



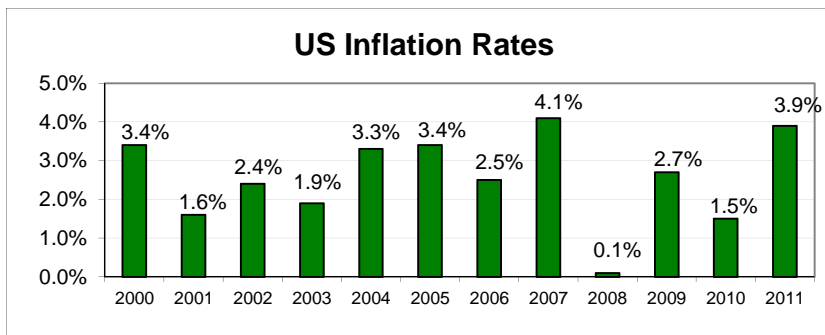
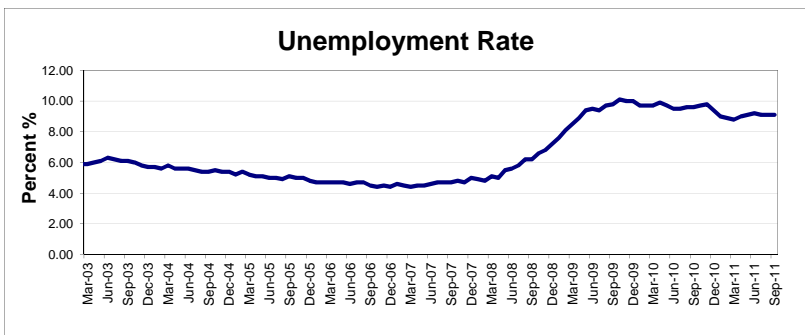
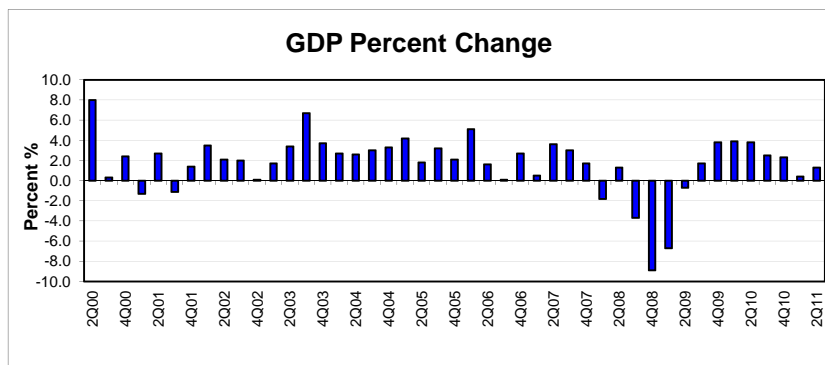
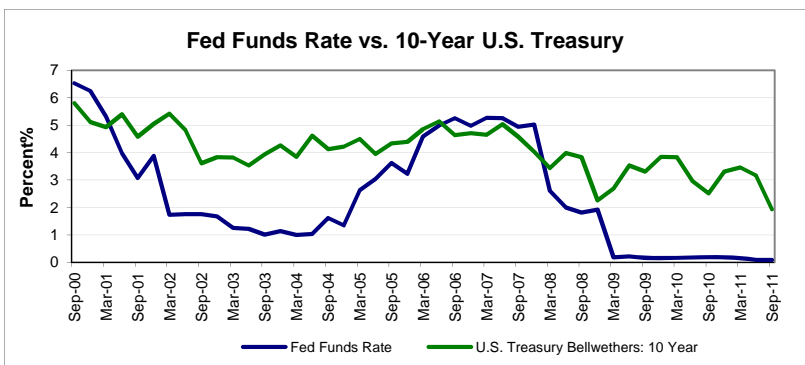
# Financial Market Performance

## Periods Ending September 30, 2011

<u>Strategy</u>	<u>Sector</u>	<u>Index</u>	<u>Quarter</u>	<u>YTD</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
<b>Stocks</b>	<b>US Large Cap</b>	S&P 500 Index	-13.9	-8.7	15.1	26.5	-37.0	5.5	15.8	1.2	1.2	-1.2	2.8
	<b>US Small Cap</b>	Russell 2000	-21.9	-17.0	26.9	27.2	-33.8	-1.6	18.4	-3.5	-0.4	-1.0	6.1
	<b>All Country</b>	MSCI All Country World	-17.4	-13.6	12.7	34.6	-42.2	11.7	21.0	-6.0	0.6	-1.6	4.5
	<b>Non-US Developed</b>	MSCI EAFE	-19.0	-15.0	7.8	31.8	-43.4	11.2	26.3	-9.4	-1.1	-3.5	5.0
	<b>Emerging Markets</b>	MSCI EM	-22.6	-21.9	18.9	78.5	-53.3	39.4	32.2	-16.2	6.3	4.9	16.1
<b>Bonds</b>	<b>Treasury</b>	Barclays US Govt Index	5.8	8.1	5.5	-2.2	12.4	8.7	3.5	5.6	6.4	6.6	5.4
	<b>Broad Market</b>	Barclays Aggregate	3.8	6.7	6.5	5.9	5.2	7.0	4.3	5.3	8.0	6.5	5.7
	<b>High Yield</b>	Barclays HY BaB 2% Issuer Cap	-4.6	0.0	13.9	45.2	-22.0	3.2	9.1	2.5	11.8	6.7	8.2
	<b>Global Bonds</b>	Citigroup WGBI	2.4	6.5	5.2	2.6	10.9	11.0	6.1	4.6	7.7	7.5	7.4
<b>Global Tactical Asset Allocation (GTAA)</b>		65% MSCI World /35% Citi WGBI	-10.3	-5.9	9.8	20.1	-25.4	9.9	15.1	-1.1	3.1	1.5	5.4
<b>Real Estate</b>	<b>Core</b>	NCREIF ODCE Index	3.5	12.7	16.4	-29.8	-10.0	16.0	16.3	18.3	-6.4	0.0	5.9
<b>Hedge Funds</b>	<b>Diversified FOFs</b>	HFRI HFOF Composite	-4.7	-5.0	5.7	11.5	-21.4	10.3	10.4	-1.6	0.2	0.4	3.6
	<b>Equity Long-Short</b>	HFRI Equity Hedged	-9.6	-8.7	10.5	24.6	-26.6	10.5	11.7	-2.6	3.1	1.4	5.1
<b>Commodities</b>	<b>Commodities</b>	Goldman Sachs Commodity Index	-11.7	-9.3	9.0	13.5	-46.5	32.7	-15.1	2.9	-15.9	-5.3	3.5

# The U.S. Economy

Volatility reigns! The first nine months of 2011 have been a rollercoaster ride with August and September providing stock investors the greatest "rush" with a dizzying down hill ride. On the domestic front, the record federal deficit and the political impasse on spending cuts, taxes, and the downgrade of US Securities continues to give investors the jitters. Globally there has been continued angst about Greece and the potential default on their bonds. The fear is that the banks in the Euro zone have substantial holdings in "PIIGS" (Portugal, Ireland, Italy, Greece and Spain) sovereign debt, which is all suspect. Financial institutions, especially in Europe, were hardest hit, but no markets were spared. The S&P 500 index declined 13.9% for the quarter and is down 8.7% year-to-date. Small cap U.S. stocks fared even worse with the Russell 2000 index losing 21.9% for the quarter and is down 17.0% year-to-date. The MSCI EAFE return was a negative 19.0% for the quarter and negative 15.0% year-to-date. The Federal Reserve ended its "Quantitative Easing - Phase 2" (QE2) at the end of the second quarter, but has indicated it will keep interest rates low through mid 2013. In an attempt to keep mortgage interest rates low and stimulate the housing market, the Fed implemented a "Twist" strategy where they buy short-term government bonds and sell longer-term bonds, driving down rates. The strategy has worked in that rates for the 10-year Treasury reached new lows of 1.93% as of the end of the quarter. Bonds benefited from the "Twist" and the Barclays Aggregate index was up 3.8% for the third quarter and 6.7% year-to-date. Unfortunately, most economists note that QE1, QE2 and the "Twist" have not translated into any meaningful improvements in the economy, unemployment, or housing market.

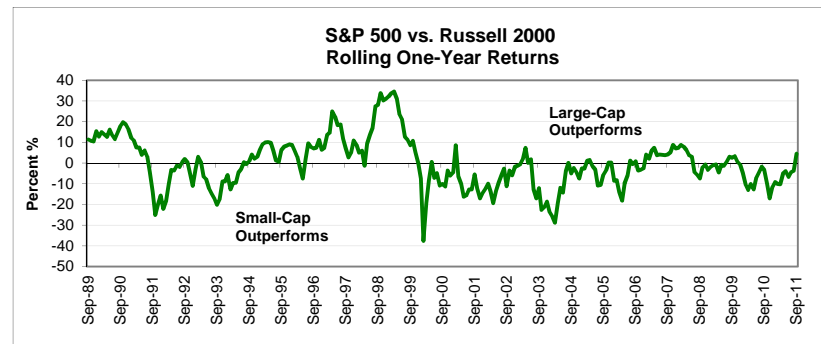
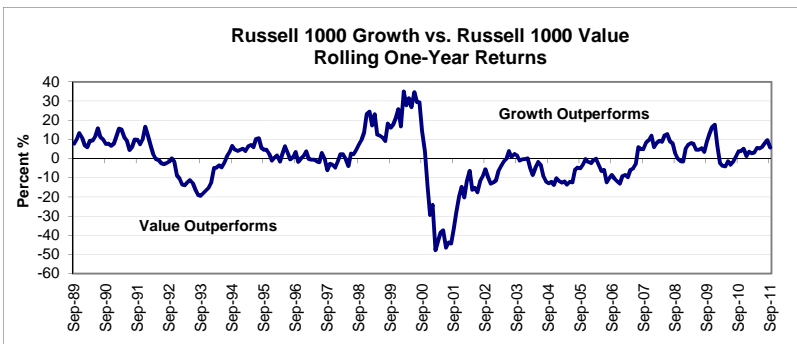
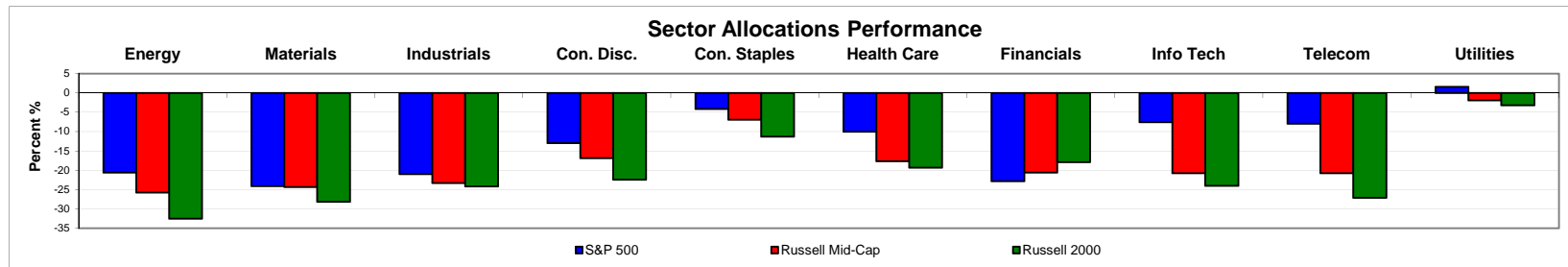


# The U.S. Equity Market

Last quarter's Commentary on the U.S. Equity Market was titled a "Tale of Two Quarters." The story was about a reversal of fortunes. At the end of June we were still celebrating the S&P 500 being up 6.0% year-to-date. Now we are looking at the S&P 500 being down 8.7% year-to-date. Little did we know what a dreadful quarter we would have in the 3rd quarter. Smaller cap stocks led the recovery post 2008 and led (the wrong way) in the 3rd quarter and year-to-date.

		<u>3Q 11</u>	<u>YTD</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
<b>Large Cap</b>	S&P 500	-13.9	-8.7	15.1	26.5	-37.0	5.5	15.8	1.2	1.2	-1.2	2.8
	Russell 1000	-14.7	-9.3	16.1	28.4	-37.6	5.8	15.5	0.9	1.6	-0.9	3.3
	Russell 1000 Value	-16.2	-11.3	15.5	19.7	-36.9	-0.2	22.2	-1.9	-1.5	-3.5	3.4
	Russell 1000 Growth	-13.1	-7.2	16.7	37.2	-38.4	11.8	9.1	3.8	4.7	1.6	3.0
<b>Mid Cap</b>	Russell Mid-Cap	-18.9	-12.4	25.5	40.5	-41.5	5.6	15.3	-0.9	4.0	0.6	7.5
	Russell Mid-Cap Value	-18.5	-13.0	24.8	34.2	-38.4	-1.4	20.2	-2.4	2.0	-0.8	7.5
	Russell Mid-Cap Growth	-19.3	-11.6	26.4	46.3	-44.3	11.4	10.6	0.8	5.9	1.6	6.7
<b>Small Cap</b>	Russell 2000	-21.9	-17.0	26.9	27.2	-33.8	-1.6	18.4	-3.5	-0.4	-1.0	6.1
	Russell 2000 Value	-21.5	-18.5	24.5	20.6	-28.9	-9.8	23.5	-6.0	-2.8	-3.1	6.5
	Russell 2000 Growth	-22.3	-15.6	29.1	34.5	-38.5	7.1	13.4	-1.1	2.1	1.0	5.5
<b>Total Market</b>	Wilshire 5000	-15.0	-9.9	17.2	28.3	-37.2	5.6	15.8	0.6	1.5	-0.8	3.8
	Russell 3000	-15.3	-9.9	16.9	28.3	-37.3	5.1	15.7	0.6	1.4	-0.9	3.5

Normally we think of the "value" style of investing as being more defensive in down markets but the value approach did little to protect investors in the 3rd quarter. The basic materials sector was hardest hit, down 27% YTD, led by platinum/precious metal industry off 55% YTD, but gold mining stocks still have a positive 4% return YTD. Physical gold also took a hit in the 3rd quarter, selling off 11%, but was still up 14% YTD. The auto industry is down 39% and the financial sector is off 23% YTD led by banks and mortgage lenders. No sector escaped the 3rd quarter unscathed, but the only sector that has a positive YTD return is Utilities, up 6%.



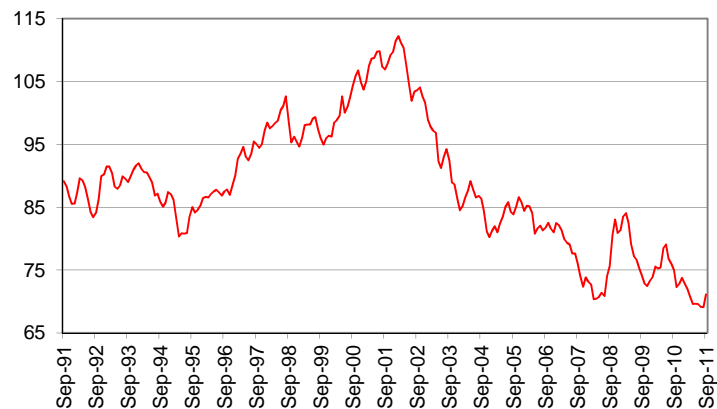
## The International Equity Market

The international equity markets had even more price volatility than the U.S. equity markets, but were driven by many of the geopolitical issues. The Greek debt crisis (the third EU country to have such issues) has created fears of Euro zone bank failures. The international equity markets posted negative returns across the board with emerging markets hit the hardest down 21.9% YTD. The pain was universally felt: The United Kingdom negative 10.7%, France negative 18.3%, Germany negative 20.6%, Japan negative 10.8%. The BRIC Countries (Brazil, Russia, India, China) all suffered 24-28% declines this year. Like in the U.S. the sectors with the largest declines were financials and materials.

		<u>3Q 11</u>	<u>YTD</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
<b>Global</b>	MSCI All Country World Index	-17.4	-13.6	12.7	34.6	-42.2	11.7	21.0	-6.0	0.6	-1.6	4.5
	MSCI World Small Cap	-20.8	-17.3	26.3	50.1	-43.7	6.8	20.9	-6.2	5.6	0.9	9.5
	MSCI World ex US	-19.9	-16.8	11.2	41.4	-45.5	16.7	26.7	-10.8	0.5	-1.6	6.8
<b>Developed ex US</b>	MSCI EAFE	-19.0	-15.0	7.8	31.8	-43.4	11.2	26.3	-9.4	-1.1	-3.5	5.0
	MSCI EAFE Value	-19.0	-14.5	3.3	34.2	-44.1	6.0	30.4	-10.0	-1.7	-4.8	5.1
	MSCI EAFE Growth	-19.0	-15.4	12.3	29.4	-42.7	16.5	22.3	-8.8	-0.6	-2.2	4.9
	MSCI EAFE Small Cap	-18.6	-15.5	22.0	46.8	-47.0	1.4	19.3	-5.5	5.6	-1.9	9.8
<b>Emerging Markets</b>	MSCI Emerging Markets	-22.6	-21.9	18.9	78.5	-53.3	39.4	32.2	-16.2	6.3	4.9	16.1

Despite the downgrade in rating of U.S. Treasuries, the U.S. dollar rallied modestly in the 3rd quarter against other currencies as global investors sought a safe haven in what is still considered the world's strongest reserve currency. GDP growth appears to be slowing globally. China and India are both estimated to have single digit growth which, under normal circumstances, would be considered robust, but they represent a decline from double digit growth a few years ago. High unemployment rates are not just a U.S. problem; France's unemployment rate is 9.6% and Italy's unemployment rate is 8.0%.

**U.S. Dollar Index**  
Nominal Major Currencies Dollar Index



**International Comparatives**

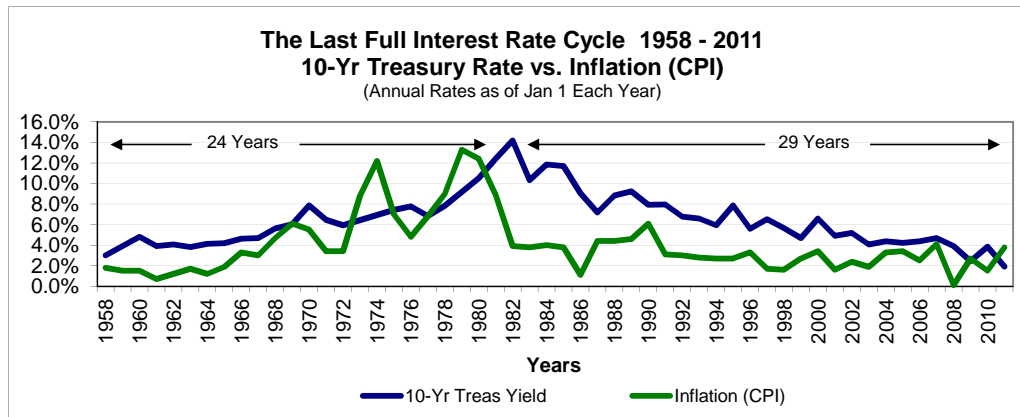
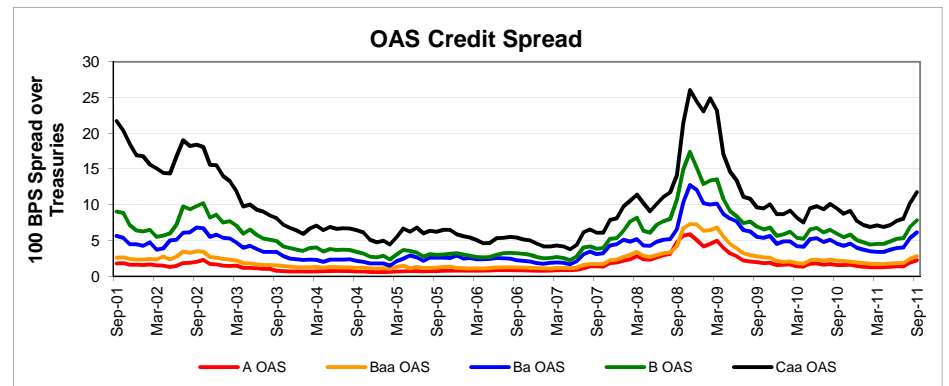
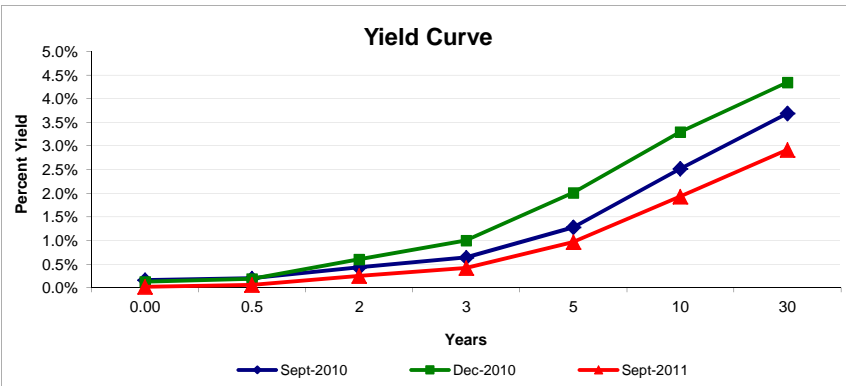
		<u>GDP</u>	<u>GDP Per Capita</u>	<u>GDP Growth</u>	<u>Unempl. Rate</u>	<u>Inflation Rate</u>	<u>Population</u>	<u>Population Growth</u>
<b>Developed</b>	US	15,065	48,147	1.3%	9.1%	3.3%	313mm	1.0%
	Canada	1,391	40,458	-0.4%	7.3%	3.0%	34	0.8
	UK	2,254	35,974	0.7%	7.9%	4.5%	63	0.6
	Germany	3,089	37,936	0.5%	6.9%	2.6%	81	-0.2
	France	2,217	35,049	0.0%	9.6%	2.2%	65	0.5
	Japan	4,396	34,362	-2.1%	4.3%	0.2%	126	-0.3
<b>Emerging</b>	Italy	1,829	30,166	1.2%	8.0%	2.3%	61	0.4
	Russia	2,376	16,687	0.4%	6.1%	8.2%	139	-0.5
	Mexico	1,659	15,121	4.5%	5.8%	3.4%	114	1.1
	Brazil	2,309	11,846	3.1%	6.0%	7.2%	203	1.1
	China	11,316	8,394	7.0%	4.1%	6.2%	1,337	0.5
	India	4,470	3,703	7.6%	10.8%	9.8%	1,189	1.3

\*Data as of September 30, 2011.

# The Bond Market

Just when everyone thought rates could not go any lower, they have lowered. The Federal Reserve's new "Twist" program, intended to keep longer term rates low to stimulate the housing market through low refinancing rates, has succeeded only half way. The benchmark 10-year Treasury was yielding 1.9% at the end of the quarter. The global flight to quality also helped push down yields and push up bond prices. The downgrade in U.S. Treasuries went almost unnoticed as the 20+ Year Treasury index was up 4.5% in the 3rd quarter and is up 31.4% YTD. The Barclays Aggregate, the benchmark for most U.S. institutional portfolios, was up 3.8% for the quarter and is up 6.7% YTD. TIPS also had a significant rally up 5.4% in the 3rd quarter. The flight to quality negatively impacted the credit markets with high yield and convertible bonds experiencing spread widening and price compression. Despite excellent yields of about 8.5%, high yield bonds declined by 4.6% in the 3rd quarter, resulting in flat performance YTD. Convertible bonds fared worse, down 13.1% in the 3rd quarter and down 9.1% YTD.

	<u>Yield</u>	<u>Duration</u>	<u>3Q 11</u>	<u>YTD</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
Barclays Aggregate	2.3	5.0	3.8	6.7	6.5	5.9	5.2	7.0	4.3	5.3	8.0	6.5	5.7
Barclays Gov/Credit	2.1	6.0	4.7	7.5	6.6	4.5	5.7	7.3	3.8	5.1	8.4	6.5	5.7
Barclays Int Agg	2.1	3.6	2.3	5.0	6.1	6.5	4.9	7.0	4.6	4.2	7.1	6.2	5.3
Barclays Int Govt/Credit	1.6	4.0	2.4	4.9	5.9	5.2	5.1	7.4	4.1	3.4	7.0	5.9	5.1
Barclays HY Ba/B2% Capped	8.5	4.6	-4.6	0.0	13.9	45.2	-22.0	3.2	9.1	2.5	11.8	6.7	8.2
Barclays Mortgage	2.9	3.1	2.4	5.3	5.4	5.9	8.3	6.9	5.2	5.6	7.0	6.7	5.6
Barclays Treasury	1.1	5.9	6.5	8.9	5.9	-3.6	13.7	9.0	3.1	6.0	6.5	6.8	5.5
Barclays US TIPS	1.9	5.4	4.5	10.6	6.3	11.4	-2.4	11.6	0.4	9.9	8.1	7.1	7.2
91 day T-Bills	0.0	0.2	0.0	0.1	0.1	0.2	2.1	5.0	4.8	0.1	0.2	1.7	2.0

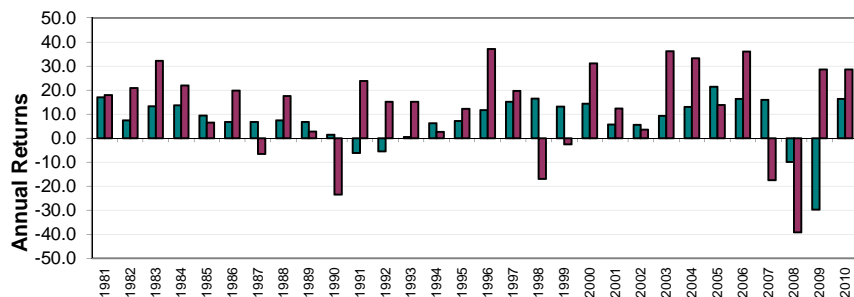


# The Real Estate Market

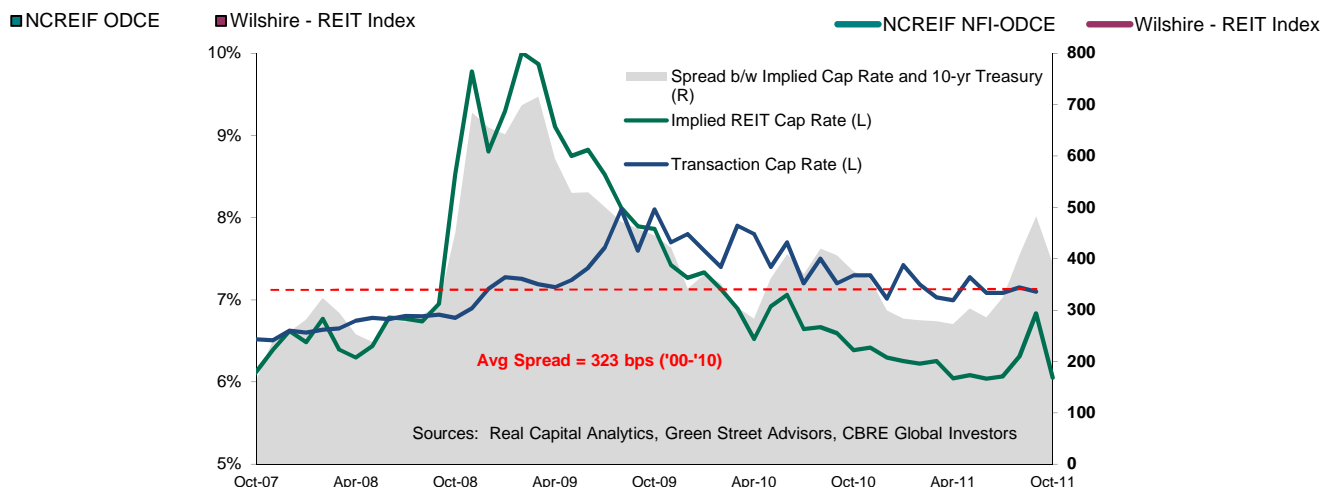
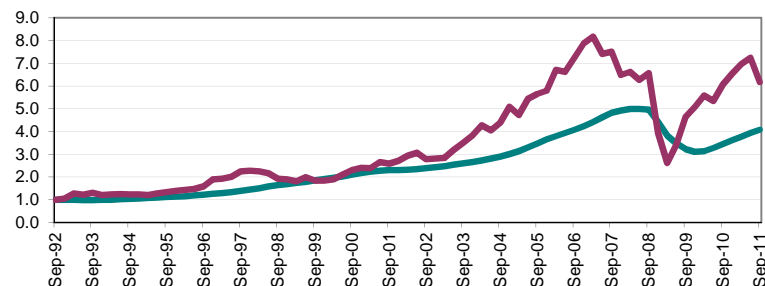
The commercial real estate markets continue to recover from the disastrous 2008-2009 period. The NCREIF Open-end Diversified Commingled Equity (ODCE) index posted a third quarter gain of 3.5%. Price recovery appears to be continuing, but at a slower pace than most investors hoped. Rents and occupancy in existing class A space remains high, but demand in the unoccupied and the development space remains weak. Businesses are reluctant to hire and sign up for additional office space. Retail also remains problematic as consumers are reluctant to spend. REITS still trade about 20% above the estimated value of the underlying asset values due to investor demand for higher yielding investments. Pricing in the housing market appears to have weakened slightly in some areas, and a significant number of homeowners are still "underwater" with negative equity in their homes. Reported foreclosure rates are rising again as banks have fixed their flawed foreclosure procedures and documentation and are proceeding with the legal process.

		<u>3Q 11</u>	<u>YTD</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
<b>US Private</b>	NCREIF ODCE	3.5	12.7	16.4	-29.8	-10.0	16.0	16.3	18.3	-6.4	0.0	5.9
<b>US Public</b>	Wilshire REIT	-14.6	-5.4	28.6	28.6	-39.2	-17.6	36.0	2.1	-2.1	-3.1	9.1
	S&P/Case-Shiller Home Price	N/A	N/A	-1.1	-1.3	-19.5	-10.4	-0.0	N/A	N/A	N/A	N/A

Public and Private Real Estate Market Performance



Growth of One Dollar



Data is as of December 31, 2010. Current quarter data was not available at the time of publication.

# The Hedge Fund of Funds Market

Hedge fund of funds have experienced the same turmoil and negative results as other investment strategies this quarter. Long-short strategies had a difficult time due to market volatility. Event driven managers had opportunities as merger activity continued at a robust 2,200 deals globally, but spreads widened due primarily to market pricing uncertainties. Longer-term thematic or directional global macro managers in particular had their strategies disrupted by geopolitical fears. Commodities sold off broadly in response to lower global demand (by China in particular) and crude and gas prices have stabilized due to lower demand and the release of strategic oil reserves. Relative value was whipsawed by both credit and equity pricing volatility in their convertible arbitrage positions.

<u>Strategy</u>	<u>Index</u>	<u>3Q 11</u>	<u>YTD</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
<b>Fund of Funds</b>	HFRI HFOF Composite	-4.7	-5.0	5.7	11.5	-21.4	10.3	10.4	-1.6	0.2	0.4	3.6
<b>Equity Long-Short</b>	HFRI Equity Hedge	-9.6	-8.7	10.5	24.6	-26.6	10.5	11.7	-2.6	3.1	1.4	5.1
<b>Event Driven</b>	HFRI Event Driven	-7.0	-4.1	11.9	25.1	-21.8	6.6	15.3	0.5	5.3	3.5	7.2
<b>Global Macro</b>	HFRI Macro Index	0.9	-1.3	8.1	4.3	4.8	11.1	8.2	3.3	4.8	6.3	7.9
<b>Relative Value</b>	HFRI Relative Value	-3.1	-0.2	11.4	25.8	-18.0	8.9	12.4	3.0	7.7	5.4	6.4

