



Portfolio Review

For the first quarter of 2012, our Composite posted a return of 3.5% on a gross of fee basis (3.3% on a net of fee basis) compared to 2.5% for the benchmark, the MSCI World Infrastructure Sector Capped Index. Sector selection accounted for all of the outperformance in the quarter. The overweight in Transportation was the biggest contributor as that was the best performing sector last quarter. The exclusion of Social Services in our strategy compared to the benchmark also contributed to positive sector selection, as it was the worst performing sector. Security selection had no impact on quarterly relative performance. Positive contribution from Communications stock selection was offset by negative security selection in Utilities and Transportation.

Regionally, stock selection in European Communications and North American Utilities and Communications were positive contributors. This was partially offset by Transportation stock selection in Europe and Asia.

Market Environment

The Composite posted positive performance in the quarter but was significantly outpaced by the U.S. equity market (as measured by the S&P 500 Index) since European crisis fears receded, at least temporarily, and U.S. economic data continued to be mostly favorable. The first quarter market rally was narrowly-based on low volume, driven predominately by technology and financials. Within infrastructure, Transportation was the winning sector in the quarter primarily due to the strength of the European names. The Energy sector also performed well, continuing to benefit from attractive dynamics in natural gas liquids (NGL) and acquisitions/restructurings. The Communications and Utilities sectors had positive but modest returns for the quarter. After a weak 2011 for European utilities, the stocks showed some life in the first quarter of 2012, outperforming their U.S. peers. The same cannot be said for European Communications which were outpaced by their U.S. counterparts. Weak economies, competitive concerns, and the potential for more dividend cuts continue to weigh on the European Communications companies.

Over the last 12 months the market experienced substantial volatility as unemployment in the U.S. has remained high, the European economic outlook has deteriorated, and the sovereign debt crisis in Europe vacillates between bad and less bad. After a powerful first quarter rally, the U.S. equity market sprinted past the Composite. However, the strategy's significant weighting in the U.S. benefited performance compared to the global equity market (as measured by the MSCI World Index). The Energy sector lead all infrastructure sectors on a 12 month view and outperformed the broader equity markets (both U.S. and developed world) as investors continue to view the dynamics of the North American energy positively. Despite a weak first quarter of 2012, U.S. Utilities exhibited a solid performance over the last year given supportive regulatory environments. This contrasts with the performance of European Utilities which were negatively impacted by

economic/budget related austerity measures. The Communications sector underperformed the broader market, hurt by the weakness at the European companies. The primary factor in the Transportation sector's underperformance compared to the broader equity markets was due to a majority of the toll roads and airports being European-based.

Despite a strong start to the new year, we believe caution is still warranted. While the U.S. economic environment seems to have stabilized, concerns remain around the impact the European sovereign debt crisis could have on the global economy. Despite the uncertainties, infrastructure has not shown many signs of fundamental weakness given the inelastic demand for the essential services provided by the companies. The resilience of the underlying infrastructure assets has resulted in the companies' stocks being rewarded with relative outperformance versus the broader equity markets in times of market turmoil.

We remain optimistic about the global equity income opportunity infrastructure can provide to investors within a diversified portfolio. Bottom-up fundamental analysis will continue to drive our process to pick those companies that capture the characteristics of infrastructure: steady and predictable equity income; capital appreciation potential; enhanced portfolio diversification and reduced volatility; and some inflation protection. As a result, the portfolio may provide lower levels of risk and volatility than the broader equity markets, particularly in uncertain times.

Sector Outlook

Below we discuss our outlook for the sectors within the global infrastructure strategy.

Communications — We continue to be underweight Communications as trends in Europe remain difficult due to slow economic growth, cuts to regulated mobile termination rates and increased competition in certain markets. U.S. telecommunications' fundamentals are somewhat more stable with good cash flow generation supporting dividends. For the first time since the telecommunications bust in 2000-01, concerns about dividend cuts from major telecommunications companies have materialized. However, unlike the bust 12 years ago, we view these cuts as isolated to a few rather than an industry-wide trend given lower debt levels and controlled capital spending. We continue to have an overweight in towers and satellite companies due to their attractive revenue growth profiles and high margins.

Utilities — Within Utilities we are maintaining an underweight in Europe and Asia, and an overweight in the U.S. Although European utilities benefitted from a first quarter relief rally, we remain concerned about further fundamental pressures arising from the sovereign debt crisis and associated government austerity measures. However, we are overweight U.K.-based utilities versus broader Europe. The political and regulatory structures in the U.K. continue to display greater stability than many of their European counterparts.



Energy — The vast majority of Energy sector companies are located in North America. We remain very positive on the prospects for North American energy markets given the continued growth in unconventional oil & gas production and strong demand dynamics. Even though the price of natural gas has dropped significantly, and some exploration and production companies are reducing drilling activities, the energy infrastructure companies that we own are less impacted as contractual provisions limit commodity exposure. Additionally, those infrastructure companies with natural gas liquids exposure benefit as the spread between oil and natural gas prices remains attractive.

Transportation — We remain overweight in Transportation stocks despite the volatility associated with the sovereign debt crisis. European toll roads, airports, and marine ports have all been less impacted by government austerity measures than the utility companies. Despite the first quarter rally, transportation stock returns have still been disappointing, but better on average than those of continental European utilities. Given the potential economic strains that may result from austerity, we will continue to closely monitor road and air traffic data for related fundamental weakness.

Portfolio Managers

	Investment Experience
Randle Smith, CFA Sr. Portfolio Manager Sr. Global Electric/Gas/Transportation Analyst	22 Years
Connie Luecke, CFA Sr. Portfolio Manager Sr. Global Communications/Transportation Analyst	29 Years

Composite Performance

	Gross Returns	Net Returns	Benchmark Returns*
Qtr.	3.5%	3.3%	2.5%
YTD	3.5	3.3	2.5
1 Year	8.0	7.1	1.8
3 Years	19.6	18.6	15.5
5 Years	3.9	3.0	0.4
Since Inception	8.2	7.3	6.2

As of 03/31/12
Periods over one year are annualized.
Composite Inception Date 12/31/2004

*The benchmark returns are compiled by linking returns from the MSCI World Infrastructure Sector Capped Index beginning August 31, 2008 with returns from a blended benchmark comprised of 65% MSCI U.S. Utilities Index, 20% MSCI World Telecom Services Index and 15% MSCI World ex-U.S. Utilities Index for the period from inception to August 31, 2008

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Past performance is not indicative of future results. Performance is calculated in US dollars and includes the reinvestment of dividends and other earnings. Indices are not available for direct investment and index returns do not reflect the deduction of any fees. Gross composite returns are net of trading costs. Net composite returns are calculated by subtracting our highest separate account investment management fee from gross composite results on a quarterly basis in arrears. Investment advisory fees are described in Part 2A of our Form ADV. This material has been prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice or an offer of securities.

Our Composite's benchmark is the MSCI World Infrastructure Capped Index, a market capitalization index measuring the performance of global listed developed market infrastructure equity securities by capturing broad and diversified investment opportunities across telecommunications, utilities, energy, transportation and social infrastructure sectors. The weights of the telecommunications infrastructure and utilities sectors are each fixed at one-third of the benchmark, and the energy, transportation and social infrastructure sectors have a combined weight of the remaining one-third. Benchmark sector weights are recapped to one-third on a quarterly basis. Due to differing investment characteristics, we do not intend to invest in one sector contained in the benchmark, the social infrastructure sector; this sector comprised less than 5% of the benchmark as of December 31, 2011. The benchmark is a custom index constructed by MSCI.

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