

## Capital Markets Review As of December 31, 2009

### Capital Markets Review

#### Fourth Quarter Economic Environment

Nearly all asset classes closed 2009 with strong gains. Only private (untraded) Real Estate and Treasuries posted losses. In the year's final quarter, most asset classes continued the rally that began in March, with only Small Cap International Equities showing a quarterly decline. The Federal Reserve held the Federal Funds Target Rate to a range of 0% to 0.25%; most global central banks held short-term target rates steady as well, though The Reserve Bank of Australia raised rates by 0.25% in December. Economic data in the US outpaced the reports from other countries, which helped the Dollar rebound in the fourth quarter. Measured against a basket of international currencies, the US Dollar rose 1.6% during the quarter, but remains down for the year. The US seasonally adjusted unemployment rate has been relatively steady over the last two quarters, rising from 9.5% in June to 10% in December, but has risen considerably from the 7.6% reported in January.

Though the Consumer Price Index fell by a marginal 0.01% in the fourth quarter, the index ended the year 2.72% higher. The fourth quarter of 2009 saw the steepest Treasury yield curve ever recorded, which may indicate that investors fear the Fed's accommodation may soon come to an end. The spread between 2-Year and 10-Year Treasury Notes reached 282 basis points in December as investors made bets that the Federal Reserve would have to begin raising rates to curb inflation. The rally in metals also suggests that investors have been seeking a haven from inflation. Gold finished the year up 24% and some industrial metals more than doubled. Oil rose 78% for the year, closing just over \$79 per barrel. Interest rates on Treasuries rose modestly during the fourth quarter, with the yield on the 10-Year Note increasing to 3.85% from 3.31%. This rate represents a more significant increase compared to last year; the 10-Year Note finished 2008 yielding 2.25%.

#### Fourth Quarter Equities

Global equities experienced exceptional gains throughout 2009 with Emerging Markets Equities leading the way, gaining 79% over the year. Despite such strong returns, most equity markets across the globe have not returned to their all-time highs posted in 2007 or 2008. Once again, the equity rally was broadly based as nearly every sector in both the S&P 500 and the MSCI ACWI Ex US saw positive returns; only the financials sector of each index posted losses. In the US, large capitalization stocks outperformed small-cap stocks during the fourth quarter, while growth led value. Among international equities, Emerging Markets outpaced other regions.

#### Fourth Quarter Fixed Income

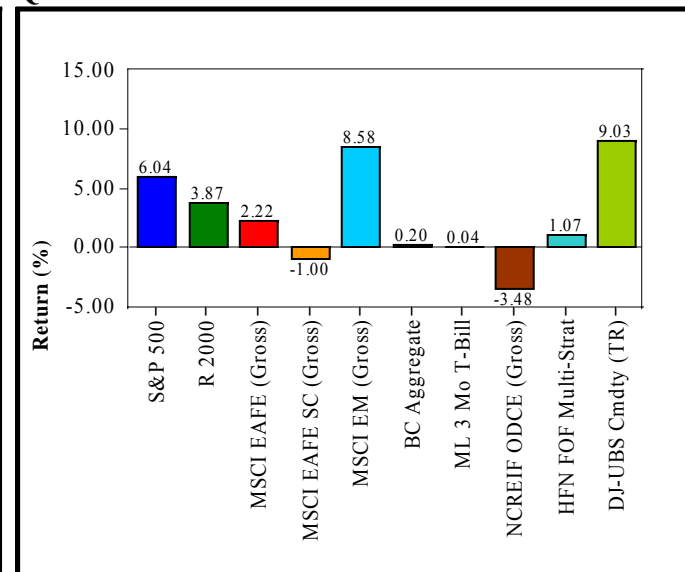
Increased investor risk appetite and rising long-term yields led to mixed results in Fixed Income, as prices move inversely to yields. Treasuries, Agencies, and Long-Term Corporate issues posted losses in the fourth quarter, while gains in the other sectors of the BC US Aggregate Index were much more moderate than in the previous quarter. For the year, CMBS led all sectors of the BC US Aggregate Index with a 2009 return of 28.45%. The CMBS rally was driven by a broad improvement in credit markets and a flood of money from government programs such as the TALF and PPIP. Among broader fixed income markets, High Yield Corporate issues outperformed other sectors, posting gains of 6.19% in the fourth quarter and 58.21% for the year.

#### Trailing-Period Performance

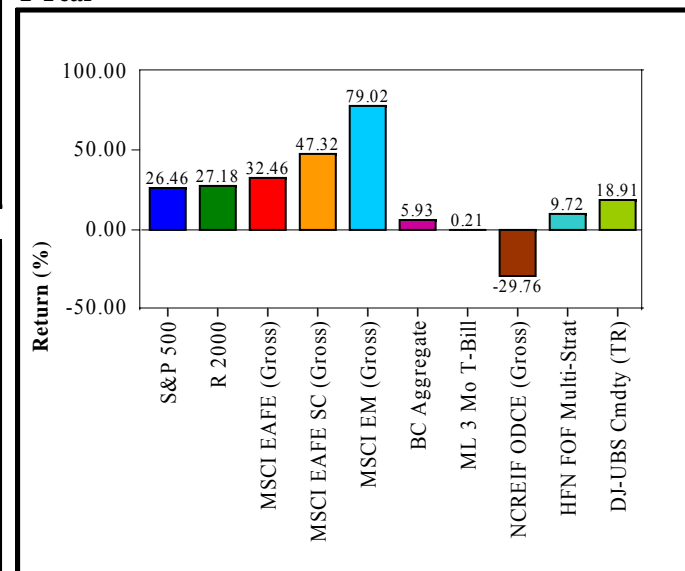
	Month Ending Oct-2009	Month Ending Nov-2009	MTD	QTD	1 Year	2 Years	3 Years	5 Years	10 Years
S&P 500	-1.86	6.00	1.93	6.04	26.46	-10.74	-5.63	0.42	-0.95
R 2000	-6.79	3.14	8.05	3.87	27.18	-8.24	-6.06	0.51	3.51
MSCI EAFE (Gross)	-1.24	2.03	1.45	2.22	32.46	-13.15	-5.57	4.02	1.58
MSCI EAFE SC (Gross)	-1.77	0.01	0.76	-1.00	47.32	-11.46	-7.25	3.88	6.87
MSCI EM (Gross)	0.13	4.30	3.96	8.58	79.02	-8.45	5.42	15.88	10.11
BC Aggregate	0.49	1.29	-1.56	0.20	5.93	5.58	6.04	4.97	6.33
ML 3 Mo T-Bill	0.02	0.01	0.01	0.04	0.21	1.13	2.40	3.02	2.99
NCREIF ODCE (Gross)	N/A	N/A	N/A	-3.48	-29.76	-20.49	-9.81	0.71	5.01
HFN FOF Multi-Strat	-0.28	0.72	0.63	1.07	9.72	-6.58	-1.38	2.38	5.21
DJ-UBS Cmdty (TR)	3.28	3.52	1.98	9.03	18.91	-12.53	-3.83	1.96	7.13

Performance is annualized for periods greater than one year.

### QTD



### 1 Year



## Domestic Economic Indicators As of December 31, 2009

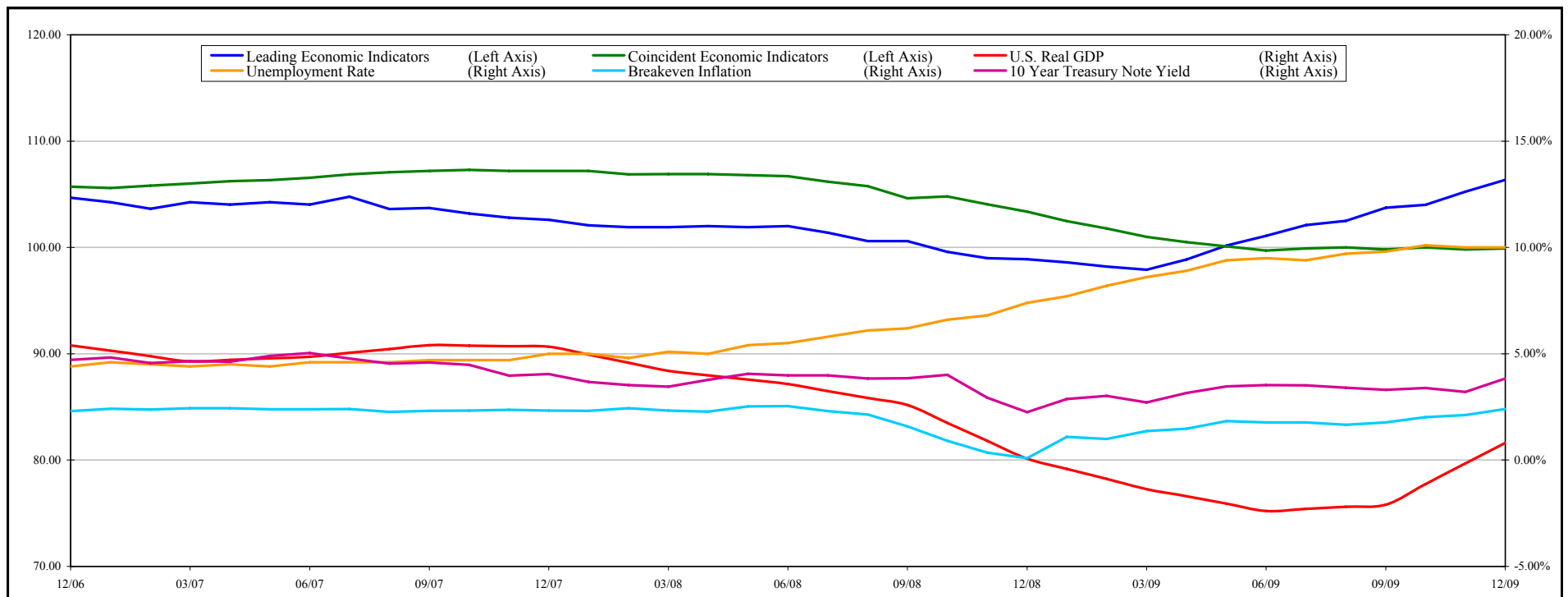
Indicator	Measurement	Dec-2009	Nov-2009	Mth/ Mth	Sep-2009	Qtr/ Qtr	Dec-2008	Yr/ Yr	Dec-2007	Dec-2006
U.S. Real GDP <sup>1</sup>	Business Activity	<b>0.81%</b>	N/A	N/A	-2.09%	▲	0.07%	▲	5.34%	5.39%
Unemployment Rate	Business Activity	<b>10.00%</b>	10.00%	—	9.80%	▲	7.40%	▲	5.00%	4.40%
Breakeven Inflation <sup>2</sup>	Inflation Expectation	<b>2.41%</b>	2.12%	▲	1.77%	▲	0.09%	▲	2.33%	2.30%
10 Year Treasury Note Yield	Interest Rates	<b>3.84%</b>	3.20%	▲	3.31%	▲	2.25%	▲	4.04%	4.71%
Leading Economic Index <sup>3</sup>	Aggregate Indicator	<b>106.36</b>	105.24	▲	103.73	▲	98.90	▲	102.59	104.67
Coincident Economic Index <sup>3</sup>	Aggregate Indicator	<b>99.90</b>	99.80	▲	99.80	▲	103.37	▼	107.20	105.70
Consumer Confidence Index	Confidence	<b>53.60</b>	50.60	▲	53.40	▲	38.60	▲	90.60	110.00

### Economic Indicator Commentary

- ▶ National Unemployment Rate held steady in December at 10.00%.
- ▶ Breakeven Inflation increased month-over-month and year-over-year.
- ▶ The yield on the 10 year treasury note increased by 0.64% from the previous month and increased 1.59% year-over-year.
- ▶ Leading Economic Index has been rising since April after falling for twenty months since its peak in July 2007.
- ▶ Coincident Economic Index shows slow expansion of economic activity through December.
- ▶ Consumer Confidence Index increased to 53.60 in December, up from 50.60 last month.

### Other Economic News

- ▶ Global markets posted positive results in the fourth quarter, continuing to rebound from March 9th lows.
- ▶ The US dollar gained value against the euro and pound, up 4.80% and 1.98% respectively.
- ▶ Crude oil prices dropped below \$70 per barrel in December before closing at just above \$79.



Indicator data is subject to revision.

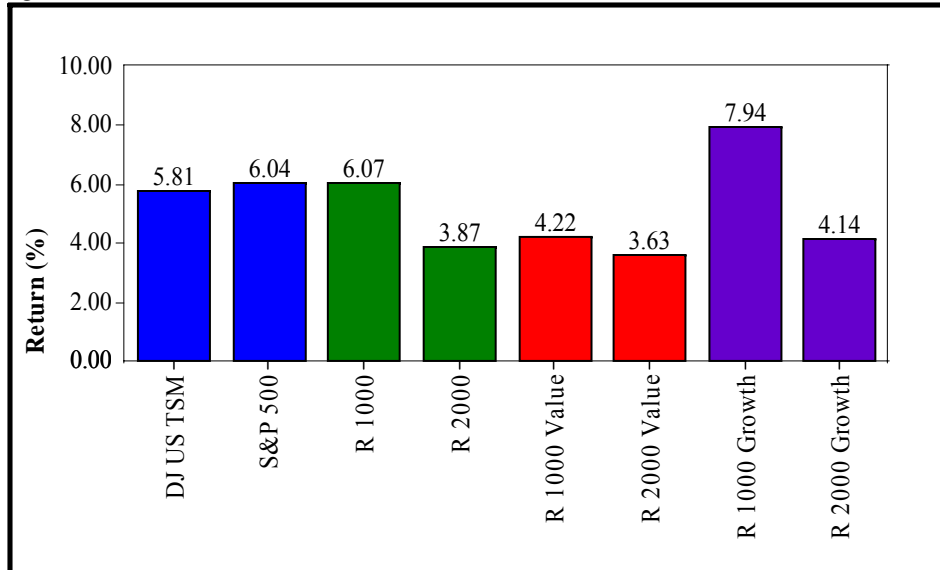
<sup>1</sup> U.S. Real GDP is year over year change.

<sup>2</sup> Breakeven Inflation is the difference between the nominal yield on a fixed-rate investment and the real yield (fixed spread) on an inflation-linked investment of 10 year maturity and similar credit quality.

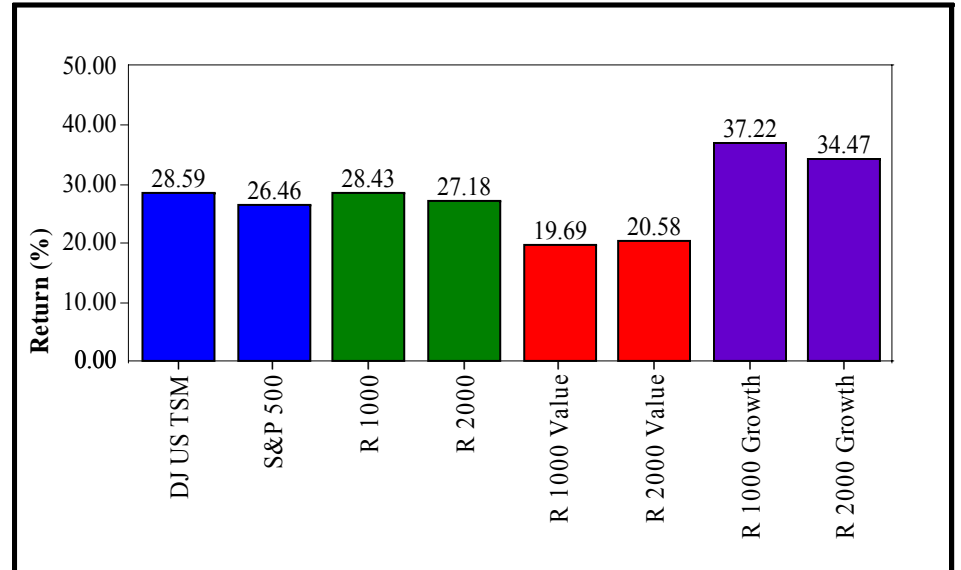
<sup>3</sup> Leading Economic and Coincident Economic Indicators are adjusted to reflect benchmarking that took place in October 2007. Data prior to October 2007 is determined using published monthly changes in the indicators.

**Domestic Equity Market Performance  
As of December 31, 2009**

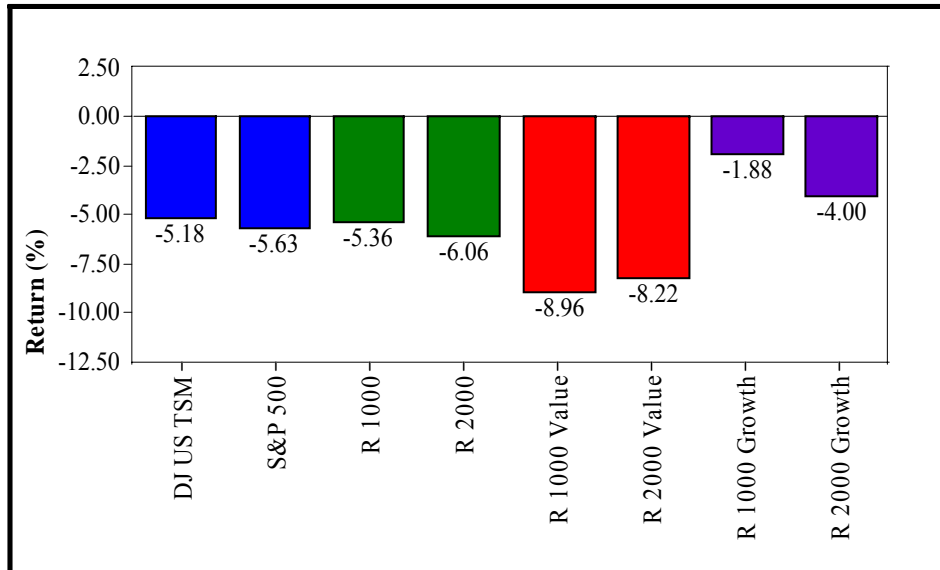
**QTD**



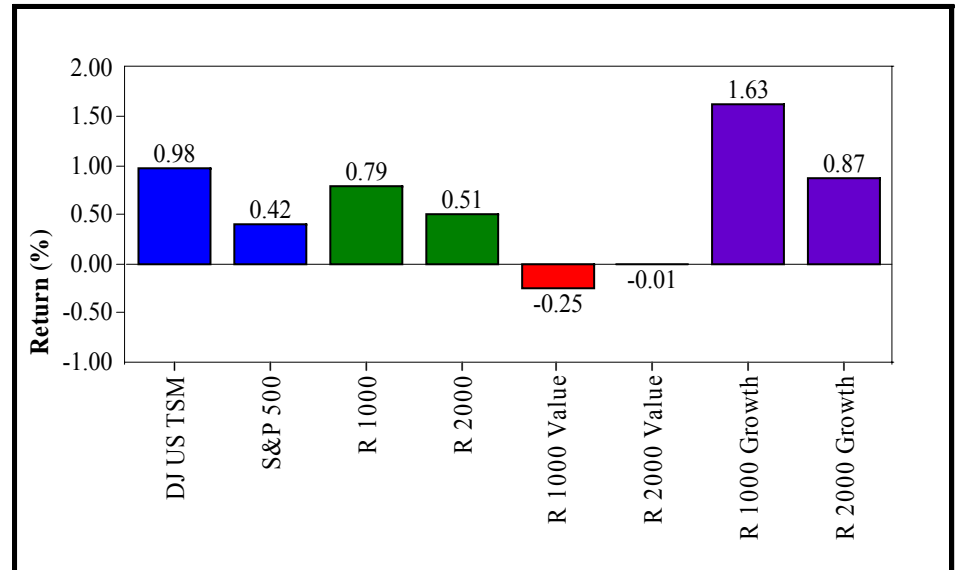
**1 Year**



**3 Years**



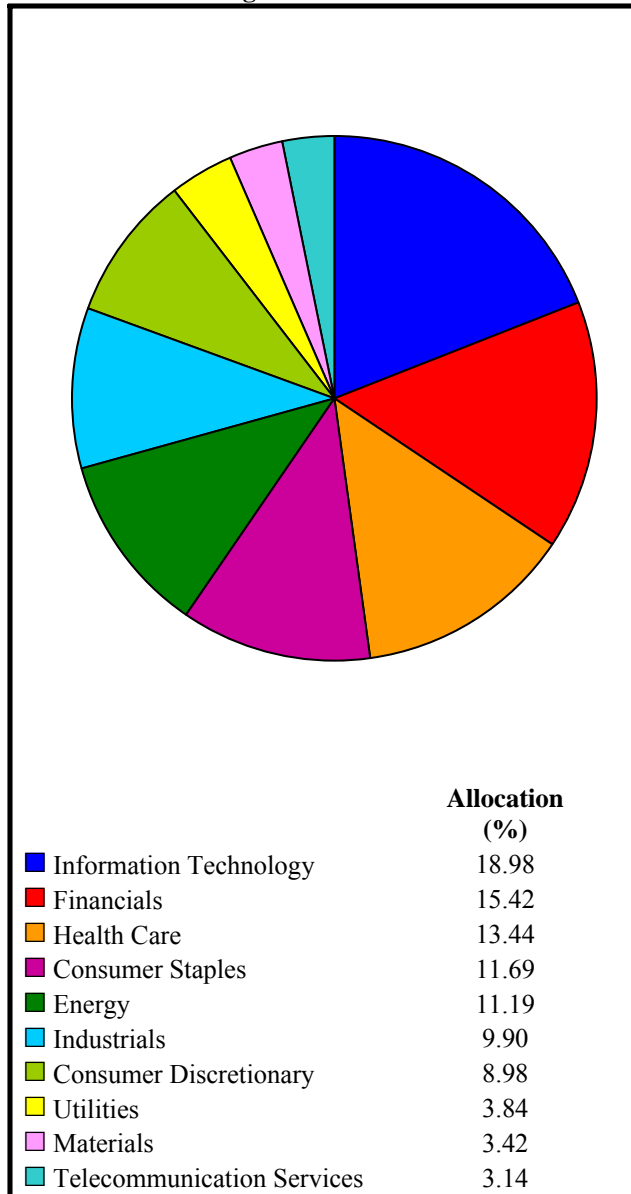
**5 Years**



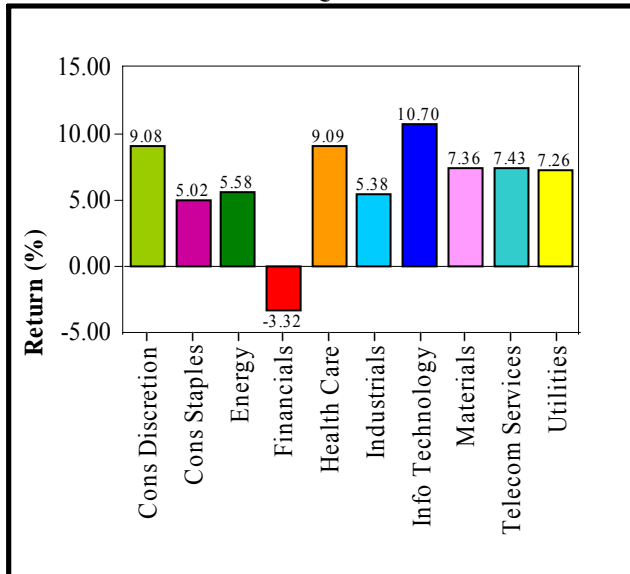
Performance is annualized for periods greater than one year.

## Domestic Equity Sector Weights and Returns As of December 31, 2009

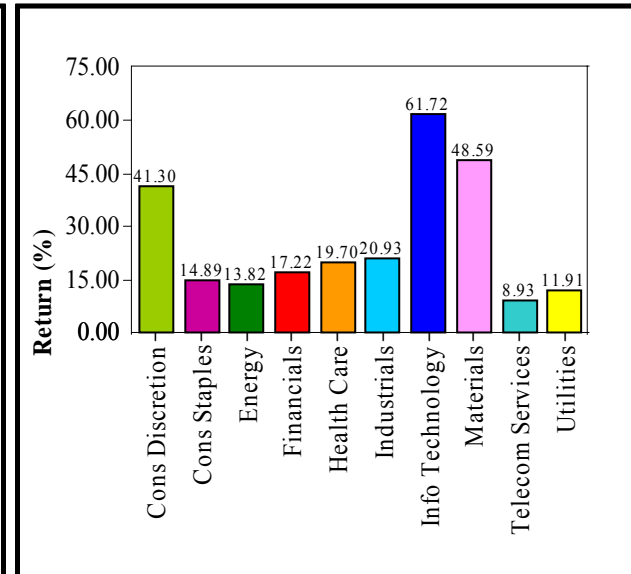
**S&P 500 Sector Weights**



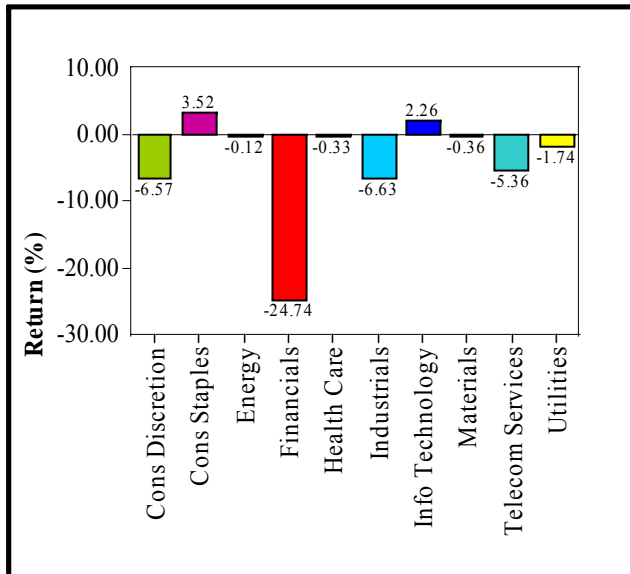
**S&P 500 Sector Returns - QTD**



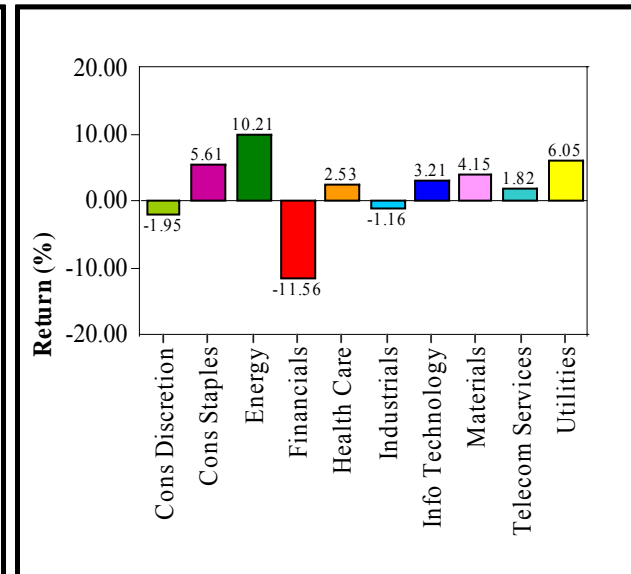
**S&P 500 Sector Returns - 1 Year**



**S&P 500 Sector Returns - 3 Years**

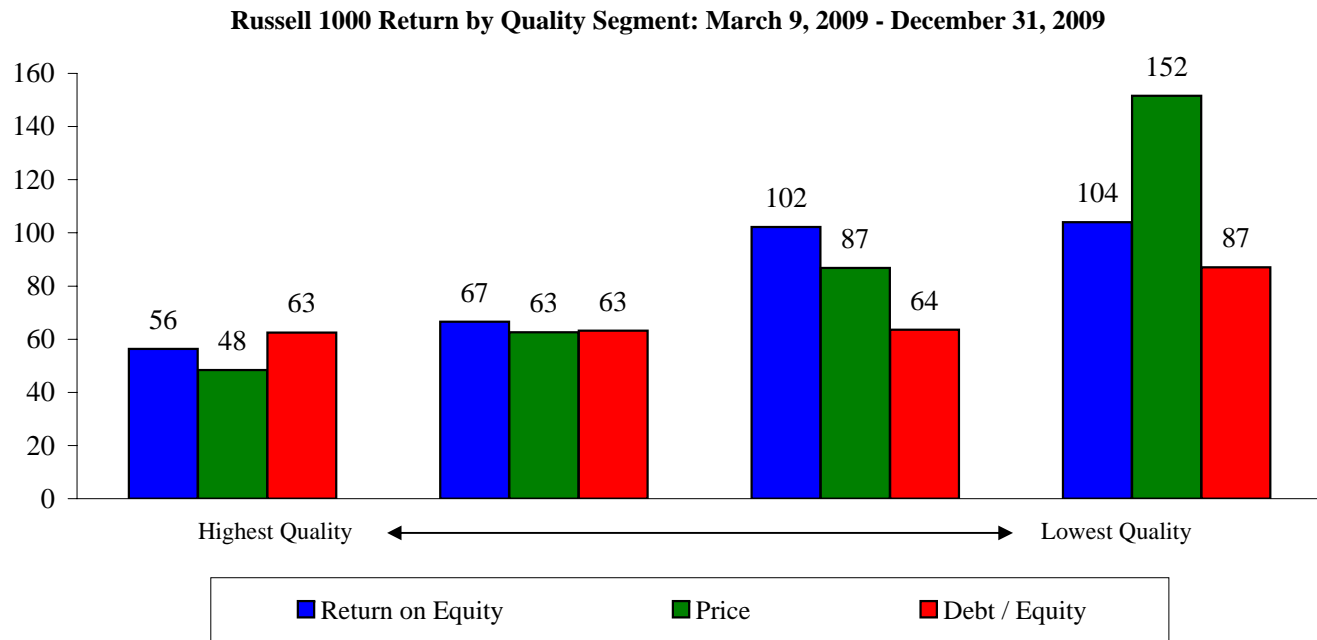
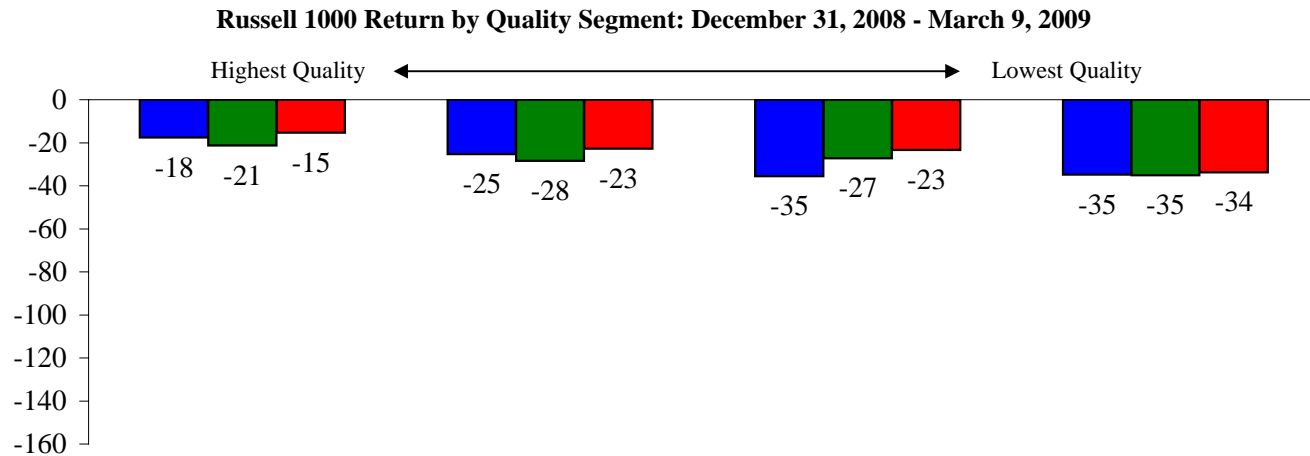


**S&P 500 Sector Returns - 5 Years**



Allocations shown may not sum up to 100% exactly due to rounding. Performance is annualized for periods greater than one year. Returns provided by MPI Stylus, allocations provided by Standard & Poor's.

**Russell 1000 Index: Return by Various Quality Metrics  
As of December 31, 2009**

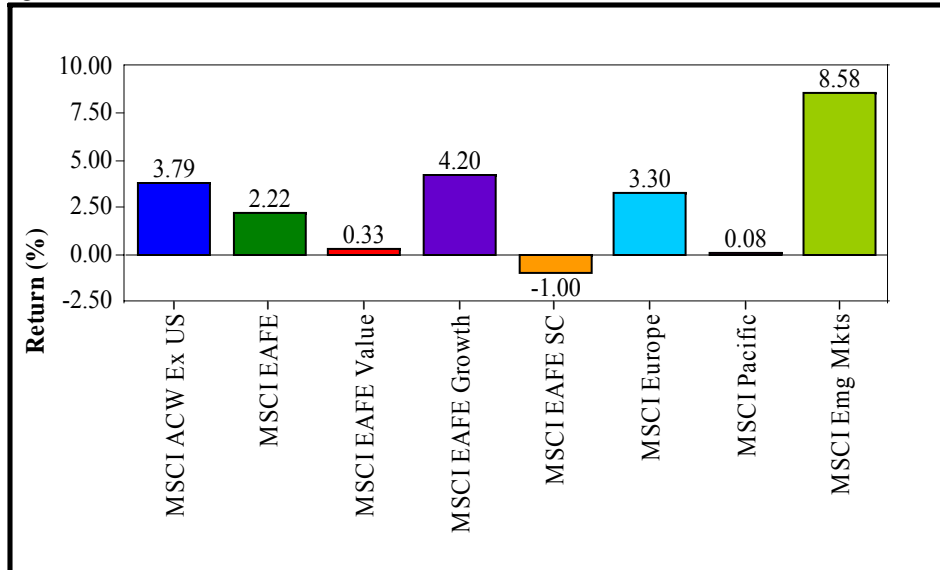


Return on Equity groupings: 20%+, 10-20%, 0-10%, and negative; Price groupings: \$30+, \$20-\$30, \$10-\$20, and \$0-\$10, per share; Debt / Equity groupings: 0-25%, 25-50%, 50-100%, and 100%+.

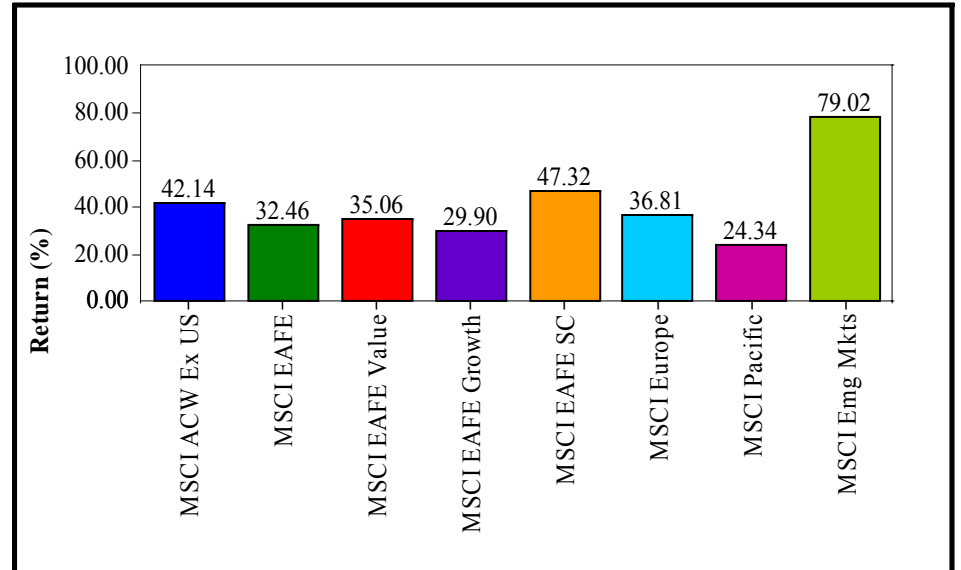
Data provided by Cadence Capital.

**International Equity Market Performance  
As of December 31, 2009**

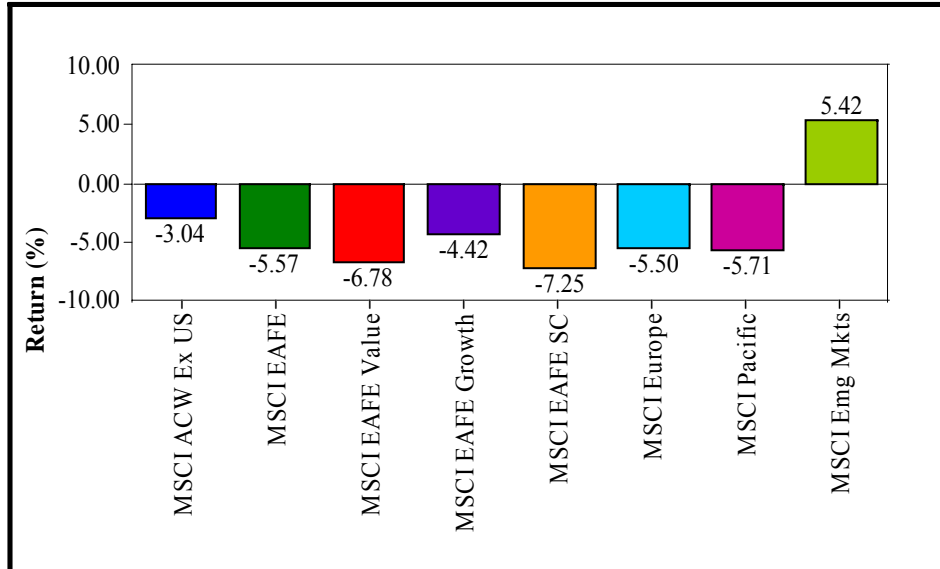
**QTD**



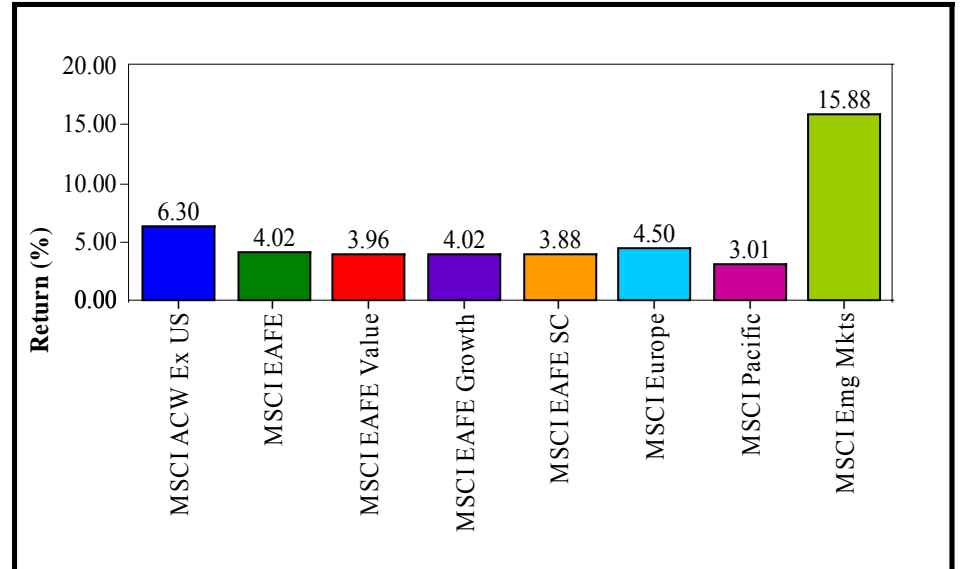
**1 Year**



**3 Years**



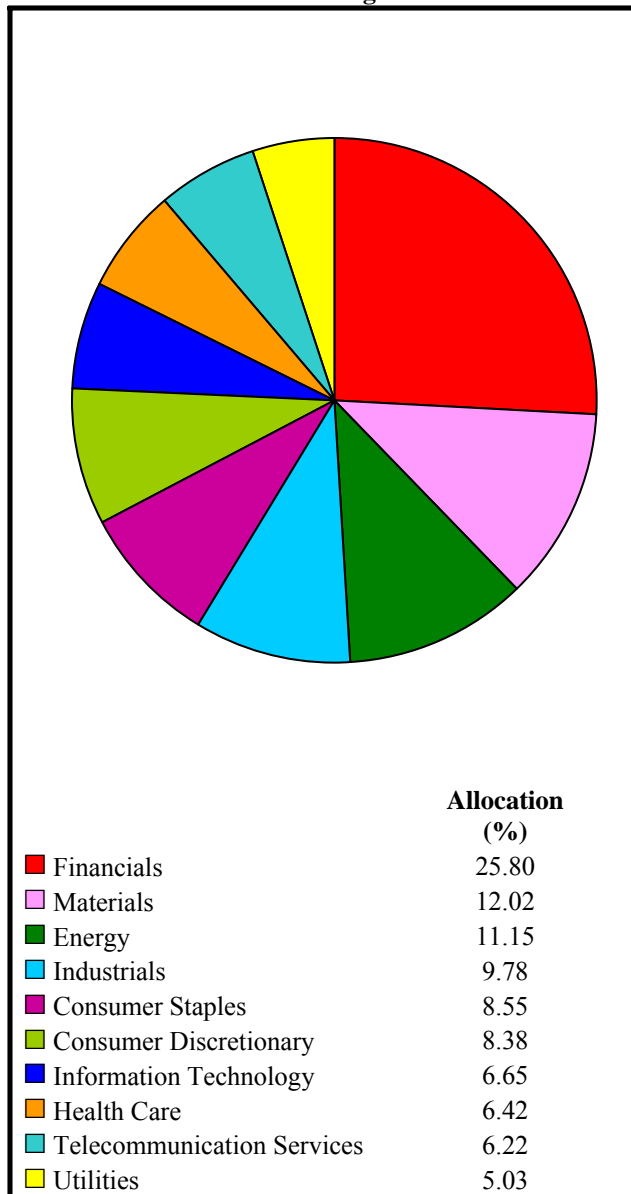
**5 Years**



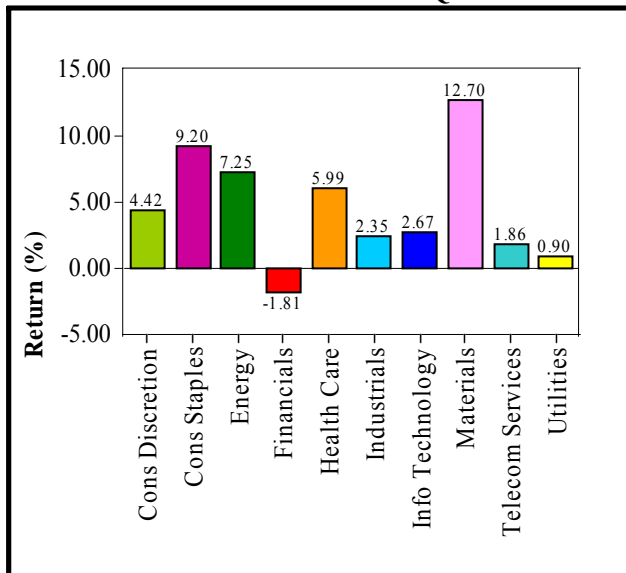
Performance is annualized for periods greater than one year.

**International Equity Sector Weights and Returns  
As of December 31, 2009**

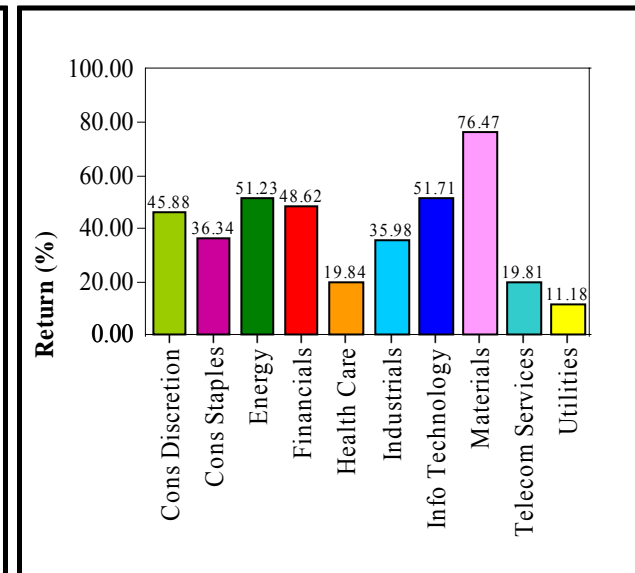
**MSCI ACW Ex US Sector Weights**



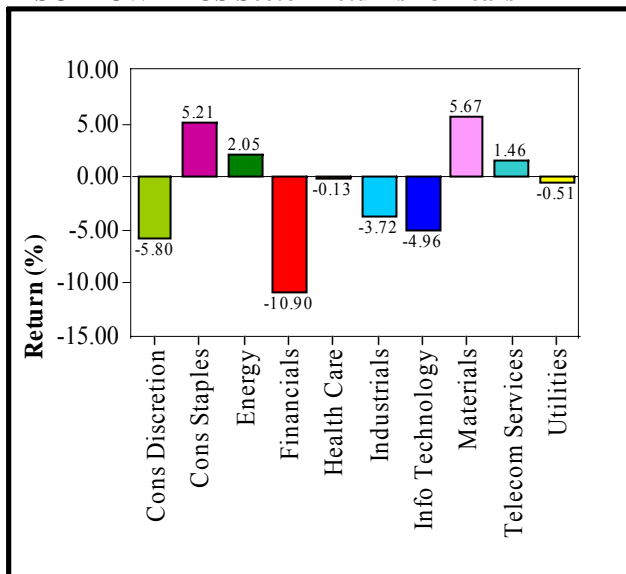
**MSCI ACW Ex US Sector Returns - QTD**



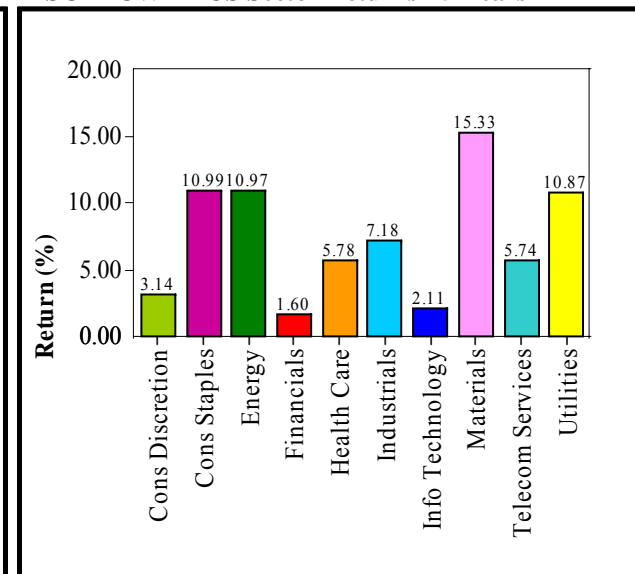
**MSCI ACW Ex US Sector Returns - 1 Year**



**MSCI ACW Ex US Sector Returns - 3 Years**



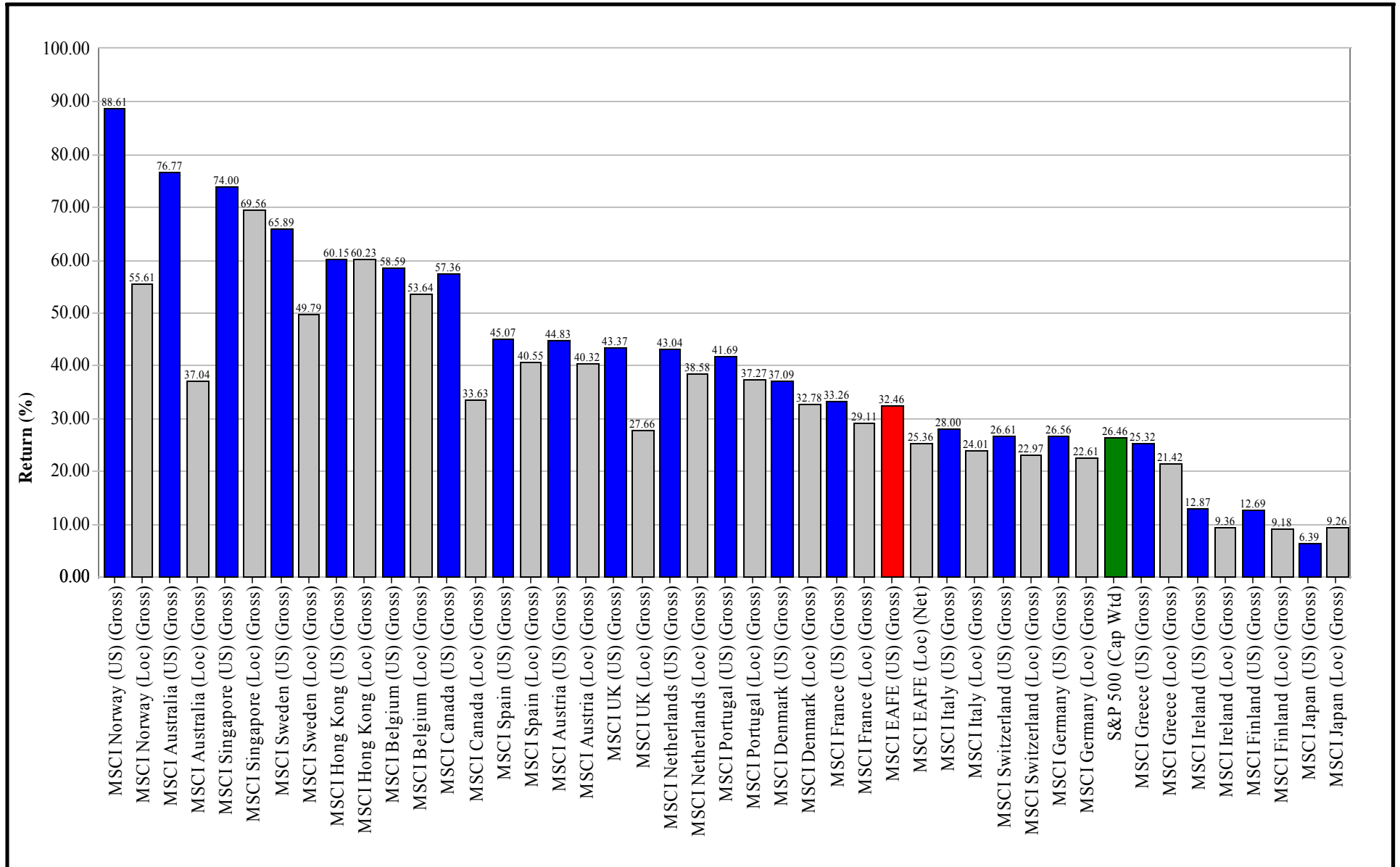
**MSCI ACW Ex US Sector Returns - 5 Years**



Allocations shown may not sum up to 100% exactly due to rounding. Performance is annualized for periods greater than one year. Returns and allocations provided by MSCI Barra.

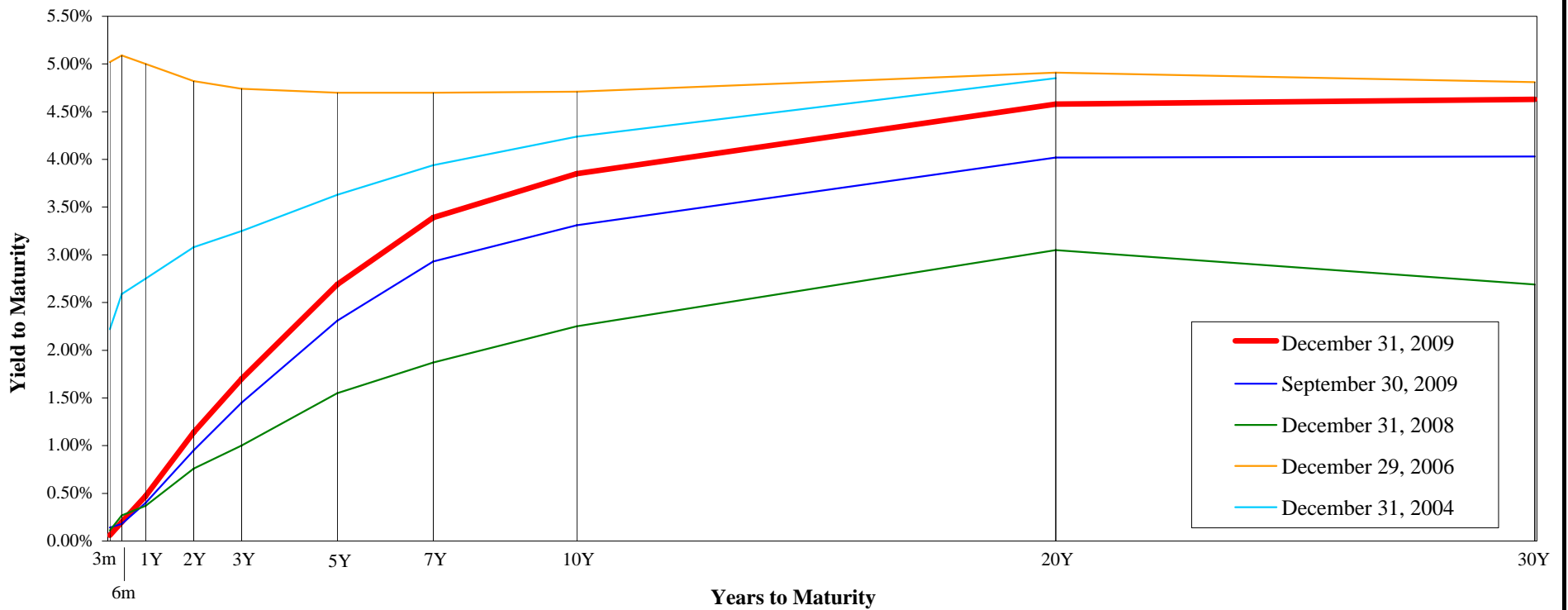
**International Equity Market Performance  
As of December 31, 2009**

**1 Year**



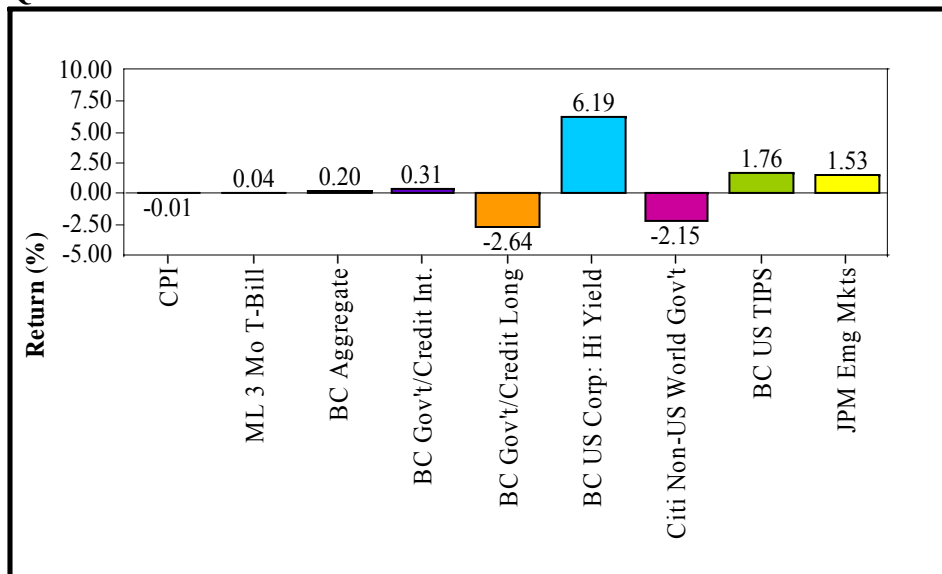
**Treasury Yield Curve  
As of December 31, 2009**

	<b>December 31, 2009</b>	<b>September 30, 2009</b>	<b>December 31, 2008</b>	<b>December 29, 2006</b>	<b>December 31, 2004</b>
<b>3 Month</b>	0.06%	0.14%	0.11%	5.02%	2.22%
<b>6 Month</b>	0.20%	0.18%	0.27%	5.09%	2.59%
<b>1 Year</b>	0.47%	0.40%	0.37%	5.00%	2.75%
<b>2 Year</b>	1.14%	0.95%	0.76%	4.82%	3.08%
<b>3 Year</b>	1.70%	1.45%	1.00%	4.74%	3.25%
<b>5 Year</b>	2.69%	2.31%	1.55%	4.70%	3.63%
<b>7 Year</b>	3.39%	2.93%	1.87%	4.70%	3.94%
<b>10 Year</b>	3.85%	3.31%	2.25%	4.71%	4.24%
<b>20 Year</b>	4.58%	4.02%	3.05%	4.91%	4.85%
<b>30 Year</b>	4.63%	4.03%	2.69%	4.81%	N/A

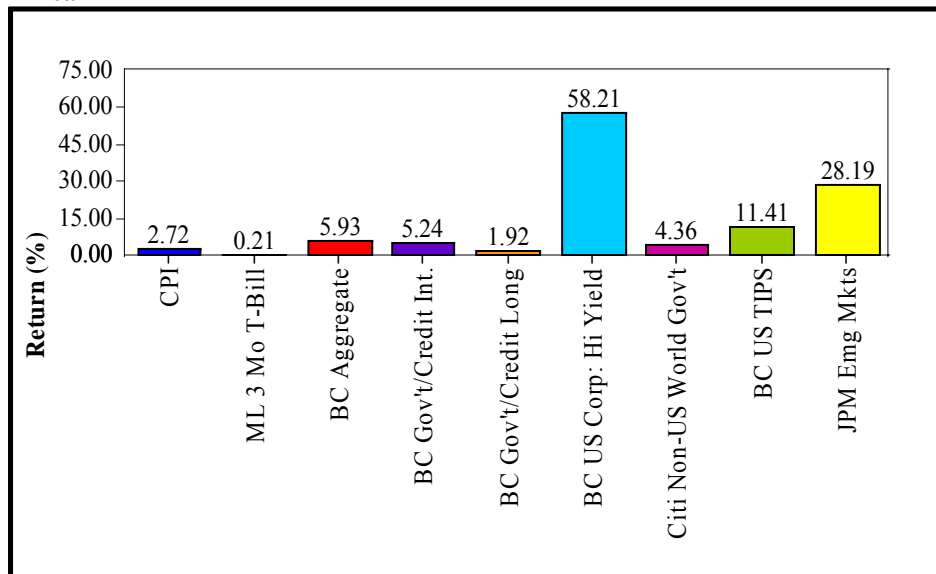


**Fixed Income Market Performance  
As of December 31, 2009**

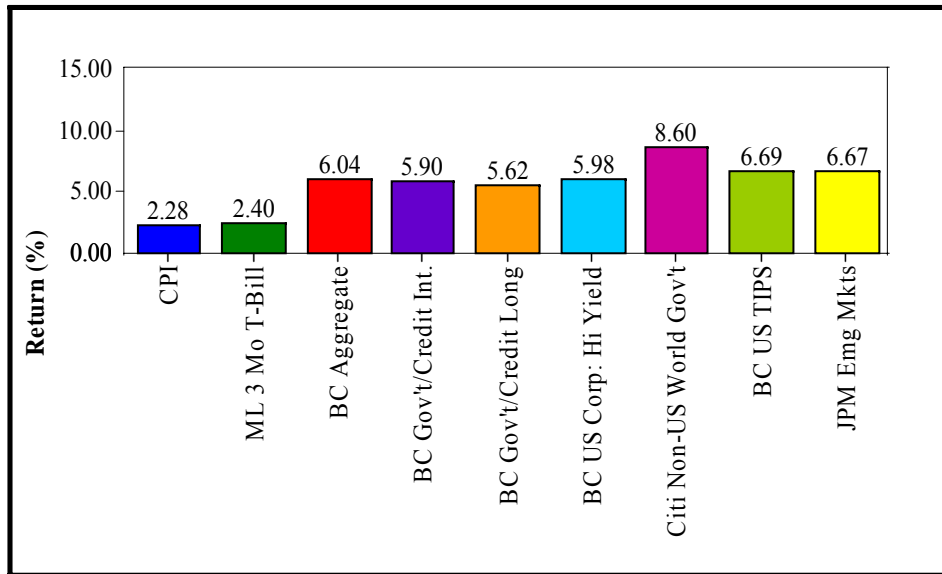
**QTD**



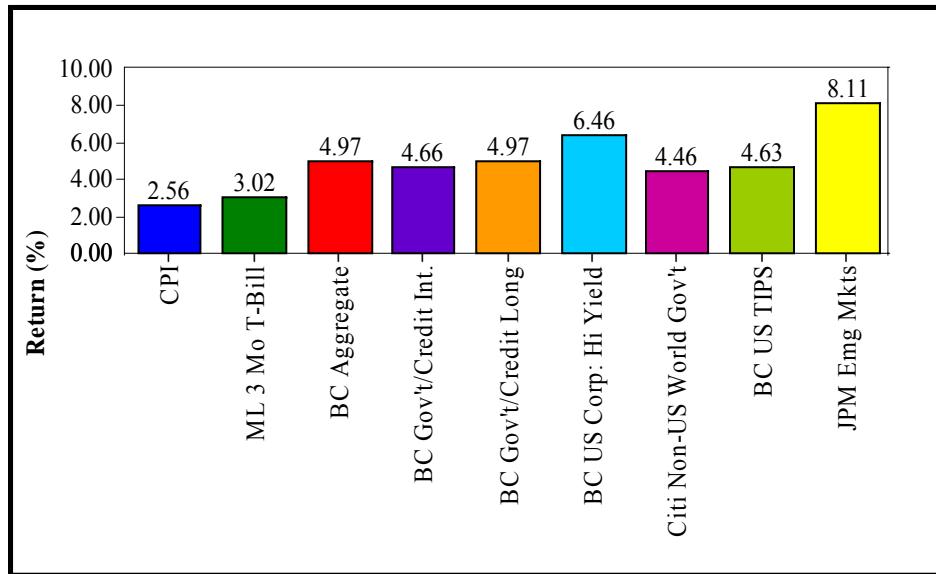
**1 Year**



**3 Years**



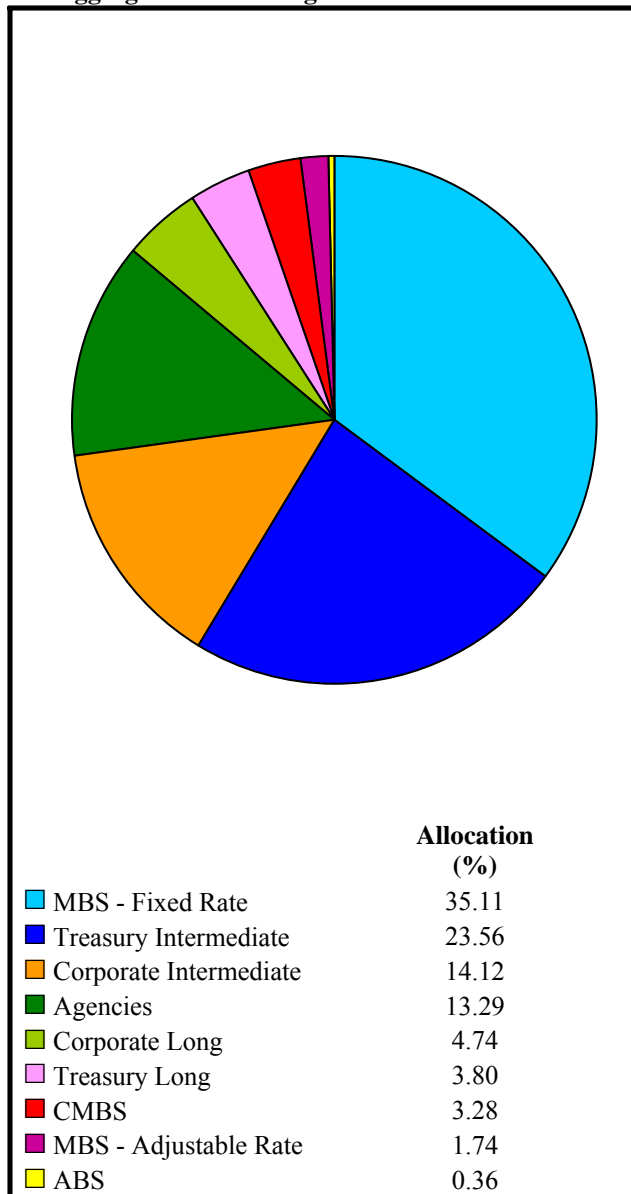
**5 Years**



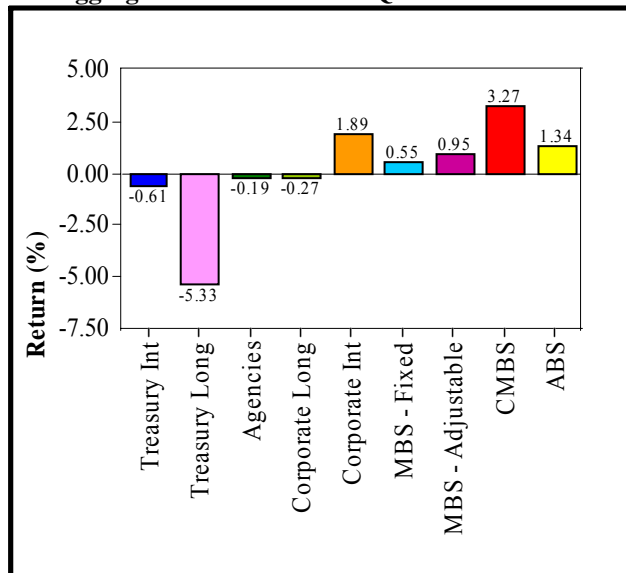
Performance is annualized for periods greater than one year.

**Domestic Fixed Income Sector Weights and Returns  
As of December 31, 2009**

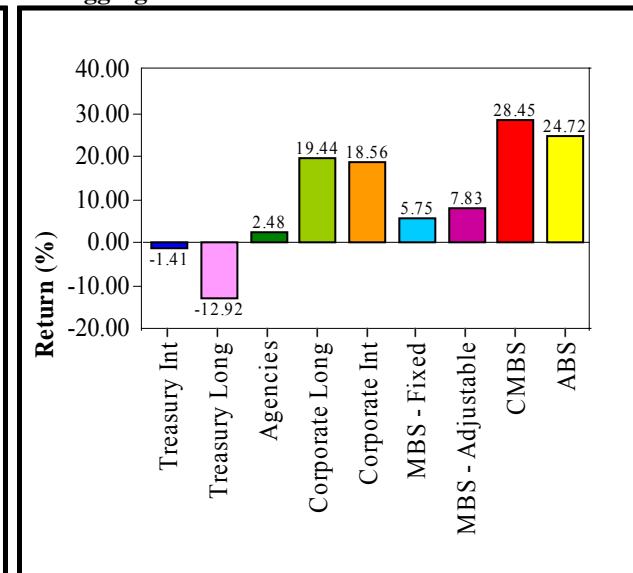
**BC Aggregate Sector Weights**



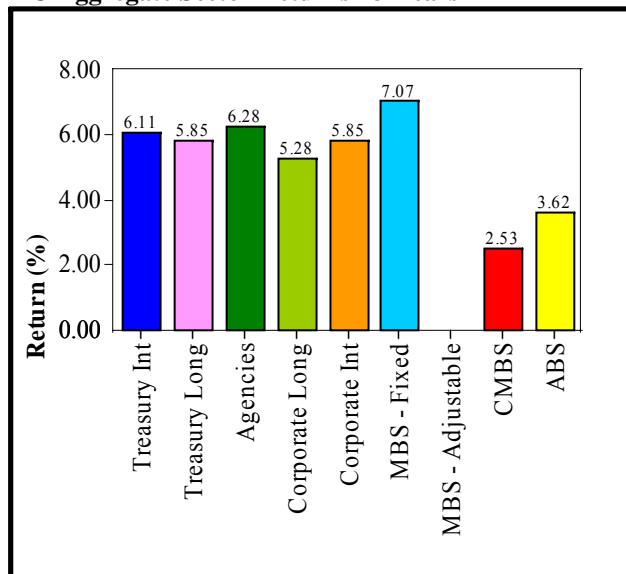
**BC Aggregate Sector Returns - QTD**



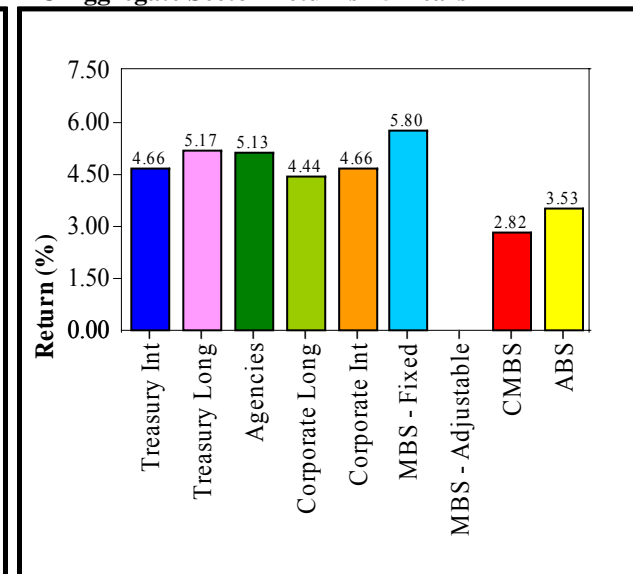
**BC Aggregate Sector Returns - 1 Year**



**BC Aggregate Sector Returns - 3 Years**



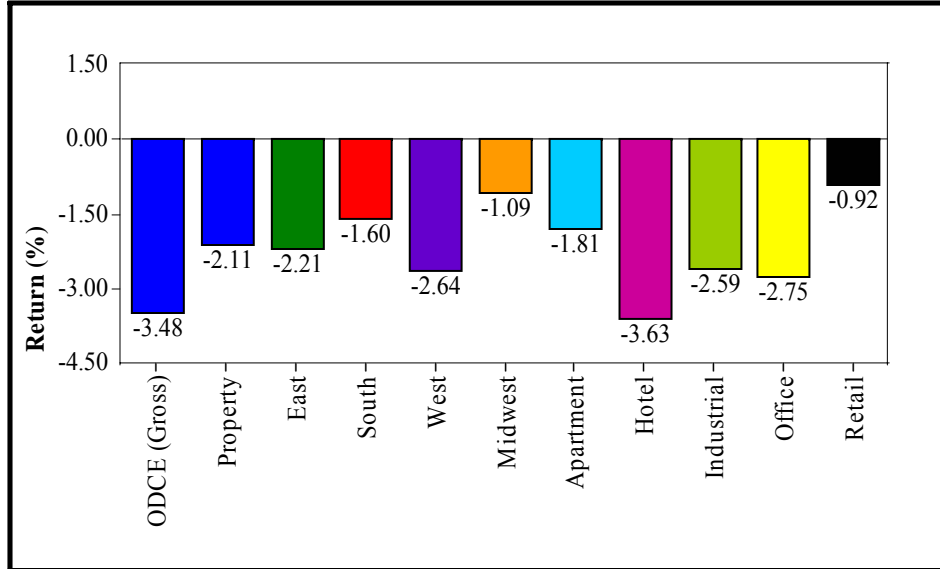
**BC Aggregate Sector Returns - 5 Years**



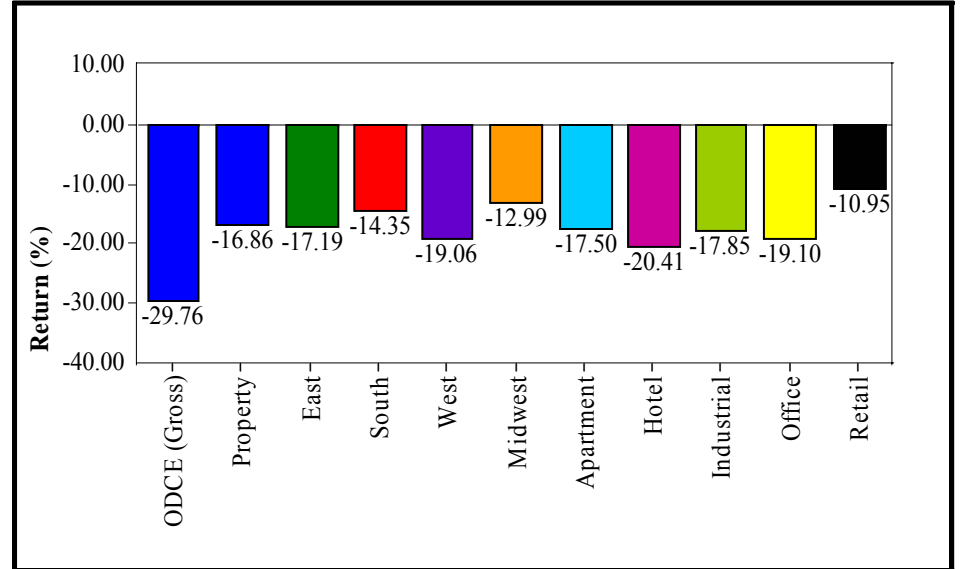
Allocations shown may not sum up to 100% exactly due to rounding. Performance is annualized for periods greater than one year. Returns and allocations provided by Barclays Capital Indices.

**Real Estate Market Performance  
As of December 31, 2009**

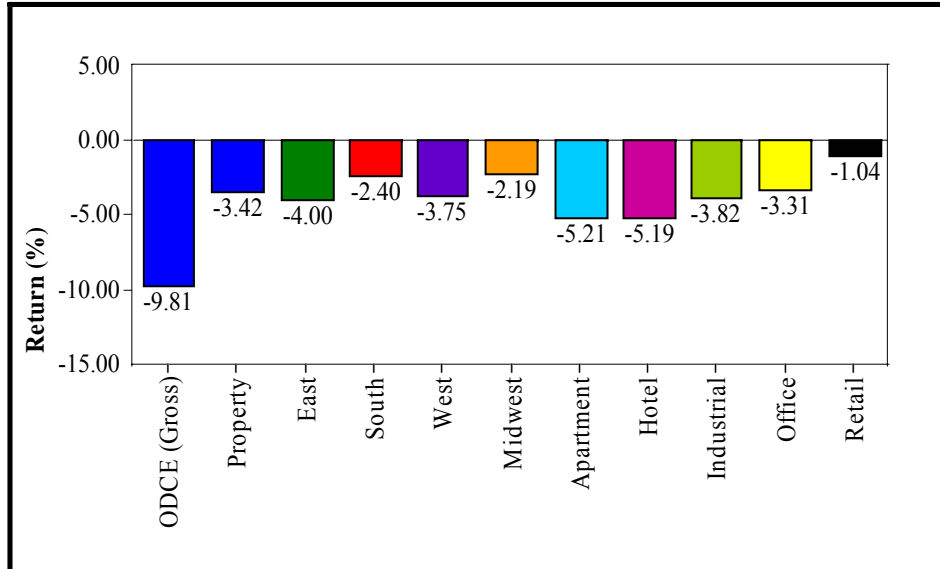
**QTD**



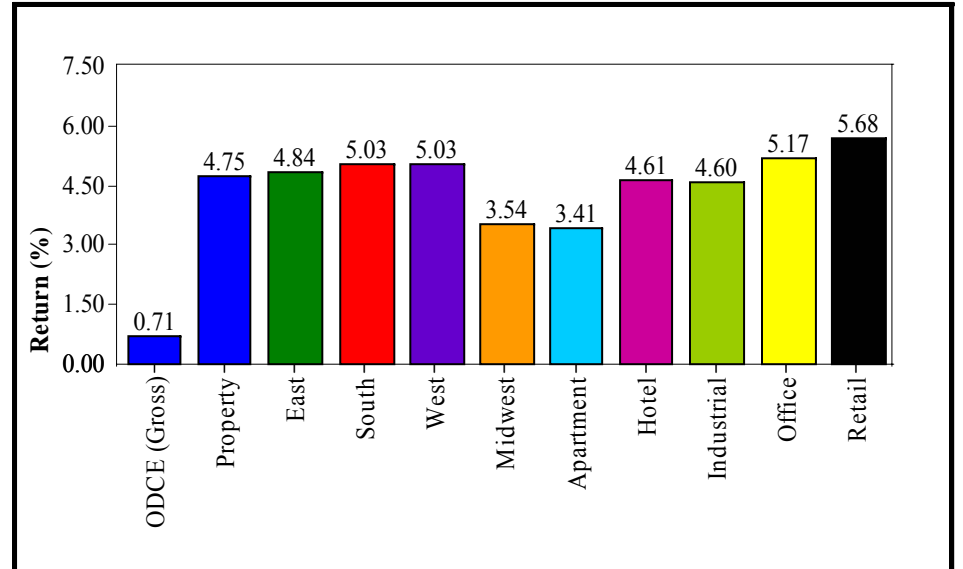
**1 Year**



**3 Years**



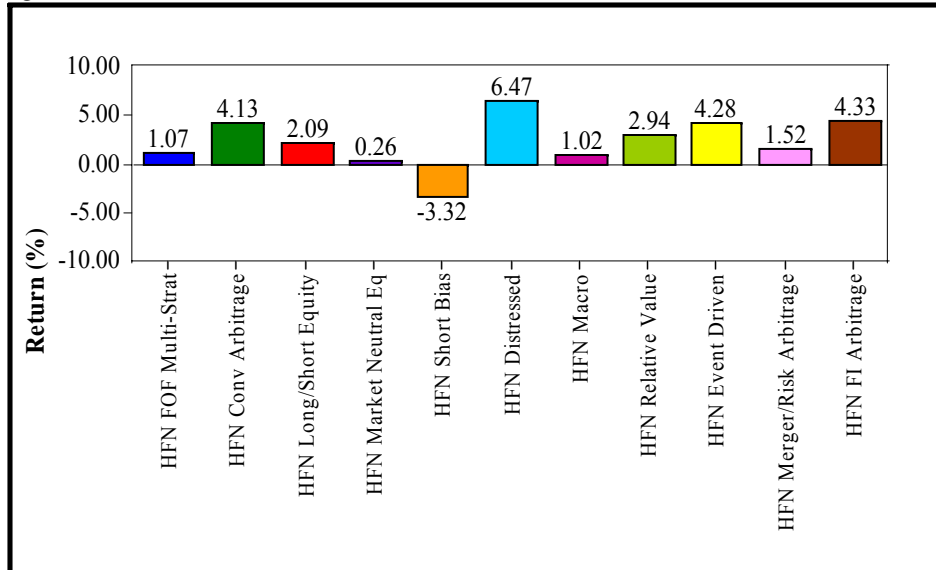
**5 Years**



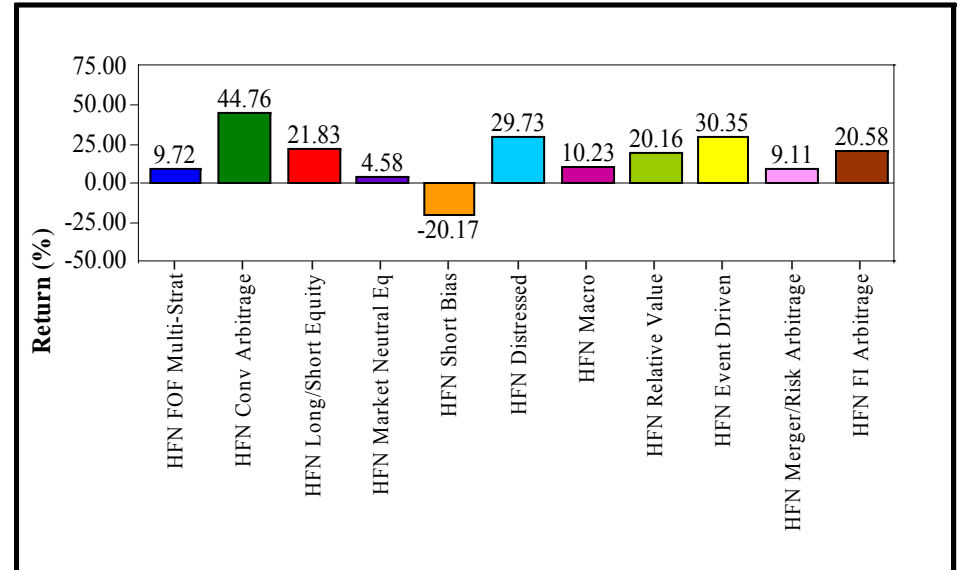
Performance is annualized for periods greater than one year.  
Region and sector returns represent the Property Index.

**Hedge Fund Market Performance  
As of December 31, 2009**

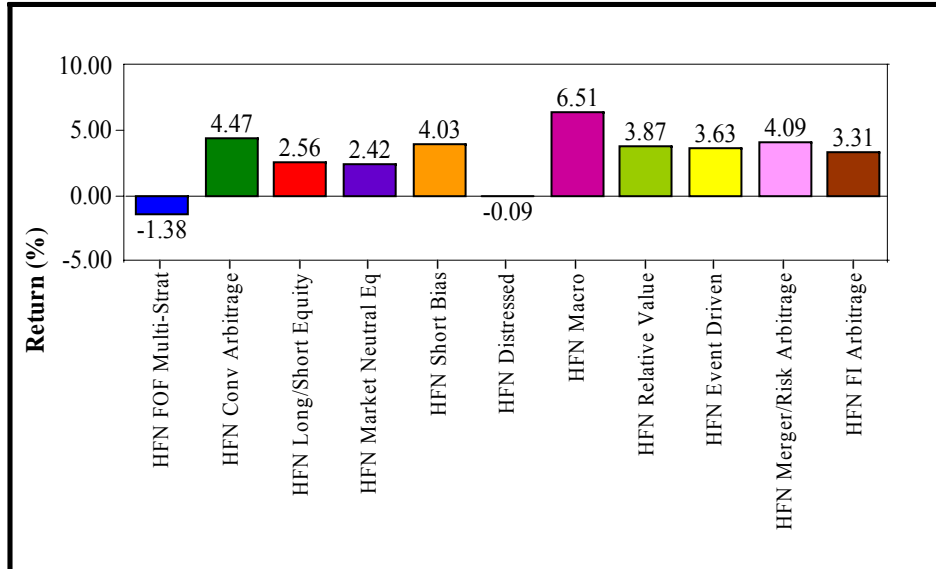
**QTD**



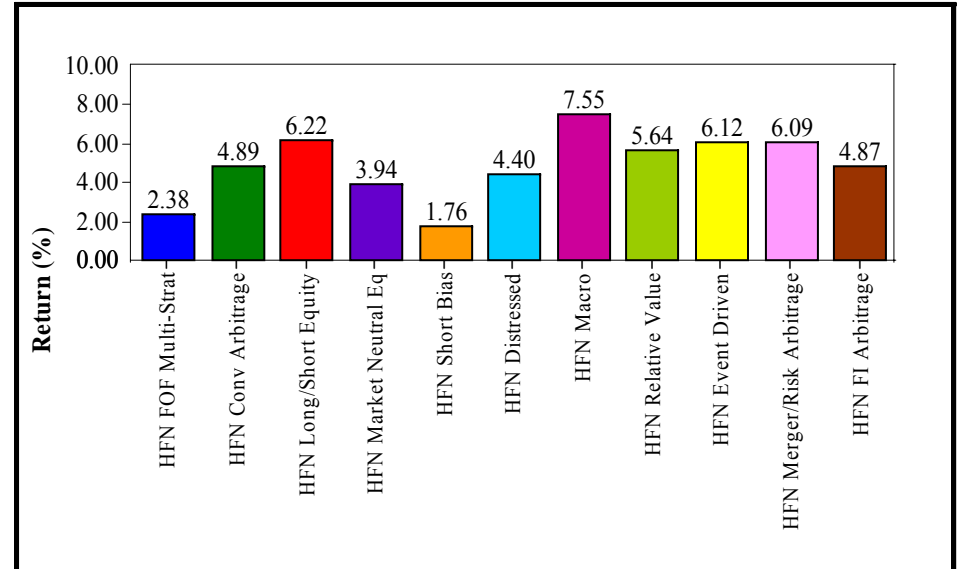
**1 Year**



**3 Years**



**5 Years**



Performance is annualized for periods greater than one year. Values are preliminary and subject to change.

**Annual Asset Class Performance  
As of December 31, 2009**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Best	37.58%	23.17%	33.36%	28.58%	66.42%	31.84%	8.44%	25.91%	62.14%	31.27%	34.54%	32.59%	39.78%	8.44%	79.02%
	29.95%	22.96%	22.36%	20.34%	27.31%	16.16%	7.89%	16.56%	56.28%	25.95%	26.65%	26.86%	16.23%	5.24%	58.21%
	28.44%	17.38%	17.65%	16.43%	24.69%	14.26%	7.28%	14.81%	47.25%	20.70%	21.40%	19.67%	16.05%	2.06%	47.32%
	19.17%	16.49%	15.12%	11.77%	24.35%	13.15%	6.61%	10.25%	39.17%	18.33%	21.36%	18.37%	11.63%	-2.35%	32.46%
	18.47%	11.71%	14.52%	8.69%	21.26%	12.40%	5.62%	5.55%	28.97%	13.06%	14.02%	16.32%	11.63%	-10.00%	27.18%
	15.21%	11.35%	12.76%	5.23%	21.04%	11.63%	5.28%	3.12%	28.68%	11.13%	6.75%	15.79%	9.91%	-20.47%	26.46%
	13.54%	6.34%	9.65%	3.94%	20.19%	6.18%	4.42%	1.78%	23.93%	10.88%	5.33%	11.85%	6.97%	-26.16%	18.91%
	11.55%	6.04%	5.33%	3.75%	13.17%	-3.02%	2.49%	-1.41%	11.93%	9.15%	4.91%	9.85%	6.60%	-33.79%	11.41%
	7.11%	5.30%	2.05%	1.87%	4.85%	-5.86%	-2.37%	-6.00%	9.27%	8.56%	4.55%	4.85%	5.49%	-35.65%	9.72%
	6.03%	3.63%	-3.39%	-2.55%	2.40%	-7.22%	-11.89%	-7.44%	8.39%	8.46%	3.07%	4.33%	5.00%	-37.00%	5.93%
	-5.21%	0.14%	-11.60%	-25.33%	2.39%	-9.10%	-12.11%	-15.66%	5.87%	6.79%	2.84%	2.71%	1.87%	-43.06%	1.92%
	N/A	N/A	N/A	-27.03%	-0.82%	-13.96%	-19.51%	-20.48%	4.10%	4.34%	2.74%	2.07%	1.79%	-46.78%	0.21%
Worst	N/A	N/A	N/A	N/A	-7.65%	-30.61%	-21.21%	-22.10%	1.15%	1.33%	2.43%	0.41%	-1.57%	-53.18%	-29.76%

S & P 500 - US Large Cap	R 2000 - US Small Cap	MSCI EAFE (Gross) - Int'l Dev.	MSCI EAFE Sm Cap (Gross) - SC Int'l	MSCI EM (Gross) - Int'l Emg Mkts	BC Agg Bond - FI	BC US Corp: Hi Yield - FI	BC US Treasury US TIPS - FI	BC Gov't/Credit Long Term Bond - FI	NCREIF ODCE (Gross) - Real Estate	HFN FOF Multi-Strat (Net) - ARS	DJ-UBS Comdty (TR) - Commodities	ML 3 Mo T-Bill - Cash Equiv
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