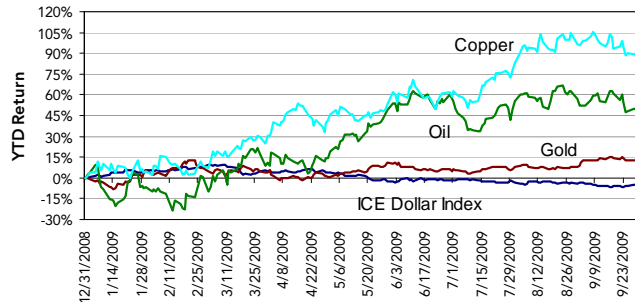


CAPITAL MARKETS REVIEW
3rd Quarter 2009

CAPITAL MARKETS REVIEW

Economy

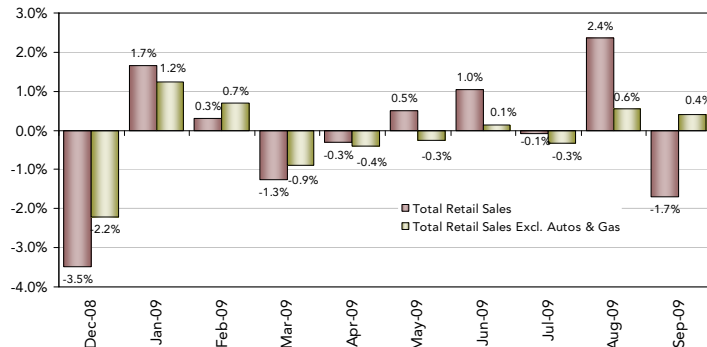
Gold, Oil, Copper, and the Dollar



Natural Gas Prices Move Sharply



Monthly Change in Retail Sales



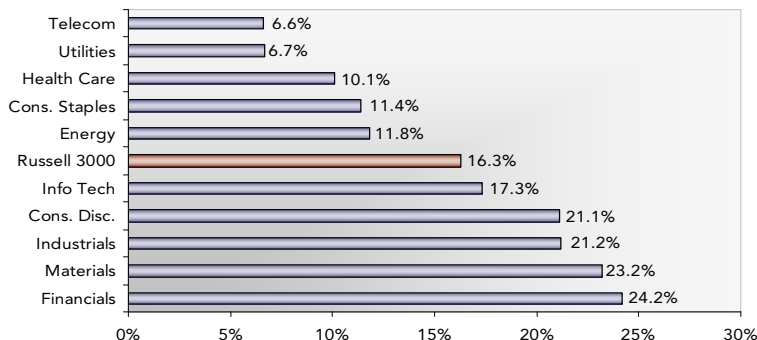
U.S. Economy Expands For First Time Since Early 2008

- The U.S. and other major countries saw their economies expand during the third quarter, signaling an end to over a year of economic contraction.
- The effects of sharply declining tax revenues combined with increased government spending and borrowing pushed investors and central banks to sell the U.S. dollar. Motives were split between capital preservation and the search for higher returns. Industrial and precious metals benefitted, as copper and gold appreciated strongly, while oil remained relatively unchanged during the quarter, following huge gains in the second quarter.
- Inflation remained tame during the quarter, advancing at a 2.5% rate, while prices fell 1.3% from the previous year. Year-over-year consumer inflation is expected to be positive in November. Consumers avoided the typical summer increase in gasoline prices as the economy and jobs outlook pared travel levels.
- Regulators took aim at the natural gas market, attempting to limit the influence of ETFs, which track the commodity through futures contracts. The largest fund (UNG) had accumulated futures equal to 20% of U.S. demand, stoking fears of market manipulation, although the commodity's price had fallen 32% through the first two quarters of 2009. The Intercontinental Exchange (ICE) placed caps on the UNG's futures holdings, causing uncertainty about the viability of the fund. The premium on UNG rose to 19%, then fell sharply and quickly as investors sold gas futures, prompting the commodity to fall 38% in one month. Natural gas prices began rising again as UNG announced plans to issue additional shares, backing them with swaps instead of futures.
- U.S. and foreign automakers benefitted from a federal tax credit for car buyers, the Cash for Clunkers program. Nearly 700,000 cars were sold through the program, while sales outside of the program were slightly below their expected levels, but showed signs of stability. As inventories decreased sharply, GM announced plans to increase its production substantially through 2010.
- Home sales improved by 2% over the third quarter of 2008. A tax credit for first time home buyers and falling home prices energized the market, while the Federal Reserve continued to purchase mortgage debt to keep mortgage rates close to 5%. The Fed announced an extension of the program through spring 2010, while keeping the monetary commitment unchanged, to allow a smooth transition out of the market. The FHA continued to expand its penetration into the mortgage market, as its low down payment model has become a favorite for home buyers.

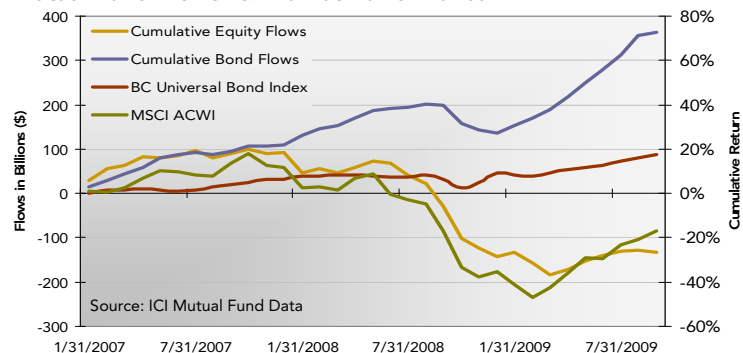
CAPITAL MARKETS REVIEW

Equities

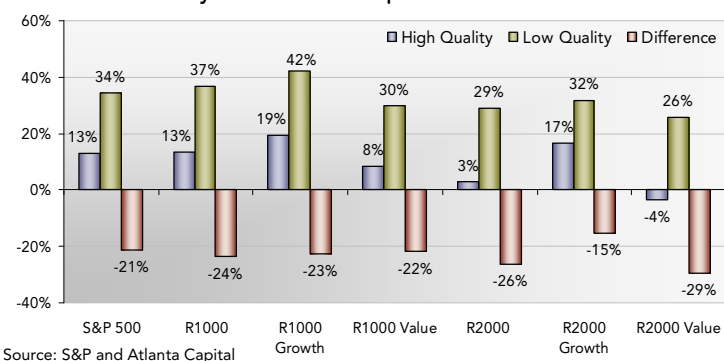
3rd Quarter 2009 Sector Returns



Mutual Fund Flows vs. Market Performance



Year-to-Date Quality Performance Comparison



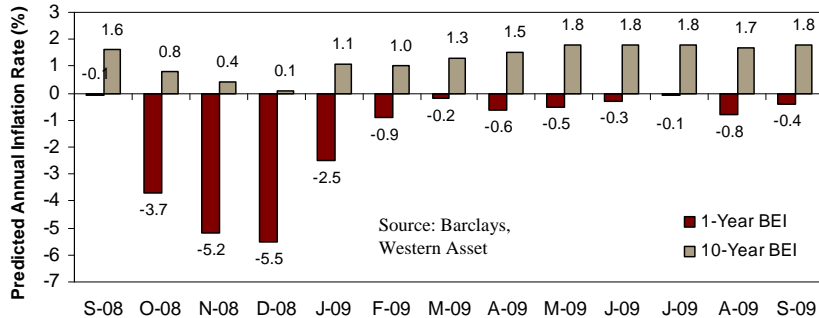
Global Rally Continues Through Third Quarter

- Third quarter equity returns were broadly positive as an end to the recession in the U.S. and other developed countries bolstered equity returns. The S&P 500 finished the quarter up 15.6%, bringing the year-to-date return to 19.3%. Developed foreign markets again outpaced domestic markets gaining 19.5% for the quarter and 29.0% year-to-date. Emerging markets continued to post strong results with a third quarter return of 21.0%, bringing the year-to-date return to an incredible 64.9%.
- In terms of style, value outperformed growth across all market capitalizations. Performance in terms of market capitalization favored mid-cap companies, which were followed closely by small-cap companies. For a second consecutive quarter, all sectors within the Russell 3000 posted positive gains with financials again leading with a 24.2% return. Other strong performing sectors included materials (+23.2%), industrials (+21.2%), and consumer discretionary (+21.1%) all of which benefited from an improving economic outlook. Top individual contributors for the Russell 3000 for the quarter included General Electric (+40.9%), Apple Inc. (+30.1%) and JPMorgan Chase & Co. (+28.7%).
- Financial and materials companies in international markets were the strong performers in the third quarter, returning 28.1% and 19.5%, respectively. For the second consecutive quarter, all sectors and countries in the EAFE Index were positive, with many countries appreciating more than 15.0%. Japan lagged in relative terms, returning 6.5% for the quarter, whereas Australia (+33.1%) continued to perform well as demand for commodities bolstered performance. Strong returns in emerging markets were led by Korea (+34.5%), Brazil (+27.4%), and Russia (27.0%), whose returns were buoyed by an improved outlook and increasing export demand. Laggards included China (+7.8%), Chile (+5.6%) and Morocco (-6.7%).
- Equity returns year-to-date have been characterized by a bifurcation in performance among high-quality and low-quality names. Low-quality names outperformed high-quality names regardless of style or market cap. High-quality is defined as a company with an S&P rating of B+ or better with low-quality comprising of companies with a rating of B or lower. The strong rally in low-quality companies was contrary to fundamental analysis as weaker companies appreciated more than high-quality companies. Despite the current dislocation, investors should expect higher-quality companies to outperform long term.
- Mutual fund flows relative to broader market performance illustrated that during the recent downturn, investors have allocated to bond funds and away from equities. Since 2007, the Barclays Universal Bond Index has returned a cumulative 18%, with positive inflows into the asset class of \$365 billion. Over half of those assets entered since the beginning of 2009. To the contrary, the MSCI All Country World Index (ACWI) has lost a cumulative 17% since 2007, with outflows from equities representing \$132 billion, which is an improvement from the cumulative low of -\$183 billion experienced during March 2009.

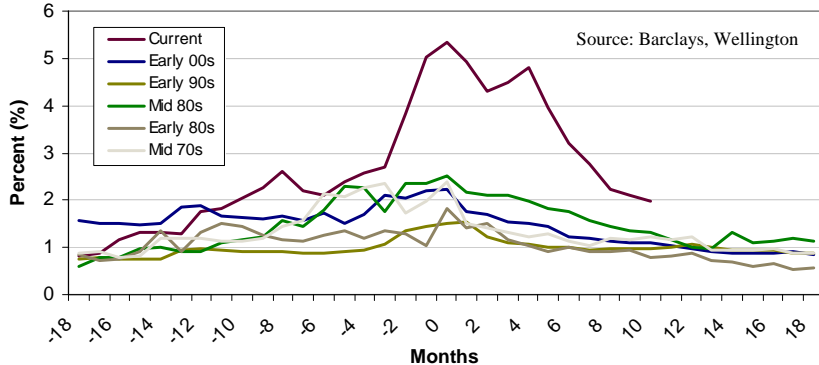
CAPITAL MARKETS REVIEW

Fixed Income

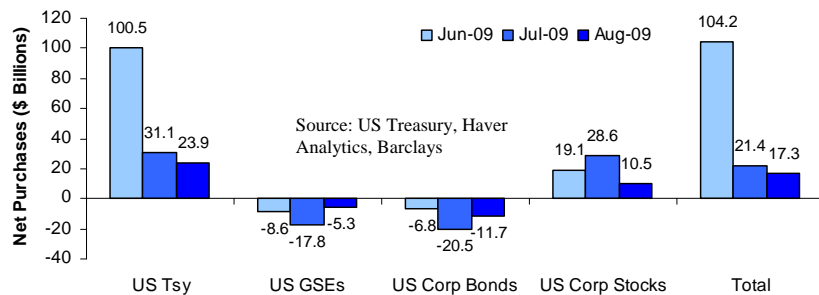
Breakeven Inflation: 1-Year and 10-Year



Past Peaks in IG Credit Spreads and Subsequent Recoveries



Net Foreign Purchases of US Long-Term Marketable Securities



Stabilization in Fundamentals Leads to Further Tightening

- An improvement in the US economic outlook as well as the continued strongly accommodative policies of the Federal Reserve led the broad investment grade fixed income market to return 3.7%. Treasuries (+2.1%) saw a positive return in spite of ongoing worries regarding inflation and increased federal budget deficits. Longer-maturity Treasuries continue to be supported by foreign purchasers, particularly China, who appears to be extending out their Treasury bill holdings. Inflation concerns brought TIPS to a 3.1% return. However, breakeven inflation expectations have remained fairly constant, with the near-term prospects of deflation and uneven growth muddying the longer-term inflation outlook.
- Asset-backed securities (+6.3%) continued to undergo spread compression during the quarter. The Term Asset-Backed Securities Loan Facility (TALF) continued to support activity in the market, while non-TALF investors continued to seek high quality spread product. Autos outperformed credit cards by a modest margin, as used car prices and recovery values were supported by a reduction in supply while increased delinquencies and a continuing bleak employment picture caused investors to be cautious in credit card-backed ABS. CMBS (+12.3%) continued to outperform all other investment-grade sectors as investors continued to anticipate heavy purchases from managers participating in the Public-Private Investment Partnership (PPIP).
- Investment grade credit returned 7.5% as strong technicals, solid fundamentals and an improving economic outlook helped drive performance in the market. Technicals remained a significant factor in performance, as increased liquidity and heavy inflows caused spreads to continue to contract. Demand was encouraged by stronger than expected earnings announcements, as many companies have seen significant cost reductions from personnel reduction and low commodity prices. Resurgent investment banking activity led to surprisingly strong earnings at banks such as Goldman Sachs and JPMorgan, which caused financials to outperform other subsectors with a 9.4% return.
- Demand from retail mutual funds coupled with a stabilizing fundamental outlook for leveraged companies led high yield corporate bonds to return 14.2%. The lowest-quality credits continued to outperform by a significant margin, as the 34.8% quarterly return for the CC-D-rated segment brought its year to date return to 105.8%.
- Mortgage-backed securities (+2.4%) modestly outperformed Treasuries, largely as a result of continued support from Federal Reserve purchases. Relatively low option-adjusted spreads as well as fears of increased prepayment and modification activity as a result of the Home Affordable Modification Program (HAMP) have caused many market participants to sell MBS in favor of other more attractively-priced sectors. Non-agency MBS continued to rally in front of expected buying from PPIP managers, with demand from distressed investors causing lower quality RMBS to outperform prime RMBS during the quarter.
- The US dollar continued to weaken during the quarter and caused non-US government bonds to return 7.3% on an unhedged basis, well above their 2.0% hedged return. Within emerging markets, externally-denominated debt returned 10.2%. Strong countries within EM included Argentina, which outperformed as the government continued to make progress in negotiations with investors regarding the country's 2001 default, and Venezuela, which outperformed as increased oil prices helped to ease funding concerns and the risk of default.

CAPITAL MARKETS REVIEW

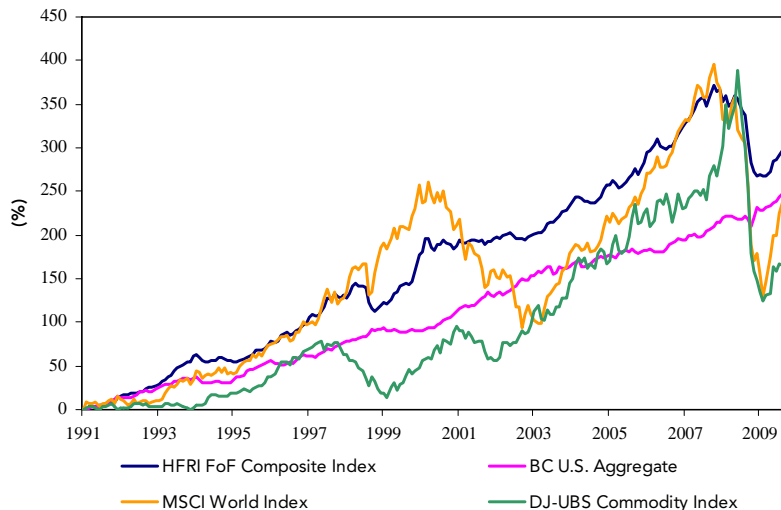
Hedge Funds

Hedge Fund Performance Results September 30, 2009

Style	Third Quarter	YTD
Convertible Arbitrage	12.3%	53.3%
Distressed Securities	10.4%	21.6%
Equity Hedge	8.3%	21.4%
Equity Market Neutral	1.3%	1.6%
Macro	2.8%	4.3%
Merger Arbitrage	2.6%	9.0%
Hedge Fund Composite	6.9%	17.1%
Fund of Funds	4.4%	9.8%
S&P 500	15.6%	19.3%

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Cumulative Asset Class Returns as of September 30, 2009



Hedge Funds Advance But Lag Stocks During Third Quarter

- Hedge funds generally reported positive returns during the third quarter, fueled by the strong equity markets. Year-to-date, hedge funds outperformed bonds but could not keep pace with equities. Through September, the HFR Hedge Fund of Funds Composite gained 9.8% compared to 8.0% for the Barclays Capital U.S. Aggregate Index and 15.6% for the S&P 500 Index. The dispersion of returns across hedge fund strategies was relatively high during the third quarter.
- Convertible arbitrage managers continued to lead, bringing the strategy's year-to-date return to 53.3%. The demise of a number of hedge funds and proprietary trading desks during 2008 created a large opportunity set for these managers. They were able to reap gains despite a decrease in convertible bond trading volumes, a reduction in issuance from earlier this year, and a shrinking universe due to corporate buyback activities. Lower-quality, speculative grade names outperformed; however, many managers have taken profits recently in the names that rallied, stating that valuations have become less attractive.
- Long/short equity managers trailed the long-only equity index during the third quarter, but marginally outperformed year-to-date (21.4% for the HFR Equity Hedge Index versus 19.3% for the S&P 500 Index). Performance has been primarily driven by the long side, while shorting has detracted; however, stock price dispersion within sectors and among companies continues to grow, providing significant opportunities on both sides of long/short equity managers' portfolios.
- The higher end of the risk spectrum continued to produce outsized returns in the credit space. Distressed debt managers that serve as creditors to highly leveraged companies benefited; these companies are up against increased costs and decreased selling prices, and debt-for-equity exchanges have added value to many distressed manager portfolios.
- After the recent market downturn, hedge fund investors in need of cash increasingly turned to the secondary market to sell their stakes at a discount. Now that markets have improved and performance has rebounded, many hedge funds that imposed liquidity gates and lock-ups last year have started returning investors' money. This will likely cause activity in the secondary hedge fund market to shrink.
- Hedge Fund Research reported that hedge funds experienced their first quarter of net inflows in more than a year. \$1.1 billion of net new capital flowed into funds during the third quarter bringing total hedge fund assets to approximately \$1.5 trillion.

CAPITAL MARKETS REVIEW

Private Equity

Investment Horizon Returns as of 6/30/09

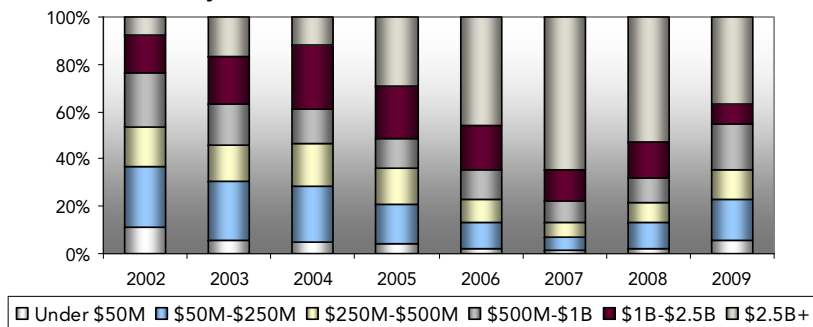
Fund Type	3 Months	1 Year	3 Years	5 Years	10 Years	20 Years
Early/Seed VC	0.6%	-18.8%	0.2%	3.1%	13.3%	22.2%
Balanced VC	6.2%	-18.4%	3.8%	7.7%	10.1%	14.7%
Later Stage VC	2.1%	-7.9%	7.1%	7.7%	6.0%	14.5%
All Venture	2.8%	-16.4%	2.8%	5.7%	9.9%	17.2%
Small Buyouts	3.3%	-13.1%	1.6%	6.6%	4.2%	11.9%
Med Buyouts	-0.4%	-10.7%	6.1%	11.6%	7.2%	11.1%
Large Buyouts	1.9%	-14.3%	3.8%	7.2%	5.4%	10.8%
Mega Buyouts	4.9%	-20.8%	-1.6%	5.0%	4.3%	7.7%
All Buyouts	4.4%	-20.0%	-0.3%	5.9%	4.7%	9.1%
Mezzanine	2.7%	-21.2%	1.4%	3.0%	4.0%	7.2%
All Priv Equity	5.7%	-18.8%	1.1%	6.1%	6.1%	11.4%
S&P 500	15.9%	-26.2%	-8.2%	-2.2%	-2.2%	7.8%
Russell 2000	20.7%	-25.0%	-7.8%	-1.7%	2.4%	7.3%

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

Private Equity Fundraising Difficulties Continue

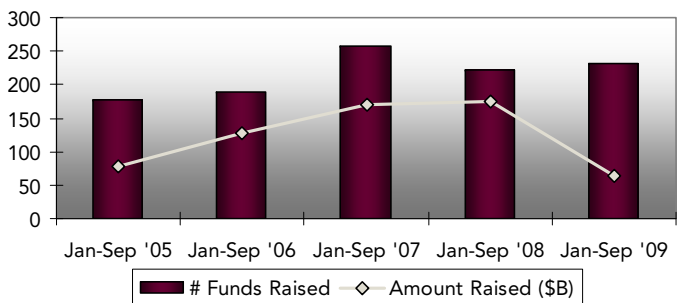
- Most private equity fund types experienced positive returns during the second quarter following two quarters of negative returns. However, private equity funds significantly trailed the public markets, returning +5.7% for the quarter while the S&P 500 and Russell 2000 returned +15.9% and +20.7%, respectively. Mega buyout funds were among the strongest performers as valuations for those funds, which are affected more by public market comparables, were coming off of sharper declines the previous two quarters.
- Private equity fundraising difficulties continued as firms raised just \$64.3 billion year to date, a 63% decline from the \$174.6 billion raised during the same period in 2008. Buyout funds have taken the largest hit, with year-over-year fundraising down 70% for the sector as investors fear that a lack of debt financing could negatively impact the debt-intensive sector's potential returns. Venture capital fundraising fell 50% year to date.
- Due to the difficult fundraising environment, many firms are extending current fundraising efforts or pushing back plans to launch new funds. Funds that held a final close during the third quarter took an average of 18 months to close. Investors have been cautious on new commitments to private equity funds partly due to concerns that funds have accumulated approximately \$1 trillion worth of dry powder that still has to be put to work due to a lack of deal volume in recent quarters. Mega-buyout firms KKR and Blackstone Group currently have \$29 billion to put to work.
- A continued dearth of debt financing available for deals has shifted private equity investor focus away from large deals (+\$1 billion), which generally require a significant debt component, toward small to mid-market deals, which generally utilize less debt and where all-equity transactions are occurring more frequently. This theme is expected to continue for the foreseeable future.
- Although fundraising for secondary private equity offerings has reached record levels in 2009 with secondary firms raising \$16.1 billion in the first half of the year alone, actual secondary transaction activity has been very slow primarily due to a pricing disconnect between buyers and sellers and uncertainty in the public markets. However, managers are starting to see secondary pricing become more steady and there are signs that pricing may be bottoming out. Funds priced on December 31, 2008 data had an average high bid of 52% while funds priced at earlier NAVs had an average high bid of 44% of that same 2008 year-end valuation.

PE Investment By Deal Size



U.S. Fund-Raising

Source: PitchBook



Source: Private Equity Analyst - September 2009

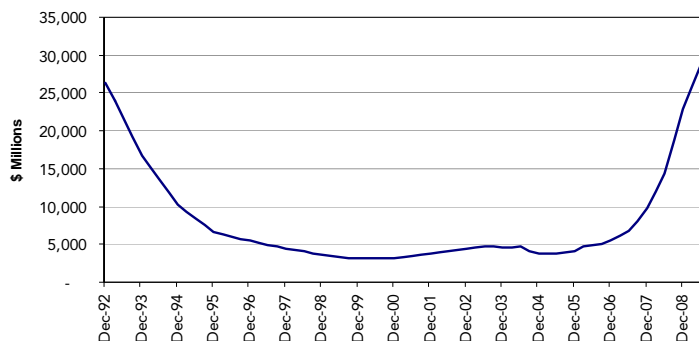
CAPITAL MARKETS REVIEW

Real Assets

Returns as of June 30, 2009

	3 Mon.	YTD	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.
NCREIF	-5.2%	-12.1%	-19.6%	1.0%	7.6%	8.5%
Apartments	-5.1%	-13.4%	-20.9%	-1.6%	5.8%	8.1%
Industrials	-5.1%	-12.2%	-19.2%	0.8%	7.4%	8.6%
Office	-6.5%	-14.0%	-22.2%	1.9%	7.9%	7.9%
Retail	-3.0%	-7.2%	-12.9%	2.4%	9.2%	10.5%
Hotel	-5.5%	-13.5%	-23.0%	1.2%	7.4%	6.1%
East	-5.2%	-13.2%	-21.6%	0.5%	7.6%	9.2%
Midwest	-4.5%	-9.8%	-15.8%	0.8%	5.7%	6.6%
South	-4.6%	-10.1%	-11.3%	1.4%	7.5%	7.5%
West	-5.8%	-13.0%	-20.6%	1.4%	8.4%	9.3%

Bank-Owned Foreclosed Real Estate



Source: FDIC, BlackRock

DJ-UBS Commodity Index Components

Total Return Ending September 30, 2009

Allocation	Segment	3 Months	YTD	1 Year	3 Years	5 Years
25.6%	Energy	-4.3%	-8.4%	-51.7%	-19.4%	-16.5%
20.3%	Industrial Metals	20.1%	53.9%	-9.3%	-8.7%	11.8%
10.8%	Precious Metals	12.5%	21.8%	19.7%	16.5%	18.3%
21.0%	Grains	-8.9%	-13.4%	-25.4%	4.6%	1.2%
6.7%	Livestock	-5.6%	-18.2%	-30.9%	-19.7%	-12.7%
7.4%	Petroleum	-3.8%	9.9%	-51.9%	-11.0%	-6.2%
8.2%	Softs	18.0%	34.5%	12.8%	-0.2%	-0.5%
100%	Total Market	4.2%	9.1%	-23.7%	-4.9%	-0.7%

Private Markets Stabilization Remains Elusive, Public Markets Continue Upward March

- Private real estate markets continued to deteriorate during the second quarter. The income return of 1.5% failed to offset depreciation of -6.7%, resulting in a return of -5.2% for the NCREIF Index. The trailing one-year return of -19.6% again set a new low since the Index's inception in 1978. Occupancies and market rents across the U.S. and all property types continued to weaken. Among the four major segments, vacancy rates now exceed their respective natural vacancy rates with apartment, industrial, and retail rates all piercing through previous records set in both the 1990s and early 2000s. Although office has yet to set a record, consensus is that this segment will breach those highs in the coming quarters.
- Returns prospects for private real estate remain bleak as evidenced by the derivatives market, which implies that values will decline more than 50% from their peak before the market troughs. Through the second quarter, NCREIF declined only 25% from the peak experienced during 1Q08. This suggests that coming quarters will result in downward revisions especially as distressed transactions are completed. Banks, in particular, have significant real estate portfolios that need to be sold in order to shore up their balance sheets. Most real estate funds employ leverage, which further magnifies the declines.
- U.S. and foreign REITs recorded another very strong quarter as many investors believe REITs are poised to benefit from the re-pricing of real estate over the next few years. The NAREIT Index and FTSE/EPRA NAREIT Index advanced 32.0% and 25.1%, respectively during the quarter. Year-to-date, foreign REITs are well within positive territory with a return of 32.4%. Due to the strong third quarter results, U.S. REITs are now positive as well on a year-to-date basis up 17.8%.
- Globally, real estate property companies have raised over \$45 billion of equity (\$20 billion in the U.S. alone) in the last ten months. On the debt side, REIT yield spreads have improved in lock step with the high yield market and U.S. REITs are now able to raise unsecured debt with favorable yields to maturity in the 6-7% range. Additionally, several recent IPOs of real estate companies point to further industry stabilization.
- The DJ-UBS Commodity Index rose 4.2% during the third quarter, bringing year-to-date results to 9.1%. The segment returns varied widely. Given the prospect of a rise in inflation, metals in particular have experienced a robust 2009. During the quarter, copper rose 23%, gold was up 8.5% and silver prices increased 22%. Oil prices remained close to \$70 during the quarter and closed the quarter down only 3%.

CAPITAL MARKETS REVIEW

Index Returns

As of September 30, 2009

(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	16.3	22.1	-5.9	-13.9	-4.6	1.9	6.9	0.9
S&P 500	15.6	19.3	-6.9	-14.8	-5.4	1.0	5.9	-0.2
Russell 1000 Index	16.1	21.1	-6.1	-14.5	-5.1	1.5	6.3	0.4
Russell 1000 Growth Index	14.0	27.1	-1.9	-11.9	-2.5	1.9	5.8	-2.6
Russell 1000 Value Index	18.2	14.8	-10.6	-17.3	-7.9	0.9	6.6	2.6
Russell Midcap Index	20.6	32.6	-3.5	-13.5	-4.1	3.9	9.9	6.0
Russell Midcap Growth Index	17.6	37.1	-0.4	-13.4	-3.1	3.8	9.6	2.2
Russell Midcap Value Index	23.6	27.6	-7.1	-14.1	-5.7	3.5	9.7	7.4
Russell 2000 Index	19.3	22.4	-9.5	-12.0	-4.6	2.4	9.0	4.9
Russell 2000 Growth Index	16.0	29.1	-6.3	-11.9	-2.6	2.9	9.0	1.1
Russell 2000 Value Index	22.7	16.4	-12.6	-12.4	-6.6	1.8	8.8	8.1
International Equity Indices								
MSCI EAFE	19.5	29.0	3.2	-15.3	-3.6	6.1	10.9	2.6
MSCI EAFE Growth Index	16.8	24.2	-0.8	-15.8	-3.2	5.7	9.4	0.6
MSCI EAFE Value Index	22.1	33.9	7.3	-14.9	-4.1	6.3	12.4	4.4
MSCI EAFE Small Cap	22.1	48.3	15.5	-13.5	-3.8	7.2	14.2	N/A
MSCI AC World Index	17.9	28.7	-0.1	-14.5	-3.2	4.6	9.2	1.6
MSCI AC World ex US	19.7	36.4	5.9	-14.1	-1.2	8.1	12.8	4.0
MSCI Emerging Markets Index	21.0	64.9	19.4	-10.5	8.3	17.7	22.6	11.7
Fixed Income Indices								
Barclays Capital Aggregate	3.7	5.7	10.6	7.0	6.4	5.1	5.0	6.3
Barclays Capital U.S. Government/Credit	4.2	4.7	11.5	6.8	6.2	4.9	4.9	6.3
Barcap Intermediate U.S. Government/Credit	3.3	4.9	10.0	6.5	6.2	4.7	4.6	5.9
Barclays Capital U.S. Long Government/Credit	8.5	4.7	18.4	8.6	6.9	6.0	6.3	7.8
Barclays Capital US Corp: High Yield	14.2	49.0	22.3	4.2	5.3	6.1	10.2	6.3
Merrill Lynch 1-3 Year Treasury	0.8	0.8	3.5	4.9	5.2	4.0	3.4	4.5
Merrill Lynch 3 Month US T-Bill	0.1	0.2	0.4	1.6	2.8	3.1	2.6	3.1
Citigroup Non-U.S. World Government Bond	7.3	6.7	16.0	10.5	10.2	7.1	8.7	6.7
Real Estate								
Dow Jones Wilshire REIT	35.4	17.8	-29.3	-21.3	-13.7	1.2	7.6	9.7

Returns for periods greater than one year are annualized.