



Review and Outlook

Review of 2011 and Outlook for the Coming Year

LIVE BIGSM

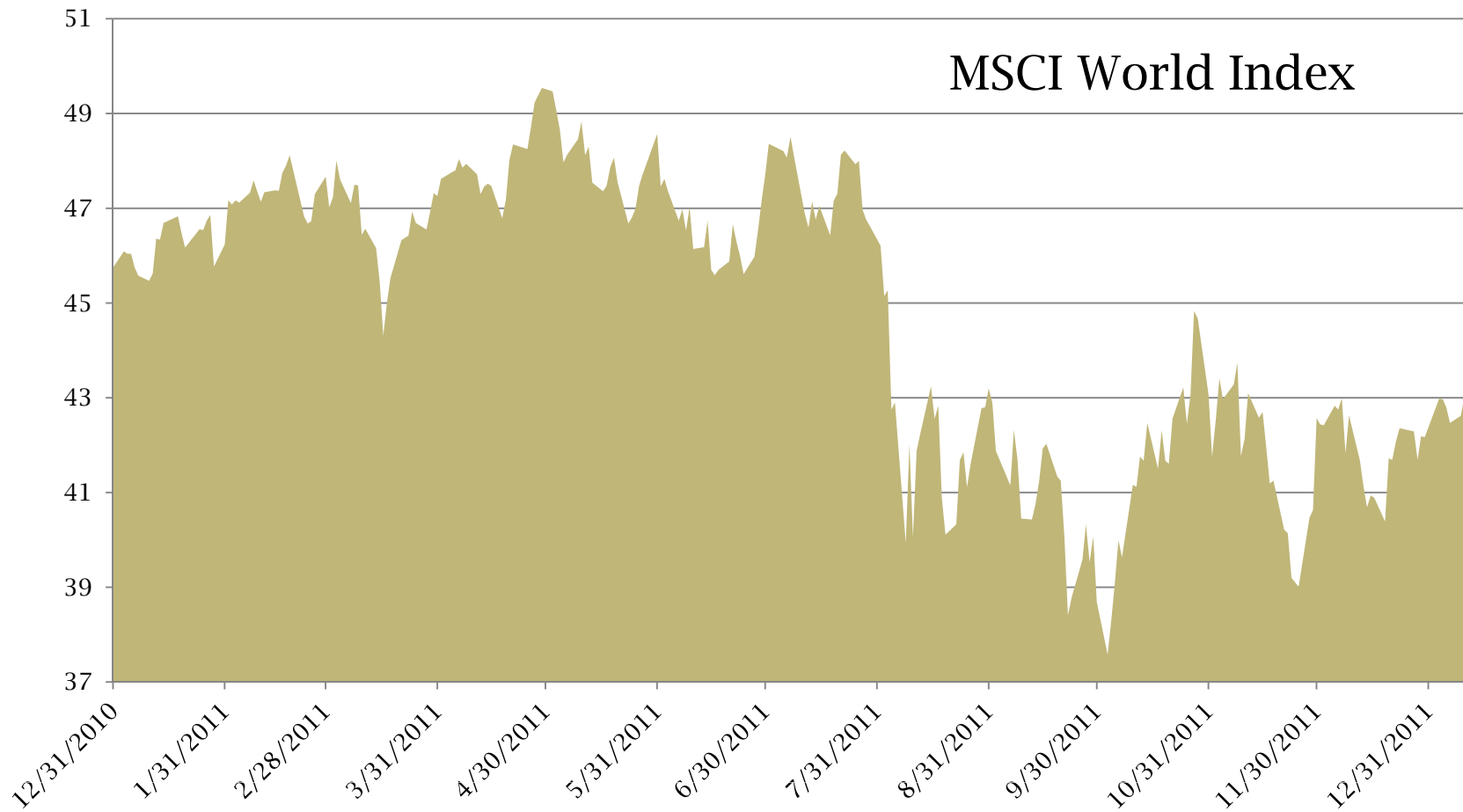


Overview

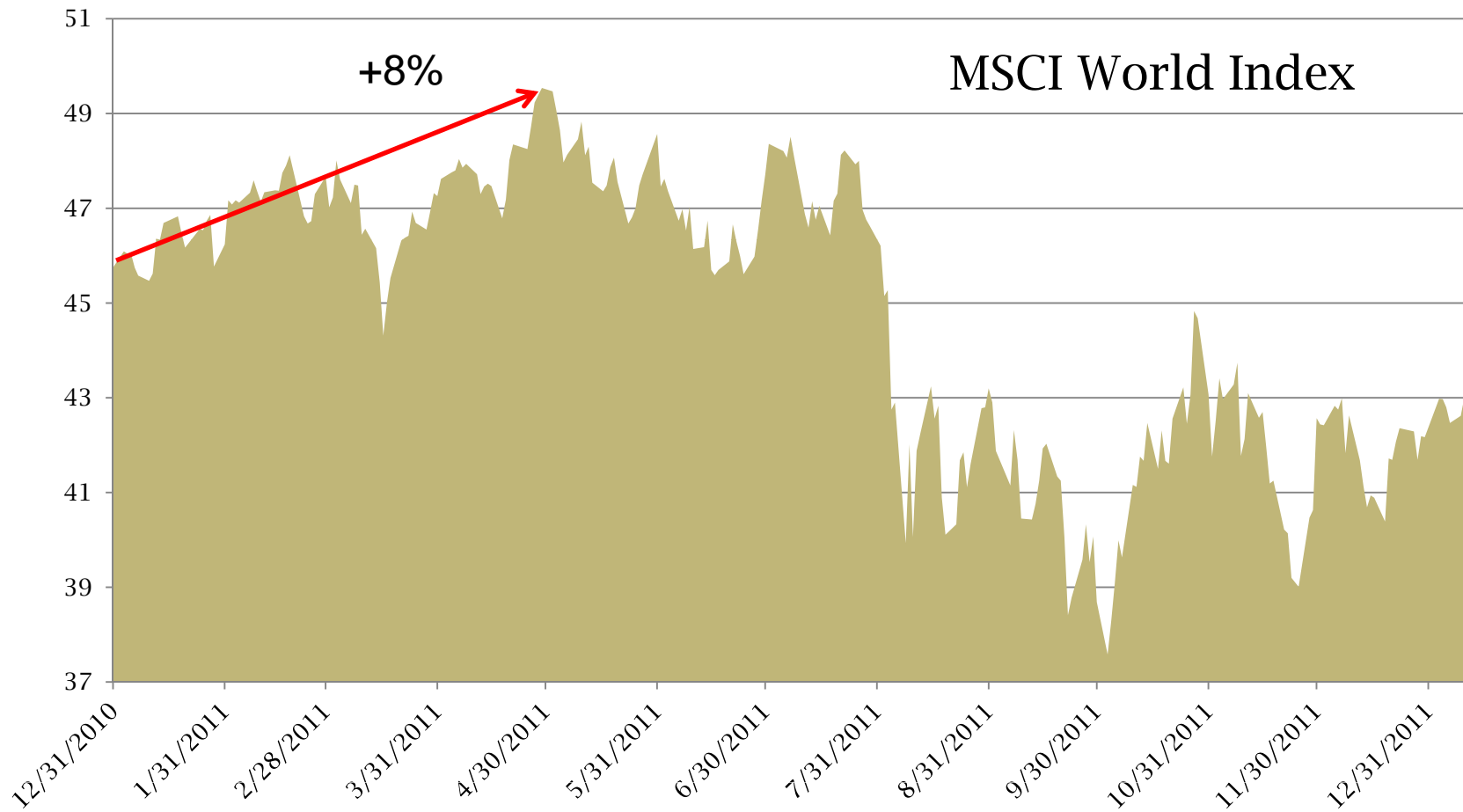
- Review of world economy in 2011
- Review of world markets in 2011
- Review of Eurozone conditions and implications for investment
- The role of emerging market equities
- Summary and Conclusions



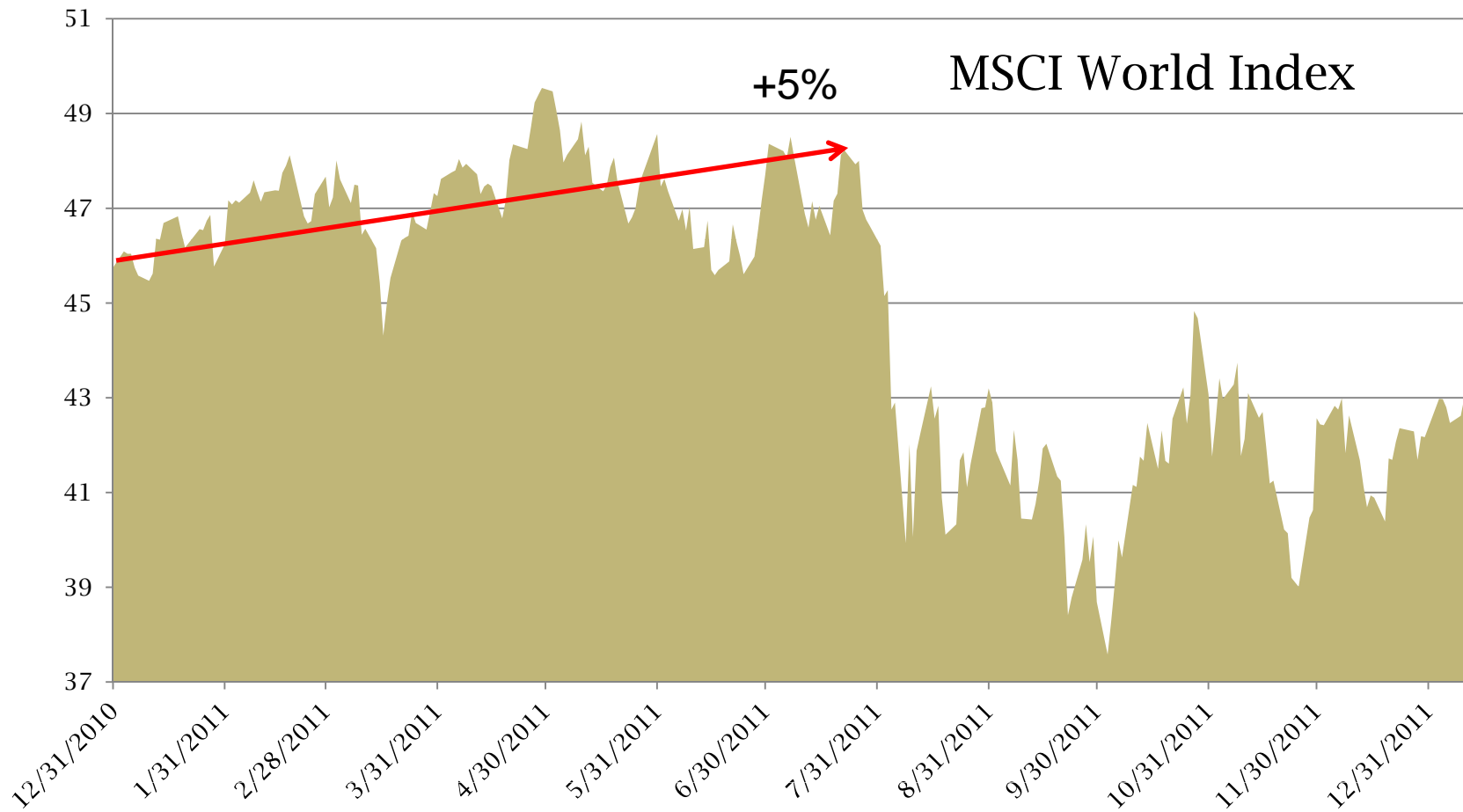
World Stock Market



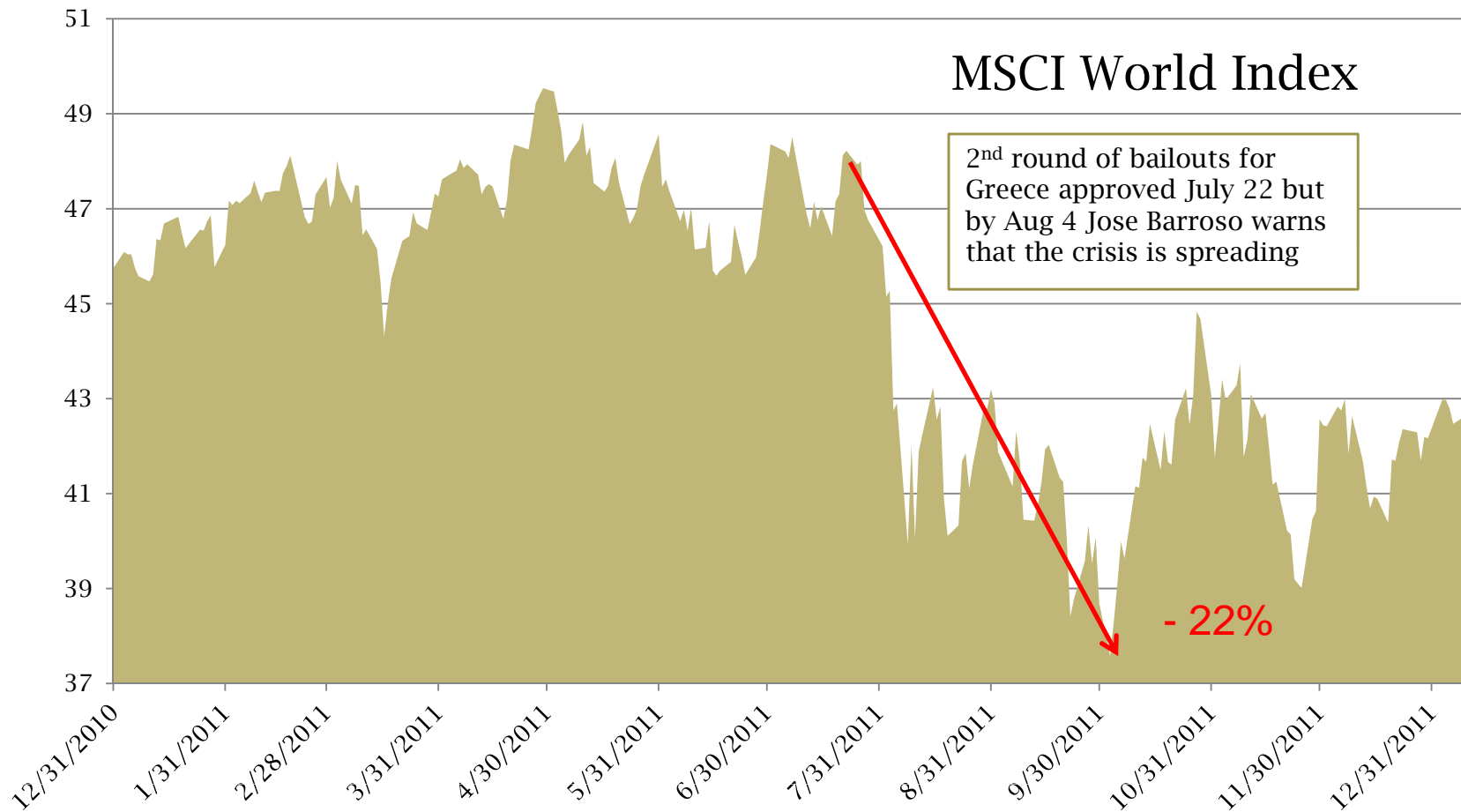
The 2011 year started strong



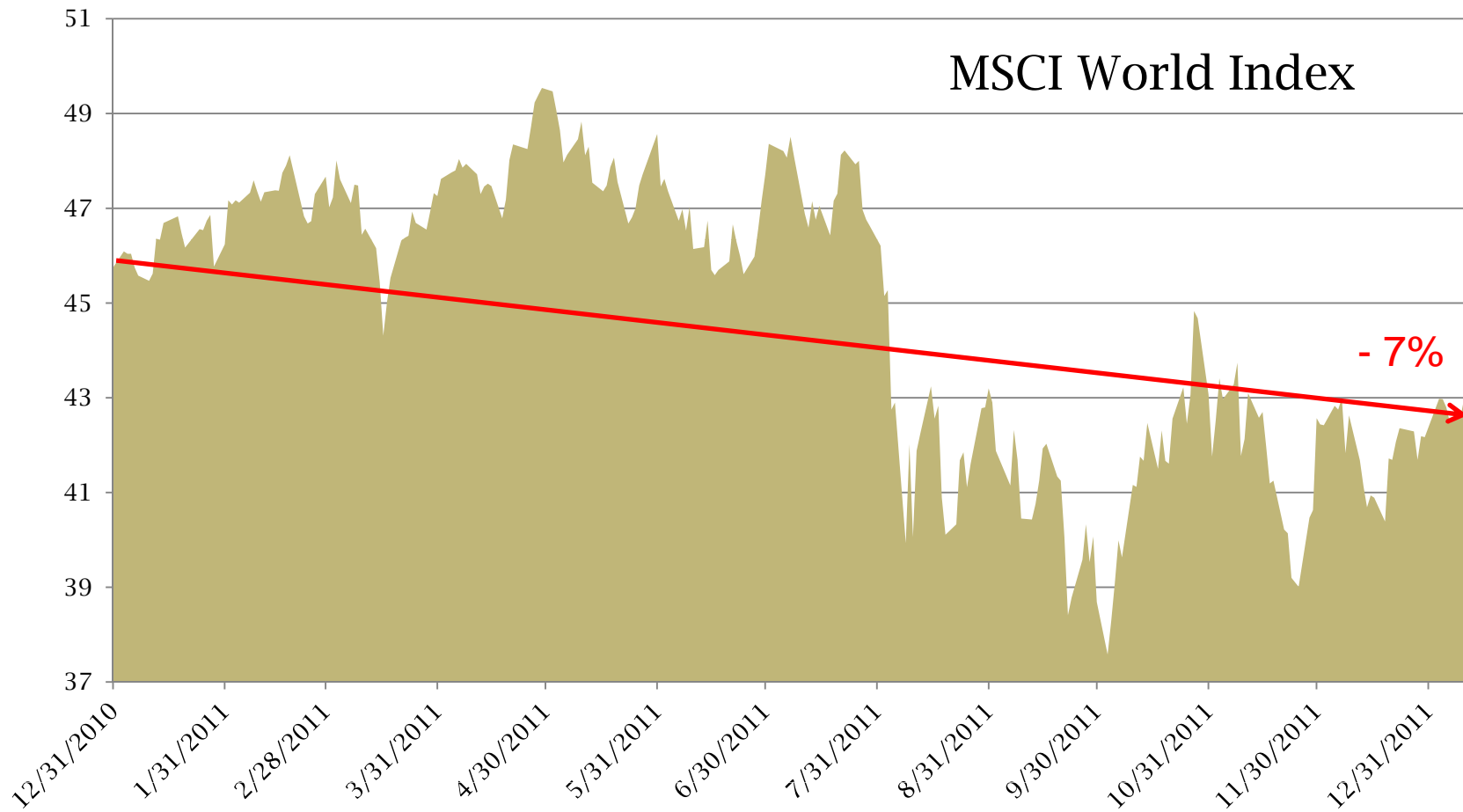
Held on to gains through July



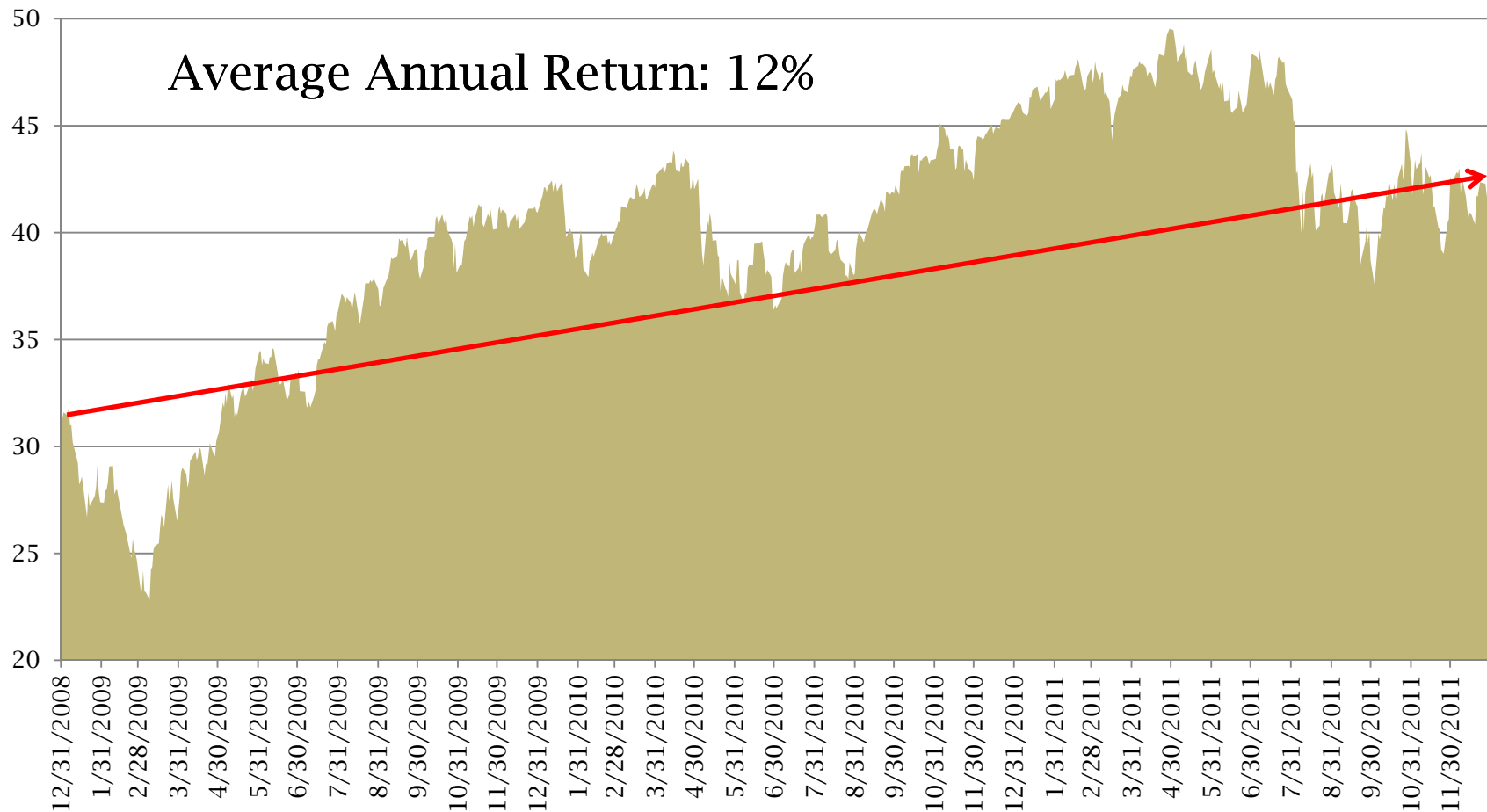
Then things fell apart in Europe



And the year ends in the red



Mkts still look good over 3 years



Markets by Region

Asset Class US Market	1 Year	3 Year*	5 Year*	10 Year*
Marketwide	1.03	14.88	-0.01	3.51
Large Cap	2.11	14.11	-0.25	2.92
Large Cap Value	0.39	11.55	-2.64	3.89
Large Cap Growth	2.64	18.02	2.50	2.60
Small Cap	-4.18	15.63	0.15	5.62
Small Cap Value	-5.50	12.36	-1.87	6.40
Small Cap Growth	-2.91	19.00	2.09	4.48

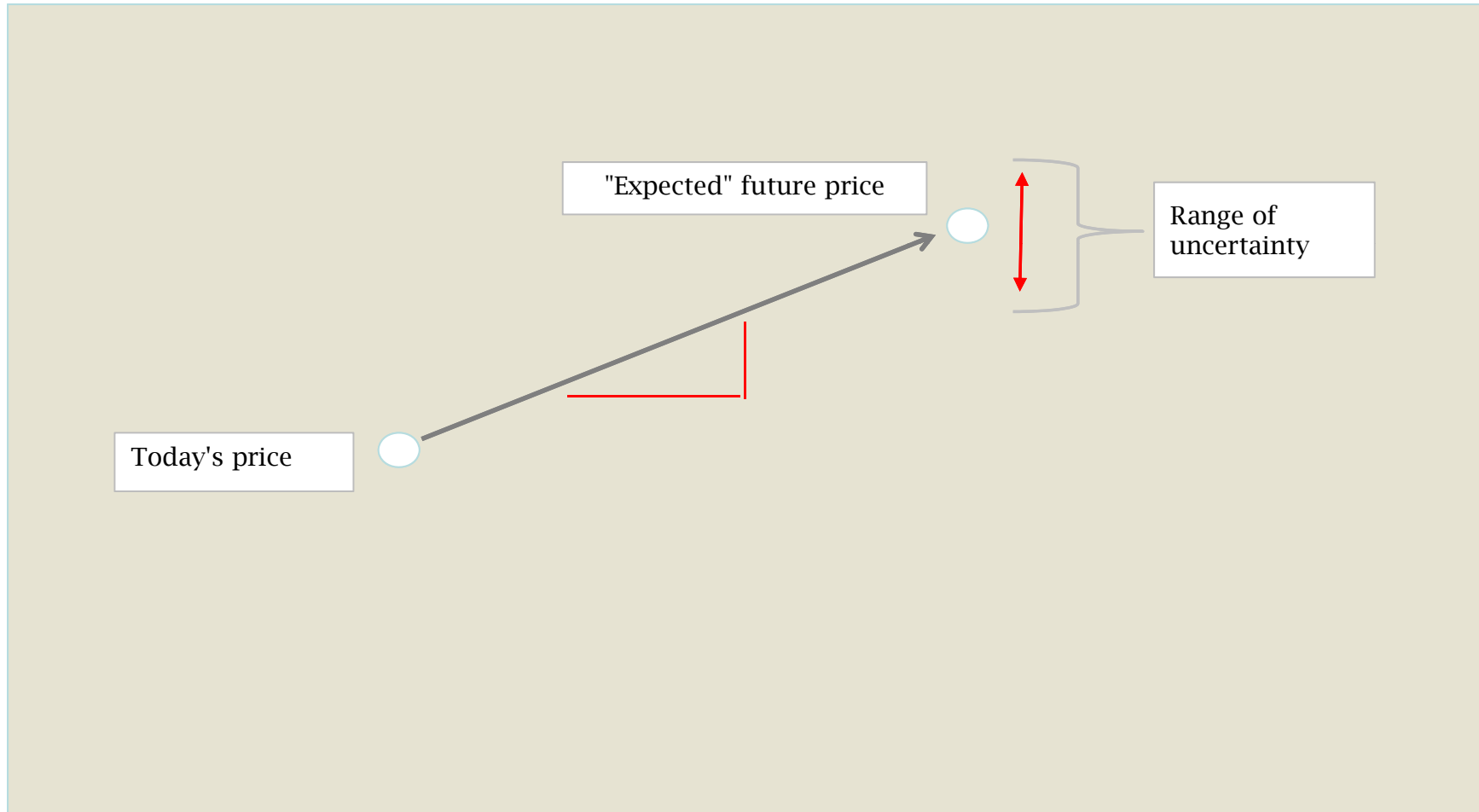
Asset Class Non-US Developed	1 Year	3 Year*	5 Year*	10 Year*
Large Cap	-12.21	8.53	-4.09	5.14
Small Cap	-15.81	16.50	-3.23	9.41
Value	-11.69	8.17	-5.48	5.49
Growth	-12.71	8.84	-2.76	4.70

Asset Class Emerging Markets	1 Year	3 Year*	5 Year*	10 Year*
Large Cap	-18.42	20.07	2.40	13.86
Small Cap	-27.18	25.57	3.30	14.77
Value	-17.86	20.32	4.26	15.90
Growth	-18.97	19.82	0.54	11.81

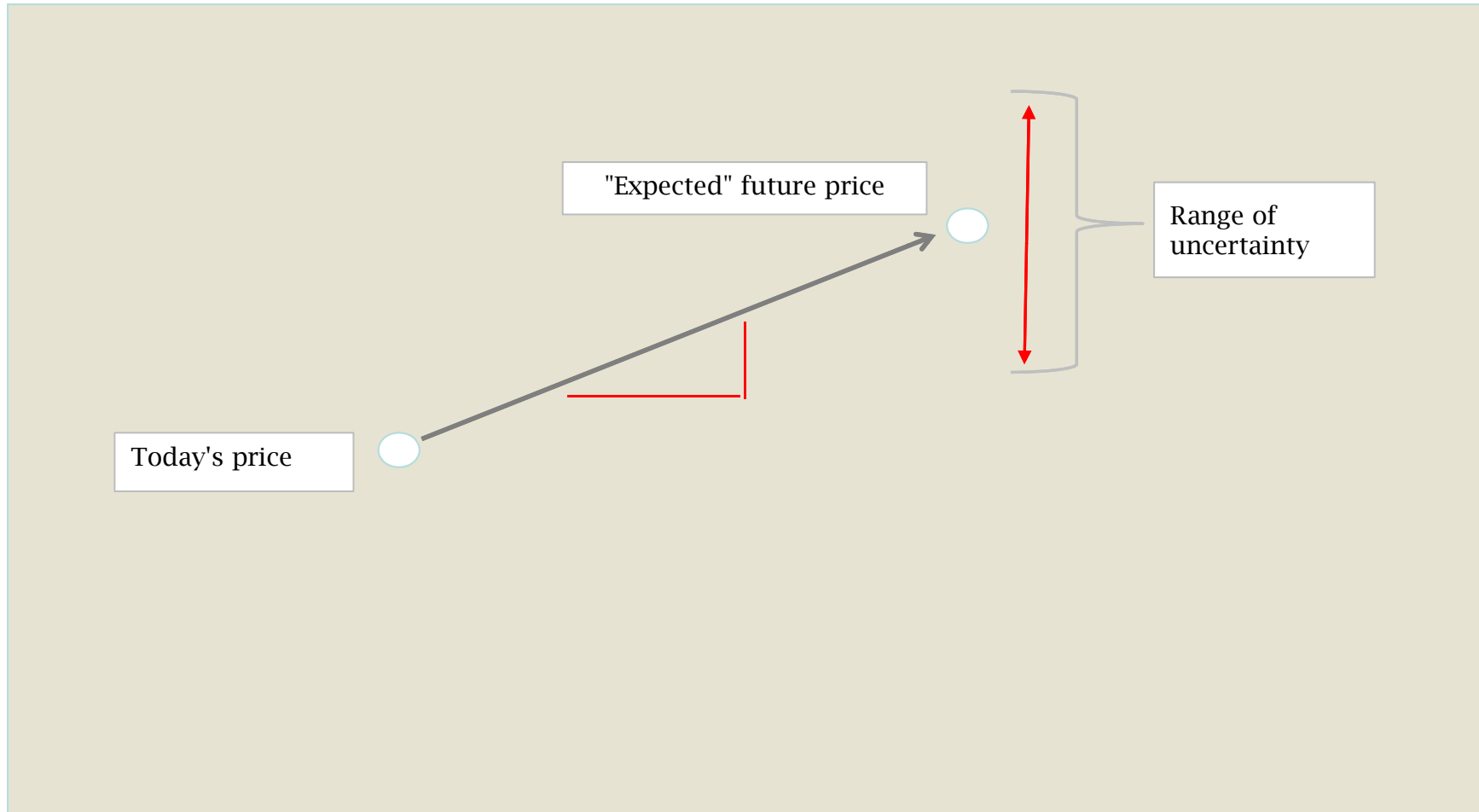
Data sources listed on final slide



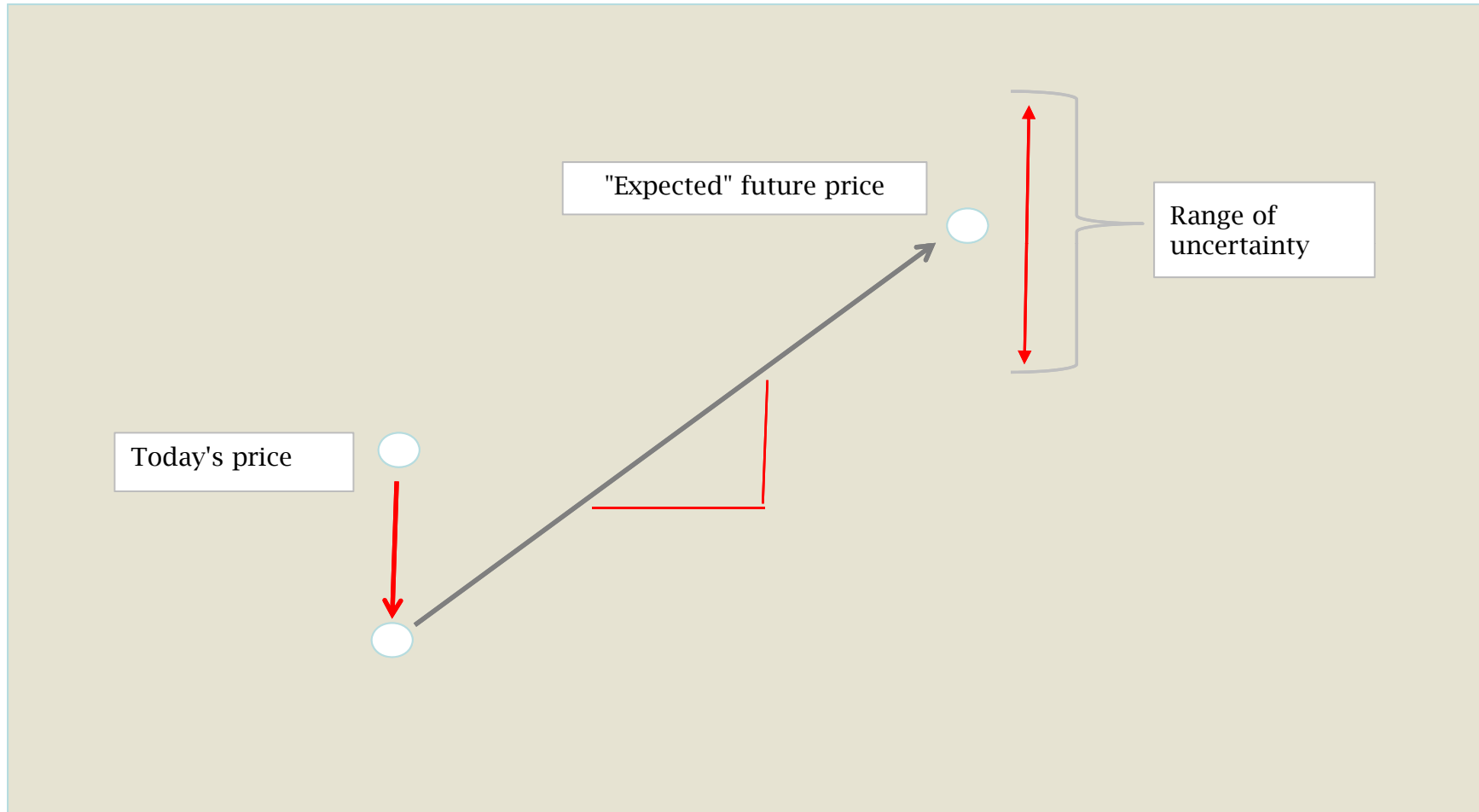
Valuation and Future Returns



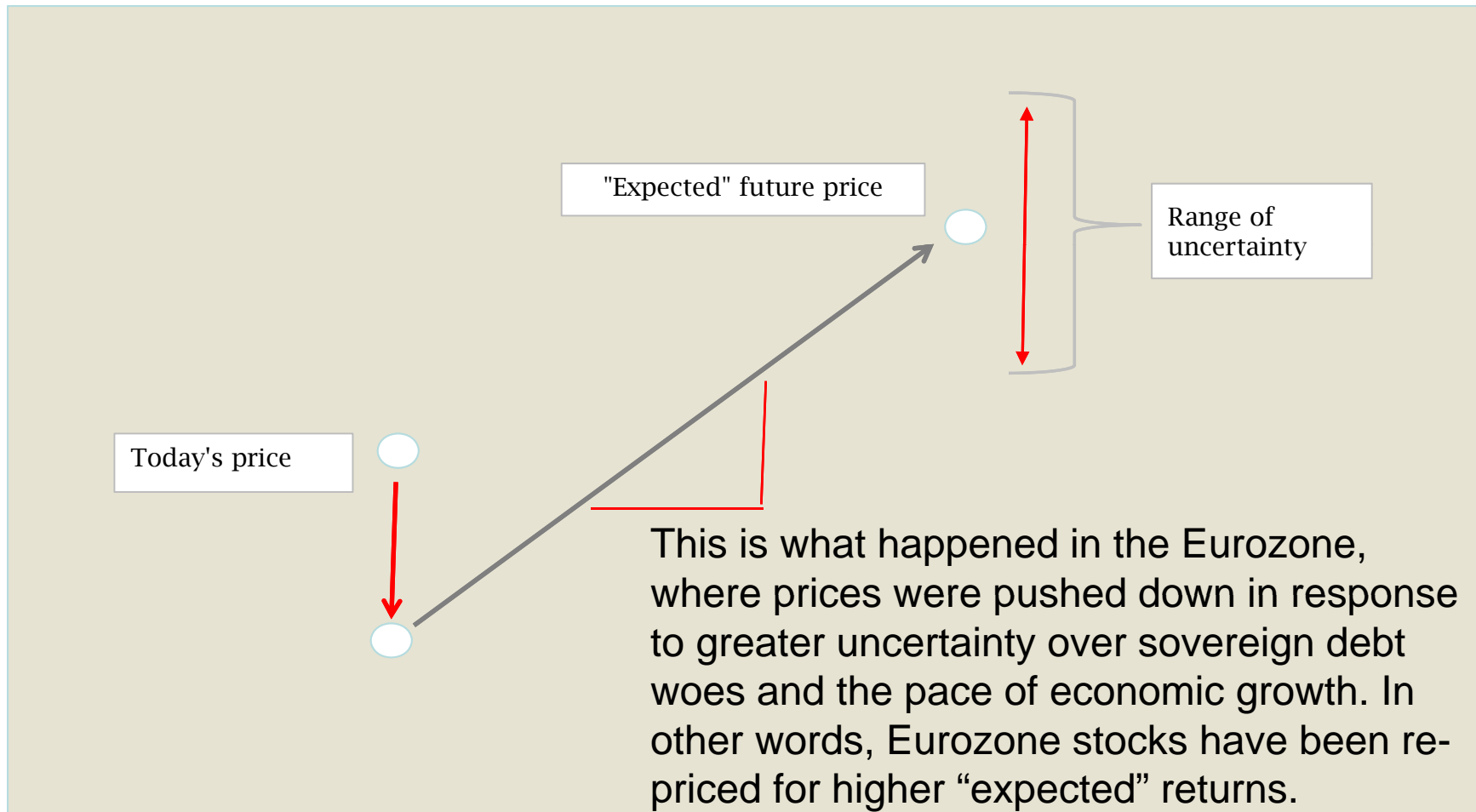
Valuation and Future Returns



Valuation and Future Returns



Valuation and Future Returns



Low Economic Growth Does Not Predict Low Future Returns

Developed Markets (1971-2008)	Avg. Return	Std Deviation	Avg. GDP Gwth
High-Growth Countries	12.90	23.07	0.92
Low-Growth Countries	13.52	23.04	-4.02

Poor economic performance gets “priced into” the markets. Investors around the world are risk-averse and price securities to provide an appropriate risk-adjusted return whatever’s happening in the economy as a whole.

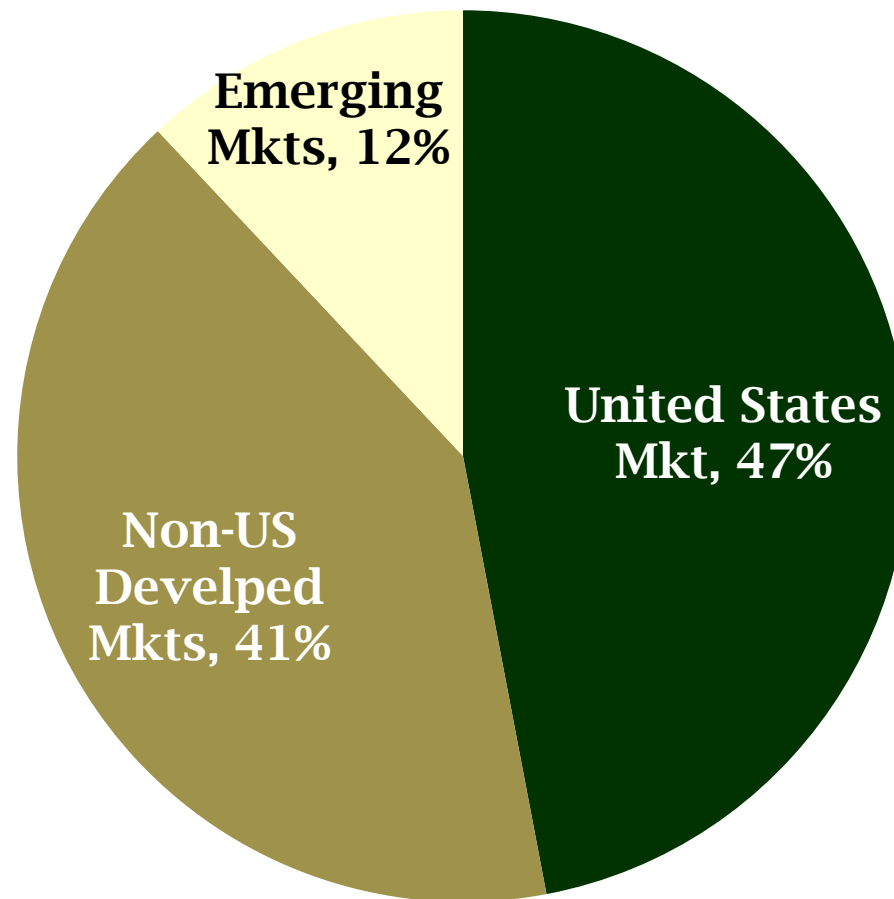


Current Valuations by Country

<i>Country</i>	<i>PE</i>	<i>PBV</i>
Portugal	5.83	1.37
Spain	10.34	1.35
Russia	10.78	1.47
Brazil	13.95	1.93
Netherlands	14.45	1.61
Italy	15.02	0.89
France	15.86	1.41
Germany	16.82	1.60
Japan	17.50	1.08
All companies	17.95	1.96
India	18.15	2.39
United Kingdom	18.24	2.01
United States	19.16	2.22
China	20.66	2.93
Australia	22.62	2.79
Canada	25.09	2.11



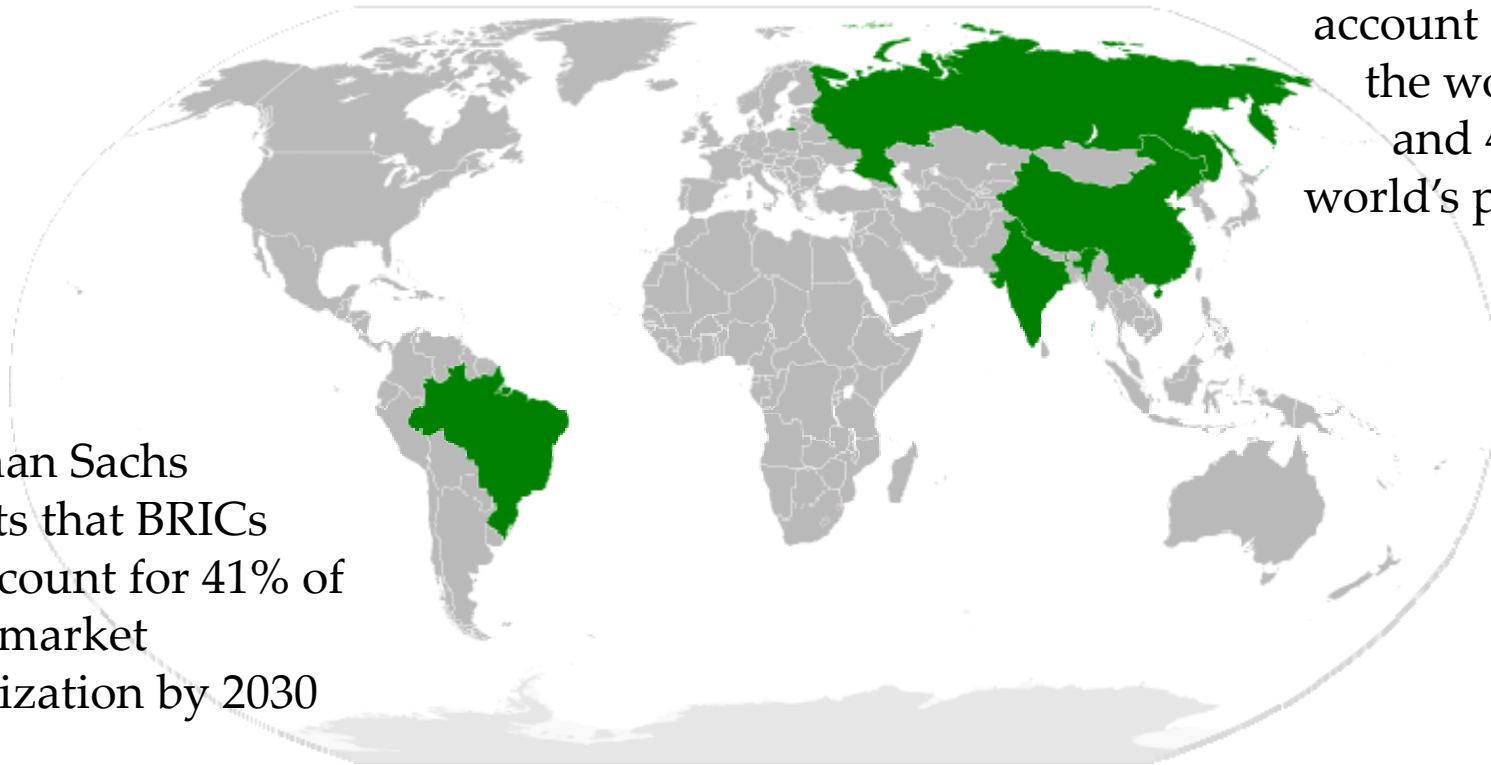
Emerging markets now a substantial share of world mkt



BRIC

The BRIC countries
account for 25% of
the world's land
and 40% of the
world's population

Goldman Sachs
predicts that BRICs
will account for 41% of
world market
capitalization by 2030



DFA Emerging Markets Core

COUNTRY ALLOCATIONS

Country Weight (%)

South Korea	15.05
Brazil	14.85
China	14.62
Taiwan	11.97
South Africa	8.46
India	8.34
Mexico	4.81
Russia	3.86



DFA Emerging Markets Core

COUNTRY ALLOCATIONS

Country Weight (%)

South Korea	15.05	
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Taiwan	11.97	
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Summary

- While the US stock market was mixed, with modest gains in large company stocks and losses in small company stocks, non-US markets declined across all sectors. This was made worse by a strengthening dollar.
- As represented by the MSCI All Country World Index, a globally-diversified portfolio would have declined by nearly 7% in calendar 2011.



Summary

- We believe the bad news coming out of the Eurozone is largely “priced into” the market at current valuations. This means that the expected low/negative economic growth here will not *necessarily* result in poor market performance.
- The declines of the past 12 months may have created a reasonable “entry point” for incorporating Emerging Market stocks into our portfolios.



Data Sources

US Stocks

Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (S&P 500 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap: Russell 3000 Index is used as the proxy for the US market. Russell data copyright © Russell Investment Group 1995–2011, all rights reserved. The S&P data are provided by Standard & Poor's Index Services Group. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

International Developed Markets

Market segment (index representation) as follows: Marketwide (MSCI All Country World ex USA Index), Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth). All index returns are net of withholding tax on dividends. World Market Cap: Non-US developed market proxies are the respective developed country portions of the MSCI All Country World IMI ex USA Index. Proxies for the UK, Canada, and Australia are the relevant subsets of the developed market proxy. MSCI data copyright MSCI 2011, all rights reserved. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Emerging Markets

Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap: Emerging markets proxies are the respective emerging country portions of the MSCI All Country World IMI ex USA Index. MSCI data copyright MSCI 2011, all rights reserved. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

