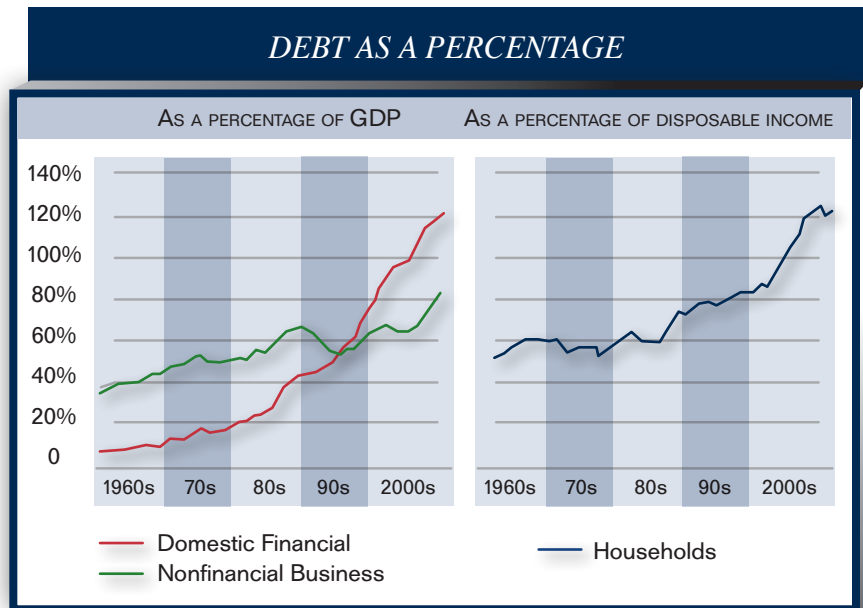


# QUARTERLY MARKET *Update*

Fourth Quarter 2009

## A Year of Healing

The past twelve months can best be thought of as a year of healing from the consumer debt bubble that burst in 2008. While we have enjoyed a wonderful recovery in the stock market, the days of cheap money, lax lending standards, and unrealistic expectations of real estate values are clearly over. While it lasted, our country experienced one of the largest increases in personal debt relative to disposable incomes that the U.S. has ever experienced, and this year will be one of everyone coming back to a more sustainable reality.



\* AT A SEASONALLY ADJUSTED ANNUAL RATE  
 SOURCE: FEDERAL RESERVE (DEBT) AND COMMERCE DEPARTMENT (GDP, INCOME) VIA MOODY'S ECONOMY.COM

Please also see important disclosure information on the last page of this Quarterly Market Update.

In the first quarter of 2009 there were concerns that many large banks would fail and we experienced a scary drop to new lows on most of the major stock indices. With the assistance of a number of Federal programs, the major banks have stabilized and a collapse of the financial system was averted. Most large banks that used TARP money provided by the Federal Government have paid those funds back and have been able to raise capital in the private market. Evidence of stabilization gave investors a sense of comfort and with investor confidence being restored, so too was a willingness to take risk and that re-priced most assets higher.

More importantly, there is an economic recovery underway, and the stock market is reflecting an ongoing and robust recovery into the future. This outlook is reflected in the relatively strong performance of stocks, corporate bonds, and commodities in 2009. Interestingly, while diversification with anything other than government bonds did not work very well to protect portfolios at the end of 2008, it also did not take away from performance in 2009. Almost all asset classes other than government bonds performed quite well. Early in the year, in most of our actively managed portfolios, we shifted into corporate bonds and away from government bonds. This shift helped contribute meaningfully to performance.

**2009 Performance**

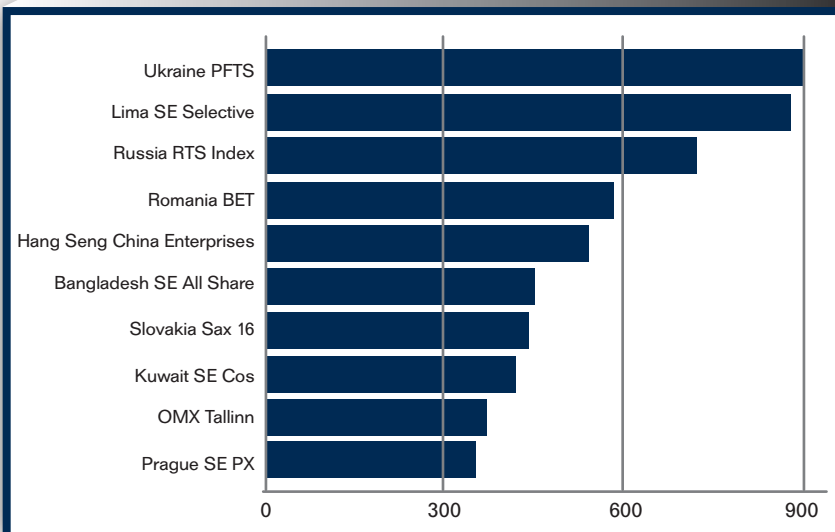
Dow Jones Industrial Average	22.68%
MSCI EAFE (International)	22.75%
Corporate Bond Index <sup>1</sup>	18.68%
U.S. Treasury Bond Index <sup>2</sup>	-2.20%
Goldman Sachs Commodity Index	13.48%
Gold <sup>3</sup>	27.12%

SOURCE: MORNINGSTAR®  
 1 BARCLAYS US CORP INV GRADE BOND INDEX  
 2 BARCLAYS US GOVT INDEX  
 3 SPDR GOLD SHARES AS A PROXY FOR GOLD

Not only has the year 2009 come and gone but so has the decade. The last ten years will be remembered for many things that transpired but clearly, it was a decade of opportunities and growth outside the US and the rest of the developed countries. The US, Western Europe and Japan took a back seat to what unfolded in the far corners of the globe. The emerging countries of Eastern Europe, the Far East and South America made huge strides in commerce, trade and standard of living, and their progress was reflected in the enormous gains registered in their respective stock markets; a trend we feel that is still in place as we enter the next decade.

### Best performing markets 2000-2009

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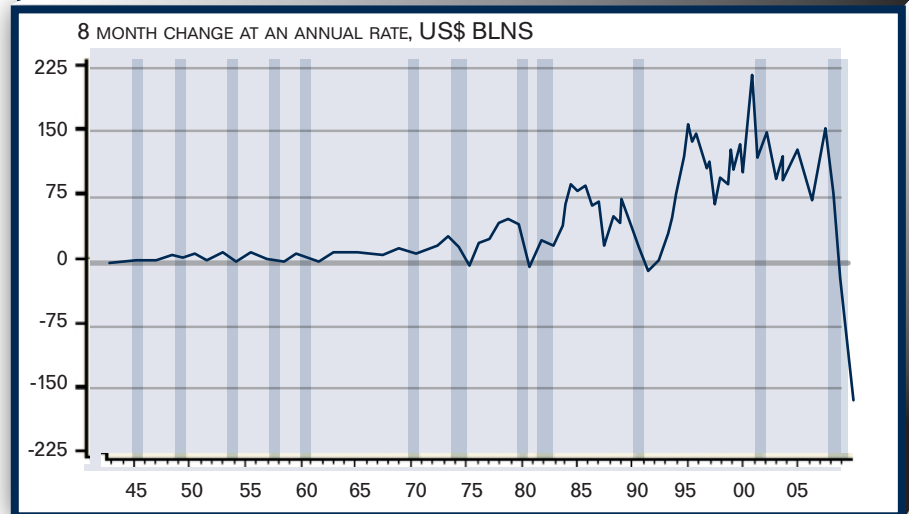


SOURCE: FINANCIAL TIMES SHORTVIEW 12/17/2009  
RETURNS AS OF 12/16/2009

### 2010: A time for truth

Now that we are past the relief stage of the rally, one of two things will likely happen. Each will have different implications for investors:

#### Down & Out United States: Total Consumer Credit



SOURCE: HAVER ANALYTICS, GLUSKIN SHEFF

*The Goldilocks scenario: in which we see more evidence of a strong and lasting economic recovery. This is the economic future that is being priced into the stock market.* The unprecedented amount of government stimulus pumped into the economy helped to avoid a depression like scenario from unfolding. In order to continue down the path of recovery, private business and consumers will have to help turn the economic wheel. This may prove difficult as stricter credit standards and the reluctance of banks to lend is stifling US companies' future growth potential. Consumers have also substantially reduced spending on non-essential items in order to reduce debt or increase savings. The unemployment picture will also need to improve this year for the recovery to last.

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A strong economic scenario could be a problem for bondholders of government debt, as there would be upward pressure on interest rates, in turn negatively impacting bond prices. It would also impact the federal budget by increasing the cost of debt, which has grown enormously during the past several years. Rising interest rates could also hinder the recovery in housing, increasing the cost of borrowing and impacting affordability. So, if the economy recovers more strongly than currently expected, prepare for higher rates and a tough environment for government bonds.

*The Ugly Bear scenario: the other possibility would be a stagnant economic environment, marked by lackluster growth and a disappointing labor market. This is the environment that is currently reflected in the price of bonds.* Short-term rates remain at historically low yields and indicate that inflation is not expected in the near term. Under a rather weak economic scenario, short-term interest rates would likely remain very low as the government continues its attempt to stimulate the economy using monetary and fiscal policy. The stock market in the US would probably react poorly to this outcome.

Given the different expectations built into the stock market and bond market, we believe that diversification will matter again in the upcoming year. As the economic conditions unfold in 2010 there is likely to be a considerable diversion between the performance of stocks and bonds, and the allocation between the two will be a significant factor of portfolio performance. Also, absent another major worldwide crisis, international and US stocks will behave differently as different country economies continue to grow at different rates. In addition we think it is likely we will see a good first half of the year and a more challenging environment later in the year. As always we will remain vigilant overseeing your portfolios throughout. Now would be a good time to review your allocation to make sure it is in line with your long-term master plan, especially in light of the substantial market performance that occurred in 2009.

## *The dollar, taxes and inflation*

This year should also resolve the dollar/inflation quandary. If the economy mounts a meaningful comeback interest rates should rise, making dollar based investments more attractive. However, this could also spark concerns of inflation. The Fed will have to walk the tightrope of stimulating the economy without causing inflation. If the economic recovery is muted, the dollar will likely continue a downward trend as investors sell dollars to invest in foreign markets that offer higher yields. We expect the dollar to stabilize in the short-term, though the dollar continues to be in a long-term secular decline.

The U.S. Government is between a rock and a hard place with regards to tax policy. Over the past several years, unprecedented deficits and unfunded obligations have been building, in turn pressuring the government to come up with ways to increase revenues. Given the fragile economy, increasing taxes at this point in the recovery could have a negative impact on the economy and cause another slowdown. If the government continues the stimulus spending and drives up the deficit, at some point we will have to pay the piper. Taxes will have to go up or the amount of stimulus being put into the system will need to be reduced.

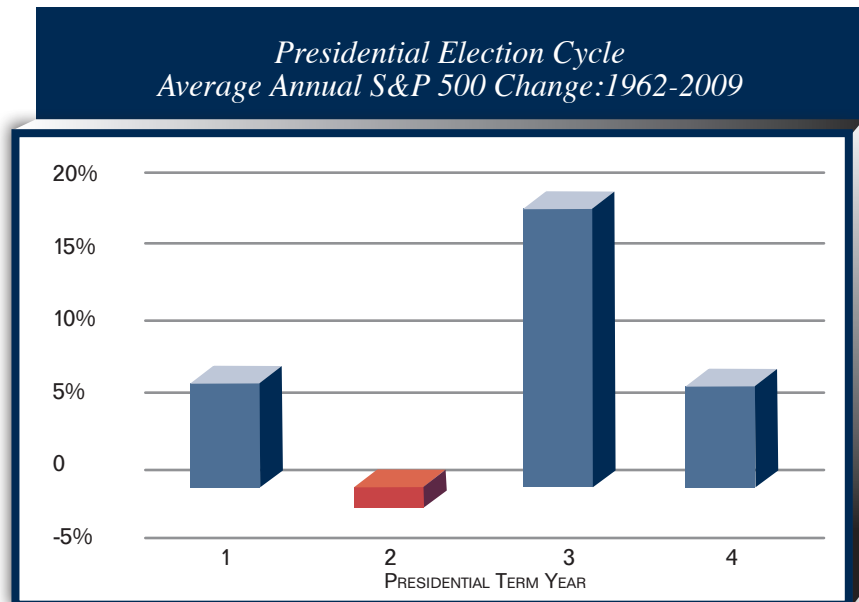
Barring action by the Congress, tax policy will be changing in the near future as the Bush tax cuts are set to expire at the end of 2010. Allowing the tax cuts to expire and return to the levels they were 10 years ago may provide some short-term revenue for the government. It is hotly debated, on whether higher taxes will actually bring in additional revenue over time to the government, or what effect they will have on the economy. What we do know is that it will impact taxpayers in many areas.

The impending changes in the tax code will no doubt have an impact on how investors allocate their capital. All else being equal, investors are likely to invest in the most tax favorable securities. Since 2001, when dividends were given preferential tax treatment, value stocks have outperformed growth stocks by a substantial margin. In 2011 dividends could lose this preferential treatment and would be less attractive to investors for non-qualified money. This change could spur a shift back to growth stocks.

Market performance in the second year of an administration should be considered. Historically, this is the time when the government does things that are less popular because the next presidential election is a few years away. Typically this is the worst performing year of a presidential cycle, and may be compounded in 2010 by the major changes proposed by the administration. Healthcare reform, cap and trade, financial regulation, and the aforementioned changes in the tax code may increase investor's anxiety, as the impact of these significant changes are unclear.

<i>U.S. Tax Rates</i>	<i>2010</i>	<i>2011</i>
Personal Income Tax (top bracket)	35%	39.6%
Personal Income Tax (next bracket)	33%	36%
Personal Income Tax (next bracket)	28%	31%
Capital Gains – Long Term	15%	20%
Dividends (ordinary income rate-top bracket)	15%	39.6%
Estate (>\$1MM)	0%	55%

SOURCE: WALL STREET JOURNAL

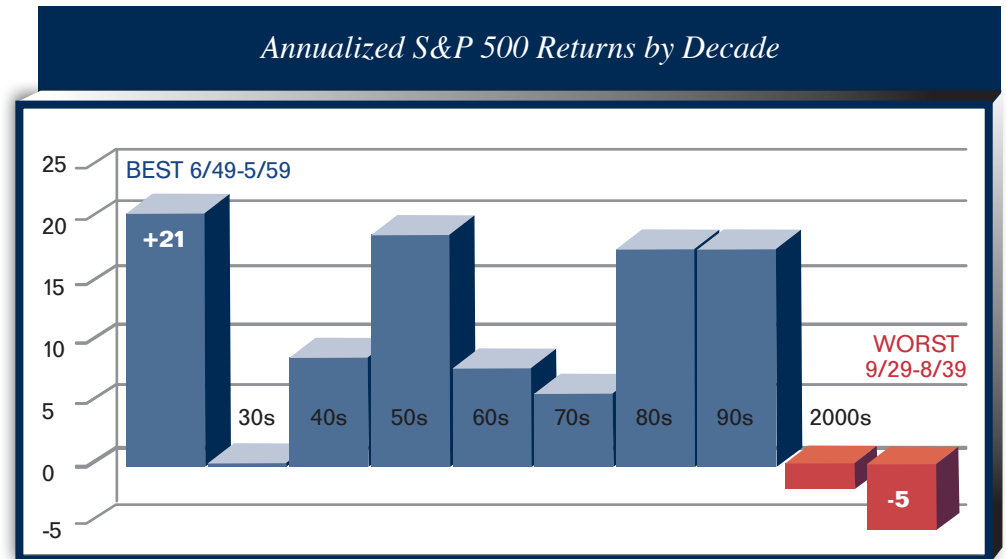


SOURCE: THE BIG PICTURE AND MORNINGSTAR

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### *What to do at this inflection point?*

The last decade was not kind to many investors. While it is highly likely that the next ten years are a lot better for US investors, it will also be true that the next decade will also see many regions in the rest of the world continue to grow and evolve at faster rates. As we enter the new year and usher in the next decade, there are many challenges that confront us and many opportunities set before us. We are at an inflection point, and it is important that you, your family, and your adviser understand the implications of the upcoming events. The changes in the tax structure, the evolving currency situation, resurgence of inflation, and possible changes in government entitlements such as Social Security and Medicare are issues that must be contemplated in your financial master plan. We encourage you to speak with your adviser to make sure you are taking control of your financial future.



SOURCE: PPC, INC.

At United Capital, we are all working hard to provide you with investment and financial planning solutions to assist you in navigating through these difficult and sometimes confusing times.

*Thank you for your continued trust and confidence,  
Joseph J. Duran, CFA® and the United Capital Investment Committee*

Please also see important disclosure information on the last page of this Quarterly Market Update.

## *Glossary & Disclosures*

### *Dow Jones Industrial Average*

Price weighted (see weight) average of 30 actively traded shares of the blue chip US industrial corporations listed on the New York Stock Exchange.

### *Barclays U.S. Corporate Bond Index*

A market weighted bond index of U.S. dollar-denominated investment-grade credit securities

### *Barclays U.S. Treasury Bond Index*

A market weighted bond index of U.S. treasury issued credit securities

### *S&P 500 Index*

A broad based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. It is a capitalization-weighted, unmanaged index that is calculated on a total return basis with dividends reinvested. The S&P 500 represents about 75% of the NYSE market capitalizations.

### *S&P MidCap 400*

A broad based measurement of changes in stock market conditions based on the average performance of 400 small to medium sized US companies. It is a capitalization-weighted, unmanaged index that is calculated on a total return basis with dividends reinvested.

### *S&P SmallCap 600*

A broad based measurement of changes in stock market conditions based on the average performance of 600 small US companies. It is a capitalization-weighted, unmanaged index that is calculated on a total return basis with dividend reinvested.

### *MSCI Emerging Markets*

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of June 2009 the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

### *MSCI EAFE Index –*

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. As of June 2007 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

### *Goldman Sachs Commodity Index*

A composite index of commodity sector returns which represents a broadly diversified, unleveraged, long-only position in commodity futures.

### *SPDR Gold Shares*

The objective of the SPDR Gold Trust is for the shares to reflect the performance of the price of a gold bullion, less the trust's expenses.

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