



April 27, 2009

Dear Client,

While this first quarter displayed some similarities to the one previous, it also exhibited important positive differences. Like the prior quarter, this quarter was extremely volatile for equity markets as they experienced both bear and bull market conditions (defined as a -20% or +20% change in the equity markets). Between January 6th and the March 6th intra-day low of 667, the S&P 500 Index declined approximately 28%. From the March 6th intra-day low through the end of the month, the S&P increased by almost 20%, closing at 798. This positive momentum, although still accompanied by high volatility, continued through April 24th with the S&P gaining nearly an additional 9% since March 31st, erasing most of the decline seen year-to-date (see Exhibit 1 below).

Although the financial markets have improved and substantial monetary and fiscal initiatives have been implemented to accelerate the recovery, the economic environment continues to be delicate; financial markets still can turn negative and could continue to experience high volatility. However, our outlook tilts to the positive. We believe that the economy might start to recover by the second half of 2009, laying the foundation for the improvement in financial markets.

Another important difference when compared to the previous quarter, is that diversification worked more effectively, helping portfolios substantially dampen the impact of the large equity market declines seen in February and early March. Fixed income and alternative investments held their own, and in most cases, had positive quarterly returns. In the US, equity returns for growth companies of all capitalization levels were negative, but fared considerably better than the S&P 500 benchmark index. In the international asset class, emerging markets performed significantly better than those of developed countries and finished the quarter with a positive return.

Investors' level of confidence in the recovery of the global economy is still quite low and sentiment towards the financial markets still remains negative, although slightly improving. This pessimism is helping to maintain valuations at very attractive levels in most asset classes. In addition, global investors continue to hoard large levels of cash. Historically, these conditions create some compelling investment opportunities, and tend to increase the likelihood for above-average future returns. However, most investors often are reluctant to rebalance assets and redeploy cash after experiencing difficult economic and financial conditions. Although this hesitancy is understandable and conditions might indeed further deteriorate, we feel that the uncertainty of future events justifies a gradual rebalancing within investors' asset allocations to take advantage of the opportunities present in the markets. This action is appropriate as long as it continues to be consistent with investors' long-term investment objectives, risk profile and liquidity needs.

Independent of the portfolio rebalancing process, most of the mutual fund portfolio managers that we utilize continue to see ample global investment opportunities across almost all asset classes. As opportunities arise, they have been repositioning portfolios in terms of sector and individual securities' exposures. This higher turnover has been more pronounced in some of the fixed income funds.

Exhibit 1		
Total Equities, Fixed Income, and Hedge Fund Indices Returns*		
	1Q 2009 (12/31/08 to 3/31/09)	Year-to-Date (12/31/08 to 4/24/09)
<i>Major Equity Indices</i>	%	%
S&P 500 Index	-11.0%	-3.3%
Russell 3000 Index (Total US market)	-10.8%	-2.4%
Russell 2000 Index	-15.0%	-3.6%
MSCI All Country Ex-US Index (Net)	-10.7%	-0.4%
MSCI EAFE International Index (Net)	-13.9%	-4.8%
MSCI Emerging Markets (Net)	1.0%	15.0%
<i>Source: Bloomberg, MSCI</i>		
<i>Major Fixed Income and Hedge Fund Indices</i>	%	%
Barclays Capital US Aggregate Bond Index	0.1%	0.5%
Barclays Capital Credit Investment Grade	-1.8%	0.1%
Merrill Lynch US High Yield BB-B Bond Index	6.4%	13.6%
JPMorgan GBI Global ex-US Index Hedged in USD	0.1%	-0.2%
JP Morgan EMBI Global Index (Emerging markets)	3.4%	8.1%
HFRX Equal Weighted Strategies Index (Hedge Funds)	1.2%	1.8%
<i>Source: Bloomberg, PIMCO, HFRI</i>		

* Including price appreciation plus dividends and/or interest.

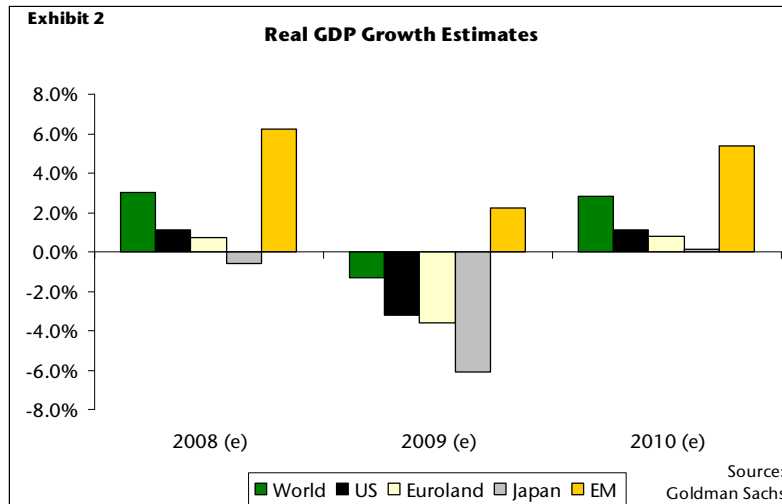
Uncertainty about the length of the recession, the health of the financial system and global growth will keep market volatility at elevated levels for the foreseeable future. S&P 500 operating earnings declined 40% in 2008, a significant portion due to massive write-downs in the financial sector. Earnings in 2009 will reflect basic economic weakness, but should be stronger than in 2008 and may finish the year positive. Given the widespread pessimism mentioned earlier, the impact of the US Government's vast monetary and fiscal actions (as detailed in the appendix) might indeed be underestimated. There is considerable debate (both political and technical) regarding the merits, structure and size of some of these programs. However, we believe that their unprecedented scope, along with the flexibility in their implementation, will lead to a more timely and effective recovery than anticipated. This assessment does not attempt to understate the seriousness of the situation or the extent of the difficulties that need to be overcome. Rather, it recognizes the magnitude and speed of the government's coordinated response, even with all of its imperfections.

Real consumer spending seems to have increased in the first quarter and effects of the stimulus package should start appearing during the year. Consumer confidence appears to have finally started to rebound. However, we expect unemployment, a lagging indicator, to continue rising, possibly reaching 9-10% by year's end.

There is concern that the government's massive monetary and fiscal stimulus programs could result in high inflation. However, considering the current high level of unemployment and low capacity utilization in the economy, we do not believe inflation will be an issue in the near future. Only after the economy rebounds and unemployment declines to levels below 5% (from the currently expected 9-10%) and capacity utilization increases to a level beyond 80% (from the current 69%) could inflation become a threat. However, inflation need not necessarily reach worrisome levels if the Federal Reserve is able to reduce to normal levels the excessive liquidity in the system and the government curbs some of its deficit spending.

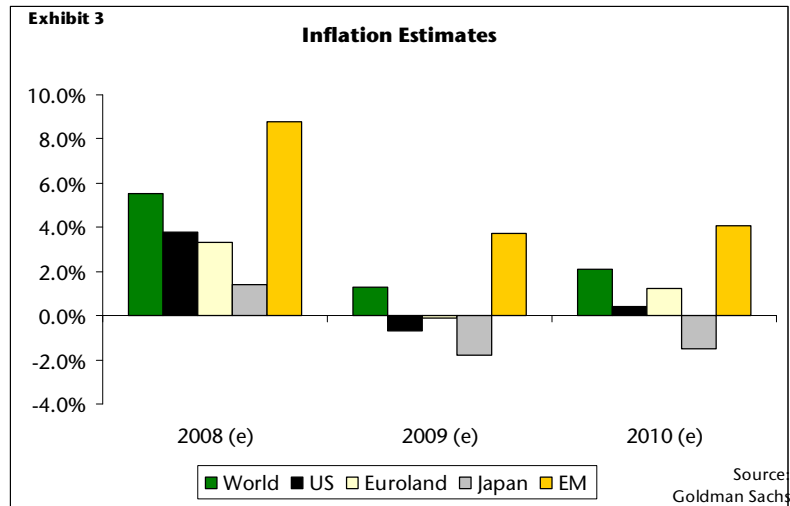
Nonetheless, in order to best protect portfolios, it is safer to assume that once the economy fully recovers there might be an inflation problem. In anticipation of that scenario, we should proactively consider insuring portfolios against inflation risk with the appropriate exposure to TIPS (Treasury Inflation-Protected Securities) and increase stakes in both commodities and real estate holdings.

Exhibits 2 and 3 below show Goldman Sachs' future global economic growth and inflation estimates. Even if actual results exceed these estimates, there is ample time before the global economies reach growth levels where inflation can be a serious concern.



In Europe, domestic consumption, as well as demand for both investment and exports, has decreased. While governments have assertively implemented monetary policy to defend and recapitalize their banking systems and the European Central Bank has offered extensive funding, fiscal policy measures have been more muted. Japan's responses also have been more constrained, both in terms of fiscal and monetary policy, since its banking system was not as affected by the financial crisis and the country has been coping with recessionary conditions for well over fifteen years.

Although deflation concerns in the US have abated as a result of the government's actions, deflation remains a real risk in Europe and Japan.

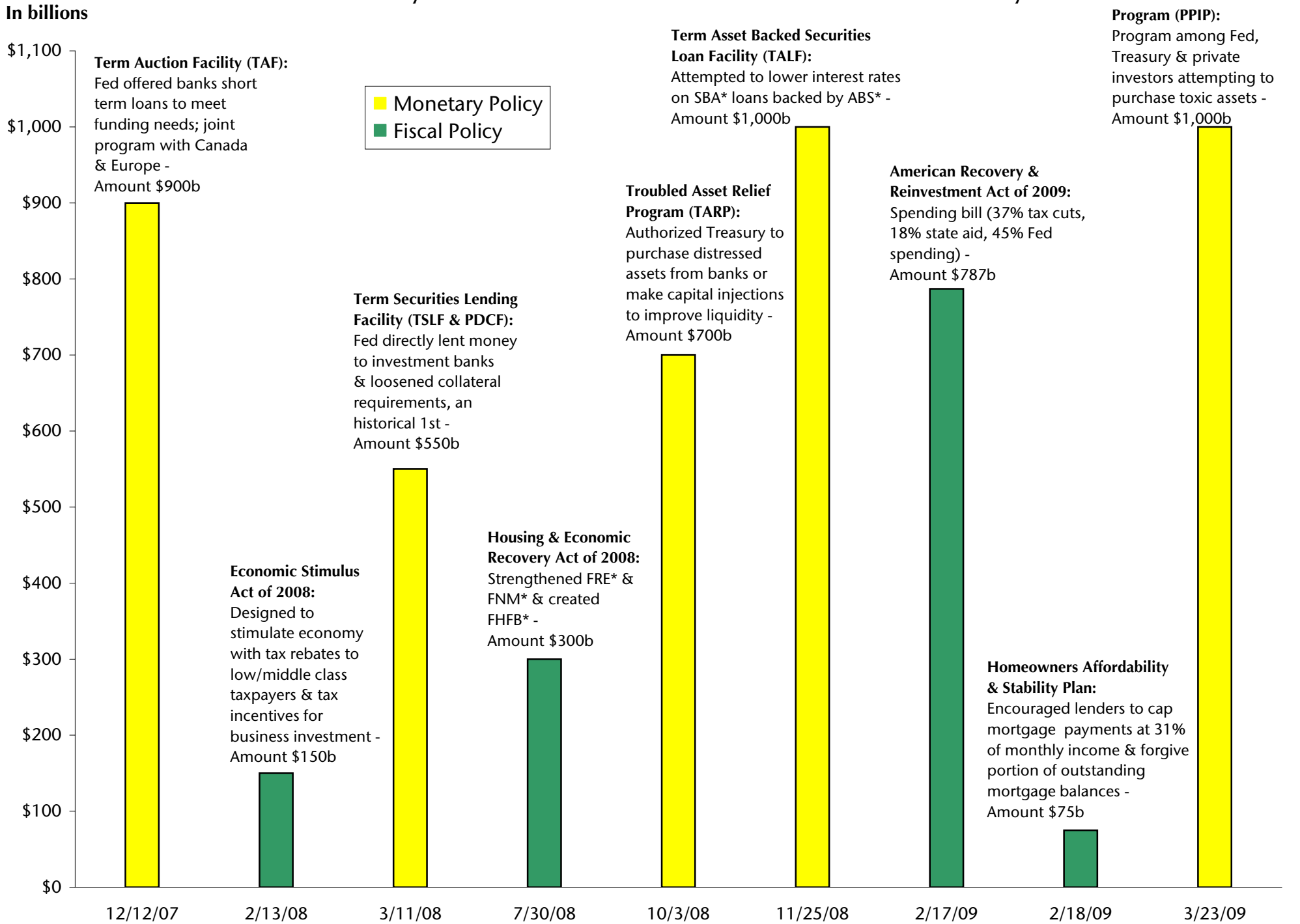


With stock valuations at very low levels and most bonds at very high spreads versus US Treasuries, we are taking a gradual approach to rebalancing portfolios and reinvesting cash, where appropriate. We see opportunities across all equity markets and the mutual fund portfolio managers that we utilize are finding undervalued securities at rarely seen levels. In the fixed income area, special opportunities exist in high quality mortgage backed securities, corporate investment grade bonds and, where appropriate, in municipal bonds. Once valuations in TIPS become more attractive, we may start investing in these securities. Because commodity prices have declined substantially, we also may consider adding some exposure, where appropriate.

Sincerely,

The SOL Capital Management Team

US Monetary & Fiscal Actions to Promote Economic Recovery



Sources: Strategic Investment Group, Federal Reserve of St. Louis, US Treasury

*Note: FRE = Freddie Mac FNM = Fannie Mae FHFB = Federal Housing Finance Board
SBA = Small Business Administration ABS = Asset Backed Securities