

Market Overviews

Economic Overview

US Equities: Gross Domestic Product

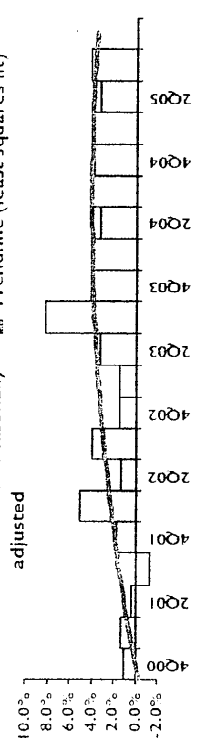
CPI-U (Inflation) Federal Funds Rate (Interest Rates)

	Performance		Trailing Return (years)			
	QTR	YTD	1	3	5	10
LB Aggregate Bond	0.6%	2.4%	2.4%	3.6%	5.9%	6.2%
LB 1-3 Yr Gov't/Cred	0.7%	1.8%	1.8%	2.0%	4.1%	5.1%
90 Day T-Bills	0.9%	3.0%	3.0%	1.8%	2.2%	3.7%

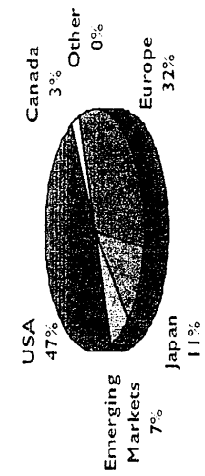
July-03 August-04 September-05

US Equity Indices

Real GDP- Seasonally adjusted Trendline (least squares fit)



International Indices



	Performance		Trailing Return (years)			
	QTR	YTD	1	3	5	10
S&P 500	2.1%	4.9%	4.9%	14.4%	0.5%	9.1%
Russell Midcap	2.3%	12.7%	12.7%	23.8%	8.5%	12.5%
Russell 2000	1.1%	4.6%	4.6%	22.1%	8.2%	9.3%
NASDAQ	2.7%	2.1%	2.1%	18.9%	-1.8%	8.1%

	Performance		Trailing Return (years)			
	QTR	YTD	1	3	5	10
MSCI ACWI ex-US	4.4%	17.1%	17.1%	26.2%	6.7%	6.7%
MSCI Europe	2.0%	9.9%	9.9%	22.9%	4.1%	9.8%
MSCI Pacific	8.6%	23.0%	23.0%	26.8%	6.8%	1.4%
MSCI EMF	7.2%	34.5%	34.5%	38.4%	19.4%	7.0%

The Federal Reserve raised interest rates a quarter point in November and again December, boosting the Federal Funds rate to 4.25%. This continues the Fed's "measured" interest rate hikes, with the 12th and 13th quarter-point increases since June 2004. However, December meeting minutes, released early in January, indicated the Fed may be nearing an end in its rate increases. Equity markets struggled in October followed by a very strong November and a quiet December, which had a slight positive bias. International markets finished the year on a high note and significantly outperformed domestic equity markets. Economic data continued to be strong, with third quarter real GDP growth accelerating to 4.1% from 3.3% in the second quarter. In addition, consumer confidence rose to a post-Hurricane Katrina high of 103.6 in December from November's 98.3, with lower gasoline prices and stronger labor conditions emboldening consumers. Despite the strong economic data, the yield curve inverted briefly during December when ten-year bonds yielded less than two year bonds, indicating market expectations for a slowdown in the economy in 2006. Oil prices ended the year slightly above \$63 per barrel - roughly unchanged on the quarter. These prices strengthened late in the quarter after dropping to as low as \$56 per barrel when winter storms blanketed the east coast of the country.

Analyst News

Investment Products Update

- 12 asset allocation and portfolio development studies.
- 32 manager search and review documents, which included 13 specific asset class searches.
- 10 new products were placed on Arnerich Massena's Approved Manager List by the Investment Committee.

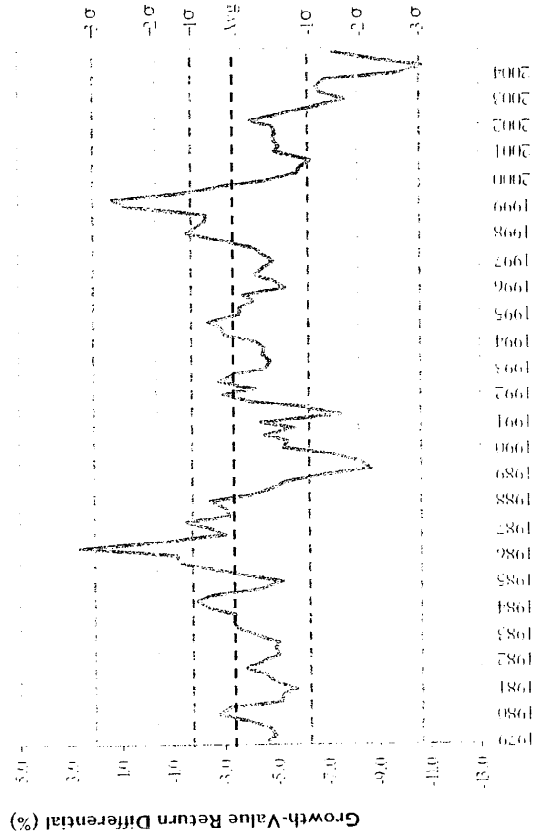
Investment Products Update

- 88 meetings, including those in our offices: roughly 35% involved invested or approved products.
- 18 on-site due diligence meetings in: Boston, MA; Wilmington, DE; Arlington, VA; Baltimore, MD; Washington, DC; Philadelphia, PA; Los Angeles, CA; and San Francisco, CA.

International Market Show Some Style

In last quarter's "Analytics News," Arnerich Massena discussed the cyclical nature of investment styles. This piece focused on domestic markets and used US market data to illustrate the style dominance of value over growth investing since 2001. Arnerich Massena believes that it is also timely to point out that a similar situation exists in international markets. International markets have experienced increased correlation to the US markets over time.

EAFE Growth – Value: Rolling 5-Year Annualized Returns



Source: William Blair & Co.

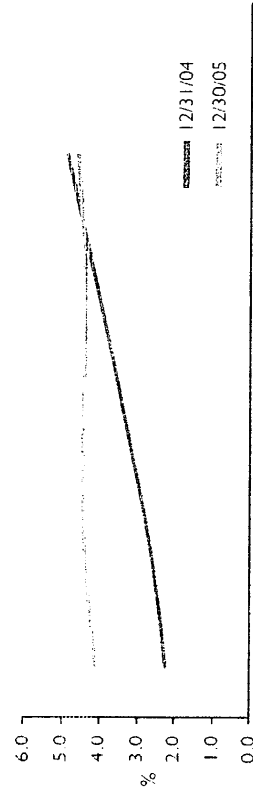
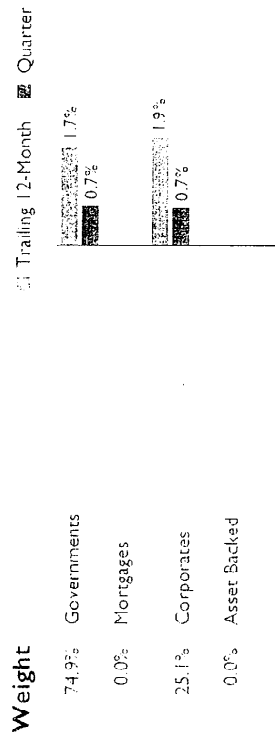
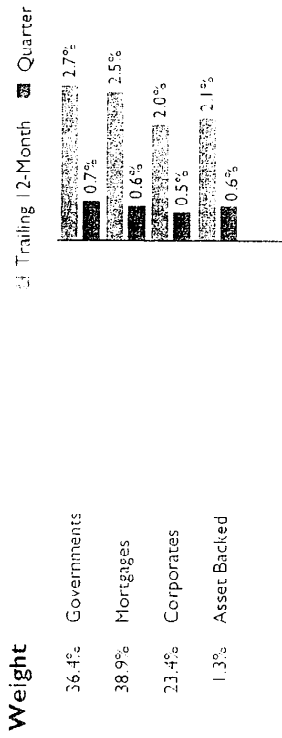
Despite increased correlation between US and foreign markets, international markets continue to follow the domestic market's lead. Similar to US markets, overseas markets witnessed historical divergences between the returns of growth and value style investing that began in late 2000, peaking earlier in 2005.

Illustrating this point is the fact that in early 2004, using rolling five-year annualized returns, the growth vs. value style differential experienced its widest divergence in more than 20 years (see chart at left). Showing signs of validating a change in market leadership, growth style international indices have begun to slightly outperform their value counterparts since the second quarter of 2005.

As we also pointed out in the previous "Analytics News," Arnerich Massena does not advocate any type of short-term market timing. We bring a significant set of data to the client's attention as we discover it. This is done in order to assure that client portfolios are constructed to benefit from varying long term market environments. Currently, we believe that clients will be well served to review their portfolio's international allocations to ensure exposure to both growth and value styles of investing. Because of the aforementioned dominance by international value stocks, this is an opportune time to verify that portfolios are adequately diversified from a style perspective. Exposure to both growth and value styles gives client portfolios a better chance to participate in any kind of market environment.

Fixed Income Markets Overview

High Yield Spread



Short-Term and Low Duration Indices

Index	Performance			Trailing Return (years)				
	Duration	QTR	YTD	1	3	5	10	
90 Day T-Bills	90 Days	0.9%	3.0%	3.0%	1.8%	2.2%	3.7%	
LB 1-3 Yr Gov't/Credit	1.7 Years	0.7%	1.8%	1.8%	2.0%	4.1%	5.1%	

Index	Performance			Trailing Return (years)				
	Duration	QTR	YTD	1	3	5	10	
LB Int Agg Bond	3.7 Years	0.5%	2.0%	2.0%	3.2%	5.5%	6.0%	
LB Aggregate Bond	4.6 Years	0.6%	2.4%	2.4%	3.6%	5.9%	6.2%	
LB Government Bond	4.7 Years	0.7%	2.7%	2.7%	2.8%	5.4%	5.9%	
LB Int. Muni Bond (10-yr)	6.4 Years	0.8%	2.7%	2.7%	4.2%	5.4%	5.7%	
LB Muni Bond Index	6.6 Years	0.7%	3.5%	3.5%	4.4%	5.6%	5.7%	

Quality Indices

Index	Performance			Trailing Return (years)				
	Duration	QTR	YTD	1	3	5	10	
LB High Yield Bond	4.5 Years	0.7%	2.7%	2.7%	13.8%	8.9%	6.5%	
LB Mortgage	3.6 Years	0.6%	2.6%	2.6%	3.5%	5.4%	6.2%	
LB Majors ex-US	6.3 Years	-2.7%	-9.4%	-9.4%	6.1%	6.8%	4.4%	

Volatility

The year 2005 was dominated by rising short-term interest rates as the Federal Reserve continued its restrictive monetary policy. The yield curve chart to the left shows that despite the Fed's actions, long-term interest rates remain little changed, while yields on short-term maturities have soared. Fourth quarter performance, similar to the calendar year, was exceptionally consistent across all maturities. Unique was the fact that duration, sector, and even credit quality failed to be significant differentiating factors in 2005. The best performing sector (Governments) returned +2.7% for the year versus +2.0% for the worst performing sector (Corporates). The shortest duration securities (90-Day T-Bills) returned +3.0% for the year, while the longest duration securities (LB Long Gov/Credit Index) returned 5.3%, with 2% of that return generated in the final month of the year. Finally, high yield bonds (LB High Yield Bond Index) returned the same +2.7% return as the highest quality government bonds (LB Government Bond Index). Hence, individual security selection was left to be a primary factor of performance in 2005.

US Equity Markets Overview

Large Cap: S&P 500 Index Sector Weights & Returns

Weight	Trailing 12-Month	Quarter
12.3% Consumer Discretionary	-6.4%	2.2%
9.2% Consumer Staples	0.2%	5.9%
8.8% Energy	-7.4%	31.3%
21.1% Financials	7.0%	5.4%
13.0% Health Care	1.6%	6.2%
10.1% Industrials	5.5%	4.4%
15.2% Information Technology	1.1%	0.7%
3.2% Materials	8.4%	2.9%
3.5% Telecommunication Services	-0.1%	-5.4%
3.6% Utilities	-5.6%	18.1%
0.0% Miscellaneous	8.8%	

Small Cap: Russell 2000 Index Sector Weights & Returns

Weight	Trailing 12-Month	Quarter
18.4% Consumer Discretionary	2.1%	2.4%
4.3% Consumer Staples	-0.6%	2.9%
5.5% Energy	-6.9%	50.5%
22.2% Financials	2.0%	2.9%
11.0% Health Care	-0.9%	3.7%
11.3% Industrials	4.8%	10.1%
17.9% Information Technology	3.4%	3.4%
5.4% Materials	0.7%	7.7%
2.1% Telecommunication Services	-2.8%	-6.5%
2.1% Utilities	-9.2%	0.4%
0.0% Miscellaneous	0.0%	0.0%

Large Cap Indices

	Performance		Trailing Return (years)			
	QTR	YTD	1	3	5	10
S&P 500	2.1%	4.9%	4.9%	14.4%	0.5%	9.1%
Russell 1000 Value	1.3%	7.1%	7.1%	17.5%	5.3%	10.9%
Russell 1000 Growth	3.0%	5.3%	5.3%	13.2%	-3.6%	6.7%

Mid Cap Indices

	Performance		Trailing Return (years)			
	QTR	YTD	1	3	5	10
Russell Midcap	2.3%	12.7%	12.7%	23.8%	8.5%	12.5%
Russell Midcap Value	1.3%	12.6%	12.6%	24.4%	12.2%	13.7%
Russell Midcap Growth	3.4%	12.1%	12.1%	22.7%	1.4%	9.3%

Small Cap Indices

	Performance		Trailing Return (years)			
	QTR	YTD	1	3	5	10
Russell 2000	1.1%	4.6%	4.6%	22.1%	8.2%	9.3%
Russell 2000 Value	0.7%	4.7%	4.7%	23.2%	13.6%	13.1%
Russell 2000 Growth	1.6%	4.2%	4.2%	20.9%	2.3%	4.7%

Commentary

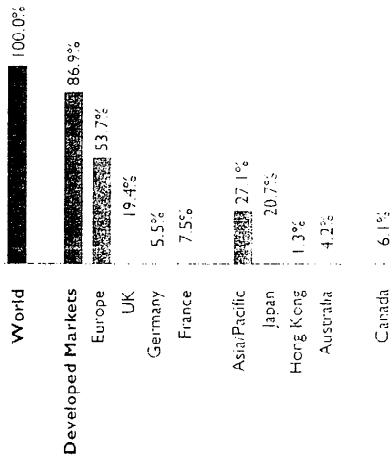
After struggling in October, equity markets came roaring back in November with a relatively dormant December to finish the quarter and year with positive gains across all major indices. The rally in equities continued for the third straight year after the bursting of the Technology bubble sent stocks tumbling following 2000. Although growth stocks showed signs of life late in the year, 2005 marked the sixth consecutive year that value has outperformed growth. Stocks across the entire market capitalization spectrum performed within a relatively close band during the quarter; however, mid-caps held a sizeable performance advantage for the year. From a sector perspective, energy-related companies slid during the quarter as oil prices eased from their historical highs but maintained substantial gains for the year. Equities were supported by continued strength in corporate earnings. Although the market was positive, inflationary pressure in the form of high-energy prices and rising interest rates likely restrained stocks from truly impressive gains in 2005.

Past performance is no guarantee of future results. This information is intended for education purposes only and does not represent investment advice. Investment fund information is obtained from sources believed to be reliable. However, such information may later be changed due to circumstances beyond our knowledge or control. Therefore its accuracy cannot be guaranteed.

Arnerich Massena & Associates, Inc. ~ Quarter Ending December 31, 2005

International Markets Overview

International Markets Weights



Emerging Markets 13.1%

Latin America 2.6%

Asia 7.0%

Europe/M. East/Africa 3.5%

The graph above and the weights below are a representation of the world's capital markets as expressed by the MSCI ACWI ex-US, a market capitalization weighted index combining the world's developed and emerging markets, excluding the United States.

Developed Markets and Weights

Developed	WT.	Emerging	WT.
Austria	0.3%	Brazil	1.3%
Belgium	0.9%	Chile	0.2%
Denmark	0.6%	China	1.0%
Finland	1.2%	Hungary	0.2%
Greece	0.5%	India	0.8%
Ireland	3.1%	Indonesia	0.2%
Israel	0.6%	Israel	0.4%
New Zealand	0.2%	Korea	2.4%
Norway	0.6%	Malaysia	0.4%
Netherlands	2.8%	Mexico	0.8%
Portugal	0.2%	Poland	0.2%
Spain	3.0%	Russia	0.3%
Sweden	1.9%	Singapore	0.7%
Switzerland	5.6%	South Africa	1.4%
		Taiwan	1.9%
		Turkey	0.7%

Returns (in US Dollars)

Country/Region	QTR.	1-YR.	3-YR.	5-YR.
World ex-US (MSCI ACWI ex-US)	4.4%	17.1%	26.2%	6.7%
Developed Markets (MSCI EAFE)	4.1%	14.0%	24.2%	4.9%
Europe (MSCI Europe)	2.0%	9.9%	22.9%	4.1%
UK	0.2%	7.4%	19.2%	4.3%
Germany	4.4%	10.5%	28.6%	2.2%
France	0.7%	10.6%	23.0%	2.8%
Asia/Pacific (MSCI Pacific)	8.7%	23.0%	26.8%	6.8%
Japan	11.9%	25.6%	25.6%	4.7%
Hong Kong	-3.0%	8.4%	23.2%	4.6%
Australia	-0.4%	17.5%	32.9%	19.2%
Canada	2.2%	28.9%	35.0%	11.4%
Latin America (MSCI EM Latin America)	7.2%	34.5%	38.4%	19.4%
Asia (MSCI EM Asia)	3.5%	50.4%	53.9%	23.0%
Europe/M. East/Africa (MSCI EM Europe/Middle East)	8.7%	27.5%	30.5%	17.6%
Developed Markets (MSCI EAFE)	5.3%	45.2%	47.0%	19.7%
Developed Markets (MSCI EAFE)	4.7%	17.1%	22.7%	3.8%
Developed Markets (MSCI EAFE)	4.1%	17.2%	29.6%	9.4%
Developed Markets (MSCI EAFE)	7.2%	25.4%	38.3%	17.2%

US Dollar vs. Local Currencies Returns

Developed (MSCI EAFE)	QTR.	1-YR.	3-YR.	5-YR.
World ex-US	1.1%	7.2%	21.0%	20.7%
Developed Markets	1.4%	29.6%	24.2%	20.7%
Europe	1.1%	14.0%	24.2%	20.7%
UK	0.2%	7.4%	19.2%	4.3%
Germany	4.4%	10.5%	28.6%	2.2%
France	0.7%	10.6%	23.0%	2.8%
Asia/Pacific	8.7%	23.0%	26.8%	6.8%
Japan	11.9%	25.6%	25.6%	4.7%
Hong Kong	-3.0%	8.4%	23.2%	4.6%
Australia	-0.4%	17.5%	32.9%	19.2%
Canada	2.2%	28.9%	35.0%	11.4%
Latin America	7.2%	34.5%	38.4%	19.4%
Asia	3.5%	50.4%	53.9%	23.0%
Europe/M. East/Africa	8.7%	27.5%	30.5%	17.6%
Developed Markets	5.3%	45.2%	47.0%	19.7%
Developed Markets	4.7%	17.1%	22.7%	3.8%
Developed Markets	4.1%	17.2%	29.6%	9.4%
Developed Markets	7.2%	25.4%	38.3%	17.2%

International markets posted another robust quarter, closing 2005 with strong one-year performance. Developed markets, as measured by the MSCI EAFE Index, returned +4.1% for the quarter. International returns outpaced domestic returns as investors weighed the merits of international companies independent from their US counterparts. Whereas there has been rising concern about the sustainability of domestic growth, due in part to the Fed's recent interest rate hikes, the prospects for international growth remain more optimistic. While the US and most countries in Europe posted modest gains in the three-month period, Japan rose +11.9% in the quarter. The positive outlook for economic growth in Asia, largely as a result of phenomenal growth in China, has benefited Japan. The US dollar continued moderate gains against the Euro and Japanese Yen. The dollar's gains hurt US-based international investors as investment returns were eroded after being converted from local currency returns. Emerging Markets continued their exceptional year, gaining +7.2% for the quarter and closing the year up +34.5%. Emerging Asian Markets were particularly strong in the quarter. The MSCI Emerging Markets Index also benefited from strong returns in Latin America and emerging countries in Europe. International small cap stocks continued to put up exceptionally strong performance, gaining +7.2% for the quarter and 25.4% for 2005. Following three-plus years of value style investing dominance, growth outpaced value for the third consecutive quarter.

Annual Equity Asset Class and Style Returns (1988 - Present)

Equity Indexes Ranked from Best to Worst

Year	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Small Cap Value	29.5%				29.1%	34.9%	6.6%	38.4%		35.2%			22.8%	14.0%	-9.7%		23.7%	17.1%
Mid Cap Value					21.7%	23.8%				34.4%			19.2%	2.3%	-11.4%		22.3%	12.7%
Large Cap Value					13.8%	18.1%	-1.6%	34.9%		31.8%			7.0%	-5.6%				
Int'l Stock Growth	27.8%				17.7%	15.6%	-2.0%	14.0%					11.3%					
Mid Cap Growth					17.7%	15.6%	-2.0%	14.0%					11.3%					
Small Cap Growth					17.7%	15.6%	-2.0%	14.0%					11.3%					
Large Cap Growth					17.7%	15.6%	-2.0%	14.0%					11.3%					
Int'l Stock Value					37.9%													
Mid Cap Value					37.9%													
Small Cap Value					24.6%													
Large Cap Value					24.6%													
Int'l Stock Growth					14.0%													
Mid Cap Growth					14.0%													
Small Cap Growth					14.0%													
Large Cap Growth					14.0%													

Investment	Representative Index	Notes
Large Cap Value	Russell 1000 Value	Domestic equity style is a function of market capitalization, price-to-book ratio and I/B/E/S forecast long term growth mean.
Mid Cap Value	Russell 1000 Growth	
Small Cap Value	Russell Mid Cap Value	
Int'l Stock	Russell Mid Cap Growth	
Mid Cap	Russell 2000 Value	
Large Cap	Russell 2000 Growth	
Small Cap	MSCI ACWI ex-U.S.	Developed and Developing Countries

This chart is intended to demonstrate the importance of diversification by showing that equity asset classes and styles have rotated significantly over time. This exhibit reinforces the importance of managing risk through diversification.

