

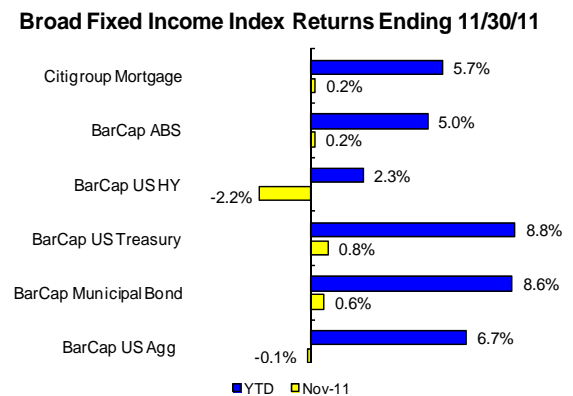
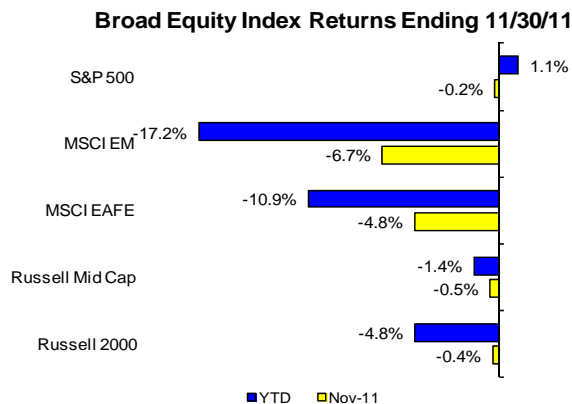
November 2011 Market Commentary

U.S. and international developed and emerging markets ended the month of November lower on concerns over Europe's growing sovereign debt crisis. The two-year-old crisis has spread from smaller peripheral economies and is now threatening core Eurozone countries.

For the month, the Russell 2000 Index of smaller companies and the S&P 500 Index ended largely unchanged. Energy, consumer staples and telecommunications services were among the top performing areas, while sectors such as information technology, financials and consumer discretionary underperformed. Across market capitalizations, small-, mid- and large-cap companies performed similarly. No investment style emerged as a favorite as value fared best among small-caps, but trailed among mid- and large-caps.

U.S. fixed income markets ended with mixed results. Lower quality, higher yielding corporates were among the weakest performers, with lower-rated issues underperforming. Investment grade corporate securities also moved lower, with financial-related issuers suffering the most. U.S. Treasuries advanced as investors sought the safety of U.S. government securities. Other sectors, including mortgage-backed securities (MBS), asset-backed securities (ABS) and municipals, were flat or moved marginally higher.

International markets posted negative results, with the MSCI EAFE declining 5%. Among the largest European markets, Germany and France fell 4% and 6%, respectively. Within the Pacific region, Japan declined 4%. Meanwhile, Australia, New Zealand and Hong Kong each lost 7%. In the emerging markets, the MSCI EM ended down 7% on weakness from select Emerging Asian, Latin American and EMEA (Eastern Europe, Middle East and Africa) countries.



World Market Recap

Economy

- Third quarter GDP was revised down to 2% from the first estimate of 2.5%. Positive contributions came from federal government spending, personal consumption expenditures (PCE), nonresidential fixed investment and exports but were partly offset by negative contributions from state and local government spending and private inventory investment.
- The Federal Reserve continues to keep rates on hold at the 0% to 0.25% range, where it has been since December 2008. In a coordinated action, the Fed partnered with other major central banks to ease tensions in the credit markets as European financial institutions were facing difficulty securing U.S. dollar-based funding.

U.S. Equity

- In the first two weeks of November, U.S. equity markets traded in a narrow band as investors consolidated October's spectacular gains. In the next two weeks the news, sentiment and markets all turned decisively negative, erasing much of the prior month's gains. However, a coordinated action by major central banks to help alleviate the Eurozone's credit crisis sent the markets soaring on the last trading day of the month.
- The more defensive areas such as the consumer staples, telecommunications services and utilities sectors were among the strongest performers during the month of November as investors gravitated towards safety and yield and away from riskier assets.
- Energy moved higher during the month of November as oil surpassed \$100/barrel for the first time since July on concerns surrounding a potential Middle East supply disruption. Talks of a European Union ban on Iranian oil surfaced after the British embassy in Tehran was stormed following Britain's decision to impose further sanctions on Iran over its nuclear program.
- The financial services sector came under significant selling pressure as potential exposure to Eurozone debt rattled investors and as S&P downgraded the credit ratings of the six largest U.S. bank holding companies by one notch.
- In corporate news, American Airlines and its parent AMR Corp filed for bankruptcy protection amid rising labor costs, high fuel prices and dampened travel demand. Once the largest U.S. carrier, American is now third behind United Continental Holding's United Airlines and Delta Air Lines, both of which used Chapter 11 to cut costs and later found merger partners.

Fixed Income

- During the month, U.S. Treasuries rose as investors fled to safety and the Fed purchased nearly \$44 billion in longer-dated Treasury securities. In this environment, long Treasuries outperformed intermediate Treasuries.
- Investment grade corporate securities declined. Financial-related issuers underperformed both industrial-backed and utilities-related issuers as the European debt crisis accelerated and S&P cut the ratings of a number of financial institutions. Lower quality underperformed, with BBB-rated issues falling 1.8%, while AAA-rated issues ended down 0.7%.
- Lower quality, higher yielding corporate securities also came under pressure during the month as investors switched back to the "risk-off" trade. The weakest credits performed significantly worse with CCC-rated credits falling 3.6%, 210 basis points below BB-rated issues.
- Municipals registered small gains for the month of November, bringing the year-to-date results to nearly 9%. Thus far in 2011, the municipal market has recorded returns that rival those of U.S. Treasuries because it is somewhat immune to the European crisis.

International Developed Markets

- Canada declined 3%. The Bank of Canada left rates on hold at 1% as conditions in global financial markets deteriorated amid the deepening sovereign debt crisis in Europe. The central bank has left rates unchanged for 10 consecutive meetings since September 2010. In the summer of 2010 Canada became the first G-7 nation to raise rates since the crisis began.
- The United Kingdom ended down 3% as the Bank of England (BOE) left its bond buying program unchanged and kept rates on hold at 0.5%, where it has remained since March 2009. The BOE has kept rates low despite inflation at 5%, well above its target rate, as consumer confidence dropped and concerns about the Eurozone debt crisis intensified.

- Following month end, the European Central Bank (ECB) cut interest rates by 25 basis points to a record low of 1% and announced several steps to bolster the continent's economy and financial system amid the ongoing debt crisis. However, financial markets were disappointed as hopes had been rising that the ECB was prepared to ramp up its purchases of European government bonds.
- Within the Pacific region, Japan ended down 4% on weakness from auto manufacturers and banking stocks. Meanwhile, Australia, New Zealand and Hong Kong each lost 7%. Fitch upgraded Australia's credit rating to AAA from AA+ citing the country's high value-added economy, strong political, civil and social institutions and its flexible policy framework. In Hong Kong, real estate stocks were particularly weak.

International Emerging Markets

- Within Asia, India plunged 16% on concerns about political gridlock, weaker corporate earnings growth and persistently high inflation. China ended down 8% as the central bank moved decisively to stimulate its economy by cutting its bank reserve requirements for the first time in nearly three years. Among the other large Asian markets, Taiwan and South Korea declined 10% and 6%, respectively.
- In Latin America, Brazil declined 7%, while Mexico ended down 2%. Brazil's central bank cut rates to 11% as a global economic slowdown threatens to exacerbate a slump in domestic demand. Brazilian policymakers have been walking a fine line since August, when the central bank surprised markets by lowering interest rates despite inflation running above the 6.5% target ceiling.
- Among EMEA countries, South Africa ended unchanged. In the Middle East, Turkey declined 5%, while Egypt plunged 10%. Within Eastern Europe, Russia ended flat. Meanwhile, Hungary, the Czech Republic and Poland declined 4%, 8% and 10%, respectively.

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

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

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

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

MSCI Emerging Markets is a market-cap weighted index representing 26 of the emerging countries in the world.

Note: The information contained in this correspondence was taken from sources which we deem reliable. We do not represent that it is accurate nor complete and it should not be relied upon as such. Any opinions expressed herein reflect our judgment at this date and are subject to change.