Morningstar Market Commentary

Q32013

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The Fed's decision to maintain the stimulus status quo leaves markets at a crossroads.

Q3 2013 Morningstar Market Barometer

Q3 2013 Morningstar Indexes

Stocks	
US Market Index	6.05
Global Ex-US Index	10.25
Developed Ex-US Index	11.63
Emerging Markets Index	5.46
Bonds	
Core Bond Index	0.63
Commodities	
Long-Only Commodity Index	3.45

The bull market that captivated the financial world in the first half of 2013 began to see some signs of volatility in the third quarter. Economic data in the United States continued to be the focal point of the Federal Reserve's stimulus policies, and the markets received an influx of geopolitical news not seen in quite some time, adding an element of fear for market participants.

The third quarter began in similar fashion to the rest of the year with stocks moving straight up. The Morningstar US Market Index moved higher for most of July through what was a decent earnings period. Several companies were able to surpass the low bar set by Street expectations, lifting several sectors to new heights. Economic data continued to be so-so, delaying discussions of tapering until August and September. As pundits began to point toward September as a strong candidate for the initiation of a reduced spending plan from the Federal Reserve, stocks began to move lower and interest rates crept higher.

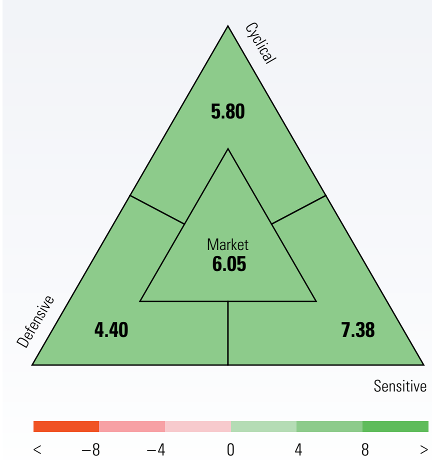
The down move that began slowly in August was exacerbated by rising tension in Syria after news of possible chemical attacks in the region. U.S. President Barack Obama and Russian President Vladimir Putin took center stage as the former called for military action to punish the actions of the Syrian government, while the latter came to the aid of Syria by stating that Russia would side with Syria against any attacks. The situation was a tumultuous one for several days as each side waited for the other to flinch, with stocks moving lower as potential military action seemed imminent. However, the situation appeared to resolve itself after Russia encouraged Syria to give up its chemical weapons cache.

Both stocks and interest rates resumed their rise ahead of a possible tapering announcement from the Federal Reserve. However, the Fed reiterated its stance that economic data simply has not been adequate. Although stocks rallied hard on this news, questions of the U.S. economy's actual strength emerged. Stocks remain in a strong uptrend as the Morningstar US Market Index closed the quarter up 6%, but with the health of the underlying economy coming into question following the Fed's decision, stocks may finally run into some resistance in the fourth quarter.

Sector Indexes

Despite two potential headwinds having an impact on stocks at various points during the quarter, equities continued their march higher. With the Syria situation and the threat of Fed tapering out of the way, stocks advanced to new all-time highs in September despite rising questions about the health of the underlying U.S. economy. Each of Morningstar's Super Sectors enjoyed solid quarters as a result. The Sensitive Super Sector was the third stanza's biggest winner after gaining 7.4%, although the Cyclical and Defensive Super Sectors were not far behind at 5.8% and 4.4%, respectively.

Q3 2013 Morningstar Sector Delta and Return %



Sector	Quarter	1-Year	3-Year
Cyclical	**5.8**	**28.54**	**17.28**
Basic Materials	10.08	12.63	10.11
Consumer Cyclical	8.94	34.13	24.38
Financial Services	4.32	34.73	15.38
Real Estate	−3.10	3.32	11.45
Sensitive	**7.38**	**15.93**	**15.33**
Communication Svcs	0.69	14.77	18.75
Energy	6.81	15.34	16.69
Industrials	9.68	31.37	17.41
Technology	8.43	8.88	12.94
Defensive	**4.40**	**21.07**	**17.81**
Consumer Defensive	1.60	15.47	15.94
Health Care	8.24	30.02	22.04
Utilities	−0.33	8.80	11.28

Morningstar Super Sectors

	P/E	P/B	Yield %	Earnings Growth	Sales Growth
Cyclical Super Sector	16.23	1.86	1.90	2.08	–2.50
Sensitive Super Sector	16.97	2.77	2.06	11.69	5.82
Manufacturing Super Sector	19.74	3.02	2.47	3.53	6.16

Sensitive Super Sector 7.4%
The Sensitive Super Sector enjoyed a strong quarter after Cyclical stocks posted the largest gains in the second quarter of 2013. Sensitive stocks received strong performances from several sectors, including Energy, Industrials, and Technology, with each of those sectors delivering growth of at least 6%. The one laggard in the Super Sector was Communication Services stocks, which ended the quarter up less than 1%. Given the sensitivity of those stocks to rising interest rates, these names took a hit in the quarter as Treasury yields began to creep up.

Several big-name stocks were on the move this quarter, including several well-known technology names such as Apple, LinkedIn, and Yelp. Apple had a solid quarter as the stock was catalyzed by news that activist investor Carl Icahn had taken a large position in the firm, while the release of the firm's latest batch of iPhones generated attention. Some of the bigger movers in the Industrials sector included bellwethers FedEx, Boeing, and Raytheon, each of which posted double-digit gains.

Cyclical Super Sector 5.8%
The Cyclical Super Sector enjoyed a strong quarter after leading the way in the second quarter with modest gains. Despite a 3.1% decline in Real Estate stocks, Cyclical stocks were mostly up in the quarter. Basic Materials stocks led the way with gains of more than 10%, while Consumer Cyclical and Financial Services stocks posted solid gains of 8.9% and 4.3%, respectively.

Credit card companies Capital One and Master-Card posted gains of 10% or more, while Tesla Motors led the charge for Consumer Cyclical stocks, rising more than 80%. Gains such as these helped offset poor performances from the retail names such as JC Penney, Abercrombie & Fitch, and Aeropostale.

Defensive Super Sector 4.4%
The Defensive Super Sector was the relative laggard this quarter, although several individual sectors had standout performers. Interest rate sensitive Utilities stocks weighed on the Super Sector as these names were essentially flat during the period. Consumer Defensive stocks also fell behind their cyclical counterparts, posting modest gains of just under 2%. Healthcare stocks were far and away the best performers in the sector, rising more than 8%.

Several Healthcare stocks posted big gains in the quarter, including Onyx Pharmaceutical, which rose more than 43% after news broke that Amgen would acquire the firm. Poor performances from several heavyweights weighed down the Utilities sector. Southern Company, PG&E, Exelon, and Entergy each suffered losses in the quarter, while only a handful of names were able to scrape out gains.

Style & Cap Indexes

After Core and Value stocks were the relative leaders of the rally during 2013's first half, Growth stocks took center stage in the third quarter as markets ran up to another all-time high. The Morningstar US Growth Index gained 10% in the quarter, while Core and Value stocks lagged well behind despite booking solid gains of 5% and 3%, respectively. For the size indexes, Small Cap stocks took the reins after being relatively flat in the second quarter. Small Cap stocks rose 9.8%, followed closely by Mid Cap stocks at 9.4%. Large Cap stocks were the relative laggard this quarter, posting gains of 5.1%.

Trailing Returns

1-Year

	Value	Core	Growth
Large	15.81	24.29	15.23
Mid	34.76	26.53	26.41
Small	27.61	29.41	32.16

3-Year

	Value	Core	Growth
Large	13.78	18.23	16.72
Mid	17.92	18.59	17.35
Small	17.52	17.30	20.47

5-Year

	Value	Core	Growth
Large	7.00	10.56	11.43
Mid	13.03	13.75	12.81
Small	13.36	12.31	13.97

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Morningstar Style & Cap Indexes

	P/E	P/B	Yield %	Earnings Growth	Sales Growth
Morningstar Value	13.58	1.62	3.10	-0.35	1.81
Morningstar Core	17.83	2.58	2.14	5.38	0.22
Morningstar Growth	22.56	4.10	0.92	21.97	13.64
Morningstar Large Cap	16.74	2.45	2.26	6.57	2.27
Morningstar Mid Cap	19.23	2.44	1.57	5.09	5.74
Morningstar Small Cap	19.20	2.15	1.37	1.05	1.82

Morningstar US Growth 10.0%

A number of up-and-coming growth stocks delivered for the index in the third quarter, with several well-known names posting large double-digit gains. Tech stocks, including Facebook and Qualcomm, were two of the largest contributors to the index's growth, gaining 100% and 10%, respectively, as Facebook continues to climb following a strong earnings report. Tesla Motors also continued its torrid run out of the Consumer Cyclical sector, gaining more than 80%. Amazon was also a big winner in this space, delivering gains of nearly 13%. A trio of Healthcare names also booked strong gains in the quarter, as Gilead Sciences, Celgene, and Celldex each rose more than 20%. Celldex was the index's biggest gainer, rising more than 125%.

While several Healthcare names outperformed, several others were among the worst performers, with Arena Pharmaceuticals, Vivus, and Intuitive Surgical each losing more than 25%. Shares of the mobile chipmaker Broadcom Corporation took a beating after a weak earnings report, falling more than 20% in the quarter. The US Growth Index's biggest loser of the quarter was Allied Nevada Gold, which lost 35%.

Morningstar US Core 5.0%

The Core Index was led by stocks from a bevy of sectors, but the best-performing names tended to come from the Consumer space. Three top contributors in the quarter came from either the Consumer Defensive or Consumer Cyclical space, with Walgreen Company, Time Warner, and Viacom each advancing 10% or more. Two of the top five performers were also Consumer names, as Nu Skin Enterprises gained 56% while Icahn's long position duked it out with Bill Ackman's short in Herbalife. Icahn continues to have the upper hand as the stock squeezed shorts an additional 55% this quarter. The index received many of its largest contributions from the Industrials space as United Technologies, Boeing, and 3M each posted solid gains.

While some Consumer companies were performance leaders this quarter, there were also individual names within that sector that weighed on the Core index overall. Retail stocks were hit particularly hard after a series of poor earnings reports. Aeropostale, American Eagle Outfitters, Sears Hometown & Outlet Stores, and Abercrombie & Fitch each slipped more than 20%.

Morningstar US Value 3.2%

Value stocks posted modest gains this quarter but could not keep pace with their Core and Growth counterparts, primarily because of poor performances from heavily weighted names. Top contributors Exxon Mobil, Verizon Communications, Hewlett Packard, and AT&T each fell during the quarter, limiting the index's upside potential. Of the top contributors, ConocoPhillips was the strongest performer, gaining 16% on news of its launching the first commercially approved drone flight in search of oil.

A couple of retailers were top performers, with RiteAid leading the pack up 66% for the quarter while electronics retailer Best Buy continued its strong rally by gaining nearly 40% in the quarter. JC Penney also fell nearly 50% after activist investor Bill Ackman announced he would be liquidating his stake in the company after the prospects of a turn-around appeared too bleak and liquidity concerns rose to the forefront once again.

Morningstar Small Cap 9.8%

Small Cap stocks enjoyed the strongest performance of the size indexes as investors found comfort in investing in higher-risk higher-reward names. Six of the top 10 contributors came from the Healthcare sector, with Celldex Therapeutics posting the biggest gains. The company was the third-largest contributor and biggest gainer in the quarter, with its shares rising 127%. Fellow Healthcare stocks Incyte Corporation, Alnylam, and NPS Pharmaceuticals rounded out the top four contributors, with each stock gaining more than 65%. Internet stock Yelp delivered high double-digit gains, while tech names such as Ubiquiti Networks and Igate Corporation each grew more than 90%.

While there were several big gainers among the Small Caps, some of the index's constituents were also among the biggest losers. Tower Group International, Allied Nevada Gold, Francescas Holdings, and Aeropostale each experienced losses of more than 30% for the quarter.

Morningstar Mid Cap 8.3%

Mid Cap stocks received a boost from several familiar faces as several of the index's top contributors were also among the largest gainers in the quarter. Tesla Motors was both the largest gainer and top contributor in the index, as the short squeeze continued for the electric car company to the tune of 80%. Netflix continued its ascent as it pierced $300 for the first time since 2011. LinkedIn also continued its meteoric rise after a solid quarterly earnings report, gaining nearly 40%. Boston Scientific, Pharmacyclics, and Onyx Pharmaceutical each provided a boost from the Healthcare sector with solid double-digit gains. Energy names Chesapeake Energy and Cimarex Energy each delivered solid gains of 28% and 49%, respectively.

Several stocks that have been highlighted as laggards in other indexes turned up once again in the Mid Cap Index. Retailers American Eagle Outfitters, Abercrombie & Fitch, and Sally Beauty Holdings sustained double-digit losses, while JC Penney weighed on Mid Cap stocks heavily, sinking nearly 50%. CVR Energy rounded out the bottom performers, losing 17% for the quarter.

Morningstar Large Cap 5.1%

In a departure from last quarter, Large Cap stocks were the relative laggards during 2013's summer months. Top contributor Apple rose more than 20% in the quarter, while social networking giant Facebook has sustained its rally following a strong earnings report, rising more than 100% in the quarter. Several of the top contributors posted solid double-digit gains, including Schlumberger and Conoco Phillips from the energy sector, although some of those gains were offset by a 4% decline from Exxon Mobile.

Technology contributed four of the five top performers in the quarter, led by Facebook and followed closely behind by a trio of Internet stocks: LinkedIn, Salesforce.com, and Yahoo. Each generated gains of more than 30%, while Regeneron filled the remaining spot in the top five with a gain of 39% in the period.

Fund Categories and Benchmarks

In the most recent quarter, Large Value active managers most successfully beat their benchmark, with 96% outperforming the Morningstar Large Value Index. In the opposite corner of the Style Box, Small Growth managers had the most trouble outperforming, with only 22% beating their benchmark. In general, Growth-oriented fund managers were less successful than their Core- and Value-oriented peers. Large Core and Small Value actively managed funds outperformed the indexes in 83% and 84% of cases respectively. Mid Cap managers experienced middling results across the Style bands.

Active vs. Passive

	Value		Core		Growth	
Large	96.37	1.71	82.59	4.08	40.54	9.43
Mid	42.16	7.18	60.87	7.13	34.45	10.57
Small	84.11	6.77	67.38	8.42	22.33	14.06

◸ Actively managed mutual funds outperforming their respective benchmark (%)[1]

◢ Index Returns (%), Q3

[1] Includes the oldest share class for all U.S. diversified mutual funds with at least a one-year history. As of September 30, 2013 there were 2,075 eligible funds. Morningstar classifies funds into style categories based on the average style score (using the same 10-factor methodology as underlying benchmarks) of all available portfolio holdings over a three-year period.

Fixed-Income Indexes

Fixed-income indexes recaptured some of this year's losses, but break-even remains elusive. After steadily rising since early summer, long-term interest rates fell back after the Fed announced it was holding the course on its asset purchase program. Over the past year, the average credit spread in the Morningstar Corporate Bond Index has traded in a relatively narrow range. We continue to believe that, from a fundamental perspective, credit spreads are currently fairly valued. However, over the near term, we expect corporate credit spreads may be pushed towards the bottom of this trading range.

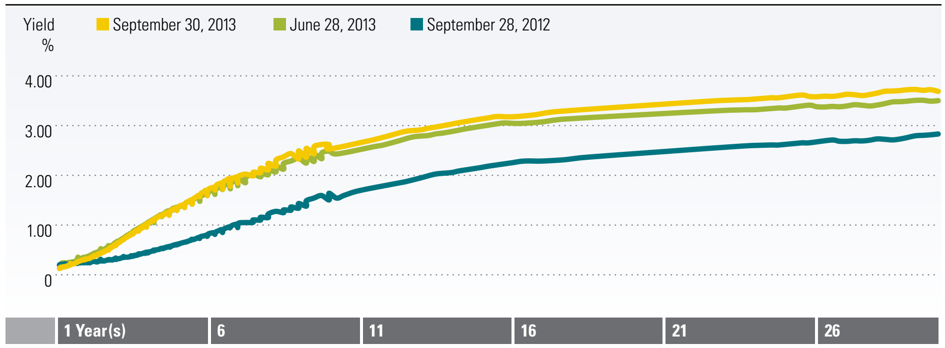
Fed Surprises Market By Holding Quantitative Easing Program Steady

Rising interest rates have taken their toll on the fixed income markets this year, but with the Fed holding its highly accommodative monetary policy steady, investors are poised to recapture some of these losses. The Morningstar Core Bond Index—our broadest measure of the bond market—rose 0.63% in the third quarter. Gains were driven by a combination of tightening credit spreads on corporate bonds, and a rebound in emerging markets.

After rising to almost 3% in September, the yield on the 10-year Treasury dropped to 2.62% at the end of the most recent quarter. While long-term interest rates have begun to decline since the Fed surprised the market by declaring, "not yet," to tapering its asset purchase program, both the 10-year and 30-year ended the quarter 14 basis points and 19 basis points higher than the beginning of the quarter. Long-term interest rates will rise toward historical norms once the Fed begins to reduce its asset purchase program. In the meantime, over the near term, interest rates may decline further.

With the Fed continuing to purchase mortgage-backed securities and long-term Treasury bonds, investors have increasingly fewer fixed income assets from which to choose. This decrease in supply is becoming even more pronounced as the US government's deficit is shrinking, requiring less new debt issuance. This has had a favorable impact on demand for corporate bonds, and has pushed credit spreads tighter as the supply of available fixed income securities constricts and the new Fed-provided liquidity looks for a home. Morningstar's Corporate Bond Index rose 1.07% during the third quarter, as the average credit spread within the index tightened 14 basis points to +147. Morningstar's Eurobond Corporate Index fared slightly better, gaining 5.42%.

Treasury Yield Curve



Morningstar Bond Indexes

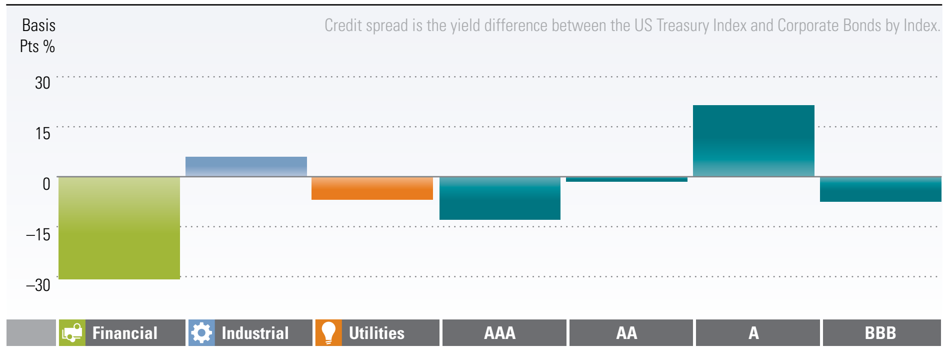
		Returns		Statistics			
		QTR	YTD	Market Value ($Mil)	Credit Quality	Yield to Maturity	Average Duration
Broad Market	Core Bond	0.63	–1.65	13,024.08	AA	2.13	5.10
Sector	US Govt	0.11	–1.97	6,353.36	AAA	1.22	4.81
	Corporate	1.07	–2.57	3,267.80	A–	3.21	6.25
	Mortgage	1.19	–0.18	3,402.24	AAA	2.79	4.55
Maturity	Short–Term Core	0.53	0.39	4,480.70	AA	0.65	2.20
	Intermediate Core	1.11	–0.64	2,407.18	AA+	2.44	4.63
	Long–Term Core	–0.23	–6.41	2,733.96	AA–	3.91	10.86
Inflation Prot. Secs.	TIPS	0.96	–6.58	740.39	AAA	-0.04	7.71
Global Sovereign	Global Govt USD	–0.54	–4.11	20,026.09	AA–	1.52	6.58
	Global Govt ex–US USD	–0.41	–4.75	14,038.34	A+	1.64	7.32
	Eurozone USD	3.78	3.61	6,377.29	A–	2.23	6.20
	Swiss USD	4.88	–4.08	94.30	AA–	0.77	8.28
	UK USD	5.24	–2.87	1,674.16	AA+	2.25	9.17
	Australasian USD	3.38	–6.10	265.11	AAA	3.40	4.85
	Canadian USD	0.90	–5.99	375.67	AAA	1.95	6.31
	Japanese USD	–9.13	–16.05	5,251.79	A+	0.63	8.26
Europe	Eurobond Corp EUR	5.42	3.80	1,216.10	AAA	1.96	4.44
	European Bank Capital EUR	6.03	4.95	416.22	AAA	2.5	4.18
	European Covered EUR	5.07	4.82	766.57	AA–	1.76	4.11
	UK Eurobond Corp EUR	9.53	0.34	224.36	AAA	3.77	8.36
	UK Bank Capital EUR	11.17	3.04	40.90	AAA	4.54	6.16
Emerging Market	Composite USD	1.11	–5.40	975.75	BB	6.55	5.75
	Sovereign USD	0.74	–4.23	380.35	BBB–	5.50	6.87
	Corporate USD	1.31	–3.96	594.43	BBB+	4.97	5.32

Data as of September 30, 2013

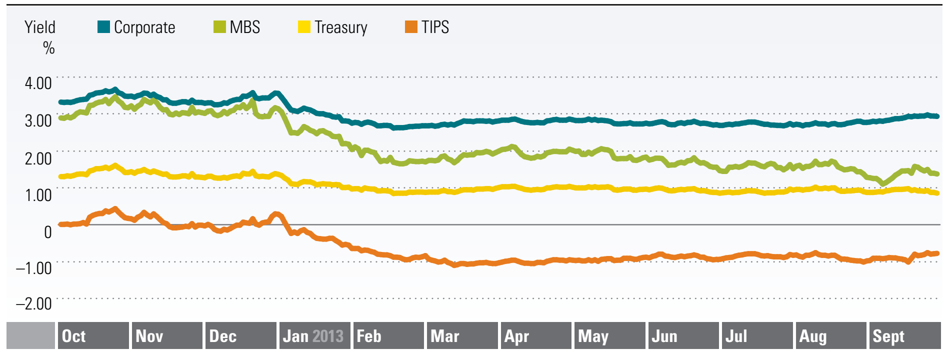
Amid the fixed-income rout earlier this summer, Treasury Inflation Protected Securities, or TIPS, were one of the worst performing fixed income securities. Even though the Morningstar TIPS Index rose 0.96% last quarter, it still registers a 6.58% loss year to date. Over the summer, as the market priced in a higher probability that the Fed may begin to taper its asset purchase program as soon as the fall, market-implied inflation expectations fell rapidly. However, following the Fed's announcement, inflation expectations stopped falling, and appear to be moving higher. Since the beginning of the year, the five-year, five-year forward breakeven rate had dropped to as low as 2.27%, ending the third quarter at 2.46%.

Emerging-market indexes rebounded slightly in the third quarter, but have still suffered the worst losses across the fixed-income sector thus far this year. Morningstar's EM Composite Bond Index rose 1.11% last quarter, although year-to-date has declined 5.40%. The EM Sovereign Bond Index gained 0.74% and the EM Corporate Bond Index gained 1.31% in the third quarter, but those two indexes have lost 4.23% and 3.96%, respectively, thus far this year.

Credit Spread Change by Sector and Quality



US Bond Indexes: Average Yields



Long-Term Rates Headed Lower Now, Higher Later

In the near-term, it appears that long-term interest rates are headed lower. While rates had been rising due to the expectation that the Fed would begin to taper its asset purchase program, the Fed surprised the market at its September meeting and kept its asset purchases steady. Considering that the intent of the Federal Reserve's asset purchase program is to push long-term rates down below where interest rates would clear the market on their own, we would not fight the Fed. However, once the Fed does begin to reduce its purchase program, we'll see a repeat of this summer as every bond trader and fixed income portfolio manager in the world will try to front-run the rise in rates, likely compounding how quickly, and how far, rates will rise.

Over the long-term, interest rates will normalize towards historical metrics. Three of the metrics we watch include the spread between inflation and interest rates, the steepness of the Treasury curve, and inflation expectations. Historically, the yield on 10-year Treasury bond has averaged 200 to 250 basis points over the inflation rate. Even at the currently low inflation rate of 1.5%, the yield on the 10-year Treasury could increase to 3.50% to 4.00% to reach historical norms. Currently, the spread between the two-year and 10-year Treasury bond is near its widest levels. Since the two-year bond is highly correlated to short-term interest rates, and the Federal Reserve is planning on keeping the Federal Funds rate near zero until sometime in 2015, the yield of the two-year Treasury bond should be well-anchored. Based on where this spread has historically peaked, it appears that the 10-year yield could increase up to another 50 basis points over the two-year.

After peaking in November 2012, market implied inflation expectations have been declining. Currently, inflation expectations are near the middle of their historical range, which should have a moderating effect on how high interest rates would rise. However, the decline in inflation expectations appears to have bottomed out, and may be on the rise. The Fed will need to keep a watchful eye on this metric, lest inflation expectations begin to spike back up.

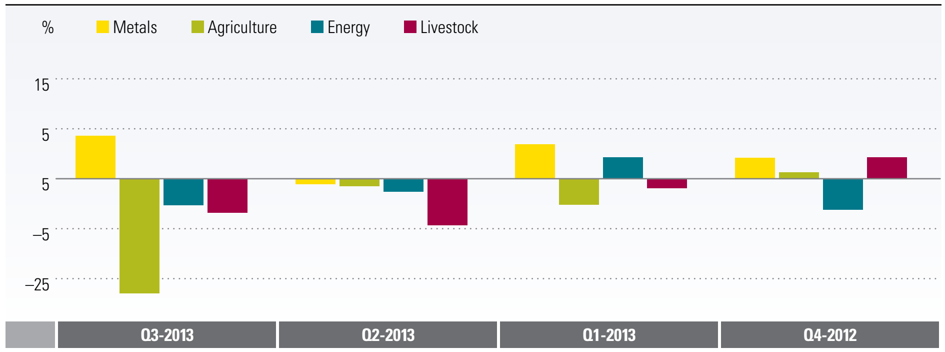
Commodities Indexes

Commodities have been mired in a year long slump, prolonged by a lack of inflation and a roaring rally in U.S. equities. However, the third quarter has seen some reversal within that trend, with several commodity indexes seeing inflows in the period. Gold picked itself up off the mat, lifting the Morningstar Metals Commodity Index nearly 9% in the quarter after falling more than 25% in the first half of the year. The Morningstar Energy and Livestock indexes also managed gains of 6.9% and 4.2%, respectively, while the Morningstar Agriculture Index continued to flounder, finishing the quarter down 1%.

Upticks in several precious metals aided the Morningstar Metals Index, counteracting a portion of the heavy losses sustained during the first portion of the year. Inflation remains modest, but gold prices rebounded some in the quarter to the tune of 8%, while silver recouped more than 11%. Copper also bounced off the lows more than 8%, but all three metals remain deep in the red year to date.

Energy prices have shown signs of life in the third quarter as the sector received a considerable catalyst following the threat of military action in Syria. The implications for oil prices were felt almost immediately as questions circulated about supply levels should a military strike take place. WTI Crude rose more than 9% in the quarter, and both heating and gas oil also saw an uptick of roughly 4% and 5%, respectively. Natural gas was the laggard of the group as prices fell more than 3% in the quarter.

Quarterly Commodity Sector Returns



Morningstar Commodity Index Returns %

	Quarter	1–Year	3–Year	5–Year	10–Year	15–Year
Long–Only	3.45	–8.77	3.96	–0.43	7.43	–3.57
Long/Flat	2.01	–6.02	2.84	2.69	7.76	–1.53
Long/Short	0.47	–0.41	2.89	1.58	6.40	3.28
Short/Flat	–1.27	5.17	0.01	–0.90	0.17	4.81
Short–Only	–4.06	6.48	–6.60	–3.35	–6.72	2.05
Agriculture	–1.12	–13.91	5.87	4.36	5.59	–5.11
Energy	6.86	3.51	4.95	–11.26	1.84	5.54
Livestock	4.17	3.23	–0.75	–3.99	0.63	–1.01
Metals	8.58	–26.08	–0.40	9.26	16.61	–20.73

Market Commentary Conclusion

As we move into the fourth quarter, the U.S. economy does not appear to have any clearer direction than it did at the onset of the third quarter. Economic data remains largely mediocre, with most pockets of strength being offset by areas of weakness. The Federal Reserve's surprise decision to delay tapering has added another layer of uncertainty on top of an already questionable economic state, and there will be several key events in the fourth quarter that could have an impact on markets.

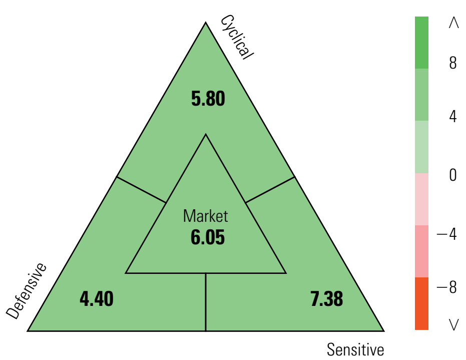
The Federal Reserve's quantitative easing program will be under the microscope for the remainder of the year as speculation abounds over when tapering of asset purchases will begin. The issue of diminishing returns regarding the Fed's spending policies will be risen once again as it remains unclear how long stocks can continue to rally on what has been a Fed-inspired rally. The wild card in the situation will be the appointment of the next chairman or chairwoman of the Federal Reserve following the departure of Ben Bernanke. Whoever the new chairperson may be, item No.1 on the agenda will be deciding the future of the Fed's spending programs, which will undoubtedly have an impact on markets.

Beyond the Fed, the U.S. government will once again be faced with the issue of the debt ceiling. Treasury Secretary Jack Lew has issued a mid-October deadline for resolving the issue as emergency borrowing measures will have exhausted themselves at that time. The government will most likely need to raise the ceiling once again in order to allow the United States to meet its obligations. The seemingly endless debate on how much debt the country can feasibly take on appears set to drag on until the eleventh hour once again as politicians go through the motions of posturing and grandstanding. The impact of the debt ceiling on markets, however, remains the same, and it is imperative that the situation is resolved sooner rather than later.

Q3 2013 Style Indexes

Index	Total Returns % 3-Month	1-Year	3-Year	5-Year	10-Year	Price/ Earnings	Price/ Book	Yield%	5-Yr Earn Growth
Morningstar US Market	**6.05**	**21.09**	**16.76**	**10.67**	**8.32**	**17.33**	**2.42**	**2.05**	**9.43**
Large Cap	5.06	18.18	16.21	9.63	7.35	16.74	2.45	2.26	9.72
Mid Cap	8.29	29.13	17.99	13.24	10.75	19.23	2.44	1.57	8.71
Small Cap	9.75	29.75	18.44	13.24	10.74	19.20	2.15	1.37	11.35
US Value	3.20	20.29	14.88	8.65	7.96	13.58	1.62	3.10	7.13
US Core	4.99	25.01	18.28	11.43	9.34	17.83	2.58	2.14	10.00
US Growth	9.99	18.46	17.16	11.93	7.43	22.56	4.10	0.92	14.60
Large Value	1.71	15.81	13.78	7.00	6.83	13.41	1.64	3.29	6.76
Large Core	4.08	24.29	18.23	10.56	8.72	17.27	2.61	2.39	9.51
Large Growth	9.43	15.23	16.72	11.43	6.18	21.02	4.11	1.08	14.22
Mid Value	7.18	34.76	17.92	13.03	10.71	14.15	1.62	2.65	7.43
Mid Core	7.13	26.53	18.59	13.75	10.75	19.33	2.59	1.54	11.63
Mid Growth	10.57	26.41	17.35	12.81	10.5	28.69	4.31	0.59	15.75
Small Value	6.77	27.61	17.52	13.36	11.21	13.89	1.42	2.62	7.34
Small Core	8.42	29.41	17.3	12.31	10.69	20.72	2.32	1.23	12.74
Small Growth	14.06	32.16	20.47	13.97	10.07	27.75	3.55	0.37	17.39

Q3 2013 Sector Indexes



Index	Total Returns % 3-Month	1-Year	3-Year	5-Year	10-Year	Price/ Earnings	Price/ Book	Yield%	5-Yr Earn Growth
Cyclical	**5.80**	**28.54**	**17.28**	**8.22**	**3.76**	**16.23**	**1.86**	**1.90**	**9.12**
Basic Materials	10.08	12.63	10.11	6.77	9.45	18.71	2.44	2.13	10.13
Consumer Cyclical	8.94	34.13	24.38	19.42	10.09	18.36	3.88	1.38	14.38
Financial Services	4.32	34.73	15.38	3.55	0.99	13.92	1.25	1.70	9.29
Real Estate	– 3.10	3.32	11.45	5.01	8.76	21.72	2.03	4.25	7.06
Sensitive	**7.38**	**15.93**	**15.33**	**9.86**	**8.62**	**16.97**	**2.77**	**2.06**	**10.12**
Communication Svcs	0.69	14.77	18.75	16.23	10.3	24.41	2.69	2.78	12.28
Energy	6.81	15.34	16.69	9.42	16.79	13.75	1.98	2.14	6.57
Industrials	9.68	31.37	17.41	11.02	9.59	19.40	3.15	2.05	11.24
Technology	8.43	8.88	12.94	12.19	7.72	16.63	3.27	1.70	11.95
Defensive	**4.40**	**21.07**	**17.81**	**10.45**	**7.71**	**19.74**	**3.02**	**2.47**	**8.88**
Consumer Defensive	1.60	15.47	15.94	10.97	9.98	18.73	3.76	2.69	9.10
Health Care	8.24	30.02	22.04	13.79	9.03	20.90	3.33	1.82	9.90
Utilities	– 0.33	8.80	11.28	7.71	9.78	19.23	1.59	4.01	4.42

Bond Indexes

	3-Month	1-Year	3-Year	5-Year
Core	0.63	–1.42	3.04	5.49
US Government	0.11	–2.05	2.17	4.06
Corporate	1.07	–1.40	4.36	8.88
Mortgage	1.19	–0.20	3.30	5.11
Short–Term	0.53	0.56	1.37	3.02
Intermediate Term	1.11	–0.51	3.31	5.46
Long–Term	–0.23	–5.91	4.48	8.76
Global Government ex. US	–0.41	–6.06	0.21	3.98
Emerging Markets Composite	1.11	–1.69	3.89	9.28

Commodity Indexes

	3-Month	1-Year	3-Year	5-Year	10-Year	15-Year
Long-Only	3.45	–8.77	3.96	–0.43	7.43	9.48
Long/Flat	2.01	–6.02	2.84	2.69	7.76	9.82
Long/Short	0.47	–0.41	2.89	1.58	6.40	9.54
Short/Flat	–1.27	5.17	0.01	–0.9	0.17	1.90
Short–Only	–4.06	6.48	–6.6	–3.35	–6.72	–5.62
Agriculture	–1.12	–13.91	5.87	4.36	5.59	3.27
Energy	6.86	3.51	4.95	–11.26	1.84	9.35
Livestock	4.17	3.23	–0.75	–3.99	0.63	2.78
Metals	8.58	–26.08	–0.40	9.26	16.61	12.10

All data in this issue as of 09-30-2013

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