WaterStreet
QUARTERLY

1ST QUARTER 2008

CAPITAL MARKETS REVIEW AND OUTLOOK

Global Equities Continue Decline

Slowing corporate earnings and global economic growth, and volatility in equities and frozen credit markets continue to drive stocks down.

GLOBAL EQUITY MARKETS retreated across all styles and capitalizations for the second consecutive quarter as all forms of securitized credit continued to be dramatically re-priced. Additionally, slowing corporate earnings and general global economic growth pushed stocks lower. Although the liquidity crisis may have been averted by unprecedented moves by the US Federal Reserve (the Fed) the credit crisis seems far from over. Counterparties continued to require hedge funds to post additional collateral prompting further selling as hedge fund managers were forced to reduce the size of

QUARTERLY OVERVIEW

■ US Equities

US stocks plummeted for the second consecutive quarter as continued global deleveraging, slowing earnings growth in a majority of economic sectors, and the worsening of the US housing market provided more than enough negative news to prompt a sell-off. The S&P 500 lost 9.5% for the quarter bringing the current drawdown to -13.8%. Volatility increased as the S&P 500 rose or fell at least 1.0% during 28 of the 61 trading days. (page 2)

■ International (Non-US) Equities

Developed international issues lost 8.8% in dollar terms and 14.9% in local currency as GDP and corporate earnings growth slowed across the Eurozone and Japan. Emerging markets fell 10.9% as concerns about a decline in export growth exerted pressure on all markets with the exception of most Latin America and Mexico markets. For the trailing 12 months, the MSCI Emerging Markets Index gained 21.7%. (page 3)

■ Fixed Income

International and US Treasury securities rallied strongly during the quarter as a flight-to-quality continued. Market participants remained weary of any security with real or perceived credit or liquidity risk and bidders remained absent. The Lehman Brothers (LB) Aggregate Index increased 2.2% and the Citigroup Non-US World Government Index gained 10.9%. Concerns over company defaults in a slowing economy prompted the LB High Yield Index to decline 3.0%. The LB Municipal Bond Index fell 0.6% and spreads increased to levels not seen in almost 30 years as investors lost confidence in the insurers of municipal bonds. Continued downgrades by the major rating agencies of Collateralized Debt Obligations (CDOs) and other securitized debt facilitated additional widening of spreads. The US Federal Reserve and the European Central Bank (ECB) continued to inject significant liquidity into the system through open market operations and rate cuts. For the first time in over 70 years, the US Federal Reserve began lending to non-banks. (page 4)

■ Alternative Investments

Global deleveraging, high volatility, and low liquidity provided a very difficult environment for most hedge fund strategies with the exception of short bias and global macro which returned 7.4% and 4.7%, respectively. The hardest hit strategies were convertible arbitrage and equity hedge which lost 6.9% and 5.7%, respectively. The HFRI Hedge Fund of Funds Composite Index fell 4.3%. The Dow AIG Commodity Index posted a 9.6% first quarter gain led by industrial metals which returned 19.3%. Real estate, as measured by the NAREIT Index, lost 0.4%, while mortgage REITs declined 21.4%. Concerns about an economic slowdown and valuations assigned to mortgage pools continued to have adverse effects on prices. (page 5)

■ Global Outlook

World GDP growth should decelerate to a 3.8% to 4.0% range in 2008 after 5.0% growth in 2007. Inflation will begin to share headlines with the continuing "credit bust" as the run up in oil prices works its way through global economies. The US appears to be in a recession, albeit a shallow one. Central banks seem poised to increase interest rates when credit markets normalize. (page 7)

WaterStreet
Investment Consultants, LLC
100 Congress Avenue • Suite 1400
Austin, TX 78701
512.334.3300 • phone
866.747.3300 • toll-free
512.334.3301 • fax
www.waterstreetconsultants.com

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their portfolios. Significant volatility in equities and frozen credit markets carried over from the fourth quarter of last year. The MSCI All Country World Index declined 9.2%. Although equity markets experienced steep declines, the relative losses in many fixed income segments were much worse. Asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) produced their worst historical quarterly returns relative to Treasuries.

The best performing asset class for the quarter was international fixed income which returned 10.9% as measured by the Citigroup Non-US World Government Bond Index. The Bank of England was forced to cut rates as concerns about liquidity in the credit markets trumped inflation fighting efforts. The flight-to-quality also occurred in the US as the Lehman Brothers Government Bond Index returned 4.0%.

In equities, US small-cap value was the best performing style and capitalization asset class for the quarter. Although this category did lose 6.5% for the quarter it faired better than its small-cap growth counterpart which fell 12.8%. Mounting mortgage defaults weighed on financial stocks and continued to put pressure on value indices as the sector lost 14.0%. The information technology and telecommunications sectors that dominate the growth indices lost 15.4% and 14.6%, respectively.

The biggest story of the quarter was the extraordinary actions taken by the US Federal Reserve to prevent further loss of liquidity in the credit markets, which included the bailout of US investment bank, Bear Stearns. The Fed used both conventional and unconventional policy tools to inject liquidity into the system. First, the Fed cut interest rates three times during the quarter leaving the federal funds rate at 2.25% at quarter end. These rate cuts seemed to have little impact as lenders did not return to the market even with the additional liquidity created by the Fed. T-bills traded under 1.0% in March for several days, with the effective yield dropping to 0.6% at one point. In a further attempt to "unfreeze" credit markets, the Fed created the Term Securities Lending Facility (TSLF) in mid-March, which allowed the Federal Reserve Bank of New York to lend up to $200 billion in Treasury securities to non-banks (primarily brokers/dealers) in exchange for many different types of collateral. These included highly rated mortgages and CDOs. This was the first time since the Great Depression of the 1930s that the Fed used its authority to open the discount window to non-banks, allowing them to trade directly with the Fed. The discount window functions as a safety valve in relieving pressures in reserve markets. Extensions of credit can help alleviate liquidity strains in a depository institution and in the banking system as a whole. It also helps to ensure the basic stability of the payment system by supplying liquidity during times of systemic stress. Finally, in a somewhat unprecedented move, the New York Federal Reserve orchestrated the buyout of Bear Stearns by JPMorgan Chase (some would argue that this was a reenactment of the bailout of Long Term Capital Management in 1998).

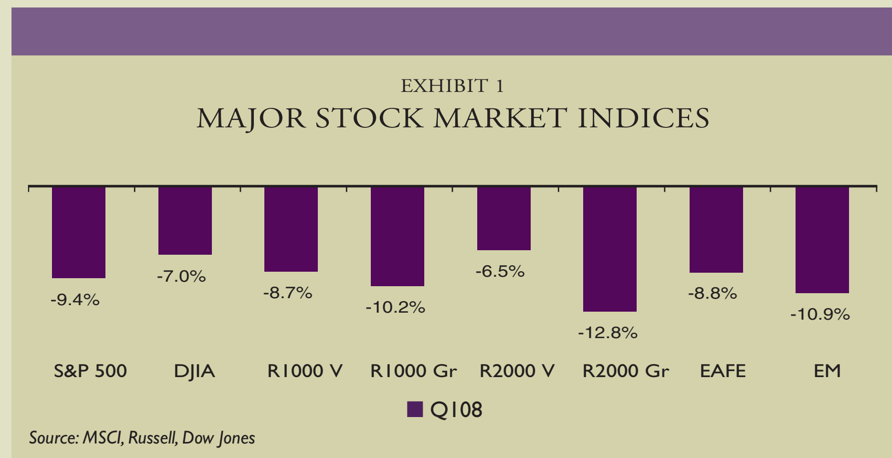
On Friday, March 14 the 85 year-old Bear Stearns announced that it had a severe liquidity crisis and had arranged a $30 billion loan from JPMorgan Chase backed by the Federal Reserve Bank of New York. On Monday, March 17 JPMorgan Chase agreed to purchase Bear Stearns for $2 per share, which has subsequently increased to $10 per share. Just one year earlier Bear Stearns stock price was at $150 per share. What started as losses in two proprietary hedge funds investing in sub-prime mortgage debt, morphed into a loss of confidence that prompted a new age "run on the bank." Bear Stearns was no longer viewed as a viable counterparty for many hedge funds that utilized them as a prime broker. Subsequently, billions of dollars of collateral were transferred to competitors the week of March 10. The death knell was the decision by rating agencies on March 14 to downgrade Bears Stearns' credit rating. Lighthouse Partners had an interesting observation about the demise of Bear Stearns saying, "It is somewhat ironic that the same rating agencies that helped Bear Stearns become a leader in mortgage securitizations would deliver its death sentence." In the end, the Fed bailed out Bear Stearns because they felt its failure might ignite a global financial crisis.

The Bank of England, Bank of Canada, and the US Federal Reserve all cut rates during the quarter as the credit crisis intensified. The US Federal Reserve has cut the Federal Funds rate and the discount rate by 300 and 375 basis points, respectively, since last August. The central banks are in a very difficult position as the two competing priorities, providing liquidity to the global financial system and raising interest rates to combat headline inflation, are diametrically opposed.

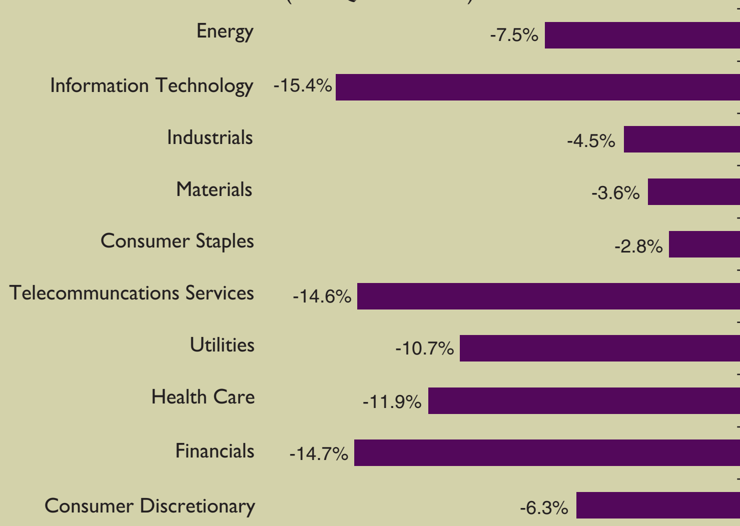
US EQUITIES

The US stock market experienced a decline of 9.4% during the first quarter, driven largely by pressure from the credit market turmoil, falling profits, and higher inflation. The S&P 500 was negative in each month of the quarter, increasing the number of consecutive down months to five, beginning in November 2007. During that time span the index has fallen 13.8%.

High volatility levels carried over from the previous quarter, with the S&P 500 experiencing 28 days when the index



Source: MSCI, Russell, Dow Jones



gained or lost more than 1.0%. Actions taken by the Fed aided in increasing market volatility, as the Fed reduced the federal funds target rate three times during the quarter, dropping it from 4.25% to 2.25%. As mentioned, the Fed also took action to help bailout Bear Stearns and created the Primary Dealer Credit Facility, which for the first time in history allows non-deposit taking institutions to borrow from the Fed much like commercial banks.

As the economy slowed, value was able to reverse last year's trend, and outperformed growth across all market capitalizations, particularly in the small-cap segment. While all market capitalizations were negative for the quarter, the results were mixed with large caps outperforming small caps in growth and small caps besting large caps in the value segment.

All ten economic sectors in the S&P 500 Index were negative for the quarter, with five sectors posting double digit negative returns. Information technology (IT) and financials suffered the most, dropping 15.4% and 14.7%, respectively. IT performed poorly due to recession fears, as technology companies historically have been the first to show signs of suffering at the onset of a recession. Performance in the financials sector weakened as banks were forced to increase liquidity by disposing of loans from their balance sheets and realizing losses.

INTERNATIONAL EQUITIES

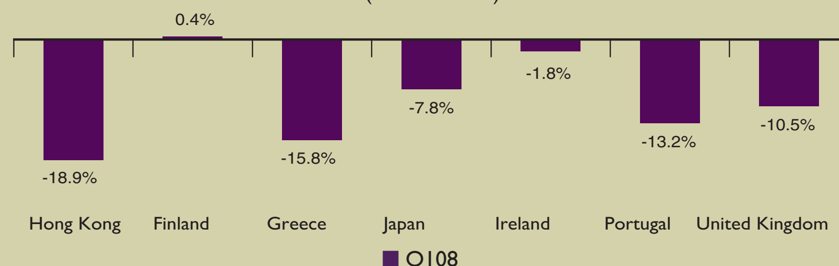
Developed Markets

Developed international equity markets modestly outperformed US equity markets in the first quarter as the global credit crisis continued. The MSCI EAFE Index fell 8.8% in US dollar terms and 14.9% in local currency terms. International value slightly outperformed growth and small capitalization marginally outperformed large capitalization during the quarter.

Fears of an economic slowdown hit Europe, Japan, and other global markets in the quarter. The deteriorating credit markets led several central banks to add liquidity to their respective markets. However, unlike the US, central banks in Europe and Japan kept their rates unchanged in the first quarter.

Threatened by the fear of rising inflation and continued fiscal deficits, the US dollar fell again in the first quarter compared to most major currencies, which helped to offset local currency losses. The US dollar lost 9.0% against the Japanese Yen (the weakest level since 1995) and 6.5% against the Euro. According to the Wall Street Journal, many strategists suggest that until the US economic slowdown and housing slump show signs of bottoming, the dollar could remain under pressure.

The financial sector suffered in the first quarter as banks continued to write-down assets from the subprime mortgage fallout. At the end of the quarter, major financial institutions in Switzerland and Germany announced huge write-downs totaling $23.0 billion. UBS, Europe's biggest victim of the subprime crisis, announced an additional $19.0 billion in write-downs of real estate related assets. This announcement came within hours of Deutsche Bank's announcement of their $3.9 billion write-down in assets. As reported by the Financial Times, UBS said its exposure to US residential subprime mortgage related positions fell to about $15.0 billion from $27.6 billion at the end of December. The total amount of write-downs for UBS and Deutsche Bank since the beginning of 2007 is $37.1 billion and $9.0 billion, respectively. There has been a total of



$200.0 billion written down so far in subprime mortgage assets globally.

Most developed markets declined as investors feared the possibility of rising inflation, except for Denmark which returned 0.4%. Developed European countries performed similarly to the US market, losing 8.6%.

Switzerland and Belgium held up better than other countries such as Italy, Germany, and the UK. Italian commercial banks, German industrials, and English energy companies suffered the most in these markets. Asian countries also struggled during the quarter as Hong Kong fell 18.9% and Japan lost 7.8%. Hong Kong's real estate sector, vulnerable to credit market disruptions, caused this market to decline in the first quarter. Japanese exporters and consumer discretionary companies struggled due to weak consumer spending and the US dollar's decline.

Emerging Markets

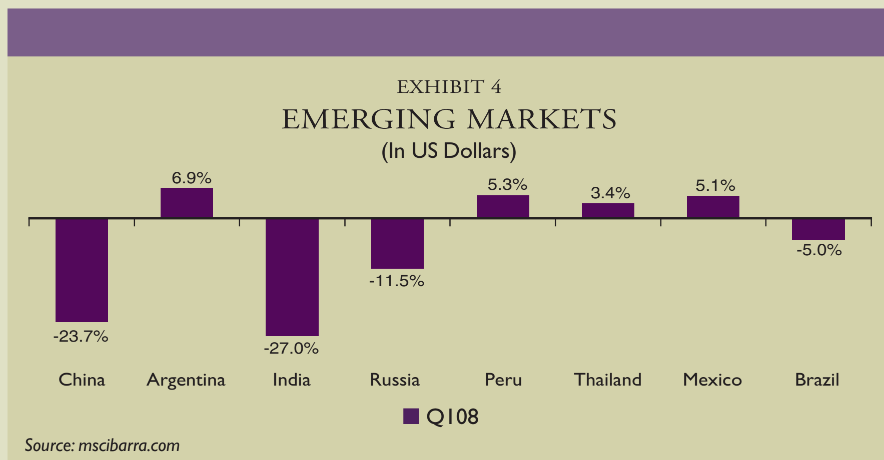
Following six consecutive positive quarters, the MSCI Emerging Markets Index lost 10.9% in the first quarter as investors worried that credit-related problems of the developed markets would spill over into these markets through declining exports. The trailing 12-month return for the emerging market index was 16.2% in local currency terms and 21.7% in US dollars. There was wide dispersion of returns across countries in the index with Turkey losing 38.3% and Morocco gaining 33.9% in the first quarter.

Latin America was the best performing region, experiencing a slight decline of 1.4% in US dollar terms. Chile led first quarter performance with a 9.8% return. Mexico and Argentina also posted positive returns during the quarter, returning 5.1% and 6.9%, respectively. On the other hand, Brazil fell 5.0% as energy and industrial companies struggled due to fear of slowing global demand.

The remaining BRIC countries (Russia, China, and India) experienced more significant declines during the quarter. The Chinese market was down 23.7% while the Indian market was down 27.0% during the first quarter, following strong 2007 returns. Volatile small- and mid-cap stocks suffered the most in these markets. Russia also posted weak returns due to the energy sector losing 11.5%. These rapidly growing emerging economies have started tightening measures to help with consumer, as well as producer inflation. In fact, China, Russia, and Brazil all increased rates during the quarter in order to stave off inflation and contain demand. Inflation figures for the BRIC countries at quarter end were: China 9.0%, Russia 13.0%, India 6.0%, and Brazil 5.0%.

The Middle Eastern and African emerging markets also struggled during the quarter, declining 12.1% in US dollar terms. Middle Eastern markets were dragged down by Turkey's 38.3% decline caused by political uncertainty and a large deficit. The South African market was also stressed due to the correction in gold prices during the quarter.

Commodity prices rose during the quarter due to continued strong demand from developing economies and resilient business confidence among European capital goods exporters. The impact of rising commodity prices is a growing concern for emerging market countries.



FIXED INCOME

As mentioned, the US Federal Reserve cut rates three times during the first quarter of 2008. In January, the Fed cut the discount rate and its target for the overnight Federal Funds Rate by 0.75%, causing a rebound in the financial sector. Another rate cut occurred in late January with the discount rate and federal funds target being cut by 0.50%. While this temporarily helped to spur the markets, investor concerns regarding the monoline insurers quickly dominated and tempered the gains.

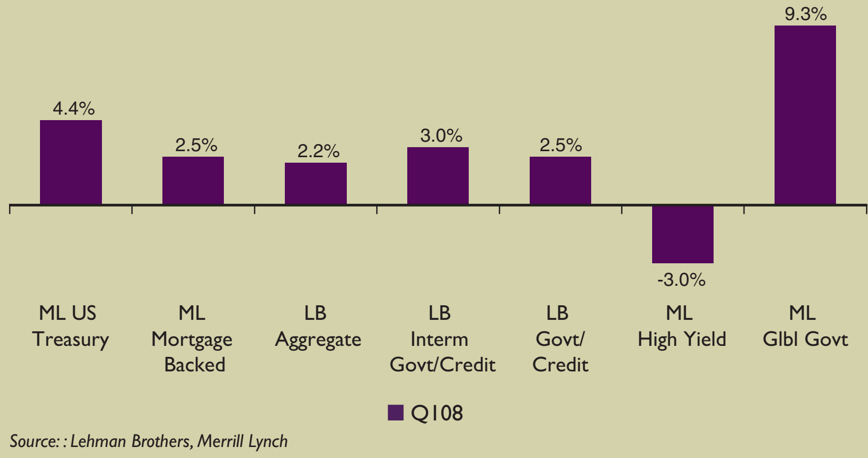
As mentioned, the Fed acted in March to assist JPMorgan Chase to acquire the bankruptcy prone Bear Stearns by assuming the risk for almost $30 billion of mortgage-backed securities. This move sparked a short-term wave of confidence as investors became hopeful that the end of the credit crisis was in sight.

The Lehman Brothers Aggregate Bond Index gained 2.2% during the first quarter and 7.7% for the trailing 12 months. Short-term Treasuries benefitted during the first quarter as investor risk aversion increased. Investors found security in short-term government instruments while short-term corporates dropped due to concerns on credit quality. The yield curve steepened significantly as spreads between the 2-year and 10-year Treasury notes expanded from 99 basis points to 183 basis points during the quarter. Emerging market bond returns held up better than corporate bonds during the quarter, but still could not keep pace with Treasuries. A weaker US dollar helped local emerging market bonds outperform their dollar denominated counterparts. Relatively low US interest rates compared to developed currencies, as well as emerging markets experiencing higher growth rates than that of the US caused the US dollar to continue to weaken during the quarter.

Municipal bonds struggled during the first quarter, particularly in February when the Lehman Municipal Bond Index posted a 4.6% loss. Fortunately, January and March generated fairly strong performance and the index ended the first quarter down only 0.6%. Municipal yields remained at historically high levels compared to Treasury yields.

EXHIBIT 5

BOND MARKET



Source: : Lehman Brothers, Merrill Lynch

The biggest factors were lingering concern about the financial health of insurers who serve the market, as well as the absence of institutional investors. As the quarter came to a close, higher yields in the municipal markets began to attract institutional and retail investors back into the market. During the quarter, liquidity in the municipal market was constrained causing municipals to continue to experience failed auctions.

ALTERNATIVE INVESTMENTS

Hedge Funds

Overall hedge funds and hedge fund of funds, as represented by the HFRI Hedge Fund Weighted Composite Index and the HFRI Fund of Funds Composite Index, performed well relative to traditional equities, losing 3.3% and 4.1%, respectively. While many hedge funds and fund of funds fell short of their absolute return goals, the fact that they limited losses in what turned out to be a very volatile quarter was comforting.

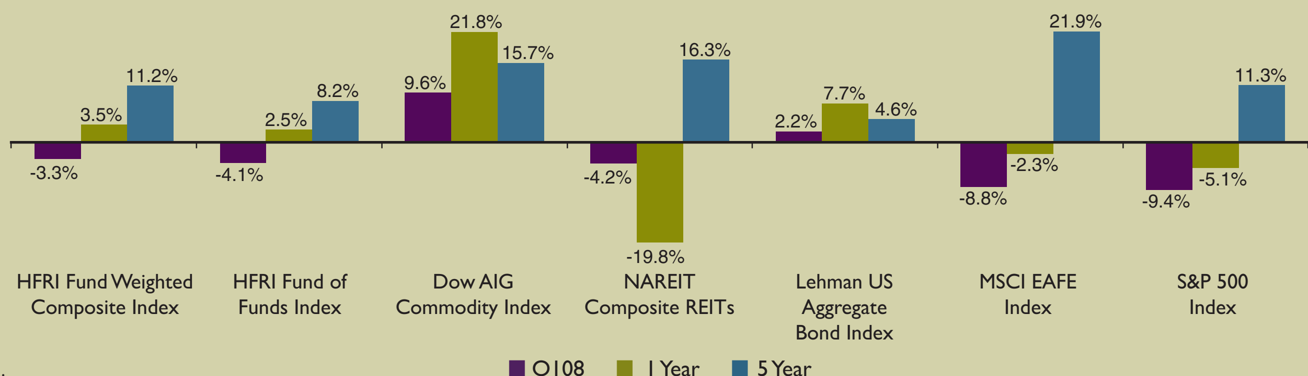
January was characterized by a continuation of the flight-to-quality as investors sold risk for secured US Treasuries. Based on the movement of credit spreads during this time investors were bracing for what some called the end of the western financial world. February saw the stabilization of equity markets, but credit continued to weaken and the municipal bond market reached its low on February 29 which marked the end of many municipal arbitrage trading strategies.

March was the most difficult month for hedge funds, in general, as wild volatility and market reversals occurred on the heels of the unprecedented Fed action to bail out Bear Stearns. This action for all practical purposes revealed the Fed's resolve and commitment to solving the liquidity crisis. Accordingly, credit markets stabilized in the following days and this caught many hedge fund managers off-guard as financials, a sector in which many had short exposure, rallied. In March, almost all HFRI hedge fund strategy indices declined, including Global Marco, which had been providing very strong returns in a market that up to that point displayed discernable trends.

Managers focused on equity long/short were down 5.9% for the quarter. Losses in January, as the equity markets crumbled on credit and economic fears, were only slightly reversed with gains in February. Dispersion between hedge fund returns and equity markets widened in March, as deleveraging in the market, as well as short-covering and sector rotations provided a very difficult backdrop for these strategies to make money. Many managers experienced additional losses due to long directional exposure to equities. Small cap growth stocks, a focus of many long/short managers, shed 12.8%, as represented by the Russell 2000 Growth. The biggest headwind for these managers came from the large amount of volatility

EXHIBIT 6

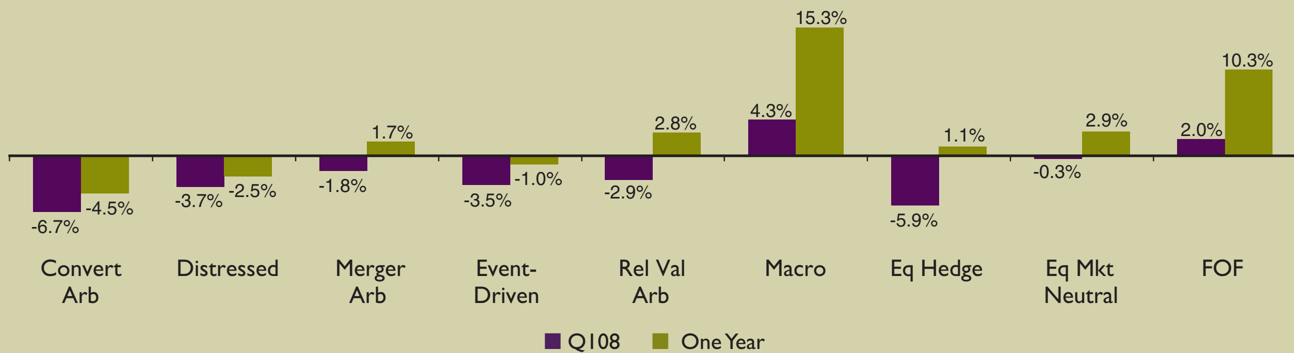
ALTERNATIVE vs. TRADITIONAL INDICES



Source: Zephyr Style Advisor & Hedge Fund Research

EXHIBIT 7

HEDGE FUND STRATEGIES (HFRI INDICES) vs. TRADITIONAL INDICES



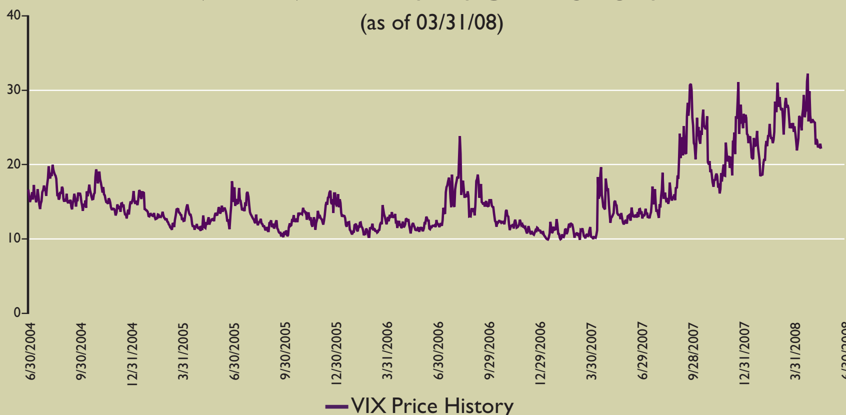
Source: Zephyr Style Advisor & Hedge Fund Research

experienced between January and March. In the first quarter, almost half the trading days witnessed price movements in the S&P 500 of greater than +/-1%. In small cap growth stocks, price movements of +/-2% were experienced on one-third of the trading days. Thankfully, volatility spiked on March 17 and has since retreated to levels that seem to indicate that the worst of the liquidity crunch has subsided. Although still heightened, volatility at these levels should provide a good environment for long/short managers in the coming months.

Distressed securities and event driven focused hedge fund strategies also struggled, dropping 3.7% and 3.5%, respectively. The continuation of the credit crunch has limited the ability of these managers to benefit from deal flow or secure financing on capital projects. However, distressed securities could be poised for a prolonged period of high growth rates given the amount of good credit available at depressed levels. Some of these secured bank loans have traded down to $0.80 to par and lower. Many managers see these areas of credit as what could be the next big returns generator in hedge funds and private equity, with 20% to 25% IRRs possible with low risk to principal. There has clearly been a boon of capital raising campaigns for hedge funds and private equity funds focused on this area. However, the question of when capital should be deployed still remains.

EXHIBIT 8

VIX FIVE-YEAR PRICE HISTORY



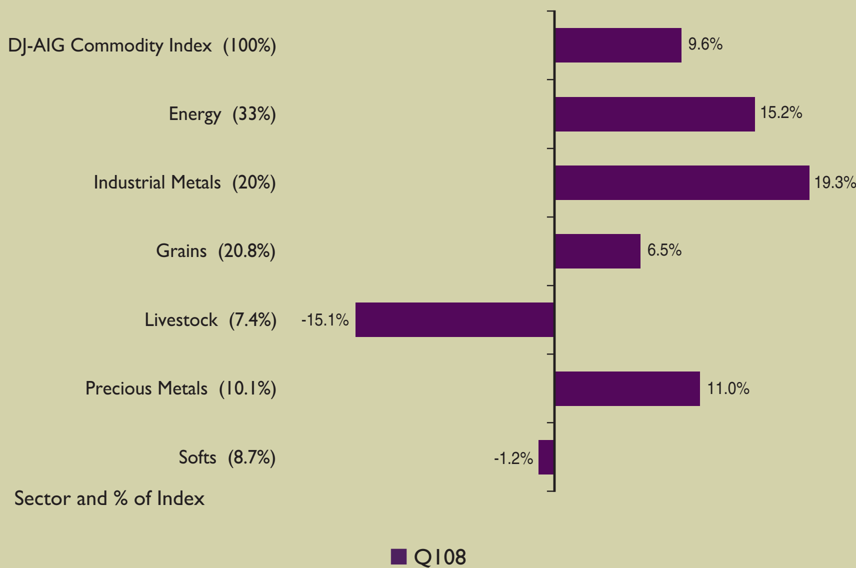
Source: Bloomberg

Commodities

The Dow AIG Commodity Index rose 9.6% in the first quarter. As traditional assets were plagued with worries about slowing economic growth and inflation, the commodity market enjoyed large gains during the first two months of the year. Commodity markets came under selling pressure in March amid worries about the health of the global financial system and widespread recession fears. Some have also pointed to deleveraging by hedge funds and other investors as another cause of March's steep decline.

Crude oil hit an all-time high above $111 per barrel in March, up 16.7% from year-end. Soon after this high, concerns over global energy demand sparked a one-day decline of 4.5%, the largest one-day drop in 17 years. Crude ended the quarter just below $102 per barrel, a 6.1% gain for the quarter. Despite the pressure in February to take action to cool prices, OPEC President Khelil indicated that with plenty of stocks, an increase in output was not likely. March highs were sparked by both a sabotage attack on a key Iraq pipeline that briefly halted the country's exports and a Department of Energy report showing larger than expected declines in gasoline and distillate inventory. Due to weak margins, US refiners are operating at very low levels.

News regarding rising global food prices and concerns over shortages has dominated the headlines. The grains sector saw unprecedented volatility in the first quarter, especially the wheat markets. Grains rose almost 21.0%



in the first two months, then retreated 12.5% in March to end the quarter with a 6.5% return. A drought in Australia and poor weather in other grain-producing countries caused concern that global stocks would reach 30-year lows. A USDA report indicated that US supplies of wheat could fall to their lowest level since 1948. Further supply concerns began when Kazakhstan announced quotas on grain exports. The sharp decline in March was prompted by profit taking and a USDA report on prospective plantings by the nation's farmers.

Industrial metals rose sharply in the first two months of the year as China-related inflation worries and a decline in copper inventories spurred buying. The sector gave back 4.6% in March to end the quarter with a 19.3% return. Precious metals experienced sharp gains in the first quarter before the rally faded, ending the quarter with an 11.0% return. Spot gold prices reached over $1,000 per ounce in March ending the month at $916. The rally was fueled by expectations that the drop in US interest rates would weigh on the US dollar, which dipped to historic lows versus the Euro and other major currencies. General risk aversion also led investors to precious metals, pushing prices further up.

Real Estate Investment Trusts (REITs)
NAREIT Composite REITs declined the first two months of the year, and then rose 3.9% in March to end the quarter down a modest 0.4%. Self storage was the top performing property sector, increasing 20.2% on favorable earnings and strong balance sheets. Apartments gained 11.5% as sales activity increased and validated share prices. The office sector declined 4.0% on concerns that employment levels will likely drop, especially in areas with high concentration of financial services tenants. Worries about the impact a slower global economy would have on transactional income caused the industrial sector to decline 4.8%.

Mortgage REITs dropped sharply in March, ending the quarter with a 21.4% loss and a trailing one-year decline of 54.7%. Losses were most acute with high profile defaults and liquidations at companies such as Thornburg Mortgage (-86.9%), Deerfield Capital (-82.4%), and Newcastle Investment Corp. (-36.3%).

First quarter results in international markets were mixed. MSCI Europe REITs Index gained 6.5%, with strong performance from France, the Netherlands, and Belgium. German markets declined due to concerns over high leverage in the market and weakness in certain stocks. MSCI Emerging Markets REITs fell 30.0% in the first quarter. Hong Kong, one of the strongest markets in 2007, dropped over 20.0% and Japan suffered a 19.8% decline in the first quarter.

GLOBAL OUTLOOK

Global growth continues to decelerate from the 5.0% rate in 2007. Forecasted GDP growth rates for 2008 are in the 3.5% to 3.9% range, in-line with the long-term trend line of 3.7%. Much of the drag on global growth is being provided by the G7 countries, many of which are experiencing sub 2% growth rates. The US, which produces approximately 28.0% of global output, looks to be in recession with January showing its first reductions in non-farm payrolls since the 2000-2001 recession. Growth rates in emerging economies continue in the 5.0% to 10.0% range with China growing in excess of 10% for the remainder of 2008. Central and Eastern Europe continue to grow in the 5.0% to 7.0% range, while many Asian economies also continue to grow at similar rates and above long-term trends. Any significant appreciation in equities seems unlikely as the effects of the credit "bust" continues to play out over the course of 2008. Most of the developed world continues to delever causing continued selling of financial assets.

The US economy appears to have slipped into a recession with continued declines in residential construction activity, tighter lending standards, declines in capital spending, and a faltering labor market. Continued increases in food and energy prices have also eroded consumer confidence and produced a slowdown in spending. GDP growth slowed to 0.6% in the fourth quarter of 2007 with many economists believing the economy grew between 0.0% and 0.4% in the first quarter of 2008. The unemployment rate increased to 5.1% with a loss of 232,000 jobs. It is difficult to predict how deep or prolonged the slowdown will be, but most economists believe that it will not be particularly severe, possibly lasting two to three quarters.

As mentioned, the US dollar continued its slide, depreciating an additional 6.5%

and 9.0% against the Euro and Yen during the first quarter. The US dollar could continue to drift lower in the short run as current and fiscal deficits remain high. Additionally, the US Federal Reserve's priority seems to be to aggressively provide liquidity to many parts of the credit markets that remain "frozen." Spreads of non-government securities, specifically high yield, securitized debt, and municipal bonds continued to widen during the quarter. Longer term the dollar could strengthen for a few reasons. First, the pullback in consumer spending will continue to reduce the current account deficit. Second, it seems likely that the next administration will adopt a stronger dollar policy. Much of the run up in oil prices is the result of a depreciating dollar as oil is traded globally in US dollars. Many believe the effect of a weak dollar is the exportation of inflation globally. Saudi Arabia and some of the US's largest trading partners have said this on several occasions. Third, fiscal deficits in the US could be reduced with the expiration of many of the Bush tax cuts in 2010 and the eventual withdrawal from Iraq.

European GDP growth decelerated inline with the US as the Eurozone posted a 2.5% growth rate in 2007 and is forecasted to grow between 1.4% and 1.8% in 2008. This is below the longer- term trend of 2.0%. The ECB remains very concerned about headline inflation that includes food and energy. Aided by a run-up in oil prices, inflation in the Eurozone increased to 3.3% in the first quarter, the highest since 1999. The ECB continues to inject large amounts of liquidity into the system to combat the continuing fallout of the global credit bust. Although the ECB would like to increase rates, it will be unable to do so until the credit markets normalize, which looks to be at least three to four quarters away. Further rate cuts are possible in 2008.

In Japan, GDP growth expanded by 0.9% in the fourth quarter of 2007 based almost entirely on exports. However, domestic spending has waned and GDP growth looks to be rather anemic in the 1.2% to 1.4% range for 2008 with significant risks attached with any slowdown in the Chinese economy.

Inflation continues to be a global concern. In the US, headline CPI has reached 4.0% year-over-year while core CPI (excluding food and energy) is running at 2.3%, both above Federal Reserve targets. Wage inflation is also a concern as the increase in hourly wages over the trailing 12 months increased by 3.7%. The Bank of Japan, Bank of England, and the ECB are all concerned about the lagging effects of the run-up in oil and commodity prices and seem poised to increase rates as soon as the massive overhang of structured credit is absorbed and liquidity returns to the majority of the sectors in the credit markets.

Equity valuation continued to improve during the quarter, with Price/Earnings (P/E) ratios falling in most markets. At quarter-end, the earnings yield on the S&P 500 Index was 6.1% compared to a 10-year US Treasury yield of 3.4%. Earnings growth should continue in the mid to high single digits for the foreseeable future in the US and continental Europe.

EXHIBIT 10

12-MONTH FORWARD PRICE/EARNING RATIOS (P/E)

	Q108	Q407	% Change
S&P 500	13.20	14.36	-8.08%
Russell 1000	13.47	14.68	-8.24%
Russell 2000	17.98	19.53	-7.94%
Russell 3000	13.72	14.96	-8.29%
Russell 3000 Growth	15.40	17.42	-11.60%
Russell 3000 Value	12.27	12.93	-5.10%
MSCI EAFE	11.08	12.96	-14.51%
MSCI EAFE Small Cap	12.19	13.92	-12.43%
MSCI Emerging Markets	11.92	13.45	-11.38%

Source: Thomson Portfolio Analytics

Hundreds of securitized credit vehicles continued to be downgraded throughout the quarter. The majority of the downgrades were again in collateralized debt to include collateralized debt obligations (CDOs), commercial mortgaged-based securities (CMBS) and asset-back securities (ABS). A significant number of these type securities will continue to be downgraded throughout the year. As previously mentioned, all private credit benchmarks (with the exception of the Lehman Aggregate and Mortgage Backed Indices) experienced their worst quarterly returns on record. The February loss of 4.58% for the Lehman US Municipal Bond Index was also the worst on record reflecting continued concerns with the monoline insurers.

So what is causing the continued deterioration of the credit markets, with the exception of Treasuries? It is simply the delevering of global developed markets which started almost a year ago. Asset inflation occurred in assets where leverage was generously applied. This financial engineering was most prominent in real estate and financial services companies. There has been much written about real estate backed CDOs that were packaged by Wall Street firms and the Structured Investment Vehicles (SIVs) that were sponsored by many money center banks, most notably Citigroup and UBS. Many of these structures were levered five to twenty times. The continued unwinding of global leverage is resulting in significant price erosion in most private credit sectors as falling prices are causing forced selling of securities that were financed by borrowed money. Last quarter we discussed the first component that has lead to the "credit bust" which was the securitization of debt and the requisite high ratings given to these securities by rating services such as Moody's and Standard & Poor's. The second component which proved equally dangerous was the gross mispricing of risk. This leads to a discussion on how risk was measured. Many money center and investment banks rely heavily on risk models to determine how much leverage they can employ and how much of their proprietary capital (balance sheet) they can commit. Below is a cursory discussion of Value-at-Risk (VaR) models and their limitations.

VaR is defined as the maximum amount a portfolio can lose in a specific time period. Most banks calculate daily VaR. Unfortunately, this risk measure has many limitations:

- Typical VaR models base their calculations on a confidence level of 95% (two standard deviations). This might suffice for a broad risk assessment if the securities are liquid and easily priced.

- VaR models are typically linear and assume returns are normally distributed. There has been very little that has been normal in the credit markets recently, especially returns.
- VaR models typically use historical data sets that are relatively short. Lehman and Morgan Stanley use a four-year weighted data set.
- Trusting too much in VaR measures, stress tests, and scenario analysis, prompted banks to increase the size of trades in tandem with capital growth.

So why did the banks lose so much money with their sophisticated VaR models? It was due to the same reasons they lost money in the last major credit bust of 1998. Events occurred that have never happened before (i.e., were not picked up by the models):

- The unprecedented velocity in which liquidity left the system made it difficult to find bids. Modeling a complete halt to segments of the credit market is difficult.
- The rapid downgrading of AAA-rated ABS, CDO, etc. (ratings fraud).
- The extent to which derivatives and leverage were employed in securitized debt instruments was vastly underestimated.

Conclusion: Most off-the-shelf Value-at-Risk Models have little utility when dealing with the magnitude of this credit dislocation and the contagion effect on equity markets.

Many of the quantitative and fixed income arbitrage managers who have suffered significant losses explained that they were victims of what they described as the "Perfect Storm" or the "100 Year Flood", the same term used by Long Term Capital Management in 1998.

COURSE OF ACTION

Stocks continue to look more attractive than bonds as the 10-year Treasury note yield dropped to 3.4% at quarter-end. Earnings growth in the US and continental Europe should continue to grow in the 5.0 to 8.0% range on average with the earnings yield on the S&P 500 at 6.1% at quarter end. We remain significantly overweight (70%) to international stocks versus US stocks for three major reasons:

1) Valuations remain more compelling outside the US.

2) GDP growth remains significantly higher, especially in the developing world.

3) We do not expect any significant appreciation in the dollar versus most currencies over the next three to four quarters.

At the end of 2007, we thought most fixed income markets were very unattractive. However, high-quality debt rallied in the first quarter as a continuation of the flight to quality and deleveraging that began last summer. Government debt in most countries appears very expensive after this rally. Other parts of the fixed income market have become much more interesting from a valuation standpoint. However, we expect downgrades and write-offs to continue at least through the end of 2008. Despite interest from bidders, buying many sectors of the fixed income market feels a bit like 'catching a falling knife' and the serious money is still waiting on the sidelines.

Global equity valuations cheapened during the quarter by approximately 11% leaving the major indices close to 10% below their historical averages. Given slowing global economic growth, equities seem fairly valued at this time. International equities remain 10% to 15% cheaper than US equities on a price-to-earnings basis. We are negative to neutral on the US dollar and do not recommend giving much weight to the effects of currency translation especially as it relates to making long-term asset allocation decisions. Central banks will all start to raise rates in an effort to curb inflation when they believe the credit crisis is over and credit spreads normalize.

Our equity style opinion remains unchanged from the past six quarters. We still recommend overweighting growth versus value, although we are excited about opportunities unfolding in the manufacturing and financials sectors in the small- and mid-sized capitalization value style. Over the past 12 months, growth has continued to dominate value in each market capitalization sector. We expect value indices to remain under pressure due to a heavy weight to financial stocks. Financial stocks will face additional write-downs due to the securitized debt implosion for another two to four quarters. Conversely, growth stocks seem poised to continue their relative run with energy, materials, and technology leading the way.

We continue to be ambivalent as to market capitalization. As compelling as large capitalization stocks have been on a price-to-earnings and price-to-cash flow basis we are still having a difficult time overweighting this capitalization sector. The latest headwind is that the long-term secular decline in the US dollar could be coming to an end over the next 12 to 24 months. Large capitalization stocks in the US tend to be big exporters of goods and services, which have benefited tremendously in revenue and market share by the significant devaluation of the dollar. In short, the edge they have enjoyed versus other large capitalization international firms was artificially fueled by currency devaluation.

Long-term, we remain optimistic about many hedge fund strategies, especially relative to long equities. The continued deleveraging of global risk has made it difficult to execute strategies over the last three quarters. However, we feel that most strategies will regain their footing when credit markets normalize, possibly in early 2009. The greatest opportunity in hedge funds will, of course, be in distressed debt, but determining when to enter the market will be the real trick. We believe that there have been more than 60 distressed debt funds established over the last four to six months, representing as much as $300 billion. Most of this cash is still on the sidelines waiting for the bottom. It certainly will be interesting to see where everyone enters the most lucrative debt market since the Savings & Loan Crisis of the early 1990s and the formation of the RTC.

2008 looks challenging as write-downs by major banks and downgrades of securitized debt over the next two to three quarters will continue to exert pressure on many debt sectors. The on-going credit crisis seems to ensure a difficult environment for equity markets. As we have mentioned before, we do not anticipate much in the way of returns from the global equity markets until later in the year. Looking forward, 2009 appears to be more optimistic to us in terms of financial assets as global deleveraging runs its course.

EXHIBIT 11: **Output, Prices and Jobs**

% change from one year ago

	Gross Domestic Product				Industrial Production	Consumer Prices			Unemployment
	latest	qtr*	2008†	2009†	latest	latest	year ago	2008†	Rate‡, %
United States	+2.5 Q4	+0.6	1	+1.7	+1.0 Feb	+4.0 Feb	+2.4	+3.3	4.8 Feb
Japan	+2.0 Q4	+3.5	+1.3	+1.5+	+4.2 Feb	+1.0 Feb	-0.2	+0.7	3.9 Feb
China	+11.2 Q4	na	+9.8	9.0	+15.4 Feb	+1.7 Feb	+2.7	+4.5	9.5 2007
Britain	+2.8 Q4	+2.5	+1.8	+1.8	+0.4 Jan	+2.5 Feb	+2.8	+2.6	5.2 Jan††
Canada	+2.9 Q4	+0.8	+1.5	+2.1	-1.3 Dec	+1.8 Feb	+2.0	+1.7	5.8 Feb
Euro Area	+2.2 Q4	+1.6	+1.6	+1.6	+3.8 Jan	+3.5 Mar	+1.9	+2.7	7.1 Feb
Austria	+3.0 Q4	+2.3	+2.6	+2.3	+7.9 Jan	+3.2 Feb	+1.6	+2.2	4.1 Feb
Belgium	+2.4 Q4	+2.0	+1.8	+1.8	-1.9 Dec	+4.4 Mar	+1.8	+2.6	10.7 Feb††
France	+2.1 Q4	+1.5	+1.6	+1.6	+2.7 Jan	+2.8 Feb	+1.0	+2.4	7.5 Q4§§
Germany	+1.8 Q4	+1.1	+1.7	+1.7	+7.0 Jan	+3.1 Mar	2.0	+2.3	7.8 Mar
Greece	+3.6 Q4	+2.8	+2.8	+3.3	+1.6 Jan	+4.4 Feb	+2.7	+3.9	8.9 Dec
Italy	+1.9 Q3	+1.7	+0.8	+1.1	+0.5 Jan	+3.3 Mar	+1.7	+2.6	6.0 Q4
Netherlands	+4.5 Q4	+4.8	+2.5	+1.9	+2.0 Jan	+2.2 Mar	+1.8	+2.0	4.1 Feb††
Spain	+3.5 Q4	+3.2	+2.4	+2.1	-0.2 Jan	+4.4 Feb	+2.4	+3.6	9.0 Feb
Czech Republic	+6.6 Q4	+7.0	+4.7	+5.4	+9.3 Jan	+7.5 Feb	+1.5	+6.5	5.9 Feb
Denmark	+2.0 Q4	+1.8	+1.5	+1.6	-1.8 Jan	+3.1 Feb	+1.9	+2.4	2.0 Feb
Hungary	+0.7 Q4	+0.8	+2.5	+3.6	+6.6 Jan	+6.9 Feb	+8.8	+5.7	8.1 Jan††
Norway	+4.7 Q4	+5.2	+2.9	+2.6	-1.4 Jan	+3.7 Feb	+0.8	+3.1	2.3 Jan‡‡
Poland	+6.1 Q4	na	+5.1	+4.3	+14.9 Feb	+4.2 Feb	+1.9	+4.0	11.5 Feb‡‡
Russia	+7.7 Q3	na	+7.0	+6.0	+7.5 Feb	+12.7 Feb	+7.6	+12.5	5.8 Jan‡‡
Sweden	+2.8 Q4	+3.1	+2.4	+2.3	+3.8 Jan	+3.1 Feb	+2.0	+2.8	6.1 Feb‡‡
Switzerland	+3.6 Q4	+4.2	+2.1	+1.7	+9.1 Q4	+2.4 Feb	nil	+1.8	2.5 Feb
Turkey	+3.4 Q4	na	+3.7	+5.4	-0.4 Jan	+9.1 Feb	+10.2	+8.4	10.1 Q4‡‡
Australia	+3.9 Q4	+2.4	+3.0	+3.0	+1.6 Q3	+3.0 Q4	+3.3	+3.3	4.0 Feb
Hong Kong	+6.7 Q4	+6.6	+4.0	+4.6	-0.3 Q4	+6.3 Feb	+0.8	+4.0	3.3 Feb††
India	+8.4 Q4	na	+7.8	+7.2	+5.3 Jan	+5.5 Feb	+7.6	+5.8	7.2 2007
Indonesia	+6.3 Q4	na	+5.9	+6.3	+5.0 Jan	+8.2 Mar	+6.5	+6.8	9.8 Feb 07
Malaysia	+7.3 Q4	na	+5.8	+5.9	+7.0 Jan	+2.7 Feb	+3.1	+2.8	3.1 Q3
Pakistan	+7.0 2007**	na	+5.0	+5.3	-4.1 Dec	+11.3 Feb	+7.4	+9.3	6.2 2006
Singapore	+5.4 Q4	-4.8	+4.4	+4.7	+10.0 Feb	+6.5 Feb	+0.6	+3.3	1.6 Q4
South Korea	+5.5 Q4	+6.3	+4.5	+4.4	+10.1 Feb	+3.9 Mar	+2.2	+2.9	3.0 Feb
Taiwan	+6.4 Q4	na	+4.3	+4.4	+15.2 Feb	+3.9 Feb	-2.2	+2.4	4.0 Feb
Thailand	+5.7 Q4	+7.3	+4.8	+4.3	+14.7 Feb	+5.3 Mar	+2.0	+3.9	0.8 Dec
Argentina	+9.1 Q4	+8.0	+5.7	+4.5	+9.3 Feb	+8.4 Feb	+9.6	+10.9	7.5 Q4‡‡
Brazil	+6.2 Q4	+6.4	+4.3	+4.1	+9.7 Feb	+4.6 Feb	+3.0	+4.7	8.7 Feb‡‡
Chile	+4.0 Q4	+3.7	+4.0	+4.6	+5.7 Feb	+8.1 Feb	+2.7	+5.9	7.3 Feb††‡‡
Colombia	+6.6 Q3	+6.9	+5.0	+4.3	+5.7 Jan	+5.9 Mar	+5.8	+5.7	13.1 Jan‡‡
Mexico	+3.8 Q4	+3.0	+1.9	+2.8	+3.1 Jan	+3.7 Feb	+4.1	+3.9	3.8 Feb‡‡
Venezuela	+8.5 Q4	na	+5.5	+4.6	-2.5 Dec	+25.2 Feb	+20.4	+27.8	6.7 Q4‡‡
Egypt	+8.1 Q4	na	+7.1	+6.8	+7.5 2007**	+12.1 Feb	+12.6	+10.6	9.0 Q4‡‡
Israel	+6.8 Q4	+6.4	+3.5	+4.1	+5.3 Jan	+3.6 Feb	-0.8	-0.8	6.8 Q4
Saudi Arabia	+3.5 2007	na	+6.0	+5.6	na	+8.7 Feb	+3.0	+3.0	na
South Africa	+4.6 Q4	+5.3	+4.1	+4.8	+1.4 Jan	+9.8 Feb	+5.7	+5.7	25.5 Mar 07‡‡

*% change on previous quarter at an annual rate.
†The Economist poll or Economist Intelligence Unit estimate/forecast.definitions.
§RPI Infaltion rate 4.1% in Feb.
**Year ending in June.
††Latest 3 months.
‡‡Not seasonally adjusted.
§§New series.

EXHIBIT 12: Trade, Exchange Rates, Budget Balances and Interest Rates

	Trade Balance	Current account balance		Currency units, per $		Budget Balance	Interest Rates, %	
	latest 12 months, $bn	latest 12 months, $bn	% of GDP 2008†	Apr 2nd	year ago	% of GDP 2008‡	3-month latest	10-year gov't bonds, latest
United States	-819.2 Jan	-738.6 Q4	-4.7	-	-	-2.4	2.08	3.58
Japan	+105.4 Jan	+214.7 Jan	+4.7	103	116	-2.7	0.75	1.37
China	+250.0 Feb	+249.9 2006	+10.4	7.02	7.73	0.2	4.50	4.09
Britain	-177.2 Jan	-115.4 Q4	-4.2	0.50	0.51	-3.2	6.01	4.43
Canada	+44.8 Jan	+12.5 Q4	nil	1.02	1.16	0.3	1.98	3.71
Euro Area	+25.5 Jan	-1.2 Jan	+0.1	0.64	0.75	-1.0	4.74	3.99
Austria	+0.4 Dec	+10.9 Q3	+2.7	0.64	0.75	-0.4	4.74	4.15
Belgium	+15.4 Jan	+2.7 Dec	+1.8	0.64	0.75	-0.5	4.80	4.31
France	-56.3 Jan	-39.6 Jan	-1.6	0.64	0.75	-2.8	4.74	4.17
Germany	+263.5 Jan	+256.7 Jan	+6.2	0.64	0.75	0.8	4.74	3.99
Greece	-57.1 Dec	-48.3 Dec	-12.5	0.64	0.75	-2.7	4.74	4.48
Italy	-14.1 Jan	-51.1 Jan	-2.5	0.64	0.75	-2.8	4.74	4.44
Netherlands	+57.2 Jan	+50.7 Q4	+7.2	0.64	0.75	0.5	4.74	4.20
Spain	-136.6 Jan	-146.0 Dec	-9.2	0.64	0.75	nil	4.74	4.27
Czech Republic	+4.4 Jan	-4.3jan	-3.2	16.1	21.0	-2.6	4.10	4.77
Denmark	+3.4 Jan	+3.3 Jan	+1.2	4.78	5.57	3.6	5.25	4.22
Hungary	-0.2 Jan	-6.9 Q4	-5.9	165	187	.4.1	8.43	8.50
Norway	+63.1 Feb	+64.1 Q4	+15.8	5.15	6.07	17.9	6.12	4.41
Poland	-12.2 Jan	-16.2 Q4	-4.0	2.24	2.91	-1.8	6.20	6.00
Russia	+140.6 Jan	+76.6 Q4	+4.0	23.6	26.0	1.2	10.25	6.43
Sweden	+19.1 Feb	+38.1 Q4	+6.9	6.00	6.99	1.5	3.92	4.01
Switzerland	+11.9 Feb	+69.6 Q3	+15.1	1.01	1.21	0.7	2.85	2.99
Turkey	-65.7 Feb	-38.9 Jan	-7.7	1.29	1.40	-2.9	16.73	6.51‡
Australia	-19.7 Jan	-56.4 Q4	-6.1	1.10	1.24	1.5	7.79	6.17
Hong Kong	-23.9 Jan	+27.4 Q4	+8.8	7.79	7.81	3.1	1.88	2.51
India	-75.0 Feb	-12.8 Q4	-2.0	40.0	43.0	-3.1	7.21	8.28
Indonesia	+40.0 Jan	+11.0 Q4	+2.1	9215	9150	-1.8	8.13	6.66‡
Malaysia	+31.0 Feb	+28.9 Q4	+13.8	3.19	3.46	-3.1	3.62	3.67‡
Pakistan	-16.9 Feb	-8.4 Q4	-7.0	62.8	60.6	-5.3	10.23	8.93‡
Singapore	+34.8 Feb	+39.1 Q4	+23.5	1.38	1.52	1.0	1.31	2.28
South Korea	+6.5 Mar	+0.9 Feb	+0.5	974	939	0.2	5.36	5.16
Taiwan	+15.7 Feb	+31.7 Q4	+5.1	30.4	33.1	-1.6	2.70	2.25
Thailand	+10.5 Feb	+14.3 Feb	+2.6	31.5	35.0	-2.8	3.25	3.96
Argentina	+12.1 Feb	+7.3 Q4	+2.5	3.17	3.11	0.9	11.00	na
Brazil	+34.1 Mar	-4.9 Feb	-0.4	1.73	2.08	-1.8	11.18	6.16‡
Chile	+23.0 Feb	+7.2 Q4	+3.8	436	541	5.4	6.48	3.96‡
Colombia	-0.8 Dec	-5.2 Q3	-4.0	1826	2173	-1.6	9.82	5.63‡
Mexico	-13.3 Feb	-7.4 Q4	-1.4	10.6	11.1	nil	7.44	7.49
Venezuela	+23.7 Q4	+20.0 Q4	+4.7	3.85	4.23§	-2.6	14.36	6.55‡
Egypt	-20.5 Q4	+0.5 Q4	+0.4	5.45	5.70	-7.0	5.73	4.90‡
Israel	-11.0 Feb	+5.0 Q4	+2.2	3.57	4.18	-1.4	3.04	5.19
Saudi Arabia	+146.6 2006	+98.9 2006	+30.8	3.75	3.75	12.8	2.26	na
South Africa	-10.3 Feb	-20.6 Q4	-8.0	7.82	7.38	0.6	11.45	9.02

*Merchandise trade only.
†The Economist poll or Economist Intelligence Unit forecast.
‡Dollar denominated bonds.
§Unofficial exchange rate

EXHIBITS 13 & 14: **Index Tables** (period ending March 31, 2008)

INTERNATIONAL DEVELOPED MARKET PERFORMANCE

	In Local Currency		In US Dollars	
	Q108	YTD	Q108	YTD
REGIONS				
EAFE	-14.88%	-14.88%	-8.82%	-8.82%
EURO	-16.62%	-16.62%	-9.63%	-9.63%
EUROPE	-13.88%	-13.88%	-8.55%	-8.55%
THE WORLD INDEX	-11.79%	-11.79%	-8.95%	-8.95%
PACIFIC	-16.99%	-16.99%	-9.45%	-9.45%
WORLD ex USA	-13.91%	-13.91%	-8.60%	-8.60%
NATIONAL INDICES				
AUSTRALIA	-14.76%	-14.76%	-11.38%	-11.38%
AUSTRIA	-16.85%	-16.85%	-9.88%	-9.88%
BELGIUM	-10.57%	-10.57%	-3.07%	-3.07%
CANADA	-2.25%	-2.25%	-5.98%	-5.98%
DENMARK	-7.40%	-7.40%	0.35%	0.35%
FINLAND	-17.14%	-17.14%	-10.20%	-10.20%
FRANCE	-15.42%	-15.42%	-8.34%	-8.34%
GERMANY	-18.52%	-18.52%	-11.69%	-11.69%
GREECE	-22.33%	-22.33%	-15.83%	-15.83%
HONG KONG	-19.04%	-19.04%	-18.89%	-18.89%
IRELAND	-8.64%	-8.64%	-0.98%	-0.98%
ITALY	-18.54%	-18.54%	-11.72%	-11.72%
JAPAN	-17.81%	-17.81%	-7.75%	-7.75%
NETHERLANDS	-13.75%	-13.75%	-6.52%	-6.52%
NEW ZEALAND	-16.24%	-16.24%	-14.43%	-14.43%
NORWAY	-16.18%	-16.18%	-10.44%	-10.44%
PORTUGAL	-19.87%	-19.87%	-13.16%	-13.16%
SINGAPORE	-11.37%	-11.37%	-7.43%	-7.43%
SINGAPORE FREE	-11.37%	-11.37%	-7.43%	-7.43%
SPAIN	-12.82%	-12.82%	-5.52%	-5.52%
SWEDEN	-11.38%	-11.38%	-3.41%	-3.41%
SWITZERLAND	-14.23%	-14.23%	-1.82%	-1.82%
UNITED KINGDOM	-10.38%	-10.38%	-10.52%	-10.52%

Source: Morgan Stanley Capital International

INTERNATIONAL EMERGING MARKET PERFORMANCE

	In Local Currency		In US Dollars	
	Q108	YTD	Q108	YTD
REGIONS				
EM (EMERGING MARKETS)	-10.94%	-10.94%	-10.92%	-10.92%
EM ASIA	-14.21%	-14.21%	-14.11%	-14.11%
EM EASTERN EUROPE	-12.78%	-12.78%	-10.05%	-10.05%
EM EUROPE	-14.63%	-14.63%	-13.26%	-13.26%
EM EUROPE & MIDDLE EAST	-14.25%	-14.25%	-12.13%	-12.13%
EM LATIN AMERICA	-4.02%	-4.02%	-1.39%	-1.39%
NATIONAL INDICES				
ARGENTINA	7.47%	7.47%	6.92%	6.92%
BRAZIL	-6.68%	-6.68%	-5.00%	-5.00%
CHINA	-23.83%	-23.83%	-23.69%	-23.69%
CHILE	-3.67%	-3.67%	9.80%	9.80%
COLOMBIA	-13.20%	-13.20%	-4.41%	-4.41%
CZECH REPUBLIC	-12.86%	-12.86%	-0.39%	-0.39%
EGYPT	6.66%	6.66%	7.90%	7.90%
HUNGARY	-18.09%	-18.09%	-13.69%	-13.69%
INDIA	-25.68%	-25.68%	-26.99%	-26.99%
INDONESIA	-8.32%	-8.32%	-6.46%	-6.46%
ISRAEL	-12.00%	-12.00%	-4.69%	-4.69%
JORDAN	-1.94%	-1.94%	-1.91%	-1.91%
KOREA	-7.68%	-7.68%	-12.74%	-12.74%
MALAYSIA	-12.30%	-12.30%	-9.33%	-9.33%
MEXICO	2.69%	2.69%	5.07%	5.07%
MOROCCO	24.96%	24.96%	33.83%	33.83%
PAKISTAN	13.30%	13.30%	11.36%	11.36%
PERU	1.91%	1.91%	5.32%	5.32%
PHILIPPINES	-15.95%	-15.95%	-16.95%	-16.95%
POLAND	-13.28%	-13.28%	-3.88%	-3.88%
RUSSIA	-12.31%	-12.31%	-11.51%	-11.51%
SOUTH AFRICA	1.11%	1.11%	-14.96%	-14.96%
SRI LANKA	-4.22%	-4.22%	-3.47%	-3.47%
TAIWAN	-1.39%	-1.39%	5.29%	5.29%
THAILAND	-3.38%	-3.38%	3.37%	3.37%
TURKEY	-29.73%	-29.73%	-38.34%	-38.34%

Source: Morgan Stanley Capital International

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