

Q3 2013 Capital Market Review

Outsourced Financial Analytics



150 North Radnor Chester Road. Radnor, PA 19087 | (610) 977 – 0889 | www.outsourcedanalytics.com |

Table of Contents

Commentary	3	Corporate Profits	17
		Valuation	18
Economic Indicators	5	Risk	19
Output	5	Market Performance	20
Balance of Payment	6		
Price	7	Domestic Equity	20
Breakeven	8	Intl Equity	22
Production & Retail	9	Fixed Income	24
Money Flow	10	Alternatives – Inflation Hedge Assets	26
Housing	11	Alternatives – Hedge Funds	27
Employment	12	Correlation (10-Year)	28
Survey Data	13		
Personal Income & Spending	14	Appendix	29
Commodity	15	Glossary	32
Rates	16	Disclaimer	33

Commentary

Q3 2013 Economic Review

The third quarter of 2013 marked the 5-year anniversary of the collapse of Lehman Brothers and the onset of one of the worst recessions in history. Five years later, and after extraordinary monetary policy intervention, the US recovery remains fragile but is advancing. After several months of internal debates within the FOMC, and subsequently telegraphing to the market their intentions to begin tapering their bond buying program as early as Q4 2013 (please read our post [here](#)), the Fed decided not to taper in September, citing tightening credit markets, sluggish employment, and fiscal policy uncertainty as reasons to delay the tapering. The 10-yr Treasury yield, which advanced 126 bps between May and mid-September based on the Fed's announcement regarding their intentions to taper, retreated back to 2.61% at the end of the quarter after reaching as high as 3.00%. The current US growth outlook is likely to be lower as the effects of higher interest rates flow through the economy. Additionally, US monetary policy actions rippled through global markets, especially the emerging market complex (please read our post [here](#)).

In Europe, the economic outlook remained fragile. The EU's current growth rate has not been enough to counter deflationary pressures, reduce credit problems, and relieve the social/political unrest due to austerity measures put in place by various EU member states. At the end of the third quarter, Angela Merkel was reelected as the Chancellor of Germany and, as a staunch proponent of the EU, is expected to reengage in policy discussions that she backed away from during her reelection campaign. In terms of policy decisions, Europe will be faced with many in the coming months. Having been granted authority to supervise the euro area's largest banks, Mario Draghi (ECB president) is expected to announce the standards of the Asset Quality Review. He made it clear that "liquidity ought to be provided to the banking system as needed, but it should not be a replacement for

a lack of capital." Additionally, Portugal has hinted at the need for an additional round of support which will have broad implications on how the ECB will treat other troubled countries.

Geopolitically, Africa and the Middle East dominated headlines. In July, Muhammad Morsi was ousted as the President of Egypt by a combination of civilian revolt and military force. The ouster was highly contested by Morsi's supporters and resulted in hundreds killed. Tensions and uncertainty remain elevated as Egypt continues to resolve their political issues. The on-going civil war in Syria and President Bashar Assad's use of chemical weapons was the other major story during the quarter. While political debate ensued among US leaders about how to respond, the end result was a proposed weapon removal program backed by Russia, the US and the UN. The implementation and execution of this plan will be important to monitor as it will involve bringing together nations with historically strained relationships.

Fiscal Turmoil

As of the end of the third quarter, the government was shut down for the first time in 17 years as both Republican and Democratic parties were unable to agree on how to fund federal discretionary spending (Continuing Resolution). While the budget issues are troubling, the real concerns arise as the federal debt limit approaches and will have to be raised in order for the US to avoid defaulting on its obligations. As of this writing, the Treasury will run out of any extraordinary measures to keep paying obligations (US reached its technical debt limit in May 2013) no later than October 17th, 2013. The political brinkmanship displayed during the budget discussions makes the more important debt ceiling discussion that much more uncertain.

Commentary

The partisan rhetoric that has characterized, and paralyzed, Congress for the last few years has led to the most recent inability of Democrats and Republicans to negotiate. There is no appetite for further spending cuts beyond those made as part of the sequestration deal nor is their further appetite for tax increases beyond those made as part of the fiscal cliff deal. As such, negotiations have focused on highly contentious entitlement reforms. Given that the CR and debt ceiling deals come in the shadow of the implementation of the Affordable Care Act (ACA), we have seen opponents of the ACA try to package together the repeal or postponement thereof into any CR or debt ceiling deal. As of right now, neither side has shown any interest in adjusting their respective positions regarding the ACA.

The Bipartisan Policy Center issued an interesting [report](#) in which they lay out two scenarios in the event that the debt ceiling is not raised: (1) Payment Delay, (2) Payment Prioritization. In addition, Bridgewater Associates added two more scenarios: (3) Asset Sales, (4) Payment Reduction across the board. Ultimately, none of these scenarios are positive for the US.

Because of the US's position in global commerce, any failure to meet their financial obligations (by missing interest or coupon payments) would have severe negative ramifications for global markets.

Financial Sector

We note that the outlook for the financial sector got hit relatively hard this quarter as revenues from trading decreased, mortgage origination and refinancing activity slowed significantly and expensive regulatory costs were paid to settle violations incurred during the 2008 housing crisis. In the near-to-midterm, we note that conventional mortgage

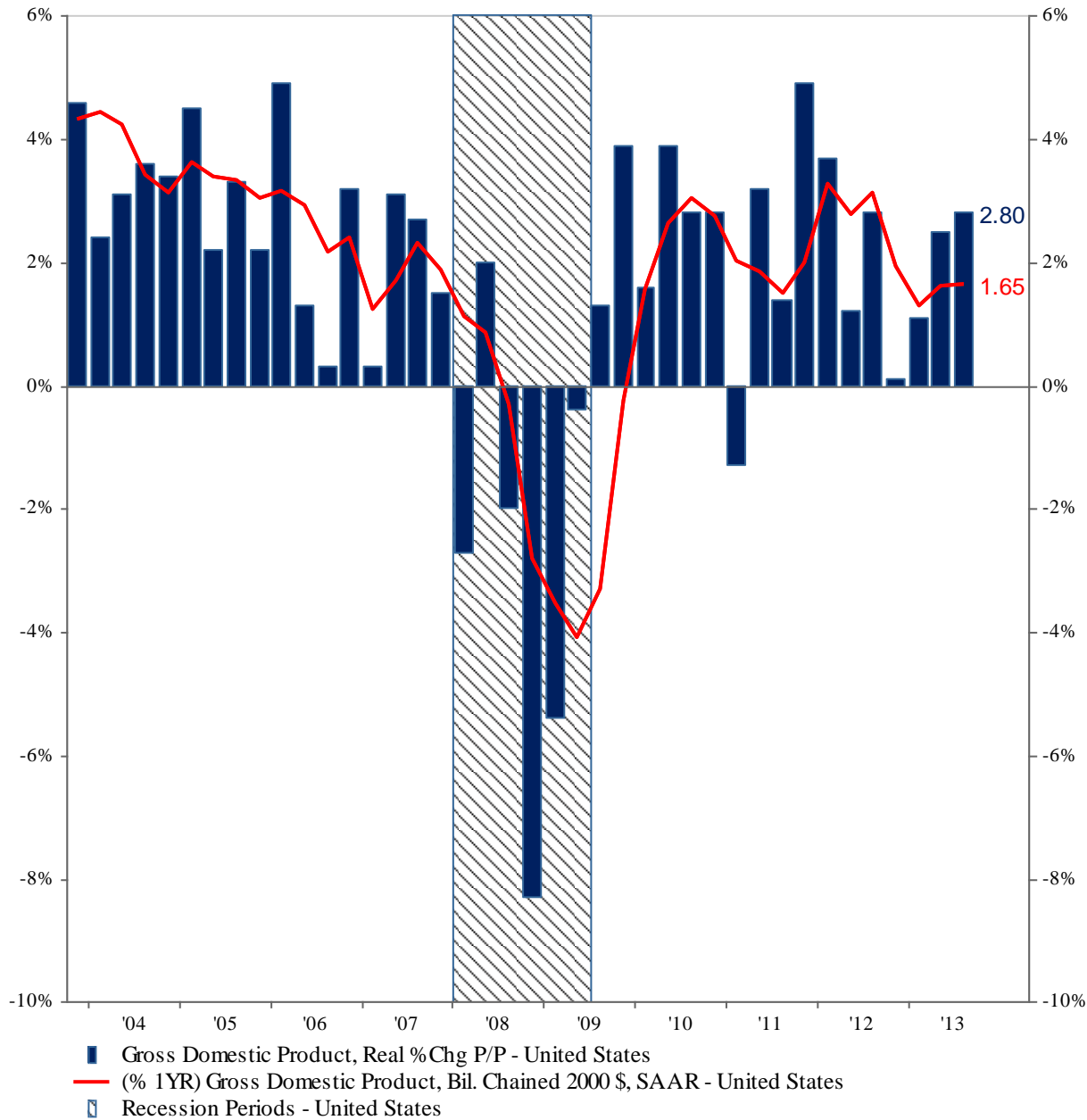
rates rose by almost 50 basis points during the third quarter, leading to a sharp decline in mortgage-refinance activity. As the core of Fed policy has been to induce borrowing, particularly in the housing market, we watch this headwind closely as we come into year end.

Municipal Bond Market

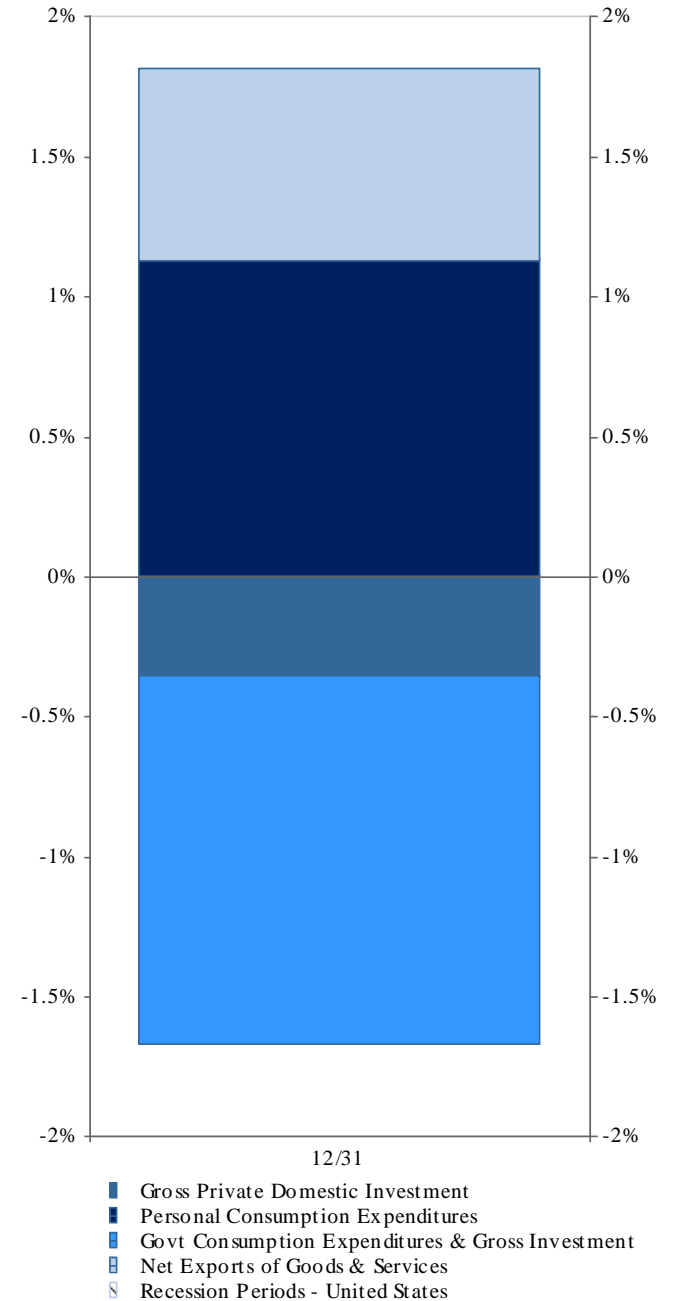
In July, Detroit became the largest American city to file for bankruptcy. Prices in the muni market moved down and yields rose. As such, the yield curve of AAA General Obligation Muni Bonds shifted above the Treasury yield curve. As most income generated from municipals is tax-exempt, when considering muni yields on a tax equivalent basis, this yield curve behavior could signal value. However, the events in Detroit belie the need for a bottom-up credit analysis of the municipality and the individual bonds.

Output

US Real GDP Growth

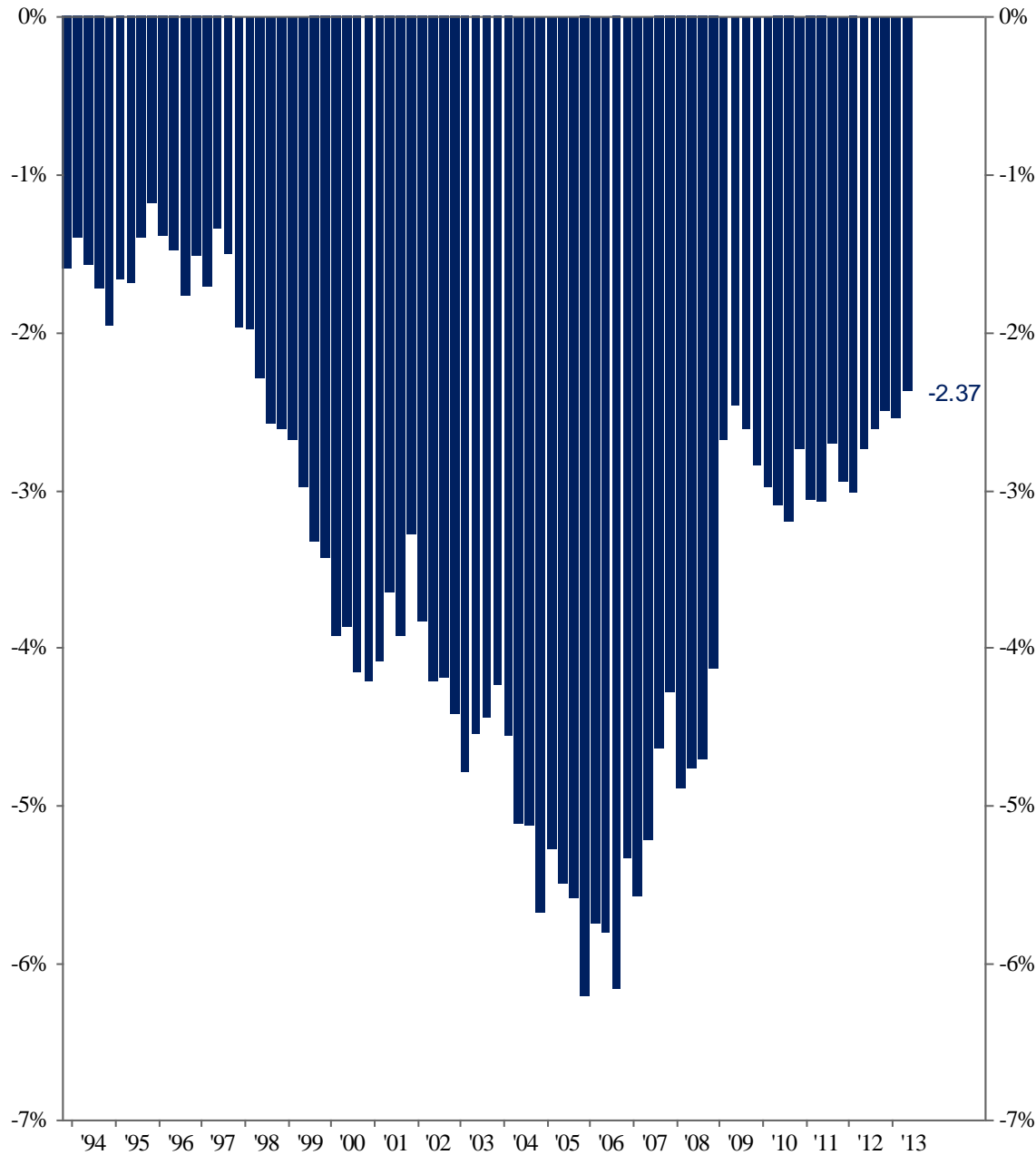


US Contribution to GDP Growth

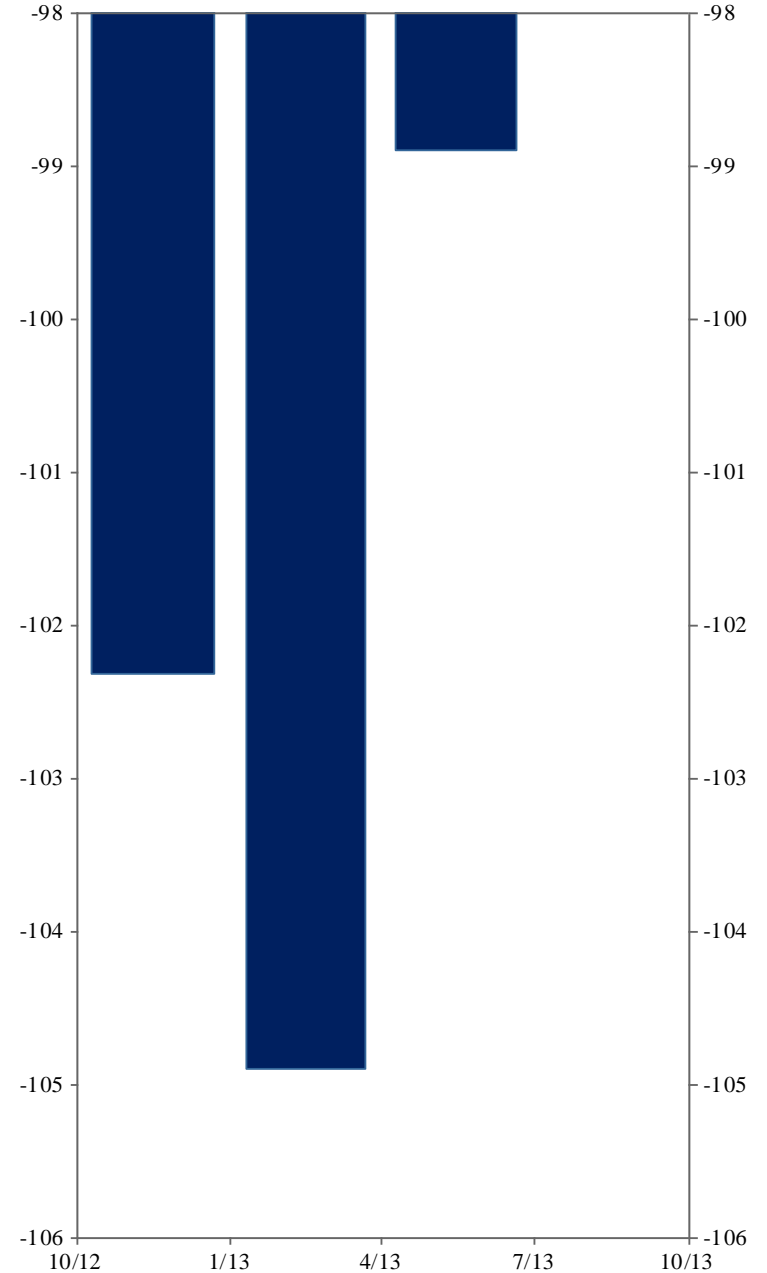


Balance of Payment

US Current Account as % of GDP

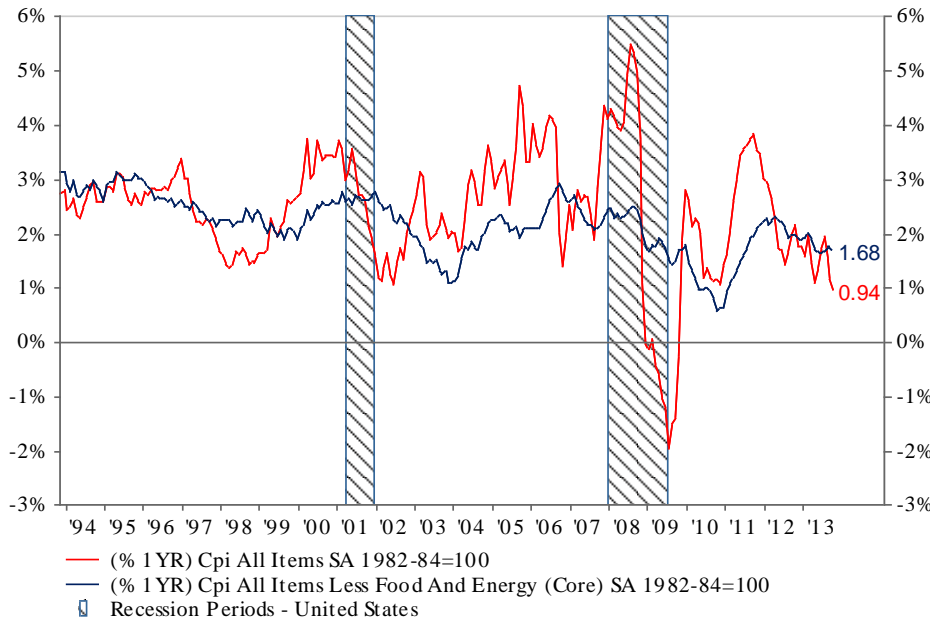


US Current Account Balance (US\$ Bil)

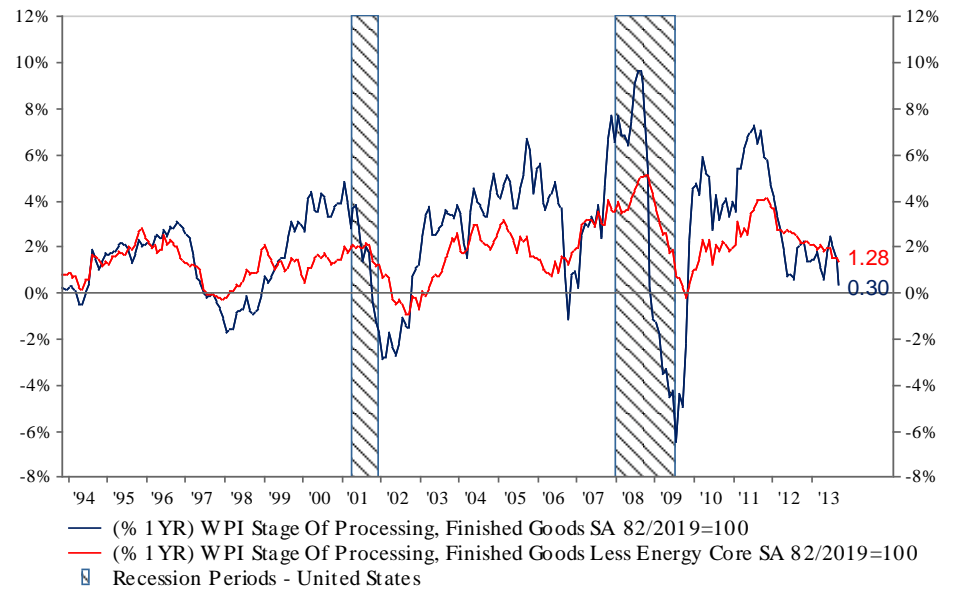


Price

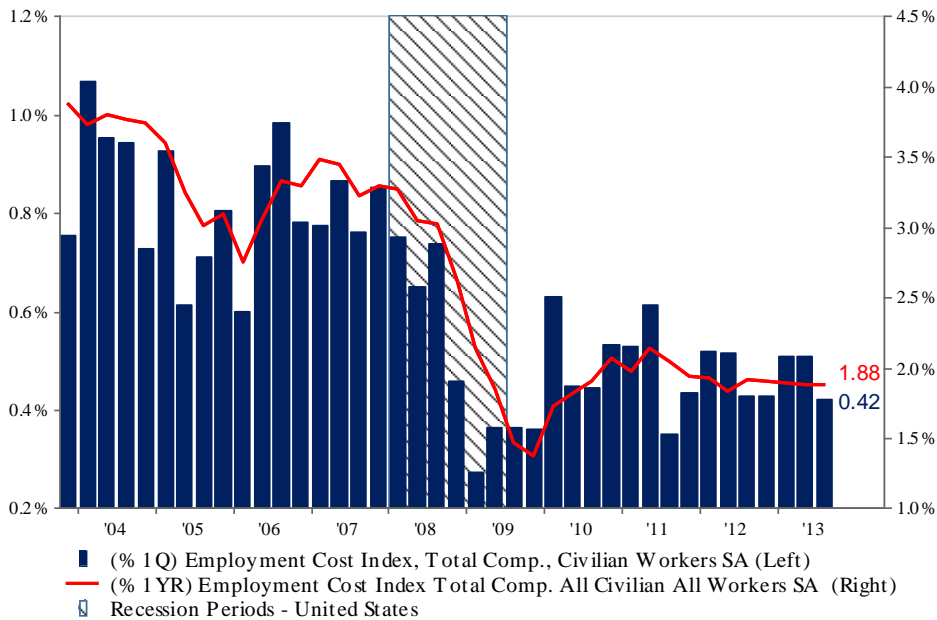
US Consumer Price Inflation



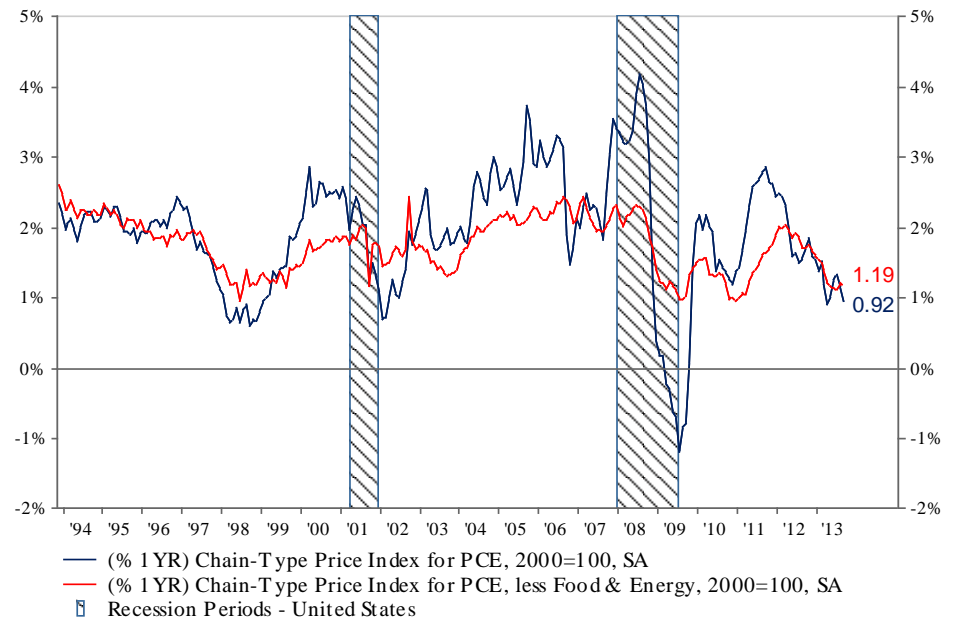
US Producer Price Inflation



US Employment Cost Index Growth

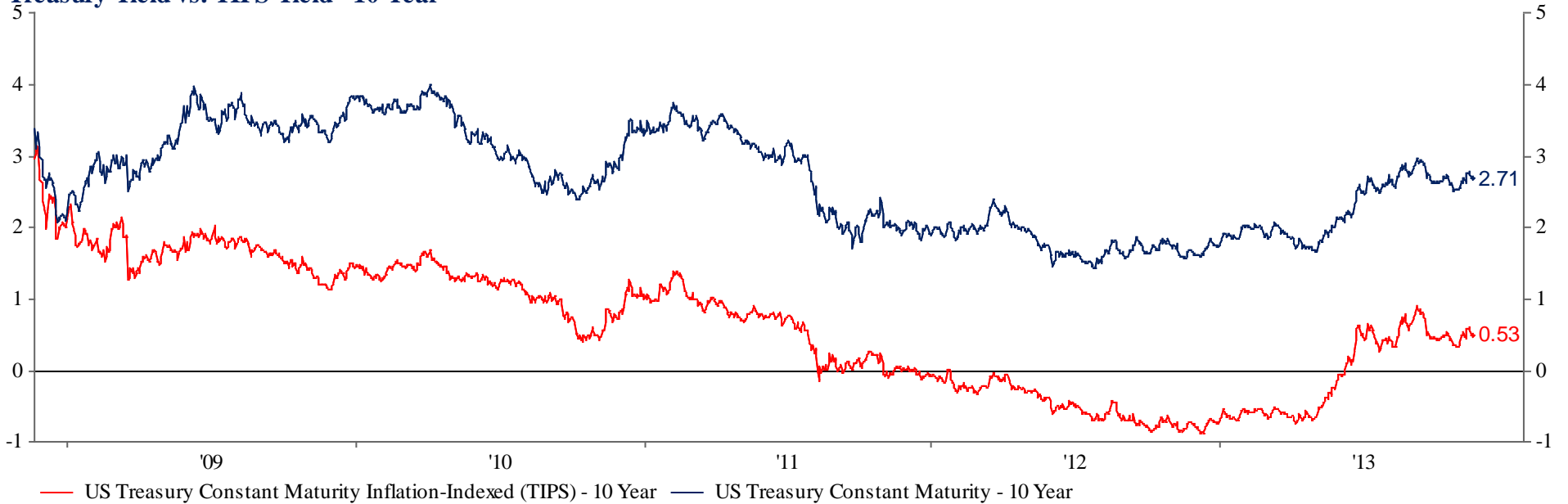


US PCE Inflation

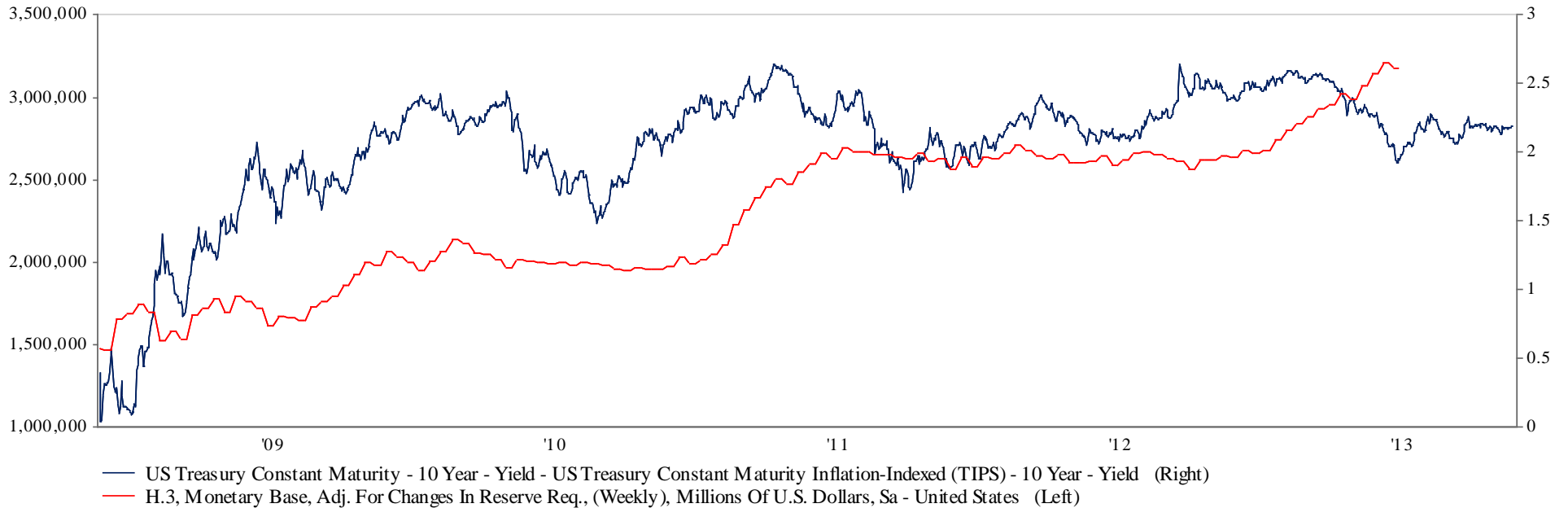


Breakeven

Treasury Yield vs. TIPS Yield - 10 Year

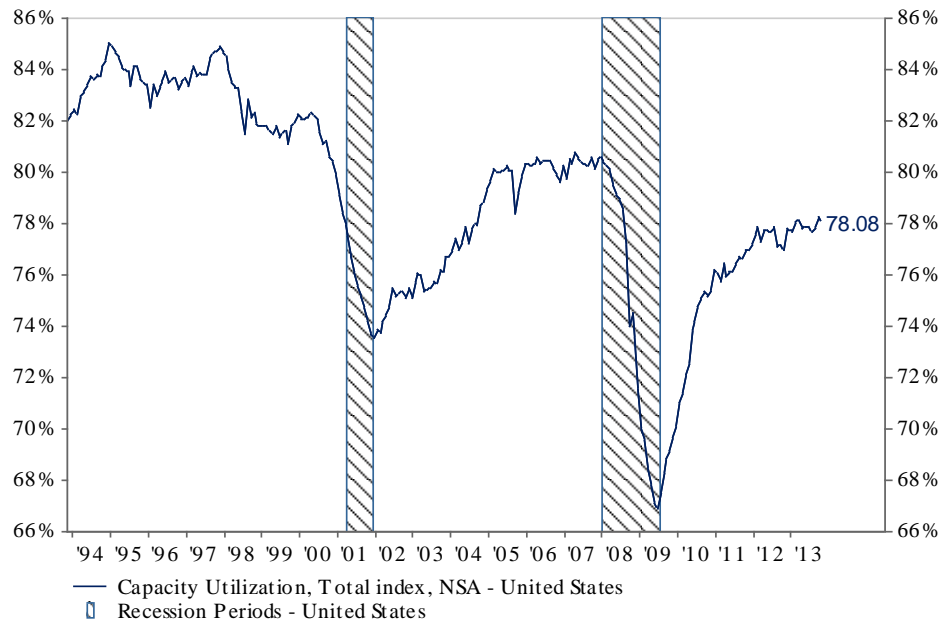


Monetary Base vs. Breakeven

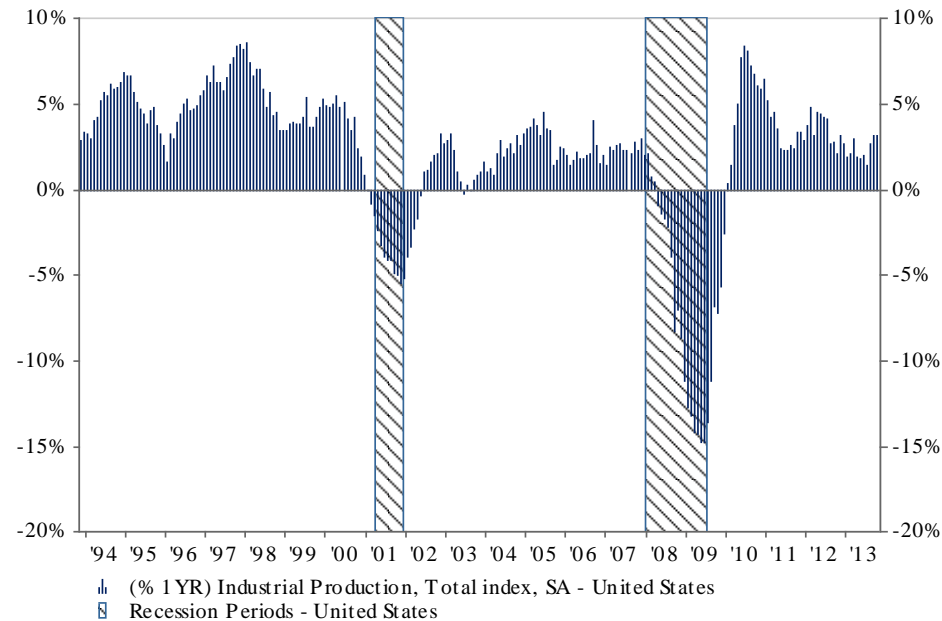


Production & Retail

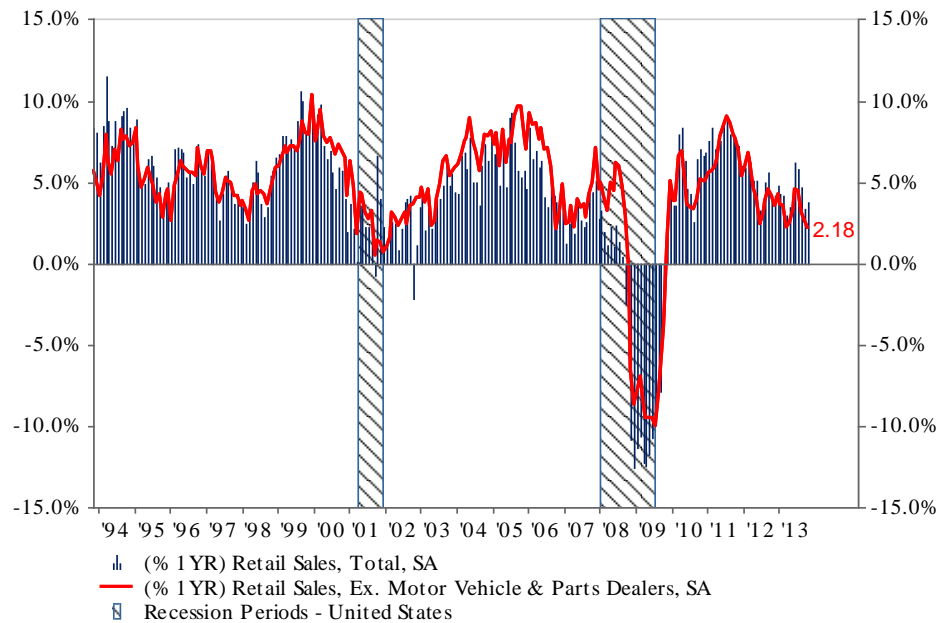
US Capacity Utilization



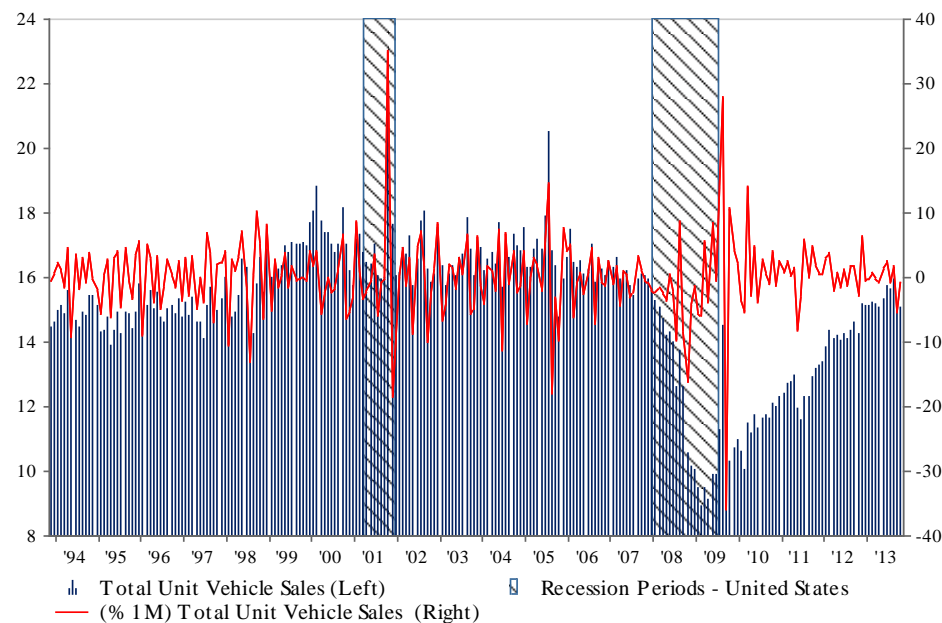
US Industrial Production



US Retail Sales

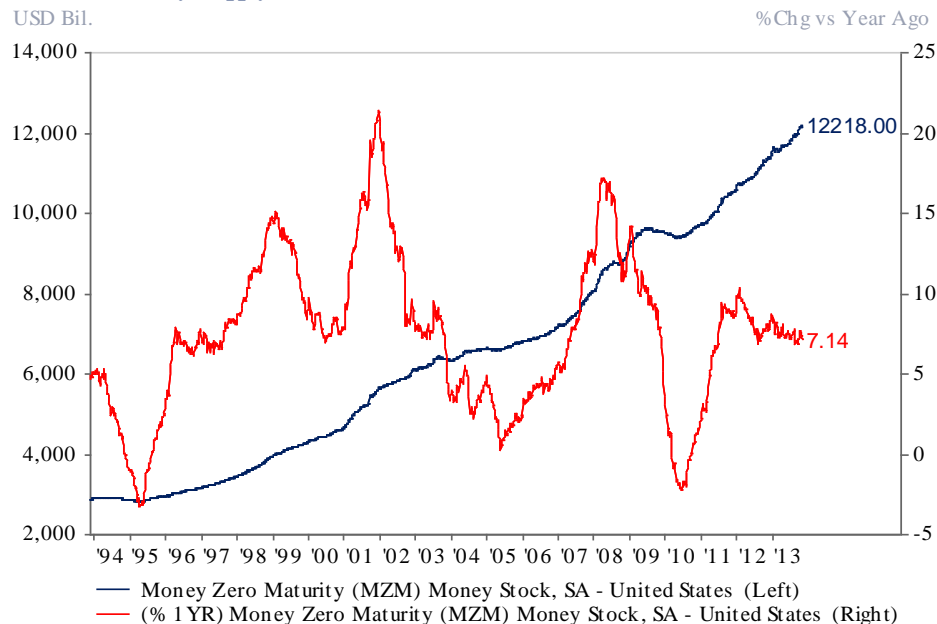


US Total Unit Vehicle Sales

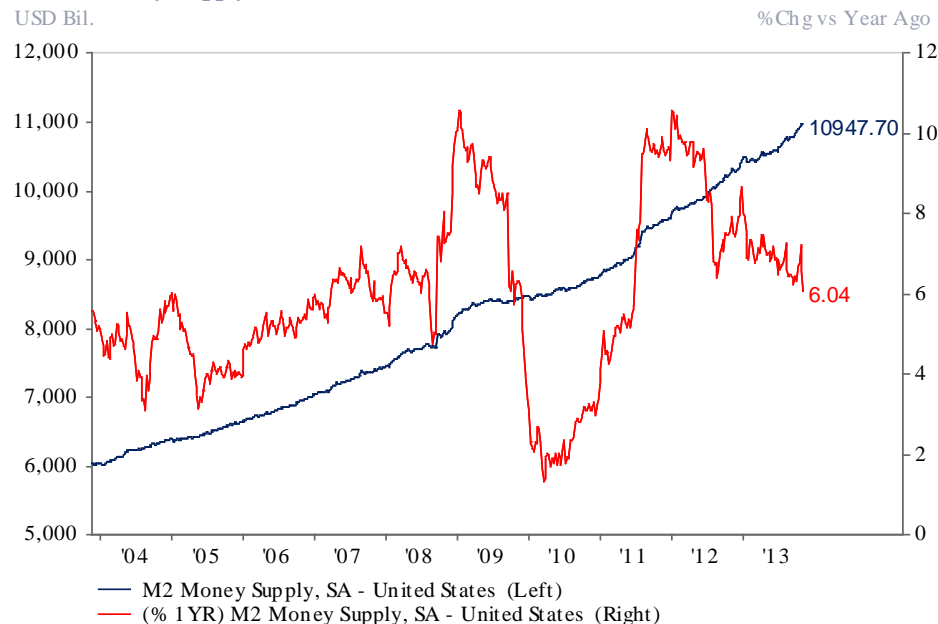


Money Flow

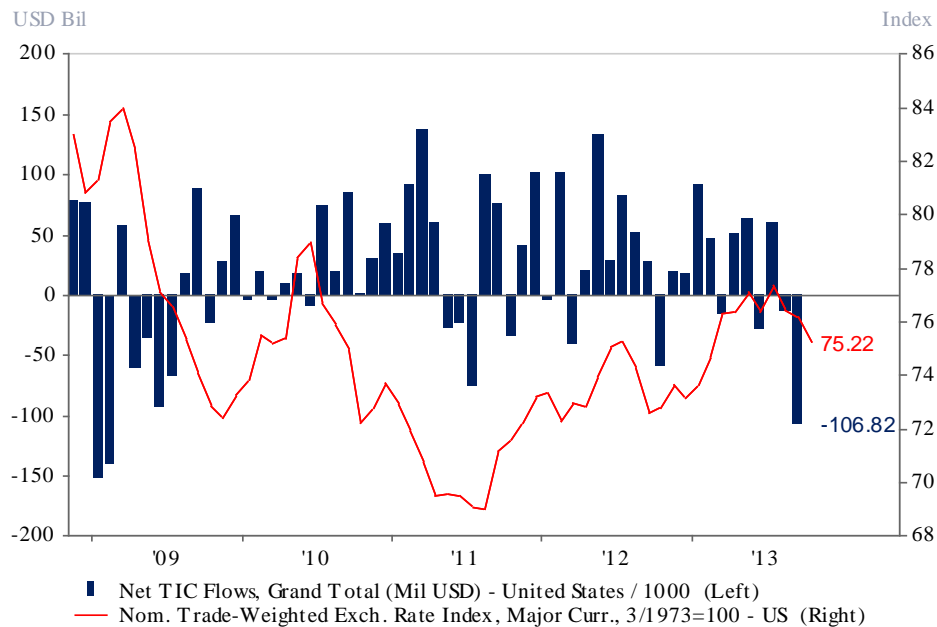
US MZM Money Supply



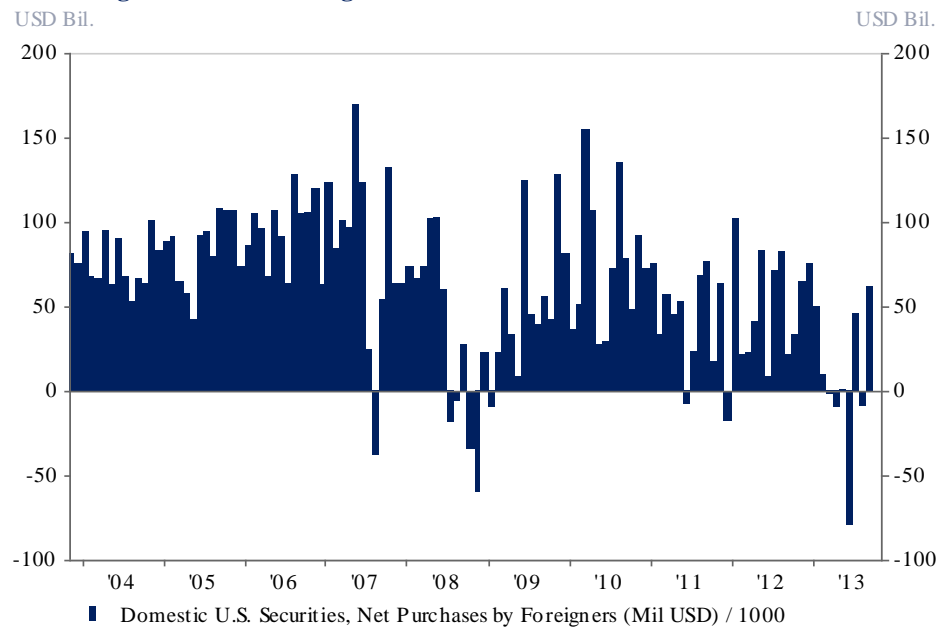
US M2 Money Supply



Net Cross Border Financial Flows

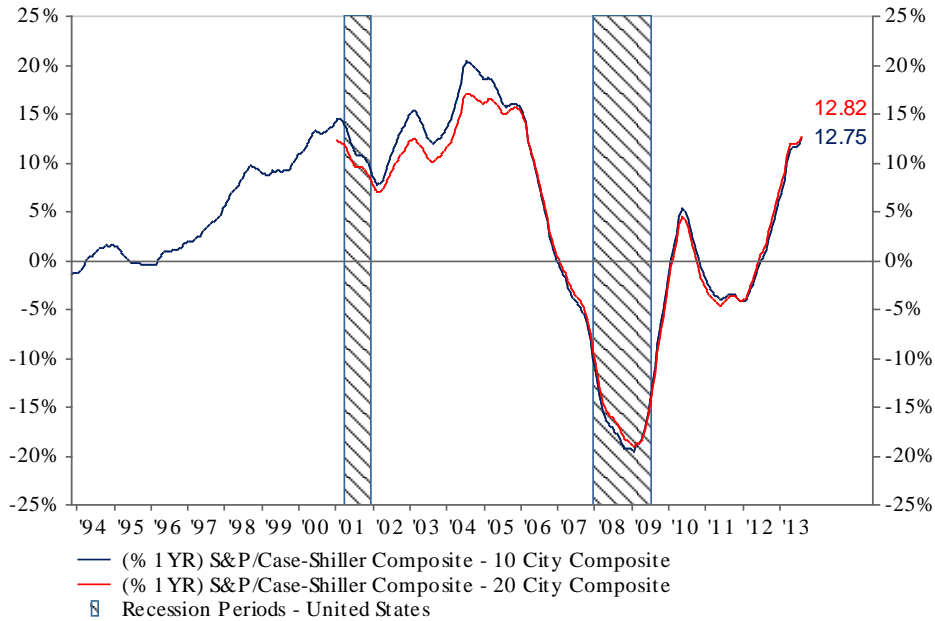


Net Foreign Purchases of Long Term US Securities

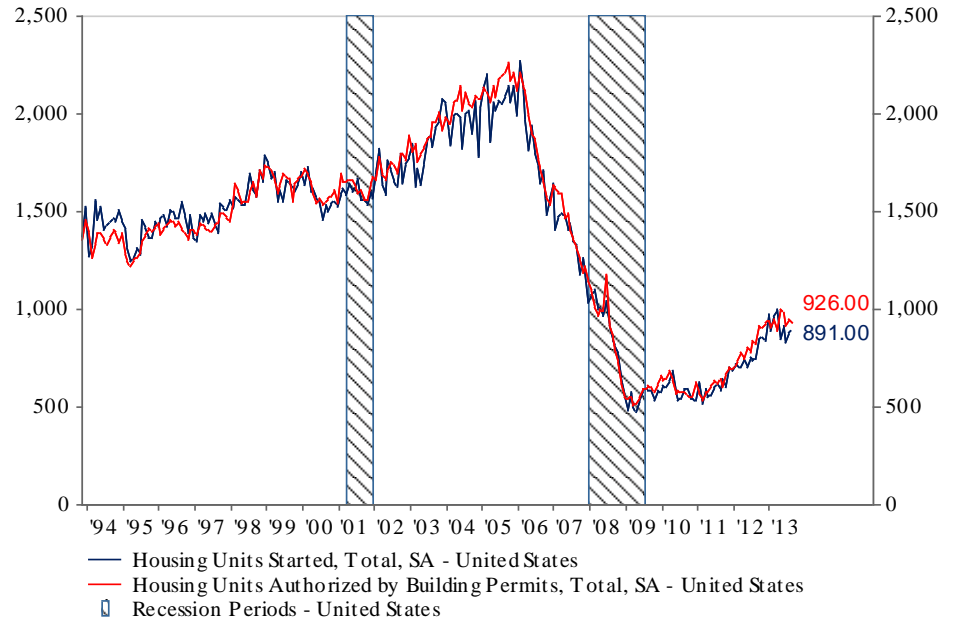


Housing

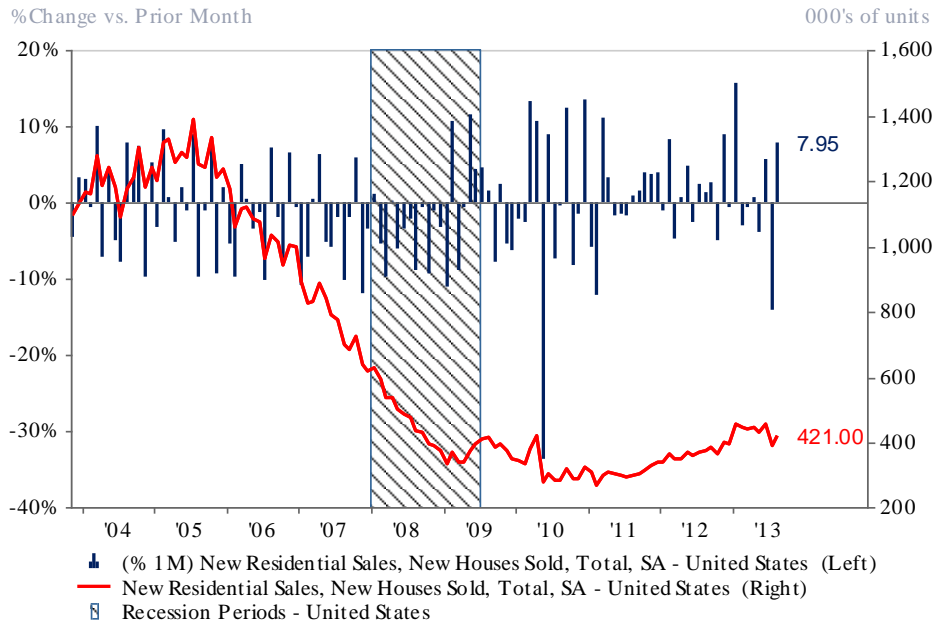
S&P/Case-Shiller Home Price Indices



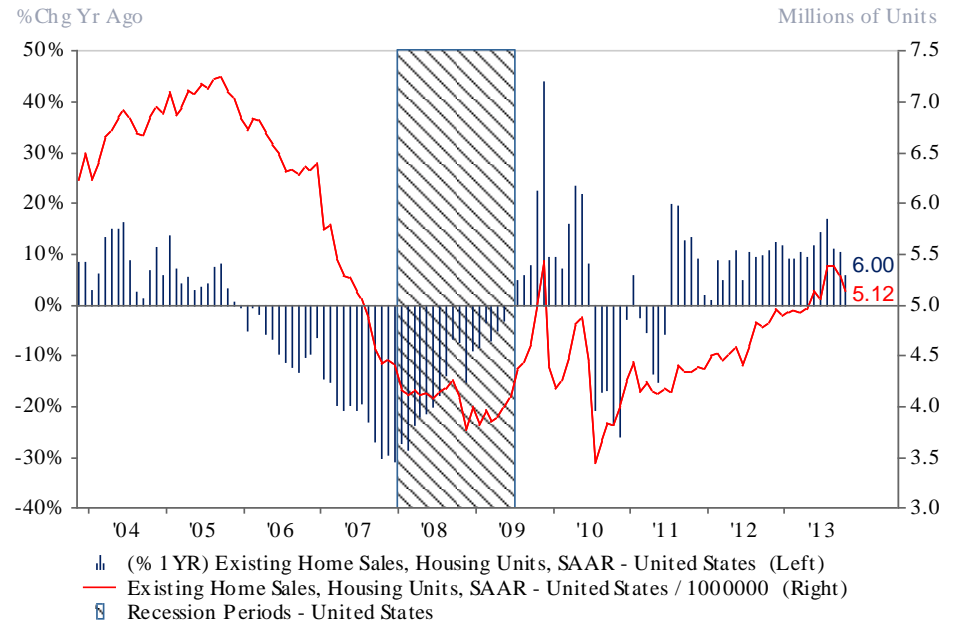
US Housing Starts & Building Permits (000's of units)



US New Home Sales

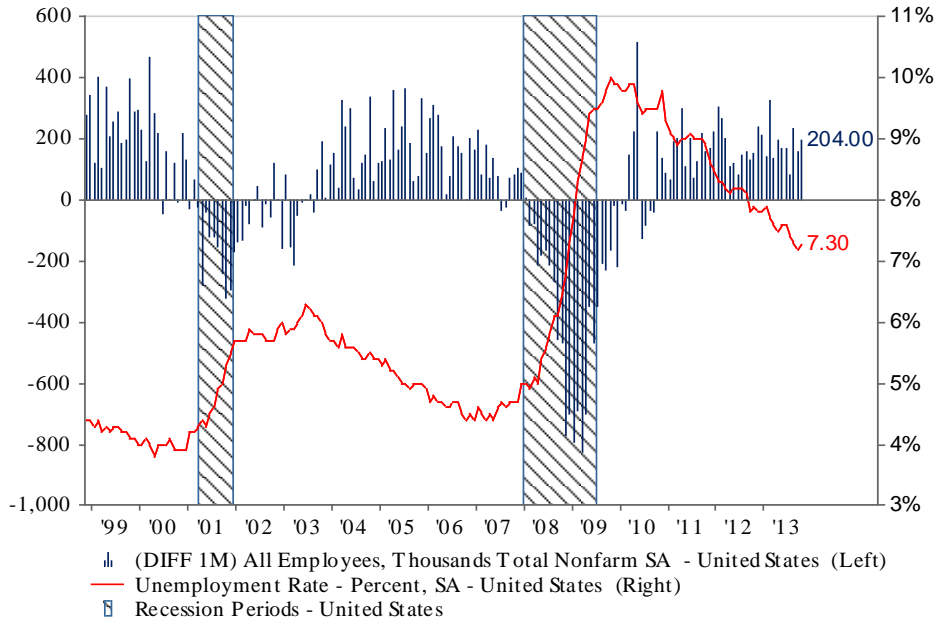


US Existing Home Sales

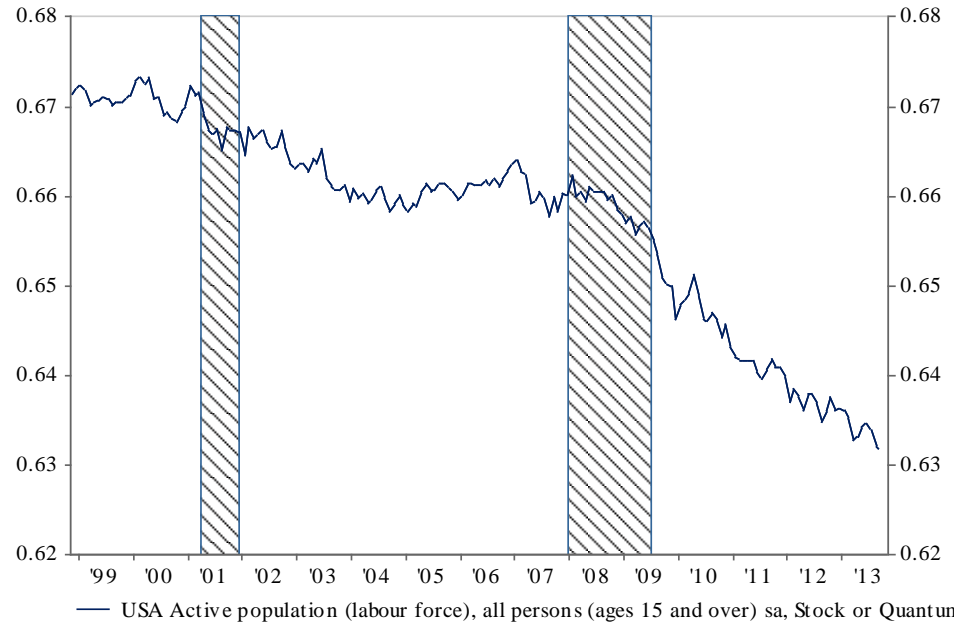


Employment

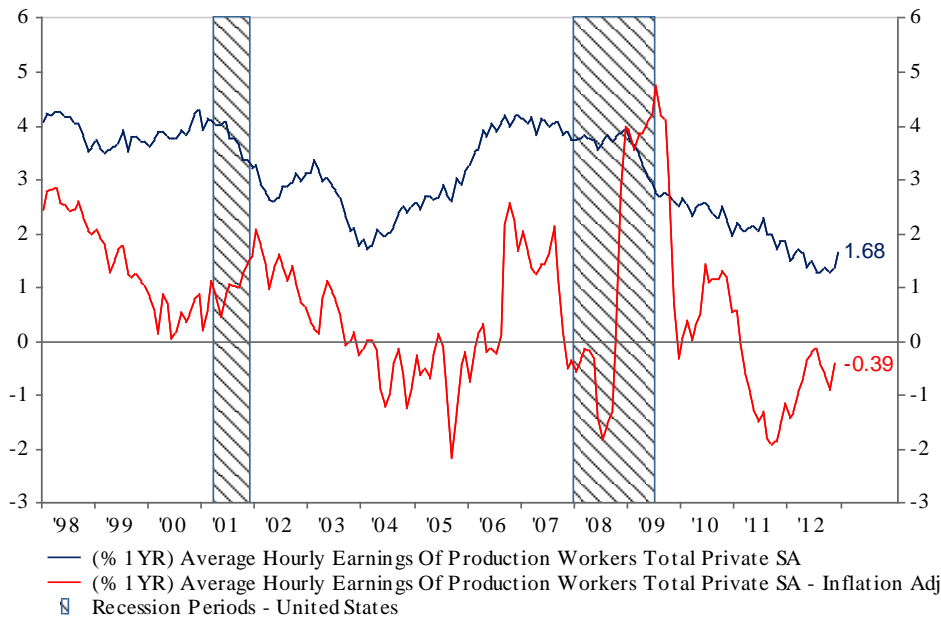
US Change in NonFarm Employment & Unemployment Rate



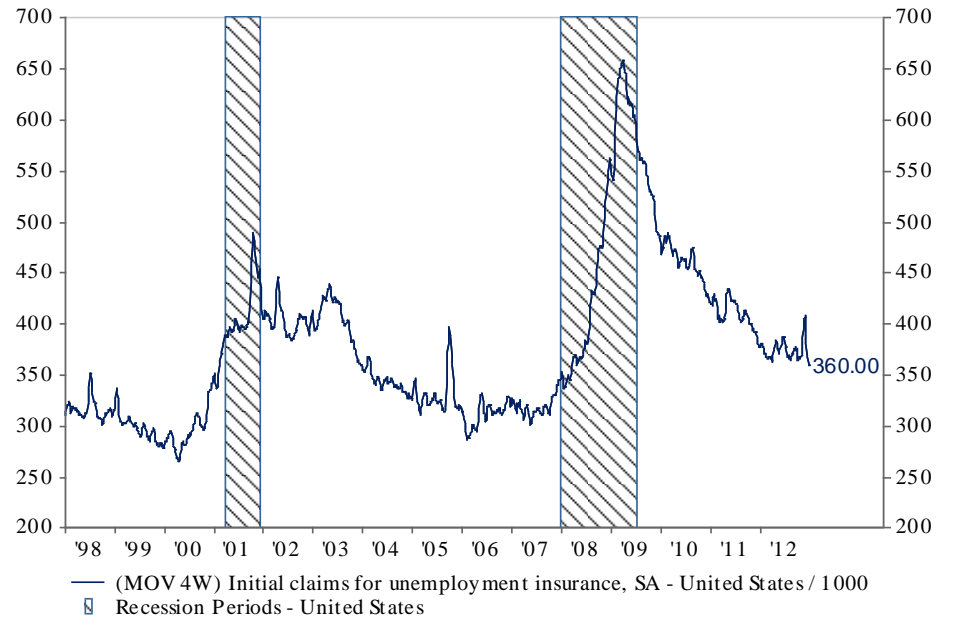
Labor Force Participation Rate



YoY Growth in US Avg Hourly Earnings - Real vs. Nominal

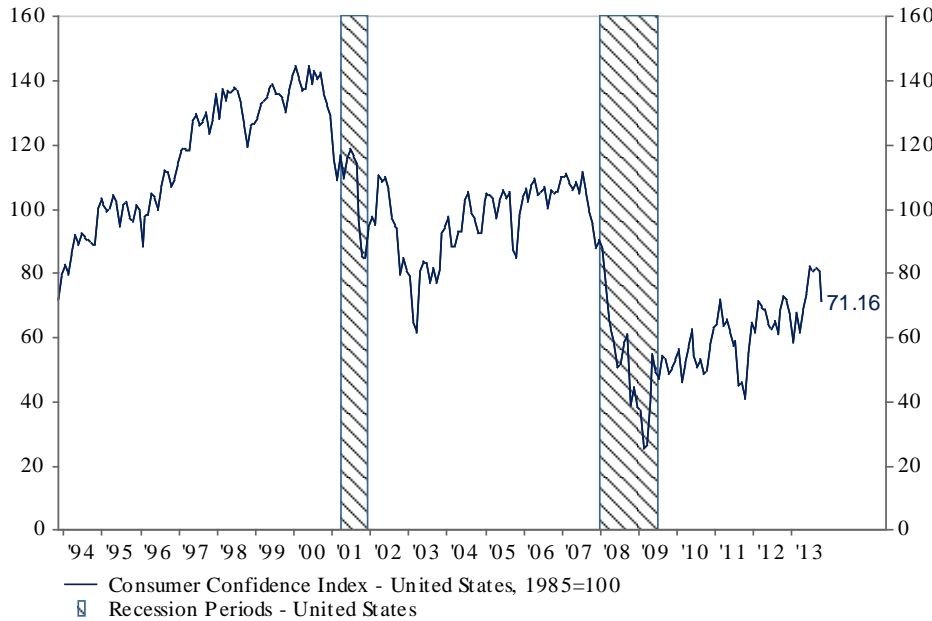


US Initial Claims for Unemployment Insurance - 4 Week Moving Avg (000's)

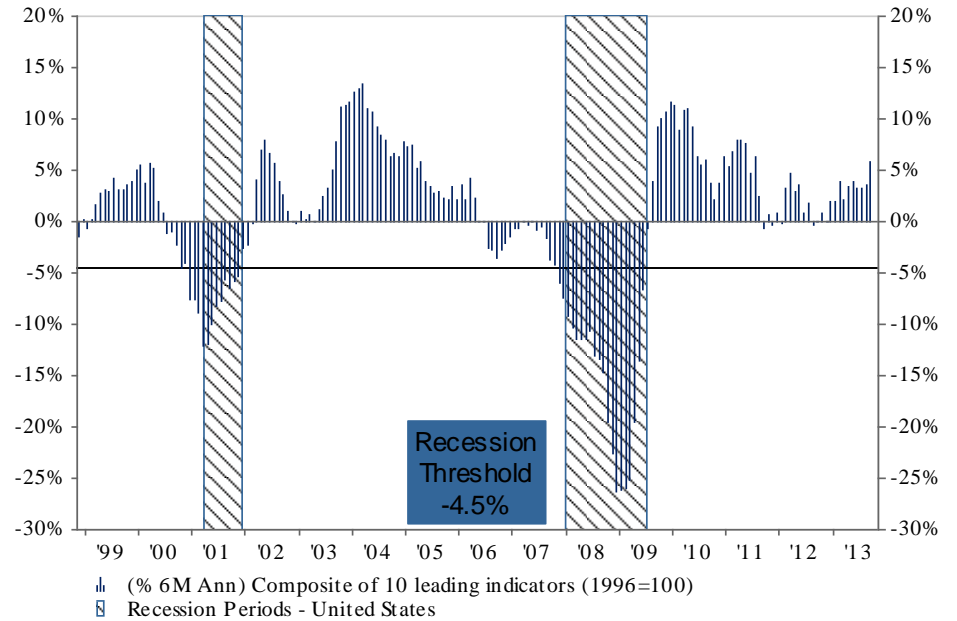


Survey Data

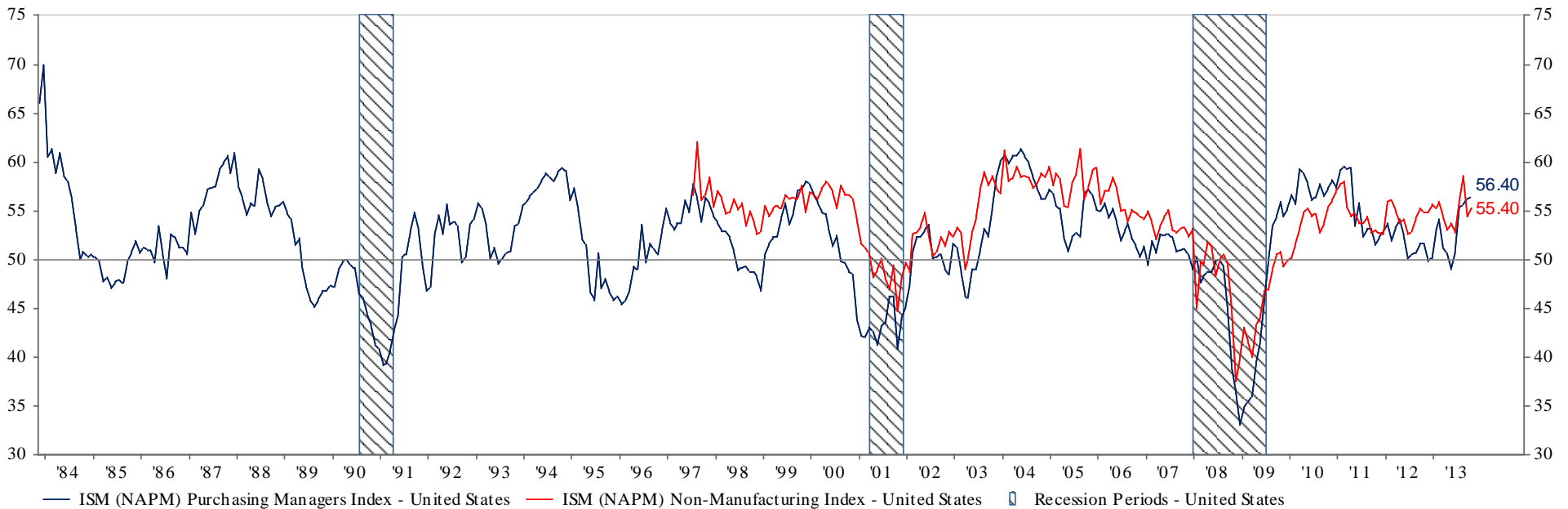
US Consumer Confidence



US Index of Leading Indicators (6M %, AR)

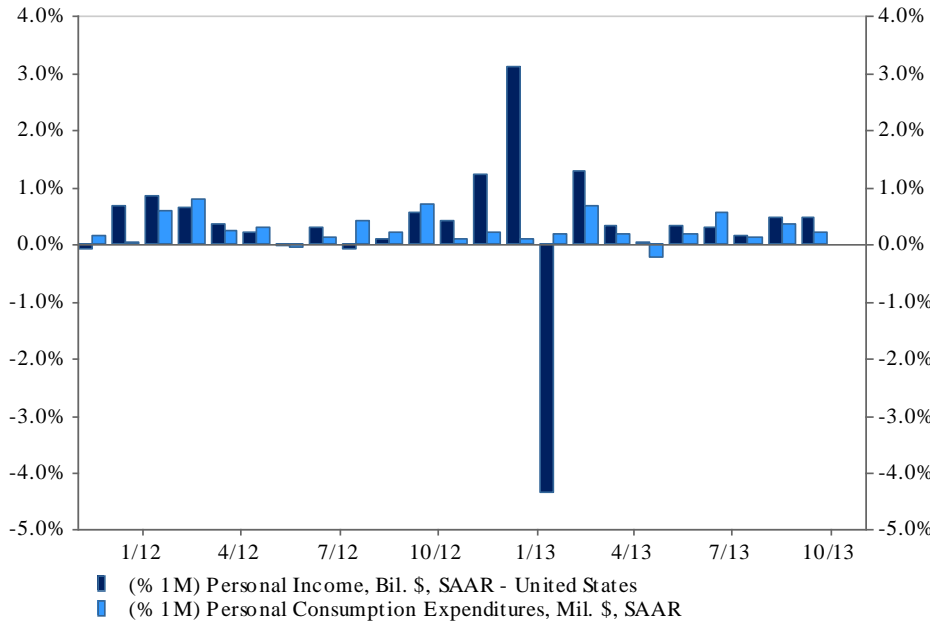


ISM Report on Business

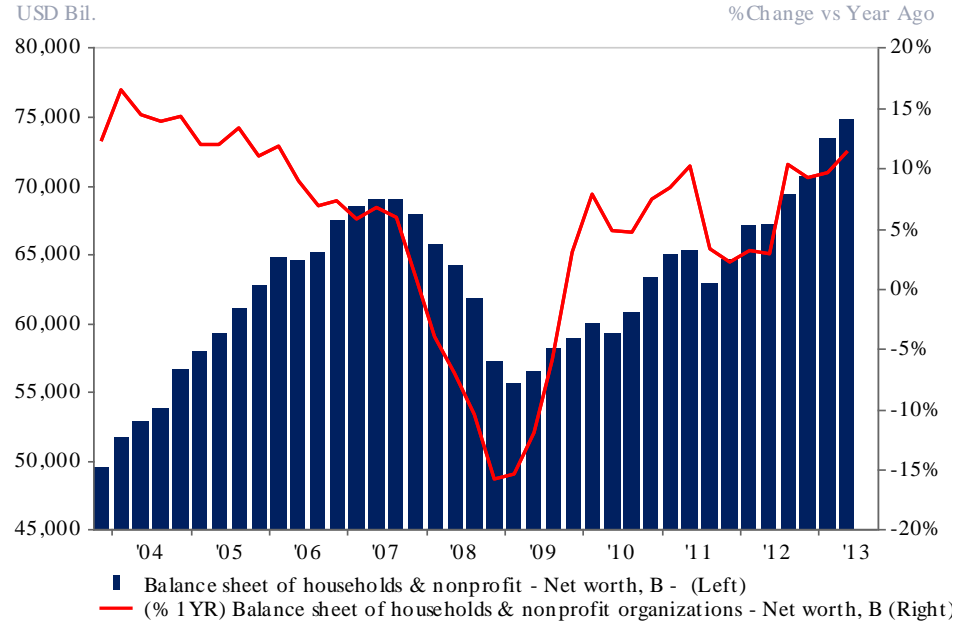


Personal Income & Spending

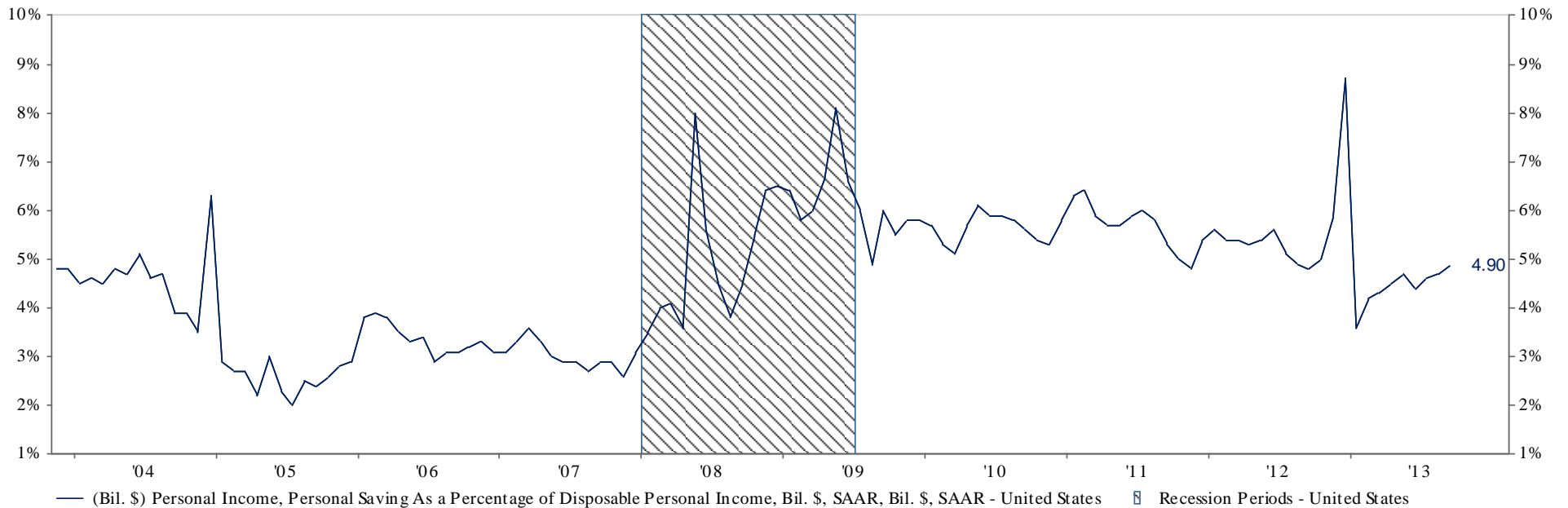
US Personal Income and Expenditures



US Household Net Worth

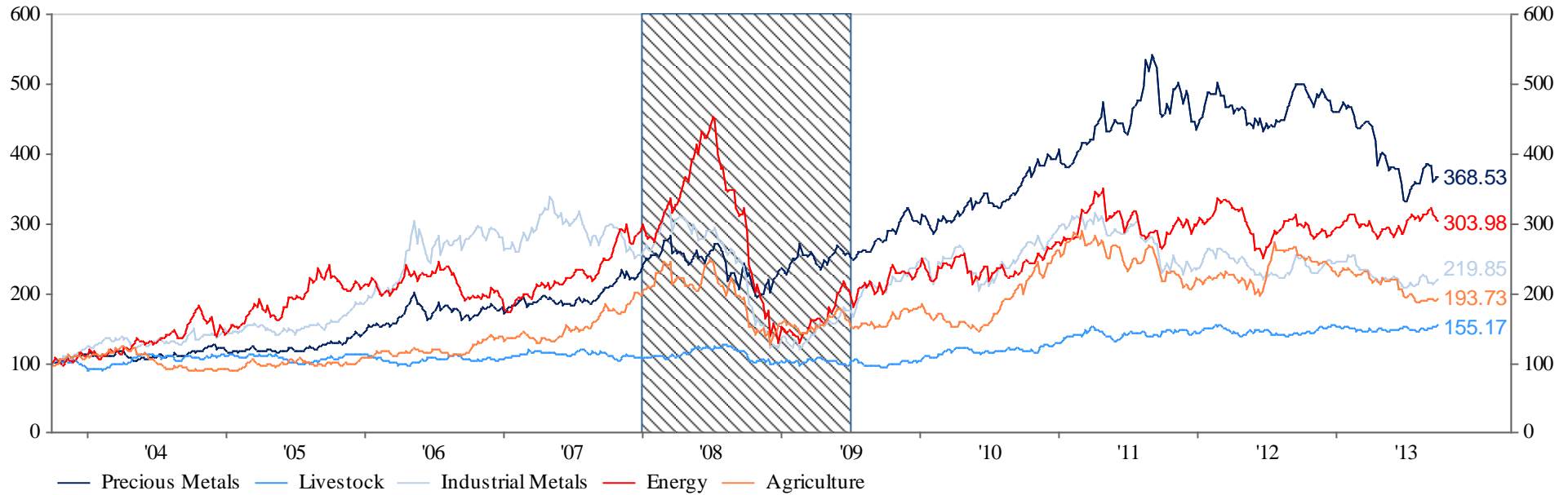


US Personal Savings Rate

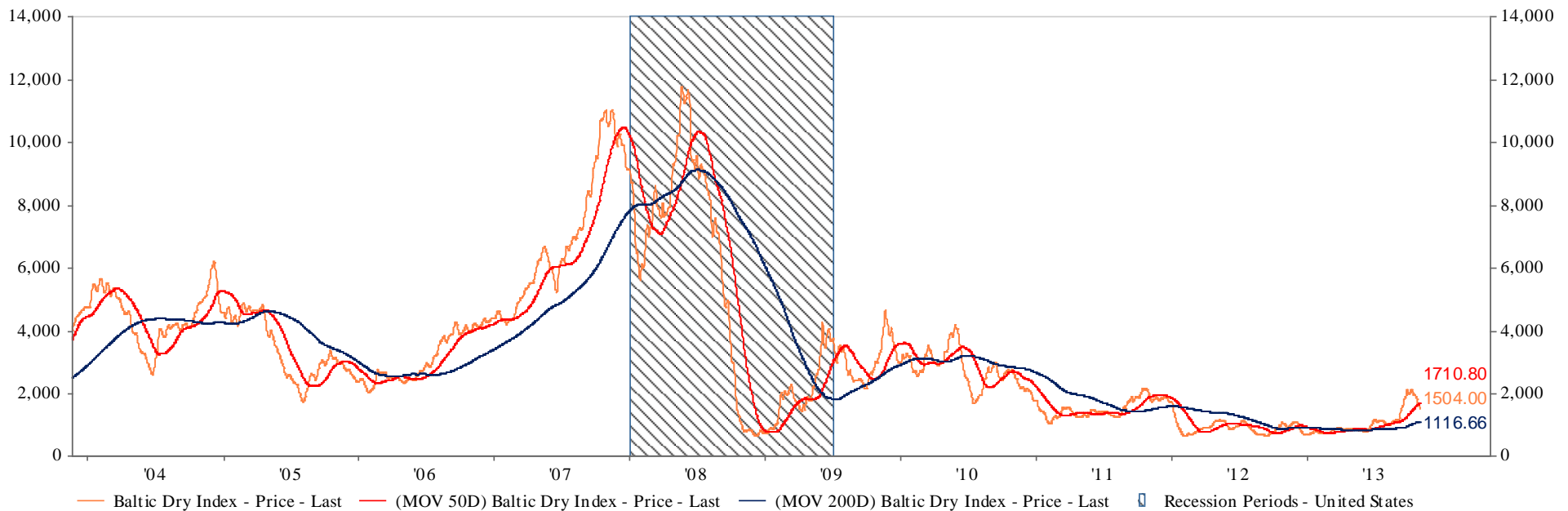


Commodity

S&P GSCI Components (04/01/2003 = 100)



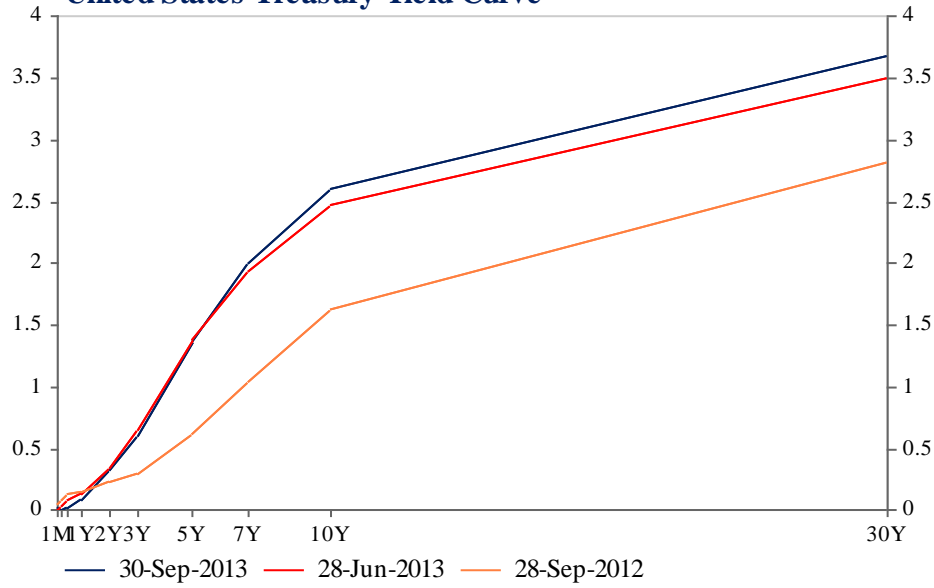
Baltic Freight Dry Index



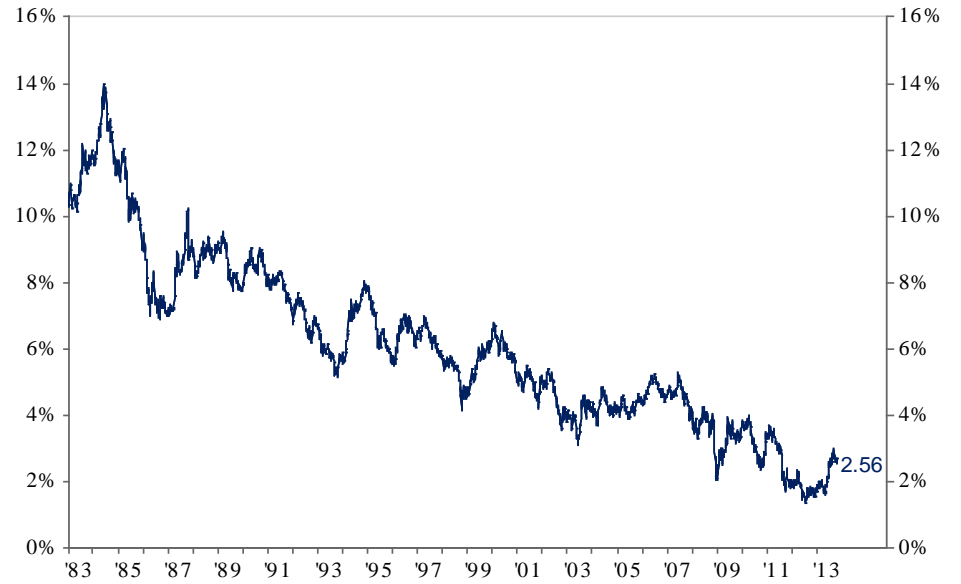
Source: Standard and Poor's, The Baltic Exchange, FactSet Research.

Rates

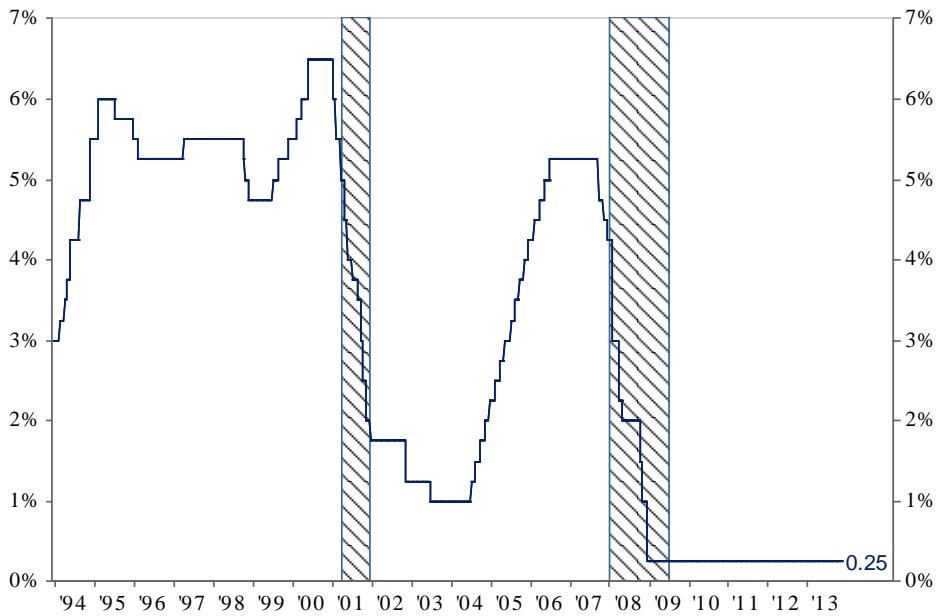
United States Treasury Yield Curve



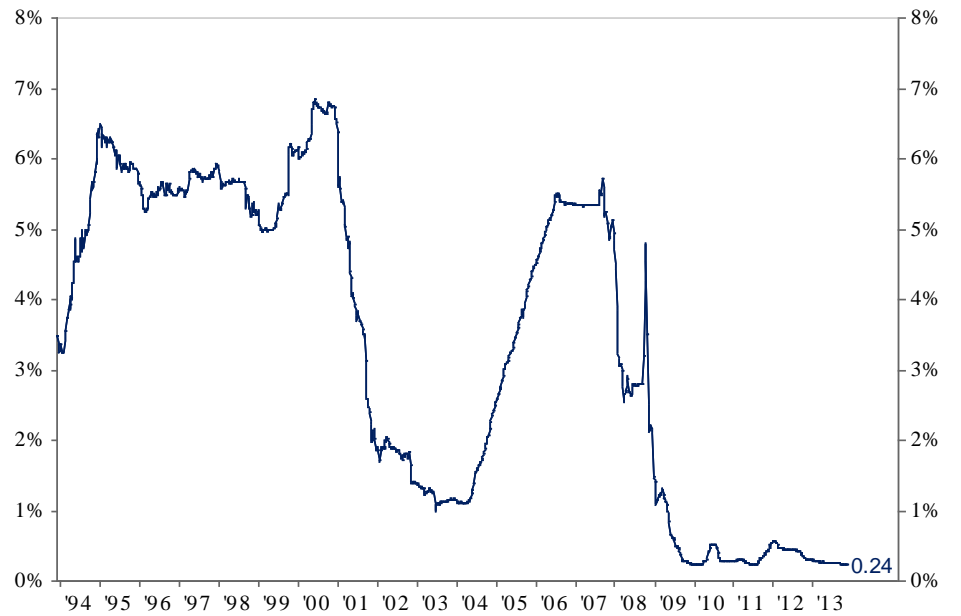
US 10Y Treasury Yield



US Federal Funds Target Rate

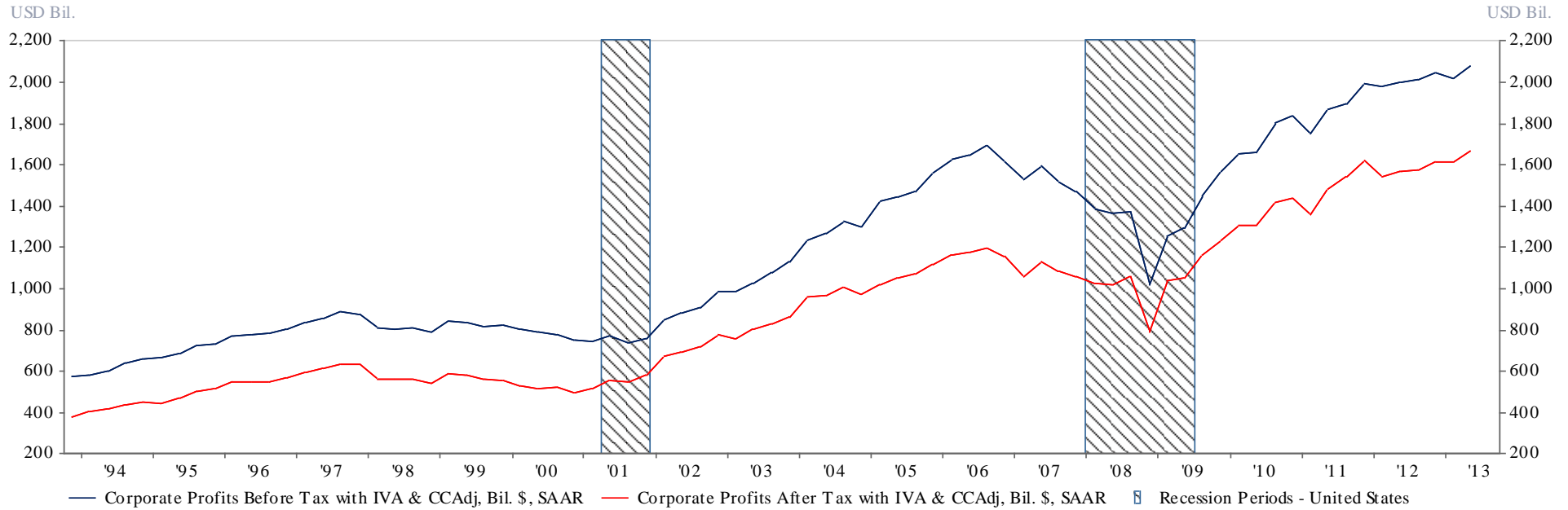


USD BBA LIBOR - 3 Month Rate

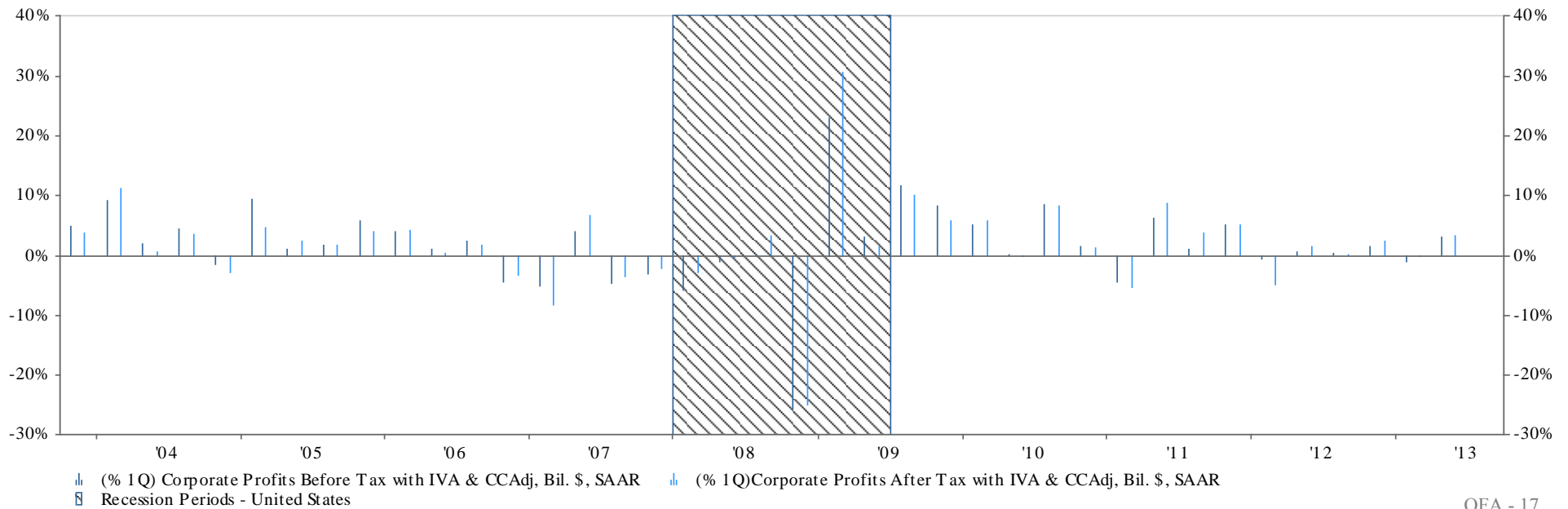


Corporate Profits

US Corporate Profits

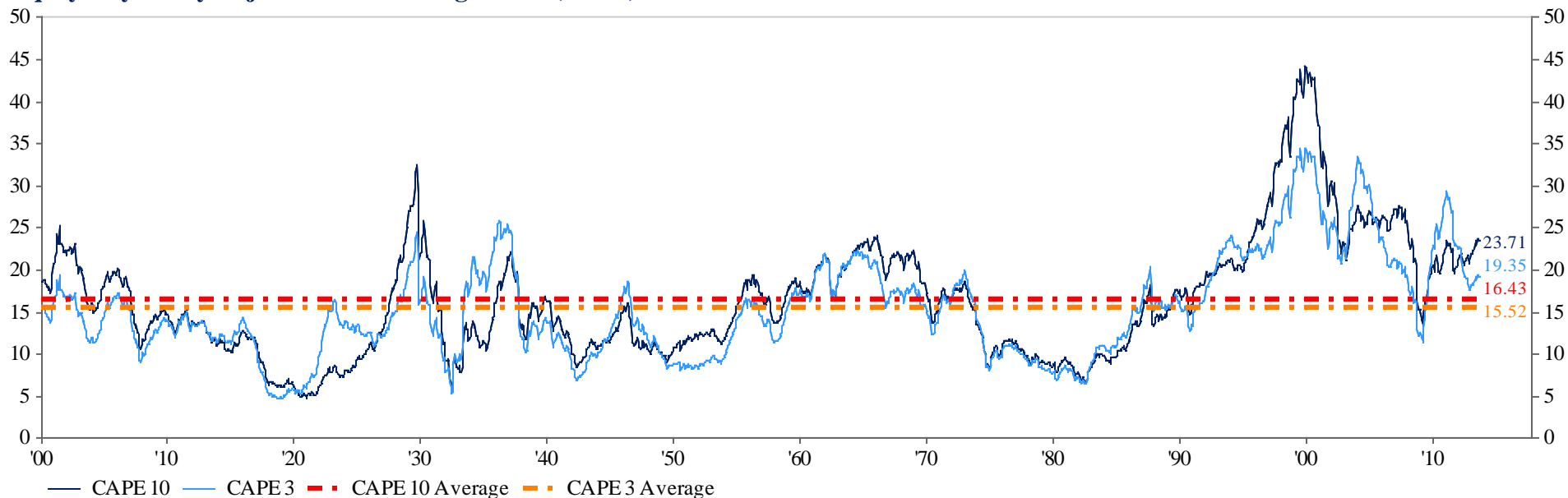


US Corporate Profits - % Change vs. Prior Quarter

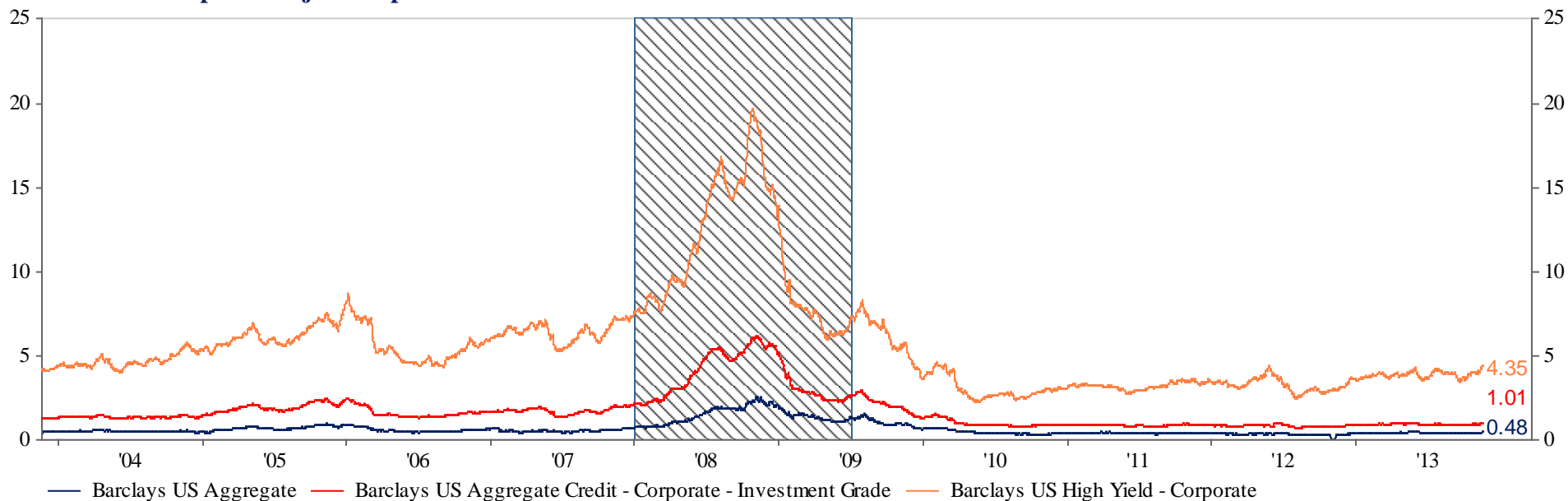


Valuation

Equity - Cyclically Adjusted Price Earnings Ratio (CAPE)

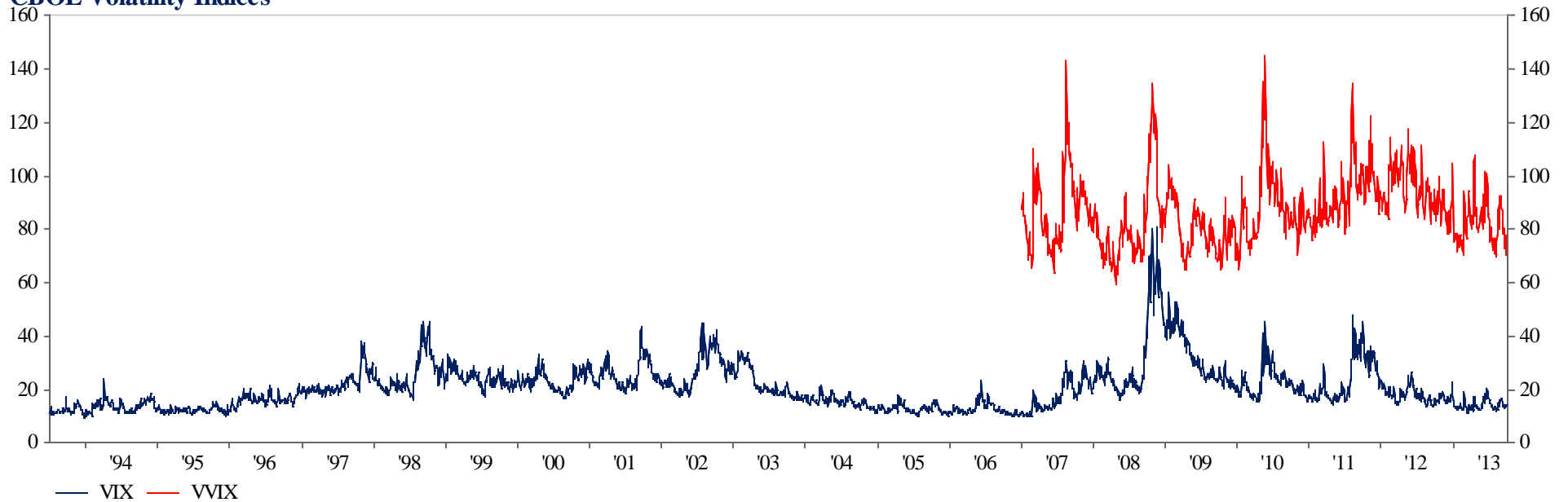


Fixed Income - Options Adjusted Spread

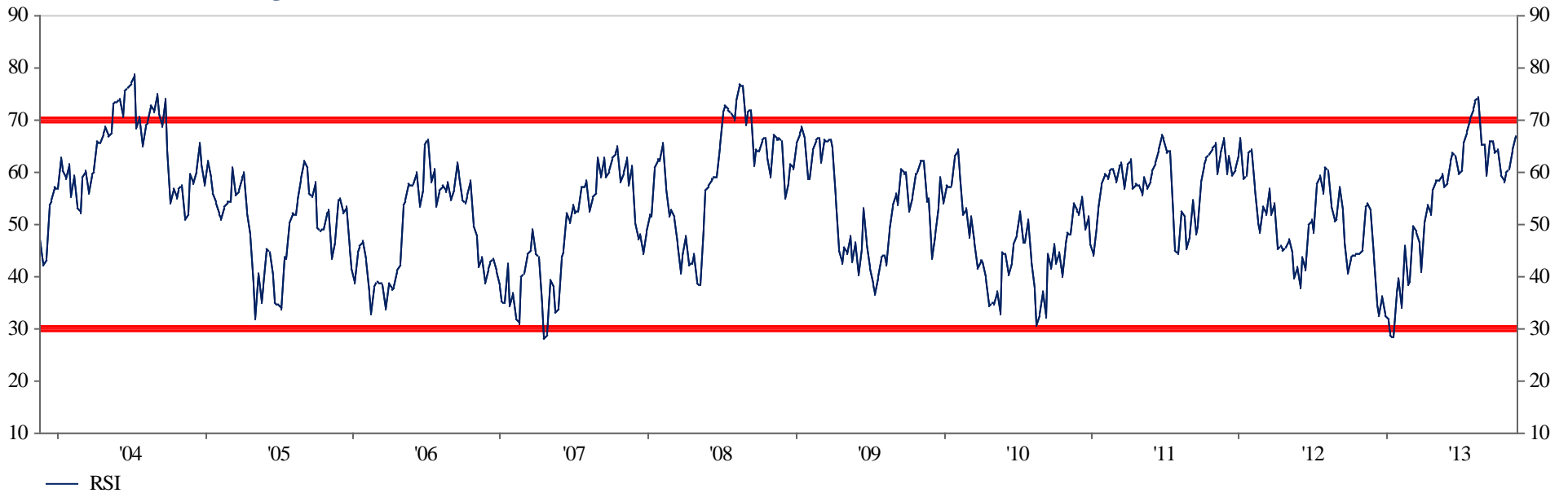


Risk

CBOE Volatility Indices



S&P 500 Relative Strength Index

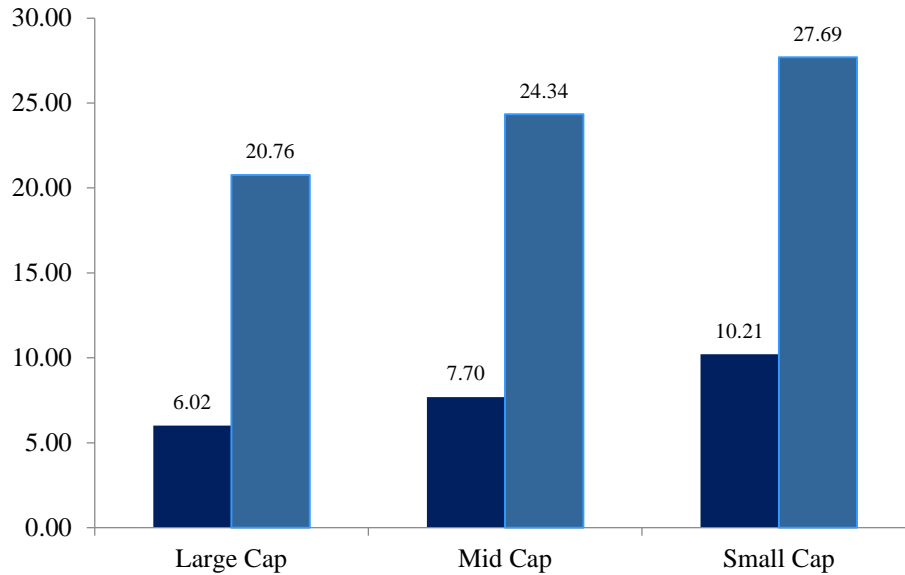


Domestic Equity

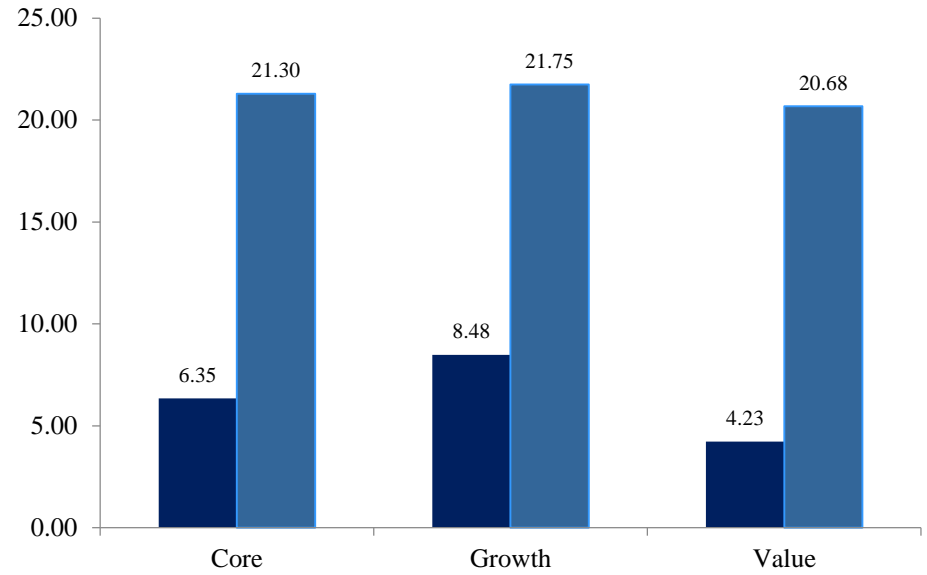
	Index Name	QTD	CYTD	1-Yr	3-Yr	5-Yr	10-Yr	2012	2011	2010	2009
All Cap	Russell 3000	6.35	21.30	21.59	15.94	16.41	7.62	16.42	1.03	16.93	28.34
	Russell 3000 Growth	8.48	21.75	21.11	16.41	17.71	7.49	15.21	2.18	17.64	37.01
	Russell 3000 Value	4.23	20.68	21.86	15.39	15.00	7.61	17.55	-0.10	16.23	19.76
Large Cap	Russell 1000	6.02	20.76	20.78	15.83	16.25	7.52	16.42	1.50	16.10	28.43
	Russell 1000 Growth	8.11	20.87	19.97	16.19	17.49	7.35	15.26	2.64	16.71	37.21
	Russell 1000 Value	3.94	20.47	21.37	15.39	14.90	7.53	17.51	0.39	15.51	19.69
	S&P 500	5.24	19.79	19.19	15.44	15.60	7.11	16.00	2.11	15.06	26.46
Mid Cap	Russell Midcap	7.70	24.34	27.83	16.81	19.65	10.21	17.28	-1.55	25.48	40.48
	Russell Midcap Growth	9.34	25.42	28.29	17.16	20.44	9.54	15.81	-1.65	26.38	46.29
	Russell Midcap Value	5.89	22.94	26.96	16.35	18.68	10.38	18.51	-1.38	24.75	34.21
S/Mid Cap	Russell 2500	9.08	25.89	30.30	17.61	19.49	9.69	17.88	-2.51	26.71	34.39
	Russell 2500 Growth	11.94	29.65	33.39	19.08	21.14	9.73	16.13	-1.57	28.86	41.66
	Russell 2500 Value	6.43	22.50	27.39	16.18	17.87	9.39	19.21	-3.36	24.82	27.68
Small Cap	Russell 2000	10.21	27.69	31.52	17.26	18.22	8.91	16.35	-4.18	26.85	27.17
	Russell 2000 Growth	12.80	32.47	35.31	19.02	20.30	9.09	14.59	-2.91	29.09	34.47
	Russell 2000 Value	7.59	23.07	27.80	15.45	16.12	8.59	18.05	-5.50	24.50	20.58
Micro Cap	Russell Microcap	11.62	32.07	33.97	18.40	18.09	6.86	19.75	-9.27	28.89	27.48
	Russell Microcap Growth	14.12	39.27	37.69	19.94	20.61	6.51	15.17	-8.42	29.49	39.18
	Russell Microcap Value	9.97	27.62	31.61	17.06	15.80	7.24	22.81	-10.33	28.35	17.52

Domestic Equity

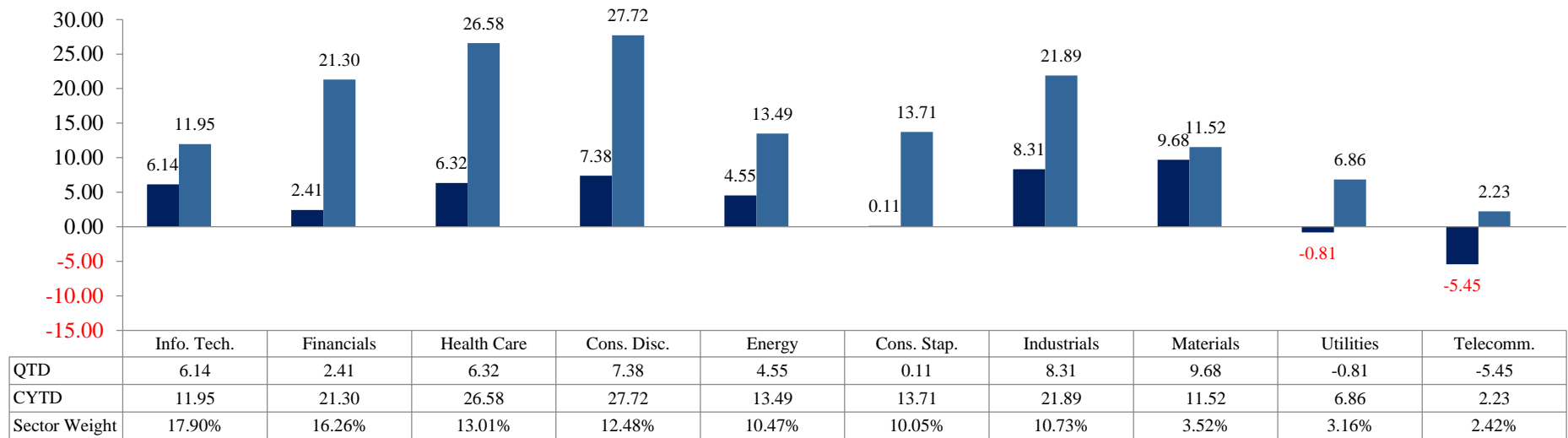
Performance by Market Capitalization



Performance by Style



S&P 500 Sector Performance and Weight



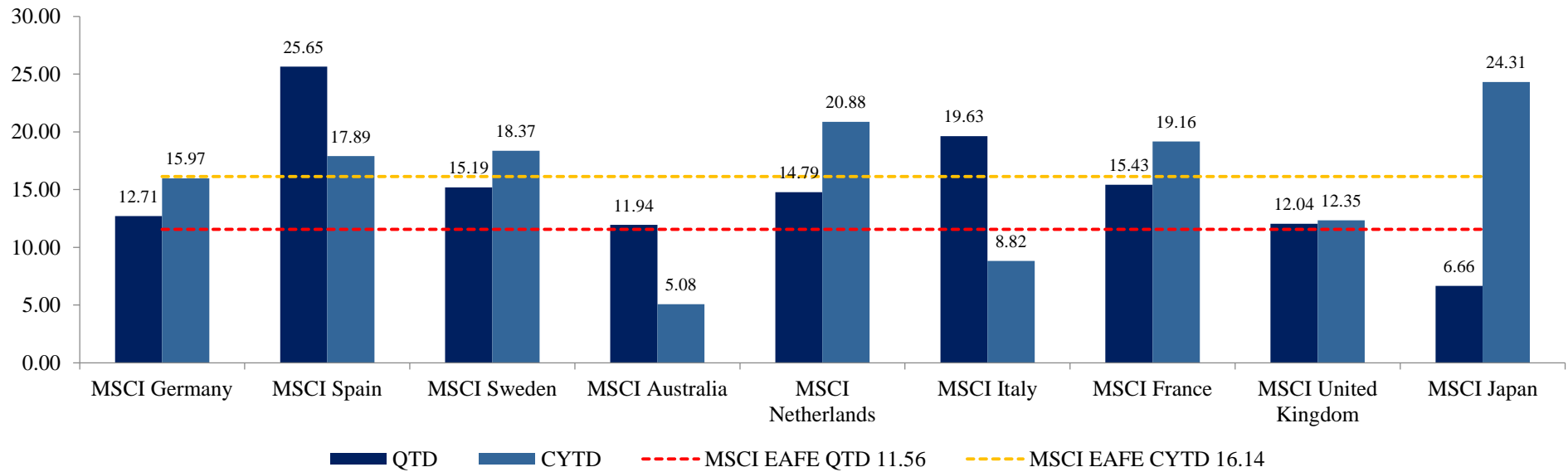
■ QTD ■ CYTD

Intl Equity

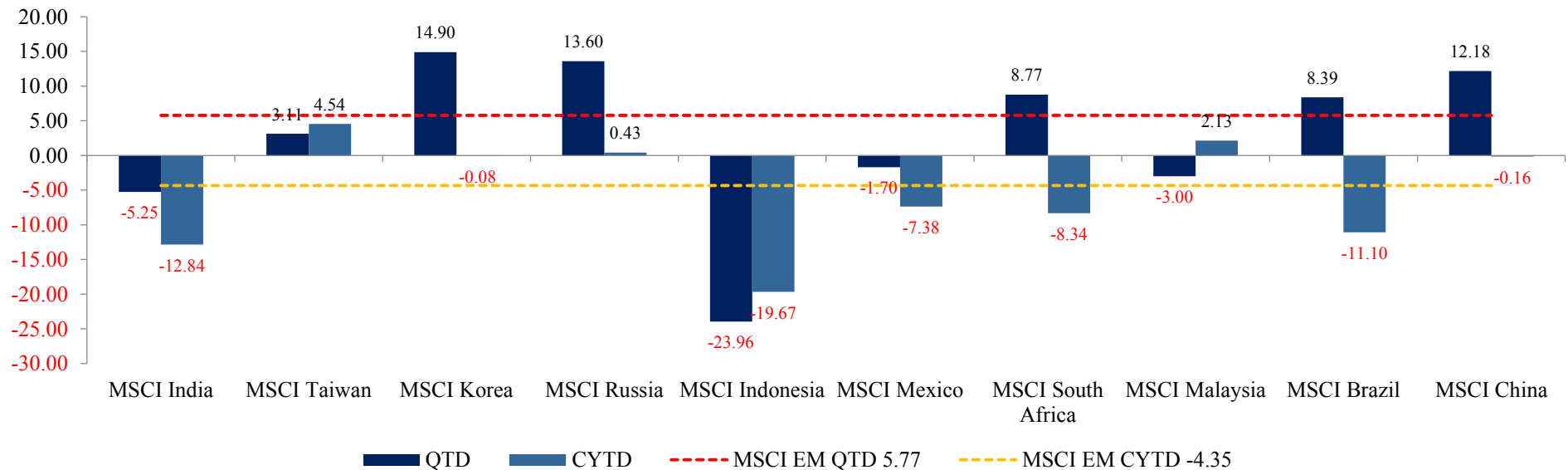
	Index Name	QTD	CYTD	1-Yr	3-Yr	5-Yr	10-Yr	2012	2011	2010	2009
Broad Regional Indices	MSCI AC World ex USA	10.09	10.04	16.37	4.93	10.22	8.16	16.83	-13.71	11.15	41.45
	MSCI AC World ex USA Growth	8.83	10.35	16.05	5.13	10.40	7.87	16.67	-14.21	14.45	38.67
	MSCI AC World ex USA Value	11.36	9.70	16.67	4.69	10.01	8.40	16.97	-13.20	7.84	44.29
	MSCI EAFE	11.56	16.14	23.42	7.34	9.85	7.40	17.32	-12.14	7.75	31.78
	MSCI EAFE Growth	10.50	16.54	22.92	7.84	10.41	7.44	16.86	-12.11	12.25	29.36
	MSCI EAFE Value	12.63	15.71	23.90	6.78	9.22	7.29	17.69	-12.17	3.25	34.23
	MSCI EAFE Small Cap	15.52	22.09	29.17	10.19	15.52	9.68	20.00	-15.94	22.04	46.78
	MSCI EM (Emerging Markets)	5.77	-4.35	1.55	-1.12	12.49	12.04	18.22	-18.42	18.88	78.51
	MSCI EM (Emerging Markets) Growth	4.37	-3.18	3.35	-0.36	12.63	10.78	20.56	-18.97	19.33	77.93
MSCI EM (Emerging Markets) Value	7.19	-5.65	-0.41	-1.94	12.28	13.27	15.87	-17.86	18.41	79.11	
Developed Countries	MSCI Germany	12.71	15.97	25.11	9.75	10.48	10.09	30.90	-18.08	8.44	25.15
	MSCI Spain	25.65	17.89	28.28	-2.16	2.30	7.75	3.00	-12.28	-21.95	43.48
	MSCI Sweden	15.19	18.37	26.34	9.12	19.08	12.57	21.97	-15.98	33.75	64.16
	MSCI Australia	11.94	5.08	11.41	6.50	14.86	12.41	22.07	-10.95	14.52	76.43
	MSCI Netherlands	14.79	20.88	29.88	8.53	11.51	8.19	20.59	-12.12	1.74	42.25
	MSCI Italy	19.63	8.82	15.94	-3.90	-1.16	0.89	12.48	-23.18	-15.01	26.57
	MSCI France	15.43	19.16	30.72	5.73	7.79	6.98	21.29	-16.87	-4.11	31.83
	MSCI United Kingdom	12.04	12.35	16.76	9.07	11.15	7.54	15.25	-2.56	8.76	43.30
	MSCI Japan	6.66	24.31	33.77	7.62	7.96	4.20	8.18	-14.33	15.44	6.25
Emerging Countries	MSCI India	-5.25	-12.84	-12.32	-11.84	6.85	12.20	25.97	-37.17	20.95	102.81
	MSCI Taiwan	3.11	4.54	8.04	3.96	12.81	5.27	16.68	-20.89	21.84	79.21
	MSCI Korea	14.90	-0.08	5.85	5.20	16.60	12.14	21.18	-12.00	26.74	71.35
	MSCI Russia	13.60	0.43	2.00	0.85	10.55	6.83	13.66	-19.55	19.07	104.22
	MSCI Indonesia	-23.96	-19.67	-20.21	-4.27	17.91	19.32	4.65	6.00	33.93	126.24
	MSCI Mexico	-1.70	-7.38	-3.79	5.76	15.35	16.52	29.06	-12.11	27.61	56.63
	MSCI South Africa	8.77	-8.34	4.94	1.23	15.49	13.86	18.69	-14.36	34.21	57.82
	MSCI Malaysia	-3.00	2.13	4.51	7.01	17.73	13.14	14.27	0.12	37.01	52.06
	MSCI Brazil	8.39	-11.10	-8.21	-11.19	10.03	17.55	0.05	-21.85	6.54	128.06
	MSCI China	12.18	-0.16	12.17	-0.56	12.00	14.13	22.75	-18.41	4.63	62.29

Intl Equity

Performance of Developed Equity



Performance of Emerging Equity



The QTD and CYTD performance are represented by the red and orange line. The line does not represent the average of the countries listed in the charts. Please see the Addendum for more information.

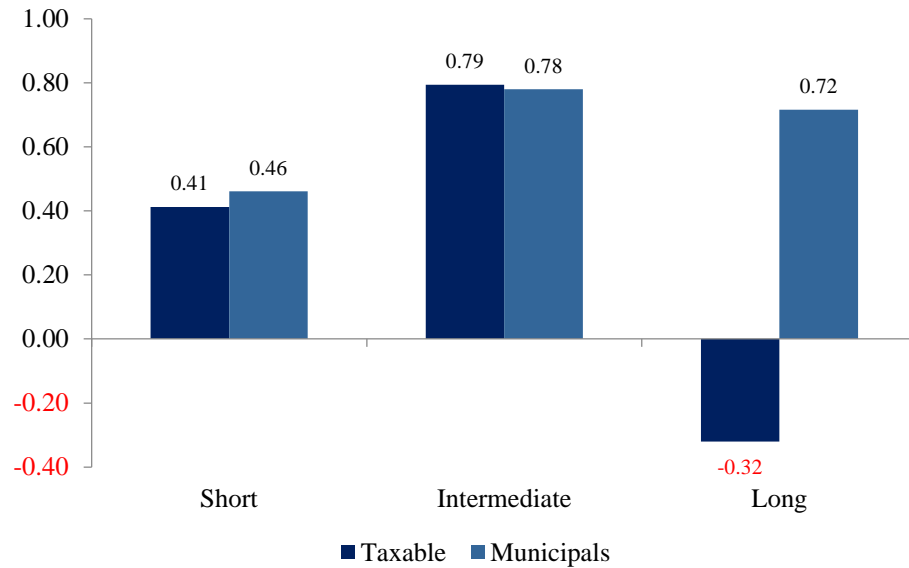
Fixed Income

	Index Name	QTD	CYTD	1-Yr	3-Yr	5-Yr	10-Yr	2012	2011	2010	2009
Performance	Barclays Global Aggregate	2.80	-2.17	-2.53	1.57	5.19	4.94	4.32	5.64	5.54	6.93
	Barclays US Aggregate	0.57	-1.89	-1.55	2.64	5.60	4.73	4.21	7.84	6.54	5.93
	Barclays Emerging Markets Hard Currency Aggregate	1.97	-4.20	-1.47	5.24	74.53	131.51	18.14	5.77	10.93	35.61
	Barclays US Aggregate Government-Related	0.33	-2.75	-2.17	2.12	24.02	N/A	4.90	6.67	5.02	2.48
	Barclays US Aggregate Government - Treasury	0.10	-2.01	-1.76	2.07	21.44	54.31	1.99	9.81	5.87	-3.57
	Barclays US Aggregate Credit - Corporate - Investment Gra	0.82	-2.62	-1.84	4.11	60.45	70.13	9.82	8.15	9.00	18.68
	Barclays US High Yield - Corporate	2.28	3.73	6.60	8.73	109.03	131.64	15.81	4.98	15.12	58.21
	Barclays US Aggregate Credit	0.72	-2.91	-2.10	3.87	9.12	5.37	9.37	8.35	8.47	16.04
	Barclays US Aggregate Credit - Long	-0.03	-8.04	-6.97	5.26	12.17	6.69	12.73	17.13	10.69	16.80
	Barclays US Aggregate Government	0.12	-1.92	-1.67	1.97	3.94	4.34	2.02	9.02	5.52	-2.20
	Barclays US Aggregate Government - Long	-2.12	-9.79	-9.12	3.70	6.48	6.54	3.78	29.15	9.43	-12.19
	Barclays US Aggregate Government & Credit - Long	-0.83	-8.74	-7.82	4.68	9.54	6.71	8.78	22.49	10.16	1.92
	Barclays US Aggregate Government & Credit (1-3 Y)	0.40	0.47	0.64	1.02	2.49	2.95	1.26	1.59	2.80	3.83
	Barclays U.S. MBS Agency Fixed Rate MBS	1.04	-1.02	-1.03	2.42	4.79	4.85	2.60	6.32	5.50	5.75
	Barclays Municipal Bond	-0.19	-2.87	-2.31	3.19	6.24	4.52	6.78	10.70	2.38	12.91
	Barclays US Convertibles Composite	7.47	17.52	20.59	11.10	16.76	N/A	15.64	-5.25	18.07	50.72
	Citigroup Non-USD WGBI (USD)	4.06	-3.37	-4.68	0.10	4.21	4.92	1.51	5.17	5.21	4.39
BofA Merrill Lynch Preferred Stock Fixed Rate	-4.07	-3.72	-3.55	4.27	15.37	1.94	13.60	4.11	13.66	20.07	

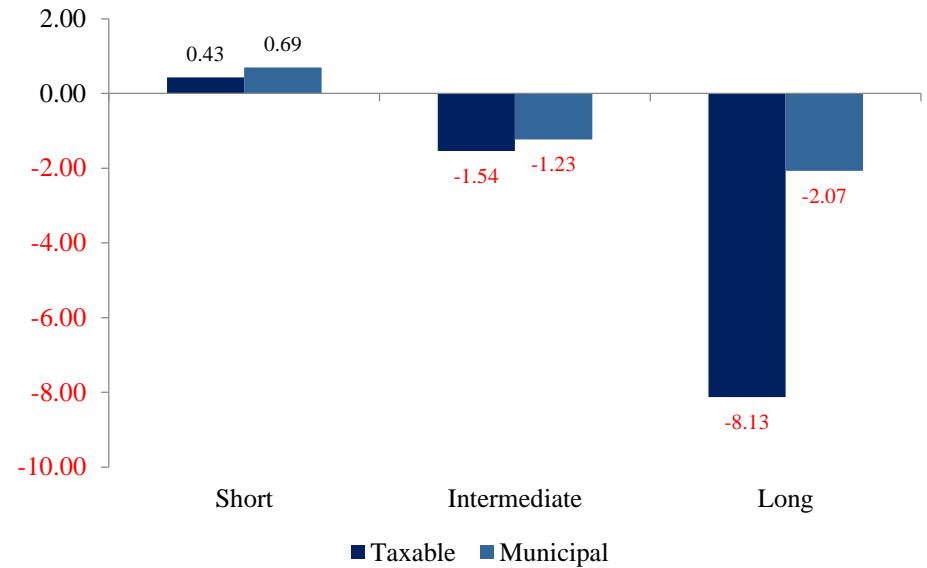
	Index Name	9/30/2013	6/28/2013	3/28/2013	12/31/2012
YIELD	Barclays Global Aggregate	2.05	2.10	1.74	1.71
	Barclays US Aggregate	2.34	2.36	1.87	1.74
	Barclays Emerging Markets Hard Currency Aggregate	5.08	5.20	4.19	4.32
	Barclays US Aggregate Government-Related	2.16	2.14	1.59	1.51
	Barclays US Aggregate Government - Treasury	1.24	1.23	0.89	0.86
	Barclays US Aggregate Credit - Corporate - Investment Gra	3.30	3.36	2.78	2.72
	Barclays US High Yield - Corporate	6.79	7.02	6.47	6.79
	Barclays US Aggregate Credit	3.20	3.25	2.65	2.59
	Barclays US Aggregate Credit - Long	5.27	5.19	4.59	4.35
	Barclays US Aggregate Government	1.24	1.24	0.89	0.86
	Barclays US Aggregate Government - Long	3.56	3.35	2.89	2.69
	Barclays US Aggregate Government & Credit - Long	4.65	4.48	3.92	3.69
	Barclays US Aggregate Government & Credit (1-3 Y)	0.54	0.60	0.44	0.45
	Barclays U.S. MBS Agency Fixed Rate MBS	3.09	3.16	2.57	2.27
	Citigroup Non-USD WGBI (USD)	1.70	1.54	1.51	1.46
	BofA Merrill Lynch Preferred Stock Fixed Rate	6.28	6.05	6.02	7.22

Fixed Income

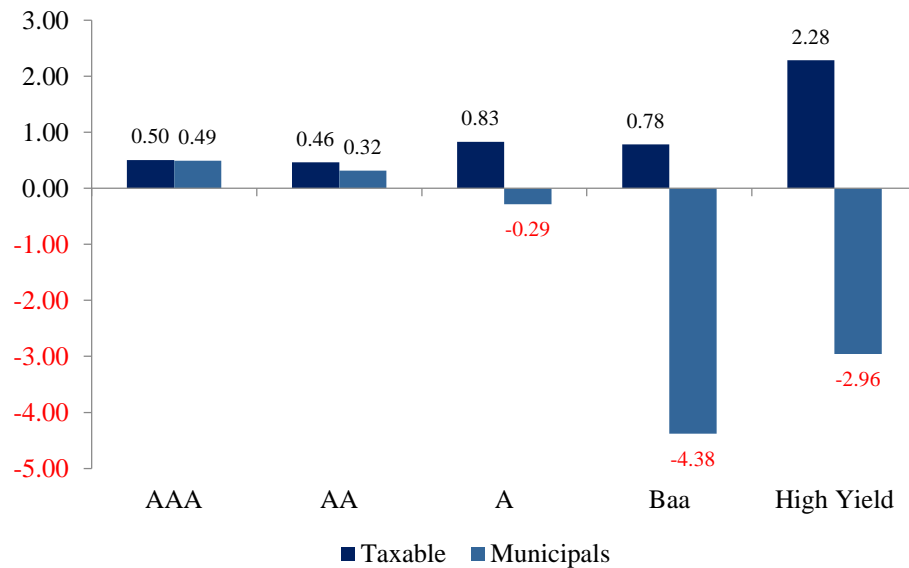
QTD Performance by Maturity



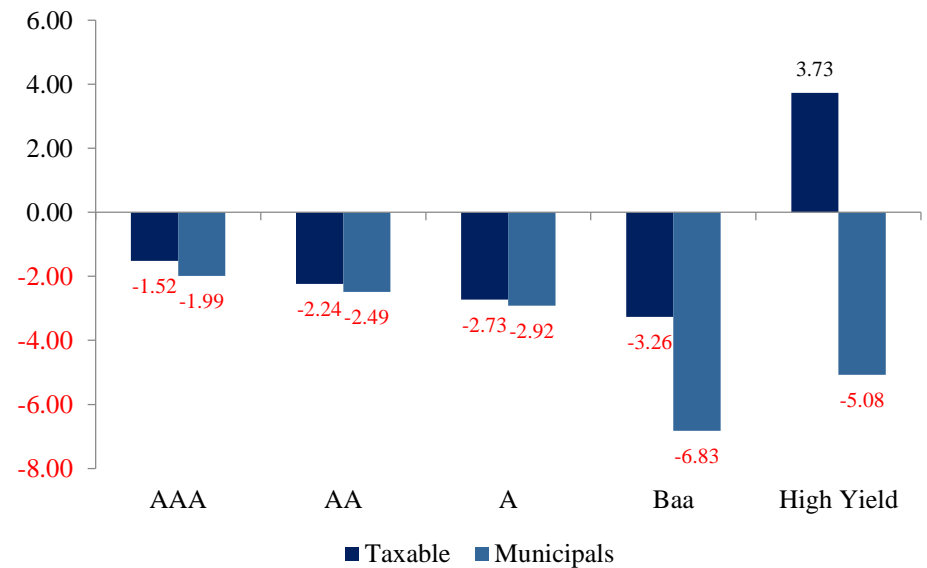
CYTD Performance by Maturity



QTD Performance by Credit Quality



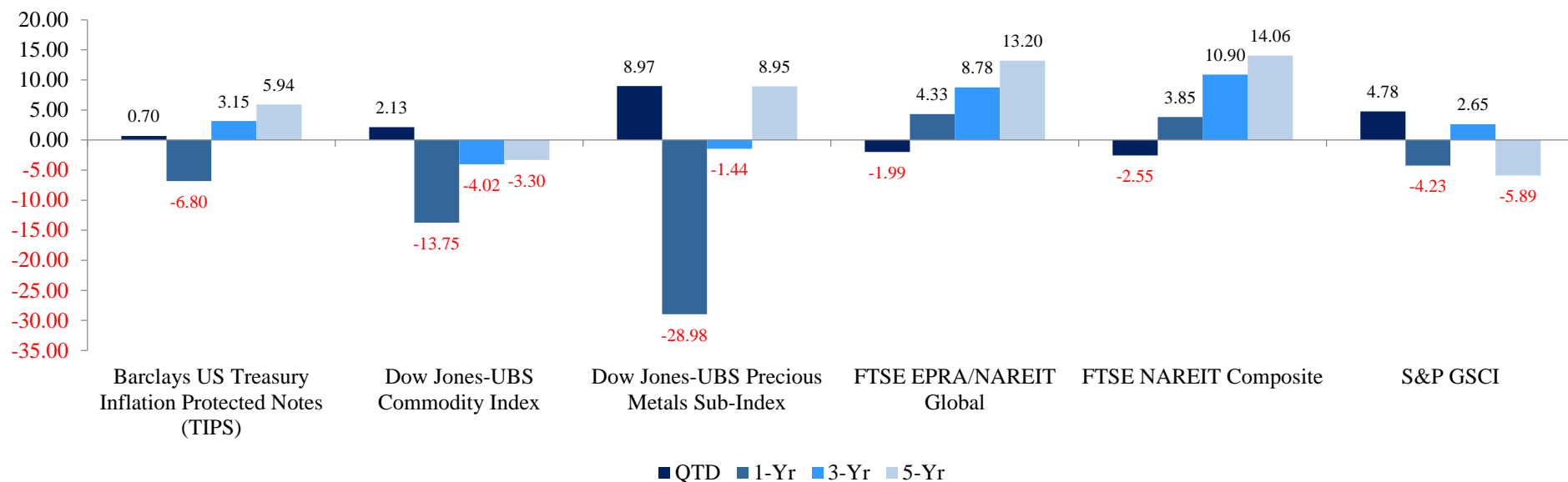
CYTD Performance by Credit Quality



Please see the Addendum for more information. Taxable is represented by Barclays US Aggregate Index. Municipals is represented by Barclays US Municipal Index. Short is represented by 1-3 Year. Intermediate is represented by 5-7 Year (Taxable) and 7 Year (Municipal). Long is represented by 10+ Year (Taxable) and 10 Year (Municipal).

Alternatives – Inflation Hedge Assets

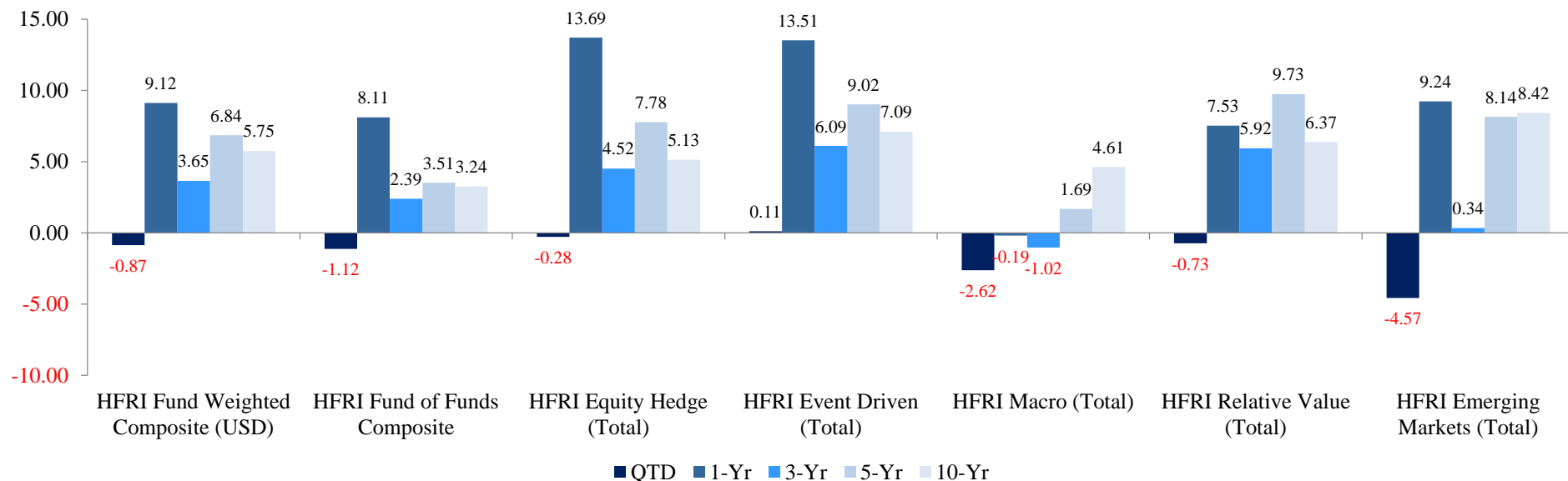
Inflation Hedge Performance



	Cum. Return	Best Return	Worst Return	Max. Drawdown	St. Dev.	Beta vs. S&P 500	Beta vs. B Agg	Sharpe Ratio	Sortino Ratio	Consec. Positive Months	Consec. Negative Months	# Observ
Barclays US TIPS	29.51	5.84	-8.69	-8.69	7.34	0.12	1.49	0.70	1.00	8	2	60
DJ-UBS Commodity Index	-23.79	13.00	-21.28	-36.74	19.00	0.79	0.43	-0.29	-0.36	5	5	60
DJ-UBS Precious Metal Sub-Index	54.59	14.48	-18.91	-39.59	25.61	0.36	2.53	0.35	0.52	5	4	60
FTSE EPRA/NAREIT Global	41.96	21.10	-28.18	-50.07	26.80	1.33	2.02	0.27	0.36	11	2	60
FTSE NAREIT Composite	35.53	28.07	-30.54	-57.56	30.26	1.42	2.11	0.20	0.28	5	3	60
S&P GSCI	-35.72	19.67	-28.20	-54.68	24.84	1.02	-0.55	-0.35	-0.42	8	5	60
CPI	6.79	0.84	-1.77	-3.42	1.30	0.02	-0.12	0.91	1.13	16	3	60
S&P 500 Index	61.18	10.93	-16.79	-36.13	17.93	1.00	0.30	0.55	0.79	8	5	60
Barclays US Aggregate	30.14	3.73	-2.36	-3.67	3.63	0.01	1.00	1.45	2.78	9	2	60

Alternatives – Hedge Funds

Hedge Fund Performance



	Cum. Ann. Return	Best Return	Worst Return	Max. Drawdown	St. Dev.	Beta vs. S&P 500	Beta vs. B Agg	Sharpe Ratio	Sortino Ratio	Consec. Positive Months	Consec. Negative Months	# Observ
HFRI Fund Weighted Composite (USD)	5.92	5.15	-6.84	-21.42	6.40	0.36	0.03	0.67	0.97	12	6	120
HFRI Fund of Funds Composite	3.38	3.32	-6.54	-22.20	5.55	0.26	-0.02	0.33	0.43	10	7	120
HFRI Equity Hedge (Total)	5.42	6.37	-9.46	-30.59	8.71	0.51	-0.06	0.44	0.60	12	6	120
HFRI Event Driven (Total)	7.26	4.74	-8.19	-24.79	6.64	0.37	-0.08	0.86	1.23	14	7	120
HFRI Macro (Total)	4.60	4.22	-2.84	-7.87	4.94	0.09	0.12	0.61	1.07	6	5	120
HFRI Relative Value (Total)	6.49	3.93	-8.03	-18.04	4.95	0.24	0.17	1.00	1.32	20	7	120
HFRI Emerging Markets (Total)	8.79	9.62	-14.45	-39.80	12.00	0.61	0.37	0.60	0.84	13	9	120
S&P 500 Index	7.57	10.93	-16.79	-50.95	14.63	1.00	0.17	0.41	0.57	8	5	120
Barclays US Aggregate	4.59	3.73	-2.60	-3.83	3.37	0.01	1.00	0.89	1.46	9	4	120

Correlation (10-Year)

Large Cap Equity	0.96	0.92	0.89	0.80	0.04	-0.27	0.31	0.73	0.59	0.19	0.18	0.76	0.46	0.81
	Mid Cap Equity	0.96	0.88	0.82	0.03	-0.30	0.33	0.78	0.61	0.14	0.20	0.79	0.48	0.85
	Small Cap Equity	0.81	0.76	-0.04	-0.32	0.22	0.70	0.52	0.11	0.10	0.78	0.40	0.78	
	Developed Equity	0.90	0.12	-0.22	0.42	0.74	0.67	0.35	0.24	0.68	0.54	0.89		
	Emerging Equity	0.15	-0.18	0.43	0.73	0.70	0.30	0.31	0.60	0.55	0.91			
	Core Bonds	0.88	0.86	0.23	0.60	0.67	0.77	0.22	-0.06	0.02				
		Gov't Bonds	0.56	-0.21	0.24	0.61	0.61	-0.05	-0.24	-0.33				
			Credit Bonds	0.58	0.79	0.56	0.70	0.40	0.14	0.36				
				HY Bonds	0.78	0.18	0.38	0.72	0.40	0.74				
					Emerging Bonds	0.44	0.66	0.60	0.33	0.61				
						Wld Gov't Bonds	0.62	0.28	0.16	0.18				
							TIPS	0.27	0.22	0.23				
								Real Estate	0.25	0.56				
									Comm.	0.61				
											Hedge Funds			

Indices Used: Large Cap: S&P 500 Index; Mid Cap: Russell Mid Cap Index; Small Cap: Russell 2000 Index; Developed: MSCI EAFE Index; Emerging: MSCI Emerging Markets Index; Core: Barclays US Aggregate Index; Gov't: Barclays US Aggregate Government; Credit: Barclays US Aggregate Credit; High Yield: Barclays US High Yield – Corporate; EMD: Barclays Emerging Market (USD); World Gov't: Citigroup non-USD WGBI (USD) Index; TIPS: Barclays US TIPS Index; Real Estate: Dow Jones US Select REIT Index; Commodity: S&P GSCI Index; HF: HFRI Fund Weighted Composite (USD) Index. Please see the Addendum for more information.

Appendix

Data is provided by FactSet Research System.

The Barclays Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices

The Barclays Global Emerging Market Index covers the USD-denominated US Emerging Markets Index and predominately EUR-denominated Pan Euro Emerging Markets Index, covering emerging markets in the following regions: Americas, Europe, Middle East, Africa, and Asia.

The Barclays Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. The index covers four main sectors: general obligation bonds, revenue bonds, insured bonds, (including all insured bonds with a Aaa/AAA rating), and pre-refunded bonds.

The Barclays US Aggregate Credit Index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both US and non-US corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government.

The Barclays US Aggregate Government and Credit Index include securities in the Government and Credit indices. The Government index includes treasuries and agencies. The index includes publicly issued US corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

The Barclays US Aggregate Government Index includes securities issued by the US government (i.e. securities in the Treasury and Agency Indices). The component inclusions are public obligations of the US Treasury with a remaining maturity of one year or more and publicly issued debt of US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government.

The Barclays US Aggregate Index represents SEC-registered, taxable, and dollar denominated securities. The index covers the US investment grade fixed rate bond market, fixed government and corporate securities,

mortgage pass-through securities, and asset-backed securities.

The Barclays US Aggregate Government Related Index represents securities that are SEC-registered, taxable and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. This index is the Government Related component of the US Aggregate Index.

The Barclays US Convertibles Index represents SEC-registered, taxable, and dollar denominated convertibles. The index covers all types of convertibles, including cash pay, preferred, zero coupon, and mandatories.

The Barclays US Corporate-Investment Grade Index represents publicly issued US corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

The Barclays US High Yield Index covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are included.

The Barclays US MBS Index covers the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie MAE (FNMA), and Freddie Mac (FHLMC). The MBS index is formed by grouping the universe of over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates.

The Barclays US Treasury Inflation Protected Securities (TIPS) Index measures the performance of the US Treasury Inflation Protected Securities. The index includes TIPS with one or more years remaining maturities with total outstanding issue size of \$500m or more.

Appendix

The Citigroup non-USD WGBI Index includes the 22 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Malaysia, Mexico, the Netherlands, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

The Dow Jones-UBS Commodity Index is a broadly diversified index that tracks commodity futures. The DJ UBS is composed of commodities traded on US exchanges, with the exception of aluminum, nickel, and zinc.

The FTSE/EPRA NAREIT Global is a diverse representation of publicly traded equity REITs and listed property companies globally.

The FTSE/EPRA NAREIT Composite is a free float adjusted market capitalization index that includes all tax qualified REITs listed in the stock exchange.

The HFRI Emerging Markets Index covers funds that invest in Africa, Asia ex Japan, Latin America, Middle East, Russia/Eastern Europe, and Multiple Emerging Markets (no greater than 50% exposure in any specific emerging market).

The HFRI Equity Hedge Index covers funds that maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios.

The HFRI Event Driven Index covers funds that maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities.

The HFRI Fund of Funds Composite Index covers funds that invest with multiple managers through funds or managed accounts. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager. The Fund of Funds manager has discretion in choosing which strategies to invest in for the portfolio. The minimum investment in a Fund of Funds may be lower than an investment in an individual hedge fund or managed account.

The HFRI Fund Weighted Composite Index covers all funds, which include Equity Hedge, Event-Driven, Macro, Relative Value, Emerging Markets.

The HFRI Macro Index covers funds that trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods.

The HFRI Relative Value Index covers funds that maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types.

The MSCI AC World ex USA Index includes both Developed Markets and Emerging Markets countries. This index excludes USA.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

Appendix

The MSCI Emerging Market Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of emerging markets, excluding the US & Canada. The index consists of the following 22 emerging market country indices: Brazil, Chile, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The Russell 1000 Index measures the performance of the large-cap segment of the US equity universe. It is a subset of the Russell 3000 index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The index represents approximately 92% of the US market.

The Russell 2000 Index measures the performance of the small-cap segment of the US equity universe. It is a subset of the Russell 3000 index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The Russell 2500 Index measures the performance of the small to mid-cap segment of the US equity universe, commonly referred to as “smid” cap. It is a subset of the Russell 3000 index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership.

The Russell 3000 Index measures the performance of the largest 3000 US companies representing approximately 98% of the investable US equity market.

The Russell Microcap Index measures the performance of the microcap segment of the US equity market. Microcap stocks make up less than 3% of the US equity market (by market cap) and consist of the smallest 1,000 securities in the small-cap Russell 2000 Index, plus the next smallest eligible securities by market cap.

The Russell Midcap Index measures the performance of the mid-cap segment of the US equity universe. It is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a

combination of their market cap and current index membership. The index represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The S&P 500 Index is widely regarded as the best single gauge of large cap US equities. There is over 4.3 trillion USD benchmarked to the index, with index assets comprising approximately USD 1.1 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

The S&P Case-Schiller Composite-20 City Home Price Index measures the value of residential real estate in 20 metropolitan areas of the US. It is included in the S&P/Case-Shiller Home Price Index Series which seeks to measure changes in the total value of all existing single-family housing stock.

The S&P/Case-Schiller Composite- 10 City Home Price Index measures the change in value of residential real estate in 10 metropolitan areas of the US. It is included in the S&P Case-Shiller Home Price Index Series which seeks to measure changes in the total value of all existing single-family housing stock.

The S&P GSCI Index is a world-production weighted index that is based on the average quantity of production of each commodity in the index over the last five years of available data.

Style

Value variant represents companies having value stock characteristics (low forecasted price to earnings, low price to book, and high dividend yield).

Growth variant represents companies having growth stock characteristics (high forecasted price to earnings, high return on equity, and low dividend yield)

Glossary

Baltic Freight Dry Index: A measure of changes in the cost to transport raw materials such as metal, grains, and fossil fuels by sea. It assesses price levels for a given route product to transport, and time to delivery.

Capacity Utilization: A metric used to measure the rate at which potential output levels are being met or used. The Capacity Utilization gives insight into the overall slack that is in the economy.

Consumer Confidence Index: a measure of how optimistic or pessimistic consumers are with respect to the economy in the near future

Consumer Price Index (CPI): A measure that examines average of prices of a basket of consumer goods and services. The CPI is calculated by taking price changes for each item in the predetermined basket of foods and averaging them; the goods are weighted according to their importance. The CPI measures price change from the perspective of the buyer.

Cyclically Adjusted Price Earnings Ratio (CAPE): A modification of the PE Ratio to account for the effects on profits on the economic cycle.

Employment Cost Index (ECI): A measure of employee compensation growth. The index is based on a survey of employer payrolls in the final month of each quarter. The ECI tracks movement in the cost of labor, including wages, fringe benefits, and bonuses for employees at all levels of a company.

Gross Domestic Product (GDP): The monetary value of all finished goods and services produced within a country's borders. It includes all of private and public consumption, government outlays, investments, and exports less imports that occur within a defined territory.

Index of Leading Indicators: A measureable economic factor that changes before the economy starts to follow a particular pattern or trend. For more information, please refer to the Conference Board Website.

Industrial Production Index (IPI): A measure of output from the manufacturing, mining, electric, and gas industries.

ISM Manufacturing Index: The index monitors employment, production inventories, new orders, and supplier delivery. A reading above 50 percent indicates that the manufacturing economy is generally expanding, below 50 percent indicates that it is generally contracting.

M2 Money Supply: A category within the money supply that includes M1 (all physical money plus demand deposits and Negotiable Order of Withdrawal accounts) plus all time-related deposits, savings deposits, and non-institutional money market funds.

Money Zero Maturity (MZM) Money Supply: A measure of the liquid money supply within an economy. The MZM represents all money in M2 less the time deposits plus all money market funds.

Option Adjusted Spread (OAS): A measure of evaluating price differences between similar products with different embedded options.

Personal Consumption Expenditure (PCE): A measure of price changes in consumer goods and services. Personal consumption expenditure includes data pertaining to durables, non-durables, and services. The PCE is a measure of goods and services targeted toward and consumed by individuals.

Producer Price Index (PPI): A measure that examine the average change in selling prices received by domestic producers of goods and services over time. The PPI measures price change from the perspective of the seller.

Relative Strength Index (RSI): a technical momentum indicator that compares the magnitude of recent gains to recent losses in an attempt to determine overbought and oversold conditions of an asset. RSI of 70 generally indicates an overbought signal while RSI of 30 generally indicates an oversold signal.

Disclaimer

Analytics have been provided by Outsourced Financial Analytics, LLC (OFA). Information contained herein has been compiled from sources OFA believes to be reliable. Opinions expressed herein are solely those of OFA and should not be construed as investment advice.

All rights to the information provided here are expressly directed to OFA and any request to duplicate this information must be accepted and approved by OFA in writing.