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THE FSAG ADVISOR

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Market & Economic Update

Credit issues and economic uncertainty have continued over the past several months, and we continue to encourage investors to approach financial markets cautiously. On the bright side, however, there recently have been some renewed signs of investor confidence and signals that some areas of the global economy may have begun to recover, although a number of downside risks remain. From an investment perspective, it is important to remember that financial markets are forecasting mechanisms, meaning that markets tend to show signs of recovery before the actual economy does. As such, we do believe that higher risk assets should outperform over the course of 2009, but, high levels of volatility are likely to continue.

Global equity market volatility has continued in recent months, with stocks sinking deeply in January and February as economic data continued to worsen and investors grew uncertain about policymakers' next steps in combating the credit crisis. Since early March, however, global equities have rallied strongly, reflecting several factors: technically oversold conditions, aggressive global policy actions, and a general sense that the global economic recession may be moving past its period of great weakness. While current economic indicators are consistent with a global economy that is still declining (at a less rapid rate), equity markets appear to be anticipating an economic recovery. It is important to recognize, however, that any recovery is likely to be muted and that equity markets will remain highly sensitive to economic data releases.

The question is whether the present rally marks the end of the bear market, or if it merely represents a temporary bounce from oversold conditions. It would be premature to suggest that a new bull market has emerged or that we have seen the end of the seesaw patterns that have been in place since last fall. Nevertheless, we do believe there are several important differences between the current rally and the failed rally attempts that previously occurred. From a technical perspective, the current rally has been marked by strong momentum and expanding volume on the upside, and diminishing momentum and volume on the downside. Additionally, more cyclical areas of the market (such as the consumer discretionary and technology sectors) have been outperforming, as have emerging

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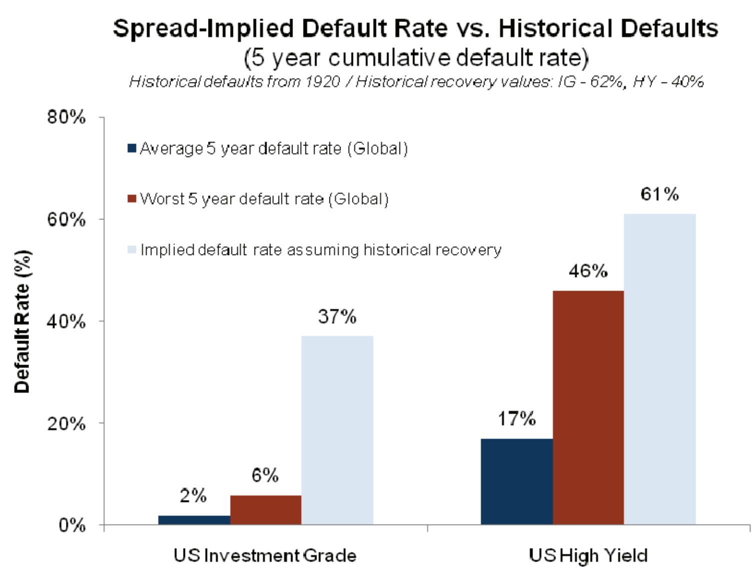
2009 Returns

DOW	*-2.00%*
S&P 500	*3.20%*
NASDAQ	*16.99%*
Russell 2000	*2.64%*
Mid Cap	*9.96%*
MSCI EAFE	*7.95%*
Lehman US Agg	*2.04%*
Lehman Muni.	*7.43%*



Source: Goldman Sachs Asset Management

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What are the requirements?
In order to obtain the CFP® mark, an applicant must:
♦Hold a bachelor's degree from an accredited college or university
♦Complete a CFP® Board-registered education program
♦Pass the 10-hour CFP® certification exam
♦Have at least three years of qualifying full-time work experience in financial planning
♦Pass a professional fitness standards and background check

Once appointed, a CFP® must meet continuing education requirements every other year in order to maintain the certification.

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♦Evaluate your financial well-being with a thorough analysis of your assets, liabilities, income, taxes, investments, and insurance
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Corporate Credit Sectors Remain Historically Wide

		10-year Avg. through 31-Dec-06	31-Dec-08	31-May-09 (Current)
LIBOR Option Adjusted Spread (bps)	Investment Grade Corporate	81	516	347
	High Yield	534	1,745	1,100
	Bank Loan	373	1,842	1,163

Source: Goldman Sachs Asset Management

The Inflation Question: Oil and Inflation

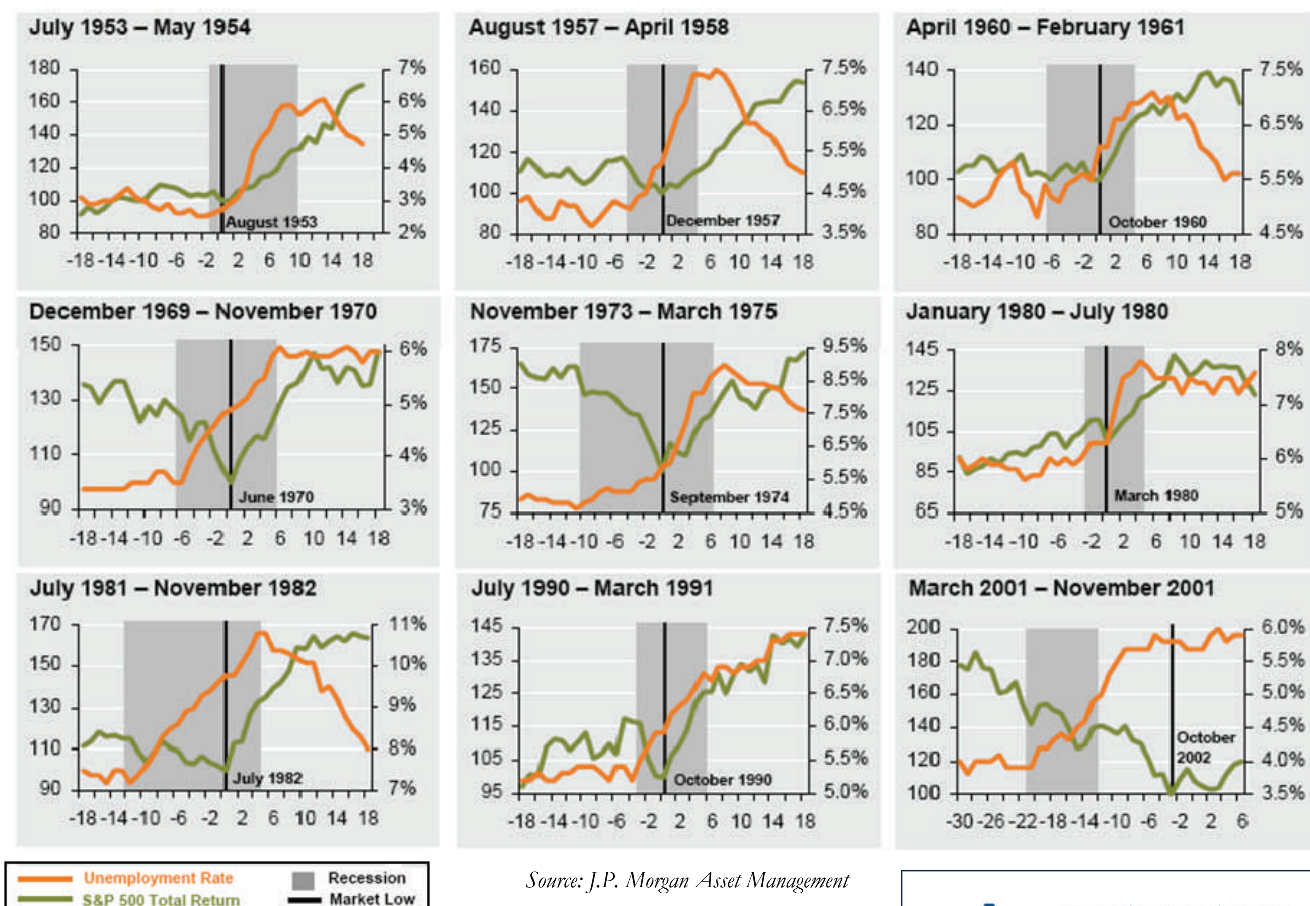
Some have suggested that inflation is likely to rise because of soaring oil prices and they focus on the 1970s when rising oil prices were accompanied by surging overall inflation. Much of the reason for that, is higher gasoline prices led unions to demand higher wages, setting up a price-wage spiral. To see that this simply doesn't apply today, consider the spike in oil prices to a peak of over $145 last year. This surge pushed overall CPI inflation to 5.4% very briefly. However, the core inflation rate, which excludes food and energy, never rose above 2.6% year-over-year, while wage growth remained stable and then declined as the economy fell into recession.

So why don't higher oil prices lead to higher general inflation? Many people argue that, energy costs affect everything, but the reality is that outside of the airline industry and a few other smaller sectors, energy costs are a much smaller part of total costs than wages—if oil goes up and wages don't, core inflation should stay pretty tranquil.

But there is another reason why higher oil prices don't seem to spark general inflation, and that is higher oil prices act as a tax on the U.S. economy. The U.S. imports about two-thirds of the oil it consumes every day. This means that higher oil prices suck money out of the U.S. economy. If the price of a gallon of milk goes up, the American consumer is poorer but the American farmer is richer and the money stays in the country fueling economic activity. But if the price of a gallon of gasoline goes up, the American consumer is poorer and Mahmoud Ahmadinejad is richer. As the money leaves the country, it actually delivers a deflationary impulse to the economy. The share of our GDP used to buy foreign oil soared to 3.7% in the third quarter of last year, a factor that contributed to turning a mild U.S. recession into a much larger one, now leaving us with decelerating rather than accelerating inflation.

Source: Dr. David Kelly, J.P. Morgan Asset Management

Market Inflection Points, Recessions, and the Unemployment Rate—Equities



Source: J.P. Morgan Asset Management

Stock in the News: Celgene (CELG)

Celgene Corp. (CELG), based in Summit, New Jersey, is a pharmaceutical company focused on the discovery, development, and commercialization of products to treat cancer and inflammatory diseases. The company's key products are Thalomid, Revlimid, and Vidaza.

Celgene's (CELG) first-quarter revenue grew roughly 30% compared with the first quarter of 2008 despite the effects of a weak economy, thanks to Revlimid's growing market share and ongoing global launch, as well as U.S. sales of Vidaza. Despite the severity of the illnesses that Celgene's drugs aim to treat, the economy is clearly impacting the firm's results.

Outside of economic effects, underlying demand for Celgene's products looks strong. The leading drug in multiple myeloma, Revlimid generated $363 million in sales in the first quarter, as a higher percentage of patients are taking Revlimid, and for longer periods of time. If Celgene hopes to meet its revenue projections for the year, a successful U.K. launch will be a critical piece of this performance.

We think Celgene's oncology drug portfolio and prospects for rapidly improving profitability make it an attractive target, and we think the firm could be acquired at roughly a 25% premium to recent trading prices.

Key Statistics: CELG

Price	*$47.54*
Trailing EPS	*$0.59*
Est. 2009 EPS	*$1.85*
Forecast P/E	*31X*
PEG Ratio	*1.11X*
Dividend	*$0.00*
Market Cap	*$22.25B*
52 Week High	*$77.39*
52 Week Low	*$36.90*
Beta	*0.82*
Growth Rate	*28%*
ROE	*25.3%*

Source: Argus Research Company, Standard & Poor's, Morningstar

Market & Economic Update

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markets when compared to developed markets, trends that occur when recoveries begin.

Looking ahead, we expect volatility will persist, and it would not be surprising to see additional selling squalls in the months ahead. Nevertheless, while markets are certainly not out of the woods, we believe equities should continue to move higher over the course of the year. In credit markets, the main themes have been weakness in the financial sector and a renewal of healthy levels of bond issuance. Credit spreads have recently narrowed following the latest round of policy initiatives and the expansion of quantitative easing measures. High-yield markets in particular have responded well to this environment and have enjoyed solid performance of late.

Overall, we continue to advocate a focus on higher-quality investments. We continue to have a favorable view toward municipal bonds. Municipal yields are attractively valued when compared to taxable equivalents, and munis are supported by a long history as a high-quality asset class with low relative volatility, consistency in performance and low default rates. As such, we believe munis continue to represent a good long-term investment.

Source: BlackRock (Bob Doll, Vice President and Director)

'Death Tax' is Alive and Well

Q: What is the current status of the estate tax?

A: The federal estate tax, dubbed the "death tax" by critics, is alive and well despite repeated attempts to kill it during the Bush administration. For 2009, the basic exemption from the tax is $3.5 million, and the top tax rate is 45%. However, transfers from one spouse to the other typically are tax-free. Despite all the controversy over this subject, very few estates get hit by this tax. As the exemption level has risen in recent years, fewer and fewer estates have been affected. In 2007, the number of taxable estate-tax returns that were filed fell to about 17,400, from more than 51,700 six years earlier.

Under current law, the estate tax is scheduled to disappear entirely next year, and then spring back to life in 2011 with an exemption amount of only $1 million. But don't count on the tax disappearing, even for one year. President Barack Obama and Democratic congressional leaders strongly oppose repeal of the estate tax. Thus, the most likely outcome is that lawmakers will approve legislation this year that extends the estate tax into future years. Nobody knows exactly what the new legislation will look like. But it is widely expected that lawmakers will retain the basic outlines of this year's system.

Earlier this year, the Obama administration's budget proposals included an assumption that the estate tax would be continued at its 2009 parameters -- which includes the $3.5 million exemption level and the 45% top tax rate.

Whether or not you're affected by the federal estate tax, be sure to check with your state to see if it imposes its own tax. Some states, such as New York, have very stiff taxes of their own. Also, be sure you have a will -- and that it's up to date.

Source: Tom Herman, The Wall Street Journal

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