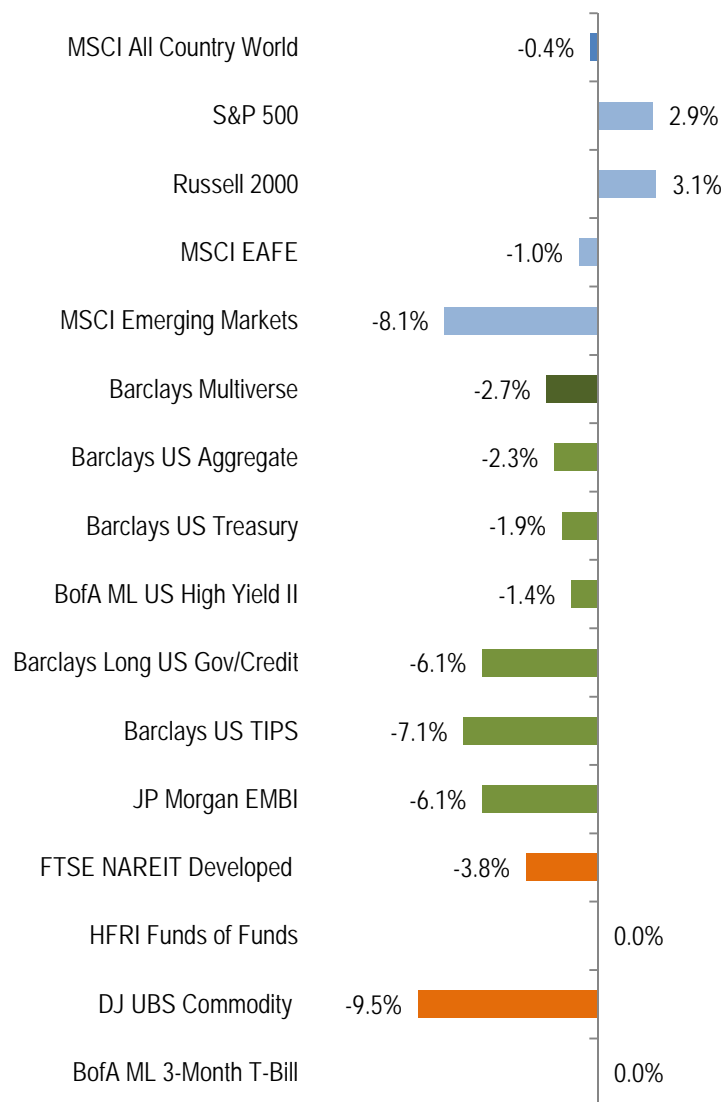


Second Quarter 2013



Second Quarter 2013: Reinterpreting the Fed

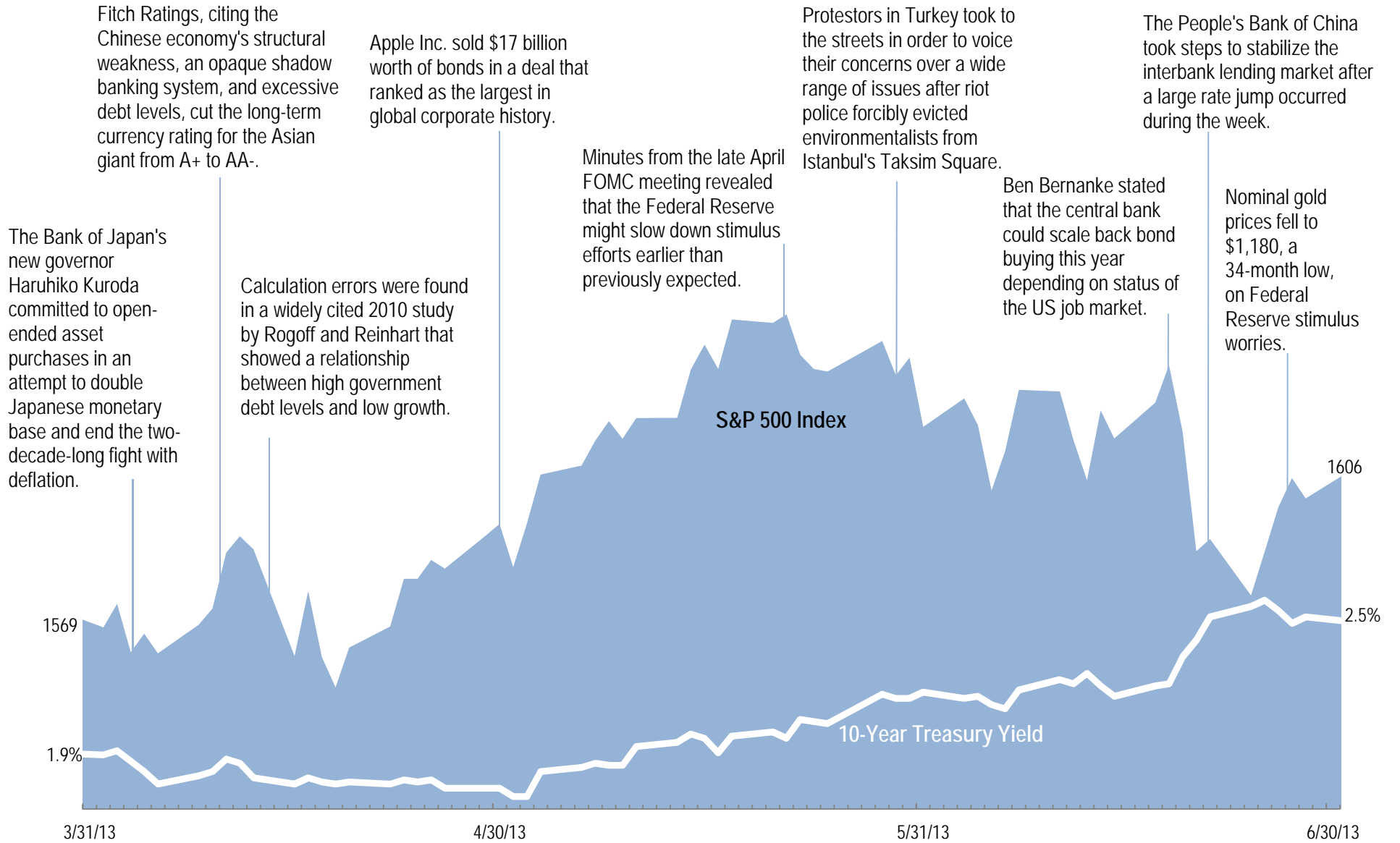
Markets around the globe ended the quarter in flux as investors attempted to interpret Ben Bernanke's latest press conference. The FOMC Chairman, citing improved economic outlook and reduced downside risks, suggested that the Federal Reserve could scale back its third round of quantitative easing contingent upon an improved economic outlook. Rates on the ten-year Treasury, which had been moving steadily upwards throughout the quarter, jumped to over 2.5%, a level not seen since the summer of 2011. Interest rates on 30-year fixed-rate mortgages experienced their biggest one-week jump in 26 years on the news that the Federal Reserve might slow down bond purchases earlier than previously expected. The S&P dropped 4.8% over 5 days after Bernanke's statements but still finished higher for the quarter, closing at 1,606.

The second quarter brought an end to the Japanese stock market rally as the Nikkei 225 Index closed the quarter at 13,677, down 11% from its May high while still up 32% for the year. Investors expressed renewed fears in China's growth prospects as well as concerns over the fragility of its banking system as the People's Bank of China was forced to stabilize the interbank lending market after rates jumped higher in the last week of the quarter. Emerging markets have been under continuous pressure so far this year as political protests, decreased demand for natural resources, and slowing growth have forced large-scale sell offs in currency, stocks, and government bonds.

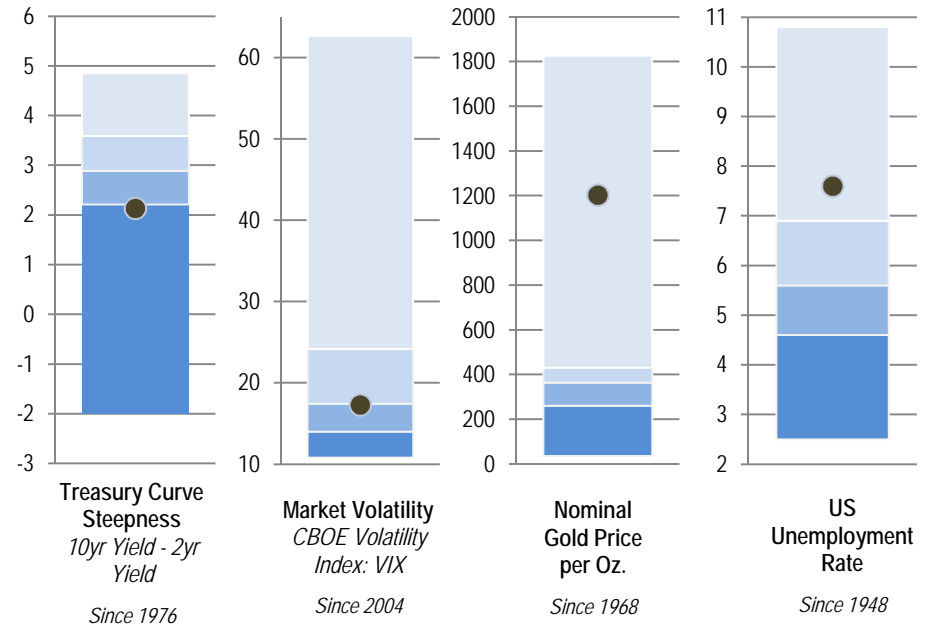
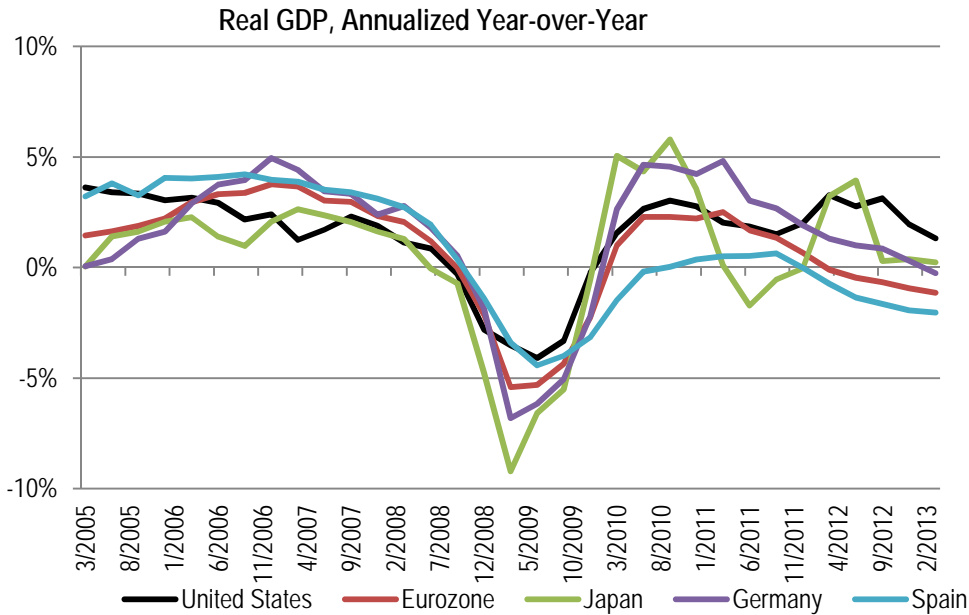
Looking ahead, continued sluggish growth in Europe and new stresses in emerging markets might force the Federal Reserve and other central banks to continue with stimulative efforts for longer than anticipated even with continued labor market improvement and rising consumer confidence.

	<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	2.9%	13.8%	20.6%	18.5%	7.0%	7.3%
Russell 2000	3.1%	15.9%	24.2%	18.7%	8.8%	9.5%
MSCI EAFE	(1.0%)	4.1%	18.6%	10.0%	(0.6%)	7.7%
MSCI Emerging Markets	(8.1%)	(9.6%)	2.9%	3.4%	(0.4%)	13.7%
Barclays US Aggregate	(2.3%)	(2.4%)	(0.7%)	3.5%	5.2%	4.5%
Barclays US Treasury	(1.9%)	(2.1%)	(1.6%)	3.1%	4.5%	4.1%
HFRI Fund of Funds	0.0%	3.4%	7.3%	3.0%	(0.6%)	3.4%
BofA ML 3-Month T-Bill	0.0%	0.0%	0.1%	0.1%	0.3%	1.7%

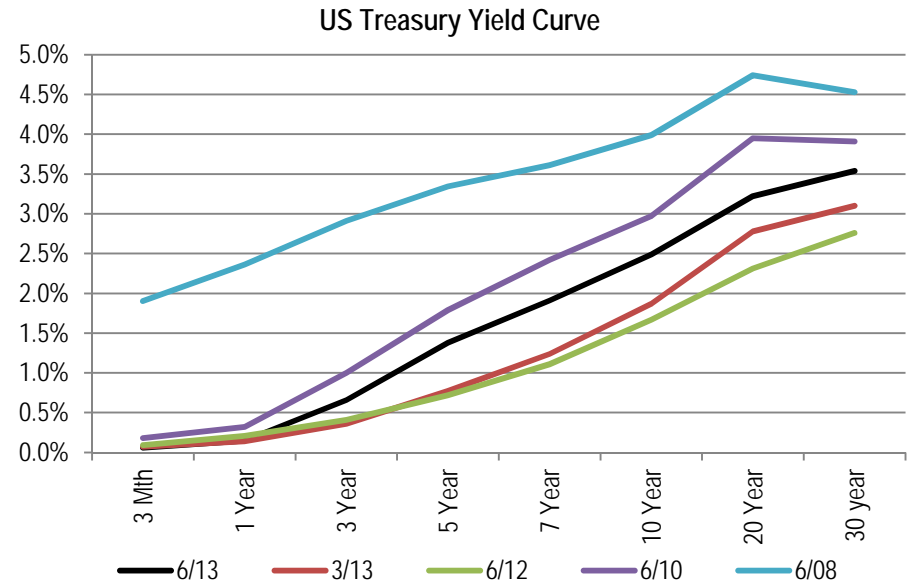
As of June 30, 2013



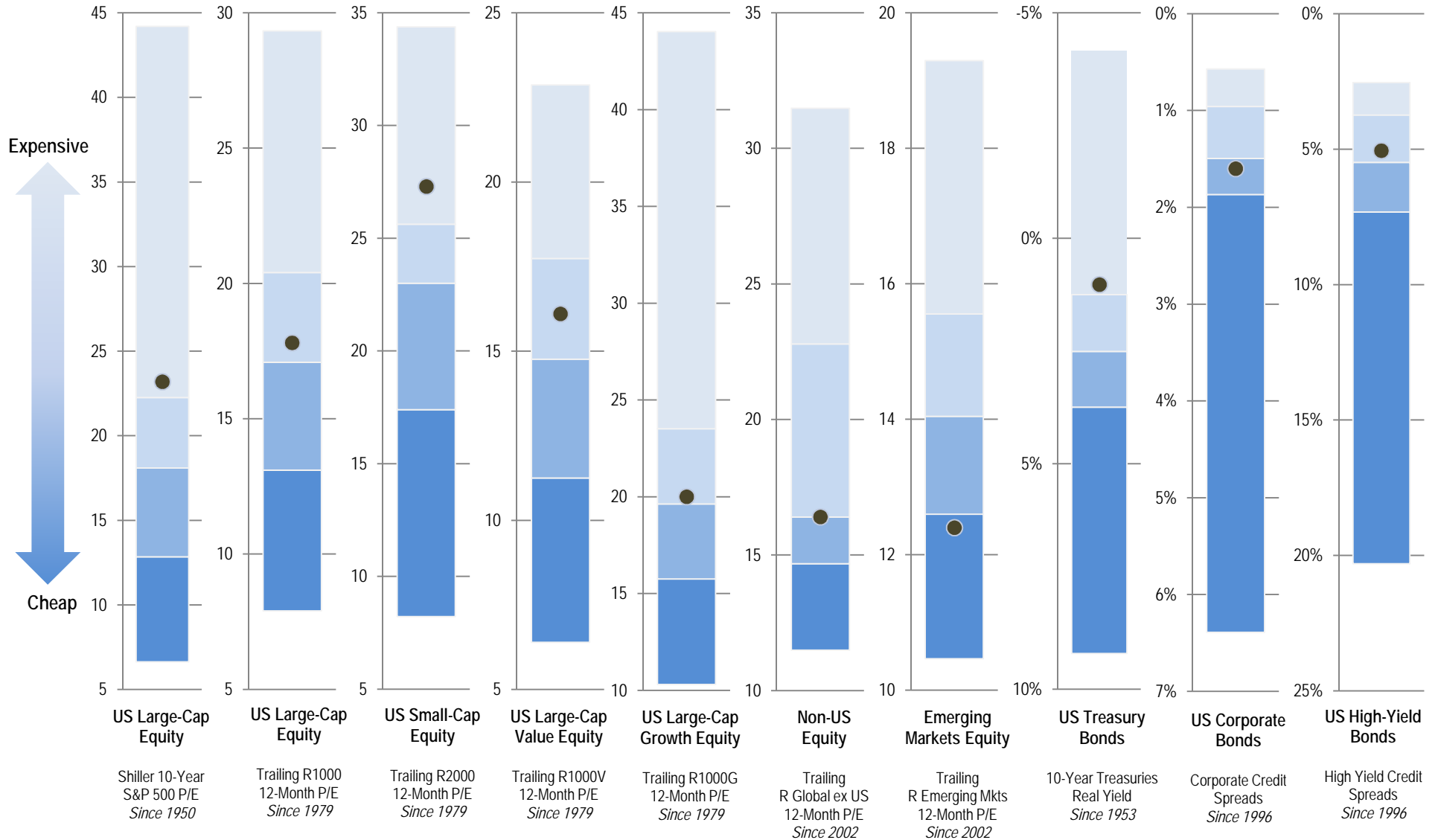
As of June 30, 2013



	<u>6/2013</u>	<u>3/2013</u>	<u>6/2012</u>	<u>6/2010</u>	<u>6/2008</u>
Market Inflation Expectations					
5 Year	1.8	2.2	1.7	1.5	2.6
10 Year	2.0	2.5	2.1	1.8	2.5
20 Year	2.1	2.6	2.2	2.1	2.5
CPI Year-over-Year	1.8	1.5	1.7	1.2	4.9
Gold Spot Price	1203.3	1602.5	1569.5	1240.5	932.8
West Texas Crude Oil	96.4	97.2	85.0	75.6	140.0
VIX	17.3	13.0	21.1	29.9	22.1
Trade Wtd Dollar Index	76.9	76.2	75.1	78.5	71.4
US Unemployment Rate	7.6	7.6	8.2	9.4	5.6
Consumer Sentiment Index	84.1	78.6	73.2	76.0	56.4
US Corp Profits (% of GDP)	---	11%	11%	10%	8%
Real GDP Growth YoY	1.4	1.3	2.8	2.7	0.9
Federal Funds Rate	0.11	0.14	0.16	0.18	2.00
US Govt Debt (% of GDP)	---	102%	98%	89%	64%



As of June 30, 2013



As of June 30, 2013

2004	2005	2006	2007	2008	2009	2010	2011	2012	YTD 2013	01/01/2004 - 6/30/2013	Legend
38%	34%	42%	39%	14%	79%	27%	22%	29%	16%	6%	MSCI All Country World
26%	21%	32%	16%	8%	58%	20%	15%	19%	14%	6%	S&P 500
20%	20%	26%	15%	5%	38%	19%	14%	18%	6%	8%	Russell 2000
18%	15%	21%	12%	4%	35%	17%	10%	17%	6%	5%	MSCI EAFE
15%	14%	18%	12%	2%	32%	15%	8%	16%	4%	11%	MSCI Emerging Markets
12%	11%	16%	11%	-2%	28%	15%	8%	16%	3%	5%	Barclays Multiverse
12%	11%	15%	10%	-11%	27%	15%	6%	16%	2%	5%	Barclays US Aggregate
11%	7%	12%	9%	-11%	26%	13%	4%	16%	2%	5%	Barclays US Treasury
11%	5%	10%	9%	-21%	19%	12%	2%	10%	0%	8%	BofA ML US High Yield II
9%	5%	10%	7%	-26%	11%	10%	0%	9%	-2%	7%	Barclays Long US Gov/Credit
9%	5%	7%	7%	-34%	11%	8%	-4%	7%	-2%	5%	Barclays US TIPS
9%	3%	5%	6%	-36%	8%	7%	-6%	5%	-5%	9%	JP Morgan EMBI
8%	3%	4%	5%	-37%	6%	6%	-6%	5%	-7%	6%	NCREIF-ODCE AWA
7%	3%	3%	5%	-42%	2%	6%	-7%	4%	-8%	9%	FTSE NAREIT Developed
4%	3%	3%	2%	-43%	0%	6%	-12%	2%	-8%	3%	HFRI Funds of Funds
4%	2%	2%	-2%	-48%	-4%	6%	-13%	0%	-10%	1%	DJ-UBS Commodities Index
1%	-4%	0%	-7%	-53%	-30%	0%	-18%	-1%	-10%	2%	BofA ML 91-Day T-Bill

Returns for the period from 01/01/2004 - 6/30/2013 are annualized.