

2009
Year in Review



ASSET CONSULTING GROUP

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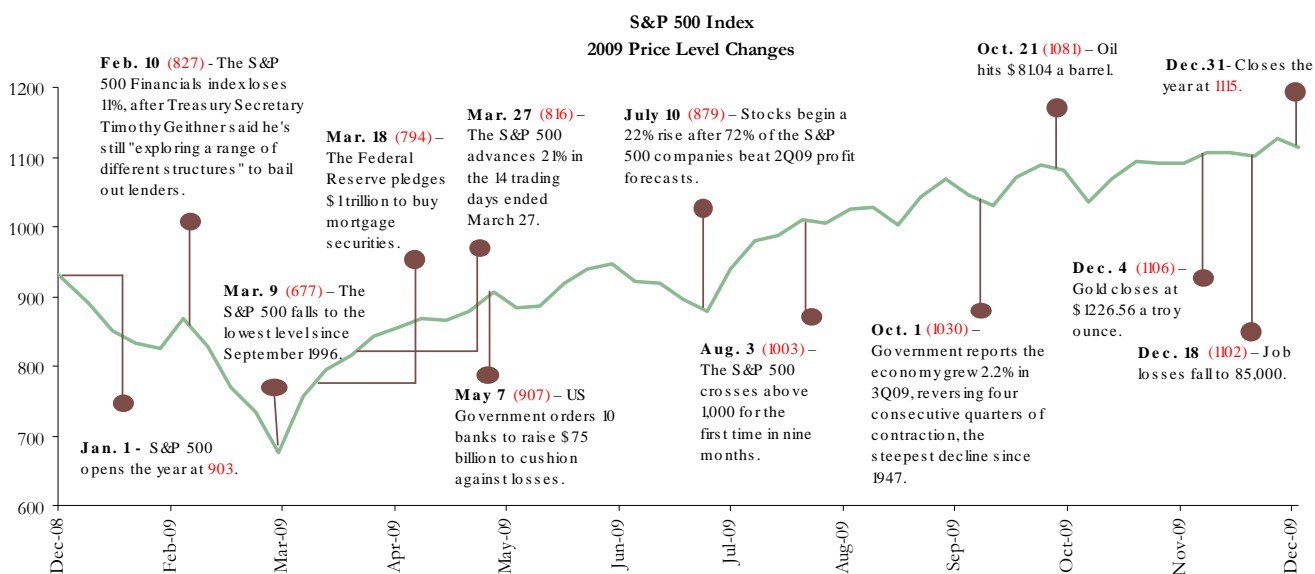
2009 – The Road to Recovery

The US economy began 2009 in the throes of what was considered to be the “Great Recession.” A collapse in credit markets during the fourth quarter of 2008 sent the economy spiraling downward, leading to ill effects that spilled over into the first half of 2009. While the economy was ailing, however, the financial markets began to bounce off multi-year lows, foreshadowing broader economic improvements. Thanks largely to near zero interest rates and massive government stimulus efforts, we closed the year on an optimistic road to recovery.

At the start of the year, it was a Depression like scenario - the economy, contracting at more than a 6% clip, was falling off the proverbial cliff while stocks and non-Treasury bonds plunged. The S&P 500 Index plummeted 57% from its lifetime peak in October 2007 to a 12-year low on March 9th. A good portion of the decline was attributed to the financial sector, which came under extreme pressure on February 11th when Treasury Secretary Timothy Geithner pledged up to \$2 trillion in government financing to rescue banks from toxic assets and spur new lending. The S&P 500 Financials Index dropped 11% on that day, contributing to an 84% decline from its high in February 2007.

By spring, however, investors became increasingly optimistic that after the US government lent, pledged or spent \$11 trillion in stimulus efforts, it could eventually bring an end to the recession. This set the stage for one of the biggest stock and credit market rallies in history over the ensuing months. From its bottom in March, the Dow Jones and S&P 500 Indexes both climbed more than 60% while the Nasdaq gained nearly 80%. Credit markets rallied and fixed-income investors rotated out of the safe haven of Treasury securities and into some of the riskiest segments of the bond market. Bond investors achieved equity-like returns for the year as the Barclays US Convertibles Index and the US High Yield index climbed 58.24% and 60%, respectively.

Gains in the market lead to improvement in the real economy, as consumer wealth increased due to the rising financial markets coupled with stabilizing home prices. Consumer spending, which represents roughly 70% of the US economy, picked up some steam in the second half of the year, producing positive economic growth in the third quarter after nine months of economic contraction, with another quarter of positive growth expected during the fourth quarter. Improvements in both the markets and the broad economy have been tempered, however, by some continued signs of weakness. A significant amount of fiscal and monetary stimulus support remains in the system, creating uncertainty regarding how the economy will fare when the government closes its checkbook. Residential housing has seen some signs of improvement but commercial real estate continues to struggle. The largest concern remains unemployment, which ended the year at a 26 year high of 10% and is expected to take years to drop back to a normal level. These factors remind us that while the recovery this year has been substantial, the healing process is not yet over.



Data Source: ACG Research

2000 - 2009 – The “Lost Decade”

2009 marked the close of the first decade of the new millennium, and it ended with a similar level of turmoil as it began. We entered the decade on the tail wind of the dot-com era, as investors enjoyed outsized returns thanks in large part to the success and growth of Internet companies. Early in 2000, the NASDAQ Index, driven by technology, media and telecommunication (TMT) stocks, reached an all-time high of 5,048 as the bubble reached its peak.

Shortly thereafter, however, a lack of fundamentals and solid earnings led a plethora of these speculative companies to falter. Troubles spread further in the market as corporate scandal caused firms such as Enron and WorldCom to fall. In the midst of the bursting of the bubble, the worst terrorist attack in our nation’s history occurred on September 11th, 2001, propelling our nation into a war that continues today and our economy into recession.

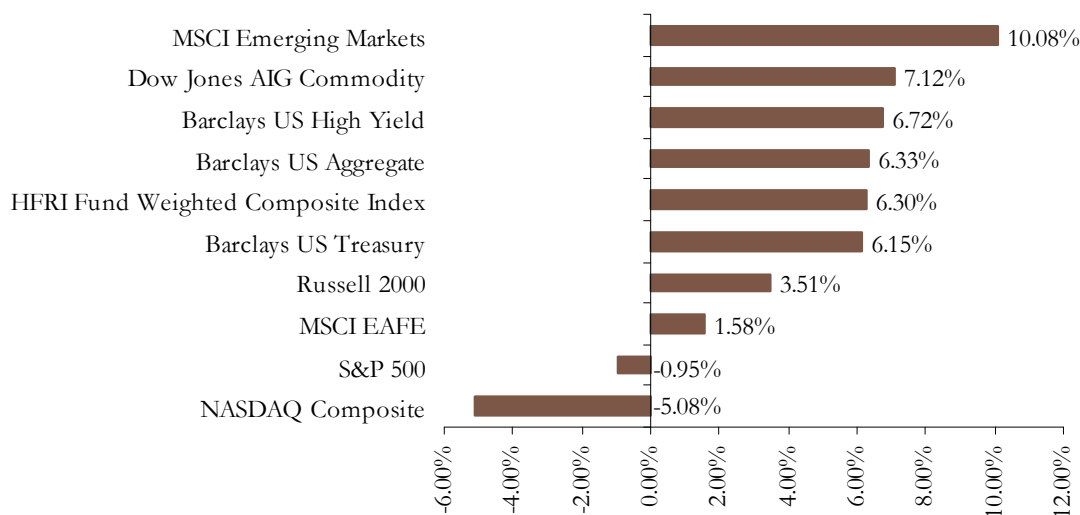
The first recession of the decade lasted 7 months, but was subsequently followed by 5 years of rebounding growth. The mid-2000s were defined as an era of cheap money, allowing easy access to credit. Home prices soared as consumers were able to easily obtain 100% (or more) financing, while financial institutions in turn took the securitization markets to a new level and further leveraged these mortgages to provide attractive investment opportunities.

Leverage magnified investors’ returns as prices grew. Unfortunately, home values peaked in April 2006 and as prices declined leverage also magnified the losses. Equity markets withstood the downturn for a period, peaking in October of 2007. By December, however, we had re-entered a recession as mortgage-related losses and asset write-downs spread throughout the market. In 2008, investor fears, defaulted securities and complete illiquidity within the credit markets led to a global financial meltdown. Every major economy and market sector fell dramatically as investors hastily shed perceived risky assets in favor of the relative safety of government bonds.

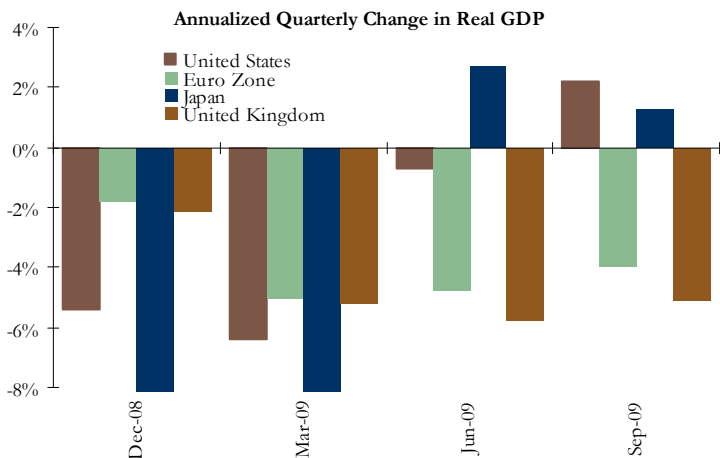
Despite the strong turnaround in 2009, the price of the S&P 500 Index has still fallen 24% over the past 10 years. Dividends brought the index’s annualized return over the past decade to -0.95%, resulting in its status as the “lost decade.” An investment of \$10,000 in the S&P 500 Index on December 31, 1999 would have yielded \$9,090 at the end of 2009, while the same amount invested in the Barclays Capital US Treasury Index would be worth just over \$18,000. The top performing broad asset class for the decade was the MSCI Emerging Markets Index, providing an annualized return of approximately 10% despite a more than 50% decline of assets in 2008. And the NASDAQ? The close of the year saw a price level of 2269 for the index, a 5.08% annualized decline for the decade.

Data Sources: Ibbotson, Russell

Ten Year Annualized Returns

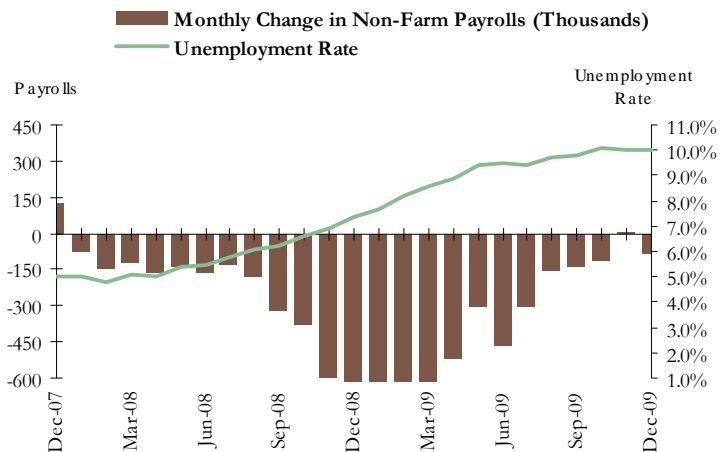


The Economy



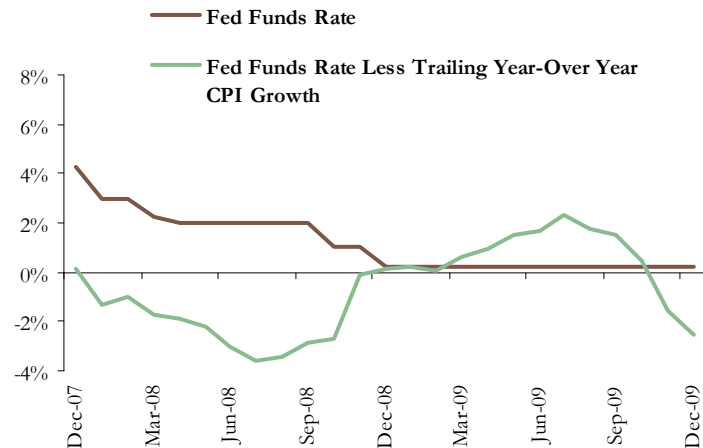
Governments around the world injected trillions of dollars into financial markets to support an economic recovery. By the third quarter, the impact from the stimulus was showing early signs that economies were bottoming. In the US, rising consumer spending and a rebound in home construction led to the first quarterly expansion in 15 months. Japan's economy expanded for two consecutive quarters on rising exports and consumer spending but simultaneous falling prices have been squeezing profits, underscoring the threat of a deflationary environment. Government spending and a jump in exports helped Europe's economy rebound in the third quarter, but the economy still slumped 4.1% from a year earlier due to declines in both consumer and business spending.

Data Source: Bloomberg



The deepening US recession in the first half of 2009 caused massive cut backs by corporations, reducing payrolls by an average of nearly 600,000 a month and leading to a year-end employment rate of 10%. While the pace of layoffs slowed over the latter half of the year, uncertainty surrounding the economic recovery kept employers from hiring and resulted in a loss of more than 7 million jobs. The participation rate, or the share of the population in the labor force, fell to a 24-year low of less than 65%. One sign that companies are regaining confidence is in the trend of temporary employment, which rose in the latter five months of the year. Payrolls at temporary-help agencies often turn up before total employment as companies look for a sustainable pickup in demand.

Data Source: Bureau of Labor Statistics



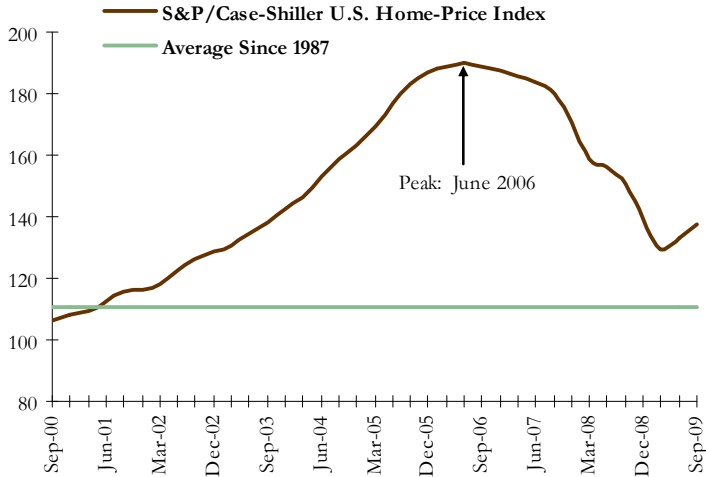
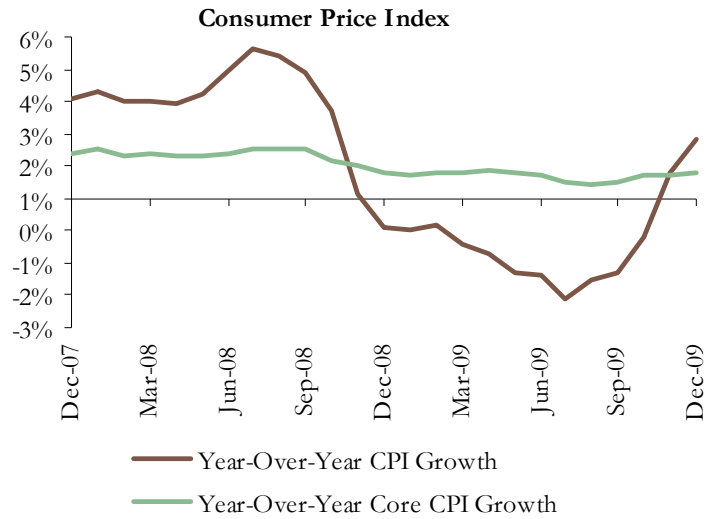
The Federal Reserve (Fed) maintained an accommodative bias in 2009 after judging that the functioning within financial markets had improved, but tight credit and a weak labor market still warranted "exceptionally low" interest rates. The Fed maintained its federal funds rate in a range between zero and 0.25% throughout the year and anticipated unwinding its stimulus programs by the first half of 2010. The deflationary environment over the first nine months of the year kept the federal funds rate below inflation, supporting the Fed's view that inflation would remain subdued for some time.

Data Sources: Federal Reserve, Bloomberg

The Economy

The worst economic slump since the 1930's left the US economy with substantial excess capacity in 2009, reducing the pricing power of companies and prompting them to discount merchandise. As a result, consumer prices were down more than 2% by July relative to a year earlier, the largest 12-month decrease in nearly 60 years. In August, however, energy prices began to rebound from five-year lows and surpassed \$80 a barrel by October. Gasoline prices followed suit, closing the year with a national average of \$2.65 a gallon, a 64% jump from last year. Core inflation, which excludes energy and food, remained flat as declining rental prices were offset by rising medical and automobile prices.

Data Sources: Bloomberg, Bureau of Labor Statistics



The two-year slump in the US housing market showed some signs of stabilization in 2009 as low mortgage rates, coupled with government tax credits, lifted home sales and subsequently caused property values to settle in. Through November, the combined sales of existing and new homes rose during eight of the first 11 months of the year. This was aided in large part by the government's first-time homebuyer tax credit. Masking the recovery in housing demand was the number of homes sold as foreclosures, as the share of distressed properties sold rose to 30% by October. The Mortgage Bankers fixed-rate 30-year mortgage rate fell to 5.08% by year-end, remaining near its lowest level in almost 20 years.

Data Sources: Bloomberg, Standard & Poor's

Broad Asset Class Performance

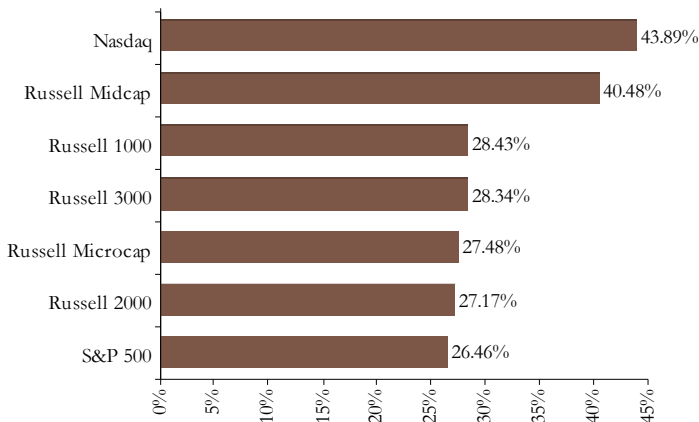
The global financial crisis of 2008 heightened levels of risk aversion amongst investors worldwide but subsequently reversed course in 2009. Cash flowed from the relative safety of government debt into risky assets, resulting in emerging market equities shifting from the worst performing asset class in 2008 to the top performer in 2009. As volatility declined while liquidity was restored to credit markets, fixed-income investors rotated to riskier assets such as high yield bonds. With the Federal Reserve anchoring short-term interest rates at a range between zero and 0.25% throughout the year, Treasury bonds were not surprisingly the worst performer of 2009.

Data Source: Bloomberg

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
S&P 500 37.43%	Goldman Commodity 33.92%	S&P 500 33.36%	S&P 500 28.58%	MSCI EM Free 66.42%	Goldman Commodity 49.74%	Leh Agg Bond 8.42%	Goldman Commodity 32.07%	MSCI EM Free 56.28%	MSCI EM Free 25.95%	MSCI EM Free 34.54%	MSCI EM Free 32.59%	MSCI EM Free 39.78%	Barclays Gbl Treas ex-US 9.43%	MSCI EM Free 79.02%
Russell MidCap 34.45%	Leh EM Bond 28.33%	Russell MidCap 29.01%	MSCI EAFE 20.33%	Goldman Commodity 40.92%	Leh EM Bond 13.73%	Leh High Yield 5.28%	Leh Gbl Govt Ex-US 21.89%	Russell 2000 47.25%	MSCI EAFE 20.70%	Goldman Commodity 25.55%	MSCI EAFE 26.86%	DJ-AIG Commodity 16.23%	Barclays Agg Bond 5.24%	Barclays High Yield 58.21%
HFRI Equity Hdg 31.04%	S&P 500 23.07%	HFRI Equity Hdg 23.41%	Leh Gbl Govt Ex-US 18.22%	ML Conv Ex Mand 44.32%	Leh Agg Bond 11.63%	Leh 1-3Mo. Treasury 4.10%	Leh EM Bond 12.26%	Russell MidCap 40.06%	Russell MidCap 20.22%	MSCI EAFE 14.02%	Russell 2000 18.37%	MSCI EAFE 11.63%	Barclays 1-3Mo. Treasury 1.77%	Barclays Conv Bond 50.72%
Russell 2000 28.44%	HFRI Equity Hdg 21.75%	Russell 2000 22.36%	HFRI Equity Hdg 15.98%	HFRI Equity Hdg 44.22%	HFRI Equity Hdg 9.09%	HFRI FOF: Conserv. 3.11%	Leh Agg Bond 10.27%	MSCI EAFE 39.17%	Russell 2000 18.33%	Russell MidCap 12.65%	S&P 500 15.79%	Leh Gbl Govt Ex-US 10.94%	Barclays EM Bond - 14.75%	Russell MidCap 40.48%
ML Conv Ex Mand 24.75%	Russell MidCap 19.00%	ML Conv Ex Mand 18.98%	Russell MidCap 10.10%	MSCI EAFE 27.3%	Russell MidCap 8.25%	Russell 2000 2.49%	HFRI FOF: Conserv. 3.57%	Leh High Yield 28.97%	Goldman Commodity 17.28%	Leh EM Bond 12.27%	Russell MidCap 15.26%	HFRI Equity Hdg 10.65%	HFRI FOF: Conserv. -17.25%	Barclays EM Bond 34.23%
Leh EM Bond 23.16%	Russell 2000 16.49%	HFRI FOF: Conserv. 14.95%	Leh Agg Bond 8.67%	Leh EM Bond 23.07%	Leh 1-3Mo. Treasury 6.13%	Leh EM Bond 1.43%	Leh 1-3Mo. Treasury 1.70%	S&P 500 28.69%	Leh Gbl Govt Ex-US 12.06%	HFRI Equity Hdg 10.66%	Leh Conv Bond 13.33%	HFRI FOF: Conserv. 7.56%	Barclays High Yield -26.16%	MSCI EAFE 32.46%
Leh Gbl Govt Ex-US 21.47%	ML Conv Ex Mand 14.30%	Leh EM Bond 13.19%	ML Conv Ex Mand 8.21%	Russell 2000 21.26%	HFRI FOF: Conserv. 5.77%	HFRI Equity Hdg 0.40%	Leh High Yield -1.37%	Leh EM Bond 26.93%	Leh EM Bond 11.89%	S&P 500 4.91%	Leh High Yield 11.85%	Leh Agg Bond 6.97%	HFRI Equity Hdg -26.40%	Russell 2000 27.17%
Goldman Commodity 20.33%	HFRI FOF: Conserv. 13.73%	Leh High Yield 12.77%	Leh 1-3Mo. Treasury 5.20%	S&P 500 21.04%	Leh Gbl Govt Ex-US -2.83%	MSCI EM Free -2.37%	HFRI Equity Hdg -4.71%	ML Conv Ex Mand 25.80%	Leh High Yield 11.13%	HFRI FOF: Conserv. 4.84%	HFRI Equity Hdg 11.74%	Leh Conv Bond 5.62%	Russell 2000 -33.79%	S&P 500 26.46%
Leh High Yield 19.17%	Leh High Yield 11.35%	Leh Agg Bond 9.68%	Leh High Yield 1.87%	HFRI FOF: Conserv. 18.93%	Russell 2000 -3.02%	ML Conv Ex Mand -3.95%	ML Conv Ex Mand -4.95%	Goldman Commodity 20.72%	S&P 500 10.88%	Russell 2000 4.55%	Leh EM Bond 9.96%	Russell MidCap 5.60%	Barclays Conv Bond -34.59%	HFRI Equity Hdg 25.07%
Leh Agg Bond 18.48%	Leh Gbl Govt Ex-US 6.73%	Leh 1-3Mo. Treasury 5.37%	HFRI FOF: Conserv. -1.61%	Russell MidCap 18.23%	Leh High Yield -5.86%	Leh Gbl Govt Ex-US -3.95%	MSCI EM Free -6.00%	HFRI Equity Hdg 20.54%	ML Conv Ex Mand 8.49%	Leh 1-3Mo. Treasury 3.00%	HFRI FOF: Conserv. 9.07%	S&P 500 5.49%	DJ-AIG Commodity -35.65%	DJ-AIG Commodity 18.91%
HFRI FOF: Conserv. 13.06%	MSCI EAFE 6.36%	MSCI EAFE 2.06%	Russell 2000 -2.55%	Leh 1-3Mo. Treasury 4.83%	S&P 500 -9.11%	Russell MidCap -5.62%	MSCI EAFE -15.66%	Leh Gbl Govt Ex-US 18.21%	HFRI Equity Hdg 7.66%	Leh High Yield 2.74%	Leh Gbl Govt Ex-US 7.29%	Leh EM Bond 5.15%	S&P 500 -37.00%	HFRI FOF: Conserv. 9.46%
MSCI EAFE 11.55%	MSCI EM Free 6.04%	Leh Gbl Govt Ex-US -4.01%	Leh EM Bond -11.60%	Leh High Yield 2.39%	ML Conv Ex Mand -11.70%	S&P 500 -11.88%	Russell MidCap -16.18%	HFRI FOF: Conserv. 9.02%	HFRI FOF: Conserv. 5.60%	Leh Agg Bond 2.43%	Leh 1-3Mo. Treasury 4.81%	Leh 1-3Mo. Treasury 4.79%	Russell MidCap 41.46%	Barclays Agg Bond 5.93%
Leh 1-3Mo. Treasury 5.85%	Leh 1-3Mo. Treasury 5.28%	MSCI EM Free -11.59%	MSCI EM Free -25.33%	Leh Agg Bond -0.83%	MSCI EAFE -13.96%	MSCI EAFE -21.21%	Russell 2000 -20.48%	Leh Agg Bond 4.10%	Leh Agg Bond 4.34%	Leh Conv Bond 2.02%	Leh Agg Bond 4.53%	Leh High Yield 1.87%	MSCI EAFE -43.06%	Barclays Gbl Treas ex-US 4.35%
MSCI EM Free -5.19%	Leh Agg Bond 3.61%	Goldman Commodity -14.07%	Goldman Commodity -35.75%	Leh Gbl Govt Ex-US -6.47%	MSCI EM Free -30.60%	Goldman Commodity -31.93%	S&P 500 -22.1%	Leh 1-3Mo. Treasury 1.04%	Leh 1-3Mo. Treasury 1.23%	Leh Gbl Govt Ex-US -8.79%	DJ-AIG Commodity 2.07%	Russell 2000 -1.57%	MSCI EM Free -53.18%	Barclays 1-3Mo. Treasury 0.16%

Domestic Equities

Domestic Equities 2009 Relative Total Return

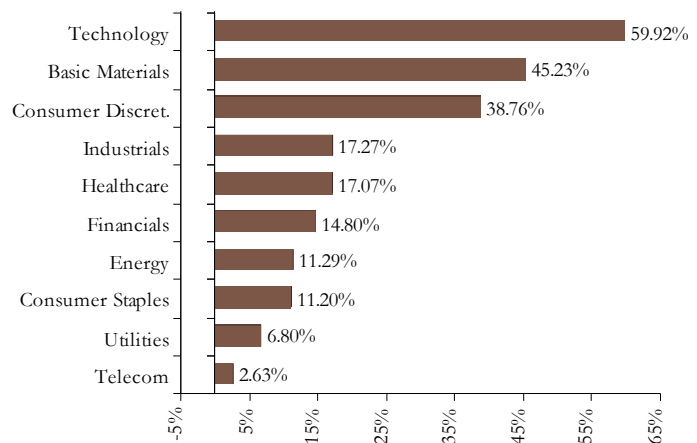


US stocks closed out 2009 with broad gains across the market capitalization spectrum and most sectors. Powered by a recovery in technology stocks, the Nasdaq Index rose nearly 44%, its fourth largest annual gain ever. Led by technology and energy shares, the Russell Midcap Index rose more than 40%, outpacing both large and small cap stocks. The 26.46% advance in the S&P 500 recaptured \$2.2 trillion, or 43%, of stock market value that had been lost by investors in 2008. Broadly speaking, higher beta, lower quality stocks were the largest beneficiaries of the 2009 rally. Not surprisingly, these were also the most beaten down stocks in 2008 as investors shed companies with excess debt and lower cash flows or earnings in favor of higher quality companies that could better withstand an economic downturn.

Data Sources: Bloomberg, Russell, Standard & Poor's

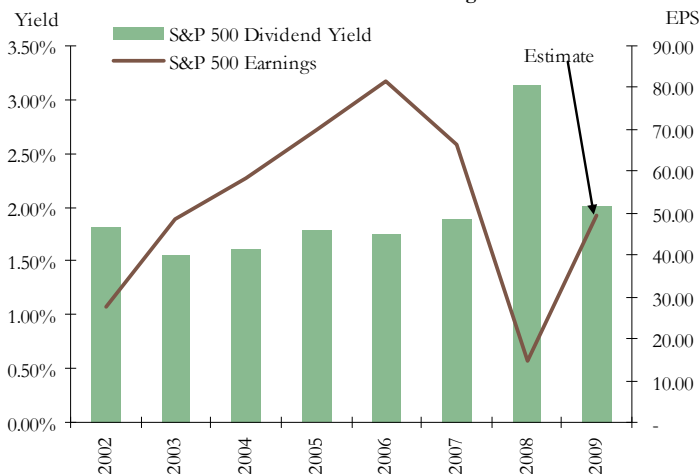
All 10 of the S&P 500 sectors were positive in 2009, led by technology stocks, as investors were attracted to companies that would benefit from global growth and had large amounts of cash on their balance sheet. The economically sensitive sectors such as basic materials and consumer discretionary climbed amid investor optimism that the economy was beginning to recover. Conversely, defensive sectors such as consumer staples and utilities, which held up well in the 2008 downturn, lagged in the broad recovery this year. Growth was extensive across the S&P 500, with 425 issues up an average of 51.4% and 73 stocks down an average 14.3%.

S&P 500 Sector 2009 Relative Price Return



Data Source: Bloomberg

S&P 500 Dividend Yield & Earnings Per Share



The US government's bailout of banks during the first three months of the year, including limits on dividends, sparked record cuts in payouts. In the first quarter, \$42 billion in dividends were cut, including a \$23.9 billion reduction from the financial sector. The -21.07% drop from 2008 was the second worst only to the 38.6% decline of 1938. After losing \$23 a share in the 4th quarter of 2008, S&P 500 earnings were slow to recover in 2009. Most of the improvement in profits that occurred came from aggressive cost cutting and an economy on the upswing rather than top-line growth. Standard & Poor's is forecasting that reported earnings for 2009 will rise 230% on a year-to-year basis.

Data Source: Standard & Poor's

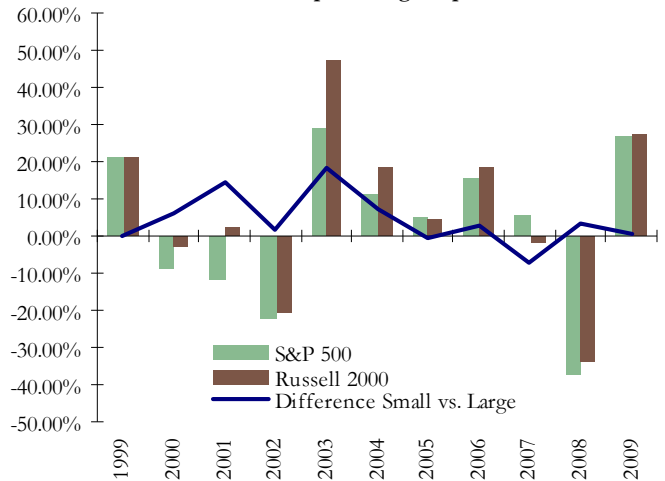
2009 includes December dividend estimate by Standard & Poor's

Domestic Equities

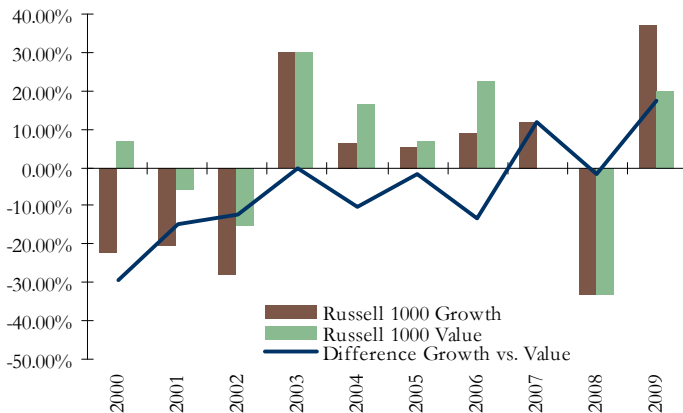
As is typical during the early stages of an economic rebound, small caps logged healthy returns in 2009 and outpaced their large cap counterparts. Despite giving back some modest gains in October, the Russell 2000's surge of 8.05% in December was its third best monthly gain in history and added to a year-to-date gain of 27.17%. The index was led by the consumer discretionary and technology sectors, which both rallied more than 60% during the year. The smallest stocks by market capitalization were generally some of the top performers during the year, as stocks within the index priced under \$5 gained an average of more than 90% for the year. Over the past 11 years, small cap stocks have outperformed large cap stocks by an average 4.14% annually.

Data Sources: Bloomberg, Ibbotson

US Small Cap vs. Large Cap



U.S. Growth Versus Value

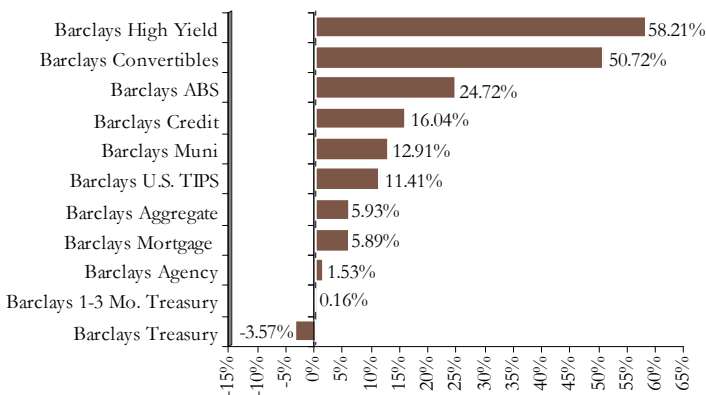


Growth stocks outpaced their value counterparts by an average 14.50% spread across the market cap spectrum in 2009, with the largest dispersion occurring in the mid cap space. Technology and energy related shares helped drive a 46.29% surge in the top-performing Russell Midcap Growth Index in 2009. Four of the 10 Russell 2000 Growth Index's sectors soared by 50% or greater. In the large cap space, the Russell 1000 Growth Index outperformed the Russell 1000 Value Index by 17.52% for the year. Despite the anomaly this year, the value index has outperformed the Russell 1000 Growth Index by 4% annually over the past 11 years.

Data Sources: Ibbotson, Russell

Domestic Fixed Income

U.S. Fixed Income 2009 Relative Total Return



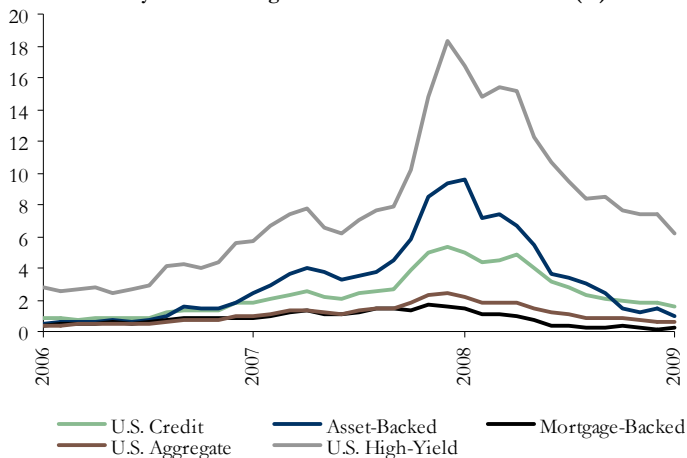
The average yield spread of investment grade bonds relative to US Treasury securities, as measured by the average option-adjusted spread (OAS), tightened sharply for all major sectors of the Barclays Aggregate Index in 2009. The Barclays Asset-Backed Index OAS, which had widened to nearly 10% by the end of 2008, fell by 855 basis points (bps) during 2009 to close 13% below its nearly 20-year average. The Federal Reserve's emergency program to purchase up to \$1.25 trillion in mortgage-backed securities drove its spread to 18 bps, 74% below its 20-year average. After widening a dramatic 1100 bps in 2008, high-yield spreads tightened by more than 1000 bps in 2009 to reach 6.17%.

Data Source: Barclays Capital

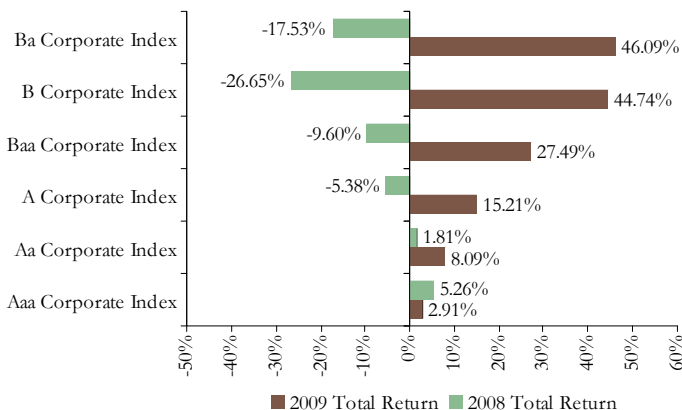
The aftermath of the 2008 credit crisis resulted in rising volatility and a spike in yields in the first quarter of this year that led to wide dislocations of spreads relative to fundamental value. A strong rally ensued in the credit markets during the latter nine months of the year as fixed-income investors bid riskier bonds higher and spurned the relative safety of government debt. The lower rated high yield bonds posted their best annual performance in history. Convertible bonds, the worst performing broad bond class in 2008, turned in the second best performance this year. After strong relative outperformance in 2008, the Barclays Treasury Index posted an annual loss of 3.57% in 2009 due to rising treasury yields.

Data Source: Barclays Capital

Barclays Indices: Avg. OAS to Benchmark Treasuries (%)



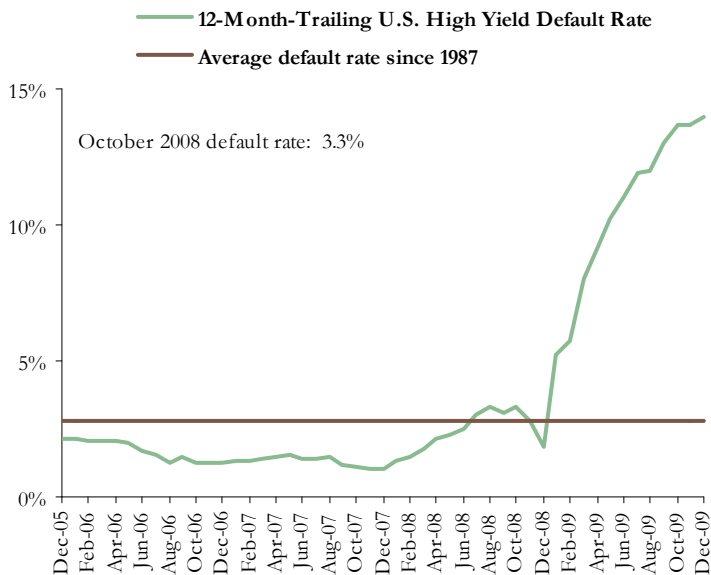
Barclays Corporate Bond Indices Performance



Investors' flight to riskier bonds drove performance across the corporate bond spectrum in 2009, resulting in a gain of more than 46% for Ba corporate securities. Lower-rated bonds outperformed higher quality by a wide margin, as the total return for B rated corporate issues outpaced Aaa rated bonds by more than 41%. Looking more like an equity than bond index, the Barclays Caa US High Yield Index surged more than 90% for the year.

Data Source: Barclays Capital

Domestic Fixed Income

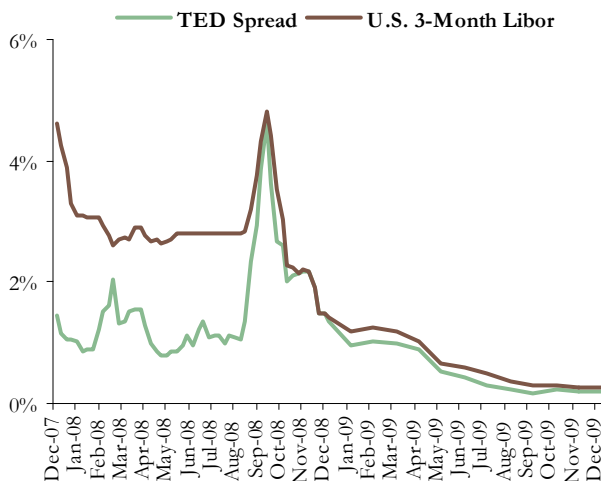
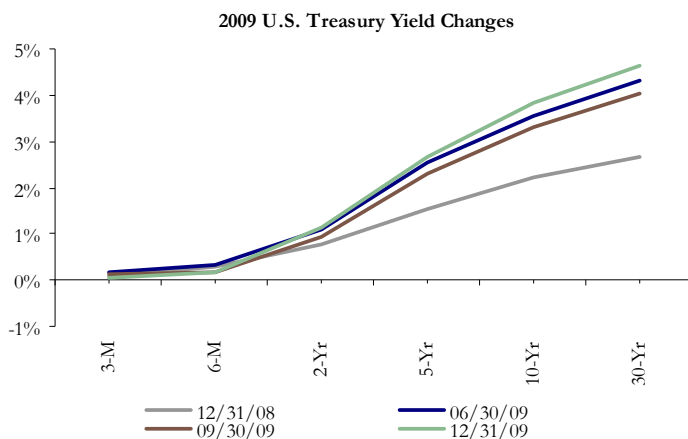


Over the past several years, the 12-month trailing high yield default rate had been well below long-term averages. As the credit market turmoil unfolded and brought down financial giant Lehman Bros. in late 2008, banks became wary of lending to lower-rated, speculative grade companies. The resulting lack of market liquidity, coupled with weak economic conditions, sent defaults skyrocketing from 1.8% in 2008 to 13.7% by the end of November. According to Moody's, the year-to-date default count for November was 250 issues, which surpasses the annual count for any year in history. By comparison, there were 80 defaults recorded in 2008.

Data Source: Moody's

The US Treasury yield curve steepened in 2009 as short-term rates remained anchored near historic lows in response to the Federal Reserve's maintenance of a zero interest rate policy. Yields on longer dated maturities rose due to a combination of a dramatic increase in the supply of Treasuries and expectations that economic growth would fuel inflation. The yield spread between the 2-year and 10-year Treasury widened to a record 288 basis points near the end of the year. Two-year yields rose 37 bps to 1.14% while 10-year yields jumped 163 bps to 3.84%.

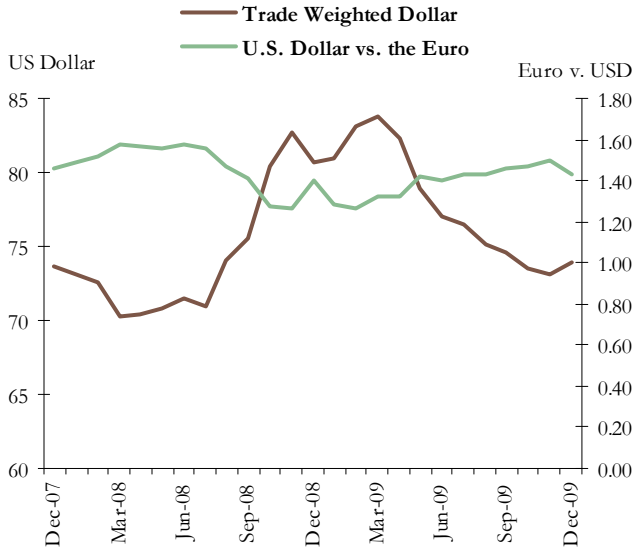
Data Source: Federal Reserve
Yields based on monthly closing values



The London Interbank Offered Rate (LIBOR), representing the cost for corporations to borrow in overnight loans, doubled to 4.82% in the fourth quarter of 2008, its highest level since 2001. With improvements in the functioning of financial markets throughout 2009, LIBOR declined to 0.25% by the end of the year, its lowest level in 25 years. Similarly, the difference between what banks and the Treasury pay to borrow money for three months, the so-called Ted spread, fell from a peak of 4.64% in October 2008 to 0.20% by the end of 2009.

Data Source: Bloomberg
Rates based on monthly closing values

International Investments



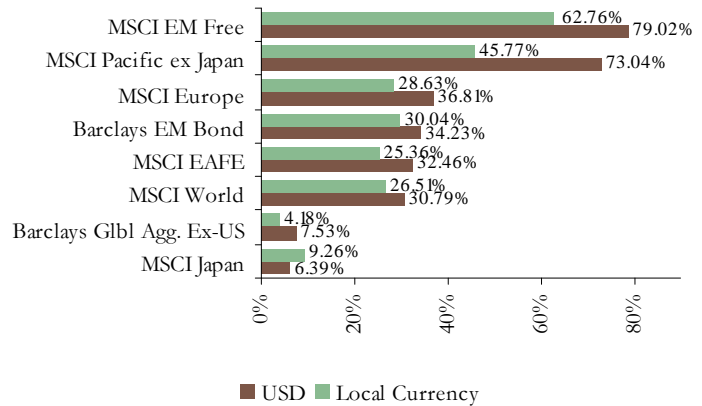
Historically low interest rates and a rising fiscal deficit caused the US dollar to come under pressure in 2009. Much of the dollar's weakness stemmed from low interest rates in the US relative to the rest of world. With the Federal Reserve targeting interest rates between 0 and 0.25%, investors borrowed funds in the US to then invest the proceeds in countries with higher rates and faster growing economies. Six of the 10 best performers in the currency market versus the dollar this year came from developing markets. The Japanese yen was the only major currency to fall against the dollar amid expectations that the Bank of Japan looks to implement measures to fight lower economic growth while the Federal Reserve begins to phase out its stimulus efforts.

Data Source: Federal Reserve

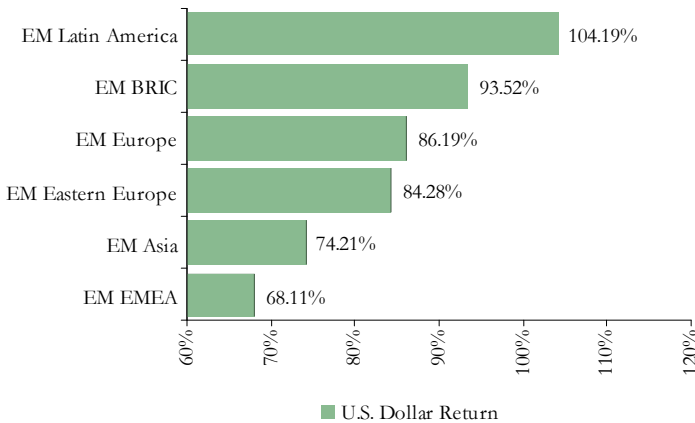
Stock markets around the world gained momentum in 2009 as government stimulus policies aided in the global economic recovery. Although the upturn was slow-moving in some developed economies, it was strengthening within developing regions as the MSCI Emerging Markets Free Index soared nearly 80%. A weak dollar broadly benefited domestic investors, as returns were generated from strong international stocks coupled with strengthening foreign currencies. The exception was Japanese equities, which were among the worst performers all year as an economy mired in a slow growth, deflationary environment prompted the government to enact a 7.2 trillion yen (\$81 billion) stimulus package at the end of the year.

Data Sources: MSCI, Barclays Capital

International Equity 2009 Relative Total Return



Emerging Market Equity 2009 Relative Total Return

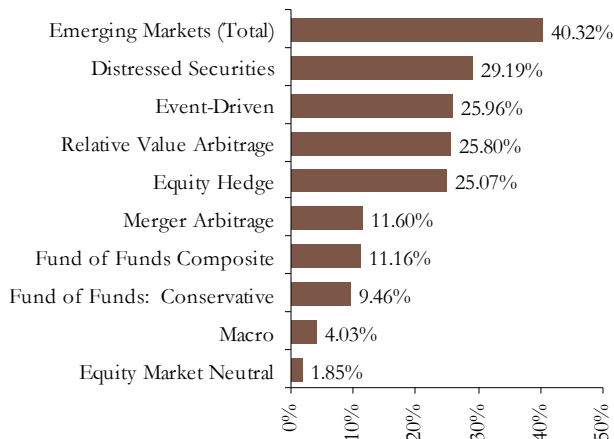


Global flows into emerging markets equity funds were at an all-time high of \$75 billion in 2009. Nearly \$34 billion was invested into emerging market mutual funds and ETF's from domestic investors, reversing 2008's \$2.3 billion outflow. Some emerging markets more than doubled in value; the MSCI Brazil and Indonesia Indexes both gained nearly 130% in US dollars. \$585 billion (4 trillion yuan) of government spending and \$1.3 trillion of new bank lending in 2009 revived growth in China, boosting shares in the Shanghai Composite Index by 80% (USD) after last year's 65% slump.

Data Sources: Bloomberg, EPFR Global

Hedge Funds, Real Estate & Private Equity

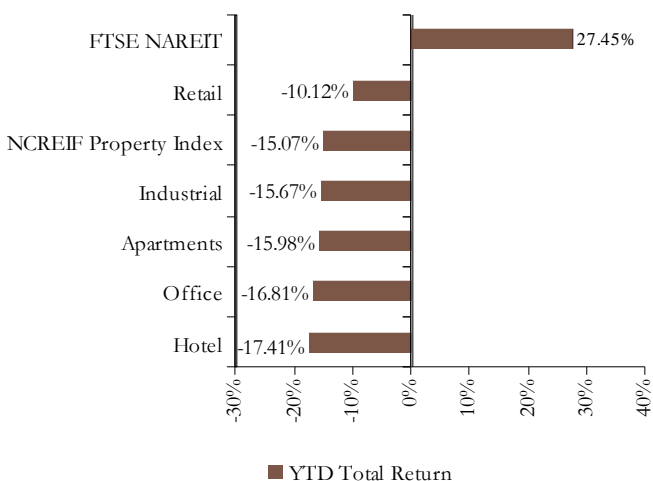
HFRI Indices 2009 Relative Total Return



Following a year of consolidation, deleveraging and government intervention, the hedge fund industry moved into recovery mode and increased transparency in 2009. Benefiting from a rally in financial markets and reduced market risk, the HFRI Fund Weighted Composite Index rose approximately 20% for the year, after dropping 19.03% in 2008 and posting the worst annual performance since the index's inception. Strong global economic growth drove emerging market funds up more than 40% for the year. Among the other best performing strategies were distressed securities, event-driven and relative value arbitrage. Macro hedge funds, which place bets on broad economic trends, gained a relatively modest 4.03%.

Data Source: HFRI

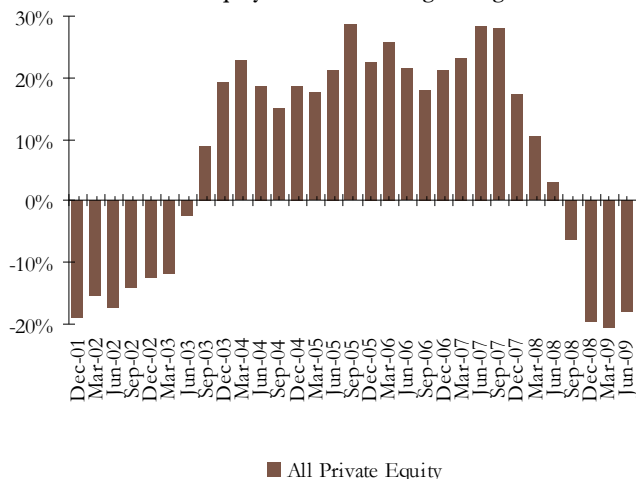
**NCREIF Indices 2009 Relative Total Return
(Through 09/30/2009)**



The general economic slowdown in late 2008 and early 2009 brought forth a challenging year for commercial real estate. Rising unemployment took its toll on occupancy rates, and there was a continued repricing of values as markets demanded more equity and less debt. The publicly traded REIT market is more highly correlated to equity markets and thus took more losses between 2007 and early 2009. As a result, the FTSE NAREIT Index lost nearly three-quarters of its value during this time. The index, recovering alongside the broad markets, subsequently surged more than 27% in 2009. Private real estate, measured by the NCREIF Index, is tied more closely to the broad economy and is valued on a lagged basis. Unlike public REITs, private real estate continued to struggle throughout the year due to rising unemployment and lower consumer and business spending.

Data Sources: NCREIF, NAREIT

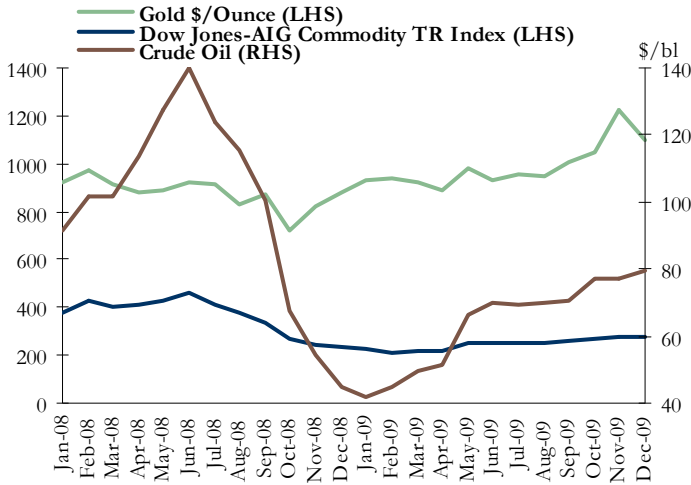
Private Equity 12-Month Rolling Average Return



Impacted by the recessionary environment, global fundraising by private equity managers was down 70% in 2009 relative to 2008. Many investors, severely over allocated to private equity, were unable to make any commitments during the year. General partners spent much of 2009 organizing add-on, follow-on and rescue funds to help deal with some of the struggling companies in their existing portfolios. Overall deal activity was down significantly versus 2008 due to a combination of general partners spending more time on troubled companies within their existing portfolio and a lack of available debt capital. Private equity performance finally turned positive in the second half of the year after five consecutive quarters of negative returns.

Data Source: Thomson Financial Economics

Commodities



2009 was a strong year for commodities as the massive government-induced stimulus packages revived global economic production. The Dow Jones AIG Commodity Index rallied nearly 19% for the year. Signs of an uptick in the pace of the US economic recovery, the decline in the US dollar and heightened inflation fears drove the price of gold to a record high of \$1,226 an ounce in early December, and prices rallied 23.96% for the year. Improving economic fundamentals increased demand for oil by 78% throughout the course of the year, pushing prices from nearly \$33 a barrel at the start of the year to almost \$80 a barrel. The rapid growth in China directly benefited industrial metals such as copper, while supply concerns from inclement weather impacted sugar and cocoa crops, sending their prices to 30-year highs.

Data Source: Bloomberg

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