

STANDISH



Economic Observations & Outlook

Fourth Quarter 2010

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Consensus Economic Forecasts

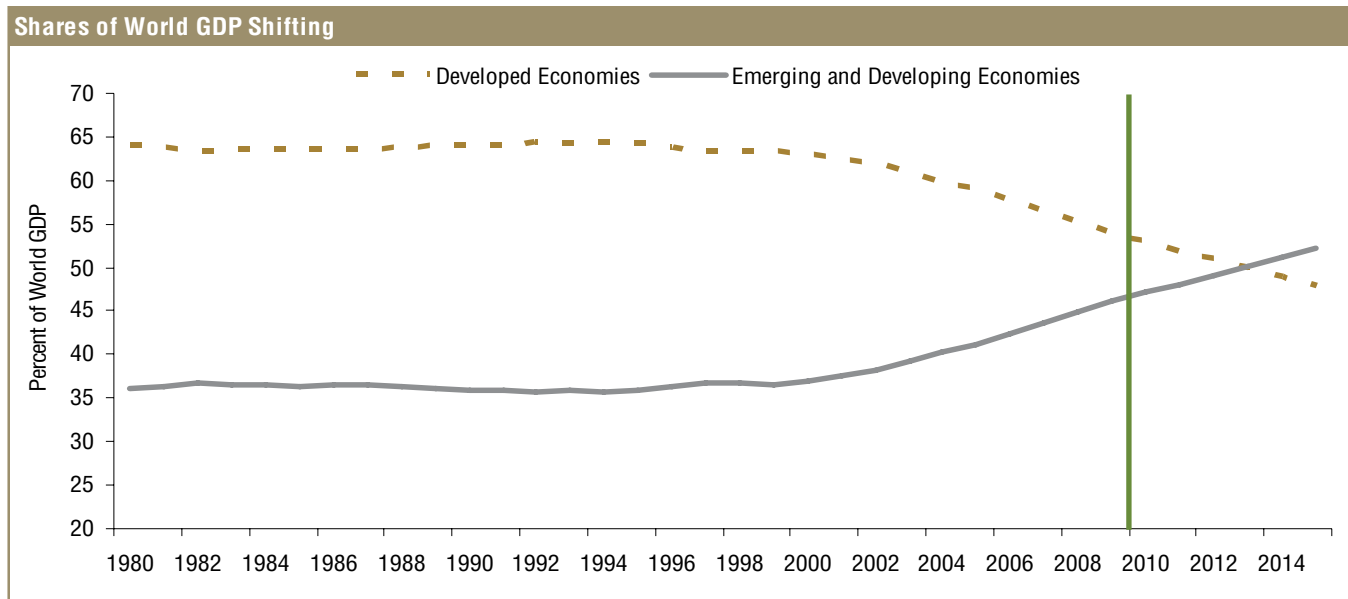
September 8, 2010 Survey	Real GDP			Consumer Prices		
	2009	2010	2011 ^F	2009	2010	2011 ^F
United States	-2.6	2.7	2.4	-0.3	1.6	1.4
Japan	-5.2	3.0	1.3	-1.4	-0.9	-0.3
United Kingdom	-4.9	1.5	2.1	2.2	3.1	2.6
Euro Zone	-4.0	1.6	1.4	0.3	1.5	1.6
Asia Pacific	1.9	6.3	5.1	0.8	2.2	2.3
Eastern Europe	-5.2	3.8	3.9	6.3	5.9	5.7
Latin America	-1.7	5.1	3.9	5.7	7.7	7.1
Global	-1.8	3.7	3.1	1.3	2.6	2.5

Source: Consensus Forecasts as of September 2010
F = Forecast

- The consensus is lowered expectations for US economic growth with raised expectations for global growth.
- Inflation forecasts were ratcheted down for Developed Markets, but raised for Emerging Markets due to stronger economic growth and higher food prices.
- The long arduous process of rebalancing the global economy is still in its early stages. The weaker US dollar should aid in this process, however American consumers will have to do most of the heavy lifting, which includes paying down debt and rebuilding savings.

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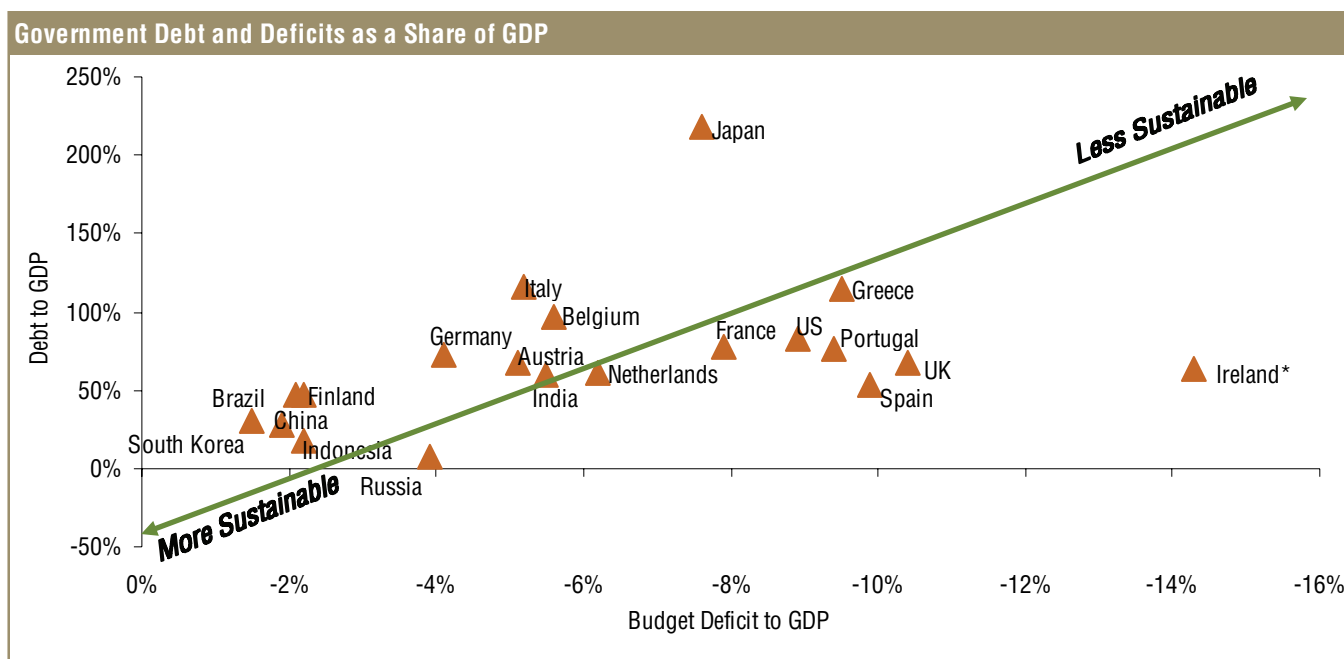
Emerging Markets Are Expected to Surpass Developed Markets as Share of World Economy by 2013



Source: International Monetary Fund as of September 30, 2010.

- Emerging Markets are poised to overtake the Developed Markets as a share of the global economy by 2013. Emerging Markets already accounts for the lion's share of global GDP growth.
- We believe this shift in the balance of economic power should be accompanied by a general movement higher in Emerging Markets currencies versus those of the Developed Markets.

Debt Dynamics Remain Unfavorable in Most Developed Markets

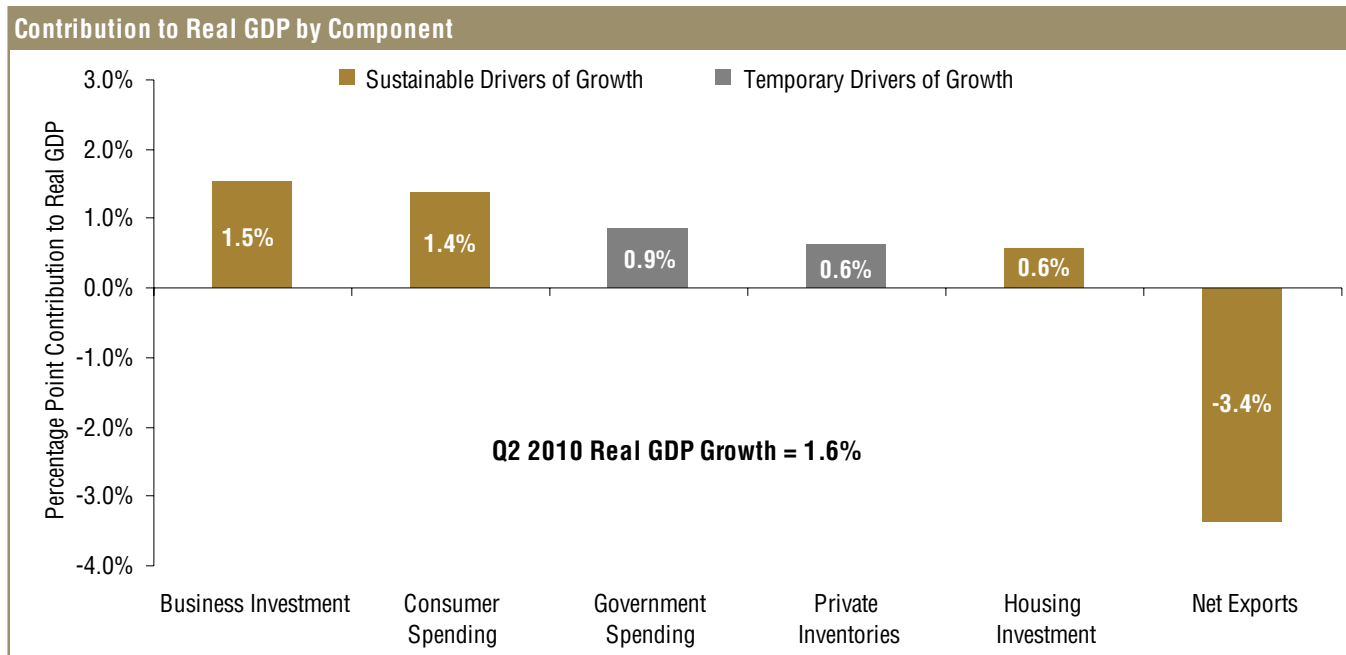


Sources: International Monetary Fund and The Economist as of September 30, 2010.

* Irish figures do not include bailout of the Allied Irish Bank

- The cost of bailing out the global financial system in the aftermath of the 2008 global credit crisis has in part caused debt levels to skyrocket in the Developed Markets.
- Relatively sound economic fundamentals in Emerging Markets suggest the convergence trend with the Developed Markets is solidly in place.

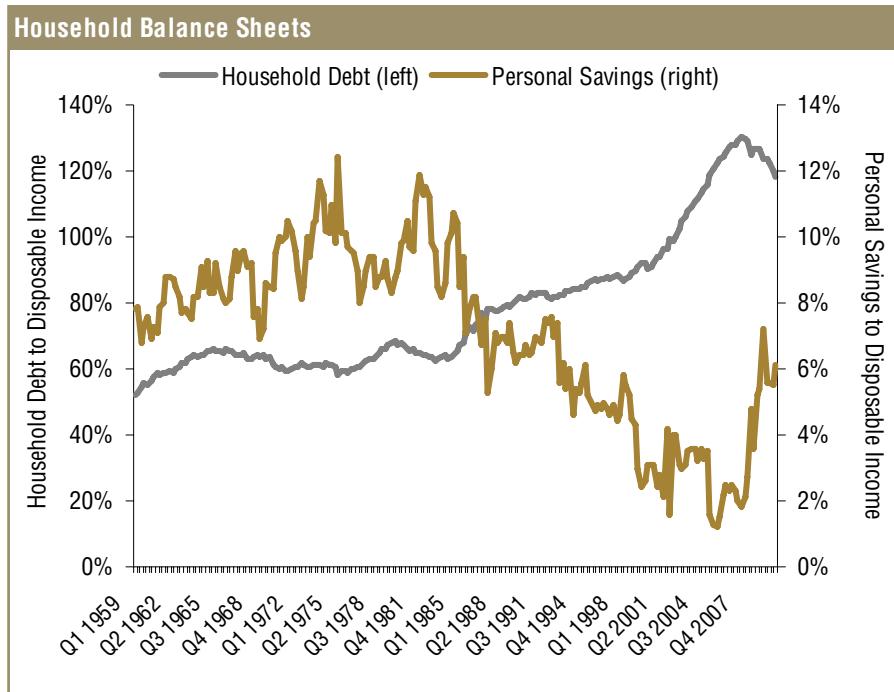
The US Economy Appears to be Gradually Transitioning From Government to Private Demand



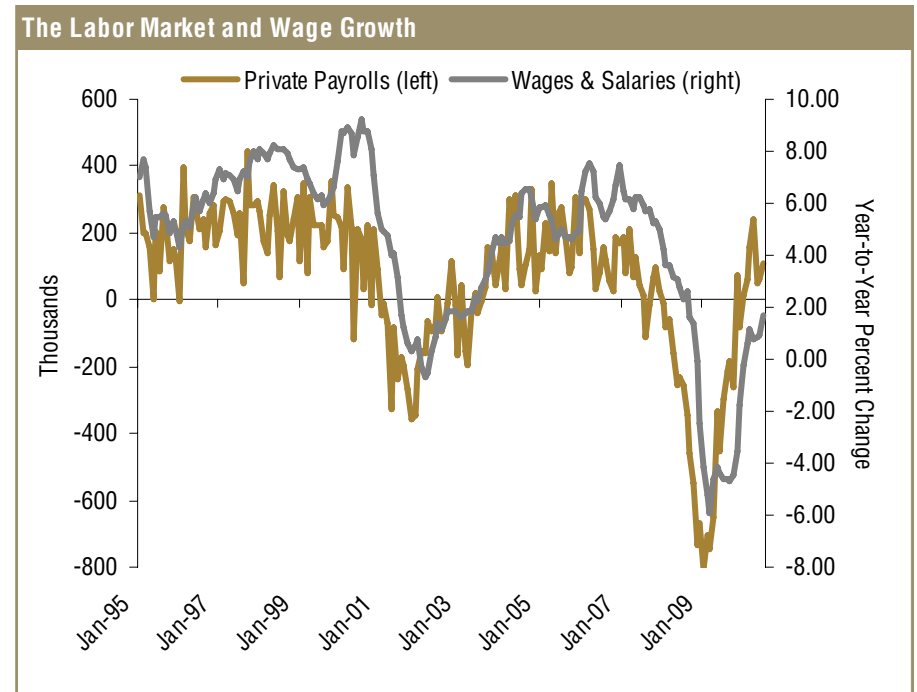
Source: The Bureau of Economic Analysis as of June 30, 2010.

- Private demand in the form of business investment and consumer spending is increasingly important to sustaining the economic recovery which began in June 2009. Unfortunately, a sluggish labor market and the deleveraging of household balance sheets poses significant headwinds to consumer spending.

Americans Begin the Process of Deleveraging



Source: Bureau of Economic Analysis and the Federal Reserve as of June 30, 2010.

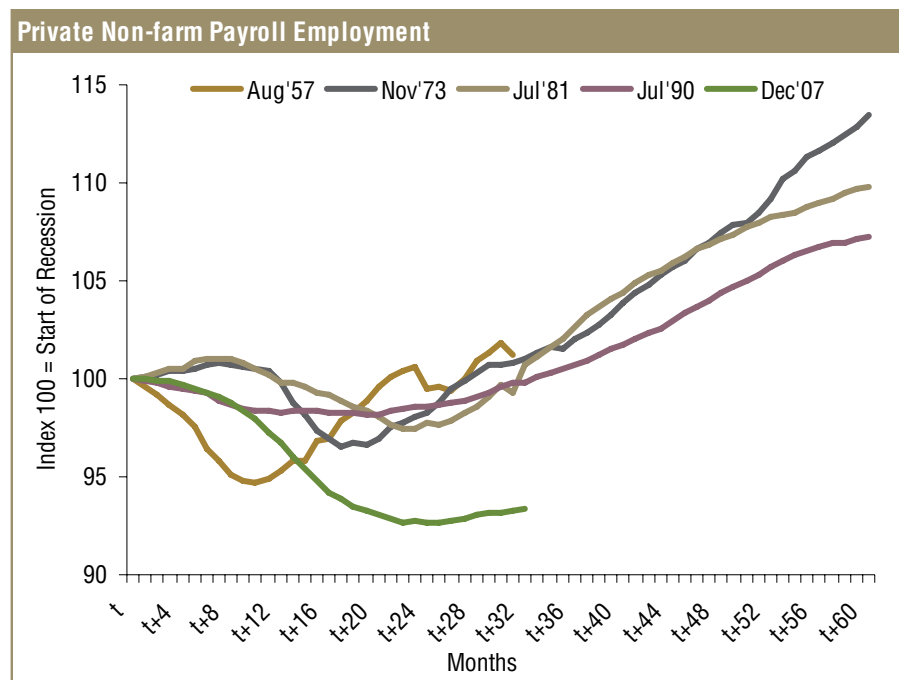


Source: Bureau of Economic Analysis and Bureau of Labor Statistics as of August 31, 2010

- Household debt levels have fallen from 131% of disposable income in Q4 2007 to 118% in Q2 2009 mostly as a result of foreclosures reducing mortgage debt.
- Going forward, Americans will need to reduce debt the old fashioned way: by paying it down with increased savings.
- Private sector employment has increased by roughly 860,000 this year but is still 7.6 million off its December 2007 peak.
- Expanding private payrolls is critical for Americans to increase personal income and savings to aid in the deleveraging process.

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The Weak Labor Market Is a Headwind to US Consumer Spending



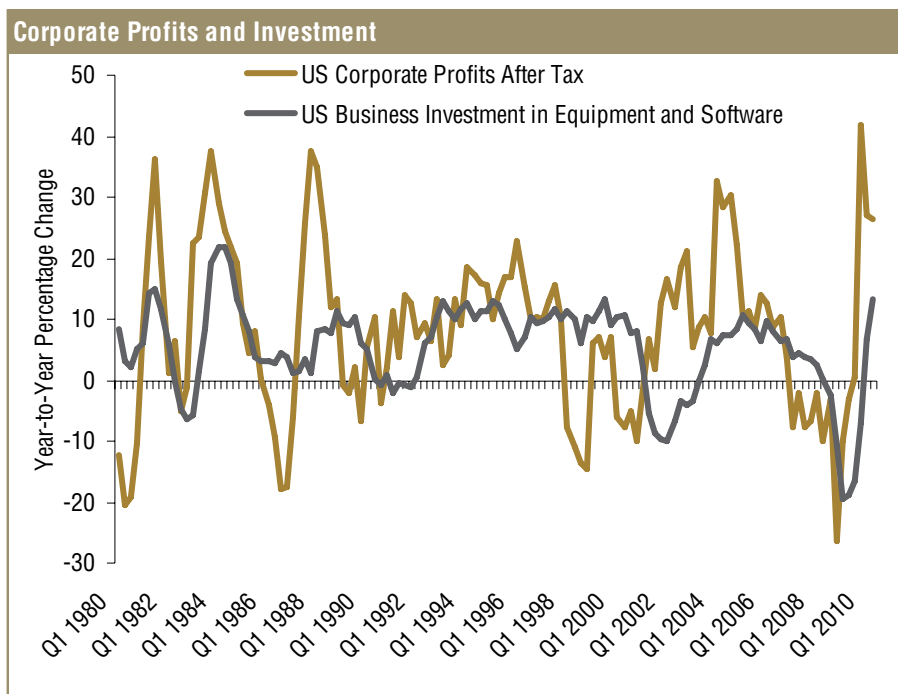
Source: Bureau of Labor Statistics

Sorted by Job Losses		
	Private Sector Jobs Lost (Millions)	As Share of Labor Force
Dec'07-Jun'09	-7.50	-4.8%
Aug'57-Apr'58	-2.21	-3.3%
Mar'01-Nov'01	-1.98	-1.4%
Nov'73-Mar'75	-1.98	-2.1%
Jul'81-Nov'82	-1.88	-1.7%
Jul '53-May'54	-1.68	-2.6%
Apr'60-Feb'61	-1.31	-1.9%
Jan'80-Jul'80	-1.19	-1.1%
Dec'69-Nov'70	-1.18	-1.4%
Jul'90-Mar'91	-1.17	-0.9%

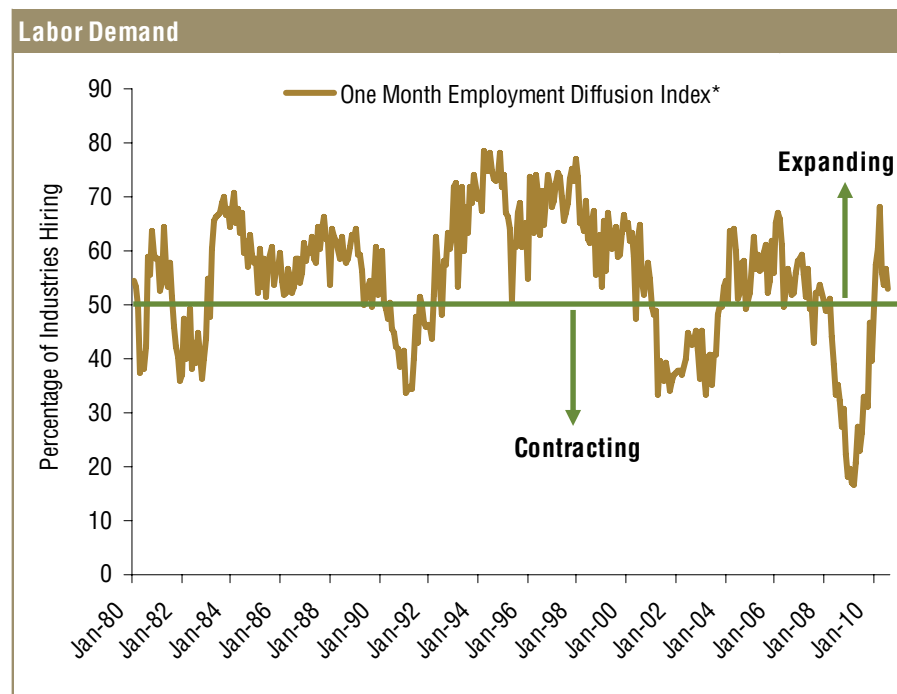
Source: Bureau of Labor Statistics

- During the most recent recession, the US economy shed 7.5 million jobs in the recession and another one million during the first six months of the economic recovery. This is the worst deterioration in the labor market that the US has experienced during the post-World War II era both in absolute terms and as a share of the labor force. Since January, private non-farm payrolls have increased by roughly 860,000. However, most of the gains came in the spring leaving the consumer in a precarious position.

US Corporate Profits Should Drive Investment and Eventually New Hiring



Source: Bureau of Economic Analysis as of June 30, 2010.



Source: Bureau of Labor as of August 30, 2010.

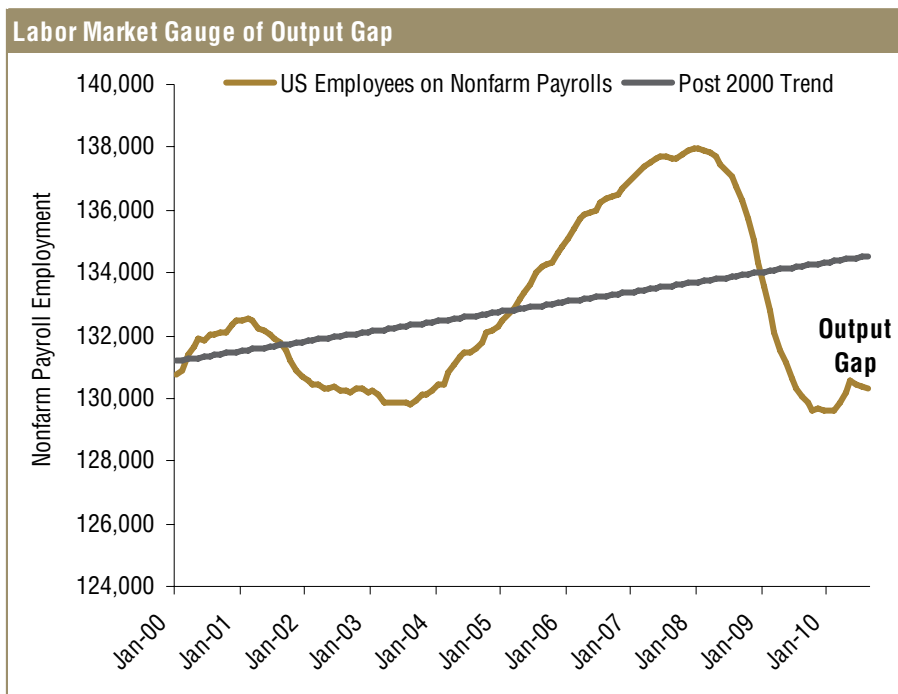
* The percent of industries with employment increasing plus one-half of the industries with unchanged employment, where 50 percent indicates an equal balance between industries with increasing and decreasing employment.

- Corporate profits have now increased at a double-digit pace for three consecutive quarters.
- This has already led to an acceleration of business investment in equipment and software.

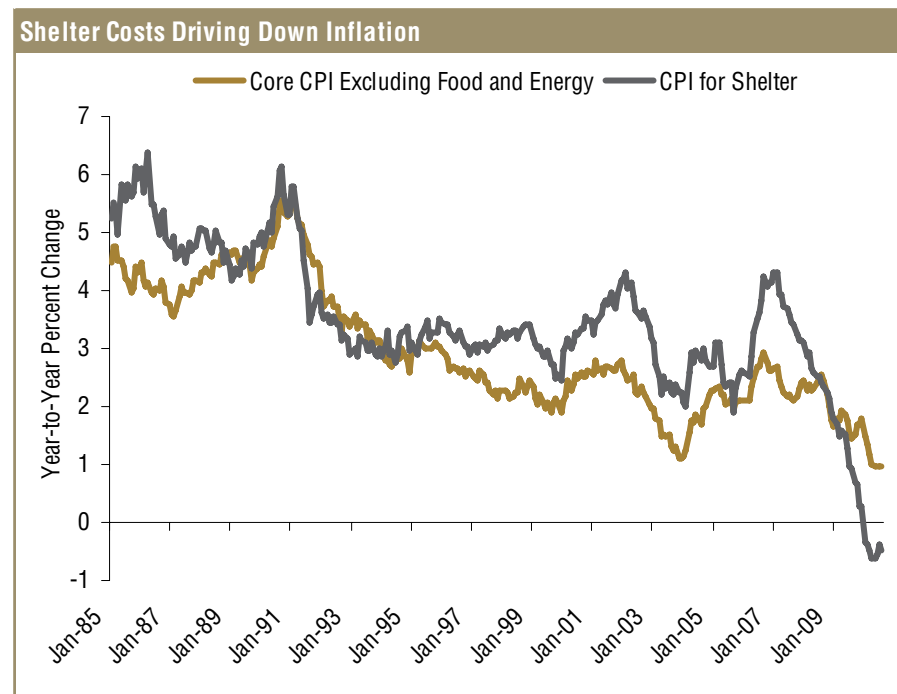
- However, companies have been reluctant to hire new workers.
- Roughly 50% of the 271 industries surveyed by the Labor Department were hiring in August, down from 68% in April.

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The Output Gap and Housing Overhang Pose Disinflation Risk



Source: Bureau of Labor as of August 31, 2010.

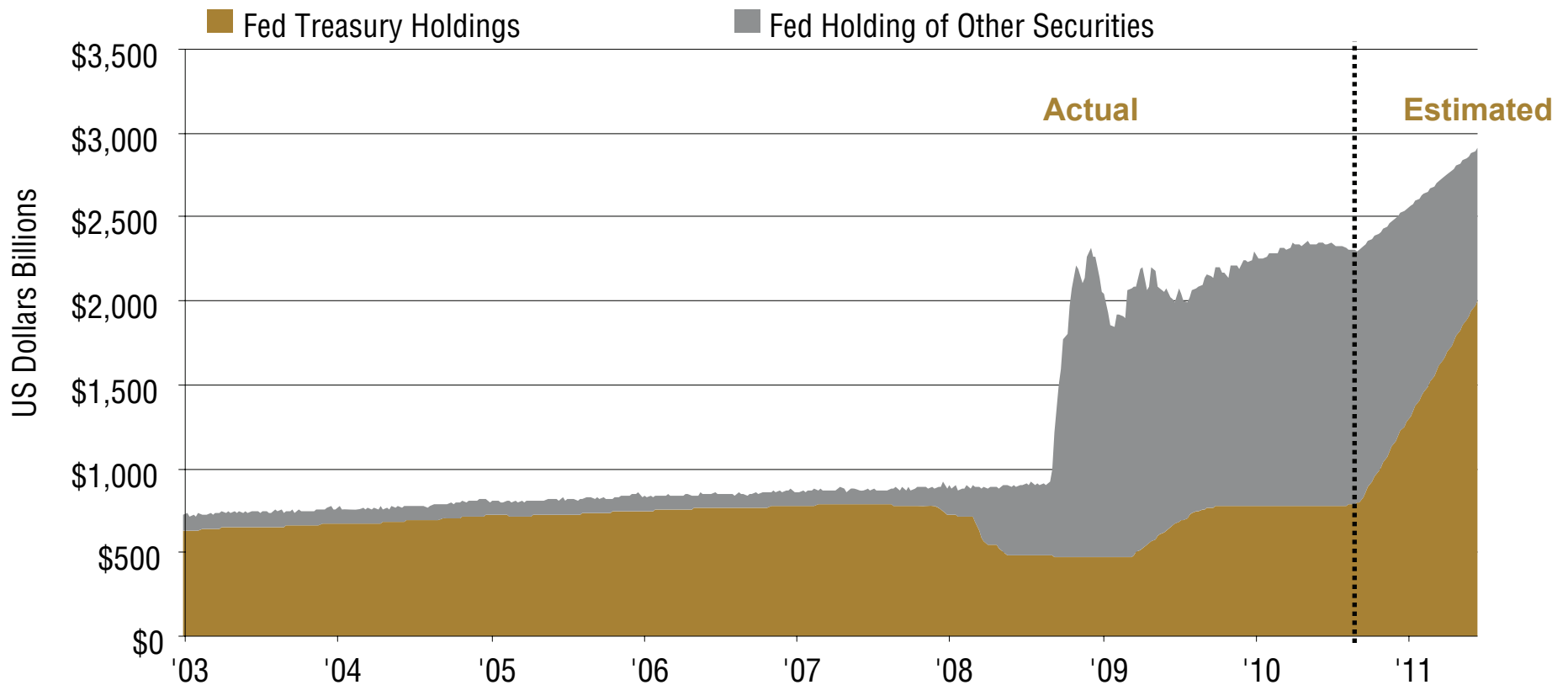


Source: Bureau of Labor Statistics as of August 31, 2010.

- The output gap is an economic measure of the difference between the actual output of an economy and the output it could achieve when it is at full employment.
- Shelter costs, which comprise roughly one-third of the consumer price index, are increasing at their slowest rate in history.

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Fed's Quantitative Easing Will Absorb Much of the New Treasury Issuance

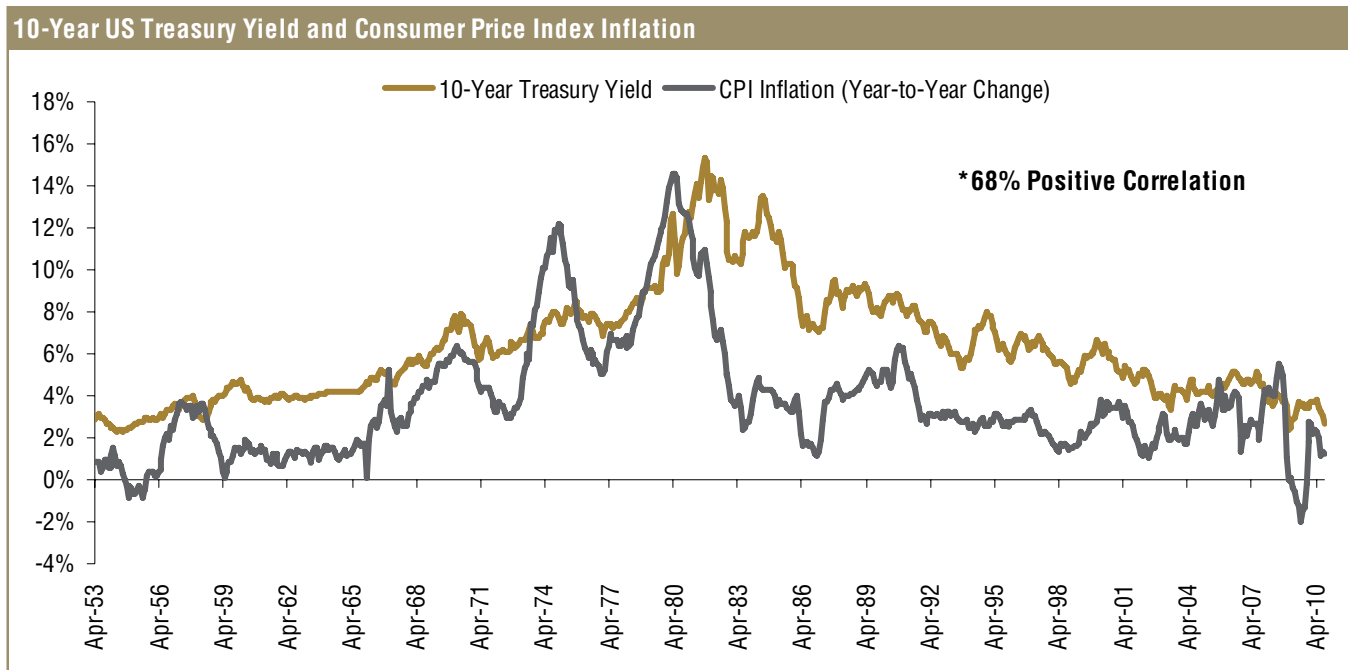


Source: Federal Reserve as of September 30 2010

- The second round of quantitative easing, along with the reinvestment of mortgage pay downs, implies monthly Treasury purchases of US\$110 billion. This will likely absorb most of the net new Treasury issuance over the next eight months.

Please see important disclosures at the end of this presentation.

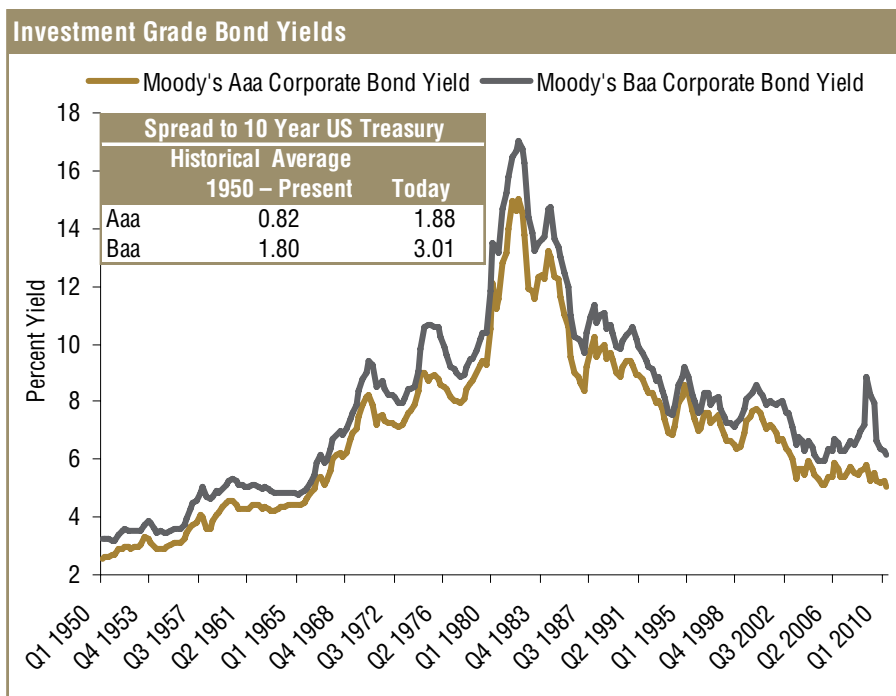
The Prospect of Quantitative Easing and Low Inflation Have Anchored Treasury Yields



Source: Federal Reserve as of August 2010.

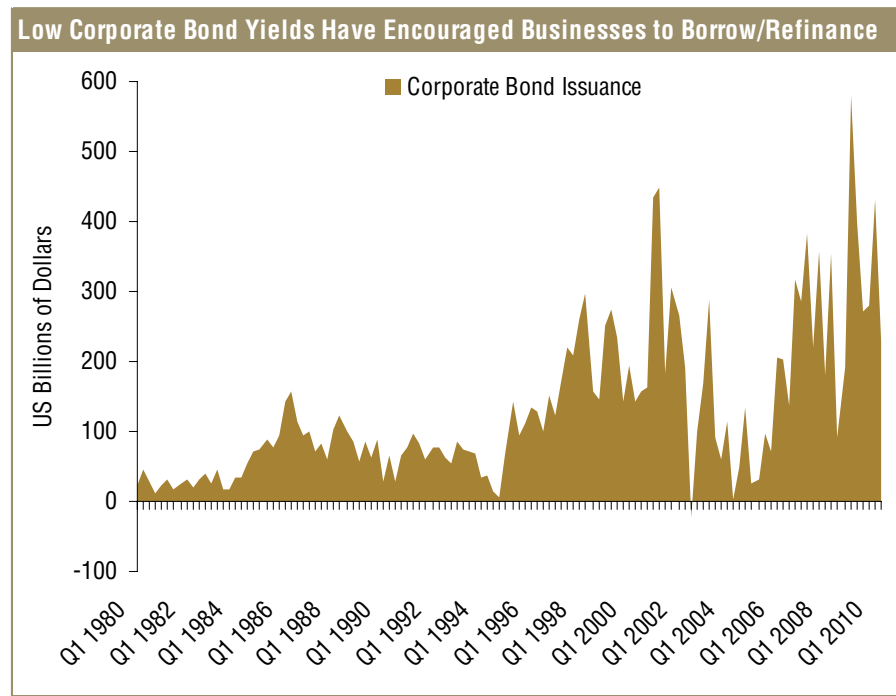
- We believe the fundamental drivers of Treasury yields, including inflation and Fed policy, suggest bonds are close to fair value today. Despite concerns about increased Treasury issuance, the correlation between supply and bond yields is actually inverse. Demand for Treasuries from the Fed, foreign investors and baby boomers remains healthy.

Low Corporate Bond Yields Have Encouraged Businesses to Borrow



Source: Moody's Investor Service as of June 30, 2010.

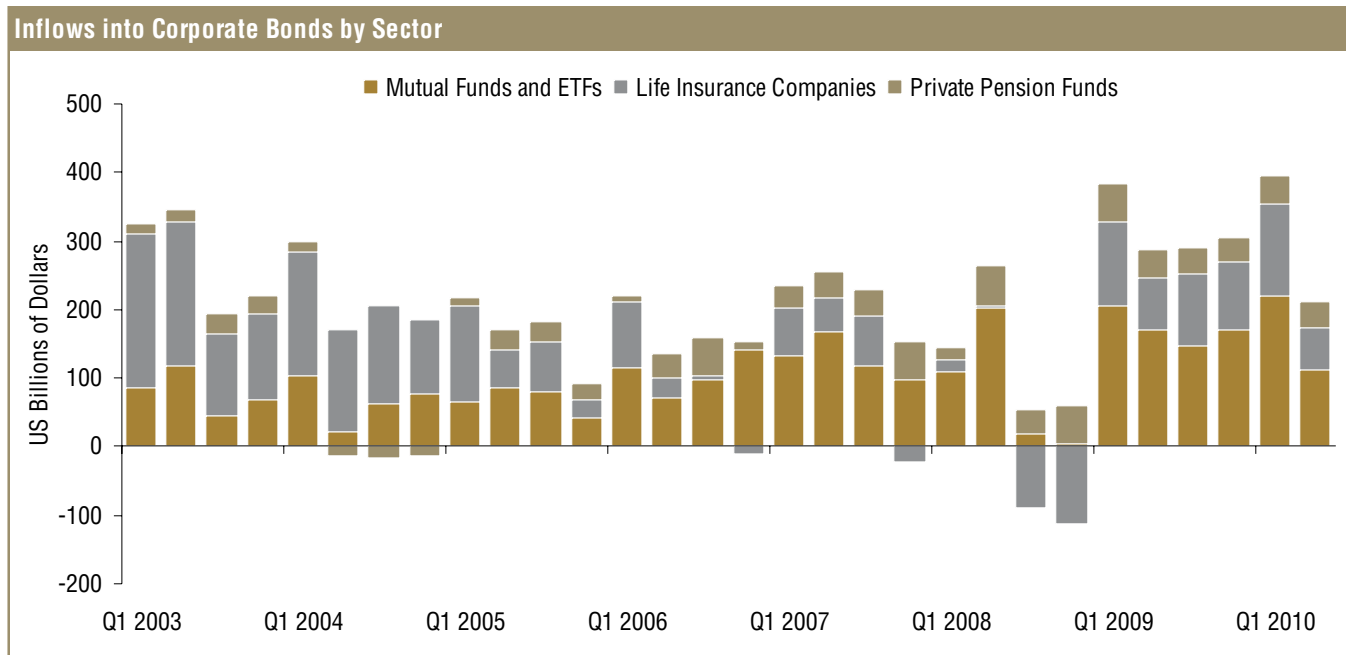
- Moody's investment grade bond yields have fallen to their lowest levels since the late 1960s.
- However, investment grade spreads over Treasuries remain well above their historical average.



Source: The Federal Reserve as of June 30, 2010.

- Corporations have taken advantage of low yields by borrowing or refinancing roughly \$1.2 trillion between Q2 2009 and Q2 2010
- Net corporate issuance, which excludes refis of existing debt, is approximately 30% lower.

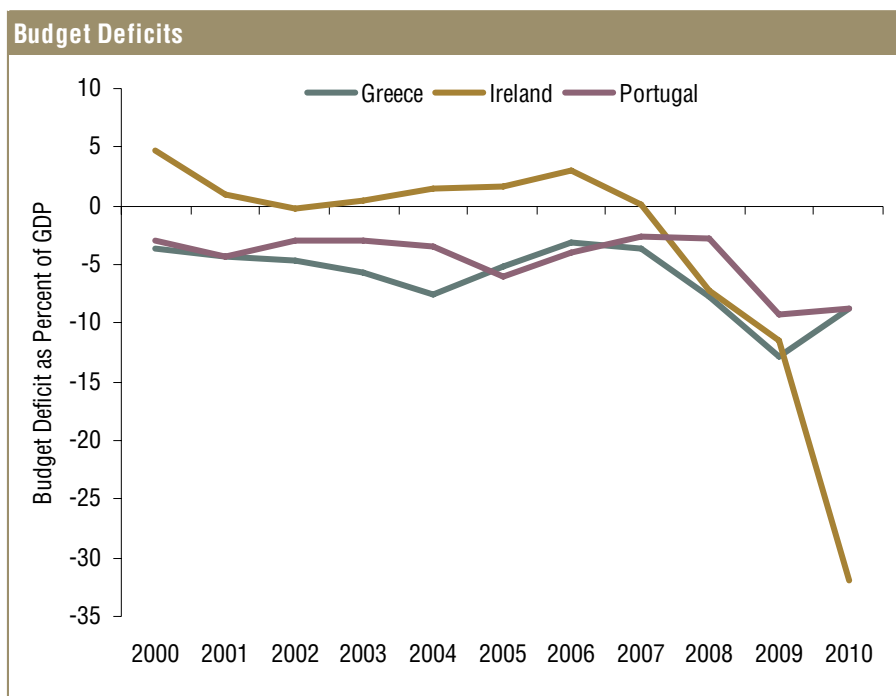
Demand for Corporate Bonds Remains Healthy



Source: The Federal Reserve as of June 30, 2010.

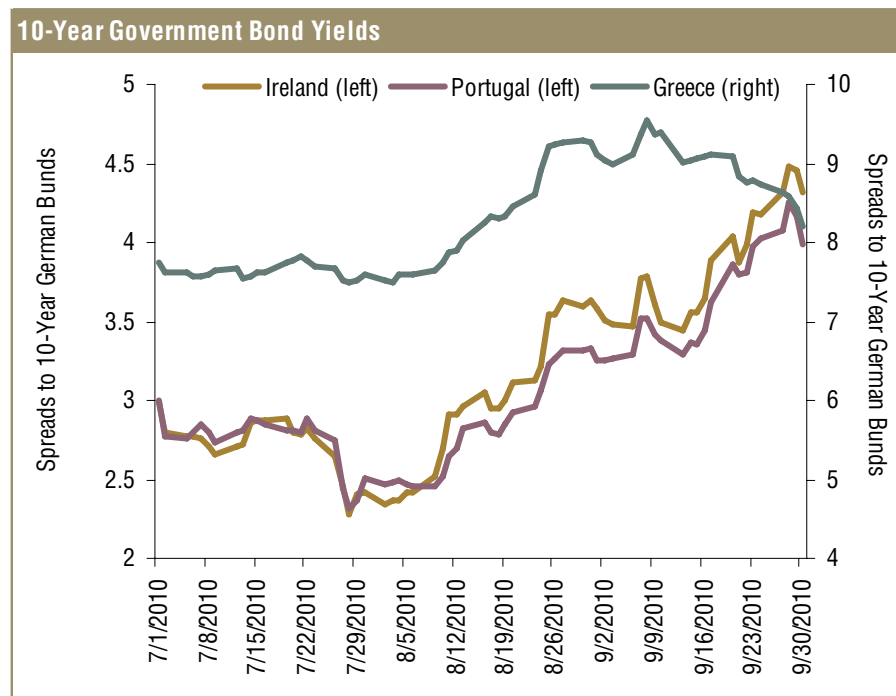
- Despite record issuance and low yields, demand for investment grade corporate bonds from private pension funds, life insurers, and retail investors (through mutual funds and ETFs) remains healthy as investors seek higher yields than they can obtain in the US Treasury market.

Irish Crisis Brought Peripheral European Spreads Under Pressure



Source: International Monetary Fund as of September 30, 2010.

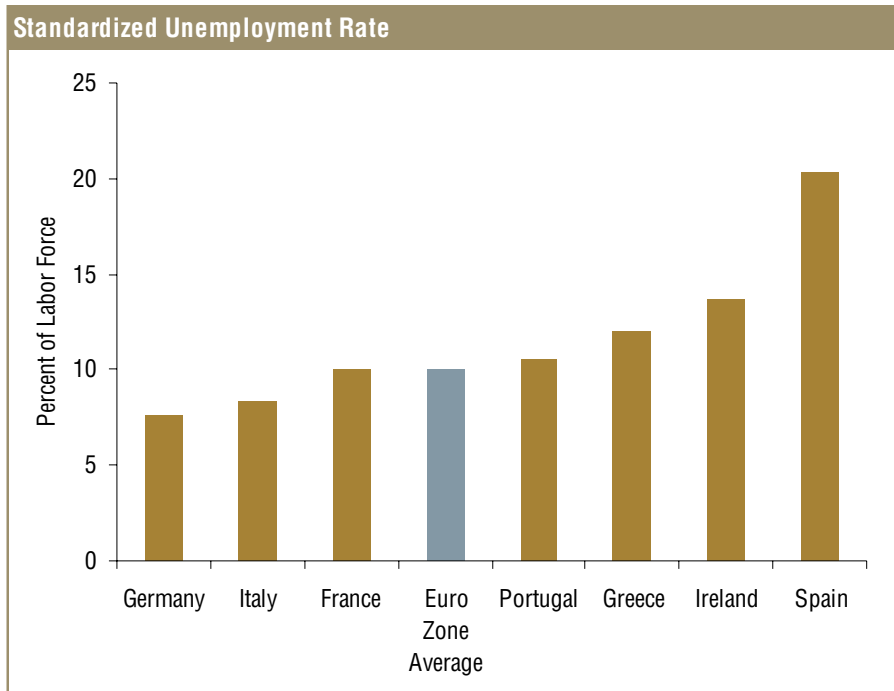
- The Irish government announced that it may need to spend as much as €50 billion (US\$68 billion) to bailout its banking sector.
- This amounts to roughly one-third of Irish GDP, but it should be a non-recurring expenditure so it does not change the outlook for the structural deficit which is closer to 10% of GDP.



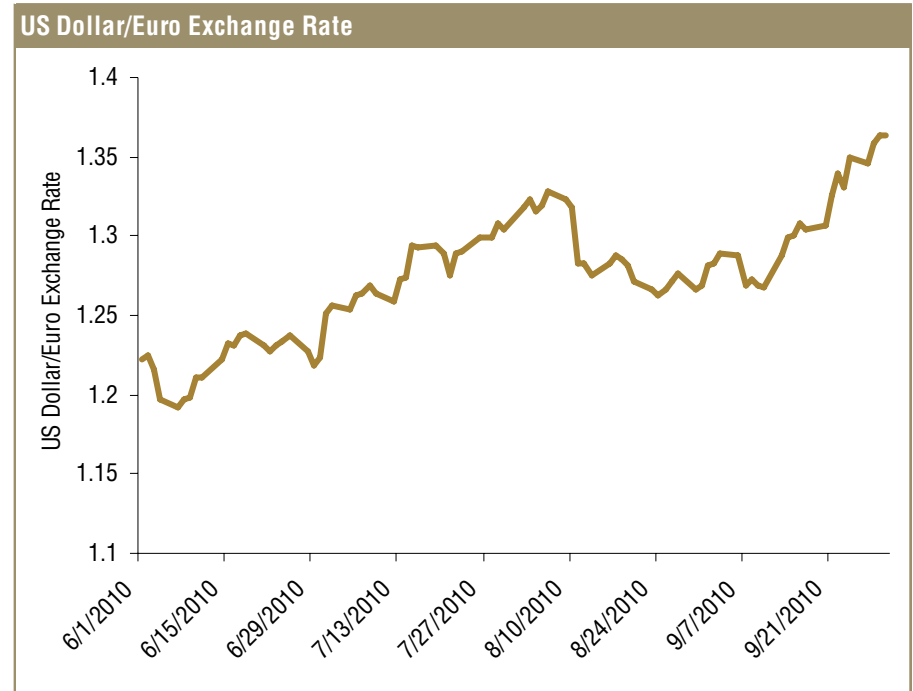
Source: Bloomberg as of September 30, 2010.

- Nevertheless, European government bond yields, particularly in Ireland and Portugal, came under significant pressure after the Irish revelations.
- This was less true for Spain and Italy due in part to the fact that their economies are much larger and both governments have made credible moves toward fiscal consolidation.

Is Core Europe Decoupling from the Peripheral Countries?



Source: Eurostat as of August 31, 2010.

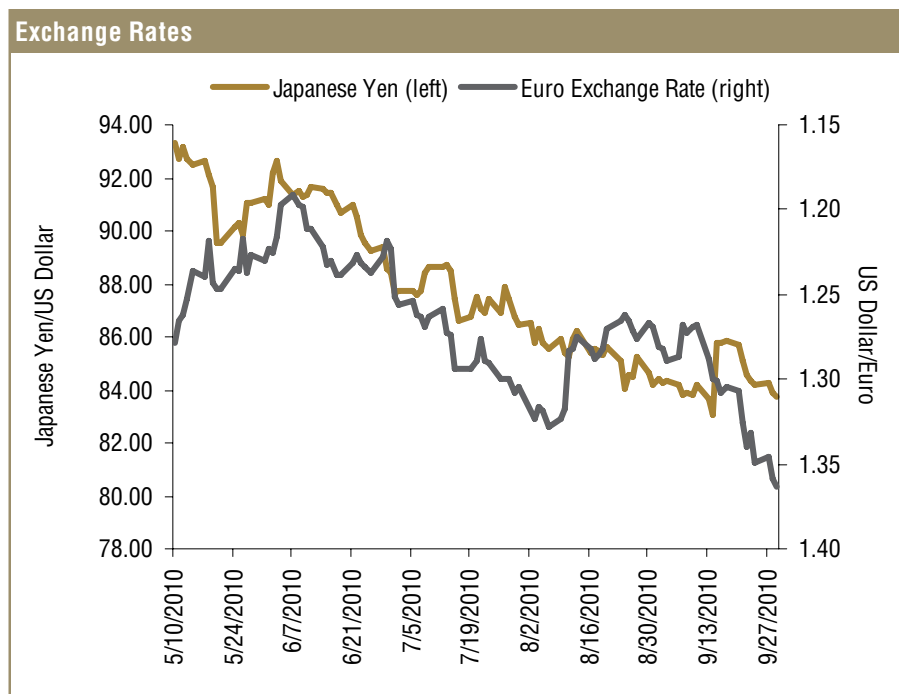


Source: The Federal Reserve as of September 30, 2010.

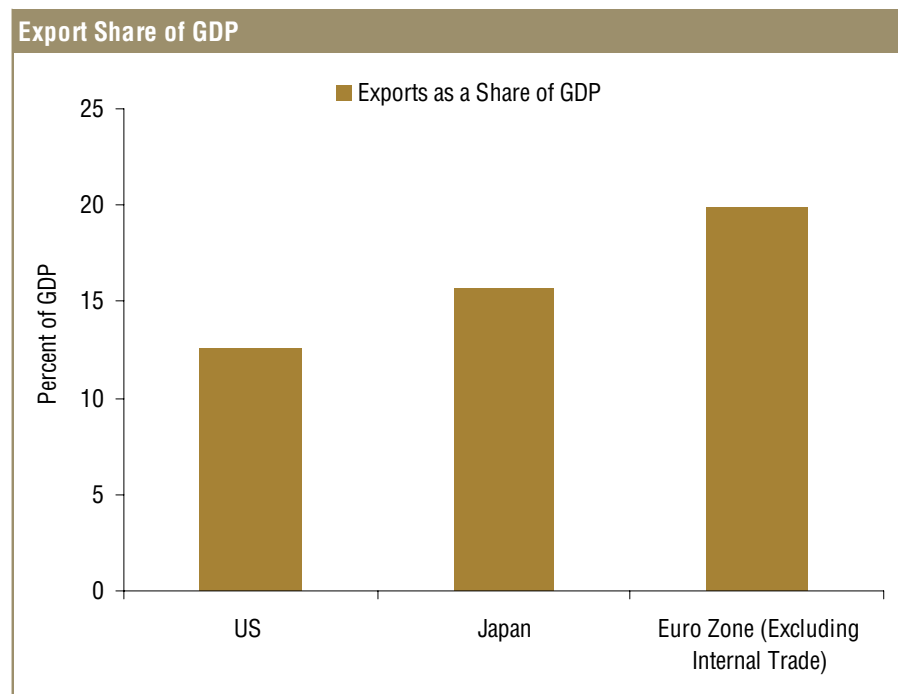
- Most of the peripheral euro zone economies are experiencing sharp drop-offs in economic activity as a result of harsh fiscal austerity measures.

- Yet, economic activity in the core European economies, particularly Germany and France, has held up reasonably well and the euro has strengthened against the US dollar.

The Weaker US Dollar Hurts Europe and Japan More Than It Helps the US



Source: The Federal Reserve as of September 29, 2010.

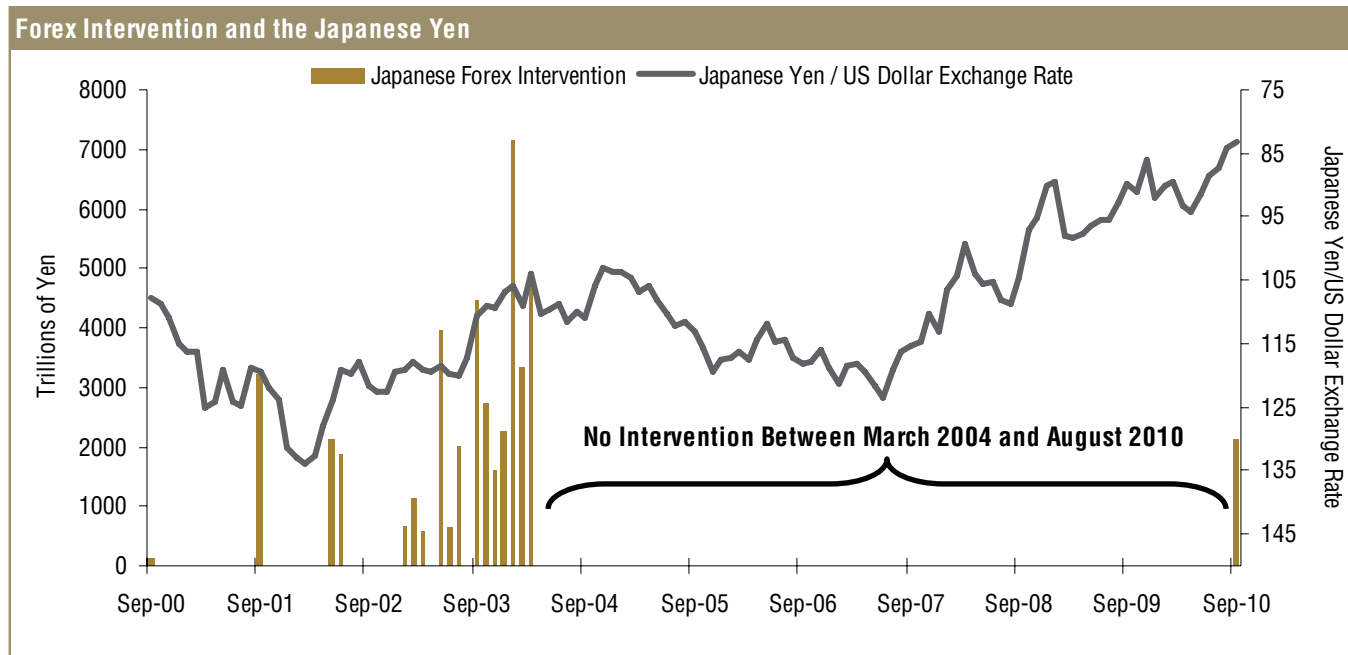


Source: Eurostat, US Bureau of Economic Analysis, and Japanese Ministry of Finance as of June 2010.

- Recent US dollar weakness is in part the result of softer economic data as well as talk from the Fed about extending its quantitative easing (QE). Japanese officials have attempted to stem the appreciation of the yen through unsterilized currency interventions, which is de facto QE.
- The small share of US exports in GDP suggest the dollar's weakness may only have a modest impact on the US economy. Exports are much more important to European growth. The euro's strength could have a detrimental impact on euro zone GDP later this year.

Please see important disclosures at the end of this presentation.

Japan Intervenes in FX Market for the First Time Since 2004



Source: Japanese Ministry of Finance as of September 30, 2010.

- With the yen soaring to its highest levels since the mid-1990s, the Japanese Ministry of Finance decided to step in and attempt to keep its currency from appreciating. The fear is that yen strength could aggravate already persistent deflationary pressures in Japan.

Conclusions

We believe:

- The long arduous process of rebalancing the global economy is in its early stages. A weaker US dollar should aid in this process, however American consumers will have to do most of the heavy lifting.
- Sounder economic fundamentals in Emerging Markets suggest the convergence trend with the Developed Markets is unlikely to reverse anytime soon.
- Private demand in the form of business investment and consumer spending is increasingly important to sustaining the US economic recovery which began in June 2009.
- Deflation risks including the output gap and falling shelter costs have led the Fed to contemplate further action.
- Record low interest rates and healthy demand have encouraged US corporations to boost borrowing.
- The Irish banking crisis has brought government bond yields in peripheral Europe under pressure, but the euro seems to be weathering the storm relatively well.
- The Japanese have begun to intervene in the foreign exchange markets as the yen reaches its highest level in 15 years.

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To the extent the fund invests in foreign securities, its performance will be influenced by political, social and economic factors affecting investments in foreign companies. Special risks associated with investments in foreign companies include exposure to currency fluctuations and controls, less liquidity, less developed or less efficient trading markets, less governmental supervision and regulation, lack of comprehensive company information, political instability, greater market volatility, and differing auditing and legal standards.

Further, investments in foreign markets can be affected by a host of factors, including political or social conditions, diplomatic relations, limitations on removal of funds or assets or imposition of (or change in) exchange control or tax regulations in such markets. Additionally, investments denominated in a foreign currency will be subject to changes in exchange rates that may have an adverse effect on the value, price or income of the investment.

These risks are magnified in emerging markets and countries since they generally have less diverse and less mature economic structures and less stable political systems than those of developed countries.

These benchmarks are broad-based indices which are used for illustrative purposes only and have been selected as they are well known and are easily recognizable by investors. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the portfolio. For example, investments made for the portfolio may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark. Accordingly, investment results and volatility of the portfolio may differ from those of the benchmark. Also, the indices noted in this presentation are unmanaged, are not available for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the portfolio may incur. In addition, the performance of the indices reflects reinvestment of dividends and, where applicable, capital gain distributions. Therefore, investors should carefully consider these limitations and differences when evaluating the comparative benchmark data performance.

The information regarding the index is included merely to show the general trends in the periods indicated and is not intended to imply that the portfolio was similar to the index in composition or risk.

Views expressed are subject to rapid change as market and economic conditions dictate.

The Barclays Capital U.S. Corporate High-Yield Bond Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes Emerging Markets debt. The index was created in 1986, with index history backfilled to January 1, 1983. The U.S. Corporate High-Yield Index is part of the U.S. Universal and Global High-Yield Indices.

The Barclays Capital U.S. Aggregate Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government Related, Corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS sectors. The U.S. Aggregate Index is a component of the U.S. Universal Index in its entirety. The index was created in 1986, with index history backfilled to January 1, 1976.

The Barclays US Treasury bond index is part of Barclays Capital global family of government bonds indices. The index measures the performance of the US Treasury bond market, using market capitalization weighting and a standard rule based inclusion methodology.

S&P 500 Index is considered to be generally representative of the U.S. large capitalization stock market as a whole. It is an unmanaged capitalization-weighted index of 500 commonly traded stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of those stocks. The index assumes reinvestment of dividends.

The S&P 500 index was created in 1957, although it has been extrapolated backwards to several decades earlier for performance comparison purposes. This index provides a broad snapshot of the overall U.S. equity market; in fact, over 70% of all U.S. equity is tracked by the S&P 500. The index selects its companies based upon their market size, liquidity, and sector. Most of the companies in the index are solid mid cap or large cap corporations. The S&P 500 is a market-weighted index.

The Trade Weighted Index measures the value of a country's currency in relation to the currencies of its trading partners.

