

## Quarterly Update- for the Period ended September 30, 2009

Equity markets were up for the quarter, with the Standard & Poor's 500 (S & P 500) up 15.56%. Smaller companies, as measured by the Russell 2000 index, were up 19.5%. Fixed income markets, as measured by Barclays Aggregate Bond Index, were up 3.7% for the period.

Strong growth in equities continued from last quarter as the economy rebounded from recessionary levels. While there is agreement that the economy is and will improve, there is some controversy over whether or not the improvement will be sustained or temporary. Consumer spending will most likely be key, as this should lead to corporate spending and business expansion.

QSI portfolios generally outperformed their benchmarks for the quarter with growth from 11.56% in the Defensive Strategy to approximately 17.8% in the Aggressive Growth Strategy. Tactical allocations to smaller companies and financials contributed to outperformance this quarter. We have also maintained a significant allocation to consumer staples, which has helped reduce overall portfolio volatility and provides some downside protection. In the fixed income area, we remain underweight in U.S. Government Securities and overweight in corporate debt and high yield. Lower rated corporate bonds have appreciated nearly 20% over the last two quarters, and many sectors are still trading at discounts relative to their value two years ago. In the meantime, holding these securities provides cash flow with the potential for some capital appreciation.

Earlier in the year, there were general expectations that the economy would rebound at the end of 2009/beginning of 2010, with stock markets rebounding in advance. So far, this is what appears to be happening. However, much of this was due to government stimulus. We are hopeful, but cautious, that as the stimulus fades, the private sector will come in slowly to pick up the slack and maintain positive economic growth.