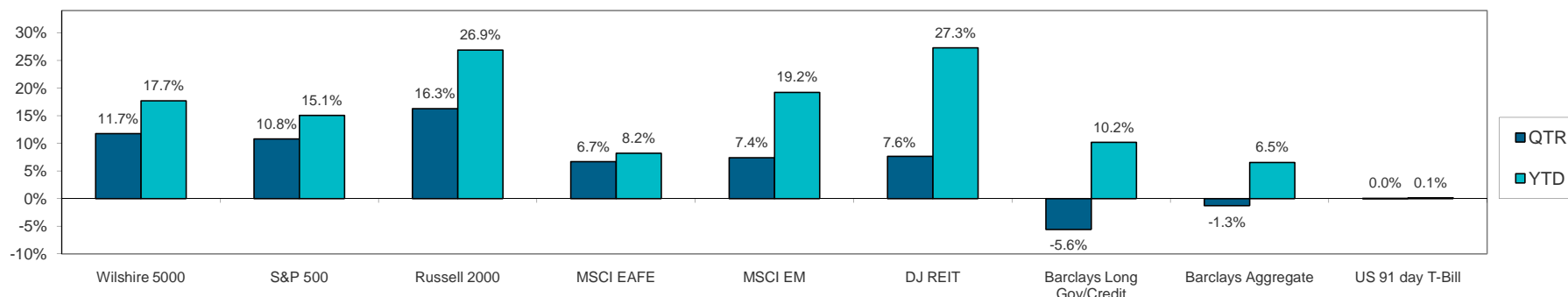


## Quarter and Year-to-Date Benchmark Returns



## U.S. Market

- In the fourth quarter of 2010, U.S. equity markets extended the gains that began in July with some indices hitting levels not seen since prior to the Lehman Brothers collapse in 2008. Much of the optimism seen in the markets was engendered by the combination of monetary policy easing, the initiation of a second round of Quantitative Easing (QE2), a Republican victory in November elections which some believe will bring fiscal responsibility and pro business attitude, and the extension of the Bush-era tax cuts.

- The S&P 500 Index had a strong December gaining 6.7% and ended the quarter up 10.8%. Mid caps and small caps posted solid gains during the quarter - up 13.1% and 16.3% respectively. REITS added another 7.6% in the fourth quarter to finish the year up an impressive 27.3%.

- During the fourth quarter, treasury yields rose for three consecutive months due to persistent improvement in economic data, the renewal of monetary easing in the U.S. with the initiation of QE2, the re-emergence of the Euro-Zone debt crisis and the overall decline in investor demand for bonds across the board. The Barclays Aggregate

## Non-U.S. Markets

- Global markets diverged somewhat during the fourth quarter, as U.S. equities outperformed international equities. Non-domestic concerns caused some "de-risking" in the marketplace - the MSCI EAFE Index rose 6.7% during the fourth quarter, while the MSCI Emerging Markets Index returned 7.4% during the same time period. The slight underperformance by international versus U.S. equities was prompted by concerns over the continuing European sovereign debt crisis, China's rise in inflation targets and loan quotas, and increasing tensions between North and South Korea. The decrease in investor risk appetite also led to an increase in the U.S. dollar Index by more than 5.8% during November and December.

- Global bonds sold off broadly in the last quarter of the year. Concerns over the solvency of peripheral European economies such as Portugal and Ireland weighed heavily

## Economic Developments

- The global economy appears to be picking up steam as we head into the New Year, after overcoming a number of headwinds in 2010 that included the decline in U.S. consumer spending, implementation of a tightening policy in China, and the financial stress caused by Europe's sovereign debt problems. A potential acceleration of global growth will come with a further divergence in growth and inflation expectations between the Developed Markets and Emerging Markets.

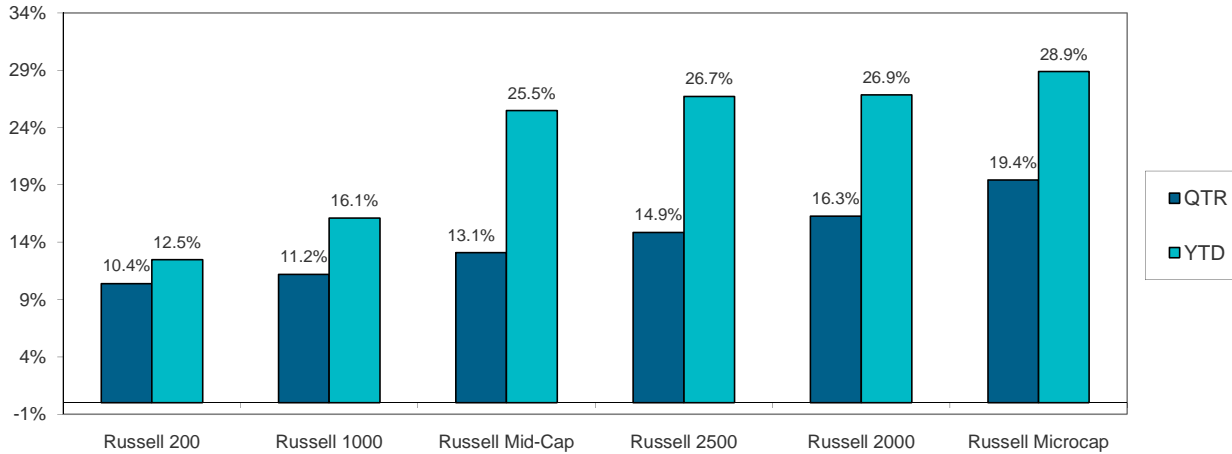
- The major economic themes to keep an eye on in the New Year include acceleration in global growth to a pace of about 3.5% based on estimates from JPMorgan, which, in good part, is being positively impacted by monetary stimulus. Developed Market economies are expected to have moderate growth which will be outpaced by emerging markets growth, with China leading the way. In addition, we should also see a lower inflationary environment in developed markets allowing G4 central banks to hold steady on interest rates.

- In emerging markets, strong growth and higher inflationary expectations as seen in China and Brazil could lead to tightening measures during the year. That said, emerging market countries are favoring growth despite the potential inflationary implications. The 2008 global economic debacle and subsequent easy money policies have allowed certain assets to be pushed to valuation levels that are not necessarily justified by fundamentals. Investors should keep an eye on over-priced assets such as U.S. Treasuries and gold.

# US Equity Markets Overview

December 31, 2010

## Capitalization Analysis

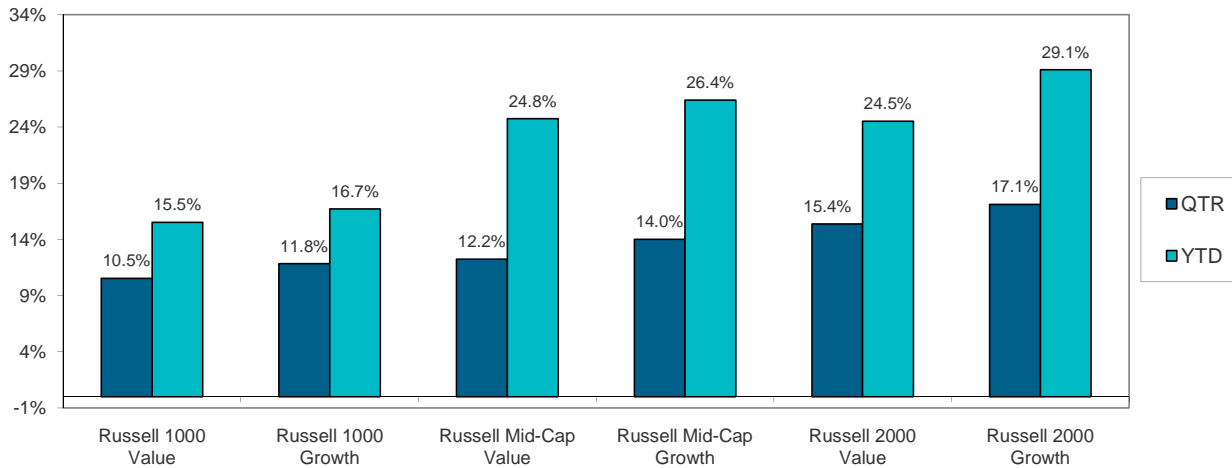


- Both fourth quarter and calendar year returns for 2010 were strong across capitalizations with small and mid caps outperforming large and mega caps.

- The correlation between capitalization and performance was quite remarkable with the largest companies (collectively represented by the Russell 200 Index) underperforming the smallest companies (represented by the Russell Microcap Index) by 9% just for the quarter and 16.4% for the year.

- Small cap stocks benefited from a number of positive developments including strong M&A activity, a low interest rate environment and better revenue estimates relative to large caps.

## Style Analysis



- Growth outperformed value across all capitalizations during the quarter and the entire year.

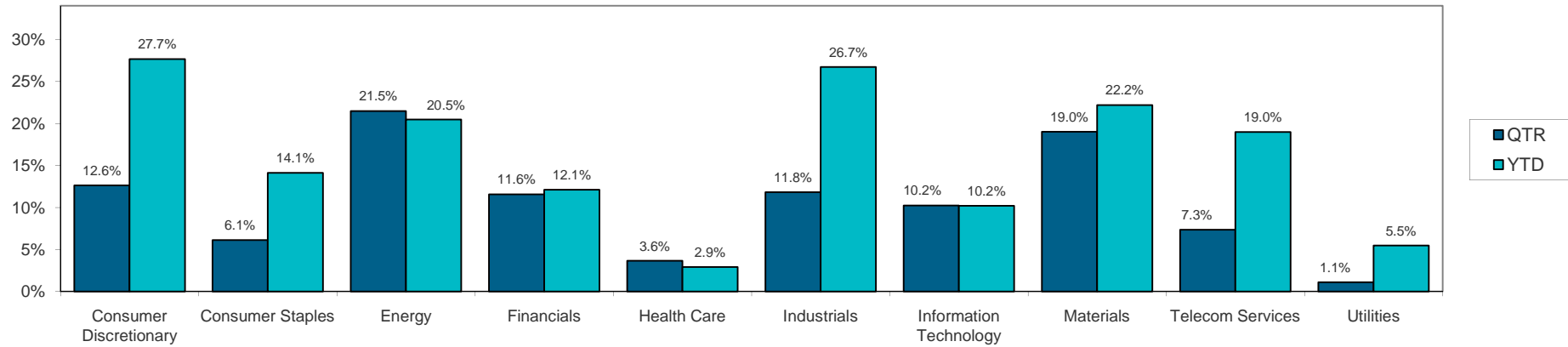
- The Russell 1000 Growth Index beat its value counterpart, the Russell 1000 Value Index by 1.3% for the quarter and 1.2% for the year. The difference in performance between value and growth were more pronounced in small cap where the Russell 2000 Growth Index returned 17.1% and 29.1% for the quarter and year respectively compared to a 15.4% and 24.5% for the Russell 2000 Value Index.

- For the fourth quarter, growth stocks were aided by Materials (+19.0%) and Industrials (+11.8%). Both sectors benefited from strong net exports during the latter part of the year. Also, the 12.6% return for the Consumer Discretionary sector favored the growth indices compared to value.

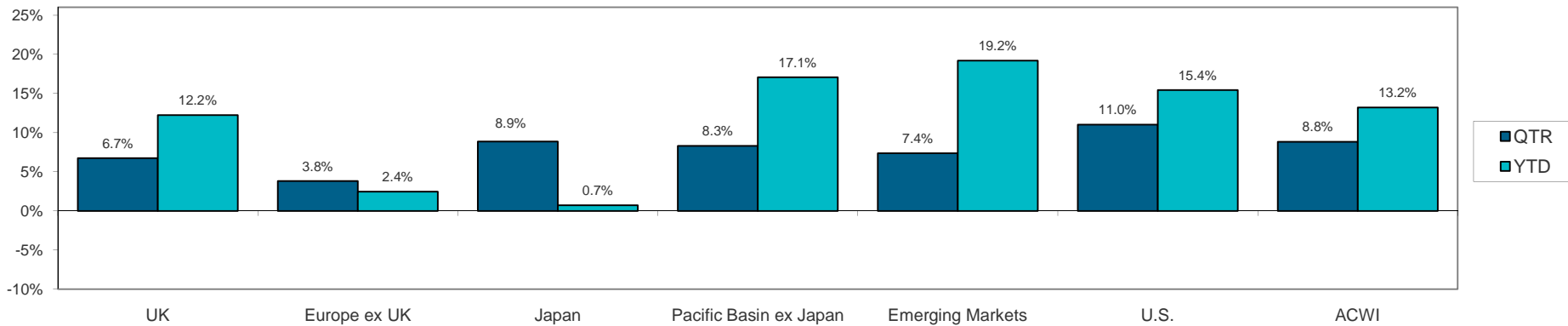
# U.S. Equity Sector Returns / Country Returns

December 31, 2010

## US Equity Sector Returns



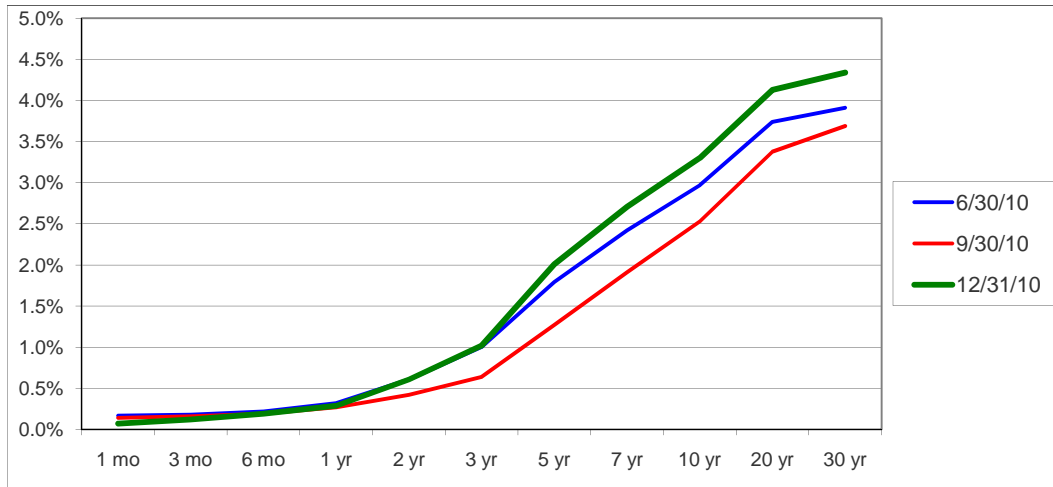
## Country Returns



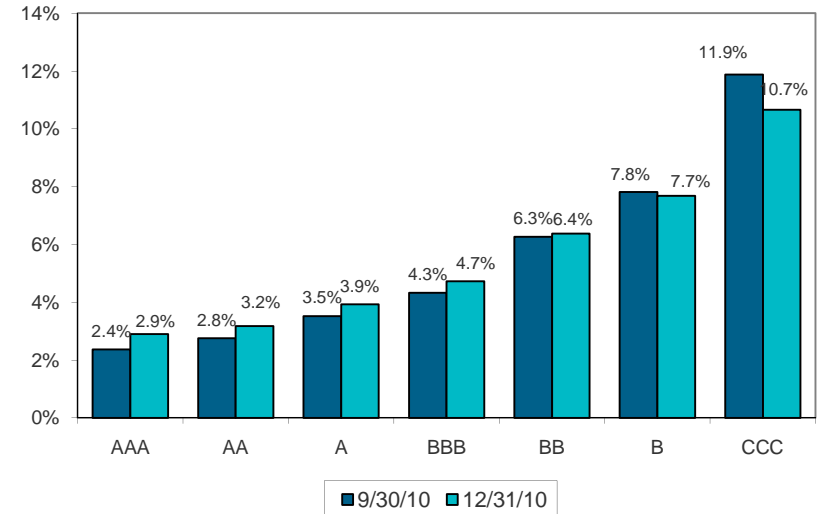
# Fixed-Income Markets Overview

December 31, 2010

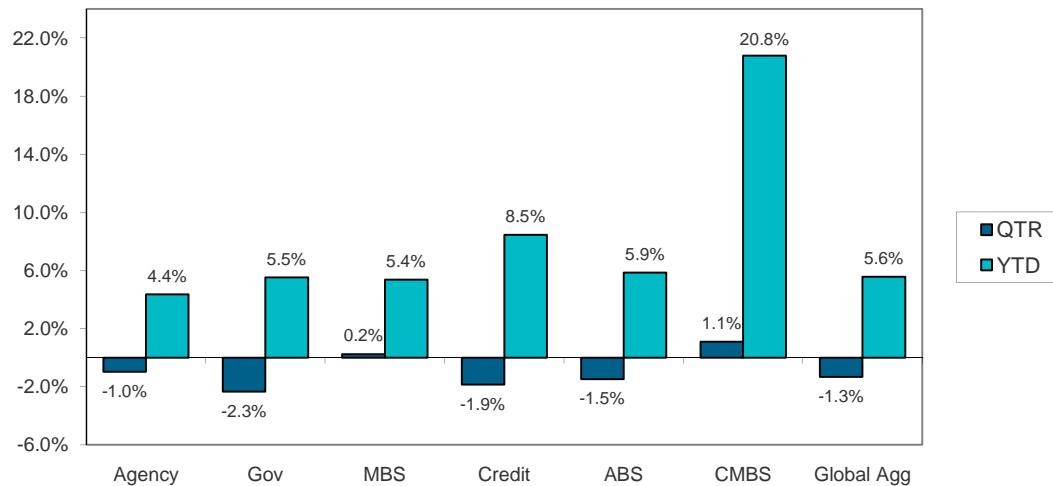
## Yield Curve



## Yield by Credit Rating



## Sector Returns



## Commentary

- Treasury yields rose dramatically last quarter, with the 2-year moving from 0.42% to 0.61% and the 10-year climbing from 2.53% to 3.30%. The 30-year Treasury also saw a rise in yield going from 3.68% to 4.34% by quarter's end. The rise in bond yields reflects investor concern towards the monetary easing seen in the U.S., which should help foster improvements in GDP growth, as well as an eventual rise in interest rates.
- For the fourth quarter, corporate credits experienced a slight loss of 1.90%, while high yield remained a market favorite gaining 3.22%. The positive performance in High Yield is indicative of investors reaching for yield while remaining confident in corporate profitability, low default rates, and steadily improving economic growth.
- The BarCap MBS Index was essentially flat with a return of 0.20% for the quarter, while Commercial Mortgages were up 1.10% and the BarCap Investment Grade Index back tracked slightly, down 1.30%.