Citrin Cooperman Wealth Management, LP Quarterly Report July 2010

An update of current marketplace conditions

Market Commentary

Optimism in the first quarter turned to skepticism in the second quarter, the sovereign debt crisis in southern Europe and a mixed bag of economic data raised questions about the sustainability of a global economic recovery. The second quarter was also characterized by higher market volatility, epitomized by the "Flash Crash" on May 6 when the Dow Jones Industrial Average slid 700 points in just 10 minutes. Pending financial reform legislation, proposed government austerity measures and weak labor markets added to a general lack of confidence on the part of market participants. For the quarter, the Dow Jones Industrial Index fell 9.36%, the S&P 500 Index fell 11.43% and the NASDAQ Composite Index declined 11.82%. The MSCI AC World Index dropped 12.12% for the quarter as investors avoided riskier assets on worries that the global economic recovery might stall.

In the U.S., both the housing and labor markets experienced setbacks. At the end of the quarter initial jobless claims were higher than anticipated, and mortgage applications and refinancing activity fell after the first-time homebuyer tax credit ended. Further economic weakness was reflected when gross domestic product for the first quarter was revised downward. However, manufacturing activity continued to expand and inflation did not pose a near-term threat.

The Barclays Capital Global Aggregate Bond Index was nearly flat, decreasing 0.04% for the quarter. Government bonds from countries with relatively stable financial situations (such as the U.S., the U.K. and Germany) were the top performers, as concerns about economic growth reduced investors' willingness to take on additional risk.

In our view the global economy should continue to improve (albeit at a slow pace), but there are concerns that the European sovereign debt crisis will hinder the recovery. Emerging markets are the clear leaders so far and better economic activity has been reported for the core countries in Europe, namely France and Germany. Asian markets performed well last year but are struggling in the near term as central banks are implementing tighter controls on lending in order to cool down rapid economic growth. The euro continued to fall, raising questions about the cohesiveness of the European Union and the viability of the common currency. We continue to hold a positive view toward equities and we believe developed-markets equities looks more attractive than emerging-markets equities from a pricing perspective. Opportunities in investment-grade and high-yield credit are still somewhat attractive, but these market segments are likely to experience volatility until debt problems in Europe are resolved. In general, we continue to have a favorable outlook, particularly toward high-quality assets in both the fixed-income and equity markets.

Market Metrics

Equity Class	Index	2nd Quarter 2010 Return
Large Cap	S&P 500	-11.43%
Mid Cap	Russell Mid Cap	-9.88%
Small Cap	Russell 2000	-9.92%
International	MSCI EAFE	-13.75%
Emerging Markets	MSCI Emerging Markets	-8.29%

Fixed Income Class	Index	2nd Quarter 2010 Return
U.S. Taxable	Barclays U.S. Aggregate	+3.49%
U.S. Non-Taxable	Barclays Municipal	+2.03%
Inflation Protected	Barclays TIPS	+3.82%
International	Barclays Global Treasury Ex U.S.	-1.00%
High Yield	Barclays High Yield	-0.11%

Asset Class	Index	2nd Quarter 2010 Return
REITs	Wilshire REIT	-4.23%
Commodities	S&P GSCI	-10.41%
Absolute Return	HFRX Absolute Return	-0.69%

Discussion on Treasury Inflation Protected Securities (TIPS)

Treasury Inflation-Protected Securities (TIPS) are bonds issued and backed by the United States Treasury. TIPS are indexed to inflation, as measured by the Consumer Price Index, and can protect investors from the negative effects of inflation.

The principal amount of TIPS will adjust upwards during periods of inflation and downwards during periods of deflation. Like most bonds, TIPS pay interest twice a year at a fixed rate. But because the coupon rate is applied to the adjusted principal, interest payments can vary from one period to the next. If inflation occurs, the interest payment increases. In the event, however, of deflation, the interest payment decreases. When TIPS reach maturity, the owner is paid the greater of the adjusted principal amount or the original principal amount.

TIPS can be suitable choice for a diversified portfolio because they have a low correlation with stocks and other bond securities, and can also serve as a buffer against future inflation. For an investor to receive the full inflation-protection potential of a TIPS holding, the bonds should likely be held for the entire term. Also, keep in mind that TIPS may under perform traditional Treasury bonds should inflation remain low. In a deflationary environment, TIPS could also lose value, although investors are guaranteed to receive at least the par value of the security upon maturity. The key for TIPS is a long-term commitment. For this reason, TIPS may be appropriate to own inside a retirement plan, such as an IRA or 401k.

CCWM views TIPS as a separate and distinct asset class. We recommend that many clients start building a TIPS position.

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