

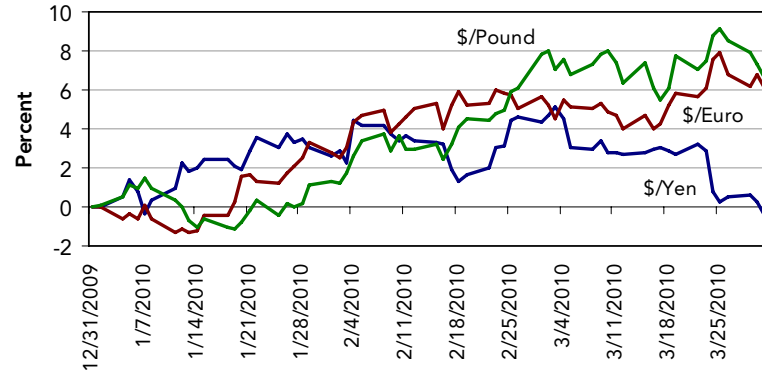
CAPITAL MARKETS REVIEW

1st Quarter 2010

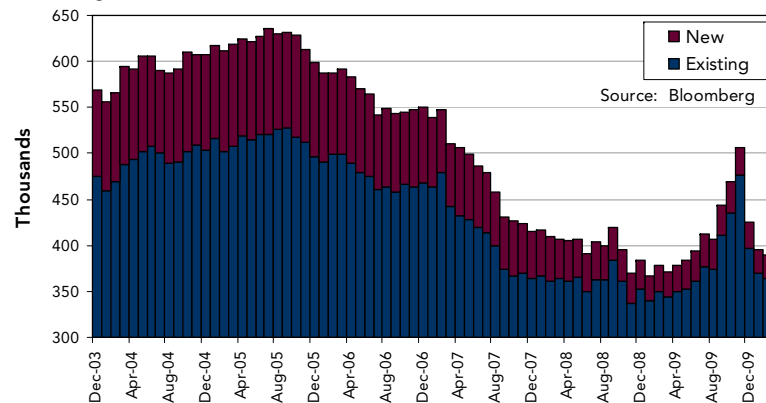
CAPITAL MARKETS REVIEW

Economy

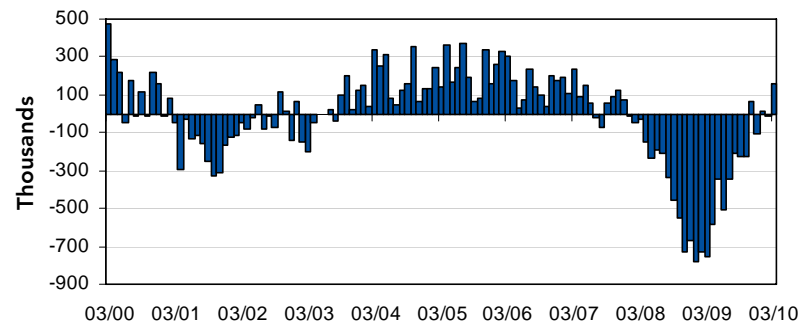
U.S. Dollar Gains



Monthly Home Sales



Strongest Jobs Growth in Two Years



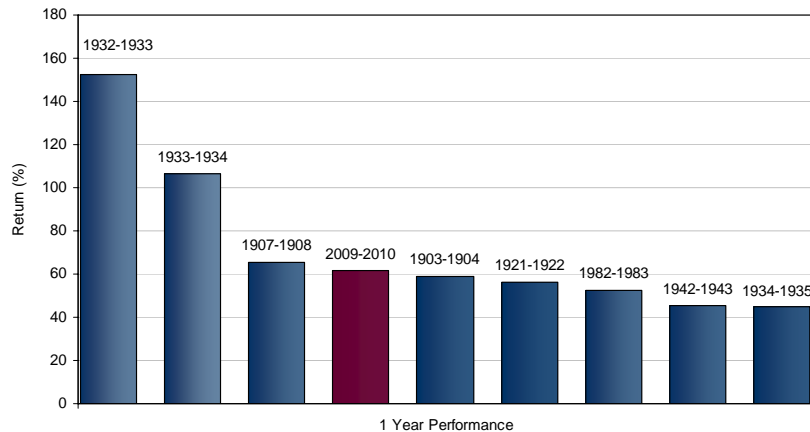
Economy Shows Signs of Improvement

- The economy continued to expand in the first quarter, as manufacturing and technology output increased. Consumers remained cautious, but showed signs of increased spending as employment stabilized.
- Consumer price appreciation slowed, as prices on all goods rose at a 0.9% annual rate, while core prices fell at a 0.2% annual rate during the quarter. Inflationary pressures eased following relatively strong contractions in rents (housing), travel, lodging, and clothing. Food prices showed a strong uptick, following cold weather in Florida, which affected fruit prices, while the long-term effect of thinning animal herds began to push meat prices higher. Used car prices remained high, but are expected to stabilize as auto companies ramp up new-car incentives. Producers have been unable to raise prices to counter the rise in materials' prices, but they have benefitted from a lack of upward wage pressure.
- In a stunning election, the Senate seat held by Ted Kennedy was won by Republican Scott Brown in a special January election. The election ended a Democratic filibuster-proof majority. Healthcare reform legislation passed, marking an expanded role of government in the healthcare arena. Companies announced several billion dollars in accounting losses attributable to changes in retiree healthcare coverage included in the healthcare bill. Congress must still find additional revenues to cover the full cost of healthcare when the program is fully implemented. The bill included increases in capital gains and dividend taxes, as well as the removal of over-the-counter medicines from flexible spending account eligibility.
- Financial troubles in Greece hobbled Europe as an impending debt payment raised fears of default. Negotiations continued between European countries and the IMF to develop a rescue plan, to push for Greek fiscal reforms to rein in public spending and to find an efficient tax structure that allows for reasonable growth and government revenues. The dollar gained nearly 6% against the Euro during the quarter, while gains against the Yen evaporated by quarter-end.
- The unemployment rate fell from 10.0% in December to 9.7% in March. Federal government workers represented one of the best performing sectors, along with healthcare workers, while construction continued to shed jobs. Additional state and local layoffs in the upcoming months may dilute the positive impact from census hiring.
- Following the expiration of initial housing incentives, new home sales fell to their lowest level on record in February. Mortgage rates rose late in the quarter as 10-year Treasury rates rose and the Federal Reserve wound down its mortgage purchase program. The outlook continues to remain weak for housing.

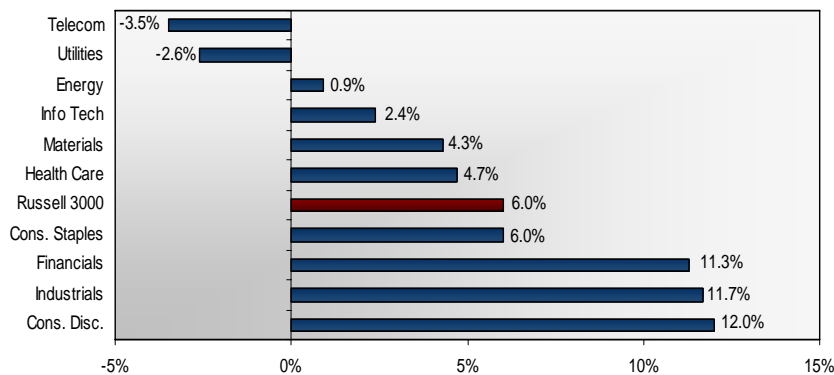
CAPITAL MARKETS REVIEW

Equities

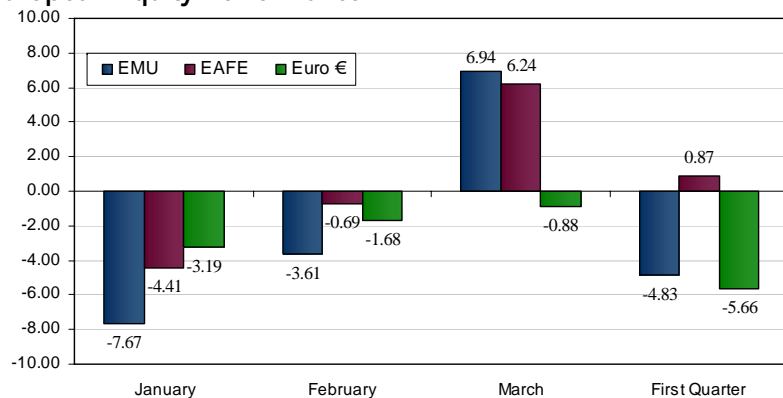
1 Year Bull Market Return Comparison



1st Quarter 2010 Sector Returns



European Equity Performance



Equity Markets Show Resilience in First Quarter

- Equity markets finished the quarter on a positive note following strong performance in March. Domestic markets traded higher on a steady flow of strong economic news and accommodative monetary policy. The S&P 500 gained 5.4%, which is the strongest first quarter for the S&P 500 since 1998. Historically, the current 1-year bull market ranks as the fourth strongest rally on record following a market trough, with only the 1907-1908 and post 1929 crash rallies contributing higher returns. Emerging markets finished the quarter in positive territory, returning 2.5% for the quarter versus the MSCI EAFE's return of 0.9%.
- In U.S. markets, value outperformed growth, whereas growth outperformed value in the international markets. Small cap companies generally outperformed large cap companies, as they gained momentum following positive news surrounding a global recovery. For the Russell 3000, the telecom and utilities sectors lost value during the quarter (-3.5% and -2.6%, respectively) with consumer discretionary (+12.0%), industrials (+11.7%) and financials (+11.3%) providing the strongest returns. Top individual contributors to the Russell 3000 for the quarter included GE (+21.0%), Bank of America (+18.6%) and Apple Inc. (+11.5%).
- International developed markets struggled to generate gains during the quarter as Western Europe, particularly the European Monetary Union (EMU), suffered following continued sovereign debt issues with Greece. In addition to poor EMU market performance, the Euro declined markedly during the quarter, further detracting from results for unhedged investors. Positive performance for the quarter was driven in large part by the Nordic countries (+6.7%) such as Denmark (+9.7%) and Finland (+11.9%), as well as the Pacific region (+6.3%), which was buoyed by strong performance in Japan (+8.2%). Returns were led by the information technology sector (+11.9%), with industrials (+5.7%) and consumer discretionary (+3.0%) finishing the quarter a distant second and third. Sector laggards included telecom (-4.3%) and utilities (-4.0%).
- Emerging market returns were mixed for the quarter, with Eastern European countries contributing strong results relative to the returns experienced in Asia and Latin America. Of the BRIC countries, Russia (+4.2%) and India (+4.8%) were the strongest performers, with China (-1.6%) and Brazil (-0.1%) losing value for the quarter. Brazil's performance was hurt by poor results in consumer discretionary (-13.9%) and telecom (-15.0%), whereas China was mired by poor performance in materials (-5.8%), consumer discretionary (-2.8%) and financials (-2.7%). For the broader MSCI EM Index, energy (-0.7%) was the only sector to lose value for the quarter, with healthcare (+12.3%), materials (+5.6%) and industrials (+4.4%) contributing the most to performance.

CAPITAL MARKETS REVIEW

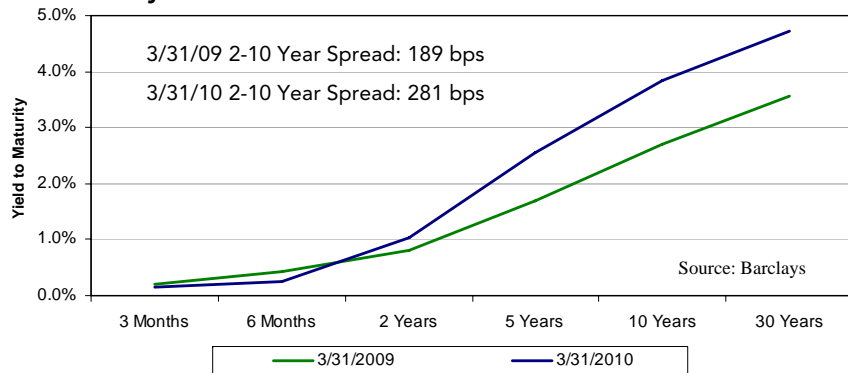
Fixed Income

Duration-adjusted Excess Returns to Treasuries (bps)

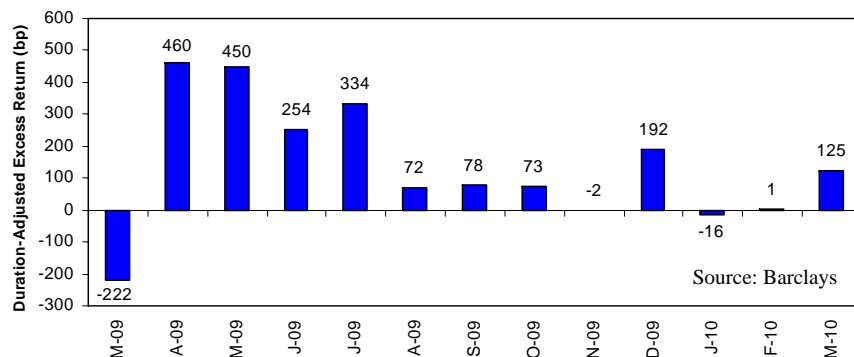
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	1Q10
Aggregate	-80	80	-131	54	29	155	103	-31	85	-206	-710	746	78
Agency	-49	41	-13	73	96	27	78	13	75	-56	-110	288	32
MBS	-90	113	-77	-75	173	11	142	-37	122	-177	-232	495	69
ABS	-88	137	43	139	-16	181	145	32	87	-634	-2223	2496	133
CMBS	N/A	87	-41	131	210	201	118	15	137	-435	-3274	2960	795
Credit	-238	170	-463	277	-187	527	159	-85	119	-464	-1786	1990	113
High Yield	-843	476	-1897	-285	-1329	2642	800	47	843	-777	-3832	5955	350
Emerging Markets	-2046	2417	148	-541	23	2465	823	959	702	-457	-2842	3797	314

■ Best Period
 ■ Worst Period
 ■ Second Worst Period
 Source: Barclays, BlackRock

US Treasury Yield Curve



Investment Grade Credit Excess Returns to Treasuries



Risk Appetite Strong as Fed Removes Crisis Measures

- Fixed income investors were emboldened in the first quarter by a combination of a modest improvement in employment, subdued inflation and lower default rates, bringing the broad U.S. investment grade market to a 1.8% return. The U.S. Federal Reserve Board shuttered many of the emergency programs instituted during the credit crisis but affirmed its intention to keep rates low for the time being. As a result, Treasuries saw a modest return of 1.1%. The steepness of the Treasury yield curve remained at near-record levels and spreads continued to collapse, which created a favorable environment for active fixed income management.
- Improving fundamentals and strong demand drove performance in investment grade credit (+2.3%). Performance was led by the bonds of financials companies (+2.9%) as investors moved into higher-beta names during the quarter. In general, lower-rated securities outperformed, with BBB-rated securities returning 2.9% against a 1.5% return for AAA-rated securities. Lower-rated securities also outperformed in high yield (+4.6%), where CA-D-rated securities returned 12.6%. During the trailing twelve months, CA-D-rated securities have returned an astounding 170.2%.
- The Term Asset-Backed Loan Facility (TALF) was phased out during the quarter, having achieved the government's goal of continuing the flow of credit in the asset-backed and commercial mortgage-backed markets through the credit crisis. Asset-backed securities returned 2.2% during the quarter as investors continued to seek highly-rated, higher-yielding securities. Ongoing support from the final TALF auctions, the increased availability of leverage as well as additional demand from yield-seeking investors all propelled the CMBS sector to a 9.0% return despite a still-weak fundamental outlook for commercial real estate.
- The mortgage market experienced a great deal of volatility during the quarter, yet ended the quarter with a 1.6% return. The market was relatively unaffected by the winding-down of the U.S. government's MBS purchase program, which ended as scheduled after tallying \$1.25 billion in purchases. However, the market gyrated after Fannie Mae and Freddie Mac announced their intention to buy out delinquent loans from their mortgage-backed securities and the government announced new terms for the Home Affordable Mortgage Program (HAMP).
- Non-U.S. developed government bonds returned 1.1% in local currency terms and -2.1% in U.S. dollar terms. European leaders agreed to offer a package of loans to aid Greece as it continued to struggle with its fiscal crisis, but not before Greek bonds fell 7.8% and uncertainty regarding the effect of Greece's troubles on the EMU forced the Euro downward. The troubles in developed government bonds as well as strong fundamentals in emerging economies led many investors to shift their focus to emerging markets debt, as externally-denominated EM government debt returned 4.2% and locally-denominated EM government debt returned 5.5%.

CAPITAL MARKETS REVIEW

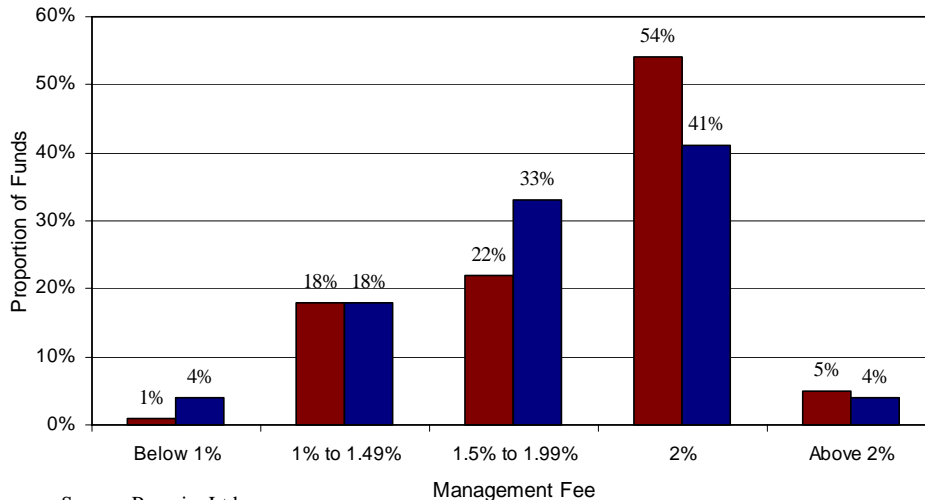
Hedge Funds

Hedge Fund Performance Results March 31, 2010

Style	First Quarter	Last Twelve Months
Convertible Arbitrage	2.6%	48.1%
Distressed Securities	5.2%	35.7%
Equity Hedge	3.1%	28.8%
Equity Market Neutral	1.0%	3.1%
Macro	0.4%	5.7%
Merger Arbitrage	1.9%	11.0%
Hedge Fund Composite	2.6%	22.6%
Fund of Funds	1.5%	12.7%
S&P 500	6.0%	49.8%
BC Aggregate Bond Index	1.8%	7.7%

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Management Fee Distribution for Direct Hedge Funds



Source: Prequin, Ltd.

■ 2Q 2009 ■ 4Q 2009

Hedge Fund Managers Cautious Into 2010

- The HFR Hedge Fund Composite Index produced a respectable 2.6% return during the first quarter of 2010, but was unable to keep pace with the strong equity market rally. Hedge fund of funds gained 1.5% during the quarter; short-biased, equity market neutral and global macro strategies dampened the performance of fund of funds managers. During the last twelve months, hedge fund of funds returned 12.7%, beating the BC Aggregate Bond Index's 7.7% return, but falling significantly short of the 49.8% return of the S&P 500 Index.
- Despite rallies in risky assets during February and March, hedge fund managers continued to maintain low net market exposure favoring intra-market trades over directionality. The general consensus is that uncertainty remains over the direction of the capital markets and the potential for a reversal looms, so a conservative investment approach is warranted. Equity long/short managers were about 30% net long at the end of March according to Bank of America-Merrill Lynch, which is below the historical average of around 40%.
- In a Deutsche Bank AG survey of investors (mainly fund-of-funds, pension funds, and private banks), the majority of respondents expect to see more than \$100 billion of net assets flow into hedge funds during 2010. Hedge funds experienced billions of outflows in 2008 and 2009.
- A recent study from PerTrac concluded that of the approximately \$1.4 trillion in hedge fund industry assets at the end of 2009, 40% are invested in funds of hedge funds while 60% are invested directly in hedge funds. This is a reversal of the proportions at the end of 2008. Attrition among hedge fund of funds has been significant since the financial crisis and the Bernie Madoff scandal.
- A controversial European Union proposal is under discussion that would essentially ban alternative investment firms that are managed outside of the bloc countries from marketing freely throughout the EU. Under the current draft, a hedge fund manager outside the EU could market funds in a particular country if they obtain the country's appropriate registration, but the registration would be non-transferrable to other EU countries.
- Research by Prequin, Ltd. indicates that the hedge fund industry is moving farther away from the 2% management and 20% performance fee structure that has been standard. Prequin, Ltd. found that at the end of 2009, 45% of the direct hedge fund universe charged a management fee of 2% or greater compared to almost 60% of the hedge fund universe at June 30, 2009. The average management fee charged by direct hedge funds at the end of 2009 was 1.65% and the average performance fee was 18.9%.

CAPITAL MARKETS REVIEW

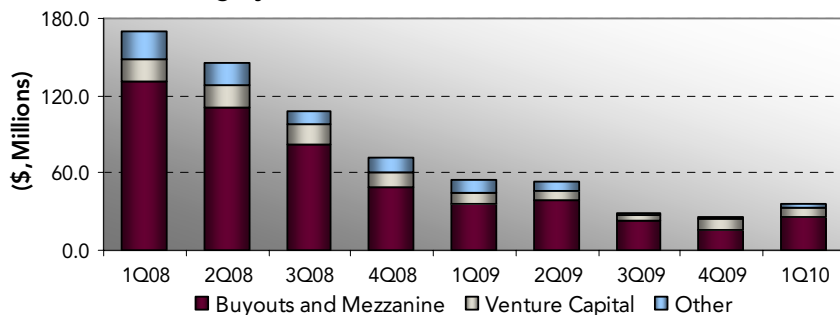
Private Equity

Investment Horizon Returns as of 12/31/09

Fund Type	3 Months	1 Year	3 Years	5 Years	10 Years	20 Years
Early/Seed VC	1.7%	0.8%	-1.0%	0.9%	-0.3%	23.0%
Balanced VC	2.4%	7.9%	0.9%	6.8%	2.3%	15.0%
Later Stage VC	7.4%	9.3%	5.6%	7.6%	1.7%	15.0%
All Venture	3.1%	4.6%	0.9%	4.3%	1.1%	17.7%
Small Buyouts	-3.1%	4.3%	0.1%	4.2%	3.4%	11.5%
Med Buyouts	5.4%	4.2%	3.6%	8.7%	4.1%	10.8%
Large Buyouts	6.0%	11.4%	2.7%	6.7%	4.9%	10.5%
Mega Buyouts	4.6%	11.2%	-1.0%	4.8%	4.7%	7.8%
All Buyouts	4.7%	11.0%	-0.3%	5.3%	4.6%	8.9%
Mezzanine	-2.6%	-4.8%	0.7%	2.8%	2.9%	6.8%
All Priv Equity	4.4%	12.3%	0.8%	5.5%	4.0%	11.2%
S&P 500	6.0%	26.5%	-5.6%	0.4%	-0.9%	8.2%
Russell 2000	3.9%	27.2%	-6.1%	0.5%	3.5%	8.3%

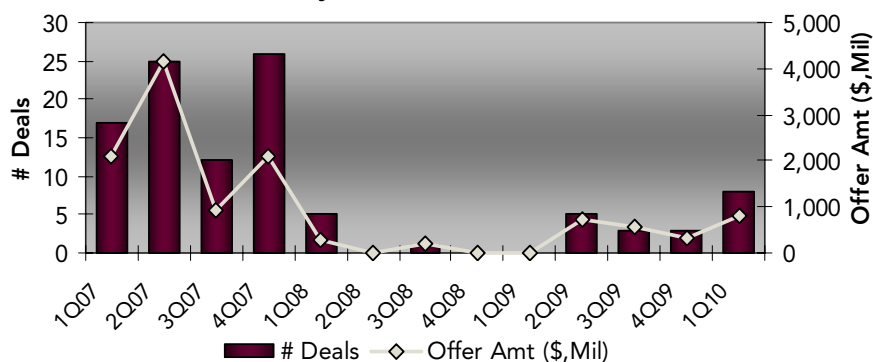
Source: Thomson Financial Venture Economics & National Venture Capital Assn.
Note: Data is continuously updated and is therefore subject to change.

Global Fundraising by Quarter



Source: Thomson Financial Venture Economics & National Venture Capital Assn.

US Venture-Backed IPOs by Quarter



Source: Thomson Financial Venture Economics & National Venture Capital Assn.

Positive Performance Continued During Fourth Quarter

- In aggregate, private equity funds gained 4.4% during the fourth quarter of 2009, trailing the S&P 500 return of 6.0%, but outperforming the Russell 2000 Index return of 3.9%. Later stage venture capital (+7.4%) and large buyout funds (+6.0%) experienced the strongest quarters while small buyouts (-3.1%) declined for the second consecutive quarter. Small buyout valuations have taken longer to price in declines as valuations in the space are generally determined more based on discounted cash flow models. Larger buyouts are often valued based on public market comparables so declines and subsequent rebounds are typically priced in more rapidly.
- While private equity funds continued to have a difficult time raising capital during the first quarter of 2010, global fundraising experienced modest increases relative the last two quarters of 2009. Private equity funds raised \$35.9 million of commitments during the first quarter compared to \$28.7 million and \$25.8 million in third and fourth quarters of 2009, respectively. However, that number is still lower than the \$54.2 million raised during the first quarter of 2009 and well below the \$170 million raised by the asset class in the first quarter of 2008.
- The strong rebound in debt markets over the past year has driven improvements in private equity market conditions. During the first quarter, \$3.2 billion of leveraged loans were issued to back LBOs, an increase of more than 1,200% from the first quarter of 2009. During 2009, high-yield debt issuance reached its highest level on record at \$154 billion. That trend continued into the first quarter of 2010 with the issuance of another \$66.2 billion of high-yield debt, up from just \$10.9 billion in the first quarter of 2009. The increased availability of debt has driven an increase in U.S. private equity deal activity, as 110 deals worth \$13 billion were announced during the first quarter. Although that number represented a decline from the \$17 billion of deals announced in the fourth quarter of 2009, it also represented a 56% increase from the first quarter of 2009. Private equity-backed companies have also been able to take advantage of the rebound in debt markets by refinancing debt and extending debt maturities.
- Venture-backed liquidity conditions have improved as evidenced by increased venture-backed IPO activity. During the first quarter of this year, 8 venture-backed IPOs were offered compared to 11 in all of 2009 and 6 in all of 2008. While levels have improved, they remain well below pre-recession levels and historical norms.
- The attractive private equity secondary opportunity set that has been anticipated over the past 18 months has yet to materialize. Median bids on LP interests increased by 3.5% from December 2009 to March 2010, but secondary transaction activity declined for the first quarter as LPs remained reluctant to sell while public markets continued to rally. We anticipate that this opportunity set will develop as GPs put record amounts of dry powder to work at a faster pace. The subsequent capital calls will likely force many liquidity-strapped LPs to utilize the secondary market to manage their private equity portfolios and raise the cash needed to meet fresh capital calls.

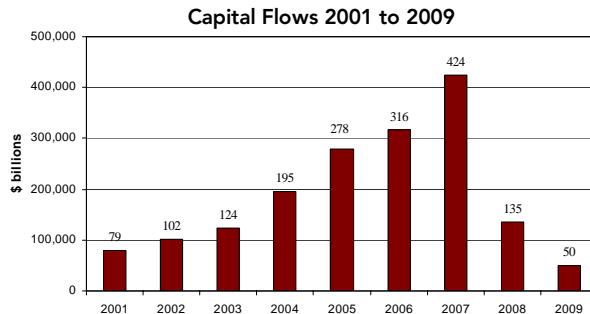
CAPITAL MARKETS REVIEW

Real Assets

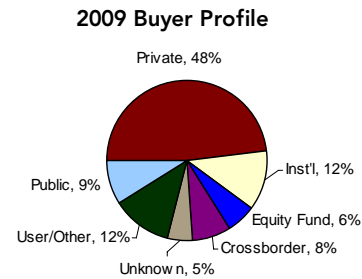
Returns as of December 31, 2009

	3 Mon.	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.
NCREIF	-2.1%	-16.8%	-3.4%	4.7%	7.3%
Apartments	-1.8%	-17.5%	-5.2%	3.4%	6.9%
Industrials	-2.6%	-17.9%	-3.8%	4.6%	7.3%
Office	-2.8%	-19.1%	-3.3%	5.2%	6.6%
Retail	-0.9%	-10.9%	-1.0%	5.7%	9.5%
Hotel	-3.6%	-20.4%	-5.2%	4.5%	5.0%
East	-2.2%	-17.2%	-4.0%	4.8%	8.0%
Midwest	-1.1%	-13.0%	-2.2%	3.5%	5.6%
South	-1.6%	-14.3%	-2.4%	5.0%	6.6%
West	-2.6%	-19.1%	-3.7%	5.0%	7.9%

Real Estate Transaction Volumes As of January 2010



Source: Real Capital Analytics and RREEF Research



Slower Pace of Decline for Private Real Estate; Commodities Lose a Little Luster

- The NCREIF Index returned -2.1% during the fourth quarter resulting in a -16.8% return for 2009, the lowest calendar year result in the history of the Index and the second consecutive year of negative performance. Depreciation for the year was -22.0% while the income return was 6.2%. Retail properties exhibited the strongest relative results during the quarter and year, while hotels were the biggest laggard. It appears that the private real estate markets are stabilizing; however, major headwinds remain. Increased vacancy and decreased rent rates spurred by unemployment and decreased consumer spending, in particular, are the biggest impediment to a recovery.
- The large amount of debt coming due over the next few years could place more downward pressure on real estate values. A recent report by Ibbotson Real Estate stated that there is approximately \$167 billion in U.S. commercial real estate that is in some stage of bankruptcy, foreclosure, or default. Two recent examples include BlackRock and Tishman Speyer defaulting on \$4.4 billion of debt on a New York City apartment building, and Morgan Stanley's give back of five office buildings in San Francisco.
- Total transaction volume for 2009 hit a low of \$50 billion, 63% lower than the prior calendar year, suggesting a disconnect between buyer and seller price expectations and tight credit conditions. However, it appears this might be reversing during 2010 as a trickle of high quality core properties have come to market resulting in modest bidding wars among investors.
- After a modest pullback in January, U.S. and foreign REITs continued their upward trajectory during the quarter. Domestic REITs led the way due to the dollar's surge with a return of 9.6% (NAREIT Index) while the FTSE/EPRA NAREIT Index advanced 4.0%. Improving fundamentals, strong balance sheets, an increase in the risk appetite of investors, and potential acquisition opportunities have contributed to the strong results. Not surprisingly, REITs are currently trading at a premium to their underlying net asset value.
- The DJ-UBS Commodity Index fell 5.0% during the first quarter, hurt by the stronger U.S. dollar and falling agriculture prices. Underlying sector results varied significantly. Industrial metals continued to rise posting a quarterly return of 6.1%. For the trailing one-year period, the sector returned 82.5% reflecting increased global demand. Crude oil posted a gain of 3.4% for the quarter, gold was up 1.4%, but corn prices fell 19.4%.

DJ-UBS Commodity Index Components Total Return Ending March 31, 2010

Allocation	Segment	3 Months	1 Year	3 Years	5 Years
23.6%	Energy	-8.3%	6.6%	-20.7%	-18.4%
20.9%	Industrial Metals	6.1%	82.5%	-5.9%	14.4%
12.9%	Precious Metals	2.3%	23.7%	15.3%	19.7%
21.0%	Grains	-16.0%	-11.8%	-4.0%	-0.9%
6.9%	Livestock	6.1%	-2.4%	-17.7%	-11.5%
7.8%	Petroleum	3.4%	36.9%	-7.6%	-6.4%
6.8%	Softs	-12.6%	25.6%	-0.6%	-4.8%
100%	Total Market	-5.0%	20.5%	-6.9%	-1.4%

CAPITAL MARKETS REVIEW

Index Returns

As of March 31, 2010

(Percentage Return)

	1 Quarter	Year To Date	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Domestic Equity Indices								
Dow Jones Wilshire 5000	6.3	6.3	53.0	-2.4	-3.5	2.8	8.0	0.1
S&P 500	5.4	5.4	49.8	-3.7	-4.2	1.9	6.8	-0.7
Russell 1000 Index	5.7	5.7	51.6	-3.3	-4.0	2.3	7.3	-0.4
Russell 1000 Growth Index	4.6	4.6	49.8	-0.8	-0.8	3.4	6.8	-4.2
Russell 1000 Value Index	6.8	6.8	53.6	-6.0	-7.3	1.0	7.7	3.1
Russell Midcap Index	8.7	8.7	67.7	-0.4	-3.3	4.2	11.3	4.8
Russell Midcap Growth Index	7.7	7.7	63.0	-0.8	-2.0	4.3	10.4	-1.7
Russell Midcap Value Index	9.6	9.6	72.4	-0.4	-5.2	3.7	11.6	8.5
Russell 2000 Index	8.9	8.9	62.8	0.9	-4.0	3.4	10.7	3.7
Russell 2000 Growth Index	7.6	7.6	60.3	1.0	-2.4	3.8	10.3	-1.5
Russell 2000 Value Index	10.0	10.0	65.1	0.4	-5.7	2.8	10.9	8.9
International Equity Indices								
MSCI EAFE	0.9	0.9	54.4	-9.1	-7.0	3.8	11.8	1.3
MSCI EAFE Growth Index	2.0	2.0	50.6	-9.3	-5.7	4.2	10.7	-1.3
MSCI EAFE Value Index	-0.2	-0.2	58.5	-9.0	-8.4	3.2	12.8	3.7
MSCI EAFE Small Cap	4.8	4.8	70.0	-6.8	-8.3	3.6	15.4	N/A
MSCI AC World Index	3.1	3.1	55.5	-5.9	-4.4	3.9	10.0	0.6
MSCI AC World ex US	1.6	1.6	60.9	-7.2	-4.2	6.1	13.9	2.8
MSCI Emerging Markets Index	2.5	2.5	81.6	-1.8	5.5	16.0	23.9	10.1
Fixed Income Indices								
Barclays Capital Aggregate	1.8	1.8	7.7	5.4	6.1	5.4	4.8	6.3
Barclays Capital U.S. Government/Credit	1.5	1.5	7.5	4.6	5.8	5.2	4.6	6.2
Barcap Intermediate U.S. Government/Credit	1.5	1.5	6.9	4.4	5.9	5.2	4.4	5.9
Barclays Capital U.S. Long Government/Credit	1.6	1.6	10.3	5.5	5.8	5.3	5.5	7.3
Barclays Capital US Corp: High Yield	4.6	4.6	56.2	12.3	6.7	7.8	9.7	7.5
BofA Merrill Lynch 1-3 Year Treasury	0.7	0.7	1.4	2.5	4.6	4.2	3.3	4.4
BofA Merrill Lynch 3 Month US T-Bill	0.0	0.0	0.2	0.7	2.0	2.9	2.5	2.8
Citigroup Non-U.S. World Government Bond	-2.1	-2.1	8.4	0.7	7.4	4.7	6.6	6.5
Real Estate								
Dow Jones Wilshire REIT	9.8	9.8	113.7	-8.3	-12.0	3.4	10.1	11.4

Returns for periods greater than one year are annualized.