**Ladenburg Thalmann Asset Management**
**LAMP Market Commentary**
**June 2009**

## Overview

After a difficult start to the year, global markets have rebounded, recouping most of the losses sustained during the first three months. The second quarter of 2009 returned 15.93% for the S&P 500 and was the first positive quarter after six consecutive negative quarters. This rally off the March low has been led by low quality assets that were significantly undervalued relative to higher quality assets at year end 2008. This has not been typical of a bull market, which is historically driven by corporate, not consumer spending. Economic data reports coming in 'not as bad as expected,' have relieved the thoughts of a depression, but may not be strong enough to completely lead us out of the recession. That being said, with ample cash on the sidelines waiting to be deployed, we do not expect any pullback to be significant.

## Domestic Equities

The U.S. led the way into the global recession, and we expect it to lead the way out of it. We continue to favor large caps, since any further recovery will likely be driven by higher quality companies which typically have more diversified income streams and easier access to debt when a downturn occurs. Our growth tilt has benefited our portfolios so far this year, with growth outperforming value by 14.56% (as measured by the Russell indices) which is historically consistent during recessionary periods. We will continue a growth to value tilt in our portfolios as a hedge against a market pullback rather than a return enhancer.

## Developed & Emerging Foreign Markets

Developed & Emerging markets returned 7.95% and 36.01% (respectively) year to date. We recently took profits in emerging markets due to the outperformance of this asset class although our 3 to 5 year outlook favors it over all other equity asset classes. Emerging markets are more likely to sustain superior economic and corporate earnings growth due to their reduced dependence on debt. We began to decrease our international developed exposure mid way through December 2008 due to its significant debt and less aggressive approach on fiscal policy, and have reduced our allocation further during our most recent rebalance.

## Fixed Income

The significant stimulus injected into the economy has created uncertainty of inflation, corporate profits and the dollar. Recent changes to our mutual fund and tax sensitive portfolios will help to decrease their risk profiles by shortening the duration and increasing the quality of the bond allocation. Likewise, we reduced our treasury exposure in all ETF portfolios, as treasuries have significantly underperformed high quality corporates thus far this year. The addition of high yield has been a source of returns so far this year with the Wells Fargo Advantage High Income Fund (SHYYX) up 17.88% year to date. We have taken profits to secure gains in this asset class. In addition, we are now using a higher yielding ultra short bond fund in the more conservative portfolios to replace money markets which are no longer yielding traditional returns.

**Real Estate**
The commercial real estate market should stand to benefit from the recent moves of the Fed intended to stimulate financing in this sector. In June, commercial mortgage-back securities (CMBS) became eligible to serve as collateral for TALF loans which are designed to increase credit availability and should help to reduce default rates, boost lending and spur transactions involving distressed properties. The increased ability for this sector to raise capital is a positive sign that the frozen credit markets are beginning to thaw. Despite the strong performance in the 2nd quarter, commercial real estate and domestic REITs continue to lag the broader market indexes but we maintain a small allocation to the asset class due to its correlation benefits, high dividend yield, and historically strong performance.

**Alternatives**
Natural Resources have bounced back, returning 9.96% year to date (S&P North American Natural Resources Sector Total Return Index). Oil has crossed $70 a barrel once again, more than double its 52 week low of $32.41. While we expect increases in the global economy to be paired with increased commodity prices, we do not necessarily expect this to result in significant increases to inflation with unemployment numbers just below 10%. That being said, we are increasing our allocation to managed futures through the Rydex Managed Futures Strategy (RYMFX) to reduce our overall equity market exposure. Expectations are that inflation will be an issue going forward, but it may not become a serious issue for another 12 to 18 months. Therefore, the reason we chose to increase our exposure to commodities and currencies through the Rydex fund as opposed to just increasing our direct investment in natural resources is its ability to short commodities and currencies, leaving us less exposed to a pullback in inflation expectations, and offering more downside protection.

**Conclusion**
Since there is not a clear short-term consensus on the market, in this most recent rebalance LTAM secured gains in our high yield and emerging market allocations and reallocated our fixed income positions to higher quality, lower duration funds in order to better protect the portfolios should inflation become a problem or if we see a pullback in the market. We also increased our allocation to managed futures to limit our market exposure, and maintained a growth to value tilt to add further downside protection. LTAM seeks to protect your portfolio first then looks to grow your assets based on your risk tolerance and time horizon.

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