WURTS ASSOCIATES

MEMORANDUM

To: **Wurts & Associates Clients**

From: **Curtis Yasutake, Performance Analyst**

Date: **March 9, 2009**

Re: **February 2009 Market Commentary**

Market Performance Review

Asset Class	Benchmark	February	YTD	1-Year	3-Year	5-Year
Domestic Stocks	S & P 500	-10.7%	-18.2%	-43.3%	-15.1%	-6.6%
International Stocks	MSCI EAFE	-10.2%	-19.0%	-49.9%	-14.9%	-2.8%
Emerging Market Stocks	MSCI EM	-5.7%	-12.0%	-57.2%	-13.9%	0.9%
Aggregate Bonds	BC Aggregate	-0.4%	-1.3%	2.1%	5.0%	4.0%
Treasury Bonds	BC Treasury	-0.5%	-3.4%	5.9%	7.3%	5.2%
High Yield Bonds	BC High Yield	-3.1%	2.7%	-22.1%	-5.5%	-0.6%
Real Estate	FTSE NAREIT All	-19.5%	-32.8%	-56.0%	-24.6%	-9.2%
Commodities	Dow Jones - AIG	-4.4%	-9.6%	-50.3%	-10.2%	-3.4%

Periods longer than one year are annualized.

Macro Commentary

Hope for a positive turnaround in sentiment was held at bay in February by a cascade of worse than expected economic data and continued uncertainty regarding liquidity of some of the largest US banks. Most notably, the Federal Reserve downgraded its projections for performance of the economy in 2009, increasing its forecasts for GDP contraction and unemployment. Additionally, construction of new homes and new home sales fell far more than expected. Confidence in the state of the economy plummeted as the Consumer Confidence Index fell 12 points in February to 25, well below the 35.5 level economists expected.

Amid the sea of dismal economic data, markets sought relief from a series of policies to be announced by President Obama. In February alone, Obama signed a $787 billion stimulus package, earmarked $250-$750 billion for a new bank bailout in his 2009 budget (in addition to TARP), and detailed a new plan for the housing market, pledging $75 billion to borrowers at risk of foreclosure. The government also came to the aid of Citigroup for the third time since the financial crisis began, taking a 36% stake in the company to strengthen its capital base. Unfortunately, these plans did nothing to allay investors' concerns regarding the future outlook for the financial sector and increasing sentiment the recession will be longer lived and deeper than originally expected.

Asset Class Commentary

There was no where to hide in February as all asset classes recorded negative returns. Equity markets continued their steady decline, with developed markets again falling more than emerging markets. The decline in equities was led by the financial sector as uncertainty regarding the liquidity of major financial institutions prevailed. Bonds fell across the board with high yield prices falling the most as investors shied away from risk, disregarding tantalizing yields. REITs fared even worse. The NAREIT index has already fallen 33% in the first two months of 2009, on top of a decline of 37% for 2008. Weakening fundamentals in the commercial real estate market drove the decline. Commodities also faced selling pressure as expected future demand decreased due to downward revisions in economic growth.

Based on the performance of various asset classes in February, it is clear cash on the sidelines stayed put, and market participants remained relatively risk averse as uncertainty reigned supreme. During times of uncertainty, investors tend to shy away from riskier assets in favor of more liquid assets with guaranteed cash flows. The announcement of billions of dollars being dedicated to solving the financial crisis might have served to remove some of the uncertainty, but it still is not clear where the money will be spent and how effective these efforts will be. Even after multiple bailout packages, the fate of huge financial institutions like Citigroup and AIG are still debatable. Overall uncertainty combined with a deteriorating economy proved to be too much, and we witnessed continued poor performance of risky assets.

Going forward, market participants will be looking for more details regarding the spending of financial rescue money and stimulus packages. Also, any positive economic surprises indicating a turnaround in the economy could go a long way towards improving sentiment. Until this happens though, we continue to expect significant volatility.