

# MONTHLY REVIEW—APRIL 2010

## MARKET INDEXES

Index	1 Month	3 Months	Year-to-Date	Trailing 1 Year
<u>Domestic Equity (Large Cap)</u>				
Russell 1000 (Core)	1.85	11.67	7.65	40.21
Russell 1000 Growth	1.12	10.64	5.81	38.16
Russell 1000 Value	2.59	12.72	9.55	42.28
<u>Domestic Equity (Small/Mid Cap)</u>				
Russell 2500 (Core)	4.74	18.35	14.39	50.39
Russell 2500 Growth	3.50	17.46	12.62	47.69
Russell 2500 Value	5.81	19.11	15.93	52.56
<u>International Equity</u>				
MSCI World ex US (Core)	(1.49)	4.75	(0.16)	36.08
MSCI World ex US Growth	(1.19)	5.61	0.70	36.87
MSCI World ex US Value	(1.79)	3.87	(1.04)	35.23
MSCI Emerging Markets (Gross)	1.23	9.82	3.72	57.55
<u>Domestic REITs</u>				
NAREIT	6.94	24.11	17.65	68.71
<u>Domestic Fixed Income</u>				
Barclays U.S. Aggregate	1.04	1.29	2.84	8.30

## ECONOMIC INDICATORS

	Most Recent	Year-to-Date	Trailing 1 Year
U.S. Dollar (April)	-0.3%	0.7%	-7.5%
Housing Prices (February)	-0.6%	-0.8%	1.4%
Consumer Sentiment (level)	72.2	72.5	65.1
Retail Sales (March)	1.6%	2.7%	7.6%
Job Gains/Losses (March)	162,000	162,000	(2,320,000)
Inflation (March)	0.4%	0.8%	2.3%

The U.S. equity markets continued to climb in April, adding to investors' first quarter gains. Small and mid-sized companies outpaced large cap stocks, returning 4.7% versus 1.9%. Value continued to outperform growth. The value benchmark is comprised of 17.8% energy stocks, which were up 5.2%. In the growth benchmark, energy names are only 4% of the total and were up 2.8%. Including large and small cap stocks, not only did energy names post positive returns, but consumer discretionary, financial and industrial names did as well. Healthcare and consumer staples companies, both typically more defensive in nature, did not perform as well during the month.

It is worth noting that financial stocks were positive during the month even considering that on April 16<sup>th</sup>, investors awoke to news that the Securities and Exchange Commission (SEC) was charging Goldman Sachs with fraud. The SEC is alleging that Goldman Sachs structured a product that depended on the continued strength of the subprime residential mortgage market and then sought to push it on clients without disclosing important information. The SEC specifically cited as an example the fact that Goldman Sachs did not disclose that one of the biggest hedge funds, Paulson & Co. had selected many of the securities within the product and then bet against it. The outcome of this case is not clear at this time, and it will likely remain in the spotlight, especially as Congress attempts financial reform. Although it creates noise in the markets resulting in short-term market swings, in our opinion, this particular news should not have any impact on the economic recovery taking place.

The probability of a "double dip" into recession appears to be falling as consumer spending and business investment increased in the first quarter resulting in a U.S. Gross Domestic Product (GDP) annual growth rate of 3.2%. Additional spending came at the expense of household savings because personal income has not risen. We would like to see an increase in the number of jobs added and an increase in wages. Without personal income growth, the current level of consumer spending is not sustainable. Additionally, the Consumer Price Index (CPI) is not indicating an inflation problem, giving us further confidence that the Fed will not likely raise the Fed funds rate in the near term.

Although the economy appears to be recovering slowly, commercial real estate fundamentals remain weak. This is not reflected in REIT returns as shares soared 6.9% in April. The driving factors are not entirely clear; however, it could be a combination of investors looking to add some diversification and additional yield to their portfolio or that they believe REITs will be in a good position to benefit from a commercial real estate recovery once it materializes.

Developed international returns continue to be weaker than U.S. returns, even when considering movements in the U.S. Dollar. Investors appear to be focused on many of the countries in the Euro-zone, such as Greece, Portugal and Spain, who are struggling with low to negative GDP growth, high unemployment and mounting debt levels. During the month, Standard and Poor's cut Greek bonds to "junk" status and lowered their rating on Portuguese debt. In response, bond investors moved their money into countries with relatively better financial stability, investing in government bonds from the U.K., Germany and U.S. The Barclays U.S. Aggregate was up 1.0% in April.

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