



October 27, 2010

Dear Client,

During the third quarter of 2010, global financial markets experienced significant positive returns across all asset classes; this was especially true in the equity arena. US equities saw their greatest 'September' gains since 1939, despite September being a historically poor-performing month for equities. This turnaround reversed the negative year-to-date performance (as of June 30, 2010) of major world equity indices into very solid returns (as of September 30th); see Exhibit 1.

Exhibit 1			
Total Return* for Selected Equity, Fixed Income, and Hedge Fund Indices			
	Year to Date Ending 6/30/10	3Q 2010 6/30/10 to 9/30/10	Year to Date Ending 9/30/10
Major Equity Indices	%	%	%
S&P 500 Index	-6.7	11.3	3.9
Russell 3000 Index (Total US market)	-6.1	11.5	4.8
Russell 2000 Index	-1.9	11.3	9.1
MSCI All Country Ex-US Index (Net)	-11.1	16.6	3.7
MSCI EAFE International Index (Net)	-13.2	16.5	1.1
MSCI Emerging Markets (Net)	-6.2	18.0	10.8
<i>Source: Bloomberg, MSCI</i>			
Major Fixed Income and Hedge Fund Indices	%	%	%
Barclays Capital US Aggregate Bond Index	5.3	2.5	7.9
Barclays Capital Credit Investment Grade	5.6	4.6	10.5
Merrill Lynch US High Yield BB-B Bond Index	4.6	6.7	11.6
JPMorgan GBI Global ex-US Index Hedged in USD	0.4	2.0	5.6
JP Morgan EMBI Global Index (Emerging markets)	5.4	8.3	14.1
HFRX Equal Weighted Strategies Index (Hedge Funds)	-0.1	2.5	2.4
<i>Source: Bloomberg, PIMCO, HFRI</i>			

* Includes price appreciation plus dividends and/or interest.

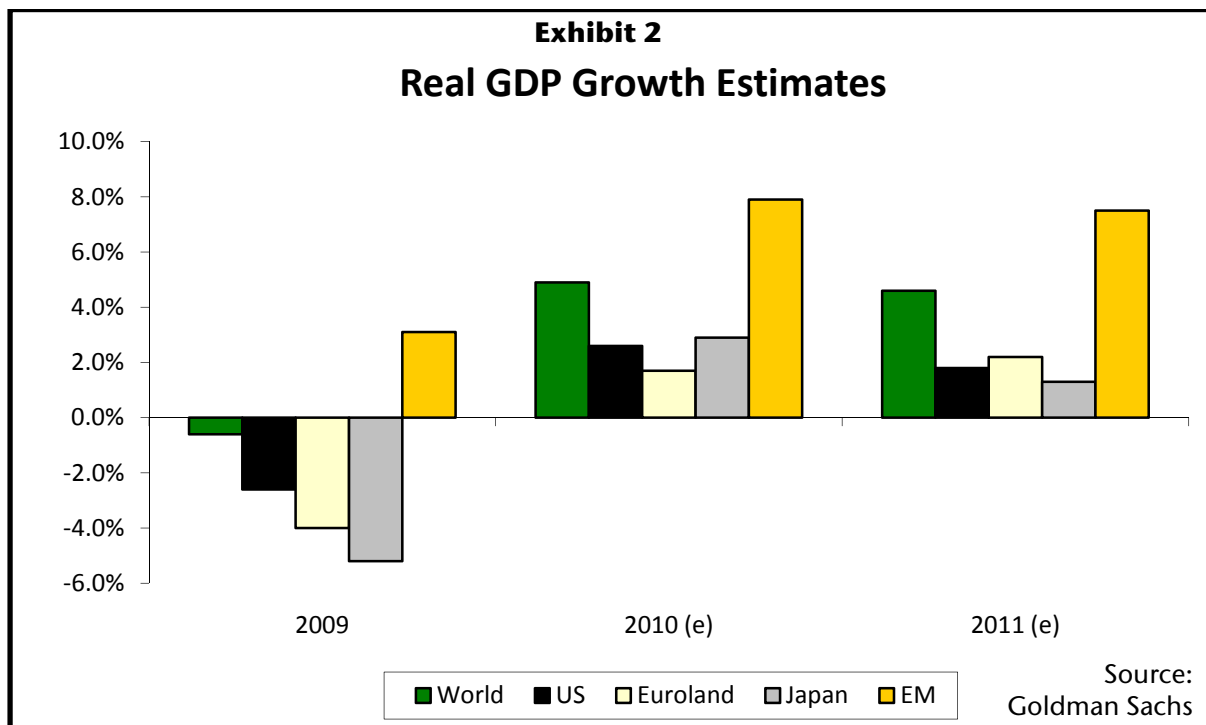
While 2010 has been a volatile year in financial markets, global equities and fixed income have continued the recovery started with their March 2009 rebound. US corporate profits also have substantially improved and currently represent 8.3% of GDP, a level very close to the 50-year peak and 38% above the 50-year average.

Additionally, corporations on the whole have strengthened their balance sheets and have sizeable cash positions. This extra cash is being used not only for increased dividend

payouts, common stock buybacks and capital expenditures, but also for renewed acquisition activities. Further, major companies have been taking advantage of the very low interest rate environment, issuing bonds to fund some of their stock buyback plans and other investment activities.

Despite all the ‘gloom and doom’ scenarios, the US economy continues to recover and is projected to expand throughout 2011; see Exhibit 2. While economic growth definitely is slow, the economy is, nonetheless, growing. This tepid growth is consistent with recoveries that typically follow serious financial crises when credit markets are impaired. When these crises occur, we tend to see subsequent tight credit conditions that limit the rate of economic growth and a reduction of personal debt and household leverage by consumers, both of which are presently occurring in the US.

As always, the risk of a second downturn exists, but its probability is low. Since the 1930s, only once has an economic expansion lasted less than two years. This occurred during 1980-1981, when the Federal Reserve aggressively tightened monetary policy to combat excessive inflationary conditions.



US monetary policy remains accommodative with extremely low short- and long-term interest rates. More importantly, the Federal Reserve has indicated its firm resolve to implement additional measures, if necessary, to counter-balance potential negative economic developments. Fiscal policy continues to be highly stimulative, albeit at a reduced rate. Inflation remains low and is not projected to be a concern for the foreseeable future. If anything, deflation is the more probable risk.

Although the financial health of US consumers is constantly described in grim terms, their actual financial condition is much better than that perceived. While many consumers are

experiencing an ongoing challenging economic environment, and unemployment remains stubbornly high, the total balance sheet for consumers appears healthy; see Appendix 1. As of June 30th, total consumer assets (comprising homes, deposits, pension funds and other financial and tangible assets) were \$67 trillion versus total liabilities (including mortgages, revolving and non-revolving credit and other liabilities) of \$14 trillion. Further, the personal savings rate has improved substantially to 5.7% of disposable income. Additionally, the 11.9% household debt service ratio (debt payments as a percent of disposable personal income) has declined from the 14% peak seen during the third quarter of 2007, reverting to a level close to that seen during the late 1990s.

Again, these statistics do not imply that US consumers have not, and do not, feel the recent recession's pain, but rather that – in aggregate – their financial condition is more resilient and healthier than perceived.

Growth of emerging market economies is, and is projected to be, solid and will be an important driver in continuing the global recovery. Conversely, Eurozone growth continues to be sluggish with higher downside risks and the potential for contagion. Japan's economy has been gradually recovering, driven by exports mostly to Asia.

It is our view that, on balance, global economic conditions appear to be positive. However, uncertainty and risk are always present, affecting investors' views of the markets. While US unemployment and housing are serious problems that continue to linger, both are stabilizing and will most likely be resolved gradually over the next few years. Fiscal deficits and their corresponding impact on government debt in developed economies have become serious issues that need to be addressed sooner rather than later. Further, global political uncertainty also represents a constant risk and the deep psychological impact of potential terrorist attacks continues to present a serious threat to worldwide economies and daily life.

We continue to believe that the positives will outweigh the negatives and that the economic and financial recoveries will continue to gain momentum. However, a substantial number of investors appear to expect a much more negative outcome, as evidenced by:

- the trillions of dollars sitting on the sidelines in money markets earning close to 0% return,
- the substantial flow of funds into fixed income investments, and
- the continuing outflows from US equity mutual funds.

To try to explain this dichotomy between improving economic and financial conditions and bearish investor behavior, we quote from Capital Research and Management - one of our mutual fund managers:

“Recoveries don't feel good.

After significant declines, the markets have typically become unbearably rocky – causing investors to want to react to every bump along the way. Bearish headlines, troubling events and disappointing economic news fuel feelings of uncertainty. But while these times have been remembered as extraordinarily difficult, they also have been times of

opportunity. And, as these charts show, [see Appendix 2] investors who found the courage and conviction to stay the course were rewarded with attractive results.”¹

On the same topic, Jim Fullerton (former Chairman of Capital Research and Management) stated in November 1974 (at the end of the 1973-1974 bear market) that:

“One significant reason why there is such an extreme degree of bearishness, pessimism, bewildering confusion, and sheer terror in the minds of brokers and investors alike right now, is that most people today have nothing in their own experience that they can relate to, which is similar to this market decline.”²

Today, investors are facing a similar dilemma. Generally speaking, corporate profits are both increasing and robust, their financial position is solid, and valuations are inexpensive - likely due to investors’ fears and negative sentiment. Conversely, US Treasuries (and most low-risk fixed income securities) are expensive and, in our opinion, their current pricing may not be sustainable in the future. Yet, investors continue to shy away from equities and embrace both the nearly 0% return in money markets (cash) and the very low returns offered by fixed income securities.

Investment Strategy

Consistent with the asset allocation parameters of each client, we continue to rebalance portfolios toward undervalued areas. We believe global equities are very attractive and present investment opportunities with a reasonable probability of good returns in the future.

While we do believe that investment opportunities in fixed income exist, the relatively low levels of current interest rates (in both nominal and real terms) and tight average spreads on corporate debt, point to lower potential returns and higher risk on a relative basis. We continue to lower duration and credit risk in portfolios, where appropriate. We also are searching for fund managers that can take advantage of market discrepancies and special opportunities in the different fixed income areas. Still, fixed income remains an important component of asset allocation that allows for the timely funding of investors’ liquidity needs and works well to diversify and reduce risk. Appendix 3 shows how a diversified portfolio that includes fixed income securities helps to minimize volatility with reasonable returns over time.

While we continue to rebalance portfolios, our focus – as always – remains on achieving your long-term investment objectives (given your risk profile) and funding your future liquidity needs. Again, we invite you to call us at 301.881.3727 with any questions or concerns about your portfolio.

Sincerely,

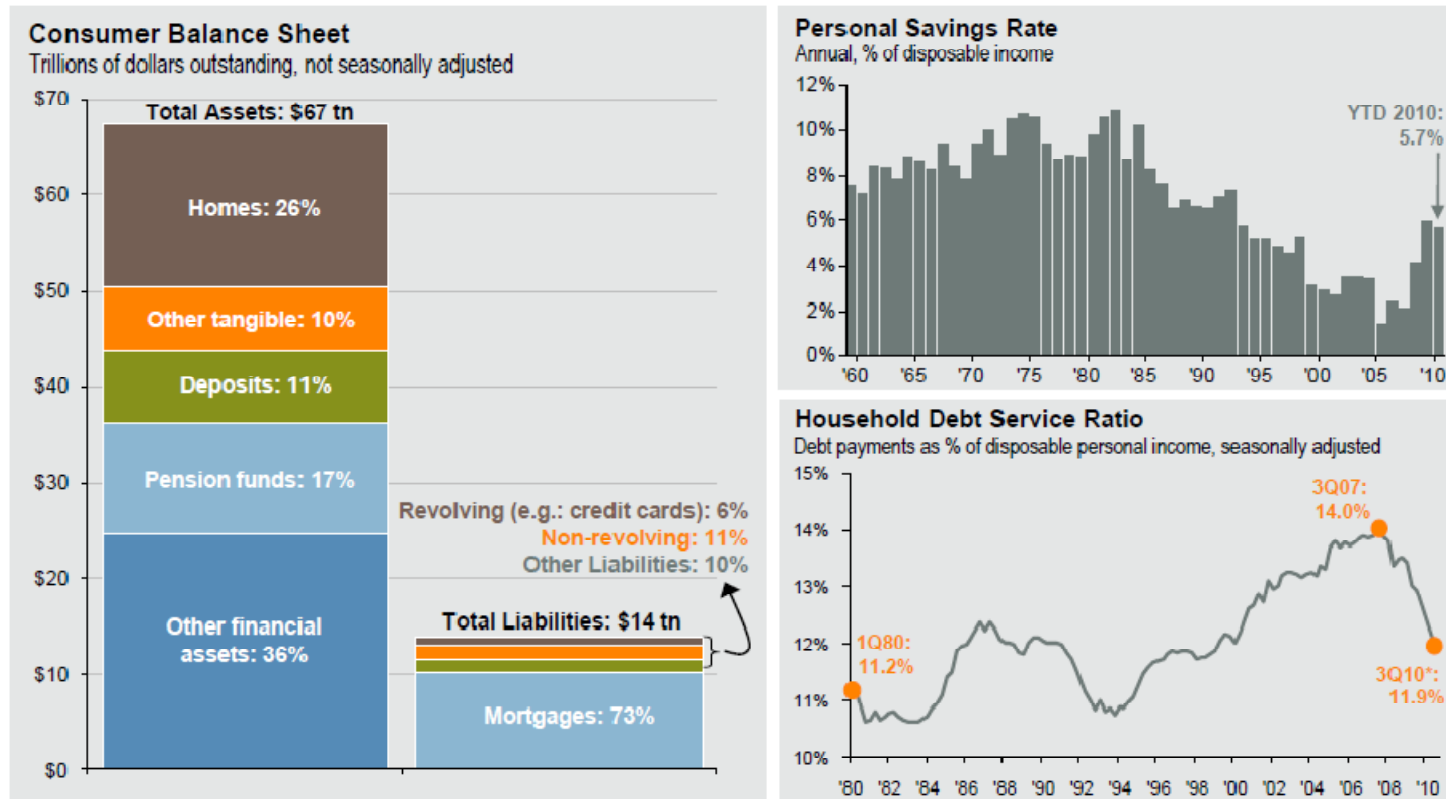
The SOL Capital Management Team

Please note that past performance is neither an indication nor a guarantee of future returns and that diversification does not ensure profits or guarantee against a loss.

¹ American Funds, *Guide to Market Recoveries*, pg 2

² American Funds, *Guide to Market Recoveries*, pg 3

APPENDIX 1¹



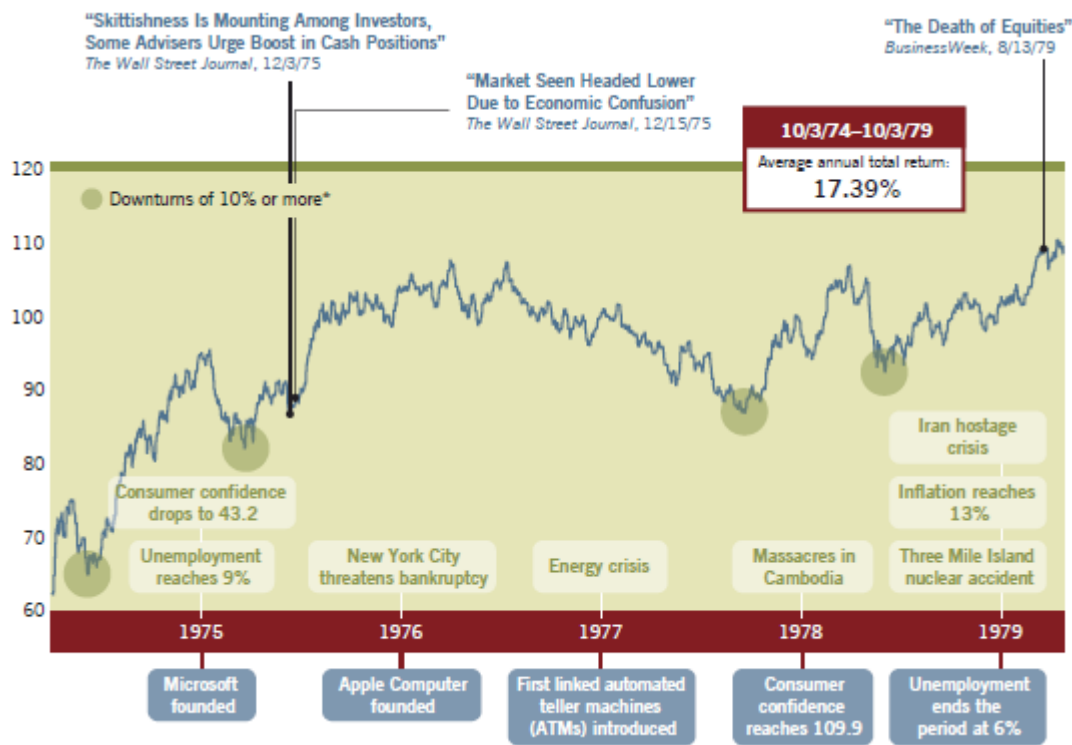
Source: (Left) FRB, J.P. Morgan Asset Management. Data includes households and nonprofit organizations. (Right) BEA, FRB, J.P. Morgan Asset Management. Personal savings rate is calculated as personal savings (after-tax income – personal outlays) divided by after-tax income. Employer and employee contributions to retirement funds are included in after-tax income but not in personal outlays, and thus are implicitly included in personal savings. Savings rate data are as of August 2010. *3Q10 Household Debt Service Ratio is J.P. Morgan Asset Management estimate. All other data are as of 2Q10.

¹ J.P. Morgan Asset Management, *Guide to the Markets*, 4Q 2010, pg 17

APPENDIX 2² (page 1 of 2)

To help illustrate how these times can *feel*, we've chosen to highlight two very different five-year periods after a market decline. The first is the five years after the dramatic 1973-74 decline when the recovery was frustratingly slow due to tepid economic and market conditions. In contrast, the market recovered more quickly after the sharp 1987 decline, but investors had to weather two more downturns during the five-year period. As different as each of these periods may have been, investors had to look past similar headlines and distractions in order to achieve strikingly similar results.

Daily index values and headlines for the five years after the S&P 500's 1/11/73 – 10/3/74 decline of 48.2%

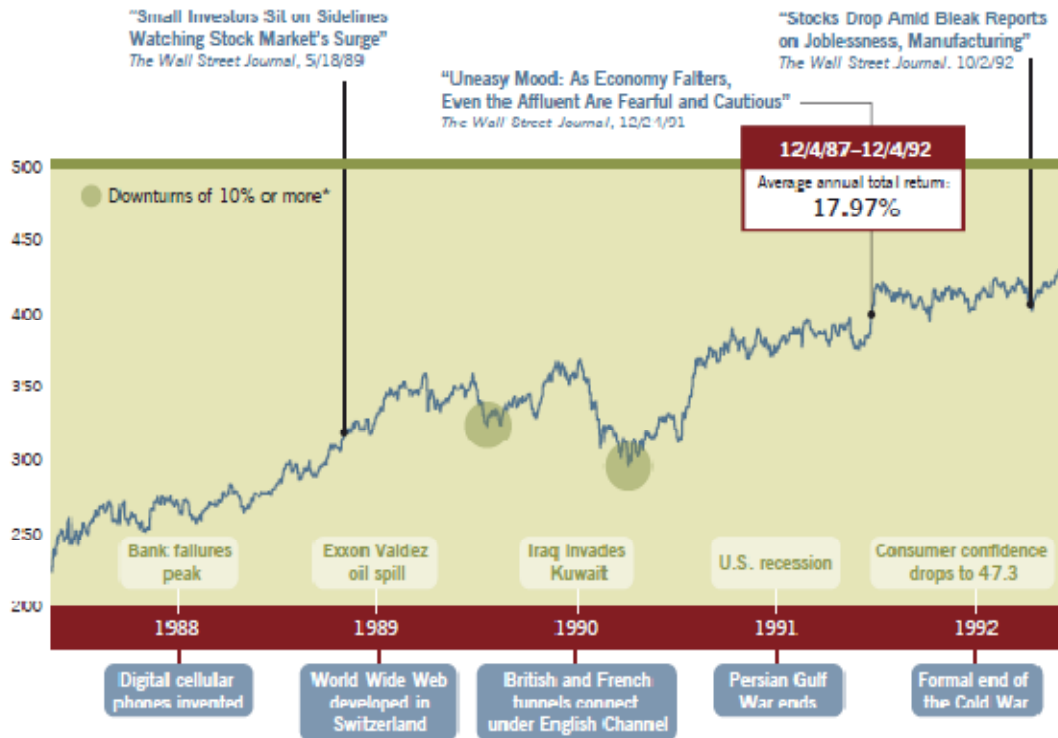


*Market downturns are based on a decline of about 10% or more in the S&P 500's value (excluding dividends and/or distributions) with 50% recovery after each decline.

The daily values for the charts [in Appendix 2] are based on the change in price of the companies in Standard & Poor's 500 Composite Index (the S&P 500). Daily values and declines exclude dividends and/or distributions. The index is unmanaged, and its results do not reflect the effect of sales charges, commission or expenses.

² American Funds, *Guide to Market Recoveries*, pg 2

**Daily index values and headlines for the five years after the S&P 500's
8/25/87 – 12/4/87 decline of 33.5%**

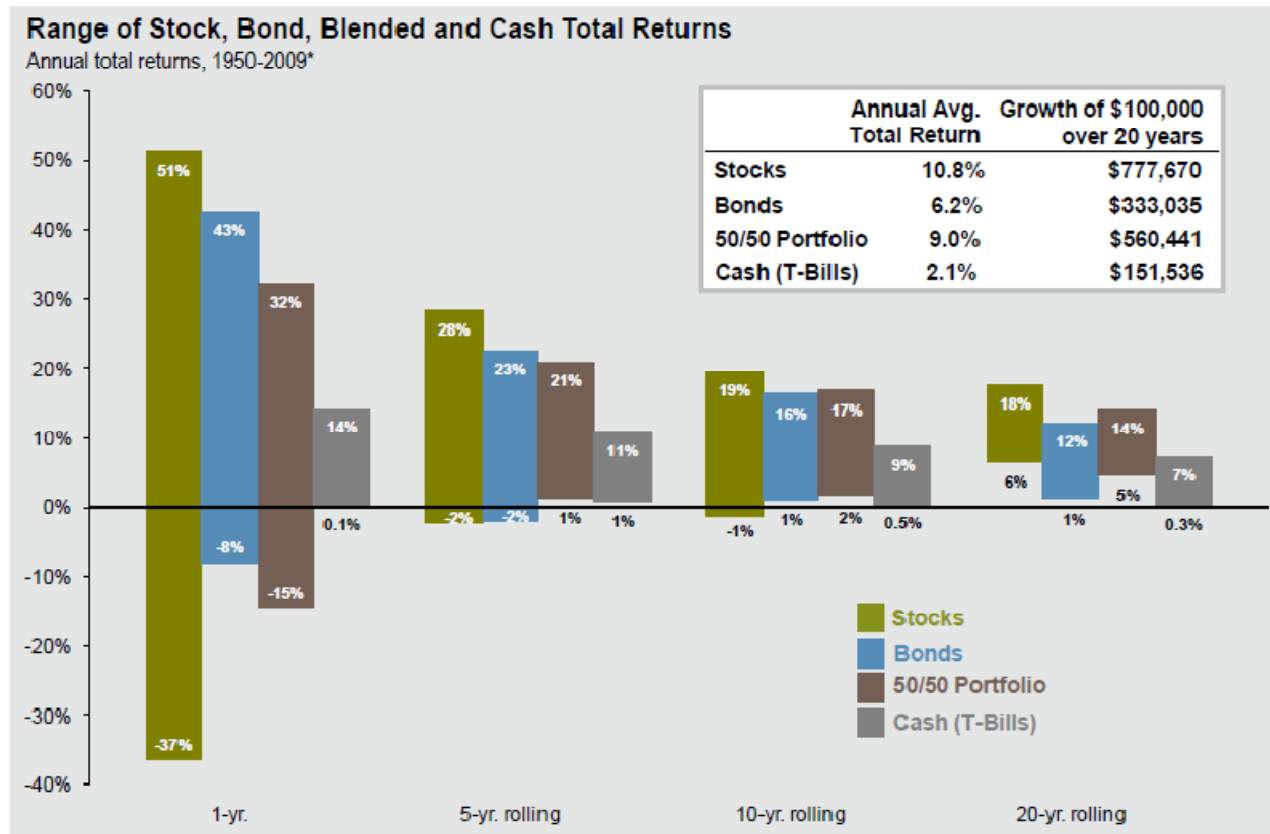


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³ American Funds, *Guide to Market Recoveries*, pg 3

Appendix 3³



Sources: Factset, Robert Shiller, Strategas/Ibbotson, Federal Reserve, J.P. Morgan Asset Management. *The 20-yr. cash (T-Bill) returns were calculated using 20-yr. annualized returns from 1953-2009. Data are as of 9/30/10.

³ J.P. Morgan Asset Management, *Guide to the Markets*, 4Q 2010, pg 48