Market Update

Summary

Economic Overview

- **The Global economy** continued to experience a synchronized slowdown in the fourth quarter, but signs of bottoming economic growth are emerging.
- **The US economy** slowed down in the fourth quarter, in sync with other developed economies, as manufacturing sector activity continued to slide, but a US-China trade agreement improved near-term sentiment.
- **The Developed Market economies** continued to decline in the fourth quarter, due to softer global demand and global trade conflict concerns.
- **The Emerging Market economies** have faced headwinds from trade tensions and the global economic slowdown, but sentiments are improving.
- **The Gross Domestic Product** forecast is 1.8% for the fourth quarter, down from 2.1% in the third quarter, according to the *GDPNow* model.
- **Inflation** was mixed, with headline CPI inflation climbing to 2.3% and core CPI decreasing to 2.3% in December, but the subdued inflation dynamics provided the Federal Reserve justification for a rate cut during the quarter.
- **The Federal Reserve** lowered the target range for the fed funds rate to 1.50% - 1.75% in October through a widely expected 0.25% rate cut.

Capital Markets

- **Global equity markets** rallied strongly during the quarter after global central banks' easing and the reduction of US-China trade tensions.

Market Snapshot	Quarter	YTD	1 year	3 years	5 years
S&P 500	9.1%	31.5%	31.5%	15.3%	11.7%
Dow Jones Industrial Average	6.7%	25.3%	25.3%	15.7%	12.6%
NASDAQ Composite	12.5%	36.7%	36.7%	19.9%	14.9%
Russell 2000	9.9%	25.5%	25.5%	8.6%	8.2%
MSCI EAFE	8.2%	22.0%	22.0%	9.6%	5.7%
Bloomberg Barclays US Aggregate	0.2%	8.7%	8.7%	4.0%	3.1%
FTSE 3 Month US T Bill	0.5%	2.3%	2.3%	1.7%	1.1%

*Source: Zephyr Associates Inc. Past performance is not indicative of future results.

- **The US equity market** rose significantly in the fourth quarter on the back of the Federal Reserve's rate cut and the US-China trade deal, with most major indices lifted into record territory.
- **International equity markets** also surged due to improving sentiments, but lagged US markets, with developed markets also underperforming emerging markets as investors embraced riskier assets given reduced trade tensions.
- **The US Treasury yield curve** returned to a more normal upward slope after being inverted at many key points since May, helping ease recessions fears.
- **The US bond market** rose across all the riskier fixed income sectors, as rates increased and Treasuries declined over an improved growth outlook.

Outlook

- Equity markets and bond markets appear in tentative agreement that global central banks will thread the needle and extend the current business cycle.
- It remains to be seen whether the US and global economies will rebound in the coming months, and current global trade conflicts and geopolitical tensions add uncertainty to the outlook, but overall sentiment is positive.

Economic Overview

The global economy continued to experience a synchronized slowdown in the fourth quarter, but the easing of US-China trade tensions and tentative signs of bottoming global economic activity led to strong advances in global capital markets. The US economy decelerated during the quarter, as manufacturing sector activity continued to slide due to slowing global economic demand and ongoing trade conflicts. Despite soft industrial production, residual strength in consumer spending helped buoy the economy, and a US-China trade agreement improved near-term sentiment. Continued uncertainty about economic growth and muted inflation dynamics led global central banks to maintain accommodative monetary policy during the quarter. The combination of signs of bottoming economic growth, dovish central banks' action, and progress in trade conflicts helped global markets to rally during the quarter, especially in risky assets, and to finish the year sharply higher.

US Economy

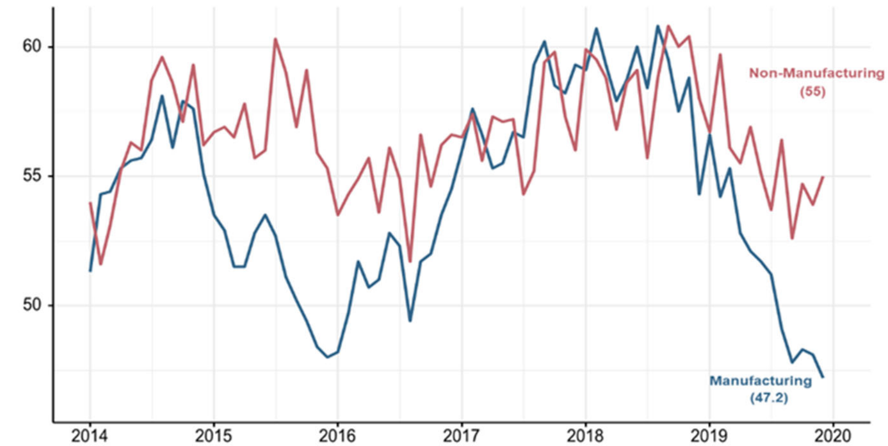
US economic activity slowed down in the fourth quarter, in sync with the slowing of other developed economies. While manufacturing economic data continued to decline, economic activity related to consumer spending that has slowed since the second quarter still helped to offset the weakening manufacturing sector.

Specifically, underlying economic activity continued to decline, as reflected in manufacturing numbers from the Institute for Supply Management (ISM) (see the *US Business Outlook* chart). US manufacturing activity declined to 47.2 in December from 48.1 in November, which was well below the consensus estimate of 49.0. This was the fifth straight monthly decline and was the lowest recording since June 2009. While the report notes signs that several industry sectors will improve as a result of the phase-one trade agreement between the US and China, key areas such as new orders, production, employment, and new exports contracted this quarter. Global trade remains the most significant issue, but sentiment regarding near-term growth was marginally positive in December. The ISM surveys poll supply managers on their business prospects and are closely watched because they have been one of the most reliable leading indicators. The index has now fallen below the 50-point threshold that separates expansion from contraction in the US manufacturing economy.

The service sector, which makes up about 80% of US Gross Domestic Product (GDP), experienced an increase in December. The non-manufacturing ISM survey, the measure of economic movement in the service sector, climbed to 55.0 in December from 53.9 in November, slightly exceeding the consensus estimate of 54.5.

US Business Outlook

Represented by the Institute for Supply Management (ISM)'s Purchasing Managers Index (PMI)



Source: Institute For Supply Management

Key areas such as new orders, new export orders, and employment all declined, while production and inventories rose. Capacity constraints have eased and respondents were positive about progress on tariffs, but difficulty with labor resources persist.

US non-farm payroll employment growth rose by 145,000 in December, below the market expectations of a 164,000 increase after the stronger result of 266,000 in November was revised slightly downward to 256,000. For the quarter, the report still depicts strong labor market conditions, with job gains averaging 184,000 per month. This extends to 110 the consecutive months of job growth and helps to alleviate fears of an impending recession in the US. The jobless rate held steady at 3.5% in December and November, matching the 50-year low from December 1969, as the labor force participation rate held steady.

The growth in the labor market came amid concerns over a slowdown in US economic growth. Average hourly earnings, a measure of labor costs, increased at 2.9% year-over-year in December, easing from 3.1% in November and below the market expectation of a 3.1% rise. The softer wage growth aligns with the Federal Reserve's recent patient approach toward inflation. Overall, as labor market indicators tend to lag business sentiment indicators, these combined results may reflect that the US economy may be in a late market cycle where underlying economic weakness slowly filters through labor markets.

Developed Market Economies

Eurozone economic growth continued to decline in the fourth quarter, as manufacturing activity remained weak due to softer global demand and concerns over global trade conflicts, but signs of improvement are emerging. Eurozone industrial production fell to -1.5% on an annualized basis in November, worse than expected and marking thirteen consecutive months of contraction, but an improvement over the -2.8% decline in August. Economic sentiment, represented by the Eurozone Composite Purchasing Managers Index (PMI), increased to 50.9 in December from 50.6 in November, a bounce off the 50.1 low in September, but still among the lowest levels since June 2013 and a sign of ongoing broad stagnation in economic activity in the area. The unemployment rate stood at 7.5% in November, the lowest level since July 2008, representing tight labor market conditions.

The Eurozone headline Consumer Price Index (CPI) increased to 1.3% year-over-year in December from 1.0% in November, below the European Central Bank (ECB)'s medium-term target level of near-but-below 2.0%, mainly boosted by energy prices. Core inflation, which excludes volatile food and energy prices and which the ECB monitors closely because it reflects domestic fundamentals, was unchanged at 1.3% in December and November. ECB policymakers maintained substantial monetary stimulus in December, holding rates steady at -0.5% after resumption of their asset purchase program in November. It expects to continue such stimulus until inflation converges toward the target level, as the concerns over the slower global economy and trade disputes continue to weigh on the Eurozone economy.

Japan's economy has been expanding moderately, but manufacturing data suggests ongoing pressure from softer global demand, especially from China. CPI increased to 0.2% year-over-year in November from 0.0% in October. Core CPI rose to 0.6% in November from 0.5% the previous month. While labor market conditions remained tight, slow economic growth and an inflation trend far below the Bank of Japan (BOJ)'s 2.0% target level caused it to hold its ultra-loose monetary policy steady.

Emerging Market Economies

China's economy, the world's second largest, is believed to have grown at 6.0% year-over-year in the fourth quarter, the same as the third quarter and the lowest reading since early 1992. Although the government's various stimulus efforts appear to have boosted China's domestic economic activity, and the phase-one trade agreement with the US has increased optimism and reduced tensions, further easing may be needed to boost demand while existing tariffs remain in place. Emerging economies have faced headwinds due to trade tensions and slowing global economic activity, but reduced tensions and monetary easing have lifted sentiments despite ongoing risks.

Capital Markets

Equities

Global equity markets, represented by the MSCI World Equity Index, rallied strongly during the fourth quarter, posting a return of +8.6% for the quarter and +27.7% for the year. Concerns about slowing global industrial activity and global trade conflicts remain, but the combination of signs of bottoming economic growth, dovish central banks' action, and the easing of US-China trade tensions in the form of a phase-one trade agreement led to the strong advance in global equities.

In the US, all major indices rose significantly on the back of the Fed's rate cut and the US-China trade deal, with most lifted into record territory. The Dow Jones Industrial Average finished the quarter with a gain of +6.7% and +25.3% for the year; the S&P 500 gained +9.1% in the quarter and +31.5% for the year; the NASDAQ Composite grew by +12.5% for the quarter and +36.7% for the year; and the Russell 2000 returned +9.9% for the quarter and +25.5% for the year (see the *Index Returns* table on p. 6).

Within US equity markets, small cap stocks slightly outperformed large cap, while growth outpaced value, as investors chased riskier stocks and cyclical stocks that could benefit from the improving growth outlook. The Russell 1000 Growth Index of large cap growth stocks outperformed the Russell 1000 Value Index by +3.2%. The Russell Midcap Growth Index exceeded the Russell Midcap Value Index by +1.8%. Small growth stocks in the Russell 2000 Growth Index returned +11.4% relative to +8.5% for the Russell 2000 Value Index. Across market capitalizations, small cap stocks showed the strongest performance, with a return of +9.9% versus the +7.1% and +9.0% returns of mid and large cap stocks for the quarter, represented by the Russell 2000 Index, Russell Midcap Index and the Russell 1000 Index, respectively (see the *Equity Style Returns* table on p. 7).

International equity markets surged during the fourth quarter, but lagged US markets; the same positive sentiments behind US equity returns and easing fears of a no-deal Brexit were both drivers of the strong finish to 2019. Developed markets underperformed emerging markets, as investors embraced riskier assets given the reduction of US-China trade tensions and monetary easing across several key developing economies. Developed market equities, represented by the MSCI EAFE Index, finished the quarter with a gain of +8.2% and +22.0% for the year. The MSCI Emerging Markets Index of emerging markets stocks returned +11.8% for the quarter and +18.4% for the year (see the *Index Returns* table on p. 6).

Fixed Income

US interest rates increased during the quarter, except at the very short end of the yield curve where the Federal Reserve controls the rates. Citing sustained expansion of economic activity, strong labor market conditions, and muted inflation pressures in the face of remaining uncertainties about the outlook, the Fed lowered the target range for the fed funds rate to 1.50% - 1.75% in October through a widely expected 0.25% cut, its third cut this year. The Fed also took steps to shore up liquidity in the overnight lending markets in response to unexpected volatility, and ended the quarter leaving the Fed funds rate unchanged. Recent division among the members over the short term outlook appears to have dissipated, with most of participants' assessments of future rates (the so-called FOMC “dot plot”) projecting no further rate cuts in 2020 and a quarter point increase (with some dispersion among members) in 2021.

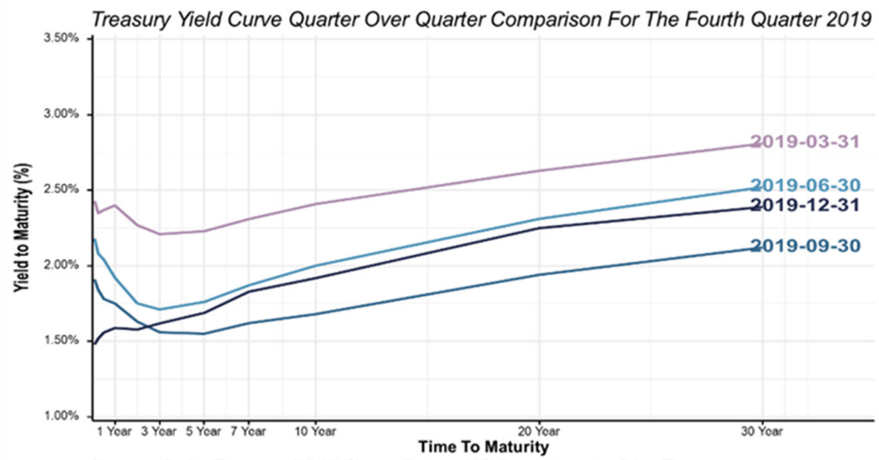
Fed Chairman Jerome Powell also stated that further adjustments would require a material change in economic conditions. However, US short-term interest rate futures markets narrowly priced another quarter-point cut by the end of 2020. US government bond markets have consistently priced multiple rate cuts by the Fed this year, but with positive economic news and fears of a recession easing, the markets' outlook appears finally to be converging with the Fed's forward guidance for keeping rates steady.

Prior to this quarter, many parts of the yield curve from 1-year through 10-year yields have traded below the 3-month interest rate this year. However, the 3-month/10-year portion of the curve returned to a more normal upward slope after being inverted since May. An inversion of the yield curve in this section has often predicted recessions in the past. The New York Fed's recession model based on the spread between 10-year and 3-month rates showed a 24% probability of recession one year ahead, down from 35% last quarter. Since the 1970s, a recession occurred after the model's probability exceeded 30%. This latest result tracks with the general easing of recession fears.

The yield on the 3-month US Treasury bill fell to 1.6% from 1.9% the previous quarter; the 10-year US Treasury note rose from 1.7% at the end of September to 1.9% by the end of December; and the 30-year Treasury bond also rose from 2.1% in September to 2.4% in December. As shown in the *US Treasury Yield Curve* chart, all maturities 3 years and longer moved higher, but yields remain well below the levels of early 2019.

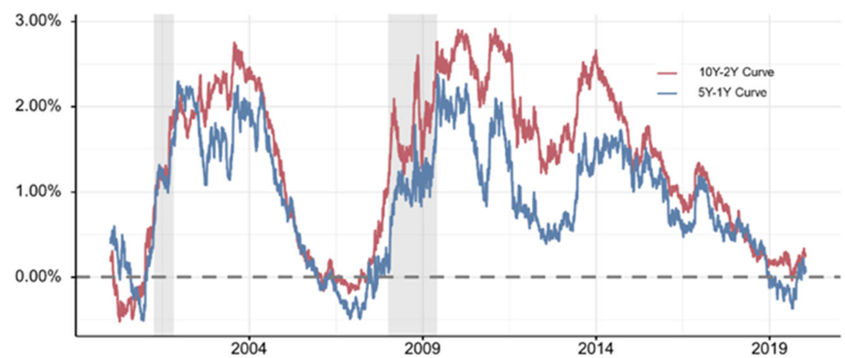
As shown in the *Historical Movement of US Treasury Yield Curve* graph, during the fourth quarter of 2019, longer parts of the US Treasury yield further steepened after the Federal Reserve's last rate cut. The difference between the 10-year and 2-year yields rose to 0.3% by December, from 0.1% reached at the end of September after briefly inverting in August for the first time since 2007. The difference between the 5-year and 1-year yields jumped to 0.1%, after having been inverted by -0.2% at the end of each previous quarter during 2019.

US Treasury Yield Curve



Source: Daily Treasury Yield Curve Rates, US Department of the Treasury

Historical Movement of US Treasury Yield Curve



Source : Federal Reserve
Note: The red line show the difference between benchmark 10- and two-year government bond yields in percentage points. The blue line show the difference between benchmark 5- and one-year government bond yields in percentage points. Gray bars indicate recessions as determined by the National Bureau of Economic Research.

Regarding fixed income sector performance, as interest rates increased and Treasuries declined during the quarter over an improved economic growth outlook, credit spreads tightened further in response to the Fed's easing, and the riskier fixed income sectors generally performed well. For the year, all fixed income sectors generated positive returns, but investment grade credit fixed income sectors generated the best returns as investors sought high quality fixed income securities in the risk-on environment. The broad US bond market, represented by the Bloomberg Barclays US Aggregate Index, finished the quarter with a gain of +0.2% and +8.7% for the year, while high yield bonds, represented by the Bloomberg Barclays US Corporate High Yield Index of non-investment grade bonds, finished the quarter with a gain of +2.6% and +14.3% for the year (see the Index Returns table on p. 6).

Outlook

In the volatile second quarter of 2019, as the global economic slowdown continued and trade tensions between the US and China escalated, equity markets enjoyed a sharp reversal and rallied along with US government bonds in response to dovish Fed comments and anticipation of more stimulus programs by the ECB. Both equity and bond market participants appeared to embrace expected lower interest rates to be positive for their respective markets. As the expected rate cuts and stimulus came to pass in the third quarter, which also ended with optimism regarding a US-China trade deal, the rally in US bonds extended and the great bull run continued for US stocks.

While the Fed easing helped to buoy both equity and bond markets, the expected outcomes from the rate cuts were drastically different between the two markets going into the fourth quarter. Equity markets expected that central banks would be able to extend the current business cycle as in 2016, despite ongoing trade tensions, geopolitical turmoil, and a brewing impeachment battle competing for headlines. Bond markets, on the other hand, seemed to believe that the end of the current business cycle was underway. The 10-year vs. 3-month portion of the yield curve remained inverted the entire third quarter, and many parts of the yield curve from 1-year through 10-year yields had frequently traded below the 3-month interest rate throughout the year. An inversion of the yield curve in this section has often predicted recessions in the past.

By the end of the third quarter, US short-term interest rate futures markets, Eurodollar futures contracts and other forward-looking instruments also continued to price several more rate cuts by the Fed by the end of 2020, despite the participants' assessments of future rates from the September Fed meeting projecting no further rate cuts in 2019 or 2020. In conjunction with the yield curve inversion, the bond markets were forecasting that the Federal Reserve would have to cut rates even more due to worsening economic conditions in the future, and would not succeed in extending the business cycle.

How has this tale of two markets evolved through the end of the fourth quarter? The Fed did cut rates once more, contrary to previous guidance, and current guidance indicates rates will be held steady through the end of the 2020. The US Treasury yield curve returned to a more normal upward slope. Other global central banks continued with extraordinary monetary easing, and tentative signs of a bottoming in global economic activity have emerged. Trade tensions eased with the announcement in December of a phase-one trade deal between the US and China. The combination of these factors improved investor sentiment and helped global markets to rally during the quarter and finish the year sharply higher.

In the backdrop of continued sluggish global economic growth, downside risks such as ongoing trade tensions and rising geopolitical turmoil remain prominent, and if such risks become manifest, they could have a significant negative impact on both market sentiment and global economic conditions. That said, the diverging expectations that stock and bond markets were pricing at the end of the third quarter have largely resolved themselves. The bond markets appear to be in tentative agreement with the equity markets that global central banks can thread the needle and extend the global business cycle again.

Interest rate futures markets are currently pricing a 50-60% chance of at least one quarter-point rate cut by the Fed by the end of 2020, but the normalization of the yield curve during the fourth quarter and results of the New York Fed's recession model tracks with the general easing of recession fears. Other leading indicators that were previously flashing warning signs also appear to be pointing toward global economic stabilization. The Organization for Economic Cooperation and Development (OECD)'s Composite Leading Indicator, which was designed to provide early signals of turning points between the expansion and slowdown of global economic activity and typically precedes changes in economic activity by six to nine months, has been ticking upward since hitting a 21-month low in August. It narrowly avoided piercing the level marking the threshold for global recessions over the past half century.

It remains to be seen whether the US and global economies will rebound in the coming months, and how the current global trade conflicts and geopolitical tensions evolve adds further uncertainty to the economic outlook. Both news headlines and economic data in the coming months will tell the rest of the story.

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Index Returns

Domestic Equity	Q4	YTD	1 year	3 years	5 years	10 years
S&P 500	9.1%	31.5%	31.5%	15.3%	11.7%	13.6%
Russell 1000	9.0%	31.4%	31.4%	15.1%	11.5%	13.5%
Russell 1000 Growth	10.6%	36.4%	36.4%	20.5%	14.6%	15.2%
Russell 1000 Value	7.4%	26.5%	26.5%	9.7%	8.3%	11.8%
Russell Midcap	7.1%	30.5%	30.5%	12.1%	9.3%	13.2%
Russell Midcap Growth	8.2%	35.5%	35.5%	17.4%	11.6%	14.2%
Russell Midcap Value	6.4%	27.1%	27.1%	8.1%	7.6%	12.4%
Russell 2000	9.9%	25.5%	25.5%	8.6%	8.2%	11.8%
Russell 2000 Growth	11.4%	28.5%	28.5%	12.5%	9.3%	13.0%
Russell 2000 Value	8.5%	22.4%	22.4%	4.8%	7.0%	10.6%
Dow Jones Industrial Average	6.7%	25.3%	25.3%	15.7%	12.6%	13.4%
NASDAQ Composite	12.5%	36.7%	36.7%	19.9%	14.9%	16.1%
Foreign Equity						
MSCI EAFE	8.2%	22.0%	22.0%	9.6%	5.7%	5.5%
MSCI Emerging Markets	11.8%	18.4%	18.4%	11.6%	5.6%	3.7%
MSCI World	8.6%	27.7%	27.7%	12.6%	8.7%	9.5%
Real Estate						
FTSE Nareit Equity-Reits	-0.8%	26.0%	26.0%	8.1%	7.2%	11.9%
Natural Resources						
S&P North American Natural Resources	7.5%	17.6%	17.6%	-2.1%	-1.4%	1.4%
Fixed Income						
Bloomberg Barclays US Aggregate	0.2%	8.7%	8.7%	4.0%	3.1%	3.8%
Bloomberg Barclays US Corporate High Yield	2.6%	14.3%	14.3%	6.4%	6.1%	7.6%
Cash						
FTSE 3 Month US T Bill	0.5%	2.3%	2.3%	1.7%	1.1%	0.6%

* Source: Morningstar. This report has been prepared for informational purposes only. It is based on information generally available to the public from sources believed to be reliable. No representation is made that information is accurate or complete. Past performance is not indicative of future results. Additional information is available upon request. It is not possible to invest directly in an index. The indices are unmanaged and do not incur management fees, transaction costs or other expenses associated with investable products. All returns reflect the reinvestment of dividends and other income.

Equity Style Returns

Fourth Quarter

	Value	Blend	Growth
Large	7.4%	9.0%	10.6%
Mid	6.4%	7.1%	8.2%
Small	8.5%	9.9%	11.4%

Year-to-Date

	Value	Blend	Growth
Large	26.5%	31.4%	36.4%
Mid	27.1%	30.5%	35.5%
Small	22.4%	25.5%	28.5%

Trailing One Year

	Value	Blend	Growth
Large	26.5%	31.4%	36.4%
Mid	27.1%	30.5%	35.5%
Small	22.4%	25.5%	28.5%

Trailing Three Years

	Value	Blend	Growth
Large	9.7%	15.1%	20.5%
Mid	8.1%	12.1%	17.4%
Small	4.8%	8.6%	12.5%

Trailing Five Years

	Value	Blend	Growth
Large	8.3%	11.5%	14.6%
Mid	7.6%	9.3%	11.6%
Small	7.0%	8.2%	9.3%

Trailing Ten Years

	Value	Blend	Growth
Large	11.8%	13.5%	15.2%
Mid	12.4%	13.2%	14.2%
Small	10.6%	11.8%	13.0%

Large Cap

Russell 1000 Value Index; Russell 1000 Index; Russell 1000 Growth Index.

Mid Cap

Russell Mid Cap Value Index; Russell Mid Cap Index; Russell Mid Cap Growth Index.

Small Cap

Russell 2000 Value Index; Russell 2000 Index; Russell 2000 Growth Index.

Source: Index Returns Taken from Morningstar.

Asset Class Returns (as of December 31, 2019)

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	10 Years (01/2010-12/2019)
Inv. Gr. Bond 5.2%	Emerging Markets 78.5%	Small Growth 29.1%	REITs 8.3%	Emerging Markets 18.2%	Small Growth 43.3%	REITs 30.1%	Large Growth 5.7%	Small Value 31.7%	Emerging Markets 37.3%	Inv. Gr. Bond +0.0%	Large Growth 36.4%	Large Growth 15.22%
High Yield -26.2%	High Yield 58.2%	REITs 28.0%	Inv. Gr. Bond 7.8%	REITs 18.1%	Small Value 34.5%	Large Value 13.5%	REITs 3.2%	Nat. Resour. 30.9%	Large Growth 30.2%	Large Growth -1.5%	Small Growth 28.5%	Small Growth 13.0%
Small Value -28.9%	Nat. Resour. 37.5%	Small Value 24.5%	High Yield 5.0%	Small Value 18.1%	Large Growth 33.5%	Large Growth 13.1%	Inv. Gr. Bond 0.6%	Large Value 17.3%	Developed Mkts 25.0%	High Yield -2.1%	Large Value 26.5%	REITs 11.9%
Large Value -36.9%	Large Growth 37.2%	Nat. Resour. 23.9%	Large Growth 2.6%	Large Value 17.5%	Large Value 32.5%	Inv. Gr. Bond 6.0%	Developed Mkts -0.8%	High Yield 17.1%	Small Growth 22.2%	REITs -5.0%	REITs 26.0%	Large Value 11.8%
REITs -37.7%	Small Growth 34.5%	Emerging Markets 18.9%	Large Value 0.4%	Developed Mkts 17.3%	Developed Mkts 22.8%	Small Growth 5.6%	Small Growth -1.4%	Small Growth 11.3%	Large Value 13.7%	Large Value -8.3%	Small Value 22.4%	Small Value 10.6%
Large Growth -38.4%	Developed Mkts 31.8%	Large Growth 16.7%	Small Growth -2.9%	High Yield 15.8%	Nat. Resour. 16.5%	Small Value 4.2%	Large Value -3.8%	Emerging Markets 11.2%	Small Value 7.8%	Small Growth -9.3%	Developed Mkts 22.0%	High Yield 7.6%
Small Growth -38.5%	REITs 28.0%	Large Value 15.5%	Small Value -5.5%	Large Growth 15.3%	High Yield 7.4%	High Yield 2.5%	High Yield -4.5%	REITs 8.5%	High Yield 7.5%	Small Value -12.9%	Emerging Markets 18.4%	Developed Mkts 5.5%
Nat. Resour. -42.6%	Small Value 20.6%	High Yield 15.1%	Nat. Resour. -7.4%	Small Growth 14.6%	REITs 2.5%	Emerging Markets -2.2%	Small Value -7.5%	Large Growth 7.1%	REITs 5.2%	Developed Mkts -13.8%	Nat. Resour. 17.6%	Inv. Gr. Bond 3.8%
Developed Mkts -43.4%	Large Value 19.7%	Developed Mkts 7.8%	Developed Mkts -12.1%	Inv. Gr. Bond 4.2%	Inv. Gr. Bond -2.0%	Developed Mkts -4.9%	Emerging Markets -14.9%	Inv. Gr. Bond 2.7%	Inv. Gr. Bond 3.5%	Emerging Markets -14.6%	High Yield 14.3%	Emerging Markets 3.7%
Emerging Markets -53.3%	Inv. Gr. Bond 5.9%	Inv. Gr. Bond 6.5%	Emerging Markets -18.4%	Nat. Resour. 2.2%	Emerging Markets -2.6%	Nat. Resour. -9.8%	Nat. Resour. -24.3%	Developed Mkts 1.0%	Nat. Resour. 1.2%	Nat. Resour. -21.1%	Inv. Gr. Bond 8.7%	Nat. Resour. 1.4%

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Bloomberg Barclays US Corporate High Yield Index: Covers the universe of fixed rate, non-investment grade debt. In general, all securities must be rated Ba1or lower by Moody's Investors Service, including defaulted issues. If no Moody's rating is available, bonds must be rated BB+ or lower by S&P; and if no S&P rating is available, bonds must be rated below investment grade by Fitch Investor's Service. A small number of unrated bonds are included in the index.

Bloomberg Barclays US Aggregate Index: The index is a composite of four major sub-indexes: U.S. Government Index; U.S. Credit Index; U.S. Mortgage Back Securities Index and U.S. Asset Backed Securities Index. The index holds investment grade bonds. The ratings are based on S&P, Moody and Fitch bond ratings. The index does not include High Yield Bonds, Municipal Bonds, Inflation Indexed Treasury Bonds or Foreign Currency Bonds.

Citigroup 3-month T-bill Index: This index measures monthly return equivalents of yield averages that are not marked to market. The Three-Month Treasury Bill Indexes consist of the last three 3-month Treasury bill issues.

Dow Jones Industrial Average (DJIA): Computed by summing the prices of the stocks of 30 companies and then dividing that total by an adjusted value — one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities.

Nasdaq Composite Index: Measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures.

Russell 1000® Index: Measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the Russell 3000 Index.

Russell 1000® Growth Index: Measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to book ratios and higher forecasted growth values.

Russell 1000® Value Index: Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

Russell 2000® Index: Measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

Russell 2000® Growth Index: Measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000® Value Index: Measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Mid Cap® Index: Measures the performance of the mid-cap segment of the U.S. equity universe and 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 Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies.

Russell Mid Cap® Index: Measures the performance of the mid-cap segment of the U.S. equity universe and 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 Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies.

Russell Mid Cap® Growth Index: Measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell Mid Cap® Value Index: Measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.

S&P 500 Index: Measures the performance of the 500 leading companies in in the large cap segment of the market. Companies are chosen based upon their market size, liquidity and sector. Together these companies represent approximately 80% of the available market capitalization.

FTSE NAREIT Equity REITs Index: A free-float adjusted, capitalization-weighted index that is comprised of all Equity REITs not designated as Timber REITs or Infrastructure REITs. Equity REITs are defined as REITs with 75% or greater of their gross invested book assets invested directly or indirectly in the equity ownership of real estate.

MSCI EAFE Index: The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada. The MSCI EAFE 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.

MSCI Emerging Markets Index: The MSCI Emerging Markets (EM) Index℠ is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

MSCI World Index: The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance. As of May 2005, the MSCI World Index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States.

S&P North American Natural Resources Index: The S&P North American Natural Resources Index provides investors with a benchmark that represents U.S. traded securities that are classified under the GICS® energy and materials sector excluding the chemicals industry; and steel sub-industry.