

CAPITAL MARKET REVIEW *December 2011*

December Highlights

December was a trying month for global equity markets, a recurring theme throughout 2011. The S&P 500 Index returned 1.02% in December and 2.11% for the year. The MSCI EAFE Index lost -0.95% for the month and -12.14% for the year. The performance spread between the two indices has not been this large since 1997 on a calendar year basis.

U.S. REITs held up well this month, earning 4.70% according to the DJ U.S. Select REIT Index. The asset class was a top performer in 2011, earning 9.37%.

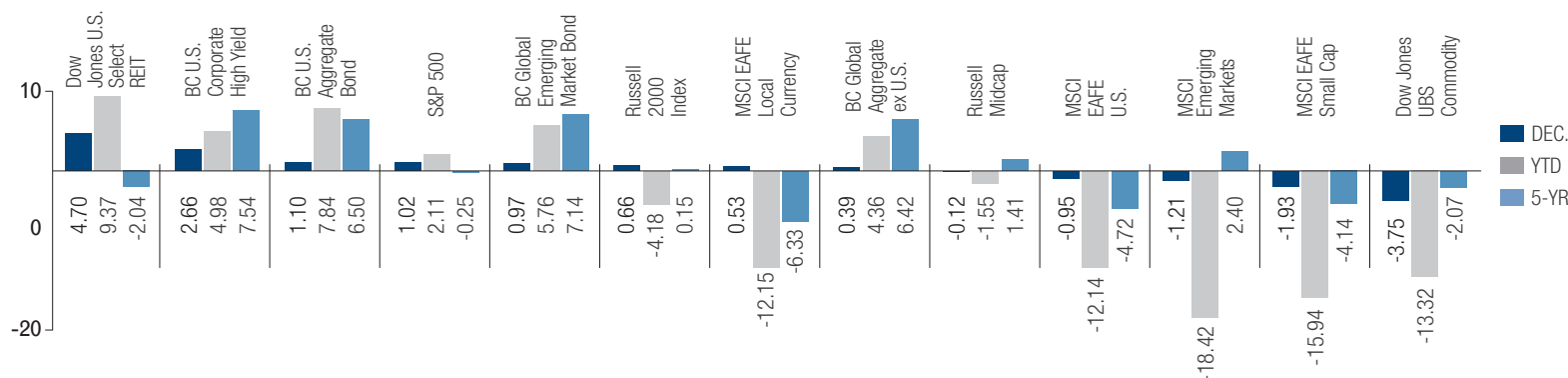
Value outperformed growth across all market caps in December, both domestically and internationally.

Telecom was the top performing sector for the S&P 500, returning 3.97% for the month of December. Index performance was hindered by info tech, energy, and materials sectors: all reported losses for the month.

Both domestic high yield and investment grade corporate bonds outperformed in the global fixed income markets this month. According to the Barclays Capital Indices, U.S. High Yield bonds and U.S. Investment Grade bonds earned positive returns of 2.66% and 2.14%.

Commodities, measured by the DJ UBS Commodities Index, struggled through year end, losing -3.75% in December and -13.32% for the year. Gold, representing approx. 12.7% of the index, was down -9.82% this month.

Index Returns (%)



Focus Items

	12/31/11	11/30/11	1-Mth Change	12/31/10
Japanese Yen/U.S. Dollar	76.9172	77.5916	-0.87%	80.9127
Euro to Dollar	0.7721	0.7442	3.75%	0.7471
Gold	1574.50	1746.00	-9.82%	1410.25
10-Year Treasury Rate	1.89	2.08	-9.13%	3.30
Light Crude Oil	98.83	100.36	-1.52%	91.38

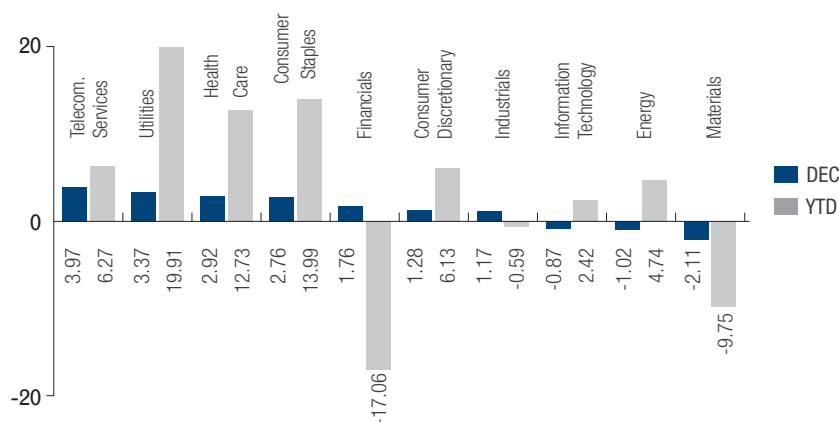
International Equity Returns (%)

	Dec.	YTD	12-Mths	5-ys
MSCI EAFE Value	-0.59	-12.17	-12.17	-6.33
MSCI EAFE	-0.95	-12.14	-12.14	-4.72
MSCI EAFE Growth	-1.30	-12.11	-12.11	-3.16

Fixed Income Sector Returns (%)

	Dec.	YTD	12-Mths
Barclays Aggregate	1.10	7.84	7.84
Corporate	2.14	8.15	8.15
Treasury	0.97	9.82	9.82
Gov't Related	0.81	6.66	6.66
Securitized	0.73	6.21	6.21

S&P Sector Returns (%)



Equity Style Returns (%)

		Value			Core			Growth		
		Large	Mid	Small	Large	Mid	Small	Large	Mid	Small
DECEMBER	Large	2.02	0.84	-0.32	0.39	1.50	2.64	1.25	-0.12	-1.50
	Mid	1.25	-0.12	-1.50	-1.38	-1.55	-1.65	1.57	0.66	-0.22
	Small	1.57	0.66	-0.22	-5.50	-4.18	-2.91			
YEAR-TO-DATE	Large	0.39	1.50	2.64	0.39	1.50	2.64	0.39	1.50	2.64
	Mid	-1.38	-1.55	-1.65	-1.38	-1.55	-1.65	-1.38	-1.55	-1.65
	Small	-5.50	-4.18	-2.91	-5.50	-4.18	-2.91	-5.50	-4.18	-2.91

THIS MATERIAL IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE USED OR CONSTRUED AS A RECOMMENDATION REGARDING ANY SECURITY OUTSIDE OF A MANAGED ACCOUNT.

There is no assurance that any investment strategy will be successful or that any securities transaction, holdings, sectors or allocations discussed will be profitable. It should not be assumed that any investment recommendation or decisions made in the future will be profitable or will equal any investment performance discussed herein.

Please note that all indices are unmanaged and investors cannot invest directly in an index. An investor who purchases an investment product which attempts to mimic the performance of an index will incur expenses that would reduce returns. Past performance is not indicative of future results.

Fixed income securities are subject to interest rate risk. Generally, when interest rates rise, bond prices fall, and vice versa. Specific sector investing can be subject to different and greater risks than more diversified investments.

Investing in small-cap and mid-cap stocks generally involves greater risks, and, therefore, may not be appropriate for every investor. International investing also involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility. High-yield (below investment-grade) bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio. Commodities trading is generally considered speculative because of the significant potential for investment loss.

Specific sector investing such as real estate can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments

ASSET CLASS RETURNS: Source: Russell, Barclays, Dow Jones, JP Morgan, Callan Associates.

S&P 500 SECTOR RETURNS: [Source: Standard & Poor's] Returns are based on the GICS Classification model. Returns are cumulative total return for stated period, including reinvestment of dividends.

STYLE RETURNS: [Source: Russell] Style box returns based on the GICS Classification model. All values are cumulative total return for stated period including reinvestment of dividends. The Indices used from L to R, top to bottom are: Russell 1000 Value Index, Russell 1000 Index, Russell 1000 Growth Index, Russell Mid-cap Value Index, Russell Mid-cap Blend Index, Russell Mid-cap Growth Index, Russell 2000 Value Index, Russell 2000 Index, and Russell 2000 Growth Index.

INTERNATIONAL EQUITY STYLE RETURNS, AND FOCUS ITEMS: Source: Callan Associates

FIXED INCOME SECTORS: [Source: Barclays] Returns based on the four sectors of Barclays Global Sector Classification Scheme: Securitized (consisting of U.S. MBS Index, the ERISA-Eligible CMBS Index, and the fixed-rate ABS Index), Government Related (consisting of U.S. Agencies and non-corporate debts with four sub sectors: Agencies, Local Authorities, Sovereign, and Supranational), Corporate (dollar denominated debt from U.S. and non-U.S. industrial, utility, and financial institutions issuers), and Treasuries (includes public obligations of the U.S. Treasury that have remaining maturities of one year or more).

INDEX DESCRIPTIONS:

Barclays EM Debt: The Barclays Capital Global Emerging Markets Index represents the union of the USD-denominated U.S. Emerging Markets Index and the predominately EUR-denominated Pan Euro Emerging Markets Index, covering the emerging markets in the following regions: Americas, Europe, Middle East, Africa and Asia.

Barclays Aggregate Index: Measures changes in the fixed rate debt issues rated investment grade or higher by Moody's Investors Service, Standard and Poor's, or Fitch Investor's Service, in that order. The Aggregate Index is comprised of the Government/Corporate, the Mortgage-Backed Securities, and the Asset-Backed Securities indices.

Barclays Global Aggregate ex U.S.: Measures changes in global investment-grade, fixed-rate debt markets. It combines non-U.S. dollar-denominated versions of the (an-European Index and the Japanese, Canadian, Australian and New Zealand components of the Global Treasury Index.

Barclays High Yield: Covers the universe of fixed rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds,

and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, and 144-As are also included.

MSCI EAFE (Europe, Australasia, Far East): A free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

Dow Jones U.S. Select REIT: is a subset on the Dow Jones REIT Composite Index which contains all the publicly traded U.S. REITs in the Dow Jones U.S. stock universe. To be included, a company must be both an equity owner and operator of commercial and/or residential real estate, have a minimum total market capitalization of at least \$200 million at the time of its inclusion, and at least 75% of the company's total revenue must be derived from the ownership and operation of real estate assets. The real estate indexes are weighted by float-adjusted market capitalization.

MSCI EAFE Small Cap: The MSCI Developed Markets Small Cap Indices offer an exhaustive representation of this size segment by targeting companies that are in the Investable Market Index but not in the Standard Index in a particular developed market. The indices include Value and Growth style indices and industry indices based on the Global Industry Classification Standard (GICS).

MSCI EAFE Value: Represents approximately 50% of the free float-adjusted market capitalization of the MSCI EAFE index, and consists of those securities classified by MSCI as most representing the value style.

MSCI EAFE Growth: Represents approximately 50% of the free float-adjusted market capitalization of the MSCI EAFE index, and consists of those securities classified by MSCI as most representing the growth style.

MSCI Emerging Markets: Designed to measure equity market performance in 25 emerging market indexes. The index's three largest industries are materials, energy, and banks.

MSCI Local Currency: A special currency perspective that approximates the return of an index as if there were no currency valuation changes from one day to the next. **MSCI EAFE U.S. Dollar:** An unmanaged capitalization-weighted index of companies representing the stock markets of Europe, Australasia and the Far East.

Russell 1000: Measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 90% of the investable U.S. equity market.

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

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

Russell Mid-cap: Measures the performance of the 800 smallest companies of the Russell 1000 Index, which represent approximately 30% of the total market capitalization of the Russell 1000 Index.

Russell Mid-cap Value Index: Measures the performance of those Russell Mid-cap companies with lower price-to-book ratios and lower forecasted growth values.

Russell Mid-cap Growth Index: Measures the performance of those Russell Mid-cap companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000: Measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

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

Russell 2000 Growth Index: Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. Standard & Poor's 500 (S&P 500) Measures changes in stock market conditions based on the average performance of 500 widely held common stocks. **S&P 500:** Represents approximately 68% of the investable U.S. equity market.

Dow Jones UBS Commodity Index: Composed of futures contracts on 19 physical commodities (including precious metals, energy and livestock) traded on US exchanges, with the exception of aluminium, nickel and zinc, which trade on the London Metal Exchange (LME). The index serves as a diversified and highly liquid benchmark for the commodity futures market.