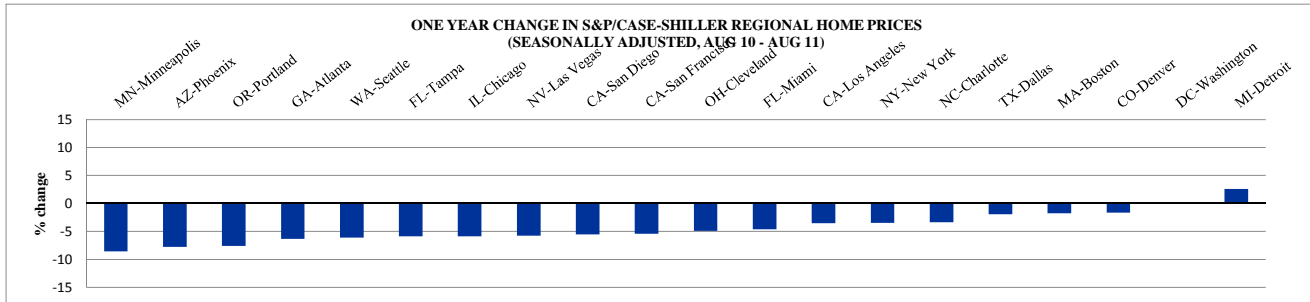
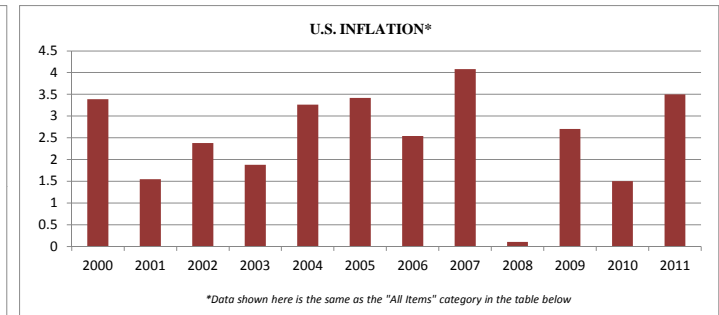
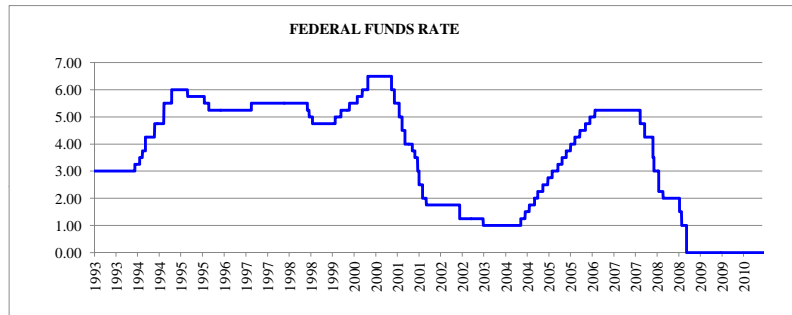
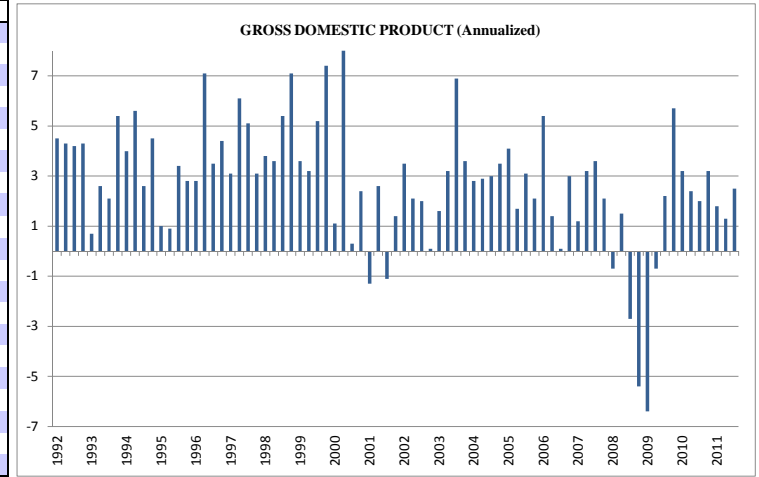


ECONOMIC REVIEW

% Change From Preceding Period Seasonally Adjusted Annual Rates	2007				2008				2009				2010				2011		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
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	0.4	1.3	2.5
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	2.1	0.1	2.4
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	11.7	(4.4)	4.1
Nondurable 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	1.6	0.1	0.2
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	0.8	0.8	3.0
GDPDI	(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)	3.8	7.1	4.1
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	1.2	5.9	13.7
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	2.1	6.3	16.3
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	(14.3)	8.1	13.3
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	8.7	5.7	17.4
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	(2.4)	3.8	2.4
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	7.9	6.0	4.0
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	10.6	6.8	4.7
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	1.7	4.0	2.4
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)	8.3	1.3	1.9
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)	9.5	1.5	1.8
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)	2.2	0.2	2.4
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)	(5.9)	(1.1)	0.0
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)	(9.4)	2.2	2.0
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)	(3.4)	(3.4)	(1.3)



	Percent Changes in CPI for All Urban Consumers (CPI - U)							
	2004	2005	2006	2007	2008	2009	2010	2011*
Food and Beverages	2.6	2.3	2.2	4.8	5.8	(0.4)	1.5	4.1
Housing	3.0	4.0	3.3	3.0	2.4	(0.3)	0.3	2.0
Apparel	(0.2)	(1.1)	0.9	(0.3)	(1.0)	1.9	(1.1)	6.1
Transportation	6.5	4.8	1.6	8.3	(13.3)	14.4	5.3	8.5
Medical Care	4.2	4.3	3.6	5.2	2.6	3.4	3.3	2.5
Recreation	0.7	1.1	1.0	0.8	1.8	(0.4)	(0.8)	1.0
Education & Communication	1.5	2.4	2.3	3.0	3.6	2.4	1.3	1.6
Other Goods and Services	2.5	3.1	3.0	3.3	3.4	8.0	1.9	1.1
Energy Commodities	26.7	16.7	6.1	29.4	(40.5)	46.5	13.9	20.5
All Items	3.3	3.4	2.5	4.1	0.1	2.7	1.5	3.5
All Items Less Food & Energy	2.2	2.2	2.6	2.4	1.8	1.8	0.9	2.4

*Seasonally adjusted annual rate

DOMESTIC EQUITY MARKET PERFORMANCE

Trailing Performance as of: September 2011
(As exhibited by the Russell 1000, MidCap and 2000 stylized indices)

		Quarter		
Large		-16.20	-14.68	-13.14
Mid		-18.46	-18.90	-19.33
Small		-21.47	-21.87	-22.25
		Value	Blend	Growth

		Year To Date		
Large		-11.24	-9.25	-7.20
Mid		-13.01	-12.34	-11.59
Small		-18.51	-17.02	-15.57
		Value	Blend	Growth

		1 Year		
Large		-1.89	0.91	3.78
Mid		-2.36	-0.88	0.80
Small		-5.99	-3.53	-1.12
		Value	Blend	Growth

		3 Years		
Large		-1.52	1.61	4.69
Mid		1.98	3.96	5.89
Small		-2.78	-0.37	2.07
		Value	Blend	Growth

		5 Years		
Large		-3.53	-0.91	1.62
Mid		-0.84	0.56	1.64
Small		-3.08	-1.02	0.96
		Value	Blend	Growth

		10 Years		
Large		3.36	3.28	3.01
Mid		7.54	7.45	6.70
Small		6.47	6.12	5.45
		Value	Blend	Growth

		15 Years		
Large		6.06	5.43	4.16
Mid		8.61	8.01	5.96
Small		7.60	5.59	3.00
		Value	Blend	Growth

		20 Years		
Large		8.46	7.85	6.73
Mid		10.65	10.06	8.20
Small		10.03	8.05	5.51
		Value	Blend	Growth

Top 3 performers

Bottom 3 performers

Sector Performance as of: September 2011

Sector	Weight	3 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
Utilities	3.3	0.27	9.33	11.89	5.58	3.86	6.49
Consumer Defensive	11.3	-4.36	3.45	9.84	5.83	6.15	7.09
Technology	12.3	-10.32	-8.36	2.17	8.00	3.86	5.27
Healthcare	8.8	-10.80	1.65	6.19	3.65	1.71	2.08
S&P 500 Index	-	-13.87	-8.68	1.14	1.23	-1.18	2.82
Consumer Cyclical	9.7	-14.77	-7.79	5.33	9.93	1.29	4.79
Communication Svc	14.0	-14.83	-6.07	3.10	9.29	1.26	0.27
Real Estate	6.9	-15.10	-6.10	0.88	-2.38	-3.53	8.63
Industrials	11.1	-21.14	-14.70	-3.99	0.00	-0.86	4.84
Energy	11.4	-21.17	-11.30	8.65	2.34	5.78	14.17
Financial Svc	3.2	-22.54	-25.13	-16.07	-13.36	-16.40	-4.00
Basic Materials	4.4	-28.33	-25.34	-8.96	-1.84	0.95	6.82

Other Market Indices Performance as of: September 2011

Index	3 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500 Index	-13.87	-8.68	1.14	1.23	-1.18	2.82
NASDAQ Composite Index*	-12.70	-8.33	2.96	5.93	2.23	4.89
Wilshire 5000 Total Market Index	-15.32	-10.23	0.31	1.75	-0.57	3.93
NAREIT - Equity REIT Index	-15.07	-6.05	0.93	-1.99	-2.43	9.18
Dow Jones Industrial Average	-11.49	-3.90	3.83	3.15	1.37	4.67

Calendar Year Performance By Style Within Capitalization Category

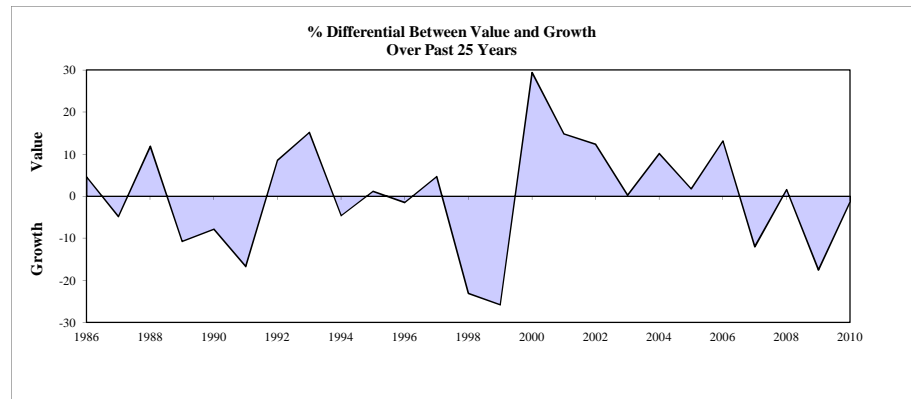
(As exhibited by the Russell 1000, MidCap and 2000 stylized indices)

	LARGE CAP	
	Russell 1000 V	Russell 1000 G
1984	10.10	-0.95
1985	31.51	32.86
1986	19.98	15.36
1987	0.50	5.31
1988	23.16	11.27
1989	25.19	35.92
1990	-8.08	-0.26
1991	24.55	41.27
1992	13.58	4.99
1993	18.07	2.87
1994	-1.98	2.62
1995	38.35	37.17
1996	21.64	23.12
1997	35.18	30.49
1998	15.63	38.71
1999	7.35	33.16
2000	7.01	-22.42
2001	-5.59	-20.42
2002	-15.52	-27.89
2003	30.03	29.75
2004	16.49	6.30
2005	7.05	5.26
2006	22.25	9.07
2007	-0.17	11.81
2008	-36.85	-38.44
2009	19.69	37.21
2010	15.51	16.71

	MID CAP	
	Russell MCV	Russell MCG
1984	-	-
1985	-	-
1986	17.87	17.55
1987	-2.19	2.76
1988	24.61	12.92
1989	22.70	31.48
1990	-16.08	-5.13
1991	37.92	47.03
1992	21.68	8.71
1993	15.62	11.19
1994	-2.13	-2.16
1995	34.93	33.98
1996	20.26	17.48
1997	34.37	22.54
1998	5.08	17.86
1999	-0.11	51.29
2000	19.18	-11.75
2001	2.33	-20.15
2002	-9.65	-27.41
2003	38.07	42.71
2004	23.71	15.48
2005	12.65	12.10
2006	20.22	10.66
2007	-1.42	11.43
2008	-38.44	-44.32
2009	34.21	46.29
2010	24.75	26.38

	SMALL CAP	
	Russell 2000 V	Russell 2000 G
1984	2.27	-15.83
1985	31.01	30.97
1986	7.41	3.58
1987	-7.11	-10.48
1988	29.47	20.37
1989	12.43	20.17
1990	-21.77	-17.41
1991	41.70	51.19
1992	29.14	7.77
1993	23.77	13.37
1994	-1.54	-2.43
1995	25.75	31.04
1996	21.37	11.26
1997	31.78	12.95
1998	-6.45	1.23
1999	-1.49	43.09
2000	22.83	-22.43
2001	14.03	-9.23
2002	-11.43	-30.26
2003	46.03	48.54
2004	22.25	14.31
2005	4.71	4.15
2006	23.48	13.35
2007	-9.78	7.05
2008	-28.92	-38.54
2009	20.58	34.47
2010	24.50	29.09

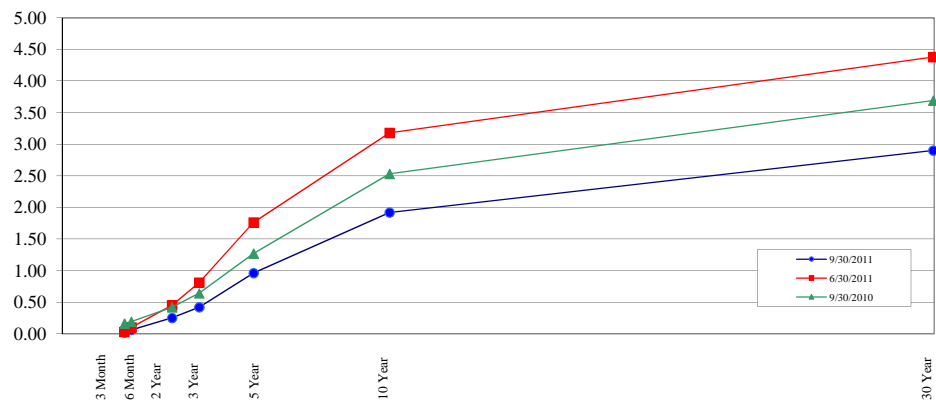
	LARGE	MID	SMALL
	Russell 1000	Russell MC	Russell 2000
1984	4.75	1.43	-7.30
1985	32.26	32.01	31.05
1986	17.87	18.20	5.68
1987	2.93	0.23	-8.80
1988	17.25	19.80	25.02
1989	30.43	26.27	16.26
1990	-4.21	-11.50	-19.48
1991	33.04	41.51	46.04
1992	8.93	16.34	18.41
1993	10.18	14.30	18.88
1994	0.39	-2.09	-1.82
1995	37.77	34.45	28.45
1996	22.45	19.00	16.49
1997	32.85	29.01	22.36
1998	27.02	10.10	-2.55
1999	20.91	18.23	21.26
2000	-7.79	8.25	-3.02
2001	-12.45	-5.62	2.49
2002	-21.65	-16.18	-20.48
2003	29.89	40.06	47.25
2004	11.40	20.22	18.33
2005	6.27	12.65	4.55
2006	15.46	15.26	18.37
2007	5.77	5.60	-1.57
2008	-37.60	-41.46	-33.79
2009	28.43	40.48	27.17
2010	16.10	25.48	26.85



* 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



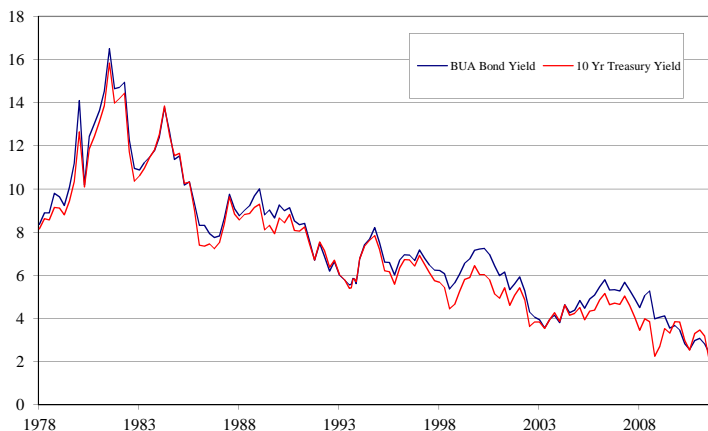
US Treasury Curve Yield Change (bps)

	3 Mos.	6 Mos.	2 Years	3 Years	5 Years	10 Years	30 Years
Trailing 3 Months	-1	-4	-20	-39	-80	-126	-148
Trailing 12-Months	-14	-13	-17	-22	-31	-61	-79

TRAILING PERFORMANCE as of 9/30/2011

	3 Mos.	6 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
Citigroup US 3-Month T-Bill	0.01	0.04	0.07	0.11	0.20	1.62	1.92
ML 1-3 Year Treasury	0.49	1.32	1.36	1.20	2.39	3.84	3.32
Barclays Aggregate Bond Index	3.82	6.20	6.65	5.26	7.97	6.53	5.66
BUAGC Intermediate	2.39	4.57	4.92	3.40	7.02	5.92	5.12
BUAGC	4.74	7.18	7.47	5.14	8.41	6.52	5.74
BUAGC Long-Term	15.64	19.45	19.42	12.74	14.87	9.39	8.26

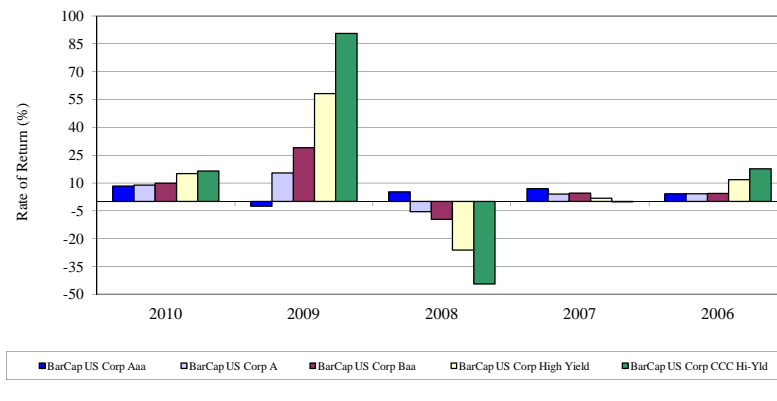
BUA Yield vs. 10 Yr. Treasury Yield (%)



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

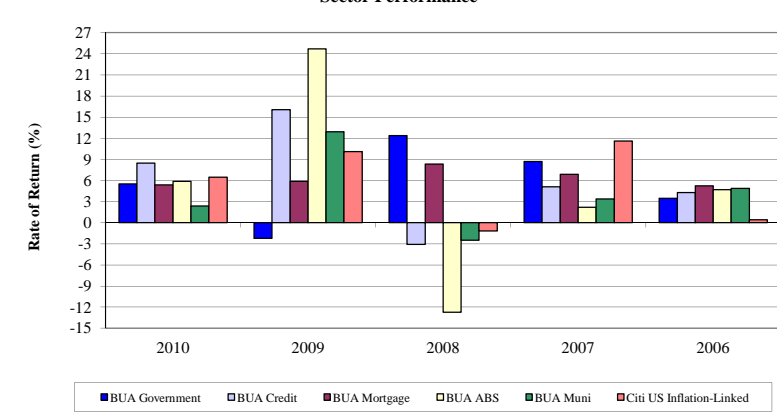
Credit Quality Performance



TRAILING PERFORMANCE as of 9/30/2011

Credit Quality	3 Mos.	6 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
BarCap US Corp Aaa	8.65	10.69	11.08	7.92	10.14	5.97	5.76
BarCap US Corp A	2.88	5.16	5.95	3.98	12.52	5.83	5.73
BarCap US Corp Baa	2.58	5.14	6.50	5.11	13.25	7.70	6.85
BarCap US Corp High Yield	-6.06	-5.08	-1.39	1.78	13.83	7.08	8.78
BarCap US Corp CCC Hi-Yld	-11.73	-11.03	-6.67	-1.20	10.59	4.09	8.64

Sector Performance



TRAILING PERFORMANCE as of 9/30/2011

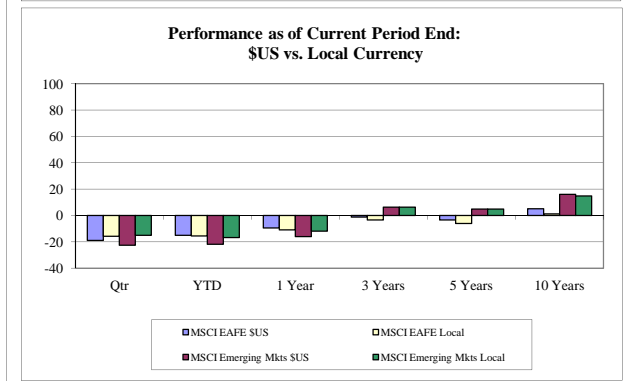
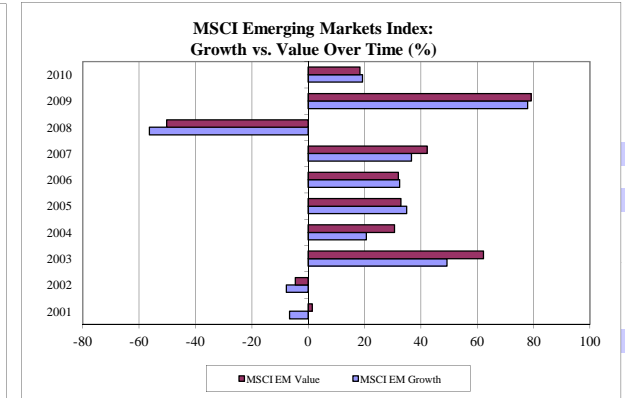
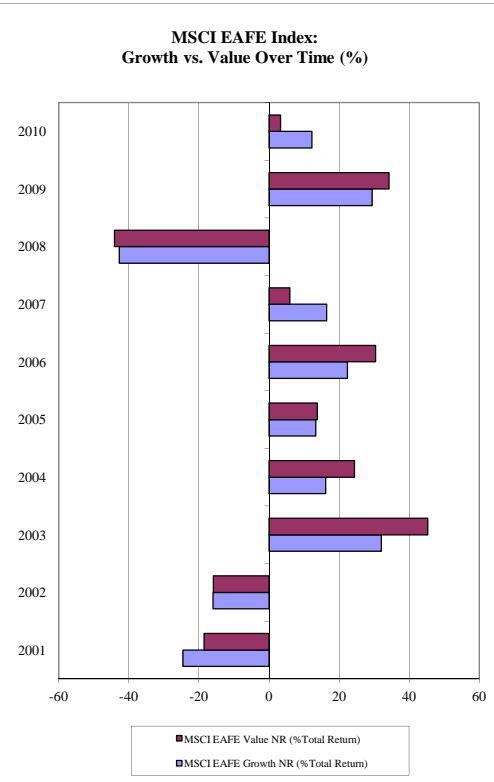
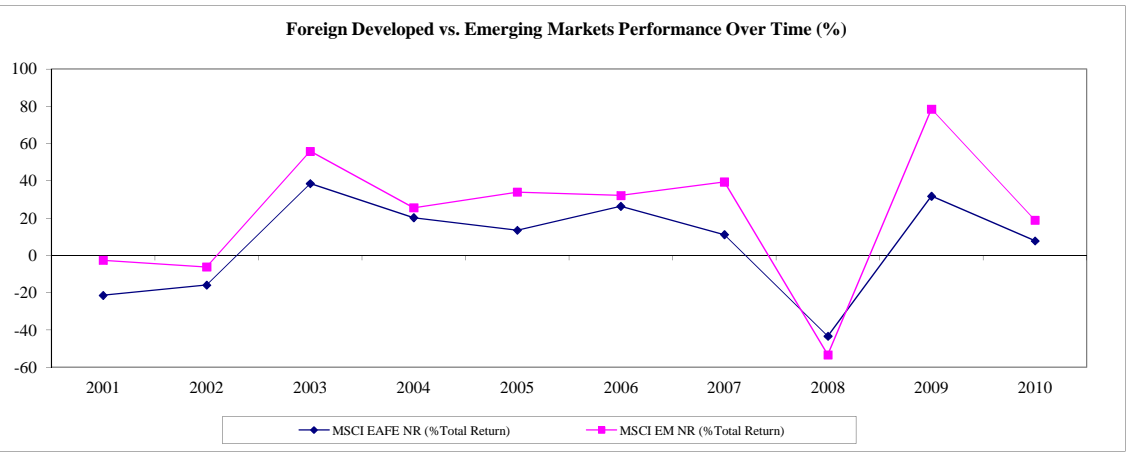
Sector	3 Mos.	6 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
BUA Government	5.85	8.20	8.11	5.58	6.43	6.56	5.44
BUA Credit	3.03	5.60	6.54	4.56	11.74	6.72	6.26
BUA Mortgage	2.36	4.69	5.30	5.56	7.02	6.69	5.61
BUA ABS	2.42	4.23	4.90	3.34	8.87	4.55	4.38
BUA Muni	3.81	7.85	8.40	3.88	8.08	5.01	5.09
Citi US Inflation-Linked	4.95	8.78	10.99	10.15	8.32	7.21	7.20

INTERNATIONAL EQUITY MARKET PERFORMANCE

As of 9/30/11 (\$)	3 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
BROAD INDEXES						
MSCI AC World	-17.42	-13.56	-6.01	0.59	-1.59	4.45
MSCI AC World Ex US	-19.85	-16.80	-10.81	0.52	-1.57	6.83
MSCI EAFE	-19.01	-14.98	-9.36	-1.13	-3.46	5.03
MSCI EAFE Growth	-18.98	-15.43	-8.79	-0.63	-2.16	4.86
MSCI EAFE Value	-19.03	-14.52	-9.99	-1.69	-4.82	5.13
MSCI EAFE Small Cap	-18.59	-15.47	-5.50	5.64	-1.88	9.76
MSCI Emerging Markets	-22.56	-21.88	-16.15	6.27	4.87	16.07
REGIONAL INDEXES						
MSCI Europe	-22.61	-15.61	-11.81	-2.76	-4.13	4.81
MSCI Europe Ex UK	-26.03	-18.05	-14.99	-4.52	-4.71	4.95
MSCI Pacific Free	-11.70	-13.48	-4.27	2.37	-2.09	5.47
MSCI Pacific Free Ex Japan	-19.74	-17.73	-10.91	7.61	4.65	13.00
MSCI EM Latin America	-24.54	-25.82	-21.38	4.55	9.09	20.11
MSCI EM Europe	-29.60	-23.99	-17.53	-4.02	-4.18	16.95
MSCI EM Asia	-21.23	-20.05	-14.46	9.03	4.78	14.94
MSCI BRIC	-25.84	-26.08	-23.29	2.96	4.58	18.65

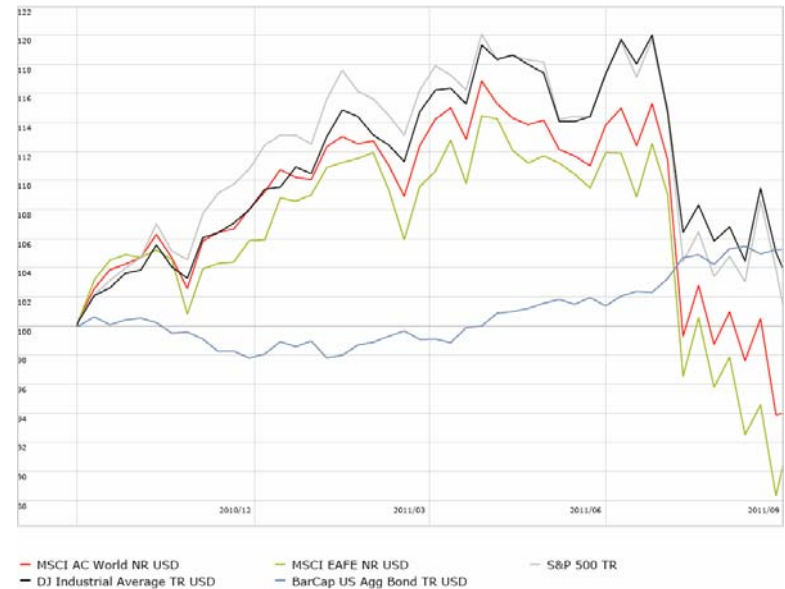
DEVELOPED MARKETS	MSCI EAFE WEIGHT	3 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
MSCI Japan	23.1%	-6.44	-10.89	-0.09	-0.18	-4.90	2.76
MSCI UK	22.2%	-15.40	-10.69	-5.29	0.83	-2.99	4.54
MSCI France	9.1%	-29.92	-19.03	-17.62	-6.65	-6.19	3.56
MSCI Switzerland	8.6%	-17.49	-10.47	-3.74	2.82	-0.20	6.97
MSCI Australia	8.4%	-20.19	-17.14	-9.02	6.99	4.25	13.87
MSCI Germany	7.7%	-31.00	-21.19	-13.71	-5.41	-2.19	5.70
MSCI Spain	3.5%	-22.31	-10.27	-18.11	-5.85	-3.30	8.32
MSCI Sweden	2.9%	-26.64	-22.79	-17.05	8.30	0.50	10.33
MSCI Hong Kong	2.7%	-19.90	-20.99	-17.20	8.20	4.23	10.24
MSCI Netherlands	2.4%	-21.86	-17.53	-16.00	-2.76	-4.40	3.15
MSCI Italy	2.3%	-31.18	-23.74	-25.56	-14.22	-13.39	0.57
MSCI Singapore	1.7%	-18.21	-17.07	-11.45	9.12	7.98	13.64
MSCI Denmark	1.0%	-24.18	-22.44	-16.97	-0.16	1.15	10.31
MSCI Belgium	1.0%	-19.11	-12.54	-15.69	-4.76	-13.21	1.46
MSCI Finland	0.9%	-26.11	-30.58	-26.52	-12.08	-8.94	1.24
MSCI Norway	0.9%	-21.56	-17.74	-8.00	0.42	0.24	12.99
MSCI Austria	0.3%	-37.70	-33.01	-25.16	-15.73	-16.56	6.02
MSCI Ireland	0.3%	-20.72	-7.08	-1.10	-20.08	-25.79	-7.29
MSCI Portugal	0.3%	-22.00	-14.97	-15.53	-5.89	-6.64	3.65
MSCI Greece	0.2%	-46.61	-48.65	-53.88	-40.66	-28.72	-6.30
MSCI New Zealand	0.1%	-6.86	7.96	20.25	10.17	1.51	12.25

MSCI EAFE SECTORS	3 Mos.	YTD	1 Year
Consumer Staples	-8.65	-1.69	2.10
Health Care	-9.75	-0.09	2.50
Telecommunication Services	-11.67	-3.95	-2.11
Utilities	-14.04	-15.01	-12.97
Information Technology	-15.74	-17.40	-8.46
Energy	-18.28	-12.04	-3.19
Consumer Discretionary	-20.03	-15.39	-7.45
Industrials	-22.12	-18.39	-9.77
Financials	-24.16	-21.33	-20.15
Materials	-27.92	-25.90	-12.62



ECONOMIC REVIEW

- The third quarter of 2011 was a quarter marked by extreme volatility as U.S. growth concerns, European sovereign-debt fears, inflation fears in Emerging Market nations, and U.S. debt ceiling negotiations led the market on a wild, roller coaster-like ride that ended with the S&P 500 Index down nearly 14% for the quarter inching ever closer to bear market territory. In a recurring theme from the second quarter, the markets continued to be headline driven with the news of the day driving the trading environment sending markets on vicious daily swings. While some of the drivers of this market volatility are familiar (U.S. growth concerns; European sovereign-debt fears) as the quarter progressed new contributors to volatility emerged in the form of U.S. debt ceiling negotiations and the Standard & Poor's downgrade of U.S. long-term debt.



- For the quarter, the broad market Russell 3000 Index had a return of -15.28%. The Barclays Capital Aggregate Bond Index gained 3.82%. Commodities remained volatile during the quarter with U.S. oil prices ending the third quarter down 17%. Globally, concerns about a potential hard landing in China, following another interest rate increase, remain at the forefront. These issues weighed on foreign markets with the MSCI EAFE Index returning -19.01%.
- While volatility reigned during the quarter, bright spots emerged in the form of consumer spending which remained surprisingly resilient and inflation which stayed largely in check. Overshadowing these bright spots, however, were continued fears about the European sovereign-debt crisis which worsened as successive plans to contain the crisis to peripheral eurozone economies appeared unsuccessful exacerbating the instability already in place in many eurozone nations.
- Within the U.S. economy, housing and employment, two key elements of a potential recovery remained anemic. Housing suffered as many homes continued to fall into bank ownership while employment remained stagnant with the potential for future layoffs looming as the economic outlook darkens. The sale of new homes fell to a six month low in August as buyers gravitated toward cheaper, distressed properties. Mortgage rates dropped to historically low levels, with the average interest rate for 30-year fixed-rate mortgages falling from 4.23 percent to 4.17 percent. Unfortunately, lack of consumer confidence and banking industry concerns about consumer credit kept lending near all time lows for the quarter.
- There was an upward trend in unemployment with the most recent data showing only 18,000 jobs added during the month of June. The unemployment figure was unchanged at 9.2%.
- Going forward, uncertainty and volatility are likely to continue to plague the markets as global macroeconomic risks remain in the headlines. Although the events of the last three months have been painful to endure, valuations have approached attractive levels, and often times through volatility come opportunities. While the risks of this past quarter warrant continued monitoring it is these potential opportunities that will be evaluated for the ultimate benefit of long-term investor.

MARKET COMMENTARY - DOMESTIC EQUITY

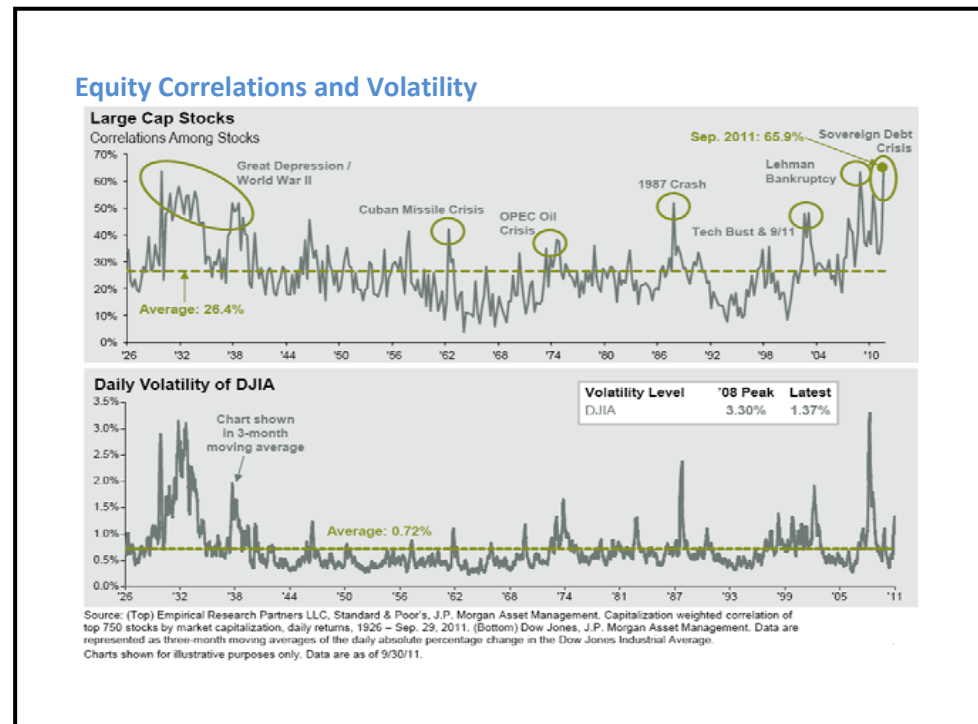
The domestic stock market continued to experience high volatility, posting its worst quarter since the fourth quarter of 2008, as debt ceiling discussions in Washington, the downgrade of the U.S. sovereign credit rating and the threat of financial contagion in Europe lead to increased investor risk aversion. The volatility was highest in September, reaching levels that have not been seen since 2008, as illustrated by the chart below (by JPMorgan Asset Management), due to growing uncertainty about how economic conditions and policy will evolve in the near future, especially in the US and Europe. Investors' focus on these issues, rather than on the continued strength in corporate profits caused correlations among individual stocks to increase to 65.9% as of end of the quarter.

Against this backdrop, all of the equity market indexes posted negative returns, with more defensive areas of the market generally faring better than more cyclical ones. The S&P 500 Index returned -13.87%. Nine of the ten major Morningstar sectors delivered negative returns over the quarter led by Basic Materials (-28.33%), Financial Services (-22.54%), Energy (-21.17%) and Industrials (-21.14%). The Utility sector was the only one to produce a positive return (0.27%). For the year to date, the defensive sectors Utilities (9.33%), Consumer Defensive (3.45%) and Healthcare (1.65%) were the leaders.

On a market capitalization basis, growth slightly underperformed value among small and mid caps but outperformed among large caps and led on a year to date basis among all market caps as represented by the Russell Indices. Similar to the previous quarter, large caps outperformed small caps with the Russell 1000 Growth Index (-13.14%) beating the Russell 2000 Growth Index (-22.25%) which posted the largest loss for the third quarter. Small caps had one of their worst quarters since the Russell Indices' inception.

The shift toward higher quality investments continued during the quarter. The highest beta stocks declined most. Based on P/E, the lowest P/E stocks were hit the hardest. A higher quality bias and a bigger cap bias likely helped active small cap funds outperform their respective index for the year albeit by a small margin. Large cap managers have not had as much success beating their benchmarks for the year due in part to high exposure to SMID names.

The gap in valuations has narrowed. However, based on current price-to-earnings (P/E) ratios vs. 20-year average P/E, small cap stocks continue to look overvalued relative to large cap stocks. According to JPMorgan research, based on these statistics, large cap growth stocks are currently 37% cheaper than their historical average. Additionally, growth stocks appear more undervalued than value stocks among all market capitalizations.



INTERNATIONAL EQUITY

International equity markets generally witnessed substantial declines during the third quarter of 2011. Volatility was high throughout the quarter as several nations in Europe continued to struggle with solutions for their debt problems, which seemed to overshadow all other news during the quarter. Several countries remained prominently featured in the news given their economic woes, including Greece, Italy, Spain, Ireland and Portugal. Credit ratings in Ireland and Italy were cut during the third quarter, and Spain was put on watch. As of the end of the quarter more questions than answers existed regarding the proper way to handle the crisis and with which countries and policymakers the responsibility for finding a solution may lie. Beyond the European borders, some of the countries in emerging markets also saw their luster continue to fade even though they have been untouched by the debt crisis. For example, fears about the potential for China's growth to slow caused their markets to decline through the end of September. Similar fears took hold in Brazil and India as these countries continue to try to achieve a balance between potentially slowing growth and rising inflationary pressures.

The relative star performer among the major markets for the quarter was Japan, but even the strongest performance was -6.44%. Earlier in the year Japan was touched by natural disaster, and it remains to be seen whether or not the country can remain insulated from the troubles affecting many other countries. Economic data in Japan has been mixed, pointing to the idea that industrial production has not really recovered and that the extent of the impact from the earthquake has been seriously underestimated. As an example, industrial production actually declined 2.5% in September, halting the idea that Japan is in the midst of a wide-scale recovery. Japan announced its third iteration of a reconstruction budget in September, totaling \$156 billion, in an effort to stimulate the Japanese economy.

The MSCI All Country World Index ex US declined (-19.85%) during the third quarter and returned (-10.81%) for the prior twelve months. Regionally, most markets in Europe and Asia are now exhibiting negative performance over the past twelve months. Even some of the markets which had seemed strong earlier in the year have now turned negative this quarter, as highlighted by the quarterly declines in French (-29.92%) and German (-31.0%) markets. The strongest performers in Europe were the United Kingdom (-15.4%) and Switzerland (-17.49%). Among the world markets, the only remaining positive market for the trailing one-year period is New Zealand, featuring a performance of more than 20%. Volatility remains high in most major markets as questions abound regarding how to stem the global debt crisis and avert another worldwide recession. The U.S. dollar strengthened against most other major currencies in varying degrees as investors sought relative quality among their investments. The euro declined more than 7% versus the dollar during the quarter and the Swiss franc fell 8% against the dollar. The Japanese Yen was the only major currency to appreciate against the dollar, gaining 4.6%.

Within the EAFE Index, the consumer staples and healthcare sectors were the best performers, although no sectors avoided a negative return for the quarter. These two sectors as well as Telecommunications Services and Utilities fared the best during the quarter, as they have a perception of being safer sectors relative to some others. Among the other sectors, Consumer Discretionary, Industrials, Financials and Materials posted quarterly losses exceeding 20%. Small cap stocks in the EAFE Index outperformed their larger counterparts by a margin of less than one percent, with both small and large cap stocks declining close to 19% each during the third quarter. From a style perspective, the returns for MSCI EAFE Growth (-18.98%) stocks were virtually the same as the returns for MSCI EAFE Value (-19.01%) stocks during the quarter. Although growth had outperformed value for much of the last two years, there have been signs of a definite retrenchment in the last six months.

The MSCI Emerging Markets Index (-22.56%) underperformed the MSCI EAFE Index (-19.01%) for the third quarter of 2011, making this the third quarter in which emerging markets have underperformed developed markets. Emerging markets in Europe, Latin America, Asia and the BRIC countries all showed similar patterns of decline, although Asian Emerging markets showed the least negativity for the second quarter in a row. Concerns about the economic crisis in Western economies were felt in emerging markets. Slowing growth and inflationary concerns are problematic, especially within emerging economies such as China

where trade activity and exports to the developed world are a large component of the economy. In August, Indian inflation reached its highest level in 13 months at 9.78%, resulting in the twelfth increase in interest rates in eighteen months. Also of concern is the slowing of commodity exports for countries like Brazil who derive much of their economic growth from the production of natural resources. Brazilian authorities actually cut interest rates to 12% in August, reversing their tightening stance.

FIXED INCOME

The fixed income markets experienced substantial volatility during the third quarter of 2011, driven by the uncertainty surrounding the European debt crisis, slowing global growth, and the extended debate over the U.S. debt ceiling. The tumultuous events in the financial markets and weaker economic data resulted in a continued flight to quality and drove Treasury yields sharply lower. Against this backdrop, all the major spread sectors underperformed duration-equivalent Treasuries. The Barclays Capital US Long Treasury Index returned 24.66%, while the Barclays Capital US High Yield Index returned -6.06%.

Treasury yields were driven significantly lower as increased credit risks in Europe, weak economic data, and the downgrade of US credit propelled a flight to safety which boosted the demand for Treasuries. In addition, the FOMC announced Operation Twist in September, which entails selling \$400 billion in short term treasuries in exchange for the same amount of longer term bonds. The expectation is that the move will push down interest rates across the board and make broader financial conditions more accommodative. The policy, which is designed to lower yields on long term bonds while keeping short term rates little changed, effectively flattened the Treasury yield curve with the yield difference between the 2-year and the 10-year US Treasury rate falling 97 bps to 168 bps. Two-year yields dropped 22 bps to 0.24%, while the benchmark ten-year note rallied 125 bps lower to 1.92% at quarter end.

Credit spreads generally widened in the third quarter as investors migrated to a risk-off position. The gap in yield between investment grade corporates and Treasuries widened 76 bps to 216 bps. The financials sector led the underperformance during the quarter, given concerns over banks' exposure to European peripheral debt and analysts' taking down earnings estimates. Notable widening was witnessed in the high-yield market as well, with the average credit spread on the Barclays Capital U.S. Corporate High Yield Index increasing 260 bps to 785 bps.

The securitized sector generated its worst quarterly performance since the fourth quarter of 2008, with -228 bps of excess return. CMBS underperformed duration adjusted Treasuries by 352 bps. Heightened risk aversion weighed heavily on the sub sector despite support by a slowing delinquency rate and firming industry fundamentals. AAA rated-tranches substantially outperformed lower rated tranches. Agency MBS underperformed Treasuries by 221 bps; the sub sector was negatively impacted by the risk off trade and the reappearance of policy driven prepayment uncertainty. The sub sector was supported, however, by the Fed's announcement that it would reinvest principal payments from its holdings of agency MBS and agency debt back into agency MBS- thus positively impacting supply/demand technicals. ABS was the best performer, breaking even relative to duration-neutral Treasuries. The sub sector benefited from an improving fundamental backdrop and supportive supply/demand technicals. Shorter dated, higher quality issues outperformed.

Municipal bonds generated solid performance in the quarter, notwithstanding the US sovereign credit downgrade and continued apprehensions over municipal credit. The sector was aided by technicals, as supply remains limited and demand has been improving. The Barclays Capital Municipal Bond Index returned 3.81% for the quarter. Single-A issues were the top performers as investors decreased exposure to lower quality credits.

MONEY MARKET

Total money market mutual fund assets finished the third quarter of 2011 at approximately \$2.6 trillion and had over \$50 billion in net cash outflows over the quarter. Money market mutual fund assets remain substantially less than the peak of \$3.9 trillion during the first quarter of 2009, according to the Investment Company Institute. The need for higher yield is driving investors to longer dated holdings, especially in light of anticipate rate decreases ahead of “Operation Twist”.

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. Managers are unable to obtain significant yield by reaching further out on the yield curve and as a result have focused on liquidity. The outlook moving forward for higher interest rates remains dim as the Fed has now a commitment to holding the benchmark interest rates within the 0% to 0.25% range until at least mid 2013. On a more positive note for money market funds, the Fed has implemented a program called “Operation Twist” in which proceeds from the sale of short term treasuries will be used to buy longer dated government and mortgage debt in efforts to reduce long term rates to stimulate the market. Over time this is expected to exert upward pressure on cash yields (especially repos) by expanding the supply of near-term paper.

The crisis in Europe has been at the top of the newspaper headlines. Money market fund managers have been managing headline risk by avoiding issuers who are in the news. Libor rates in the 3 month and over did increase a few basis points, making Euro paper more attractive. However, the ongoing European credit crisis has led to more risk aversion that has caused investors to limit holdings even to top rated banks in countries such as the U.K, the Netherlands, Scandinavia, Canada and Australia. Amid all of the uncertainty, the focus continued to be on high credit quality issuers that were not in the negative spotlight.

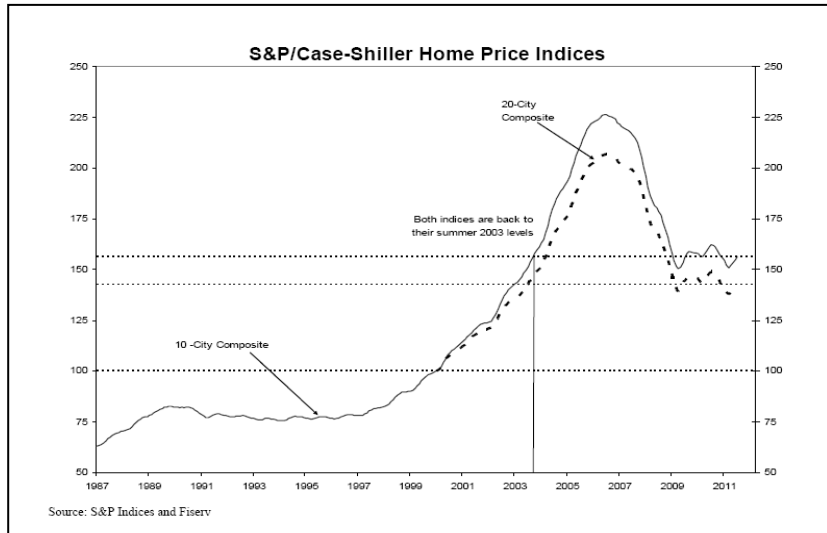
The downgrade of U.S. long-term debt by S&P did not impact the short-term credit rating. In fact the S&P reaffirmed the highest money market rate of A1+ on U.S. short-term debt. As a result of this, the down grade of U.S. debt had no material impact on money market funds.

DOMESTIC REAL ESTATE

Domestic real estate continued its poor performance during the third quarter of 2011 even as mortgage rates remained at relative lows. Nonetheless, these low borrowing rates have done little to spur purchase activity, given that the rate of unemployment remains abnormally high. Economists have predicted that home prices will continue their fall this year, and so far have dropped 31.6% from the peak reached in 2005, according to Standard and Poor’s Case-Shiller 20-city index. The housing crisis has led to a situation in which an average of 20% of people with mortgages in the United States have mortgages which exceed the current value of their property. Mortgage applications in August 2011 touched levels not seen since December 1996 due to economic uncertainty. In addition to the mortgage crisis, it is estimated that \$7 trillion has been lost in home equity. These conditions along with lows in consumer confidence have contributed to the further stagnation of the U.S. housing market.

In September 2011 the National Association of Realtors reported that existing home sales declined 3% in September, and distressed properties comprised 30% of the sales. 32% of all sales in August were to first-time buyers. Home prices remain sluggish, as the median home price dropped 3.5% year-over-year to \$165,400. Inventories declined to 3.48 million units, or roughly 2%, which means that there is 8.5 months of supply in the market. New housing starts rose 15% in September and home-building sentiment rose to its highest levels in a year and a half. Nonetheless, this measure still remains well below its pre-recession levels. Builders are still reluctant to show exuberance due to difficult borrowing constraints and prices that are much lower than their peak levels, pressured by the many foreclosures in the marketplace. It should also be noted that in September new starts of buildings with five or more units increased 53% to 227,000 units, while new single family home starts increased just 1.7% to 425,000 units. The latter number is a two-month high.

There have been a few small positives in the data released through July 2011. Data released in September 2011 showed that the 10- and 20-city composite indices showed their fourth consecutive month-over-month increases in July. Seventeen of the twenty cities in the survey registered an increase, while Las Vegas and Phoenix continued their declines and Denver remained flat. Two cities displayed year-over-year price increase, with Washington D.C. rising 0.3% and Detroit rising 1.2%. In July 2011, the 10-City and 20-City Composites recorded annual returns of -3.7% and -4.1%, respectively.



The commercial market which has been brighter in prior months has shown some signs of cracking in the past three months. During the third quarter a total of \$49.8 billion in commercial property was bought and sold, dropping from \$58.5 billion in the second quarter. The slowing was across all property types. Similar to the residential markets, mortgages for commercial properties have also become more difficult and costly to obtain as compared to earlier this year. Despite the drop in sales, transactions were more the twice the level witnessed one year ago, and four times the \$12.9 billion low of the first quarter of 2009. Commercial sales for 2011 now exceed \$143 billion, which is higher than the full year figure for the prior year. During the third quarter there was a rise in property deals in New York, while other major metropolitan areas such as Washington D.C., San Francisco, Boston and Chicago declined. Office vacancy rates fell while rents climbed across the nation during the third quarter, with cities on the west coast showing particular strength. Among other property types, apartment leases generally continued to increase, while retail shopping mall vacancies remained at high levels.