

MONTHLY MARKET REVIEW

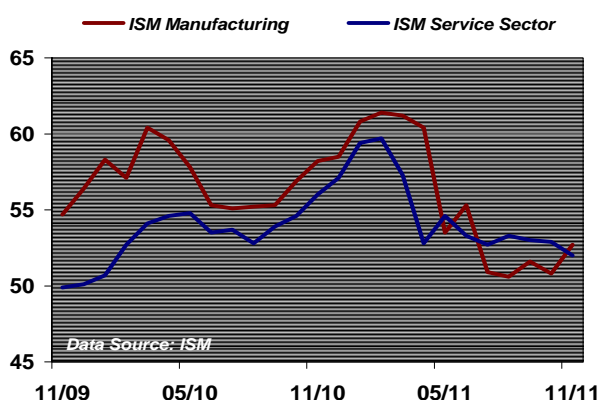
November 2011

U.S. Economy

While dangers of an external shock to the U.S. economy from the European debt crisis remain, incoming U.S. economic indicators continue to reveal a modest firming in economic activity since a mid-year downturn.

Ending a downward trend, the Institute for Supply Management's (ISM) economic activity indices have stabilized over the last few months. The ISM manufacturing

index rose to a five-month high of 52.7 in November, remaining above the key 50 level that divides growth from contraction. While falling to a recent low of 52.0, the ISM service-sector index has remained within a two-point range over the last six months after falling sharply in the spring. After heading downward toward 50 this spring, both measures have leveled off and remained in the expansion zone (see chart).



U.S. labor market statistics are also signaling a clear halt in any march toward another recession. Initial weekly jobless claims, a good real-time indicator of labor market demand, have trended lower over the last few months. The four-week moving average of initial jobless claims dropped below 400,000 in November for the first time since April after being above 420,000 as recently as September. Total nonfarm jobs created in the economy, while still weak, has remained above 100,000 for five straight months for the first time since 2006.

Despite growing concern among some economists of a potential near-term recession just a few months ago, the six-month growth rate in the Conference Board's index of leading indicators (LEI) never came close to a level that would have been consistent with an impending recession. The growth rate, which turned negative before the start of the last recession, has remained above 1.75% throughout this year and is actually now at a three-month high.

Over the near-term, the greatest threat to the economy's continued expansion is external, in the form of the European debt crisis. While now likely to pull Europe back into recession, a harsh fall in Europe or a shock to the structure of the euro region would release a shockwave across the global economy. Longer-term, the U.S. economy's own fiscal mess looms as a substantial hindrance to an exit from the current moderate 2% growth path the economy has been running down.

U.S. Equities

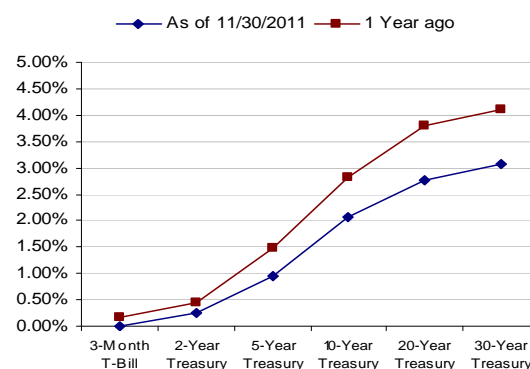
Coming off of its strongest month in 20 years, the S&P 500 declined 0.22% in November, bringing its year-to-date return to just 1.08%. (cont'd on page 2)

Market Data

Change in Price

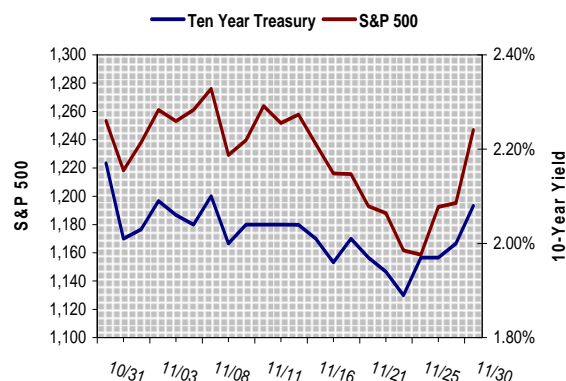
Equity Indices	11.30.11 Close	1-Month		YTD		1-Year	
		Pts.	%	Pts.	%	Pts.	%
Dow Jones Ind. Avg	12045.70	90.70	0.76%	468.20	4.04%	1039.70	9.45%
S&P 500	1246.96	-6.34	-0.51%	-10.68	-0.85%	66.41	5.63%
Nasdaq Composite	2620.34	-64.07	-2.39%	-32.53	-1.23%	122.11	4.89%
Commodities							
Oil: \$ Per Barrel	100.36	7.17	7.69%	8.98	9.83%	16.25	19.32%
Gold: \$ Per Ounce	1745.50	20.30	1.18%	324.10	22.80%	360.50	26.03%
Currencies							
\$ per € (euro)	1.34	-0.04	-2.97%	0.01	0.44%	0.05	3.57%
¥ (yen) per \$	77.62	-0.55	-0.70%	-3.54	-4.36%	-6.06	-7.24%
\$ per £ (pound)	1.57	-0.04	-2.38%	0.01	0.59%	0.01	0.91%

U.S. Treasury Yields:



Term	Yield at month end	One-Month Change	One-Year Change
3 Months	0.01%	0.00%	-0.16%
2 Years	0.25%	0.00%	-0.20%
5 Years	0.96%	-0.03%	-0.51%
10 Years	2.08%	-0.09%	-0.73%
20 Years	2.77%	-0.12%	-1.03%
30 Years	3.06%	-0.10%	-1.06%

Intra-Month Markets



U.S. Equities (cont'd)

A negative return for the year would produce a relatively rare occurrence. Despite all of the market turmoil in recent years, the S&P 500 has recorded a negative total return in only one of the last eight years (5.3% annualized return overall), four of the last 20 years (9.1% annualized return), six of the last 30 years (10.7% annualized return), and nine of the last 40 years (10.2% annualized return).

Across the market-cap and style spectrum U.S. stock returns exhibited little dispersion last month with index returns falling between 0% and -0.60%. The small-cap Russell 2000 index returned -0.36%. The broad Russell 3000 Value index declined 0.49%, trailing its Growth counterpart by 0.44%. Year-to-date, the Growth index is ahead by 4.54%.

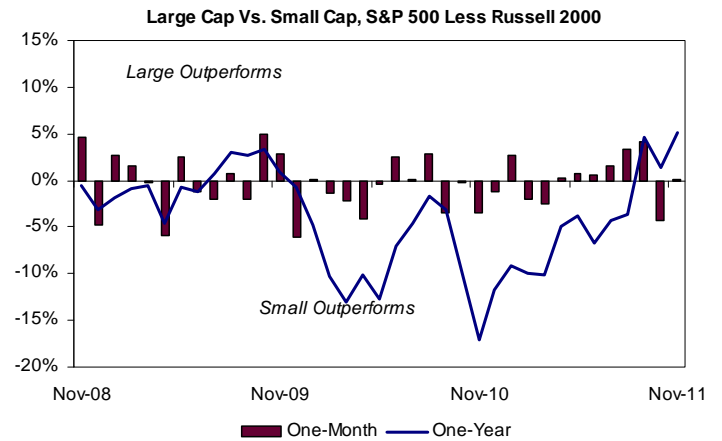
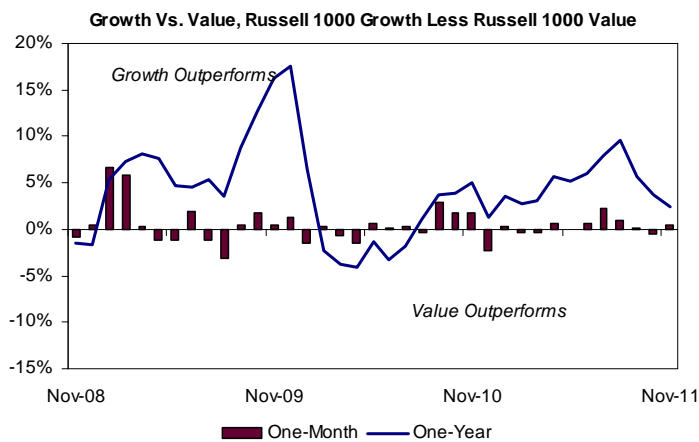
With a full 497 of the 500 companies in the S&P 500 having reported, third-quarter operating earnings growth is at 14.9% according to data from Bloomberg. The percentage of companies with positive earnings surprises fell to 68.9% from 70.7% in the third quarter of last year. Nine of ten sectors recorded positive earnings growth, with Financials delivering a -0.9% growth rate. The strongest earnings growth came from the Energy and Materials sectors (see table).

S&P 500 Third-Quarter Earnings Growth

Consumer Disc.	15.9%
Consumer Staples	6.1%
Energy	60.5%
Financials	-0.9%
Health Care	6.8%
Industrials	19.0%
Technology	9.8%
Materials	30.0%
Telecom	19.6%
Utilities	4.8%
S&P 500	14.9%

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	(0.46)	2.42	(0.25)	6.42	15.73	0.39	4.02
S&P 500	Large-Cap Core	(0.22)	2.90	1.08	7.83	14.13	(0.18)	2.91
S&P 500/Citigroup Growth	Large-Cap Growth	(0.14)	3.14	4.31	9.75	16.89	2.39	2.82
S&P 500/Citigroup Value	Large-Cap Value	(0.32)	2.65	(2.27)	5.77	11.23	(2.85)	2.84
S&P 400	Mid-Cap Core	(0.30)	1.40	(1.36)	5.10	21.63	3.29	7.62
S&P 600	Small-Cap Core	0.63	3.82	(0.23)	7.41	18.85	1.69	7.66
Russell 1000	Large-Cap Core	(0.26)	2.64	0.66	7.38	15.10	0.07	3.37
Russell 1000 Growth	Large-Cap Growth	(0.01)	2.79	2.97	8.65	18.85	2.64	2.61
Russell 1000 Value	Large-Cap Value	(0.52)	2.49	(1.59)	6.17	11.32	(2.59)	3.93
Russell Midcap	Mid-Cap Core	(0.50)	1.62	(1.43)	5.39	21.91	1.44	7.43
Russell Midcap Growth	Mid-Cap Growth	(0.49)	1.58	(0.16)	6.07	24.16	2.56	5.84
Russell Midcap Value	Mid-Cap Value	(0.52)	1.65	(2.60)	4.75	19.59	(0.01)	7.97
Russell 2500	SMID-Cap Core	(0.35)	1.92	(2.73)	4.65	20.42	1.29	7.13
Russell 2500 Growth	SMID-Cap Growth	(0.48)	2.39	(0.37)	7.07	24.09	3.09	5.92
Russell 2500 Value	SMID-Cap Value	(0.23)	1.47	(4.85)	2.48	17.05	(0.67)	7.59
Russell 2000	Small-Cap Core	(0.36)	1.86	(4.80)	2.75	17.56	0.09	6.18
Russell 2000 Growth	Small-Cap Growth	(0.53)	2.00	(2.69)	4.70	21.21	2.08	5.14
Russell 2000 Value	Small-Cap Value	(0.20)	1.71	(6.96)	0.77	14.03	(2.01)	6.87
Russell Micro Cap	Micro Cap Core	(0.94)	(0.15)	(10.52)	(2.27)	15.38	(3.71)	5.16
NAREIT Composite Index	REITS	(3.61)	(2.30)	2.63	7.46	24.73	(3.34)	9.23

U.S. Fixed Income

The Barclays Aggregate index fell 0.09% in November. Yields on long-term Treasuries fell about 10 bps during the month from 10-year to 30-year Treasuries. The Barclays Treasury index gained 0.75% for the month. Most spread sectors underperformed Treasuries, with the credit sector weakening the most with a return of -1.68%, trailing duration-matched Treasuries by 2.57%.

Barclays Municipal index gained 0.59% in November, its seventh positive return out of the past 8 months. Fund flows have been positive with nearly \$2 billion in flows in November according to Lipper US Fund Flows, in contrast to the first half of the year which saw outflows of around \$30 billion. Default amounts in 2011 are expected to be around \$2 billion, but that number could more than double based on the Chapter 11 filing of AMR Corp (American Airlines), which backs nearly \$3 billion of airport facilities municipals.

Index	Asset Class	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Citigroup 3-Month T-Bill	Cash	0.00	0.01	0.08	0.09	0.14	1.45	1.87
BofA ML US Treasuries 1-3 Yrs	Short Treasuries	0.05	(0.00)	1.50	1.31	1.74	3.68	3.25
Barclays Capital 1-3 Yr Govt/Credit	Short Govt/Credit Bonds	(0.07)	(0.05)	1.49	1.36	3.13	3.98	3.62
Barclays Capital Interm. Govt/Credit	Interm. Govt/Credit Bonds	(0.24)	(0.06)	4.98	3.67	6.39	5.63	5.06
Barclays Capital Long Govt/Credit	Long Govt/Credit Bonds	(0.19)	5.17	18.45	15.93	13.94	8.51	8.02
Barclays Capital Interm. Aggregate	Interm. Core Bonds	(0.07)	0.14	5.16	4.17	6.92	5.85	5.26
Barclays Capital Aggregate	Core Bonds	(0.09)	0.75	6.67	5.52	7.69	6.14	5.59
Barclays Capital Mortgage	Mortgage-Backed Bonds	0.18	0.35	5.49	4.91	6.17	6.33	5.58
Barclays Capital Government	Government Bonds	0.67	1.49	8.06	6.31	4.88	6.22	5.41
Barclays Capital Credit	Corporate Bonds	(1.68)	0.01	6.29	5.21	12.44	6.20	6.07
Barclays Capital Municipals	Municipal Bonds	0.59	1.25	8.63	6.53	8.41	4.75	5.08
Barclays Capital US TIPS	TIPS	0.77	2.41	13.52	11.76	12.17	7.44	7.44
Barclays Capital US Corporate High Yield	High Yield Bonds	(2.16)	0.32	2.26	4.12	26.11	7.21	8.52
BofA ML All US Convertible	Convertible Securities	(2.38)	(1.49)	(5.36)	(1.90)	20.19	2.14	5.08

International

International equities underperformed U.S. markets in November as the MSCI EAFE index fell 4.83% and the MSCI Emerging Markets index fell 6.66%. International markets are well behind year-to-date as the EAFE index has fallen 10.90% and Emerging Markets index is down 17.18%, while the S&P 500 is positive with a return of 1.08%.

The European Central Bank cut their benchmark rate in November and again in early December, down to a record low of 1%. The Bank of England kept its primary interest rate at 0.5% and made no changes to their quantitative easing program, leaving it at \$432 billion. Italy's New PM Mario Monti announced 30 billion euros of austerity cuts in order to lower the nation's debt load. His plan was approved by his cabinet but still needs to get approval from Italy's parliament. Italy's 10 year bond yield fell closer to the 6% level from earlier highs of over 7%.

The Bank of Japan maintained lending rates at nearly 0% and kept their asset-buying fund at 20 trillion yen after increasing it by 5 trillion yen in late October. The bank downgraded their views on the country's economy due to "slowdowns in overseas economies and the appreciation of the yen." The currency is trading just under its all time highs. The Japanese economy did grow at an annual pace of 6% during the third quarter, with exports expanding as factories in the northeast region recovered from the March earthquake.

China's factory sector shrank for the first time in nearly three years, as a purchasing managers index fell to 49 in November from 50.4 (readings below 50 indicate contraction) with export orders falling sharply. China's central bank responded by shifting to an easing bias and cutting reserve requirements for banks and lenders. Consumer inflation fell to 5.5% from highs this past summer of 6.5% and the housing and property markets are beginning to show signs of cooling off as recent figures show sales falling over a one year period.

Index	Asset Class	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
International Equities								
MSCI World	Global Developed Mkt Equity	(2.38)	(1.52)	(5.00)	2.02	12.96	(1.41)	4.22
MSCI EAFE	Intl Developed Market Equity	(4.83)	(5.55)	(10.90)	(3.68)	10.63	(3.49)	5.28
MSCI Europe	European Equity	(4.48)	(4.64)	(9.11)	(1.48)	11.00	(3.72)	5.32
MSCI Japan	Japanese Equity	(4.41)	(6.15)	(14.90)	(8.41)	4.21	(6.13)	2.31
MSCI Pacific	Pacific Equity	(5.43)	(7.19)	(13.75)	(7.19)	10.20	(2.88)	5.29
MSCI Emerging Markets	Emerging Market Equity	(6.66)	(9.68)	(17.18)	(11.26)	23.98	3.86	15.21
International Fixed Income								
Barclays Global Aggregate	Global Invest. Grade Bonds	(1.75)	(2.74)	4.94	6.31	7.95	6.04	6.86
Citigroup World Government Bond	Intl Developed Market Bonds	(1.51)	(2.90)	5.44	7.30	6.80	6.55	7.40
JP Morgan EMBI+	Emerging Market Bonds	(0.47)	(0.33)	7.83	7.12	18.12	8.02	11.65

Alternative Investments

Index	Asset Class	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Goldman Sachs Commodity Ind.	Commodities	1.42	(2.24)	0.95	10.44	2.68	(4.16)	5.72
HFRI Equity Hedge	HF - Equity Long/Short	(1.60)	(2.96)	(7.49)	(3.83)	8.60	0.98	4.90
HFRI Equity Mkt Neutral	HF - Equity Market Neutral	(0.21)	(1.16)	(3.15)	(1.54)	(0.28)	0.33	2.21
HFRI Convert Arb	HF - Convertible Arbitrage	(1.31)	(1.53)	(6.67)	(2.89)	20.32	4.01	4.84
HFRI Distressed Sec	HF - Distressed Securities	(1.35)	(3.62)	(4.75)	(0.78)	10.17	2.10	8.31
HFRI Event Driven	HF - Event Driven Strategies	(0.65)	(1.56)	(4.07)	0.15	10.36	2.94	7.02
HFRI Fixed Income	HF - Fixed Income Strategies	(0.67)	(1.70)	(2.47)	(0.35)	11.47	2.61	5.36
HFRI Macro	HF - Macro Strategies	(0.35)	(2.42)	(2.77)	(0.25)	3.24	5.12	7.33