

Roosevelt Investments Market Commentary

Second Quarter 2011

Throughout the second quarter we reduced cyclical exposure and currently hold an elevated exposure to risk tools. Our concerns remain at a heightened level given the renewed European sovereign debt crisis, the U.S. government's inability to resolve the debt ceiling issue in a way that meaningfully addresses the country's budget imbalances, and the economy's apparent inability to generate self-sustaining growth.

European Troubles and U.S. Woes

For the second time in a little over a year, Greece is again on the precipice of defaulting. Its debt now trades at prices that indicate investors believe there is a high likelihood of default. There are now also growing concerns about Italy and Spain, and renewed worries about Ireland. Defaults by any of these countries would have serious consequences for major French and German commercial banks which hold large amounts of Eurozone sovereign debt. The concern today is that the under-capitalized condition of one or more large European commercial banks, impaired further by losses on Eurozone debt, could result in another Lehman-like liquidity crunch that would impact the global banking system.

If this was not enough to create serious concerns for investors, during the months of May and June U.S. macroeconomic data began to show signs of deterioration. Investors responded by selling stocks in economically sensitive sectors and rotating into perceived safe-haven sectors such as healthcare, consumer staples, and utilities. While officials at the Federal Reserve attribute some of the recent data weakness to "factors that are likely to be temporary," including higher food and energy prices, supply-chain disruptions related to the Japanese earthquake, and weather events, investors appear less certain. They await confirmatory data in July as well as guidance from management teams who will be reporting their second quarter earnings in the coming weeks before making a determination about whether the weakness is temporary or more entrenched.

Roosevelt Investments Market Commentary, Cont'd.

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Employment data has been decidedly mixed over the past two months, with non-farm payroll data showing minimal job creation that was well below expectations for both May and June. Unemployment claims have remained over 400,000 since the second week of April, partially due to federal, state and local government layoffs. On the other hand, the ADP National Employment Report showed 157,000 new hires in June, indicating that the non-farm data may need to be revised upward. Parsing through some of the underlying figures, seasonal factors such as teachers leaving on their summer breaks make the June monthly payroll data somewhat less relevant, and this anomaly will not be repeated in next month's report. Data also indicated that the number of hours employees worked rose sharply in the second quarter, evidence that employers are stretching their current workforce rather than adding new employees.

While employment figures are lackluster, the corporate environment appears reasonably healthy. Monthly Purchasing Manager Index surveys from the Institute of Supply Management indicate the economy is growing, with particular strength in manufacturing. Regional Federal Bank surveys over the last month were mixed, but the surveys from later in June were stronger than earlier surveys, indicating that the economy may have strengthened as the month progressed. May durable goods orders (reported in late June) were stronger than expected, while April and March reports were revised upward significantly. The ripple effects from the disaster in Japan also appear to be subsiding, with economic data from that country improving markedly over the past month and the government raising its assessment for growth.

Roosevelt Investments Market Commentary, Cont'd.

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Capital spending continues to grow at a good clip this year, and despite the generally healthy condition of balance sheets at many companies, borrowing by businesses grew faster in the first quarter than in any period since Lehman Brothers collapsed. This data is important because it signals that corporate management teams are confident enough to both spend and borrow. Legislation which grants accelerated depreciation of capital equipment is a contributing factor to the spending activity, but in our view that alone is not enough to explain this year's growth.

The second quarter Business Roundtable CEO survey published a few weeks ago indicates that over half of large company CEOs expect to increase hiring this year. With corporate profitability higher than it has been in over 44 years, we can only hope that management teams will demonstrate their confidence and begin hiring. It also seems likely that the Obama administration will be making more forceful efforts to stimulate job growth. Elevated unemployment, stagnant wages and a still-weak housing market make for an environment in which it should be no surprise that consumer sentiment surveys are mostly negative. Nevertheless, retail spending has been much stronger than might logically have been expected. In June, same store sales were up 6.9%. This rise was on the heels of a 5.4% increase in May and an 8.5% increase in April. Gasoline prices have declined about 8% since the highs reached in mid-May, which probably contributed to spending patterns.

We expect near-term investor focus to remain on resolving the debt crises in the U.S. and in Europe. Second-quarter earnings season, which has just begun, will provide clues as to the underlying condition of our economy and whether we will be able to break out of the slow growth environment that we have endured so far this year.

Roosevelt Investments Market Commentary, Cont'd.

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Roosevelt's All Cap Core portfolio underperformed in the second quarter, as it was not positioned for the general shift out of cyclical stocks and into a more defensive orientation (consumer staples and healthcare sectors) that took place during the period. Earlier in the year we had eliminated our exposure to Consumer Staples due to our concerns regarding raw material inflation and the challenges we believed companies in this sector would have in passing along those costs to their customers. We also remained underweight the healthcare sector in part due to our ongoing concerns about regulatory headwinds. Other detractors from performance were several stocks in the Energy, Technology, and Consumer Discretionary sectors. Our underweight in the Financials sector aided performance during the period as regulatory and other pressures weighed on the performance of many stocks.

In June we added back some Consumer Staples companies to the portfolio in the second quarter, in part as inflation concerns fell in concert with a drop in commodity prices, but also as part of our work on consumer spending patterns which combine a squeezed middle class, a high-end buyer continuing to spend, and a lower-end shopper increasingly under pressure. This change, in addition to the elevated risk tools in the portfolio, helped us to gain ground on the market during the month. A second theme added to the portfolio during the quarter was the concept of Energy Arbitrage, which encompasses a number of industries which are likely to benefit from the abundance of new sources of natural gas in the U.S. and the wide price gap between the energy content in a barrel of crude oil and a unit of natural gas.

Roosevelt Investments

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As of July 14, 2011



All Cap Core SMA Composite Annual Disclosure Presentation

Year End	Annual Performance Results		Russell 3000 (DRI)	S&P 500	Composite Dispersion	Number of Accounts	% of Non-Fee-Paying	Composite Assets (USD) (millions)	Total Firm Assets (millions)
	Pure Gross (supplemental)	Net							
2010	14.76%	13.12%	16.93%	15.06%	0.39%	23	0%	2,478	3,682
2009	16.56%	14.88%	28.34%	26.46%	0.60%	18	0%	2,311	3,506
2008	-28.95%	-29.99%	-37.31%	-37.00%	0.54%	15	0%	1,294	2,283
2007	24.85%	23.18%	5.14%	5.49%	1.08%	13	0%	467	1,602
2006	14.63%	12.99%	15.72%	15.80%	0.72%	11	0%	156	1,095
2005	12.16%	10.64%	6.12%	4.91%	<5 portfolios	<5 portfolios	0%	44	840
2004	18.59%	17.15%	11.95%	10.88%	<5 portfolios	<5 portfolios	0%	18	722

Supplemental Information

2003	39.85%	38.30%	31.06%	28.68%	<5 portfolios	<5 portfolios	0%	6	597
2002	-12.54%	-13.49%	-21.54%	-22.10%	<5 portfolios	<5 portfolios	0%	3	456
2001	-6.66%	-7.56%	-11.46%	-11.89%	<5 portfolios	<5 portfolios	0%	3	502
2000	-2.49%	-3.14%	-7.46%	-9.10%	<5 portfolios	<5 portfolios	0%	3	739

1) The Roosevelt Investment Group, Inc. (TRIG) is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940.

2) The All Cap Core SMA Composite is comprised of 100% SMA accounts and includes all SMA portfolios managed in the all cap core style. Our All Cap Core portfolio construction typically begins with a top-down, global macro (thematic) approach. Once we identify a theme, we apply our proprietary fundamental bottom-up security selection process. In order to provide diversification, the portfolio will typically maintain 8 - 12 themes at any given time. The portfolio management team is agnostic to benchmarks, sectors and traditional valuation and capitalization metrics. Particular attention is paid to risk management where tools and techniques are incorporated when the portfolio management team perceives heightened risks in the markets. For comparison purposes the composite is measured against the Russell 3000 (DRI) Index. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. The All Cap Core SMA Composite was created on September 1, 2009 and has an inception date of January 1, 2000. The U.S. Dollar is the currency used to express valuations and performance. The firm maintains a complete list and description of composites, which is available upon request.

3) Pure gross returns are shown as supplemental information, include the reinvestment of all income and do not include investment management fees, custodial fees or transaction costs. Net returns include the reinvestment of all income and are reduced by the actual, entire SMA fee charged to the client. SMA fees include transaction costs, investment management fees and custodial fees. SMA fees vary across SMA sponsors, generally ranging between 1.0% and 3.0% of total assets under management. TRIG receives a portion of this fee for investment management services provided. SMA fee schedules are provided by independent SMA sponsors and are available upon request from the respective SMA sponsor. For the purpose of performance calculation, SMA accounts are aggregated by sponsor, with each sponsor viewed as a single portfolio. Dual contract SMA accounts are also aggregated and viewed as a single portfolio. SMA composite returns are calculated by weighting each account's monthly return by its corresponding beginning market value. The Number of Accounts and Composite Assets columns include only the accounts that were in the composite at the end of the year. The annual composite dispersion presented is a net-of-fees, asset-weighted standard deviation calculated for the accounts in the composite for the entire year. Additional information regarding the policies for calculating and reporting returns is available upon request. Past performance is not indicative of future results.

4) All investments carry a degree of risk, including loss of principal, and there is no assurance that any asset class will provide positive performance over any period of time. There are material differences between Roosevelt's investment style and the S&P 500 and Russell 3000 indices. These indices are widely recognized unmanaged indices – the S&P 500 of large capitalization companies, representative of a more expansive list of such companies than is found in Roosevelt's portfolio, and the Russell 3000 of a broader market of securities than is found in the portfolio. The S&P 500 and Russell 3000 figures assume reinvestment of all distributions paid by stocks included in the index. Roosevelt charges management fees, and a client may incur trading costs, while the indices do not reflect any deductions for brokerage commissions or other fees or taxes an investor would have paid if the investor actually invested in those stocks. Individuals cannot invest directly in the indices, though they can invest in investment vehicles that attempt to track the performance of the indices. The portfolio may hold exchange-trade funds (ETF). The Roosevelt Investment Group considers investment objectives, risks, charges, and expenses associated with the ETF before investing. This and other information is found in the prospectus, which a client can obtain through their financial advisor.

5) The Roosevelt Investment Group, Inc.'s compliance with the GIPS standards has been verified for the period beginning January 1, 2004 through December 31, 2008 by Ashland Partners & Company LLP. A copy of the verification report is available upon request.

The Roosevelt Investment Group, Inc. has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).