MONTHLY REVIEW—AUGUST 2009

MARKET INDEXES

Index	1 Month	3 Months	Year to Date	Trailing 1 Year
Domestic Equity (Large Cap)				
Russell 1000 (Core)	3.63	11.81	16.36	(18.39)
Russell 1000 Growth	2.07	10.55	21.93	(16.76)
Russell 1000 Value	5.23	13.00	10.58	(20.27)
Domestic Equity (Small/Mid Cap)				
Russell 2500 (Core)	4.09	14.76	20.88	(19.71)
Russell 2500 Growth	2.04	12.54	25.93	(21.08)
Russell 2500 Value	5.95	16.67	16.03	(18.66)
International Equity				
MSCI World ex US (Core)	4.79	13.45	25.32	(15.45)
MSCI World ex US Growth	2.67	10.40	19.86	(20.04)
MSCI World ex US Value	6.87	16.45	30.93	(10.69)
MSCI Emerging Markets (Gross)	(0.33)	9.48	51.14	(9.66)
Domestic REITs				
NAREIT	13.39	20.59	9.97	(32.84)
Domestic Fixed Income				
Barclays U.S. Aggregate	1.04	3.25	4.63	7.95

ECONOMIC INDICATORS

	Most Recent	Year-to-Date	Trailing 1 Year
U.S. Dollar (August)	-1.7%	-3.3%	2.8%
Housing Prices (June)	1.4%	-5.5%	-15.1%
Consumer Sentiment (level)	65.7	60.1	63.0
Retail Sales (July)	-0.1%	1.7%	-8.3%
Job Gains/Losses (July)	(247,000)	(3,586,000)	(5,740,000)
Inflation (July)	-0.2%	2.4%	-2.1%

In August, equity markets around the world continued their rally. In the U.S., "value" stocks outperformed "growth" stocks. The financial sector was the best performing sector in the month, followed by industrials and consumer discretionary. Telecommunications was the only negative sector, but utilities, consumer staples and energy stocks all lagged the overall market.

Internationally, emerging markets lost value, but remain the best performing equity asset class over the past year. In local currency terms, developed international markets performed similarly to U.S. markets, but because the U.S. Dollar lost 1.7% in the month, they outperformed in U.S. Dollar terms. REITs had a particularly strong month, rallied by signs that the debt markets were returning to more normal levels. Commercial real estate continues to struggle and there does not appear to be a recovery on the horizon.

Overall, the bond market has fared well in 2009, but bond sector returns vary widely. U.S. Treasuries are negative year-to-date, while corporate bonds have risen more than 10%. Many bond managers with large corporate and/or high yield bond exposures have returns greater than the overall bond market.

While we like to see the market recovery, we continue to be worried about the lack of positive economic news. The U.S. Dollar fell 1.7% in August and is down 3.3% so far this year. Housing prices rose in June (the latest available data), but are still down 5.5% in 2009. Consumer Sentiment appears to be improving, and it is higher than a year ago, but has fallen for two consecutive months. Retail sales have been almost non-existent this year and are 8.3% lower than a year ago. Sales are likely to improve when August's figures are released, largely based on the recently concluded Car Allowance Rebate System (aka "cash for clunkers"). The effects on the economy will work in a similar way to 2008's rebate checks (remember those?), which was little more than a bandage over a very wounded consumer, providing only small, temporary economic growth. The CARS program will have a much smaller impact, especially since it largely benefitted Japanese automakers, whose cars dominated the program's sales.

Job losses continued in July, with an additional 247,000 jobs lost. Our economy has now lost over 3.5 million jobs this year and over 5.7 million in the past twelve months. This is probably why retail sales have been so weak. Until job growth resumes, it will be challenging for retail sales to improve dramatically.

Inflation was negative in July, and over 2% lower than it was a year ago. Of course, we saw $147 oil a year ago. As each month passes, the trailing year inflation figure is sure to rise as the high energy driven inflation levels of a year ago work their way out of the series. Year to date, prices have risen 2.4% (4.1% annualized). If this trend continues, 2009 will match 2007's inflation, which was the highest since 1990. It may not be the hyper inflation predicted by many in the media, but is well above our recent historical average.

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