



The World Markets

Fourth Quarter of 2011

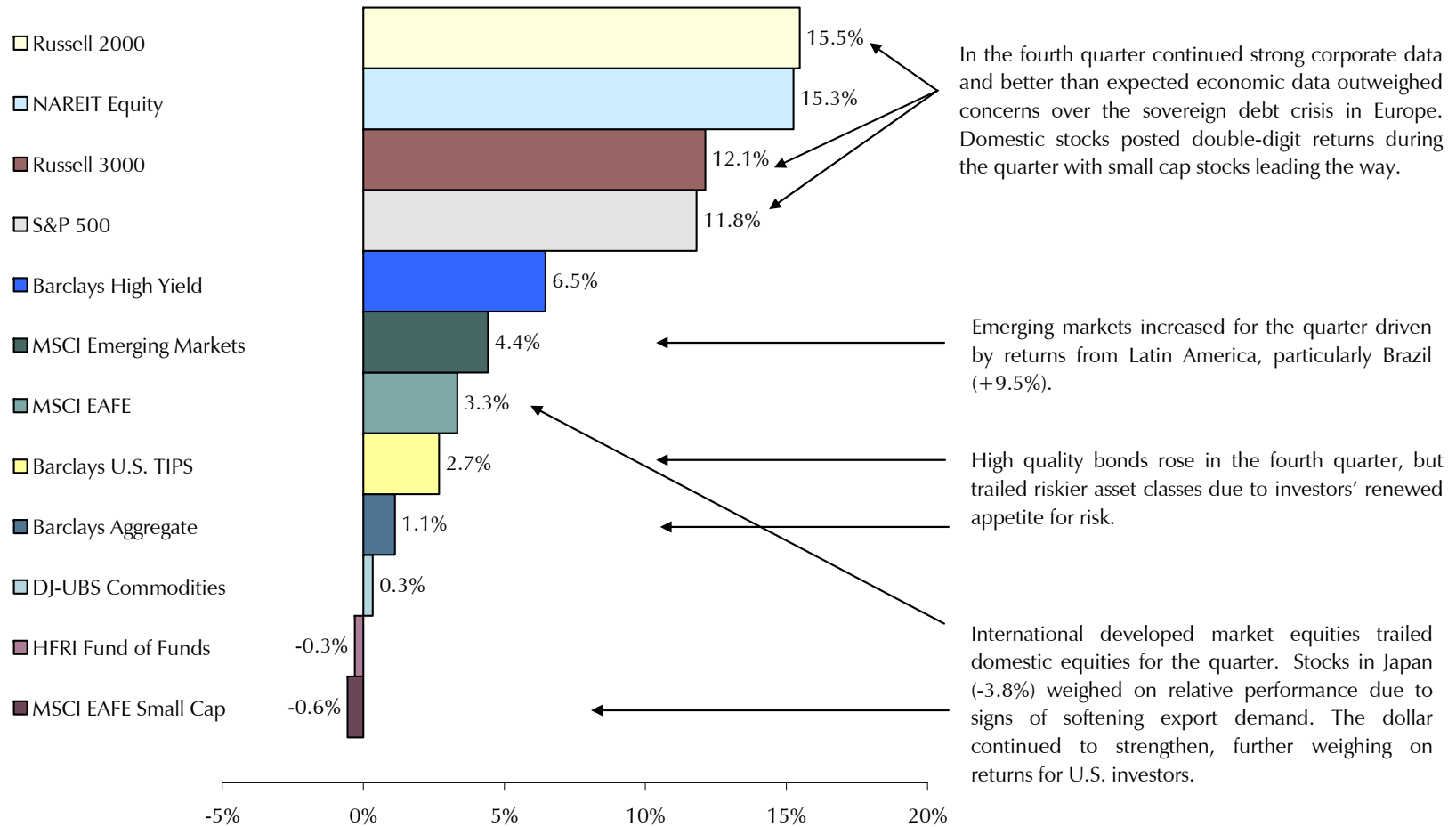
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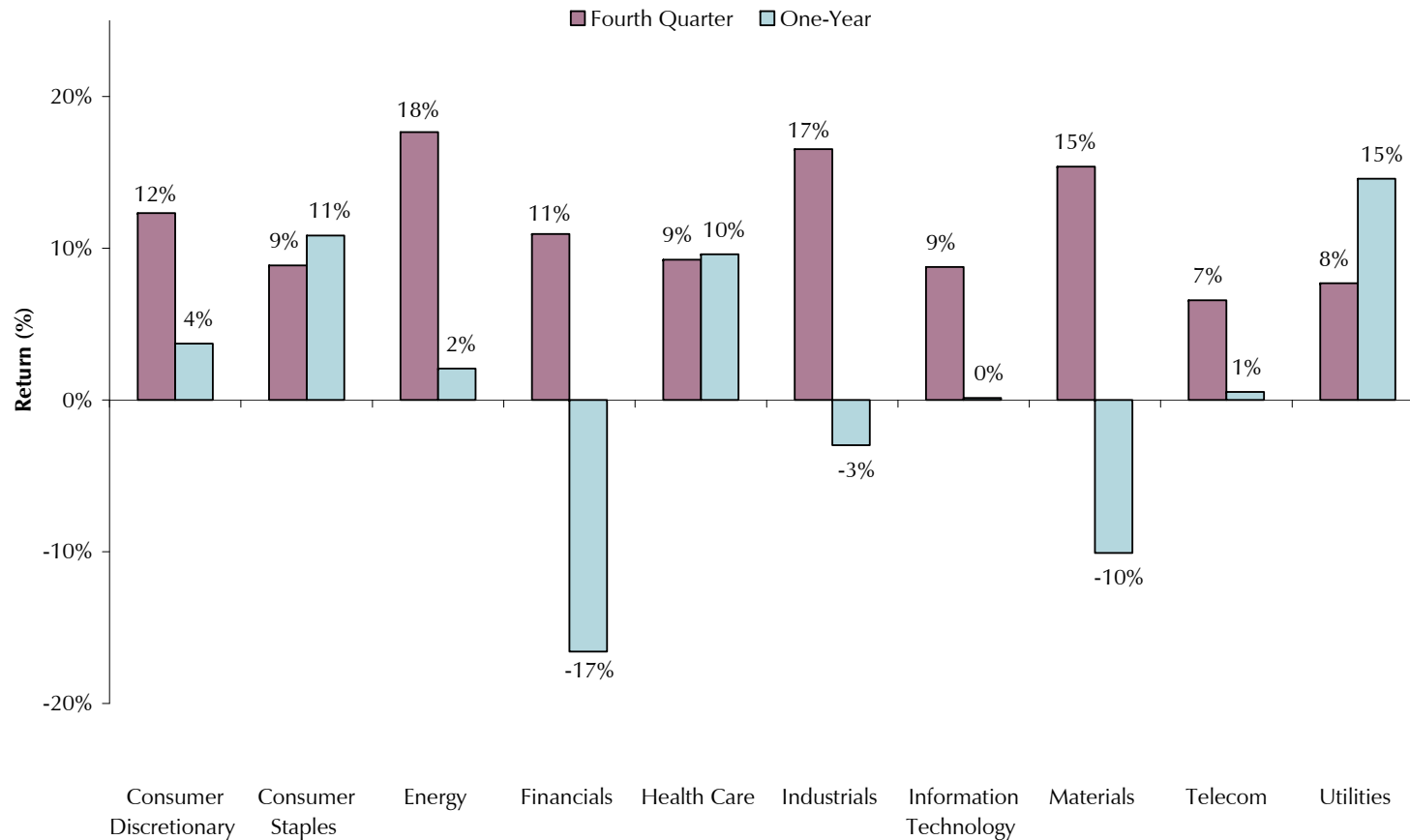


Index Returns

	4Q11 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
Domestic Equity					
Russell 3000	12.1	1.0	14.9	0.0	3.5
Russell 1000	11.8	1.5	14.8	-0.2	3.3
Russell 1000 Growth	10.6	2.6	18.0	2.5	2.6
Russell 1000 Value	13.1	0.4	11.6	-2.6	3.9
Russell MidCap	12.3	-1.6	20.2	1.4	7.0
Russell MidCap Growth	11.2	-1.7	22.1	2.4	5.3
Russell MidCap Value	13.4	-1.4	18.2	0.0	7.7
Russell 2000	15.5	-4.2	15.6	0.2	5.6
Russell 2000 Growth	15.0	-2.9	19.0	2.1	4.5
Russell 2000 Value	16.0	-5.5	12.4	-1.9	6.4
Foreign Equity					
MSCI ACWI (ex. U.S.)	3.7	-13.7	10.7	-2.9	6.3
MSCI EAFE	3.3	-12.1	7.7	-4.7	4.7
MSCI EAFE Small Cap	-0.6	-15.9	14.6	-4.1	9.0
MSCI Emerging Markets	4.4	-18.4	20.1	2.4	13.9
Fixed Income					
Barclays Universal	1.5	7.4	7.7	6.4	6.0
Barclays Aggregate	1.1	7.8	6.8	6.5	5.8
Barclays U.S. TIPS	2.7	13.6	10.4	8.0	7.6
Barclays High Yield	6.5	5.0	24.1	7.5	8.9
JPMorgan GBI-EM Global Diversified	0.5	-1.8	11.5	9.2	NA
Other					
NAREIT Equity	15.3	8.3	21.0	-1.4	10.2
DJ-UBS Commodities	0.3	-13.4	6.3	-3.3	5.4
HFRI Fund of Funds	-0.3	-5.5	3.6	-0.7	3.3

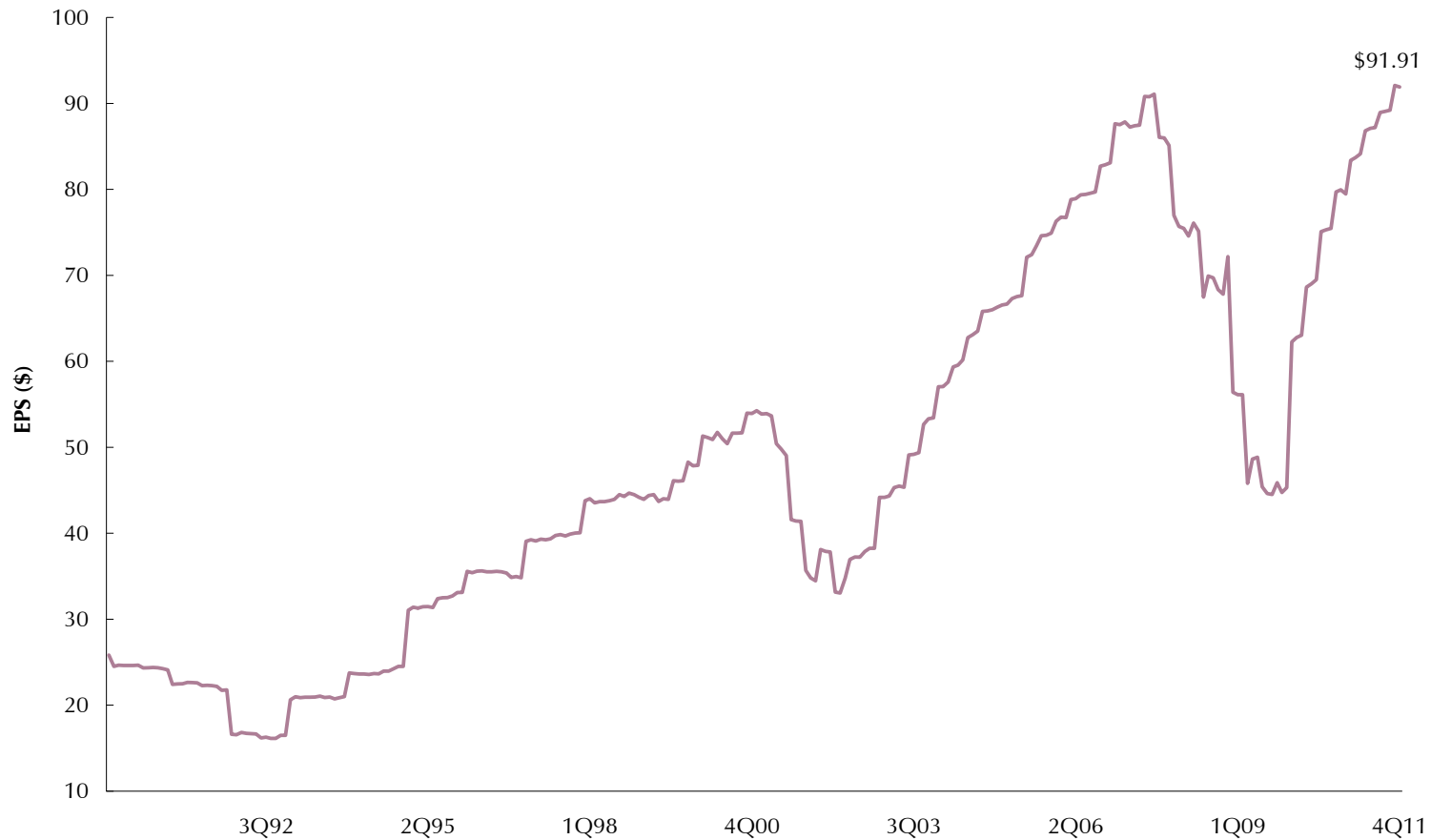
S&P Sector Returns

In a reversal of the third quarter, all ten sectors in the S&P 1500 posted gains, with the traditionally cyclical sectors leading the way. Energy (+18%) was the strongest performer as oil prices increased by close to \$20/barrel. For the trailing year, the majority of sectors posted positive returns, with utilities (+15%) posting the largest gain.



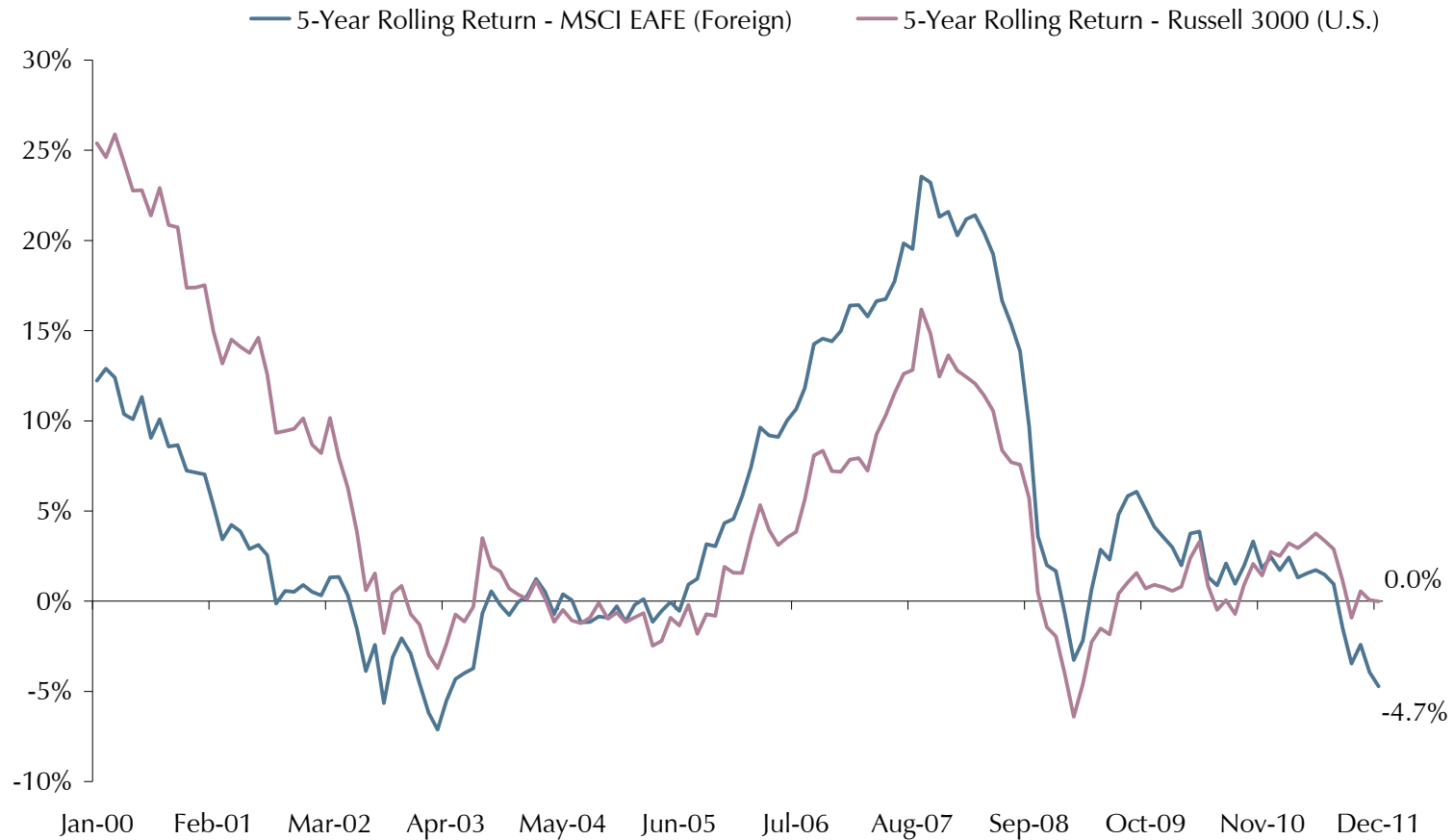
S&P 500 Earnings Per Share

In the fourth quarter, corporate profitability grew for the ninth straight quarter. S&P 500 trailing one-year earnings were \$91.91 as of quarter-end, a level above the previous highs reached in 2007.



Equity Markets

In the fourth quarter, the domestic equity market (+12.1%) substantially outpaced international developed market equities (+3.3%), due in part to a strengthening U.S. dollar and continued sovereign debt concerns in the Euro-zone. The performance spread between domestic and international equities expanded an additional 2.1% during the quarter to 4.7% for the five-year period ending December 31.



Rolling Ten-Year Returns: 65% Stocks and 35% Bonds

At year-end, the ten-year annual return of a portfolio comprised of 65% domestic stocks (Russell 3000) and 35% investment grade bonds (Barclays Aggregate) was 4.7%. Since February 2009, the portfolio's ten-year annual return increased by 4.3%, but remains less than half the twenty-year average.

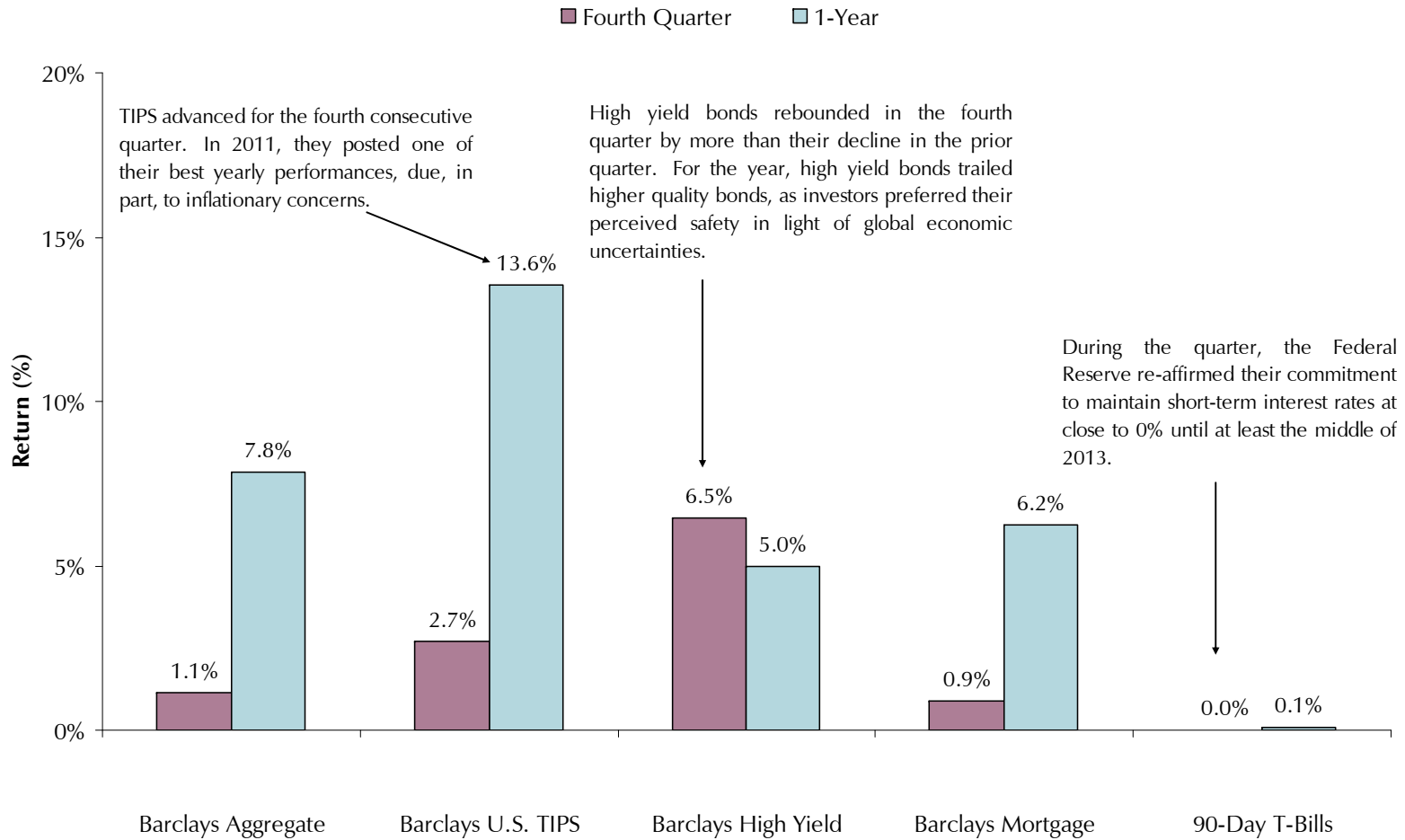


Treasury Yields

Treasury yields changed little during the fourth quarter, but declined dramatically from the end of 2010. The yield on the ten-year Treasury was 1.9% as of quarter-end, a level 1.4% lower than a year prior.

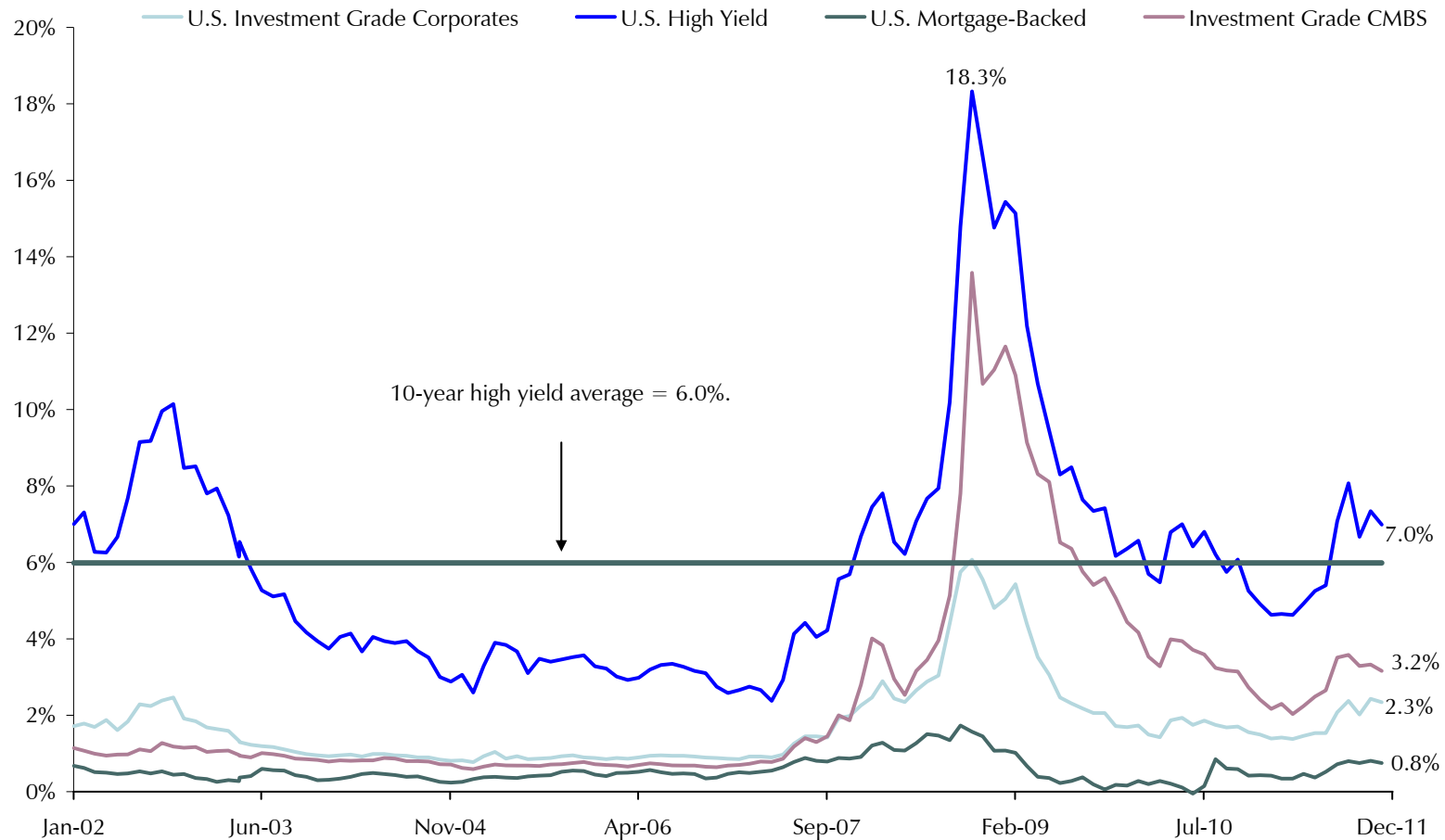


U.S. Fixed Income Markets



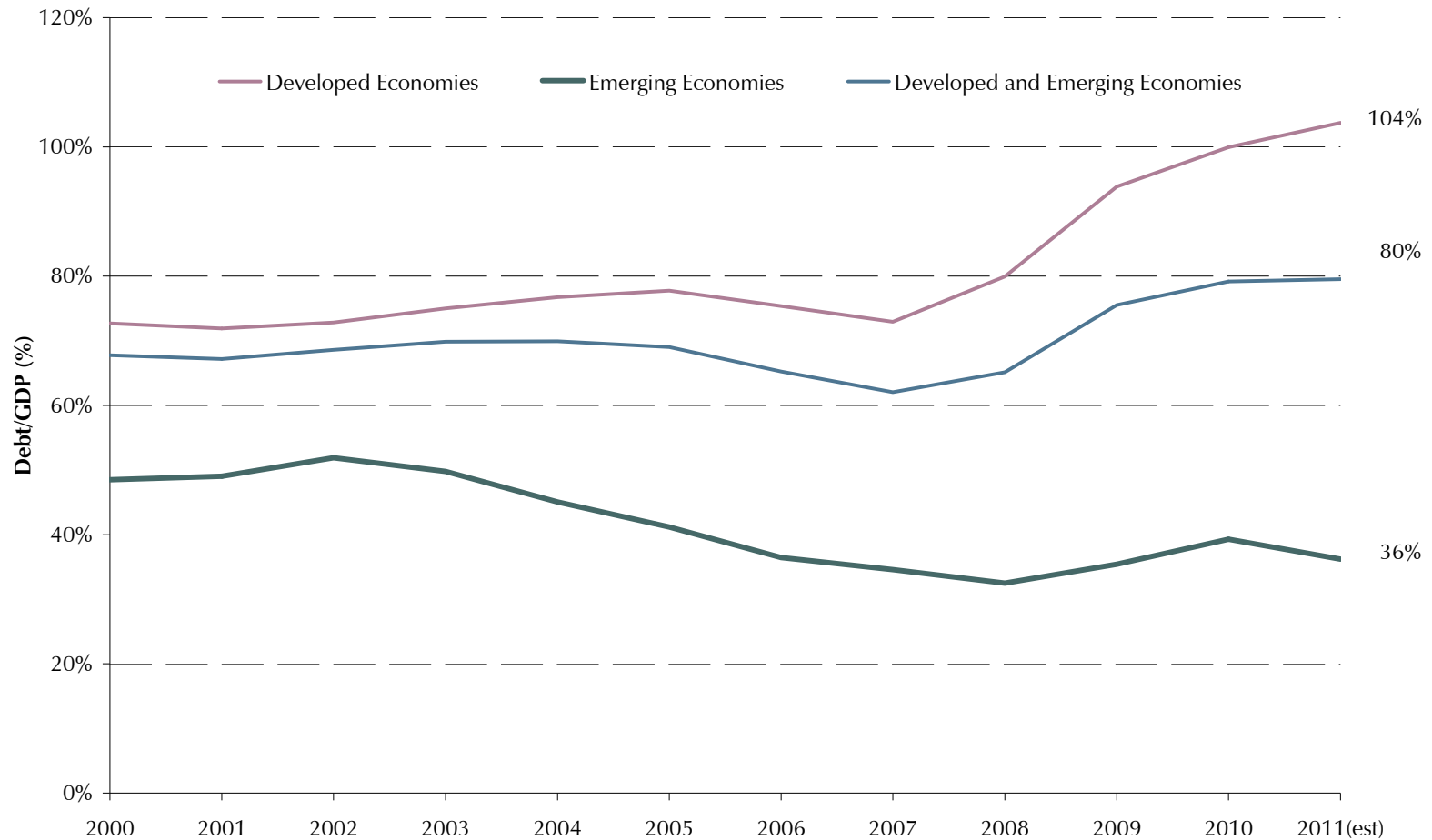
Credit Spreads vs. U.S. Treasury Bonds

In a reversal of the trend over the past two quarters, credit spreads compressed across all sectors. High yield spreads declined the most (-1.1%), to 7.0%, a level 1.0% above the ten-year average.



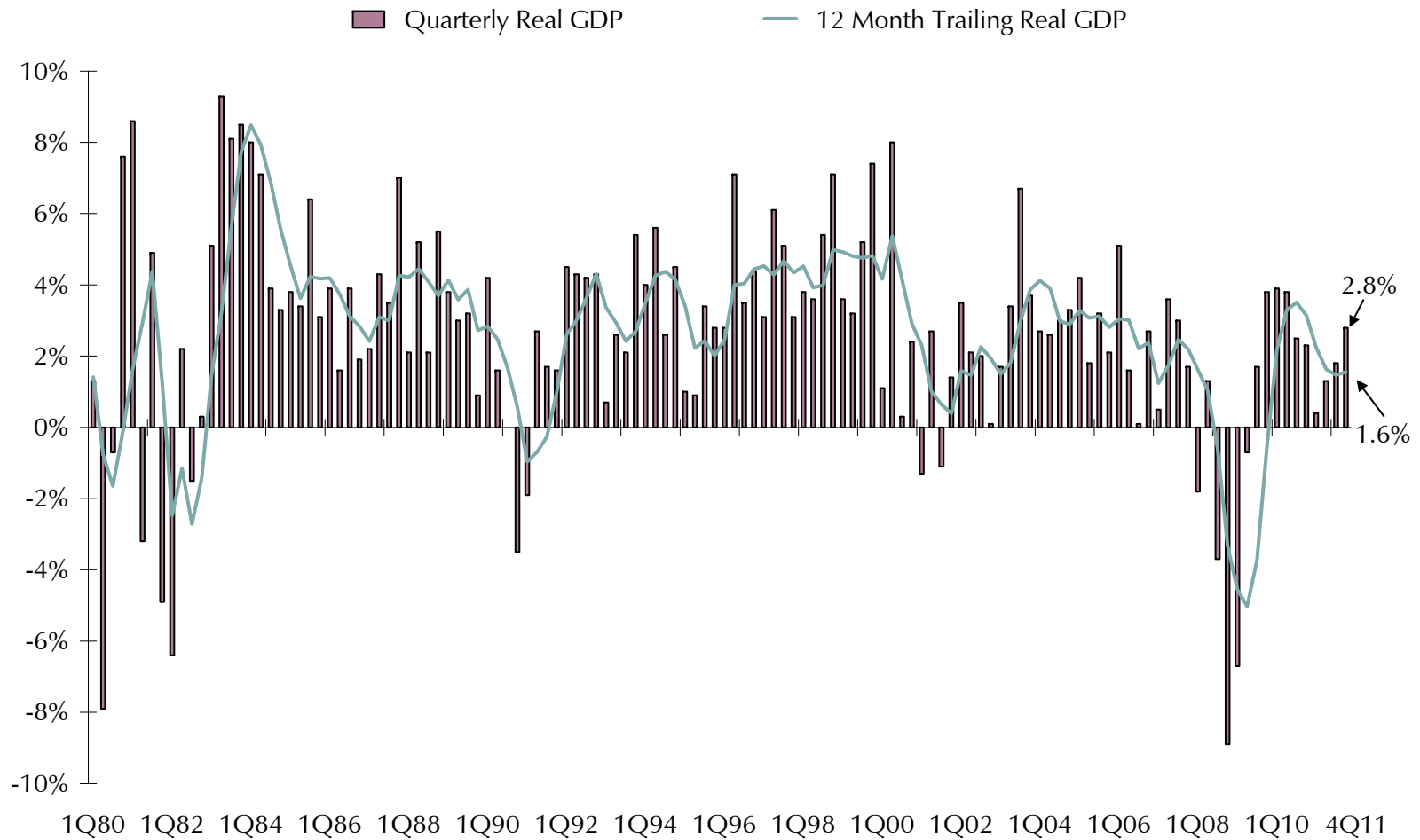
Sovereign Debt

While cumulative debt/GDP levels are below 40% for emerging markets, developed market levels are over 100%. Many economists believe that debt/GDP levels over 100% are unsustainable in the long term.



Real Gross Domestic Product (GDP) Growth¹

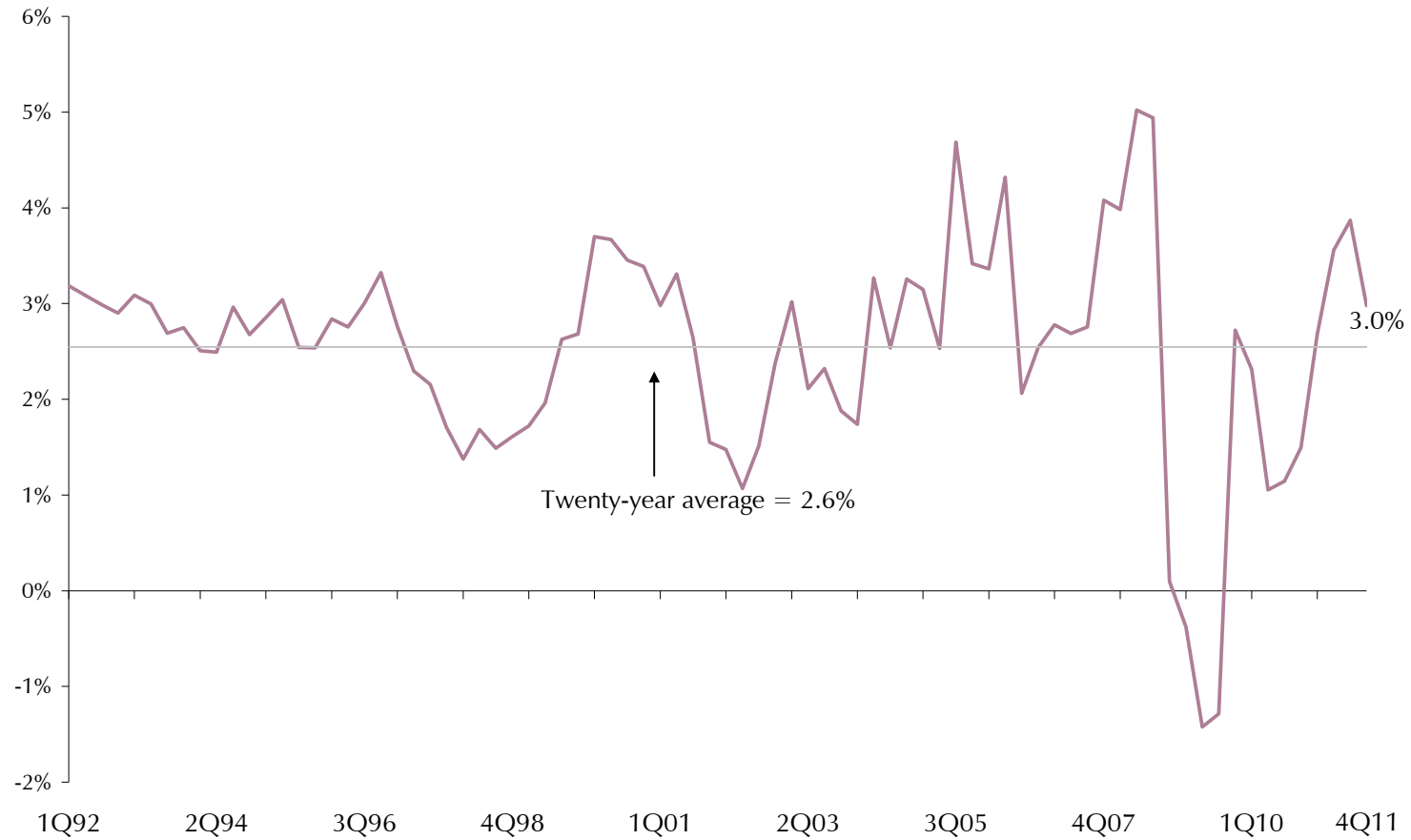
Real GDP growth increased for the third consecutive quarter, up 2.8% on an annualized basis. Companies restocking their inventories, a likely temporary phenomenon, drove growth in the fourth quarter.



¹ Quarterly data are annualized.

**U.S. Inflation (CPI)
Trailing Twelve Months¹**

Driven by falling energy costs, the trailing twelve-month CPI growth rate eased to 3.0%.



¹ Data is non-seasonally adjusted CPI, which may be volatile in the short-term.

U.S. Unemployment

The unemployment rate declined 0.6% during the fourth quarter to 8.5%, due in part to seasonal hiring and a reduction in the labor force. Over 400,000 non-farm payroll jobs were added during the fourth quarter, with the trend of payroll growth in the private sector and payroll decline in the government sector continuing.

