From the Desk of John Colley...

Dear Investor Friends,

Recent unrest and instability in Libya reminds us, again, how emotions and anxiety can wrestle with the financial markets. The threat of another political overthrow (following the departure of Mubarak in Egypt just ten days ago) also points out how volatile and tense the Middle East remains and how this tension could actually escalate even more (as other countries, including Yemen, Iran, and Jordan get "itchy"). As we all know, the markets don't have much tolerance for instability and unknowns.

On a much lesser scale, (thank God) events closer to home in Wisconsin, Indiana, New Jersey, Ohio and now Rhode Island have become uncomfortable "political beds" as budget woes and union issues challenge the decisions being made (or not made). Hopefully, a good democratic process and resolution will prevail soon.

Unfortunately, both the national and global news tends to take "center stage" and serve as a negative and bearish catalyst, creating selloffs and speculation. Naturally, as investors and portfolio managers, we must be mindful and respectful of how these events affect your investments. We must also be mindful that emotional reactions must be tempered, as well, letting cooler heads prevail. Taking defensive measures and actions are always smart, too, especially in these times.

Good fundamental economic news is welcome in the U.S., though, too:

- Existing home sales rise almost 3% in January (an unexpected statistic, especially during the "slow winter" period);

- Walmart results were good; up 4% overall (a sign of consumer spending);

- Home Depot's quarterly and yearly profits rose more than 37% from 2009 figures which is another encouraging sign on the "home front";

- More U.S. banks are posting profits, while an F.D.I.C. report says that almost 12% of U.S. banks remain at risk of failure (last year the number was 21%), despite significant improvement overall. This is upbeat, but with real lingering concerns.

- During these times, oil prices rise and the other commodity-related prices get spiky, so we are learning to accept this teeter-totter phenomenon as part of the crisis-reaction and we must view some of the spiking as "artificially inflated", as they say.

- All in all, the U.S. economic recovery remains intact and moving forward, so there remains reason to be cautiously bullish.

John Colley ☺

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