

## General

- ▲ **History Repeats Itself** – As with most prior recessions, markets rose in advance of economic recovery. For the quarter, the S&P 500 jumped 16%, the MSCI EAFE rallied 20% and the Barclays U.S. Aggregate Bond rose 4%. Despite recent strength, the S&P 500 needs a 39% gain in the fourth quarter to break even for the past decade.
- ▲ **Will It Stop?** – What has historically happened to stocks in the fourth quarter after a gain of at least 25% in the second and third quarters? Since 1900, the DJIA has been positive 88% of the time in the fourth quarter with an average return of 16%.
- ▲ **Thank TED** – The TED Spread is the difference between LIBOR and the interest rate on comparable U.S. Treasury bills. A lower number indicates healthier credit markets and typically bodes well for the economy. By mid-September, the TED Spread had fallen by more than 450 bps to about 16 bps, the lowest level in more than 5 years.
- ▲ **Bumpy Ride** – Want to better understand how non-normal market behavior affects your portfolio? Our new white paper, *Capital Markets and Taxicab Rides*, is now available. Please request a copy or visit [www.dimeoschneider.com](http://www.dimeoschneider.com).

## Plan Sponsors

- ▲ **Target Date Update** – Both regulators and plan sponsors have made target date funds a primary focus given that they are estimated to represent nearly 50% of DC assets by 2012. Aside from expected regulatory guidance, other developments include more customization and built-in retirement income solutions.
- ▲ **Up the Ante** – Even with large losses in retirement accounts, over 19% of 4.5 million participants in plans serviced by the Principal Financial Group® increased contributions to 401(k) plan accounts in 2008 - more than the combined total of those who stopped contributing or decreased their contribution.
- ▲ **Quality Advice** – A Bush administration plan allowing brokers and reps connected with financial services firms to provide advice on 401(k) plans has been dropped by the DOL. New regulations allowing only independent advisors to work with 401(k)s are being developed in Congress.
- ▲ **What A Relief It Is** – Final IRS regulations allow defined benefit plan sponsors to select the full yield curve method using October rates. The lower liability valuations may result in big savings on funding status requirements and PBGC premiums. Plan sponsors with calendar year-ends were required to make their election by October 15<sup>th</sup>.

## Non-Profit Organizations

- ▲ **HEPI Update** – College expenses rose 2.3% compared to CPI of -1.4% for the fiscal year ending June 2009, according to Commonfund. While energy, service and material costs fell, wage increases contributed to most of the rise.
- ▲ **Catching Up** – 403(b) plans are increasingly adopting best practices from the 401(k) market. In a recent PSCA survey, over 27% of 403(b) plans offer automatic enrollment with nearly 37% using target date funds as the default investment. Ask us for more information on benchmarking your 403(b) plan.

## The Wealth Office™

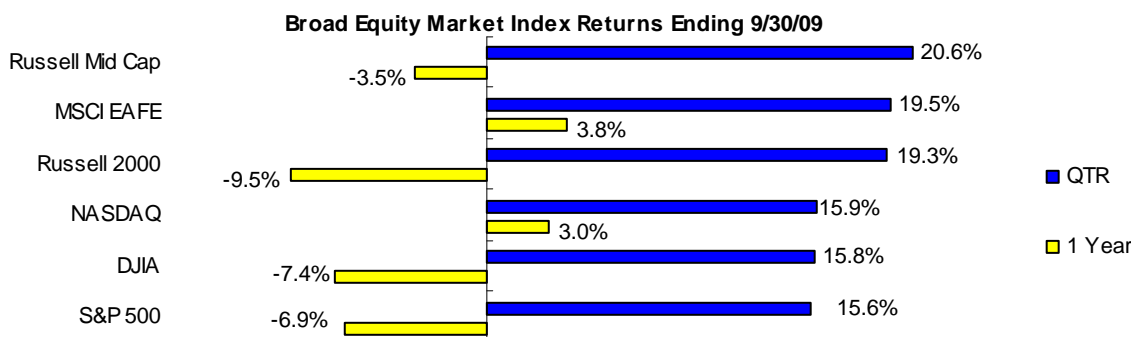
- ▲ **Housekeeping** – Fourth quarter is a good time to get your 'financial house' in-order in preparation to tackle year-end issues and prepare for the new year. Contact The Wealth Office for a financial planning checklist that will help you address key items.
- ▲ **The Gift That Keeps on Giving** – With interest rates at historic lows and valuations still depressed, certain wealth-transfer strategies, such as intra-family loans and GRATs, may present opportunities for some families. Contact the Wealth Office to learn more about these and other wealth-transfer strategies.

# QUARTERLY CONSIDERATIONS



## Economy

- ▲ At the Federal Reserve's latest FOMC meeting, **interest rates were held at the 0%-0.25% range**. The Fed announced that it will slow the rate of agency mortgage purchases and likely end the program in early 2010. The next policy meeting is scheduled for November 3rd-4th, 2009.
- ▲ **U.S. GDP declined 0.7% in the second quarter** according to final estimates released by the Bureau of Economic Analysis. The decline primarily reflected negative contributions from exports, nonresidential fixed investment, residential fixed investment, personal consumption expenditures and private inventory investment that were partly offset by a positive contribution from federal, state and local government spending. Analysts estimate economic growth resumed in the just-ended third quarter.
- ▲ **In the housing market, home sales rose and home prices stabilized in the prior quarter for the first time in three years**, according to the S&P/Case-Shiller Index. Meanwhile, housing starts rose in August to a 598,000 annual rate, continuing a trend of improving homebuilding fundamentals.
- ▲ The **unemployment rate rose to 9.8%**, with more than 4 million jobs lost this year. President Obama is considering all options to create jobs, including another stimulus package, while trying to pull the economy out of a deep recession and deal with a record deficit.
- ▲ On the political front, **healthcare reform remains a top priority** for the Obama Administration and the Democratic-led Congress. President Obama has insisted that the healthcare bill not add to the federal deficit and that the total price tag be held to about \$900 billion. Meanwhile, Congress **resumed discussion of possible consolidation of the various financial regulatory agencies** and scaled back the proposed systematic risk oversight role of the Fed.

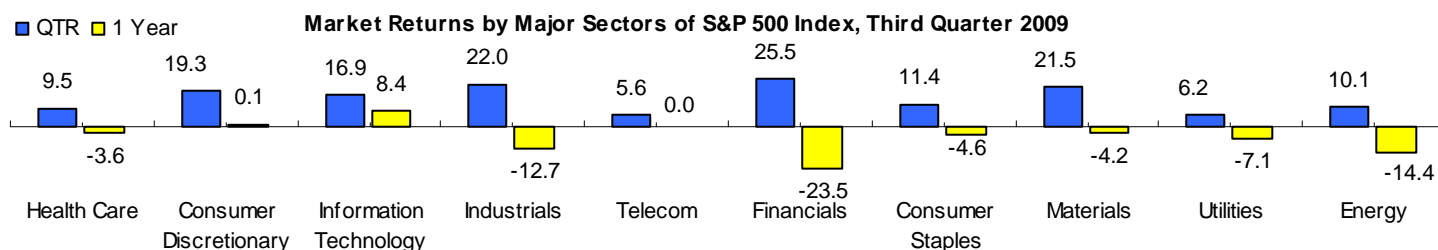


## U.S. Equity Markets

- ▲ What a difference a year makes! The **systemic threats that drove widespread panic a year ago have faded** into the background. While uncertainties remain high, investors are now focused on more fundamental issues that companies typically encounter when recovering from recessions. **Risk taking was still in vogue** during the quarter as investors gained confidence the global economy was on track for a return to modest economic growth, supported by the continuation of extremely accommodative monetary policies. **Liquidity is returning, and credit is becoming more readily available** as markets normalize. **Corporate earnings looked to have reached the bottom** after a two-year plunge, and, while not great on an absolute basis, broadly outperformed lowered expectations. Corporate earnings were buoyed more by cost-cutting than top-line growth.
- ▲ By keeping short-term interest rates low, central banks are essentially raising the opportunity cost of staying in "safe" assets such as cash and short-term government bonds. Despite extremely low yields, **significant pools of money remain on the sidelines**. By quarter-end, the Federal Reserve's measure of cash, bank deposits and money market funds climbed to \$9.5 trillion, enough to buy all of the companies in the S&P 500.
- ▲ Since 1950, September has been, on average, the worst month for the stock market. In 2009, however, the **S&P 500 Index** gained 6% for the month, and **16% for the quarter, its best quarter since 1998!** The Index is up 58% since its March 9<sup>th</sup> low, though its still -29% off its October 2007 high. The **rally was broad based** with only one of the S&P 500's 64 industry groups experiencing a loss (wireless telecom, -5%), while 459 of the index's 500 stocks posted gains for the three months.
- ▲ The **DJIA's** rally of 16% was its best quarterly gain in more than a decade! Caterpillar led the way, gaining nearly 57% as improved 2009 profit forecasts eased investor worries about the company's future outlook. American Express rose 47% after reporting better-than-expected loss rates on credit cards. On the flipside, Exxon Mobil was the only stock to post a loss, down -1% on lower-than-expected earnings. Verizon was flat on weak earnings from its wireless division as competition for subscriber growth and pricing heated up.
- ▲ Continuing the pro-cyclical, high-risk theme from the second quarter, **small- and mid-cap stocks outperformed large-caps**. The improved trends in M&A activity as well as renewed access to credit bode well for smaller companies. **Value outperformed growth virtually across the board** due largely to the value benchmarks' exposure to the better performing cyclical companies, particularly financials, as well as to many of the lower-quality companies that were on the ropes only months earlier, but have rebounded strongly off their lows.
- ▲ **Hedge funds posted gains for the quarter**, though lagged the broader markets. Every strategy except short-selling advanced, with distressed investing and restructuring funds faring best. Technicals were strong as cash flows remained positive, helping relieve selling pressures. **Fundamentals for MLPs remained resilient** amid improved access to capital and economic optimism. Improved natural gas margins and the prudent use of cash by MLPs also aided performance, while tightening of yield spreads made MLP yields relatively more attractive to investors.

## U.S. Equity Sectors

- ▲ **Financials, led by large commercial banks, capital market firms, insurance companies and REITs, posted strong gains.** While the credit cycle has not peaked in terms of delinquencies and losses, investors have become more focused on the profitability commensurate with a steeper yield curve, heightened capital markets activity, and future earnings power. However, **many smaller banks and thrifts continue to struggle** under the weight of foreclosures and delinquencies, with 95 banks failing in 2009 through September 30<sup>th</sup>, compared to 25 for all of 2008.
- ▲ **Consumer discretionary gained** as investors focused on nascent signs consumers were increasingly able and willing to spend. Further, tax incentives and lower interest rates supported automotive sales, while back to school spending was strong. **Media rose** amid an uptick in advertising business as U.S. automakers returned to the ad market after a hiatus. **Cable business continued to hold up well** with the average daily television viewing topping five hours as consumers are staying home more during these tough economic times.
- ▲ **Materials benefited as infrastructure stimulus spending** and rebounding emerging market demand drove metals prices higher. Cyclical **industrials also showed signs of life** due to cost-cutting and inventory rebuilding by companies. Lower commodity prices aided the cost side of the equation, while a slower pace of decline in top-line revenue allowed most companies to beat easy year-over-year comparisons.
- ▲ **Technology continued to benefit** from inventory restocking and new product launches, such as Apple's new iPhone.
- ▲ **Utilities were hurt by falling power demand**, while **telecom lagged** due to a relatively muted earnings outlook compared to pro-cyclical sectors.
- ▲ Healthcare posted gains, but lagged the markets as this defensive area was of little interest for investors trying to capitalize on an economic recovery. Moreover, **prices appear to be reflecting worst-case government overhaul**, largely ignoring their strong profitability and free cash flows.

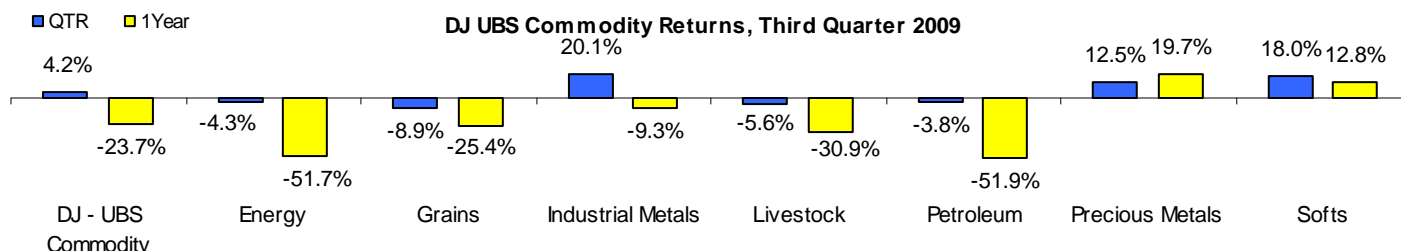


## Real Estate

- ▲ **U.S. REITs gained over 33% for the quarter** amid continued access to capital, particularly within the unsecured debt markets. **REITs ability to raise capital** solves many companies' funding issues through 2012, as well as provides them with capital for opportunistic investing down the road. **Hotels fared best** due to the flexibility in their pricing of short-term leases, **offices also posted strong gains** amid less bad news on unemployment in the New York area as financial firms began hiring. The **more defensive sectors, self-storage and healthcare, posted gains but lagged** the market as their healthy balance sheets were largely ignored in the leveraged-induced rally.
- ▲ **International REITs rose 21% for the quarter**, led by Europe, on improved sentiment, a better economic outlook and property transactions that indicated stabilization in values of high-quality commercial real estate. Returns for U.S. investors were further boosted by the weak dollar.

## Commodities

- ▲ **Commodities gained 4%** in anticipation of a global recovery and the weakening U.S. dollar. Energy ended the quarter down modestly, as languishing natural gas and crude oil prices weighed on the sector. **Natural gas continues to be plagued by overproduction, while oil moved lower on concerns over slowing demand.** **Industrial metals benefited** from continued strong import demand from China, particularly for copper, in addition to improved industrial production data in the developed world. **Gold, silver and platinum rallied** over the period due in part to a weaker U.S. dollar in addition to strong underlying jewelry demand providing support for gold at lower price levels. **Softs surged, led by sugar**, which rose 43% as a drought in India and excessive rain in Brazil hampered production. **Grain prices were hurt** by expectations for increased production in the coming crop year for corn and wheat. **Livestock declined** on weaker demand by consumers.



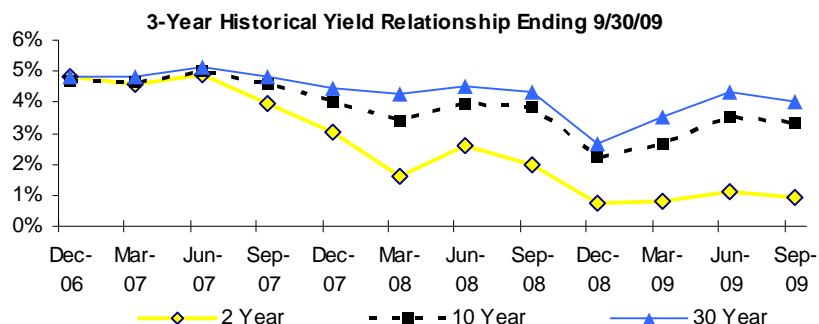
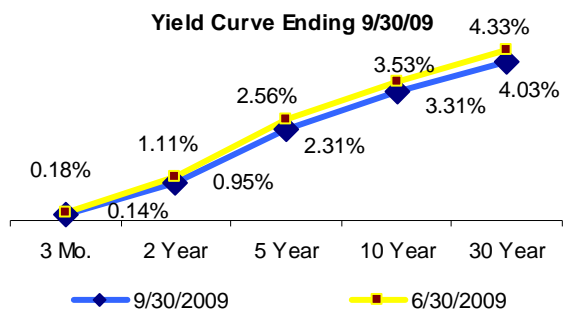
## Fixed Income Markets

- ▲ **A broad-based rally across fixed income sectors occurred** during the third quarter as near-zero interest rates on risk-free assets fueled a continued search for yield. **Treasury yields declined throughout the quarter**, led by the long-end of the curve, amid wide-ranging signs of improving economic growth and a developing sense the "carry trade" would continue to work for some time as the Fed maintains its target of virtually-zero short-term interest rates. The **yield curve flattened** with yields of longer maturities declining more than shorter maturities. **TIPS benefited** as deflation fears subsided and commodity prices increased. The 10-year breakeven **ended the quarter near 1.8%**, well below its five year average of 2.2%.

# QUARTERLY CONSIDERATIONS

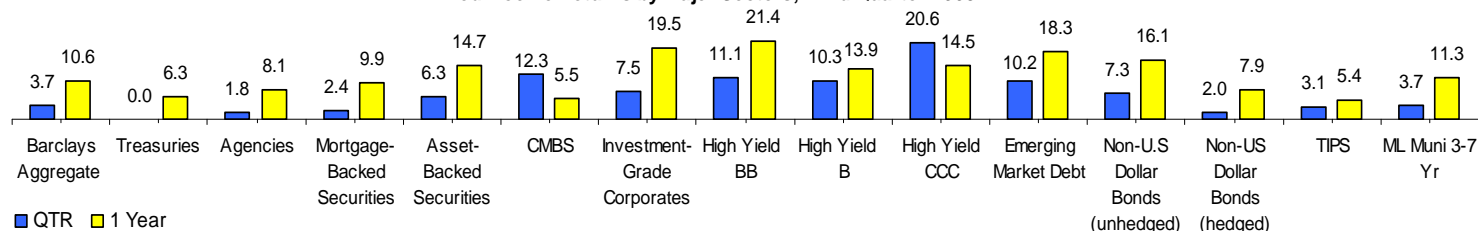


## Fixed Income Markets (continued)



- ▲ **Investment-grade credit continued to stage a major rally** in the quarter with spreads narrowing to nearly 200 basis points (from a peak of 545 basis points in December). Catalysts included continued heavy inflows into the sector, increasingly positive economic data, strong recent earnings and a continued search for yield in the current low interest rate environment. Increased demand allowed for robust corporate bond issuance throughout the quarter. **Financials continued to lead the rally, as higher beta sectors dominated spread tightening.**
- ▲ The **high yield market posted solid gains**. Spreads have narrowed nearly 1,200 basis points since 2008's peak, and ended the quarter near 750 basis points over Treasuries. In terms of technicals, new high yield supply remained elevated, met by strong demand. Corporations primarily issued debt to refinance stressed balance sheets, which has helped **slow the pace of defaults**. Ratings upgrades kept pace with downgrades. **The flight to risk trade continued with the lowest quality and highest beta sectors, such as autos, airlines, and financials faring best.**
- ▲ **Agency MBS outperformed like-duration Treasuries**. Government involvement in the sector was a critical driver of performance. To date, the Fed has purchased nearly \$900 billion of the \$1.25 trillion it originally authorized. The Fed recently announced it will extend the program's duration through the end of the first quarter 2010, which should allow the system to slowly adjust to reduced demand and wider spreads. **Non-Agency mortgages also rallied** as lack of new issuance over the last two years and anticipation of demand from PPIP drove prices higher.
- ▲ **Strong technicals drove the consumer ABS market** to post its third consecutive positive quarter, led by autos and credit cards. **CMBS posted a solid quarter** driven by policy-related factors, such as TALF and PPIP, and changes to rules that provided additional flexibility to loan servicers. The **re-emergence of un-levered cash investors** such as pension funds and insurance companies drove much of the demand for these areas.
- ▲ **Munis posted solid gains driven in part by strong demand** from investors anticipating higher marginal income tax rates in 2010 as well as a search for higher yields. Further, the **supply of tax-exempt bonds has declined**, especially in the longer maturities, due largely to Build America Bonds, whose issuance has been very significant and is approaching 40% of municipal issuance in 2009.
- ▲ **Yields on sovereign debt fell modestly** in most developed markets as a more benign economic outlook and low cash rates spurred demand. Central banks began considering their respective exit strategies from quantitative easing and highly stimulative monetary policies. **Emerging market bonds continued to benefit** from strong demand as these economies continued to spearhead the global economic recovery. The better risk environment allowed for new supply from corporations and quasi-sovereign issuers that previously lacked access to the market.

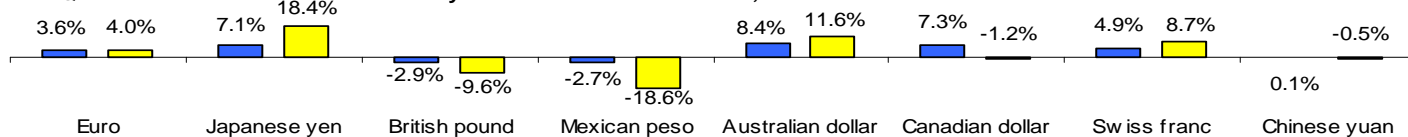
Fixed Income Returns by Major Sectors, Third Quarter 2009



## International Developed Markets

- ▲ International developed markets advanced in the third quarter, with the **MSCI EAFE Index** rising 20%. Financials, materials and industrials were among the top performers, while information technology, energy and utilities underperformed.
- ▲ **International value stocks outperformed international growth stocks** with the **MSCI EAFE Value Index** ending up 22% and the **MSCI EAFE Growth Index** advancing 17%. Across market capitalizations, **international small caps generally outperformed international large caps.**
- ▲ During the quarter, the U.S. dollar held steady against the Chinese yuan, while appreciating against the British pound and Mexican peso. However, the **U.S. dollar declined against the Euro, Japanese yen, Australian dollar, Canadian dollar and Swiss franc amid continued concerns over government debt levels and monetary policy.**

Currency Returns versus U.S. Dollar, Third Quarter 2009



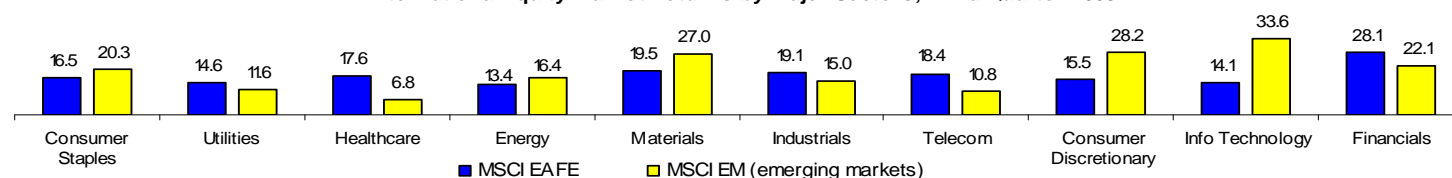
# QUARTERLY CONSIDERATIONS



## International Developed Markets (continued)

- ▲ The **MSCI Canada Index ended up 19%** on improving investor sentiment, firmer commodity prices and stabilization in the housing market. Interest rates are on hold at 0.25% as the Bank of Canada (BOC) has reiterated its conditional commitment to hold the current policy rate until the end of the second quarter of 2010 as the central bank attempts to jump start the economy. The BOC said household spending is strengthening, helping to push up domestic demand, but the **higher Canadian dollar is still playing a role in moderating the pace of growth.**
- ▲ The **MSCI Europe Index advanced 23%**. Rising consumer confidence boosted results in **Germany, which ended up 23%**. On the political front, German Chancellor Angela Merkel was re-elected to another four-year term. **France gained 27%**, benefiting from an ongoing improvement in business sentiment readings. **Italy rose 27%** as inventory restocking and export growth appeared to be the two engines pulling the economy out of a recession. **Spain gained 28%** as signs of stabilization emerged in housing demand, driven by better affordability. The **European Central Bank left rates unchanged at 1%.**
- ▲ For the quarter, the **MSCI United Kingdom Index gained 19%** amid higher consumer sentiment as the country's troubled housing market showed signs of bottoming. Data compiled through the end of September showed housing prices had moved higher for the fifth month in a row. The **Bank of England (BOE) left interest rates at an historic low of 0.5%**. The BOE also boosted its quantitative easing program by an unexpectedly large 50 billion pounds, as worries about the fragility of the economic outlook overshadowed evidence that the pace of the recession is beginning to ease.
- ▲ The **MSCI Japan Index rose a tepid 7%** as elections resulted in the first change in political party leadership in 45 years. Newly-elected Prime Minister Yukio Hatoyama of the Democratic Party entered office in September with an economic policy much different from the prior government, with more focus on supporting households than the corporate sector. The new administration is under immense pressure to revive the Japanese economy and has been criticized for their lack of economic growth strategies.
- ▲ The **MSCI Pacific ex-Japan Index advanced 27%**. **Australia's export-driven market gained 33%** on solid performances from mining shares, which benefitted from strong emerging markets demand. In Australia, mining exports account for nearly 40% of total exports and China is a large component of exported goods. **Hong Kong gained 14%** amid improving retail sales data. **New Zealand rallied 26%** as dairy giant Fonterra increased its payout to shareholder farmers by 12%, which is expected to inject \$530 million USD into the economy and boost GDP by 0.4%.

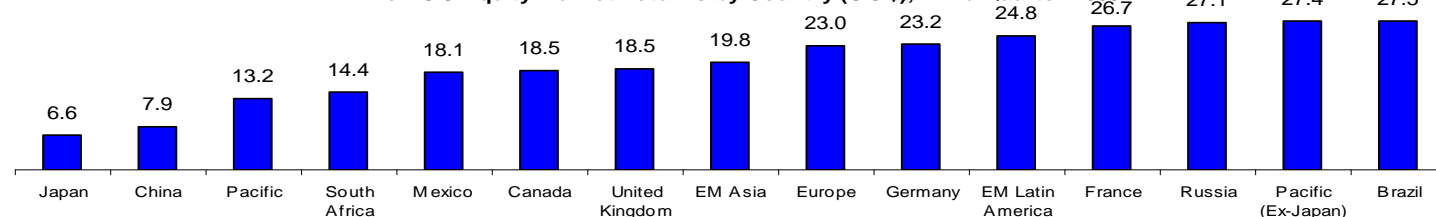
International Equity Market Returns by Major Sectors, Third Quarter 2009



## International Emerging Markets

- ▲ The **MSCI EM Index rose 21%** as evidence mounted the global economy was pulling out of a recession. Information technology, consumer discretionary and materials were among the top performing sectors while, telecommunications services, healthcare and utilities lagged.
- ▲ The **MSCI EM Latin America Index gained 25%**. **Brazil advanced 28%** as the country prepares to expand its visible global presence by hosting the 2014 World Cup and the 2016 Summer Olympics. On the political front, the campaign intensified ahead of the October 2010 Brazilian presidential elections. President Lula da Silva is constitutionally barred from a third term as leader of one of the world's largest democracies. **A strengthening currency sent Colombia up 36%**. **Mexico rose 18%** despite fears that President Calderon's government budget for 2010 would do little to revive the economy. The proposal submitted to Mexico's Congress features a combination of tax increases and expenditure cuts.
- ▲ The **MSCI EM Asia Index ended up 20%**. Gains in **China were limited to 8%** as investors worried about the increased potential for an economic slowdown as officials began to withdraw fiscal stimulus. Trade relations with the U.S. were in the spotlight as Beijing threatened retaliation against tariffs imposed on imported Chinese tires. **Indonesia rallied 38%** as the economic recovery gathered momentum, while **South Korea soared 35%** on strength in information technology stocks. **India gained 20%** as the government's ongoing stimulus measures appeared to have limited the impact of the country's worst monsoon season in years, which lead to a severe drought and raised concerns about this year's agricultural growth.
- ▲ The **EMEA (Eastern Europe, Middle East and Africa) Index rose 20%**. **Russia gained 27%** on strength in commodity-related stocks. The small **Eastern European markets of the Czech Republic, Poland and Hungary rallied 23%, 34% and 42%, respectively**, despite lingering debt crisis concerns. **South Africa gained 14%** amid sluggish economic data and labor strikes of workers demanding higher wages. Intensifying pressure is on President Jacob Zuma, who came to power promising to make reducing poverty the cornerstone of his administration. In **the Middle East, Turkey rallied 33%** as the central bank slashed interest rates to a record low 7.25%.

Non-U.S. Equity Market Returns by Country (U.S.\$), Third Quarter 2009



# QUARTERLY CONSIDERATIONS



## Financial Markets Performance Ending September 30, 2009

	<i>Returns for Periods Exceeding One-Year are Annualized.</i>							
	<u>QTR</u>	<u>YTD</u>	<u>1YR</u>	<u>2YR</u>	<u>3YR</u>	<u>4YR</u>	<u>5YR</u>	<u>10YR</u>
<b><u>U.S. Equity</u></b>								
S&P 500 Composite Index	15.6	19.3	-6.9	-14.8	-5.4	-1.6	1.0	-0.2
Dow Jones Industrial Average	15.8	13.5	-7.4	-13.8	-3.3	0.5	1.8	1.6
Russell 1000 Growth	14.0	27.1	-1.9	-11.9	-2.5	-0.4	1.9	-2.6
Russell 1000 Value	18.2	14.9	-10.6	-17.3	-7.9	-2.7	0.9	2.6
Russell Mid Cap	20.6	32.6	-3.5	-13.5	-4.1	-0.8	3.9	6.0
Russell 2000	19.3	22.4	-9.5	-12.0	-4.6	-1.1	2.4	4.9
Russell 2000 Growth	16.0	29.1	-6.3	-11.9	-2.6	-0.5	2.9	1.1
Russell 2000 Value	22.7	16.4	-12.6	-12.4	-6.6	-1.9	1.8	8.1
NASDAQ	15.9	35.8	3.0	-10.5	-1.2	0.5	3.1	-1.8
Dow Jones Wilshire 5000	16.1	21.3	-6.4	-14.2	-4.8	-1.2	1.8	0.9
NAREIT Equity REIT	33.3	17.0	-28.4	-20.2	-12.4	-4.2	1.4	9.5
<b><u>Fixed Income &amp; Cash Equivalents</u></b>								
Barclays Cap US Aggregate	3.7	5.7	10.6	7.1	6.4	5.7	5.1	6.3
Citigroup High Yield Market	13.7	46.4	21.2	3.5	4.9	5.5	5.7	6.2
Citigroup Inflation-Linked Securities	3.1	7.9	5.4	5.8	5.5	4.6	4.7	7.5
Merrill Lynch Muni 3-7 Years	3.7	6.8	11.3	7.4	6.2	5.4	4.7	5.4
Citigroup Hedged Non-U.S. Dollar Bond	2.0	2.2	7.9	6.1	5.3	4.8	5.2	5.5
Citigroup Unhedged Non-U.S. Dollar Bond	7.3	6.7	16.1	10.5	10.2	8.1	7.1	6.7
Citigroup Treasury Bill-3 Month	0.0	0.1	0.4	1.5	2.6	3.1	3.0	3.0
Ryan Labs 3 Yr GIC	1.1	3.4	4.6	4.7	4.6	4.3	4.1	4.8
<b><u>International Equity</u></b>								
MSCI EAFE	19.5	29.6	3.8	-14.8	-3.1	2.1	6.6	3.0
S&P Large/Mid Value World x U.S.	21.9	33.2	5.1	-13.9	-2.0	3.4	8.1	5.1
S&P Large/Mid Growth World x U.S.	18.1	31.9	4.0	-14.0	-2.4	2.1	6.7	2.1
S&P Small Cap World x U.S.	22.4	44.5	10.1	-15.1	-2.9	2.9	8.4	6.9
MSCI Emerging Markets	21.0	64.9	19.4	-10.5	8.3	11.3	17.7	11.7
S&P Global World Property x U.S.	21.2	40.8	5.2	-21.2	-7.8	0.6	6.1	8.7
<b><u>Miscellaneous</u></b>								
Consumer Price Index	0.4	2.9	-1.0	1.9	2.2	2.2	2.7	2.6
DJ UBS Commodity Index	4.2	9.1	-23.7	-14.3	-4.9	-5.2	-0.7	6.3
HFN Fund of Funds – Multi Strategy Avg.	4.4	8.9	-1.9	-5.9	0.0	1.6	3.2	6.2
Alerian MLP	14.0	51.3	20.6	-0.7	6.3	5.9	9.2	15.8

*All indices are unmanaged. Investors can't actually invest directly into an index. Past performance is not indicative of future results.*

## 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, which represents approximately 25% of the total market cap of 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/Citigroup PMI Value World x U.S. and S&P/Citigroup PMI 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/Citigroup PMI World x U.S. Index.

S&P/Citigroup EMI 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.

Consumer Price Index is the United States Consumer Price Index.

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.

