

Special Report

Summary of Current Market Events

May 2010

Meeder
Financial

Following an advance to new recovery highs during the month of April, major stock market indexes have turned lower during the month of May. Concerns re-emerged regarding the Greece debt crisis and the potential for contagion to other European nations in poor fiscal health, which sparked the need for a massive bailout loan package totaling nearly \$1 trillion. While Greece was initially at the forefront of investor concerns as a result of heavy borrowing and generation of large fiscal deficits, fears have spread to other European nations such as Spain and Portugal. While these events have stoked investor fears, the domestic economic backdrop remains constructive for the ongoing recovery. Since the first quarter of 2010, which was the first quarterly increase in nonfarm payrolls since 2007, the economy has continued to add jobs at an impressive rate. In the most recent report, payrolls increased by 290,000 in April, which follows a gain of 230,000 jobs in March. Durable goods orders, excluding the volatile transportation sector, increased 2.8% in March compared to February, marking the fourth increase in the past five months. Additionally, a key indicator, business spending, that is contained within the durable goods report has demonstrated signs of substantial improvement in recent months. Also of note, corporate earnings have shown improvement in prior quarters due to broad cost-cutting measures. Furthermore, there are now solid indications of revenue growth in the recent first quarter earnings reports, which could provide another boost to corporate earnings in subsequent quarters.

We have responded to the recent market turmoil through a variety of avenues in the Meeder portfolios. Prior to the most recent stock market downturn and based on our market risk assessment model, in December 2009 we eliminated all direct exposure to developed international markets, which includes European exposure. At the same time, we decreased our allocation to emerging market securities. We have also maintained a 10% defensive position in cash or fixed-income securities in our defensive equity portfolios.

It is also important to emphasize our belief that the U.S. economic recovery is intact, and that stock market corrections during bull market cycles are common occurrences. As a result, we are maintaining our domestic overweight in small- and mid-cap stocks, which exhibit a strong tendency to leverage economic recoveries and is illustrated by the strong relative outperformance of these securities compared to large-cap stocks this year. Finally, our positioning is also supported by our investment model output, which is driven by quantitative analysis of stock market conditions. For now, we are maintaining our invested positions, and will diligently monitor our investment models for any change in preferences.

Since 1974, Meeder Financial has helped Financial Advisors and their clients achieve their financial goals by employing investment strategies designed to provide risk adjusted and competitive investment returns. Today, Meeder manages or advises approximately \$6 billion in assets for individual, corporate and institutional investors through mutual fund, retirement plan, and private account portfolios.

Past performance does not guarantee future results. Investors cannot invest directly in an index. Small- and mid-cap stocks may be subject to a higher degree of risk than more established companies' securities. Cap refers to market capitalization and is the total outstanding market value of a security. An investment concentrated in sectors and industries may involve greater risk and volatility than a more diversified investment. International investing involves special risks including currency risks, political risks, increased volatility of foreign securities, and differences in auditing and other financial standards.