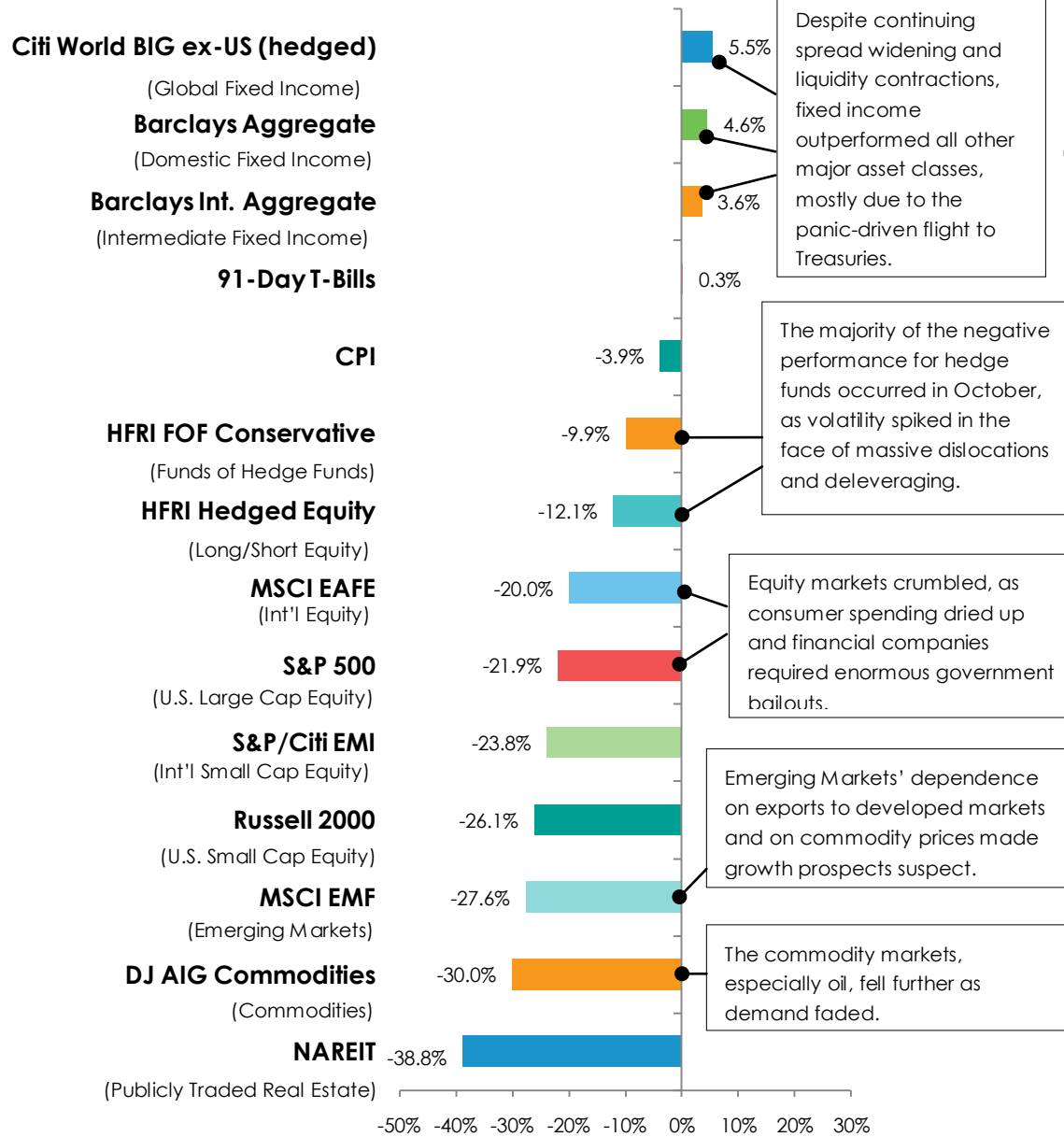


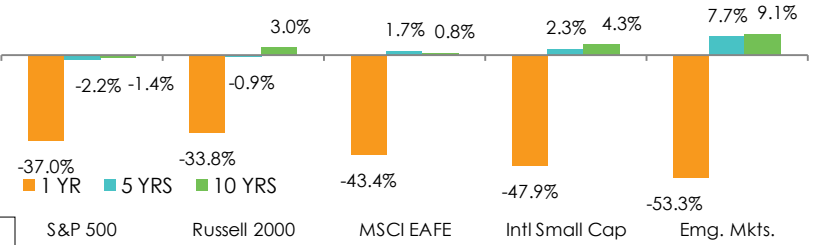
4th Quarter 2008 Performance



Equity Performance

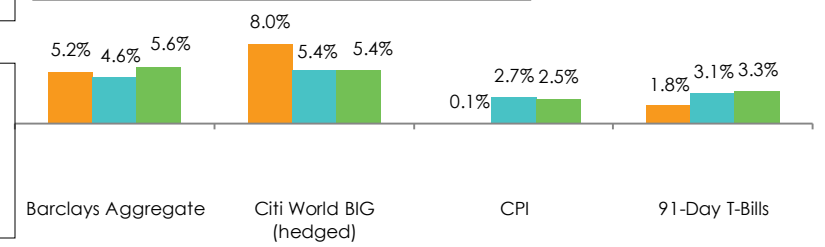
The equity risk premium has mostly been a no-show for the past decade.

Even after plummeting over 50% this year, Emerging Markets have outperformed other equity markets over longer periods.



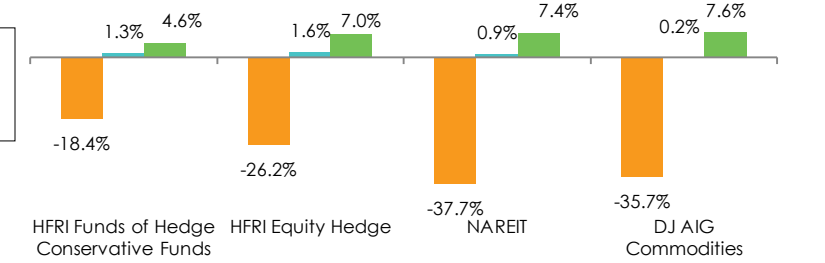
Fixed Income Performance

Fixed Income has outperformed Equities in developed markets over the last one year, 5 years, and 10 years.

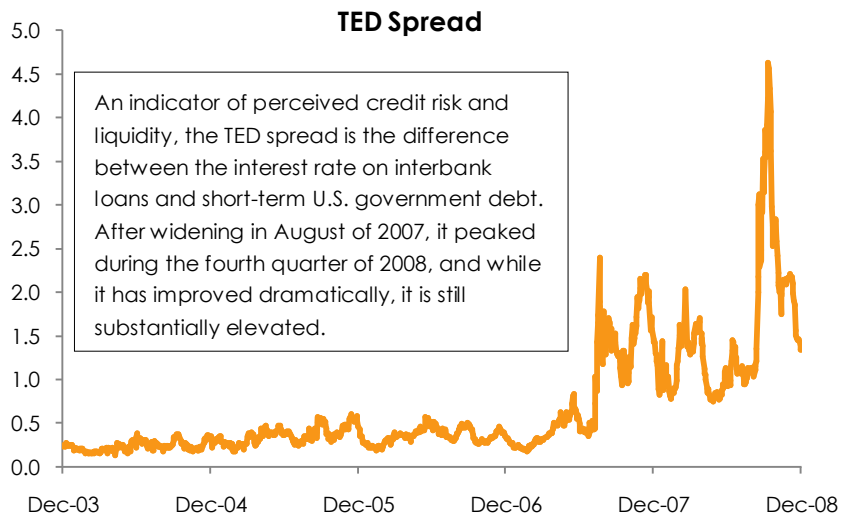
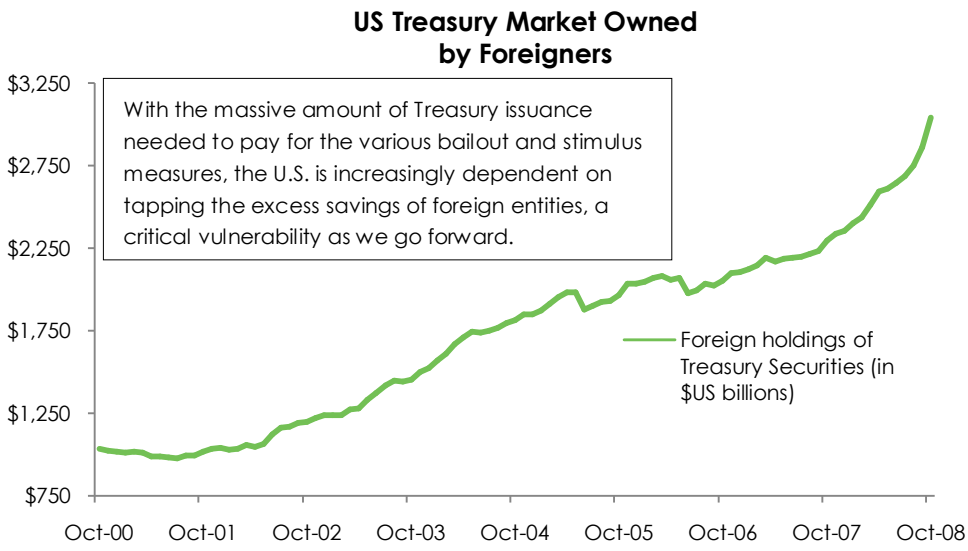
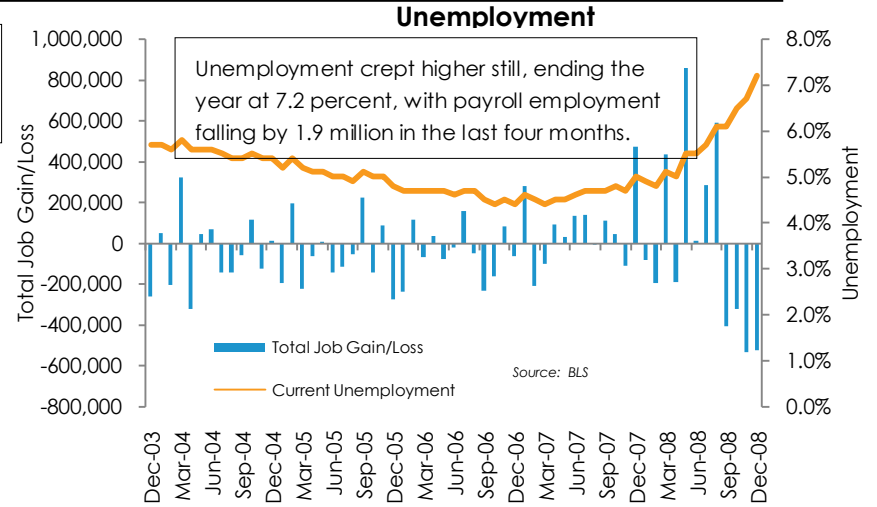
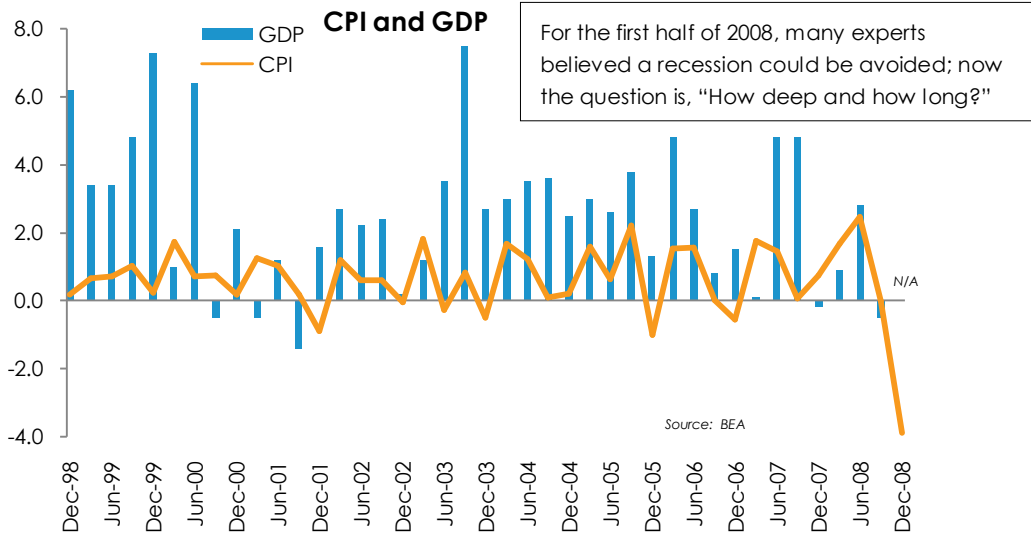


Alternative Investments

Hedge funds continue to outperform long-only equities.

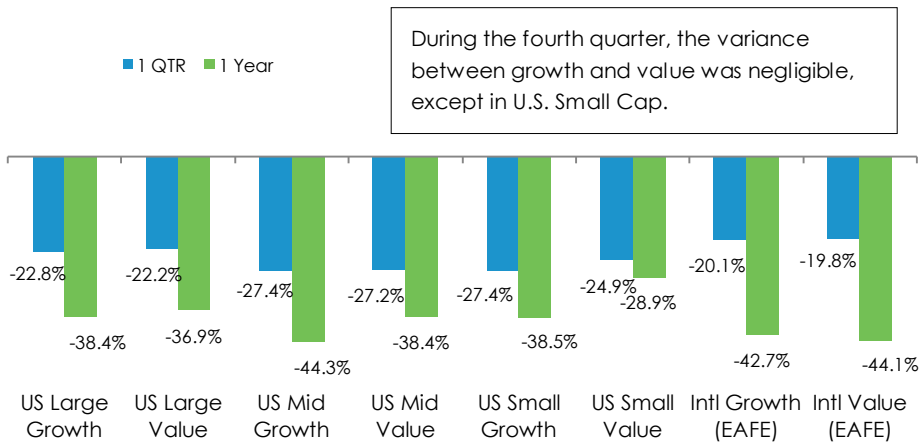


**Economic Environment**

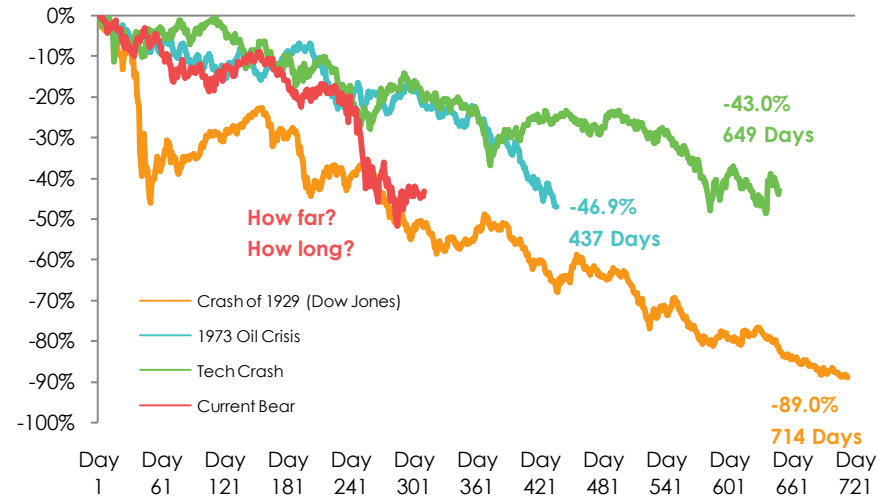


# Global Equity

**Value versus Growth / Large versus Small**

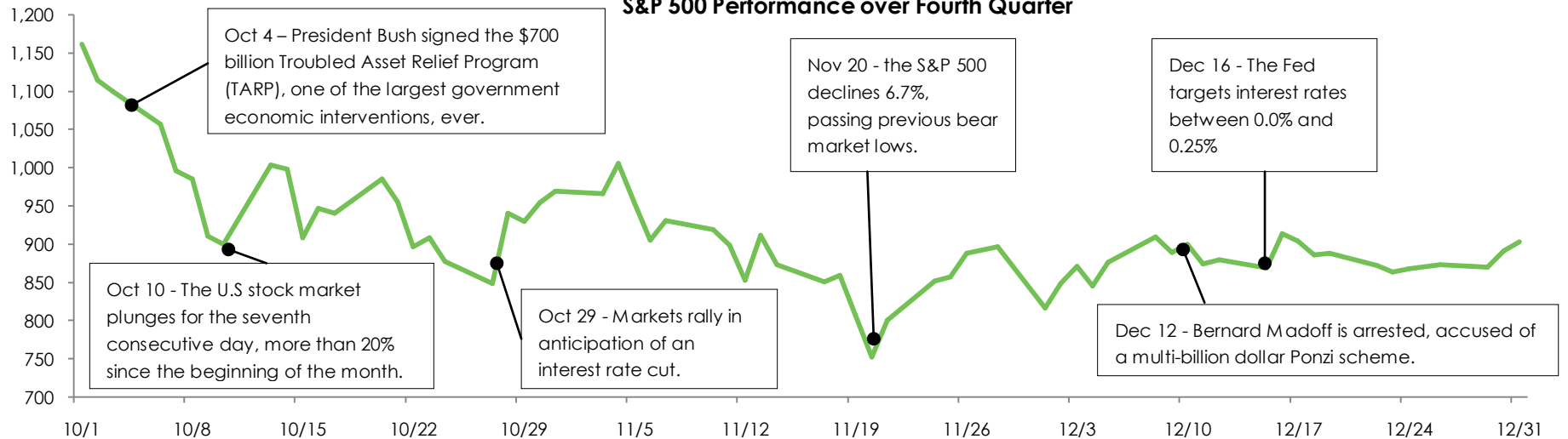


**Four Bad Bear Markets**

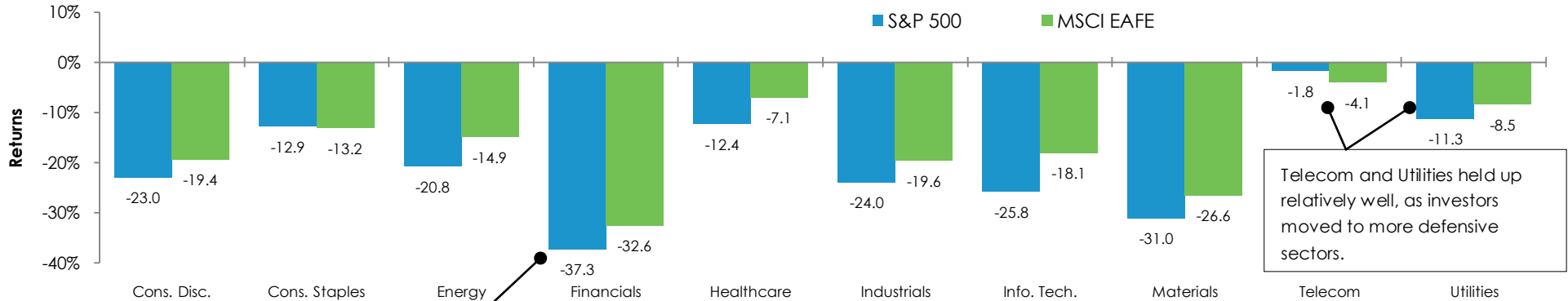


Source dshort.com and Yahoo Finance. 1929 returns are Dow Jones, all other are S&P 500 Index

**S&P 500 Performance over Fourth Quarter**



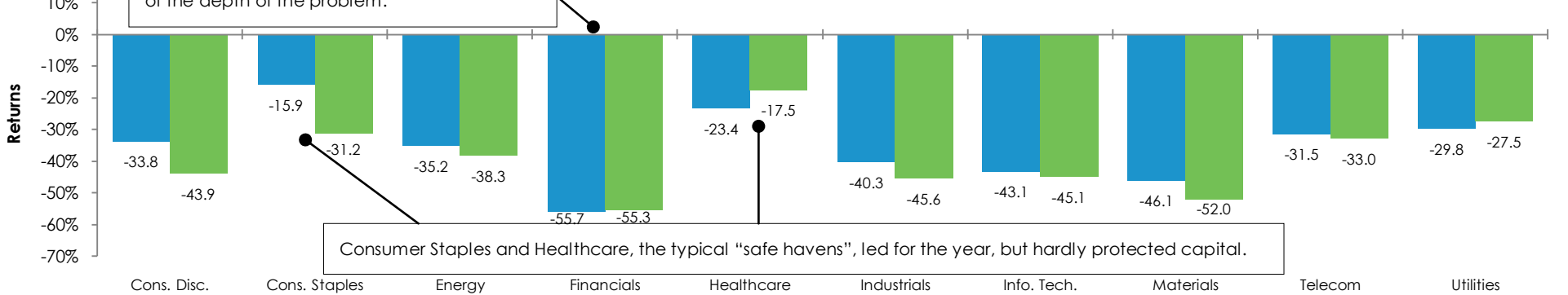
**Sector Returns – Fourth Quarter 2008**



Telecom and Utilities held up relatively well, as investors moved to more defensive sectors.

Financials led the decline, as the Citigroup bailout (opus 1) provided a disturbing measure of the depth of the problem.

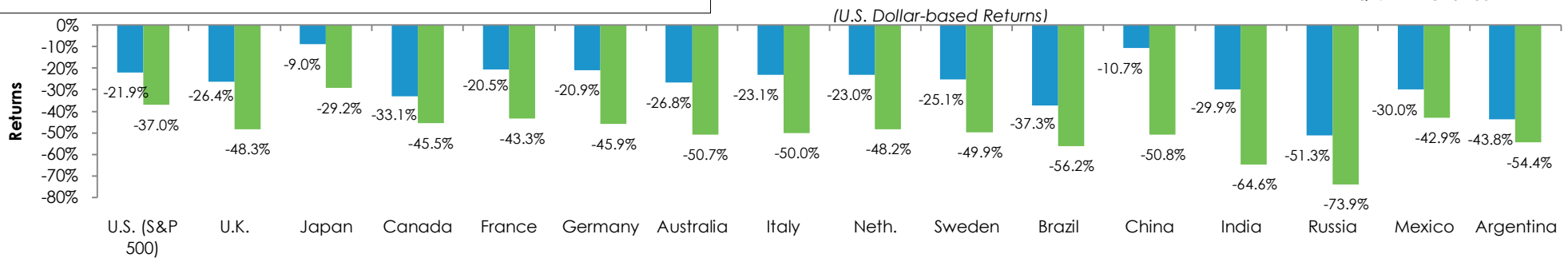
**Sector Returns – One Year Ended 12/31/08**



Consumer Staples and Healthcare, the typical "safe havens", led for the year, but hardly protected capital.

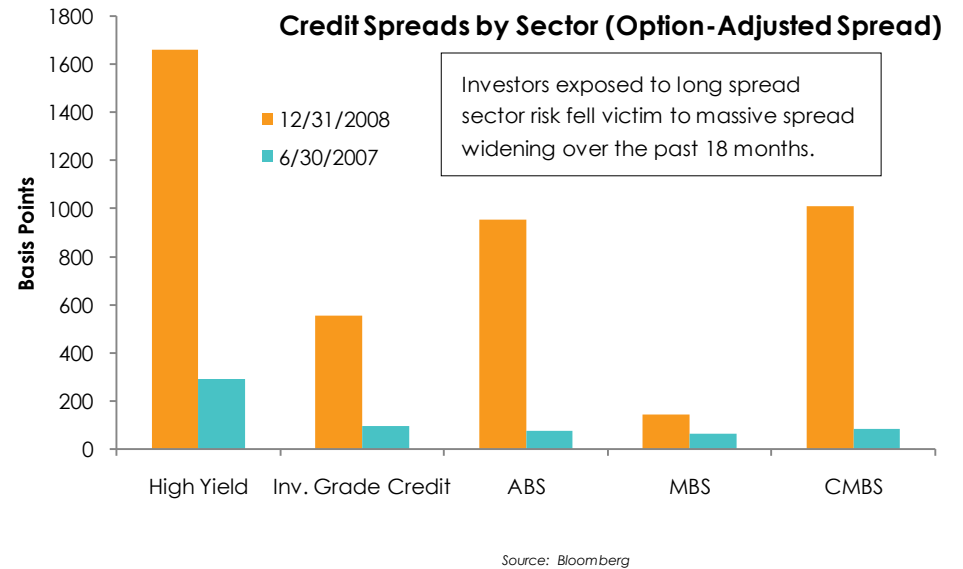
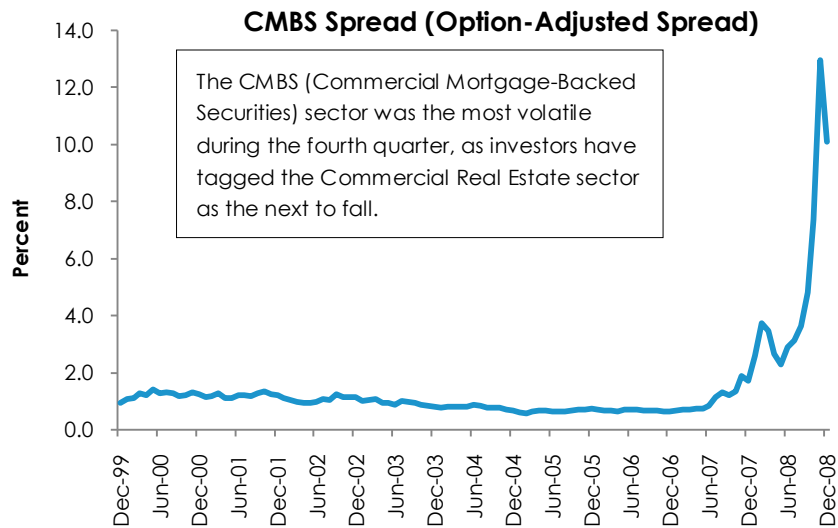
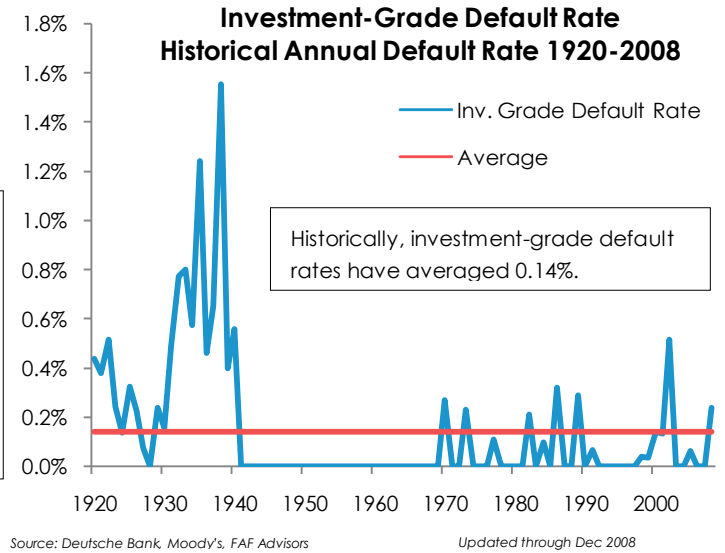
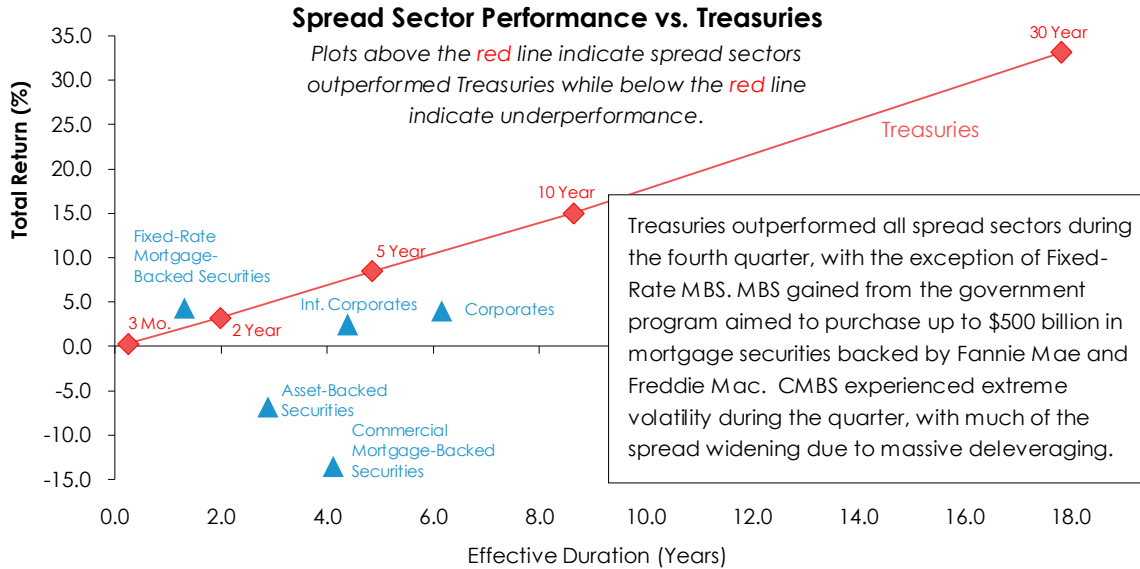
In a continuation of last quarter's trend, the idea that international economies are becoming less correlated to the U.S. economy is being debunked.

**Country Returns – Fourth Quarter 2008**



Source: FactSet

# Fixed Income

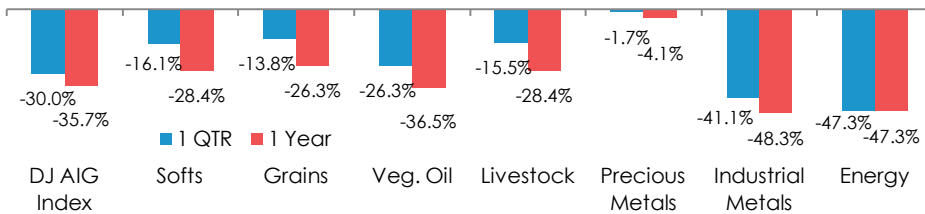


## Real Assets / Private Equity

### Commodities

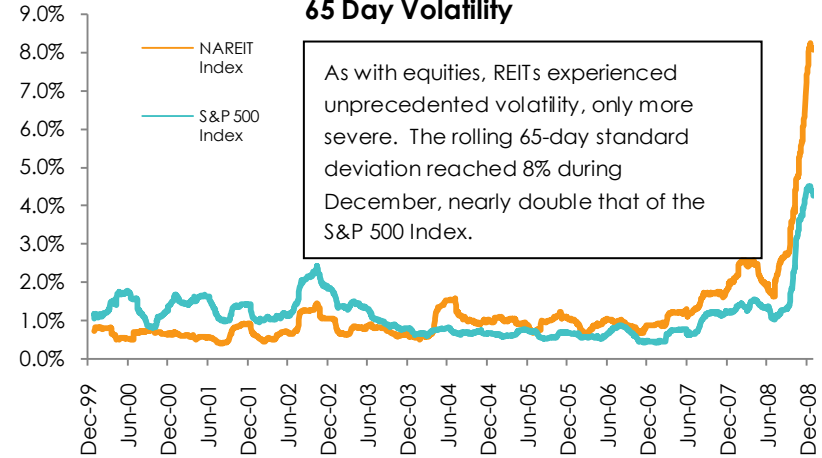
A global economic slowdown, resulting in lower demand, led to a collapse in the industrial metals and energy sector. Precious metals, gold in particular, had a relatively strong quarter.

Most industrial metals are now trading well below their marginal costs of production. Similarly, in energy, the price of oil needs to be at least \$65-70 per barrel in order to avoid disrupting 60% of planned production and refinery projects for national oil companies across the globe.

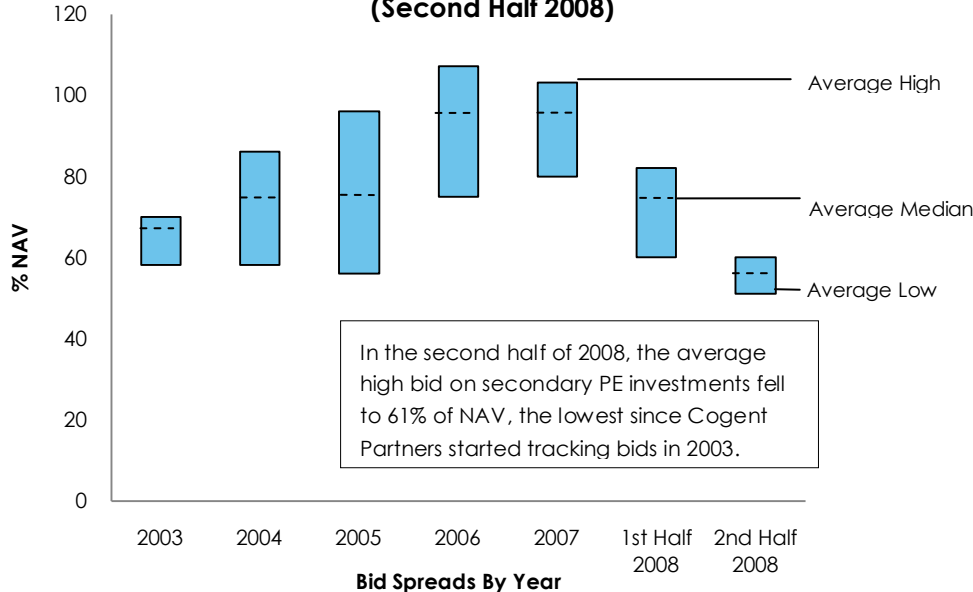


### 65 Day Volatility

As with equities, REITs experienced unprecedented volatility, only more severe. The rolling 65-day standard deviation reached 8% during December, nearly double that of the S&P 500 Index.



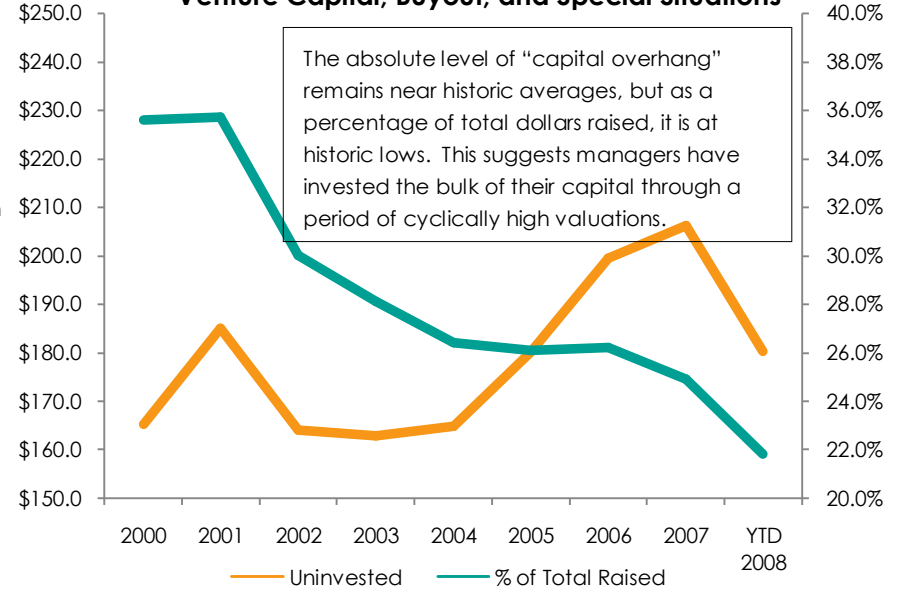
### Secondary Bid Spreads Over Time (Second Half 2008)



Source: Cogent Partners

### Uninvested Capital vs. % of Total Raised Venture Capital, Buyout, and Special Situations

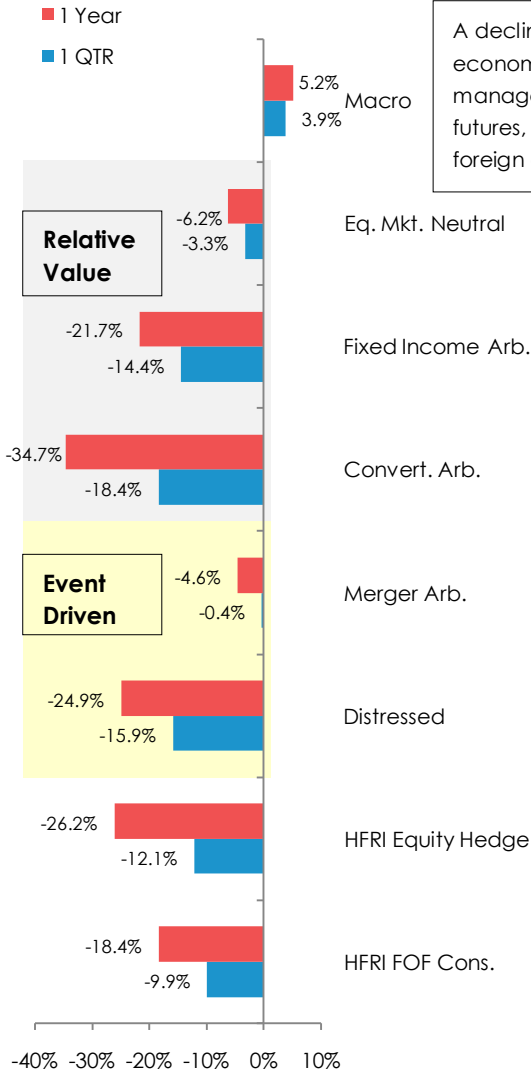
The absolute level of "capital overhang" remains near historic averages, but as a percentage of total dollars raised, it is at historic lows. This suggests managers have invested the bulk of their capital through a period of cyclically high valuations.



Source: Thomson Financial

# Hedge Funds

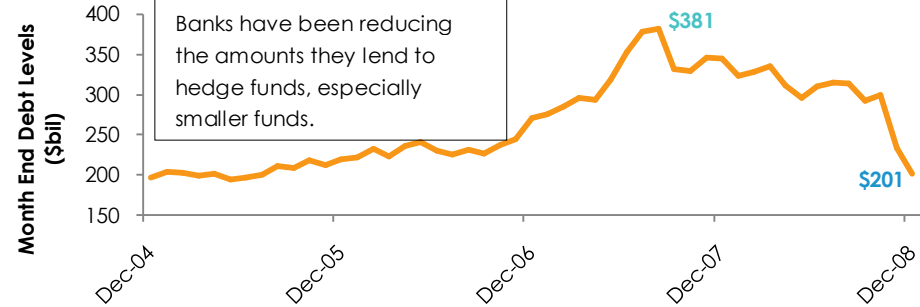
## Hedge Fund Index Performance



A declining picture for the global economy benefitted macro managers' positions in interest rate futures, short commodities, and foreign currencies.

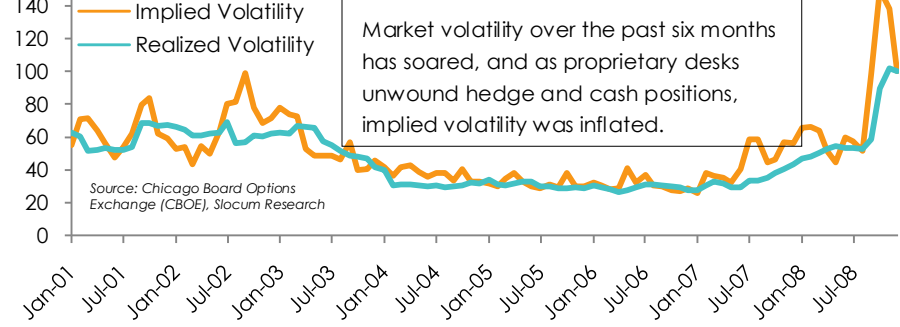
Relative Value was hit hardest, with higher funding costs, increasingly restrictive margin requirements, investor redemptions, forced selling, and continued deleveraging driving returns down.

## Margin Debt Levels (\$Bil)



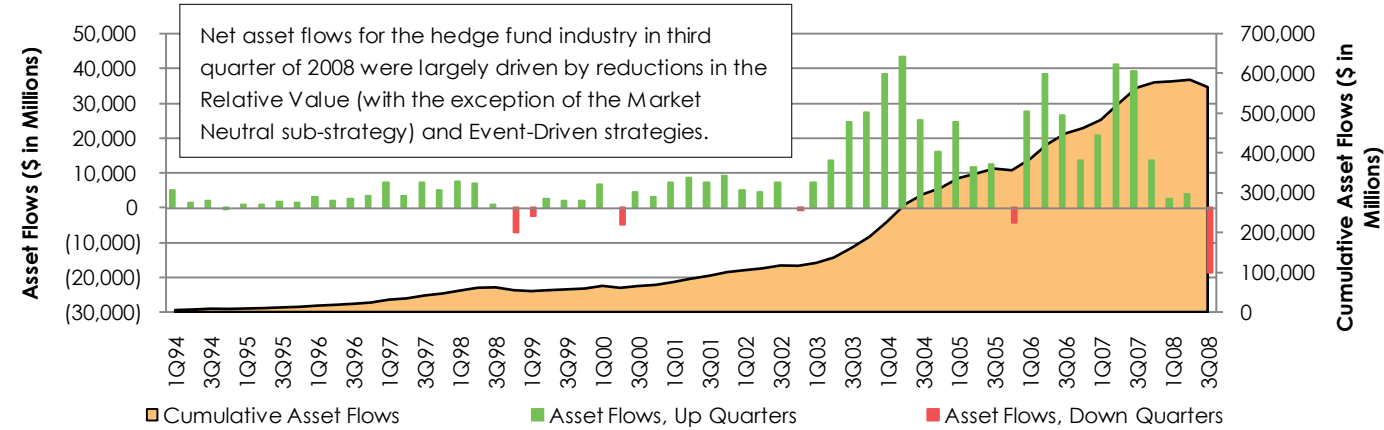
Banks have been reducing the amounts they lend to hedge funds, especially smaller funds.

## Implied and Realized Volatility (Dec '00 = 100)



Market volatility over the past six months has soared, and as proprietary desks unwound hedge and cash positions, implied volatility was inflated.

## Hedge Fund Net Asset Flows-1994 to 2008 (Third Quarter)



Source: Tremont Capital Management Inc. and Lipper TASS database

<b>*Annualized</b>	<b>Fourth Quarter</b>	<b>One Year</b>	<b>Two Years*</b>	<b>Three Years*</b>	<b>Five Years*</b>	<b>Ten Years*</b>
<b>U.S. Markets</b>						
CPI	-3.9	0.1	2.1	2.2	2.7	2.5
Dow Jones Industrial Average	-18.4	-31.9	-13.9	-4.1	-1.1	1.6
Russell 3000 Index	-22.8	-37.3	-18.8	-8.6	-1.9	-0.8
NASDAQ Index	-24.2	-40.0	-18.5	-9.8	-4.0	-2.6
S&P 500 Index	-21.9	-37.0	-18.5	-8.4	-2.2	-1.4
Russell 1000 Index	-22.5	-37.6	-18.8	-8.7	-2.0	-1.1
Russell 1000 Value Index	-22.2	-36.9	-20.6	-8.3	-0.8	1.4
Russell 1000 Growth Index	-22.8	-38.4	-17.0	-9.1	-3.4	-4.3
Russell Mid Cap Index	-27.3	-41.5	-21.4	-10.7	-0.7	3.2
Russell Mid Cap Value Index	-27.2	-38.4	-22.1	-10.0	-0.3	4.4
Russell Mid Cap Growth Index	-27.4	-44.3	-21.2	-11.8	-2.3	-0.2
Russell 2000 Index	-26.1	-33.8	-19.3	-8.3	-0.9	3.0
Russell 2000 Value Index	-24.9	-28.9	-19.9	-7.5	0.3	6.1
Russell 2000 Growth Index	-27.4	-38.5	-18.9	-9.3	-2.4	-0.8
91-Day T-Bills Index	0.3	1.8	3.3	3.8	3.1	3.3
Barclays Aggregate Bond Index	4.6	5.2	6.1	5.5	4.6	5.6
Barclays Intermediate Aggregate Bond Index	3.6	4.9	5.9	5.5	4.4	5.5
Barclays Gov't/Credit Index	6.4	5.7	6.5	5.6	4.6	5.6
Barclays Intermediate Gov't/Credit Index	4.8	5.1	6.2	5.5	4.2	5.4
ML 1-3 year Treasury Index	2.7	6.6	7.0	6.0	4.1	4.7
Dow Jones AIG Commodity Index	-30.0	-35.6	-13.5	-8.6	0.2	7.6
HFR Fund of Funds Conservative Index	-9.9	-18.4	-6.2	-1.3	1.3	4.6
HFR Equity Hedge Index	-12.1	-26.2	-9.7	-3.1	1.6	7.0
NAREIT Equity Index	-38.8	-37.7	-27.5	-10.8	0.9	7.4
<b>Non-U.S. Markets</b>						
MSCI EAFE Index	-20.0	-43.4	-20.7	-7.4	1.7	0.8
MSCI EAFE Growth Index	-20.1	-42.7	-18.3	-6.5	1.4	-1.3
MSCI EAFE Value Index	-19.8	-44.1	-23.0	-8.2	1.8	2.7
S&P/Citigroup EMI World ex-U.S. Index	-23.8	-47.7	-25.1	-10.1	2.7	4.3
MSCI Emerging Markets Index	-27.6	-53.3	-19.3	-4.9	7.7	9.1
S&P/Citigroup -World Broad Investment Grade Bond ex-U.S. Index (unhedged)	8.8	10.1	10.8	9.5	6.0	5.6