

MARQUETTE ASSET MANAGEMENT, INC.

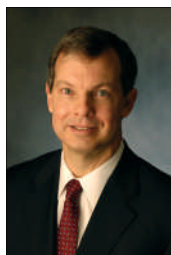


Investment Management and Trust Services for Individuals, Families and Institutions • Trust Services provided by Marquette Trust

FEATURED

IN THIS ISSUE

Economic Update	John Beuerlein	Page 1
Roth Conversion Opportunity	Valerie Thomas	Page 2
A Note from John Pohlada	John Pohlada	Page 2



ECONOMIC UPDATE

John C. Beuerlein
*Chairman,
Chief Investment Officer*

S&P operating earnings have now shown declines for seven consecutive quarters. This represents the longest earnings contraction since the 1930's. Expectations are for year over year earnings comparisons to remain negative through 3Q-09. Earnings expectations have improved, however, for 3Q-09 and 4Q-09, and now yearly earnings for 2009 are forecast to be up from 2008. Earnings have typically bottomed three months after a recession has ended. With some economic indicators pointing to an end of the recession in the near future, a return to positive earnings growth in 4Q-09 could be expected.

Although virtually all measures of market risk aversion and solvency have improved substantially since early March, bank credit (loans and investments) is still contracting, confirming that the commercial banks remain capital constrained. A recent report showed consumer borrowing dropped by \$15.7 billion in April, the second biggest decline on record, as loans remain difficult to obtain. Funding by the banks may be easier to obtain, but the banks are far from able or willing to expand their balance sheets. Furthermore, consumers and businesses have no need or desire to borrow. The Fed is paying 0.25% on the reserves, but that would not be enough to keep the reserves dormant if the banks were anxious either to play the yield curve or make loans.

The equity markets established a significant bottom in early March. In the near term, the return of investors' risk appetite may propel equity markets a little higher, but the scope for greater gains is dependent on actual improvement in economic numbers – not just the recording of “less bad” numbers. The performance of the financial sector relative to the overall market continues to be a primary indicator to monitor in order to determine when a sustainable market advance may develop.

Most investment alternatives do not offer much competition to equities. Stocks do not have to deliver outside returns in order to beat the returns from cash or government bonds. With the Federal Reserve not likely to raise interest rates until sometime in 2010, staying with a large cash position could become painful.

In short, there are reasons for some cautious optimism regarding the economy and the markets, however, a growing economy needs a functioning financial system. Although improvements have been made since the beginning of the year, many challenges remain and the eventual recovery is likely to be labored and uneven.

Recent improvements in the incoming economic data suggest that the severity of the recession has weakened since the first quarter. Even after several months of improvement, however, the data are still not back to the level needed for an economic expansion, and employment is still shrinking at an unusually sharp pace. It is one thing to reverse the overshoot of negative expectations that the markets and economy experienced during the first quarter, but quite another to sustain a healthy expansion. Nevertheless, if the current rate of improvement continues, the recession should end some time in the second half of the year.

Leading Economic Indicators continue to show a marked improvement that forecasts a continued improvement in the economy through the end of the year. Weekly Leading Indicators corroborate this observation. Both series indicate that the recession is likely in the process of ending.

The U.S. is on track to shrink at a 2% annualized rate in the second quarter before moving toward slightly positive growth in the second half of 2009. The economy should start growing marginally by the fourth quarter. Growth will likely be driven by a rebound in business investment, inventory rebuilding and further fiscal stimulus.

Personal consumption is likely to remain relatively weak, however, as unemployment remains high, credit remains tight, and the savings rate of households remains elevated. Additionally, increasing mortgage rates and interest rates (the 10 yr treasury yields are up 160 bp since the beginning of the year) along with increasing oil prices (up 100% since the beginning of the year) are headwinds to improved consumer spending.

Despite concerns about increasing inflationary pressures from the aggressive fiscal and monetary stimulus, the economy does not appear strong enough at this point to withstand the higher interest rates that would be associated with increased inflationary expectations. Additionally, the rapid expansion of the Fed's balance sheet and the monetary base has done little to boost broad money. The velocity of money is falling and the money multiplier has collapsed. These indicators suggest that the Fed's efforts are not producing an inflationary impulse, so far. Nevertheless, the Fed is vigilant for indications that will cause it to reverse its accommodative monetary policy in order to maintain long-term price stability.



UNIQUE OPPORTUNITY FOR CLIENTS IN 2010: THE ROTH CONVERSION

Valerie Thomas, CTFA
Vice President

The elimination of qualifying income limits for Roth IRAs could prove to be a unique planning opportunity for clients. For the year 2010 only, the \$100,000 income limitation goes away, allowing high income individuals to take advantage of the ability to convert a traditional IRA to a Roth IRA.

Although converting a traditional IRA to a Roth IRA results in income tax on the amount converted, it could prove to be beneficial for clients to pay some income tax now. Since Roth IRAs both grow tax-free, and allow for tax free distributions, clients could avoid paying tax on larger future account values as well as potentially higher income tax rates. Plus, taxpayers are allowed to spread this income tax liability over a two-year period.

In addition, a client who converts his or her IRA to a Roth IRA has the ability to effectively undo the conversion. This decision on whether to *recharacterize* can be made up until the due date (including extensions) of the client's individual income tax return.

Adding to the appeal, a client who opts to recharacterize his or her Roth IRA back to a traditional IRA can *reconvert* it back to a Roth IRA. This subsequent decision must be made by the later of: (1) the beginning of the tax year following the tax year in which the amount was converted to a Roth IRA or (2) the end of the 30-day period beginning on the day on which the IRA owner transfers the amount from the Roth IRA back to a traditional IRA by means of a recharacterization. These two options for clients to change their minds twice (recharacterize and reconvert) would appear to allow great flexibility in planning.

Because the rules surrounding this planning opportunity are somewhat complex, a thorough analysis is appropriate to determine whether this is something IRA owners should consider. We understand that each situation is unique and we look forward to working with our clients and their advisors this fall to do just that. Some key items that we recommend for this analysis are:

- Current IRA Balance Available for Conversion
- Investment Time Horizon
- Ability to Pay Tax on Conversion from Non-Retirement Assets
- Current and Future Income Requirements
- Current Marginal Tax Rate and Anticipated Future Tax Rate
- Estate Planning Objectives

There will be numerous internet tools available to assist in completing these comprehensive analyses. The bottom line is, however, that taking advantage of this opportunity may help clients avoid paying higher income tax rates on a larger pool of assets.



MARQUETTE ASSET MANAGEMENT RANKED IN NATIONAL PUBLICATION

John Pohlad
Managing Director

We are pleased to announce that Marquette Asset Management has been ranked #1 in Minnesota and #36 nationally on the Investment News list of fee-only registered investment advisers ranked by growth in discretionary assets under management.

It is an honor for us to be included on the Investment News list for the first time, but our rapid growth is only one part of our continued success. Delivering superior client service, technical expertise and solid portfolio performance to our existing clients is just as important as adding new ones and we are very thankful for your confidence and loyalty.

INDEX PERFORMANCE THROUGH JUNE 30, 2009

	QTD	YTD	TTM*
Domestic Equity Indices			
S&P 500	15.93	3.16	-26.21
Dow Jones	11.9	-2.08	-23.06
NASDAQ	20.05	16.36	-19.97
Russell 1000	16.5	4.32	-26.69
Russell 2000	20.69	2.64	-25.01
Russell 3000	16.82	4.2	-26.56
International Equity Index			
MSCI EAFE	23.76	5.64	-33.55
Domestic Fixed Income Indices			
Barclay's Aggregate Bond Index	1.78	1.9	6.05
Merrill Lynch 1-12 Yr Municipals	0.91	3.04	6.57

**Trailing 2 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

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.