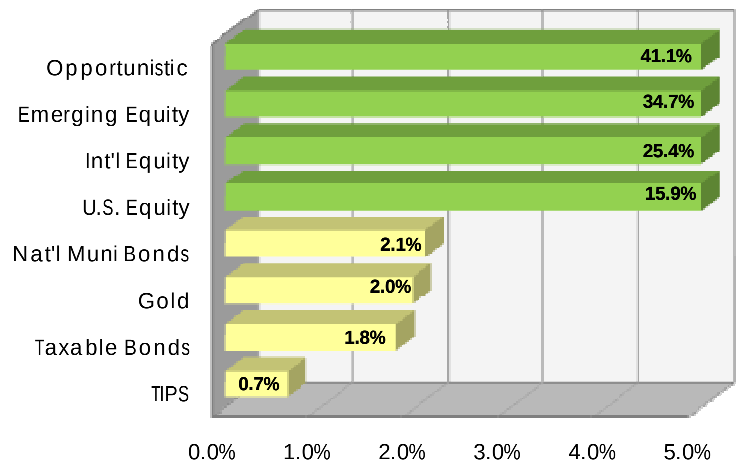
Performance By Asset Class, 2Q09

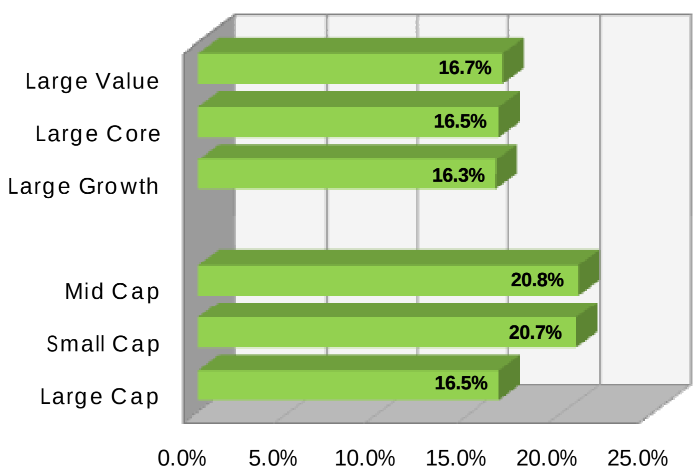


The second quarter of 2009 started with a rally in equities before easing in June. Less-negative economic data reports early in the quarter prompted investors to declare that "green shoots" were sprouting up through the weeds, fueling the global rally. In June, investors turned more cautious on the recovery, dragging equities slightly lower.

Financials bounced off of their March lows through the early part of the quarter, gaining 35% in Q2. As a whole, the S&P 500 gained 15.9% for the three-month period. Emerging Markets posted strong gains, ending up 34.7% in Q2 on sentiment that demand strength in China would lead the world out of recession. The more concentrated emerging BRIC index (**B**razil, **R**ussia, **I**ndia, **C**hina) surged an impressive 41.1%, with the individual countries posting gains of between 35% and 60%. Developed international countries returned 25.4% in the second quarter despite continued weakness in the European economies. For dollar-based investors, however, more than one-third of the return for Europe was due to a weakening U.S. currency. Year-to-date, U.S. equities are holding onto gains of just over 3%, while Europe is up 7%, Emerging Markets 36%, and BRIC countries 48%, all in dollar terms.

With equities rallying, the demand for safe-haven Treasurys fell, sending yields higher and prices lower. The broad government/credit fixed income market was roughly flat for the quarter, with the Barclays U.S. Aggregate Index gaining just 0.04%. Despite continuing budget woes in the state, the S&P California Municipal Bond Index gained 0.8% in Q2, while the S&P National Municipal Bond Index was up 2.1%. Longer-term inflation concerns continued to build, with the Barclays U.S. TIPS index gaining 0.7%. Gold had a mixed quarter, but ended up 2.0% for the three-month period. Year-to-date, broad fixed income is up 1.9%, California Munis are up 3.3%, National Munis 5.9%, TIPS gained 6.2% and gold has risen 7.4%.

Performance By U.S. Style and Size, 2Q09



Within the U.S. equity market, there was little differentiation across style or size buckets. Value, Growth and Core equities all advanced between 16% and 17%. Small and Mid Cap stocks posted almost identical 20.7% and 20.8% returns, while Large Caps lagged slightly with a 16.5% gain.

Sources: Barclays Capital, Dow Jones-AIG, Standard & Poor's, MSCI Barra, Russell, London Bullion Market Association, iShares