

The second quarter started off on a strong note, with the Russell 3000® Index rising by 4.9% before reaching its high for the quarter on April 23. At that point, however, the Index turned down, finishing the quarter with -11.3% return. This was a sharp contrast to the first quarter, during which the Index rose by 5.9%. On a year-to-date basis, the Russell 3000® Index declined by 6.1%. While the multi-cap growth strategy reflected the negative performance of its benchmark for the quarter, it showed relative strength by outperforming its Russell 3000® benchmark by 1%, even in a difficult market. Year-to-date, the strategy has outperformed its benchmark by approximately 3%, as the strategy's focus on earnings growth and price momentum was rewarded.

The sectors of the strategy showing the greatest relative strength included information technology and consumer discretionary. In contrast, the strategy's financial sector was relatively weak. Relative performance also suffered from the lack of ownership of utilities.

The lack of holdings in the utilities sector was the biggest negative factor for the strategy's relative performance for the quarter. Historically, these companies have rarely shown strong earnings growth or significant positive earnings estimate revisions, which are metrics that we consider to be important for inclusion in a multi-cap growth portfolio.

We are pleased to see that earnings growth and price momentum were rewarded during the quarter, at least on a relative basis. We remain confident that our focus on price and earnings momentum, as well as valuation, position multi-cap growth portfolios for competitive long-term performance.

Past performance does not guarantee future results.

Reflects information for a representative account managed in the Multi-Capitalization Growth strategy. The model portfolio is an actual account and the information provided will vary for other actual accounts. Portfolio holdings are subject to change. The Russell 3000® Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. Index performance information was furnished by sources deemed reliable and is believed to be accurate, however, no warranty or representation is made as to the accuracy thereof and the information is subject to correction. You cannot invest directly in an index, securities in the Composite may not match those in the index and performance of the Composite will differ. Although reinvestment of dividend and interest payments is assumed, no expenses are netted against an index's returns.

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