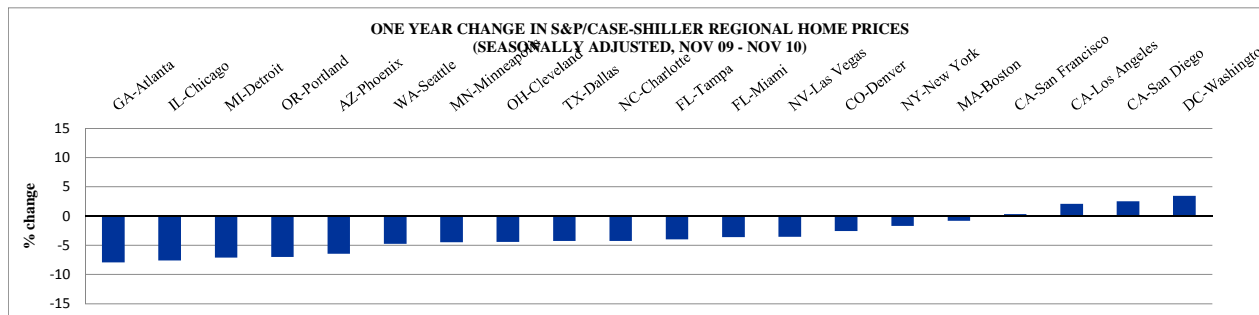
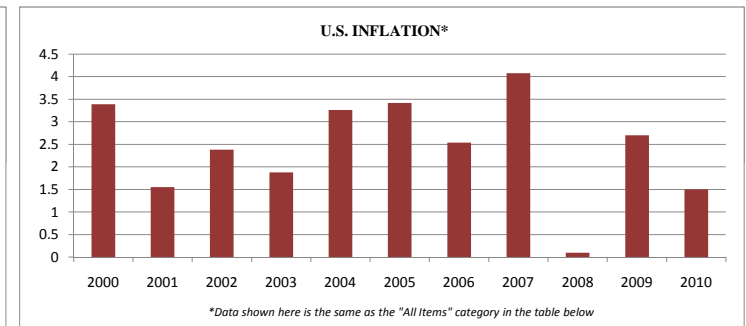
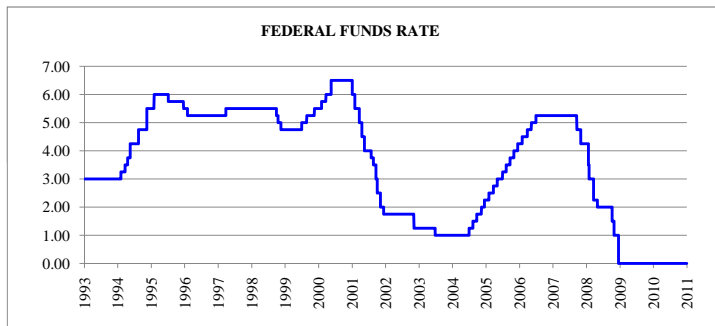
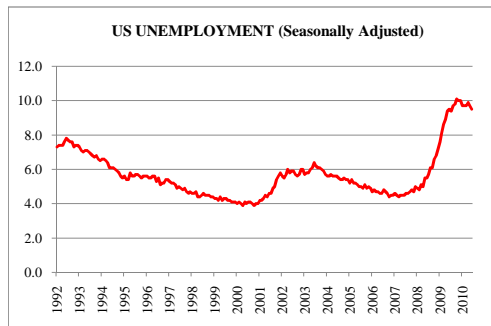
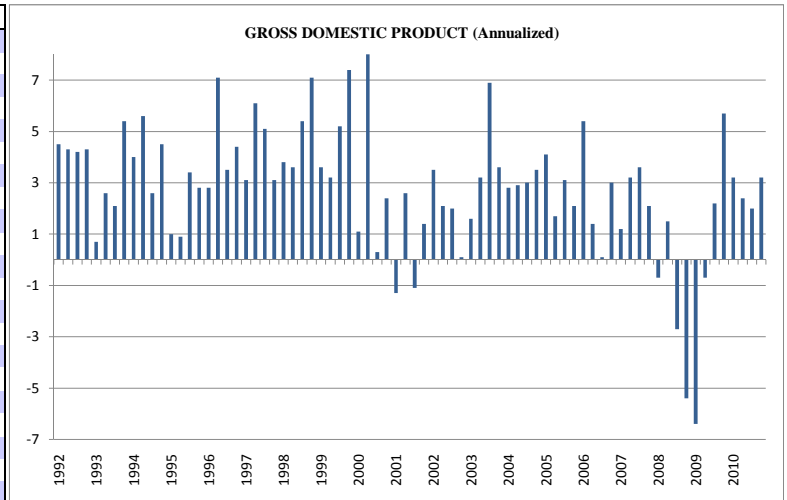


ECONOMIC REVIEW

| % Change From Preceding Period Seasonally Adjusted Annual Rates | 2007 | | | | 2008 | | | | 2009 | | | | 2010 | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| GDP | 1.2 | 3.2 | 3.6 | 2.1 | (0.7) | 1.5 | (2.7) | (5.4) | (6.4) | (0.7) | 2.2 | 5.6 | 3.2 | 2.4 | 2.0 | 3.2 |
| PCE | 3.7 | 1.1 | 1.9 | 1.2 | (0.6) | 0.1 | (3.5) | (3.1) | 0.6 | (0.9) | 2.8 | 1.6 | 3.6 | 1.6 | 2.6 | 4.4 |
| Durable Goods | 5.5 | 2.1 | 5.2 | 5.5 | (8.9) | (5.7) | (11.7) | (20.3) | 3.9 | (5.6) | 20.4 | 0.4 | 11.3 | 7.5 | 6.1 | 21.6 |
| Non-durable Goods | 3.1 | (0.8) | 2.1 | 1.8 | (3.0) | 2.2 | (5.6) | (4.9) | 1.9 | (1.9) | 1.5 | 4.0 | 3.9 | 1.6 | 1.3 | 5.0 |
| Services | 3.6 | 1.6 | 1.3 | 0.3 | 1.8 | 0.4 | (1.3) | 0.5 | (0.3) | 0.2 | 0.8 | 1.0 | 2.4 | 0.8 | 2.5 | 1.7 |
| GPDI | (6.0) | 5.7 | 0.8 | (7.7) | (7.4) | (10.4) | (6.9) | (24.2) | (50.5) | (23.7) | 5.0 | 46.1 | 14.8 | 28.8 | 12.8 | (22.5) |
| Fixed Investment | (2.6) | 3.6 | (0.4) | (4.2) | (6.3) | (2.7) | (8.3) | (20.2) | (39.0) | (12.5) | (1.3) | 5.0 | 0.7 | 19.1 | 0.8 | 4.2 |
| Nonresidential | 4.2 | 11.4 | 9.6 | 6.7 | 1.9 | 1.4 | (6.1) | (19.5) | (39.2) | (9.6) | (5.9) | 5.3 | 4.1 | 17.0 | 9.7 | 4.4 |
| Structures | 15.6 | 22.7 | 26.6 | 11.2 | 6.8 | 14.5 | (0.1) | (7.2) | (43.6) | (17.3) | (18.4) | (18.0) | (14.0) | 5.2 | 3.9 | 0.8 |
| Equip & software | (0.5) | 6.5 | 2.2 | 4.5 | (0.5) | (5.0) | (9.4) | (25.9) | (36.4) | (4.9) | 1.5 | 19.0 | 13.4 | 21.9 | 12.0 | 5.8 |
| Residential | (16.2) | (12.9) | (22.4) | (29.5) | (28.2) | (15.8) | (15.9) | (23.2) | (38.2) | (23.3) | 18.9 | 3.8 | (10.9) | 27.9 | (29.1) | 3.4 |
| Exports | 3.5 | 5.2 | 18.5 | 14.5 | (0.1) | 12.1 | (3.6) | (19.5) | (29.9) | (4.1) | 17.8 | 22.8 | 5.8 | 10.3 | 5.0 | 8.5 |
| Goods | 3.0 | 6.3 | 14.8 | 12.4 | 4.2 | 14.1 | (1.8) | (25.5) | (36.9) | (6.3) | 24.6 | 34.1 | 6.7 | 14.1 | 3.4 | 10.0 |
| Services | 4.7 | 2.8 | 27.2 | 19.2 | (9.0) | 7.8 | (7.7) | (4.3) | (13.6) | 0.1 | 5.6 | 2.6 | 3.8 | 2.3 | 8.6 | 5.1 |
| Imports | 4.3 | (0.5) | 3.7 | (3.6) | (2.5) | (5.0) | (2.2) | (16.7) | (36.4) | (14.7) | 21.3 | 15.8 | 8.9 | 28.8 | 17.4 | (13.6) |
| Goods | 5.0 | (1.0) | 2.8 | (3.8) | (3.5) | (4.6) | (3.7) | (19.6) | (41.0) | (16.5) | 25.1 | 20.3 | 9.0 | 35.4 | 18.1 | (15.5) |
| Services | 0.4 | 2.1 | 8.6 | (2.9) | 3.0 | (7.1) | 6.1 | (0.9) | (11.5) | (7.5) | 7.0 | (1.9) | 8.7 | 1.6 | 14.1 | (3.8) |
| Government | 0.0 | 4.4 | 3.9 | 1.6 | 2.6 | 3.6 | 4.8 | 1.2 | (2.6) | 6.7 | 2.6 | (1.3) | (1.8) | 4.4 | 3.4 | (0.6) |
| Federal | (5.1) | 7.4 | 9.3 | 2.7 | 8.1 | 7.8 | 13.2 | 6.5 | (4.3) | 11.4 | 8.0 | 0.0 | 1.4 | 9.2 | 8.8 | (0.2) |
| State and Local | 3.1 | 2.7 | 0.9 | 1.0 | (0.5) | 1.2 | 0.1 | (2.0) | (1.5) | 3.9 | (0.6) | (2.2) | (3.8) | 1.3 | (0.2) | (0.9) |



| | Percent Changes in CPI for All Urban Consumers (CPI - U) | | | | | | | | | |
|------------------------------|--|-------|-------|------|-------|--------|-------|-------|--|--|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010* | | |
| Food and Beverages | 3.5 | 2.6 | 2.3 | 2.2 | 4.8 | 5.8 | (0.4) | 1.5 | | |
| Housing | 2.2 | 3.0 | 4.0 | 3.3 | 3.0 | 2.4 | (0.3) | 0.3 | | |
| Apparel | (2.1) | (0.2) | (1.1) | 0.9 | (0.3) | (1.0) | 1.9 | (1.1) | | |
| Transportation | 0.3 | 6.5 | 4.8 | 1.6 | 8.3 | (13.3) | 14.4 | 5.3 | | |
| Medical Care | 3.7 | 4.2 | 4.3 | 3.6 | 5.2 | 2.6 | 3.4 | 3.3 | | |
| Recreation | 1.1 | 0.7 | 1.1 | 1.0 | 0.8 | 1.8 | (0.4) | (0.8) | | |
| Education & Communication | 1.6 | 1.5 | 2.4 | 2.3 | 3.0 | 3.6 | 2.4 | 1.3 | | |
| Other Goods and Services | 1.5 | 2.5 | 3.1 | 3.0 | 3.3 | 3.4 | 8.0 | 1.9 | | |
| Energy Commodities | 6.9 | 26.7 | 16.7 | 6.1 | 29.4 | (40.5) | 46.5 | 13.9 | | |
| All Items | 1.9 | 3.3 | 3.4 | 2.5 | 4.1 | 0.1 | 2.7 | 1.5 | | |
| All Items Less Food & Energy | 1.1 | 2.2 | 2.2 | 2.6 | 2.4 | 1.8 | 1.8 | 0.9 | | |

*Seasonally adjusted annual rate

DOMESTIC EQUITY MARKET PERFORMANCE

Trailing Performance as of: December 2010
(As exhibited by the Russell 1000, MidCap and 2000 stylized indices)

| | Quarter | | |
|-------|---------|-------|--------|
| Large | 10.54 | 11.19 | 11.83 |
| Mid | 12.24 | 13.07 | 14.01 |
| Small | 15.36 | 16.25 | 17.11 |
| | Value | Blend | Growth |

| | Year To Date | | |
|-------|--------------|-------|--------|
| Large | 15.51 | 16.10 | 16.71 |
| Mid | 24.75 | 25.48 | 26.38 |
| Small | 24.50 | 26.85 | 29.09 |
| | Value | Blend | Growth |

| | 1 Year | | |
|-------|--------|-------|--------|
| Large | 15.51 | 16.10 | 16.71 |
| Mid | 24.75 | 25.48 | 26.38 |
| Small | 24.50 | 26.85 | 29.09 |
| | Value | Blend | Growth |

| | 3 Years | | |
|-------|---------|-------|--------|
| Large | -4.42 | -2.37 | -0.47 |
| Mid | 1.01 | 1.05 | 0.97 |
| Small | 2.19 | 2.22 | 2.18 |
| | Value | Blend | Growth |

| | 5 Years | | |
|-------|---------|-------|--------|
| Large | 1.28 | 2.59 | 3.75 |
| Mid | 4.08 | 4.66 | 4.88 |
| Small | 3.52 | 4.47 | 5.30 |
| | Value | Blend | Growth |

| | 10 Years | | |
|-------|----------|-------|--------|
| Large | 3.26 | 1.83 | 0.02 |
| Mid | 8.07 | 6.54 | 3.12 |
| Small | 8.42 | 6.33 | 3.78 |
| | Value | Blend | Growth |

| | 15 Years | | |
|-------|----------|-------|--------|
| Large | 7.62 | 7.01 | 5.73 |
| Mid | 10.37 | 9.82 | 7.79 |
| Small | 9.80 | 7.64 | 4.89 |
| | Value | Blend | Growth |

| | 20 Years | | |
|-------|----------|-------|--------|
| Large | 10.07 | 9.46 | 8.33 |
| Mid | 12.87 | 12.26 | 10.35 |
| Small | 12.94 | 10.83 | 8.20 |
| | Value | Blend | Growth |

Top 3 performers

Bottom 3 performers

Sector Performance as of: December 2010

| Sector | Weight | 3 Mos. | YTD | 1 Year | 3 Years | 5 Years | 10 Years |
|----------------------|--------|--------|-------|--------|---------|---------|----------|
| Energy | 12.4 | 19.48 | 18.41 | 18.41 | -3.92 | 8.19 | 9.79 |
| Media | 3.2 | 15.49 | 27.39 | 27.39 | 2.65 | 2.58 | -1.28 |
| Industrial Materials | 12.1 | 12.37 | 23.35 | 23.35 | -3.85 | 4.41 | 3.89 |
| Software | 4.5 | 12.11 | 11.69 | 11.69 | 1.90 | 7.23 | 0.56 |
| Financial Services | 16.4 | 11.96 | 14.34 | 14.34 | -12.72 | -7.88 | -1.27 |
| Consumer Goods | 8.9 | 10.98 | 23.11 | 23.11 | 5.84 | 8.93 | 7.32 |
| S&P 500 Index | - | 10.76 | 15.06 | 15.06 | -2.86 | 2.29 | 1.41 |
| Telecommunications | 7.2 | 10.61 | 15.25 | 15.25 | -4.61 | 5.25 | -1.42 |
| Consumer Services | 8.4 | 10.52 | 23.37 | 23.37 | 5.68 | 4.12 | 5.63 |
| Hardware | 9.2 | 9.64 | 13.79 | 13.79 | 1.98 | 5.87 | -1.57 |
| Business Services | 3.2 | 8.30 | 12.93 | 12.93 | -0.03 | 4.86 | 5.39 |
| Healthcare | 11.0 | 6.47 | 7.59 | 7.59 | 0.08 | 3.20 | 0.83 |
| Utilities | 3.3 | 5.68 | 10.80 | 10.80 | -3.81 | 5.41 | 3.10 |

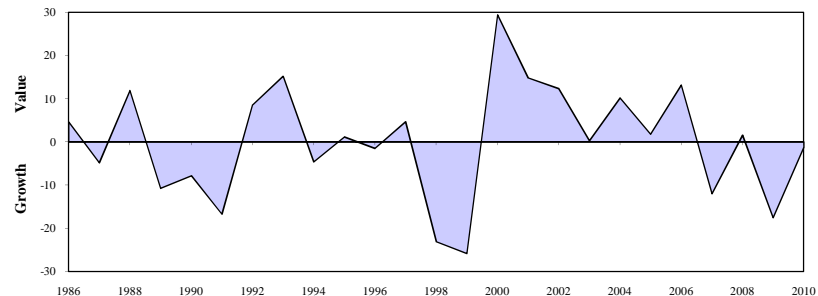
Other Market Indices Performance as of: December 2010

| Index | 3 Mos. | YTD | 1 Year | 3 Years | 5 Years | 10 Years |
|----------------------------------|--------|-------|--------|---------|---------|----------|
| S&P 500 Index | 10.76 | 15.06 | 15.06 | -2.86 | 2.29 | 1.41 |
| NASDAQ Composite Index* | 12.32 | 18.02 | 18.02 | 0.94 | 4.63 | 0.71 |
| Wilshire 5000 Total Market Index | 11.74 | 17.70 | 17.70 | -1.56 | 3.17 | 2.64 |
| NAREIT - Equity REIT Index | 7.43 | 27.95 | 27.95 | 0.65 | 3.03 | 10.76 |
| Dow Jones Industrial Average | 8.04 | 14.06 | 14.06 | -1.61 | 4.31 | 3.15 |

Calendar Year Performance By Style Within Capitalization Category
(As exhibited by the Russell 1000, MidCap and 2000 stylized indices)

| | LARGE CAP | | MID CAP | | SMALL CAP | | LARGE | MID | SMALL |
|------|----------------|----------------|-------------|-------------|----------------|----------------|--------|--------|--------|
| | Russell 1000 V | Russell 1000 G | Russell MCV | Russell MCG | Russell 2000 V | Russell 2000 G | | | |
| 1984 | 10.10 | -0.95 | - | - | 2.27 | -15.83 | 4.75 | 1.43 | -7.30 |
| 1985 | 31.51 | 32.86 | - | - | 31.01 | 30.97 | 32.26 | 32.01 | 31.05 |
| 1986 | 19.98 | 15.36 | 17.87 | 17.55 | 7.41 | 3.58 | 17.87 | 18.20 | 5.68 |
| 1987 | 0.50 | 5.31 | -2.19 | 2.76 | -7.11 | -10.48 | 2.93 | 0.23 | -8.80 |
| 1988 | 23.16 | 11.27 | 24.61 | 12.92 | 29.47 | 20.37 | 17.25 | 19.80 | 25.02 |
| 1989 | 25.19 | 35.92 | 22.70 | 31.48 | 12.43 | 20.17 | 30.43 | 26.27 | 16.26 |
| 1990 | -8.08 | -0.26 | -16.08 | -5.13 | -21.77 | -17.41 | -4.21 | -11.50 | -19.48 |
| 1991 | 24.55 | 41.27 | 37.92 | 47.03 | 41.70 | 51.19 | 33.04 | 41.51 | 46.04 |
| 1992 | 13.58 | 4.99 | 21.68 | 8.71 | 29.14 | 7.77 | 8.93 | 16.34 | 18.41 |
| 1993 | 18.07 | 2.87 | 15.62 | 11.19 | 23.77 | 13.37 | 10.18 | 14.30 | 18.88 |
| 1994 | -1.98 | 2.62 | -2.13 | -2.16 | -1.54 | -2.43 | 0.39 | -2.09 | -1.82 |
| 1995 | 38.35 | 37.17 | 34.93 | 33.98 | 25.75 | 31.04 | 37.77 | 34.45 | 28.45 |
| 1996 | 21.64 | 23.12 | 20.26 | 17.48 | 21.37 | 11.26 | 22.45 | 19.00 | 16.49 |
| 1997 | 35.18 | 30.49 | 34.37 | 22.54 | 31.78 | 12.95 | 32.85 | 29.01 | 22.36 |
| 1998 | 15.63 | 38.71 | 5.08 | 17.86 | -6.45 | 1.23 | 27.02 | 10.10 | -2.55 |
| 1999 | 7.35 | 33.16 | -0.11 | 51.29 | -1.49 | 43.09 | 20.91 | 18.23 | 21.26 |
| 2000 | 7.01 | -22.42 | 19.18 | -11.75 | 22.83 | -22.43 | -7.79 | 8.25 | -3.02 |
| 2001 | -5.59 | -20.42 | 2.33 | -20.15 | 14.03 | -9.23 | -12.45 | -5.62 | 2.49 |
| 2002 | -15.52 | -27.89 | -9.65 | -27.41 | -11.43 | -30.26 | -21.65 | -16.18 | -20.48 |
| 2003 | 30.03 | 29.75 | 38.07 | 42.71 | 46.03 | 48.54 | 29.89 | 40.06 | 47.25 |
| 2004 | 16.49 | 6.30 | 23.71 | 15.48 | 22.25 | 14.31 | 11.40 | 20.22 | 18.33 |
| 2005 | 7.05 | 5.26 | 12.65 | 12.10 | 4.71 | 4.15 | 6.27 | 12.65 | 4.55 |
| 2006 | 22.25 | 9.07 | 20.22 | 10.66 | 23.48 | 13.35 | 15.46 | 15.26 | 18.37 |
| 2007 | -0.17 | 11.81 | -1.42 | 11.43 | -9.78 | 7.05 | 5.77 | 5.60 | -1.57 |
| 2008 | -36.85 | -38.44 | -38.44 | -44.32 | -28.92 | -38.54 | -37.60 | -41.46 | -33.79 |
| 2009 | 19.69 | 37.21 | 34.21 | 46.29 | 20.58 | 34.47 | 28.43 | 40.48 | 27.17 |
| 2010 | 15.51 | 16.71 | 24.75 | 26.38 | 24.50 | 29.09 | 16.10 | 25.48 | 26.85 |

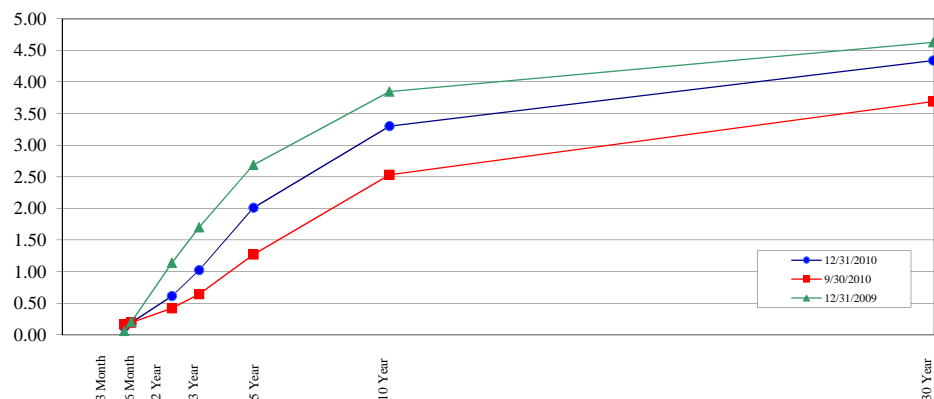
% Differential Between Value and Growth Over Past 25 Years



* NASDAQ Composite TR is a blend of the NASDAQ Composite PR from its inception to September 2003 and the NASDAQ Composite TR from October 2003 to present.

DOMESTIC FIXED INCOME MARKET PERFORMANCE

US Treasury Yield Curve



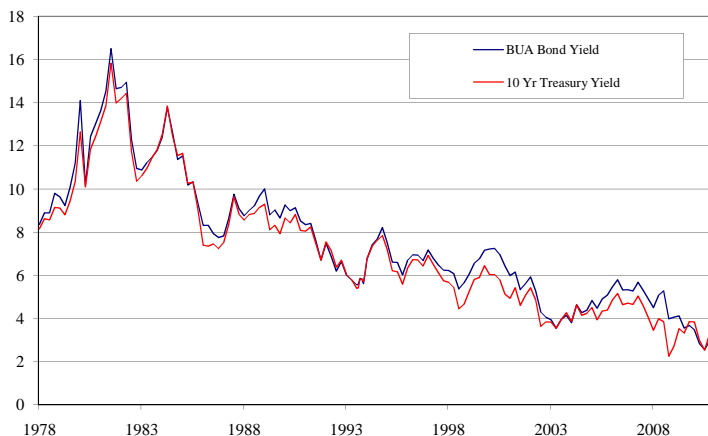
US Treasury Curve Yield Change (bps)

| | 3 Mos. | 6 Mos. | 2 Years | 3 Years | 5 Years | 10 Years | 30 Years |
|--------------------|--------|--------|---------|---------|---------|----------|----------|
| Trailing 3 Months | -4 | 0 | 19 | 38 | 74 | 77 | 65 |
| Trailing 12-Months | 6 | -1 | -53 | -68 | -68 | -55 | -29 |

TRAILING PERFORMANCE as of 12/31/2010

| | 3 Mos. | 6 Mos. | YTD | 1 Year | 3 Years | 5 Years | 10 Years |
|-------------------------------|--------|--------|-------|--------|---------|---------|----------|
| Citigroup US 3-Month T-Bill | 0.04 | 0.08 | 0.13 | 0.13 | 0.69 | 2.30 | 2.26 |
| ML 1-3 Year Treasury | -0.15 | 0.47 | 2.35 | 2.35 | 3.22 | 4.18 | 3.92 |
| Barclays Aggregate Bond Index | -1.30 | 1.15 | 6.54 | 6.54 | 5.90 | 5.80 | 5.84 |
| BUAGC Intermediate | -1.44 | 1.27 | 5.89 | 5.89 | 5.40 | 5.53 | 5.51 |
| BUAGC | -2.17 | 1.05 | 6.59 | 6.59 | 5.60 | 5.56 | 5.83 |
| BUAGC Long-Term | -5.60 | -0.08 | 10.16 | 10.16 | 6.78 | 5.92 | 7.11 |

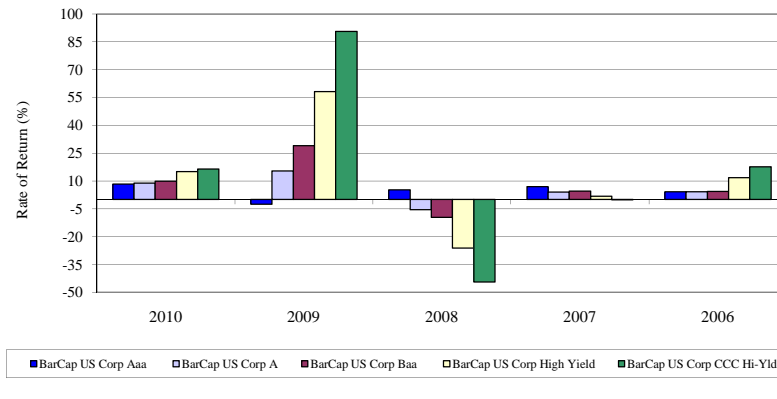
BUA Yield vs. 10 Yr. Treasury Yield (%)



Barclay's Aggregate Bond Index Composition (%)

| | |
|-------------------------|--------------|
| US Treasury | 27.65 |
| US Agency | 8.96 |
| Total Government | 36.61 |
| Industrial | 9.94 |
| Utility | 2.16 |
| Finance | 6.71 |
| Non-Corporate | 4.25 |
| Total Credit | 23.06 |
| GNMA | 5.63 |
| FNMA | 17.54 |
| FHLMC | 11.87 |
| Total MBS | 35.04 |
| Credit Card | 0.23 |
| Auto | 0.06 |
| Home | 0.00 |
| Utility | 0.07 |
| Manufactured Housing | 0.00 |
| Total ABS | 0.36 |
| CMBS | 3.19 |
| Hybrid Arm | 1.74 |

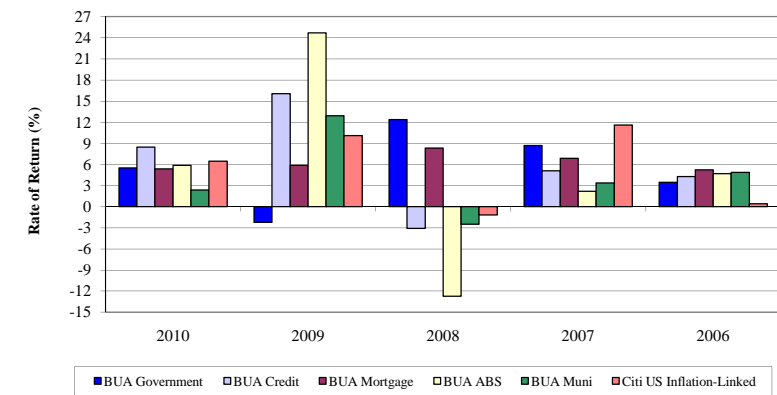
Credit Quality Performance



TRAILING PERFORMANCE as of 12/31/2010

| Credit Quality | 3 Mos. | 6 Mos. | YTD | 1 Year | 3 Years | 5 Years | 10 Years |
|---------------------------|--------|--------|-------|--------|---------|---------|----------|
| BarCap US Corp Aaa | -2.85 | 0.23 | 8.43 | 8.43 | 3.60 | 4.38 | 5.49 |
| BarCap US Corp A | -1.86 | 2.80 | 8.85 | 8.85 | 5.91 | 5.20 | 6.10 |
| BarCap US Corp Baa | -1.31 | 3.71 | 9.99 | 9.99 | 8.66 | 6.96 | 7.10 |
| BarCap US Corp High Yield | 3.22 | 10.15 | 15.12 | 15.12 | 10.38 | 8.91 | 8.88 |
| BarCap US Corp CCC Hi-Yld | 5.87 | 12.13 | 16.43 | 16.43 | 7.29 | 7.74 | 8.70 |

Sector Performance



TRAILING PERFORMANCE as of 12/31/2010

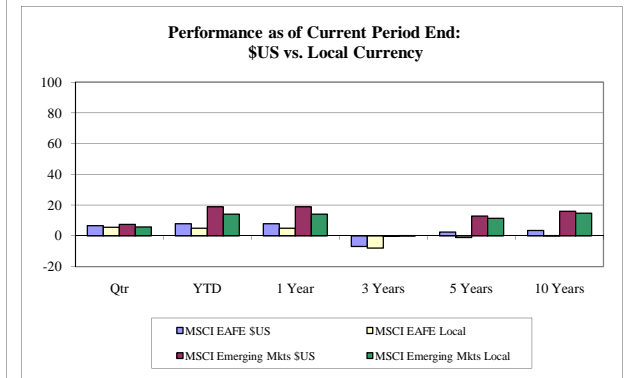
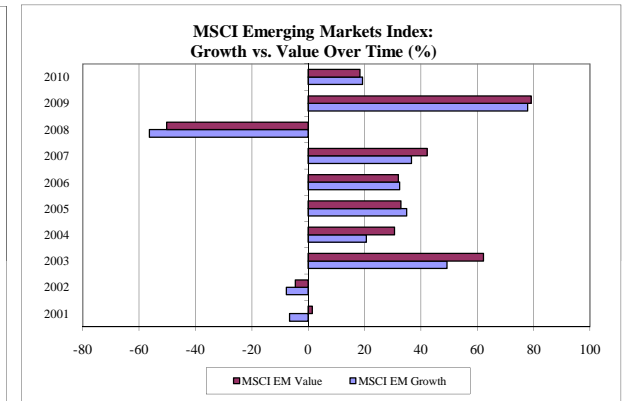
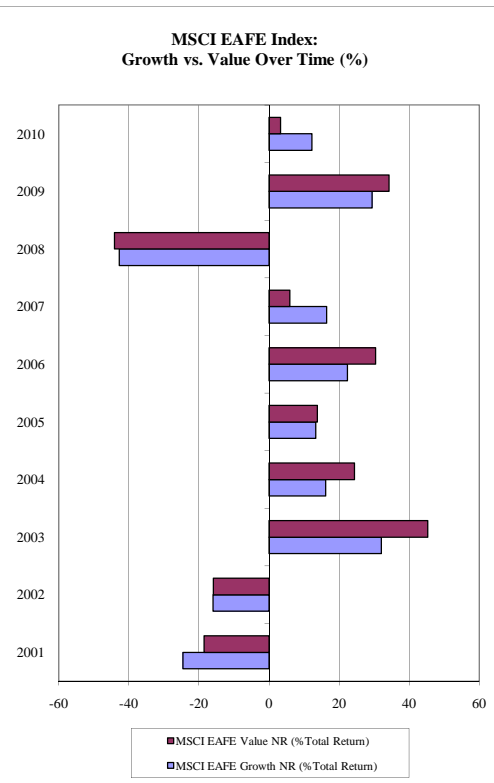
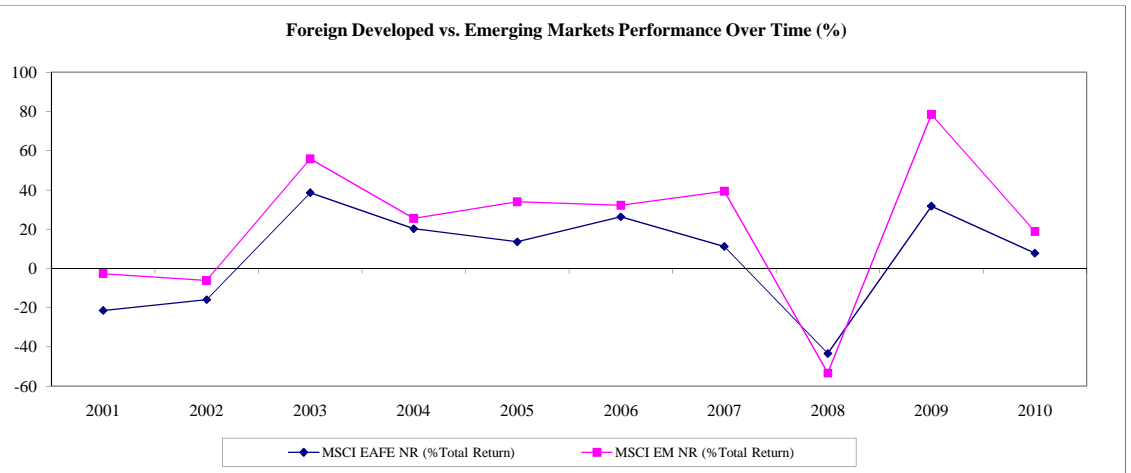
| Sector | 3 Mos. | 6 Mos. | YTD | 1 Year | 3 Years | 5 Years | 10 Years |
|--------------------------|--------|--------|------|--------|---------|---------|----------|
| BUA Government | -2.34 | 0.12 | 5.52 | 5.52 | 5.07 | 5.45 | 5.42 |
| BUA Credit | -1.86 | 2.70 | 8.47 | 8.47 | 6.85 | 5.98 | 6.55 |
| BUA Mortgage | 0.24 | 0.87 | 5.37 | 5.37 | 6.52 | 6.34 | 5.89 |
| BUA ABS | -1.48 | 0.99 | 5.85 | 5.85 | 4.84 | 4.28 | 4.86 |
| BUA Muni | -4.17 | -0.90 | 2.38 | 2.38 | 4.08 | 4.09 | 4.83 |
| Citi US Inflation-Linked | -0.75 | 1.94 | 6.46 | 6.46 | 5.03 | 5.36 | 7.04 |

INTERNATIONAL EQUITY MARKET PERFORMANCE

| As of 12/31/10 (\$) | 3 Mos. | YTD | 1 Year | 3 Years | 5 Years | 10 Years |
|-------------------------------------|--------|-------|--------|---------|---------|----------|
| BROAD INDEXES | | | | | | |
| MSCI AC World | 8.73 | 12.67 | 12.67 | -4.29 | 3.44 | 3.20 |
| MSCI AC World Ex US | 7.20 | 11.15 | 11.15 | -5.03 | 4.82 | 5.54 |
| MSCI EAFE | 6.61 | 7.75 | 7.75 | -7.02 | 2.46 | 3.50 |
| MSCI EAFE Growth | 7.85 | 12.25 | 12.25 | -5.94 | 3.46 | 2.69 |
| MSCI EAFE Value | 5.30 | 3.25 | 3.25 | -8.15 | 1.37 | 4.19 |
| MSCI EAFE Small Cap | 11.80 | 22.04 | 22.04 | -1.72 | 2.81 | 9.45 |
| MSCI Emerging Markets | 7.34 | 18.88 | 18.88 | -0.32 | 12.78 | 15.89 |
| EPRA/NAREIT Developed ex N. America | 7.54 | 14.83 | 14.83 | -7.71 | 2.80 | 9.81 |
| REGIONAL INDEXES | | | | | | |
| MSCI Europe | 4.50 | 3.88 | 3.88 | -8.90 | 2.85 | 3.27 |
| MSCI Europe Ex UK | 3.73 | 1.57 | 1.57 | -9.83 | 2.98 | 3.23 |
| MSCI Pacific Free | 10.64 | 15.92 | 15.92 | -2.91 | 1.58 | 3.99 |
| MSCI Pacific Free Ex Japan | 8.29 | 16.91 | 16.91 | 0.00 | 11.53 | 11.99 |
| MSCI EM Latin America | 5.98 | 14.66 | 14.66 | 4.32 | 19.57 | 21.18 |
| MSCI EM Europe | 8.50 | 16.69 | 16.69 | -11.60 | 4.10 | 14.92 |
| MSCI EM Asia | 6.99 | 18.98 | 18.98 | -0.95 | 12.72 | 14.89 |
| MSCI BRIC | 3.78 | 9.57 | 9.57 | -4.93 | 16.37 | 17.82 |

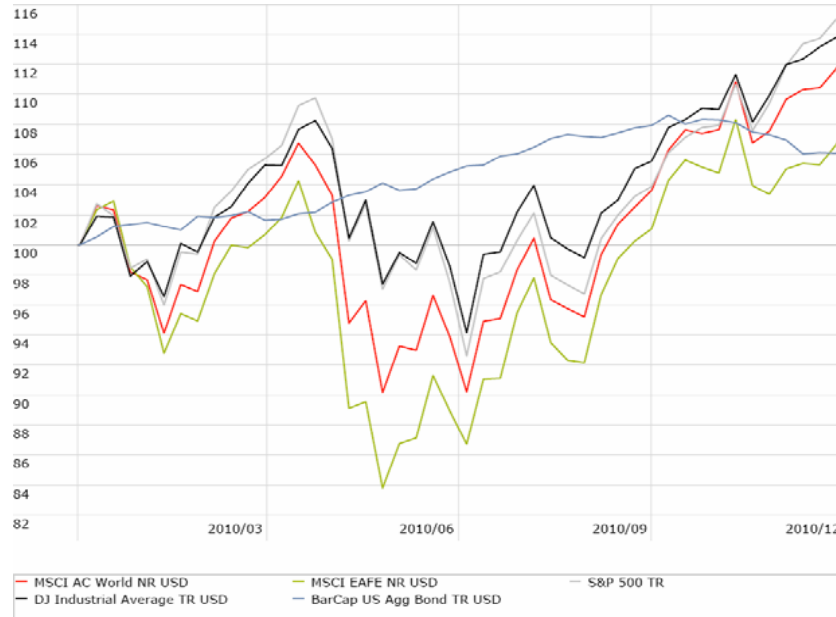
| DEVELOPED MARKETS | MSCI EAFE WEIGHT | 3 Mos. | YTD | 1 Year | 3 Years | 5 Years | 10 Years |
|-------------------|------------------|--------|--------|--------|---------|---------|----------|
| MSCI Japan | 22.1% | 12.12 | 15.44 | 15.44 | -4.60 | -2.45 | 1.01 |
| MSCI U.K. | 21.3% | 6.04 | 8.76 | 8.76 | -6.97 | 2.65 | 3.48 |
| MSCI France | 9.5% | 1.74 | -4.11 | -4.11 | -10.49 | 1.78 | 2.01 |
| MSCI Australia | 8.8% | 9.80 | 14.52 | 14.52 | -0.11 | 10.85 | 14.27 |
| MSCI Germany | 8.2% | 9.49 | 8.44 | 8.44 | -9.77 | 6.20 | 3.89 |
| MSCI Switzerland | 8.0% | 7.51 | 11.79 | 11.79 | -0.88 | 5.49 | 5.15 |
| MSCI Spain | 3.3% | -8.73 | -21.95 | -21.95 | -12.70 | 4.25 | 7.03 |
| MSCI Sweden | 3.2% | 7.43 | 33.75 | 33.75 | 3.26 | 9.70 | 7.12 |
| MSCI Hong Kong | 2.9% | 4.80 | 23.23 | 23.23 | -1.25 | 12.13 | 8.30 |
| MSCI Italy | 2.6% | -2.39 | -15.01 | -15.01 | -18.66 | -5.44 | -0.44 |
| MSCI Netherlands | 2.5% | 1.86 | 1.74 | 1.74 | -9.17 | 3.49 | 1.83 |
| MSCI Singapore | 1.7% | 6.78 | 22.14 | 22.14 | 3.81 | 16.07 | 10.69 |
| MSCI Finland | 1.1% | 5.86 | 10.29 | 10.29 | -18.09 | 1.20 | -3.84 |
| MSCI Denmark | 1.0% | 7.05 | 30.73 | 30.73 | -2.17 | 10.29 | 10.99 |
| MSCI Belgium | 0.9% | -3.60 | -0.42 | -0.42 | -19.30 | -6.92 | 1.15 |
| MSCI Norway | 0.8% | 11.85 | 10.95 | 10.95 | -9.46 | 7.20 | 12.51 |
| MSCI Greece | 0.3% | -10.19 | -44.87 | -44.87 | -38.35 | -15.90 | -4.42 |
| MSCI Austria | 0.3% | 11.72 | 9.88 | 9.88 | -20.79 | -7.06 | 9.85 |
| MSCI Portugal | 0.3% | -0.66 | -11.31 | -11.31 | -15.85 | 1.71 | 2.52 |
| MSCI Ireland | 0.2% | 6.44 | -18.12 | -18.12 | -36.33 | -21.25 | -7.95 |
| MSCI New Zealand | 0.1% | 11.39 | 8.32 | 8.32 | -9.03 | -0.91 | 10.65 |

| MSCI EAFE SECTORS | 3 Mos. | YTD | 1 Year |
|----------------------------|--------|-------|--------|
| Materials | 17.92 | 17.71 | 17.71 |
| Information Technology | 10.77 | 14.58 | 14.58 |
| Industrials | 10.56 | 20.38 | 20.38 |
| Energy | 10.07 | 0.44 | 0.44 |
| Consumer Discretionary | 9.08 | 19.73 | 19.73 |
| Consumer Staples | 3.86 | 12.40 | 12.40 |
| Healthcare | 2.58 | 1.24 | 1.24 |
| Utilities | 2.40 | -4.86 | -4.86 |
| Telecommunication Services | 2.09 | 5.82 | 5.82 |
| Financials | 1.50 | -1.61 | -1.61 |



ECONOMIC REVIEW

- In the fourth quarter of 2010, the U.S. equity markets continued to rally thanks to the final arrival of quantitative easing policy. During the course of the year, stocks have returned to levels last seen in September 2008 when Lehman Brothers collapsed. For the year, the broad market Russell 3000 Index gained nearly 17%. Bond investors booked solid gains as the Barclays Capital Aggregate Bond Index posted a gain of 6.4%. Commodities such as gold jumped 30% in 2010 after the government spent trillions of dollars and kept interest rates low to bolster economies. On the foreign front, the ongoing sovereign debt issues in Europe hampered the non-U.S. developed equity markets as the MSCI EAFE Index lagged all other major equity indices in 2010.
- Whether the market will repeat its success of 2010 is dependent on a number of variables, including the renewed consumer confidence, U.S. job data and the housing market.
- The U.S. economy rose at an annual rate of 3.2% during the fourth quarter of 2010, faster than the 2.6% pace seen in the third quarter, according to the Commerce Department.** The acceleration of growth was primarily driven by gains in consumer spending and higher exports, as reflected in the best holiday retail sales since 2006. Consumer spending, which accounts for approximately 70% of the U.S. economic activity, rose 4.4% in the fourth quarter after rising 2.4% in the third. Exports accelerated at a faster pace of 8.5% during the quarter while imports declined. After contracting by 2.6% in 2009, the U.S. economy grew 2.9% for all of 2010, which is the strongest year of growth since 2005.
- A rise in retail sales as well as better corporate earnings may increase employment in 2011, which may further underpin the economic recovery in the U.S.** By the end of 2010, the market rallied six weeks in a row, apparently caused by better-than-expected corporate earnings. In December, industrial production managed to bounce back, with Alcoa, Intel and JP Morgan reporting positive earnings. Economists surveyed by The Wall Street Journal are now predicting that the U.S. will grow at better than a 3.2% annual rate in each quarter in 2011. Amid the stronger growth forecast, the same economists surveyed now expect the U.S. to generate nearly 180,000 jobs a month on average this year, significantly more than last year's average of 94,000. By the end of 2011, the economists, on average, expect the jobless rate to be lowered to 8.8% from the current 9.4%.
- Mortgage rates began to rise during the quarter, although they remain close to historically low levels.** Treasury rates rose substantially across the curve, as yields responded to both the Fed's QE2 announcement and tax cut extensions. The sell-off in Treasuries fed into the mortgage space as mortgage rates tend to track the yield on the ten-year note. The average rate for a 30-year conforming mortgage spiked almost 100 basis points in the last two months of the year, reaching 5.2%, before settling down to just under 5% at year end. While the rapid rise in interest rates could introduce an element of urgency for potential homebuyers, the strength of the economic recovery should have a much larger impact on housing sales than the increase in mortgage rates. Moreover, implications from rising rates should be more than offset by expectations that home prices will continue to decline over the near to intermediate term.



ECONOMIC REVIEW

- As 2010 came to an end, economists surveyed by The Wall Street Journal are increasingly optimistic about the pace of the U.S. economic recovery, projecting an increase in the U.S. GDP from 2% to 4% in 2011. Despite persistent weakness in the job market, the U.S. companies recently announced that they are planning to improve hiring plans in 2011 as economic optimism grows. PEI took a survey of expectations for 2011 from major banks. The consensus forecast is summarized below:

| 2011 Consensus Forecast | | | | | |
|-------------------------|--------------|-------------------|------------------|-----------------------------|---|
| | Real GDP (%) | CPI Inflation (%) | Unemployment (%) | Targeted Fed Funds Rate (%) | Views on Markets |
| Deutsche Bank | 3.3 | 1.7-2.0 | 8.8-9.3 | Unchanged | <ul style="list-style-type: none"> Food inflation will be the dominant theme in 2011, which may have a significant impact on overall CPI. Monetary and fiscal policies will remain accommodative in 2011. Consumer and business confidence will be crucial in 2011. Business spending will be a driver of the U.S. economic growth. |
| Goldman Sachs | 3.4 | 1.7 | 9.0-9.4 | Unchanged | <ul style="list-style-type: none"> Global recovery will continue, particularly in the U.S. Believes that the U.S. GDP will rise up to 4% by mid 2012. Despite a constructive view on the emerging markets, believes that performance gap between the developed and emerging market economies will narrow in 2011. Expects U.S. monetary policy to remain very accommodative, with no interest rate hike in 2011 and 2012. Inflation is likely to stay under 2%. |
| JP Morgan Chase | 3.5 | 1.2-1.7 | 9.0-9.3 | Unchanged | <ul style="list-style-type: none"> Stocks and other riskier assets will benefit from economic improvement, while bonds continue to underperform. |
| Morgan Stanley | 4.0 | 2.5 | 8.6-9.1 | Unchanged | <ul style="list-style-type: none"> Equity markets will continue to rally in the first quarter of 2011. Fixed income markets and government Treasury markets will experience sell-off in the first half of the year. The oversea demand will keep the U.S. economy growing. There will be more activities in the market as companies around the world begin to take some of the excess cash to re-invest. |
| Wells Fargo | 2.3-2.8 | 1.3-1.7 | 9.0-10.0 | Unchanged | <ul style="list-style-type: none"> The S&P 500 Index may surpass the 1,300 level due to the Fed's monetary policy, extension of the Bush tax cuts and the significant amount of corporate cash sitting on the sideline. Profit gains will be derived from areas with heavy international exposure such as energy, materials, industrials and IT, whereas cyclical sectors such as consumer staples and healthcare will lag. |

MARKET COMMENTARY – DOMESTIC EQUITY

During the fourth quarter of 2010, the domestic equity markets rallied with the major indices posting positive gains. The Dow Jones Industrial Average advanced 8.04%, the NAREIT Equity Index gained 7.43%, the S&P 500 Index gained 10.76% and the NASDAQ Composite advanced 12.32% for the quarter. On a market capitalization basis, small cap stocks outperformed their large and mid counterparts. The small cap Russell 2000 Index gained 16.25%, while the Russell Mid Cap Index gained 13.07% and the Russell 1000 Index gained 11.19%.

Within the large cap space:

- From a style perspective, growth outperformed value. During the fourth quarter, the Russell 1000 Value Index posted a return of 10.54% while the Russell 1000 Growth Index posted a return of 11.83%. For the year, the Russell 1000 Value Index posted a return of 15.51% and the Russell 1000 Growth Index posted a return of 16.71%.
- Large cap stocks posted solid gains with the majority of the sectors producing double-digit returns. The energy, media, industrial materials and software sectors posted the strongest returns for the quarter. Business services, healthcare and utilities were the laggards. Energy performed best on surging oil prices and materials on accelerating commodities prices. Defensive sectors such as utilities and healthcare, sectors that performed well in the third quarter, had more modest returns during the fourth quarter.

Within the mid cap space:

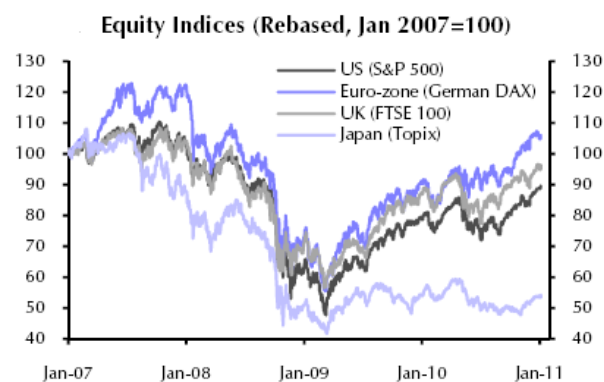
- Mid cap stocks posted a gain of 13.07% in the final quarter of 2010. For the year, the Russell Mid Cap Index posted a positive return of 25.48%, which was primarily driven by strong performance in the consumer discretionary and industrials sectors as the market rally in 2010 was predominately led by cyclical sectors of the market.
- From a style perspective, growth continued to outperform value during the quarter and for the year as the growth index is heavily concentrated on the cyclical sectors (such as industrials, materials, energy and consumer discretionary), which are generally more linked to the increasing global demand.
- As the market sentiment improved, all ten market sectors ended the quarter in positive territory, with six sectors producing a double-digit gain. Energy, industrials and materials were the best performing sectors as they benefited from the rising oil and commodities prices. In contrast, the more conservative utilities and consumer staples sectors were the weakest performers.

Within the small cap space:

- Small cap stocks, which are viewed by some investors as more risky investments and are typically more nimble when the economy is coming out of a recession, continued to advance in the fourth quarter of 2010 and over the past year as U.S. stocks accelerated, posting double digit gains across every style and size category at year end. Despite continuing negative news on employment and housing, investors began to feel more comfortable with equities during the second half of 2010 and showed willingness to take on more risk.
- A common theme among small- growth indices was the highest returns were achieved by stocks of companies closely tied to rapid movements in the economy. High beta stocks beat low beta stocks by a wide margin for most of the year. Respectively, low quality stocks (which tend to have low stock prices, low earnings, high debt and low ROE) also outperformed. However, in 2010, stocks with stronger fundamentals were not punished as much as they were in 2009. Growth beat value by a wide margin for a second consecutive year, led by technology and consumer stocks, while value indices lagged because of their exposure to financials, which was one of the weaker performing sectors for the year due to continued concern about credit and low interest rates.
- Cyclical themes such as energy, industrial materials and consumer goods performed extremely well during the quarter and for the year. Within small cap value, financial services (12.51%), industrial materials (23.74%) and energy (30.1%) made the largest contribution to returns during the quarter. Within small cap growth, industrial materials (19.5%), hardware (20.63%) and consumer goods (18.93%) were the most significant drivers to performance. Defensive sectors such as utilities, telecommunication services and healthcare, had the weakest performance across all small cap styles for the last quarter and year, contributing between 0% and 2% to Index return.

INTERNATIONAL EQUITY

International equity markets were largely positive during the fourth quarter of 2010 against the backdrop of continued hopes for economic strength as the global economy appears to be improving, even as unemployment remains persistently high in many major markets. Earnings from many major corporations have been better-than-expected in recent months, helping to fuel a rally in many equity markets. Nonetheless, several markets such as Portugal, Spain and Greece continue to flounder as the sovereign debt crisis has remained a persistent and unresolved issue through the end of 2010. Increasing commodity prices were also a dominant theme as crude oil reached \$91/barrel and gold ended the year at \$1,420 per Troy ounce. These are levels not witnessed since October 2008. Commodities are expected to remain strong as China and other nations continue to demand them for growth. The U.S. dollar was stronger during the quarter versus the euro and the British pound. The debt crisis in Europe as well as the announcement of quantitative easing by the U.S. Federal Reserve were the main catalysts which helped the U.S. dollar. Currencies such as the Canadian and Australian dollar were stronger than the U.S. dollar, helped by their links to the commodities markets.



Source: Thomson Datastream

Within the EAFE Index, every sector was positive during the quarter for the second time in a row. The best performers were materials (17.92%) and information technology stocks (10.77%). Financial issues rose only (1.50%) as they had advanced earlier in the market rallying corporate technology spending. Small cap stocks in the EAFE Index outperformed their larger counterparts by a wide margin, as they were the only segment to post double-digit returns of (11.80%).

The MSCI Emerging Markets Index (7.34%) continued to outperform the MSCI EAFE Index (6.61%) for the eighth consecutive quarter. Emerging markets in areas like Latin America continue to be fueled by record prices of gold and other commodities. Gains in Brazil were limited to single digits (3.60%) this quarter as a new president was elected in that nation. In addition, Asian markets continued their rise although to varying degrees. Despite tensions between North and South Korea, the markets in Korea (12.80%) and Taiwan (17.40%) were strong performers, while markets in China (0.70%) and India (2.20%) posted positive results that were tempered by inflationary fears as GDP numbers continued to be strong. Both India and China took the step of raising rates in order to try to preempt inflation. From a style perspective, MSCI EAFE growth stocks extended their favorable results versus their value counterparts for a span now totaling fifteen months, with the difference between growth (7.85%) and value (5.30%) more pronounced than it had been in the third quarter, when the two were separated by fewer than twenty five basis points. For the full year, EAFE growth stocks markedly outperformed their value counterparts by 9.0%, as much of the year was characterized by hopes of economic recovery, especially earlier in the year.

The MSCI All Country World Index ex US rose (7.20%) during the fourth quarter and returned (11.15%) for the prior twelve months. Regionally, most markets witnessed single-digit increases or better, on average. Most countries posted a positive return during the quarter with only a few exceptions. The most negative returns came from Spain (-8.73%) and Greece (-10.19%) as the debt crisis continued to linger without resolution. For the full year period through December 31, 2010, the foreign markets have been mixed, with Greece (-44.87%) and Spain (-21.95%) also showing the most negative returns while Denmark and Sweden have advanced the most with gains in excess of 30% for the year. Improved economic data in Japan in the form of better GDP growth and rising exports helped markets finish the quarter in a positive fashion (12.12%) for the quarter and for the year (15.44%), despite a stronger yen. On a regional basis, Asian and Latin American markets were much stronger for the year 2010 than those in Europe. All were positive, but Asia and Latin America showed double-digit gains versus single digit returns in Europe.

FIXED INCOME

The economic outlook was more positive in the fourth quarter of 2010, as policymakers announced additional steps to stimulate the economy via quantitative easing and tax cut extensions. The move was a catalyst for inflation and growth expectations, causing medium and long term Treasury yields to rise. The rise in interest rates saw price declines which outpaced the income generated, and the majority of sectors in the bond market experienced negative quarterly returns. Mortgage-backed securities, which posted modestly positive returns, were the exception within the investment grade space. High yield was the one fixed income sector that demonstrated strong performance as the Federal Reserve's Treasury purchases supported risk assets during the quarter. US Treasury notes, which experienced the largest price decline, were the greatest laggard.

Rates rose substantially across the yield curve in the fourth quarter, as Treasury yields responded to both the FOMC's November announcement of further quantitative easing and the tax cut package declared by lawmakers in December. Two-year yields, which remained relatively fixed given the near zero interest rate policy, sold off 17 basis points (bps) to 0.6%. The benchmark 5- and 10-year Treasury notes sold off 74 bps and 78 bps, respectively, to 2.01% and 3.30%. The 30-year note re-priced 65 bps higher on the quarter to 4.34%. The yield curve steepened during the fourth quarter, driven mostly by the rise in longer term rates as shorter maturities (largely impacted by the actions of the Federal Reserve) remained relatively stable. The yield difference between the 2-year and the 10-year US Treasury rate rose 60 bps to 268 bps; the steepness of the curve at present is indicative of expectations of additional inflation and/or economic growth. The Treasury Inflation Protected Securities sector outperformed its nominal counterpart in the fourth quarter, as the Fed's focus on pushing up inflation to acceptable levels boosted TIPS prices relative to nominal Treasuries. TIPS experienced negative absolute returns (-0.6%), however, as concerns regarding the near-term threat of inflation were muted.

Investment grade bond spreads continued to trend tighter in the fourth quarter due in part to improving economic data and increased demand for riskier assets. Moreover, supportive fiscal and monetary policies have allowed corporations to strengthen their balance sheets and refinance debt at lower rates. The sector outperformed duration-matched Treasuries by 173 bps (although total returns were negative). Higher beta names and sectors, such as financials, saw the most tightening as investors looked to a brighter economic outlook and rising stock prices. BBBs tightened 14 bps versus 10 bps for single As.

The high yield sector demonstrated strong performance, advancing more than 3% for the quarter and outperforming Treasuries by 519 bps. Solid earnings growth, rising forecasts for economic expansion and the ability to access the market drove investors to the sector. Moreover, the demand for yield continued to support spreads. Lower quality names and cyclical industries were the top performers.

The securitized sector generated solid performance overall during the fourth quarter. Agency MBS outperformed duration matched Treasuries by 177 bps. The sub sector saw improved performance and stronger demand as investor anxiety over prepayments eased. Non-agency mortgages outperformed as well, driven primarily by continued strong institutional demand and negative net supply in the sector. Robust demand for higher yielding investment grade credits drove CMBS returns, which outperformed duration adjusted Treasuries by 250 bps. In contrast, ABS had a weaker fourth quarter, with -23 bp in excess returns, as profit taking and new issue placements caused spreads to widen.

Municipal bonds struggled during the quarter, and the Barclays Capital Municipal Bond Index lost 4.17%. The tax-exempt municipal market recorded its worst quarter of performance since 1994. The main drivers of underperformance were rising Treasury yields and the approaching expiration of the Build America Bonds program. Concerns over state and local government finances captured headlines during the quarter, although they were not a major contributor to the sell-off.

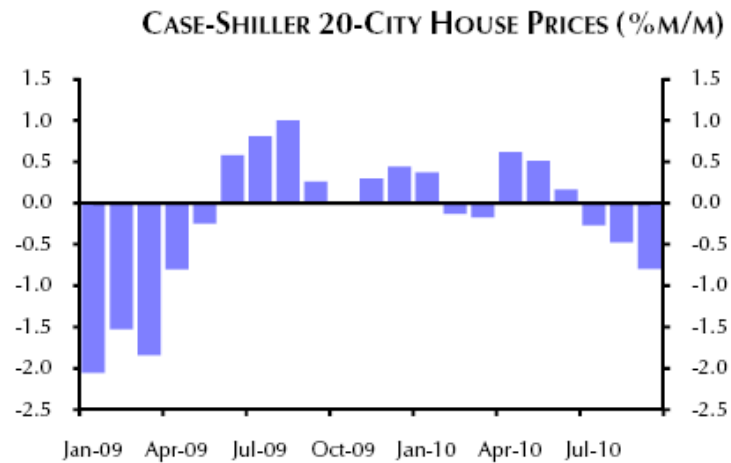
MONEY MARKET

Total money market mutual fund assets finished year 2010 at approximately \$2.8 trillion, down from a peak of \$3.9 trillion in January 2009, according to the Investment Company Institute. Low interest rates have held back yields on money market funds and led to outflows, forcing some fund companies to waive all or a portion of their fees since mid 2009 in order to provide a positive yield. In this market environment, many money market fund managers, who almost uniformly have a forecast that calls for continued near-zero rates, have been implementing a “barbelled” strategy with their portfolios by adding significant amounts of longer-term paper in the hopes of picking up a little yield on the curve.

As discussed in the previous economic reviews, most of the amendments to Rule 2a-7, which were designed to increase levels of liquidity, enhance transparency and strengthen money market funds, went into full effect in the second half of 2010. In order to increase transparency, a new monthly disclosure requirement will be effective January 31st, 2011. The U.S. Securities and Exchange Commission will publish data showing mark-to-market or “shadow” net asset value (NAV) for money market funds on a 60-day lag basis. However, investors should keep in mind that changes in the mark-to-market NAV are normal and to be expected; the mark-to-market NAV generally fluctuates in a tight range around the \$1.00 stable NAV and is almost never precisely \$1.00; the mark-to-market NAV can also be slightly above or below \$1.00 for sustained periods of time; and market conditions, changes in interest rates and fund flow activity can impact a fund’s mark-to-market NAV.

DOMESTIC REAL ESTATE

Domestic real estate continued its poor performance during the fourth quarter of 2010 even as mortgage rates remained at historical lows. Nonetheless, these low borrowing rates have done little to spur purchase activity, given that the rate of unemployment remains just under ten percent. Credit standards remain tight for borrowers. Although delinquent mortgages reached a peak in February 2010, foreclosures could remain high for some time to come as banks work through their backlogs and general economic conditions remain poor. It seems likely that the domestic real estate will not lead the economy out of the recession as in economic cycles of the past. According to the Wall Street Journal, 22.5% or 10.8 million borrowers still owe more than their houses are worth. Currently, one of the dominant concerns in the housing markets is the fear of a double-dip in home values. Data released for October 2010 showed that all twenty cities measured by the S&P Case-Shiller home price Index of property values showed month-over-month price declines. In fact, six markets reached their lowest points since prices began their decline in 2006. Those markets included Atlanta, Miami, Seattle, Charlotte, Tampa, and Portland. Meanwhile, markets in Las Vegas and Cleveland declined to levels last witness in the year 2000. In addition to economic malaise, the expiration of the federal tax credit for buyers on April 30th, 2010 as well as a large inventory of unsold homes in these markets have driven down property values. Mortgage loan applications dropped 18.6% in the week that ended December 17, while refinancing fell 24.6%, the sixth straight week of declines and the lowest level since April 30. However, the seasonally-adjusted index for new purchases is still on an upward trend and only fell by 2.5% from the previous week; it is now down 8.4% from one year ago. A six-week-long rise in interest rates and a steep decline in home sales have kept borrower confidence low. Mortgage rates are still historically very low, but they remain above their year-to-date average of 4.74%. Uncertainty over the direction of home prices will keep new purchase applications at a low level at least until the backlog of housing inventories is cleared. The one bright spot is that mortgage applications for home purchases have begun to rise, up 5.9% in December versus the prior month.



Source – Thomson Datastream

The commercial market continues to be somewhat of a mixed bag. Certain office markets such as Washington, D.C. with its reliance on the federal government, continued to experience demand for properties. Other markets where demand for office space continues to be strong include those that are related to commodity related businesses such as energy. For example, the markets in Houston and Fort Worth both experienced declines in their office vacancy rates during the fourth quarter. Some pockets of hope can be seen in city centers around the country, while suburban properties continue to experience sluggish demand due to high unemployment and excessive construction of the past few years. Vacancy rates continued to be high around the country for various property types. According to data released by real estate company C.B. Richard Ellis in January 2011, the national office vacancy rate fell slightly to 16.4% during the fourth quarter of 2010. This was the second consecutive decline, providing a small glimmer of hope about economic recovery. Retail vacancies remained unchanged in the fourth quarter, holding steady at 13.0%. Those markets registering the lowest rates of availability included San Francisco, New York City, Oakland, Long Island and Miami.