for economic data on unemployment and housing prices which reflect an absolute improvement rather than just an ongoing bottoming process. We anticipate that a recovery is indeed underway. However, certain markets, sectors and regions will recover faster than others and we believe our process will position us to participate in such emerging growth areas.

We anticipate significantly higher equity prices over the next 2-3 years, particularly in our focus areas. However, we would not be surprised or deterred by a 10 pct market correction over during the next few months to consolidate the current bull run as we await more concrete evidence of the ensuing recovery. Further, we anticipate unusually, low short-term interest rates for the balance of 2010 but are bearish on longer dated bonds. And we will continue to have a small portion of our assets invested in commodities.

Kind regards,

*Alex*

Alexander B. Miles  
Chief Investment Officer

*The opinions expressed herein are subject to change and do not constitute a solicitation or recommendation to buy or sell any security.*