

Capital Markets Review

► Dated 30 November 2008

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK GUARANTEE

Produced by FIIIS Investment Consulting Services
For Investors



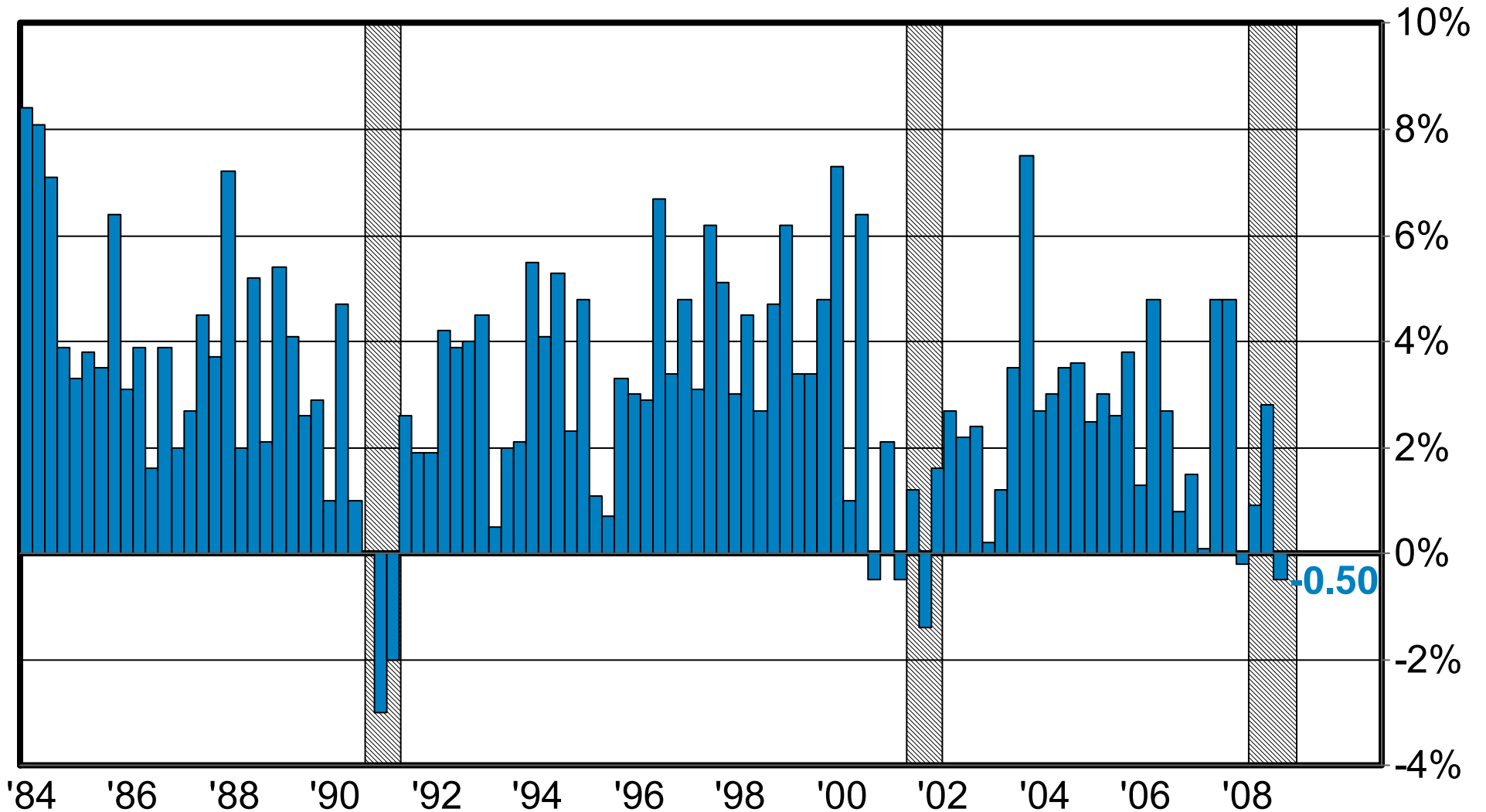
Smart move.™

Presentation Overview

- **The Big Picture**
- **Focus on Equity Markets**
- **The Fixed Income Environment**
- **Other Ideas & Themes**

US Economy: NBER has officially called a recession.

US GDP Growth

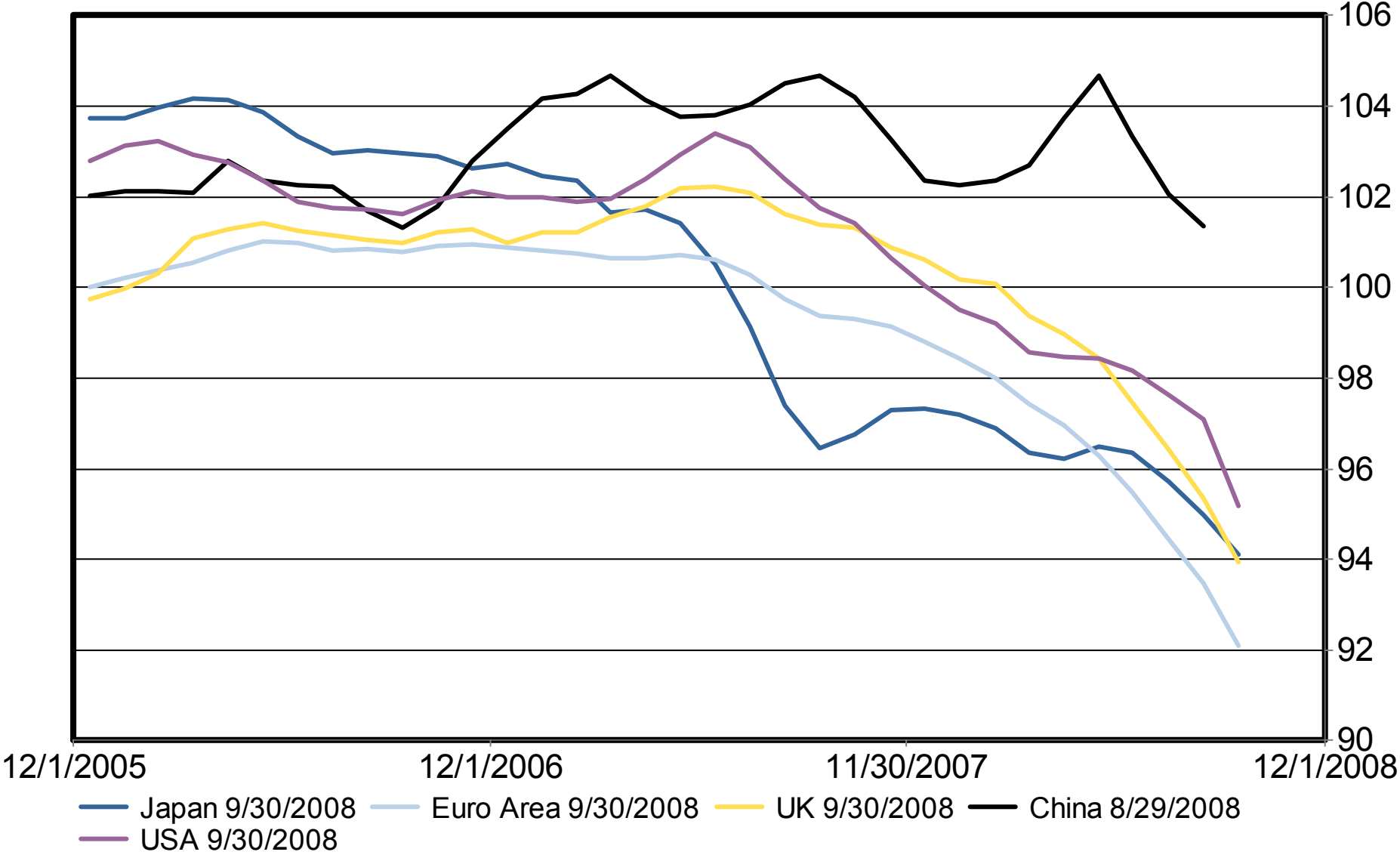


■ US Real GDP, Quarter over Quarter (Annualized) 9/30/2008
▨ Recession Periods - United States

Source: Factset

Leading Indicators

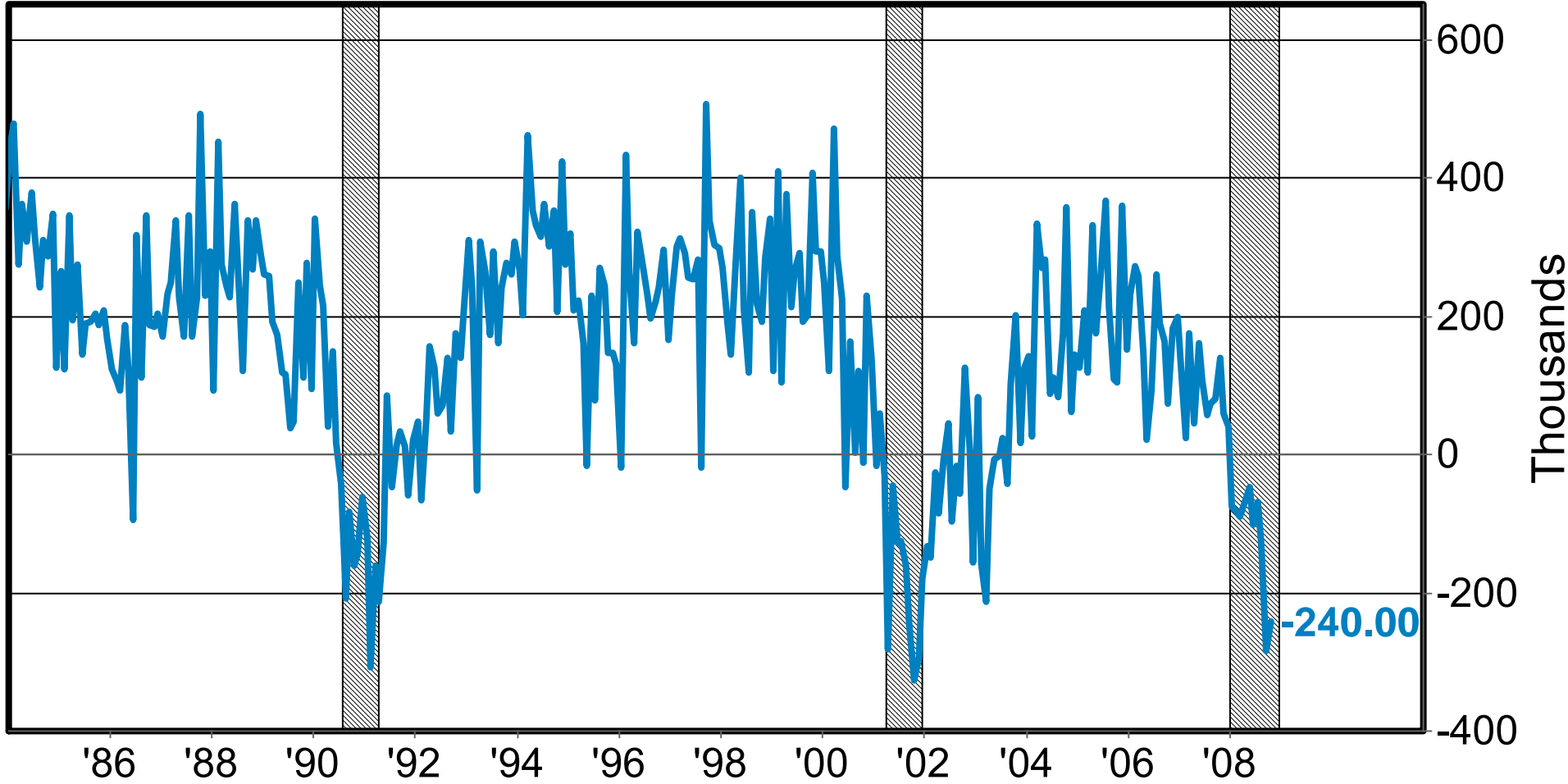
Composite Leading Indicators



Source: Factset

Employment: Near Previous Cycle Lows

Employment

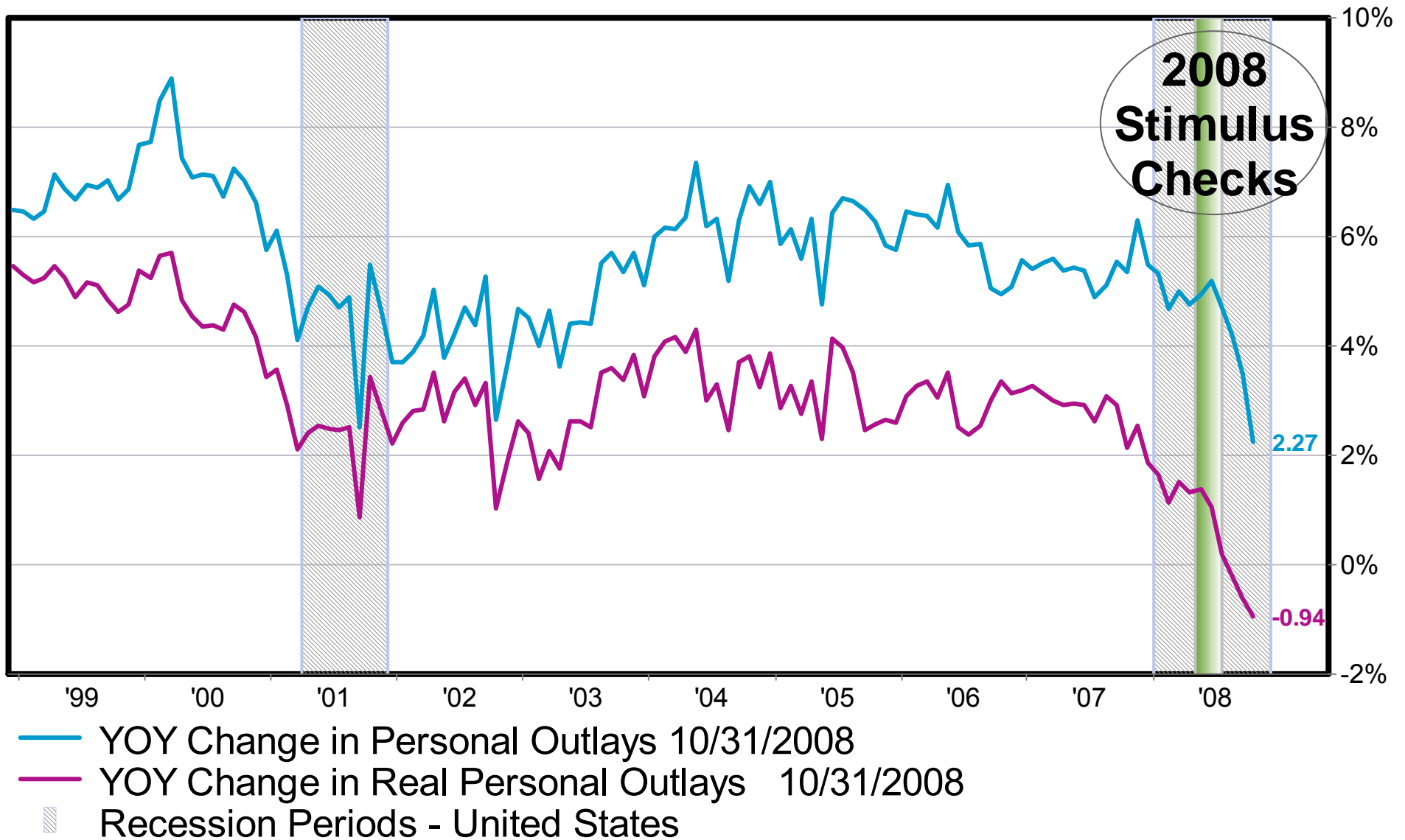


— Nonfarm Payrolls 10/31/2008
▨ Recession Periods - United States

Source: Factset

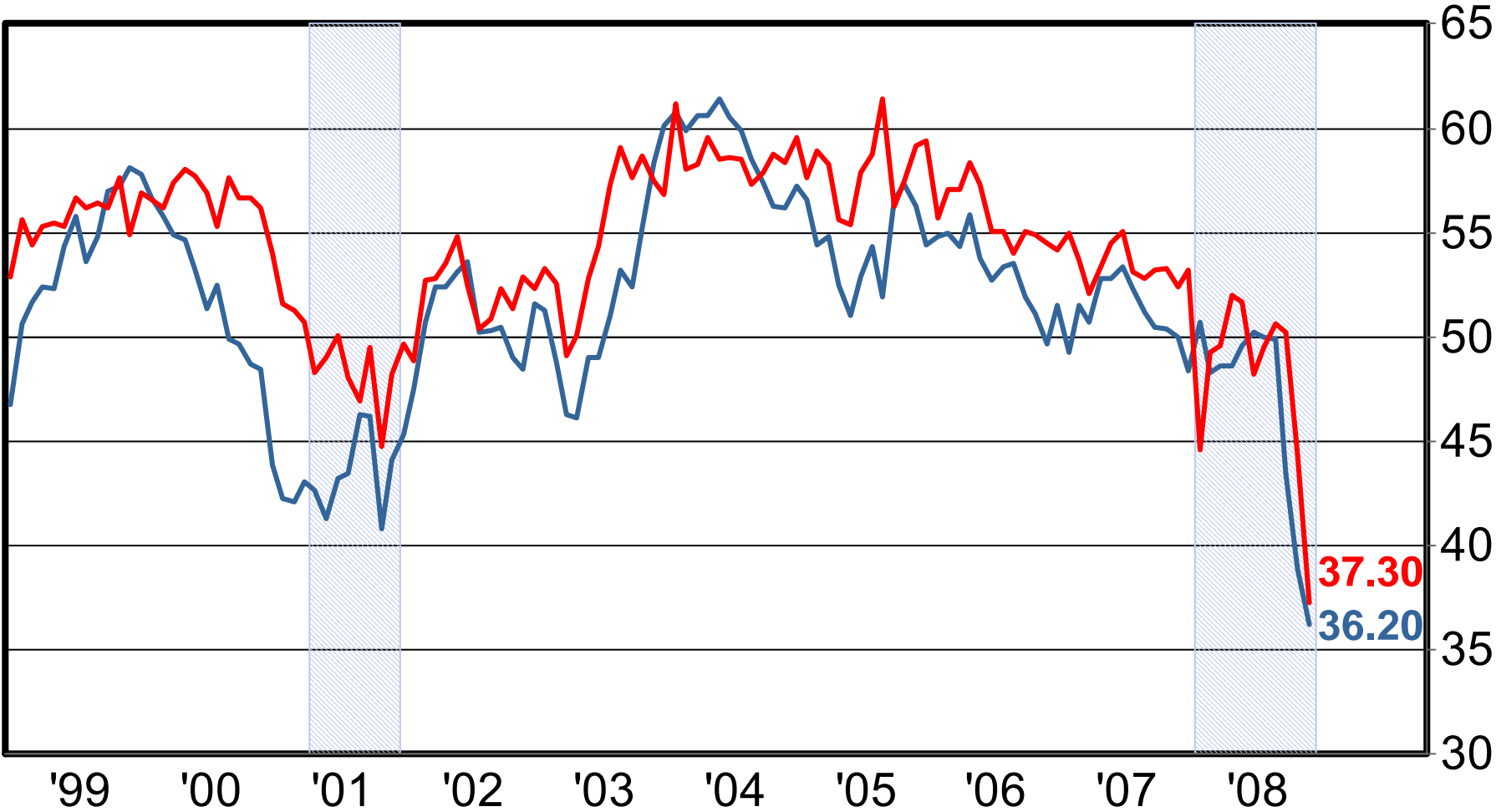
The Consumer: Real Spending is Particularly Weak

Consumer Spending (PCE)



Source: Factset

Business: Both Indices Decidedly Negative

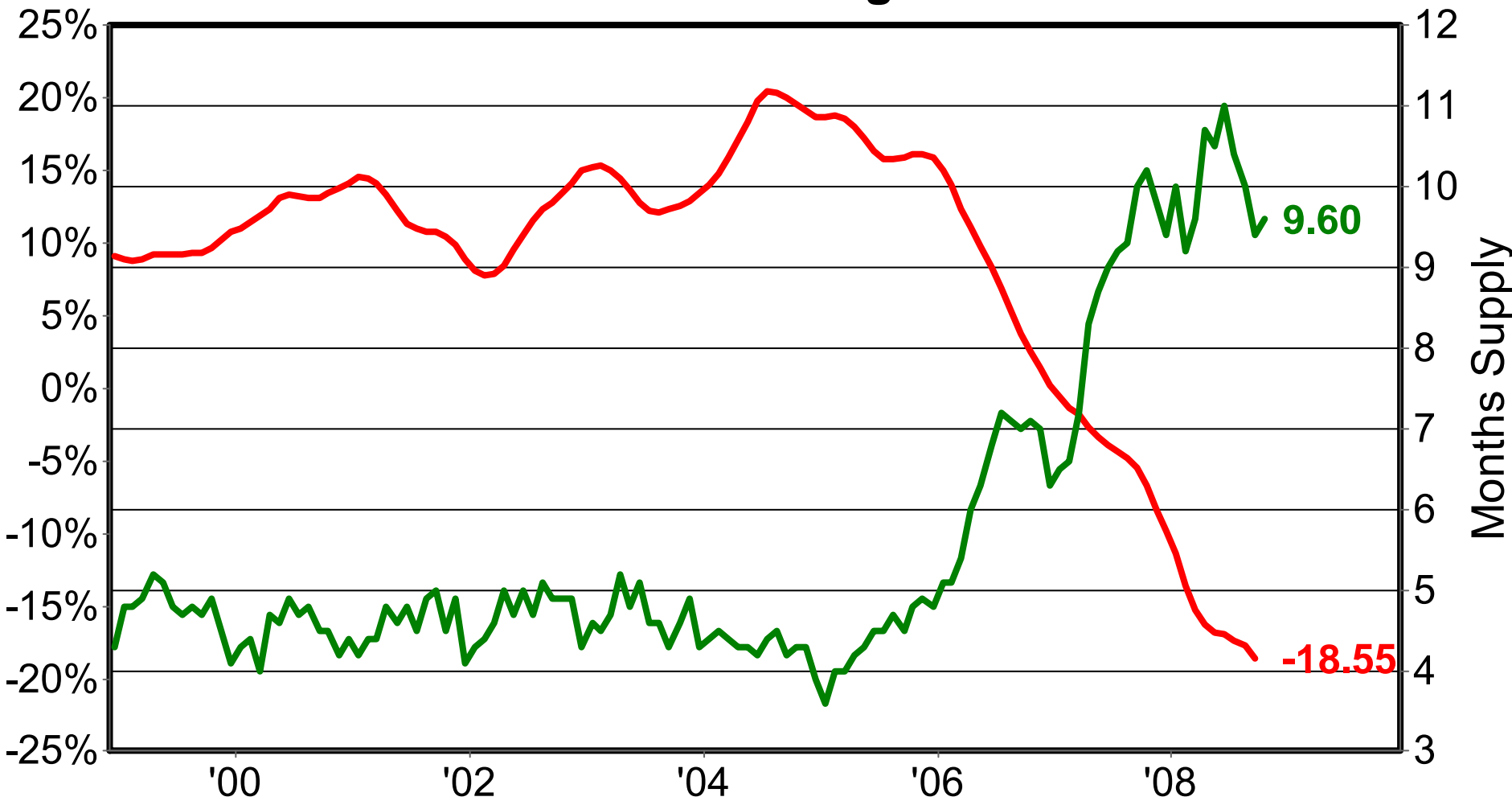


— ISM (NAPM) Manufacturing PMI 11/28/2008
— ISM (NAPM) Non-manufacturing NMI/PMI 11/28/2008
■ Recession Periods - United States

Source: Factset

US Housing: The Long Road Back

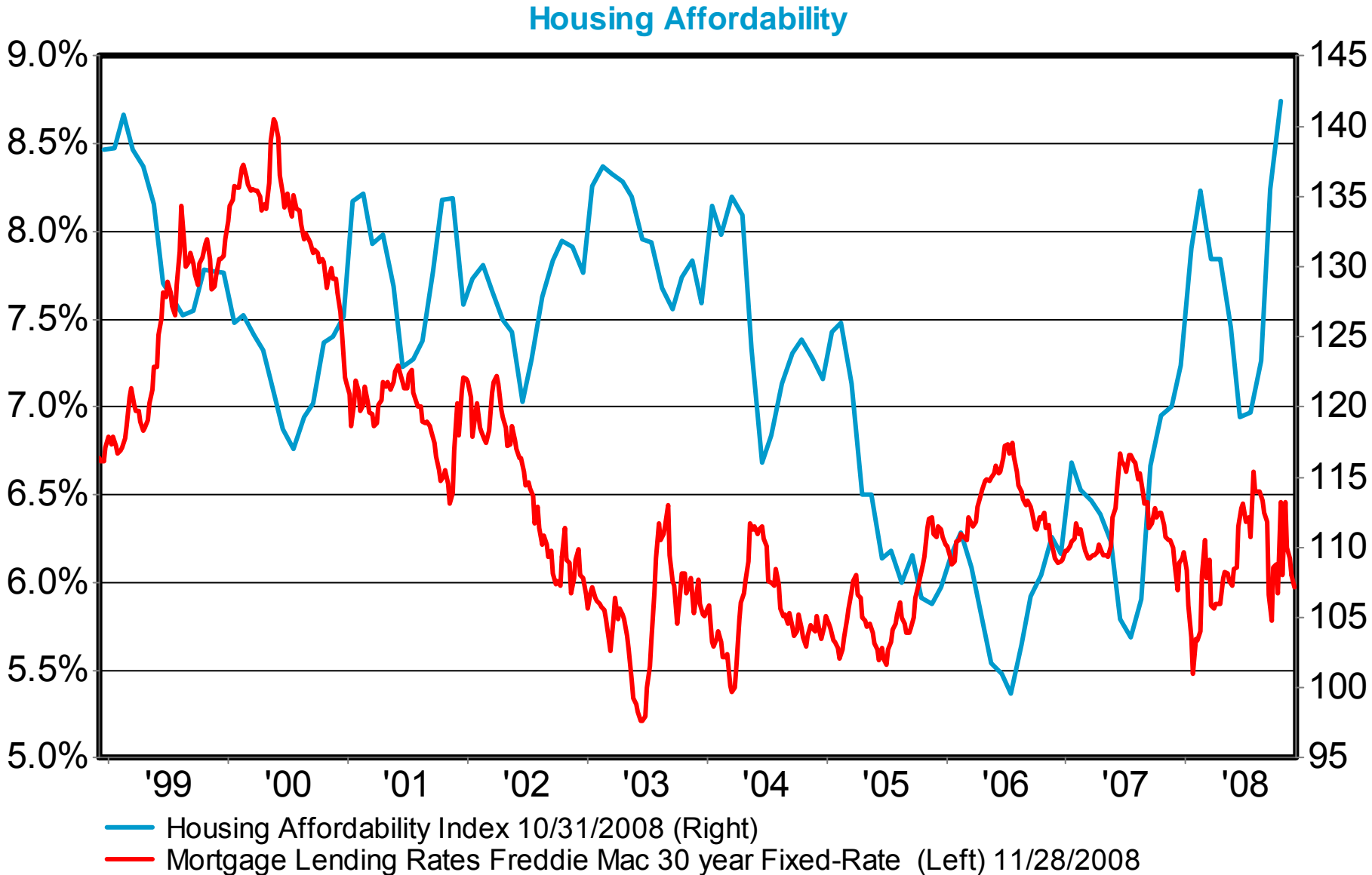
US Housing



— Change in Home Prices, Year over Year (Left Axis) 9/30/2008
— Months Supply of Homes on the Market (Right Axis) 10/31/2008

Source: Factset

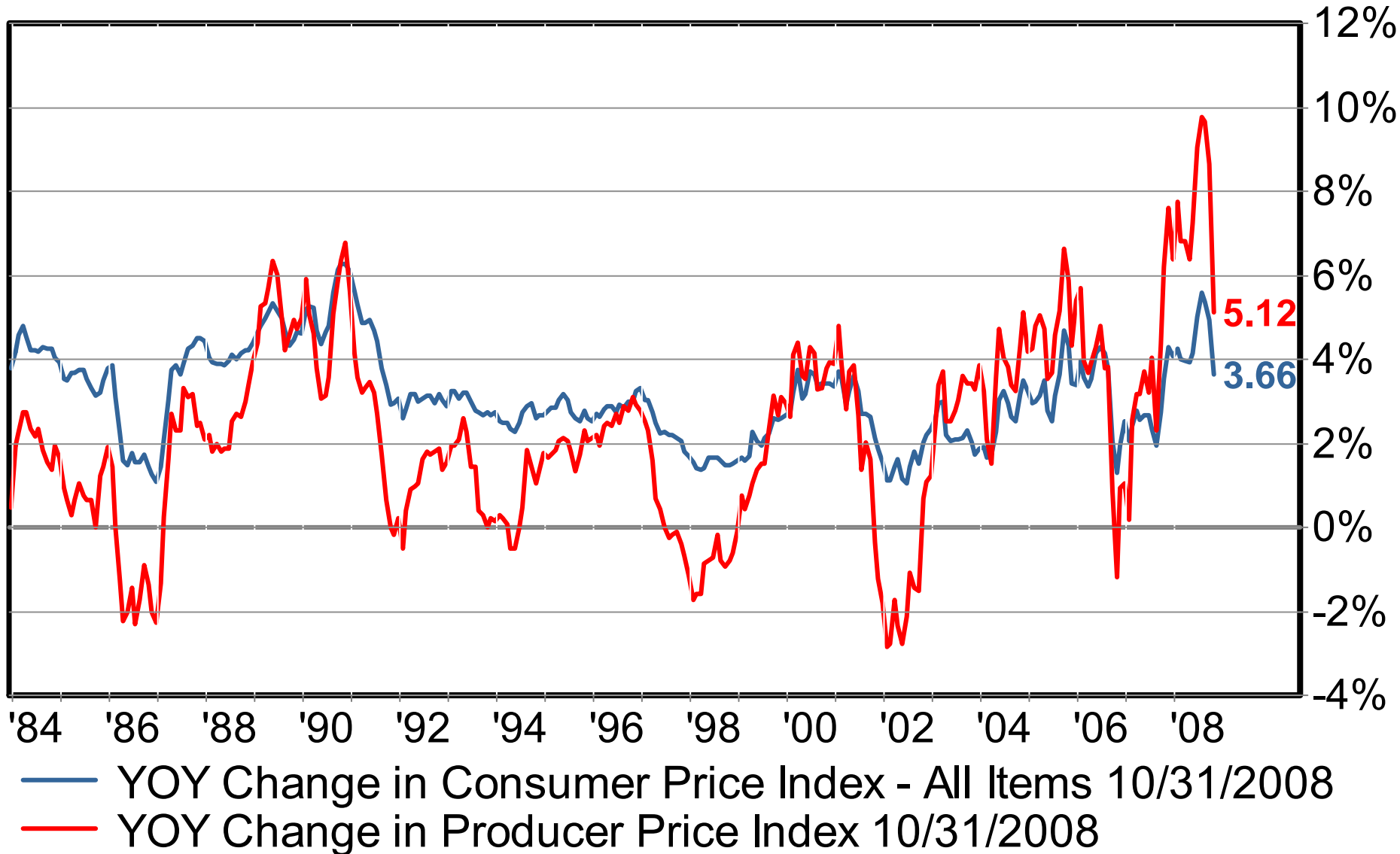
US Housing: Affordability Ticks Back Up



Source: Factset

Inflation: Headline Indices Down Sharply

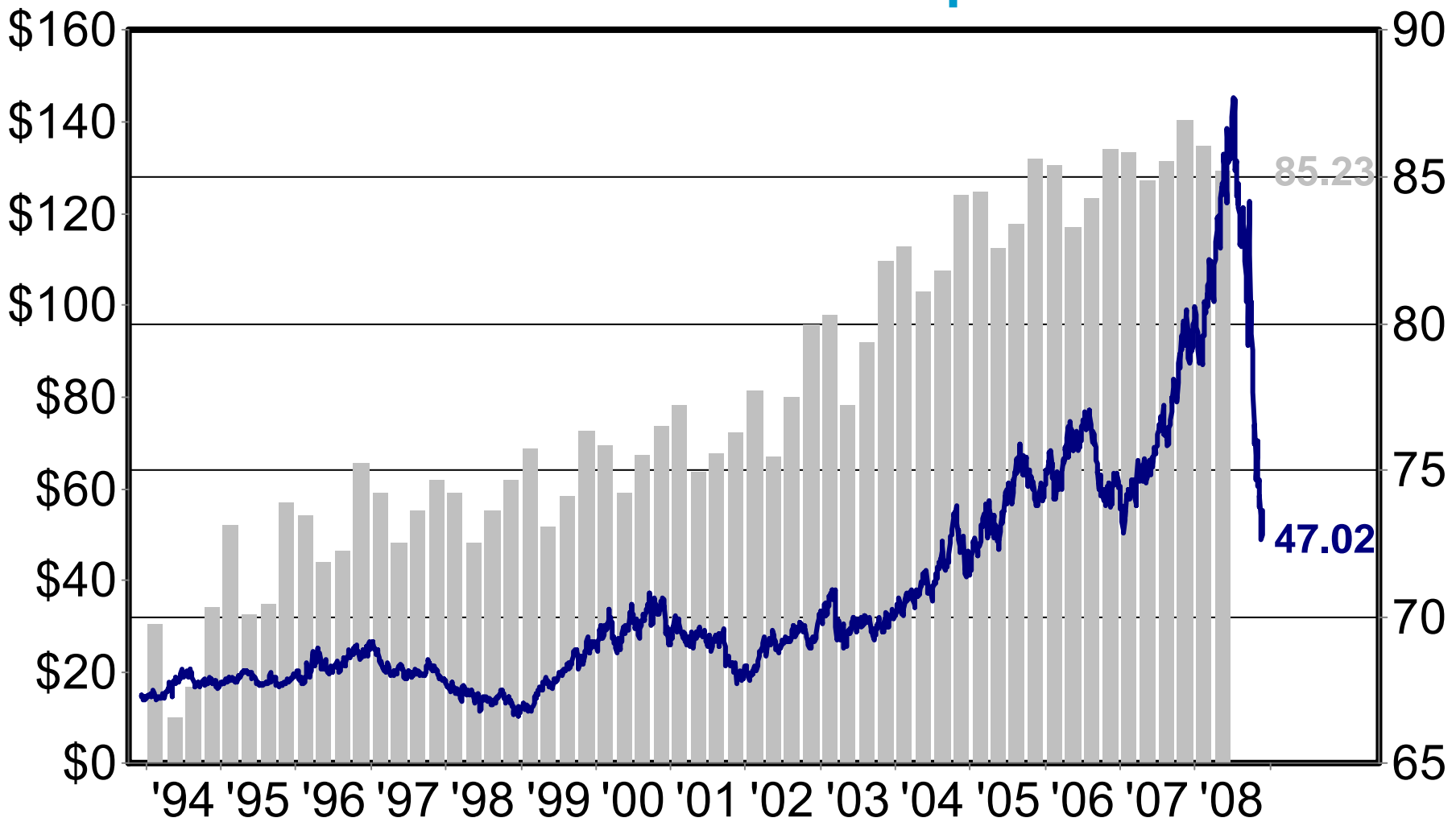
CPI & PPI



Source: Factset

Oil: Prices Down Sharply

Oil Price and Consumption

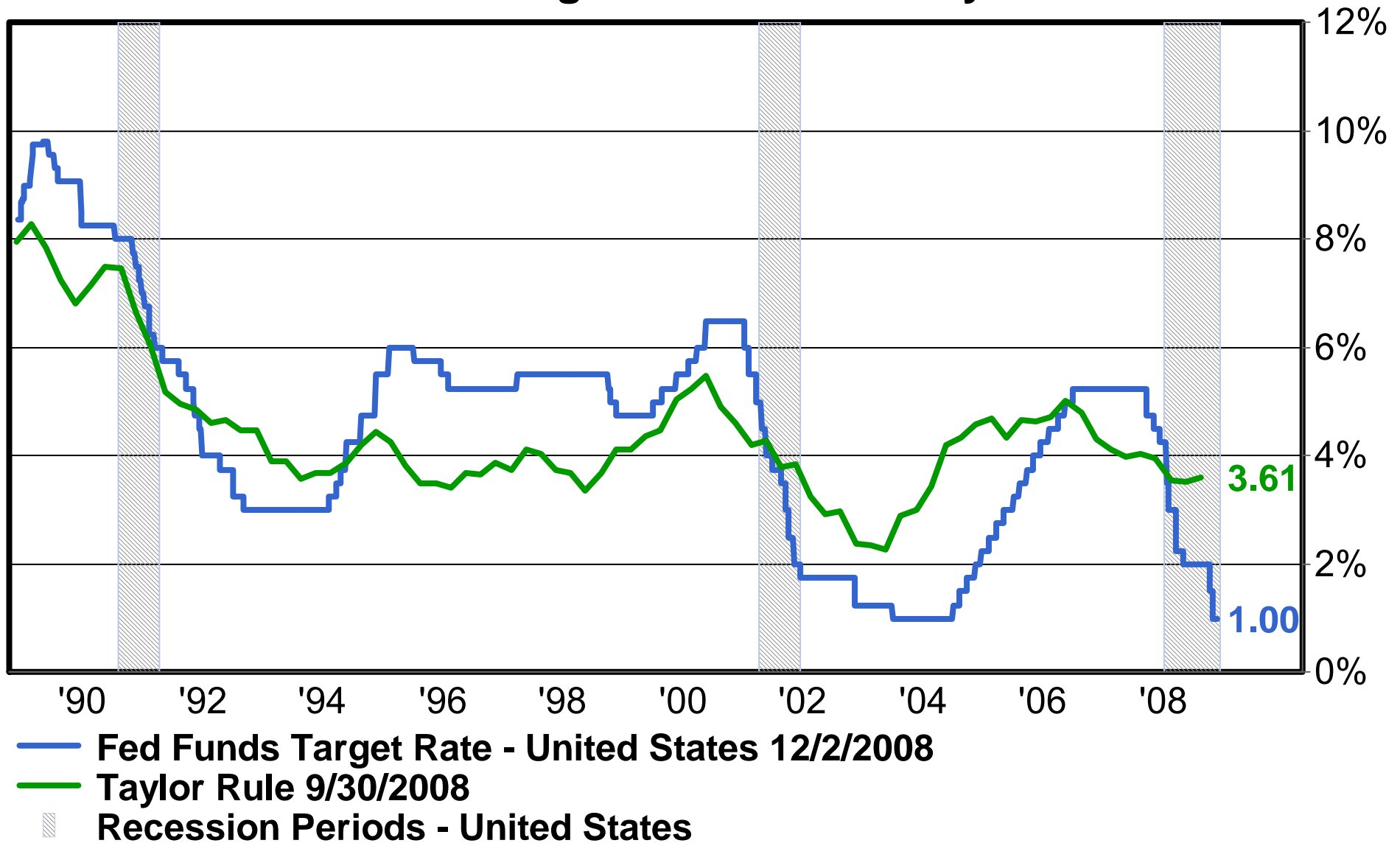


■ World Oil Consumption (million bbl/day) (Right) 6/30/2008
— WTI Light Crude Spot (Left) 12/2/2008

Source: Factset

The Fed's Goal: Manage Financial Crisis

Fed Funds Target Rate and the Taylor Rule



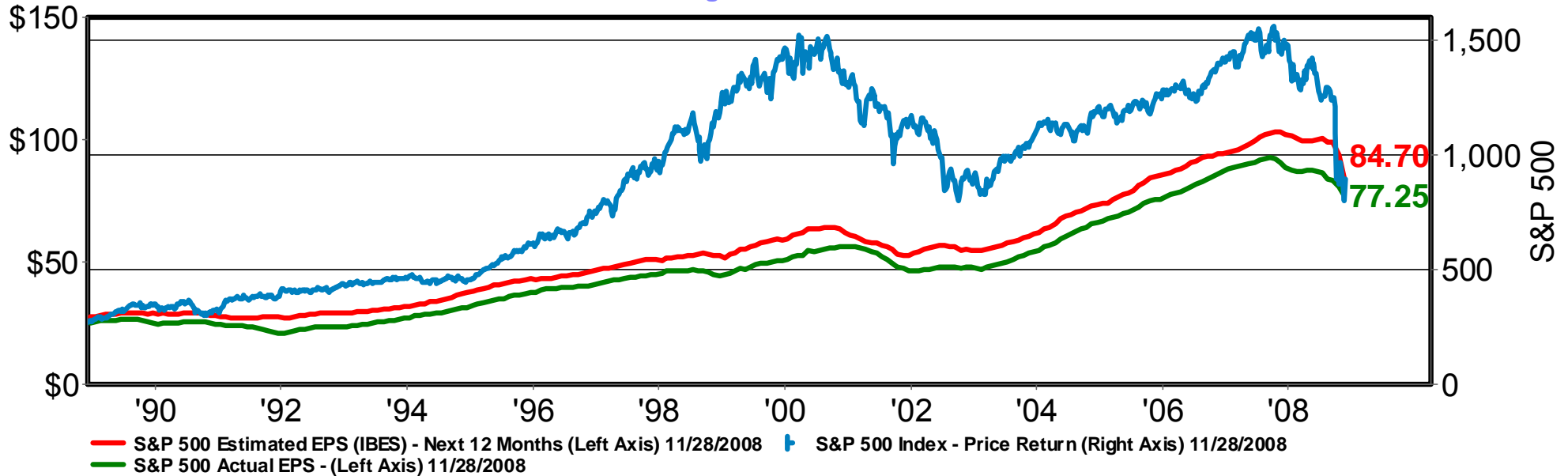
Source: Factset, ICS Calculation of Taylor Rule

Focus on Equity Markets

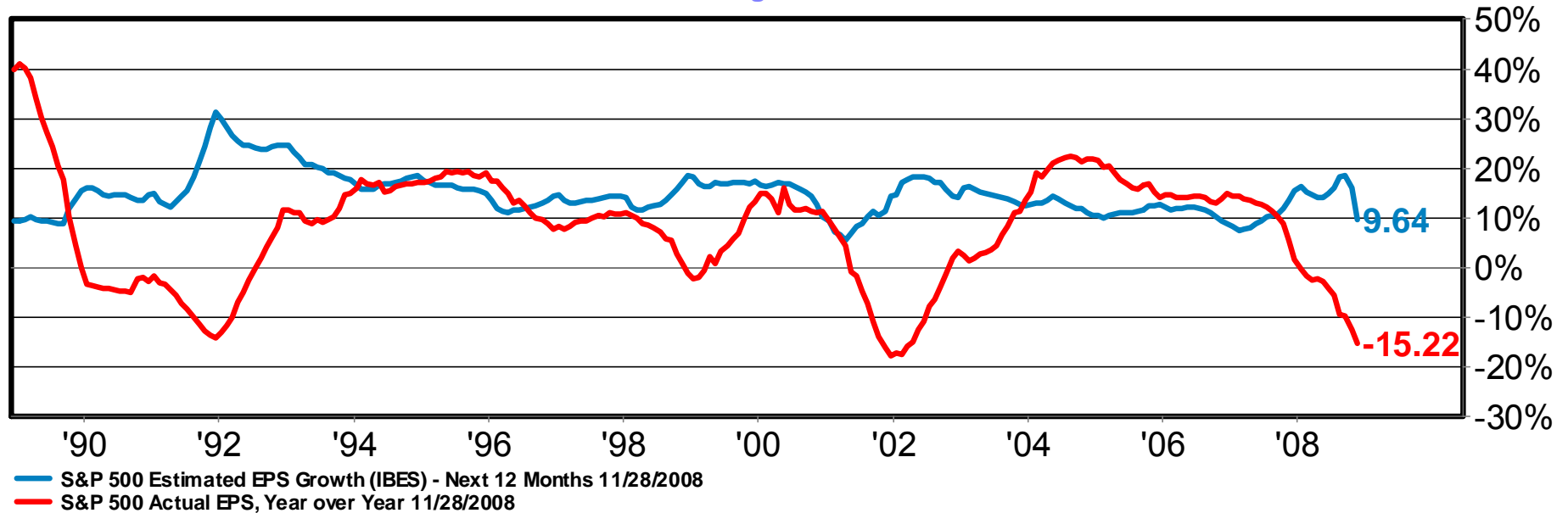


Corporate Earnings Are Slowing

Earnings and the S&P 500



YOY Earnings Growth Rates



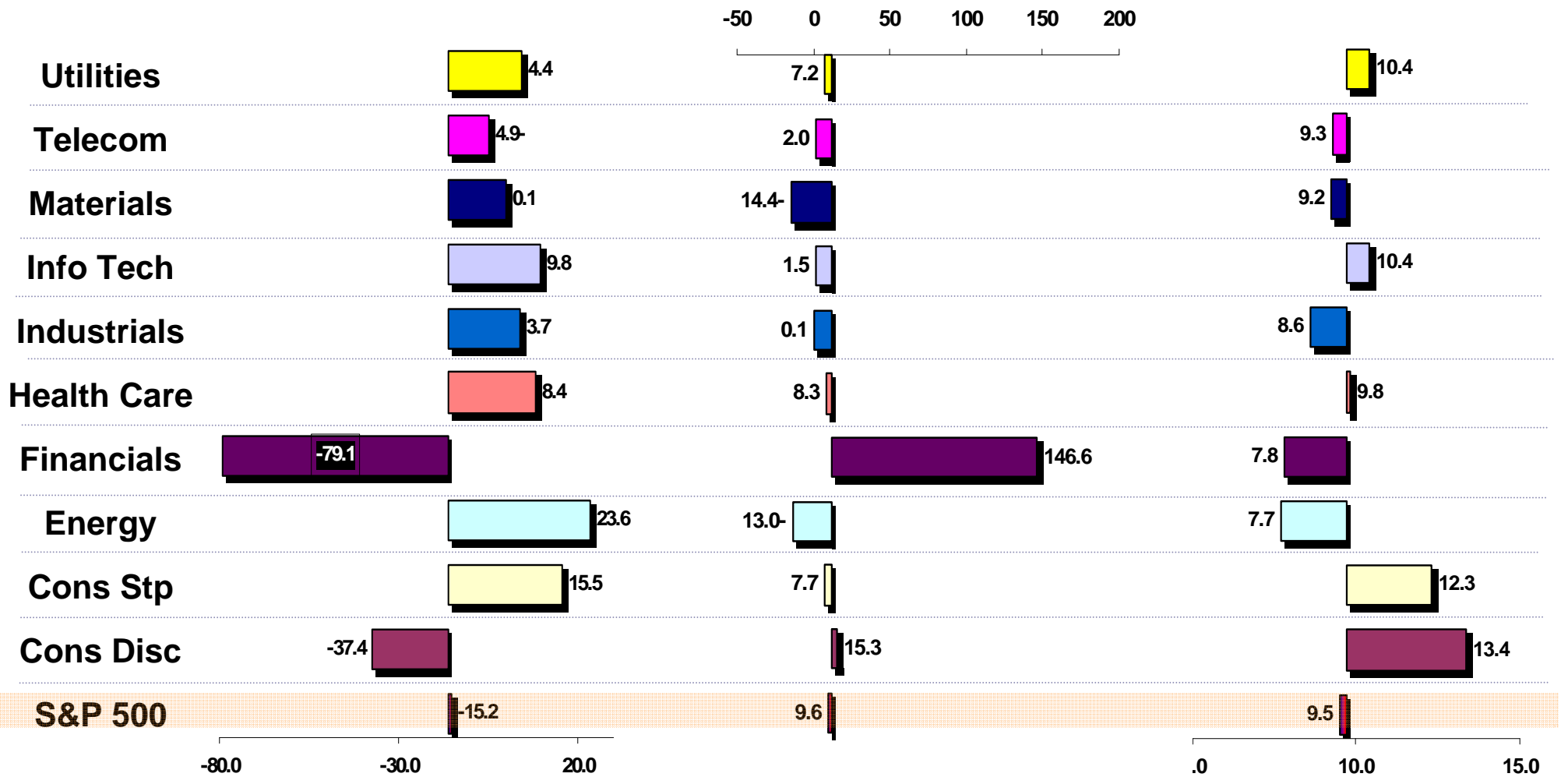
Source: Factset, It is not possible to invest in an index.

Sector Scoreboard

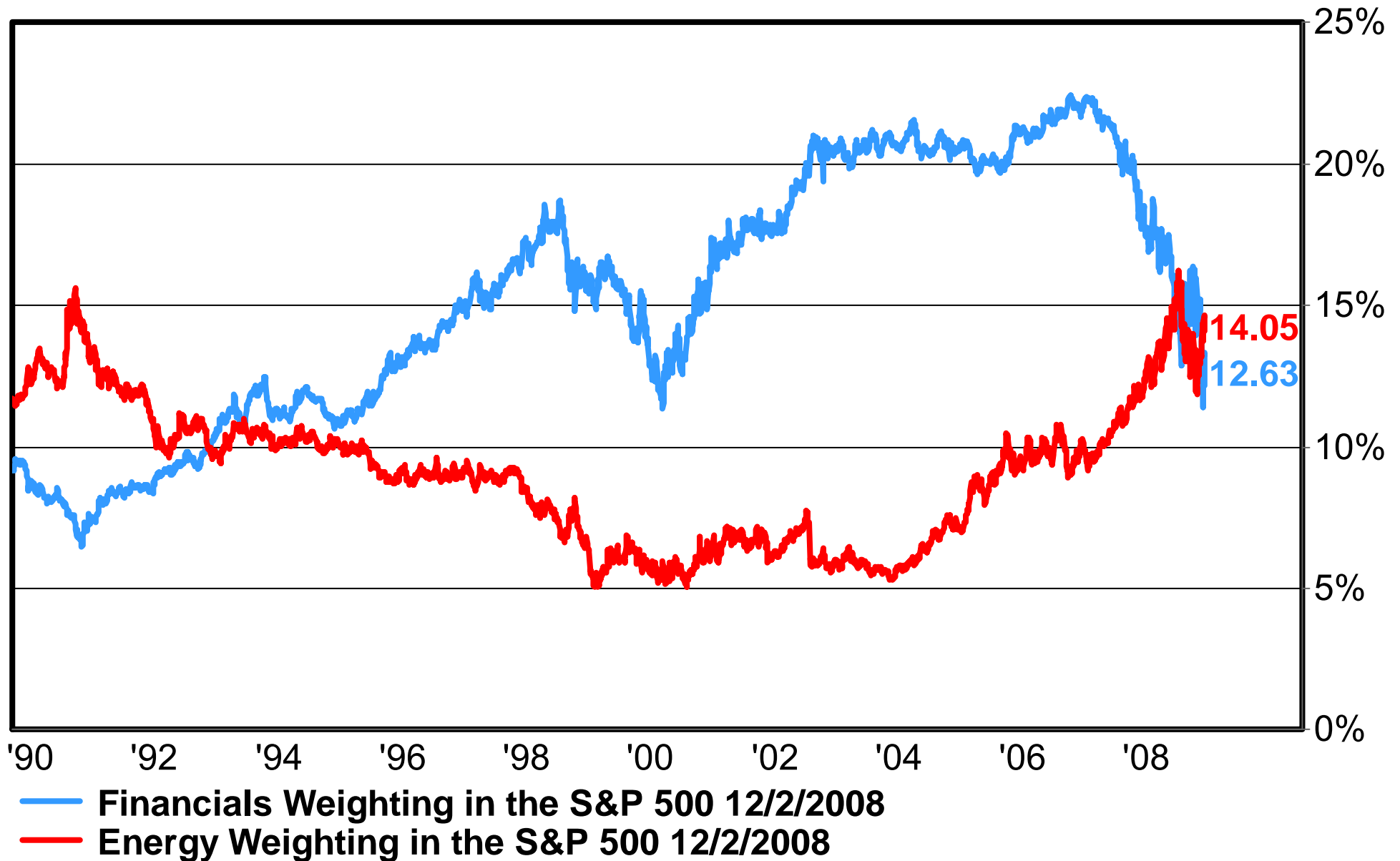
Trailing 12M Earnings Growth

Fwd Earnings Growth NTM

Forward P/E

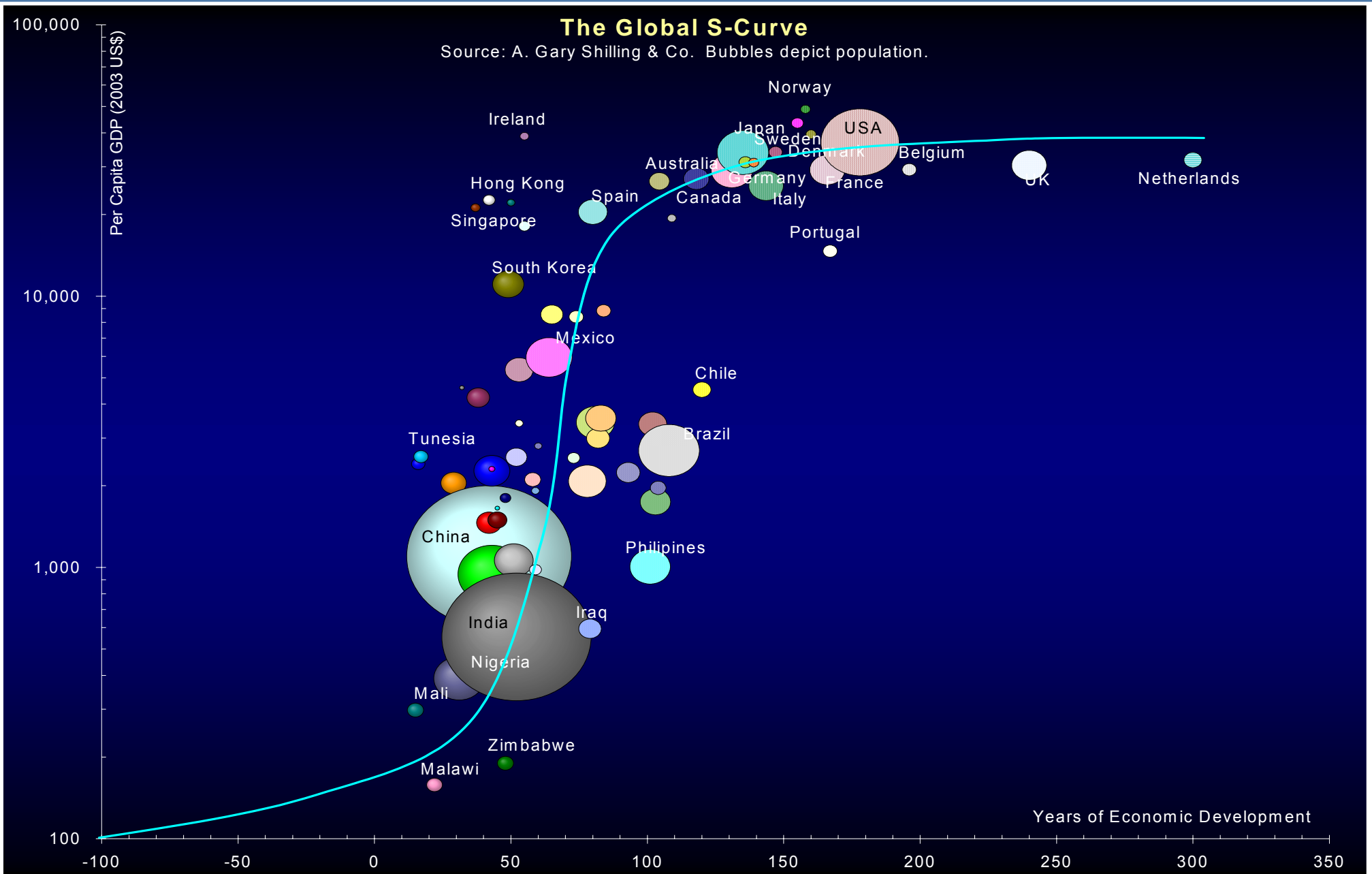


Energy and Financials: S&P 500 Weightings



Source: Factset

The Asian Century?



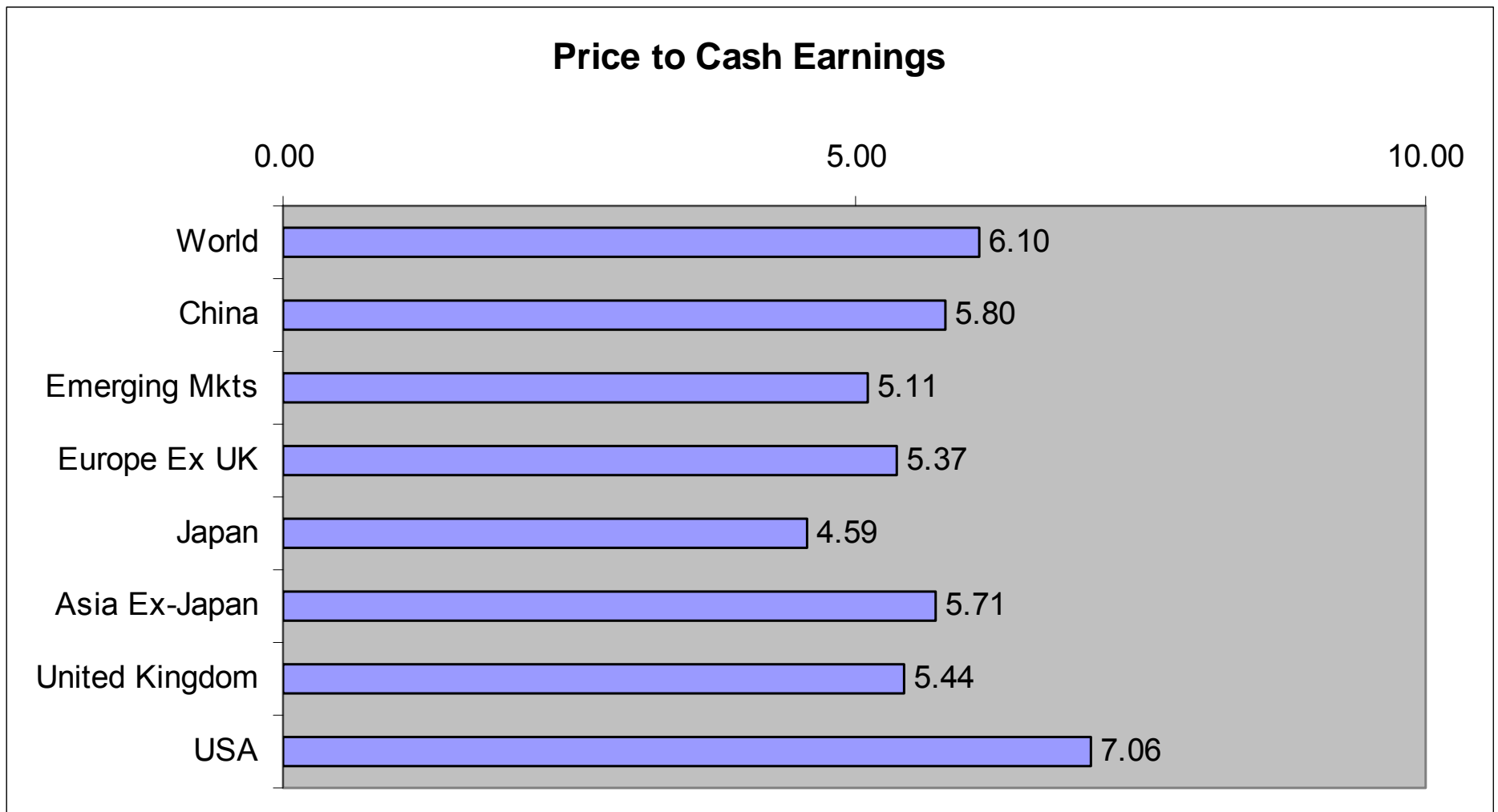
Source: FMR, A. Gary Shilling & Co September 2005; Reflects data as of 2003 (latest available)

Economic Emergence will be Turbulent for Investors

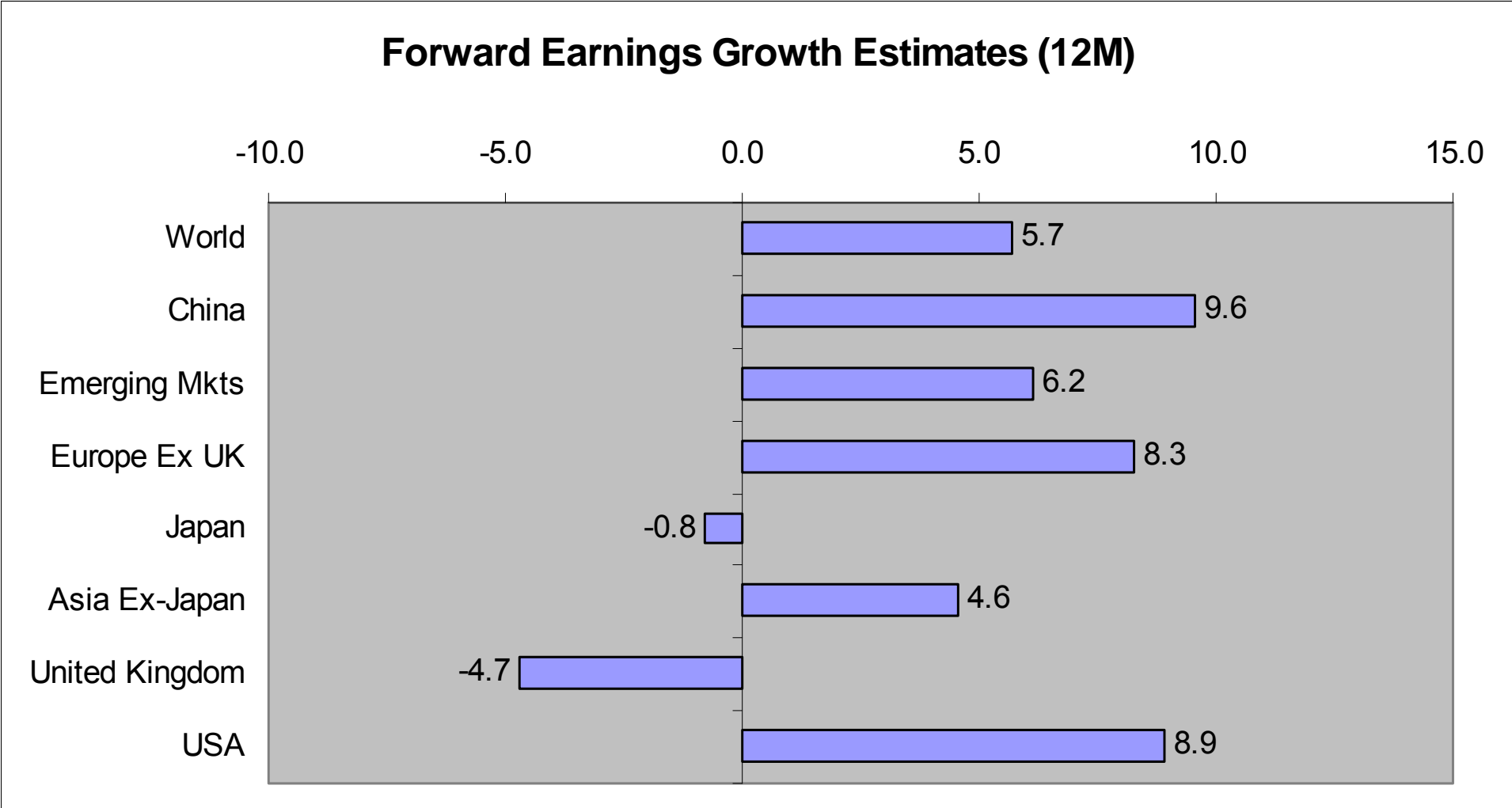


Source: Factset

Japanese Equities at a Discount to Rest of World



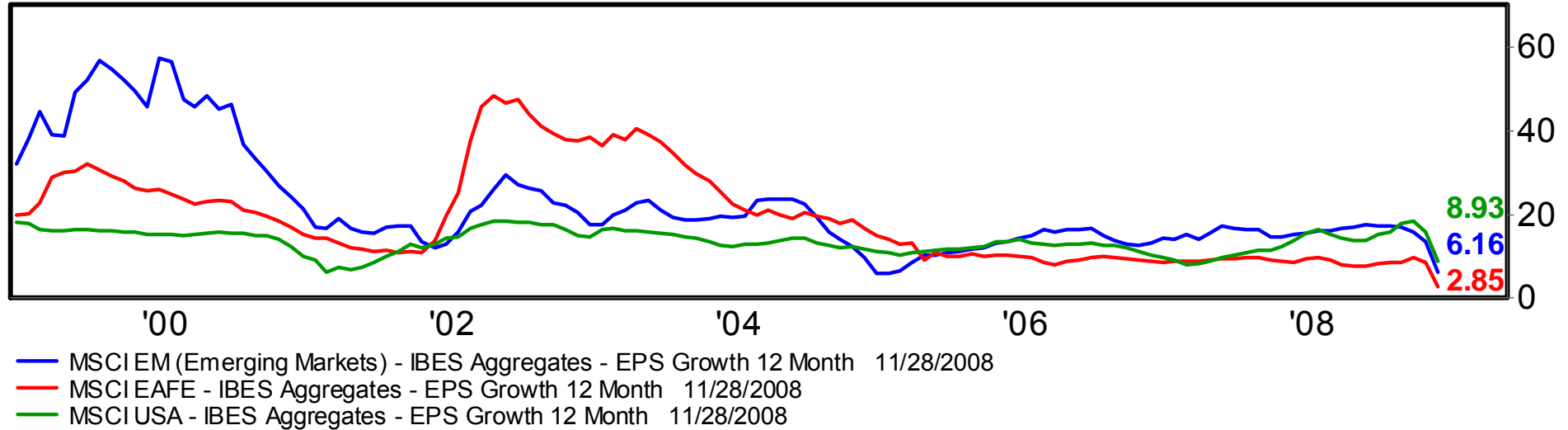
Outlook Worst in the UK



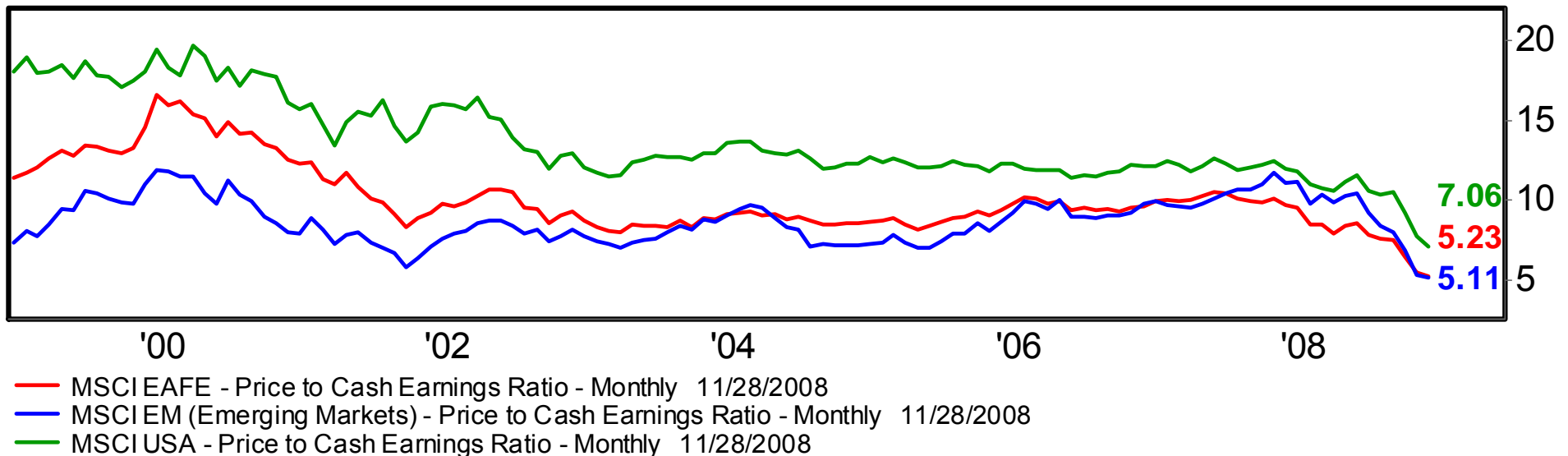
Source: FactSet, 11-30-2008

US Trading at a Premium Potential Earnings Bounce

Forward Earnings Growth (12 Month Estimates)



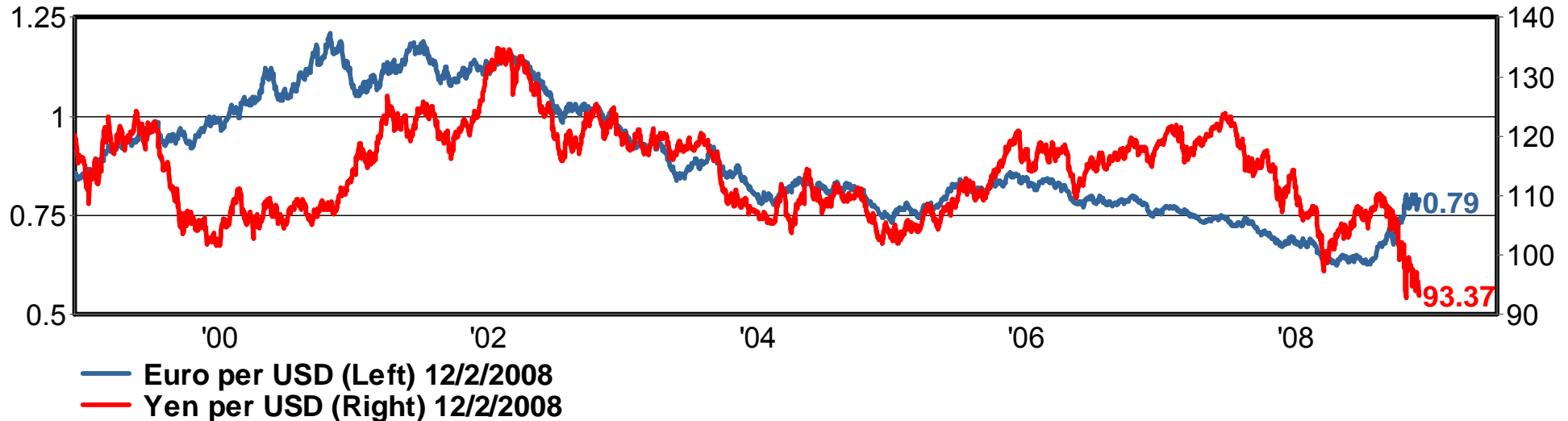
Price to Cash Earnings



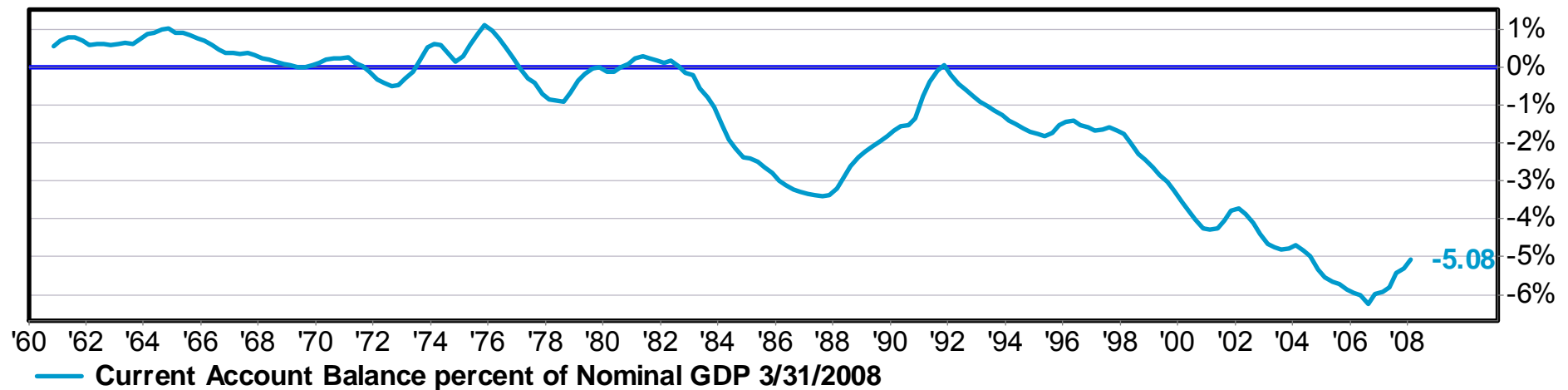
Source: MSCI, FactSet. Forward earnings growth is calculated as the change in the next 12 months expected EPS vs. the last 12 month actual EPS; It is not possible to invest in an index. Past performance is no guarantee of future results.

US Strong Relative to Europe Yen Carry Trade Derailed

Value of the Dollar



US Current Account Balance as Percent of GDP



Source: FactSet. The current account balance represents the net balance of imports and exports, services, income, and current transfers. The Federal Reserve Bank of Atlanta Dollar Index measures the relative value of the dollar against a basket of 15 international currencies. Global relative interest rates are represented by the difference in yield between the Barclay's Capital US Aggregate and Global Aggregate X-US benchmarks.

US Firms Benefitting from Overseas Sales

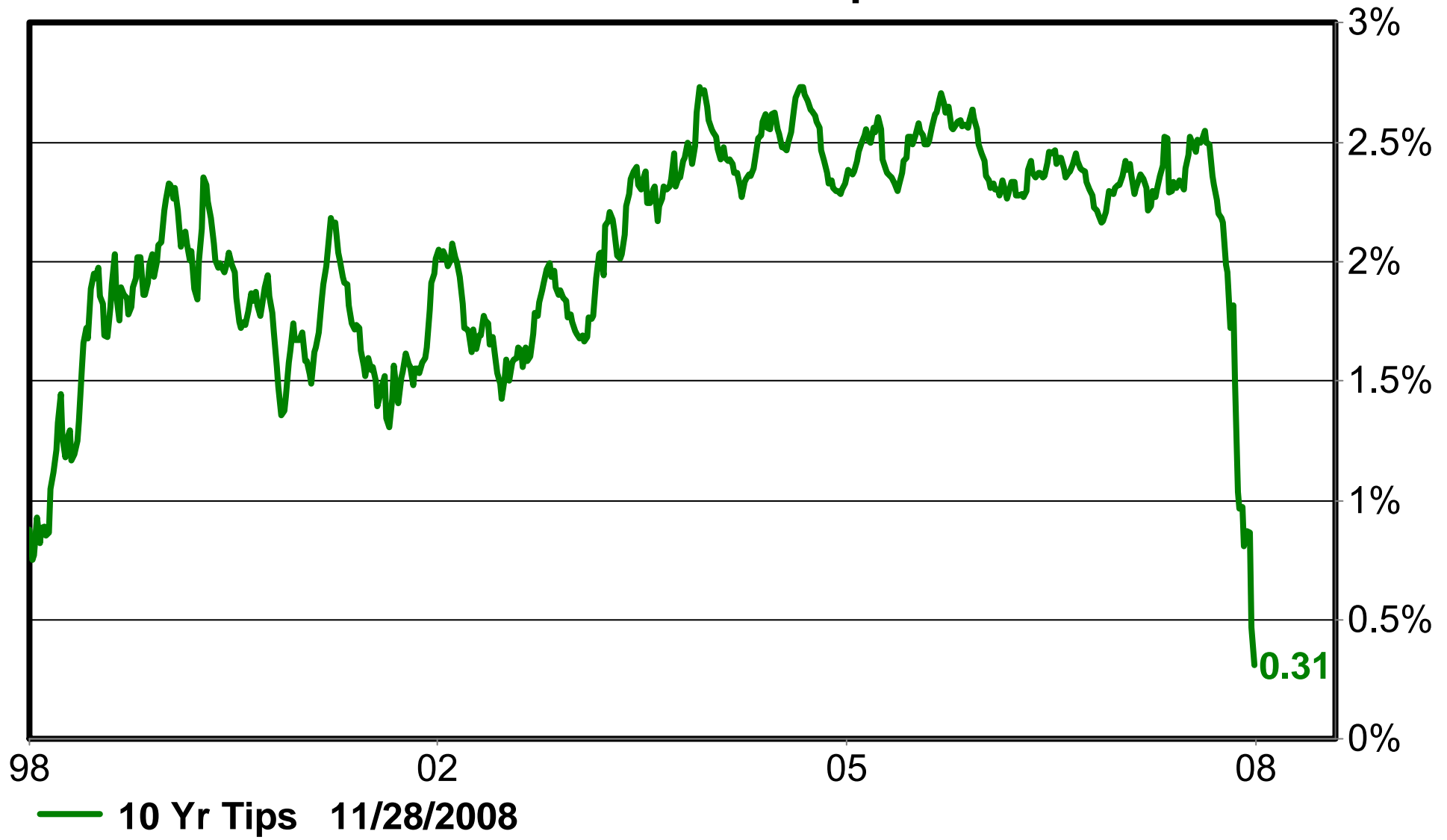
<u>S&P 500 Foreign Sales as a Percentage of Total Sales</u>			
	<u>2001</u>	<u>2005</u>	<u>2007</u>
Information Tech.	50	54	54
Energy	49	48	51
Materials	34	38	44
Industrials	28	34	37
Consumer Staples	23	28	51
Consumer Discretionary	19	23	19
Health Care	17	19	34
Financials	13	16	15
Utilities	7	7	4
Telecommunications	3	1	17
<i>S&P 500 Total</i>	<i>25</i>	<i>29</i>	<i>36</i>

The Fixed Income Environment



TIPS Break Even Spreads Reflecting Eased Inflation Concerns

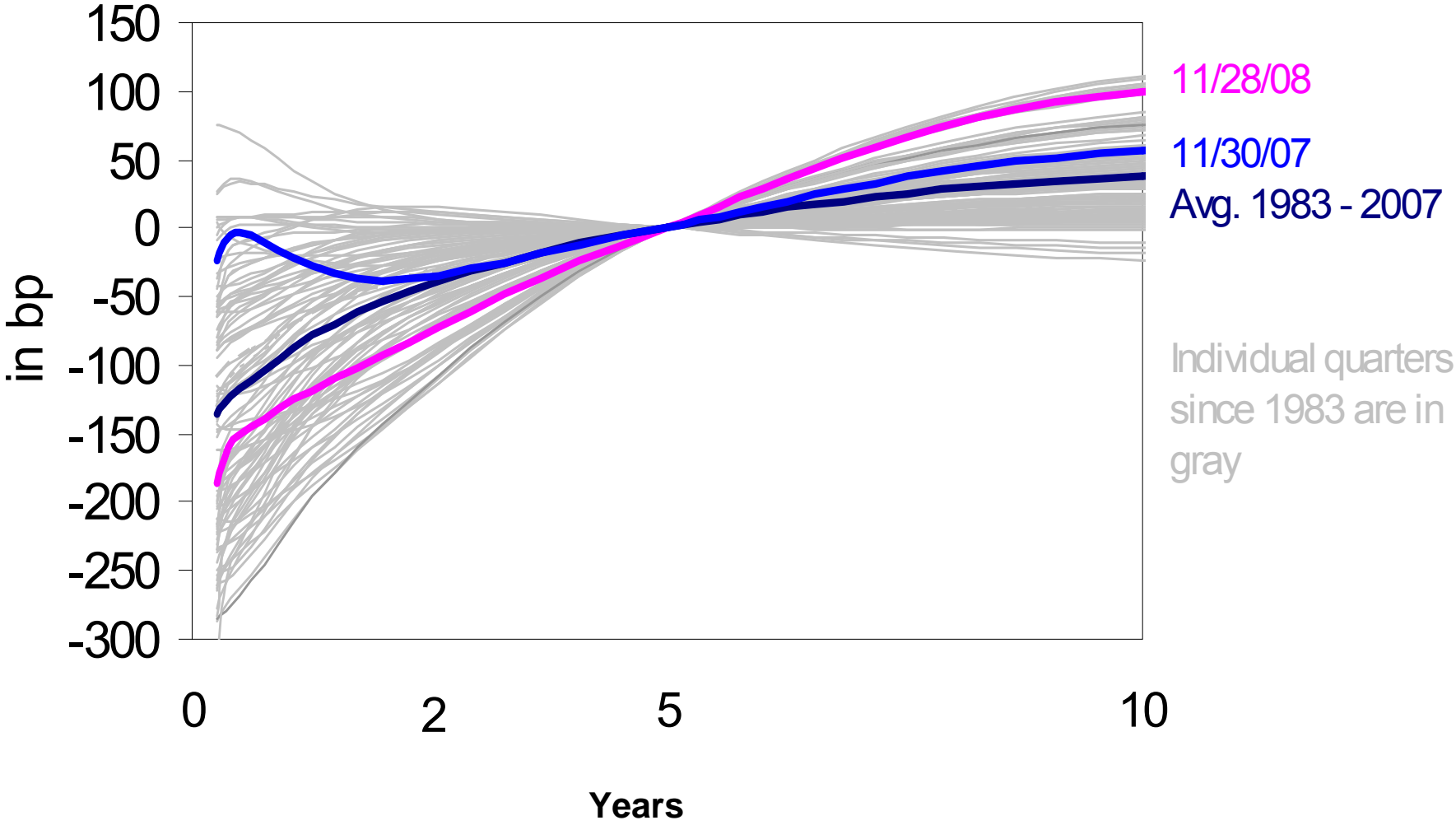
TIPS Break Even Spreads



Source: Factset

Fixed Income Markets: Yield Curve has Steepened

Historic Yield Curve Shapes



Source: Bloomberg® and FMR Co., as of 11/30/08

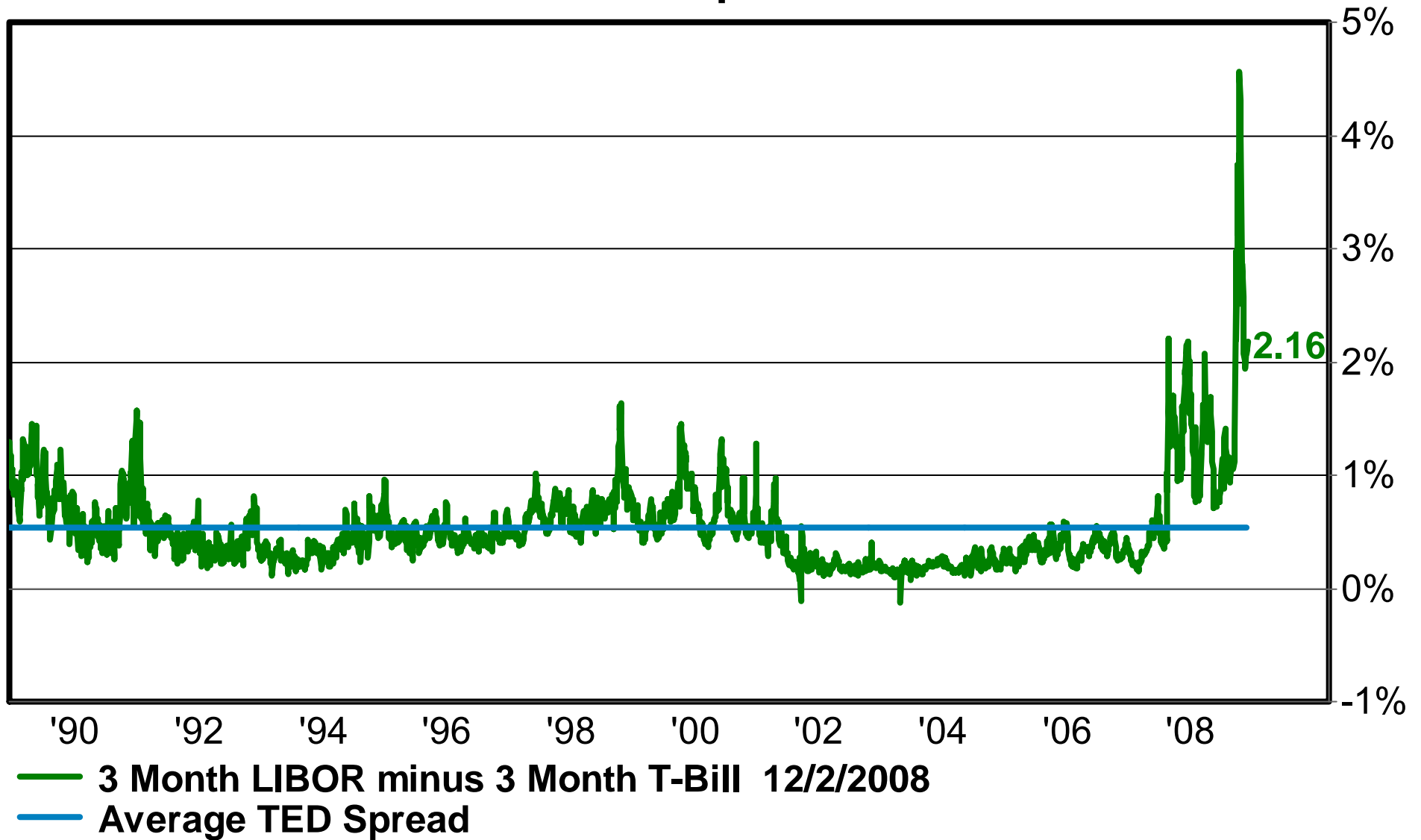
Fixed Income Markets: Spreads Reaching Extreme Levels

Credit Spreads



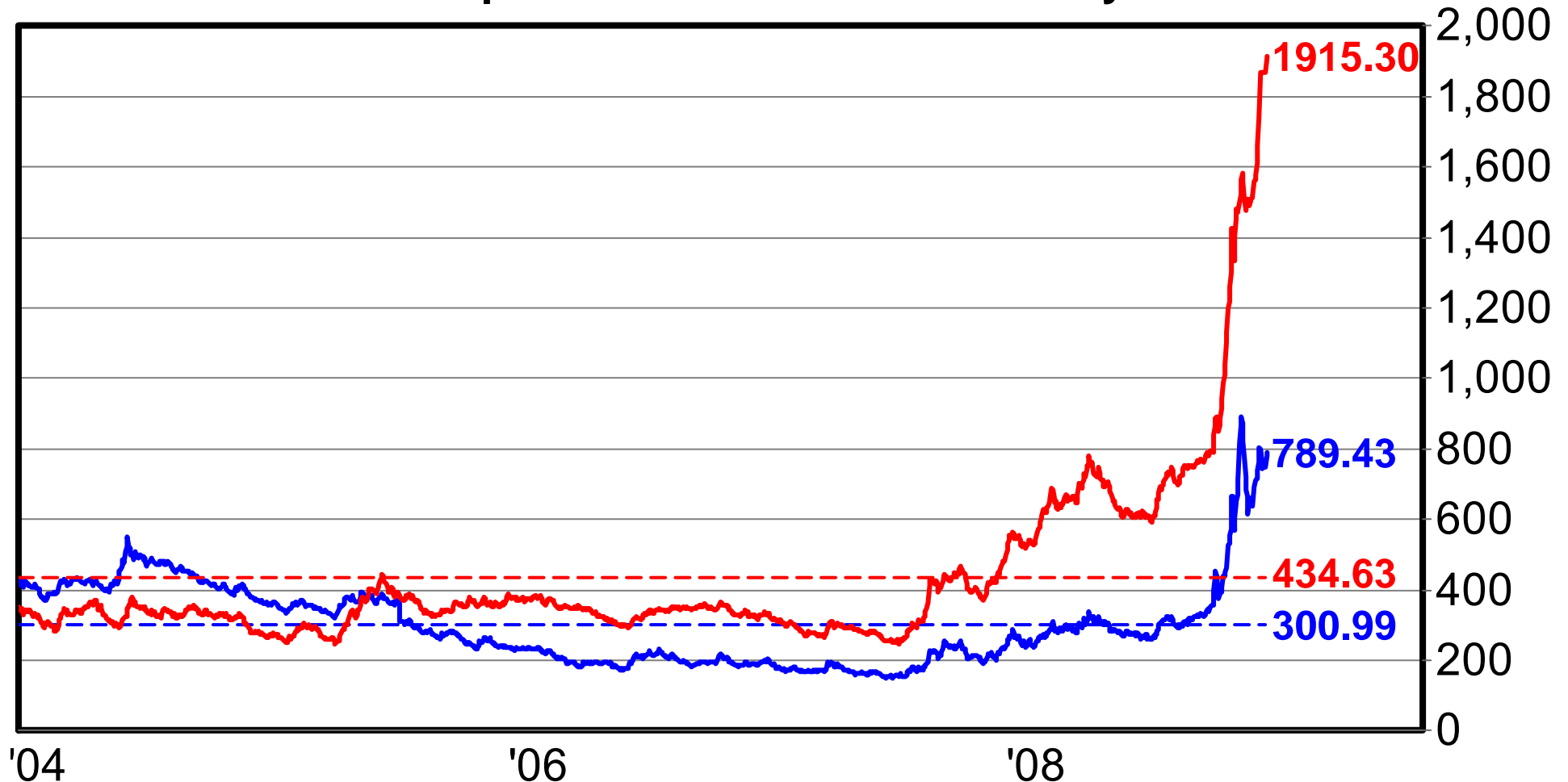
TED Spread: Government Intervention is Helping

TED Spread



High Yield and Emerging Market Debt: Risk Aversion Reaching Extremes

Spread vs US 10 Year Treasury

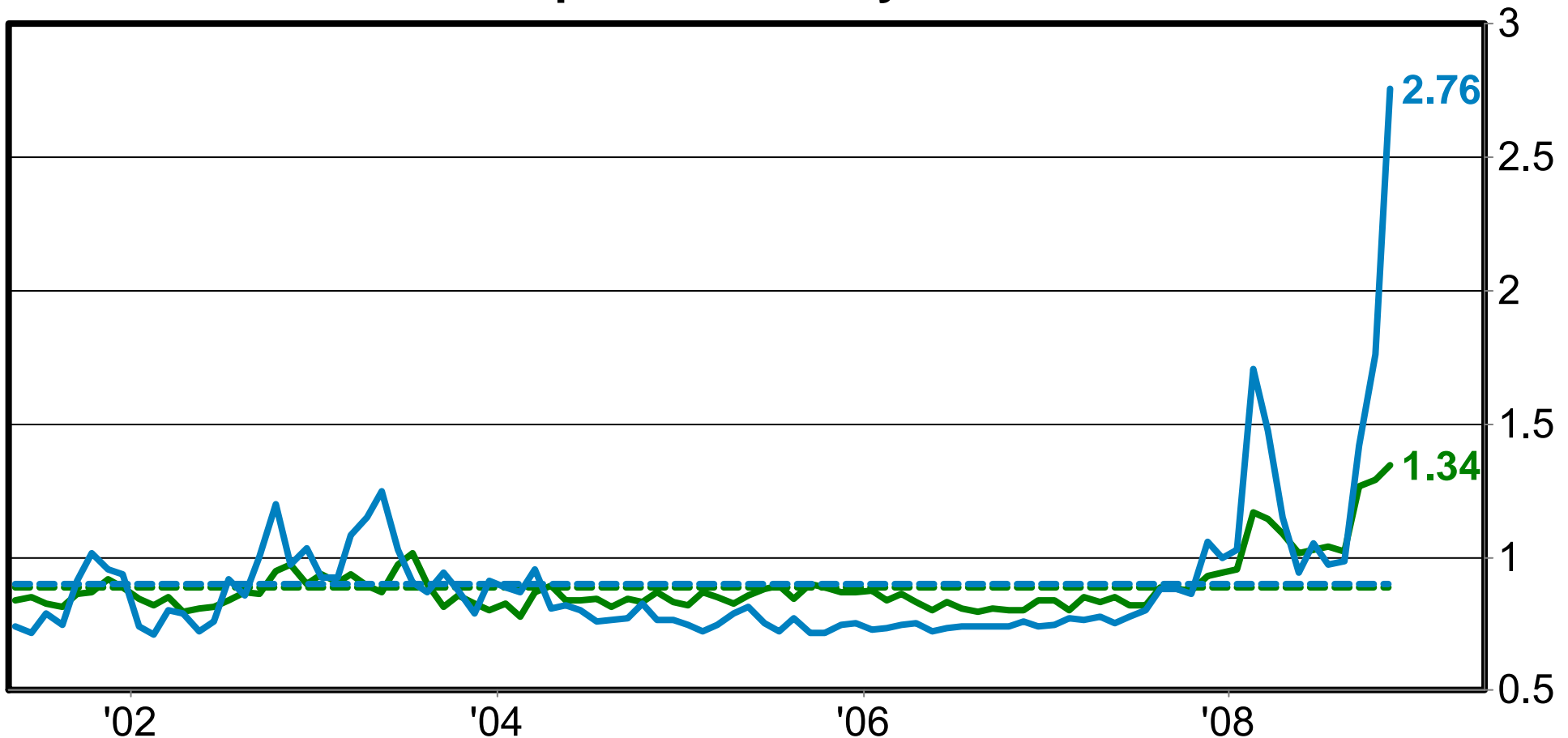


- JP Morgan EMBI Global Spread 12/2/2008
- - - (AVG) EMBI
- Merrill Lynch U.S. High Yield Master II Yield to Worst 12/2/2008
- - - (AVG) ML US HYM II

Source: Factset

Municipal Yield Ratios: Recent Flight to Treasuries

Municipal to Treasury Yield Ratio

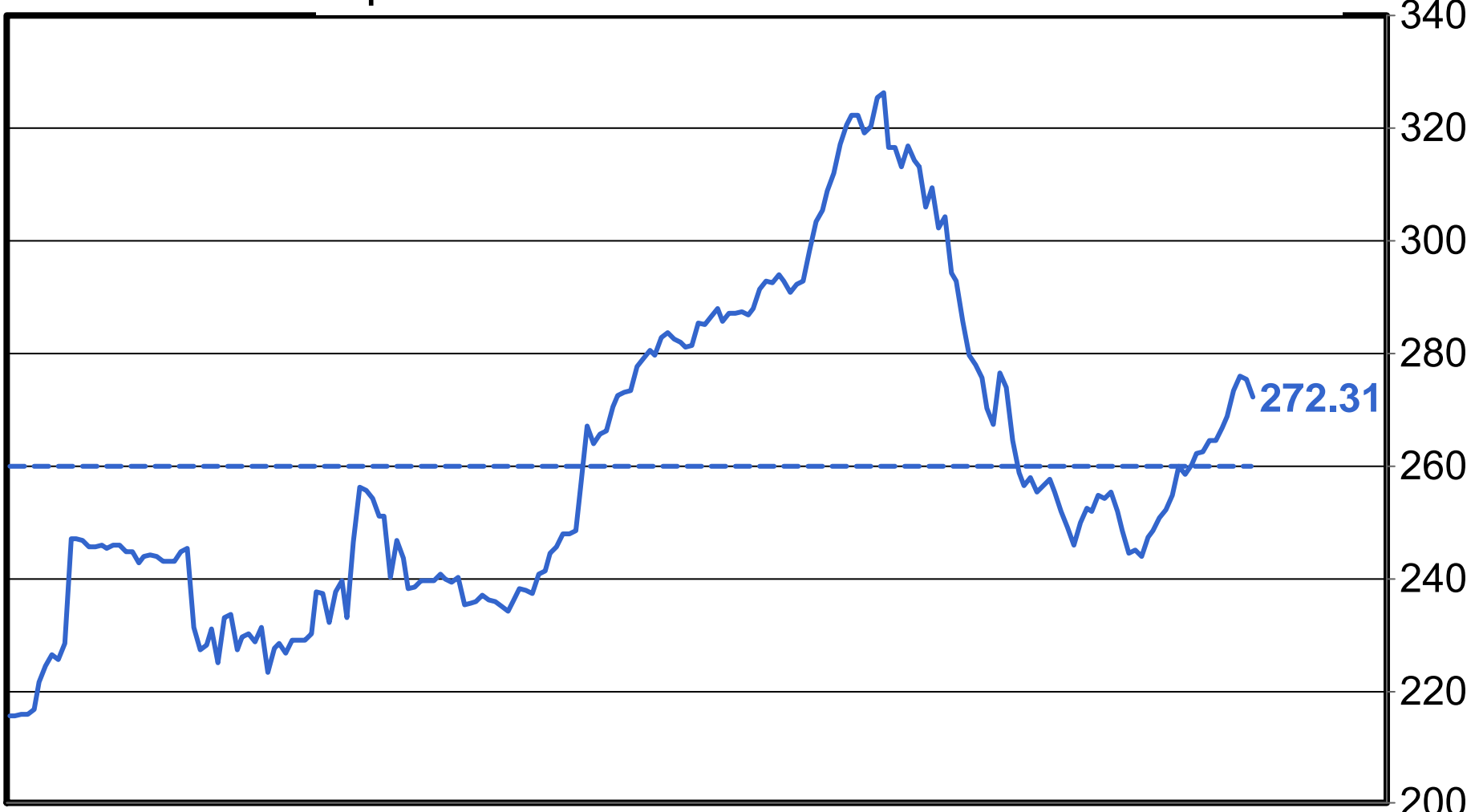


- Muni Yield divided by Treasury Yield (10Y) 11/28/2008
- - - (AVG) 10 Year Average
- Muni Yield divided by Treasury Yield (1-2 Y) 11/28/2008
- - - (AVG) 1-2 Year Average

Past performance is not a guarantee of future results. Yield ratio is calculated as the yield to worst of Barclay Capital Municipal Bond benchmarks vs. its Treasury counterpart of the same maturity. Source: Factset

Floating Rate: Above Average Spreads at Par

Spread over 3 month LIBOR



'92 '93 '94 '95 '96 '97 '98 '99 '00 '01 '02 '03 '04 '05 '06 '07 '08

- CSFB Leveraged Loan Index, Spread 11/28/2008
- CSFB Leveraged Loan Index, Average Spread 11/28/2008

Source: Factset

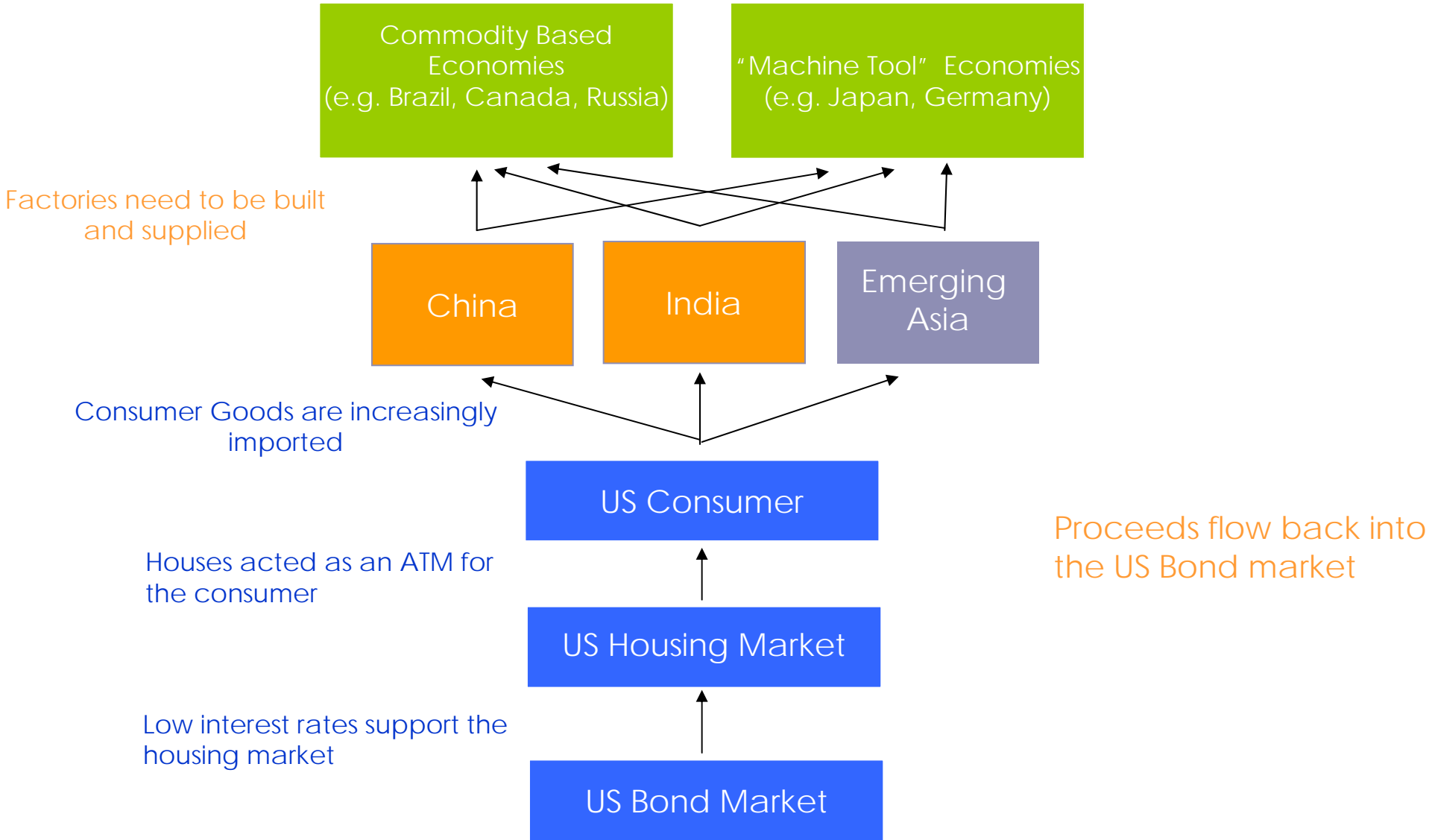
Other Ideas & Themes (Appendix)

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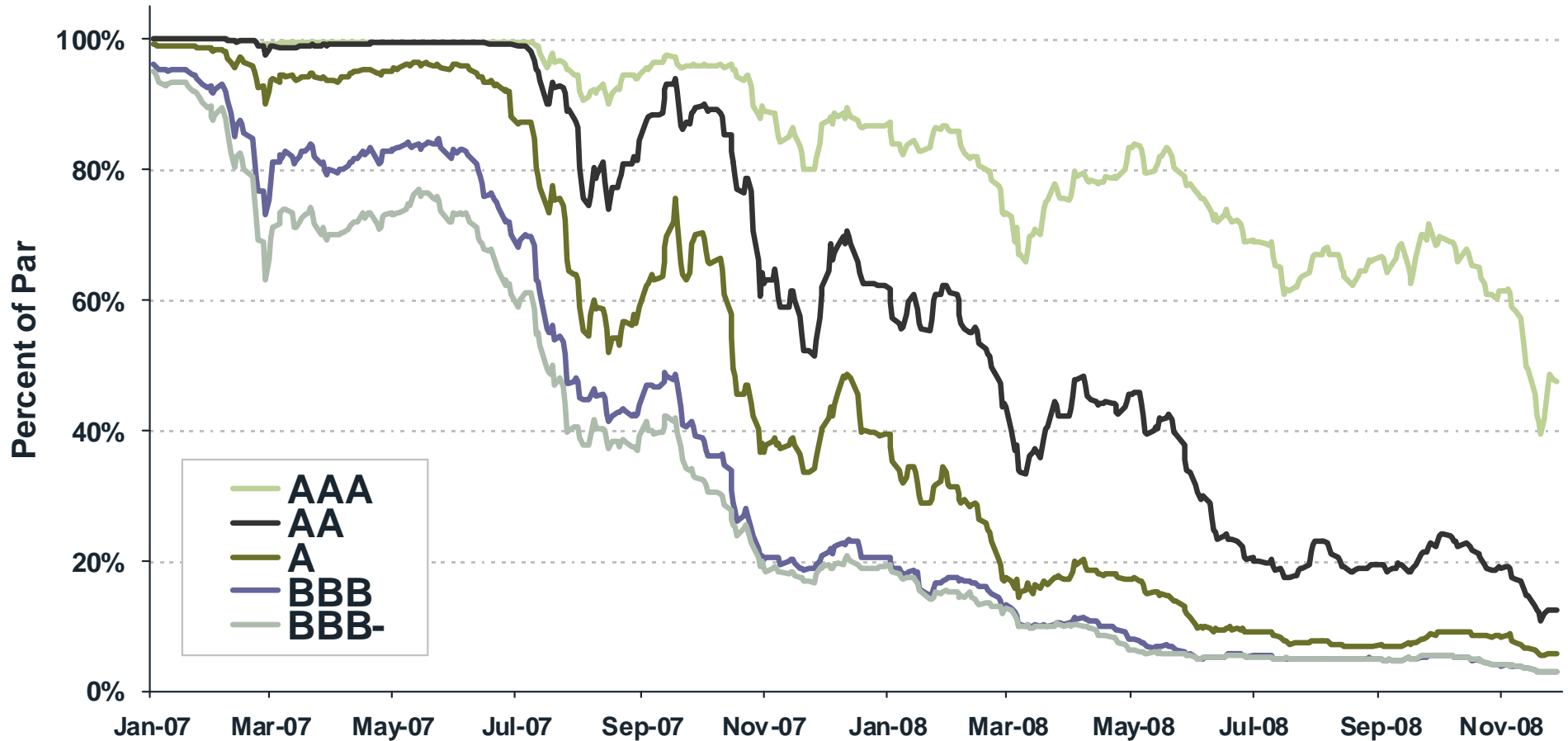
"I want my bubble back."

Globalization and the Interdependence of Global Economies



Tracing Subprime

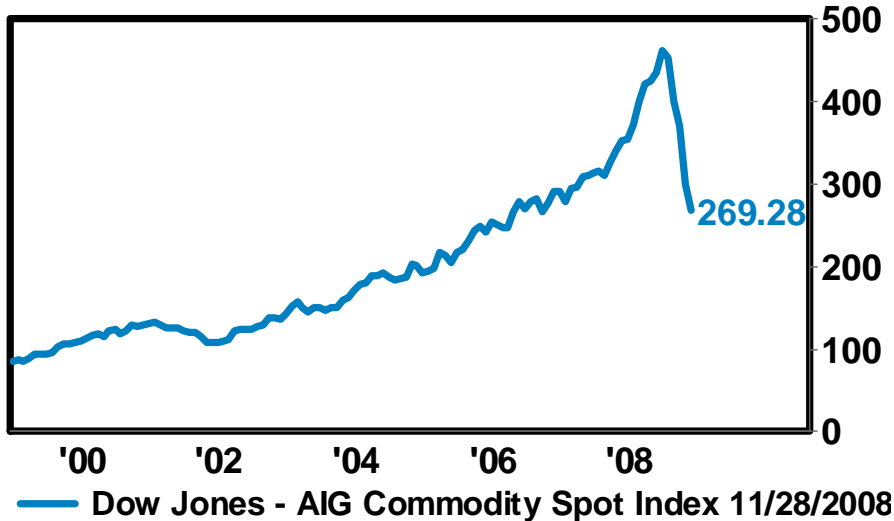
ABX.HE Indices



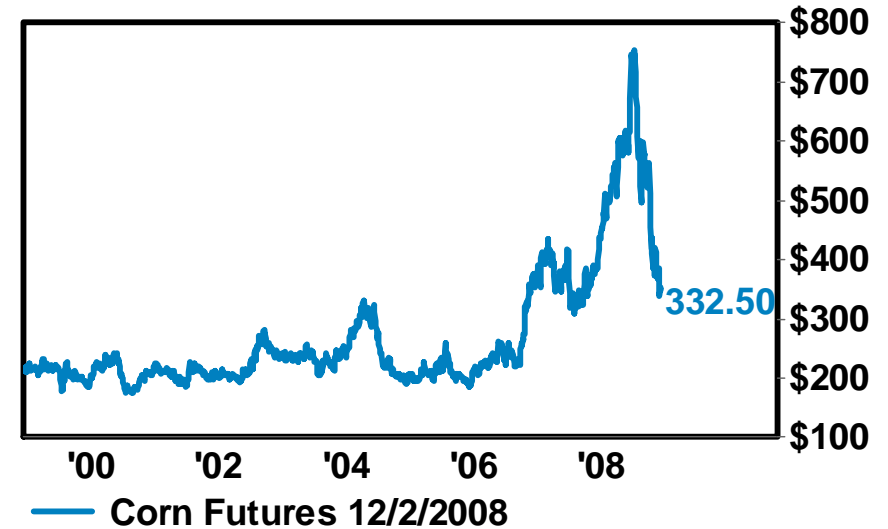
ABX.HE indices represent a standardized basket of home equity Asset Backed Security obligations, each based on the rating of their reference obligations. The indices shown above are series 6 version 2 of the ABX. Source: MarkIt Group Limited™, Bianco Research, FMRCo (MARE) as of 11/30/2008.

Commodities: Recent Sharp Correction

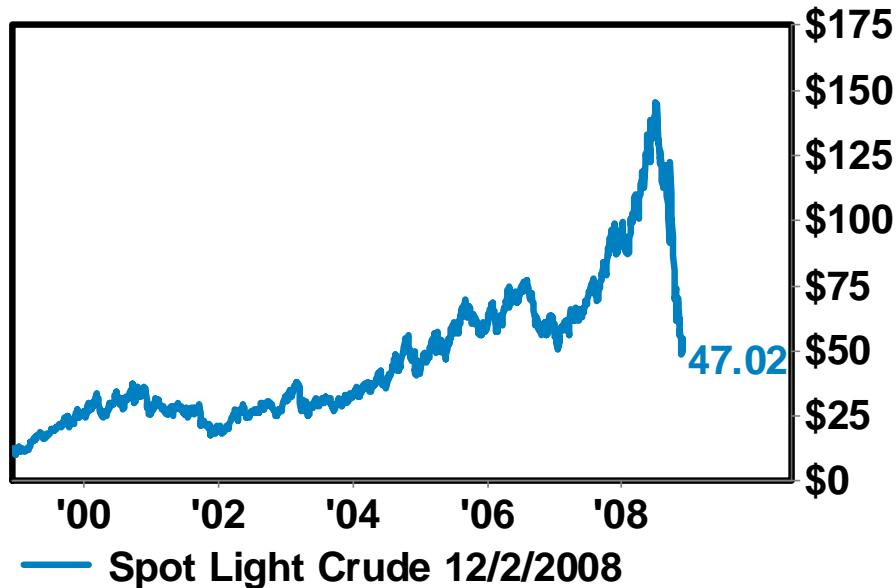
Commodities



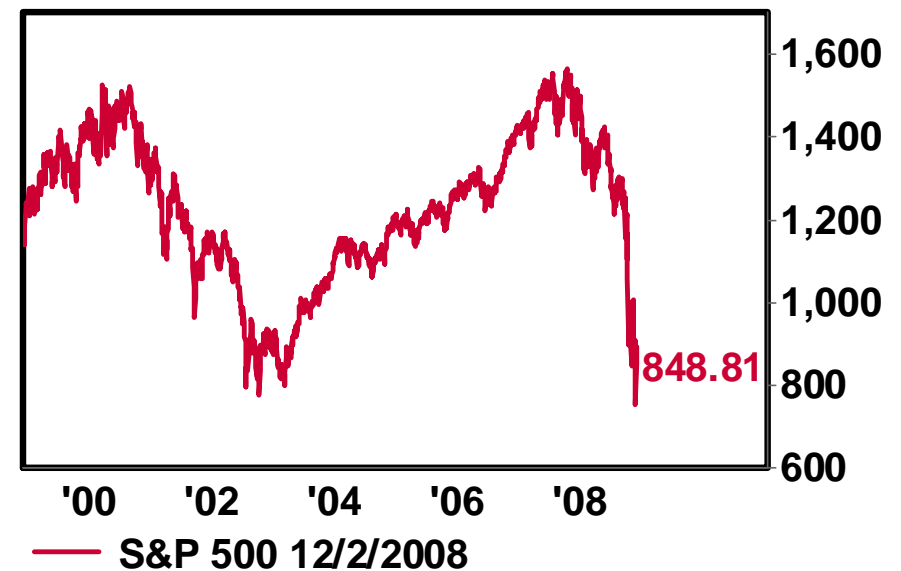
Corn



Crude Oil

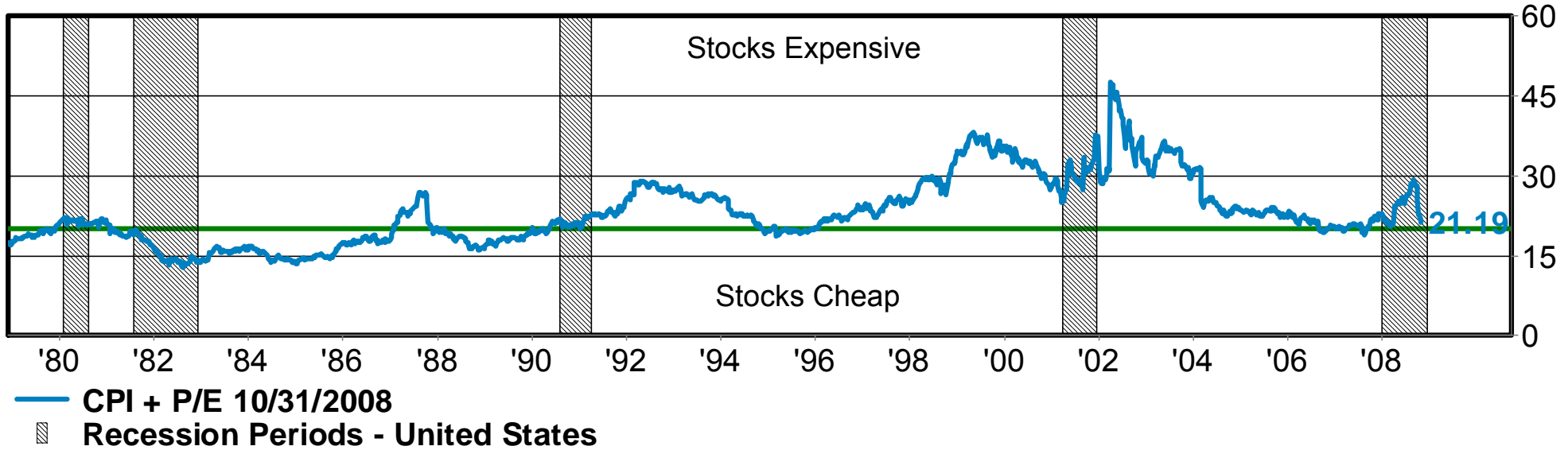


S&P 500

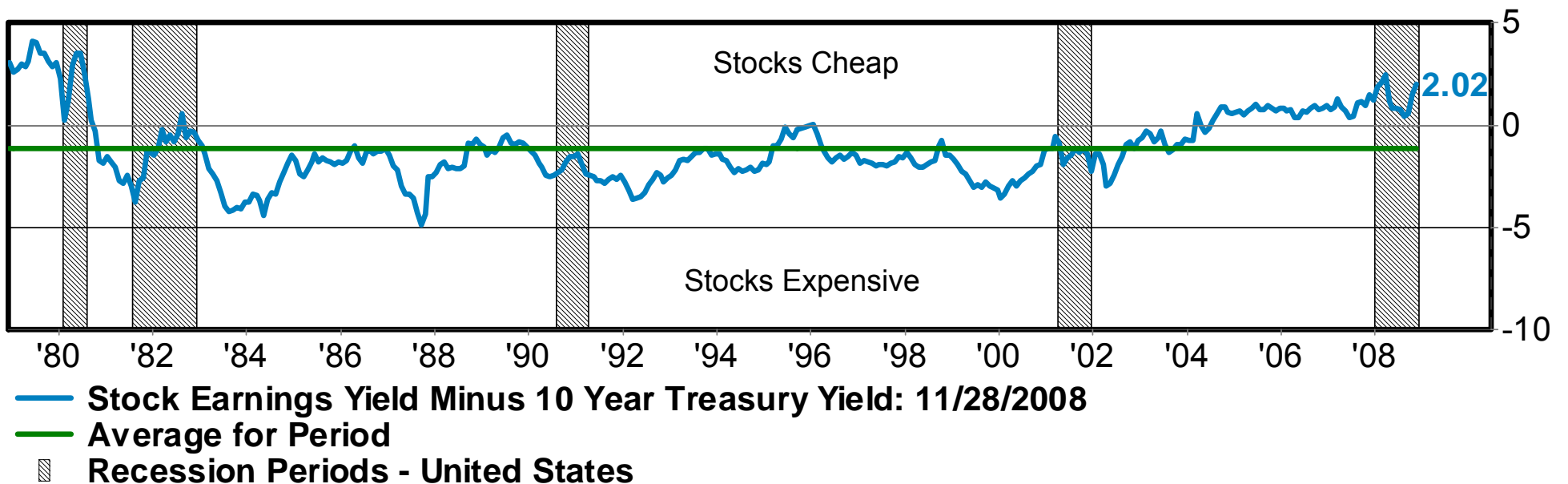


Valuations: Equity Valuations Appear Cheap

Rule of 20 (CPI + P/E)

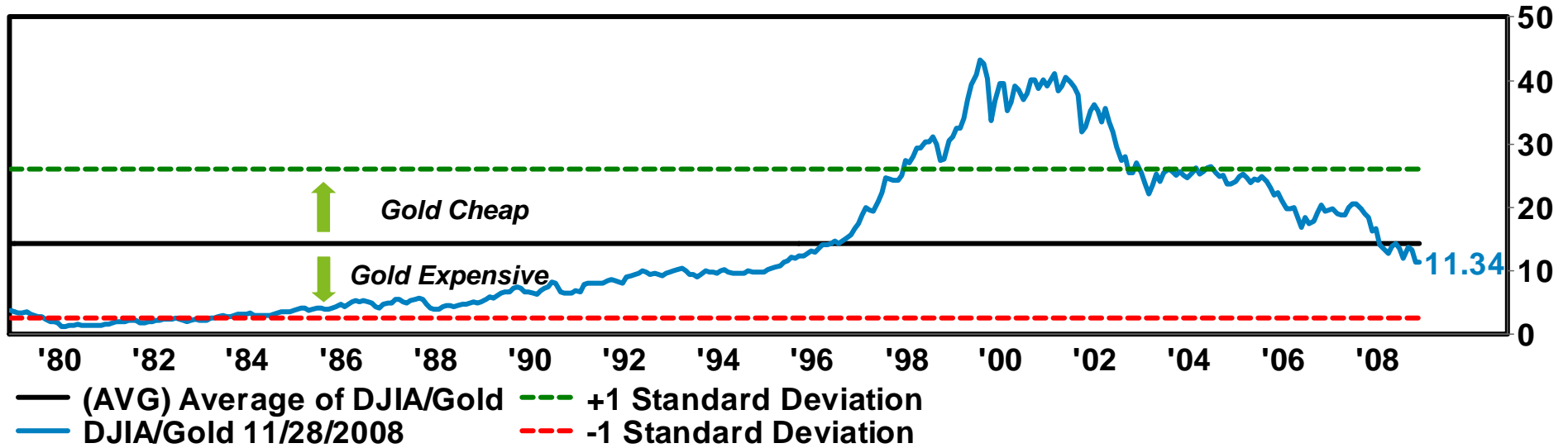


Fed Model

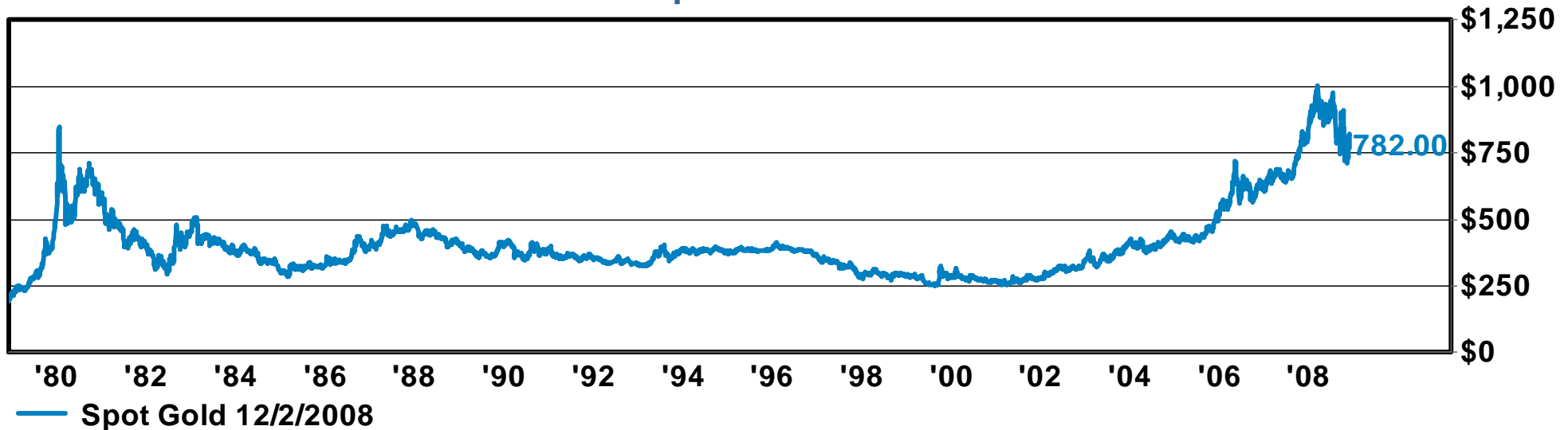


The Investment Case for Gold

Stock/Gold Relative Valuation



Spot Gold



Source: Factset. It is not possible to invest directly in an index.

Diversification Opportunities

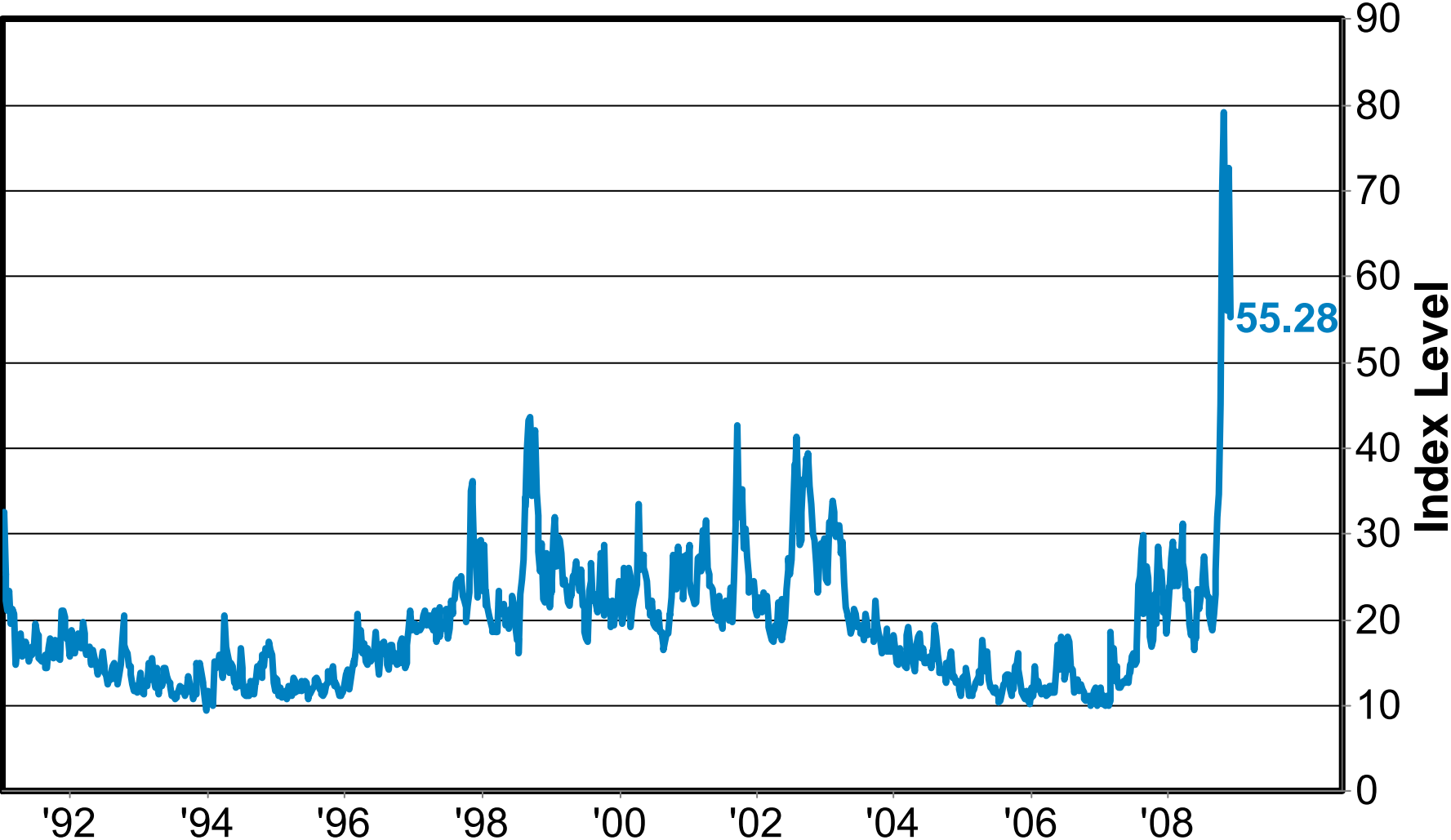
	Investment Grade Bonds	TIPS	Leveraged Loans	Commodities	Real Estate Inv. Trusts	Foreign Small Cap Equities	Foreign Large Cap Equities	S&P 500
Investment Grade Bonds								
TIPS	0.78							
Leveraged Loans	0.12	0.46						
Commodities	0.24	0.58	0.58					
Real Estate Inv. Trusts	0.06	0.31	0.80	0.34				
Foreign Small Cap Equities	0.25	0.41	0.72	0.61	0.57			
Foreign Large Cap Equities	0.24	0.40	0.80	0.60	0.63	0.96		
S&P 500	0.18	0.33	0.86	0.42	0.79	0.82	0.90	

Source: Morningstar, 11/30/2008

US Equities: S&P 500 Index; Investment Grade: Barclay's Capital Aggregate Index; Leveraged Loans: CS Leveraged Loan Index; Commodities: DJ-AIG Commodity Index; Foreign Large Cap Equities: MSCI EAFE Index; Foreign Small Cap Equities: MSCI EAFE Small Cap Index; TIPS: Barclay U.S. Treasury TIPS Index; Real Estate Inv. Trusts: DJ Wilshire RE Securities

Market Volatility at Historic Highs

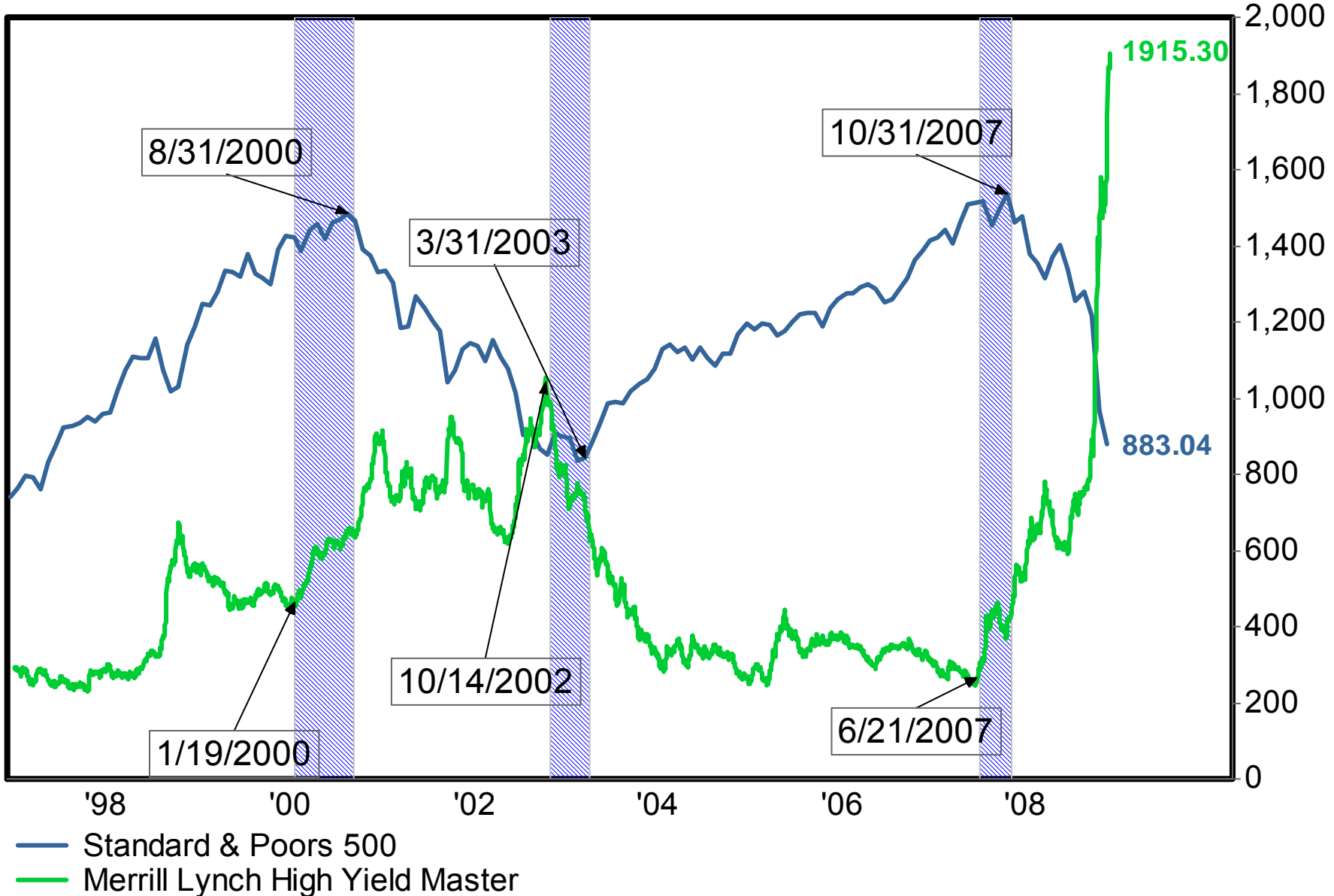
VIX



— CBOE Market Volatility Index 11/28/2008

Source: Factset

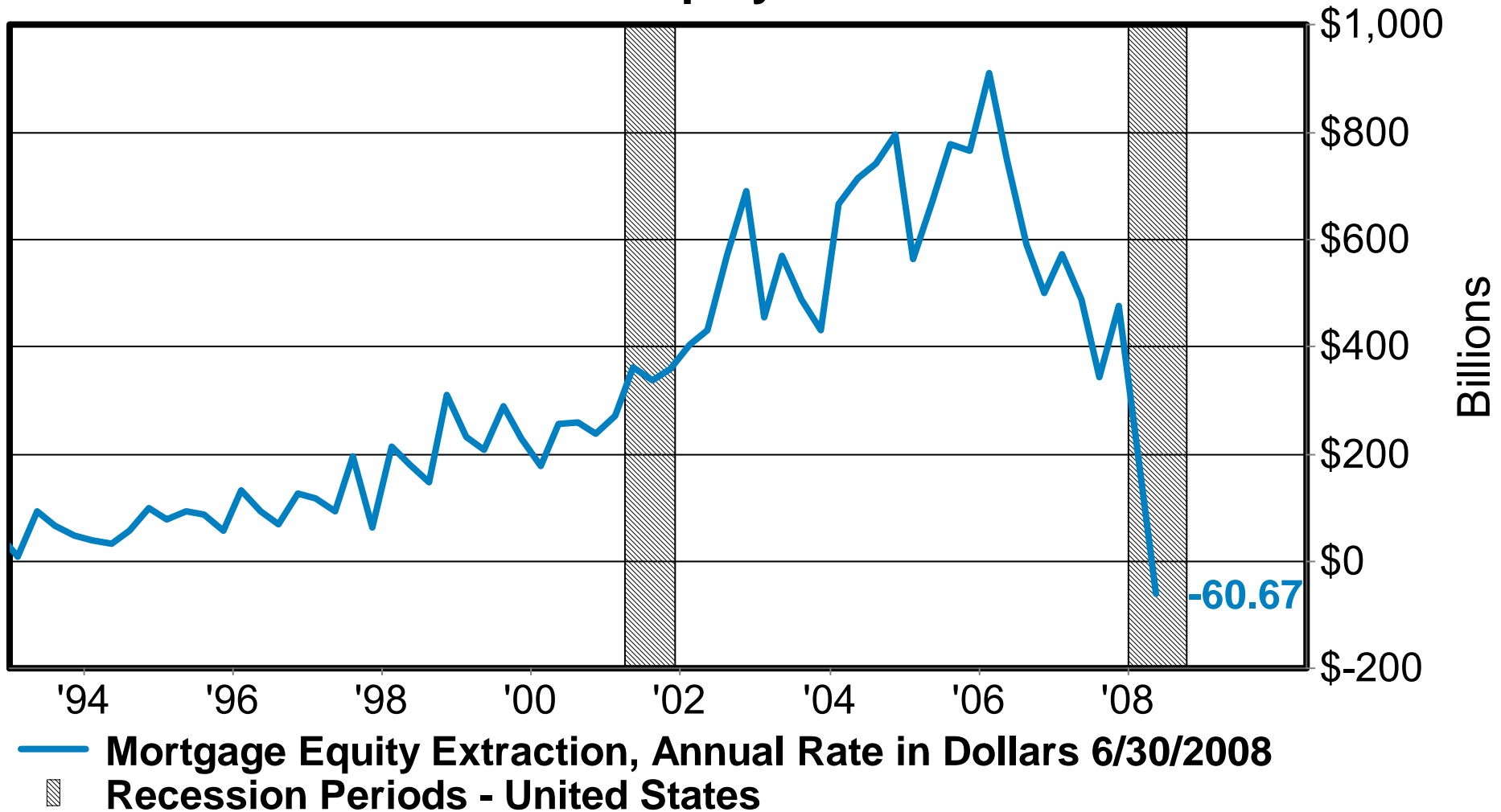
High Yield Spreads and The S&P 500



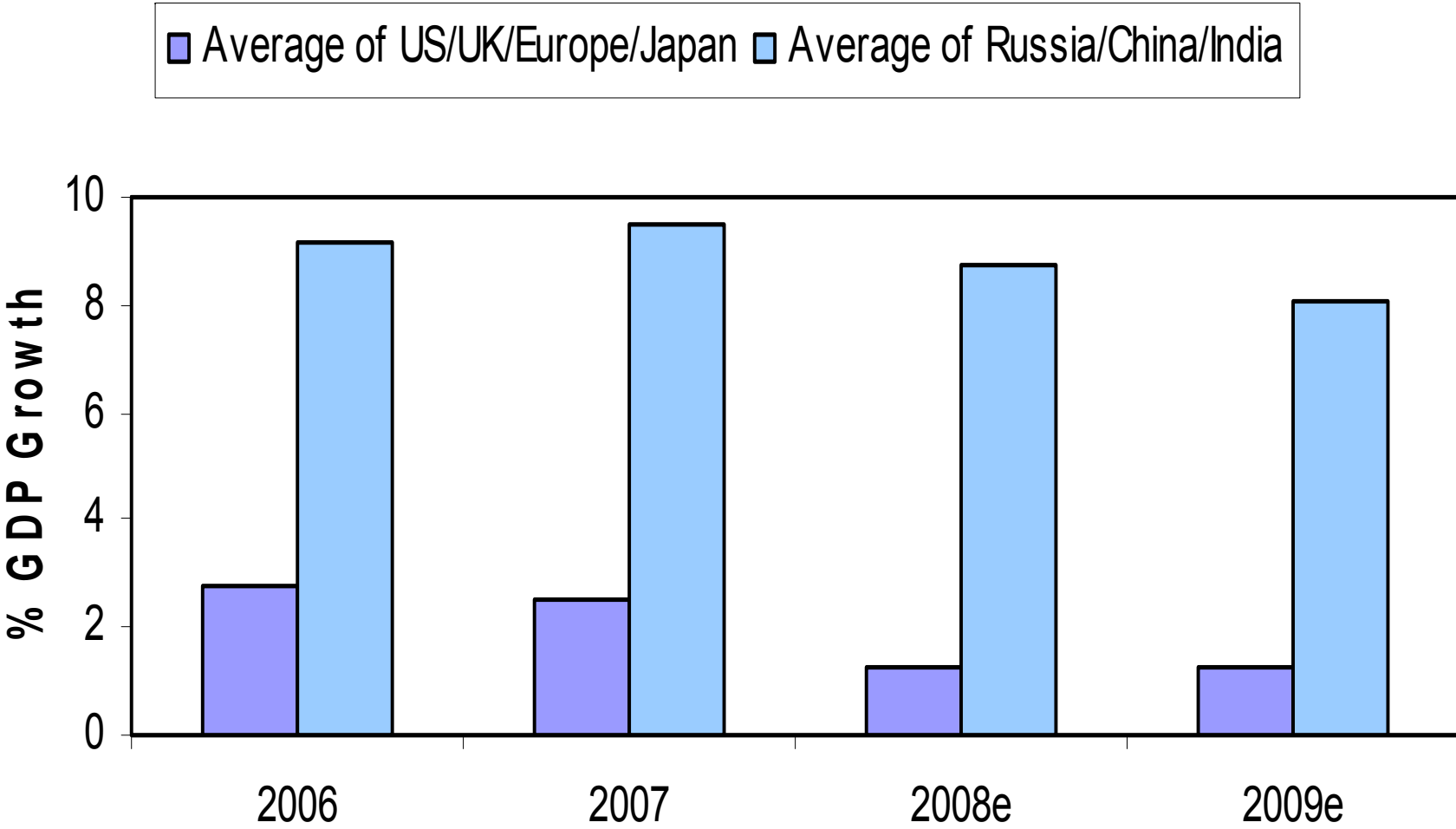
Source: Factset

The Consumer: Equity Extraction Down Sharply

Home Equity Extraction



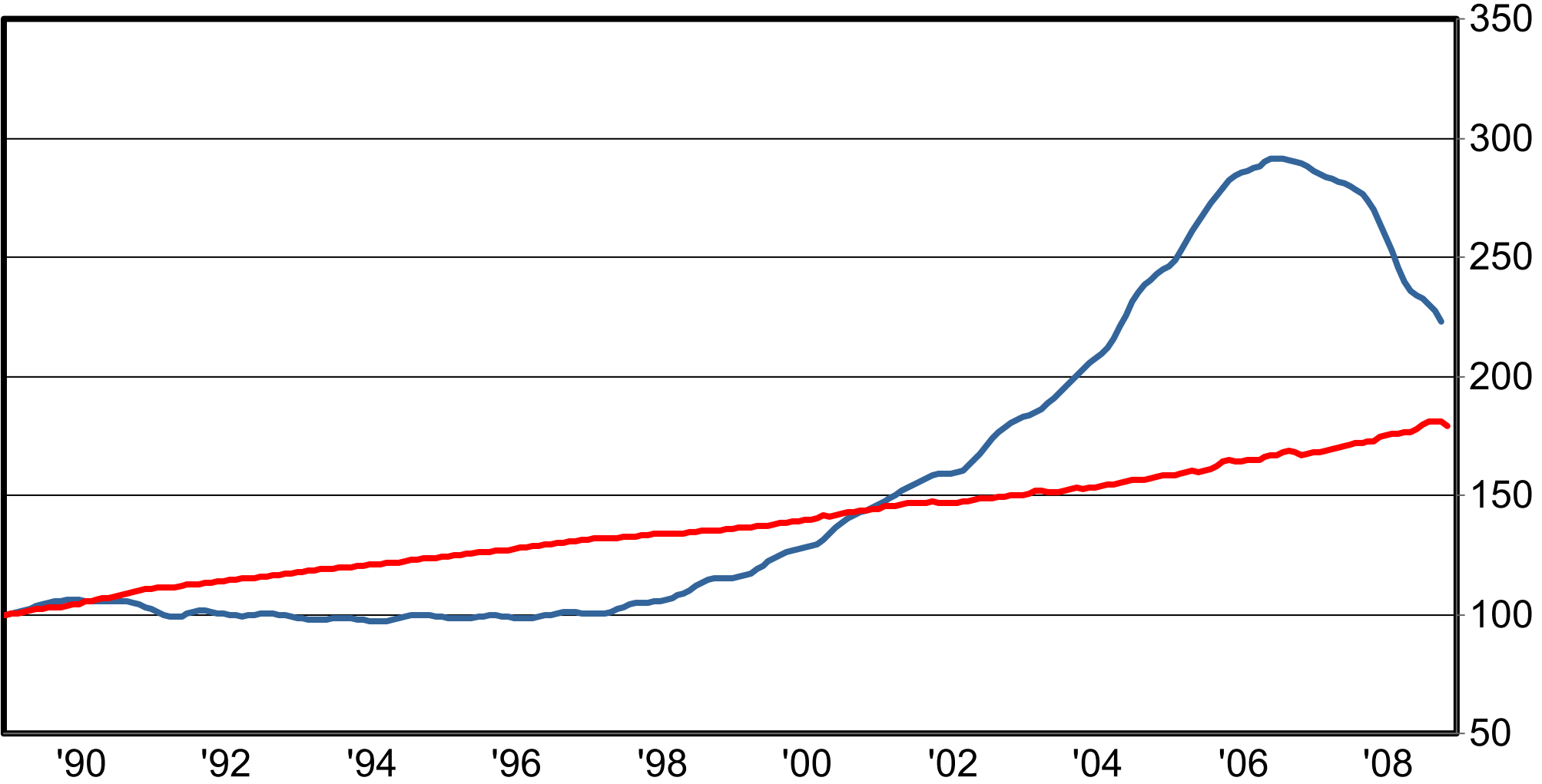
Emerging Economies are Still the Growth Engine



Source: International Monetary Fund, World Economic Outlook Update, January, 2008

US Housing: The Long Road Back

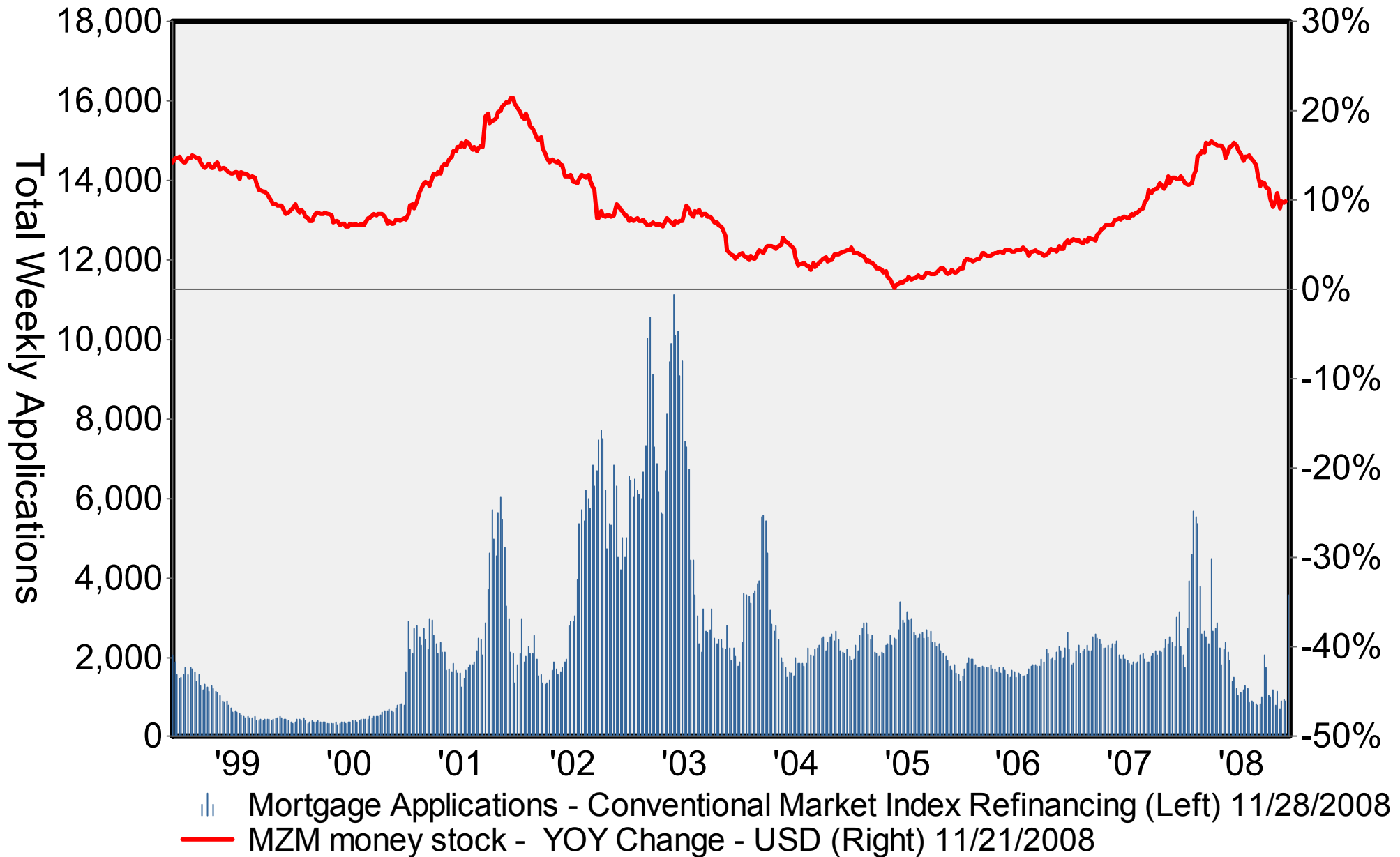
Home Prices and Inflation (Indexed to 100)



— US House Prices, S&P Case-Shiller 9/30/2008
— CPI 10/31/2008

Source: Factset

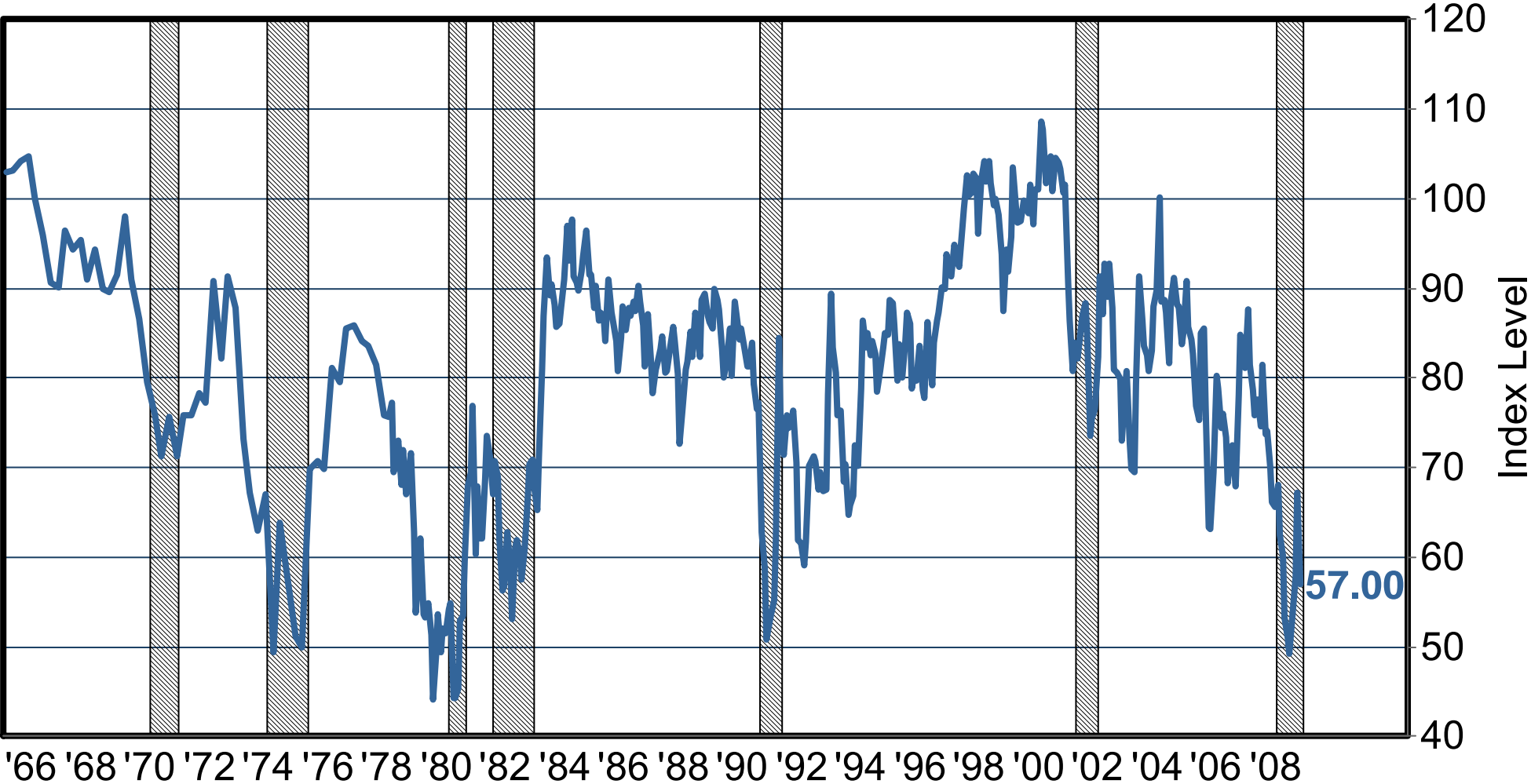
Refinancing and MZM Money Stock



Source: Factset

Consumer Expectations: Recession Levels

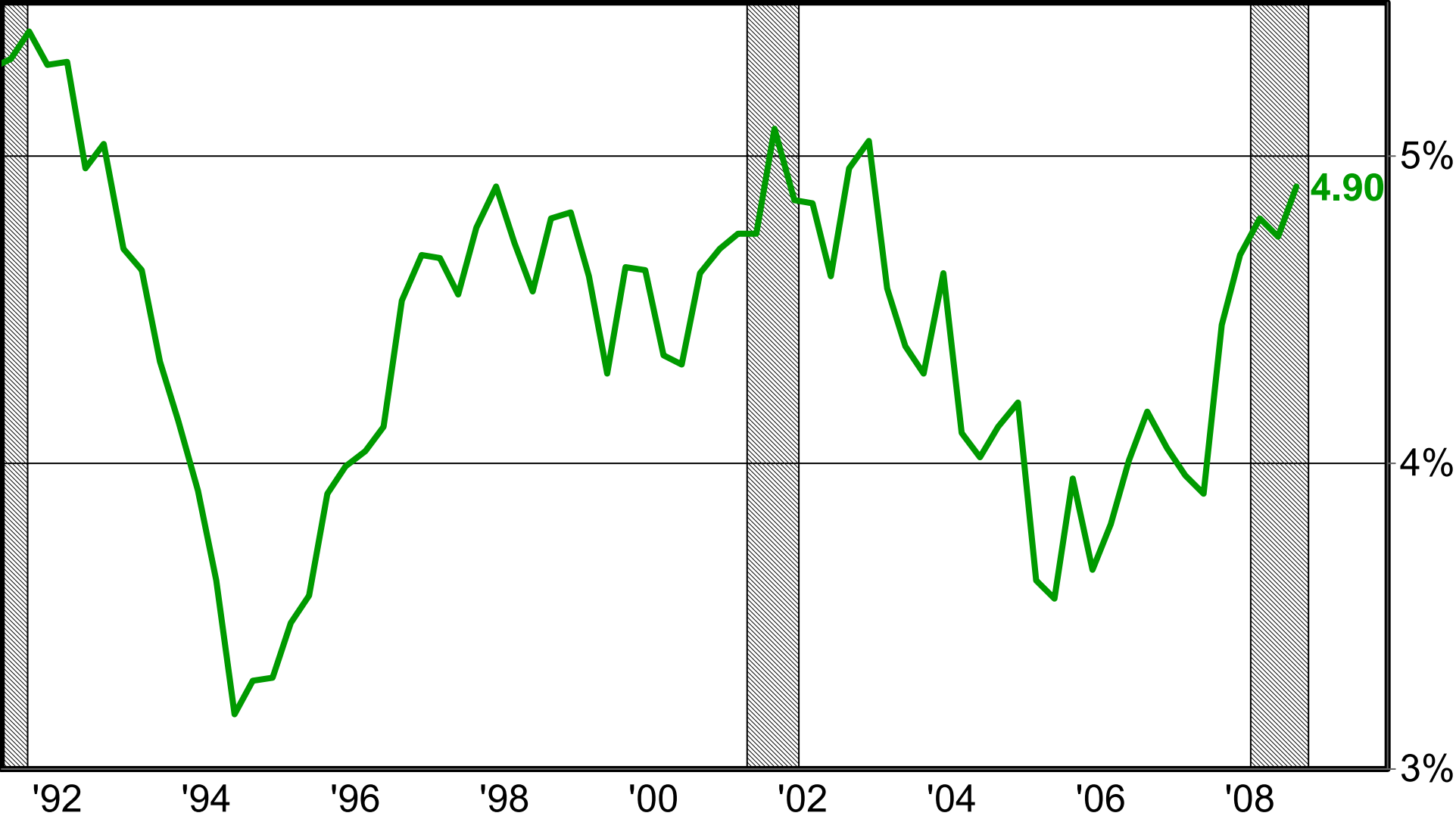
University of Michigan Consumer Expectations



— Reuters/University of Michigan Consumer Expectations Index 10/31/2008
▨ Recession Periods - United States

Source: Factset

The Consumer: Delinquencies have Risen, but Remain Below Last Cycle



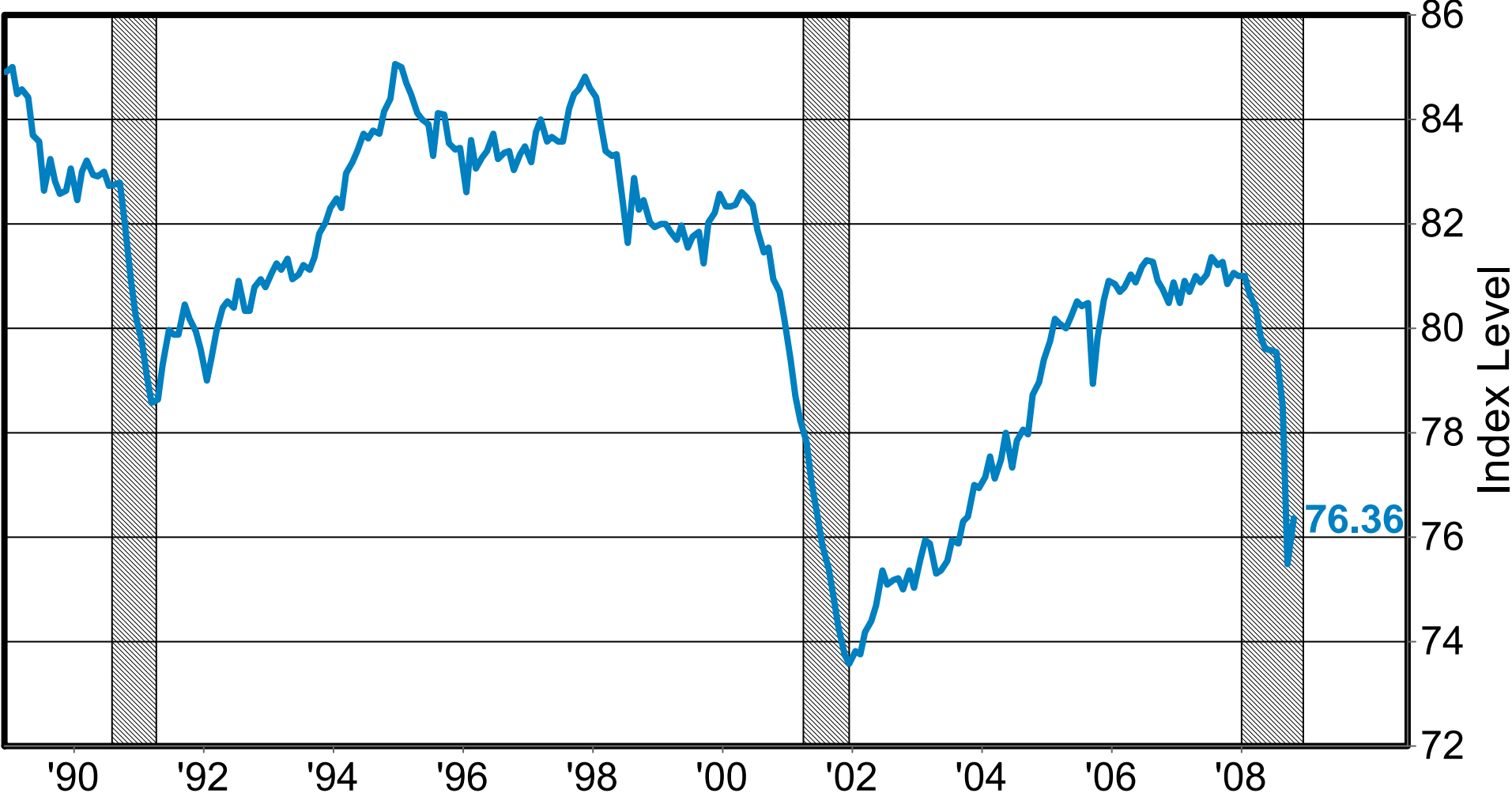
Delinquency Rates - Bank Consumer Loans 9/30/2008

Recession Periods - United States

Source: Factset

Business: Capacity Utilization Declining

Capacity Utilization

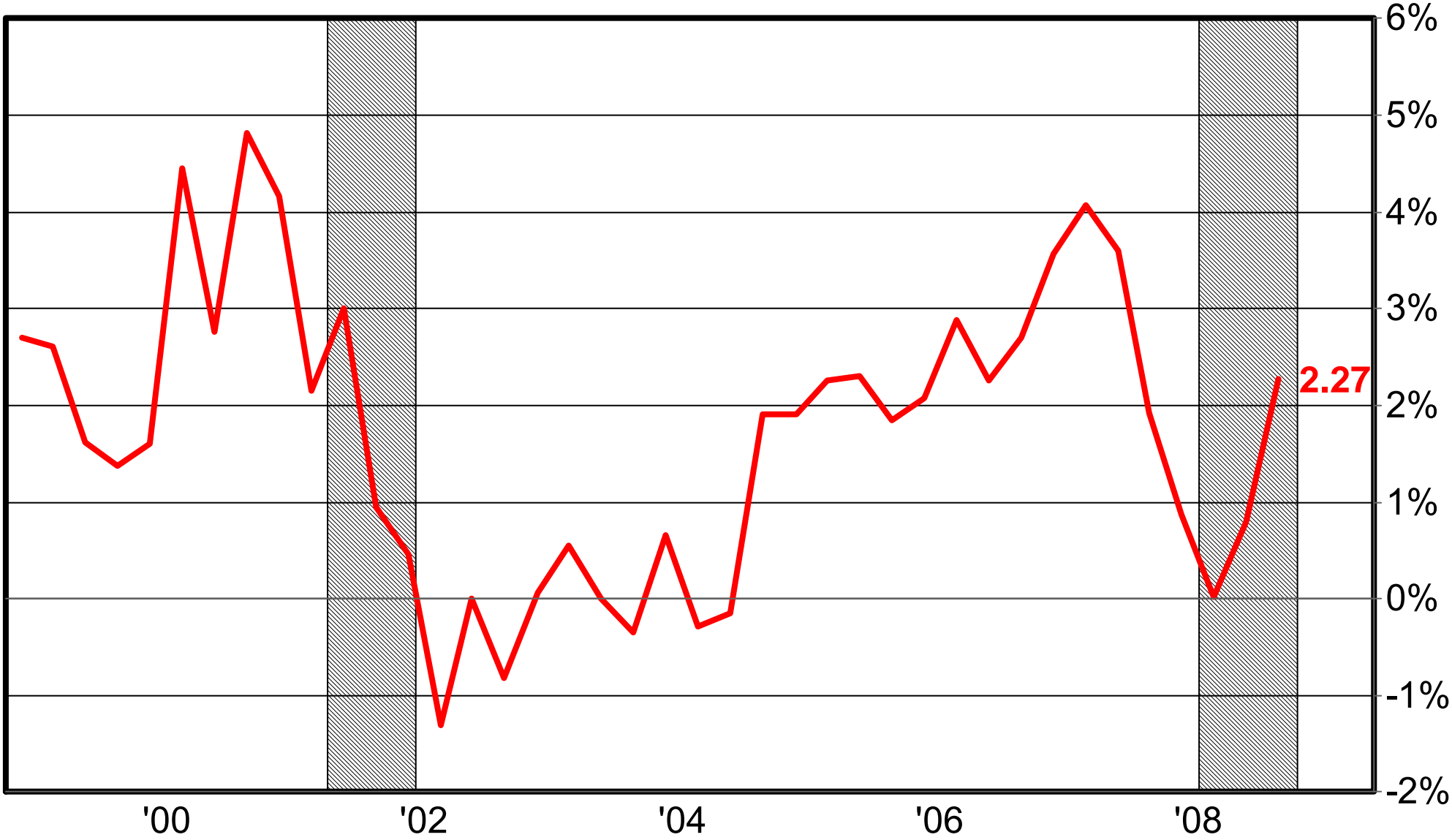


— Capacity Utilization, Index Level 10/31/2008
▨ Recession Periods - United States

Source: Factset

Business: Unit Labor Costs Ticking Up

Unit Labor

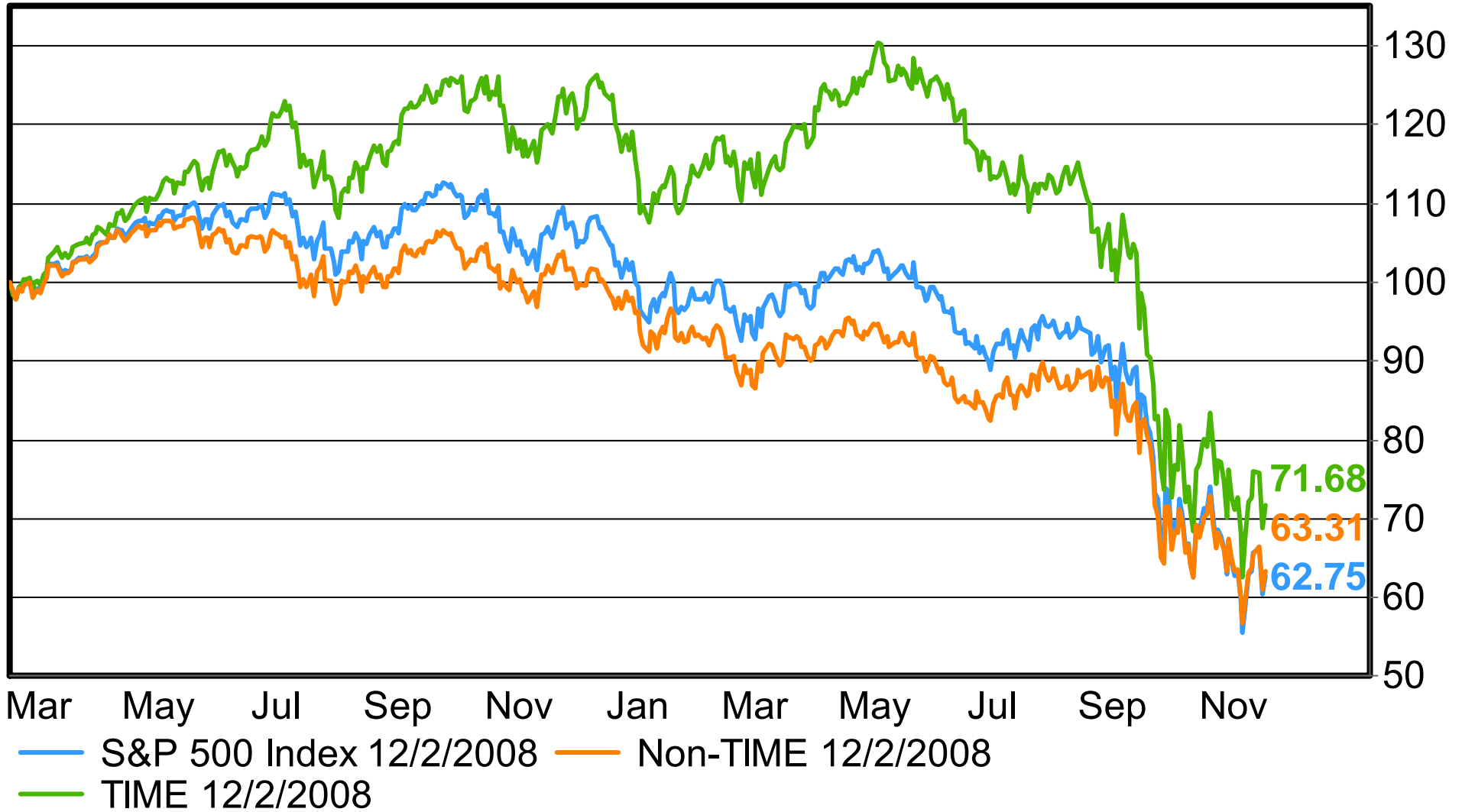


— Unit Labor Costs, Year over Year 9/30/2008

Source: Factset

TIME, Non-TIME, and the S&P 500, Indexed to 100 (12/31/2006-10/3/2008)

TIME = Technology, Industrials, Materials, Energy



Flight to Large Value

3 Month Price Return

	Value	Core	Growth
Large Cap	-30.3	-32.3	-34.3
Mid Cap	-37.9	-39.8	-41.6
Small Cap	-33.8	-36.7	-39.7

Benchmarks: Large Cap: Russell 1000 Value, Russell 1000, Russell 1000 Growth

Mid Cap: Russell Mid Cap Value, Russell Mid Cap, Russell Mid Cap Growth

Small Cap: Russell 2000 Value, Russell 2000, Russell 2000 Growth

Mid Cap Fairing the Worst

52 Week Price Return

	Value	Core	Growth
Large Cap	-39.4	-39.8	-40.3
Mid Cap	-43.0	-44.6	-46.3
Small Cap	-35.4	-38.6	-41.8

Benchmarks: Large Cap: Russell 1000 Value, Russell 1000, Russell 1000 Growth

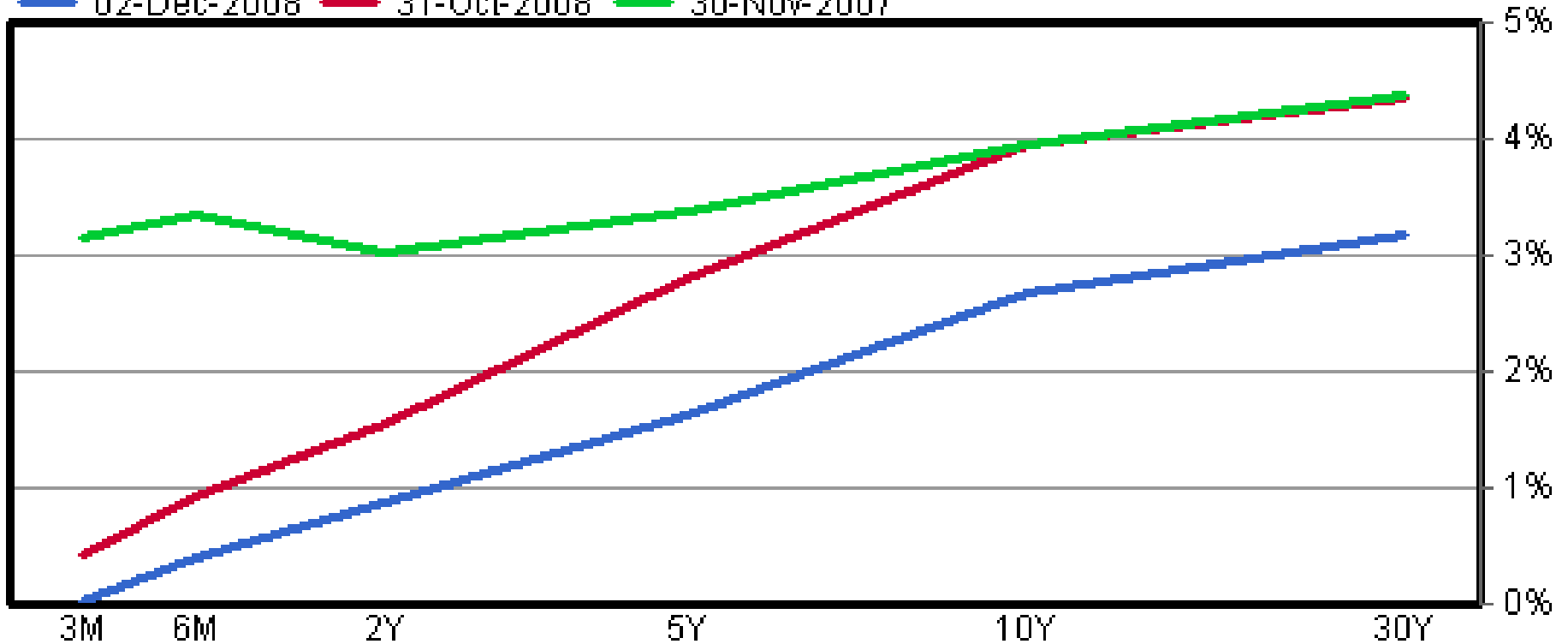
Mid Cap: Russell Mid Cap Value, Russell Mid Cap, Russell Mid Cap Growth

Small Cap: Russell 2000 Value, Russell 2000, Russell 2000 Growth

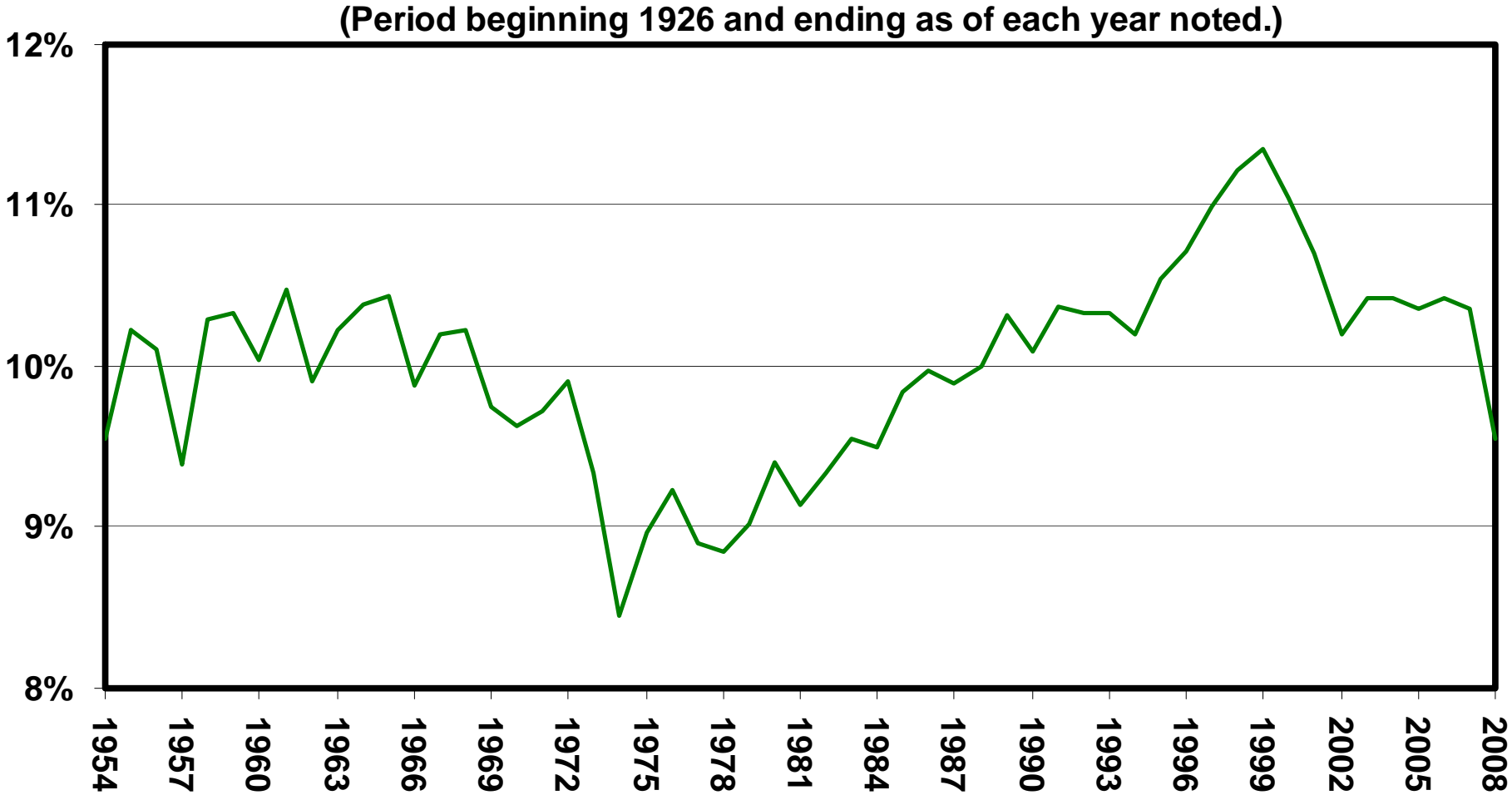
Aversion to Risk has Sent Yields Lower

U.S. Government Yield Curve

— 02-Dec-2008 — 31-Oct-2008 — 30-Nov-2007

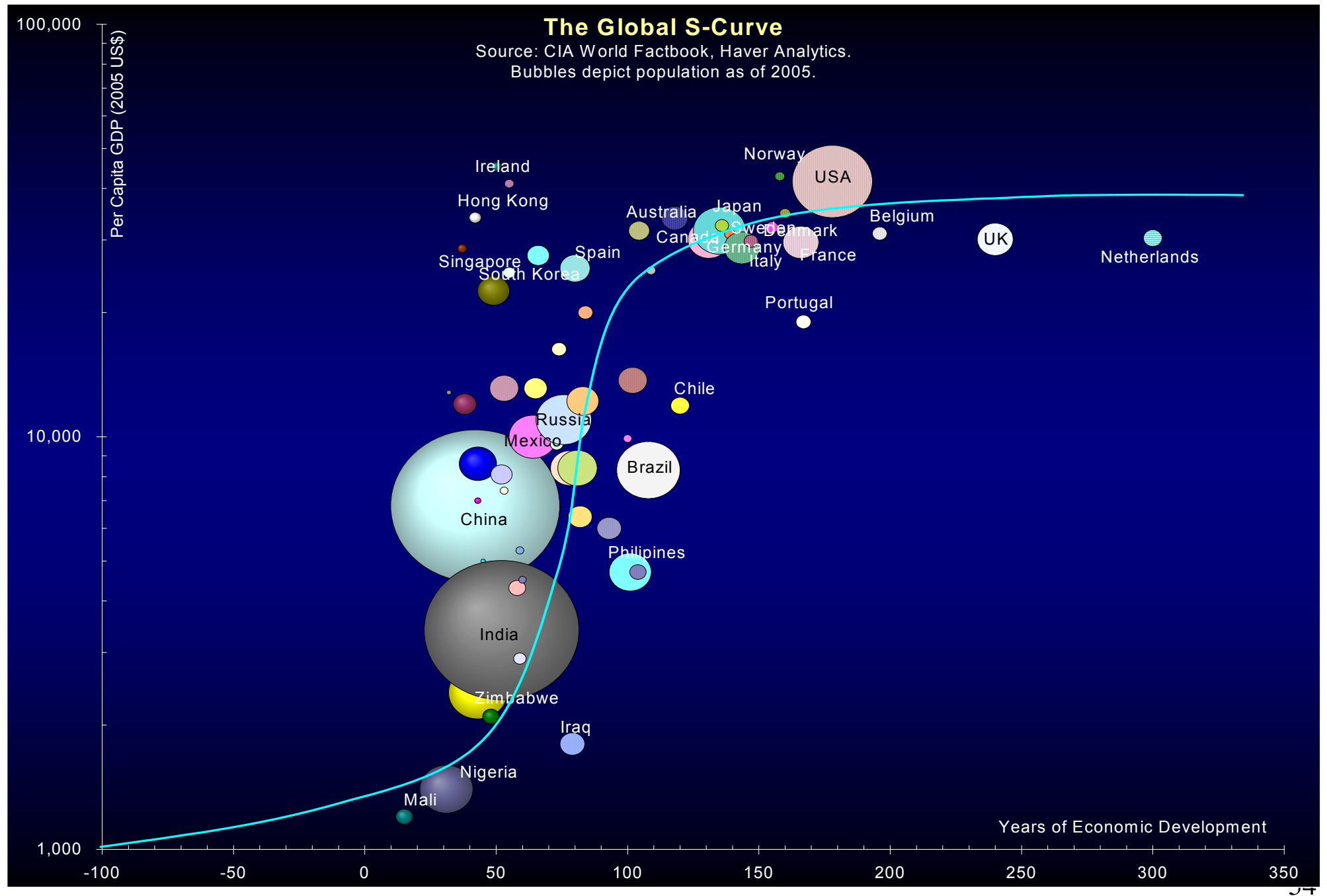


Compound Annual Growth Rate of the S&P 500

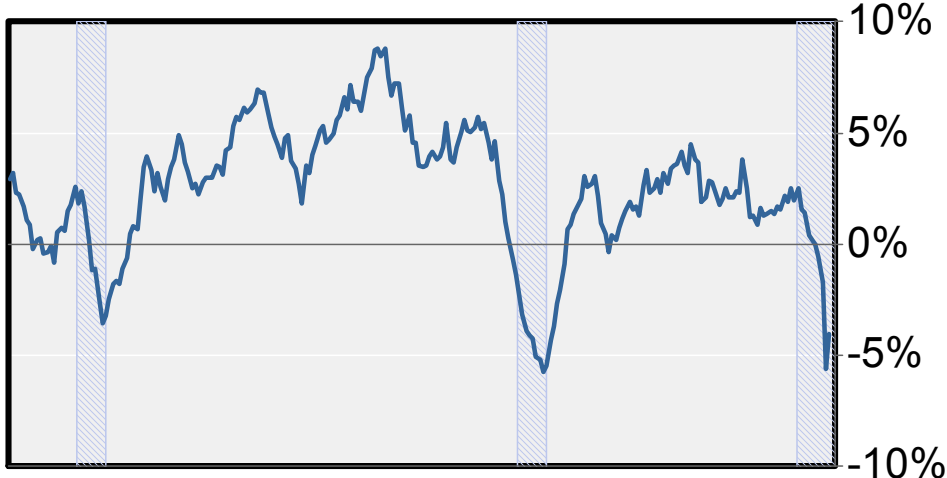


Source: Encore

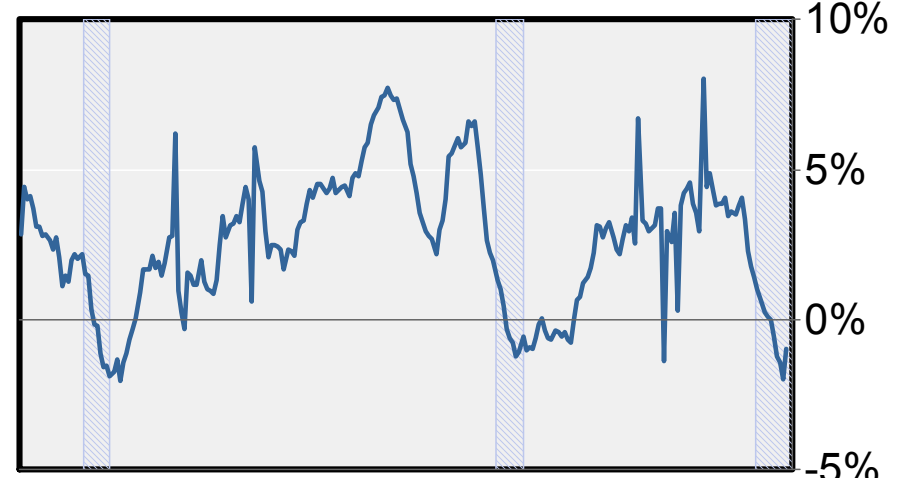
The Global S-Curve: Globalization to Continue



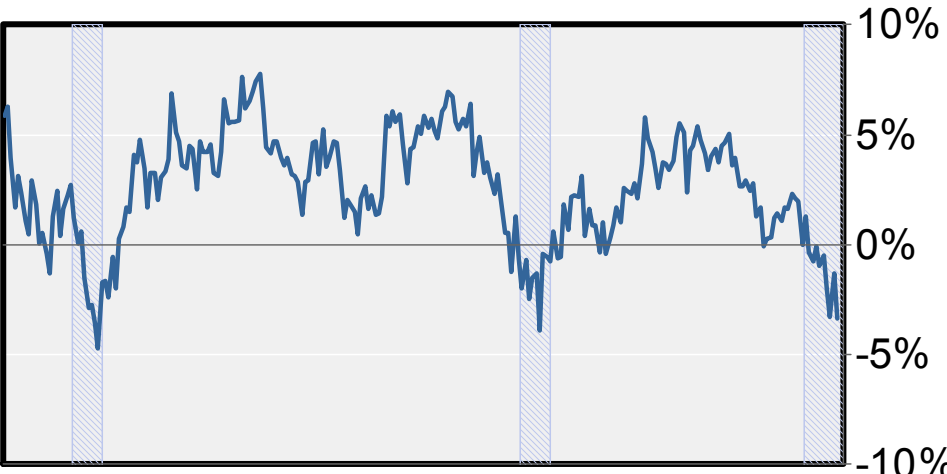
NBER Key Recession Indicators



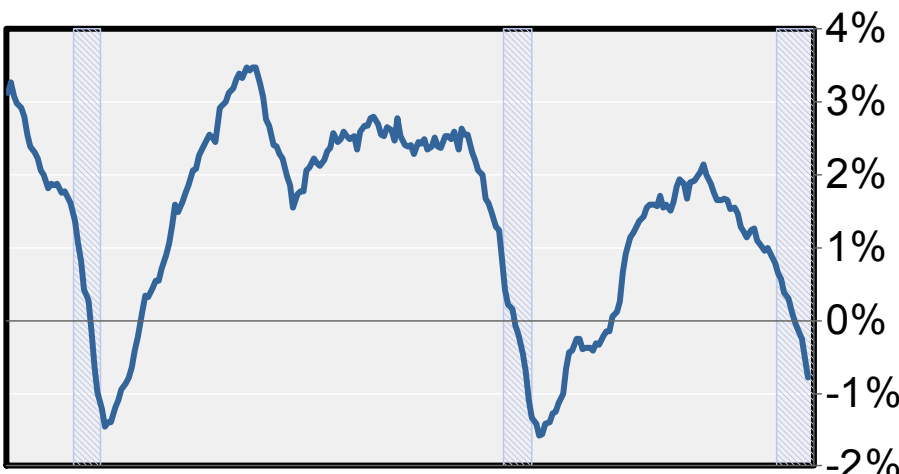
'89 '91 '93 '95 '97 '99 '01 '03 '05 '07
 — YOY Change in Industrial Production 10/31/2008
 ▨ Recession Periods - United States



'89 '91 '93 '95 '97 '99 '01 '03 '05 '07
 — YOY Change in Personal Income 10/31/2008
 ▨ Recession Periods - United States



'89 '91 '93 '95 '97 '99 '01 '03 '05 '07
 — YOY Change in Manufacturing and Trade Sales 10/31/2008
 ▨ Recession Periods - United States

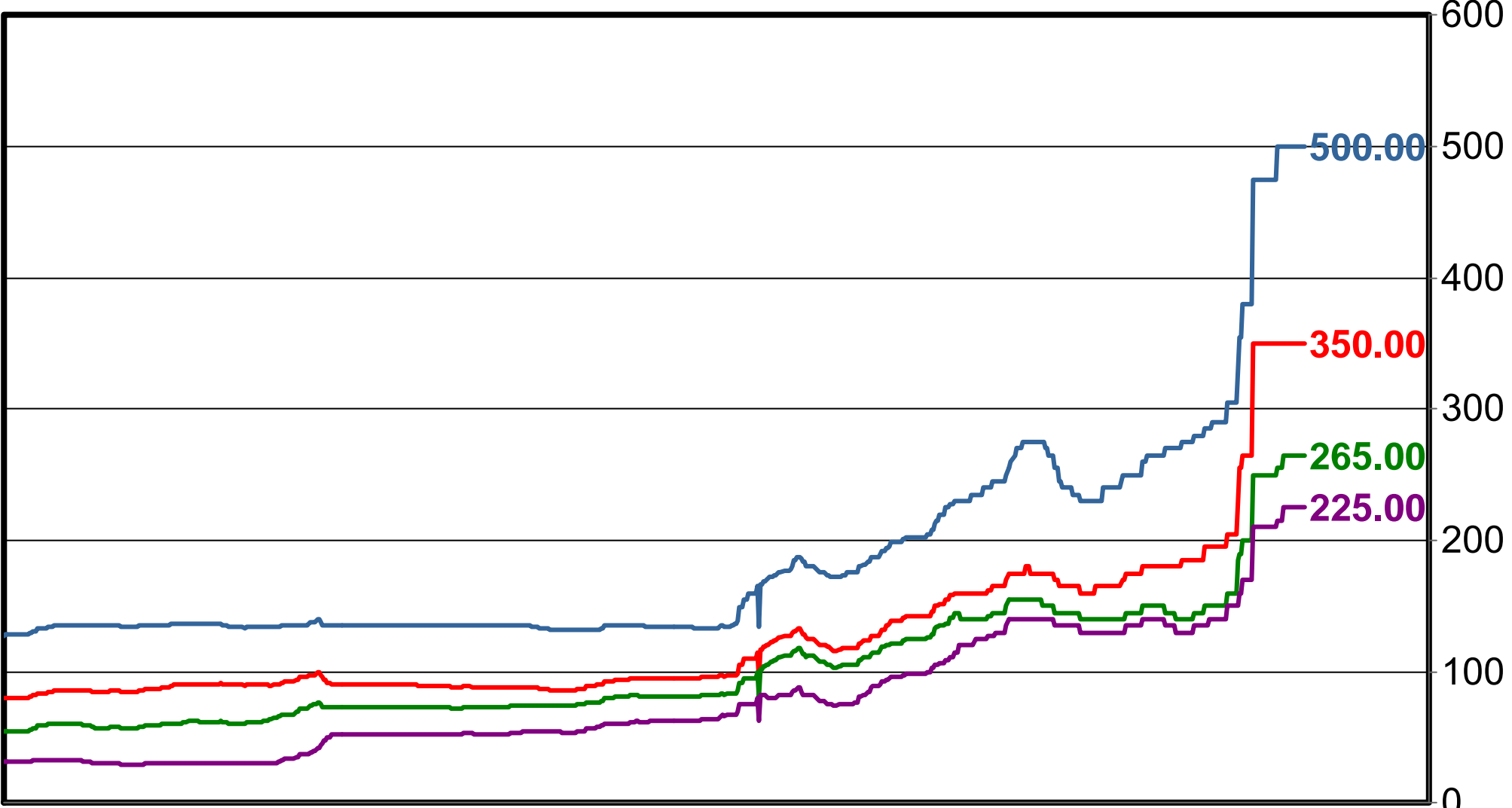


'89 '91 '93 '95 '97 '99 '01 '03 '05 '07
 — YOY Change in Non-Farm Payrolls 10/31/2008
 ▨ Recession Periods - United States

Source: Factset

High Quality Credits – Spread over Treasuries

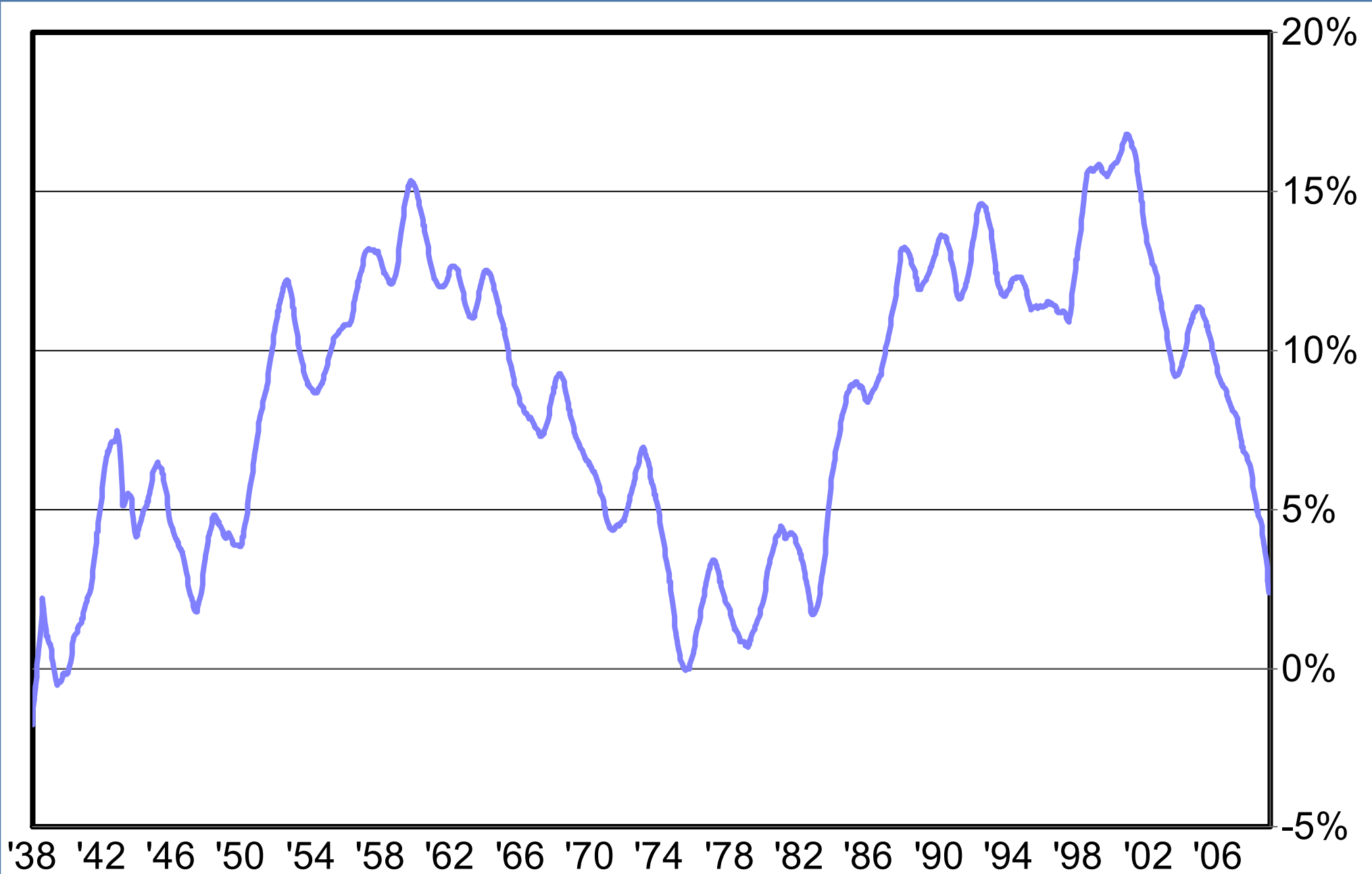
Basis Point Spread over Treasuries - 10 Year Maturity



— BBB Rated — AA Rated
— A Rated — AAA Rated

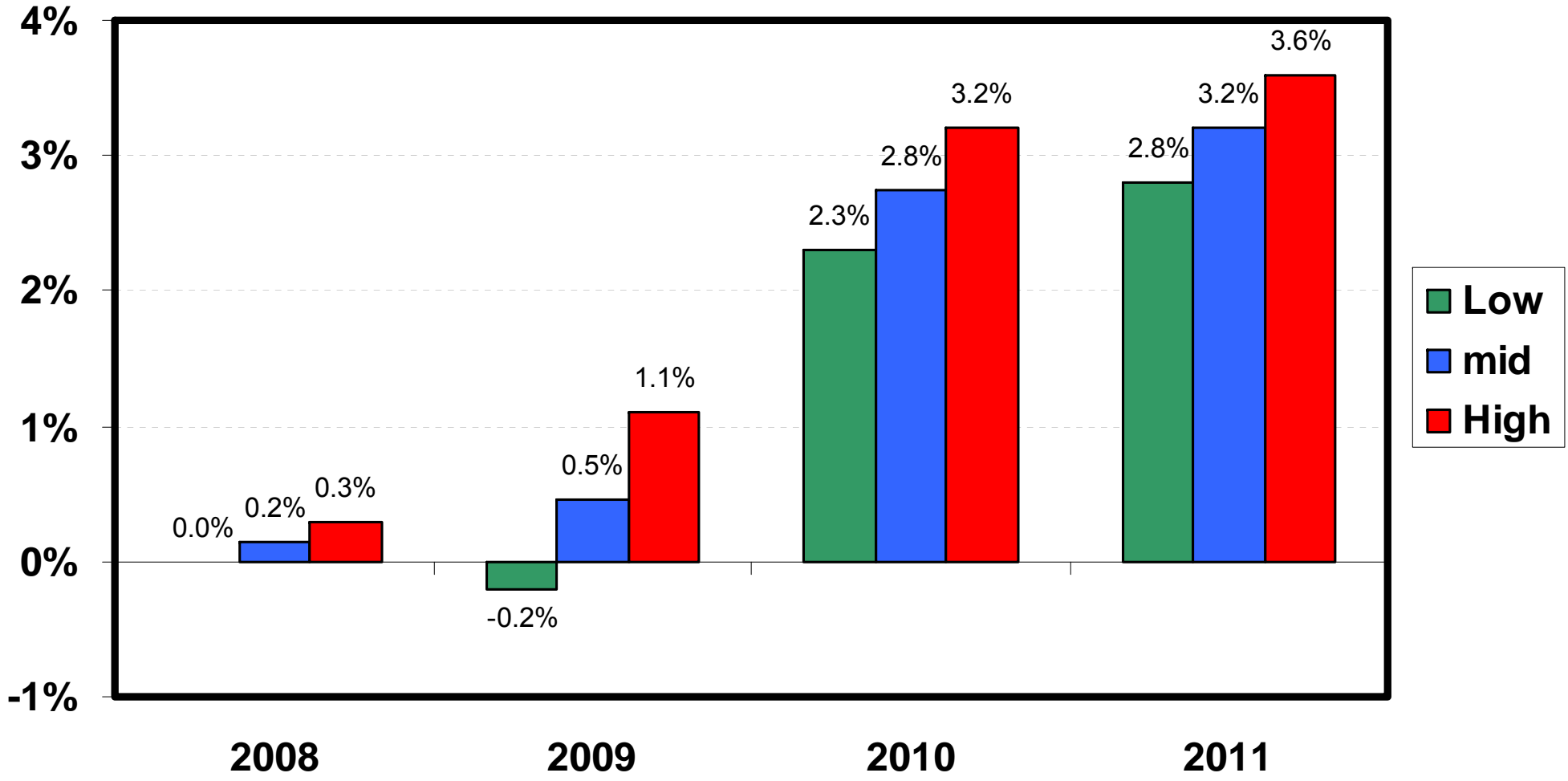
Source: Factset

S&P 500: Average Annual 10 Year Performance (Price Return)



Source: Factset

Federal Reserve U.S. GDP Estimates (Range)



Source: US Federal Reserve

Questions ?

Past performance is no guarantee of future results.

Foreign investments, especially those in emerging markets, involve greater risks and may offer greater potential returns than US investments. These risks include the political and economic uncertainties of foreign countries, as well as the risk of currency fluctuations.

Sector investments may involve greater volatility than more broadly diversified investments.

The securities of smaller, less well-known companies may be more volatile than those of larger companies.

Lower-quality debt securities involve greater risk of default or price changes due to the credit quality of the issuer.

All indices are unmanaged and assume the reinvestment of all distributions. It is not possible to invest directly in an index.

MSCI/S&P Global Industry Standard is a classification scheme that offers a means of classifying industry sectors globally so that holdings can be categorized consistently across both domestic and international equity funds.

The Consumer Price Index represents changes in prices of all goods and services purchased for consumption by urban households. Core Consumer Price Index is the consumer price index excluding food and energy.

GDP is the total value of goods and services produced in the US. Real GDP is GDP adjusted for changes in prices.

Leading Economic Indicators are selected economic statistics that have proven valuable as a group in estimating the direction and magnitude of economic change.

Fed Funds rate is the rate of interest on overnight loans of excess reserves among commercial banks.

The S&P 500 Index is a registered service mark of The McGraw-Hill Companies, Inc. and has been licensed for use by Fidelity Distributors Corporation and its affiliates. It is an unmanaged market capitalization-weighted index of common stocks. S&P Sector indices include Technology, Healthcare, Consumer Discretionary, Consumer Staples, Integrated Oils, Other Energy, Materials & Processing, Producer Durables, Autos & Transportation, Financial Services, Utilities and Other

The Russell Top 200 Index®, is an unmanaged index comprised of the largest 200 companies in the Russell 3000 index. The Russell Top 200 Value and Growth indices comprise of value and growth stocks respectively as determined by Frank Russell & Co.

The Russell 1000 Index is an unmanaged index that consists of the largest 1000 companies in the Russell 3000 Index. This index represents the universe of large capitalization stocks from which most active money managers typically select. The Russell 1000 Value and Growth indices comprise of value and growth stocks respectively as determined by Frank Russell & Co.

The Russell MidCap Index is an unmanaged market capitalization weighted index of 800 smallest companies in the Russell 1000 index which represents almost 35% of the total market capitalization. The Russell MidCap Value and Growth indices comprise of value and growth stocks respectively as determined by Frank Russell & Co.

The Russell 2000 Index is an unmanaged market capitalization-weighted index of 2,000 small company stocks. The Russell 2000 Value and Growth indices comprise of value and growth stocks respectively as determined by Frank Russell & Co.

The Russell 3000 Index is an unmanaged index which measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. As of the latest reconstitution, the average market capitalization was approximately \$4.6 billion; the median market capitalization was approximately \$732 million. The index had a total market capitalization range of approximately \$487 billion to \$147 million.

Bonds are rated by agencies such as Standard & Poor's and Moody's Investor Services with ratings that measure the risk of default.

Bonds rated AAA are considered to be the safest while those rated below BBB are considered to be "high yield" or below investment grade. Intermediate ratings of AA+ or BB- are often used to further differentiate bonds.

JP Morgan Emerging Markets Global Bond Index is a market value weighted index of US dollar denominated Brady bonds, Eurobonds, traded loans, and local market debt instruments issued by emerging market sovereign and quasi-sovereign entities, covering 27 emerging market countries.

Lehman Bros Municipal index is an unmanaged index of all investment grade municipal securities with at least 1 year to maturity.

Barclay's Capital Aggregate Bond Index is an unmanaged market value weighted performance benchmark for investment-grade fixed rate debt issues, including government, corporate, asset backed, mortgage backed securities with a maturity of at least 1 year.

Barclay's Capital Credit Index is an unmanaged index composed of all publicly issued, fixed interest rate, nonconvertible, investment grade corporate, asset backed debt with at least 1 year to maturity

The Barclay's Capital TIPS Index is an unmanaged index comprising all US Treasury Inflation Indexed Notes and Bonds having a maturity of at least 1 year.

The Barclay's Capital Treasury Index is an unmanaged index comprising all US Treasury Notes and Bonds having a maturity of at least 1 year.

The Barclay's Capital Government Index is an unmanaged index comprising of the US Treasury & Agency bonds having a maturity of at least 1 year.

The Merrill Lynch High Yield Master II Index is a market value weighted index of corporate bonds publicly issued in the U.S. domestic market that have a rating of less than BBB3 and at least one year remaining term to maturity.

Ibbotson Intermediate Government Bond Index is a market value weighted index of US Government Bonds with maturity of at least 1 year.

The Organization of Economic Development, or OECD, is a multinational agency that monitors economic conditions in developed and developing markets.

30-year treasury and 10 year treasury are a fixed income securities backed by the full faith and credit of the U.S. government and are used as benchmarks for the pricing of various corporate fixed income instruments.

MSCI EAFE® index is a unmanaged market capitalization-weighted index that is designed to represent the performance of developed stock markets outside the United States and Canada. As of June, 2000 the index included over 1,600 equity securities of companies domiciled in 22 countries.

The Dow Jones Industrial Average is a unmanaged price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry and are listed on the New York Stock Exchange.

NASDAQ Index® a market capitalization-weighted index that is designed to represent the performance of the National Market System which includes over 5,000 stocks traded only over-the-counter and not on an exchange.

P/E Ratio: A ratio of the current price of a stock (or value of an index) versus the annual earnings per share of the stock (or underlying index)

S&P Consumer Discretionary Index is a capitalization-weighted index of all stocks designed to measure the performance of the consumer cyclicals sector of the Standard & Poor's 500 Index. The index was developed with a base value of 100 as of December 29, 1995.

S&P Consumer Staples Index is a capitalization-weighted index of all stocks designed to measure the performance of the consumer staples sector of the Standard & Poor's 500 Index. The index was developed with a base value of 100 as of December 31, 1995.

S&P Energy Index is a capitalization-weighted index of all stocks designed to measure the performance of the energy sector of the Standard & Poor's 500 Index. The index was developed with a base value of 10 for the 1941-43 base period.

S&P Financials Index is a capitalization-weighted index of all stocks designed to measure the performance of the financial sector of the Standard & Poor's 500 Index. The index was developed with a base value of 10 for the 1970 base period.

S&P Health Care Index is a capitalization-weighted index of all stocks designed to measure the performance of the health care sector of the Standard & Poor's 500 Index. The index was developed with a base value of 10 for the 1941-43 base period.

S&P 600 Index: The S&P 600 Index is an unmanaged market capitalization-weighted index of small capitalization common stocks covering approximately 3% of the U.S. equities market.

The Dow Jones Industrial Average is a price weighted index of approximately 30 us blue-chip stocks as selected by Dow Jones & Company, the publishers of the Wall Street Journal.

Zacks Investment Research is an investment service that compiles, analyzes, and distributes investment research to both institutional and individual investors.

Frank Russell Company is a global investment services firm.

Ned Davis Research is an independent economics and capital markets research firm.

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