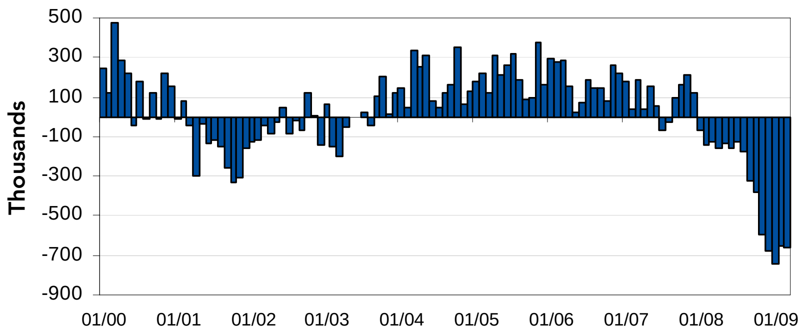
CAPITAL MARKETS REVIEW
1st Quarter 2009

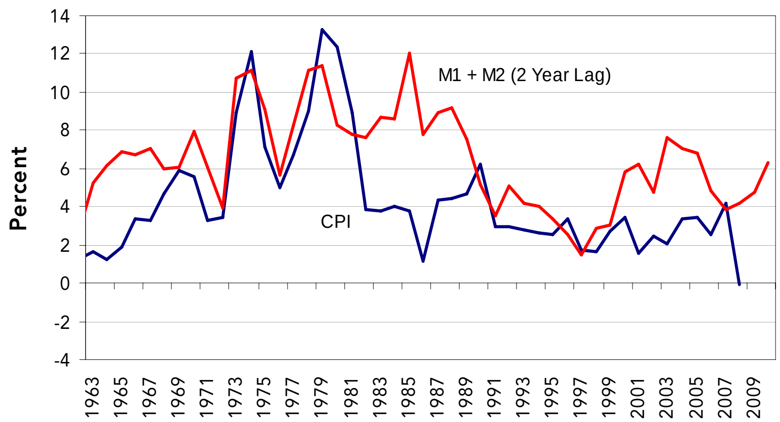
CAPITAL MARKETS REVIEW

Economy

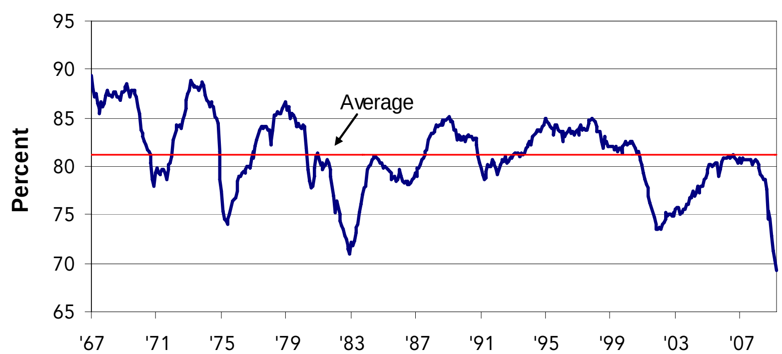
Job Losses Continue to Mount



Money Supply Expansion Foretells Inflation



Capacity Utilization



Struggling Economy Prompts Government Actions

- Countries around the world ramped up efforts to provide fiscal stimulus to a world economy that continues to contract.

- President Obama and a new Congress took power in January, and passed a nearly $800 billion spending bill shortly thereafter. The bill provided funds for infrastructure, healthcare, public aid, unemployment benefits, and grants to states. Faced with a retrenching economy, the government is trying to keep aggregate demand from falling while consumers and businesses cut back on spending.

- Rising unemployment continued to dim the prospects of an imminent economic recovery. Over 2 million jobs were lost during the quarter, and employment has declined for fifteen consecutive months. Losses were spread amongst all sectors, including financial and service workers. Declining tax revenue across many states led to the first widespread announcements of public workforce reductions in decades. Facing rising healthcare and pension obligations, taxpayers are bracing for large tax increases across many states in the coming months.

- The Treasury Department and Federal Reserve unveiled several new programs to combat troubled assets that have hobbled the banking and credit markets. The TALF (Term ABS Loan Facility) is intended to accept new types of collateral, including auto, credit card, and student loan paper, in an attempt to provide relief to consumer lending markets. The PPIP (Public Private Investment Program) provides 6-7x leverage, with funding from the government, for selected investment managers to purchase asset-backed securities from banks. The program in another attempt to restart the secondary market for the troubled securities and allow banks to remove them from their balance sheets so that their capital reserves can stabilize.

- Mortgage rates fell below 5% as the Federal Reserve bought $300 billion of Treasury debt. Nearly 80% of the applications were for refinancing, as the housing market struggles to attract new buyers.

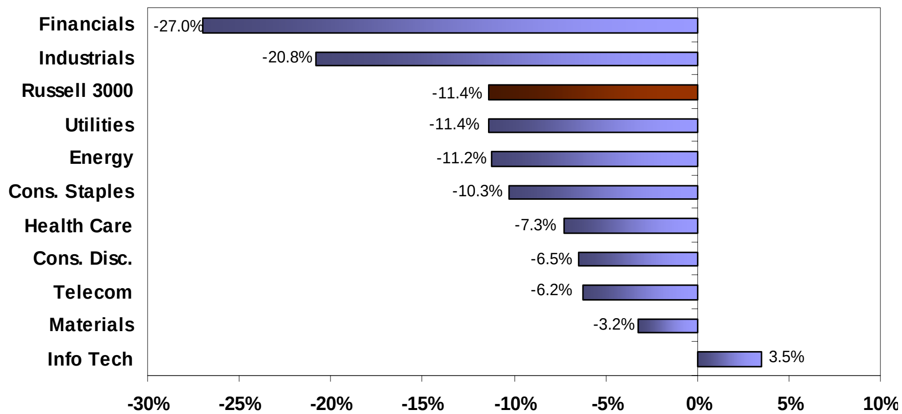
- Year-over-year inflation was negative (-0.4%) for the first time since 1955. Lower energy and food prices helped push prices lower, while wage pressures remained minimal amidst the large job losses. Prices are expected to decline through the third quarter, after which inflation will be affected by the massive increase in the money supply created by the Federal Reserve to pay for the multitude of recovery programs.

- Global industrial production contracted over 10% from first quarter 2008 levels. Capacity utilization in the U.S. fell below 70%, or 12% below average, as the auto industry struggled and global demand remained weak.

CAPITAL MARKETS REVIEW

Equities

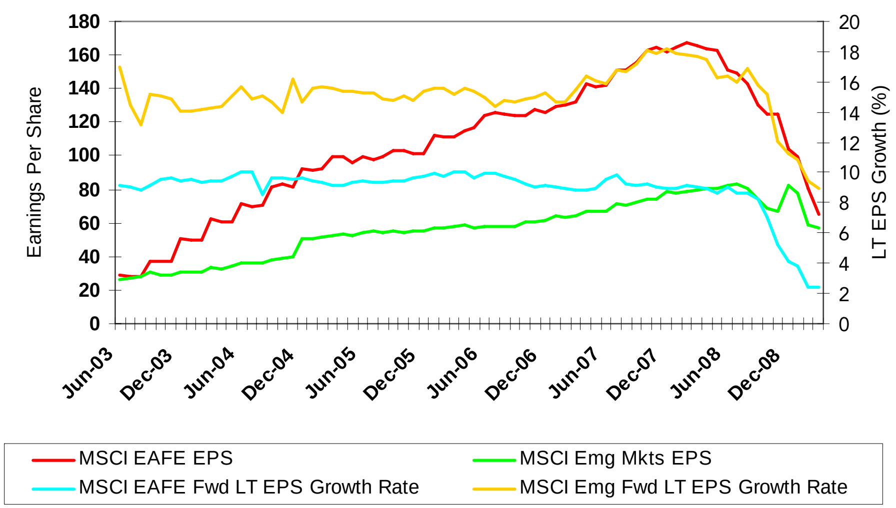
1st Quarter 2009 Sector Returns



One-Year Performance Following Equity Market Low

Market Low	October-02		November-87		August-98		July-82	
Market Decline	49.1%		29.5%		19.3%		16.9%	
Style	Growth	Value	Growth	Value	Growth	Value	Growth	Value
Large Cap	27.8%	40.6%	16.7%	23.0%	43.4%	31.6%	52.7%	51.8%
Small Cap	66.9%	52.5%	26.7%	33.1%	63.8%	17.5%	99.3%	89.6%

Trailing EPS Relative to Expected LT Forward EPS Growth



Developed Equities Struggle While Emerging Markets Show Strength

- The S&P 500 Index plunged to new lows in the first quarter as worries of an extended global slowdown put further pressure on stocks. Although the first quarter was wrought with volatility, the last three weeks of March provided subtle hints of a possible turnaround, with credit market liquidity improving and fears surrounding large financial institutions subsiding. Internationally, developed markets faced similar headwinds and as a result didn't finish as strongly as their US counterparts, losing 13.9% for the quarter versus a loss of 11.0% for the S&P 500 Index. Emerging markets were the lone bright spot during the quarter as they finished in positive territory gaining 1%.

- Returns relative to style and market capitalization were widely dispersed in the first quarter as growth significantly outperformed value and mid and large capitalization names outperformed small capitalization names. The Russell 1000 Value lost 16.8% versus the Russell 1000 Growth's 4.1% loss. Losses in value names were directly linked to financials, whereas strong performance in the information technology sector boosted returns in growth. Small cap value suffered the largest losses during the quarter with the Russell 2000 Value sliding 19.6%. Following the previous four market declines of 20% or more, no large cap style consistently outperformed following the market decline; however, small cap growth outperformed significantly in three of the four periods measured, with growth names only trailing value names following the crash of 1987.

- Sector returns for the first quarter were all negative with the exception of information technology, which posted a 3.5% return. Financials once again posted the largest decline, losing 27.0%, with industrials and utilities losing 20.8% and 11.4%, respectively. The largest detractors for the quarter were Bank of America (-51.4%), Procter & Gamble (-23.3%), and Wells Fargo (-50.8%). The largest contributors for the quarter included information technology companies IBM (+15.7%) and Apple (+23.2%), as well as healthcare company Schering Plough (+38.8%).

- Earnings per share for the MSCI EAFE and MSCI Emerging Markets Index dropped considerably following the recent market downturn. Earnings per share peaked in February 2008 for the MSCI EAFE, whereas the MSCI Emerging Markets Index peaked in July 2008. Long term earnings per share growth expectations also have been revised heavily downward to reflect the negative outlook. The long term EPS growth rate for EAFE is now expected to be 2.4%, which when measured against the prospects of future inflation equates to paltry expected real earnings growth. Emerging market EPS growth expectations haven't fallen at quite the rate of developed markets, with long-term expectations at 9.0%. Although high in nominal terms, this estimate is also conservative and close to historical inflation averages for the countries.

- Foreign developed equity performance was closely linked to that of the U.S., as financials and industrials were the two largest detractors for the quarter. As a result, commodity rich countries such as Australia (-1.5%) and Canada (-3.4%) outperformed on a relative basis. Positive returns in emerging markets were driven by energy, information technology and materials. Countries such as China (+1.3%), Taiwan (+8.3%), Brazil (+12.5%), Chile (+13.7%), and Russia (+5.9%) all performed strongly. Eastern European countries were the largest detractors for the quarter as their economies are linked to the financial difficulties embroiling the European Union. Hungary and Poland were down 28.8% and 31.5%, respectively.

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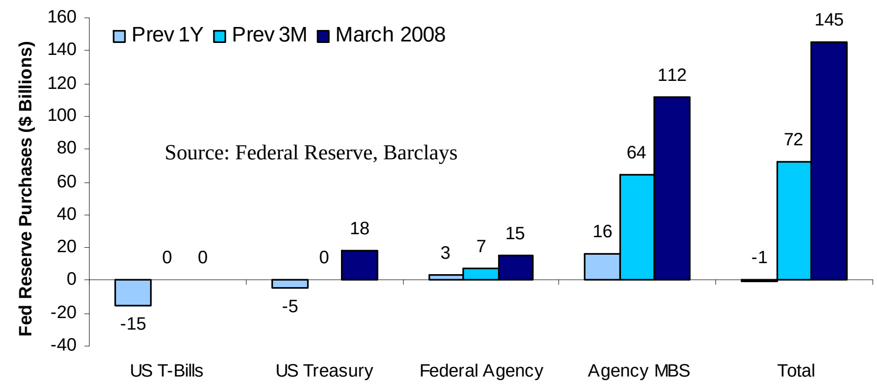
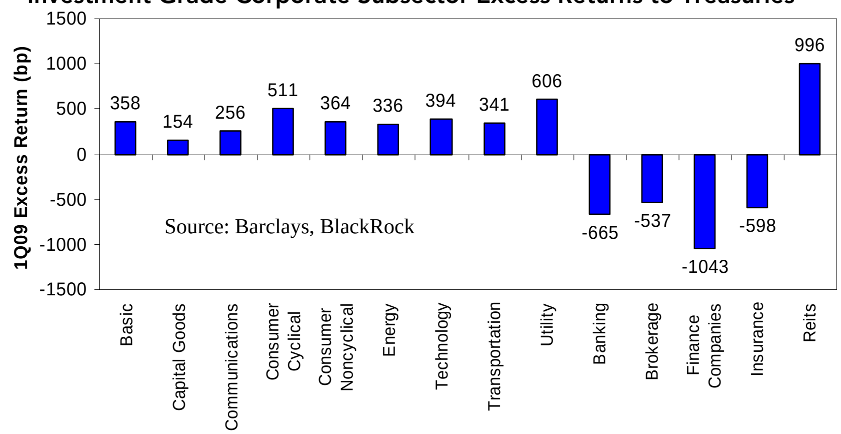
Fixed Income

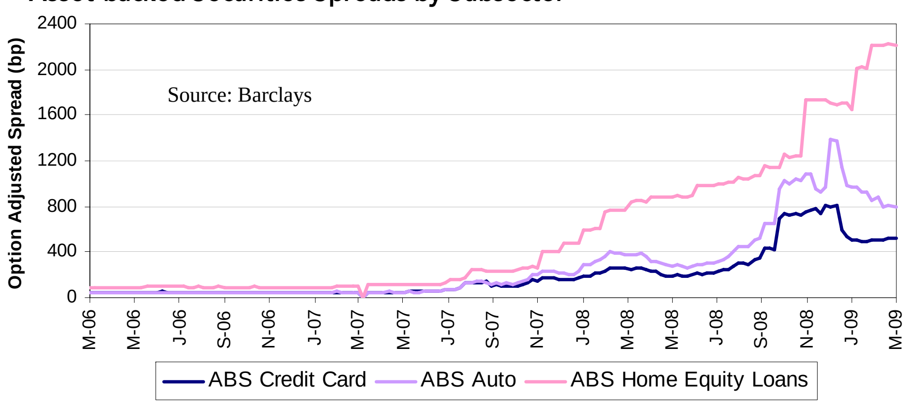
Federal Reserve Increases Quantitative Easing



Investment Grade Corporate Subsector Excess Returns to Treasuries



Asset-backed Securities Spreads by Subsector



Public Policy Risk Continues to Drive Fixed Income Market

- The Barclays Capital Aggregate Bond Index returned 0.1% during the quarter, a return that belied the significant volatility during the quarter and the wide dispersion of returns among asset classes. While fundamental concerns weighed on investor sentiment, returns in many sectors were largely driven by actions of the US government. During the quarter, the Federal Reserve began implementing its quantitative easing program in force by purchasing billions of dollars in government and government-related securities. They also announced programs designed to stimulate the consumer lending market and to move non-agency MBS off of banks' balance sheets. During the quarter, demand for Treasuries (-1.3%) began to show some fatigue in the face of the significant issuance necessary to fund the government's initiatives. However, yields remained low due to the Fed's targeted marginal buying.

- The Fed's announcement of the Term Asset-backed Securities Lending Facility (TALF) caused ABS to outperform all other sectors with a 7.6% return. These returns were almost entirely the result of investors anticipating spread tightening as a result of TALF. ABS continue to show deterioration on a fundamental basis, with credit card issuers in particular upping their charge-offs at an increasing rate. Commercial mortgage-backed securities (-1.4%) lost value early in the quarter as investors continued to price in the impacts of a slowing economy and declining commercial real estate market. However, CMBS outperformed all other sectors in March with a 5.9% return as the Fed made it clear that CMBS would eventually be included in TALF.

- Investment grade corporates returned -1.8% during the quarter. The sector's performance was dragged down by financials (-7.8%), which continued to struggle in the midst of ongoing problems with balance sheet assets and the government's "stress tests" to determine bank solvency. Despite broad concerns given the economic slowdown, wide spreads at the beginning of the quarter enticed investors into utilities (+3.7%) and industrials (+1.3%).

- High yield corporates saw a strong quarter with a 6.0% return. In contrast to the typical performance pattern during strong high yield markets, the rally was led by the higher quality BB-rated securities (+9.0%) rather than low quality CCC-rated securities (+4.8%). These returns are indicative of cautious investor sentiment in the face of a default rate that rose at a record pace to reach 5.7% at the end of the quarter.

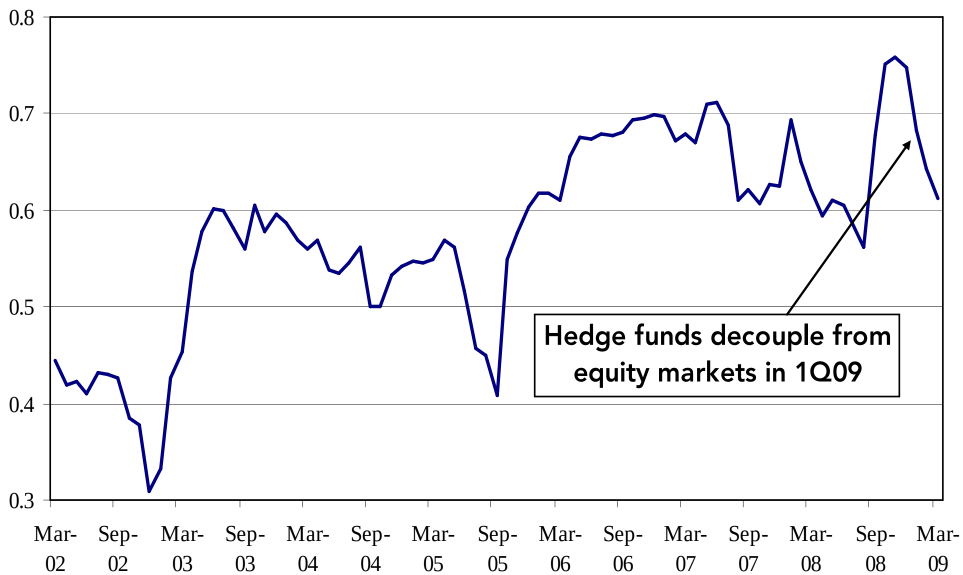
- Mortgage-backed securities (+2.2%) outperformed during the quarter largely on the basis of the Fed's announcement that they were increasing the amount of MBS targeted for purchase under their quantitative easing program to $1.25 trillion, an unexpectedly high number. Non-agency MBS saw mixed performance, as the positive effect of the Fed's announcement of the new Public-Private Investment Program (which is designed to create a market and stimulate demand for non-agencies) was mitigated by the vagueness of the plan and uncertainties as to whether banks would actually participate in the program.

- Hedged non-US government bonds returned 0.1% as the European Central Bank Council lowered rates while debating the use of quantitative easing. EM bonds denominated in the "hard" currencies of the G3 (+2.5%) outperformed locally-denominated bonds (-4.0%) as EM currencies generally lost ground across the board.

Hedge Fund Performance Results
March 31, 2009

Style	First Quarter	One Year
Convertible Arbitrage	11.5%	-20.5%
Distressed Securities	-0.4%	-22.3%
Equity Hedge	0.4%	-22.1%
Equity Market Neutral	0.2%	-6.1%
Macro	-1.5%	-0.2%
Merger Arbitrage	1.9%	-2.1%
Fund of Funds	1.1%	-16.5%
S&P 500	-11.0%	-38.1%

Rolling 36-Month Correlation
HFR Diversified FOF Index & S&P 500 Index



Hedge Funds Hold Up During the First Quarter

- Hedge funds of funds fared better than both equities and bonds during the first quarter of 2009. The HFR Fund of Funds Index generated 1.1% versus -11.0% for the S&P 500 Index and 0.1% for the Barclays Capital Aggregate Index. First quarter performance is encouraging following hedge funds' dismal 20.1% decline in 2008, the worst annual return on record. Hedge fund performance, typically protective in down markets, became highly correlated to equities during the extreme market events that occurred in the latter half of 2008. Correlations have since declined from the November 2008 peak of 0.76.

- Equity-oriented hedge funds were largely able to avoid stock market drops during January and February by keeping cash allocations high and maintaining tight net exposures; however, this held back participation in the equity rally that occurred during March. Many hedge funds also were hurt in March by maintaining short positions in the most problematic sectors: financials, consumer discretionary, and materials. These sectors were the top performers during the month. Although many hedge fund managers believe fundamentals are slowly being rewarded in the market, they remain defensively positioned and have continued to keep gross and net exposures low into the second quarter.

- Convertible arbitrage was the best-performing strategy during the first quarter of 2009, gaining 11.5%. In 2008, the strategy was the worst-performer, down 34.7%. Convertible bond valuations plummeted after the collapse of Lehman Brothers in September 2008. Their yields became such that when credit conditions improved during the first quarter, investors found that convertible bonds were more attractive than straight bond yields with similar duration and seniority. This strategy is positioned to perform well if credit conditions continue to improve.

- According to HedgeFund.net, hedge fund redemptions were much lower in March than for the first two months of the year. Declines in hedge-fund assets peaked in December with redemptions of $186.4 billion, while March's decline was $17.6 billion. At the end of the first quarter, total hedge fund assets stood at $1.7 trillion, down from their highest level of nearly $3 trillion in the second quarter of 2008.

- Fueled by steep losses, the Madoff fraud and heavy investor redemptions, a record number of hedge funds shut down in 2008. According to Absolute Return Magazine, more than $84 billion for over 200 U.S. hedge funds closed during the year. In comparison, hedge funds representing only $19 billion shut down in 2007. The magazine reports that $16 billion of the $84 billion, or almost 20%, were assets derived from Madoff feeder funds.

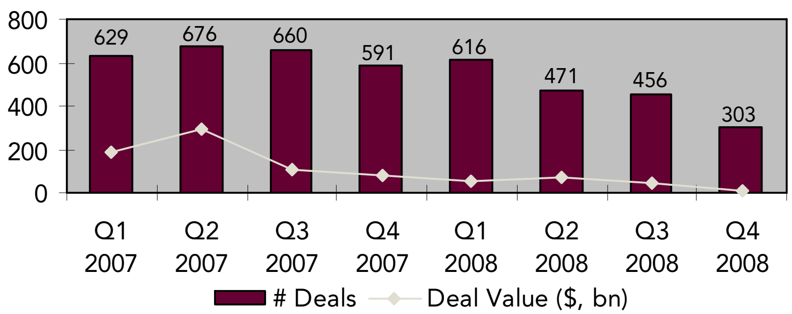
Private Equity

Investment Horizon Returns as of 12/31/08

Fund Type	3 Months	1 Year	3 Years	5 Years	10 Years	20 Years
Early/Seed VC	-13.3%	-20.6%	1.7%	3.7%	36.0%	21.8%
Balanced VC	-19.4%	-26.9%	4.6%	8.4%	13.5%	14.5%
Later Stage VC	-8.0%	-6.8%	9.5%	8.7%	7.5%	14.5%
All Venture	-14.8%	-20.9%	4.2%	6.4%	15.5%	17.0%
Small Buyouts	-11.6%	-11.0%	2.6%	7.5%	4.6%	12.2%
Med Buyouts	-9.5%	-20.6%	7.4%	11.3%	7.9%	11.3%
Large Buyouts	-8.9%	-9.6%	5.3%	10.9%	6.6%	10.9%
Mega Buyouts	-16.5%	-24.9%	1.1%	7.6%	5.5%	8.7%
All Buyouts	-15.9%	-23.9%	2.2%	8.4%	5.9%	9.8%
Mezzanine	-2.6%	6.6%	3.5%	4.2%	4.8%	7.5%
All Priv Equity	-15.9%	-23.6%	3.4%	7.9%	7.9%	11.9%
S&P 500	-21.9%	-37.0%	-8.4%	-2.2%	-1.4%	8.4%
Russell 2000	-26.1%	-33.8%	-8.3%	-0.9%	3.0%	7.9%

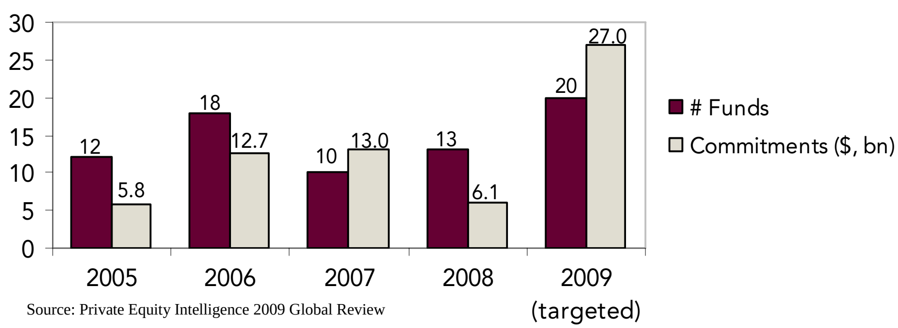
Source: Thomson Financial Venture Economics & National Venture Capital Assn.
Note: Data is continuously updated and is therefore subject to change.

Global Buyout Activity By Quarter



Source: Dealogic; Private Equity Intelligence 2009 Global Private Equity Review

Secondary Funds Raised Annually



Source: Private Equity Intelligence 2009 Global Review

Private Equity Funds Post Significant Downward Valuations

- Private equity funds experienced significant valuation declines during the fourth quarter, one quarter after most private equity categories experienced their first negative returns since the recession began. Broad economic troubles and significant losses in the public markets were reflected in year-end private equity valuations. Overall, private equity declined 15.9% during the quarter, but still outperformed the S&P 500. We expect sizeable write-downs to continue at least through the first part of 2009 as valuation adjustments continue to reflect economic realities and public market comparables.

- Global buyout activity has slowed substantially since the second quarter of 2007 due to a dearth of debt financing. Only 303 deals worth $12.4 billion were completed during the fourth quarter, compared to 591 deals worth $79.9 billion during the same period one year prior. The 84% year-over-year decline in aggregate deal value was primarily a result of deal scarcity at the $1 billion and over level. Mega buyouts had a particularly difficult quarter as larger deals require considerably more leverage.

- While 2008 represented the second-best calendar year on record for private equity fundraising, a majority of commitments were made during the first half of the year. Fundraising slowed substantially in the latter half of 2008 and this trend continued during the first quarter of 2009. During the quarter, 71 funds closed on an aggregate of $45.9 billion of committed capital, a 69% year-over-year decline in raised capital.

- Preliminary numbers show that venture capital exits continued at a crawl during the first quarter of 2009. For the second quarter in a row, there were no venture-backed IPOs. There were 13 venture-backed M&A deals in which deal value was $645 million, an 86% year-over-year decrease in total quarterly deal value. A lack of exit opportunities has created a backlog of companies in the pipeline that must be cleared before fundraising and new investment can rebound.

- For the most part, private equity secondary and distressed funds have been immune to the fundraising difficulties. A slew of GPs are raising or planning to raise new funds dedicated to those spaces as investors turn their attention to an abundance of attractive secondary and distressed opportunities created by the current environment. In 2008, distressed funds raised $43.0 billion, down 8% from a record year in 2007, but still 136% more than the previous record in 2006. While secondary fundraising was down in 2008, if the vehicles currently on the road close on target in 2009, the $27 billion raised would be a record by a significant margin. Recently, Goldman Sachs wrapped up fundraising on Goldman Sachs Vintage Fund V, which became the largest secondary fund ever raised, closing at $5.5 billion.

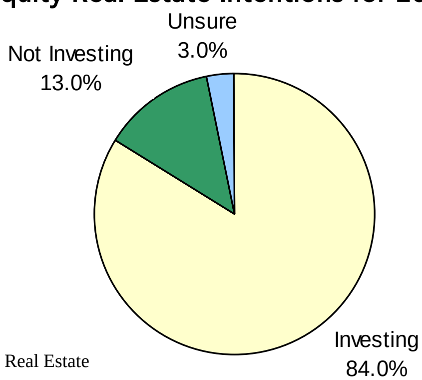
CAPITAL MARKETS REVIEW

Real Assets

Returns as of December 31, 2008

	3 Mon.	YTD	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.
NCREIF	-8.3%	-6.5%	-6.5%	8.1%	11.7%	10.5%
Apartments	-8.4%	-7.3%	-7.3%	5.8%	10.1%	10.2%
Industrials	-8.0%	-5.8%	-5.8%	8.2%	11.3%	10.6%
Office	-9.3%	-7.3%	-7.3%	10.0%	12.2%	10.2%
Retail	-6.3%	-4.1%	-4.1%	7.2%	12.7%	11.8%
Hotel	-11.0%	-9.4%	-9.4%	9.8%	11.5%	8.7%
East	-9.7%	-7.9%	-7.9%	7.9%	12.1%	11.4%
Midwest	-6.7%	-5.3%	-5.3%	6.2%	9.0%	8.2%
South	-6.8%	-3.8%	-3.8%	7.6%	10.9%	9.2%
West	-8.2%	-6.9%	-6.9%	9.3%	12.7%	11.5%

Private Equity Real Estate Intentions for 2009



Source: Preqin Real Estate

DJ-AIG Commodity Index Components Total Return Ending March 31, 2009

Allocation	Segment	3 Months	1 Year	3 Years	5 Years
22.7%	Energy	-18.5%	-62.7%	-29.0%	-14.1%
21.1%	Industrial Metals	4.7%	-54.6%	-10.7%	4.8%
12.4%	Precious Metals	6.9%	-7.6%	12.1%	13.9%
20.3%	Grains	-6.4%	-35.2%	7.2%	-5.9%
7.0%	Livestock	-7.7%	-22.2%	-12.5%	-9.5%
8.1%	Petroleum	-10.2%	-60.8%	-20.4%	-3.1%
8.5%	Softs	0.4%	-27.3%	-16.6%	-6.8%
100%	Total Market	-6.3%	-45.0%	-9.8%	-3.3%

Real Estate and Commodity Returns Continue Downward

- Private real estate markets were markedly negative during the fourth quarter of 2008, experiencing an 8.3% decline, the lowest quarterly return since the inception of the Index in 1978. The resulting one-year return of -6.5% signified the lowest annual return in 16 years. A 10% pricing correction from the peak in the second quarter of 2008 and negative net operating income (NOI) account for the steep performance decline in the quarter. This recent pricing correction still lags those of the REIT and CMBS markets, which could imply further re-pricing in the Index and deterioration of NOI growth near-term.

- Vacancy rates for the four major sectors (apartment, office, industrial, and retail) continued their uphill march at the end of the year and surpassed each of their respective break-even rates. The apartment sector recorded its worst quarterly and annual results since inception of the NCREIF Index. The office sector continued to deteriorate as well, driven by the decline in the financial services industry and the need for many firms to shed office space as national office employment fell 3.1% for calendar year 2008.

- Despite the current weak economic climate and lack of liquidity, many institutional investors are focusing on the long-term aspects of real estate and the opportunities that re-pricing has created. In a recent survey conducted by Prequin, 84% of investors intend to allocate to private real estate in 2009 while only 13% indicated that they would cease commitments this year. Of particular interest to investors are the areas of distressed debt and distressed property.

- Despite a strong March, both U.S. and foreign REITs continued to decline along with the equity markets. The NAREIT Index and FTSE/EPRA NAREIT Index retreated 29.8% and 22.1%, respectively during the quarter. High levels of leverage, the need to re-finance in a credit constrained market while operating revenues are under pressure all contributed to the sector's decline.

- The DJ-AIG Commodity Index fell 6.3% during the first quarter, bringing trailing one-year results to -45.0%. Although commodity sector results were mixed during the quarter, energy was the worst performing sector at -18.5%, resulting in a trailing one-year return of -62.7%.

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Index Returns

As of March 31, 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	-10.1	-10.1	-37.7	-23.4	-13.2	-4.2	-2.3	-2.0
S&P 500	-11.0	-11.0	-38.1	-23.3	-13.1	-4.8	-3.2	-3.0
Russell 1000 Index	-10.5	-10.5	-38.3	-23.6	-13.2	-4.5	-2.9	-2.6
Russell 1000 Growth Index	-4.1	-4.1	-34.3	-19.2	-11.3	-4.4	-3.6	-5.3
Russell 1000 Value Index	-16.8	-16.8	-42.4	-28.0	-15.4	-4.9	-2.4	-0.6
Russell Midcap Index	-9.0	-9.0	-40.8	-26.6	-15.5	-3.5	-0.2	2.3
Russell Midcap Growth Index	-3.4	-3.4	-39.6	-24.1	-14.9	-3.9	-1.4	-0.9
Russell Midcap Value Index	-14.7	-14.7	-42.5	-29.7	-16.7	-3.8	0.0	3.1
Russell 2000 Index	-15.0	-15.0	-37.5	-26.3	-16.8	-5.2	-1.3	1.9
Russell 2000 Growth Index	-9.7	-9.7	-36.4	-23.9	-16.2	-5.4	-2.3	-1.6
Russell 2000 Value Index	-19.6	-19.6	-38.9	-28.7	-17.5	-5.3	-0.6	4.9
International Equity Indices								
MSCI EAFE	-13.9	-13.9	-46.5	-27.9	-14.5	-2.2	1.1	-0.8
MSCI EAFE Growth Index	-12.4	-12.4	-45.4	-25.4	-13.1	-2.0	0.7	-2.5
MSCI EAFE Value Index	-15.5	-15.5	-47.7	-30.4	-15.9	-2.5	1.5	0.6
MSCI EAFE Small Cap	-9.6	-9.6	-48.9	-32.6	-19.4	-3.1	4.4	N/A
MSCI AC World Index	-10.7	-10.7	-43.1	-25.0	-13.3	-2.9	-0.7	-1.7
MSCI AC World ex US	-10.7	-10.7	-46.5	-26.1	-13.1	-0.7	2.6	0.5
MSCI Emerging Markets Index	1.0	1.0	-46.9	-19.6	-7.9	6.2	10.1	8.1
Fixed Income Indices								
Barclays Capital Aggregate	0.1	0.1	3.1	5.4	5.8	4.1	5.4	5.7
Barclays Capital U.S. Government/Credit	-1.3	-1.3	1.8	5.0	5.5	3.7	5.4	5.6
Barcap Intermediate U.S. Government/Credit	-0.1	-0.1	2.0	5.4	5.6	3.7	5.0	5.4
Barclays Capital U.S. Long Government/Credit	-6.2	-6.2	1.0	3.6	4.9	3.9	6.6	6.3
Barclays Capital US Corp: High Yield	6.0	6.0	-19.3	-11.9	-4.7	-0.1	3.5	2.6
Merrill Lynch 1-3 Year Treasury	0.1	0.1	3.6	6.3	5.8	3.9	4.0	4.7
Merrill Lynch 3 Month US T-Bill	0.0	0.0	1.2	2.9	3.6	3.2	2.7	3.4
Citigroup Non-U.S. World Government Bond	-5.7	-5.7	-6.4	7.0	7.4	4.4	9.2	5.5
Real Estate								
Dow Jones Wilshire REIT	-33.9	-33.9	-60.7	-43.5	-27.0	-9.4	-1.7	3.7

Returns for periods greater than one year are annualized.