PRIVATE EQUITY OVERVIEW

Private equity has been a strong performing asset class recently. In particular, media attention has focused on buyouts which have performed very well of late, and especially on large buyouts as private equity firms bid for publicly-traded assets. Venture capital has also performed well, but is only recently starting to generate positive performance over all periods as shown in the table below. Only 5-year early/seed stage venture returns are still struggling to turn positive post the bubble environment of the late 1990s. This strong recent performance reflects the favorable investment and economic environment of the past few years and has made it easier for private equity firms to raise new, and ever larger, pools of capital. While some of the growth in aggregate fundraising reflects the cyclically attractive investing and financing environment, which is not sustainable, it also reflects a general maturing of the asset class. As such, we expect that private equity will remain cyclical, but that private equity is also becoming much more mainstream as an asset class, and that unlike the 1980s private equity boom, private equity will remain a meaningful, and visible, part of the economy.

One notable feature of the current private equity environment is the accommodative financing environment which continues to fuel strong activity in the buyout space. Private equity funds are able to get financing packages which are less restrictive than has historically been the case, with covenant-lite deals and creative structures including PIK toggle notes which will provide much greater flexibility for companies during a downturn. Whereas sub-prime mortgage borrowers often had rates reset higher, only to cause borrowers financial strain, private equity financed deals have less restrictive covenants, and some portfolio companies could defer cash interest payments during difficult periods (PIK toggle refers to the ability to switch between a cash-pay and pay-in-kind feature). This would indicate that buyout fund portfolios are better protected against a downturn than would be the case during more "normal" periods. Indeed, when an economic downturn comes, many private equity portfolio companies will have more flexibility and wherewithal to weather difficult periods, at least from a financial standpoint. The impact will likely be lengthened holding periods and thus compressed IRRs. However, from an operational standpoint, companies will still face the same issues they would no matter their capital structure. Additionally, the pendulum will eventually swing back toward more restrictive financing, which will have repercussions on fundraising, and on the ability of private equity firms to deploy capital.

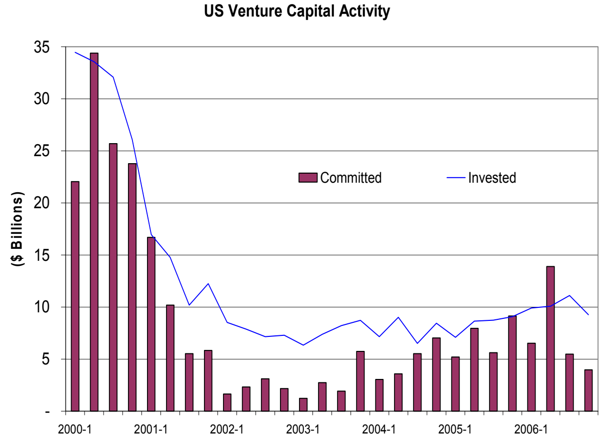
US Private Equity Performance Index (PEPI)
Investment Horizon Performance through 9/30/2006

Fund Type	1 Yr	3 Yr	5 Yr	10 Yr	20 Yr
Early/Seed	2.9	5.5	(5.4)	38.3	20.5
Later Stage	27.8	10.5	2.7	9.4	13.9
All Venture	**10.8**	**9.4**	**(1.0)**	**20.5**	**16.5**
Medium	37.2	12.3	6.1	10.9	15.3
Large	23.1	16.4	8.3	8.3	12.4
All Buyouts	**23.6**	**15.6**	**9.2**	**8.8**	**13.2**
Mezzanine	(8.1)	4.7	2.9	5.9	8.4
All P.E.	**19.0**	**13.2**	**5.9**	**11.2**	**14.0**
NASDAQ	5.8	8.8	9.2	6.8	10.7
S & P 500	10.8	12.3	7.0	8.6	11.7

*The PEPI is based on the latest quarterly statistics from Thomson Venture Economics. All returns are calculated by TVE from the underlying financial cash flows. Returns are net to investors after mgt fees and carried interest.

Source: Thomson Venture Economics/NVCA, Stylus

US Venture Capital Activity



Source: Venture Economics

VENTURE CAPITAL

- In the first quarter of 2007, 60 venture capital funds raised a total of $5.08 billion, up significantly from the $4.1 billion raised in the prior quarter, but still down 24% as compared to the first quarter of 2006. This total remains at the low end of the quarterly range since the latter half of 2004. Early-stage funds comprised the majority of venture capital funds raised during the quarter, at 53%, while balanced funds accounted for 24% of capital raised. Later- and expansion-stage funds comprised the remainder, or 23%. MPM Bioventures, a balanced fund, raised the largest fund during the quarter, at $550 million. Without any extremely large funds raised during the quarter, the total was more in line with the past several years.

- Venture investing, at $11.7 billion during the first quarter of 2007, continues to tick higher relative to recent history. While investing ranged between $5 billion and $10 billion from 2002 to 2005, starting in 2006 investment totals have moved above $10 billion, and continue on a slow, but steady upward trend.

- Investment by stage was spread evenly during the quarter, reflecting good balance of investment activity. Early-, Expansion- and Later-stage deals each accounted for approximately one-third of the number of deals completed during the quarter.

- Many sectors experienced an increase in investment in the first quarter. The Life Sciences, Media and Entertainment, Telecom, Internet-specific and Clean Tech sectors all had increases in investment activity versus the prior quarter, while long-time industry stalwarts Software, Semiconductors and Consumer Products all experienced declines in investment activity.

- International investment activity by US-based venture capitalists, in particular relative to India and China, slowed materially. These funds invested just $137 million into 18 Chinese firms, and only $83 million into only 2 firms in India. However, this may reflect the increase in local investment funds and local affiliates of US investment firms more than a trend of investment in those regions in particular.

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VENTURE CAPITAL (Con't)

- The IPO market remained generally solid in the quarter, as 18 companies went public, raising a total of $2.2 billion. While the total number of IPOs is down slightly from the 20 in the fourth quarter of 2006, the offer amount was up a solid 34%. The totals were also up strongly from the 10 IPOs which raised $541 million in the first quarter of 2006. Clearwire, a wireless internet service provider, was the largest IPO in the quarter, raising $600 million. The quarter represents the strongest activity for IPOs since late 2004.

- There are currently 44 companies "in registration" with the SEC for an IPO, up from 36 at the end of 2006, and up significantly from the 24 at the end of the first quarter of 2006.

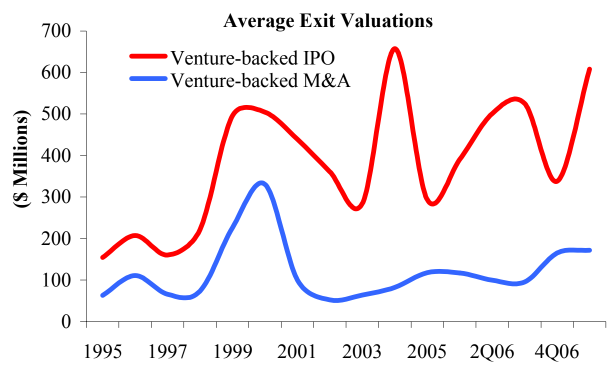
- The venture-backed M&A market ticked marginally higher in the first quarter, as 70 venture-backed companies were acquired for $4.1 billion. However, this performance was still weak relative to recent history. The number of venture-backed M&A deals was the lowest, with the exception of the prior quarter, since the 4th quarter of 2000. However, disclosed value of deals was still within the quarterly range of the past few years.

- Exit valuations remained solid for venture-backed companies. IPO values were strong but remain volatile due to the effect a small number of deals can have on the data, while disclosed transaction values for M&A continued to tick marginally higher.

Venture Exit Analysis:

	# of Venture-Backed IPO's	Offer Amt ($MM)	# of Venture-Backed M&A	Deal Value ($MM)
2002	22	2,109	341	8,372
2003	29	2,023	306	7,796
2004	93	11,015	345	15,486
2005	56	4,461	365	20,638
2006	57	5,117	359	17,283
2Q06	19	2,011	104	4,082
3Q06	8	934	87	3,726
4Q06	20	1,631	57	3,802
1Q07	18	2,191	70	4,119

Source: Venture Economics



Source: Venture Economics

BUYOUTS

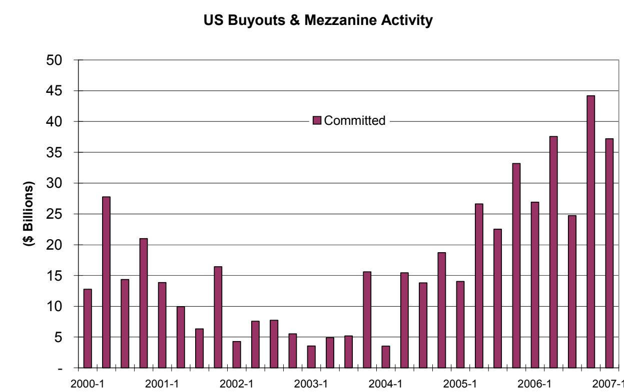
- Thirty-six buyout funds raised $37.2 billion in the first quarter of 2007, which was down 16% from the prior quarter. However, this still represents the third highest total ever, trailing only the 2nd and 4th quarters of 2006.

- Buyout fundraising totals will continue to be lumpy as mega-funds close. Goldman Sachs recently raised a $20 billion fund, currently the largest ever such fund, which should impact Q2 results positively. However, quarter-by-quarter totals will be materially impacted by the timing of the closes of such funds.

- Buyout funds continue to enjoy a favorable fundraising and investment environment. As long as buyout funds can continue to find acceptable investment targets and the financing and economic environment remain stable, funds will continue to raise meaningful pools of capital.

- The exit market for buyout-backed deals was surprisingly weak given the high-profile of the industry recently. There were only 6 buyout-backed IPOs in the quarter, down from 22 in the prior quarter, and down from 17 in the first quarter of 2006. The amount raised also dropped precipitously from the prior quarter, down 75% to $1.5 billion.

- The M&A market for buyouts was not as weak on a relative basis as was the IPO market, but still was the weakest quarter since the 1st quarter of 2005. There were only 14 buyout-backed M&A deals, accounting for $2.6 billion of disclosed transaction value. While disclosed deal value was only down 3% over the prior quarter, it was down 78% versus the first quarter of 2006. However, this metric is somewhat misleading, as the 1st quarter of 2006 had the strongest disclosed deal value by far of any quarter in the past several years.



Source: Venture Economics

Buyout Exit Analysis:

	# of Buyout-Backed IPO's	Offer Amt ($MM)	# of Buyout-Backed M&A	Deal Value ($MM)
2002	21	4,366	32	7,681
2003	NA	NA	16	4,913
2004	58	11,407	48	10,699
2005	67	15,764	70	17,718
2006	66	17,451	153	30,150
2Q06	17	4,369	58	6,142
3Q06	10	2,553	24	5,195
4Q06	22	6,163	15	2,699
1Q07	6	1,568	14	2,625

Source: Venture Economics

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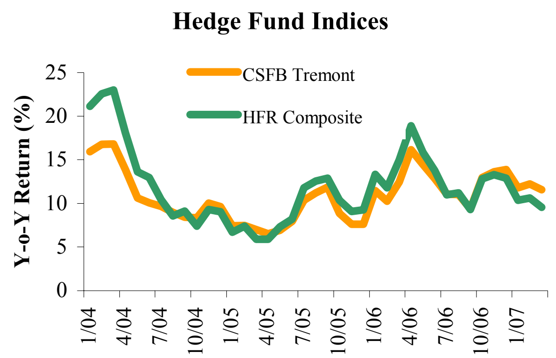
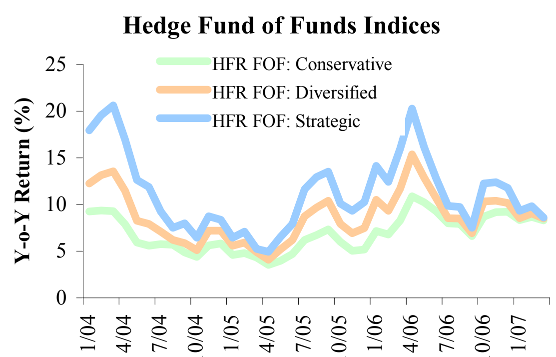
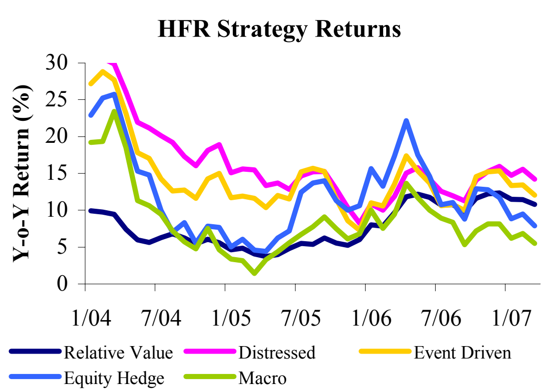
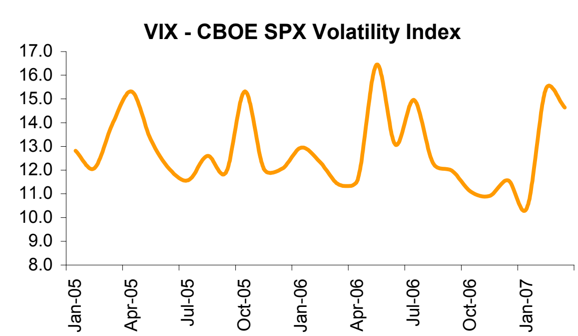


Source: Hedge Fund Research, CSFB Tremont



Source: Hedge Fund Research, CSFB Tremont





Source: Bloomberg. Represents month-end observations

HEDGE FUND OVERVIEW

- Despite a sharp increase in equity market volatility in late February and early March, which was the result of an equity market sell-off globally, hedge funds produced gains in every month of the first quarter. The Hedge Fund Research (HFR) Weighted Composite Index gained 1.17% in January, 0.68% in February and finished the quarter with a 0.96% gain in March, demonstrating great resilience in the face of equity market stress. Part of the reason for the strength may be the fact that the markets moved sharply lower in the last two days of February, and continued their slide in the first week of March, but rebounded during the second half of the month. The HFR Weighted Composite has produced eight consecutive positive months, with the last losses coming in May, June and July of 2006, a period that saw the index decline a total of 1.97%.

- For the quarter, the HFR Weighted Composite gained 2.84% while the CSFB Tremont hedge fund index gained 3.34%. For the trailing12-months, CSFB Tremont index (+11.58%) shows a sizable advantage over the HFR Weighted Composite (+9.55%).

- Hedge fund of funds, as represented by the HFR Fund of Funds Index, gained 3.13% during the quarter, higher than then return of the HFR Weighted Composite. It is unusual to have the fund of funds index outperform the hedge fund index due to the added layer of fees. The first quarter performance differential was a result of the heavy equity long/short and macro combination in the HFR Weighted Composite, while these strategies tend to be smaller in most funds of funds. The fund of funds chart to the left also highlights the fact that the three primary funds of funds categories calculated by HFR have all generated the same trailing 12-month return. The Strategic fund of funds are designed to have higher weights to areas like equity long/short and macro managers, while the more Conservative funds of funds are structured to have less exposure in these areas and are more focused on relative value and event driven strategies.

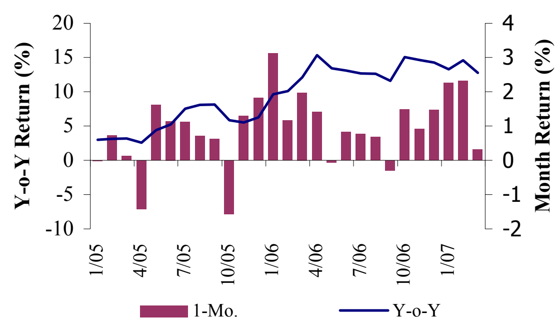
NON-DIRECTIONAL STRATEGIES

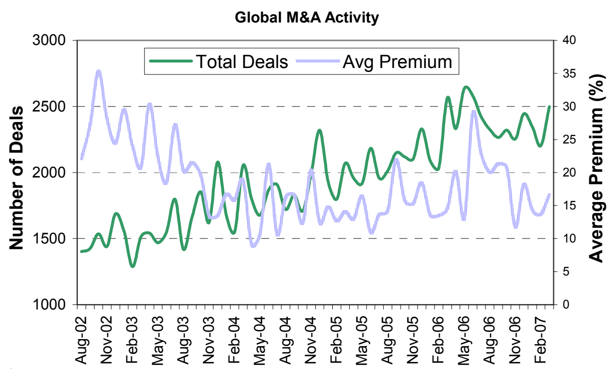
- Non-directional strategies, also known as arbitrage strategies, attempt to generate returns that are uncorrelated with underlying equity or fixed income markets. The HFR Relative Value Arbitrage Index gained 2.73% in the first quarter, placing the strategy in the middle of the pack from a performance perspective for both the quarter and the one-year period.

- The laggard in the relative value space was Equity Market Neutral, which gained 1.83% for the quarter. Equity Market Neutral is also one of the laggards for the one-year period, producing a 6.48% gain and beating only the Macro category over that time period. Equity Market Neutral managers have been hampered by very low levels of volatility. While there have been various volatility spikes over the past several years (as measured by the CBOE VIX Index), the spikes tend not to last for very long. Volatility hit a new low in January, falling to just over 10%, before rising sharply in late February following the sell off in China and the concerns in the U.S. over sub-prime loans. Despite these concerns, implied volatility has already started to fall again, and as of the end of April was already close to 14% .

- The HFR Convertible Arbitrage Index gained 2.93% for the quarter, resulting in a 10.29% gain for the 12-month period. Results from the convertible space remain attractive as new issuance has been relatively strong.

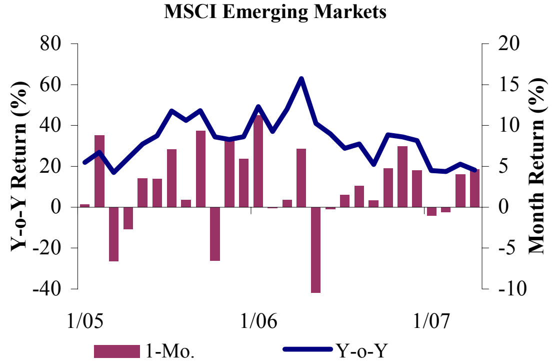
HFR Merger Arbitrage



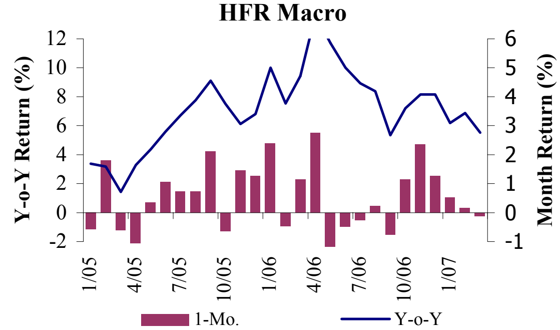


Source: Bloomberg

MSCI Emerging Markets



HFR Macro



EVENT DRIVEN STRATEGIES

- Event Driven strategy dominance continued during the first quarter, with the HFR Event Driven Index (+3.88%) posting one of the best strategy returns for the period. Corporate activity took center stage during the quarter, with private equity firms fueling privatizations, spinouts, mergers and acquisitions. The volume of activity is creating significant opportunities for event oriented managers on a global basis.

- The HFR Merger Arbitrage Index (+4.97%) continued to generate attractive returns relative to other hedge funds strategies and relative to its own performance history. As the chart to the left indicates, the volume of global merger and acquisition deals has increased steadily over the past several years. Managers are indicating that spreads narrow quickly after deals are announced, making it more difficult to capture an attractive spread on a traditional merger arbitrage position. This requires managers to move very quickly to implement positions on announced deals, and also to diversify across more deals in order to protect against busted deals. One thing that has helped returns has been the competitive environment, again driven by excess private equity money, which has resulted in bidding wars and multiple bidding situations, which serves to drive up acquisition values, widen the acquisition spread, and ultimately enhance the return earned by the managers. Notable transactions during the quarter include the bid for ABN AMRO, the Volkswagen/Porsche combination, the Kraft spin off from Altria, Cerberus' push to take Affiliated Computer Services private, CVS/Caremark, the bidding war for Equity Office Properties and the much anticipated consolidation of XM Satellite Radio and Sirius Satellite.

- Distressed managers continued to perform well, with the HFR Distressed Index posting a 3.7% gain for the quarter. For the 12-month period Distressed is one of the best performing strategies with a gain of 14.24%.

DIRECTIONAL STRATEGIES

- While long/short equity managers performed well during the quarter, macro managers struggled, and lagged considerably. The HFR Equity Hedge Index gained 2.99% during the first quarter, resulting in a 7.91% gain for the 12-month period. The HFR Macro Index was the only strategy to post a monthly loss during the quarter (March), but produced a 0.57% gain for the quarter. This disappointing performance, while positive, leaves Macro as the worst performing strategy for the one-year period (+5.52%). Macro managers struggled throughout the quarter as commodities moved lower in January, but then reversed course and moved higher later in the quarter. In addition, dollar strength in January was reversed later in the quarter as the dollar continued a longer term slide versus other major currencies.

- Emerging markets hedge fund managers were probably the biggest surprise of the quarter. Despite a dramatic pull back in the emerging markets late in February and early March, the MSCI Emerging Markets Index actually lost minimal ground in January and February, and more than compensated for those losses with a meaningful gain in March. For the quarter the MSCI Emerging Markets Index was up 2.35%. Emerging markets focused managers performed even better, posting gains in all three months of the quarter. The HFR Emerging Markets Index was up 5.25% and was once again the best performing hedge fund strategy tracked by HFR.

REAL ASSET OVERVIEW

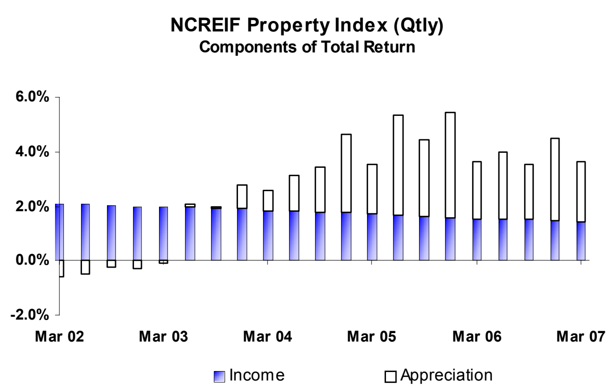
The cap-rate compression era seems to have run its course as real estate cap rates across all property types have stabilized at their current (low) levels. Looking forward, core real estate cap rates are expected to remain stable or slightly increase during 2007. Cap rates for riskier real estate investments, including value-added and opportunistic (development), may continue to experience downward pressure as increased capital flows to these strategies. Investors appear more confident today to take on leasing risks than before and are more willing to underwrite new construction, which are some of the primary deal types for these strategies. Managers expect that core real estate, as represented by the NCREIF Property Index ("NPI"), should revert back to longer-term return expectations in 2007, with income returning as the key driver of returns, and not appreciation, as has been the case recently. Historically, about 8% of the NPI's 10% average return since inception has come from income, however over the past couple of years appreciation has driven the Index to new heights, as reflected in the short-term returns in the table below.

With the largest timberland sale in history taking place last year (International Paper (IP) sold 5.7 million acres in aggregate), 2007 is likely to be the start of a trend of dwindling supplies of timberland divested from forest products companies. MeadWestvaco and Temple-Inland have formally announced sales of timberland consisting of almost 2 million acres between them, but much of the timberland held by such companies has already been sold. While last year's prices reached record levels in the IP deal, overall prices for much of the United States are below year-ago levels. Prices for timberland are expected to continue to retreat over the next couple of years in response to a weak housing market, but strong fundamentals of growing investor demand combined with a limited market supply should help stabilize prices.

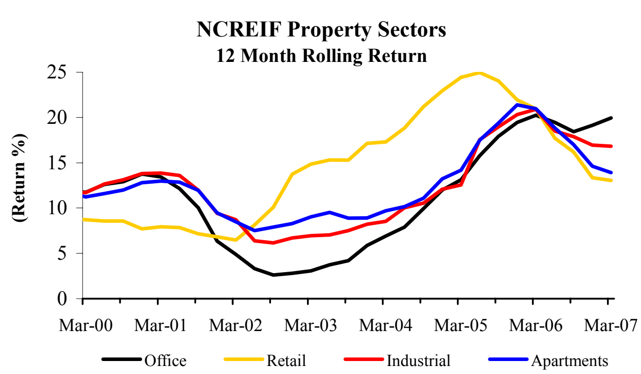
Asset Class Performance (% Annualized Returns)

As of 3/31/07	1Year	3 Years	5 Years	10 Years
Real Estate				
Public				
NAREIT (US)	21.8	22.6	22.1	14.8
EPRA/NAREIT (Global)	32.7	28.5	27.0	NA
Private				
NCREIF Property	16.6	17.4	13.7	12.9
Timber				
NCREIF Timberland	13.2	14.6	10.9	8.5
Commodities				
DJ-AIG Commodity	9.4	8.2	14.5	7.1
Goldman Commodity	(9.4)	6.1	12.8	6.0
Inflation				
US Inflation (CPI-U)	2.8	3.1	2.8	2.5

Source: NCREIF, NAREIT (Equity Only), Bloomberg



Source: NCREIF



Source: NCREIF

PRIVATE REAL ESTATE

- Private real estate, as represented by the NCREIF Property Index, enjoyed a healthy start to the New Year with a 3.6% total return for the first quarter of 2007, comprised of a 1.4% income return and a 2.2% appreciation return. This performance matched that of last year's first quarter total return of 3.6%. The NPI's quarterly appreciation of 2.2% was driven in large part by robust performance within the office sub sector.

- The office sector led the various Index sub-components with a 4.6% total return for the 1st quarter. Demand remains solid in this sector while supply is gradually ramping up with expected increases in construction. Competition for office properties is strong, with peak pricing in certain markets.

- Although off its nearly record breaking 4th quarter return of 7.0%, the industrial sector continued its solid pace with a 3.2% total return for the first quarter of 2007. The coastal markets continue to capitalize on strong import and export trends, as these markets have driven performance of the overall US industrial market.

- The apartment sector lagged its sub sector counterparts posting a 2.9% total return for the quarter, its lowest return of the past 11 quarters. While weakness may continue in markets with significant condominium conversions as they revert back to apartments, rental markets with high exposure to the sub prime phenomenon may benefit as home owners become renters by "default". Overall, apartment market fundamentals remain generally strong, with low vacancy rates and healthy rental growth.

- The retail sector was a solid performer relative to other sectors during the 1st quarter, up 3.1%. Fundamentals in the retail space are further along the market cycle than other sectors as vacancy rates continue to edge higher. Cap rates are also likely to edge higher as concerns about the housing market and consumer spending weighs on the retail sector.

- The hotel sector enjoyed another strong quarter, up 3.6% for the first quarter. This sector led all sectors for 2006, posting a 23.3% total return. The hotel sector however, comprises just 2.3% of the NPI.

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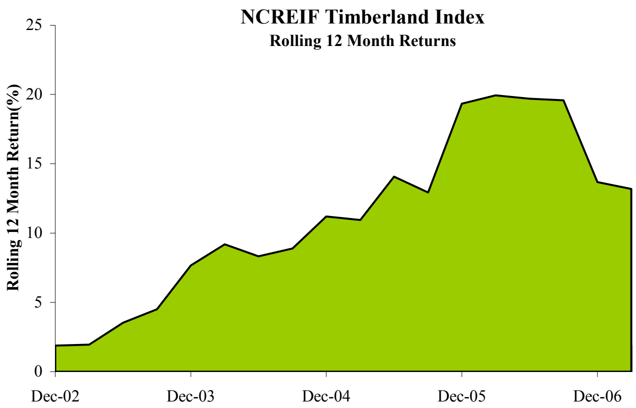
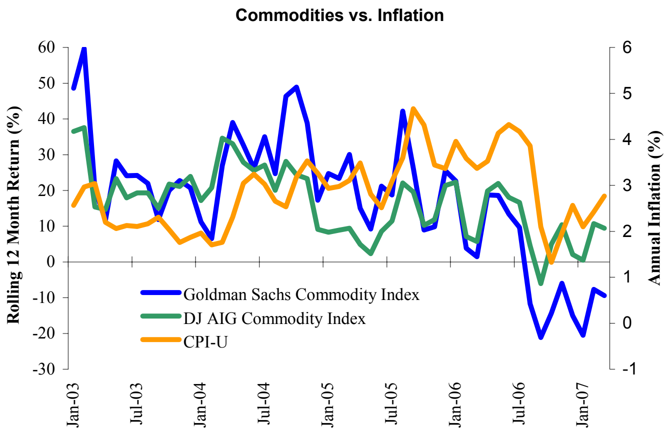
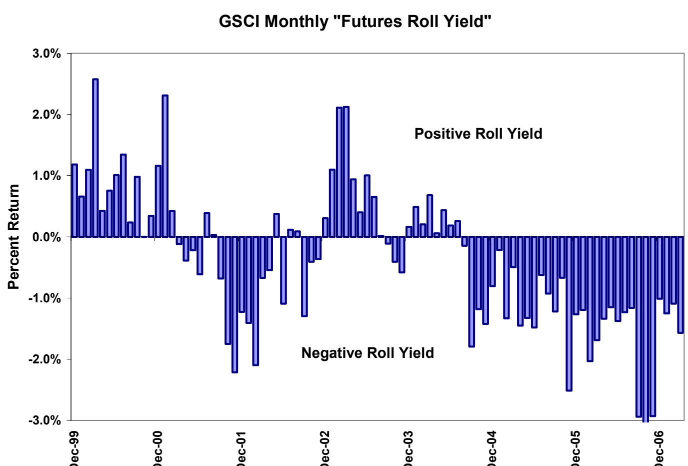


Source: NCREIF





TIMBER

- The NCREIF Timberland Property Index returned a modest 1.9% in the first quarter, coming off a strong annual performance in 2006 of 13.7%. A slower US economy, marked by declines in mortgage banking, real estate and construction, continues to impact lumber markets.

- Prices for Southern hardwood and pine pulpwood (paper products) continued an upward trend largely attributable to weather effects and tightening supplies. However, prices for Southern pine sawtimber and chip-n-saw remained relatively flat and below a year-ago levels. Northern hardwood prices were up in the first quarter, although low production levels and weak lumber prices could curtail timber prices over the next quarter.

COMMODITIES

- After posting negative returns in 2006, commodity indices rebounded in the first quarter thanks to a recovery in the price of crude oil and other energy related commodities. The Dow Jones-AIG Commodity Index gained 4.6% during the first quarter, while the Goldman Sachs Commodity Index (GSCI) gained 5.1%.

- While the performance between the two indices was similar for the quarter, the two have performed quite differently over the trailing one-year time frame. The DJ-AIG is up 9.4% over the 12-months ending 3/31/07, while the GSCI is down 9.4% over that same time period. The energy weighting differential in the two indices helps to explain the 18% spread. The GSCI has a larger allocation to crude oil which was down 1.1% on a spot price basis over the 12-month period, but perhaps more importantly, the GSCI held correspondingly smaller allocations to other commodities, such as agriculture, which experienced dramatic price increases over the past year.

- The other factor that explains the differential is the degree of negative roll yield associated with the crude oil contract at the current time. Negative roll yield occurs when futures trade in Contango, a situation in which the futures price trades above the spot price. As the futures contracts are rolled from current to future months, this results in a situation where the index is buying at a high price and selling at a lower price. When the opposite occurs – the futures price is lower than the spot price - the commodity is said to be trading in "Backwardation", which produces a positive roll yield. As the chart to the left highlights, the GSCI Index has been trading with a significant negative monthly roll yield since the middle of 2004.

Data Sources: Hedge Fund Research, CSFB Tremont, Venture Economics, NCREIF, NAREIT, Citigroup, GSCI, DJ-AIG, Bloomberg