

Meeder Financial

OUR MISSION

Every day, our mission is to exceed, with integrity, passion and discipline, the expectations of our clients' overall investment experience.

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The domestic stock markets have extended a rally that materialized in early March and made its way through May, marking the third consecutive month the markets have posted gains. Investor optimism has persisted due to better than expected economic data, which is leading to hope among investors that the worst of the recession has been realized. For the month of May, the Dow Jones Industrial Average ended up 4.52%, the S&P 500 ended up 5.59%, and the NASDAQ Composite Index ended up 3.47%. The stock markets were also driven by optimism regarding the health of the financial sector following the results of the government conducted 'stress tests' and instances of improving housing data. The situation in the employment market is somewhat mixed depending on which measure of employment is utilized.

The challenges facing the job market are ongoing despite recent government actions to stimulate the economy, which has led President Obama to recently declare an increased rate in stimulus spending to aid employment. In the most recent report, payrolls were reduced by 345,000 in May, which is the seventeenth straight month of job losses and represents a cumulative loss of approximately 6 million jobs since January of 2008. However, the rate of job losses in May slowed markedly from prior months, with job losses of at least 500,000 during the first four months of 2009. Despite the improvement, the unemployment rate has continued to rise, and now stands at 9.4% compared to 7.6% at the beginning of the year (see Chart 1). For comparison purposes, the unemployment rate stood

at 5.5% during May of 2008. Additionally, initial jobless claims consistently reported above 600k for each week during the month of May with no notable improvements as the month progressed.

Despite the difficulties facing the labor market, several indicators gauging various components of the economy lends support that perhaps the worst has now been realized. Consumer confidence realized a sharp rebound in the most recent reading, which came in at 54.9 versus the prior month's reading of 40.8 (see Chart 2). Factory orders rose 0.7% from the prior month in April following declines in seven of the eight previous monthly readings. While gauges of the manufacturing and service sector remain indicative of a weak economic situation, the readings have improved from prior months. The ISM (Institute for Supply Management) Manufacturing Index came in at 42.8 during the month of May compared to 40.1 in April. Also, the ISM Non-manufacturing Index (which measures the service sector) came in at 44.0 in May compared to 43.7 in April. For these measures, a reading below 50 indicates contraction while a reading above 50 indicates expansion.

Chart 1: Unemployment Rate

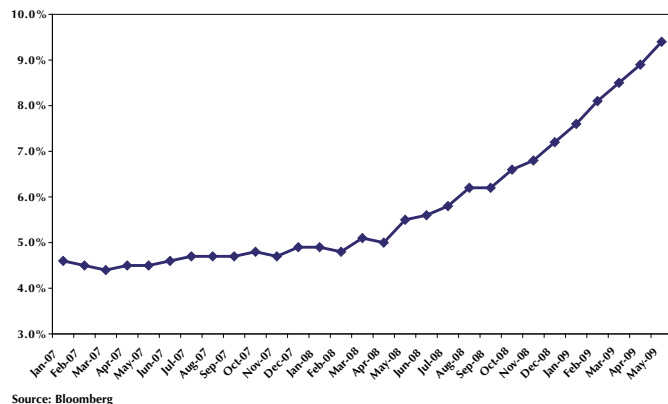
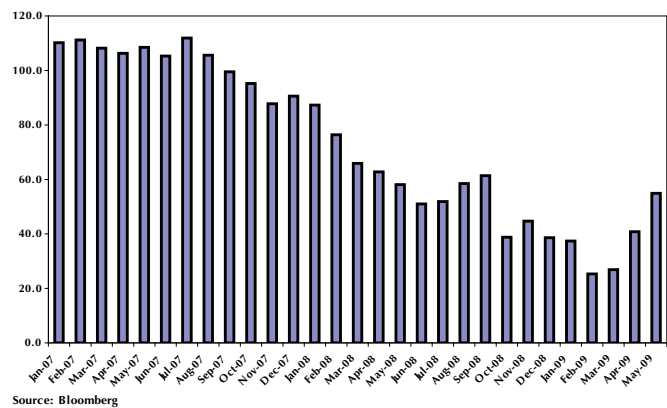


Chart 2: Consumer Confidence



The months of April and May provided additional insights into the current and prospective economic environment through the release of corporate earnings results for the three-month period ended March 31st. As of the time of this writing, nearly all of the companies comprising the S&P 500 Index have reported earnings for the aforementioned time period.

Following a promising start during the first week of reports, results thus far have actually been somewhat disappointing with actual earnings about 24% behind estimates and down 51% from last year according to Standard and Poor's. The only sector that has reported earnings growth from the first quarter of 2008 is health care, which is a traditionally defensive sector that benefits from relative inelasticity of demand. However, investors have tended to react favorably to the earnings reports, which have thus far resulted in an collective profit as opposed to a collective loss like we saw during the fourth quarter of 2008.

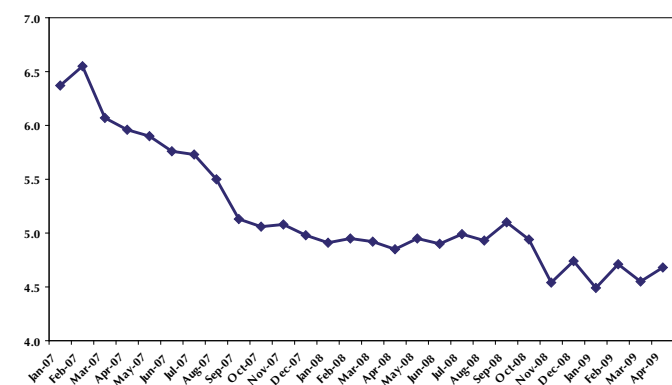
While reports remain mixed, there are indications that the housing market may be in a bottoming process. In its most recent reading, new home sales rose 0.3% in April compared to the previous month, which follows a decrease of 3.0% in March. Additionally, existing home sales rose 2.9% in April from the prior month, which follows a 3.4% decline in March (see Chart 3). However, home prices continue to decline as indicated by the S&P/Case-Shiller Price Index, which showed an approximate 18.7% drop in national home prices during March compared to the previous year. As a result, several initiatives have been announced and implemented by the government and banks designed to aid struggling homeowners including a loan modification programs that will lower monthly mortgage payments. Also, the government is implementing programs in an effort to reduce mortgage rates in order to aid the housing market.

Maintaining partially defensive position

Given the great uncertainties facing the global economy, we believe volatility in the equity markets will persist over the near-term future. However, we have continued to note improvements in our investment models, which, in April, led us to increase our stock market exposure in the applicable defensive funds and portfolios. While the readings from our investment models have become more favorable, at this time there is still not enough evidence to warrant a fully invested position. As a result, we continue to maintain a partially defensive position of approximately 25% in our defensive equity portfolios.

Our investment models have also remained relatively consistent since the beginning of the year across the dynamic of large-, mid-, and small-cap companies. We have maintained a position in small-cap stocks and have also maintained an overweight in mid-cap stocks. Additionally, our models have continued to shift toward preference for growth holdings relative to value, and accordingly we have reduced our overweight towards value investments and expanded our holdings of growth investments. In terms of sector exposure, we also maintained an overweight to the industrial materials and energy sectors that were originally established in late February and are now overweight the financial sector as well. Finally, due to readings from our investment models, we have maintained a recently established position in emerging market and developed international securities, which marks our first direct investment outside of the United States since early in the fourth quarter of 2008. We will continue to closely monitor market conditions and our internal investment models, making select tactical shifts as necessary to take advantage of opportunities and protect against downside risk.

Chart 3: Existing Home Sales(units in millions, SAAR)



Source: Bloomberg

Thank you for your interest in our investment management services. For more information on our portfolios or investment strategies, including fact sheets and prospectus, please contact us at Toll Free 866-633-3371.