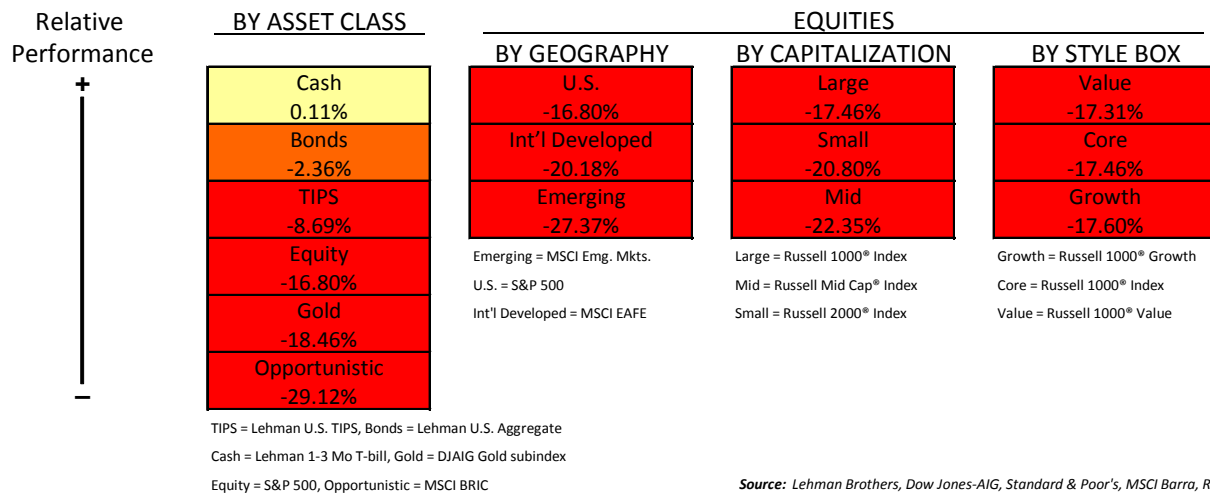


Following a brutal September, October proved no respite for the markets. Within the first ten days of the month, the S&P 500 had fallen almost 23%. Despite some recovery in the second half of October, the index ended down -16.8% for the month. No asset class was immune as almost any security with even the smallest amount of perceived risk declined in value.

Equities across the world suffered in October. The strengthening dollar helped domestic equities finish down less than their International counterparts for U.S.-based investors. In dollar terms the MSCI EAFE index fell -20.2% during the month, but in euro terms it was down less than the U.S. with “only” an -11.6% decline. Emerging Markets suffered to a greater degree with the MSCI EM index falling -27.4% in dollar terms and -19.5% in euros. Opportunistic BRIC countries fell -29.1% in aggregate. In the U.S. all style and capitalization ranges fell between -17% and -23%.

Investors fled all assets aside from short-term Treasuries, and in the process drove their yields close to zero. In the short run, defensive investments such as commodities, gold, TIPS and even fixed income did not provide protection. The DJAIG Gold subindex fell -18.5% and TIPS fell -8.7% as investors were no longer concerned about inflation in the midst of a drastically slowing global growth picture. The broad fixed-income Lehman Aggregate benchmark declined -2.4% in October, and even the total return of long duration Treasuries fell as any type of market risk fell out of favor.



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