January 25, 2011

The 4th quarter in 2010 provided investors with extraordinary returns in spite of no improvement in the unemployment rate and the real estate market. In addition, longer term bonds reacted negatively to Phase II of the Federal Reserve's quantitative easing.

Adding to concerns is inflation is apparent in food and energy prices. Month to month volatility in energy and food is not easily dismissed when the trend is clearly higher. So far, the Federal Reserve is dismissing food and energy prices and is focused on core inflation. Our observation is prices are being raised and will soon be reflected in core inflation in addition to food and energy.

Still the equity markets did well in the 4th quarter. Consider the following summary of index returns:

INDEX	4th QUARTER 2010	YEAR TO DATE	LATEST 12 MONTHS
Domestic Equity			
S&P 500 Index	10.49%	14.79%	14.79%
Dow Jones	8.04%	14.06%	14.06%
Russell 1000	11.19%	16.10%	16.10%
Russell 1000 Growth	11.83%	16.71%	16.71%
Russell 1000 Value	10.54%	15.51%	5.51%
Russell Midcap	13.07%	25.48%	25.48%
Russell Midcap Growth	14.01%	26.38%	26.38%
Russell Midcap Value	12.24%	24.75%	24.75%
Russell 2000	16.25%	26.85%	26.85%
Russell 2000 Growth	17.11%	29.09%	29.09%
Russell 2000 Value	15.36%	24.50%	24.50%
International Equity			
MSCI EAFE Index	6.61%	7.75%	7.75%
Domestic Fixed Income			
Barclays Gov/Credit Int. Bond	-1.44%	5.89%	5.89%
BofA ML 0-3 Year Treasury	-0.10%	1.83%	1.83%
BofA ML Muni 1-3 Year	-0.37%	1.29%	1.29%
Consumer Price Index	0.34%	1.50%	1.50%
Cash Equivalents			
Citigroup 3-Mo. Treasury Bill	0.04%	0.13%	0.13%

Since the 4th quarter in 2008 Curran Investment Management has been positive in our outlook for the equity markets. We remain positive.

Our view has and continues to be the recovery in the economy will not depend as much on reductions in the unemployment rate and consumer spending as past recoveries required. We believe the United States is entering an investment cycle which will be highlighted by gradual and steady increases in personal savings and investment.

Core Equity Portfolio	
Buy/Increase	**Sell/Decrease**
Celgene	CH Robinson Worldwide
MasterCard	Google
Stryker Corp	Healthcare SPDR
	Johnson & Johnson
	Priceline.com
Growth & Income Portfolio	
Buy/Increase	**Sell/Decrease**
Exxon Mobil	Air Products & Chemicals
Harris Corp	Johnson Controls
	Paychex
Mid Cap Portfolio	
Buy/Increase	**Sell/Decrease**
	FMC Technologies
Small Cap Portfolio	
Buy/Increase	**Sell/Decrease**
Bio Reference Labs	Tractor Supply Company
National Presto Industries	
International Portfolio	
No Changes	
All-Tech Portfolio	
Buy/Increase	**Sell/Decrease**
BMC Software	Amdocs
	Apple
Fixed Income	
No Changes	

I have dared to say publicly in groups of investment professionals Curran views positively the future for savings and investment with corresponding declines in consumption and spending. The response is always the same. It is easily dismissed and is not seriously considered by most financial professionals.

As we begin 2011 our outlook for the equity markets remains positive. We expect corporate earnings to continue to improve but not at the same high rate as 2010. We do believe signs of new investment in plant and equipment will become apparent as cash is used less to repurchase shares and more to build future growth. Dividend increases should continue to accelerate.

We do not expect much improvement for the unemployment rate nor do we expect significant improvement in the real estate market.

We continue to anticipate higher inflation rates and higher bond yields. We continue to believe there will be severe budget problems by states that are not reacting quickly enough to their revenue short falls. Last year we said, Washington would likely be required to bail out states to prevent defaults. It did not happen in 2010. We believe the states running large budget deficits will eventually require a bail out by Washington. Illinois is likely to be the first.

Many investors in long term bonds have looked at their December statements and are astonished at their loss in value. We think it is only the beginning. The bull market in bonds that began more than 30 years ago is likely to have ended.

The extraordinary efforts by the Federal Reserve to keep both short and long term interest rates too low for too long cannot go on forever. Eventually market forces will take over. Yields will increase while bond prices decline. Market losses in bonds could prove to be very large by historical measures.

CONSIDER THE FOLLOWING:

A United States Treasury bond maturing in 30 years and paying 3.87% is likely to have been purchased at 100 during the 4th quarter of 2010. If long term interest rates were to double to 7.22%, a recently purchased bond would decline to approximately 60. A 10 year bond purchased at 100 to yield about 2.5% would decline to a price of about 74.

We believe the risks in the bond market are extraordinarily high.

To protect your portfolios, our fixed income strategy is to buy and hold the highest quality securities with maturities between 1-5 years. We do hold corporate bonds and preferred stocks in amounts equal to less than 20% of fixed income holdings.

Ironically our view is highest quality fixed income securities maturing in more than 10 years may prove to be the riskiest holdings. Our rationale is high yield corporate bonds are currently paying more than twice the rates of high quality bonds like U.S. Treasuries. In addition, high yield corporate bonds tend to reflect stock market returns. Our outlook for the equity markets remains very positive, while our fixed income forecast is very negative.

We remain very committed to highest quality equities. We believe we are in the early stages of a great secular bull market which will be driven by an investment cycle fueled by dramatic increases in personal savings.

Kevin and I invite you to call us to discuss Curran's investment strategy and outlook. If there is anything regarding your holdings at Curran or elsewhere, please do not hesitate to contact us.

Curran Investment Management is Defining Quality.®

Sincerely,

Thomas J. Curran
President