



Bowen, Hanes & Company
Incorporated

TO: Board of Trustees
Pension Fund for Firefighters and Police Officers, Tampa, Florida

DATE: October 02, 2009

RE: Investment Summary

As we move into the final quarter of 2009, we find ourselves holding relatively divergent views regarding the short-term and long-term prospects for the financial markets. In our view, we are in the sweet spot of the current stock market recovery cycle, driven by an exceedingly accommodative Fed, a tightening cycle that is still several months away, close to \$4 trillion of cash on the sidelines, and the prospect of significant earnings leverage emerging over the next few quarters as a modicum of top-line growth returns. Over the next few quarters, we feel that the monetary and liquidity driven economic recovery will continue, which, when combined with what we feel will be upside earnings surprises in the aggregate, will drive the market higher into 2010. For a variety of reasons, we do feel that this recovery will be about half as strong as is normally the case when coming out of a severe recession. In this connection, we envision the unemployment rate remaining stubbornly high for a protracted period, as the relentless streamlining and downsizing of corporate America continues to penetrate the real economy. Small business has traditionally been the backbone of the U.S. economy, accounting for close to 50% of new job creation and 40% of GDP. However, in the current environment, it has become exceedingly cautious, as future policy uncertainty, particularly regarding tax and healthcare issues, combined with difficult access to capital, has left this vitally important growth engine paralyzed and unwilling to add to payrolls. Nevertheless, and notwithstanding the sub-par recovery, it is our belief that from an earnings standpoint, profits are poised to move higher and in many cases surprise on the upside. This will be achieved by the aforementioned cost cutting and the ability to sell into more vibrant foreign markets, which continues to be assisted by a weak dollar. In the interrelated global economy in which business functions, it is not just about U.S. GDP. Thus, even a slight uptick in top-line growth should produce significant earnings leverage for corporations for the next few quarters. In this environment, a sluggish U.S. economy does not have to translate into sluggish corporate profits. It is important to note that geopolitical issues could become increasingly prominent over the next few months, particularly involving Iran and Israel, and have the potential to alter the investment landscape.

Longer term, it is our firm belief that the current policy agenda being both implemented and contemplated, particularly concerning monetary, fiscal, and regulatory issues, cannot serve as a foundation for a long-term, multi-year bull market. Thus, we view the stock market recovery as possibly transitory in nature. Of particular concern is the projected upward trajectory of both local, state and federal spending and taxes as a percentage of

the U.S. economy and the negative impact this could have on growth, profits and productivity. Also, the potential long-term inflationary consequences of the rapid expansion in the money supply, along with unprecedented expansion in the Federal Reserve Board's balance sheet, must be monitored closely. The successful unwinding of these various monetary activities will be crucial to the long-term health and stability of the financial markets.

Thus, we will be following developments on the policy front closely over the next few months, as we gauge how to position portfolios from an allocation, sector, and industry standpoint.

Jay Bowen

JB;jls