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Dear client,

After reaching what many investors consider to be a generational low in early March, financial markets staged a remarkable recovery, coming back from the brink of disaster thanks in large part to unprecedented rescue efforts by governments. After tumbling 25.4% to a 12 year low in March, the Dow Jones Industrial Average staged a sharp rally, finishing the year up 18.8% while the Standard & Poor's 500 stock index rose 23.5%.

The Dow's low point on March 9, when it was down 53.8% from its all-time high reached in October 2007, turned out to be the start of a powerful rally; the DJIA finished 2009 up 59.3% from its March low, the quickest climb since 1933. The NASDAQ composite ended 2009 up 78.9% from its March low, gaining 43.9% for the year.

Companies in sectors that had taken the biggest beating in 2008 and early last year surged, including autos and basic materials. Ford Motor shares more than quadrupled to \$10, while Freeport-McMoran Copper & Gold more than tripled. The rally was ignited by an unprecedented amount of stimulus, both fiscal and monetary, in an environment heavy with an unprecedented degree of skepticism and pessimism.

How the major indexes performed

	Fourth-quarter performance	Close 12/31/09	% chg from 12/31/08
Dow Jones Industrial Average	7.4%	10428.05	18.8
DJ U.S. Total Stock Market	5.4	11497.41	26.5
DJ World (excl. U.S.)	3.3	201.09	37.0
Nasdaq Composite	6.9	2269.15	43.9
S&P 500	5.5	1115.10	23.5
NYSE Composite	4.0	7184.96	24.8
Russell 2000	3.5	625.39	25.2
Value Line (Geometric)	3.4	308.97	36.8
Amex Composite	2.6	1824.95	30.6

Sources: WSJ Market Data Group; DJ Indexes

Going into the New Year, the economy seems to be showing enough momentum that few investors fear a sudden dip back into recession, although most still expect a slow recovery. Corporate earnings, which have been far stronger than expected thanks to aggressive cost-cutting, seem on track to close out 2009 with another solid reading.

The market continues to benefit from the Federal Reserve's pledge to keep interest rates low for an "extended period" and the federal government's stimulus dollars that continue to pour into the economy. Stock-market valuations, while not cheap, aren't so rich that investors see better opportunity in other assets. If anything, many investors are more wary of a meaningful pullback in corporate-bond prices after a big rally in 2009.

Although many analysts expect the stock market to end 2010 with gains, they see some bumps along the way. A major unknown is how the markets will fare once the Fed starts siphoning off some of the unprecedented amounts of cash it pumped into the financial markets to support the economy, especially if the Fed moves sooner rather than later.

Investors will continue to closely monitor hints from the fed, watching for any signs that the central bank's exit strategy is proving disruptive. The housing market will be watched particularly carefully, as it has been propped up by the Fed's so far successful effort to keep mortgage rates low through the purchase of mortgage backed securities. Investors will remain wary of an inflation spike if the Fed keeps rates too low for an extended period of time. There is also substantial fear in the marketplace that the massive US government debt and ongoing deficit will eventually result in a severe decline in the value of the US dollar.

The Dow remains down 26.4% from its all-time high and down 9.3% from 10 years ago. The Dow Jones average which began in 1896, experienced its worst performance decade since the 1930s, when it had dropped 39.5%.

While the economy may very well be in the early stages of a potentially substantial economic recovery, investors may not broadly recognize the balance until well into 2010. Some market watchers are concerned that structural headwinds in place as a result of political pressures may weigh on securities prices.

Master Limited Partnerships:

Our long time interest in Master Limited Partnerships was substantially rewarded in 2009 as the group recorded its best one-year gain in history. Many MLP metrics indicate the group as a whole gained more than 60% in total return during 2009.

The fundamental MLP “virtuous cycle” sees rising cash flow boosting dividend distributions, lifting unit prices. Higher unit prices mean equity capital can be raised less expensively, increasing the number of projects that are profitable to acquire or construct. As more projects are built or purchased, cash flow rises and distributions can again be increased.

In 2009, the top performing sectors were upstream, marine transportation and general partnerships while the weakest sectors included natural gas pipelines and refined products. The market cap of the MLP sector increased to \$152 billion from \$90 billion at the end of 2008. At December 31, 2009, MLPs had an average market adjusted yield of 7.3%, versus 12.3% at December 31, 2008.

MLPs ended the year with a flourish, increasing by 6.7% in December, well ahead of the S&P 500s increase of 1.8%. The atypically strong December performance is likely attributable to momentum buying, a growing risk tolerance, and a sharp rebound in natural gas prices. More broadly, December performance can be attributed to many of the factors that have driven overall 2009 results, including (1) overall positive equity market momentum, (2) continued recovery in commodities prices, and (3) a tightening of credit spreads.

Distribution growth in 2009 decreased to an estimated median of 4.2%, down from 8.8% in 2008 as management teams took a cautious approach given the challenging macro landscape and lower commodity price environment.

MLPs continue to invest in energy infrastructure, placing more than 3000 miles of pipeline into service, representing 16.7 billion ft.³ per day of new natural gas capacity and almost one million barrels per day of additional crude oil/NGL pipeline capacity adding in excess of 1.4 billion ft.³ per day of processing capacity and 9 billion ft.³ of natural gas storage and 6.5 million barrels of crude or refined petroleum products storage. MLPs invested more than \$11 billion on organic growth projects in 2009.

Share appreciation may slow somewhat in 2010 and during this period of price rationalization valuation should continue to be supported by (1) the relative attractiveness of MLP yields, (2) access to capital markets, (3) high correlation to credit spreads, (4) funds flow trends in the sector, (5) improving energy

fundamentals, (6) renewed acquisition activity, and (7) the likelihood of the continued low interest rate environment in 2010. The relative performance of MLP sub sectors in the overall recovery in MLP valuations can be mapped to investors’ growing risk tolerance. Specifically, large cap pipeline MLPs outperformed (on a relative basis) in 2008, when risk tolerance was low (“the safety trade”) and investors gravitated to the large, fee-based, investment-grade, credit-rated equities. In 2009, G&P and upstream MLPs outperformed as risk tolerance increased and these higher beta, commodity sensitive MLPs exhibited sustainability in the distribution, leading to yield compression. For 2010, the next big play in the “risk” trade could be a rotation into those MLPs that suspended distributions in 2008 -2009 as investors speculate as to which MLPs will reinstate the distribution, when, at what level.

After strong performance in 2009, MLPs are now closer to fair value, based on five- and ten-year valuation metrics. Specifically, MLPs trade at a 366-basis-point (bp) spread above the ten-year Treasury. This is essentially in line with the five- and ten-year average yield spreads of 372 bps and 348 bps respectively. Further, high grade and high yield bond spreads are back a to five- and ten-year average, which seems intuitive given the fact that correlations between credit and MLP performance have been strong over the past three years (i.e., correlations of more than 0.90). MLPs currently yield 7.5% and trade at 2010 price-to-distributable cash flow (P-to-DCF) and enterprise value-to-EBITDA multiples of 10.3x and 10.7x, respectively. This compares with five-year historical averages of 7.1%, 12.1x, and 11.0x, respectively, suggesting that MLPs are much closer to fair value based on historical metrics.

There are several risks that could cause a pullback in the MLP sector:

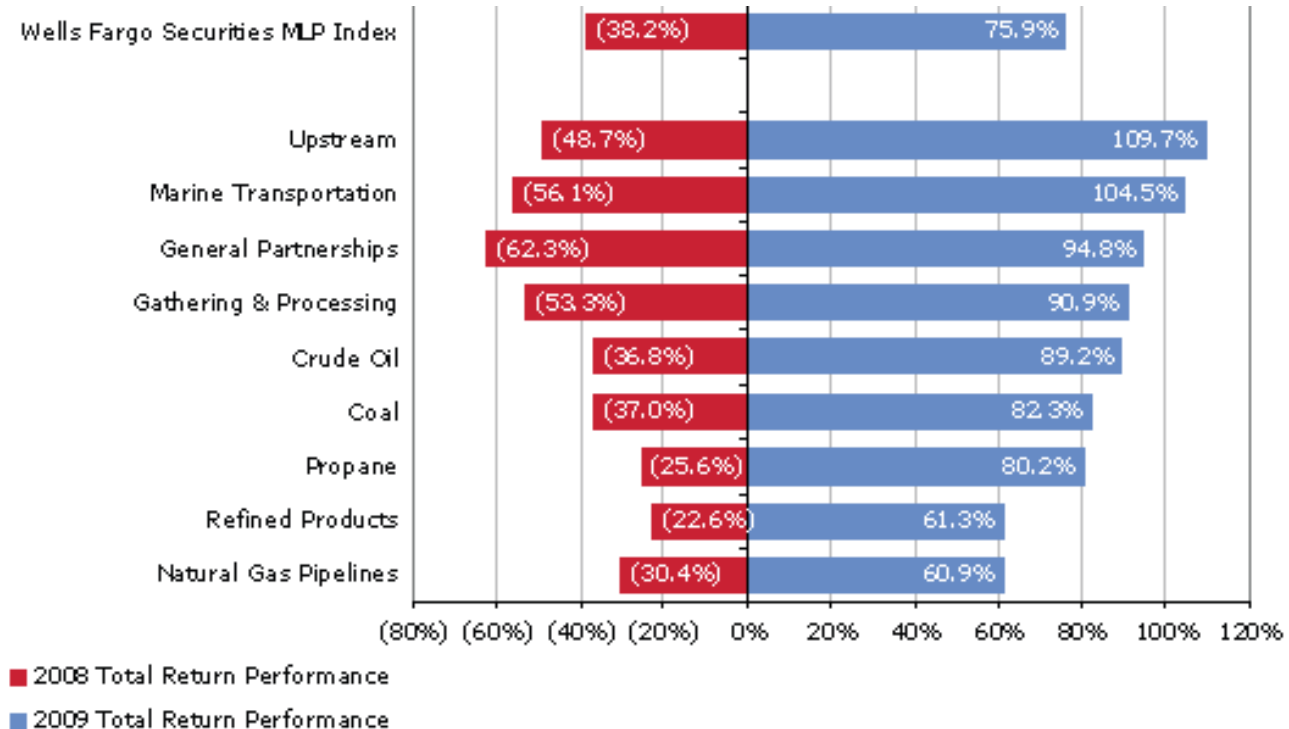
(1) Legislative headline risk: President Obama’s tax panel is scheduled to report its broad recommendations in early 2010. While there is no indication that MLPs’ tax status is on the agenda, even a mention of MLPs as a potential source of government revenue could create serious headline risk for the sector. In addition, climate and other legislation aimed at the oil and gas industry could indirectly affect MLPs.

(2) A pullback in commodity prices: a significant decrease in commodity prices would likely cause headwinds. Notably MLP in crude oil prices exhibited a 0.76 correlation over the past 10 years.

(3) Double-dip recession: while most economists seem to be projecting a mild economic recovery, if the US and global economy slipped into a double dip recession, this could negatively impact MLP price-performance.

(4) Higher interest rates: if interest rates begin to increase ahead of expectations, this could affect MLP performance.

(5) Potential volatility due to new MLP investors: while 2009 brought new capital and investors into the MLP sector, the time horizon and investing style of these new entrants is still largely unknown. As experienced in 2007 – 2008, a combination of highly leveraged institutional investors, liquidity concentration



Source: FactSet and Wells Fargo Securities, LLC estimates

and private investment in public equity (PIPE) offerings, and total return swaps caused an exaggerated sell-off in the MLP sector. With sector liquidity still relatively modest, a similar risk remains.

(6) Stock market correction: a significant decline in the overall stock market is likely to put pressure on MLP prices as well.

(7) Conservation could translate to little or no growth: a combination of weak consumer demand, higher commodity prices, and/or restrictive government regulations could cause significant conservation. This could lead to no growth or even a decline in energy demand, which would negatively affect MLPs.

Credit Markets:

With help from the US Government, prices of corporate bonds, mortgage-backed securities and leveraged loans soared back to levels unseen since before Lehman Brothers collapsed in September 2008, as investors gained confidence throughout the year that the worst of the credit crisis had passed. Investors poured cash they had on the sidelines into riskier assets, causing a once-in-a-lifetime opportunity for returns of 50% or more in some categories, including "junk" bonds and leveraged loans. The new year is unlikely to bring results of the same magnitude, as the government winds down its many support programs, pulls out of the mortgage-backed-securities market and codifies regulatory changes to the financial system.

Most analysts say returns in the corporate-bond markets aren't likely to surpass 10% to 12% in 2010.

With the economy having averted what seemed a potential repeat of the Great Depression in 2008, most economists expect last

year's strong economic rebound to level off to a sustainable, but not rapid, rate of growth.

Despite the rally in bond prices, there is still far less credit being extended to consumers and too many small or weaker firms. There also is less demand for credit, as households and companies repair their balance sheets, spend less and conserve cash amid 10% unemployment levels in the U.S. and still-low home prices.

After investors spent 2008 putting their money in the equivalent of a mattress, buying short-term Treasury securities or money-market funds, cash flows into riskier assets in 2009 were record-breaking. Investors poured about \$176 billion and \$31 billion, respectively, into junk-bond and investment-grade-bond mutual funds in 2009.

Treasury bonds fell in price in 2009, sending their yields higher as investors sought out riskier returns. Returns on Treasury notes and bonds fell 3% to 13% depending on their maturity, while the U.S. government sold a record-breaking \$2.1 trillion of new debt into the marketplace to fund its programs and budget deficit.

High-yield and low-rated corporate junk bonds returned 57.5%, according to a Merrill Lynch index. As investors grew more comfortable with risk and bid up their prices, the gap between their yields and yields on risk-free Treasury bonds fell from more than 20 percentage points in December 2008 to 6.4 a year later. Bond yields fall as prices rise.

Bonds with the weakest, triple-C, credit ratings returned more than 100% for the year, but analysts expect this merely reflected a reversion to more-normal prices and that, in 2010; higher-rated junk bonds will do best.

As prices rose, the yields on junk bonds fell in half, from about 24% a year ago to about 10% now. High-quality, investment-

A Return to Risk and Reward

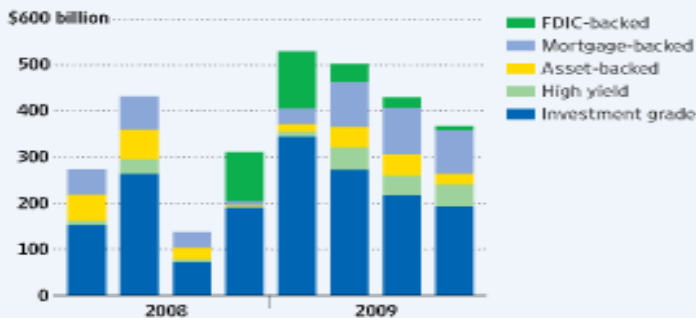
Interest rates and Treasury yields

The Federal Reserve kept the federal funds rate at nearly 0%, while the U.S. government sold a record-setting \$2.1 trillion of debt to help fund a multitude of stimulus programs and bailouts.



Corporate borrowing

Corporate debt issuance exploded in 2009 as companies took advantage of low interest rates and government support to lock in low-cost funding. Banks and other financial institutions issued more than \$300 billion of debt backed by the Federal Deposit Insurance Corp., which helped them meet their 2010 obligations.



Sources: WSJ Market Data Group (Fed-Fund target, bond returns); Ryan ALM (all Treasury yields and 10-year return); Dealogic (debt issuance); Bank of America Merrill Lynch (bond returns)

Bond returns

Riskier assets, like emerging-market debt and junk bonds, staged massive rallies in 2009, with some returning more than 40%, as investors abandoned 'flight-to-quality' trades. Many asset classes returned more than 10%, while Treasury bonds fell short.



*In local-currency terms
Note: The emerging-markets index tracks sovereign bonds from countries rated Triple-B or lower; asset-backed bond indexes are for fixed-rate bonds and mortgage-backed includes some hybrids

grade companies can borrow at about 5%. Investment-grade bonds also logged impressive gains, returning about 20% in 2009. The average highly rated corporate bond now yields about two percentage points more than comparable Treasury bonds, compared with 6.25 points higher a year ago, The leveraged-loan market, which was the main engine of the buyout boom that preceded the credit crisis, also recovered. Leveraged-loan prices had fallen to about 65 cents on the dollar in 2008, and are now generally closer to face value, according to Standard & Poor's. As corporate capital markets nursed themselves back to health, the securitization markets that fuel consumer finance remained relatively stagnant. Many lenders borrowed money by selling securities under the Fed's Term Asset-Backed Securities Loan Facility, which supported investor demand for securities backed by consumer loans like car loans or credit-card debt. This helped drive up the prices of these securities, and their yields fell to just one to two percentage points over risk-free Treasury bonds. But overall, these markets are still shrunken compared with pre-crisis levels. Demand for new credit is lower as consumers retrench and wrestle with a still-struggling housing market. Issuance of asset-backed debt last year was 23% lower than 2008,

according to Dealogic, and there have been nearly no new securities issued and backed by nonconforming mortgages. In the mortgage market, the Federal Reserve propped up prices for mortgage-backed securities, keeping rates down and sparking a wave of refinancing that helped stop the bleeding in the housing market. The Fed bought more than 70% of all the mortgage-backed securities backed by loans that conformed to Fannie Mae and Freddie Mac standards. It is set to stop those purchases by the end of March 2010. How that program unwinds could be a sticking point for the credit markets in 2010, say analysts and investors. That said, the Fed and the government's support throughout 2009 suggests to many investors there is a stronger safety net under the markets than anyone realized one year ago.

Global Markets:

The stars of the 2009: shares in emerging markets. Investors flocked to countries that were either less hobbled by the financial crisis or demonstrating rapid recoveries from any ill-effects. Russia's RTS Index exploded by 129%, India's Sensex by 81%, and China's Shanghai Composite by 80%, though all remain significantly off their all-time highs touched in 2008 or 2007. Brazil's Bovespa gained 83%, which puts it within 7% of its 2008

Dow Jones Global Indexes Ranked by 2009 performance in U.S.-dollar terms

Country	U.S. dollars	Local currency	Country	U.S. dollars	Local currency	Country	U.S. dollars	Local currency	Country	U.S. dollars	Local currency
Indonesia	129.3%	97.7%	Hong Kong	67.4%	67.5%	Malaysia	46.9%	45.4%	Switzerland	25.1%	22.3%
Brazil	127.1	69.8	Sweden	65.5	49.4	Netherlands	42.8	38.3	Greece	24.1	20.3
Norway	93.8	59.9	South Korea	65.3	52.9	Denmark	40.8	36.4	Germany	24.1	20.2
Chile	88.8	50.3	Canada	56.9	33.3	U.K.	39.5	24.2	Italy	23.2	19.4
Taiwan	83.1	78.4	South Africa	56.0	24.2	New Zealand	38.8	11.5	Finland	17.5	13.8
Singapore	74.0	69.6	Austria	55.6	50.7	Portugal	35.4	31.2	Iceland	10.3	13.4
Thailand	71.7	64.6	Ireland	54.7	28.7	Spain	32.6	28.5	Japan	4.0	6.8
Australia	70.9	32.5	Belgium	50.5	45.8	France	28.6	24.6	World	33.6%	
Philippines	70.4	65.6	Mexico	48.2	39.7	U.S.	25.7	25.7	World, ex. U.S.	39.7%	

Note: Individual country indexes are DJ Global Total Stock Market Index

Benchmark stock-market indexes Ranked by 2009 performance in local-currency terms

record.

The Dow Jones World Index, excluding the U.S., soared 37% in U.S. dollar terms, compared with a 19% gain by the Dow Jones Industrial Average.

That marks a return to the kind of performance that preceded the financial crisis, when international stocks outpaced their U.S. counterparts, in part due to a weakening U.S. dollar. A feebler greenback means that gains in foreign currencies are pumped up when converted back into dollars.

Currency moves once again played an important role in international-stock returns in 2009. For instance, an MSCI index that tracks shares in developed markets outside the U.S. rose 21% in local-currency terms, but in dollar terms, it jumped 28%.

The year's performance—a scorching rally from extremely low levels, when prices soared even as earnings remained weak—produced the fastest rebound in global stock values in 40 years.

Oil and Natural Gas:

Oil was buoyed by hopes for an economic recovery, while natural gas lagged behind largely because of despair about the risk of oversupply. Their divergent paths last year—and the gyrations in recent years—reflect fundamental forces that affect their prices but also underscore the unpredictable outlook for both commodities in months and years ahead.

Oil and natural gas were riding high in mid-2008, before prices plummeted amid the financial crisis. By the end of that year, both had fallen well over 50% from their summertime peaks, amid concern that a battered global economy would translate into much slacker demand. Beginning early last year, hopes for relatively smooth economic recovery helped oil prices bounce back sharply. After starting the year at \$44.60 a barrel, oil futures rose to \$81.37 a barrel on Oct. 21, up more than 80% year-to-date. Oil closed 2009 at \$79.36 a barrel, up \$34.76, or 78%, but still well below its all-time high above \$145 a barrel in the summer of 2008. The price of oil in 2009 more or less tracked concerns about the economy. It fell at the start of the year and started to move higher in mid-February, as the worst fears about

the financial crisis began to ease.

As markets rebounded over the rest of the year, oil went along for the ride amid expectations that the forces that had been driving up oil in recent years—emerging-market growth—would again prevail. Prices for natural gas, however, were much slower to recover and didn't bounce back as forcefully. After starting the year at \$5.622 per million British thermal units, natural gas fell in the early part of the year roughly in line with oil.

Even after oil rebounded, natural gas kept finding new lows for the year, meandering up and down through spring and summer until hitting bottom on Sept. 3, when natural gas settled at \$2.508. At that point, prices were down more than 55% for the year, and far below the record settlement price of \$15.378, hit on Dec. 13, 2005.

In a sense, the falling price was an indicator of gas producers' success in unlocking supplies. New drilling methods gained access to abundant natural-gas deposits that had been difficult to tap.

But demand can't always easily soak up the extra supply. Natural gas is mostly sold relatively close to where it is produced—it isn't shipped as readily or widely as crude oil and it is often used to run power plants—which take years to build—and heat homes in cold climates. So it can be hard for the economy to use a lot more of it quickly, the way consumers may respond to cheap oil by driving more. However, natural-gas prices recovered toward the end of the year, with the onset of colder weather, and eventually crept back into positive territory for the year on Dec. 17 before closing the year down 0.9%, at \$5.572. Some analysts think abundant natural gas will continue to act as a curb on prices, at least to some extent. Forecasts for next year range from \$4.75 per million BTUs to \$9. The end result is that while the law of supply and demand held in 2009, there isn't any guarantee that the amount of supply or demand won't change significantly in the future.

Grains:

Although food consumption is generally less sensitive to economic conditions than energy and metals, a series of abnormal weather events around the world upended supply and demand fundamentals for corn, soybeans and sugar.

An unusually late planting season in the U.S. due to excess rainfall led corn prices to rally more than 30% in the spring; a serious drought in South America curtailed soybean plantings and yields and sent soybeans prices soaring 50% in the first half. Prices later came down as weather conditions improved and eased supply worries. At the end of the year, corn prices were up 2% to \$4.145 a bushel at the Chicago Board of Trade, wheat was down 11% to \$5.415 a bushel, and soybeans gained 7% to \$10.3975 a bushel. Rough rice lost 5%. Basic food demand stood firm. Globally, grain consumption was expected to have increased 1.7% in 2009. Emerging nations remained the engine behind the increase, thanks to economic growth and rising incomes in populous countries like China and India. For 2010, corn is likely to be the price leader in the agricultural complex, in large part because higher ethanol mandates in the U.S. will soak up one-third of total U.S. corn supply.

Not all food markets were immune to last year's economic downturn. Livestock prices suffered losses as cost-conscious consumers ate less meat. In the U.S., average red-meat and poultry consumption was estimated to have decreased by 2.6% to 210.6 pounds per person in 2009, according to the Department of Agriculture. As a result, prices for lean hogs and live cattle rose by 8% and 2%, respectively, last year.

Extreme weather and other factors left an even bigger mark on niche agricultural markets such as sugar, cocoa and orange juice, whose production is usually concentrated in a few countries. Cocoa jumped 23% to settle at \$3,289 per metric ton, close to a 30-year high, due to plant diseases and bad weather in Ivory Coast and Ghana, the world's top two cocoa growers. A later start of Indian monsoon season, the main source of irrigation, resulted in a widespread drought in India and therefore a smaller sugar crop there. Usually a big exporter that also is the world's largest sugar consumer, India became a net importer in 2009. Around the same time, heavy rains damaged crops in Brazil, the world's largest sugar grower, and further slashed sugar supply. Sugar prices soared to a 28-year high in August and refreshed the record toward year's end. In 2009, sugar advanced 128% to 26.95 cents a pound, despite a 5.3% decline in global sugar consumption. In Florida, the world's second-largest citrus grower, the onset of a freezing winter and a drought earlier in the year will result in a 16% smaller crop, estimated by the USDA in late December. Prices for frozen concentrated orange juice at the ICE Futures U.S. rose 81% during the past year to \$1.24 a pound.

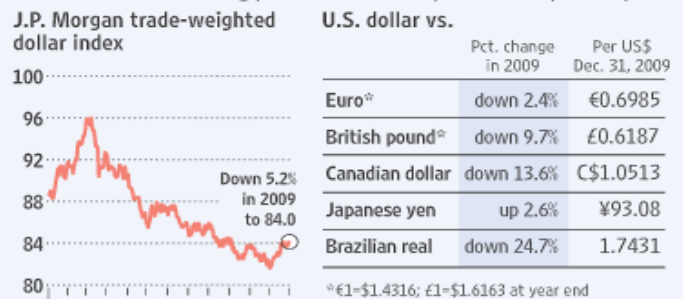
Dollar:

The dollar staged a short but vigorous rally as the year drew to a close: Economic data out of the U.S. surpassed expectations while countries like Greece and Spain—both users of the euro—suddenly appeared less creditworthy than before. After powering through the financial crisis, the U.S. dollar flagged in 2009 as investors rediscovered their taste for risk and refocused on the greenback's flaws. An index from J.P. Morgan Chase that tracks

the buck against a basket of 16 currencies finished the year down 5%. That figure masks a considerable swing: At one point in the spring, the index was up as much as 8%, while in the latter part of the year, it had switched to being down by the same percentage.

Losing Ground

As the financial crisis abated in 2009, the dollar slumped against the currencies of U.S. trading partners. One exception: the Japanese yen.



Source: J.P. Morgan; Thomson Reuters via WSJ Market Data Group

Early in 2009, the dollar appeared unstoppable. The financial system continued to totter, stocks were plunging, and bad economic news was unabated. Investors flocked to the dollar, as they had throughout the crisis, as a possible harbor in a storm. By April, however, the strenuous efforts by central banks to stem the damage had begun to work. And as investors began to put their cash to work again, some began shunning dollars. The dollar's slide accelerated in the fall, when the U.S. appeared to be limping toward recovery, as other economies walked, or even ran. Australia and Norway, for instance, repeatedly raised interest rates to rein in growth while in the U.S.; the Federal Reserve remained firmly on hold at near-zero levels. The spigot of cheap money from the Fed, aimed at spurring economic activity, encouraged investors to borrow dollars and use them to buy everything from other currencies to stocks to gold to commodities. This technique is known as the "carry trade," borrowing funds at exceedingly low rates and investing them to earn higher rates of return.

For much of the fall, financial markets appeared fixed on a single relationship: the dollar versus everything else. When the dollar weakened, stocks, oil, and gold rose, and vice-versa.

The inverse link between the dollar's path and the movement of the Standard & Poor's 500-stock index touched a historical extreme in early December, according to a report from Deutsche Bank. The correlation between the two—a measure of how much they move together, or in opposite directions—was the most negative in more than 30 years, the report said.

December saw an abrupt change. Data on U.S. employment and retail sales provided positive surprises, while investors heard a series of gloomy predictions from credit-rating firms about unsustainable deficits in Greece, whose rating suffered. Adding to the mix: scant year-end trading, which tends to exacerbate price swings. The euro fell almost 6% against the dollar in three weeks. Late in New York on Dec. 31, one euro bought \$1.4316, an increase of 2.4% over a year earlier. However, the dollar managed to squeak out an annual gain versus the yen of 2.6%, fetching 93.08 yen at year's end. Currencies beaten down in the

financial crisis like the Australian dollar and Brazilian real came roaring back to life, surging 26% and 33%, respectively, versus the greenback.

At various points during the year, the dollar's status as the world's reserve currency came under scrutiny. It hit headlines in March, when, in an unusual move, China's central bank governor publicly questioned the desirability of a single reserve currency, and suggested a greater role for a little-used artificial currency created by the International Monetary Fund. Leaders in Russia and Brazil also expressed concerns about the dollar's primacy.

However, few believe the dollar's status as the dominant reserve currency is in jeopardy anytime soon, in part because of a lack of alternatives. The euros' own weaknesses have been on full display in recent months, given the widely divergent economic paths of countries like Greece and Germany, which share the currency. The Chinese yuan could assume a more significant role in global finance but that prospect appears many years away.

Metals:

While commodity prices rebounded sharply from lows early in the year, most closed well below records set before the economic crisis began in 2008, underpinning the reality that the recovery has just begun to gather momentum. The Dow Jones-UBS Commodity Index added nearly 19% to 117.24 in 2009, about 41% off its peak in 2008.

Leading the way in 2009 were base metals. Copper, which has many industrial uses, more than doubled, soaring 139%. It ended the year at \$3.3275 per pound but still 18% shy of record prices hit in 2008. Lead, which is used in car batteries, also more than doubled, to \$2,416 a metric ton, followed by zinc, which was up 125%, and aluminum, gaining 50%. Precious metals reaped smaller gains but stole the limelight. Gold was up 24% for the year to \$1,095.20 per troy ounce at Comex, the metals division of CME Group. It set 27 exchange records in the past 12 months amid waves of buying from funds and individual investors seeking a haven against inflation and a dropping dollar. But it is still 52% below its inflation-adjusted high of \$2,300 dating from 1980. Silver surged 49% to \$16.822 per troy ounce.

Platinum and palladium—primarily used by auto makers in catalytic converters—jumped 56% and 117%, respectively. Their gains came on the prospect that car makers will sharply increase their production in 2010, as U.S. auto sales improved in recent months, along with record sales in emerging markets such as China and Brazil.

Overall, base metals were fueled particularly by Chinese demand, which comprises 43% of the world's total and gained 27% from a year earlier, according to Deutsche Bank. Take China out of the equation, and global metals demand fell 9% in 2009.

Gold was the hottest commodity in 2009. Central banks in India and Russia bought hundreds of tons of gold to diversify their foreign reserves, making central banks, as a whole, a net buyer of gold in 2009 after decades of selling.

Retail, or individual, investors around the world stocked up on gold bullion and flocked into gold-backed exchange-traded funds to preserve their net worth. SPDR Gold Shares, the world's biggest gold ETF, increased its gold holdings by 45%, to more

than 1,133 metric tons, valued at \$40.2 billion at current market prices.

The precious metal, which like other commodities is traded in dollar terms, reflected the decline in the U.S. currency earlier in the year. Gold prices retreated as the dollar rose late in the year. The gold frenzy also abated as some gold bulls decided to take profits, leading to a 10% retreat in prices in December. Silver lost 13% at the same time.

Mergers and Acquisitions:

Global mergers-and-acquisition activity for 2009 was \$2.3 trillion, down 22% from \$2.94 trillion in 2008, according to data analytics firm Dealogic. That was the lowest dollar value since \$1.98 trillion in deals in 2004.

The drop would have been slightly greater in 2009 were it not for extraordinary government interventions across the world, comprising some \$197.5 billion of total deal volume on such investments as U.S. insurer American International Group Inc. and the U.K.'s Royal Bank of Scotland Group PLC. Globally, these government-backed acquisitions accounted for about 8.5% of all deal volume in 2009. Government-related deals totaled \$186.8 billion in 2008, or about 6% of all transactions. In the U.S., 2009 deal volume fell 10%, to \$766.8 billion, compared with \$850.6 billion in 2008. The number of deals dropped 17%, to 7,140 deals, compared with 8,614 in 2008. In Europe, the drop was more precipitous. Deal volume fell 44%, to \$691.4 billion in 2009, compared with \$1.24 trillion in 2008.

The fourth quarter was strong in the U.S., where announced deal volume more than doubled, to \$214 billion, from \$97 billion a year ago, a three-month stretch of global financial panic.

In Europe, the fourth-quarter picture wasn't as active, with deal volume, measured in dollars, falling 31% during the period, to \$208.5 billion.

Many bankers predict that 2009 will prove to be the bottom of the cycle. There were a number of mega deals in the fourth quarter such as Exxon-Mobil's \$31 billion purchase of XTO Energy and Warren Buffet's \$27 billion purchase of Burlington Northern Santa Fe. What was missing for most of 2009 were strategic deals in the \$1 billion range. Most midsize companies, said bankers, were focused on conserving cash and cutting costs. That means many corporations are sitting on piles of money, which some will opt to use for acquisitions. Another factor to watch in 2010 will be the return of private-equity fund sponsored deals. Many analysts expect 2010 to see approximately a 30% rise in the dollar value of deals.

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We expect this year to be another interesting period for investors and as always, we welcome the opportunity to be of service.