

MONTHLY MARKET REVIEW

December 2011

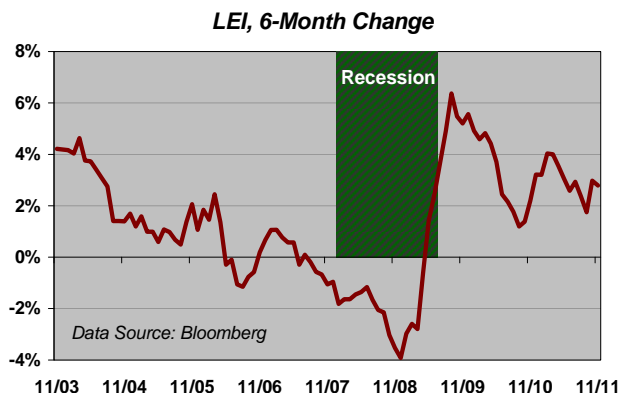
U.S. Economy

Exhibiting resilience to the problems in Europe, recent U.S. economic data continued to suggest a steady and slightly improving economy in December. This gradual improvement has been evident in the labor market. The economy added more than 100,000 jobs for the sixth straight month for the first time since 2006. The four-week moving average of weekly initial jobless claims, a better real-time measure of the job market, has fallen to 373,000, its lowest level since 2008. While the U.S. labor market still remains too weak to sustainably lower the unemployment rate, indicators are moving in the right direction.

The Institute for Supply Management's (ISM) national activity indices are consistent with steady, moderate growth in the U.S. over the last month. The December ISM manufacturing sector index rose to 53.9 from 52.7 in November, reaching the highest level since June and indicating continuing strength in manufacturing (readings above 50 signal expansion in the sector). The December ISM service sector index rose to 52.6 from 52.0 in November, remaining in the same range it has been in for the second half of the year. While steady, the ISM indexes are still at levels well below those exhibited following past economic recoveries, especially so far after the end of the recession.

Even though many in the media still refer to the economy as being in recession, per the National Bureau of Economic Research, the recession officially ended in June 2009, making the current expansion two-and-a-half years old.

Since World War II, the average economic expansion (time between recessions) in the U.S. has averaged 59 months, or less than twice as long as the current expansion's 30-month span. The Conference Board's leading economic indicators index (LEI) suggests that the current expansion will likely continue over the first half of 2012. Over the last six months, the LEI has grown 2.8%, down from 4.0% in March, but well above negative levels that have preceded recessions (see chart). Despite fears of a possible return to recession earlier this year, six-month LEI growth never fell below 1.8%, correctly forecasting continued growth.



Both the housing and labor markets have stemmed their declines and shown signs of improvement, while the economy has continued to expand. Inflation appears contained over the near term. The two most significant threats to continued expansion in 2012 and beyond are fiscal – one external and one internal. The sovereign debt crisis in Europe is pulling that continent into recession and thus could weigh on the U.S., while the U.S. (cont'd on page 2)

Market Data

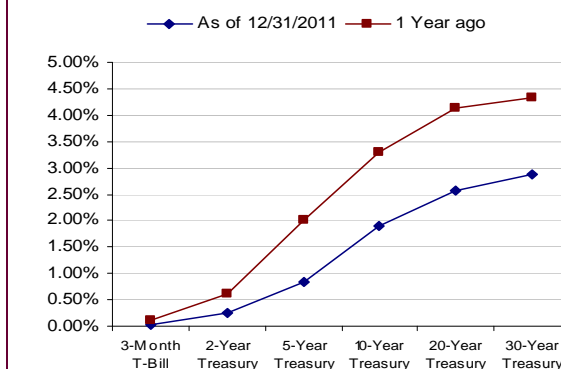
Change in Price

Equity Indices	12.31.11 Close	1-Month		YTD		1-Year	
		Pts.	%	Pts.	%	Pts.	%
Dow Jones Ind. Avg	12217.60	171.90	1.43%	640.10	5.53%	640.10	5.53%
S&P 500	1257.60	10.64	0.85%	-0.04	0.00%	-0.04	0.00%
Nasdaq Composite	2605.15	-15.19	-0.58%	-47.72	-1.80%	-47.72	-1.80%

Commodities							
Oil: \$ Per Barrel	98.83	-1.53	-1.52%	7.45	8.15%	7.45	8.15%
Gold: \$ Per Ounce	1566.80	-178.70	-10.24%	145.40	10.23%	145.40	10.23%

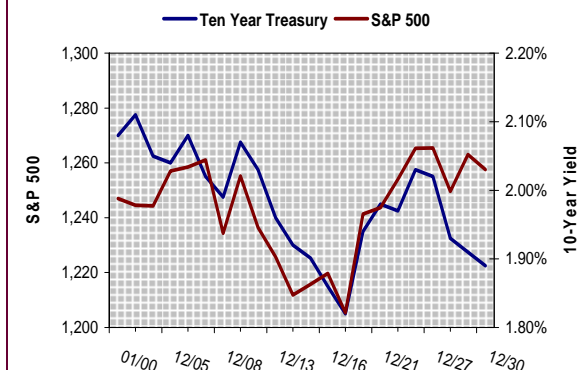
Currencies							
\$ per € (euro)	1.30	-0.04	-3.32%	-0.04	-2.89%	-0.04	-2.89%
¥ (yen) per \$	76.90	-0.72	-0.93%	-4.26	-5.25%	-4.26	-5.25%
\$ per £ (pound)	1.55	-0.02	-0.99%	-0.01	-0.40%	-0.01	-0.40%

U.S. Treasury Yields:



Term	Yield at month end	One-Month Change	One-Year Change
3 Months	0.02%	0.01%	-0.10%
2 Years	0.25%	0.00%	-0.36%
5 Years	0.83%	-0.13%	-1.18%
10 Years	1.89%	-0.19%	-1.41%
20 Years	2.57%	-0.20%	-1.56%
30 Years	2.89%	-0.17%	-1.45%

Intra-Month Markets



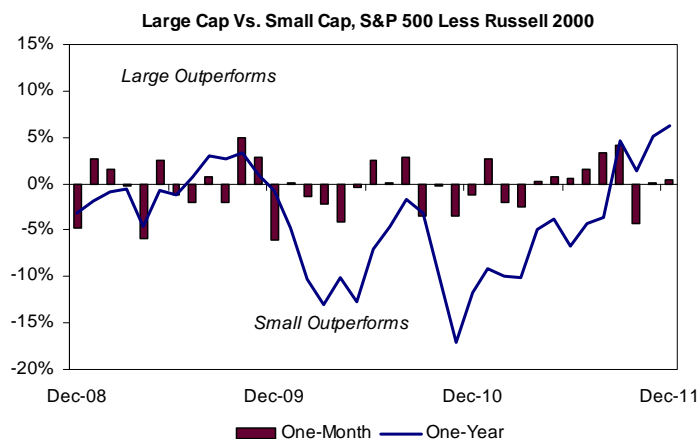
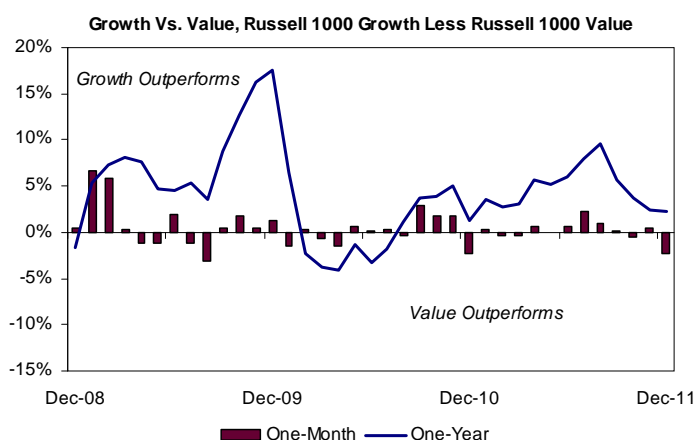
U.S. Economy (cont'd)

government itself has shown little progress in solving its own fiscal situation. By increasing demand for U.S. dollars as a safe haven, the problems in Europe are actually helping to keep interest rates low in the U.S., reducing immediate pressure on politicians to address the fiscal deficit. Another potential threat to the U.S. economy and global economic growth is a slowing in China's economy that appears to be underway. A harsh landing in China could dampen global growth prospects.

U.S. Equities

The S&P 500 returned 1.02% in December, bringing its final 2012 return to just 2.11%. A negative return for the year would produce a relatively rare occurrence. Value stocks outperformed Growth stocks by the largest margin this year in December as the Russell 1000 Value index jumped 2.02% versus a 0.32% decline for the Russell 1000 growth index. Despite December's performance, the Russell 1000 Value index trailed its Growth counterpart by 2.25% for the full year. The small-cap Russell 2000 index trailed the larger Russell 1000 index by 0.18% in December and by a much larger 5.68% for the full year. The Russell Microcap index lost 9.27% in 2011, trailing the Russell 1000 by 10.77%. REITS recorded strong performance for the month and the year as the NAREIT Composite jumped 4.55% in December, bringing its 2011 return to 7.30%.

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	0.84	11.95	0.59	0.59	15.34	0.33	3.93
S&P 500	Large-Cap Core	1.02	11.82	2.11	2.11	14.11	(0.25)	2.92
S&P 500/Citigroup Growth	Large-Cap Growth	0.34	10.81	4.65	4.65	16.57	2.38	2.84
S&P 500/Citigroup Value	Large-Cap Value	1.82	12.98	(0.48)	(0.48)	11.55	(2.96)	2.87
S&P 400	Mid-Cap Core	(0.37)	12.98	(1.73)	(1.73)	19.57	3.32	7.04
S&P 600	Small-Cap Core	1.25	17.17	1.02	1.02	17.01	1.94	7.09
Russell 1000	Large-Cap Core	0.84	11.84	1.50	1.50	14.81	(0.02)	3.34
Russell 1000 Growth	Large-Cap Growth	(0.32)	10.61	2.64	2.64	18.02	2.50	2.60
Russell 1000 Value	Large-Cap Value	2.02	13.11	0.39	0.39	11.55	(2.64)	3.89
Russell Midcap	Mid-Cap Core	(0.12)	12.31	(1.55)	(1.55)	20.17	1.41	6.99
Russell Midcap Growth	Mid-Cap Growth	(1.50)	11.24	(1.65)	(1.65)	22.06	2.44	5.29
Russell Midcap Value	Mid-Cap Value	1.25	13.37	(1.38)	(1.38)	18.19	0.04	7.67
Russell 2500	SMID-Cap Core	0.23	14.52	(2.51)	(2.51)	18.41	1.25	6.58
Russell 2500 Growth	SMID-Cap Growth	(1.20)	13.51	(1.57)	(1.57)	21.57	2.89	5.23
Russell 2500 Value	SMID-Cap Value	1.57	15.45	(3.36)	(3.36)	15.48	(0.58)	7.16
Russell 2000	Small-Cap Core	0.66	15.47	(4.18)	(4.18)	15.63	0.15	5.62
Russell 2000 Growth	Small-Cap Growth	(0.22)	14.99	(2.91)	(2.91)	19.00	2.09	4.48
Russell 2000 Value	Small-Cap Value	1.57	15.97	(5.50)	(5.50)	12.36	(1.87)	6.40
Russell Micro Cap	Micro Cap Core	1.39	13.83	(9.27)	(9.27)	14.23	(3.75)	4.63
NAREIT Composite Index	REITS	4.55	14.05	7.30	7.30	20.49	(2.23)	9.44

U.S. Fixed Income

The Barclays Aggregate index gained 1.10% in December, finishing the year with a return of 7.84%, marking the highest annual return for the index since 2002. Performance for the year was led by Treasuries as yields in the intermediate to long area of the curve fell sharply. In 2011, the ten-year Treasury yield fell 140 bps and the twenty-year yield fell 153 bps. The Credit sector trailed duration adjusted Treasuries by 3.22% in 2011, but still returned 8.35% for the year. Option adjusted spreads for credit widened in 2011 from 150 bps to 217 bps.

The Barclays Municipal index gained 1.90% in December and 10.70% in 2011 as bankruptcy and credit concerns at the beginning of the year have not yet come to fruition. High yield bonds struggled for most of the year, but rallied during the fourth quarter with a gain of 6.46%, pushing the 2011 return into positive territory for the third straight year with a gain of 4.98%. The Moody's 12-month default rate currently stands at 1.8% after beginning the year at 3.1%.

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	0.08	0.12	1.37	1.85
BofA ML US Treasuries 1-3 Yrs	Short Treasuries	0.05	0.20	1.55	1.55	1.56	3.69	3.25
Barclays Capital 1-3 Yr Govt/Credit	Short Govt/Credit Bonds	0.10	0.25	1.59	1.59	2.74	3.99	3.63
Barclays Capital Interm. Govt/Credit	Interm. Govt/Credit Bonds	0.78	0.84	5.80	5.80	5.65	5.88	5.20
Barclays Capital Long Govt/Credit	Long Govt/Credit Bonds	3.41	2.57	22.49	22.49	11.20	9.71	8.54
Barclays Capital Interm. Aggregate	Interm. Core Bonds	0.76	0.91	5.97	5.97	6.19	6.09	5.39
Barclays Capital Aggregate	Core Bonds	1.10	1.12	7.84	7.84	6.77	6.50	5.78
Barclays Capital Mortgage	Mortgage-Backed Bonds	0.70	0.88	6.23	6.23	5.83	6.54	5.69
Barclays Capital Government	Government Bonds	0.89	0.84	9.02	9.02	4.01	6.56	5.59
Barclays Capital Credit	Corporate Bonds	1.94	1.70	8.35	8.35	10.90	6.80	6.35
Barclays Capital Municipals	Municipal Bonds	1.90	2.12	10.70	10.70	8.57	5.22	5.38
Barclays Capital US TIPS	TIPS	0.04	2.69	13.56	13.56	10.38	7.95	7.57
Barclays Capital US Corporate High Yield	High Yield Bonds	2.66	6.46	4.98	4.98	24.12	7.54	8.85
BofA ML All US Convertible	Convertible Securities	0.19	4.29	(5.18)	(5.18)	18.19	2.10	4.88

International

International equities underperformed U.S. markets in December as the MSCI EAFE index fell 0.93% and the MSCI Emerging Markets index fell 1.20% versus slightly positive returns for most U.S. indices. Foreign equities finished 2011 as one of the worst performing asset classes as the MSCI EAFE fell 11.73% and the MSCI Emerging Markets index fell 18.17%.

Economies and markets were hurt by the still unfolding Euro crises which spread from a small economy in Greece to much of southern Europe including one of the world's largest economies in Italy, bringing unsustainably high interest rates to several debt-ridden countries and poor equity returns in 2011. The equity market in Greece fell over 60%, while Italy and Portugal lost 22%.

In March, the earthquake and tsunami in Japan hurt that country's manufacturing output while the strong Yen currency put further pressure on Japan's export based economy. Japan's stock market fell over 10% shortly after the earthquake and finished down 14% in 2011.

In what are always volatile markets, emerging markets were affected by slowing economic growth across the globe and to a certain extent, civil unrest in several countries that saw governments overthrown such as Egypt. India's stock market fell 6% in December and 37% in 2011, China saw positive performance in December but fell 18% for the year. Egypt, a small part of the MSCI Emerging Markets index, fell 47% in 2011.

Index	Asset Class	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
International Equities								
MSCI World	Global Developed Mkt Equity	(0.02)	7.72	(5.02)	(5.02)	11.75	(1.82)	4.15
MSCI EAFE	Intl Developed Market Equity	(0.94)	3.38	(11.73)	(11.73)	8.16	(4.26)	5.12
MSCI Europe	European Equity	(1.53)	5.45	(10.50)	(10.50)	8.56	(4.63)	4.89
MSCI Japan	Japanese Equity	0.84	(3.85)	(14.19)	(14.19)	1.81	(6.43)	3.12
MSCI Pacific	Pacific Equity	0.17	(0.28)	(13.61)	(13.61)	7.63	(3.41)	5.79
MSCI Emerging Markets	Emerging Market Equity	(1.20)	4.45	(18.17)	(18.17)	20.42	2.70	14.20
International Fixed Income								
Barclays Global Aggregate	Global Invest. Grade Bonds	0.67	0.23	5.64	5.64	6.04	6.46	7.16
Citigroup World Government Bond	Intl Developed Market Bonds	0.86	(0.12)	6.35	6.35	4.68	7.13	7.77
JP Morgan EMBI+	Emerging Market Bonds	1.27	5.25	9.19	9.19	15.43	8.13	11.63

Alternative Investments

Index	Asset Class	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Goldman Sachs Commodity Ind.	Commodities	(2.11)	8.96	(1.18)	(1.18)	6.94	(2.79)	5.63
HFRI Equity Hedge	HF - Equity Long/Short	(0.66)	2.22	(8.03)	(8.03)	8.16	0.50	4.59
HFRI Equity Mkt Neutral	HF - Equity Market Neutral	1.24	2.82	(1.33)	(1.33)	0.97	0.39	2.28
HFRI Convert Arb	HF - Convertible Arbitrage	0.17	0.80	(4.74)	(4.74)	20.03	3.84	4.89
HFRI Distressed Sec	HF - Distressed Securities	(0.04)	1.88	(2.42)	(2.42)	11.92	1.96	8.41
HFRI Event Driven	HF - Event Driven Strategies	(0.01)	2.28	(2.65)	(2.65)	10.84	2.56	6.84
HFRI Fixed Income	HF - Fixed Income Strategies	(0.12)	(0.33)	(1.71)	(1.71)	11.51	2.38	5.23
HFRI Macro	HF - Macro Strategies	0.16	(1.24)	(3.60)	(3.60)	2.82	4.83	7.15