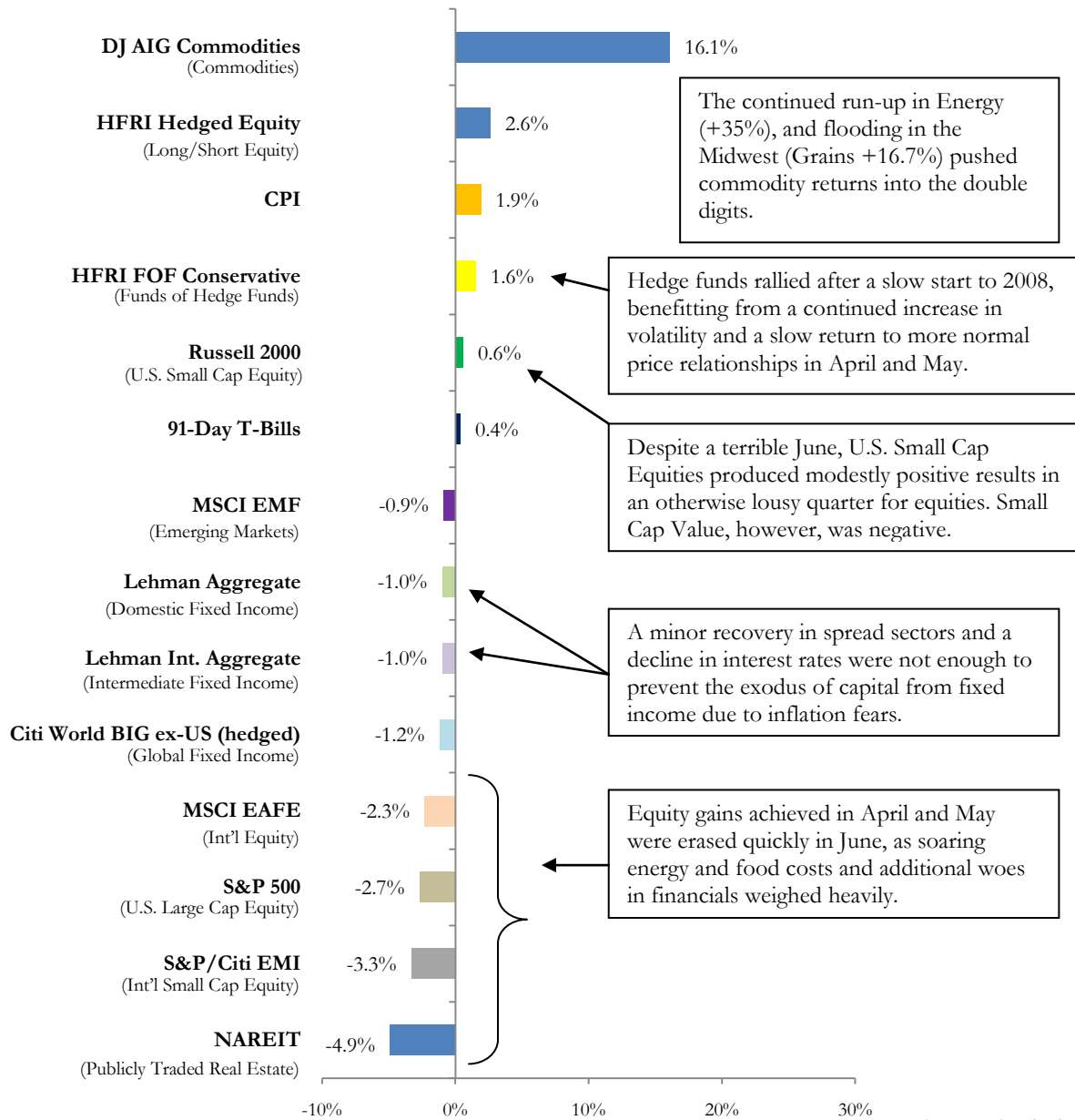
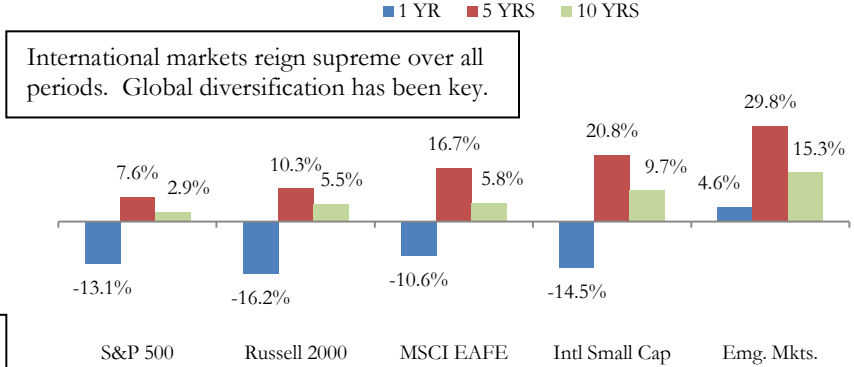


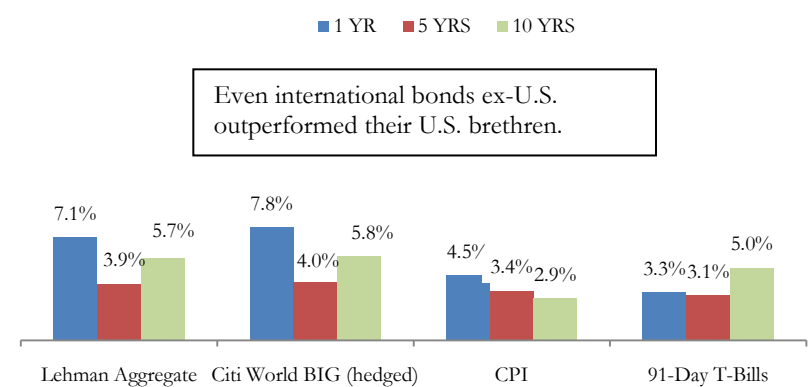
2nd Quarter 2008 Performance



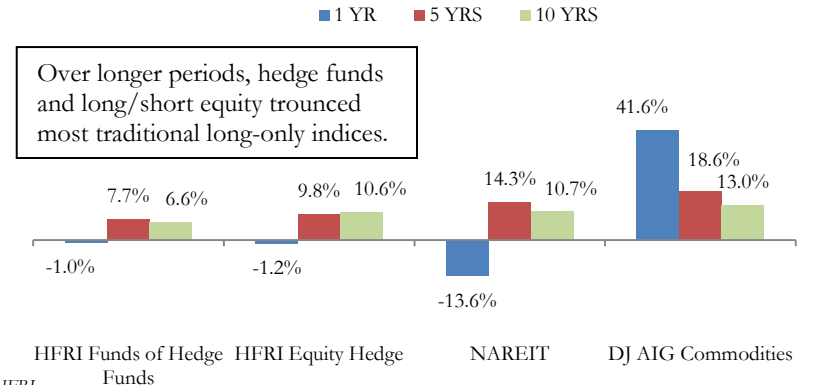
Equity Performance



Fixed Income Performance



Alternative Investments

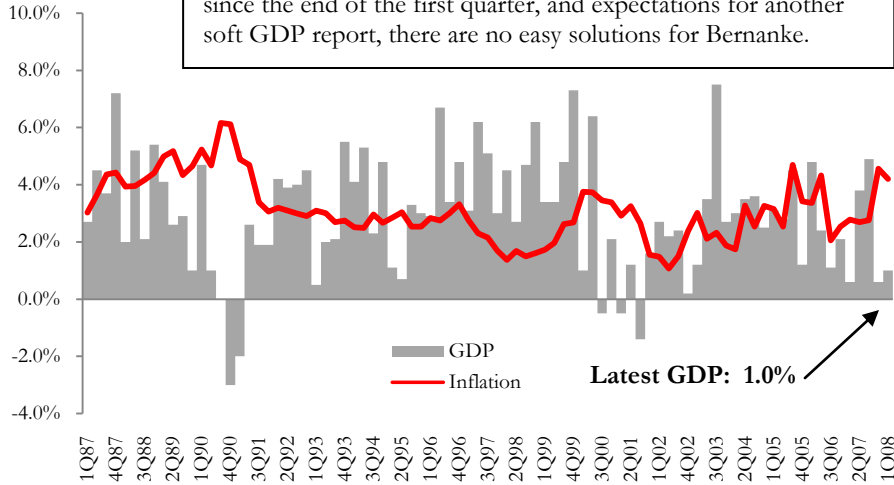


Source: FactSet, Bloomberg, HFRI

Economic Environment

Inflation and GDP

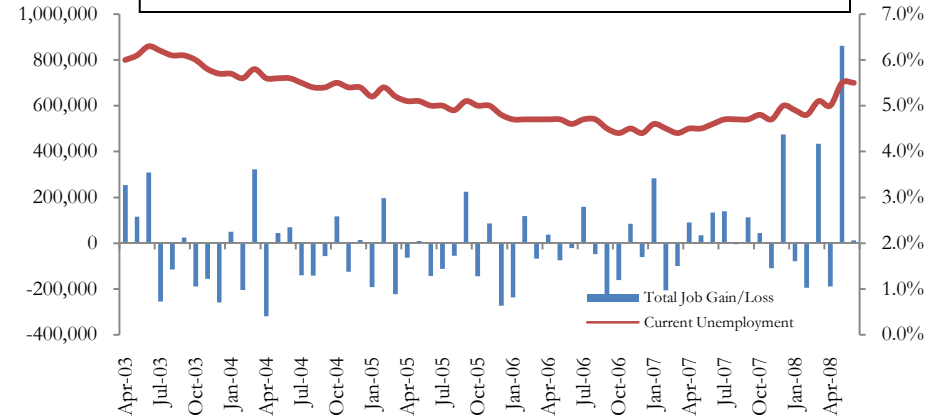
GDP growth over 4Q07 and 1Q08 represents the weakest six month expansion in five years. With inflation readings surging since the end of the first quarter, and expectations for another soft GDP report, there are no easy solutions for Bernanke.



Source: BEA and JP Morgan

Unemployment

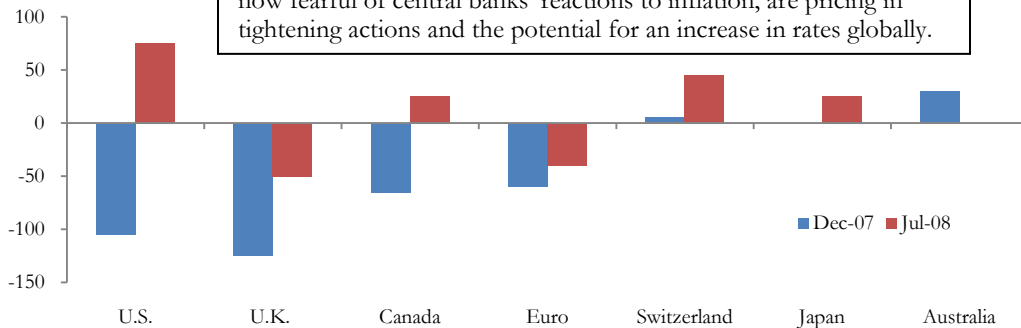
Unemployment spiked by a significant margin in the second quarter. This does not include recent layoff announcements by Wall Street and other major corporations, as those layoffs are not yet “actively” searching for jobs (a criterion in the statistic).



Interest Rate Expectations

1-Year Forward 3-Month Rate minus Current
3-Month Rate for Various Countries (bps)

As designated by the blue bars, in December 2007 investors were pricing in a global decline in interest rates to spur growth and prevent deflation. This situation has reversed quickly, as investors, now fearful of central banks' reactions to inflation, are pricing in tightening actions and the potential for an increase in rates globally.



Economic Drag of Oil Prices

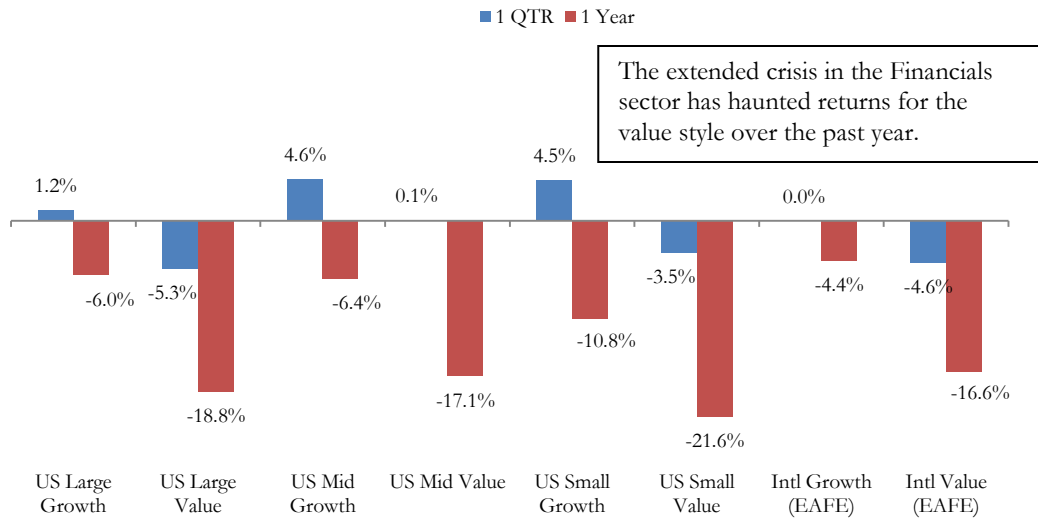
U.S. Petroleum Imports as a % of GDP

The effect of oil on the U.S. GDP has reached levels not seen since the late '70s and early '80s.



Global Equity

Value versus Growth / Large versus Small

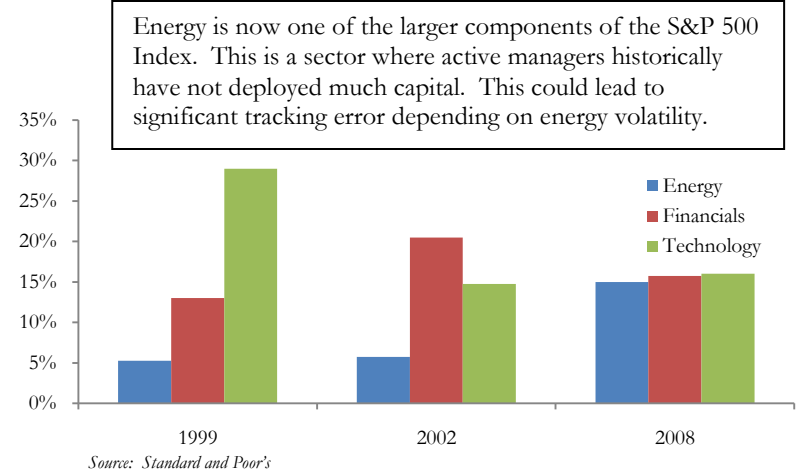


The extended crisis in the Financials sector has haunted returns for the value style over the past year.

Source: FactSet

Market Share of the S&P 500 Index

by Market Capitalization Weighting

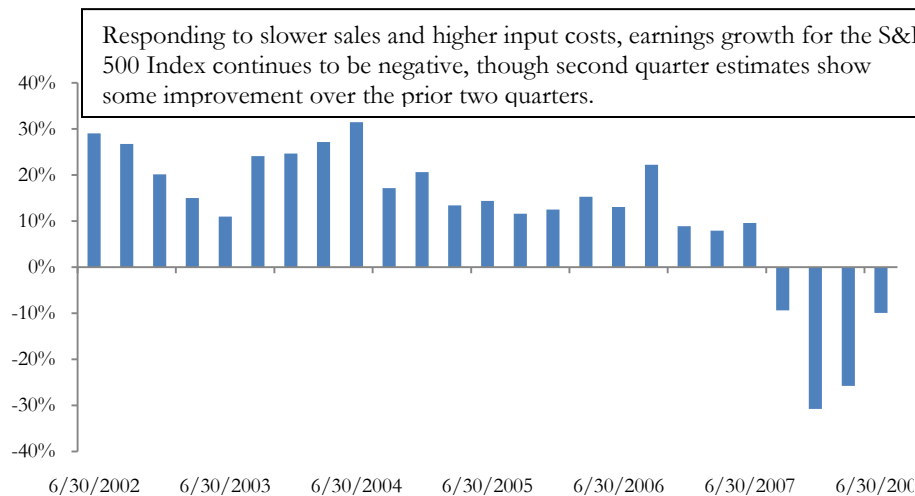


Energy is now one of the larger components of the S&P 500 Index. This is a sector where active managers historically have not deployed much capital. This could lead to significant tracking error depending on energy volatility.

Source: Standard and Poor's

S&P 500 Earnings Growth

Year over Year Change in Operating Earnings Per Share

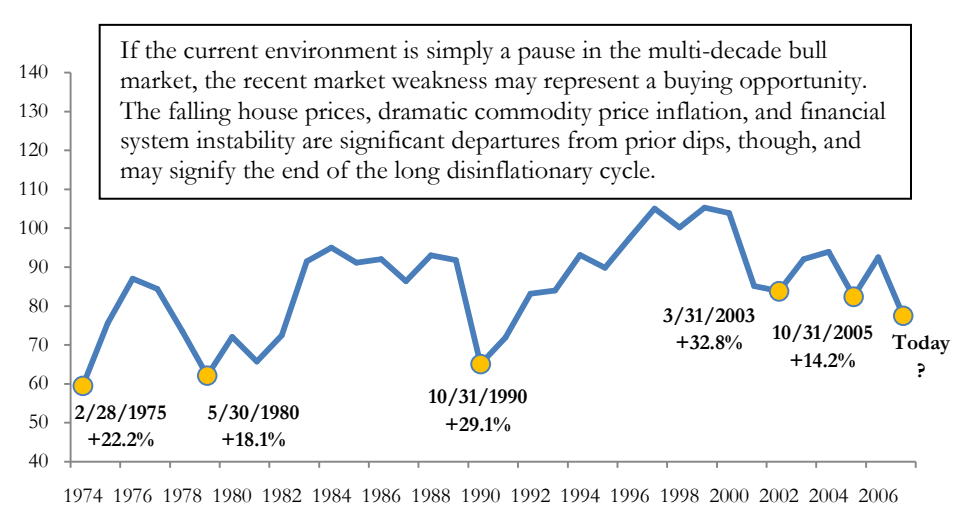


Responding to slower sales and higher input costs, earnings growth for the S&P 500 Index continues to be negative, though second quarter estimates show some improvement over the prior two quarters.

Source: Standard & Poor's

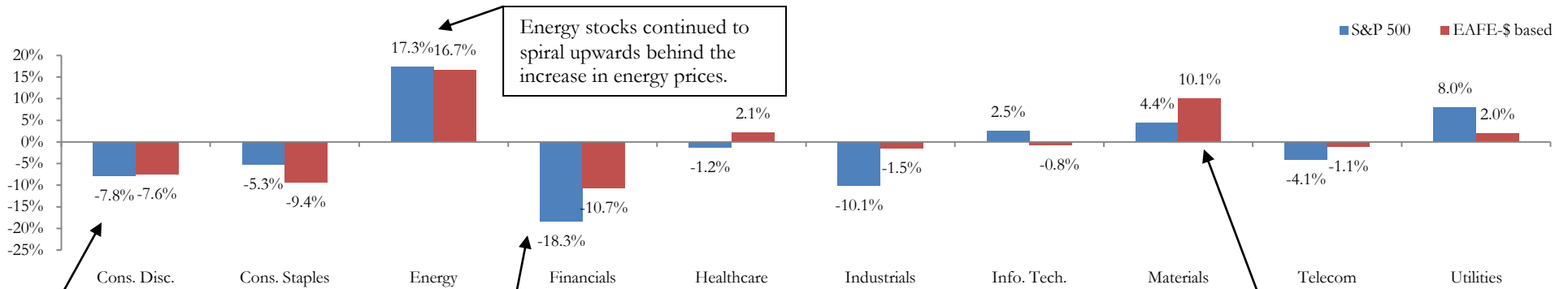
Consumer Sentiment – University of Michigan

Including Subsequent S&P 500 Index 12-Month Return

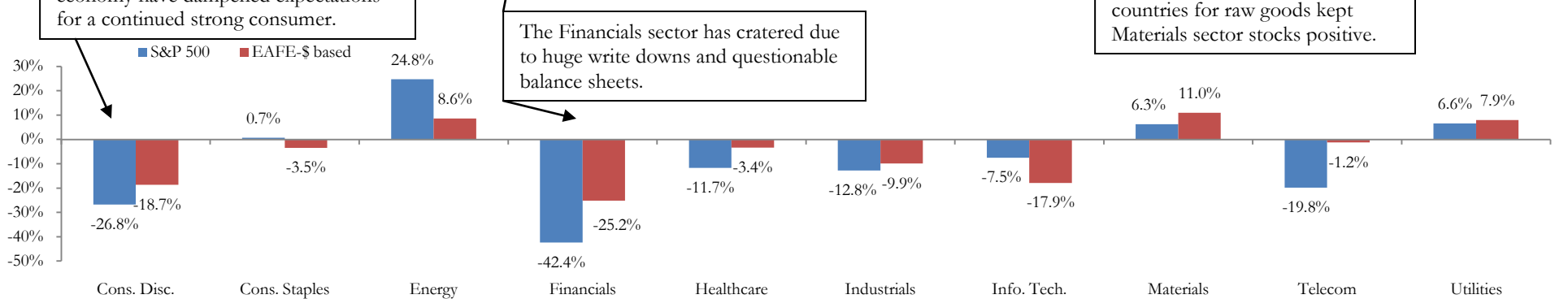


If the current environment is simply a pause in the multi-decade bull market, the recent market weakness may represent a buying opportunity. The falling house prices, dramatic commodity price inflation, and financial system instability are significant departures from prior dips, though, and may signify the end of the long disinflationary cycle.

Sector Returns – Second Quarter 2008

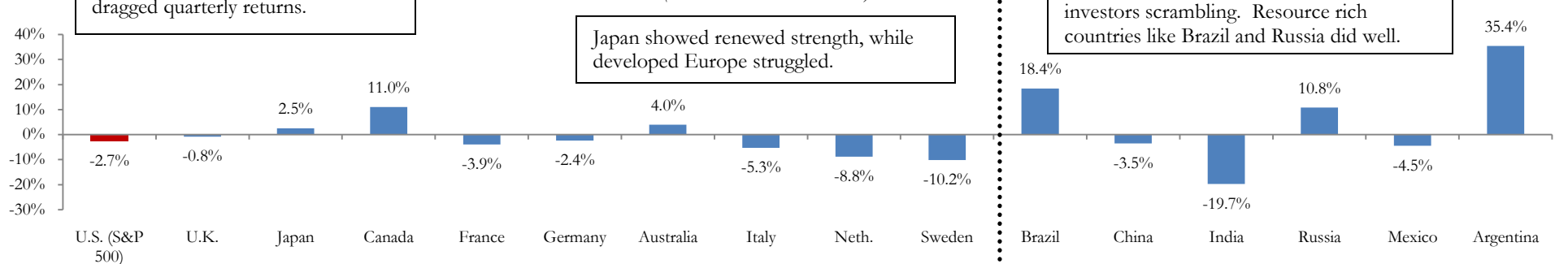


Sector Returns – One Year Ended 6/30/08



Country Returns – Second Quarter 2008

(U.S. Dollar-based Returns)



Energy stocks continued to spiral upwards behind the increase in energy prices.

Declining home values and a slowing economy have dampened expectations for a continued strong consumer.

The Financials sector has cratered due to huge write downs and questionable balance sheets.

Heavy demand from emerging countries for raw goods kept Materials sector stocks positive.

A strengthening dollar and a cloudy outlook for foreign investments dragged quarterly returns.

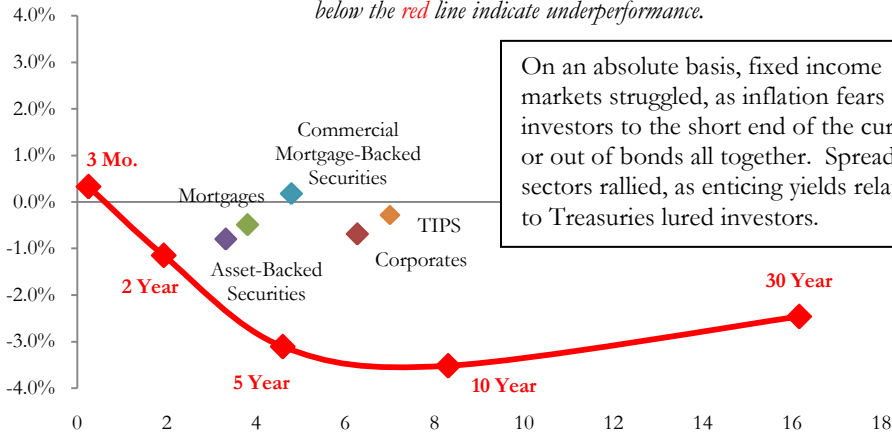
Japan showed renewed strength, while developed Europe struggled.

Year-to-date China and India are down -26.3% and -41.4%, respectively. A global slowdown and aversion to risk sent investors scrambling. Resource rich countries like Brazil and Russia did well.

Fixed Income

Spread Sector Performance vs. Treasuries

Plots above the red line indicate spread sectors outperformed Treasuries while below the red line indicate underperformance.

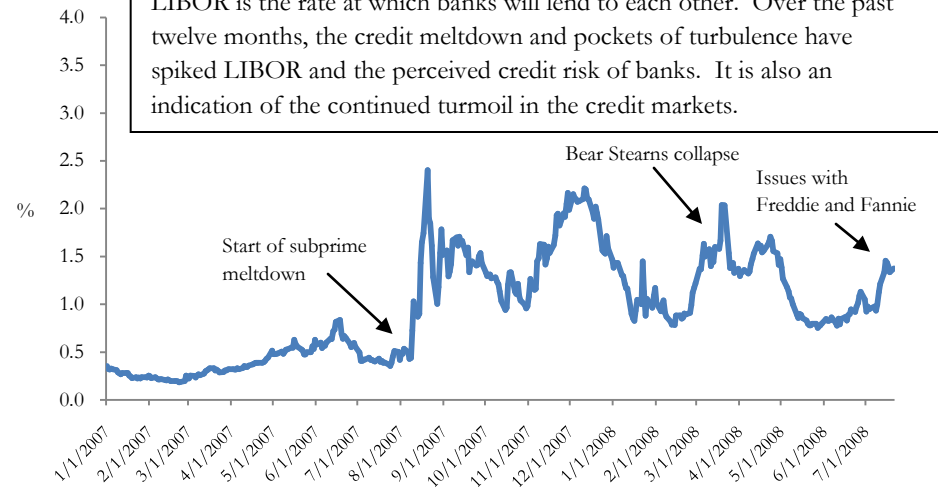


On an absolute basis, fixed income markets struggled, as inflation fears sent investors to the short end of the curve or out of bonds all together. Spread sectors rallied, as enticing yields relative to Treasuries lured investors.

Source: Bloomberg

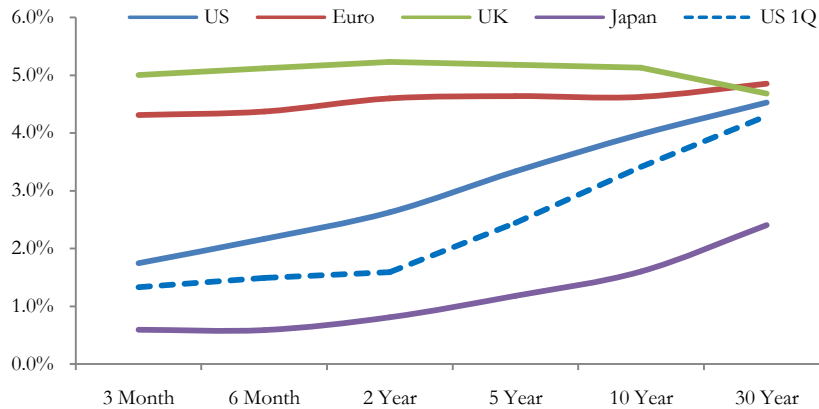
LIBOR spreads over Treasuries

LIBOR is the rate at which banks will lend to each other. Over the past twelve months, the credit meltdown and pockets of turbulence have spiked LIBOR and the perceived credit risk of banks. It is also an indication of the continued turmoil in the credit markets.



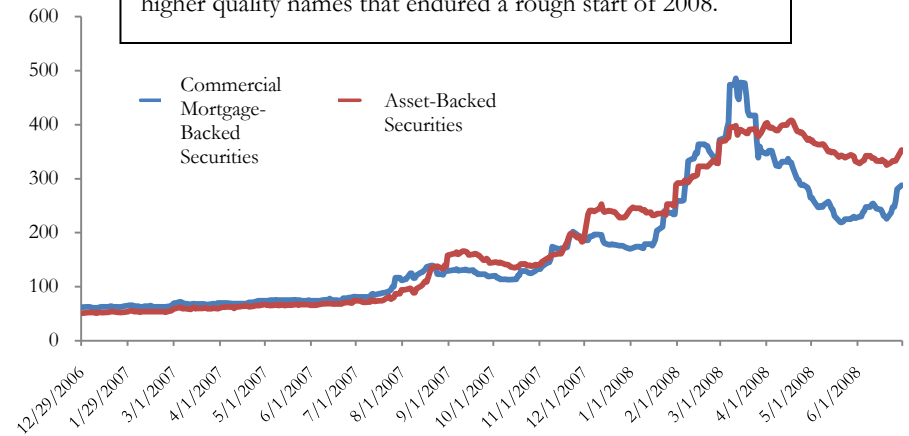
Global Yield Curves – ended June 30, 2008

U.S. yields increased across the board, with the 2-year increasing the most. European yields remain more attractive relative to the U.S. and Japan.



Asset Backed and Commercial Mortgage Backed Securities Spread Over Treasuries

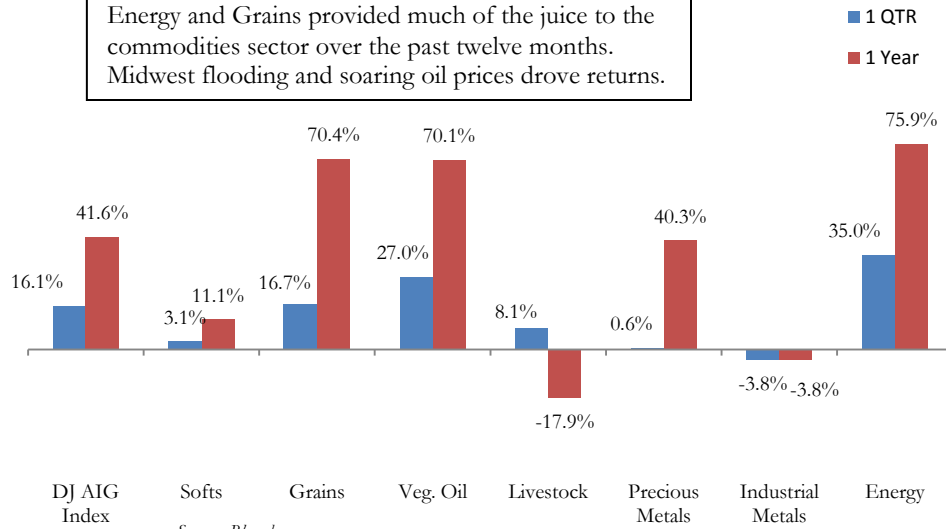
Despite the volatility still imbedded in the spread sectors, investors have begun to deploy capital in areas where there is perceived value. Investors are picking up at attractive yields higher quality names that endured a rough start of 2008.



Real Assets / Private Equity

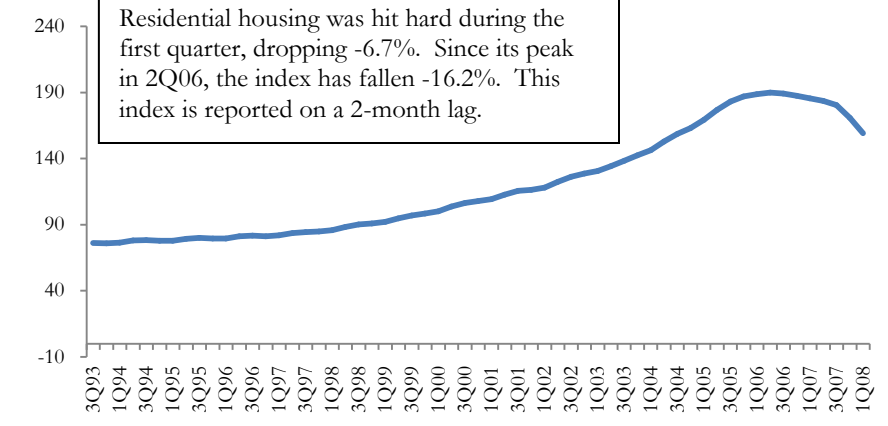
Commodities

Energy and Grains provided much of the juice to the commodities sector over the past twelve months. Midwest flooding and soaring oil prices drove returns.



Residential Home Pricing as Measured by the S&P/Case-Shiller Home Price Index

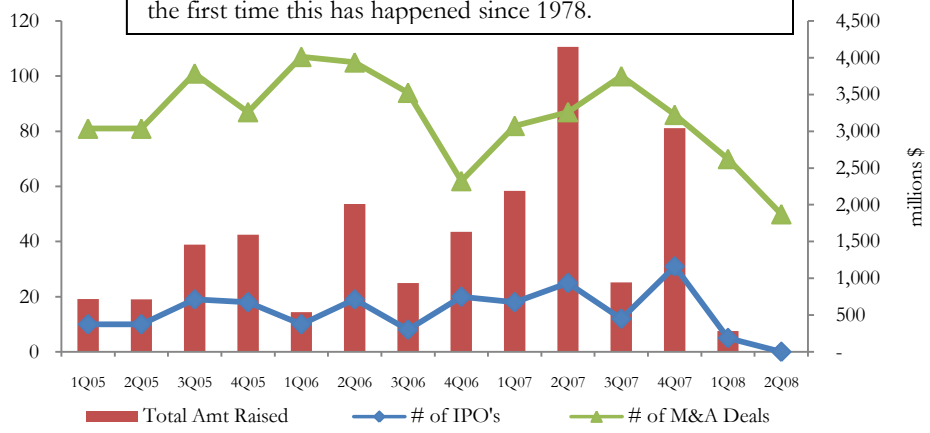
Residential housing was hit hard during the first quarter, dropping -6.7%. Since its peak in 2Q06, the index has fallen -16.2%. This index is reported on a 2-month lag.



Source: Bloomberg / S&P

Venture-Backed Exit Environment

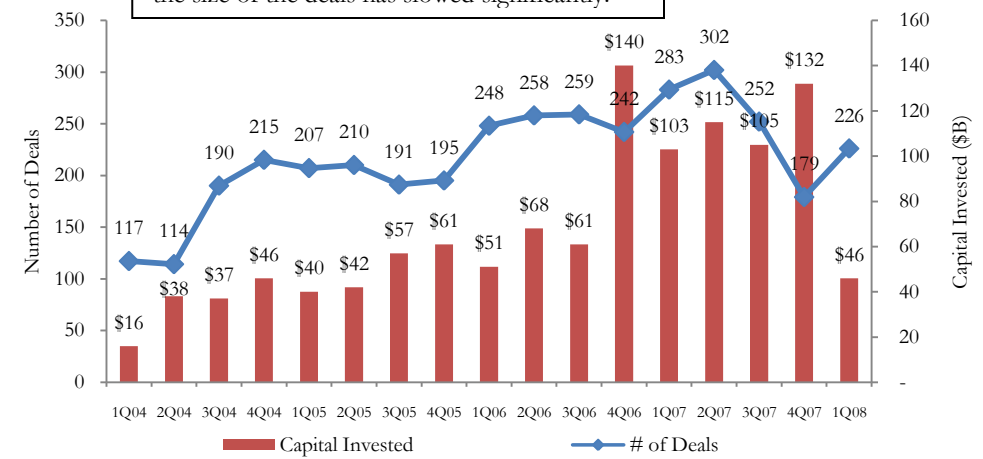
Private Equity is grinding to a halt. There were zero IPO exits for venture capital during the second quarter. This is the first time this has happened since 1978.



Source: Thomson Reuters & NVCA

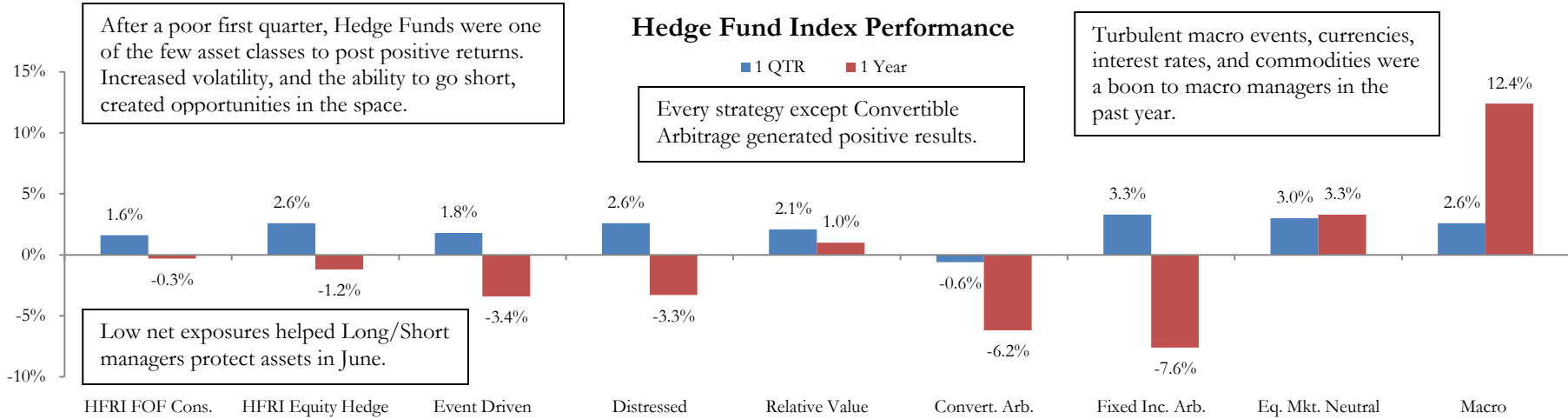
U.S.-Based Buyout Deal Volume by Quarter

After record numbers were raised in late 2006 and 2007, deal flow has remained steady, but the size of the deals has slowed significantly.



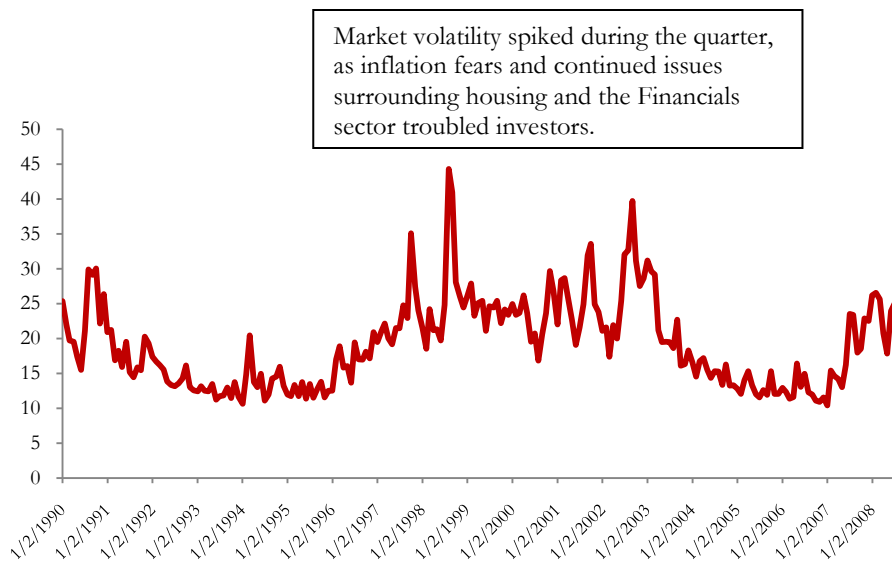
Source: BlackRock Research

Hedge Funds

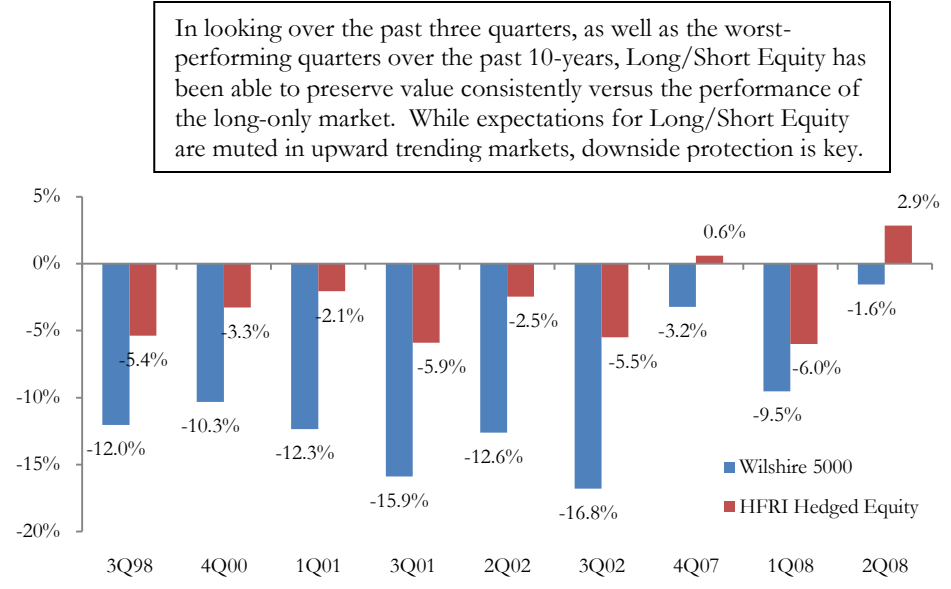


Source: HFRI Research

Volatility



The Resilience of Long/Short Equity



Annualized	Second Quarter	One Year	Two Years	Three Years*	Five Years*	Ten Years*
<i>U.S. Markets</i>						
CPI	1.9	4.5	3.6	3.8	3.4	2.9
Dow Jones Industrial Average	-6.9	-13.3	3.3	5.8	7.2	4.5
Russell 3000 Index	-1.7	-12.7	2.4	4.7	8.4	3.5
NASDAQ Index	0.6	-11.9	2.7	3.7	7.2	1.9
S&P 500 Index	-2.7	-13.1	2.4	4.4	7.6	2.9
Russell 1000 Index	-1.9	-12.4	2.7	4.8	8.2	3.4
Russell 1000 Value Index	-5.3	-18.8	-0.5	3.5	8.9	4.9
Russell 1000 Growth Index	1.2	-6.0	5.8	5.9	7.3	1.0
Russell Mid Cap Index	2.7	-11.2	3.6	6.8	13.1	8.1
Russell Mid Cap Value Index	0.1	-17.1	0.6	5.0	13.0	8.4
Russell Mid Cap Growth Index	4.6	-6.4	5.8	8.2	12.3	5.6
Russell 2000 Index	0.6	-16.2	-1.2	3.8	10.3	5.5
Russell 2000 Value Index	-3.5	-21.6	-4.6	1.4	10.0	7.5
Russell 2000 Growth Index	4.5	-10.8	2.1	6.1	10.4	2.8
91-Day T-Bills Index	0.4	3.3	4.2	4.1	3.1	3.5
Lehman Aggregate Bond Index	-1.0	7.1	6.6	4.1	3.9	5.7
Lehman Intermediate Aggregate Bond Index	-1.0	7.2	6.6	4.3	3.8	5.6
Lehman Gov't/Credit Index	-1.5	7.2	6.6	3.8	3.6	5.7
Lehman Intermediate Gov't/Credit Index	-1.5	7.4	6.6	4.3	3.5	5.5
ML 1-3 year Treasury Index	-0.9	7.3	6.2	4.7	3.3	--
Dow Jones AIG Commodity Index	16.1	41.6	20.7	19.8	18.6	13.0
HFRI Fund of Funds Conservative Index	2.1	-0.1	6.8	8.2	7.7	6.6
HFRI Equity Hedge Index	2.9	-1.2	6.4	9.1	9.8	10.6
NAREIT Equity Index	-4.9	-13.6	-1.4	5.0	14.3	10.7
<i>Non-U.S. Markets</i>						
MSCI EAFE Index	-2.3	-10.6	6.5	12.8	16.7	5.8
MSCI EAFE Growth Index	0.0	-4.4	9.4	14.7	16.3	4.1
MSCI EAFE Value Index	-4.6	-16.6	3.6	10.9	17.0	7.3
S&P/Citigroup EMI World ex-U.S. Index	-3.3	-14.5	6.1	14.0	20.8	9.7
MSCI Emerging Markets Index	-0.9	4.6	23.2	27.1	29.8	15.3
S&P/Citigroup -World Broad Investment Grade Bond ex-U.S. Index (unhedged)	-1.2	7.8	6.9	4.3	4.0	5.8