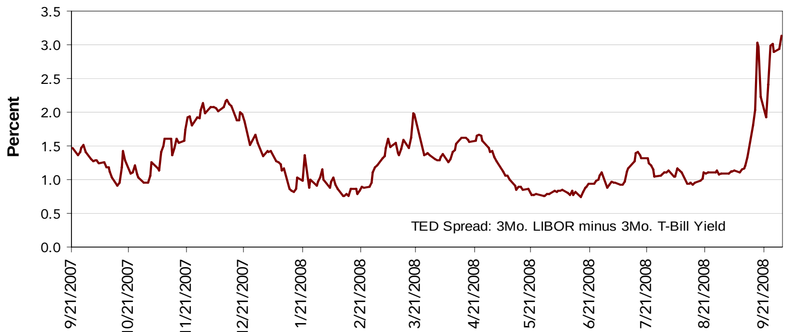
CAPITAL MARKETS REVIEW
3rd Quarter 2008

STRATFORD ADVISORY GROUP

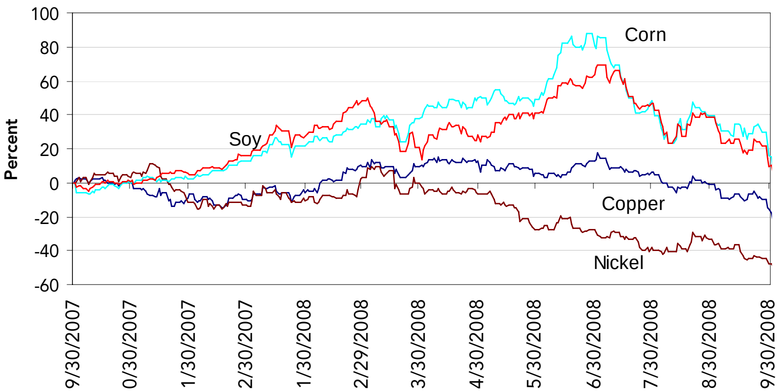
CAPITAL MARKETS REVIEW

Economy

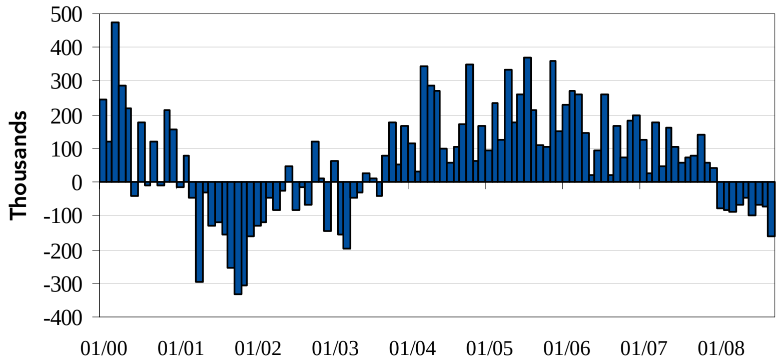
Interbank Lending Costs Soar



Crop and Metal Prices Fall Sharply



Monthly Payroll Growth



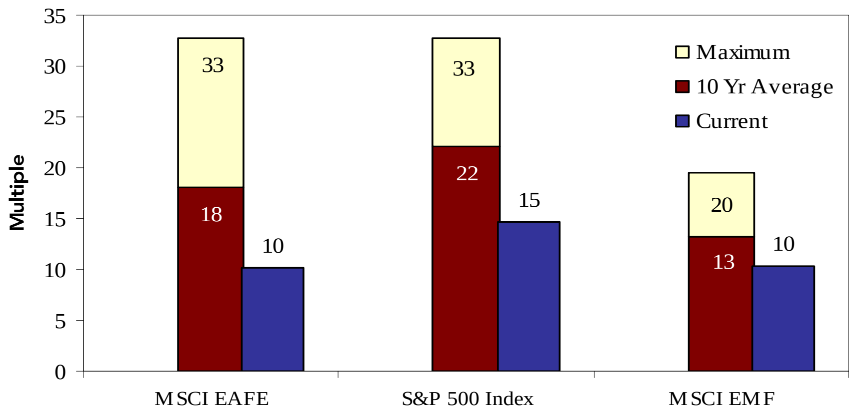
Global Economy Braces For Slowdown

- The outlook for global economic growth turned strongly downward as the credit crisis hampered the flow of capital worldwide.
- A reorganization of major financial companies saw Fannie Mae and Freddie Mac placed under federal control, while global insurer AIG was provided an $85 billion lifeline to allow for the liquidation of its underlying operations when it ran short of cash to pay current liabilities. Washington Mutual and IndyMac Bank were declared insolvent, while Wachovia Bank was targeted for takeover by Citibank and Wells Fargo.
- The failure of Lehman Brothers rippled through markets, as the unwinding of its operations caused significant distress. Several money market funds holding Lehman securities dropped below $1/share and counterparties to trades with the company lost billions. Energy and commodities prices moved lower when Lehman closed its trading desk and its long positions were closed quickly. Merrill Lynch escaped the same fate after it was purchased by Bank of America. The remaining large investment banks, Goldman Sachs and Morgan Stanley, changed their status to reflect a traditional deposit-based model going forward, giving them wider access to Federal Reserve borrowing facilities.
- Central banks worldwide expanded their activities to include emergency funding and equity injections into the banking system. Extraordinary measures included government backing of money market funds, direct investments in banks, expanded lending operations, and an open-ended commitment to provide as much money as needed to keep credit markets operating.
- The shift to risk-averse investments drove demand for Treasury debt higher, plunging short term yields to near zero. Despite the massive amounts of new government debt issued to fund the financial bailout packages, global demand for a safe-haven pushed the U.S. dollar higher in value.
- Global demand for goods slowed, foreshadowing a broad economic slowdown. Emerging market economies faced the challenge of balancing recent prosperity with the sharp downturn in commodity prices, which provide the bulk of revenues for many countries. A higher likelihood of corporate and national defaults caused investors to pull money from overseas investments.
- Consumers benefited as crude oil fell from over $147/barrel in July to $90/barrel in September. Inflation slowed from a peak in July to 4.9% year-over-year in September, and is expected to continue moderating as the economy cools and job losses mount. Future tax policy was debated as the Presidential race nears a culmination.

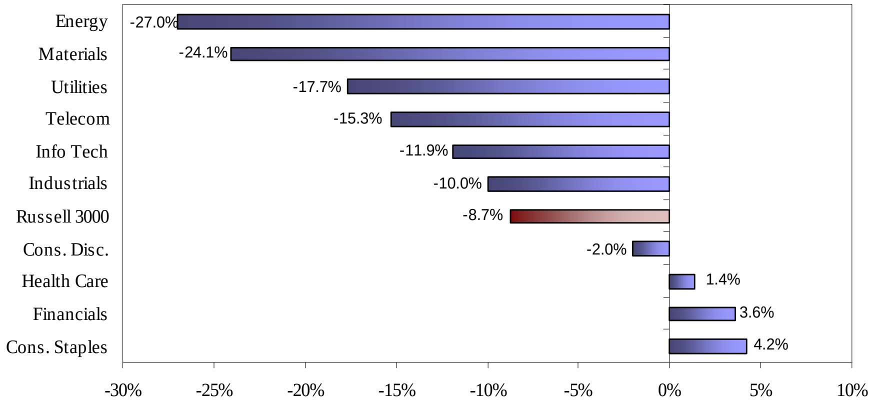
CAPITAL MARKETS REVIEW

Equities

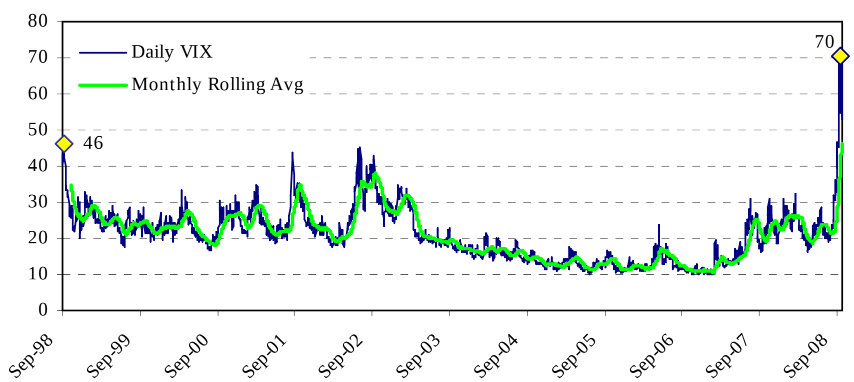
Global P/E Comparison - 1998 to 2008



3rd Quarter 2008 Sector Returns



Daily VIX vs. Monthly Rolling Avg



Global Equity Markets Swoon as Volatility Spikes

- Global equity markets fell sharply in the third quarter as increased volatility and deteriorating credit and liquidity conditions continued to exert pressure on global institutions. For the quarter ending September 30, the MSCI All Country World Index lost 16.5%, the MSCI EAFE Index fell 20.5% and the S&P 500 Index lost 8.3%. With the S&P 500 Index finishing the quarter down 25.6% from its peak in October 2007, domestic equities entered bear market territory. The recent market declines have further improved valuations both domestically and abroad, with the S&P 500 trading at 15x (times earnings), the MSCI EAFE trading at 10x, and the MSCI Emerging Markets Free trading at 10x.

- Implied volatility for the S&P 500, as measured by the VIX Index, has increased significantly since its low of 10 on January 24, 2007. At quarter end, the VIX had reached an all-time high of 49, and showed few signs of abating going into the fourth quarter. On October 17, the VIX closed at an unprecedented 70, or seven times its 2007 low. To put this into perspective, the VIX at 70 indicates that market participants expect a 68% chance of a +/- 20% move in the S&P 500 over the next 30-day period. The average 30-day return for the S&P since 1985 has been 1.7%.

- In the third quarter small cap companies outperformed their large cap counterparts, value equities outperformed growth equities, and domestic equities outperformed developed international equities and emerging market equities. Equity indices were broadly lower for the quarter, with only the Russell 2000 Value finishing in positive territory (+5.0%). The Russell 2000 Value was aided by strong absolute performance in financials, healthcare and consumer staples.

- In a reversal from the previous quarter, sector returns in consumer staples (+4.1%), financials (+2.3%) and healthcare (+0.8%) were all positive contributors in the Russell 1000 Index. The rebound in financials was led by strong performance from Bank of America (+49.5%), Wells Fargo (+59.8%), JPM Chase (+37.6%), and Citigroup (+24.5%). The remaining seven sectors finished in negative territory, with energy (-26.6%), materials (-24.9%) and utilities (-19.1%) losing the most for the quarter.

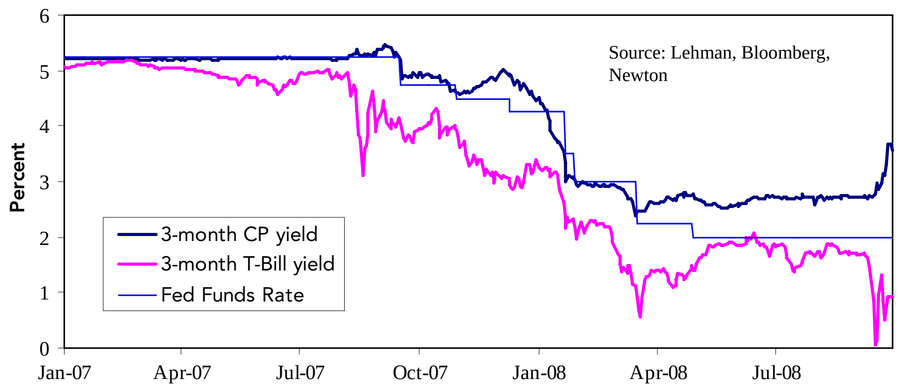
- The MSCI EAFE Index lost 20.5% in U.S. dollar terms and 13.0% in local terms during the third quarter. Not a single country or sector finished in positive territory for the quarter as energy (-30.5%) and materials (-39.4%) were the worst performers, while healthcare (-8.1%) and consumer staples (-9.1%) outperformed on a relative basis. Countries hardest hit during the quarter included Ireland (-42.2%) and Norway (-40.7%), with the United Kingdom (-21.0%) and Japan (-17.7%) also feeling the brunt of the bear market.

- Emerging market equities were down broadly across countries and regions as the MSCI Emerging Markets Free Index lost 27.0% in dollar terms and 20.9% in local terms. Poor performance in the energy (-36.8%) and materials (-40.9%) sectors led declines for emerging markets as all sectors finished the quarter with double digit losses, with the exception of healthcare (-5.7%). At the country level, Russia experienced a significant decline of 45.3% for the quarter as commodities sold off and energy companies followed suit. Notwithstanding Russia, other BRIC countries faired only slightly better during the quarter, with Brazil losing 37.9%, India down 13.9% and China down 25.2%.

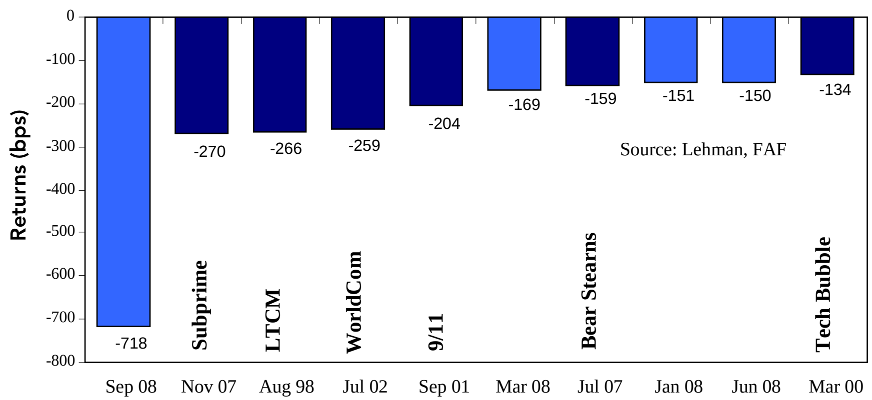
CAPITAL MARKETS REVIEW

Fixed Income

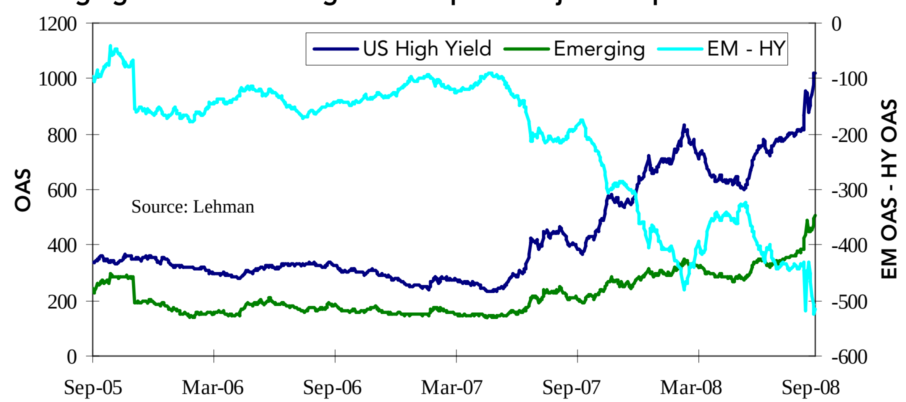
Short-Dated Yields



LB Credit Index - Worst Monthly Excess Returns



Emerging Markets and High Yield Option-Adjusted Spreads



Shaken Confidence Leads to Severe Credit Market Stress

- The Lehman Brothers Aggregate Bond Index declined by a modest -0.5% during the third quarter, masking a period of unprecedented volatility and severe market stress. Confidence within the fixed income markets was shaken in September, as the bailout of AIG, the conservatorship of Fannie Mae & Freddie Mac and the bankruptcy of Lehman Brothers led to an extreme flight to quality and a Treasury sector return of 2.3%.

- A tumultuous and frantic September led investment-grade credit to return -6.4% in the third quarter. Counterparty risk soared and the credit markets seized up as the US Treasury made an emergency loan to AIG and Lehman declared bankruptcy, causing investors great concern regarding derivatives exposure at other financial firms. Lehman's defaulted commercial paper caused several money market funds to "break the buck" and created a near panic, leading investors to abandon money market funds for Treasuries. This caused the yield on the three-month T-bill to briefly reach 0.02%, its lowest level in over 60 years. The resulting lack of a market for commercial paper caused short-term funding costs to jump, further straining companies already struggling from a slowing economy. The same concerns combined with significant illiquidity within the market caused the high yield sector to return -8.9%.

- Mortgage-backed securities (1.9%) performed well despite very high volatility during the quarter. The sector was aided by the Treasury's move to place Fannie and Freddie into conservatorship, which alleviated concerns regarding increasing mortgage delinquencies by bringing agency MBS closer to an explicit governmental backing. Non-agency MBS also fared relatively well, as their prices ended the quarter roughly where they began. Non-agencies benefited from the market's expectation that the sector will be targeted for purchases under the Fed's new Troubled Assets Relief Program (TARP).

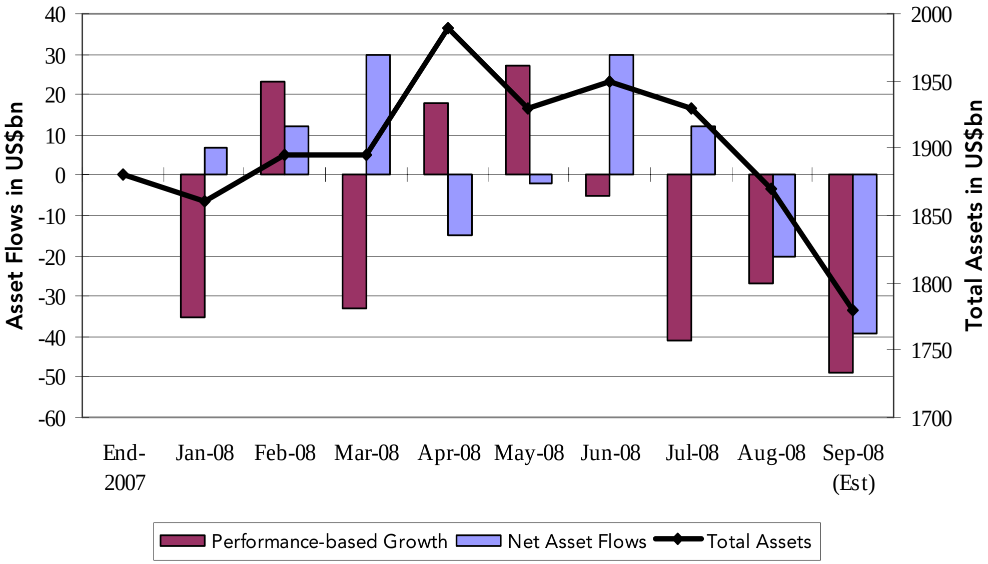
- Commercial mortgage-backed securities returned -6.2% during the quarter, bringing their year to date return to -9.1%. Although delinquency rates remain low, the market appears to be pricing in the expectation that commercial property delinquency rates will rise precipitously as companies come under greater stress. Similar concerns regarding the impact on consumers of tighter credit and a slowing economy caused asset-backed securities to return -3.7%. In particular, spreads on ABS backed by credit card payments widened as delinquencies edged up and consumers showed signs of curtailing spending.

- Foreign central banks' concerns regarding inflation were superseded by the threat posed by the credit crisis as governments began to take actions to provide additional liquidity. Interest rate cuts and a modest flight to quality led developed foreign government bonds to return 2.7%. Emerging markets bonds (-5.8%) had a difficult quarter as the global economic slowdown caused exporters and commodity-sensitive economies to see declines in revenues. Heightened political risk also contributed to poor returns, particularly in Venezuela and Russia.

Hedge Fund Performance Results
September 30, 2008

Style	Third Quarter	Year to Date
Convertible Arbitrage	-14.7%	-20.3%
Distressed Securities	-7.3%	-9.9%
Equity Hedge	-12.1%	-15.5%
Equity Market Neutral	-5.4%	-3.0%
Macro	-4.2%	2.1%
Merger Arbitrage	-2.8%	-3.7%
Fund of Funds	-9.6%	-11.8%

Summary of Monthly Asset Flow Data for 2008-to-Date



Source: Eurekahedge

Hedge Funds Suffer Worst Quarterly Performance in a Decade

- September 30, 2008 marked the worst quarterly performance in the hedge fund industry since the third quarter of 1998. Hedge funds of funds declined 9.6% during the quarter, just shy of the 10.7% decline experienced a decade earlier when the massive bailout of legendary hedge fund Long-Term Capital Management took place. Hedge funds in aggregate, known for typically cushioning losses during down equity markets, underperformed U.S. equities during the quarter as measured by the S&P 500 Index's 8.5% loss.

- September was an especially dismal month for hedge funds as they suffered greatly from the extraordinary market events that occurred, including the government takeovers and bailouts of major financial institutions, and most notably, the bankruptcy of global investment bank Lehman Brothers. Although many hedge funds withdrew or started to withdraw assets from the troubled bank earlier this year, Lehman Brothers still serviced some hedge funds in varying roles including liquidity provider and counterparty. A temporary short selling ban issued by the Securities and Exchange Commission in mid-September on over 900 financial stocks also hurt many hedge funds' performance; that ban was ultimately lifted in the U.S. on October 8th although bans on short selling still exist in other countries such as the U.K., Australia, and Taiwan. All of these events led to weak borrowing, hedging, and trading conditions for hedge fund managers.

- Convertible arbitrage funds suffered the most during the third quarter, as these managers that took long positions in financial sector convertible bonds were unable to hedge with short stock positions due to the ban. Long-biased equity managers also experienced significant declines, hurt by their directional exposure to the volatile U.S. and international equity markets.

- Short-biased equity, a strategy where hedge fund managers tilt the portfolio to benefit from the decline of companies' securities, was one of the few strategies that generated positive results during third quarter. The HFR Short Biased Index has returned over 14% year-to-date. Macro managers also fared well relative to other hedge fund strategies. Some managers in this space profited from downward trends in the markets and short commodity and energy positions.

- According to data from Eurekahedge, assets in the hedge fund industry at the end of September totaled approximately $1.8 trillion, down from $1.9 trillion at the beginning of 2008. Hedge funds experienced approximately $40 billion in net outflows during the third quarter. Almost all strategies witnessed redemptions by investors, most notably long/short equity strategies.

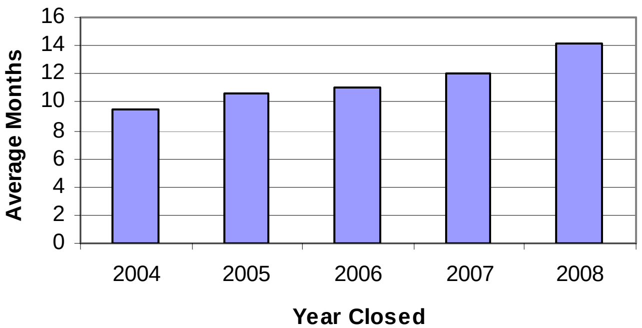
Private Equity

Investment Horizon Returns as of 6/30/08

Fund Type	3 Months	6 Months	1 Year	5 Years	10 Years	20 Years
Early/Seed VC	0.1%	0.1%	2.1%	5.0%	32.9%	21.4%
Balanced VC	1.4%	-4.9%	2.5%	11.9%	14.4%	14.7%
Later Stage VC	1.6%	0.9%	15.3%	11.1%	8.5%	14.5%
All Venture	0.9%	-1.9%	5.1%	8.8%	16.6%	16.9%
Small Buyouts	-1.3%	-0.6%	-8.4%	8.9%	4.7%	12.6%
Med Buyouts	1.0%	6.9%	15.1%	12.8%	7.4%	11.8%
Large Buyouts	13.0%	14.4%	27.4%	13.5%	6.7%	12.0%
Mega Buyouts	-2.1%	-3.9%	-1.9%	14.5%	7.8%	11.3%
All Buyouts	-0.9%	-2.3%	0.4%	13.9%	7.4%	11.6%
Mezzanine	0.8%	4.5%	12.5%	5.2%	5.8%	8.1%
All Priv Equity	-0.2%	-2.1%	1.6%	12.3%	9.5%	13.3%
S&P 500	-2.7%	-11.9%	-13.1%	7.6%	2.9%	10.5%
Russell 2000	0.6%	-9.3%	-16.2%	10.3%	5.5%	9.5%

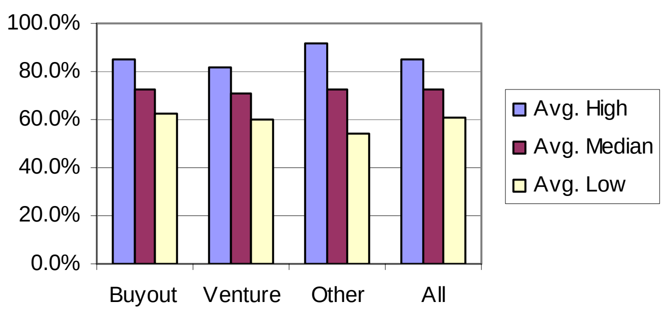
Source: Thomson Financial Venture Economics & National Venture Capital Assn.
Note: Data is continuously updated and is therefore subject to change.

Average No. Months Spent on Road by GPs



Source: Private Equity Intelligence, October 2008 Edition

Secondary Bid Spreads (% NAV) 2008



Source: Private Equity Analyst, October 2008

Deal Flow Feels the Effect of the Credit Crunch

- Private equity managers posted flat returns during the second quarter, as stagnant deal flow and slower fundraising continued. Large buyout funds were the exception, posting a 13.0% return for the period. In general, there were few liquidity events, as credit markets remained frozen. Since the beginning of the credit crunch, private equity has performed very well relative to the public markets. Private equity managers returned 1.6% for the year ended June 30, vs. a 13.1% decline from the S&P 500.
- As the economy and broad public markets continued to struggle, many limited partners are being hit by what has become known as the “denominator effect”. As public stock and bond holdings decrease in value, illiquid holdings such as private equity become a larger portion of total assets. As a result, commitments to the asset class have slowed considerably. In 2008, it has taken general partners an average of 14.2 months to successfully raise and close their funds, up from just 9 months in 2004.
- With the beginning of the liquidity crisis in 2007, fundraising for distressed vehicles swelled, with $45.2 billion raised during the year, a 161% increase over 2006. There appears to be no slowdown in 2008. As of September 30, 29 distressed vehicles have raised total capital of $37.7 billion. Early forecasts for the whole of 2008 indicate a total of $47 billion will be raised in the space. Distressed debt managers suggest that the current opportunity set totals more than $1 trillion.
- The venture capital markets have been hit particularly hard. Merger and acquisition activity and initial public offerings of venture-backed companies are on pace to hit their lowest point this decade. During the third quarter, there was just one IPO, compared with 11 such offerings a year ago. Year-to-date, just seven venture-backed companies have gone public, compared with 48 in the first three quarters of 2007.
- One beneficiary of the credit crunch has been the secondary market, which has seen an abundance of capital raised, as many limited partners look to unload private equity commitments made in recent years. As a result, prices have declined sharply. The average high bid for all secondary transactions in the first half of 2008 was 84.7% of net asset value, down from 104.1% for all of 2007.

Returns as of June 30, 2008

	3 Mon.	YTD	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.
NCREIF	0.6%	2.2%	9.2%	15.0%	14.7%	12.2%
Apartments	0.3%	1.6%	6.5%	12.7%	13.1%	12.0%
Industrials	0.9%	2.4%	8.4%	14.5%	14.2%	12.3%
Office	0.5%	2.5%	11.5%	17.6%	15.2%	12.1%
Retail	0.7%	2.1%	8.7%	13.1%	16.3%	13.2%
Hotel	0.4%	1.8%	10.5%	17.6%	14.7%	10.5%
East	0.4%	2.0%	9.4%	15.4%	15.7%	13.3%
Midwest	0.4%	1.4%	7.9%	11.3%	11.2%	9.7%
South	0.9%	3.1%	8.7%	13.7%	13.4%	10.7%
West	0.6%	2.1%	9.7%	16.6%	15.9%	13.3%

Real Estate Stock Bear Markets – Last 20 Years

Australia			Europe			USA		
Period	Mos.	Decline	Period	Mos.	Decline	Period	Mos.	Decline
04/98-06/98	2	-11.5%	02/94-03/95	14	-34.5%	08/89-10/90	14	-31.2%
10/07-09/08	**12**	**-44.1%**	4/91-10/92	19	-34.0%	10/97-12/99	26	-28.1%
			02/07-09/08	**20**	**-51.3%**	**02/07-09/08**	**20**	**-25.9%**

UK			Japan			Hong Kong		
Period	Mos.	Decline	Period	Mos.	Decline	Period	Mos.	Decline
03/91-09/92	18	-51.2%	12/89-08/92	32	-75.9%	08/97-08/98	12	-75.9%
03/98-01/99	10	-32.3%	06/96-10/98	27	-59.1%	02/01-04/03	26	-53.0%
05/02-03/03	10	-30.7%	08/01-04/03	20	-49.8%	01/94-01/95	13	-51.3%
01/07-09/08	**21**	**-49.4%**	**06/07-09/08**	**16**	**-53.1%**	**10/07-09/08**	**11**	**-48.4%**

Source: ING Clarion Real Estate Securities as of 9/30/08

DJ-AIG Commodity Index Components
Total Return Ending September 30, 2008

Allocation	Segment	3 Months	YTD	1 Year
27%	Energy	-35.8%	-0.1%	10.6%
18%	Industrial Metals	-23.5%	-12.2%	-23.9%
10%	Precious Metals	-12.6%	-2.4%	7.9%
19%	Grains	-32.3%	-14.5%	-6.4%
9%	Livestock	-7.8%	-15.3%	-23.3%
8%	Petroleum	-28.1%	5.8%	27.1%
9%	Softs	-16.2%	-14.7%	-12.4%
100%	Total Market	-27.7%	-8.0%	-3.7%

Private Real Estate Continues to Slow, While Commodities Take a Dive

- Private real estate markets continued to slow during the second quarter of 2008 experiencing their lowest quarterly return in fourteen years. During the quarter, the NCREIF Property Index produced a return of 0.6% with income partially offset by property price mark downs. Year-to-date, the NCREIF Property Index returned 2.2% resulting in a trailing one-year return of 9.2%, the lowest experienced in four years. This one-year deceleration has been the most significant since the inception of the NCREIF Index.

- The return difference among property types was narrow during the quarter. Industrial properties outperformed the Index with a return of 0.9%, despite a rise in warehouse availability to 10.7% at June 30, 2008. Retail properties also outpaced the Index during the quarter with a return of 0.7%. However, retail property values are expected to deteriorate amid a pullback in consumer spending. According to a prediction by the International Council of Shopping Centers, 2008 will witness a record increase in store closings.

- The U.S. REIT market faired more favorably than foreign REITs during the third quarter. The NAREIT Index gained 4.5% during the quarter, bringing the year-to-date return to -1.3%. The bear market continued for foreign REITs; they fell along with the rest of the foreign stock markets. The FTSE/EPRA NAREIT Global REIT Index ended the third quarter with a return of -10.4%, bringing the year-to-date return to -22.7%. Foreign REITS now appear attractively priced on almost all measures relative to their histories.

- Infrastructure fundraising has seen dramatic growth in recent years, and continues to evolve from a niche sector in private equity real estate to a distinct asset class. In 2007, a total of $35 billion was committed to infrastructure vehicles, up from just $4 billion in 2004. Year to date through September 30, a total of $14 billion has been committed to infrastructure vehicles. Over the next four years in the U.S. alone, it is estimated that $1.6 trillion is required just to bring existing infrastructure assets up to standard. Private capital will be necessary for a number of these projects.

- Until the third quarter, commodities remained resilient despite signs of a global economic slowdown and credit crisis. A pullback was bound to happen; however, the swiftness and severity of the correction were astounding. The DJ-AIG Commodity Index fell 27.7% during the third quarter, bringing year-to-date losses to 8.0% and trailing one-year results to -3.7%. The sudden reversal of commodities was widespread among segments. Oil prices eased during most of the quarter, dropping from $145 per barrel to end at approximately $100 per barrel. Gold prices fell only about 5%, but industrial metal prices experienced double digit price losses. Favorable weather conditions and upwardly revised estimates of ending inventories hurt agricultural commodity prices.

CAPITAL MARKETS REVIEW

Index Returns

As of September 30, 2008

(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	-8.7	-18.7	-21.2	-4.0	0.6	6.0	4.9	4.0
S&P 500	-8.4	-19.3	-22.0	-4.7	0.2	5.2	3.5	3.1
Russell 1000 Index	-9.3	-19.5	-22.1	-4.6	0.1	5.5	4.0	3.5
Russell 1000 Growth Index	-12.3	-20.3	-20.9	-2.8	0.0	3.7	2.3	0.6
Russell 1000 Value Index	-6.1	-18.9	-23.6	-6.5	0.1	7.1	5.5	5.5
Russell Midcap Index	-12.9	-19.5	-22.4	-4.3	0.1	8.6	9.0	8.3
Russell Midcap Growth Index	-17.7	-23.4	-24.7	-4.4	-0.8	6.5	7.0	5.5
Russell Midcap Value Index	-7.5	-15.5	-20.5	-4.9	0.5	10.0	10.0	9.2
Russell 2000 Index	-1.1	-10.4	-14.5	-2.0	1.8	8.1	9.0	7.8
Russell 2000 Growth Index	-7.0	-15.3	-17.1	-0.7	1.5	6.6	6.9	4.7
Russell 2000 Value Index	5.0	-5.4	-12.3	-3.5	2.0	9.4	10.7	10.1
International Equity Indices								
MSCI EAFE	-20.6	-29.3	-30.5	-6.8	1.1	9.7	7.8	5.0
MSCI EAFE Growth Index	-21.9	-28.3	-28.5	-4.4	2.2	9.2	7.3	3.0
MSCI EAFE Value Index	-19.1	-30.3	-32.6	-9.3	0.0	10.1	8.2	6.9
MSCI EAFE Small Cap	-24.0	-31.9	-35.2	-12.2	-3.9	9.3	11.7	N/A
MSCI AC World Index	-16.6	-25.5	-26.9	-4.8	1.3	8.0	6.1	4.4
MSCI AC World ex US	-21.9	-29.9	-30.3	-4.6	2.6	11.3	9.6	6.5
MSCI Emerging Markets Index	-26.9	-35.4	-33.0	3.1	8.7	19.0	20.9	14.8
Fixed Income Indices								
Barclays Capital Aggregate	-0.5	0.6	3.7	4.4	4.2	3.8	4.7	5.2
Barclays Capital U.S. Government/Credit	-1.6	-0.7	2.4	3.7	3.6	3.3	4.6	5.0
Barcap Intermediate U.S. Government/Credit	-1.2	0.2	3.1	4.3	4.0	3.2	4.3	5.0
Barclays Capital U.S. Long Government/Credit	-3.4	-4.1	-0.4	1.6	2.0	3.7	5.5	5.3
Barclays Capital US Corp: High Yield	-8.9	-10.1	-11.2	-2.3	1.0	4.4	6.7	4.4
Merrill Lynch 1-3 Year Treasury	1.7	3.8	6.3	6.0	5.3	3.5	3.7	4.5
Merrill Lynch 3 Month US T-Bill	0.6	1.8	2.9	4.1	4.2	3.3	2.8	3.5
Citigroup Non-U.S. World Government Bond	-4.3	1.2	5.2	7.3	5.5	5.6	7.9	5.2
Real Estate								
Dow Jones Wilshire REIT	4.8	1.2	-12.5	-4.7	5.2	13.4	14.3	13.0

Returns for periods greater than one year are annualized.