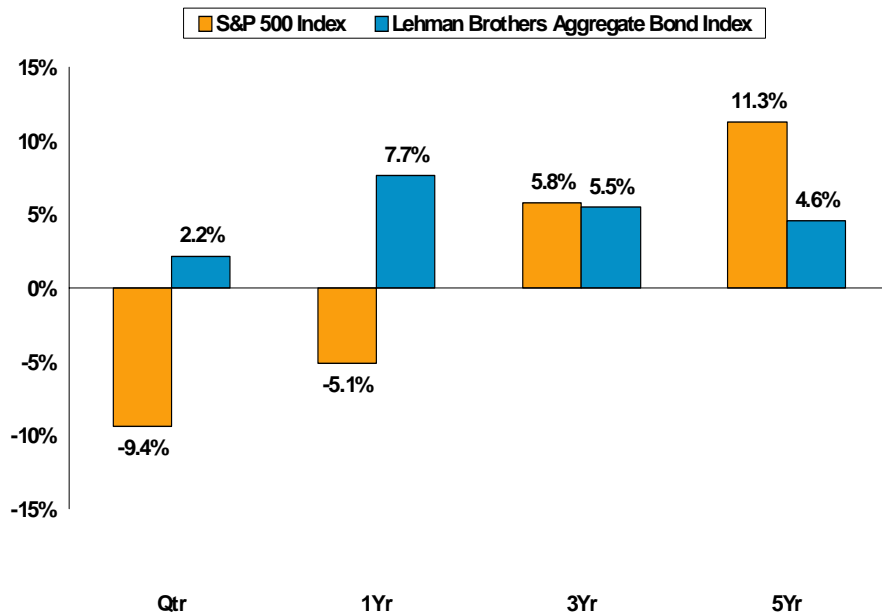


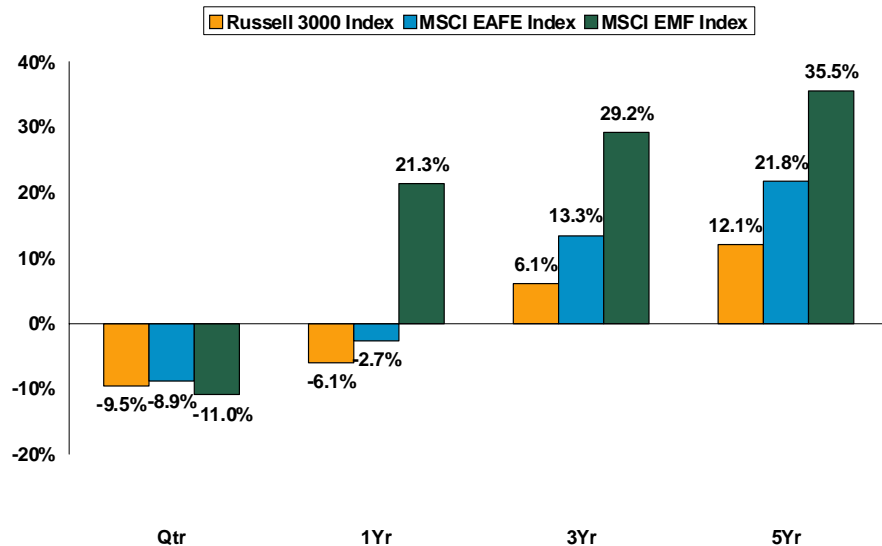
# First Quarter 2008 - Market Overview

## Stocks vs. Bonds

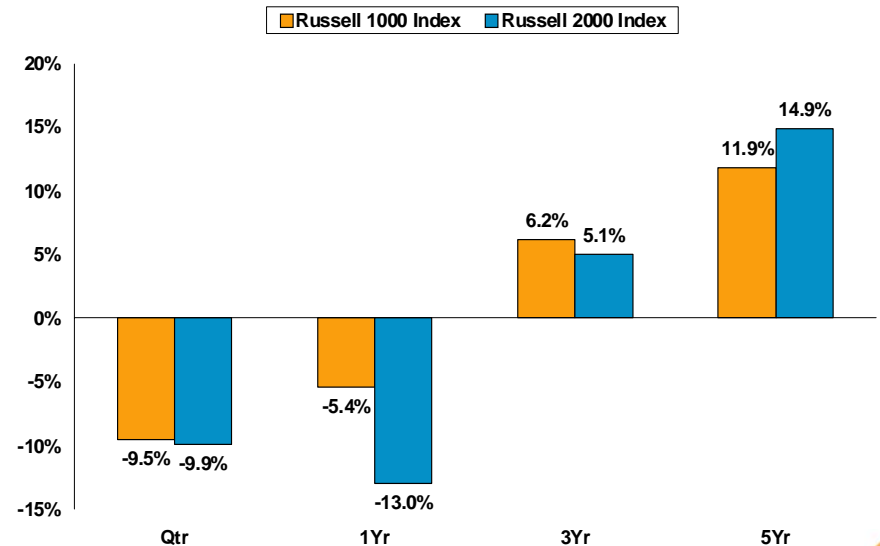


- In light of continued recessionary fears amid higher unemployment and slower GDP growth, U.S. equity declines were broad-based, with both large cap and small cap stocks falling by almost 10%
- Coupled with a surprise inter-meeting rate cut on January 22<sup>nd</sup>, the Federal Open Market Committee (FOMC) cut the Fed Funds rate by 200 basis points (2%) from 4.25% to 2.25%, as global markets suffered severe declines on fears of a lengthy U.S. economic slow-down
- While the FOMC sought to help improve the liquidity of the credit markets amid the lingering global credit crunch, investors continued selling risky securities in favor of government bonds
- International developed stocks declined substantially, although foreign currency appreciation versus the dollar offset some of these losses
- Emerging market equities “re-coupled” with U.S. markets, as stocks in Asia and Europe, Middle East and Africa (EMEA) declined significantly, while Latin American stocks had relatively better performance
- The “flight-to-quality” rally that began in the third quarter of 2007 continued, as U.S. Treasuries and TIPS outperformed spread sectors, gaining 4.4% and 5.2%, respectively

## U.S. vs. International vs. Emerging

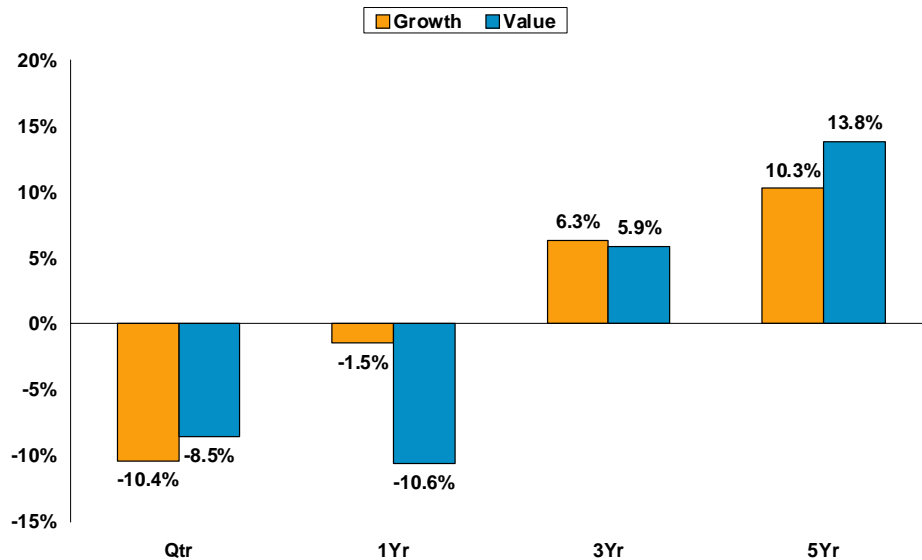


## Large Cap vs. Small Cap



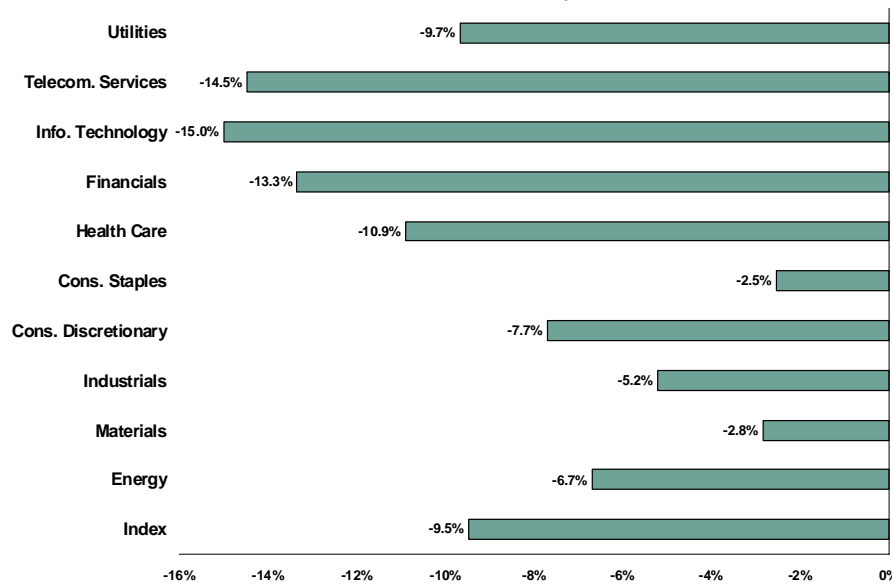
# First Quarter 2008 – Domestic Equity

Russell 3000 Index Style Returns

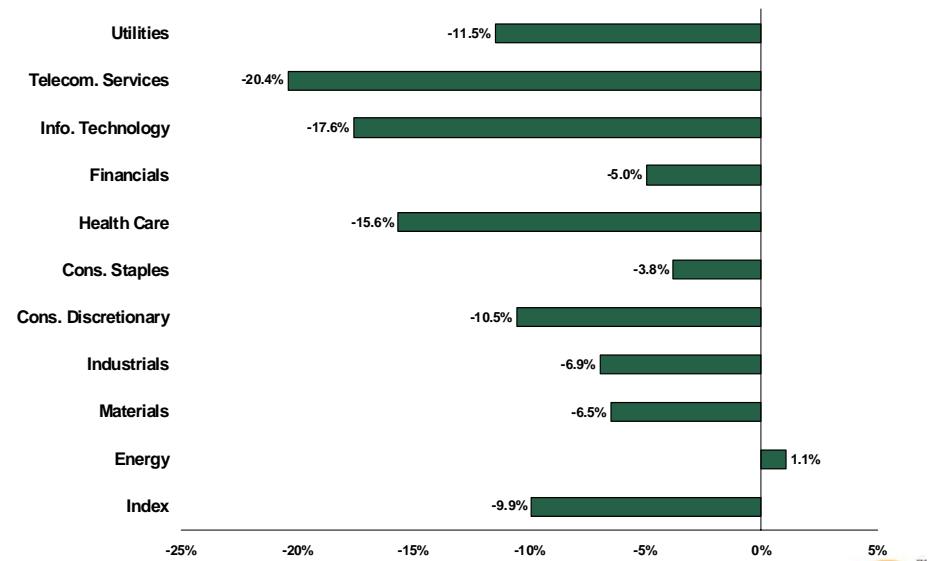


- The S&P 500 Index and the Russell 3000 Index fell by more than 9%, whereas the NASDAQ declined approximately 14% due to the weakness of technology stocks
- There was little difference in returns between large caps and small caps in the quarter, while the Russell 3000 Value Index outperformed the Russell 3000 Growth Index by nearly 2% points due to weak performing technology and health care stocks, which constitute a large portion of growth indexes
- Technology stocks were the worst performing sector, down 15%, as the U.S. economic slowdown caused uncertainty with investors about corporate capital spending on technology
- The financial sector declined 13.3% and was the second worst performing large cap sector, due to continued concerns about credit market weakness and its negative impact on financial companies
- Although each large cap sector posted negative returns in the first quarter, consumer staples stocks declined less than every other sector due primarily to more consistent sales and earnings growth

Russell 1000 Index Quarterly Returns

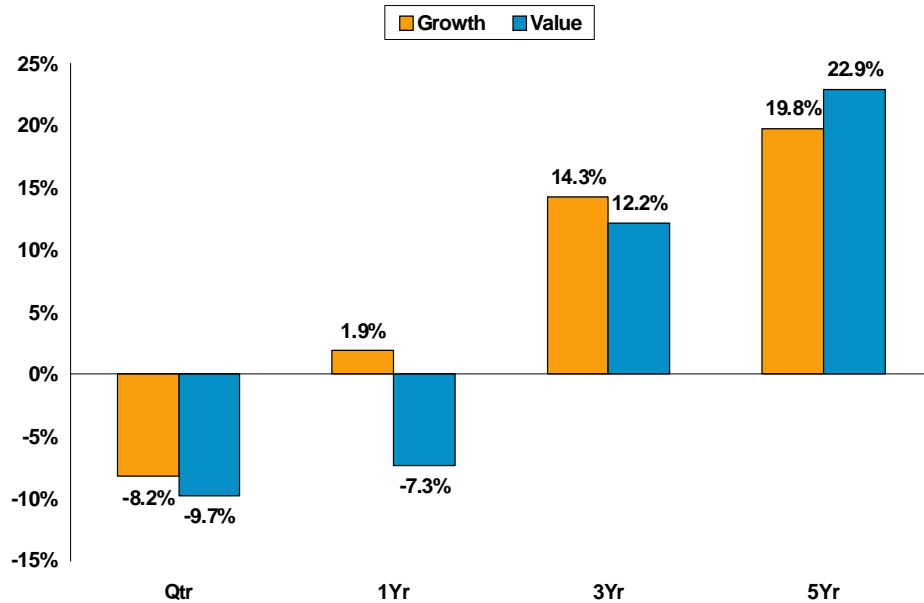


Russell 2000 Index Quarterly Returns



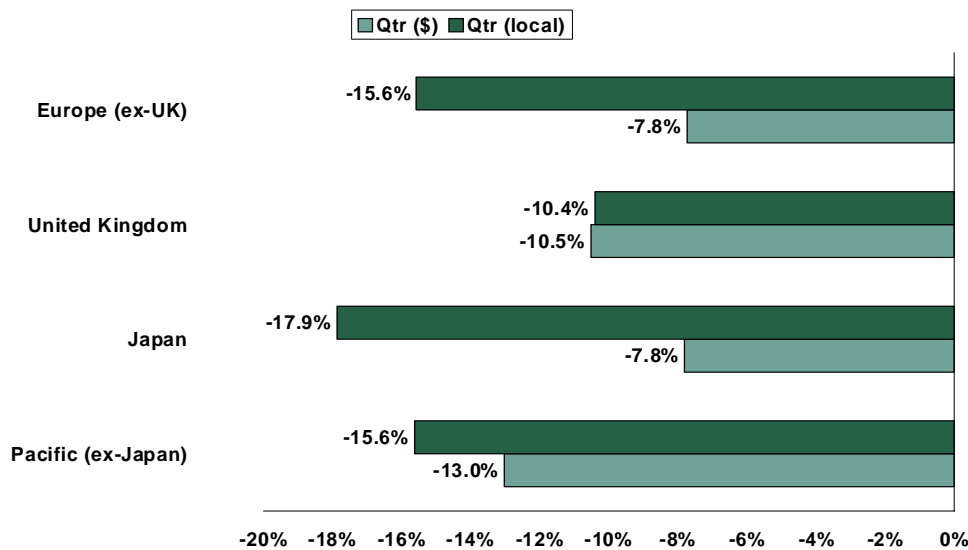
# First Quarter 2008 – International Equity

MSCI EAFE Index Style Returns

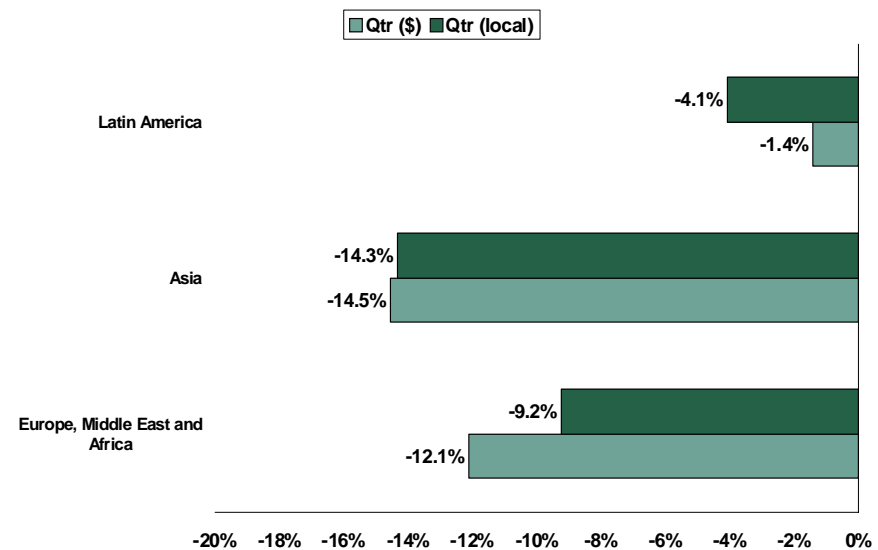


- International equities declined substantially, although the decline in the U.S. dollar versus the yen and euro positively impacted the performance of foreign stocks in U.S. dollars
- Unlike U.S. equities, international growth stocks outperformed value stocks, declining 8.2% versus a 9.7% loss in international value stocks
- Japanese stocks fell 17.9% in local currency terms due to ongoing concerns about its economy; however, Japan declined 7.8% in U.S. dollars as a result of the strengthening yen
- While the European Central Bank left interest rates unchanged during the quarter, the Bank of England cut interest rates by 25 basis points to 5.25% in an effort to stimulate aggregate demand
- Emerging markets declined 11% in both local and U.S. Dollar terms, as China and India were the primary detractors of performance; declining 23.7% and 27%, respectively; overall fears of the weakening U.S. economy's impact on the global marketplace further contributed to emerging markets poor performance

MSCI EAFE-net Regional Quarterly Returns

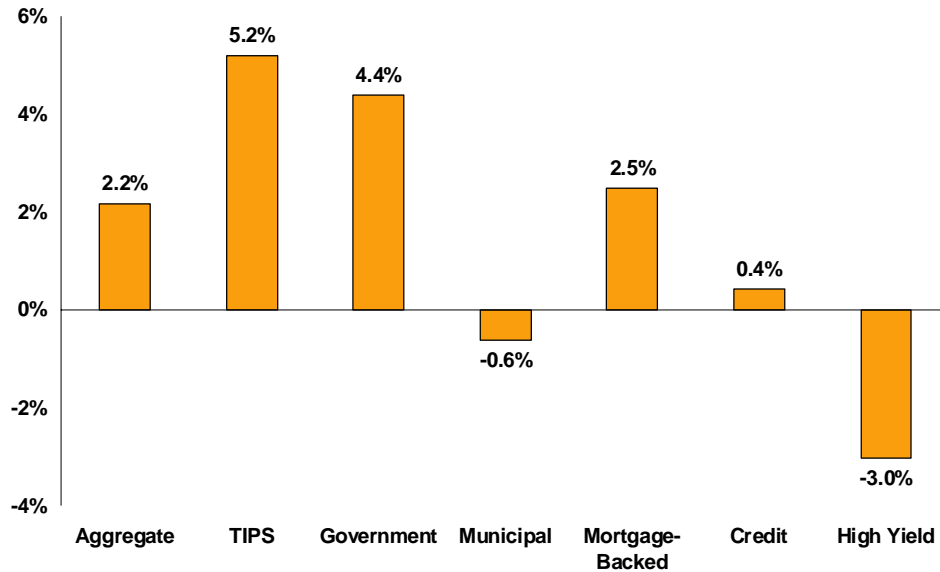


MSCI Emerging Markets Regional Quarterly Returns



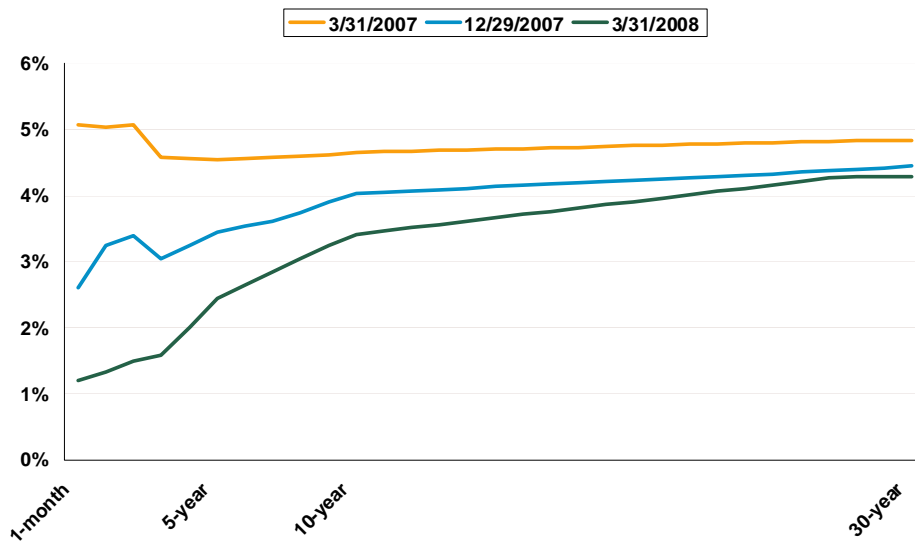
# First Quarter 2008 – Fixed Income

Lehman Brothers U.S. Fixed Income Index Returns

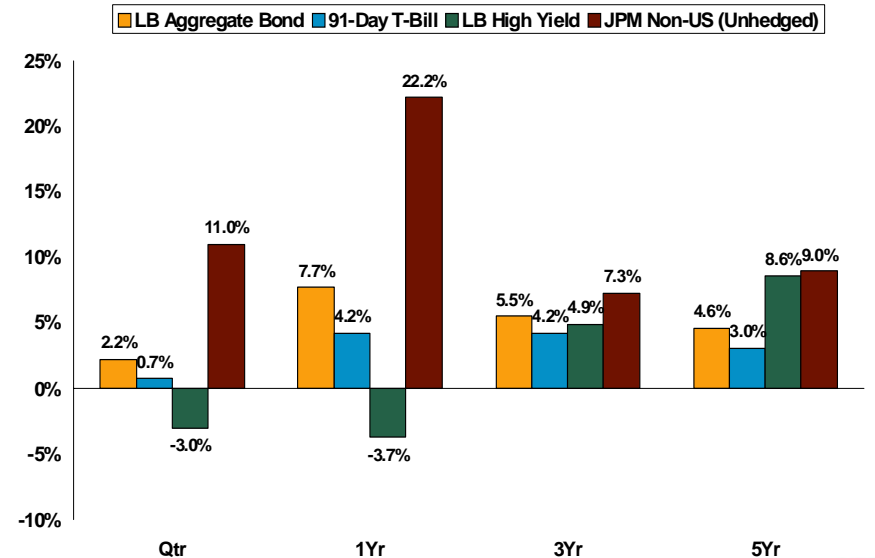


- The continuation of the “flight-to-quality” rally that began in the third quarter of 2007 helped U.S. Treasuries and TIPS outperform spread sectors during the first quarter, as U.S. Treasuries gained 4.4% and TIPS gained 5.2%
- Despite continued subprime market-related volatility in the residential mortgage-backed securities market, the Lehman Brothers Mortgage-Backed Securities Index was the next best performing sector, gaining 2.5%, as spread focused investors preferred mortgages relative to investment grade corporate bonds, which returned only 0.4%
- Amid continued weakness in credit markets, investors shunned lower quality securities, most noticeably in high yield bonds (down 3% for the quarter); high yield bond spreads crossed 8% points over U.S. Treasuries during the quarter despite continued low default rates
- Global bonds benefited from the U.S. dollar’s depreciation against the yen and the euro, although the greenback remained strong against the British pound; un-hedged non-U.S. bond indices outperformed dollar-hedged indices by approximately 9% points

U.S. Treasury Yield Curve

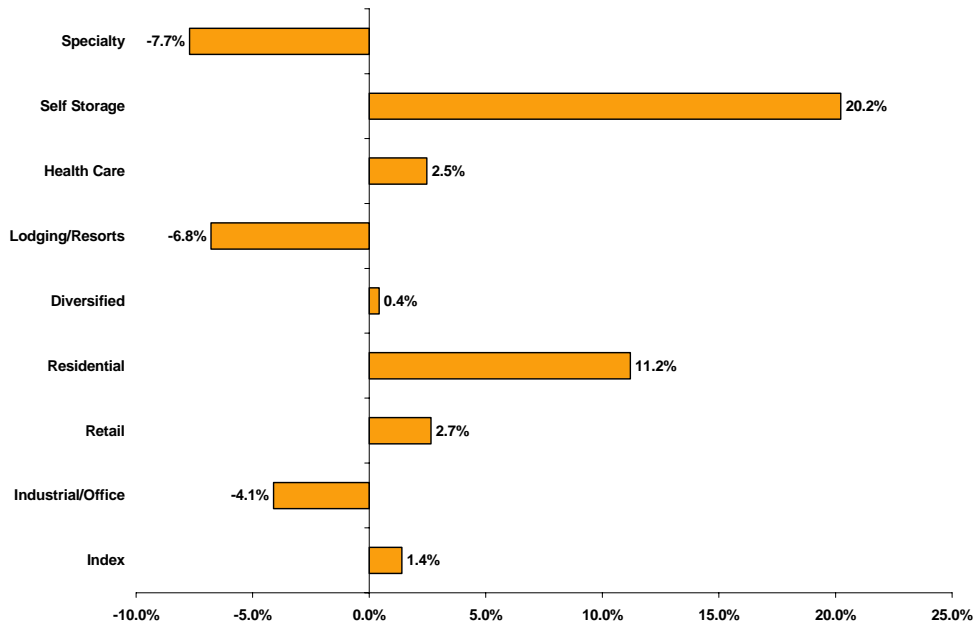


Broad Fixed Income



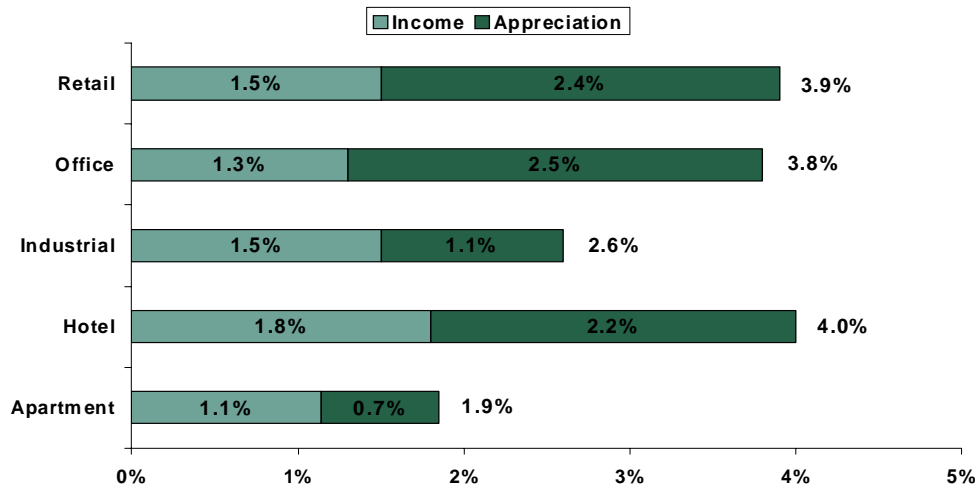
# First Quarter 2008 – Real Estate

NAREIT Equity REIT Index Sector Returns

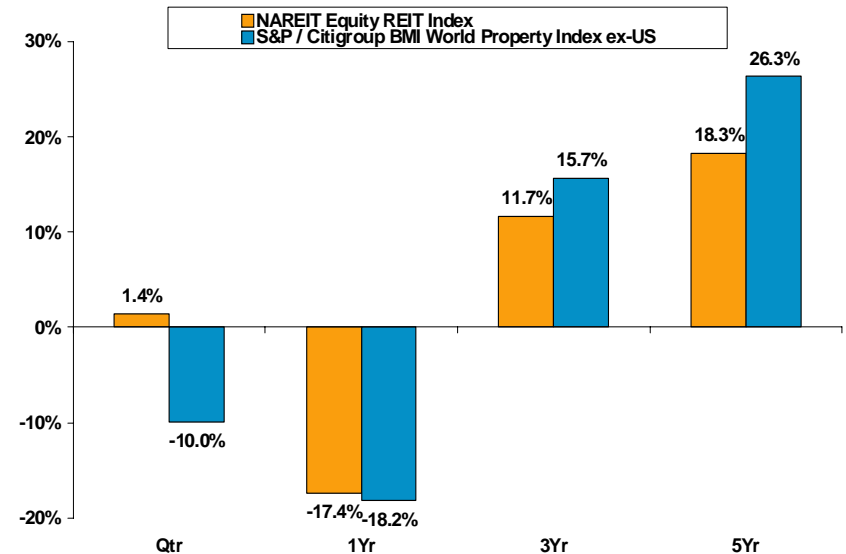


- U.S. REITs gained 1.4% in the first quarter, driven by strength in the apartment and self-storage sectors, which benefited from weakness in residential housing. Healthcare REITs also outperformed due to counter-cyclical qualities amid a slower economic growth environment
- Lodging/Resorts was the worst performing REIT sector, declining 6.8%, due to concerns of slower economic growth
- International REITs exhibited weak performance primarily due to weakness in Asia, which lost 16.2% amid valuation concerns and profit taking; conversely, European REITs gained 4.9%, following significant declines in 2007
- Private real estate sector returns were positive in all categories in the fourth quarter (most recent available); private real estate values have become more difficult to gauge as property transactions slowed significantly in late 2007 and pricing on real estate debt became dramatically more expensive and less available
- Capitalization rates increased an estimated 25 to 50 basis points from lows set earlier in the year with the potential for further increases, or lower valuations, as 2008 unfolds

NCREIF National Property Index: Sector Returns Fourth Quarter 2007



Public Real Estate - U.S. vs. International



# Fourth Quarter 2007 – Hedge Funds

## Performance Summary (% Return)

<u>Strategy</u>	<u>Quarter</u>	<u>1 Year*</u>	<u>3 Year*</u>	<u>5 Year*</u>	<u>10 Year*</u>
HFRI Fund Weighted Composite Index	-2.8%	4.0%	9.4%	11.3%	9.0%
HFRI Fund of Funds Composite Index	-3.8%	2.8%	7.7%	8.2%	6.4%
HFRI Equity Hedge (Total) Index	-5.8%	1.2%	8.6%	11.0%	10.4%
HFRI Emerging Markets (Total) Index	-8.1%	9.3%	18.6%	23.0%	11.6%
HFRI Event-Driven (Total) Index	-1.1%	1.5%	8.9%	13.0%	9.8%
HFRI ED: Distressed/Restructuring Index	-3.3%	-2.1%	7.8%	13.4%	9.8%
HFRI Relative Value (Total) Index	-2.6%	3.0%	7.8%	7.4%	7.9%
HFRI ED: Merger Arbitrage Index	-1.6%	1.9%	8.2%	7.4%	7.3%
HFRI EH: Equity Market Neutral Index	-0.7%	2.5%	5.4%	4.9%	5.9%
HFRI Macro (Total) Index	5.1%	16.2%	10.3%	10.9%	8.9%

Source: HedgeFund Research

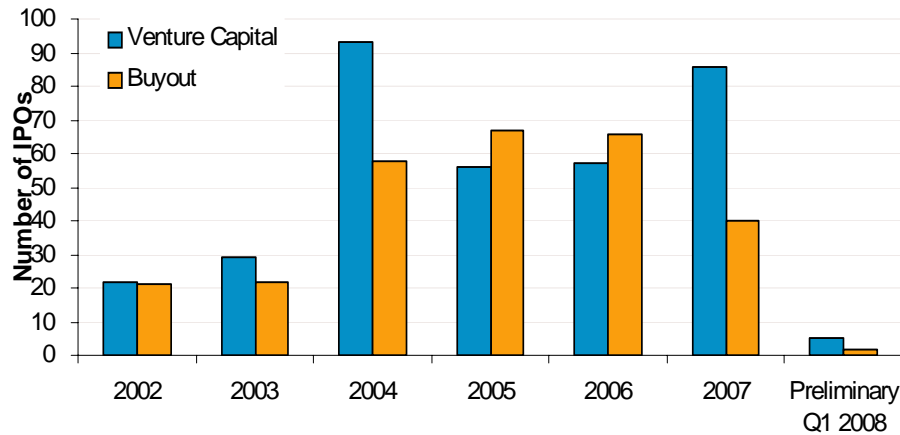
\*Annualized

- Hedge fund returns were negative during the quarter, with all core strategies, except macro, posting negative returns
- The first quarter marked the worst start of a calendar year dating back to the beginning of the HFRI Indices in 1990, and is the sixth largest drawdown and longest duration drawdown on record, at five months and counting
- Directional strategies with equity exposure fell less than the equity markets, but not to the degree historically achieved; the HFRI Equity Hedge Index loss of 5.8% participated in 62% of the S&P 500 index loss of 9.4%
- Fundamental equity strategies were negatively affected by macroeconomic factors, including the U.S. economic slowdown, commodity market volatility, inflation concerns, and fear of further collapses in the financial industry
- Global Macro was the lone positive performing strategy during the first quarter and the only strategy with double-digit gains over the trailing 12 months
- Macro and other trading related strategies, such as managed futures, benefit during times of high volatility; many other hedge fund strategies claim to benefit from volatility but generally use volatile periods as buying opportunities and performance is attained as markets return to stability
- Several hedge funds collapsed during the first quarter due to a combination of mark-to-market losses and tightening margin requirements by leverage providers; these collapses have thus far been limited to funds with limited strategy diversification, weak financing relationships, and excessive leverage



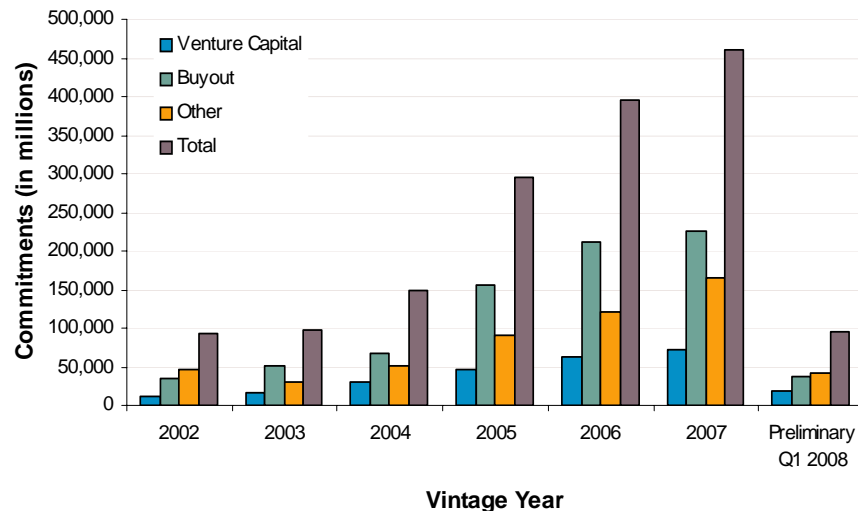
# First Quarter 2008 – Private Equity

## Global Private Equity IPOs



- Venture performance moderated in 4Q08 though finished the year up almost 20% as balanced- and late-stage funds drove performance over the last 1- 3- and 5 year time periods while early-stage venture drove performance over the last 10- and 20-year time periods
- The exit market for venture-backed companies deteriorated quickly in the first quarter of 2008 following a successful 2007, as only five venture-backed companies participated in an IPO, the lowest quarterly level since 2003
- Acquisition activity declined, as 60 venture-backed companies were acquired in the first quarter of 2008, the lowest quarterly level since 1999
- Buyout performance for the first quarter 2008 was driven by mid-market funds up 23.7% versus 2.8% for all buyouts, however, 1- 3- and 5- year returns still favor the large/mega funds.
- Preliminary global commitments to buyout funds for the first quarter of 2008 totaled \$37.2 billion compared with \$60.8 billion for same period in 2007, a decrease of 38.8%, reflecting the concerns among limited partners given the credit crisis
- Buy-in multiples have remained relatively consistent for middle market transactions since 2005; however, deals at the large end of the buyout market (transaction sizes greater than \$500 million) rose to 9.9x EBITDA in 2007 up from 8.4x EBITDA in 2005

## Global Private Equity Commitments



### Venture Economics Data

As of 12/31/07

	Venture	Buyouts
1 year	19.5%	20.8%
3 years	9.4%	13.0%
5 years	8.5%	15.1%
10 years	18.3%	8.3%
20 years	16.7%	12.2%

