



FOURTH STREET PERFORMANCE PARTNERS
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June 2010: Market Review

The major U.S. equity indexes furthered their correction that began in May. Continued worries of Europe's debt issues met new concerns about the U.S. economic recovery during the month. 1st quarter revised GDP (+2.7%) showed growth lower than previously thought. Talk of a double-dip recession grew louder with the unemployment picture failing to improve and unemployment benefits set to expire for over a million Americans. The Dow Jones Industrial Average fell (3.43%) for the month of June and has declined (5.00%) year-to-date. The DJIA has declined (12.80%) since its 2010 peak. The S&P 500 Index lost (5.23%) in and is now down (6.65%) for the 2010 calendar year. The NASDAQ Composite suffered the worst performance for the month, down (6.55%) in June and has fallen (7.05%) year-to-date.

In large-cap equities, growth and value stocks fell at about the same rate in June. The Russell 1000 Growth Index declined (5.51%) during the month, while the Russell 1000 Value was down (5.63%). Year to date, the Russell 1000 Value Index holds a modest advantage over the Russell 1000 Growth Index (-11.15% vs. -11.75%). Contrary to large caps, small cap stocks showed some disparity in June between growth and value. The Russell 2000 Growth Index fell by (6.71%) but the Russell 2000 Value Index was the worst performing domestic asset class in June and declined (8.73%). Year to date, small cap growth stocks have outperformed small cap value equities by 140 basis points.

International equities held up rather well in June in relation to U.S. equities. The MSCI EAFE Index fell just (1.16%) for the month. However, year to date, international stocks remain significantly behind U.S. stocks with a loss of (14.72%) through June. Emerging markets also performed well on a relative basis in June and declined (0.91%). Year to date, emerging markets have fallen (7.22%), which has outperformed the EAFE Index and is roughly in-line with the performance of the S&P 500 Index. In June, overseas stocks were boosted by a modest decline in the U.S. dollar. China upended currency markets in mid-June by allowing a modest appreciation of their currency, the Yuan, relative to the dollar. This action spurred strength among other Asian currencies.

Just as we saw in May, steep declines in equity markets in June led to sharp rises in bonds, particularly treasuries, as investors sought safety. The Barclays U.S. Treasury Composite Index gained 1.86% for the month and is up 5.86% year-to-date. Longer term treasury bonds, as measured by the Barclays Treasury 20+ Year Index, surged 5.21% in June and have gained 14.89% year-to-date. The Barclays U.S. Aggregate Index added 1.57% in June and has thus far gained 5.33% in 2010. The Barclays Corporate High Yield Index gained 1.24% in spite of the weak equity markets and has appreciated 4.51% year to date.

The bull market of 2009 seems like a distant memory as the steep correction experienced in May/June calls into question the strength of the economic recovery, the attractiveness of risk-assets, and the uncertainty of government debt loads. In addition, sweeping financial services reform was passed by both houses of Congress in June, which likely will further cloud the investment horizon.