



SECOND QUARTER // 2013

Analytical Insights is a quarterly publication providing clients with investment information that can be used in the processes of monitoring global assets.

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A MESSAGE FROM DEBRA BAKER

Debra A. Baker
Managing Director
Head of Global Risk Solutions
BNY Mellon



The Future of Risk

We continue to focus our efforts on the evolution of risk management and how it affects the financial industry and your investment process.

We understand that your investment strategies are evolving, regulatory and investment compliance are critical and thorough analysis and anticipation of risk is essential.

We have been monitoring the recent trends:

- Expanded focus on risk measurement, management and mitigation continues post-2008
- Increased investment in alternatives for diversification/alpha generation is driving pressure for transparency, investment-policy compliance, and expanded reporting
- Asset / liability (A/L) mismatch is driving the requirement for integrated A/L reporting and analysis
- Increasing regulation is driving a need for transparency, insightful analysis and regulatory reporting services
- Analysis and interpretation of investment data is creating demand for skilled, knowledgeable risk experts to help investors

These trends are driving the development of new Global Risk Solutions' products and services. In the coming months we will be introducing a new enterprise risk offering which will help address these issues and make your investment process more effective.

In addition, we are partnering with industry icon Dr. Harry Markowitz, a Nobel Laureate and one of the founders of Modern Portfolio Theory, on a white paper that will address several questions:

- What are the risks that institutional investors are most concerned about now?
- How are institutional investors structuring their risk management process?
- How are regulatory changes affecting risk management and investment processes?

We are excited about this work, and we are committed to keeping Global Risk Solutions at the forefront of developing risk practices.



Debra A. Baker

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BNY MELLON

ANALYTICAL INSIGHTS

GLOBAL RISK SOLUTIONS



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NEW! "WHAT IF" EQUITY CHARACTERISTIC CASE STUDY

Understanding and mitigating risk are crucial elements in managing institutional equity portfolios. Analyzing the structural characteristics of an equity portfolio or combination of multiple portfolios can help you objectively measure bets in their aggregate exposures and avoid unintended ones.

Our case study, "What If" Equity Characteristic Analysis will help you identify the structural drivers of your equity portfolios using characteristic-based analytics. The analysis within this paper was built using GRS tools and can be applied to an equity portfolio or combination of equity portfolios to support investment decision-making

We believe that you will find this paper beneficial as it targets drivers of performance and how to access and interpret them, using our analytical capabilities.

To access this case study, please [click here](#).

If you have any questions about this paper, please contact your GRS Consultant.

GLOBAL RISK SOLUTIONS

CONSULTATIVE CLIENT SERVICE – CASE STUDY

Client Background

The Pension Plan mentioned in this case study is based in Canada. As of June 30, 2013, the plan's market value was greater than \$2 Billion with assets in Canadian, US, EAFE and global equities and fixed income. The client currently subscribes to Performance Measurement, Performance Attribution, Portfolio Analytics, Peer Comparison and Compliance Monitoring.

Issues and Goals

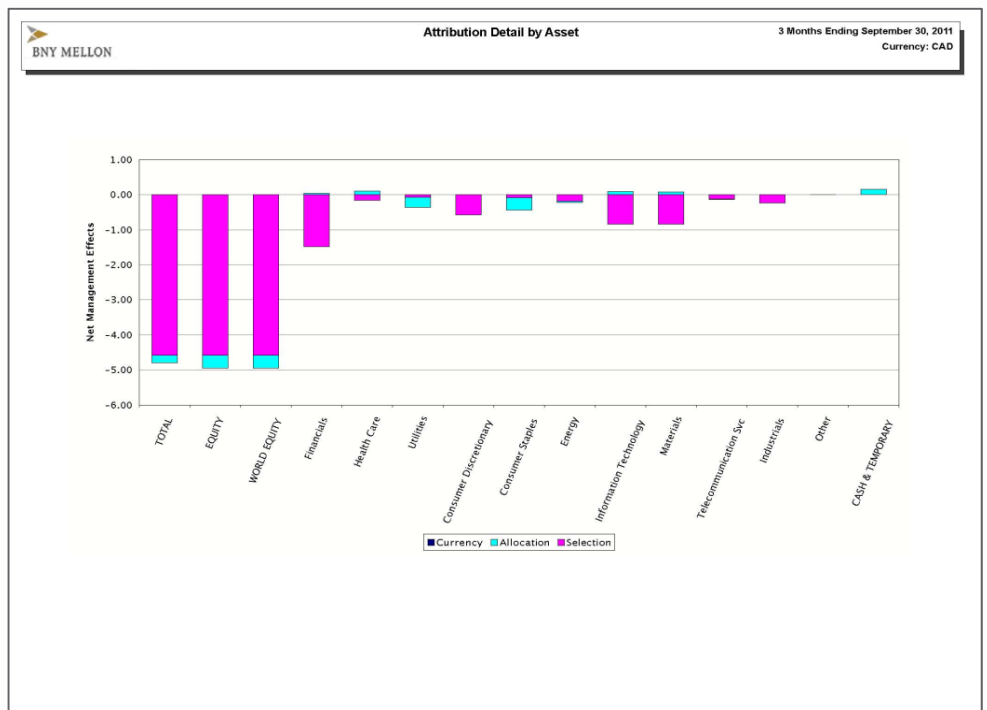
The client sought investment insight from their GRS consultant, as they were concerned with the performance of one of their global equity managers. The client needed better transparency, reporting and understanding of the manager's underperformance over time, and was looking to assemble a recommendation to terminate the manager, to present to their investment committee.

Our Solution

The client turned to Global Risk Solutions for comprehensive insight and reporting that would support their decision to terminate the manager. Using our expertise, we used a number of reports to help explain the manager's decisions and reasons for underperformance.

We focused on:

- Performance Attribution for the relevant quarter where the manager underperformed by 479 basis points (third quarter of 2011). A graphical display of the results helped to explain the impact of the manager's decisions to deviate from the benchmark sector weights and securities.

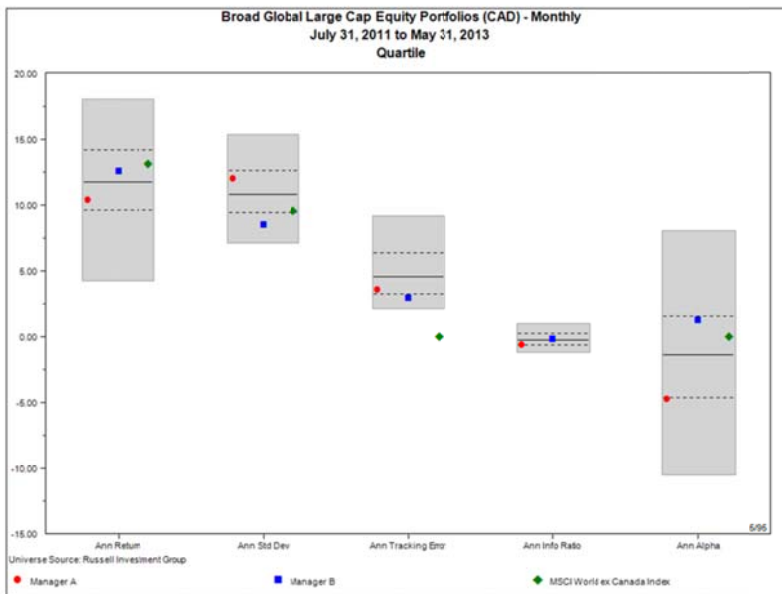


- Absolute and relative risk measures. A review of the manager's tracking error and information ratio indicated that the manager was much less consistent at beating their benchmark, and likely had a low probability of recuperating their underperformance. Additionally, a review of the manager's return and standard deviation indicated that the manager was earning below-average returns for the amount of risk incurred.

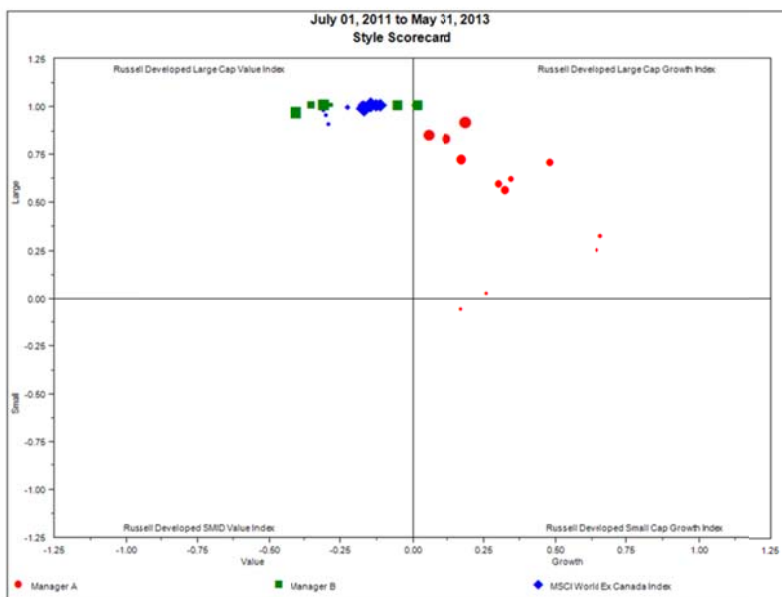
CLIENT BENEFITS

The reports and investment insight helped this client:

- Gain a better understanding of the manager's decisions and resulting underperformance.
- Compile our analysis into a formal recommendation to be presented to their investment committee.
- Appreciate the online reporting that is currently available to them, and the various ways the reporting can be used to provide transparency and investment insight into any portfolio. The client is now interested in applying a similar analysis to their other mandates as a way to further understand their managers and stay ahead of potential issues that could pose risk to the pension plan.



- Analysis of portfolio style using the Style Scorecard. The scorecard indicated that the manager's style was very inconsistent in the third quarter of 2011, relative to their other global equity manager and the manager's respective benchmark.



Contact us and learn more: asset servicingmarketing@bnymellon.com
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“WHAT IF” EQUITY CHARACTERISTIC ANALYSIS

PRACTICAL TOOLS FOR ASSET OWNERS AND MANAGERS

OVERVIEW

Understanding and mitigating risk are crucial elements in managing institutional equity portfolios. By analyzing the structural characteristics of an equity portfolio or combination of multiple portfolios (a “composite”), asset owners can objectively measure bets in their aggregate exposures and avoid unintended ones. While many asset owners rely on investment consulting firms to perform this function, BNY Mellon provides tools for independent analysis. This case study will highlight a few of these tools.

Where to start?

When reviewing an equity portfolio or composite, it is important to consider the context in which the portfolio is managed. Asset owners typically consider the aggregate exposures and/or bets in addition to individual manager positions, because the consolidated or aggregate view ultimately determines both risk and reward. Therefore, composites will be the focus of this report, as well as the cornerstone for further analysis at the individual manager or portfolio level.

“Begin with the end in mind”

The concept of “beginning with the end in mind” was popularized by the late Steven Covey in his “7 Habits” best seller and applied to everyday life. It is a concept that also fits quite well into investment analysis. In this context, “beginning with the end in mind” refers to understanding the ultimate goal of the investment strategy. For asset owners trying to understand and evaluate their equity portfolios, this generally means knowing how the portfolios are structured relative to their chosen benchmark. Is the asset owner trying to replicate the benchmark exposure, or deviate via active bets away from it? This decision is generally made by the asset owner’s governing body – typically an investment board or committee. Once this strategic decision is made, the framework for analysis is established and can proceed.

CASE STUDY: ANALYSIS FRAMEWORK

Throughout the remainder of this paper, we will review an asset owner’s aggregated equity portfolio to understand the impact of changes to its equity manager line-up.

Background Info

Asset Owner ABC’s investment committee recently adopted the MSCI All Country World Index (MSCI ACWI) as the policy benchmark for its equity asset class to better reflect the universe of available equity shares (note: ABC had previously been using the Russell 3000 for its US equities and MSCI EAFE for non-US equities). Essentially, ABC is shifting from separate US equity and non-US equity mandates to a global equity mandate.

By George DeGroot, CFA,
Michelle Pierce and
Lori Roeller



ABC's new CIO is contemplating some manager changes, but prior to making a switch she would like to see how prospective managers would have impacted the plan's overall equity exposure relative to the fund's new policy benchmark. She has already decided to eliminate two under-performing manager based on qualitative as well as quantitative measures. Prospective managers were evaluated with the same approach prior to developing a recommendation to hire two new managers. In addition, the CIO needs to know how the new aggregate portfolio, reflecting these manager changes, would have stacked up against the MSCI ACWI index.

The CIO's current investment objectives are to adjust the overall equity asset class style and risk exposures to more closely align with the new global benchmark, while retaining the benefits of diversification across managers.

In this situation, a "What If" analysis using BNY Mellon tools could be used to better understand the potential impact.

Required Information for Analysis

In order to address the CIO's questions, she will need to collect some additional information for BNY Mellon to load into their system. Assuming that the fund is custodied at BNY Mellon and already receiving analytics, the following additional information is required:

1. Historical holdings for prospective managers (up to 5 annual or quarterly time periods)
2. Proposed weighting scheme for existing and prospective managers (in % terms)
3. Historical returns for prospective managers (optional)

Once this information is gathered, BNY Mellon can conduct the "What If" analysis to evaluate the hypothetical new asset class composite relative to the current composite. This process can help the CIO develop an opinion about whether or not the hypothetical composite exhibits style and risk exposures that are more consistent with the current investment objectives than the characteristics of the fund's current composite.

Where to focus?

Once the data for the new managers has been obtained and processed through the BNY Mellon analytics engine, a tremendous amount of information is available for analysis. While this is generally a good thing and supports a robust review, the CIO will likely want to focus on the most critical pieces first. So, what are the most critical components for this analysis?

TOP DOWN APPROACH

Looking at "big picture" or summary statistics first is the most common, and perhaps the most practical way to evaluate an equity composite to determine the potential impact of manager line-up changes. Generally speaking, asset owners want to capture broad market exposure in their overall equity allocation, but perform better than the policy benchmark. This is often accomplished through strategic or tactical bets across cap tiers, economic sectors and countries. Each of these key characteristics, outlined below, is captured and reported on the Equity Profile report.

(1) Size of Companies (Market cap tiers)

Market capitalization represents the market's consensus on the value of a company's equity, defined as the share price multiplied by the number of shares issued. The cap tier breakouts are determined by the Russell 3000 Index for US equity and the S&P Developed BMI index for global equity profiles. A comparison of the fund's cap tier allocation relative to a broad market benchmark provides insight into cap tier biases. The Market Cap \$-wtd Avg Nlog -\$ billion characteristic is considered to be the best single measure of the fund's overall market cap. Using the natural log of each stock's market cap in this calculation

reduces the weight given the largest companies in a simple averaging process. This calculation has the advantage of emphasizing the magnitude of difference between the sizes of companies rather than the absolute difference.

(2) Economic Sector Allocation

This is defined as the weighting of economic sectors in a fund relative to the benchmark. This can be done to reduce risk or enhance returns, by making bets through underweighting or overweighting various sectors. The Sector Deviation measure calculates the size of the aggregate portfolio's economic sector bets relative to the sector weightings of the index it is associated with, using sum-of-the-least-squares regression methodology. The higher the sector deviation score, the greater the magnitude of fund's economic sector bets.

(3) Country Deviation

This intuitive measure is simply the inclusion or exclusion of securities from different countries in one's portfolio relative to the benchmark. The Country Deviation measure calculates the size of the aggregate portfolio's country allocation bets relative to the country weightings of the index. The higher the country deviation score, the greater the magnitude of the fund's country bets relative to the benchmark.

“WHAT IF” ANALYSIS RESULTS: CHARACTERISTICS

The characteristics below were generated for the new equity composite, which we'll call the “What If” composite. This can be compared to the original composite and the benchmark in order to assess the potential impact of the manager changes. A full report view is located in the attached appendix.

Size of Companies: The new “What If” composite has a Market Cap. - \$ Wtd Avg Nlog considerably higher than the original composite's (\$18.61 B vs. \$ 15.77 B). While still exhibiting a significant structural difference between the fund and the benchmark, the new “What If” composite has moved closer to the benchmark's overall cap exposure.

UNITED STATES DOLLAR		Original Composite - International			'What If' Composite - Global			MSCI AC World	
Composition and Characteristics Detail									
Size of Companies - \$ billion	Market Cap. - Median		5.754		4.966		6.249		
	Market Cap. - \$-Weighted Median		16.473		18.847		30.583		
	Market Cap. - \$-Wtd Avg Nlog - \$ billion	98%	15.770	(0.38)	98%	18.610	(0.34)	100%	30.190

Drilling down into the market cap statistics further, the largest cap tier weight has increased significantly in the “What If” composite. This appears to be driving the increase in the overall Market Cap. - \$ wtd Avg Nlog characteristic's value.

UNITED STATES DOLLAR		Original Composite - International			'What If' Composite - Global			MSCI AC World		
Size of Companies - # holdings/% equity	Large Capitalization	48.95 & Above	85	20.7%	-16%	135	26.2%	-11%	125	37.1%
	Medium/Large Cap.	18.32 -- 48.95	145	24.8%	-1%	225	22.9%	-3%	291	25.8%
	Medium Capitalization	7.54 -- 18.32	232	22.6%	+1%	333	21.0%	-0%	619	21.3%
	Medium/Small Cap.	2.67 -- 7.54	340	19.5%	+6%	496	18.0%	+5%	980	13.4%
	Small Capitalization	2.67 & Below	294	10.5%	+8%	595	9.7%	+8%	420	2.1%
Break Points	Unclassified		47	2.0%	+2%	51	2.1%	+2%	16	0.3%

Economic Sector Allocation: The new “What If” composite has a sector deviation of 4, which is half the size of the original sector deviation measure of 8. This indicates that the updated composite’s sector allocation is much closer to the MSCI All Country World index (MSCI ACWI) than the original composite.

UNITED STATES DOLLAR		Original Composite - International			‘What If’ Composite - Global			MSCI AC World	
Economic Sectors - # holdings/% equity	Technology	94	8.83%	-2%	154	10.11%	-1%	208	11.21%
Based on Russell Sector Scheme	Health Care	48	6.77%	-2%	112	10.65%	+2%	137	9.12%
	Consumer Discretionary	175	13.98%	+3%	290	12.10%	+1%	330	11.29%
	Consumer Staples	100	9.65%	+0%	150	9.15%	-0%	174	9.59%
	Integrated Oils	0	0.00%	+0%	0	0.00%	+0%	0	0.00%
	Energy	88	10.09%	-1%	150	10.80%	-1%	186	11.44%
	Materials and Processing	157	13.09%	+4%	218	11.33%	+2%	307	8.85%
	Producer Durables	133	11.59%	+2%	222	10.20%	+0%	351	10.02%
	Autos and Transportation	0	0.00%	+0%	0	0.00%	+0%	0	0.00%
	Financial Services	235	14.99%	-5%	392	17.09%	-2%	533	19.52%
	Utilities	109	10.85%	+2%	143	8.43%	-1%	225	8.97%
	Other	4	0.14%	+0%	4	0.14%	+0%	0	0.00%
	Sector Deviation Measure			8			4		

The results show that the addition of the two new managers and removal of two underperforming managers would have resulted in a closer alignment of the aggregate equity exposure to the calculated characteristics of the MSCI ACWI benchmark. Additional scenarios could be run adjusting the individual manager weightings to further fine-tune the equity exposure.

If historical returns are also provided, peer universe comparisons can be performed to evaluate prospective and current manager historical performance relative to peers and benchmarks.

Country Deviation: The new “What If” composite has a country deviation of 28%, which is significantly lower than the original composite’s 46.2%. This indicates that the prospective managers, when combined with existing ones, would have brought the aggregate country allocation much closer to the MSCI ACWI. This change is consistent with the stated goals of the CIO: to more closely track the global benchmark. From a regional perspective, the calculated characteristics of the new composite would have brought the aggregate exposure much closer to the benchmark in North America, Europe and Asia Pacific Regions.

In addition to overall and regional comparisons, BNY Mellon’s tools can also help the CIO analyze the split between developed and emerging markets. The table below indicates the split between developed and emerging markets exposure (based on MSCI indexes). Shifting assets to the new managers reduced the emerging markets exposure and increased the developed markets exposure, bringing the hypothetical “What If” composite more in line with the MSCI ACWI.

UNITED STATES DOLLAR		Original Composite - International		"What If Composite - Global		MSCI AC World
Composition and Characteristics Detail						
Sector/Stock Concentration	Percent in Ten Largest Holdings	8.2%		11.6%		9.0%
	Five Largest Economic Sectors	64.5%	+1%	62.0%	-2%	63.5%
	#/% Market Value of Equities Not in Index	353	17.1%	694	16.5%	
	% Equity Not in Index Countries		1.6%		1.1%	
	% in Developed Market Countries		78.7%		82.9%	87.2%
	% in Emerging Market Countries		21.3%		17.1%	12.8%
	Country Deviation Measure (Total MV)		43.5%		26.4%	
	Country Deviation Measure (Equity MV)		46.2%		28.0%	

To better understand what is driving the aggregate exposures in the composites outlined above, the CIO can also review individual manager level characteristics. This may help identify outlier positions and also confirm that individual managers are adhering to their mandates (overall, regional, and country).

In addition to the equity characteristic comparisons, the CIO may also want to review the relative historical performance of the terminated and prospective managers against peers. Peer group information is available for both performance and characteristic data.

PEER GROUP COMPARISONS

Portfolio Rankings Chart

In this chart, we have selected the five measures listed below on a peer-relative basis to better understand the styles of each manager being evaluated. The universe selected is a Broad Global Large Cap equity universe which, in the observed time period, had 183 portfolios.

P/E and P/B Ratios: These are both Value/Growth metrics

5 Largest Sectors: Sector Concentration measure

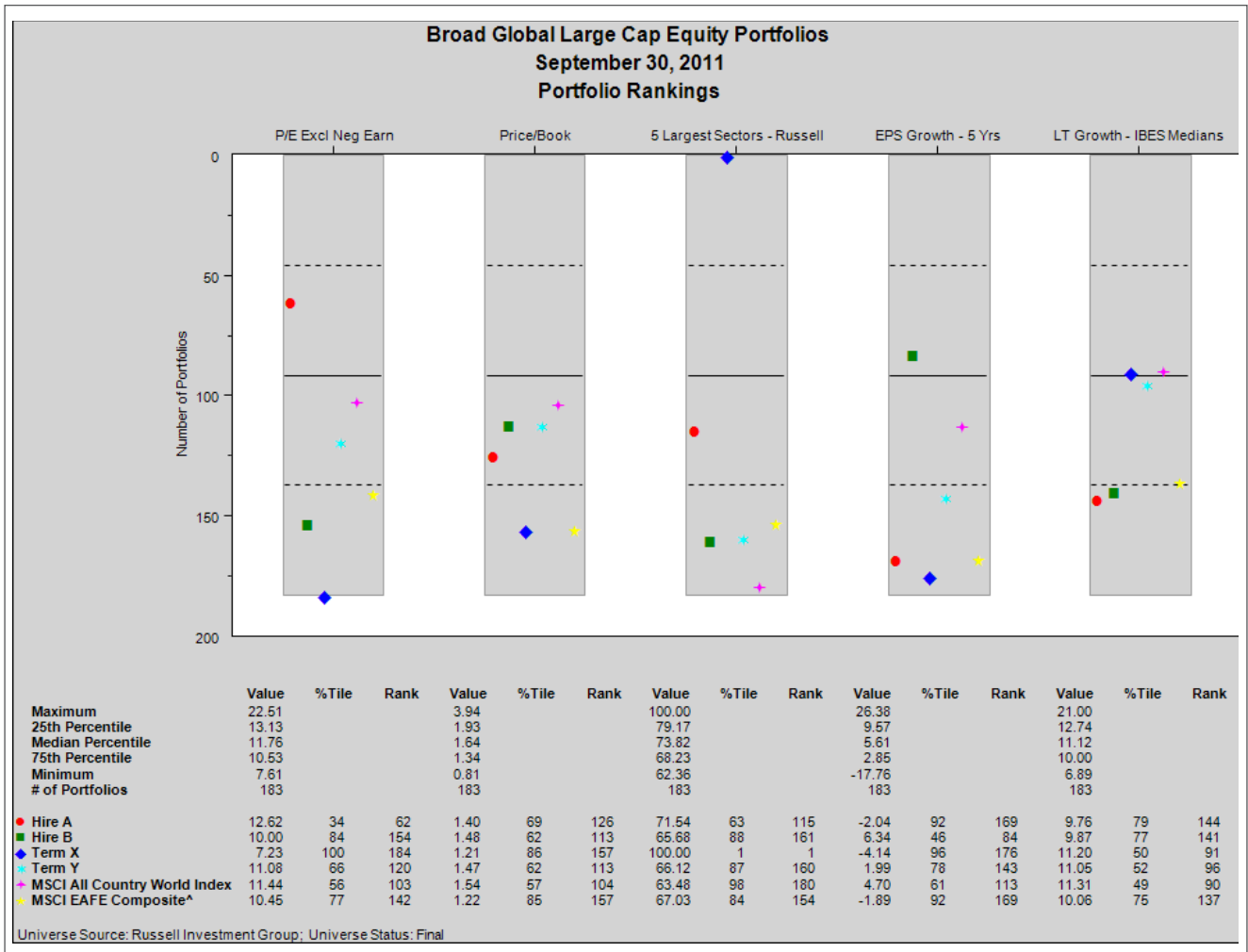
EPS Growth & LT Growth (IBES): Historical and Forecasted Growth measures

The P/E and P/B ratios can help us understand the extent to which a value or growth bias was present. In this case, manager X's PE of 7.23 was exceptionally low relative to peers (bottom of fourth quartile), while prospective manager A's PE of 12.6 ranked near the top (second quartile). When considering both P/E and P/B statistics, all four managers appear to have had a value bias, given their below median measures.

In terms of sector concentration, manager X was the most concentrated of the bunch, and appears to have made significant sector bets relative to the index. 100% of its holdings were within the five largest sectors, compared to the EAFE index which had only 67% in the top five. This level of concentration may have contributed to the manager's weak relative performance over the 1, 3, and 5 year periods.

With regard to the growth-oriented characteristics, manager X and Y both held securities that had shown relatively weak historical growth (both are fourth quartile) but stronger forecasted growth (near universe median). Managers A and B appear to have been shopping in different parts of the market for their growth. Manager B was holding securities that had strong historical earnings growth but lower P/Es today - or "broken" growth stocks. Manager A appears to have been buying deep value stocks that they believed have turned the corner (low forecasted growth but higher P/E ratios). In summary, the two prospective managers appear to have been seeking value in different segments of the market, and the combination of the two managers shows diversification benefits in the hypothetical composite.

This analysis was performed using actual security level holdings, which were aggregated at the portfolio level. Regression-based style analysis could also be performed in cases where the monthly return stream is long enough to enable statistically significant calculations, and the investment style and process of the managers has remained consistent throughout the period.

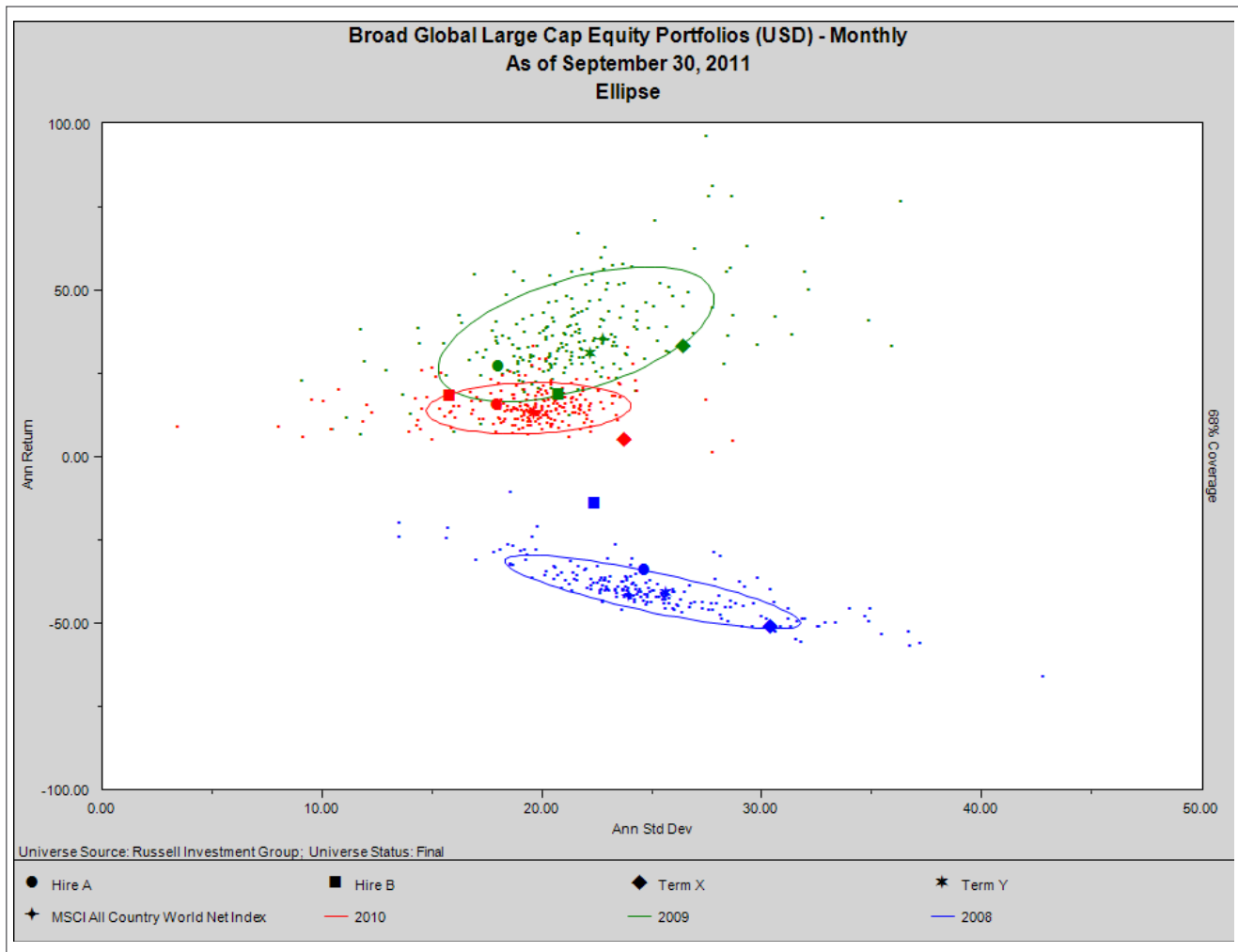


Note: the following charts are available if optional performance returns on prospective managers are provided

ELLIPSE CHART

This chart contains Broad Global Large Cap Equity Universe historical performance information for the years 2008-2010 in a risk/return framework. Each year is represented by an oval (ellipse) in a distinct color. A few things stand out when looking at this exhibit. First, 2008 was a highly unusual year in that taking higher risk did not result in improved returns for Broad Global Large Cap managers. In fact, the opposite is illustrated by the downward sloping BLUE ellipse (normally an ellipse is upward sloping, much like a capital market line, as incremental risk is rewarded by higher returns). For this particular year, the two underperforming managers, X and Y exhibited both a higher standard deviation (risk) and lower returns than the historical returns for prospective managers A and B.

The year 2009 was a much better one for equities, as illustrated by the position of the GREEN ellipse relative to the 2008 ellipse. Taking more risk was once again rewarded with higher returns, as evidenced by the ellipse chart, which reverted back to a more “normal” distribution. For a given level of risk, as measured by standard deviation, returns were 30-40% higher. The 2010 RED ellipse saw the market slip back a bit from 2009 and flatten considerably. Portfolios in this market environment were not rewarded significantly by taking on additional risk. In the strong equity market of 2009, managers X and Y performed well, but in 2010, they were not able to reward investors with returns to offset their higher levels of risk. The prospective managers A and B clearly outperformed managers X and Y in the down market (2008), the flat market (2010), and held their own in the up-market of 2009. Clearly, these managers outperformed managers X and Y across the 3-year time period.

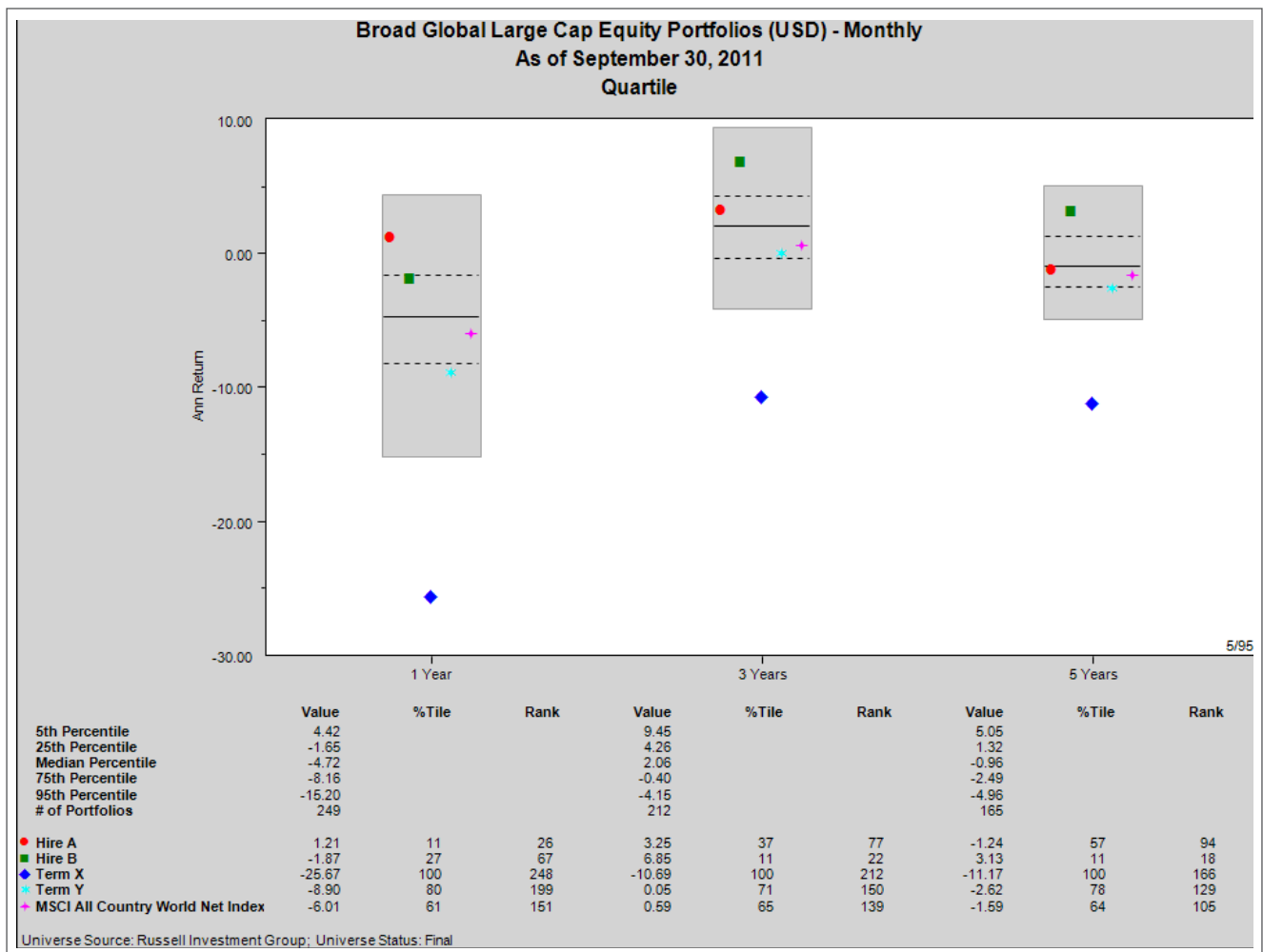


PERFORMANCE QUARTILE CHART

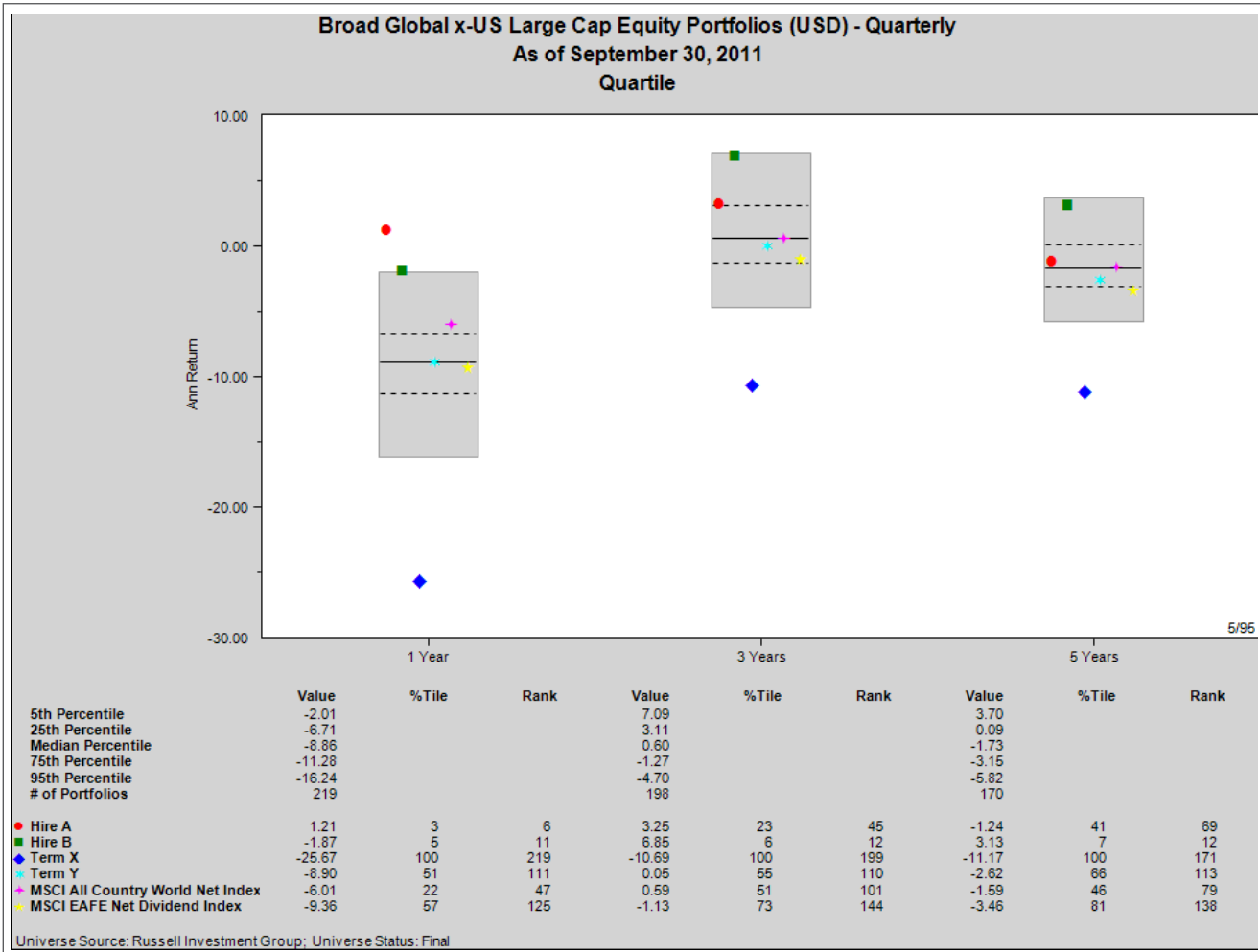
Over the 1, 3 and 5 year periods ending September 30, and using 5/95% percentile breakpoints, the prospective managers (A and B) clearly out-performed the two managers being considered for termination (X and Y). Managers X and Y not only underperformed the two prospective managers, but they also underperformed relative to the index and were in the fourth quartile (or below) for each time period. Conversely, managers A and B looked strong relative to peers and also beat their benchmarks for the time periods reported.

Part of managers X's and Y's underperformance may also be due to style differences - given the original non-US mandates of these accounts. The last exhibit reflects the same managers and indexes, but is run using a Broad Global Large Cap Equity universe - excluding US equity - to see if this would have impacted the analysis. As is clear from this additional quartile exhibit, the analysis outlined above is unchanged.

GLOBAL EQUITY UNIVERSE:



GLOBAL EQUITY UNIVERSE – (EX US):



SUMMARY

The analysis for both fundamental equity characteristics and performance comparisons indicate that the hypothetical “What If” composite, after replacing the underperforming managers with the prospective new managers, is more consistent with the CIO’s investment objectives than the current composite. After reviewing some key characteristics like market capitalization, economic sector bets and country allocation, the CIO has gained a top-down perspective on how the changes being considered could affect the larger equity investment portfolio’s style and risk exposures.

APPENDIX A

UNITED STATES DOLLAR		Original Composite - International		'What If' Composite - Global		MSCI AC World			
		Mkt Rel		Mkt Rel					
Composition Summary									
Portfolio	Total Portfolio Size	695.34M		100.00M		24.16T			
Composition - \$/% portfolio	Equity (Common)	658.13	94.6%	96.25	96.2%	24.14	99.9%		
	Fixed Income	1.43	0.2%	0.19	0.2%	0.02	0.1%		
	Convertibles	0.08	0.0%	0.01	0.0%	0.00	0.0%		
	Other & Receivables	2.38	0.3%	0.21	0.2%	0.00	0.0%		
	Cash Equivalents	31.00	4.5%	3.08	3.1%	0.00	0.0%		
	Rights & Warrants	1.20	0.2%	0.18	0.2%	0.00	0.0%		
	Options & Futures	0.00	0.0%	0.00	0.0%	0.00	0.0%		
	Mutual & Pooled Funds	1.12	0.2%	0.09	0.1%	0.00	0.0%		
Size of Companies - # holdings/% equity	Large Capitalization 48.95 & Above	85	20.7%	-16%	135	26.2%	-11%	125	37.1%
	Medium/Large Cap. 18.32 -- 48.95	145	24.8%	-1%	225	22.9%	-3%	291	25.8%
	SP Dev BMI Medium Capitalization 7.54 -- 18.32	232	22.6%	+1%	333	21.0%	-0%	619	21.3%
	Break Points Medium/Small Cap. 2.67 -- 7.54	340	19.5%	+6%	496	18.0%	+5%	980	13.4%
	Small Capitalization 2.67 & Below	294	10.5%	+8%	595	9.7%	+8%	420	2.1%
	Unclassified	47	2.0%	+2%	51	2.1%	+2%	16	0.3%
	Market Cap. - \$-Wtd Avg - \$ billion	98%	33.71	(0.31)	98%	43.39	(0.29)	100%	61.66
Economic Sectors - # holdings/% equity	Technology	94	8.83%	-2%	154	10.11%	-1%	208	11.21%
	Health Care	48	6.77%	-2%	112	10.65%	+2%	137	9.12%
	Based on Russell Consumer Discretionary	175	13.98%	+3%	290	12.10%	+1%	330	11.29%
	Sector Scheme Consumer Staples	100	9.65%	+0%	150	9.15%	-0%	174	9.59%
	Integrated Oils	0	0.00%	+0%	0	0.00%	+0%	0	0.00%
	Energy	88	10.09%	-1%	150	10.80%	-1%	186	11.44%
	Materials and Processing	157	13.09%	+4%	218	11.33%	+2%	307	8.85%
	Producer Durables	133	11.59%	+2%	222	10.20%	+0%	351	10.02%
	Autos and Transportation	0	0.00%	+0%	0	0.00%	+0%	0	0.00%
	Financial Services	235	14.99%	-5%	392	17.09%	-2%	533	19.52%
	Utilities	109	10.85%	+2%	143	8.43%	-1%	225	8.97%
	Other	4	0.14%	+0%	4	0.14%	+0%	0	0.00%
	Sector Deviation Measure			8			4		
Characteristics Summary									
Portfolio	Portfolio P/E	94%	10.2	(0.11)	95%	10.7	(0.10)	98%	11.8
Characteristics	Portfolio P/E Excluding Neg. Earnings	93%	10.1	(0.09)	93%	10.4	(0.11)	96%	11.4
	Portf. P/E - I/B/E/S 1 Yr Forecast EPS	91%	9.2	(0.06)	91%	9.4	(0.12)	94%	10.2
	Portfolio Price/Book	95%	1.35	0.07	96%	1.40	(0.00)	99%	1.54
	Price/Cash Flow	95%	5.6	(0.08)	95%	6.2	(0.04)	98%	6.9
	Portfolio Price/Sales	96%	0.9	(0.12)	96%	0.9	(0.09)	99%	1.1
	L.T. Growth Forecast - I/B/E/S Medians	95%	11.8	0.08	96%	11.2	0.01	97%	11.3
	1 Year EPS Forecast - I/B/E/S Medians	92%	12.0	0.05	92%	10.6	(0.02)	95%	13.0
	Return on Equity - 5 Year Average	92%	17.9	0.04	92%	18.9	0.10	94%	18.7
	EPS Growth - 5 Years	83%	3.1	0.10	85%	3.3	0.06	88%	4.7
	EPS Variability - 10 Years	57%	43.7	0.13	65%	42.5	0.10	75%	43.9
	Number of Holdings		1143			1835			2451
Equity Profile Number			AL1G01932692			AL1G9ADHOC50			IX1F00091488
Market Relative Index			MSCI AC World			MSCI AC World			



TOTAL EQUITY PROFILE

09-30-2011

UNITED STATES DOLLAR		Original Composite - International		'What If' Composite - Global		MSCI AC World	
Composition and Characteristics Detail			Mkt Rel		Mkt Rel		
Sector/Stock Concentration	Percent in Ten Largest Holdings		8.2%		11.6%		9.0%
	Five Largest Economic Sectors		64.5%	+1%	62.0%	-2%	63.5%
	#/% Market Value of Equities Not in Index	353	17.1%	694	16.5%		
	% Equity Not in Index Countries		1.6%		1.1%		
	% in Developed Market Countries		78.7%		82.9%		87.2%
	% in Emerging Market Countries		21.3%		17.1%		12.8%
	Country Deviation Measure (Total MV)		43.5%		26.4%		
	Country Deviation Measure (Equity MV)		46.2%		28.0%		
Size of Companies - \$ billion	Market Cap. - Median		5.754		4.966		6.249
	Market Cap. - \$-Weighted Median		16.473		18.847		30.583
	Market Cap. - \$-Wtd Avg Nlog - \$ billion	98%	15.770 (0.38)	98%	18.610 (0.34)	100%	30.190
	Market Cap. - Arithmetic Average		15.912 1.21		15.510 1.07		13.730
	Market Cap. - Arithmetic Average Nlog	98%	6.260 0.98	98%	5.280 0.73	100%	6.970
	Market Cap. - Smallest Stock Held	0.0%	0.013	0.0%	0.000	0.0%	0.320
	Market Cap. - Largest Stock Held	0.1%	220.522	0.4%	357.782	1.5%	357.782
	Total Assets - \$-Wtd Average Nlog	97%	26.086 (0.36)	97%	31.076 (0.27)	100%	46.771
Earnings Trends	Rising Earnings Estimates - #/%	286	30.1%	+8%	411	28.3%	+6%
	Falling Earnings Estimates - #/%	500	47.6%	+2%	756	44.4%	-1%
Profitability	Return on Equity - 1 Year	93%	17.0	0.09	92%	17.7	0.04
	Return on Equity - 2 Year Average	94%	15.7	0.05	93%	17.2	0.09
	Return on Equity Momentum	86%	0.91	0.05	86%	0.93	0.01
	Pretax Return on Assets - 5 Year Avg.	93%	8.0	0.12	93%	8.8	0.10
Marketability	Days Trading Volume Held	98%	4.2		98%	0.2	99%
	Over 5 Days Trading Volume Held - #/%	21	2.8%		15	1.0%	2413
	Number of I/B/E/S Earnings Estimates		20	0.91		21	0.95
Historical Growth Long-Term	Implied Growth - 5 Year Average	83%	10.0	0.13	85%	11.3	0.14
	Sales/Share Growth - 5 Years	83%	5.0	0.10	85%	6.0	0.13
	Dividends/Share Growth - 5 Years	84%	7.2	0.07	82%	8.2	0.13
	Dividend Payout Ratio - 5 Year Average	91%	38.8	(0.12)	93%	35.9	(0.15)
	EPS Growth - 10 Years	66%	12.4	0.10	69%	11.6	0.04
	Dividends/Share Growth - 10 Years	68%	11.2	(0.05)	68%	11.7	0.03
	Book Value 5 Year Growth	91%	9.0	0.08	91%	9.3	0.11
	Cash Flow 5 Year Growth	90%	8.2	0.10	88%	8.5	0.11
Historical Growth Short-Term	EPS Growth - 1 Year (\$-Wtd. Median)	83%	24.4		85%	20.3	
	EPS Growth - 2 Years (\$-Wtd. Median)	81%	16.4		82%	12.2	
	Sales/Share Growth - 1 Year	88%	1.6	0.16	90%	3.1	0.06
	Sales/Share Growth - 2 Years	94%	(3.7)	0.17	94%	(1.5)	0.11
Forecasted Growth Long-Term	Long-Term Growth - I/B/E/S Means	90%	12.0	0.08	92%	11.4	0.01
	L.T. Growth I/B/E/S Means-1 Month Ago	95%	12.3	0.07	96%	11.8	0.02
	Implied SD - I/B/E/S Long-Term Growth	86%	4.2	1.26	88%	4.0	1.19
Forecasted Growth Short-Term	Current Fiscal Year - I/B/E/S Means	90%	12.7	0.03	91%	9.4	(0.02)
	Cur Fisc Yr I/B/E/S Means - 1 Month Ago	90%	13.4	0.03	91%	10.1	(0.04)
	Implied SD - I/B/E/S Current Fiscal Year	90%	9.0	2.52	90%	5.2	1.45
	2nd Year EPS Forecast - I/B/E/S Medians	91%	12.4	0.11	90%	11.7	0.05
Equity Profile Number			AL1G01932692		AL1G9ADHOC50		IX1F00091488
Market Relative Index			MSCI AC World		MSCI AC World		



TOTAL EQUITY PROFILE

09-30-2011

UNITED STATES DOLLAR		Original Composite - International		'What If' Composite - Global		MSCI AC World	
Composition and Characteristics Detail (cont)			Mkt Rel		Mkt Rel		
Valuation	Portfolio P/E - Normalized Earnings	93%	9.5 (0.00)	93%	9.2 (0.12)	96%	10.4
	Portfolio P/E - 5 Year Average	93%	15.3 (0.03)	93%	14.9 (0.10)	95%	16.6
	Portf. P/E - 5 Yr Avg Excl Neg Earnings	73%	13.0 (0.08)	76%	13.1 (0.14)	78%	14.4
	Dividend Yield	100%	3.25 (0.19)	100%	3.14 (0.11)	100%	3.07
	Dividend Yield 5 Year Average	91%	2.79 (0.12)	92%	2.63 (0.10)	95%	2.56
	Portfolio P/E - \$-Weighted Median	94%	11.9		95%	12.3	
	Portfolio P/E - Median	94%	12.2		95%	12.0	
	Portfolio Price/Book - \$-Wtd. Median	95%	1.67		96%	1.75	
	Portfolio Price/Book - Median	95%	1.40		96%	1.56	
Trailing Return of Current Holdings	Last Three Months	99%	(18.0%)	-3%	99%	(16.6%)	-2%
	Last Twelve Months	96%	(0.4%)	-0%	97%	(1.3%)	-1%
	Last Three Years annualized	96%	10.0%	+4%	97%	6.8%	+1%
	Last Five Years annualized	89%	4.9%	+0%	91%	3.6%	-1%
Quality/Market Risk	Debt/Equity	88%	0.50 (0.05)		88%	0.62 (0.00)	
	Debt/Capital	97%	38.41 (0.16)		97%	41.16 (0.08)	
	Debt Coverage	14%	2.44	---	30%	4.43	---
Equity Profile Number			AL1G01932692		AL1G9ADHOC50		IX1F00091488
Market Relative Index			MSCI AC World		MSCI AC World		



TOTAL EQUITY PROFILE

SEQUENTIAL

UNITED STATES DOLLAR		September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Composition and Characteristics Detail					
Sector/Stock Concentration	Percent in Ten Largest Holdings	9.0%	7.8%	7.9%	7.8%
	Five Largest Economic Sectors	63.5%	65.0%	66.0%	65.7%
	#/% Market Value of Equities Not in Index				
	% Equity Not in Index Countries				
	% in Developed Market Countries	87.2%	86.5%	86.3%	86.1%
	% in Emerging Market Countries	12.8%	13.5%	13.7%	13.9%
	Country Deviation Measure (Total MV)				
	Country Deviation Measure (Equity MV)				
Size of Companies - \$ billion	Market Cap. - Median	6.249	7.797	7.700	7.439
	Market Cap. - \$-Weighted Median	30.583	35.643	37.149	35.495
	Market Cap. - \$-Wtd Avg Nlog - \$ billion	100%	100%	100%	100%
	Market Cap. - Arithmetic Average	13.730	16.895	16.929	16.303
	Market Cap. - Arithmetic Average Nlog	100%	100%	100%	100%
	Market Cap. - Smallest Stock Held	0.0%	0.0%	0.0%	0.0%
	Market Cap. - Largest Stock Held	1.5%	400.885	1.4%	372.662
	Total Assets - \$-Wtd Average Nlog	100%	100%	100%	100%
Earnings Trends	Rising Earnings Estimates - #/%	581 22.4%	672 30.2%	804 39.9%	708 32.8%
	Falling Earnings Estimates - #/%	1058 45.8%	945 36.7%	824 30.1%	595 23.6%
Profitability	Return on Equity - 1 Year	94% 18.5	95% 17.7	95% 16.9	96% 16.0
	Return on Equity - 2 Year Average	95% 17.9	96% 16.9	96% 15.7	97% 14.9
	Return on Equity Momentum	90% 0.97	90% 0.93	88% 0.88	85% 0.82
	Pretax Return on Assets - 5 Year Avg.	97% 10.0	97% 9.7	97% 9.6	97% 9.7
Marketability	Days Trading Volume Held	99% 9366.7	99% 4205.1	99% 2139.8	98% 552.1
	Over 5 Days Trading Volume Held - #/%	2413 99.0%	2419 99.4%	2429 99.4%	1092 68.9%
	Number of I/B/E/S Earnings Estimates	22	22	22	21
Historical Growth Long-Term	Implied Growth - 5 Year Average	91% 12.1	90% 11.9	91% 12.3	90% 12.0
	Sales/Share Growth - 5 Years	92% 5.6	91% 5.8	92% 7.3	91% 7.6
	Dividends/Share Growth - 5 Years	81% 6.9	82% 6.3	82% 6.8	82% 7.7
	Dividend Payout Ratio - 5 Year Average	95% 36.2	95% 36.0	95% 35.4	94% 35.1
	EPS Growth - 10 Years	75% 11.2	74% 11.1	74% 11.3	73% 11.1
	Dividends/Share Growth - 10 Years	73% 11.0	73% 10.6	73% 10.8	71% 11.2
	Book Value 5 Year Growth	94% 8.9	95% 8.8	94% 9.3	94% 9.9
	Cash Flow 5 Year Growth	91% 8.1	92% 7.4	92% 7.1	91% 7.6
Historical Growth Short-Term	EPS Growth - 1 Year (\$-Wtd. Median)	90% 22.6	89% 24.8	85% 24.4	83% 14.8
	EPS Growth - 2 Years (\$-Wtd. Median)	85% 13.9	84% 11.5	87% 5.1	91% (1.2)
	Sales/Share Growth - 1 Year	96% 5.4	94% 6.5	94% 7.7	97% (4.3)
	Sales/Share Growth - 2 Years	97% 0.5	98% (1.2)	98% (0.0)	98% (4.5)
Forecasted Growth Long-Term	Long-Term Growth - I/B/E/S Means	94% 11.6	94% 12.4	93% 13.2	91% 13.9
	L.T. Growth I/B/E/S Means-1 Month Ago	97% 11.7	97% 12.4	96% 13.3	96% 13.5
	Implied SD - I/B/E/S Long-Term Growth	91% 3.3	90% 3.8	88% 4.0	87% 3.7
Forecasted Growth Short-Term	Current Fiscal Year - I/B/E/S Means	94% 15.8	94% 18.1	92% 21.4	87% 28.8
	Cur Fisc Yr I/B/E/S Means - 1 Month Ago	94% 16.5	94% 18.6	92% 21.2	87% 28.6
	Implied SD - I/B/E/S Current Fiscal Year	93% 3.6	93% 5.0	91% 6.2	86% 4.4
	2nd Year EPS Forecast - I/B/E/S Medians	94% 12.0	92% 14.2	93% 14.2	90% 13.8
Equity Profile Number	IX1F00091488				



TOTAL EQUITY PROFILE

SEQUENTIAL

UNITED STATES DOLLAR		September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Composition and Characteristics Detail (cont)					
Valuation	Portfolio P/E - Normalized Earnings	96% 10.4	96% 12.4	95% 12.8	95% 12.6
	Portfolio P/E - 5 Year Average	95% 16.6	95% 16.6	95% 17.0	95% 17.3
	Portf. P/E - 5 Yr Avg Excl Neg Earnings	78% 14.4	77% 14.1	77% 14.3	76% 14.5
	Dividend Yield	100% 3.07	100% 2.63	100% 2.46	100% 2.33
	Dividend Yield 5 Year Average	95% 2.56	95% 2.55	95% 2.52	95% 2.48
	Portfolio P/E - \$-Weighted Median	98% 13.2	99% 15.1	99% 15.8	99% 16.9
	Portfolio P/E - Median	98% 13.5	99% 16.3	99% 17.0	99% 17.8
	Portfolio Price/Book - \$-Wtd. Median	99% 1.91	99% 2.18	99% 2.25	99% 2.32
	Portfolio Price/Book - Median	99% 1.56	99% 1.96	99% 2.03	99% 2.11
Trailing Return of Current Holdings	Last Three Months	99% (14.8%)	100% 1.0%	100% 5.6%	99% 10.2%
	Last Twelve Months	98% (0.2%)	99% 36.8%	99% 20.1%	98% 18.8%
	Last Three Years annualized	98% 5.6%	99% 5.4%	99% 4.5%	98% 0.1%
	Last Five Years annualized	93% 4.4%	93% 8.8%	93% 8.5%	93% 9.3%
Quality/Market Risk	Debt/Equity	91% 0.79	92% 0.83	92% 0.83	92% 0.87
	Debt/Capital	99% 44.44	99% 45.01	100% 45.46	100% 45.55
	Debt Coverage	49% 4.66	48% 4.41	48% 4.19	47% 3.83
Equity Profile Number	IX1F00091488				

NOTES

NOTES

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