

# MONTHLY REVIEW—MAY 2010

## MARKET INDEXES

Index	1 Month	3 Months	Year-to-Date	Trailing 1 Year
<u>Domestic Equity (Large Cap)</u>				
Russell 1000 (Core)	(7.93)	(0.46)	(0.88)	22.33
Russell 1000 Growth	(7.63)	(1.20)	(2.26)	21.59
Russell 1000 Value	(8.22)	0.28	0.54	22.98
<u>Domestic Equity (Small/Mid Cap)</u>				
Russell 2500 (Core)	(7.45)	4.35	5.87	35.07
Russell 2500 Growth	(6.79)	4.18	4.97	32.88
Russell 2500 Value	(8.00)	4.49	6.66	36.93
<u>International Equity</u>				
MSCI World ex US (Core)	(11.03)	(6.72)	(11.18)	7.47
MSCI World ex US Growth	(10.59)	(6.00)	(9.96)	8.36
MSCI World ex US Value	(11.49)	(7.45)	(12.41)	6.53
MSCI Emerging Markets	(8.80)	(0.24)	(5.47)	22.39
<u>Domestic REITs</u>				
NAREIT	(5.55)	11.29	11.13	55.98
<u>Commodities</u>				
Dow Jones-UBS Commodity	(6.92)	(6.29)	(9.89)	0.47
<u>Domestic Fixed Income</u>				
Barclays U.S. Aggregate	0.84	1.77	3.71	8.42

MSCI World ex-U.S. Index was down 11.0% in May (-7.0% in local currencies).

Emerging market equity returns were also negative during the month. The debt crisis in the euro-zone is feared as a potential threat to global growth and thus, could have a negative impact on emerging markets' exports. In tandem with the negative news in Europe, central banks in the emerging world are working to slow growth in their economies in an effort to lower the probability of economic overheating and inflation. The MSCI Emerging Market Index was down 8.8% in May (-5.2% in local currencies).

As troubles in the euro-zone remain in the spotlight, fears of global growth decline weighed heavily on commodities as well, which were down 6.9% during May. Talk of slowing growth in emerging market economies such as China also pressured certain commodity prices. Gold, however, was up 3% in May. During times of uncertainty, many investors view gold as a safe haven.

Fearful investors also fled to the bond market and even more specifically, U.S. Treasuries. The Barclays U.S. Aggregate was up 0.8%.

As we analyze what happened in May, it is important to remember that public markets are generally forward looking. We have frequently discussed the disconnect between recent market performance and actual economic fundamentals. The market has been soaring as economic indicators have slowly improved. In this type of environment, the markets may shrug off negative headlines; unless, however, something of great magnitude comes along that is seen as a systemic threat and potentially harmful to the economic recovery taking place. In the recent past, we saw investors fearfully react to such events as Lehman's failure. Currently, the catalyst appears to be the sovereign debt issues in Greece. Across the board, public equity markets reacted negatively as it became clear that Greece was in need of a bailout. Developed markets, emerging markets and REITs all fell. Bonds and gold, however, were positive during the month as investors sought safety. Times such as these highlight the important role of true portfolio diversification.

## ECONOMIC INDICATORS

	Most Recent	Year-to-Date	Trailing 1 Year
U.S. Dollar (April)	-0.7%	-0.1%	-7.7%
Housing Prices (March)	-0.4%	-1.2%	3.1%
Consumer Sentiment (level)	73.6	72.5	68.7
Retail Sales (April)	0.4%	3.5%	8.8%
Job Gains/Losses (April)	290,000	573,000	(1,327,000)
Inflation (April)	0.2%	1.0%	2.2%

After climbing through April, the U.S. equity markets tumbled in May. Value stocks slid more than growth stocks but continue to outperform year to date. Small and mid cap stocks fell dramatically as well; however, with larger gains experienced in the first four months of the year, small and mid cap stocks are up over 5% this year as large cap stocks are basically flat. Across sectors, the selloff was broad, and no sector was spared. The largest contributors to the negative performance in the Russell 3000 were information technology, financials and energy stocks.

REITs fell as well, shaving 5.6% during May, however, this was relatively less than the broad market loss. REITs are still up over 11% for the year as investors continue to allocate money to the group in anticipation of a commercial real estate recovery.

Investors have been captivated by the struggles in the euro-zone. Many are fearful that the sovereign debt issues seen in countries such as Greece and Spain will be experienced by other countries with similar debt levels and muted or slowing economic growth. Thus, investors exited developed international markets in May. The