# RCL Advisors, LLC

# Third Quarter 2009 Presentation

## Tuesday, October 20th @ 3pm EDT

Barbara Raasch
braasch@rcladvisors.com

Bill Cafero
wcafero@rcladvisors.com

Gary Langham
glangham@rcladvisors.com

# How To Participate

In order to listen to the conference call, please follow these instructions:

1. Dial 1-800-768-6563 (For International Calls, dial 1-785-830-7991)
2. Conference Call ID: 5728408

The call will be in listen-only mode. If you would like to ask a question during the call, please email your questions to mdalton@rcladvisors.com

A copy of the presentation along with a replay of the audio will be available on our website at www.rcladvisors.com

# Market Review

# Third Quarter 2009

# Asset Class Returns

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Best | 38.35% | 37.05% | 35.18% | 38.71% | 66.42% | 31.04% | 14.03% | 10.27% | 56.28% | 33.16% | 34.54% | 35.97% | 39.78% | 5.24% | 64.88% |
| | 37.77% | 23.12% | 32.85% | 27.02% | 43.09% | 22.83% | 12.35% | 9.60% | 48.54% | 25.95% | 14.02% | 32.59% | 11.81% | 2.10% | 48.98% |
| | 37.19% | 22.45% | 31.78% | 20.34% | 33.16% | 11.69% | 8.43% | 3.58% | 47.25% | 22.25% | 13.82% | 26.86% | 11.63% | -2.47% | 29.58% |
| | 31.04% | 21.64% | 30.49% | 15.63% | 27.31% | 11.63% | 5.27% | 1.76% | 46.03% | 20.70% | 7.49% | 23.48% | 10.25% | -21.37% | 29.12% |
| | 28.44% | 21.37% | 22.36% | 8.67% | 26.47% | 7.01% | 5.13% | 1.02% | 39.17% | 18.33% | 7.05% | 22.25% | 7.05% | -26.16% | 27.11% |
| | 25.75% | 16.49% | 19.66% | 6.48% | 21.26% | 6.03% | 4.45% | -1.37% | 36.18% | 16.49% | 6.27% | 18.37% | 6.97% | -28.92% | 22.43% |
| | 19.17% | 14.39% | 16.20% | 5.36% | 20.91% | 4.07% | 2.80% | -6.00% | 30.03% | 14.31% | 5.26% | 15.46% | 5.77% | -33.79% | 21.08% |
| | 18.48% | 11.35% | 12.95% | 1.87% | 7.35% | -3.02% | 2.49% | -11.43% | 29.89% | 11.40% | 4.71% | 13.35% | 4.91% | -36.85% | 17.81% |
| | 17.46% | 11.26% | 12.77% | 1.23% | 4.85% | -5.86% | -2.37% | -15.52% | 29.75% | 11.14% | 4.55% | 11.86% | 3.36% | -37.60% | 16.36% |
| | 12.24% | 6.34% | 9.68% | -2.55% | 2.39% | -7.79% | -5.59% | -15.66% | 28.96% | 6.86% | 4.15% | 10.39% | 1.87% | -38.44% | 14.85% |
| | 11.55% | 6.04% | 9.20% | -5.11% | -0.83% | -13.96% | -9.23% | -20.48% | 11.61% | 6.30% | 3.53% | 9.07% | -0.17% | -38.54% | 14.00% |
| | 11.10% | 5.25% | 5.30% | -6.45% | -1.49% | -22.42% | -12.45% | -21.65% | 5.32% | 4.47% | 2.88% | 4.84% | -1.57% | -39.20% | 5.72% |
| | 5.92% | 4.44% | 2.05% | -17.01% | -2.07% | -22.43% | -20.42% | -27.88% | 4.11% | 4.34% | 2.74% | 4.76% | -9.78% | -43.06% | 0.13% |
| Worst | -5.21% | 3.61% | -11.60% | -25.33% | -2.58% | -30.61% | -21.21% | -30.26% | 1.10% | 1.14% | 2.43% | 4.34% | -17.55% | -53.18% | N/A |

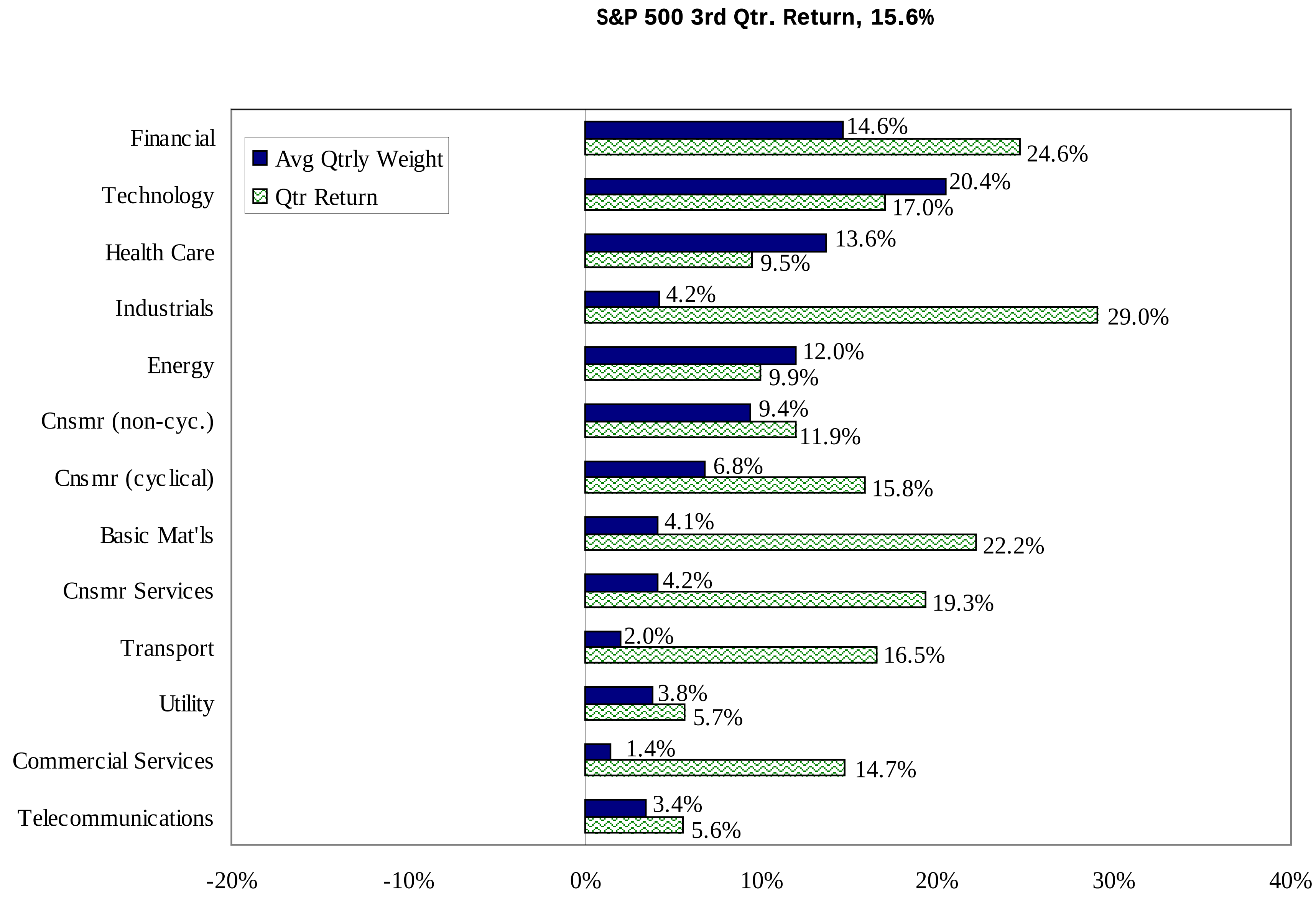
| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| R1000 | R1000V | R1000G | R2000 | R2000V | R2000G | MSCI EAFE | MSCI Emerging Markets | Barclays Capital Municipal Bond | Barclays Capital Agg | Barclays Capital U.S. Corp: High Yield | HFRI Fund of Funds Comp | Dow Jones Wilshire REIT | 90 Day U.S. Treasury Bill |

rogerscas

# Index Returns

| Equity Indices | Month | QTR | YTD | 1 Yr | 3 Yr | 5 Yr |
|---|---|---|---|---|---|---|
| S&P 500 | 3.73 | 15.61 | 19.26 | -6.91 | -5.43 | 1.02 |
| Russell 1000 | 4.06 | 16.07 | 21.08 | -6.14 | -5.10 | 1.49 |
| Russell Midcap | 5.67 | 20.62 | 32.63 | -3.55 | -4.07 | 3.89 |
| Russell 2000 | 5.77 | 19.28 | 22.43 | -9.55 | -4.57 | 2.41 |
| Russell 1000 Growth | 4.25 | 13.97 | 27.11 | -1.85 | -2.50 | 1.86 |
| Russell 1000 Value | 3.86 | 18.24 | 14.85 | -10.62 | -7.87 | 0.90 |
| Russell Midcap Growth | 5.75 | 17.58 | 37.12 | -0.40 | -3.10 | 3.75 |
| Russell Midcap Value | 5.60 | 23.62 | 27.57 | -7.12 | -5.65 | 3.53 |
| Russell 2000 Growth | 6.57 | 15.95 | 29.12 | -6.32 | -2.60 | 2.91 |
| Russell 2000 Value | 5.02 | 22.70 | 16.36 | -12.61 | -6.65 | 1.78 |

# S&P 500 Sector Returns



# Quality Performance Comparisons

| Index | High Quality | Low Quality | % Difference |
|---|---|---|---|
| Russell 1000 | 13.4 | 36.9 | (23.5) |
| Russell 1000 Growth | 19.3 | 42.1 | (22.8) |
| Russell 1000 Value | 8.2 | 29.9 | (21.7) |
| Russell Midcap | 19.5 | 45.2 | (25.7) |
| Russell Midcap Growth | 24.1 | 50.1 | (26.0) |
| Russell Midcap Value | 14.5 | 39.6 | (25.1) |
| Russell 2000 | 2.8 | 29.0 | (26.2) |
| Russell 2000 Growth | 16.5 | 31.7 | (15.2) |
| Russell 2000 Value | (3.6) | 25.7 | (29.3) |
| Russell 3000 | 13.1 | 35.7 | (22.6) |
| Russell 3000 Growth | 19.2 | 40.5 | (21.3) |
| Russell 3000 Value | 7.7 | 29.1 | (21.4) |

# It's All About Earnings

## 2nd Quarter Earnings

| S&P 500 Income Statement (ex-Financials) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Particulars | 2Q09 Actual | 2Q09E Expected | Diff | % Diff | 1Q09 | Q/Q% | 2Q08 | Y/Y % |
| Revenues | 1,409.7 | 1,406.2 | 3.5 | 0.3% | 1,359.7 | 3.7% | 1,744.5 | -19.2% |
| Operating Costs | 1,218.6 | 1,228.7 | (10.1) | -0.8% | 1,205.2 | 1.1% | 1,489.9 | -18.2% |
| EBIT / Operating Income | 191.1 | 177.5 | 13.6 | 7.7% | 154.5 | 23.7% | 254.6 | -24.9% |
| EBITDA | 277.2 | 259.6 | 17.6 | 6.8% | 243.9 | 13.7% | 344.0 | -19.4% |
| Pre-Tax Income | 148.8 | 156.1 | (7.4) | -4.7% | 106.1 | 40.2% | 205.3 | -27.5% |
| **Net Oper. Inome (Earnings)** | **102.5** | **97.6** | **4.9** | **5.0%** | **77.9** | **31.5%** | **142.9** | **-28.3%** |
| **Margins** | | | | | | | | |
| EBIT | 13.6% | 12.6% | 90 bp | | 11.4% | 220 bp | 14.6% | -100 bp |
| EBITDA | 19.7% | 18.5% | 120 bp | | 17.9% | 170 bp | 19.7% | -10 bp |
| Pre-Tax | 10.6% | 11.1% | -50 bp | | 7.8% | 270 bp | 11.8% | -120 bp |
| **Net Operating** | **7.3%** | **6.9%** | **30 bp** | | **5.7%** | **150 bp** | **8.2%** | **-90 bp** |

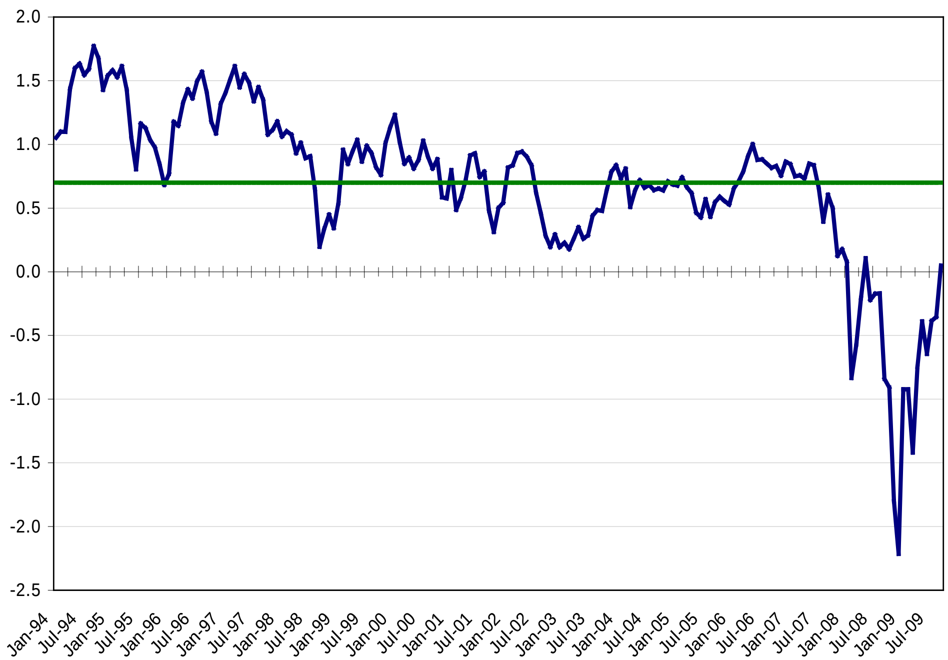
Source: Lazard Asset Management

- Earnings Drivers: Cost Cutting or Revenue Growth

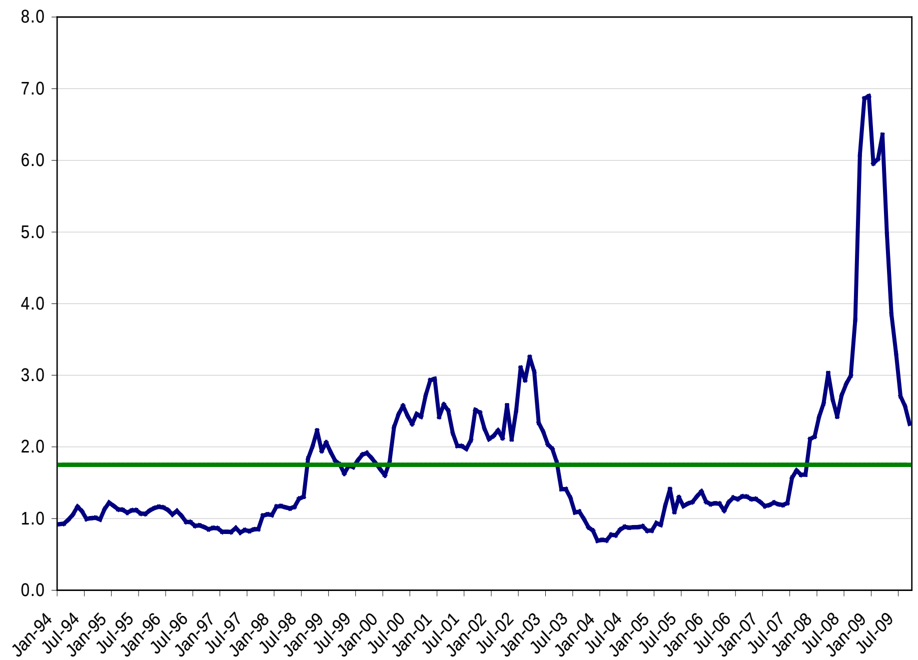
- Determine Demand Factors: Restocking or Sales, Domestic or International

# Spreads

## 10yr Treasury Yield minus 10yr Muni Yield




## Baa Corp Yield minus 10yr Treasury Yield



# Roth IRA Conversion

- In 2010 taxpayers, regardless of income, can convert their qualified plans to a Roth IRA

- The basics associated with Traditional IRAs:
  – Income grows tax deferred until withdrawn
  – Participants MUST begin withdrawing upon reaching age 70 ½ (Required Minimum Distributions)
  – Distributions are taxed as ordinary income

- The basics associated with Roth IRAs:
  – Income grows tax FREE, as long as you hold the Roth IRA for 5 years
  – There are NO Required Minimum Distributions during your lifetime
  – Your spouse can rollover into his/her Roth IRA upon your death and continue all benefits throughout his/her remaining lifetime

# Should I Convert To A Roth IRA?

- No Free Lunch
  - Converting to a Roth IRA creates a tax liability NOW
  - If you convert in 2010 you can spread the tax liability over 2011 and 2012
- Roth IRA Opportunities
  - Pay tax when asset values are low, and never again while assets remain in the Roth IRA
  - Opportunity to accelerate charitable donations
  - Powerful estate planning opportunities
- A revocable decision
  - Recharacterization is possible prior to your next tax filing if you decide a Roth conversion is disadvantageous

# Roth IRA Conversion Example

Jim & Mary Taxpayer

Assumptions:

- Jim is 60 years old and Mary is 57
- IRA Balance = $600,000
- Daughter's age is 35
- Mary is primary beneficiary and daughter is contingent beneficiary
- IRA rate of return = 7%
- Tax Rates:
  - Federal Income tax rate = 39.6%
  - Estate tax rate = 55%

# Roth IRA Conversion Example

## Summary

*Jim & Mary Taxpayer*

| At the End of the Senior Generation's Lifetime in 2037 | Baseline | Roth IRA Conversion |
|---|---|---|
| Cumulative IRA distributions to senior generation | 1,407,644 | 0 |
| Traditional IRA balance | 1,572,018 | 0 |
| Roth IRA balance | NA | 4,047,585 |
| Taxable investment balance | 1,330,977 | -1,005,521 |
| Combined balances | 2,902,994 | 3,042,064 |
| Estate taxes | -1,306,347 | -1,368,929 |
| IRD deduction | 707,408 | 0 |
| Income tax assuming total IRA distributions | -342,385 | 0 |
| **Net amount to heirs** | **1,254,261** | **1,673,135** |
| | | |
| **Roth IRA conversion advantage** | | **418,874** |
| Present value of planning advantage @ 3.0% | | 161,954 |

| At the End of the Heir's Lifetime in 2058 | Baseline | Roth IRA Conversion |
|---|---|---|
| Cumulative IRA distributions to heirs | 3,489,525 | 8,984,727 |
| Traditional IRA balance | 309,361 | 0 |
| Income tax assuming total IRA distributions | -122,507 | 0 |
| After-tax traditional IRA assets | 186,854 | 0 |
| Roth IRA | NA | 796,533 |
| Income tax assuming total IRA distributions | NA | 0 |
| After-tax Roth IRA assets | NA | 796,533 |
| Taxable investment balance | 3,843,860 | 6,676,929 |
| **Net amount available to heirs before 2nd generation death taxes** | **4,030,714** | **7,473,462** |
| | | |
| **Roth IRA conversion advantage** | | **3,442,748** |
| Present value of planning advantage @ 3.0% | | 803,916 |

# Underwater 529 Plan Opportunity

- If your Section 529 Plan's value is worth less than what you contributed, you may be able to receive a tax benefit for the loss.
- If you withdraw the funds from an underwater 529 Plan and close the account, you can claim the loss on your tax return as a miscellaneous itemized deduction.
- This will allow you to start a new fund with a new gift amount, thus, providing additional estate planning opportunities.
- It is important to check with your tax accountant to make sure to identify any potential tax costs associated with your particular situation.

# Questions

- E-mail questions now to: mdalton@rcladvisors.com

- Call Barb, Bill, or Gary at: 212-452-5900

- Discuss with Barb, Bill, and/or Gary at upcoming meeting

# Appendix

# Third Quarter 2009 Presentation

# Market Summary

- **Overall**
  - Recent data suggests that economic activity has picked up following last year's downturn. Conditions in the financial markets have improved further, and activity in the housing sector has increased. Household spending seems to be stabilizing, but remains constrained by ongoing job losses, sluggish income growth, lower housing wealth, and tight credit. Businesses are still cutting back on fixed investment and staffing, though at a slower pace; they continue to make progress in bringing inventory stocks into better alignment with sales.
  - The domestic equity market continued to offer positive results throughout the third quarter. Value stocks outpaced growth stocks across the capitalization spectrum, while mid cap stocks continued to outperform large and small cap issues.
  - Quarterly results were positive overseas as the emerging and developed international equity markets both posted gains in excess of 19%.
  - The U.S. dollar depreciated against most of the major currencies: most notably the Australian dollar and the Canadian dollar.
  - Rates trended lower across the entire yield curve
  - Although the financial markets continue to show signs of improvement, the Fed anticipates that economic conditions will warrant exceptionally low levels of the federal funds rate for an extended period.

- **Fixed Income**
  - 90 day T-bill yields decreased from 0.17% to 0.08%.
  - The Federal Reserve Board held the Federal Funds rate at 0.25%.
  - The Barclays Long Gov/Credit Index outperformed its intermediate and short-term counterparts.
  - Plus sectors posted positive results on an absolute basis and outperformed core fixed income.
    - Emerging market debt ended the quarter with a gain of 10.2%, and outperformed core fixed income by over 6%.
    - High yield bonds returned 14.2%, and outperformed core fixed income by over 10%.
  - Corporate and Municipal spreads tightened during the quarter.
  - Foreign bonds offered moderate gains for hedged investors, while yielding more favorable results on an unhedged basis.

# Market Summary

- **U.S. Equities**
  - Mid cap stocks continued to outperform their large and small cap counterparts throughout the quarter.
  - Value stocks showed considerable strength across the capitalization spectrum.
  - As measured by the S&P 500 Index, sector returns were broadly positive, with the financial and industrials sectors posting the index's strongest results. Conversely, the telecommunications sector finished the quarter with the weakest overall results.

- **Non-U.S. Equities**
  - Quarterly performance was strongly positive as developed equities returned 19.5% and emerging market equities returned 21.0%.
  - Value stocks outperformed growth-oriented securities within the MSCI EAFE Index, while small cap stocks finished the quarter ahead of the broader market.
  - Most major regions made significant gains, with the Pacific ex Japan (+27.4%) and Australia (+33.2%) showing the strongest performances.
  - Emerging market equities posted similar results, with the Latin American market (+24.8%) surfacing as one of the index's top-performing regions.
  - Three year returns: EAFE = -3.1% annualized. Emerging markets = 8.3% annualized.

- **Alternatives**
  - The domestic and international REIT markets ended the quarter with positive results, returning 35.9% and 25.4%, respectively.
  - Commodities offered more modest gains as the DJ-UBS Commodity Index returned 4.2% for the quarter.

# Fixed Income

# Index Returns

| Taxable | Month | QTR | YTD | 1 Yr | 3 Yr | 5 Yr |
|---|---|---|---|---|---|---|
| 90 Day T-Bills | 0.01 | 0.05 | 0.13 | 0.38 | 2.79 | 3.03 |
| Barclays Aggregate | 1.05 | 3.74 | 5.72 | 10.56 | 6.41 | 5.13 |
| Barclays Intermediate Aggregate | 0.89 | 3.21 | 5.90 | 9.69 | 6.37 | 5.02 |
| Barclays Long Gov/Credit | 2.51 | 8.53 | 4.69 | 18.36 | 6.93 | 5.99 |
| Barclays Government | 0.75 | 2.03 | -1.21 | 6.74 | 6.75 | 5.19 |
| Barclays US Corporates | 1.78 | 8.12 | 17.11 | 21.77 | 5.67 | 4.57 |
| Barclays Mortgage Backed | 0.80 | 2.31 | 5.29 | 9.85 | 7.40 | 5.92 |
| Barclays US Corp: High Yield | 5.70 | 14.22 | 48.98 | 22.34 | 5.31 | 6.14 |
| J.P. Morgan Non-US WGBI Unhedged | 2.78 | 7.27 | 6.22 | 16.78 | 10.30 | 7.14 |
| J.P. Morgan Non-US WGBI Hedged | 0.47 | 1.96 | 2.03 | 7.63 | 5.19 | 5.17 |
| J.P. Morgan Emerging Markets Bond | 4.92 | 10.22 | 26.26 | 18.69 | 7.47 | 8.81 |
| **Tax Exempt - Municipal Bonds** | | | | | | |
| Barclays: 1 Yr Municipal | 0.33 | 0.96 | 2.89 | 4.70 | 4.20 | 3.30 |
| Barclays: 5 Yr Municipal | 1.66 | 3.75 | 6.81 | 11.01 | 6.13 | 4.55 |
| Barclays: Municipal Bond | 3.59 | 7.12 | 14.00 | 14.85 | 5.13 | 4.78 |

# Sector Yields

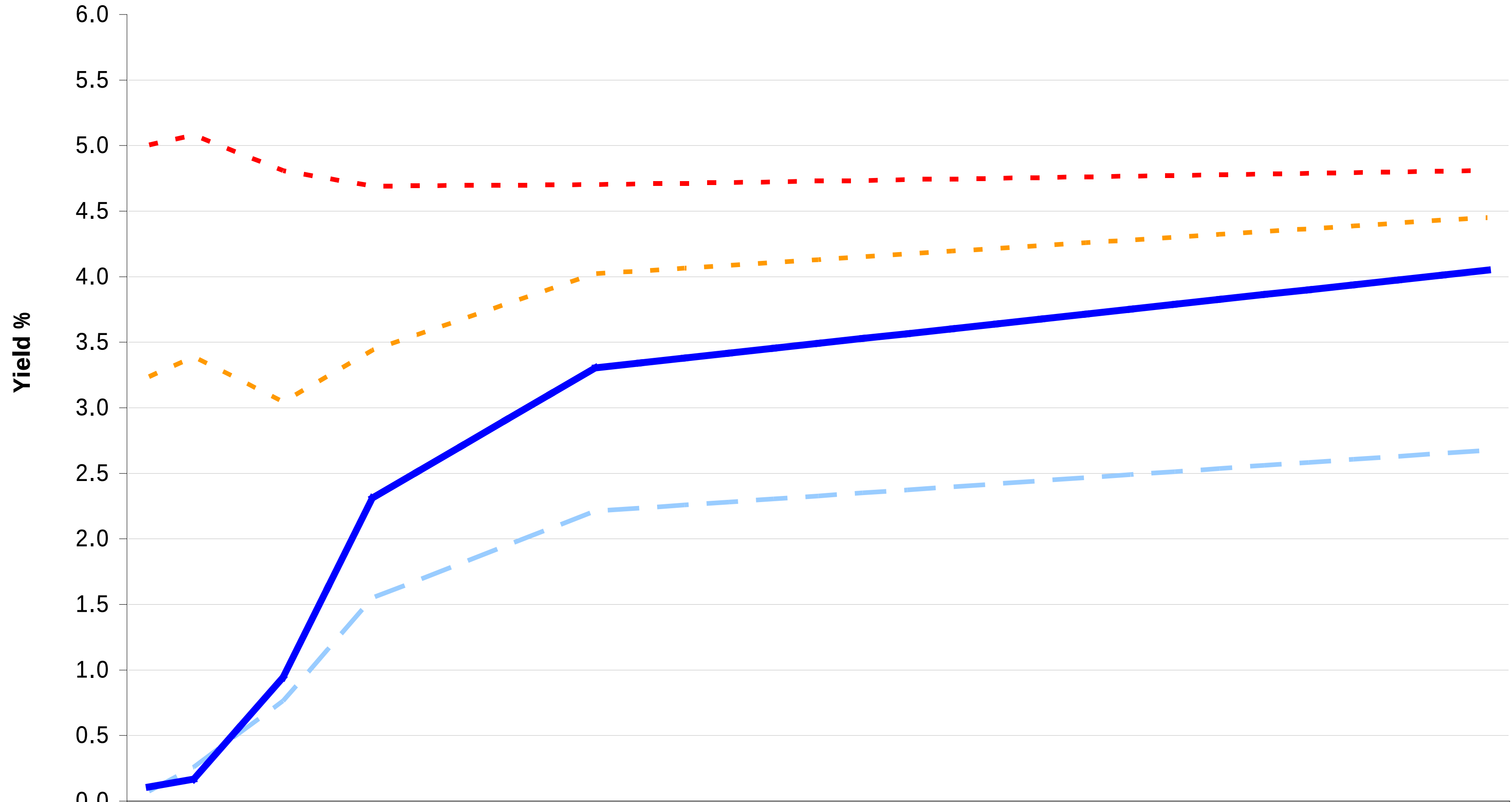
## *US Treasuries*

| | Yield | | | | Return | | |
|---|---|---|---|---|---|---|---|
| | Dec-06 | Dec-07 | Dec-08 | Sep-09 | QTR | YTD | 1 Yr |
| **2-year** | 4.8 | 3.0 | 0.8 | 0.9 | 0.86 | 1.12 | 4.40 |
| **5-year** | 4.7 | 3.4 | 1.5 | 2.3 | 2.02 | -0.82 | 7.73 |
| **10-year** | 4.7 | 4.0 | 2.2 | 3.3 | 2.64 | -6.53 | 7.59 |
| **30-year** | 4.8 | 4.5 | 2.7 | 4.1 | 5.48 | -19.12 | 7.66 |

## *Sector*

| | Yield | | | | Return | | |
|---|---|---|---|---|---|---|---|
| | Dec-06 | Dec-07 | Dec-08 | Sep-09 | QTR | YTD | 1 Yr |
| **Broad Market** | 5.3 | 4.9 | 4.0 | 3.6 | 3.74 | 5.72 | 10.56 |
| **Corporates** | 5.7 | 5.8 | 7.5 | 4.9 | 8.12 | 17.11 | 21.77 |
| **MBS** | 5.6 | 5.4 | 3.6 | 3.9 | 2.31 | 5.29 | 9.85 |
| **High Yield** | 7.7 | 9.6 | 19.4 | 10.3 | 14.22 | 48.98 | 22.34 |
| **Municipals** | 3.9 | 4.0 | 4.5 | 3.3 | 7.12 | 14.00 | 14.85 |

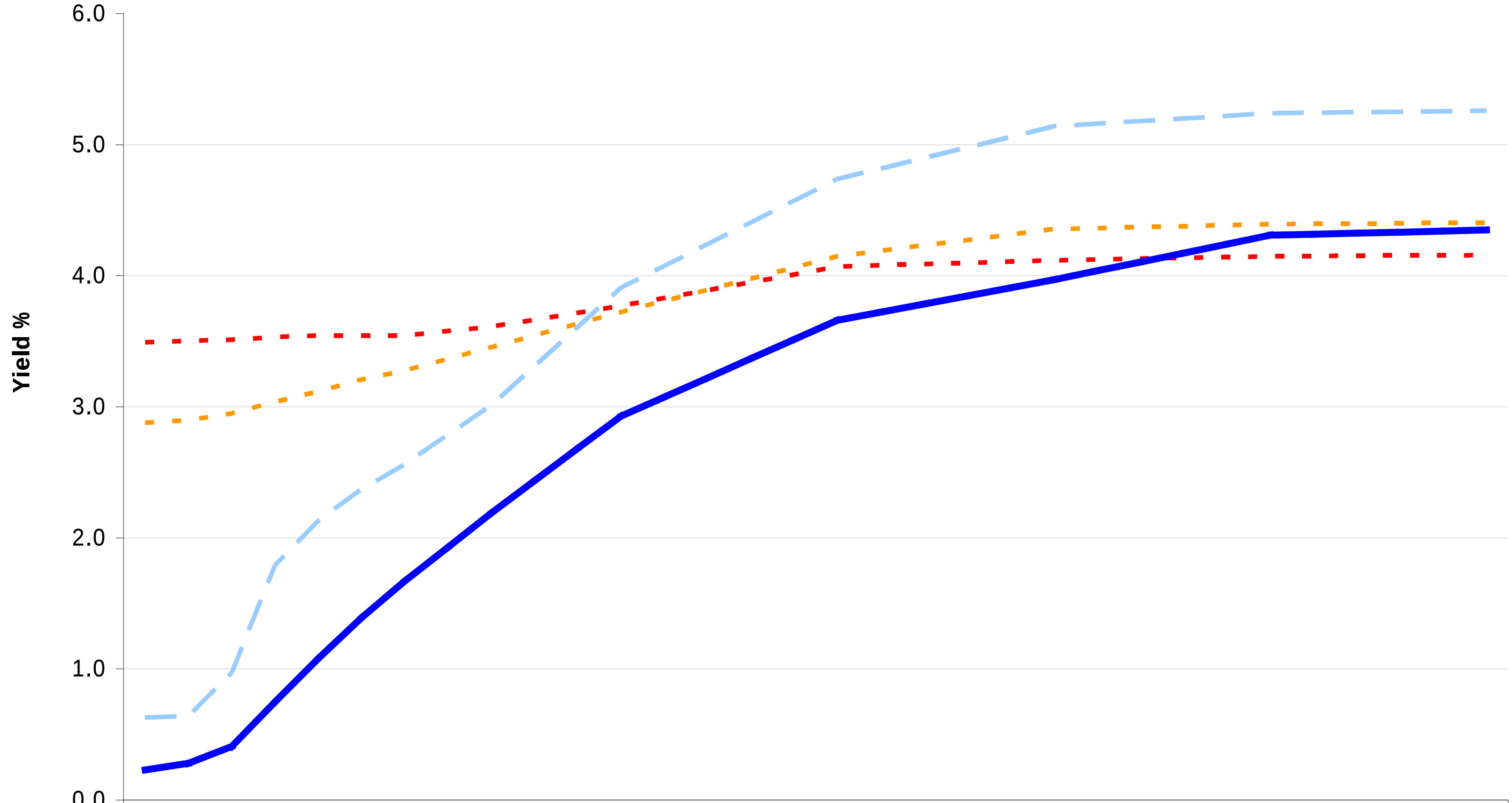
# U.S. Treasury Yield Curve




| | 3m | 6m | 2y | 5y | 10y | 30y |
|---|---|---|---|---|---|---|
| 12/31/2006 | 5.0 | 5.1 | 4.8 | 4.7 | 4.7 | 4.8 |
| 12/31/2007 | 3.2 | 3.4 | 3.0 | 3.4 | 4.0 | 4.5 |
| 12/31/2008 | 0.1 | 0.3 | 0.8 | 1.5 | 2.2 | 2.7 |
| 9/30/2009 | 0.1 | 0.2 | 0.9 | 2.3 | 3.3 | 4.1 |

12/31/2006 12/31/2007 12/31/2008 9/30/2009

# Municipal Yield Curve

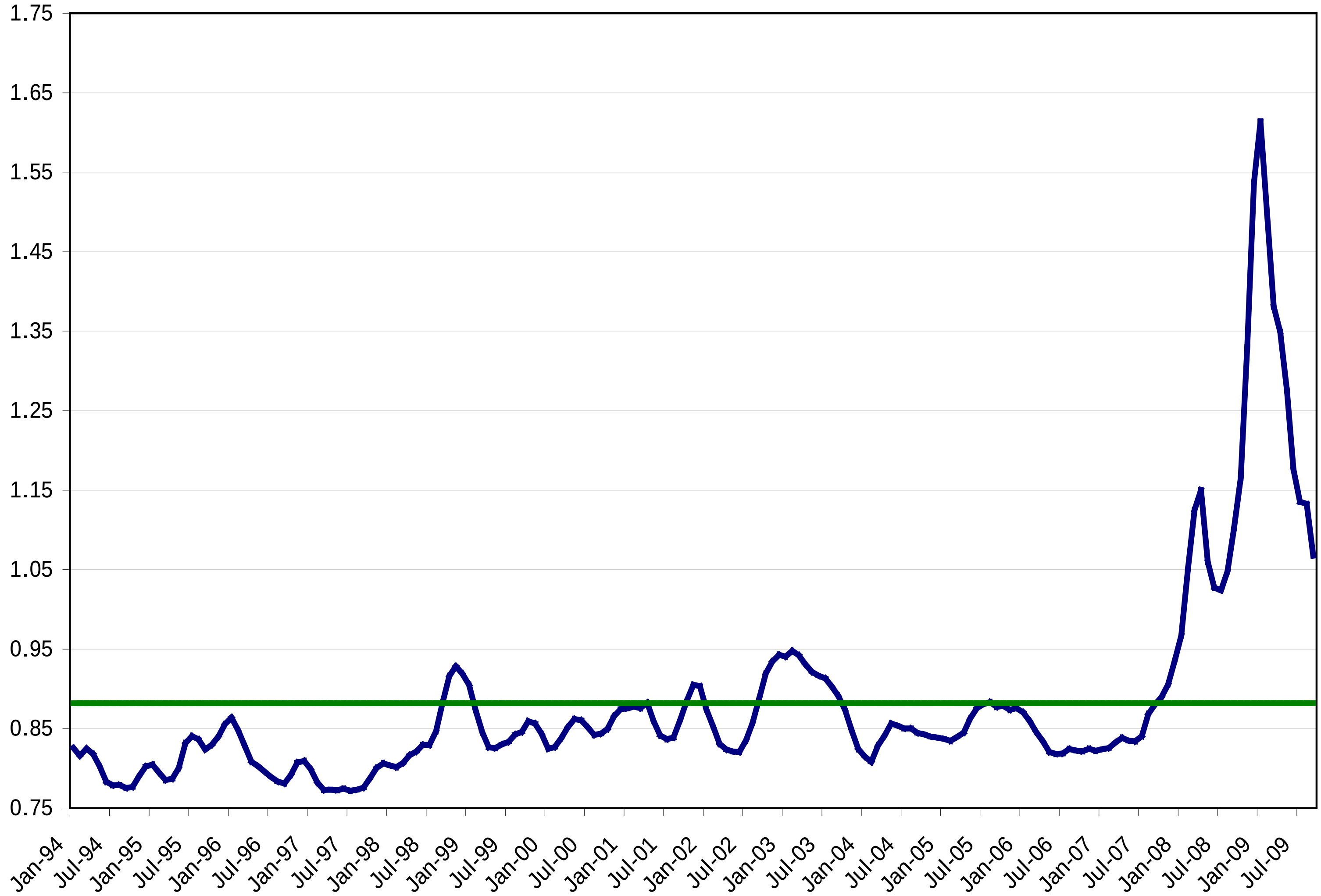



| | 3m | 6m | 1y | 2y | 3y | 4y | 5y | 7y | 10y | 15y | 20y | 25y | 30y |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 12/31/2006 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.6 | 3.8 | 4.1 | 4.1 | 4.1 | 4.2 |
| 12/31/2007 | 2.9 | 2.9 | 2.9 | 3.0 | 3.1 | 3.2 | 3.3 | 3.5 | 3.7 | 4.1 | 4.4 | 4.4 | 4.4 |
| 12/31/2008 | 0.6 | 0.6 | 1.0 | 1.8 | 2.1 | 2.4 | 2.6 | 3.0 | 3.9 | 4.7 | 5.1 | 5.2 | 5.3 |
| 9/30/2009 | 0.2 | 0.3 | 0.4 | 0.8 | 1.1 | 1.4 | 1.7 | 2.2 | 2.9 | 3.7 | 4.0 | 4.3 | 4.3 |

12/31/2006 12/31/2007 12/31/2008 9/30/2009

# Municipal / Treasury Spread

**Barclays 10 Year Muni Yield/10 year Treasury Ratios***

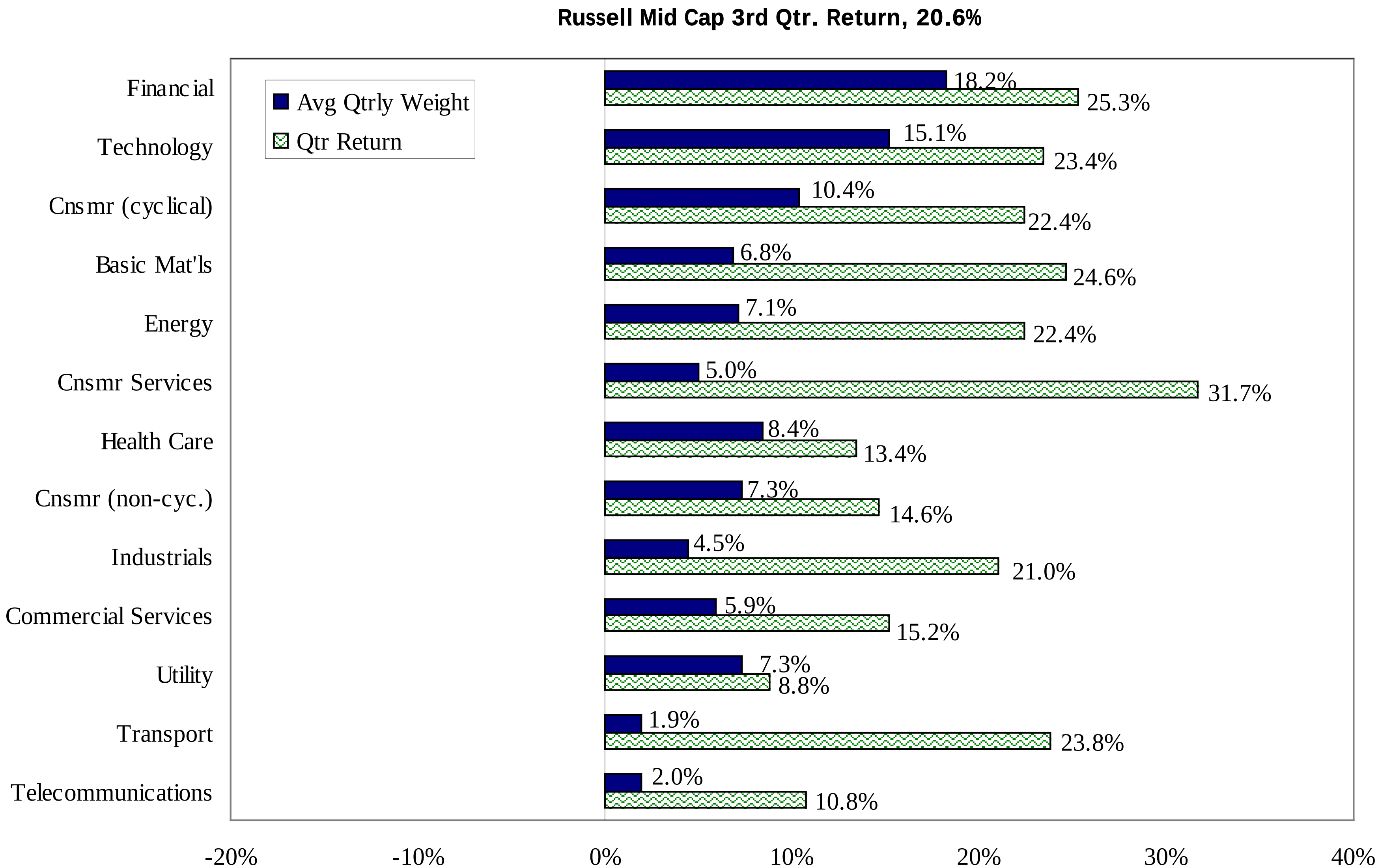



Theoretically, Municipal yields should equal Treasury yields x (1-tax rate).

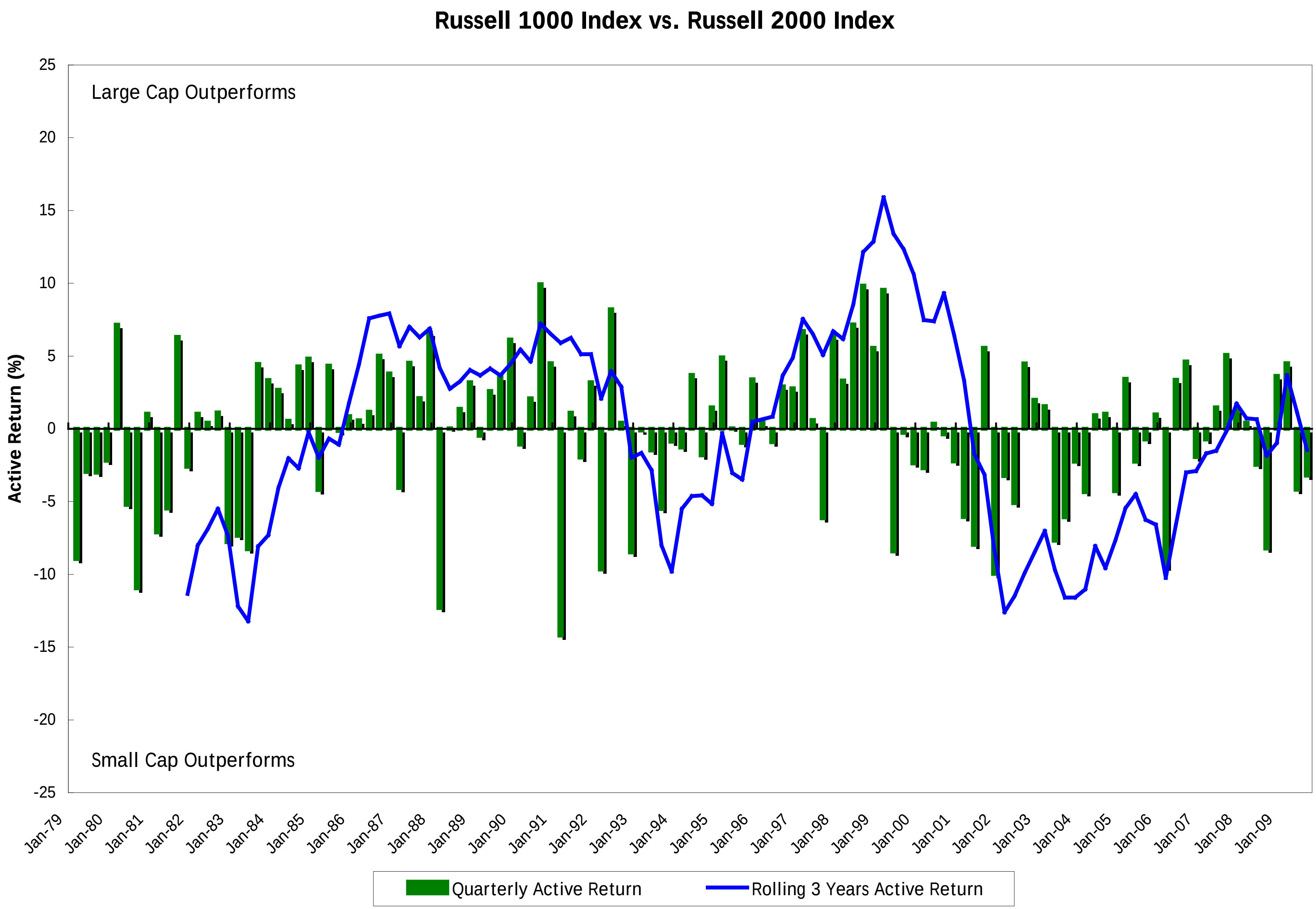
*Based on 3-month moving average.

# U.S. Equity

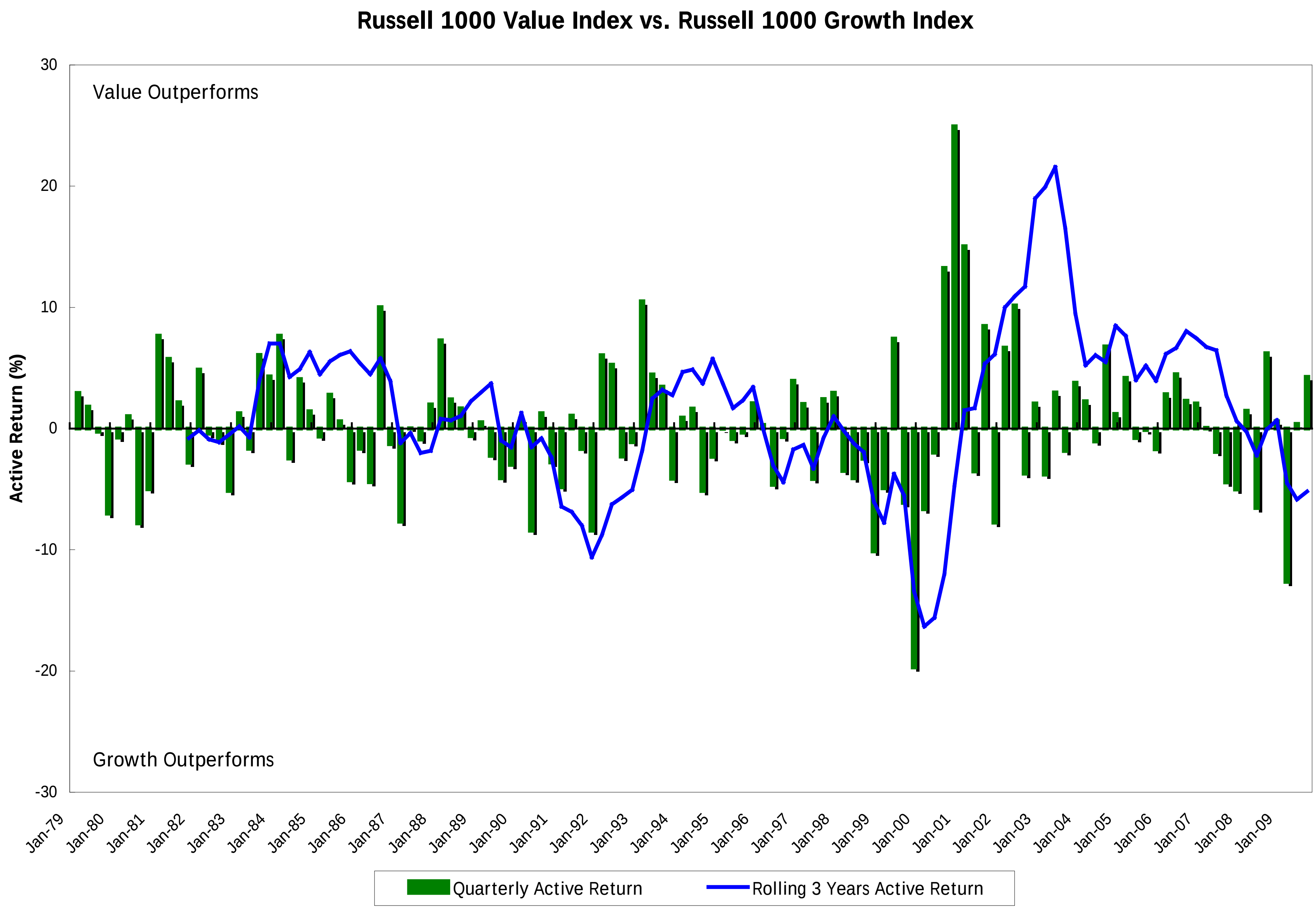
# Russell Mid Cap Sector Returns



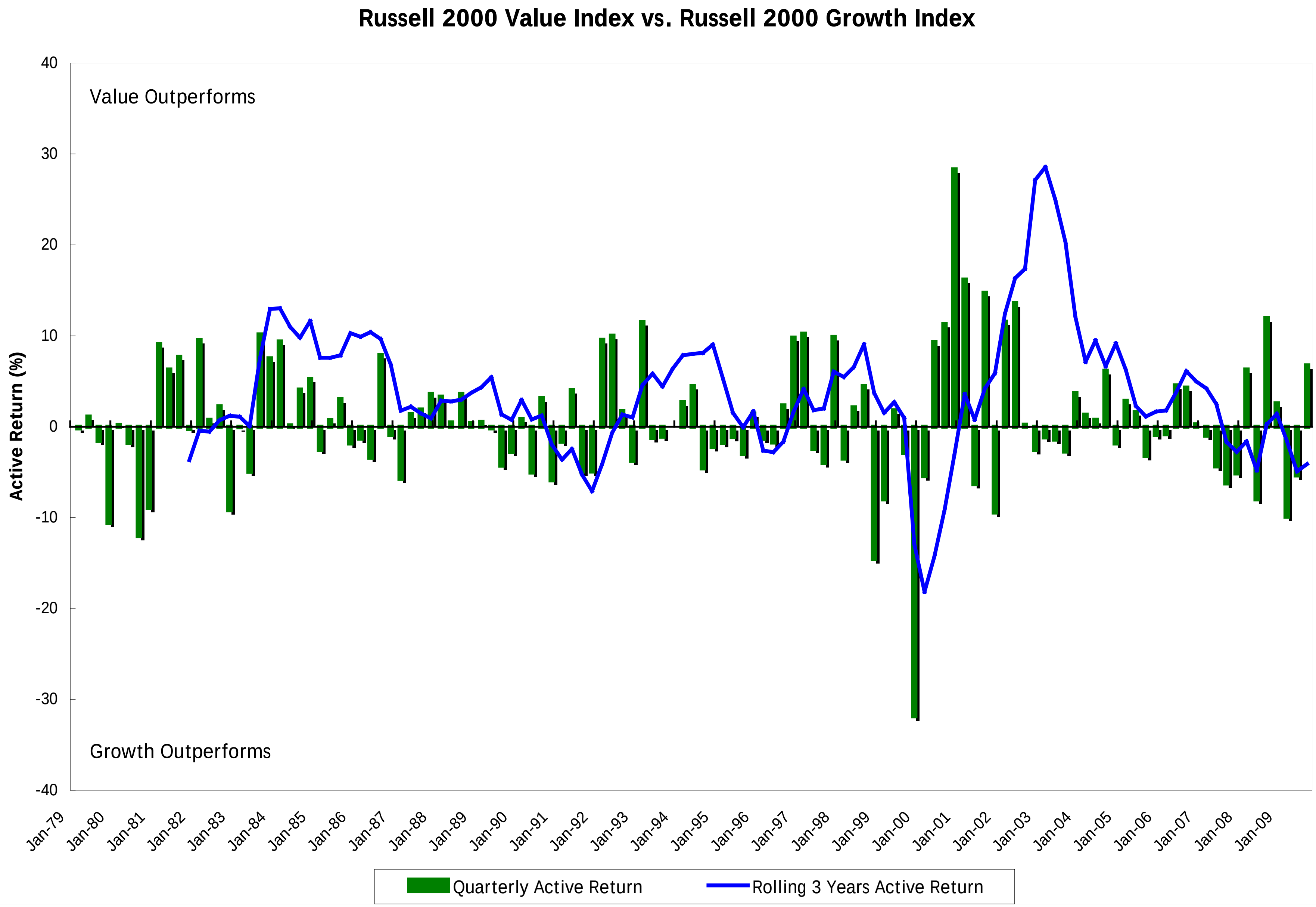
# Capitalization – Large Cap vs. Small Cap



# Style – Large Value vs. Large Growth



# Style – Small Value vs. Small Growth



# Valuation – Historical P/E* Comparison

| | R1000 | R1000G | R1000V | R2000 | R2000G | R2000V | RMid |
|---|---|---|---|---|---|---|---|
| All Time High | 32.30 (06/99) | 67.30 (8/00) | 30.80 (9/09) | 174.80 (9/09) | 128.20 (6/00) | 1264.20 (9/09) | 64.00 (9/09) |
| Current | 25.70 | 22.00 | 30.80 | 174.80 | 94.90 | 1264.20 | 64.00 |
| Average (Since 1978) | 18.77 | 23.97 | 15.75 | 23.69 | 32.49 | 23.28 | 19.33 |
| All Time Low | 6.80 (3/80) | 9.10 (3/82) | 5.40 (3/80) | 6.50 (3/80) | 8.80 (12/78) | 5.00 (3/80) | 6.40 (3/80) |

*Calculated using Russell Index Data Starting in 1978.

** All P/E ratios shown include negative earnings resulting in extreme statistics

# Valuation – Relative P/E* Comparison

**Relative P/E Ratios***

| | R2000 / R1000 | R1000V / R1000G | R2000V / R2000G |
|---|---|---|---|
| High | 6.80 | 1.45 | 13.32 |
| Current | 6.80 | 1.40 | 13.32 |
| Average | 1.28 | 0.70 | 0.69 |
| Low | 0.80 | 0.29 | 0.11 |

*Calculated Using Russell Index Data Since 1978.

**Relative P/E Ratios***
**(Excluding Negative Earnings)**

| | R2000 / R1000 | R1000V / R1000G | R2000V / R2000G |
|---|---|---|---|
| High | 1.29 | 0.86 | 0.92 |
| Current | 1.05 | 0.86 | 0.80 |
| Average (5 Yr.) | 1.08 | 0.80 | 0.44 |
| Low | 0.57 | 0.35 | 0.44 |

# Best & Worst Days in the S&P 500 Index

| *10 years ending 9/30/2009* | *Annualized Returns for the S&P 500* |
|---|---|
| Fully Invested | -0.15 |
| | |
| Excluding 10 best days | -6.86 |
| Excluding 20 best days | -10.96 |
| Excluding 30 best days | -14.38 |
| | |
| Excluding 10 worst days | 7.38 |
| Excluding 20 worst days | 12.81 |
| Excluding 30 worst days | 17.47 |

**Source: Bloomberg  Data collected through 9/30/2009**

# International Equity

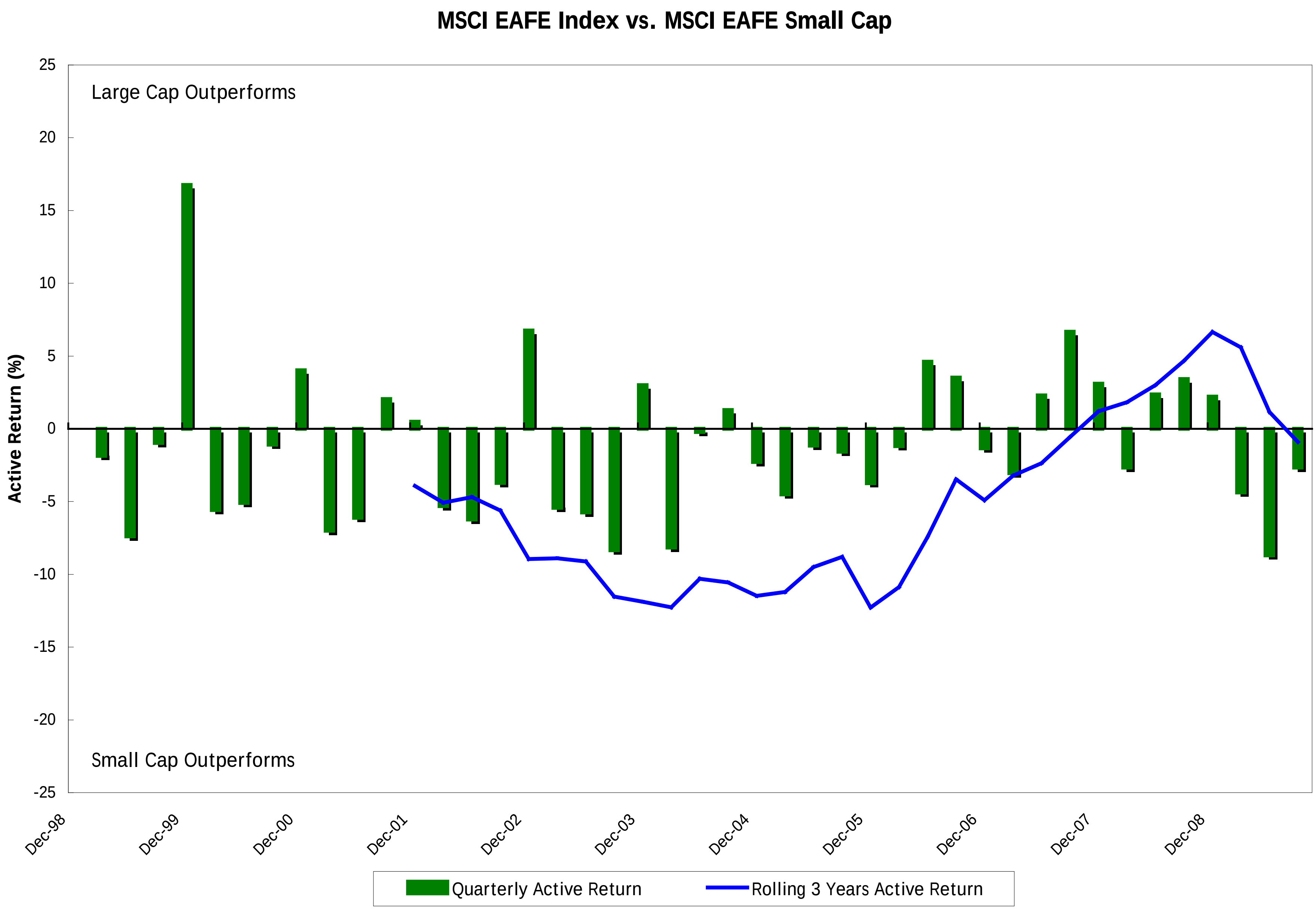
# Index Returns

| Broad Indices | Month | QTR | YTD | 1 Yr | 3 Yr | 5 Yr |
|---|---|---|---|---|---|---|
| EAFE | 3.85 | 19.52 | 29.58 | 3.80 | -3.12 | 6.57 |
| EAFE Growth | 4.17 | 16.81 | 24.67 | -0.36 | -2.84 | 6.12 |
| EAFE Value | 3.54 | 22.21 | 34.62 | 8.06 | -3.49 | 6.94 |
| S&P/Citi EPAC-EMI (Small Cap) | 5.11 | 21.68 | 42.76 | 10.46 | -2.94 | 8.47 |
| Emerging Markets | 9.09 | 21.04 | 64.88 | 19.44 | 8.27 | 17.68 |
| **Regional** | | | | | | |
| Europe ex UK | 5.52 | 25.12 | 31.78 | 4.03 | -1.55 | 8.78 |
| UK | 2.79 | 18.53 | 34.02 | -1.29 | -6.10 | 3.47 |
| Pacific ex Japan | 10.25 | 27.42 | 64.51 | 23.59 | 8.18 | 14.07 |
| Japan | -1.68 | 6.57 | 9.41 | -0.44 | -7.92 | 2.35 |
| Asian Emerging Markets | 9.19 | 19.80 | 63.19 | 28.10 | 7.93 | 16.18 |
| Latin America Emerging Markets | 12.03 | 24.77 | 81.47 | 19.83 | 17.60 | 28.32 |
| Australia | 11.64 | 33.18 | 68.42 | 23.61 | 8.41 | 15.39 |
| Canada | 7.28 | 18.48 | 49.61 | 0.28 | 4.62 | 12.95 |

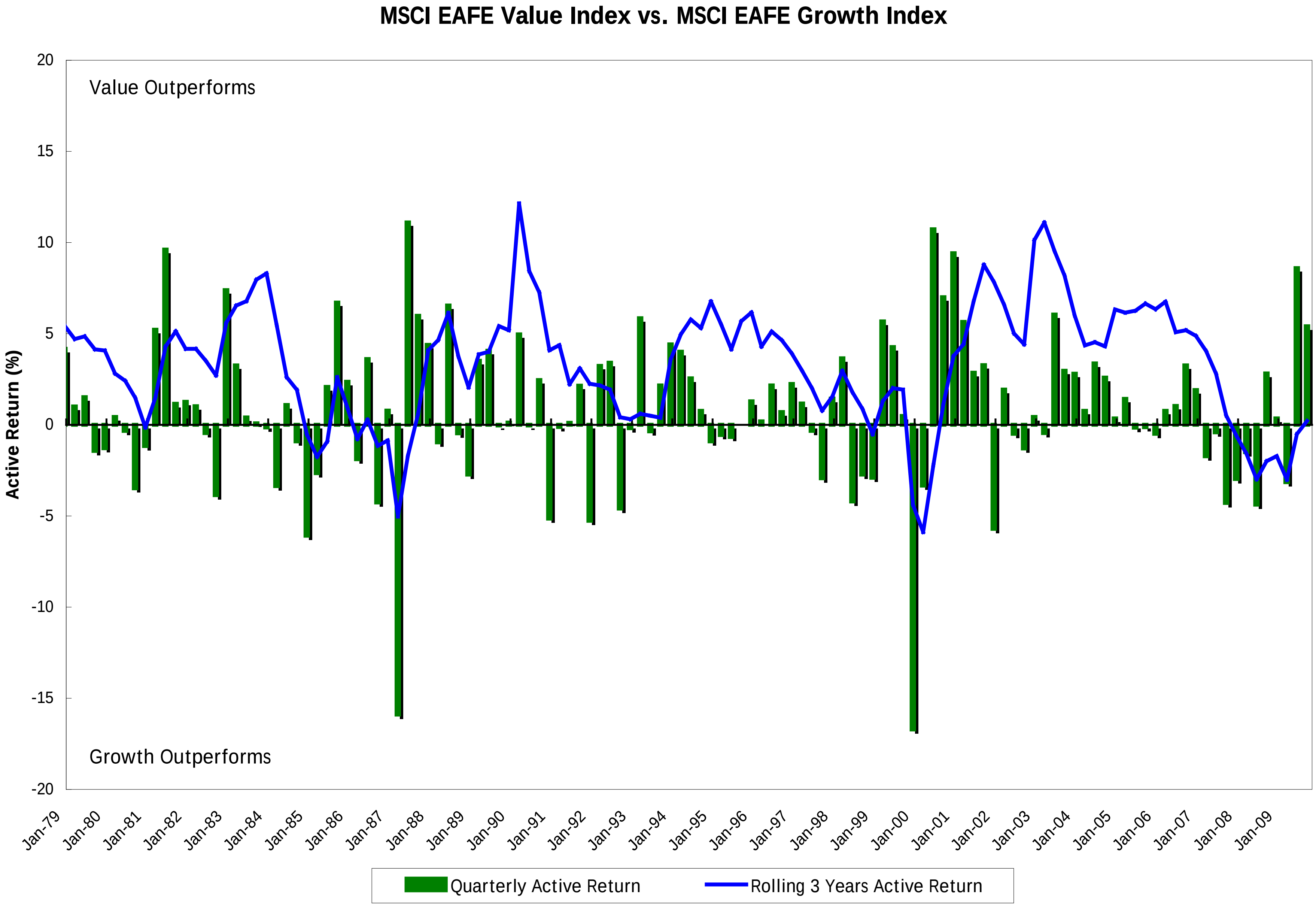
# Index Returns – Local Currency

| Broad Indices | Month | QTR | YTD | 1 Yr | 3 Yr | 5 Yr |
|---|---|---|---|---|---|---|
| EAFE | 2.18 | 14.88 | 21.27 | -1.15 | -6.74 | 4.16 |
| **Regional** | | | | | | |
| Europe Ex UK | 3.59 | 19.40 | 25.08 | -0.61 | -6.29 | 5.29 |
| UK | 4.74 | 22.05 | 20.49 | 10.01 | -1.11 | 6.06 |
| Pacific Ex Japan | 6.57 | 19.74 | 40.46 | 14.93 | 3.79 | 10.69 |
| Japan | -5.10 | -1.11 | 8.07 | -16.03 | -16.03 | -1.82 |
| Asian Emerging Markets | 6.68 | 16.88 | 58.98 | 27.90 | 9.79 | 15.60 |
| Latin America Emerging Markets | 8.44 | 17.47 | 48.65 | 18.38 | 14.69 | 22.28 |
| Australia | 6.65 | 22.00 | 33.05 | 10.48 | 2.52 | 10.92 |
| Canada | 4.84 | 9.49 | 30.08 | 1.23 | 3.28 | 9.29 |

# Capitalization – Large Cap vs. Small Cap



# Style –Value vs. Growth



# Valuation – Historical P/E* Comparison

| | MSCI EAFE (12/72) | MSCI EAFE Growth (12/74) | MSCI EAFE Value (12/74) | MSCI EAFE Small (3/03) | MSCI EM (9/95) |
|---|---|---|---|---|---|
| **All Time High** | 42.92 (12/99) | 48.11 (12/99) | 43.23 (6/02) | 68.75 (3/04) | 39.00 (6/99) |
| **Current** | 26.19 | 27.69 | 24.91 | 36.60 | 18.98 |
| **Average (Since Inception)** | 19.68 | 22.21 | 16.78 | 30.13 | 16.01 |
| **All Time Low** | 7.20 (12/74) | 8.88 (7/80) | 5.75 (12/74) | 8.61 (11/08) | 7.90 (2/09) |

*Calculated using MSCI Index Data Starting in 1972.

# Valuation – Relative P/E* Comparison

| | <u>EAFE Small</u><br>EAFE | <u>EAFE V</u><br>EAFE G |
|---|---|---|
| **High** | 3.78 | 2.35 |
| **Current** | 1.40 | 0.90 |
| **Average** | 1.75 | 0.76 |
| **Low** | 0.99 | 0.54 |

*Calculated using MSCI Index Data Since 1974 for the EAFE Value and Growth, and since 2003 for the EAFE Small.

# Alternatives & Currency

# Index Returns

| Alternatives & Other | Month | QTR | YTD | 1 Yr | 3 Yr | 5 Yr |
|---|---|---|---|---|---|---|
| DJ Wilshire Real Estate Securities | 7.26 | 35.93 | 18.60 | -29.31 | -13.83 | 1.11 |
| S&P Developed Property | 5.53 | 25.38 | 32.43 | -8.89 | -9.85 | 4.01 |
| DJ-UBS Commodity Index | 1.57 | 4.24 | 9.06 | -23.71 | -4.91 | -0.70 |
| S&P GSCI Composite Index | 0.17 | -1.76 | 4.68 | -44.52 | -10.80 | -6.71 |
| ML All Conv., Ex. Mandatory, Inv. Grade | 2.93 | 11.17 | 19.62 | 9.64 | -0.46 | 1.35 |
| Credit Suisse Leveraged Loan | 3.29 | 9.98 | 39.78 | 7.74 | 1.15 | 3.16 |
| **% Change Relative to USD** | | | | | | |
| Japanese Yen | 3.61 | 7.77 | 1.25 | 18.59 | 9.66 | 4.25 |
| EURO | 1.86 | 4.20 | 5.15 | 4.04 | 4.88 | 3.31 |
| British Pound | -1.87 | -2.89 | 11.23 | -10.29 | -5.05 | -2.44 |
| Canadian Dollar | 2.33 | 8.21 | 15.00 | -0.96 | 1.30 | 3.35 |
| Australian Dollar | 4.69 | 9.17 | 26.60 | 11.89 | 5.75 | 4.03 |

# Disclaimer

This material does not necessarily reflect views of RCL or any affiliate thereof and are subject to change without notice. Any information contained herein is general, and does not take into account an individual's specific circumstances or applicable governing law, which may vary from jurisdiction to jurisdiction and be subject to change. No warranty or representation, express or implied, is made by RCL or any affiliate, nor shall RCL or any affiliate have any liability with respect to the information and data set forth herein. This document does not constitute legal, tax, accounting or other professional advice, and is not intended to be relied on. Please consult your professional advisors prior to acting on the information set forth herein.

RCL does not provide discretionary investment management services and clients are responsible for making all investment decisions. The value of investments can go down as well as up and fees, charges and taxation can have an adverse effect on investment returns. Some or all of the due diligence on managers, mutual funds, and alternative investments may be outsourced by RCL to third party vendors. Any third party information contained herein is from sources believed to be reliable, but which RCL has not independently verified.

This document is in no way a solicitation of offer to sell securities or investment advisory services except, where applicable, in states where we are registered or where an exemption or exclusion from such registration exists.