

MARQUETTE ASSET MANAGEMENT, INC.



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IN THIS ISSUE

Economic Update

John Beuerlein Page 1

Sector Rotation Strategy

Adam Mans Page 2



ECONOMIC UPDATE

John C. Beuerlein
*Chairman,
Chief Investment Officer*

Through the first five months of 2010, the economic data continue to point toward a recovery that is uneven and not as vibrant as might be expected considering the severity of the recession from which we are emerging.

We do see improvement in most economic measures, but there remain issues around employment, real estate, and the banking system (particularly small and medium sized banks). All three of these concerns are inter-related, but we believe that normalization of lending practices at the banks is critical to improvement for the other two issues.

Recent data confirm that households are finally starting to contribute in earnest to the economic recovery. Incomes are finally starting to grow at a decent rate due to increases in employment and hours worked, however, Real Disposable Personal Income remains depressed for this stage of an economic recovery. We remain concerned regarding the sustainability of stronger consumer spending in light of high unemployment, debt deleveraging and restrictions on credit availability.

Despite the recent signs of a pickup in domestic demand, the disinflationary pressures stemming from the spare capacity accumulated during the recession are still mounting. Core measures of inflation remain around 1.0%. These core measures are expected to remain at this level into 4Q-10.

It is unlikely that inflationary pressures will become an issue until the extra liquidity that has been provided to the banking system is used for increased lending rather than to bolster the bank balance sheets. Currently, bank lending is falling across all major categories. The Fed's recent survey of senior lending officers indicated that lending standards are beginning to ease, but the demand for loans remains subdued as households continue to reduce their debt. On a year/year basis, household credit market debt outstanding is contracting for the first time since the inception of this data series in 1953.

Both residential and commercial real estate have shown some signs of stabilization. The residential improvement, however, has been particularly dependent on government credits to home buyers that ended at the close of April. Until the labor situation improves, the residential markets are at risk for another wave of foreclosures and further downward pricing pressures. The recent drop in mortgage applications to a 13-year low confirms this risk.

Small banks (less than \$1 bil in assets) typically have higher concentrations of commercial real estate loans than do bigger banks. The weakness in the commercial real estate market, then, has significantly impacted smaller banks and their ability to extend loans to small business – the generator of the majority of new jobs.

To understand what the recovery is likely to be like, it is important to understand that the cause of this recession was different than any other recession we've experienced since the 1930's. This recession was caused by a credit crisis. Other recessions that we have experienced since the 30's have been caused by a tightening of liquidity and raising of interest rates by the Federal Reserve. Looking around the world over the last 50 years, we see that recessions caused by a credit crisis are usually followed by a recovery that is less vibrant and more labored than a typical recovery.

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 (barring a change in the perceived creditworthiness of the U.S.) 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.

In conclusion, we are cautiously optimistic regarding equity markets. An environment of low inflation, low interest rates, and positive economic growth are typically good support for the equity markets, and risk assets in general. Fixed income market yields, on the other hand, are at historic lows. If we are correct that the economy will continue to recover, albeit at a slower pace, it is only a matter of time before interest rates move up to more normal levels. As yields move higher, the value of bonds will move lower. Accordingly, we are keeping equity exposure at target and shortening duration of fixed income portfolios.



SECTOR ROTATION STRATEGY

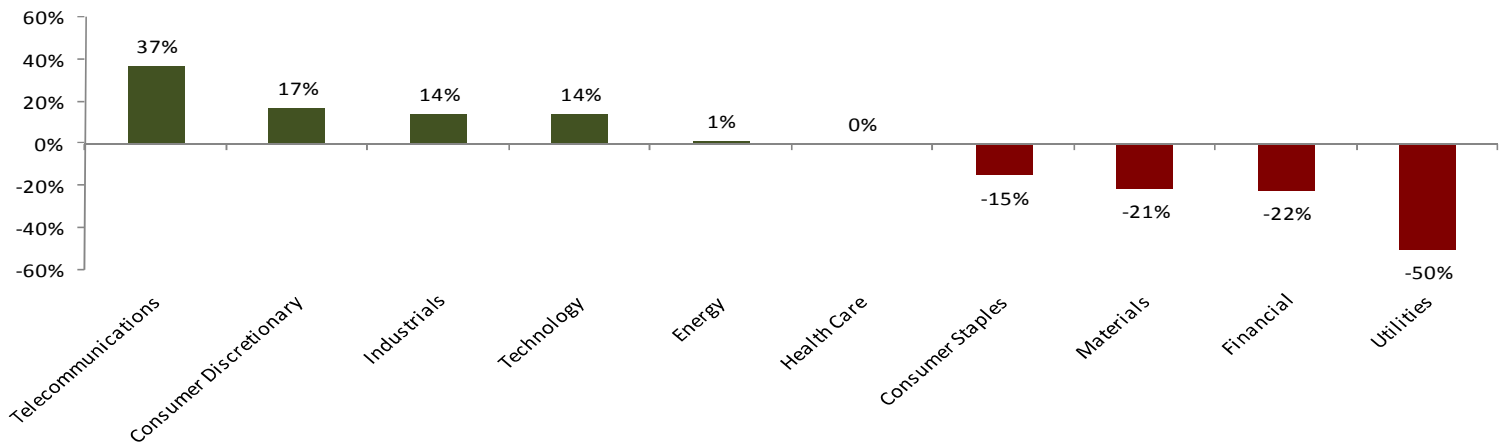
Adam Mans
Managing Director

Marquette Asset Management's Sector Rotation Strategy was introduced in October of 2008 to provide our clients with a tax-efficient core equity portfolio designed to take advantage of the different rates of return derived from different sectors of the market. By overweighting sectors thought to be attractive, and underweighting sectors viewed as unattractive, the Sector Rotation Strategy seeks superior after-tax returns compared to returns that may be gained from a basic index fund tied to the S&P 500.

The investment methodology uses Exchange Traded Funds (ETFs). ETFs are investment products representing a basket of securities that track a broad index, such as the Standard & Poor's 500, or a specific sector, such as Technology. They trade on exchanges in the same manner as stocks.

The investment process utilizes mostly objective factors, with well-defined limits on exposure to the various sectors to dampen volatility. The strategy assigns weights to the 10 economic sectors of the S&P 500. The Sector ETFs utilized are designed to mirror the performance of their respective S&P 500 Sectors. Since ETFs themselves are very tax efficient, and turnover in this strategy is very low, the Sector Rotation Strategy is a very tax efficient portfolio. The minimum weighting of a sector in the strategy is 50% of its weighting in the S&P 500. The maximum sector weighting is 200% of its S&P 500 weighting. The strategy is always fully invested.

Percentage Sector Weighting of Rotation Strategy vs. S&P 500 (as of 3/31/2010)



INDEX PERFORMANCE

THROUGH MARCH 31, 2010

	QTD	YTD	TTM*
Domestic Equity Indices			
S&P 500	5.39	5.39	49.77
Dow Jones	4.81	4.81	46.84
NASDAQ	5.65	5.65	56.87
Russell 1000	5.70	5.70	51.60
Russell 2000	8.85	8.85	62.76
Russell 3000	5.94	5.94	52.44
International Equity Index			
MSCI EAFE	0.22	0.22	49.99
Domestic Fixed Income Indices			
Barclay's Aggregate Bond Index	1.78	1.78	7.69
Merrill Lynch 1-12 Yr Municipals	0.73	0.73	5.75

*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

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