

MARCH 2010

THE ECONOMY

Tipping Points

Recent economic data have been mixed, suggesting that economic recovery is likely to remain grudgingly muted compared with previous recoveries. Business conditions have improved, as early strength in the manufacturing sector slowly seeps into the broader economy. While some data indicate that the recovery has lost momentum, the most recent Institute for Supply Management reports show that the Non-Manufacturing Business Activity Index, which represents the service sector and almost 90 percent of the economy, has recorded a second consecutive month in the plus column.

Durable goods orders weaken. Led by the largest decline in machinery orders in a year, durable goods orders (excluding transportation) experienced a decrease. Non-defense capital goods orders (excluding aircraft), which provide a proxy for business investment, rose 3.3 percent in December but dropped again in January by 2.9 percent.

Housing malaise continues. Analysts were surprised in January when new home sales fell by a substantial 11.2 percent, reaching an abysmally low annual rate of 309,000 units; 2009 was the worst year for new home sales with 374,000 units. The average home price in the United States fell to \$203,500 between December and January, dropping 5.6 percent. This creates further stress on household balance sheets and makes it hard for Americans to pick up and move to more promising job markets.

Continued on page 2

Contents

Common Stock Recommendations.....	4
Data Definitions.....	6
Interest Rates: Short Rates Likely to Stay Low	7
Current Disclosures	7

Market Data

Economic Forecasts
The Markets
Recent Economic Data
.....Back Page

STOCK MARKET

Limitations?

The government is providing money through its stimulative monetary and fiscal programs, but banks and businesses are hoarding cash instead of investing it – each of these sectors had approximately \$1.2 trillion in cash on hand by year’s end. As a result, money is neither filtering through the economy nor turning over. The economic term for the turnover of money is “velocity,” and the velocity of money is currently at a 15-year low.

Low velocity may have implications for the stock market. Stocks rallied throughout 2009 as the Fed pumped liquidity into the financial system, with investors perhaps anticipating that the Fed’s action would spur economic growth. However, if the Fed’s money isn’t lent by banks or invested by busi-

Continued on page 7

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QUOTES OF THE MONTH:

“The FOMC continues to anticipate that economic conditions – including low rates of resource utilization, subdued inflation trends and stable inflation expectations – are likely to warrant exceptionally low levels of the federal funds rate for an extended period.”

— Federal Reserve Chairman Ben Bernanke

“It is a fact that the current outlook for fiscal policy poses a threat to the Federal Reserve’s ability to achieve its dual objectives of price stability and maximum sustainable long-term growth... A government faced with rising debt levels must provide a credible long-term plan to reestablish fiscal balance.”

— Kansas City Federal Reserve President Thomas Hoenig

The Economy Continued from Page 1

Progress on household debt service. Despite such obstacles, Americans are making progress on improving their financial situations. The average household now spends about 17.8 percent of disposable income on servicing debt, down from the historical peak of 18.9 percent in 2008 and perhaps en route to the 1980-1995 average of 16.6 percent. Nonetheless, total household debt remained very high at 96 percent of gross domestic product as of the end of the third-quarter of 2009. Eighty percent of that debt, or \$10.3 trillion, is owed on mortgages.

Unemployment. The Labor Department reported that non-farm payrolls fell by 36,000 jobs in February – fewer than expected – after shedding 26,000 in January. While the official unemployment rate held at 9.7 percent, the economy continues to lose jobs, but at a slower pace.

We expect the U.S. economy to continue sub-capacity growth until the employment picture begins to brighten substantially, and that will take time. Taking into consideration normal population growth, we estimate that for the economy to get on the track to recovery, at least 200,000 new jobs must be created per month over several years. This appears difficult to achieve, as economists expect monthly job growth to average between 50,000 and 100,000 in 2010, suggesting that unemployment will continue to be a drag on the economy.

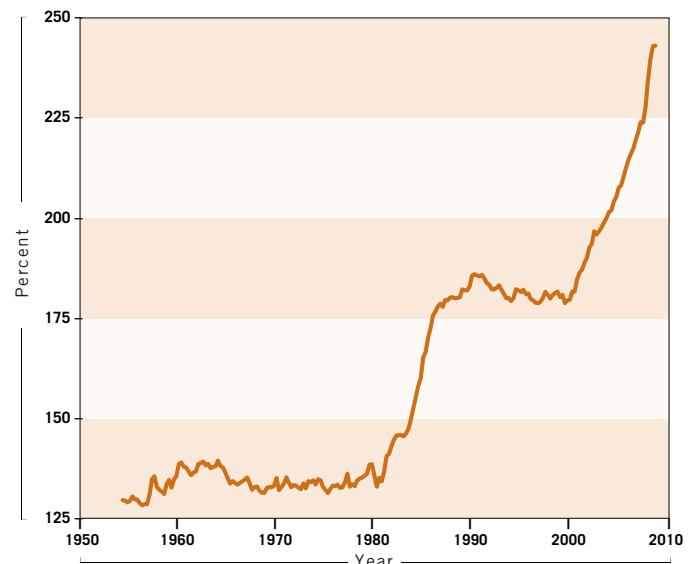
Employment and investment pose a chicken-and-egg proposition: investors are reluctant to take risk while employment holds back demand, yet employment depends on investment to grow. In-

vestors are typically eager to invest for growth coming out of a recession once the Federal Reserve begins to pump liquidity into the system. Yet the lack of robust investment indicates a deviation from this model. The difference may be that the current debt burden that has grown so large that it cannot be reduced as quickly as those of past business cycles.

Are We Approaching a Tipping Point?

As the graph below shows, total debt as a percentage of economic production (GDP) has grown steadily over the last several decades. It seems reasonable to suggest that this trend cannot continue forever and that debt levels may rise to a level where they become a material impediment to a timely economic recovery.

Total Domestic Nonfinancial Debt as a Percentage of GDP



Source: The Federal Reserve and the Department of Commerce

As of the third quarter of 2009, total domestic nonfinancial debt in the U.S. equaled 243 percent of GDP. Despite historically massive monetary and fiscal stimulus programs, the U.S. economy may have reached a point where no reasonable amount of economic growth is enough to reverse debt levels. Bill Gross of PIMCO believes the cost of debt in the U.S. is six percent, meaning *nominal* GDP growth must be at least six percent in order to start paying the debt ratio down. Assuming an average inflation rate of two percent, real GDP growth would have to average four percent to reduce debt levels. This does not seem to be a realistic number anytime soon.

The ultimate risk here is the “crowding out” effect. As debt financing needs grow, they must compete with and potentially crowd out the demands for investment financing. The net result is textbook economics: when loan demand increases, interest rates go up. And high interest rates not only suppress growth, they make the debt financing problem worse, which reinforces the crowding out effect.

The Public Sector Versus the Private Sector

The growth in government debt has paralleled the increasing number of workers dependent on the government. This is especially so in Europe, where many important industries, such as airlines, railroads and health care, have been nationalized over the years. The public has become accustomed to a minimum level of government largesse, and the threat of reducing that largesse generates a strong reaction. The current fiscal situation in Europe, which we expand on below, has created intense competitive pressure, with the need for fiscal austerity on one hand and the needs of those who depend on their governments for income on the other. The same pressure is building in the U.S. as competing interests haggle over slices of a smaller government pie.

This competition is underscored by the divergence of opinion amongst policy makers. International Monetary Fund Chief Economist Olivier Blanchard said in February that cen-

tral bankers should raise their inflation targets, gradually eroding buying power and thus creating a sort of long term but less noticeable pain. Kansas City Federal Reserve President Thomas Hoenig disagrees with this idea, arguing that the most constructive path for the long-term health of an economy is to take the pain now in the form of real fiscal reforms. The U.S. chose a path of short-term pain for long-term gain in 1979-1982 when the Federal Reserve cut off credit in order to whip inflation. Perhaps an important question for investors is: does the same political will exist today?

Discontent Resonates In Continental Europe...

Europe’s heavy debt load poses a risk to their slow emergence from recession. The financial stress is recently most evident in Greece, one of the few remaining European countries (others include Spain, Portugal, Ireland and Italy) still in a recession. Greece is currently at risk of defaulting on €20 billion of its sovereign debt maturing over the next two months. The Greek government has sought financing from fellow euro-zone countries Germany and France, who may be willing to help raise financing if Greece meets them halfway by cutting national expenditures. One German parliament member recommended that Greece trade its Aegean Islands for cash.

Part of the proposed solution for Greece – using more debt to address a debt problem – indicates that European economic growth may have trouble keeping pace of its debt burden obligations. Currency markets have reacted to the inherent risks of this fiscal imbalance by sending the euro lower versus the dollar, while raising the price of insuring sovereign debt through credit default swaps. The other half of the solution – raising taxes and cutting civil servant benefits – has been met with protests and threats of strikes across Greece. A recent survey indicated that nearly 80 percent of Greeks are worried about losing their jobs. This increases the political risk as these fears are likely to be acted on at the polls, which means Greek policy makers may be forced to choose between what is best for their country and what is best for their own employment.

Continued on page 7

Common Stock Recommendations

March 2010

S&P 500	Ticker	Status	2/28/10 Price	2010 Estimate		2011 Estimate		5-year Est EPS Growth	Div.	Yield	Financial Ratios			Mkt. Cap (Mil.)	S&P Rank
				EPS	P/E	EPS	P/E				Profit Margin	5-Yr ROE	Debt/ Capital		
				\$75.84	14.6	\$87.57	12.6				6.9%	15%	33%		
CONSUMER DISCRETIONARY															
	DeVry, Inc.	Buy	\$63.15	\$3.58	17.6	\$4.43	14.3	20%	\$0.18	0.3%	11.3%	13%	0%	\$4,486	B
	Kohl's	Buy	\$53.82	\$3.64	14.8	\$4.20	12.8	14%	-	-	5.4%	17%	22%	\$16,501	B+
	Lowe's	Buy	\$23.71	\$1.41	16.8	\$1.68	14.1	12%	\$0.36	1.5%	3.8%	16%	19%	\$34,902	A
	McDonald's	Buy	\$63.85	\$4.43	14.4	\$4.82	13.2	9%	\$2.20	3.4%	18.3%	20%	45%	\$68,906	A
	Walt Disney Co.	Buy	\$31.24	\$1.98	15.8	\$2.28	13.7	8%	\$0.35	1.1%	9.1%	12%	24%	\$60,090	A
	Yum! Brands	Buy	\$33.72	\$2.41	14.0	\$2.69	12.5	12%	\$0.84	2.5%	9.9%	96%	76%	\$15,771	A
	Best Buy	Hold	\$36.50	\$3.11	11.7	\$3.36	10.9	13%	\$0.56	1.5%	2.2%	24%	17%	\$15,204	B+
	Burger King Holdings, Inc.	Hold	\$17.89	\$1.39	12.9	\$1.56	11.5	16%	\$0.25	1.4%	1.3%	17%	42%	\$2,419	NR
	Coach	Hold	\$36.44	\$2.16	16.9	\$2.38	15.3	15%	\$0.30	0.8%	19.3%	43%	1%	\$11,622	B+
	Staples	Hold	\$25.76	\$1.40	18.4	\$1.72	15.0	14%	\$0.33	1.3%	3.5%	18%	28%	\$18,648	B+
	Target	Hold	\$51.52	\$3.65	14.1	\$4.24	12.2	14%	\$0.68	1.3%	3.4%	17%	51%	\$38,759	A+
CONSUMER STAPLES															
	Campbell Soup Co.	Buy	\$33.33	\$2.45	13.6	\$2.64	12.6	9%	\$1.10	3.3%	9.6%	59%	70%	\$11,509	B+
	Coca-Cola	Buy	\$52.72	\$3.42	15.4	\$3.74	14.1	9%	\$1.76	3.3%	22.0%	30%	17%	\$122,162	A+
	General Mills	Buy	\$72.01	\$4.60	15.7	\$4.99	14.4	10%	\$1.96	2.7%	8.9%	22%	48%	\$23,517	A-
	Pepsico	Buy	\$62.47	\$4.15	15.1	\$4.61	13.6	10%	\$1.80	2.9%	13.8%	36%	31%	\$97,481	A+
	Philip Morris International	Buy	\$48.98	\$3.82	12.8	\$4.24	11.6	10%	\$2.32	4.7%	10.8%	51%	68%	\$93,291	NR
	Proctor & Gamble	Buy	\$63.28	\$4.14	15.3	\$4.07	15.5	10%	\$1.76	2.8%	14.3%	23%	25%	\$184,887	A+
	Sysco Corp.	Buy	\$28.90	\$1.90	15.2	\$1.96	14.7	15%	\$1.00	3.5%	2.9%	32%	39%	\$17,104	A+
	Walmart	Buy	\$54.07	\$4.00	13.5	\$4.39	12.3	11%	\$1.09	2.0%	3.7%	21%	34%	\$206,016	A+
	Altria Group	Hold	\$20.12	\$1.87	10.8	\$2.02	10.0	8%	\$1.40	7.0%	13.6%	44%	73%	\$41,693	A
	CostCo Wholesale	Hold	\$60.97	\$2.91	21.0	\$3.22	18.9	13%	\$0.72	1.2%	1.5%	13%	17%	\$26,582	A-
	CVS	Hold	\$33.75	\$2.80	12.1	\$3.11	10.9	14%	\$0.35	1.0%	3.8%	13%	20%	\$47,606	A+
	McCormick & Co., Inc.	Hold	\$37.11	\$2.53	14.7	\$2.74	13.5	10%	\$1.04	2.8%	8.9%	24%	40%	\$4,859	A+
	Walgreen	Hold	\$35.24	\$2.30	15.3	\$2.70	13.1	14%	\$0.55	1.6%	3.2%	18%	14%	\$34,846	A+
ENERGY															
	Apache Corp.	Buy	\$103.64	\$10.09	10.3	\$12.75	8.1	6%	\$0.60	0.6%	5.8%	19%	25%	\$34,841	A-
	Chevron	Buy	\$72.30	\$7.72	9.4	\$9.85	7.3	16%	\$2.72	3.8%	9.0%	28%	10%	\$145,053	A-
	Transocean	Buy	\$79.82	\$9.71	8.2	\$11.13	7.2	16%	-	-	33.2%	18%	36%	\$25,672	NR
	ConocoPhillips	Hold	\$48.00	\$5.85	8.2	\$7.55	6.4	15%	\$2.00	4.2%	-7.1%	22%	35%	\$71,217	B
	Devon Energy	Hold	\$68.86	\$6.35	10.8	\$7.21	9.6	1%	\$0.64	0.9%	-34.3%	18%	27%	\$30,581	B
	Exxon Mobil	Hold	\$65.00	\$5.73	11.3	\$7.26	9.0	14%	\$1.68	2.6%	10.6%	34%	6%	\$308,573	A+
FINANCIAL															
	Aflac	Buy	\$49.45	\$5.35	9.2	\$5.86	8.4	14%	\$1.12	2.3%	7.6%	18%	29%	\$23,138	A
	Chubb Corporation	Buy	\$50.46	\$5.41	9.3	\$5.53	9.1	8%	\$1.48	2.9%	13.6%	17%	20%	\$17,236	A
	Goldman Sachs	Buy	\$156.35	\$18.52	8.4	\$20.55	7.6	10%	\$1.40	0.9%	25.9%	21%	74%	\$80,377	A-
	JP Morgan	Buy	\$41.97	\$3.02	13.9	\$4.75	8.8	8%	\$0.20	0.5%	10.1%	9%	66%	\$165,389	B+
	T. Rowe Price Group	Buy	\$50.69	\$2.51	20.2	\$2.92	17.4	12%	\$1.08	2.1%	23.7%	23%	0%	\$13,053	A-
	U.S. Bancorp	Buy	\$24.61	\$1.60	15.4	\$2.32	10.6	6%	\$0.20	0.8%	11.3%	17%	56%	\$47,065	B+
	Wells Fargo	Buy	\$27.34	\$1.88	14.5	\$2.84	9.6	10%	\$0.20	0.7%	12.4%	14%	65%	\$139,736	A-

Common Stock Recommendations

March 2010

	Ticker	Status	2/28/10 Price	2010 Estimate		2011 Estimate		5-year Est EPS Growth	Div.	Yield	Financial Ratios			Mkt. Cap (Mil.)	S&P Rank
				EPS	P/E	EPS	P/E				Profit Margin	5-Yr ROE	Debt/ Capital		
HEALTHCARE															
Abbott Labs	ABT	Buy	\$54.28	\$4.23	12.8	\$4.75	11.4	11%	\$1.76	3.2%	18.7%	23%	33%	\$83,957	A
Celgene	CELG	Buy	\$59.52	\$2.63	22.6	\$3.24	18.4	25%	-	-	28.9%	12%	0%	\$27,356	C
Covidien	COV	Buy	\$49.12	\$3.42	14.4	\$3.79	13.0	12%	\$0.72	1.5%	8.4%	N/A	24%	\$24,571	NR
Gilead Sciences, Inc.	GILD	Buy	\$47.61	\$3.59	13.3	\$4.04	11.8	14%	-	-	37.7%	45%	18%	\$42,845	B
Johnson & Johnson	JNJ	Buy	\$63.00	\$4.92	12.8	\$5.36	11.8	6%	\$1.96	3.1%	20.3%	29%	14%	\$173,823	A+
Teva Pharmaceuticals	TEVA	Buy	\$60.01	\$4.53	13.2	\$5.03	11.9	14%	\$0.65	1.1%	14.4%	11%	18%	\$55,720	NR
Thermo Fisher Scientific	TMO	Buy	\$48.77	\$3.41	14.3	\$3.74	13.0	11%	-	-	8.4%	5%	12%	\$19,914	B-
Cerner	CERN	Hold	\$82.95	\$2.86	29.0	\$3.50	23.7	20%	-	-	11.6%	13%	6%	\$6,771	B+
Stryker	SYK	Hold	\$53.10	\$3.27	16.2	\$3.68	14.4	14%	\$0.60	1.1%	16.5%	21%	0%	\$21,120	A+
INDUSTRIALS															
Danaher	DHR	Buy	\$73.97	\$4.08	18.1	\$4.63	16.0	14%	\$0.16	0.2%	10.3%	16%	20%	\$23,762	A+
Emerson Electric	EMR	Buy	\$47.34	\$2.41	19.6	\$2.89	16.4	11%	\$1.34	2.8%	8.2%	23%	34%	\$35,607	A
Illinois Tool Works	ITW	Buy	\$45.52	\$2.78	16.4	\$3.40	13.4	15%	\$1.24	2.7%	10.0%	19%	26%	\$22,801	A
L-3 Communications	LLL	Buy	\$91.42	\$8.16	11.2	\$8.82	10.4	9%	\$1.60	1.8%	5.8%	13%	39%	\$10,625	A
Southwest Airlines	LUV	Buy	\$12.58	\$0.57	22.1	\$0.72	17.5	6%	\$0.02	0.1%	1.0%	6%	38%	\$9,334	B
United Technologies	UTX	Buy	\$68.65	\$4.62	14.9	\$5.28	13.0	10%	\$1.70	2.5%	7.2%	22%	29%	\$64,362	A+
General Electric	GE	Hold	\$16.06	\$0.99	16.2	\$1.20	13.4	7%	\$0.40	2.5%	7.3%	16%	74%	\$170,999	A-
INFORMATION TECHNOLOGY															
Adobe Systems	ADBE	Buy	\$34.65	\$1.79	19.4	\$2.05	16.9	10%	-	-	13.1%	19%	17%	\$18,148	B+
Cisco Systems	CSCO	Buy	\$24.33	\$1.54	15.8	\$1.72	14.1	10%	-	-	17.0%	23%	27%	\$139,960	B+
Hewlett-Packard	HPQ	Buy	\$50.79	\$4.44	11.4	\$4.88	10.4	11%	\$0.32	0.6%	6.7%	17%	25%	\$120,427	B+
Int'l Business Mach	IBM	Buy	\$127.16	\$11.11	11.4	\$12.13	10.5	10%	\$2.20	1.7%	14.0%	45%	49%	\$167,038	A
Microsoft	MSFT	Buy	\$28.67	\$2.01	14.3	\$2.21	13.0	12%	\$0.52	1.8%	24.9%	36%	8%	\$254,564	B+
Oracle	ORCL	Buy	\$24.65	\$1.59	15.5	\$1.89	13.0	15%	\$0.20	0.8%	24.1%	27%	33%	\$123,575	B+
Research In Motion	RIMM	Buy	\$70.88	\$4.36	16.3	\$5.05	14.0	20%	-	-	17.1%	28%	0%	\$39,493	B
Autodesk	ADSK	Hold	\$27.88	\$1.13	24.7	\$1.44	19.4	18%	-	-	7.9%	31%	0%	\$6,405	B
Citrix Systems	CTXS	Hold	\$43.01	\$1.89	22.8	\$2.12	20.3	10%	-	-	11.8%	12%	0%	\$7,870	B+
Intel	INTC	Hold	\$20.53	\$1.64	12.5	\$1.80	11.4	10%	\$0.63	3.1%	12.4%	16%	5%	\$113,367	B+
Visa	V	Hold	\$85.28	\$3.78	22.6	\$4.55	18.7	20%	\$0.50	0.6%	34.0%	N/A	0%	\$72,075	NR
MATERIALS															
iShares S&P Global Mat'l	MXI	Buy	\$58.23	-	-	-	N/A	N/A	\$0.46	0.8%	-	N/A	N/A	\$824	NR
TELECOMMUNICATIONS															
Vanguard ETF	VOX	Buy	\$52.75	\$1.53	34.5	\$2.90	18.2	10%	\$1.51	2.9%	-	N/A	N/A	\$190	NR
UTILITIES															
Utilities SPDR	XLU	Buy	\$29.14	\$2.49	11.7	\$2.61	11.2	8%	\$1.27	4.4%	-	N/A	N/A	\$2,837	NR

Data Definitions

The fundamental research metrics listed on the Approved List are defined below.

Metric	Definition
Ticker	The symbol of the stock.
Status	The Financial Counselors, Inc. stock rating.
Price	Closing Price last for the preceding trading day. Relative calculation is a ratio
EPS Estimate	Mean estimated earnings for the company's fiscal year shown in column heading.
P/E Estimate	Price to Estimated Earnings ratio for fiscal year shown in column heading. Formula: Price / EPS Estimate.
Est. EPS Growth	The Long-Term Secular EPS Growth Rate estimated for a period of five years.
Div.	The sum of regular dividends paid for the last four quarters.
Yield	Formula: Dividend / Price
Profit Margin	A measure of profitability; it answers the question of how much a company retains from each dollar of revenue after deducting all operating, interest, & tax expenses. Formula: Net Income / Revenue.
5-Yr ROE	Avg. of last 5 yrs return on equity. The ROE is after-tax profits earned for all the shareholders expressed as a percentage. Formula: Latest 4 Quarter EPS / (((Latest quarterly total Stockholders Equity from the Balance Sheet + Stockholders Equity 4 quarters ago from the Balance Sheet) / 2) / Shares Outstanding).
Debt/Capital	Debt with a maturity of a 1 year or greater expressed as a percentage of total capitalization. Formula: Long-term Debt / (Long-term Debt + Stockholders Equity).
Mkt. Cap	Last quarterly shares multiplied by Price.
S&P Rank	See below.

The S&P Quality Ranking System assesses in a single symbol the growth and stability of a company's earnings and dividends history. Rankings are generated using a computerized system based on earnings per share and dividend records over the past 10 years. The following is a list of Quality Rankings with letter classifications and a brief description:

Letter	Description	Letter	Description
A+	Highest	B-	Lower
A	High	C	Lowest
A-	Above Average	D	In Reorganization
B+	Average	LIQ	Liquidation
B	Below Average		

The Economy Continued from Page 3

...And Across the English Channel

Greece is not the only country facing political pressure as the reality of weak economic growth and public spending commitments clash head on. Labor unrest is spreading across Europe, and because many European industries are nationalized, government labor unions are pushing back. There is a clear need for fiscal austerity measures in the United Kingdom, which is soaked with public and private debt. However, the austerity-minded Conservative party has lost momentum heading into May's national elections as government employees have realized what fiscal austerity would mean for them. This political gridlock suggests that needed spending cuts could be in jeopardy, thereby increasing the risk of the U.K.'s currency and debt. Global markets have sensed the heightened fiscal risk and reacted by pushing the pound lower versus the dollar and by selling U.K. government bonds, slicing the share held by foreigners from 35 percent to 29 percent over the past several months. The Bank of England has responded by buying more government bonds, enabling the U.K. to go further into debt and intensifying the need to find budget solutions. 🌐

INTEREST RATES

Short Rates Likely to Stay Low

With the economy in a fragile condition, we don't think the Federal Reserve is anywhere close to raising the true cost of short-term credit in the U.S., especially in sectors sensitive to interest rates like banking and housing. We believe this despite the Federal Reserve having raised the discount rate by 25 basis points to 0.50 percent, a move that may have been made to appease the hawks on the Federal Open Market Committee.

Longer-term interest rates remain low, but bear watching – not due to an imminent threat of inflation (given that industrial labor demand and capacity utilization are low), but due to the continued heavy issuance of sovereign debt around

the globe. At some point this debt may cause investors to demand a higher risk premium. The premium may not only be for the risk of inflation, but for the risk of default also. 🌐

The Stock Market Continued from Page 1

nesses, from where does that activity come? The only alternative is direct government or consumer spending, but each has clear limitations. If the low-velocity trend continues, robust economic activity may be difficult and the current recovery in corporate earnings could stall.

That said, looking ahead to the middle of 2010 we believe the environment for equities looks better. Our long-term view includes a gradually improving economy and stock market. Yet this is not your typical recovery – no surprise given the financial shocks and aftershocks over the last 18 months. Although our outlook remains positive, we continue to vigilantly monitor the markets for factors, like low velocity, that define this challenging investment environment. 🌐

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CURRENT DISCLOSURES

FCI reserves the right to change recommendations at any time. It should not be assumed that recommendations will be profitable.

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Market Data

Economic Forecasts*	2009	2010e	09:3Qa	09:4Qa	10:1Qe	10:2Qe
Real GDP	-2.4%	3.3%	2.2%	5.7%	3.0%	3.8%
GDP Deflator	1.2%	0.8%	0.4%	0.1%	1.8%	0.1%
10-Year Treasury Bond	3.25%	3.97%	3.52%	3.84%	3.70%	3.89%
Fed Funds Rate	0.00%	0.20%	0.00%	0.00%	0.20%	0.20%

* Mesirow Financial estimates. Quarterly data are seasonally adjusted at an annual rate.
e = estimated, a = actual

The Markets	Current 2/28/2010	3-month Values	3-month Change	Year-ago Values	12-month Change
Cash					
Taxable MMF Yield	0.02%	0.04%	-2bp	0.37%	-35bp
Tax-Exempt MMF Yield	0.03%	0.04%	-1bp	0.31%	-28bp
Fixed Income					
Federal Funds Rate	0.00%	0.00%	0bp	0.00%	0bp
5-Yr US Treasury note	2.31%	2.00%	31bp	1.98%	33bp
10-Yr US Treasury bond	3.62%	3.20%	42bp	3.02%	60bp
5-Yr Aaa Muni Bond Index	1.52%	1.60%	-8bp	2.00%	-48bp
30-Year Conv. Mortgage	5.19%	5.10%	9bp	5.48%	-29bp
Equities**					
S&P 500	1,104	1,096	0.8%	735	50.3%
S&P LargeCap 100	506	511	-0.9%	348	45.3%
S&P MidCap 400	738	685	7.8%	449	64.3%
S&P SmallCap 600	335	307	9.2%	206	62.5%
MSCI EAFA Foreign Index	1497	1560	-4.0%	998	50.1%
S&P 500 PE Ratio	14.6	18.8	-22.3%	12	21.7%
S&P 500 Dividend Yield	2.0%	2.2%	-20bp	3.9%	-190bp
Miscellaneous					
Inflation Rate (CPI, ann'l rate)	2.63%	-0.20%	283bp	0.03%	260bp
CRB Index (Commodities)	275	277	-0.9%	212	29.9%
London Gold / oz.	1,118	1,181	-5.3%	952	17.5%
Crude Oil / bbl.	80	77	3.1%	45	78.0%

Recent Economic Data			
Real GDP - Quarter: 4th Qtr.	5.90%	Personal Income	0.10%
ISM Manufacturing Index	56.50	Personal Spending	0.50%
Industrial Capacity Utilization	72.60	Retail Sales	0.50%
Productivity - Quarter: 4th Qtr.	6.9%	New Home Sales	-11.20%
Unemployment Rate	9.7%	Consumer Confidence	46.00%

**Stock index performance excludes dividends

bp = basis point (1/100th of one percent)

