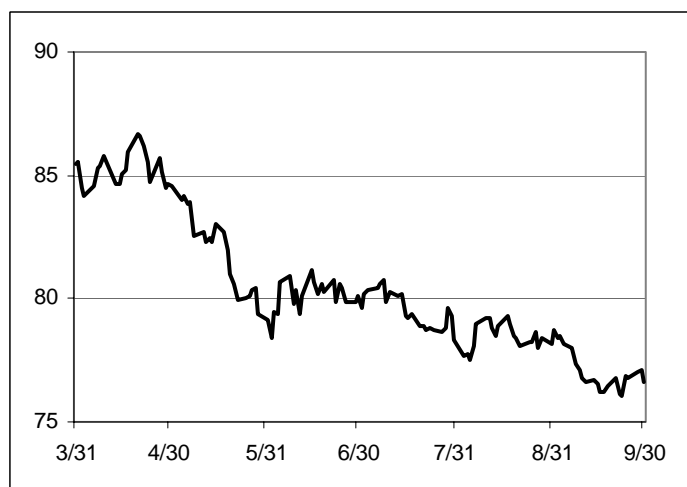


Scorecard through September 2009

Total returns unless otherwise specified

Index	Q3	YTD	1-year
EQUITY			
S&P 500	15.61%	19.26%	-6.91%
DJIA	15.82%	13.49%	-7.37%
MSCI EAFE	19.52%	29.58%	3.80%
MSCI Emerging Markets	21.04%	64.88%	19.44%
FIXED INCOME			
Barclays Agg	3.74%	5.72%	10.56%
Barclays TIPS	3.08%	9.48%	5.67%
High Yield	14.05%	38.75%	17.03%
ALTERNATIVE INVESTMENTS			
US Dollar Index	-4.34%	-5.73%	-3.52%
Commodities	-1.76%	4.68%	-44.52%
Oil Total Return	-4.75%	-2.16%	-57.23%
Gold Spot	8.75%	14.25%	15.70%
Hedge Fund Index	5.15%	11.00%	-3.63%
KEY RATES as of			
	9/30/09	12/31/08	9/30/08
3 mo. T-bill Yield	0.14%	0.11%	0.92%
10-yr. Treasury Yield	3.31%	2.25%	3.85%
30-yr Mortgage Rate	5.16%	5.26%	5.94%

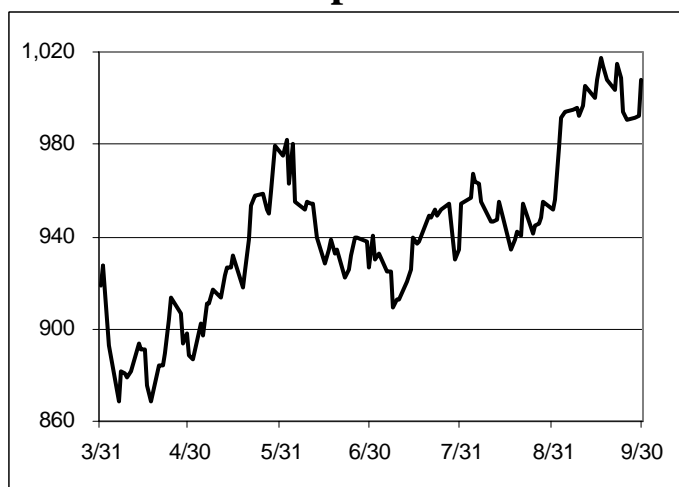
Please refer to index key on page 4

US Dollar Index


Bloomberg, 03/31/09 through 09/30/09

Key Points of Q4 Capital Markets Outlook:

- *The pain of owning cash is not likely to subside without seismic global policy shifts*
- *The competitive advantage of a weak dollar may ultimately undermine growth*
- *Massive liquidity injections may be spawning yet another bubble*
- *Central bank liquidity needs to be replaced with private capital liquidity*

Gold Spot Price


Bloomberg, 03/31/09 through 09/30/09

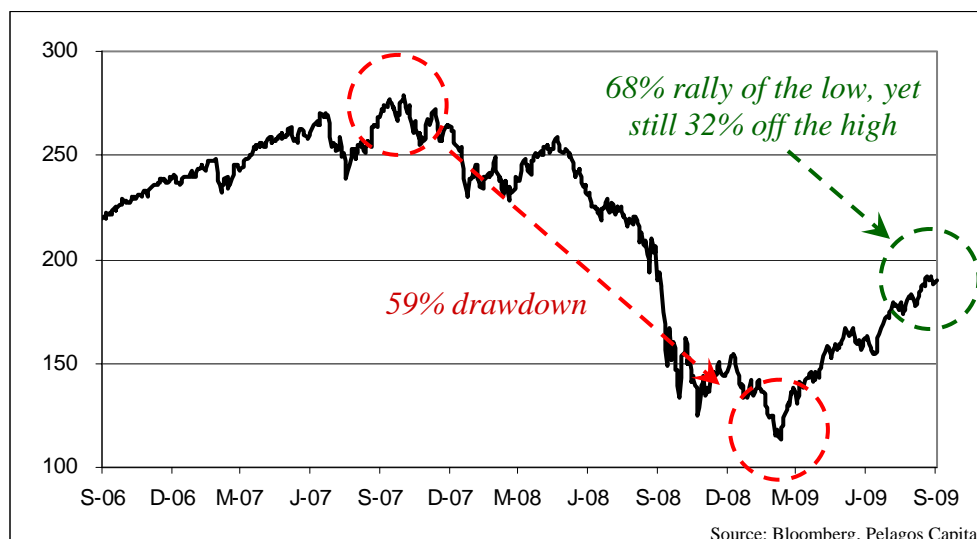
Capital Markets Outlook

Stephen P. Burke

As the global economy continues to surprise to the upside and cash becomes ever more painful to own, the trade into riskier assets continues unabated. Coordinated global central bank liquidity injections are producing tangible signs of effectiveness that on the surface looks to be sustainable. As a result, policy makers are now just beginning to contemplate the flip-side of their actions and the dreaded “unwind”. Thus far, capital markets have smoothly digested the

inevitable transition from quantitative easing to its removal, yet in many respects the global capital markets remain disconnected from Newton’s Third Law (every action has an equal and opposite reaction). This reality is unfortunately inescapable no matter how hard the capital markets may try.

FTSE All-World Index



The reignited global economy should continue to advance throughout 2010 aided by the continued monetary and fiscal greasing of its wheels. However, just as the satisfaction of a second helping of Thanksgiving dinner pales in comparison to the first, this extension of policy may not provide the psychological boost in 2010 that it provided to the global capital markets in 2009. These harsh realities, a payback for the unprecedented policy actions required to right the glutinous levered capital markets, will at some point materially challenge improving economic data. With the unfolding unwind, several themes likely will have run their course sooner than market participants would have generally expected: the US dollar carry trade; China as the new engine of global growth; gold as the ideal hedge against the ensuing inflation tsunami; and the apparent shift in focus from developed to emerging market trade.

Global equity investors will be comforted by healthy top line growth along with expanding profit margins, which should continue to support corporate earnings throughout most of 2010. The weakened US dollar will aid US corporate foreign affiliates earnings, currently estimated at 45% of S&P 500 earnings. This competitive advantage coupled with the repatriation of earnings should be viewed as a temporarily benefit, as a sustained weakening of the US dollar will ultimately undermine the US economy and capital markets. The fragility of the US dollar will present an added twist to the never ending capital market quagmire of challenges confronting both the US Treasury and the Obama administration.

The massive liquidity injections of central bankers, namely those of the US and China, have some arguing that the net result of these policies will be another untimely asset bubble. Although anecdotal evidence



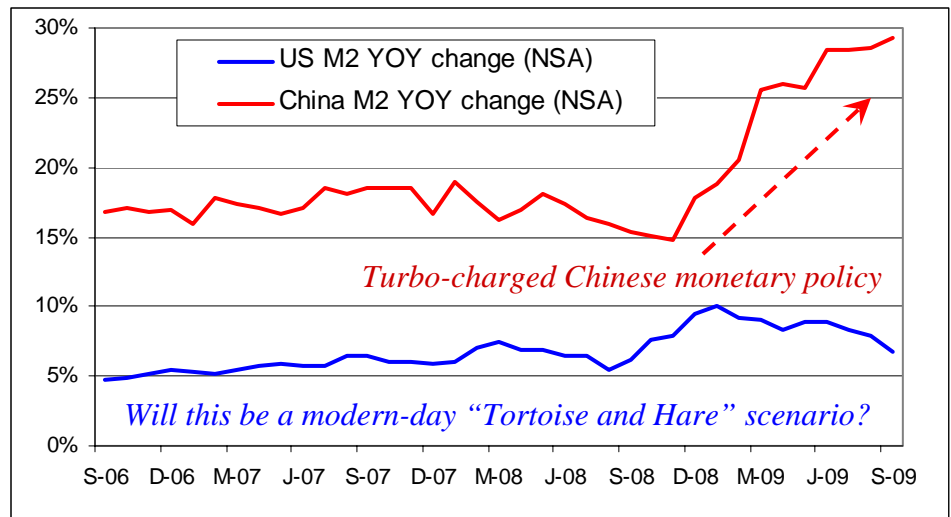
“timing and magnitude are the unknowns”

exists, such as rapidly rising Hong Kong property prices, as of yet hard data to support the claim for a broad asset bubble is limited. However, there is no question that the formula for one is certainly in place. This is recognized by policy makers but the path to ameliorate the bubble process remains unclear due to still fragile economic and capital market realities.

Going forward it is abundantly clear what actions need to be taken by global monetary policy officials but timing and magnitude are the unknowns. The liquidity generated by central banks needs to be replaced with private capital liquidity which up until this point has only marginally occurred. In the US, access to capital for small and mid-sized corporations is extremely limited. Given the job creation potential of smaller firms, employment gains will be muted until capital begins to flow more freely. China’s recent economic gains fueled largely by construction and capital market appreciation must transition toward a more sustainable manufacturing and domestic consumption framework. Although both are achievable, the economic recovery remains vulnerable during this adjustment period.

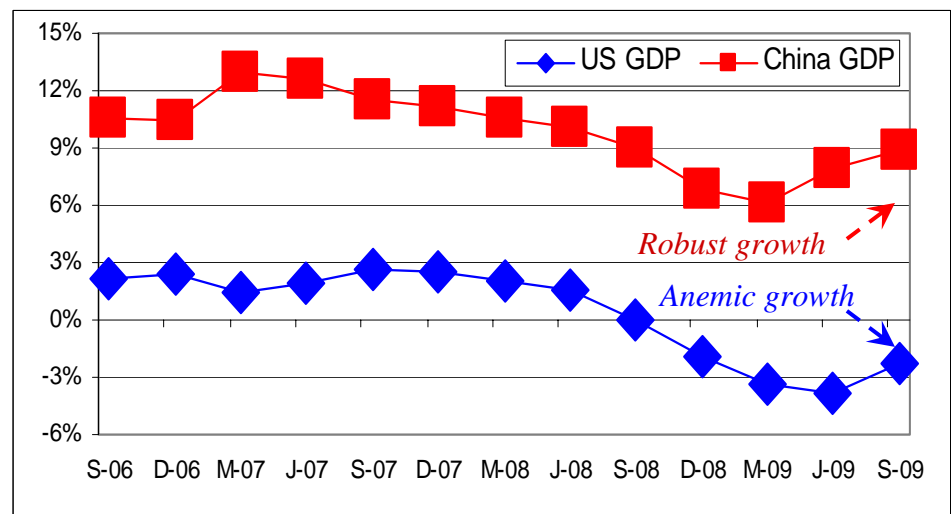
We would expect the global capital markets, during the first quarter of 2010, to take greater heed as the inevitable transition becomes apparent. This refocusing process will undoubtedly cause disruption and uncertainty given the magnitude of the historic measures that have been undertaken. Global investors in both the developed and emerging arena will react to the pressure as the realities of the great unwind take hold.

US and China Money Supply Growth



Source: Bloomberg, Pelagos Capital

US and China Real GDP Growth YOY



Source: Bloomberg, Pelagos Capital

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Index Key: Standard & Poor's 500 Index, Dow Jones Industrial Average Index, MSCI EAFE Index (Gross), MSCI Emerging Markets Index (Gross). Barclays TIPS Index, Barclays Aggregate Bond Index, iBoxx \$ Liquid High Yield Index. US Dollar Index, S&P GSCI Commodity Index, DJ-UBS Crude Oil Total Return Index, Gold Spot price, Hedge Fund Research HFRX US Global Hedge Fund Index. Constant maturity 3 mo. Treasury, constant maturity 10 year Treasury, Bankrate.com US Home Mortgage 30 Year Fixed National Average. Inclusion of indexes mentioned is for illustrative purposes only. Keep in mind that an individual can not invest directly in any index and that index performance does not include transaction costs or other fees, which will affect actual investment performance.

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