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JOLLIFFE CAPITAL, INC.
Registered Investment Advisor

**QUARTERLY
MARKET
COMMENTARY**
For the Cycle Quarter Ended
June 30, 2009

Eric Barden, CFA
Chief Investment Strategist

Financial Planning and Investment Management Services offered through
Jolliffe Capital, Inc., Registered Investment Advisor.

Securities offered through **Evolve Securities, Inc.**, Member FINRA/SIPC.

***"In the short run, the market is a voting machine,
but in the long run it is a weighing machine."***

Benjamin Graham, The Intelligent Investor

We're at the halfway point for the year. Normally, mid-to-high digit returns over six months are cause for celebration. But, after the beating investors took last year it is understandable why most are unlikely to take much satisfaction from this performance. Commentators note the continued increase in unemployment, the staggering federal deficit, and the ongoing increase in foreclosures.

Pessimism abounds. The honeymoon for President Obama is ending, and many of our other leaders have revealed their feet of clay. Health care and environmental projects will impose some cost to the economy. Observers are wrestling with the adequacy of the economic medicine. There is no consensus as to whether the government stimulus packages are inadequate, or excessive. The only thing people seem to agree on is that it won't work. Meanwhile, unemployment continues its relentless march to 10%.

Yet, it seems clearer everyday that the intensity of the economic crisis is abating. Many risk premiums that were at all time highs last fall have retreated to pre-Lehman Brothers bankruptcy levels. Equities are one of the few markets that don't yet reflect this stabilization. If confidence in stocks recovers to pre-Lehman levels, we could see 1,100 on the S&P 500 by year-end. The S&P 500 closed at 879 on July 8th. A price target of 1,100 for the S&P 500 implies an expected return of greater than 25% from July 8th through the end of the year.

For the three months ending June 30th, most of the growth accounts under the management of Barden Capital performed comparably to the S&P 500, which was up roughly 15%. Balanced accounts actually outperformed growth by a modest amount as the fixed income markets have recovered more fully than U.S. stocks. Markets seem to reflect that we are not about to see the end of capitalism, but, we are still nervous about the magnitude of the impending recovery.

For the first few months following the Lehman collapse, the economy deteriorated faster than expected. In the spring of 2009, the economy recovered much faster than anticipated. Today, economic results are generally in line with market expectations. Some areas show surprising strength (industrial production, housing starts) and some areas show surprising weakness (employment, inflation).

The economy should shed fewer jobs over the next 12 months. Assuming we don't see another collapse of an industry as substantial as the automakers, and that housing is bumping along the bottom, employment numbers will improve. Unemployment figures are very slow in reflecting the economic recovery. Only after the economy utilizes the existing excess capacity, will employment substantially increase. The economy and earnings will recover before employment does. Waiting for the recovery in employment would cause investors to miss the recovery in earnings.

Rampant pessimism increases the possibility that things will work out better than expected. The U.S. and other developed markets are currently selling at an historic discount to the emerging markets. Many feel that our problems are insurmountable, but as profits recover the annual federal deficit should rapidly decrease. If we can get a handle on health care costs, future deficit expectations should greatly improve.

As investors, we're nervously optimistic. Our multi-strategy approach continues to serve us well in this uncertain environment. We're balanced between companies that are leveraged to an economic recovery and companies that have shown an ability to execute regardless of the economic environment. We anticipate a positive resolution to many of our difficulties but we have no idea how long it will take to see this reflected in stock prices. We are comforted by the fact that no matter how extreme the pessimism, stock prices eventually reflect their underlying economic value.



A handwritten signature in black ink, appearing to read 'Eric Barden', written in a cursive style.

Eric Barden, CFA
Chief Investment Strategist

Mr. Barden serves as the Chief Investment Strategist for Jolliffe Capital, Inc. Eric has managed money since 1995, has been featured on CNBC and has been featured several times on Bloomberg television and radio. Mr. Barden holds a BSBA in Economics and Finance from the University of Texas.