

## QUARTERLY CONSIDERATIONS

### GENERAL

- ▲ **May Storms** – The S&P 500 Index fell 11% in the second quarter, wiping out first quarter gains. While May is historically the best performing month over the 20-year period for the Index, it dropped 8% this year. The Barclays Capital U.S. Aggregate Bond Index gained nearly 4%, while international equities fell 14%.
- ▲ **Swinging Sentiment** – Treasuries rallied and the yield curve flattened as the European debt crisis and global economic health contributed to fears that weak job creation and higher taxes might derail a U.S. recovery. Concerns over national debt are also growing as the 2010 budget deficit is expected to be over 10% of the size of the economy, the largest percentage since 1945.
- ▲ **Currency Diversification** – While the weakened Euro recently hurt international returns for U.S. investors, there is an upside. Currency fluctuations are unrelated to movements in the S&P 500 and add helpful diversification. Over the last 20 years, the correlation between movements in European currencies and the S&P 500 has been -0.07.
- ▲ **Save the Date** – DiMEO Schneider's Annual Investor Conference will take place on Thursday, September 30<sup>th</sup> in downtown Chicago. We hope you'll join us!

### PLAN SPONSORS

- ▲ **Tough Targets** – The SEC is seeking public comment on proposed disclosure rules for target-date funds. The proposals require greater detail on investment mixes through the course of the fund and better disclosure on risks and the potential for losses. We'll keep you updated on developments.
- ▲ **Stay the Course** – Between 1999 and 2009, over which time the S&P 500 Index lost money, account balances for consistent 401(k) savers climbed nearly 150 percent from \$65,800 to \$163,900. This growth is attributed to participant and employer contributions, dollar cost averaging and market returns, according to Fidelity.
- ▲ **Sweet Relief** – Defined benefit plans may extend amortization periods for investment losses under new legislation. Contact your actuary to understand the impact on your organization and weigh the pros and cons of participating in the relief.
- ▲ **Ruling in the Court** – 401(k) fees remain under scrutiny as the DOL issued new rules requiring service providers to disclose all fees and spell out any potential conflicts of interest. On the legal front, a court ruled, in the Tibble vs. Edison International case, that plan fiduciaries violated their ERISA duties by not adding less costly institutional shares to their plans

### NON-PROFIT ORGANIZATIONS

- ▲ **403(b) Update** – 403(b) plans are headed in the right direction, but still require more oversight, according to a new PSCA survey. 57% of sponsors made changes in response to new regulations, 45% have an investment policy statement and 12% have an automatic enrollment feature.
- ▲ **Shrinking Support** – Fewer people gave money to colleges in 2009, and those who did gave less. While the number of donors has declined for several years, 2009 marked the first time that annual fund revenue dropped as well, according to a study by Target Analytics.
- ▲ **Small, but Mighty** – The smallest endowments solidly outperformed their bigger counterparts in 2009. Endowments with less than \$100 million in assets had less downside and greater advances than their peers with assets of \$1 billion or more, according to a Chronicle of Philanthropy survey.

### THE WEALTH OFFICE™

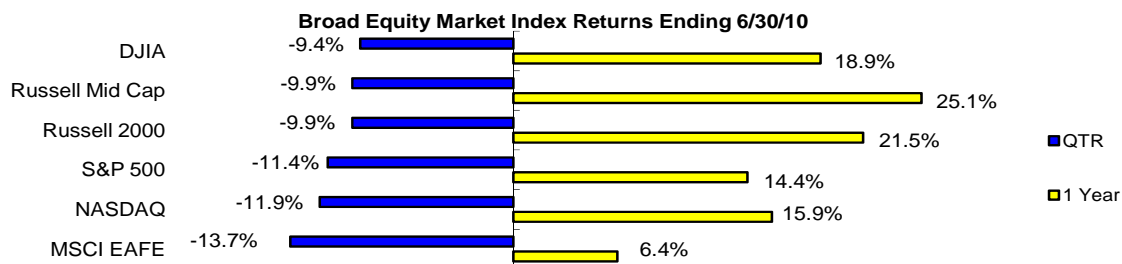
- ▲ **A Taxing Situation** – Because tax rates are expected to rise in the future, this is a good time to review the tax-efficiency of your investment portfolio. The Wealth Office can help you analyze your portfolio from a tax-efficiency perspective.
- ▲ **Doing the Limbo** – With the expiration of the estate tax as of January 1, 2010, we're still in limbo with regard to estate tax consequences for this year. Contact The Wealth Office for assistance in evaluating potential outcomes with respect to your existing estate plan.
- ▲ **Regulation Nation** – In mid-July, the Senate passed the Financial Regulatory Reform bill that will likely enact sweeping changes within the financial services industry. Contact the Wealth Office for details on how this new legislation could affect your investment strategy going forward.



# QUARTERLY CONSIDERATIONS

## ECONOMY

- ▲ The **Federal Reserve continued to keep interest rates on hold at the 0% to 0.25%** range and signaled Europe's debt problems could pose a threat to the U.S. economic recovery. Interest rates have held at this level since December 2008. The next policy meeting is scheduled for August 10th, 2010.
- ▲ **U.S. GDP advanced 2.7% in the first quarter.** The gain primarily reflected positive contributions from personal consumption expenditures, private inventory investment, exports, and nonresidential fixed investment that were partly offset by negative contributions from state and local government spending and residential fixed investment. Analysts estimate continued positive growth in 2010. The second quarter GDP advance estimate is due on July 30th, 2010.
- ▲ The **housing market continues to remain fragile.** Despite a steady decline in mortgage rates, both existing and new home sales fell sharply, partly reflecting the April expiration of the first-time homebuyer tax credit. According to economists, more than 1 million U.S. households are expected to lose their homes to foreclosure this year, a rate that is on track to eclipse the more than 900,000 homes repossessed in 2009.
- ▲ According to the U.S. Bureau of Labor Statistics, the **unemployment rate fell from 9.7% to 9.5%.** However, economists largely attribute the falling rate to a decline in labor force participation as 652,000 people abandoned their job searches and are no longer counted as unemployed.
- ▲ On the political front, upcoming November mid-term elections are expected to be closely watched. With the U.S. emerging from the worst economic downturn in decades, the **elections will be in part a referendum on the Obama Administration's current economic policies.**



## U.S. EQUITY MARKETS

- ▲ **Improving corporate profits and manufacturing data were not enough to offset fears** over the debt problems in Europe, slowing growth in China and lackluster domestic employment growth. Additional distractions included uncertainty surrounding tighter financial and energy regulations in Congress, the SEC's filing of fraud charges against Goldman Sachs, and the growing severity of the Gulf of Mexico oil spill. **Fears the U.S. could be headed for a double-dip recession resurfaced.** However, **current markets are quite different from 2008** when economies were contracting and corporate earnings were weakening. Today, global economies are improving on the whole, non-financial corporate balance sheets are generally on solid footing and banks are rebuilding their capital.
- ▲ **The S&P 500 fell 11% in the quarter to end at 1,031.** The **sell-off was broad based** with all 10 sectors posting losses for the quarter and only 72 companies posting gains. The S&P 500 now stands at about 11 times next year's \$93 consensus estimate of net income from operations, and yields 2.2%. Earnings continued to recover with 82% of companies reporting positive surprises. Balance sheets are flush with cash and strategic takeovers during the past year averaged a 35% premium.
- ▲ The **DJIA lost 9% for the quarter, to end at 9,774.** The blue-chip DJIA recorded its worst May performance since 1940 falling 8%. A one-day "flash crash" on May 6<sup>th</sup>, which saw the DJIA briefly plunge an alarming 1,000 points intraday before recovering, shook investor confidence and further boosted market volatility. **Every stock in the DJIA ended the quarter in the red.** The top performer was McDonald's, which fell 1% despite posting solid sales and earnings growth. Alcoa was the worst performer, losing 29% on concerns over slowing global growth, reduced demand from China and weakening aluminum prices.
- ▲ **No investment style emerged as a favorite** as growth fared best among small-caps, but trailed among mid- and large-caps. Meanwhile, **small- and mid-cap companies performed similarly to larger companies** for the quarter, though hold a large one-year performance advantage. Larger companies continued to face headwinds with public outrage focused on the big banks, big health insurers and pharmaceuticals, and big oil. Congress added to the turbulence through special hearings and increased regulations. Smaller companies have largely avoided the headline risk of their larger siblings.
- ▲ The second quarter saw a **marked rise in volatility.** The CBOE VIX Index, a barometer for assessing market volatility, jumped as high as 48.2 on May 21<sup>st</sup> from 17.59 at the end of the first quarter. The VIX closed June at 34. Values above 30 are generally associated with higher levels of investor fear or uncertainty.
- ▲ **Hedge funds held up better than equity markets,** declining only 3% for the quarter. Many managers began the period more defensively positioned due to pervasive macro uncertainty, which softened losses amid a broad-based reduction of risk and significant increase in volatility. Gains were prevalent among fixed income and FX related strategies, while credit and equity long short managers generally lagged. Regulatory reform remains a prominent topic in regard to hedge funds. **MLP's posted gains as investors sought yield.**



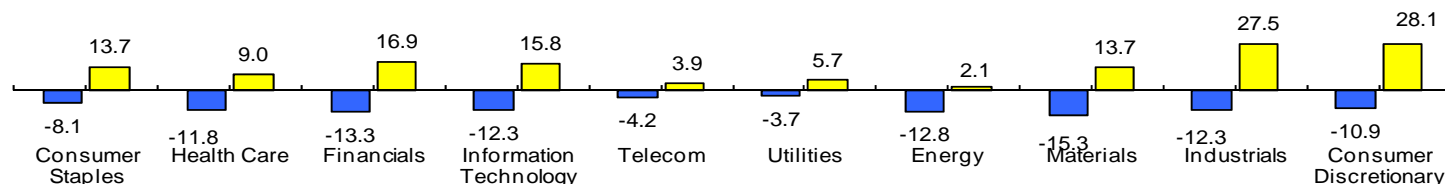
# QUARTERLY CONSIDERATIONS

## U.S. EQUITY SECTORS

- ▲ **Banks and financial stocks sold off** as investors feared the impact of reform. Congress' financial reform bill sets tougher capital and liquidity standards, limits the derivatives business and proprietary trading of large financial firms and gives broader powers to regulators. Authorities stepped up civil and criminal investigations into the marketing of mortgage-related securities, including Goldman Sachs.
- ▲ **Areas less dependent on economic conditions such as the telecommunications services and utilities sectors held up best** as investors sold riskier assets and flocked to safety and yield.
- ▲ **Industrials and materials struggled** with soft prices as well as concerns of slowing global growth and reduced demand from China. Fears of a double-dip recession in housing prices, particularly following the expiration of the housing tax credit, further weighed on these areas.
- ▲ Although natural gas prices rose for the quarter, **energy was hurt** by declining oil prices, the drilling moratorium and fears over increased regulation in the wake of the Gulf oil spill.
- ▲ **Healthcare posted losses** as several large providers lowered earnings guidance due to provisions in the healthcare legislation. Further, fears of potential pricing pressure in Europe as a result of fiscal tightening further weighed on pharmaceuticals.
- ▲ **Information technology was mixed.** Stocks tied to the personal computer market generally lagged due to worries about rising inventories and peaking product cycles, while other stocks leveraged to the increased adoption of popular smart-phone products performed well.
- ▲ **Consumer discretionary was hard hit** amid disappointing jobs reports, softening housing market, and weak retail sales and consumer confidence data. The most economically sensitive retailers and household durables fared worst.

■ QTR ■ 1 Year

Market Returns by Major Sectors of S&P 500 Index, Second Quarter 2010



## REAL ESTATE

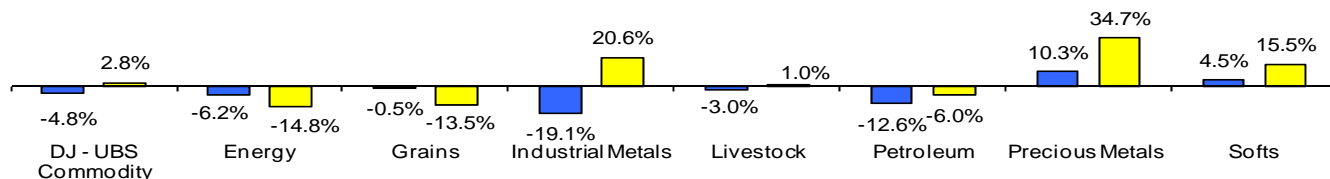
- ▲ **U.S. REITS lost 4%** for the quarter though held up better than the broader markets. While most sectors experienced weakness, apartments posted gains, benefiting from a recovery in demand and rental rates. Hotels fell sharply amid heightened sensitivity to shifts in economic sentiment due to their ultra-short term leases. Shopping centers also underperformed as consumers continued to cautiously spend. A delayed recovery in demand amid a weakened economic outlook weighed heavily on the industrial sector. **REITs ended the period yielding 4.2%.**
- ▲ **Despite improving fundamentals, international REITs declined 10% for the quarter.** European markets fell sharply on concerns the sovereign debt crisis could lead to a tighter lending market and wider regional contagion. Asian markets were pulled down by increasing risk aversion likely driven by China's potential introduction of policy tightening measures to stem rapid asset price appreciation.

## COMMODITIES

- ▲ **Commodities declined during the quarter** as expectations for global growth were reset lower. **Industrial metals and energy were pressured** by a stronger U.S. dollar and growing concerns of credit tightening in China. Rising petroleum inventories further weighed on energy. However, losses in the energy sector were somewhat offset by **higher natural gas prices** that were supported by warmer weather in most U.S. territories and rising tropical activity in the Caribbean. **Softs and precious metals were the bright spots.** Softs gained mainly due to a rally in coffee prices as Colombian production underperformed 2010 expectations. Precious metals benefited from safe-haven demand for gold driven by continued currency uncertainties and worries about the debt crisis in the Eurozone periphery.

■ QTR ■ 1 Year

DJ UBS Commodity Returns, Second Quarter 2010



## FIXED INCOME MARKETS

- ▲ **Treasuries rallied and risk premiums widened** amid a "flight to liquidity" on fears over a destabilized European banking system, a weaker tone of U.S. economic data, and policy restraint in emerging markets. Concerns for slow growth and deflation took hold. The **Treasury curve flattened considerably** with the most pronounced declines occurring on the longer part of the curve, while the front end of the curve revisited 2008 panic lows. **TIPS gained** despite continued near-term disinflationary pressures weighing on market sentiment, but underperformed comparable maturity nominal bonds overall. The bellwether 10-year breakeven rate ended June at 1.8%.



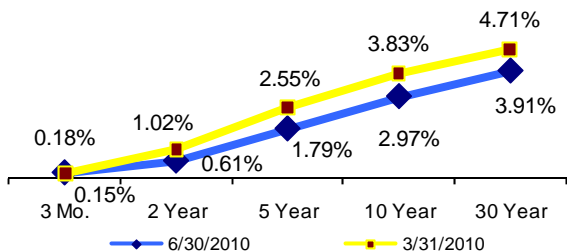
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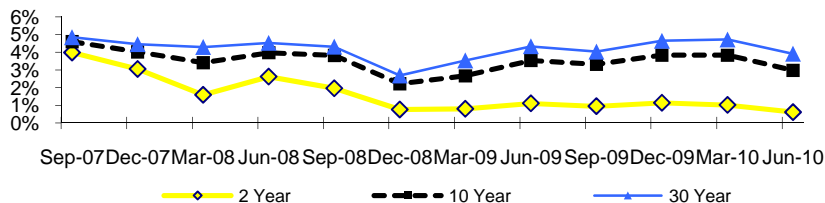
# QUARTERLY CONSIDERATIONS

## FIXED INCOME MARKETS (continued)

Yield Curve Ending 6/30/10

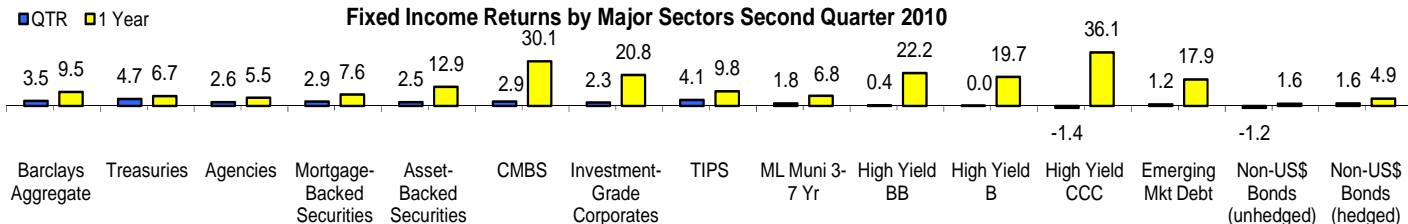


3-Year Historical Relationship Ending 6/30/10



- ▲ **Corporate spreads widened** among investment grade and high yield as systemic concerns weighed on all risk assets. Twin pressures of peripheral European sovereign risk and financial reform **overshadowed improving fundamentals** as evidenced by declining leverage, improved liquidity and lower default risk. Financials fared worst due to regulation uncertainty, while energy dealt with the oil spill and drilling moratorium. **Higher-rated issues fared best** as risk contagion hurt lower quality and higher beta issues.
- ▲ **Agency MBS performed well** after the end of the Fed purchase program. Favorable supply versus demand technicals continued to buoy MBS, while the implicit government guarantee provided credit support. The credit metrics of **credit card and auto ABS continued to show solid improvements** with delinquencies falling sharply and underwriting standards improving. CMBS posted gains on signs of lending liquidity returning to the market, which offered support to seasoned senior securities.
- ▲ **Municipals edged higher** as the fear of rising taxes trumped growing concerns about deteriorating finances at the state and local level. Spreads tightened for higher quality bonds and widened for lower quality issuers with severe budget problems. The sharp declines in Treasury yields moved municipal ratios closer to 100% across the maturity spectrum. **Taxable Build America Bonds (BABs) fared well** as investors viewed them as an attractive substitute for corporate credit exposure. BABs fate was delayed in Congress, as policymakers debate the program.
- ▲ **European bonds rose**, led by Germany and the U.K. as investors sought refuge from peripheral Europe's debt problems, though **currency losses offset much of the bond gains**. Yields on Greece, Spain and Portugal spiked as they struggled to implement debt reduction plans. All three suffered credit rating downgrades. Despite strong fundamentals, **demand for emerging market debt abated** due in part to concerns over slower growth in China as well as a general reduction in risk appetites.

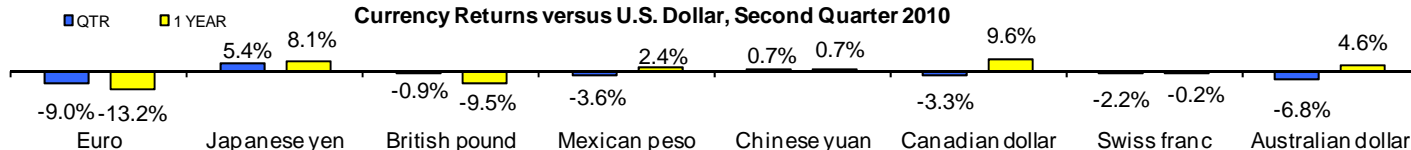
Fixed Income Returns by Major Sectors Second Quarter 2010



## INTERNATIONAL DEVELOPED MARKETS

- ▲ **International developed markets posted mostly dismal results** in the second quarter, with the **MSCI EAFE Index** declining 14%. Sectors such as consumer staples, healthcare and telecommunications services were among the top performers, while energy, materials and financials underperformed.
- ▲ **International growth stocks outperformed international value stocks** with the **MSCI EAFE Growth Index** ending down 12% and the **MSCI EAFE Value Index** declining 15%. Across market capitalizations, **international small caps generally outperformed** international large caps.
- ▲ The **U.S. dollar appreciated broadly during the quarter**. Investors sought its relative safety as sovereign concerns in Europe intensified. The Euro declined sharply on fears of a breakup, banking stress and expectations of an economic slowdown. Global growth worries weighed on commodity-sensitive currencies of Australia and Canada. Though ending the period down, the British pound rebounded sharply from low mid-quarter levels as economic data proved more resilient than anticipated. The Japanese yen appreciated on risk aversion. The Chinese yuan rose as China took steps towards more currency flexibility to moderate growth in the potentially overheated economy.

Currency Returns versus U.S. Dollar, Second Quarter 2010

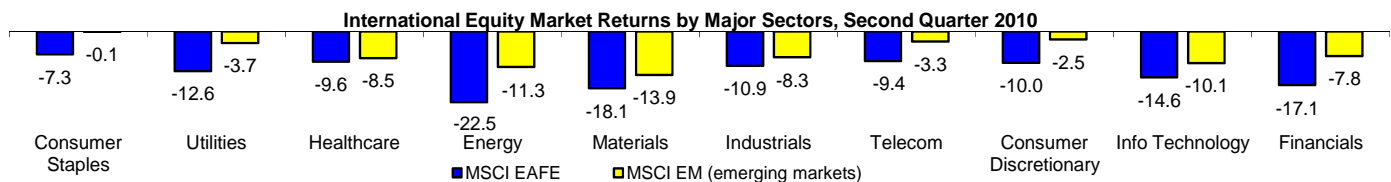




# QUARTERLY CONSIDERATIONS

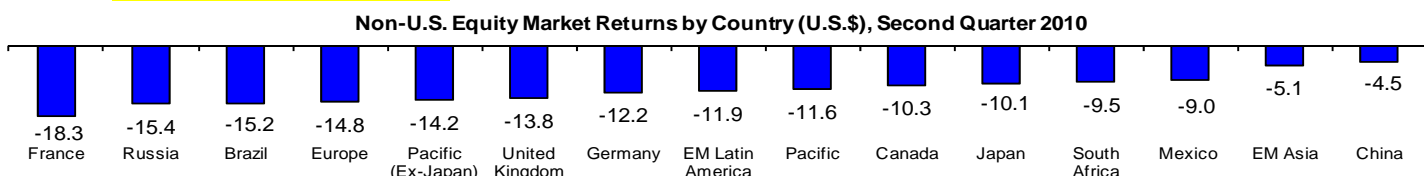
## INTERNATIONAL DEVELOPED MARKETS (continued)

- ▲ The **MSCI Canada Index ended down 10%**. Canada's GDP grew at a 6.1% annualized pace in the prior quarter, the fastest growth in over a decade as residential investment increased and consumer spending on goods and services rose. Household spending on semi-durable goods advanced sharply, particularly for clothing, footwear and accessories. The Bank of Canada raised rates by 25 basis points to 0.5%, making Canada the first in the Group of Seven (G7) to tighten monetary policy since the onset of the global economic crisis. This was the central bank's first rate hike in nearly three years.
- ▲ The **MSCI Europe Index declined 15%** as the sovereign debt crisis escalated and several Eurozone countries hastily implemented austerity measures to trim government deficits. Among the largest European markets, **Germany and France fell 12% and 18%**, respectively. Meanwhile, **Greece plunged 40%**. The European Central Bank left interest rates unchanged at a record low of 1% during the quarter. The central bank remains in a holding pattern as debt concerns continue to plague the region and the potential economic ramifications remain uncertain.
- ▲ For the quarter, the **MSCI United Kingdom Index declined 14%** as the Bank of England left interest rates unchanged at a historic low of 0.5%. On the political front, Labour Party leader Gordon Brown resigned as prime minister of the U.K. after three years in office following Tony Blair's resignation in June 2007. Brown was replaced by Conservative Party leader David Cameron who quickly tackled fiscal measures to trim the country's ballooning deficit, proposing large tax increases and sizable spending cuts.
- ▲ The **MSCI Japan Index fell 10%** as the jobless rate unexpectedly rose. Japanese employment levels hit a 20-year low and currently one-third of the labor force consists of part-time and contract workers. Consequences of uncertain employment are leading to lack of consumption, reduction in marriages and low birth rates. On the political front, Japanese Prime Minister Yukio Hatoyama resigned just months after taking office amid broken campaign promises and a political funding scandal. Hatoyama was Japan's fourth prime minister to resign in four years. Naoto Kan was named Japan's new prime minister.
- ▲ The **MSCI Pacific ex-Japan Index lost 14%**. **Australia plunged 19%** as the central bank raised interest rates by 50 basis points to 4.5%. Australia elected Julia Gillard as the country's first female prime minister after Kevin Rudd resigned following a series of unpopular initiatives including a proposal to increase the tax on Australian mining companies. **Singapore ended unchanged** amid an uptick in economic activity. **New Zealand declined 11%** as the central bank raised interest rates by 25 basis points to 2.75%, the first increase since 2007.



## INTERNATIONAL EMERGING MARKETS

- ▲ The **MSCI EM Index declined 8%** during the quarter as Europe's debt crisis cast doubt on the pace of global economic growth. Consumer staples, consumer discretionary and telecommunications services were among the top performing sectors, while energy, information technology and materials underperformed.
- ▲ The **MSCI EM Latin America Index fell 12%**. **Brazil plunged 15%**, weighed down by energy-related holdings. Brazil's central bank raised rates by 150 basis points to 10.25% in a bid to curb consumer prices and keep the country's economy from overheating. This was the first tightening of Brazilian monetary policy in nearly two years. **Mexico's stock market declined 9%**. Mexican President Felipe Calderon took aim at Arizona's new immigration law and warned it could damage bilateral relations with the U.S. Meanwhile, the small markets of **Chile, Colombia and Peru gained 3%, 4% and 4%**, respectively.
- ▲ The **MSCI EM Asia Index ended down 5%**. **India fell 2%** as the central bank raised rates for the second time since mid-March amid concerns that increased consumer spending and higher fuel prices will stoke inflation. The export-heavy markets of **South Korea and Taiwan declined 8% and 9%**, respectively. **China lost 5%** as officials proposed yuan exchange rate flexibility. However, the potential impact going forward on both the global economy and financial markets is highly uncertain as there remains little clarity on just how China's exchange rate policy will differ. **Indonesia rose 5%** against a backdrop of strong economic growth.
- ▲ The **EMEA (Eastern Europe, Middle East and Africa) Index declined 13%**. Markets in Eastern Europe posted double-digit declines, mired by fears about the spread of Europe's sovereign debt crisis. **Russia, Poland and Hungary plunged 15%, 22% and 30%**, respectively. **South Africa declined 10%** despite signs of a modest economic recovery. Meanwhile, South Africa's reveled in success as the first FIFA World Cup held in Africa attracted tourists and brought in record television audiences from around the globe, defying critics who predicted crime and chaos. **In the Middle East, Turkey fell 4%** as strength in consumer and banking stocks mitigated losses.



## QUARTERLY CONSIDERATIONS

### Financial Markets Performance Ending June 30, 2010

Returns for Periods Exceeding One-Year are Annualized.

<b>U.S. Equity</b>	<b>QTR</b>	<b>YTD</b>	<b>1YR</b>	<b>2YR</b>	<b>3YR</b>	<b>4YR</b>	<b>5YR</b>	<b>10YR</b>
S&P 500 Composite Index	-11.4	-6.7	14.4	-8.1	-9.8	-3.0	-0.8	-1.6
Dow Jones Industrial Average	-9.4	-5.0	18.9	-4.3	-7.4	-0.6	1.7	1.7
Russell 1000 Growth	-11.7	-7.6	13.6	-7.4	-6.9	-1.0	0.4	-5.1
Russell 1000 Value	-11.1	-5.1	16.9	-8.9	-12.3	-4.8	-1.6	2.4
Russell Mid Cap	-9.9	-2.1	25.1	-6.7	-8.2	-1.7	1.2	4.2
Russell 2000	-9.9	-1.9	21.5	-4.6	-8.6	-2.9	0.4	3.0
Russell 2000 Growth	-9.2	-2.3	18.0	-5.8	-7.5	-2.0	1.1	-1.7
Russell 2000 Value	-10.6	-1.6	25.1	-3.3	-9.8	-4.0	-0.5	7.5
NASDAQ	-11.9	-6.7	15.9	-3.2	-5.9	0.1	1.4	-5.4
Russell 3000	-11.3	-6.0	15.7	-7.8	-9.5	-2.8	-0.5	-0.9
NAREIT Equity REIT	-4.1	5.6	53.9	-6.6	-9.0	-4.0	0.2	9.8
<b>Fixed Income &amp; Cash Equivalents</b>	<b>QTR</b>	<b>YTD</b>	<b>1YR</b>	<b>2YR</b>	<b>3YR</b>	<b>4YR</b>	<b>5YR</b>	<b>10YR</b>
Barclays Cap US Aggregate	3.5	5.3	9.5	7.8	7.6	7.2	5.5	6.5
Citigroup High Yield Market	0.1	4.1	25.6	10.3	5.9	7.3	6.7	7.2
Citigroup Inflation-Linked Securities	4.1	4.4	9.8	4.1	7.7	6.7	5.0	7.4
Merrill Lynch Muni 3-7 Years	1.8	2.5	6.8	7.2	6.7	6.0	4.9	5.4
Citigroup Hedged Non-U.S. Dollar Bond	1.6	2.7	4.9	6.7	6.0	5.5	4.4	5.2
Citigroup Unhedged Non-U.S. Dollar Bond	-1.3	-3.3	1.5	2.5	7.7	6.3	5.0	6.4
Citigroup Treasury Bill-3 Month	0.0	0.1	0.1	0.4	1.4	2.3	2.6	2.6
Ryan Labs 3 Yr GIC	0.9	1.9	4.0	4.4	4.5	4.4	4.2	4.6
<b>International Equity</b>	<b>QTR</b>	<b>YTD</b>	<b>1YR</b>	<b>2YR</b>	<b>3YR</b>	<b>4YR</b>	<b>5YR</b>	<b>10YR</b>
MSCI EAFE	-13.7	-12.9	6.4	-14.3	-12.9	-4.2	1.4	0.6
S&P Large/Mid Value World x U.S.	-13.4	-11.7	8.3	-12.7	-12.2	-3.1	2.6	3.1
S&P Large/Mid Growth World x U.S.	-12.8	-11.9	9.0	-13.7	-10.9	-3.1	2.2	-0.5
S&P Small Cap World x U.S.	-10.7	-6.8	14.5	-11.3	-12.4	-3.0	3.1	5.2
MSCI Emerging Markets	-8.3	-6.0	23.5	-5.6	-2.2	8.0	13.1	10.3
S&P Developed World Property x U.S.	-9.7	-9.0	11.8	-12.0	-16.2	-5.7	0.7	7.8
<b>Miscellaneous</b>	<b>QTR</b>	<b>YTD</b>	<b>1YR</b>	<b>2YR</b>	<b>3YR</b>	<b>4YR</b>	<b>5YR</b>	<b>10YR</b>
Consumer Price Index	0.2	0.9	1.0	-0.2	1.5	1.8	2.3	2.4
DJ UBS Commodity Index	-4.8	-9.6	2.7	-26.3	-8.4	-5.7	-1.3	4.4
HFN Fund of Funds – Multi Strategy Avg.	-2.8	-1.5	3.7	-6.4	-4.2	-0.1	1.9	4.2
Alerian MLP	3.3	11.8	48.6	14.1	5.1	13.3	11.2	18.5

\*All indices are unmanaged and investors can not invest directly into an index. Past performance is not indicative of future results.



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## QUARTERLY CONSIDERATIONS

The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's.

The Dow Jones Industrial Index is based on the average performance of the 30 blue-chip stocks monitored.

Russell 1000 Growth measures the performance of the Russell 1000 companies with higher P/B ratios and higher forecasted growth values.

Russell 1000 Value measures the performance of those Russell 1000 companies with lower P/B ratios and lower forecasted growth values.

Russell Mid Cap measures the performance of the 800 smallest companies in the Russell 1000 Index.

Russell 2000 measures the performance of the small-cap stocks.

Russell 2000 Growth measures the performance of the Russell 2000 companies with higher P/B ratios and higher forecasted growth values.

Russell 2000 Value measures the performance of those Russell 2000 companies with lower P/B ratios and lower forecasted growth values.

The NASDAQ measures all domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market.

Dow Jones Wilshire 5000 is a capitalization weighted index from the dollar value of 5,000 highly diversified, commonly traded stocks for which daily pricing is available. It includes all stocks traded on the NYSE and AMEX and the most active OTC issues.

NAREIT Equity REITs measures equity REITs. The index contains health care REITs, but no mortgage and hybrid REITs.

The Barclays Aggregate Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed and mortgage-backed securities, with maturities of at least one year.

Citigroup High Yield Market is a market-cap weighted index, which measures the performance of below investment grade, Cash-Pay, Zero-to-Full, Pay-in-Kind, step-coupon bonds, and Rule 144A bonds issued by corporations domiciled in the United States or Canada, with remaining maturities of at least one year. All bonds must have a maximum quality rating of BB+/Ba1 by either S&P or Moody's and the minimum amount outstanding at entry/exit must be \$100 million.

Citigroup Inflation-Linked Securities measures bonds with fixed rate coupon payments that adjust for inflation as measured by Consumer Price Index. All bonds must have a minimum maturity of one year and a minimum amount outstanding of \$1 billion for both entry and exit. It currently comprises only Treasury securities.

Merrill Lynch Muni 3-7 Years measures municipal bonds with maturities between 3 and 6.99 year.

Citigroup Non-\$US Government Bond is a market-cap weighted index, that measures the performance in U.S. dollar terms of major non-U.S. bond markets. The index includes all investment grade fixed-rate bonds with a remaining maturity of one-year or longer.

Citigroup Treasury Bill-3 Month represents the monthly return equivalents of yield averages which are not marked to market; this index is an average of the last three three-month Treasury bill issues.

Ryan Labs 3 Yr GIC is an arithmetic mean of the market rates of 3 year GIC contracts. All rates are held for the full term of the contract.

MSCI EAFE is a market-cap weighted index representing 21 of the developed markets outside North America. These 20 countries include 14 European countries and 6 Pacific countries.

S&P/Large/Mid Value World x U.S. and S&P Large/Mid Growth World x US Indices measure the performance of the largest 80% of developed country's available market capitalization, adjusted for float. Three growth and four value variables are used to assign stocks to a specific style index. These include, 5-year historical EPS growth rate, 5-year historical sales per growth rate, 5-year average annual internal growth rate, book to value per share, sales per share price, cash flow per share price and dividend yield. Each style index constitutes 50% of the total float of the S&P Large/Mid World x U.S. Index.

S&P Small Cap World x U.S. represents small cap companies across developed markets. Eligible companies' full market capitalization range from USD 200 ~1,500 million and free float adjusted the market capitalization of the index constituents.

MSCI Emerging Markets is a market-cap weighted index representing the major emerging countries in the world.

S&P Developed World Property x U.S. measures the investable universe of publicly traded property companies in developed foreign countries.

Consumer Price Index is the United States Headline Consumer Price Index, which excludes energy and food.

Dow Jones UBS Commodity Index is composed of futures contracts on 19 physical commodities. No related group of commodities (e.g., energy, precious metals, livestock, grains, etc.) may constitute more than 33% of the index. **Livestock** = live cattle and lean hogs. **Softs** = sugar, cotton and coffee. **Industrial Metals** = aluminum, copper, zinc and nickel. **Precious Metals** = gold and silver. **Grains** = wheat, corn, soybeans. **Energy** = natural gas, crude oil, unleaded gas and heating oil.

HFN Fund of Funds – Multi Strategy Average is the equal-weighted average performance of thousands of hedge fund of funds that are classified as multi-strategy, as reported by the managers to the HFN database.

The Alerian MLP Index is a composite of the 50 most prominent energy master limited partnerships and will be calculated by Standard & Poor's using a float-adjusted, market capitalization-weighted methodology.

