Market Review & Outlook - Q1 2010

Domestic Equity Markets

Despite a slight pause in the early part of the quarter, domestic equities continued to generate broad positive results in the first quarter of 2010. For the three month period, the S&P 500 Index gained 5.39% and is up nearly 50% for the trailing twelve months. From a capitalization standpoint, after a small break in the 4th quarter of 2009, small and mid cap stocks are again outperforming large cap stocks. Both mid-cap and small-cap stocks modestly outpaced their large-cap brethren, increasing 8.7% and 8.9%, respectively, for the first quarter period. For the trailing twelve months, both mid-cap (up 67.7%) and small-cap (62.8%) stocks are significantly ahead of their large cap counterparts.

Over all capitalization ranges, value stocks outpaced growth stocks during the first quarter of 2010. Two of the more traditional value sectors, Financial Services and Industrials, had the largest positive contributions. Within the Financials, for example, Citigroup (+22%) and Bank of America (+19%) generated strong returns for the quarter and had a significant impact on the value index.

The majority of the market sectors generated positive returns during the first quarter period. Two exceptions were the Utilities (-3.0%) and Telecom (-3.5%) sectors. The Industrials sector was the top performing sector for the first quarter (up 12.4%). Within the Industrials sector, U.S. stimulus spending provided a modest tailwind, with firms like General Electric benefiting (up 21% for the quarter). Also posting strong first quarter returns were the Financial Services (+11.4%) and Consumer Discretionary (+11.3%) sectors. Credit crisis fears continued to fade as many banks paid off government support during the period, attracting investors to the sector.

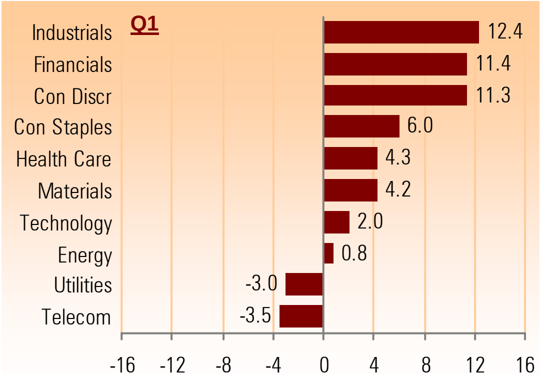
International Equity Markets

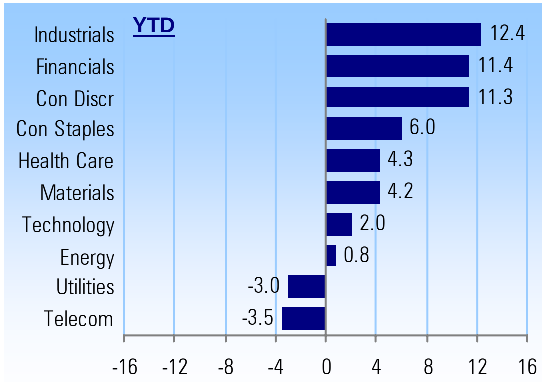
Developed international markets continued to be hamstrung by the sovereign debt crisis currently affecting the periphery of the European Union. As a result, developed international markets finished significantly behind the U.S. returning just 0.85% in the first quarter. Those countries where the risk of default is greatest including Greece, Spain, and Portugal each suffered double-digit losses, while the major European economies fared better, but still finished in negative territory. The bright spots during the period included Australia (4.2%), Canada (6%), and Japan (8.2%), with the latter showing signs of life after a relatively dormant 2009.

Emerging markets cooled off after the considerable run-up in valuations last year posting a more modest return of 2.40%. In addition, countries began tightening monetary policy in the form of higher interest rates in order to curb the pace of future growth. China in particular was affected by the aforementioned trend as it took steps to pull back its stimulus measures and turned in one of the worst performances of the quarter (-1.57%). BRIC counterparts (Brazil, Russia, & India) did not fare as poorly with both Russia and India returning 6.76% and 4.85%, respectively, and Brazil finishing flat mainly due to a decline in sugar prices. Outside of BRIC, the top performers were Thailand (13.2%), Hungary (12.6%), and Egypt (11.9%).

Equity Market	Past Month	Past 3 Months	YTD	Past 12 Months
S&P 500	6.03%	5.39%	5.39%	49.77%
Russell 1000	6.14%	5.69%	5.69%	51.57%
Russell 1000 Growth	5.78%	4.64%	4.64%	49.75%
Russell 1000 Value	6.51%	6.78%	6.78%	53.55%
Russell MidCap	7.07%	8.67%	8.67%	67.72%
Russell MidCap Growth	6.84%	7.67%	7.67%	62.99%
Russell MidCap Value	7.28%	9.61%	9.61%	72.41%
Russell 2000	8.14%	8.85%	8.85%	62.77%
Russell 2000 Growth	7.95%	7.62%	7.62%	60.33%
Russell 2000 Value	8.32%	10.02%	10.02%	65.03%
MSCI World	6.19%	3.24%	3.24%	52.39%
MSCI EAFE	6.24%	0.85%	0.85%	54.42%
MSCI EM	8.07%	2.40%	2.40%	81.06%
MSCI REIT	10.11%	10.09%	10.09%	110.46%

Equity Sector Returns (%)





Equity Style Returns (%)

Q1	Value	Core	Growth
Large	6.78	5.69	4.64
Mid	9.61	8.67	7.67
Small	10.02	8.85	7.62

YTD	Value	Core	Growth
Large	6.78	5.69	4.64
Mid	9.61	8.67	7.67
Small	10.02	8.85	7.62

Fixed Income Markets

During the first quarter of 2010, improving economic data left fixed income investors somewhat apprehensive as to how long the Federal Reserve will maintain their accommodative monetary policy posture. However, fixed income markets were generally positive with the broad market, as measured by the Barclays Capital Aggregate Index, rising 1.78% for the quarter. Spread sectors were the top performing areas of the market led by CMBS 6.5%, investment-grade corporates 2.3%, ABS 2.2% and high yield 1.5% while Global Treasuries (-1.0%) and 30-Year Treasuries (-0.1%) lagged.

During the quarter, interest rates ended the period largely unchanged from where they finished 2009. However, interest rates were noticeably volatile during the period due to cross currents of economic data and Euro currency concerns. Meanwhile, investors continued their search for higher yielding securities, which drove yield spreads tighter. Investment grade corporates are now trading slightly below their 10-year average.

While the economy showed some signs of improvement during the first quarter of 2010, most fixed income investors remained skeptical due to the potential headwinds in the market (turmoil in Greece, higher interest rates, withdrawal of government support and a muted economic recovery).

Economic Overview

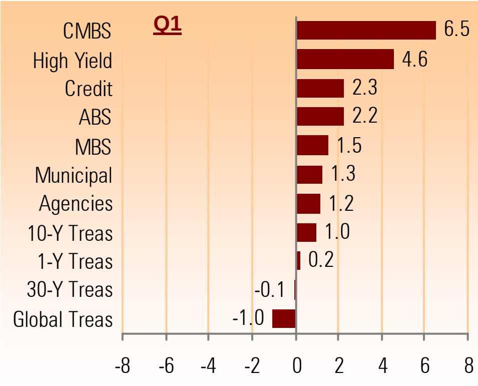
Global economic uncertainty provided the backdrop for investment markets during the first quarter of 2010. The threat of sovereign debt default in the euro-zone, most notably in Greece, due to heavy budget deficits caused investors to seek safer developed markets with more favorable growth prospects such as the United States. At the same time, political uncertainty also dominated in the United States. Healthcare reform was hotly debated and ultimately made law in March, while financial regulatory reform continues to make its way through Congress.

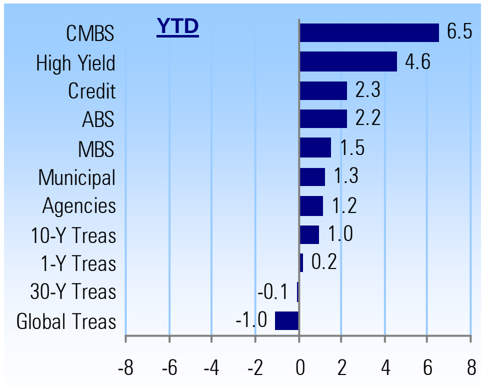
Despite these uncertainties, reports on corporate earnings continued to come in stronger than expected. In fact, corporate balance sheets look to be in solid shape as many corporations continue to hold record amounts of cash. This could result in higher dividends paid out to shareholders or increased merger activity as corporations seek to grow through acquisitions during periods of slow economic growth.

The economy continues to show modest improvements due to the Federal Reserve's low interest rate policy. The Federal Reserve has indicated that interest rates will remain accommodative for the foreseeable future as the short-term inflation outlook remains tame. However, the Fed has begun the process of withdrawing some of the credit facilities and buying programs put into place during the height of the credit crisis. Market reaction to these actions will depend on how smoothly the Fed executes the withdrawal of credit provisions.

Fixed Income Market	Past Month	Past 3 Months	YTD	Past 12 Months
Barclays Capital Aggregate	-0.12%	1.78%	1.78%	7.70%
Barclays Capital Intermediate Aggregate	-0.06%	1.80%	1.80%	7.40%
Barclays Capital Universal	0.13%	2.04%	2.04%	10.38%
Barclays Capital Government	-0.75%	1.10%	1.10%	-0.13%
Barclays Capital Credit	0.30%	2.27%	2.27%	20.85%
Barclays Capital Municipal	-0.24%	1.25%	1.25%	9.70%
Barclays Capital High Yield	3.14%	4.64%	4.64%	56.20%
Barclays Capital Mortgage	0.03%	1.54%	1.54%	5.20%
Citigroup 3-Month Treasury Bill	0.01%	0.01%	0.01%	0.12%
Citigroup Non-US WGBI Unhedged	-1.99%	-2.10%	-2.10%	8.40%
1-Month LIBOR	0.02%	0.06%	0.06%	0.28%
Barclays Capital U.S. TIPS	0.13%	0.56%	0.56%	6.19%
DJ-UBS Commodity	-1.24%	-5.03%	-5.03%	20.53%

Fixed Income Sector Returns (%)





Treasury Yield Curve