AMALGATRUST
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September 2011 Capital Markets Commentary

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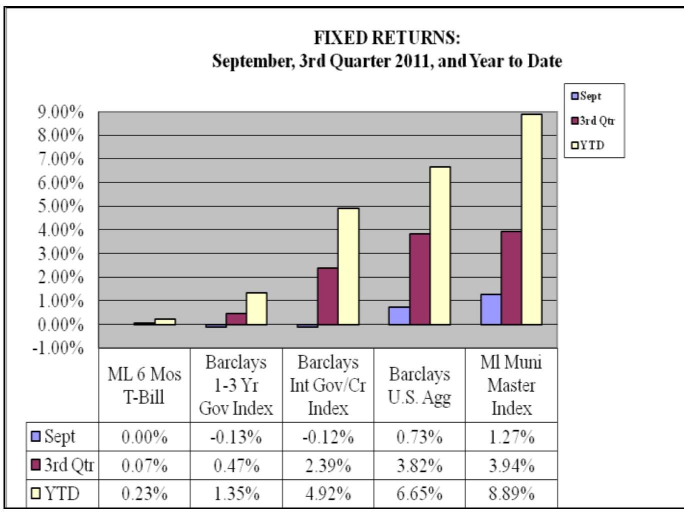
"Greatness is the road leading towards the unknown."

Charles de Gaulle

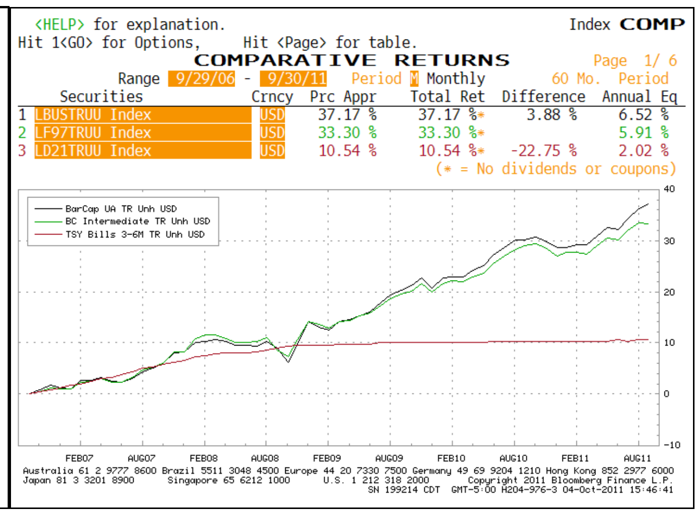
Fixed Income

For much of the third quarter 2011 U.S. interest rates fell across the maturity spectrum, the yield curve flattened, and spreads on corporate and mortgage and asset backed securities widened. This was the result of lower confidence by both consumers and businesses, that when combined with continued high unemployment and weakened spending, hurt economic prospects. Of course, the Fed's "Operation Twist", did play a major part in the bond rally, as did a flight to quality due to continued concerns over Europe.

As a direct correlation, the stock market (Dow Jones Average) lost 701 points in September and was down over 1500 points for the quarter. This only cemented concerns over the U.S. economic malaise. The 3rd quarter of 2011 continued its high volatility. Yields on the 10 year Treasury were as low as 1.71% and as high as 3.18%. Much of the volatility was attributed to the continued unrest in the Europe market and the instability of our own economy, as well as the Fed's operation twist move. In the 3rd quarter of 2011 we saw yields again move down drastically; from 21 bps on the short end to 124 bps on the long end. The 2 year Treasury yield started the quarter at 0.45% and ended at 0.24%. On the 5 year Treasury, the yield started the quarter at 1.76% and ended at 0.95%. On the long end of the curve the 10 year Treasury yield started the quarter at 3.16% and ended at 1.91%.



	ML 6 Mos T-Bill	Barclays 1-3 Yr Gov Index	Barclays Int Gov/Cr Index	Barclays U.S. Agg	Ml Muni Master Index
Sept	0.00%	-0.13%	-0.12%	0.73%	1.27%
3rd Qtr	0.07%	0.47%	2.39%	3.82%	3.94%
YTD	0.23%	1.35%	4.92%	6.65%	8.89%



Fixed Income Markets - Looking Ahead

Other than Treasuries, and very long dated corporate bonds, all other security sectors under-performed during the month of September. During the first half of this year many market participants were forecasting that the Fed might ease before the end of the year. However, in the 3rd quarter, this likelihood all but evaporated as problems in Europe took center stage and the Fed focused on another round of some type of stimulus.

In the most recent forecast by the Fed, economic growth expectations for 2012 were anemic. Add to this the forecast that we may not see rates rise until 2013, and it only adds to the murkiness in the markets future.

Looking ahead there is belief that while economic growth will be weak there are signs that the U.S. will not experience a recession. With corporate balance sheets still flush with cash, when the recovery starts, it will be led by the manufacturing sector. The consumer will add little to the economy as they still need jobs to add to any economic stimulus.

The expectation is that, with the Fed still holding tight on policy, rates will stay low through mid 2012. However, corporate spreads should tighten due to the more robust balance sheets.

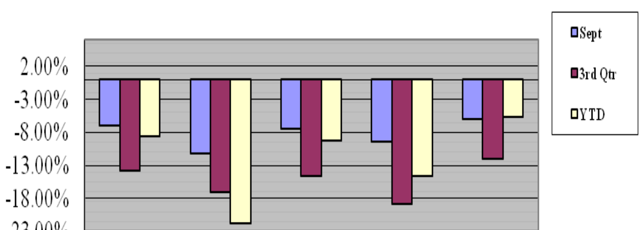
Equity

Investors who were hoping for the mild end to the summer doldrums were severely disappointed in the 3rd quarter. The equity market, which had ground to a halt in the 2nd quarter of 2011, took a more severe downturn to end the quarter. There was no safe haven as all sectors, from telecommunications to consumer staples to energy and financials were hit hard. If that wasn't enough, the Fed's "Operation Twist" put the nail in the coffin as the S & P 500 fell over 700 points to end the month of September even as the long end of the yield curve (30 year Treasury)rallied 40 bps.

What the end of the quarter told us is that: **(We're glad that's over).** However, with Europe still waiting out their economic malady's, there is still a wait and see attitude in the domestic equity market.

In the 3rd quarter all major equity indices posted negative returns. On the domestic side the Russell 2000 was the down-side leader with a return of -17.09%. All other indices also posted negative returns. The return for the Russell 1000 was -14.68%, the S & P 500 returned -13.68%, and the Dow returned -12.09%. With Europe in turmoil it was almost certain that the International EAFE would have a hard time, and it did, posting -18.92% for the quarter and a -14.58% year to date.

EQUITY RETURNS:
September, 3rd Quarter 2011, and Year to Date



	S & P 500	Russell 2000	Russell 1000	MSCI EAFE	Dow Jones
Sept	-7.02%	-11.21%	-7.46%	-9.49%	-6.03%
3rd Qtr	-13.86%	-17.02%	-14.68%	-18.92%	-12.09%
YTD	-8.68%	-21.86%	-9.24%	-14.58%	-5.74%

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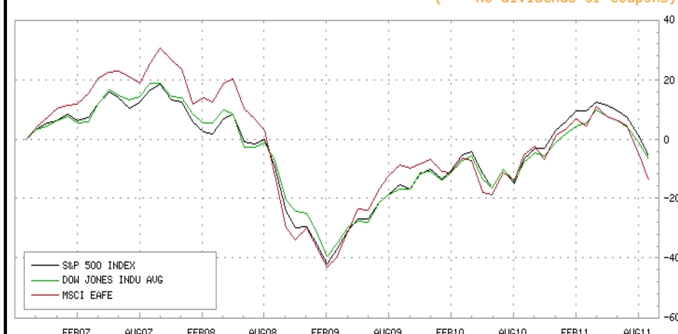
COMPARATIVE RETURNS Page 1/ 6

Range 9/29/06 - 9/30/11 Period M Monthly 60 Mo. Period

	Securities	Crncy	Prc Appr	Total Ret	Difference	Annual Eq
1	SPX Index	USD	-15.30 %	-5.75 %	.81 %	-1.18 %
2	DJX Index	USD	-6.56 %	-6.56 %*		-1.35 %
3	MXEA Index	USD	-27.15 %	-13.73 %	-7.17 %	-2.91 %

(* = No dividends or coupons)



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Equity Markets - Looking Ahead

The good news is September is over. The other good news (maybe) is October has started. It seems as though companies in the U.S. are well positioned to survive a downturn, with large cash balances on balance sheets, and previous steps taken to improve profitability.

There are many obstacles to overcome in the coming months and years. On a macro view such obstacles include, the current and future economic viability; on a micro view, these obstacles can include, sustainable corporate profits, unemployment, the housing market, and the revenue declines across local government.

Over the next quarter the equity markets are likely to see a relief in inflationary pressures, thanks mainly to commodity prices declining. That, along with corporate balance sheets being in much better shape, should help the equity market rebound. However, expect the 4th quarter to be filled with more drama concerning the European meltdown and our own fix to the U.S. economy.

The Economy

As the 3rd quarter ended the economy is in a quandary as to which direction it is headed. We see that the unemployment rate remained unchanged at around 9.1% for September. That, along with inflation numbers that were higher than expected, and economic data pointing to a downward shift in growth, ended the quarter on a bad note. Also the European crisis is nowhere near being straightened out, and that has had an effect on our economy.

The Economy (Continued)

However, the one bright spot is that corporate profits are at near record levels. Although 3rd quarter earnings were not in as of this commentary, expectations are that they will eclipse 2nd quarter earnings.

The FOMC's new policy "Operation Twist" did have a negative effect on both stocks and bonds. The stock market took a 700 point tumble and the 10 and 30 year treasury bonds gained 5 to 8 points to end the quarter 125 to 150 bps lower in yield. This fulfilled the Fed's goal of keeping long term interest rates low. However, how it will affect the rest of the economy, and investment in particular, remains to be seen.

The Economy - Looking Ahead

"Operation Twist". This policy will be what drives our economy and our domestic markets over the next several quarters. The Fed's policy decision to keep long rates low to stimulate the economy, new investments, and the housing market, may be a gamble. Will it just cause higher inflation later on in the cycle? Will it slowly bring the economy out of malaise? Or will we be like Japan in a zero rate environment for the forseeable future.

Although corporate profits are reaching record levels, it is having no direct corelation to an economic upturn.

Unemployment is still above 9.0% and not showing any signs of abbating. The housing market is showing no signs of coming out of the worst market in over 40 years, even with mortgage rates at their lowest levels in over 40 years. Local governments are suffering revenue declines. The latest revenue estimates show a negative 3.5%, as reduced tax appraisals hamper revenue growth. Add to that the pension woes of not only corporate America but the public pension funds across the country, and it does not paint a rosey picture for the next few years.

However, due to the recent shocks to both the U.S. and the world economy, maybe we are overstating the risks in the macro economic enviornment.

It seems that currently we have no economic leadership on any stage. But if you look back at economic history, economic systems tend to right themselves given enough time. So sit back, we may be in for a long ride.