



Investment Performance Review

Capital Markets Review
Performance as of September 30, 2013

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The Recovery Continues, Although Political Theatrics Risk Growth

- Real 2nd quarter 2013 GDP grew at 2.5% annualized rate
- Unemployment remains significantly unchanged at 7.3%, although labor force participation continues to decline
- Inflation remains anemic with core inflation measuring 1.8% in August
- Corporate profits continue to grow, aided by modest top line revenue growth
- Housing continues to recover with inventories remaining low

U.S. Stocks Posted Strong Gains

- S&P 500 Index gained 5.24% for the quarter and 19.36% over the past 1 year
- Materials and Industrials led the way with 10.30% and 8.91% gains, respectively
- Valuation multiples expanded as investors became less risk averse

Interest Rates Remained Steady And Bond Returns Were Flat

- Following a quick, sharp rise in rates earlier this year, the yield curve remained relatively unchanged during the quarter
- Spread sectors of the bond market outperformed Treasuries during the quarter
- The 10-Year Treasury yield increased slightly to 2.64% from 2.52% as of 6/30/2013
- The Fed put off any decision on starting to "taper" its bond buying activities

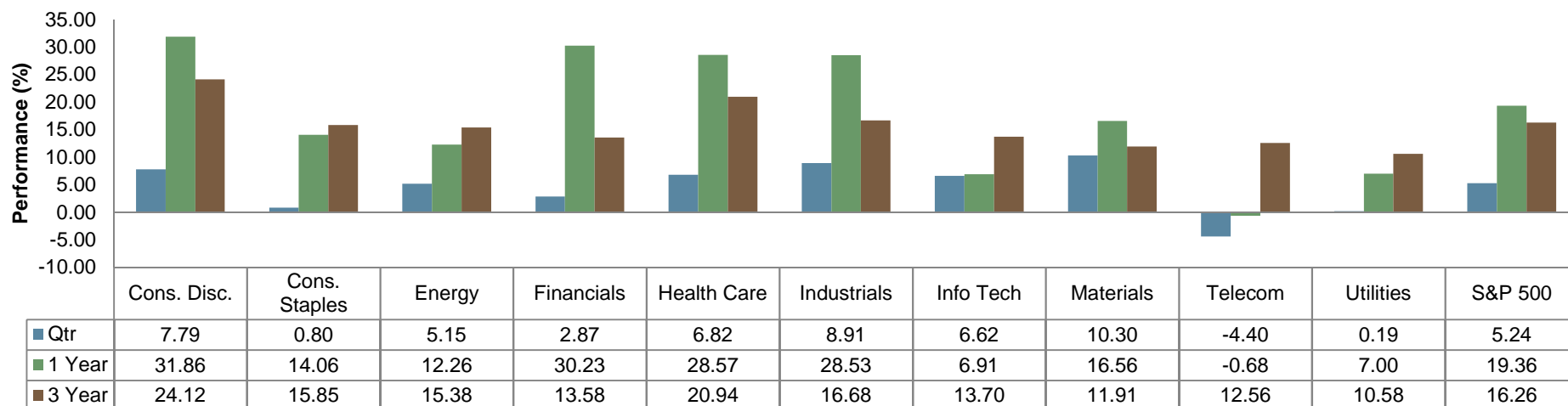
Developed International Equity Markets Outpaced the U.S. Market

- Developed international equities broadly outperformed, boosted by strong local returns and a declining U.S. dollar
- European equities quietly recovered from prior losses with the MSCI Europe ex U.K. Index gaining 29.32% over the past 1 year
- Japan slightly outperformed the U.S. equity market, gaining 6.71%
- Developed international small cap stocks outperformed large cap stocks, posting a gain of 15.03% for the quarter
- Emerging markets recovered slightly from a negative second quarter, posting a 5.90% gain

Commodities Continued to Lag Stocks, Although They Finally Posted a Gain

- DJ-UBS Commodity Index gained 2.13% during the 3rd quarter, but has lost 14.36% over the past 1 year
- Strong equity returns and poor commodity returns have caused the S&P 500 Index to outperform the DJ-UBS Commodity Index by 33.72% over the past 12 months

Returns by Sector



Returns by Style

Last Quarter

	Value	Blend	Growth
Large	3.94	6.02	8.11
Mid	5.89	7.70	9.34
Small	7.59	10.21	12.80

Last Year

	Value	Blend	Growth
Large	22.32	20.92	19.29
Mid	27.79	27.93	27.56
Small	27.06	30.08	33.09

Last 3 Year

	Value	Blend	Growth
Large	16.24	16.63	16.93
Mid	17.26	17.52	17.65
Small	16.56	18.28	19.95

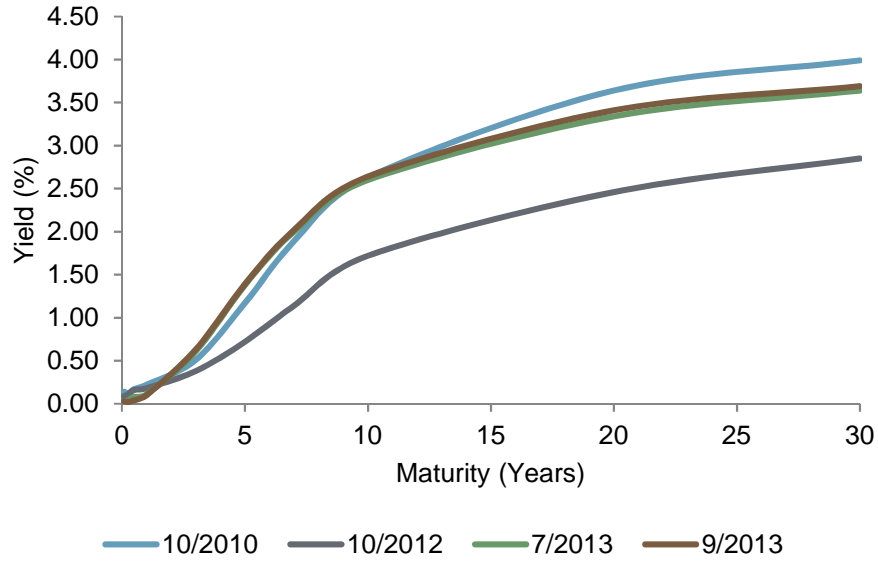
Last 5 Years

	Value	Blend	Growth
Large	8.87	10.53	12.07
Mid	11.86	12.98	13.92
Small	9.14	11.16	13.17

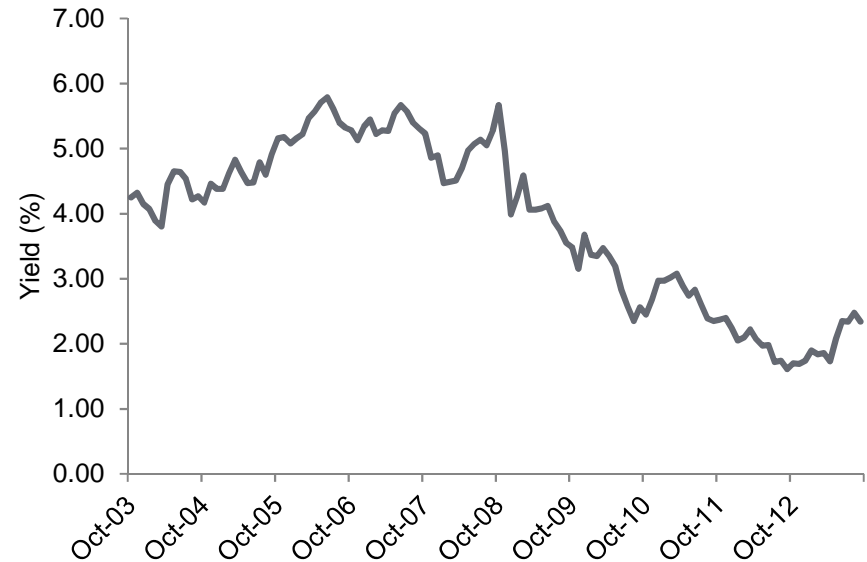
Source: Morningstar Direct, Sector returns are for the S&P 500 Index Sector Indices. Style returns are for the Russell 1000, Mid Cap and 2000 indices as well as the related Value and Growth indices.

Fixed Income Yields

U.S. Treasury Yield Curve



Barclays US Aggregate Yield



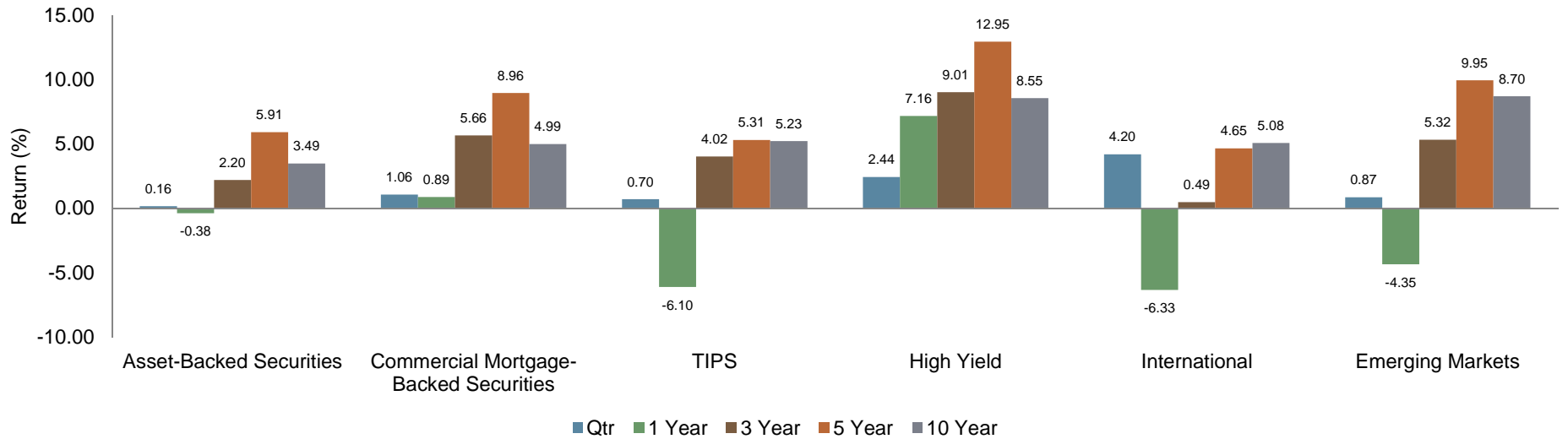
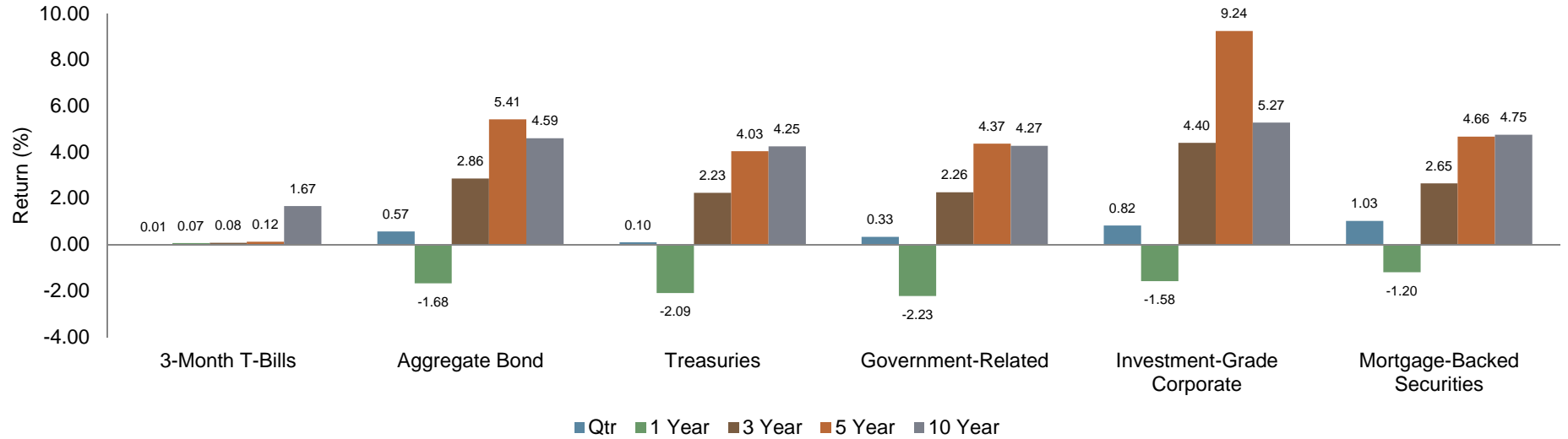
10 Year Treasury Yield



Source: Morningstar Direct

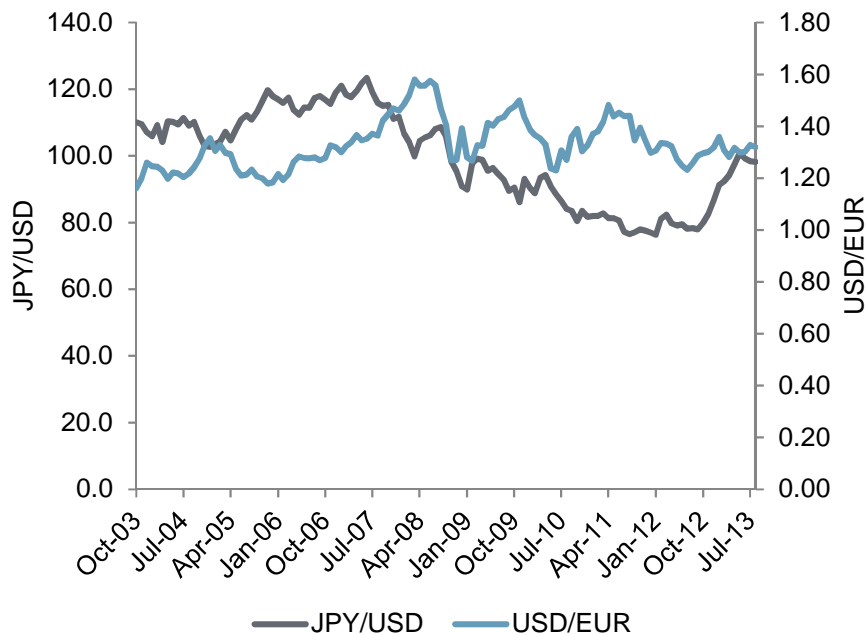
As of September 30, 2013

Fixed Income Returns



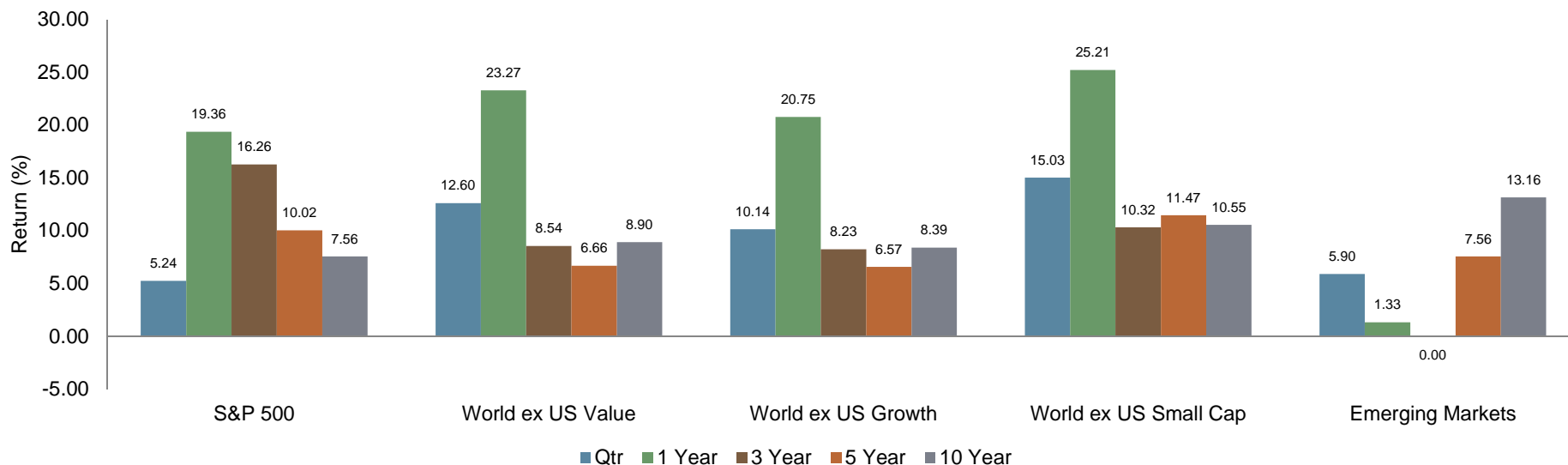
Source: Morningstar Direct. Performance is annualized for periods greater than 12 months. The returns shown above are represented by the following indices: 3-Month T-Bills - USTREAS T-Bill Auction Ave 3 Mon; Aggregate Bond - Barclays US Agg Bond TR USD; Treasuries - Barclays US Treasury TR USD; Government-Related - Barclays US Agg Govt Reltd TR USD; Investment-Grade Corporate - Barclays US Corp IG TR USD; Mortgage-Backed Securities - Barclays US MBS TR USD; Asset-Backed Securities - Barclays ABS TR USD; Commercial Mortgage-Backed Securities - Barclays CMBS IG TR USD; TIPS - Barclays US Treasury US TIPS TR USD; High Yield - Barclays US HY Intern TR USD; International - JPM GBI Global Ex US TR USD; and Emerging Markets - JPM EMBI Global TR USD

U.S. Dollar Exchange Rates



Regional Returns (Local Currency vs. U.S. Dollar)

Region	Qtr		1 Year	
	Local	USD	Local	USD
USA	n/a	5.24	n/a	19.36
Europe ex-U.K	9.80	14.47	23.75	29.32
France	10.93	15.53	26.81	33.43
Germany	8.25	12.73	20.56	26.86
United Kingdom	4.95	12.05	16.76	17.09
Pacific ex-Japan	8.65	10.36	19.82	11.71
Japan	5.41	6.71	66.13	31.70
Emerging Markets	5.76	5.90	6.19	1.33
Brazil	9.26	8.43	1.24	-7.74
China	12.23	12.25	13.08	13.05
India	-0.18	-5.25	3.95	-12.43
Russia	12.47	13.69	6.68	3.54

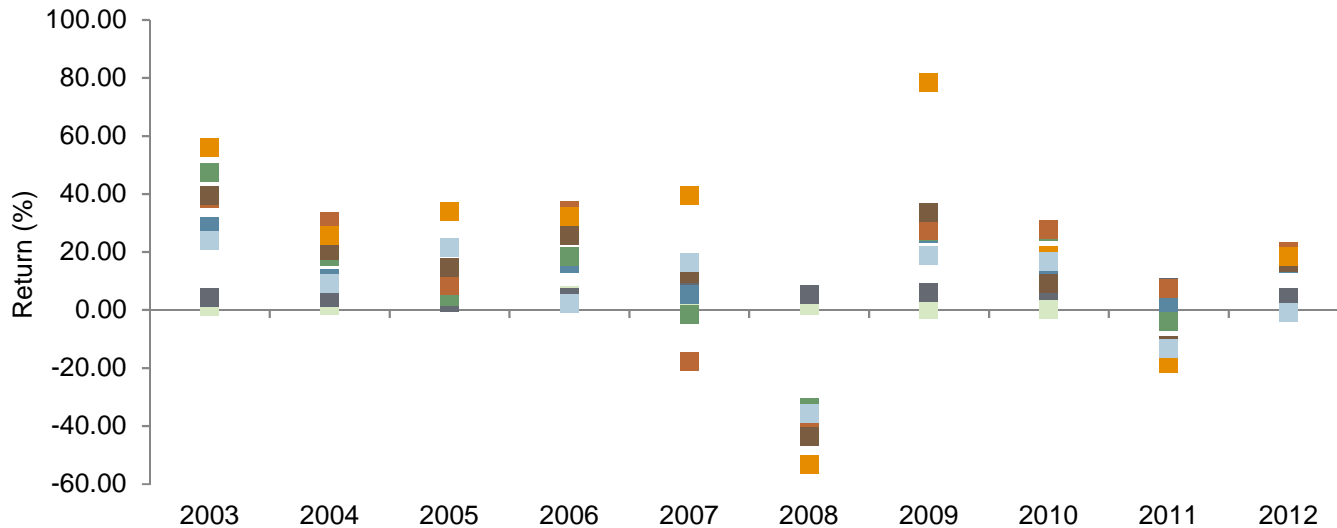


Source: Morningstar Direct. Regional returns are shown for the respective MSCI gross return indices for local and USD returns. Style returns are shown for the S&P 500 Index, MSCI World ex USA Value GR USD, MSCI World ex USA Growth GR USD, MSCI World ex USA Small Cap GR USD, and the MSCI Emerging Markets GR USD indices.

Unpredictability of Asset Class Returns

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Best	55.82	30.41	34.00	34.35	39.42	5.24	78.51	27.58	7.84	20.14
	47.25	25.55	21.36	32.14	16.23	5.24	33.67	26.85	7.28	18.22
	39.42	20.38	14.47	25.71	12.44	1.51	27.45	18.88	2.11	16.41
	38.47	18.33	8.29	18.37	6.97	-33.79	27.17	16.83	0.06	16.35
	28.68	10.88	4.91	15.79	6.97	-35.65	26.46	15.06	-4.18	16.00
	23.93	9.15	4.55	5.06	5.49	-37.00	18.91	8.95	-12.21	4.21
	4.10	4.34	3.34	4.33	4.77	-37.34	5.93	6.54	-13.32	0.09
Worst	1.05	1.43	2.43	4.33	-1.57	-43.56	0.16	0.14	-18.42	-1.06

USTREAS T-Bill Auction Ave 3 Mon
Barclays US Agg Bond TR USD
S&P 500 TR USD
Russell 2000 TR USD
FTSE NAREIT All REITs TR
MSCI World Ex US NR USD
MSCI EM NR USD
DJ UBS Commodity TR USD



- USTREAS T-Bill Auction Ave 3 Mon
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- S&P 500 TR USD
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- FTSE NAREIT All REITs TR
- MSCI World Ex US NR USD
- MSCI EM NR USD
- DJ UBS Commodity TR USD

Source: Morningstar Direct

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