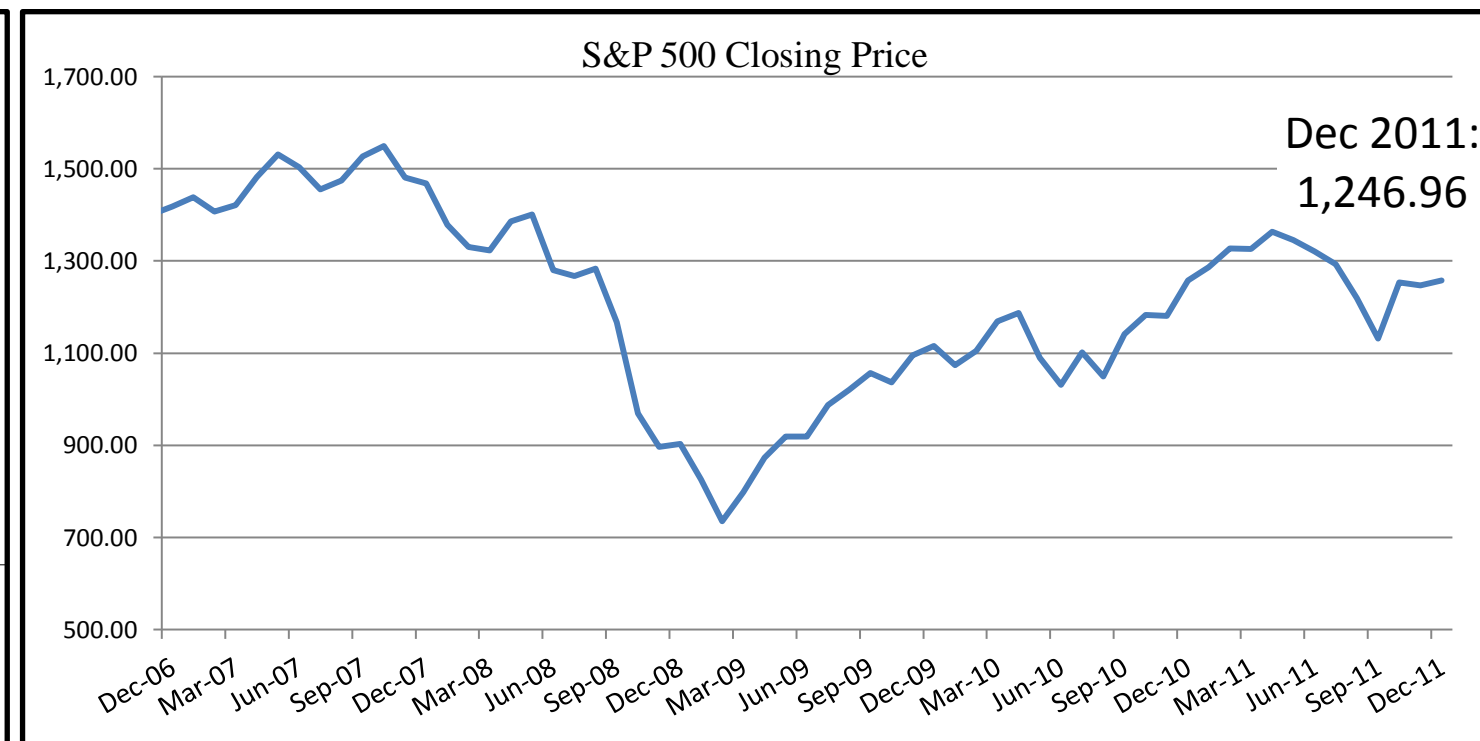
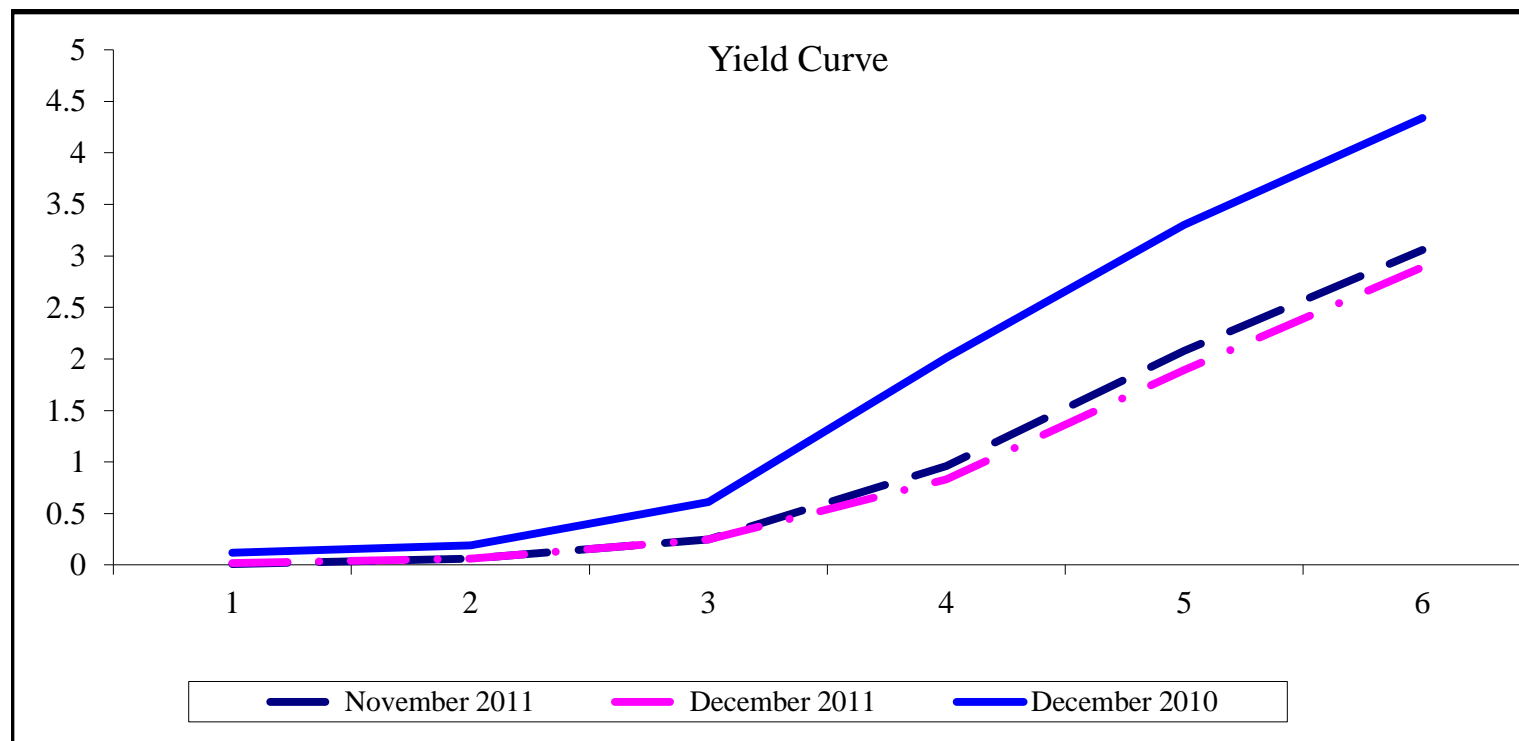


## Capital Markets Flash Report December 2011



### FIXED INCOME

	<u>December</u>	<u>Q4</u>	<u>1 YR</u>
Barclays Aggregate Bond	1.10%	1.12%	7.84%
Barclays Gov/Credit Bond	1.29	1.18	8.74
Barclays Gov Long Bond	3.01	1.80	29.15
Barclays US TIPS	0.04	2.69	13.56
Barclays IG Corp Credit	2.14	1.93	8.15
Barclays High Yield Loans	2.66	6.46	4.98

\* Treasury yields across the curve declined modestly in December. The yield on the bellweather 10-year U.S. Treasury bond closed at 1.89% while the yield on the 30-year finished at 2.91%.

\* Bond prices advanced for the month as the Barclays Aggregate Bond Index returned 1.1% while longer dated maturities, as measured by the Barclays Government Long Bond Index, rose 2.6%. For the year, the Aggregate Bond Index advanced 7.8% while the Government Long Bond Index rose an astonishing 29.1%.

\* For calendar year 2011, bonds outpaced equities by a wide margin as macroeconomic themes, both domestically and internationally, pushed U.S. Treasury yields down to record low levels throughout the year.

### DOMESTIC EQUITY

	<u>December</u>	<u>Q4</u>	<u>1 YR</u>
S&P 500	1.02%	11.82%	2.11%
Russell 1000	0.84	11.84	1.50
Russell 1000 Value	2.02	13.11	0.39
Russell 1000 Growth	-0.32	10.61	2.64
Russell Mid Cap	-0.12	12.31	-1.55
Russell Mid Cap Value	1.25	13.37	-1.38
Russell Mid Cap Growth	-1.50	11.24	-1.65
Russell 2000	0.66	15.47	-4.18
Russell 2000 Value	1.57	15.97	-5.50
Russell 2000 Growth	-0.22	14.99	-2.91
Russell 3000	0.82	12.12	1.03
NAREIT	4.55	14.05	7.30

\* U.S. equity markets were relatively calm in December as measured by the CBOE Volatility Index ("VIX.") The VIX averaged 25.0 in December compared to averages of 32.0 to 36.5 in the previous three months and high of 48.0 in early August.

\* The S&P 500 index ended the month basically where it was one year earlier. The S&P rose 1.0% in December and posted a 2.1% total return for 2011.

\* Value style investing bested growth style investing in December while large capitalization stocks edged mid and small caps.

\* The Russell 3000 Index, which includes large, mid and small capitalization stocks, advanced 1.0% for the year.

\* REITs rose 4.6% for the month and returned 7.3% for the year on a combination of improving fundamentals and attractive yields within the sector.

## Capital Markets Flash Report

SECTORS			
	<u>December</u>	<u>Q4</u>	<u>1 YR</u>
Consumer Discretionary	1.28%	12.58%	6.13%
Consumer Staples	2.76	10.26	13.99
Energy	-1.03	18.20	4.72
Financials	1.76	10.82	-17.06
Health Care	2.92	9.96	12.73
Industrials	1.17	16.52	-0.59
Technology	-0.87	8.72	2.41
Materials	-2.11	15.39	-9.75
Telecommunications	3.97	7.90	6.27
Utilities	3.37	8.28	19.91
<b>INTERNATIONAL EQUITY</b>			
	<u>December</u>	<u>Q4</u>	<u>1 YR</u>
MSCI EAFE	-0.95%	3.33%	-12.14%
MSCI EAFE Growth	-1.30	3.92	-12.11
MSCI EAFE Value	-0.59	2.74	-12.17
MSCI EAFE Small Cap	-1.93	-0.56	-15.94
MSCI EM	-1.21	4.42	-18.42
MSCI AC World Ex USA	-1.12	3.72	-13.71
<b>NON-TRADITIONAL</b>			
	<u>December</u>	<u>Q4</u>	<u>1 YR</u>
HFRX Global HF Index	-0.49%	-0.54%	-8.92%
DJ UBS Commodities	-3.75	0.35	-13.32

\* The Telecommunications, Utilities and Health Care sectors rallied in December, producing gains of 4.0%, 3.4% and 2.9%, respectively.

\* Defensive sectors outpaced economically sensitive sectors in 2011, led by the 19.9% gain in the Utilities sector followed by 14.0% and 12.7% gains in the Consumer Staples and Health Care sectors.

\* Although the Financial sector posted a positive return of 1.8% in December, the sector declined by over 17.0% in 2011 as the sovereign debt crisis abroad and more stringent banking regulations weighed heavily on the sector throughout the year.

\* Macroeconomic and political issues continued to dominate the headlines abroad. The European Central Bank offered low interest rate, three-year loans to banks in December and was met with strong demand from more than 500 banks. While the liquidity quieted the markets toward month's end, longer-term the program may have indicated more about the fragility of the European banking system.

\* Developed and emerging markets continued to suffer under the weight of the European sovereign debt issue. The MSCI EAFE index declined 1.0% in December while emerging markets, as measured by the MSCI Emerging Market Index, shed 1.2%.

\* For the month, the U.S. dollar rose against the Euro and British pound but was weaker against the Yen. For the year, the U.S. dollar gained 3.2% against the Euro and 1.0% against the British pound but lost 5.4% to the Yen.

\* Hedge fund strategies, as measured by the HFRX Global HF Index, declined 0.5% for the month and closed the year 8.9% lower. High stock correlations, a strong rally in U.S. Treasuries and a difficult third quarter proved to be headwinds to hedge funds in 2011.

\* Commodity prices, as measured by the DJ UBS Commodities Index, declined 3.8% in December and shed 13.3% for the year. Driving commodity prices lower was a combination of a stronger U.S. dollar and fears of a global slowdown brought on by the European debt crisis.

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