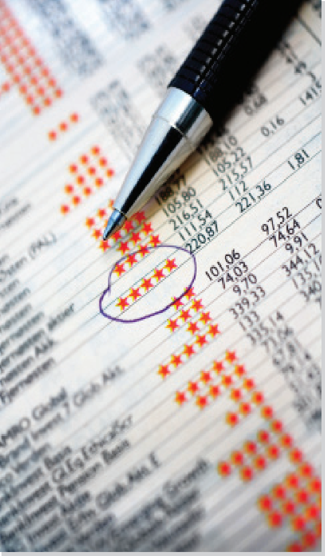

Citrin Cooperman Wealth Management, LP
Quarterly Report
January 2011

An update of current marketplace conditions

2010 in Review

With 2010 behind us, we can reflect on what was a favorable year for the market. The Dow Jones Industrial Average and the S&P 500 Index returned 14.06 percent and 15.06 percent, respectively, for the year. These major indices gained momentum in the second half of the year, returning 8.04 percent and 10.76 percent, respectively, in the fourth quarter.

International markets proved a bit more challenging, as investors wrestled with the ongoing European debt problem. The MSCI EAFE Index returned 7.75 percent in 2010, 6.61 percent of which came in the fourth quarter. Risk takers were rewarded by emerging markets which, as measured by the MSCI Emerging Markets Index, returned 16.36 percent last year. The global recovery has been more favorable to emerging economies, which typically have been less reliant than developed nations on debt and financial markets to finance growth.

A challenging quarter for fixed income

Fixed income had a challenging fourth quarter. Interest rates on Treasuries spiked higher, but remained very low. The rise in the 10-year yield, coupled with quantitative easing-related volatility, pushed bond prices down. The $600 billion dollar quantitative easing program (widely referred to as “QE2”), announced on November 2, was intended to keep interest rates low and stimulate the economy. Instead, rates moved from a 12-month low of 2.38 percent in October to a high of 3.52 percent by mid-December. Apparently, Federal Reserve policy did not sit well with the markets, as investors sold Treasuries, presumably on concerns that further Fed liquidity injections could prove inflationary in the face of improving economic fundamentals. Consequently, the Barclays Capital Aggregate Bond Index lost more than 3 percent during that time span. Over the fourth quarter, however, the index was down only 1.30 percent, and it still gained 6.54 percent for 2010.

Corporate bonds performed well for the year, assisted by strong balance sheets and good cash flows from issuers. Companies were eager to take advantage of historically low interest rates, and although new issuance was off 20 percent from 2009’s record levels, it was still strong by historical levels. Many large cap companies have amassed very large cash hoards. This could benefit them as they look to finance growth opportunities. Riskier companies issued a record level of riskier high yield debt in 2010, and investors were rewarded. The total return for the Barclays Capital U.S. Corporate High Yield Index was 15.12 percent for the year, and 3.22 percent during the fourth quarter.

The Fed will withdraw liquidity—but when?

At some point, we believe the Fed must withdraw some liquidity from the markets or risk creating inflation during this recovery. Although this is virtual certainty, it is unclear as to how and when this will occur. The additional liquidity provided by QE2 has a couple of objectives. First, buying long-dated Treasuries should decrease long-term interest rates by raising bond prices and yields. Second, QE2 should increase the money supply and find its way back into the economy in the form of increased lending by private institutions. There is much speculation as to when the Fed will raise short-term interest rates, but it doesn't appear that the economy has gained enough traction for this to occur in the immediate future.

The economy has proven resilient and shown signs of improvement. Although some of this has been on the back of significant government spending, there are signs that the private sector has improved. There was a noticeable increase in durable goods orders into the end of the year as companies continued to ratchet up activity. This helped support gross domestic product growth, revised up to 2.60 percent for the third quarter of the year. Although GDP growth declined somewhat through last summer, strong manufacturing activity and healthy consumer spending could push it back to around 3 or 4 percent for the fourth quarter.

Despite this good news, it is unlikely that we will see a meaningful decline in unemployment in the near-term. Initial unemployment claims at year-end fell below 400,000 for the first time since July 2008. This will most certainly help on the front-end, but may not be enough to reverse the unemployment rate significantly below November's 9.80 percent level. We can infer from this that recent higher consumer spending came at the expense of savings, and not as a result of greater aggregate income. Noticeably on point, figures released for November by the Bureau of Economic Analysis showed the personal savings rate declining from a recent high of 6.30 percent of disposable income to 5.30 percent. There is still potential for continued consumer strength, but at some point jobs are needed to support sustained spending gains.

Where we go from here

Most economic signs are pointed in the right direction. December 2010 was one of the best months on record for stocks, and it seems that the risk trade is back in vogue. The most significant concern expressed to us by investors is having too little equity exposure and missing the rally. Although this is by no means a market barometer, it is certainly a shift in sentiment, as many of the same clients a few years ago wanted to dramatically lessen their exposure or convert entirely to cash. At a time like this, it is more important than ever to be vigilant about risk, because investor sentiment is often a poor or even negative indicator of market returns. It is likely that we will see continued uncertainty and volatility given the fragile global geopolitical environment, high unemployment, the U.S. deficit, and continued housing doldrums.

Market Metrics

Equity Class	Index	4Q 2010 Return	2010 Return
Large Cap	S&P 500	+10.76%	+15.06%
Mid Cap	Russell Mid Cap	+13.07%	+25.78%
Small Cap	Russell 2000	+16.25%	+26.86%
International	MSCI EAFE	+6.65%	+8.21%
Emerging Markets	MSCI Emerging Markets	+7.36%	+19.20%

Fixed Income Class	Index	4Q 2010 Return	2010 Return
U.S. Taxable	Barclays U.S. Aggregate	-1.29%	+6.56%
U.S. Non-Taxable	Barclays Municipal	-4.17%	+2.37%
Inflation Protected	Barclays TIPS	-0.65%	+6.30%
International	Barclays Global Treasury Ex U.S.	-1.22%	+6.11%
High Yield	Barclays High Yield	+2.57%	+21.71%

Asset Class	Index	4Q 2010 Return	2010 Return
REITs	Wilshire REIT	+7.87%	+28.60%
Commodities	S&P GSCI	+13.70%	+9.03%
Absolute Return	HFRX Absolute Return	+0.66%	-0.12%

David Bruckman, J.D., MS Tax
Managing Director

Alan H. Mandeloff, CPA, CFP, PFS
Head of Investments

David Pilaitis, CFP
Head of Personal Financial Planning

Craig A. Krisulevicz, CFA
Senior Investment Analyst

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