



## Investment Performance Review

Capital Markets Review  
Performance as of March 28, 2013

This page was intentionally left blank.

### The Economy Continues Its Growth, Albeit Slowly

- Real 4th quarter 2012 GDP grew at 0.4% annualized rate
- Unemployment remains relatively unchanged at 7.7% as of February 2013
- Inflation remains in check with February 2013 inflation at 2.0%
- Corporate profits are off their highs but are still elevated

### U.S. Stocks Posted Strong Gains

- Healthcare and Consumer Staples stocks led the way, gaining 15.8% and 14.6% respectively
- Strong equity returns were not merely a "risk-on" trade as low beta sectors outperformed the broad market (Consumer Staples, Healthcare, Utilities)
- Valuation multiples expanded during the quarter (13.8x vs. 12.5x) and dividend yield declined slightly (2.2% vs. 2.4%)

### Fixed Income Returns were Slightly Negative Across Most Sectors

- High yield outperformed as spreads narrowed during the quarter
- Investors' appetite for yield has led to increased interest in high yield, emerging market debt, and floating rate bonds
- The 10-Year Treasury yield increased slightly to 1.87% from 1.78% as of 12/31/2012
- The Fed continued its quantitative easing efforts as unemployment remains elevated

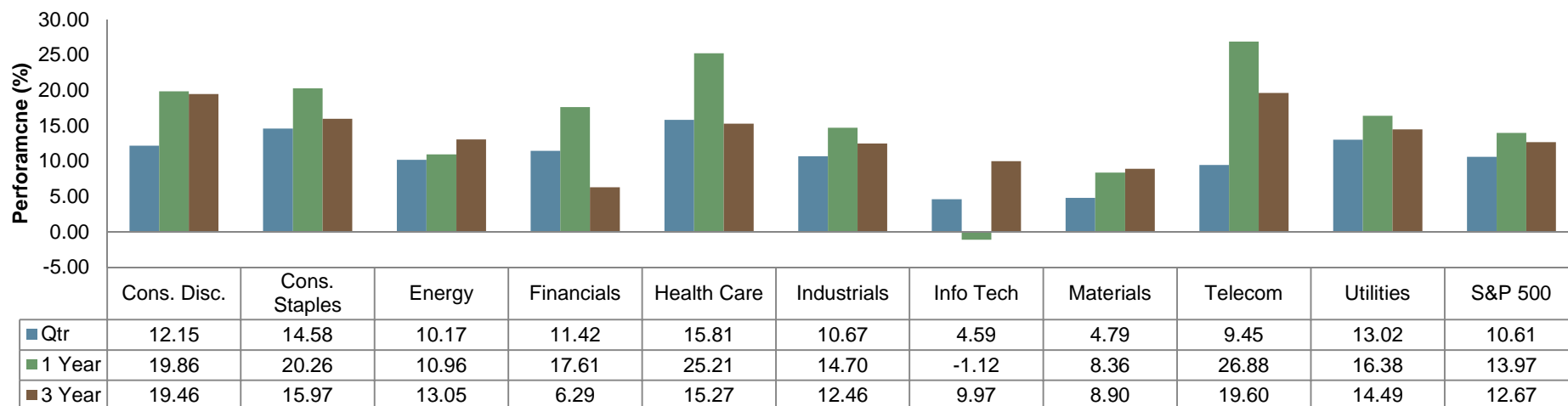
### Japan Leads Developed International Stocks Higher

- "Abenomics" took hold as Japan's new Prime Minister, Shinzo Abe, implemented a program designed to boost growth in Japan's economy
- Japan's new economic program focuses on economic stimulation through increased government spending, easing monetary policy, and structural market reforms
- Japan is looking to reverse a deflationary environment by targeting a 2% inflation rate
- Yen depreciation cut into returns for U.S.-based investors in Japanese equities
- European gains were modest and offset slightly by a strengthening dollar
- Emerging market stocks struggled as the BRIC countries (Brazil, Russia, India, and China) all posted losses during the quarter

### Commodities Continued to Underperform the Broad Market

- Gold declined as investors' comfort with equity risk returned and inflation fears remained unfounded
- Slowing growth in China and ongoing weakness in Europe limited aggregate demand for commodities during the first quarter

## Returns by Sector



## Returns by Style

### Last Quarter

|       | Value | Blend | Growth |
|-------|-------|-------|--------|
| Large | 12.31 | 10.96 | 9.54   |
| Mid   | 14.21 | 17.31 | 11.51  |
| Small | 11.63 | 16.32 | 13.21  |

### Last Year

|       | Value | Blend | Growth |
|-------|-------|-------|--------|
| Large | 18.78 | 14.44 | 10.09  |
| Mid   | 21.50 | 17.31 | 12.77  |
| Small | 18.11 | 16.32 | 14.53  |

### Last 3 Year

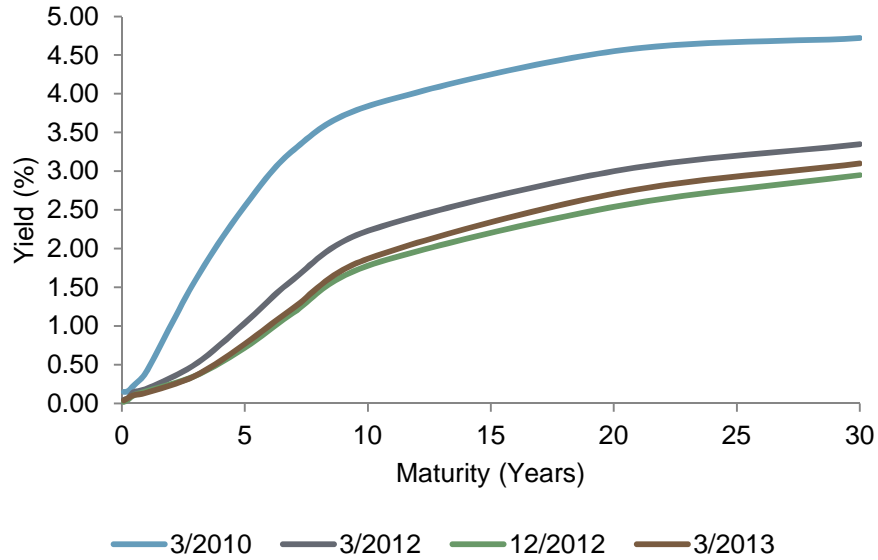
|       | Value | Blend | Growth |
|-------|-------|-------|--------|
| Large | 12.74 | 12.93 | 13.06  |
| Mid   | 14.95 | 14.62 | 14.23  |
| Small | 12.11 | 13.45 | 14.74  |

### Last 5 Years

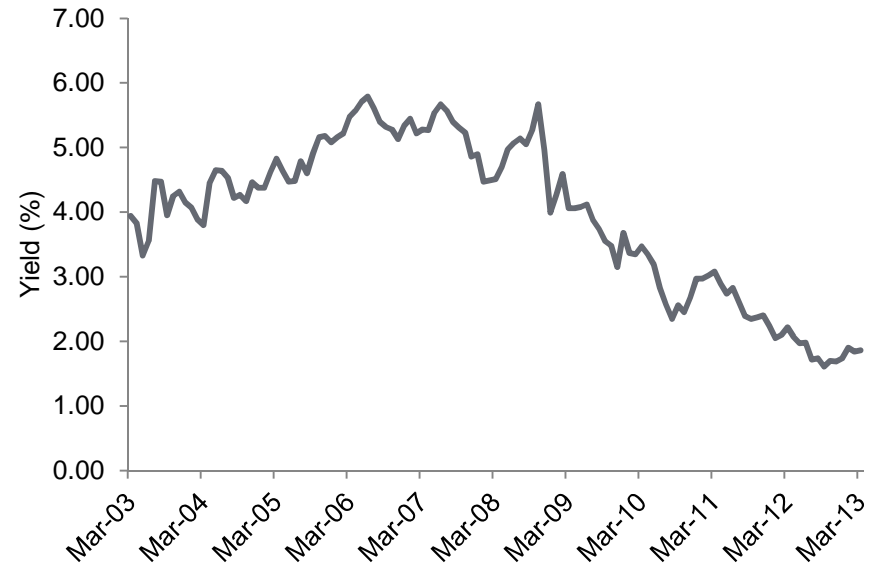
|       | Value | Blend | Growth |
|-------|-------|-------|--------|
| Large | 4.85  | 6.15  | 7.30   |
| Mid   | 8.53  | 8.38  | 7.98   |
| Small | 7.29  | 8.24  | 9.04   |

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.

U.S. Treasury Yield Curve



Barclays US Aggregate Yield



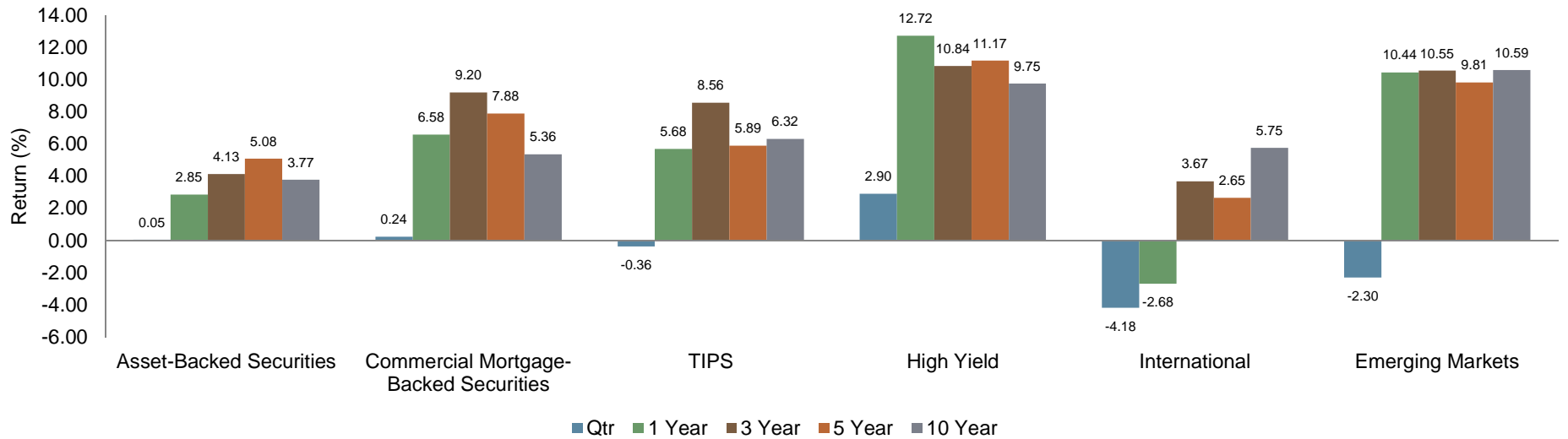
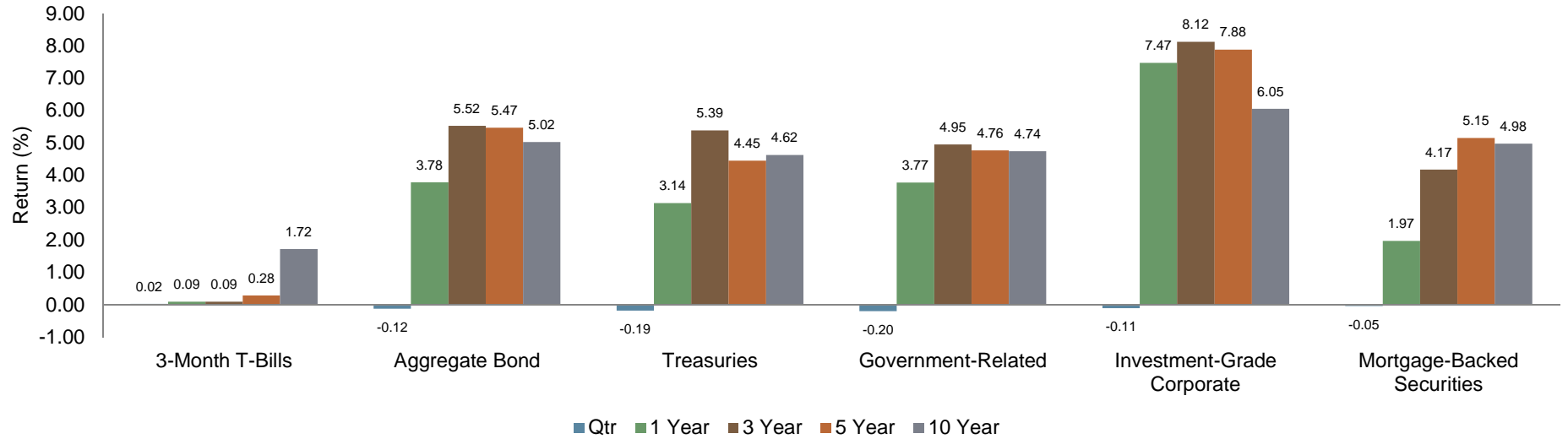
10 Year Treasury Yield



Source: Morningstar Direct

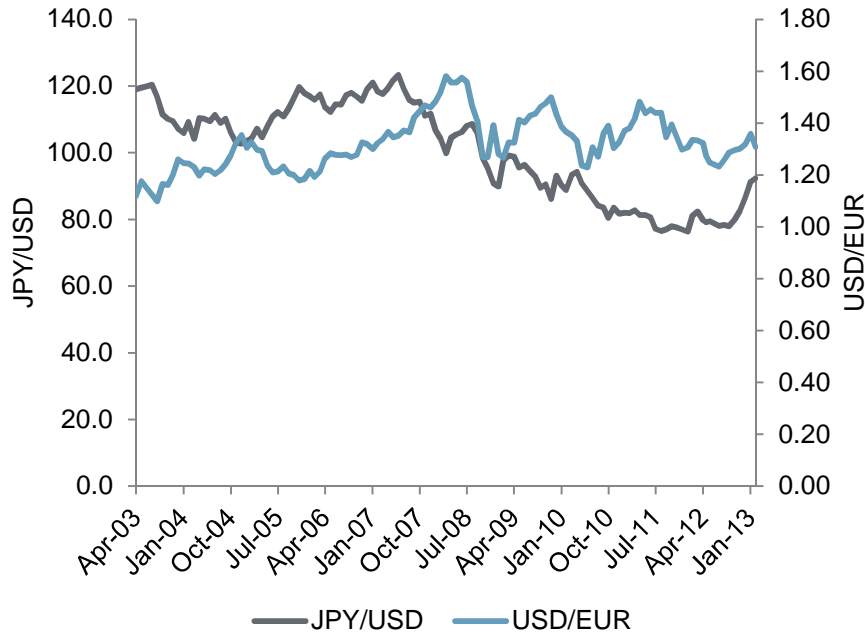
As of March 28, 2013

## Fixed Income Returns



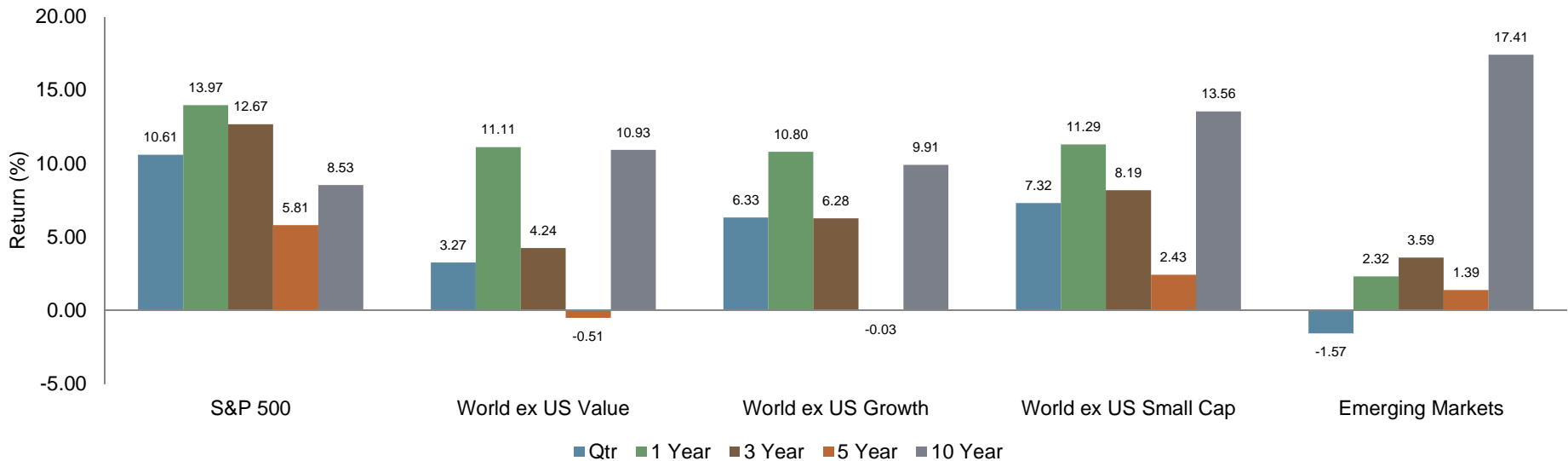
Source: Morningstar Direct. Performance is annualized for periods greater than 12 months. The returns shown above are represented by the following indices: 3-Month T-Bills - USTREAS T-Bill Auction Ave 3 Mon; Aggregate Bond - Barclays US Agg Bond TR USD; Treasuries - Barclays US Treasury TR USD; Government-Related - 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   | 10.61 | n/a    | 13.97  |
| Europe ex-U.K    | 5.74  | 3.01  | 15.96  | 12.13  |
| France           | 3.30  | 0.61  | 14.14  | 10.05  |
| Germany          | 2.94  | 0.27  | 13.48  | 9.42   |
| United Kingdom   | 9.71  | 2.49  | 15.53  | 9.80   |
| Pacific ex-Japan | 6.98  | 7.05  | 19.26  | 19.98  |
| Japan            | 21.46 | 11.70 | 24.22  | 8.71   |
| Emerging Markets | -0.44 | -1.57 | 5.53   | 2.32   |
| Brazil           | -2.28 | -0.77 | -3.31  | -12.53 |
| China            | -4.39 | -4.54 | 6.90   | 6.92   |
| India            | -3.33 | -2.55 | 9.09   | 2.25   |
| Russia           | -1.78 | -3.17 | -2.11  | -6.62  |

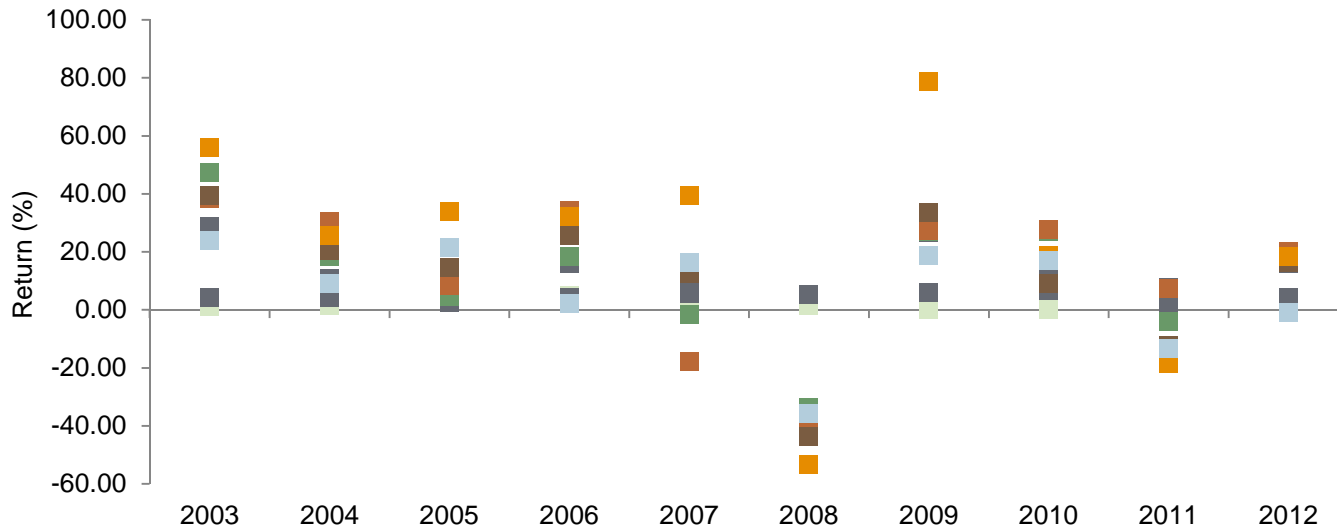


Source: Morningstar Direct. Regional returns are shown for the respective MSCI gross return indices for local and USD returns. Style returns are shown for the S&P 500 Index, MSCI World ex USA Value GR USD, MSCI World ex USA Growth GR USD, MSCI World ex USA Small Cap GR USD, and the MSCI Emerging Markets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

# Unpredictability of Asset Class Returns

|              | 2003  | 2004  | 2005  | 2006  | 2007  | 2008   | 2009  | 2010  | 2011   | 2012  |
|--------------|-------|-------|-------|-------|-------|--------|-------|-------|--------|-------|
| <b>Best</b>  | 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  |
| <b>Worst</b> | 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                       |
| 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
- Barclays US Agg Bond TR USD
- S&P 500 TR
- Russell 2000 TR USD
- FTSE NAREIT All REITs TR
- MSCI World Ex US NR USD
- MSCI EM NR USD
- DJ UBS Commodity TR USD

Source: Morningstar Direct

As of March 28, 2013

