

EL PASO COUNTY
RETIREMENT PLAN

INVESTMENT PERFORMANCE
EVALUATION REPORT

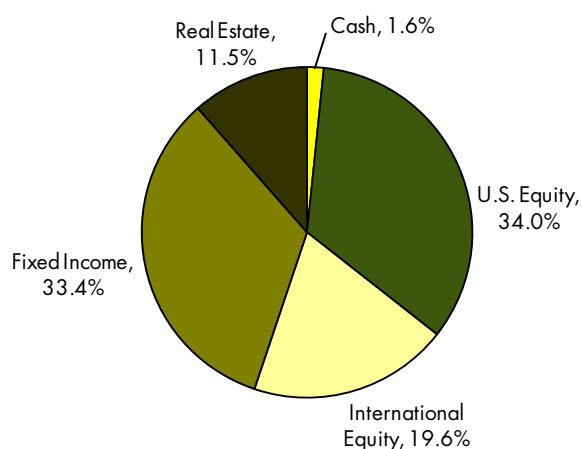
DECEMBER 31, 2008

El Paso County Retirement Plan

Executive Summary

Asset Allocation

\$209,286,693



	% of Total	4th Qtr Return	Benchmark Return	Year Return	Benchmark Return	Ahead of Index
Total Plan	100.0%	-14.7%	-13.8%	-27.3%	-26.5%	
Operating Account	0.9%	...	...	...	...
SSgA Passive Bond	12.9%	4.5%	4.6%	5.3%	5.2%	√
Loomis Sayles	10.1%	-0.2%	4.6%	-10.7%	5.2%	
PIMCO Total Return	10.7%	5.0%	4.6%	...	...
Clarion Lion Properties	6.1%	-15.5%	-11.8%	-12.5%	-11.1%	
Clarion Lion Value Properties	5.4%	-17.1%	-8.3%	-11.8%	-6.5%	
SSgA S&P 500 Flagship	12.9%	-21.9%	-21.9%	...	...
Eaton Vance	7.1%	-21.5%	-22.2%	...	...
Gardner Lewis	5.9%	-32.6%	-22.8%	-49.6%	-38.4%	
Lee Munder	4.6%	-23.3%	-24.9%	-26.0%	-28.9%	√
Roxbury Capital	3.9%	-25.7%	-27.4%	-39.1%	-38.5%	
LSV International	9.4%	-20.3%	-20.0%	-44.0%	-43.4%	
New Star International	10.2%	-19.7%	-20.0%	-43.0%	-43.4%	√

CAPITAL MARKET RETURNS

Fourth Quarter 2008

US EQUITIES	Market	Value	Growth	FIXED INCOME	Total	Excess
S&P 500	-21.9%			Barclays Aggregate	4.6%	-2.8%
Russell Top 200® (Lrg Cap)	-20.6%	-20.2%	-21.0%	T-Bills	0.2%	...
Russell MidCap®	-27.3%	-27.2%	-27.4%	Barclays Intermediate Treasury	6.4%	...
Russell 2000® (Sml Cap)	-26.1%	-24.9%	-27.5%	Barclays Long Treasury	18.7%	...
NON-US EQUITIES						
	US\$	Local	Currency	Barclays US TIPS	-3.5%	...
MSCI AC World	-22.3%	-20.7%	-1.6%	Barclays US Treasury	8.8%	...
MSCI AC World ex U.S.	-22.3%	-19.4%	-2.9%	Barclays US Agency	6.3%	0.4%
MSCI EAFE (net)	-20.0%	-18.5%	-1.4%	Barclays US Mortgage-Backed	4.3%	-1.9%
MSCI Europe	-22.7%	-16.9%	-5.8%	Barclays US Commercial MBS	-13.5%	-20.0%
MSCI Japan	-9.0%	-22.3%	13.3%	Barclays US Asset-Backed	-6.8%	-11.3%
MSCI Pacific ex-Japan	-24.9%	-18.2%	-6.7%	Barclays US Corporate	4.0%	-5.1%
MSCI Emerging Markets	-27.6%	-21.9%	-5.6%	Barclays US High Yield	-17.9%	-23.8%
MSCI EAFE Small Cap	-22.1%	-21.7%	-0.5%	Barclays Majors ex-US	10.1%	-0.8%
MSCI EAFE Value	-19.7%	-18.2%	-1.5%	Barclays Majors ex-US (Hedged)	5.6%	-5.2%
MSCI EAFE Growth	-20.1%	-18.8%	-1.3%	Barclays Emerging Markets	-9.3%	-16.2%
HEDGE FUNDS				REAL ESTATE	NCREIF	NAREIT
HFRI Fund-of-Funds	Composite	Conservative			-8.3%	-38.8%
	-9.3%	-9.9%				

Calendar Year 2008

US EQUITIES	Market	Value	Growth	FIXED INCOME	Total	Excess
S&P 500	-37.0%			Barclays Aggregate	5.2%	-7.1%
Russell Top 200® (Lrg Cap)	-36.1%	-36.1%	-36.1%	T-Bills	1.7%	...
Russell MidCap®	-41.5%	-38.4%	-44.3%	Barclays Intermediate Treasury	11.4%	...
Russell 2000® (Sml Cap)	-33.8%	-28.9%	-38.5%	Barclays Long Treasury	24.0%	...
NON-US EQUITIES						
	US\$	Local	Currency	Barclays US TIPS	-2.4%	...
MSCI AC World	-41.8%	-39.2%	-2.7%	Barclays US Treasury	13.7%	...
MSCI AC World ex U.S.	-45.2%	-40.6%	-4.7%	Barclays US Agency	9.3%	-1.1%
MSCI EAFE (net)	-43.4%	-40.3%	-3.1%	Barclays US Mortgage-Backed	8.3%	-2.3%
MSCI Europe	-46.1%	-38.5%	-7.6%	Barclays US Commercial MBS	-20.5%	-32.7%
MSCI Japan	-29.1%	-42.5%	13.4%	Barclays US Asset-Backed	-12.7%	-22.2%
MSCI Pacific ex-Japan	-50.0%	-41.6%	-8.4%	Barclays US Corporate	-4.9%	-19.9%
MSCI Emerging Markets	-53.2%	-45.7%	-7.4%	Barclays US High Yield	-26.2%	-38.3%
MSCI EAFE Small Cap	-46.8%	-44.7%	-2.1%	Barclays Majors ex-US	11.7%	-4.5%
MSCI EAFE Value	-43.7%	-40.4%	-3.3%	Barclays Majors ex-US (Hedged)	8.1%	-8.1%
MSCI EAFE Growth	-42.5%	-39.5%	-3.0%	Barclays Emerging Markets	-14.8%	-28.4%
HEDGE FUNDS				REAL ESTATE	NCREIF	NAREIT
	Composite	Conservative			-6.5%	-37.7%
	-20.7%	-18.4%				

Sources: Ibbotson Associates, MSCI, Lehman Brothers

Asset Class Periodic Table of Returns
As of December 31, 2008

Dec-98	Dec-99	Dec-00	Dec-01	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Last 10 Years
R1000 G 38.7	Emerging Mkts 66.4	R2000 V 22.8	R2000 V 14.0	Barclays Agg 10.3	Emerging Mkts 56.3	Emerging Mkts 26.0	Emerging Mkts 34.5	Emerging Mkts 32.6	Emerging Mkts 39.8	Barclays Agg 5.2	NCREIF 10.5
EAFE 20.3	R2000 G 43.1	NCREIF 12.3	Barclays Agg 8.4	NCREIF 6.8	R2000 G 48.5	R2000 V 22.3	NCREIF 20.1	EAFE 26.9	NCREIF 15.9	T-Bills 1.7	R2000 V 6.1
NCREIF 16.3	R1000 G 33.2	Barclays Agg 11.6	NCREIF 7.3	T-Bills 1.8	R2000 V 46.0	EAFE 20.7	EAFE 14.0	R2000 V 23.5	R1000 G 11.8	NCREIF -6.5	Barclays Agg 5.6
R1000 V 15.6	EAFE 27.3	R1000 V 7.0	High Yield 5.3	Hedge Funds 1.0	EAFE 39.2	R1000 V 16.5	Hedge Funds 7.5	R1000 V 22.3	EAFE 11.6	Hedge Funds -20.7	Hedge Funds 5.4
Barclays Agg 8.7	Hedge Funds 26.5	T-Bills 6.1	T-Bills 4.4	High Yield -1.4	R1000 V 30.0	NCREIF 14.5	R1000 V 7.1	NCREIF 16.6	Hedge Funds 10.3	High Yield -26.2	T-Bills 3.2
T-Bills 5.4	NCREIF 11.4	Hedge Funds 4.1	Hedge Funds 2.8	Emerging Mkts -6.0	R1000 G 29.8	R2000 G 14.3	R1000 G 5.3	R2000 G 13.4	R2000 G 7.1	R2000 V -28.9	High Yield 2.2
High Yield 1.9	R1000 V 7.4	High Yield -5.9	Emerging Mkts -2.4	R2000 V -11.4	High Yield 29.0	High Yield 11.1	R2000 V 4.7	High Yield 11.9	Barclays Agg 7.0	R1000 V -36.9	R1000 V 1.4
R2000 G 1.2	T-Bills 4.7	EAFE -14.0	R1000 V -5.6	R1000 V -15.5	Hedge Funds 11.6	Hedge Funds 6.9	R2000 G 4.2	Hedge Funds 10.4	T-Bills 4.7	R1000 G -38.4	EAFE 0.8
Hedge Funds -5.1	High Yield 2.4	R1000 G -22.4	R2000 G -9.2	EAFE -15.7	NCREIF 9.0	R1000 G 6.3	T-Bills 3.1	R1000 G 9.1	High Yield 1.9	R2000 G -38.5	R2000 G -0.8
R2000 V -6.5	Barclays Agg -0.8	R2000 G -22.4	R1000 G -20.4	R1000 G -27.9	Barclays Agg 4.1	Barclays Agg 4.3	High Yield 2.7	T-Bills 4.8	R1000 V -0.2	Emerging Mkts -42.5	Emerging Mkts -1.0
Emerging Mkts -25.3	R2000 V -1.5	Emerging Mkts -30.6	EAFE -21.2	R2000 G -30.3	T-Bills 1.1	T-Bills 1.3	Barclays Agg 2.4	Barclays Agg 4.3	R2000 V -9.8	EAFE -43.4	R1000 G -4.3

Asset Allocation
As of December 31, 2008

	Cash & Equiv	Fixed Income	Real Estate	U.S. Stocks	Int'l Stocks	Total	Percent of Total
Operating Account	\$ 1,787,282					\$ 1,787,282	0.9%
SSgA Passive Bond	161	\$ 26,949,444				26,949,606	12.9%
Loomis Sayles	687,905	20,471,594				21,159,499	10.1%
PIMCO Total Return	25	22,424,955				22,424,979	10.7%
Clarion Lion Properties	49,174		\$ 12,767,512			12,816,686	6.1%
Clarion Lion Value Properties	18,942		11,238,771			11,257,713	5.4%
SSgA S&P 500 Flagship	312			\$ 26,915,785		26,916,097	12.9%
Eaton Vance	310,645			14,489,405		14,800,051	7.1%
Gardner Lewis	68,379			12,232,259		12,300,638	5.9%
Lee Munder Investments	311,447			9,398,392		9,709,840	4.6%
Roxbury Capital Management	177,067			8,044,421		8,221,488	3.9%
LSV International					\$ 19,697,373	19,697,373	9.4%
New Star International					21,245,441	21,245,441	10.2%
Total El Paso County	\$ 3,411,341	\$ 69,845,993	\$ 24,006,283	\$ 71,080,262	\$ 40,942,814	\$ 209,286,693	100.0%
Percent of Total	1.6%	33.4%	11.5%	34.0%	19.6%		
Target Allocation		25%	10%	42%	23%		
Allowable Ranges		20-30%	5-15%	37-47%	18-28%		

Growth of Assets As of December 31, 2008

Quarter	Beginning Balance	Net Cash Flow	Fees/ Expenses	Net Investment Return	Ending Balance
Operating Account	\$ 1,840,501	\$ -101,074	\$ -	\$ 47,855	\$ 1,787,282
SSgA Passive Bond	25,784,245	3,904	-3,904	1,165,361	26,949,606
Loomis Sayles	21,225,496	-	-20,852	-45,145	21,159,499
PIMCO Total Return	22,373,132	-1,000,000	-	1,051,847	22,424,979
Clarion Lion Properties	15,228,110	-	-44,240	-2,367,184	12,816,686
Clarion Lion Value Properties	13,622,704	-	-32,766	-2,332,225	11,257,713
SSgA S&P 500 Flagship	34,457,647	2,569	-2,569	-7,541,551	26,916,097
Eaton Vance	18,881,308	-	-28,323	-4,052,935	14,800,051
Gardner Lewis	18,293,923	-	-38,874	-5,954,411	12,300,638
Lee Munder Investments	12,708,251	-	-49,358	-2,949,054	9,709,840
Roxbury Capital Management	11,080,967	-	-20,793	-2,838,686	8,221,488
LSV International	24,793,540	-4,363	-52,229	-5,039,576	19,697,373
New Star International	26,440,881	-	-	-5,195,440	21,245,441
Total El Paso County	\$ 246,730,705	\$ -1,098,963	\$ -293,908	\$ -36,051,142	\$ 209,286,693

Calendar Year 2008	Beginning Balance	Net Cash Flow	Fees/ Expenses	Net Investment Return	Ending Balance
Operating Account	\$ 1,504,814	\$ 56,583	\$ -	\$ 225,885	\$ 1,787,282
SSgA Passive Bond	24,788,224	819,765	-15,802	1,357,419	26,949,606
Loomis Sayles	22,001,610	1,800,564	-87,514	-2,555,162	21,159,499
PIMCO Total Return	-	21,710,350	-	714,630	22,424,979
PIMCO Diversified Income	13,499,622	-13,590,894	-	91,272	-
WAMCO Absolute Return	13,299,800	-13,303,055	-	3,255	-
Clarion Lion Properties	19,686,494	-5,000,000	-199,863	-1,669,945	12,816,686
Clarion Lion Value Properties	12,904,177	-	-146,889	-1,499,575	11,257,713
SSgA Index Plus	39,291,935	-36,249,420	-663	-3,041,853	-
SSgA S&P 500 Flagship	-	39,264,830	-14,748	-12,333,986	26,916,097
Eaton Vance	-	20,913,913	-75,663	-6,038,199	14,800,051
OFI Institutional	21,264,435	-19,701,028	-	-1,563,407	-
Gardner Lewis	24,630,014	-	-183,374	-12,146,002	12,300,638
Lee Munder Investments	13,315,802	-	-188,949	-3,417,014	9,709,840
Roxbury Capital Management	13,612,148	-	-91,438	-5,299,222	8,221,488
LSV International	35,478,706	-4,363	-237,588	-15,539,382	19,697,373
New Star International	37,300,077	-631	-	-16,054,005	21,245,441
Total El Paso County	\$ 292,577,860	\$ -3,283,386	\$ -1,242,490	\$ -78,765,291	\$ 209,286,693

Net investment return includes income plus realized and unrealized gains and losses less investment management fees.

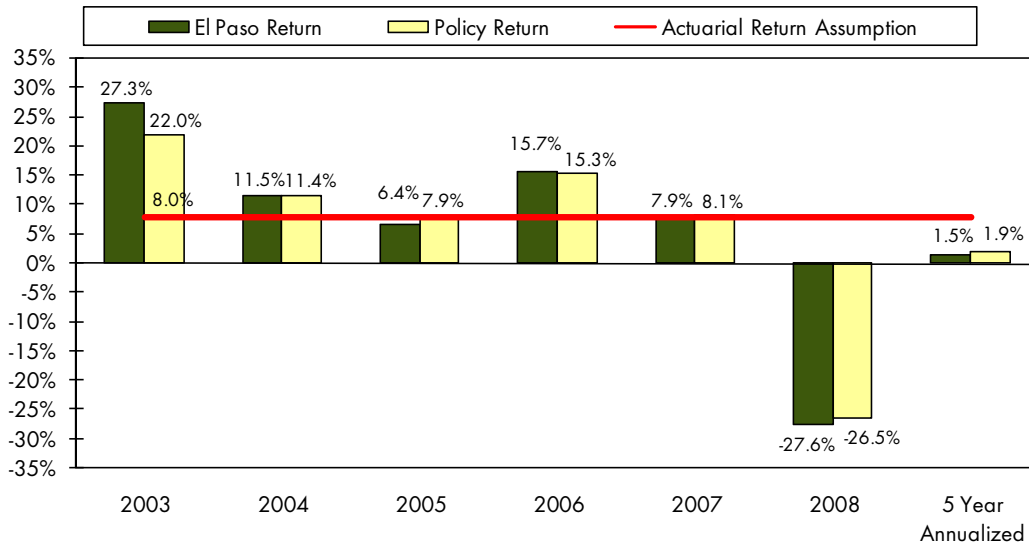
Investment Performance For Periods Ending December 31, 2008

	Quarter	1 Year	3 Years	5 Years	Since Inception	Inception Date
Total Fund (Gross)	-14.7%	-27.3%	-3.2%	1.5%	2.7%	10 Years
Total Fund (Net)	-14.8%	-27.6%	...	...	...
Rank - Public Funds	80	81	63	54	54	
Actuarial Assumption	2.0%	8.0%	8.0%	8.0%	8.0%	
Policy Index ¹	-13.8%	-26.5%	-2.9%	1.9%	2.7%	
Total Fixed Income (Gross)	3.2%	-0.5%	3.4%	3.5%	5.2%	10 Years
Total Fixed Income (Net)	3.2%	-0.6%	...	...	...
Rank - Fixed Income	25	38	...	...	...
Barclays US Aggregate	4.6%	5.2%	5.5%	4.7%	5.6%	
Total Real Estate (Gross)	-16.3%	-12.2%	6.9%	10.2%	10.2%	12/31/03
Total Real Estate (Net)	-16.6%	-13.2%	5.7%	9.0%	9.0%	
Rank - Real Estate	94	68	50	53	...	
NCREIF Property Index	-8.3%	-6.5%	8.1%	11.7%	11.7%	
Total U.S. Equities (Gross)	-24.5%	-38.1%	-9.1%	-2.1%	-0.6%	10 Years
Total U.S. Equities (Net)	-24.6%	-38.4%	...	...	...
Rank - Domestic Equity	64	59	59	65	73	
Russell 3000®	-22.8%	-37.3%	-8.6%	-2.0%	-0.8%	
Total International Equity (Gross)	-20.0%	-43.5%	-7.7%	0.4%	0.2%	10 Years
Total International Equity (Net)	-20.1%	-43.7%	...	...	...
Rank - International Equity	35	31	...	...	...
MSCI EAFE (Net)	-20.0%	-43.4%	-7.4%	1.7%	0.8%	

Periods longer than one year are annualized.

1. Policy Index: 42% Russell 3000®, 23% MSCI EAFE (Net), 25% Barclays US Aggregate, 10% NCREIF Property Index.

El Paso Return Through December 31, 2008

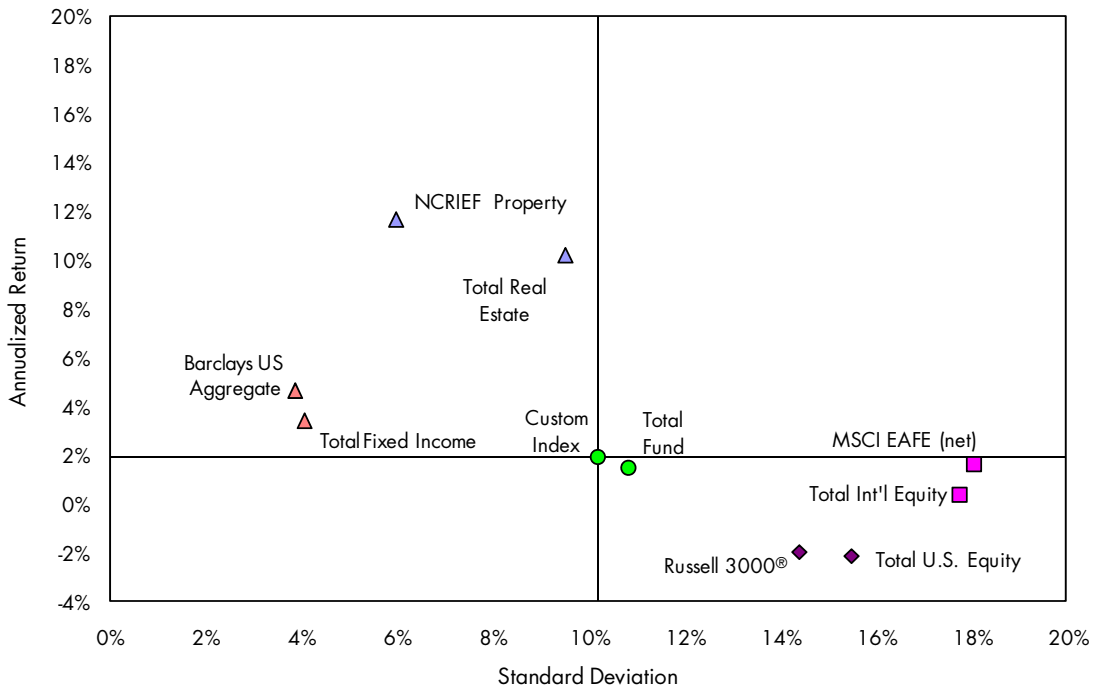


Return vs. Risk

3 Years Ending December 31, 2008



5 Years Ending December 31, 2008



Investment Performance
For Periods Ending December 31, 2008

	Quarter	1 Year	3 Years	5 Years	Since Inception	Inception Date
SSgA Passive Bond (Gross)	4.5%	5.3%	5.5%	4.7%	4.7%	09/30/02
SSgA Passive Bond (Net)	4.5%	5.3%	...	...	...
Rank - Fixed Income	15	8	...	...	...
Barclays US Aggregate	4.6%	5.2%	5.5%	4.7%	4.6%	
Loomis Sayles (Gross)	-0.2%	-10.7%	0.1%	1.5%	5.1%	10 Years
Loomis Sayles (Net)	-0.3%	-11.1%	-0.3%	1.1%	4.3%	
Rank - Fixed Income	54	82	75	74	45	
Barclays US Aggregate	4.6%	5.2%	5.5%	4.7%	5.6%	
PIMCO Total Return (Gross)	5.0%	...	...	...	1.4%	01/31/08
PIMCO Total Return (Net)	5.0%	...	...	...	1.4%	
Rank - Fixed Income	10	...	...	...	...
Barclays US Aggregate	4.6%	...	...	...	3.5%	
Clarion Lion Properties (Gross)	-15.5%	-12.5%	5.7%	9.5%	9.5%	12/31/03
Clarion Lion Properties (Net)	-15.8%	-13.5%	4.5%	8.3%	8.3%	
Rank - Real Estate	94	68	61	61	...	
NCREIF ODCE Equal Weight	-11.8%	-11.1%	6.2%	9.7%	9.7%	
Clarion Lion Value Properties (Gross)	-17.1%	-11.8%	...	...	6.7%	09/30/06
Clarion Lion Value Properties (Net)	-17.4%	-12.8%	...	...	5.4%	
Rank - Real Estate	96	61	...	...	...
NCREIF Property Index	-8.3%	-6.5%	...	...	5.7%	

Periods longer than one year are annualized.

Investment Performance

El Paso County Retirement Plan Executive Summary

For Periods Ending December 31, 2008

	Quarter	1 Year	3 Years	5 Years	Since Inception	Inception Date
SSgA S&P 500 Flagship (Gross)	-21.9%	...	...	...	-32.9%	01/31/08
SSgA S&P 500 Flagship (Net)	-21.9%	...	...	...	-32.9%	
Rank - Large Cap Core	41	...	...	...	...
S&P 500	-21.9%	...	...	...	-33.0%	
Eaton Vance (Gross)	-21.5%	...	...	...	-30.0%	02/29/08
Eaton Vance (Net)	-21.6%	...	...	...	-30.3%	
Rank - Large Cap Value	45	...	...	...	...
Russell 1000® Value	-22.2%	...	...	...	-31.3%	
Gardner Lewis (Gross)	-32.6%	-49.6%	-13.6%	...	-7.0%	03/31/04
Gardner Lewis (Net)	-32.8%	-50.1%	-14.4%	...	-7.7%	
Rank - Large Cap Growth	100	95	89	...	...
Russell 1000® Growth	-22.8%	-38.4%	-9.1%	...	-3.8%	
Lee Munder (Gross)	-23.3%	-26.0%	-3.2%	...	-0.8%	03/31/05
Lee Munder (Net)	-23.6%	-27.1%	...	...	...
Rank - Small Cap Value	41	21	6	...	...
Russell 2000® Value	-24.9%	-28.9%	-7.5%	...	-3.8%	
Roxbury Capital (Gross)	-25.7%	-39.1%	-11.2%	...	-3.6%	04/30/05
Roxbury Capital (Net)	-25.8%	-39.6%	-12.0%	...	-4.4%	
Rank - Small Cap Growth	33	55	73	...	...
Russell 2000® Growth	-27.4%	-38.5%	-9.3%	...	-3.1%	
LSV International (Gross)	-20.3%	-44.0%	-8.0%	...	-2.3%	12/31/04
LSV International (Net)	-20.5%	-44.5%	...	...	...
Rank - International Value	54	54	...	...	...
MSCI EAFE (Net)	-20.0%	-43.4%	-7.4%	...	-2.5%	
New Star International (Gross)	-19.7%	-43.0%	-7.3%	...	-6.1%	09/30/05
New Star International (Net)	-19.7%	-43.0%	
Rank - International Growth	39	42	
MSCI EAFE (Net)	-20.0%	-43.4%	-7.4%	...	-5.7%	

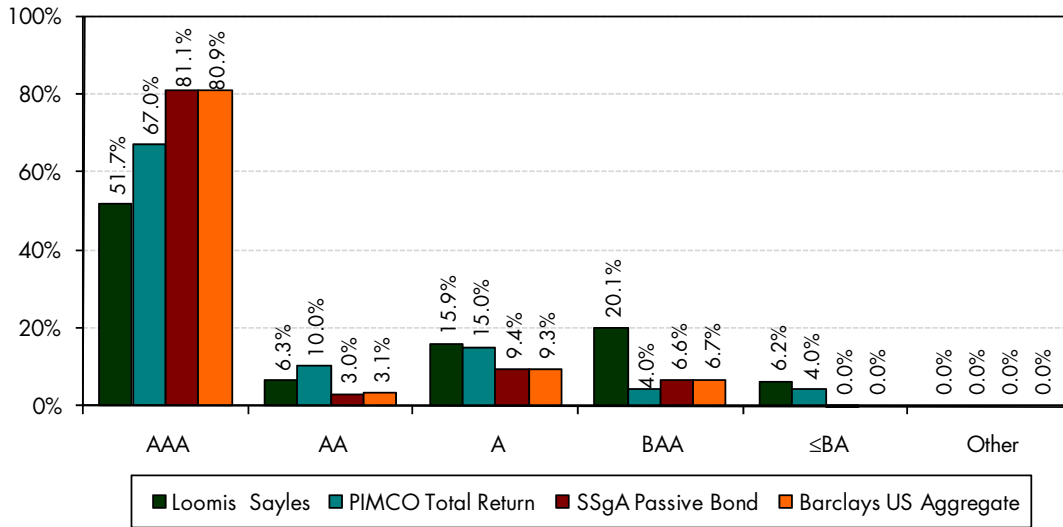
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Fixed Income Characteristics

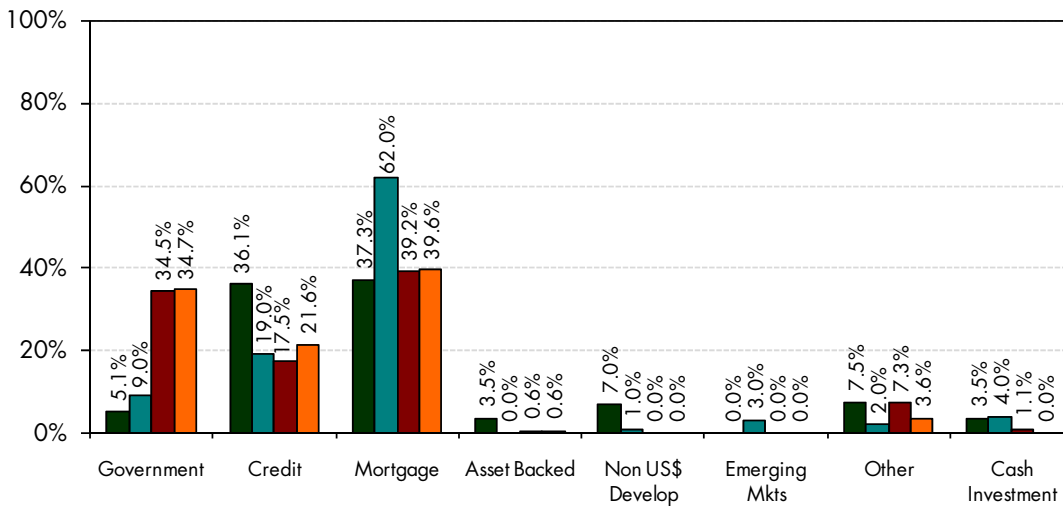
As of December 31, 2008

	Loomis Sayles	PIMCO Total Return	SSgA Passive Bond	Barclays US Aggregate
Effective Duration (years)	4.5	3.4	3.7	3.7
Average Quality	AA3	AA	AA2	AA1
Yield to Maturity	7.9%	6.3%	4.0%	4.0%
Effective Maturity (years)	8.3	3.7	5.4	5.5

Quality Rating Allocation



Sector Allocation

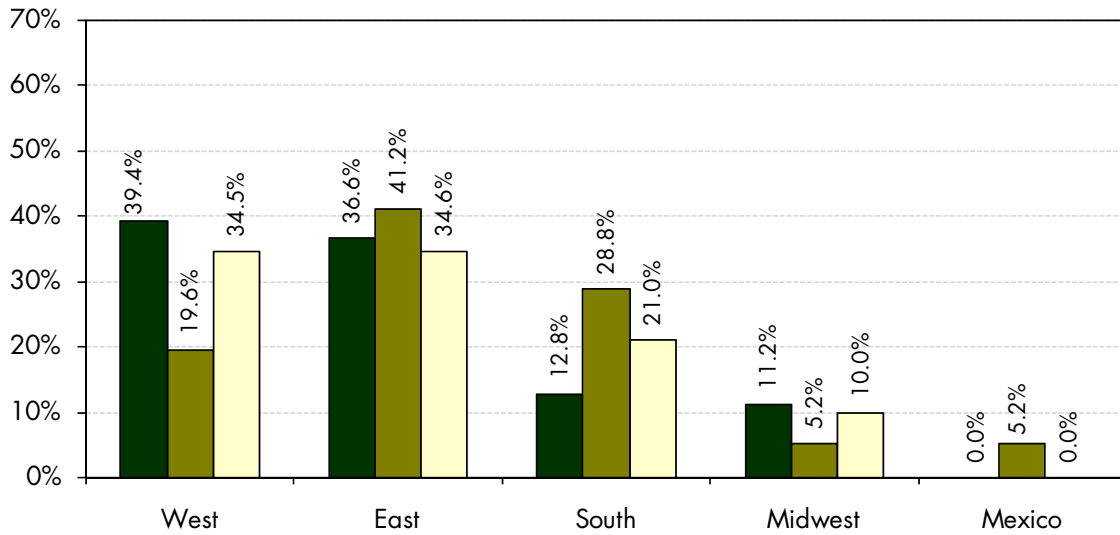


Portfolio Characteristics – Real Estate

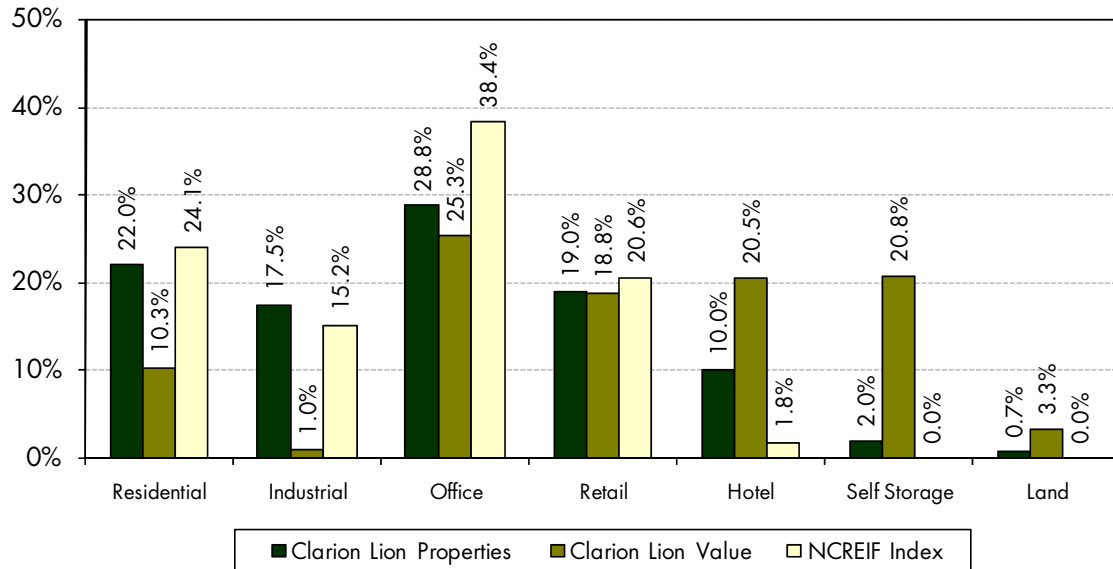
As of December 31, 2008

	Clarion Lion Property	Clarion Lion Value Property
Gross Asset Value	\$5.7 Billion	\$1.1 Billion
Net Asset Value	\$3.4 Billion	\$0.4 Billion
Leverage Ratio	39.4%	57.9%
Number of Investments	155	27
Portfolio Occupancy	91.1%	...
Number of Investors	172	49

By Geographic Region

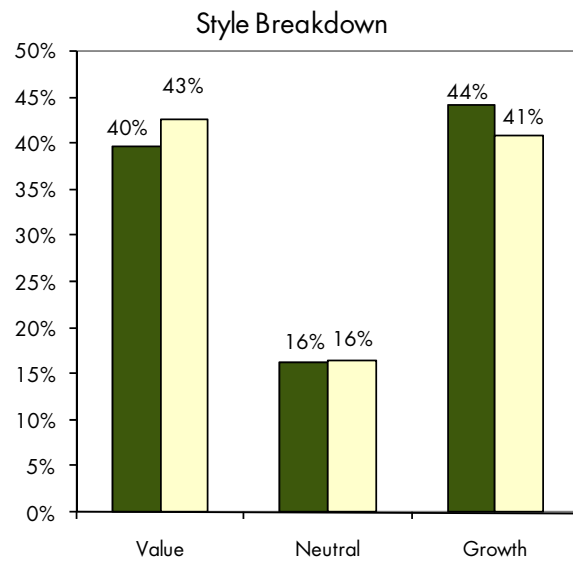
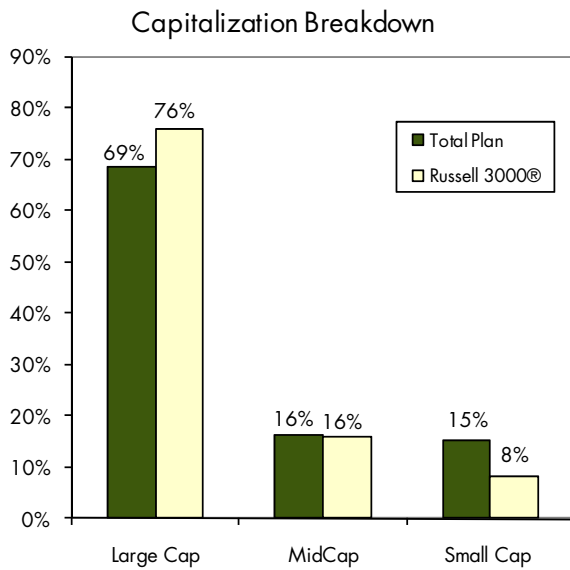
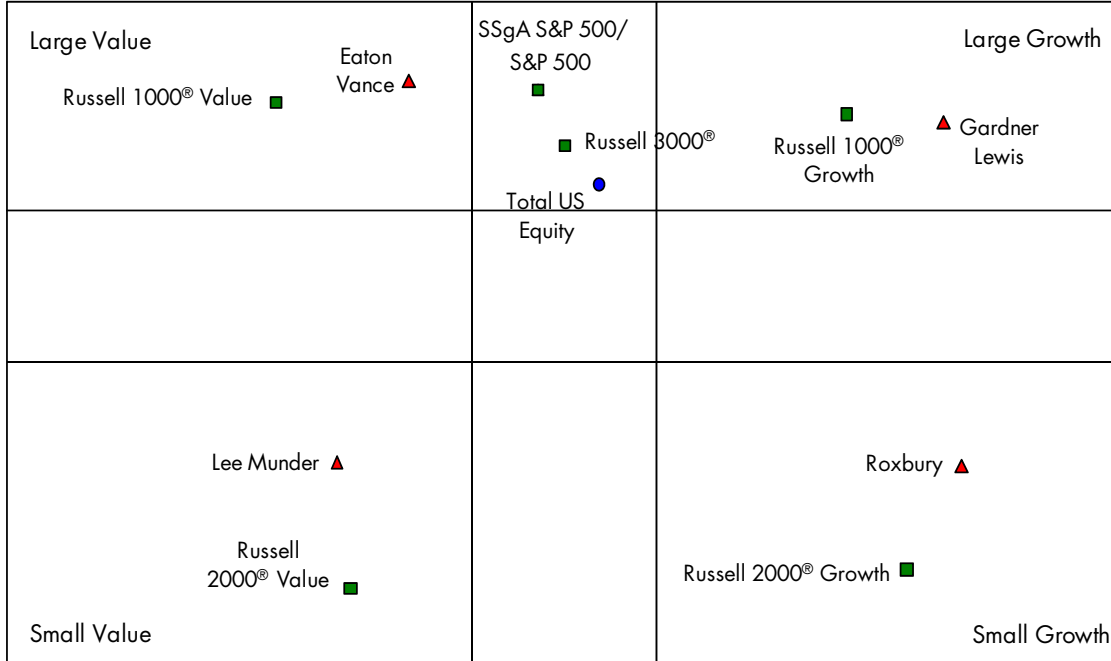


By Property Type



Equity Portfolio Characteristics Equity Style Map

For Periods Ending December 31, 2008

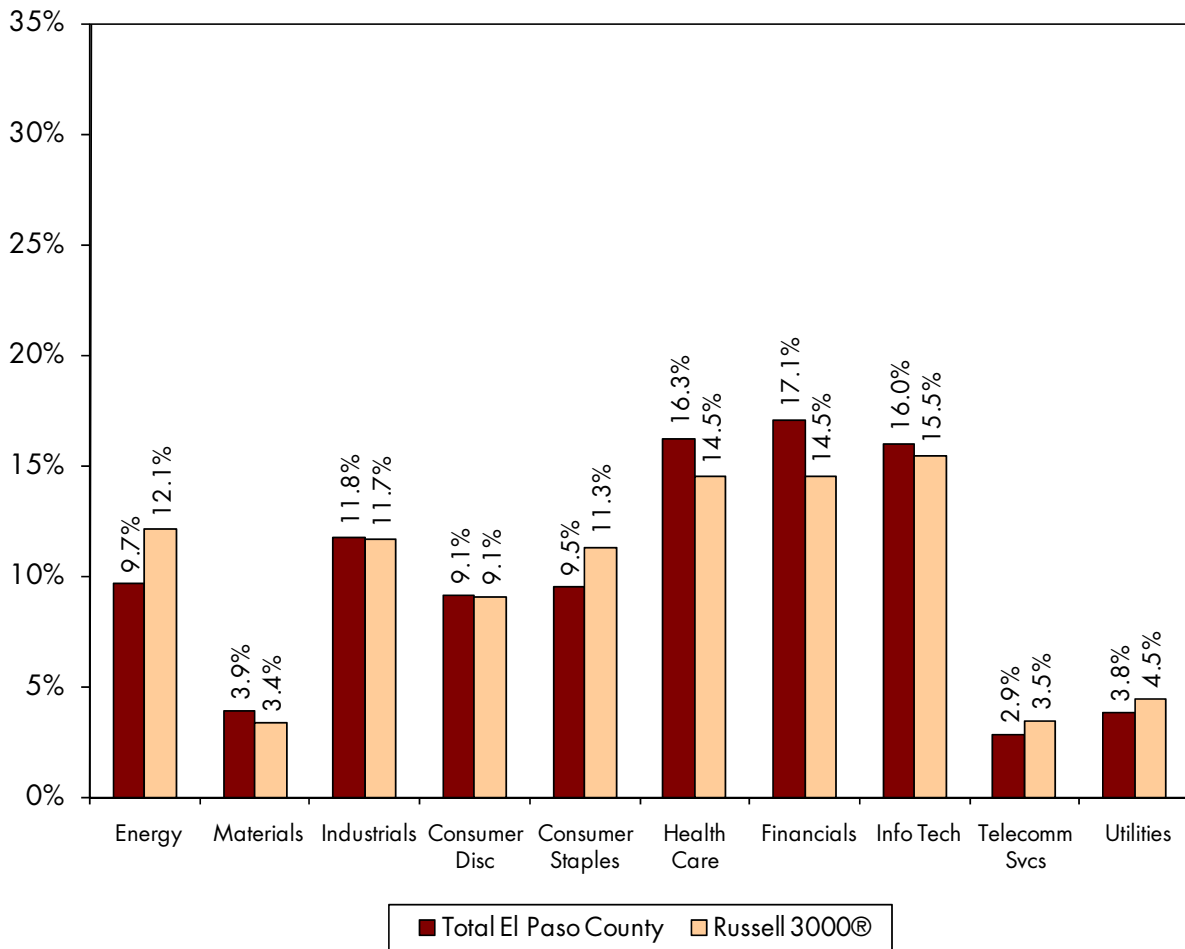


Equity Portfolio Characteristics

As of December 31, 2008

	Total El Paso County	Russell 3000®
# of Stocks	698	2,919
Wghtd Avg Mkt Cap (\$mil)	\$51,510	\$67,015
Median Mkt Cap (\$mil)	\$5,189	\$575
P/E Ratio	12.2	12.1
Dividend Yield	2.4	2.8
5-Yr Earnings Growth	16.0	14.9

Sector Allocation As of December 31, 2008



Equity Portfolio Characteristics

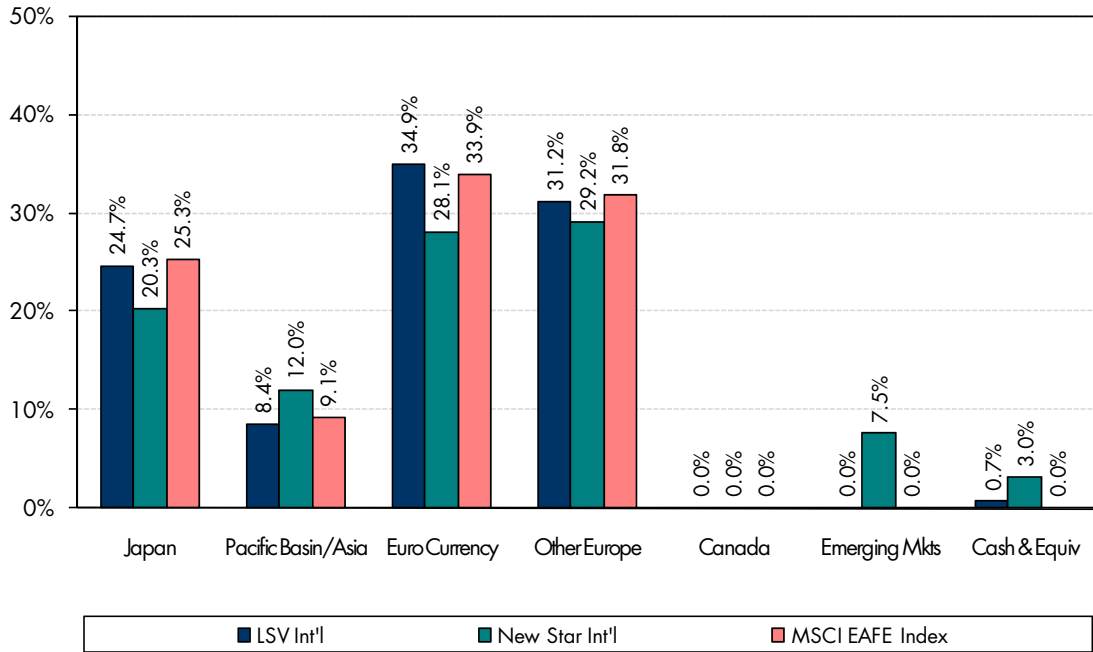
As of December 31, 2008

	SSgA S&P 500	S&P 500	Eaton Vance	Russell 1000® Value	Gardner Lewis	Russell 1000® Growth
# of Stocks	503	500	71	650	47	643
Wghtd Avg Mkt Cap (\$000)	\$79,056	\$79,477	\$71,672	\$87,769	\$37,842	\$57,290
Median Mkt Cap (\$000)	\$6,442	\$6,428	\$26,704	\$2,753	\$15,877	\$3,374
P/E Ratio	11.6	11.6	11.0	11.0	12.4	12.5
Dividend Yield	3.0	3.0	3.1	3.8	1.4	1.9
5-Yr Earnings Growth	15.3	16.2	18.6	14.7	20.9	16.1
Sectors:						
<i>Energy</i>	13.3%	13.3%	13.9%	17.2%	5.0%	8.3%
<i>Materials</i>	3.0%	3.0%	2.4%	3.0%	5.6%	3.7%
<i>Industrials</i>	11.1%	11.1%	11.4%	9.0%	7.1%	13.4%
<i>Consumer Discretionary</i>	8.4%	8.4%	8.5%	8.1%	9.6%	9.7%
<i>Consumer Staples</i>	12.9%	12.9%	11.6%	9.5%	3.3%	14.4%
<i>Health Care</i>	14.8%	14.8%	13.0%	13.3%	25.1%	15.7%
<i>Financials</i>	13.2%	13.3%	23.0%	23.7%	14.1%	3.8%
<i>Information Technology</i>	15.3%	15.3%	4.9%	2.7%	30.2%	28.3%
<i>Telecomm. Services</i>	3.8%	3.8%	5.5%	6.5%	0.0%	0.7%
<i>Utilities</i>	4.2%	4.2%	5.8%	6.9%	0.0%	2.0%

	Lee Munder Investments	Russell 2000® Value	Roxbury Capital	Russell 2000® Growth
# of Stocks	109	1,293	86	1,197
Wghtd Avg Mkt Cap (\$000)	\$1,369	\$852	\$1,463	\$913
Median Mkt Cap (\$000)	\$913	\$315	\$1,168	\$319
P/E Ratio	12.9	18.1	16.9	22.4
Dividend Yield	2.4	2.8	0.4	0.8
5-Yr Earnings Growth	8.3	7.6	15.2	12.1
Sectors:				
<i>Energy</i>	2.2%	2.5%	5.6%	6.6%
<i>Materials</i>	9.0%	4.5%	1.3%	2.8%
<i>Industrials</i>	15.5%	14.5%	17.3%	19.4%
<i>Consumer Discretionary</i>	6.4%	9.6%	15.2%	12.4%
<i>Consumer Staples</i>	11.0%	4.7%	2.2%	3.2%
<i>Health Care</i>	5.0%	5.3%	26.9%	26.4%
<i>Financials</i>	29.6%	39.6%	9.1%	5.6%
<i>Information Technology</i>	13.4%	10.8%	19.9%	21.4%
<i>Telecomm. Services</i>	0.0%	0.9%	2.5%	1.4%
<i>Utilities</i>	7.8%	7.6%	0.0%	0.9%

International Equity Portfolio Characteristics

Country Allocation as of December 31, 2008

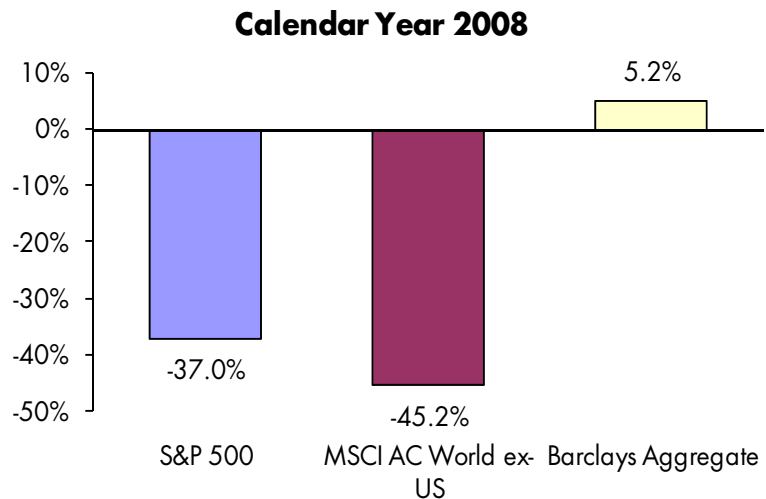


Sector Allocation as of December 31, 2008

	LSV International	New Star International	MSCI EAFE	Total International
# of Stocks	196	84	989	261
Wghtd Avg Mkt Cap (\$000)	\$33,541	\$50,177	\$41,549	\$42,181
Median Mkt Cap (\$000)	\$3,441	\$18,948	\$4,553	\$6,362
P/E Ratio	6.7	8.8	8.7	7.6
Dividend Yield	6.7	4.5	4.9	5.6
4-Yr Earnings Growth	19.4	25.9	21.4	22.8
Sectors:				
<i>Energy</i>	12.6%	13.1%	8.5%	12.9%
<i>Materials</i>	12.2%	5.2%	7.8%	8.5%
<i>Industrials</i>	12.3%	8.1%	11.6%	10.1%
<i>Consumer Discretionary</i>	11.1%	6.6%	9.6%	8.8%
<i>Consumer Staples</i>	4.7%	7.5%	10.3%	6.2%
<i>Health Care</i>	8.0%	14.4%	9.8%	11.4%
<i>Financials</i>	22.1%	20.2%	22.6%	21.1%
<i>Information Technology</i>	4.3%	8.2%	5.1%	6.3%
<i>Telecomm. Services</i>	9.0%	11.3%	7.0%	10.2%
<i>Utilities</i>	3.7%	5.4%	7.7%	4.6%

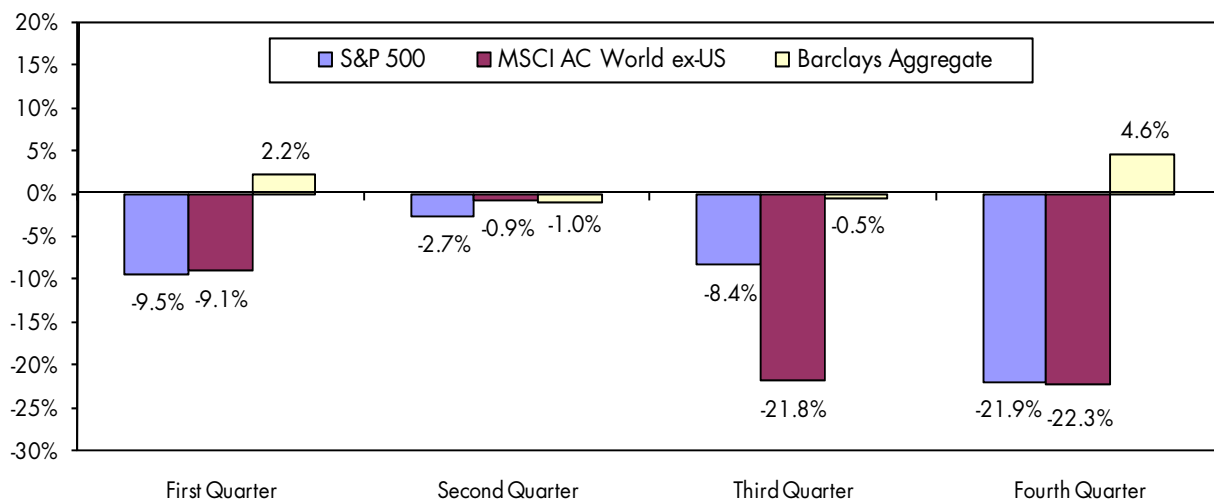
Capital Markets

2008 represented one of the most challenging years since the 1930's. Capital markets were beset by several issues throughout the year, culminating in frozen credit markets, massive government intervention and concerns about severe global recession. Markets reacted accordingly, as global equities across all styles, regions and sizes lost significant value. As evidence, the S&P 500 suffered its worst calendar year performance since 1931.



Source: Ibbotson Associates

Though the Barclay's Aggregate fixed income index was positive in 2008, the top line number obscures the fact that all sectors not backed by the US government sold off dramatically. Corporate and securitized bonds produced dramatically negative results and were characterized by significantly higher spreads, perhaps best illustrated by spread levels on Investment Grade Securities at wider levels than at any time since the Great Depression.



Source: Ibbotson Associates

U.S. Equity Markets

S&P 500 Price Index: Calendar Year 2008



Source: Standard & Poor's

The S&P 500 lost 21.9% during the 4th quarter, representing the worst quarterly performance since 1987 and 6th worst since 1927. Previous commentaries that discussed the degree of volatility experienced during the first three quarters of 2008 seem somewhat quaint in light of S&P 500 market performance during the 4th quarter. A manager with which Watershed works calculated that there were 44 days of greater than 5% intra-day moves during the year (24 during the 4th quarter alone). When

compared to 34 observations of similar magnitude from 1950 – 2007, the daily volatility of 2008 was simply stunning.

There have been six calendar years over the past 30 (chosen to coincide with the inception of the Russell Indices below) in which the S&P 500 was negative. 2008 not only represented the worst year over that time period, but also the lowest amount of performance dispersion across size and style metrics.

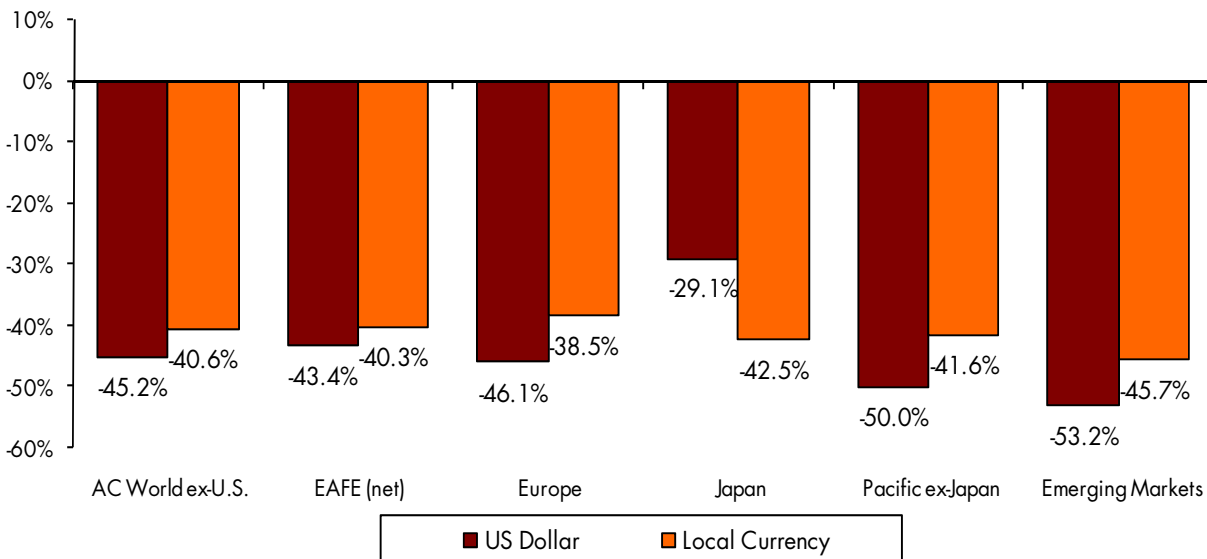
Russell Indexes: Calendar Year 2008



Source: Ibbotson Associates

International Equity Markets

MSCI Indexes: Calendar Year 2008

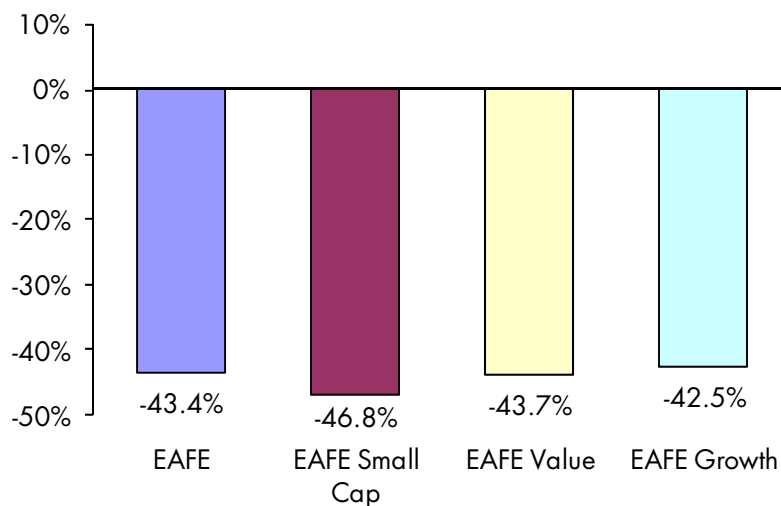


Source: MSCI

International markets exhibited very similar performance characteristics to those of the US markets, notably extreme negative absolute performance and limited performance dispersion. 2008 represented the worst since-inception calendar year performance across indices above, save for Japan (which occurred in 1990 on the heels of a pronounced equity and real estate bubble). The graph above highlights that all regions above except for Japan experienced currency devaluation relative to the US Dollar. A general “flight to quality” and interest rate expectations drove USD strength relative to all other currencies, save for Yen.

There was very little performance dispersion by size and style (Value versus Growth) in Developed International markets.

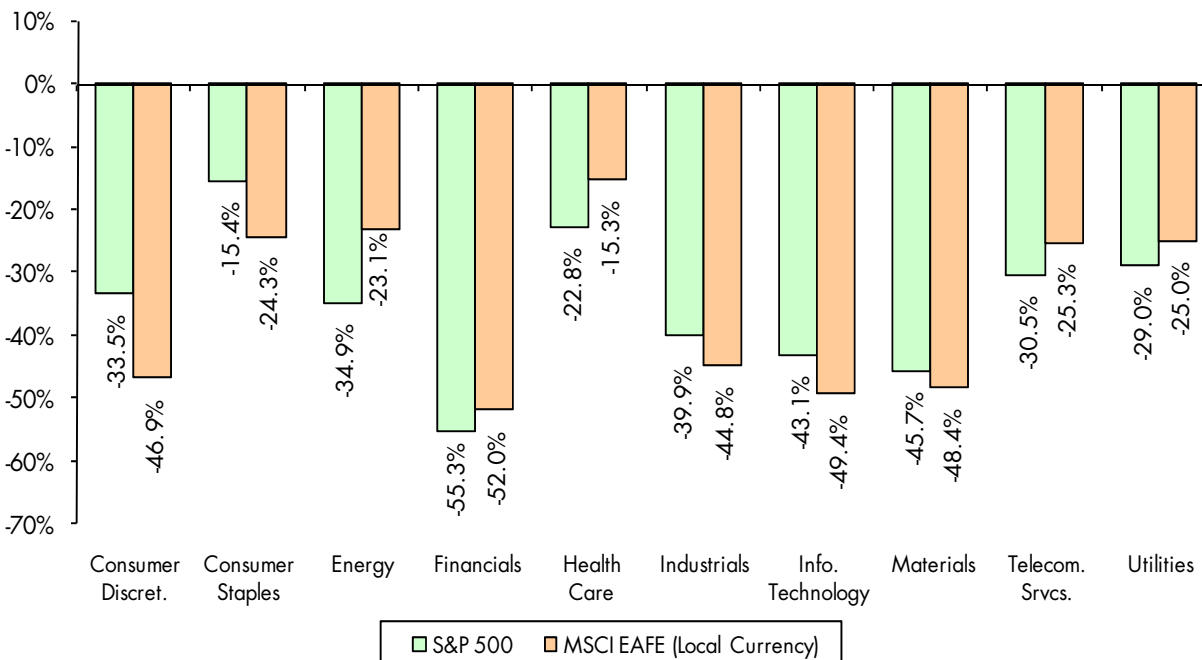
**MSCI Indexes: Calendar Year 2008
(Returns in US Dollars)**



Source: MSCI

Sector Performance

Sector Performance: Calendar Year 2008



Though select sectors held up well early in 2008, all depreciated in value during the 4th quarter, with nine of 10 S&P 500 sectors down more than 10% during the quarter. In evaluating calendar year 2008, a few observations are evident:

Sectors globally performed comparably, reflecting the degree of stress evident in markets across regions (we will refrain from using the term “dispersion” again).

Markets globally began to reflect a typical “recessionary trade”. Sectors deemed as defensive (Consumer Staples, Health Care and Utilities) performed better on a relative basis than more cyclically sensitive sectors (Consumer Discretionary, Energy, Industrials, IT and Materials).

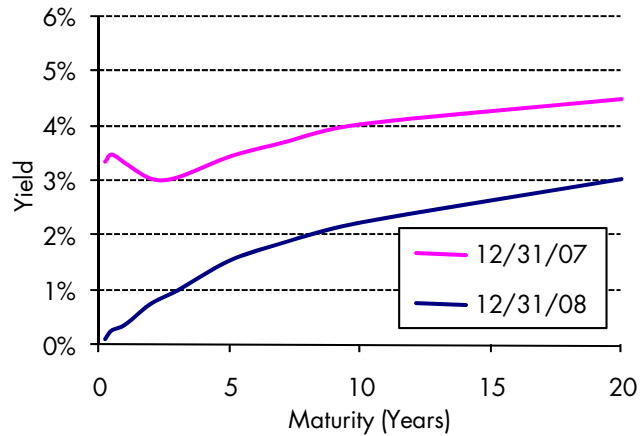
The graph above masks intra-year volatility among several sectors. Four sectors within the S&P 500 and EAFE indices were positive as of 6/30/08, including Energy, Materials, IT and Utilities. Energy in particular sold off dramatically during the second half of the year, depreciating by almost 50% in the US and 30% Internationally.

Financials, not surprisingly, was the worst performing sector both within the US and Internationally. Of nine S&P 500 companies that lost more than 90%, eight were Financials.

Fixed Income Markets

Though negative absolute performance was generally less severe than in equity markets, nowhere were the stresses of the investment climate more evident than across the fixed income landscape. Investors bid up Treasuries dramatically during the year, pushing yields down across the curve, particularly for shorter-dated maturities. It is interesting to note that 1 Month Treasury yields are near zero. Indeed investors are currently willing to accept negative real yields in exchange for the relative safety of Treasury securities.

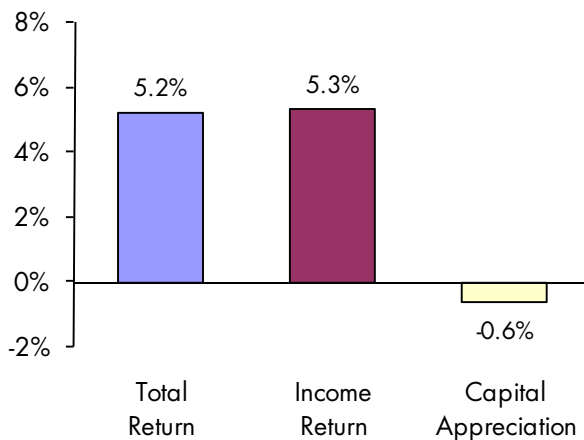
Treasury Yield Curve



Source: US Treasury Department

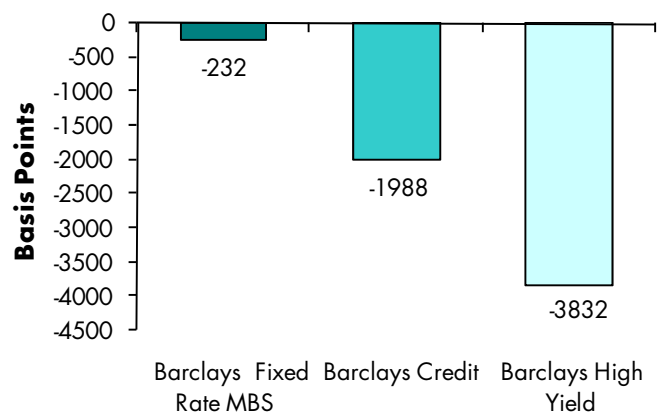
The story for fixed income was relatively simple. All sectors that did not have explicit or implicit guarantees by the the US Government exhibited negative returns, whereas all that did were positive in 2008. Credit and securitized markets were severely impacted during 2008. Spreads on credit widened to historically high levels, with the Barclay's High Yield Bond index experiencing worst since inception calendar year performance. Securitized markets experienced similar negative performance, particularly in real-estate related sectors. The commerical mortgage-backed securities market experienced historic depreciation, losing 20.5%, whereas the home equity component of the asset-backed securities market lost 24.0%.

Barclays Aggregate Bond Index: Calendar Year 2008



Source: Ibbotson Associates

Excess Returns over Treasuries: Calendar Year 2008

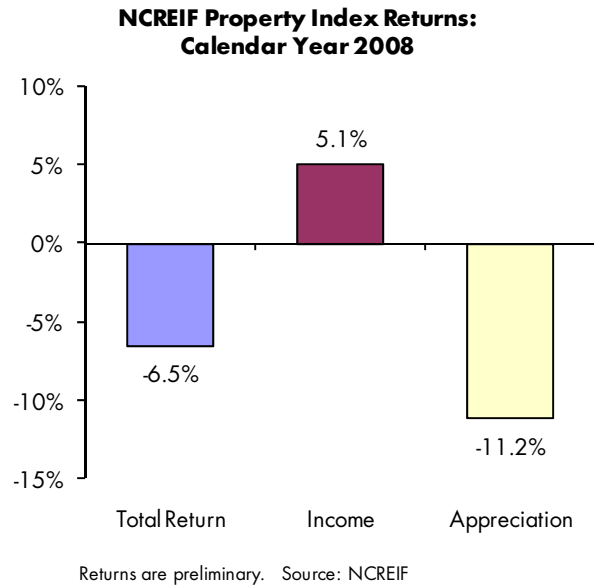


Source: Lehman Brothers

Real Estate Markets

Private commercial real estate, measured by the NCREIF Property Index (National Council of Real Estate Investment Fiduciaries) produced the worst quarter since the beginning of the index in 1978. For the quarter the return was -8.3% and for the year was -6.5%.

All property type and all regions experienced severe value depreciation as capital market adjustments were made to carrying values. With the slowdown in the economy continuing, the Hotel sector experienced the biggest downdraft followed by the economically sensitive Office sector. While retail showed the least depreciation in values, most real estate experts are expecting the sector to be among the worst performing for 2009 as more and more retail stores close. Net operating income growth is slowing and is expected to become negative in 2009 as vacancies start to rise. The corollary is that income yields are increasing as cap rates are rising. The highest quality properties with the best locations are holding value better than lower quality secondary and tertiary located properties.



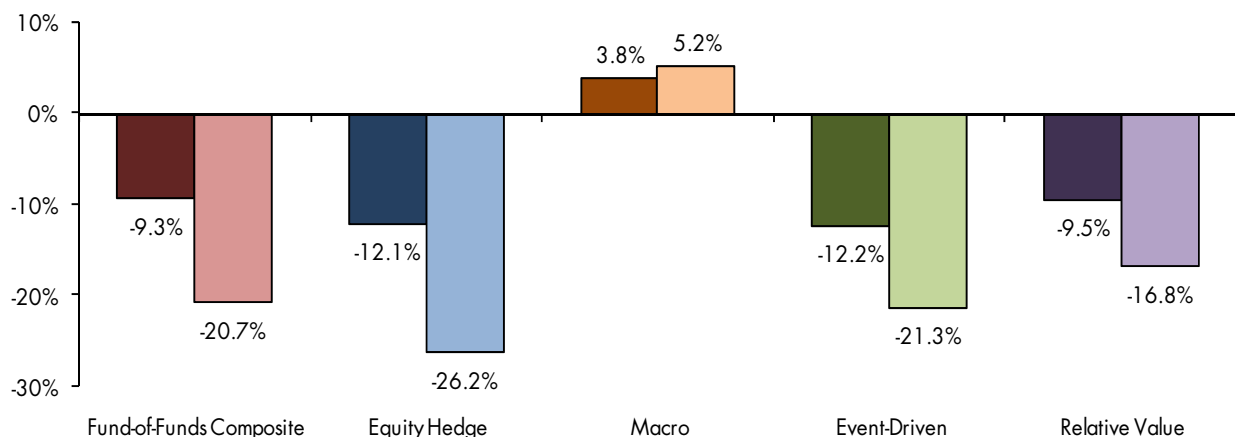
NPI Property Type & Regional Returns: Calendar Year 2008



Returns are preliminary. Source: NCREIF

Hedge Funds Markets

Hedge Fund Research Index Returns: Fourth Quarter & Calendar 2008



Returns are preliminary. Source: Hedge Fund Research

Hedge fund performance was largely negative during both the 4th quarter and 2008, as all strategies except for Global Macro lost value. 2008 represented the worst calendar year return since inception (1990) for the Fund of Funds Composite, and the 4th quarter represented third-worst since inception quarterly performance (the worst being 3rd quarter, 2008).

Hedge managers tend to employ fundamental approaches, none of which worked in the 4th quarter. The lone exception to the fundamental approach is Macro, which includes top-down and trend-following strategies. Dramatic trends developed across all markets, allowing trend-following models to perform well.

Deleveraging introduced several technical pressures across the Event Driven and Relative Value spaces. Problems manifested themselves across markets as investors generally sold more liquid and more senior securities to raise capital. These pressures were most evident in bank loans and convertible bonds, both of which sold off by multiples of previous worst draw-downs.

Shorting-selling (prevalent in all strategies above) was disappointing across all strategies. The causes were numerous, including significant concentration in crowded trades, global short-selling bans, and basis risk between cash and derivative securities (cash securities losing more value than their derivative counterparts).

Capital Markets: Trailing Period Returns

Index	Periods Ending December 31, 2008					
	Quarter	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
US Equities						
S&P 500	-21.9%	-37.0%	-37.0%	-8.4%	-2.2%	-1.4%
Russell 3000 [®]	-22.8%	-37.3%	-37.3%	-8.6%	-2.0%	-0.8%
Russell Top 200 [®] (Large Cap)	-20.6%	-36.1%	-36.1%	-7.9%	-2.6%	-2.5%
Russell MidCap [®]	-27.3%	-41.5%	-41.5%	-10.7%	-0.7%	3.2%
Russell 2000 [®] (Small Cap)	-26.1%	-33.8%	-33.8%	-8.3%	-0.9%	3.0%
Russell 1000 [®] Value	-22.2%	-36.9%	-36.9%	-8.3%	-0.8%	1.4%
Russell 1000 [®] Growth	-22.8%	-38.4%	-38.4%	-9.1%	-3.4%	-4.3%
Russell 2000 [®] Value	-24.9%	-28.9%	-28.9%	-7.5%	0.3%	6.1%
Russell 2000 [®] Growth	-27.5%	-38.5%	-38.5%	-9.3%	-2.4%	-0.8%
Non-US Equities (In US dollars)						
MSCI AC World ex. U.S.	-22.3%	-45.2%	-45.2%	-6.6%	3.0%	2.3%
MSCI EAFE (net)	-20.0%	-43.4%	-43.4%	-7.4%	1.7%	0.8%
MSCI Europe	-22.7%	-46.1%	-46.1%	-6.1%	2.0%	0.8%
MSCI Japan	-9.1%	-30.5%	-30.5%	-11.6%	-0.3%	-0.5%
MSCI Pacific ex Japan	-24.9%	-50.0%	-50.0%	-4.3%	5.5%	7.1%
MSCI Emerging Markets	-20.1%	-42.5%	-42.5%	-6.2%	1.8%	-1.0%
MSCI EAFE Value	-19.7%	-43.7%	-43.7%	-7.7%	2.3%	3.2%
MSCI EAFE Growth	-27.6%	-53.2%	-53.2%	-4.6%	8.0%	9.3%
Fixed Income						
Barclays Aggregate Bond	4.6%	5.2%	5.2%	5.5%	4.7%	5.6%
30-Day Treasury Bills	0.2%	1.7%	1.7%	3.7%	3.1%	3.2%
Citigroup 1-10 Yr Treasury	6.5%	11.4%	11.4%	7.9%	5.4%	5.7%
Citigroup 10+ Yr Treasury	18.7%	24.2%	24.2%	11.6%	9.8%	8.1%
Merrill Lynch TIPS	-2.5%	-1.1%	-1.1%	3.5%	4.3%	7.0%
Barclays Government	8.1%	12.4%	12.4%	8.1%	6.1%	6.2%
Barclays Credit	4.0%	-3.1%	-3.1%	2.0%	2.7%	4.9%
Barclays Mortgage	4.3%	8.3%	8.3%	6.8%	5.5%	6.0%
Barclays High Yield	-17.9%	-26.2%	-26.2%	-5.6%	-0.8%	2.2%
Citigroup Non-US Gvt	8.8%	10.1%	10.1%	9.5%	6.0%	5.6%
Citigroup Non-US Gvt (Hedged)	5.5%	8.0%	8.0%	5.3%	5.4%	5.4%
JPM Emerging Mkt Debt+	-4.8%	-9.7%	-9.7%	2.0%	5.8%	10.9%
Real Estate						
NAREIT Equity	-38.8%	-37.7%	-37.7%	-10.8%	0.9%	7.4%
NCREIF Property	-8.3%	-6.5%	-6.5%	8.1%	11.7%	10.5%
Hedge Funds						
HFRI FoF Composite	-9.3%	-20.7%	-20.7%	-1.2%	2.1%	5.4%
HFRI FoF Conservative	-9.9%	-18.4%	-18.4%	-1.4%	1.3%	4.6%
Inflation (CPI-U)	-3.9%	0.1%	0.1%	2.2%	2.7%	2.5%

Periods longer than one year are annualized.

Source: Ibbotson Associates

Capital Markets: Calendar Year Returns

Index	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
US Equities										
S&P 500	-37.0%	5.5%	15.8%	4.9%	10.9%	28.7%	-22.1%	-11.9%	-9.1%	21.0%
Russell 3000®	-37.3%	5.1%	15.7%	6.1%	12.0%	31.1%	-21.5%	-11.5%	-7.5%	20.9%
Russell Top 200® (Large Cap)	-36.1%	5.9%	15.5%	3.8%	8.3%	26.7%	-23.4%	-14.6%	-12.1%	21.8%
Russell MidCap®	-41.5%	5.6%	15.3%	12.7%	20.2%	40.1%	-16.2%	-5.6%	8.3%	18.2%
Russell 2000® (Small Cap)	-33.8%	-1.6%	18.4%	4.6%	18.3%	47.3%	-20.5%	2.5%	-3.0%	21.3%
Russell 1000® Value	-36.9%	-0.2%	22.2%	7.1%	16.5%	30.0%	-15.5%	-5.6%	7.0%	7.4%
Russell 1000® Growth	-38.4%	11.8%	9.1%	5.3%	6.3%	29.8%	-27.9%	-20.4%	-22.4%	33.2%
Russell 2000® Value	-28.9%	-9.8%	23.5%	4.7%	22.3%	46.0%	-11.4%	14.0%	22.8%	-1.5%
Russell 2000® Growth	-38.5%	7.1%	13.3%	4.2%	14.3%	48.5%	-30.3%	-9.2%	-22.4%	43.1%
Non-US Equities (In US dollars)										
MSCI AC World ex. U.S.	-45.2%	17.1%	27.2%	17.1%	21.4%	41.4%	-14.7%	-19.5%	-15.1%	30.9%
MSCI EAFE (net)	-43.4%	11.2%	26.3%	13.5%	20.3%	38.6%	-15.9%	-21.4%	-14.2%	27.0%
MSCI Europe	-46.1%	14.4%	34.4%	9.9%	21.4%	39.1%	-18.1%	-19.6%	-8.1%	16.2%
MSCI Japan	-30.5%	-5.6%	6.2%	25.6%	16.2%	36.0%	-9.8%	-29.5%	-28.3%	63.1%
MSCI Pacific ex Japan	-50.0%	31.7%	33.2%	14.8%	29.6%	47.0%	-5.8%	-9.4%	-15.2%	43.2%
MSCI Emerging Markets	-42.5%	39.8%	32.6%	34.5%	26.0%	56.3%	-6.0%	-2.4%	-30.6%	66.4%
MSCI EAFE Value	-43.7%	6.5%	31.1%	14.4%	24.9%	46.0%	-15.6%	-18.2%	-2.8%	24.5%
MSCI EAFE Growth	-53.2%	16.8%	22.7%	13.6%	16.5%	32.5%	-15.8%	-24.4%	-24.4%	29.7%
Fixed Income										
Barclays Aggregate Bond	5.2%	7.0%	4.3%	2.4%	4.3%	4.1%	10.3%	8.4%	11.6%	-0.8%
30-Day Treasury Bills	1.7%	4.7%	4.8%	3.0%	1.2%	1.0%	1.7%	3.8%	5.9%	4.7%
Citigroup 1-10 Yr Treasury	11.4%	8.8%	3.5%	1.6%	2.0%	2.1%	9.2%	8.1%	10.2%	0.5%
Citigroup 10+ Yr Treasury	24.2%	9.9%	1.9%	6.5%	7.7%	2.5%	16.7%	4.2%	20.3%	-8.7%
Merrill Lynch TIPS	-1.1%	11.6%	0.5%	2.8%	8.5%	8.3%	17.0%	8.0%	13.2%	2.5%
Barclays Government	12.4%	8.7%	3.5%	2.6%	3.5%	2.4%	11.5%	7.2%	13.2%	-2.3%
Barclays Credit	-3.1%	5.1%	4.3%	2.0%	5.3%	7.7%	10.5%	10.4%	9.4%	-1.9%
Barclays Mortgage	8.3%	6.9%	5.2%	2.6%	4.7%	3.1%	8.7%	8.2%	11.2%	1.9%
Barclays High Yield	-26.2%	1.9%	11.9%	2.7%	11.1%	29.0%	-1.4%	5.3%	-5.9%	2.4%
Citigroup Non-US Gvt	10.1%	11.5%	6.9%	-9.2%	12.1%	18.5%	22.0%	-3.5%	-2.6%	-5.1%
Citigroup Non-US Gvt (Hedged)	8.0%	4.9%	3.1%	5.7%	5.2%	1.9%	6.9%	6.1%	9.6%	2.9%
JPM Emerging Mkt Debt+	-9.7%	6.5%	10.5%	11.9%	11.8%	28.8%	14.2%	-0.8%	15.6%	26.0%
Real Estate										
NAREIT Equity	-37.7%	-15.7%	35.1%	12.2%	31.6%	37.1%	3.8%	13.9%	26.4%	-4.6%
NCREIF Property	-6.5%	15.9%	16.6%	20.1%	14.5%	9.0%	6.8%	7.3%	12.3%	11.4%
Hedge Funds										
HFRI FoF Composite	-20.7%	10.3%	10.4%	7.5%	6.9%	11.6%	1.0%	2.8%	4.1%	26.5%
HFRI FoF Conservative	-18.4%	7.7%	9.2%	5.1%	5.8%	9.0%	3.6%	3.1%	5.8%	18.9%
Inflation (CPI-U)	0.1%	4.1%	2.5%	3.4%	3.3%	1.9%	2.3%	1.6%	3.4%	2.7%

Source: Ibbotson Associates