Third Quarter 2009

Market & Economic Conditions

Major Indices	3Q, 2009 Returns
S&P 500	15.6%
Dow Jones	15.8%
NASDAQ	15.7%
Russell 1000-Growth	14.0%
Russell 1000-Value	18.2%
Russell 2000	19.3%
MSCI EAFE	19.5%
BarCap Aggregate	3.7%
BarCap 2% Issue Constrained High Yield	14.2%

Global equity markets have spent the past seven months climbing a wall of worry comprised of negative earnings growth, high unemployment, declining wages, historically high U.S. deficit, 350% debt-to-GDP in the U.S., and a host of other concerns. Despite these challenges, stocks rallied for the second consecutive quarter as investors worldwide continued to deploy idle cash and shed their risk aversion. Across capitalization and around the globe, equity markets have soared since the lows established in early March. Domestic equities climbed nearly 60%, led by a nearly 75% rise in small cap issues. The rally has been even more impressive overseas with developed markets advancing nearly 75% and emerging markets up over 95% since record March lows, as measured in U.S. dollars. Fixed income investors joined the party, particularly those with exposure to spread sectors, as high yield posted double-digit gains.

Equity volatility remained elevated during the quarter but continued to decline from the record levels established late last year in the wake of the Lehman Brothers' collapse. The number of significant daily percentage moves for the S&P 500 also showed substantial declines over previous quarters. In the third quarter, there were 21 days with price changes greater than 1%, including six days over 2%. While still nearly twice the long-term average from 1950-2007, those figures are well below the previous few quarters which had as many as 50 days with price changes greater than 1%.

Looking more closely at investment performance for the third quarter, domestic equity showed broad strength. Small cap stocks (Russell 2000: +19.3%) led the way, while large cap stocks (S&P 500: +15.6%) also experienced double-digit gains. Value (Russell 1000 Value: +18.2%) outperformed Growth (Russell 1000 Growth: +14.0%) although growth still holds a strong lead on a year-to-date basis due to the huge dispersion in the first quarter. Financials led the rally within the primary sectors of the S&P 500 for the second consecutive quarter with a gain of more than 25%. Since its low established in early March, the sector has risen nearly 150% on a price-only basis. Despite that huge rally, the sector remains 60% below its February 2007 high. For the quarter, all sectors within the S&P 500 were positive, but

Telecommunications remains in negative territory on a year-to-date basis, rising only 4% during the quarter — the lowest among the 10 sectors.

Looking to overseas equity markets, emerging markets (MSCI Emerging Markets: +21.0%) led the rally again, but by a narrow margin over developed markets (MSCI EAFE: +19.6%) when measured in U.S. dollar terms. In local terms, the premium over domestic large cap performance evaporates, as both Indices enjoyed a tailwind of approximately 5% due to the declining U.S. dollar. From a country perspective, eastern hemisphere "neighbors" Australia (+33.1%) and Japan (+6.5%) occupied the top and bottom rungs of the developed markets ladder, respectively. Within emerging markets, Peru (+44.0%) led the way, while Morocco (-6.6%) lagged.

Bond market investors were also rewarded, showing positive results across the board. The Barclays Capital Aggregate Index rose nearly 4%, driven higher by longer-dated maturities and spread sectors as both Treasury rates and credit spreads fell during the quarter. High yield posted double-digit increases as spreads continued to collapse. In 2009, The BC High Yield Cash Pay Index has risen nearly 50%.

Turning to Real Estate, despite the persistent cycle of write-downs in the private markets, REITs benefited from their equity market correlation, advancing more than 30% during the quarter. After bottoming in early March along with the rest of the equity markets, REITs have gained nearly 100%, due in large part to the massive wave of equity issuance in the second quarter that vastly improved many REIT balance sheets.

At its low on March 9, the S&P 500 had retraced more than 55% from its previous high. In less than seven months the Index has rebounded more than 58%, yet still remains well below its October 2007 peak. Despite this significant recovery in equity prices, threats to the economic environment remain significant.

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Fund Observations

MUTUAL OF OMAHA'S RETIREMENT PROGRAM PRODUCT (0.00% Class as of 09/30/09)

- Each investment option in the product turned in positive results for the quarter, ranging from +0.94% (Guaranteed Account) to +35.73% (Cohen & Steers Institutional Realty Shares).
- Additionally, each investment option has shown positive performance year to date. This is a dramatic reversal from calendar year 2008, which saw only the Bond Index Fund and Guaranteed Account ending in positive territory.
- Year to date, the Goldman Sachs High Yield Fund has produced a +42.67% return. This is in sharp contrast to calendar year 2008 when high yield bonds drastically underperformed higher quality bonds (the Fund lost 27.53%). Such volatility of returns highlights the added risk involved with high yield bond investments.
- Consistent with the theme of long-term investing, for the actively managed stand-alone equity investment options that have at least a 10-year performance record, 88% have equaled or outperformed their benchmark over that time period.
- Looking at shorter-term results, all three of the actively managed intermediate-term bond funds have outperformed the BarCap Aggregate Bond Index year to date by an average of 10.36%.
- The Mutual Directions (risk-based) and Mutual GlidePath (age-based) asset allocation models continue to offer investors the possibility of excess return for incremental levels of added risk. For the quarter, the most aggressive (Mutual Directions 5: +17.56% and Mutual GlidePath 2045: +17.00%) outperformed the most conservative (Mutual Directions 1: +4.42% and Mutual GlidePath 2005: +10.25%) by 13.14% and 6.75%, respectively. The Mutual Directions models allow an investor to select the level of risk that is appropriate for them, while the Mutual GlidePath models gradually become more conservative over time up to and through their retirement years with continued equity exposure.

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Figures are reported on a total return basis, which is the change in value of an investment over a given period, assuming reinvestment of any dividends and capital gains. Investments assume a lump sum is invested at the beginning of the time period shown. The results for individual accounts and for different time periods may vary.

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At The Close…

The fears that gripped investors throughout 2008 seem to have mostly subsided as equity markets have rebounded strongly this year. After turning in another positive month in September, the S&P 500 has now posted seven consecutive months of positive returns. A recent *By The Numbers* publication by Evergreen Investments stated that the average gain of the S&P 500 for the 1-year following a bear market closing low for the eight bear markets of the last 50 years is +36.5%. After hitting its low on March 9, 2009 the S&P 500 rebounded 56.25% by the end of the quarter (not counting the impact of reinvested dividends). Recent periods of strong performance have brought many investors back to the table wondering, is it time to buy? But that is the wrong question to be asking. In any period, the performance of some investment is sure to tantalize and invariably people start to chase performance. The real question to ask yourself is whether this investment is consistent with one's long term goals. Consideration should be given to prudent asset allocation and risk assessment based on an individuals future needs. Due diligence reviews and an adherence to a well-developed investment policy remain prudent long-term courses for investors and will reduce the likelihood of investing on emotion.

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