Morningstar Market Commentary

Q210

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The furious rally from the March 2009 lows finally took a breather in the second quarter.

Q2 Morningstar Market Barometer

Q2 Morningstar Indexes

Stocks	
US Market Index	-11.34
Global Ex-US	-12.25
Developed Ex-US	-12.84
Emerging Markets	-9.39
Bonds	
Core Bond Index	3.70
Commodities	
Long-Only Commodity Index	-2.89

Despite some signs that the United States was on track for a self-sustaining economic recovery, concerns about everything from valuation levels to unemployment to the government debt burden led to a sell-off in equities in the second quarter. The evidence for the recovery has been building on a few fronts. The first is in the economic data. True, some indicators have been mixed recently: Retail sales have been weaker, employment growth has slowed, and initial unemployment claims remain elevated. But there remain reasons for optimism. The manufacturing sector continues to improve, prices are falling in several categories (especially energy), and the auto sector is improving.

Corporate earnings have proved another bright spot; first-quarter results in particular showed resilience in end demand. Consumers and businesses are once again willing to buy and invest, and that is showing up in better-than-expected earnings.

But not all the news is sunny. There are still concerns about the stubbornly high unemployment rate. Job growth could very well be anemic for months or even years, making it difficult to stabilize the housing market and boost consumer spending.

Sovereign debt concerns also reared their ugly head in the first half of the year. Greece accepted a bailout package, and the European Union deployed a huge fiscal bazooka to keep other members with tenuous fiscal positions off the hot seat, but investors remain skeptical of governments' abilities to retire huge amounts of debt without affecting growth rates.

Although the market showed resilience through the first quarter, tacking on about 5%, it hit a rough patch in the spring, with the Morningstar US Market Index shedding about 11%. Performance in the second quarter was uneven across the Morningstar Style Box: Large-cap stocks lost 12% and underperformed their mid- and small-cap brethren, which returned negative 9.6% and negative 9.7%, respectively.

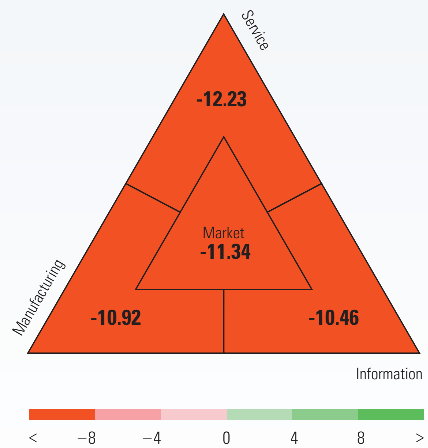
The Federal Reserve again held core interest rates steady. The European crisis continues to cause a rally in Treasuries, and the 10-year Treasury now yields less than 3%. The Morningstar US Core Bond Index rallied 3.7% in the quarter, while the Global ex-US Government Bond Index was down 1.5%.

Commodity prices fell in the quarter, with the Morningstar Long-Only Commodity Index falling 2.9%. Energy weighed heavily on the index with a decline of 9.0%.

Overview

All three super sectors saw large declines in the second quarter, erasing all of their first-quarter gains. After being the leader in the first quarter, the service super sector was the biggest decliner in the second quarter. The Morningstar Service Super Sector Index declined 12.2%, weighed down by the poor performance of business and financial services stocks. The Morningstar Information Super Sector Index was the best performer of the trio with a return of negative 10.5%. The Morningstar Manufacturing Super Sector Index fell 10.9%.

Q2 Morningstar Sector Delta and Return %



Sector	Quarter	1-Year	3-Year
Information	**-10.46**	**16.42**	**-6.53**
Software	-14.93	7.77	-3.99
Hardware	-8.86	23.01	-3.12
Media	-10.04	32.61	-10.56
Telecommunication	-9.90	0.62	-14.45
Service	**-12.23**	**16.00**	**-12.10**
Healthcare	-11.75	9.91	-4.33
Consumer Services	-11.78	17.93	-5.76
Business Services	-12.09	19.40	-6.09
Financial Services	-12.82	18.97	-22.33
Manufacturing	**-10.92**	**14.71**	**-7.28**
Consumer Goods	-7.55	20.55	-0.43
Industrial Materials	-13.85	24.59	-10.96
Energy	-13.38	2.99	-9.16
Utilities	-3.98	6.38	-6.75

A Closer Look

Morningstar Super Sectors

	P/E	P/B	Yield %	Earn Growth	Sales Growth
Information Super Sector	16.18	2.51	2.55	2.38	1.99
Service Super Sector	13.70	1.57	2.28	1.34	1.11
Manufacturing Super Sector	14.28	2.01	2.99	-12.56	-8.02

Information Super Sector -10.46%

The Morningstar Information Super Sector Index dropped 10.5% in the quarter, but was still the best performer. The super sector is now down 16.4% for the year.

The super sector was helped by the relatively strong performance of the hardware sector, and more specifically mobile devices. Apple is by far the biggest hardware component and continued to carry the sector. Strong iPad and iPhone 4 sales helped drive the stock price up more than 7% while competitors' stocks saw double-digit declines. Sandisk was also a winner, returning 21% in the quarter, as it benefited from increased demand for flash memory in mobile devices and favorable pricing trends.

Software was the worst-performing sector in the market and a drag on the super sector with decline of 14.9%. The biggest component of the sector, Microsoft, dropped 21% as it struggles to find its place in the mobile market of smart-phones and tablets.

Service Super Sector -12.23%

The Morningstar Service Super Sector Index was the laggard of the quarter, declining 12.2%, but is still the best performer through the first half of 2010.

Contributing to the service super sector decline was weak performance of the financial services sector. After the health-care bill was signed, Washington and Wall Street turned their attention to financial reform. Banks and financial stocks were sold off as investors feared the impact of reform. Politicians are still working to negotiate a bill, so uncertainty remains, but it appears that any potential regulation will not be as crippling as once thought.

Manufacturing Super Sector -10.92%

The Morningstar Manufacturing Super Sector Index fell 10.9% for the quarter. Utilities were the best-performing sector of the market, only losing 4.0%, and helped soften the impact of the market sell-off. General Electric was the greatest individual detractor with a loss of 20% in the quarter.

Energy and industrial materials were a drag on the super sector with declines of 13% and 14%, respectively. Although natural gas was up in the quarter, energy companies were hurt by declining oil prices, the drilling moratorium, and fear over increased regulation in the wake of the Gulf oil spill.

Industrial materials were hurt by fears of a double-dip in housing prices. Recent housing data have shown demand is down significantly, even though mortgage rates are near record lows. Investors are skeptical of the housing market's ability to stabilize after the expiration of the housing tax credit, especially if unemployment stays at an elevated level. A double dip in housing would probably spill over to the broader economy.

Overview

The second quarter produced negative equity returns regardless of size or style. Large-cap stocks continued to underperform, with a decline of 12.0%. The Morningstar Small Cap and Mid Cap indexes produced returns of negative 9.7% and negative 9.6%, respectively. Value stocks slightly outperformed growth in the quarter. The Morningstar US Value and Growth indexes fell 11.4% and 12.1%, respectively.

Trailing Returns

1-Year

	Value	Core	Growth
Large	10.37	13.51	10.82
Mid	37.50	25.33	23.93
Small	29.89	26.38	16.19

3-Year

	Value	Core	Growth
Large	-14.61	-7.17	-8.06
Mid	-5.50	-8.68	-7.53
Small	-9.31	-8.37	-7.60

5-Year

	Value	Core	Growth
Large	-2.74	0.75	-1.14
Mid	1.89	1.07	2.31
Small	0.15	1.33	0.78

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Morningstar Style & Cap Indexes

	P/E	P/B	Yield %	Earn Growth	Sales Growth
Morningstar US Value	11.48	1.34	3.44	-10.23	-7.43
Morningstar US Core	14.86	1.98	2.42	-6.65	0.55
Morningstar US Growth	18.76	2.91	1.57	5.41	5.76
Morningstar Large Cap	14.09	1.96	2.66	-6.43	-1.69
Morningstar Mid Cap	15.46	1.74	2.47	-2.28	-3.68
Morningstar Small Cap	15.64	1.56	2.66	-6.31	-7.47

A Closer Look

Morningstar US Value Index -11.36%

Although value edged out growth, the 11% drop was hardly anything to cheer about.

Traditional value sectors, such as financial services and industrial materials, were big detractors in the quarter. The index is heavily weighted with large financial institutions that were sold off because of financial reform concerns. Bank of America, J.P. Morgan Chase, and Citigroup are all in the top 10 components of the index. Bank of America and J.P. Morgan led the pullback, falling 19% and 18%, respectively. Another big detractor was Exxon-Mobil, which fell 14% in the quarter.

Morningstar US Core Index -10.68%

The Morningstar US Core Market Index lost 10.6% in the quarter. Although relatively weak unemployment numbers disappointed investors who had been expecting to see a pickup in employment, the consumer-heavy index slightly outperformed growth and value.

The core index was burdened by energy companies Anadarko Petroleum and Transocean. Anadarko holds an ownership interest in the BP rig that caused the oil spill. Anadarko has blamed BP for the accident, but still faces unknown liabilities. Anadarko's stock fell 50% in the second quarter. Transocean was also tied up in the oil spill and saw its stock lose 46% in the quarter.

Morningstar US Growth Index -12.10%

The first-quarter rally was partially built on the premise that the U.S. was in the midst of a strong economic recovery. Mixed economic data in the second quarter made investors question the strength and legitimacy of the recovery. With stimulus spending winding down, a fragile housing market, and lack of any signs of private hiring, investors sold off growth stocks in seek of safer alternatives.

Poor performance by technology-related companies weighed on the index. Graphics chip maker Nvidia led the way with a decline of 41%. Google, Microsoft, and Cisco declined 21.5%, 21%, and 18%, respectively.

DVD rental company Netflix was the best performer in the index with a 47% gain. Coinstar, which operates movie rental kiosks through its RedBox brand, also gained 32% as movie renters continue to move away from brick-and-mortar stores in favor of kiosk, mail, and online rentals.

Morningstar Large Cap Index -12.03%

Once again, large-cap equities lost ground to their smaller counterparts in the quarter. The index fell 12.0% in the quarter and is now down 7.9% for the year.

Financial services, the biggest sector of the index, weighed down performance. Financial reform has mostly been targeting the big TARP-receiving banks, so large-cap financials have sold off more than their smaller competitors. Credit and debit card transaction fees have also been targeted by politicians, causing sell-offs in Visa and MasterCard of 20% and 18%, respectively.

Large-cap companies have been subject to significant headline risk in 2010. Public outrage has been focused on the big banks, big health insurers/big pharma, and big oil, and that is where Congress has targeted. Negative headlines not only affect investor sentiment but also can hurt the company's underlying business. Large health insurers had to reduce previously scheduled premium increases because of public outrage, and top banks had to restrict bonuses, potentially hindering their ability to retain top talent. It can be expensive and distracting to fight litigation, special congressional hearings, and increased regulations.

Morningstar Mid Cap Index -9.63%

The Morningstar Mid Cap Index, representing between 70th and 90th percentiles of market cap, lost 9.6%, making it the top-performing size index in the quarter.

The index had a couple bright spots, most notably auto-parts retailers. Sales of aftermarket parts have increased substantially in the last year as consumers look for ways to extend the lives of their existing vehicles instead of buying new ones. Sales of new cars have improved recently, but they are still well below historical averages. The big three retailers, Advance Auto Parts, AutoZone, and O'Reilly Automotive, produced strong returns of 19.9%, 11.6%, and 14%, respectively.

Morningstar Small Cap Index -9.72%

Small caps outperformed large-cap stocks again this quarter. This adds to an already strong record over multiyear periods. Year to date, the index is only down 1.1% versus a 7.9% decline in the large-cap index.

The index companies may have benefited from less geographic diversity this quarter, as many large multinational corporations have been hindered by trouble in the eurozone. Smaller-cap stocks have also been able to avoid the headline risk that their larger competitors have been subject to and have not been the main targets of health-care and financial reform.

Although they have been outperforming in recent months and years, many of these small-cap names are risky and can have their fortunes made or lost with one pivotal event. As an example, InterMune was up more than 200% in the first quarter on expectations of a new drug gaining Food and Drug Administration approval. In the second quarter, the drug saw a negative ruling from the FDA, and the stock plummeted 79%.

Fund Categories and Benchmarks

Value manager had an easier time beating the passive indexes. All three value categories beat the majority of their actively managed funds, exceeding the return of the relevant Morningstar Index. A total of 89% of active managers beat the Morningstar Large Growth Index, and only 27% of active managers beat the Morningstar Mid Growth Index. The style indexes with weaker results were the easiest to beat, and the reverse was true for stronger returning indexes. For example, the Morningstar Large Growth Index lost 13%, while the Morningstar Mid Value Index lost 8%.

Active vs. Passive

	Value	Core	Growth
Large	81.44 -11.66	38.65 -11.16	88.63 -13.45
Mid	58.18 -10.69	41.50 -9.83	27.04 -8.29
Small	74.34 -10.50	46.15 -9.17	61.11 -9.55

Actively managed mutual funds outperforming their respective benchmark (%)[1]

Index Returns (%), Q2.

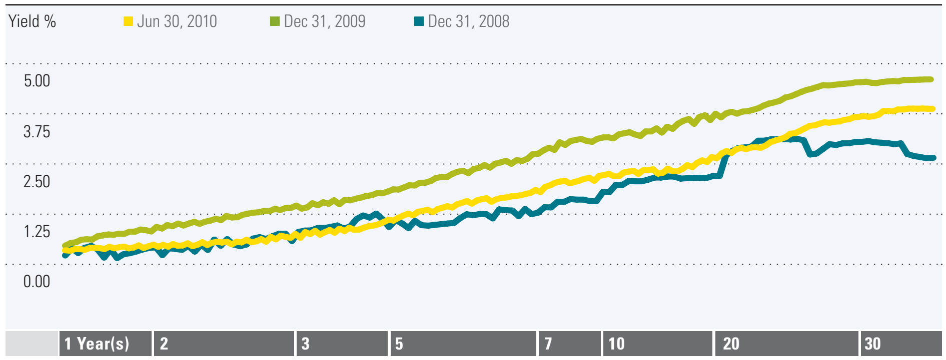
[1] Includes the oldest share class for all U.S. diversified mutual funds with at least a one-year history. As of June 30, 2010 there were 2,215 eligible funds. Morningstar classifies funds into style categories based on the average style score (using the same 10-factor methodology as underlying benchmarks) of all available portfolio holdings over a three-year period.

Overview

Sovereign Credit Still the Story

The Federal Reserve is in no rush to raise rates, the markets signal no worry about inflation, and sovereign credit conditions in the eurozone are little improved—if not worse—than at the start of the quarter. The rush to the stronger sovereign credits—largely G-7 nations—resulted in some of the strongest quarterly total returns in history. Credits in the U.S. have for the time found equilibrium while European credits have underperformed. The Morningstar US Core Bond Index, our broadest measure of the U.S. bond markets (includes government-, corporate-, and mortgage-backed bonds), rose 1.7% in June and is up 3.7% for the quarter.

Treasury Yield Curve



Morningstar Bond Indexes

		Returns		Statistics			
		QTR	YTD	Market Value $Mil	Credit Quality	Yield to Maturity	Average Duration
Broad Market	Core Bond	3.70	5.26	12116	AA+	2.55	4.04
Sector	US Govt	4.49	5.63	5247	AAA	1.99	4.89
	Corporate	3.06	5.35	2567	A	4.14	5.86
	Gov Guaranteed	1.19	2.26	135	AAA	1.08	1.91
	Mortgage	3.15	4.76	4302	AAA	2.28	1.98
Maturity	Short-Term Core	1.42	2.47	3302	AA+	1.29	2.18
	Interm. Core	3.44	5.13	6247	AAA	2.41	2.80
	Long-Term Core	7.39	9.26	2531	AA-	4.50	9.57
Inflation Prot. Secs.	TIPS	3.95	4.29	524	AAA	0.95	7.88
Global Sovereign	Global Govt USD	0.14	-1.26	15453	AA+	2.08	6.07
	Global Govt ex-US USD	-1.54	-3.79	10684	AA+	2.10	6.46
	Australasian USD	-3.11	-1.07	117	AAA	4.89	4.17
	Canadian IL	3.97	4.86	303	AAA	2.64	6.38
	Eurozone IL	0.09	2.43	5007	AA+	2.81	6.19
	Japanese IL	2.26	2.13	4075	AA	0.74	6.22
	Swiss IL	2.98	4.34	75	AAA	1.09	6.68
	UK IL	4.83	6.05	1106	AAA	3.09	8.81
Europe	Eurobond Corp IL	1.25	4.07	1364	A+	2.91	4.47
	European Bank Capital IL	-1.69	2.43	272	A	4.48	10.50
	European Covered IL	-0.25	2.19	744	AAA	2.98	4.35
	UK Eurobond Corp IL	2.37	5.80	206	AA-	4.38	7.47
	UK Bank Capital IL	-1.85	5.22	50	BBB+	7.16	15.90
Emerging Market	Composite USD	1.04	6.48	442	BB+	6.71	6.02
	Sovereign USD	1.35	5.18	323	BBB-	5.84	6.68
	Corporate USD	0.06	8.11	113	BB	9.20	4.17

USD—unhedged returns in USD   IL—returns in local currency

A Closer Look

Nearing Record-Low Yields

U.S. Treasury investors are signaling the recovery is not on course, as yields are approaching record lows, the yield curve is flattening, and the break-even inflation rate between nominal and inflation protection Treasuries is shrinking. Add in the ongoing safe-haven bid, and U.S Treasury total returns are reaching historic proportions. The Morningstar U.S. Treasury Index rose 4.7% for the quarter, one of the highest in the past 10 years. Year to date, the index rose 5.8%, the best start to a new year in more than 10 years. It won't be the Federal Reserve pushing rates up anytime soon, as it is the fed's collective view that "financial conditions have become less supportive of economic growth on balance, largely reflecting developments abroad," and—as repeated so often—it will keep rates low for an "extended period of time."

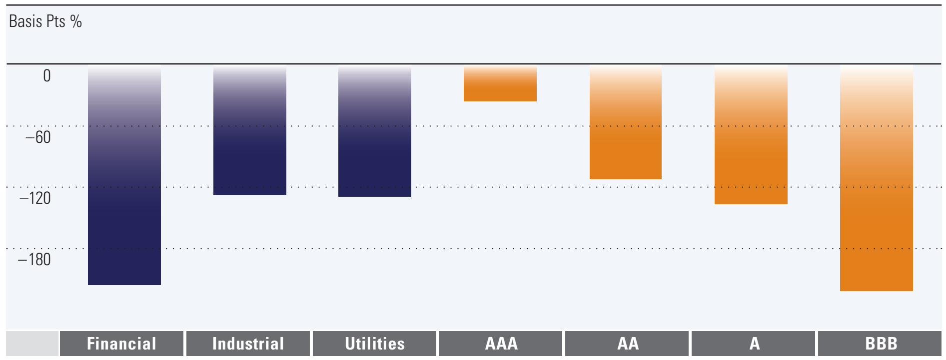
The low absolute yields are helping reduce borrowing costs, but it's not necessarily good news, according to former Federal Reserve chairman Alan Greenspan. The U.S. federal debt continues to surge by any measure, but the U.S. Treasury market is showing few symptoms of the fiscal excess. Greenspan described this circumstance as "regrettable, because it is fostering a sense of complacency that can have dire consequences."

Euro Sovereign Markets Remain Fragile

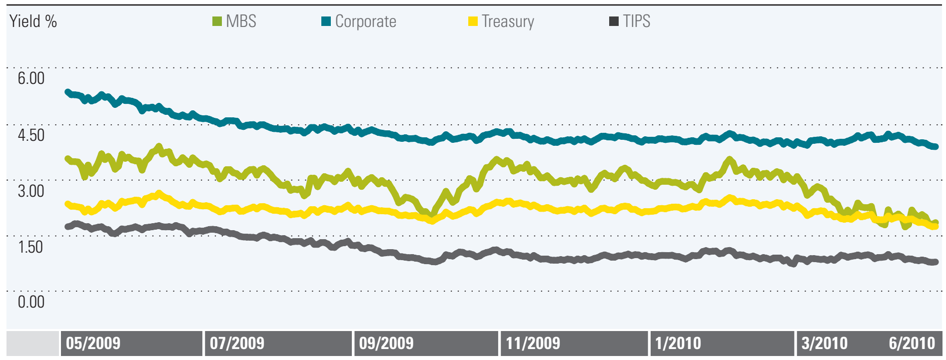
IThe fragility of the markets catalyzed by the usual suspects—Greece, Spain, Italy, Ireland, and Portugal—resulted in historic poor performance of their debt, but record steep performance in France and Germany. The drag of the underperformers left the Morningstar Eurozone Government Bond Index unchanged for the quarter. The Greek Government Bond Index is down 17.2% for the quarter, while the Germany Government Bond Index rose 4.1%. Similar to U.S. Treasuries, German sovereigns benefited from the safe-have bid as the majority of news lent little to the argument that Greece and the others were out of the woods. Yields on Greek debt have risen back to prebailout levels, and Spain's triple A rating was placed on review for downgrade by Moody's.

Sovereigns outside the eurozone posted positive returns for the quarter. The Japan, Switzerland, and UK Government Indexes rose 2.3%, 3.05, and 4.8%, respectively. Positive returns of global sovereign debt were abundant during the quarter, as yields have trended lower. The unhedged U.S. dollar investor was not as fortunate, however. In U.S. dollar terms, the Morningstar Global ex-US Government Bond index fell 3.1% for the quarter—another stark reminder that if you own the bond, you own the currency.

Credit Spread Change by Sector and Quality



US Indexes: Average Yields



U.S. Credits Ready to Outperform?

U.S. credit yield spread premiums rose for the first quarter since the end of 2008 and now stand at 1.9%, which is 0.5% higher than at the end of last quarter. Most of the news, with the exception of evidence of a halting recovery, was positive for credits. New issuance is the lowest in about five years, as cash levels have reduced borrowing needs; upgrades are poised to exceed downgrades for the first time since the credit crisis, and corporate profits rose in the first quarter at the fastest pace since 1984. The Morningstar US Corporate Index rose 3.1% for the quarter, its fifth consecutive quarterly increase. The Financial Index rose 1.8% for the quarter, trailing the Industrial and Utility indexes, which rose 4.2% and 4.0%, respectively.

The profit picture and improved balance sheets would seem to position U.S. credits better to weather any storms compared with their European counterparts. Morningstar senior security strategist Dave Sekera writes in the May 24 Credit Weekly Update, "We expect U.S. corporate bonds to outperform European corporate bonds as continued sovereign concerns, the weakening euro, and newly announced austerity measures will probably depress European GDP growth."

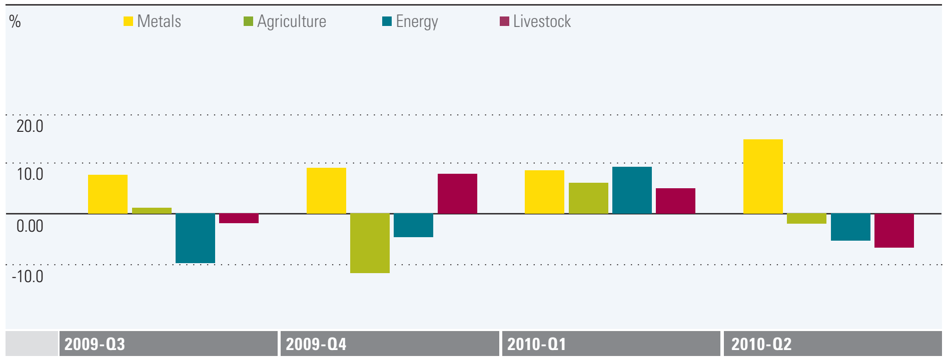
While U.S. corporate balance sheets appear to be on the mend, European bank balance sheets will be getting a closer look in the coming days as the lending facility from the region's central bank comes to an end. Both the Morningstar Euro and UK Corporate indexes underperformed the U.S. in the first quarter, rising 1.2% and 2.4%, respectively. Yield spread premiums for the quarter on both indexes rose anything of significance for the first time since the end of 2008. The nervousness for subordinated bank debt was reflected in the European and UK Bank Capital indexes, which fell 1.7% and 1.9% for the quarter.

In the wake of disappointing economic data, the markets are signaling the economy may have peaked and inflation will be well contained. The clearest evidence is in the continued reduction of U.S. Treasury yields, the flattening of the yield curve, and shrinking of yield spread between nominal and inflation-linked Treasuries. The turning point back to significant growth is facing the headwinds of government fiscal excess, deleveraging corporations, and legislative uncertainties. The clouds will eventually clear, but the new view, if history is any indication; will be one of inflation and rising yields—not a great environment for bonds.

Overview

The Morningstar Long-Only Commodity Index was down 2.9% in the quarter. The metals sector continues to lead the index with strong performance. Metals were up 7.0% in the quarter and 42.3% over the past year. Energy and livestock sold off because of macroeconomic concerns.

Quarterly Commodity Sector Returns



Morningstar Commodity Index Returns %

	Quarter	1-Year	3-Year	5-Year	10-Year	YTD
Long-Only	-2.89	0.77	-3.46	0.97	7.62	-7.15
Long/Flat	-4.34	-2.04	5.44	5.37	8.84	-5.81
Long/Short	-4.98	-5.08	6.24	4.74	8.28	-5.13
Short/Flat	-0.67	-2.05	2.3	1.94	1.84	0.84
Short-Only	0.23	-3.58	0.66	0.75	-4.77	5.96
Agriculture	0.38	-6.91	-1.59	1.26	2.96	-10.63
Energy	-9.03	-9.61	-15.36	-12.14	3.45	-12.6
Livestock	-1.05	3.83	-12.16	-4.66	2.49	5.96
Metals	6.95	42.26	18.2	25.25	17.54	15.85

A Closer Look

Investors continue to view gold as safe haven as concerns about government debt burdens continue to grow. Even without evidence of inflation, gold has continued its multiyear rally. The bond market is pricing in minimal inflation and the Consumer Price Index declined in both April and May, but gold still rallied 11.7% this quarter and is up 33.4% over the past year.

Although just a small component of the Morningstar Long-Only Commodity Index, coffee was the biggest gainer of the quarter. Production problems in Central America and lower inventories helped drive the rally. Coffee started the quarter negative, but rallied 22% in June to finish the quarter up 19.1% and near 12-year highs.

Coverage of the BP oil spill filled media headlines this quarter. Even with President Obama's drilling moratorium and fears about new regulations increasing the cost to drill, oil prices fell. Concerns about the fragile global economy and higher-than-expected inventory data spurred the sell off. The West Texas Intermediate Crude Index finished the quarter down 14%. Volatility is expected to pick up in the coming months as hurricane season gets under way.

Conclusion

After a yearlong rally, the stock market finally took a break in the second quarter. Triggered by mixed economic data and eurozone fears, the market sold off sharply in May and June. Unemployment remains elevated and temporary government stimulus is starting to fade away, leading to concerns about the self-sustainability of the economic recovery.

Equities were also brought down by the uncertainty surrounding financial reform and the Gulf oil spill. In one form or another, the financial reform debate should conclude in the coming months, giving the market a little more clarity. However, it will probably be much longer before we have a clear view on the impact of the oil spill.

On the bond side, sovereign credit concerns continue to make headlines. The flight from the troubled European government debt of Greece, Spain, Italy, Ireland, and Portugal has led to a historic rally in U.S. treasuries. Treasuries are now offering near record-low yields, and the Federal Reserve has committed to keep rates low for the foreseeable future. The bond market continues to signal that the inflation will be contained. M

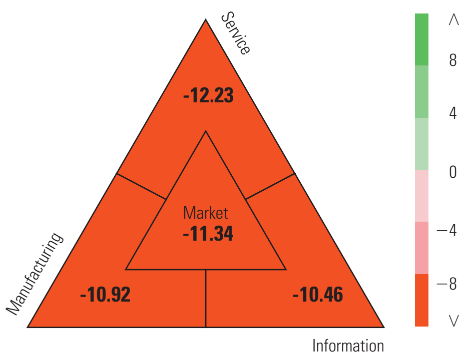
MORNINGSTAR®

All data in this issue through 6-30-10

Q2 Style Indexes

Index	Total Returns % 3 Mo.	1-Year	3-Year	5-Year	10-Year	Price/ Earnings	Price/ Book	Yield%	5-Yr Earn Growth
Morningstar US Market	**-11.34**	**15.57**	**-9.27**	**-0.22**	**-0.86**	**14.43**	**1.88**	**2.63**	**-5.98**
Large Cap	-12.03	11.64	-9.83	-0.86	-2.71	14.09	1.96	2.66	-6.43
Mid Cap	-9.63	26.32	-8.39	1.27	3.97	15.46	1.74	2.47	-2.28
Small Cap	-9.72	26.32	-7.03	1.44	4.80	15.64	1.56	2.66	-6.31
US Value	-11.36	15.86	-12.90	-1.78	3.68	11.48	1.34	3.44	-10.23
US Core	-10.68	16.86	-7.35	0.98	1.38	14.86	1.98	2.42	-6.65
US Growth	-12.10	13.78	-7.90	-0.24	-7.63	18.76	2.91	1.57	5.41
Large Value	-11.66	10.37	-14.61	-2.74	1.80	11.60	1.41	3.49	-12.08
Large Core	-11.16	13.51	-7.17	0.75	-0.53	14.39	2.06	2.47	-6.29
Large Growth	-13.45	10.82	-8.06	-1.14	-9.59	17.76	3.02	1.64	6.44
Mid Value	-10.69	29.89	-9.31	0.15	8.28	10.90	1.21	3.13	0.39
Mid Core	-9.83	25.33	-8.68	1.07	6.73	16.55	1.85	2.36	-6.76
Mid Growth	-8.29	23.93	-7.53	2.31	-2.53	22.04	2.76	1.24	3.09
Small Value	-10.50	37.50	-5.50	1.89	10.57	11.75	1.11	3.68	-10.42
Small Core	-9.17	26.38	-8.37	1.33	7.66	15.85	1.59	2.00	-5.81
Small Growth	-9.55	16.19	-7.60	0.78	-3.25	22.28	2.44	1.37	4.96

Q2 Sector Indexes



Index	Total Returns % 3 Mo.	1-Year	3-Year	5-Year	10-Year	Price/ Earnings	Price/ Book	Yield%	5-Yr Earn Growth
Information	**-10.46**	**16.42**	**-6.53**	**1.72**	**-7.84**	**16.18**	**2.51**	**2.55**	**2.38**
Software	-14.93	7.77	-3.99	2.71	-6.52	16.66	3.35	2.14	6.13
Hardware	-8.86	23.01	-3.12	3.65	-8.56	17.33	3.15	1.54	2.45
Media	-10.04	32.61	-10.56	-2.67	-6.53	15.13	1.46	1.81	8.09
Telecommunication	-9.90	0.62	-14.45	-0.31	-7.64	14.25	1.93	5.68	-0.76
Service	**-12.23**	**16.00**	**-12.10**	**-2.98**	**1.01**	**13.70**	**1.57**	**2.28**	**1.34**
Healthcare	-11.75	9.91	-4.33	0.80	0.21	12.48	2.19	3.24	15.21
Consumer Services	-11.78	17.93	-5.76	-0.53	3.23	15.62	2.35	2.17	3.59
Business Services	-12.09	19.40	-6.09	4.83	3.08	18.13	2.52	2.08	-2.15
Financial Services	-12.82	18.97	-22.33	-9.47	-0.47	12.87	1.06	1.87	-5.95
Manufacturing	**-10.92**	**14.71**	**-7.28**	**2.97**	**5.01**	**14.28**	**2.01**	**2.99**	**-12.56**
Consumer Goods	-7.55	20.55	-0.43	5.02	6.64	14.64	3.04	3.27	1.16
Industrial Materials	-13.85	24.59	-10.96	0.64	2.01	15.74	2.11	2.40	-14.04
Energy	-13.38	2.99	-9.16	4.05	7.77	14.15	1.72	2.57	-22.48
Utilities	-3.98	6.38	-6.75	2.00	4.69	10.97	1.29	4.91	0.67

Bond Indexes

	3 Mo.	1-Year	3-Year	5-Year
Core	3.70	8.76	8.04	5.79
US Government	4.49	6.65	7.88	5.46
Corporate	3.06	14.24	7.54	5.43
Mortgage	3.15	7.80	8.46	6.28
Short-Term	1.42	4.66	5.64	4.74
Intermediate Term	3.44	8.42	8.45	6.18
Long-Term	7.39	14.97	10.04	6.10
Global Govt ex-US	-1.54	0.82	7.40	4.84
EM Composite	1.04	20.21	8.02	8.06

Commodity Indexes

	3 Mo.	1-Year	3-Year	5-Year	10-Year	15-Year
Long-Only	-2.89	0.77	-3.46	0.97	7.62	8.83
Long/Flat	-4.34	-2.04	5.44	5.37	8.84	10.92
Long/Short	-4.98	-5.08	6.24	4.74	8.28	1.97
Short/Flat	-0.67	-2.05	2.30	1.94	1.84	4.29
Short-Only	0.23	-3.58	0.66	0.75	-4.77	-2.40
Agriculture	0.38	-6.91	-1.59	1.26	2.96	1.00
Energy	-9.03	-9.61	-15.36	-12.14	3.45	10.91
Livestock	-1.05	3.83	-12.16	-4.66	2.49	2.76
Metals	6.95	42.26	18.2	25.25	17.54	10.66