

Jenkins Retirement Plans Capital Markets Commentary 2nd Quarter 2010



The U.S. stock market lost significant ground in the second quarter of 2010, reversing the positive trend seen in the first quarter. After beginning the second quarter on a positive note in early April, three major stories broke later that same month, causing a giant gap in confidence and outlook: Goldman Sachs accused of wrongdoing, the Gulf of Mexico oil spill disaster, and the Greek debt downgrade and the subsequent sudden drop in the Euro, all occurring within less than two weeks. As a result, the markets slipped in May, including a 1,000-point “flash crash” in the Dow Jones Industrial Average on May 6th that took only a few minutes and was the worst intra-day decline in the Dow since the 1987 market crash. The downward trend continued through June. The S&P 500 Index returned -11.4% in the second quarter, erasing the first quarter’s 5.4% gain and putting the year-to-date return at -6.6%. It was that Index’s worst quarterly return since Q4-2008.

For the second consecutive quarter, large cap value equities outperformed their growth counterparts, as the Russell 1000 Value Index declined by 11.2% versus the Russell 1000 Growth Index’s second quarter return of -11.8%. However, in the small capitalization stock market, value underperformed growth, based on the Russell 2000 Value Index return of -10.6% as compared to the Russell 2000 Growth Index return of -9.2%.

In the second quarter, the NASDAQ Composite Index returned -11.9%, slightly underperforming The S&P 500 Index return of -11.4%. As shown in the chart to the right, the performance for the first six months of 2010 is quite similar for these two indices, which both returned approximately -6.7% year-to-date.

The second quarter was characterized by much gloomier and pessimistic economic and profit growth outlooks, and the market’s back-and-

forth seesaw battle between the bulls and the bears seems almost as close a match as the recent classic Wimbledon tennis match of marathon proportions. Thank goodness the American won.



Source: Bigcharts.com

About NRP

National Retirement Partners is dedicated solely to supporting advisors who service the retirement plan market. Our promise is to create services and resources so that advisors may deliver employers and employees exceptional experiences and the highest quality program by providing services that save time, reduce exposure to fiduciary liability, and address both Internal Revenue Service and Department of Labor requirements. NRP’s comprehensive analysis of retirement plans and plan design establishes a strong foundation. Our structured service and employee communication model ensures ongoing excellence.

NRP provides expert human capital gained through decades of experience working for, and with, the top defined contribution, defined benefit, and deferred compensation service providers in the industry. Our independent perspective has been utilized by thousands of companies nationwide, with billions in retirement plan assets. The economies derived from our scale and national presence make us uniquely qualified to give advisors outstanding resources to evaluate, design and negotiate the highest quality retirement programs for plan sponsors. More information regarding NRP and its services can be found on our website:

www.n-r-p.com

Stock Market Sector Performance

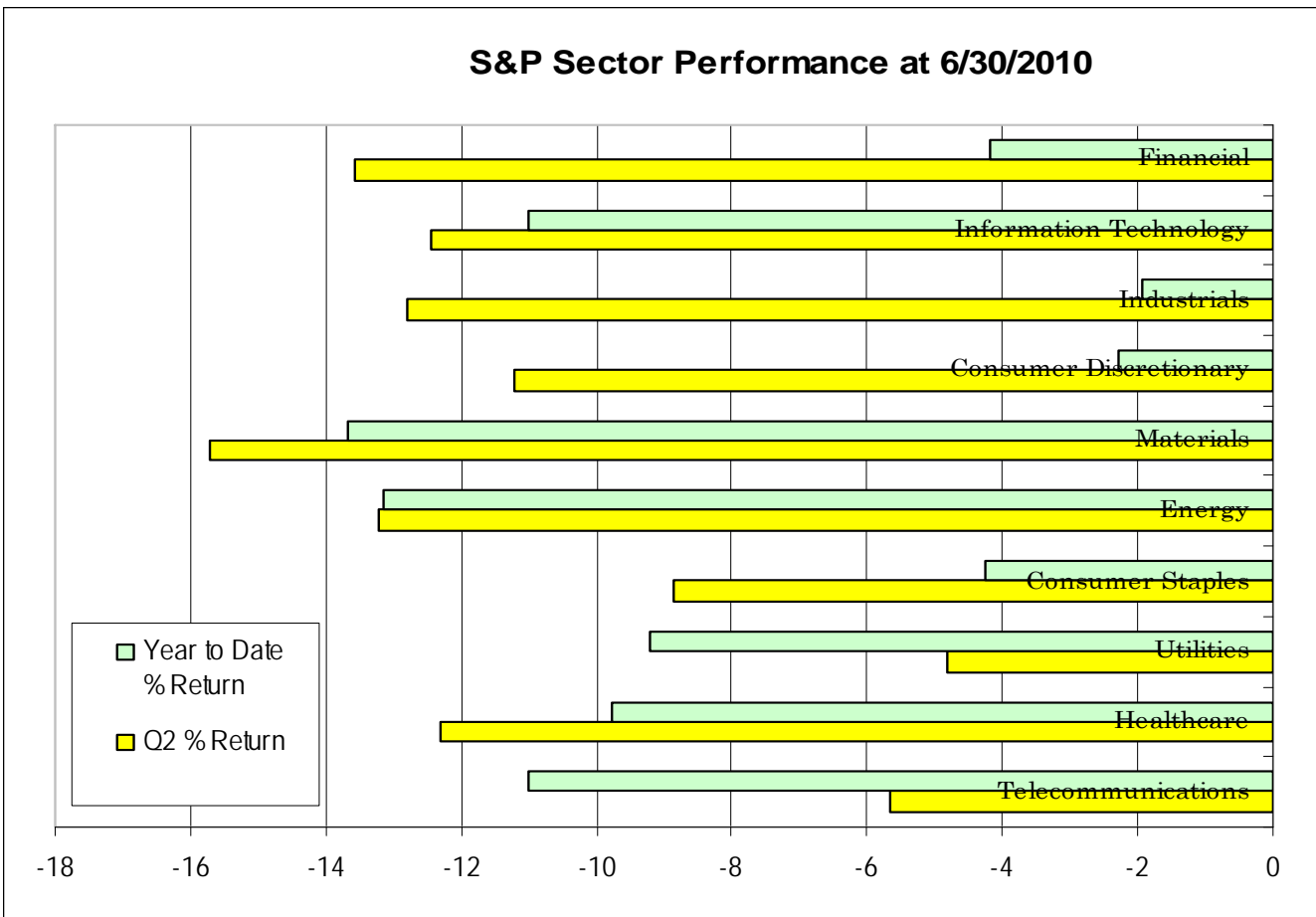
Second quarter sector performance shows every single one of the ten stock market sectors in the S&P 500 Index posted losses, which indicates a truly weak stock market. Utilities and Telecom were the only two sectors that lost less than 6% in Q2. On the other hand, Materials, Energy and Financials were the three lagging sectors, each dropping more than 13% in the second quarter.

On a year-to-date basis through the midpoint of 2010, all ten sectors have posted losses. Materials, Energy and Telecom are again the lagging sectors, each down more than 10% for the year. On the other hand, the smallest losses have been experienced in the Industrial, Financial, and Consumer Discretionary stock market sectors, which have posted losses of less than 5% in that same six-month timeframe.

Stock Market Volatility

Stock market volatility returned with a vengeance in the second quarter. Volatility, as measured by the CBOE Volatility Index (or VIX), spiked from its relatively low level near 17 at the end of the first quarter to more than 45 during May, finally settling at a level near 35 at 6/30/2010. May's "flash crash" of nearly 1,000 points in the Dow Jones Industrial Average spooked investors and caused a deterioration in confidence, which exacerbated volatility. The last time VIX was at a level of the high 40's was in March 2009, when the market reached its bear market low.

Quite a congruent pattern exists in the level of volatility in the CBOE NASDAQ-100 Volatility Index, or VXN. Similarly, VXN is at a level that has not been this high since March 2009, yet it is still significantly below the lofty levels witnessed in the autumn of 2008.



Source: S&P

Domestic Economy and Unemployment

The employment situation in the U.S. economy remains bleak, despite a modicum of improvement in the reported level of unemployment. Based on the June 2010 Employment Situation report, unemployment declined slightly in June, as the national level of unemployment stood at 9.5% for June 2010, down from May’s level of 9.7%. Some economists have called into question the “true” level of reported job growth, as the vast majority of the approximately 500,000 added jobs were temporary census worker positions. Still, the level of unemployment is down from the 10.2% high that was reported in October 2009. The June level of 9.5% unemployment translates to a total of 14,600,000 Americans out of work. An additional 2.6 million workers were not counted as unemployed because they were classified as “marginally attached to the labor force” because they had not searched for work in the last four weeks preceding the employment survey, according to the Department of Labor. Of these 2.6 million marginally attached workers, 1.2 million of these individuals were classified as “discouraged workers,” defined as those individuals no longer seeking employment because they believe there are no jobs available for them.

The length of unemployment for many has been quite long: Approximately 6.8 million workers have been unemployed for 27 weeks or longer, or more than 45% of those unemployed. Adult men were more likely to be unemployed than adult women, with unemployment levels of 9.9% and 7.8%, respectively. Teenagers found it difficult to find work, as 25.7% of them were without jobs.

Looking at unemployment conditions at the state level, the worst employment conditions continued to be in Nevada, with 14% unemployment, Michigan, with 13.6% of its workers unemployed, and California, at an unemployment level of 12.4%. Only three states reported a level of unemployment that was below 5%: Nebraska, South Dakota and North Dakota. (Source: U.S. Dept. of Labor)

U.S. Fixed Income Markets

Prices of domestic fixed income securities gained during the second quarter, as a “flight to quality” caused yields to decline. In fact, the yield on the two-year U.S. Treasury Note reached an all-time low of 0.58% on June 29. Last summer, two-year T-Notes were yielding 1.3%. In a similar manner, the yield on the 10-year Treasury Note declined below 3%, whereas it yielded 4% last summer. Longer maturity U.S. Treasury Bonds were the quarter’s best performing portion of the fixed income marketplace, as the Barclays Capital U.S. Long Treasury Index gained 12.2% in the quarter. Performance of high yield debt was essentially flat in the second quarter, as the ML High Yield Master Index lost one basis point (-0.01%).

Despite widespread fears that inflation would return because of the massive fiscal and monetary stimulus that has been applied, there was a growing fear that a deflationary environment would persist for some time, causing the outlook on bonds to be not so patently negative.

Russell U.S. Equity Index Performance

As shown in the table to the right, value outperformed growth in the large cap and mid cap segments, yet underperformed in the small cap arena. All nine Russell Indices are also negative for the year, as any first quarter gains were wiped out by the sell-off during the second quarter.

(Source: Russell)

Q2 Russell U.S. Equity Returns (%)

	Value	Blend	Growth
Large Cap	-11.8	-11.4	-11.1
Mid Cap	-9.6	-9.9	-10.2
Small Cap	-10.6	-9.9	-9.2

Non-U.S. Equity Markets

Non-U.S. equities performed poorly in the second quarter, doing even worse than U.S. stocks. The EAFE Index returned -13.8%, lagging the return of The S&P 500 Index by approximately 2.4%. Internationally, value stocks significantly underperformed their growth counterparts, as the EAFE Value Index returned -15.2%, trailing the the EAFE Growth Index's return of -12.3%. Fears that problems in Greece would grow into a massive European crisis caused the Euro to swiftly decline and caused selling pressure that was felt on a global scale. The quarter's worst performing developed markets in U.S. dollar terms were Greece, down 41.3%, Finland, losing 27.8%, and Italy, which lost 23.4%. The best performing markets were Singapore, down 1.4%, Hong Kong, which lost 7.2%, and Sweden, which declined 8.6%. It is interesting to note that not a single developed market posted a gain, in dollar terms, in the second quarter

Turning to the second quarter performance of emerging equity markets, the MSCI EM index declined 9.1% in the second quarter. The weakest performing markets in dollar terms were Hungary, down 31.1%, and Poland, down 22.8%. The strongest performing emerging stock markets were Indonesia, Columbia and Peru, each gaining approximately 3% in the second quarter.

Residential Real Estate

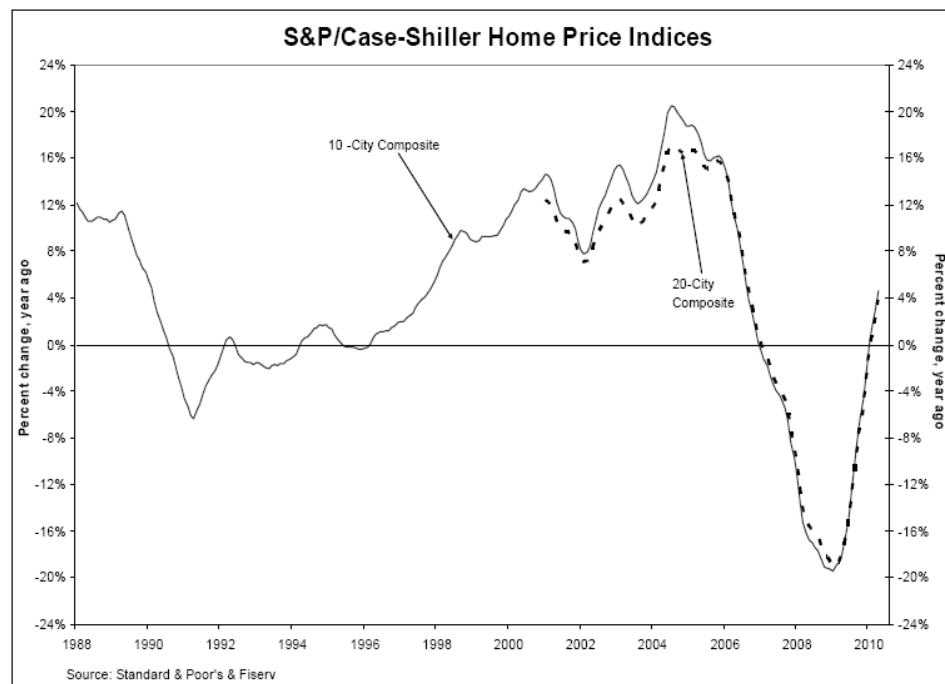
Housing prices in the U.S. are struggling to show a consistent pattern of gains, despite some recent recovery. In fact, the headline of the June 29, 2010 S&P Indices press release stated:

“While most markets improved in April 2010, home prices do not yet show signs of sustained recovery according to the S&P/Case-Shiller Home Price Indices.”

The S&P/Case-Shiller 20-City Index is up 3.8% for the one-year period ending April 2010. Cities with the greatest percentage increase over that period were San Francisco, up 18%, San Diego, up 11.7% and Minneapolis, which gained 9.5%. On the other hand, nine of the 20 cities showed declines on a year-over-year basis, and home prices were the weakest in Las Vegas, down 8.5%, Detroit, down 3%, and Seattle, down 2.8%. For the month of April 2010, all but two cities posted gains from March 2010, as housing prices in Miami and New York declined by approximately 1%.

Commodity Prices

The price of crude oil declined from \$83 to \$76 during the second quarter, as beliefs that global demand would diminish became stronger. A “double dip” recession was now a greater likelihood versus only six months ago when the consensus was that it was a much lower probability event. The price of gold continued to climb in the second quarter, as it began the quarter near \$1,100 and closed the quarter at a level near \$1,240 per troy ounce. Historically gold has appreciated strongly in an environment rife with uncertainty and greater levels of perceived risk.



Index Returns Since 2001, Sorted From Best to Worst

This report was prepared by NRP Financial, Inc., a wholly-owned subsidiary of National Retirement Partners, Member of FINRA/SIPC. The views expressed in this document are as of June 30, 2010 and are subject to change at any time without notice. The represented data is un-audited and has been obtained by sources believed to be reliable. This report is not an offer to sell or buy securities. The performance data quoted represents past performance. Current performance may be higher or lower than the performance data quoted. The performance data that is shown is represented by appropriate indices and does not include the subtraction of fees and charges. Index returns assume a reinvestment of dividends and income. One cannot invest directly in an index. The indices do not represent any one fund nor is NRP or NRP Financial, Inc. predicting future returns. Past performance is no guarantee of future results.

Edited by James Kitchens, CFA

INDEX	ASSET CLASS
Russell 1000 Value	Large Value
Russell 1000	Large Blend
Russell 1000 Growth	Large Growth
Russell Midcap Value	Mid Value
Russell Midcap	Mid Blend
Russell Midcap Growth	Mid Growth
Russell 2000 Value	Small Value
Russell 2000	Small Blend
Russell 2000 Growth	Small Growth
MSCI World Index	Global Equity
MSCI EAFE Index	Int'l Equity
Barclays Aggregate Bond Index	Intermed. Bond
Merrill Lynch High Yield Index	High Yield Bond
Balanced (60/40)-Rebal. Annually	Balanced
Citigroup 3-month T-bill	Cash Equiv.

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 YTD
14.0%	10.3%	48.5%	23.7%	14.0%	26.9%	11.8%	5.2%	56.3%	5.3%
8.4%	1.7%	47.3%	22.3%	12.7%	23.5%	11.6%	1.8%	46.3%	4.8%
4.5%	-1.9%	46.0%	20.7%	12.7%	22.3%	11.4%	-20.7%	40.5%	0.1%
4.1%	-9.2%	42.7%	20.2%	12.1%	20.7%	9.6%	-26.2%	37.2%	-0.9%
2.5%	-9.6%	40.1%	18.3%	10.0%	20.2%	7.1%	-28.9%	34.5%	-1.6%
2.3%	-11.4%	39.2%	16.5%	7.1%	18.4%	7.0%	-33.8%	34.2%	-2.0%
-3.7%	-15.5%	38.1%	15.5%	6.3%	15.5%	6.1%	-36.9%	32.5%	-2.1%
-5.6%	-15.7%	33.8%	15.3%	5.3%	15.3%	5.8%	-37.6%	30.8%	-2.3%
-5.6%	-16.2%	30.0%	14.3%	4.7%	13.4%	5.6%	-38.4%	28.4%	-2.3%
-9.2%	-19.5%	29.9%	11.4%	4.5%	11.8%	4.7%	-38.4%	27.2%	-3.3%
-12.5%	-20.5%	29.8%	10.9%	4.2%	11.2%	2.2%	-38.5%	20.6%	-5.1%
-16.5%	-21.7%	28.2%	8.3%	3.9%	10.7%	-0.2%	-40.3%	19.8%	-6.4%
-20.2%	-27.4%	19.3%	6.3%	3.0%	9.1%	-1.4%	-41.5%	19.7%	-7.6%
-20.4%	-27.9%	4.1%	4.3%	2.7%	4.8%	-1.6%	-43.1%	5.9%	-9.6%
-21.2%	-30.3%	1.1%	1.2%	2.4%	4.3%	-9.8%	-44.3%	0.2%	-12.9%

Use the color coding to determine which Index is represented. As an example, the yellow box with blue lettering represents the performance of the Russell 2000 Growth Index. Returns assume reinvestment of dividends and income. This material is for informational purposes only. Not for public distribution. Data as of 6/30/2010. Data source: Zephyr Associates. NRP Financial makes no guarantee as to the accuracy of third party information.