

Capital Market Update

4th Quarter 2010



RETIREMENT PLAN
ADVISORY GROUP

Market Review – 4th Quarter 2010

Executive Summary

U.S. equity markets finished the year strong, posting a positive 11.6 percent return (Russell 3000 Index) for the fourth and final quarter of 2010. International equities continued to lag their U.S. counterparts, but nonetheless posted a strong absolute return of a positive 6.7 percent for the quarter (MSCI EAFE Index). Across U.S. and International equities, the riskiest small capitalization stocks out-performed. Growth stocks typically out-performed value stocks. U.S. fixed income (the more conservative asset class from a risk perspective), however, posted quite different results, returning a negative 1.3 percent (Barclays Aggregate Index) for the quarter. Fixed income yields backed up, sending prices lower, causing the 10-year Treasury bond yield to jump 80 basis points (over the quarter) to finish at 3.3 percent. As it turned out, risk was rewarded for the quarter, and so it went for the year.

For the year ending 12/31/10 most major market asset classes posted solid positive returns. In many cases, returns were in the double digits for equity oriented asset classes, however, even conservative asset classes, like fixed income, performed well. For the second consecutive year, U.S. equity markets posted strong positive double digit returns, marking a significant recovery in U.S. equity markets from one of its worst declines (2008) in history. While U.S. fixed income edged off its strong performance near the end of the year, it still managed to post one of its best years (6.5 percent, as measured by the Barclays Aggregate Index) over the last three (calendar) years.

The Fed's Quantitative Easing (QE2) efforts did little to stop yields from rising in the fourth quarter. Still, QE2 will likely continue to maintain some pressure on rising rates throughout the first quarter of 2011. QE2, along with the Government's other market interventions (e.g., the Fed holding short term rates low, in the 0-.25 percent range) was an integral part of sending riskier securities and their corresponding asset classes higher over 2010. 2011 will likely be a year in transition for the economy and markets as the Government begins to reduce their support. Without Government support, consumers and corporations will need to play a larger role in the economy for the momentum to continue.

U.S. Equity

The U.S. equity market, as measured by the DJW 5000 Index, was up 11.7 percent for the quarter. All U.S. equity styles posted strong double digit returns for the quarter. The best performing U.S. equity asset class for the quarter was small growth, returning a positive 17.1 percent (Russell 2000 Growth). The worst performing U.S. equity asset class for the quarter was large value, returning a positive 10.5 percent (Russell 1000 Value). Small-cap stocks generally out-performed large-cap stocks for the quarter.

International Equity

Developed international equity underperformed U.S. equity again for the third consecutive quarter, returning a positive 6.7 percent (MSCI EAFE). Small growth was the best performing and large value was the worst performing, similar to the U.S. equity markets. Emerging market equities performance also settled in lower, returning a positive 7.4 percent for the quarter (MSCI Emerging Markets Free Index). Japan was the best performing region over the quarter, returning a positive 12.1 percent (MSCI Japan).

Fixed Income

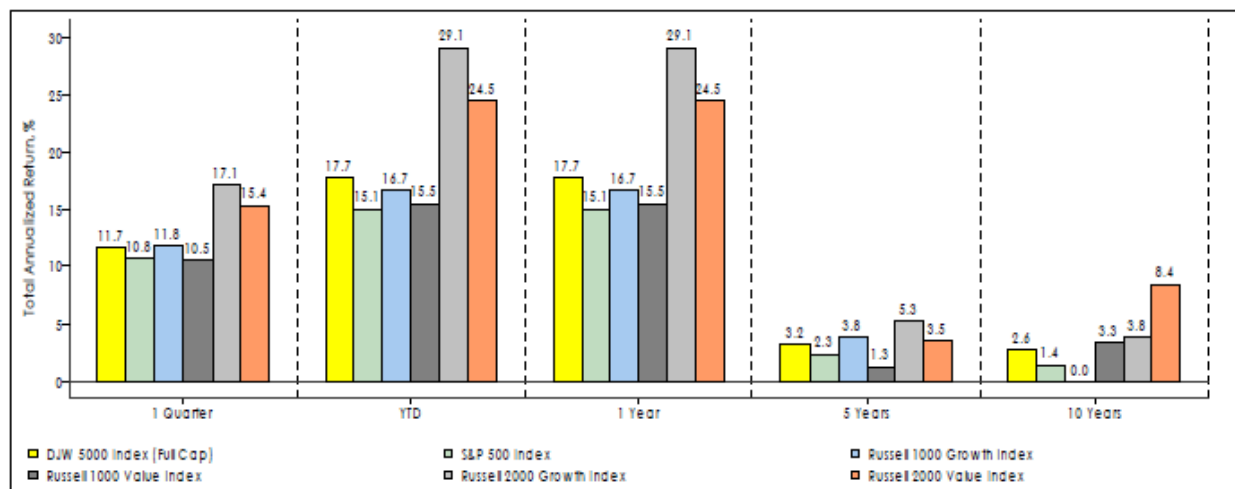
Fixed income markets were negative for the quarter, with the broad fixed income market posting a negative 1.3 percent (Barclays Capital U.S. Aggregate). The strongest positive returns were found in the high yield corporate sector, returning a positive 3.2 percent (BC High Yield Corporate). Global fixed income underperformed the broad U.S. fixed income markets, returning a negative 1.67 percent (Citi WBIG USD) for the quarter.

Equity Markets Overview

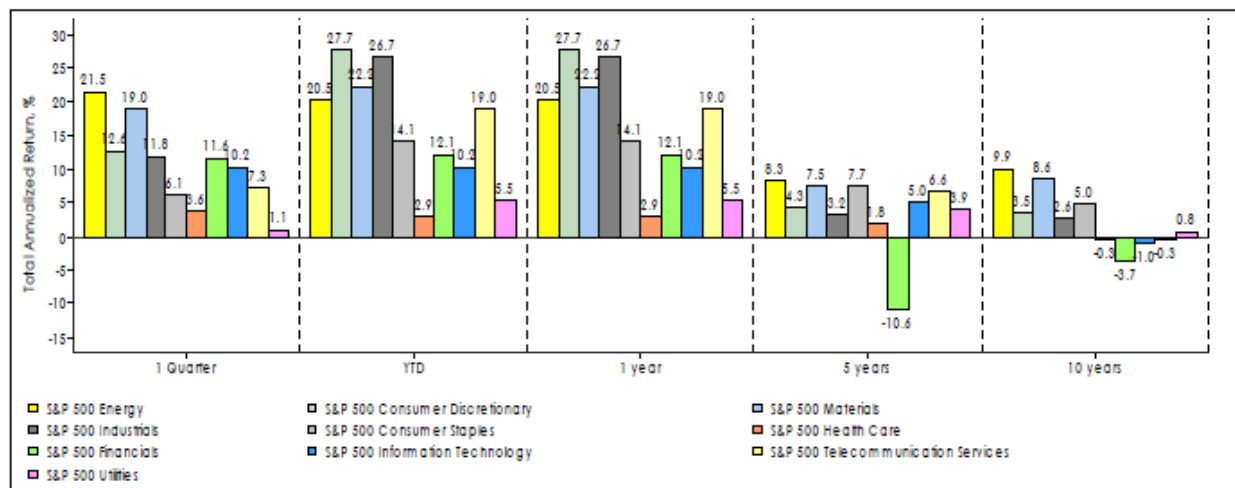
U.S. Equity Overview

- All U.S. equity styles posted strong positive returns for the quarter
- Small growth was the best performing style:
 - up 17.1% for the quarter
- Large value was the worst performing style:
 - up 10.5% for the quarter
- Small value continues to be the best returning style over the long term:
 - 8.4% over the latest 10 years
- Best performing sectors for the quarter:
 - Energy (21.5%)
 - Materials (19.0%)
- Worst performing sectors for the quarter:
 - Utilities (1.1%)
 - Health Care (3.6%)

U.S. Equity Index Performance



U.S. Equity Sector Performance

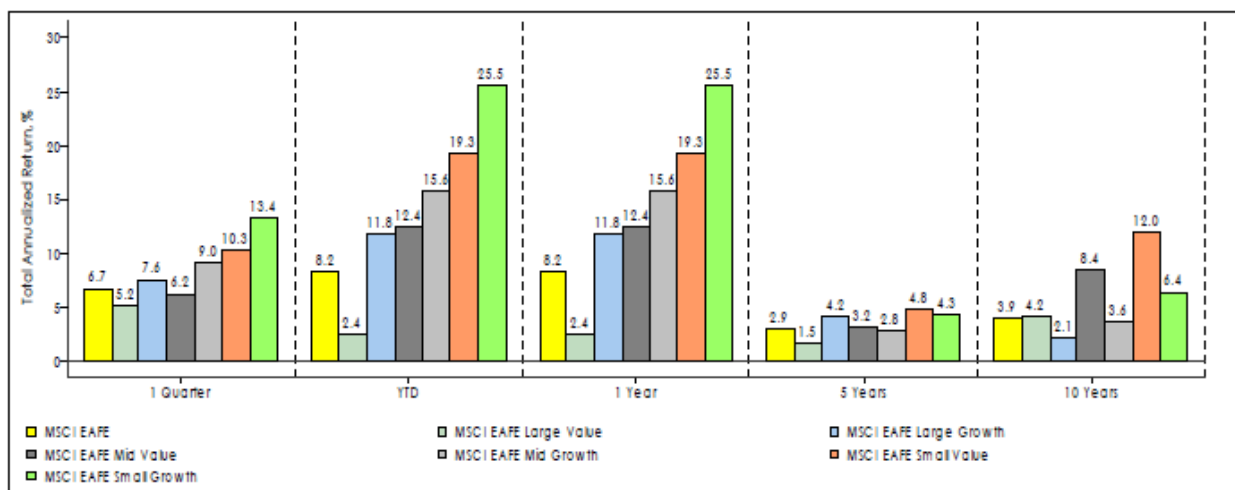


International Equity Markets Overview

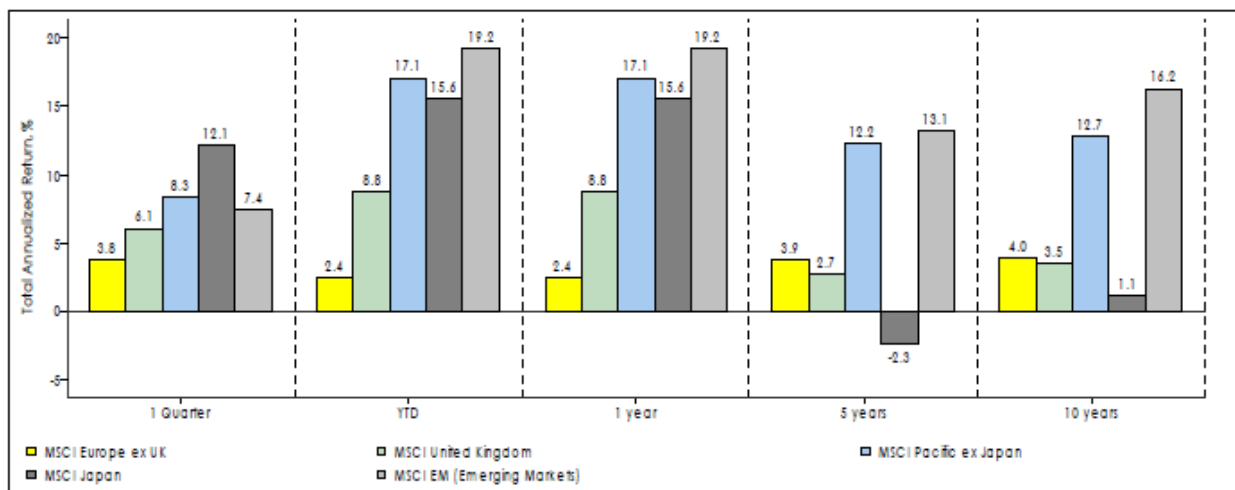
International Equity Overview

- All international equity styles posted strong positive returns for the quarter
- The best performing style for the quarter:
 - Small growth, up 13.4%
- The worst performing style for the quarter:
 - Large value, up 5.2%
- As in the U.S. equity markets, small value has been the best performing style over the long term
 - 12.0% (annualized) over last 10 years
- Best performing region(s) (Qtr)
 - Japan (12.1%)
- Worst performing region(s) (Qtr)
 - Europe ex UK (3.8%)

International Index Performance by Style and Capitalization



International Index Performance by Region

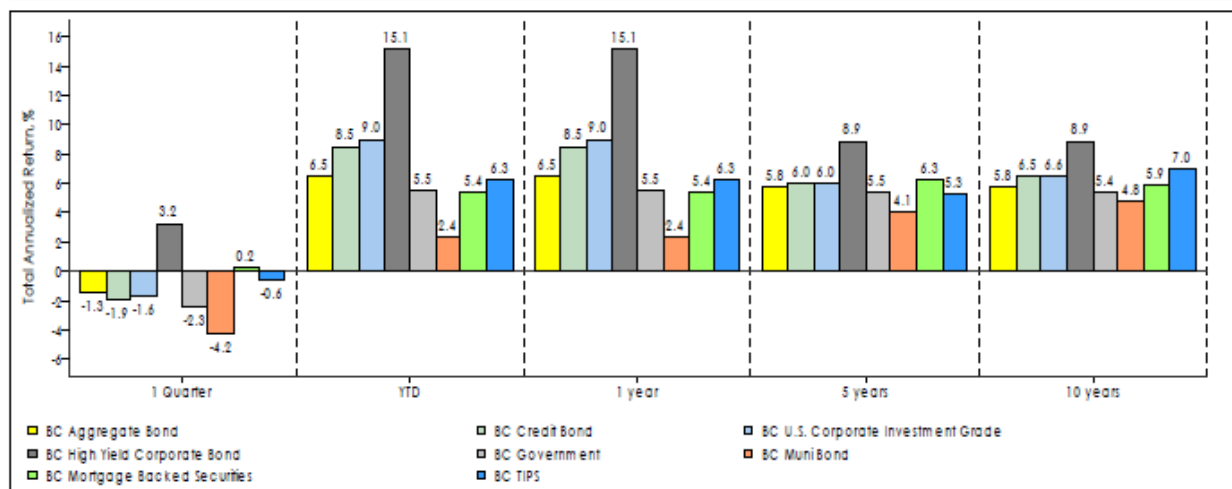


Fixed Income Markets Overview

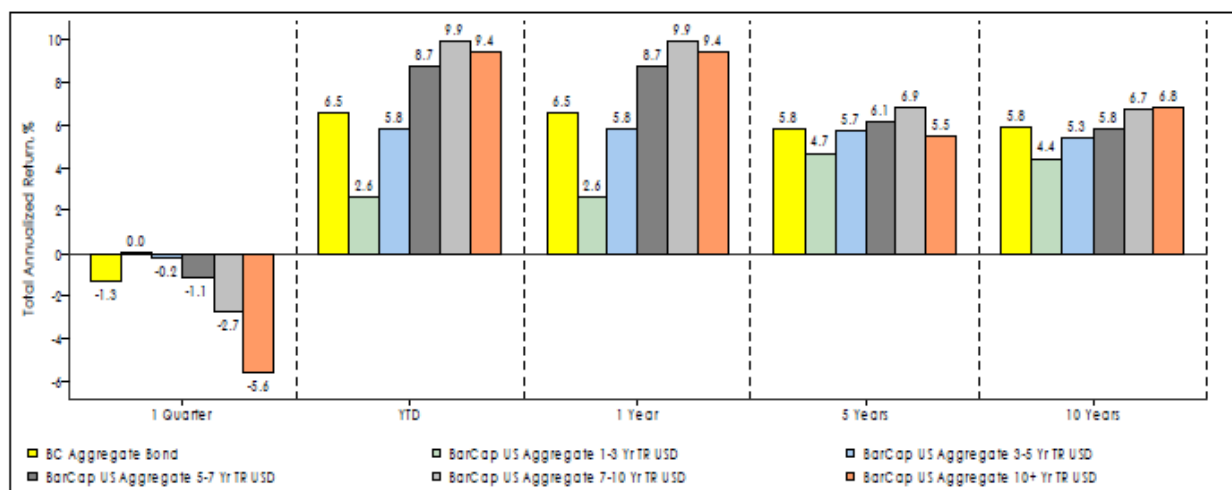
Fixed Income Overview

- Fixed income sectors posted mixed results over the quarter
- The riskier fixed income sectors were the best performing for the quarter
- The best performing sector(s) for the quarter:
 - High yield, up 3.2%
- The worst performing sector(s) for the quarter:
 - Muni bond, down 4.2%
 - Government bond, down 2.3%
- Long-term bonds underperformed as increasing rates over the quarter hit longer duration fixed income securities the hardest

Fixed Income Sector Performance



Fixed Income Performance by Maturity



Style Box Performance

Annualized Style Box Performance

1 Quarter (%)			
Value	Blend	Growth	
9.75	10.39	10.99	Large
12.24	13.07	14.01	Mid
15.36	16.25	17.11	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
6.65	8.95	-1.30	0.04

3 Year (Annualized %)			
Value	Blend	Growth	
-6.48	-3.70	-1.01	Large
1.01	1.05	0.97	Mid
2.19	2.22	2.18	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
-6.55	-4.85	5.90	0.79

Year to Date (%)			
Value	Blend	Growth	
11.69	12.47	13.21	Large
24.75	25.47	26.38	Mid
24.50	26.85	29.09	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
8.21	11.76	6.54	0.13

5 Year (Annualized %)			
Value	Blend	Growth	
0.17	1.79	3.38	Large
4.08	4.66	4.88	Mid
3.52	4.47	5.30	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
2.94	2.43	5.80	2.43

1 Year (%)			
Value	Blend	Growth	
11.69	12.47	13.21	Large
24.75	25.47	26.38	Mid
24.50	26.85	29.09	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
8.21	11.76	6.54	0.13

10 Year (Annualized %)			
Value	Blend	Growth	
1.26	0.18	-0.89	Large
8.07	6.54	3.12	Mid
8.42	6.33	3.78	Small
Int'l Equity	Global Equity	Core Fixed Income	3-Month T-Bill
3.94	2.31	5.84	2.38

Asset Class Kaleidoscope

Asset Class Kaleidoscope: Changing Leadership

The following chart exhibits the volatility of asset class returns from year to year by ranking certain key indices in order of performance. Also included in the chart is a balanced index, which represents a mix of U.S. equity, international equity and fixed income indices. The chart graphically displays the volatility of asset class returns from year to year, highlighting the importance of diversification. Top-performing asset classes in a given year do not tend to repeat their stellar performance in subsequent years. Accordingly, the worst performing asset classes in a given year often tend to outperform in future years. Said differently, past performance is not a good indicator of future performance. Diversification, demonstrated by the balanced index, helps reduce return volatility and the uncertainty that accompanies trying to pick the best asset class (or avoid the worst) in any given year.

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
22.83 Russell 2000 Value	14.02 Russell 2000 Value	10.25 BarCap US Agg	48.54 Russell 2000 Growth	22.24 Russell 2000 Value	14.02 MSCI EAFE USD	26.86 MSCI EAFE USD	11.81 Russell 1000 Growth	5.24 BarCap US Agg	37.21 Russell 1000 Growth	29.09 Russell 2000 Growth
11.63 BarCap US Agg	8.44 BarCap US Agg	-8.45 Balanced Index*	46.03 Russell 2000 Value	20.70 MSCI EAFE USD	7.05 Russell 1000 Value	23.48 Russell 2000 Value	11.63 MSCI EAFE USD	-22.48 Balanced Index*	34.47 Russell 2000 Growth	24.50 Russell 2000 Value
7.02 Russell 1000 Value	-4.09 Balanced Index*	-11.43 Russell 2000 Value	39.17 MSCI EAFE USD	16.49 Russell 1000 Value	5.45 Balanced Index*	22.24 Russell 1000 Value	7.05 Russell 2000 Growth	-28.92 Russell 2000 Value	32.46 MSCI EAFE USD	16.71 Russell 1000 Growth
-0.68 Balanced Index*	-5.59 Russell 1000 Value	-15.52 Russell 1000 Value	30.03 Russell 1000 Value	14.31 Russell 2000 Growth	5.26 Russell 1000 Growth	13.34 Russell 2000 Growth	6.97 BarCap US Agg	-36.85 Russell 1000 Value	20.58 Russell 2000 Value	15.51 Russell 1000 Value
-13.96 MSCI EAFE USD	-9.23 Russell 2000 Growth	-15.66 MSCI EAFE USD	29.75 Russell 1000 Growth	9.84 Balanced Index*	4.71 Russell 2000 Value	12.17 Balanced Index*	6.61 Balanced Index*	-38.44 Russell 1000 Growth	20.05 Balanced Index*	12.47 Balanced Index*
-22.42 Russell 1000 Growth	-20.42 Russell 1000 Growth	-27.88 Russell 1000 Growth	20.80 Balanced Index*	6.30 Russell 1000 Growth	4.15 Russell 2000 Growth	9.07 Russell 1000 Growth	-0.17 Russell 1000 Value	-38.54 Russell 2000 Growth	19.69 Russell 1000 Value	8.21 MSCI EAFE USD
-22.43 Russell 2000 Growth	-21.21 MSCI EAFE USD	-30.26 Russell 2000 Growth	4.10 BarCap US Agg	4.34 BarCap US Agg	2.43 BarCap US Agg	4.33 BarCap US Agg	-9.78 Russell 2000 Value	-43.06 MSCI EAFE USD	5.93 BarCap US Agg	6.54 BarCap US Agg

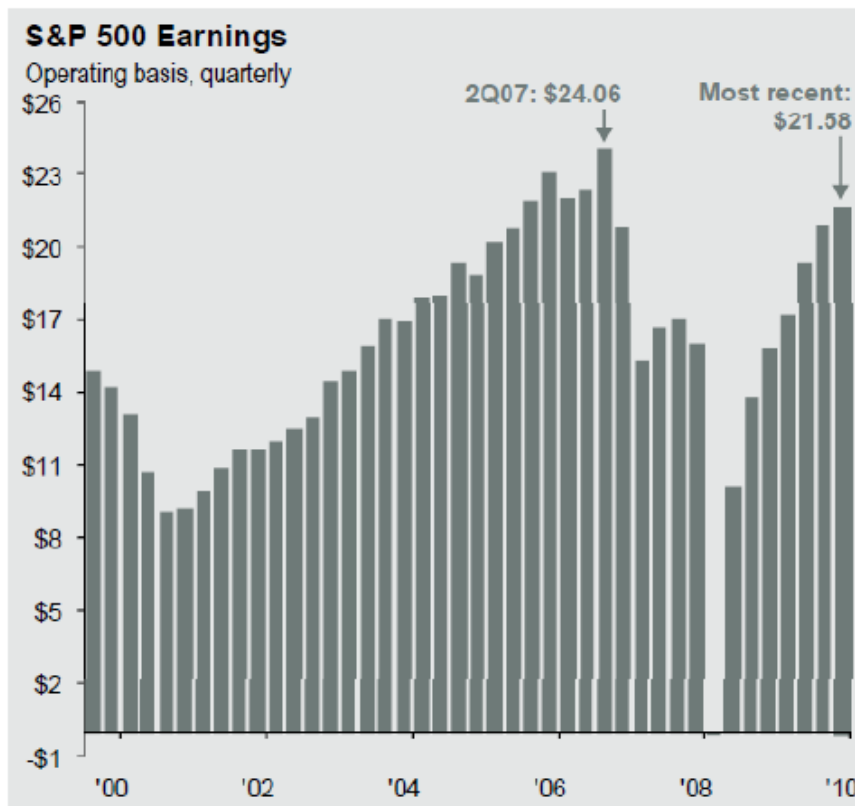
*Balanced Index comprised of 50% Russell 3000, 10% MSCI EAFE and 40% Barclays Capital U.S. Aggregate, rebalanced quarterly

Chart of the Month

Quarterly Chart

S&P 500 Earnings

S&P 500 earnings have been increasing since 2009 and are close to their recent peak reached in the 2nd quarter of 2007. Earnings and stock prices are highly correlated, meaning increasing earnings typically result in higher stock prices.



Source: Standard & Poor's, J.P. Morgan Asset Management.

EPS levels are based on operating earnings per share. Data reflect most recently available as of 12/31/10.

Most recently available is a 3Q10 99% complete estimate.