Market
Commentary

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Quarter 1: 2009

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First Rate, Inc.
1903 Ascension Boulevard
Arlington, TX 76006
www.firstrate.com

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The U.S. Economy

There was a continued global decline in the stock markets during January and February 2009, followed by positive global equity performance in March 2009. The U.S. bond yields are at record lows and bond performance in the U.S. was modest in the first quarter of 2009. The following bullets provide some of the key information describing the U.S. Economy and global investment markets in the first quarter of 2009:

- It was announced in March 2009 that the Consumer Price index for all urban consumers increased 0.5% before seasonal adjustments. The February 2009 level for this index was 0.2% higher than in February 2008.

- Oil prices at the end of March 2009 were close to $50 per barrel.

- U.S. Employment continues to decline through the quarter with the number of unemployed persons in March increasing by 694,000 to 13.2 million and the unemployment rate rising to 8.5% which is a 25 year high.

- At the end of March 2009, it was announced that the real gross domestic product for the fourth quarter of 2008 decreased by 6.3% on an annualized basis.

- At the end of the 1st quarter, the Federal Reserve policy makers lowered their economic outlook and now project that the GDP will flatten out in the second half of 2009 and expand only slowly in 2010. Earlier this year, the Fed was predicting GDP recovery in the second half of 2009 and projected growth between 2.5% and 3.0% in 2010. The Fed plans to pump up the economy by purchasing $300 billion in longer term Treasury notes and announced plans to purchase an additional $750 billion in mortgage backed securities. The Fed has maintained its key fed funds rate low at 0.25% and Fed members did not express any inflation concerns in the foreseeable future. The Fed is blaming the stalled credit market for increasing the economic downturn.

- U.S. President Barack Obama hailed the actions taken at the recent G20 meeting in London as a "turning point" for the global economy. However, he has warned that recovery will not be swift. There were broad agreements made at the conference for the G20 leaders to allocate more than one trillion dollars to global financial institutions and to crack down on tax havens around the world.

- There was a continued global decline in the stock markets during January and February 2009 followed by positive global equity performance in March 2009. The U.S. bond yields are at record lows and bond performance in the U.S. was modest in the first quarter of 2009.

Performance in Recent Market Cycles (Jan 07-March 09)

All of the broad U.S. equity market indices along with the NASDAQ composite continued with negative performance during January and February of 2009 with strong positive performance in March 2009. During the bear market from November 2007 through February 2009, the broad U.S. market indices and the NASDAQ composite were down around 51%. With a March 2009 recovery range between 8.5% and 11%, the returns over the past 27 months for the broad U.S. indices were down just over 40%. During this same period the NASDAQ composite was down around 37 percent.

Table A: Recent US Market Cycles (Jan 07-March 09)

Key U.S. Market Indices	Jan 07-Oct 07 (Up Market)	Nov 07-Feb09 Unannualized (Bear Market)	Jan 07-Mar 09 Uannualized
NASDAQ Composite	18.35	-51.80%	-36.71%
MSCI-US Broad	11.21	-50.90%	-40.63%
Russell 3000	10.77	-51.63%	-41.73%
PPCA Total	10.23	-51.43%	-41.77%
Morningstar U.S.	11.50	-50.77%	-40.37%
S&P 500	10.87	-50.95%	-40.85%

The major MSCI global and international index performance was also down in the first two months of the quarter with increases of 6% to 14% during March 2009 for all indices except the Far East which posted a 1.70% during that month. During the bear market from November 2007 through February 2009 the developed country EAFE return was down 57% while the Emerging Markets index was down over 64%. The returns over the 27 month period from January 2007 through March 2009 were -47% for EAFE and -34% for the Emerging Markets.

Table B: Recent Global/International Market Cycles (Jan 07-March 09)

Recent Market Cycles Key Global/International Market Indices	Jan 07-Oct 07 (Up Market)	Nov 07-Feb09 Unannualized (Bear Market)	Jan 07-Mar 09 Uannualized
World Index	15.17	-54.56%	-43.93%
EAFE	17.60	-57.30%	-46.87%
G7	13.16	-53.45%	-43.74%
Emerging Markets	49.50	-64.41%	-34.33%

Relative Strength of the U.S. Dollar

During the first quarter of 2009, the U.S. dollar strengthened against gold by 5.38%.

Table C: Price Change of Gold Relative to USD

Appreciation of Gold Relative to USD	
2007	31.59%
2008	3.97%
1Q2009	5.38%
Jan 2009	5.72%
Feb 2009	3.53%
Mar 2009	-3.73%

The next table provides key spot exchange rates for 1 U.S. dollar versus nine key developed country currencies During first quarter of 2009, the U.S. dollar strengthened in all key currencies considered.

Table D: Exchange Rate Tables 1 USD buying reference currency

	EUR	GBP	JPY	CHF	CAD	AUD	NZD	HKD	SGD
Reference Currency	Europe	Great Britain	Japan	Swiss	Canada	Australia	New Zealand	Hong Kong	Singapore
12/31/2006	0.758	0.511	119.062	1.218	1.164	1.269	1.419	7.778	1.533
12/31/2007	0.678	0.501	112.271	1.127	0.980	1.144	1.294	7.805	1.446
12/31/2008	0.709	0.691	90.334	1.056	1.222	1.448	1.727	7.750	1.442
1/31/2009	0.777	0.699	89.662	1.157	1.230	1.555	1.959	7.758	1.509
2/28/2009	0.788	0.701	97.752	1.168	1.260	1.555	1.981	7.752	1.544
3/31/2009	0.757	0.704	97.267	1.149	1.249	1.463	1.774	7.752	1.520

The next table translates the changes in spot exchange rates from the first table into FX percent returns. During the first quarter the U.S. dollar strengthened over a wide range from 0.03% against the Hong Kong dollar to 8.8% against the Swiss franc.

Table E: FX Return of $1 US Relative to Reference Currency

	EUR	GBP	JPY	CHF	CAD	AUD	NZD	HKD	SGD
Reference Currency	Europe	Great Britain	Japan	Swiss	Canada	Australia	New Zealand	Hong Kong	Singapore
2007	-10.50%	-2.00%	-5.70%	-7.49%	-15.79%	-9.78%	-8.83%	0.35%	-5.71%
2008	4.58%	37.90%	-19.54%	-6.33%	24.64%	26.51%	33.42%	-0.71%	-0.28%
Jan 2009	9.51%	1.20%	-0.74%	9.58%	0.67%	7.40%	13.47%	0.11%	4.62%
Feb 2009	1.40%	0.32%	9.02%	0.98%	2.39%	-0.02%	1.13%	-0.08%	2.36%
Mar 2009	-3.88%	0.33%	-0.50%	-1.68%	-0.85%	-5.90%	-10.47%	0.00%	-1.55%
1Q 2009	6.73%	1.87%	7.67%	8.80%	2.20%	1.05%	2.74%	0.03%	5.43%

U.S. Bond Performance

During the first quarter of 2009, the U.S. treasury yields were up across the maturity spectrum. The yields are historically low and the increases were small ranging from 6 basis points at the one month level to 87 basis points for 30 year issues.

Table F

	Maturity	1 mo	3 mos	1 year	5 years	10 years	20 years	30 years
12/31/2008		0.11	0.11	0.37	1.55	2.25	3.05	2.69
1/30/2009		0.15	0.24	0.51	1.85	2.87	3.86	3.58
	Change	0.04	0.13	0.14	0.30	0.62	0.81	0.89
1/30/2009		0.15	0.24	0.51	1.85	2.87	3.86	3.58
2/27/2009		0.16	0.26	0.72	1.99	3.02	3.98	3.71
	Change	0.01	0.02	0.21	0.14	0.15	0.12	0.13
2/27/2009		0.16	0.26	0.72	1.99	3.02	3.98	3.71
3/31/2009		0.17	0.21	0.57	1.67	2.71	3.61	3.56
	Change	0.01	-0.05	-0.15	-0.32	-0.31	-0.37	-0.15
12/31/2008		0.11	0.11	0.37	1.55	2.25	3.05	2.69
3/31/2009		0.17	0.21	0.57	1.67	2.71	3.61	3.56
	Change	0.06	0.10	0.20	0.12	0.46	0.56	0.87

During the first quarter of 2009, the Barclays Global Aggregate and U.S. Aggregate returned -3.25% and +12 basis points respectively. Also in the quarter, the Barclays Municipal and High Yield bond indices returned a strong 4.22% and 5.98% respectively.

Table G

Bond Indices	Total Return			
	Jan 09	Feb 09	Mar 09	1Q 09
Barclays Global Aggregate	-3.27	-2.23	2.30	-3.25
Barclays US Aggregate	-0.88	-0.38	1.39	0.12
Barclays Municipal Bond	3.66	0.53	0.02	4.22
Barclays U.S. Treasury 1-3	-0.31	-0.10	0.55	0.13
Barclays High Yield Bond	5.00	-3.10	3.19	5.98

U.S. Stock Market

During the first quarter of 2009, the NASDAQ composite posted a -3.07% return. Also during the quarter, the four broad U.S. stock market indices had returns ranging from -9.78% to -10.80% while the S&P 500 returned -11.01%.

Table H

NASDAQ & Broad Market	Jan 09	Feb 09	Mar 09	IQ 09
NASDAQ Comp	-6.38	-6.68	10.94	-3.07
Broad Market Indices				
MSCI-U.S.Broad	-8.28	-10.44	8.72	-10.69
Russell 3000	-8.39	-10.48	8.76	-10.80
PPCA Total	-7.83	-10.00	8.76	-9.78
Morningstar	-8.23	-10.30	8.64	-10.58

All of the domestic equity style indices had negative performance during the first quarter of 2009 with the exception of the Morningstar Large Cap Growth index which returned +0.23%. Growth tended to outperform value during the quarter. Perfomance between capitalization ranges tended to vary depending on which index family was considered.

Table I

Large Cap Stocks	Jan 09	Feb 09	Mar 09	IQ 09
S&P 500	-8.43	-10.65	8.76	-11.01
Russell 1000	-8.16	-10.34	8.75	-10.46
Growth	-4.81	-7.52	8.92	-4.12
Value	-11.50	-13.36	8.55	-16.77
Morningstar	-8.13	-10.09	8.50	-10.39
Growth	-2.70	-5.55	9.07	0.23
Value	-11.11	-12.39	8.15	-15.78
Core	-9.78	-11.95	8.28	-13.98
PPCA	-8.17	-9.84	8.58	-10.10
Growth	-7.87	-8.14	8.88	-7.86
Value	-9.54	-11.47	8.57	-13.05
Core	-6.15	-10.31	7.95	-9.13

Table J

MidCap Stocks	Jan 09	Feb 09	Mar 09	IQ 09
S&P 400	-7.25	-9.68	9.05	-8.66
Morningstar	-7.84	-10.58	8.74	-10.39
Growth	-4.50	-7.22	8.30	-4.04
Value	-12.17	-14.25	10.02	-17.14
Core	-6.81	-10.48	8.09	-9.82
PPCA	-6.70	-9.56	8.77	-8.23
Growth	-6.83	-7.73	10.24	-5.23
Value	-5.82	-10.90	8.49	-8.96
Core	-8.21	-10.26	6.49	-12.28

Table K

Small Cap Stocks	Jan 09	Feb 09	Mar 09	IQ 09
S&P 600	-12.70	-11.97	8.21	-16.84
Russell 2000	-11.12	-12.15	8.93	-14.95
Growth	-7.61	-10.35	8.98	-9.74
Value	-14.28	-13.89	8.88	-19.64
Morningstar	-10.41	-11.82	9.89	-13.19
Growth	-8.09	-8.93	9.04	-8.73
Value	-13.70	-14.87	10.17	-19.07
Core	-9.54	-11.95	10.55	-11.94
PPCA	-8.46	-12.15	9.98	-11.56
Growth	-7.19	-12.22	13.01	-7.93
Value	-7.73	-13.64	9.31	-12.9
Core	-10.83	-9.43	8.42	-12.44

The S&P 500 price change return was -11.67% during the quarter. The top three performing sectors during the quarter based on price change were: Information Technology 3.96%, Materials -2.82% and Telecommunications Services -8.47%. The lowest three performing sectors were: Financials -24.49%, Industrials -21.77% and Energy -12.08%.

Table L

S&P 500 Price Performance	Jan 09	Feb 09	Mar 09	1Q 09
Sector				
Energy	-3.16	-12.45	3.71	-12.08
Materials	-7.24	-8.85	14.93	-2.82
Industrials	-12.66	-17.95	9.16	-21.77
Consumer Discretionary	-10.64	-8.69	12.01	-8.61
Consumer Staples	-7.67	-7.24	3.55	-11.31
Health Care	-1.30	-12.84	6.33	-8.52
Financials	-26.55	-18.42	17.66	-24.49
Information Technology	-3.08	-4.30	12.08	3.96
Telecommunications Services	-11.06	-2.84	5.91	-8.47
Utilities	-8.30	-12.95	2.09	-11.86
S&P 500	-8.57	-10.99	8.54	-11.67

Global Stock Markets

The MSCI EAFE index returned -14.64% during the first quarter of 2009. The top three country performers were: Norway +3.22%, Hong Kong -0.93% and Australia -3.32%. The bottom three country performers were: Finland -22.97%, Italy -20.58% and Germany -19.82%.

The MSCI Emerging Markets index returned 0.95% during the first quarter of 2009. The top three country performers were:Pakistan 37.5%, Chile 13.55% and Brazil 12.45%. The bottom thee country performers were: Poland -31.45%, Hungary -28.82% and the Czech Republic -15.68%.

Table M

Net Total Return of MSCI Indices (USD)				
Overseas Markets	Jan 09	Feb 09	Mar 09	IQ 09
The World Index	-8.76	-10.49	7.24	-12.50
The World Index(Ex U.S.)	-9.33	-10.39	6.14	-13.84
EAFE	-9.81	-10.54	5.87	-14.64
Europe	-11.06	-10.48	6.65	-15.17
Far East	-6.24	-11.80	1.70	-15.90
Emerging Markets	-6.46	-5.64	14.37	0.95
G7	-8.46	-10.65	6.90	-12.65

The MSCI G7 index measures the performance of the world's seven most wealthy countries and includes the following, along with their respective estimated percentage weighting: Canada (15%), U.S. (30%), Japan (20%), Germany (10%), France (10%), Britain (10%) and Italy (5%).

During the first quarter of 2009, the MSCI G7 index returned -12.65%. The top three G7 performers were: Canada -4.28%, United States -11.13% and Britain -11.86%. The bottom three G7 performers were: Italy -20.58%, Germany -19.82% and Japan -17.37%.

Table N: G7 performance rankings by Jan, Feb and March 09 plus quarterly results

Jan 09	Jan 09	Feb 09	Feb 09	Mar 09	Mar 09	IQ 09	IQ 09
Top 3 G7 Countries		Top 3 G7 Countries		Top 3 G7 Countries		Top 3 G7 Countries	
Canada	-3.56	Canada	-8.79	Germany	10.60	Canada	-4.28
Britain	-6.22	Britain	-8.89	Canada	9.05	United States	-11.13
Japan	-6.80	France	-9.54	United States	8.35	Britain	-11.86
Bottom 3 G7 Countries		Bottom 3 G7 Countries		Bottom 3 G7 Countries		Bottom 3 G7 Countries	
Italy	-13.92	Japan	-12.42	Italy	6.98	Japan	-17.37
France	-14.27	Germany	-12.58	Britain	3.24	Germany	-19.82
Germany	-16.81	Italy	-13.75	Japan	1.22	Italy	-20.58