



Market Review & Outlook - Q2 2009

Domestic Equity Markets

The equity market rally that began in March continued in the months of April and May. However, the rally leveled off during the month of June. Nevertheless, the three-month period produced one of the best calendar-quarter performances in the past 10 years, with the S&P 500 Index gaining nearly 16%, and moving into positive territory [+3.2%] for the year-to-date period. From a market capitalization standpoint, both the small and mid cap indices (as measured by the Russell 2000 and Russell MidCap Index respectively) generated even higher returns for the quarter, both up approximately 21%. Despite this impressive rebound, the market “meltdown” experienced in 2008 continues to place a drag on the trailing one-year numbers as most major market indices remain down more than 25% for the twelve-month period.

Growth and value performed similarly in the second quarter. Value stocks benefited from a significant exposure to Financials (top performing sector), while growth stocks were helped by names in the Technology sector (mainly hardware and software companies). However, growth remains significantly ahead (across all market capitalizations) of value for the year-to-date period.

Not surprising, all of the market sectors generated positive returns during the second quarter period. The Financial sector was up 36% for the period, as many bank stocks rebounded from first quarter fears of nationalization (i.e., Bank of America +94% and Wells Fargo +84%). Also generating strong relative performance for the quarter were the Industrial and Technology sectors. For the year-to-date period, the Technology sector continues to lead the way, up nearly 25% for the first six months of 2009. With fears of additional liquidity crunches, many high quality, clean balance sheet hardware and software companies have benefited and are providing the impetus for the Technology sector surge thus far in 2009.

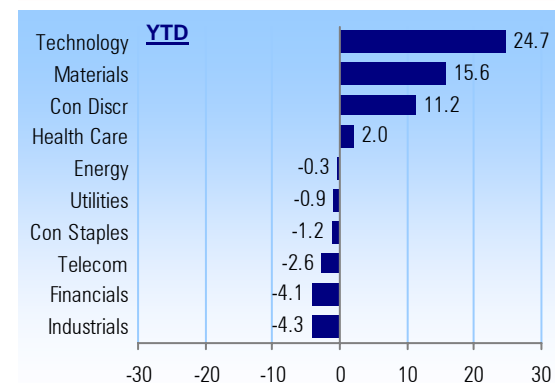
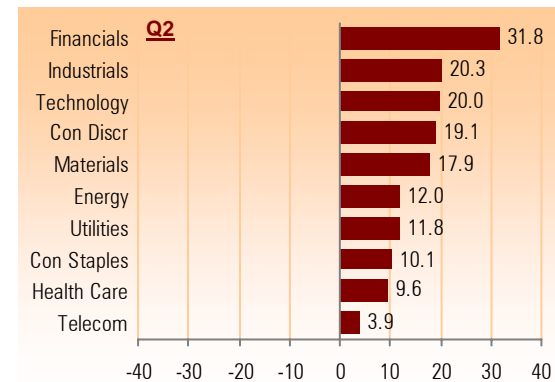
International Equity Markets

Both developed international markets and emerging markets rose sharply as investors took advantage of oversold conditions, and the perceived risk to the global financial system subsided. With the exception of Ireland (+7%), all countries within developed markets outperformed the US. The Euro Zone matched the broader MSCI EAFE Index returning over 25%, while the U.K. experienced slightly more upside with a gain of nearly 27%. Outside of Europe, the top performers during the quarter were Singapore (+46%), Hong Kong (+36%), and Canada (+30%).

Emerging markets did even better by comparison returning 34.73% as measured by the MSCI Emerging Markets Index. On a regional basis, Eastern Europe generated the best overall returns led most notably by Hungary (+70%). The BRIC countries also produced some of the best quarterly results with India (+60%) and Brazil (+41%) among the top individual country performers. While Latin America posted consistently strong returns as well, the results from Asia and the Far East were more muted with countries such as the Philippines, Korea, and Taiwan posting returns in the mid-20s.

Equity Market	Past Month	Past 3 Months	YTD	Past 12 Months
S&P 500	0.20%	15.93%	3.16%	-26.22%
Russell 1000	0.24%	16.49%	4.31%	-26.69%
Russell 1000 Growth	1.12%	16.32%	11.54%	-24.49%
Russell 1000 Value	-0.74%	16.69%	-2.87%	-29.03%
Russell MidCap	0.35%	20.80%	9.95%	-30.36%
Russell MidCap Growth	0.46%	20.67%	16.61%	-30.33%
Russell MidCap Value	0.20%	20.94%	3.19%	-30.52%
Russell 2000	1.47%	20.68%	2.65%	-25.01%
Russell 2000 Growth	3.24%	23.37%	11.36%	-24.84%
Russell 2000 Value	-0.32%	17.97%	-5.19%	-25.26%
MSCI World	-0.45%	20.75%	6.35%	-29.49%
MSCI EAFE	-0.57%	25.43%	7.95%	-31.36%
MSCI EM	-1.35%	34.73%	36.01%	-28.07%

Equity Sector Returns (%)



Equity Style Returns (%)

	Value	Core	Growth
Q2			
Large	16.69	16.49	16.32
Mid	20.94	20.80	20.67
Small	17.97	20.68	23.37

	Value	Core	Growth
YTD			
Large	-2.87	4.31	11.54
Mid	3.19	9.95	16.61
Small	-5.19	2.65	11.36



Market Review & Outlook - Q2 2009

■ Fixed Income Markets

During the second quarter of 2009, the fixed income market saw signs of stability within the spread sectors of the market. The largest gains for the period were experienced by the riskiest sectors as high yield produced a return of over 23% while 30-Year US Treasuries were down in excess of 11%. Investment grade corporate bonds performed well as improved market conditions resulted in stronger credit fundamentals. The Asset-Backed Sector (ABS) was helped by TALF (Term Asset-Backed Securities Loan Facility) which facilitated attractive financing for buyers of newly issued AAA Asset-Backed Securities. Meanwhile, the Commercial Mortgage-Backed Sector (CMBS), which has been hard hit the past few quarters saw some relief due to the Public-Private Investment Program (PPIP).

For the quarter, interest rates rose across the treasury yield curve as the economy looked to regain stability and new issuance increased. The change was most pronounced at the long end of the curve (30-year Treasuries) which increased by 80 basis points, while the short end of the curve saw a decline of 1 basis point. In addition, spreads were tighter as investors sought out better alternatives than Treasuries.

■ Economic Overview

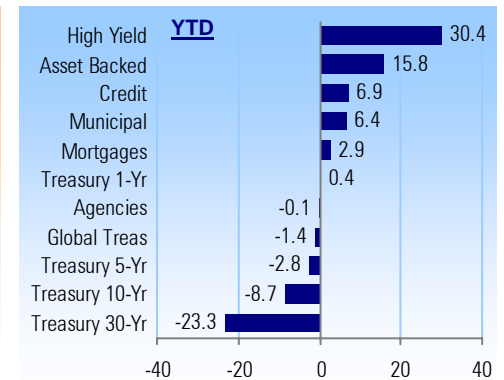
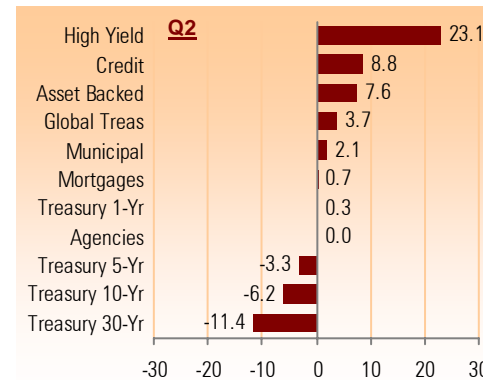
Economic data continues to send mixed signals as investors regained their appetite for risk in the second quarter. U.S. GDP was lower by 5.5% in the first quarter of 2009 after steep declines in the fourth quarter of 2008. However, the consensus view by economists continues to point toward positive growth in the second half of 2009. Unemployment continues to rise as it reached 9.4% at the end of the quarter and may reach double digits by the end of the year. The impact of near-term deflation versus long-term inflation is an area of continuing debate among economists and market strategists.

Commodity prices increased during the second quarter of 2009 on inflation concerns and initial signs of economic stability. Increases were led by oil, which climbed 41% during the quarter, its largest quarterly gain in nearly 20 years. Correspondingly, gasoline prices increased 31%. Other commodities also seeing increases included copper (+23%), soybeans (+29%), and sugar (+33%). Gold was flat for the quarter.

The U.S. Dollar weakened during the quarter as investors moved out of the safe haven currency and into commodities and emerging markets. It was the first decline in the U.S. dollar since the first quarter of 2008. For the quarter, the Dollar lost 5.3% versus the Euro and 2.66% versus the Yen. It also posted a sharp loss of 14.7% against the British Pound as data about the weak United Kingdom economy turned less negative than previously thought.

Fixed Income Market	Past Month	Past 3 Months	YTD	Past 12 Months
Barclays Capital Aggregate	0.57%	1.79%	1.91%	6.07%
Barclays Capital Intermediate Aggregate	0.33%	1.68%	2.61%	6.14%
Barclays Capital Universal	0.76%	2.94%	3.34%	4.93%
Barclays Capital Government	-0.13%	-2.21%	-3.17%	6.63%
Barclays Capital Credit	2.43%	8.81%	6.88%	4.08%
Barclays Capital Municipal	-0.94%	2.11%	6.43%	3.79%
Barclays Capital High Yield	2.86%	23.07%	30.43%	-2.41%
Barclays Capital Mortgage	0.13%	0.70%	2.92%	9.38%
Citigroup 3 Month Treasury Bill	0.01%	0.05%	0.10%	0.78%
LIBOR	0.03%	0.09%	0.21%	1.33%
Barclays Capital U.S. TIPS	0.46%	0.66%	6.22%	-1.10%

Fixed Income Sector Returns (%)



Treasury Yield Curve

