

## INVESTMENT STRATEGY GROUP

### FINANCIAL MARKET HISTORY

June 2009

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## TABLE OF CONTENTS



Page	
	<b>Asset Class Performance over Past Twenty Years</b>
1	- Periodic Returns
2	- Asset Class Risk/Return Scatterplot
	<b>U.S. Stocks, Bonds and Inflation since 1926</b>
3	- Historical Cumulative Performance
4	- Histogram of Annual Returns
	<b>Market Risk: Gains and Losses over Time</b>
5	- Asset Class Highest and Lowest Single Year Returns since 1970
6	- Asset Class Highest and Lowest One, Five and Ten-Year Returns since 1970
7	- S&P 500 Period Returns since 1926
8	- S&P 500 Market Declines since 1970
	<b>Changes in Asset Class Leadership and Correlations</b>
9	- Historical Asset Class Returns & Risk by Decade
10	- Historical Asset Class Correlations
11	- Asset Class Rolling Correlations to the S&P 500
	<b>U.S. Yields, Inflation and Economic Growth</b>
12	- Historical Yields since 1926
13	- U.S. Inflation since 1926
14	- Annual U.S. Real GDP Growth since 1930
	<b>S&amp;P 500 Prices, Earnings and Dividends</b>
15	- Historical Price-Earnings Ratio since 1936
16	- Historical Earnings
17	- Dividend Yield since 1926
	<b>Stock Market Sector Performance</b>
18	- U.S. Large Cap versus Small Cap since 1979
19	- U.S. Growth versus Value since 1979
20	- U.S. Stocks versus Non-U.S. Stocks since 1970
21	- Emerging Stocks versus Developed Stocks since 1988
	<b>Alternative Asset Class Performance</b>
22	- Hedge Fund Performance since 1990
23	- Commodities and Real Estate since 1972
	<b>Performance in Significant Bear Markets</b>
24	- U.S. Stock Performance during the Great Depression
25	- U.S. Bond Performance during the Great Depression
26	- U.S. Stocks Performance during the 1970s
27	- Other Asset Class Performance during the 1970s
28	- Japan Stock Performance since 1979

## MARKET PERFORMANCE AS OF JUNE 2009

	INDEX	ONE-YR RETURN	THREE-YR RETURN	FIVE-YR RETURN	TEN-YR RETURN	TWENTY-YR RETURN
<b>Equity</b>						
Domestic Equity	S&P 500 w/ dividends	(26.22%)	(8.22%)	(2.24%)	(2.22%)	7.76%
	Russell 1000 Index	(26.69%)	(8.20%)	(1.85%)	(1.75%)	7.88%
	Russell 1000 Value Index	(29.03%)	(11.11%)	(2.13%)	(0.15%)	8.11%
	Russell 1000 Growth Index	(24.50%)	(5.45%)	(1.83%)	(4.18%)	7.14%
	Russell 2000 Index	(25.01%)	(9.89%)	(1.71%)	2.38%	7.27%
	Russell 2000 Value Index	(25.24%)	(12.07%)	(2.27%)	5.00%	8.91%
	Russell 2000 Growth Index	(24.85%)	(7.83%)	(1.32%)	(0.89%)	5.07%
International Equity	MSCI EAFE Index	(30.96%)	(7.51%)	2.79%	1.59%	4.22%
	MSCI EAFE Value Index	(28.43%)	(8.07%)	2.94%	3.28%	5.93%
	MSCI EAFE Growth Index	(33.36%)	(7.03%)	2.55%	(0.27%)	2.44%
	MSCI Europe Index	(34.05%)	(7.84%)	2.87%	1.77%	8.12%
	MSCI Japan Index	(23.01%)	(10.06%)	(0.50%)	(1.05%)	(1.63%)
	MSCI EAFE Small Cap Index**	(27.83%)	(9.52%)	2.99%	5.54%	6.54%
	MSCI Emerging Markets Index	(27.82%)	3.27%	15.08%	9.00%	10.65%
Alternative Equity	HFR Fund of Funds Composite**	(15.19%)	(1.12%)	2.63%	4.78%	8.09%
	HFR Equity Hedge Index**	(14.68%)	(1.31%)	3.38%	6.39%	13.95%
<b>Real Assets</b>						
Real Estate/Commodities	DJ Wilshire Global Real Estate Securities Index**	(40.26%)	(15.81%)	(0.18%)	5.98%	7.97%
	DJ AIG Commodity Index**	(47.08%)	(8.30%)	(0.23%)	7.21%	4.98%
<b>Arbitrage/Credit Strategies</b>						
Arbitrage/Credit Strategies	HFR Fund of Funds Conservative**	(15.16%)	(1.96%)	1.51%	4.13%	6.90%
	BarCap US Corporate High Yield Index	(2.40%)	2.09%	4.33%	4.69%	7.44%
<b>Fixed Income</b>						
Cash/Core Fixed Income	Barclays Aggregate Bond Index	6.05%	6.43%	5.01%	5.98%	7.06%
	Barclays U.S. Treasury Index	6.47%	7.41%	5.46%	6.07%	7.00%
	Barclays U.S. Credit Index	4.08%	4.86%	4.08%	5.79%	7.21%
	Barclays Municipal Bond Index	3.77%	3.90%	4.14%	5.00%	6.21%
	Citi 3-Month Treasury Bill	0.78%	3.04%	3.02%	3.08%	4.15%

\* Returns over one year are annualized. \*\* MSCI EAFE Small Cap data since 1999. HFR data since 1990. DJ Wilshire Global RESI data since 1993. DJ AIG Commodity Index data since 1991.

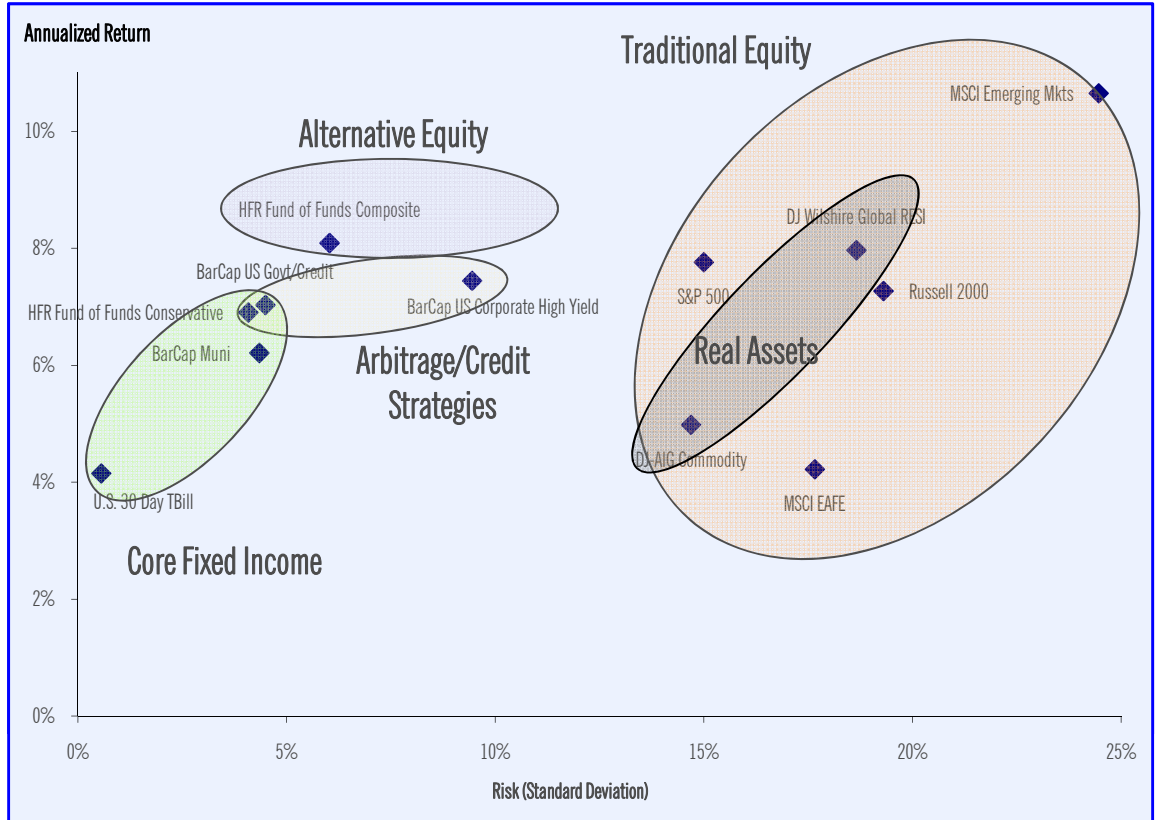
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## TWENTY-YEAR HISTORICAL RETURNS AND RISKS

Asset Class  
Historical Scatterplot  
Jul. 1989 to Jun. 2009

Even over a time period as long as twenty years, exhibited return profiles can differ from what is expected going forward. For example, core fixed income has benefited significantly over the past two decades due to a dramatic secular decline in yields, which will not likely be repeated.

Risk profiles, however, generally remain much more constant over time.



Historical Returns and Risk  
Jul. 1989 to Jun. 2009

Asset Class	Annualized Return	Standard Deviation	Sharpe Ratio
S&P 500	7.76%	16.04%	0.23
Russell 2000	7.27%	21.40%	0.15
MSCI EAFE	4.22%	17.80%	0.00
MSCI Emerging Mkts	10.65%	24.98%	0.26
HFR Fund of Funds Composite	8.09%	6.19%	0.64
DJ Wilshire Global RESI	7.97%	20.24%	0.19
DJ AIG Commodity	4.98%	17.57%	0.05
HFR Fund of Funds Conservative	6.90%	4.56%	0.60
BarCap US Corporate High Yield	7.44%	11.18%	0.29
BarCap Municipal	6.21%	4.50%	0.46
BarCap US Govt/Credit	7.03%	4.58%	0.63
Citi 3-Month T-Bill	4.15%	0.52%	0.00

\* HFR data since 1990. DJ Wilshire Global RESI data since 1993. DJ AIG Commodity Index data since 1991.

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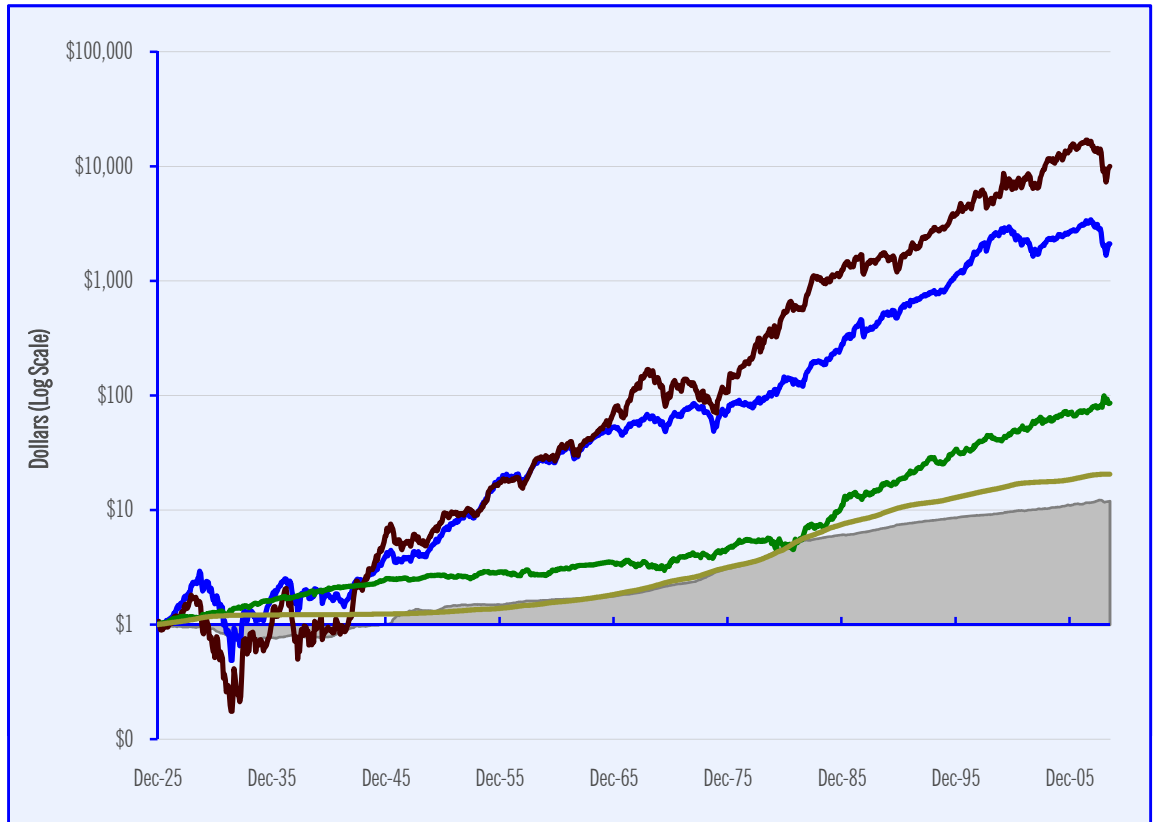
# FINANCIAL MARKET HISTORY

## HISTORICAL CUMULATIVE PERFORMANCE SINCE 1926

Asset Class  
Historical Performance  
Jan. 1926 to Jun. 2009

Historically, stocks have significantly outperformed bonds, cash and inflation, especially over long periods of time.

U.S. Large Cap  
U.S. Small Cap  
U.S. LT Gvt. Bonds  
U.S. 30 Day T-Bill  
U.S. Inflation



Historical Returns, Risk  
and Dollar Growth  
Jan. 1926 to Jun. 2009

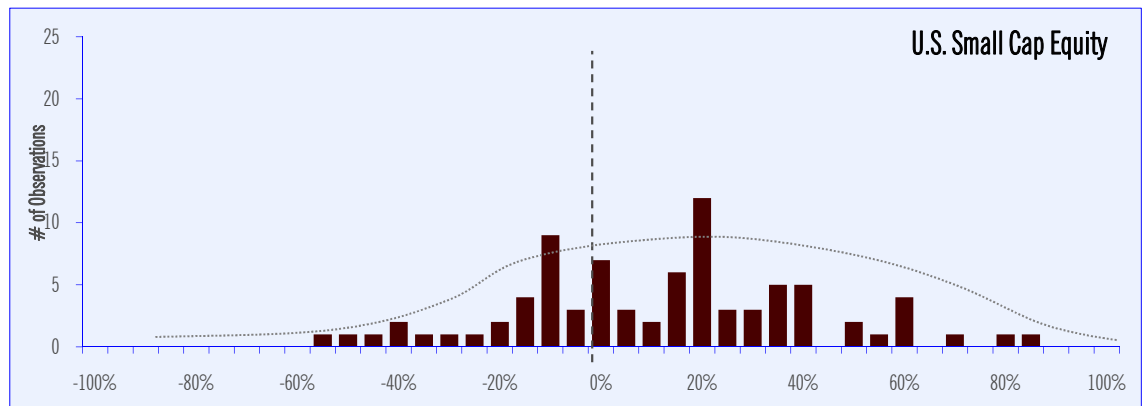
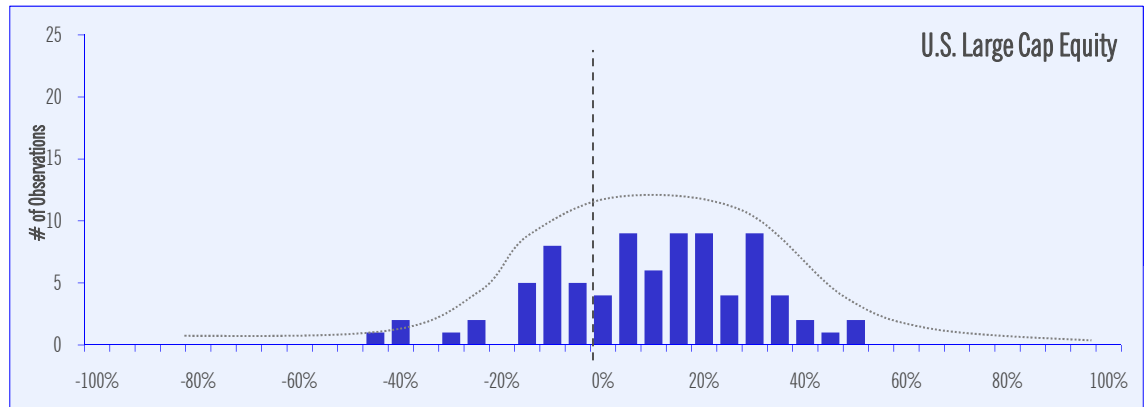
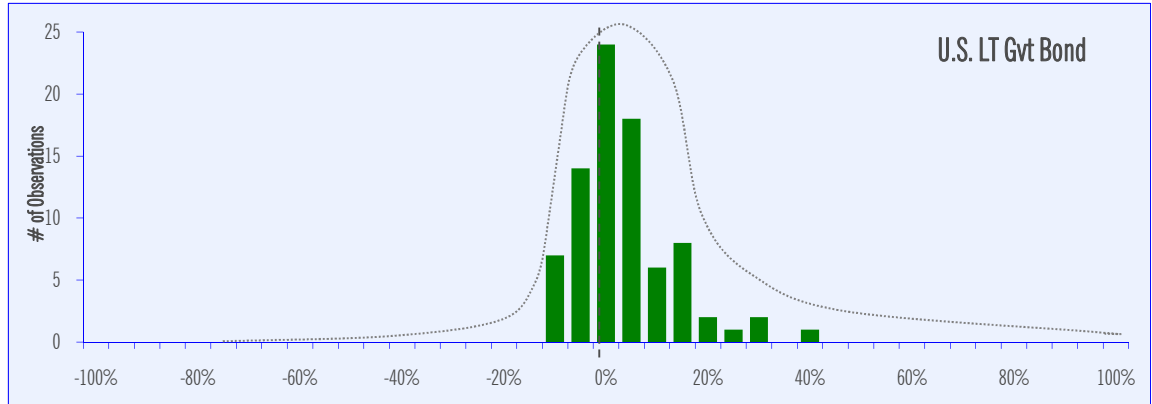
Asset Class	Annualized Return	Standard Deviation	Growth of \$1 since 1926
U.S. Large Cap Equity	9.60%	19.22%	\$2,110
U.S. Small Cap Equity	11.66%	29.20%	\$9,993
U.S. LT Gvt. Bonds	5.47%	8.21%	\$86
U.S. 30 Day T-Bill	3.68%	0.87%	\$21
U.S. Inflation	3.02%	1.87%	\$12

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## HISTOGRAM OF ANNUAL RETURNS SINCE 1926

### Distribution of Asset Class Annual Returns 1926 to 2008

The frequency of annual returns for bonds falls in a relatively tight range as compared to stocks. While the number of observations of significant negative returns is limited for bonds, so too is the frequency of observations of outsized positive returns.



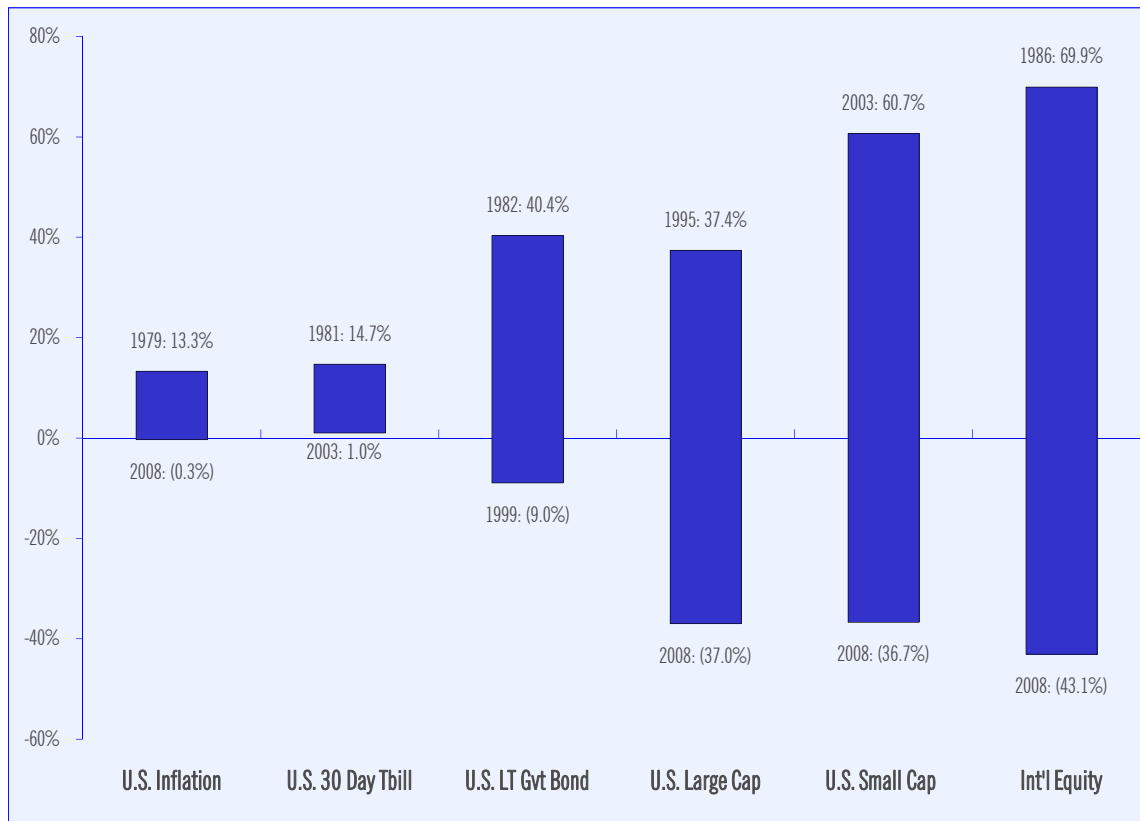
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# FINANCIAL MARKET HISTORY

## HIGHEST AND LOWEST SINGLE YEAR RETURN

Asset Class  
Return Dispersion  
1970 to 2008

In a single year, asset classes may post dramatic gains or losses. Asset classes with a higher range of annual returns also typically have a higher level of risk as measured by standard deviation.



Historical Returns and  
Risk  
1970 to 2008

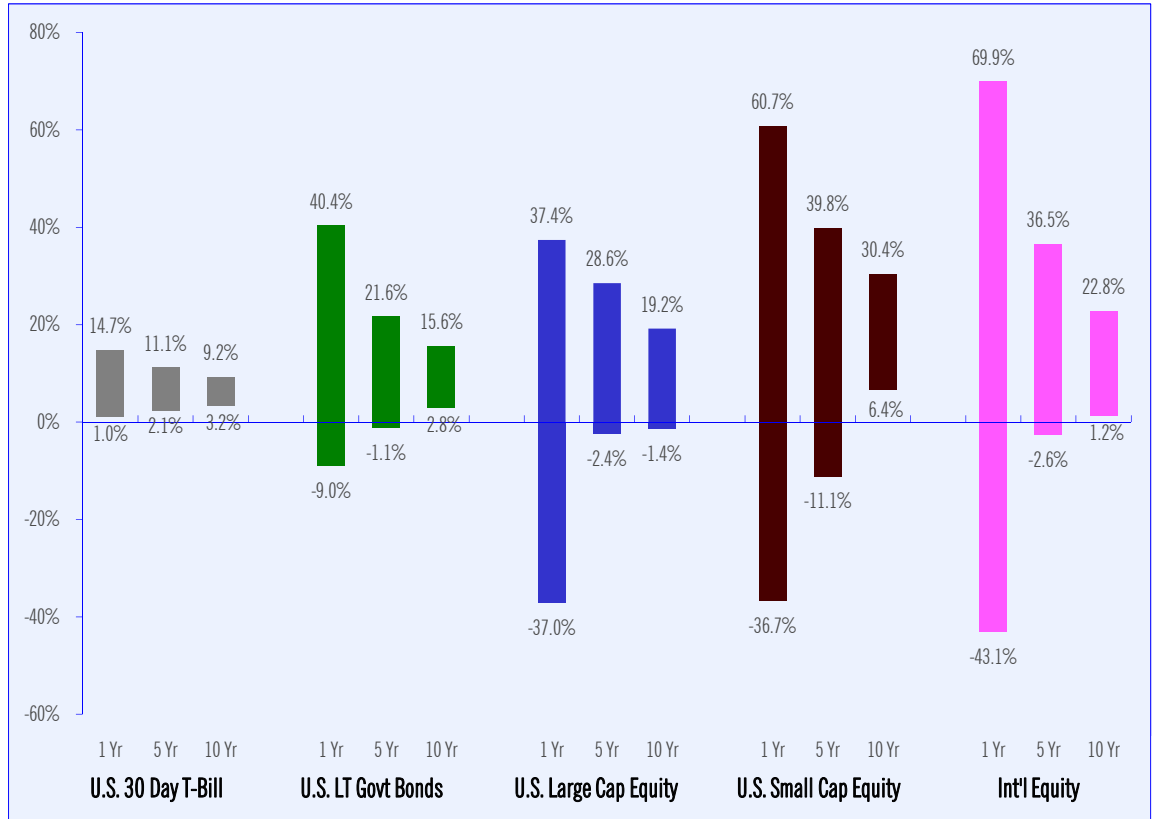
Asset Class	Annualized Return	Standard Deviation
U.S. Inflation	4.51%	1.29%
U.S. 30 Day Tbill	5.84%	0.82%
U.S. LT Gvt Bond	9.30%	10.59%
U.S. Large Cap Equity	9.47%	15.43%
U.S. Small Cap Equity	11.73%	21.69%
International Equity	11.56%	16.45%

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## HIGHEST AND LOWEST ONE, FIVE & TEN-YEAR RETURNS

### The Reduction of Risk over Time 1970 to 2008

Risk, as measured by standard deviation or dispersion of returns, is dramatically reduced the longer an investment is held.



### Historical Returns and Risk

1970 to 2008

Asset Class	Annualized Return	Standard Deviation
U.S. 30 Day Tbill	5.84%	0.82%
U.S. LT Gvt Bond	9.30%	10.59%
U.S. Large Cap Equity	9.47%	15.43%
U.S. Small Cap Equity	11.73%	21.69%
International Equity	11.56%	16.45%

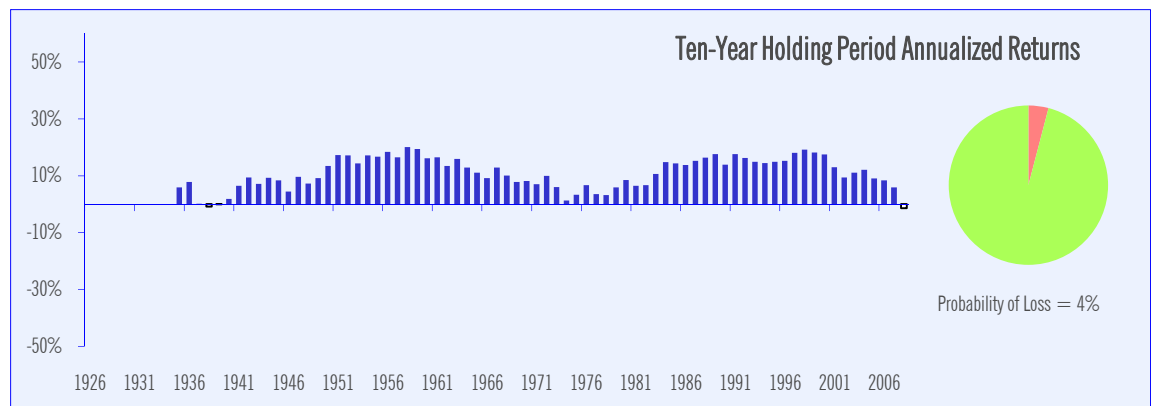
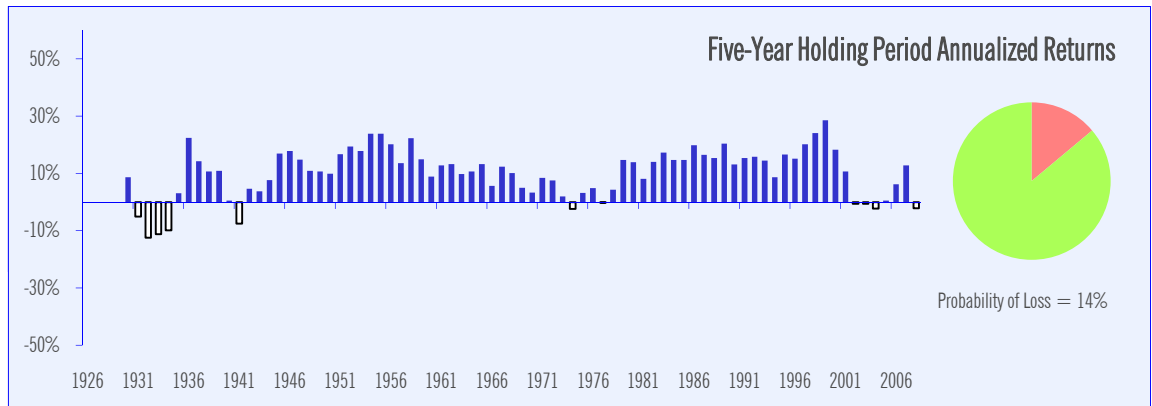
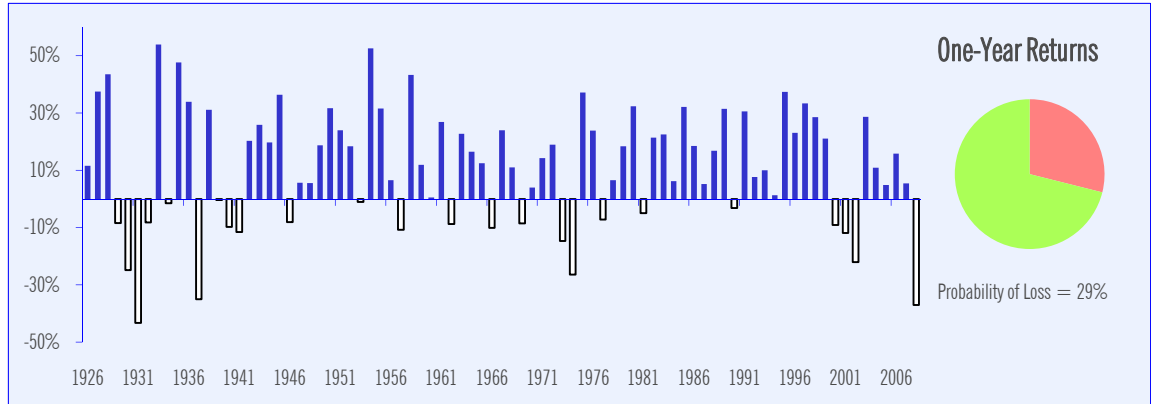
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## S&P 500 PERIOD RETURNS SINCE 1926

### Risk of Stock Market Loss over Time 1926 to 2008

Risk, as measured by probability of loss over an investment holding period, is dramatically reduced the longer an investment is held.

Of note, however, the current trailing ten-year return for the S&P 500 has turned negative for the first time since the Great Depression era.



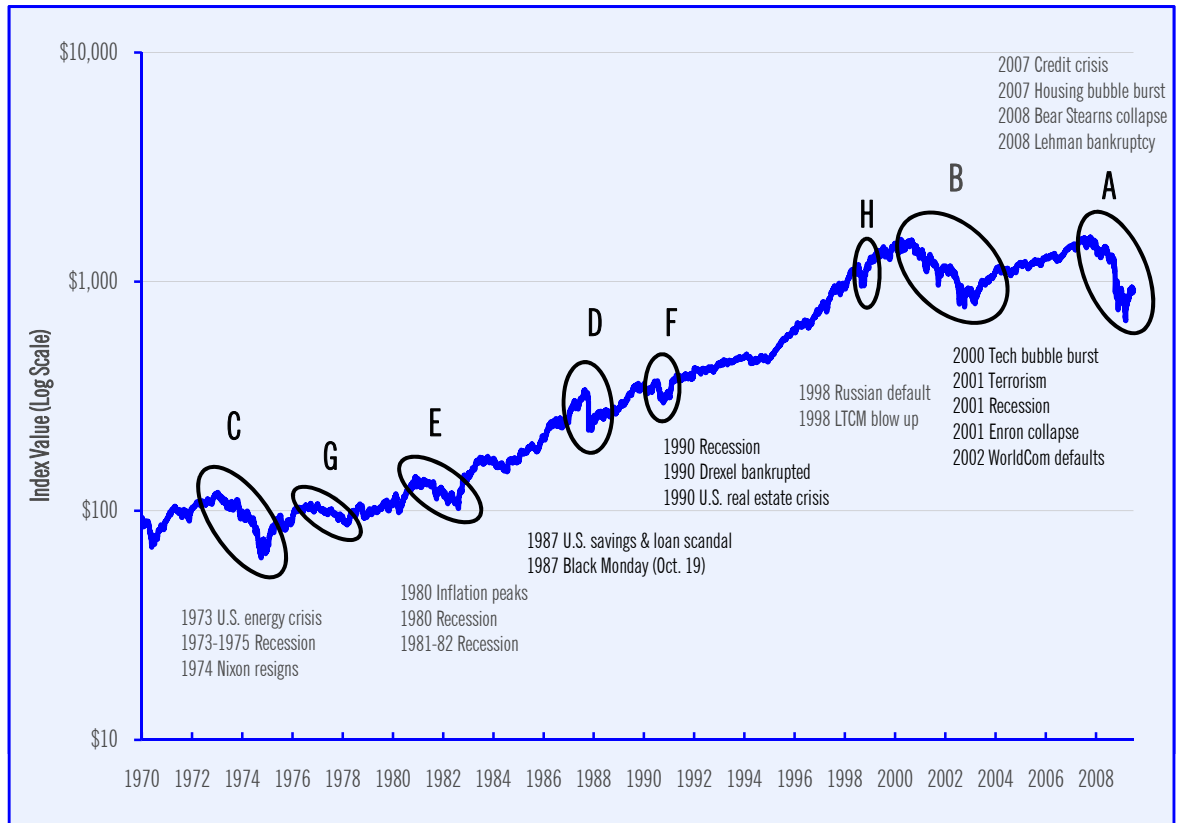
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## S&P 500 MARKET DECLINES SINCE 1970

### S&P 500 Market Declines

Jan. 1970 to Jun. 2009

Since 1970, the U.S. equity market has experienced several significant drawdowns, with the current decline ranking as the worst. While drawdowns can be distressing, short-term market volatility is normal, and bear markets are often short-lived. On a calendar year basis, the S&P 500 has posted gains in 30 of the 39 years since 1970, or over 75% of the time.



**S&P 500 Peaks to Troughs Since 1970**  
(based on daily simple price appreciation)

	Peak	Trough	Return	Recovery
<b>A</b>	Oct-07	Mar-09	-56.78%	???
<b>B</b>	Mar-00	Oct-02	-49.15%	May-07
<b>C</b>	Jan-73	Oct-74	-48.20%	Jul-80
<b>D</b>	Aug-87	Dec-87	-33.51%	Jul-89
<b>E</b>	Nov-80	Aug-82	-27.11%	Nov-82
<b>F</b>	Jul-90	Oct-90	-19.92%	Feb-91
<b>G</b>	Sep-76	Mar-78	-19.41%	Aug-79
<b>H</b>	Jul-98	Aug-98	-19.34%	Nov-98

**Worst S&P Calendar Total Returns Since 1970**  
(by order of magnitude)

Year	Total Return
2008	-37.00%
1974	-26.47%
2002	-22.10%
1973	-14.66%
2001	-11.88%
2000	-9.11%
1977	-7.18%
1981	-4.91%

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## HISTORICAL ASSET CLASS RETURNS & RISK BY DECADE

Historical Returns and  
Risks  
as of Jun. 2009

History is a useful guide, but the past is not always prologue. Over short time horizons individual asset class returns are notoriously difficult to predict and return leaders and laggards frequently change.

Asset Class	Since 2000		The 1990's		The 1980's		The 1970's		The 1960's		1926 to Present	
	Annualized Return	Standard Deviation	Annualized Return	Standard Deviation	Annualized Return	Standard Deviation	Annualized Return	Standard Deviation	Annualized Return	Standard Deviation	Annualized Return	Standard Deviation
<b>EQUITY</b>												
<i>U.S. Equity</i>												
U.S. Large Cap	(3.10%)	16.14%	18.20%	13.43%	17.55%	16.41%	5.86%	15.93%	7.81%	12.15%	9.60%	19.22%
U.S. Small Cap	4.40%	23.81%	15.09%	17.38%	15.83%	19.17%	11.49%	26.56%	15.53%	18.40%	11.66%	29.20%
<i>Non-U.S. Equity</i>												
MSCI EAFE	(0.46%)	17.95%	7.33%	17.15%	22.77%	17.51%	10.09%	15.69%	N/A	N/A	N/A	N/A
MSCI Europe	0.02%	19.47%	14.50%	14.59%	18.49%	18.04%	8.57%	16.95%	N/A	N/A	N/A	N/A
MSCI Japan	(4.09%)	18.70%	(0.69%)	26.05%	28.66%	22.19%	17.37%	19.68%	N/A	N/A	N/A	N/A
MSCI Emerging Mkts	7.52%	25.13%	11.06%	23.85%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<i>Alternative Equity</i>												
HFR FoF Composite	3.57%	5.79%	12.56%	6.04%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>REAL ASSETS</b>												
U.S. REITS <sup>1</sup>	6.89%	24.49%	9.14%	12.63%	15.64%	12.21%	11.08%	16.52%	N/A	N/A	N/A	N/A
GS Commodity	4.63%	25.90%	3.89%	17.58%	10.67%	13.76%	21.25%	21.31%	N/A	N/A	N/A	N/A
Gold	13.10%	16.71%	(3.12%)	12.18%	(2.70%)	22.05%	31.00%	26.28%	N/A	N/A	N/A	N/A
<b>FIXED INCOME/CREDIT &amp; ARBITRAGE</b>												
HFR FoF Conservative	3.21%	4.39%	10.53%	3.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
U.S. LT Gvt Bonds	8.28%	11.52%	8.79%	8.18%	12.62%	14.19%	5.52%	8.25%	1.45%	5.87%	5.47%	8.21%
U.S. LT Corp Bonds	7.12%	10.92%	8.36%	6.43%	13.02%	12.50%	6.23%	8.19%	1.68%	4.80%	5.83%	6.94%
Barclays 10-Yr. Munis	5.55%	4.87%	7.10%	4.26%	8.65%	11.68%	N/A	N/A	N/A	N/A	N/A	N/A
<b>CASH EQUIVALENTS AND INFLATION</b>												
U.S. 30 Day Treasury Bills	2.90%	0.53%	4.92%	0.38%	8.89%	0.82%	6.31%	0.55%	3.88%	0.38%	3.68%	0.87%
U.S. Inflation	2.58%	1.54%	2.93%	0.69%	5.09%	1.21%	7.37%	1.12%	2.52%	0.72%	3.02%	1.87%

Note: The asset classes with the highest and lowest returns in each period are highlighted.

(1) Data from January 1972 only.

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## HISTORICAL ASSET CLASS CORRELATIONS SINCE 1989

### Historical Asset Class Correlation Coefficients

Jul. 1989 to Jun. 2009

Asset classes with low correlation provide diversification. A key underpinning of asset allocation theory is the recognition that the returns of different asset classes vary in tandem with one another, and that by combining assets having low correlation with one another an investor may reduce aggregate portfolio risk without necessarily reducing return.

Asset Class	U.S. Large Cap Equity	U.S. Small Cap Equity	Int'l Equity	Emerging Market Equity	U.S. REITs	Commodities	U.S. LT Gvt Bonds	U.S. LT Corp Bonds
U.S. Large Cap Equity	1.00	0.70	0.72	0.67	0.63	0.22	0.04	0.21
U.S. Small Cap Equity	0.70	1.00	0.57	0.65	0.59	0.22	-0.07	0.11
International Equity	0.72	0.57	1.00	0.70	0.71	0.37	0.01	0.20
Emerging Market Equity	0.67	0.65	0.70	1.00	0.66	0.36	-0.10	0.11
REITs	0.63	0.59	0.71	0.66	1.00	0.33	0.03	0.26
Commodities	0.22	0.22	0.37	0.36	0.33	1.00	-0.01	0.08
U.S. LT Gvt Bonds	0.04	-0.07	0.01	-0.10	0.03	-0.01	1.00	0.86
U.S. LT Corp Bonds	0.21	0.11	0.20	0.11	0.26	0.08	0.86	1.00

### Correlation Matrix

Correlation is a measure of the historical return relationship between two asset classes. It is measured on a scale of -1 to 1, with -1 indicating an inverse relationship (the returns always move in the exact opposite direction), 1 indicating the returns always move together in the same direction, and 0 denoting no relationship at all. Asset classes with low correlation provide portfolio diversification, as the separate movements of each asset class serve to reduce the volatility of the portfolio.

### Benchmarks used for Correlation Matrix

Jul. 1989 to Jun. 2009

Asset Class	Benchmark	Annualized Return	Standard Deviation
U.S. Large Cap Equity	S&P 500	7.76%	15.00%
U.S. Small Cap Equity	U.S. Small Stock	9.34%	20.57%
International Equity	MSCI EAFE	4.22%	17.66%
Emerging Market Equity	MSCI Emerging Mkts	10.65%	24.46%
REITs	DJ Wilshire Global RESI	7.97%	18.66%
Commodities	DJ-AIG Commodity	4.98%	14.69%
U.S. LT Gvt Bonds	U.S. LT Gvt. Bonds	8.55%	9.86%
U.S. LT Corp Bonds	U.S. LT Corp Bonds	7.77%	8.80%

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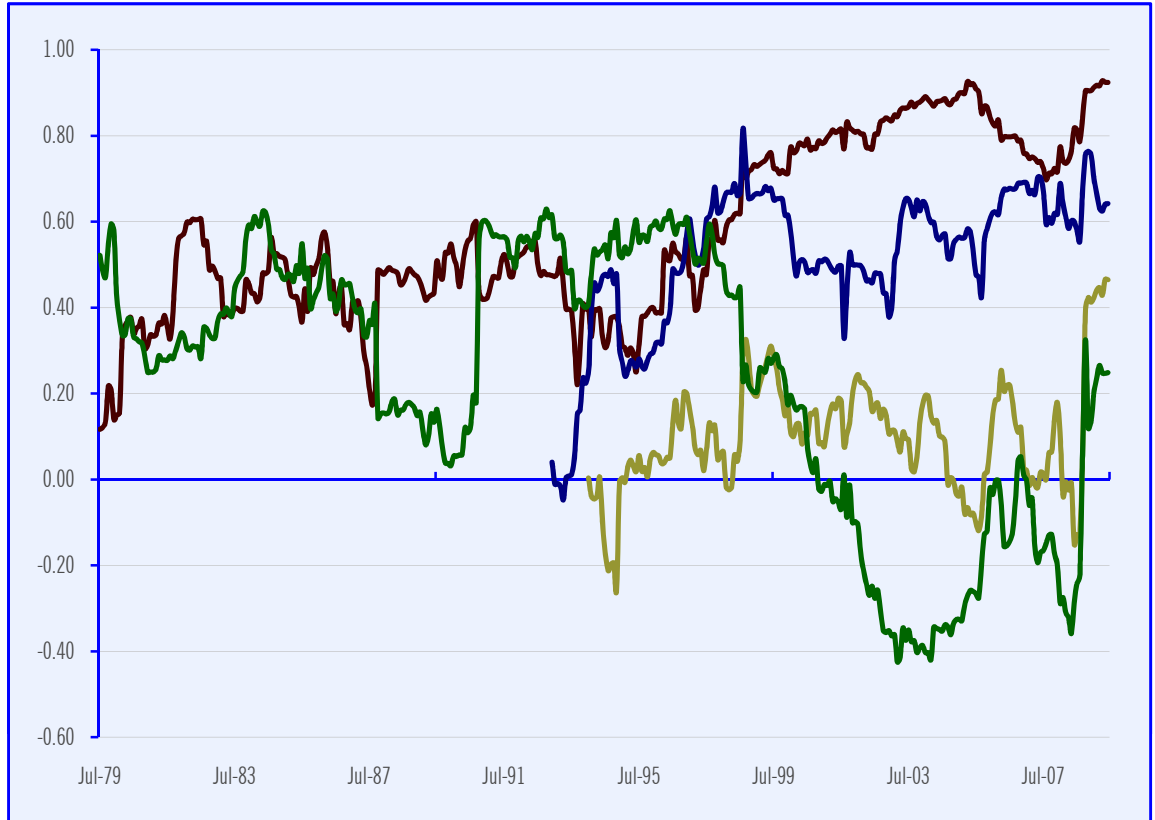
## ROLLING 3-YEAR MONTHLY CORRELATIONS TO S&P 500

### Rolling 3-Year Monthly Correlations to S&P 500

Jul. 1979 to Jun. 2009

Correlation relationships between asset classes tend to shift slowly over time. The secular increase in correlation among equity asset classes has been in place for more than a decade. Bonds and commodities, however, have remain uncorrelated to equities.

- MSCI EAFE ■
- HFR FoF Composite ■
- DJ-AIG Commodity ■
- BarCap US Govt/Credit ■



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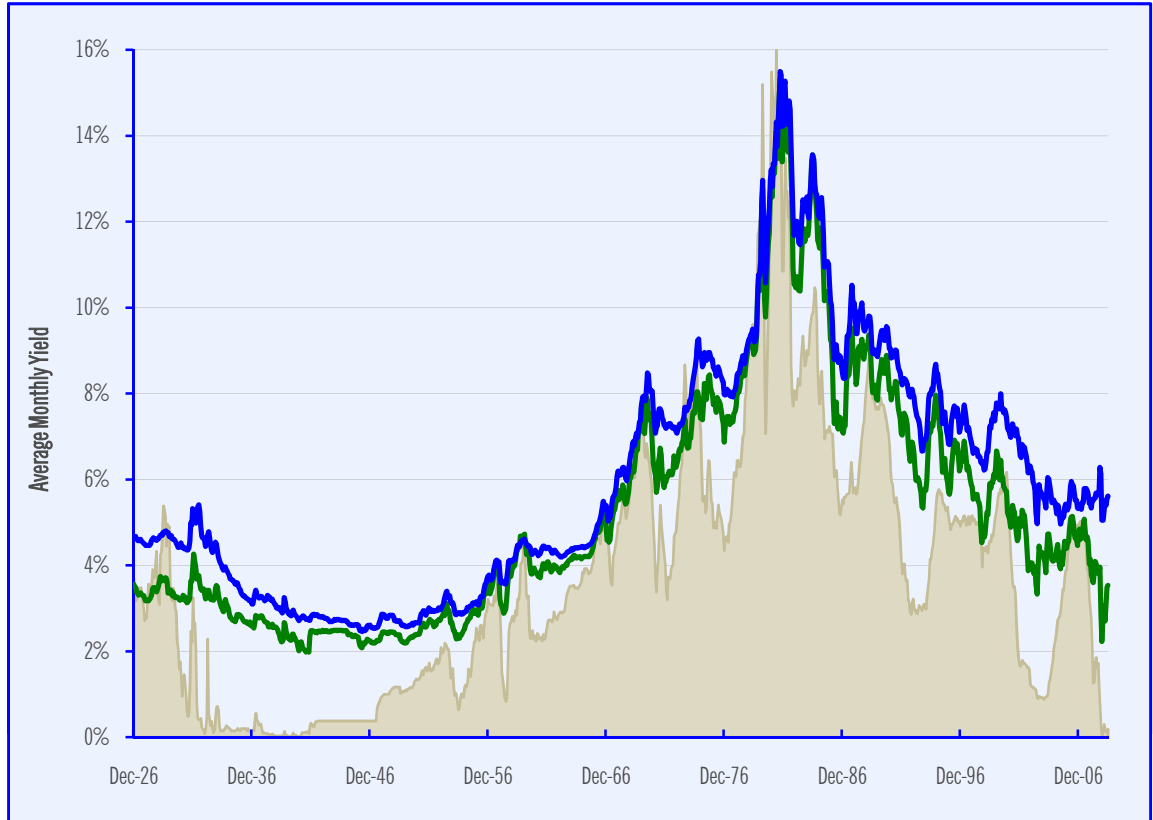
## HISTORICAL U.S. YIELDS SINCE 1926

### Asset Class Historical Performance

Dec. 1926 to Jun. 2009

Since inflation and bond yields peaked in 1980, bond total returns have benefited significantly from the impact of declining yields.

3-Mo T-Bill  
10-Yr Treasury  
AAA Corporate



### Historical Yields

Dec. 1926 to Jun. 2009

Asset Class	Average Yield since 1926	Average Yield Past 20 Years	Current Yield
Inflation	3.02%	2.77%	(2.00%)
3-Mo T-Bill	3.75%	3.96%	0.19%
10-Yr Treasury	5.22%	5.67%	3.53%
AAA Corporate	5.98%	6.94%	5.61%

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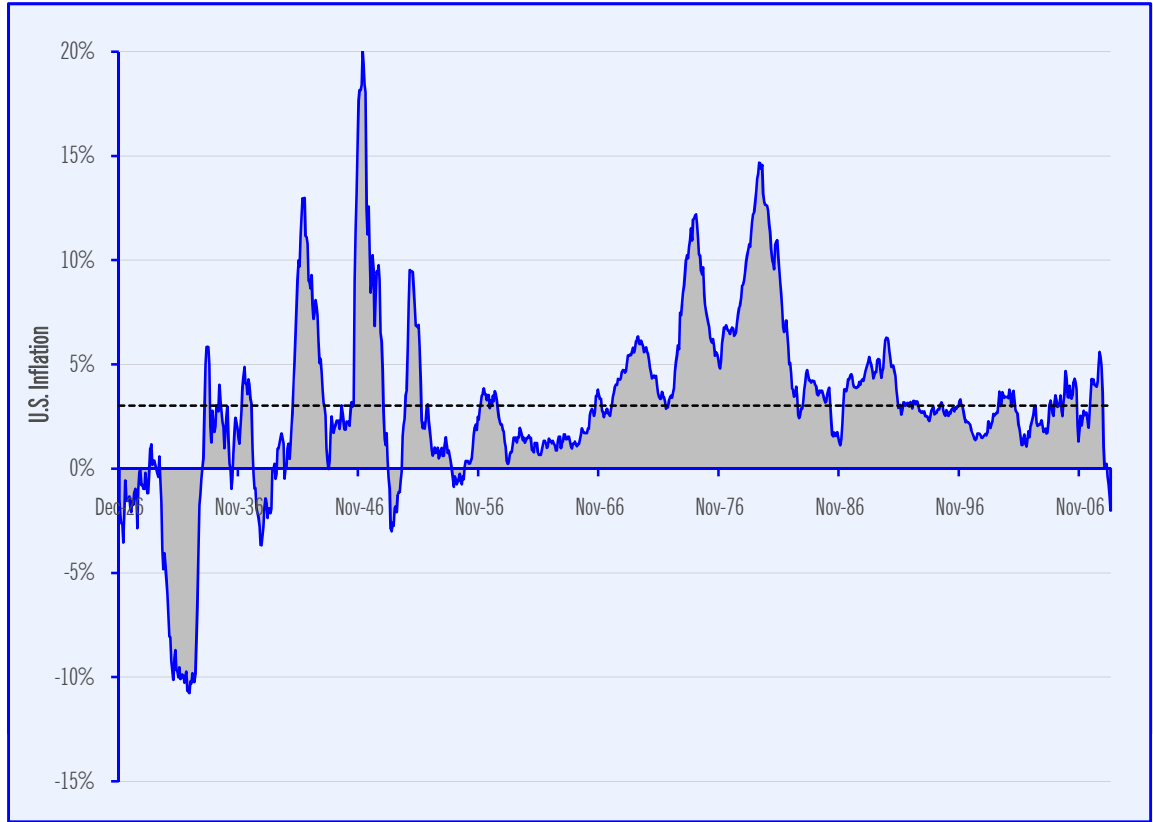
## U.S. INFLATION SINCE 1926

### U.S. Inflation

Dec. 1926 to Jun. 2009

Inflation erodes the value of all types of wealth. In the post-World War II era there has been a significant rise and fall of inflation. Since spiking in the late-'70s/early '80s, however, the U.S. has largely experienced price stability.

U.S. Inflation ■  
 Historical Average ■  
 U.S. inflation ■



### Historical Return

Dec. 1926 to Jun. 2009

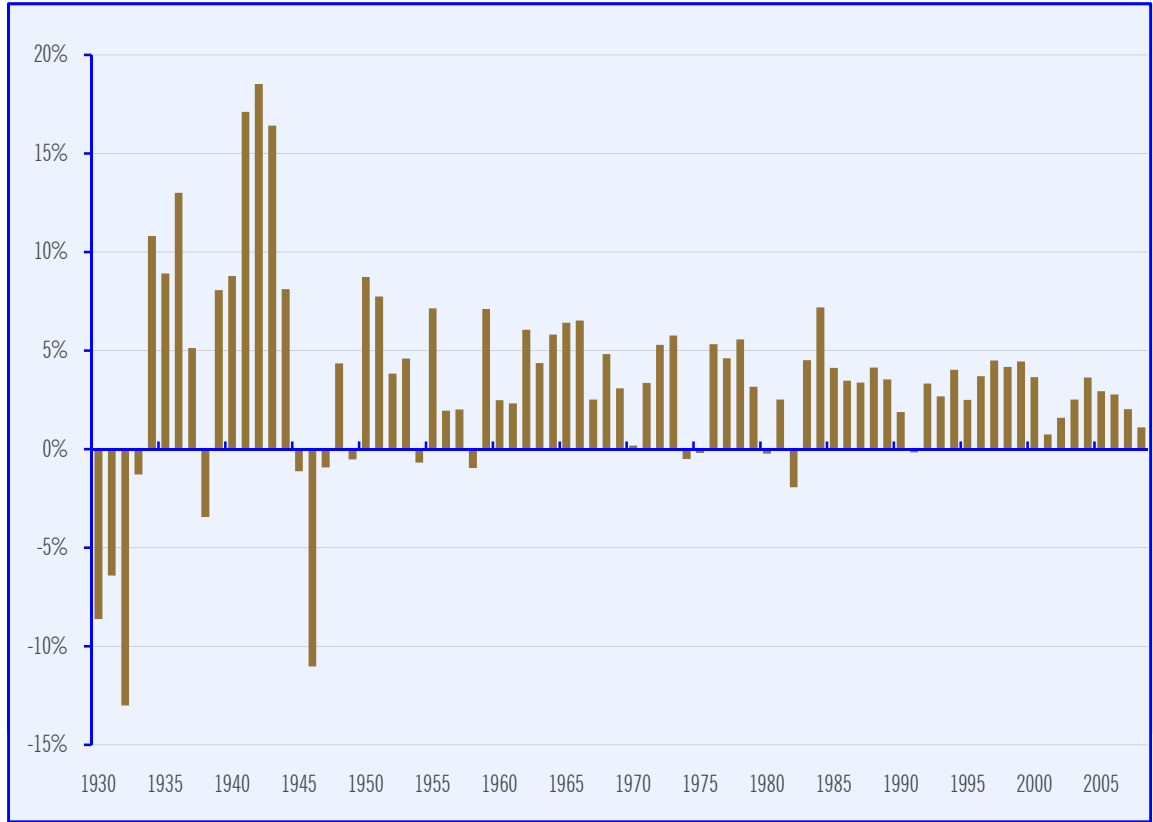
Time Frame	U.S. Inflation
Average since 1926	3.02%
Average since 1946 (post WWII era)	3.96%
Average Past Twenty Years	2.77%
Average Past Ten Years	2.58%
Current	-2.00%

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## ANNUAL U.S. REAL GDP GROWTH

Annual U.S. Real GDP Growth  
1930 to 2008

Annual U.S. Real GDP Growth



Average Annual U.S. Real GDP Growth  
1930 to 2008

Time Frame	Average Annual U.S. Real GDP
Average since 1930	3.5%
Average since 1946	3.1%
Average Past Twenty Years	2.8%
Average Past Ten Years	2.5%
Current	1.1%

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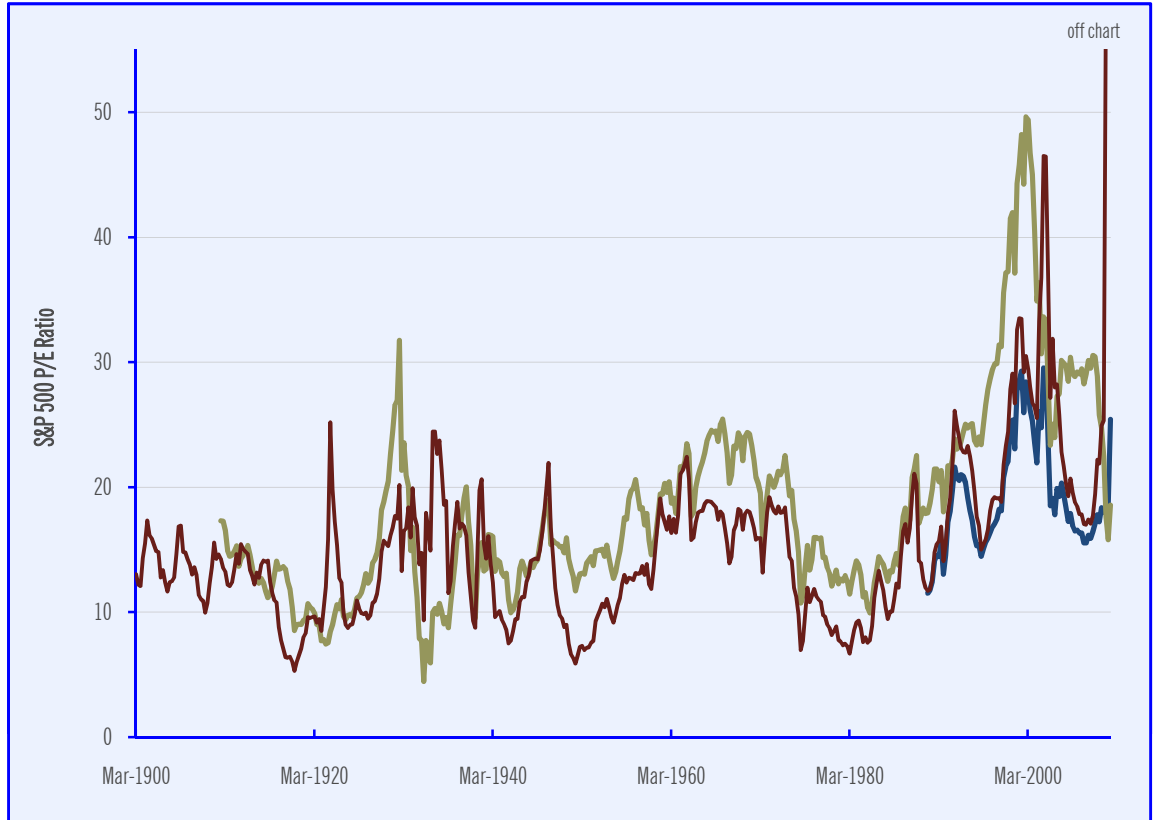
## HISTORICAL S&P 500 PRICE-EARNINGS RATIO

### S&P 500 Price-Earnings Ratio

Dec. 1936 to Jun. 2009

The price-earnings (P/E) ratio, or earnings multiple, is a commonly used tool for determining whether stocks are reasonably priced. It measures the price paid for a share relative to the annual income or profit earned by the firm per share. A higher P/E ratio means that investors are paying more for each unit of income.

- S&P500 Trailing PE based on TTM Operating Earnings
- S&P500 Trailing PE based on TTM "As Reported" Earnings
- S&P500 Trailing PE based on 10-Year Smoothed "As Reported" Earnings



### Historical P/E Ratios

Dec. 1936 to Jun. 2009

	Current P/E Ratio	Average P/E over Past 20 Years	Average P/E since 1900
S&P500 Trailing PE based on TTM Operating Earnings	25.43	19.62	--
S&P500 Trailing PE based on TTM "As Reported" Earnings	1915.25	48.39	19.66
S&P500 Trailing PE based on 10-Year Smoothed "As Reported" Earnings	18.57	29.43	18.22

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# FINANCIAL MARKET HISTORY

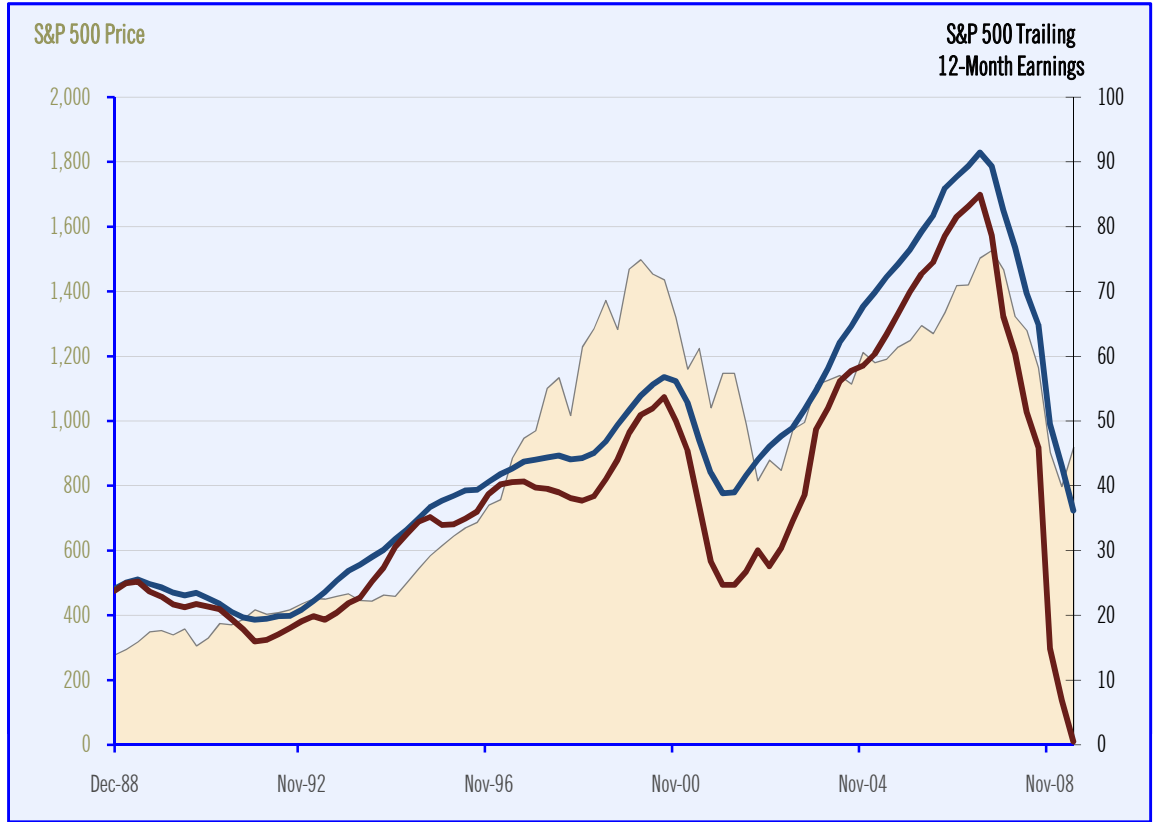
## HISTORICAL S&P 500 PRICE AND EARNINGS

### S&P 500 Price and Earnings

Dec. 1988 to Jun. 2009

The recent drop-off in both earnings and stock prices has been significant.

■ S&P500 Price  
■ S&P 500 Earnings (TTM operating)  
■ S&P 500 Earnings (TTM "as reported")



### Historical Returns

Dec. 1988 to Jun. 2009

Time Frame	Y/Y Nominal Operating Earnings Growth	Y/Y Nominal "As Reported" Earnings Growth
Since 1936	--	6.5%
Since 1988	5.0%	4.8%
Average past 20 Years	5.2%	4.3%
Average past 10 Years	2.0%	-0.2%
Average past 5 years	-4.3%	-14.3%
Past One Year	-48.2%	-99.1%

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# FINANCIAL MARKET HISTORY

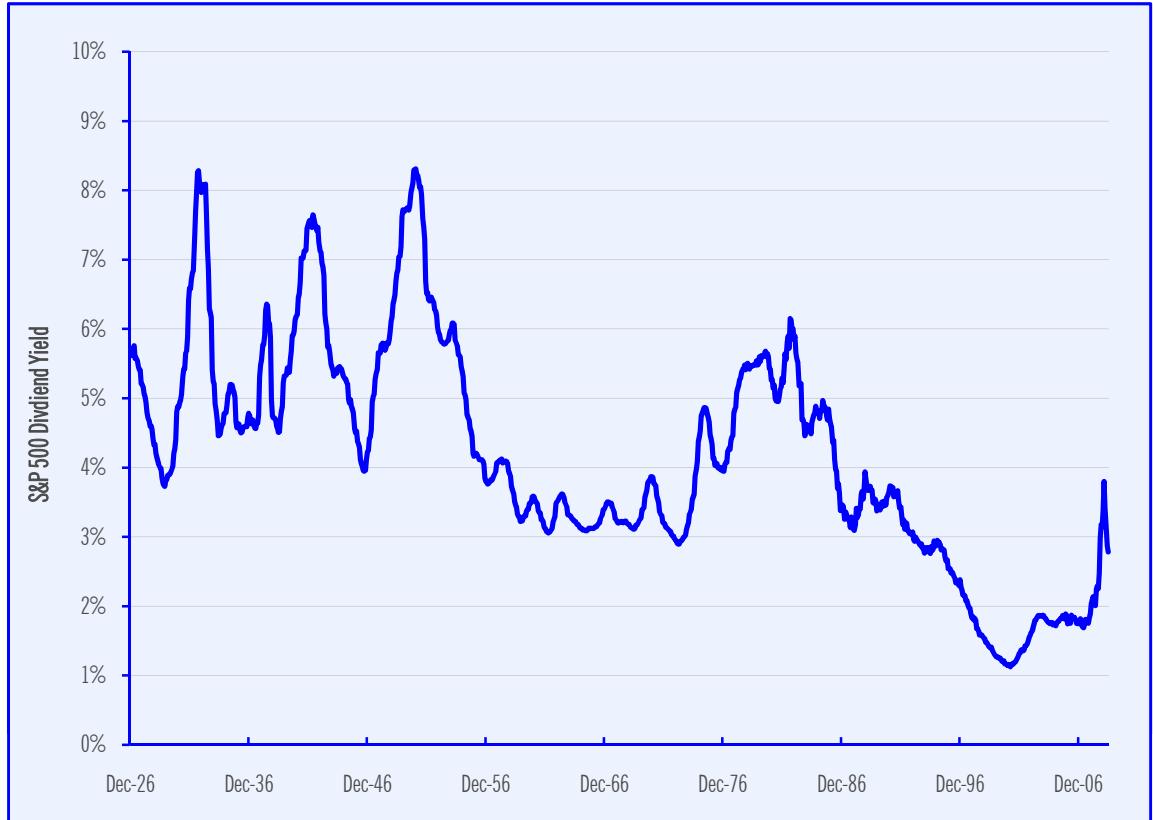
## S&P 500 DIVIDEND YIELD SINCE 1926

### S&P 500 Dividend Yield

Dec. 1926 to Jun. 2009

Dividend yields in the U.S. have declined dramatically in the recent decades to historic lows. Despite the recent recovery, there is little evidence that the broad decline will be fully reversed.

S&P 500 Dividend Yield



### Historical Yields

Dec. 1926 to Jun. 2009

Time Frame	S&P 500 Dividend Yield
Average since 1926	4.15%
Average since 1946 (post WWII era)	3.74%
Average Past Twenty Years	2.25%
Average Past Ten Years	1.75%
Current	2.78%

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# FINANCIAL MARKET HISTORY

## U.S. LARGE CAP VERSUS SMALL CAP SINCE 1979

### Asset Class Historical Performance

Jan. 1979 to Jun. 2009

Both large and small capitalization U.S. stocks have well-outpaced inflation.

This graph is since the inception of the Russell 2000 Index of small capitalization stocks in January 1979.

S&P 500 ■  
 Russell 2000 ■  
 U.S. Inflation ■



### Historical Returns, Risk and Dollar Growth

Jan. 1979 to Jun. 2009





Asset Class	Annualized Return	Standard Deviation	Growth of \$1 since 1979
S&P 500	10.91%	15.47%	\$23.6
Russell 2000	10.71%	19.89%	\$22.3
U.S. Inflation	3.85%	1.30%	\$3.2

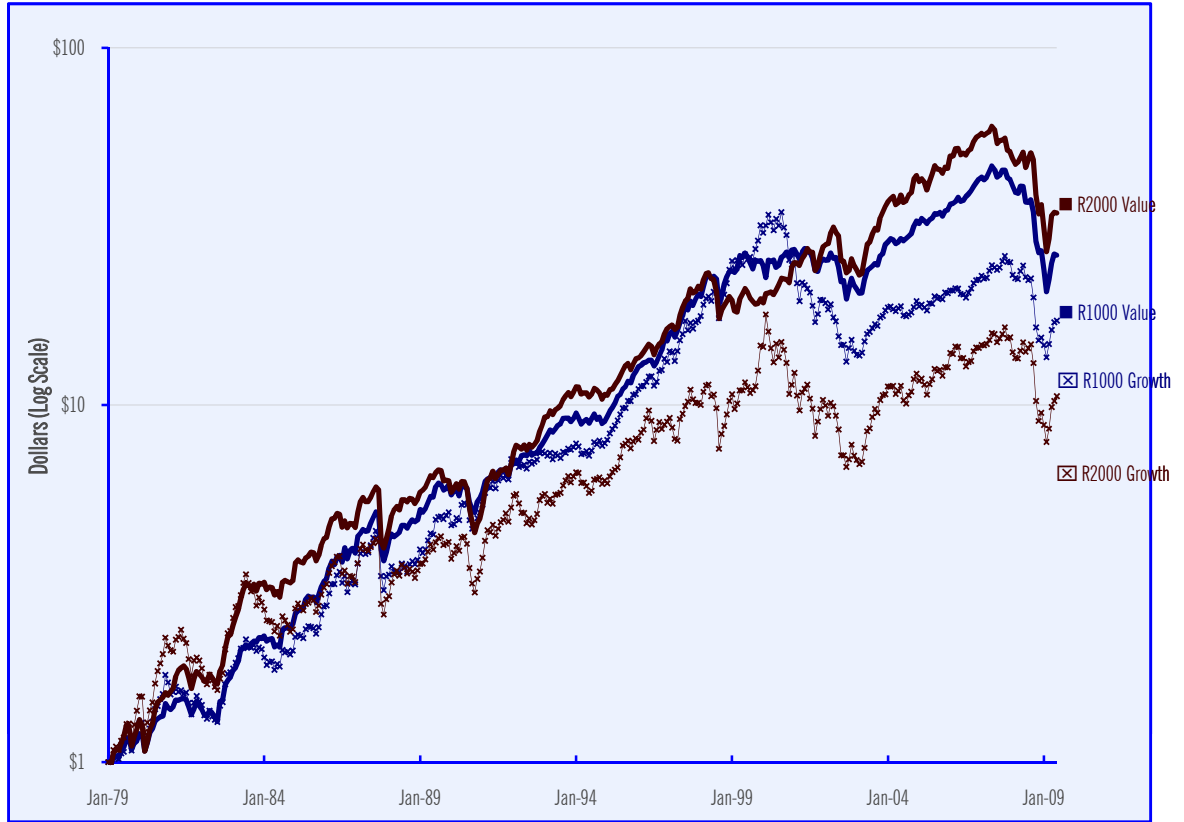
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## U.S. GROWTH VERSUS VALUE STOCKS SINCE 1979

Asset Class  
Historical Performance  
Jan. 1979 to Jun. 2009

In the U.S., value stocks, particularly in the small capitalization sector, have well-outperformed growth stocks over long periods of time while exhibiting lower levels of volatility.

R1000 Growth   
R1000 Value   
R2000 Growth   
R2000 Value 



Historical Returns, Risk  
and Dollar Growth  
Jan. 1979 to Jun. 2009

Asset Class	Annualized Return	Standard Deviation	Growth of \$1 since 1979
Russell 1000 Growth	9.81%	17.87%	\$17.2
Russell 1000 Value	11.34%	14.88%	\$26.3
Russell 2000 Growth	8.07%	23.54%	\$10.6
Russell 2000 Value	12.35%	17.30%	\$34.5

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# FINANCIAL MARKET HISTORY

## U.S. STOCKS VERSUS NON-U.S. STOCKS SINCE 1970

### Asset Class Historical Performance

Jan. 1970 to Jun. 2009

Developed international equity markets have historically reported slightly higher return and commensurately higher risk characteristics than U.S. large capitalization stocks.

S&P 500 ■  
MSCI EAFE ■



### Historical Returns, Risk and Dollar Growth

Jan. 1970 to Jun. 2009

Asset Class	Annualized Return	Standard Deviation	Growth of \$1 since 1970
S&P 500	9.43%	15.64%	\$35.1
MSCI EAFE	9.76%	17.17%	\$39.5

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# FINANCIAL MARKET HISTORY

## EMERGING VERSUS DEVELOPED STOCKS SINCE 1988

Asset Class  
Historical Performance  
Jan. 1970 to Jun. 2009

Emerging equity markets have historically reported higher return and significantly higher volatility characteristics than stock indices of developed markets.

S&P 500 ■  
MSCI EAFE ■  
MSCI Emerging Markets ■



Historical Returns, Risk  
and Dollar Growth  
Jan. 1970 to Jun. 2009

Asset Class	Annualized Return	Standard Deviation	Growth of \$1 since 1970
S&P 500	8.74%	14.76%	\$6.1
MSCI EAFE	4.85%	17.45%	\$2.8
MSCI Emerging Markets	12.74%	24.44%	\$13.2

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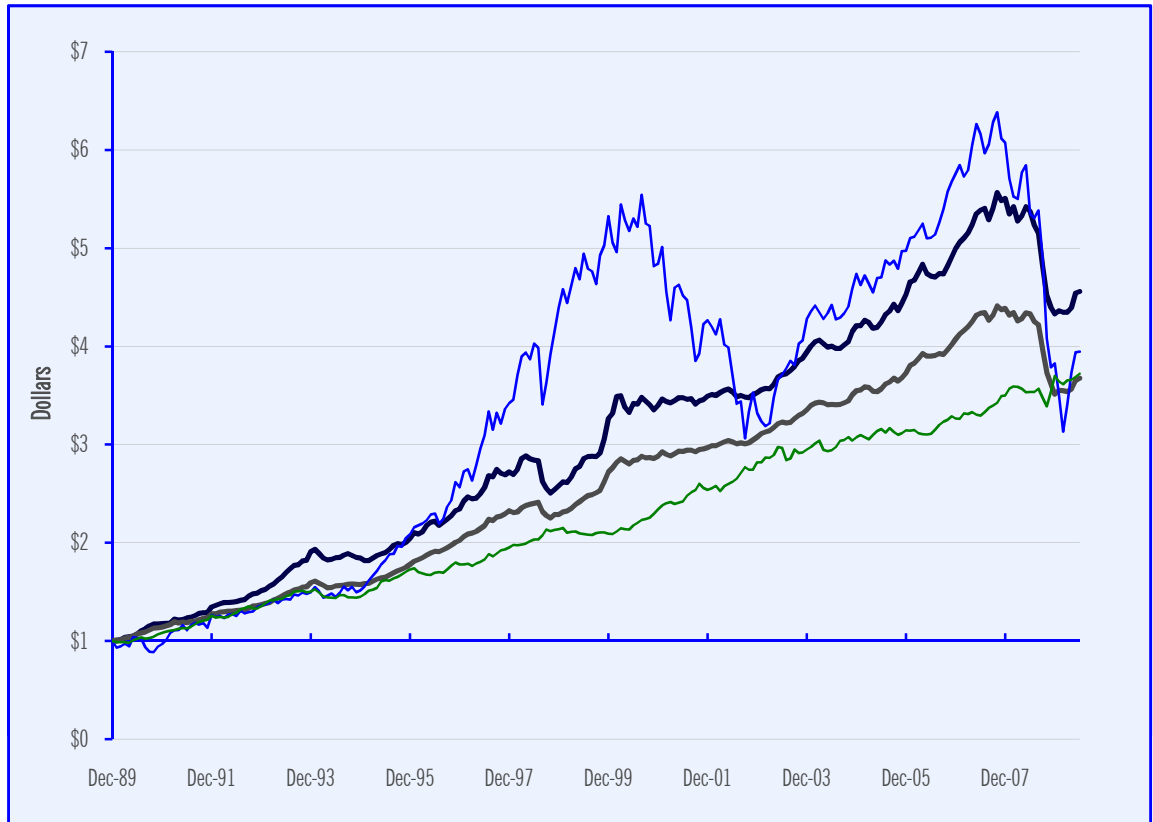
## HEDGE FUND PERFORMANCE SINCE 1990

### Asset Class Historical Performance

Jan. 1990 to Jun. 2009

Hedge funds are diverse in strategy, and, therefore, risk and return characteristics. Since 1990, hedge fund indices have generated returns in line with traditional asset classes, and with much less volatility than traditional equities.

HFR Fund of Funds Composite  
 HFR Fund of Funds Conservative  
 S&P 500  
 BarCap US Govt/Credit



### Historical Returns, Risk and Dollar Growth

Jan. 1990 to Jun. 2009

Asset Class	Annualized Return	Standard Deviation	Growth of \$1 since 1990	Correlation to S&P500
HFR Fund of Funds Composite	8.09%	6.03%	\$4.56	0.50
HFR Fund of Funds Conservative	6.90%	4.08%	\$3.67	0.50
S&P 500	7.30%	15.05%	\$3.95	1.00
BarCap US Govt/Credit	6.97%	4.49%	\$3.72	0.15

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# FINANCIAL MARKET HISTORY

## COMMODITIES AND REAL ESTATE SINCE 1972

### Asset Class Historical Performance

Jan. 1972 to Jun. 2009

Commodities and real estate have historically been uncorrelated to developed equity markets while providing competitive returns over the long term.

■ S&P 500  
■ FTSE NAREIT Equity  
■ GS Commodity  
■ U.S. Inflation



### Historical Returns, Risk and Dollar Growth

Jan. 1972 to Jun. 2009

Asset Class	Annualized Return	Standard Deviation	Growth of \$1 since 1972	Correlation to S&P500
S&P 500	9.45%	15.59%	\$29.5	1.00
FTSE NAREIT Equity REITs	10.67%	17.06%	\$44.7	0.56
GS Commodity	9.55%	20.51%	\$30.5	0.05
U.S. Inflation	4.50%	1.31%	\$5.2	(0.09)

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## STOCK PERFORMANCE DURING THE GREAT DEPRESSION

### S&P 500 Total Return

Sep. 1929 to Jan. 1945

On a total return basis (including dividends), it took the S&P 500 until 1945 to recover losses incurred during the stock market collapse of the Great Depression.

Great Depression ■  
Current Recession ■



### Historical Returns and Risk

Sep. 1929 to Jan. 1945

Asset Class	Annualized Return	Standard Deviation
S&P 500 Total Return	0.04%	32.52%

## STOCKS AND BONDS DURING THE GREAT DEPRESSION

### Asset Class Total Return

Sep. 1929 to Jan. 1945

Bonds, including corporate high yield debt, held up better and recovered faster following the Great Depression than did equities.

S&P 500 ■  
 U.S. LT Gvt. Bonds ■  
 BarCap U.S. Corp. High Yield ■



### Historical Returns and Risk

Sep. 1929 to Jan. 1945

Asset Class	Cumulative Return	Annualized Return	Standard Deviation	Growth of \$1
S&P 500 Total Return	0.63%	0.04%	32.52%	\$1.01
U.S. LT Gvt. Bonds	99.78%	4.59%	2.53%	\$2.00
BarCap U.S. Corp. High Yield	142.78%	5.92%	17.96%	\$2.43
U.S. Inflation	2.70%	0.17%	2.53%	\$1.03

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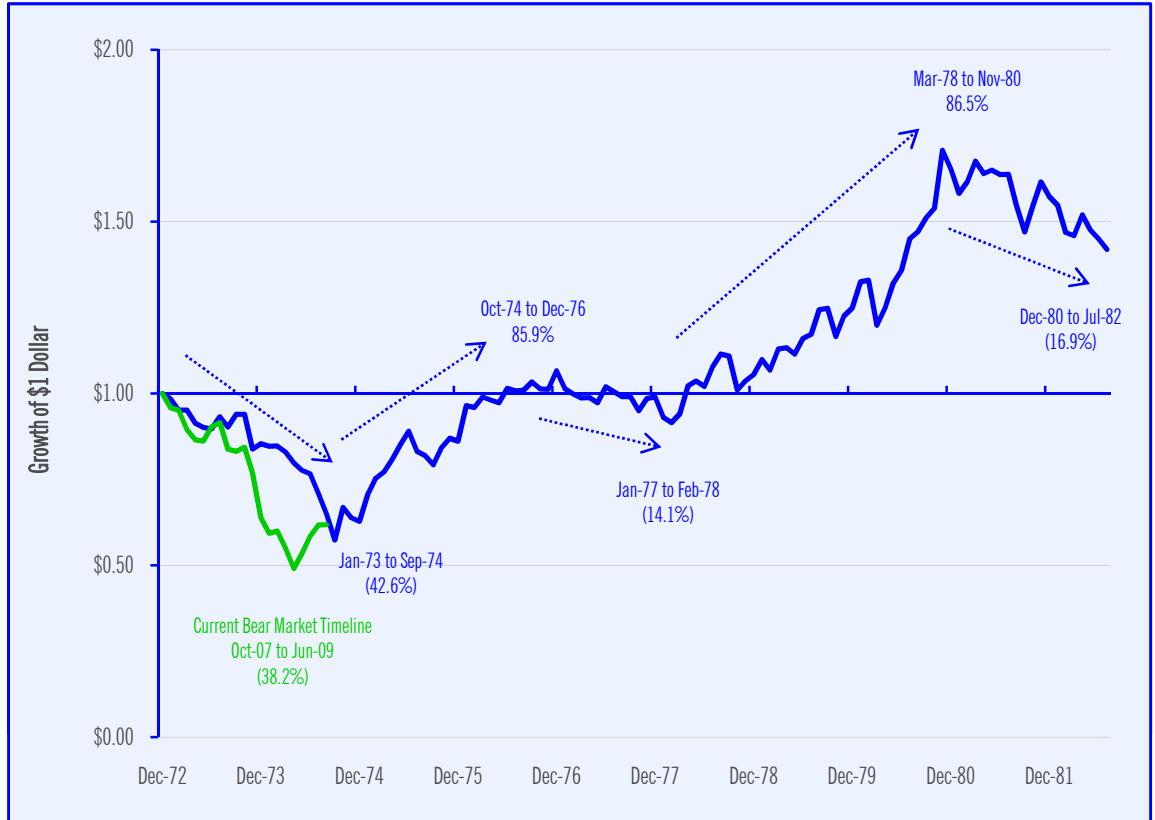
## U.S. STOCK PERFORMANCE DURING THE 1970 S

### S&P 500 Total Return

Jan. 1973 to Jul. 1982

The 1970's are often referred to as a decade of no stock growth, with the price of the S&P 500 not breaking 1973's high until 1980. On a total return basis, however, performance was not nearly as grim thanks to relatively high dividend yields.

S&P 500 ■  
Current Recession ■



### Historical Returns and Risk

Jan. 1973 to Jul. 1982

Asset Class	Cumulative Return	Annualized Return	Standard Deviation	Growth of \$1
S&P 500 Total Return	41.89%	3.72%	16.22%	\$1.42

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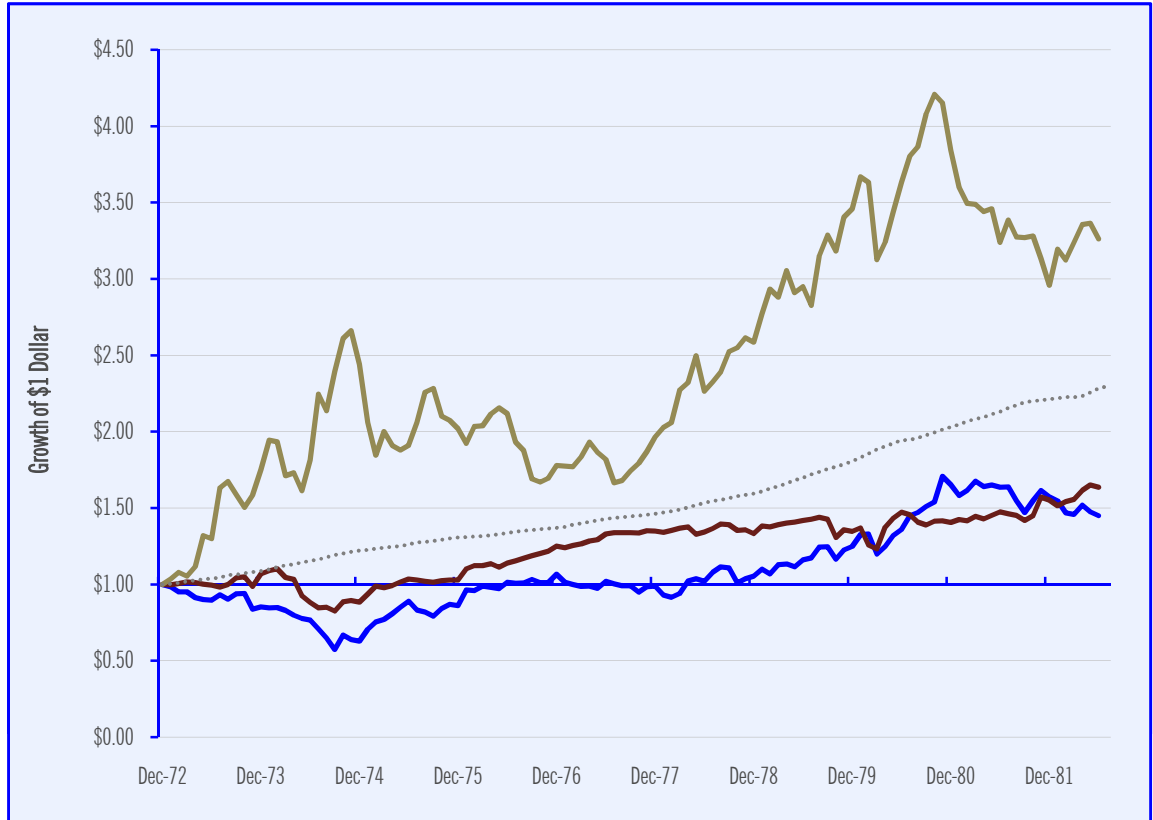
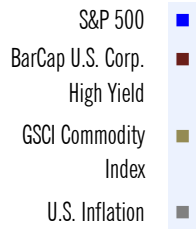
# FINANCIAL MARKET HISTORY

## U.S. STOCK & BOND PERFORMANCE DURING THE 1970 S

### Asset Class Total Return

Jan. 1973 to Jul. 1982

The recovery from the 1974 lows for U.S. stocks and corporate bonds was slow, especially on a real (net of inflation) basis. Commodities, particularly gold, along with Japanese equities were among the better performers during this time period, though few investments kept pace with inflation.



### Historical Returns and Risk

Jan. 1973 to Jul. 1982

Asset Class	Cumulative Return	Annualized Return	Standard Deviation	Growth of \$1
S&P 500 Total Return	41.89%	3.72%	16.22%	\$1.42
BarCap U.S. Government	87.31%	6.77%	6.41%	\$1.87
BarCap U.S. Corp. High Yield	69.88%	5.69%	10.60%	\$1.70
GSCI Commodity Index	233.35%	13.39%	23.00%	\$3.33
U.S. Inflation	129.54%	9.06%	1.17%	\$2.30
MSCI Japan (in USD)	86.49%	6.72%	19.15%	\$1.86

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## JAPAN STOCK MARKET PERFORMANCE SINCE 1989

### MSCI Japan (in USD) Total Return

Mar. 1989 to Jun. 2009

The Japanese stock market has never recovered to its highs reached in late 1989. Demographics (Japan has an aging society) may be a key difference why the Japanese market has continued to languish while the U.S. was able to recover from the Great Depression.

Within the Japanese secular bear market, however, there have been several substantial yet unsustained rallies. Furthermore, the rest of the world has not followed Japan's lead, as many stock markets have flourished while Japan has suffered.

MSCI Japan in US\$ ■  
 Current U.S. Recession ■



### Historical Returns and Risk

Mar. 1989 to Jun. 2009

Asset Class	Cumulative Return	Annualized Return	Standard Deviation	Growth of \$1 since 1989
MSCI Japan (in USD)	(37.51%)	(2.29%)	22.66%	\$0.62
S&P 500	396.47%	8.20%	14.93%	\$4.96
MSCI EAFE	101.31%	3.50%	17.31%	\$2.01
MSCI Europe	374.94%	7.96%	17.06%	\$4.75

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## DESCRIPTION OF INDICES

### Description of Asset Class Benchmarks

U.S. Large Cap Equity

#### **S&P 500**

The S&P 500<sup>®</sup> Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Market-value-weighted means that the weight of each stock in the index, for a given month, is proportionate to its market capitalization (price times the number of shares outstanding) at the beginning of that month. Currently, the S&P<sup>®</sup> Composite includes 500 of the largest stocks (in terms of stock market value) in the United States; prior to March 1957 it consisted of 90 of the largest stocks.

U.S. Small Cap Equity

#### **U.S. Small Stock**

The Small Company Stock return series is the total return achieved by the Dimensional Fund Advisors (DFA) Small Company 9/10 (for ninth and tenth deciles) Fund. The fund is a market-value weighted index of the ninth and tenth deciles of the NYSE, plus stocks listed on the AMEX and OTC with the same or less capitalization as the upper bound of the NYSE ninth decile. Stocks are not purchased if their market capitalization is smaller than \$10 million (although they are held if they fall below that level).

International Equity

#### **MSCI EAFE**

MSCI EAFE Index is comprised of 21 MSCI country indices representing the developed markets outside of North America, Europe, Australasia and the Far East. Additionally, each country in the index is proportionally weighted by its total market capitalization in U.S. dollars.

- 1) The MSCI Indices aim for 60% coverage of the total market capitalization for each market.
- 2) The companies included in the indices replicate the industry composition of each global market.
- 3) The chosen list of stocks includes a representative sampling of large, medium, and small capitalization companies from each local market, taking into account the stocks' liquidity.
- 4) Stocks of non-domiciled companies, investment trusts and mutual funds are not eligible for country indices.
- 5) Companies with restricted float due to dominant shareholders or cross ownership are avoided.

U.S. LT Gvt. Bonds

#### **U.S. LT Gvt. Bonds**

The total returns from 1977-present are constructed with data from The Wall Street Journal. The data from 1926-1976 are obtained from the Government Bond File at the Center for Research in Security Prices (CRSP) at the University of Chicago Graduate School of Business. To the greatest extent possible, a one bond portfolio with a term of approximately 20 years and a reasonably current coupon-whose returns did not reflect potential tax benefits, impaired negotiability, or special redemption or call privileges-was used each year.

U.S. 30 Day T-Bill

#### **U.S. 30 Day T-Bill**

For the U.S. Treasury Bill index, data from The Wall Street Journal are used for 1977-Present; the CRSP U.S. Government Bond File is the source from 1926 to 1976. Each month a one-bill portfolio containing the shortest-term bill having not less than one month to maturity is constructed. (The bill's original term to maturity is not relevant.) To measure holding period returns for the one-bill portfolio, the bill is priced as of the last trading day of the previous month-end and as of the last trading day of the current month.

U.S. Inflation

#### **U.S. Inflation**

The Consumer Price Index for All Urban Consumers (CPI-U), not seasonally adjusted, is used to measure inflation, which is the rate of change of consumer goods prices. Unfortunately, the inflation rate as derived by the CPI is not measured over the same period as the other asset returns. All of the security returns are measured from one month-end to the next month-end. CPI commodity prices are collected during the month. Thus, measured inflation rates lag the other series by about one-half month. Prior to January 1978, the CPI (as compared with CPI-U), not seasonally adjusted, was used. For the period 1978 through 1987, the index uses the year 1967 in determining the items comprising the basket of goods. Following 1987, a three-year period, 1982 through 1984, was used to determine the items making up the basket of goods.