

### Capital Markets Summary

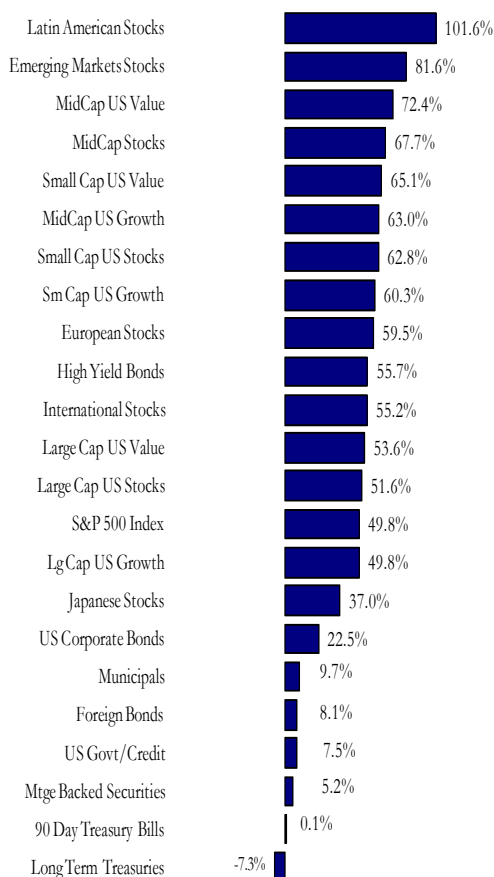
Eager pronouncements and evidence the end of the recession could be near had investors anxious to ring in a new decade of investment promise. After a solid first week of partying the rest of January must have felt like the hangover that wouldn't go away. Uncertainty returned to the markets late in the month and with it volatility. The uncertainty was caused by an abundance of mixed economic data. From unemployment numbers, to interest rates, to consumer confidence and earnings reports, there was enough conflicting data to warrant an ample supply of Alka-Seltzer.

For investors it seemed the only cure for a January hangover was a little of “the hair of the dog that bit you”. Money re-entered the markets in February driving the major indices to levels not seen in several years. The U.S. markets ended the quarter higher despite the apparent lack of any solid economic data to support higher valuations. Mid-Cap and small cap stocks lead the way as measured by percentage returns. The broader markets were led by financials.

Overall, the economy continues to plod along although there are some signs of a wider recovery. Inventories are low and factory orders in some sectors are increasing. Earnings were mixed this quarter as slightly less than 80% of reported earnings beat expectations. This is a minor decline from the fourth quarter of 2009. Investors did get some encouragement this reporting season as nearly 30% of companies reported revenue growth, which is a positive. Consensus earnings estimates were adjusted upwards by 2.6% during the quarter after having risen more than 10% at the end of the previous quarter.

Employment numbers released this quarter trended towards fewer job losses, but did not yet reflect a business environment willing to add meaningful jobs. The current unemployment rate is reported as 9.7%. This is down slightly from 10% reported at the beginning of the quarter. Congress approved a jobs bill in December and the Senate is currently working on their version. The package, aimed at promoting employment is reported to include tax breaks for small businesses.

### One Year Performance of Asset Classes as of March 31, 2010

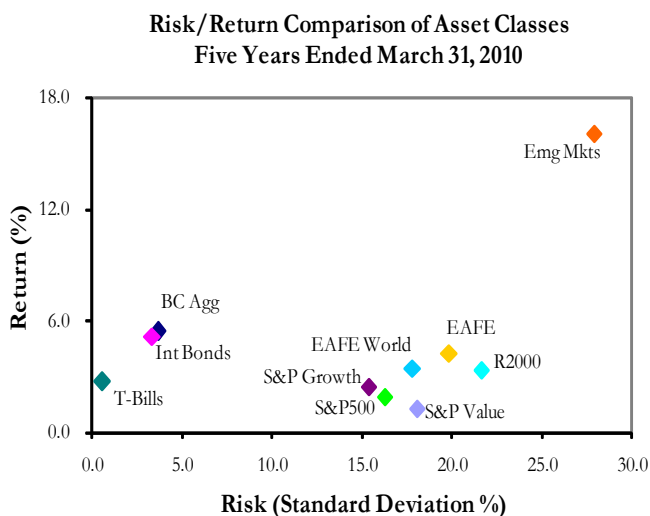


Data Sources: Zephyr StyleAdvisor, Barclay's Capital, MSCI Barra & Standard & Poor's

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### Capital Markets Summary

The prospects for a better job and real estate market have helped to improve consumer confidence. Home foreclosure rates are still high, but are treated by the media as old news. The new news is that home values in some regions have begun to increase. Retail sales numbers were up 5.4% (trailing 12 months). Market watchers are divided on the reason(s) for the increase. Optimists believe the increase indicates consumers are less pessimistic about the future and are returning to more normal spending habits. Many pessimists believe this is merely a temporary increase resulting from incentive programs, deep discounting, and a protracted period of restricted spending.



The Fed surprised interest rate watchers by raising the Discount Rate .25% in February. This action is seen by some as an indication of the Fed’s willingness to increase the Fed Funds Rate in the near term. The Fed was quick to follow the discount rate hike with announcements supporting an overall low interest rate environment for “an extended period of time”. Bond investors will watch closely for any indication that the Fed will raise rates in the near future as the economy begins to strengthen and as international appetite for U.S. debt begins to wane (at the current interest rate). If employment and consumer spending numbers reflect real improvement the Fed may need to raise rates to show it is taking decisive action to control inflation.

In international markets Europe is negotiating with the unique problems of a continental currency. Greece is the headline, but Europe’s financial problems also extend to Portugal, Spain and Ireland. The European Central Bank (ECB) must balance the need to create financial stability for these countries against the threat of inflation in the dominant euro participant countries.

In Asia, Japan closed the quarter at an eighteen month high. A Tankan manufacturing survey indicating a strong rebound for Japan’s manufacturers was viewed positively and bolstered returns measured by the Nikkei 225. In China, poor economic news was viewed as a positive indicator that the government’s intervention in recent bank lending policy would not need to be as stringent as first feared. China’s market (China CSI 300) is down more than 6% year-to-date, but was up 1.94% for the month of March.

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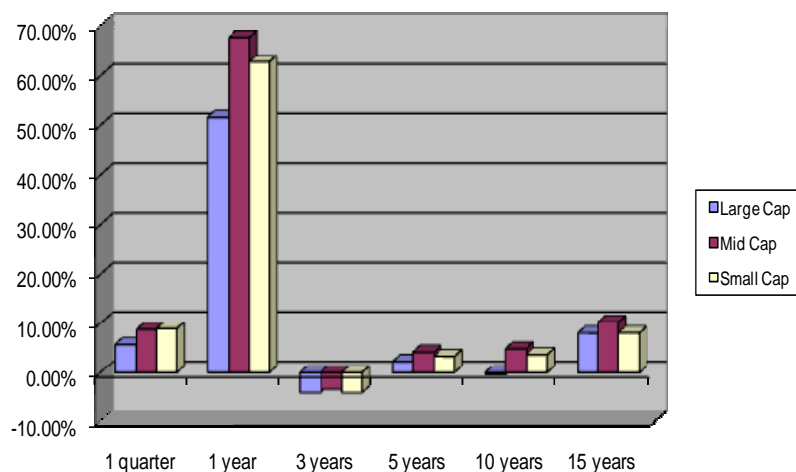
## Domestic Equity

All the major domestic indices rose in the first quarter as the U.S. market rode a strong March performance to post its best first quarter in over a decade. The S&P 500 gained 5.39% in the first quarter while the Russell 3000 posted an even better 5.95% return as both of those indices enjoyed their best first quarter since 1998. Not far behind was the Dow Jones Industrial Average which also enjoyed a 4.82% return to post its own best first quarter since 1999. The quarter's best return belonged to the NASDAQ however which was up 5.68% for its own best first quarter since 2006.

In comparing capitalizations, small and mid caps were the strongest performers of the quarter as the Russell 2000 recorded an 8.14% return in March to lead all capitalizations for the quarter with an 8.85% return. A strong month of March helped the Russell Midcap post an 8.67% return for the first quarter. Trailing the quarter was the Russell 1000 with a still solid 5.70% gain. Coming in last were the mega-caps, as the Russell Top 200 posted a 4.55% gain.

In comparing styles, after trailing growth stocks for the past few quarters, value stocks gained the edge in the first quarter. For the quarter, both the Russell 1000 Value (up 6.78%) and the Russell 2000 Value (up 10.02%) outperformed their growth counterparts by over 2%. The Russell 1000 Growth still managed to gain a respectable 4.65% in the quarter while the Russell 2000 Growth gained 7.61%.

**Broad Domestic Equity Market Performance Periods Ending March 31, 2010**



Data Sources: Zephyr StyleAdvisor, Barclay's Capital, MSCI Barra & Standard & Poor's

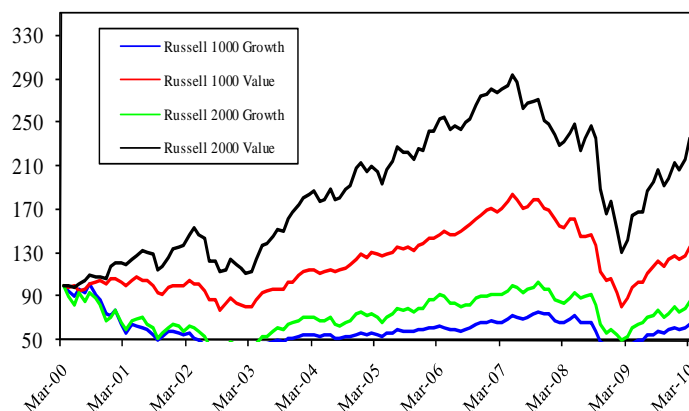
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**Domestic Equity**

Breaking the S&P 500 down into sectors, after a weak January return, nearly every sector of the S&P 500 was able to post positive quarterly returns on the strength of strong February and robust March returns. Leading the way for the quarter were Industrials which posted a 13.08% return. Also posting double-digit returns for the quarter were Financials (11.15%) and Consumer Discretionary (10.44%). Consumer Staples also outperformed the broader market with a 5.82% return. Sectors that trailed the overall S&P 500 but were still able to stay positive in the first quarter were:

Health Care (3.40%), Materials (2.88%), Energy (0.62%), and Technology (1.91%). The only sectors to post negative returns for the quarter were Utilities (-3.57%) and Telecommunications (-4.32%).

**Style Performance  
10 Year Growth of \$100**



**Subsector Scorecard - First Quarter  
2010**

Gainers			Losers	
Photographic Products	37.2%	1	Specialized Consumer Services	-20.6%
Consumer Electronics	32.6%	2	Independent Power Producers & Energy Traders	-12.7%
Regional Banks	28.4%	3	Aluminum	-11.5%
Automobile Manufacturers	25.7%	4	Fertilizers & Agricultural Chemicals	-11.2%
Hotels, Resorts & Cruise Lines	23.1%	5	Tires & Rubber	-10.4%

In individual stocks, the first quarter of 2010 saw eight IPOs launched. This matched the total for IPOs launched in all of 2009. Combined, the eight IPOs raised \$711 million in the quarter led by Ironwood Pharmaceuticals, Inc. (IRWD) which raised \$187 million. Seventy-seven mergers and acquisitions (M&As) accounting for nearly \$4 billion in activity closed in the first quarter. This was down from the 102 M&As representing \$8.5 billion that occurred in the fourth quarter, but was in line with the 77 M&As closed in the first quarter of 2009 (which raised \$3.5 billion). The quarter’s largest M&A was Acclarent’s (surgical devices) acquisition by Ethicon (a Johnson & Johnson subsidiary) for \$785 million that closed on January 21<sup>st</sup>.

On the Dow, the best performer in the first quarter was Boeing (BA) which was up 34.8%, followed by General Electric (GE) up 21.2%, and Bank of America (BAC) up 19.8%. The biggest loser on the Dow was Alcoa (AA) down 8.1%, followed by AT&T (T) down 6.9% and Pfizer (PFE) down 6.1%.

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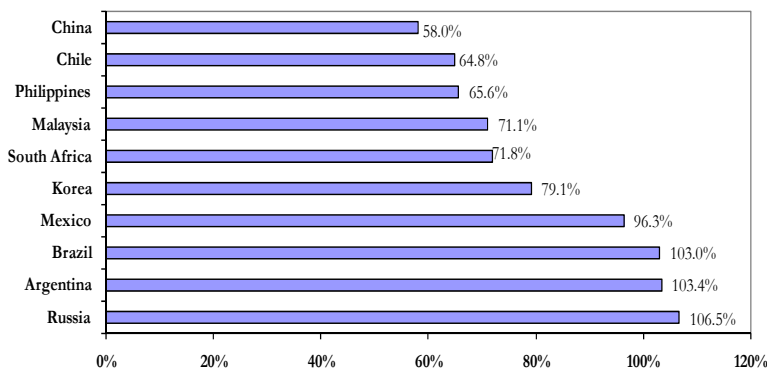
**International Markets**

Despite losing ground in January (-4.41%) and February (-0.69%), the MSCI EAFE Index posted a modest 0.87% gain for the first quarter thanks to a 6.24% return in March. The MSCI Emerging Markets Index had larger gains for the quarter at 2.11%. Both of these international benchmarks lagged the S&P 500 which was up 5.39% in the first quarter.

In US Dollar terms, the top performing developed country for the quarter was Finland with a 12.38% gain. Japan’s markets also had an outstanding quarter as the MSCI Japan index rose 8.25%. Japan’s exports were 45.3% higher in February 2010 versus February 2009. Despite this growth, demand within Japan itself has been less robust and deflation concerns persist. The MSCI Japan Index has underperformed the EAFE over the trailing one year period 38.04% to 55.20%. The laggard amongst developed countries in the first quarter was Spain as the MSCI Spain Index which lost 15.22%. Greece was not far behind as the MSCI Greece index fell 13.16% in the quarter. Greece remained in the headlines for much of the first three months of 2010 due to uncertainty related to its government debt.

European Shares rallied in March, but the MSCI Europe index still finished the quarter down with a return of -1.72%. The MSCI Pacific Index gained 6.33% and the MSCI North America index was up 5.49%, aided by Canada’s 6.15% return for the quarter. Although returns were relatively modest for emerging markets stocks in the first quarter, the trailing one year return for the MSCI Emerging Markets Index as of March 31 stands at 77.26%. This number is impressive, but the index is still well off of the levels that it saw in late 2007. As speculation about the US accusing China of currency manipulation mounts, China is thought to be considering a modification of its foreign exchange policy. The US is among the many countries that are interested in accessing consumers that make up the growing middle class in China, an economy that boasts the largest automobile market in the world. China is expected to soon overtake Japan as the world’s second largest economy and it already is the largest holder of US Treasury securities. The MSCI China Index fell 1.57% in the first quarter as The EM Asia Index rose 1.39%. Latin America posted a 1.67% gain while European emerging markets stocks were up 6.07% from a US Dollar perspective.

One Year Emerging Market Country Returns  
as of March 31, 2010



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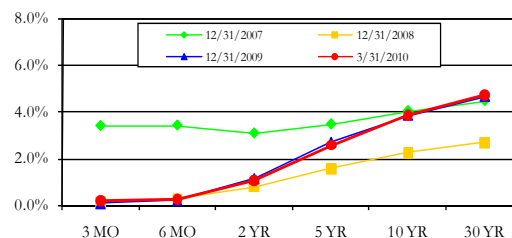
## Fixed Income

Fixed income markets were almost universally higher in the first quarter of 2010, largely due to strong gains early in the quarter. The Barclays Capital US Aggregate Bond index was up 1.78% on the quarter thanks to monthly returns of 1.53%, 0.37%, and -0.12%. The Barclays Capital US Government/Credit index was up 1.55% on the quarter due to monthly returns of 1.49%, 0.41%, and -0.35%. The Barclays US Government Intermediate index returned 1.12% for the quarter, thanks to monthly returns of 1.30%, 0.42%, and -0.60%. Finally, in the municipal space, the Barclays US Municipal Bond index was also up in the quarter by 1.25%.

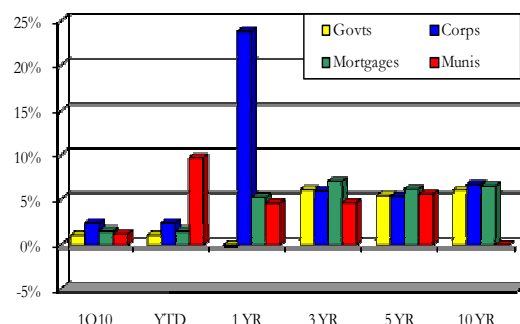
Lower yielding instruments took a hit in March, however, as investors finally started moving away from the flight-to-quality that has driven up yields in government-backed issues over the past two years. Since early 2008, investors have been seeking government-backed paper as a safe haven to ride out the troubled equity markets. But as equity returns have turned sharply positive over the past year, fixed income investors have also begun chasing higher returns.

Of particular interest is the high-yield bond space. During the first quarter of 2010, there was \$54.3 Billion in new high-yield debt sold. This is in sharp contrast to the first quarter of 2009, which only saw \$9.6 Billion in new high-yield bond issuances. As a result of the renewed interest in high yield debt, the yield spread between those bonds and their Treasury counterparts has fallen sharply to its lowest level in two years.

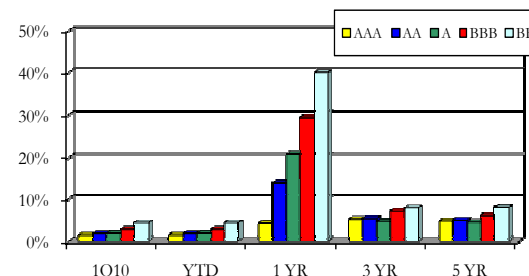
Treasury Yield Curve



Sector Performance



Credit Performance



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## Fixed Income

This trend is largely due to two main factors. First, investor appetite for higher yield bonds has driven down the need for issuers to entice investors with high rates. Second, the borrowing costs for the US government have risen on the lower-interest rate end of the spectrum. Partly due to investors bailing on lower yield government bonds and partly due to increasing fears of the rapidly growing US deficit, interest rates on government bonds have been steadily rising. In short, the yield spread between the high-end and low-end is being pressured from both sides. At the end of the quarter, the yield on 10-year Treasuries flirted with 4.00% before closing at 3.94%.

The Fed kept interest rates low during the first quarter of 2010. During the Fed's March meeting, Fed chairman Ben Bernanke commented on the need to balance sustained economic recovery with inflation fears. "Although downside risks to growth remain, the upside risks to inflation are also of significant concern to the Committee. The Committee will continue to monitor economic and financial developments and will act as needed to promote sustainable economic growth and price stability," he said.

Student loan debt faced a significant overhaul during the first quarter as part of the healthcare reform bill. Instead of allowing private banks to sell government backed loans to the nation's students, the government has instead decided to directly issue the loans itself. The non-partisan Congressional Budget Office has forecasted a government savings of \$62 Billion over the next decade by eliminating the fees that were paid to private banks. Meanwhile, opponents of the reform state that student loans could now face the same mismanagement that afflicted Fannie Mae and Freddie Mac during the credit crisis in housing markets.

On the municipal front, many state and local governments have been turning to the bond markets to help stave off record budget shortfalls. Cash-strapped Puerto Rico issued \$1.4 Billion in municipal bonds to help cover their operating expenses. The tax-exempt issuance was not typical since recently most municipalities have instead been issuing bonds through the government's Build America Bond program. Through the program, issuers' taxable interest costs are subsidized by the government by thirty-five percent. The program has been quite popular since credit markets have been pricey over the past two years, although costs did continue to fall during the quarter.

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### Commodities

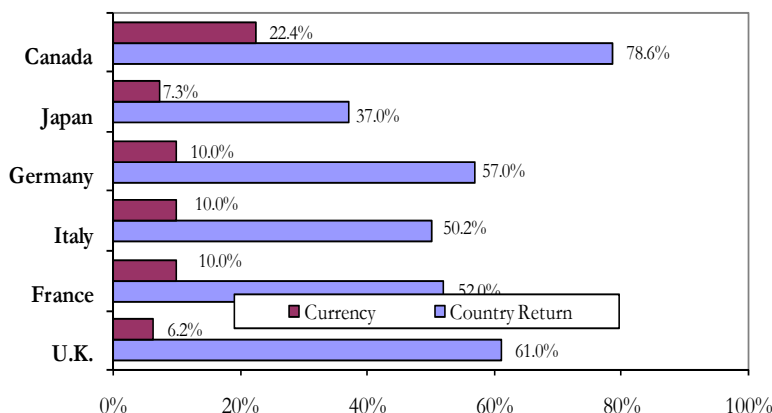
The recent strength of the U.S. dollar has kept gold prices in check. The dollar benefited from increased financial problems in Europe and an untimely monetary tightening by the Chinese to stem inflationary concerns. China’s apparent desire to keep tight control of economic growth also caused commodity traders and hedge managers to take a more cautious approach with positions. The long-term trend for commodities such as industrial metals continues to be bullish. Nickel lead the metals, up better than 35% since the start of the year. Copper was up more than 7% and is near a 20-month high. Gold and silver also increased slightly during the quarter.

The volatility in crude oil has moderated and the price per barrel was up about 6% for quarter. Crude has traded in a range between \$70 and \$80 (+/- \$3) for the past two quarters (beginning August 2009). Colder than normal temperatures in the Northeast caused an increased in demand for heating oil, and gasoline prices at the pump rose on the speculation of an improving economy and future demand. Oil is near an 18-month high heading into the summer travel season.

### Currency

The dollar, which declined all of last year (ex-December) against its basket index gained strength against all major currencies during the quarter. Weakness in Europe resulted in a strengthening of the dollar. China’s banking system has begun the process of restricting easy access to capital to curb inflation concerns further adding to the strength of the U.S. dollar. The dollar was up versus the Pound and Euro, and down versus the Yen.

**1 Year Country and Currency Returns  
G-7 Excluding U.S. as of March 31, 2010**




Data Sources: Zephyr StyleAdvisor , Barclay’s Capital, MSCI Barra & Standard & Poor’s

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# CAPITAL MARKETS REVIEW – MARCH 31, 2010

## CAPITAL MARKET INDEX RETURNS

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
BEST	Russell 2000 Value	Russell 2000 Value	MSCI EAFE	MSCI EAFE	Russell 1000 Value	DJ Wilshire REIT	Russell 1000 Value	Russell 1000 Growth	Russell 2000 Growth	DJ Wilshire REIT	Russell 2000 Value	Barclay Agg Bond	Russell 2000 Growth	DJ Wilshire REIT	DJ Wilshire REIT	DJ Wilshire REIT	Russell 1000 Growth	Barclay Agg Bond	Russell 1000 Growth	Russell 2000 Value	
	4.170%	29.15%	32.94%	8.06%	38.35%	37.04%	35.18%	38.71%	43.09%	31.04%	13.96%	10.27%	48.53%	33.14%	14.00%	36.13%	11.81%	5.24%	37.21%	10.02%	
	Russell 1000 Growth	DJ Wilshire REIT	Russell 2000 Value	Russell 1000 Growth	S&P 500	Russell 1000 Growth	S&P 500	S&P 500	Russell 1000 Growth	Russell 2000 Value	DJ Wilshire REIT	DJ Wilshire REIT	Russell 2000 Value	Russell 2000 Value	MSCI EAFE	MSCI EAFE	MSCI EAFE	Russell 2000 Value	Russell 2000 Growth	Russell 2000 Growth	DJ Wilshire REIT
	4.116%	15.13%	23.84%	2.66%	37.53%	23.12%	33.35%	28.57%	33.16%	22.33%	12.36%	3.60%	46.02%	22.25%	15.54%	26.34%	11.17%	-28.92%	34.47%	9.81%	
	DJ Wilshire REIT	Russell 1000 Value	Russell 1000 Value	DJ Wilshire REIT	Russell 1000 Growth	S&P 500	Russell 1000 Value	MSCI EAFE	MSCI EAFE	Barclay Agg Bond	Barclay Agg Bond	Russell 2000 Value	MSCI EAFE	MSCI EAFE	Russell 1000 Value	Russell 2000 Value	Russell 2000 Growth	Russell 1000 Value	Russell 2000 Value	MSCI EAFE	Russell 2000 Growth
	23.84%	13.81%	18.12%	2.66%	37.19%	22.94%	31.78%	20.33%	27.30%	11.63%	8.44%	-11.42%	39.16%	20.25%	7.05%	23.48%	7.05%	-38.85%	31.78%	7.61%	
	Russell 2000 Growth	Russell 2000 Growth	DJ Wilshire REIT	S&P 500	Russell 2000 Growth	Russell 1000 Value	Russell 1000 Growth	Russell 1000 Value	S&P 500	Russell 1000 Value	Russell 1000 Value	Russell 1000 Value	Russell 1000 Value	DJ Wilshire REIT	Russell 1000 Value	Russell 1000 Value	Russell 1000 Value	Barclay Agg Bond	S&P 500	DJ Wilshire REIT	Russell 1000 Value
	2.118%	7.77%	15.14%	1.31%	31.04%	21.64%	30.49%	15.63%	21.04%	7.01%	-5.59%	-15.52%	36.06%	16.49%	5.26%	22.25%	6.97%	-37.00%	28.46%	6.78%	
	S&P 500	Russell 2000 Value	Russell 2000 Value	Russell 2000 Value	Russell 2000 Value	DJ Wilshire REIT	Barclay Agg Bond	Russell 1000 Value	S&P 500	Russell 2000 Growth	MSCI EAFE	S&P 500	S&P 500	Russell 1000 Value	Russell 2000 Value	Russell 2000 Value	Russell 2000 Value	Russell 1000 Value	Russell 2000 Value	Russell 1000 Value	S&P 500
	30.48%	7.62%	13.37%	-1.53%	25.75%	21.37%	19.67%	8.67%	7.35%	-9.10%	-9.22%	-15.94%	30.03%	14.31%	4.91%	15.79%	5.49%	-38.44%	26.46%	5.39%	
Russell 1000 Value	Barclay Agg Bond	S&P 500	Russell 1000 Value	Barclay Agg Bond	Russell 2000 Growth	Russell 2000 Growth	Russell 2000 Growth	DJ Wilshire REIT	MSCI EAFE	S&P 500	S&P 500	Russell 1000 Value	Russell 1000 Value	Russell 2000 Value	Russell 2000 Value	Russell 2000 Value	Russell 1000 Value	Russell 2000 Value	Russell 2000 Value	Russell 1000 Value	
24.61%	7.40%	10.06%	-1.99%	18.48%	11.26%	12.95%	1.23%	-2.57%	-13.96%	-11.88%	-22.09%	29.76%	10.87%	4.71%	13.35%	-0.17%	-38.54%	20.58%	4.65%		
Barclay Agg Bond	Russell 1000 Growth	Barclay Agg Bond	Russell 2000 Growth	DJ Wilshire REIT	MSCI EAFE	Barclay Agg Bond	Russell 2000 Value	Barclay Agg Bond	Russell 1000 Growth	Russell 1000 Growth	Russell 1000 Growth	Russell 1000 Growth	S&P 500	Russell 1000 Growth	Russell 2000 Growth	Russell 1000 Growth	Russell 2000 Value	DJ Wilshire REIT	Russell 1000 Value	Barclay Agg Bond	
16.00%	5.00%	9.75%	-2.44%	12.24%	6.36%	9.68%	-6.46%	-0.83%	-22.42%	-20.42%	-27.89%	28.67%	6.30%	4.15%	9.07%	-9.78%	-39.20%	19.69%	1.78%		
MSCI EAFE	MSCI EAFE	Russell 1000 Growth	Barclay Agg Bond	MSCI EAFE	Barclay Agg Bond	MSCI EAFE	DJ Wilshire REIT	Russell 2000 Value	MSCI EAFE	Russell 2000 Growth	MSCI EAFE	Russell 2000 Growth	Barclay Agg Bond	Barclay Agg Bond	Barclay Agg Bond	Barclay Agg Bond	DJ Wilshire REIT	MSCI EAFE	Barclay Agg Bond	MSCI EAFE	
12.49%	-11.85%	2.90%	-2.92%	11.55%	3.61%	2.06%	-17.00%	-1.49%	-22.43%	-22.00%	-30.27%	4.11%	4.34%	2.43%	4.33%	-17.56%	-45.09%	5.93%	0.87%		

-  **Russell 1000 Value** contains those Russell 1000 (larger capitalization) securities with a less-than-average growth orientation. Securities in this index generally have lower price-to-book and price-to-earnings ratios, higher dividend yields, and lower forecasted growth rates.
-  **Russell 1000 Growth** contains those Russell 1000 (larger capitalization) securities with a greater-than-average growth orientation. Securities in this index generally have higher price-to-book and price-to-earnings ratios, lower dividend yields, and higher forecasted growth rates.
-  **Russell 2000 Value** contains those Russell 2000 (smaller capitalization) securities with a less-than-average growth orientation. Securities in this index generally have lower price-to-book and price-to-earnings ratios than those in the Russell 2000 Growth Index.
-  **Russell 2000 Growth** contains those Russell 2000 (smaller capitalization) securities with a greater-than-average growth orientation. Securities in this index generally have higher price-to-book and price-to-earnings ratios than those in the Russell 2000 Value Index.
-  **MSCI EAFE** is the Morgan Stanley Capital International Europe, Australia, Far East Index designed to measure the performance of developed stock markets in these areas.
-  **Barclays Agg Bond** is the Lehman Brothers Aggregate Bond Index. This index includes U.S. government, corporate and mortgage-backed securities rated investment grade or higher with maturities up to 30 years.
-  **S&P 500** is a representative sample of 500 leading companies in leading industries of the U.S. economy.
-  **DJ Wilshire REIT** is intended as a broad measure of the performance of publicly traded real estate equity. The index is comprised of companies whose charter is the equity ownership and operation of commercial real estate.

Data Sources: Morningstar

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**Asset Class Suitability:** Stocks of small companies are typically more volatile than stocks of larger companies. They often involve higher risks because they may lack the management expertise, financial resources, product diversification and competitive strengths to endure adverse economic conditions. High-yield, non-investment grade bonds are only suitable for aggressive investors willing to take greater risks, which could result in loss of principal and interest payments. Global/International investing involves risks not typically associated with US investing, including currency fluctuations, political instability, uncertain economic conditions and different accounting standards.

**Past Performance:** Past performance is not an indication of future results.

**Asset Class Performance Representations:** Long Term Treasuries = BC Treasury Long; Municipals = BC Municipal; Foreign Bonds = Salomon World BIG – IB; US Govt/Credit = BC Govt/Credit; Mtge Backed Securities = ML Mortgage Master; Corporate Bonds = Salomon Corporate; 90 Day T-Bills = Salomon; Japanese Stocks = Salomon Japan BMI; High Yield Bonds = ML High Yield Master; Small Cap US Value = RU 2000 Value; MidCap US Stocks = RU Midcap; Large Cap US Value = RU 1000 Value; European Stocks = Salomon Europe BMI; Small Cap US Stocks = RU 2000; Lg Cap US Growth = RU 1000 Growth; Latin American Stocks = Salomon Latin America BMI; Sm Cap US Growth = RU 2000 Growth

**Broad Equity Market & Sector Performance Representations:** Large-Cap = S&P 500 or Russell 1000; Mid-Cap = RU Midcap; Small-Cap = RU 2000; International = MSCI EAFE

**Data Sources:** Information found in this document was derived from the following sources: Zephyr Associates StyleAdvisor, Informa M-Watch, Investor Force, Barclays Capital, MSCI Barra, and Standard & Poor's.

**Dow Jones Industrial Average** – This index is comprised of 30 "blue-chip" US stocks selected for their history of successful growth and wide interest among investors. The DJIA represents about 20% of the total market value of all US stocks and about 25% of the NYSE market capitalization. It is a price-weighted arithmetic average, with the divisor adjusted to reflect stock splits and the occasional stock switches in the index.

**NASDAQ Composite** – A cap-weighted index comprised of all common stocks that are listed on the NASDAQ Stock Market (National Association of Securities Dealers Automated Quotation system).

**S&P 500** – A broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. This index does not contain the 500 largest companies nor the most expensive stocks traded in the U.S. While many of the stocks are among the largest, this index also includes many relatively small companies. This index consists of approximately 380 industrial, 40 utility, 10 transportation and 70 financial companies listed on U.S. market exchanges. It is a capitalization-weighted index (stock price times number of shares outstanding), calculated on a total return basis with dividends reinvested.

**S&P 500/Citigroup Growth** – The S&P/Citigroup Growth tracks the performance of those stocks in the S&P 500 with lower book-to-price ratios. A cap-weighted index, it is rebalanced semi-annually, based on its price-to-book ratios and market capitalizations at the close of trading one month prior. The index is adjusted each month to reflect changes in the S&P 500. This index is more heavily weighted in the consumer non-cyclical, health care, and technology sectors than the S&P 500.

**S&P 500/Citigroup Value** – The S&P Citigroup/Value tracks the performance of those stocks in the S&P 500 with higher book-to-price ratios. A cap-weighted index, it is rebalanced semi-annually on January 1 and July 1, based on its book-to-price ratios and market capitalizations at the close of trading one month prior. The index is adjusted each month to reflect changes in the S&P 500. This index tends to be more heavily concentrated in the energy and financial sectors than the S&P 500.

**Russell 1000** – The 1000 largest companies in the Russell 3000 index, based on market capitalization.

**Russell 1000 Growth** – A segment of the Russell 1000 with a greater-than-average growth orientation. Companies in this index have higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Russell 1000 Value index.

**Russell 1000 Value** – Represents a segment of the Russell 1000 with a less-than-average growth orientation. Companies in this index have low price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Russell 1000 Growth Index.

**Russell Mid Cap** – The index consisting of the bottom 800 securities in the Russell 1000 as ranked by total market capitalization, and it represents over 35% of the Russell 1000 total market cap.

**Russell 2000** – The 2000 smallest companies in the Russell 3000 index.

**Russell 2000 Growth** – A segment of the Russell 2000 with a greater-than-average growth orientation. Companies in this index have higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Russell 2000 Value index.

**Russell 2000 Value** – A segment of the Russell 2000 with a less-than-average growth orientation. Companies in this index have low price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Russell 2000 Growth index.

**Russell 2500** – The index consisting of the bottom 500 stocks in the Russell 1000(as ranked by market capitalization) and all of the stocks in the Russell 2000. This index is intended to be used as a measure of small to medium/small stock performance, and it represents over 22% of the Russell 3000 total market cap.

**MSCI EAFE** – A market capitalization-weighted index representing all of the MSCI developed markets outside North America. It comprises 20 of the 22 countries in the MSCI World. These 20 countries include the 14 European countries in the MSCI Europe and the 6 Pacific countries in the MSCI Pacific. This index is created by aggregating the 20 different country indexes, all of which are created separately.

**MSCI World** – This market capitalization-weighted index represents all 22 of the MSCI developed markets in the world. It is created by aggregating the 22 different country indexes, all of which are created separately.

**MSCI Emerging Markets Free (EMF)** – A market capitalization-weighted index representing 26 of the emerging markets in the world. Several factors are used to designate whether a country is considered to be emerging vs. developed, the most common of which is Gross Domestic Product Per Capita. The "Free" aspect indicates that this index includes only securities that are allowed to be purchased by global investors. This index is created by aggregating the 26 different country indexes, all of which are created separately.

**Barclays Capital Government/Credit** - This index includes all bonds that are in the Lehman Brothers Government Bond and the Lehman Brothers Credit Bond indices.

**Barclays Capital Government Intermediate** – All bonds covered by the Lehman Brothers Government Bond index with maturities of 1 and 10 years.

**Barclays Capital Aggregate Bond** – This index is made up of the Lehman Brothers Government/Credit, the Mortgage-Backed Securities, and the Asset-Backed Securities indices. All issues in the index are rated investment grade or higher, have at least one year to maturity, and have an outstanding par value of at least \$100 million.

**Barclays Capital Government Long Term** - All bonds covered by the Lehman Brothers Government Bond index with maturities of 10 years or greater.

**Barclays Capital Municipal Bond** – This market cap weighted index includes investment grade tax-exempt bonds and is classified into four main sectors: General Obligation, Revenue, Insured, and Pre-refunded. To be included in this index, the original transaction size of a bond must have been greater than \$50 million.

**Merrill Lynch Convertibles** – The convertible securities used in this index span all corporate sectors and must have a par amount outstanding of \$25 million or more. The maturity must be at least one year. The coupon range must be equal to or greater than zero and all quality of bonds are included. Excluded from this index are preferred equity redemption stocks. When the component bonds of this index convert into common stock, the converted securities are dropped from the index.

**Merrill Lynch High Yield Master** – Market-cap weighted index providing a broad-based measure of bonds in the US domestic bond market rated below investment grade but not in default. Includes only issues with a credit rating of BB1 or below as rated by Moody's and/or S&P, at least \$100 million in face value outstanding and a remaining term to final maturity equal to or greater than one year.

**Dow Jones Wilshire REIT Index** – A measurement of equity REITs and Real Estate Operating Companies. No special-purpose or health care REITs are included. It is a market capitalization-weighted index for which returns are calculated monthly using buy and hold methodology; it is rebalanced monthly.

**Citigroup 3 Month Treasury Bill** – Representing the monthly return equivalents of yield averages that are not marked to market, this index is an average of the last three three-month Treasury bill issues.

**50/50 Blend (S&P 500/LBIGC)** – A blended benchmark consisting of 50% S&P 500 and 50% Lehman Brothers Government/Credit Intermediate indices.