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June 2011: Market Review

Much like in May, the major U.S. equity indexes fell during June despite a strong final week. The Dow Jones Industrial Average fell (1.10%) for the month, moving its year-to-date return to 8.59%. The S&P 500 Index lost (1.67%) in June, leaving it up 6.02% year-to-date. The NASDAQ Composite was down (2.18%) (price change only) and has gained 4.55% so far in 2011.

Economic news was mixed in June. The Federal Reserve's second round of quantitative easing ended June 30, with no plans for a third round of stimulus at this point. Home prices increased for the first time in eight months according to the most recent data from the S&P/Case-Shiller 20-city home price index. Consumers were offered some relief at the gas pump, as barrels of WTI crude oil closed the month around \$95 after a release of oil reserves was announced by the U.S. and the International Energy Agency. A U.S. Labor Department report indicated that applications for unemployment benefits remained elevated and above consensus expectations in June. Further complicating economic matters, the U.S. Treasury Department has stated that by early August it will run out of money to pay the nation's obligations in full and on time should the U.S. debt ceiling not be extended by Congress above its current \$14.29 trillion limit.

Growth stocks fared better than value stocks in June, but both styles fell across all capitalization ranges for the second straight month. Among large cap stocks, the Russell 1000 Growth lost (1.43%) and is up 6.83% for the year, while the Russell 1000 Value Index fell (2.05%) in June and is up 5.92% for the year. For small cap stocks, the Russell 2000 Growth Index decreased (2.14%) during the month and is up 8.59% year-to-date, while the Russell 2000 Value Index lost (2.46%) in June but has added 3.77% thus far in 2011. The Russell Midcap Index dropped (2.09%) for the month and is up 8.08% through the first half of 2011.

International equity indexes also struggled in June, although most performed better than U.S. equity indexes. New austerity plans and a subsequent bailout for Greece helped European equity markets close the month on a strong note, but it was not enough to prevent the MSCI EAFE Index from falling (1.25%). Year to date the MSCI EAFE Index has gained 4.98%. Although they remain down (4.76%) in 2011, Japanese equities had their best month since the earthquake, tsunami, and nuclear disaster in March, returning 1.46% during June. The MSCI Emerging Markets Index lost (1.54%) for the month, but is positive year-to-date, up 0.88%.

Fixed income performance was negative across most bond categories in June. The Barclays U.S. Aggregate Index lost (0.29%) during the month, but is up 2.72% year-to-date. Among longer-term bonds, the Barclays Treasury 20+ Year Index fell (2.27%) for the month, leaving it with a gain of 1.73% year-to-date. The Barclays Treasury Composite Index dropped (0.34%), which lowered its year-to-date gain to 2.22%. The Barclays Corporate High Yield Index fell (0.97%) during the month, but year-to-date it has delivered the best performance within fixed income with a gain of 4.97%.

As the U.S. economy continues to struggle with troubling news and a weakening recovery, the end of the second round of quantitative easing may provide additional challenges for growth and job creation. The next several weeks should prove important as the U.S.'s two major political parties work towards an agreement for increasing the nation's debt ceiling before a potential default in August.