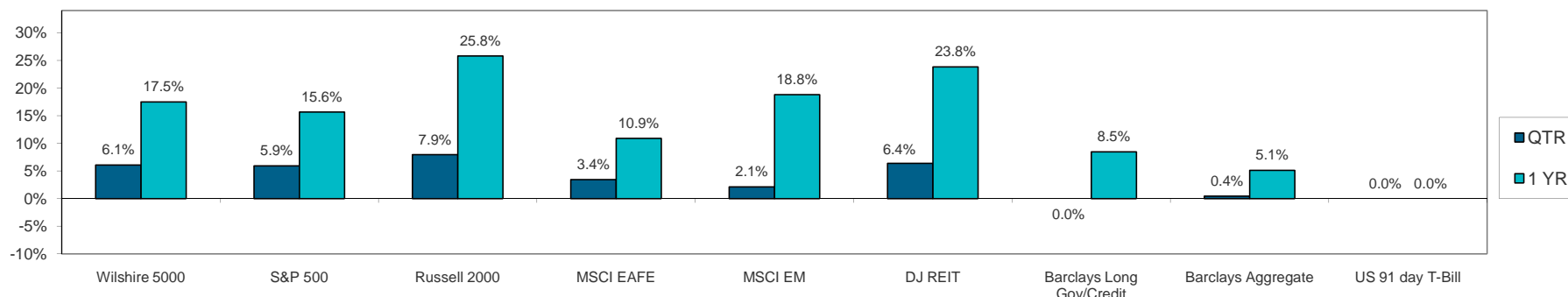


Quarter and Trailing-Twelve Benchmark Returns



U.S. Market

- Stocks proved resilient during the first quarter of 2011 in spite of worries over the ongoing war in Libya, surging oil prices and the Tsunami disaster in Japan. Remarkably, equity markets generated their strongest first quarter returns in over a decade. The large cap S&P 500 Index rose 5.9% for the quarter, while the broad market Russell 3000 Index gained 6.4%. Improved corporate earnings, increased M&A activity and stronger-than-expected manufacturing data pulled the market higher in the first three months of the year.

- Treasuries faced pressure from rising interest rate expectations caused by glints of inflationary news. Corporates and Treasury Inflation Protected Securities (TIPS) generated solid returns for the quarter mostly due to improving economic and business fundamentals that led to spread tightening relative to Treasuries. The Barclays Aggregate Index gained 0.4% and the Barclays Capital Intermediate Gov/Credit Index added 0.3%. Corporate indexes put in a strong showing during the quarter, with the Barclays US Credit, Corporate High Yield and US Bank Loan Indices advancing 0.9%, 3.9% and 2.5% respectively. The Barclays TIPS Index returned 2.1% compared to a -0.2% decline for the Barclays Treasury Index.

Non-U.S. Markets

- Foreign markets produced mixed results during the quarter with developed Europe and emerging Eastern Europe posting solid gains while faster growing economies such as China, Brazil, and India lagged. The developed market MSCI EAFE Index rose 3.4% and the MSCI Emerging Market Index returned 2.1%. Within Europe, France rose 10.6%, and Germany gained 7.6% with most of the returns coming from improving economic data driven by expanding exports.

- Among emerging markets, Russia put up an impressive return of 16.3%, benefiting from higher energy and materials prices. In Asia, Japan declined -4.9% following the March 11 Tsunami. China/Taiwan fell -4.3% partly due to credit tightening. In sharp contrast, Korean markets climbed 7.6% on renewed optimism of strong exports especially to a recovering US economy.

Economic Developments

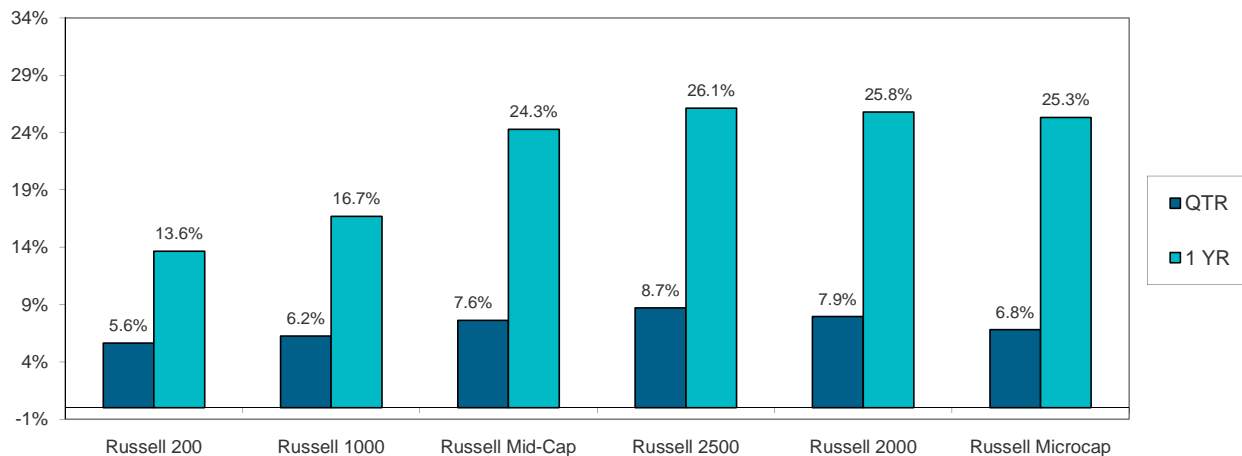
- Recent economic data has shown cyclical recovery strengthening. However, a series of unfortunate events has diminished the pace of the recovery. First, the Japan Earthquake-Tsunami disaster created a range of supply issues across many industries (particularly electronics, automobiles, and materials) which rely on some components that are produced in the affected area. Second, the North African/Middle East civil unrest/war has created chaos in a very sensitive region leading to substantially higher oil prices. Third is S&P's downgrade of the US Government sovereign credit outlook to negative watch. This sent a message that perhaps we are approaching a limit to the government's ability to continue spending. The data coming out in late March and April reflects some of these factors as the March ISM index reversed somewhat from 59.7 to a still healthy 57.3. We also saw the backlog number climb from 52 to 56 as some supply tightness began to occur.

- The resurgence in Industrial Production (March 0.8 up from previous 0.1 pace) continues to surprise as basic industries such as mining, energy, and food commodities are soaring driven by more export demand growth coming from the emerging markets. However, capacity utilization is slowly creeping higher indicating still some gap before price pressures start to really build.

US Equity Markets Overview

March 31, 2011

Capitalization Analysis

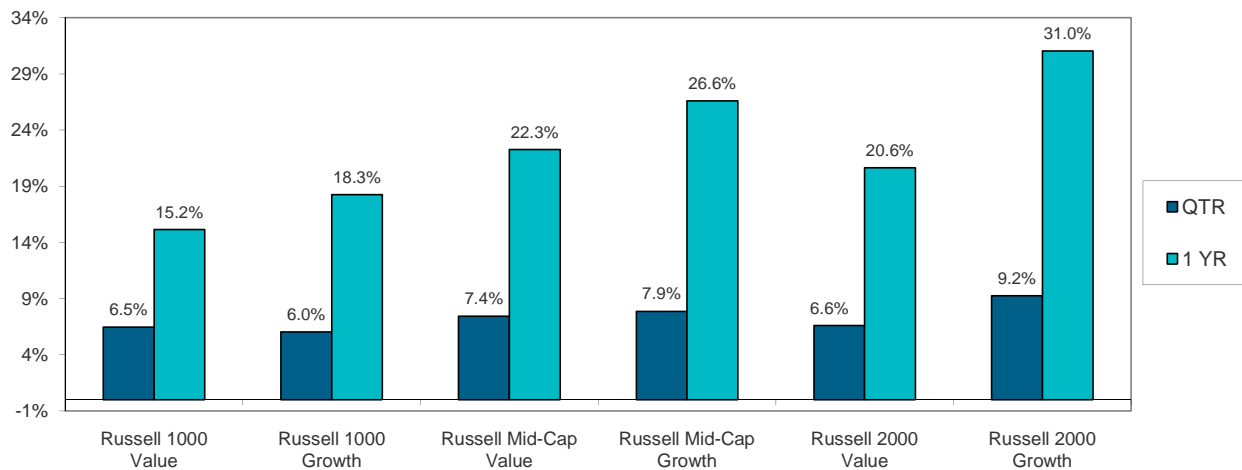


- Stocks produced gains in all 10 GICS sectors and across all the capitalization ranges this quarter.

- Smid and mid caps performed marginally better than large cap gaining 8.7% and 7.6% versus 6.4% for the broader market Russell 3000 index. Over the past 12 months, small and mid cap are up over 25% versus the large cap Russell 200 up only 13.6%.

- Reported earnings were generally strong and ahead of estimates across most indexes. Strong earnings growth appears to be the main driver behind the equity performance.

Style Analysis



- Both growth and value indices performed similarly across the cap spectrum as earnings reports showed progress across industries.

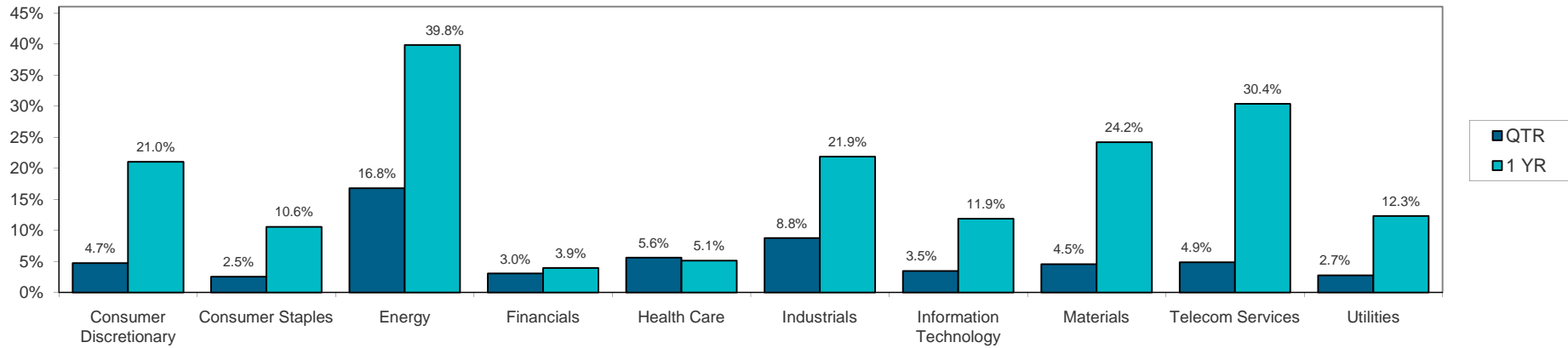
- Recent quarters show the resurgence of smaller cap growth company results which has not occurred for several years. Over the last twelve months the Russell 2000 Growth is up an impressive 31% versus only 15.2% for the large cap Russell 1000 Value.

- Energy, Materials and Technology names within the growth indexes, particularly in the small and mid cap space, have provided most of the upside relative to the large cap names.

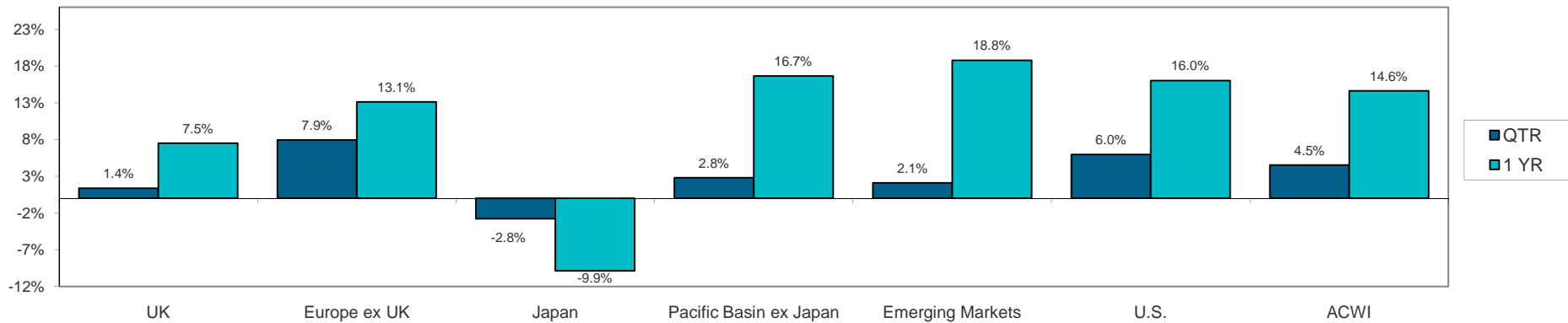
U.S. Equity Sector Returns / Country Returns

March 31, 2011

US Equity Sector Returns



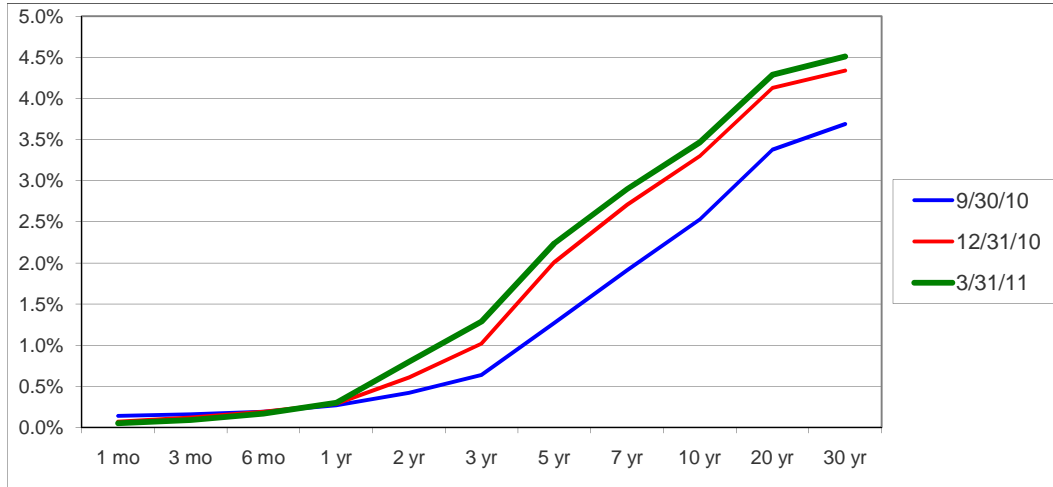
Country Returns



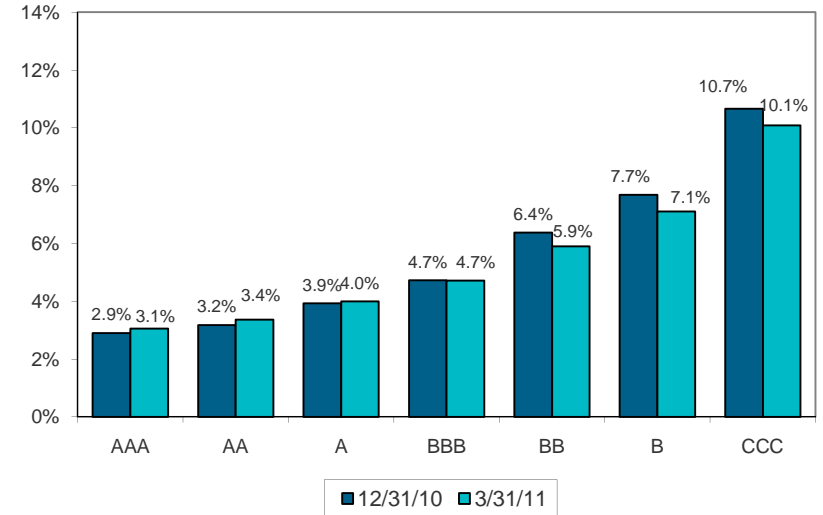
Fixed-Income Markets Overview

March 31, 2011

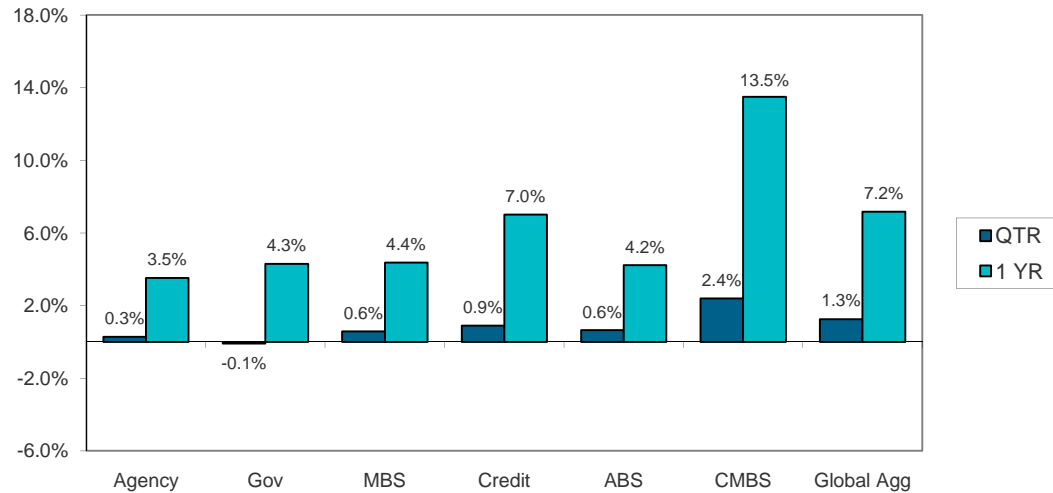
Yield Curve



Yield by Credit Rating



Sector Returns



Commentary

- The yield curve continues to steepen as inflation concerns and federal deficit spending plans hurt the long end of the curve.
- Spread sectors were strong this quarter as investors moved out of agencies, treasuries, and mortgages in anticipation of an end to the Quantitative Easing programs.
- As the economy shows more improvement and defaults decline, lower-rated risky securities have produced large returns. High Yield credit, CMBS, and local currency Emerging Market Debt still delivered positive results during the quarter, even after a strong 2010.