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Dear Client:

2010 in Review

2010 was a year marked by uncertainty and volatility. Stock markets dodged a laundry list of worries – including two forays to the brink of disaster in Europe and consistent worry of a double-dip recession in the US. When trading for the year concluded however, market averages stood near post-crisis and all-time highs.

Stocks started strong in January but worries about the European debt crisis quickly deflated the early optimism. Once the market got accustomed to the daily anxieties created by the European situation, and Greece appeared less likely to default, markets regained their upward momentum.

A very weak jobs report on July 2 sent stocks to their lows for the year. However on August 27, Fed Chairman Ben Bernanke's hint of another stimulus put stocks on an upward trajectory that continued the remainder of the year.

Additional excitement occurred on May 6, when the "Flash Crash" sent the Dow Jones average down by almost 1000 points in a few minutes.

For the year, the Dow Jones industrial average ended at 11,578, up 11% from the beginning of the year, the S&P 500 average finished at 1258 up 13% for the year and the NASDAQ added 17% to close at 2653. Some 2010 "highlights" included:

Jan 4- stocks begin the year on a positive note, closing at 15-month highs.

February- Concerns about Europe are at a fever pitch; investors fear that Greece might default on its national debt and trigger defaults in Portugal, Ireland, Italy and Spain. The concerns about Europe's debt persisted throughout the year.

April 16 – the SEC filed charges against Goldman Sachs for allegedly defrauding investors in a sale of securities related to subprime mortgages (Goldman shares fall 13%).

April 20 – the BP rig explosion sends oil gushing into the Gulf of Mexico. It took 5 months to seal the leaking well and BP, which set up an enormous restitution and recovery fund, saw its shares end the year down 27% from their April 20 price.

April 23 – Greece requested a \$53 billion bailout and the Dow and S&P closed at 19 month highs.

May 6- in one of the most volatile hours in stock market history, a glitch in "automated trading" dubbed the "Flash Crash" sends the Dow down by almost 1000 points before it recovers to close with a 348 point loss for the day.

June 7 – the euro closes at a four-year low of \$1.192 as European debt fears boil up once again; the Dow closes at a 7-month low.

July 2 – markets fall to their 2010 lows in the aftermath of a weaker-than-expected jobs report

July 21 – the Wall Street reform bill is signed into law marking the most far-reaching overhaul of the financial sector since the Depression. Stocks fall after Fed Chairman Bernanke indicates to Congress that the outlook for the economy is "unusually uncertain".

August 27 – In a speech in Jackson Hole, Wyoming, Chairman Bernanke first hints that the Fed may initiate a second round of monetary stimulus known as quantitative easing "QE2" and the Dow surged 165 points.

Nov 2- the Republicans win back the House in the mid-term elections; the shift in the balance of power is viewed as a positive for Wall Street.

Nov 3- The Fed unveils QE2 – a \$600 billion bond-buying stimulus program; the Dow and Nasdaq close at 2-year highs.

Dec 17 – the President signs the \$858 billion tax cut deal into law.

Dec 31 – markets end on a high note; Dow up 11%, the S&P 500 up 13% and the Nasdaq up 17%.

The continued upward momentum of the markets will depend on a mix of good news; a continuing and

steady US recovery, sustained economic growth in emerging markets and the absence of any major shocks from Europe, Korea, the Middle East and elsewhere. As stocks regained territory that had not been seen since the collapse of Lehman Brothers, investors began to press their bet on the US economy during the latter half of 2010. Challenges to the stock market continued to include a likely continuing high US unemployment rate in 2011, a continuing soft housing market and pressure on state and local governments to cope with their heavy debt loads. Chinese policymakers are beginning to put the brakes on their economy and other emerging markets have been maneuvering to keep the lid on inflationary pressures.

Exposure to emerging markets was crucial to the performance of US stocks during 2010. For example, Caterpillar Incorporated, the highest flyer in the Dow Jones industrial average last year jumped 64% as the machinery company's fast growth in markets like China, India, and Latin America as well as its ties to the metals and commodities markets served it well. Farm equipment maker Deere and Company was another strong industrial performer, finishing the year up 53% as surging agricultural commodity prices buoyed farmer incomes.

Europe

Portugal, Italy, Ireland, Greece and Spain—finished in negative territory for the year. Many of these countries face the prospect of years of fiscal austerity and a long road to recovery in their banking sectors.

Still, the broad Stoxx Europe 600 added 9% to finish the year at a two-year high. Germany, the most core of the so-called core countries, surged 16% to levels not seen since early 2008. The U.K.'s FTSE 100 rose 9%, near a two-year high.

Tops in the region, however, were Turkey, Denmark and Russia, which finished with gains of 25%, 35% and 23%, respectively. Those markets managed to largely sidestep the debt woes of the Continent, allowing investors to focus on their strong domestic stories—in particular fundamental growth in Turkey and Russia.

Asia

Strong economic recovery and increased attention from global investors drove most markets in the region to not only gains but also to record highs.

Markets in India, Indonesia, the Philippines, Malaysia and Thailand all rocketed to record highs. South Korea rose 22% to within a whisker of its all-time high, despite two high-profile incidents with North Korea—the sinking of a naval ship in March and the November bombing of a disputed island.

Only the region's two biggest economies, China and Japan, finished in the red. The Shanghai Composite fell 14% and the Nikkei Stock Average shed 3%.

With such a strong run-up in many of these markets, there is concern that some are in danger of a bubble bursting.

In fact, rising inflation is already leading to concerns that central banks in many of these markets will tighten policy in 2011, which could put a crimp on growth. Tightening was a dominant theme holding back Chinese stocks, though investors remain impressed with China's and other of the region's developing markets' ability to manage growth and expectations.

Canada / Americas

Argentina, Peru, Venezuela, Chile and Mexico put in very strong performance. The Canadian markets, driven by their commodity and oil focus surged 14% to highs last seen before the crisis. Brazil, a longtime favorite of global investors, stumbled into the red for much of the year and just barely managed to finish up 1%. However, many global investors consider Brazil very attractive at this point, although there remains some concern over central bank tightening in the year ahead.

Dollar

The US dollar index, which measures the dollar against a basket of currencies, was able to eke out a 1.5% gain to 79.028 in 2010

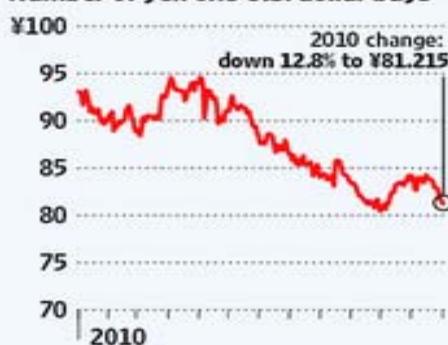
Up and Down

The dollar had a mixed year, gaining on the euro as the common currency struggled with members' fiscal woes and falling on the yen in a battle of weak economies.

Number of euros one U.S. dollar buys



Number of yen one U.S. dollar buys



U.S. dollar vs. other currencies

	PCT. CHANGE IN 2010	PER US\$ DEC. 31, 2010
British pound	▲ 3.6%	£0.6411
Canadian dollar	▼ 5.1%	C\$0.9976
Hong Kong dollar	▲ 0.2%	HK\$7.7725
Mexican peso	▼ 5.7%	M\$12.3396
Swiss franc	▼ 9.8%	CHF0.9343

Source: Thomson Reuters via WSJ Market Data Group

primarily due to the greenback's rise against the euro. At the end of 2010 the euro was at \$1.3370, a 6.6% decline. The dollar also gained 3.6% against the British pound which suffered at the hand of the UK's own economic and fiscal woes.

Both the dollar and the euro lost ground against the Swiss franc, which ended the year at record highs against each of those rivals and gained favor among investors due to its strong fiscal position. The greenback fell 9.8% against the Swiss franc and the euro lost 15.7%.

One of the currency surprises of 2010 was the strength of the Japanese yen in the face of a weak Japanese economy and a debt burden that at nearly 200% of the country's gross domestic product is seen as unmanageable in the long-term. The dollar still managed to lose 12.8% against the Japanese currency finishing 2010 at ¥81.250 down from ¥93.08 at the end of 2009.

The yen's strength was more than just against the dollar; when measured against a trade weighted basket of 35 currencies, the yen rose 6.5% in 2010 – the best performance of any “group of 10” currency.

Treasurys

Treasury bonds of all maturities lost nearly 3% in total return during the fourth quarter of 2010. This may come as a bit of a shock to investors who bought them seeking safety. Individual investors pulled nearly \$5 billion out of taxable bond mutual funds, which largely invest in treasury and corporate debt, in the three weeks through December 21. These were the first such outflows in about two years; since the financial crisis individual investors had largely shunned stock funds and poured record amounts of cash into bond funds. The sharp rising yields appear to have shaken confidence among the public, which saw treasuries as a safe haven relative to equities. Many observers expect yields to rise in 2011 but not too dramatically. A recent survey among "primary dealers" indicated expectation that the 10 year treasury note's yield will end 2011 at 3.5%, slightly above the current level.

There are a number of factors that may be working in bonds' favor and could limit price declines this year. After cashing in bonds for big profits when the fed announced the \$600 billion buying program in the fall, investors have been reluctant to rush back into the market, resisting the lure of higher yields. The new year could bring a fresh appetite for heavily discounted bonds. Although economic data have improved, lessening the possibility of a double-dip recession, they clearly have not improved enough to stoke inflationary pressures.

The Fed's favorite inflation measure, the core personal consumption expenditure price index, rose just 0.8% in November from a year earlier, the lowest annual gain on record.

The Name Is Bond, Bond Rally

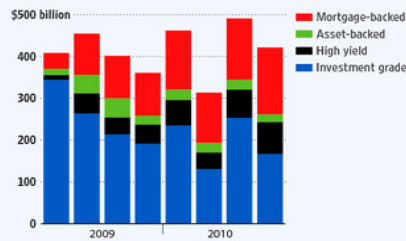
Interest rates and Treasury yields

Despite faltering as the year drew to a close, Treasuries ended the year up as the specter of a double-dip recession and European debt woes drove demand for safe government debt.



U.S. corporate borrowing

Investment-grade and high-yield corporate debt issuance continued at a brisk pace in 2010, as companies took advantage of extraordinarily low rates to issue or refinance debt and investors increasingly moved up the risk spectrum in search of yield.



Bond returns

The bars below say it all—bonds gained across the board in 2010.



*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
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)

Even if growth and inflation pressures pick up more than most analysts expect – an outlier risk in the year ahead – then 30 year bonds might paradoxically do well as the market starts to pricing tighter fed policy. The fed has left 30 year treasuries mostly out of its bond buying program, "QE2" and yields there are relatively high, offering better in, and potentially less downside risk.

Higher-yielding, longer dated bonds could be especially attractive to pension funds and insurance companies who need to meet long-term obligations but are still concerned about being burned after two stock market meltdowns within the past decade.

Lingering sovereign debt concerns in Europe will remain a constant threat over the next several months making treasuries relatively attractive as potential "safe havens". The 10 year treasury yields dropped to their lowest levels of 2010 when the debt crisis in Greece erupted last spring. However treasuries did not benefit significantly from Ireland's problems in the fall, suggesting that some of their safe haven allure may have faded.

Thus there will likely continue to be longer-term demand for treasuries from large buyers beyond just the fed. Foreign central banks hold hundreds of billions of dollars in treasuries and have little interest in seeing their investments punished. China in particular needs to buy treasuries as part of its effort to keep its currency artificially weak against the US dollar. Net treasury issuance could easily exceed \$1 trillion next year, but heavy government borrowing is not competing with a flood

of other borrowers. New corporate bonds are still mostly being used to refinance old debt, the mortgage market remains weak, and the market for exotic debt securities is not likely to get much stronger in the near future. At least for the first half of 2011 the fed bond buying program will soak up most if not all of the new treasury issuance.

Commodities

While the stock market and housing prices continued to recover from the financial crisis, a number of commodities already cost significantly more than they did before the collapse of Lehman Brothers.

Copper and gold are at all-time highs while cotton and sugar are pricier than they were in mid-2008. Oil has been recently trading above \$95 a barrel. The Dow Jones – UBS commodity index, which tracks 19 commodities, rose 16.8% in 2010 after climbing 19% in 2009. It remains 11% below its level at the end of 2007, but sub indexes for metals and agriculture will bulk up during the past year, while energy was down.

The commodities rally has been propelled significantly by demand from China and other developing nations which have recovered quickly from the economic slowdown and are straining the ability of the world's drillers, miners, and farmers to meet their needs. Commodities are also drawing substantial interest from hedge funds, pension funds and institutional investors who were expected to have poured \$60 billion into the commodities markets in 2010.

Gold ended the year at \$1421.10 per ounce, up 29.8%. 2010 marked gold's 10th straight year up year and was the best-performing year in dollar terms in history. Platinum and Palladium, used in car parts, increased as the world's automobile industry recovered. Silver gained 83.8% to \$30.91 per troy ounce. Among base metals, copper which benefited from strong demand and a continuous decline of inventories rose 33.4% to \$4.4395 a pound.

A drought in Russia sent wheat prices soaring, with corn and soybeans following. By year-end corn prices were up 93.5% from the June lows and ended with a 51.8% gain. Wheat gained 46.7% while soybeans rose 34.1% for the year. Flooding in Pakistan cut the cotton harvest as Chinese demand remained strong sending prices to their highest level in more than a century.

Oil prices stayed within a relatively narrow band between \$68 and \$92 a barrel. Oil ended the year up 15.2% at \$91.38 a barrel. Global oil demand is on track to hit an all-time high above the 2010 level of 87.45 million barrels per day. Natural gas by contrast was among the worst-performing commodities in 2010, down 20.9% for the year.

Mergers and Acquisitions

The volume of mergers and acquisitions grew in 2010 by 25%.

A survey of investment bankers indicate that they expect deal volume to increase by at least 15% in 2011 as companies and boards become more proactive on new growth initiatives. Global merger and acquisition activity for 2010 was \$2.74 trillion compared with \$2.2 trillion in 2009. The US accounted for \$874 billion of that volume with 9627 deals. Europe had \$786 billion of deals. Emerging markets, with 32% of the total activity saw \$899 billion in deals. The largest proposed transaction in 2010, the hostile \$40 billion offer for Potash Corp. by BHP Billiton, was scuttled after Canadian regulators blocked the deal. There was a scarcity of very large transactions and among the handful of large deals that did get done: Novartis AG finally wrapped up its deal to acquire the 23% stake in eye-care company Alcon Inc. it didn't own already for almost \$13 billion. International Power snatched up France's GDF Suez for \$21.5 billion. French pharmaceutical company Sanofi-Aventis SA's \$18.5 billion hostile pursuit of Genzyme Corp. has run into 2011 as the parties continue to haggle over pricing.

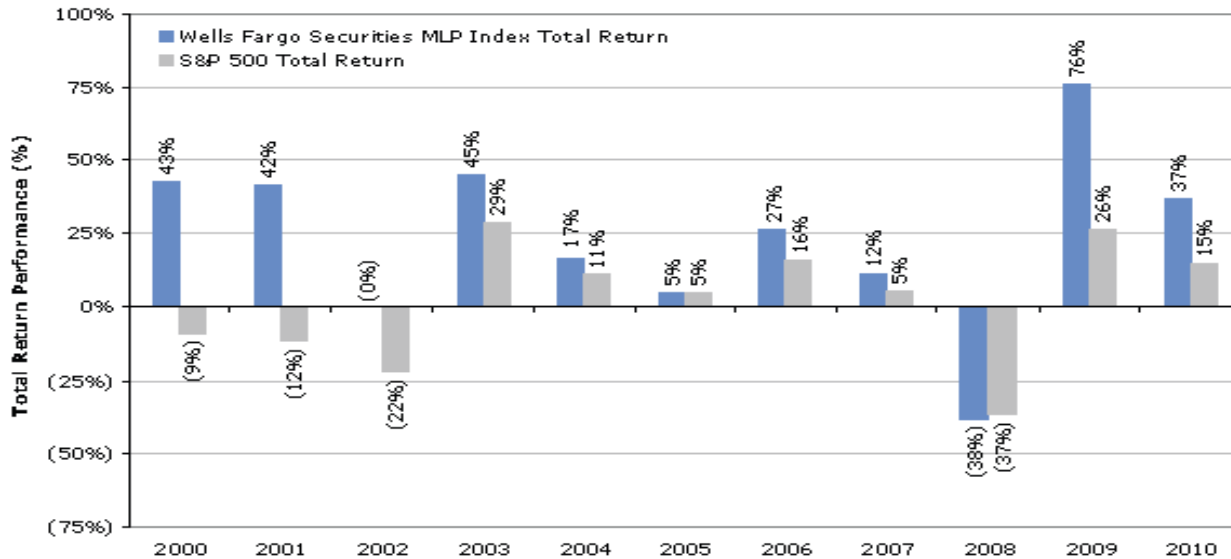
Master Limited Partnerships

For the 11th year in a row, TIMECAPITAL continued its investment focus on MLPs. The group finished the year with a 2% rise in December, generating a total return for 2010 of 37.3% as measured by the Wells Fargo MLP index (28.7% in appreciation plus distributions) versus 12.8% and 15.1% respectively for the S&P 500. The top-performing subsectors were coal, general partnerships, and gathering and processing partnerships. As investors in general are moving away from fixed income securities, MLPs hybrid like structure (the yield characteristics of a bond combined with the growth potential of equity) continue to be attractive. Potential widening credit spreads could pressure MLP valuations while continued distribution growth lends support. As investors focus on the generation of income, MLPs are likely to continue to attract attention.

MLPs continue to have exposure to a number of macro drivers, which could push valuations higher. Within the context of an environment of modest economic growth and low interest rates in 2011 MLPs median yield of 6.3% is still attractive and should continue to attract fund flows to the sector. Additionally, MLP valuations should be supported by solid underlying fundamentals and visible and accelerating distribution growth.

These positive factors could be offset by potential headwinds in that the sector is susceptible to a potential widening of credit spreads and an increase, or the fear of an increase, in interest rates. As MLP valuations continue to climb, the sector's sensitivity to interest rates and credit spread movement increases.

On December 16, 2010 the Federal Energy Regulatory Commission concluded its review of the oil pipeline pricing index and for the five year period commencing on July 1, 2011 established an index level of the PPI +2.65% versus the previous pipeline pricing index level of PPI +1.3%. We view this outcome as positive for MLPs with petroleum pipelines.



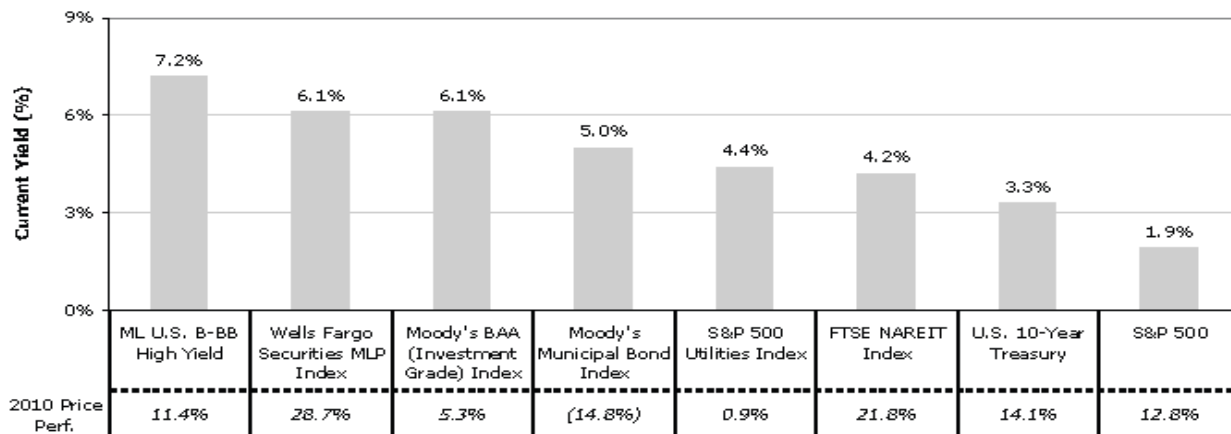
Source: FactSet, Standard & Poor's, and Wells Fargo Securities, LLC

Most income oriented securities enjoyed positive performance in 2010. In addition to MLPs the REIT index returned 21.8% and investment-grade bonds increased 5.3%. The S&P 500 utilities index underperformed the broader market, gaining only 0.9% in 2010.

For the year, MLP performance was driven primarily by (1) investor preference for yield, (2) significant credit spread contraction (with MLPs exhibiting high correlation), (3) relatively solid crude oil and NGL prices, (4) an improving economic outlook, (5) robust access to credit markets and (6) the creation of a number of new MLP products which provided additional vehicles for MLP investment.

MLP Yield versus other Yield-Oriented Securities:

MLP highlights during 2010 included:



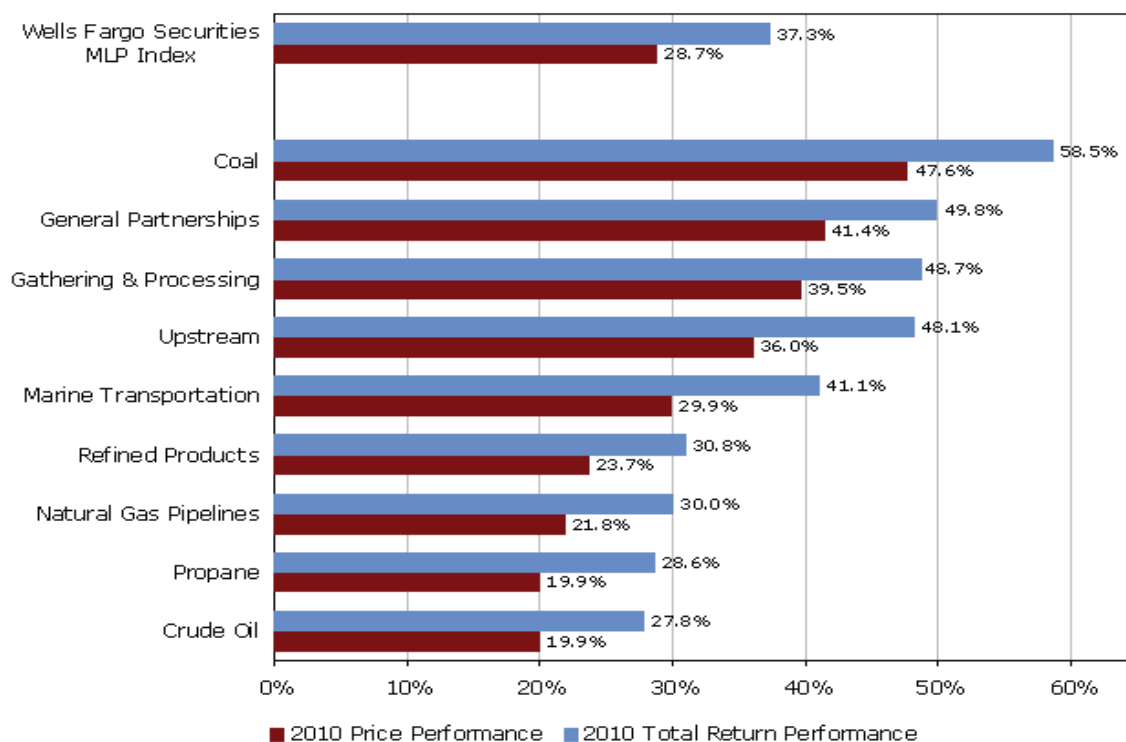
Source: FactSet, Standard & Poor's, and Wells Fargo Securities, LLC

The market cap of the MLP sector increased to \$212 billion from \$159 billion at the end of 2009. At December 31, 2010, MLPs had an average market cap adjusted yield of 6.1% versus 7.5% at December 31, 2009.

In 2010 the MLP sector experienced initial public offerings with the creation of six new partnerships.

Three MLPs acquired their publicly traded general partners in 2010, reducing the number of publicly traded general partnerships to six. There were 71 energy MLPs at the end of 2010, 41 out of 56 MLPs increased distributions in 2010. No MLPs reduced or suspended distributions in 2010 and notably, many of the MLPs that did not increase distributions in 2010 have communicated to the market that they intend to begin increasing their distributions in 2011.

Distribution growth in 2010 was an estimated median of 3.3% compared to 2.9% in 2009, outpacing the estimated CPI increase of 1.6%. The relatively flat sequential distribution growth level is attributable to (1) management's more cautious approach given



Source: FactSet and Wells Fargo Securities, LLC estimates

the challenging macro environment experienced in 2008 – 2009, (2) the MLPs balancing of growth with still large capital outlays for capital projects and (3) the lag between investment and cash flow accretion for organic investments.

On a subsector basis, general partnerships (GPs), shipping and large cap pipeline MLPs were the fastest growing subsectors, posting year-over-year median distribution increases of 11%, 5.3%, and 4.9% respectively.

MLPs made acquisitions totaling \$18.5 billion in 2010 up from \$4.9 billion in 2009.

There were 13 new MLP products launched in 2010 including three closed-end funds, one exchange traded fund and six exchange traded notes along with three open ended funds. In aggregate these products raise approximately \$4.5 billion of incremental capital.

The MLP group began the year with a market cap weighted yield of 7.5% while trading in a median 2009 price to DCF multiple of 10.3 times. By the end of 2010 the group had market cap weighted yield of 6.1% and traded at a median DCF multiple of 13.6x.

As noted, the primary drivers for MLP performance in 2010 were an increased appetite for yield along with a higher risk tolerance. The increase in equity valuations enabled several highly leveraged MLPs to recapitalize their balance sheets and resume distribution payments. Other partnerships ramped up organic growth, capex and acquisition spending as they took advantage of

the favorable environment in the capital markets. Fifteen of the 20 top price performers in 2010 increased their distributions.

Very truly yours,

TimeCapital[®]