SK WEALTH MANAGEMENT, L.L.C.
PERSONAL FINANCIAL PLANNING • INVESTMENT MANAGEMENT

Déjà vu… Another Volatile Quarter

Despite a correction from the interim high on April 29, the stock and bond markets have produced strong returns for the first half of the year. Prior to this recent downdraft, the market had been on a very dynamic run since the interim low early in July 2010. So far, this has also been a distinctly modest correction in the context of the bull market that began following the bottom on March 9, 2009. While some factors that caused the correction are familiar from last year—housing, unemployment, domestic and European debt—there are also some new and different factors: Japan, natural disasters here at home, the start of an election season and related posturing in Washington over the debt ceiling. It's also important to remember that, although growth has decelerated, the economy is still growing. However, growth in both the stock market and the economy seldom move in uninterrupted straight lines; the pauses in both are very much in the range of what is considered "normal."

The macro environment of slow-but-positive growth, low inflation and easy monetary policy remains conducive to higher equity prices, but investors are unable or unwilling to look past near-term risks and as a result, the "risk on/risk off" trade remains dominant. The question, then, is what it will take to get the markets back on track. Corporate earnings have been strong, and we are approaching the beginning of the second-quarter earnings season, but expectations have drifted lower due to weakness in the financial sector. Clarity around the endgame of the European sovereign debt crisis would certainly help, but that does not appear to be forthcoming any time soon. Ultimately, we are expecting to see better news concerning the US economy and believe we will see a reacceleration in growth in the second half of 2011. Should that happen, it should reassure investors that the global recovery will persist, which should help stock prices to again move higher.

Overall, we continue to realize that we live in uncertain times and that can be unsettling for investors. Therefore, we continue to take a prudent and diversified approach toward investing consistent with each client's risk tolerance, financial circumstances and investment objectives.

Matthew M. Neyland, CFA
Director of Investments

Benchmark returns for various asset classes as are follows:

Rate of Return Summary
Periods Ended June 30, 2011

	3 Month	1 Year	3 Year	5 Year
U.S. Stocks				
Large Companies				
Dow Jones Industrials	-.082	39.73	5.20	4.58
S & P 500	-0.39	28.13	1.05	0.78
Russell 1000	0.12	31.94	3.68	3.30
Russell 1000 Value	-0.51	28.94	2.28	1.15
Russell 1000 Growth	0.76	35.01	5.01	5.33
Small Companies				
Russell 2000	-1.61	37.41	7.77	4.08
Russell 2000 Value	-2.65	31.35	7.09	2.24
Russell 2000 Growth	-0.59	43.50	8.35	5.79
Total U.S. Market				
Russell 3000	-0.03	32.37	4.00	3.35
Russell 3000 Value	-0.68	29.13	2.66	1.23
Russell 3000 Growth	0.64	35.68	5.28	5.36
International Stocks				
MSCI EAFE	1.56	30.36	-1.77	1.48
MSCI EAFE Small Cap Index	0.85	36.41	3.26	2.32
MSCI Emerging Markets (Free)	-1.15	27.80	4.22	11.42
Other Asset Measures				
DJ U.S. Real Estate	2.69	33.44	5.10	1.32
DJ Global ex-U.S. Real Estate	4.09	38.73	0.71	0.89
Goldman Sachs Natural Resources	-6.34	44.29	-3.41	7.35
DJ-UBS Commodity	-6.73	25.91	-11.87	-0.05
U.S. Bonds				
Barclays Aggregate Bond	2.29	3.90	6.46	6.52
Barclays Intermediate Govt Bond	2.08	2.65	4.91	5.85
Barclays High Yield Corp Bond	1.05	15.63	12.68	9.30
Barclays Municipal Bond	3.89	3.48	5.58	4.93
International Bonds				
Citigroup World Govt Bond	3.68	13.94	6.20	7.76
Cash/Inflation				
Taxable Money Market	0.02	0.14	0.35	1.87
Consumer Price Index	0.59	3.66	1.15	2.18