



July 29, 2009

Dear Client,

Financial markets experienced an extremely positive second quarter in 2009, as shown in Exhibit 1. Most worldwide equity indices generated very high returns ranging from approximately 16% for the S&P 500 Index to almost 35% for the MSCI Emerging Markets Index. This strong performance turned year-to-date returns positive for most worldwide equity indices and compensated for the negative performance seen during the first quarter. Second quarter returns for most fixed income and hedge funds also were positive, with the strongest returns seen in the higher risk areas (e.g., high yield, emerging markets).

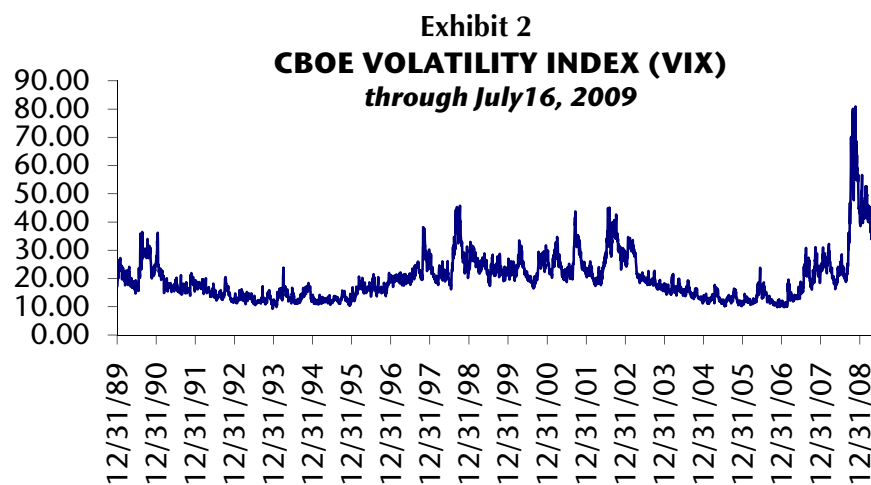
Exhibit 1		
Total Return of Equity, Fixed Income and Hedge Fund Indices *		
	2Q 2009 (3/31/09 to 6/30/09)	Year-to-Date (12/31/08 to 6/30/09)
Major Equity Indices	%	%
S&P 500 Index	15.9%	3.2%
Russell 3000 Index (Total US market)	16.8%	4.2%
Russell 2000 Index	20.7%	2.6%
MSCI All Country Ex-US Index (Net)	27.6%	13.9%
MSCI EAFE International Index (Net)	25.4%	8.0%
MSCI Emerging Markets (Net)	34.7%	36.0%
<i>Source: Bloomberg, MSCI</i>		
Major Fixed Income and Hedge Fund Indices	%	%
Barclays Capital US Aggregate Bond Index	1.8%	1.9%
Barclays Capital Credit Investment Grade	8.8%	6.9%
Merrill Lynch US High Yield BB-B Bond Index	18.0%	25.5%
JPMorgan GBI Global ex-US Index Hedged in USD	0.0%	0.1%
JP Morgan EMBI Global Index (Emerging markets)	10.8%	14.6%
HFRX Equal Weighted Strategies Index (Hedge Funds)	3.6%	4.5%
<i>Source: Bloomberg, PIMCO, HFRI</i>		

* Including price appreciation plus dividends and/or interest.

The extremely difficult financial and economic conditions experienced by the global economies after September 2008 initially resulted from a collapse of confidence in the world's financial systems which translated into both forced and panic selling of assets throughout the world. In turn, this situation froze consumer spending and business investment and quickly created serious recessionary economic conditions that significantly reduced output and employment worldwide.

Although massive monetary and fiscal initiatives were implemented to reduce the stress in the financial system and accelerate the economic recovery, a general pessimistic outlook still prevailed in spite of positive signals seen in multiple financial and economic indicators. Although the current outlook still is mixed, our view continues to tilt to the positive, as was stated in our April 2009 client letter. The global economy is showing increasing signs of recovery and many economic indicators are at turning points. While the palpable financial stress experienced in 2008 and the beginning of 2009 has greatly subsided, we are still ‘not out of the woods’ as the economic recovery is still in its beginning stage.

Volatility in the equity markets, as measured by the CBOE Volatility Index (VIX), is down substantially from the record-breaking highs of 2008, although it is still above normal levels (see Exhibit 2).

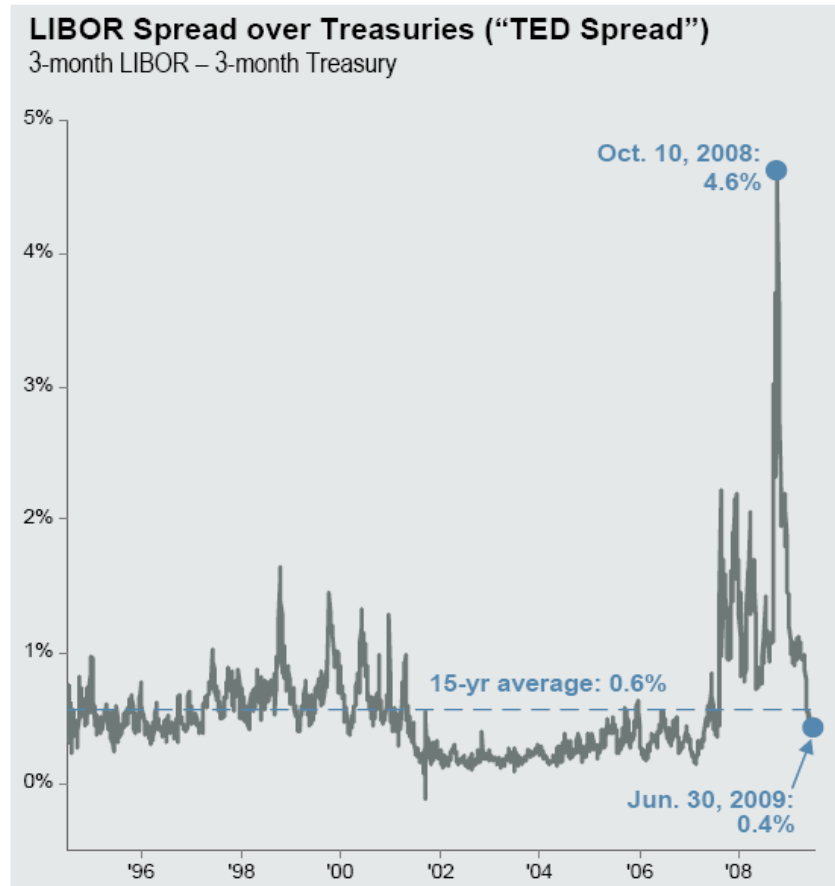


During the first half of 2009, and especially in the second quarter, credit markets improved dramatically. A good illustration of this is in the “TED Spread” which compares the 3 month LIBOR (London Interbank Offered Rate) to the 3 month Treasury yield (see Exhibit 3 below.) By comparing the interest rate at which banks are willing to lend to each other (LIBOR) to what essentially is the prevailing risk-free interest rate (3 month Treasury), the “TED spread” allows us to gauge the degree of confidence that banks have in each other. During the last fifteen years, the TED Spread averaged 0.6%, reflecting a high level of confidence. When market conditions collapsed late last year, confidence plummeted and the spread soared to 4.6%. As of June 30th, however, the TED spread has fallen to a mere 0.4%, indicating that confidence may have been restored and banks are returning to normal operating practices.

After the release of the results of the US government stress tests (which measured the ability of large banks to weather a serious economic downturn) showed that banks were in a better financial position and had a lower level of undercapitalization than expected, the outlook for banks improved. Consequently, banks were able to return to the capital markets and raise new funds. In fact, issuance of US secondary equities surged substantially in May, representing the strongest month ever, as companies (including banks) sold more than \$50 billion of new stock to the public.¹

¹ Fidelity: “Q2 2009 Market Update”

Exhibit 3



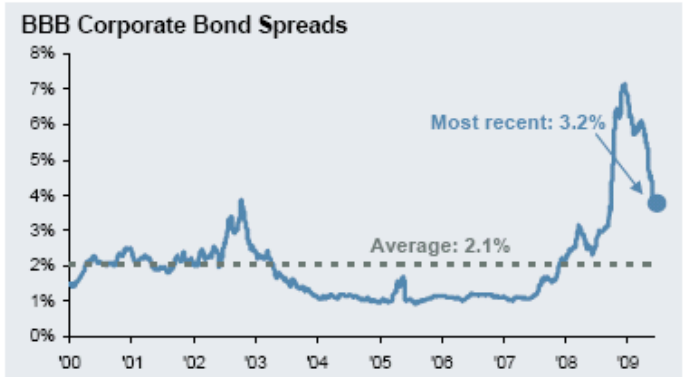
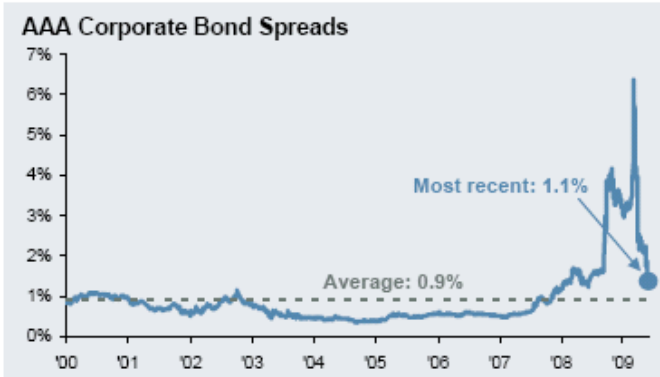
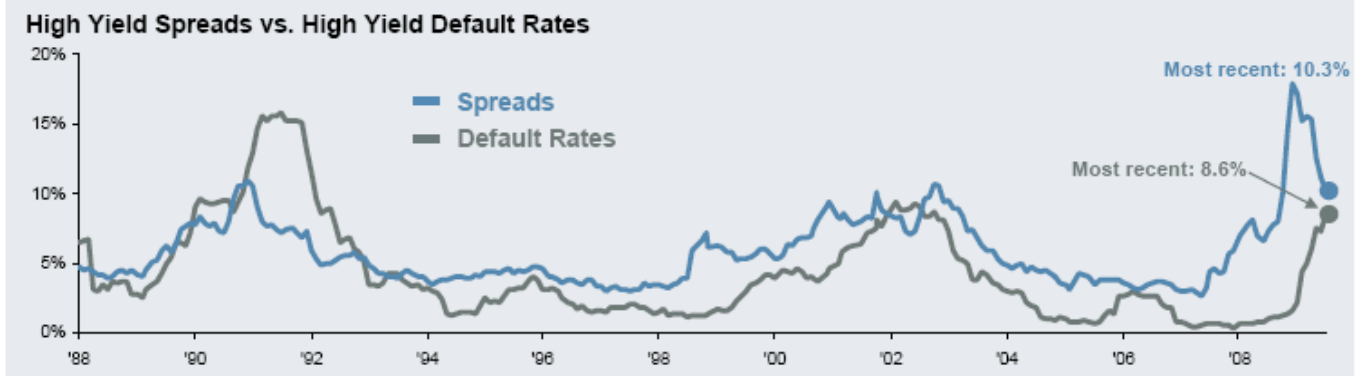
Source: British Bankers Association, U.S. Treasury, J.P. Morgan Asset Management.
Data are as of 06/30/09.

Another positive effect of the improving conditions over the past six months is that corporations found greater and less costly access to credit. During the first quarter, global corporate investment-grade bond issuance rose to \$875 billion, a 124% increase over the same period last year.² High yield issuance also was successful; however, this was dominated by refinancing transactions and by issues of companies with relatively stronger credit.

Exhibit 4 below shows how credit spreads between various bond types and their comparable Treasury counterparts have begun to normalize. In this exhibit, one can see the marked improvement in the municipal bond sector. The spreads for municipal bond yields versus comparable Treasuries nearly doubled during the recent financial crisis, but have since declined by approximately 40%, returning to levels much closer to their long-term averages.

² Wall Street Journal: “Bond Issues Surge, Syndicated Loans Fall” May 26, 2009.

Exhibit 4



Source (top chart): U.S. Treasury, J.P. Morgan Asset Management.

Source (bottom charts): U.S. Treasury, J.P. Morgan Asset Management.

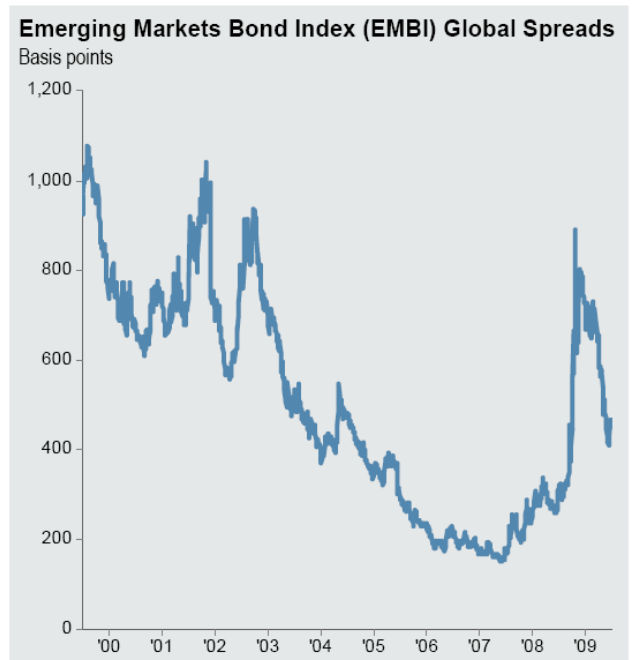
Spreads indicated are benchmark rates over comparable Treasury yields. Corporate bond spreads are of 10+ year maturity.

Data are as of 06/30/09.



Source: FactSet, Barclays Capital Inc., J.P. Morgan Asset Management.

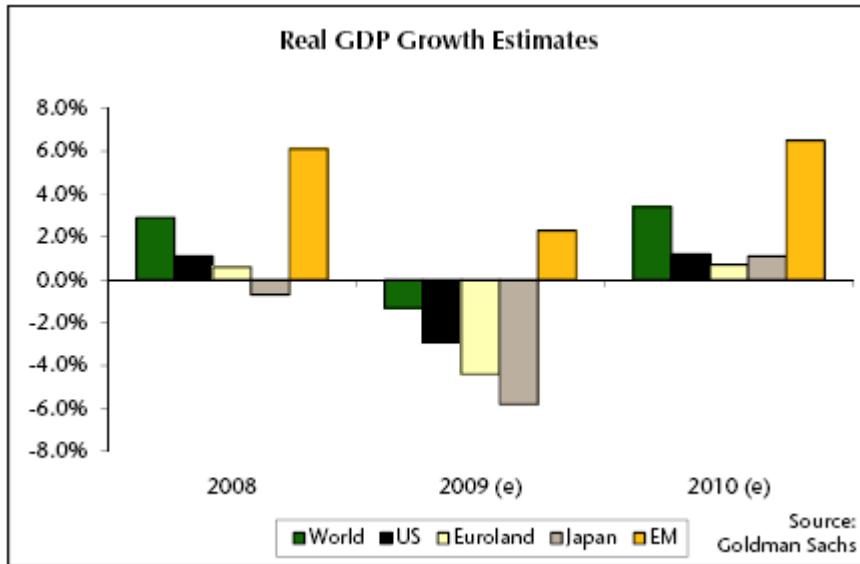
This above chart is shown for illustrative purposes only, and is shown using monthly data. Data are as of 06/30/09.



Source: J.P. Morgan Asset Management, EcoWin, FactSet.

Data are as of 06/30/09. Spreads measure the credit risk premium over U.S. Treasury bonds.

Exhibit 5

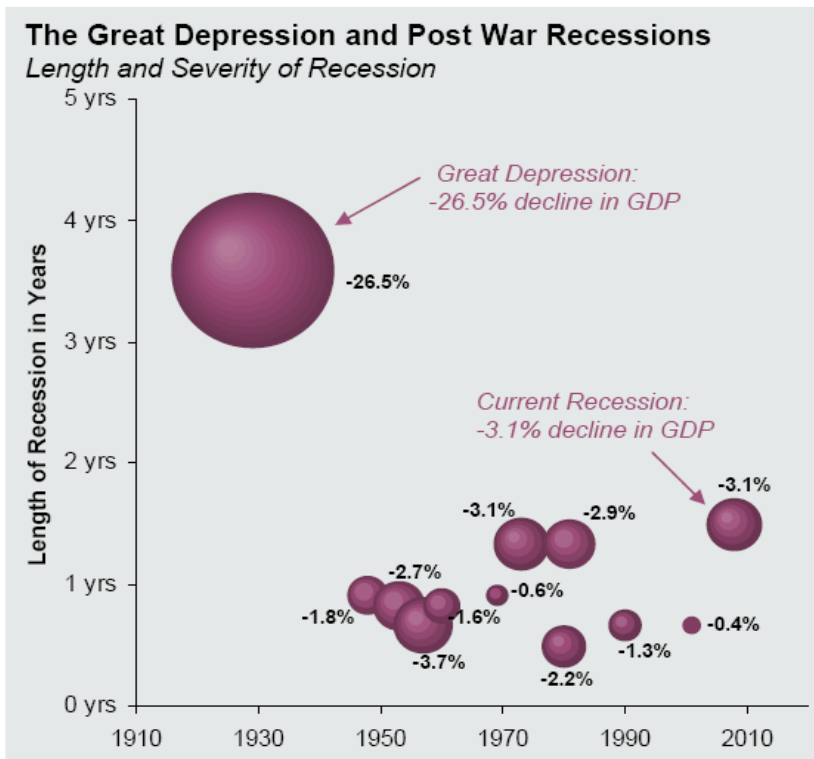


The economic recovery appears to be taking hold. Although 2009 will likely be a year of negative GDP growth for most of the developed world, it could start to turn positive during the second half of the year. It is estimated that 2010 should show moderate growth, as shown in Exhibit 5.

During the recent economic and financial crisis, constant and numerous media reports,

as well as political discussions, compared this recession to the gravity of the Great Depression, heightening the level of fear and anxiety experienced by investors and the general public.

Exhibit 6



While we do not want to underestimate the severity of this recession in the US, Exhibit 6 puts into comparative context both its length and severity. As can be observed, by comparing relative declines in GDP, there is no resemblance, whatsoever, in the severity of this recession to that of the Great Depression. In terms of length, it appears the current recession will be substantially shorter. Furthermore, a review of the exhibit shows that the current recession is similar in severity to at least four earlier recessions and in length to at least two previous recessions.

Source: NBER, BEA, J.P. Morgan Asset Management.

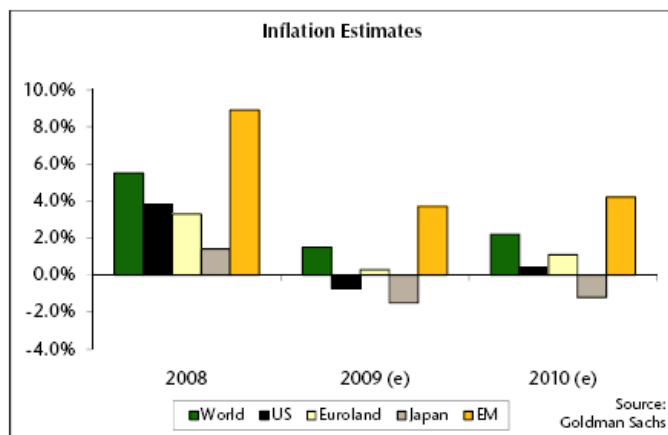
Bubble size reflects the severity of the recession, which is calculated as the decline in real GDP from the peak quarter to the trough quarter except in the case of the Great Depression where it is calculated from the peak year (1929) to the trough year (1933), due to a lack of available quarterly data. Data are as of 06/30/09.

While the pace of layoffs has moderated in the US during the past quarter, unemployment is expected to continue to rise even after the economy starts recovering, as has occurred in previous recessions. Low business inventories and increased savings, by both corporations and consumers, should contribute to an increase in spending going forward. Cyclical indicators (e.g., sales of light vehicles, homes and business equipment) started ticking upwards during the second quarter and most importantly, consumer confidence began to recover. The largest uncertainty remains how the continuing deleveraging process in all sectors of the economy will affect the future level of economic growth.

Euroland, which normally relies on exports to drive economic recovery, may not see growth until 2010. As banks continue to deleverage, the level of lending might be reduced across all sectors of the economies. While the Japanese government has announced several fiscal expansion measures (that seem to have stabilized economic activity), growth is not expected until 2010.

China, India and other emerging markets have maintained positive growth during this global economic recession, albeit at a slower pace. Despite a reduction in imports by the developed world, significant stimulus programs and increasing consumption by the growing and emerging middle classes have helped sustain internal demand. However, more growth still is needed in order to maintain the rising standard of living these populations have enjoyed over the last decade.

Exhibit 7



Inflation may be a concern in the future, but high unemployment and low capacity utilization rates in the US should keep inflation low in the short-term. Despite these conditions, there continues to be serious concerns that the government's massive monetary and fiscal stimulus programs could result in high inflation.

However, as we stated in our April 2009 client letter, we do not believe inflation will be an issue in the near future given current economic conditions. We reiterate

our belief that only after the economy rebounds, unemployment declines to 5% or less (from the current expected 10-11%) and capacity utilization increases beyond 80% (from the current 69%) could inflation become a serious threat. The main challenge going forward will be the ability of the Federal Reserve to trim excess liquidity from the system without undermining the economic recovery underway. Reducing fiscal spending will be important in limiting future inflation to manageable levels. Implementing the appropriate health care reform measures, including the proper incentives, to both rein in the continuously escalating costs and reduce waste and inefficiencies throughout the public and private systems, also will be an important ingredient in reducing future inflationary pressures.

Although we do not believe inflation will be a problem in the short term, it might become a potential issue once the economy fully recovers. In anticipation of that scenario, we

continue to consider alternatives to insure portfolios against inflation risk with the appropriate exposure to TIPS (Treasury Inflation-Protected Securities) and increasing stakes in both commodities and real estate holdings.

As mentioned earlier, US equity prices recovered dramatically during the quarter, turning year-to-date performance positive. This rally was fueled by data showing improvements in economic activity, corporate profits and credit markets. Leading economic indicators suggested to investors that some parts of the economy were either stabilizing or improving. For instance, initial jobless claims declined from their March peak, the housing market showed signs of reaching a bottom, and consumer confidence improved considerably. US corporations, in aggregate, returned to profitability during the first quarter of 2009 after recording their first-ever aggregate loss in the fourth quarter of 2008, mainly due to bank losses. Initial reports released for second quarter earnings indicate that, on average, profits are again trending upward.

Almost negligible yields in very short, high-quality fixed income securities and money markets have pressured investors to increase their risk appetite and move into higher risk assets. This general shift in asset allocation (currently in its early stage) also has contributed to the improvement in fixed income and, to some extent, equity markets.

A stabilizing global economy, along with a weaker US dollar, sparked the strongest quarterly rally for foreign stocks in more than three decades. Emerging markets led the way as investors speculated that China and India would rebound more quickly than developed countries. The prospect of a turnaround in emerging markets also sent Japanese stocks higher. Although Japan is now fighting deflation, increased demand for its exports could pave the way for an economic recovery. Stocks in developed Europe lagged other foreign markets and the notion that European economic recovery lags behind the rest of the world dampened stock appreciation in some markets.

Diversification strategies helped market performance during the second quarter. While diversification did not provide the protection that was hoped for during the fourth quarter of 2008, when there was an overall market collapse and correlations between most asset classes rose significantly, it has had a very positive effect on performance during the first half of 2009. For example, allocations to international stocks (including emerging markets) boosted returns significantly. Additionally, the fixed income segment of portfolios benefited from exposure to non-government fixed income securities, such as investment grade corporate debt, mortgage backed securities, high yield issues and international fixed income.

During the current financial and economic crisis, there has been much discussion on the topic of diversification as an appropriate investment strategy. For your review, we have included as an appendix a recent presentation by Fidelity Investments entitled "Four Reasons Why Diversification Remains a Valid Strategy". When reviewing the table, please note the correspondence of colors with asset classes -- we hope you find it useful.

Finally, we are cautiously optimistic about the prospects for the global economy and for worldwide financial markets. We continue to find opportunities across most asset classes in both the fixed income and equity arenas. In March 2009, securities prices were so depressed

that we had a situation where the “tide would lift all boats” -- and that is what mostly occurred. Going forward, we still believe that opportunities are abundant. Yet, fundamentals will be extremely significant in determining investment returns and the overall level of returns will be more modest.

We continue to gradually rebalance portfolios, tactically addressing opportunities in areas that have not recovered as strongly to date. The mutual fund managers that we utilize are continually researching and investing in their areas of specialization. They have indicated to us that they continue to find ample buying opportunities at low valuations. Our focus remains, as always, on your long-term investment objectives, risk profile and liquidity needs.

Sincerely,

The SOL Capital Management Team

Four Reasons Why Diversification Remains a Valid Strategy

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*	Legend
40.4	65.0	29.1	59.9	18.4	74.8	8.1	37.6	35.3	34.8	35.0	66.4	49.7	13.9	32.1	56.3	31.6	34.5	35.1	39.8	5.2	36.2	Emerging-Market Stocks
28.6	38.3	9.0	46.1	17.4	32.9	5.3	37.0	33.9	33.4	28.6	40.9	26.4	8.4	10.3	47.3	26.0	25.6	32.6	32.7	-26.4	29.4	High-Yield Bonds
27.9	34.7	-1.3	41.7	14.9	19.7	3.2	36.6	23.0	28.7	20.3	33.8	11.6	4.5	3.8	39.2	20.7	14.0	26.9	11.6	-33.8	11.5	Growth Stocks
25.0	31.7	-3.1	39.2	14.6	18.9	2.2	28.4	21.9	22.4	13.5	27.3	8.0	2.5	-1.9	37.1	18.3	12.2	22.3	11.4	-36.3	8.4	Developed-Country Stocks
23.6	24.2	-4.4	35.7	11.4	18.7	1.3	20.5	21.6	20.3	8.7	21.3	-3.0	-2.4	-6.0	31.1	17.3	6.9	18.4	7.0	-37.0	6.6	Commodities
16.6	16.3	-8.8	30.5	7.6	16.7	-1.0	20.3	16.5	13.3	3.0	21.0	-5.1	-4.3	-15.2	31.0	16.9	5.2	15.8	5.5	-37.7	3.2	Large-Cap Stocks
13.5	14.5	-10.6	25.4	7.4	10.1	-1.8	18.5	11.3	9.7	-2.5	6.7	-9.1	-11.9	-15.7	28.7	10.9	4.9	11.8	2.2	-38.4	2.6	Small-Cap Stocks
13.4	10.8	-15.4	16.0	5.2	9.7	-1.9	15.3	6.4	2.1	-17.5	2.5	-14.0	-19.6	-20.5	28.1	10.9	4.6	9.5	-1.0	-43.1	1.9	Investment-Grade Bonds
12.0	8.8	-19.5	12.5	4.4	3.7	-2.9	11.6	6.0	-11.6	-25.3	-0.8	-22.4	-21.2	-22.1	20.7	6.9	2.7	4.3	-1.6	-46.5	-3.1	Value Stocks
7.9	2.3	-23.2	-6.1	-11.8	-12.3	-7.3	-5.2	3.6	-14.1	-35.7	-4.6	-30.6	-31.9	-28.0	4.1	4.3	2.4	-15.1	-15.7	-53.2	-12.2	Real Estate Stocks

* 2009 YTD return. You cannot invest directly in an index. See footnotes for index information. Past performance is no guarantee of future results. Source: FMRCo (MARE) as of 6/30/09.

- 1. Massive asset class rotations.** Performance among various asset classes historically has rotated widely from year to year. For example, in 2008, investment-grade bonds (+5.2%) were the top-performing category, but so far in 2009 higher-grade bonds have been among the lagging categories. Meanwhile, emerging-market stocks (36.2%) are on top this year after ending 2008 as the worst-performing group (-53.2%).
- 2. Returns can vary widely.** The magnitude of returns can vary significantly among asset classes in any given year, and even among asset classes that are moving in the same direction. The difference between the best and worst asset class has averaged **51 percentage points** during the past two decades. So far in 2009, U.S. growth stocks have outperformed U.S. value stocks by nearly 15 percentage points.

- 3. Long-term performance patterns overwhelm short-term divergences.** After most assets fell in 2008, some investors grew skeptical about diversification. During short periods, assets may move more in line with each other, making diversification appear less effective. However, the abrupt shift in 2009 demonstrates the benefits of diversification (i.e. reduced portfolio risk) tend to become apparent over longer-term time horizons.
- 4. Chasing short-term winners can backfire.** Trying to move in and out of certain assets at just the right time can be challenging. Those who moved aggressively into investment-grade bonds after a solid year in 2008 have experienced relatively weaker returns so far in 2009. Conversely, those who moved out of poor-performing assets in 2008 (e.g. emerging-market stocks and high-yield bonds) may have missed the snapback so far in 2009.