

MONTHLY MARKET REVIEW

March 2011

U.S. Economy

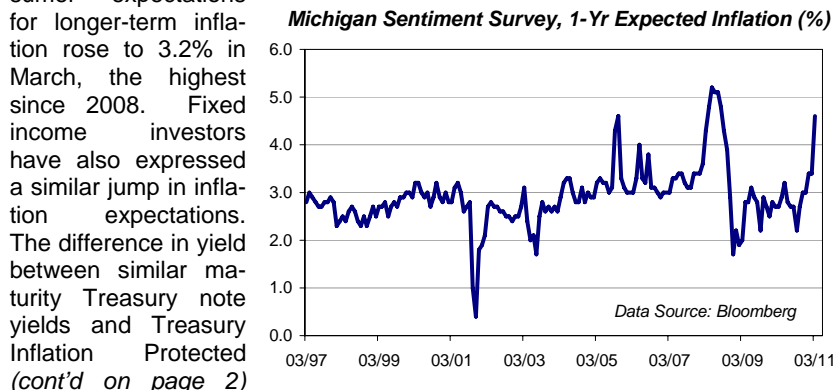
As the U.S. economy continues to improve, the potential for rising inflation has come into greater focus amongst economists and investors as the Federal Reserve has maintained its accommodative zero interest-rate policy.

The uncertain and relatively weak economic growth that initially followed the downward spiral of the financial crisis has strengthened and solidified in recent months, leaving few signs that the economy could again turn negative over the foreseeable future. The six-month growth rate in the Conference Board's leading economic indicators index rose to 3.9% in February, a ten-month high, and a level consistent with solid U.S. GDP growth into the summer. Thus far, the Federal Reserve has maintained its quantitative easing and zero interest-rate policy, sparking calls from some market pundits that the Fed is "falling behind the curve" by not beginning to shift policy. The European Central Bank became the first developed market central bank to begin tightening when it raised its benchmark rate by 0.25% to a level of 1.25% in early April.

Much of the concern over inflation has been driven by surging energy and commodity prices that have begun to impact the consumer. The broad CRB commodities index has risen 8% this year and more than 31% over the last 12 months. Crude oil jumped 10% in March and is up more than 16% this year. Higher energy prices are filtering through to the consumer. According to the Energy Information Administration, the price of a gallon of regular grade gasoline has jumped 5.9% over the last month, 17.3% on a year-to-date basis, and 28.0% over the last 12 months, approaching the peaks reached in 2008.

The jump in energy and food prices has driven the U.S. Consumer Price Index (CPI) to a 2.1% increase over the last year, within normal historical averages, but up considerably from just 1.1% in November. The Federal Reserve has dubbed the rise in commodities and headline inflation as "transitory", suggesting it will have little effect on sustained inflation or core inflation (CPI less food and energy prices). The Core CPI index has risen just 1.1% over the last 12 months, but is up from 0.6% in October.

Historically, persistent inflation problems have coincided with rising future inflation expectations from consumers and investors. Both groups have shifted expectations higher in recent months. Consumers in the University of Michigan's March sentiment survey are expecting 4.6% inflation over the next year, up sharply from 3.0% at the beginning of the year (see chart). Consumer expectations

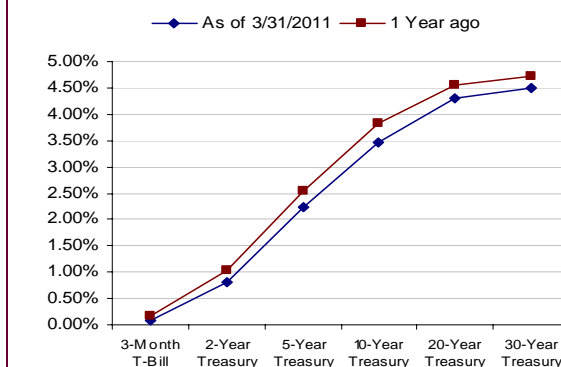


Market Data

Change in Price

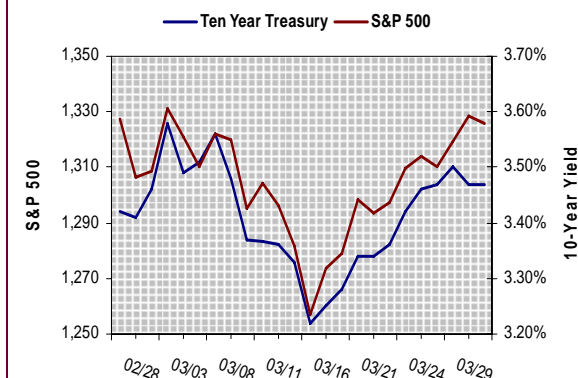
Equity Indices	3.31.11 Close	1-Month		YTD		1-Year	
		Pts.	%	Pts.	%	Pts.	%
Dow Jones Ind. Avg	12319.70	93.40	0.76%	742.20	6.41%	1463.10	13.48%
S&P 500	1325.83	-1.39	-0.10%	68.19	5.42%	156.40	13.37%
Nasdaq Composite	2781.07	-1.20	-0.04%	128.20	4.83%	383.11	15.98%
Commodities							
Oil: \$ Per Barrel	106.72	9.75	10.05%	15.34	16.79%	22.96	27.41%
Gold: \$ Per Ounce	1438.90	29.00	2.06%	17.50	1.23%	325.60	29.25%
Currencies							
\$ per € (euro)	1.42	0.04	2.55%	0.08	5.76%	0.06	4.80%
¥ (yen) per \$	83.13	1.35	1.65%	1.97	2.43%	-10.33	-11.05%
\$ per £ (pound)	1.60	-0.02	-1.41%	0.04	2.66%	0.08	5.56%

U.S. Treasury Yields:



Term	Yield at month end	One-Month Change	One-Year Change
3 Months	0.09%	-0.06%	-0.07%
2 Years	0.80%	0.11%	-0.22%
5 Years	2.24%	0.11%	-0.31%
10 Years	3.47%	0.05%	-0.37%
20 Years	4.29%	0.04%	-0.26%
30 Years	4.51%	0.02%	-0.21%

Intra-Month Markets



U.S. Economy (cont'd from page 1)

Security (TIPS) yields is a direct measure of bond market inflation expectations. The five-year forward TIPS implied inflation rate is now at 2.3%, up from 1.8% at the beginning of the year and 1.1% in September. Similarly, the ten-year TIPS implied inflation has risen to 2.5% from 2.3% in December and 1.6% in September. While these expected inflation rates are well within historical ranges, the underlying trend is rising. If economic growth remains solid, the labor market continues to improve, and inflation expectations continue to rise, the Federal Reserve will be forced to begin tightening its economic policy over the coming months, following in the footsteps of the European Central Bank.

U.S. Equities

Total Return Through March 2011

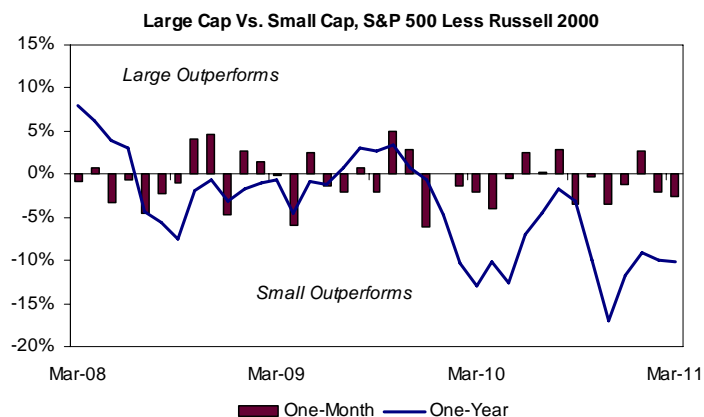
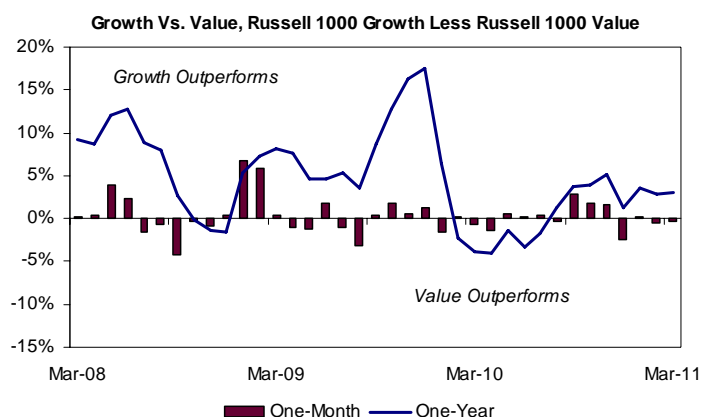
	Year-To-Date
S&P 500	5.92%
Energy	16.79%
Industrials	8.75%
Healthcare	5.62%
Telecom	4.85%
Cons. Disc.	4.71%
Materials	4.54%
Technology	3.47%
Financials	3.06%
Utilities	2.78%
Cons. Staples	2.52%

The S&P 500 index eked out a 0.04% gain in March, rising for the seventh straight month in March for the first time since September 2009. The index is up 15.65% over the last 12 months, trailing the 25.79% return of the small-cap Russell 2000 index by more than 10%. The small-cap index was also ahead for the month, returning 2.59%. The Russell 1000 Value index returned 0.40% in March, outperforming its Growth counterpart by 0.28%.

With the S&P 500 up 5.92% this year, sectors considered more cyclical have continued to perform relatively strong, while the weakest sectors have those considered more defensive. The surge in oil prices this year has driven the Energy sector to an index best 16.79% return through March, nearly double the next closest industry (see chart). The cyclical Industrials sector is the only other group to outperform the broad S&P 500 at 8.75% year-to-date. Two non-cyclical sectors, Utilities and Consumer Staples, have posted the lowest year-to-date returns in the S&P 500.

Source: Bloomberg

The charts below illustrate the relative rolling returns of growth vs. value stocks and large-cap vs. small-cap stocks.



Index	Asset Class	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	All-Cap Core	0.34	6.00	6.00	17.58	3.88	3.30	4.63
S&P 500	Large-Cap Core	0.04	5.92	5.92	15.65	2.35	2.62	3.29
S&P 500/Citigroup Growth	Large-Cap Growth	0.30	5.07	5.07	16.56	4.74	4.09	2.31
S&P 500/Citigroup Value	Large-Cap Value	(0.22)	6.80	6.80	14.79	(0.19)	1.05	4.16
S&P 400	Mid-Cap Core	2.45	9.36	9.36	26.95	10.00	6.07	9.36
S&P 600	Small-Cap Core	3.01	7.71	7.71	25.27	8.36	3.67	9.20
Russell 1000	Large-Cap Core	0.26	6.24	6.24	16.69	2.98	2.93	3.83
Russell 1000 Growth	Large-Cap Growth	0.12	6.03	6.03	18.26	5.19	4.34	2.99
Russell 1000 Value	Large-Cap Value	0.40	6.46	6.46	15.15	0.60	1.38	4.53
Russell Midcap	Mid-Cap Core	1.53	7.63	7.63	24.27	7.25	4.67	8.52
Russell Midcap Growth	Mid-Cap Growth	1.63	7.85	7.85	26.60	7.63	4.93	6.94
Russell Midcap Value	Mid-Cap Value	1.44	7.42	7.42	22.26	6.61	4.04	9.24
Russell 2500	SMID-Cap Core	2.27	8.70	8.70	26.12	8.89	4.39	8.85
Russell 2500 Growth	SMID-Cap Growth	2.96	9.83	9.83	30.08	9.67	5.25	7.54
Russell 2500 Value	SMID-Cap Value	1.64	7.68	7.68	22.67	7.95	3.32	9.56

U.S. Equities (cont'd from page 2)

Index	Asset Class	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Russell 2000	Small-Cap Core	2.59	7.94	7.94	25.79	8.57	3.35	7.87
Russell 2000 Growth	Small-Cap Growth	3.75	9.24	9.24	31.04	10.16	4.34	6.44
Russell 2000 Value	Small-Cap Value	1.39	6.60	6.60	20.63	6.76	2.23	9.01
Russell Micro Cap	Micro Cap Core	2.72	6.80	6.80	25.32	6.46	(0.15)	8.10
NAREIT Composite Index	REITS	(1.37)	6.98	6.98	24.68	2.93	0.93	10.88

U.S. Fixed Income

Treasury yields remained relatively flat for the month but were volatile intra-month as yields fell immediately after the Japan earthquake, but rose close to pre-earthquake levels by month end. The Barclays Treasury index returned -0.06% in March and -0.16% for the first quarter.

The Barclays Aggregate index returned 0.06% in March. MBS led spread sectors with a return of 0.28% for the month and 0.34% in excess returns versus comparable Treasuries. The CMBS sector cooled off in March, trailing comparable Treasuries by 0.54% for the month, but still outperforming by 2.03% for the quarter.

The Barclays Muni index fell 0.33% in March, but still ended with a gain of 0.51% for the first quarter. New issuance was light as March saw the lowest new issuance in a quarter since 2000. Bond flows remained negative, but the pace of withdrawals decreased sharply in March.

Index	Asset Class	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Citigroup 3-Month T-Bill	Cash	0.01	0.04	0.04	0.15	0.47	2.10	2.12
Merrill Lynch 1-3 Year U.S. Treasury	Short Treasuries	(0.05)	0.03	0.03	1.67	2.22	4.10	3.64
Barclays 1-3 Yr Govt/Credit	Short Govt/Credit Bonds	(0.01)	0.18	0.18	2.08	3.00	4.48	4.05
Barclays Intern. Aggregate	Intern. Core Bonds	0.07	0.48	0.48	4.76	5.17	5.96	5.38
Barclays Intern. Govt/Credit	Intern. Govt/Credit Bonds	(0.02)	0.34	0.34	4.63	4.49	5.68	5.20
Barclays Aggregate	Core Bonds	0.06	0.42	0.42	5.12	5.30	6.03	5.56
Barclays Long Govt/Credit	Long Govt/Credit Bonds	(0.08)	(0.02)	(0.02)	8.45	6.50	6.65	6.82
Barclays Government	Government Bonds	(0.03)	(0.08)	(0.08)	4.28	3.66	5.63	5.15
Barclays Credit	Corporate Bonds	(0.04)	0.89	0.89	7.01	7.02	6.42	6.19
Barclays Mortgage	Mortgage-Backed Bonds	0.28	0.58	0.58	4.37	5.88	6.48	5.66
Barclays US TIPS	TIPS	1.02	2.08	2.08	7.91	3.93	6.25	6.74
Barclays Municipals	Municipal Bonds	(0.33)	0.51	0.51	1.63	4.47	4.14	4.66
Barclays High Yield	High Yield Bonds	0.32	3.88	3.88	14.31	12.94	9.12	8.63
Merrill Lynch All U.S. Convertible	Convertible Securities	0.48	5.07	5.07	16.15	7.61	5.66	6.14

International

On March 11, Japan was struck by an earthquake and tsunami causing severe property and economic damage, and terrible human suffering with over 10,000 deaths and 15,000 missing. The Nikkei 225 index fell 16.00% over the first two trading days after the disaster. It rebounded slightly after economic actions were announced and fell 8.18% for the month. The Bank of Japan pumped a record 15 trillion yen (\$183 billion) of cash into the financial system and doubled its asset-purchase program over concern that corporate and household sentiment would worsen and production would decline in the aftermath. Japan's manufacturing did deteriorate by the fastest pace in at least nine years, as an index of purchasing managers issued by Market Economics fell to 46.4 from 52.9. It was the biggest drop since the survey began in 2001 with a number below 50 indicating a contraction.

With the Yen in a strong rally mode after the earthquake and reaching a high of 76.25 yen per U.S. dollar on March 17, the G-7 began intervening in the currency markets for the first time since 2000 and sold Yen. The Yen would close the month at 83.13, down about 1.50% for the month. A strong Yen would be expected to hurt Japan's export based economy.

For a comparison, the Kobe earthquake in January 1995 killed 6,400 people. The Nikkei fell 7.56% in the first week after the disaster and was down 24.90% at mid-year. The index rebounded in the second half of the year and finished slightly above its pre-earthquake level.

In early April, the European Central Bank raised rates for the first time in nearly three years, increasing its benchmark rate by 0.25% to 1.25%. Portugal became the third euro-region country to ask for assistance, seeking a bailout package that may total 75 billion euros (\$107 billion).

In a bit of a surprise move, China raised rates for the fourth time in five months in early April, increasing the one-year lending rate by 0.25% to 6.31% and the one-year deposit rate by 0.25% to 3.25%. Manufacturing growth accelerated for the first (cont'd on page 4)

International (cont'd from page 3)

time in four months as the Purchasing Managers' Index rose to 53.4 in March from 52.2 in February. Expectations are that inflation rose 5.20% in March per Bloomberg estimates after increasing 4.90% in February (above the government's target of 4.00%).

<i>Index</i>	<i>Asset Class</i>	<i>1 Mo</i>	<i>3 Mo</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>10 Yr</i>
International Equities								
MSCI World	Global Developed Mkt Equity	(0.94)	4.91	4.91	14.03	0.34	2.64	4.73
MSCI EAFE	Intl Developed Market Equity	(2.20)	3.45	3.45	10.90	(2.53)	1.78	5.83
MSCI Europe	European Equity	(0.79)	6.56	6.56	13.29	(3.52)	2.64	6.21
MSCI Japan	Japanese Equity	(9.12)	(4.85)	(4.85)	1.60	(3.48)	(4.57)	1.52
MSCI Pacific	Pacific Equity	(4.91)	(1.98)	(1.98)	7.01	(0.09)	0.09	5.05
MSCI Emerging Markets	Emerging Market Equity	5.90	2.10	2.10	18.78	4.62	11.01	17.12
International Fixed Income								
Barclays Global Aggregate	Global Invest. Grade Bonds	0.47	1.24	1.24	7.15	3.94	6.95	7.02
Citigroup World Government Bond	Intl Developed Market Bonds	0.29	0.66	0.66	7.29	3.16	7.31	7.40
JP Morgan EMBI+	Emerging Market Bonds	0.34	(0.41)	(0.41)	7.49	8.03	7.93	10.30

Alternative Investments

<i>Index</i>	<i>Asset Class</i>	<i>1 Mo</i>	<i>3 Mo</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>10 Yr</i>
Goldman Sachs Commodity Ind.	Commodities	4.35	11.56	11.56	22.73	(12.41)	(3.34)	4.01
HFRI Equity Hedge	HF - Equity Long/Short	0.31	1.99	1.99	9.62	3.06	3.57	5.94
HFRI Equity Mkt Neutral	HF - Equity Market Neutral	0.73	1.86	1.86	3.91	0.05	1.93	3.04
HFRI Convert Arb	HF - Convertible Arbitrage	0.45	2.86	2.86	13.08	9.65	6.89	6.38
HFRI Distressed Sec	HF - Distressed Securities	(0.22)	2.75	2.75	9.64	4.74	5.03	9.97
HFRI Event Driven	HF - Event Driven Strategies	0.61	3.64	3.64	10.89	5.52	5.45	8.34
HFRI Fixed Income	HF - Fixed Income Strategies	0.29	2.64	2.64	10.47	6.34	4.62	6.37
HFRI Macro	HF - Macro Strategies	(1.31)	(0.79)	(0.79)	7.45	4.06	6.45	8.05