



Economic & Market Overview 1Q 2011

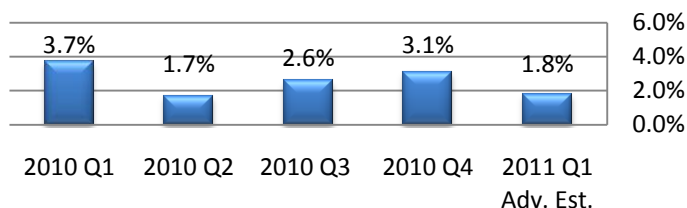
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Overview: Global equity markets extended their gains during the first quarter of 2011, with all major equity indices except Japan posting positive returns. Markets were supported by healthy corporate earnings and continued improvement in economic conditions. Volatility briefly surged triggered by conflicts in the Middle East and North Africa, as well as a devastating earthquake and tsunami in Japan. Although long-term market outlook indicates improving economic fundamentals, downside risks and volatility remain. Concerns over inflationary pressure driven by rising commodity prices, a lingering debt crisis in Europe, political unrest in the Middle East and North Africa, and uncertainty over Japan's recovery continue to represent headwinds for the global economy and markets.

Economic Growth

- The "advance" estimate of real GDP grew at an annualized rate of 1.8 percent in the first quarter of 2011, declining from 3.1 percent in 4Q 2010.
- The slowdown in GDP growth was attributed to strong imports and slowed exports, decreases in consumer and government spending, and slowed business structure investment.
- The GDP growth reflected positive contribution from an increase in inventory investment.

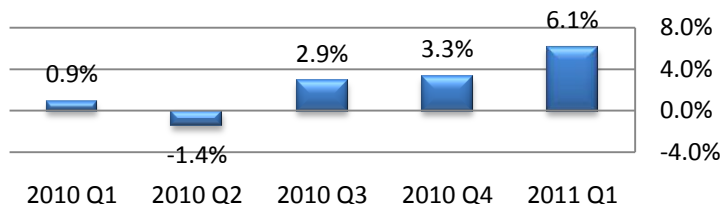
Annualized Quarterly GDP Growth



Inflation

- The Consumer Price Index for All Urban Consumers (CPI-U) increased by 6.1 percent in the quarter on an annualized basis, after seasonal adjustment.
- Core CPI-U increased 2.0 percent for the quarter.
- Over the last 12 months, CPI-U increased 2.7 percent before seasonal adjustment.

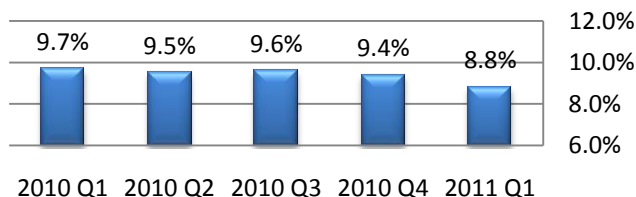
CPI-U After Seasonal Adjustment



Unemployment

- The U.S. economy gained 444,000 jobs in the quarter.
- The official unemployment rate fell from 9.4 to 8.8 percent in March.
- The majority of jobs gained were professional and business services, health care, leisure & hospitality, and mining.

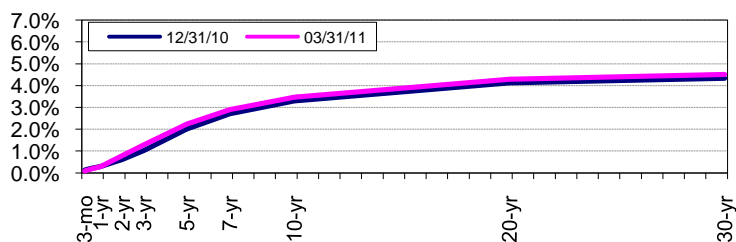
Unemployment Rate



Interest Rates & U.S. Dollar

- Except for the 3- and 6-month T-bills, the U.S. Treasury yields rose across the maturity spectrum during the quarter.
- The Federal Reserve has maintained the Federal Funds rate between 0.00% and 0.25% since December 2008.
- The U.S. dollar appreciated against the Yen by 2.5%, while depreciating against the Euro and the Sterling by (5.8%) and (2.7%), respectively.

Treasury Yield Curve Changes

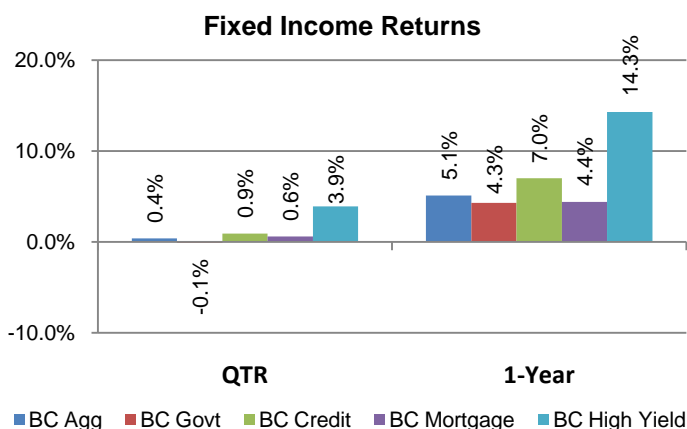


Source: U.S. Treasury Department



Fixed Income

- The bond markets rebounded from last quarter and posted returns mostly in the positive territory. The Federal Reserve is paying close attention to inflationary pressure after two rounds of quantitative easing. However, the Fed has not decided to raise interest rates even though some central banks are beginning to implement monetary tightening.
- High Yield continued to outperform other sectors during both the current quarter and trailing 1-year period. Investment credit and CMBS also generated strong returns during the same periods.

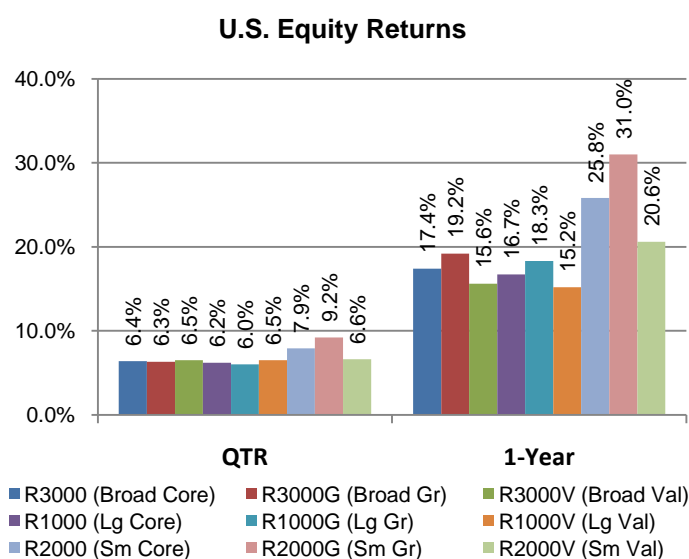


U.S. Fixed Income Sector Performance (BC Aggregate Index)			
Sector	Weight	QTR	1 Year
Governments*	36.6%	-0.1%	4.3%
Agencies	8.3%	0.3%	3.8%
MBS	33.0%	0.6%	4.4%
ABS	0.3%	0.6%	4.2%
CMBS	2.4%	2.1%	12.6%
Inv. Grade Credit	19.4%	0.9%	7.0%

*U.S. Treasuries and Government Related

U.S. Equities

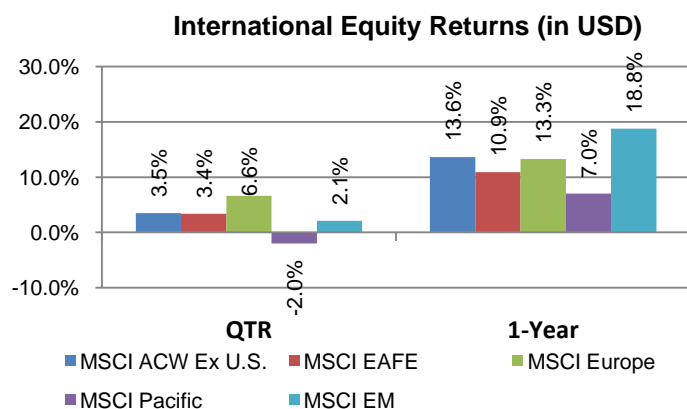
- The U.S. stock market generated solid gains, with the Russell 3000 returning 6.4% over the quarter and 17.4% over the latest one year, underpinned by strong corporate earnings and improving job data. However, housing market data remains weak.
- Major U.S. equity indices outperformed major international equity indices for the most part during the current quarter and trailing 1-year period. Growth indices trumped value except in large cap, while small stocks excelled over large stocks.
- Within sectors, cyclical sectors generated the strongest performance during the current quarter and trailing 1-year period, benefiting from surging energy prices and economic expansion.



U.S. Equity Sector Performance (Russell 3000 Index)			
Sector	Weight	QTR	1 Year
Energy	12.4%	16.9%	41.1%
Industrials	11.9%	8.8%	24.1%
Health Care	11.2%	6.7%	8.0%
Materials	4.3%	5.5%	26.7%
Consumer Disc	11.3%	4.8%	21.7%
Telecom Svc	2.7%	4.4%	27.4%
Information Tech	18.0%	4.4%	15.1%
Utilities	3.3%	4.1%	14.6%
Financials	16.1%	3.5%	5.6%
Consumer Staples	8.8%	3.1%	11.2%

International Equities

- The international equity markets, with the exception of Japan which was affected by the destruction caused by the earthquake and tsunami, advanced as investors focused on strong corporate earnings and improving economic outlook.
- Emerging markets lagged developed markets (except Japan) during the quarter as inflationary worries and their central banks' monetary tightening dampened valuations.



International Equity Region Performance (in USD) (MSCI ACW Index ex U.S.)			
Sector	Weight	QTR	1 Year
United Kingdom	14.4%	3.8%	13.6%
Europe Ex. UK	30.0%	8.0%	13.1%
Japan	13.8%	-4.9%	1.6%
Pacific Ex. Japan	9.1%	2.8%	16.7%
Canada	8.4%	7.8%	23.1%
Emerging Markets	23.9%	2.1%	18.8%

Market Summary – Long-term Performance*

Indexes	1 Year	3 Year	5 Year	10 Year
Global Equity				
MSCI All Country World	14.6%	0.9%	3.5%	5.5%
Domestic Equity				
S&P 500	15.6%	2.4%	2.6%	3.3%
Russell 3000	17.4%	3.4%	2.9%	4.1%
Russell 3000 Growth	19.2%	5.6%	4.3%	3.3%
Russell 3000 Value	15.6%	1.1%	1.4%	4.9%
Russell 1000	16.7%	3.0%	2.9%	3.8%
Russell 1000 Growth	18.3%	5.2%	4.3%	3.0%
Russell 1000 Value	15.2%	0.6%	1.4%	4.5%
Russell 2000	25.8%	8.6%	3.3%	7.9%
Russell 2000 Growth	31.0%	10.2%	4.3%	6.4%
Russell 2000 Value	20.6%	6.8%	2.2%	9.0%
International Equity				
MSCI All Country World ex US	13.6%	-0.4%	4.1%	7.8%
MSCI EAFE	10.9%	-2.5%	1.8%	5.8%
MSCI Pacific	7.0%	-0.1%	0.1%	5.1%
MSCI Europe	13.3%	-3.5%	2.6%	6.2%
MSCI EM (Emerging Markets)	18.8%	4.6%	11.0%	17.1%
Fixed Income				
BC Aggregate Bond	5.1%	5.3%	6.0%	5.6%
BC Government	4.3%	3.7%	5.6%	5.1%
BC Credit Bond	7.0%	7.0%	6.4%	6.2%
BC Mortgage Backed Securities	4.4%	5.9%	6.5%	5.7%
BC High Yield Corporate Bond	14.3%	12.9%	9.1%	8.6%
Real Estate				
NCREIF (Private RE)	16.0%	-3.6%	3.5%	7.5%
NAREIT (Public RE)	24.4%	3.0%	1.1%	10.9%
Commodity Index				
DJ-UBS Commodity	28.5%	-5.2%	2.6%	7.1%

* Performance is annualized for periods greater than one year.