



Market Review & Outlook - Q4 2009

■ Domestic Equity Markets

The broad equity market rally that began in early March continued through the end of 2009. Since the market low on March 9th, the S&P 500 Index is up nearly 68% (through 12-31-09). For the fourth quarter period, the S&P 500 Index gained 6.04%. From a market capitalization standpoint, both mid-cap and small-cap stocks slightly trailed their large-cap brethren, increasing 5.92% and 3.87%, respectively. However, for the calendar year (2009) period, the S&P 500 Index posted a return of 26.5%, which trailed both mid and small cap stocks, up 40.5% and 27.2%, respectively. Many of the small and mid-sized companies that were beaten down in the first quarter reversed course and led the market recovery.

Growth stocks were ahead of value stocks (over all cap ranges) moving into the fourth quarter, and the trend continued through the end of the year. Strong performance within the 'growth tilted' Technology sector boosted growth stocks for the calendar year. Many growth companies (i.e., Technology names) benefited from low leverage and strong balance sheets that investors sought out, especially earlier in the year.

All but one of the market sectors (Financials) generated positive returns during the fourth quarter period. Technology was the top performing sector for the fourth quarter (up 10.8%). Within the Technology sector, software and hardware names led the way during the quarter. Also posting strong fourth quarter returns were the Health Care, Consumer Discretionary, and Telecom sectors. The Financials sector was down 2.6% for the fourth quarter. This was due to the weaker performance of large banks as these names issued stock in order to pay back the U.S. government (i.e., Citigroup -29% and Bank of America -11% for the quarter).

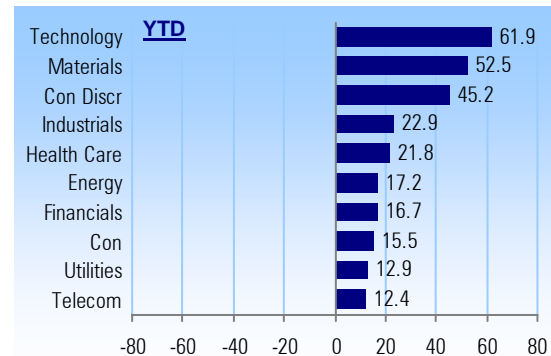
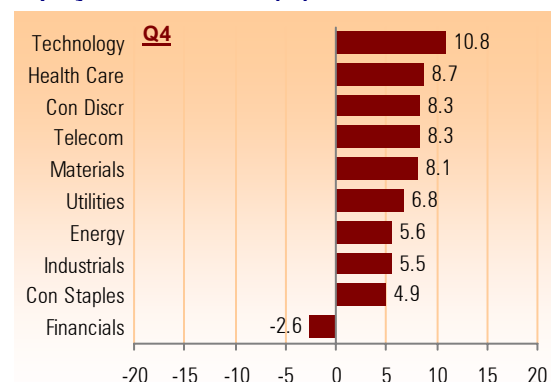
■ International Equity Markets

Developed international markets saw more muted returns in the fourth quarter due to sovereign credit concerns across Europe and continued sluggish performance out of Japan. However, for the year, developed international markets finished ahead of U.S. markets with a gain of nearly 32%. International markets rebounded due to the same dynamics that existed in the U.S. including oversold market conditions and an unprecedented policy response. In addition, international results were further helped by a weaker U.S. dollar. The Pacific ex-Japan was the top performing region with Australia (76.4%) Singapore (74%), and Hong Kong (60%) among the year's best performers.

Emerging markets continued their torrid pace in the fourth quarter brushing off the Dubai default scare and returning 8.6%. For the year, the MSCI Emerging Markets Index was the top performer across all major indices with a gain of 78.5%. On a regional basis, the BRIC countries led the way with Brazil, Russia, and India each up over 100% in U.S. dollar terms. China, however, came in below the broad index with a more "modest" return of 62%. Even with these gains, the countries remain well off of the record highs reached in 2007-08. Outside of BRIC, the top performers for the year were varied across regions and included Indonesia (128%), Turkey (98%), and Chile (86%).

Equity Market	Past Month	Past 3 Months	YTD	Past 12 Months
S&P 500	1.93%	6.04%	26.46%	26.46%
Russell 1000	2.43%	6.07%	28.42%	28.42%
Russell 1000 Growth	3.09%	7.95%	37.22%	37.22%
Russell 1000 Value	1.77%	4.22%	19.68%	19.68%
Russell MidCap	5.70%	5.92%	40.47%	40.47%
Russell MidCap Growth	6.19%	6.69%	46.30%	46.30%
Russell MidCap Value	5.23%	5.20%	34.20%	34.20%
Russell 2000	8.05%	3.87%	27.18%	27.18%
Russell 2000 Growth	8.56%	4.14%	34.48%	34.48%
Russell 2000 Value	7.57%	3.63%	20.55%	20.55%
MSCI World	1.80%	4.08%	30.01%	30.01%
MSCI EAFE	1.44%	2.18%	31.78%	31.78%
MSCI EM	3.95%	8.55%	78.50%	78.50%
MSCI REIT	7.07%	9.12%	28.61%	28.61%

Equity Sector Returns (%)



Equity Style Returns (%)

Q4	Value	Core	Growth
	Large	4.22	6.07
Mid	5.20	5.92	6.69
Small	3.63	3.87	4.14

YTD	Value	Core	Growth
	Large	19.68	28.42
Mid	34.20	40.47	46.30
Small	20.55	27.18	34.48



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Fixed Income Markets

During the fourth quarter of 2009, the rally in risk assets continued as economic conditions saw some signs of improvement. The fixed income market was mixed as most sectors generated positive results while the broad market as measured by the Barclays Capital Aggregate Index rose 0.20% for the quarter. The best performing sectors of the market were the spread sectors led by high-yield 6.2%, CMBS 3.3%, ABS 1.3% and investment-grade corporates 1.0% while 30-Year US Treasuries were hardest hit (down 8.5%).

For the quarter, interest rates increased at the long end of the treasury yield curve due to a tremendous amount of new security issuance by the government and an improving economy. The long end of the curve (30-year Treasuries) increased by 59 basis points, while the short end of the curve saw a slight decline of 7 basis points. Meanwhile, spreads continued to tighten as investors continued to seek out risk.

While 2009 was a strong year for spread sectors, 2010 will likely look different as investors face a more challenging investment environment. Looking forward, some of the likely headwinds will include the potential for higher interest rates, withdrawal of government support and a muted economic recovery.

Economic Overview

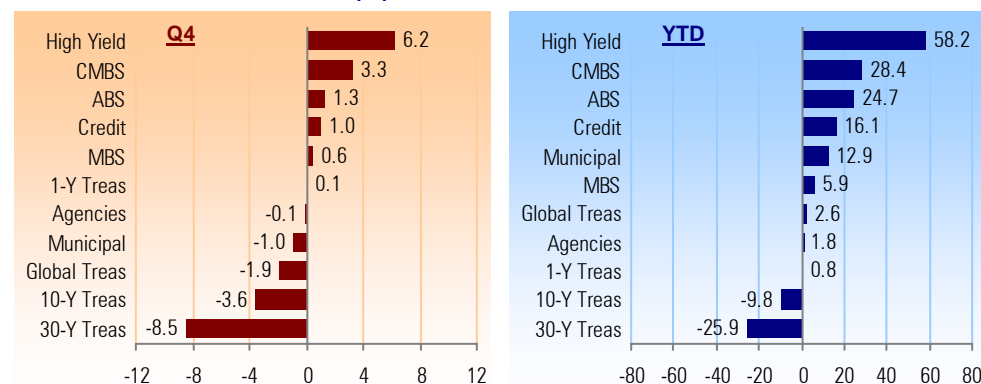
The economy continued to grow during the fourth quarter, a trend that began just three months earlier. Some of the most cyclical areas (autos, houses, and business equipment) posted solid advances as a result of very accommodative stimulus policies. The unemployment rate also increased during the fourth quarter, however, and will likely continue to rise in 2010. History has shown that it could take as long as five years of expansion for the unemployment rate to return to the full employment level of 5%. Below average growth rates (the expectation for 2010) can obviously push the time frame beyond that of historic norms.

Energy prices continued their climb during the final quarter of 2009, but the core rate of inflation remained under control. An abundance of capacity in the U.S. economy also makes it unlikely that inflation will pose a significant threat to the consumer through the first half of 2010. As a matter of fact, there are some who are concerned that an economic relapse could result in a deflationary economic environment.

Finally, with regard to interest rates, the Federal Reserve seems intent on keeping short-term rates low. This should continue to promote growth in the economy and financial markets. However, long-term rates may rise as a result of a stronger economic outlook and ever-increasing government debt.

Fixed Income Market	Past Month	Past 3 Months	YTD	Past 12 Months
Barclays Capital Aggregate	-1.56%	0.20%	5.93%	5.93%
Barclays Capital Intermediate Aggregate	-1.37%	0.52%	6.46%	6.46%
Barclays Capital Universal	-1.25%	0.58%	8.59%	8.59%
Barclays Capital Government	-2.27%	-1.00%	-2.19%	-2.19%
Barclays Capital Credit	-1.00%	1.04%	16.06%	16.06%
Barclays Capital Municipal	0.34%	-0.95%	12.93%	12.93%
Barclays Capital High Yield	3.28%	6.20%	58.20%	58.20%
Barclays Capital Mortgage	-1.41%	0.56%	5.88%	5.88%
Citigroup 3-Month Treasury Bill	0.01%	0.03%	0.16%	0.16%
Citigroup Non-US WGBI Unhedged	-5.75%	-2.14%	4.37%	4.37%
1-Month LIBOR	0.02%	0.06%	0.33%	0.33%
Barclays Capital U.S. TIPS	-2.19%	1.77%	11.42%	11.42%
DJ-UBS Commodity	1.98%	9.03%	18.90%	18.90%

Fixed Income Sector Returns (%)



Treasury Yield Curve

