CORNERSTONE Investment Partners, LLC

Market Letter
April 23, 2010

Conclusion:
The S&P and DJIA were up 5.39% and 4.82% respectively in the first quarter of 2010. For the past twelve months the S&P 500 and the DJIA were up 49.7% and 46.9% respectively. All figures include dividends.

	2Q09	3Q09	4Q09	1Q10	Past 12 Months
S&P 500	15.87%	15.61%	6.04%	5.39%	49.70%
DJIA	11.96%	15.82%	8.10%	4.82%	46.93%

Some may wonder why the market has done so well in the past year in spite of high unemployment and the relatively depressed state of the economy when compared to past levels of prosperity. It is the current trend of earnings and the expected higher level of future earnings, not the current level of earnings that have propelled the market upward. Moreover, on a month-to-month basis the S&P 500 fell 49.05% from October 31, 2007 through February 28, 2009, a period of 16 months. From February 28, 2009 through March 31, 2010, a period of 13 months, the S&P 500 was up 63.68%, but is still down 16.60% from October 31, 2007. As investors should know, if you lose 50% you have to make 100% to get even. During the same 16 months of decline the DJIA was down 47.16%. The DJIA was up 58.60% during the past 13 months through March 31, 2009, but is still down 16.2% from October 31, 2007.

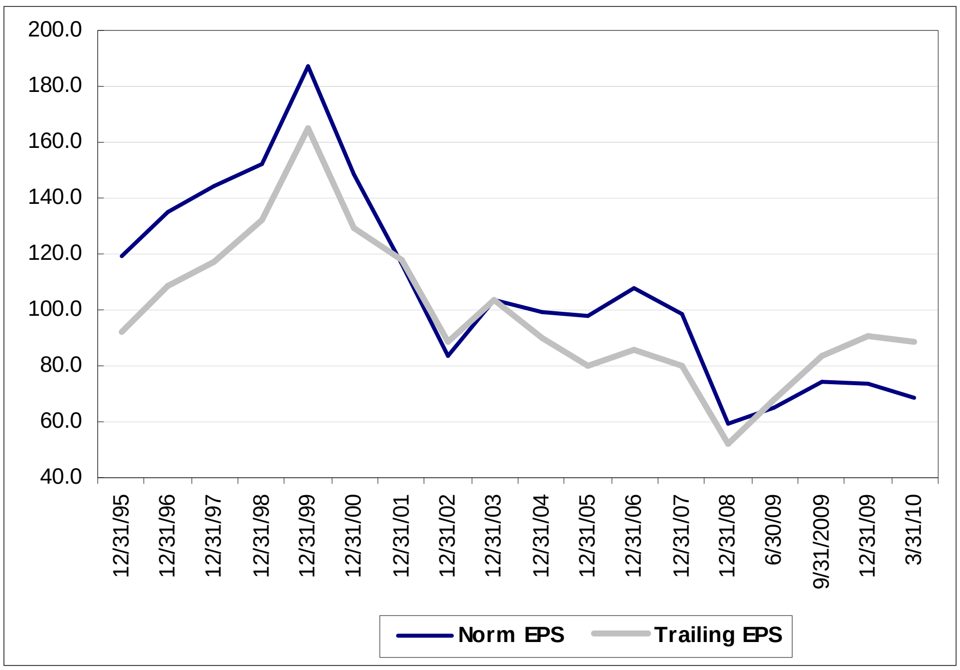
Earnings estimates have risen substantially over the past year or so. Thus far, rising earnings estimates have been confirmed by subsequent earnings reports. However, most of the higher earnings reports represent recovery and not growth. This phenomenon should continue for several quarters at least. Eventually, as earnings rise, the comparisons will be tougher to beat and the margins of increase will decline. The best thing to do is go with the trend and be on the lookout for negative events should they arise.

Just as declining markets beget selling and despondency, rising markets attract new entrants and enhance feelings of greater security, whether or not the underlying assumptions are valid. The main idea is to pay attention to valuation based on the record and not on negative feelings or rosy projections.

Current and historical price to valuations are shown in the Appendix at the end of this report. The price of our 800 stocks was 68.4% of the normalized valuation on March 31, 2010, an improvement over year-end 2009 despite an increase in the price of stocks in the first quarter of 2010. The price of the 800 stocks based on the latest twelve months reported earnings was 88.6% of its valuation on March 31, 2010. This was also an improvement over year-end 2009 despite rising stock prices. The relationship between the normalized price to valuation and the valuation based on the latest twelve months earnings are out of sequence given the magnitude of the upward move in the stock prices over the past thirteen months. The spread usually narrows during periods of earnings weakness and the negative spread between the two valuations are as great as they have ever been. We expect the spread to begin to narrow as first quarter 2010 earnings are reported. There is a lag between when earnings are consummated and when earnings are reported. We will be concerned if the spread between the two valuations does not narrow after first quarter 2010 earnings are reported.

In our view there are negative connotations regarding the proposals by the Administration and legislative enactments of Congress. Most of these measures are intended to redistribute income rather than provide incentives to produce more income and create a bigger economy. Income is what one is trying to earn in order to create wealth and wealth is what one already possesses. Redistribution of income merely results in sharing the poverty. Higher taxes enacted and proposed will reduce incentives and destroy wealth. There is no such thing as profits and income before taxes. Worst of all, new taxes on existing taxes are continuing to increase.

800 Stock Universe



Source: Cornerstone Investment Partners **Chart I**

Risk Premium Levels Off:
The risk premium increased 66 basis points during the fourth quarter of 2009 and is unusually high historically. This is positive now that earnings are rising, thereby, arresting the decline in valuations. Higher future interest rates would offset a substantial portion of the earnings increases currently estimated. A normal risk premium would be in the range of 2% or 3% unless investors require more protection against future anticipation of negative events or demand no protection at all during periods of euphoria.

	6/30/2009	6/30/2009	9/30/2009	12/31/2009
Normalized Price-To-Value	65.00%	74.1%	73.80%	68.40%
Expected Return from Appreciation	8.68%	7.39%	7.62%	8.34%
Yield	2.57%	2.25%	2.13%	2.10%
Expected Total Return	11.25%	9.64%	9.75%	10.44%
10 Year U.S. Treasury Yield	3.54%	3.31%	3.84%	3.87%
Risk Premium	*7.71%*	*6.33%*	*5.91%*	*6.57%*

Source: Cornerstone Investment Partners

Earnings Expectations

S&P 500 Consensus Earnings Estimates

	2004	2005	2006	2007	2008	2009	2010e	2011e
EPS	$66.99	$76.29	$88.17	$86.20	$68.64	$65.27	$78.30	$91.05
% Change	20.8%	13.9%	15.6%	2.2%	-20.4%	-4.5%	20.0%	16.3%

Source: First Call

Earnings expectations have continued to rise and S&P 500 estimates now call for an increase in earnings per share of 39.5% over the period 2009 through 2011. Earnings per share of the S&P 500 were up 47.4% in the fourth quarter of 2009 over the year earlier period. Earnings per share of the S&P 500 are expected to increase on the same basis at least through the fourth quarter of 2011. The increase in the fourth quarter of 2009 over the fourth quarter of 2008 was the first after nine consecutive year over year quarterly declines in earnings beginning in the third quarter of 2007.

Dividends decline 21.0% in 2009

S&P 500 dividends paid to shareholders have been reduced for six consecutive quarters. Dividends in 2009 were 21.0% lower than dividends in 2008. Dividends in the first quarter of 2010 were 8.3% below the year earlier quarter that was already depressed. The reinvestment rate is now approximately 65.7% and the payout ratio 34.3%.

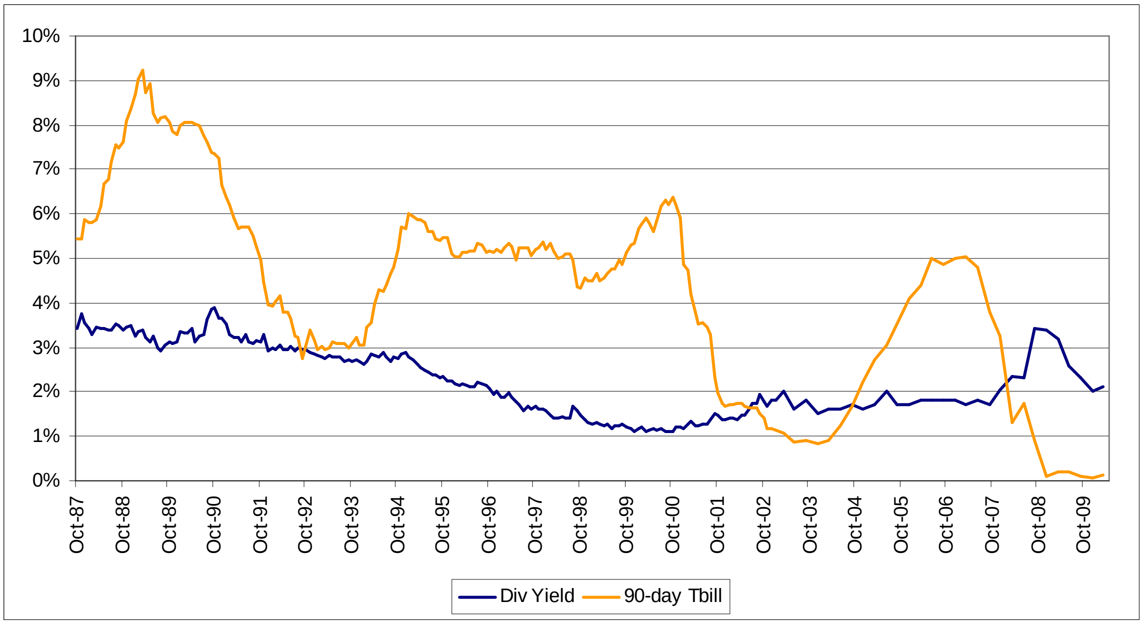
S&P 500 Reported Dividends

	2003	2004	2005	2006	2007	2008	2009	2010a
DPS	$17.39	$19.44	$22.23	$24.88	$27.23	$28.38	$22.41	
% Change	8.2%	11.8%	14.4%	11.9%	9.4%	4.2%	-21.0%	

Returns on Short and Longer Term Treasuries

As of March 31, 2010, the 90-day U.S. Treasury Bill provided 0.15% yield, a discount of 1.95% to the 2.10% yield on common stocks. Rising stock prices have continued to reduce the yield on stocks in view of dividend policy that has been tepid so far. The yield on the 90-day U.S. Treasury bill increased 9 basis points since December 31, 2009. The Federal Reserve is keeping short-term interest rate targets at 0% to shore up the banks and assist homebuyers, consumers, and the unemployed. Investors, who do not have the staying power to invest in equities or are unwilling to extend maturities because of fear of inflation, are slowly having their assets confiscated by the government. The only consolation is that the Federal and State governments are receiving little in taxes because of the low interest rates received by cautious citizens. See Chart II.

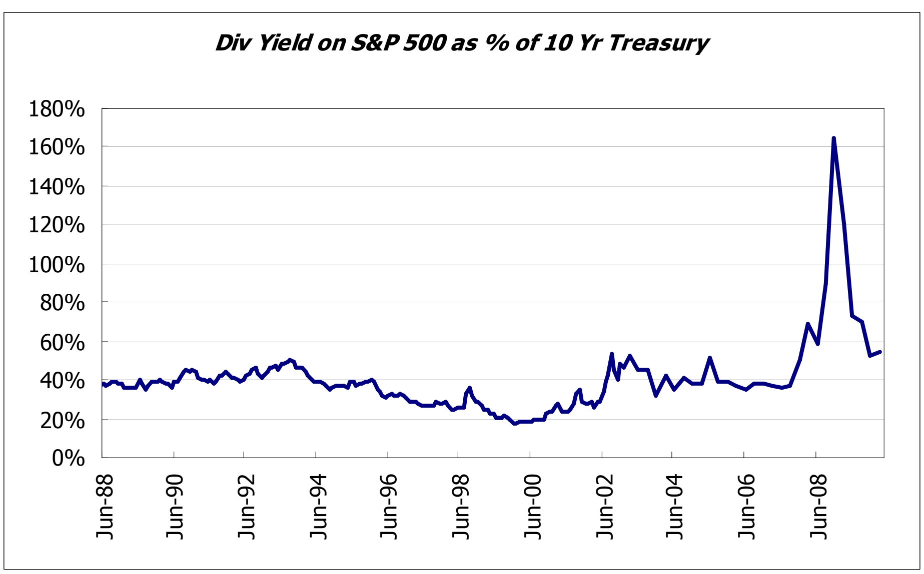
Yield on 90 day Treasury Bill vs. S&P 500 Dividend Yield



Source: Baseline

Chart II

The spread between the yield on stocks of 2.10% and the yield on the 10-year U.S. Treasury Note of 3.87% increased to 177 basis points from 170 basis points during the past quarter. During the past quarter the yield on 10-year U.S Treasury Notes has risen slightly while the yield on stocks has declined slightly. The spread between the 10-year U.S. Treasury Notes and stocks is now more or less in line with historical norms. However, the current yield on the treasury notes does not protect investors for an increase in future inflation that will ultimately occur if Washington continues to spend recklessly. See Chart III.



Source: Baseline

Chart III

Fred Wetzel, Jr.

Appendix:

Table I
800 Stock Model

	Discount Rate	P/E Ratio	Div Yield	Norm EPS	Price/Value Trailing EPS
12/31/1995	6.25%	17.3	2.1%	119.0	92.3
12/31/1996	6.75%	19.1	1.7%	134.8	108.4
12/31/1997	6.25%	21.8	1.4%	144.4	117.4
12/31/1998	5.25%	27.1	1.1%	151.8	132.1
12/31/1999	6.50%	31.2	1.2%	186.9	165.1
12/31/2000	6.00%	24.3	1.4%	148.9	129.4
12/31/2001	5.00%	22.2	1.4%	116.2	117.8
12/31/2002	4.00%	18.0	1.8%	83.7	88.8
12/31/2003	4.50%	20.1	1.7%	103.6	103.7
12/31/2004	4.25%	18.0	1.8%	99.6	89.9
12/31/2005	4.50%	16.7	1.8%	98.2	80.2
12/31/2006	4.75%	16.1	1.9%	108.2	85.6
12/31/2007	4.50%	16.0	2.0%	98.6	80.1
12/31/2008	3.50%	9.7	3.2%	59.1	51.9
6/30/2009	3.75%	11.1	2.6%	65.0	67.7
9/31/2009	3.75%	15.2	2.3%	74.1	83.3
12/31/2009	4.00%	17.2	2.1%	73.8	90.9
3/31/2010	4.00%	17.2	2.1%	68.4	88.6
					A Price/Value ratio of 100 is fair value

Table II
Dow Jones Industrial Average

	Discount Rate	P/E Ratio	Div Yield	Norm EPS	Price/Value Trailing EPS
12/31/1995	6.25%	16.8	2.3%	112.0	83.5
12/31/1996	6.75%	18.8	2.1%	129.3	98.6
12/31/1997	6.25%	22.1	1.7%	139.0	108.2
12/31/1998	5.25%	27.2	1.5%	137.3	122.9
12/31/1999	6.50%	33.4	1.0%	178.9	156.4
12/31/2000	6.00%	23.6	1.3%	124.4	115.5
12/31/2001	5.00%	24.2	1.4%	112.8	116.8
12/31/2002	4.00%	18.5	2.0%	80.1	87.3
12/31/2003	4.50%	20.6	1.9%	95.1	98.4
12/31/2004	4.25%	17.3	2.2%	84.7	84.8
12/31/2005	4.50%	15.9	2.4%	79.9	74.0
12/31/2006	4.75%	16.3	2.4%	96.0	85.7
12/31/2007	4.50%	15.5	2.6%	85.8	77.0
12/31/2008	3.50%	10.6	3.8%	57.8	56.6
6/30/2009	3.75%	11.4	3.0%	62.6	66.0
9/30/2009	3.75%	14.1	2.6%	68.8	78.3
12/31/2009	4.00%	16.0	2.6%	70.3	84.4
03/31/2010	4.00%	16.0	2.5%	63.4	81.0
					A Price/Value ratio of 100 is fair value

Source: Cornerstone Investment Partners