

Morningstar Market Commentary

Q408

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Markets Draw Toward the End of a Brutal Year

1-Year Morningstar Market Barometer



1-Year Morningstar Indexes

Stocks	
US Market Index	-37.03
Bonds	
Core Bond Index	7.78
Commodities	
Long-Only Commodity Index	-33.77

Investors were anxious for the year to close on one of the most brutal markets in history, which has rendered Wall Street's landscape nearly unrecognizable. All of Morningstar's diversified equity indexes declined precipitously during 2008, with the Morningstar US Market Index down more than 37% for the year, and 22.54% in the fourth quarter alone.

In general, the growth categories trailed the value categories, but not by much. The mid-growth index posted the worst return, with a jaw-dropping 46% skid for the year to date. Large-cap categories did somewhat better than their mid-cap and small-cap brethren, with the Morningstar Large Core Index posting the smallest loss (-31.47%).

Credit markets remain tight as the government's plan to buy up low-quality mortgage assets from banks has morphed into a strategy to recapitalize them through preferred equity purchases. Additionally, the U.S. government underwrote a bridge loan to the embattled Big Three U.S. automakers. Finally, the Fed has targeted 0%–0.25% for the Federal Funds rate, the rate at which banks lend to each other. Still, lending remains tepid.

Corporate debt in the U.S., Europe, and the emerging markets had their worst years on record

by most measures. While sovereign yields were plunging, corporate bond yields were skyrocketing and establishing yield premiums at all-time highs. U.S. Treasuries posted positive returns for the year while corporate bonds provided negative returns—which hasn't happened in over a quarter century, and even then the disparity was not as great as it was in 2008.

For some this may mean 2009 becomes a reach for yield. The reach could be a modest stretch for the growing supply of government-guaranteed debt, including mortgages, agencies, or FDIC-backed bank debt. Investment-grade U.S. corporate debt that early last year offered a yield premium of 200 basis points on average now provides a premium of 550 basis points.

Finally, oil and commodity prices tumbled in the last few months of the year as a result of slackening global demand. Oil went from over \$140 per barrel to less than \$40, while the Morningstar Long-Only Commodity Index, a broad-based index composed of energy, agricultural products, metals, and livestock, plummeted 33.77% on Dec. 31. Taking advantage of falling commodity prices, the Morningstar Long/Short Index gained 11.31% for the year ended Dec. 31.

Overview

All three Morningstar Super Sectors declined about 22% for the quarter, as the markets were brutal across the board. Although no sector turned in a positive performance, the telecommunications sector fell only 5% during the quarter, making it the best for the period. Telecom's results helped keep a lid on the loss for the Information Super Sector of 22.65% for the quarter. The Morningstar Service Super Sector benefited from health-care sector, down only 13.73%, which partially offset the beleaguered financial services sector's 33.22% loss. The Morningstar Manufacturing Super Sector declined 22.06%, in line with the overall market.

A Closer Look

Information Super Sector -22.65%

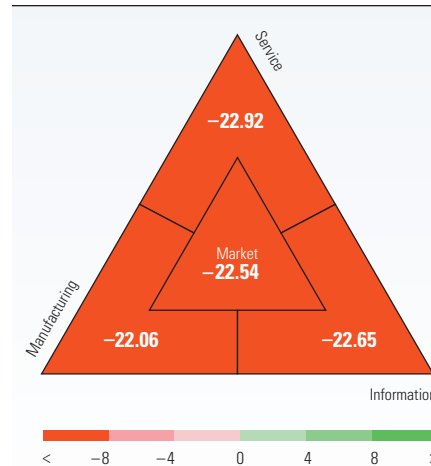
The Information Super Sector turned in the worst performance of the three super sectors for the year with each subsector performing relatively poorly. Among hardware, Texas Instruments, Dell, and Apple each dropped by 57%-58% in 2008, as fear about sluggish orders and growth weighed on the shares.

On a relative basis, the telecommunications sector was the best-performing of the Information Super Sector. AT&T contributed to this performance with a flat performance for the quarter, as the firm cut capital spending and reduced its workforce in response to the sluggish economy.

Service Super Sector -22.92%

Morningstar's Service Super Sector fell 36.41% for the year. Fearful stock investors fled consumer services and health care to a lesser degree than other sectors, so they led their peers but still post losses of 26.55% and 23.18%, respectively, for the year. This is a classic recession pattern, as investors assume that consumers have to continue to buy food and medicine regardless of economic conditions. Fast food eateries Panera Bread and McDonald's rose 45.8% and 8.5% for the

Q4 Morningstar Sector Delta and Return %



Sector	Quarter	1-Year	3-Year
Information	-22.65	-40.21	-8.74
Software	-24.55	-37.95	-5.96
Hardware	-26.48	-43.52	-10.85
Media	-25.55	-40.73	-14.62
Telecommunication	-5.27	-33.17	-0.17
Service	-22.92	-36.41	-11.76
Healthcare	-13.73	-23.18	-3.55
Consumer Services	-18.11	-26.55	-8.67
Business Services	-19.05	-34.03	-5.75
Financial Services	-33.22	-50.12	-20.76
Manufacturing	-22.06	-35.96	-2.33
Consumer Goods	-16.91	-22.02	0.29
Industrial Materials	-28.32	-46.13	-9.06
Energy	-23.47	-37.30	1.57
Utilities	-10.25	-28.11	1.67

Morningstar Super Sectors

	P/E	P/B	Yield %	Earn Growth	Sales Growth
Information Super Sector	12.20	1.87	2.11	16.09	10.52
Service Super Sector	13.59	1.56	3.77	1.47	5.83
Manufacturing Super Sector	8.73	1.76	3.07	14.31	10.78

year, while a clutch of biotech as Valeant, Genentech, and Celgene surged 91.3%, 23.6% and 19.6%, respectively.

The worst-performing sector was financials, which chalked up a 50.12% loss for the year after losing 33.22% in the fourth quarter alone. The dividend yield may look attractive for financial stocks now that it is the highest of all sectors at above 7%. However, many financial firms may have to cut their dividends to accept the government bailout proceeds, so the yield may be ephemeral.

Manufacturing Super Sector -22.06%

The manufacturing super sector was the top performer for the year coming in with a loss of 35.96% and 22.06% loss for the fourth quarter. This relative strength is evident in longer-term returns as well; its three-year loss of 2.33% tops all super sectors. Part of this relative outperformance owes to the utilities sector,

which fell only 10.25% in the fourth quarter. While most utilities didn't gain much in the quarter, only 17 of the 81 firms in the utilities sector turned in a negative return.

Driving down the performance of the super sector was the industrial materials, which fell 46.13% for the year and fell 28.32% in the quarter. As the U.S. recession lengthens and manufacturing activity continues to slow, investors have continued to move away from economically cyclical companies.

Overview

There was no place to hide in the fourth quarter with all the style and cap indexes down in the low to high 20% range. For the year, the Morningstar Growth Index was the worst performer with a loss of 42.62%, making growth the lagging index over the past 10-year period. This is in sharp contrast to 2007 when growth was the top-performing index. In contrast, the Morningstar US Value Index lost 35.80% for the year. On the flip side, the Morningstar US Core Index has the best relative one-year loss of 33.08%. Morningstar Mid and Small Cap Indexes had a yearly loss of 40.45% and 36.07%, respectively.

A Closer Look

■ Morningstar Value Index -20.09%

While value's result wasn't stellar, with a loss of just over 20% for the quarter, it was enough to beat its more hare-like counterparts. Over longer stretches, the difference gets more meaningful. Value's three, five, and 10-year annual results are -7.89%, -0.31%, and 1.76%, compared with growth's -11.31%, -4.97%, and -6.17%, respectively. ExxonMobil is one of the main reasons the value index performed better. ExxonMobil, which makes up nearly 13.5% of the index today, gained around 6% for the quarter. The health-care sector was another source of strength for the index. With 11% of the index devoted to health-care shares, recession-resistant expenditures on pharmaceuticals and surgical supplies has given value another edge.

Weighing down on the index was the nearly 24% of firms in the financial services sector, which was the worst-performing of all sectors. J.P. Morgan Chase & Co., which makes up nearly 4% of the index, fell around 20% in the quarter. J.P. Morgan has been stronger than most other large-cap banks, but concerns have grown as it integrates investment-bank Bear Stearns among the continued credit crisis.

Trailing Returns



Morningstar Style & Cap Indexes

	P/E	P/B	Yield %	Earn Growth	Sales Growth
Morningstar Value	9.15	1.19	5.76	2.39	5.47
Morningstar Core	10.80	1.86	2.64	10.31	10.39
Morningstar Growth	14.19	2.57	1.10	22.53	14.56
Morningstar Large Cap	10.99	1.89	3.35	10.48	11.53
Morningstar Mid Cap	10.90	1.34	2.94	3.46	4.46
Morningstar Small Cap	10.75	1.19	2.22	5.78	3.71

■ Morningstar Core Index -21.30%

The Morningstar Core Index held up almost as well as value with a loss of 21.3% for the quarter. Starting with the good news, Wal-Mart stood out in the consumer services sector with a loss of only 4% compared with the broader sector's loss of 18.1%. Despite generally abysmal retail sales for most retailers, Wal-Mart continues to post gains in same-store sales, which is a measure of growth in sales at stores open at least a year.

On the flip side, each of the top three holdings for the core index went wide in the fourth quarter. Procter & Gamble Company, Johnson & Johnson, and General Electric fell about 10%, 13%, and 35%, respectively. Nonetheless, the core index's biggest sector exposure is industrial materials, which is sensitive to the economic cycle. Until the U.S. economy comes out of the doldrums, the core index is not likely to rebound anytime soon.

■ Morningstar Growth Index -26.39%

Of the style category indexes, the Morningstar Growth Index turned in the worst quarterly loss of 26.39%. Although this index avoided the bulk of the direct credit crisis with only 6.17% exposure to the financial services sector, it is heavily tilted toward the tech-heavy information super sector, in which many companies are major suppliers to the financial services sector. Four of the top 10 contributors to the index are in the tech industry: Microsoft, Cisco, Apple Inc., and Google, all down around 23% to 27%. Even the full-year loss of nearly 43% puts the last decade squarely in the red, at an annualized -6.17%.

Not all is bleak for growth. Some big winners did emerge in the quarter, such as Jetblue Airways, which increased 43%. Just like most airlines, Jet Blue has a heavy debt load. However, the airline's profits are likely to get a boost from falling oil prices, which makes interest payments on its debt load more manageable.

Morningstar Large Cap Index -21.15%

Generally speaking, bigger was better in the fourth quarter, as investors turned to well-known names in the marketplace. The average quarterly loss for the top 10 stocks in the large-cap index was about a third less than the top 10 stocks in the mid-cap index, and the loss was even greater for small caps. Still, the large-cap index fell 21.15% for the quarter.

Over the 10-year period, the large-cap and small-cap indexes' fortunes have reversed: The large-cap index's annualized loss is 2.18% compared with the small-cap index's annualized gain of 4.05%. It is difficult to say if the fortunes will swing toward large caps or small. Still, brutal markets often spur good investors to activity. Not uncharacteristically, Warren Buffett counseled long-term investors to start buying stocks in an October New York Times OpEd piece, indicating that he had sold all his U.S. Treasury holdings in favor of stocks in his personal accounts. Whether this bodes well for large caps is yet to be seen.

Morningstar Mid Cap Index -26.24%

The mid-cap index nudged out the small-cap index with a quarterly loss of 26.24%. Still, mid-caps held the last place for the year with a loss of 40.45%. A wide range of businesses contributed to the loss for the quarter, such as International Paper Co., Liberty Interactive A, and Harley-Davidson, with losses of about 54%, 76%, and 47%, respectively. Harley shows that even major brand names are not immune to the credit crisis if the end product relies heavily on financing to the end consumer, as pricey luxury motorcycles do.

Looking under the mid-cap index's hood reveals that falling oil prices haven't necessarily been good for all airlines. For example, Southwest Airlines substantially avoided the increase altogether with a smart fuel-hedging program. However, other risks face Southwest, such as union negotiations and handling the economic downturn's effect on passenger volume, which have both weighed on Southwest's shares; the firm's stock lost 40.6% in the quarter.

Morningstar Small Cap Index -26.74%

Given that this index has the highest concentration to financial services and the credit crisis, it is no wonder that the Morningstar Small Cap Stock Index performed poorly over the quarter, one-year, and three-year periods with annualized losses of 26.74%, 36.07%, and 9.41%, respectively. While small caps return to the top spot over the 10-year period, the U.S. recession is still ongoing, and how long investors will favor large caps is uncertain. In fact, according to the National Bureau of Economic Research, the U.S. recession began in December 2007, making this one of the longest recessions in recent times, and counting.

Even more interesting is that a variety of the top-five performers in the fourth quarter were related to oil. World Fuel Services Company, Alaska Air Group Inc., and JetBlue Airways Corporation all had gains of 60.8%, 43.5%, and 43.4%, respectively. If the price of oil stabilizes, more of these types of firms may benefit rather than suffering from the ill effects of what has been an extremely volatile commodity price year.

Fund Categories and Benchmarks

The average return of actively managed funds exceeded the return of the relevant Morningstar Style Index in three out of nine style categories. For the second quarter in a row, the majority of active managers beat the Morningstar Mid Growth Index. The benchmarks with the biggest losses usually are the easiest to beat, and the mid-growth index turned in the biggest loss of 46.28%. Managers continued to take active bets to add value by avoiding the biggest losing sectors in the index, such as energy and software.

Active vs. Passive

	Value	Core	Growth
Large	46.61 -36.11	13.04 -31.47	62.32 -41.87
Mid	47.58 -35.95	49.02 -38.73	68.71 -46.28
Small	50.00 -31.67	48.44 -36.19	39.83 -39.92

☑ Actively managed mutual funds outperforming their respective benchmark (%)¹

▲ Index Returns (%), 1 Yr.

¹Includes the oldest share class for all U.S. diversified mutual funds with at least a one-year history. As of December 31, 2008 there were 2,487 eligible funds. Morningstar classifies funds into style categories based on the average style score (using the same 10-factor methodology as underlying benchmarks) of all available portfolio holdings over a three-year period.

Overview

Tepid Lending and Risk Aversion Still the Norm
The convergence of financial crises not seen in three quarters of a century leaves us all anxious for a fresh start. Credit markets remain tight as the government's plan to buy up low-quality mortgage assets from banks has morphed into a strategy to recapitalize them through preferred equity purchases. Additionally, the Bush Administration underwrote a bridge loan to the embattled Big Three U.S. automakers. Finally, the Federal Reserve has lowered interest rates dramatically in an effort to jump-start the economy. Still, lending remains tepid and risk aversion remains high.

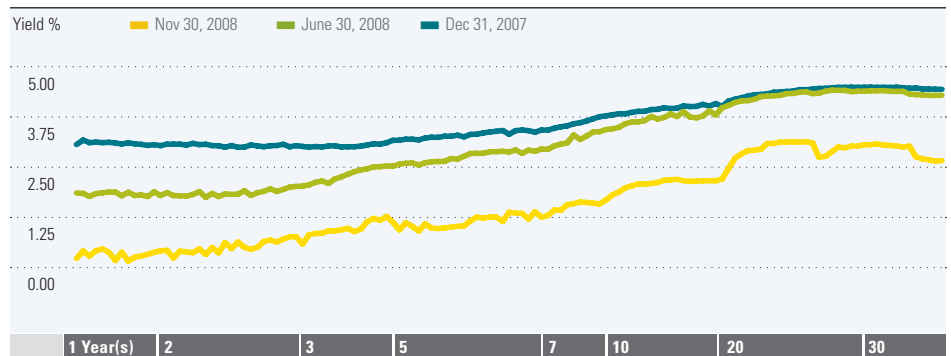
A Closer Look

Global Sovereigns at Record Low Yields—Another Bubble?

Treasuries continued their year-long rally through the fourth quarter. The Morningstar US Treasury Index posted a return of 8.89% for the quarter and 14.03% for the year. To consider the magnitude of the rally in different terms: If you bought \$100 of the most recently issued two-year Treasury at the end of 2007 and sold on the last day of 2008 you would have \$105.50 without coupon reinvestment. The same strategy using the 10-year leaves you with \$118.00. Using the 30-year, you are sitting on \$139.80.

Developed-markets sovereign yields across the globe are almost universally at historical lows. Pundits suggesting the U.S. Treasury market is the next bubble have no lack of ammunition. The trillions of U.S. dollars committed to the rescue have to be financed somehow, and the laws of supply and demand should still hold. There is credibility to the argument the current yield levels are irrational. U.S. Treasury buying has not been a result of an evaluation of the traditional economic indicators, but the result of panic, forced deleveraging, and being the only source of liquidity. Yields will eventually revert to the mean,

Treasury Yield Curve



Morningstar Bond Indexes

		Returns		Market Value \$Mil	Statistics		
		4th QTR	YTD		Credit Quality	Yield to Maturity	Average Duration
Broad Market	Core Bond	6.14	7.78	6104	AA+	3.52	4.14
Sector	US Govt	8.95	13.68	663	AAA	1.65	5.25
	Corporate	4.37	-3.45	1678	A	7.17	5.83
	Mortgage	4.48	8.45	3764	AAA	3.58	2.39
Maturity	Short-Term Core	3.08	5.00	873	AA+	2.38	2.08
	Interm. Core	5.06	8.19	4281	AAA	3.53	2.88
	Long-Term Core	12.47	9.84	947	AA	4.61	9.34
Inflation Prot. Secs.	TIPS	-3.19	-1.71	396	AAA	3.08	7.03
Global Sovereign	Global Govt USD	10.59	11.43	11554	AA+	2.09	6.20
	Global Govt ex-US USD	10.79	10.33	8779	AA	2.27	6.42
	<i>Eurozone USD</i>	7.18	5.02	4283	AA+	3.29	6.14
	<i>Swiss USD</i>	9.80	17.12	78	AAA	1.78	6.71
	<i>UK USD</i>	-14.02	-23.09	774	AAA	2.99	9.31
	<i>Australasian USD</i>	-2.75	-7.78	44	AAA	3.71	4.73
	<i>Canadian USD</i>	-5.76	-9.70	200	AAA	2.32	7.26
	<i>Japanese USD</i>	22.96	30.82	3400	AA-	0.80	6.08
Europe	Eurobond Corp IL	3.17	-1.08	960	AA-	4.87	4.19
	European Bank Capital IL	-1.63	-12.93	220	A+	8.86	3.72
	European Covered IL	4.25	0.45	749	AAA	4.11	4.06
	UK Eurobond Corp IL	-16.41	-25.81	191	AA	4.99	7.19
	UK Bank Capital IL	-22.57	-37.39	48	A	9.35	6.07
Emerging Market	Composite USD	-9.31	-14.20	276	BBB-	11.64	5.67
	Sovereign USD	-5.45	-9.45	223	BBB-	8.57	6.20
	Corporate USD	-21.95	-28.48	52	BB	24.75	3.43

USD—unhedged returns in USD IL—returns in local currency

but when? Those arguing it's not any time soon will try to draw parallels with 1990 Japan. The bubbles burst, yields went to near zero, and they are still there today.

Credits: Plenty of Yield to Be Had

Corporate debt in the U.S., Europe, and the emerging markets had their worst years on record by most measures. While sovereign yields were plunging, corporate bond yields were skyrocketing

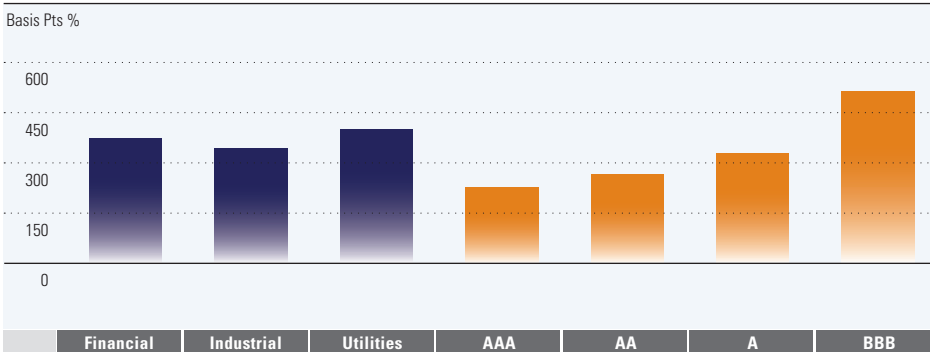
and establishing yield premiums at all-time highs. U.S. Treasuries posted positive returns for the year while corporate bonds provided negative returns—which hasn't happened in over a quarter century, and even then the disparity was not as great as it was in 2008.

For some this may mean 2009 becomes a reach for yield. The reach could be a modest stretch for the growing supply of government-guaranteed debt, including mortgages, agencies, or FDIC-backed bank debt. There is also no lack of supply for those less risk-averse. Investment-grade U.S. corporate debt that early last year offered a yield premium of 200 basis points on average, now provides a premium of 550 basis points. Further out the risk axis you can find yields on emerging-markets sovereigns at 8.57%, and high-yield emerging-markets corporate debt at 24.75%, as measured by the Morningstar Fixed Income Indexes.

Several published market watchers using different measures have come to the same conclusion. That is, the bond markets have already priced in the worst-case scenario. One study suggests the market, taken in total, is priced for a default rate that is 14 times that of the worst period in the past 25 years. That's not necessarily comforting to Lehman Brothers and Bear Stearns bondholders, but it's certainly worthy of note for investors in broad market bond funds and ETFs.

It's unlikely the liquidity of old will return to the credit markets anytime soon. The investment banks that provided the liquidity in the past can not add to their balance sheets and now there are fewer of them. When liquidity returns it will undoubtedly be at yield premiums significantly lower than they are today. The decision for the investor looking to buy in to the corporate bond market is: Buy now to capture the historic premiums while sacrificing liquidity, or forfeit the premium for the comfort of liquidity. Buy-and-hold investors who will own a broad number of names should be hard pressed not to take a long, hard look for an entry point.

Credit Spread Change by Sector and Quality



Credit spread is the yield difference between the US Treasury Index and Corporate Bonds by Index.

Corporate Bond Spread



Corporate bond spread is the yield difference between the US Corporate Bond Index and US Treasury Index.

The Crowding Out Effect

Developed-markets governments are expected to issue \$3 trillion of bonds in 2009 after issuing about \$1 trillion in 2008. The U.S. share of that is likely to be \$2 trillion. This fact has led to pronouncement of higher yields for the issuers, but it may also inflict collateral damage on the emerging markets. Emerging-markets governments are estimated to have borrowing needs of \$6 trillion in 2009, according to ING. This argues that even in light of improving emerging-markets economic fundamentals, those governments may find themselves still paying higher rates until the developed markets clear. The same argument has also been extended to all high-yielding credits. It will likely be a long haul before emerging-markets governments and high-yield credits rebuild their investor bases to any significant fraction of the past, fundamentals be damned.

Early Evidence

The tail end of 2008 and the first few days of 2009 suggest investors may be growing less risk-averse as Treasury yields rose dramatically and credit yield premiums contracted. Future supply of Treasuries is noted as the primary driver rather than inflation. Even if this trend continues it is more likely that unprecedented monetary and fiscal policies will have the greatest impact on when the markets revert back to normalcy. The Fed has run out of room to lower short-term rates but Fed Chairman Ben Bernanke is a strong proponent that there are many tools available beyond setting short-term rates. The intentions will be to mitigate the damage that deleveraging and risk aversion has inflicted, but as of now the tools are unproven.

Overview

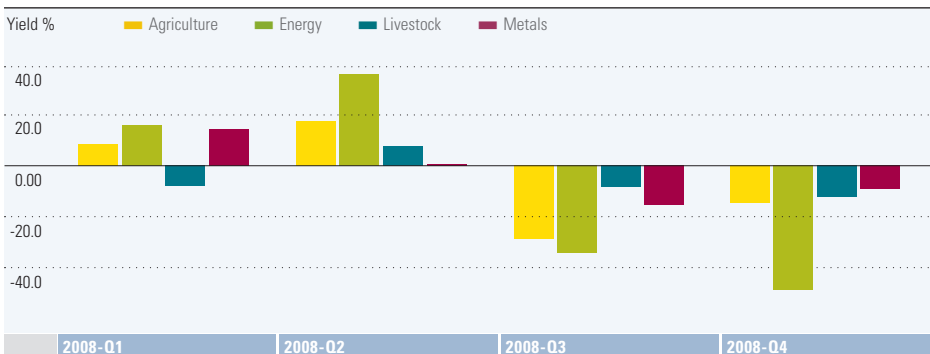
Commodities were not immune to the economic and market shocks that rocked global markets, as the environment turned difficult in the fourth quarter. The global economic downturn that accelerated in late 2008 started undermining demand forecasts for many commodities and a severe credit crunch forced many hedge funds and other investors to reduce leverage and scale back long positions. The Morningstar Long-Only Commodity Index plummeted 31% in the fourth quarter, ending 2008 down 34%. Steep declines in oil prices in the quarter accounted for the bulk of the drop. Longer term, we see reasons to be bullish on commodities.

A Closer Look

A volatile energy sector in 2008 contributed to a significant amount of index movement. The Morningstar Long-Only Index was up nearly 33% the first half of 2008 and then dropped a hair-raising 50% in the second half to end the year down 31%. Energy commodities alone fell 51% in the fourth quarter as oil prices collapsed on fears of a prolonged global economic slowdown. The Morningstar Long/Short Commodity Index on the other hand registered a 7% gain for the fourth quarter thanks to a flat position in energy and short positions in commodities that declined last quarter.

The agriculture sector declined nearly 15% in the quarter thanks in part to a 23% decline in corn. Conversely, soybeans and soybean meal were down 2% on average for the quarter. Waning biofuel speculation may explain this contrast in commodities.

The livestock and metals sectors were also down 14% and 10%, respectively, for the quarter. Cattle and hog commodity prices saw quarterly declines of around 14% thanks to declines in transport and feed input costs. A closer look at the metals sector, however, may point to the challenges of small-market speculation. Gold and silver, two



Morningstar Commodity Index Returns %

	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	15-Year
Long-Only	-30.80	-33.77	-33.77	-4.51	5.16	11.91	9.14
Long/Flat	-1.21	-1.25	-1.25	7.23	10.99	13.22	11.90
Long/Short	6.69	11.31	11.31	9.21	11.06	14.02	13.58
Short/Flat	8.05	14.23	14.23	5.43	2.83	3.76	5.28
Short-Only	34.26	34.68	34.68	7.97	-2.01	-5.38	-1.52
Agriculture	-14.59	-22.81	-22.81	4.95	1.56	1.27	2.02
Energy	-50.50	-48.65	-48.65	-20.96	-1.76	16.89	12.38
Livestock	-13.66	-21.99	-21.99	-8.93	3.22	5.69	3.05
Metals	-10.34	-13.08	-13.08	13.78	18.48	12.78	8.39

fairly scarce but widely traded metals, declined just 4% on average. Plentiful copper, meanwhile, dropped 51% as traders exited the smallest and least liquid of these three metals markets.

There are reasons to be bullish on commodities for the long term. Commodity supply should contract in the near term as lower prices cancel the business case for incremental capacity that operates at a higher marginal cost. Economic stimulus plans that fund large infrastructure projects should eventually shore up market demand for several commodities, however. Less supply and more demand should bode well for long-term commodity pricing trends.

Conclusion

Market volatility exploded in the fourth quarter as the collapse of the U.S. housing bubble overextended a surprising number of financial services firms. This touched off a global credit crisis, which

in turn sparked a swift deleveraging of investment positions in nearly every asset class.

The U.S. equity market ended the year down 37% after plunging 23% in the fourth quarter. Despite the decline, history suggests there are now several pockets of opportunity in U.S. equities for investors to consider. Corporate bond prices were also negatively impacted by the credit crisis and there are opportunities here as well. Government bonds on the other hand, up 9% in the fourth quarter alone, are likely priced at premium levels. Portfolio rebalancing rules should not be overlooked at a time like this.

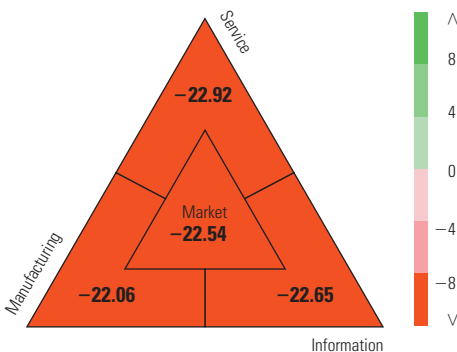
Commodity prices experienced a severe correction in the fourth quarter, but the long-term outlook is positive. New funding for commodity-intensive stimulus projects combined with the closure of unprofitable capacity should lend support to prices in due time. ■■

Q4 Style Indexes



Index	Total Returns %					Price/Earnings	Price/Book	Yield%	5-Yr Earn Growth
	3 Mo.	1-Year	3-Year	5-Year	10-Year				
Morningstar US Market	-22.54	-37.03	-8.28	-1.58	-0.81	10.96	1.69	3.19	8.37
Large Cap	-21.15	-36.21	-7.60	-1.95	-2.18	10.99	1.89	3.35	10.48
Mid Cap	-26.24	-40.45	-10.52	-0.69	2.59	10.90	1.34	2.94	3.46
Small Cap	-26.74	-36.07	-9.41	-1.09	4.05	10.75	1.19	2.22	5.78
US Value	-20.09	-35.80	-7.89	-0.31	1.76	9.15	1.19	5.76	2.39
US Core	-21.30	-33.08	-6.23	0.06	1.25	10.80	1.86	2.64	10.31
US Growth	-26.39	-42.62	-11.31	-4.97	-6.17	14.19	2.57	1.10	22.53
Large Value	-18.37	-36.11	-7.16	-0.47	0.73	9.25	1.37	5.79	3.79
Large Core	-19.62	-31.47	-4.90	0.36	0.17	10.84	2.04	2.81	13.33
Large Growth	-25.75	-41.87	-11.63	-6.49	-8.31	14.23	2.78	1.37	27.92
Mid Value	-23.93	-35.95	-10.41	-0.06	4.05	9.06	0.88	6.06	-0.58
Mid Core	-26.04	-38.73	-10.51	-1.25	3.53	10.74	1.54	2.23	3.57
Mid Growth	-28.78	-46.28	-11.00	-1.10	-0.51	13.76	2.24	0.51	23.20
Small Value	-25.70	-31.67	-9.01	-0.36	5.99	8.38	0.83	4.58	2.78
Small Core	-28.15	-36.19	-9.91	-0.79	6.84	10.56	1.22	1.90	11.90
Small Growth	-26.37	-39.92	-9.78	-2.49	-0.47	15.06	1.99	0.26	10.22

Q4 Sector Indexes



Index	Total Returns %					Price/Earnings	Price/Book	Yield%	5-Yr Earn Growth
	3 Mo.	1-Year	3-Year	5-Year	10-Year				
Information	-22.65	-40.21	-8.74	-5.02	-6.14	12.20	1.87	2.11	16.09
Software	-24.55	-37.95	-5.96	-2.16	-4.11	12.86	3.00	1.14	24.61
Hardware	-26.48	-43.52	-10.85	-6.92	-5.51	11.58	2.09	1.65	17.53
Media	-25.55	-40.73	-14.62	-10.31	-7.12	12.25	1.03	1.09	13.78
Telecommunication	-5.27	-33.17	-0.17	2.77	-7.42	13.07	1.59	5.02	4.22
Service	-22.92	-36.41	-11.76	-3.80	-0.11	13.59	1.56	3.77	1.47
Healthcare	-13.73	-23.18	-3.55	0.17	0.74	14.46	2.57	2.25	12.95
Consumer Services	-18.11	-26.55	-8.67	-1.86	0.45	13.01	2.05	2.08	6.00
Business Services	-19.05	-34.03	-5.75	2.27	0.48	14.57	2.15	1.59	2.66
Financial Services	-33.22	-50.12	-20.76	-9.54	-1.60	12.77	0.95	7.08	-1.10
Manufacturing	-22.06	-35.96	-2.33	4.50	3.73	8.73	1.76	3.07	14.31
Consumer Goods	-16.91	-22.02	0.29	2.89	2.56	12.86	2.95	3.25	9.82
Industrial Materials	-28.32	-46.13	-9.06	-1.67	0.55	8.27	1.59	3.72	14.18
Energy	-23.47	-37.30	1.57	13.37	10.19	6.74	1.60	1.98	17.72
Utilities	-10.25	-28.11	1.67	8.29	4.23	12.25	1.36	4.16	14.06

Bond Indexes

	3 Mo.	YTD	1-Year	3-Year	5-Year
Core	6.14	7.78	7.78	6.48	5.27
US Government	8.95	13.68	13.68	8.54	6.35
Corporate	4.37	-3.45	-3.45	2.04	2.66
Mortgage	4.48	8.45	8.45	6.85	5.60
Short-Term	3.08	5.00	5.00	5.48	3.87
Intermediate Term	5.06	8.19	8.19	6.80	5.64
Long-Term	12.47	9.84	9.84	6.71	6.31
Global Govt ex-US	10.79	10.33	10.33	9.57	6.03
EM Composite	-9.31	-14.20	-14.20	-0.22	4.20

Commodity Indexes

	3 Mo.	YTD	1-Year	3-Year	5-Year	10-Year	15-Year
Long-Only	-30.80	-33.77	-33.77	-4.51	5.16	11.91	9.14
Long/Flat	-1.21	-1.25	-1.25	7.23	10.99	13.22	11.90
Long/Short	6.69	11.31	11.31	9.21	11.06	14.02	13.58
Short/Flat	8.05	14.23	14.23	5.43	2.83	3.76	5.28
Short-Only	34.26	34.68	34.68	7.97	-2.01	-5.38	-1.52
Agriculture	-14.59	-22.81	-22.81	4.95	1.56	1.27	2.02
Energy	-50.5	-48.65	-48.65	-20.96	-1.76	16.89	12.38
Livestock	-13.66	-21.99	-21.99	-8.93	3.22	5.69	3.05
Metals	-10.34	-13.08	-13.08	13.78	18.48	12.78	8.39