

Chart of the Week



Weekly Highlights

- **Domestic stock prices continued to march higher this week.** Most major equity indices posted gains this week, as investors placed a higher emphasis on improving economic data. At the same time, escalating geopolitical tensions do not seem to be adversely impacting the markets. The latest positive economic data was today's industrial production report, which showed that factory production in July jumped the most in five months due to an increase in capital spending.
- **Global markets also posted gains on the week.** World equity indices were almost uniformly higher this week. China's markets gained ground for the fifth consecutive week, in part due to speculation of increased stimulus. U.K. stocks booked their largest weekly gain since May, and Japan equities had their biggest move higher since April.
- **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 as a result of renewed escalation of the conflict in Ukraine.
- **Commodity indices plunged on the week.** Energy, metals and grains all fell sharply this week.

Talking Points

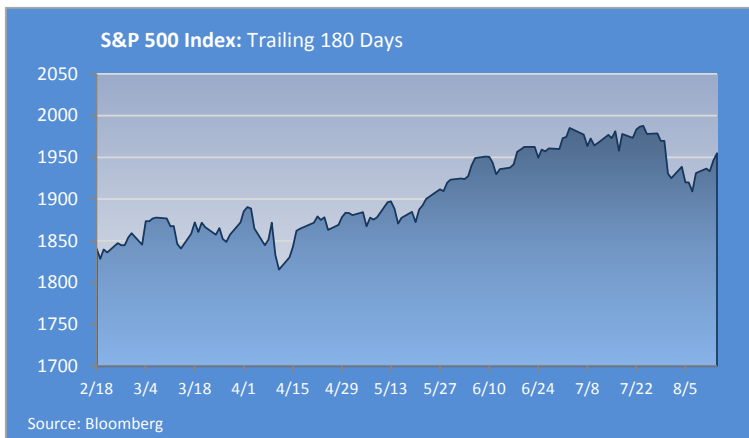
- **Among equities,** large-caps outperformed small-caps, and growth stocks outperformed value-oriented issues. Domestic stocks underperformed international equities. Developed markets underperformed emerging market stocks.
- **Treasury prices rose this week.** The yield on the 10-year T-note was materially lower.
- **Commodity prices sank on the week.** Energy, metals and grains all fell sharply.
- **The dollar was modestly higher** this week against a basket of currencies.
- **Among economic data released this week,** wholesale prices rose less than forecast in July; industrial production outpaced expectations in July; the University of Michigan Consumer Sentiment Index declined unexpectedly, posting its worst negative surprise in more than a decade; retail sales in July were little changed from the prior month; and initial jobless claims rose to a six-week high in the latest week.

MARKET DASHBOARD

	Last Price	Change	% Chg.	YTD %
S&P 500	1,955.06	20.26	1.05%	5.6%
Dow Industrials	16,662.91	75.04	0.45%	0.3%
Nasdaq	4,464.93	77.15	1.76%	6.5%
Russell 2000	1,141.65	10.14	0.90%	-1.9%
Euro Stoxx Index	329.72	6.19	1.91%	0.9%
Shanghai Composite	2,226.73	32.31	1.47%	5.2%
Russell Global	1,754.61	28.09	1.63%	3.6%

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

	Last Price	Change	% Chg.	YTD %
Russell Global EM	3,328.82	80.49	2.48%	7.2%
10-Year US Treas.	2.35	-8 bps	NM	NM
DJ UBS Comm. Idx.	125.71	-1.83	-1.44%	-0.2%
Gold	\$1,304.71	-\$4.73	-0.36%	8.6%
Crude Oil	\$97.08	-\$1.01	-1.03%	2.0%
Dollar Index	81.42	0.11	0.13%	1.8%
VIX Index	13.23	-2.24	-14.20%	-1.4%



	One Week			YTD		
	Value	Growth		Value	Growth	
L	0.79%	1.18%	1.57%	5.06%	5.45%	5.86%
	1.22%	1.30%	1.38%	8.23%	6.38%	4.76%
S	0.81%	0.90%	0.99%	-1.65%	-1.90%	-2.14%

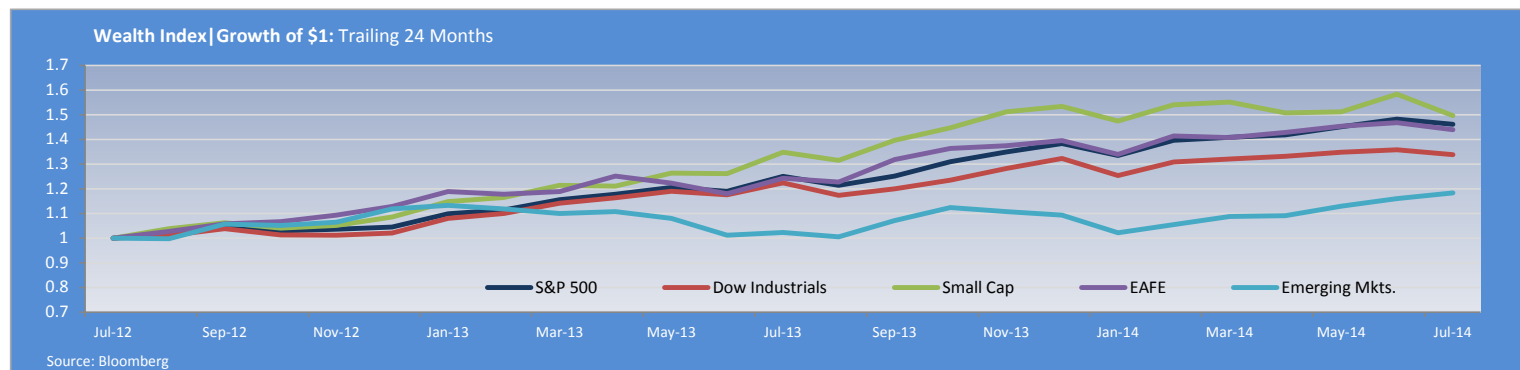
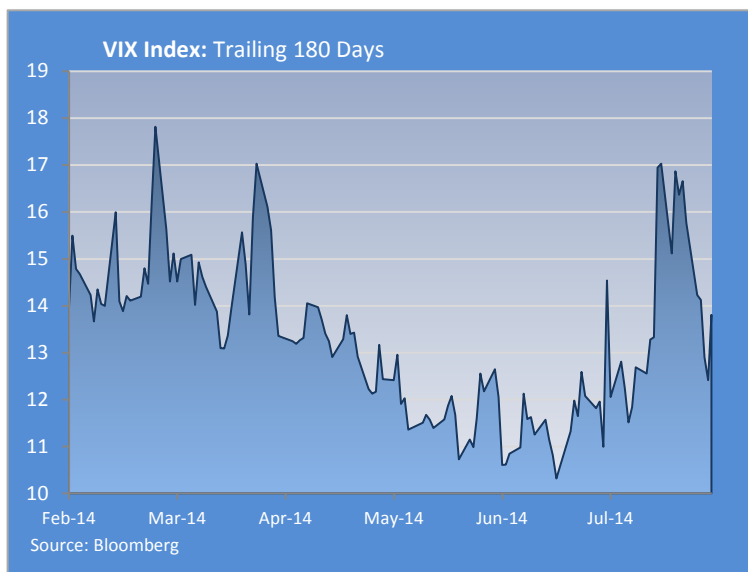
Source: Bloomberg

Sector Performance:

S&P/Global Industry Classification Sectors (GICS)

	% Wgt in S&P 500	Week % Chg.	YTD % Chg.
Consumer Discretionary	11.9	0.82%	0.1%
Consumer Staples	9.5	1.12%	3.1%
Energy	10.4	-0.97%	6.9%
Financials	16.0	0.72%	2.9%
Health Care	13.5	1.73%	10.9%
Industrials	10.3	0.97%	0.3%
Information Technology	19.3	1.45%	10.4%
Materials	3.5	0.49%	7.0%
Telecom Services	2.4	0.24%	1.5%
Utilities	3.0	0.77%	9.6%

Source: Bloomberg



A Macro View – Geopolitical Tension

Global equity markets, including the U.S., have been under pressure recently due to geopolitical tensions in various parts of the world, from Iraq to Gaza to eastern Ukraine. The S&P 500 Index has slid as much as 5% since peaking on July 24 and European equities have experienced even more severe losses. Despite plenty of significant corporate earnings news (such as 2Q earnings season) and macroeconomic data, it is the geopolitical news that has dictated market movements. So much so that speculations of what is really inside Russian humanitarian aid trucks can move the market.

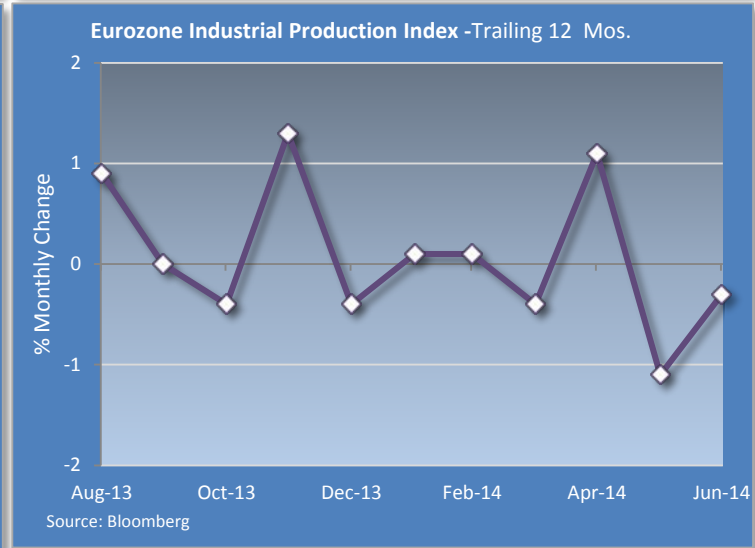
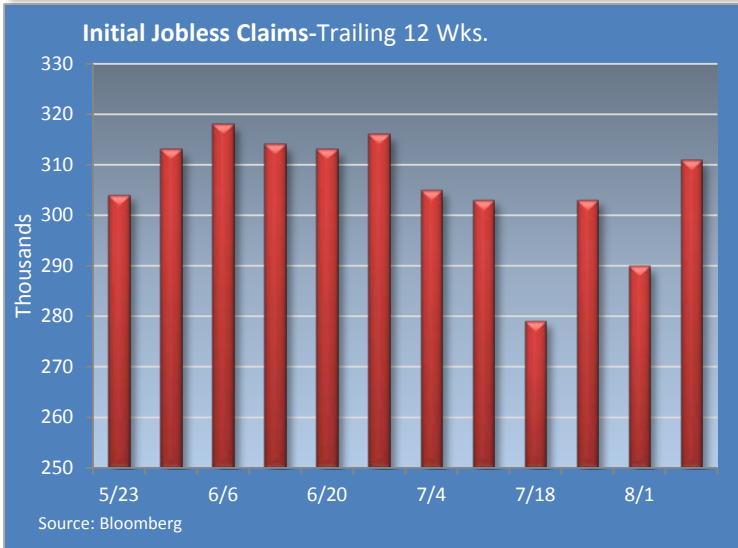
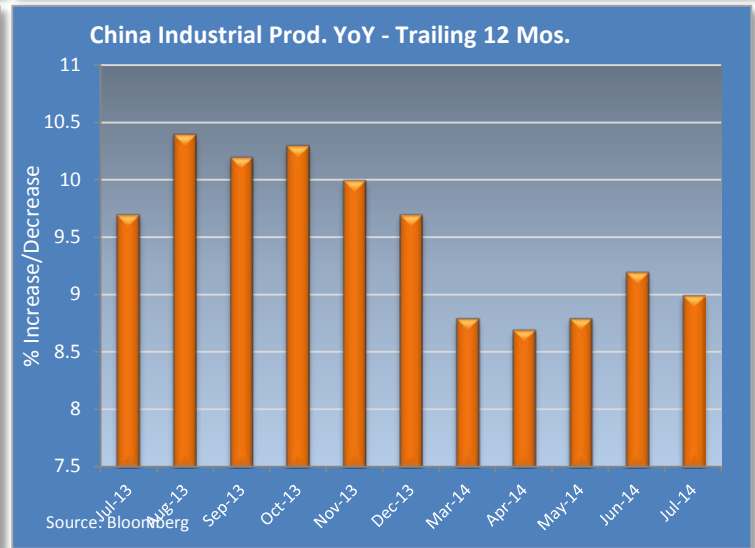
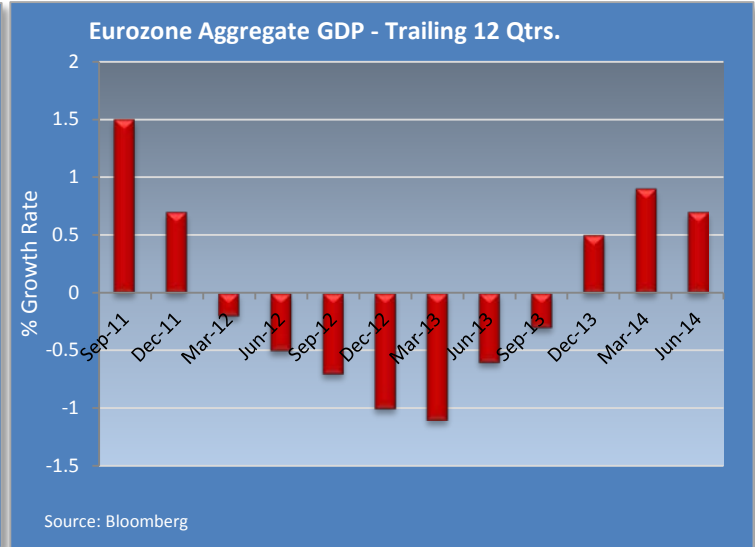
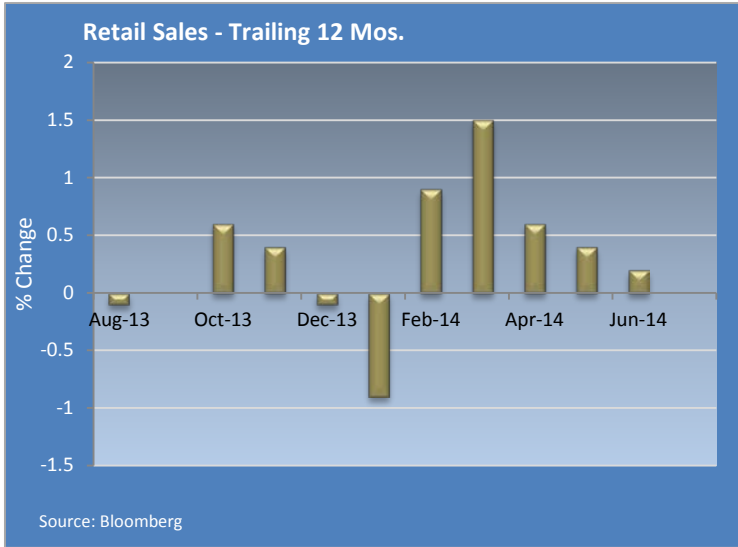
Human tragedies and ideological differences put aside, it is our view that the recent geopolitical tensions should have insignificant and non-lasting impacts on the global economy and markets. The military conflict between the Ukraine government and separatist forces is low-scale and low-tech, involving no more than tens of thousands military personnel on each side and little in the way of modern weaponry. Neither the European Union/U.S. nor Russia wants the situation to escalate. It is like a bunch of adults watching two little kids fighting, but none of them wants to fight with each other. The Gaza situation (Israel vs. Hamas) is nothing new and very much a “lawn-mowing” event to some extent. As for Iraq, while ISIS is a relatively “impressive” terrorist organization, it is no match to the mighty U.S. military force. Iraq poses a political challenge, not a military problem.

Masked by this sensational news and media hype, there have been many positive developments in market fundamentals. On the corporate earnings side, nearly two-thirds of S&P 500 companies beat their revenue target in 2Q, a significant improvement from barely half for the past several quarters. S&P companies in aggregate are slated to show 5%-plus revenue growth and double-digit operating earnings growth in 2Q, the much-desired healthy growth pattern not seen for a while. Concerning macroeconomic data, the U.S. economy grew at a 4% pace in 2Q, finally above the 3% long-term trend line and likely to grow faster than the 3% pace again in 3Q.

Geopolitical events, though they make great TV, rarely have significant and lasting impact on the U.S. economy and markets thanks to its enormous size and efficient nature. Far more significant geopolitical events in recent history such as 9/11 Terrorists Attack in 2001 and the 1998 Russian Financial Crisis had limited and temporary impact. On the other hand, we feel that U.S. internal events, such as changes in political landscape and monetary policy, are far more important. As summer is winding down, investors should pay more attention to upcoming domestic events such as mid-term election and the end of quantitative easing tapering. While not as entertaining, it is our opinion that they are the true market movers.

Frank Wei, CFA
Senior Investment Analyst

THIS WEEK IN THE ECONOMY AND MARKETS



EUROZONE

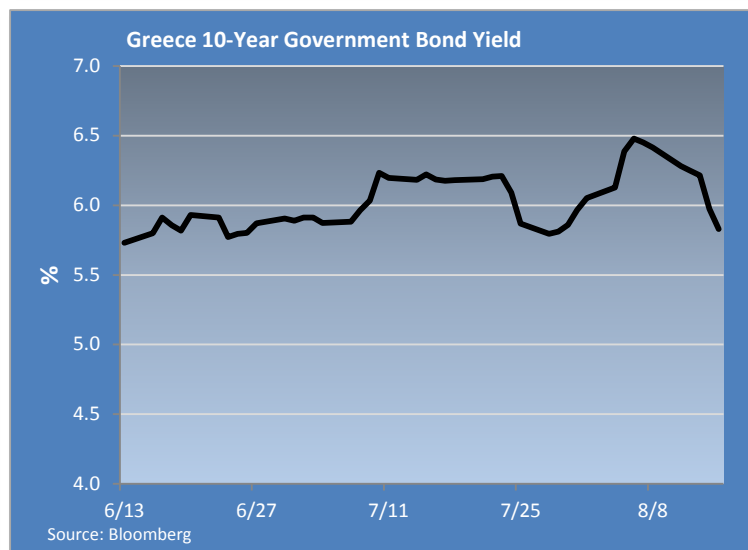
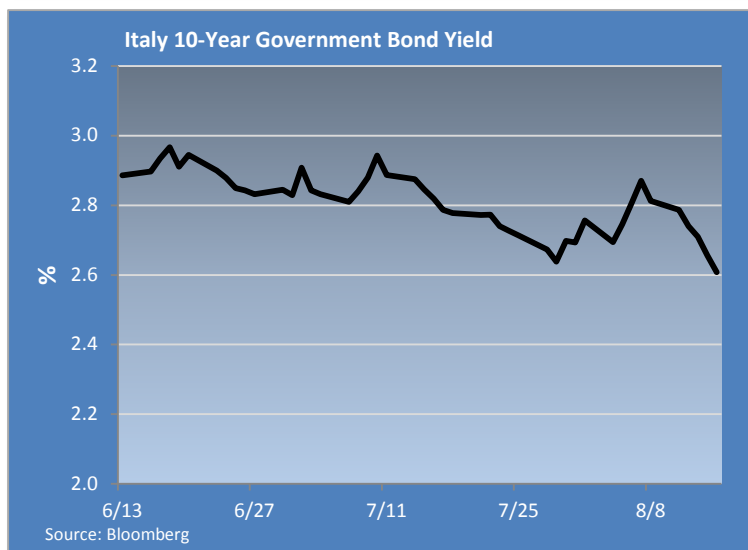
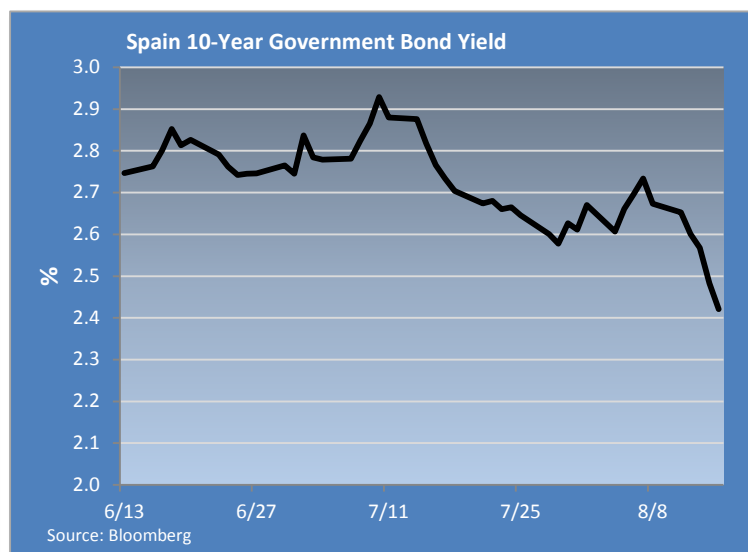
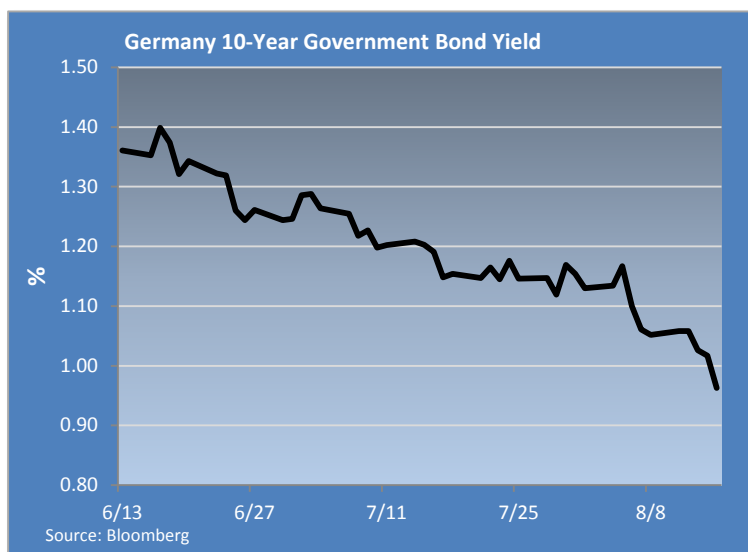
SELECTED EUROPEAN SOVEREIGN YIELD PERFORMANCE

	Last	Change	% Chg.	YTD %
Germany 10-Yr. Govt.	0.96	8 bps	NM	NM
Greece 10-Yr. Govt.	5.83	37 bps	NM	NM
Italy 10-Yr. Govt.	2.61	18 bps	NM	NM
Spain 10-Yr. Govt.	2.42	23 bps	NM	NM
Belgium 10-Yr. Govt.	1.35	11 bps	NM	NM

	Last	Change	% Chg.	YTD %
France 10-Yr. Govt.	1.35	10 bps	NM	NM
Ireland 10-Yr. Govt.	1.98	24 bps	NM	NM
Portugal 10-Yr. Govt.	3.49	29 bps	NM	NM
Netherlands 10-Yr. Govt.	1.15	9 bps	NM	NM
U.K. 10-Yr. Govt.	2.35	9 bps	NM	NM

Source: Bloomberg

Basis points (bps)



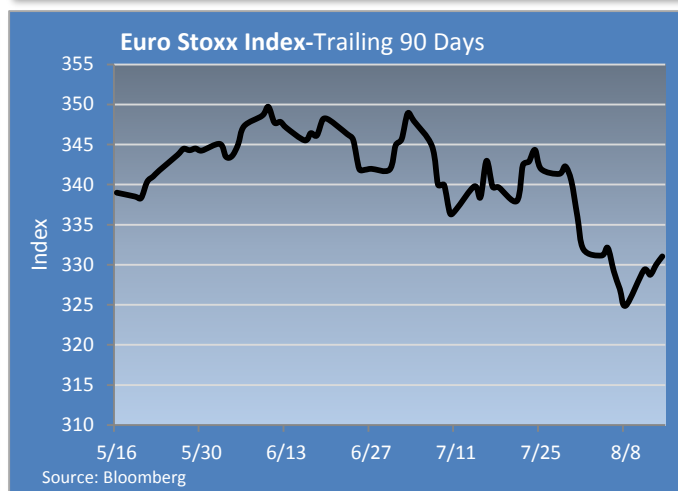
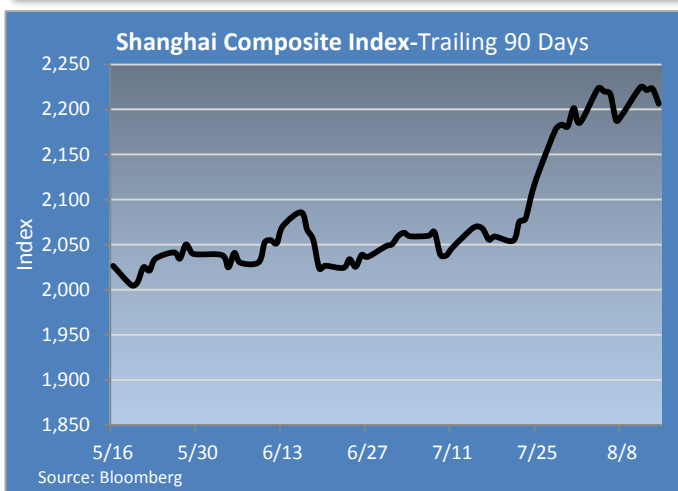
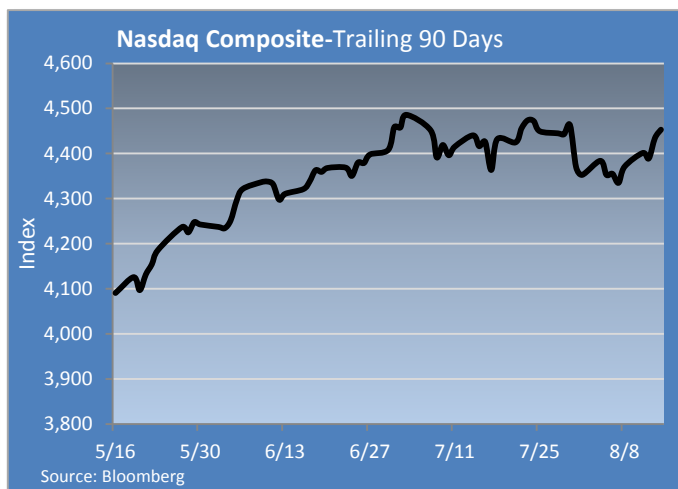
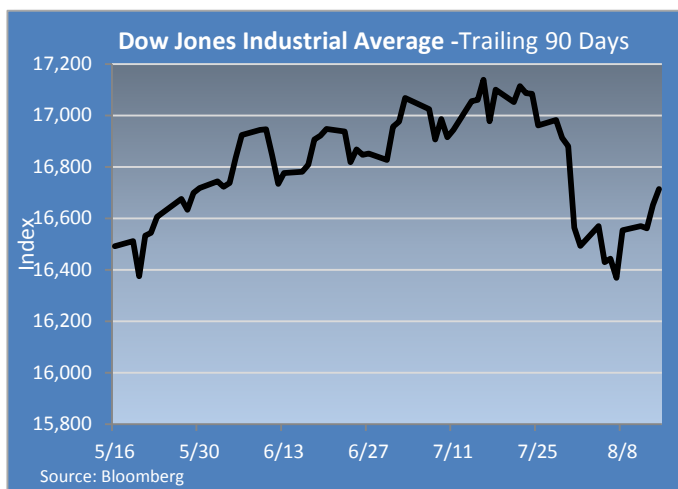
EQUITIES

WORLD MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
S&P 500	1,955.06	20.26	1.05%	5.60%
Dow Industrials	16,662.91	75.04	0.45%	0.32%
Nasdaq Composite	4,464.93	77.15	1.76%	6.50%
Russell Global	1,754.61	28.09	1.63%	3.6%
Russell Global EM	3,328.82	80.49	2.48%	7.2%
S&P/TSX (Canada)	15,304.24	29.86	0.20%	11.78%
Mexico IPC	44,629.33	546.85	1.24%	4.51%
Brazil Bovespa	56,963.65	765.76	1.38%	9.38%
Euro Stoxx 600	329.72	6.19	1.91%	0.87%
FTSE 100	6,689.08	143.00	2.18%	-0.57%
IBEX 35 (Spain)	10,222.20	188.80	1.87%	3.80%

	Last	Change	% Chg.	YTD %
Swiss Market Index	8,366.73	138.20	1.67%	2.56%
CAC 40 Index (France)	4,174.36	50.31	1.21%	-2.28%
DAX Index (Germany)	9,092.60	143.86	1.60%	-4.18%
Irish Overall Index	4,672.59	157.75	3.48%	3.29%
Nikkei 225	15,318.34	539.97	3.65%	-5.97%
Hang Seng Index	24,954.94	623.53	2.56%	7.07%
Shanghai Composite	2,226.73	32.31	1.47%	5.23%
Kospi Index (S. Korea)	2,063.22	8.71	0.42%	2.58%
Taiwan Taiex Index	9,206.81	120.85	1.33%	6.91%
Tel Aviv 25 Index	1,389.35	3.19	0.23%	4.51%
MICEX Index (Russia)	1,417.82	69.61	5.16%	-5.74%

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



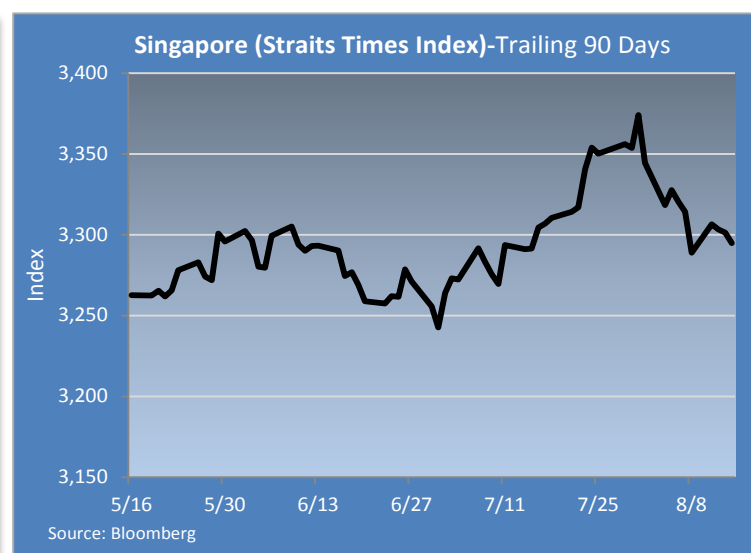
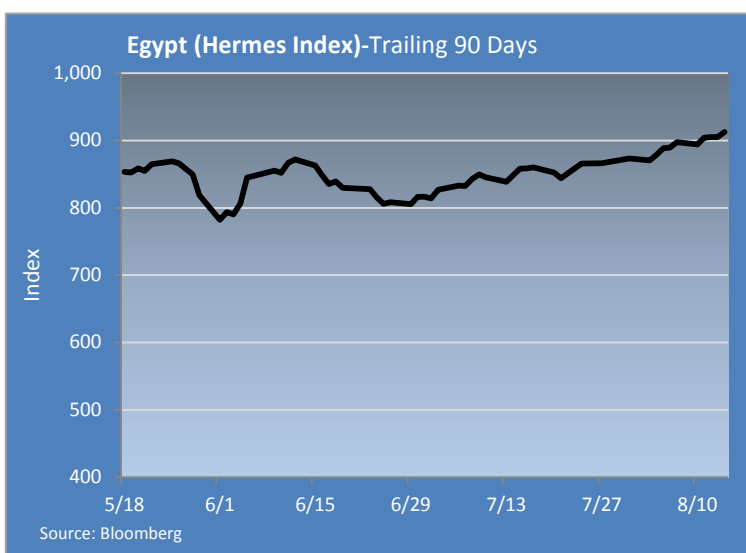
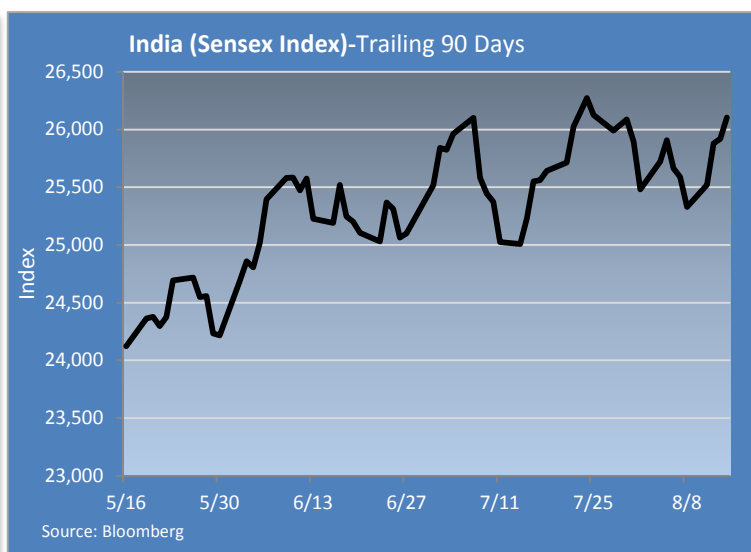
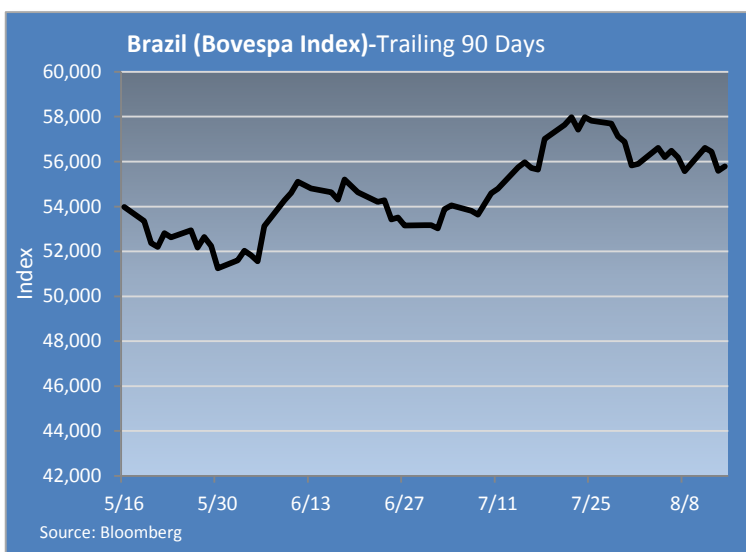
EQUITIES – EMERGING AND FRONTIER MARKETS

EMERGING AND FRONTIER MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
Mexico IPC	44,623.30	546.85	1.2%	4.5%
Brazil (Bovespa Index)	56,898.54	765.76	1.4%	9.4%
MICEX Index (Russia)	1,417.82	69.61	5.2%	-5.7%
Czech Republic (Prague)	983.90	33.24	3.5%	-0.5%
Turkey (Istanbul)	76,692.07	-2507.34	-3.2%	13.1%
Egypt (Hermes Index)	912.57	14.91	1.7%	35.1%
Kenya (Nairobi 20 Index)	5,042.90	39.12	0.8%	2.4%
Saudi Arabia (TASI Index)	10,588.26	35.78	0.3%	24.0%
Lebanon (Beirut BLOM Index)	1,200.83	9.53	0.8%	4.4%
Palestine	519.62	3.71	0.7%	-4.0%

	Last	Change	% Chg.	YTD %
Hang Seng Index	24,954.94	623.53	2.6%	7.1%
India (Sensex 30)	26,103.23	774.09	3.1%	23.3%
Malaysia (KLCI Index)	1,864.31	24.44	1.3%	-0.1%
Singapore (Straits Times Index)	3,314.77	25.88	0.8%	4.7%
Thailand (SET Index)	1,546.62	24.21	1.6%	19.1%
Indonesia (Jakarta)	5,148.96	95.20	1.9%	20.5%
Pakistan (Karachi KSE 100)	28,917.75	-462.75	-1.6%	14.5%
Vietnam (Ho Chi Minh)	604.24	-1.19	-0.2%	19.7%
Sri Lanka (Colombo)	6,943.85	25.62	0.4%	17.4%
Cambodia (Laos)	1,406.97	8.70	0.6%	12.3%

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

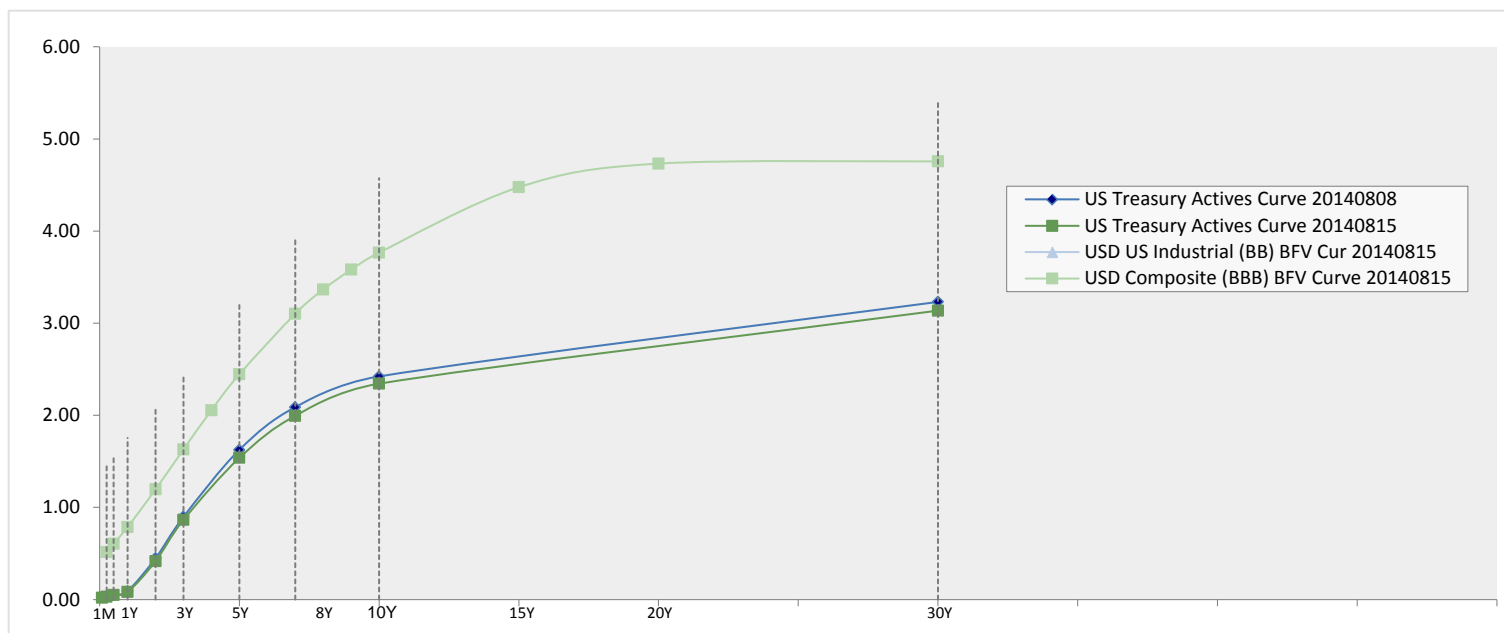


INTEREST RATES

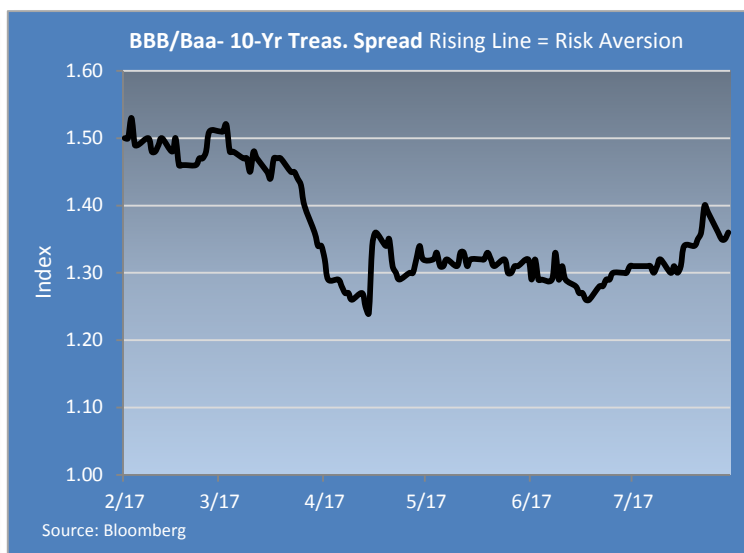
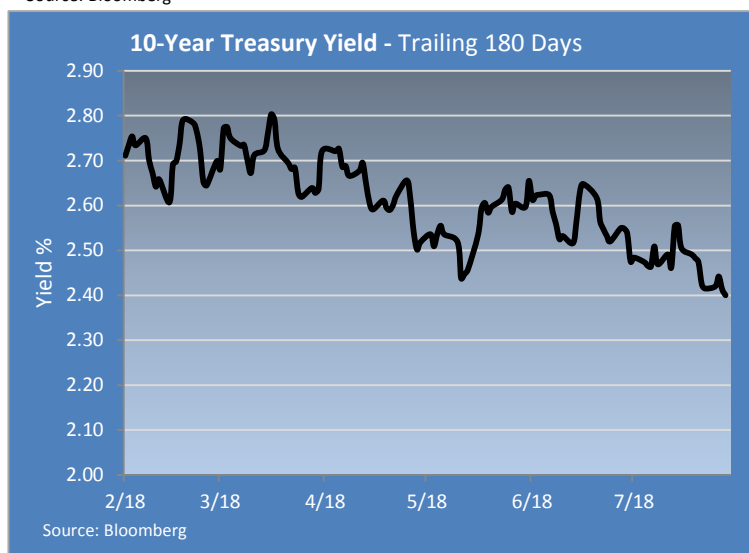
SELECTED INTEREST RATES

	Last	Change	% Chg.	YTD %		Last	Change	% Chg.	YTD %
2-Yr. U.S. Treasury	0.40%	1 bps	NM	NM	Prime Rate	3.25%	0.00	NM	NM
5-Yr. U.S. Treasury	1.54%	-9 bps	NM	NM	Fed Funds Rate	0.25%	0.00	NM	NM
10-Yr. U.S. Treasury	2.35%	-8 bps	NM	NM	Discount Rate	0.75%	0.00	NM	NM
30-Yr. U.S. Treasury	3.14%	-10 bps	NM	NM	LIBOR (3 Mo.)	#VALUE!	0 bps	NM	NM
German 10-Yr. Govt.	0.96%	8 bps	NM	NM	Bond Buyer 40 Muni	3.99%	-4 bps	NM	NM
France 10-Yr.	1.35%	10 bps	NM	NM	Bond Buyer 40 G.O.	4.24%	NA	NM	NM
Italy 10-Yr.	2.61%	18 bps	NM	NM	Bond Buyer 40 Rev.	4.86%	NA	NM	NM
Fed 5-Yr Fwd BE Inf.	2.49%	-1 bps	NM	NM					

Source: Bloomberg



Source: Bloomberg



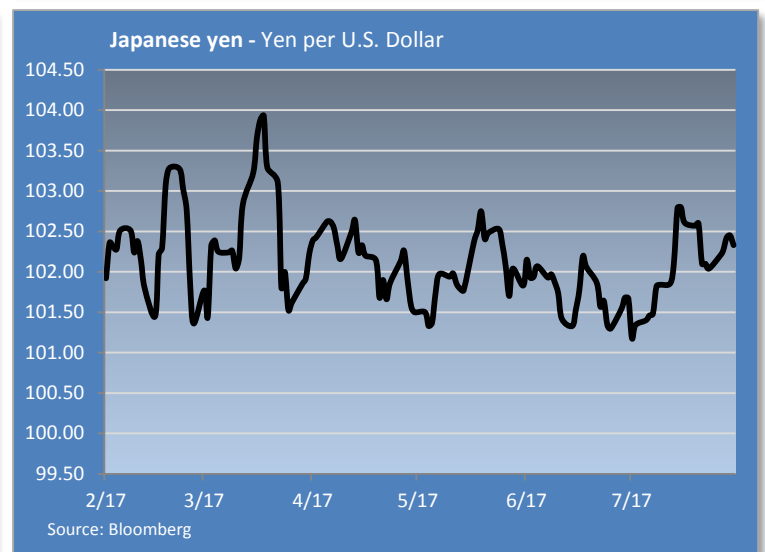
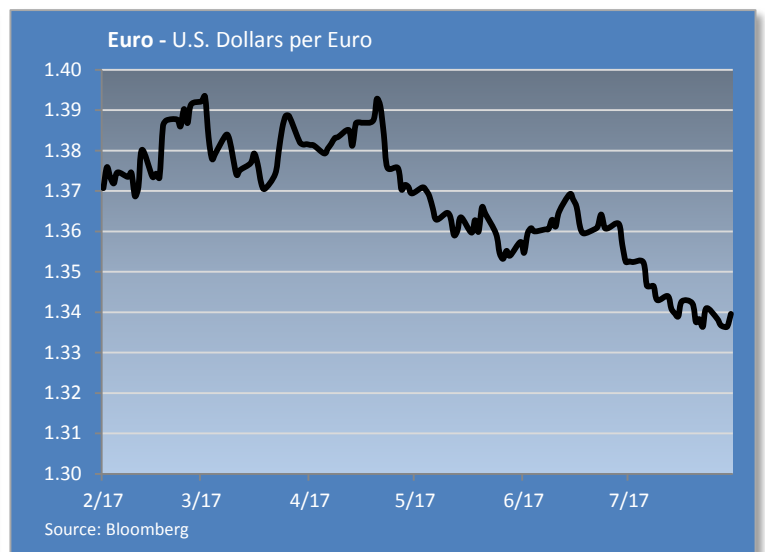
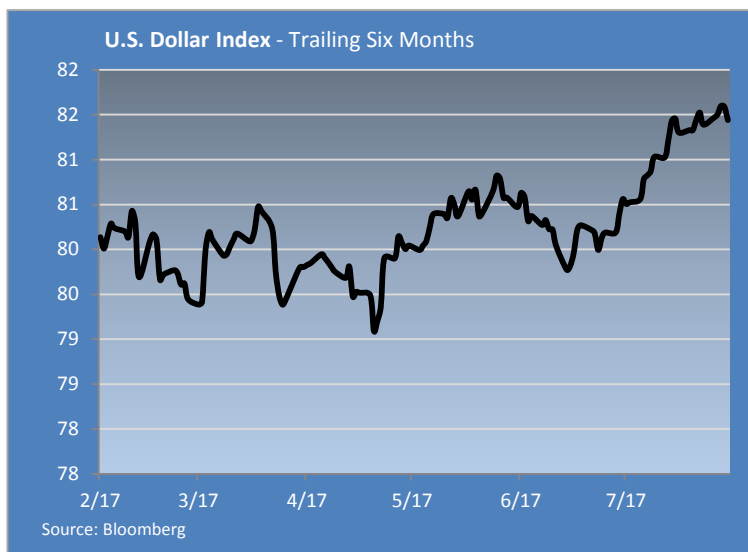
CURRENCIES

SELECTED CURRENCY PERFORMANCE

	Last	Change	% Chg.	YTD %
Dollar Index	81.43	0.107	0.13%	1.83%
Euro	1.34	-0.001	-0.10%	-2.52%
Japanese Yen	102.34	0.280	-0.27%	2.92%
British Pound	1.67	-0.009	-0.51%	0.79%
Canadian Dollar	1.09	-0.006	0.59%	-2.62%

	Last	Change	% Chg.	YTD %
Chinese Yuan	6.15	-0.009	0.15%	-1.51%
Swiss Franc	0.90	-0.002	0.25%	-1.13%
New Zealand Dollar	0.85	0.003	0.31%	3.34%
Brazilian Real	2.26	-0.011	0.49%	3.96%
Mexican Peso	13.07	-0.152	1.16%	-0.46%

Source: Bloomberg



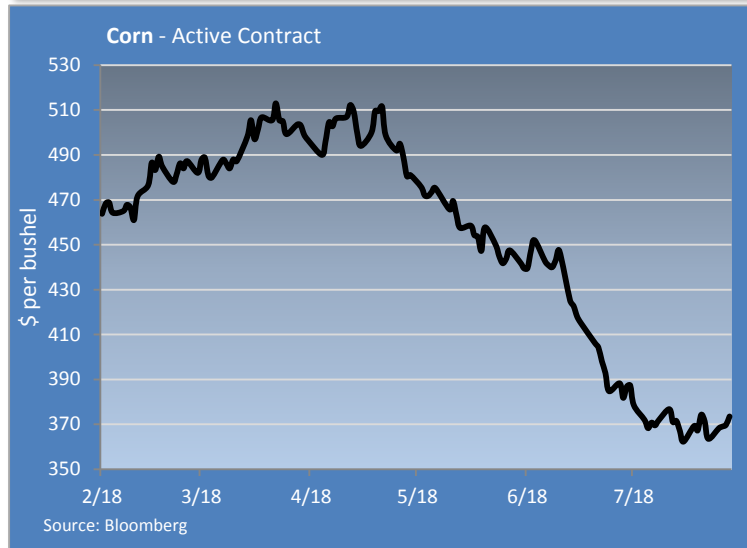
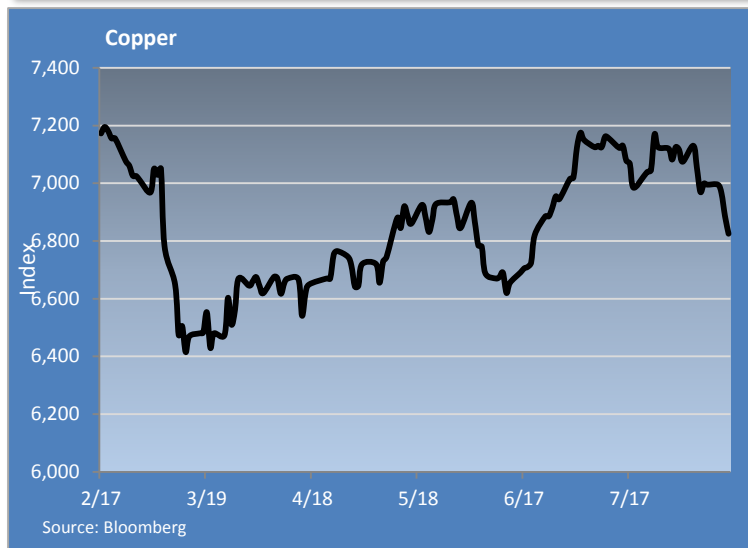
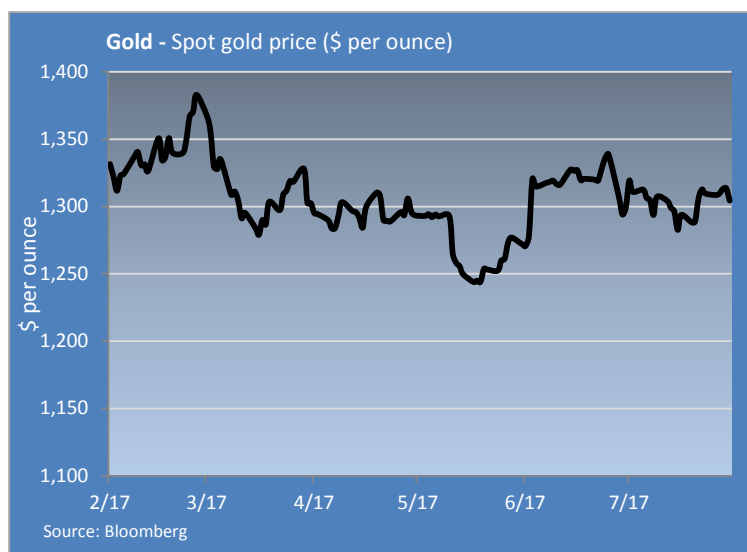
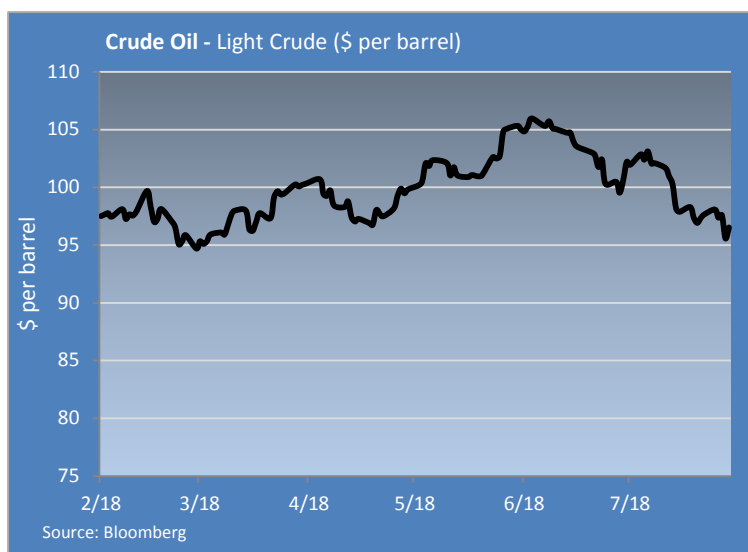
COMMODITIES

SELECTED COMMODITY MARKET PERFORMANCE

	Last	Change	% Chg.	YTD %
DJ UBS Comm. Idx.	125.71	-1.83	-1.44%	-0.20%
Rogers Int. Comm. Idx.	3475.11	-69.43	-1.96%	-2.28%
Crude Oil	\$97.03	-\$1.01	-1.03%	1.98%
Natural Gas	\$3.79	-\$0.19	-4.82%	-9.02%
Gasoline (\$/Gal.)	\$3.47	-\$0.01	-0.26%	4.36%
Heating Oil	283.80	-3.13	-1.09%	-5.32%
Gold Spot	\$1,304.45	-\$4.73	-0.36%	8.59%
Silver Spot	\$19.61	-\$0.21	-1.04%	1.11%

	Last	Change	% Chg.	YTD %
Platinum Spot	\$1,455.63	-\$19.72	-1.34%	6.18%
Corn	377.00	14.25	3.92%	-16.10%
Wheat	563.50	-3.00	-0.53%	-12.10%
Soybeans	1,052.00	-27.00	-2.49%	-6.81%
Sugar	15.92	-0.21	-1.30%	-6.57%
Orange Juice	148.20	9.80	7.00%	3.88%
Aluminum	1,997.00	-27.00	-1.33%	10.93%
Copper	6,825.00	-170.00	-2.43%	-7.27%

Source: Bloomberg; % change is based on price.



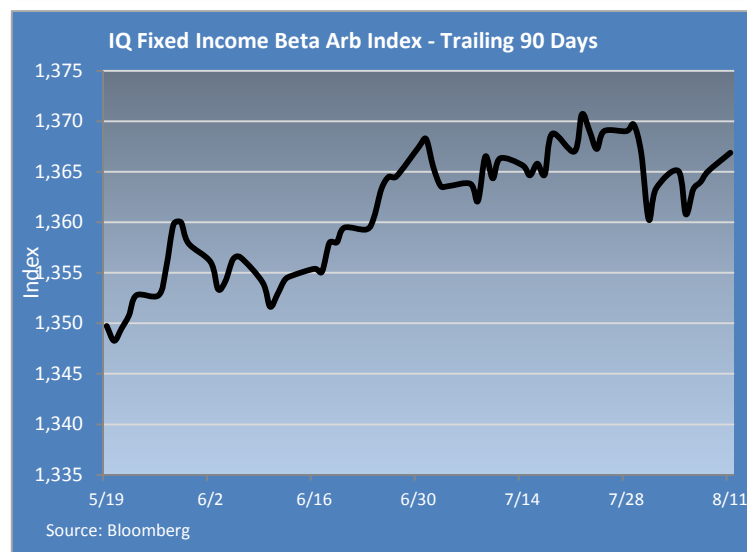
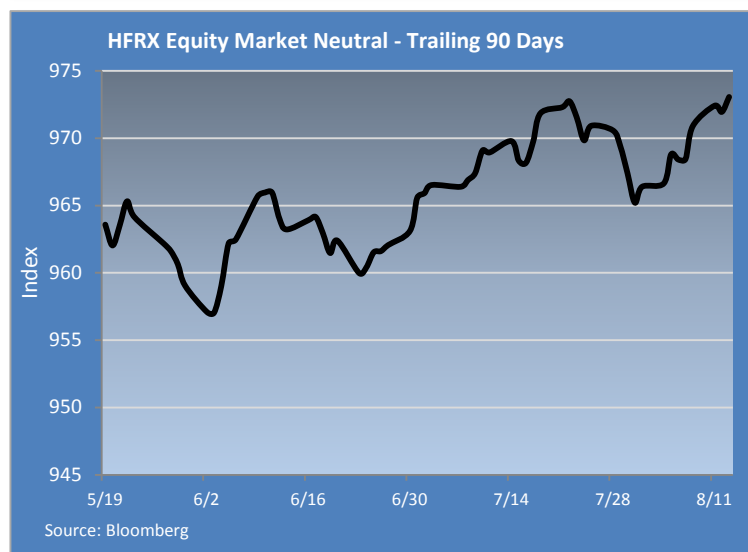
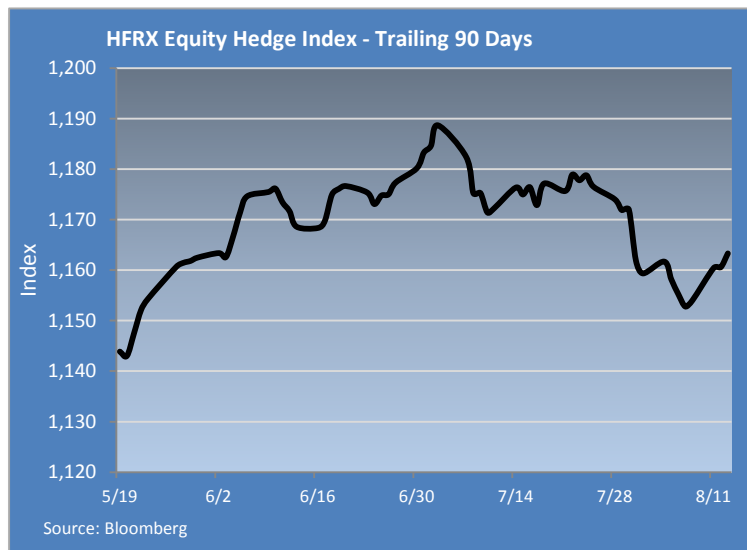
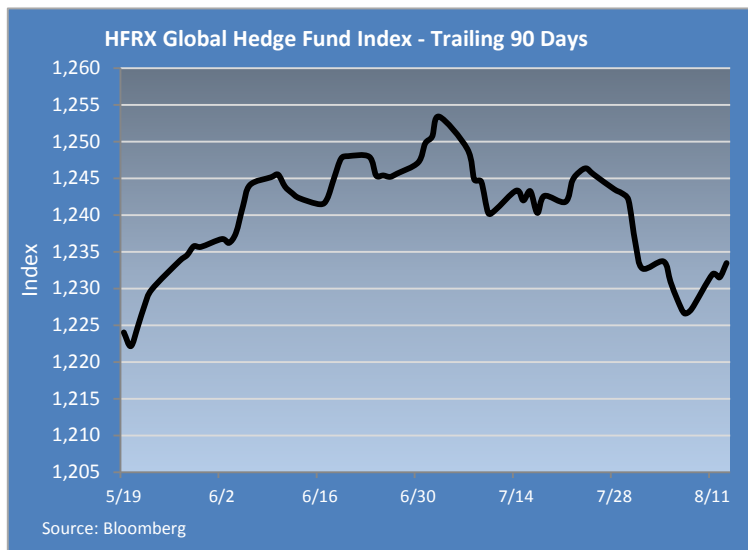
ALTERNATIVE INVESTMENTS

SELECTED ALTERNATIVE INVESTMENT INDEX PERFORMANCE

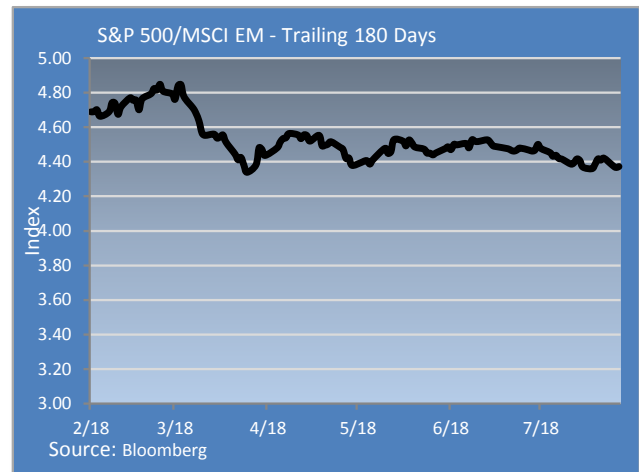
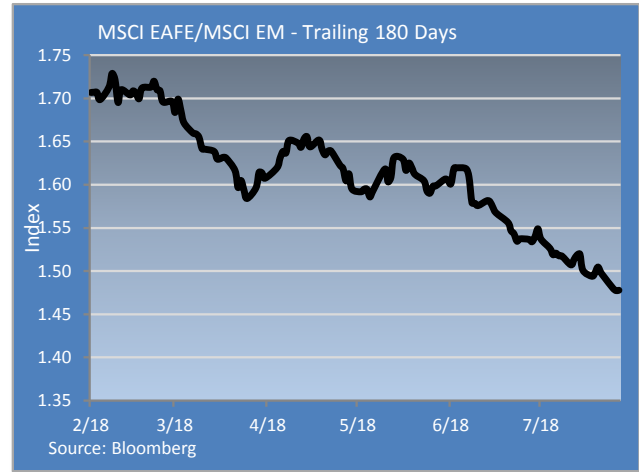
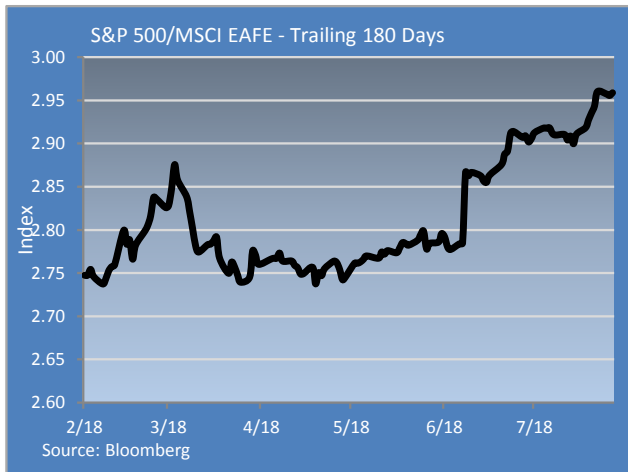
	Last	Change	% Chg.	YTD %
HFRX Global Hedge Fund Index	1226.61	6.28	0.51%	0.65%
HFRX Equity Market Neutral	968.45	2.16	0.22%	2.23%
HFRX Equity Hedge Index	1152.78	9.28	0.80%	-0.18%
HFRX Event-Driven Index	1616.80	5.55	0.34%	3.27%
HFRX Absolute Return Index	991.86	5.57	0.56%	0.63%

	Last	Change	% Chg.	YTD %
HFRX Distressed Index	1063.56	2.55	0.24%	5.96%
HFRX Merger Arbitrage Index	1574.56	1.59	0.10%	0.37%
HFRX Convertible Arbitrage Index	773.13	0.18	0.02%	-0.45%
HFRX Macro CTA Index	1117.85	8.39	0.75%	-0.97%
IQ Fixed Income Beta Arb Index	1373.52	8.40	0.62%	5.76%

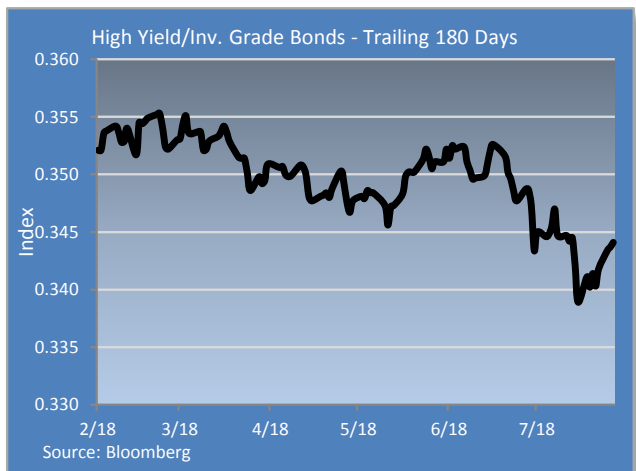
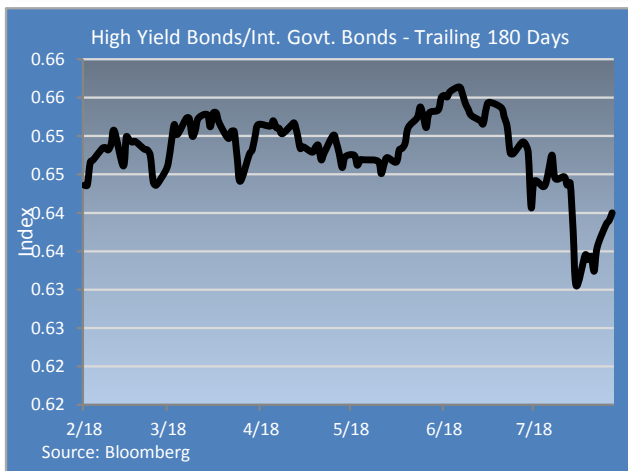
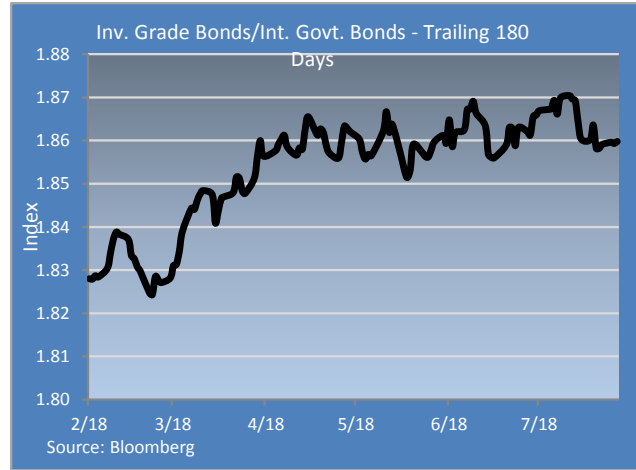
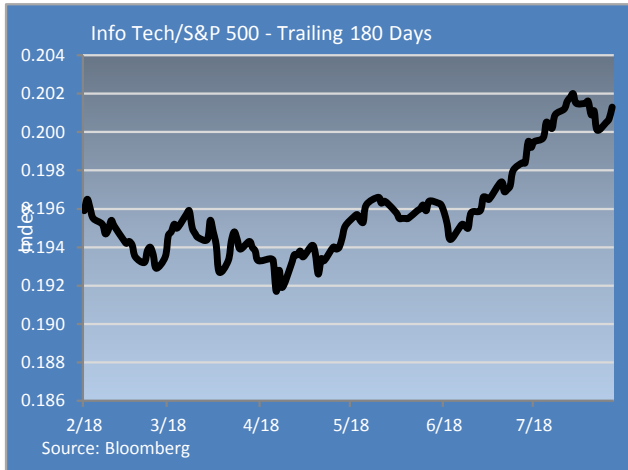
Source: Bloomberg; Index % change is based on price.



PORTFOLIO CONSTRUCTION



PORTFOLIO CONSTRUCTION (cont'd.)



WEEKLY ASSET CLASS PERFORMANCE (Prior 12 weeks ending Thursday)

			5/29	6/5	6/12	6/19	6/26	7/3	7/10	7/17	7/24	7/31	8/7	8/14
Equity	Domestic Equity	Large Cap (R200)	1.37%	0.96%	-0.52%	1.48%	-0.16%	1.47%	-0.97%	-0.15%	1.55%	-2.89%	-1.16%	2.36%
		Small Cap (R2000)	2.35%	1.22%	0.47%	2.12%	-0.28%	2.32%	-3.83%	-2.43%	2.00%	-3.13%	-0.03%	2.11%
	Int'l. Equity	MSCI EAFE	1.09%	0.30%	0.52%	1.06%	-1.48%	1.64%	-2.59%	0.56%	0.74%	-1.86%	-2.56%	1.16%
		MSCI Em. Mkts.	-0.24%	-0.35%	1.91%	0.46%	-0.30%	1.47%	0.02%	0.02%	1.72%	-1.40%	-1.37%	2.01%
Fixed Income	BarCap Agg. (AGG)	0.41%	-0.57%	-0.03%	0.15%	0.59%	-0.70%	0.36%	0.30%	-0.20%	-0.17%	0.38%	0.26%	
	High Yield (JNK)	0.29%	-0.24%	0.29%	0.43%	0.07%	-0.38%	-0.53%	-0.87%	0.71%	-1.79%	-0.07%	1.55%	
Commodities	DJ UBS Index	-0.63%	-1.08%	0.74%	1.48%	0.07%	-1.57%	-2.29%	-0.88%	-0.72%	-0.88%	-0.14%	-1.63%	
Alternatives	Hedge Funds (HFRX Global)	0.65%	0.44%	0.14%	0.38%	-0.20%	0.56%	-1.05%	0.00%	0.49%	-0.82%	-0.77%	0.56%	
Asset Allocation	60/40*	0.96%	0.22%	0.07%	0.76%	-0.10%	0.73%	-0.96%	-0.14%	0.83%	-1.68%	-0.68%	1.36%	
	48/32/20 (w/Alts.)**	0.90%	0.27%	0.08%	0.69%	-0.12%	0.71%	-0.98%	-0.11%	0.76%	-1.51%	-0.69%	1.20%	

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	0.98	1.03	1.00	1.00	1.02	1.08	1.05	1.12	1.23	0.92	0.90	1.66	0.92	1.06
Large Cap Growth	1.02	1.00	1.05	1.03	1.02	1.04	1.10	1.07	1.14	1.25	0.94	0.92	1.69	0.94	1.08
Large Cap Value	0.97	0.95	1.00	0.98	0.97	0.99	1.05	1.02	1.09	1.19	0.90	0.87	1.62	0.90	1.03
Mid Cap Core	1.00	0.98	1.02	1.00	0.99	1.01	1.08	1.05	1.11	1.22	0.92	0.89	1.65	0.92	1.06
Mid Cap Growth	1.00	0.98	1.03	1.01	1.00	1.02	1.08	1.05	1.12	1.23	0.93	0.90	1.67	0.92	1.06
Mid Cap Value	0.98	0.96	1.01	0.99	0.98	1.00	1.06	1.03	1.10	1.21	0.91	0.88	1.63	0.91	1.04
Small Cap Core	0.93	0.91	0.95	0.93	0.92	0.94	1.00	0.97	1.04	1.14	0.86	0.83	1.54	0.85	0.98
Small Cap Growth	0.95	0.93	0.98	0.96	0.95	0.97	1.03	1.00	1.07	1.17	0.88	0.85	1.58	0.88	1.01
Small Cap Value	0.89	0.88	0.92	0.90	0.89	0.91	0.96	0.94	1.00	1.10	0.83	0.80	1.48	0.82	0.95
Int'l. Developed	0.82	0.80	0.84	0.82	0.81	0.83	0.88	0.86	0.91	1.00	0.75	0.73	1.35	0.75	0.87
Emerging Markets	1.08	1.06	1.11	1.09	1.08	1.10	1.17	1.14	1.21	1.33	1.00	0.97	1.79	1.00	1.15
REITs	1.12	1.09	1.14	1.12	1.11	1.13	1.20	1.17	1.25	1.37	1.03	1.00	1.85	1.03	1.18
Commodities	0.60	0.59	0.62	0.61	0.60	0.61	0.65	0.63	0.67	0.74	0.56	0.54	1.00	0.55	0.64
Int. Bond	1.09	1.06	1.11	1.09	1.08	1.10	1.17	1.14	1.22	1.33	1.00	0.97	1.80	1.00	1.15
High Yield	0.94	0.92	0.97	0.95	0.94	0.96	1.02	0.99	1.06	1.16	0.87	0.85	1.56	0.87	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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