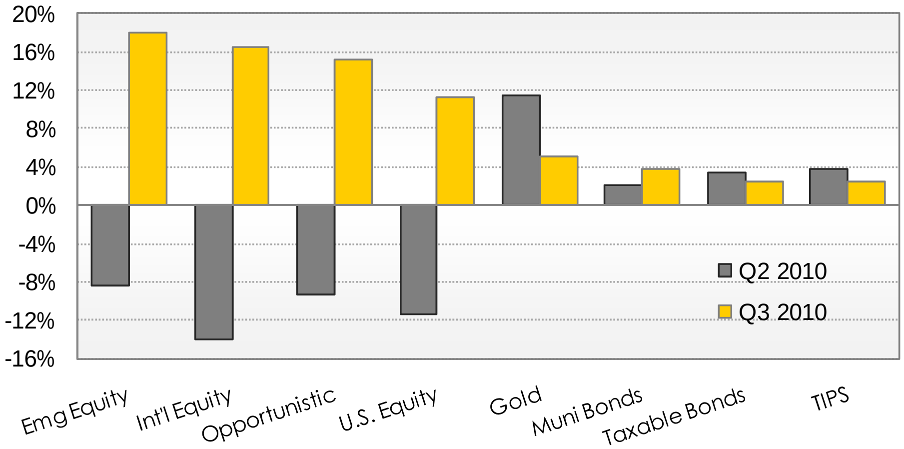
Major asset classes posted impressive results in the third quarter of 2010. The "risk on" trade led Emerging Market and International Developed Equities to significant double-digit gains as investors fears of a double-dip recession eased. This quarter was nearly a mirror image of the second for equities, more than erasing those losses. Diversification into gold, TIPS and bonds helped mitigate losses in Q2 while still posting positive performance in Q3.

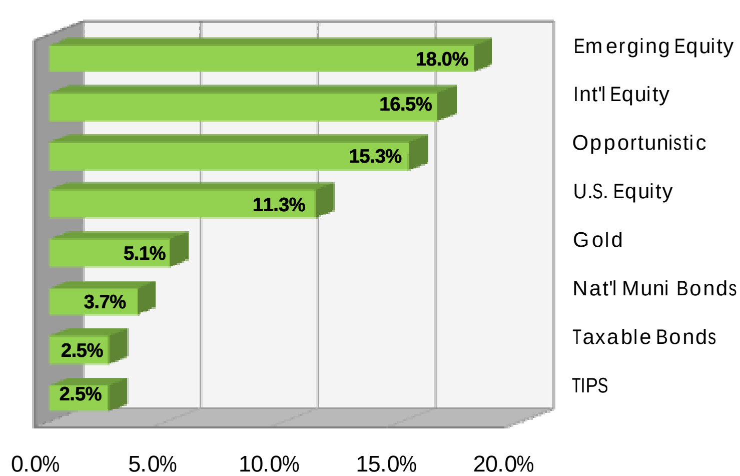
Equities Flipped in Q2 & Q3, Diversification Helped



Equities returned strong performances in the quarter. The S&P 500 ended up 11.3%, with Growth sectors outpacing Value sectors by a significant margin. The dollar weakened in the quarter boosting non-U.S. holdings. The MSCI EAFE index gained 16.5% in U.S. dollar terms, and the MSCI Emerging Markets index rose 18.0% in the three-month period. The Opportunistic BRIC countries (Brazil, Russia, India, China) posted a 15.3% gain, with Brazil leading the way.

Fixed income still fared well despite the gains by equities. The Barclays U.S. Aggregate bond index was up 2.5% in Q3, while National Municipal bonds gained 3.7% and California Munis 4.4%. Concerns about state and local finances apparently are being pushed aside by investors' search for yield. Treasury Inflation Protected Securities (TIPS) posting a 2.5% gain. Gold added to its impressive performance year-to-date by moving up 5.1% in Q3.

Performance By Asset Class, Q3 2010



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