Market Insight

First Quarter 2013

Strong Start for Stocks & Economically Sensitive Fixed Income

Highlights

The U.S. economy has been resilient so far in 2013 despite many challenges.

Stocks rallied strongly during the first quarter, with the S&P 500 and the Dow Jones Industrial Average hitting all-time highs.

Bond market performance favored lower-quality, higher-yielding sectors.

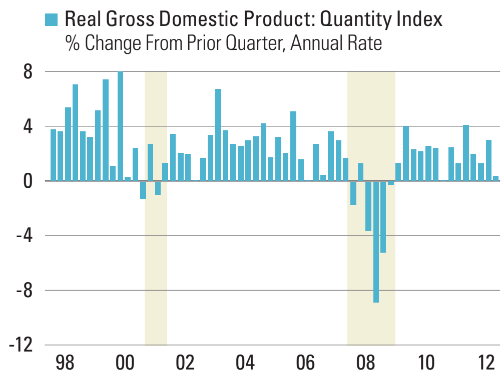
Commodities were negatively impacted by China uncertainty and a strong US dollar.

- **Economy** – The U.S. economy has been resilient so far in 2013, despite facing many challenges. The fiscal cliff — the combination of tax increases and government spending cuts that began at the start of this year — was largely averted. The debt limit was increased, avoiding a contentious debate with potential negative ramifications for the economy. Finally, the spending cuts prescribed by the sequester, the $85 billion in across-the-board spending cuts agreed to as part of the debt ceiling increase in the summer of 2011, began on March 1, 2013, and are beginning to be felt across the economy.
- **Stocks** – The S&P 500 and Dow Jones Industrial Average both reached new all-time record highs during the first quarter, after getting off to a strong start after the fiscal cliff deal emerged on New Year's Day. The Dow eclipsed its all-time high last reached in October 2007 on March 5, 2013, while the S&P 500 took a bit longer, reaching new all-time highs on the last day of the quarter on March 28.
- **Bonds** – Lower-rated bonds led performance within the bond market during the first quarter, continuing a theme from 2012. The combination of higher yields and good fundamentals led to price gains among lower-rated bond sectors such as high-yield bonds, preferred stocks, and bank loans. The Fed's expanded bond purchases continued to push many investors into higher-yielding, economically sensitive areas of the bond market.
- **Commodities** – Commodity prices declined during the first quarter of 2013, based on the Dow Jones-UBS Commodity Index, and badly lagged the U.S. equity market. After falling 6.4% during the fourth quarter of 2012, commodities declined 1.1% during the first quarter with weakness mitigated by higher energy prices. Broadly, weakness in the latest quarter reflected uncertainty surrounding the pace of China's spending, a strong US dollar, and adequate inventories.

Please note all return figures are as of March 28, 2013 unless otherwise noted.

Economy–Fed, Housing Help Drive Resilient Start to the Year for U.S. Economy Despite Fiscal Cliff Drag

1 U.S. Economy Has Picked Up in Early 2013 After Sluggish Growth in Late 2012



Source: Bureau of Economic Analysis, Haver Analytics 04/03/13

Shaded areas indicate recession.

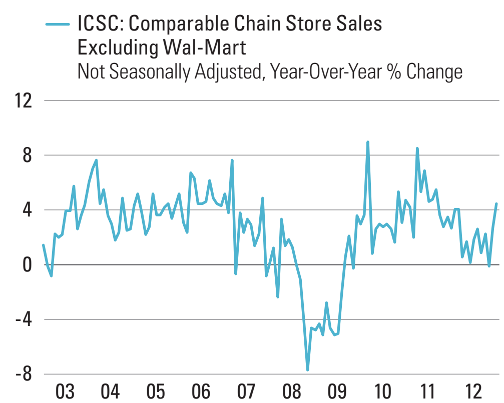
The U.S. economy has been resilient so far in 2013, despite facing many challenges. The economy shrugged off the impact of the fiscal cliff—the largely averted combination of tax increases and government spending cuts that began at the start of this year. The debt limit was increased, avoiding a contentious debate with potential negative ramifications for the economy. Finally, the spending cuts prescribed by the sequester, the $85 billion in across-the-board spending cuts agreed to as part of the debt ceiling increase (Budget Control Act) in the summer of 2011, began on March 1, 2013, and are only now beginning to be felt across the economy.

The global economic environment remains weak, as Europe remains mired in recession and the Cyprus situation reminds us that the Eurozone debt crisis is not yet over. And although Chinese growth has picked up a bit, fears of another slowdown there were sparked by the government's recent efforts to curb their property markets.

The resilience in the U.S. economy over the first three months of the year is the result of many factors, including aggressive stimulus from the Federal Reserve (Fed), the positive effect of higher home prices and a rising stock market, the rebound in residential construction and manufacturing activity—some related to rebuilding from Superstorm Sandy, and improving clarity as the fiscal cliff uncertainties were lifted. While these positive factors reduce the odds of recession and contributed to equity markets' strength in the first quarter, the aforementioned challenges remain, and set the stage for what we expect will be slower growth in subsequent quarters. We continue to expect gross domestic product (GDP) growth of around 2% for 2013, although the first quarter likely produced a quarter of economic growth above the 2% average of the past 12 quarters.

Economic Backdrop Supports Modest Job Growth

2 Consumers Continue to Spend Despite Higher Taxes and Modest Income Growth



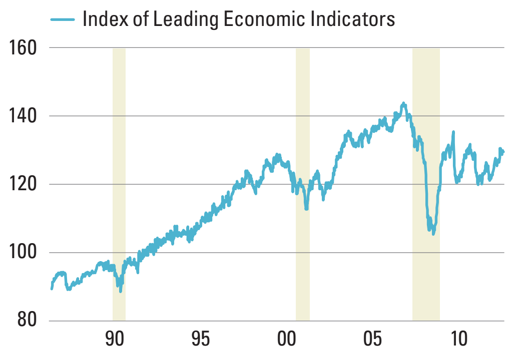
Source: ICSC, Haver Analytics 04/03/13

The International Council of Shopping Centers (ICSC) is a global trade association of the shopping center industry.

Although the data available so far for the first quarter suggest economic growth will pick up for the three-month period ending in March, when the data are reported, the economic backdrop still only supports a modest pickup in job growth. While roughly 200,000 jobs per month were created between November 2012 and February 2013 (according to the Bureau of Labor Statistics 4/5/13), the monthly employment report for March 2013 indicated that 88,000 jobs were created. This pace in recent months is well below the job growth reported during the first quarter of 2012, when an average of over 250,000 jobs were added per month, and below the pace that would typically be seen at the current stage of an economic recovery. And while the unemployment rate has fallen some in recent months, that has largely come from workers leaving the workforce, typically not indicative of a healthy labor market.

Consumers continue to spend at a moderate pace despite a still-high unemployment rate, weak income growth of just 2% when adjusted for inflation, tax increases that kicked in at the start of this year, and higher gas prices. Total retail sales in January and February, rose a respectable 4% year over year [Figure 2] as consumers became more confident and

3 Leading Economic Indicators Continue to Suggest Very Low Probability of Recession

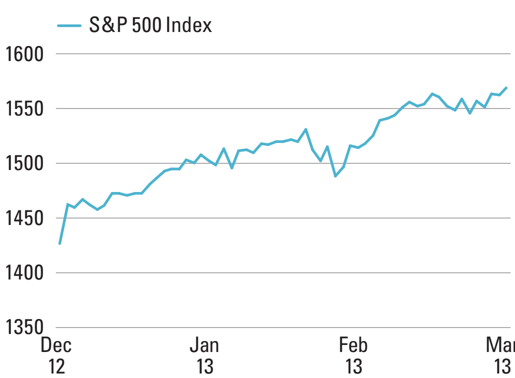


Source: Haver Analytics, LPL Financial 04/03/13

Shaded areas indicate recession.

The index of leading economic indicators (LEI) is an economic variable, such as private-sector wages, that tends to show the direction of future economic activity.

4 Strong Start to 2013 Pushes S&P 500 Index to New All-Time Highs



Source: FactSet, LPL Financial 03/28/13

The S&P 500 Index is an unmanaged index, which cannot be invested into directly. Past performance is no guarantee of future results.

stock and home prices rose. Leading indicators have continued to point to continued—yet sluggish—economic growth, not recession, and continued modest increases in income and consumer spending [Figure 3].

Stock Markets–Strong First Quarter Pushes S&P 500 and Dow to New All-Time Highs

After a strong start following the fiscal cliff deal that emerged on New Year's Day, the S&P 500 and Dow Jones Industrial Average both reached new all-time record highs during the first quarter. The Dow eclipsed its all-time high last reached in October 2007 on March 5, 2013, while the S&P 500 took a bit longer, reaching new all-time highs on the last day of the quarter on March 28 [Figure 4].

In addition to the clarity provided by the fiscal cliff compromise, stocks enjoyed continued support from aggressive stimulus from the Fed and an improving U.S. economic backdrop, a stronger housing market, and a pickup in business spending. Even the need for another Eurozone bailout failed to stop the market's ascent, as the intervention by European policymakers was well received. It is also worth noting that equities benefited from a lack of attractive alternatives, as high-quality bonds generated meager returns as interest rates rose.

About half of the first quarter's gains for stocks came during January when the S&P 500 rallied 5.2%. February was not nearly as strong with a 1.4% return, but the rally picked up again and stocks tacked on another 3.8% return in March. The three positive months brought the monthly winning streak to five—October 2012 was the last down month for the S&P 500. And not only have these months been positive, the stock market volatility within those months has been low. The largest peak-to-trough decline in the quarter was just 2.8% in mid-to-late February. The S&P 500 fell more than 1% on only three days in the quarter. As of March 31, 2013, the S&P 500 had not had a 5% pullback in 133 days (November 15, 2012), a near record-breaking stretch for the four-year-old bull market.

Unusual Defensive Leadership

The strong first quarter returns were not as unusual as the composition of those returns. The defensive sectors led the rally, with health care returning 15%, followed closely by consumer staples, and utilities also outperformed [Figure 5]. These sectors tend to be less sensitive to market movements and most often lag in strong rallies as investors favor economically sensitive, cyclical sectors. The only cyclical sector that outperformed was consumer discretionary, which benefited from resilient retail sales and positive wealth effects from higher stock and home prices. The laggards, materials and technology, are both cyclical sectors that typically outperform when the broad market is rising. The technology sector was held back by its largest constituent, Apple, which tumbled 16.8% during the quarter (according to FactSet price return data, 1/1/13–3/28/13), while the materials sector was hurt by falling metal prices and concerns about China's efforts to rein in its property markets.

5 Defensives Provided Unusual Leadership for First Quarter Rally
Ranked by Returns

Sector	Q1 2013
Health Care	15.8%
Consumer Staples	14.6%
Utilities	13.0%
Consumer Discretionary	12.2%
Financials	11.4%
Industrials	10.7%
S&P 500	**10.6%**
Energy	10.2%
Telecom	9.5%
Materials	4.8%
Technology	4.6%

Source: FactSet, LPL Financial 03/28/13

The S&P 500 is an unmanaged index and cannot be invested into directly. Past performance is no guarantee of future results.

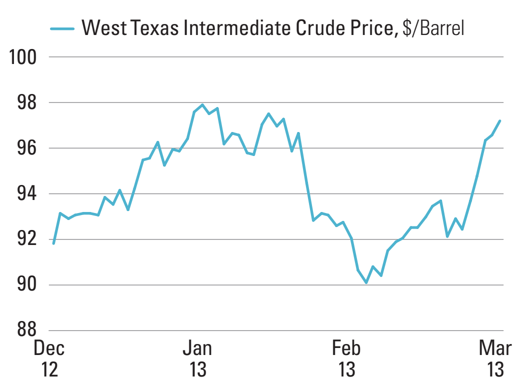
Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

Mid-capitalization companies are subject to higher volatility than those of larger capitalized companies.

Small Cap stocks may be subject to a higher degree of risk than more established companies' securities. The illiquidity of the Small Cap market may adversely affect the value of these investments.

Value investments can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time.

6 Crude Oil – Volatile, Range-Bound Quarter



Source: FactSet, LPL Financial 03/28/13

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

Small and mid cap stocks outperformed their larger brethren during the first quarter (as measured by Russell 2000 vs. Russell MidCap vs. Russell 1000 as of 3/28/13, first quarter return from 1/1/13). Small and mid cap stocks benefited from their market sensitivity, as they tend to outperform when stocks rise. The more domestic focus of smaller market cap companies compared to larger peers with greater global reach benefitted them since that reach comes more exposure to recession-riddled Europe. The Russell Midcap Index led the major market capitalization benchmarks with a 13.0% return in the quarter, followed closely by the Russell 2000 Index, the small cap benchmark, which returned 12.4%, while large caps lagged based on the 11.0% return for the Russell 1000.

In terms of style, value outperformed growth for the fourth straight quarter, based on the Russell 3000 all-cap style indexes. Broadly, stronger performance for the financials sector relative to the technology sector continued to be a big contributor to value outperformance. Conservative investors looking for yield in the stock market may have contributed to value stock performance, given the higher relative yields those stocks generally provide. A look across cap and style reveals that while value stocks in the large and mid categories beat growth, small growth outpaced small value in part due to better performance by small cap technology stocks. Note that gains were attractive across all of the style boxes, even those that lagged, with all of the Russell style indexes returning 9.5% or more.

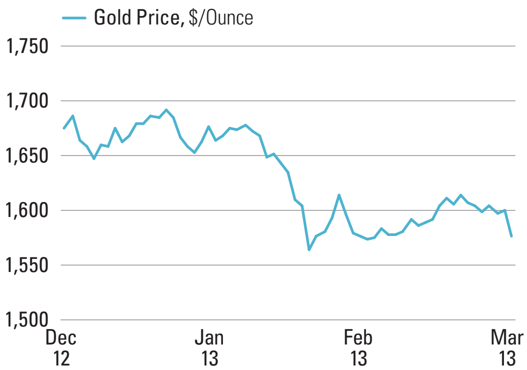
International Markets Lagged the United States

Turning to geography, the strong performance by international equities in late 2012 did not carry over into 2013, as both the developed foreign stocks (MSCI EAFE) and the emerging markets (MSCI Emerging Markets) trailed the S&P 500. Japan was able to keep up with the U.S. equity market with its nearly 12% return (in US dollars, based on the MSCI Japan Index) despite significant weakening of the yen as the Bank of Japan discussed plans for very bold stimulus measures. Europe was not as fortunate, as the MSCI Europe Index returned just 2.8%. But even recession-plagued Europe, which was weighed down by weak economic data and, late in the quarter, Cyprus, performed better than emerging markets. The MSCI Emerging Markets Index fell 1.8% during the quarter amid a sharp pullback in the Chinese equity market, as the government's measures to cool its property markets sparked fears of another leg down in growth for the world's second-largest economy. Weakness in some of the more resource-heavy emerging markets also contributed to the decline, including Russia and South Africa, as did declines in the Indian stock market.

Commodities Asset Classes–China Uncertainty, Strong US Dollar Weighed on Commodities

Commodity prices declined during the first quarter of 2013, based on the Dow Jones-UBS Commodity Index, and badly lagged the U.S. equity market. After falling 6.4% during the fourth quarter of 2012 amid sharp declines in natural gas and agriculture prices, commodities declined 1.1%

7 Strong Dollar, Emerging Market Concerns, and Rotation Into More Aggressive, Productive Assets Has Weighed on Gold

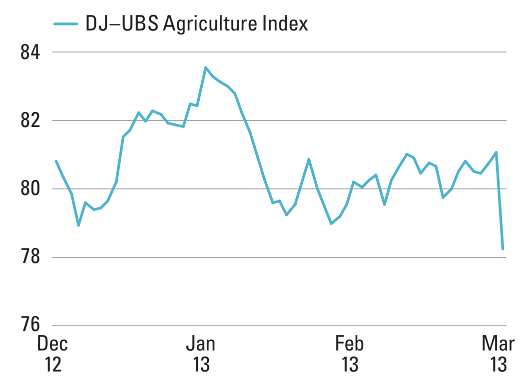


Source: FactSet, LPL Financial 03/28/13

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

Precious metal investing is subject to substantial fluctuation and potential for loss.

8 Agriculture Continues to Weaken Amid Booming Harvest Prospects



Source: FactSet, LPL Financial 03/28/13

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

The Dow Jones - UBS Agriculture Index is an unmanaged index which cannot be invested into directly. Past performance is no guarantee of future results.

during the first quarter with weakness mitigated by higher energy prices. Broadly, weakness in the latest quarter reflected uncertainty surrounding the pace of China's spending, although overall growth of the Chinese economy has picked up a little bit since last fall, as well as a strong US dollar and adequate inventories. Aggressive stimulus from the Fed has historically led to US dollar weakness, inflation fears, and higher commodity prices. But equally or more aggressive monetary policy decisions from other central banks have prevented the US dollar from falling, and there has been no evidence of inflation pressures building.

Looking at individual commodities, energy was a winner with a nearly 6% gain. Crude oil benefited from the improving economic growth picture in the United States and Mideast tensions, which helped offset the negative currency impact from a strong US dollar and still very elevated inventories [Figure 6]. Natural gas benefited from the cold winter in rising nearly 20% in the first quarter to reclaim the $4 level.

Gold Fell Despite Stimulus

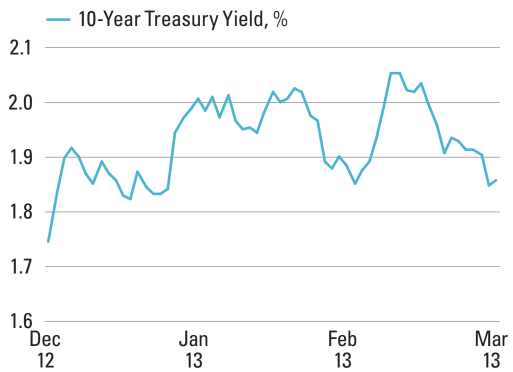
It was another disappointing quarter for precious metals, notably gold, as the Fed's additional stimulus has not been sufficient to cause the US dollar to decline, or to drive the market's inflation expectations higher—both of which are potential positive drivers of higher gold prices. In addition, an improving U.S. economic backdrop encouraged market participants to move into the equity market rather than into precious metals. Gold often acts as a hedge against market declines, which has not been in much demand given stocks' steady climb. The yellow metal slipped nearly 5% in the quarter to below $1,600 [Figure 7], after falling 5.5% during the fourth quarter of 2012. Silver fell even more, losing 6.3% (based on FactSet data [NYMEX short-term continuous futures index], 1/1/13–3/28/13), although the most cyclical precious metals, platinum and palladium, bucked the trend with gains. Industrial metals copper and aluminum fared even worse than gold with losses of 6.9% and 9.5%, respectively, on fears of a sharp decline in Chinese demand.

Agriculture has been in decline since summer 2012, when Midwest drought conditions ravaged crops. As the weather improved and farmers reacted to higher prices, the grains gave back essentially all of the prior summer's bounce on prospects for replenished supplies. International harvest prospects have also improved, putting downward pressure on grain prices. After losing 10% during the fourth quarter, the Dow Jones-UBS Agriculture Index lost another 3.2% during the first quarter [Figure 8].

Fixed Income–Taxable: Higher-Yielding Fixed Income Led Performance

Lower-rated bonds led performance within the bond market during the first quarter, continuing a theme from 2012. The combination of higher yields and good fundamentals led to price gains among lower-rated bond sectors such as high-yield bonds, preferred stocks, and bank loans. The Fed's expanded bond purchases continued to push many investors into higher-yielding, economically sensitive areas of the bond market. Gains among lower-rated

9 10-Year U.S Treasury Yield Inched Higher in Late 2012, but Remained Low by Historical Standards



Source: FactSet, LPL Financial 03/28/13

bonds contrasted with price declines and modest losses on high-quality bonds, which led to modest losses for the broad bond market, as measured by the Barclays Aggregate Bond Index. A modest rise in Treasury yields was the primary catalyst for high-quality bond weakness over the first three months of 2013, as the yield on the benchmark 10-year Treasury finished the quarter 0.09% higher at 1.86% [Figure 9].

Strong Quarter for High-Yield Bonds, Preferreds, Bank Loans

High-yield corporate bonds topped the major taxable fixed income sectors in the first quarter with a solid return near 3% based on the Barclays High-Yield Index. Many investors were attracted to the sector's higher yields, which helped provide cushion against the rise in interest rates. High-yield corporate bonds also benefited from modest further spread narrowing, as corporate credit metrics remain quite strong but are no longer improving. Bank loans also produced solid returns, but did trail high-yield bonds slightly due to their lower yields. The rise in interest rates was not sufficient to significantly impact the relative performance of bank loans, which perform relatively better when rates rise because their coupons are adjusted (float) as interest rates rise.

Preferred securities produced strong first quarter returns similar to high-yield bonds, as many investors were attracted to their higher yields and economic sensitivity. Bank balance sheets continue to get stronger, as evidenced by the Fed's recent bank stress tests.

Among corporate bonds, shorter-term bonds fared better as the Barclays Credit Intermediate Index returned 0.26% in the quarter, compared to effectively no return (0.02%) for the broad investment-grade corporate benchmark, the Barclays U.S. Corporate Bond Index.

Unhedged foreign bond investors fared worse than U.S. corporate bond investors, primarily due to the strength of the US dollar, losing 3.83% based on the Citigroup non-U.S. World Government Bond Index. The currency-hedged version of that index did far better, with a 1.27% return in the quarter, as European credit markets were generally stable throughout most of the quarter. In addition, growth prospects in Japan improved due to plans for much bolder monetary policy under new government and central bank leadership.

Difficult Quarter for Emerging Market Bonds

Among the worst areas of the bond market in the first quarter of 2013 was emerging market debt, as the JPMorgan Emerging Markets Bond Index lost 2.30%. The asset class, one of the best performers in the bond market in 2012, was hurt by some of the same factors that hurt emerging market equities discussed above.

Lackluster High-Quality Bond Returns

Returns were flat to modestly lower for high-quality taxable bond sectors during the first quarter. The best returns came from mortgage-backed securities, which returned 0.02% during the quarter based on the Barclays U.S. MBS Index, as the income premium and slowing pre-payment activity

Municipal bonds are subject to availability, price, and to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rate rise. Interest income may be subject to the alternative minimum tax. Federally tax-free but other state and local taxes may apply.

10 First Quarter Bond Market Performance

Ranked by Returns

Sector	Q1 2013
High-Yield	2.94
Preferred Securities	2.65
Bank Loans	2.21
Municipal High-Yield	1.97
Foreign Bonds (Hedged)	1.27
Municipals	0.32
Mortgage-Backed Securities	0.20
Investment-Grade Corporates	0.02
Barclays Aggregate	**-0.03**
U.S. Treasuries	-0.08
TIPS	-0.17
Emerging Market Debt	-2.30
Foreign Bonds (Unhedged)	-3.83

Source: FactSet, LPL Financial 03/28/13

The indexes mentioned above are unmanaged and you cannot invest into directly. Past performance is no guarantee of future results.

Asset class returns are represented by the returns of indexes and are not ranked on an annual total return basis. It is not possible to invest directly in an index so these are not actual results an investor would achieve.

Asset Class Indexes: Emerging Market Debt – JP Morgan Emerging Markets Global Index; High-Yield – Barclays US High Yield Corporate Index; Foreign Bonds (un-hedged) – Citigroup Non-US World Govt Bond Index (un-hedged); Municipal High-Yield – Barclays Municipal High-Yield Index; Bank Loans – Barclays US High-Yield Loan Index; Invst-Grade Corporate – Barclays US Corporate Bond Index; Municipal – Barclays Municipal Bond Index;Preferred Stocks – Merrill Lynch Preferred Stock Hybrid Index; TIPS – Barclays Treasury Inflation Protected Securities Index; Foreign Bonds (hedged) – Citigroup Non-US World Govt Bond Index Hedged for Currency;Mortgage-Backed Securities – Barclays US MBS Index; Treasury – Barclays US Treasury Index.

offset the impact of higher interest rates. U.S. Treasuries fared slightly worse in generating a 0.08% loss during the quarter, as the low yield did not offset the impact of higher yields. Treasury inflation protected securities (TIPS) returned a bit less than their non-inflation protected counterparts, with a 0.17% loss in the quarter, reflecting their greater interest rate sensitivity and lower inflation.

Fixed Income–Tax-Free: Continued Municipal Bond Outperformance, But Modest Returns

High-quality municipal bonds generated minimal returns during the quarter due to rising interest rates and seasonal weakness in March. Still, the 0.32% return for the Barclays Municipal Bond Index was enough to outpace all of the high-quality taxable bond market sectors and the Barclays Aggregate Bond Index in the quarter. Municipal bond valuations remain attractive, and investors continue to enjoy a yield advantage versus U.S. Treasuries, even without consideration of the tax advantages. As was the case on the taxable side, the lower end of the quality spectrum fared best again this quarter. The Barclays High-Yield Municipal Bond Index returned a solid 1.97% in the quarter. ■

Health Care Sector: Companies are in two main industry groups — Health care equipment and supplies or companies that provide health care-related services, including distributors of health care products, providers of basic health care services, and owners and operators of health care facilities and organizations. Companies primarily involved in the research, development, production, and marketing of pharmaceuticals and biotechnology products.

Utilities Sector: Companies considered electric, gas or water utilities, or companies that operate as independent producers and/or distributors of power.

Consumer Staples Sector: Companies whose businesses are less sensitive to economic cycles. It includes manufacturers and distributors of food, beverages and tobacco, and producers of non-durable household goods and personal products. It also includes food and drug retailing companies.

Consumer Discretionary Sector: Companies that tend to be the most sensitive to economic cycles. Its manufacturing segment includes automotive, household durable goods, textiles and apparel, and leisure equipment. The service segment includes hotels, restaurants and other leisure facilities, media production and services, consumer retailing and services, and education services.

Telecommunications Services Sector: Companies that provide communications services primarily through a fixed line, cellular, wireless, high bandwidth and/or fiber-optic cable network.

Financials Sector: Companies involved in activities such as banking, consumer finance, investment banking and brokerage, asset management, insurance and investment, and real estate, including REITs.

Industrials Sector: Companies whose businesses manufacture and distribute capital goods, including aerospace and defense, construction, engineering and building products, electrical equipment and industrial machinery. Provide commercial services and supplies, including printing, employment, environmental and office services. Provide transportation services, including airlines, couriers, marine, road and rail, and transportation infrastructure.

Technology Software & Services Sector: Companies include those that primarily develop software in various fields such as the internet, applications, systems and/or database management and companies that provide information technology consulting and services; technology hardware & equipment, including manufacturers and distributors of communications equipment, computers and peripherals, electronic equipment and related instruments, and semiconductor equipment and products.

INDEX DEFINITIONS

The Barclays Aggregate Bond 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.

The Barclays Capital High Yield Index covers the universe of publicly issued debt obligations rated below investment grade. Bonds must be rated below investment-grade or high-yield (Ba1/BB+ or lower), by at least two of the following ratings agencies: Moody's, S&P, and Fitch. Bonds must also have at least one year to maturity, have at least $150 million in par value outstanding, and must be US dollar denominated and non-convertible. Bonds issued by countries designated as emerging markets are excluded.

The Barclays Capital High Yield Municipal Bond Index is an unmanaged index made up of bonds that are non-investment grade, unrated, or rated below Ba1 by Moody's Investors Service with a remaining maturity of at least one year.

The Barclays Capital Long Government/Credit Index measures the investment return of all medium and larger public issues of U.S. Treasury, agency, investment-grade corporate, and investment-grade international dollar-denominated bonds with maturities longer than 10 years. The average maturity is approximately 20 years.

Barclays Capital U.S. Intermediate Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year and less than ten years.

The Barclays Corporate Index is an unmanaged index of publicly issued U.S. 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 index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both U.S. and non-U.S. corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government. Bonds must have at least one year to final maturity, must be dollar-denominated and non-convertible, and must have at least $250 million par amount outstanding. Bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade.

The Barclays Mortgage-Backed Securities Index includes 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Federal National Mortgage Association (FNMA).

The Barclays Municipal Bond Index is a market capitalization-weighted index of investment-grade municipal bonds with maturities of at least one year. All indices are unmanaged and include reinvested dividends. One cannot invest directly in an index. Past performance is no guarantee of future results.

The Barclays Treasury Index is an unmanaged index of public debt obligations of the U.S. Treasury with a remaining maturity of one year or more. The index does not include t-bills (due to the maturity constraint), zero coupon bonds (Strips), or Treasury Inflation Protected Securities (TIPS).

The Barclays U.S. Treasury TIPS Index is a rules-based, market value-weighted index that tracks inflationprotected securities issued by the U.S. Treasury. The U.S. TIPS Index is a subset of the Global Inflation-Linked Index, with a 36.0% market value weight in the index (as of December 2007), but is not eligible for other nominal treasury or aggregate indices. In order to prevent the erosion of purchasing power, TIPS are indexed to the non-seasonally adjusted Consumer Price Index for All Urban Consumers, or the CPI-U (CPI).

The BofA Merrill Lynch Preferred Stock Hybrid Securities Index is an unmanaged index consisting of a set of investment-grade, exchange-traded preferred stocks with outstanding market values of at least $50 million that are covered by Merrill Lynch Fixed Income Research. The Index includes certain publicly issued, $25- and $100-par securities with at least one year to maturity.

Citigroup World BIG ex US Index is a market capitilization weighted index that tracks the performance of the international fixed rate bonds that have remaining maturities of one year or longer and that are rated BBB-/Baa3, or better, by S&P or Moody’s, respectively. This Index excludes the U.S. and is unhedged USD.

The Dow Jones Industrial Average Index is comprised of U.S.-listed stocks of companies that produce other (non-transportation and non-utility) goods and services. The Dow Jones Industrial Averages are maintained by editors of The Wall Street Journal. While the stock selection process is somewhat subjective, a stock typically is added only if the company has an excellent reputation, demonstrates sustained growth, is of interest to a large number of investors and accurately represents the market sectors covered by the average. The Dow Jones averages are unique in that they are price weighted; therefore their component weightings are affected only by changes in the stocks’ prices.

The Dow Jones - UBS Commodity Index is composed of futures contracts on 19 physical commodities. Unlike equities, which entitle the holder to a continuing stake in a corporation, commodity futures contracts specify a delivery date for the underlying physical commodity.

The JPMorgan Emerging Markets Bond Index Global (“EMBI Global”) tracks total returns for traded external debt instruments in the emerging markets, and is an expanded version of the JPMorgan EMBI+. As with the EMBI+, the EMBI Global includes U.S. dollar-denominated Brady bonds, loans, and Eurobonds with an outstanding face value of at least $500 million. It covers more of the eligible instruments than the EMBI+ by relaxing somewhat the strict EMBI+ limits on secondary market trading liquidity.

MSCI EAFE is made up of approximately 1,045 equity securities issued by companies located in 19 countries and listed on the stock exchanges of Europe, Australia, and the Far East. All values are expressed in US dollars. All values are expressed in US dollars. Past performance is no guarantee of future results.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of May 2005, the MSCI Emerging Markets Index consisted of the following 26 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, Turkey, and Venezuela.

The MSCI Europe Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. As of June 2007, the MSCI Europe Index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

The New York Mercantile Exchange (NYMEX) is a commodity futures exchange owned and operated by CME Group of Chicago.

The Russell 1000 Index consists of the 1,000 largest securities in the Russell 3000 Index, which represents 90% of the total market capitalization of the Russell 3000 Index. It is a large-cap, market oriented index and is highly correlated with the S&P 500 Index.

Russell 1000® Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

Russell 2000® Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000® Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell Mid Cap Index offers investors access to the mid cap segment of the U.S. equity universe. The Russell Mid Cap Index is constructed to provide a comprehensive and unbiased barometer for the mid-cap segment and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid cap opportunity set. The Russell Mid Cap Index includes the smallest 800 securities in the Russell 1000.

The Russell Mid Cap Value Index offers investors access to the mid cap value segment of the U.S. equity universe. The Russell Mid Cap Value Index is constructed to provide a comprehensive and unbiased barometer of the mid cap value market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine value probability approximates the aggregate mid cap value manager's opportunity set.

The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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