



Numbers in Context

U.S. Equity

The U.S. stock market experienced a fairly volatile ride in the second quarter of 2011, with global macro events driving investors in and out of risk assets. Continued unrest in the Middle East, volatility in commodities prices, debt woes and sociopolitical rumblings in Europe all contributed to the volatility. By quarter end, the Wilshire 5000 Total Market IndexSM experienced a modest loss of -0.1%. Small cap stocks bore the brunt of the mildly bearish investor sentiment, trailing large cap stocks, while value shares broadly outperformed growth.

The strongest market sectors during the second quarter were Health Care and Consumer Staples, returning 6.8% and 5.6% respectively. Given overall unease over the global economy, it comes as no surprise that the sensitive Financials and Energy sectors were the worst performers and were both down for the quarter.

Consumer-level inflation rates have risen in recent months with the 3.4% year-over-year CPI rate at the end of June at its highest level since October 2008. The volatile Food and Energy sectors have fueled the majority of the recent increases; still, with core CPI also showing an increase since year-end 2010, higher inflation may finally force rate action from the Federal Reserve.

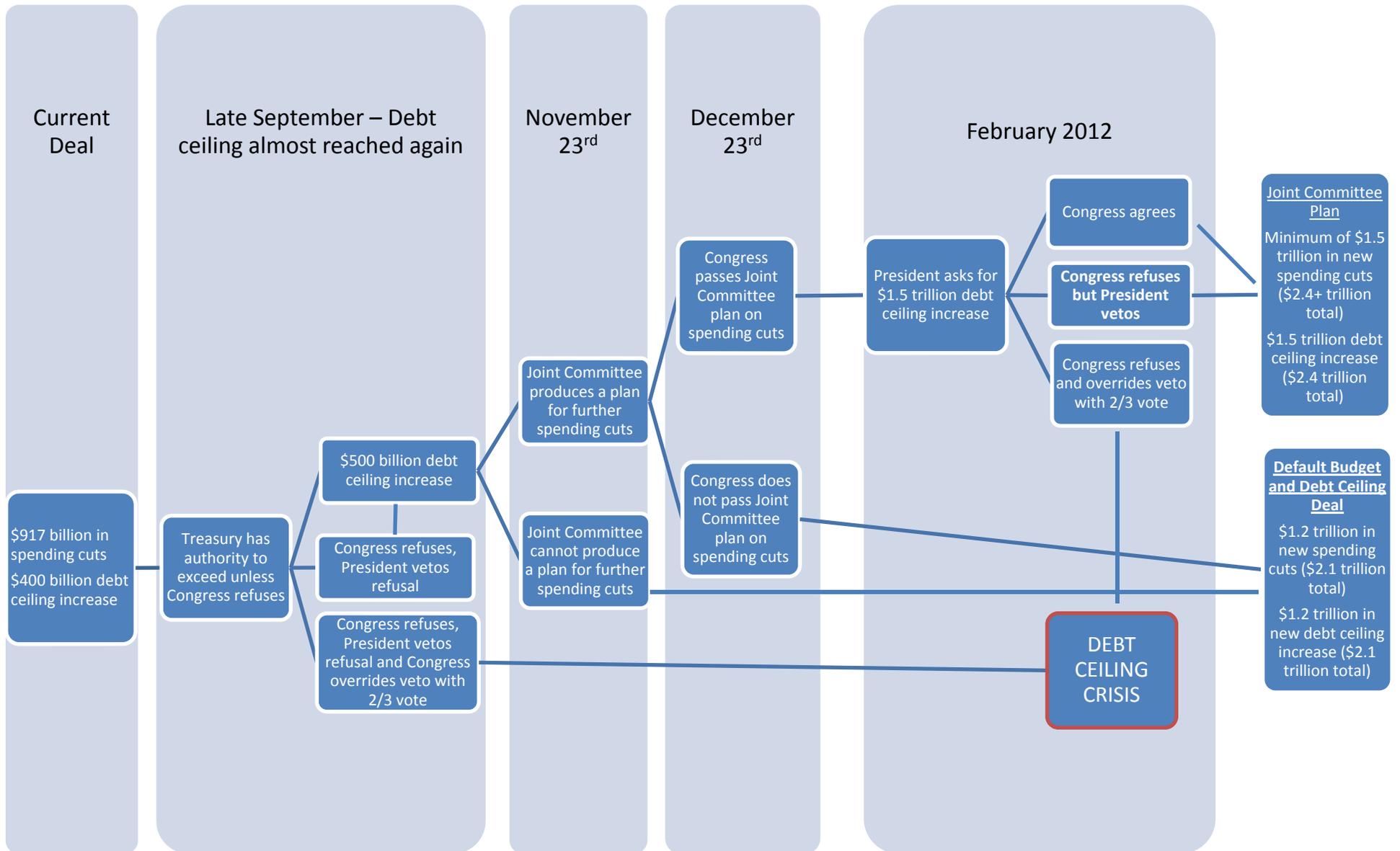
Non-U.S. Equity

Globally, volatile commodity prices and fluctuating demand combined with Middle East conflict and ongoing debt concerns to provide market malaise worldwide. However, a weak dollar and surprising strength in the largest European economies afforded some good news to investors with offshore assets. Pacific region stocks trailed as concerns of slowing growth in China eclipsed guarded optimism of Japan's ability to rebuild after a devastating earthquake. Emerging markets, with their heightened sensitivity to commodities and the economic health of their trading partners, were notable underperformers.

Fixed Income

Reflecting a broad flight to safety, Treasury yields fell during the quarter, with the bellwether 10-year yield down 29 basis points to 3.18% at quarter-end. Investors remain wary as to the future direction of U.S. interest rates, as the end of the Fed's quantitative easing program ("QE2") on June 30th and an overall sluggish economy compete for thematic dominance in Treasury prices. Given the defensive nature of the markets during the quarter, credit spreads widened and depressed the performance of investment-grade and high-yield credits relative to Treasuries and global sovereign debt.

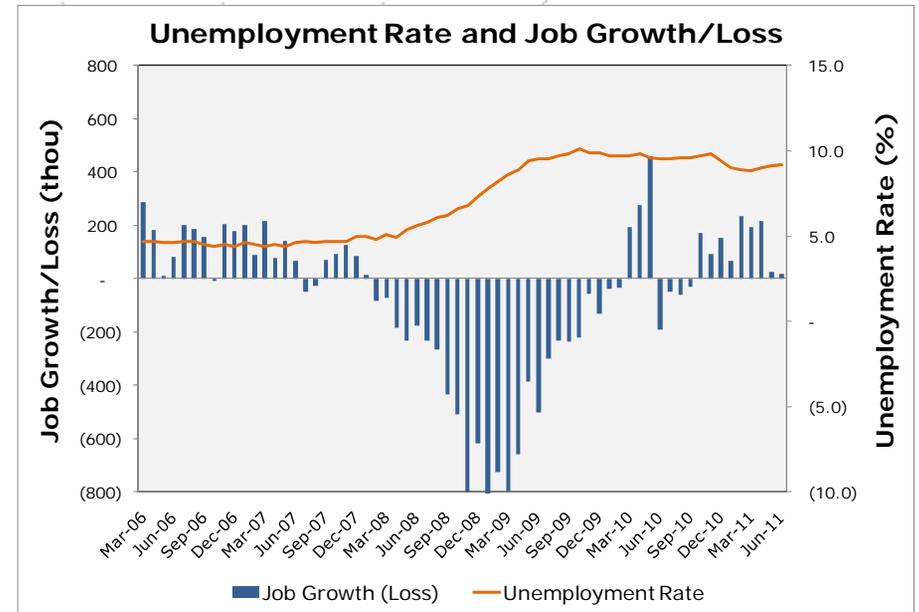
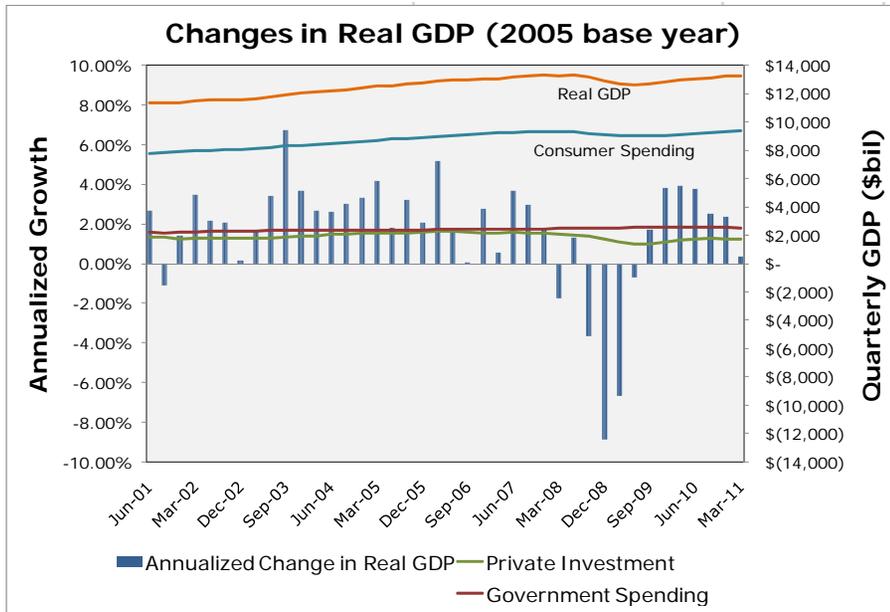
U.S. Debt Ceiling Timeline



Debt Ceiling reached again by the end of 2012 . . .

June 30, 2011	Key Economic Indicators			
CPI (all items) Seasonally adjusted	Monthly Change		Cumulative Change	
	Jun-11	-0.2	3-Month	0.4
	May-11	0.2	12-Month	3.4
	Apr-11	0.4	10-Yr Annual	2.4
Breakeven Inflation	10-Year	2.5		
Consumer Sentiment Unv. of Michigan Survey	Jun-11	71.5		
	May-11	74.3		
	1-Yr Ago	76.0	10-Yr Avg	81.5
Manufacturing Inst. for Supply Mgmt Purchasing Mngrs' Idx	Jun-11	55.3	Change in Manufacturing Sector	
	May-11	53.5	>50	Expansion
	1-Yr Avg	57.7	<50	Contraction

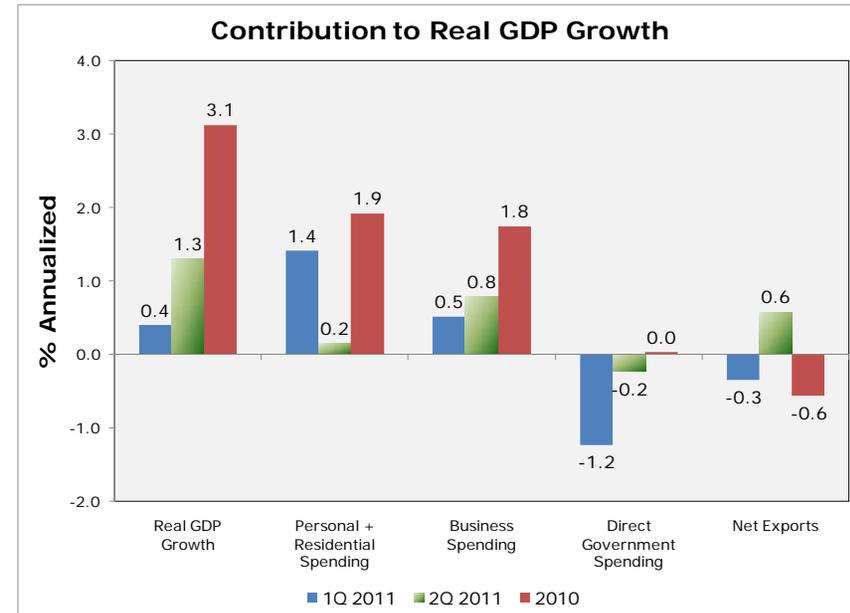
Note: Seasonally adjusted CPI data is utilized to better reflect short-term pricing activity.



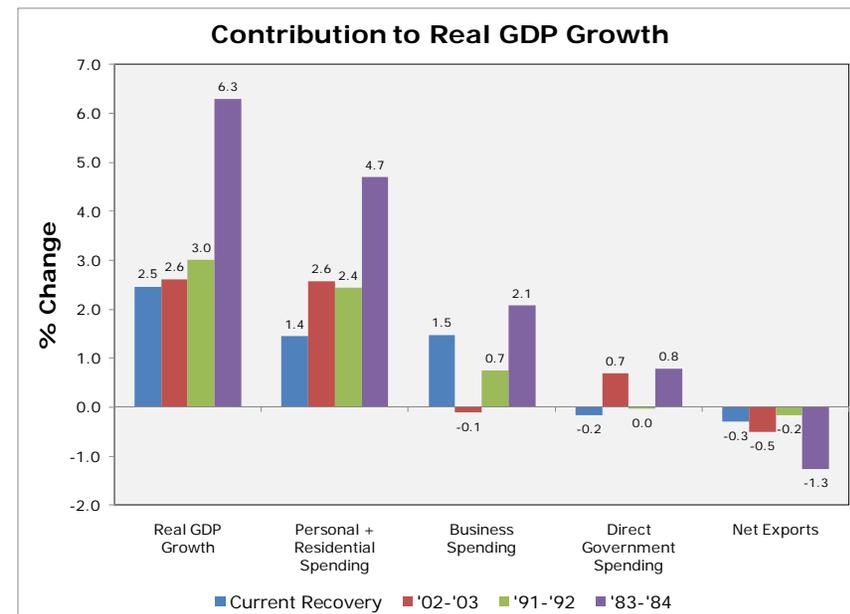
Data sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, Barclays Capital

Contribution to GDP *(Including 2Q BEA Advance Estimate)*

Weakness in 2011 due to unusually large drop in direct government outlays and a pullback in business spending



In 2 years of recovery, personal consumption lagging versus previous 2 year recovery periods

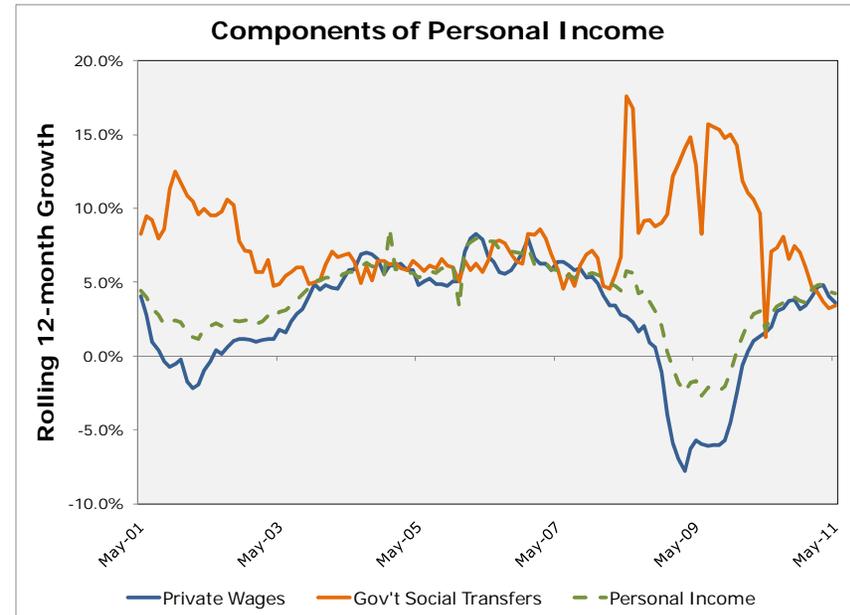


Data sources: Bureau of Economic Analysis

Personal Income



Growth in transfers back to pre-stimulus levels

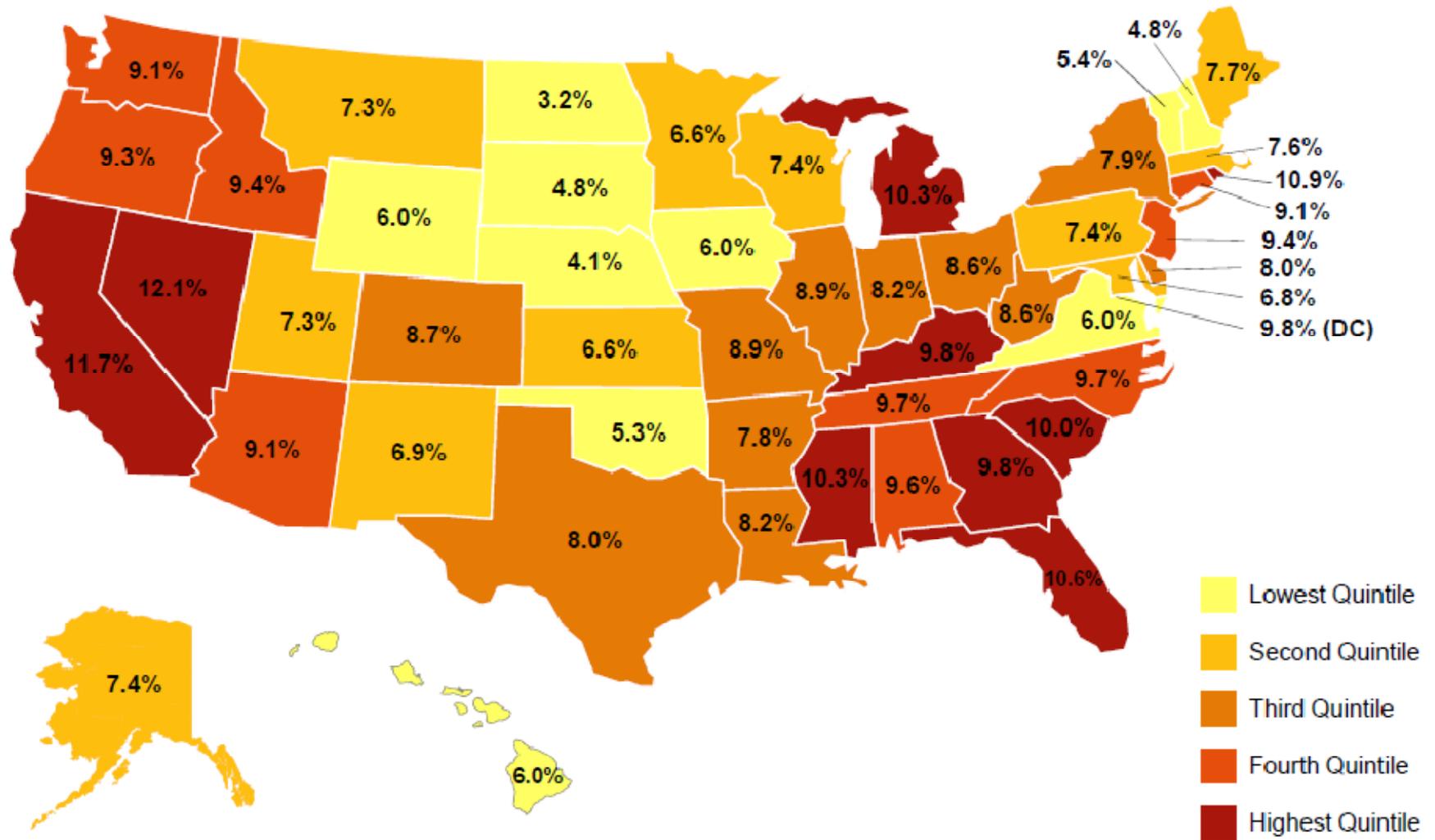


Steady shift in composition of personal income



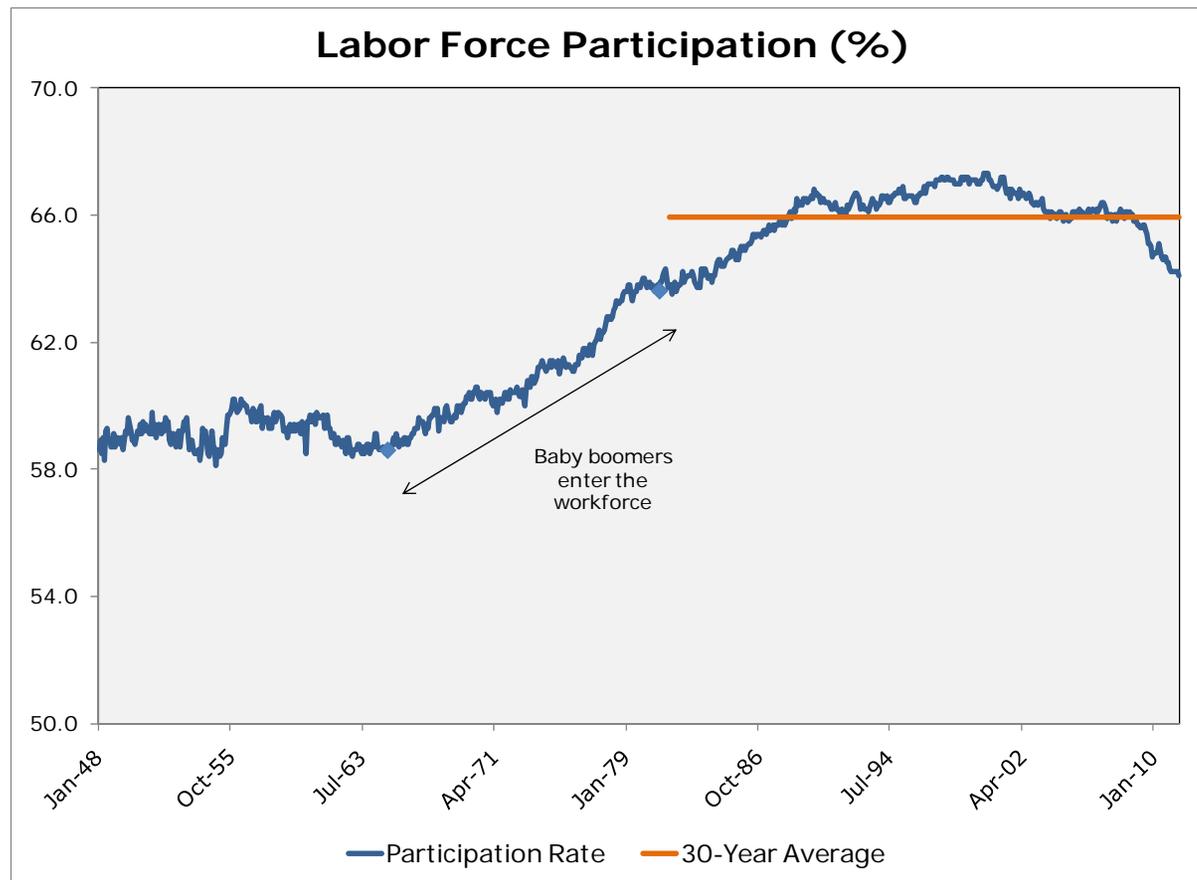
Data sources: Bureau of Economic Analysis

Unemployment by State



Data sources: J.P. Morgan Asset Management

First “baby-boomers” turn 65 this year, participation rate likely to fall

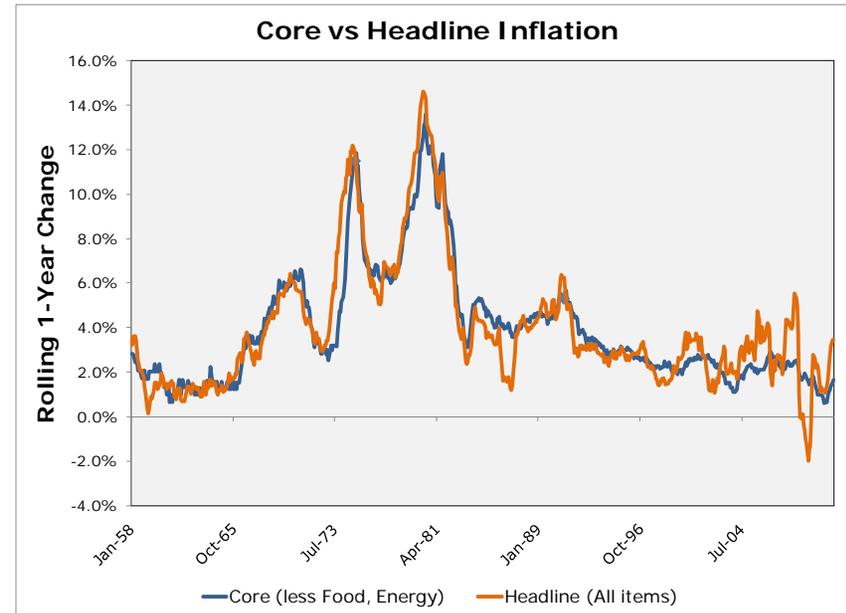


Data sources: Bureau of Labor Statistics

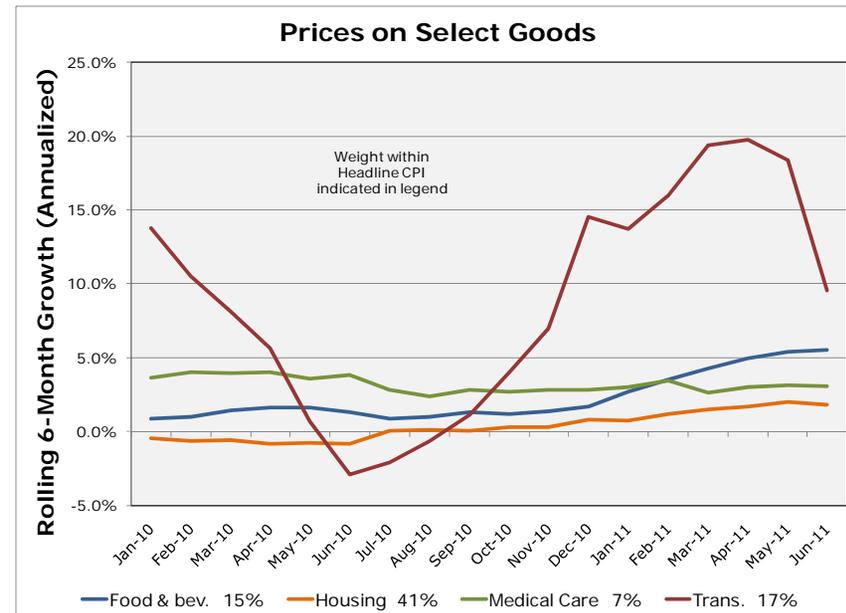
CPI Breakdown



Core and Headline inflation have diverged during the past decade as Energy prices have become more volatile



While Transportation costs (including gasoline prices) have come down, food prices are moving higher

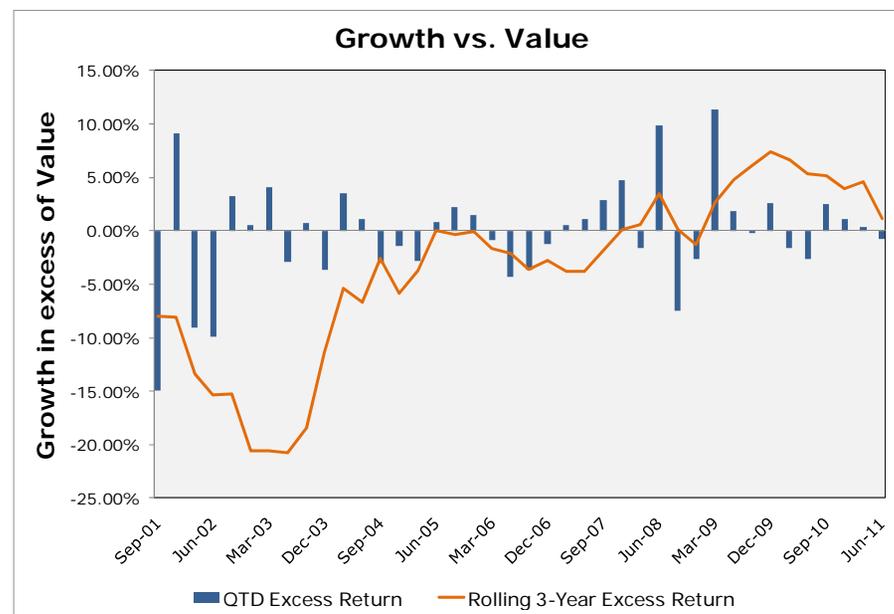
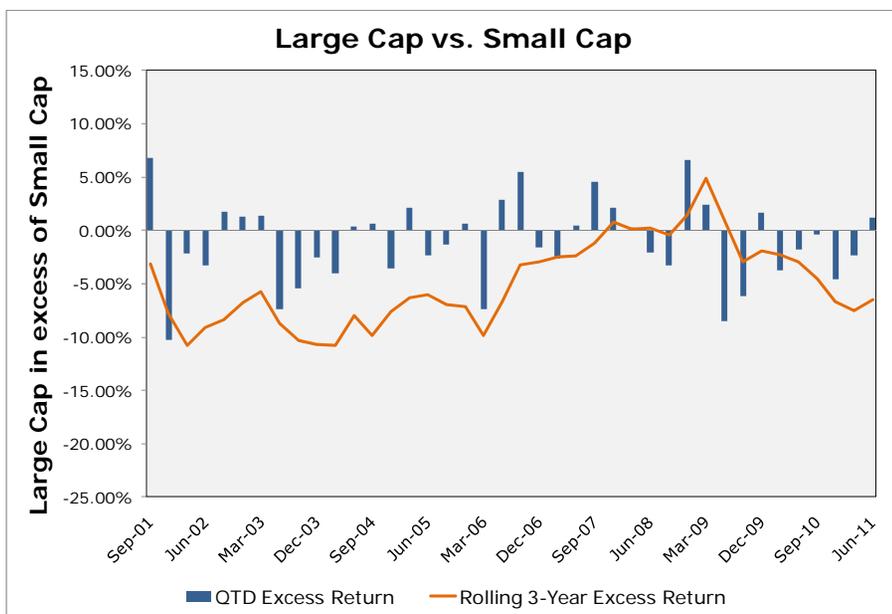
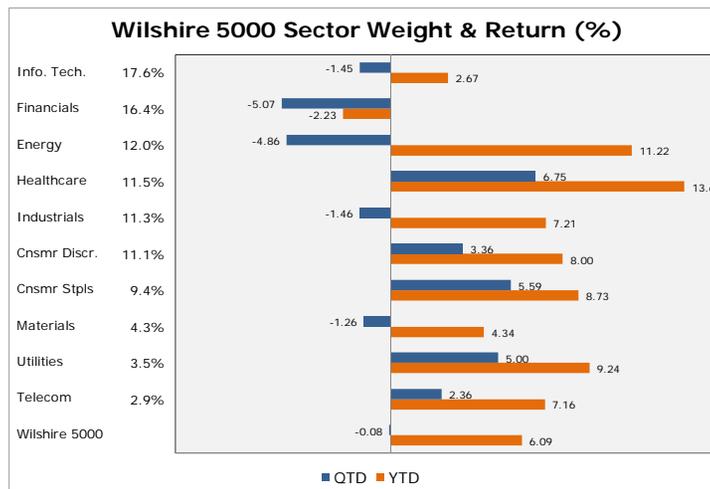


Data sources: Bureau of Labor Statistics

U.S. Capital Markets: Equity



June 30, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	-0.1	6.1	32.0	4.0	3.4	3.7
Wilshire U.S. Large Cap	0.1	6.0	31.2	3.2	3.2	3.2
Wilshire U.S. Small Cap	-1.1	7.3	39.7	10.4	6.2	8.3
Wilshire U.S. Large Growth	-0.5	5.4	32.9	3.9	4.8	2.3
Wilshire U.S. Large Value	0.6	6.5	29.5	2.7	1.6	4.1
Wilshire U.S. Small Growth	-0.2	9.9	45.1	10.2	7.4	7.1
Wilshire U.S. Small Value	-2.0	4.7	34.4	10.7	4.9	9.2
Wilshire REIT Index	3.9	10.9	35.6	4.9	1.8	10.6
Dow Jones UBS Commodity Index	-6.7	-2.6	25.9	-11.9	-0.1	6.6



Data sources: Wilshire Compass, Wilshire Atlas

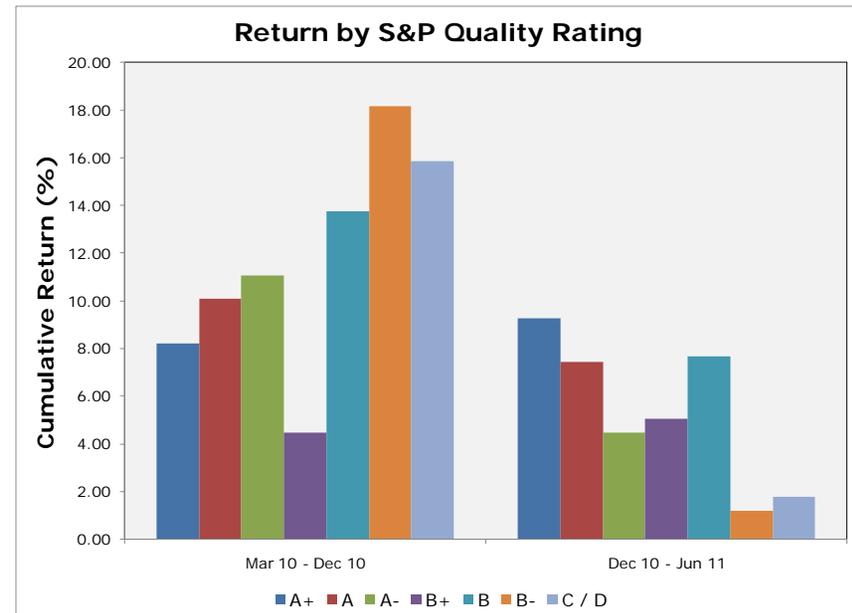
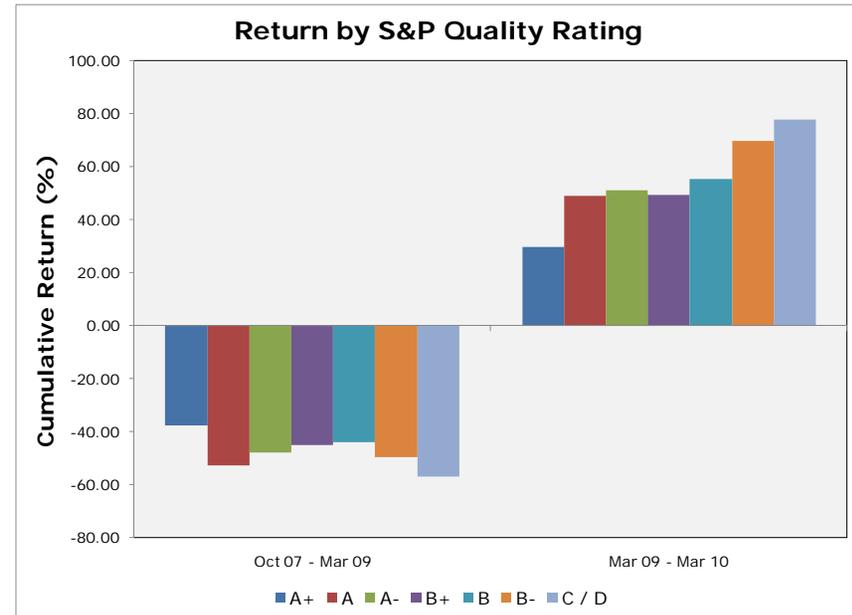
Returns by Quality Segment



After equity sell-off, low quality outperformed in the early part of the rebound

Low quality continued to outperform in 2010 – although to a lesser degree – while high quality is leading in 2011

Data sources: Wilshire Atlas

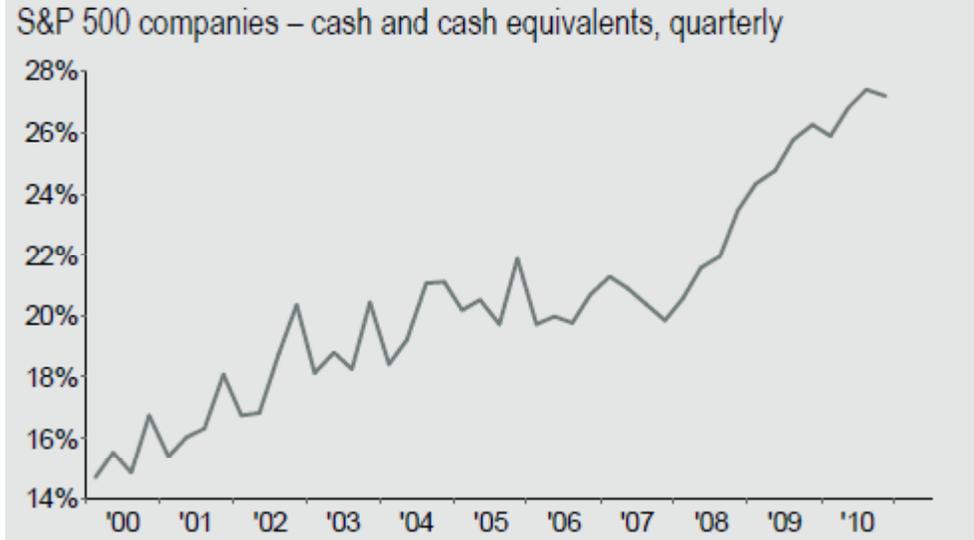


U.S. companies have a very high level of cash on hand

- Potential for M&A activity, share buybacks, or investment in either equipment or personnel

Profit margins have rebounded and currently sit at the high end of the range over the last 17 years

Corporate Cash as a % of Current Assets



Net Profit Margin

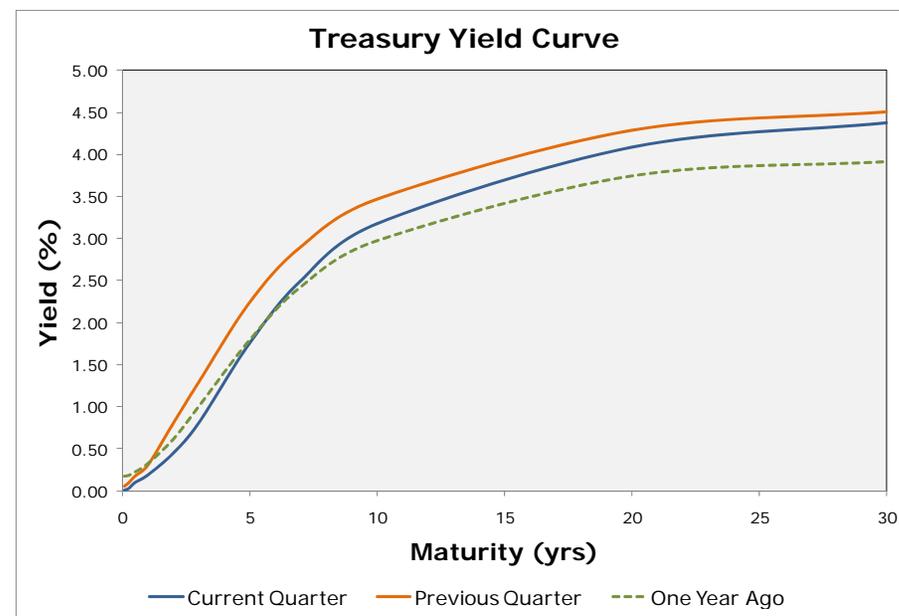
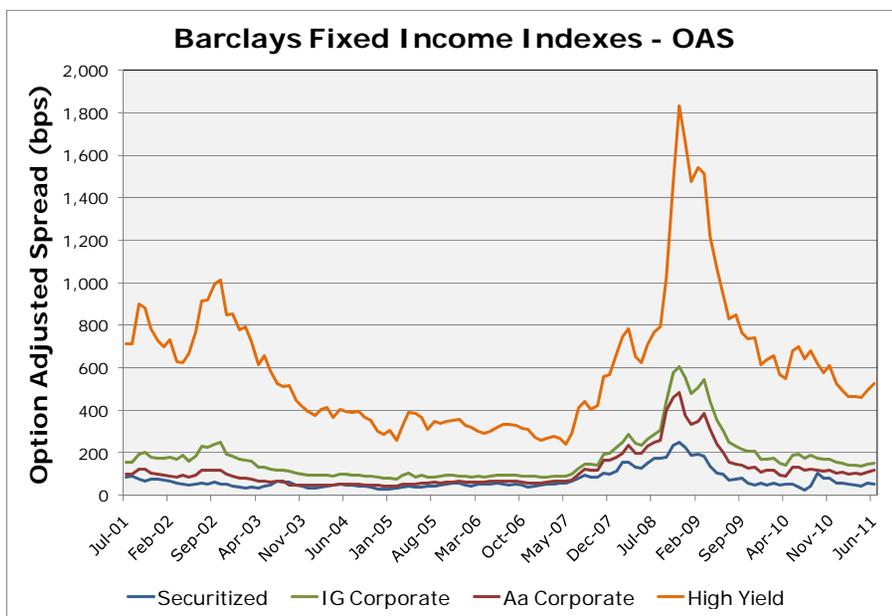


Data sources: JP Morgan, Standard & Poor's, Compustat, Factset

U.S. Capital Markets: Fixed Income



June 30, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	2.3	2.7	3.9	6.5	6.5	5.7
Barclays Treasury Index	2.4	2.2	2.2	5.1	6.2	5.4
Barclays Govt-Related Index	2.2	2.8	3.7	5.7	6.3	5.7
Barclays Securitized Index	2.2	2.9	4.4	6.9	6.8	5.7
Barclays Corporate IG Index	2.3	3.2	6.3	8.6	7.0	6.3
Barclays LT Govt/Credit Index	3.3	3.3	3.2	8.2	7.7	7.2
Barclays Long-Term Treasury Index	3.4	2.3	-1.1	5.9	7.3	6.9
Barclays U.S. TIPS Index	3.7	5.8	7.7	5.3	6.9	7.0
Barclays High Yield Index	1.1	5.0	15.6	12.7	9.3	9.0
Treasury Bills	0.0	0.1	0.2	0.4	2.0	2.1

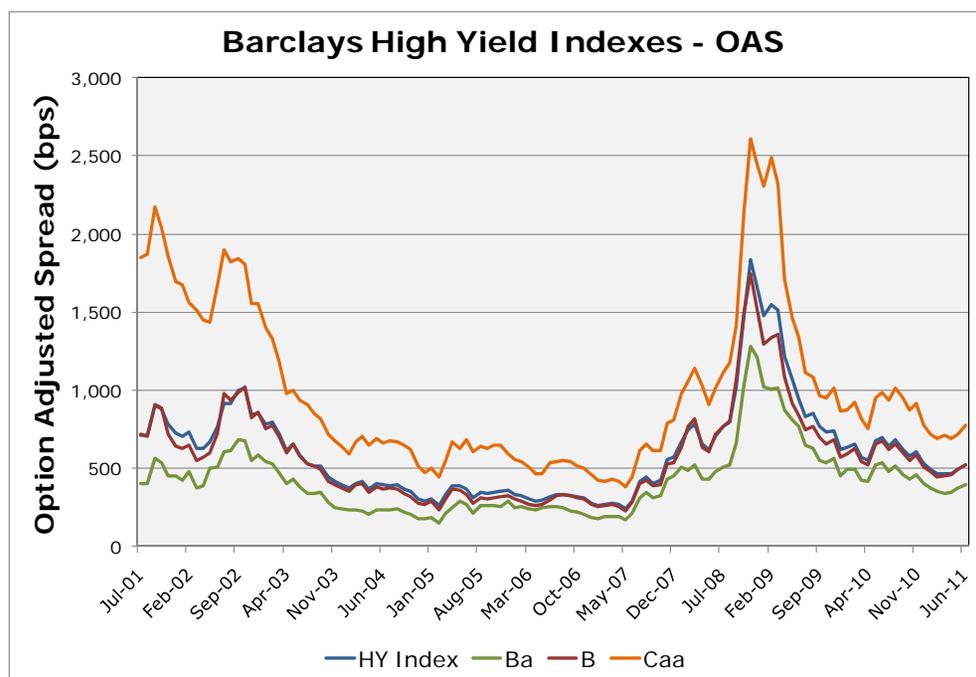


Data sources: Wilshire Compass, Barclays Capital, U.S. Treasury

High Yield by Quality

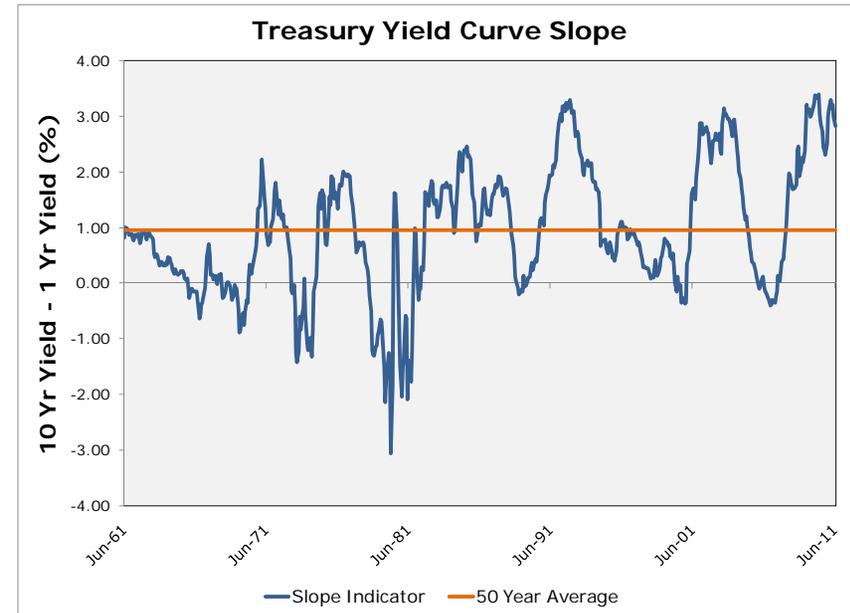


June 30, 2011	Weight	Qtr	Ytd	1 Yr	3 Yr
Barclays High Yield Index	100%	1.1	5.0	15.6	12.7
Quality Distribution					
Ba U.S. High Yield	39.6%	1.6	5.1	14.7	13.2
B U.S. High Yield	42.4%	0.8	4.5	14.9	8.7
Caa U.S. High Yield	15.9%	0.8	5.7	18.6	9.9
Ca to D U.S. High Yield	1.9%	-1.6	5.7	25.1	30.7
Non-Rated U.S. High Yield	0.2%	-0.8	3.7	14.6	-2.9

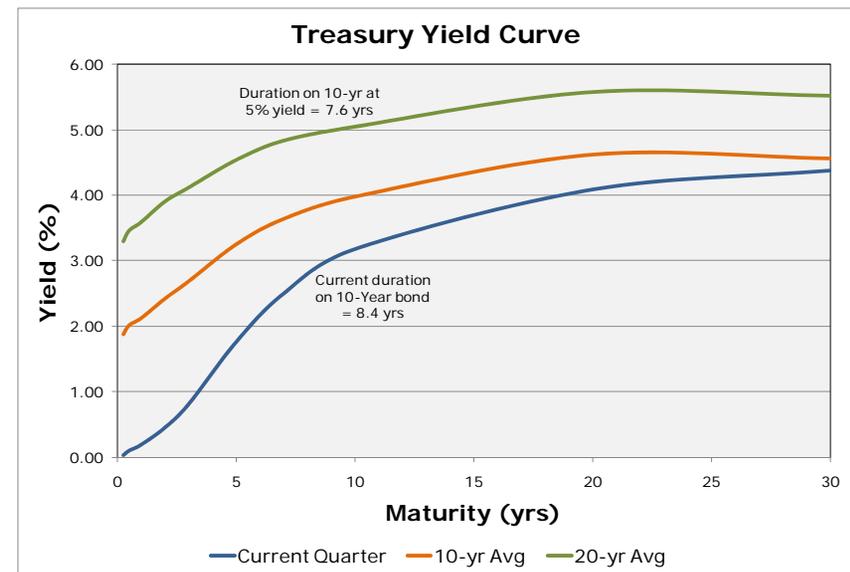


Data sources: Barclays Capital

Treasury yield curve is very steep



Duration naturally extends as nominal yields fall

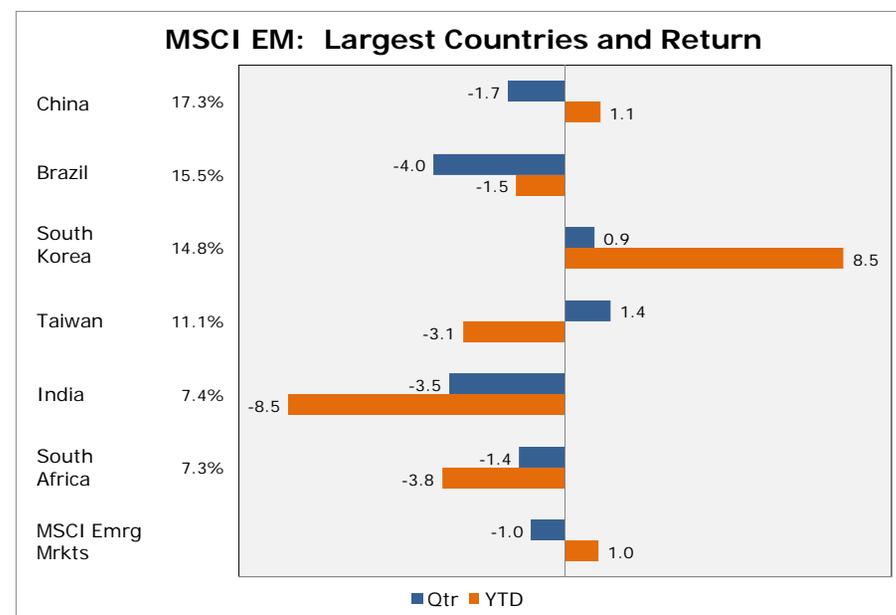
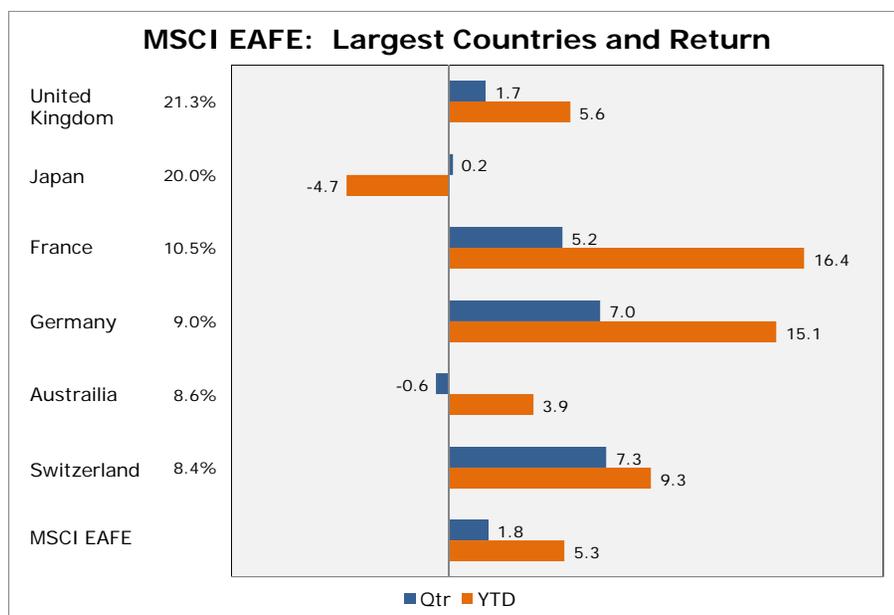


Data sources: Federal Reserve, Barclays Capital

Non-U.S. Capital Markets

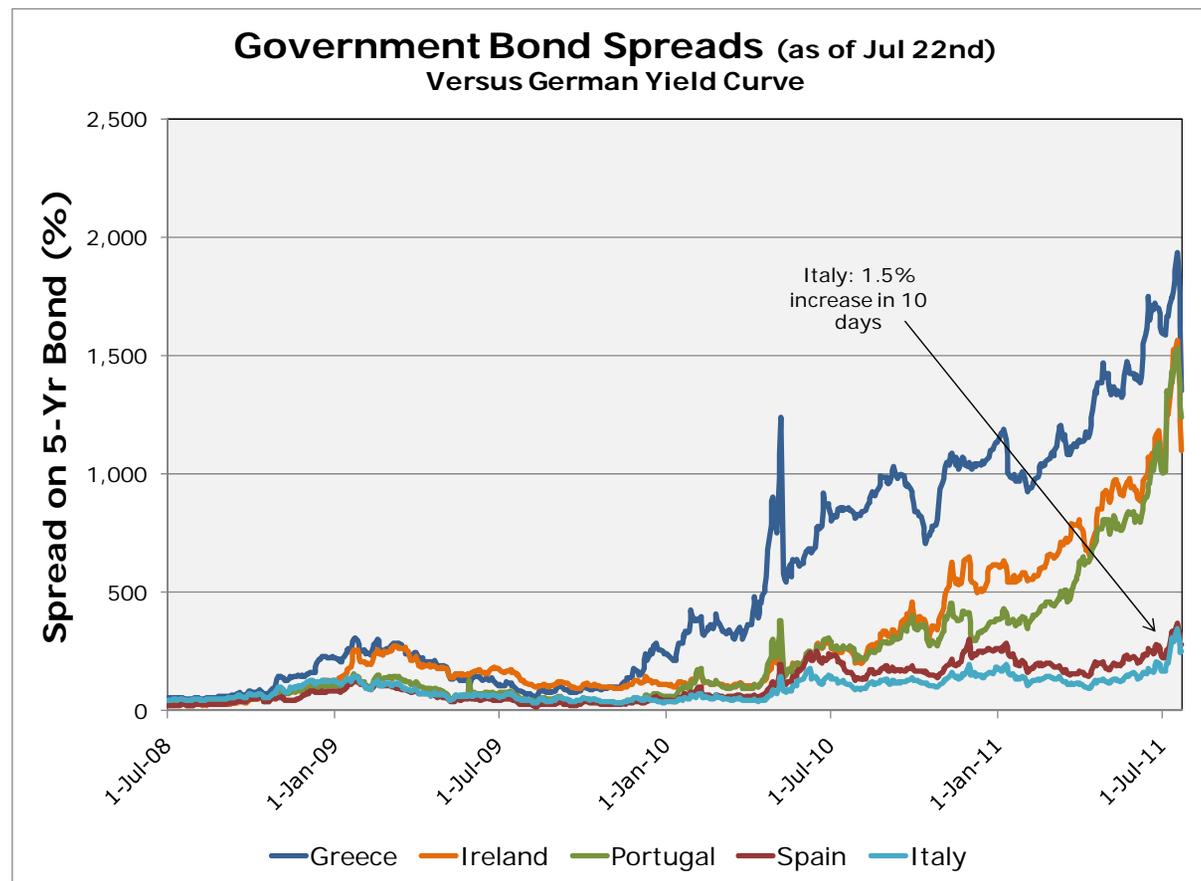


June 30, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	0.6	4.1	30.3	0.1	4.1	7.9
MSCI EAFE (\$g)	1.8	5.3	30.9	-1.3	2.0	6.1
MSCI Emerging Markets (\$g)	-1.0	1.0	28.2	4.5	11.7	16.5
MSCI Frontier Markets (\$g)	0.0	-5.4	16.8	-14.8	-0.3	n.a.
JPM Non US Global Bond	3.7	4.7	13.9	7.0	8.2	8.9
JPM Non US Global Bond Hedged	1.4	2.1	2.1	5.3	5.0	4.6
JPM EMBI Global	4.0	5.1	11.8	10.5	9.6	10.2
Euro vs. Dollar	2.2	8.1	18.4	-2.8	2.5	5.5
Yen vs. Dollar	2.6	0.4	9.6	9.5	7.2	4.4
Pound vs. Dollar	0.2	2.5	7.3	-6.9	-2.8	1.3



Data sources: Wilshire Compass, MSCI Barra

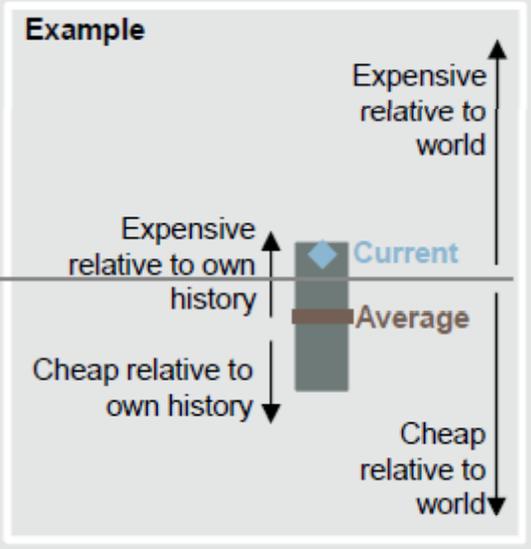
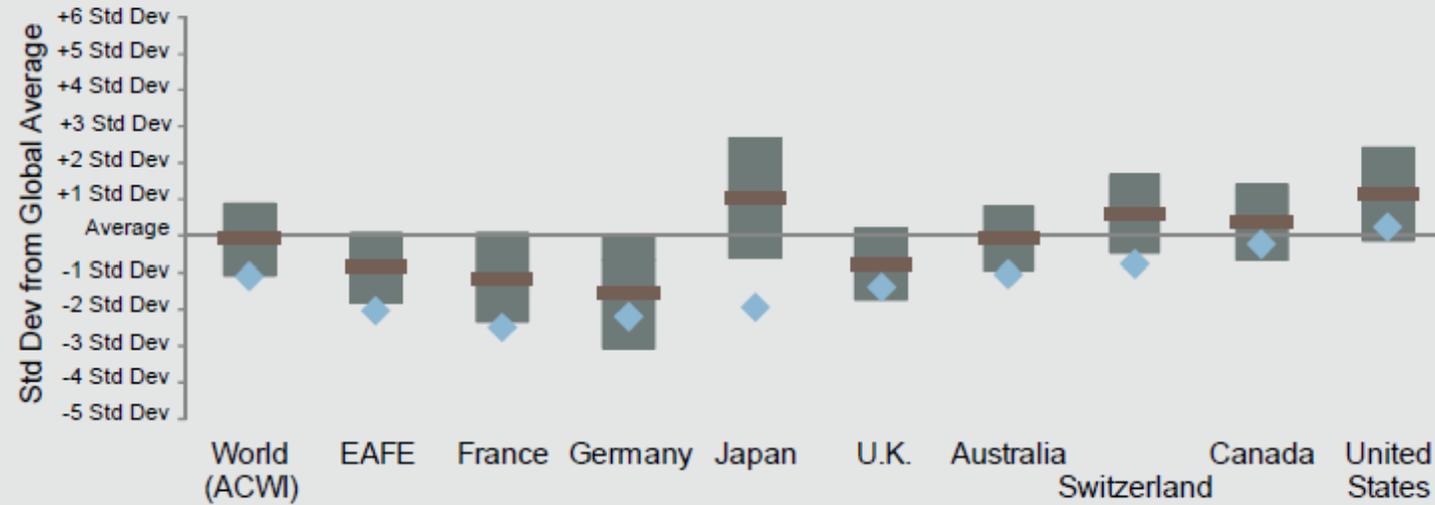
New concerns about Italy – which is the third-largest sovereign debt issuer in the world with \$2.6 trillion outstanding



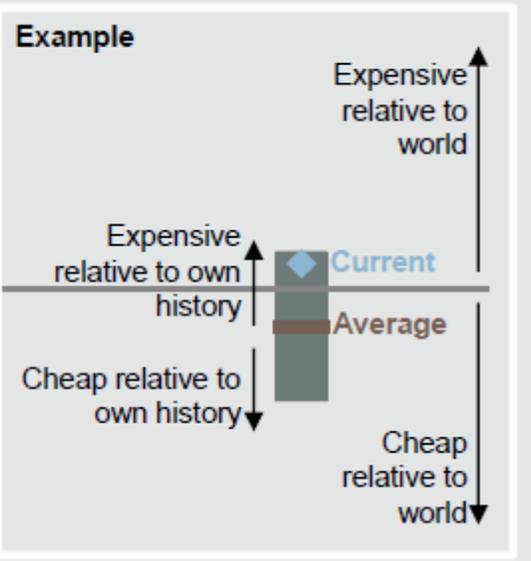
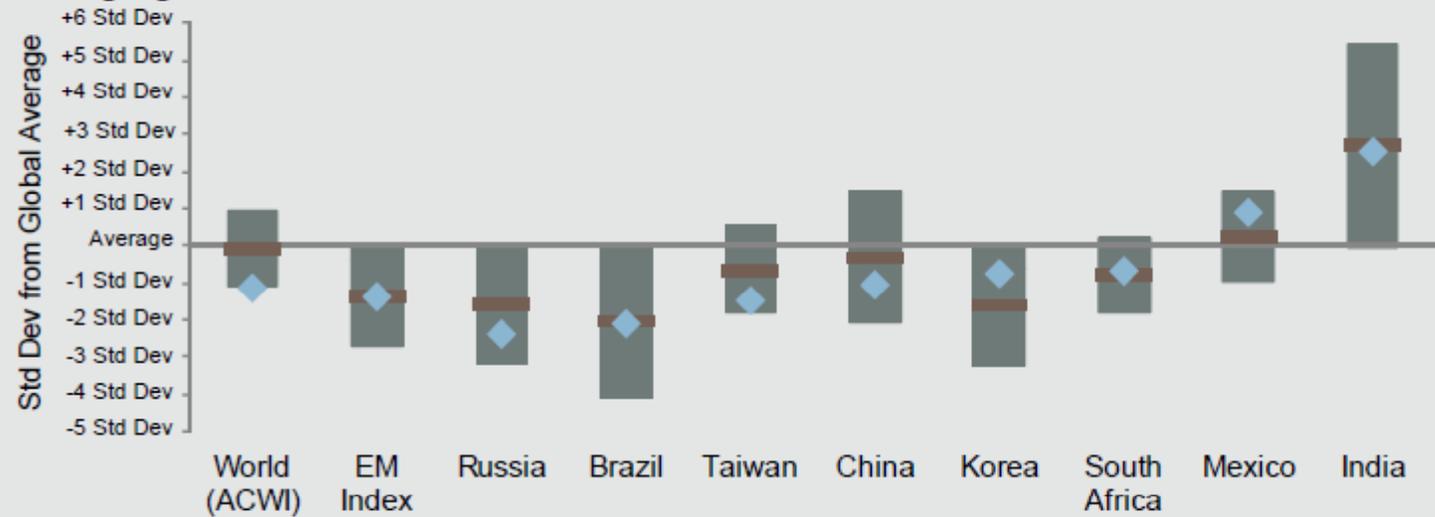
Data sources: Barclays Capital, The Economist

Equity Market Valuations

Developed Market Countries

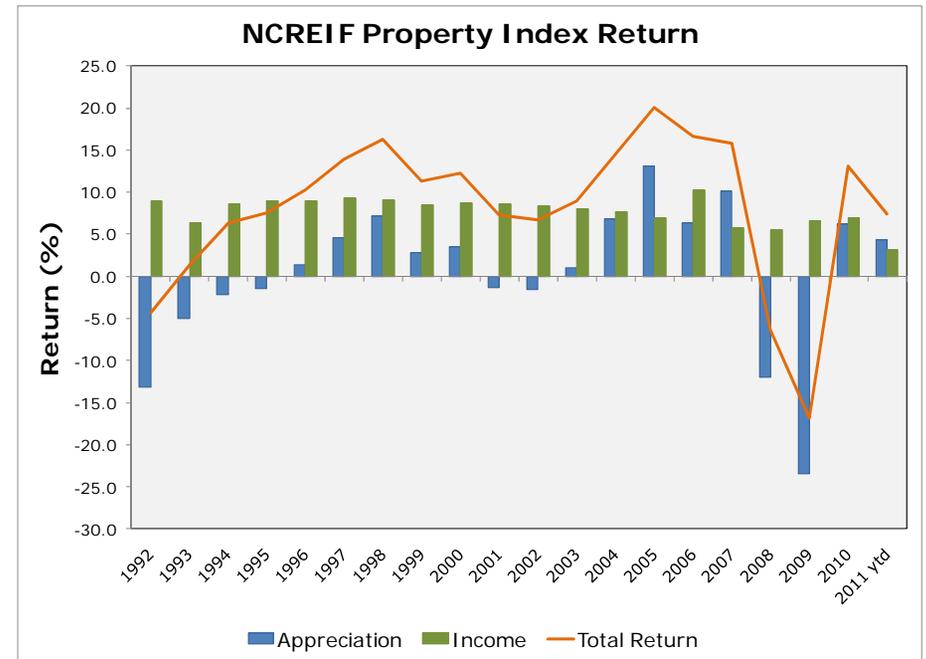
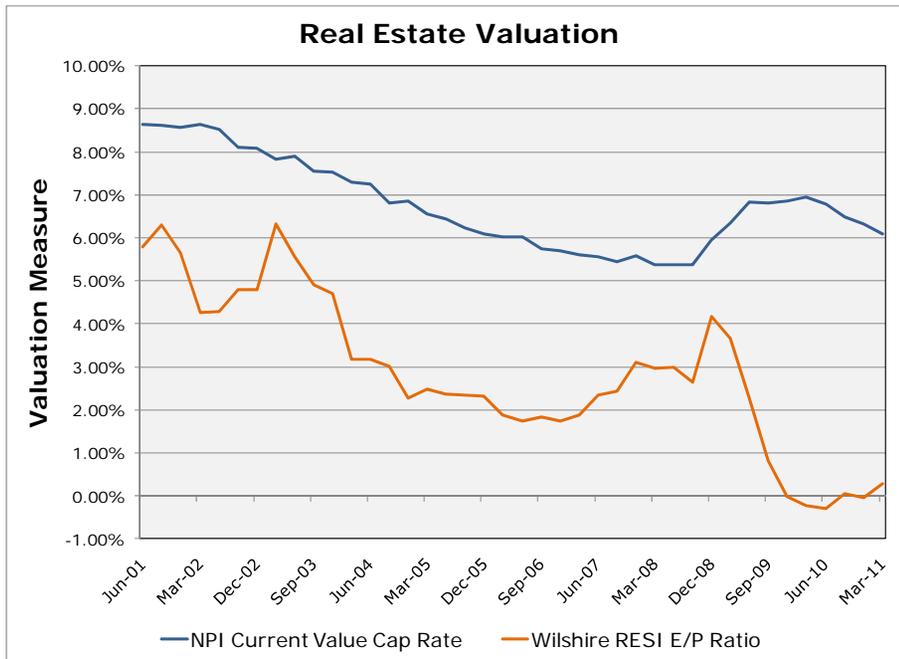


Emerging Market Countries



June 30, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays U.S. TIPS Index	3.7	5.8	7.7	5.3	6.9	7.0
Dow Jones UBS Commodity Index	-6.7	-2.6	25.9	-11.9	-0.1	6.6
Global Public Real Estate*	4.4	10.8	40.3	4.1	2.3	11.2
NCREIF Property Index	3.9	7.4	16.7	-2.6	3.4	7.6
NCREIF Timberland Index	0.7	1.4	0.5	0.0	6.1	6.9
S&P MLP Index (Oil & Gas)	-0.7	6.0	28.4	18.2	14.7	n.a.

* Wilshire Global Real Estate Securities from June, 2001 to December, 2004. Wilshire Global REITs from 2004 to present.



Data sources: Wilshire Compass, National Council of Real Estate Investment Fiduciaries

Asset Class Performance



Annual Asset Class Returns - Best to Worst

2006	2007	2008	2009	2010	YTD 2011
REITs 36.0%	Emrg Mrkts 39.8%	Core Bond 5.2%	Emrg Mrkts 79.0%	REITs 28.6%	REITs 10.9%
Emrg Mrkts 32.6%	Commodities 16.2%	T-Bills 2.0%	High Yield 58.2%	Emrg Mrkts 19.2%	U.S. Equity 6.1%
Developed 26.9%	U.S. TIPS 11.6%	U.S. TIPS -2.3%	Developed 32.5%	U.S. Equity 17.2%	U.S. TIPS 5.8%
U.S. Equity 15.8%	Developed 11.6%	High Yield -26.2%	REITs 28.6%	Commodities 16.8%	Developed 5.3%
High Yield 11.9%	Core Bond 7.0%	Commodities -35.6%	U.S. Equity 28.3%	High Yield 15.1%	High Yield 5.0%
T-Bills 4.8%	U.S. Equity 5.6%	U.S. Equity -37.2%	Commodities 18.9%	Developed 8.2%	Core Bond 2.7%
Core Bond 4.3%	T-Bills 5.0%	REITs -39.2%	U.S. TIPS 11.4%	Core Bond 6.5%	Emrg Mrkts 1.0%
Commodities 2.1%	High Yield 1.9%	Developed -43.1%	Core Bond 5.9%	U.S. TIPS 6.3%	T-Bills 0.1%
U.S. TIPS 0.4%	REITs -17.5%	Emrg Mrkts -53.2%	T-Bills 0.2%	T-Bills 0.1%	Commodities -2.6%

**Annualized
5-Year**

2006-2010
Emrg Mrkts 13.1%
High Yield 8.9%
Core Bond 5.8%
U.S. TIPS 5.3%
Developed 2.9%
U.S. Equity 2.9%
REITs 2.4%
T-Bills 2.4%
Commodities 1.2%

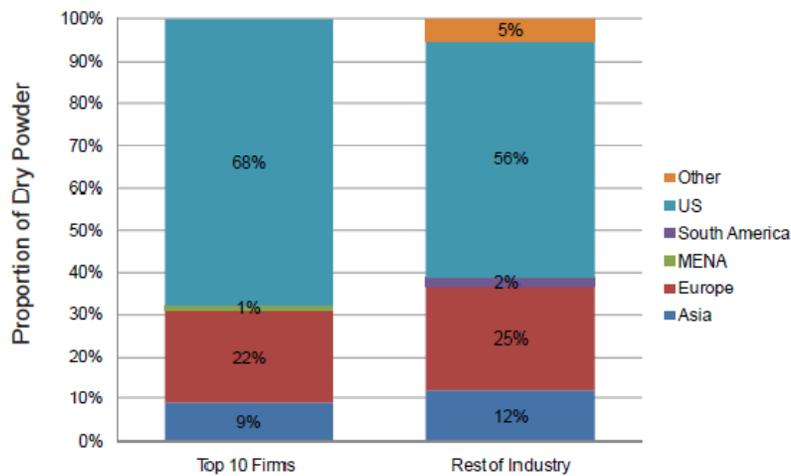
Data sources: Wilshire Compass

Note: Developed asset class is developed markets ex-U.S., ex-Canada.

Appendix: Private Markets Update

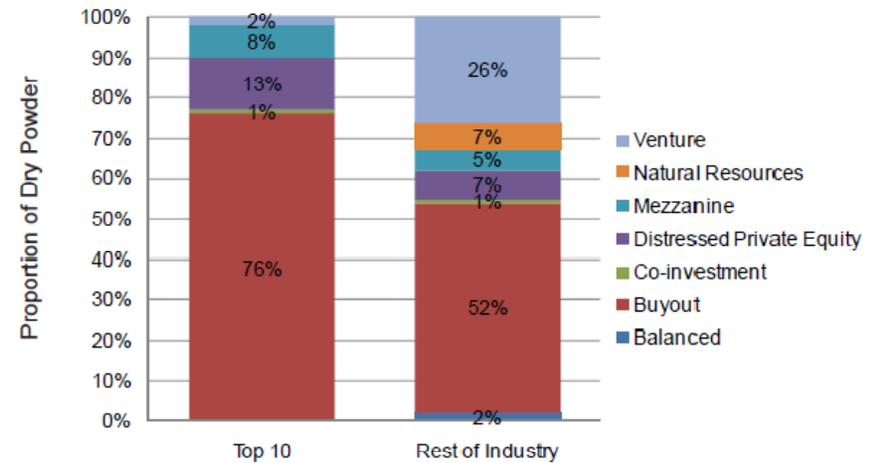
Private Equity Cash on Hand

Fig. 3: Private Equity Dry Powder by Primary Geographic Focus



Source: Preqin

Fig. 4: Private Equity Dry Powder by Fund Strategy



Source: Preqin

Data sources: Preqin

Fig. 10: All Private Equity Fundraising by Quarter, Q1 2004 - Q1 2011

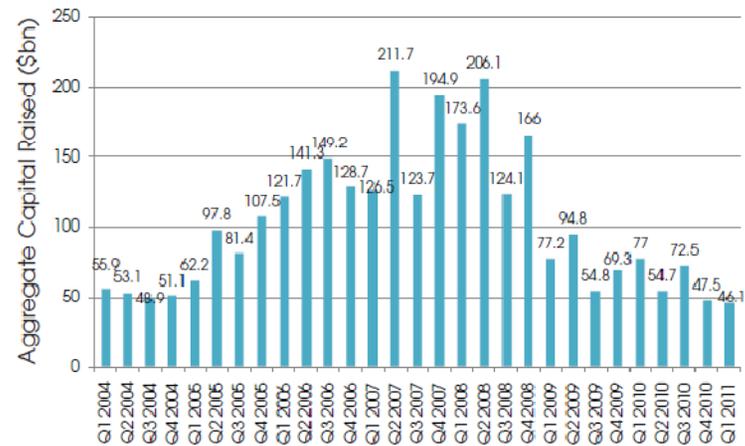
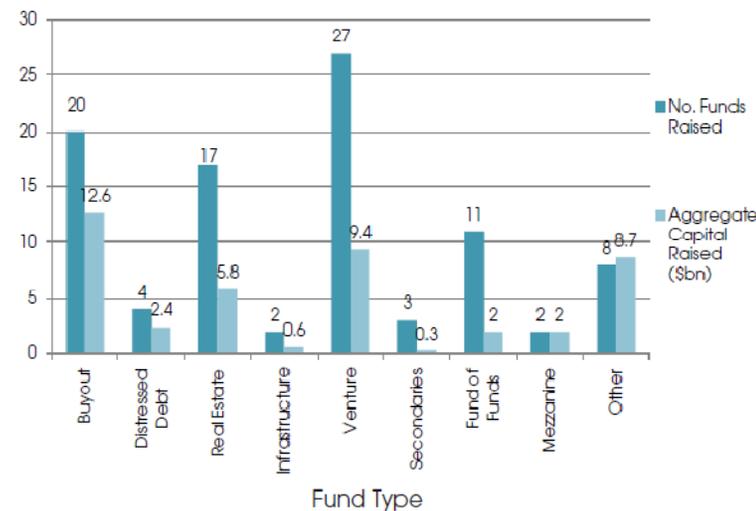


Fig. 12: Private Equity Fundraising by Type, Q1 2011

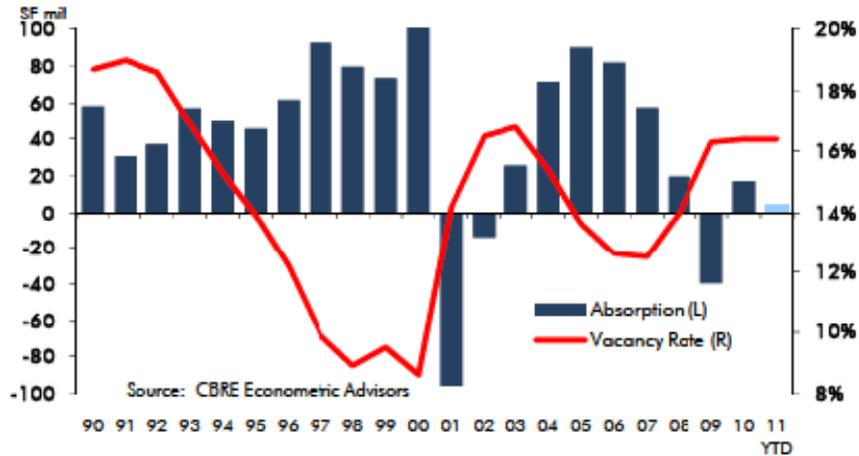


Data sources: Preqin

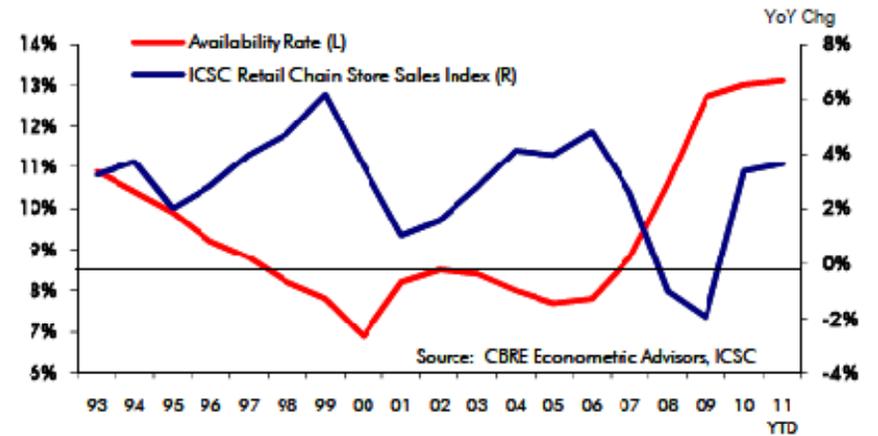
Commercial Property *(as of Q1 2011)*



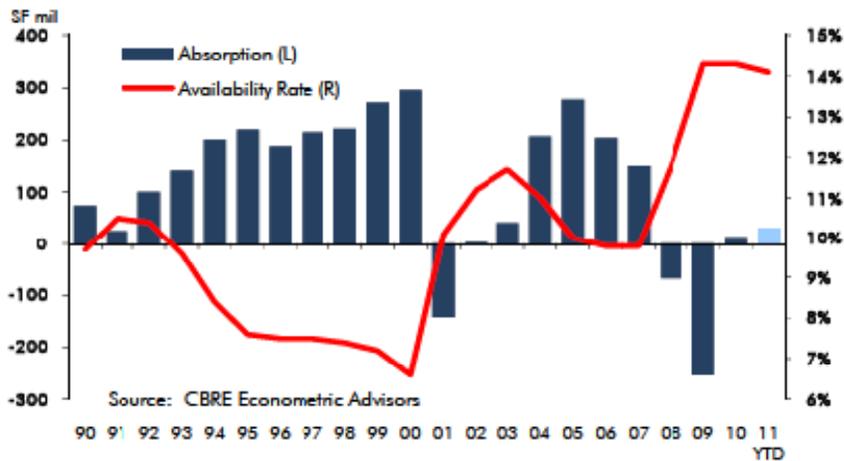
Office



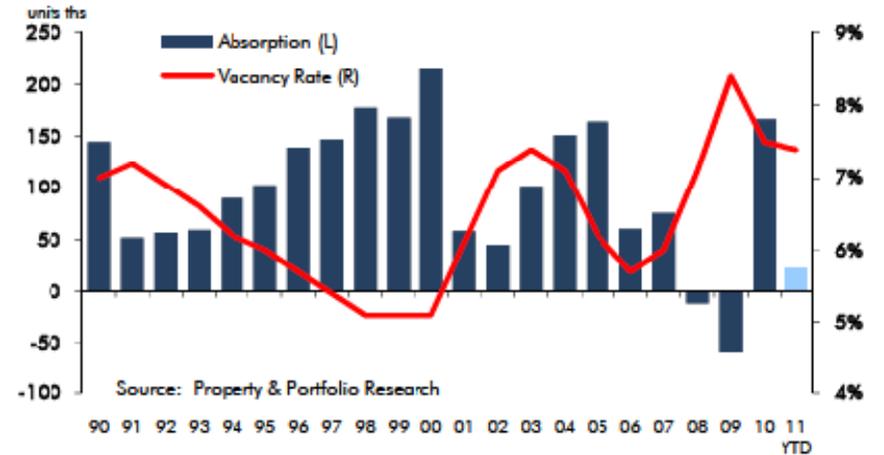
Retail



Industrial



Apartment



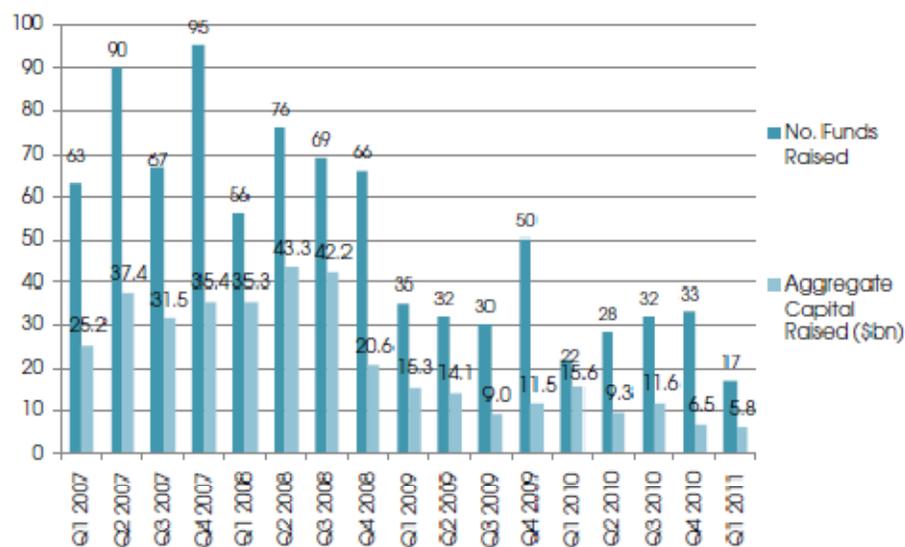
Data sources: CB Richard Ellis

Fig. 1: Real Estate Funds in Market

	North	Europe	Asia and Rest of World	Overall
Number of Funds	254	104	84	442
Aggregate Target Size (\$bn)	84.2	40.0	26.0	150.2
Average Target Size (\$mn)	340	408	356	359

Source: Preqin

Fig. 13: Quarterly Private Equity Real Estate Fundraising, Q1 2007 - Q1 2011

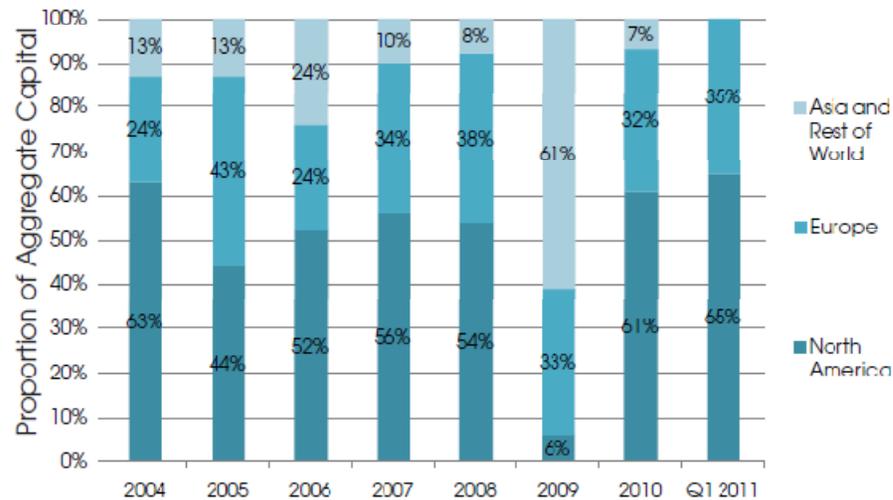


Data sources: Preqin

Fig. 1: Unlisted Infrastructure Fundraising by Year, 2004 - 2011 YTD



Fig. 6: Split of Aggregate Capital Raised by Region over Time



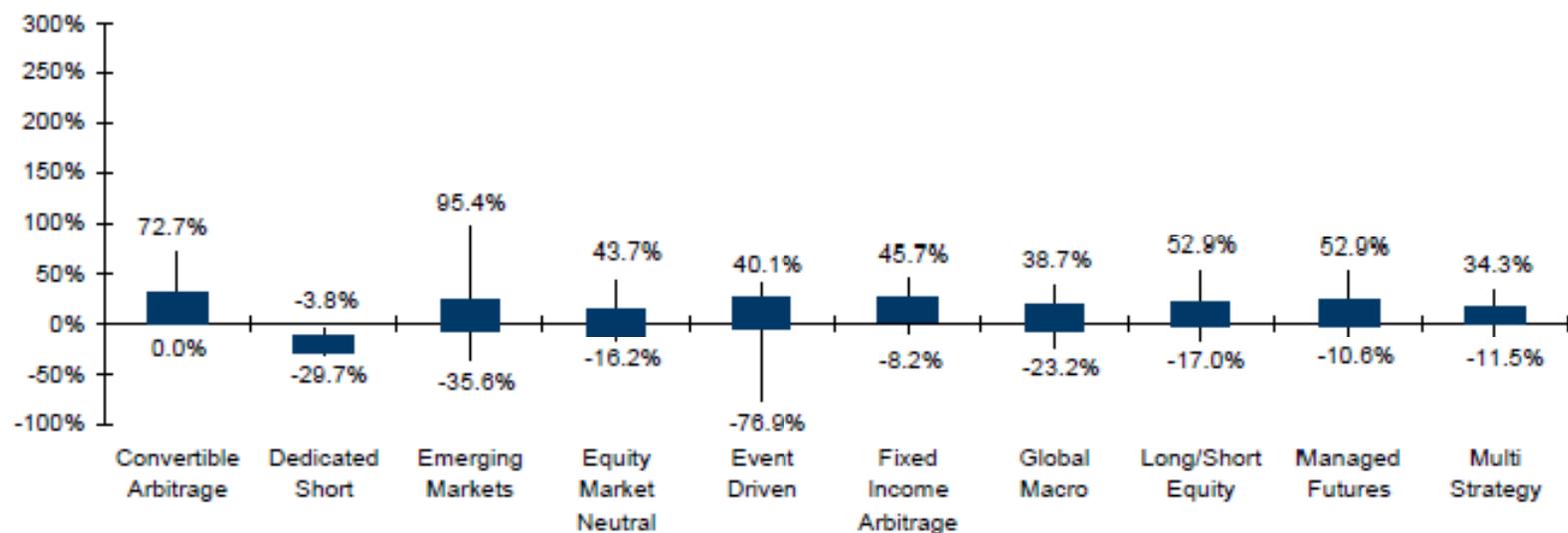
Data sources: Preqin

Hedge Fund Performance



June 30, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
DJ CS Hedge Fund Index	-0.5	1.6	12.1	2.5	5.5	7.1
Event Driven Index	-1.6	1.3	12.0	4.5	6.6	8.7
Global Macro Index	0.7	1.3	10.4	3.8	8.5	10.8
Long/Short Equity Index	-1.5	0.7	13.8	2.0	5.5	6.8
Multi-Strategy Index	-0.5	4.4	13.5	3.5	5.0	7.0
Wilshire 5000	-0.1	6.1	32.0	4.0	3.4	3.7
MSCI ACWI ex-US (\$g)	0.6	4.1	30.3	0.1	4.1	7.9
Barclays Aggregate Bond Index	2.3	2.7	3.9	6.5	6.5	5.7
Dow Jones UBS Commodity Index	-6.7	-2.6	25.9	-11.9	-0.1	6.6

2010 Sector Return Dispersion



Data sources: Wilshire Compass, Credit Suisse