



Q1

Quarterly Market Review
First Quarter 2012

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This report features world capital market performance and a timeline of events for the last quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the performance of globally diversified portfolios.

Overview:

Market Summary

Timeline of Events

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Country Performance

Real Estate Investment Trusts (REITs)

Fixed Income

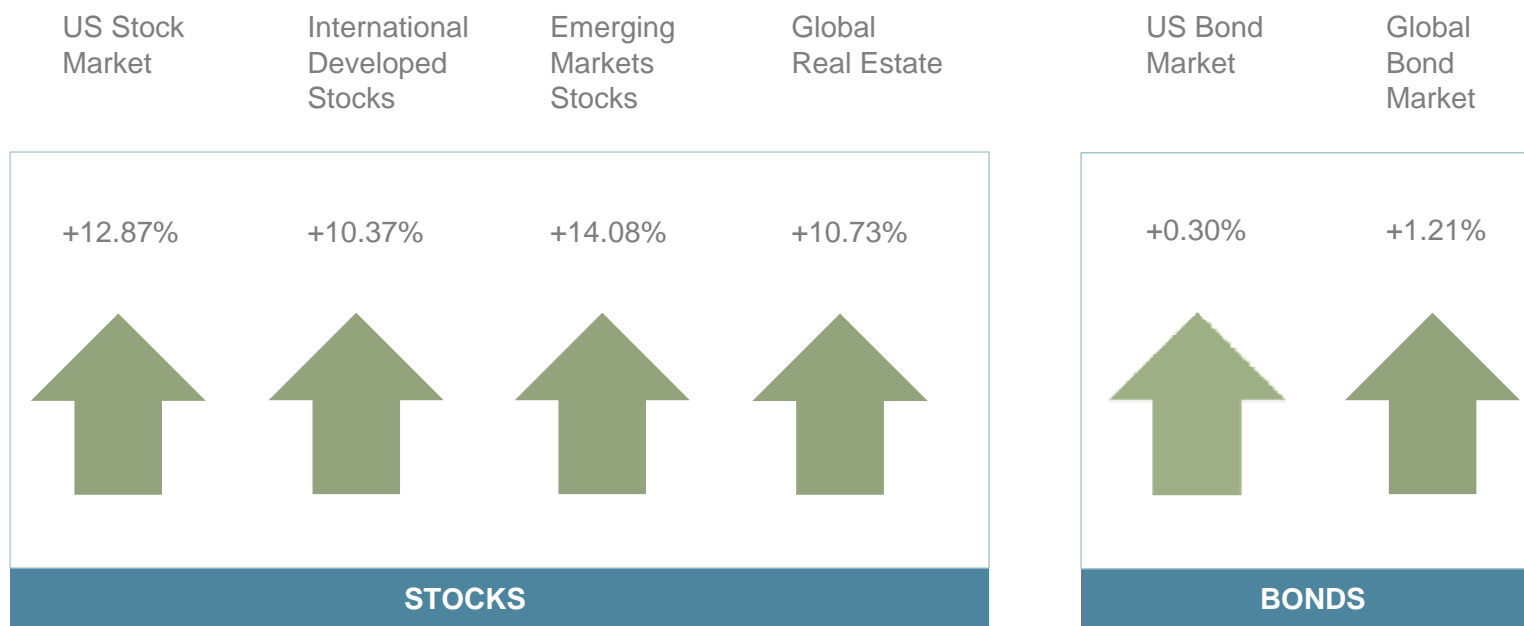
Global Diversification

Quarterly Topic: Dividend-Paying Stocks



Market Summary

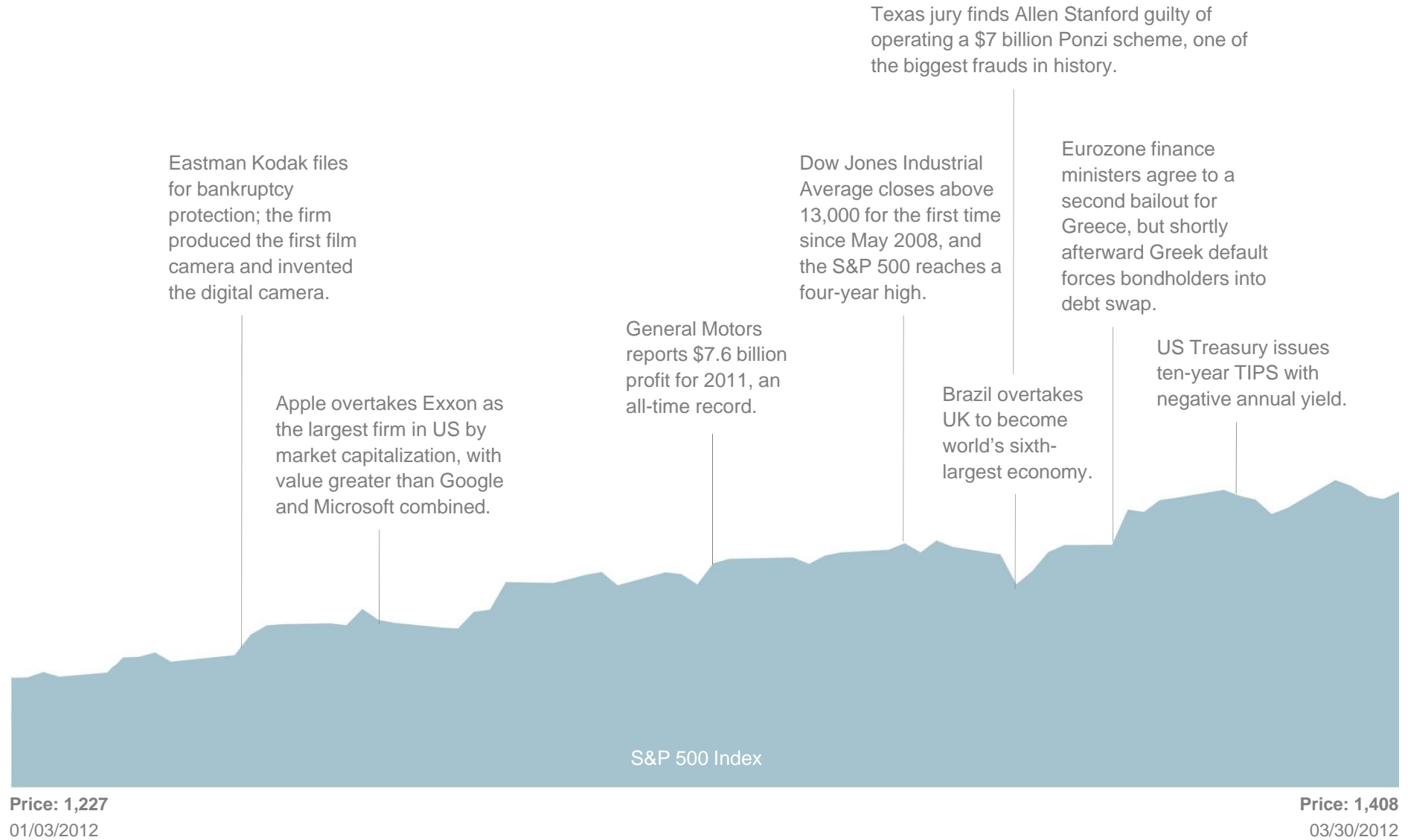
First Quarter 2012 Index Returns



Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index); International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index), US Bond Market (Barclays Capital US Aggregate Bond Index), and Global Bond Market (Barclays Capital Global Aggregate Bond Index [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group. Russell data copyright © Russell Investment Group 1995–2012, all rights reserved. MSCI data copyright MSCI 2012, all rights reserved. Barclays Capital data provided by Barclays Bank PLC. US long-term bonds, bills, and inflation data © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).

Timeline of Events: A Quarter in Review

First Quarter 2012



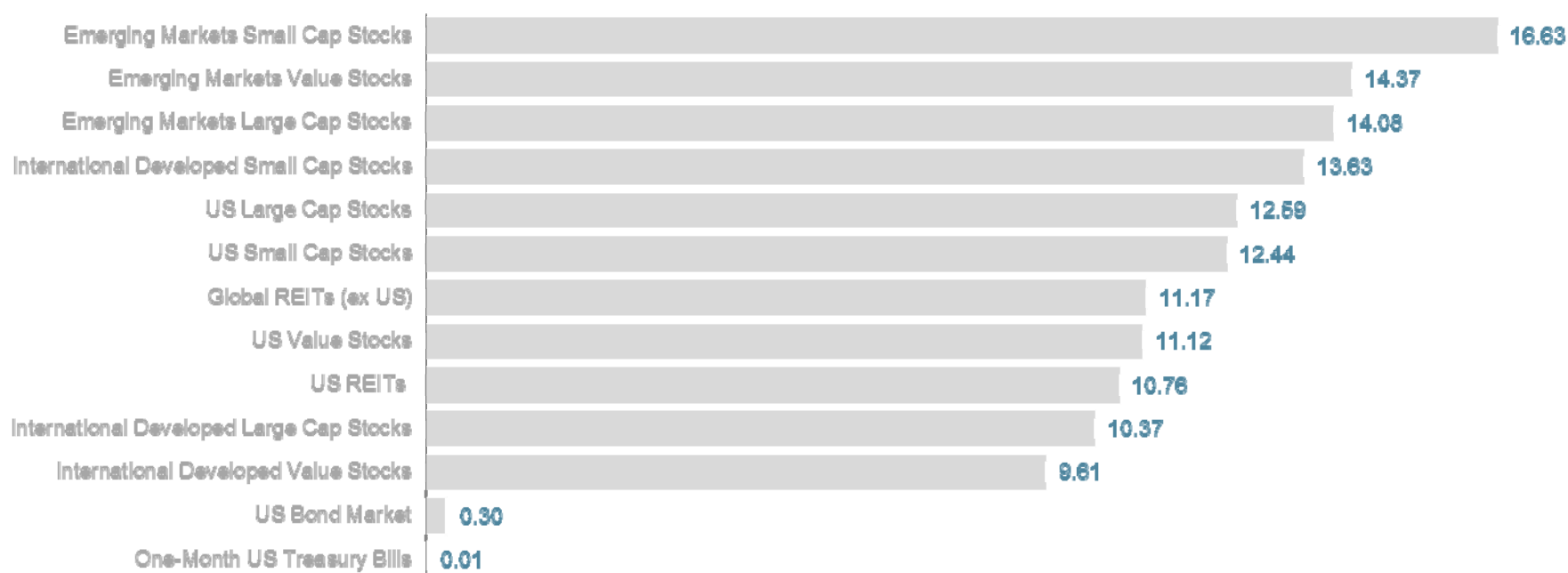
The graph illustrates the S&P 500 Index price changes over the quarter. The return of the price-only index is generally lower than the total return of the index that also includes the dividend returns. Source: The S&P data are provided by Standard & Poor's Index Services Group. The events highlighted are not intended to explain market movements.

World Asset Classes

First Quarter 2012 Index Returns



Led by the excellent performance of US stocks, global equity markets posted strong returns in the quarter. Emerging markets enjoyed their best quarter since the third quarter of 2010, with most experiencing double-digit positive returns.



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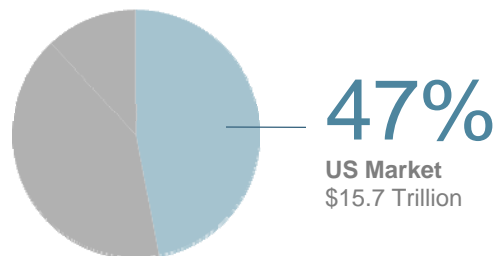
US Stocks

First Quarter 2012 Index Returns

Quarterly returns for the broad US market, as measured by the Russell 3000 Index, were 12.87%. Asset class returns ranged from 14.69% for large cap growth stocks to 11.12% for large cap value stocks.

The strongest sectors were financials and information technology, while the laggard was highly regulated utilities. Value underperformed growth, and small caps underperformed large caps.

World Market Capitalization—US



Ranked Returns for the Quarter (%)



Period Returns (%)

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	7.18	24.26	2.18	4.67
Large Cap	8.54	23.42	2.01	4.12
Large Cap Value	4.79	22.82	-0.81	4.57
Large Cap Growth	11.02	25.28	5.10	4.29
Small Cap	-0.18	26.90	2.13	6.45
Small Cap Value	-1.07	25.36	0.01	6.60
Small Cap Growth	0.68	28.36	4.16	6.00

* Annualized

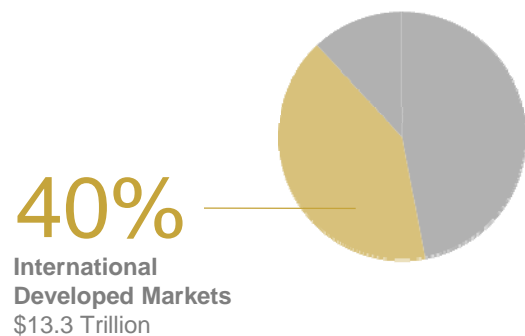
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International Developed Stocks

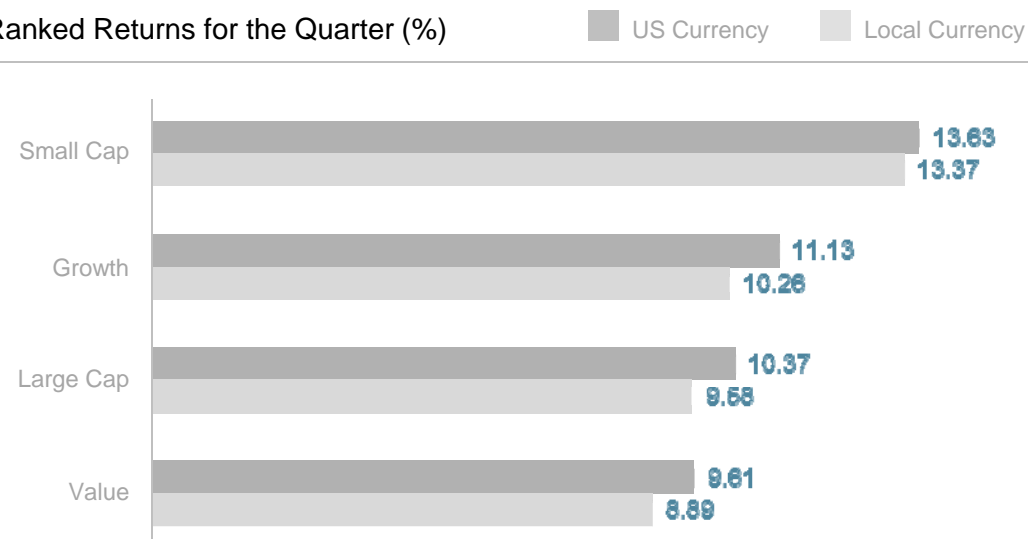
First Quarter 2012 Index Returns

The US dollar depreciated against all the major currencies except the yen, which had a positive impact on the dollar-denominated returns of developed market equities. The dispersion in performance at the individual country level was narrower than in previous quarters. Germany, whose export-led economy continues to grow amid Europe's financial turmoil, and other core European countries had excellent performance. At the other end of the spectrum, Spain was the only developed market with negative returns. Consumer discretionary was by far the best-performing sector in the quarter, while telecommunication services was the worst performer.

World Market Capitalization—International Developed



Ranked Returns for the Quarter (%)



Period Returns (%)

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	-6.67	17.55	-2.95	6.12
Small Cap	-7.37	25.41	-2.11	10.15
Value	-7.91	17.58	-4.34	6.32
Growth	-5.44	17.52	-1.62	5.83

* Annualized

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Emerging Markets Stocks

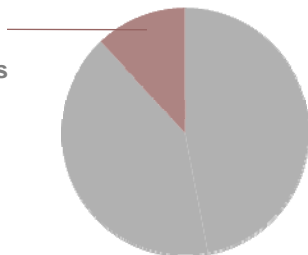
First Quarter 2012 Index Returns

In US dollar terms, emerging markets gained almost 15% in the quarter, a large turnaround from the negative performance of 2011 and the best quarter since the third quarter of 2010. The US dollar depreciated against the main emerging market currencies, which boosted dollar-denominated returns of emerging markets equities by approximately 3.3%. Emerging Europe, led by Turkey, one of the world's fastest growing economies in 2011, was the top performer, while emerging Far East was the weakest region, with a quarterly return of 12.6%.

World Market Capitalization—Emerging Markets

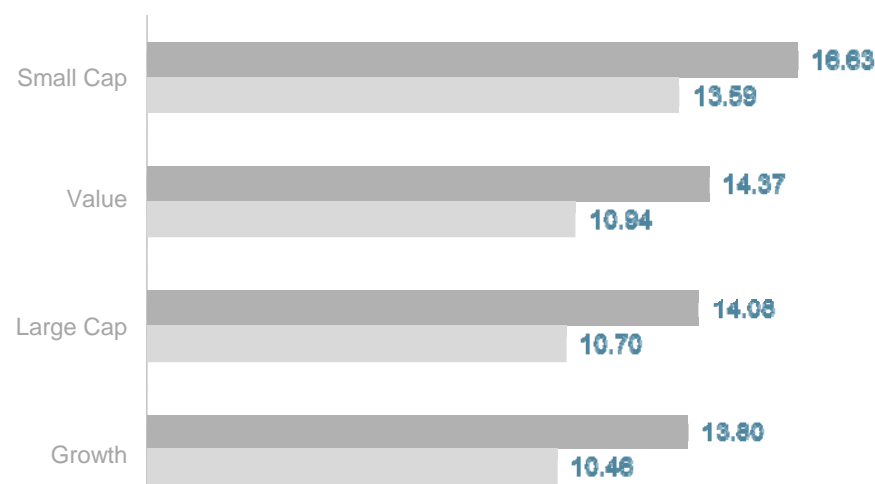
13%

Emerging Markets
\$4.2 Trillion



Ranked Returns for the Quarter (%)

■ US Currency ■ Local Currency



Period Returns (%)

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	-8.80	25.07	4.67	14.13
Small Cap	-12.70	30.88	4.98	15.01
Value	-8.66	25.96	6.48	16.00
Growth	-8.92	24.18	2.84	12.25

* Annualized

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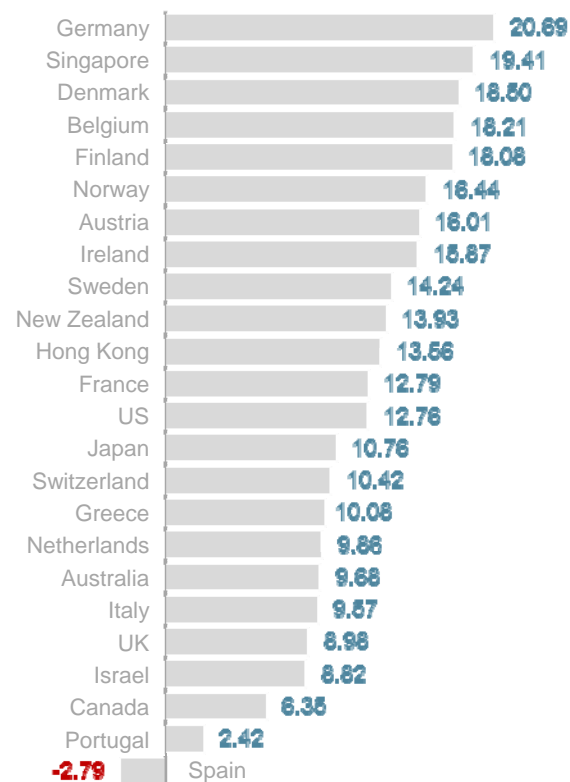
Select Country Performance

First Quarter 2012 Index Returns

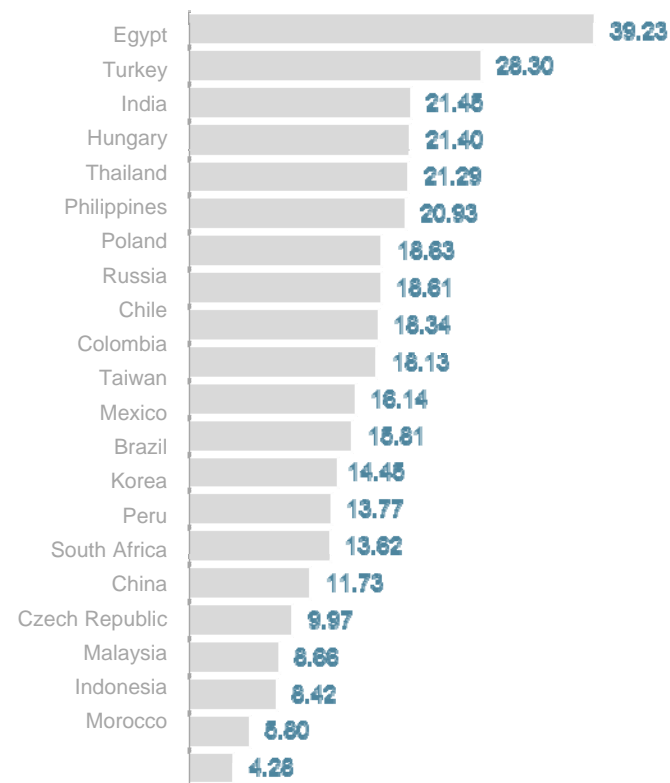


Individual country market performance varied considerably in both developed and emerging markets. The difference between the best-performing developed market, Germany, and the worst-performing market, Spain, was 23.48% (20.69% vs. -2.79%). In emerging markets, the difference between the best performer (Egypt) and worst performer (Morocco) was almost 35% (39.23% vs. 4.28%).

Developed Markets (% returns)



Emerging Markets (% returns)



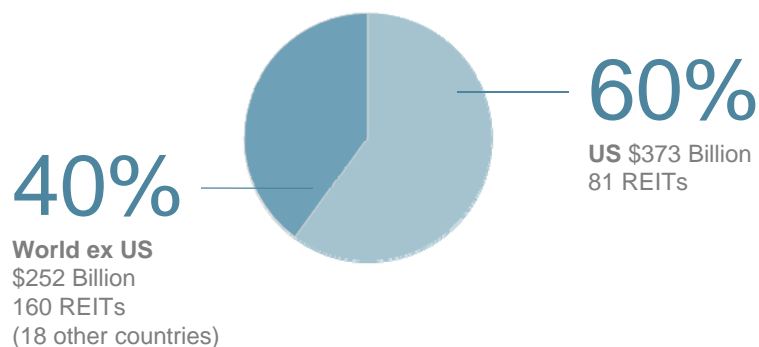


Real Estate Investment Trusts (REITs)

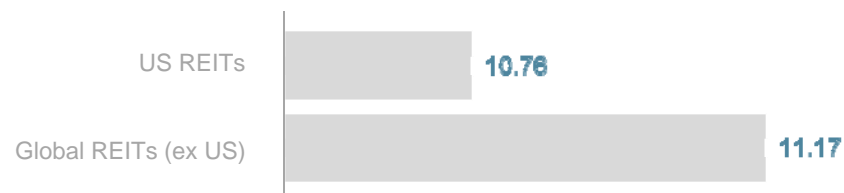
First Quarter 2012 Index Returns

Real estate securities had strong positive returns in the quarter but mixed performance relative to other asset classes. In the US, they trailed most asset classes with the exception of fixed income. In other developed countries, they outperformed the broad equity market by about 1%.

Total Value of REIT Stocks



Ranked Returns for the Quarter (%)



Period Returns (%)

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
US REITs	13.53	44.48	-0.75	10.36
Global REITs (ex US)	-2.57	25.34	-7.09	10.38

* Annualized



Fixed Income

First Quarter 2012 Index Returns

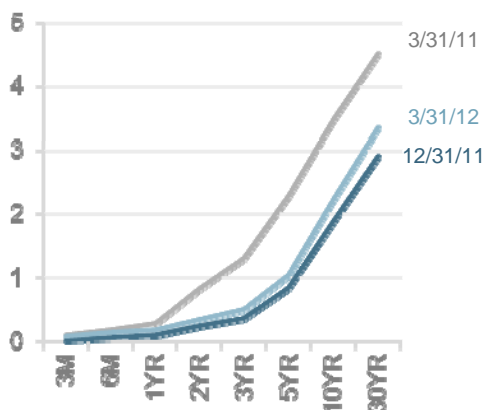
The Federal Open Market Committee (FOMC) maintained its target range for the federal funds rate between zero and 0.25% in the first quarter, and reaffirmed its goal to maintain that target at very low levels now until at least late 2014.

Most fixed income securities had positive returns in the quarter, although some longer term securities had negative returns.

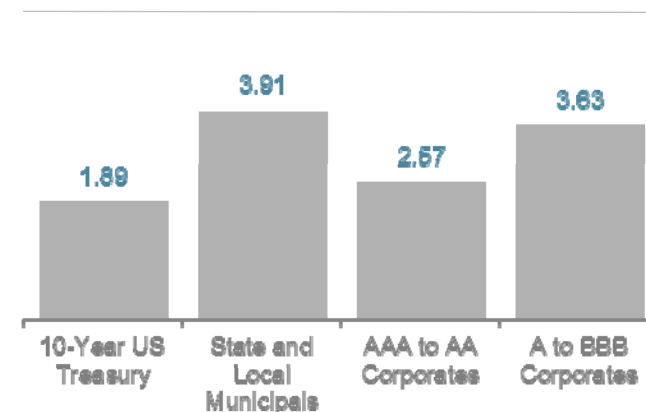
Yields on Treasury securities across the whole maturity spectrum rose, with longer-term securities rising more sharply than shorter-term ones. As a result, the yield curve steepened, but relative to the first quarter of 2011, the yield curve flattened.

Spreads between more- and less-risky fixed income securities generally became narrower as conditions in global financial markets eased substantially.

US Treasury Yield Curve



Bond Yields across Different Issuers



Period Returns (%)

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
One-Month US Treasury Bills (SBBI)	0.02	0.08	1.05	1.77
Bank of America Merrill Lynch Three-Month T-Bills	0.06	0.13	1.23	1.91
Bank of America Merrill Lynch One-Year US Treasury Note	0.41	0.74	2.29	2.48
Citigroup World Government Bond 1-5 Years (hedged)	3.07	2.11	3.71	3.68
US Long-Term Government Bonds (SBBI)	23.27	6.82	9.44	8.61
Barclays Capital Corporate High Yield	6.45	23.87	8.10	9.24
Barclays Capital Municipal Bonds	12.07	7.70	5.42	5.46
Barclays Capital US TIPS Index	12.20	8.74	7.60	7.51

* Annualized

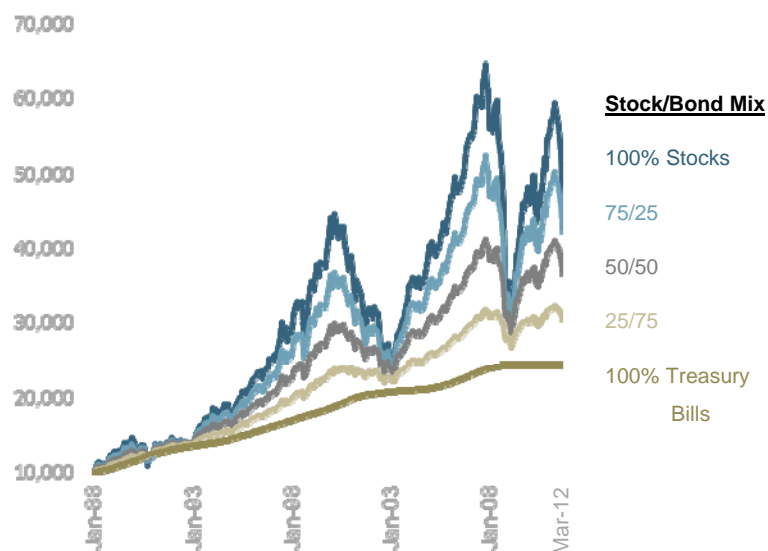
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Global Diversification

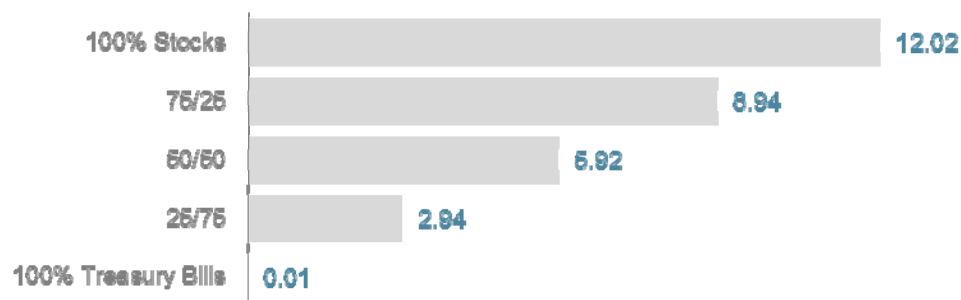
First Quarter 2012 Index Returns

These portfolios illustrate performance of different global stock-bond mixes. Those with larger allocations to stocks are considered riskier but also have higher expected returns over time.

Growth of Wealth: The Relationship between Risk and Return



Ranked Returns for the Quarter (%)



Period Returns (%)

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
100% Stocks	-0.19	21.38	0.34	5.86
75/25	0.19	16.06	0.97	5.14
50/50	0.35	10.72	1.29	4.21
25/75	0.30	5.39	1.32	3.08
100% Treasury Bills	0.02	0.08	1.05	1.77

* Annualized