PRIVATE EQUITY OVERVIEW

Over the past year, events in the markets and the broader economy have created challenges for private equity which have manifested themselves over the past few quarters. The 2nd quarter was largely a continuation of many of these trends. In particular, the weak fundraising environment continues given declines in portfolio values and a more conservative attitude toward liquidity by LPs. There is simply less capital available for investment in illiquid funds, which has forced some GPs to either push out, or extend, fundraising plans, and in some cases, to reduce fund targets as well. Still, fundraising over the past few quarters has only returned to the levels achieved in 2004. New investors in private equity and higher allocations from existing investors help to buffer the weakness. Additionally according to Pitchbook, a private equity research firm, there is approximately $400 billion in dry powder already in the market. Still, leverage is much less available, and is a major cause of the decline in investment activity. While it may take awhile for lending to come back to even "normal" levels, valuations have also come down from the peak, most directly reflected in the public markets, partially helping to offset the lesser availability of leverage. Despite this, investment activity may not come back dramatically as the exit market remains weak across the board. Particularly for larger and more highly-levered buyouts, the public markets may not be receptive to such companies in the near-term.

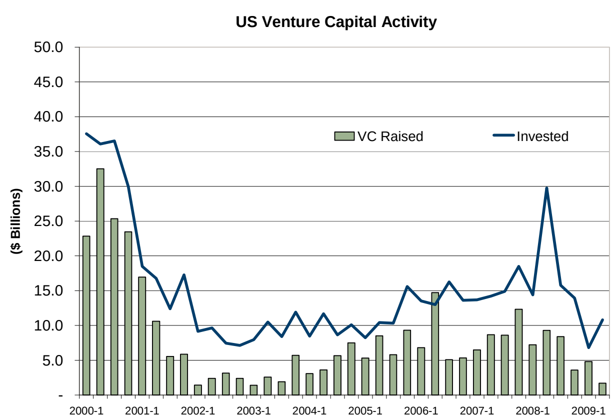
All of this suggests that holding periods for investments will be longer, leverage will be used more in moderation, and returns will not come from "flipping" leveraged investments. While this may be disappointing given the recent experience from 2005-07, this actually represents a return to the foundations of private equity, which is healthy in the long-term. Private equity firms will be forced to spend more time with portfolio companies, to generate value through operational improvements as opposed to financial engineering. In an environment where the financial markets do not "lift all boats", manager skill may be even more important in generating returns. However, the specter of regulation of alternative investments, including private equity, remains. While private equity does not generally represent a systematic threat in its typical form unlike some hedge funds, it may be caught in the same regulatory net. Any changes to tax rates on private equity in particular, may have direct implications for LPs.

US Private Equity Performance Index (PEPI)
Investment Horizon Performance through 3/31/2009

Fund Type	3 Mo	1 Yr	5 Yr	10 Yr	20 Yr
Early/Seed	(3.3)	(16.9)	3.0	25.5	22.1
Balanced	(3.2)	(21.7)	7.5	12.0	14.6
Later Stage	(1.8)	(7.9)	8.1	7.3	14.7
All Venture	**(3.0)**	**(17.5)**	**5.7**	**13.4**	**17.2**
Medium	(4.1)	(24.1)	11.1	7.5	11.4
Large	(3.3)	(13.7)	6.8	6.1	10.6
All Buyouts	**(3.1)**	**(26.4)**	**6.7**	**5.2**	**9.3**
All P.E.	**(3.3)**	**(24.4)**	**6.5**	**7.1**	**11.5**
NASDAQ	(2.8)	(32.2)	(2.0)	(4.1)	7.6
S & P 500	(11.0)	(38.1)	(3.2)	(3.0)	7.4

*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



Source: Venture Economics

VENTURE CAPITAL

- The 2nd quarter of 2009 proved to be among the slowest fundraising periods in several years for venture capitalists. Fundraising for the quarter totaled only $1.7 billion, which was the lowest quarterly total since the 1st quarter of 2003, which itself was the slowest fundraising quarter, at $1.4 billion, since the technology bubble burst. The total raised was down 64% from the prior quarter, and down 80% from the 2nd quarter of 2008. The weakness is not surprising given the liquidity challenges faced by many investors over the course of the past few quarters.

- While fundraising fell off a proverbial cliff, investment activity held up somewhat better, reflecting greater success in fundraising in the past. Investments in companies picked up from the 1st quarter, to $10.8 billion, up from $6.8 billion. Still, this was down from $29.8 billion in the 2nd quarter of 2008, albeit from an atypically high level.

- While fundraising fell into the doldrums, exit activity picked up, partly reflecting the more positive public markets. There were 5 venture-backed IPOs in the quarter, which almost equals the total for the entire year of 2008 (6). This is a solid turnaround from the past four quarters, where there had been only one such IPO. Still, only ten venture-backed companies are in registration with the SEC for an IPO, down from twenty-six at the end of the prior quarter.

- The M&A market had not declined to the same extent as had that for IPOs, but it is still weak. The number of venture-backed M&A transactions in the 2nd quarter was the lowest since before the technology bubble. Only sixty-two companies were acquired in the quarter, basically in line with each of the prior two quarters, but down from eighty-six deals in the 2nd quarter of 2008. Disclosed value jumped to $2.6 billion from the prior quarter's $660 million, but was still down from the $3.3 billion in the prior year's 2nd quarter.

BUYOUTS

- Buyout fundraising in the 2nd quarter came in at $15.7 billion, only modestly down from the $16.1 billion in the prior period. The past three quarters have reflected the new reality in fundraising, each coming in between $15-$17 billion, down from a quarterly pace of between approximately $40-$75 billion during the height of the buyout bubble. However, despite the weak economic environment and concerns about liquidity, and anecdotal reports of fundraising being "dead", the fundraising totals of the past few quarters are still well above those during the recession in the earlier part of this decade (2001-02). However, alternative strategies may be picking up some of the "slack", including mezzanine and distressed strategies.

- On a regional basis, fundraising was very weak. According to Venture Economics, fundraising fell in Europe and Asia quarter over quarter by 55% and 52%, respectively. This is not surprising given the global nature of the market and economic weakness.

- Investment activity remains slow given the weak financing environment. Deal volume in the quarter fell 47% from the 2nd quarter of 2008. However, activity was still up approximately 43% from a very weak 1st quarter.

- While investment activity is currently slow given the difficult environment, private equity firms will seek to more actively deploy capital as the markets recover. The pace of such activity is not likely to return to peak levels of a few years ago any time soon, but investors should be prepared for capital calls to pick up as new investment activity increases. In addition to traditional buyouts, private equity firms may seek opportunities including investments in PIPEs and distressed assets.

- The exit market for buyouts remains quite weak. There was only one buyout-backed IPO in the 2nd quarter; over the past six quarters there have been no more than two such IPOs in any quarter. Even in the post-technology bubble recession, IPO activity was not as slow. M&A exits have been similarly weak. There were only sixteen buyout-backed M&A events in the 2nd quarter; while this was up from the fourteen such transactions in the 1st quarter, it is down significantly from the forty-one transactions in the 2nd quarter of 2008. Still, this level of M&A activity is not as weak as that during the bottom of the recession in 2002.

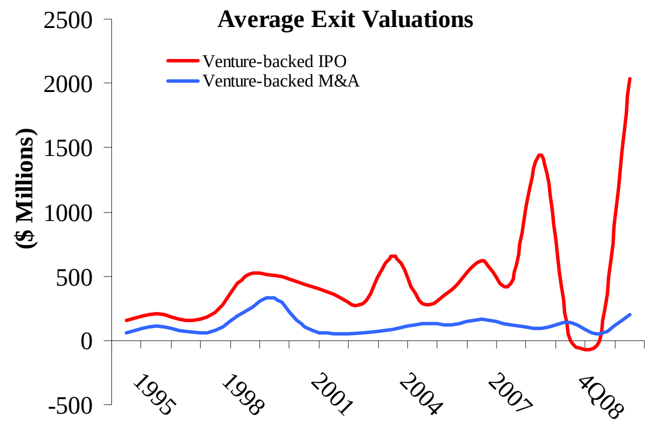
OTHER

- Other strategies that continue to find success with investors include mezzanine, secondaries and distressed investments. Each of these strategies is less dependent on the credit markets and leverage to deploy capital and generate returns. In addition, each fills a financing/funding void created by the weak global economic environment and the global credit crisis. As such, it is no surprise that a number of firms now invest along one or more of these strategies that did not do so previously.

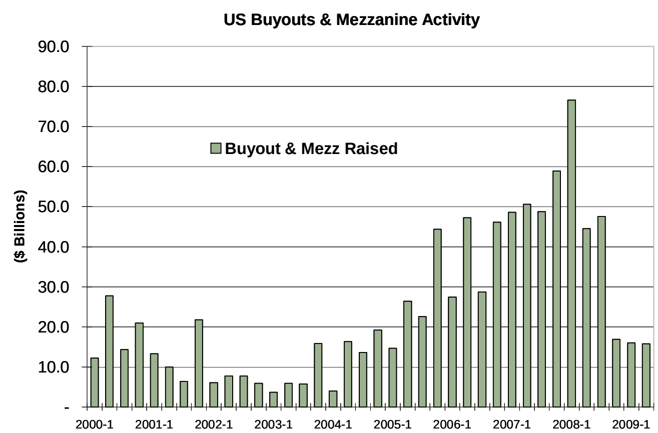
Venture Exit Analysis:

	# of Venture-Backed IPO's	Offer Amt ($MM)	# of Venture-Backed M&A	Deal Value ($MM)
2004	94	11,378	351	16,066
2005	57	4,485	368	22,110
2006	57	5,117	392	19,417
2007	86	10,326	375	27,748
2008	6	470	345	13,672
3Q08	1	188	88	3,080
4Q08	0	0	63	2,386
1Q09	0	0	63	657
2Q09	5	721	62	2,570

Source: Venture Economics



Source: Venture Economics



Source: Venture Economics

Buyout Exit Analysis:

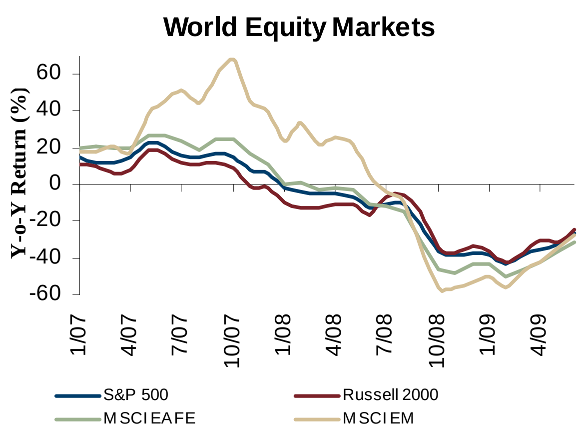
	# of Buyout-Backed IPO's	Offer Amt ($MM)	# of Buyout-Backed M&A	Deal Value ($MM)
2004	57	11,293	43	9,342
2005	67	15,764	100	24,938
2006	66	17,451	145	29,587
2007	40	9,627	185	48,775
2008	6	1,250	153	15,858
3Q08	1	500	38	4,793
4Q08	1	126	33	2,247
1Q09	0	0	14	29,486
2Q09	1	113	16	987

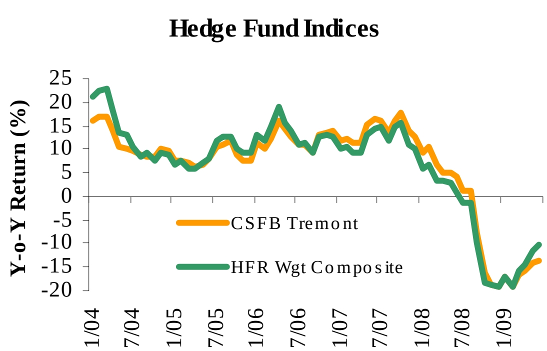
Source: Venture Economics

HEDGE FUND OVERVIEW

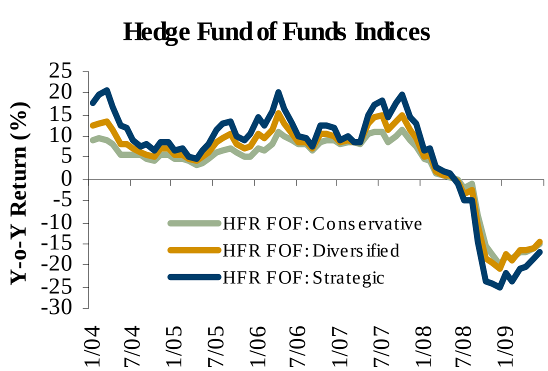
The market environment for hedge fund strategies was vastly improved in the 2nd quarter, as investor sentiment improved, volatility dropped and equity and credit markets rallied. The S&P 500 was up 15.93% for the quarter, the largest quarterly gain in more than a decade, leaving the index up 3.16% for the year. Significant asset flows into Asia helped the MSCI EAFE ($) index gain 25.43% for the quarter. The MSCI Emerging Market Index was up 34.84% over the same period, and is up 36.22% for the year. Hedge funds didn't keep up with equity indices but posted the best quarterly gain in the past nine years. The HFR Weighted Composite Index was up 9.13% during the second quarter, led by the emerging markets and convertible arbitrage strategies. Even with this impressive gain, the index remains in negative territory (-10.13%) for the one-year period. For the second straight quarter, macro continued to be the weakest performing strategy.

Hedge Funds of Funds also performed well with the HFR FOF Diversified Index, the collection of broadly diversified funds of funds, up 4.34%. Funds included in the HFR FOF Conservative Index were up 3.99% for the quarter, while the more aggressive mixture of funds, those that typically emphasize equity long/short strategies, and are included in the HFR FOF Strategic Index, were up 6.59% for the quarter. The differential in performance of various hedge funds of funds largely relates to how much exposure managers have to relative value and macro type strategies.





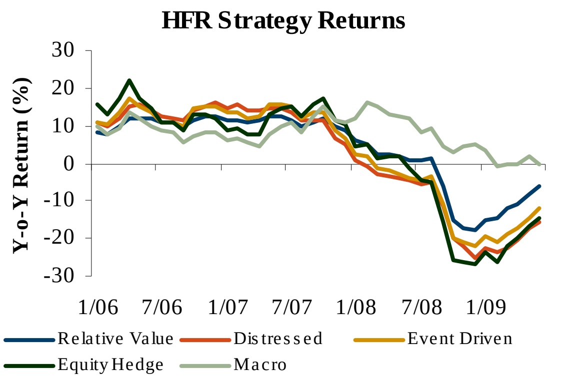
Source: Hedge Fund Research, CSFB Tremont

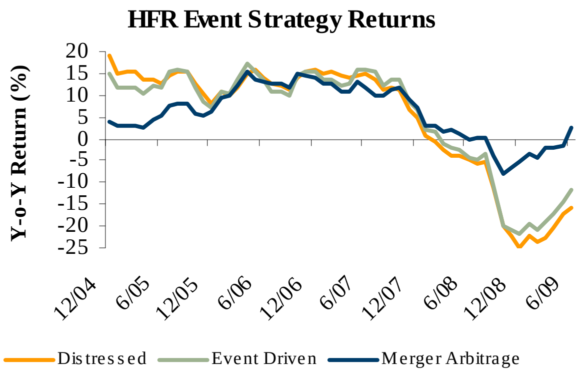


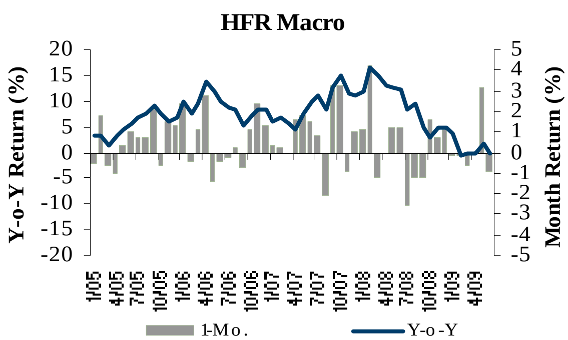
Source: Hedge Fund Research, CSFB Tremont

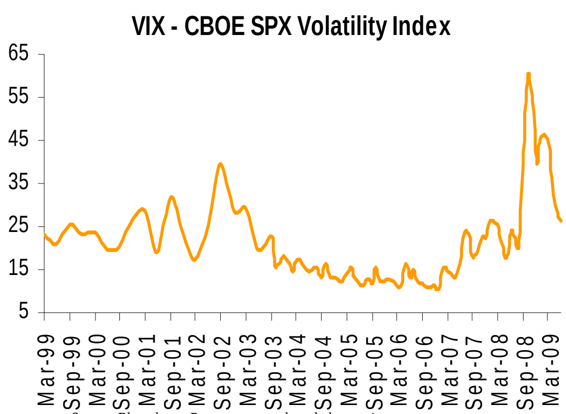
NON-DIRECTIONAL STRATEGIES

- The HFR Equity Market Neutral Index was up 0.80% for the quarter, but remains a decent performing strategy year-over-year with a -8.09% return. Market neutral managers made money on both the long and short side. Short positions in consumer discretionary were profitable as investors continued to see sparse evidence of an improvement in consumer spending. Other trades that preformed well were long positions in healthcare which rallied on bullish sentiment for near-term earnings expectations.
- Convertible arbitrage, as represented by the HFR Convertible Arbitrage Index, was the second best performing strategy for the quarter (+16.50%). Despite being down on a year-over-year basis (-8.37%), the strategy has made up significant ground, recovering significantly from the 33.73% decline suffered over the one-year period ending December 2008. This quarter, the strategy benefited from spread tightening, improving credit markets and increased issuance. In May, the primary market raised $6 billion in new issuance, which was up from $3.6 billion in April. Strong gains were seen by speculative-grade convertible securities rather than investment-grade issues as risk appetites increased among investors. Also, returns were helped by improved financing conditions which allowed funds to add a modest amount of leverage over the quarter. Going forward, managers remain optimistic as issuers continue to buy back securities and cross-over buyers remain active.
- The HFR Relative Value Arbitrage Index was up 8.86% for the quarter and is down 6.28% for the one-year period. Over the quarter managers benefited from increasing liquidity, a drop in volatility and credit spreads contracting.
- The HFR Fixed Income Index was up 8.73% for the quarter and is down 7.66% for the one-year period. Over the quarter, credit spreads tightened and positions in high yield contributed the most to performance as high yield issuance totaled $25 billion in May, the second highest value on record. U.S. High Yield, as measured by the Merrill Lynch High Yield Master II Index, was up 23.19% for the quarter and is up 29.37% year-to-date through June 2009. In addition, investment grade corporate credits were up during the quarter, with the Barclays Capital Corporate Index up 10.45% and up 8.32% year-to-date through the end of second quarter. However, managers believe that lower quality credits have rallied too fast over the recent months and are positioned cautiously.









Source: Bloomberg. Represents month-end observations

EVENT DRIVEN STRATEGIES

- The HFR Event Driven Index was up 9.76% for the quarter and is down 11.73% for the one-year period. In the second quarter, managers made money in merger arbitrage, distressed and credit-related strategies. On the credit side, long positions in high yield, bank loans, distressed corporate debt, and mortgage-backed securities were profitable.
- The HFR Distressed Index was up significantly (+10.43%) during the quarter, and is down 15.59% for the year-over-year period. April and May performance were the main drivers for the quarter as credit spreads tightened and managers benefited from long positions. Managers targeted companies that were restructuring their balance sheets through exchange offers, bankruptcies or other schemes. Other positions included mortgage backed securities which were viewed to have attractive valuations. Managers expect further opportunities to arise as bankruptcies increase throughout 2009, while debtor-in-possession (DIP) and exit financing challenges remain. However, managers are being careful as they wait for the default cycle to accelerate in order to 'cherry pick' the most attractive opportunities.
- The HFR Merger Arbitrage Index was up 5.42% for the quarter, and is the best performing strategy over the one-year period, up 2.45%. Deal spreads have tightened on improved credit conditions, and a more positive outlook for M&A activity. The recent activity in the M&A space is from strategic and distressed deals. Active deals during the quarter included Oracle's $7.4 billion acquisition of Sun Microsystems, Xstrata's $36 billion bid for fellow miner Anglo American, and the Merck/Schering-Plough combination. Many managers believe that strategic M&A activity will continue in 2009 and that lower levels of competition within the strategy will result in better returns.

DIRECTIONAL STRATEGIES

- The HFR Macro Index was the weakest performing strategy with a 2.14% gain for the quarter, but remains the second best performing strategy over the one-year period (-0.34%). Large gains in May (+3.17%) led by positions in emerging regions such as BRIC kept the quarter positive. Opportunities were exploited in Russia as many correctly speculated that oil and gas would continue to rally. Positions on the short side included short U.S. Treasury positions as prices decreased due to investors buying riskier assets as the economy appeared to stabilize. Some managers believe that U.S. Treasury prices will decline further in the near term and are maintaining their short bias.
- Equity long/short managers, as represented by the HFR Equity Hedge Index, performed well during the quarter (+12.63%), but remain among the worst over the one-year period (-14.56%). Gains were helped by the continued rally in global equity markets during the quarter, in particular the emerging markets. Managers that were long lower quality, higher beta stocks outperformed, while managers focused on higher quality, lower beta stocks were hurt during the quarter. Longs in the financial sector and select technology names such as Apple, Google and Yahoo rallied during the quarter. Managers' gross and net exposures increased throughout the quarter, but remain low compared to past levels as managers remain cautious. During the quarter, volatility, as represented by the VIX index, was down dramatically from its peak in October to 26.35.

REAL ASSET OVERVIEW

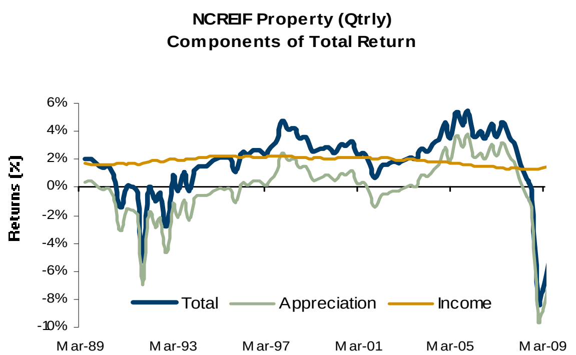
Prospects for the commercial real estate ("CRE") market remain bleak, as asset values continue to decline in the wake of still deteriorating property fundamentals. Declines have been widespread across all regions and property types. Occupancy, rents, and cashflow are expected to continue to fall into 2010, as demand for CRE is tied to employment, which continues to drop. Cap rates also continue to move higher. Trading volume remains thin; however, despite the lack of transaction activity in the market, prices suggest roughly a 25% decline since CRE peaked. The market correction may already be ahead of pace compared to prior down cycles however, given the significant write-downs that have occurred over the past few quarters. During the early 1990's the time between the peak and trough was twenty-four quarters. The current downturn in the CRE cycle is more driven by excess leverage and deteriorating demand rather than excess supply, which may position CRE for a somewhat quicker recovery relative to past cycles. However, the current decline and an eventual recovery for CRE will depend on how well the economy progresses going forward and how the capital markets react to government stimulus measures.

There is an estimated $3.5 trillion of commercial mortgage debt outstanding forecasted to mature over the next three years. With debt markets highly constrained and the value and NOI of CRE properties down, (over-) leveraged borrowers face difficulties refinancing existing maturities and/or busting maintenance covenants on properties. However, programs like TALF and PPIP, although still in the early stages of implementation, were designed to help open up the financing market and promote lending in an effort to ameliorate some of these issues. In the meantime, "extend (loan terms) and pretend (that the market will recover)" has become the motto of some lenders and investors in troubled properties. Additionally, investors continue to tread carefully when it comes to new investment; global private equity fundraising for real estate investment sunk to a five-year low in Q2-09, according to Preqin. In addition, due to diminishing fundraising expectations, some managers have either scrapped or temporarily suspended funds; there were 36 such funds in the first 6 months of 2009 compared to 25 in all of 2008.

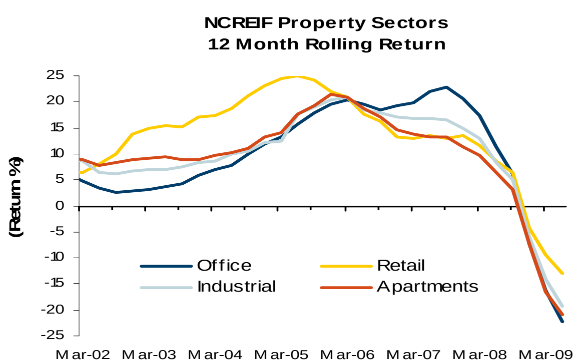
Asset Class Performance (% Annualized Returns)

As of 6/30/09	1 Year	3 Years	5 Years	10 Years
NAREIT (US)	(43.3)	(18.0)	(2.7)	5.5
EPRA/NAREIT (Global)	(35.9)	(13.6)	1.4	NA
NCREIF Property	(19.6)	1.0	7.6	8.5
NCREIF Timberland	3.3	11.5	13.6	8.7

Source: NCREIF, NAREIT (Equity Only), Bloomberg



Source: NCREIF



Source: NCREIF

PRIVATE REAL ESTATE

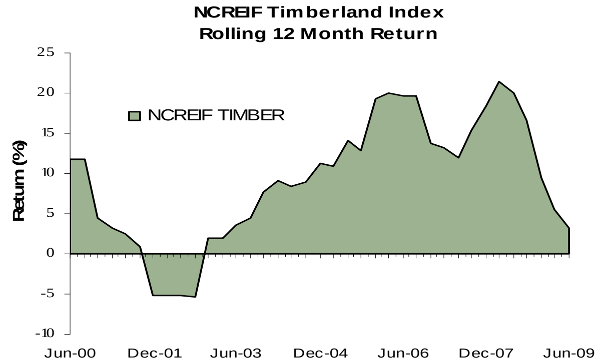
- Vacancy rates are rising and property incomes are falling across virtually all sectors and all regions of the country. The NCREIF Property Index registered its third straight quarterly decline with a -6.7% appreciation return for Q2-09; the total return was -5.2% due to 1.5% in income return (cumulative appreciation is -24.0% over the trailing one-year period). The NFI-ODCE Index (Open-End Diversified Core Equity Fund Index), which reflects the fund-level investment return of fourteen funds, showed lower returns for the quarter, down 9.3% (gross) which included appreciation of -10.8%.

- The national office vacancy rate reached its highest levels during Q2-09 (18.3%) since the early 1990's, a trend that is expected to continue for several quarters. The office segment was the worst performing sector during the quarter, down 6.5%, and is down 22.2% over the trailing one-year period.

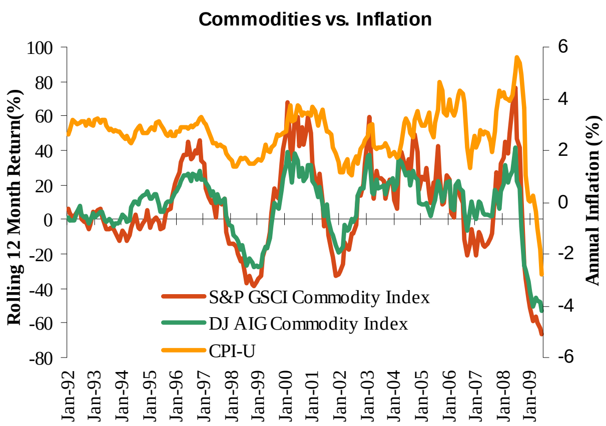
- The multi-family sector has seen a rise in vacancy rates as negative job growth tempers demand; in addition, competition from vacant single family homes has put pressure on apartments. The sector declined 5.1% over the 2nd quarter, and is down 20.9% for the trailing year.

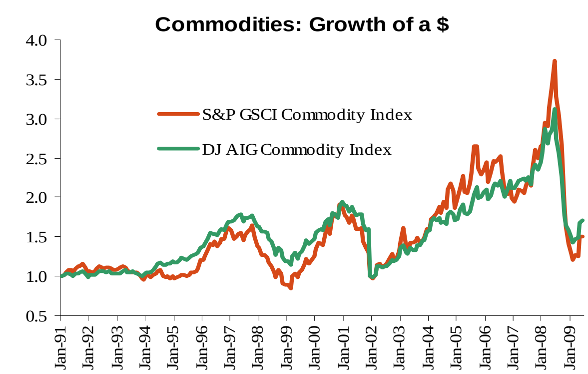
- Global trade has recovered somewhat from earlier in the year, however the struggling auto industry and weak demand for products continues to adversely affect industrial properties. Vacancy rates have risen to all time highs and leasing activity remains weak. For the quarter, the industrial sector declined 5.1% and is down 19.2% over the one-year period.

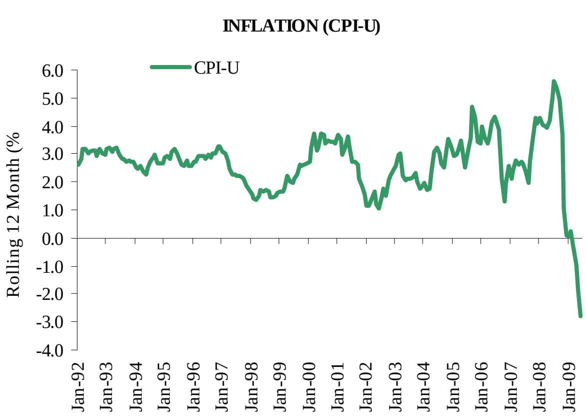
- The retail sector continued its positive relative performance, besting all other major property types and outperforming the broader Index during the quarter, down 3.0%; for the year, retail was down 12.9%. However, prospects for retail remain dim as vacancies increase as retailers go out of business or close underperforming stores. This sector has the most distressed assets relative to any other property type.



Source: NCREIF







TIMBER

- The NCREIF Timberland Property Index posted its first negative quarterly return since the fourth quarter of 2000, down 1.5% for Q2-09. For the trailing one-year period ending June 30, 2009, the Index was up 3.3%. The timber industry continues to weather challenges as the economy and national housing market struggle to recover. In 2009, demand for lumber in the US is expected to reach its lowest level in history, according to Western Wood Products Association. With slumping demand for lumber, many logging companies have cut staff or are scrambling for work to stay afloat. Lumber mills are still curtailing production across most regions of the U.S. As such, U.S. lumber production is expected to be down roughly 30% from 2008.
- Timberland markets remain in a state of flux. There has been little transaction activity during the first half of the year, as there remains a sizable spread between the expectations between buyers and sellers. There are few distressed sales, primarily due to the fact that timberland is not highly leveraged. Most timberland owners are simply looking through the cycle.
- Some managers expect that current timberland owners will see negative returns in 2009 in the neighborhood of 10 - 15% (depending on the attributes of actual properties) with weakness into 2010 before strengthening beginning in 2011, depending on market conditions at that time. However, lower valuations over the next two years would make timberland more favorable than has been the case the past few years.

OTHER

- There are currently 94 infrastructure funds actively seeking capital which is more than were on the road at the same point in 2008. These funds are targeting to raise aggregate capital of nearly $100 billion, according to Preqin.
- Still, as with most private equity funds, fundraising for unlisted infrastructure funds has been tempered, due to increased competition (numbers of funds on the road) and the lack of available investor capital due to the global economic crisis. However, infrastructure fundraising is expected to improve in quarters to come, with new investors entering the asset class and established investors increasing their target allocations to the space.

COMMODITIES

- During the quarter, the Dow Jones-AIG Commodity Index was up 15.05% and the S&P GSCI was up 19.24%. On a year-over-year basis, the Dow Jones-AIG was down 45.48% and the S&P GSCI was down 59.69%. During the quarter, oil prices increased 40.74%, while gold prices were up 0.81%.
- Inflation, as measured by the Consumer Price Index (CPI-U) has dropped significantly over the past three quarters, with the largest declines coming in May and June 2009. Inflation peaked in July 2008 at a 5.60% annual rate, fell to 0.10% in December 2008, declined further to -0.38% in March 2009 and as of June 2009 was registering a 2.79% annualized decline.

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

Disclaimer

For certain types of investments and securities, state and federal securities laws and regulations may require investors to represent to the investment manager that they are "qualified" for the investment or security being considered. This representation is typically made in the subscription documents for the investment. As an investment advisor, Evaluation Associates does not provide legal advice and cannot make a determination of or provide opinions on your qualification with respect to the investment(s) being considered in this search. Please consult your legal counsel to determine your qualification and for assistance in answering the questions in investor questionnaires before entering into a subscription agreement for this investment.

The analysis in this report was prepared by Evaluation Associates LLC ("EAI"), utilizing data from third parties and other sources including but not limited to EAI computer software and selected information in the EAI database. Reasonable care has been taken to assure the accuracy of the data contained herein, and comments are objectively stated and are based on facts gathered in good faith. These reports do not constitute investment advice with respect to the purchase, sale or disposition of individual securities. EAI disclaims responsibility, financial or otherwise, for the accuracy or completeness of this report. This report and the information contained herein was prepared solely for the internal business use of our clients. This report is confidential and cannot be reproduced or redistributed to any party other than the intended recipient(s) without the expressed consent of EAI. EAI does not intend to benefit any third-party recipient of its work product or create any legal duty from EAI to a third party even if EAI consents to the release of its work product to such third party.

Past Performance is no guarantee of future results. Unless explicitly stated in your Service Agreement, there should be no reliance on EAI services to provide analysis or reporting on a daily basis, the changes to manager rankings, ratings or opinions thereon. Unless explicitly stated in your Service Agreement, EAI services are not intended to monitor investment manager compliance with individual security selection criteria, limits on security selection, and/or prohibitions to the holding of certain securities or security types. Evaluation Associates does not provide accounting, audit or legal advice. Nothing herein or attached hereto should be considered as such. Please consult your accounting, audit or legal professional(s) for assistance with these matters.

EAI provides a copy of its SEC Form ADV Part II to clients without charge upon request.