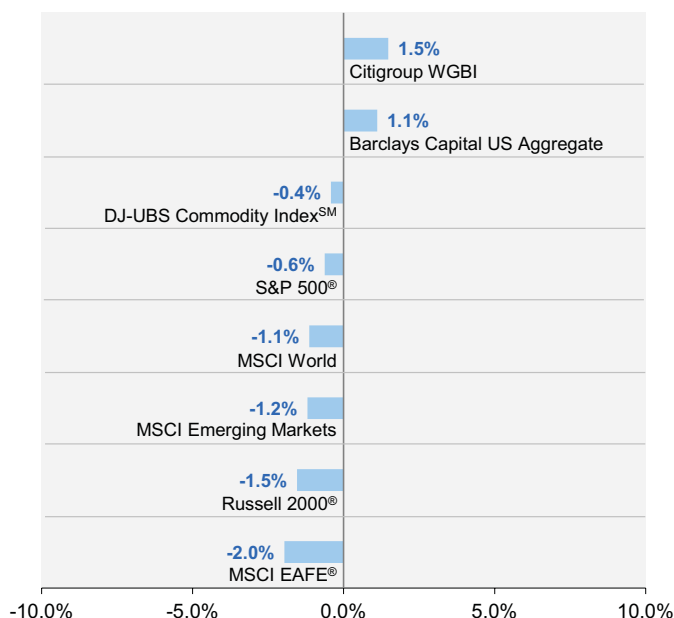


**THE MONTH IN REVIEW**

Equity volatility increased during April as both positive and negative news kept investors on their toes. Minutes from the Fed's March FOMC meeting showed fewer members favored a new round of quantitative easing despite concerns from Chairman Bernanke about the sustainability of labor markets. The Fed's sentiment came on the heels of a weak U.S. employment report, which showed a gain of 120,000 versus expectations of 203,000. A poor Spanish bond auction, the first since Spain released its new austerity budget, contributed to fresh concerns over peripheral Euro area nations. Lastly, growth in China hit a three-year low in the first quarter, as GDP rose 8.1% versus expectations of 8.3%. U.K. GDP contracted at an annualized rate of 0.8% in the first quarter of 2012, putting the U.K. economy back into a recession after two consecutive quarters of negative GDP growth. Also harming sentiment were the political repercussions of European austerity measures, as the Dutch government was forced into early elections and France's President Sarkozy will be challenged in a runoff election next month. Stocks tumbled and the U.S. dollar fell, while gold rose. Later in the month, sentiment firmed after solid first-quarter U.S. earnings, upbeat German business confidence surveys, and relatively successful bond auctions in Spain and France. Global equities recouped some of their losses but still closed down for the month. Weakness in European equities overshadowed relative strength in Hong Kong and Australia, while the U.S. and Canada finished with small losses. Global sovereign bonds rose on slower economic data and increased risk aversion. Commodity prices fell slightly, with the DJ-UBS Commodity Index<sup>SM</sup> down 0.4%.

**Market Performance - April 2012**



**MONTH END MODEL OUTLOOK**

**Global Asset Allocation**

- Our valuation methodology indicates that U.S. stocks remain attractive relative to U.S. corporate bonds and cash. From a valuation perspective, we believe low fixed income yields provide limited compensation for inflation risks.
- We continue to find that equities are attractive relative to bonds globally, based on our assessment of the global equity risk premium, and hold an overweight to equities and underweight to bonds. Signs of a stronger U.S. economy and the additional liquidity provided by the European Central Bank have helped reduce tail risks in our opinion.

**Cross-Country Relative Value**

- France and the Netherlands continue to exhibit attractive valuations in our models due to their stronger balance sheets and better earnings quality. Conversely, we are bearish on Swiss, Japanese, and Hong Kong equities, where valuations are unattractive to us relative to other countries in our equity universe.
- U.S. bonds offer the best value among developed bond markets according to our assessment of their term premium. Conversely, U.K. bonds appear unattractive due to mounting inflation pressure and a relatively low term premium.
- Among emerging market equities, our models find stocks in China relatively attractive despite recent downward revisions to future economic growth by Chinese officials, while stocks in Taiwan appear overvalued relative to weaker earnings forecasts and growth prospects.

**Currency**

- The Canadian dollar is the most attractive developed market currency in our opinion, as high short-term rates offer positive carry and the Bank of Canada is more hawkish than most other central banks.
- We find that the euro is unattractive, as short-term interest rates remain relatively low and Euro area growth is expected to lag.
- The Brazilian real continues to appear attractive among emerging market currencies, while the Israeli shekel appears relatively overvalued.

**Global Fixed Income**

- In Germany, we find the most value in the 3-year and 10-year portions of the yield curve, while the 5-year maturity bucket appears overvalued.

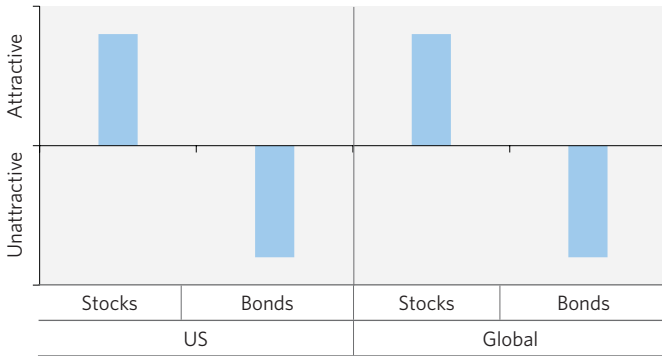
**Commodities**

- On a relative basis, soybean meal appears attractive due to the large roll yield and strong price momentum signals, while lean hogs appear overvalued due to unfavorable investor positioning and negative price momentum.
- RBOB gasoline appears attractive on a long calendar spread basis, while we hold a bear spread in heating oil as we expect the near-term contract to underperform longer-dated contracts.

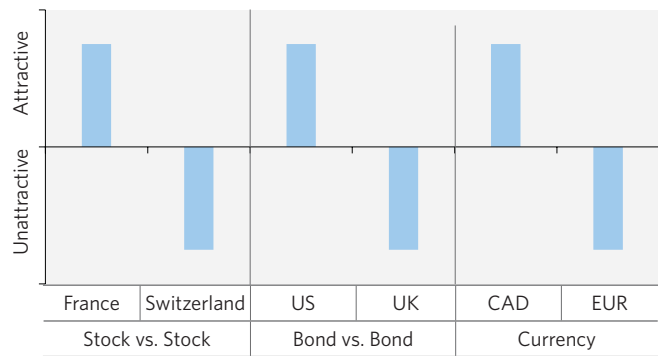


**SIGNIFICANT RELATIVE OPPORTUNITIES: MONTH END OUTLOOK**

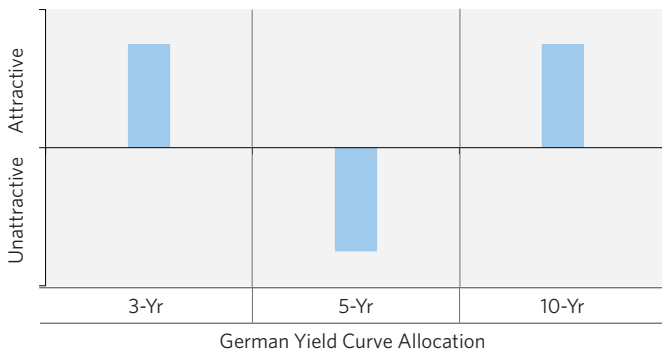
**Global Asset Allocation**



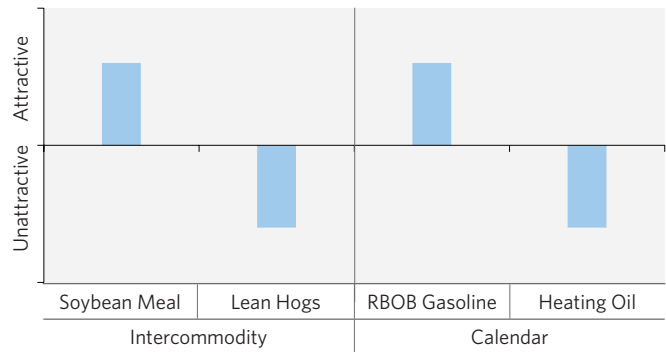
**Cross-Country Relative Value**



**Global Fixed Income**



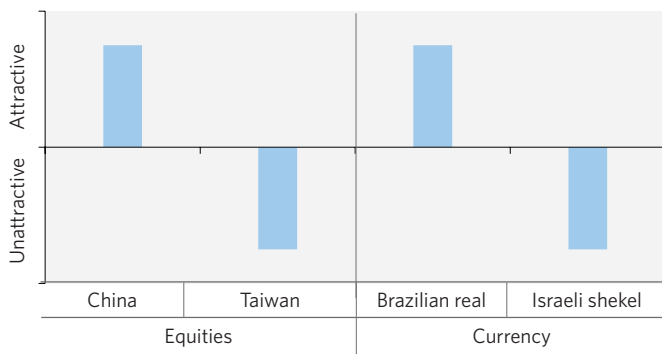
**Commodities**



The Intercommodity signal attempts to determine a commodity's attractiveness versus other commodities using proprietary models.

The Calendar signal measures the relative attractiveness of a commodity's near-term contract versus longer-term contracts using proprietary models.

**Emerging Markets**



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## ABOUT US

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S&P 500® Index is a capitalization-weighted index of 500 commonly traded U.S. stocks designed to represent the broad domestic economy.

The MSCI EAFE® Index (US\$) is a market capitalization weighted benchmark designed to measure the performance of large and mid capitalization stocks of the developed stock markets of Europe, Australia, and the Far East.

The MSCI World Index is a market capitalization weighted benchmark designed to measure the performance of large and mid capitalization stocks of the developed stock markets of Europe, Australia, the Far East and North America.

The Barclays Capital U.S. Aggregate Index is a broad representation of the U.S. investment-grade fixed income market including Treasuries, government-related issues, securitized assets, and U.S. credit dollar-denominated issues with a minimum term to maturity of one year.

The Citigroup World Government Bond Index (WGBI) is market capitalization weighted index and tracks total returns of 23 developed country government bonds with having a minimum term to maturity of one year.

The MSCI Emerging Markets Index is a market capitalization index designed to measure the performance of large and mid capitalization stocks of emerging markets.

The Dow Jones-UBS Commodity Index (SM) is a production- and liquidity-weighted, U.S. dollar-denominated index comprised of liquid exchange-traded futures contracts for energy, industrial metals, precious metals, agriculture, and livestock commodities.

The Russell 2000® Index is a market capitalization benchmark designed to measure the performance of the small-cap segment of the U.S. equity universe.

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