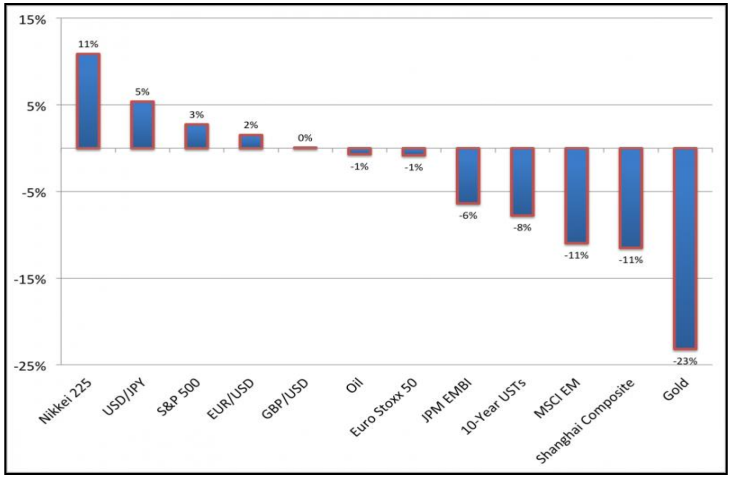
Market Recap

Investment Performance Quilt

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 YTD
Emerging Markets Equities 55.8%	Real Estate 38.0%	Emerging Markets Equities 34.0%	Real Estate 41.8%	Emerging Markets Equities 39.4%	Developed Government Bonds 9.1%	Emerging Markets Equities 78.5%	Real Estate 19.6%	Developed Government Bonds 5.5%	Real Estate 27.7%	Developed Markets Equities 11.2%
Real Estate 40.7%	Emerging Markets Equities 25.6%	Commodities 21.4%	Emerging Markets Equities 32.1%	Commodities 16.2%	Cash & Short-Maturity Bonds 2.4%	Real Estate 37.1%	Emerging Markets Equities 18.9%	Investment Grade Bonds 4.8%	Emerging Markets Equities 18.2%	Real Estate 4.9%
Developed Markets Equities 33.1%	Developed Markets Equities 14.7%	Real Estate 14.9%	Developed Markets Equities 20.1%	Developed Markets Equities 9.0%	Investment Grade Bonds -5.1%	High Yield & Emerging Markets Bonds 36.0%	Commodities 16.8%	High Yield & Emerging Markets Bonds 2.9%	High Yield & Emerging Markets Bonds 17.4%	Alternative Trading Strategies 4.6%
High Yield & Emerging Markets Bonds 28.3%	High Yield & Emerging Markets Bonds 12.1%	Developed Markets Equities 9.5%	High Yield & Emerging Markets Bonds 11.1%	Developed Government Bonds 5.6%	High Yield & Emerging Markets Bonds -18.4%	Developed Markets Equities 30.0%	High Yield & Emerging Markets Bonds 13.5%	Cash & Short-Maturity Bonds 0.1%	Developed Markets Equities 15.8%	Investment Grade Bonds 0.5%
Commodities 23.9%	Commodities 9.1%	High Yield & Emerging Markets Bonds 7.8%	Alternative Trading Strategies 9.3%	Cash & Short-Maturity Bonds 5.0%	Alternative Trading Strategies -23.3%	Commodities 18.9%	Developed Markets Equities 11.8%	Developed Markets Equities -5.5%	Investment Grade Bonds 10.9%	Developed Government Bonds 0.3%
Alternative Trading Strategies 13.4%	Investment Grade Bonds 5.5%	Developed Government Bonds 5.0%	Cash & Short-Maturity Bonds 4.8%	Alternative Trading Strategies 4.2%	Commodities -35.6%	Investment Grade Bonds 16.6%	Investment Grade Bonds 7.2%	Real Estate -6.5%	Developed Government Bonds 4.5%	Cash & Short-Maturity Bonds 0.1%
Investment Grade Bonds 6.5%	Developed Government Bonds 4.8%	Investment Grade Bonds 3.5%	Investment Grade Bonds 3.6%	Investment Grade Bonds 3.2%	Developed Markets Equities -40.7%	Alternative Trading Strategies 13.4%	Alternative Trading Strategies 5.2%	Alternative Trading Strategies -8.9%	Alternative Trading Strategies 3.5%	High Yield & Emerging Markets Bonds 0.0%
Developed Government Bonds 2.0%	Alternative Trading Strategies 2.7%	Cash & Short-Maturity Bonds 3.1%	Developed Government Bonds 3.3%	High Yield & Emerging Markets Bonds 2.7%	Real Estate -48.2%	Developed Government Bonds 1.0%	Developed Government Bonds 3.6%	Commodities -13.3%	Cash & Short-Maturity Bonds 0.1%	Emerging Markets Equities -3.5%
Cash & Short-Maturity Bonds 1.1%	Cash & Short-Maturity Bonds 1.2%	Alternative Trading Strategies 2.7%	Commodities 2.1%	Real Estate -7.4%	Emerging Markets Equities -53.3%	Cash & Short-Maturity Bonds 0.3%	Cash & Short-Maturity Bonds 0.2%	Emerging Markets Equities -18.4%	Commodities -1.1%	Commodities -6.0%

Source: Barclays

Second Quarter Asset Class Performance

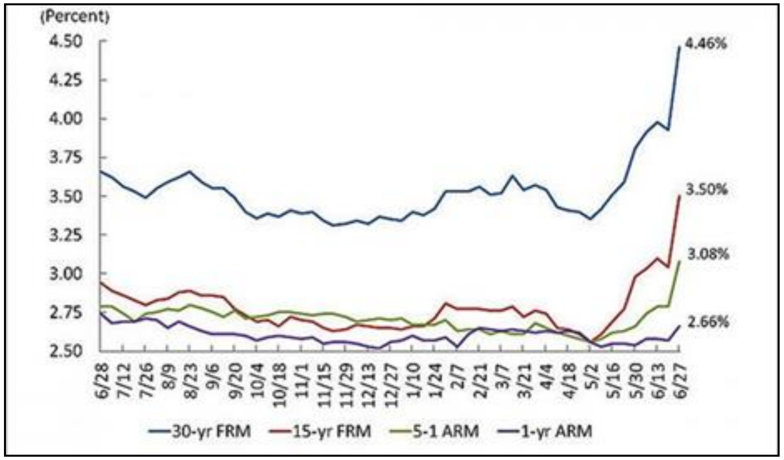


Source: Bloomberg

The second quarter was eventful for investors in most markets, and, as the second half of 2013 gets under way, they continue to face a myriad of issues. The strategies investors had employed predicated on the Federal Reserve pumping an open-ended stream of money into the financial markets are causing the most concern. These strategies came under question at the end of the second quarter after the Fed hinted that a pull back on its low-rate policies could be sooner rather than later, sparking concerns about income strategies and blindsiding investors with the resulting losses. Some of the biggest declines came in areas of the markets traditionally viewed as relatively safe such as municipal bonds and dividend-paying stocks. These investments attracted enormous levels of capital as the easy-money policies drove investors to seek alternative yield sources. The safest investments, such as Treasuries and bank deposits, are offering meager returns by historical standards. At the same time, global economic growth continues to face challenges, which makes greater risk-taking harder to stomach. Across major asset classes, equities in developed economies were the top performers for the first half of the year. The Japanese Nikkei was the top performing market during the second quarter, despite a 20% crash in the index following its peak on May 22nd. The U.S. S&P 500 was also among the top-performing areas in which to invest despite a 6% pullback at the close of the quarter. On the other end of the spectrum, 10-year U.S. Treasury notes lost 8% of their value during the second quarter, eating away at gains posted earlier in the year. The losses in Treasuries also sparked a retreat in emerging markets with EM sovereign debt losing 6% during the second quarter. The worst-performing asset category was commodities led by the decline in gold, which lost a whopping 23% in the second quarter as it fell out of favor with investors.

Market Recap

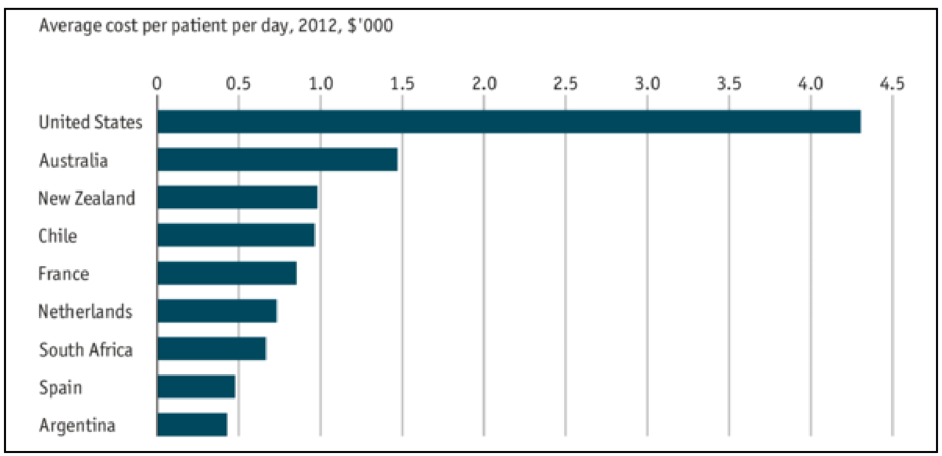
Mortgage Rates



Source: Freddie Mac

The bond market has recently experienced significant selling pressure, driving interest rates higher (since bond prices are inversely related to yields). In particular, mortgage interest rates were impacted. The average 30-year fixed-rate mortgage rose from 3.50% at the beginning of May to 4.46% last week (the highest it has been since July 2011). Many fear that higher mortgage rates will dampen activity in the housing market. However, the impact of higher mortgage rate has not yet been reflected in recent housing data, which is still signaling strength in housing. Existing home sales in May rose at their strongest pace since November 2009, and new home sales were the highest since July 2008.

Hospital Costs



Source: International Federation of Health Plans; Economists

The U.S. medical system is the most expensive in the world, with hospital costs representing the most expensive component of medical care. Total healthcare cost accounts for nearly a fifth of this country's economic output. Thirty-one percent of that cost goes towards hospital care alone ($850 billion in 2011). The costs of U.S. care are also highly variable, with 10% of hospital patients paying more than $12,000 a day, while 25% pay less than $2,000. Overall, based on a cost-per-patient-per-day, Americans spend more than four times as much on hospital care compared to other developed nations.

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