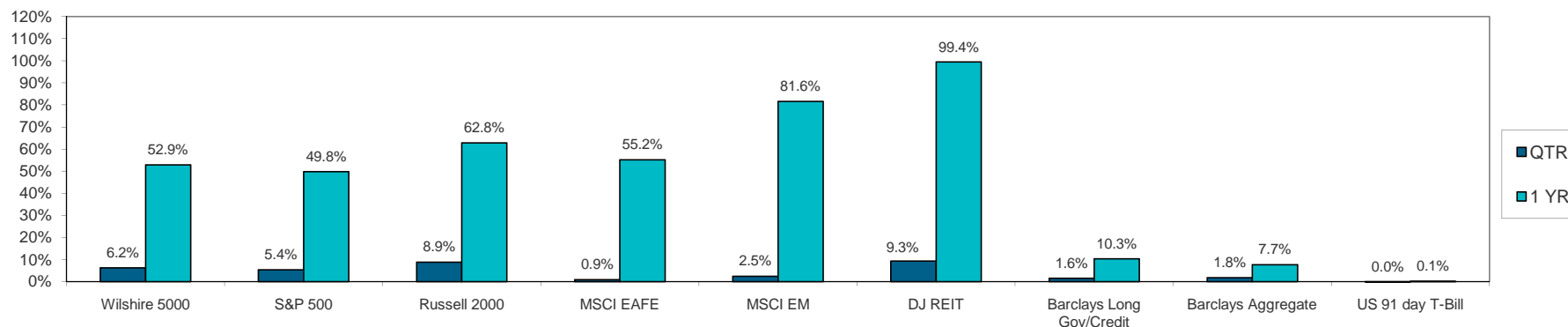


## Quarter and Year-End Benchmark Returns



## U.S. Market

- After a slow start to the year, stocks showed strong gains in March. Economic data during the quarter provided some backing to a growing consensus that the economy is strengthening and year-over-year earnings are looking much better. The large cap Russell 1000 Index gained 5.7% and the S&P 500 Index rose 5.4% for the quarter.
- The markets rallied at the end of the quarter in a manner similar to last year's beta rally with Financials, Consumer, and Industrials leading the market. All was not well though, as the markets had to contend with the debt crisis in Greece and other fiscally challenged European Union economies. In all likelihood, much of the stock losses in January and February emanated from the problems in the EU.
- The domestic fixed income market held up surprisingly well in spite of the aforementioned debt problems in Europe. The Barclays Aggregate Index rose 1.8% and the Barclays Intermediate Gov/Credit Index returned 1.5%. Treasuries remained under pressure as a large issuance pipeline made investors cautious.

## Non-U.S. Markets

- Greece made headlines for all the wrong reasons during the quarter with the country teetering on the brink of default. In spite of promised support from the EU to the tune of €61 billion, doubts persist on the ability of the Greek government to reduce the budget deficit to within an EU-mandated 4% of GDP in a year.
- Foreign equity markets produced mixed results in the first quarter of the year with a slump in European equities, offset by gains in Japan and the BRIC (Brazil, Russia, India, China) countries. The MSCI EAFE Index gained 0.9% and the MSCI Emerging Market Index added 2.5% for the first quarter.
- Last year's laggard, Japan, led all developed countries with a rise of 8.3% with most of the gains coming from investor interest in deep value names with stable fundamentals. Emerging Markets benefitted from renewed global growth expectations resulting in significant gains for commodity producers and manufacturers of electronic goods over the course of the quarter.

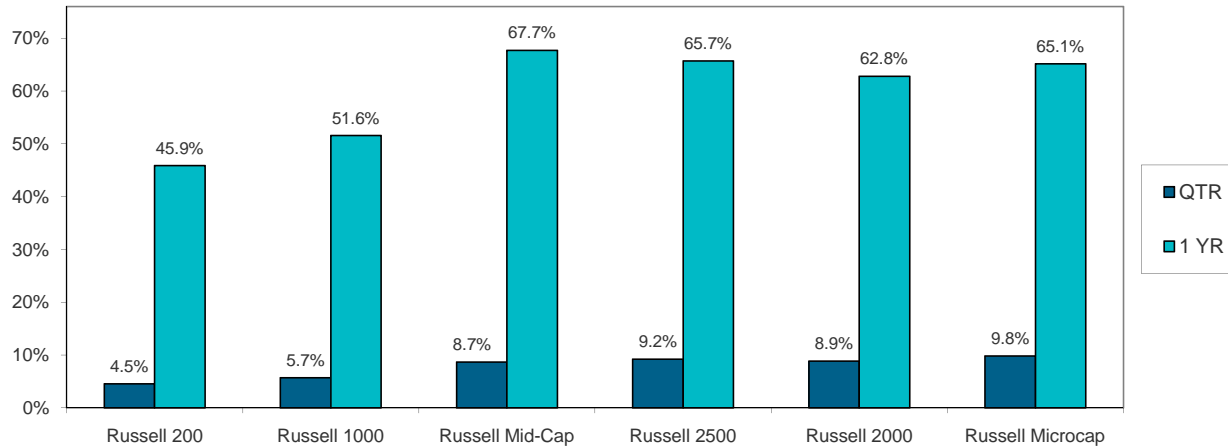
## Economic Developments

- Economic data was mainly positive in the first three months of the year with 162,000 jobs added in March and upward revisions of 62,000 in January and February employment numbers. That said, the unemployment rate remains steady at 9.7% due to an increase in the number of people entering the labor force. Also it is worth noting that a large portion of the jobs added in March were due to improving weather conditions and government hiring for the Federal census.
- The ISM Manufacturing Index expanded by a larger than anticipated 3.1 points to 59.6 for the month of March. This was well above the expansionary threshold of 50.0 and represented the highest reading since 2004. It appears manufacturing businesses are beginning to see demand for their products evidenced by a rise in the inventory component of the index to its highest level since the early 1980s.
- The ISM Non-manufacturing Index rose 2.4 points to 55.4, indicating a significant pickup in activity for the service sectors during the month of March. This is encouraging as economic growth appears to have extended beyond manufacturing and into the rest of the economy.

# US Equity Markets Overview

March 31, 2010

## Capitalization Analysis

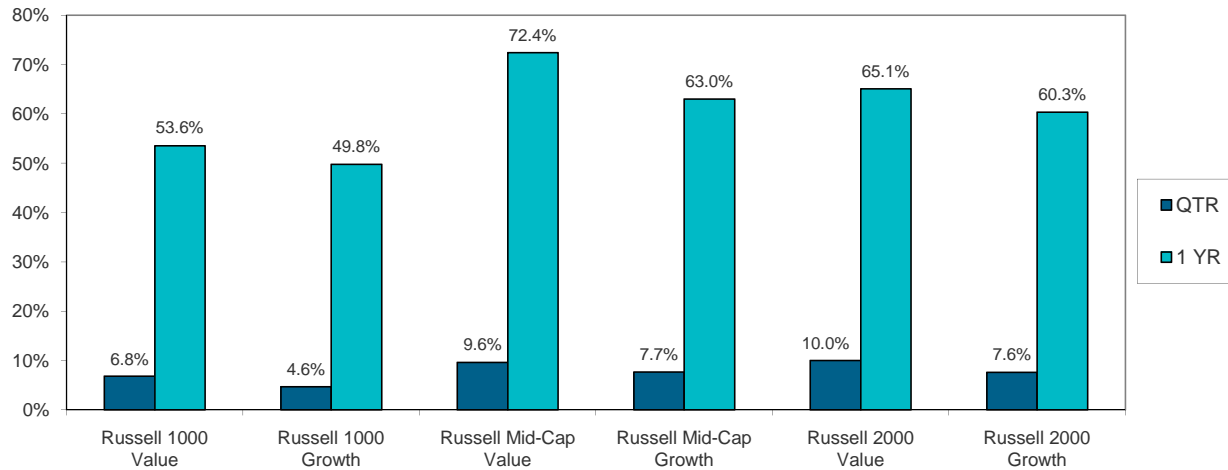


- Mid and small cap stocks outperformed their large cap counterparts during the first quarter of 2010. The small cap Russell 2000 Index advanced 8.9% during the quarter and 62.8% over the past twelve months. Comparatively, the large cap Russell 1000 Index increased 5.7% and 51.6% for the quarter and year respectively.

- It is not uncommon for smaller capitalized stocks to generate superior performance relative to large caps coming out of a recession, and this was clearly the case during the first quarter.

- On a sector attribution basis, the Consumer Discretionary (+17.7%) and Financials (+11.4%) were the biggest contributors to performance in the small cap Russell 2000 Index. These two sectors also generated the strongest returns in the large cap Russell 1000 Index but had smaller weightings in that index.

## Style Analysis



- Although both "Value" and "Growth" oriented stocks put in a strong performance during the quarter, the value style clearly outperformed growth across all capitalizations.

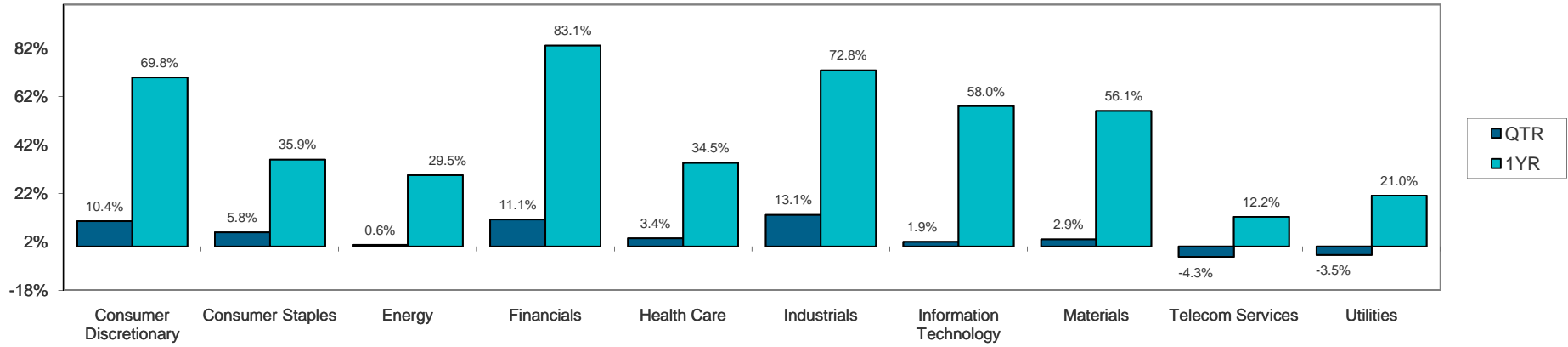
- The Russell 1000 Value Index rose 6.8%, beating the Russell 1000 Growth Index by 220 basis points. At the other end of the capitalization spectrum, the Russell 2000 Growth Index underperformed the Russell 2000 Value Index by 240 basis points for the quarter.

- Value indexes benefitted significantly from the strong-performing Financials sector while the Healthcare-biased growth indexes did not perform as well.

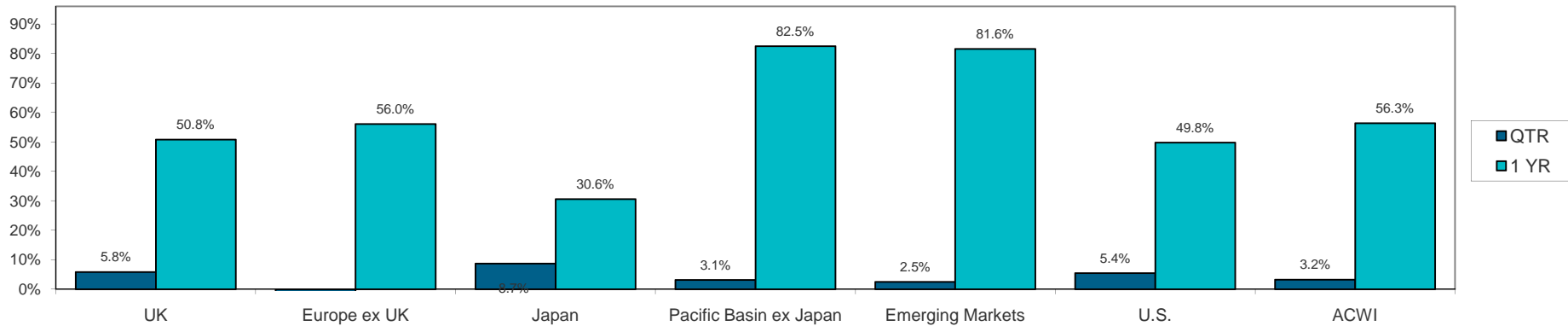
# U.S. Equity Sector Returns / Country Returns

March 31, 2010

## US Equity Sector Returns



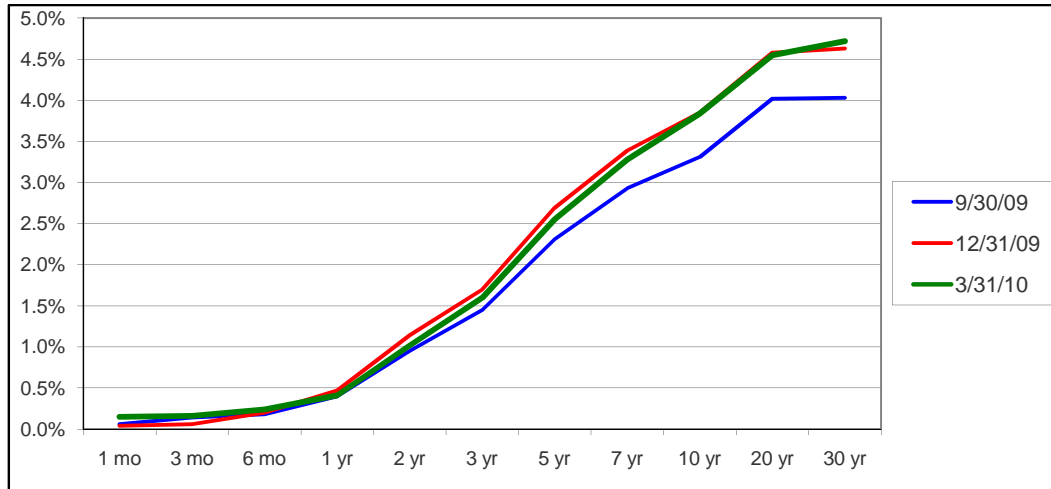
## Country Returns



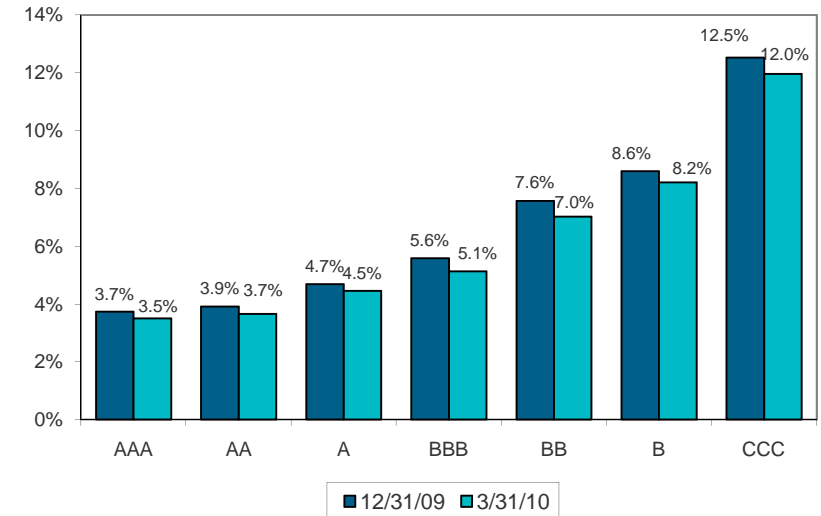
# Fixed-Income Markets Overview

March 31, 2010

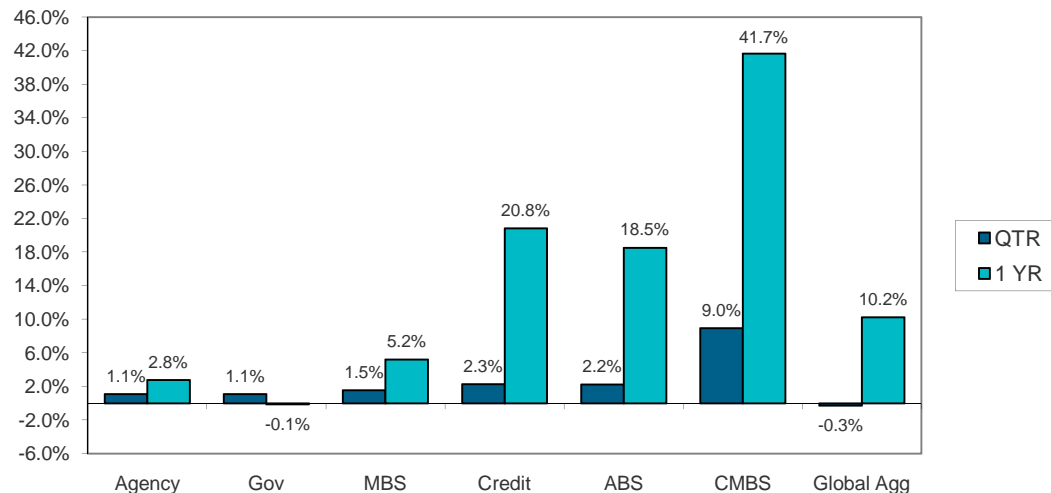
## Yield Curve



## Yield by Credit Rating



## Sector Returns



## Commentary

- The yield curve saw very little by way of intra-quarter dynamics but on a static basis, the curve remains extraordinarily steep by any measure. The spread between two and ten year Treasuries traded at 282 basis points at quarter-end, this spread was 236 basis points six months ago.
- Yields came in across the credit spectrum during the first quarter following generally positive developments in the economy and financial markets. The yield between AAA and CCC-rated credits narrowed by 30 basis points by quarter-end.
- Heavy issuance of US Treasuries kept Governments down for the quarter, while deep value buying in structured products led the fixed income markets. The Barclays Government Index crept up 1.1% but still remained in negative territory for the year. On the other hand, MBS, ABS and CMBS all posted solid quarter and year-to-date returns. Corporates maintained their impressive run with high yield, bank loans and investment grade performing well despite an increase in new issuances during the quarter.