



Institutional Retirement Plan Consulting

## Investment Performance Review

Capital Markets Review  
Performance as of December 30, 2011



# Global Markets Perspective

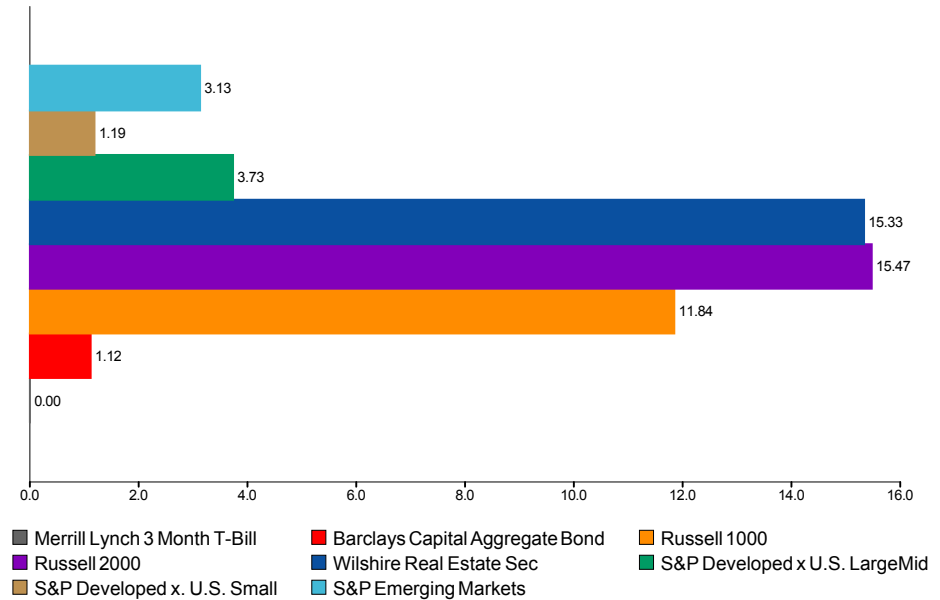
## Market Overview

Capital markets rebounded strongly in the 4<sup>th</sup> quarter, posting gains across all asset classes. While the story of the third quarter was investor pessimism, the 4<sup>th</sup> quarter rally indicates that investors overshot in their pessimism from earlier in the year. The equity market declines that began slowly in the spring and escalated into a terrible August/September were quickly reversed, with the S&P 500 Index posting a 10.93% gain during October.

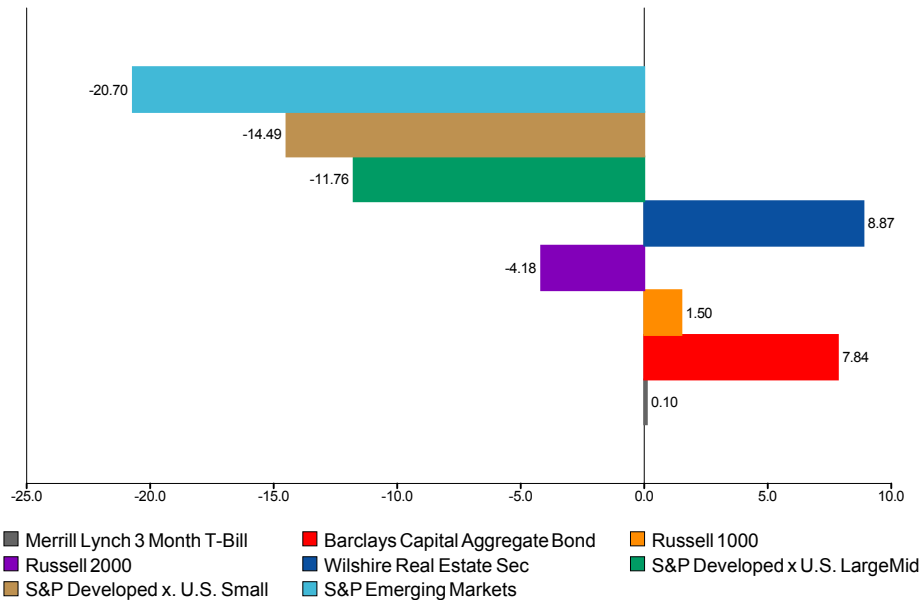
The major themes that were a drag throughout 2011- a European sovereign debt crisis, increasing U.S. debt levels, political gridlock, modest economic growth, weak residential real estate markets, and high unemployment - did not resolve themselves during the quarter. Instead, investors chose to focus on the positive - corporate fundamentals, including attractive equity valuations, strong earnings, and strengthened balance sheets.

Fixed income markets were relatively muted during the quarter, posting modest gains. The yield on the 10-year Treasury declined 3 bps during the quarter to 1.89% as of December 31, 2011. Treasury yields remain at historically low levels and the real 10-year Treasury yield was negative at -0.26% on December 31.

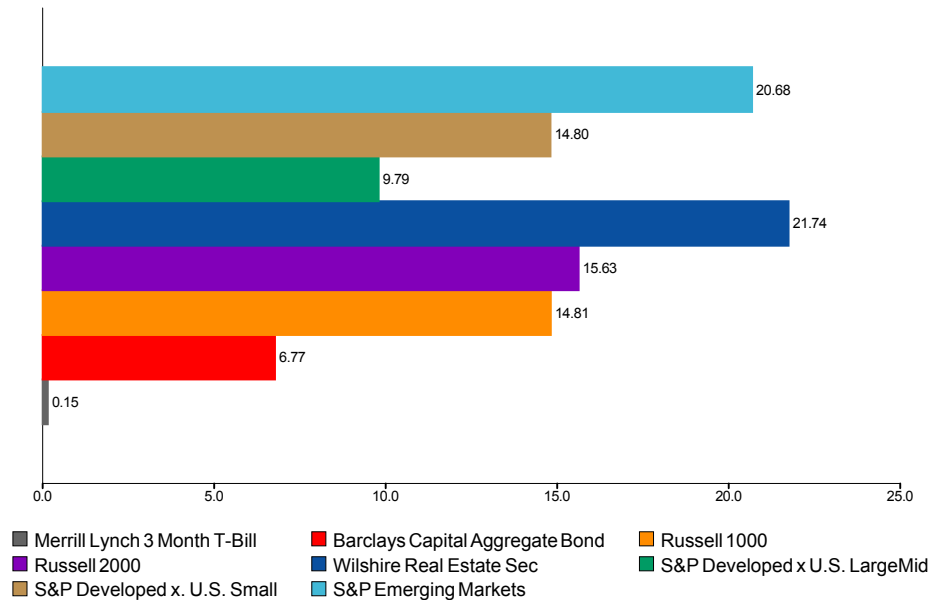
## Last Quarter Performance



## One Year Performance



## Three Year Annualized Performance



As of December 30, 2011

# U.S. Fixed Income

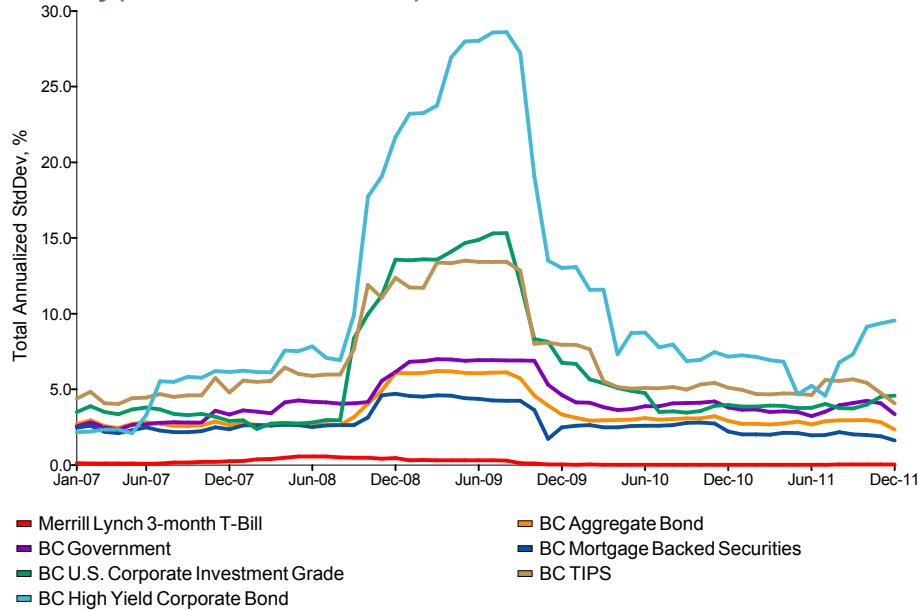
## Fixed Income Overview

Following the dramatic 3<sup>rd</sup> quarter, fixed income markets were relatively boring during the 4<sup>th</sup> quarter of the year. Treasury yields remained relatively flat at 1.89% as of 12/31, and yield spreads narrowed slightly during the quarterly. High yield and emerging market bonds had the best performance on a relative basis, gaining 6.46% and 4.93% respectively during the quarter.

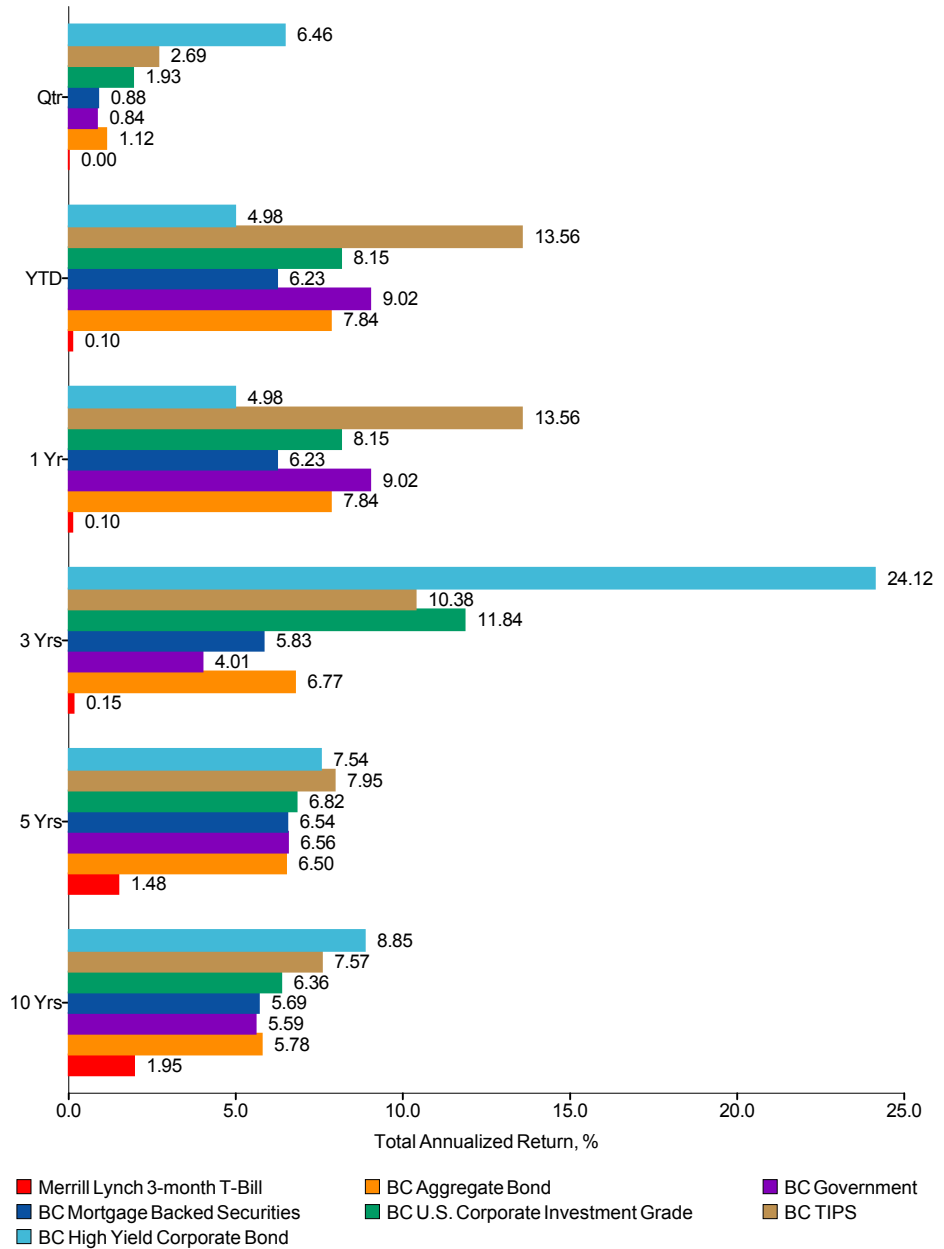
2011 was better than most people expected for fixed income markets. Interest rates were considered to be at relatively low levels at the start of the year (10-year Treasury yield was 3.30% as of 12/31/2010) and credit spreads had narrowed dramatically over the prior two years. Neither dropping interest rates nor narrowing spreads were expected to drive strong positive results within the bond market.

For the year, continued pessimism pushed Treasury yields lower and bond prices up across the board. Credit spreads actually widened a bit during the year, causing government bonds to outperform most other segments of the fixed income market. Active bond managers generally failed to capitalize on the Treasury rally as the passive Barclays Capital Aggregate Bond Index outperformed almost 90% of the intermediate bond peer group.

## Volatility (12M Standard Deviation)



## Performance (Annualized)



# U.S. Equity

## U.S. Equity Overview

An October rally was able to erase the losses of the 3<sup>rd</sup> quarter and pushed U.S. equity markets into the black for 2011. The market continues to test investors' nerves with extraordinary daily volatility being driven by short term sentiment. For the year, the S&P 500 Index gained a modest 2.11% with a wide variance amongst the various sectors. On the negative side, Financials lost -17.06%, Materials lost -9.75%, and Industrials lost -0.59% in 2011. The biggest gainers were Utilities (+19.91%), Consumer Staples (+13.99%), and Health Care (+12.73%). The sector performance caused growth stocks to outperform value stocks during the year. The defensive positioning of the market caused large cap stocks to outperform small cap stocks during the year.

With the primary exception being financials, companies broadly have been able to withstand a weak global economic recovery and post strong financial performance. Corporate earnings continue to grow and have rebounded from the 2008 recession. Prior to the recession, earnings per share for the S&P 500 Index companies peaked at \$24.06 in Q2 2007 and were \$25.29 during Q3 2011. The higher level of earnings has not translated into higher equity values, as the S&P 500 Index is still 11.8% below its prior peak in 2007. As a result of improved earnings and a lag in stock price, the dividend yield on the S&P 500 Index is 2.3%, above the 10-year Treasury yield of 1.89%.

## Returns by Style (Russell Style Indices)

### Last Quarter

	Value	Blend	Growth
<b>Large</b>	13.11	11.84	10.61
<b>Mid</b>	13.37	12.31	11.24
<b>Small</b>	15.97	15.47	14.99

### Last 1 Year

	Value	Blend	Growth
<b>Large</b>	0.39	1.50	2.64
<b>Mid</b>	-1.38	-1.55	-1.65
<b>Small</b>	-5.50	-4.18	-2.91

### Last 3 Years

	Value	Blend	Growth
<b>Large</b>	11.55	14.81	18.02
<b>Mid</b>	18.19	20.17	22.06
<b>Small</b>	12.36	15.63	19.00

### Last 5 Years

	Value	Blend	Growth
<b>Large</b>	-2.64	-0.02	2.50
<b>Mid</b>	0.04	1.41	2.44
<b>Small</b>	-1.87	0.15	2.09

## Returns by Sector (S&P 500 Index Sectors)

	Cons Disc	Cons Staples	Energy	Financials	Health Care	Industrials	Info Tech	Materials	Telecom Svcs	Utilities	S&P 500 Index
<b>Qtr (%)</b>	12.58	10.26	18.20	10.82	9.96	16.52	8.72	15.39	7.90	8.28	11.82
<b>1 Yr (%)</b>	6.13	13.99	4.72	-17.06	12.73	-0.59	2.41	-9.75	6.27	19.91	2.11
<b>3 Yrs (%)</b>	24.17	14.33	12.82	2.92	11.56	15.07	22.20	17.90	11.26	12.27	14.11
<b>5 Yrs (%)</b>	2.02	7.61	4.68	-16.90	2.81	0.50	3.83	1.76	1.39	3.71	-0.25
<b>10 Yrs (%)</b>	3.82	7.04	11.66	-4.61	2.24	3.17	2.25	7.17	1.58	6.42	2.92

# International Equity

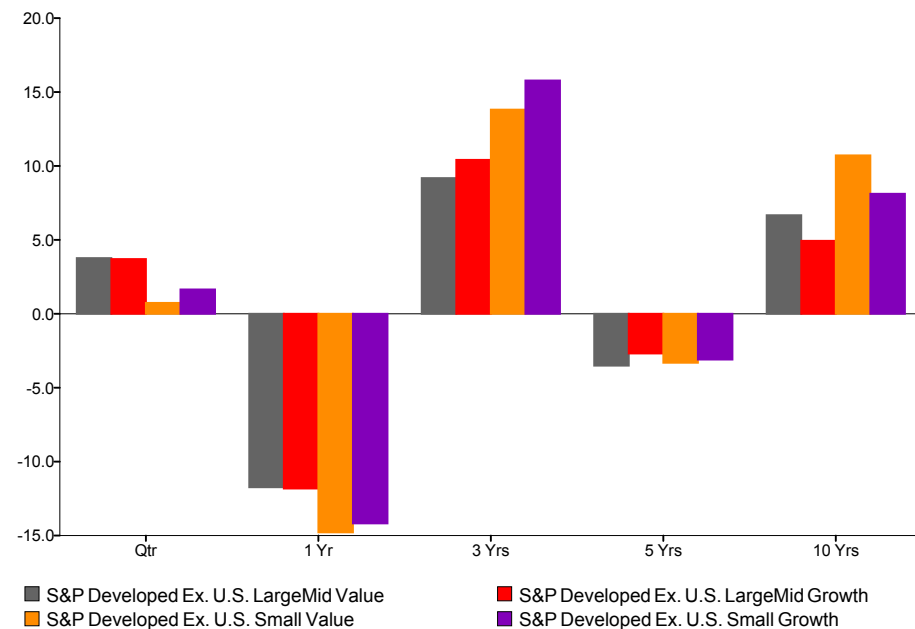
## International Equity Overview

International equities lagged the U.S. market during the 4<sup>th</sup> quarter and posted a double digit loss for the year. European markets continued to be dragged down by worries about a sovereign debt crisis and the resulting depreciation of the euro to the dollar. While European leaders have announced multiple plans to solve the situation, investors still are not showing confidence that the problems have been resolved. As a result, European sovereign yields have skyrocketed and interbank lending costs increased as a result of uncertainty about individual bank's exposures to European debt.

Asia underperformed both the U.S. and Europe as Japan posted a loss during the quarter. For the year Japan was down -12.60% and the results would have been even worse if not for the dollar decline relative to the yen.

Emerging markets posted modest gains during the quarter but lost -20.70% during 2011. During the year the losses were driven by concerns about a weak global economy and dollar appreciation driven by a flight-to-quality. In spite of the steep losses, the longer-term performance of emerging market equities have been strong and emerging economy growth is a consistent theme for professional investors.

## Performance by Market Cap/Style (Annualized)



As of December 30, 2011

## Performance by Region (Annualized)

	Qtr	1 Yr	3 Yrs	5 Yrs	10 Yrs
<b>Developed World</b>	<b>7.68</b>	<b>-5.82</b>	<b>12.84</b>	<b>-1.52</b>	<b>4.97</b>
<b>North America</b>	<b>11.53</b>	<b>-0.33</b>	<b>15.63</b>	<b>0.51</b>	<b>4.28</b>
Canada	5.77	-12.58	21.02	3.64	12.28
United States	12.15	1.09	15.20	0.26	3.82
<b>Europe</b>	<b>4.81</b>	<b>-11.55</b>	<b>9.24</b>	<b>-4.62</b>	<b>5.65</b>
Austria	-6.04	-34.13	6.97	-15.17	9.18
Belgium	0.51	-12.64	12.67	-12.47	4.02
Denmark	6.75	-16.29	14.77	-1.80	11.75
Finland	-0.82	-30.16	-0.22	-8.44	-0.02
France	1.88	-15.24	3.36	-6.46	4.37
Germany	3.60	-17.49	5.76	-3.07	6.04
Greece	-18.76	-57.63	-32.52	-32.45	-8.41
Ireland	12.74	0.71	12.09	-18.43	-0.72
Italy	-1.03	-24.46	-5.98	-15.16	0.86
Luxembourg	6.16	-32.23	6.80	-8.33	NA
Netherlands	5.42	-13.89	9.56	-3.36	4.88
Norway	8.66	-14.73	25.59	-1.98	14.07
Portugal	-11.04	-27.40	-3.52	-11.24	2.49
Spain	-1.81	-11.98	-1.41	-6.90	7.61
Sweden	9.60	-15.79	25.35	-0.80	10.23
Switzerland	4.12	-6.53	10.85	0.71	8.23
United Kingdom	8.36	-3.36	15.96	-3.06	5.65
<b>Asia Pacific</b>	<b>0.54</b>	<b>-12.72</b>	<b>10.27</b>	<b>-2.41</b>	<b>6.93</b>
Australia	7.47	-11.93	22.99	2.96	14.25
Hong Kong	5.53	-17.95	20.80	3.39	10.07
Japan	-4.02	-12.60	2.37	-6.01	3.54
New Zealand	-1.01	0.09	18.82	-1.68	12.80
Singapore	-0.82	-17.95	22.66	3.34	10.32
Republic of Korea	6.81	-9.82	24.79	3.03	13.97
<b>Emerging Markets</b>	<b>3.13</b>	<b>-20.70</b>	<b>20.68</b>	<b>3.05</b>	<b>14.20</b>
European Emerging	-0.89	-25.42	19.87	-7.07	14.98
Asia Pacific Emerging	1.34	-20.63	19.92	3.52	11.00
Latin America	8.16	-20.05	25.03	7.52	20.03
Mid-East and Africa	5.07	-16.82	18.14	6.22	17.40