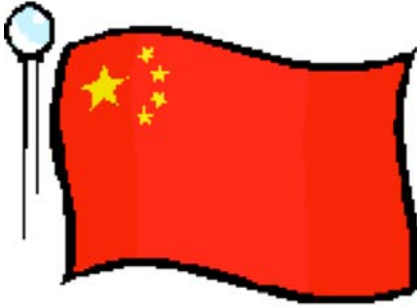


Thank God It's Friday!

March 12, 2010



China is a main focus of all things economic these days. It's understandable because China is the decisive growth engine of worldwide economic recovery. Many skeptics challenge the accuracy of data released from the Chinese government, but the growth TREND is undeniable.

Well before the rest of the world began shaking-off the global recession, China had resumed its upward growth spiral, having hit bottom at the end of 2008. This past December, China actually overtook both Germany and Japan, and is now the largest exporting nation in the world. While most nations are still licking their wounds from the fierce recession, China's problem is simply too much growth! Its GDP - its Gross Domestic Product - increased at a clip of over 10% last quarter. Our US

economy benefits from this Chinese transition to consumption from importing American goods / services at a staggering rate. New wealth and a growing middle class society has the Chinese consumer buying products for the first time which we've taken for granted for decades. Products ranging from cars and phones to credit cards and freezers are attracting buyers in China. Just this week, China reported imports spiked 45% in February. China has averaged 10% annual growth for the last 30 years.

China's outstanding growth brings natural concern about inflation from an economy that could again overheat. The Chinese government has begun taking proactive measures to cool things down by tightening lending standards, i.e. making money more expensive. This tightening of credit aims to slow down consumer spending. Right now, there is fear of a real-estate bubble. However, with a population of 1.3 Billion people and growing - that's 20% of the world's population - China has to continue to grow its economy to support its population and provide jobs. 92% of the Chinese population is under 65 years old.

All attempts to slow down the Chinese economy will continue to have an impact on the Markets. It was one of the factors that caused the sell-off in early February. The thinking was if China stops buying, who replaces their demand at a time when many economies are still surviving on government assistance.

We continue to use the volatility to your advantage. We have stepped-up our use of tactical strategies in the international markets. As long as China can demonstrate its ability to expand and consume, we will continue to maintain investments directly and indirectly exposed to the Chinese market. At the current rate, in 20 years, China could replace the US as the largest global economy. It's a powerful trend that certainly looks sustainable; therefore, we will continue aggressively investing into this trend.

Jumping over to the Bond Market there were some interesting developments over in Europe. Current consideration is being given to a possible "European Union" bond that would be backed by all 27 countries in the Union. This would help stem off any Country-specific borrowing problems. Also worth noting, France, in rare move, announced a plan to issue 50-Year bonds. Such long maturity would extend their financing needs while locking-in these historically cheap interest rates.

By: Mike Frazier and Jude Bedell