

Capital Markets Commentary

Fourth Quarter 2009

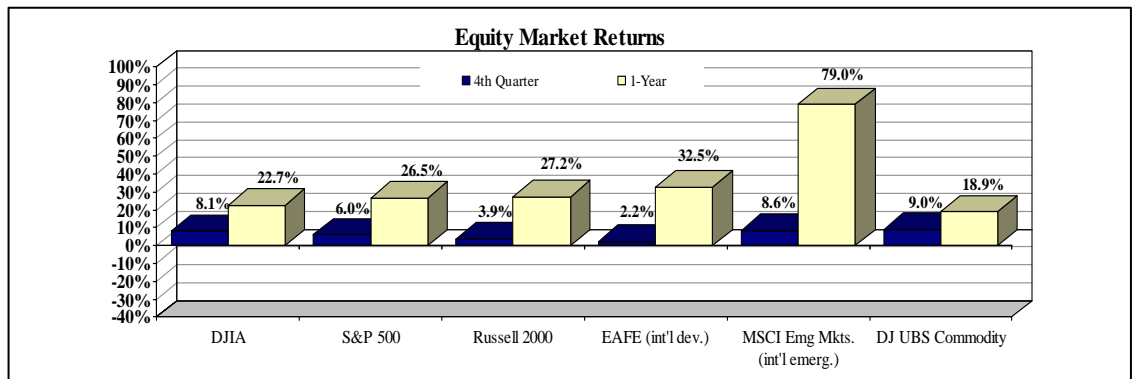
Summary of Market Activity

2009 delivered the most dramatic reversal in fortune for equity investors in the past 30 years. Holding 2008's best performing stocks throughout 2009 yielded a 16.7% return, while holding 2008's worst performing stocks yielded a 66.9% return according to the Leuthold Group. This represents an even more severe reversal of fortune than the 1999 – 2000 period. Yet over the past 20 years, you would have been better off holding onto the previous year's winners over two-thirds of the time. Despite delivering the best calendar year return since 2003, historians are already referring to the ten years ending December 31, 2009 as the "lost decade" for stocks, as the U.S. stock market delivered only its second ever negative return for a decade (-0.5%) since the 1830's (see page 11).

Fixed income investors continued to benefit from relatively steady returns with the bond market returning 0.2 % for the quarter, and 5.9% for the year, as measured by the BarCap Aggregate Bond Index. Yield spreads between corporate and government bonds continued to narrow thanks to the strengthening global economy. Worries about when and how the Fed will exit from its stimulus programs weighed on Treasury securities during the quarter.

Emerging market (EM) equities began the decade representing 7% of the world's stock market capitalization and finished the decade at 24%. They also led all investment categories for the year up 79.0% as measured by MSCI Emerging Markets Index. 2008 caused many to doubt the "free market" economic system, but the EM returns of 2009 remind us of the efficiency of the this capital allocating system which, according to *The Economist*, has lifted over 500 million people out of poverty in the past twenty years. Developed international equities fared less well for the quarter (2.2%) as the dollar strengthened against these currencies and European bank exposure to Dubai raised caution flags.

Commodity market returns were strong for the quarter, led by oil (12.4%) and gold (8.7%), but generally lagged equity market returns for the year pulled down by softness in agricultural commodities.



Source – StyleAdvisor

Average Equity Fund Performance

2009 goes in the books as a good year for active management, with actively managed U.S. equity funds, on average, delivering slightly higher returns than their passive benchmarks (32.8% vs. 31.7%) according to a study by Lipper Analytical. "Growth" equity funds outperformed "value" funds for the quarter and year across all market capitalizations. Large-cap funds outperformed for the quarter; however capitalization preference results were mixed by investment style for the year. The big winners for both the quarter and the year were emerging market equity funds.

STYLE PERFORMANCE MATRIX

	Value	Core	Growth	AVERAGE
Large-Cap	5.0%	5.5%	7.3%	5.9%
Mid-Cap	5.6%	5.5%	5.7%	5.6%
Small-Cap	4.2%	4.5%	5.3%	4.7%
AVERAGE	4.9%	5.2%	6.1%	

Source: Lipper, Inc.

STYLE PERFORMANCE MATRIX

	Value	Core	Growth	AVERAGE
Large-Cap	25.0%	28.2%	38.5%	30.5%
Mid-Cap	39.7%	39.3%	42.7%	40.6%
Small-Cap	33.0%	34.5%	38.0%	35.2%
AVERAGE	32.6%	34.0%	39.7%	

Source: Lipper, Inc.

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Near-Term Capital Markets Outlook

U.S. Economy – Recovery Continues

The U.S. economy gained momentum in the 4th quarter, and we expect continued stronger-than-consensus economic expansion into 2010. Leading economic indicators gained for the ninth consecutive month in December and reveal that economic growth and consumer expectations continue on their upward course since bottoming in March of 2009. While U.S. consumers remain constrained by excess debt and declines in real income, the surprising strength of the economic expansion can be traced to unprecedented government stimulus and unanticipated demand for U.S. exports. Despite the recent economic acceleration, capacity utilization remains near record low levels and unemployment is hovering around 10%, keeping inflation pressures non-existent. In 2009, the U.S. government spent approximately \$3.5T, while collecting only \$2T in receipts. In 2010, the U.S. Federal budget deficit is projected to be even larger. This causes us to wonder how much longer funds for stimulus will be available. We believe if U.S. politicians do not begin to reign in government spending, our creditors will begin to do it for them. We also believe the U.S. housing market will continue to be soft in 2010 as foreclosures accelerate into the new year. Despite tax credits extended through April for buying a home, there appears to be too much inventory of unsold homes and pending foreclosures to believe prices will rise from current levels. Banks remain undercapitalized due to losses they have yet to recognize, and this constrains their ability to lend. So while the current momentum is quite strong, we are concerned that toward the end of this year, as fiscal and monetary stimulus begins to wane and corporate profit growth begins to fade, U.S. economic growth will slow.

Domestic Equities – Neutral/Overweight

We are maintaining our outlook for U.S. equities at neutral/overweight, based on continued improvement in the world economy and 9-month run-up in share prices. We expect quality U.S. stocks to continue trending higher but see a growing probability they will suffer a correction with the first whiff of fiscal or monetary tightening. In terms of valuation, the S&P 500 is now trading at 24 times trailing earnings and 14 times forward or estimated earnings. We do not find these valuations levels to be alarming but recognize that earnings need to ‘catch-up’ with heightened stock prices. For comparison, in 2003 when the last recovery took place and we had low interest rates and moderate inflation, the S&P 500’s trailing P/E was just over 20. Given that we are in an even lower inflation and lower interest rate environment, we think the current P/E of the S&P 500 is reasonable. Furthermore, the contrarian in us likes the fact that we just completed the worst, and only the second negative decade for U.S. stocks since 1830. Another interesting historical study suggests that investing in U.S. stocks at a time of above-average unemployment has historically delivered above-average returns. (see pg. 11) With monetary policy on full throttle, we believe the S&P 500 Index has room for further upside (another 10-20%). The valuation advantage of large-caps over small-caps has eroded somewhat, but we remain bullish on “growth” equities over “value” equities across all market capitalizations based-up on their valuation levels relative to history.

International Equities – Neutral (Developed), Overweight (Emerging)

We are affirming our outlook for international equities. Emerging markets are trading nearly in-line with U.S. stocks on both a trailing and forward P/E basis. We believe their current valuation relative to the U.S. market is justified by the stronger than expected growth and healthy balance sheets of these nations. In contrast, developed international equities are struggling with slower growth and mountains of debt. We expect a strengthening dollar relative to developed international currencies to be a further headwind for U.S. investors in those markets; in contrast, we expect the U.S. dollar to weaken relative to emerging market nation’s currencies which will provide an added boost to performance.

Domestic Bonds – Underweight (Treasuries), Overweight (Corporate Bonds)

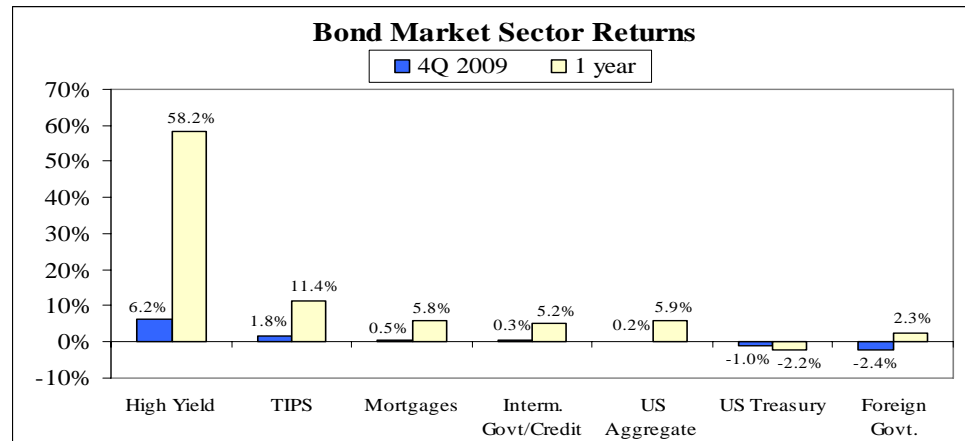
U.S. bond markets have mostly returned to normal, albeit assisted by significant Fed intervention. With the Fed acting aggressively to keep rates low, buying mortgage-backed securities, assisting in short-term funding through expanded guarantees, and the TARP/TALF programs, yield spreads have converged to more normal levels. 2009 saw a record \$2.3T in corporate bonds issued in the first 9 months of the year. Even with limited upside, we think the corporate bond market stands to be a better place for investors than nominal U.S. Treasuries, which we believe are overvalued in light of the potential for "dollar debasement" inflation. Despite the steep yield curve, which encourages extending portfolio duration, we favor shorter duration strategies, and stable value funds, in anticipation of higher interest rates.

Hard Assets – Neutral

We are maintaining our “neutral” rating for hard assets based mainly on the current lack of any inflationary pressures. While inflationary pressures may appear later in 2010 as the global economic recovery moves forward, the more likely strengthening of the U.S. dollar should serve as a near-term headwind to the asset class. In 2009, energy and metals were winners while agricultural commodities generally lagged. We suspect this relationship will likely reverse in 2010. We believe exposure to commodity index products continues to present an excellent hedge against most of the worst case scenarios and recommend a 5 – 15% exposure here.

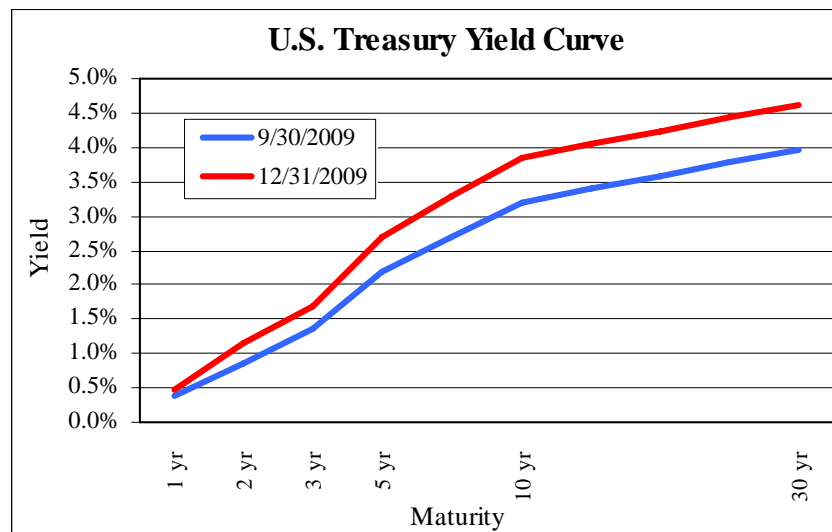


Multiple Bond Indexes



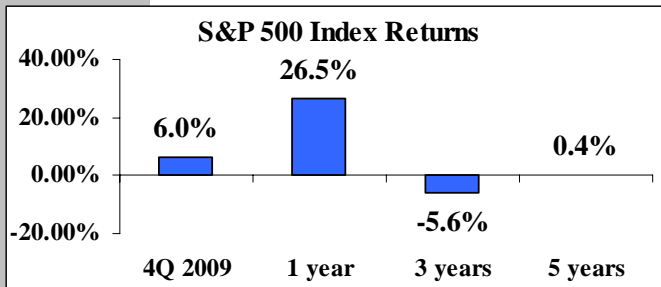
Source – StyleAdvisor, Domestic indices from Barclay’s Capital, Foreign Gov’t is the Merrill Lynch Global Gov’t Ex U.S. Index

The Barclays Capital U.S. Aggregate Bond Index, an investment grade only index, returned 0.2% in the fourth quarter but managed to gain 5.9% for the year. Risk taking was in vogue as high yield bonds turned in their best calendar year performance since data began being collected in 1983 with a gain of 58.2%. Treasury Inflation-Protected Securities (TIPS) gained 1.8% in the period and turned in an impressive 11.4% gain for the year. In contrast, nominal Treasuries (bonds that do not adjust for inflation) lost ground in the quarter and for the year, down 1.0% and 2.2% respectively. The Federal Reserve made no changes to its 0.0% to 0.25% targeted Fed Funds rate, however, the yield curve steepened during the period which served as a slight headwind to the asset class. Rates rose the most on the longer end of the curve as the 30-year yield moved from 4.05% to 4.64% and the 10-year yield moved higher from 3.31% to 3.83% for the quarter. On the shorter-end of the curve, the 1-year and 5-year yields increased by only 0.05% and 0.37% each. The steepening yield curve is reflective of improvement in economic conditions but also incorporates increasing concerns about the fiscal status of the United States. In 2009, credit markets went from frozen to fairly well greased again as evidenced by the TED spread (the yield differential between the 3-month T-bill and 3-month LIBOR, the confidence gauge in the overall financial system), which fell from 130bps to a mere 20bps. This spread is below the 15-year average of 60bps. The confidence factor was “courtesy of” the resolve of the world’s central banks to prevent massive failures of financial institutions and avoiding a depression like scenario. Both the investment-grade and high-yield bond sectors received a boost from a buoyant market for new issues, the result of many companies seeking to improve their capital structures with cheap financing. International fixed-income declined in the quarter; we also note that the Euro Zone, U.S., U.K., and Japanese yield curves are all upward sloping. Most central banks are not raising interest rates at this time, but Australia is leading the developed world in tightening campaigns and was the first to increase short-term interest rates.



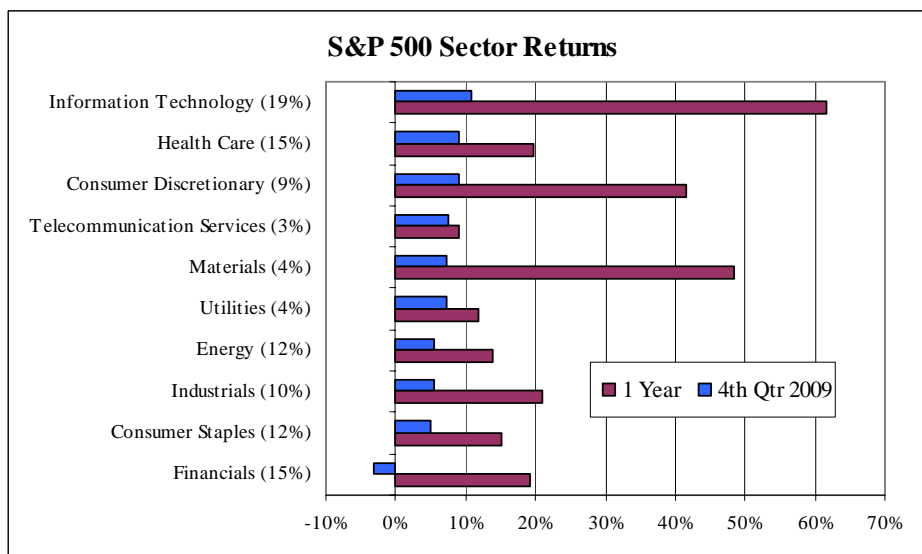
Source: U.S. Dept. of the Treasury

Large-Cap Equities



Source: StyleAdvisor

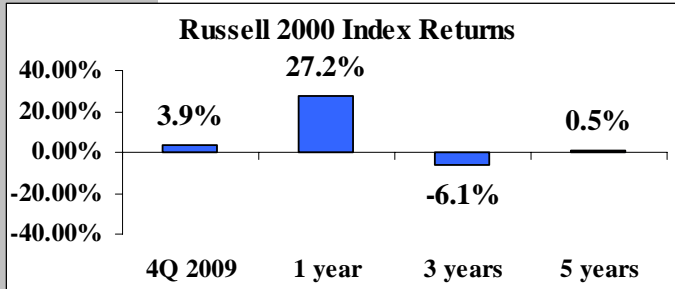
Large-cap stocks, as measured by the S&P 500 Index, gained 6.0% in the fourth quarter and finished 2009 solidly higher, up 26.5%. This quarter, sectors that outperformed the broader market included Information Technology (+10.8%), Health Care (+9.1%), Consumer Discretionary (+9.0%), Telecommunications Services (+7.4%), Materials (+7.3%), and Utilities (+7.2%). For the year, the returns for the S&P 500 were driven by the Information Technology (+61.6%), Materials (+48.3%), and Consumer Discretionary (+41.5%) holdings. In contrast, several sectors failed to keep pace for the quarter as well as in 2009. Financials (-3.3%) was the only sector in the quarter to lose money, and others that underperformed included Consumer Staples (+5.0%), Energy (+5.5%), and Industrials (+5.4%). Seven out of ten economic sectors, representing nearly 70% of the index underperformed in the year with Telecommunications (+8.9%), Utilities (+11.9%), Energy (+14.0%), Consumer Staples (+15.0%), Financials (+19.1%), Health Care (+19.7%), and Industrials (+21.0%) meaningfully below the overall S&P 500 index return. Performance of “growth” oriented equities was impressive, as measured by the S&P 500 Citigroup Growth Index, which gained 7.7% in the fourth quarter and 31.6% for the year. While still turning in positive returns, “value” oriented equities, as measured by the S&P 500 Citigroup Value Index, underperformed growth with gains of 4.2% in the quarter and 21.2% for 2009. For the fourth quarter, top performing equities included Advanced Micro Devices (+71.0%), Domtar Corp (+57.3%), New York Times Company (+52.2%), Massey Energy (+50.9%), Amazon.com (+44.1%) as well as Ford Motor Company (+38.7%). For the year, many stocks experienced gains that were solidly in the triple digits such as XL Capital, Ltd (+419.8%), Tenet HealthCare (+368.7%), Advanced Micro Devices (+348.2%), Ford Motor Company (+336.7%), Genworth Financial (+301.1%) and Micron Technology (+300.0%). In contrast, many stocks in the Financial sector took a pounding in the 4th quarter as MBIA Incorporated (-48.7%), Marshall & Ilsley Corp (-32.4%), American International Group (-32.0%), and Citigroup (-31.6%) were among the worst performing in the period. For the year, the weakest performing equities included CIT Group (-99.0%), Motors Liquidation Company (-85.3%), Marshall & Ilsley Corp (-59.8%), Huntington Bancshares, Inc. (-48.6%), and Citigroup (-50.5%). In terms of valuation, the S&P 500 is trading at just under 14 times forward earnings and 24 times trailing earnings.



Source: Morningstar Direct

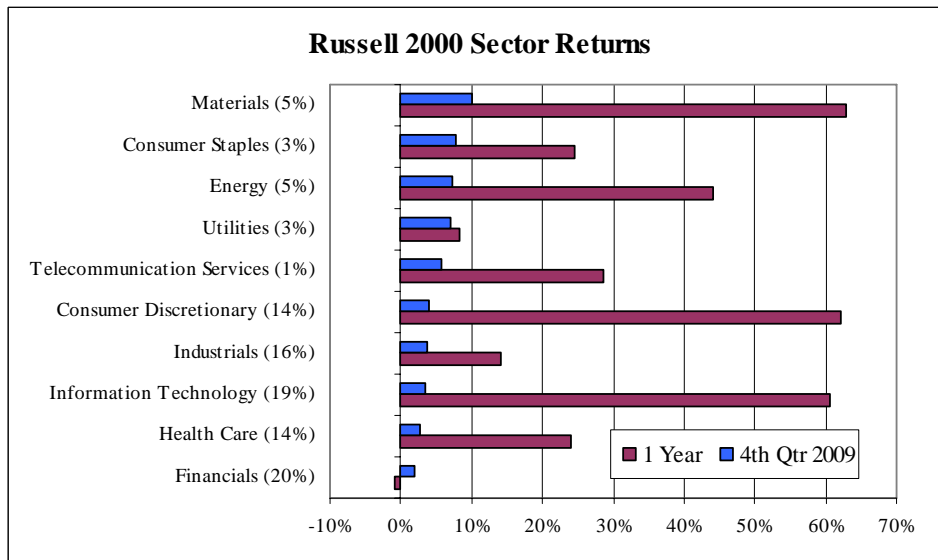
Information Technology had the best returns for both the quarter and the year. Other sectors showing strength in 2009 included cyclical sectors such as Consumer Discretionary, Materials, and Industrials. Lagging the broad recovery this year were the Telecommunications, Utilities, Energy, Consumer Staples and Financials sectors.

Small-Cap Equities



Source - StyleAdvisor

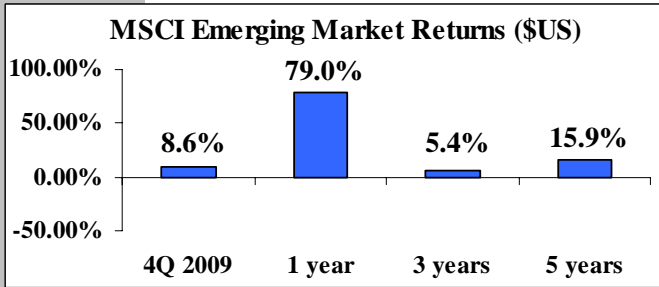
The Russell 2000 Index, which measures the performance of U.S. small-cap stocks, advanced 3.9% in the fourth quarter and 27.2% for the year. Small-cap growth stocks outperformed their value counterparts by 0.5% in the fourth quarter, pushing growth's year-end advantage over value to 13.9% (34.5% vs. 20.6%). All sectors of the Russell 2000 were in positive territory again this quarter with Materials (+10.1%), Consumer Staples (+7.8%), and Energy (+7.3%) leading the way. A 63.0% one year return fueled by a boost in manufacturing also made Materials the best performing sector for all of 2009, followed closely by Consumer Discretionary (+62.1%) and Information Technology (+60.5%). Underperforming sectors in the fourth quarter included Financials (+2.0%), Health Care (+2.8%), and Information Technology (+3.5%). Not surprisingly, Financials was the worst performing sector in 2009 and ended the year down 0.8%, followed by Utilities (+8.3%) and Industrials (+14.1%). Stocks that performed particularly well in the quarter were Revlon (+250%), Sketchers (+72%), J. Crew (+25%), and Tupperware Brands (+17%). Conversely, Palm (-43%), Corinthian Colleges (-26%), Denny's (-18%), and Krispy Kreme Doughnuts (-17%) languished. Despite lagging performance relative to large-caps in the fourth quarter and for the year, the historical trend of small-caps outperforming large-caps in the early stages of a market recovery materialized once again. Accordingly, since March 9th, the Russell 2000 has outperformed the Russell 1000 80.4% versus 67.8%. The quarter-end P/E ratio of 17.1 for small-cap blend stocks represented a 4% discount to their 20-year average P/E of 17.8. Based on expected earnings for 2010, it is estimated that small-caps (15.4 forward P/E) are selling at a 7% valuation premium to large-caps (14.4 forward P/E), which deviates from a historical median discount of 2%. A comparison of 5-year normalized P/E ratios suggests small-caps trade at a 6% premium compared to a historical average discount of 14%. On the value-growth continuum, small-cap value stocks appeared to be fairly valued based on their 20-year historical P/E, while the small-cap growth category was priced at an 11.2% discount to its historical level at the end of the quarter.



With another strong quarter, Materials finished the year as the top sector in small caps, followed closely by Consumer Discretionary and Technology. Financials was the only sector to post a loss in 2009 as investors remain leery about more losses, particularly at regional banks.

Source: Morningstar Direct

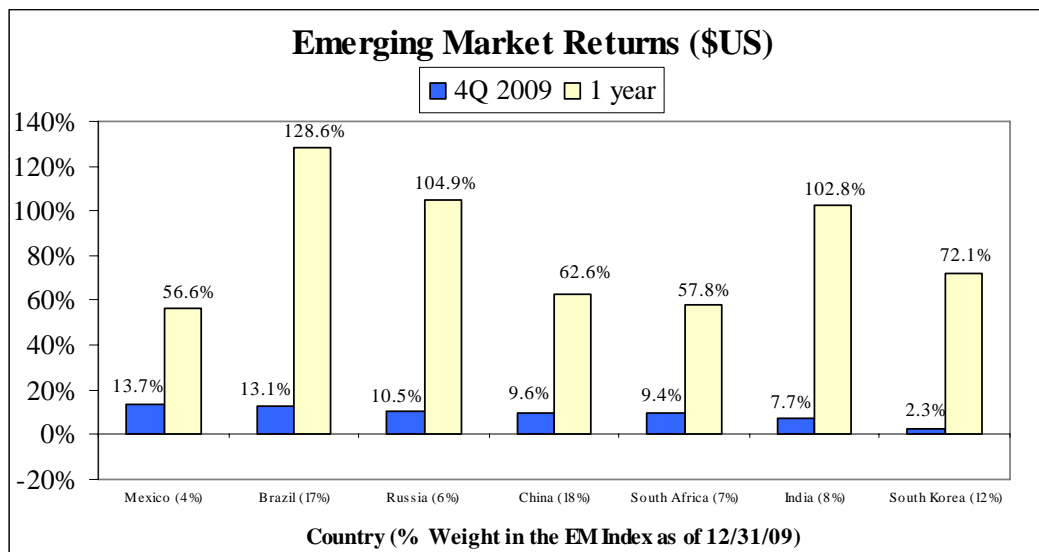
Emerging Market Equities



Source - StyleAdvisor

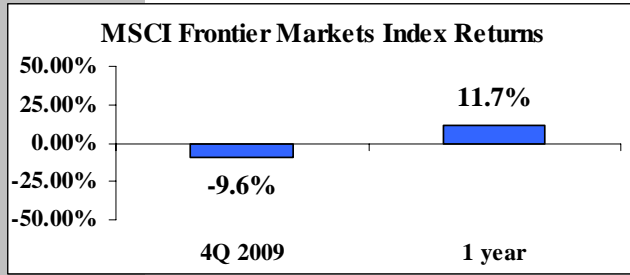
Emerging market equities (EM) moved higher in the fourth quarter with a gain of 8.6%, pushing the 1-year return to an astounding 79.0% which was the best calendar year return in the history of the index. EM equities were easily the best performing asset class in the year and returns were enhanced by weakness in the U.S. Dollar (relative to emerging market currencies) which contributed an additional 1.4% over the local currency return of 7.2% for the quarter and an additional 16.2% over the local return of 62.8% for the year. Once again, the rally in EM was broad-based as all styles and stocks of all market caps were lifted substantially higher.

Growth outperformed value 8.92% vs. 8.24% for the fourth quarter, but value managed to eke-out the advantage in 2009 with a return of 79.7% vs. 78.4%. For both the quarter and the year, emerging market small-caps were the clear winners versus their large-cap counterparts; in the fourth quarter, small-caps outperformed with a return of 12.3% versus mid- and large-caps which returned 11.1% and 8.1% respectively. Small-caps eclipsed the century mark with a gain of 114.3% for the year while mid- and large-caps gained 94.4% and 76.5% each. It was an especially good year for the BRIC nations, which as a group outperformed the broader market with gains of 10.6% for the quarter and 93.5% for the year. Most themes of the broader emerging markets were positively accentuated in the BRICS as small-caps returned 19.3% in the fourth quarter while mid- and large-caps underperformed that, albeit with very strong gains of 18.6% and 9.5% respectively. For the year, BRIC (Brazil, Russia, India, and China) small-caps skyrocketed 165.3% as did mid-caps with a gain of 129.47%. Large-caps were up a “mere” 89.2% in the year. In contrast to the broader emerging markets where growth and value stocks finished 2009 essentially deadlocked, growth equities in the BRICs noticeably outperformed value by returning 96.72% versus 90.37%. Regionally, Latin America was the best performing for the quarter and the year, up 12.5% in the quarter and 104.2% in 2009. Equities in Europe and the Middle East gained 10.3% in the quarter and 78.47% for the year while Asia advanced 9.3% in the period and 84.3% for 2009. There’s a lot to like about emerging markets, but our expectations are meaningfully tempered as valuations are in-line on a trailing price-to-earnings basis with the S&P 500 at 24 times after these markets have experienced an explosive rally. Although EM nations look much better in terms of economic fundamentals and favorable demographics, these markets haven’t yet matured to developed status so many risks are still present. We continue to see this reflected in the CDS (Credit Default Swap) market where it still costs, on average, 5-6 times more to insure 5-year debt issued by the governments of Brazil, Russia and China versus debt of the United States government.



Source – StyleAdvisor

Frontier Markets

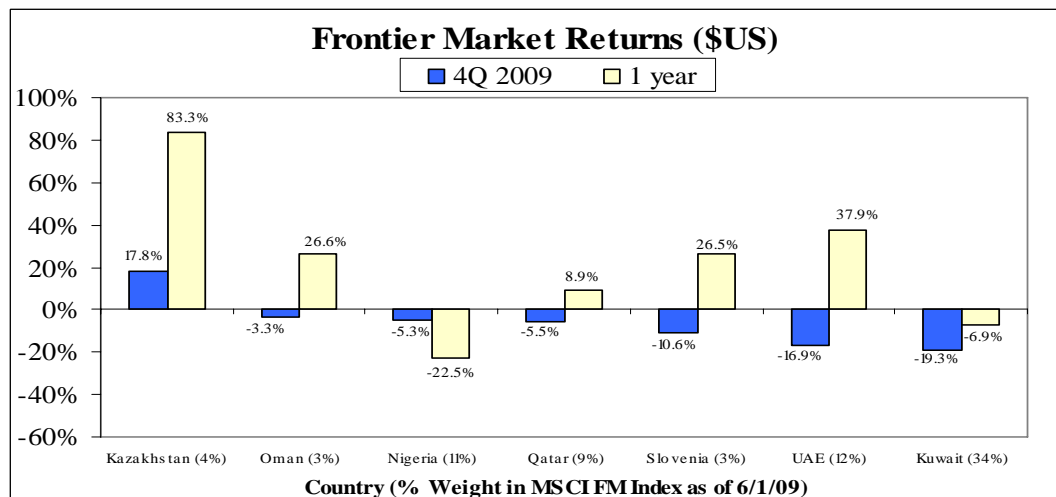


Source - StyleAdvisor

The Frontier markets lost ground this quarter as the index moved lower by 9.6%. During the quarter, the best returning markets were Kazakhstan (+17.8%), Sri Lanka (+12.9%), Romania (+5.6%), and Ukraine (+5.4%). In contrast, several frontier markets suffered steep declines such as Kuwait (-19.3%), U.A.E. (-16.9%), Bahrain (-13.4%), Slovenia (-10.6%), and Estonia (-6.8%). The underperforming results in the Middle East were primarily attributable to the Dubai debt crisis that emerged in late November. For the year, the best returning market was Sri Lanka (+191.5%) followed by Kazakhstan (+83.3%), and Croatia (+58.0%). The worst performing markets were Bahrain (-31.8%), Nigeria (-22.5%), and Kuwait (-6.9%).

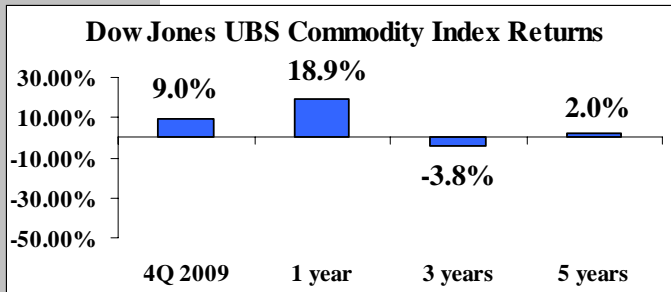
In our review of the Frontier markets, we're continuing coverage with a focus on Ukraine and Serbia. Ukraine's economy is primarily made up of a broad metal industry (steel), chemicals (mineral fertilizers) and manufactured goods (turbines and tractors). Following a robust expansion in 2000, the economy took a sharp downward turn in late 2008, burdened by excessive government regulation and corruption, a lack of available financing, and the fall of worldwide demand for steel. However, GDP is expected to grow in 2010 from its present decline of 14%. The IMF approved a \$16.4 billion Stand-By-Agreement in late 2008 in order to cover a growing budget deficit (expected to reach 13% of GDP in 2009) and to pay for Russian gas that Ukraine has a heavy (50%) reliance on. The strains on the Ukrainian market are evident as it is one of the most distressed in the world: Fitch cut Ukraine's debt rating to B- in November and S&P lowered the outlook on the country's CCC+ credit rating from positive to stable. Moreover, the cost of insuring against a Ukrainian default using credit-default swaps is high and is similar to insuring debt in Pakistan and Venezuela.

After the civil war in the 1990s, Serbia has recovered some, but it is still far behind its European counterparts. Serbia's economy today is based in the Agrochemical, Information Technology, and Electronic industries as well as the Construction, Heavy Industrial, and Textile industries. Serbia recently filed an application to join the European Union (EU) in an attempt to reinvigorate the economy. Applying is one thing, getting approval is another. To gain entry, Serbia must clamp down on rampant organized crime, show commitment to infrastructure projects, and significantly restructure its judicial system. As a result of the economic crisis and concern over Serbia's external debt, the government acquired a \$4.4 billion Stand-By-Agreement with the IMF in mid-2009, contingent upon the government's ability to improve efficiencies within its infrastructure. Despite the country's successful reduction in government debt in recent years, concern remains over the government's willingness to be fiscally responsible. In order to meet the IMF's requirements, Serbia has agreed to cut government spending, which is estimated to shrink from 5% of GDP to approximately 3.5%. With projected GDP growth of 3.9% in 2010 and the prospect of moderate inflation, Serbia announced it may need less assistance from the IMF than originally planned.



Source – StyleAdvisor, MSCI Barra

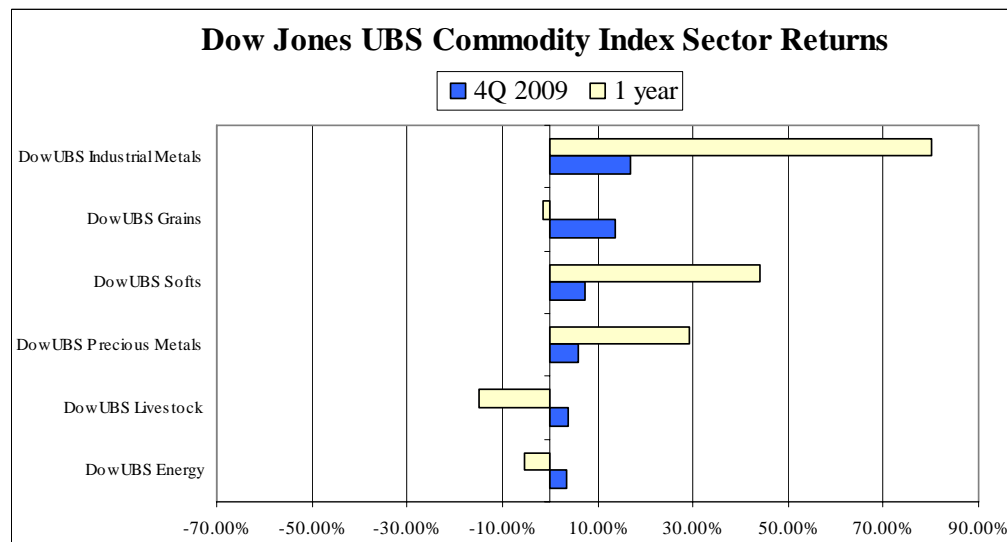
Hard Assets



Source - StyleAdvisor

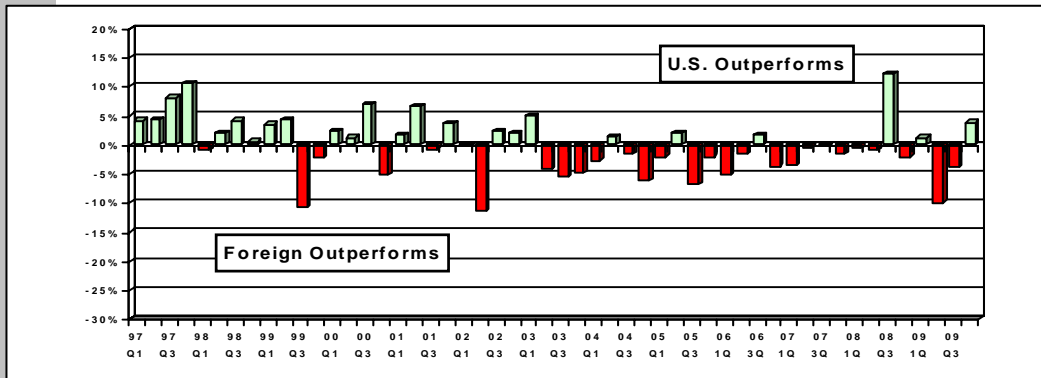
“Hard Assets” as measured by the Dow Jones UBS Commodity Index returned 9.0% in the fourth quarter and outperformed financial assets. Within the 19 contracts that are aggregated in this index, the spread between the highest and lowest returning contracts was 37.6%. The industrial metals category showed the largest gains with the group returning 16.9% in the current quarter and nearly 80.0% in 2009. Increasing demand and expectations that the economic recovery will continue have been responsible for the large increase. The Grains category was up 13.6% in the quarter which helped it to narrow losses for the year, but still finished down 1.7%. Softs (which includes sugar) was up 7.2% for the quarter, pushing

the one year return to a respectable 44.2%. Precious Metals moved higher by 6.1% and finished the year higher by 29.2%, thanks to a weaker U.S. dollar, increasing inflationary concerns, and the sentiment that paper currencies are at risk of devaluation globally as budget deficits soar in the developed world. Livestock gained 3.9% this quarter, but lost 15.1% in 2009 as supply in this category outweighed demand by a healthy margin. Energy was also a laggard this quarter, as sizable gains by Unleaded Gas (+12.4%), Crude Oil (+6.6%), and Heating Oil (+9.7%) were tempered by the sharp loss in Natural Gas (-9.4%), which happened to be the worst performing commodity futures contract in this index. Top performing commodities this quarter included Zinc (+28.2%), Copper (+17.7%), Lean Hogs (+16.8%), Soybean Oil (+16.1%) and Corn (+16.1%), while Live Cattle (-1.8%), Silver (+0.9%), Cocoa (+3.0%), and Nickel (+3.0%) joined Natural Gas as the leading 5 detractors. With short-term interest rates hovering just above zero, the returns due to collateral were essentially nil and have been since the start of 2009 for this index. As this quarter’s performance demonstrated, having well diversified exposure to 1/3 Energy, 1/3 Metals, and 1/3 Agricultural commodities paid off.



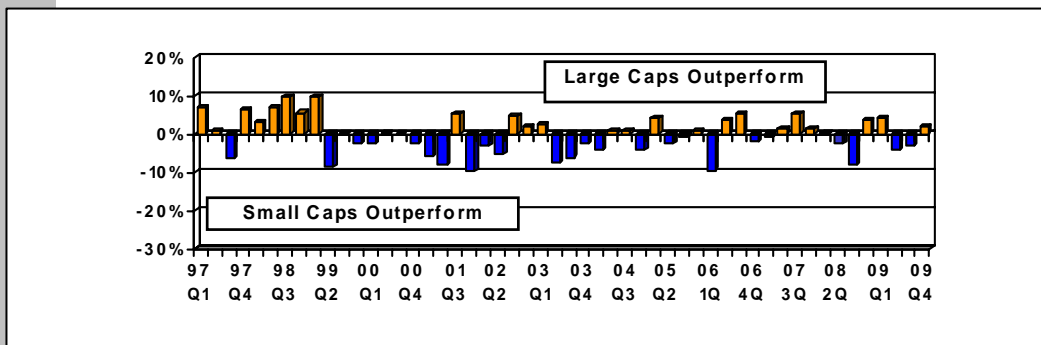
Source - StyleAdvisor

Domestic vs. International (S&P 500 minus MSCI EAFE Index)



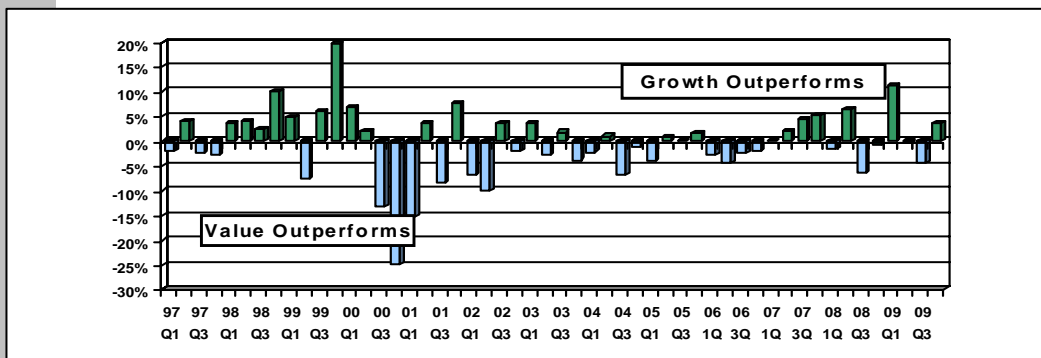
U.S. equities outperformed international developed this quarter, but the long-term trend has mainly been U.S. underperforming (since 2001).

Large-Cap vs. Small-Cap (Russell 1000 minus Russell 2000)



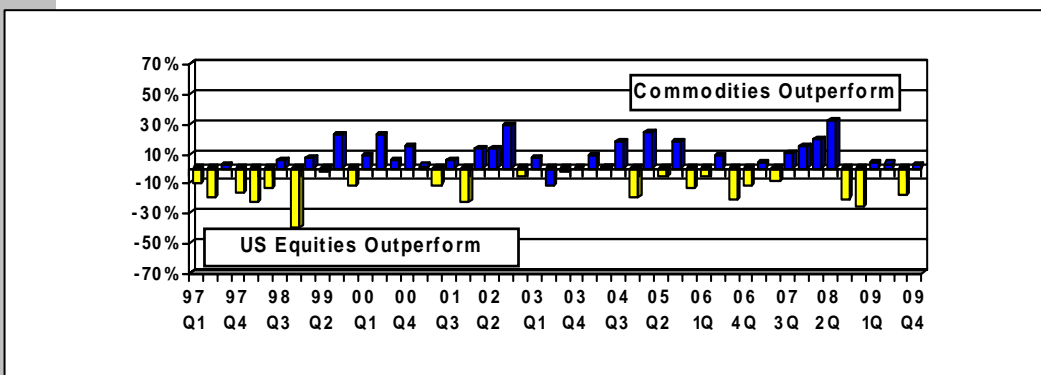
As has historically been the case, small caps are leading large caps coming out of a recession, but this quarter large-caps outperformed.

Growth vs. Value (Russell 1000 Growth minus Russell 1000 Value)



Large-cap growth outperformed value in the quarter and the year, even after a meaningful rebound from several distressed sectors.

S&P 500 vs. Commodity Returns (S&P GSCI minus S&P 500 Index)



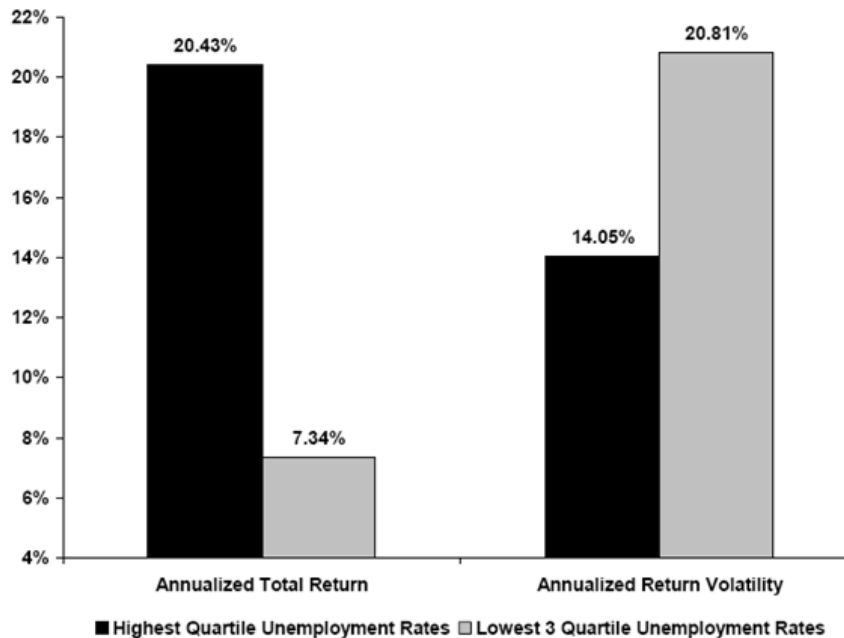
A rebound in Oil and other energy prices helped the S&P GSCI outperform the S&P 500, but not by as much as in other periods such as 2007.

Source for all charts - StyleAdvisor

Exhibit 1

U.S. Stock Market Risk and Return by Unemployment Rates*

*Based on Monthly Data Since January 1948.



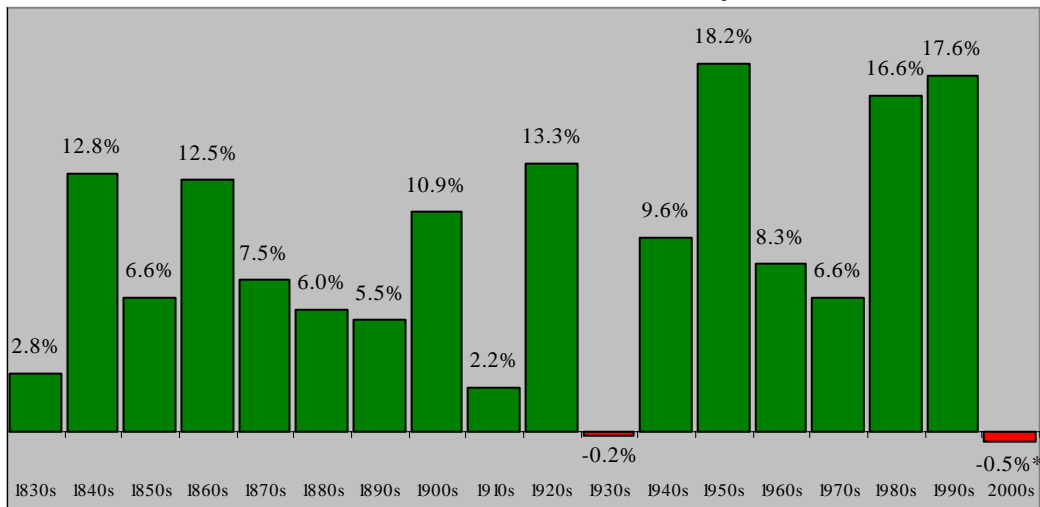
Upper quartile unemployment rates are above 6.6%.

Source: Wells Capital Management

http://www.wellsfargoadvantagefunds.com/pdf/commentaries/EMPUpdate_20100113.pdf

Exhibit 2

Annualized U.S. Stock Returns by Decade



Source: Wall Street Journal

*Through Dec 15, 2009

Exhibit 3
"New Frontiers"
A Sampling of Frontier Markets Fund Offerings.

Product Name (Ticker)	Description	2009 Return
Claymore/BNY Mellon Frontier Markets (FRN)	One of the only funds with high exposure to Latin America (51% allocation)	56%
Eastern European Equity (VEEEX)	Has returned an average of 14% per year over the last ten years	79%
Fidelity Emerging Europe, Middle East, Africa (FEMEX)	Top ten holdings account for 50% of the portfolio, expenses at 0.98%	56%
Market Vectors Africa Index (AFK)	Tracks an index of stocks headquartered in/generating most of revenue in Africa	34%
Morgan Stanley Frontier Emerging Markets (FFD)	A quarter of the portfolio is invested in Qatar and U.A.E, expenses at 2.28%	25%
PowerShares MENA Frontier Countries (PMNA)	Invests 100% in Africa/Middle East, 90% in large- and mid-cap companies	8%
SPDR S&P Emerging Middle East & Africa (GAF)	Exposure to Egypt, Israel, Jordan, Morocco, and S. Africa, expenses at 0.59%	49%
T. Rowe Price Africa & Middle East (TRAMX)	Invests 90% of assets in Africa/Middle East, 50% of assets in the Financial sector	24%
Templeton Frontier Markets (TFMAX)	Invests 80%+ of assets in frontier markets, 40%+ in small/micro-cap companies	43%
WisdomTree Middle East Dividend (GULF)	The 56 stocks in this ETF are all in the Middle East and all pay dividends	27%

Source: Bloomberg Businessweek

PASSIVE INDEX DEFINITIONS

Indices used to answer the question, "Has the manager added value through skilled security selection?"

90-DAY TREASURY BILL INDEX - This index is comprised solely of Treasury Bills and will always have an average maturity of 90 days.

RYAN LABS 3-YEAR GIC INDEX - This index is the arithmetic mean of the ten highest quotes from a representative universe of three-year high quality GIC issues as measured by Ryan Labs, Inc.

BARCLAY'S CAPITAL AGGREGATE BOND INDEX - This index is composed of approximately 25% U.S. Treasuries, 50% Agencies/Mortgages, and 25% Corporates, with an average duration of approximately 4.5 years.

BARCLAY'S CAPITAL INT. GOVT/CREDIT BOND INDEX - This index is composed of approximately 35% U.S. Treasuries, 25% Agencies, and 40% Corporates, with an average duration of approximately 3.5 years.

BARCLAY'S CAPITAL GOVT/CREDIT BOND INDEX - This index is composed of approximately 40% U.S. Treasuries, 20% Agencies, and 40% Corporates, with an average duration of approximately 5.0 years.

DOW JONES INDUSTRIAL AVERAGE (DJIA) - This index consists of the 30 largest and most widely held public companies in the United States which have been chosen to represent the U.S. stock market because they are larger, more actively traded issues, and leaders of American industry.

DOW JONES UBS COMMODITY INDEX (DJ-AIGCI) - Composed of futures contracts on physical commodities traded on U.S. exchanges, with the exception of aluminum, nickel and zinc. Sub-indexes include: Energy, Petroleum, Precious Metals, Industrial Metals, Grains, Livestock, Softs, Agriculture and ExEnergy.

STANDARD & POORS 500 INDEX (S&P 500) - A basket of 500 stocks that are considered to be widely held. The S&P 500 index is weighted by market value, and its performance is thought to be representative of the U.S. equity market as a whole.

WILSHIRE 5000 INDEX - Measures the performance of virtually all U.S. headquartered equity securities with readily available price data. Composed of approximately 7,300 capitalization weighted securities, with additions/deletions to the index made monthly and represents virtually 100% of U.S. equity market.

RUSSELL 3000 INDEX - Composed of approximately 3,000 of the largest U.S. companies based on total market capitalization, which represents approximately 98% of the U.S. equity market.

RUSSELL 1000 INDEX - Composed of approximately 1,000 of the largest companies in the Russell 3000 Index, which represents the large-cap segment of the U.S. equity market.

RUSSELL 1000 VALUE INDEX - Composed of stocks with lower price-to-book ratios and lower forecasted growth values among the largest 1000 companies in the Russell 3000 Index. Currently there are 679 holdings in this index.

RUSSELL 1000 GROWTH INDEX - Composed of stocks with higher price-to-book ratios and higher forecasted growth values among the largest 1000 companies in the Russell 3000 Index. Currently there are 623 holdings in this index.

RUSSELL MID-CAP INDEX – Composed of the smallest 800 stocks in the Russell 1000 Index, which represent the mid-cap segment of the U. S. equity market.

RUSSELL 2000 INDEX – Composed of approximately 2,000 of the smallest companies in the Russell 3000 Index, which represents the small-cap segment of the U.S. equity market.

RUSSELL 2000 VALUE INDEX – Composed of stocks with lower price-to-book ratios and lower forecasted growth values among the smallest 2,000 companies in the Russell 3000 Index. Currently there are 1,393 holdings in this index.

RUSSELL 2000 GROWTH INDEX – Composed of stocks with higher price-to-book ratios and higher forecasted growth values among the smallest 2,000 companies in the Russell 3000 Index. Currently there are 1,275 holdings in this index.

MSCI ALL-COUNTRY WORLD EX-U.S. INDEX - An arithmetic average of over 2,000 securities listed on the stock exchanges of the countries outside the United States, and includes exposure to emerging markets.

NASDAQ COMPOSITE INDEX – Composed of the return of stocks listed on the NASDAQ over-the-counter stock exchange. Typically, the index is comprised of mainly technology and emerging company stocks.

ACTIVE INDEX DEFINITIONS

Indices used to answer the question, "How does the manager compare to other managers with a similar investment style?"

LIPPER INTERMEDIATE INVESTMENT GRADE BOND FUND INDEX – A peer group index comprised of fixed-income funds with an average duration consistent with intermediate range (3-5 years) and average credit quality of at least investment grade (AAA, AA, A, or BBB).

LIPPER CORPORATE DEBT A BOND FUND INDEX – A peer group index comprised of fixed-income funds focused on corporate-issued debt with an average credit quality of A.

LIPPER BALANCED FUND INDEX – Funds whose primary aim is to conserve principal by maintaining at all times a balanced portfolio of equities and bonds, with at least 50% in equity securities and at least 25% in fixed income securities. Typically, the equity/bond ratio is approximately 60%/40%.

LIPPER SMALL CO. AVERAGE FUND INDEX – Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) less than 250% of the dollar-weighted median of the smallest 500 of the middle 1,000 securities of the S&P SuperComposite 1500 Index.

MORNINGSTAR WORLD ALLOCATION UNIVERSE – A peer group of tactical asset allocation products.

LIPPER LARGE-CAP VALUE FUND INDEX – Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) greater than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index.

LIPPER LARGE-CAP CORE FUND INDEX – Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) greater than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index.

LIPPER LARGE-CAP GROWTH FUND INDEX – Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) greater than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index.

LIPPER INTERNATIONAL FUND INDEX – A peer group index comprised of the universe (approximately 900 mutual funds) of international mutual funds classified by Lipper Analytics, Inc.

ECONOMIC SECTOR & INDUSTRY DEFINITIONS

CONSUMER DISCRETIONARY

Auto Components (AutoNation, Johnson Controls, Goodyear Tire & Rubber, O'Reilly Automotive)
Automobiles (Harley Davidson, Ford)
Household Durables (Leggett & Platt, Whirlpool, Snap-On, Pulte Homes, Lennar, Fortune Brands, Black & Decker, D R Horton, Stanley Works, Newell Rubbermaid)
Educational Services (Devry)
Leisure Equipment & Products (Eastman Kodak, Mattel, Hasbro)
Text, Apparel & Luxury Goods (Nike, Coach, Ralph Lauren, V F Corp.)
Hotels, Restaurants & Leisure (McDonalds, Starbucks, Carnival, Wyndham, International Game, Starwood, Darden, Marriott, Yum Brands)
Media (CBS Corp., Comcast, Direct TV, Interpublic, Meredith, Monster Worldwide, News Corp., Omnicom, Scripps Networks Interactive, Walt Disney, Time Warner, Viacom, Gannett, NY Times, McGraw Hill, Washington Post)
Internet & Catalog Retailing (Amazon, Expedia, Priceline.com)
Multi-Line Retail (Big Lots, Costco, Family Dollar, JC Penny, Nordstrom, Kohls, Macy's, Sears, Target, Wal-Mart)
Specialty Retail (Abercrombie & Fitch, AutoZone, Bed Bath & Beyond, Best Buy, GameStop, Gap, Home Depot, Lowes, Limited Brands, Office Depot, RadioShack, Ross Stores, Sherwin Williams, Staples, Tiffany & Co., TJX Co.)

CONSUMER STAPLES

Food & Staples Retailing (CVS Caremark Corporation, Medco Health Solutions, Kroger, Supervalu, Safeway, Sysco, Walgreens, Whole Foods)
Beverages (Brown Forman, Coca Cola, Pepsi, Constellation Brands, Dr Pepper Snapple Group, Molson Coors)
Food Products (Archer Daniels, Conagra Foods, Campbell, Dean Foods, General Mills, Heinz, Hershey, Hormel Foods, J.M. Smucker Co., Kellogg, Kraft, McCormick & Co., Sara Lee, Tyson Foods)
Tobacco (Altria Group, RJ Reynolds, Lorillard, Philip Morris)
Household Products (Kimberly Clark, Colgate Palmolive, Proctor & Gamble, Clorox)
Personal Products (Avon Products, Estee Lauder, Mead Johnson Nutrition)

ENERGY

Energy Equipment & Services (Baker Hughes, BJ Services, Halliburton, Nabors, Noble, National Oilwell Varco, Rowan, Smith, Schlumberger, Cameron, FMC Technologies)
Oil, Gas & Consumable Fuels (Apache, Anadarko Pete, Peabody Energy, Cabot Oil & Gas, Chesapeake Energy, Conoco Phillips, Chevron, Devon Energy, EOG Resources, Hess, Marathon Oil, Massey Energy, Murphy Oil, Noble Energy, Occidental Pete, Range Resources, Spectra Energy, Sunoco, Tesoro, Valero Energy, Exxon, XTO Energy, Denbury Resources)

FINANCIAL SERVICES

Capital Markets (Ameriprise, Bank of New York, E Trade, Goldman Sachs, Janus, Morgan Stanley, Charles Schwab)
Commercial Banks (Bank of America, BB&T, Comercia, Fifth Third Bancorp, First Horizon, Huntington Bancshares, Hudson City Bancorp, Keycorp, M & T, Regions, Northern Trust, SunTrust, Zion's, Wells Fargo, U.S. Bancorp, Marshall & Ilsley, PNC)
Diversified Financial Services (Citigroup, CME, Intercontinental Exchange, Federated Investors, Franklin Resources, Invesco Ltd., Janus Capital Group, JP Morgan Chase, Legg Mason, Leucadia, Moody's, NASDAQ OMX, NYSE, People's United Financial, Principal Financial, State Street, T. Rowe Price, The Western Union)
Insurance (Aflac, American, Assurant, Allstate, Aon, Chubb, Cincinnati, Genworth, Hartford, Lincoln, Loews, MetLife, Marsh & McLennan, Metropolitan Life Insurance, Progressive, Prudential, Torchmark, Travelers, Unum, XL Capital)
Real Estate (Apartment Investment & Management, AvalonBay Communities, Boston Properties, CB Richard Ellis Group, Equity Residential, Host Hotels & Resorts, Kimco, Health Care REIT, Plum Creek Timber, Prologis, Public Storage, Simon Properties, Vornado, HCP, Ventas)

HEALTH CARE

Health Care Equipment & Supplies (Baxter, Bard, Becton Dickinson & Co., Boston Scientific, CareFusion, Dentsply International, Intuitive Surgical, Medtronic, Patterson, St. Jude, Stryker, Varian, Zimmer)
Health Care Providers & Services (AmerisourceBergen, Aetna, Cardinal Health, Cigna, Coventry Health, Davita, Quest Diagnostics, Express Scripts, Humana, McKesson, Medco Health, Patterson, Tenet Healthcare, UnitedHealth Group, WellPoint)
Biotechnology (Amgen, Biogen, Celgene, Genzyme, Gilead Sciences, Laboratory, Life Technologies)
Pharmaceuticals (Abbott, Allergan, Bristol Myers, Cephalon, Forest, Hospira, Johnson & Johnson, King, Lilly Eli, Merck, Mylan, Pfizer, Watson)

INDUSTRIALS

Aerospace & Defense (Boeing, Rockwell Collins, General Dynamics, Goodrich, Honeywell, L-3
Communications, Lockheed Martin, Northrop Grumman, Precision Castparts, Raytheon, United Technologies)
Building Products (Fastenal, Masco)
Construction & Engineering (Fluor, Jacobs, Quanta Services)
Electrical Equipment (Rockwell Automation, Emerson Elec., First Solar, Roper Industries)
Industrial Conglomerates (3M, General Electric, Textron)
Machinery (Deere & Co., Caterpillar, Cummins, Flowserve, Paccar, Eaton, Danaher, Dover, ITT, Illinois Tool, Parker Hannifin, Pall)
Trading Companies & Distribution (Grainger WW, Genuine Parts))
Commercial Services & Supplies (Apollo Group, Automatic Data Processing, Avery Dennison, Cintas, Equifax, Fiserv, H&R Block, IMS Health, Paychex, Pitney Bowes, Molex, Robert Half, Donnelley R. R. & Sons, Republic Services, Stericycle, Waste Management)
Air Freight & Logistics (United Parcel Service, FedEx, C. H. Robinson, Expeditors)
Airlines (Southwest)
Road & Rail (Union Pacific, CSX, Burlington Northern, Norfolk Southern, Ryder)

INFORMATION TECHNOLOGY

Internet Software & Services (Akamai, eBay, Google, Yahoo, Visa)
IT Services (Affiliated, Computer Sciences, Cognizant, Dun & Bradstreet, Fidelity, Total System, Iron Mountain, SAIC)
Software (Adobe, Autodesk, BMC Software, CA Inc., Compuware, Citrix, Electronic Arts, Intuit, McAfee, Microsoft, Novell, Oracle, Red Hat, Salesforce.com, Symantec, VeriSign)
Communications Equipment (Cisco, Motorola, Harris, Qualcomm, Corning, Tellabs, JDS Uniphase, Juniper Networks)
Computers & Peripherals (Dell, Apple, EMC, Sun Microsystems, Hewlett Packard, IBM, Lexmark, Netapp, SanDisk, Teradata, Western Digital Corp.)
Electronic Equipment & Instruments (Agilent, Amphenol, Flir Systems, Harman International, Jabil Circuit, Millipore, Millipore, Waters)
Office Electronics (Xerox)
Semiconductors & Semi Equipment (Analog Devices, Altera, Applied Materials, Advanced, Broadcom, Intel, KLA-Tencor, Linear, LSI, Microchip, Micron, National Semiconductor, Nvidia, Novellus, SanDisk, Teradyne, Texas Instruments, MEMC Electric, QLogic, Xilinx)

MATERIALS

Chemicals (Air Products & Chemicals, CF Industries Holdings, Du Pont, Dow Chemicals, Ecolab, Eastman, FMC Corp., International Flavors, Monsanto, PPG, Praxair, Sigma Aldrich)
Construction Materials (Vulcan Materials)
Containers & Packaging (Sealer Air, Ball, Pactiv, Bemis, Owens-Illinois)
Industrial Gases (Airgas)
Metals & Mining (Alcoa, AK Steel Holding, Consol Energy, Diamond Offshore Drilling, Pioneer Natural Resources, U.S. Steel, Freeport-McMoran, Newmont Mining, Nucor, Allegheny, Titanium Metals, Cliffs Natural Resources)
Paper & Forest Products (Intl Paper, MeadWestvaco, Weyerhaeuser)

TELECOMMUNICATION SERVICES

Diversified Telecom Services (AT&T, Frontier Communications, Windstream, Verizon, Qwest, CenturyTel)
Wireless Telecom Services (Sprint Nextel, American Tower, MetroPCS Communications)

UTILITIES

Electric Utilities (Allegheny Energy, Duke Energy, Edison, Entergy, FirstEnergy, Progress, Exelon, Pinnacle West, Pepco, PPL, Southern, American Electric Power, FPL)
Gas Utilities (El Paso, EQT, Nicor, NiSource, Questar)
Industrial Power Production / Energy Trd (Constellation Energy, AES)
Multi-Utilities & Unreg. Power (Ameren, CMS, Centerpoint, Dominion, DTE, Consolidated Edison, Northeast Utilities, PG&E, Public Service, Scana, Sempra, Teco, Integrys, Williams, Xcel)

Companies represented in the industries were selected from the S&P 500 Index as of 1/11/10.
Source: Morningstar Direct