

Morningstar® U.S. Collective Investment Trust Database Update

Morningstar Collective Trust Overview & Category Averages, January – March 2009

First Quarter 2009 was brighter than recent quarters with an equity market rally last month; the S&P 500, for example, gained 8.8% in March, but most asset classes still experienced negative returns.

The median domestic equity strategy in Morningstar's Separate Account/Collective Trust database returned -9.5% for the first quarter, which was a substantial improvement over fourth quarter 2008's dramatic loss of 20.3%. Continued stock market losses, while reduced in magnitude, still result in an average one-year return of -37.1%, and a 10-year return of only 2.2%. "Alternative" categories that use various short-selling techniques focused on the domestic equity markets, such as Long-Short, Leveraged Net Long, and Market Neutral, performed somewhat better, returning -3% for first quarter, -9.8% for the year, and 5.1% for the ten-year annualized figure. International stocks landed in between domestic equity and alternative strategies, with 10-year returns of 3.9% but three-month and one-year returns of -10% and -45%, respectively.

Fixed income strategies fared better; the median domestic, taxable bond strategy returned .8% in first quarter 2009—the only asset class with a positive three-month return—and -1.4% for the year with a 5.2% ten-year annualized return. International bonds returned -1.3% for first quarter 2009 and -9.2% for the year, but their ten-year return of 7.8% is the highest out of all asset classes evaluated.

Top Collective Trust Equity Performers for First Quarter 2009

The performance of Janus Institutional Large Cap Growth, a traditional domestic equity product, dominated the list of top CIT performers this quarter. It emphasizes a bottom-up, fundamental strategy within a relatively concentrated portfolio; recently it held only 44 stocks. Morningstar's new Attribution Analysis functionality shows that its managers have generated active returns with stock selection skills over the past year; some of its recent healthcare picks such as Genentech and Celgene have generated great returns.

Many other top performers tended to fall into the Growth side of the Morningstar Style Box, as Value stocks have underperformed Growth stocks as a whole during this period of economic distress. Two products out of our top ten list followed market neutral strategies; Pyramis' U.S. Equity Market Neutral took second place in pure performance and returned 4.35% while Christian Brothers' Market Neutral strategy took eighth, returning -.32% for the quarter. This is Pyramis' second quarter in a row on the Top Ten list; last quarter it beat out all other equity-based CITs with its screening mechanism that combines quantitative, fundamental, and socially conscious characteristics.

One strategy, Schroders Commodities, is a natural resources-focused equity CIT that has benefited partly from oil's climb up from its December low of around \$30 per barrel. This was the only one of the top ten CITs that was focused on the natural resources market, but it is worth noting that half the top ten equity separate accounts in the first quarter of 2009 were natural resource strategies.

Top Collective Trust Fixed Income Performers for First Quarter 2009

The Putnam Core Plus Fixed Income strategy topped both the CITs and the separate accounts top-performing fixed-income lists this quarter, as Putnam manages a separate account in the same multi-sector bond strategy. It also achieved a positive, high-single-digit one-year return of 8.9%, beating the category average by over 1,000 basis points. The rest of the Top Collective Trust Fixed Income Performers list is composed of primarily high-yield debt and bank loans, which have benefited as the credit spread between high yield bonds and U.S. treasuries has come down from its December peak of around 21%. Bank loans offer investors a bit more security than traditional high yield investments due to their higher-ranked claim to assets in case companies default.

In general, fixed income collective trusts on our top ten list for the quarter seem to have benefited from the ongoing correction to the over-pricing of risk that reached its peak in late 2008.

Highest Inflows and Outflows by CIT Category, January – March 2009

Despite the S&P 500's 37% decline in 2008, investors continued to pour money into U.S. stock collective trusts in the first quarter. In the first three months of 2009 nearly \$50 billion of positive net flows were invested into U.S. stock categories. The biggest winner of new assets was Large Blend, which comprised half (\$25 billion) of the flows into the U.S. stock asset class. Large Growth gained \$12.5 billion and Large Value gained \$7.9 billion, indicating that investors' demand for domestic stocks has remained steady, but investors might possibly be reacting to the perceived "safety" that large-cap stocks have to offer.

Biggest asset losers fell into the Taxable Bond asset class, which lost \$62.1 billion as a whole in the first three months of 2009. The category Intermediate-Term Bond was at the "top" (or bottom, depending on your perspective) of the list of outflows, losing \$22.2 billion—over a third of the Taxable Bond asset class's loss. Long-Term Bond products lost another \$17.9 billion.

World Stock products lost \$8.7 billion as investors' appetites for international exposure have dropped; the International Stock broad asset class lost \$13.6 billion during first quarter 2008.

About the Morningstar Separate Account and Collective Investment Trust Databases

As of April 23, 2009, the Morningstar U.S. separate accounts and CIT database included approximately 6,160 active, funded products, approximately 5,200 of which were composites and 1,000 of which were collective investment trusts. During the first quarter of 2009, 12 products inceptioned (11 of which were collective trusts), up from only three products in fourth quarter 2008. 138 products were added to the database, regardless of inception date (24 collective trusts, 114 composites), down from 181 last quarter. Inquiries about the above analysis or the database can be directed to Rachael Olson, SA/CIT institutional analyst, at rachael.olson@morningstar.com.

Top CIT Equity Performers by Absolute Returns for First Quarter 2009

Name	Morningstar Category	Morningstar Rating	3Mo Gross	3Mo Net	1Yr Alpha	1Yr Gross	1Yr Net
Janus Inst Large Cap Growth CF	Large Growth	★★★★	11.35	11.7	15.88	-24.45	-25.31
Pyramis U.S. Equity Market Neutral	Long-Short	★★★★	4.35	4.29	.29	3.22	3.01
RiverSource Trust Mid Cap Growth Fund II	Mid-Cap Growth		3.6	3.35	14.46	-33.07	
WTFSC Aggressive Growth Portfolio	Large Growth		2.44		-0.92	-35.31	-36.28
Prudential Retirement Mid-Cap Growth/AP CF	Mid-Cap Growth	★★★	2.07	1.77	9.26	-34.25	-35.03
The Boston SMID Cap Opportunistic Value CF	Small Blend	★★★★	1.55	1.33	11.68	-27.3	-27.98
Wachovia Large Cap Growth Trust	Large Growth	★★★★	-0.13	-0.22	5.58	-28.33	-32.67
Christian Bros Inv Svcs CUIT Market Neutral	Long-Short	★★★	-0.32	-0.78	-8.34	-3.07	-4.71
Schroders Commodities	Natural Res	★★★★★	-0.89	-1.18	-13.25	-38.54	-39.01
The Boston Small Cap Opportun Val Equity Mgt CF	Small Blend	★★★	-1.22	-1.48	17.38	-25.03	-25.79

Top CIT Fixed Income Performers by Absolute Returns for First Quarter 2009

Name	Morningstar Category	Morningstar Rating	3Mo Gross	3Mo Net	1Yr Alpha	1Yr Gross	1Yr Net
Putnam Core Plus Fixed Income CF	Multisector Bond		13.87		6.75	8.89	
Prudential Retirement High Yield (C-S) CF	High Yield Bond	★★★★	7.70	7.44	8.33	-10.94	-11.79
Pyramis High Yield Core Institutional CF	High Yield Bond	★★★★	7.13	7.01	0.79	-16.84	-17.26
SMH Capital Institutional High Yield	High Yield Bond	★	7.05	6.78	-6.86	-30.08	-30.55
Fort Washington High Yield Fixed Inc CF	High Yield Bond	★★★★★	6.86		4.77	-11.75	-11.99
First Western High Yield Capital Apprec LP CF	High Yield Bond	★★★★	6.78	6.44	3.34	-12.92	-14.01
Putnam High Yield Fixed Income CF	High Yield Bond		6.68		1.14	-15.79	
Putnam Core Bond Fixed Income CF	Multisector Bond		5.99		-13.84	-12.12	
SMH Capital Institutional Diversified Income	Multisector Bond	★★★	5.71	5.54	-11.48	-8.01	-8.75
Mellon Cap Mgt Corp. EB DL TIPS Fund	Inflation-Protected Bond		5.50		-0.17	-2.27	-2.28

Highest Inflows and Outflows by CIT Category, January – March 2009

Category	Asset Flow	Category	Asset Flow
Long Government	15.3%	Global Real Estate	-42.6%
Ultrashort Bond	8.2%	Specialty-Natural Resources	-40.5%
Long-Term Bond	7.8%	World Allocation	-33.0%