

Market Commentary and Performance Update: July 2009

Market Update: There are still many investors looking for “the signal” to get back in the market so below we listed some key statistics. All this news is good for equity markets going forward, and we may be now looking at a V-shaped recovery.

- Q3'09 GDP is likely to come in at above the current consensus of 2.0-2.5%. Q4 GDP at around 3.5%.
- Manufacturing new orders are confirming a return to US economic expansion, with dollar levels of order flows rising in nondurables, primary metals, and machinery. Iron and steel mills, industrial machinery, HVAC, and materials handling equipment orders are showing the best gains sequentially.
- One of the biggest unrecognized stories is the reacceleration of public infrastructure spending. The bulk of the public infrastructure spending lies ahead of us, and will no doubt be ramped in such a fashion to secure 2010 re-election victories for incumbents.
- ADP continues to signal diminishing payroll employment losses. US unemployment fell for the first time in 15 months.
- On a quarterly and six month annualized sequential basis, consumer spending has finally popped back into positive territory.
- All this news is positive for equity markets..

QSI's Core Portfolio Update: (see attached performance)

Over the last few months as noted by the data, markets have stabilized and improved. The markets have been led by the more aggressive areas, such as small cap, financials, and technology. These sectors are over-weighted in our portfolios which contributed to outperformance of QSI's portfolios to their benchmarks. Consumer staples were slightly below the S&P 500 for the month, but did not detract from overall outperformance. On the fixed side, treasuries remain underweighted, with an over-weighting in quality corporate bonds which contributed the fixed side's strong performance as well.

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