

Chart of the Week



Weekly Highlights

- Domestic stock prices were modestly higher this week.** Most major equity indices were higher this week, with the S&P 500 today posting its largest daily gain since March. Today's rally came after the Dow Jones Industrials Average yesterday fell to its lowest level since April. One of the drivers of price action was concern over the situation in the Middle East. President Obama yesterday ordered airstrikes against Islamist militants in Iraq, and hostilities renewed between Israel and Hamas after a cease-fire ended.
- Global markets posted losses on the week.** Some European markets, including France and Germany, have now fallen 10% from their highs. China's stock indices ended with a fourth consecutive week of gains as a result of positive economic data. Emerging markets stocks fell for the second week in a row, but have begun to stabilize relative to developed markets equities.
- Treasury prices were higher for the week.** The yield on the benchmark 10-year U.S. Treasury declined on the week as investors sought safe haven assets after President Obama ordered air strikes in Iraq.
- Commodity indices were higher on the week.** Crude oil eased, but metals and grains were higher.

Talking Points

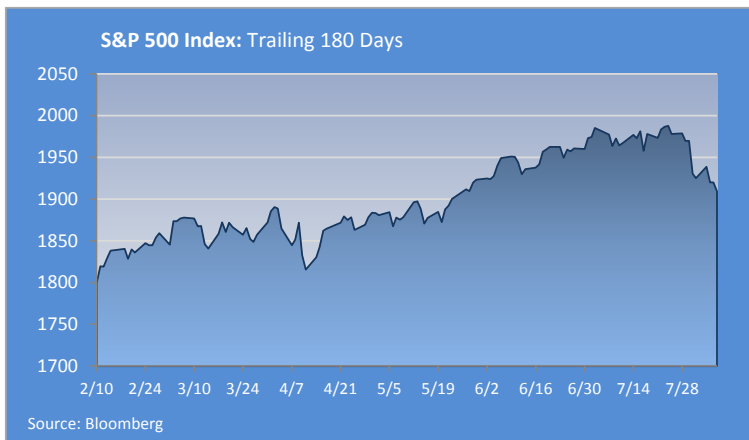
- Among equities,** large-caps underperformed small-caps, and growth stocks outperformed value-oriented issues. Domestic stocks outperformed international equities. Developed markets underperformed emerging market stocks.
- Treasury prices rose this week.** The yield on the 10-year T-note was sharply lower.
- Commodity prices rose on the week.** Energy eased, but grains and metals gained.
- The dollar was modestly higher** this week against a basket of currencies.
- Among economic data released this week,** non-manufacturing services grew at the fastest pace in July since 2005; new factory orders exceeded expectations; the trade deficit unexpectedly shrank to its lowest level since January; worker productivity rose more than expected; and initial jobless claims declined in the latest week, sending the one-month average to its lowest level in eight years.

MARKET DASHBOARD

	Last Price	Change	% Chg.	YTD %
S&P 500	1,931.53	6.12	0.32%	4.5%
Dow Industrials	16,553.93	60.56	0.37%	-0.1%
Nasdaq	4,370.90	18.47	0.42%	4.7%
Russell 2000	1,131.31	16.64	1.49%	-2.8%
Euro Stoxx Index	324.91	-7.00	-2.11%	-1.0%
Shanghai Composite	2,194.43	9.12	0.42%	3.7%
Russell Global	1,727.27	-15.23	-0.87%	1.9%

Source: Bloomberg; Index % change is based on price.

	Last Price	Change	% Chg.	YTD %
Russell Global EM	3,264.04	-26.26	-0.80%	5.1%
10-Year US Treas.	2.42	-9 bps	NM	NM
DJ UBS Comm. Idx.	127.33	0.24	0.19%	1.3%
Gold	\$1,311.57	\$17.56	1.36%	9.1%
Crude Oil	\$97.61	-\$0.31	-0.32%	3.0%
Dollar Index	81.39	0.09	0.11%	1.7%
VIX Index	15.75	-1.36	-7.99%	14.2%



	One Week			YTD		
	Value	Growth		Value	Growth	
L	0.18%	0.22%	0.26%	4.21%	4.20%	4.21%
	0.33%	0.56%	0.74%	6.89%	5.00%	3.31%
S	1.17%	1.49%	1.82%	-2.43%	-2.76%	-3.07%

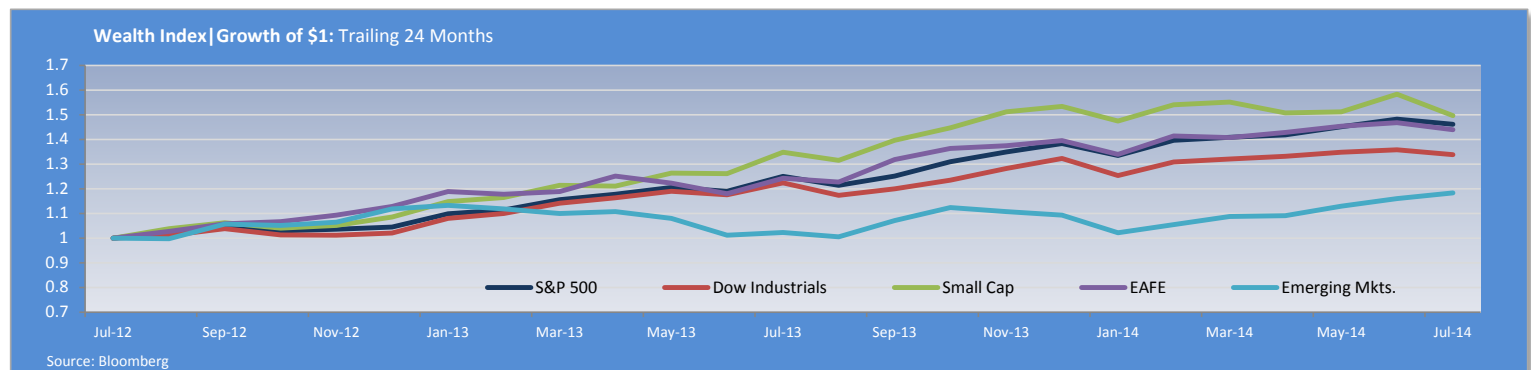
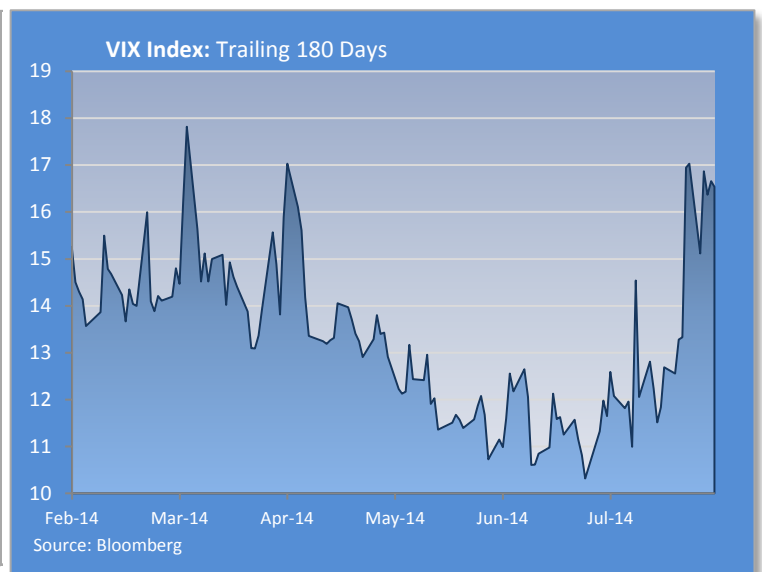
Source: Bloomberg

Sector Performance:

S&P/Global Industry Classification Sectors (GICS)

	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
Consumer Discretionary	11.9	0.05%	-1.8%
Consumer Staples	9.5	0.16%	1.1%
Energy	10.6	-0.54%	6.5%
Financials	16.0	-0.50%	1.0%
Health Care	13.4	-1.76%	7.7%
Industrials	10.2	-0.61%	-2.0%
Information Technology	19.3	-1.13%	7.9%
Materials	3.5	-0.01%	5.4%
Telecom Services	2.4	-2.69%	0.6%
Utilities	3.0	-1.37%	7.3%

Source: Bloomberg



A Macro View – Torn Between Growth and Global Crises

So it's August, and for this year at least, it is truly a languid time in the markets. While equities had a sharp sell-off in the last week of July, this first week of August has seen low levels of activity for both stocks and bonds. That is not surprising given the time of year, although summer can be an exceedingly volatile time as it was in 2011 and to some degree in 2012, ahead of the presidential election.

The lassitude of financial markets stands in stark contrast to a series of global crises. The situation in eastern Ukraine, which continues to simmer with the possibility of direct Russian military intervention, has led to a new level of sanctions and accusations between the government of Vladimir Putin on the one hand, and the United States and the European Union on the other. The Israeli assault on Gaza has largely halted, perhaps for good depending on how talks proceed in Cairo between Hamas, the Palestinian Authority, and the Israeli government. Meanwhile, the chaos in northern Iraq has increased substantially, with the radical group ISIS taking over much of Mosul, and the United States responding with air strikes that are being justified on humanitarian grounds.

The question is whether these crises will break out of a regional pattern and become larger issues. The same might be asked about the outbreak of the Ebola virus in West Africa. At times it can be hard to distinguish between the noise of these issues and their wider implications. We have never lived in a world without areas of extreme violence, injustice, deprivation, and disease. Today's flashpoints are real, but it is not clear if they are more severe than at multiple points in the past, nor are the economic and market implications at all evident, save for creating a climate of uncertainty that is always dicey.

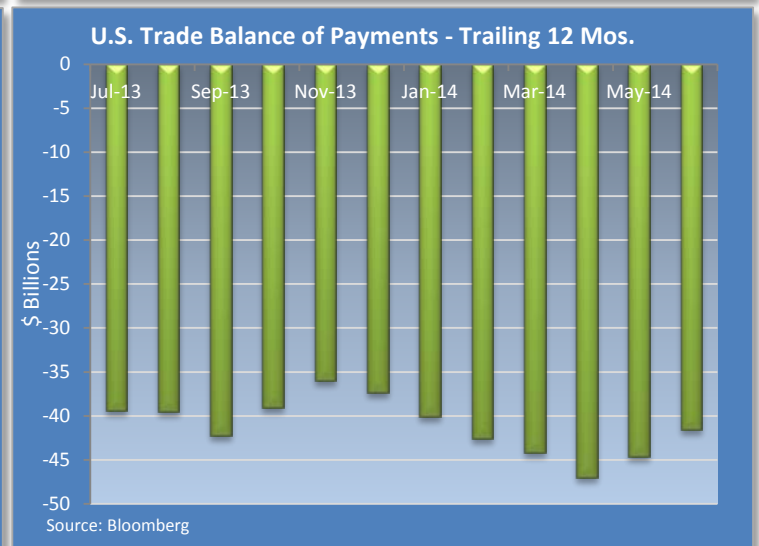
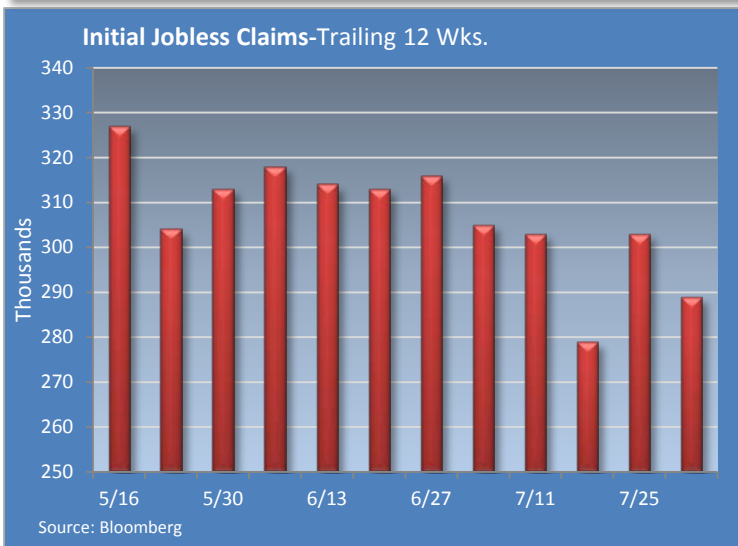
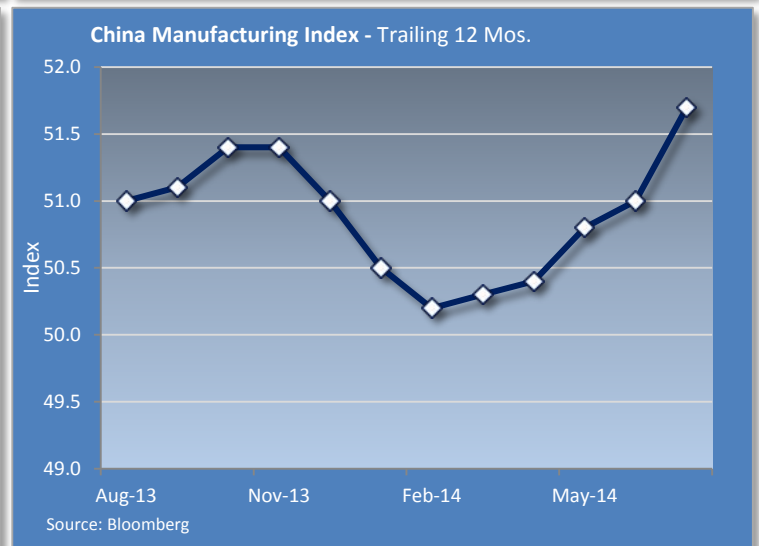
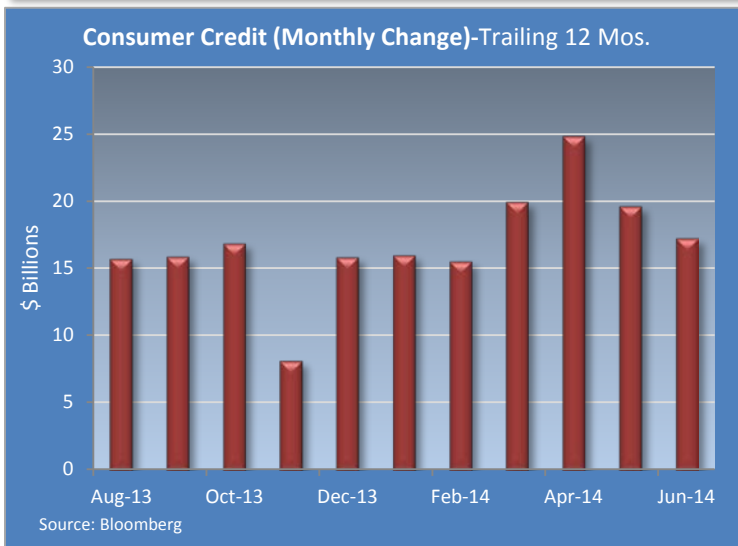
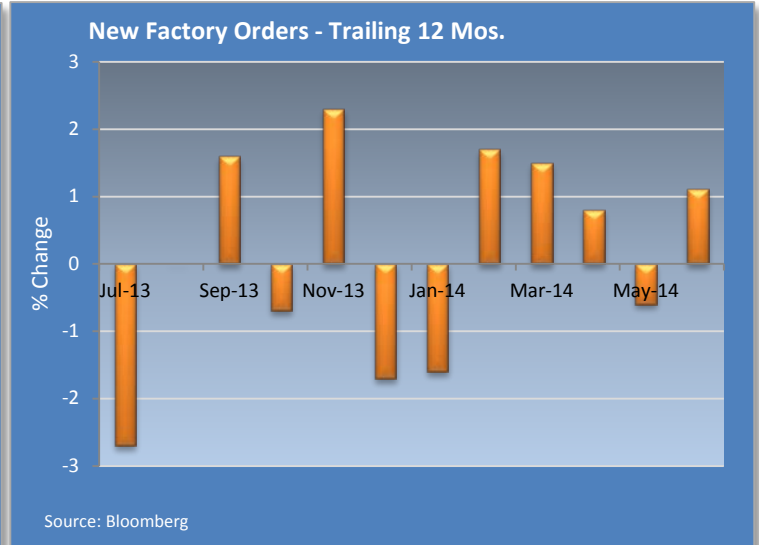
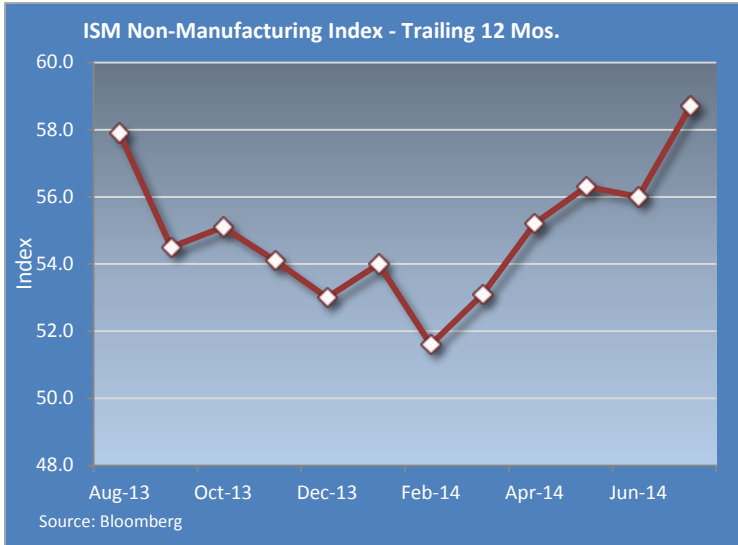
Meanwhile, as companies finish reporting second quarter earnings, the picture is quite positive. Before companies reported, earnings growth estimates were at 4.9% according to FactSet. With 90% of S&P 500 companies having reported, actual earnings growth is 8.4%. Nearly three-quarters of companies beat estimates, though the bar was set so low that beating expectations required only decent—rather than spectacular—results. Revenue growth has also been higher, at 4.3% versus expectations of 2.8%. Again, not stellar but certainly better.

Markets, however, have been torn between decent corporate earnings and international crises. There is also the concern about what lies ahead for interest rates. Yields have actually moved lower on U.S. and other sovereign debt in the face of geopolitical uncertainty.

This see-saw seems likely to continue for some time, and barring a severe deterioration in geopolitics, August is unlikely to provide answers. But with earnings and revenue at large companies going up, the fear that equities are wildly overvalued should at least be partly allayed.

Zachary Karabell
Head of Global Strategy

THIS WEEK IN THE ECONOMY AND MARKETS



EUROZONE

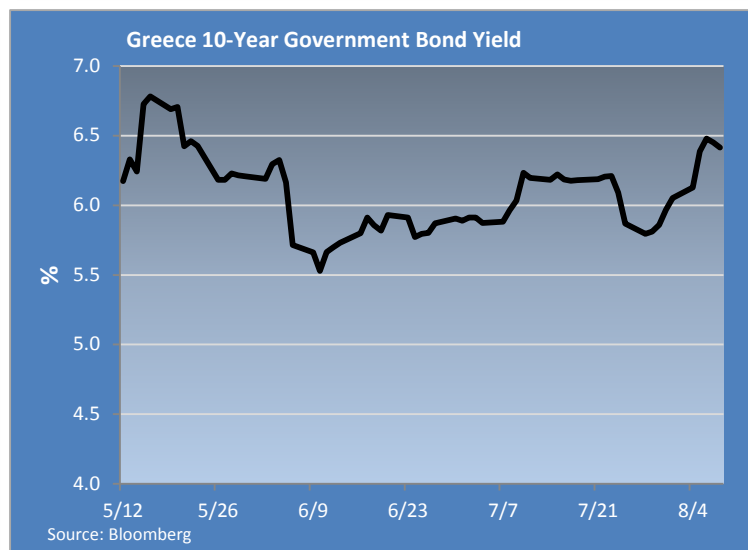
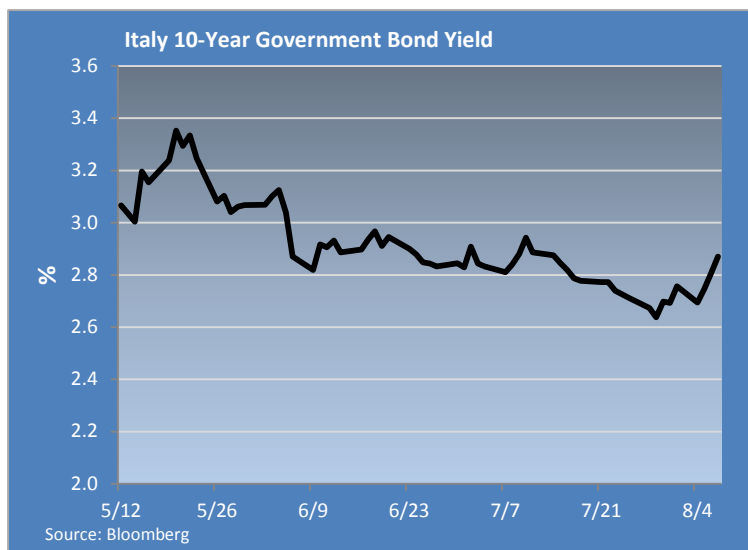
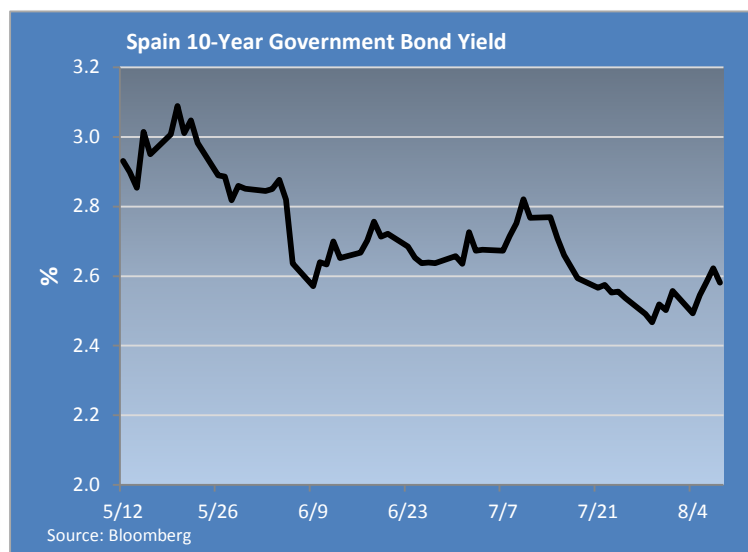
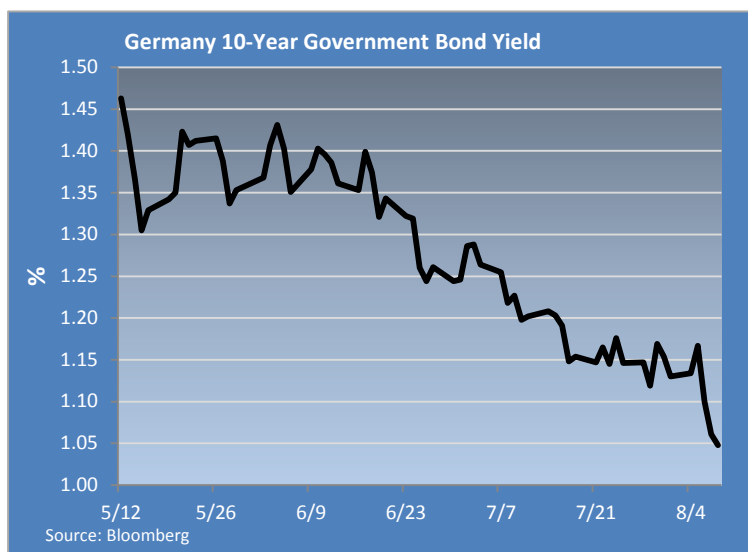
SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	1.05	8 bps	NM	NM
Greece 10-Yr. Govt.	6.41	-22 bps	NM	NM
Italy 10-Yr. Govt.	2.84	-7 bps	NM	NM
Spain 10-Yr. Govt.	2.58	-2 bps	NM	NM
Belgium 10-Yr. Govt.	1.46	6 bps	NM	NM

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	1.45	6 bps	NM	NM
Ireland 10-Yr. Govt.	2.23	-1 bps	NM	NM
Portugal 10-Yr. Govt.	3.82	-11 bps	NM	NM
Netherlands 10-Yr. Govt.	1.24	8 bps	NM	NM
U.K. 10-Yr. Govt.	2.45	8 bps	NM	NM

Source: Bloomberg

Basis points (bps)



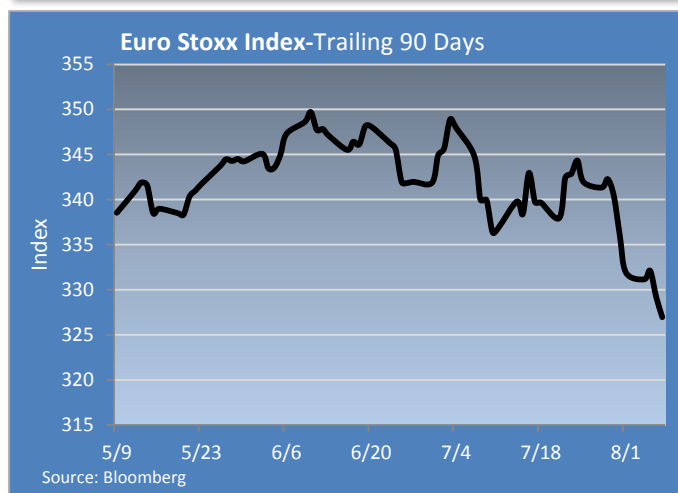
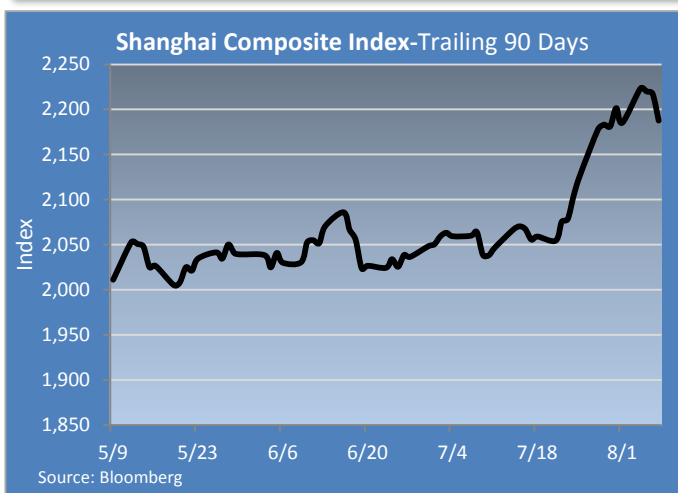
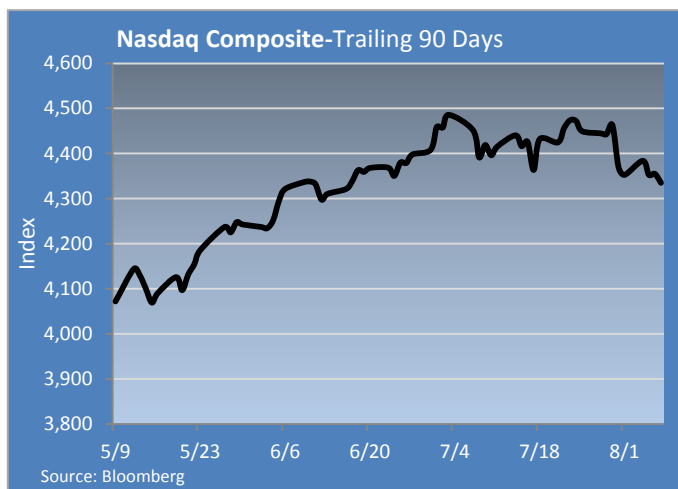
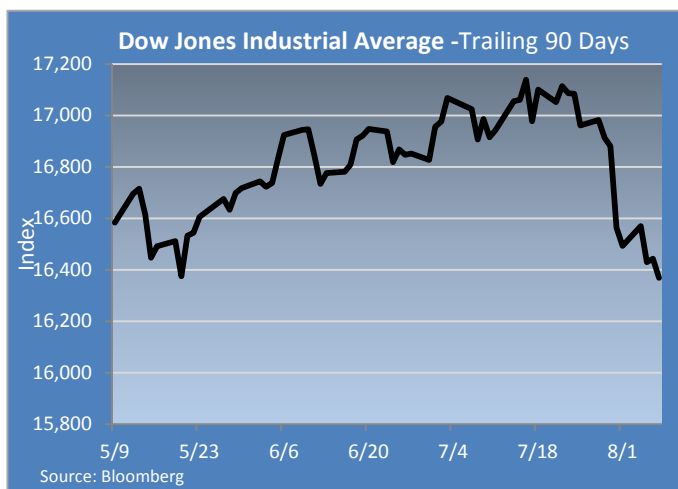
EQUITIES

WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
S&P 500	1,931.53	6.12	0.32%	4.49%
Dow Industrials	16,553.93	60.56	0.37%	-0.14%
Nasdaq Composite	4,370.90	18.47	0.42%	4.66%
Russell Global	1,727.27	-15.23	-0.87%	1.9%
Russell Global EM	3,264.04	-26.26	-0.80%	5.1%
S&P/TSX (Canada)	15,193.68	-88.19	-0.58%	11.05%
Mexico IPC	44,102.69	-5.68	-0.01%	2.93%
Brazil Bovespa	55,572.93	-155.76	-0.28%	8.23%
Euro Stoxx 600	324.91	-7.00	-2.11%	-1.02%
FTSE 100	6,567.36	-121.53	-1.82%	-2.84%
IBEX 35 (Spain)	10,104.80	-427.30	-4.06%	1.71%

	Last	Change	% Chg.	YTD %
Swiss Market Index	8,274.65	-178.70	-2.12%	0.35%
CAC 40 Index (France)	4,147.81	-65.95	-1.57%	-3.70%
DAX Index (Germany)	9,009.32	-219.26	-2.38%	-5.88%
Irish Overall Index	4,530.97	-84.03	-1.82%	-0.19%
Nikkei 225	14,778.37	-744.74	-4.80%	-9.29%
Hang Seng Index	24,331.41	-201.02	-0.82%	4.40%
Shanghai Composite	2,194.43	9.12	0.42%	3.71%
Kospi Index (S. Korea)	2,031.10	-42.00	-2.03%	0.98%
Taiwan Taiex Index	9,085.96	-180.55	-1.95%	5.51%
Tel Aviv 25 Index	1,386.16	-6.29	-0.45%	4.27%
MICEX Index (Russia)	1,348.21	-25.42	-1.85%	-10.28%

Source: Bloomberg; Index % change is based on price.



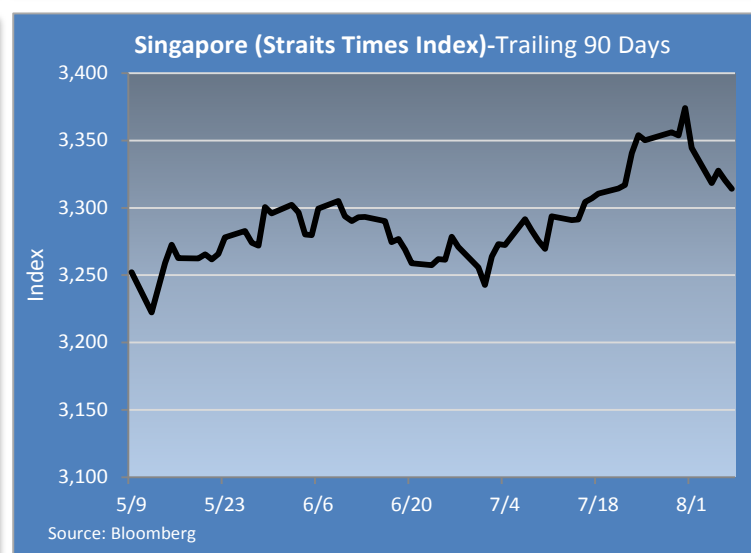
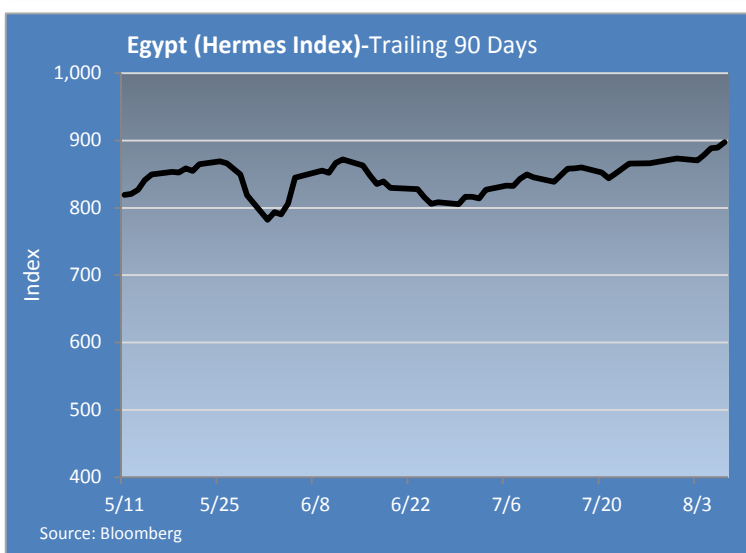
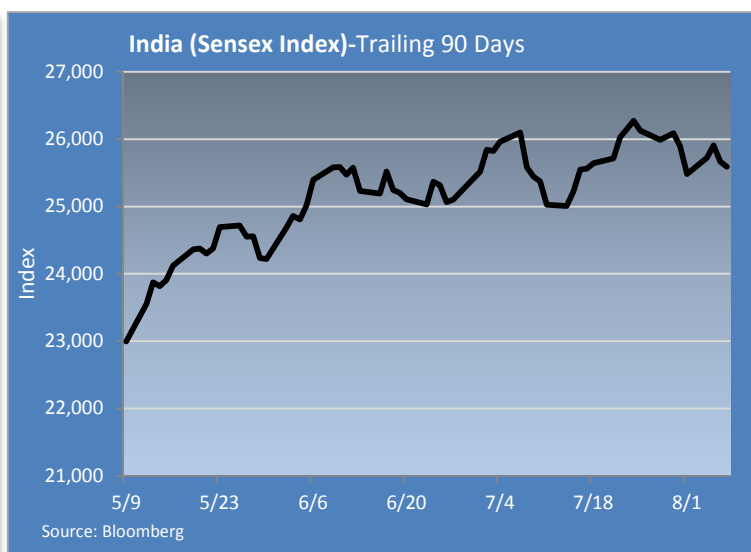
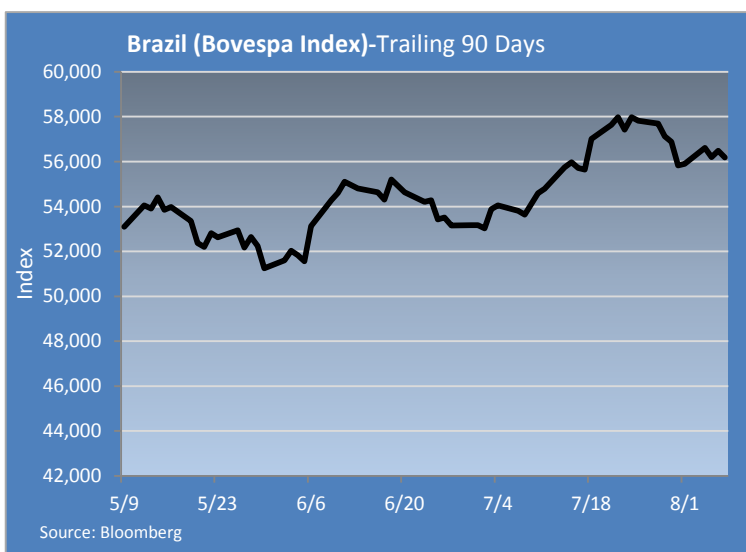
EQUITIES – EMERGING AND FRONTIER MARKETS

EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	44,077.52	-5.68	0.0%	2.9%
Brazil (Bovespa Index)	55,608.23	-155.76	-0.3%	8.2%
MICEX Index (Russia)	1,348.21	-25.42	-1.8%	-10.3%
Czech Republic (Prague)	950.66	-0.34	0.0%	-3.9%
Turkey (Istanbul)	79,199.41	-2753.59	-3.4%	17.0%
Egypt (Hermes Index)	897.66	24.31	2.8%	32.9%
Kenya (Nairobi 20 Index)	5,003.78	61.50	1.2%	1.6%
Saudi Arabia (TASI Index)	10,552.48	337.75	3.3%	23.6%
Lebanon (Beirut BLOM Index)	1,191.30	-4.02	-0.3%	3.6%
Palestine	515.91	10.76	2.1%	-4.7%

Source: Bloomberg; Index % change is based on price.

	Last	Change	% Chg.	YTD %
Hang Seng Index	24,331.41	-201.02	-0.8%	4.4%
India (Sensex 30)	25,329.14	-151.70	-0.6%	19.6%
Malaysia (KLCI Index)	1,839.87	-23.47	-1.3%	-1.5%
Singapore (Straits Times Index)	3,288.89	-55.53	-1.7%	3.8%
Thailand (SET Index)	1,520.31	20.11	1.3%	17.1%
Indonesia (Jakarta)	5,053.76	-35.04	-0.7%	18.2%
Pakistan (Karachi KSE 100)	29,380.50	-933.57	-3.1%	16.3%
Vietnam (Ho Chi Minh)	605.43	11.53	1.9%	20.0%
Sri Lanka (Colombo)	6,918.23	108.10	1.6%	17.0%
Cambodia (Laos)	1,398.27	7.74	0.6%	11.6%

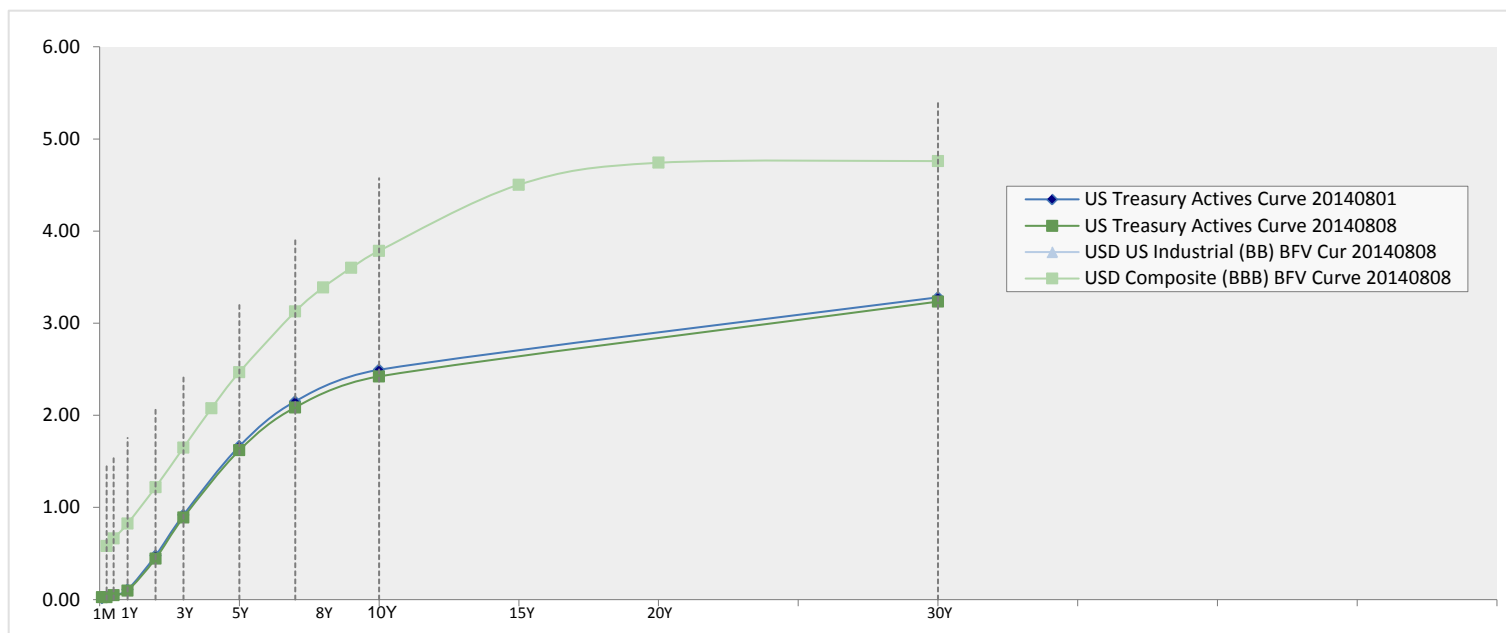


INTEREST RATES

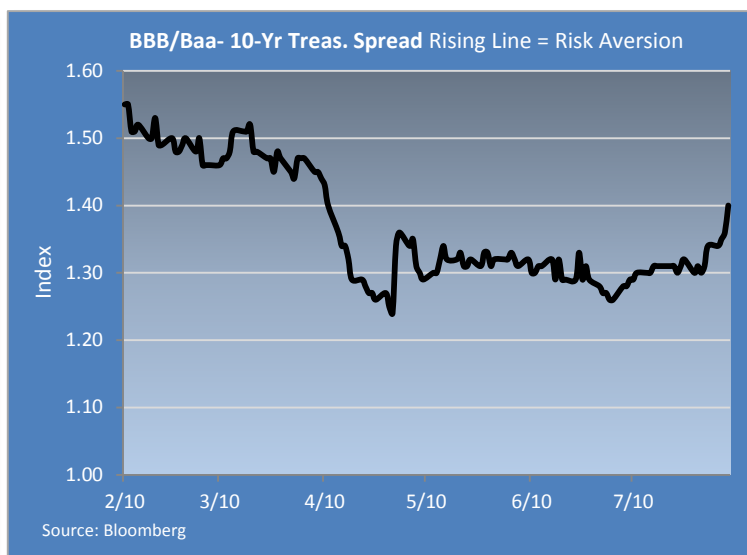
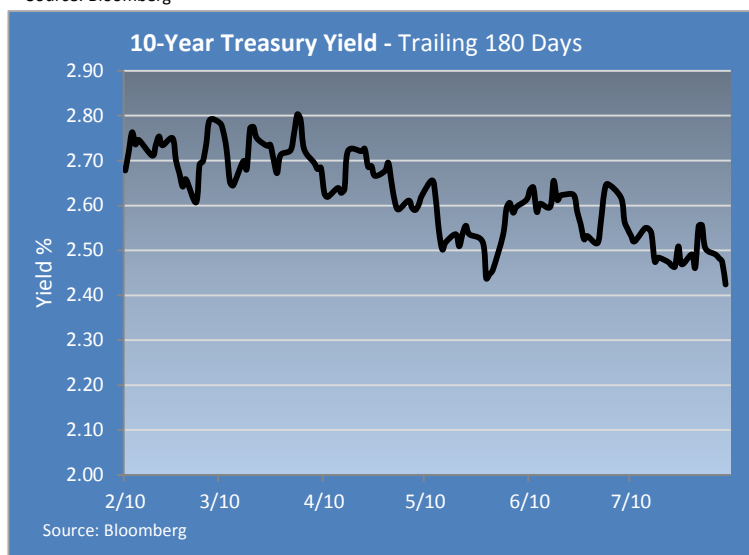
SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	0.42%	1 bps	NM	NM	Prime Rate	3.25%	0.00	NM	NM
5-Yr. U.S. Treasury	1.61%	-10 bps	NM	NM	Fed Funds Rate	0.25%	0.00	NM	NM
10-Yr. U.S. Treasury	2.42%	-9 bps	NM	NM	Discount Rate	0.75%	0.00	NM	NM
30-Yr. U.S. Treasury	3.23%	-9 bps	NM	NM	LIBOR (3 Mo.)	#VALUE!	0 bps	NM	NM
German 10-Yr. Govt.	1.05%	8 bps	NM	NM	Bond Buyer 40 Muni	4.07%	-7 bps	NM	NM
France 10-Yr.	1.45%	6 bps	NM	NM	Bond Buyer 40 G.O.	4.31%	NA	NM	NM
Italy 10-Yr.	2.84%	-7 bps	NM	NM	Bond Buyer 40 Rev.	4.89%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	2.49%	0 bps	NM	NM					

Source: Bloomberg



Source: Bloomberg



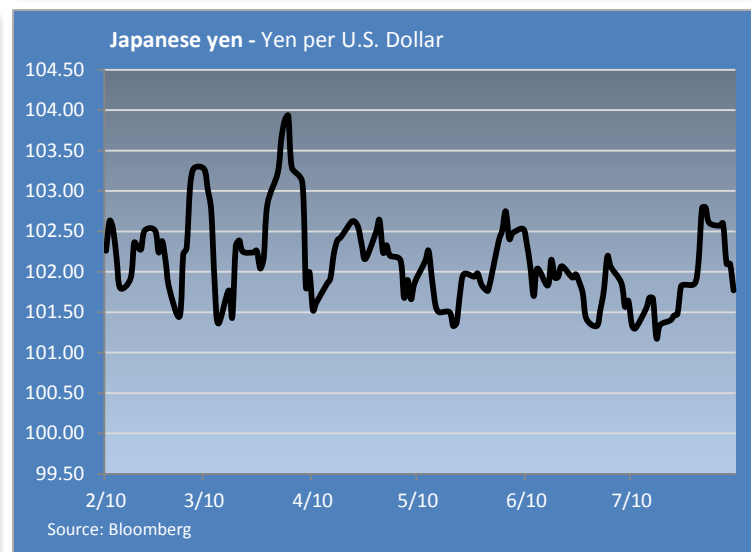
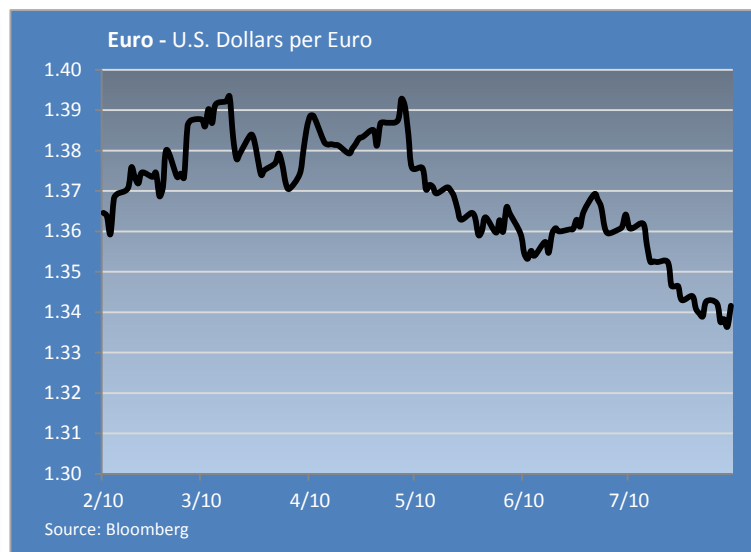
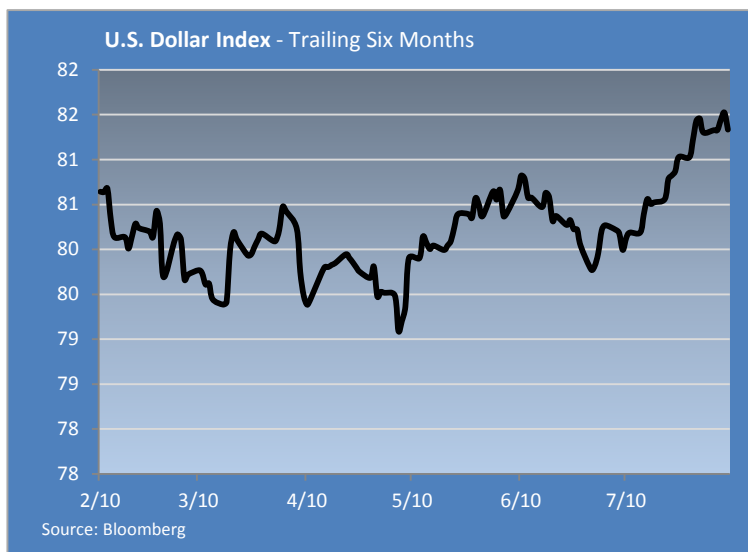
CURRENCIES

SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
Dollar Index	81.39	0.041	0.05%	1.63%
Euro	1.34	-0.001	-0.10%	-2.39%
Japanese Yen	102.07	-0.830	0.82%	3.47%
British Pound	1.68	-0.002	-0.12%	1.47%
Canadian Dollar	1.10	0.005	-0.41%	-3.08%

	Last	Change	% Chg.	YTD %
Chinese Yuan	6.16	-0.023	0.38%	-1.66%
Swiss Franc	0.91	-0.002	0.17%	-1.27%
New Zealand Dollar	0.85	-0.003	-0.38%	3.27%
Brazilian Real	2.29	0.044	-1.91%	2.62%
Mexican Peso	13.25	0.059	-0.44%	-1.54%

Source: Bloomberg



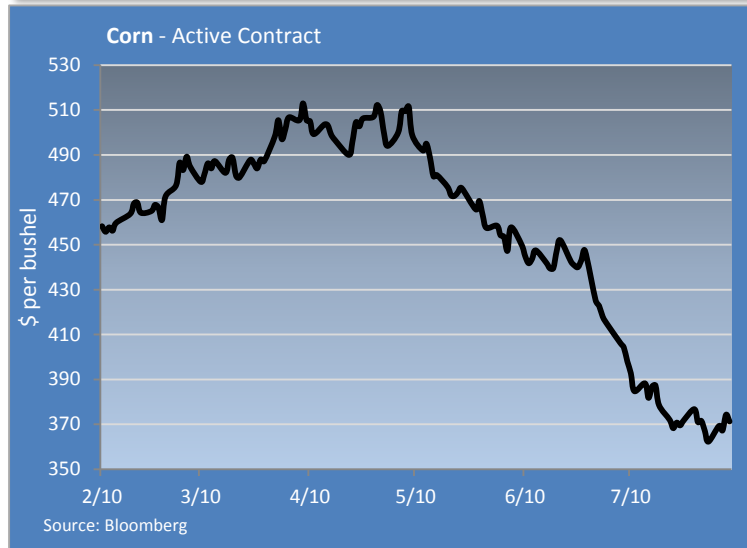
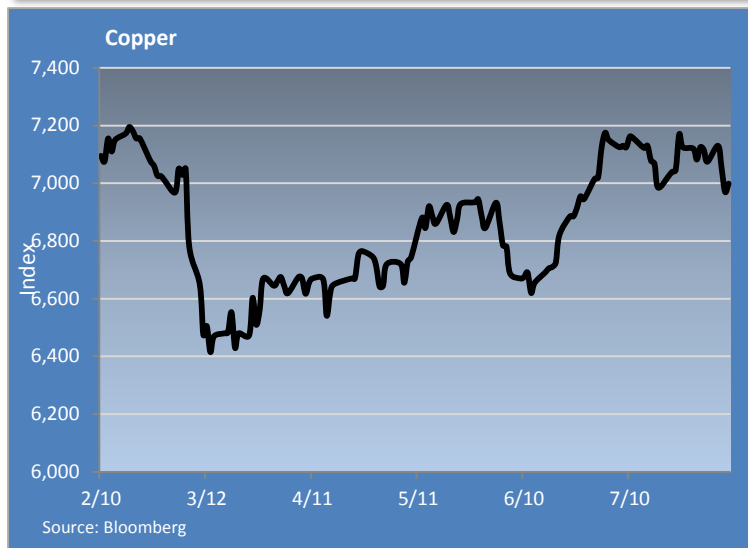
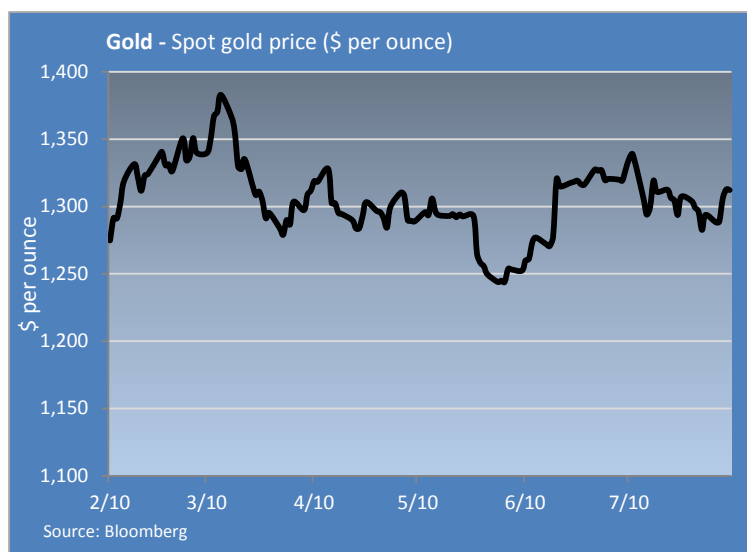
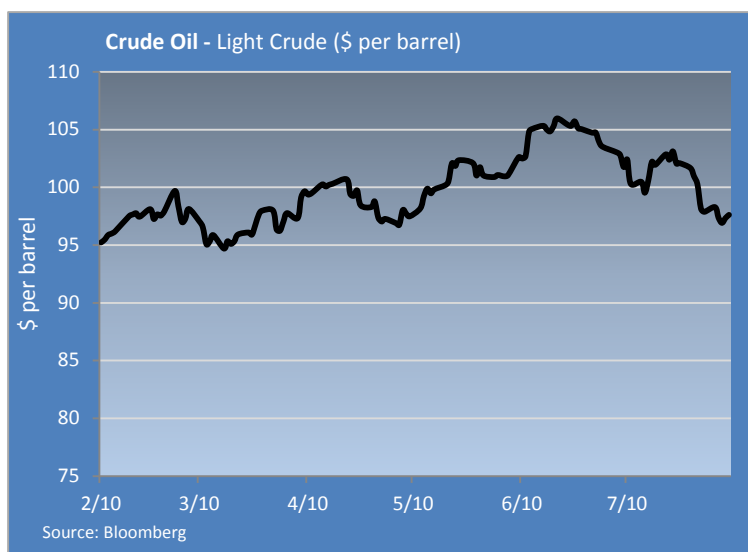
COMMODITIES

SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
DJ UBS Comm. Idx.	127.33	0.24	0.19%	1.26%
Rogers Int. Comm. Idx.	3544.54	2.96	0.08%	-0.32%
Crude Oil	\$97.60	-\$0.31	-0.32%	2.97%
Natural Gas	\$3.97	\$0.12	3.19%	-5.45%
Gasoline (\$/Gal.)	\$3.48	-\$0.04	-1.00%	4.57%
Heating Oil	287.30	3.19	1.11%	-3.58%
Gold Spot	\$1,311.51	\$17.56	1.36%	9.13%
Silver Spot	\$19.98	-\$0.32	-1.59%	2.74%

	Last	Change	% Chg.	YTD %
Platinum Spot	\$1,476.25	\$15.31	1.05%	7.88%
Corn	363.50	5.25	1.45%	-18.38%
Wheat	549.25	21.00	3.93%	-11.37%
Soybeans	1,084.75	17.00	1.61%	-5.24%
Sugar	16.14	-0.30	-1.83%	-5.87%
Orange Juice	140.00	-1.00	-0.72%	-4.06%
Aluminum	2,027.00	52.00	2.63%	12.60%
Copper	6,999.00	-75.50	-1.07%	-4.90%

Source: Bloomberg; % change is based on price.



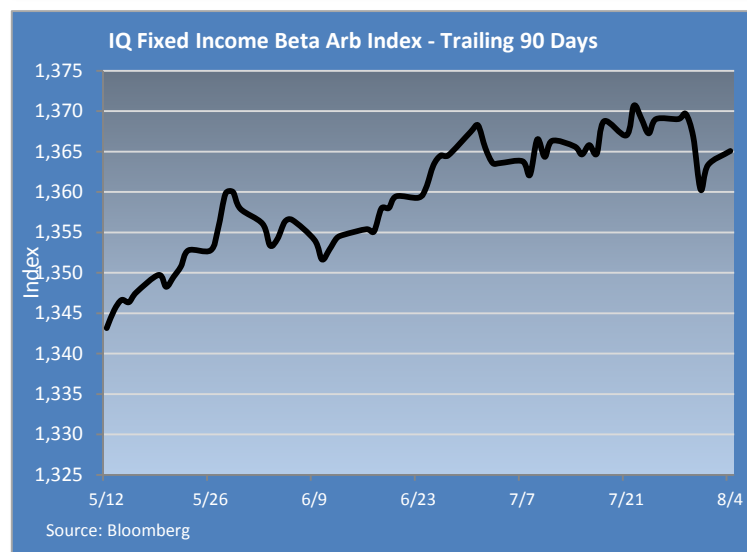
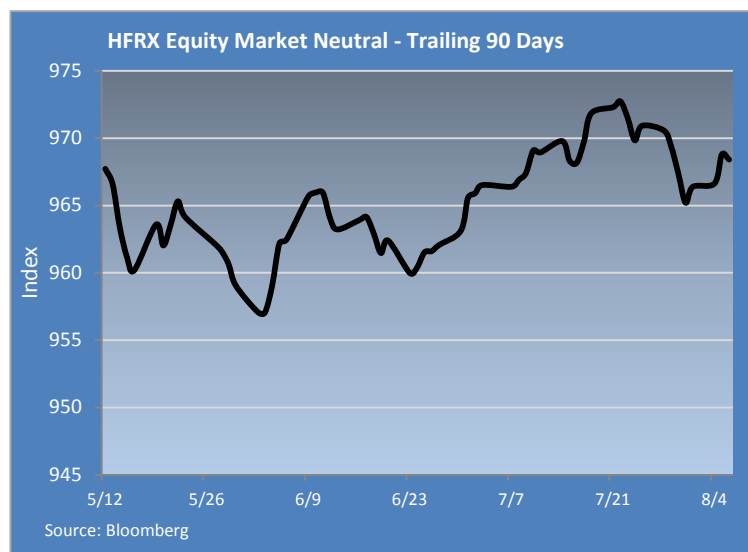
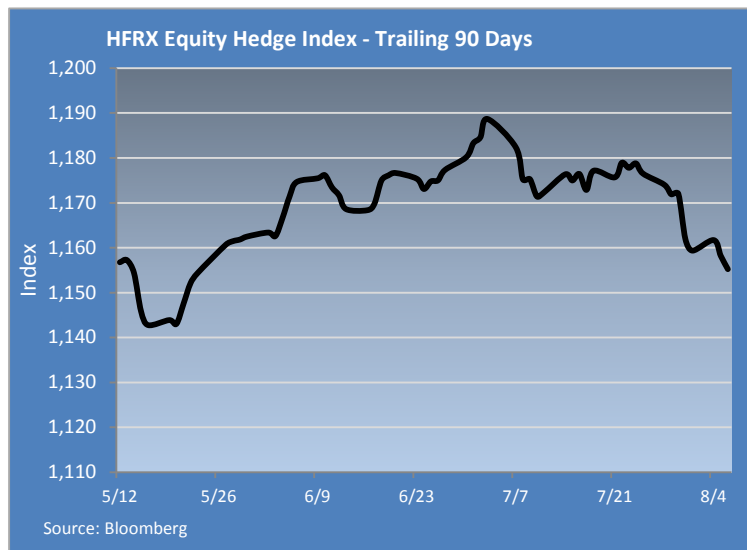
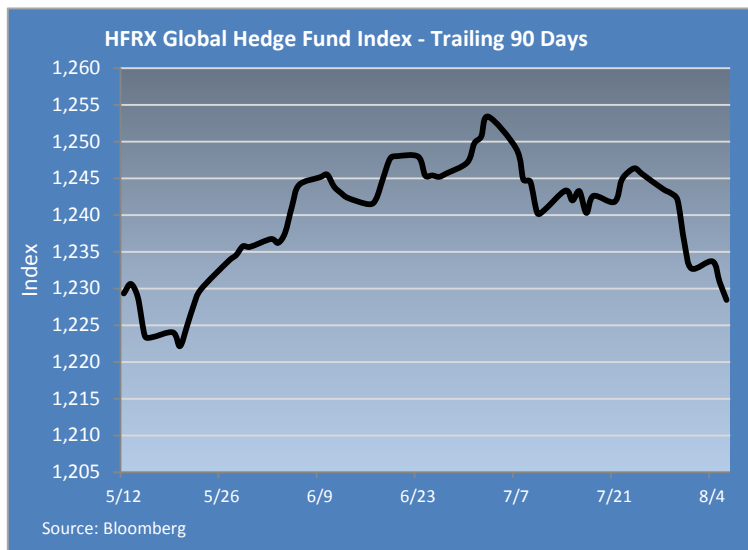
ALTERNATIVE INVESTMENTS

SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

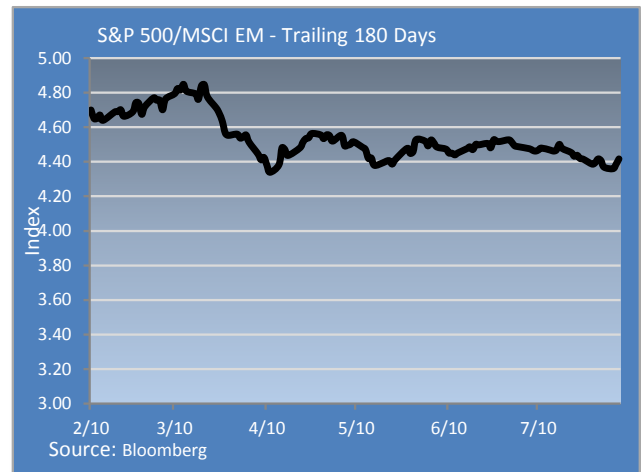
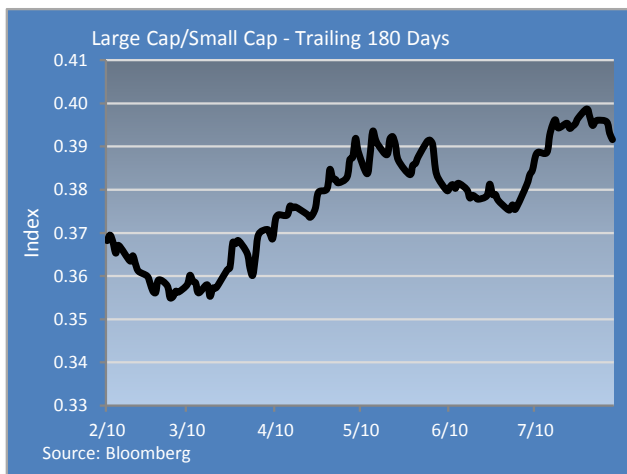
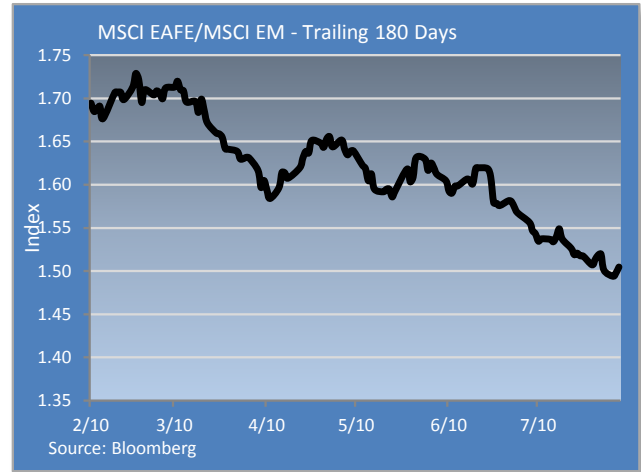
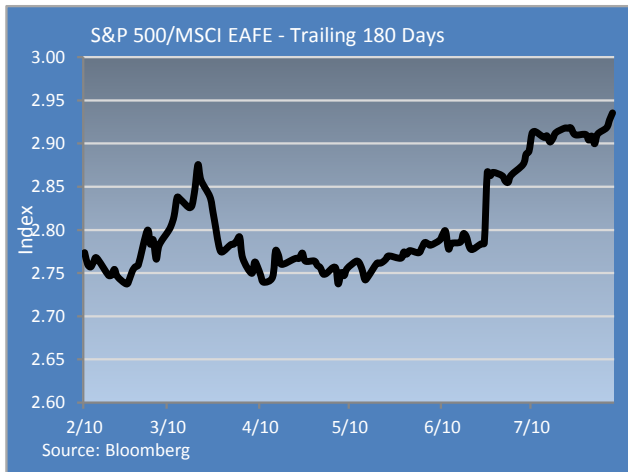
	Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1236.15	-4.27	-0.35%	0.24%
HFRX Equity Market Neutral	966.64	2.02	0.21%	1.75%
HFRX Equity Hedge Index	1161.87	-4.13	-0.36%	-0.87%
HFRX Event-Driven Index	1619.76	-9.68	-0.59%	2.69%
HFRX Absolute Return Index	998.01	-5.19	-0.52%	0.39%

	Last	Change	% Chg.	YTD %
HFRX Distressed Index	1061.62	-3.30	-0.31%	5.78%
HFRX Merger Arbitrage Index	1573.80	-2.22	-0.14%	0.26%
HFRX Convertible Arbitrage Index	772.16	-2.26	-0.29%	-0.43%
HFRX Macro CTA Index	1122.04	-3.95	-0.35%	-1.09%
IQ Fixed Income Beta Arb Index	1365.29	2.28	0.17%	5.15%

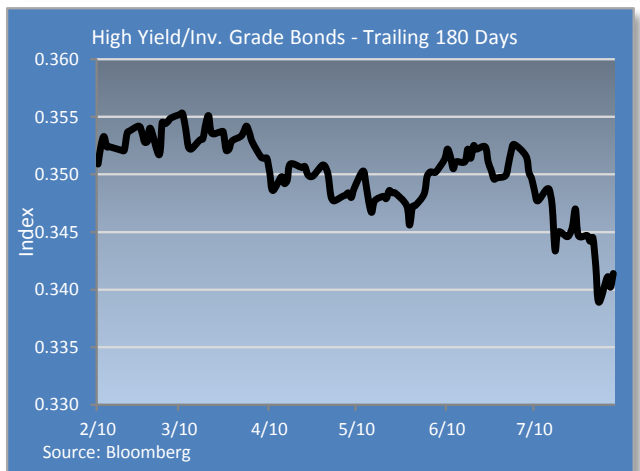
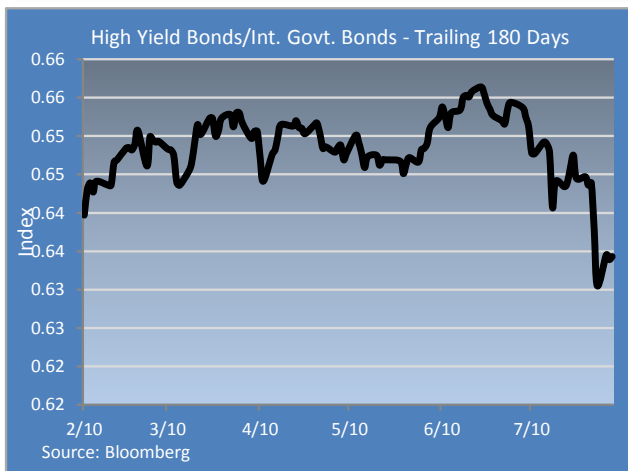
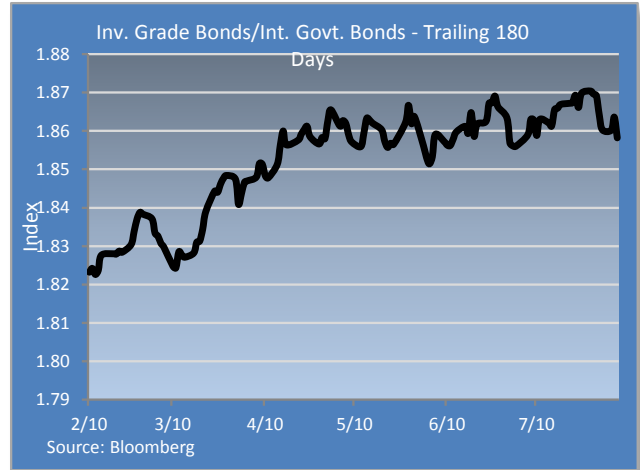
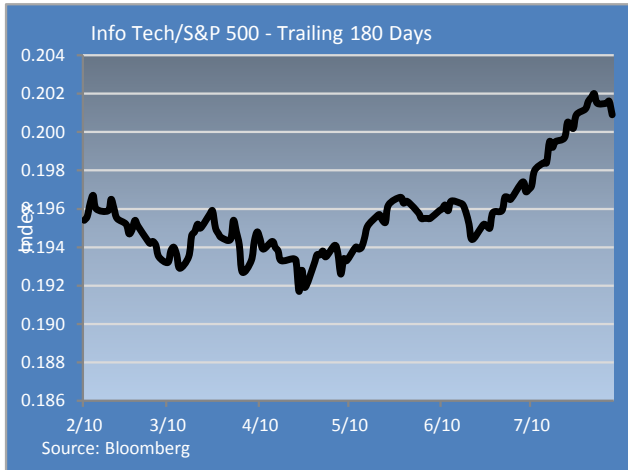
Source: Bloomberg; Index % change is based on price.



PORTFOLIO CONSTRUCTION



PORTFOLIO CONSTRUCTION (cont'd.)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			5/22	5/29	6/5	6/12	6/19	6/26	7/3	7/10	7/17	7/24	7/31	8/7
Equity	Domestic Equity	Large Cap (R200)	1.19%	1.37%	0.96%	-0.52%	1.48%	-0.16%	1.47%	-0.97%	-0.15%	1.55%	-2.89%	-1.16%
		Small Cap (R2000)	1.63%	2.35%	1.22%	0.47%	2.12%	-0.28%	2.32%	-3.83%	-2.43%	2.00%	-3.13%	-0.03%
	Int'l. Equity	MSCI EAFE	-0.16%	1.09%	0.30%	0.52%	1.06%	-1.48%	1.54%	-2.59%	0.56%	0.74%	-1.86%	-2.56%
		MSCI Em. Mkts.	1.17%	-0.24%	-0.35%	1.91%	0.46%	-0.30%	1.47%	0.02%	0.02%	1.72%	-1.40%	-1.37%
Fixed Income	BarCap Agg. (AGG)	-0.18%	0.41%	-0.57%	-0.03%	0.15%	0.59%	-0.70%	0.36%	0.30%	-0.20%	-0.17%	0.38%	
	High Yield (JNK)	0.05%	0.29%	-0.24%	0.29%	0.43%	0.07%	-0.38%	-0.53%	-0.87%	0.71%	-1.79%	-0.07%	
Commodities	DJ UBS Index	-0.14%	-0.63%	-1.08%	0.74%	1.48%	0.07%	-1.57%	-2.29%	-0.88%	-0.72%	-0.88%	-0.14%	
Alternatives	Hedge Funds (HFRX Global)	0.35%	0.65%	0.44%	0.14%	0.38%	-0.20%	0.56%	-1.05%	0.00%	0.49%	-0.82%	-0.62%	
Asset Allocation	60/40*	0.49%	0.96%	0.22%	0.07%	0.76%	-0.10%	0.73%	-0.96%	-0.14%	0.83%	-1.68%	-0.68%	
	48/32/20 (w/Alts.)**	0.46%	0.90%	0.27%	0.08%	0.69%	-0.12%	0.71%	-0.98%	-0.11%	0.76%	-1.51%	-0.66%	

Source: Bloomberg; *60/40 portfolio = 30% Large Cap/10% Small Cap/15% EAFE/5% Emerging Markets/35% BarCap Agg./5% High Yield.

**48/32/20 portfolio = 24% Large Cap/8% Small Cap/12% EAFE/4% Emerging Markets/28% BarCap Agg./4% High Yield/20% HFRX Global Index.

RELATIVE STRENGTH MATRIX (BASED ON 30-DAY RSI)

	Large Cap Core	Large Cap Growth	Large Cap Value	Mid Cap Core	Mid Cap Growth	Mid Cap Value	Small Cap Core	Small Cap Growth	Small Cap Value	Int'l. Developed	Emerging Markets	REITs	Comm.	Int. Bond	High Yield
Large Cap Core	1.00	0.97	1.03	1.01	0.99	1.04	1.01	0.98	1.06	1.22	0.88	0.86	1.22	0.81	1.23
Large Cap Growth	1.03	1.00	1.06	1.05	1.02	1.07	1.04	1.01	1.09	1.26	0.91	0.89	1.26	0.84	1.26
Large Cap Value	0.97	0.94	1.00	0.99	0.96	1.01	0.99	0.95	1.03	1.19	0.86	0.84	1.19	0.79	1.19
Mid Cap Core	0.99	0.96	1.01	1.00	0.97	1.03	1.00	0.96	1.05	1.21	0.87	0.85	1.21	0.80	1.21
Mid Cap Growth	1.01	0.98	1.04	1.03	1.00	1.06	1.03	0.99	1.08	1.24	0.90	0.87	1.24	0.83	1.24
Mid Cap Value	0.96	0.93	0.99	0.97	0.94	1.00	0.97	0.94	1.02	1.17	0.85	0.83	1.17	0.78	1.18
Small Cap Core	0.99	0.96	1.01	1.00	0.97	1.03	1.00	0.96	1.05	1.21	0.87	0.85	1.21	0.80	1.21
Small Cap Growth	1.02	0.99	1.05	1.04	1.01	1.07	1.04	1.00	1.09	1.25	0.91	0.88	1.25	0.83	1.26
Small Cap Value	0.94	0.91	0.97	0.96	0.93	0.98	0.95	0.92	1.00	1.15	0.83	0.81	1.15	0.77	1.15
Int'l. Developed	0.82	0.79	0.84	0.83	0.81	0.85	0.83	0.80	0.87	1.00	0.72	0.70	1.00	0.66	1.00
Emerging Markets	1.13	1.10	1.16	1.15	1.11	1.18	1.15	1.10	1.20	1.38	1.00	0.97	1.38	0.92	1.39
REITs	1.16	1.13	1.19	1.18	1.14	1.21	1.18	1.13	1.23	1.42	1.03	1.00	1.42	0.94	1.42
Commodities	0.82	0.79	0.84	0.83	0.80	0.85	0.83	0.80	0.87	1.00	0.72	0.70	1.00	0.66	1.00
Int. Bond	1.23	1.19	1.26	1.25	1.21	1.28	1.25	1.20	1.31	1.50	1.09	1.06	1.51	1.00	1.51
High Yield	0.82	0.79	0.84	0.83	0.80	0.85	0.83	0.80	0.87	1.00	0.72	0.70	1.00	0.66	1.00

Source: Bloomberg

The Relative Strength Matrix provides an indication of how the various asset classes have performed relative to one another over the past 30 days. A number greater than 1.0 indicates that the asset class in the far left column has outperformed the corresponding asset class in the top row over the past 30 days. A number below 1.0 means the asset class on the left has underperformed the asset class at the top. The green shading indicates outperformance, and the red shading indicates underperformance.

INDEX OVERVIEW

The S&P 500 Index is an unmanaged index comprised of 500 widely held securities considered to be representative of the stock market in general. The S&P/Case-Shiller Home Price Indices measure the residential housing market, tracking changes in the value of the residential real estate market in 20 metropolitan regions across the United States. The Nasdaq Composite is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. The MSCI EAFE Index represents 21 developed markets outside of North America. The MSCI EAFE Growth Index is an unmanaged index considered representative of growth stocks of Europe, Australasia and the Far East. The MSCI EAFE Value Index is an unmanaged index considered representative of value stocks of Europe, Australasia and the Far East. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The MSCI Europe Index is an unmanaged index considered representative of stocks of developed European countries. The MSCI Pacific Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. The Barclays US Credit Index is an unmanaged index considered representative of publicly issued, SEC-registered US corporate and specified foreign debentures and secured notes. The Barclays US Aggregate Bond Index is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The Barclays US Corporate High Yield Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The index may include emerging market debt. The Barclays Capital Municipal Bond Index is an unmanaged index comprised of investment-grade, fixed-rate municipal securities representative of the tax-exempt bond market in general. The Barclays US Treasury Total Return Index is an unmanaged index of public obligations of the US Treasury with a remaining maturity of one year or more. The Citigroup World Government Bond Index is a market capitalization weighted bond index consisting of the government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Malaysia, Mexico, the Netherlands, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The DJ-UBS Commodity Index Total ReturnSM measures the collateralized returns from a basket of 19 commodity futures contracts representing the energy, precious metals, industrial metals, grains, softs and livestock sectors. The Russell 1000 Index is a market capitalization-weighted benchmark index made up of the 1000 largest U.S. companies in the Russell 3000 Index. The Russell 1000 Growth Index is an unmanaged index considered representative of large-cap growth stocks. The Russell 1000 Value Index is an unmanaged index considered representative of large-cap value stocks. The Russell 2000 Index is an unmanaged index considered representative of small-cap stocks. The Russell 2000 Growth Index is an unmanaged index considered representative of small-cap growth stocks. The Russell 2000 Value Index is an unmanaged index considered representative of small-cap value stocks. The Russell 3000 Index is an unmanaged index considered representative of the US stock market. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Growth Index is an unmanaged index considered representative of mid-cap growth stocks. The Russell Midcap Value Index is an unmanaged index considered representative of mid-cap value stocks. The HFRX Indices are a series of benchmarks of hedge fund industry performance which are engineered to achieve representative performance of a larger universe of hedge fund strategies. Hedge Fund Research, Inc. employs the HFRX Methodology (UCITS compliant), a proprietary and highly quantitative process by which hedge funds are selected as constituents for the HFRX Indices. The ISM Non-Manufacturing Index is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys that monitors economic conditions of the nation. The ISM Manufacturing Index is an index based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The ISM Manufacturing Index monitors employment, production inventories, new orders and supplier deliveries. A composite diffusion index is created that monitors conditions in national manufacturing based on the data from these surveys. The Consumer Price Index (CPI) measures the change in the cost of a fixed basket of products and services. The Gross Domestic Product (GDP) rate is a measurement of the output of goods and services produced by labor and property located in the United States. Basis Point(s) is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security. The CBOE Volatility Index (VIX) is an up-to-the-minute market estimate of expected volatility that is calculated by using real-time S&P 500 Index option bid/ask quotes. The Index uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant, 30-day measure of the expected volatility of the S&P 500 Index. The MSCI World ex-U.S. Index - captures large and mid-cap representation across 22 of 23 Developed Markets DM countries*--excluding the United States. With 1,002 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. (* DM countries include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.) The MSCI Japan Index - is designed to measure the performance of the large and mid-cap segments of the Japanese market. With 320 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan. The Barclays Global Aggregate ex-U.S. Index - is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. Municipal bonds, and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. The index includes Treasury securities, Government agency bonds, Mortgage-backed bonds, Corporate bonds, and a small amount of foreign bonds traded in U.S. The University of Michigan Consumer Sentiment Index (MCSI) is a survey of consumer confidence conducted by the University of Michigan. The Michigan Consumer Sentiment Index (MCSI) uses telephone surveys to gather information on consumer expectations regarding the overall economy. A separately managed account (SMA) is an individual managed investment account offered typically by a brokerage firm through one of their brokers or financial consultants and managed by independent investment management firms (often called money managers for short) and have varying fee structures. An open-end index fund continuously issues and redeems shares based on investor demand. As an index fund, its investment objective is to duplicate the performance of the index it uses as a benchmark. Investment Grade or Investment Grade Bond – The broad credit designation given to corporate and municipal bonds which have a high probability of being paid and minor, if any, speculative features. Bonds rated Baa and higher by Moody's Investor Services or BBB and higher by Standard & Poor's are deemed by those agencies to be "investment grade". Non-Investment Grade - By definition, junk bonds are non-investment grade. A bond rated lower than Baa/BBB, also called a "high-yield" bond. Junk bonds are speculative compared with investment grade bonds. Risk-On Risk-Off - An investment setting in which price behavior responds to, and is driven by, changes in investor risk tolerance. Risk-on risk-off refers to changes in investment activity in response to global economic patterns. During periods when risk is perceived as low, risk-on risk-off theory states that investors tend to engage in higher-risk investments. When risk is perceived as high, investors have the tendency to gravitate toward lower-risk investments.

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