July 2011

[In This Issue]

Citizens Bank & Trust

Economy

The pace of the economic recovery slows.

Recent Economic Indicators

Thomson Reuters/ Univ. of Michigan Consumer Sentiment	71.5
Consumer Confidence	58.5
Existing Home Sales, Monthly Change	-3.8%
New Home Sales, SAAR*	319,000
Personal Income, Monthly Change	0.3%
Personal Consumption Expenditures, Monthly Change	1.0%
Non-farm Payroll Increase/Decrease	18,000
Unemployment Rate	9.2%
ISM Non-Manufacturing Index	53.3%
ISM Manufacturing Index (PMI)	55.3%
New Durable Good Orders, Monthly Change	0.8%
Industrial Production, Monthly Change	0.1%
Capacity Utilization	76.7%
Retail Sales, Monthly Change	-0.2%
CPI, Monthly Change	0.5%
CPI Core, Monthly Change	0.2%
PPI, Monthly Change	0.2%
PPI Core, Monthly Change	0.2%
U.S. Trade Deficit	$-43.7 billion
1Q11 Non-farm Productivity, Quarterly Change, SAAR*	1.8%
1Q11 Real GDP, Quarterly Change, SAAR*	1.9%

*Seasonally Adjusted Annual Rate
Bureau of Economic Analysis of the U.S. Department of Commerce, U.S. Department of Labor, the Federal Reserve, Thompson/Reuters/University of Michigan, Institute for Supply Management, National Association of Realtors, The Conference Board. Values reflect most recent data available at time of publication.

Overview

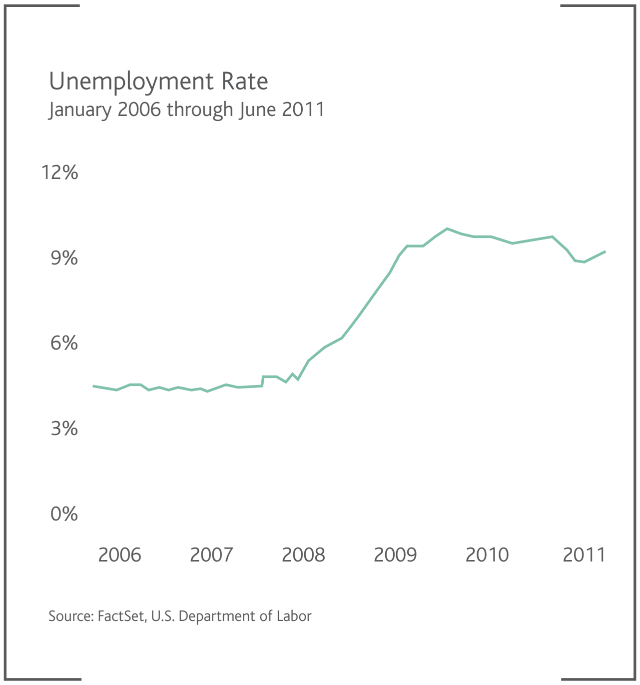
Fed Chairman Ben Bernanke gave a gloomy speech this past month regarding the outlook for the U.S. economy. He said the economy "is still producing at levels well below its potential" and called the uneven economic recovery "frustratingly slow." He blamed the weak first quarter on supply chain disruptions in Japan and also said the depressed housing market has been a big factor in the weakness of the recovery. The market was looking for hints of the possibility for a third round of quantitative easing, and while he did indicate monetary policy will remain accommodative for an extended period, it seems QE3 is unlikely.

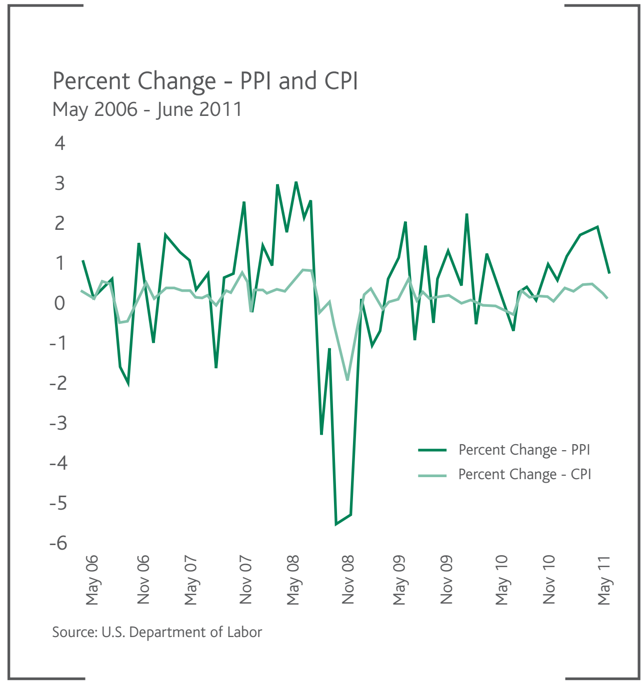
The Federal Open Market Committee (FOMC) met in June and, as expected, left policy rates unchanged. The statement from the FOMC took a slightly negative tone, saying the economy is growing more slowly than the Fed had expected and the labor market has been "weaker than anticipated." The statement also called the housing market "depressed" and noted a pickup in inflation in recent months.

The Labor Department reported that the unemployment rate edged up 0.1% in June, rising to a measure of 9.2%. The rate might have been even higher if the recession had not diluted participation rates, with the Wall Street Journal estimating that the unemployment rate could be over 11% if the labor pool was still at pre-recession levels. The duration of unemployment posted an increase, coming in at a 39.9-week average in June, while nonfarm payrolls slowed considerably with a marginal gain of 18,000. The discouraging jobs data further suggests that the economy is in a soft spot, and it may be some time before sustainable growth is realized.

Employment

The number of Americans filing for first-time unemployment benefits for the week ended July 2 showed incremental improvement from the previous week, falling 14,000 to 418,000. 2,500 of the initial claims were attributed to the state government





shutdown in Minnesota. Despite the small improvement, this marks 13 straight weeks of initial claims numbers above 400,000. It is unlikely that the unemployment number will drop unless first-time unemployment claims can consistently come in below that mark. The four-week average, spanning the majority of the month of June, was 424,750.

Continuing claims for the week ended June 25 dropped to 3.681 million. Furthermore, continuing claims have been trending lower, with the four-week average at 3.705 million. The improvement in the number is largely tied to benefits expiring, though, as opposed to improvement in the labor market. Fed Chairman Bernanke remarked in his speech this past month that the "jobs situation is far from normal" and noted his concern over the high level of long-term unemployment, pointing out that nearly half of the unemployed have been jobless for more than six months.

Consumer Confidence and Spending

Retail sales in the U.S. fell for the first time in 11 months, slipping 0.2% in May from the previous month, according to the Commerce Department. The decline was attributable to a 3.2% drop in the sale of automobiles, an industry that has been heavily impacted by supply chain disruptions in Japan. The number, excluding autos and auto parts, was actually positive and better than most economists had expected thanks to increased sales from building material companies and non-store retailers.

Consumer confidence fell significantly for a second straight month in June, according to The Conference Board. The index fell 3.2 points this month to 58.5, following a steep 6.7 point drop in May, as consumers are nervous about current business and labor market conditions. Lynn Franco, Director of The Conference Board Consumer Research Center said "Given the combination of uneasiness about the economic outlook and future earnings, consumers are likely to continue weighing their spending decisions quite carefully." Personal income grew 0.3% in May but spending was flat, according to the Commerce Department.

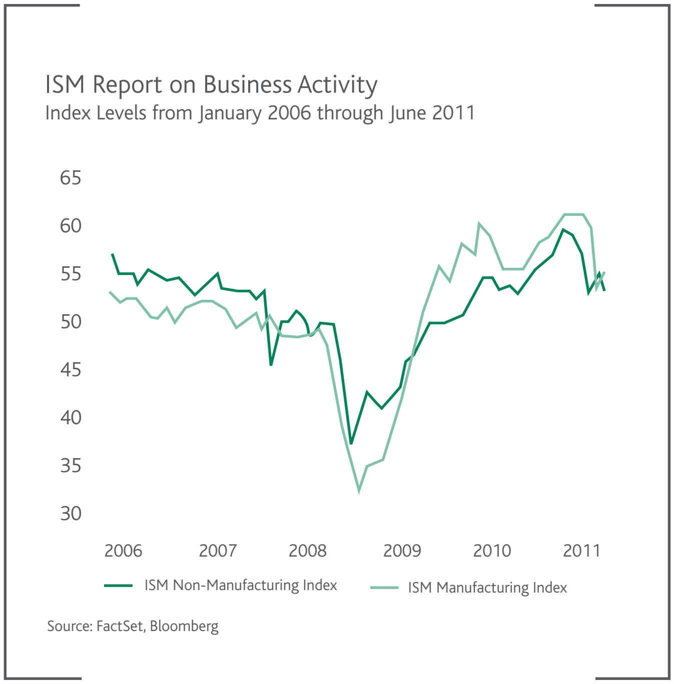
Inflation

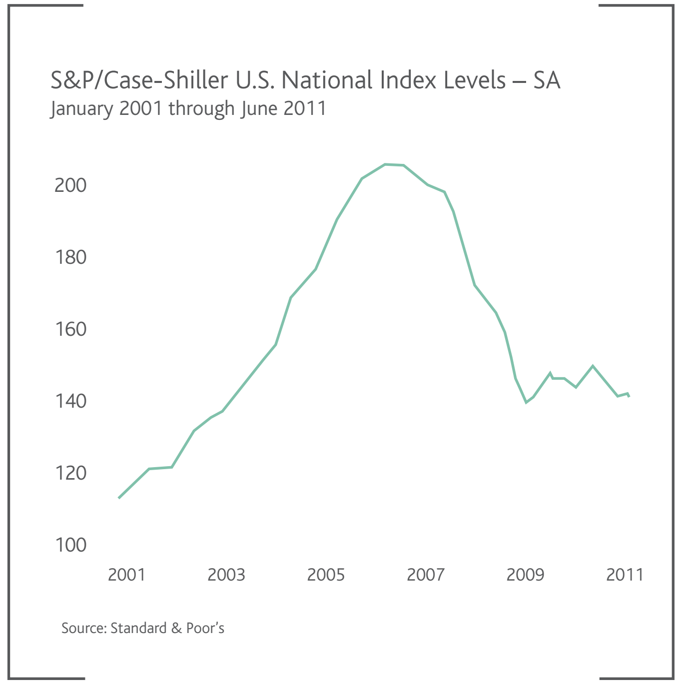
The Producer Price Index (PPI) rose again in May, climbing 0.2% from the previous month, according to the Labor Department. A 1.5% increase in gasoline and other finished energy goods was largely offset by a 1.4% decrease in finished food prices. Further up the supply chain, the price of crude goods fell 4.1% thanks to lower raw energy and food costs, which should help ease the upward price pressure on finished goods in the coming months. Consumer prices rose 0.2% during the month, and core CPI, which excludes food and energy, rose 0.3% – the largest month-over-month increase since July 2008.

The price of goods imported into the U.S. rose for the eighth consecutive month, according to a separate report from the Labor Department. Despite a drop in energy prices, the import price index rose 0.2% in May driven by higher costs for auto parts and cotton apparel. Import prices are now 12.5% higher than a year ago. Export prices were also up 0.2% last month, and up 9.0% for the past 12 months.

Business Activity

Manufacturing in the U.S. expanded for the 23rd consecutive month in June, according to a report from the Institute for Supply Management. The PMI rose 1.8 points from the previous month to 55.3, which was higher than economists had expected. Numbers over 50 indicate expansion, while numbers below 50 indicate contraction. Most of the increase was attributable to a rise in inventories, however, and may not necessarily indicate an improvement in demand. The Non-Manufacturing Index, on the other hand, fell to 53.3 in June. This was less than the 54.6 registered in April, and indicated that the rate of expansion in the service sector was slowing.





Housing

U.S. home prices snapped an eight-month losing streak as the S&P/Case-Shiller 20-City Composite index rose 0.7% in April. David M. Blitzer, Chairman of the Index Committee at S&P Indices was cautious saying "the seasonally adjusted numbers show that much of the improvement reflects the beginning of the Spring-Summer home buying season. It is much too early to tell if this is a turning point or simply due to some warmer weather."

Existing home sales fell 3.8% in the month of May to an annual rate of 4.81 million, according to the National Association of Realtors (NAR). The number was the lowest so far this year and 15.3% below the May 2010 pace. NAR Chief Economist Larry Yun blamed the weak number partly on what he believes are temporary factors, saying "Spiking gasoline prices along with widespread severe weather hurt house shopping in April, leading to soft figures for actual closings in May." Pending homes sales – a leading indicator – rose 8.2% from the previous month. This was following an 11% drop in April, however. The NAR also reported that a six percentage point decline in distressed property sales, which typically sell at a sizeable discount to other properties, contributed to a 1.7% monthly increase to $166,500 for the national median existing home price.

It would be premature to call a bottom in the housing market, but at the very least the data released this past month was not all bad. The slight improvement in prices likely has more to do with a slowdown in the foreclosures as banks become more diligent with the filing process following the "robo-signing" mistakes of last year. There are still millions of homes that will need to go through foreclosure over the coming years which will continue to put downward pressure on prices. A sustained improvement in the job market will also be necessary before the housing market can begin a true recovery.

World Economy

Riots erupted yet again in Greece in June as the embattled Prime Minister George Papandreou fought to avoid default amid strong opposition for the additional austerity measures he proposed. The Prime Minister narrowly won a vote of confidence from Greece's parliament. The vote went along party lines, and the support within the government led to the passing of the proposed austerity measures that were needed for the country to win approval of the last $17 billion tranche of last year's $156 billion bailout package. Markets have been pricing the likelihood of a default by the country as almost a given, and it has brought into question the viability of a single-currency eurozone. Despite Greece's small size, the fear of contagion is real considering the intertwined nature of the financial system. The aid will allow Greece to delay the day of reckoning for another few months, but the austerity measures are not nearly enough to fix the country's underlying fiscal problems.

The International Monetary Fund (IMF) released their World Economic Outlook Update in mid-June cautioning that, while the global economic recovery is continuing, its pace has diminished. Growth across developed economies remains weak while most emerging and developing economies continue to exhibit relative strength. The temporary slowdown increases downside risks and could make the path to recovery longer. The IMF announced that the first quarter saw the global economy expand at an annualized rate of 4.3%. The organization left its broad 2011 and 2012 predictions largely unchanged, but urged advanced economies to make strong adjustments to fiscal and macroeconomic policies in order to keep the expansion on track.

Mixed returns for the month.

Fixed Income Current Yields		6/30/11
3 Month U.S. T-bill		0.02%
2 Year U.S. Treasury		0.46%
5 Year U.S. Treasury		1.71%
10 Year U.S. Treasury		3.15%
30 Year U.S. Treasury		4.38%

Total Returns[1]	1 Month	YTD
Barclays U.S. Aggregate	-0.29%	2.72%
Barclays U.S. Govt./Credit	-0.47%	2.61%
Barclays U.S. Municipal Bond	0.35%	4.42%
Barclays U.S. Corp. High Yield	-0.97%	4.97%
Barclays U.S. Long Credit A	-1.83%	3.98%
Barclays U.S. Treasury 20+ Year	-2.27%	1.73%
Barclays Global Aggregate	0.08%	4.38%
Barclays Emerging Markets	0.67%	5.00%

[1] Month and year-to-date ending 6/30/11
Source: U.S. Department of the Treasury, Barclays Capital
Values reflect most recent data available at time of publication.

Overview

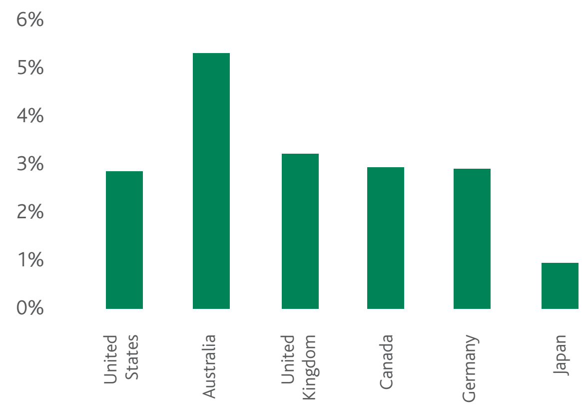
Demand for safe-haven U.S. Treasury bonds waned amid continued economic uncertainties, debt ceiling concerns and the end of QE2. Moody's warned it would consider cutting the United States' AAA rating if the White House and Congress do not make progress by mid-July in talks to raise the country's debt limit. The rating agency urged progress before politics takes over in the run-up to the November 2012 presidential election stating, "If this opportunity goes by without them realizing a serious long-term debt/deficit reduction program, then we think that until the presidential election, the chances of such an agreement are really much reduced." A report that Greece may receive a second bailout to avoid default also sent demand for government debt lower for the month, pushing the yield on the benchmark 10-year note to 3.21% at one point. Greece may receive as much as 85 billion euros ($124 billion) in new financing, including a contribution from private investors, in a second bailout aimed at preventing default and ending the region's debt crisis, according to an Austrian Finance Ministry official.

From a monetary policy perspective, Barclays Capital put out two notes pointing to evidence that the surge in yields is not an abandonment of U.S. Treasuries resulting from the end of the Federal Reserve's bond-buying program, QE2, which ended June 30. Barclays' strategist Ajay Rajadhyaksha remains bullish on bonds, "We believe that the end of QE2 will not cause the start of a sustained rise in bond yields, though the prospect of a large buyer disappearing could well affect a few auctions in a low liquidity environment, as happened this week. Such moves should be considered buying opportunities in our view." Meanwhile, the spread, or difference in yield, between two- and 30-year Treasuries widened to near record-high levels. The steep curve is a result of the Federal Reserve keeping short-term rates anchored near zero as well as higher long-term rates thanks to record-high levels of Treasury auctions.

Investment Grade Corporate Spread
In Basis Points, through June 2011

Source: Merrill Lynch

10-Year Government Bond Rates
Latest Yield as of 6/30/2011



Source: Bloomberg

Finally, Moody's cut Portugal's credit rating to below investment grade amid concerns the country will need a second bailout. Discussions to involve private investors in a new rescue plan for Greece make it more likely that the European Union will require the same pre-conditions in the case of Portugal, Moody's said in a recent report. Strategists view this as a strong reminder that the sovereign debt crisis does not end with Greece and that risks remain with other nations.

Corporate

The investment grade corporate sector fell 0.88% after rallying for three straight months, bringing year-to-date gains to 3.16%. Similar to last year at this time, spreads widened led by the financial sector despite improving margins, earnings and interest expenses. However, an acceleration of inflows into high-grade mutual funds helped mitigate some of the month's losses. Looking ahead, should economic data begin to stabilize and earnings remain consistent, many strategists feel corporate bonds could rebound commensurate with last summer's strong rally. Given low current yields, many investors have yet to commit above average cash positions to the fixed income markets. These investors are likely to begin abandoning cash for higher yielding securities as market sentiment improves. This demand can drive credit spreads significantly tighter amid seasonally weak supply volumes. From a sector perspective, the widening of financials relative to equivalent quality non-financials makes the sector comparatively attractive.

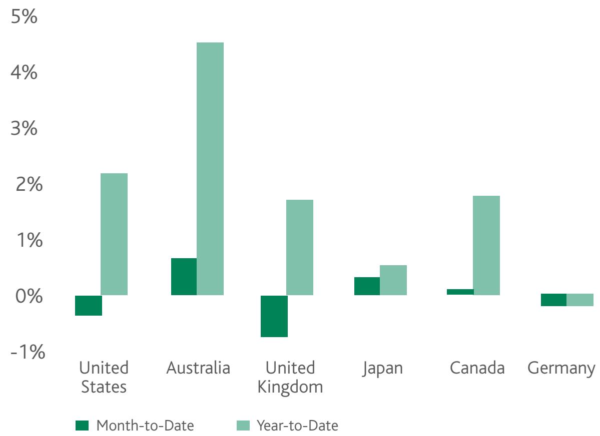
High yield bonds lost 0.97% for the month amid considerable mutual fund outflows, bringing year-to-date gains to 4.97%. Despite numerous macro risks, credit market conditions are showing signs of continued improvement, with attractive pricing on new debt and stronger corporate balance sheets. In a sign of balance sheet strength, the high yield monthly upgrade/downgrade ratio reached its highest level in seven months, with the volume of upgrades three times higher than downgrades. This lifted the 12-month measure to its highest level since 1999. We continue to favor the high yield sector given improving balance sheet strength along with still attractive valuations.

Municipals

The Barclays Municipal Bond index rallied for the third straight month gaining 0.35% in June, bringing year-to-date gains to 4.42%. In a sign of the recent strength in this segment of the market, munis gained 3.89% during the second quarter, the largest quarterly gain since 1992, fueled by a reversal in typical investor behavior. Institutional investors and other traditional buyers of taxable bonds appear to be driving the municipal rally. In contrast, individual investors, the customary buyers of tax-exempt bonds, have been sellers, with outflows from municipal bond mutual funds reaching $25.5 billion, or 5.5% of total assets, so far this year. Looking ahead, positive drivers for the muni market include very low short-term yields, which will likely nudge investors into longer paper, along with the likelihood that the supply of new issue bonds could be curtailed as part of federal deficit reduction activities. If this were to occur, it would help support the value of existing paper should demand remain neutral or increase.

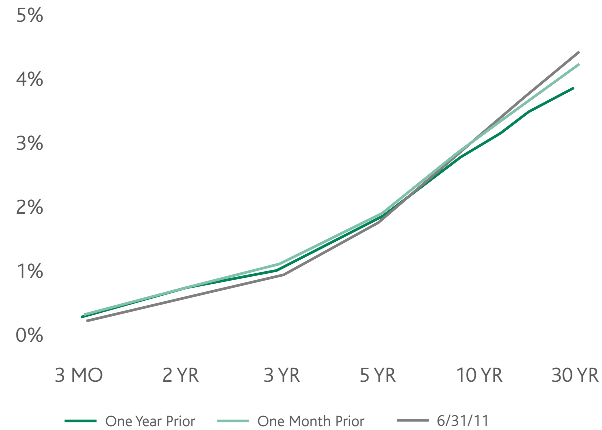
Meanwhile, state and local government budgets are finally showing some signs of improvement as treasurers redouble their efforts at fiscal retrenchment. According to the National Association of State Budget Officers, many states could end the year with a surplus, with revenues meeting or beating targets in 44 of the 50 states. From a payment perspective, municipal defaults in 2010 totaled only $4 billion, roughly 0.1% of the entire market. Defaults this year are running at levels below last year's pace, with non-payments concentrated in housing, hospitals and development district bonds. Given the risks associated with lower-quality munis, we continue to emphasize intermediate-term general obligation and essential service revenue bonds.

Performance by Country
Unhedged Total Returns, June 2011



Source: Barclays Capital

U.S. Treasury Yield Curve
As of 6/30/11



Source: U.S. Department of Treasury

International

The Barclay's Global Treasury ex-US index gained 0.38% on an unhedged basis, but lost 0.07% on a local currency basis, consistent with a weaker U.S. dollar against the euro and other currencies. The international markets received a boost amid reports that Greece may receive as much as 85 billion euros ($124 billion) in new financing, including a contribution from private investors, in a second bailout aimed at preventing default and ending the region's debt crisis, according to an Austrian Finance Ministry official. As has been the case recently, investors continue to place more emphasis on events in the eurozone than other international regions, given the well-publicized uncertainty in this segment of the international arena.

Looking ahead, we continue to recommend that most investors maintain an exposure to foreign bonds, via mutual funds or ETFs, given the benefits of diversification paired with possibly higher returns. From a total return perspective, local market and dollar-denominated emerging market government debt often offer higher yields than developed country bonds, according to Merrill Lynch. The primary difference between local market and dollar-denominated bonds is, not surprisingly, currency denominations. Local currency bonds have higher yields, despite higher credit quality and shorter durations, as yields on these securities are generally influenced by domestic inflation, which remains at relatively high levels. In contrast, yields on dollar-denominated emerging market debt are typically pegged at a specified spread over U.S. Treasuries. Yields on these securities can be adversely affected by local currency depreciation, although this has not been the case recently. Since currency appreciation or depreciation influences emerging market debt returns, hedging strategies need to be employed to mitigate potential losses. Fortunately, the Templeton Global Bond fund (TPINX or TGBAX), our first choice in the international bond space, employs a well-respected and highly tenured team of currency specialists to maximize emerging market returns, which currently represent approximately 55% of the portfolio.

Strategies for a steep yield curve and low short-term rates

Over the past several months, the spread, or difference in yield, between two- and 10-year Treasuries has remained at near record-high levels. The steep curve is a result of the Federal Reserve keeping short-term rates anchored near zero and record-high levels of Treasury auctions pushing long-term rates higher. With a steep yield curve, investors should not avoid committing to longer maturities simply because rates are expected to rise, as the opportunity costs could be considerable. From a total return perspective, the extra yield should offset most, if not all, of the potential loss in principal if rates begin to increase. Given the current steepness of the curve, we think investors ought to target maturities in the 2013 to 2017 range.

On the short-end of the curve, investors need to strike a balance between the near-zero returns on money market funds as well as near-term bonds and the interest rate risk of slightly longer maturities. Barring unforeseen market conditions, the extraordinary steepness in the yield curve provides an opportunity for investors holding short-term maturities to increase portfolio yield with a negligible increase in risk. In a strategy known as "rolling down the curve", a bond is held for a period of time as it appreciates in price and is sold before maturity to realize a gain. The potential gains from the "roll" would likely offset the price declines that would occur in short- and intermediate-term maturities if rates begin to rise.

At the same time, given the prospect of ultimately higher interest rates, investors should consider an underweight position in longer-dated bonds. Market participants with block sizes of at least $300,000 can take advantage of the current interest rate environment by selling long-term bonds and using the proceeds to purchase intermediate-term securities or ancillary short-term fixed income asset classes. Investors should also consider transitioning out of short-term bonds with maturities in the six- to 18-month range and into the same intermediate-term or ancillary sectors. Ancillary asset classes include Senior Floating Rate and GNMA funds.

A June swoon for equities is averted in the last few days of the month.

Total Return	Month	YTD
Dow Jones Industrial Average	-1.01%	8.59%
S&P 500	-1.67%	6.02%
NASDAQ Composite	-2.11%	5.01%
S&P 100	-1.53%	4.88%
S&P 400 MidCap	-2.04%	8.56%
S&P 600 SmallCap	-1.81%	7.54%
Russell 2000	-2.31%	6.21%
MSCI EAFE	-1.23%	5.35%

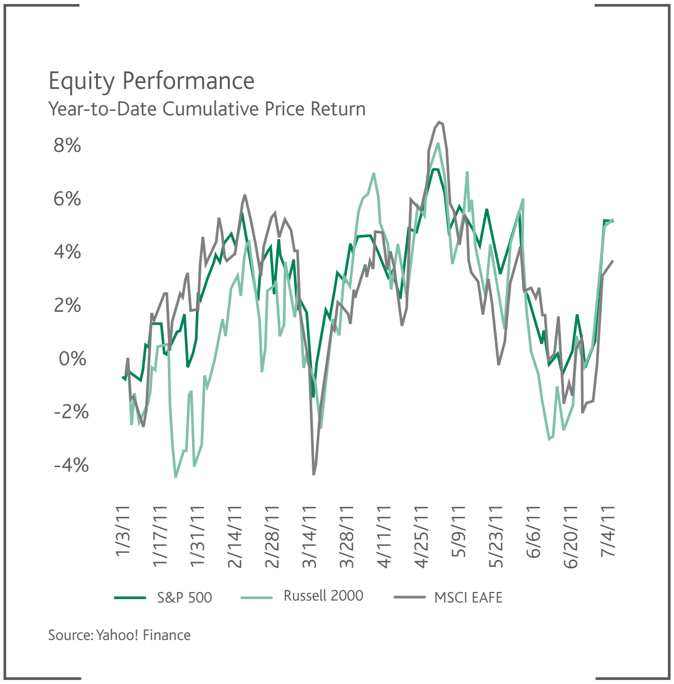
[1]Month and YTD total return ending of 6/30/11

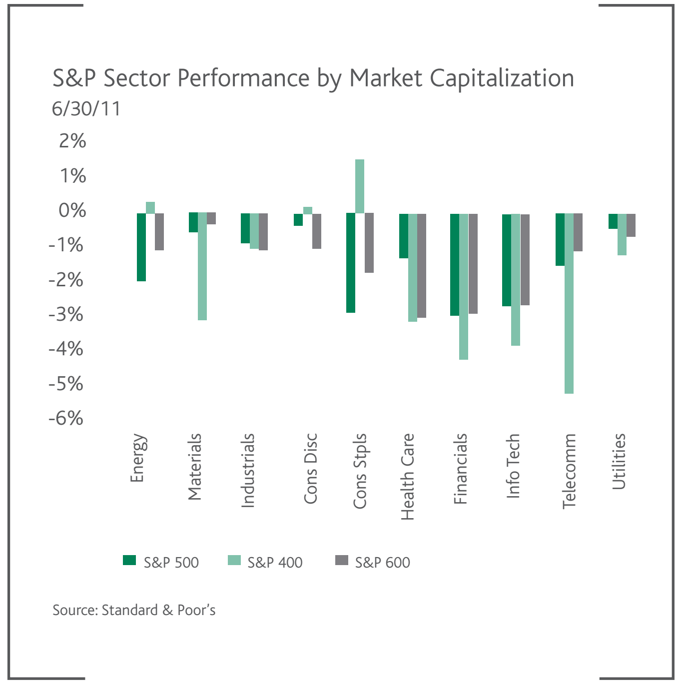
Values reflect most recent data available at the time of publication. Source: FactSet, Zephyr StyleAdvisor, Standard & Poor's, Russell Indices, The Wall Street Journal, Reuters, Morgan Stanley Capital International, MarketWatch, Financial Times

Overview

Following on the weakness in May, most major equity markets had little to cheer about in June until the last week of the month. Continued uncertainty about the U.S. economy, concerns about the European debt crisis and ongoing volatility in commodity prices as well as currencies led to declines for the first three weeks of June. The markets rallied the last five trading sessions on news that bank regulators' minimum capital requirements would be better than originally feared and reports of progress in the Greek debt situation. Positive earnings reports and stronger than expected economic data also pushed stock prices higher at the end of the month. Despite the rally, the Dow Jones Industrial Average fell 1.01% on a total return basis in June. The broader S&P 500 index declined 1.67%, while the technology heavy NASDAQ Index declined 2.11%. The Russell 2000 Index of small capitalization companies dropped 2.31%.

European markets also continued to be volatile as concerns about the debt loads of Greece, Ireland and Portugal continued. In the last week of June, the Greek government approved a five-year austerity plan to appease international creditors, easing fears of an imminent default. Greek lawmakers voted in favor of legislation implementing a program of around 28 billion euros ($40.6 billion) in tax hikes, spending cuts and other measures. While investors reacted positively to the news, sending stocks higher and the CBOE Volatility Index (VIX) to its lowest close since the end of May, some still fear continued uncertainty ahead with regards to Greece.





Domestic Equity

Financials (-2.83%) and consumer staples (-2.56%) posted the greatest declines within the S&P 500 GICs sectors in June. The top performing sectors included consumer discretionary, materials and utilities as each fell less than 1% for the month. On a year-to-date basis, health care (+13.55%) and energy (+11.09%) led all sectors, while financials (-3.25%), information technology (+1.91%) and materials (+3.33%) are lagging the S&P 500 Index through June. Financials have been weak since mid-February as the poor business fundamentals are overshadowing the benefits of cheap Fed funding from QE2. Additionally, the pending implementation of the Dodd-Frank bill will not only add costs to banks as they prepare to comply with the new regulations, but will also limit some of their ability to generate income in certain business lines. Some larger well known tech names declined double-digits in the first half of the year including Tellabs (-37.76%), Lexmark (-18.07%), Hewlett-Packard (-16.03%) and Google (-11.02%).

According to Russell Indices, large cap stocks outperformed mid and small cap stocks for the month on a total return basis. The Russell 1000 Index was down only 1.75% compared to declines of 2.09% for the Russell Midcap and 2.31% for the Russell 2000 Index of small cap companies. Growth outperformed value stocks across the market capitalization spectrum. The Russell 1000 Growth (-1.43%) declined less than the Russell 1000 Value index (-2.05%) in June. The Russell MidCap Value Index (-2.57%) decline was worse than the drop for the Russell MidCap Growth Index (-1.60%).The Russell 2000 Growth Index fell slightly more than the Russell 2000 Value Index, -2.14% versus -2.46%, respectively.

Individual stock outliers in June included Discover Financial Services (+12.2%) and CarMax (+11.5%). Discover reported earnings for the quarter ended May 31 ahead of expectations due to new customers, more card use by existing customers and 8% growth in the number of merchants that accept its cards. Revenues and earnings at CarMax were stronger than expected as economic uncertainty continued to boost sales of secondhand vehicles.

International Equity

The broad MSCI EAFE Index of developed markets declined 1.23% in U.S. dollar terms in the month of June. The index was led lower by the United Kingdom (-3.21%), Italy (-3.52%) and Switzerland (-4.38%). Preventing the index from declining even further were positive returns in the MSCI index returns for Germany (+1.93%) and Japan (+1.42%).

The Japanese stock market rallied the last week of the month helped by news that the country's industrial production rose for a second straight month in May, after falling sharply in the wake of the March 11 earthquake and tsunami. The Ministry of Economy, Trade and Industry reported that industrial output rose 5.7% last month, following a 1.6% increase in April. The growth in factory output was a result of gains in transport equipment, general machinery and chemicals, reflecting the recovery of crucial supply chains that had been severely disrupted by the earthquake and tsunami.

The MSCI Emerging Markets Index declined slightly more (-1.86%) than the developed markets in June as the indices in China (-4.50%), Taiwan (-4.85%) and Thailand (-4.16%) were especially weak. India (+1.35%) and Indonesia (+1.13%) outperformed. While Chinese stocks fundamentals are strong, fear of additional monetary tightening and weaker economic data continue to impact stock market performance. China's headline inflation reached a 34-month high of 5.5% in May. The Chinese Premier wrote in an editorial in the Financial Times that the country's macroeconomic policies have been effective in controlling inflation, predicting that price levels will even begin to "drop steadily."

Broad based sell-off in alternative strategies.

Total Return	Month	YTD
Dow Jones UBS Commodity Index	-5.04%	-2.58%
Oil	-7.55%	-4.95%
Copper	2.06%	-4.70%
Gold	-2.21%	5.42%
NAREIT- All REITS	-3.07%	10.62%
NAREIT-Industrial/Office	-4.74%	11.67%
NAREIT- Residential	-2.16%	14.07%
S&P Global Property Ex-U.S.	-2.18%	-2.21%
HFRI Emerging Markets Index	-1.12%	-0.27%
HFRI Fund Wtd Comp. Index	-1.22%	0.76%
HFRI Equity Market Neutral	-0.13%	1.28%
HFRI Event Driven	-1.09%	2.87%
HFRI Market Defensive	-2.98%	-4.48%
HFRI Merger Arbitrage	-0.25%	2.00%
HFRI Short Bias	4.15%	-3.87%

[1]Month and YTD total return ending 6/30/11
Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research, Standard and Poor's, wsj.com - Market Data Center, Private Equity Online, FINalternatives. Values reflect most recent data available at time of publication.

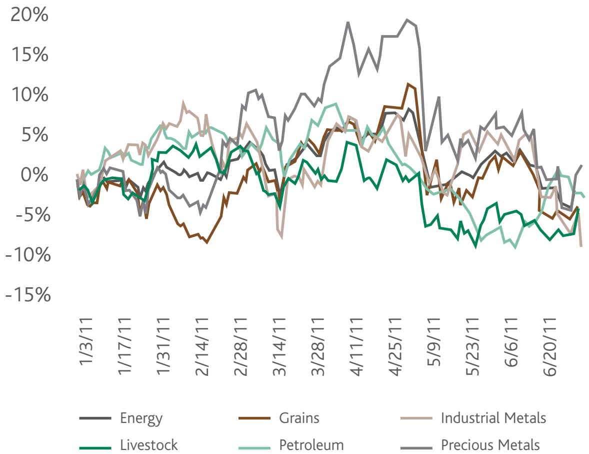
Overview

The sell-off in commodity prices that began in May continued in June with the Dow Jones UBS Commodity index down by 5.04% for the month. The loss dropped the index into negative territory for the year, finishing the first six months of 2011 down 2.58%. Real Estate Investments Trusts (REITs) also finished lower for the month of June with FTSE NAREIT All Equity REITs lower by 3.07% and FTSE NAREIT All REITs down by 2.58%. Despite the negative returns in June, Real Estate Investment Trusts posted strong performance for the first half of 2011 with returns of 10.62% for the NAREIT All Equity composite and 9.93% for the All REITs composite. The HFRX Global Hedge Fund index lost 1.59% in June, the largest monthly loss since May 2010. The index is also lower for the year by 2.12% with negative contributions across most strategy areas.

Commodities

Global economic weakness, U.S. dollar volatility and a surprise announcement by the International Energy Agency (IEA) all impacted commodity prices in June. The sub-indices leading commodity prices lower were Crude Oil down 15.92%, Wheat lower by 25.27% and Silver down 9.11%. One of the largest surprises in the month was the decision by the IEA who announced the release of emergency oil reserves to counter the loss of exports from Libya. The IEA, which consists primarily of the U.S., the United Kingdom, Japan and other industrialized nations, stated it will release 60 million barrels of oil from its reserves into the markets over the next month. This marks the third time in IEA's history that its members decided to release reserves. Analysts believe that such a move is intended to be a short-term boost to economies that were grappling with the impact of higher energy costs. Though the announcement came as a surprise, it will only serve as a short-term impact to oil prices as the 60 million barrels represent less than one day's global consumption.

Cumulative Return of Commodities
2011 Year-to-Date



Source: Dow Jones

REIT Sector Performance
Total Returns, June 2011

Source: NAREIT

Grain prices came under selling pressure in June with improvements in the weather and diminished concerns that previously caused prices to rally. Corn prices were lower by 10.03% for the month as the U.S. reported acreage and inventories that beat analyst expectations. The primary drivers of wheat prices during the month were, firstly, the decision by Russia to lift its export ban on the grain and, secondly, the Agricultural Ministry's estimate that total harvest should reach 91 million tons compared to 61 million tons in 2010 due to improved weather conditions.

The momentum that existed earlier in the year in Silver prices has also waned as the metal lost ground for a second consecutive month, down 9.11% for the month of June. Gold was also lower by 2.21% for June, but both Precious Metals are still higher for the year as of June 30 with returns of 5.42% and 12.40%, respectively.

Real Estate

Real Estate Investments Trusts (REITs) finished lower for the month of June with FTSE NAREIT All Equity REITs lower by 3.07% and FTSE NAREIT All REITs down by 2.58%, trailing equity market returns for the month. Despite the negative month, REITs posted strong returns for the first half of the year with both indices out performing the 6.02% return of the S&P 500 by over 300 basis points. According to Elizabeth Campbell, director of Standard and Poor's Real Estate Companies Group, REITs are on solid ground due to strong fundamentals and better balance sheets. "What we're seeing is—with the improvement in leverage and liquidity against the backdrop of fundamentals improving—that REITs are well positioned to not only opportunistically acquire properties but also to opportunistically refinance," Campbell said.

One of the best performing sub-sectors this year has been Regional Malls under the Retail Sector. Regional Malls continue to benefit from improving retail sales numbers and expansion among national discount retailers. The Regional Mall Sub-sector was down 1.51% in June, but is higher by 15.81% for the year. The Residential Sector consisting of Apartments and Manufactured Homes was also a top performer for the first half of the year, with a 14.07% year-to-date return as of June 30. As has been the case all year, individuals and families continue to seek out rental units as opposed to home ownership at this point in the cycle. Fewer Americans expect homes prices to increase in the next 12 months or see a substantial increase in mortgage rates, prompting more to continue to wait out the downturn in housing, thereby providing support to rental prices.

Hedge Funds

Hedge funds followed equities lower during the month of June as European Sovereign Debt issues and mixed economic signals pressured stocks. The HFRX Global Hedge Fund index posted its weakest performance since May 2010 with a negative 1.59% return for June, down 2.12% for the first six months of the year. The majority of strategies were negative across the board for the month with the HFRX Hedged Equity Index posting one of the largest monthly declines. The index was lower by 2.36% in June and is lower by 8.32% for the year. The one strategy that did not lose ground was Equity Market Neutral, up 0.89% for the month and 2.72% for the year. Special situations funds were also up 2.25% in the first six months despite losing 1.52% this month.

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