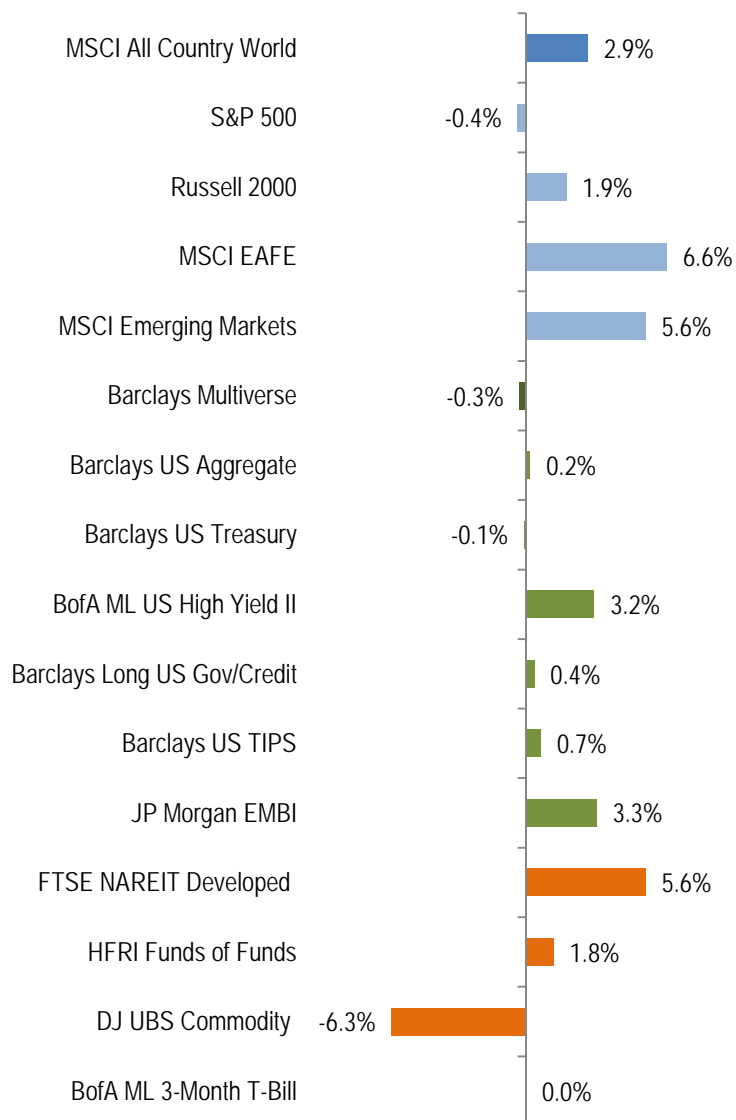


Fourth Quarter 2012



Fourth Quarter 2012: Wait and See

Politics dominated the headlines in the fourth quarter as investors quickly turned their attention from the November Presidential Election to the year-end fiscal cliff Congressional negotiations. Meanwhile, the US economy continued to lethargically grind along. Investors adopted a wait-and-see approach for much of the quarter -- a scenario that looks likely to continue into the first part of 2013 given the incomplete nature of the bargain Congress reached in the early hours of the new year. Uncertainty surrounding tax rates in the coming year led more corporations to announce special dividend payouts than in any December since 1955, according to data from S&P. Still, the added turbulence and uncertainty over the quarter did little to take away from US Stock Market gains for the year, and the S&P 500 closed 2012 with a 16% gain.

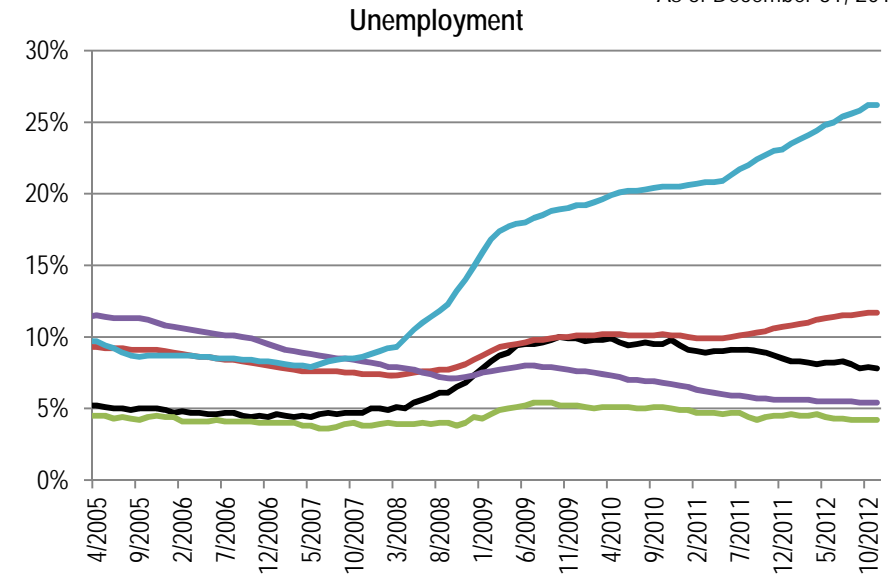
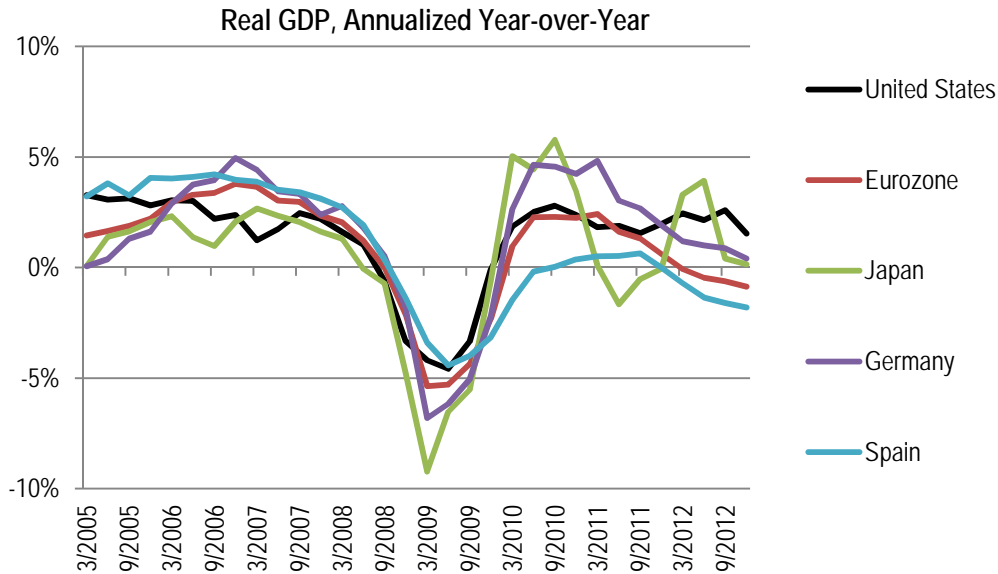
Uncertainty dragged down holiday sales as consumer confidence waned in December. On the positive side, new home sales continue to improve and payroll processor ADP reported large increases in private payrolls in December and November. Manufacturing growth finished the year neutral and the rate of first-time jobless claims held relatively constant since the beginning of 2012.

In an unprecedented move, the Federal Reserve changed its policy on short-term interest rates, announcing that it would maintain extraordinarily low interest rates as long as the unemployment rate remained above 6.5%. The commitment from the FOMC was conditional on maintaining anchored inflation expectations below 2.5% but the move signified the Federal Reserve's commitment to maintain low interest rates for the next several years. Treasury yields rose, and both commodity and gold prices declined, following the announcement.

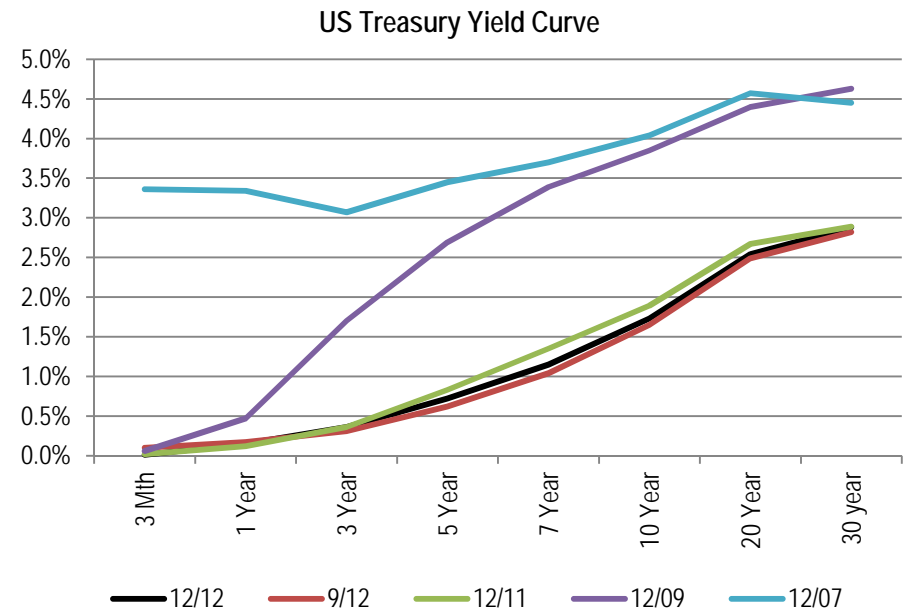
Although large risks remain in Europe and Greece was granted another tranche of bailout funds during December, the European Debt Crisis took a welcome back seat as the MSCI EAFE Index finished the quarter 6.6% higher.

	<u>QTD</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
S&P 500	(0.4%)	16.0%	16.0%	10.9%	1.7%	7.1%
Russell 2000	1.9%	16.3%	16.3%	12.2%	3.6%	9.7%
MSCI EAFE	6.6%	17.3%	17.3%	3.6%	(3.7%)	8.2%
MSCI Emerging Markets	5.6%	18.2%	18.2%	4.7%	(0.9%)	16.5%
Barclays US Aggregate	0.2%	4.2%	4.2%	6.2%	5.9%	5.2%
Barclays US Treasury	(0.1%)	2.0%	2.0%	5.8%	5.4%	4.7%
HFRI Fund of Funds	1.3%	4.8%	4.8%	1.5%	(1.8%)	3.6%
BofA ML 3-Month T-Bill	0.0%	0.1%	0.1%	0.1%	0.5%	1.8%

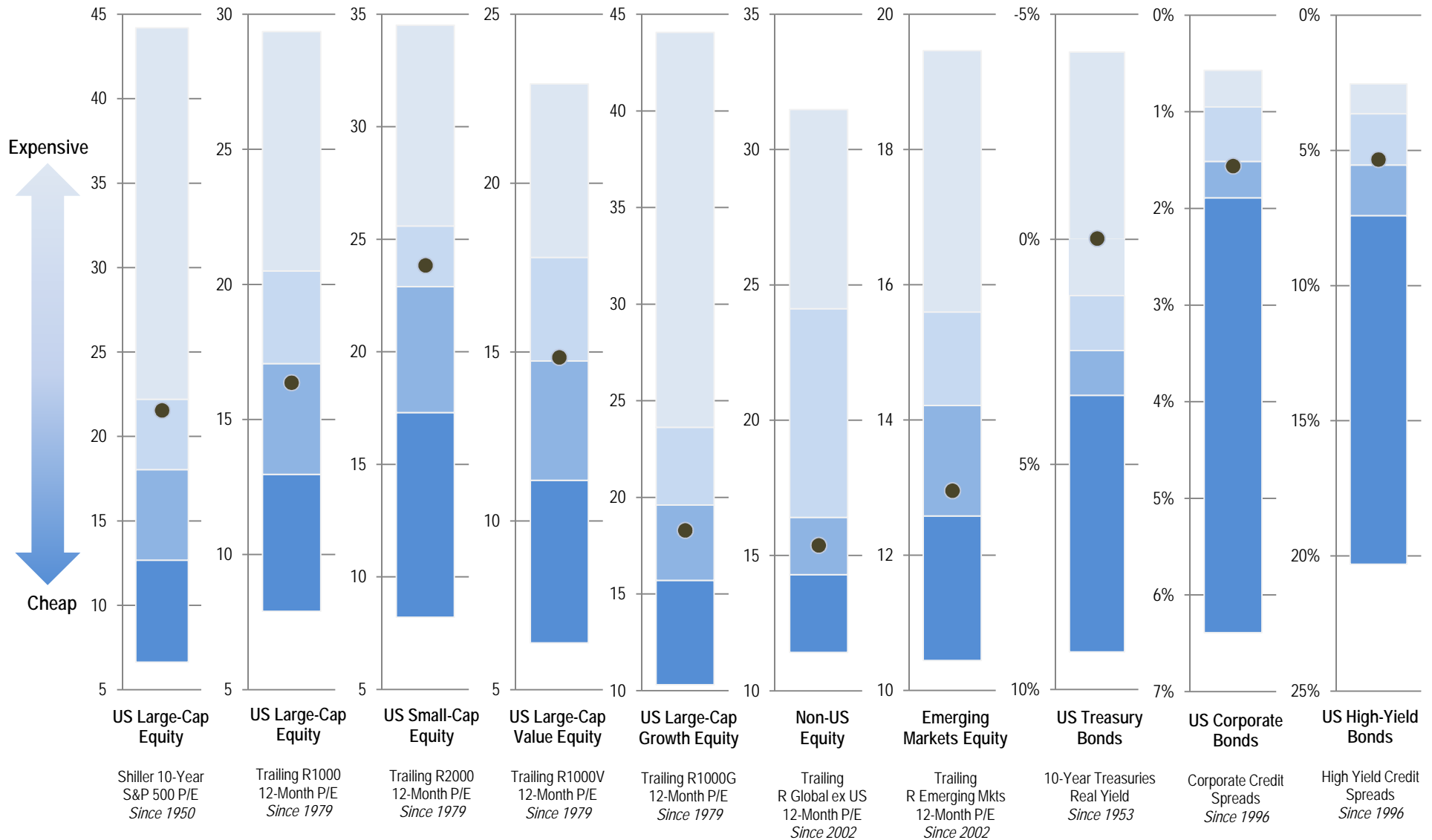
As of December 31, 2012



	<u>12/2012</u>	<u>9/2012</u>	<u>12/2011</u>	<u>12/2009</u>	<u>12/2007</u>
Market Inflation Expectations					
5 Year	2.1	2.1	1.6	2.1	2.3
10 Year	2.5	2.4	2.0	2.4	2.3
20 Year	2.4	2.4	2.0	2.6	2.5
CPI Year-over-Year	1.7	2.0	3.0	2.8	4.1
Gold Spot Price	1664.0	1781.0	1574.5	1104.0	836.5
West Texas Crude Oil	91.8	92.2	98.8	79.4	96.0
VIX	17.3	15.3	25.1	21.2	21.7
Trade Wtd Dollar Index	73.1	72.4	73.5	74.0	74.1
US Unemployment Rate	7.8	7.8	8.5	9.9	5.0
Consumer Sentiment Index	72.9	78.3	69.9	72.5	75.5
US Corp Profits (% of GDP)	---	11%	10%	10%	9%
Real GDP Growth YoY	1.5	2.6	2.0	-0.1	2.2
Federal Funds Rate	0.16	0.14	0.07	0.12	4.24
US Govt Debt (% of GDP)	---	102%	99%	87%	65%



As of December 31, 2012



Trailing 12 month P/E metrics exclude the top and bottom 5% of the range.

As of December 31, 2012

2003	2004	2005	2006	2007	2008	2009	2010	2011	YTD 2012	01/01/2003 - 12/31/2012	Legend
56%	38%	34%	42%	39%	14%	79%	27%	22%	28%	8%	MSCI All Country World
47%	26%	21%	32%	16%	8%	58%	20%	15%	19%	7%	S&P 500
41%	20%	20%	26%	15%	5%	38%	19%	14%	18%	10%	Russell 2000
39%	18%	15%	21%	12%	4%	35%	17%	10%	17%	8%	MSCI EAFE
34%	15%	14%	18%	12%	2%	32%	15%	8%	16%	17%	MSCI Emerging Markets
29%	12%	11%	16%	11%	-2%	28%	15%	8%	16%	6%	Barclays Multiverse
28%	12%	11%	15%	10%	-11%	27%	15%	6%	16%	5%	Barclays US Aggregate
26%	11%	7%	12%	9%	-11%	26%	13%	4%	16%	5%	Barclays US Treasury
24%	11%	5%	10%	9%	-21%	19%	12%	2%	10%	10%	BofA ML US High Yield II
13%	9%	5%	10%	7%	-26%	11%	10%	0%	9%	8%	Barclays Long US Gov/Credit
12%	9%	5%	7%	7%	-34%	11%	8%	-4%	7%	7%	Barclays US TIPS
8%	9%	3%	5%	6%	-36%	8%	7%	-6%	5%	12%	JP Morgan EMBI
8%	8%	3%	4%	5%	-37%	6%	6%	-6%	5%	6%	NCREIF-ODCE AWA
6%	7%	3%	3%	5%	-42%	2%	6%	-7%	4%	12%	FTSE NAREIT Developed
4%	4%	3%	3%	2%	-43%	0%	6%	-12%	2%	4%	HFRI Funds of Funds
2%	4%	2%	2%	-2%	-48%	-4%	6%	-13%	0%	4%	DJ-UBS Commodities Index
1%	1%	-4%	0%	-7%	-53%	-30%	0%	-18%	-1%	2%	BofA ML 91-Day T-Bill

Returns for the period from 01/01/2003 - 12/31/2012 are annualized.

