

MARQUETTE ASSET MANAGEMENT, INC.



Investment Management and Trust Services for Individuals, Families and Institutions • Trust Services provided by Marquette Trust

FEATURED

IN THIS ISSUE

Economic Update	John Beuerlein	Page 1
Roth Conversion Opportunity	Jean Gullikson	Page 2
A Note from John Pohlad	John Pohlad	Page 2



ECONOMIC UPDATE

John C. Beuerlein
*Chairman,
Chief Investment Officer*

The US recession may be over, but it is becoming increasingly clear that the recovery will be constrained by the reluctance of households to spend. Despite the boost to incomes from the recent fiscal stimulus, underlying retail sales remain weak and are below levels of one year ago. Lost wealth, rising unemployment and limited credit are forcing households to save rather than spend. In contrast, industry has shown some signs of life. Industrial production rose in July and August for the first time since October and the ISM index suggests that more gains are in the cards. Export growth has been improving as well. However, the overwhelming importance of the consumer sector means that as long as households remain in the doldrums, the overall recovery will be uneven.

The Economy. The most recent data indicate that 2Q-09 Real GDP declined at a 0.7% annualized rate after declining 6.4% in 1Q-09. The smaller decrease in Real GDP in 2Q-09 than in 1Q-09 reflected an upturn in federal government spending and smaller decreases in inventories and the homebuilding sectors.

Real personal consumption expenditures (PCE) decreased 0.9% in 2Q-09, compared with an increase of 0.6% in 1Q-09. Weakness in the housing sector continued with a 23.3% contraction that reduced 2Q-09 Real GDP by 0.7%. This was an improvement, however, over 1Q-09.

Leading Economic Indicators continue to show a marked improvement that forecasts a continued improvement in the economy through the end of the year. This series is one of several that indicate that the recession likely ended in the middle of the year – at least from a statistical standpoint.

The ISM manufacturing index is now higher than when the recession commenced in 2007. The new orders and production indices are particularly strong.

Real GDP is expected to grow 2.5% - 4% (on an annualized basis) in each of the last two quarters of 2009 due to improved auto sales and export growth.

Although most signs point toward increased economic activity in the near term as inventories are replenished, it is not clear where the sustained demand will come from if consumers do not have the resources to support economic growth.

Inflation. Reported inflation continues to be subdued, not only in the U.S., but around the world. The excessive amount of stimulus being provided to the U.S. economy has raised concerns about the development of inflationary pressures in the future, however. At this time, the economy does not appear strong enough to withstand the higher interest rates that would be associated increased inflationary expectations. Additionally, the rapid expansion of the Fed's balance sheet and the monetary base has done little to boost broad money, thus reducing an immediate threat of an acceleration of inflation.

Deflationary forces will remain more of a concern until the excess capacity (both physical capacity and labor capacity) that has been created during the recession is more fully employed. Inflation responds to economic trends with a lag, and the large amount of spare capacity around the world will likely exert downward pressure on inflation for the foreseeable future.

Corporate Earnings. With the majority of the earning season behind us, the year/year growth rate in earnings for companies that have reported is 10%, or about 15% above expectations. Roughly 80% of firms have beaten analyst estimates. Importantly, companies have reported moderate improvements in top line (revenue) growth. Reduction in expenses continues as in 2Q-09, however, in order to produce improved earnings. 4Q-09 earnings expectations are very strong due to the comparatively weak results of 4Q-08 that will be the basis of comparison.

Year/year retail sales have started to improve from deeply negative levels. Aided by various government programs such as "Cash for Clunkers", total retail sales are only down 2% on a year/year basis. It will be important to see how the consumer responds, however, as the various forms of buying stimulus are withdrawn. Unfortunately, a legitimate increase in consumer spending hinges on improvement in the employment situation, which is unlikely to show improvement until mid 2010.

Credit. The credit markets have witnessed substantial improvement in spreads since the beginning of the year– another indication that investors' appetite for risk is increasing. Lower quality fixed income and equity issuers have been the primary beneficiaries of this improvement in risk appetites.

Notwithstanding the improvement in credit spreads, credit market conditions remain far from normal. Lending standards remain relatively tight, and overall bank lending is less than what it was a year ago. Until bank lending begins to expand again, the liquidity that the Federal Reserve is supplying to the banks via their various programs, will not achieve its desired goal of promoting increased economic growth.

Equities. Turning to the equity markets, the improving economic reports since spring have resulted in renewed optimism. The equity markets have had one of their strongest six-month rallies in history. Belief that the government stimulus is having a positive impact on the economy, coupled with a growing acceptance that the recession is likely coming to an end have encouraged investors to deploy some of the cash that has been sitting on the sidelines and earning a nominal return.

For an investor, however, the important observation is not when the recession ends, but the expected strength and character of the subsequent recovery. On this point, we continue to have concerns. We expect a labored and uneven recovery to develop unlike any we have witnessed in the post WWII era.

The US economy will continue to face the reality of the deleveraging process as a result of the excessive credit creation of the past twenty years. The massive fiscal and monetary stimulus that has been provided will act as a counterbalance to the deleveraging process. Periodic economic disappointments are likely, triggering volatility in the markets. This will also likely slow the move to tighter monetary policy, increasing the chances that interest rates remain low for some time. Regardless, the current path of excessive stimulus is unsustainable, and moving back to more normal policies will be challenging and, most likely, involve further pain at some point down the road.



MARQUETTE ASSET MANAGEMENT
RANKED IN MPLS/ST. PAUL BUSINESS
JOURNAL

John Pohlad
Managing Director



We are pleased to announce that Marquette Asset Management was recently honored as the 18th fastest growing private company in the Twin Cities by the Minneapolis/St. Paul Business Journal. We were the only financial services firm to be named this year.

We are of course thrilled to have this honor; however, attention to our existing clients is our priority as always. The entire Marquette Asset Management team thanks you for your confidence and trust which is critical to our success.



Past issues of this newsletter are posted under "News and Press" on our website at www.marquetteteam.com.

These statements are the opinion of Marquette Asset Management, Inc. and are subject to change without notice. This information is not intended to be used as the primary basis for investment decisions and should not be construed as advice designed to meet the particular investment needs of any investor, as individual investment plans will vary based on investment objectives and a number of additional factors. Please remember that past performance is no indication of future results and this publication makes no representation concerning actual future performance of the markets or economy. Please consult with your tax preparer and/or legal counsel as appropriate. Trust services are provided by Marquette Trust, an office of Meridian Bank, N.A.



ROTH CONVERSION OPPORTUNITY

Jean Gullikson
Chief Compliance Officer

We discussed this upcoming opportunity in the Summer, 2009 issue of Perspectives. Simply put, IRA owners will be able to convert their traditional IRAs into Roth IRAs and take two years to pay the taxes. We have prepared a guide outlining the basics of this opportunity. Please contact your relationship manager and we will mail or email you a copy.

We strongly recommend that you work with your tax preparer to determine if this opportunity is right for you.

INDEX PERFORMANCE THROUGH September 30, 2009			
	QTD	YTD	TTM*
Domestic Equity Indices			
S&P 500	15.61	19.26	-6.91
Dow Jones	15.83	13.42	-7.43
NASDAQ	15.66	34.58	1.46
Russell 1000	16.07	21.08	-6.14
Russell 2000	19.28	22.43	-9.55
Russell 3000	16.31	21.19	-6.42
International Equity Index			
MSCI EAFE	18.80	25.49	-0.02
Domestic Fixed Income Indices			
Barclay's Aggregate Bond Index	3.74	5.72	10.56
Merrill Lynch 1-12 Yr Municipals	4.13	7.30	11.15

*Trailing 12 Months

OUR GUIDING PRINCIPLES

- Integrity** The core of who we are and the way we live
- Expertise** Knowing our profession and practicing it with passion
- Advocacy** Being active champions of our clients' financial interests
- Confidentiality** Ensuring client privacy