

Capital Market Review · First Quarter 2010

The market continues to climb since the first quarter 2009 posting four straight positive quarters after being down five straight quarters previously.

The S&P, for the first quarter of 2010, started down in January with a return of -3.6% then started an upward climb with a 3.1% return in February and a 6.0% return in March, which resulted in a 5.4% return for the quarter. The S&P 500 index is up an eye-popping 49.8% for the twelve months ending March 31, 2010. The two, three and four year returns are still negative however.

The bond market was also positive for the quarter and the year. The Barclays Capital Aggregate Bond Index returned 1.8% for the quarter and 7.7% for the year. Unlike the stock market, the bond index is also positive for the two, three and four year periods.

Inflation, as expressed by the Consumer Price Index, remained muted for the quarter at 0.8% and 2.3% for the year. Most of the inflation over the past year is a result of an increase in commodity prices.

STOCK MARKET

With the exception of the Commodities market, the major averages were positive during the first quarter. The **S&P 500 Index**, an index of large company stocks, was up 5.4%. The **Russell 2000 Index**, an index of small company stocks, came in at 8.9% for the quarter. The **MSCI EAFE Index**, an index representing international stocks, was up only 0.9% in the quarter. The **Dow Jones US Select REIT Index**, an index representing real estate companies, fared the best at 9.8% in the quarter, bringing the twelve-month return to an impressive 113.5%.

Market Returns

	3 months ended 03/31/10	12 months ended 03/31/10
T-Bills	0.0%	0.1%
Barclays Capital Aggregate Bond Index	1.8%	7.7%
S&P 500	5.4%	49.8%
Russell 2000	8.9%	62.8%
EAFE	0.9%	54.4%
DJ US Select REIT	9.8%	113.5%

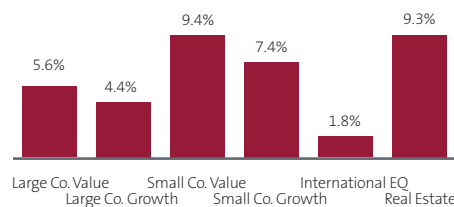
Equity Styles

The equity styles posted gains for the first three months of 2010. **Large Growth** gained 5.6% while **Large Value** gained 4.4%. **Small Value** gained the most 9.4% while **Small Growth** gained 7.4%. The average **International Equity** finished the quarter with the lowest gain of 1.8% and **Real Estate**, did well gaining 9.3%.

The twelve month period fared very well with large value gaining 50.5%, large growth up 48.0%, small value 68.3%, small growth 58.5%, and international equity up 56.6%. Real Estate was the best performing area gaining 104.5%.

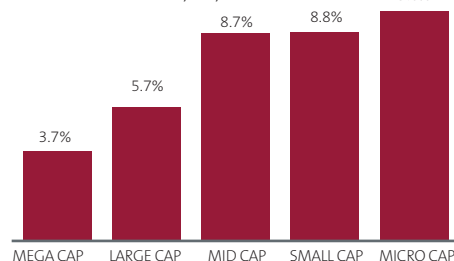
Comparison of Equity Styles

3 months ended 03/31/10



Return by Market Cap

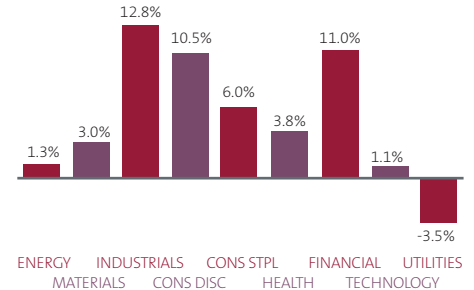
3 months ended 03/31/10



The Russell 2000 posted a gain of 8.8% for the quarter and was outdone by the Russell **Micro Cap**, up 9.8% which was the best performing area this quarter. **Mid Caps** gained 8.7% during the quarter. **Mega Cap** stocks were up 3.7% for the quarter. **Large Cap** companies were up slightly more than the overall market by gaining 5.7%. For the twelve months, mega caps were up 41.4%, large caps at 51.6%, mid caps at 67.7%, small caps at 62.8% and micro caps at 65.1%.

Stocks by Sector

3 months ended 03/31/10

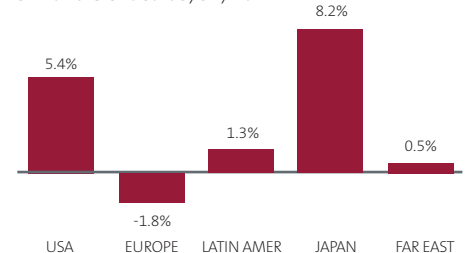


Only one of the nine sectors, **Utilities**, produced a negative return in the quarter with a -3.5% return. Four other sectors produced results above the market's 5.4% return. **Industrials** led with 12.8%, **Financials** at 11.0%, **Consumer Discretionary** at 10.5% and **Consumer Staples** at 6.0%. Four sectors, while positive, underperformed the overall market with **HealthCare** at 3.8% return, **Materials** at 3.0%, **Energy** at 1.3% and **Technology** barely behind Energy at 1.1%.

All nine of the sectors were positive for the twelve months, with five outpacing the market and four trailing the market. The Energy sector gained 38.0%. Materials posted a 54.4% gain while Industrials gained 73.3%. Consumer Discretionary were up 69.6% while Consumer Staples were up 36.1%. Healthcare was up 35.1%, while Financials continue to lead the way up by posting an 83.6% gain for the twelve months. Technology and Utilities posted gains of 50.1% and 21.1% respectively.

Stocks by Region

3 months ended 03/31/10



Three of the four regions underperformed the S&P 500 Index for the quarter while one exceeded the U.S. market. **Japan** led the five regions with a positive 8.2% return followed by **Latin America** with a return of 1.3% and the **Far East** which eked out a 0.5% gain.

With the economy in a recovery, the **U.S.** was up 5.4% for the quarter. **Europe** had the worst performance losing 1.8% for the quarter.

All regions were positive for the twelve month period. Latin American, which is heavily influenced by the oil markets, led the regions with a 92.1% gain. The Far East gained 65.2%, Europe gained 56.1% and the U.S. gained 49.8%. While Japan led the regions for the quarter, it trailed the regions for the twelve month period at a gain of 37.9%.

Please note that these returns are in U.S. Dollar terms and the change in currencies will have an effect on the return.

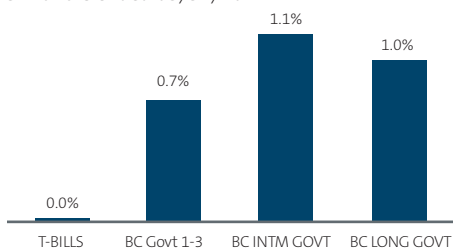
BOND MARKET

As the U.S. economy emerges from recession and is showing signs of recovery, one would envision rising interest rates. However, the interest rates of Treasuries headed downward in the first quarter.

The yield on the 2 year Treasury went from 1.1% to 1.0% during the quarter. Likewise, the yield on the 5 year went from 2.7% to 2.5%, the 10 year from 3.9% to 3.8%, however, the 30 year went from 4.6% to 4.7%.

Bonds by Maturity

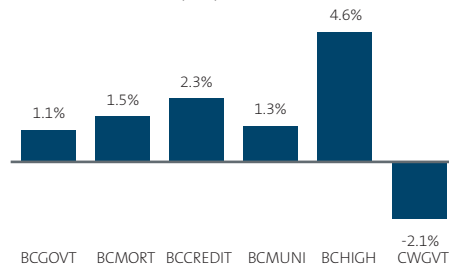
3 months ended 03/31/10



The **Barclays Capital Intermediate Government Index** led all maturities last quarter with a return of 1.1%. The Index was up 0.9% for the twelve month period. The return for **T-Bills** for the first three months was 0.0% and for the twelve months was 0.1% return. The **Barclays Capital 1-3 Year Index** returned 0.7% in the quarter and ended the twelve months with a 1.8% return. The **Barclays Capital Long Government Index** was up 1.0% for the quarter and was the poorest performing index for the twelve months with a -6.4% return.

Bonds by Sector

3 months ended 03/31/10

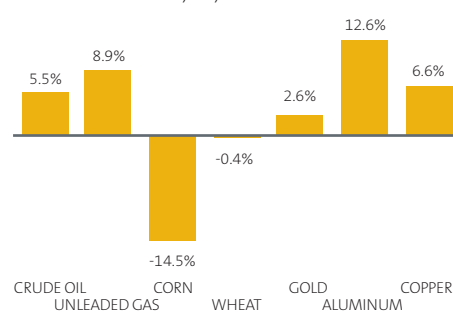


With the exception of the **World Government** index which was down 2.1%, all other sectors produced positive results for the first quarter. Barclays Capital **High Yield** produced the highest return of 4.6% followed by Barclays Capital **Credit** at 2.3%, which is an index of investment grade companies. The rest came in close with **Mortgage** at 1.5%, **Municipals** at 1.3% and **Government** at 1.1% for the quarter.

The twelve month returns produced a different pattern with Government the only index falling into negative territory by 0.1%. High Yield bonds, of below investment grade companies, performed the best by being up 56.2% for the twelve months and Credit was up 20.8%. Municipals were up 9.7%, followed by World Government up 8.4% and Mortgage was up 5.2% for the twelve months.

COMMODITIES MARKET

3 months ended 03/31/10



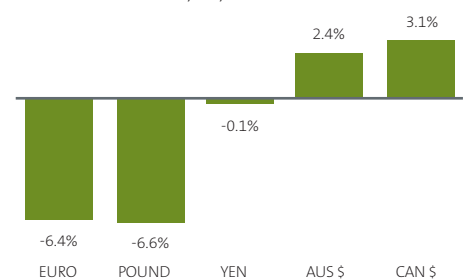
The Dow Jones UBS Commodity Index was down 5.0% in the first quarter while being up 20.5% for the twelve month period. Not all sectors of the commodity market were down for the quarter, however. **Oil** and **Unleaded Gas** were up 5.5% and 8.9%. The agriculture sectors were down with **Corn** off 14.5% and **Wheat** down 0.4% for the quarter. Metals were up with **Gold** being up

only 2.6%, while **Platinum** gained 12.6% and **Copper** 6.6%.

The twelve month returns followed the same pattern as the first quarter with Corn and Wheat the only commodities down at -12.3% and -10.5% respectively. Oil was up 68.7% along with Unleaded Gas at 61.7%. Copper led the metals up 92.8%, followed by Platinum up 46.4% and Gold at 21.7%.

CURRENCY MARKET

3 months ended 03/31/10



The **Euro** was down 6.4% against the U.S. Dollar for the quarter, but up 1.3% for the twelve month period. The **British Pound** was down against the US Dollar 6.6% for three months and up 5.3% for twelve months. The **Japanese Yen** was flat against US Dollar with a -0.1% decrease for the first quarter. The Yen was positive against the Dollar for twelve months with a 6.4% increase. The **Australian Dollar** and **Canadian Dollar**, both of which are strongly sensitive to commodity prices, were positive against the US Dollar. The Australian Dollar was up 2.4% and 32.9%, while the Canadian Dollar was up 3.1% and 23.4% for the three and twelve months. ■

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