



FOURTH STREET PERFORMANCE PARTNERS

December 2009: Market Review

U.S. equity markets finished 2009 on a positive note, concluding three consecutive quarters of significant gains. The Dow Jones Industrial Average gained 0.95% in December to finish the year up 22.68%. The S&P 500 gained 1.93% in the month and closed 2009 up 26.46%, while NASDAQ's results were even stronger, up 5.81% for December and 43.89% for the year.

While the global economy appears to be recovering from its deepest recession since the 1930's, economic reports in December were mixed, as they were for much of 2009. Construction spending, including housing and public works projects, fell for the seventh straight month. On a positive note, the struggling U.S. auto market is expected to close 2009 with its strongest month of sales since the end of the government's "cash for clunkers" program. At the end of December, new claims for unemployment benefits fell to their lowest level since July 2008.

Growth style equities outperformed value style equities across all capitalizations in December and for the year. The Russell 1000 Growth Index gained 3.09% in December and was up 37.21% for the year, while the Russell 1000 Value Index grew 1.77% for the month and closed 2009 up 19.69%. Among small capitalization stock indexes, the Russell 2000 Growth Index was up 8.56% for the month and gained 34.47% during the year, while the Russell 2000 Value Index gained 7.57% for the month and ended the year up 20.58%.

The international equity markets also had a positive month to end the year. The MSCI EAFE Index grew 1.36% for the month and was up 27.75% in 2009. The MSCI Emerging Markets Index was the best performing international index in 2009, up 3.81% in December and 74.50% for the year.

In fixed income markets, returns were down across almost every category in December. High yield bonds were one of the few bright spots in the month, as the Barclays Corporate High Yield Index gained 3.28% in December and ended 2009 up 58.21%. The Barclays Treasury Composite Index was down (2.61%) for the month and down (3.57%) in 2009. Longer term treasury bonds, as measured by the Barclays U.S. Treasury: 20+ Year Index, lost (6.22%) for the month and were down (21.40%) in 2009. The Barclays U.S. Aggregate Index fell (1.56%) in December and gained 5.93% for the full 2009 calendar year.

After the historic events of 2008 and the strong equity market rally of 2009, investors are curious to see what will unfold in 2010. The beginning of the year will be important, as January often sets the tone for the rest of the year in equity markets.