

INDEPENDENT CONSULTANTS COOPERATIVE MARKET ENVIRONMENT • Q1 2010

Welcome to the latest issue of “State Street Investment Analytics **Market Environment**”, a companion newsletter to “State Street Investment Analytics **Market Commentary**.” It is designed to summarize key market indicators for our institutional clients. While the “*Environment*” keeps you up to date on market changes the “*Commentary*” is designed to keep you up to date on the research generated by various specialty units within State Street Investment Analytics (SSIA). We hope you find both reports useful and relevant in your investment endeavors.

> General Comments

- U.S. equity markets finished the first quarter of 2010 on a strong note, extending the rally from 2009, despite a bumpy start to the New Year. The S&P 500 rallied about 10% from its lows in early February to finish the quarter with a gain of +5.4%, while the Dow and the NASDAQ posted similar results. From the lows of March 2009, just over 12 months ago, the Dow and S&P 500 have each rebounded over 60.0%, while the NASDAQ has rallied over 80.0%.
- The U.S. Department of Commerce reported real GDP (third estimate) grew by +5.6% in the fourth quarter 2009, following a revised +2.2% increase in the third quarter and resulting in a -2.4% decline for the year 2009. As expected, the smaller depletion of inventories compared to the previous quarter added a significant +3.8% to the overall GDP number.
- Fueling optimism regarding the sustainability of U.S. economic growth, the U.S. Department of Labor reported an increase of 162,000 in March nonfarm payrolls, the highest in three years, and revised January and February figures higher. The March figures include an increase of 48,000 temporary workers for the Census. The unemployment rate remained at 9.7%.
- During the quarter, the Fed began withdrawing its historic monetary stimulus by terminating all but one emergency lending program, raising the discount rate and planning how and when to reduce its balance sheet and banks’ excess reserves. In its statement from the March 16 meeting, the FOMC reiterated its belief that the recovery “is likely to be moderate for a time” and its pledge to maintain “exceptionally low levels of the federal funds rate for an extended period”.
- Sovereign debt concerns intensified during the quarter and weighed on financial markets as Greece remained on center stage negotiating a solution to its budget deficit troubles. The MSCI Europe ex UK gained +1.6% for the quarter. Emerging markets continued their climb but at a more subdued pace and with mixed results among individual countries.
- Benefiting as a currency alternative, gold posted its sixth straight quarterly gain, marking its longest winning streak since 1979. Interestingly, the U.S. dollar also generally strengthened along with equity prices during the quarter, gaining nearly +5.5% versus the euro and +6.0% versus the British pound. The dollar had a mixed month versus the Japanese yen, finishing up +0.5%, while weakening relative to the Canadian and Australian dollars as well as many emerging market currencies.

ENVIRONMENT

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MARKET SUMMARY

Equity Markets

U.S.		<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
S&P 500		5.4	49.8	-4.2
Dow Jones Industrial Average		4.8	46.8	-1.5
NASDAQ	5.7	56.9	-0.3	
Russell 1000		5.7	51.6	-4.0
Russell 2000		8.9	62.8	-4.0
Russell 3000		5.9	52.4	-4.0
Non-U.S.				
MSCI EAFE (Net)		0.9	54.4	-7.0
MSCI Emerging Markets (Net)		2.4	81.1	5.1
MSCI All Country World ex U.S.		1.6	60.9	-4.2

Bond Markets

U.S.		<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
Barclays Capital Aggregate	1.8	7.7	6.1	
Barclays Capital Gov/Credit	1.6	7.5	5.8	
Barclays Capital Universal		1.8	7.7	6.1
Barclays Capital Corp. High Yield		4.6	56.2	6.7
Non-U.S.				
CG Non-U.S. World Govt.		-2.1	8.4	7.5

Non-Public Markets

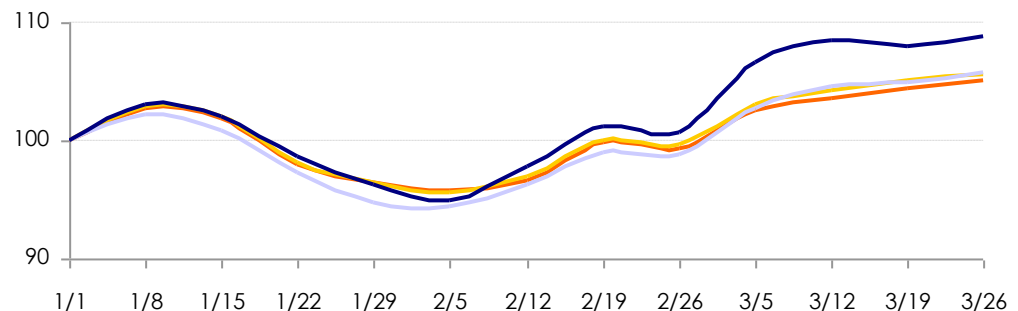
Lagged Data Set—3Q09

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
NCREIF Property	-3.3	-22.1	-1.3
State Street Private Equity Index	5.8	-7.6	1.8

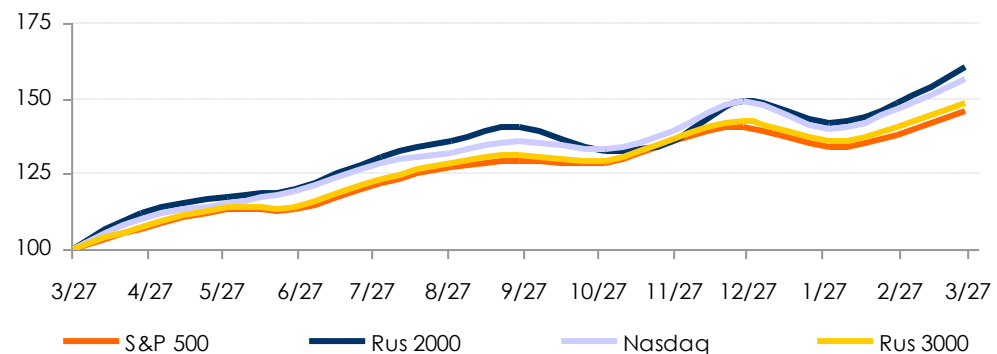
Global Equity Markets

- U.S. Markets continued to grow although at a slower rate; steady growth was seen in all major U.S. segments during the first quarter of 2009. The Dow Jones Industrial Average returned of 4.8% lagging the S&P 500 return by 60 basis points and the NASDAQ by 90 bps.
- International Markets slipped in the start of the year but rallied in March to finished in positive territory for the quarter. Over the past 12 months, international markets enjoyed strong performance posting near record yearly levels. The Emerging Markets soared, bringing the MSCI ACWI ex-U.S. return 650 basis points above the EAFE index.

Equity Index - Quarter Growth Rate



Equity Index - 1-Year Growth Rate

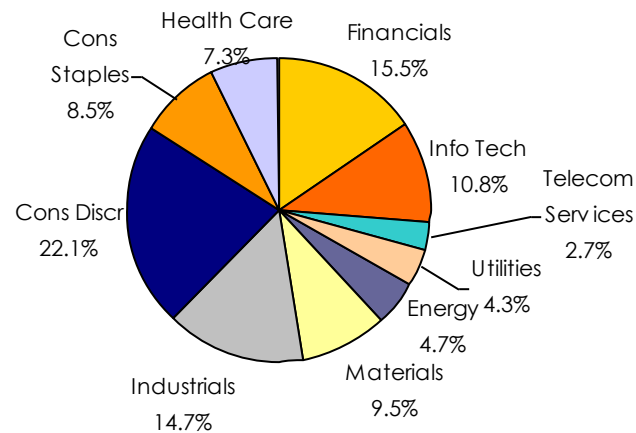


DOMESTIC MARKETS

Domestic Equity - Russell 3000

- The Russell 3000 Index added 5.9% for the first quarter. The greatest contributors to quarterly performance included advances for positions in the Consumer Discretionary, Financial and Industrials. Continued strength in these three sectors, which account for over 50% of the index, could be considered lead indicators to a sustained recovery. Positive, but relatively modest returns in the Energy and Telecommunications were a drag to the Russell 3000 this first quarter.
- Over the trailing 12 months, the Russell 3000's top three weighted sectors again posting the best performance and made the largest contributions to overall return. Performance was also strengthened by advances in the Materials and Information Technology sectors. Double-digit gains were registered for every sector over the past year.

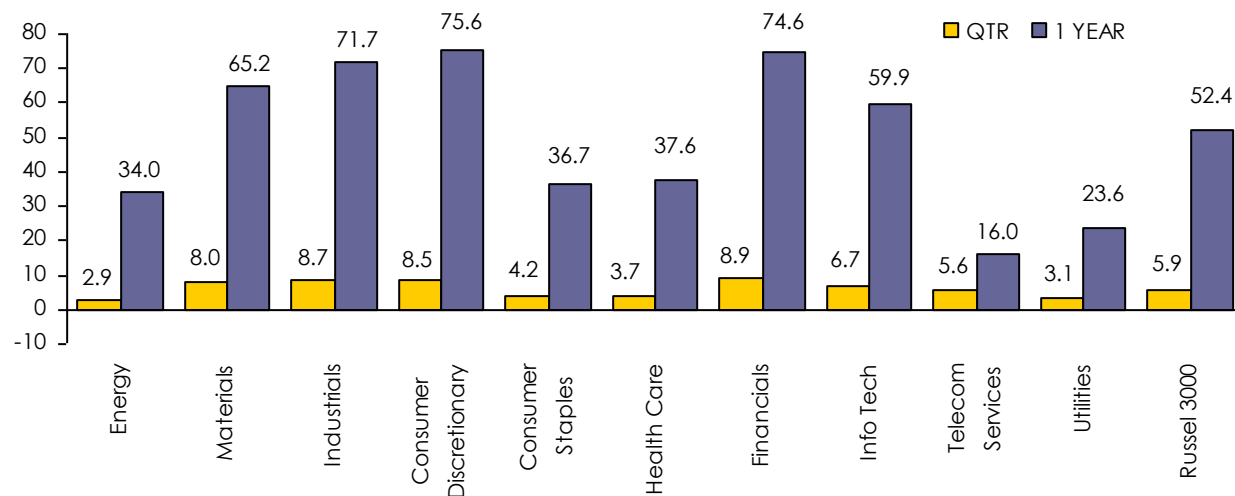
Ending Sector Weights



Characteristics

Div Yield (%)	1.8
P/B Ratio	2.2
P/E Ratio	22.5
Fundamental Beta	1.0
Market Cap \$(MM)	80,900

Sector Returns (%)



Contribution to Return:

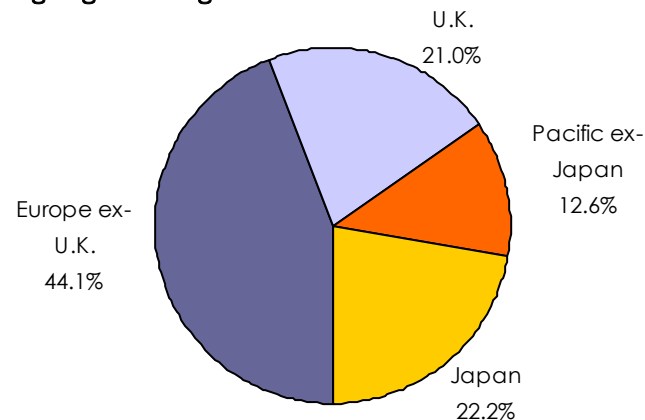
Qtr	0.3	0.3	1.0	1.0	0.4	0.5	1.4	1.2	0.2	0.1	5.9
1 Yr	1.6	6.1	10.5	16.6	3.1	2.7	11.5	6.4	0.4	1.0	52.4

INTERNATIONAL MARKETS

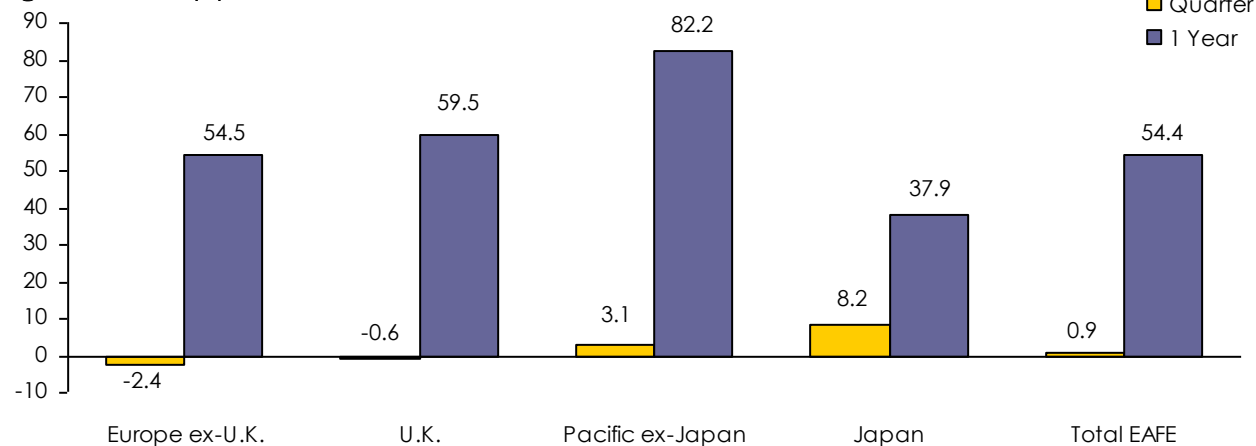
International Equity—MSCI EAFE (Net)

- The MSCI EAFE Index returned 0.9% in the first quarter of 2010. Japan based securities helped strengthen the index's return, while U.K. based holdings generally weakened in the first three months.
- For the 1-year period, top performing countries in continental Europe were based in the Nordic region, including Sweden (+90.6%), Norway (+70.9%), and Denmark (+69.5%). Outside of Europe, MSCI EAFE constituents based in the Pacific experienced sizeable price appreciation. In particular, countries such as Australia (+87.8%), Singapore (+88.9%) and Hong Kong (+60.2%) delivered remarkable returns.
- The MSCI EAFE Index has now registered its fourth consecutive quarterly expansion after the credit crisis. Prior to March 2009, the international markets experienced six consecutive quarters of negative returns which began in the fourth quarter of 2007.

Ending Regional Weights



Regional Returns (%)



Contribution to Return:

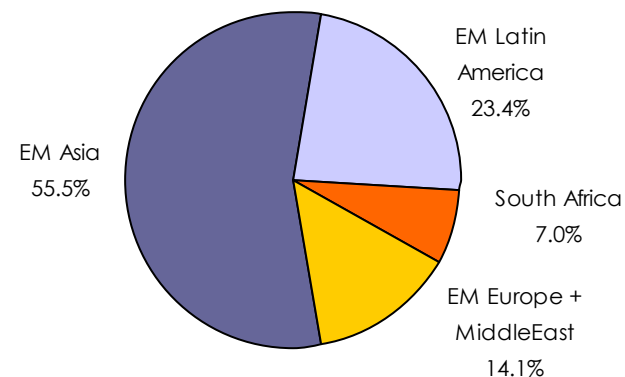
	Europe ex-U.K.	U.K.	Pacific ex-Japan	Japan	Total EAFE
Qtr	-1.2	-0.1	0.3	1.6	0.9
1 Yr	24.1	12.5	10.4	8.4	54.4

INTERNATIONAL MARKETS

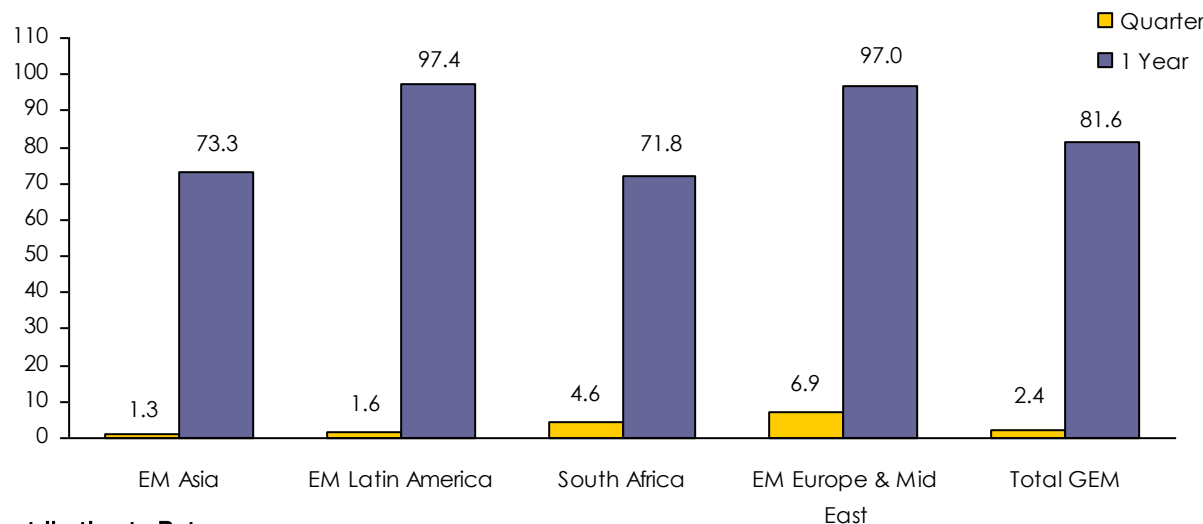
Emerging Markets Equity - MSCI EM (Net)

- The MSCI Emerging Markets (“EM”) Index rose 2.4% in the first quarter and climbed 81.1% for the 1-year period ending March 31.
- European and Middle Eastern based securities made the greatest contributions to performance in the first quarter. Key contributors included gains for securities domiciled in the Hungary, Egypt, and Israel. In Asia, despite a contraction in China, markets rallied with Indonesia and Thailand posting double digit returns.
- In Latin America, Brazil witnessed a 7.5% selloff in the first two months of the quarter only to advance in March recouping all but 0.09% it had lost. Columbia and Mexico posted strong first quarter performance, resulting in trailing 12 month returns of 126.4% and 96.3% respectively

Ending Regional Weights



Regional Returns (%)



Contribution to Return:

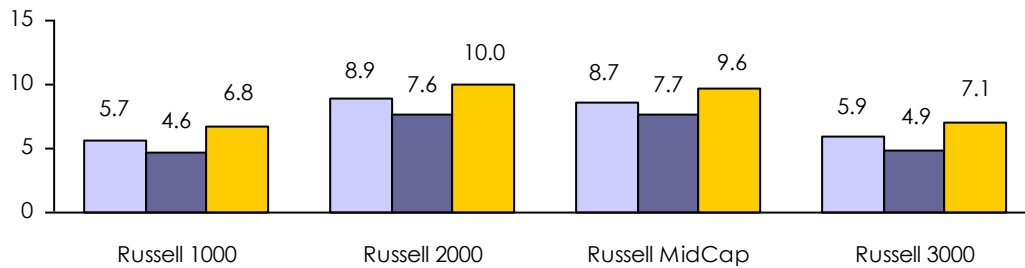
	EM Asia	EM Latin America	South Africa	EM Europe & Mid East	Total GEM
Qtr	0.7	0.4	0.3	0.9	2.4
1 Yr	40.1	22.8	5.1	13.7	81.1

Equity by STYLE & CAPITALIZATION

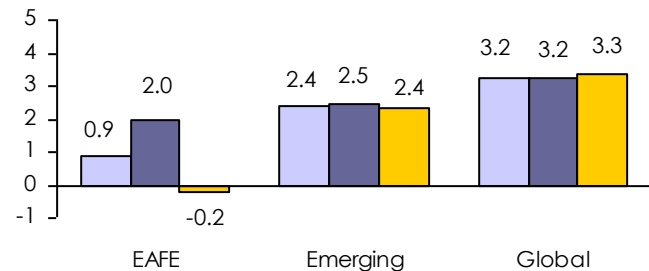
Style & Capitalization Returns

- In U.S. markets, the Russell 2000 Value had the best performance during the first quarter. The Russell 1000 Index gained 5.7%, lagging the smaller cap indices. Along style lines, the growth components of the Russell indices lagged the value components during both the quarter and the 1-year period. The Russell 1000 Value Index returned 53.6%, outperforming its growth counterpart by 380 basis Points. The Russell MidCap Value Index generated the greatest gains for the year, advancing 72.4%.
- An opposite trend was apparent outside the U.S., where the growth segment of international markets outpaced their value components for the quarter. Both MSCI EAFE Growth and the Emerging Growth Index returns exceeded that of their value equivalent by 220 basis points and 10 basis points respectively in the quarter. For the trailing 12 month period, however, the MSCI Value Indices outperformed the growth and neutral counterparts by nearly 600 basis points.

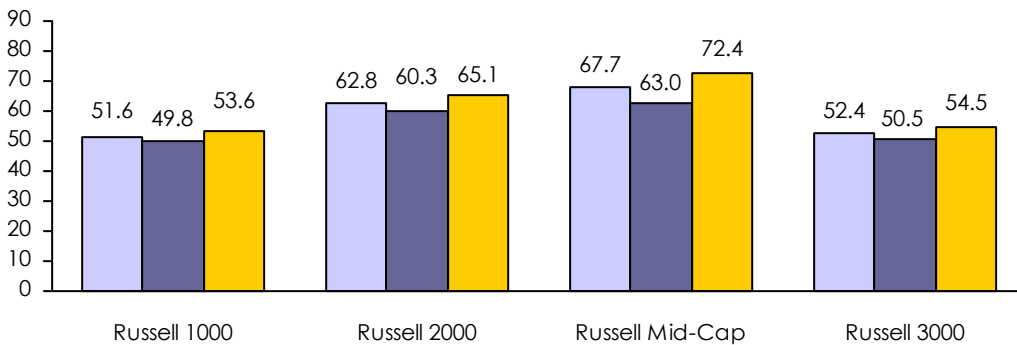
Russell U.S. Style Returns - Quarter



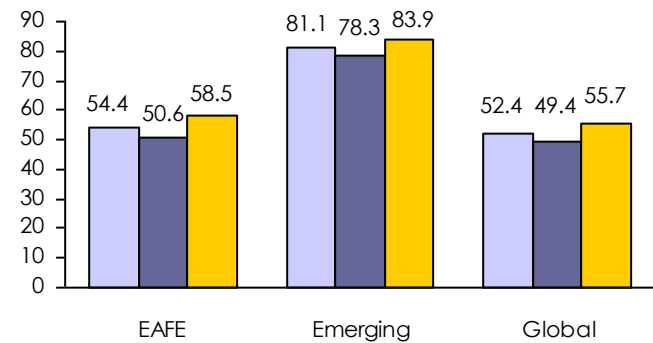
MSCI Non-U.S. Style Returns - Quarter



Russell U.S. Style Returns - 1 Year



MSCI Non-U.S. Style Returns - 1 Year



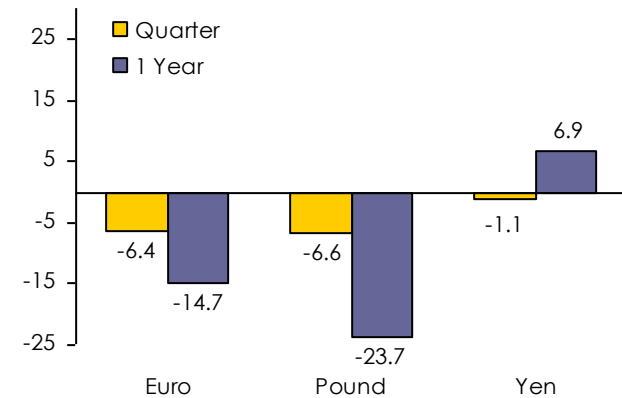
□ Neutral ■ Growth ■ Value

CURRENCY AND BOND MARKETS

Currency Markets

- The Bank of England and the European Central Bank continued to hold key lending rates at historic lows during the first quarter, keeping them at 0.5% and 1.0% respectively.
- The U.S. Federal Reserve has also continued to keep its key lending rates at historic lows to allow for further strengthening of the economy.
- In Europe, the U.S. dollar continued to strengthen relative to euro in the first quarter. The euro ended the quarter trading at 1.32 vs. the dollar. Over the past year, the dollar has gained 14.7% vs the Euro. In the U.K., the pound continued to weaken relative to the dollar shedding 6.6% in the first quarter and 23.7% over the past 12 months.
- The dollar strengthened against the yen then dropped moderately at the end of the quarter shedding its earlier gains; however the dollar weakened nearly 7% since last year at this time.

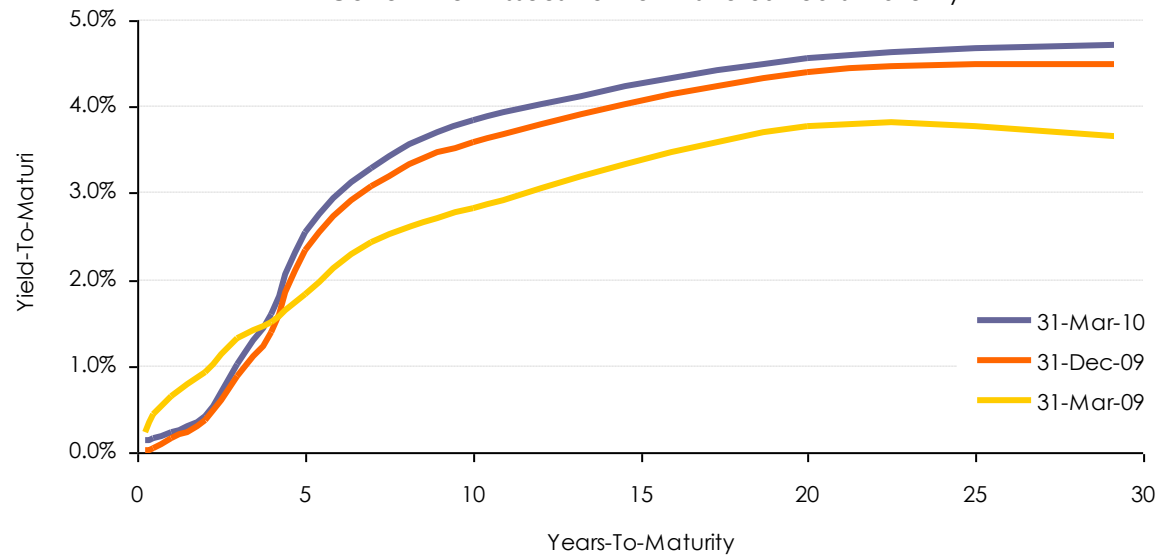
Currency Returns (%)



Yield Curve

- In a speech given to the U.S. Congress Committee on Financial Services, Federal Reserve Chairman Ben Bernanke stated, "The economy continues to require the support of accommodative monetary policies". He later added, however, "the tools are in place to reverse such policies when necessary".
- In a press conference the ECB stated, "The current key ECB interest rates remain appropriate ...the latest information has also confirmed that the economic recovery in the euro area continued in the early months of 2010."

INTEREST RATE TERM STRUCTURE
Government Issues - 3 Months to 30 Years Maturity

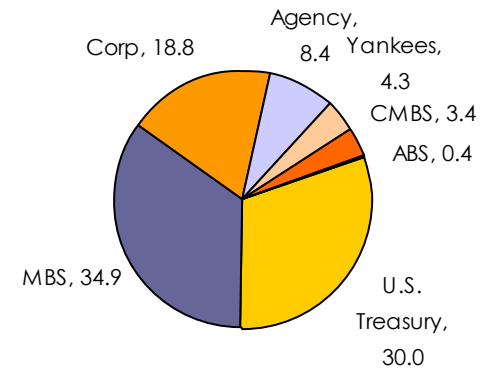


BOND MARKETS

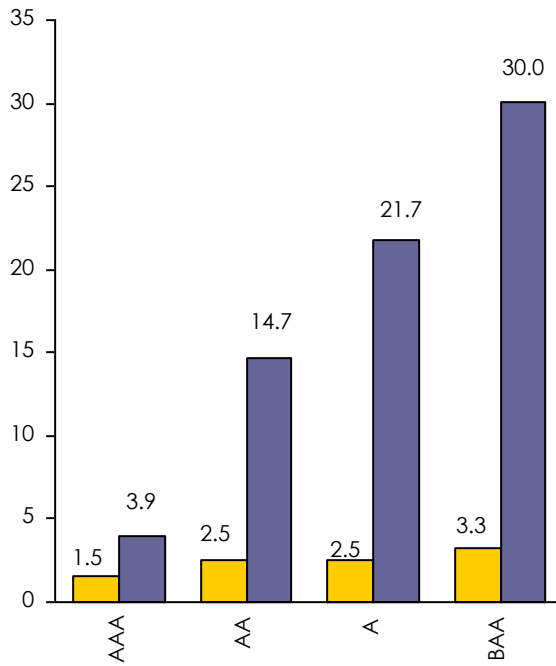
U.S. Bond Market Returns - Barclays Capital Aggregate

Sector Weights (%)

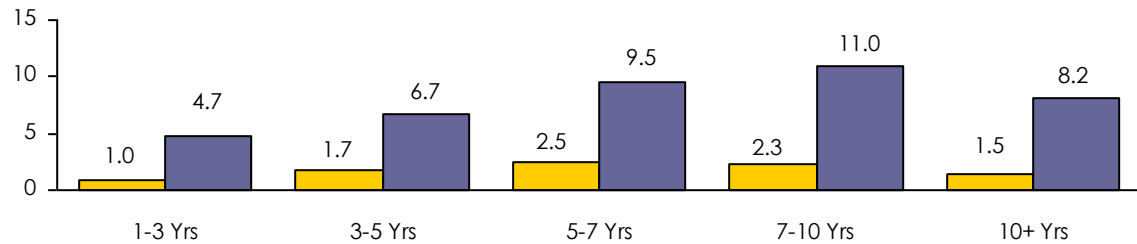
- The Barclays Capital Aggregate Bond Index gained 1.8% in the first quarter 2010 and advanced 7.7% over the 1-year period.
- The commercial mortgage-backed security (“CMBS”) delivered the most compelling performance during the quarter. Over the trailing 12 months, the CMBS, asset-backed, and corporate sectors continued to be the top performers.
- Instruments with 5-7 year maturities experienced the strongest performance during the quarter, while instruments with 7-10 year maturities registered double digit returns over the past year.
- The U.S. Treasuries and Agencies sectors struggled to keep pace with other sectors, returning just 1.1% and 1.2 % respectively for the quarter.



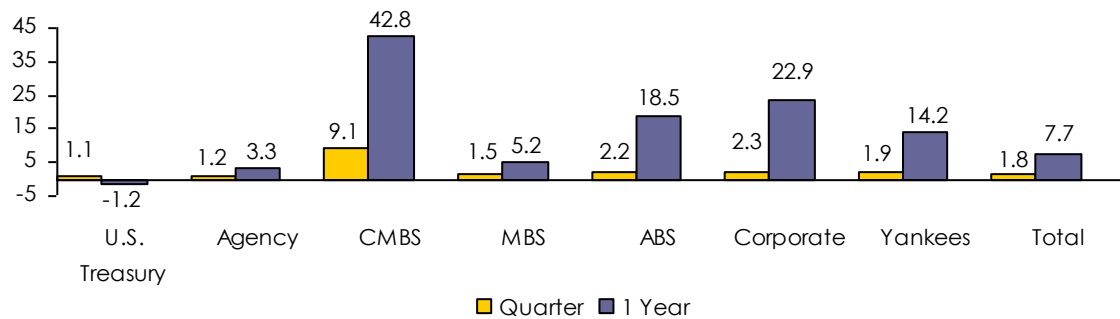
Quality Performance (%)



Duration Performance (%)



Sector Performance (%)



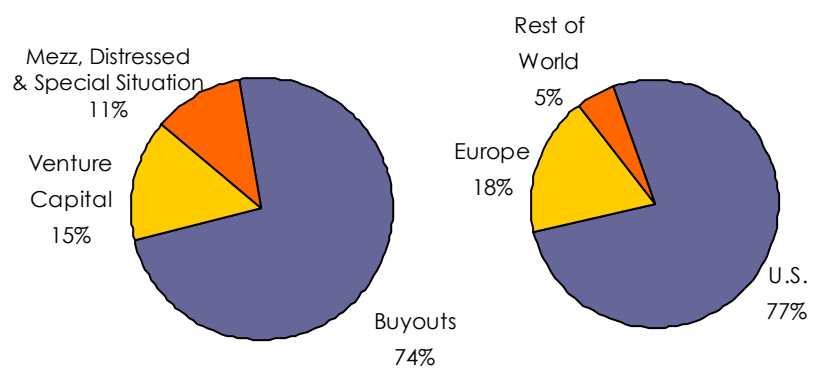
PRIVATE EQUITY MARKETS

as of September 30, 2009

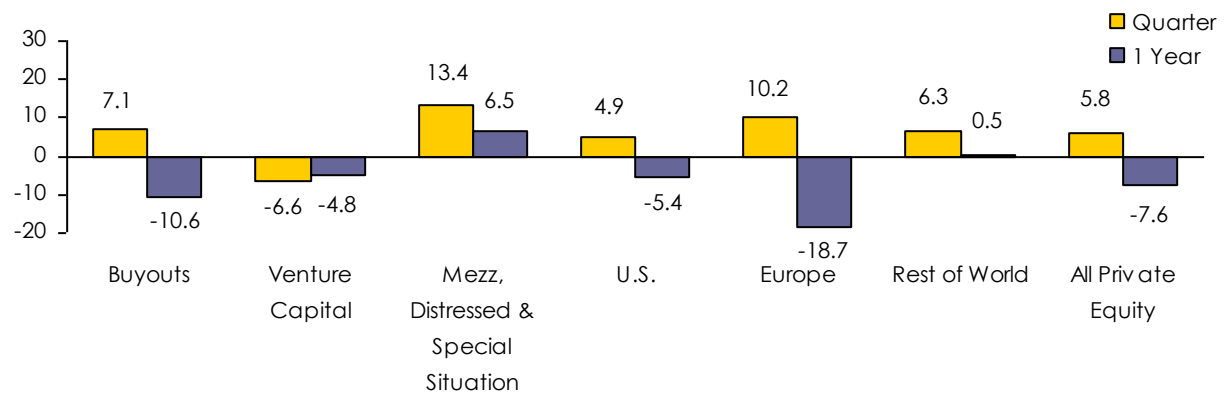
State Street Private Equity Index
Lagged Data Set - 3Q 2009

- In third quarter of 2009 (the most recent date available), the State Street Private Equity Index gained 5.8%. Over the trailing 1-year period, the IRR for the index was -7.6% as of September 30, 2009.
- Mezzanine, distressed, special situation and buyout strategies generally registered gains in the third quarter, while venture capital strategies (particularly those based in the United States) tended to experience declines.
- U.S.-based mezzanine and distressed funds generated the best returns in the quarter and over the 1-year period, but in aggregate, European private equity funds gained 10.2% vs. 4.9% for U.S. funds. Rest of

Total Capitalization Weights by Total Capitalization Weights by Region Weights



IRR Returns (%)*



Contribution to Return:

Qtr	5.0	-1.0	1.9	3.8	1.6	0.4	5.8
1 Yr	-7.8	-0.7	0.9	-4.0	-3.7	0.1	-7.6

*State Street Private Equity Index calculated on a dollar-weighted basis

ENVIRONMENT

Independent Consultants Cooperative (ICC)

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