



Numbers in Context

U.S. Equity

The U.S. stock market could not maintain its positive momentum from the first quarter, as investors sold equities in the face of weak economic data and deteriorating conditions in the European sovereign debt crisis. The market was down -3.1% in the second quarter, bringing its year-to-date total return to 9.2%. Total returns were comparable across size segments during the second quarter while growth stocks experienced larger losses than the value segment.

Telecom Services was the best performing sector during the second quarter, posting a total return of 13.0%. The general fall in rates helped the interest-rate-sensitive Utilities group deliver an impressive 5.8% return. Six of ten sectors were in the red with the Information Technology and Energy groups lagging farthest behind with returns of -7.0% and -6.9%, respectively.

After having accelerated through each of the past three quarters, U.S. economic growth slowed in the first quarter of 2012. Real GDP grew at 1.9%, showing signs that continued turmoil in Europe, a cooling Chinese economy and lackluster U.S. jobs growth were dampening economic activity.

Non-U.S. Equity

Global stock markets took multiple hits during the second quarter, with events in continental Europe again taking center stage. Spain's banking sector entered crisis mode and a €100 million bailout to stabilize the nation's banks failed to calm investors' nerves. However, promises of increased fiscal integration among Eurozone nations spurred a dramatic rally in European stocks at quarter-end. Malaise over the global economic slowdown hung over markets most of the quarter.

Fixed Income

Bond investors searching for yield found another challenging marketplace in the second quarter; the volatility of global stock markets yet again fueled safe-haven rotation into U.S. Treasuries, sending yields for this sector broadly lower. Spreads on non-Treasury issuance widened during the quarter, although stronger balance sheets and attractive lending rates buoyed performance of investment-grade corporate bonds. The fiscal turmoil in Europe and economic slowdowns in large emerging markets such as China continued to weigh on global bond markets.

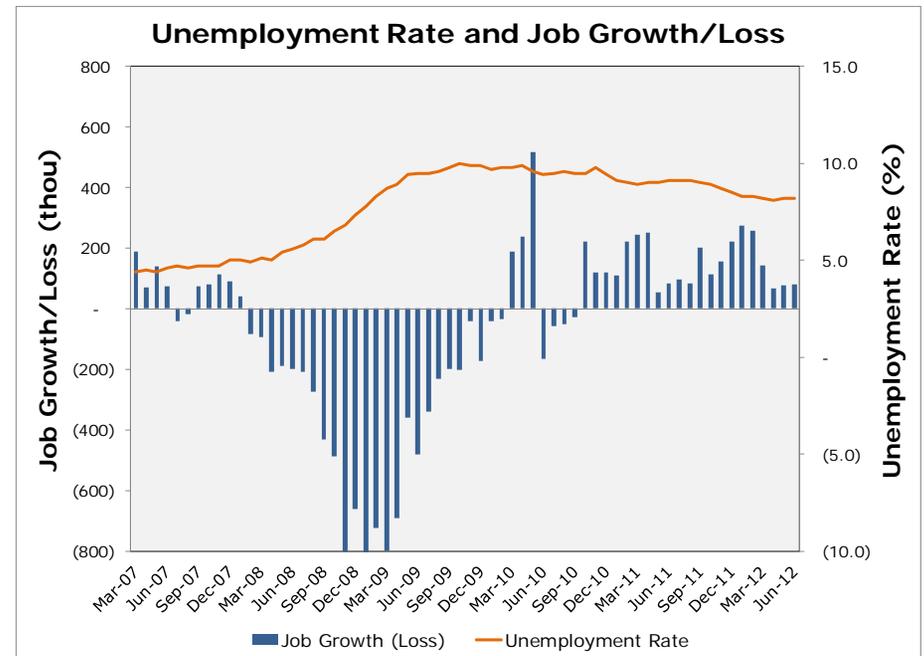
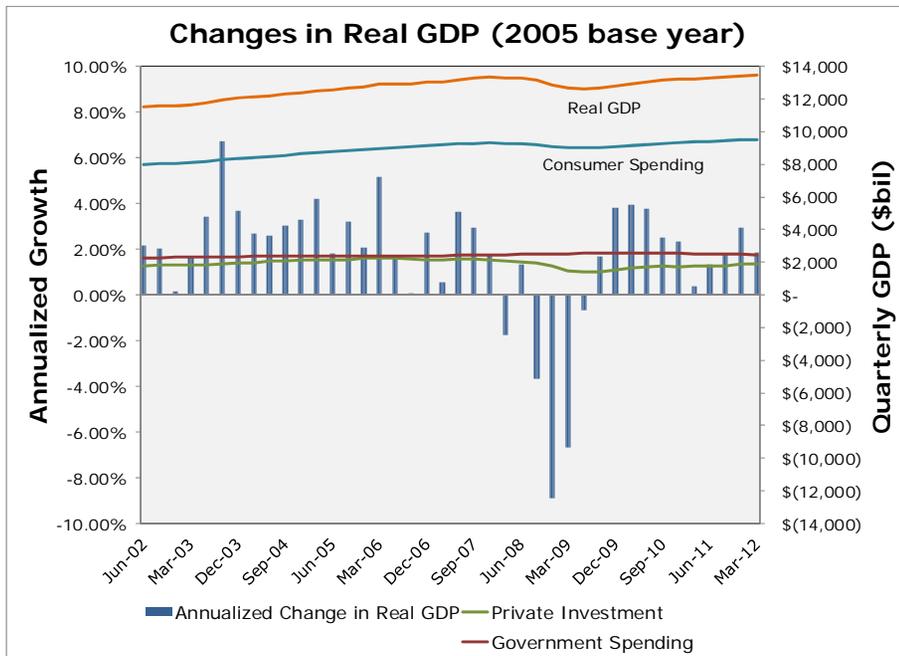
Asset Class Assumptions Update



	Total Return (%)			Risk (%)
	2012 ACA	Q2 2012	Change vs YE	2012 ACA
<u>Investment Categories:</u>				
U.S. Stocks	7.50	7.50	-	17.00
Dev ex-U.S. Stocks	7.50	7.50	-	18.00
Emerging Mkt Stocks	7.50	7.50	-	26.00
Global Stocks	7.80	7.80	-	17.05
Private Markets	10.25	10.30	0.05	27.50
Cash Equivalents	1.50	1.55	0.05	1.25
Core Bonds	2.85	2.70	(0.15)	5.00
LT Core Bonds	3.20	2.85	(0.35)	10.00
TIPS	1.65	1.45	(0.20)	6.00
High Yield Bonds	5.45	5.20	(0.25)	10.00
Non-U.S. Bonds (Hdg)	2.50	2.35	(0.15)	3.50
U.S. RE Securities	5.05	5.15	0.10	15.00
Private Real Estate	5.80	5.95	0.15	12.25
Commodities	4.00	4.15	0.15	13.00
Real Asset Basket	5.85	5.90	0.05	7.75
Inflation:	2.00	2.15	0.15	1.75
<u>Returns minus Inflation:</u>				
U.S. Stocks	5.50	5.35	(0.15)	
U.S. Bonds	0.85	0.55	(0.30)	
Cash Equivalents	(0.50)	(0.60)	(0.10)	
<u>Stocks minus Bonds:</u>	4.65	4.80	0.15	
<u>Bonds minus Cash:</u>	1.35	1.15	(0.20)	

June 30, 2012	Key Economic Indicators			
CPI (all items) Seasonally adjusted	Monthly Change		Cumulative Change	
	Jun-12	0.0	3-Month	-0.2
	May-12	-0.3	12-Month	1.7
	Apr-12	0.0	10-Yr Annual	2.4
Breakeven Inflation	10-Year	2.1		
Consumer Sentiment Unv. of Michigan Survey	Jun-12	73.2		
	May-12	79.3		
	1-Yr Ago	71.5	10-Yr Avg	79.4
Manufacturing Inst. for Supply Mgmt Purchasing Mngrs' Idx	Jun-12	49.7	Change in Manufacturing Sector	
	May-12	53.5	>50	Expansion
	1-Yr Avg	52.6	<50	Contraction

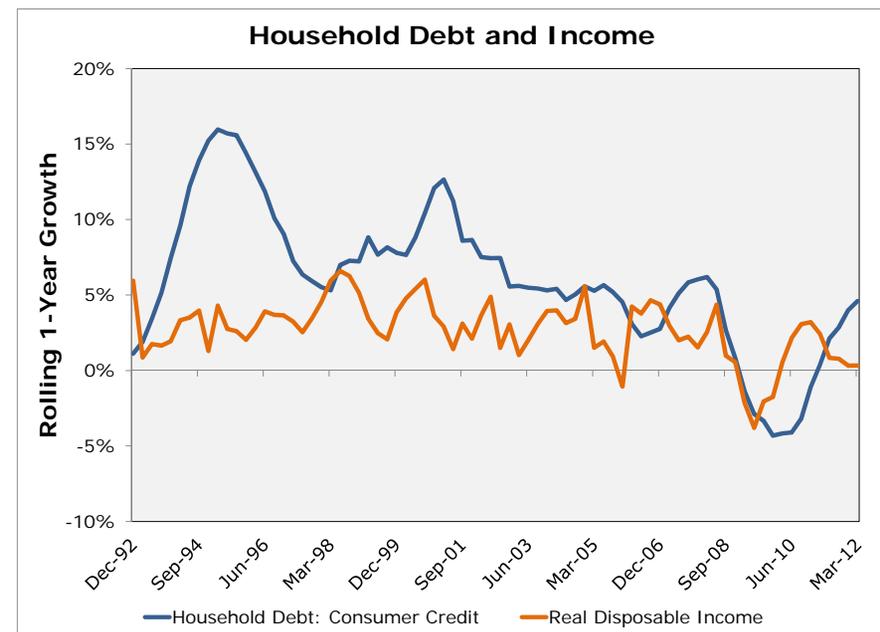
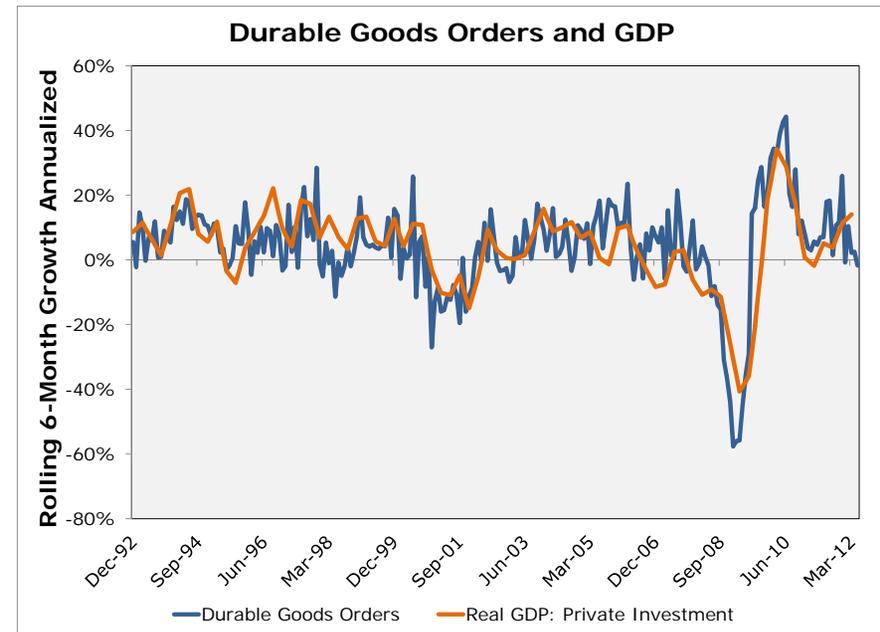
Note: Seasonally adjusted CPI data is utilized to better reflect short-term pricing activity.



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

Drivers of Growth

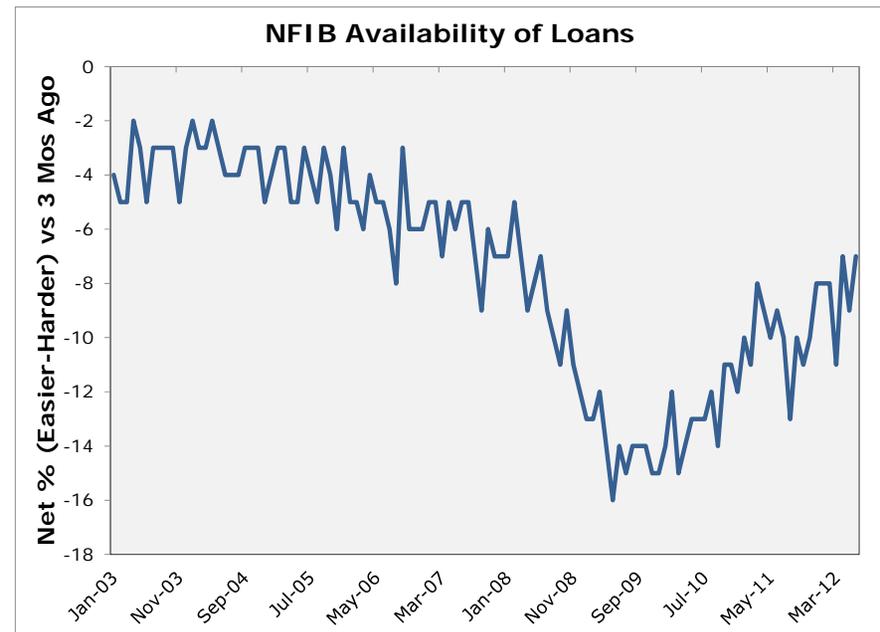
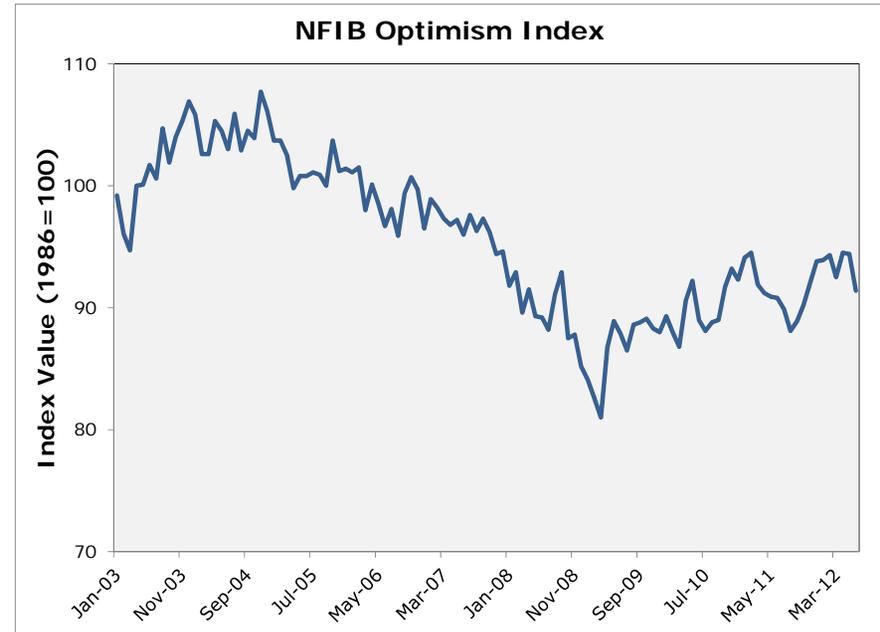
- Business spending has been a major driver of economic growth – particularly early in the recovery
- Durable goods orders – a strong indicator of private investment – is beginning to slow following a major spike
- Consumer credit is now expanding
- However, growth in real disposable income is a drag on consumer spending – the most important factor in economic growth



Small Businesses

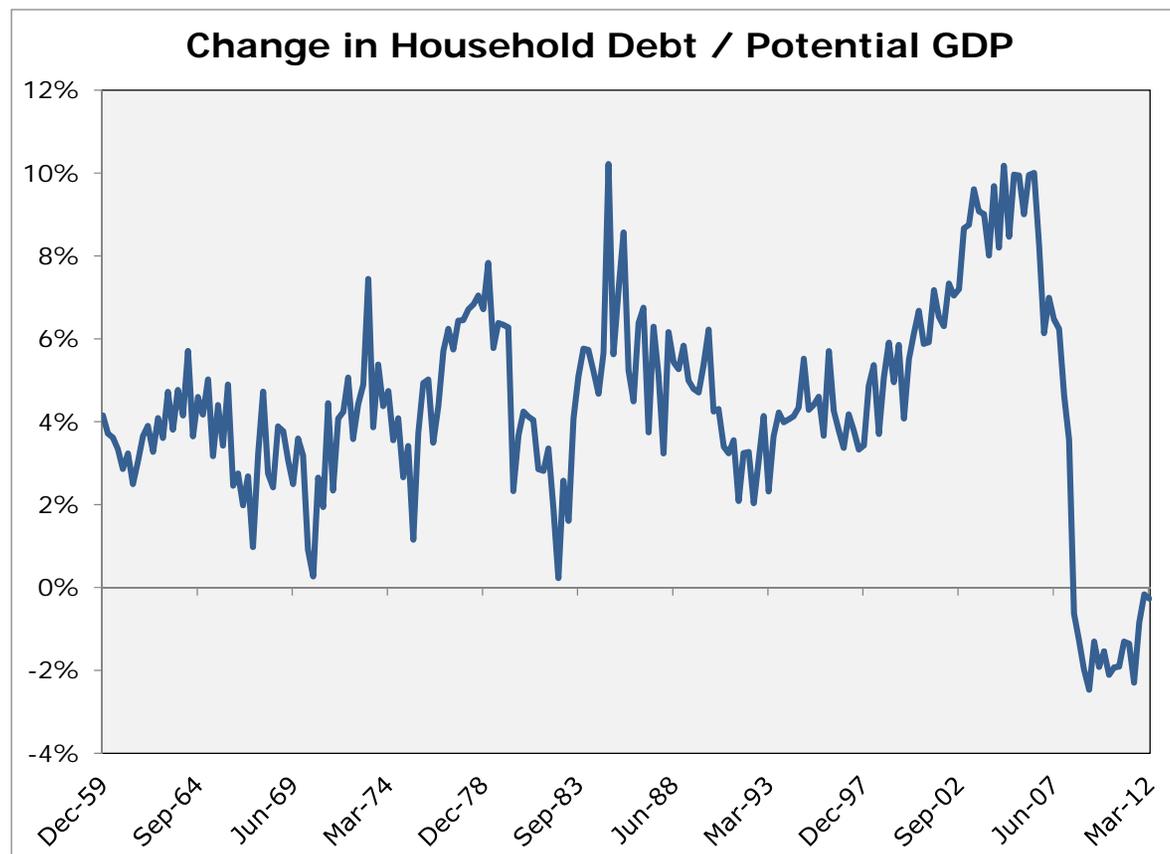


- Small businesses are a major part of the U.S. economy, employing roughly one-half of the private, non-farm U.S. workforce
- NFIB Optimism Index has been rather stagnant since the credit crisis
- Credit conditions for small businesses have eased but are still tighter than before the crisis



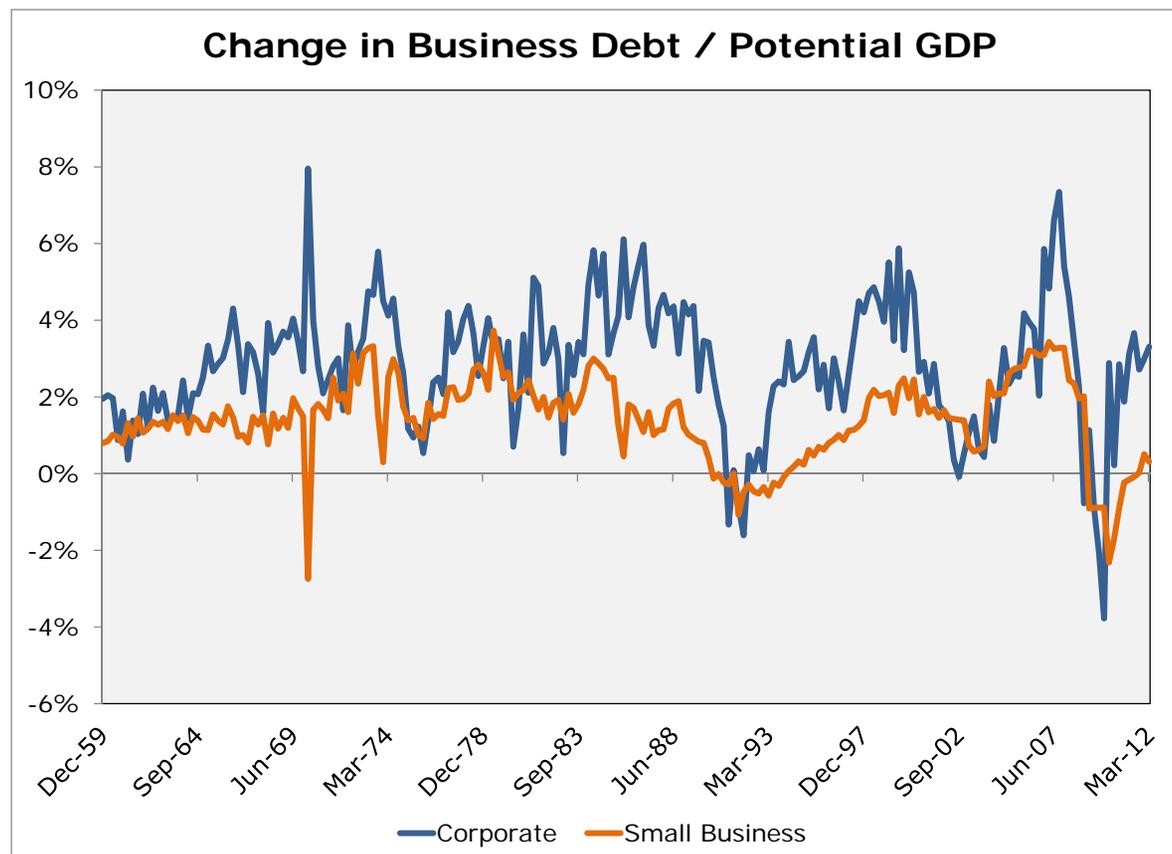
Debt Activity Since Crisis

- All of the major market participants utilize debt to help fund their spending
- Although consumer credit is beginning to increase (previous slide), mortgage defaults are still overwhelming new borrowing



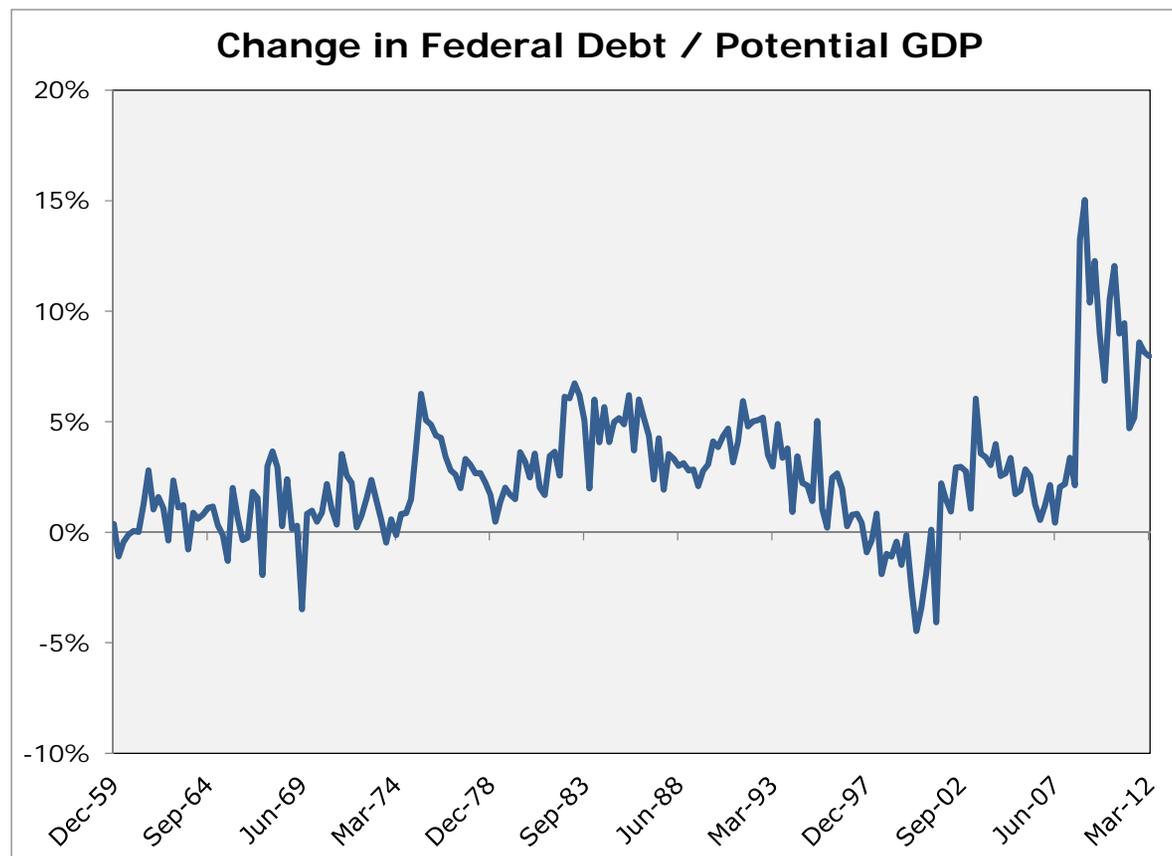
Debt Activity Since Crisis

- Corporate borrowing has rebounded
- Small businesses, which are more reliant on U.S. demand, remain cautious



Debt Activity Since Crisis

- Borrowing continues through the Federal government
- Fiscal stimulus will likely decrease going forward

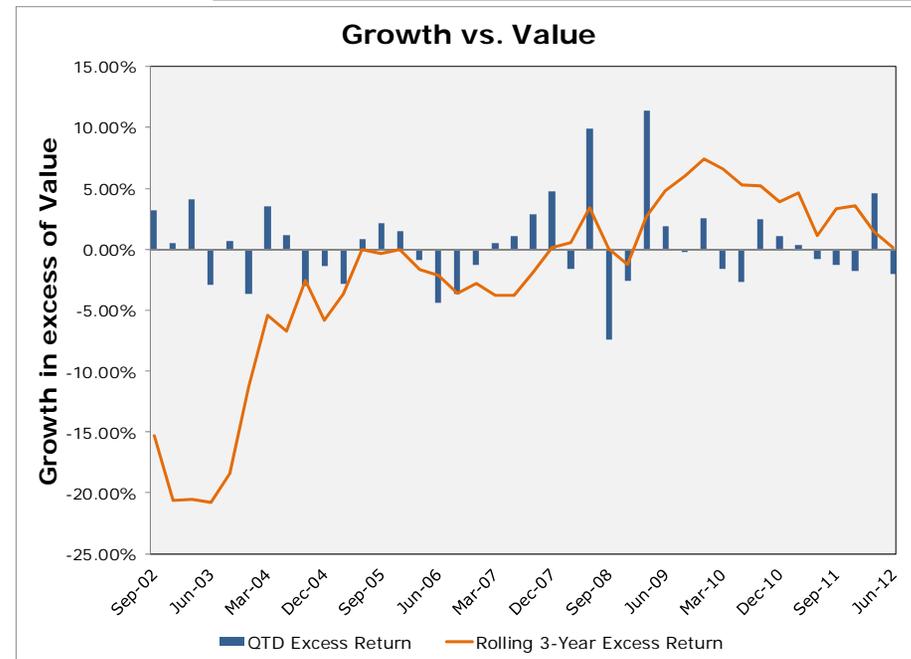
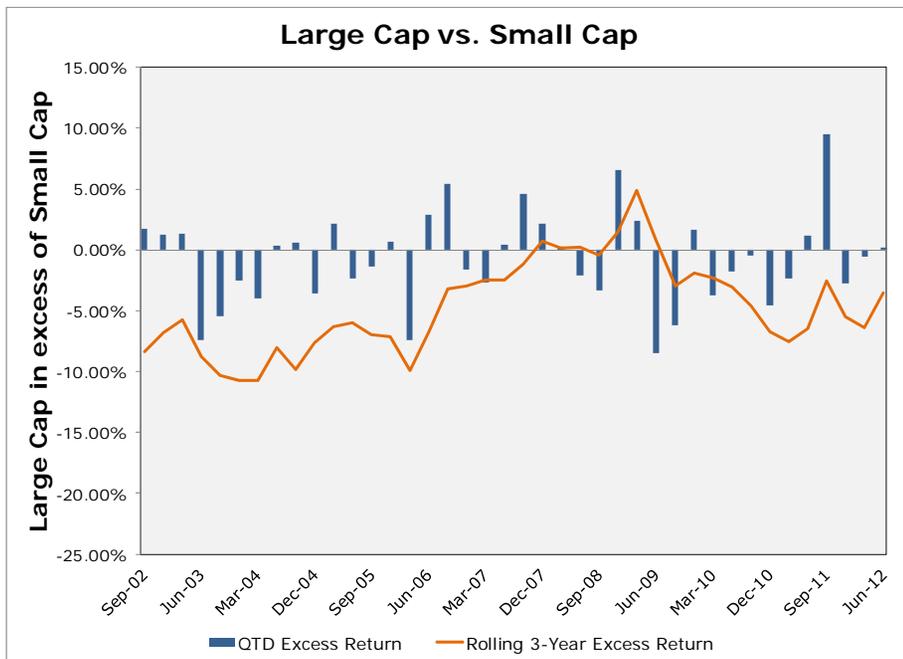


U.S. Capital Markets: Equity



June 30, 2012	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	-3.1	9.2	4.0	16.7	0.4	6.0
Wilshire U.S. Large Cap	-3.1	9.1	4.6	16.2	0.3	5.7
Wilshire U.S. Small Cap	-3.3	9.5	-1.4	20.5	2.3	9.2
Wilshire U.S. Large Growth	-4.2	10.8	4.4	16.3	2.2	6.1
Wilshire U.S. Large Value	-2.1	7.6	4.8	16.1	-1.7	5.2
Wilshire U.S. Small Growth	-4.2	8.0	-3.3	20.2	2.9	9.7
Wilshire U.S. Small Value	-2.5	10.9	0.3	20.6	1.6	8.5
Wilshire REIT Index	3.7	14.9	13.2	33.6	2.0	10.3
MSCI USA Minimum Volatility Index	2.5	8.8	12.4	18.1	3.2	5.6
FTSE RAFI U.S. 1000 Index	-3.2	7.7	2.0	18.5	1.0	n.a.

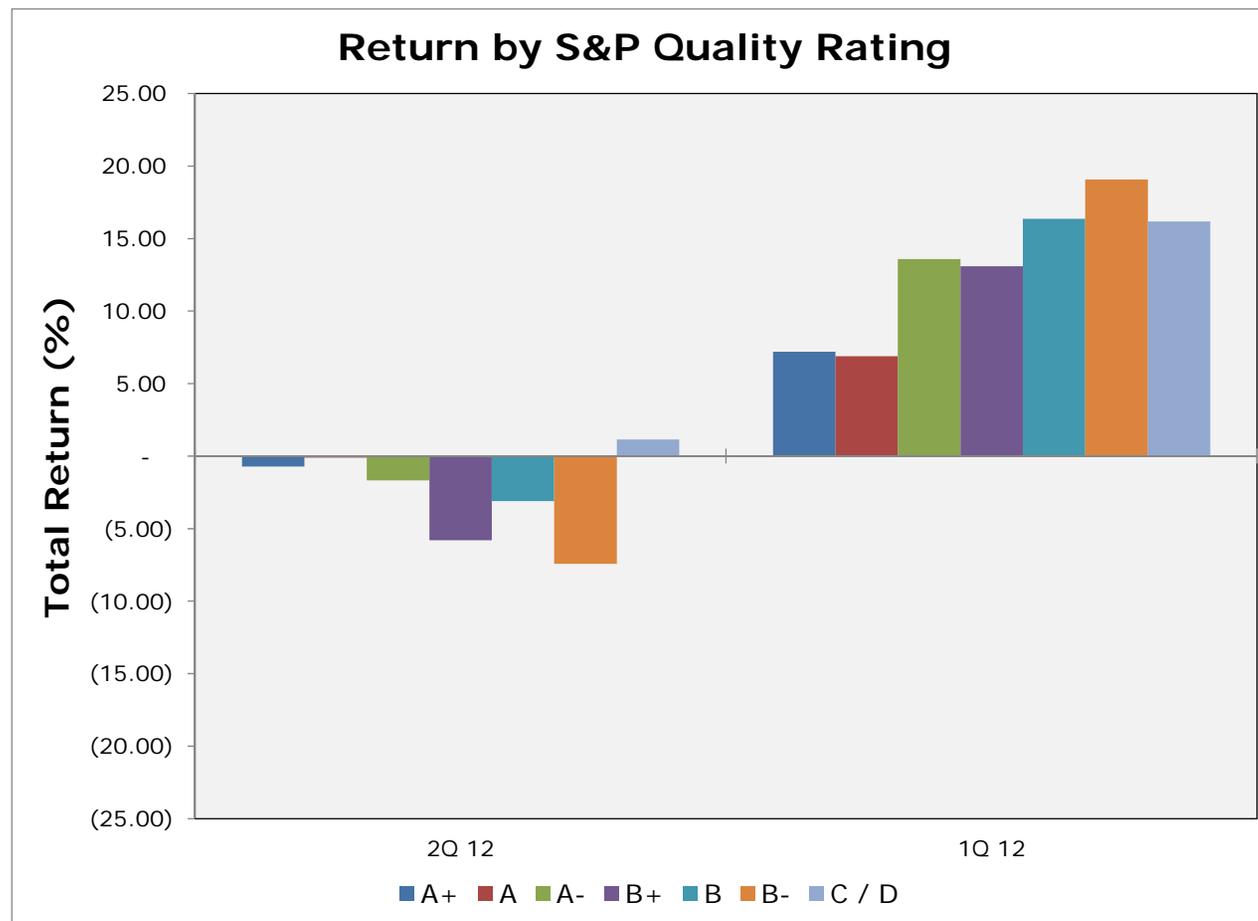
Wilshire 5000 Sector Weight & Return (%)



Data sources: Wilshire Compass, Wilshire Atlas

Returns by Quality Segment

Lower quality names still lead the market after giving some back during the second quarter

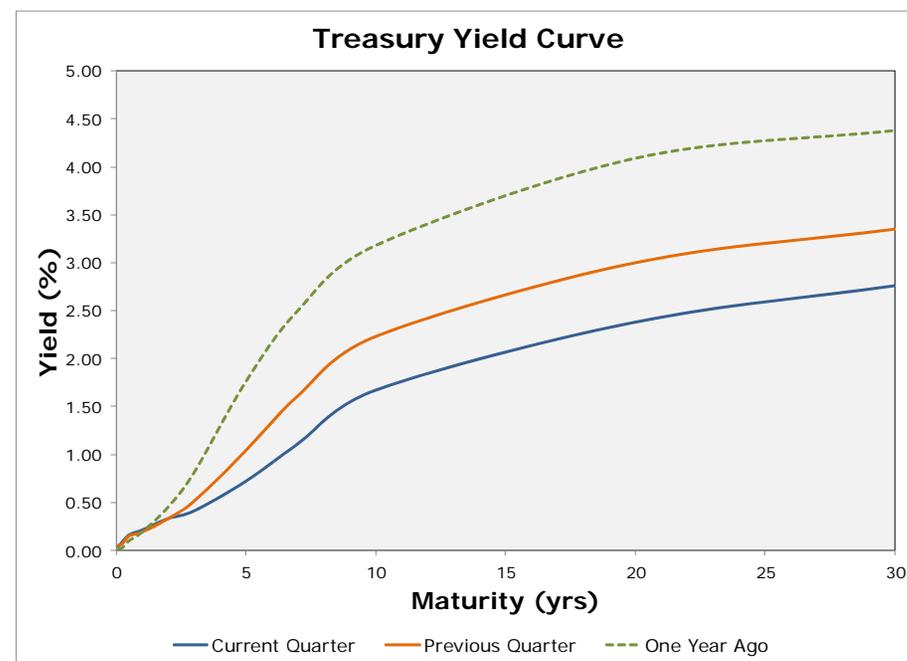
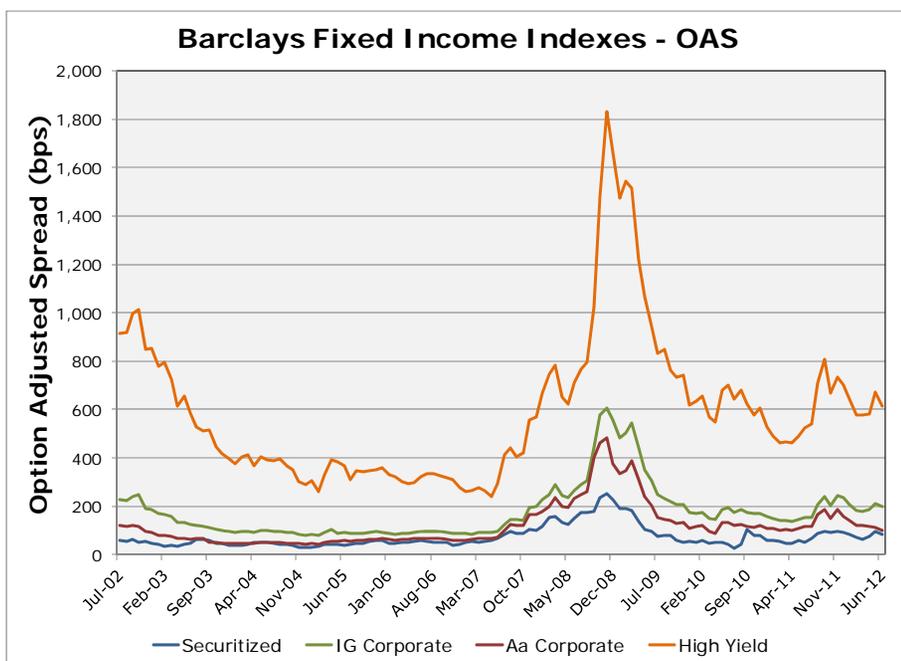


Data sources: Wilshire Atlas

U.S. Capital Markets: Fixed Income



June 30, 2012	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	2.1	2.4	7.5	6.9	6.8	5.6
Barclays Treasury Index	2.8	1.5	9.0	5.9	6.9	5.5
Barclays Govt-Related Index	1.8	2.7	6.5	5.6	6.4	5.4
Barclays Securitized Index	1.1	1.8	5.1	6.2	6.5	5.3
Barclays Corporate IG Index	2.5	4.7	9.7	10.6	7.6	6.6
Barclays LT Govt/Credit Index	7.3	5.0	24.6	14.4	11.0	8.7
Barclays Long-Term Treasury Index	10.6	4.2	32.3	13.6	12.1	8.9
Barclays U.S. TIPS Index	3.2	4.0	11.7	9.6	8.4	7.2
Barclays High Yield Index	1.8	7.3	7.3	16.3	8.4	10.2
Treasury Bills	0.0	0.0	0.1	0.1	1.0	1.9

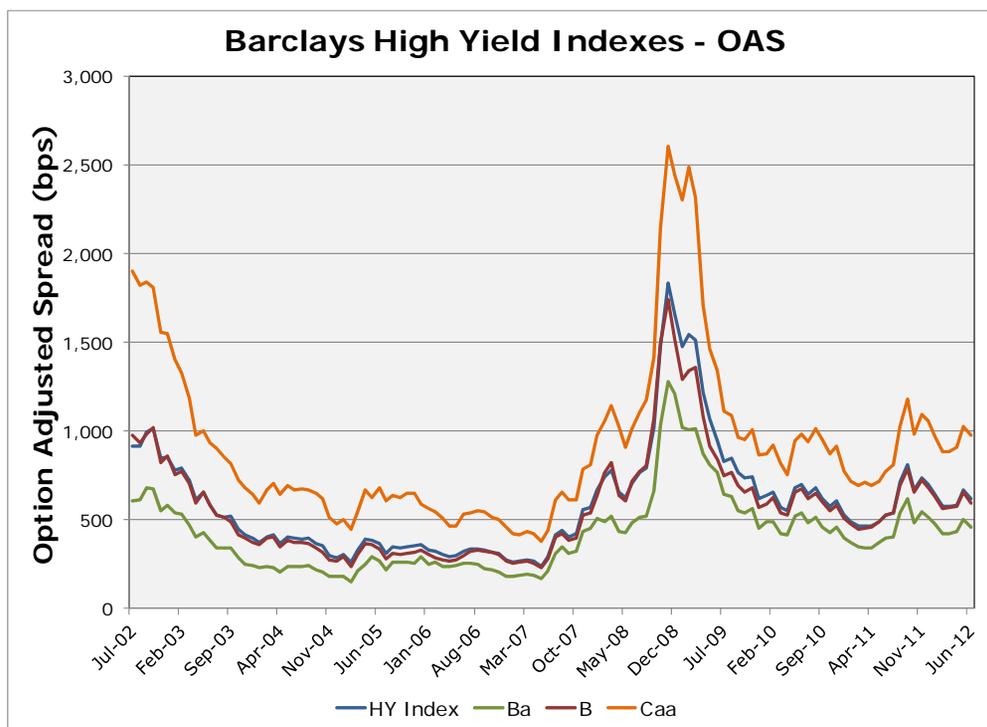


Data sources: Wilshire Compass, Barclays Capital, U.S. Treasury

High Yield by Quality



June 30, 2012	Weight	Qtr	Ytd	1 Yr	3 Yr
Barclays High Yield Index	100%	1.8	7.3	7.3	16.3
Quality Distribution					
Ba U.S. High Yield	40.3%	2.3	6.8	8.6	15.0
B U.S. High Yield	43.2%	1.8	6.8	7.7	14.0
Caa U.S. High Yield	15.1%	1.1	9.3	4.6	19.1
Ca to D U.S. High Yield	1.1%	-1.8	10.9	-8.1	25.5
Non-Rated U.S. High Yield	0.3%	1.2	10.8	14.1	16.6



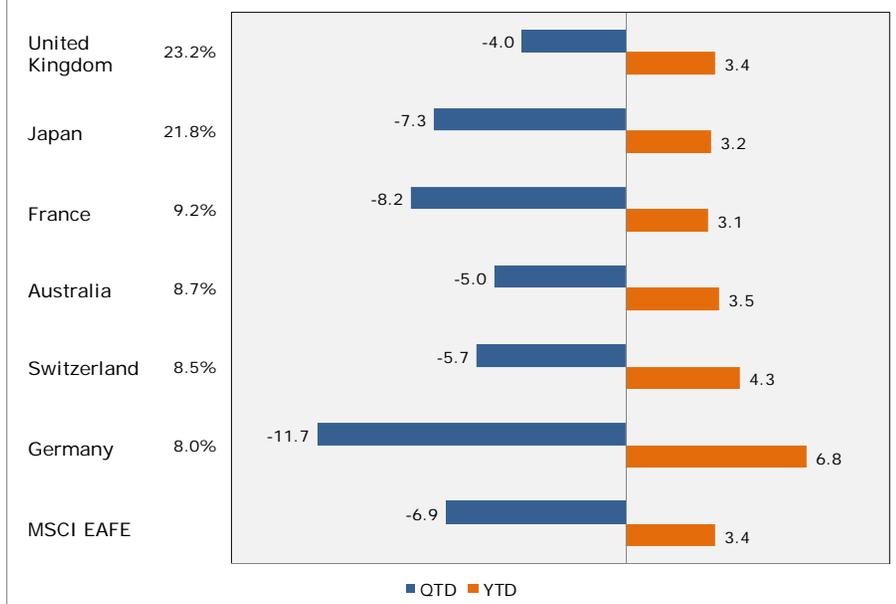
Data sources: Barclays Capital

Non-U.S. Capital Markets

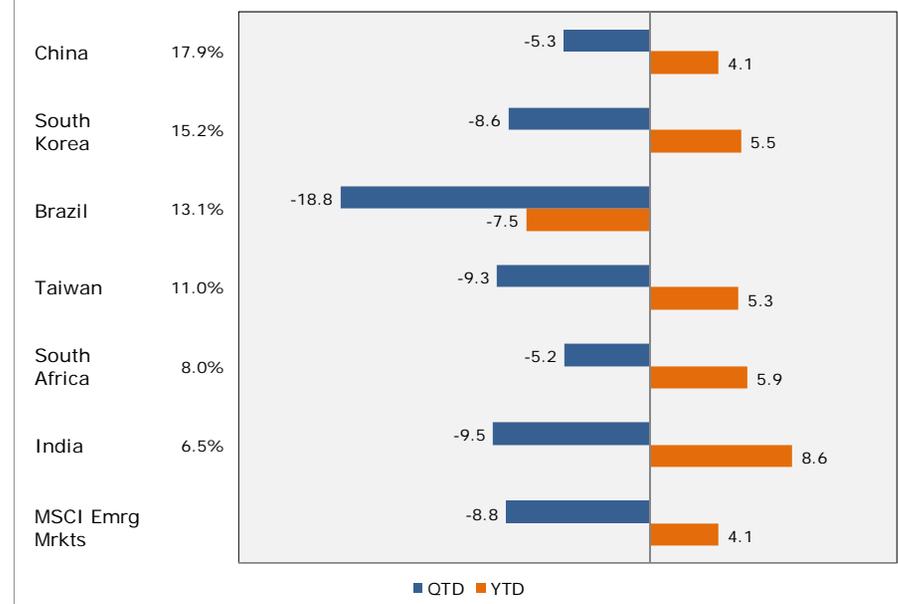


June 30, 2012	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	-7.4	3.1	-14.1	7.4	-4.2	7.2
MSCI EAFE (\$g)	-6.9	3.4	-13.4	6.5	-5.6	5.6
MSCI Emerging Markets (\$g)	-8.8	4.1	-15.7	10.1	0.2	14.4
MSCI Frontier Markets (\$g)	-6.6	-1.3	-14.9	1.1	-9.8	8.5
MSCI EAFE Minimum Volatility Idx	-1.6	4.1	-2.3	9.7	-0.1	9.4
FTSE RAFI Developed ex-US Index	-9.2	0.4	-19.0	4.9	-5.4	n.a.
JPM Non US Global Bond	0.5	-0.2	1.0	5.8	8.0	7.4
JPM Non US Global Bond Hedged	1.3	2.5	6.4	4.7	5.4	4.8
JPM EMBI Global	2.5	7.4	10.9	13.5	9.4	11.7
Euro vs. Dollar	-4.7	-2.2	-12.5	-3.4	-1.3	2.5
Yen vs. Dollar	3.2	-3.6	1.2	6.5	9.1	4.2
Pound vs. Dollar	-1.8	0.9	-2.3	-1.6	-4.8	0.3

MSCI EAFE: Largest Countries and Return



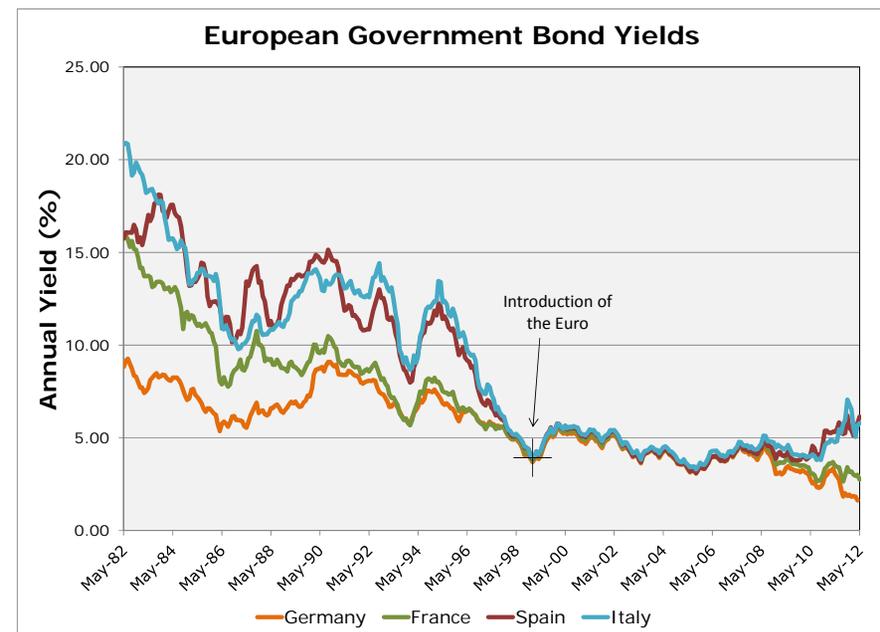
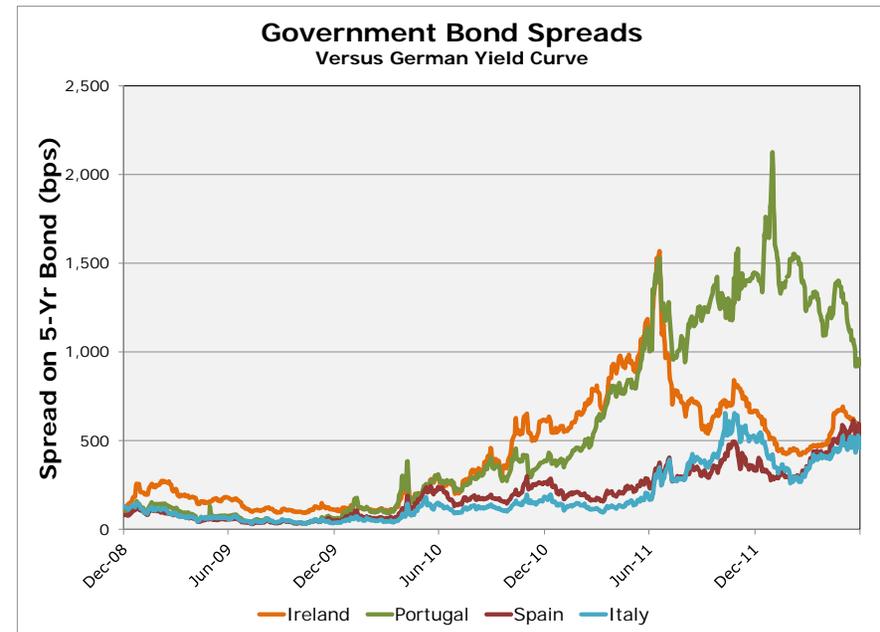
MSCI EM: Largest Countries and Return



Data sources: Wilshire Compass, MSCI Barra

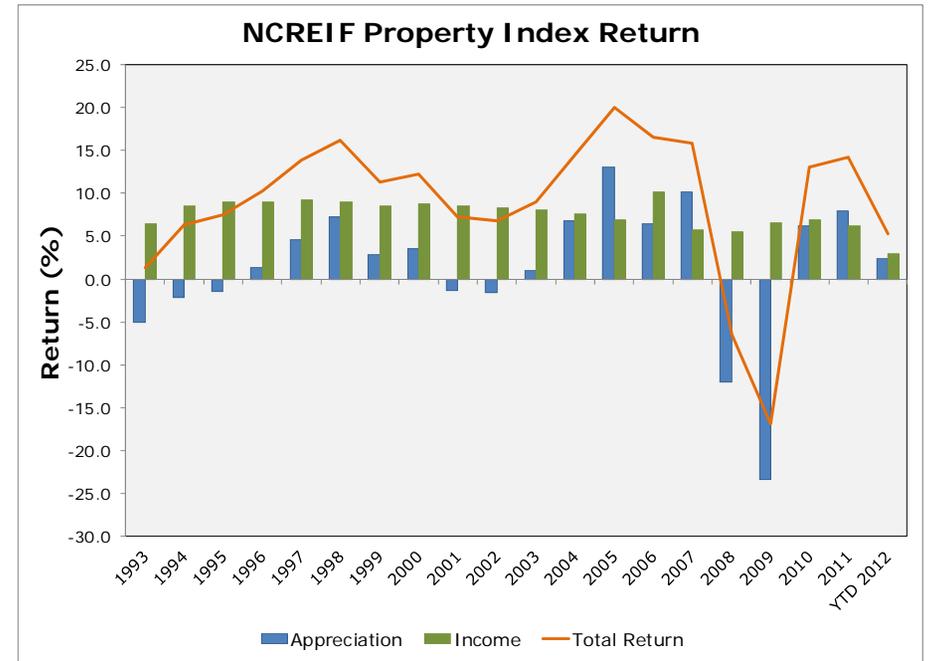
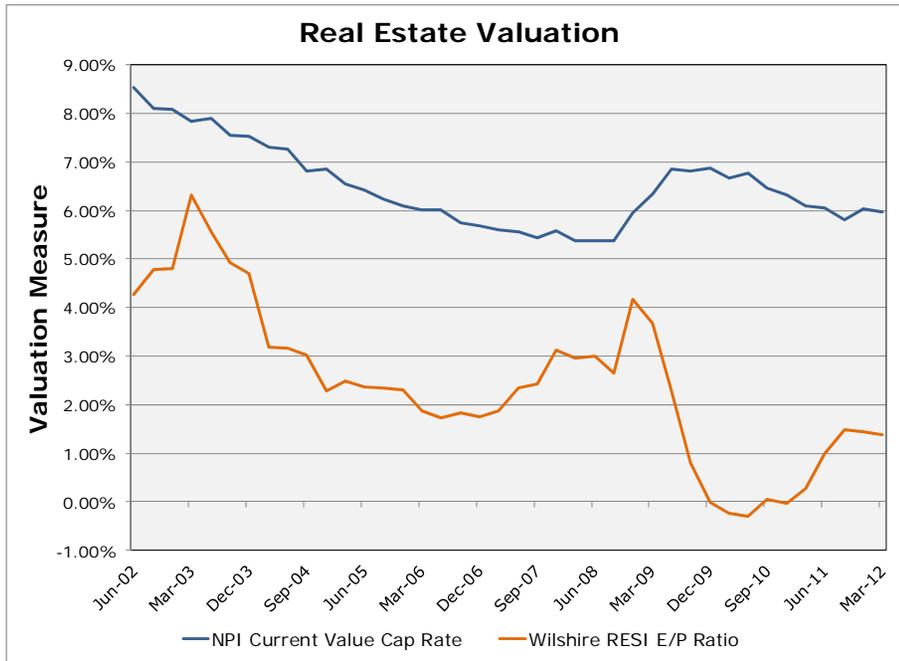
European Debt Issues

- Attention has turned to economies much larger than Greece, such as Spain and Italy
- Spreads continue to climb
- Germany and France are among the top 5 economies across the globe



June 30, 2012	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays U.S. TIPS Index	3.2	4.0	11.7	9.6	8.4	7.2
Dow Jones UBS Commodity Index	-4.5	-3.7	-14.3	3.5	-3.7	5.0
Global Public Real Estate*	3.2	15.0	7.2	27.9	-0.2	10.7
NCREIF Property Index	2.7	5.3	12.0	8.8	2.5	8.3
NCREIF Timberland Index	0.6	1.0	1.1	-0.7	4.0	7.6
Alerian MLP Index (Oil & Gas)	-2.3	-0.4	7.8	27.0	9.9	16.7

* Wilshire Global Real Estate Securities from June 2002 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

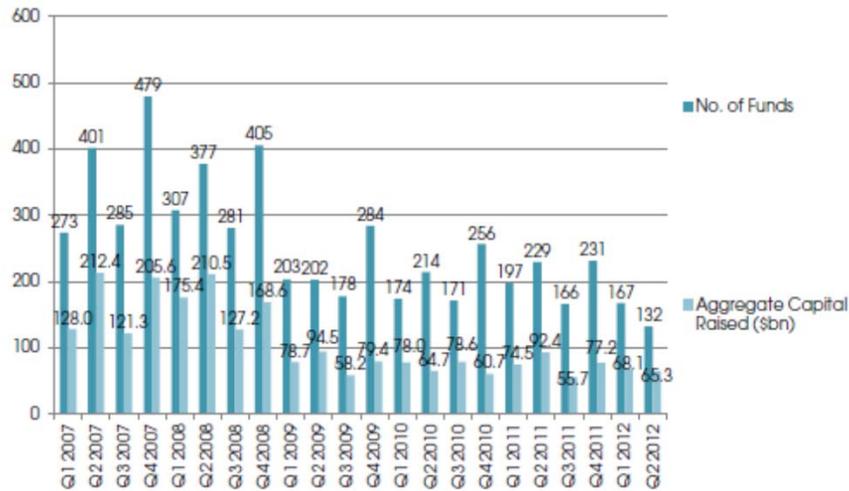
2007	2008	2009	2010	2011	YTD 2012	Annualized 5-Year 2007-2011
Emrg Mrkts 39.8%	Core Bond 5.2%	Emrg Mrkts 79.0%	REITs 28.6%	U.S. TIPS 13.6%	REITs 14.9%	U.S. TIPS 8.0%
Commodities 16.2%	T-Bills 2.0%	High Yield 58.2%	Emrg Mrkts 19.2%	REITs 9.2%	U.S. Equity 9.2%	High Yield 7.5%
U.S. TIPS 11.6%	U.S. TIPS -2.3%	Developed 32.5%	U.S. Equity 17.2%	Core Bond 7.8%	High Yield 7.3%	Core Bond 6.5%
Developed 11.6%	High Yield -26.2%	REITs 28.6%	Commodities 16.8%	High Yield 5.0%	Emrg Mrkts 4.1%	Emrg Mrkts 2.7%
Core Bond 7.0%	Commodities -35.6%	U.S. Equity 28.3%	High Yield 15.1%	U.S. Equity 1.0%	U.S. TIPS 4.0%	T-Bills 1.5%
U.S. Equity 5.6%	U.S. Equity -37.2%	Commodities 18.9%	Developed 8.2%	T-Bills 0.1%	Developed 3.4%	U.S. Equity 0.1%
T-Bills 5.0%	REITs -39.2%	U.S. TIPS 11.4%	Core Bond 6.5%	Developed -11.7%	Core Bond 2.4%	REITs -2.0%
High Yield 1.9%	Developed -43.1%	Core Bond 5.9%	U.S. TIPS 6.3%	Commodities -13.3%	T-Bills 0.0%	Commodities -2.1%
REITs -17.5%	Emrg Mrkts -53.2%	T-Bills 0.2%	T-Bills 0.1%	Emrg Mrkts -18.2%	Commodities -3.7%	Developed -4.3%

Data sources: Wilshire Compass

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

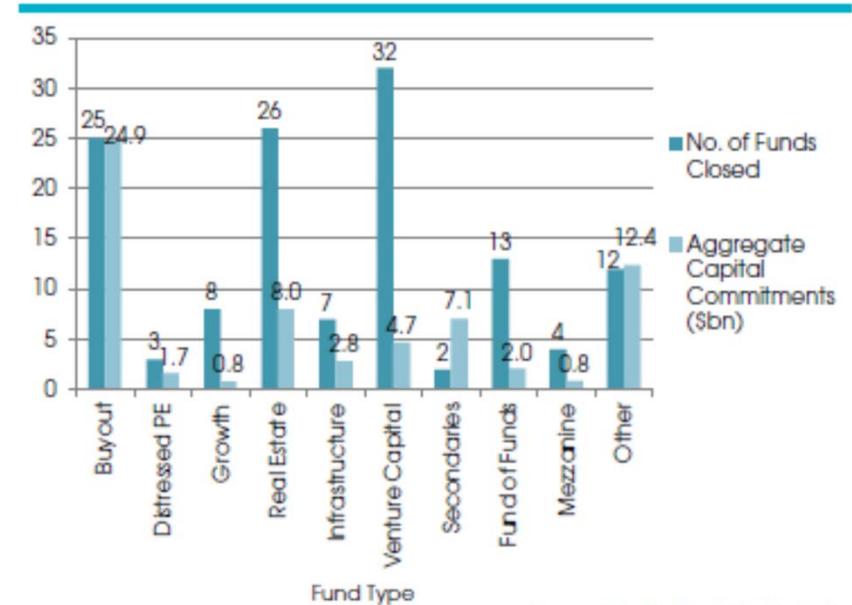
Appendix: Private Markets Update

Fig. 3: Quarterly Global Private Equity Fundraising, Q1 2007 - Q2 2012



Source: Preqin Q2 2012 Private Equity Quarterly Report

Fig. 8: Private Equity Fundraising by Type, Q2 2012



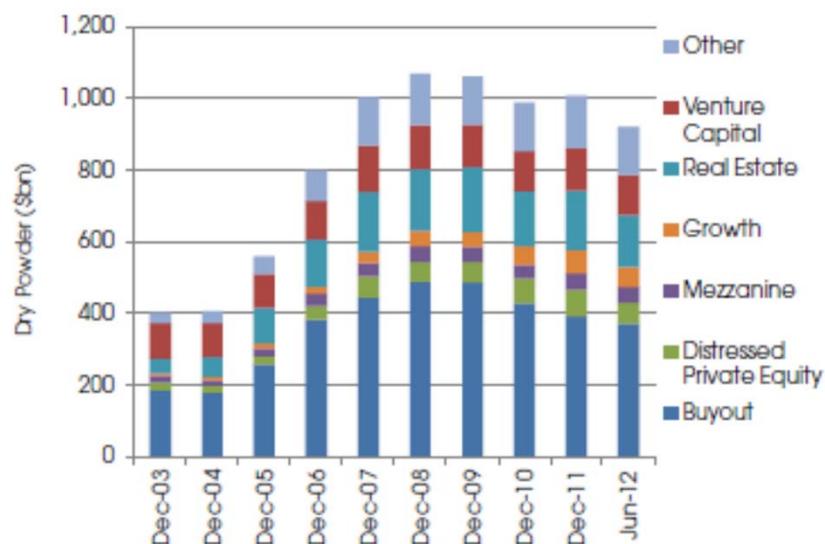
Source: Preqin Funds in Market

Source: Preqin

Private Equity Dry Powder

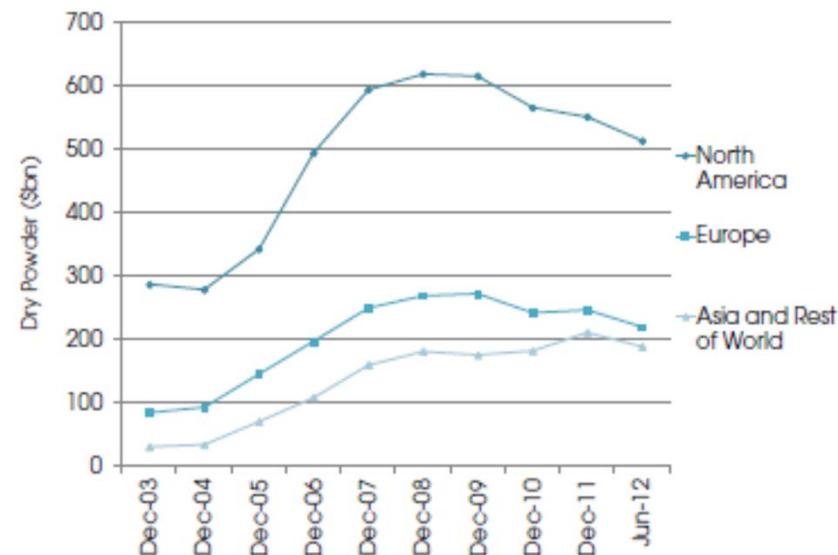


Fig. 37: Private Equity Dry Powder by Fund Type, 2003 - June 2012



Source: Preqin Fund Manager Profiles

Fig. 38: Private Equity Dry Powder by Primary Geographic Focus, 2003 - June 2012



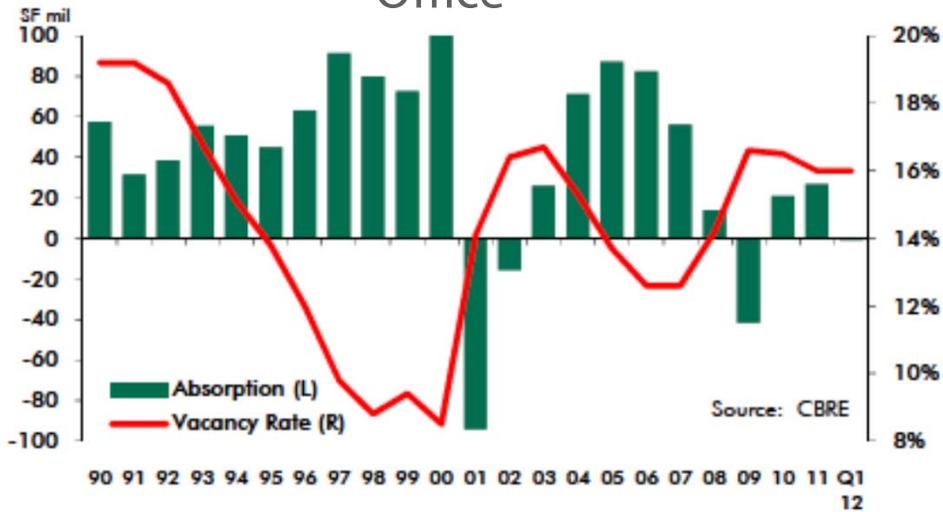
Source: Preqin Fund Manager Profiles

Source: Preqin

Commercial Property *(as of Q1 2012)*



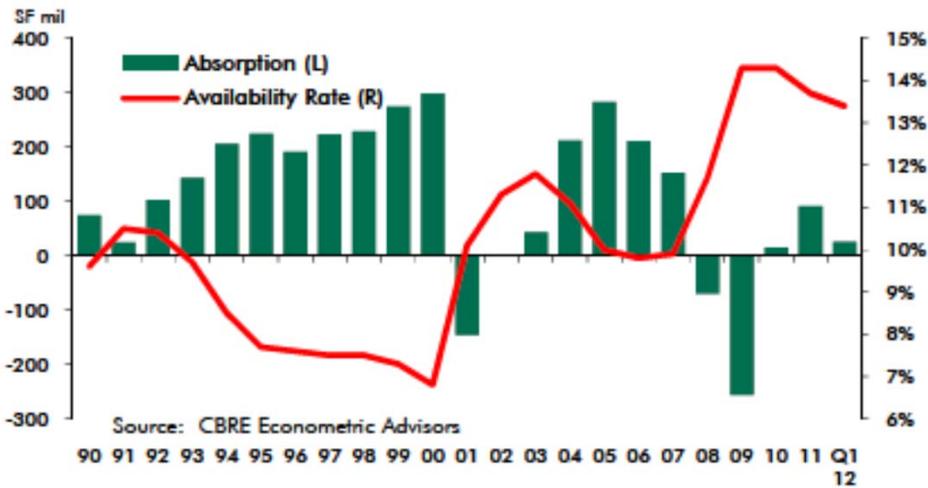
Office



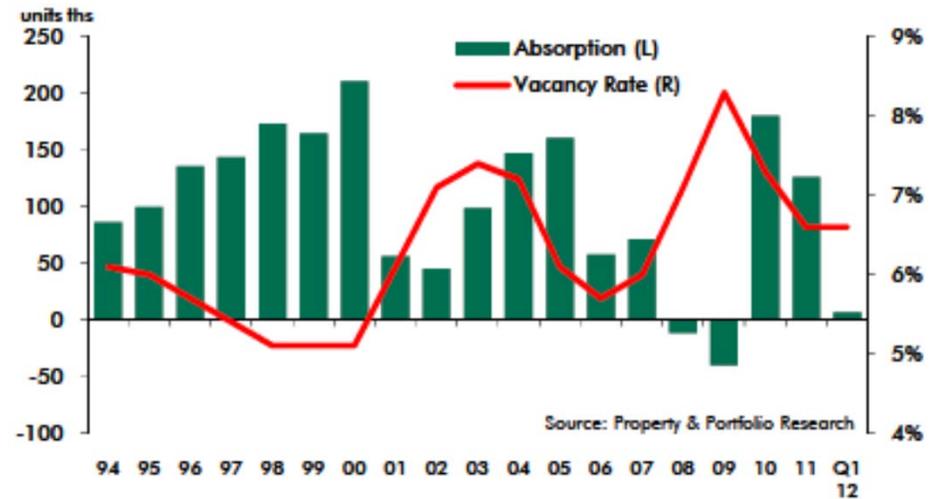
Retail



Industrial

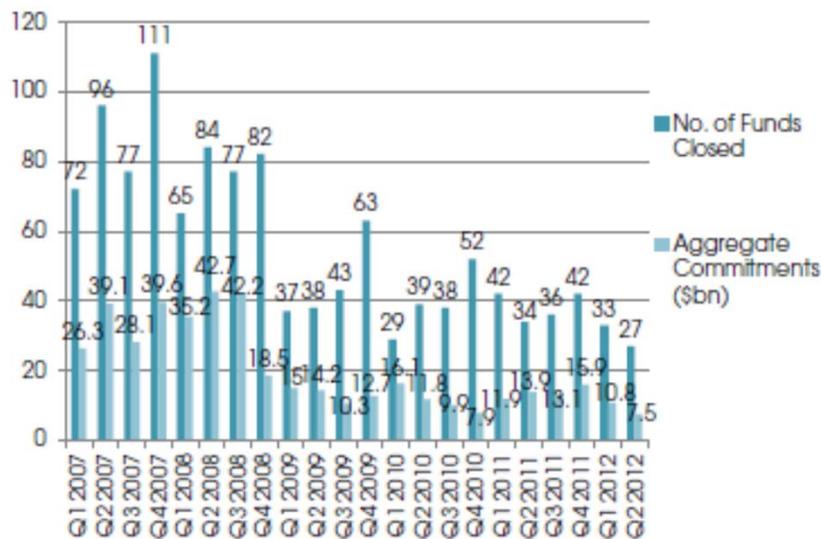


Apartment



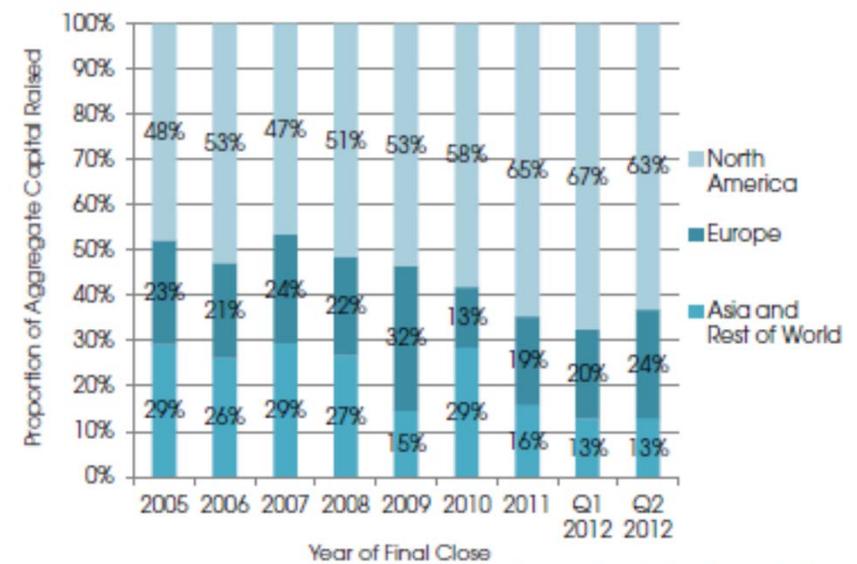
Source: CB Richard Ellis

Fig. 15: Quarterly Global Closed-End Private Real Estate Fundraising, Q1 2007 - Q2 2012



Source: Preqin Real Estate Online

Fig. 20: Breakdown of Aggregate Capital Raised by Primary Regional Focus, 2005 - Q2 2012

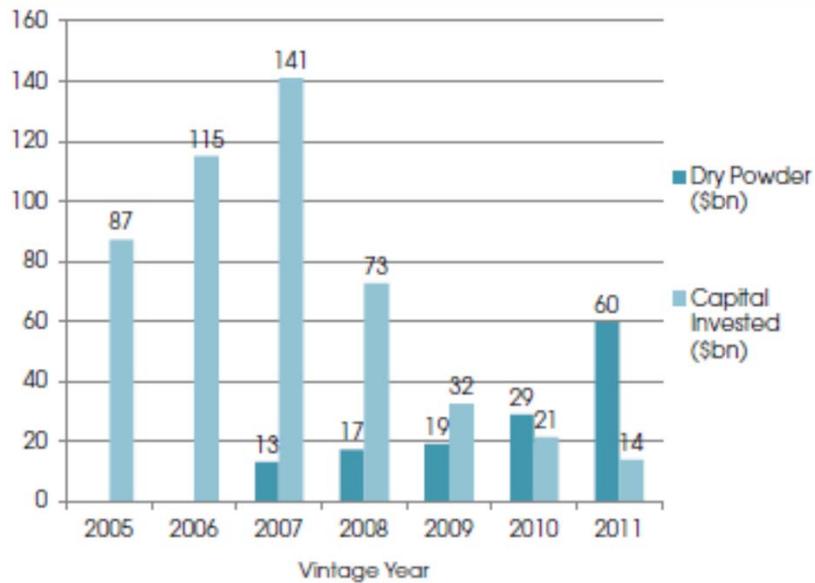


Source: Preqin Real Estate Online

Source: Preqin

Real Estate Dry Powder

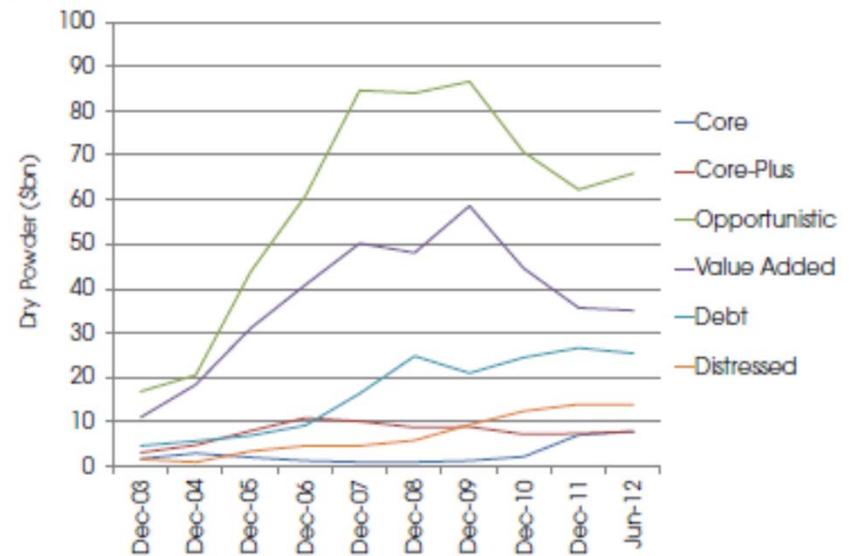
Fig. 29: Closed-End Private Real Estate Funds - Capital Invested and Dry Powder Remaining by Vintage Year as of June 2012



Source: Preqin Real Estate Online

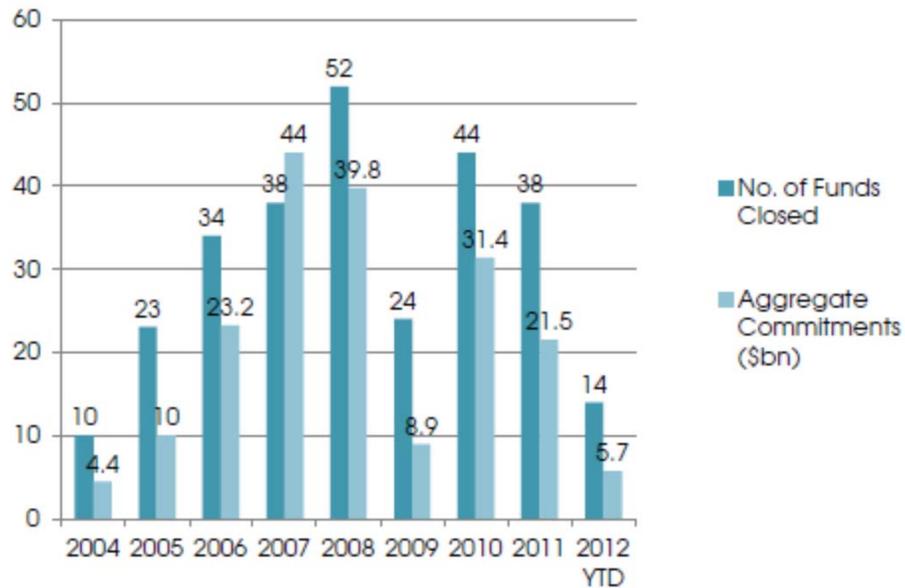
Source: Preqin

Fig. 31: Closed-End Private Real Estate Dry Powder by Strategy, 2003-2012



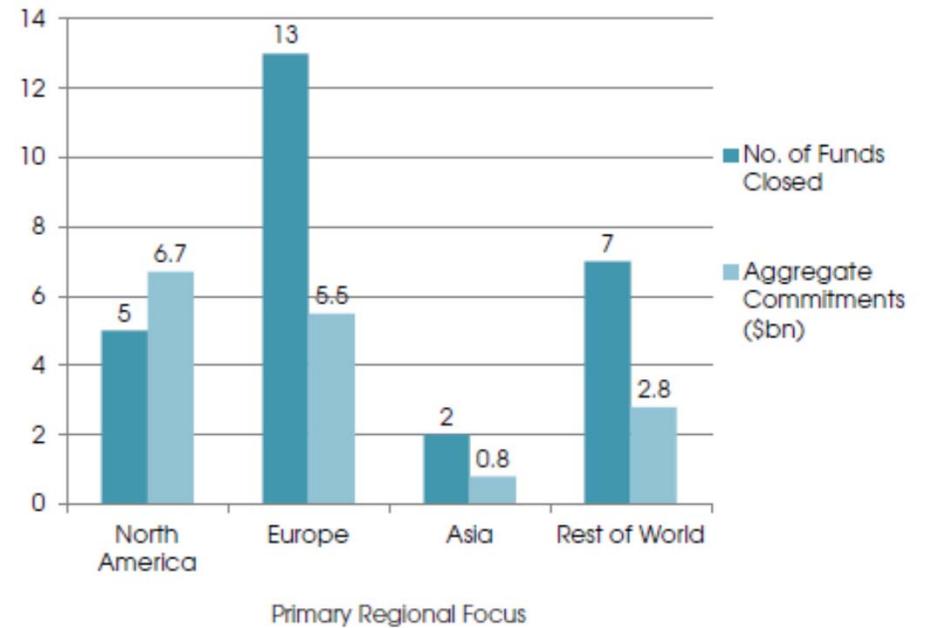
Source: Preqin Real Estate Online

Fig. 6: Annual Unlisted Infrastructure Fundraising, 2004 - Q2 2012



Source: Preqin Infrastructure Online

Fig. 10: Unlisted Infrastructure Fundraising over the Past 12 Months by Primary Regional Focus



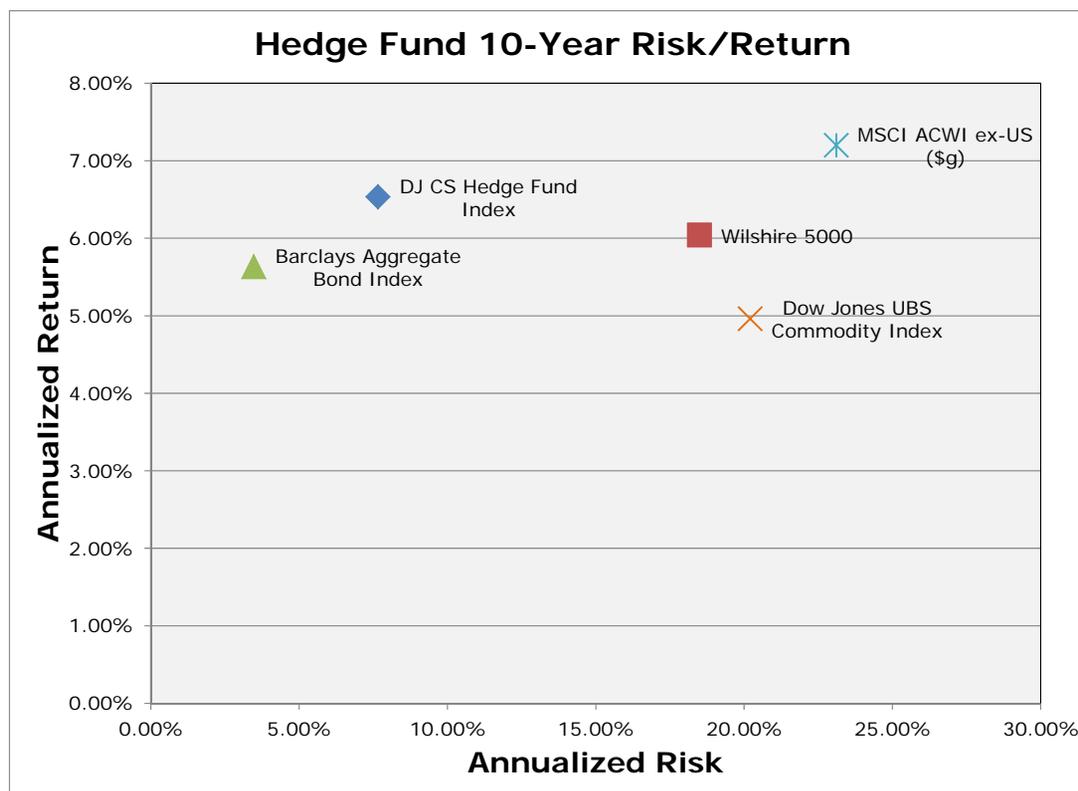
Source: Preqin Infrastructure Online

Source: Preqin

Hedge Fund Performance



June 30, 2012	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
DJ CS Hedge Fund Index	-1.8	2.2	-2.0	6.9	1.9	6.5
Event Driven Index	-1.7	3.4	-7.2	6.1	1.4	7.5
Global Macro Index	-1.4	0.1	5.2	9.3	6.9	9.9
Long/Short Equity Index	-4.6	2.2	-6.0	4.6	0.6	6.2
Multi-Strategy Index	-0.1	4.6	2.0	8.9	2.4	6.8
Wilshire 5000	-3.1	9.2	4.0	16.7	0.4	6.0
MSCI ACWI ex-US (\$g)	-7.4	3.1	-14.1	7.4	-4.2	7.2
Barclays Aggregate Bond Index	2.1	2.4	7.5	6.9	6.8	5.6
Dow Jones UBS Commodity Index	-4.5	-3.7	-14.3	3.5	-3.7	5.0



Data sources: Wilshire Compass