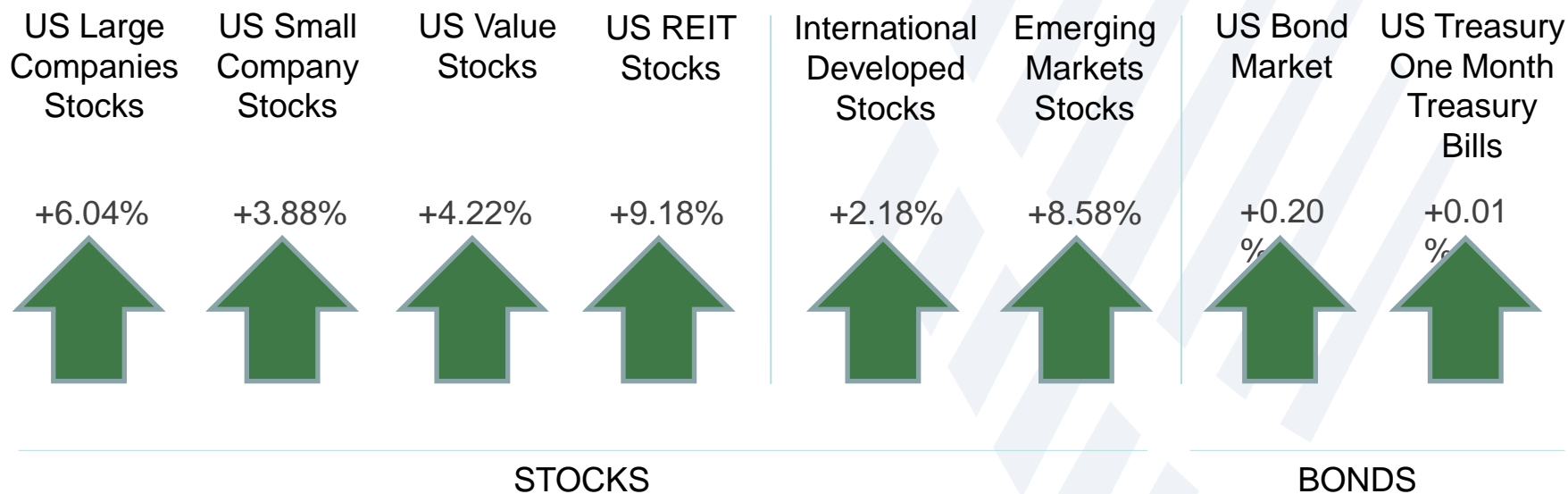


QUARTERLY INVESTMENT UPDATE

FOURTH QUARTER 2009

Markets Update: A Quarter in Review Fourth Quarter 2009



Market segment (Index representation) as follows: US Large Company Stocks (S&P 500 Index); US Small Company Stocks (Russell 2000 Index), US Value Stocks (Russell 1000 Value Index). US Real Estate Market (Dow Jones US Select REIT Index), International Developed (MSCI EAFE Index (net div.)), Emerging Markets (MSCI Emerging Markets Index (gross div.)), US Bond Market (Barclays Capital US Aggregate Bond Index), and Treasury (One-Month US Treasury Bills). The S&P data are provided by Standard & Poor's Index Services Group. Russell data copyright © Russell Investment Group 1995-2010, all rights reserved. MSCI data copyright MSCI 2010, all rights reserved. Dow Jones data (formerly Dow Jones Wilshire) provided by Dow Jones Indexes. US long-term bonds, bills, and inflation data © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).

Markets Update: A Quarter in Review

Fourth Quarter 2009

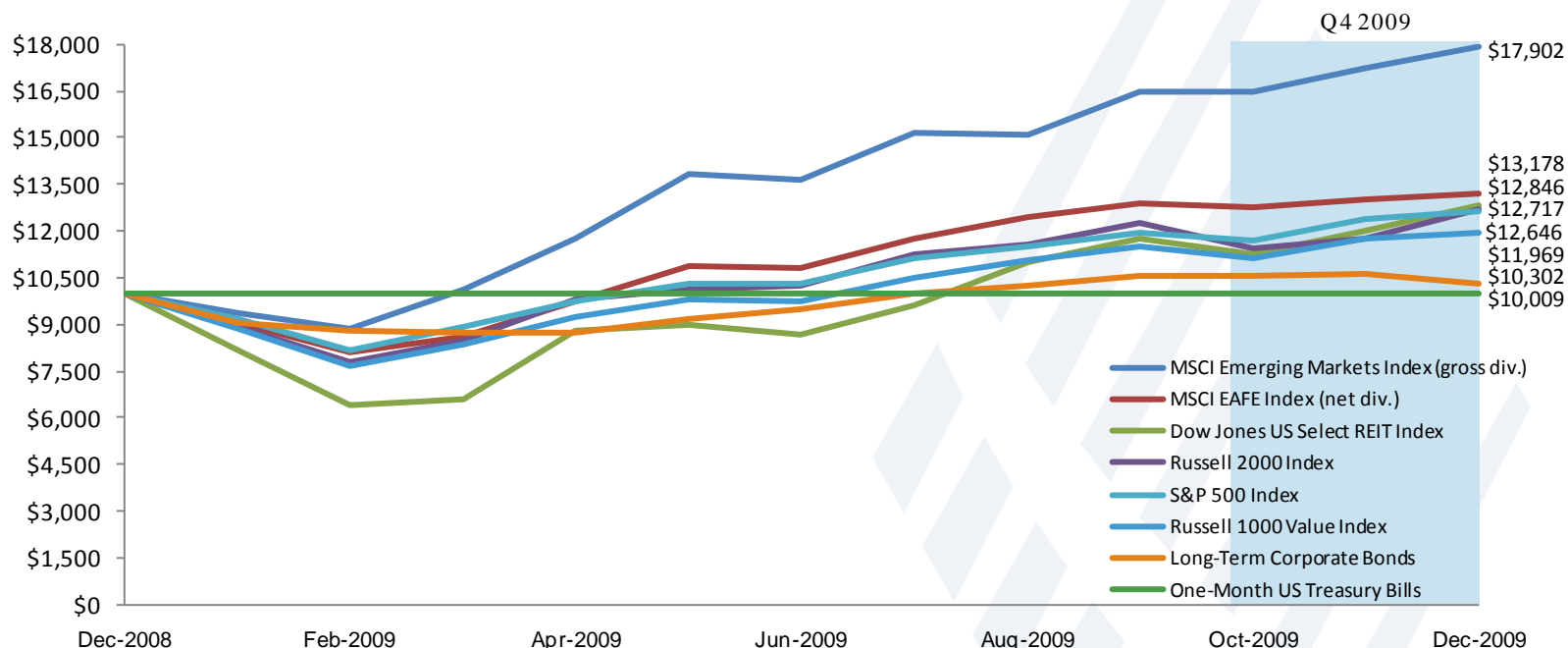
- With few exceptions, equity markets around the world continued their strong performance in the fourth quarter of 2009, and extended the remarkable market recovery that started in March 2009, as economic and financial conditions continue to improve. However, uncertainty still remained about the strength and timing of the economic recovery, as well as the direction and timing of economic policy, especially in the United States. Consequently, equity markets around the world continued to experience higher-than-average levels of volatility in the fourth quarter.
- In the United States, the broad market gained about 6% in the quarter, with most asset classes except micro caps delivering solid gains again.
- Aggregate returns in other developed countries were about average in the fourth quarter, although there was some dispersion in the returns of different countries and asset classes. The US dollar gained ground against the euro and the yen in the fourth quarter, which hurt the dollar-denominated returns of developed-market equities.
- Emerging markets had excellent performance in the fourth quarter, and were, once again, among the top-performing asset classes in the quarter. The solid gains of the fourth quarter along with the extraordinary returns of the second and third quarters made 2009 the best year on record for emerging markets. The US dollar lost ground against the main emerging market currencies in the fourth quarter and in 2009, which contributed to higher dollar-denominated returns of emerging market equities.
- Value stocks underperformed growth stocks across most market capitalization segments in the US, in other developed markets, and in emerging markets.
- Along the market capitalization dimension, small caps underperformed large caps in the US and in other developed markets, but not in emerging markets.
- Most fixed income securities had flat performance in the fourth quarter. One exception was inflation-protected securities, which had excellent performance again in the fourth quarter, as investors sought protection against possible increases in future inflation.
- Real estate securities were the top performers in the fourth quarter in the US, but had a flat performance in other developed markets.

Beyond the Quarter: Survey of Long Term Performance As of December 31, 2009

Index	Annualized (%)					
	1 Year Ending 12/31/2009	3 Years Ending 12/31/2009	5 Years Ending 12/31/2009	10 Years Ending 12/31/2009	20 Years Ending 12/31/2009	Since Inception (Inception date)
US Large Company Stocks S&P 500 Index	26.46	-5.63	0.42	-0.95	8.21	9.81 (01/1926)
US Small Cap Stocks Russell 2000 Index	27.17	-6.06	0.51	3.51	8.34	11.26 (01/1979)
US Value Stocks Russell 1000 Value Index	19.69	-8.96	-0.26	2.47	8.84	12.07 (01/1979)
US Real Estate Dow Jones US Select REIT Index	28.46	-13.65	-0.07	10.67	8.69	12.08 (01/1978)
International Stocks MSCI EAFE Foreign Stock Index	31.78	-6.04	3.54	1.17	4.05	9.49 (01/1970)
MSCI Emerging Markets Index (Gross Div)	79.02	5.42	15.88	10.11	10.58	13.84 (01/1988)
Fixed Income Corporate Bond Market SBBI Long-Term Corporate Bonds	3.02	4.76	4.67	7.65	7.89	5.83 (01/1926)
SBBI One-Month US Treasury Bills	0.09	2.13	2.83	2.77	3.84	3.66 (01/1926)

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Change in Value of \$10,000 Invested in Various Markets January 1, 2009 - December 31, 2009



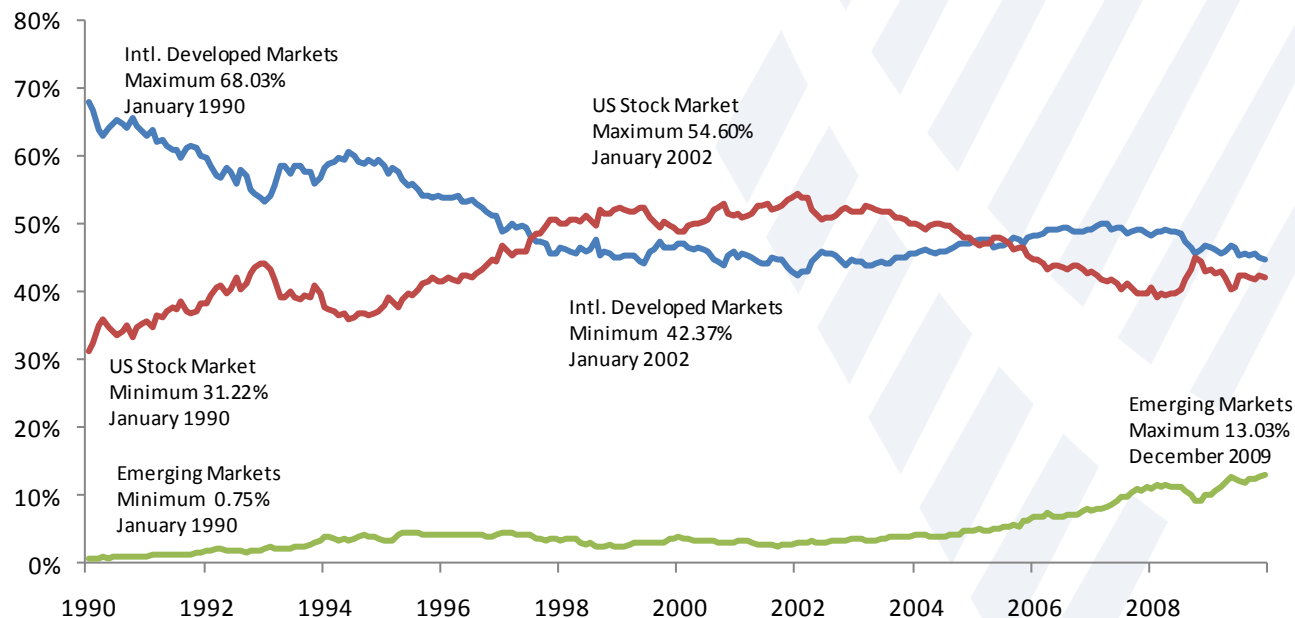
CHANGE IN VALUE OF \$1

Asset Class	Index	1 Year	5 Years	10 Years	20 Years
US Large Company Stocks	S&P 500	\$1.26	\$1.02	\$0.91	\$4.84
US Small Cap Stocks	Russell 2000	\$1.27	\$1.03	\$1.41	\$4.97
US Value Stocks	Russell 1000 Value	\$1.20	\$0.99	\$1.28	\$5.44
US Real Estate Market	Dow Jones US Select REIT	\$1.28	\$1.00	\$2.76	\$5.29
International Developed Stocks	MSCI EAFE (net div.)	\$1.32	\$1.19	\$1.12	\$2.21
Emerging Market Stocks	MSCI Emerging Mkts. (gross div.)	\$1.79	\$2.09	\$2.62	\$7.47
Short Term Government	One-Month US Treasury Bills	\$1.00	\$1.15	\$1.31	\$2.12
Fixed Income Corporate Bond Market	Long-Term Corporate Bonds	\$1.03	\$1.26	\$2.09	\$4.57

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Value of Stock Markets Around the World January 1990 – December 2009

	Number of Countries	Number of Stocks	Total Value	Weights		
				December 31, 2009	Change From Previous Quarter	01/90-12/09 Average
United States	1	2,971	11.98 Trillion	42.29%	▲ 0.13%	44.71%
Developed Markets	22	3,521	12.66 Trillion	44.68%	▼ -0.82%	50.72%
Emerging Markets	22	2,575	3.69 Trillion	13.03%	▲ 0.68%	4.57%
Total	45	9,067	28.33 Trillion	100.00%		



- Global market capitalization weights are not static, they change across time.

The Randomness of Quarterly Returns

This table shows from top to bottom the highest returning asset classes each year over the last 14 quarters. Each asset class is color coded based on the legend below.

	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Russell 2000	9.11	17.64	4.01	15.05	14.52	3.66	2.14	0.58	4.78	23.36	1.02	34.84	35.44	9.18	?
	8.01	10.12	3.74	6.98	2.71	1.97	0.52	0.53	0.43	0.20	0.03	31.46	21.04	8.58	?
	6.22	8.90	2.35	6.28	2.56	0.93	-1.13	-0.80	-1.12	-	-	25.86	19.36	6.04	?
	5.67	8.85	1.95	4.93	2.03	-1.62	-8.69	-1.17	-6.11	21.15	11.01	20.68	19.28	4.22	?
	5.01	8.00	1.26	4.42	1.42	-3.33	-8.72	-2.49	-8.37	21.94	12.43	16.69	18.24	3.88	?
REIT	3.72	6.70	1.24	1.26	1.14	-4.58	-9.45	-2.72	-8.54	22.18	13.14	15.93	15.61	2.44	?
	1.24	1.35	0.64	-1.88	-0.24	-5.80	-9.90	-5.32	-	26.12	14.95	8.24	11.09	0.01	?
	0.44	1.24	-0.02	-9.36	-3.09	13.54	10.92	-5.39	20.67	27.56	16.77	0.02	0.03	-2.17	?
									26.86	39.95	33.92				

S&P 500
Russell 2000
Russell 1000 Value
MSCI World ex USA (net div.)
MSCI Emerging Markets (gross div)
Dow Jones US Select REIT
One-Month US Treasury Bills
Long-Term Corporate Bonds

The lack of a pattern indicates that picking which asset classes will be the best or worst performers is virtually impossible.

In Q2 2008, for example, the Dow Jones Select REIT Index was the worst performing asset class. A quarter later it was right up at the top.

Portfolios combining these various investments will avoid extreme returns.

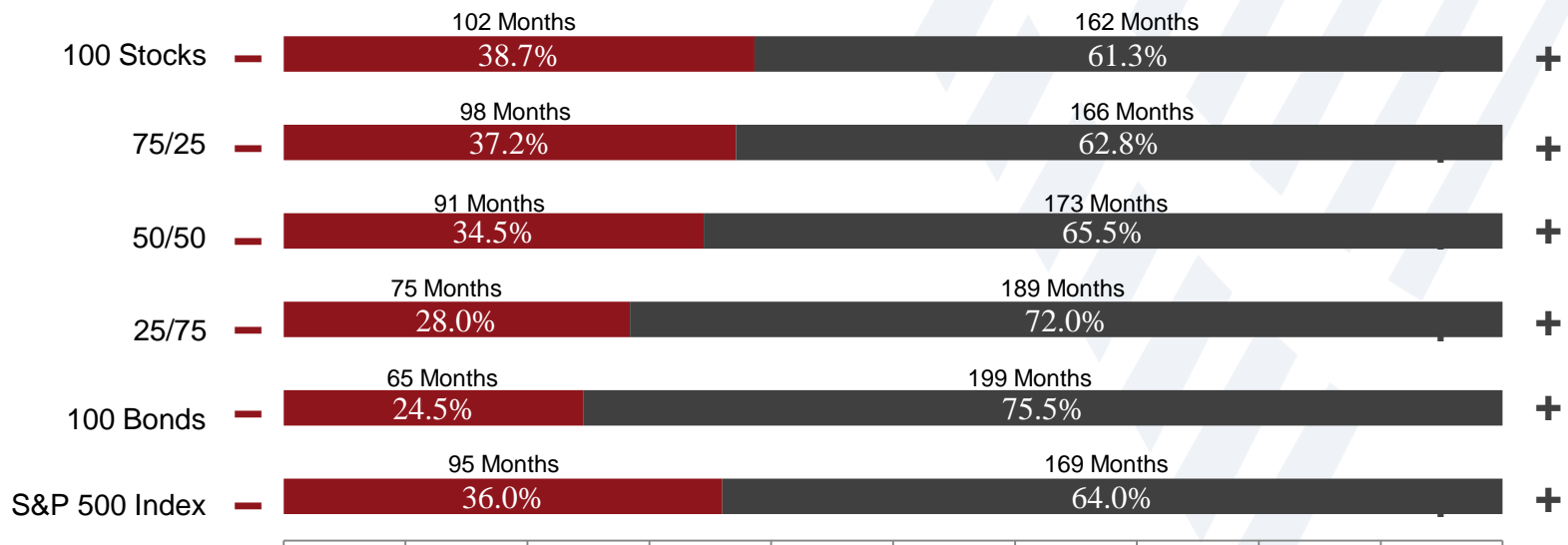
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Returns of Globally Diversified Portfolios As of December 31, 2009

Annualized Return (%)

Percent	Q4 2009	One Year	Three Years	Five Years	Ten Years	Twenty Years
100% Stocks	4.72	35.41	-4.05	3.64	0.89	6.16
75/25	3.44	26.08	-1.06	4.30	2.39	6.48
50/50	2.16	17.00	1.63	4.69	3.69	6.62
25/75	0.87	8.18	4.02	4.84	4.78	6.59
100% Bonds	-0.42	-0.32	6.09	4.74	5.65	6.38
S&P 500 Index	6.04	26.46	-5.63	0.42	-0.95	8.21

Positive vs. Negative Months: January 1988 – December 2009, Total 264 months



Stocks represented by MSCI All Country World Index (gross div.) and bonds represented by Barclays Capital US Government Bond Index Intermediate. MSCI data copyright MSCI 2010, all rights reserved. Barclays Capital data, formerly Lehman Brothers, provided by Barclays Bank PLC. The S&P data are provided by Standard & Poor's Index Services Group. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

US Stock Returns

As of December 31, 2009

Asset Class	Index	Return (%)		
		Q4 2009	One Year	Three Years Annualized
Marketwide	Russell 3000	5.90	28.34	-5.42
Large Cap	S&P 500	6.04	26.46	-5.63
Large Cap	Russell 1000	6.07	28.41	-5.36
Large Cap Value	Russell 1000 Value	4.22	19.69	-8.96
Large Cap Growth	Russell 1000 Growth	7.94	37.20	-1.89
Small Cap	Russell 2000	3.88	27.17	-6.06
Small Cap Value	Russell 2000 Value	3.62	20.56	-8.22
Small Cap Growth	Russell 2000 Growth	4.14	34.47	-4.00

- A look at the determinants of equity performance—relative price and market capitalization—provides some insight into the sources of returns.
- Historically, value stocks, as measured by the ratio of book-to-market equity (BtM), have outperformed growth stocks, but that is not expected every period. In Q4 2009 growth stocks outperformed value stocks.
- Historically, small stocks have experienced higher returns than large stocks, but that is not expected every period. In Q4 2009 large cap stocks outperformed small cap stocks.

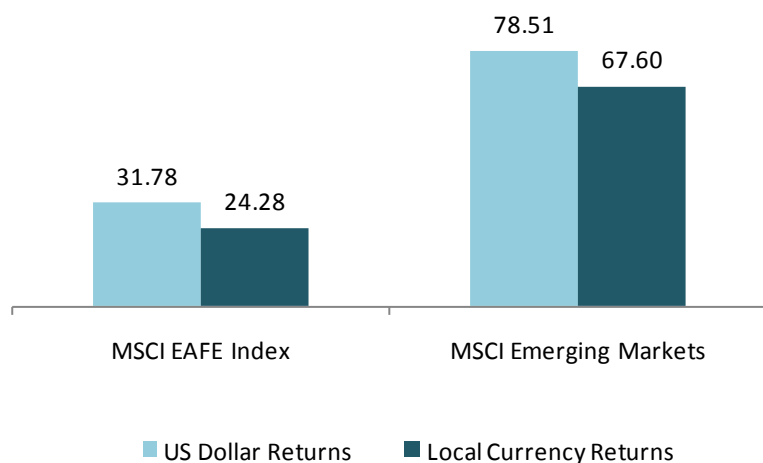
International Stock Returns

As of December 31, 2009

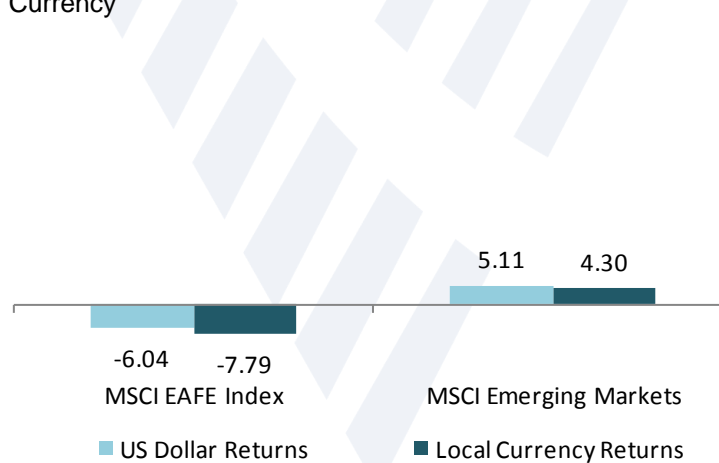
Asset Class	Index	Return (%)		
		Q4 2009	One Year	Three Years Annualized
Marketwide	MSCI All Country World ex USA	3.74	41.45	-3.49
Developed Large Cap	MSCI EAFE	2.18	31.78	-6.04
Developed Small Cap	MSCI EAFE Small	-1.00	47.32	-7.25
Developed Value	MSCI EAFE Value	0.28	34.23	-7.35
Developed Growth	MSCI EAFE Growth	4.17	29.36	-4.78
Emerging Markets Large Cap	MSCI Emerging Markets	8.55	78.51	5.11
Emerging Markets Small Cap	MSCI Emerging Markets Small	12.30	113.79	8.24
Emerging Markets Value	MSCI Emerging Markets Value	8.21	79.11	8.19
Emerging Markets Growth	MSCI Emerging Markets Growth	8.89	77.93	2.04

IMPACT OF CURRENCY FLUCTUATIONS ON RETURNS FOR INVESTORS IN US DOLLARS

2009 Annual Returns in US Dollars and Local Currency







Three Year Annualized Returns in US Dollars and Local Currency







MSCI Country Returns in US Dollars and Local Currency

As of December 31, 2009

Fourth Quarter 2009 Returns

	Return US Dollars	Return Local Currency	Impact of Currency
 1. Chile	14.81%	5.85%	8.96%
 2. Norway	14.74%	14.23%	0.51%
.			
.			
 17. United States	5.49%	5.49%	-
.			
 44. Austria	-9.92%	-8.23%	-1.69
45. Greece	-22.80%	-21.35%	-1.45

One Year Returns in US Dollars and Local Currency

	Return US Dollars	Return Local Currency	Impact of Currency
 1. Brazil	121.25%	65.39%	55.86%
 2. Indonesia	120.75%	90.27%	30.48%
.			
.			
 36. United States	24.20%	24.20%	-
.			
 44. Japan	4.44%	7.25%	-2.81%
45. Morocco	-8.26%	-10.47%	-2.21%

TEN YEAR PERFORMANCE RANKING OF MARKETS AROUND THE WORLD IN US DOLLARS

1. Columbia 2. Peru 3. Czech Republic 4. Brazil 5. Russia 6. India 7. Egypt 8. Indonesia 9. Chile 10. Mexico 11. South Africa 12. Hungary 13. Norway 14. Australia 15. Korea 16. Canada 17. Denmark 18. China 19. Morocco 20. Malaysia 21. Israel 22. Poland 23. Austria 24. Thailand 25. Spain 26. Switzerland 27. Singapore 28. Turkey 29. Hong Kong 30. New Zealand 31. Portugal 32. France 33. Philippines 34. Sweden 35. Germany 36. Netherlands 37. Italy 38. United Kingdom 39. Taiwan **40. USA** 41. Belgium 42. Japan 43. Greece 44. Finland 45. Ireland

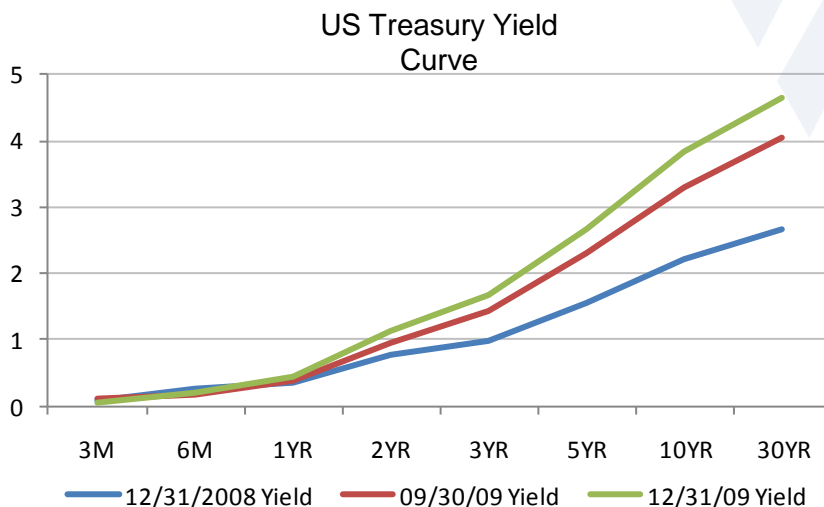
Bond Returns

As of December 31, 2009

Index	Return (%)		
	Q4 2009	One Year	Three Years Annualized
SBBI One-Month US Treasury Bills	0.01	0.09	2.13
BofA Merrill Lynch Three-Month T-Bills	0.04	0.21	2.40
BofA Merrill Lynch One-Year US Treasury Note	0.15	0.80	3.81
Citigroup World Government Bond 1-5 Years (hedged)	0.26	2.29	5.05
SBBI US Long Term Government Bonds	-5.52	-14.90	5.57
Barclays Capital Corporate High Yield	6.19	58.21	5.97
Barclays Capital Municipal Bonds	-0.96	12.91	4.41
Barclays Capital US TIPS Index	1.76	11.41	6.69

Yields on very short-term Treasury bills fell slightly in the fourth quarter relative to the end of the third quarter, while yields on long-term Treasury securities rose sharply in the fourth quarter. As a result, the yield curve steepened substantially over the quarter.

The difference in yield between ten-year Treasury bonds and one-month US Treasury bills was 381 basis points at the end of the fourth quarter, compared to 325 basis points at the end of the third quarter.



Quarterly Topic: Dollar Falling? Investors, Rejoice. Fourth Quarter 2009

Just as the markets are moving beyond one of the worst periods in history, here comes the next concern: a falling dollar.

There is a common misperception that a weak dollar will curtail capital market returns. A weak dollar, however, means different things to different people. For example, a falling dollar would hurt US travelers abroad, as it would buy less local currency in the foreign country. On the other hand, US companies doing business abroad would generate higher earnings. Local currency would be repatriated and converted into more dollars. Furthermore, weaker dollar makes US exports cheaper and could stimulate sales in foreign countries.

To better understand the implications of exchange rate fluctuations to investors, it is important to consider the mechanics of investing abroad. To buy goods and services from another country, dollars must be first converted into local currency. Relative value is determined by supply and demand in currency markets. In the highly competitive currency markets information and future expectations are immediately impounded into exchange rates. As new information becomes available exchange rates will fluctuate in unpredictable ways.

Consider the US investor who wants to diversify her investments globally. To buy stocks in a foreign market she must first exchange dollars into the local currency. In Scenario 1 below, the investor converts \$125,000 into €100,000 at the beginning of the year to purchase an euro-denominated investment. The investment appreciates 10% in the local currency and is worth €110,000 at the end of the year. In this scenario, the dollar falls relative to the euro. If the US investor sells the investment, she would receive €110,000, which would convert into \$165,000 using the end of year exchange rate. The original \$125,000 investment is now worth \$165,000. The total return is 32% even though the investment itself only grew in value by 10% in the local market.

Conversely, in Scenario 2 the dollar strengthens relative to the euro. Following the same logic as above, the original \$125,000 is now worth only \$110,000. The total return is a loss of 12% even though the investment itself grew in value by 10% in the local market.

In 2009 US investors benefited from the falling dollar. For example, the return of the MSCI Emerging Markets Index was higher by over 26% in US dollars than in local currencies. Brazil was an extreme example, with more than a third of its 2009 return to US investors coming from the currency impact. But do not expect that will always be the case. There have been times in the past, and there will be years in the future when the returns to US investors will be impacted negatively by changes in exchange rates. In the long run there is no expected gain or loss from changes in exchange rates, just noise along the way.

		Date	Portfolio Value in Euros	% Change in Euros	Euro / Dollar Exchange Rate	Portfolio Value in US Dollars	% Change in US Dollars
SCENARIO 1 ILLUSTRATIVE EXAMPLE		Beginning of year	€100,000		€1.00 = \$1.25	\$125,000	
		End of the year	€110,000	+ 10%	€1.00 = \$1.50	\$165,000	+32%
SCENARIO 2		Beginning of year	€100,000		€1.00 = \$1.25	\$125,000	
		End of the year	€110,000	+ 10%	€1.00 = \$1.00	\$110,000	-12%