MARCH 2010 QUARTERLY RESEARCH REPORT

Eric J. Petroff, CFA, CAIA
Director of Research
epetroff@wurts.com

SEATTLE
999 Third Avenue
Suite 4200
Seattle, Washington 98104
206.622.3700 telephone
206.622.0548 facsimile

LOS ANGELES
2321 Rosecrans Avenue
Suite 2250
El Segundo, California 90245
310.297.1777 telephone
310.297.0878 facsimile

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Table of Contents

I. Report Overview

Report Overview

Let's Not Get Too Excited About GDP Just Yet

Optimism in itself is not a bad thing, but baseless optimism is a whole other story. The most recent measure of US GDP showed the economy growing at a 5.6% annualized pace, which may lead some to believe we're back on track to better days. Though this may or may not turn out to be true, a deeper dive into current macroeconomic conditions reveals little reason to believe the next expansion is imminent.

Though GDP grew at its strongest pace in some time, we would point out the vast majority of growth was due to private inventories which had been steadily detracting from GDP the last two years as businesses scaled backed operations. A surge in inventories at this juncture seems more an inevitable reflexive response than a sign of fundamental improvement. We would also note the relatively miniscule contribution of government spending to growth in 2009, as well as its detraction from it in the fourth quarter. Attempts at fiscal stimulus through the American Reinvestment & Recovery Act (ARRA) apparently fell short. Perhaps we will see better results in 2010 when approximately double the amount of money is projected to be spent.

We also see cause for concern when looking at other key factors affecting the economy. Most notable of these is the erosion of more than $13 trillion of combined household and corporate net worth since 2007 due to declines in real and financial assets. History and theory tell us net worth is not only a driver of consumer spending, but also corporate capital investment. So until asset values are inflated one way or another, there is little reason to believe either consumer or corporate spending will return with fervor anytime soon.

Another area of concern is what could possibly be signs of weakening conditions for prime mortgage holders, as delinquencies and foreclosures appear to be accelerating for these households. We must not forget how much damage sub-prime borrowers did to our economy as only 10% of total mortgage markets, whereas prime borrowers represent more than two-thirds. A "second leg down" in the housing market remains a possibility and a threat to recovery through further erosion of household net worth, a possibility that increases the longer the recession lasts. Our remaining concerns are best described through an analysis of government fiscal and monetary policies.

A Macro View Through the Prism of Government Policies

The Federal government accounts for one quarter of US economic activity and represents the single largest decision maker in our economy. Fortunately, the Congressional Budget Office (CBO) periodically lays forth detailed economic forecasts alongside Federal revenue, spending, and debt estimates for the next decade. These reports offer useful insights into potential influences on the shape of our economy.

As we will demonstrate later in this report, the CBO's forecasts appear somewhat detached from reality. This in itself should almost be expected from a government agency. However, what is worrisome with current forecasts is their unrealistic optimism for economic growth, while at the same time laying forth utterly horrendous estimates for debt and taxation. These outlooks conflict with one another conceptually and are effectively mutually exclusive on a directional basis.

If you examine the CBO's GDP forecasts, they show a precipitous jump in growth to levels at the high ends of historic norms *(4%-5% real)*, while at the same time inflation is expected to reach historic lows, ranging from 1%-2% over the next decade, which seems silly in light of mounting inflationary pressures. In other words, the CBO is forecasting robust GDP with virtually non-existent inflation, the best of both worlds. We have fundamental concerns with this outlook.

The first of which is the resurgence in growth comes at the same time individual and corporate taxes are slated to increase by 33% and 81%, respectively, in 2011. Moreover, individual taxes are slated to grow 2 ½ times faster than income and corporate taxes 6 times faster than profits by 2020. Objectively speaking, it is unlikely the economy will experience robust economic growth in the face of such taxation. In fact, one could argue the pending 2011 tax hikes couldn't come at a worse time and will likely increase the probabilities of a double-dip recession as the bulk ARRA stimulus ends in 2010.

Skepticism over projected GDP growth then leads to concerns over the reliability of deficit and debt estimates. Even with the forecasts laid forth by the CBO of strong GDP growth, low unemployment, low inflation, and sharp increases in Federal revenue, outstanding Treasury debt is expected to be nearly 120% of GDP by 2020; interest payments alone should cost $6 trillion over the decade. Such levels of debt are likely to hinder economic growth and increase volatility thereof as societal leverage mounts. Both outcomes are bad for risky assets.

Report Overview

Implications of Macro View on Evolution of Capital Markets

Because the performance of risky assets is ultimately driven by economic fundamentals, the prevailing macroeconomic environment tends to affect valuations and therefore return premiums to risk free assets. If you examine these relationships over the last sixty years, you will find capital markets are more or less appropriately pricing current GDP growth and volatility. Albeit it appears equities are a little expensive and credit a little cheap by these metrics, perhaps indicating a recovery has already been priced into equities? Let's hope the market is correct.

Nonetheless, current valuations indicate a far more rational appreciation for risk than a few years ago when equities were priced to provide less than a 1% premium to Treasuries over the next decade. So it seems fair to say the market has proverbially come to its senses, and that a rational appreciation for risk will remain a pervasive aspect of capital markets for some time given the severity of the recent correction. And if you believe this line of reasoning, credible insights can be gained into the evolution of valuations in light of our macroeconomic outlook, at least assuming you find credence in it as well.

With societal debt rising to unprecedented levels and greater susceptibility to economic volatility as a result, foreseeable drags on real growth, and continued risks of inflation due to monetary policy and burgeoning deficits, we believe investors will demand healthy premiums over risk free assets going forward. Regardless of whether you believe GDP will follow the CBO forecast, or a low growth/higher inflation path, cash and Treasury rates are going to rise one way or the other. And it is this increase in risk free rates that will drive risky asset valuations and returns.

So we are faced with two divergent valuation paths on a forward looking basis. The first would be a return to more ideal times when investors were willing to bear virtually any amount of risk for modest premiums over Treasuries. In such an environment rising cash rates would have little effect on risky asset returns as premiums compress and valuations expand; or the capital markets line (CML) flattens. The second would be cash rates rise alongside weak GDP growth and rising inflation, while at the same time risk premiums hold steady. Such an upward and parallel shift in the CML would be bad for many investments.

What To Do?

Given the mosaic of our views, we believe investors are faced with a simple choice should they choose to marginally shift exposures. We prefer one course of action over the other, but believe it intellectually honest to explore both.

We cannot deny the possibility of a high GDP/low inflation economy and an associated flattening of the CML. If this occurs, valuations for risky assets will rise across the board. Equities, credit, and especially levered directional exposures would do well as valuations and volatility move in opposite directions. Illiquid investments would do well too as investors seek returns in excess of public markets, kind of like a few years ago.

If you agree with us that a parallel and upwards shift in the CML is more likely, then adjusting exposures is in order. Risky asset valuations as a whole will fall, meaning equities and levered directional exposures would suffer the worst. Credit spreads tend to be unaffected by inflation and offer a cushion against rate increases. Commodities, TIPS, and real estate should do well assuming increasing inflationary expectations. Investors herding into illiquid strategies would be unlikely, as higher prospective returns in public markets would negate the need to embrace illiquidity.

The problem of course is that strongly positioning against either environment comes at a cost. If you position against an upward shift in the CML and a flattening occurs, then you would have walked from upside. Conversely, if you position too strongly for a flattening CML that ultimately shifts upwards, heavy losses would be realized.

So the trick lies in not embracing inaction due to uncertainty, but in shifting towards exposures with little sensitivity between outcomes and commensurate long term return expectations to equities to minimize opportunity costs. After all, US large cap equities are now poised to provide mid single-digit returns, which is not such a large return hurdle to overcome.

We would conclude our thoughts this quarter by reminding everyone that change is the only constant in existence. We must recognize that expectations and valuations are in a constant state of flux and, implicitly, so are optimal portfolio structures. This does not mean allocations should be shifted on a quarterly basis, but it does mean you should at least think about them in relation to prevailing conditions.

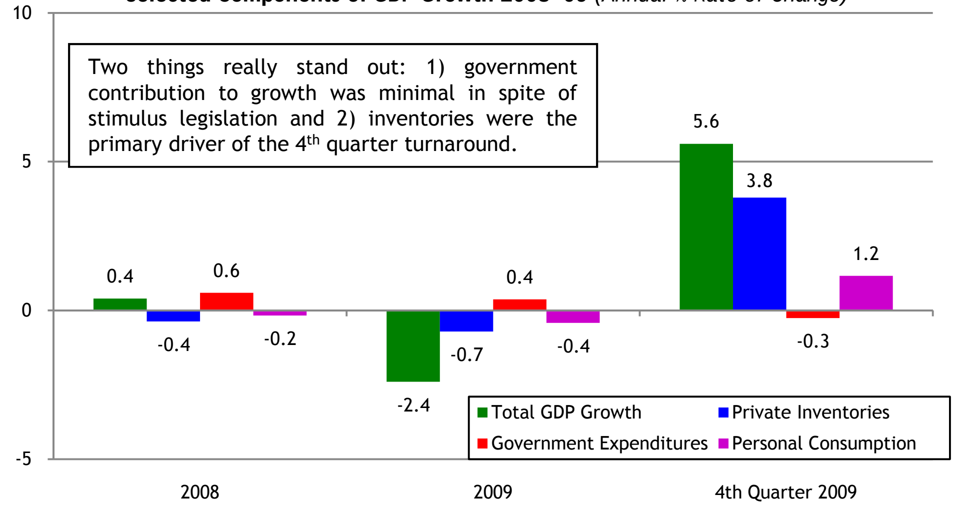
And that's all we're trying to accomplish in this quarter's report. Enjoy!

II. Macroeconomics

Let's Not Get Too Excited Just Yet About GDP Growth

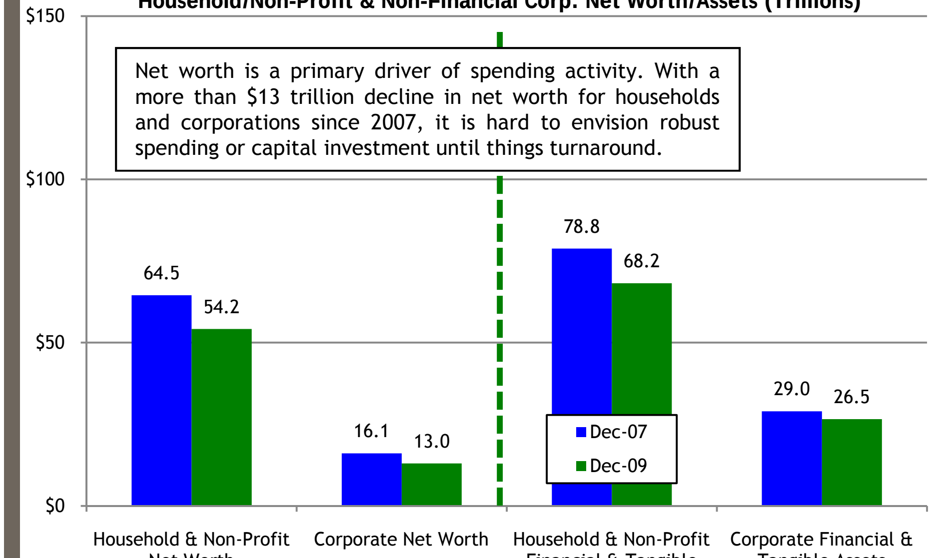
- It is understandable to see optimism at annualized 4th quarter GDP of 5.6%. Some may attribute this to monetary and fiscal stimulus, or to the natural ebb and flow of economic cycles. It appears more so the latter than the former.
- Recent GDP growth was more a function of inventories than any other single factor. After two years of inventory decline, such a reversal seems all but reflexive and is by no means the mark of a definitive recovery.
- We must also keep in mind other hindrances to growth. Both household and corporate net worth remain suppressed from 2007 levels and total US debt continues its upward pace.
- Wouldn't it be nice to *somehow* inflate assets and deflate the real value of debt to bolster societal net worth?

Selected Components of GDP Growth 2008-'09 *(Annual % Rate of Change)*



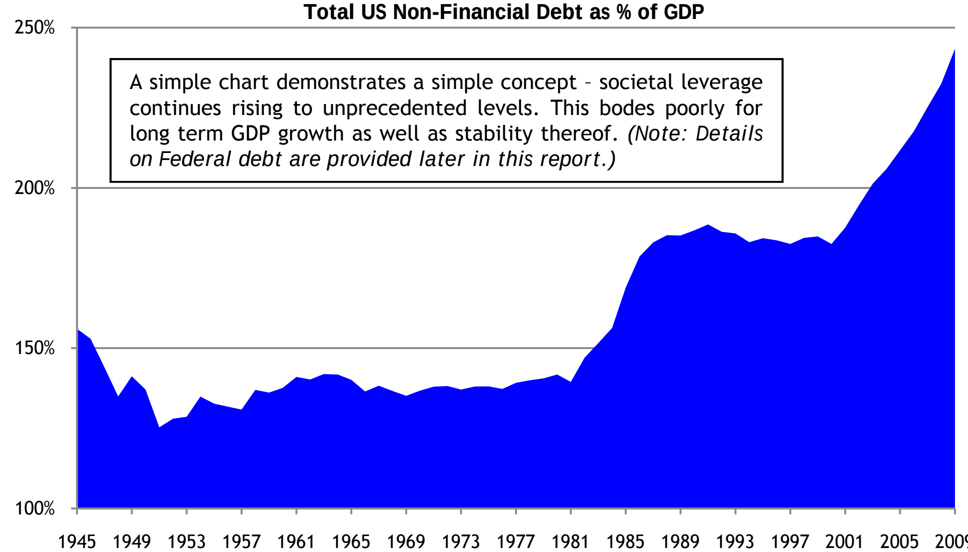
Source: BEA, Wurts & Associates

Household/Non-Profit & Non-Financial Corp. Net Worth/Assets (Trillions)



Source: Federal Reserve

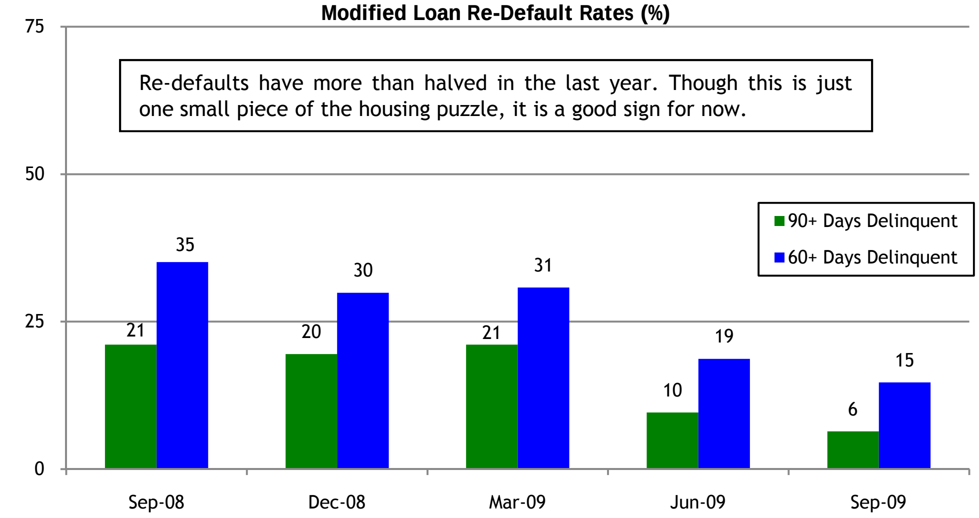
Total US Non-Financial Debt as % of GDP



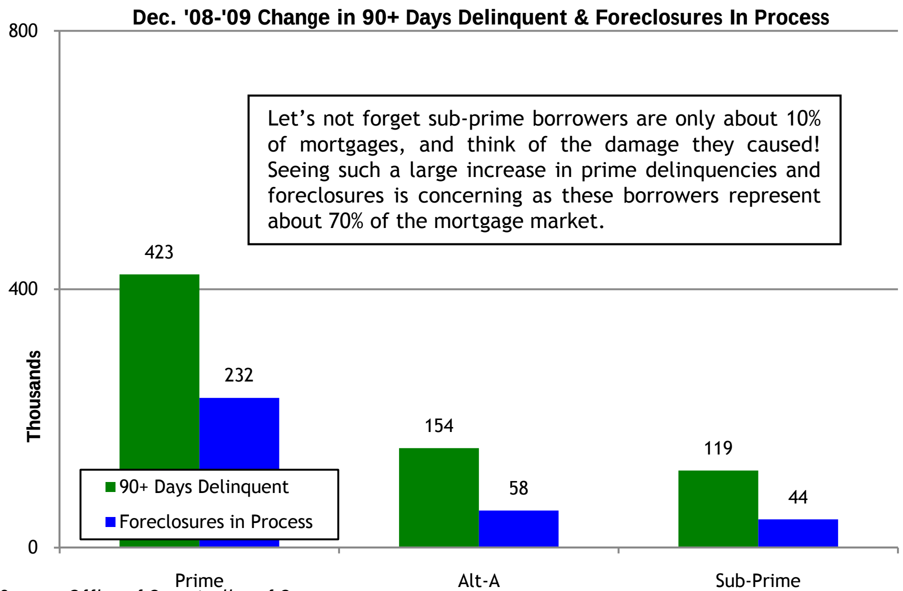
Source: Fed, BEA, Wurts & Associates

Working Through One Problem…But is Another on the Way?

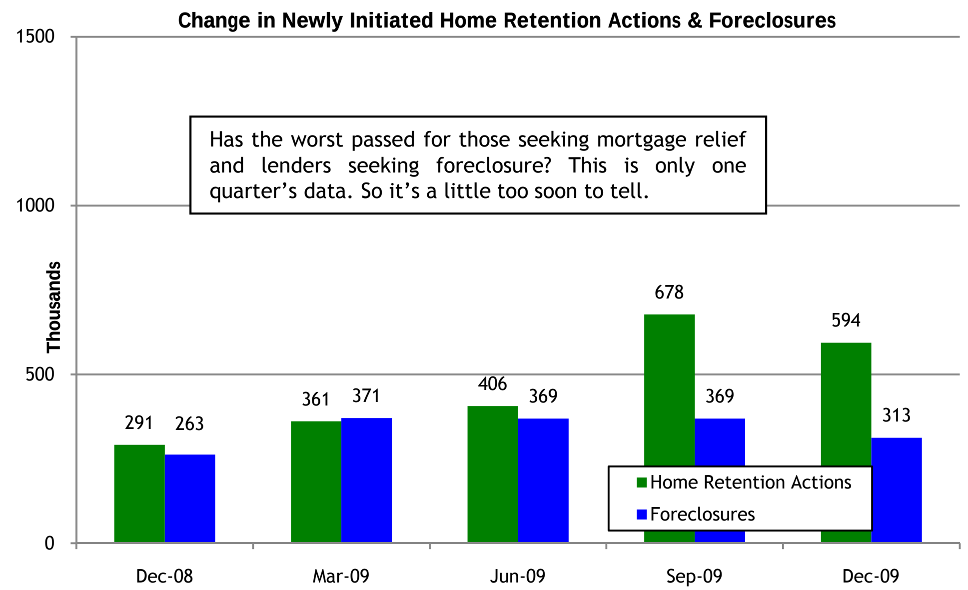
- We can see the number of newly initiated "home retention actions" through HAMP *(Home Affordable Modification Program)* and foreclosures may have peaked in Sept. '09.
- Further optimism can be found in the systematic decline of re-default rates on loans modified under the HAMP program.
- Do not forget short term interest rates are at historic lows and the Fed has artificially suppressed mortgage rates. The true test of recovery will be when stimulus is reversed.
- Setting this good news aside, we are concerned at the significant year over year change in delinquencies and foreclosures for prime borrowers.
- They may finally be succumbing to the lingering recession. This is not a good sign as they are the bulk of borrowers.



Source: Office of Comptroller of Currency



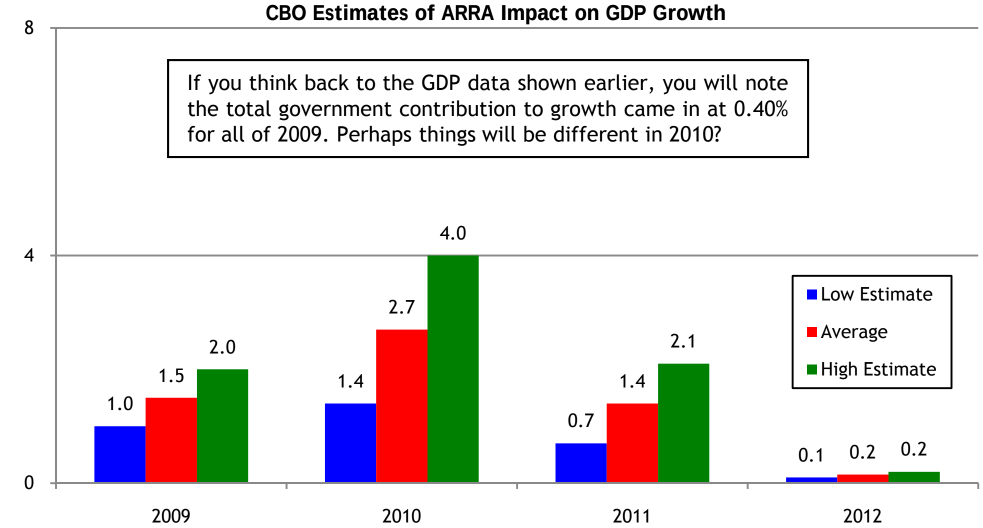
Source: Office of Comptroller of Currency



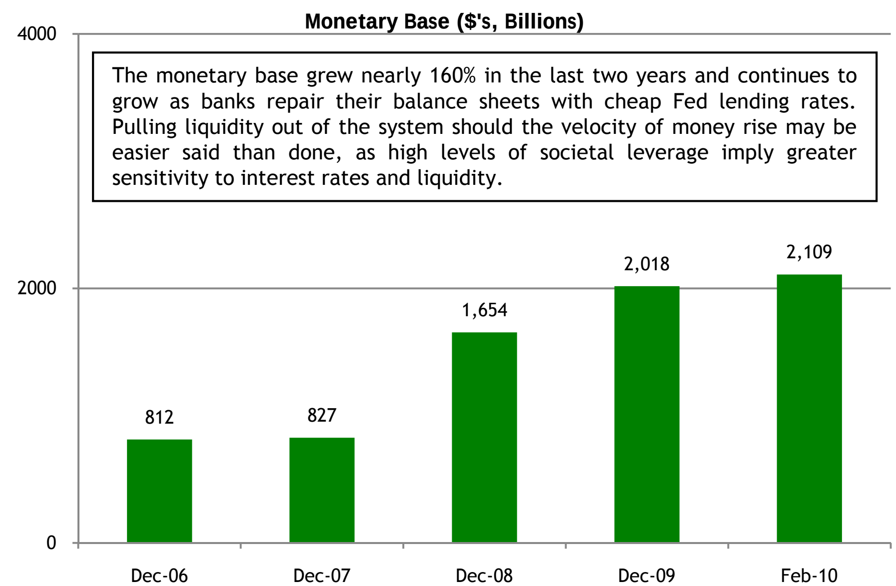
Source: Office of Comptroller of Currency

Fiscal & Monetary Stimulus Continue, With More on the Way

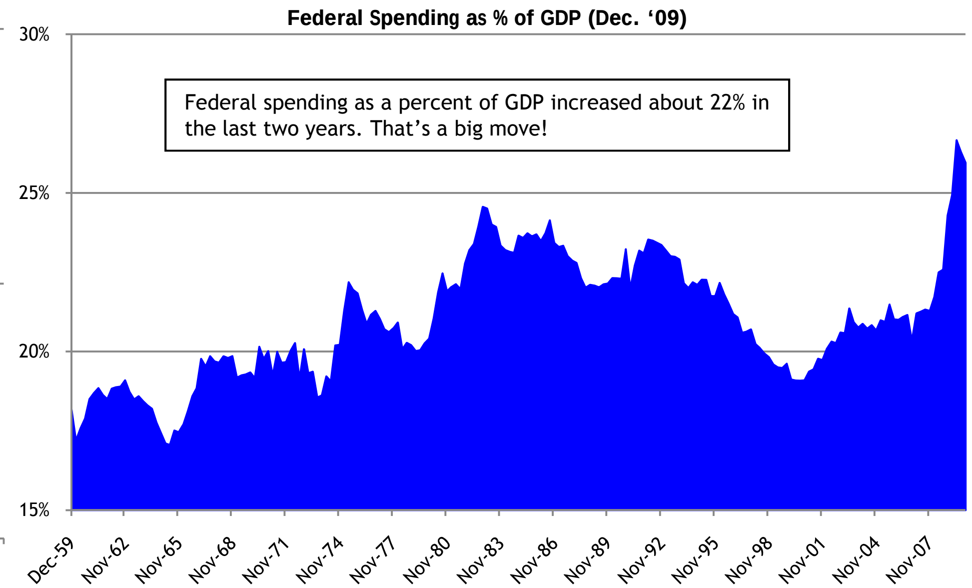
- Current levels of money supply represent a significant inflationary risk. One must question the Fed's ability to reduce money supply and liquidity given the ongoing fragility of the US economy and mounting reliance on leverage.
- A significant amount of American Reinvestment and Recovery Act (ARRA) monies remain unspent and are purported to have a pronounced impact on GDP growth in 2010.
- ARRA spending is yet another direct inflationary pressure if successful. It also posses indirect inflationary pressure due to its effect on mounting Federal deficits.
- Total Federal spending as a portion of the economy remains at sharply higher levels, which illustrates overall fiscal stimulus efforts and yet another inflationary pressure.



Source: Congressional Budget Office (CBO)



Source: Federal Reserve

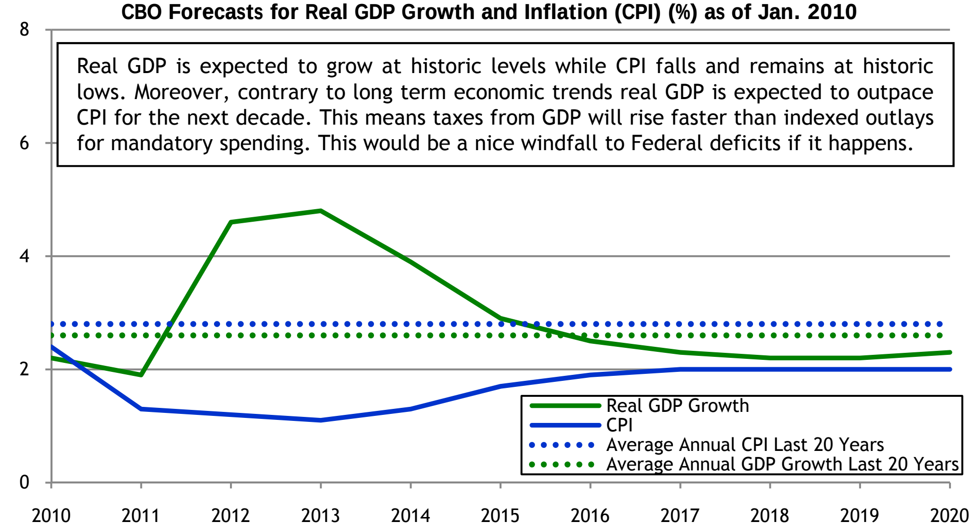


Source: BEA, Wurts & Associates

Analysis of Government Effects on GDP Begins With the CBO

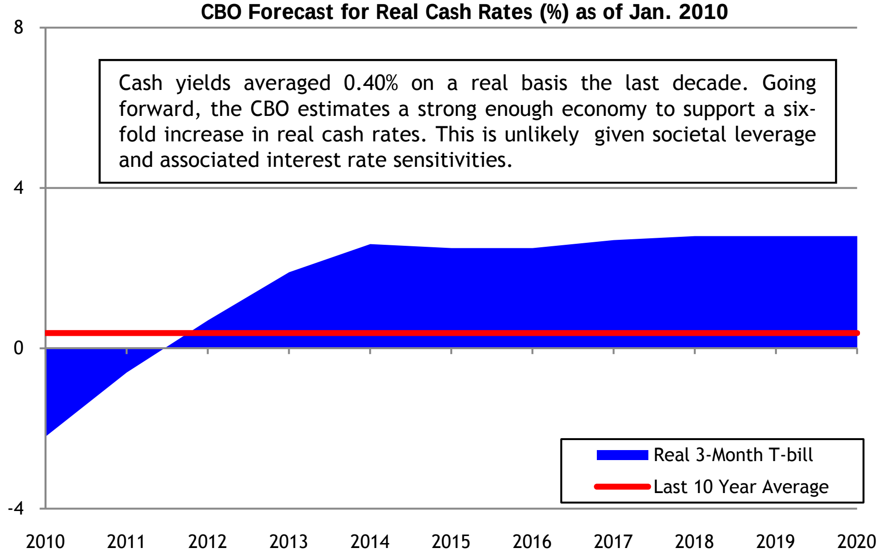
- Given increasing government influence on our economy, it behooves us to look at the assumptions and forecasts driving Federal budgetary and spending policies. This is because they will materially affect the growth and stability of GDP.
- We must admit the Congressional Budget Office's (CBO) forecasts provide little insight into the future of GDP. When you examine the forecasts, intellectual inconsistencies become obvious, as does a relative lack of realism given the current situation of the US economy.
- Nonetheless, understanding the CBO's forecasts is integral to assessing the validity of taxation and budgetary forecasts.
- Such an understanding leads to better clarity on future GDP growth and volatility thereof, as well as its associated effects on key capital markets valuations and asset allocation.

CBO Forecasts for Real GDP Growth and Inflation (CPI) (%) as of Jan. 2010



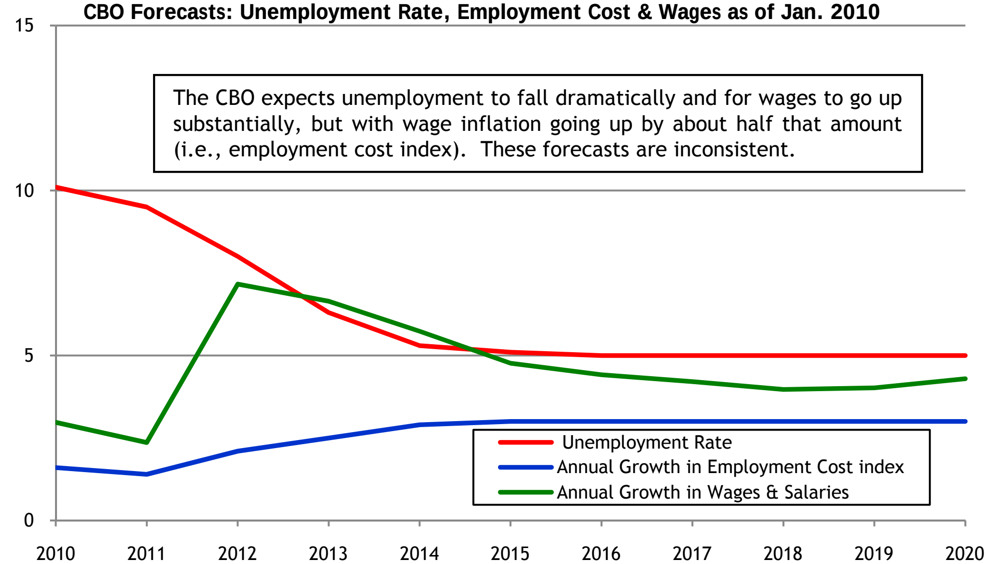
Source: CBO, BEA, BLS, Wurts & Associates

CBO Forecast for Real Cash Rates (%) as of Jan. 2010



Source: Congressional Budget Office (CBO), Ibbotson, Wurts & Associates

CBO Forecasts: Unemployment Rate, Employment Cost & Wages as of Jan. 2010



Source: Congressional Budget Office (CBO)

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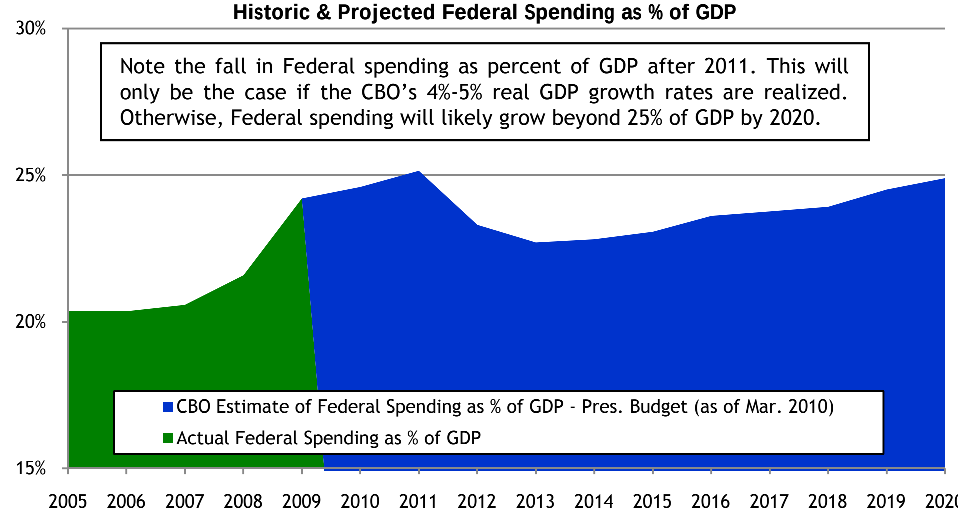
Federal Spending & Deficits are Likely Heading Higher

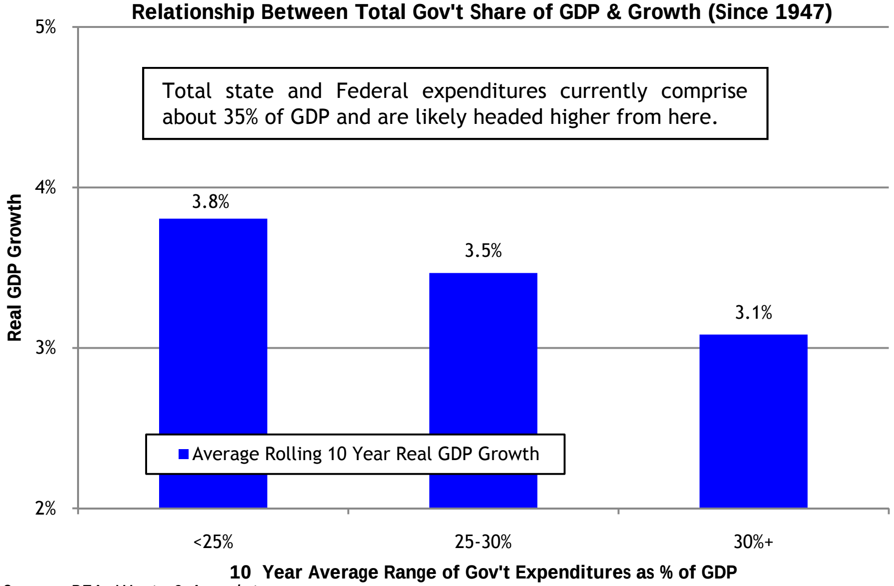
- In spite of the CBO's rosy economic outlook, Federal spending and deficits are slated to head much higher as a portion of our economy. What if things are not so rosy?
- As demonstrated in our 3rd quarter 2009 report, higher levels of debt hinder economic growth. Under current CBO estimates of the President's budget, outstanding Federal debt will reach nearly 120% of GDP in ten years, which would be unprecedented and in all likelihood will lower GDP growth.
- Having such large amounts of Federal debt exposes the US to greater economic uncertainty and potential volatility. Investors will require compensation for bearing these risks.
- Another consideration is the size of government spending as a portion of our economy. History tells us that as government expenditures grow, GDP growth falls.

Historic & Projected Federal Spending as % of GDP



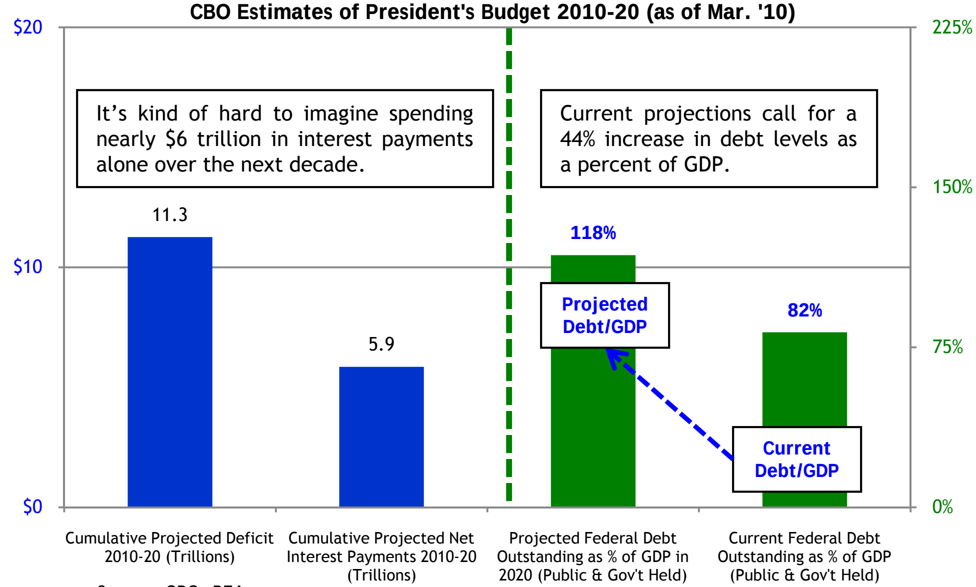
Source: CBO, BEA, Wurts & Associates

Relationship Between Total Gov't Share of GDP & Growth (Since 1947)



Source: BEA, Wurts & Associates

CBO Estimates of President's Budget 2010-20 (as of Mar. '10)

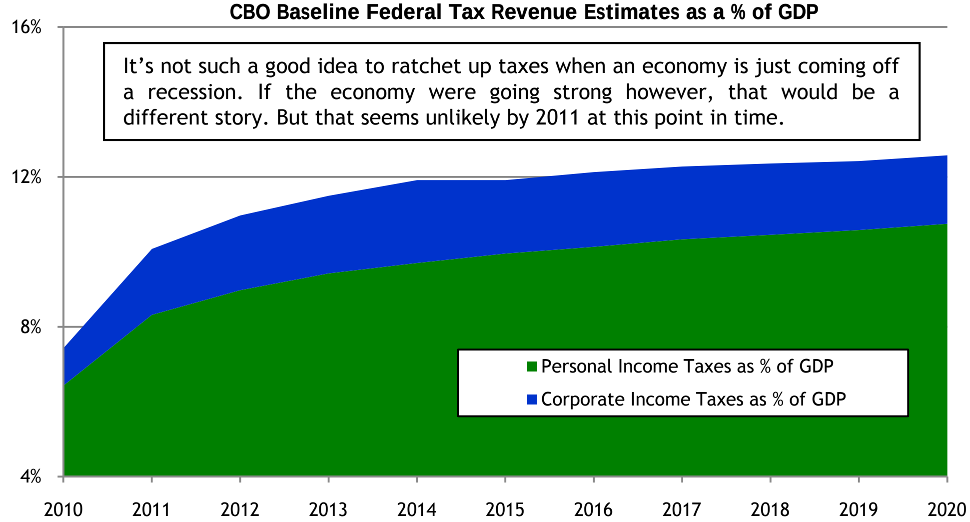


Source: CBO, BEA

Taxes are Going Up…And The Timing Couldn't Be Worse!

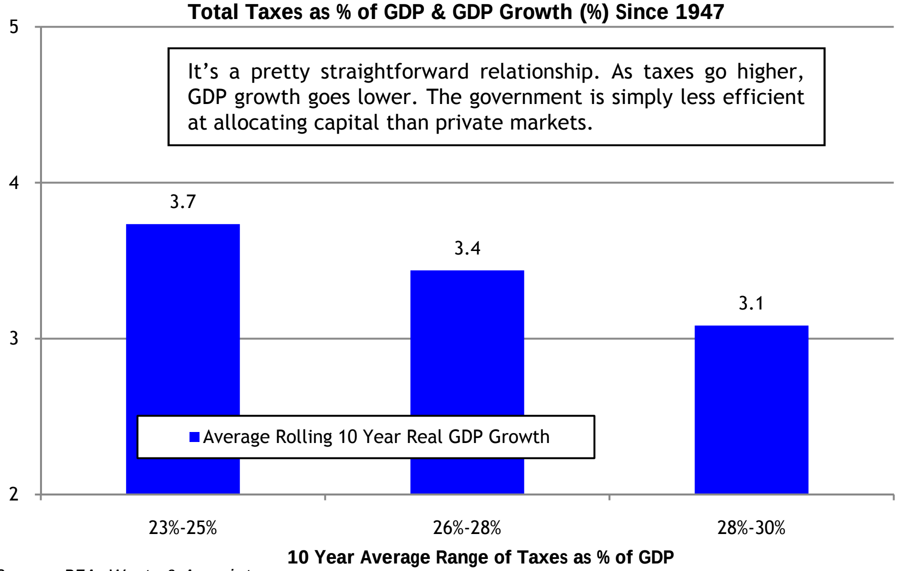
- CBO estimates for changes in individual and corporate taxes are, unfortunately, probably one of the easiest forecasts for them to make because tax laws are known.
- The US economy faces a significant threat to sustained GDP recovery given pending tax increases. This is because ARRA stimulus will mostly wear off in 2010, only to be immediately followed by a massive tax increase.
- History tells us that as taxes go higher, GDP goes lower. Over the next decade, the CBO forecasts about a 70% increase in taxes as a percent of GDP (from 7.4% to 12.6%).
- What is more worrisome however, is that taxes are slated to grow far faster than personal income and corporate profits. In other words, there will be less discretionary income for consumer spending or capital investment.

CBO Baseline Federal Tax Revenue Estimates as a % of GDP



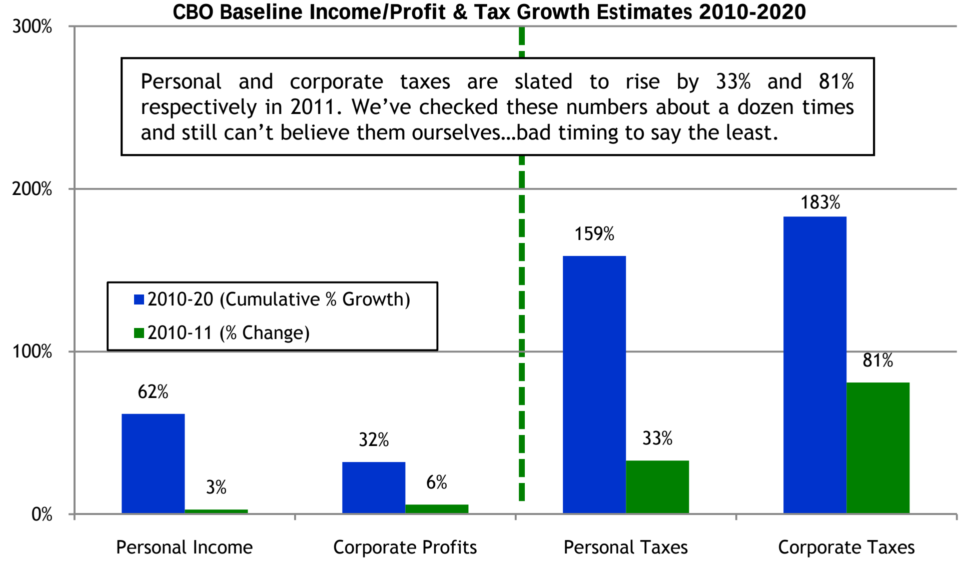
Source: CBO, Wurts & Associates

Total Taxes as % of GDP & GDP Growth (%) Since 1947



Source: BEA, Wurts & Associates

CBO Baseline Income/Profit & Tax Growth Estimates 2010-2020

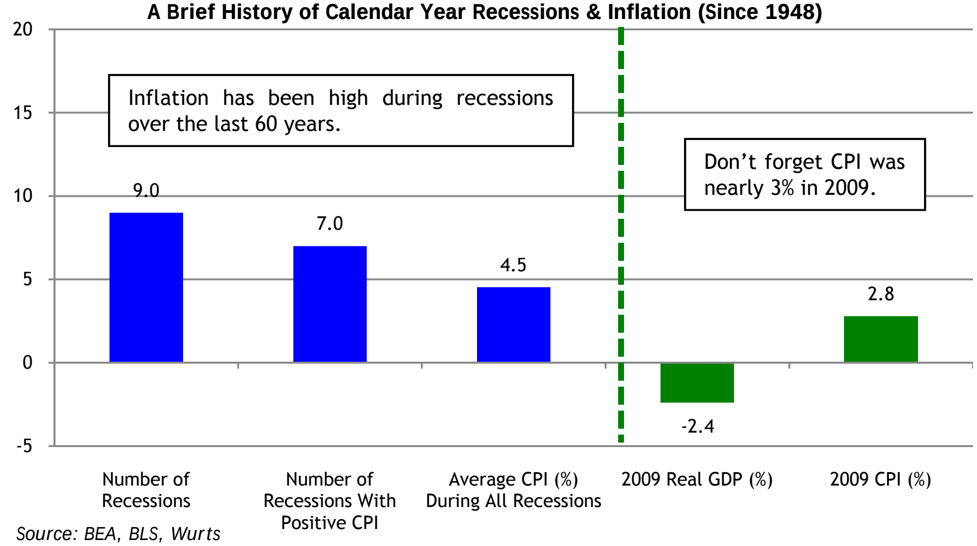


Source: CBO, Wurts & Associates

A Double-Dip Recession ≠ Low Inflation or Deflation *(Necessarily)*

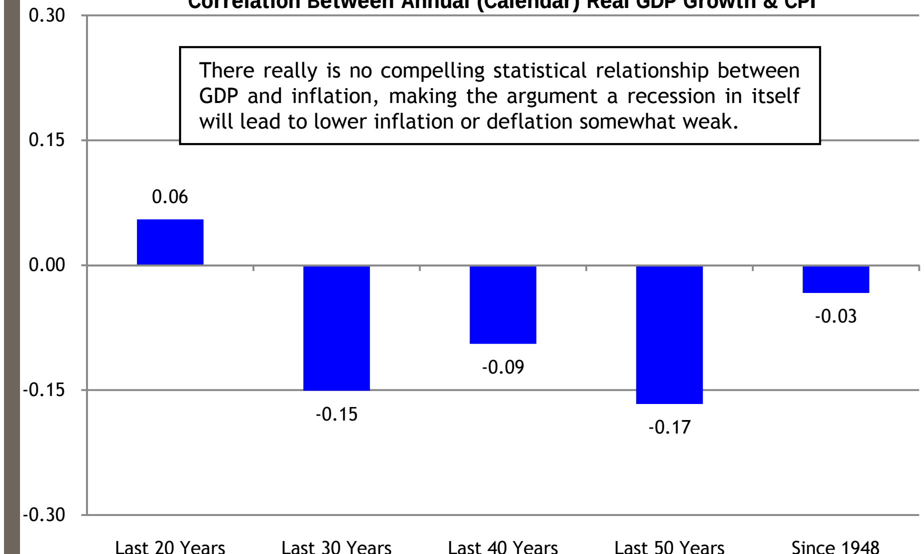
- With the concerns already discussed, the logical question is whether or not we are headed for a double-dip recession in 2011. Well the honest truth is we really don't know. Short term forecasts are very difficult to make with any reliability.
- Nonetheless, in our 4th quarter '09 report we demonstrated valuations do not warrant any sort of market timing activity in defense against this risk. So now is not the time to start pulling risk off the table. There's just not enough upside if you're right to warrant any extreme shifts.
- There is one thing about a double-dip recession we are comfortable discussing, and that is the idea it would negate any concerns over rising inflation, the single largest secular threat going forward in our estimation.
- The fact is inflation is not merely a function of GDP.

A Brief History of Calendar Year Recessions & Inflation (Since 1948)



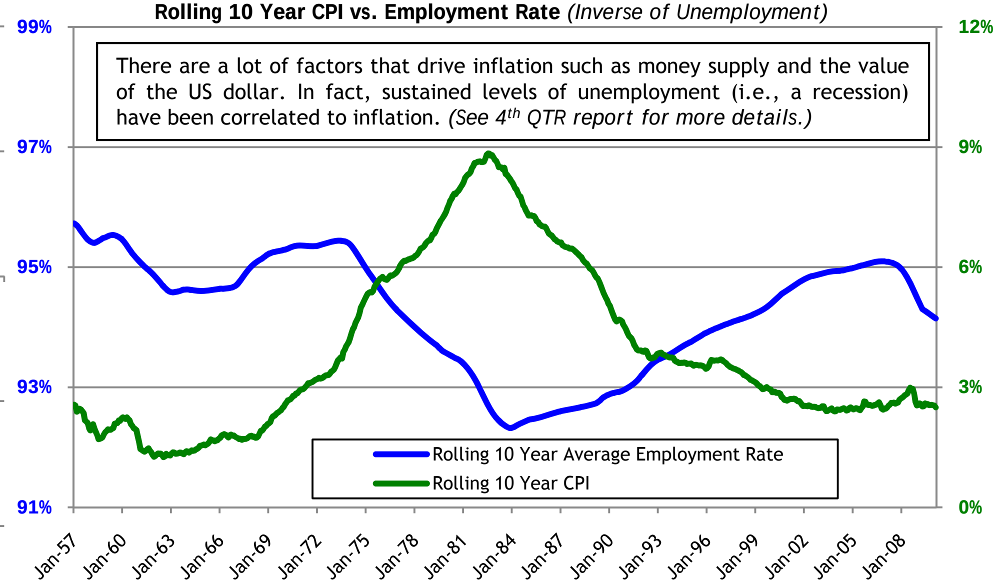
Source: BEA, BLS, Wurts

Correlation Between Annual (Calendar) Real GDP Growth & CPI



Source: BEA, BLS, Wurts

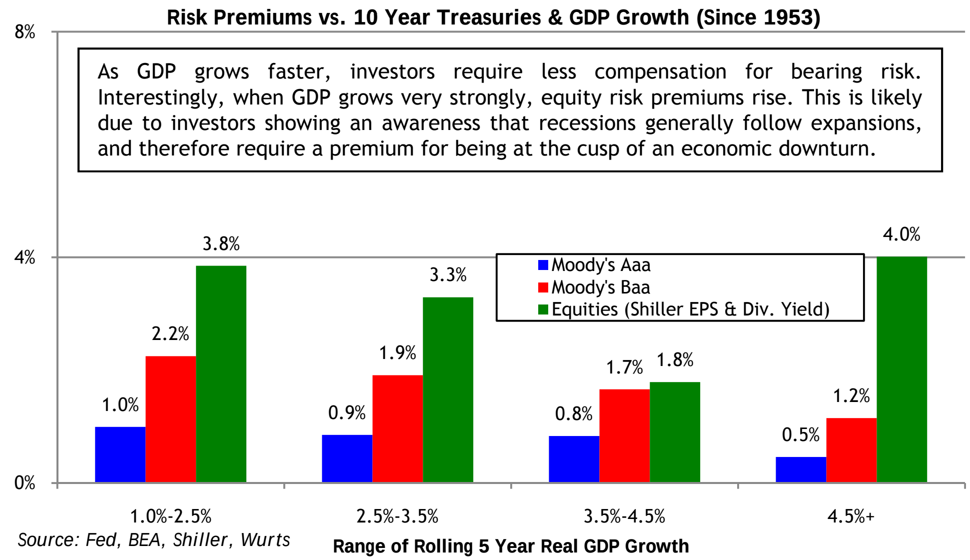
Rolling 10 Year CPI vs. Employment Rate *(Inverse of Unemployment)*



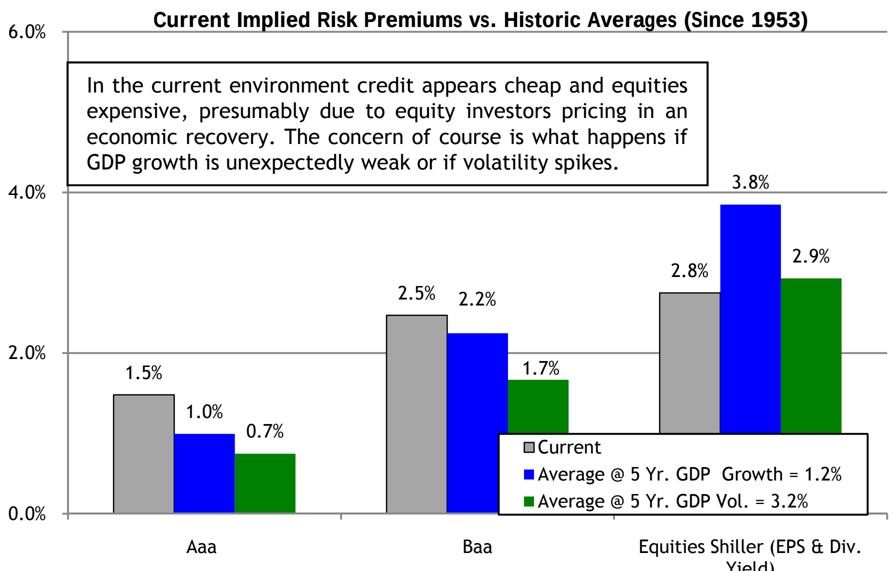
Source: BLS, Wurts

How Do Valuations Stack Up In Relation to GDP?

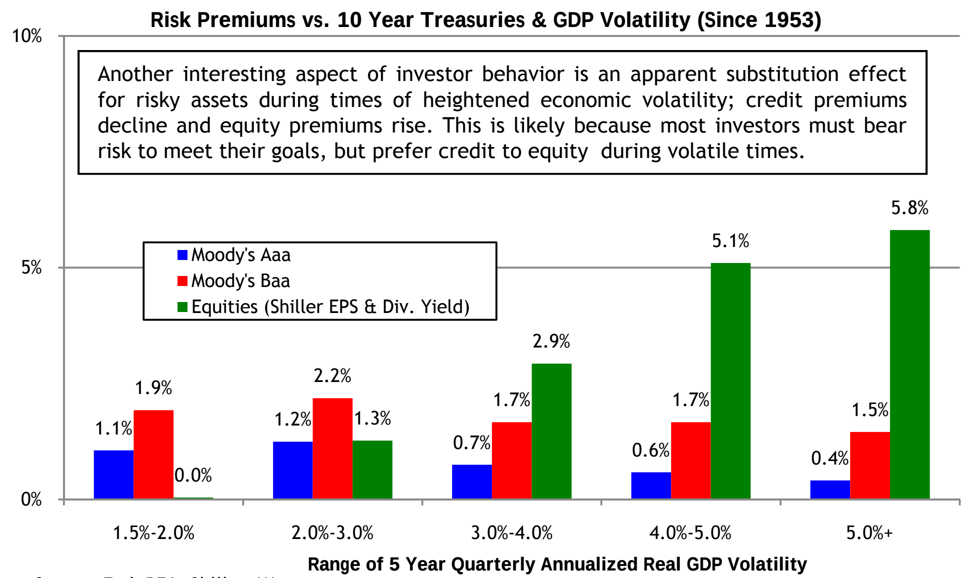
- Investors should be concerned not only with absolute prospective returns, but with premiums over risk free assets. Investors must be compensated for bearing risk.
- Because the economic environment ultimately drives underlying fundamentals of risky assets *(i.e., dividends, earnings, and interest payments)*, their valuations and associated risk premiums tend to be influenced by prevailing macroeconomic conditions.
- Over time these relationships are evident through an analysis of GDP growth rates and volatility thereof.
- Currently, we can see implied risk premiums for taking credit risk are above their historic averages, whereas equity premiums are beneath them; credit is cheap and equities are expensive.



Source: Fed, BEA, Shiller, Wurts



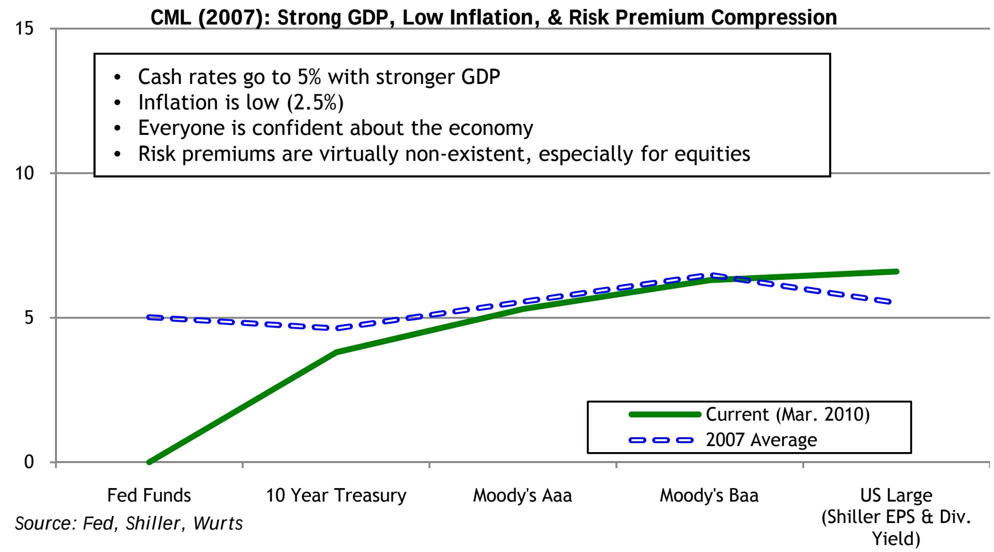
Source: Fed, BEA, Shiller



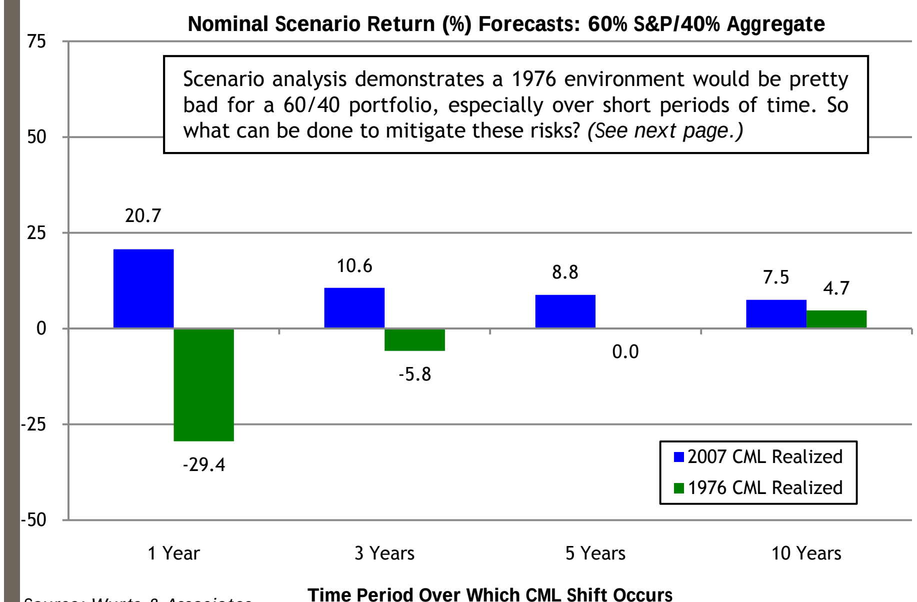
Source: Fed, BEA, Shiller, Wurts

Macro Outlook & *Evolution of Capital Markets Line-CML*

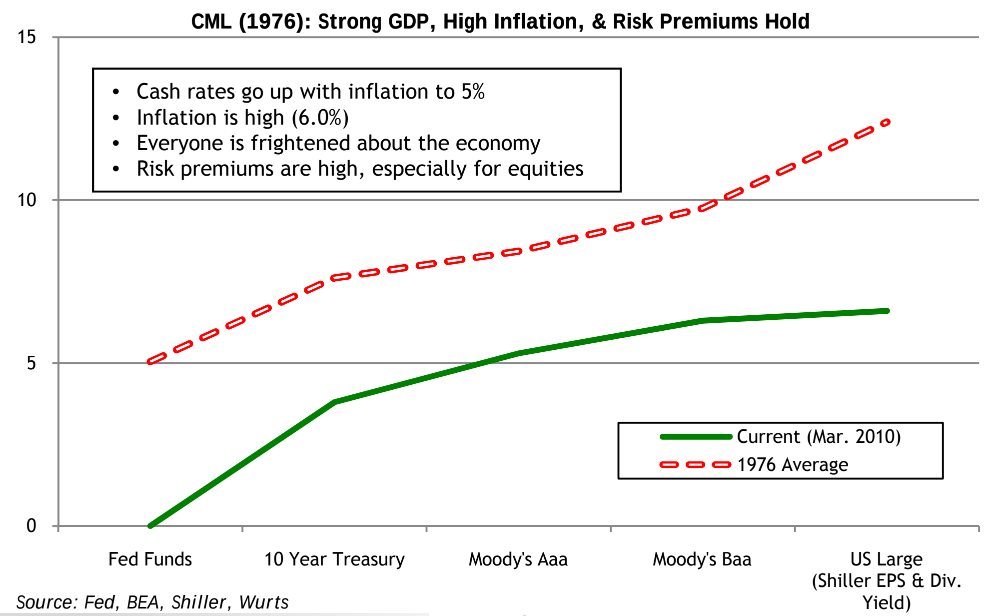
- If we were to characterize our macro outlook it would be lower than average GDP growth due to higher taxes and debt levels, alongside the risk of significant GDP volatility and higher than expected *(and historic)* levels of inflation.
- If such an environment occurs, we would expect a generally upward shift in the CML as investors price in rising inflation expectations, while at the same time investors maintain or increase required risk premiums over Treasuries.
- We could be wrong of course. The high GDP/low inflation CBO forecast could be realized, and the world could return to an ideal time when investors require little to no risk premium in relation to Treasuries.
- How would these two events play out? Well, let's ask history because we are essentially describing 1976 and 2007.



Source: Fed, Shiller, Wurts



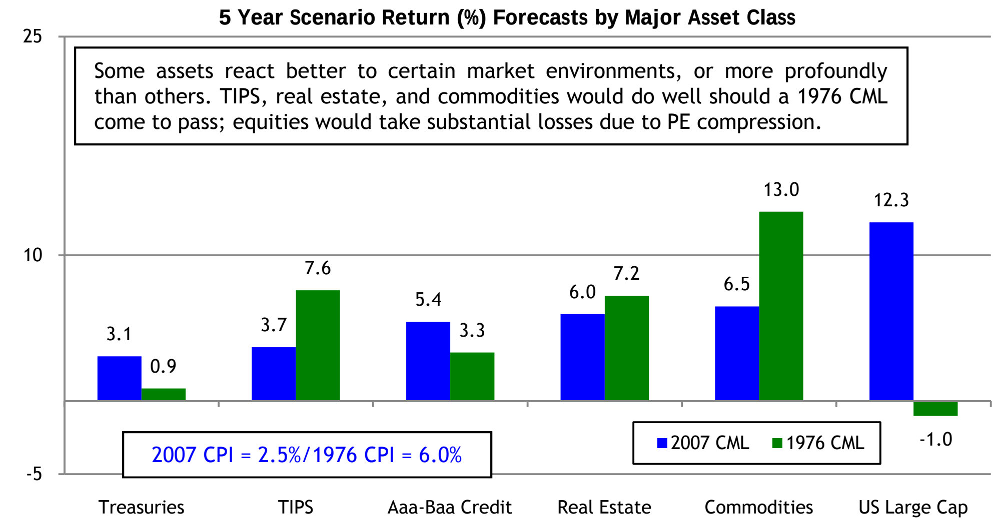
Source: Wurts & Associates



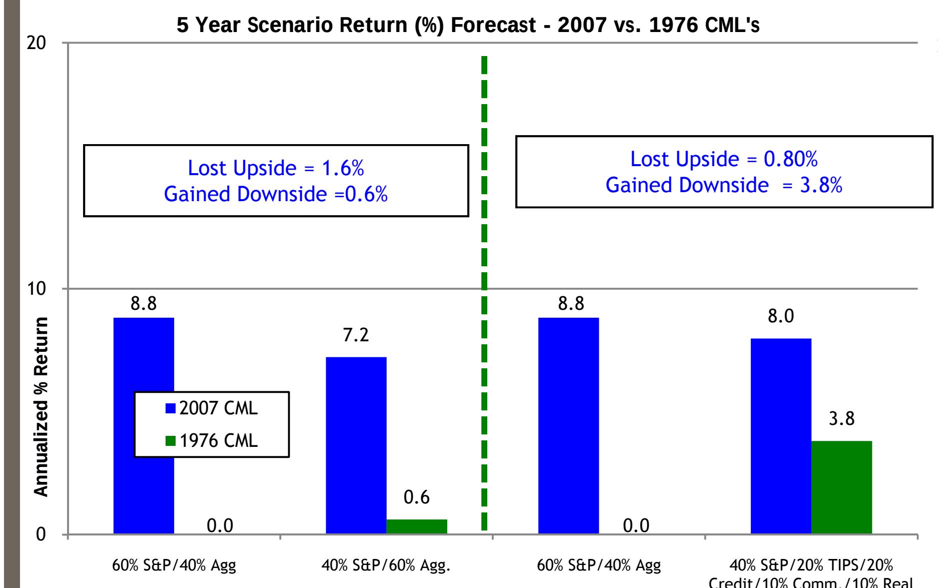
Source: Fed, BEA, Shiller, Wurts

The Trick is Having Your Cake and Eating It Too *(A Tough Trick!)*

- Positioning against a return to a 1976 style capital markets environment is not as simple as just taking risk off the table in anticipation of an upward shift in the CML.
- In fact, taking 20% of equities off the table adds virtually no value over five years, while doing so at an inordinate cost of potential upside should a 2007 CML occur.
- So the trick in positioning against a 1976 capital markets environment is to do so by focusing your efforts in two primary areas.
    - Allocate to assets whose returns vary little depending on whether a 1976 or 2007 CML is realized.
    - Focus on assets with expected returns similar to equities to minimize opportunity cost if you're wrong.



Source: Wurts & Associates



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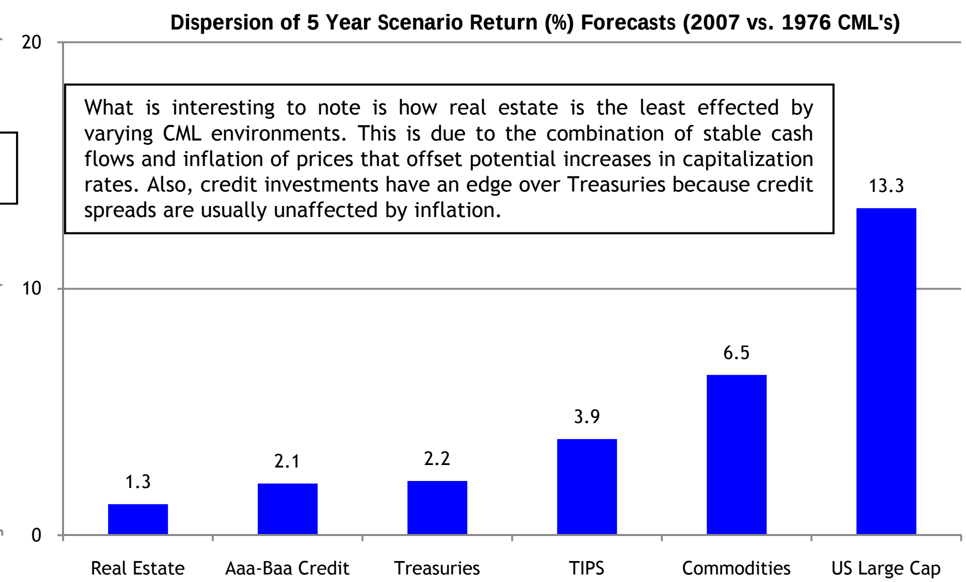


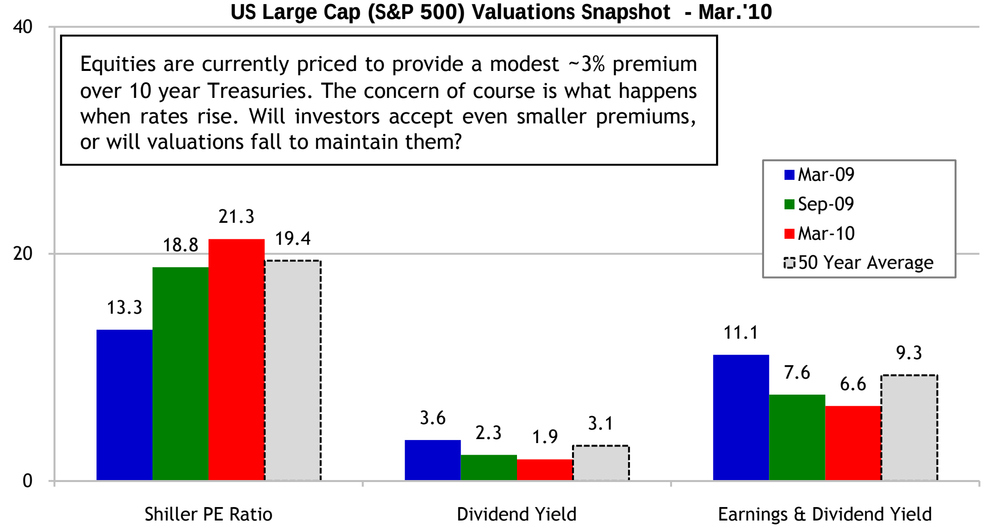
Source: Wurts & Associates

III. Capital Markets

Downside Has Slowly Crept Back Into US Large Cap Equities

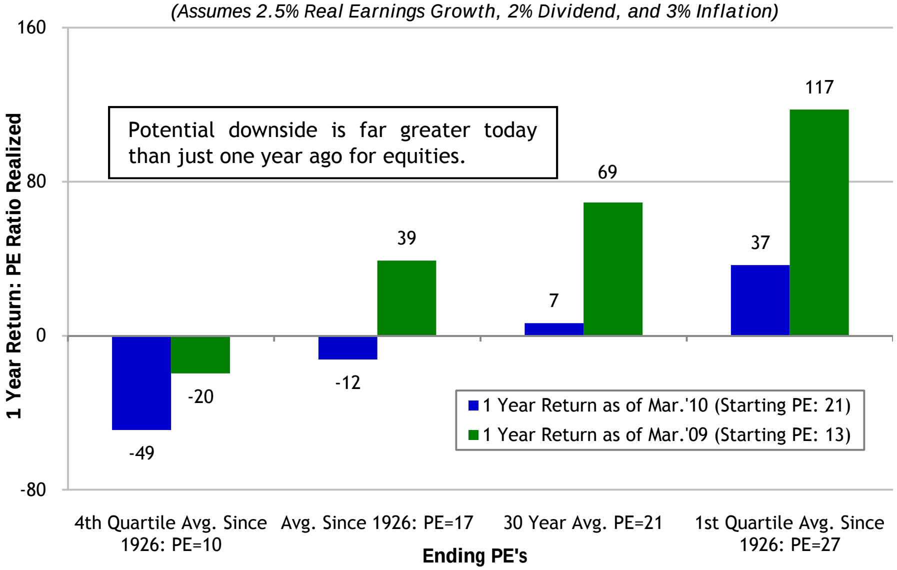
- As noted in our 4th QTR 2009 report, valuations for equities rebounded far faster than economic fundamentals, which is concerning given a myriad of current uncertainties.
- The first quarter 2010 continued this trend, and US large cap stocks are priced to provide mid-single digit returns for the next decade on a theoretical basis.
- Also as demonstrated earlier, implied risk premiums for US large cap equities are below their historic averages given prevailing macroeconomic conditions.
- Given these factors, potential downside for equities is far more pronounced than just one year ago when PE ratios were 13. If historic average valuations are realized, double-digit losses over the next year would occur.

US Large Cap (S&P 500) Valuations Snapshot - Mar.'10



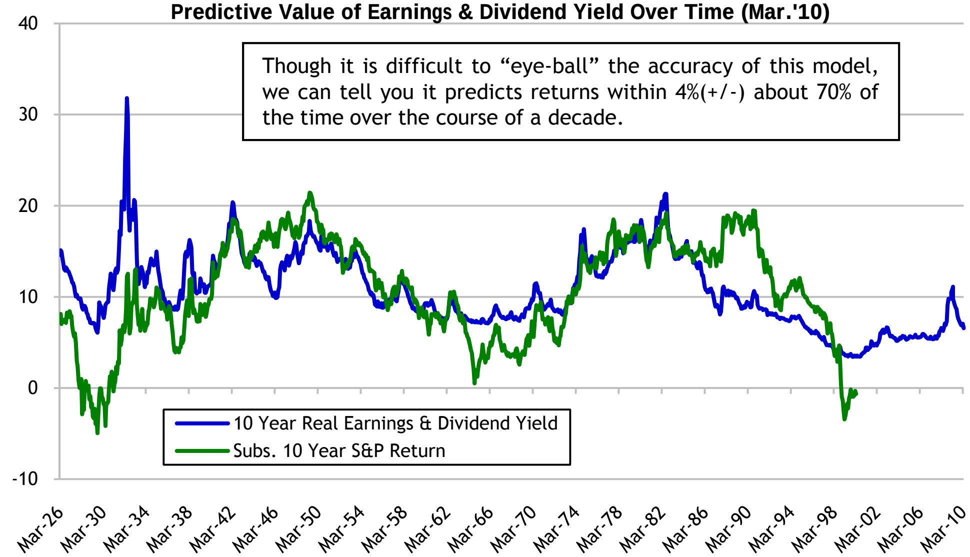
Source: Shiller, Wurts & Associates

Effects of Changes in Shiller PE Ratio on S&P 500 Returns
(Assumes 2.5% Real Earnings Growth, 2% Dividend, and 3% Inflation)



Source: Shiller, Wurts

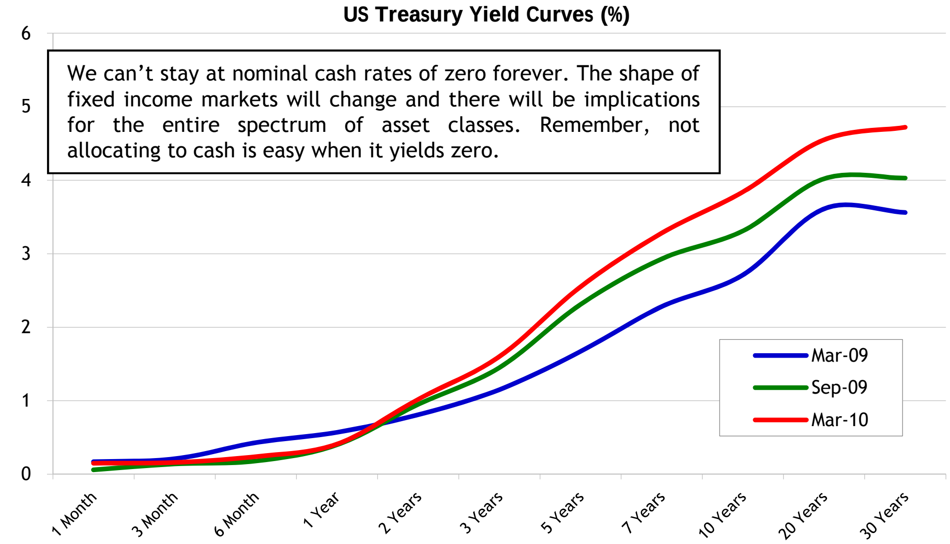
Predictive Value of Earnings & Dividend Yield Over Time (Mar.'10)



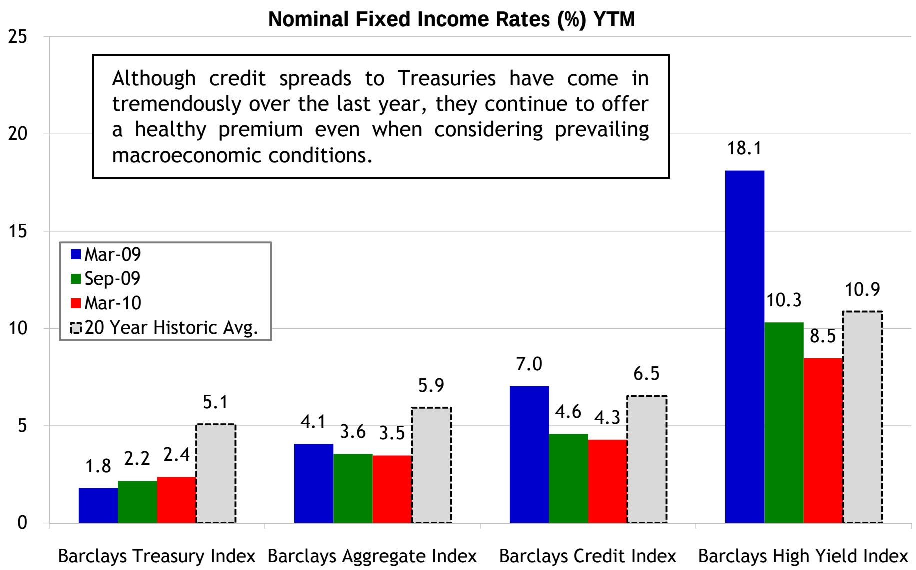
Source: Ibbotson, Shiller, Wurts

The Evolution of Fixed Income Markets Continues

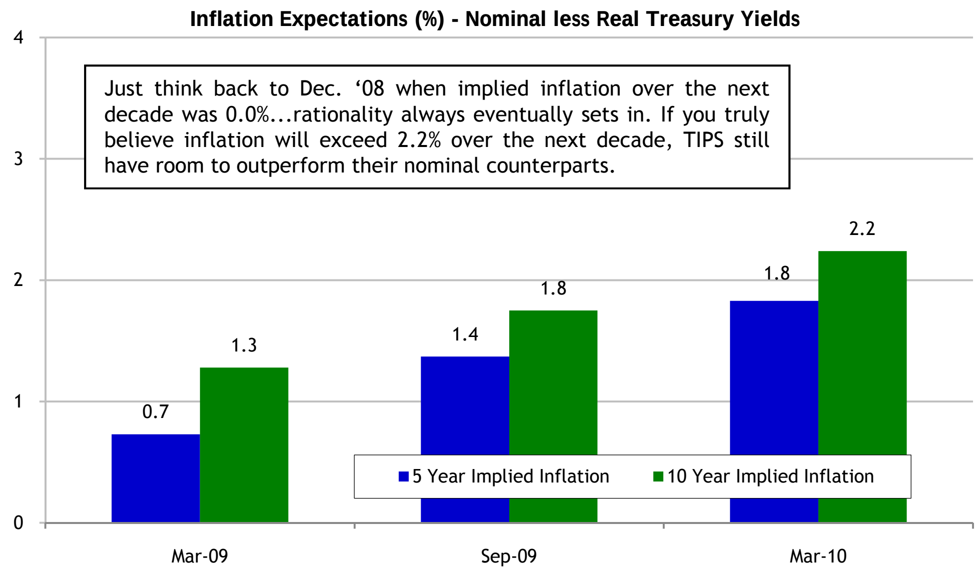
- Credit spreads continue to narrow in relation to relatively low cash and Treasury rates as the "flight to risk" has continued essentially unabated for more than a year now.
- The Treasury yield curve is at some of its steepest levels ever as the Fed continues to maintain cash rates of zero.
- We can see slowly rising yields for longer term Treasuries, presumably in response to increasing inflationary expectations. This could also be due to record levels of Treasury issuance requiring higher yields to attract investors, or even the Fed's scaling back of purchases.
- Inflationary expectations as implied by TIPS have become more rational in the last year. But in our estimation inflation is very likely to be higher than 2.2% over the next decade, implying TIPS are cheaper than nominal Treasuries.



Source: Federal Reserve



Source: Barclays

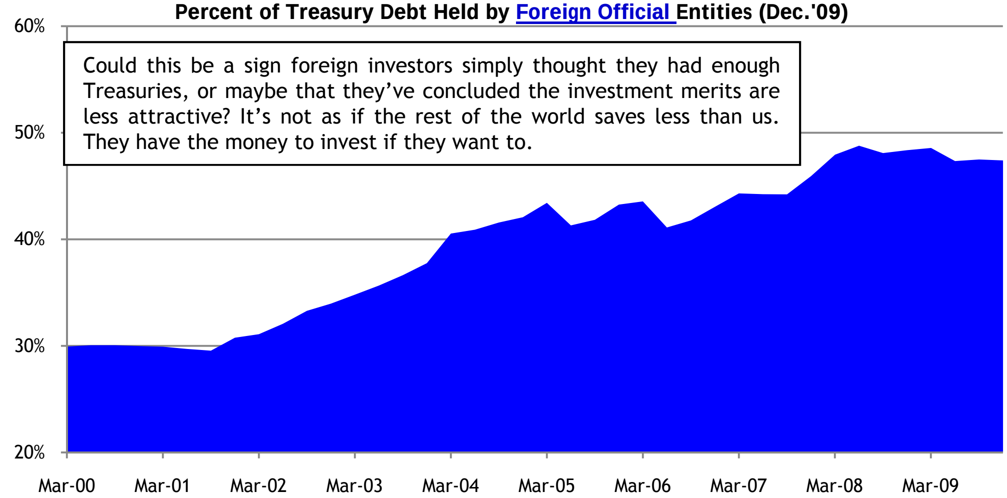


Source: Federal Reserve, Wurts & Associates

Domestic Outpacing Foreign Demand for Treasuries

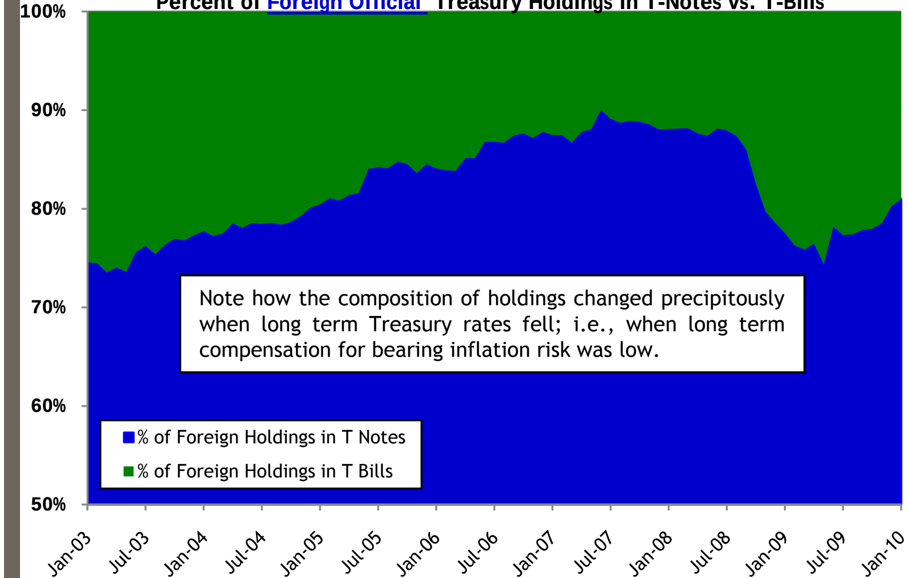
- Prior to the onset of the recession, foreign official banks alone owned nearly half of US Federal debt and were gobbling up most of Treasury issues.
- Foreign investors are now buying a smaller portion of Treasury issuance than domestic investors and their aggregate holdings of outstanding debt appears to be falling. It also appears they are less interested in holding longer term debt and instead are leaning towards T-Bills.
- Could these factors be a sign foreign investors see problems for US Treasury returns?
- Could budgetary and inflationary concerns already be affecting our nation's ability to borrow?
- Given low domestic savings, this could become a problem.

Percent of Treasury Debt Held by Foreign Official Entities (Dec.'09)



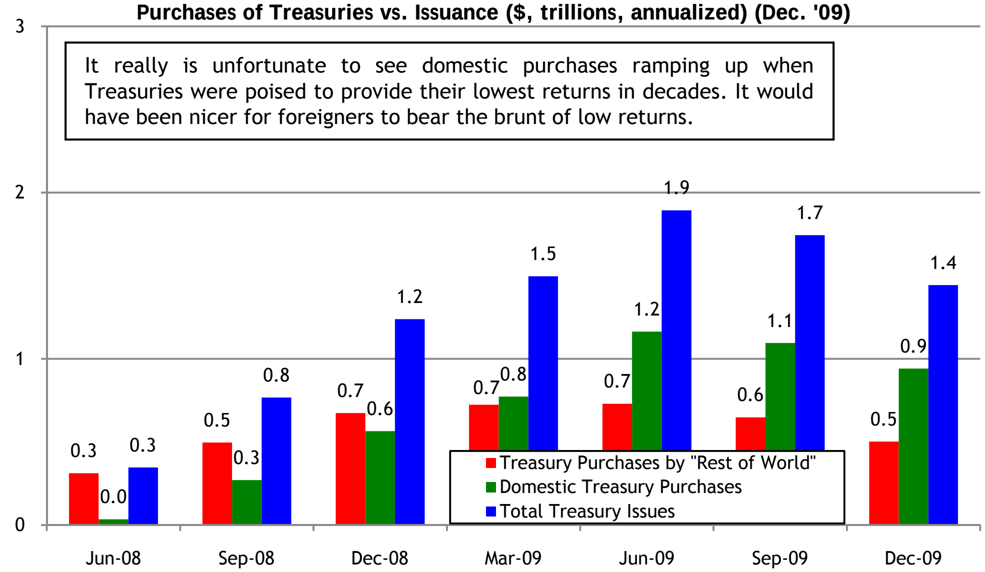
Source: US Treasury, Federal Reserve, Wurts & Associates

Percent of Foreign Official Treasury Holdings in T-Notes vs. T-Bills



Source: US Treasury, Ibbotson, Wurts & Associates

Purchases of Treasuries vs. Issuance ($, trillions, annualized) (Dec. '09)

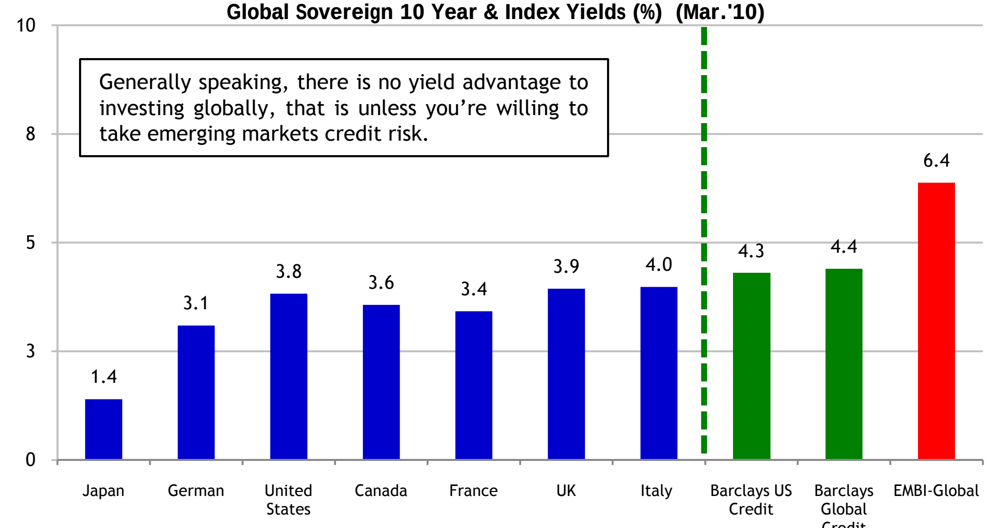


Source: Federal Reserve

Things Are Leveling Out in The Global Marketplace

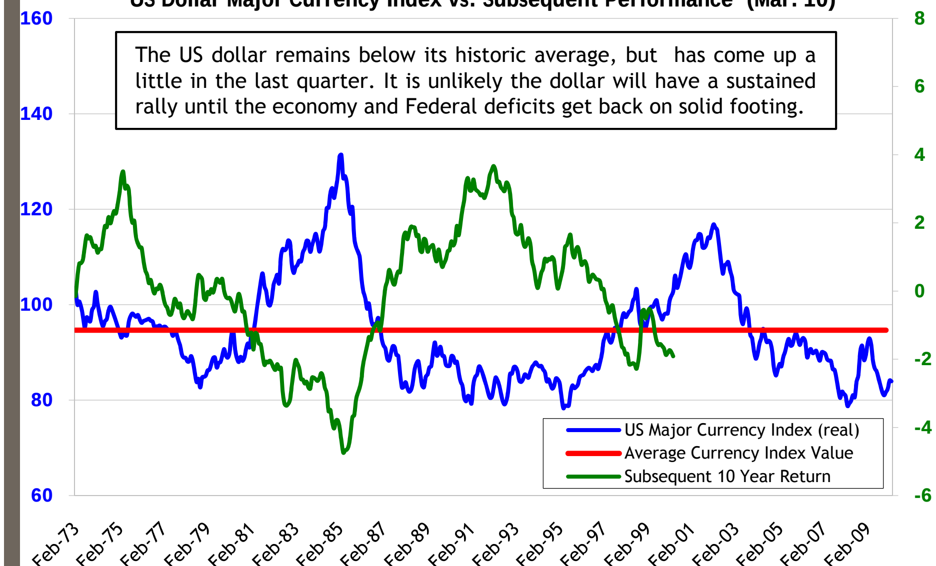
- Since onset of the flight to risk, global markets have become very similarly valued, implying no fat pitches.
- US equities are priced on par with emerging market equities, but international developed market equities have a slight implied return advantage.
- This could likely be due to the substantially higher levels of government debt for those nations and associated lower prospective growth and economic risks.
- Global fixed income markets appear to be rather homogeneous across the board, with the exception of there being a premium for bearing emerging debt risk.
- Do not forget US dollar volatility can comprise a major portion of returns for domestic investors, good or bad.

Global Sovereign 10 Year & Index Yields (%) (Mar.'10)



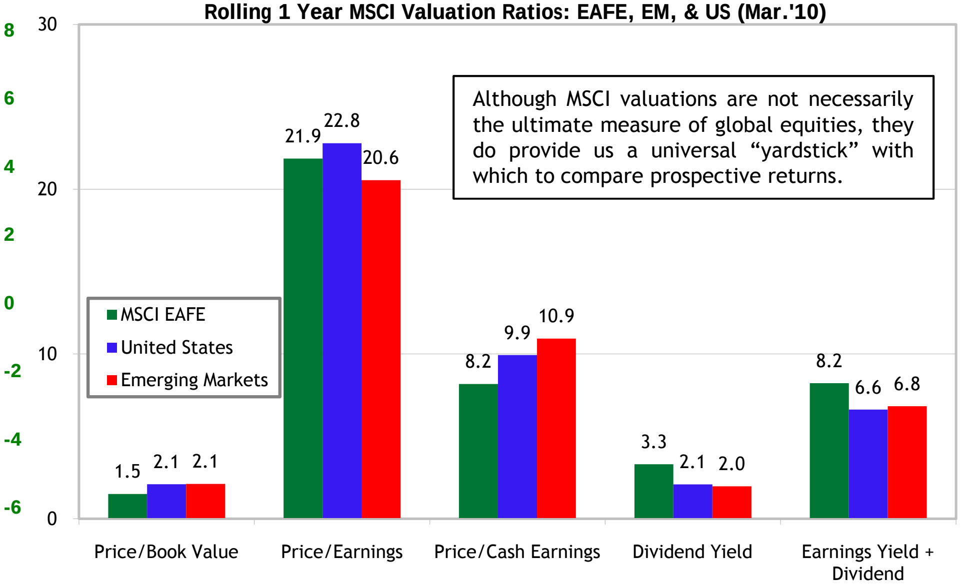
Source: JPMorgan, Western Asset Management

US Dollar Major Currency Index vs. Subsequent Performance (Mar.'10)



Source: Freelunch.com; Wurts & Associates

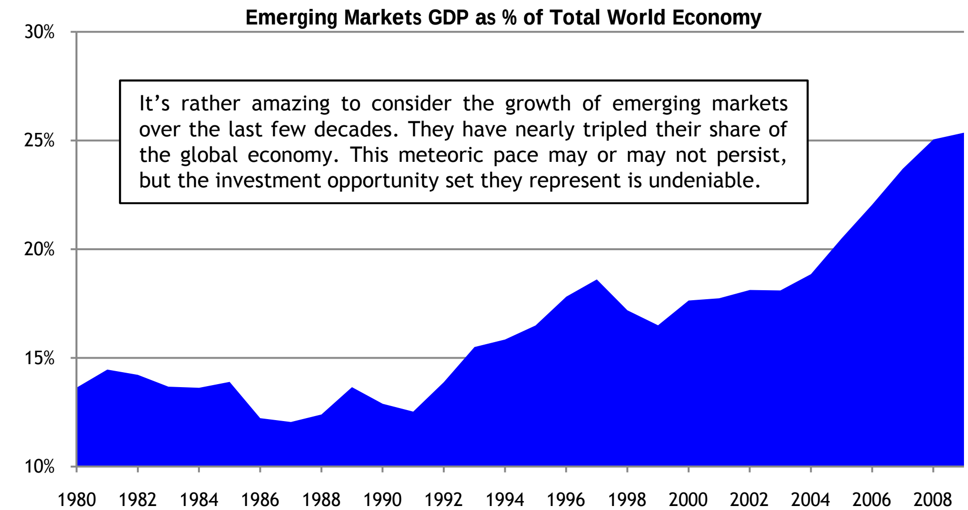
Rolling 1 Year MSCI Valuation Ratios: EAFE, EM, & US (Mar.'10)



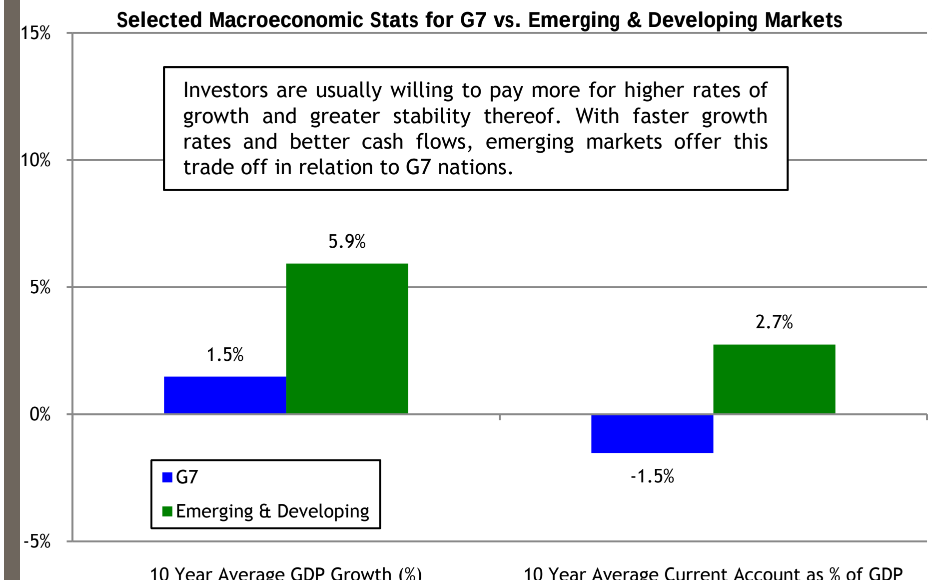
Source: MSCI; Wurts & Associates

A Little More Detail on Emerging Markets

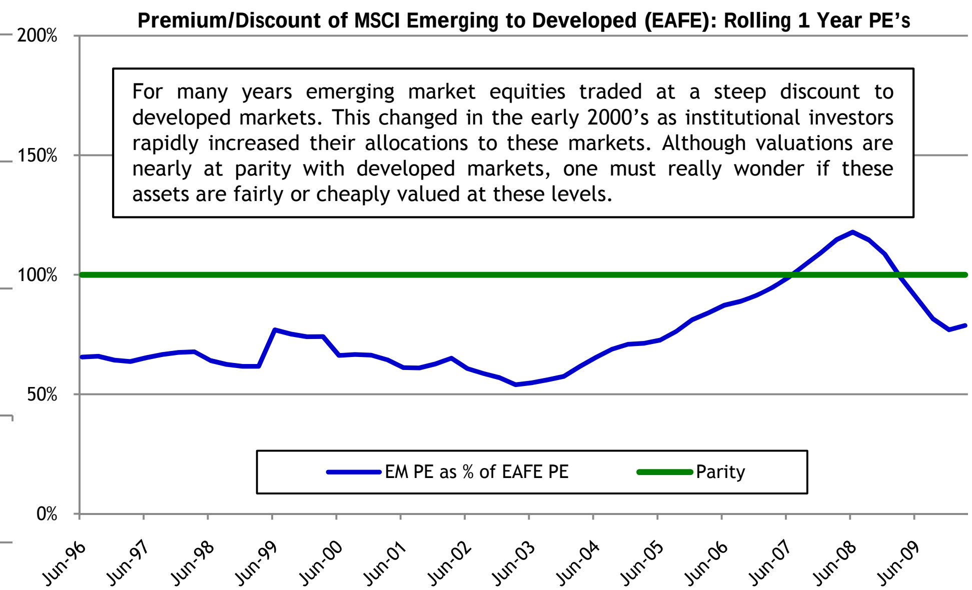
- Although emerging markets equities are priced in line with their developed counterparts, this does not necessarily mean they are a commensurate investment opportunity. In fact, one could argue they actually represent a better investment due to superior economic fundamentals.
- At the very least, emerging markets represent a different underlying macroeconomic exposure than their developed counterparts.
- These economies have been rapidly increasing their share of the global economic pie as their GDP growth rates have been nearly quadruple G7 nations over the last decade.
- Also, their economies are not as burdened with debt as G7 nations, primarily a result of their net positive cash inflows due to trading activities and higher national savings rates.



Source: IMF, Wurts



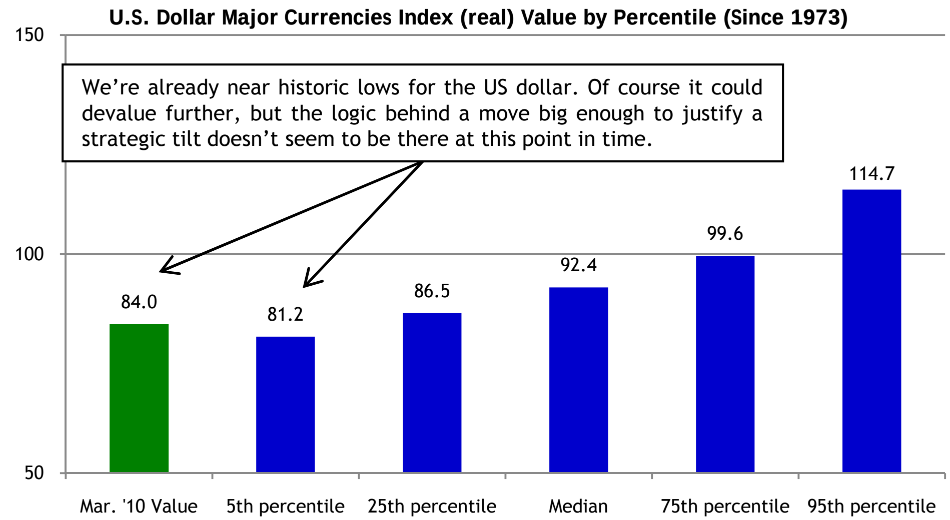
Source: IMF, Wurts



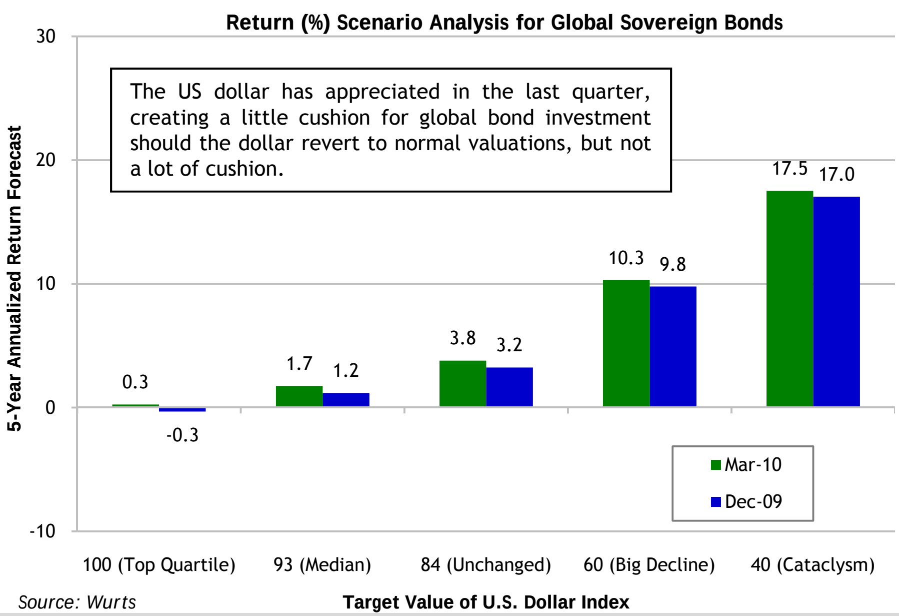
Source: MSCI; Wurts & Associates

Still Not Such a Good Time To Bet Against The US Dollar

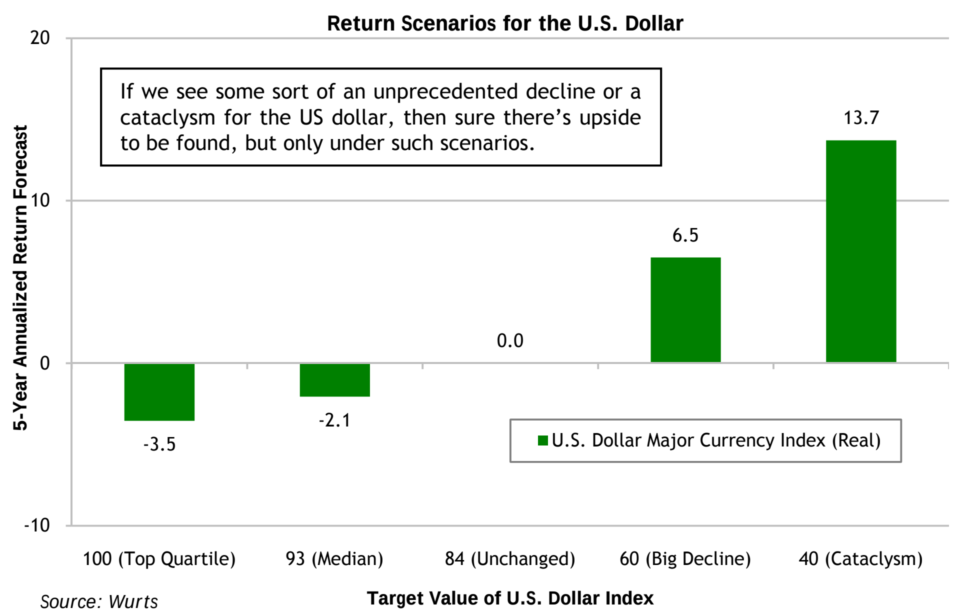
- Placing a strategic tilt to benefit from US dollar depreciation has gained popularity given the problems facing our economy.
- Because the US dollar is already near historic lows, the wisdom of such a tilts seems elusive. An unprecedented decline would be necessary to make such a move worthwhile.
- Such a bet would effectively be one for a new paradigm in global currency markets.
- For the time being, the world has a vested interest in maintaining the strength of at least one "reserve currency," not to mention the ability of US consumers to purchase their goods through a strong dollar *(China for example)*.
- At these valuations there just isn't enough return cushion for error if you're wrong, at least not through fixed income.



Source: Freelunch.com, Wurts



Source: Wurts

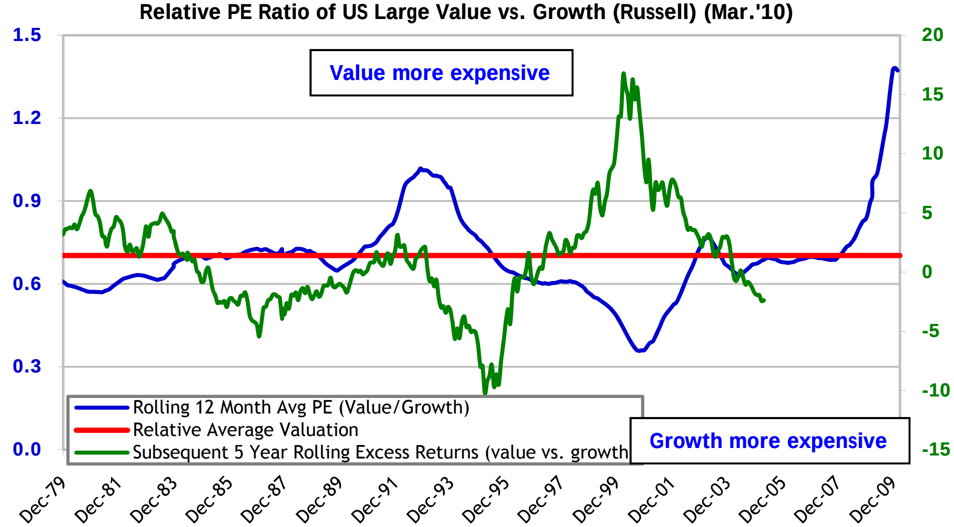


Source: Wurts

Style Tilts: *US Large Value vs. Growth*

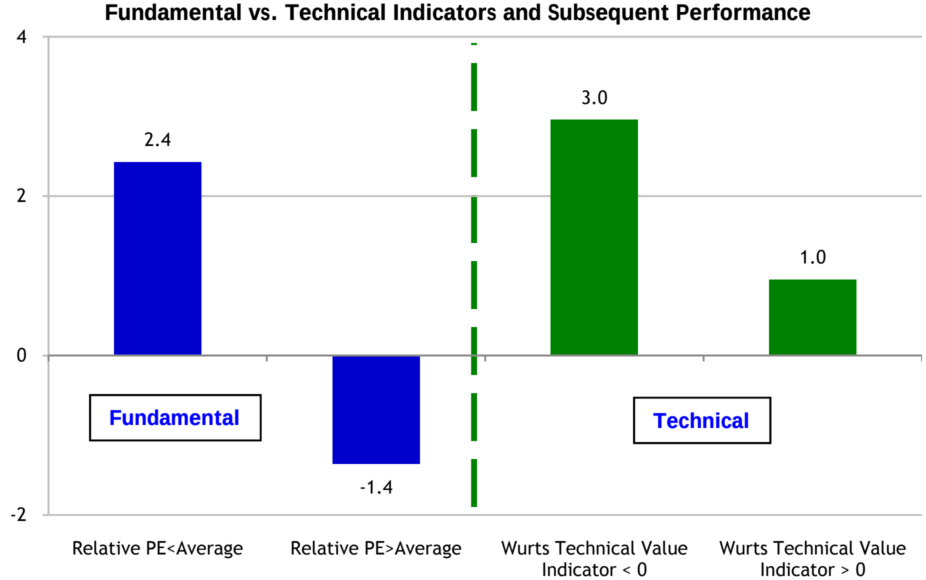
- Relative valuations within the US equity universe continue to exhibit extreme volatility as the balance sheets of value stocks have fluctuated wildly in recent periods
- The unfortunate result of such high levels of valuation volatility make it very difficult to identify the relative attractiveness of value versus growth stocks.
- Nonetheless, fundamental analysis indicates value is much more expensive than growth.
- Technical analysis on the other hand indicates value stocks appear oversold and future returns may be better than growth. Because of these contradictory results, there is no compelling reason to take a large stand one way or the other.
- Therefore, a neutral weighting is in order.

Relative PE Ratio of US Large Value vs. Growth (Russell) (Mar.'10)



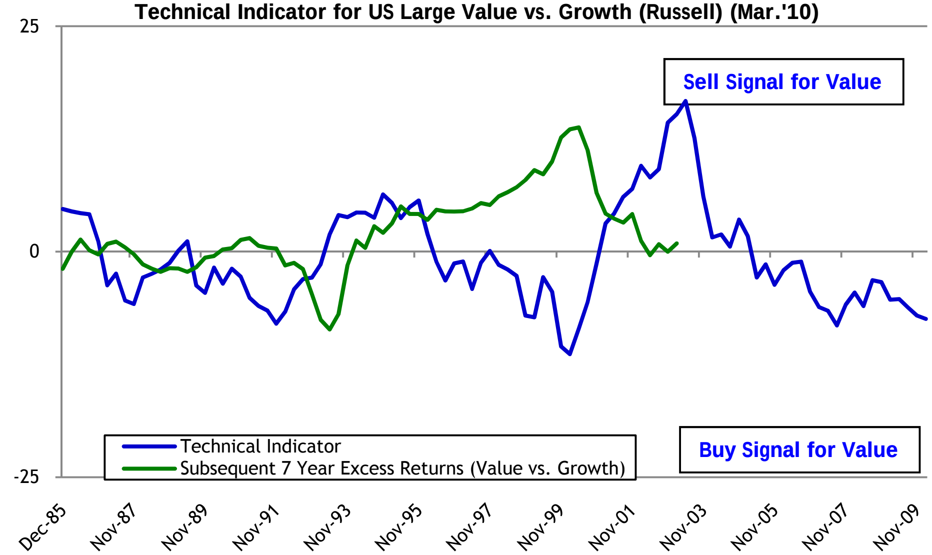
Source: Ibbotson, Wurts & Associates

Fundamental vs. Technical Indicators and Subsequent Performance



Source: Russell, Wurts & Associates

Technical Indicator for US Large Value vs. Growth (Russell) (Mar.'10)

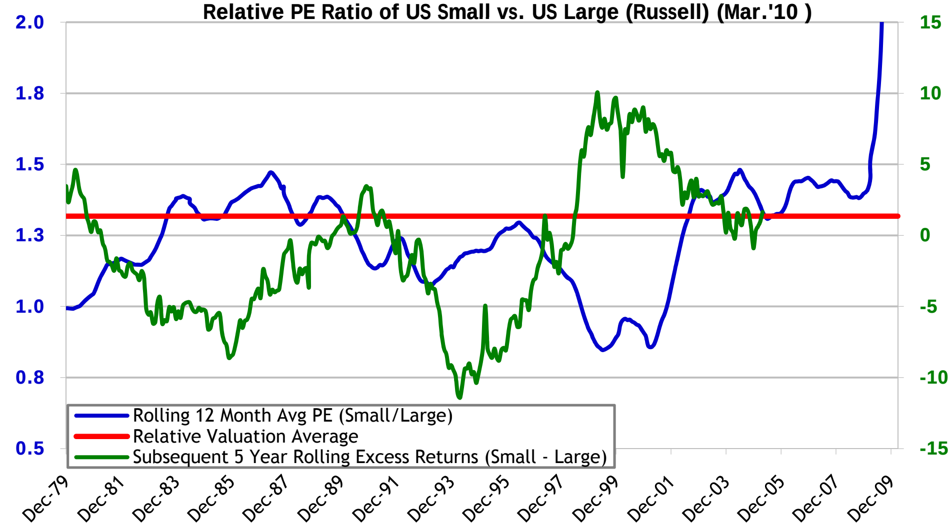


Source: Ibbotson, Wurts & Associates

Capitalization Tilts: *US Small vs. Large*

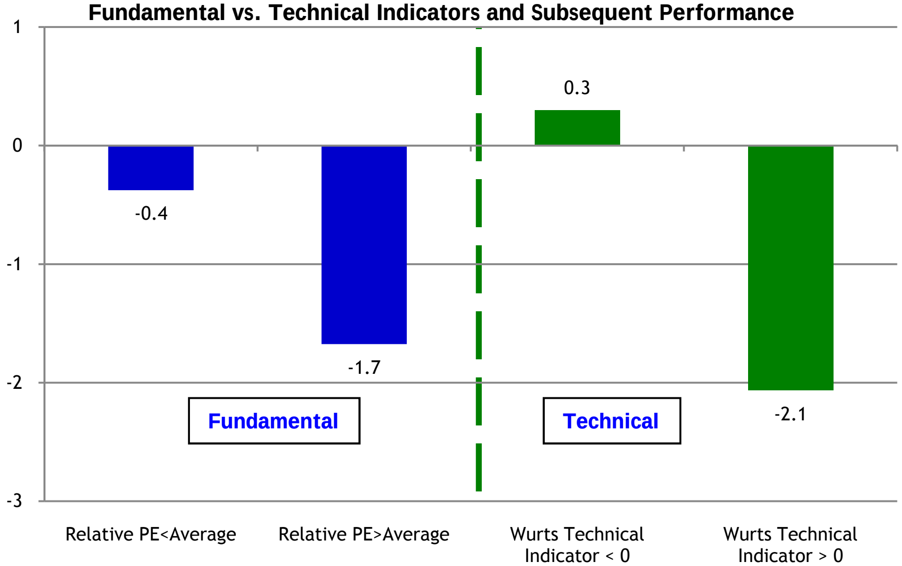
- As mentioned on the previous page, accounting irregularities are rendering fundamental valuation analysis less useful until things return to more normative levels.
- Small cap stocks should trade at cheaper levels than large caps due to their inherent riskiness, and they were not cheaper going into the recent market crisis.
- Fundamental analysis indicates small cap equities are trading at a huge premium over large caps.
- On the other hand, our technical indicators are telling us small stocks may be a little oversold relative to large.
- Small caps are not trading at compellingly cheap valuations or experiencing significant technical weakness. Therefore market weighting (or lower) seems appropriate at this time.

Relative PE Ratio of US Small vs. US Large (Russell) (Mar.'10)



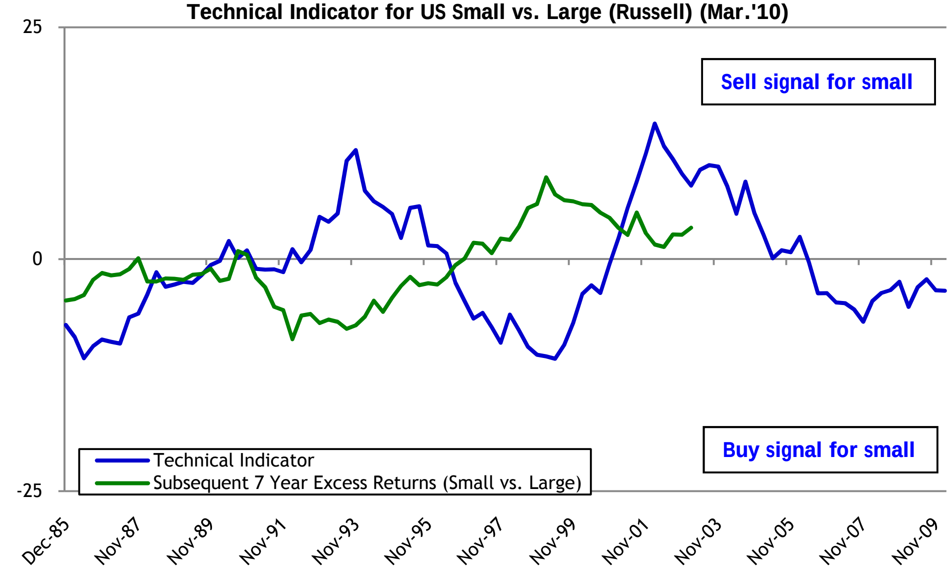
Source: Russell, Wurts & Associates

Fundamental vs. Technical Indicators and Subsequent Performance



Source: Russell, Wurts & Associates

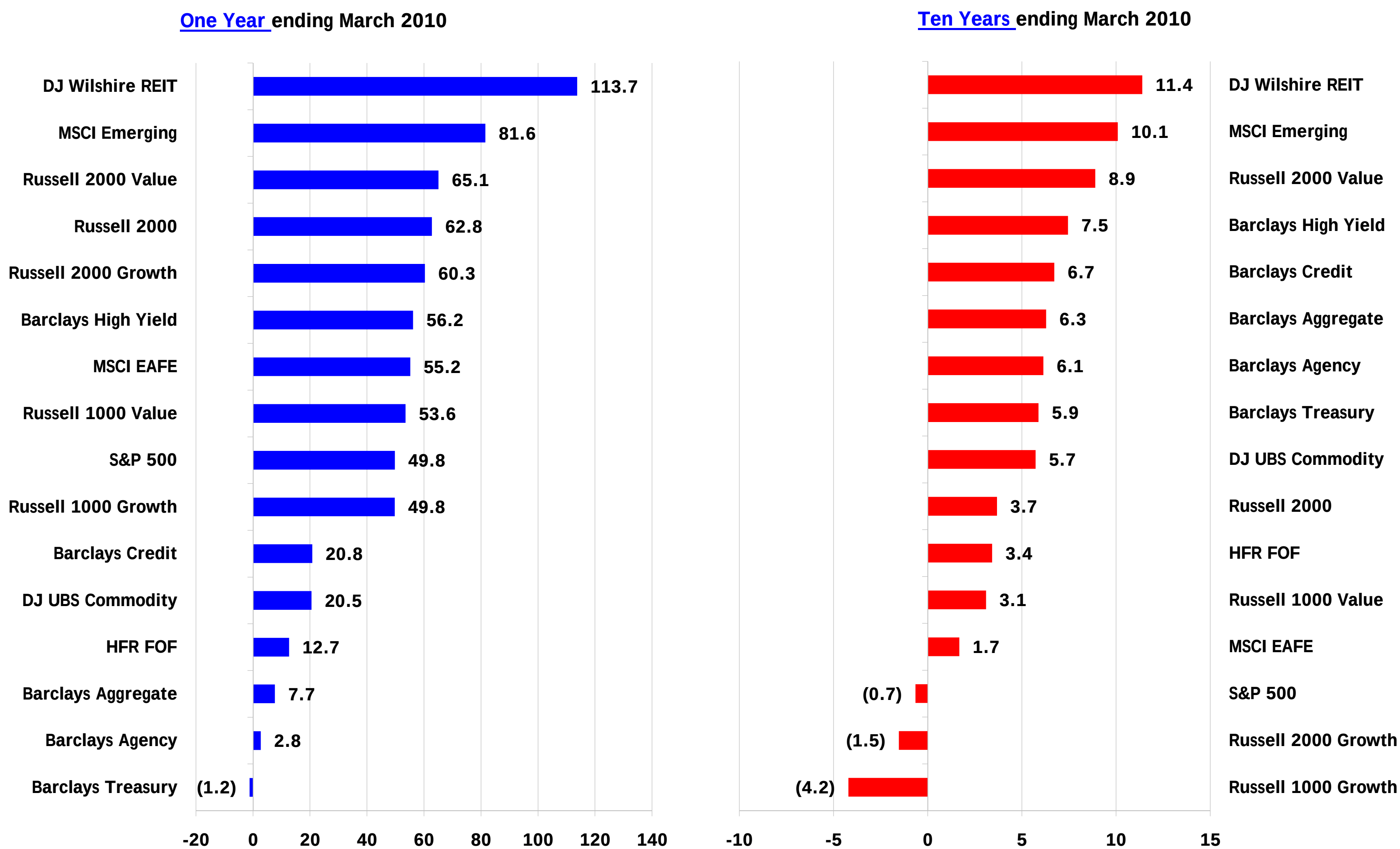
Technical Indicator for US Small vs. Large (Russell) (Mar.'10)



Source: Ibbotson, and Wurts & Associates

IV. Appendix: Asset Class & Sector Returns

Major Asset Class Returns



Periodic Table of Returns – March 2010

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD
Best	65.0	17.5	59.9	29.1	74.8	8.1	38.3	23.1	35.2	38.7	66.4	22.8	14.0	10.3	56.3	26.0	34.5	32.6	39.8	5.2	79.0	10.0
	35.9	8.9	51.2	13.8	32.9	6.4	37.2	21.6	31.8	20.3	43.1	12.3	8.4	6.7	48.5	22.3	18.9	26.9	15.8	1.8	37.2	7.6
	25.2	7.9	41.7	12.3	26.3	4.2	31.0	21.4	30.5	16.2	33.2	11.6	7.3	1.7	46.0	20.7	14.0	23.5	11.8	-6.5	34.5	6.8
	20.2	2.6	41.2	11.4	23.8	2.7	25.8	14.4	18.6	15.6	27.3	7.0	4.1	1.0	38.6	16.5	7.5	22.2	11.6	-20.7	32.5	4.7
	18.8	2.3	24.6	8.0	18.1	-0.8	24.6	14.1	16.2	13.6	26.5	6.0	2.8	-6.0	30.0	14.3	7.1	16.1	10.3	-24.0	20.6	3.4
	14.5	-0.3	21.7	7.8	13.4	-1.5	18.5	11.3	13.9	8.7	13.0	4.1	-2.4	-8.6	29.7	13.1	7.1	13.4	7.9	-28.9	19.7	2.5
	12.4	-8.1	16.0	7.4	11.5	-2.0	11.6	10.3	12.9	5.1	11.4	1.9	-2.7	-11.4	21.6	11.1	5.3	12.8	7.1	-36.9	19.4	1.8
	10.8	-10.6	14.5	5.0	9.8	-2.4	11.1	6.4	9.7	1.2	7.3	-14.0	-5.6	-15.5	11.6	6.9	4.7	10.4	7.0	-38.4	11.5	1.5
	8.6	-17.4	12.5	3.6	3.1	-2.9	7.5	6.0	5.3	-5.1	4.7	-22.4	-9.2	-15.7	9.0	6.3	4.1	9.1	4.7	-38.5	5.9	0.9
	7.8	-21.8	5.8	-4.3	2.9	-3.5	5.8	5.3	2.1	-6.5	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.0	4.8	-0.2	-43.1	0.2	0.8
Worst	N/A	-23.2	-5.6	-11.9	1.4	-7.3	-5.2	3.6	-11.6	-25.3	-1.5	-30.6	-21.2	-30.3	1.1	1.2	2.4	4.3	-9.8	-53.2	-16.9	0.0

- Large Cap Growth US Stocks (Russell 1000 Growth Index)
- Large Cap Value US Stocks (Russell 1000 Value Index)
- Small Cap Growth US Stocks (Russell 2000 Growth Index)
- Small Cap Value US Stocks (Russell 2000 Value Index)
- Developed International Stocks (MSCI EAFE Index)
- Emerging Market Stocks (MSCI EM Index)
- Hedge Fund of Funds (HFRI Fund of Funds Index)
- Domestic Fixed Income (Barclays Capital Aggregate Bond Index)
- Real Estate (NCREIF Property Index)
- Cash (Citigroup 3-Mo Treasury)
- ICC Universe Median (Total Funds)

Data: Ibbotson Associates, As of 3/31/2010; Independent Consultants Cooperative.

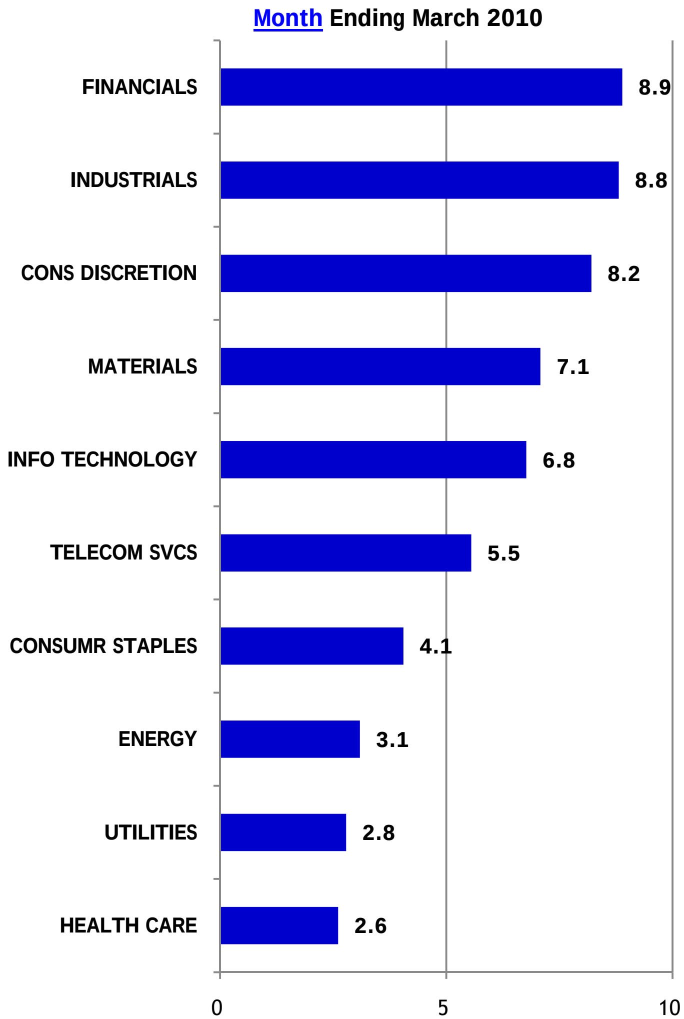
Detailed Equity & Fixed Income Returns

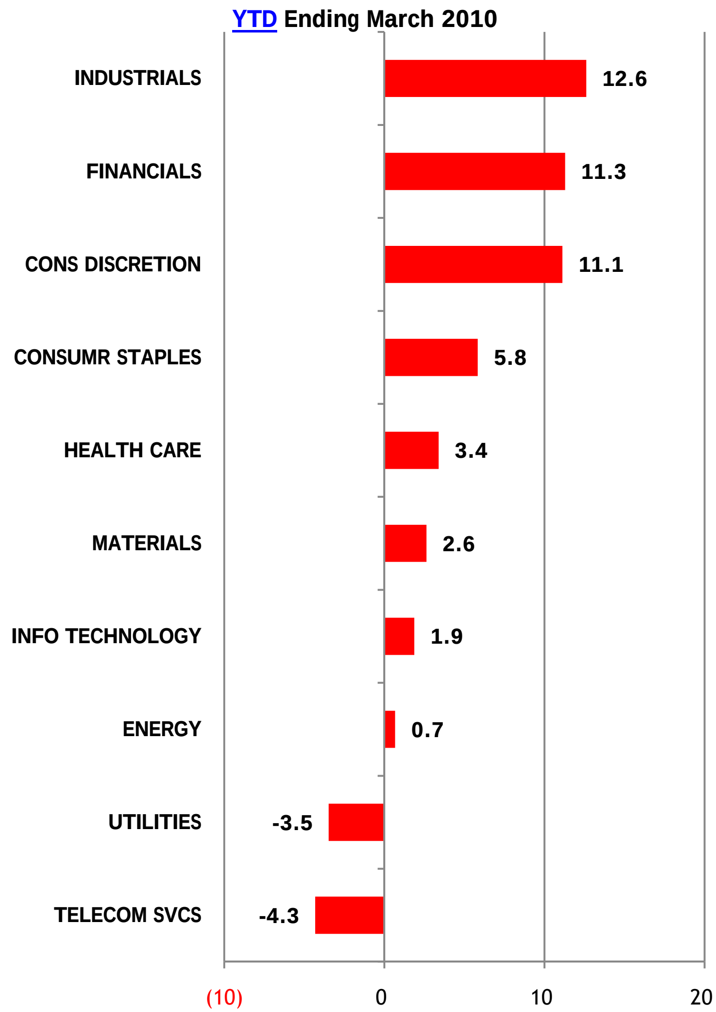
Domestic Equity	March	YTD	1-Year	3-Year	5-Year	10-Year
Core Index Performance						
S&P 500	6.0	5.4	49.8	(4.2)	1.9	(0.7)
S&P 500 Equal Weighted	7.1	8.1	75.1	(2.0)	4.4	6.0
DJ Industrial Average	5.3	4.8	46.9	(1.5)	3.3	2.3
Russell Top 200	5.8	4.6	45.9	(4.2)	1.6	(2.1)
Russell 1000	6.1	5.7	51.6	(4.0)	2.3	(0.4)
Russell 2000	8.1	8.9	62.8	(4.0)	3.4	3.7
Russell 3000	6.3	5.9	52.4	(4.0)	2.4	(0.1)
Russell Mid Cap	7.1	8.7	67.7	(3.3)	4.2	4.8
Style Index Performance						
Russell 1000 Growth	5.8	4.7	49.8	(0.8)	3.4	(4.2)
Russell 1000 Value	6.5	6.8	53.6	(7.3)	1.0	3.1
Russell 2000 Growth	7.9	7.6	60.3	(2.4)	3.8	(1.5)
Russell 2000 Value	8.3	10.0	65.1	(5.7)	2.8	8.9

Fixed Income	March	YTD	1-Year	3-Year	5-Year	10-Year
Index Performance						
BC US Aggregate Bond	(0.1)	1.8	7.7	6.1	5.4	6.3
BC US Treasury US TIPS	0.1	0.6	6.2	6.0	4.8	7.3
BC US Treasury Bills	(0.9)	1.1	(1.2)	6.0	5.2	5.9
Maturity Evaluation						
BC US Treasury 1-3 Yr	(0.3)	0.7	1.4	4.6	4.2	4.5
BC US Treasury Interm.	(0.7)	1.1	0.0	6.0	5.1	5.4
BC US Treasury Long	(1.9)	0.9	(7.3)	5.8	5.3	6.9
Issuer Performance						
BC US Agcy Intermediate	(0.4)	1.1	3.0	6.1	5.3	6.0
BC US Credit	0.3	2.3	20.8	6.0	5.4	6.7
BC US MBS	0.0	1.5	5.2	7.0	6.1	6.5
BC US Corporate High Yield	3.1	4.6	56.2	6.7	7.8	7.5
BC Emerging Markets	3.0	4.6	34.1	7.2	9.4	10.3

International Equity	March	YTD	1-Year	3-Year	5-Year	10-Year
Broad Index Performance						
MSCI EAFE	6.3	0.9	55.2	(6.6)	4.2	1.7
MSCI AC World ex US	6.9	1.7	61.7	(3.7)	6.6	3.2
MSCI Emerging Mkts	8.1	2.5	81.6	5.5	16.0	10.1
MSCI EAFE Small Cap	7.4	4.8	70.6	(7.9)	4.0	6.8
Style Index Performance						
MSCI EAFE Growth	6.6	2.0	51.2	(5.3)	4.6	(0.9)
MSCI EAFE Value	6.0	(0.2)	59.5	(7.8)	3.8	4.2
Regional Index Performance						
MSCI United Kingdom	6.0	(0.6)	59.6	(8.2)	2.0	1.9
MSCI Japan	5.1	8.3	38.0	(8.9)	1.4	(2.9)
MSCI EM Asia	7.7	1.4	73.7	5.6	14.3	7.0
MSCI EM Latin America	7.1	1.7	97.8	12.8	26.3	17.3

S&P 500 Sector Returns





Source: ICC

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