WOOD&WHITE
Investment Advisors, LLC

Market Commentary
July 15, 2010

To our clients and friends:

After enjoying over a year of virtually uninterrupted gains in stock prices, investors witnessed a significant increase in volatility in the second quarter. Several factors – including concerns over European sovereign debt, a gradual reduction in global governments' economic stimulus efforts, and the unknown future impact of pending increases in government regulation – combined to sap investor confidence, triggering the first major market correction since this recovery rally began in March of 2009.

The Dow Jones Industrial Average closed the quarter almost 13% below its 2010 peak and approximately 31% below its all-time high, set in October of 2007. The S&P 500 Index posted a total return of negative 11.4% for the quarter, its worst performance since the fourth quarter of 2008, the darkest days of the global financial crisis. International equity markets fared worse, with the Dow Jones World Index (excluding the U.S.) down 12.7%. Frightened short-term traders fled stocks and piled into the U.S. Treasury market, sending already historically-low interest rates even lower. The yield on the U.S. Treasury 10-year note finished the month of June at just under 3%, down from 3.8% at the end of the first quarter.

At this point, we believe that this recent sell-off is of the normal, cyclical variety and that a "double dip" recession, and a return to a long-term bear market, is unlikely. We remain committed to maintaining a balanced exposure to high quality stocks and bonds in client portfolios. Where appropriate for specific clients, we are using this recent pullback as an opportunity to purchase shares of high quality companies at what we consider to be exceptional long-term values.

Market corrections are always accompanied by well publicized concerns and scary headlines. This time is no different. Here are some reasons why we expect equities to outperform other major asset classes moving forward:

- Global fears may actually provide some relief on two important factors impacting U.S. consumption and corporate profitability: interest rates and oil prices. The dramatic decline in long-term treasury yields has helped push U.S. mortgage rates back to record lows, which should help keep borrowing rates low and provide support for the housing market. Also, oil prices declined nearly 10% during the second quarter, which should help bolster consumer spending and corporate profitability over time.

- The 2008-2009 financial crisis forced management teams to cut payroll and strengthen their capital structure, and many large U.S. corporations are currently operating with much leaner expense structures and their strongest balance sheets on record. This should result in significant earnings leverage for many companies as the global economy recovers. Analyst expectations are for second quarter U.S. corporate earnings to increase by well over 20% from the prior year.

- These healthy earnings increases and strengthened balance sheets should translate into increased corporate capital expenditures, share repurchases and dividend increases in the coming months. In fact, according to data compiled by American Funds Distributors, announced dividend payments for S&P 500 companies have already increased by over $11 billion in the first half of 2010. We believe that these dividend increases, coming on the heels of a record reduction in net payouts of $37 billion in 2009, are an important indicator of the underlying strength of U.S. corporations and may signal a turning point in corporate confidence. Dividends are a critical component of long-term stock returns, with dividend payouts accounting for over 40% of the average annual total return for U.S. stocks since 1925.

- We feel that stock valuations are attractive. The S&P 500 Index closed the quarter trading at around 13-14 times estimated earnings per share, which is below the long-term average. This metric is particularly compelling when viewed within the context of historically low long-term interest rates and scant evidence of inflation. The valuation profile is even more attractive for the biggest and strongest U.S. companies, as the largest 50 companies in the S&P 500 Index are currently trading at a P/E discount to the market overall (source: Vastek/American Funds Distributors). Several of our core equity holdings currently offer dividend yields that exceed the fixed rate of return offered by long-term government bonds.

In summary, we believe the decline in global investor confidence has produced higher potential returns and lower long-term risks for patient investors in U.S. large-cap stocks. The recent increase in market volatility may endure through the historically weak months of summer and early fall. However, we remain optimistic in our long-term outlook for the reasons cited above.

We welcome your comments and questions at any time.

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