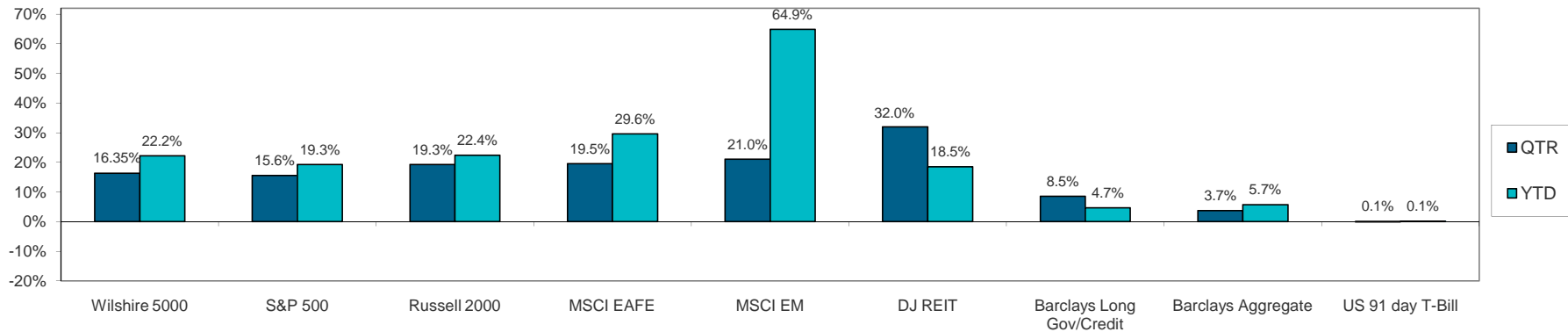


# Capital Markets Overview

September 30, 2009

## Quarter and Year-End Benchmark Returns



## U.S. Market

- The month of September capped off another strong quarter for domestic stocks. All sectors, styles (growth and value) and capitalizations saw significant gains during this period. The S&P 500 Index delivered a 15.6% return and the Russell 1000 Index rose 16.1% for the quarter. All but two industry sub-groups, Telecom (+5.6%) and Utilities (+6.2%), reported less than double digit returns.
- Credits put in a strong performance during the third quarter. The upcoming Public-Private Investment Program (PPIP) kick-off produced a solid month for bonds. The Barclays Aggregate Index returned 3.7% and the Barclays Intermediate Gov/Credit Index added 3.3% in the three months ending September 30. Corporate spreads tightened nicely during the quarter evidenced by a 7.5% jump in the Barclays Credit Index. Additionally, the Barclays High Yield Index increased 14.2% to produce a stellar year-to-date return of 49.0%.
- The Government's PPIP program caused many traders and dealers to stock up on RMBS/CMBS/ABS before the nine PPIP eligible funds could begin investing. The result was a sharp rise in the Barclays CMBS Index, up 12.7%, and the Barclays ABS Index up 6.3%.

## Non-U.S. Markets

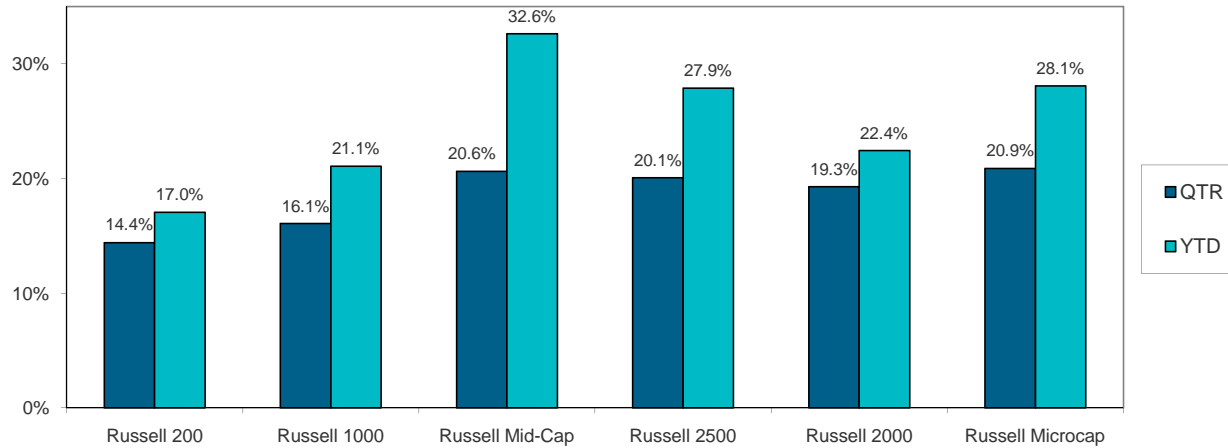
- Nearly every region overseas generated remarkable returns in the third quarter. The MSCI EAFE Index advanced 19.5% and the MSCI Emerging Market Index climbed 21.0%. The Emerging Market Index is now up an amazing 64.9% year-to-date. The dive in the U.S. Dollar since the stock market rally in March added considerably to foreign equity returns. The Dollar has depreciated 16.8% against the Euro since March 4th of this year.
- In the developed markets, France jumped 26.7% and Germany posted a 23.2% return on par with more volatile emerging markets such as Brazil (+27.5%) and India (+19.6%). The recovery in the economies of Asia and South America earlier this year led the resumption in global growth during the second and third quarters.

## Economic Developments

- On the economic front, the third quarter was characterized by largely positive news in the way of business activity, although jobless claims continued to pile up. Companies boosted earnings with cost-cutting measures, yet still experienced stagnant to negative top line growth. That said, employment figures tend to be trailing indicators and the fact that corporations are able to issue debt or equity is a positive development for the economy.
- Payroll losses increased to 263,000 in the month of September up from 201,000 in August and much higher than the consensus estimate of 188,000. This sent the unemployment rate higher by 0.1% to a level of 9.8%. Job losses appear to have been across all industries and sectors, including state and local governments who were forced to cut jobs as they faced the reality of staggering deficits.

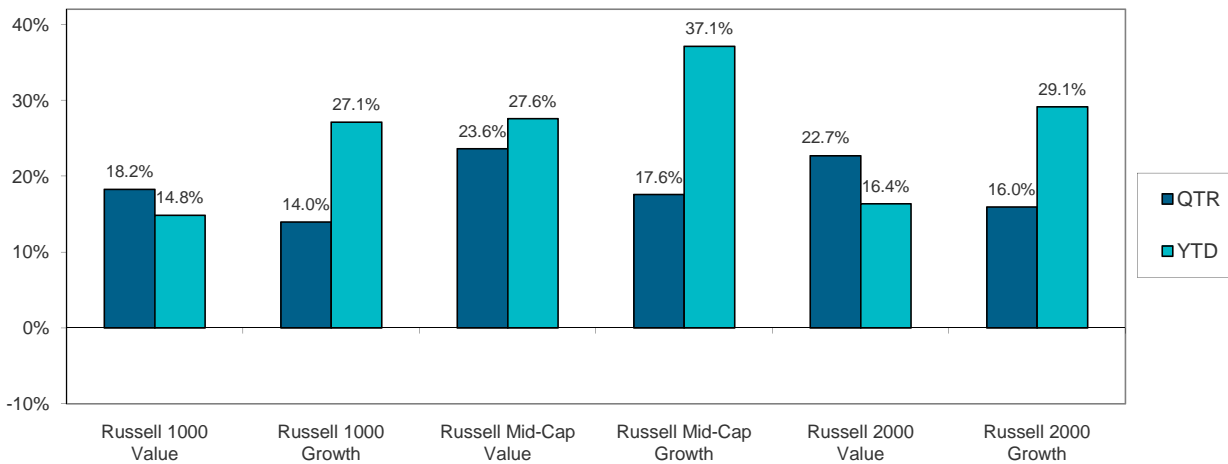
# US Equity Markets Overview

September 30, 2009



## Capitalization Analysis

- Small caps moved higher relative to large caps during the third quarter as beaten down smaller company stocks benefited from a snap-back "lower quality" rally and investor optimism regarding the economy grew.
- The Russell 2000 Index increased 19.3% and the Russell Micro Cap Index gained 20.9% for the quarter. In comparison, the mega cap Russell 200 Index rose 14.4% and the Russell 1000 Index added 16.1%.
- Large cap stocks benefited from large gains in Financials (+25.5%) followed by Industrials (+22.0%) for the quarter. Materials and Energy stocks led the way in the small cap space, returning 36.1% and 27.9% respectively.



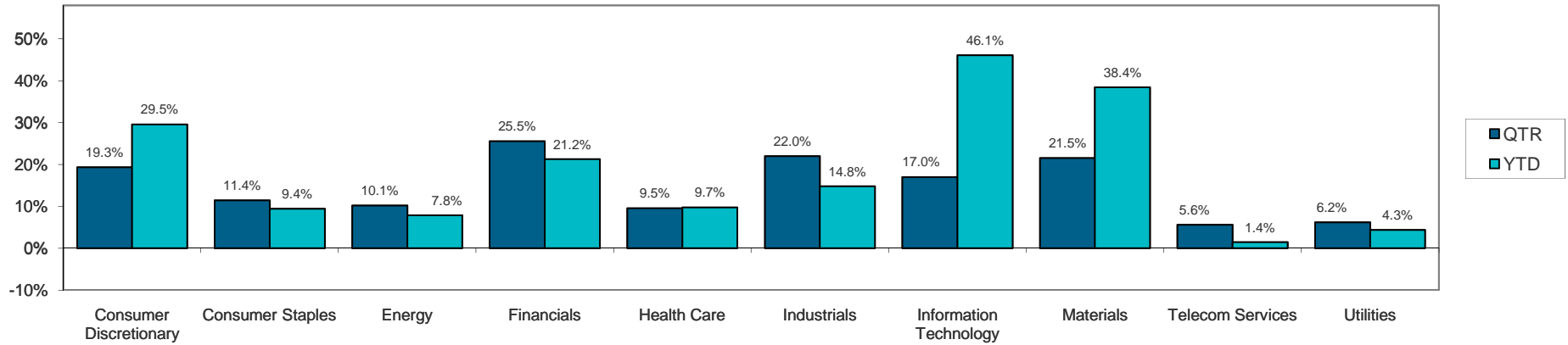
## Style Analysis

- Value indexes pulled ahead of their Growth counterparts in the third quarter across all capitalizations mostly because of the aforementioned surge in financial stocks and a move in cyclical sectors such as materials. On a year-to-date basis, however, growth still leads value on average.
- The Russell 1000 Value Index returned 18.2% in the third quarter compared to a 14.0% gain in the Russell 1000 Growth Index. The small cap Russell 2000 Value Index advanced 22.7%, outperforming the Russell 2000 Growth Index by 6.7%.
- On an attribution basis, Financials contributed a third of the total quarterly return in the Russell 1000 Value Index (6.1% of the 18.2% return). The Information Technology sector accounted for 5.1% of the 13.9% increase in the Russell 1000 Growth Index.

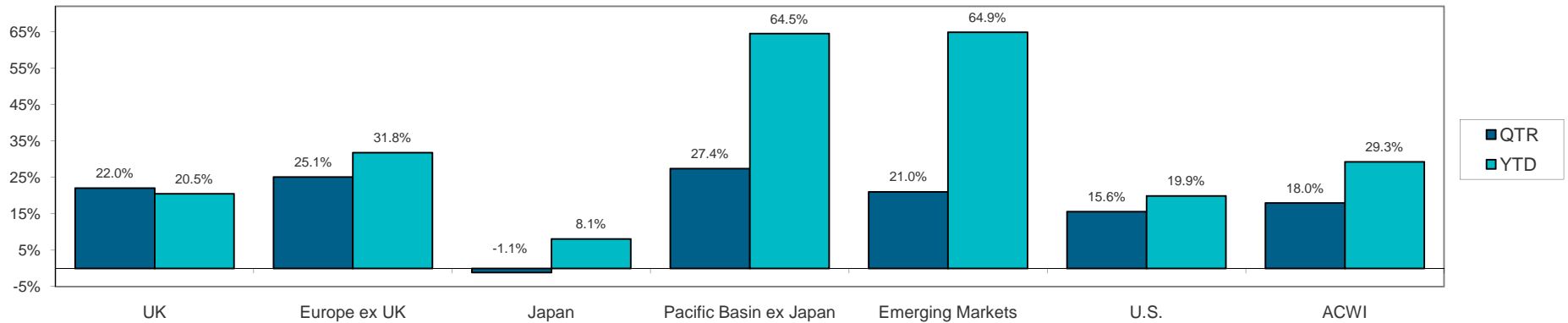
# U.S. Equity Sector Returns / Country Returns

September 30, 2009

## US Equity Sector Returns



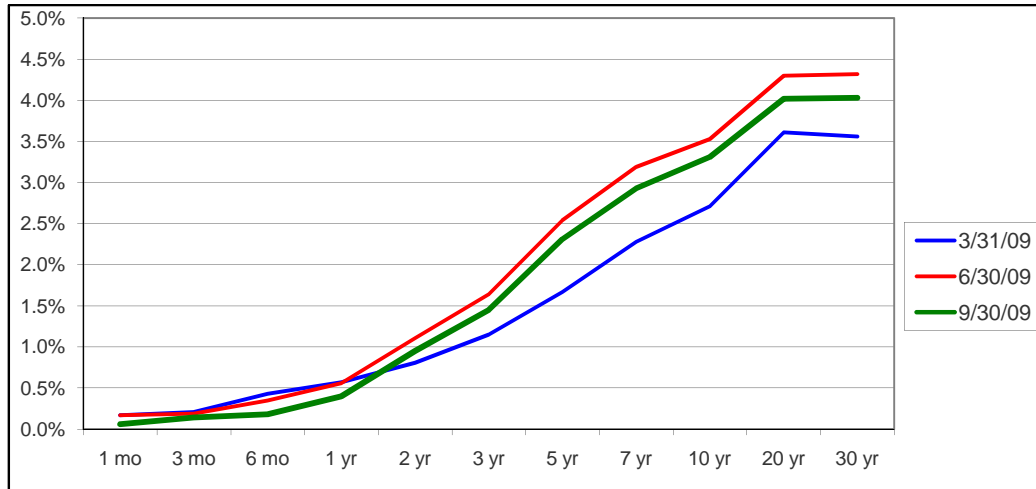
## Country Returns



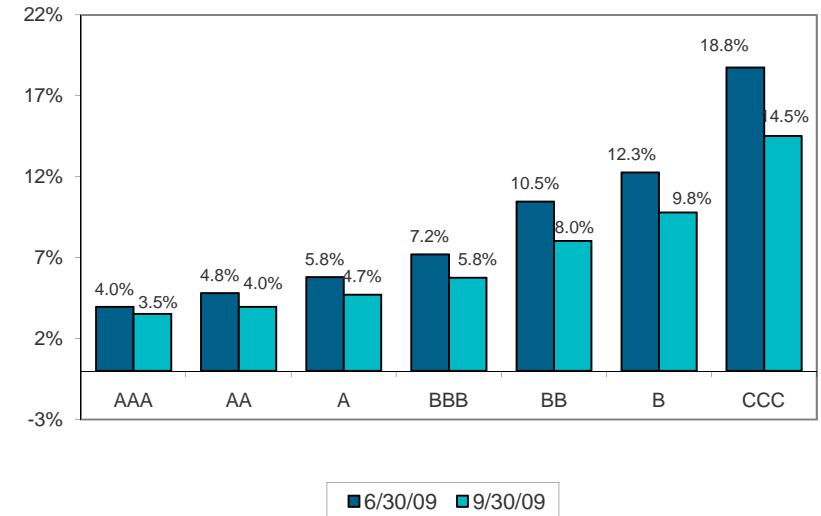
# Fixed-Income Markets Overview

September 30, 2009

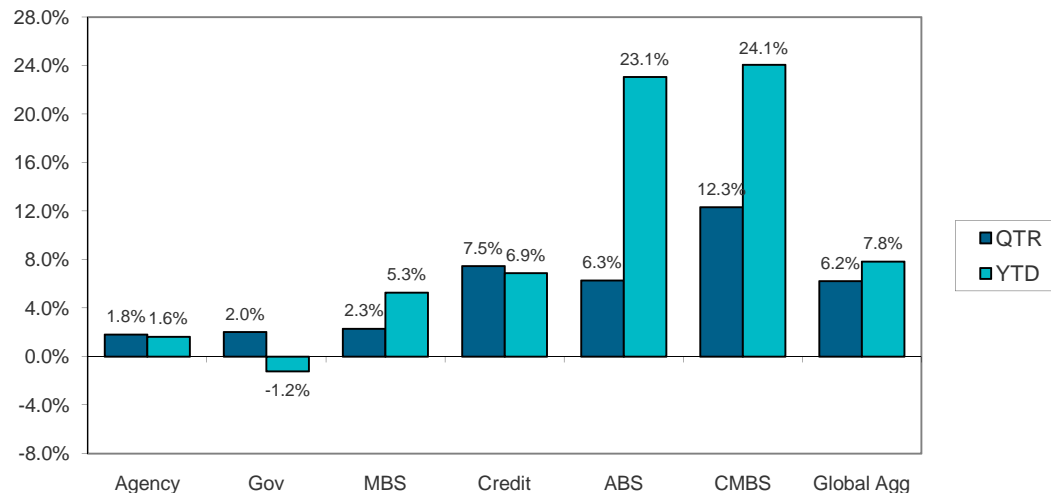
## Yield Curve



## Yield by Credit Rating



## Sector Returns



## Commentary

- Yields continued to fall across the credit spectrum throughout the third quarter in tandem with improving market sentiment. More pronounced drops occurred in the high yield space, with yields on CCC-rated corporates falling 4.2% in just one quarter.
- The yield curve saw a slight downward parallel shift during the quarter. Investors favored Governments after the large sell-off in the second quarter and the belief in the Fed's commitment to fighting potential inflation in the future. This pushed yields on such notes lower compared to the previous quarter.
- Asset-Backed Securities (ABS) and Mortgage-Backed Securities (MBS) posted 6.3% and 12.3% returns respectively, culminating in 23.1% and 24.1% advances year-to-date. Furthermore, the deterioration in the U.S. Dollar helped spur on foreign bonds over the course of the quarter. The Barclays Global Aggregate Index climbed 6.2% for the quarter and stood at 7.7% year-to-date.