



# Market Update

Asset Consulting Group, Inc.

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Monthly Indices Report

(November 30, 2008)

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Monthly Report

November 2008

## U.S. ECONOMY

After significant deterioration in economic conditions over the past four months, a recession was officially announced in November by the National Bureau of Economic Research (NBER), a group of economists given the responsibility to decide peaks and troughs in economic activity. The NBER determined that a peak in the U.S. economic activity occurred in December 2007, the last month corporations added to their payrolls. While U.S. housing has been in a recession for some time, the pace of decline in economic activity has broadened and intensified considerably as both the manufacturing and service sectors contracted to record levels, further supporting the NBER's declaration.

### *Employers cut payrolls at the fastest pace in 34 years...*

U.S. employers cut payrolls by 533,000 last month, the most since 1.1 million jobs were lost in September 1983. This brings the total jobs lost this year to 1.91 million. Companies are clearly in a survival mode looking to cut costs and reign in investments to conserve cash as an enduring credit crunch is abundantly evident with banks continuing to tighten lending standards. Job losses were widespread among sectors as factory payrolls fell 85,000 and construction by 82,000, while the nation's service sectors decreased payrolls by 370,000, after losing 153,000 jobs in October.

### *The credit crunch has spiraled into a global economic downturn...*

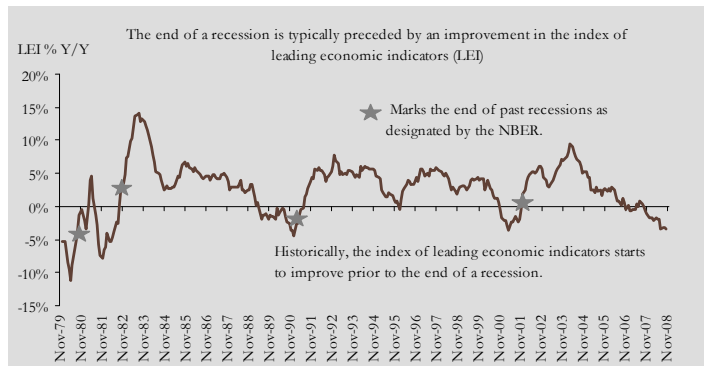
Manufacturing in the U.S. contracted in November at the fastest pace in 26 years as the Institute for Supply Management's (ISM) factory index sunk to its lowest since 1982. Domestic and foreign orders continue to weaken as economies, such as Europe and Japan, have also entered into recessions that are resulting in reduced production and cuts in payrolls. Moreover, consumers are hesitant to spend given the worsening outlook for employment. Consumer spending plunged by 3.7% in 3Q08 and is forecasted to fall 2% in November. This triggered a contraction in the ISM's services industries index, which make up almost 90% of the economy, to its lowest level since records began in 1997.

Economy at a Glance				
Recent growth indicators	Aug-08	Sep-08	Oct-08	Nov-08
ISM Manufacturing Composite*	49.9	43.5	38.9	36.2
ISM Non-Manufacturing Composite*	50.6	50.2	44.4	37.3
Conference Board Consumer Confidence**	58.5	61.4	38.8	44.9
Change in Payrolls (m-o-m, 000)**	-127	-403	-320	-533
Personal Income (% m-o-m)***	0.3	0.1	0.3	
Personal Spending (% m-o-m)***	-0.1	-0.3	-1	

Source: \*Institute for Supply Management (ISM), \*\*Bureau of Labor Statistics, \*\*\*Dept. of Commerce - one month lag

### *Historically U.S. recessions last 10 months on average...*

Since 1945 the U.S. has experienced 11 economic slumps lasting on average just over 10 months, with the two longest downturns, one that ended in March 1975 and the other in November 1982, lasting 16 months. December 2007 marked the peak in the most recent economic expansion, meaning the recession entered its 11<sup>th</sup> month by November, already an above average recession in terms of longevity. Economists now expect the current economic slowdown to be deeper and longer than previously forecast, rivaling the 1975 and 1982 downturns in terms of severity and longevity, as mounting job losses and declines in home values and financial assets continue to heavily impact households.



Source: Bloomberg

It is now expected that policymakers will continue to work to offset this weakness with new fiscal and monetary stimulus packages in an effort to ease the strains in the credit markets. In one new initiative the Federal Reserve (the Fed) pledged \$600 billion to buy home mortgage debt issued by Fannie Mae, Freddie Mac and Ginnie Mae in hopes of increasing the availability of mortgage loans. The immediate impact of the Fed's initiatives on the U.S. housing market was favorable as U.S. mortgage rates dropped by the most in seven years. The average rate for a 30-year fixed mortgage fell to 5.5% on November 25, from 6.38% the day before. Nonetheless, it will take time for these initiatives to fully offer stabilization in the housing market, which holds the link to a renewed economic and financial strength.

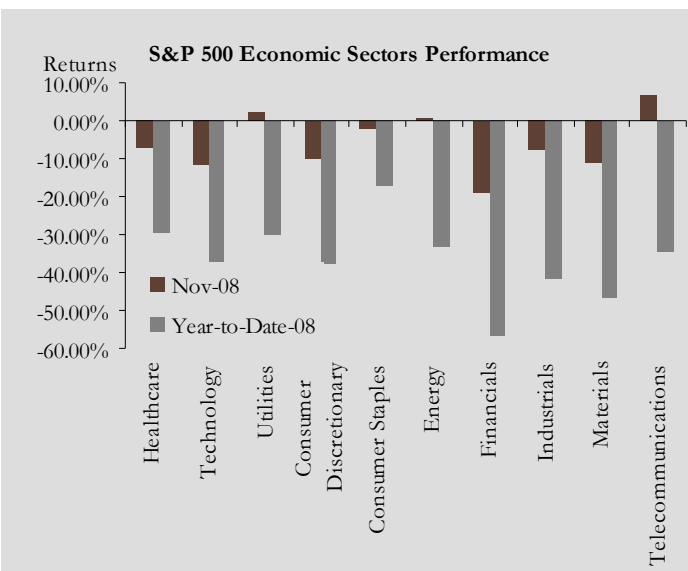
## GLOBAL EQUITIES

### *U.S. Equities*

A shifting approach by the U.S. government to its planned rescue of U.S. banks resulted in the third consecutive month of extreme volatility for U.S. equities in November. The S&P 500 index

traded within a range of 741 to 1008, with daily price swings between -6.71% and +6.93%. On November 12, Treasury Secretary, Henry Paulson, abandoned his plan to use the Troubled Asset Relief Program (TARP) to buy mortgage assets and decided to focus, instead, on buying securities backed by assets such as auto and consumer credit-card loans. This sudden change in the terms of the TARP coupled with further evidence that the pace of the economic decline had further intensified, helped undermine investor confidence. From that point forward, the S&P 500 plummeted 16.20% to close at 752.4 on November 20, the lowest close in more than 11 years. However, in the final week of trading, the Fed announced a new \$800 billion effort to unfreeze credit for homebuyers and small businesses, helping send the index to a weekly gain 12.09% and paring the monthly loss to 7.18%. As of November 30, the index was down 37.66% year-to-date (YTD), and had fallen 41.25% from its lifetime peak on October 9, 2007.

On a sector level, seven of the ten S&P 500 sectors were negative in November. The losses centered around the Financials, which lost 18.73% (-56.65% YTD), while Telecommunications rose 6.42% (-34.20% YTD). Similar to large caps, small cap stocks also staged a huge rally in the final week of November as the U.S. small-cap index, Russell 2000, jumped 16.45%. However, it still did not overcome double-digit losses experienced earlier in the month as the small-cap index lost 11.83% for the month (-37.43% YTD), the second consecutive monthly decline of over 10%. Value stocks outperformed growth at every market capitalization tier in November, except among microcaps. The Russell 1000 Value index declined 7.17% (-37.72% YTD) vs. a loss of 7.95% (-39.53% YTD) for the Russell 1000 Growth index, while the Russell Microcap Growth (-8.58% in November, -47.31% YTD) outperformed the Russell Microcap Value index (-9.49% for the month, -37.74% YTD).



Source: Bloomberg

### International Equities

Stocks rallied globally in the final week of November on news of the Federal Reserve's new initiative and after the People's Bank of China cut interest rates in an effort to spur economic growth in the world's fourth largest economy. The rally pushed the

MSCI World Free index up 12.44% on a U.S. dollar basis (USD), the single largest weekly gain since 1970, cutting the monthly loss to 6.51% (-43.91% YTD).

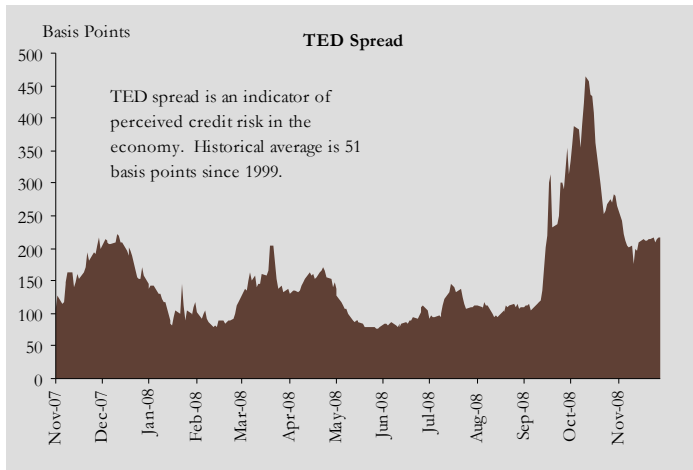
The euro fell for a fifth consecutive month vs. the USD as investors placed bets the European Central Bank will continue to lower interest rates in an effort to jump start the European economy, which was dragged into a recession by the global financial crisis that curtailed investment and consumer spending. In November, the dollar gained 0.3% to \$1.2691 per euro, from \$1.2726 on October 31 (+13.01% YTD). Two consecutive quarterly declines in euro zone gross domestic product had analysts slashing 2008 earnings estimates for the European benchmark Stoxx 600, prompting investors to send shares 6.85% lower in November (-48.69% YTD) on a USD basis. The Japanese yen continued its winning ways vs. the USD as the deepening global economic slump has caused yields around the world to plunge, diminishing the interest rate differential with Japan, and prompting investors to buy the yen. The dollar traded at ¥95.52 on November 30, compared to ¥98.46 at the end of October, a loss of 2.99% for the month (-14.52% YTD). On a USD basis, the Nikkei 225 index rose 2.04% in November (-33.32% YTD). The broad based MSCI EAFE index dropped 4.67% in November and was down 40.66% YTD on a local currency basis. For USD investors, the index was down 5.36% and 46.29% for the month and YTD, respectively. The plunge in the MSCI EAFE index has driven its price-to-earnings ratio (P/E) to 8.88 times fiscal 2008 earnings, the lowest valuation since January 1995.

Chinese equities rose in November spurred by the government's announcement of the \$500 billion economic stimulus plan and a cut in its key lending rate by 1.08% to 5.58%. The MSCI China index rose 4.55% (-55.50% YTD) but was topped by the MSCI Peru index that surged 12.71% for the month (-48.92% YTD). However, the dramatic reversal in commodity prices, highlighted by the 19.73% decline in oil, weighed on the MSCI Emerging Markets index which is affected by a larger weighting to the energy and materials sectors. In local currency, the index fell 3.99% and 48.14% for the month and YTD, respectively. On a USD basis, the index fell 7.52% in November and 56.58% YTD, respectively.

## GLOBAL FIXED INCOME

### U.S. Fixed-Income

U.S. Treasuries surged in November as the deteriorating U.S. economy prompted investors to seek the relative safety of government debt. Treasury yields declined to record lows, with two-year notes falling below 1% for the first time, closing at 0.99%, and sending the Merrill Lynch U.S. Treasury two-year index to a monthly gain of 1.35% (+6.80% YTD). Ten-year yields dropped 103 basis points (bps) to 2.92%, helping the Merrill Lynch U.S. Treasury 10-year index to a 9.05% advance (+12.89% YTD). The Merrill Lynch U.S. Treasury Master index rose 5.38% (+10.08% YTD). Yields on the Barclays Capital<sup>1</sup> U.S. Corporate Investment Grade index dropped to 8.51% from 9.09% in October, leading to a monthly gain of 4.07% (-10.99% YTD). The Barclays Capital<sup>1</sup> U.S. Aggregate index gained 3.25% in November (+1.45% YTD). Yields on U.S. corporate high-yield rated bonds rose to a record high of 21.83% from October's close of



Source: Bloomberg

18.67%, overcoming the previous high of 20.94% set in December 1990. The jump in yields was enough to send the Barclays Capital<sup>1</sup> U.S. Corporate High Yield index down 9.31% (-31.42% YTD).

### International Fixed-Income

European government bonds posted their best month in nearly 22 years on government reports that showed a deceleration in inflation and amid signs the region's economic slump is deepening. The yield on the 10-year government note fell 64 bps in November to 3.26% as the Merrill Lynch EMU Direct Government index rose 3.90% (-6.32% YTD). Two-year yields on Japanese sovereign debt rose as investors speculated the Bank of Japan will keep benchmark rates on hold, while 10-year yields dropped as inflation in the world's second largest economy slowed for the second consecutive month. The Merrill Lynch Japanese Governments index was up 3.61% and 19.51%, respectively for the month and YTD. The Merrill Lynch Global Government index gained 3.45% in November and 3.50% YTD.

All data from Bloomberg unless otherwise noted.

<sup>1</sup> Barclays Capital

## Indices Report

### Monthly Indices Report Periods Ending November 30, 2008

Index Name	Style	Returns							
		Month	Qtr	2 Qtrs	YTD	1 Year	3 Years	5 Years	10 Years
<b><u>Domestic Equity Indices</u></b>									
S&P 500	Large Cap Core	(7.17)%	(29.65)%	(35.19)%	(37.66)%	(38.09)%	(8.67)%	(1.39)%	(0.93)%
S&P Equal Weighted	Large Cap Core	(9.52)%	(35.81)%	(40.66)%	(41.38)%	(42.20)%	(11.45)%	(1.66)%	2.81 %
Russell 1000	Large Cap Core	(7.56)%	(30.97)%	(36.58)%	(38.59)%	(38.99)%	(9.10)%	(1.43)%	(0.64)%
Russell 1000 Growth	Large Cap Growth	(7.95)%	(32.94)%	(38.29)%	(39.53)%	(39.75)%	(9.74)%	(3.11)%	(3.61)%
Russell 1000 Value	Large Cap Value	(7.17)%	(28.88)%	(34.83)%	(37.72)%	(38.32)%	(8.56)%	0.12%	1.56 %
Russell Mid Cap	Mid Cap Core	(10.18)%	(38.81)%	(44.11)%	(43.86)%	(44.04)%	(11.62)%	(0.95)%	3.34 %
Russell 2000	Small Cap Core	(11.83)%	(35.73)%	(36.27)%	(37.43)%	(37.46)%	(10.13)%	(1.65)%	3.06 %
Russell 2000 Growth	Small Cap Growth	(12.10)%	(38.95)%	(39.80)%	(41.69)%	(41.33)%	(10.94)%	(3.29)%	(0.42)%
Russell 2000 Value	Small Cap Value	(11.58)%	(32.56)%	(32.87)%	(33.04)%	(33.61)%	(9.54)%	(0.21)%	5.80 %
Wilshire 5000	Broad Equities	(8.00)%	(31.22)%	(36.38)%	(38.30)%	(38.68)%	(8.92)%	(1.16)%	(0.19)%
HFRI Equity Hedge	Long Short Equity	(2.66)%	(18.60)%	(24.51)%	(25.55)%	(25.15)%	(2.03)%	2.22%	7.67 %
<b><u>International Equity Indices</u></b>									
MSCI World	Broad Global	(6.40)%	(33.11)%	(40.73)%	(42.21)%	(42.94)%	(7.91)%	0.59%	(0.06)%
MSCI EAFE	Developed Markets Intl	(5.36)%	(35.34)%	(44.84)%	(46.29)%	(47.50)%	(7.32)%	2.45%	0.98%
MSCI EAFE Growth	Developed Markets Intl Growth	(6.34)%	(36.16)%	(45.31)%	(45.91)%	(47.06)%	(6.54)%	1.87%	(1.07)%
MSCI EAFE Value	Developed Markets Intl Value	(4.35)%	(34.51)%	(44.36)%	(46.69)%	(47.95)%	(8.19)%	2.94%	2.84%
MSCI Emerging Markets	Emerging Market	(7.52)%	(44.56)%	(55.75)%	(56.58)%	(56.42)%	(5.18)%	7.90%	8.33%
<b><u>Domestic Fixed Income Indices</u></b>									
Merrill Lynch Treasury Bills	Cash	0.10%	0.51%	1.02%	2.06%	2.34%	4.07%	3.27%	3.49%
Merrill Lynch 1-3 Yr Treasuries	Treasuries	2.06%	4.23%	5.89%	7.78%	8.08%	6.74%	4.60%	5.12%
Barclays Capital Muni 5 Yr	5 Yr Municipal Bonds	2.14%	0.05%	1.78%	3.97%	4.43%	4.31%	3.29%	4.42%
Merrill Lynch High Yield	High Yield Bonds	(8.40)%	(29.67)%	(32.40)%	(31.42)%	(31.21)%	(7.58)%	(1.84)%	1.52%
Barclays Capital Aggregate	Core Bonds	3.25%	(0.54)%	0.25%	1.46%	1.74%	4.56%	4.10%	5.28%
Barclays Capital Government	Government Bonds	4.74%	4.92%	7.07%	8.64%	8.88%	7.23%	5.53%	5.82%
Barclays Capital U.S. Credit Index	Corporate Bonds	3.93%	(8.54)%	(8.85)%	(8.79)%	(8.65)%	0.31%	1.63%	4.25%
Barclays Capital Muni 10 Yr	10 Yr Municipal Bonds	1.32%	(3.17)%	(2.09)%	(0.71)%	(0.43)%	3.04%	3.23%	4.48%
HFRI FOF Conservative	Low Volatility	(1.77)%	(12.41)%	(14.86)%	(15.75)%	(15.53)%	0.13%	2.17%	4.91%
<b><u>Real Estate Indices</u></b>									
NCREIF Property*	Real Estate	N/A	(0.17)%	0.39%	2.00%	5.29%	13.24%	14.23%	11.80%
NAREIT Equity	Real Estate	(23.06)%	(47.53)%	(50.54)%	(46.51)%	(49.20)%	(15.30)%	(1.44)%	5.53%

All time period returns are rolling returns except for YTD

\* For comparison purposes, September 30, 2008 returns are used.

Source: State Street

#### Online Availability

The Asset Consulting Group archive for Monthly Market Update reports can be accessed through our Web site, [www.acgnet.com](http://www.acgnet.com).

## DESCRIPTION OF INDICES

### Domestic Equity Indices

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

Standard and Poor's 500 Index is a capitalization-weighted index of 500 large U.S. stocks. The index is designed to measure performance of the broad domestic stock market through changes in the aggregate market value of 500 stocks representing all major industries. The index was developed with a base level of 10 for the 1941-1943 base period.

#### **S&P 500 Equal Weighted Index**

Introduced in 2003, S&P Equal Weight Index (S&P EWI) is the equal-weight version of the widely regarded S&P 500. The index has the same constituents as the capitalization weighted S&P 500, but each company in the S&P EWI is allocated a fixed weight. Index constituents exhibit the following characteristics: Underlying Indices – S&P 500; Weighting – Attribute weighted: Equal weight of 0.20%; Rebalancing – Quarterly; Coincide with S&P 500 share adjustments S&P EWI is designed to meet the need for benchmarking, investing and trading strategies that require a size-neutral index compatible with the S&P 500. S&P EWI provides an even spread of individual stocks and offers different sector exposures than the S&P 500.

#### **Russell 1000® Index**

The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market. The Russell 1000 Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to ensure new and growing equities are reflected. The Index was developed with a base value of 130.00 as of December 31, 1986.

#### **Russell 1000® Growth Index**

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates. The Russell 1000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. The index was developed with a base value of 200 as of August 31, 1992.

#### **Russell 1000® Value Index**

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth rates. The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. The index was developed with a base value of 200 as of August 31, 1992.

#### **Russell Midcap® Index**

The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies. The Russell Midcap Index is constructed to provide a comprehensive and unbiased barometer for the mid-cap segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap opportunity set.

#### **Russell 2000® Index**

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

#### **Russell 2000® Growth Index**

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth rates. The Russell 2000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics.

#### **Russell 2000® Value Index**

The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect value characteristics.

#### **Wilshire 5000**

The Wilshire 5000 index consists of approximately 5000 cap weighted common equity securities, covering all stocks in the U.S. for which daily pricing is available.

#### **HFRI Equity Hedge Index**

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. Equity Hedge (EH): Investment Managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. EH managers would typically maintain at least 50%, and may in some cases be substantially entirely invested in equities, both long and short.

### International Equity Indices

#### **MSCI World Index**

The MSCI World Index is an unmanaged free float-adjusted market capitalization index that is designed to measure global developed market equity performance. As of June 2006 the MSCI World Index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States.

**MSCI EAFE® Index**

The MSCI EAFE Index (Europe, Australasia, Far East) is an unmanaged free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. There are 1,100 members designed to represent the performance of developed stock markets outside of the United States and Canada. It assumes reinvestment of dividends and interest, and does not reflect deductions of fees or expenses.

**MSCI EAFE® Growth Index**

The MSCI EAFE (Europe, Australasia, Far East) Growth Index is an unmanaged free float-adjusted market capitalization index that is considered representative of growth stocks of Europe, Australasia, and Far East. It assumes reinvestment of dividends and interest, and does not reflect deductions of fees or expenses.

**MSCI EAFE® Value Index**

The MSCI EAFE (Europe, Australasia, Far East) Value Index is an unmanaged free float-adjusted market capitalization index that is considered representative of value stocks of Europe, Australasia, and Far East. It assumes reinvestment of dividends and interest, and does not reflect deductions of fees or expenses.

**MSCI Emerging Markets Index**

The MSCI Emerging Markets Index is an unmanaged float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

**MSCI Pakistan Index**

The MSCI Pakistan index is designed to broadly and fairly represent the full diversity of business activities in Pakistan. As of the close of May 31, 2002, this index will aim to capture 85% of the free float adjusted market capitalization in each industry group.

**MSCI Russia Index**

The MSCI Russia index is designed to broadly and fairly represent the full diversity of business activities in Russia. As of the close of May 31, 2002, this index will aim to capture 85% of the free float adjusted market capitalization in each industry group.

**Domestic Fixed Income Indices****Merrill Lynch U.S. Treasury Bills Index**

The Merrill Lynch U.S. Treasury Bill index tracks the performance of all outstanding 0-3 month outstanding Treasury Bills issued by the U.S. government. The index is re-balanced daily to take account of issues that are maturing and new auctions. New auctions are purchased into the index basket on their settlement date. Treasury bills are backed by the full faith and credit of the US Government and are issued at a discount. They pay no interest, but receive full face value if held until maturity. Exempt from state and local taxes, T-bills are issued in minimum denominations of \$10,000, and in multiples of \$1,000 thereafter. With the shortest maturities -- three and six months, and one year at issue -- T-bills are considered the least volatile of all Treasuries.

**Merrill Lynch U.S. 1-3 Yr Treasuries Index**

The U.S. 1-3 Treasury index tracks the performance of all outstanding U.S. Treasury Notes having a 1-3 year remaining term to maturity and a minimum amount outstanding of USD 1 billion. The index is re-balanced daily to take account of issues that are maturing and new auctions. New auctions are purchased into the index basket on their settlement date. Treasury notes are backed by the full faith and credit of the US Government and are coupon-bearing securities with initial maturities ranging between one and ten years. They pay accrued interest twice a year and repay principal at maturity. T-notes are exempt from state and local taxes; they're available with two- and three-year maturities for a minimum of \$5,000 and in multiples of \$1,000 thereafter.

**Barclays Capital Muni 5-Year**

This index is the **5 Year (4-6)** component of the Barclays Capital Municipal Bond index. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prerefunded bonds. Most of the index has historical data to January 1980. In addition, subindices have been created based on maturity, state, sector, quality, and revenue source, with inception dates later than January 1980.

**Merrill Lynch High Yield Index**

The U.S. High Yield index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Qualifying bonds must have at least one year remaining term to maturity, a fixed coupon schedule and a minimum amount outstanding of USD 100 million. Bonds must be rated below investment grade based on a composite of Moody's and Standard & Poors. The index is rebalanced on the last calendar day of the month.

**Barclays Capital Aggregate**

The Barclays Capital Aggregate index covers the U.S. investment grade fixed rate bond market, including government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

**Barclays Capital Government**

The Barclays Capital Government index includes the Treasury and Agency indices. The Treasury index accounts for 87.2% of the Government index, and includes public obligations of the U.S. Treasury that have remaining maturities of more than one year. Treasury bills are excluded by the maturity constraint.

**Barclays Capital U.S. Credit Index**

The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both U.S. and non-U.S. corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government. Publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. Must have at least one year to final maturity regardless of call features. Must have at least \$250 million par amount outstanding. Must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. Must be fixed rate, although it can carry a coupon that steps up or changes according to a predetermined schedule. Must be dollar-denominated and non-convertible. Must be publicly issued. The U.S. Credit Index is the same as the former U.S. Corporate Investment Grade Index, which has been renamed as the U.S. Credit Index. The name change is effective as of 6/1/00 (for statistics) and as of 7/1/00 (for returns).

**Barclays Capital Muni 10-Year**

This index is the **10 Year (8-12)** component of the Barclays Capital Municipal Bond index. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prerefunded bonds. Most of the index has historical data to January 1980. In addition, subindices have been created based on maturity, state, sector, quality, and revenue source, with inception dates later than January 1980. To be included in the Barclays Capital Non-Investment Grade Municipal Bond Index, bonds must be non-rated or be rated Ba1 or below. They must have an outstanding par value of at least \$3 million and be issued as part of a transaction of at least \$20 million.

**HFRI Fund of Funds (FOF) Conservative Index**

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index. A fund in the HFRI FOF Conservative Index shows generally consistent performance regardless of market conditions.

**Real Estate Indices****NCREIF Property Index (NPI)**

The NCREIF Property Index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment. Properties exit the NPI when assets are sold or otherwise leave the database. All historical data remains in the database and in the Index. The Index represents investment returns from a single class of investor. As such, the NPI may not be representative of the market as a whole.

**NAREIT Equity**

All of the data is based upon the last closing price of the month for all tax-qualified REITs listed on the New York Stock Exchange, American Stock Exchange, and the NASDAQ National Market System. The data is market weighted. Newly issued shares by existing REITs are added to the total shares outstanding figure in the month that the shares are issued. Only common shares issued by the REIT are included in the index. The total return calculation is based upon the weighting at the beginning of the period. Only those REITs listed for the entire period are used in the total return calculation. Dividends are included in the month based upon their payment date. There is no smoothing of income. Liquidating dividends, whether full or partial, are treated as income.

**Other Indices Quoted in the Monthly Market Update****Dow Jones Stoxx 600 Index**

The Dow Jones Stoxx 600 Index is a capitalization-weighted index of European stocks designed to provide a broad yet liquid representation of companies in the European region. The equities use free float shares in the index calculation. The index was developed with a base value of 100 as of December 31, 1991. This index uses float shares.

**Nikkei 225 Index**

The Nikkei-225 Stock Average is a price-weighted index of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange. The Nikkei Stock Average was first published on May 16, 1949, where the average price was ¥176.21 with a divisor of 225.

**Barclays Capital US High Yield Index**

The Barclays Capital High Yield Index covers the universe of fixed rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging countries are included. Original issue zeroes, step-up coupon structures, and 144-As are also included.

**Merrill Lynch U.S. Treasury Master Index**

The Merrill Lynch U.S. Treasury Master Index includes approximately 160 issues in the form of publicly placed, coupon-bearing US Treasury debt. Issues must carry a term to maturity of at least one year, and par amounts outstanding must be no less than \$10 million at the start and at the close of the performance measurement period. Flower bonds are excluded. Sub-indices are calculated for a variety of maturities, including: 1-2.99 years; 3-4.99 years; and 5-6.99 years.

**Merrill Lynch EMU Direct Government Index**

The Merrill Lynch EMU Direct Government Index measures the performance of euro-denominated government debt of Euro-zone nations.

**Merrill Lynch Japan Sovereign Index**

The Merrill Lynch Japan Sovereign Index measures the performance of yen-denominated government debt of Japan.

**Merrill Lynch Global Government Index**

The Global Government Index tracks the performance of public debt of investment grade sovereign issuers issued and denominated in their own domestic market and currency. Qualifying countries and their respective minimum issue size requirements include: Australia (AUD 1 billion); Canada (CAD 1 billion); Denmark (DKK 5 billion); Euro-Sovereigns (EUR 1 billion); Japan (JPY 200 billion); New Zealand (NZD 1 billion); Sweden (SEK 5 billion); Switzerland (CHF 500 million); the UK (GBP 500 million); and the US (USD 1 billion). In addition, individual qualifying bonds must have at least one year remaining term to maturity and a fixed coupon schedule. Qualifying countries must maintain an investment grade foreign currency long term sovereign debt rating (based on a composite of Moody's and S&P). Government bills and inflation-linked securities are excluded from the index. Zero coupon bonds are excluded; however, any portion of a qualifying note or bond that has been stripped for purposes of creating a zero coupon security remains included in the amount outstanding of the underlying coupon note or bond. The index is re-balanced on the last calendar day of the month. The inception date of the index is December 31, 1985, with daily data available beginning September 30, 1993.

**Institute for Supply Management (ISM)**

Manufacturing (PMI) and Non-Manufacturing (NMI) – The PMI is a composite of five of the indexes in the Manufacturing ISM Report On Business®, seasonally adjusted, with equal weights (New Orders, Production, Employment, Supplier Deliveries and Inventories). The NMI, released in January 2008, is the composite index for the non-manufacturing sector and is comprised of four of the non-manufacturing indexes at equal weights (New Orders, Business Activity, Employment, Supplier Deliveries).

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