

# Capital Market Update

4<sup>th</sup> Quarter 2011



RETIREMENT PLAN  
ADVISORY GROUP



# Q4 2011 – Market Review

# Market Review - Summary of Events

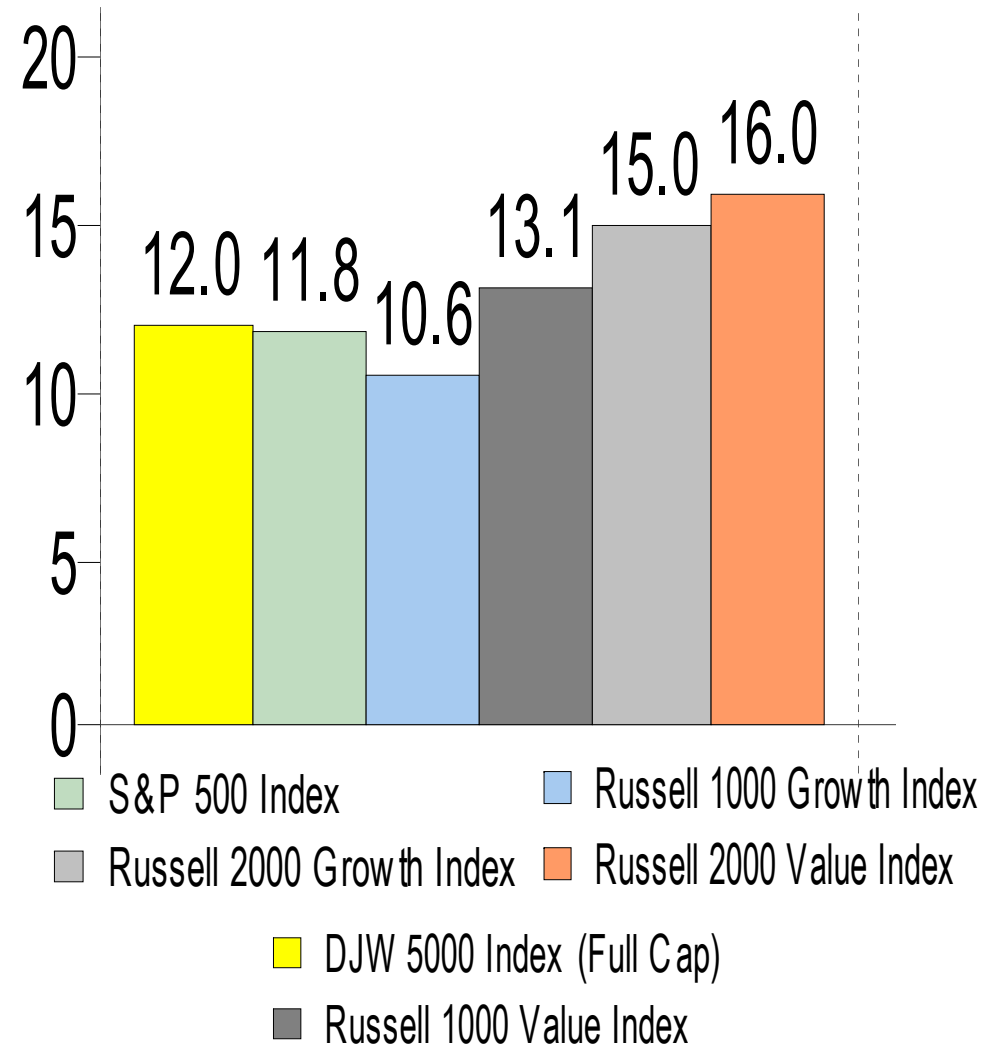
- Volatility
- Q3 recap
  - GDP 1.8% annualized rate
  - Consumer spending
- The U.S. dollar continued to strengthen
- Gold declined
- Oil prices rose approximately 25% in 4Q11 approaching \$100 per barrel.
- Fixed-income/MM fund flows were positive for Q4
  - Negative for Stock funds

# Market Review

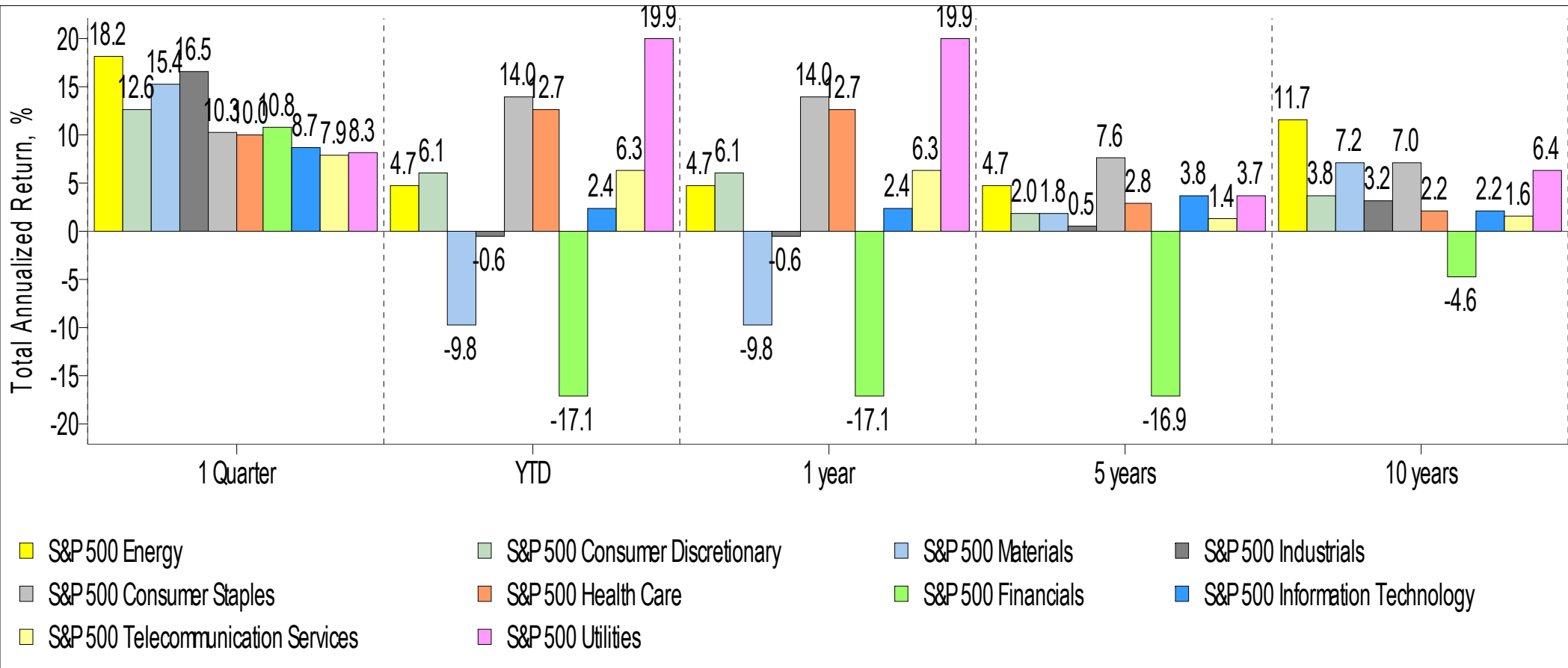
- Interest rates declined even further during 4Q11 and remain historically low
- Core inflation continued to trend upward, while headline inflation declined for the quarter.
- Michigan Consumer Sentiment report
- P/E and P/B ratios increased

# Market Review – U.S. Equity

- Equity markets bounced back in Q4
  - DJW 5000 +12.0%
- Best Performing Asset Class
  - Small cap Value – Russell 2000 Value +16%
- Energy (18.2%) and Industrials (16.5%) – top performing sectors

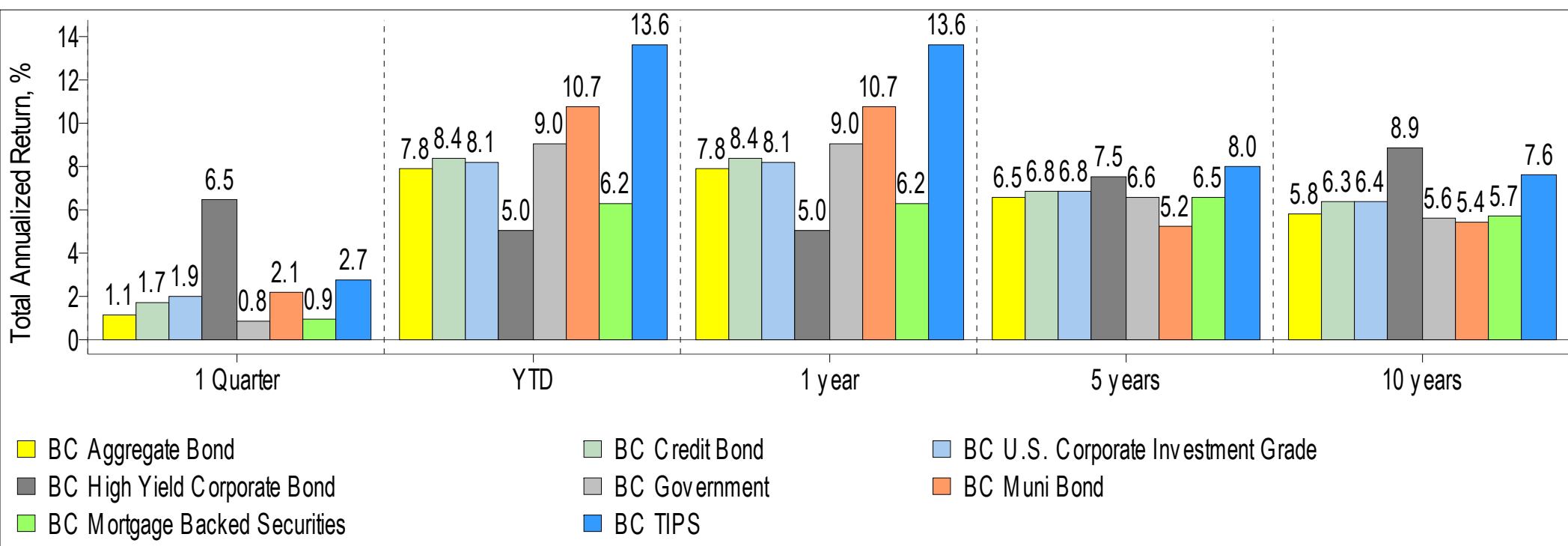


# Market Review – U.S. Equity



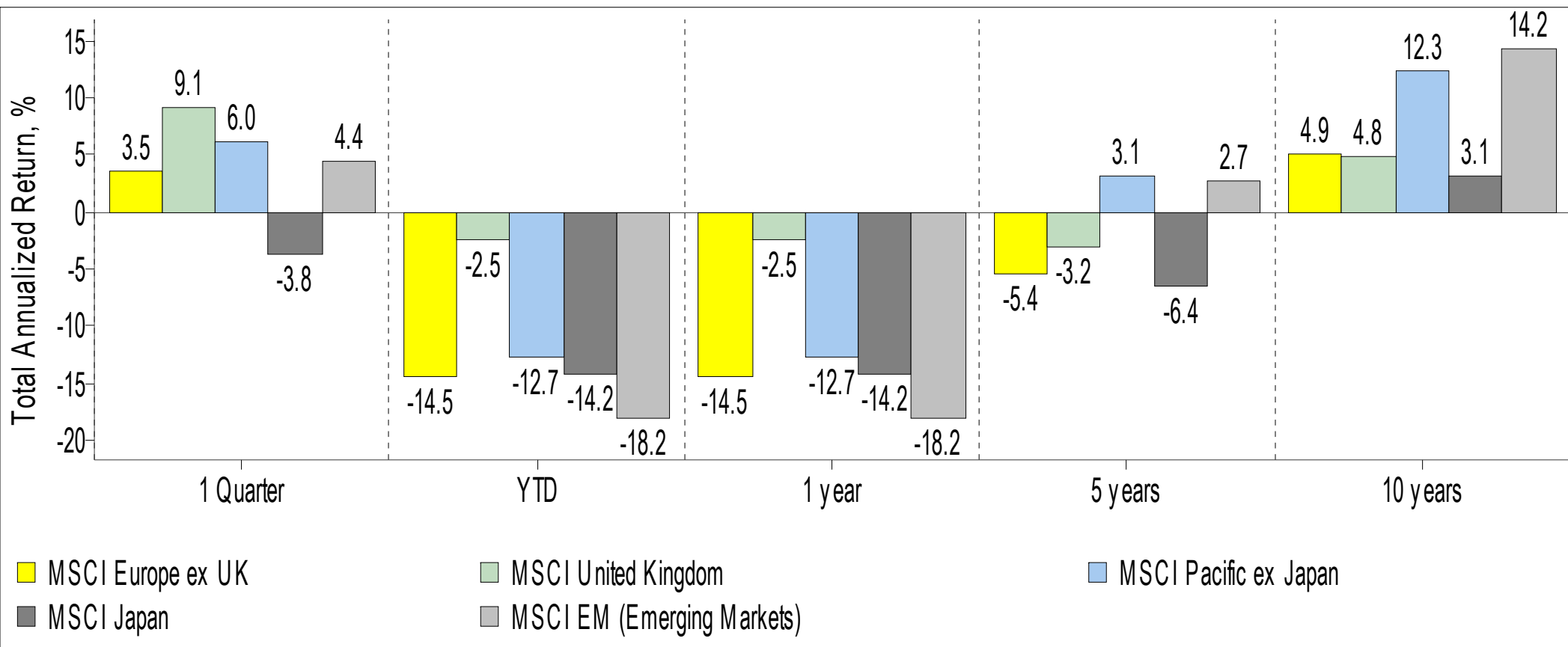
# Market Review – Fixed Income

- Fixed income produced mild gains
  - BC Agg: +1.1%
  - 10-year Treasury: 1.9%



# Market Review – Int'l Equity

- Int'l equity positive for Q4
  - MSCI EAFE +3.4%

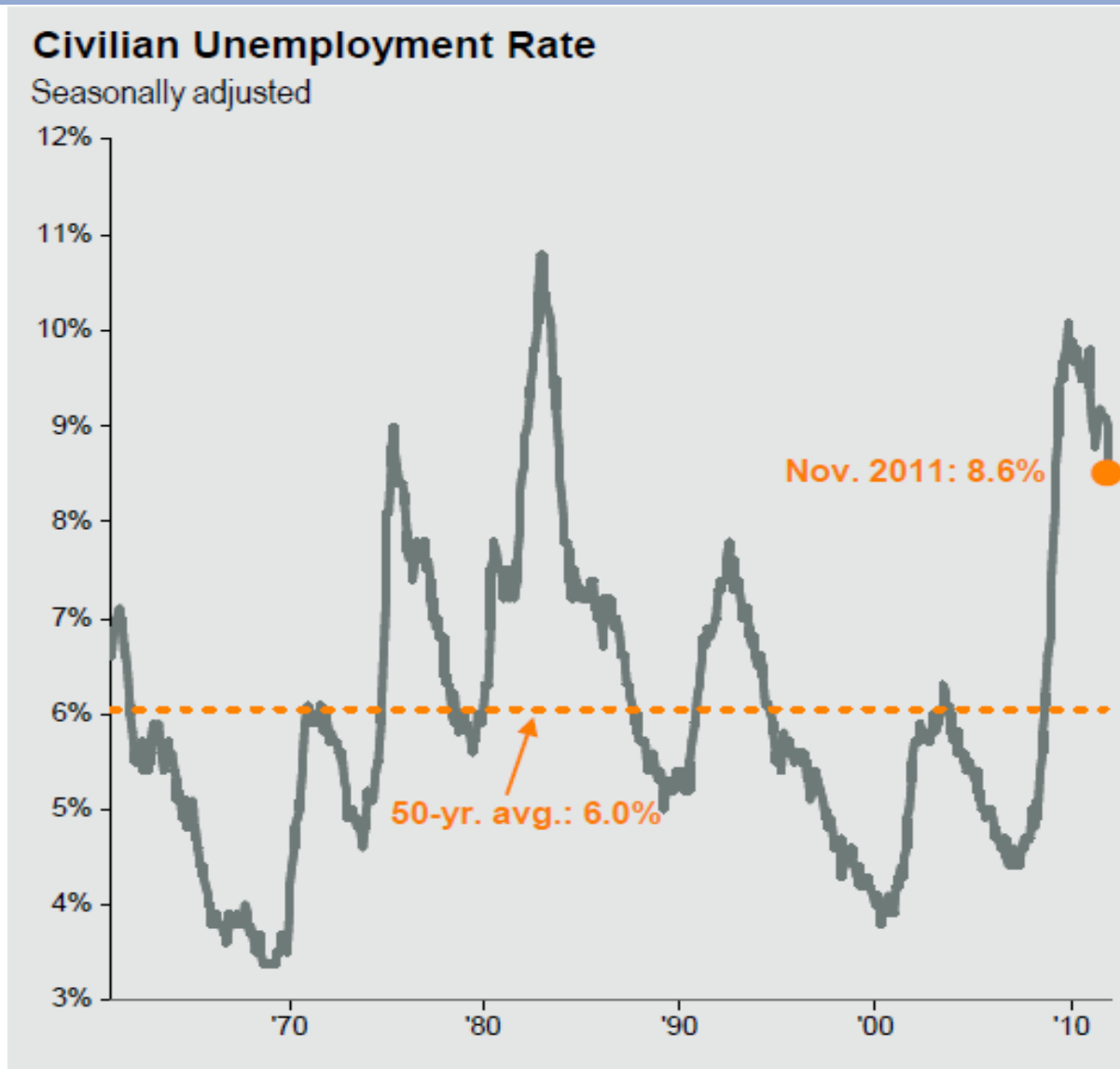


# Asset Class Kaleidoscope

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
14.02 Russell 2000 Value	10.25 BarCap US Agg	48.54 Russell 2000 Growth	22.25 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	7.84 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	3.04 Balanced Index*
-4.09 Balanced Index*	-11.42 Russell 2000 Value	39.17 MSCI EAFE USD	16.49 Russell 1000 Value	5.45 Balanced Index*	22.25 Russell 1000 Value	7.05 Russell 2000 Growth	-28.92 Russell 2000 Value	32.46 MSCI EAFE USD	16.71 Russell 1000 Growth	2.64 Russell 1000 Growth
-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	13.35 Russell 2000 Growth	6.97 BarCap US Agg	-36.85 Russell 1000 Value	20.58 Russell 2000 Value	15.51 Russell 1000 Value	0.39 Russell 1000 Value
-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*	-2.91 Russell 2000 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	-5.50 Russell 2000 Value
-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	-11.73 MSCI EAFE USD

\*Balanced Index = 50% Russell 3000, 10% MSCI EAFE, 40% BC U.S. Aggregate

# Quarterly Chart - Unemployment



Source: BLS, FactSet, J.P. Morgan Asset Management.

Data reflect most recently available as of 12/31/11.