VANTAGE CONSULTING GROUP
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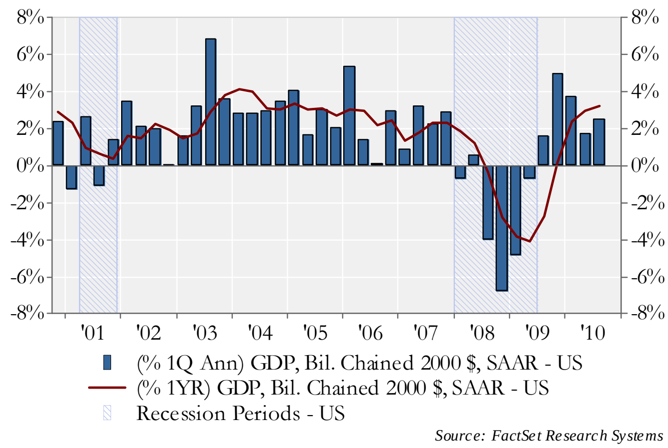
Market Review

December 2010

U.S. Economic Data

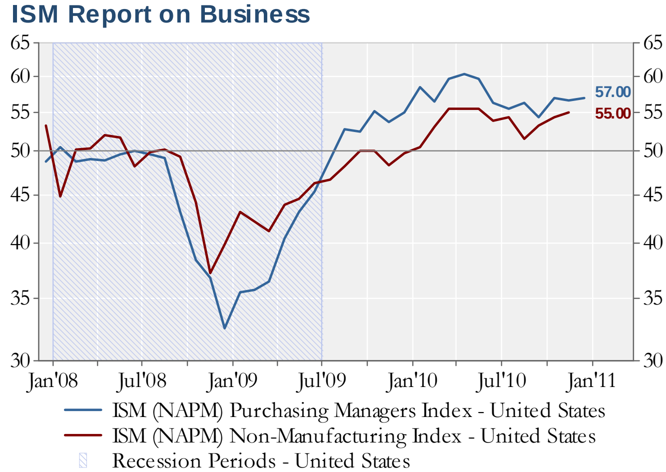
The U.S. real GDP was revised upward to an annual rate of +2.6% in the third quarter according to the third and final estimate. This is higher than the earlier estimate of +2.5% but below the +2.8% consensus estimate. The modest increase can be attributed to a slight reduction in consumer spending offset by a slight increase in inventories. Second quarter GDP grew at +1.72%.

US Real GDP Growth

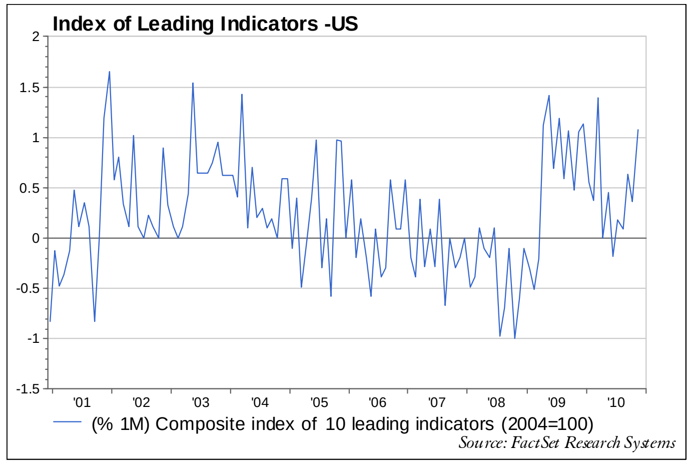


The manufacturing sector continued its growth trend in December for the seventeenth consecutive month. The ISM purchasing managers index rose to 57 from 56.6 in November. U.S. construction spending also rose to its highest levels in five months.

ISM Report on Business

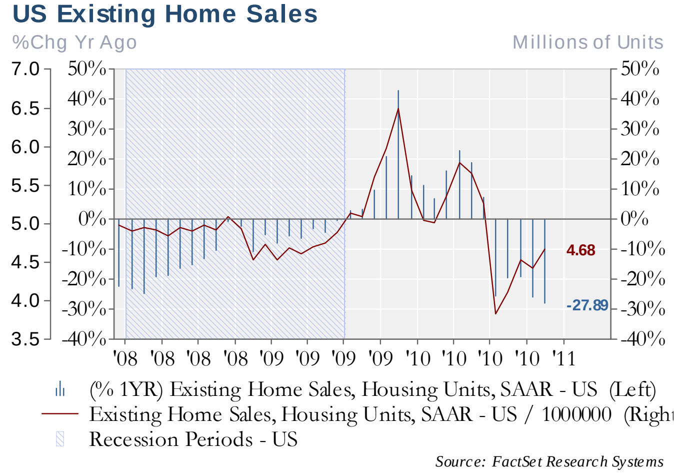


The leading economic indicators continued to gain strength in November. The index was up 1.1% with nine out of the ten indicators included in the index reporting positive growth. Building permits was the only indicator that decreased in value. The coincident index was up 0.1% in November, while the lagging index was down 0.1%. The Consumer Confidence index decreased slightly to 52.5 down from 54.3 in November.



Despite the general positive economic news overall, the housing sector continues to be a drag on the economy. Year over year, new home sales for November were down -21.2%. Existing home sales showed similar numbers with November sales down -28% year over year. The recent uptick in the mortgage rates would likely hurt the sales in the coming months.

US Existing Home Sales



Equity Markets

The U.S. equity markets delivered a second straight year of double digit returns as the economy recovery chugged along.

The S&P 500 gained 6.7% in December and is up 15% YTD. The small and mid-cap stocks outperformed the large

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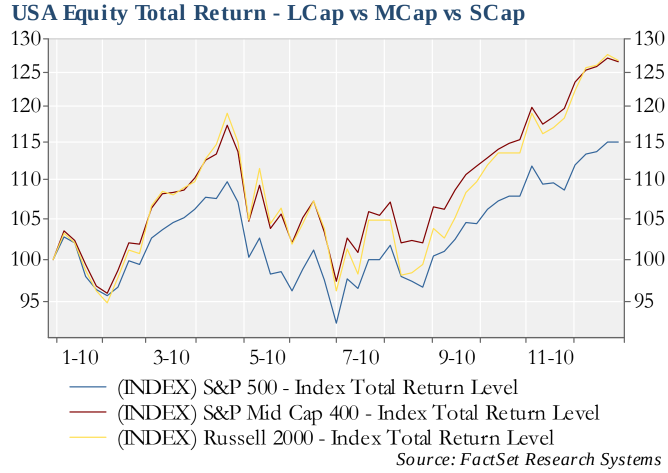
cap stocks in U.S. Russell 2000 returned 7.94% in December and wrapped the year with an impressive 26.85% return.

The MSCI World index returned 5.69% in December and 10.57% for 2010. MSCI EAFE was up 4.78% last month and 5.26% for the year. The FTSE 100 gained 6.81% in December and 12.62% in 2010. The STOXX 600 recorded returns of 5.4% for December and 11.61% for the year. The MSCI Emerging Markets index was up 4.48% in December and 14.4% for 2010.

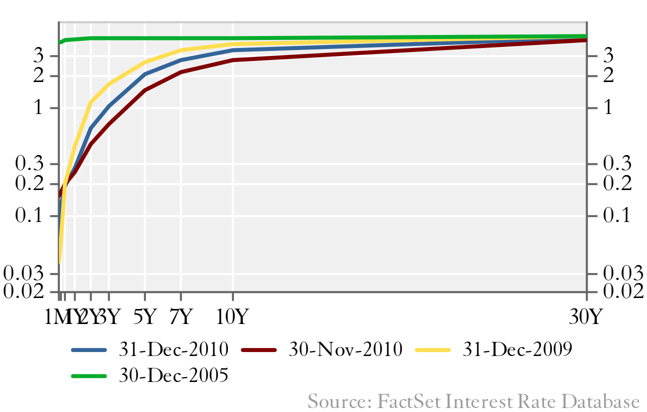
USA Equity Total Return - LCap vs MCap vs SCap



Bond Markets

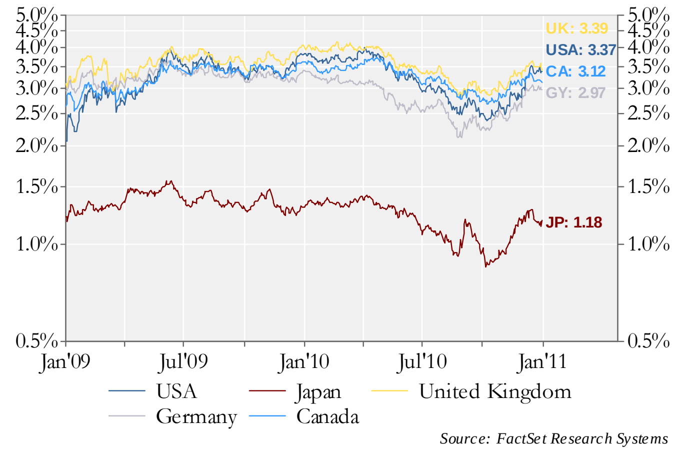
The U.S. Benchmark 10 year yields rose in December reaching a high of 3.51% on 15th December and closed the month and the year at 3.37%. The 10 year yields were at 2.795% the prior month end.

United States Treasury Yield Curve



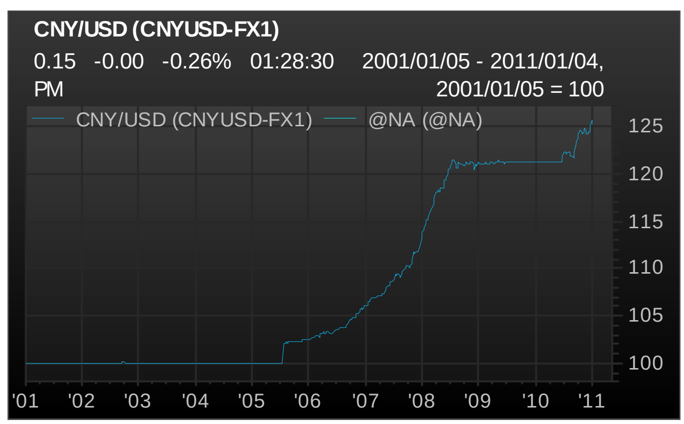
The German 10 Year Bund yield rose by nearly 36 bps to close at 2.97%. The UK 10 Year GILT yield also increased closing at 3.39%. The 30 year UK treasury came down 5 bps to close the month and year at 4.19%. The U.S. bond market (as represented by the Barclays Capital U.S. Aggregate Index) returned -1.08% last month, but is up 6.54% YTD.

Global 10Y Treasury Yields



Currency

2010 will be remembered for rising exchange rate tensions between the U.S. and China, uncertainty over the future of Euro and the hints of a currency war between developed and emerging economies, with the latter challenging the dollar based currency system.



As can be seen in the chart above, the Chinese central bank allowed the U.S. dollar pegged Chinese yuan to float more freely in the middle of 2010. The yuan has appreciated only 2.5% since that decision. This action has not stopped the U.S. from continuing to accuse China of keeping the exchange rate artificially low. On the other hand, China's fear that a steeper rise of yuan against the U.S. dollar would hurt their exports, resulting in loss of jobs and hurting its economy in general.

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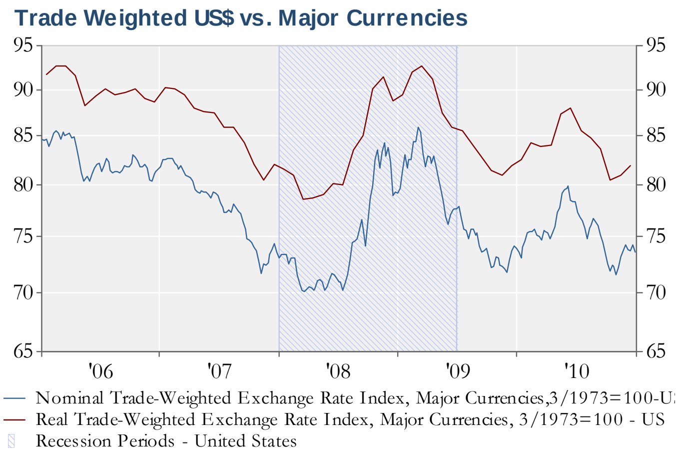
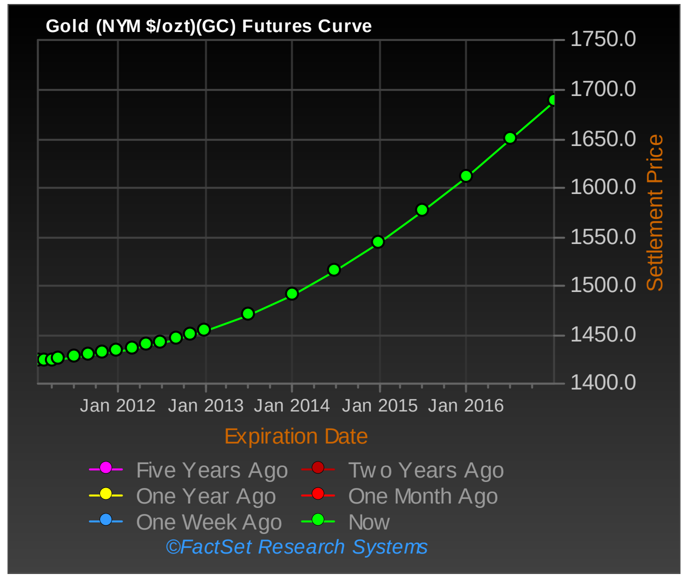


Source: FactSet Research Systems



Japanese yen, Swiss franc and the Australian dollar were the best performing currencies in 2010. The yen appreciated nearly 13% vs. USD during the year, closing at 81.10 Yen/USD. The fall in global interest rates caused the yield spread of major economies to contract Vs. Japan. This reduction in negative carry associated with yen coupled with its status as a safe haven helped the currency to reach record highs. The Swiss franc appreciated 10% and Australian dollar appreciated 12% (approx.) during the same period.

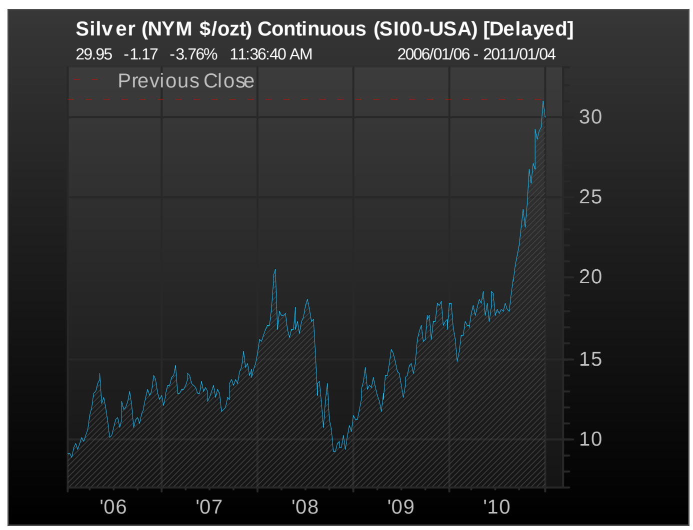
The Euro and the British pound were among the worst performers of 2010. Fears of a sovereign debt crisis involving various European countries during the year caused Euro to lose 7% against the US dollar. The British pound lost 3% against the US dollar.

Commodity Markets

The commodity markets had a very strong 2010. The demand from the big emerging economies, including China, the sovereign debt crisis in Europe and quantitative easing by the Fed fueled the rally across the broad commodity market.

The Dow Jones UBS commodity Index returned double digit returns for the second straight year. The index rose 16.8% over the year after returning 19% in 2009. Gold closed at a record of $1,421 per ounce, up nearly 30% for the year. This is the strongest rise in over three decades. The gold futures curve predicts a further increase in precious commodities prices ahead.

Silver has been one of the best performing commodities in 2010 and gained nearly 84% to close at $30.91 per troy ounce.



Crude oil prices reached a two year high in the last week of the year gaining 15.2% for the year and closing the year at $91.38 a barrel. Strong global oil demand, combined with oil producers curtailing their capital spending during the financial crisis, can be attributed to this movement.