

# MONTHLY MARKET REVIEW

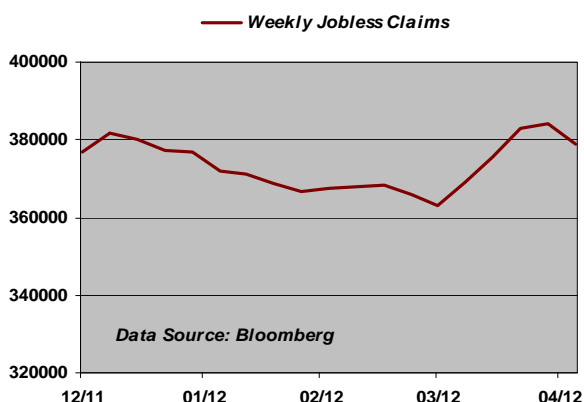
April 2012

## U.S. Economy

U.S. economic growth eased in the first quarter behind a slowdown in business investment. Real GDP grew an annualized 2.2%, down from 3.0% in the fourth quarter. Business spending fell 2.1%, the first decline since 2009. The downturn in business investment was blunted by a jump in consumer spending. Personal consumption increased 2.9%, up from 2.1% in the fourth quarter.

Consistent with the moderation in economic growth, recent data has revealed some softening in the labor market, or at least a pause in the upward trend that has been building in recent months.

The U.S. economy added a less-than-expected 115,000 jobs in April. The unemployment rate declined 0.1% to a level of 8.1%, but only because the labor force participation rate once again declined as more discouraged workers gave up looking for work altogether. The weak jobs report was in line with a recent rise in weekly jobless claims figures that followed several months of improving numbers (see chart).



The economy remains in the same 2.0% to 2.5% sub-par (when compared to past economic recoveries) growth range that has existed for several quarters, and leading indicators suggest a near-term continuation of the moderate growth. The Conference Board's index of leading indicators (LEI) has risen 2.7% over the last six months, well above the negative levels seen before a recession, but below the 5%+ levels recorded when the recession first ended. The LEI is consistent with continued moderate growth, with little danger of a near-term return to recession.

An external factor not captured by leading indicators that could negatively affect U.S. growth is the still unraveling fiscal crisis in Europe that has plunged that continent into another recession. The European Union accounts for approximately \$400 billion, or 20%, of total U.S. exports. During the last recession in Europe, exports from the U.S. fell by about 20%, indicating a potential \$80 billion hit to U.S. exports in a similar downturn. Such a decline in exports would be significant, but would not in and of itself be enough to derail U.S. economic growth given the size of the economy. The real threat may come in the form of financial market turbulence and broader economic disturbances if a deeper crisis developed. A disruption in the euro currency, losses to U.S. banks from exposure to European credits, and higher global borrowing costs would likely have a much more significant impact on both U.S. and global growth than any direct decline in exports. Nevertheless, the recession in Europe is an additional negative pressure on a U.S. economy already growing at a historically low post-recession rate.

## Market Data

### Change in Price

Equity Indices	04.30.12 Close	1-Month		YTD		1-Year	
		Pts.	%	Pts.	%	Pts.	%
Dow Jones Ind. Avg	13213.60	1.60	0.01%	996.00	8.15%	403.10	3.15%
S&P 500	1397.91	-10.56	-0.75%	140.31	11.16%	34.30	2.52%
Nasdaq Composite	3046.36	-45.21	-1.46%	441.21	16.94%	172.82	6.01%

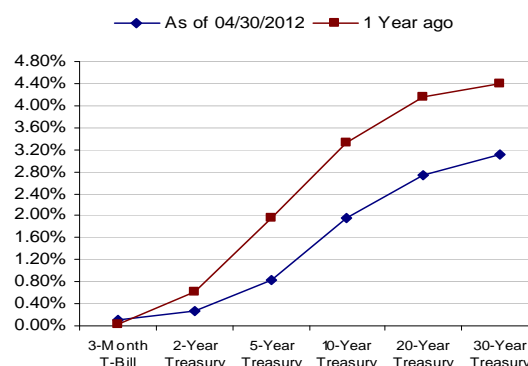
  

Commodities							
Oil: \$ Per Barrel	104.87	1.85	1.80%	6.04	6.11%	-9.06	-7.95%
Gold: \$ Per Ounce	1664.20	-5.10	-0.31%	97.40	6.22%	107.80	6.93%

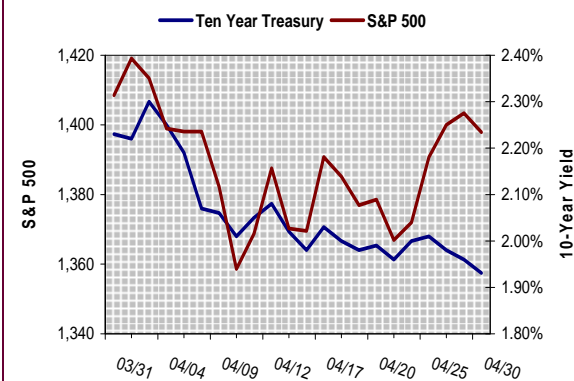
Currencies							
\$ per € (euro)	1.32	-0.01	-0.79%	0.02	1.84%	-0.16	-10.58%
¥ (yen) per \$	79.82	-3.05	-3.68%	2.92	3.80%	-1.38	-1.70%
\$ per £ (pound)	1.62	0.02	1.40%	0.07	4.41%	-0.05	-2.83%

### U.S. Treasury Yields:



Term	Yield at month end	One-Month Change	One-Year Change
3 Months	0.10%	0.03%	0.06%
2 Years	0.27%	-0.06%	-0.34%
5 Years	0.82%	-0.22%	-1.15%
10 Years	1.95%	-0.28%	-1.37%
20 Years	2.73%	-0.27%	-1.42%
30 Years	3.12%	-0.23%	-1.28%

## Intra-Month Markets

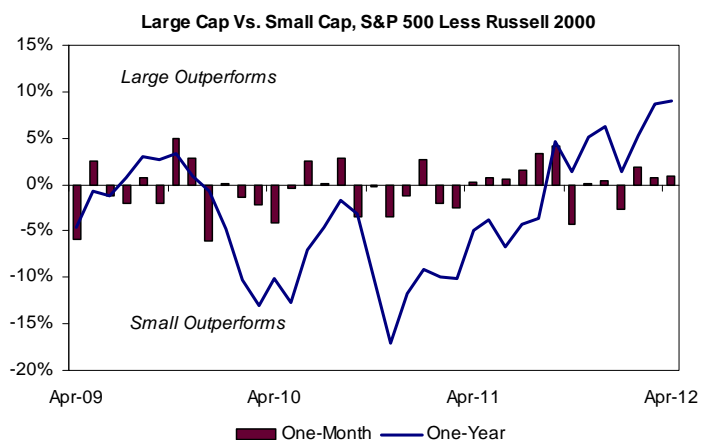
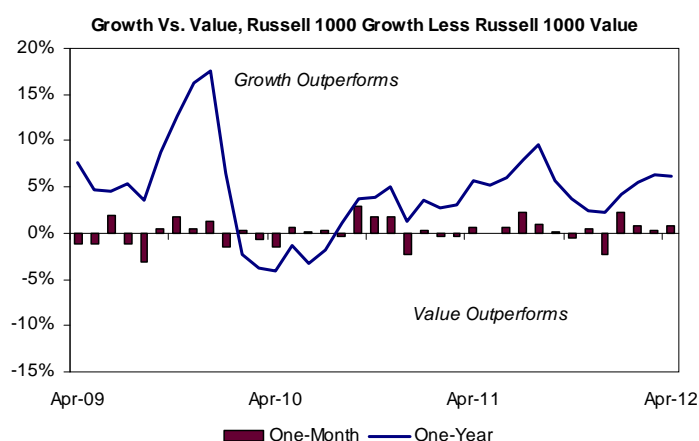


## U.S. Equities

The S&P 500 fell 0.63% in April, ending its consecutive run of positive returns at four months. Value stocks lagged during the month as the Russell 1000 Value index fell 1.02% and the Russell 1000 Growth index lost 0.15%. Small-cap stocks lagged large-caps for the third straight month as the Russell 2000 index fell 1.54%. Outperformance of the S&P 500 over the Russell 2000 index widened to 9.00% over the last 12 months.

With the majority of S&P 500 companies reporting, first quarter earnings grew a better than expected 7.8% from year-earlier levels per Reuters. Expectations in early April were for 3.2% growth. However, with economic growth moderating, consensus second-quarter earnings growth rate for the S&P 500 has fallen to 5.9% from 6.4% in March, according to FactSet. Energy companies are expected to see earnings decline by 15.1% in large part due to falling natural gas prices. Earnings growth estimates for materials companies have seen the biggest declines as second-quarter earnings are expected to decline by 10.8%, compared to an estimated decline of 6.8% in March.

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	(0.67)	6.65	12.02	3.31	20.01	1.56	5.54
S&P 500	Large-Cap Core	(0.63)	7.08	11.88	4.76	19.46	1.01	4.71
S&P 500/Citigroup Growth	Large-Cap Growth	(0.04)	7.78	12.22	8.12	20.49	3.84	4.90
S&P 500/Citigroup Value	Large-Cap Value	(1.33)	6.25	11.47	1.29	18.42	(1.91)	4.39
S&P 400	Mid-Cap Core	(0.23)	6.22	13.24	(0.94)	22.65	4.11	7.72
S&P 600	Small-Cap Core	(1.26)	3.75	10.57	1.07	21.95	2.90	7.14
Russell 1000	Large-Cap Core	(0.58)	7.03	12.25	4.11	19.88	1.23	5.09
Russell 1000 Growth	Large-Cap Growth	(0.15)	8.06	14.51	7.26	21.44	4.11	5.16
Russell 1000 Value	Large-Cap Value	(1.02)	5.98	9.99	1.03	18.32	(1.73)	4.83
Russell Midcap	Mid-Cap Core	(0.33)	6.13	12.56	(0.03)	22.98	2.19	8.03
Russell Midcap Growth	Mid-Cap Growth	(0.00)	6.77	14.52	0.78	23.57	3.55	7.50
Russell Midcap Value	Mid-Cap Value	(0.66)	5.49	10.67	(0.81)	22.43	0.50	7.95
Russell 2500	SMID-Cap Core	(0.73)	5.17	12.16	(2.23)	22.13	2.35	7.44
Russell 2500 Growth	SMID-Cap Growth	(0.86)	5.49	13.62	(1.61)	23.64	4.08	7.26
Russell 2500 Value	SMID-Cap Value	(0.61)	4.88	10.84	(2.78)	20.72	0.46	7.21
Russell 2000	Small-Cap Core	(1.54)	3.39	10.70	(4.25)	20.34	1.45	6.19
Russell 2000 Growth	Small-Cap Growth	(1.64)	3.66	11.42	(4.42)	21.83	3.27	6.06
Russell 2000 Value	Small-Cap Value	(1.45)	3.12	9.98	(4.06)	18.77	(0.49)	6.07
Russell Micro Cap	Micro Cap Core	(1.44)	4.71	13.64	(4.91)	19.87	(1.73)	5.37
NAREIT Composite Index	REITS	2.75	6.53	13.40	8.53	30.23	(0.19)	9.80

## U.S. Fixed Income

The Barclays Aggregate index rallied in April and gained 1.11%. Treasury yields dropped, reversing course after rising during the first quarter, with the ten-year Treasury yield falling 28 bps in April to 1.95%. Spread sectors underperformed duration-adjusted Treasuries, particularly credit which underperformed by 50 bps, and MBS and CMBS which underperformed by 24 bps and 21 bps, respectively.

Municipal bonds returned 1.15% during the month and flows into mutual funds remained very healthy. The high yield market returned 1.05% and spreads increased 6 bps to 5.82%. The Barclays TIPS index gained 2.02% and the break-even rate, considered a gauge of inflation expectations, fell to 2.25%.

Index	Asset Class	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Citigroup 3-Month T-Bill	Cash	0.01	0.01	0.01	0.04	0.11	1.03	1.80
BofA ML US Treasuries 1-3 Yrs	Short Treasuries	0.21	0.01	0.13	1.21	1.62	3.35	3.15
Barclays Capital 1-3 Yr Govt/Credit	Short Govt/Credit Bonds	0.20	0.21	0.56	1.48	2.54	3.73	3.56
Barclays Capital Intern. Govt/Credit	Intern. Govt/Credit Bonds	0.92	0.51	1.53	5.86	6.04	5.76	5.21
Barclays Capital Long Govt/Credit	Long Govt/Credit Bonds	3.20	(0.24)	1.01	21.07	14.35	9.50	8.48
Barclays Capital Intern. Aggregate	Intern. Core Bonds	0.81	0.65	1.47	5.80	6.16	5.97	5.32
Barclays Capital Aggregate	Core Bonds	1.11	0.53	1.41	7.54	7.06	6.37	5.71
Barclays Capital Mortgage	Mortgage-Backed Bonds	0.65	0.81	1.22	5.74	5.39	6.36	5.52
Barclays Capital Government	Government Bonds	1.35	(0.22)	0.22	8.17	4.89	6.20	5.44
Barclays Capital Credit	Corporate Bonds	1.34	1.29	3.40	9.20	11.79	7.04	6.58
Barclays Capital Municipals	Municipal Bonds	1.15	0.60	2.92	11.36	7.40	5.60	5.38
Barclays Capital US TIPS	TIPS	2.02	0.59	2.90	11.67	10.15	7.88	7.43
Barclays Capital US Corporate High Yield	High Yield Bonds	1.05	3.30	6.44	5.92	19.65	8.05	9.18
BofA ML All US Convertible	Convertible Securities	(1.19)	3.02	8.91	(3.53)	16.96	2.86	6.04

## International

The MSCI EAFE index returned -1.84% and the MSCI Emerging Markets index returned -1.18% in April. Both indices are now down 12.3% over the past year and they trail the S&P 500 by 17.0% during that period.

Recent election results in Greece are a cause of concern for the bailout measures that are currently in place as anti-bailout parties won a large portion of the country's parliament seats. The two biggest parties in Greece are now short of a clear majority to keep bailout efforts on track. Many of the new parliament members favor anti-austerity measures opening the door for Greece to potentially leave the Euro and default on outstanding debt. A new Bloomberg Global Poll showed that more than 50% of investors expect Greece to leave the euro this year. France also witnessed similar election results as the platform of their newly elected president calls for increased spending and delayed deficit cuts.

Bank of England officials halted stimulus expansion after seven months of bond purchases as inflation threats are over-riding concerns about a double-dip recession. This marks the end of the bank's second round of stimulus as it purchased \$525 billion of bonds. Despite ending this stimulus plan, the economy is still on a weak footing as manufacturing and services weakened in April and the economy shrank 0.2% during the first quarter.

Economic data in China showed imports rose just 0.3% and exports rose 4.9% in April, both well below analyst expectations. Early data points for a key purchasing managers index showed a reading of 49.1 in April, the sixth month with a reading below 50 which is considered a contraction.

Index	Asset Class	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
<b>International Equities</b>								
MSCI World	Global Developed Mkt Equity	(1.07)	5.21	10.52	(4.07)	16.24	(1.21)	5.52
MSCI EAFE	Intl Developed Market Equity	(1.84)	3.40	8.94	(12.38)	12.30	(4.25)	5.89
MSCI Europe	European Equity	(2.11)	3.58	8.47	(15.77)	12.42	(5.03)	5.83
MSCI Japan	Japanese Equity	(3.19)	3.13	7.79	(3.14)	7.54	(5.31)	3.14
MSCI Pacific	Pacific Equity	(1.40)	3.12	9.78	(5.37)	12.32	(2.49)	6.07
MSCI Emerging Markets	Emerging Market Equity	(1.18)	1.29	12.79	(12.34)	18.67	3.77	14.26
<b>International Fixed Income</b>								
Barclays Global Aggregate	Global Invest. Grade Bonds	1.18	0.38	2.06	3.30	7.62	6.39	7.15
Citigroup World Government Bond	Intl Developed Market Bonds	1.48	(0.50)	0.97	3.33	6.74	6.86	7.67
JP Morgan EMBI+	Emerging Market Bonds	1.91	4.49	6.03	13.36	14.80	8.68	11.46

**Alternative Investments**

<b>Index</b>	<b>Asset Class</b>	<b>1 Mo</b>	<b>3 Mo</b>	<b>YTD</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>
Goldman Sachs Commodity Ind.	Commodities	(0.51)	3.04	5.34	(10.58)	13.29	(2.71)	4.62
HFRI Equity Hedge	HF - Equity Long/Short	(0.57)	2.34	6.33	(5.96)	8.42	0.73	5.04
HFRI Equity Mkt Neutral	HF - Equity Market Neutral	0.09	0.53	1.81	(2.28)	1.65	0.04	2.22
HFRI Convert Arb	HF - Convertible Arbitrage	(0.06)	3.46	6.37	(1.71)	15.87	4.37	5.19
HFRI Distressed Sec	HF - Distressed Securities	(0.24)	2.37	4.60	(2.18)	12.92	1.94	8.62
HFRI Event Driven	HF - Event Driven Strategies	(0.16)	2.14	4.74	(3.24)	11.06	2.17	7.09
HFRI Fixed Income	HF - Fixed Income Strategies	(0.45)	1.73	3.16	(1.59)	9.90	2.30	5.07
HFRI Macro	HF - Macro Strategies	(0.35)	(0.91)	0.34	(5.53)	3.05	4.34	6.95