



Economic & Market Overview 3Q 2011

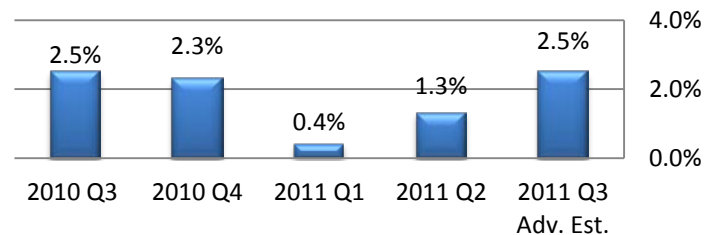
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Overview: Investors struggled with globally weak economic data in the third quarter. Heightened market volatility was propelled by European and US political gridlock, downgrades of sovereign debt, and fears of proliferating contagion in the euro zone debt crisis. Investors retreated to the relative safety of US Treasuries, despite the negative implication of S&P's downgrade of US sovereign debt. The focus shifted from the pursuance for yield that prevailed for several quarters, to capital preservation as investors rushed to sell risky assets. While economic and political uncertainties translated into continued equity market volatility throughout the third quarter, equity prices rebounded in the fourth quarter and have virtually regained all of their losses during the month of October.

Economic Growth

- The "advance" estimate of real GDP grew at an annualized rate of 2.5 percent in the third quarter of 2011, rising from 1.3 percent in the second quarter.
- The rise in GDP growth was attributed to accelerated consumer spending, an upturn in durable goods, and accelerated investments in equipment and software.
- A large inventory investment decrease partially offset these contributions to third quarter GDP growth.

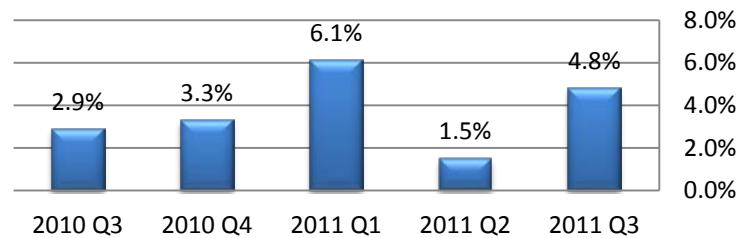
Annualized Quarterly GDP Growth



Inflation

- The Consumer Price Index for All Urban Consumers (CPI-U) increased by 4.8 percent in the quarter on an annualized basis, after seasonal adjustment.
- Core CPI-U increased 2.1 percent for the quarter, on an annualized basis.
- Over the last 12 months, CPI-U increased 3.9 percent before seasonal adjustment.

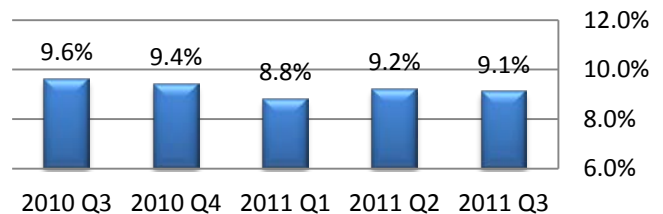
CPI-U After Seasonal Adjustment



Unemployment

- The U.S. economy gained 220,000 jobs in the quarter.
- The official unemployment rate fell from 9.2 to 9.1 percent in September.
- The majority of jobs gained continued to be in professional and business services, health care, as well as construction. Employment in information also increased due to the return of approximately 45,000 telecommunications workers to payrolls after an August strike.

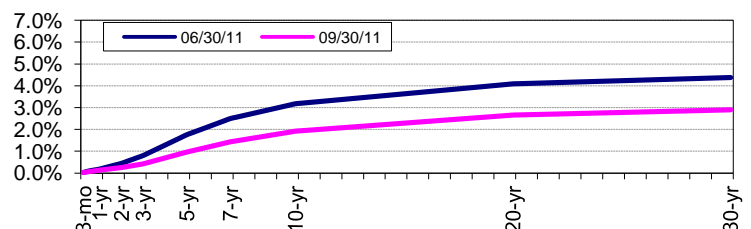
Unemployment Rate



Interest Rates & U.S. Dollar

- U.S. Treasury yields fell across the entire 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 Euro and the Sterling by 7.7% and 2.9%, respectively, while depreciating against the Yen by (4.3%).
- Subsequent to quarter end, rates plunged to near historic levels.

Treasury Yield Curve Changes

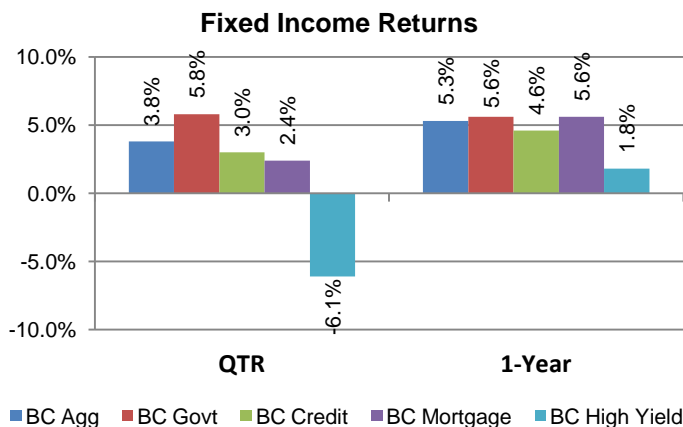


Source: U.S. Treasury Department



Fixed Income

- The bond markets continued to outperform the equity markets during the third quarter as weak macroeconomic data, unstable commodity prices, and global debt crises continued to shake investor confidence.
- The High Yield return for the quarter fell behind other sectors after outperforming the previous two-quarters.

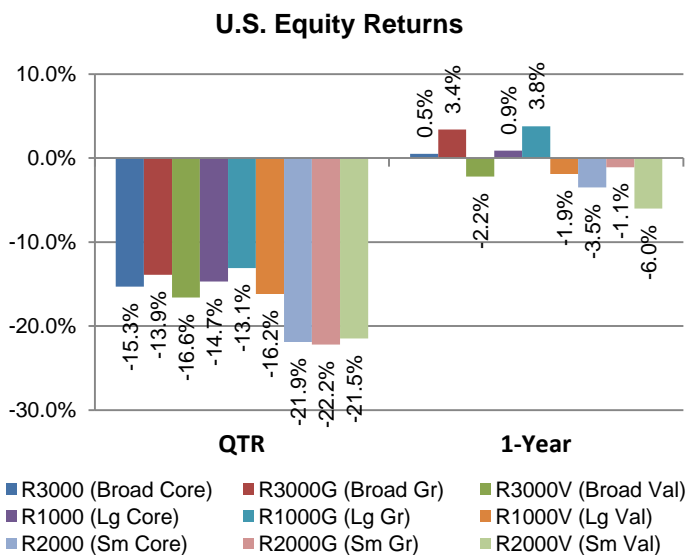


Sector	Weight	QTR	1 Year
Governments*	38.2%	5.8%	5.6%
Inv. Grade Credit	19.7%	3.0%	4.6%
Agencies	7.3%	2.8%	3.5%
MBS	32.4%	2.4%	5.6%
ABS	0.3%	2.4%	3.3%
CMBS	2.1%	-0.9%	3.8%

*U.S. Treasuries and Government Related

U.S. Equities

- The U.S. stock market experienced extreme volatility. Despite producing a negative return, US markets generally fared better than global markets over the quarter.
- Equity indices fell sharply during the quarter, pushing most to negative returns during the trailing 1-year period, as investor sentiment sank and stock price volatility increased. In addition, unemployment data and the housing market remain stubbornly weak.
- During the quarter, growth indices outperformed value, with the exception of small cap stocks where value outperformed growth.
- All sectors produced a negative or neutral return within the quarter, and only Utilities, Consumer Staples and Health Care produced a positive return for the trailing 12-month period.

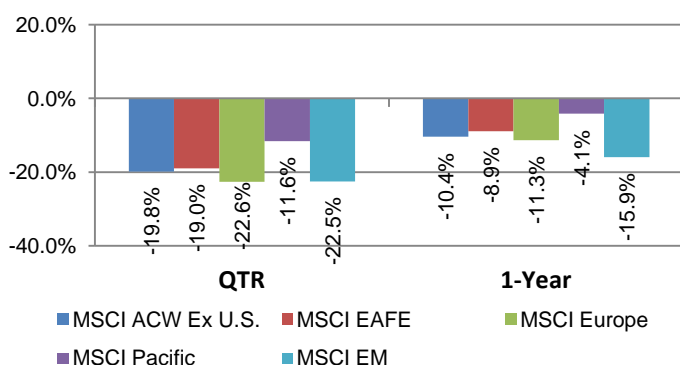


Sector	Weight	QTR	1 Year
Utilities	4.1%	0.0%	9.5%
Consumer Staples	10.1%	-4.5%	3.9%
Telecom Svc	3.0%	-9.6%	-3.2%
Information Tech	18.8%	-10.4%	-7.7%
Health Care	12.2%	-11.7%	0.7%
Consumer Disc	11.7%	-15.0%	-8.1%
Energy	10.7%	-21.5%	-12.9%
Financials	14.8%	-21.6%	-23.0%
Industrials	10.8%	-22.1%	-16.4%
Materials	3.9%	-25.1%	-22.0%

International Equities

- The international developed equity markets dropped sharply in the third quarter as the European debt crisis intensified, and an increased probability of Greek default and fear of spreading credit problems escalated.
- Emerging equities dropped in the third quarter as uncertainty and fear of a severe slow down drew investor concern, resulting in risk aversion amongst investors.

International Equity Returns (in USD)



International Equity Region Performance (in USD) (MSCI ACW Index ex U.S.)

Sector	Weight	QTR	1 Year
Japan	15.9%	-6.4%	0.1%
United Kingdom	15.2%	-15.4%	-5.3%
Canada	8.2%	-18.8%	-6.2%
Pacific Ex. Japan	8.9%	-19.7%	-10.8%
Emerging Markets	23.0%	-22.5%	-15.9%
Europe Ex. UK	28.3%	-26.0%	-14.2%

Market Summary – Long-term Performance*

Indexes	1 Year	3 Year	5 Year	10 Year	20 Year
Global Equity					
MSCI All Country World	5.5%	1.1%	-1.1%	5.0%	6.3%
Domestic Equity					
S&P 500	1.1%	1.2%	-1.2%	2.8%	7.6%
Russell 3000	0.5%	1.5%	-0.9%	3.5%	7.8%
Russell 3000 Growth	3.4%	4.5%	1.6%	3.2%	6.6%
Russell 3000 Value	-2.2%	-1.6%	-3.5%	3.6%	8.6%
Russell 1000	0.9%	1.6%	-0.9%	3.3%	7.9%
Russell 1000 Growth	3.8%	4.7%	1.6%	3.0%	6.7%
Russell 1000 Value	-1.9%	-1.5%	-3.5%	3.4%	8.5%
Russell 2000	-3.5%	-0.4%	-1.0%	6.1%	8.0%
Russell 2000 Growth	-1.1%	2.1%	1.0%	5.5%	5.5%
Russell 2000 Value	-6.0%	-2.8%	-3.1%	6.5%	10.0%
International Equity					
MSCI All Country World ex US	-10.4%	1.0%	-1.1%	7.3%	5.6%
MSCI EAFE	-8.9%	-0.7%	-3.0%	5.5%	4.9%
MSCI Pacific	-4.1%	2.5%	-1.9%	5.8%	1.7%
MSCI Europe	-11.3%	-2.1%	-3.6%	5.3%	7.3%
MSCI EM (Emerging Markets)	-15.9%	6.6%	5.2%	16.4%	9.0%
Fixed Income					
BC Aggregate Bond	5.3%	8.0%	6.5%	5.7%	6.7%
BC Government	5.6%	6.4%	6.6%	5.4%	6.6%
BC Credit Bond	4.6%	11.7%	6.7%	6.3%	7.2%
BC Mortgage Backed Securities	5.6%	7.0%	6.7%	5.6%	6.6%
BC High Yield Corporate Bond	1.8%	13.8%	7.1%	8.8%	8.2%
BC WGILB - Hedged	7.0%	6.9%	5.9%	6.4%	NA
Real Estate					
NCREIF (Private RE)	16.1%	-1.4%	3.4%	7.8%	7.6%
NAREIT (Public RE)	1.1%	-1.1%	-2.9%	8.6%	9.7%
Commodity Index					
DJ-UBS Commodity	0.0%	-5.7%	-1.1%	5.9%	NA

* Performance is annualized for periods greater than one year.