UBS Global Asset Management

Investor Insights

As of December 31, 2008

TUF109.4326C

US-R

Bear market anthology

There have been 13 bear markets since 1946 (including the bear started Oct-07), or about every 4-5 years on average.

S&P 500 Index Bear Markets since WWII

	Date of Market Trough	Peak to Trough TR Performance	Duration of Bear Market	% Total Return 1-year post-decline*
1	June 13, 1949	-18%	36.5 months	51.8%
2	October 22, 1957	-15%	14.5 months	36.4%
3	June 26, 1962	-27%	6.5 months	37.2%
4	October 7, 1966	-20%	8 months	37.7%
5	May 26, 1970	-33%	18 months	49.0%
6	October 3, 1974	-45%	20.5 months	44.4%
7	March 6, 1978	-14%	17.5 months	18.5%
8	August 12, 1982	-19%	20.5 months	66.0%
9	December 4, 1987	-33%	3.5 months	27.1%
10	October 11, 1990	-19%	3 months	33.5%
11	August 31, 1998	-19%	1.5 months	39.8%
12	October 9, 2002	-45%	30.5 months	36.1%
13	November 20, 2008	-51%	13.5 months	?

Average bear market performance: -28%
Average duration: 14.9 months

Source: Ned Davis Research. Returns are based on total returns and include the reinvestment of dividends. *12 months from date of market trough. S&P 500 Index is comprised of 500 widely held common stocks varying in composition.

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Nowhere to hide in this bear market: Asset diversification provides little relief in the short term

	Current Bear (annualized) 10/9/2007-11/20/2008	2000-2002 Bear (annualized) 4/1/2000-10/31/2002	1987 Bear (annualized) 8/1/1987-12/31/1987
Diversified Emerging Mkts	-58.75	-18.49	
Global Real Estate	-60.57	10.04	
Foreign Small/Mid Value	-55.50	-11.61	
Foreign Small/Mid Growth	-55.30	-26.23	
Foreign Large Growth	-53.78	-25.07	-16.86
Foreign Large Blend	-51.58	-21.24	-18.17
Small Growth	-52.94	-21.52	-25.38
Foreign Large Value	-50.92	-13.88	-19.81
Mid-Cap Growth	-52.41	-25.05	-25.34
World Stock	-49.76	-20.03	-22.05
Mid-Cap Blend	-51.16	-9.88	-21.50
Small Blend	-51.05	-5.07	-24.05
Mid-Cap Value	-49.96	0.04	-19.99
Large Growth	-47.67	-25.60	-23.83
Large Value	-48.32	-7.44	-19.63
Small Value	-48.30	4.50	-25.06
Large Blend	-46.92	-17.72	-20.82
Specialty-Natural Res	-47.69	-0.50	-25.01
World Allocation	-36.03	-5.07	-9.89
Moderate Allocation	-35.44	-7.65	-13.65
High Yield Bond	-28.48	-4.39	-3.38
Emerging Markets Bond	-23.43	8.43	
Conservative Allocation	-24.11	-1.14	-5.35
Long-Short	-21.32	4.99	-16.42
Long-Term Bond	-10.06	7.34	1.87
Intermediate-Term Bond	-6.89	7.97	2.67
World Bond	-5.57	5.18	10.27
Short-Term Bond	-4.61	6.90	2.02
Short Government	4.01	7.90	3.04
Intermediate Government	3.58	9.13	2.86
Long Government	12.53	10.10	4.39

In contrast, during 1987 and 2000-2002 bear markets, other asset classes offered some relief.

- Less than -20%
- Between -19.99% and 0%
- Between 0 and +19.99%

Source: Morningstar category averages. Used with permission.

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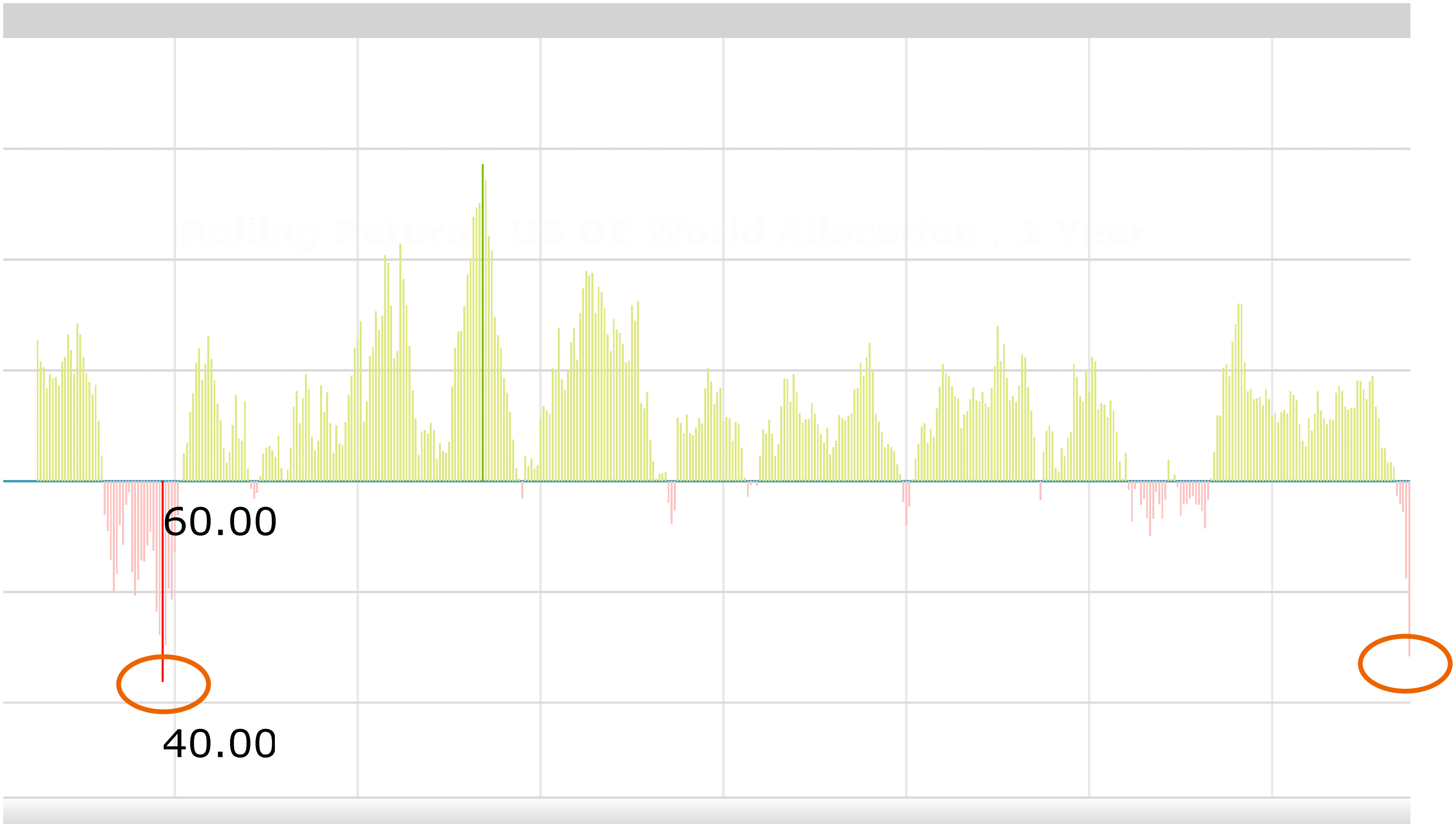
Morningstar World Allocation category: Deepest 1-year decline since 1974



Past performance does not guarantee future results. World allocation portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. While these portfolios do explore the whole world, most of them focus on the US, Canada, Japan, and the larger markets in Europe. It is rare for such portfolios to invest more than 10% of their assets in emerging markets. These portfolios typically have at least 10% of assets in bonds, less than 70% of assets in stocks, and at least 40% of assets in non-US stocks or bonds.

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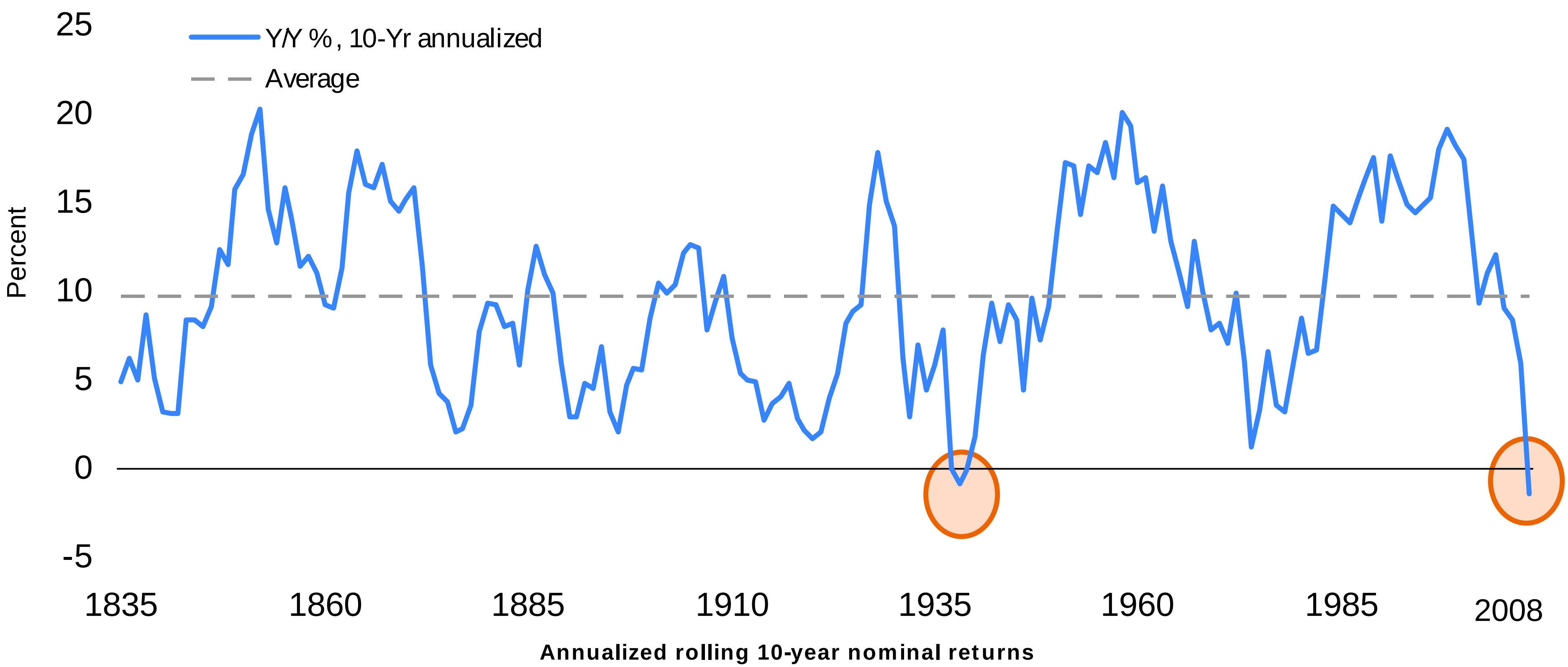
2008 YTD: The worst 10-year return period since 1938

10-year moving annualized nominal returns
1835-2008*



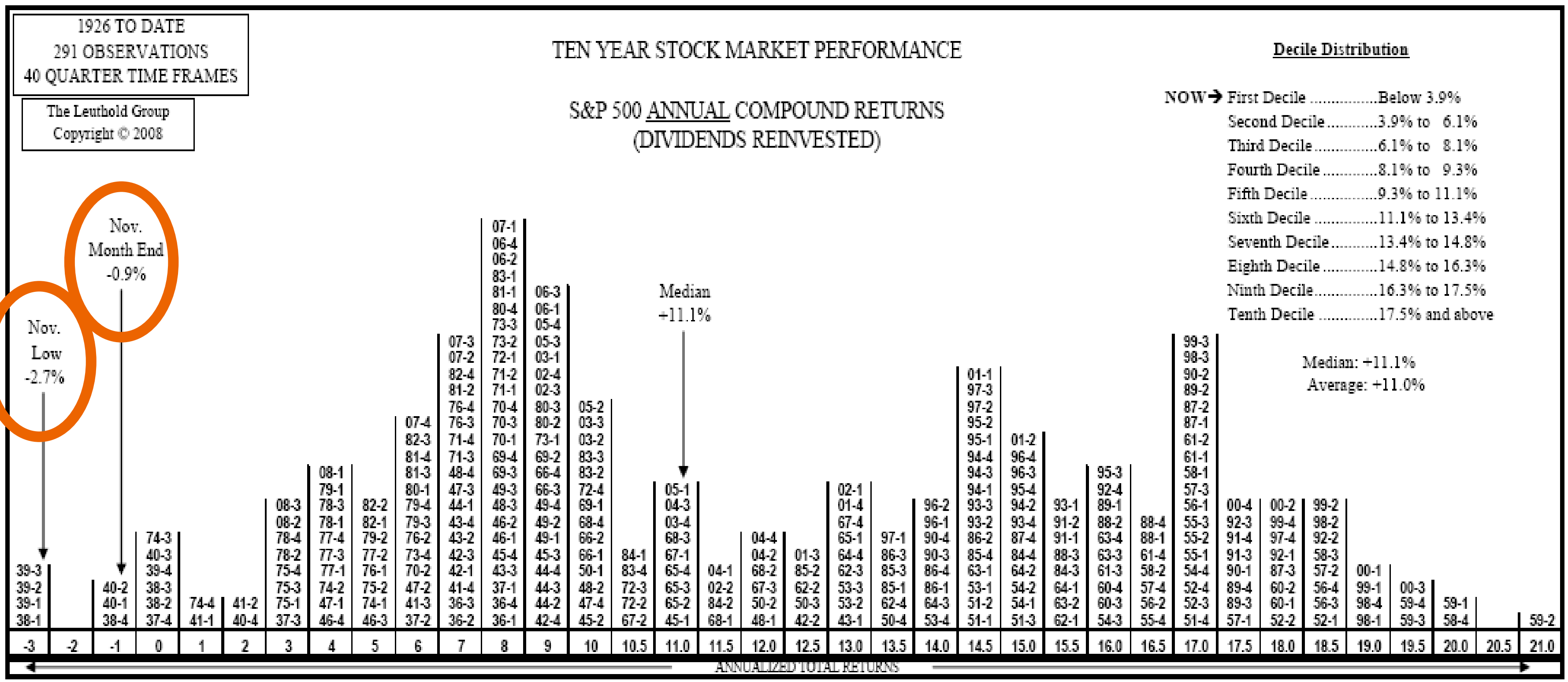
Past performance is no guarantee of future results.

*Note: Returns based on calendar years; calendar year 2008 data updated through December 31, 2008.

Source: Stifel Nicholas. For 1826 through 1925: Combined individual stock prices for NYSE stocks. Goetzmann, William N., Ibbotson, Roger G. and Peng , Liang, A New Historical Database for the NYSE 1815 To 1925: Performance and Predictability (July 14, 2000). Yale ICF Working Paper No. 00-13; Yale SOM Working Paper No. ICF - 00-13. Available at SSRN: http://ssrn.com/abstract=236982. For 1926 to 1958, Ibbotson Large Capitalization US stock market total return and in subsequently, the S&P 500 total return.

S&P 500 10-year return as of November '08 is as low as the worst 5% of quarter-ending 10-year returns since 1926

Distribution of quarter-ending 10-year S&P 500 returns



Bottom 5% of 10-year returns

Source: Leuthold Group. Used with permission. Stacked numbers represent the quarter ending with an annualized return corresponding to the return shown on the x-axis. For example, in the first column, 39-3 indicates that in the 3rd quarter of 1939, the 10-year annualized total return was approximately -3%. **Past performance does not guarantee future results.**

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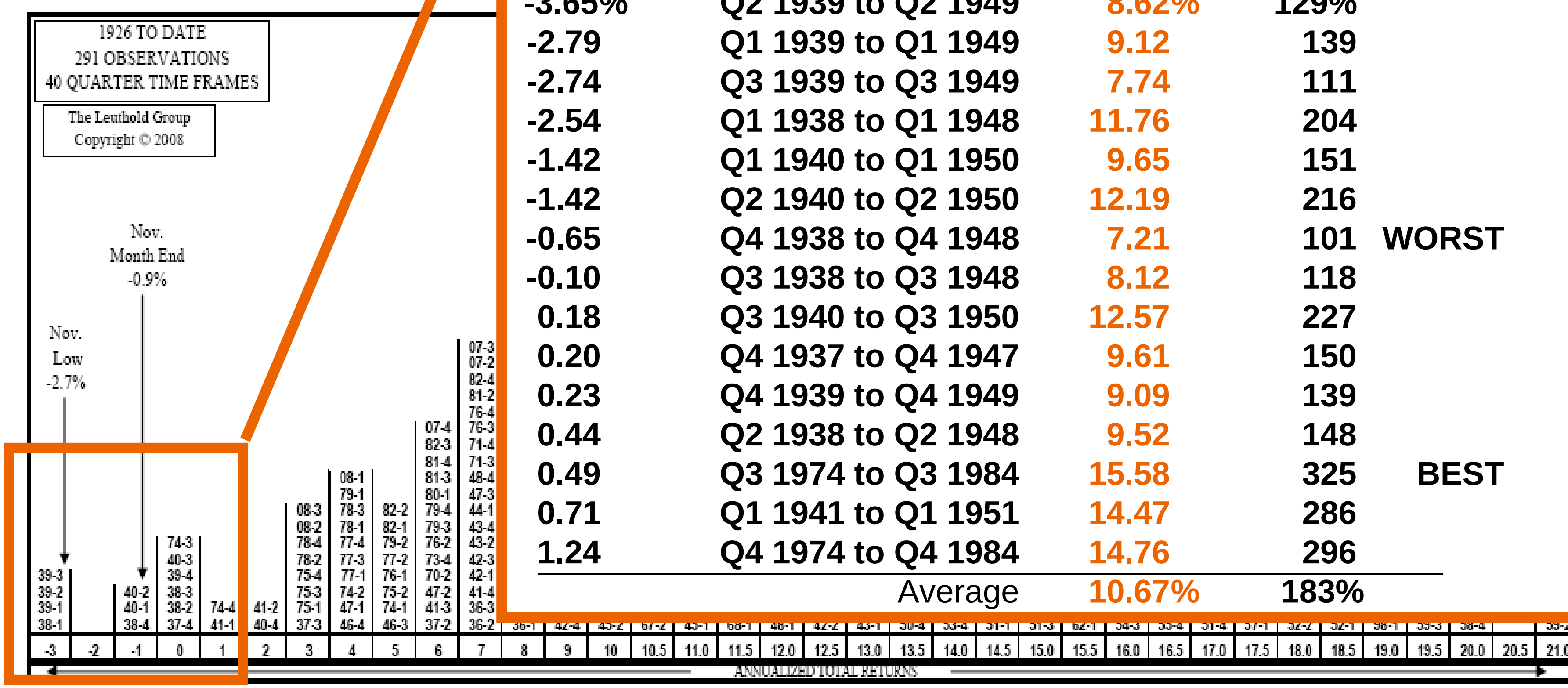
The 10-year returns subsequent to the lowest 5% of 10-year periods have been very attractive

Distribution of quarter-ending 10-ye



Prior 10-yr Avg ann ret		Avg. Ann. Return	Cum. Return	
-3.65%	Q2 1939 to Q2 1949	8.62%	129%	
-2.79	Q1 1939 to Q1 1949	9.12	139	
-2.74	Q3 1939 to Q3 1949	7.74	111	
-2.54	Q1 1938 to Q1 1948	11.76	204	
-1.42	Q1 1940 to Q1 1950	9.65	151	
-1.42	Q2 1940 to Q2 1950	12.19	216	
-0.65	Q4 1938 to Q4 1948	7.21	101	WORST
-0.10	Q3 1938 to Q3 1948	8.12	118	
0.18	Q3 1940 to Q3 1950	12.57	227	
0.20	Q4 1937 to Q4 1947	9.61	150	
0.23	Q4 1939 to Q4 1949	9.09	139	
0.44	Q2 1938 to Q2 1948	9.52	148	
0.49	Q3 1974 to Q3 1984	15.58	325	BEST
0.71	Q1 1941 to Q1 1951	14.47	286	
1.24	Q4 1974 to Q4 1984	14.76	296	
	Average	10.67%	183%	

Bottom 5% of 10-year returns

Source: Leuthold Group. Used with permission. **Past performance does not guarantee future results.**

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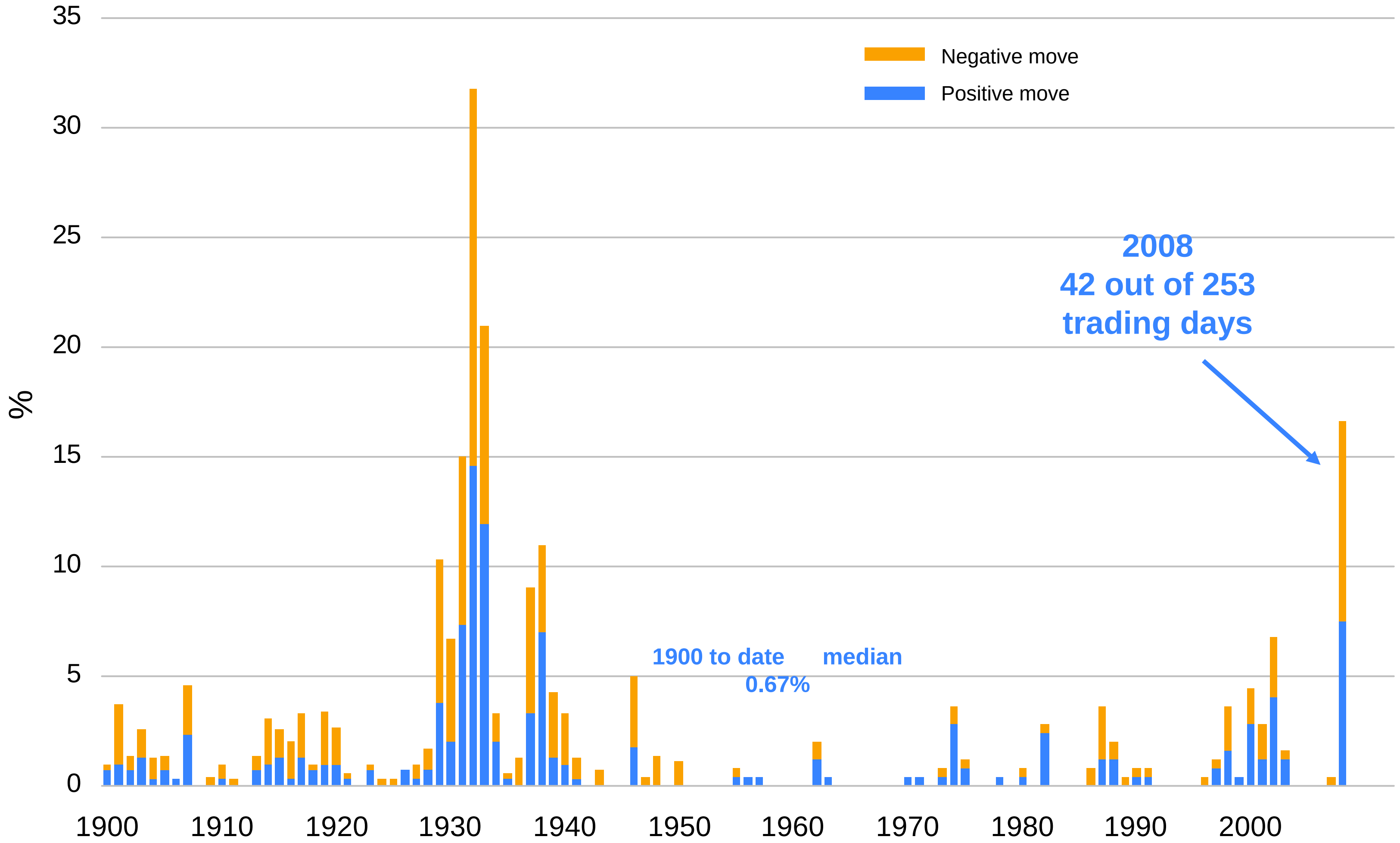
Highest levels of day-to-day volatility since 1930s

Annual occurrence of 3% or greater moves (day to day closes)[1]



Source: The Leuthold Group 2008. Used with permission.
1. 1926 to date, S&P 500 (DJIA prior to 1926).

UBS Global Asset Management

This is not the Great Depression…

Catastrophic fiscal and monetary policy errors prolonged and deepened the economic contraction of the 1930's

Indicator	Current Recession	1929-33
Real GDP Contraction	-1.3%[2]	-29.0%
Unemployment Rate	7.2%	25.0%
Consumer Prices	1.2%[3]	-25.0%
Money Supply[4]	7.2%	-33.0%
Budget Deficit (%of GDP)	10.1%[1]	2.6%
Bank Failures	25	7,000+

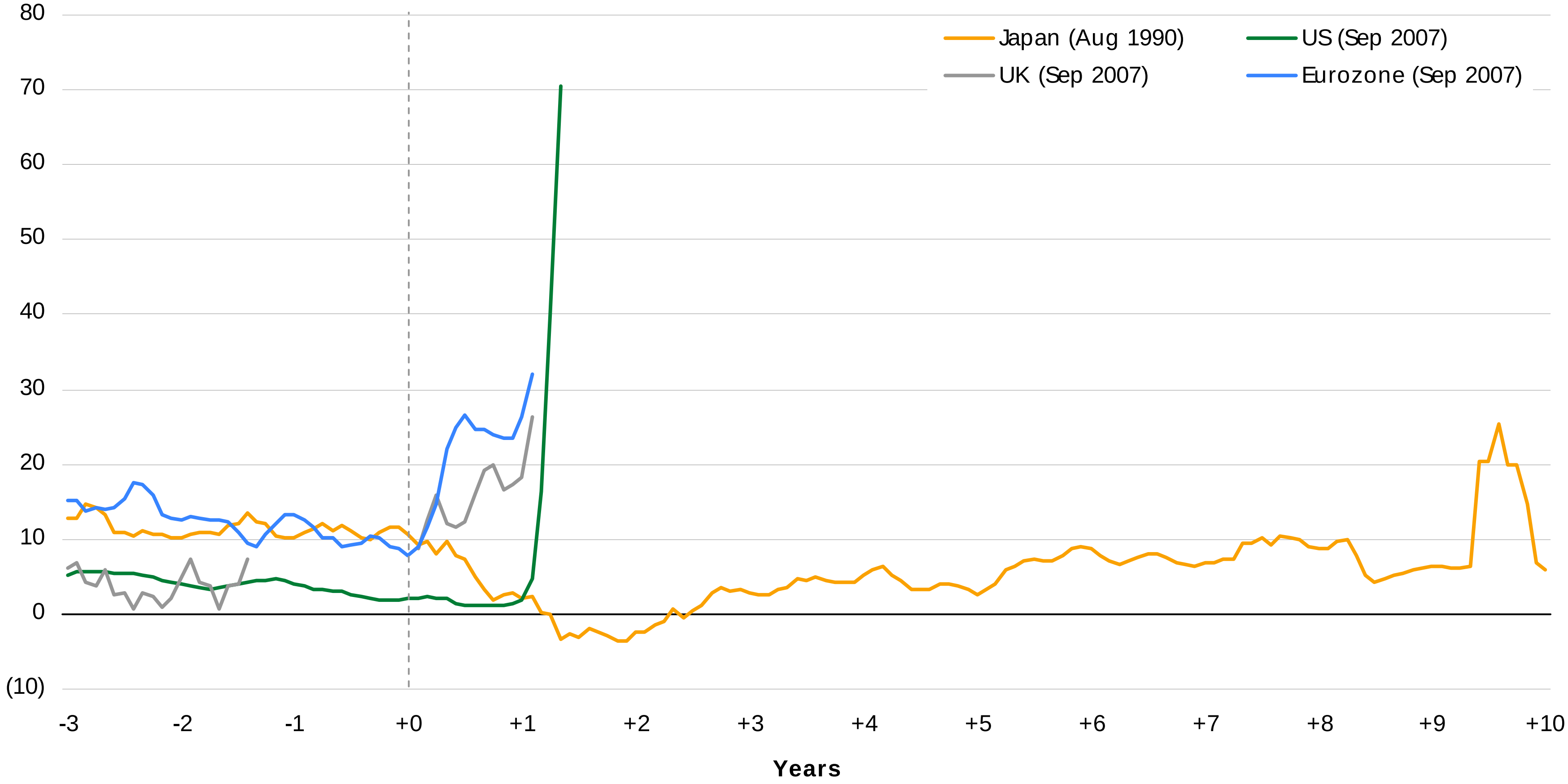
- Poor fiscal policies during the 1930's stemming from balanced-budget political agendas hurt economic growth
- Real interest rates exceeding 12% as a result of massive deflation during the 1930's severely dampened investment
- We believe unprecedented fiscal and monetary policy responses will stimulate growth going forward

1 2009 forecast released by the Congressional Budget Office
2 Consensus mean for 2009 annual contraction in US GDP provided by Consensus Economics
3 Consensus mean for 2009 Consumer Price Index provided by Consensus Economics
4 Money supply measured by the M2 money supply which includes currency in circulation, demand deposits, travelers checks, savings deposits, time deposits, and money market accounts
Source: FDIC, Federal Reserve Bank of St. Louis, Consensus Economics, UBS Global Asset Management

…nor is it Japan's lost decade

Quantitative easing has begun already, not after a decade

Growth in estimates of the monetary base, 3 months on 3-months one year earlier (%), years from peak



Source: IMF, Bank of England, Federal Reserve

Note: UK data has a structural break in 2006-2007, so year-on-year data is excluded for those years.

UBS Global Asset Management

Risky assets were punished in 2008

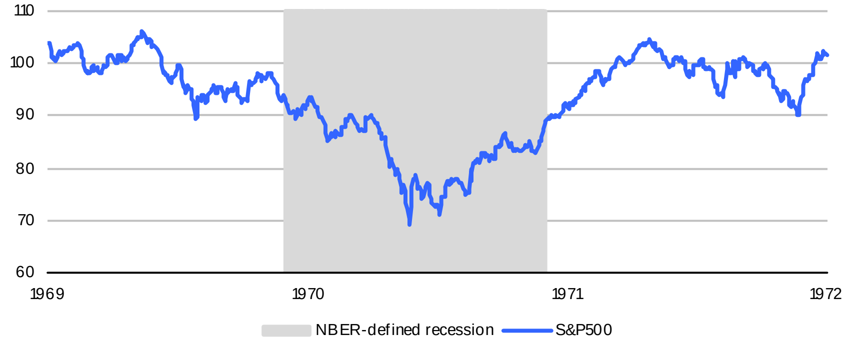
Asset class returns

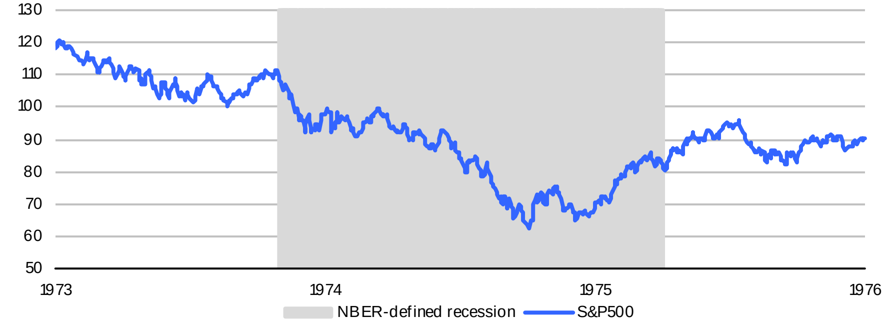
	4Q08	2008
US Equities	-21.94%	-37.00%
Global ex-US Equities	-18.91	-39.64
Emerging Market Equities	-21.99	-45.92
US Corporate Bonds	3.98	-4.94
High Yield Bonds	-17.63	-26.39
Emerging Market Debt	-4.78	-9.70
Commodities	-47.00	-46.49
Government Bonds (WGBI)	5.88	8.90

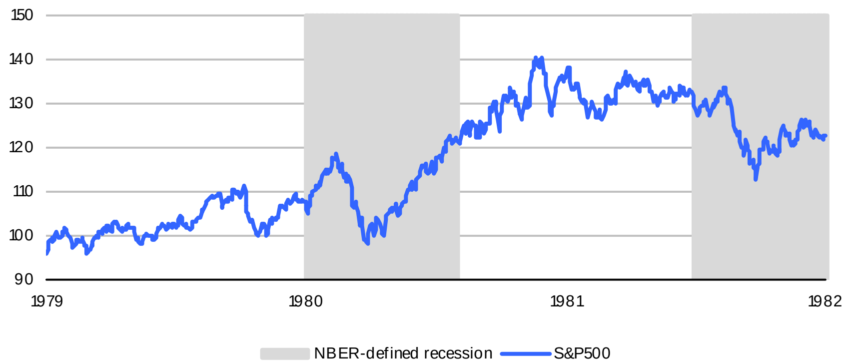
Source: FactSet, UBS Global Asset Management, MSCI, Standard & Poor's

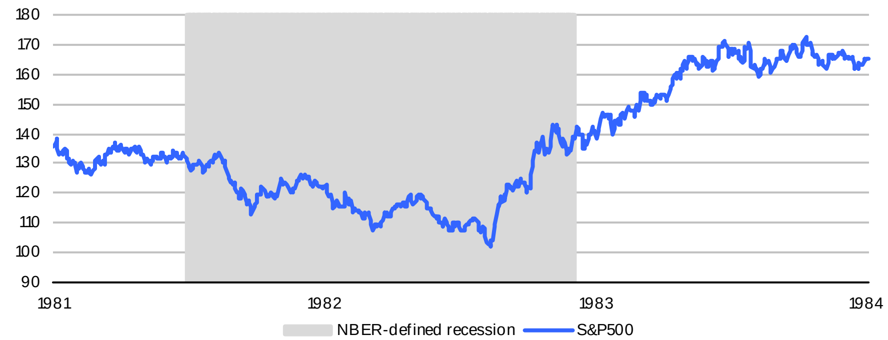
Data as of 31 December 2008
US Equities: S&P 500 Total Return (in USD), Global ex-U.S.Equities: MSCI World ex US (net US) (in local currency), EME: MSCI EM (net US) (in local currency), US Corporate Bonds: Barclays Capital US Corporate, High Yield Bonds: Merrill Lynch High Yield Master II, EM Debt: JPMorgan EMBI+, Commodities: Goldman Sachs Commodities Index Total Return (in USD), Government bonds: Citigroup World Government Bond Index.

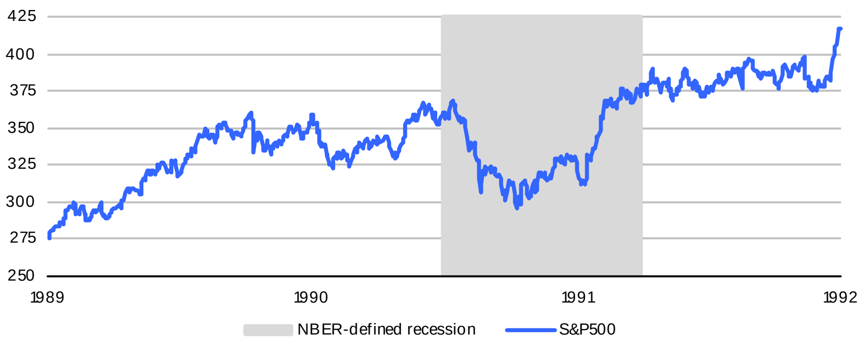
US equity usually bottoms before recessions end

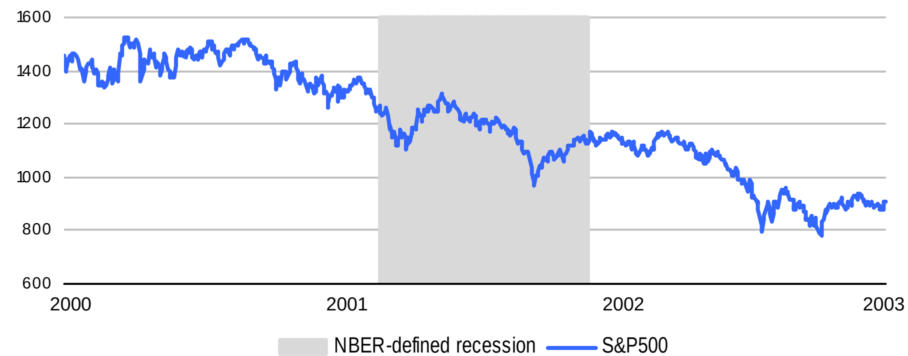












Source: Datastream, UBS Global Asset Management calculations
NBER (National Bureau of Economic Research)

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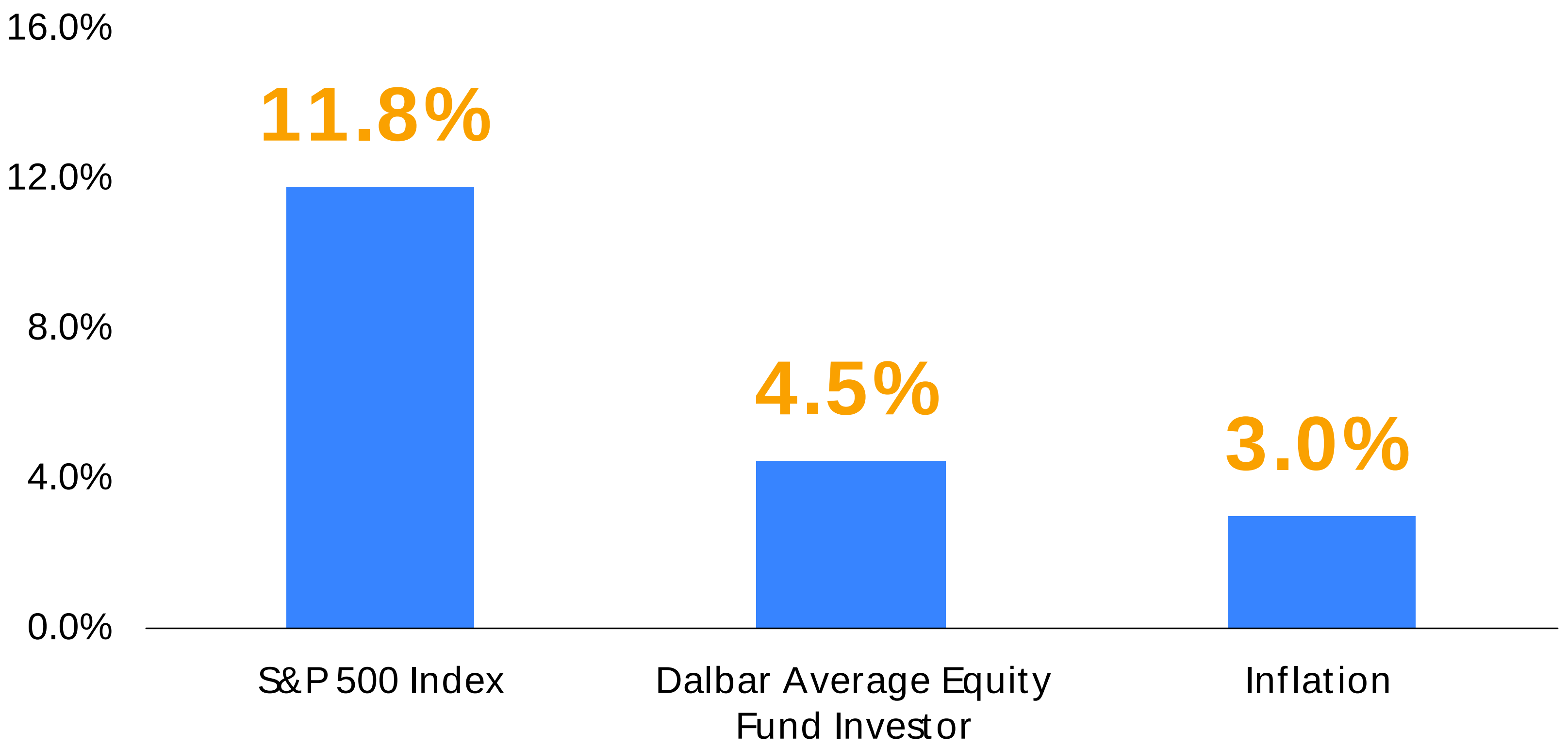
The myth of the success of the average investor

How can investments do so well and the average investor do so relatively poorly?

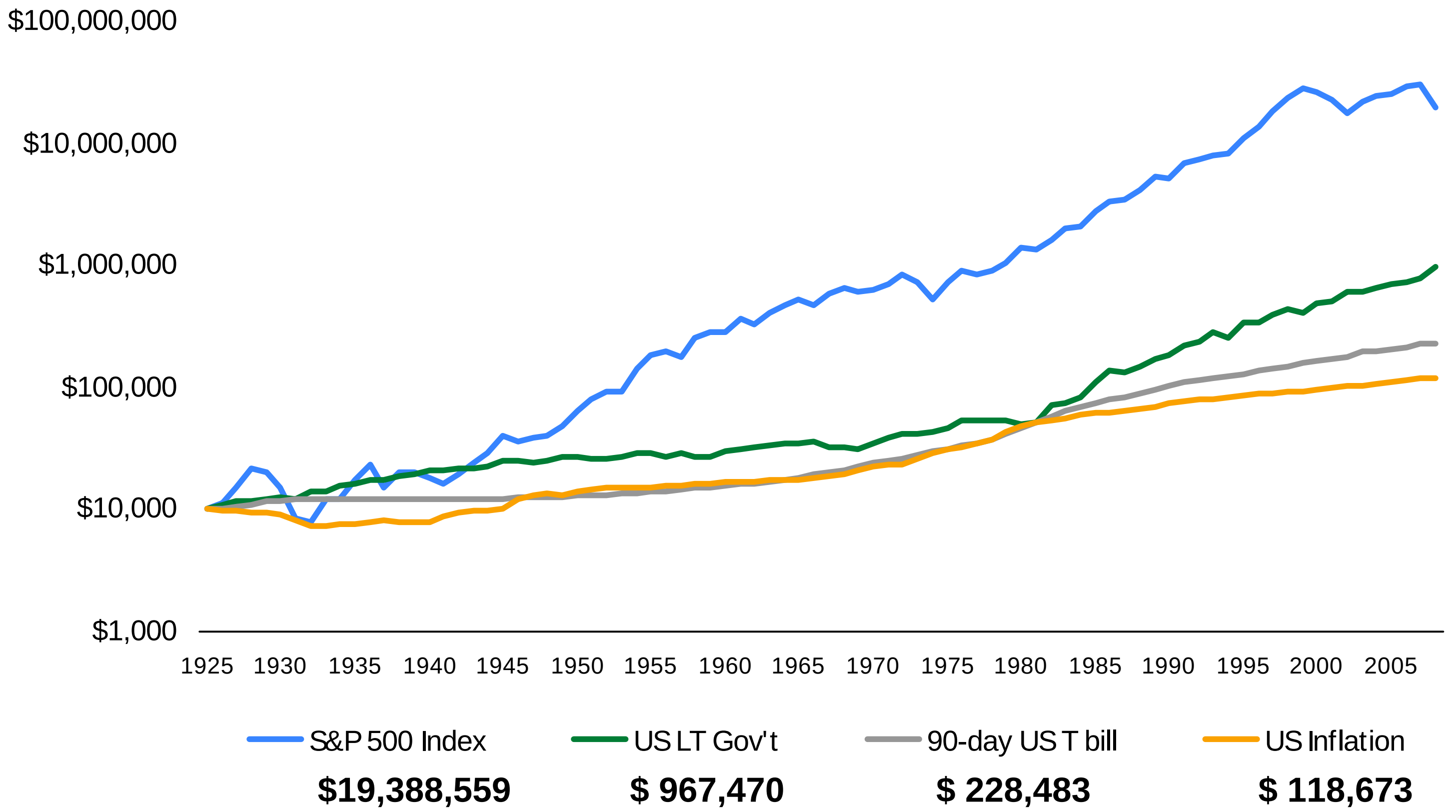
Average annual total returns: 1988-2007



Source: Lipper, Inc. and Dalbar; used with permission. For illustrative purposes only. **Past performance does not guarantee future results.** Performance calculated assuming reinvestment of all dividends and capital gains. The S&P 500 Index is an unmanaged, weighted index comprising 500 widely held common stocks varying in composition and is unavailable for direct investment. The Dalbar Average Equity Fund Investor is the rate or return investors earned, based on the length of time shareholders actually remain invested in equity mutual funds. Over the time period 1988-2007, the equity mutual fund shareholders held their mutual funds for an average of 3.1 years. Mutual fund sales, redemptions, exchanges, reinvested dividends and assets under management are based on monthly data provided by the Investment Company Institute. The average annual return of the Dalbar Average Equity Investor is based on all equity funds, represented by the Dalbar Equity Index which was comprised of the S&P 500 Index and the Ibbotson Small Company stock Index.

Equities have protected purchasing power over time

Growth of $10,000 from 1925 – December 31, 2008



Note: $10,000 may not be representative of a typical investment in 1925.

Source: Ned Davis Research; used with permission. **The chart is shown for illustrative purposes only, and is not meant to show the returns of any particular UBS Global Asset Management investment.** Stocks represented by Standard & Poor's (S&P) 500 Index, long-term government bonds by 20-year US Treasury bonds, 90-day US Treasury bills and inflation by the Consumer Price Index (CPI through November, 2008). The S&P 500 Index is an unmanaged, weighted index comprising 500 widely held common stocks varying in composition. Returns consist of income, capital appreciation (or depreciation) and currency gains (or losses). Certain markets have experienced significant year-to-year fluctuations and negative returns from time to time. Stocks are more volatile and subject to greater risks than other asset classes. Indexes are not available for direct investment. **Past performance is not a guarantee of future results.**

Feast or Famine: “Average” returns rarely occur year-by-year

S&P 500 Index year-by-year total returns from 1926 to 2008

(all values shown in percentages)

Less than-20%	-20% to -12%	-12% to -8%	-8% to 0	0 to 8%	8% to 12%	12% to 20%	More than 20%
1930 -24.90	1973 -14.69	1929 -8.42	1934 -1.44	1947 5.71	1926 11.62	1944 19.75	1927 37.49
1931 -43.34		1932 -8.19	1939 -0.41	1948 5.50	1959 11.96	1949 18.79	1928 43.61
1937 -35.03		1940 -9.78	1953 -0.99	1956 6.56	1968 11.06	1952 18.37	1933 53.99
1974 -26.47		1941 -11.59	1977 -7.16	1960 0.47	1993 10.08	1964 16.48	1935 47.67
2002 -22.10		1946 -8.07	1981 -4.92	1970 4.01	2004 10.88	1965 12.45	1936 33.92
2008 -38.49		1957 -10.78	1990 -3.10	1978 6.57		1971 14.30	1938 31.12
		1962 -8.73		1984 6.27		1972 18.99	1942 20.34
		1966 -10.06		1987 5.25		1979 18.61	1943 25.90
		1969 -8.50		1992 7.62		1986 18.67	1945 36.44
		2000 -9.10		1994 1.32		1988 16.61	1950 31.71
		2001 -11.89		2005 4.91		2006 15.80	1951 24.02
				2007 5.49			1954 52.62
							1955 31.56
							1958 43.36
							1961 26.89
							1963 22.80
							1967 23.98
							1975 37.23
							1976 23.93
							1980 32.50
							1982 21.55
							1983 22.56
							1985 31.73
							1989 31.69
							1991 30.47
							1995 37.58
							1996 22.96
							1997 33.36
							1998 28.58
							1999 21.04
							2003 28.68

The S&P 500 Index has grown at about its average rate of return of 9.6% only 5 times in 83 years.

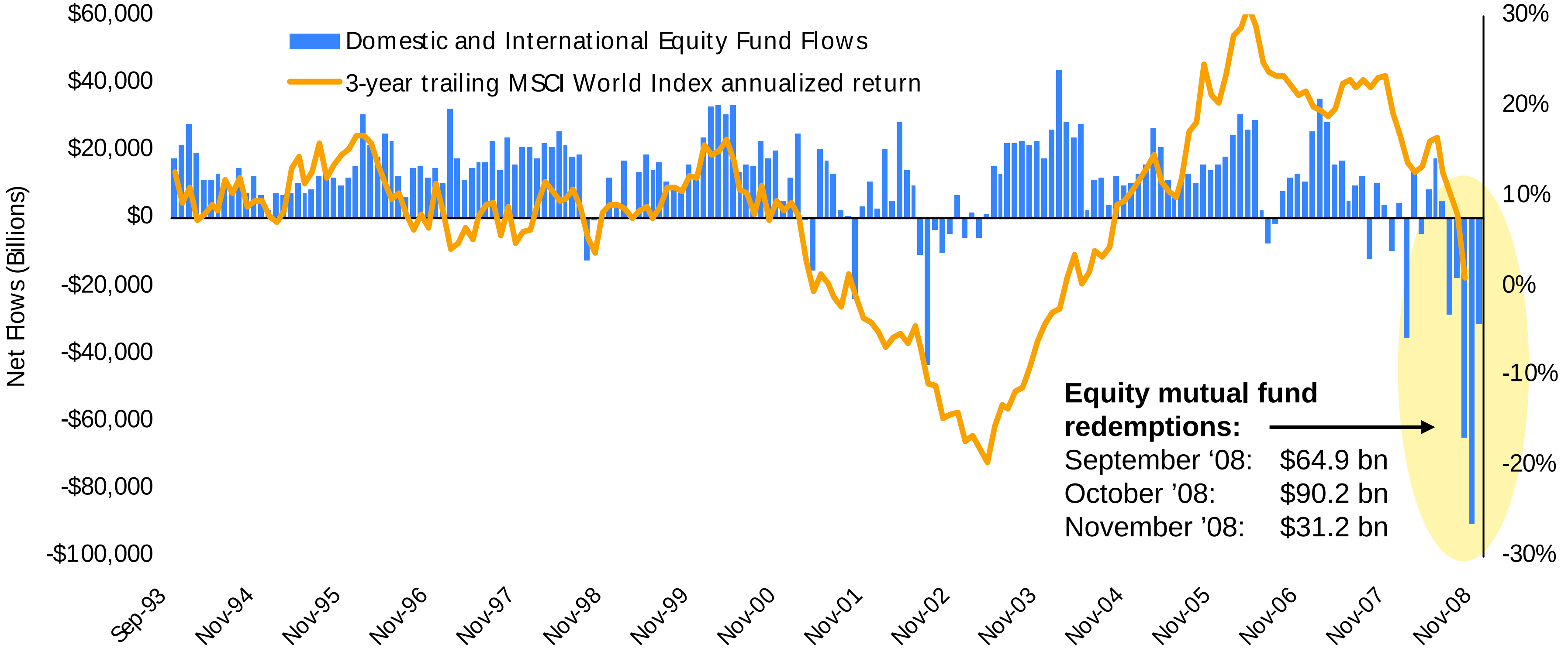
8%<x<12%

1926	11.62
1959	11.96
1968	11.06
1993	10.08
2004	10.88

Source: Ibbotson Associates and Standard & Poor’s; used with permission. Ibbotson data beginning 12/31/26 through 12/31/70. Standard and Poor’s data beginning 1/1/71 through 12/31/08. The S&P 500 Index is comprised of 500 widely held common stocks varying in composition and is not available for direct investment. **Past performance does not guarantee future results.** Performance is calculated assuming reinvestment of all dividends and capital gains on a daily basis.

This time is no different: Disappointing market returns send panicked investors running for the hills

Record outflows from long-term domestic and international equity mutual funds

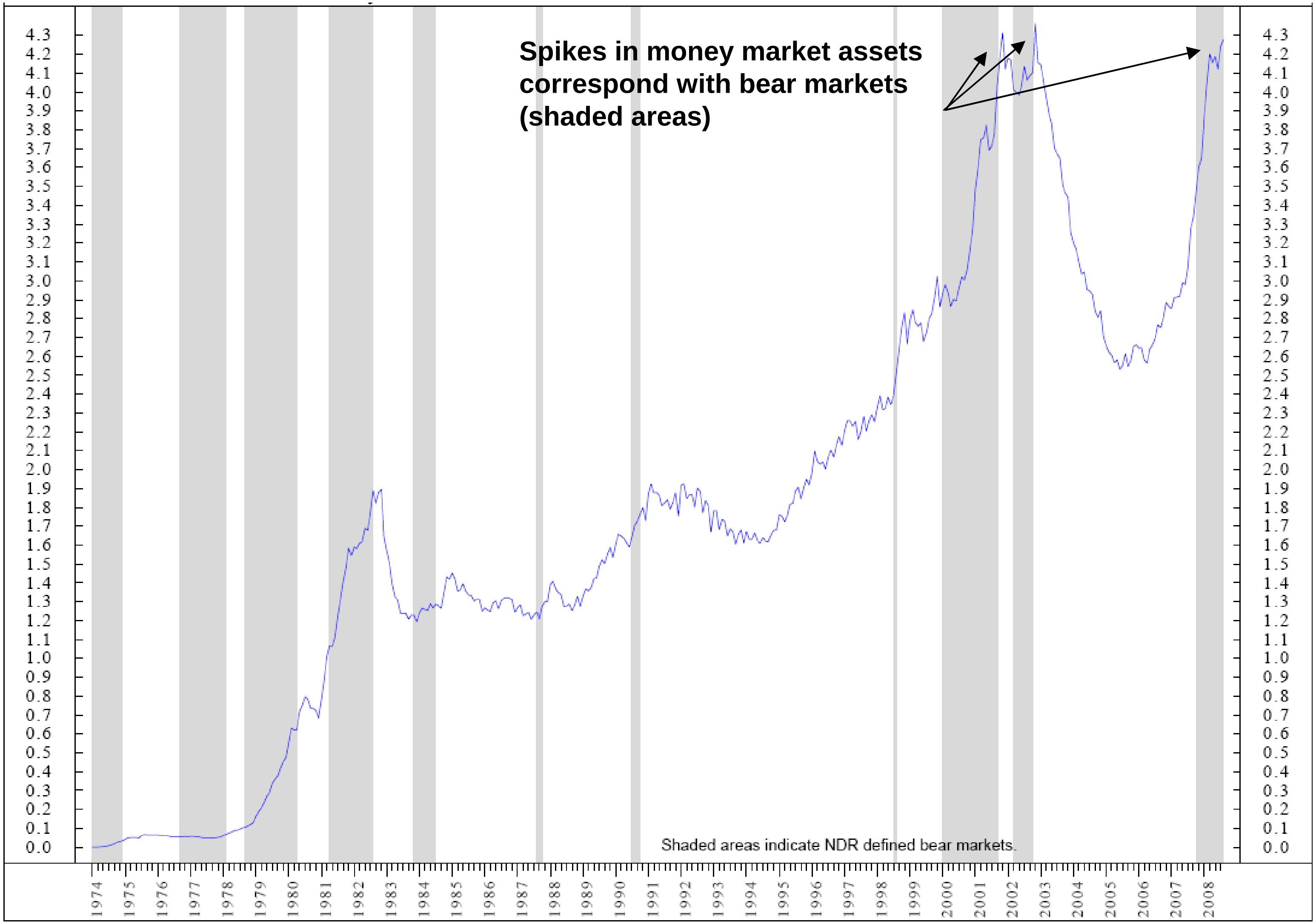


- **Investors redeemed a record $52.1 billion in stock and bond mutual funds in one week.** (as of October 9, 2008)
- **During September 2008, investors deposited $185.5 billion into bank accounts**.

Source: Financial Research Corporation (FRC); used with permission. Includes long-term domestic and international mutual funds. For illustrative purposes only. Mutual fund sales, redemptions, exchanges, reinvested dividends and assets under management are based on monthly data calculated by FRC.

Increases in money market fund assets are in step with bear markets

Total net assets in money market funds as a % of total household assets



Source: Ned Davis Research, Inc. Used with permission. Monthly data 1/31/74-8/31/08. A bear market is defined here as a 30% drop in the Dow Jones Industrial Average after 50 calendar days or a 13% decline after 145 calendar days.

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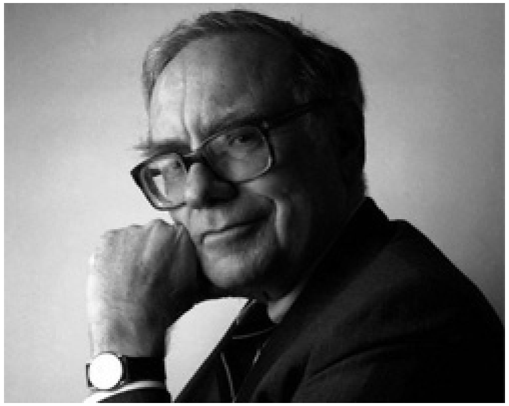
24 hour news cycle: The devil on our shoulder

Avoiding the herd mentality



"Be fearful when others are greedy, and greedy when others are fearful."

Warren Buffett
"Buy American. I Am"
***NY Times,* Op-Ed**
October 17, 2008

From the experts…

“In the short term, anything can happen, since emotion dominates economics. Yet at these levels it is virtually certain that stocks will be a rewarding investment for long-term investors.... History has rewarded investors who had the fortitude to step forward in this environment.”

—Jeremy Siegel

Q3 2008 Economic and Market Commentary

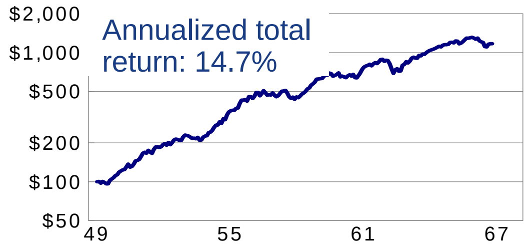
From the experts…

“I've found that when the market's going down and you buy funds wisely, at some point in the future you will be happy. You won't get there by reading 'Now is the time to buy.‘”

—Peter Lynch

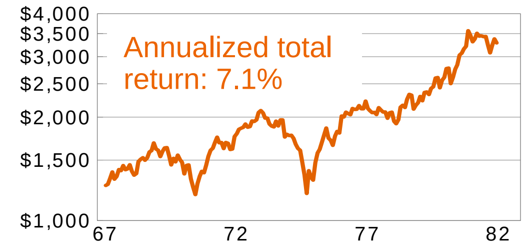
US equity market regimes: case for active asset allocation

Market Regime I: 18 years of rising S&P 500*
January 3, 1949 – December 31, 1966



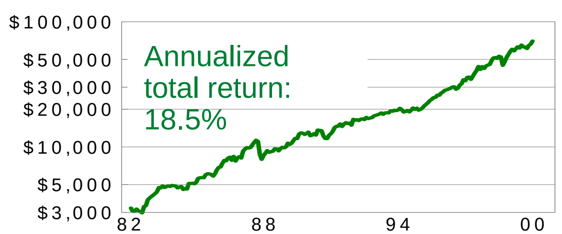
	% of Time
S&P 500 Making New Wealth:	59.0
S&P 500 Recovering from a Loss:	21.6
S&P 500 Falling (Bear Market):	19.0

Market Regime II: 15 years of volatility, upward trend*
January 3, 1967 – December 31, 1981



	% of Time
S&P 500 Making New Wealth:	24.9
S&P 500 Recovering from a Loss:	53.6
S&P 500 Falling (Bear Market):	21.5

Market Regime III: 18 years of rising S&P 500*
January 4, 1982 – December 31, 1999



	% of Time
S&P 500 Making New Wealth:	82.4
S&P 500 Recovering from a Loss:	13.9
S&P 500 Falling (Bear Market):	3.7

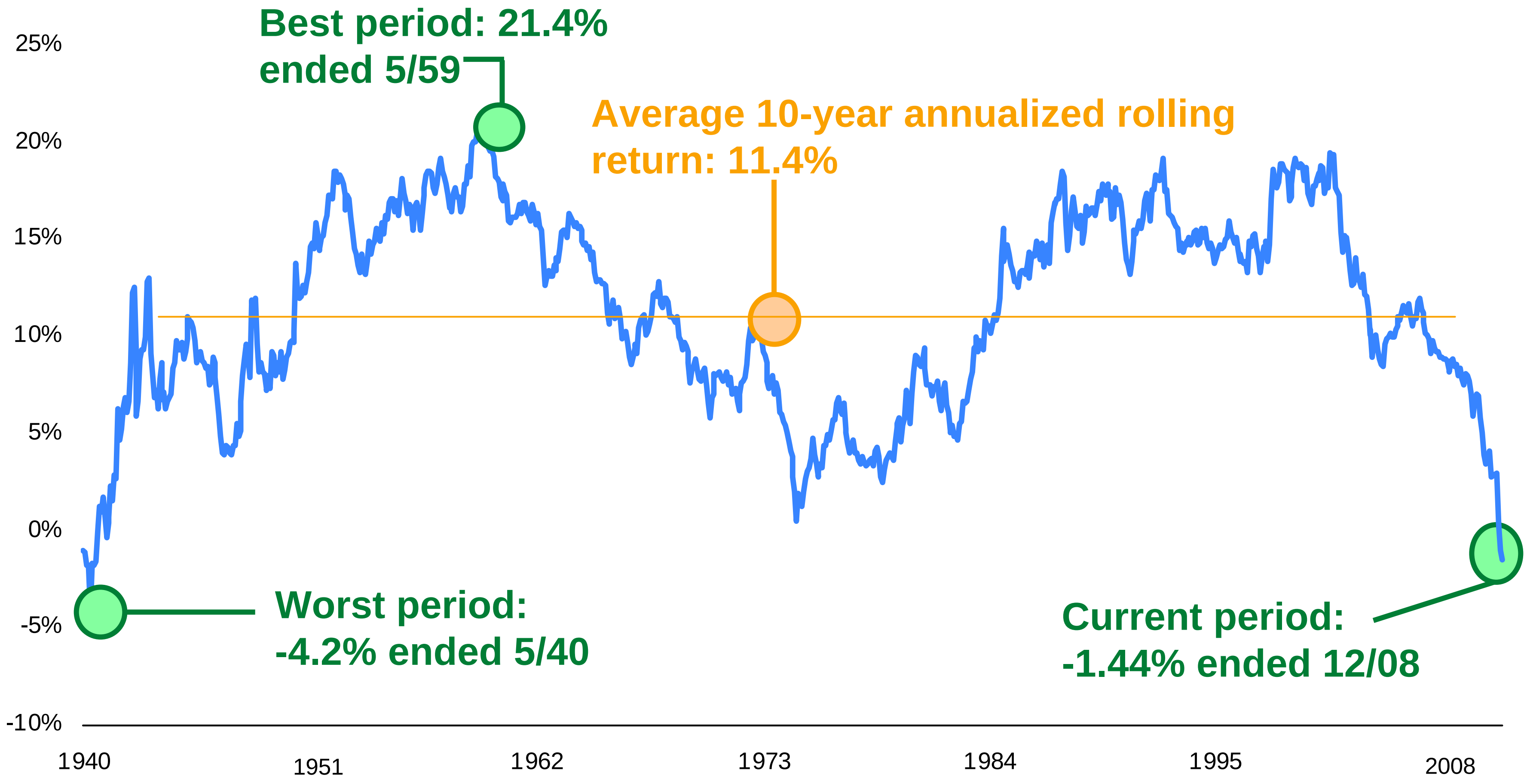
Market Regime IV: 9 years of volatility, negative returns
December 31, 1999 – December 31, 2008

	% of Time
S&P 500 Making New Wealth:	10.6
S&P 500 Recovering from a Loss:	59.8
S&P 500 Falling (Bear Market):	29.6

* Source: UBS Global Asset Management and Ned Davis Research. Used with permission. Different logarithmic scales were used for each of the charts to represent the S&P 500 Total Return during each time period. Beginning of regime characteristics reflect month-end data prior to inception of regime. Returns are annualized S&P 500 Index Total Returns. The charts represent the growth of $100 from the beginning of the period, January 3, 1949, through December 31, 2008. Past performance does not guarantee future results. Please note that other asset classes may have performed differently during each time period. The S&P 500 Index is a broad-based index, the performance of which is based on the performance of 500 widely held common stocks chosen for market size, liquidity and industry group representation. The Index is unmanaged, does not reflect the deduction of any fees or expenses and is not available for direct investment. The "% of Time" represents the percentage of time for each period indicated that the S&P 500 was falling, recovering from a fall or creating wealth and was calculated using S&P 500 Price Only Returns.

S&P 500 Index: 10-year rolling returns

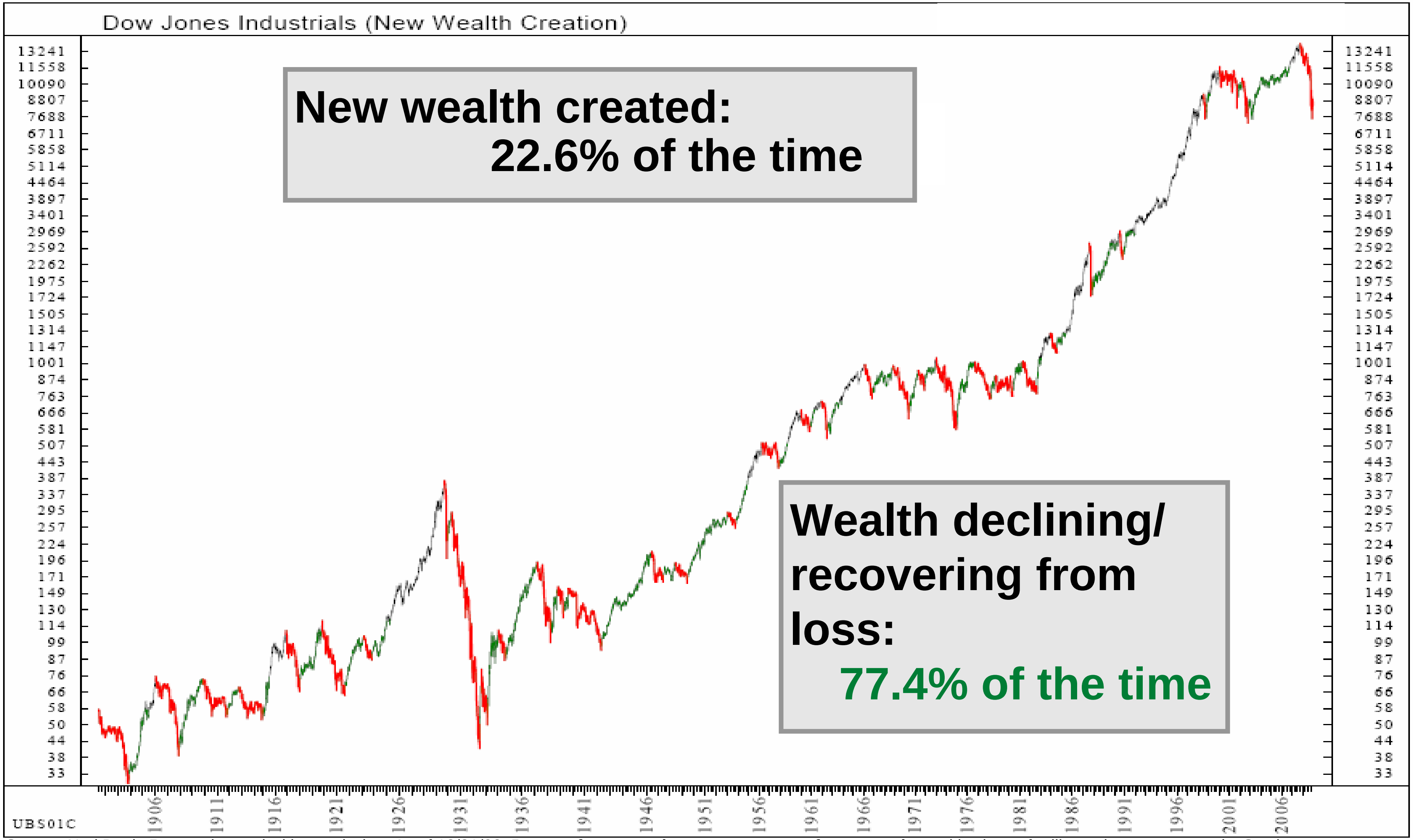
Through 12/31/08



Source: Ned Davis Research; used with permission. The S&P 500 Index is an unmanaged, weighted index comprising 500 widely held common stocks varying in composition and is unavailable for direct investment. **Past performance does not guarantee future results.** Performance is calculated assuming reinvestment of all dividends and capital gains on a daily basis.

Time spent making new wealth

6/17/1901 – 12/31/2008



Source: Ned Davis Research; used with permission. As of 12/31/08. **Past performance does not guarantee future results** and is shown for illustrative purposes only. Stocks are more volatile and subject to greater risks than other asset classes. The Dow Jones Industrials Average is a weighted, unmanaged index. An investor cannot invest directly in the index

Deepest bear markets in stock market history

Through 12/31/08

Index	Date Index Reached Trough	Decline from High	Time from Peak to Trough in Days*
Dow Jones Industrials	7/8/32	-89.2%	1,039
S&P 500	6/1/32	-86.2	998
Nasdaq Composite	**10/9/02**	**-77.9**	**929**
Nasdaq Composite	10/3/74	-59.9	630
S&P 500	**10/9/02**	**-49.1**	**839**
S&P 500	10/3/74	-48.2	630
Dow Jones Industrials	8/24/21	-46.6	660
Dow Jones Industrials	12/6/74	-45.1	694
Dow Jones Industrials	**10/9/02**	**-37.8**	**985**
S&P 500*	**11/20/08**	**-51.0**	**407**

* Calendar days.

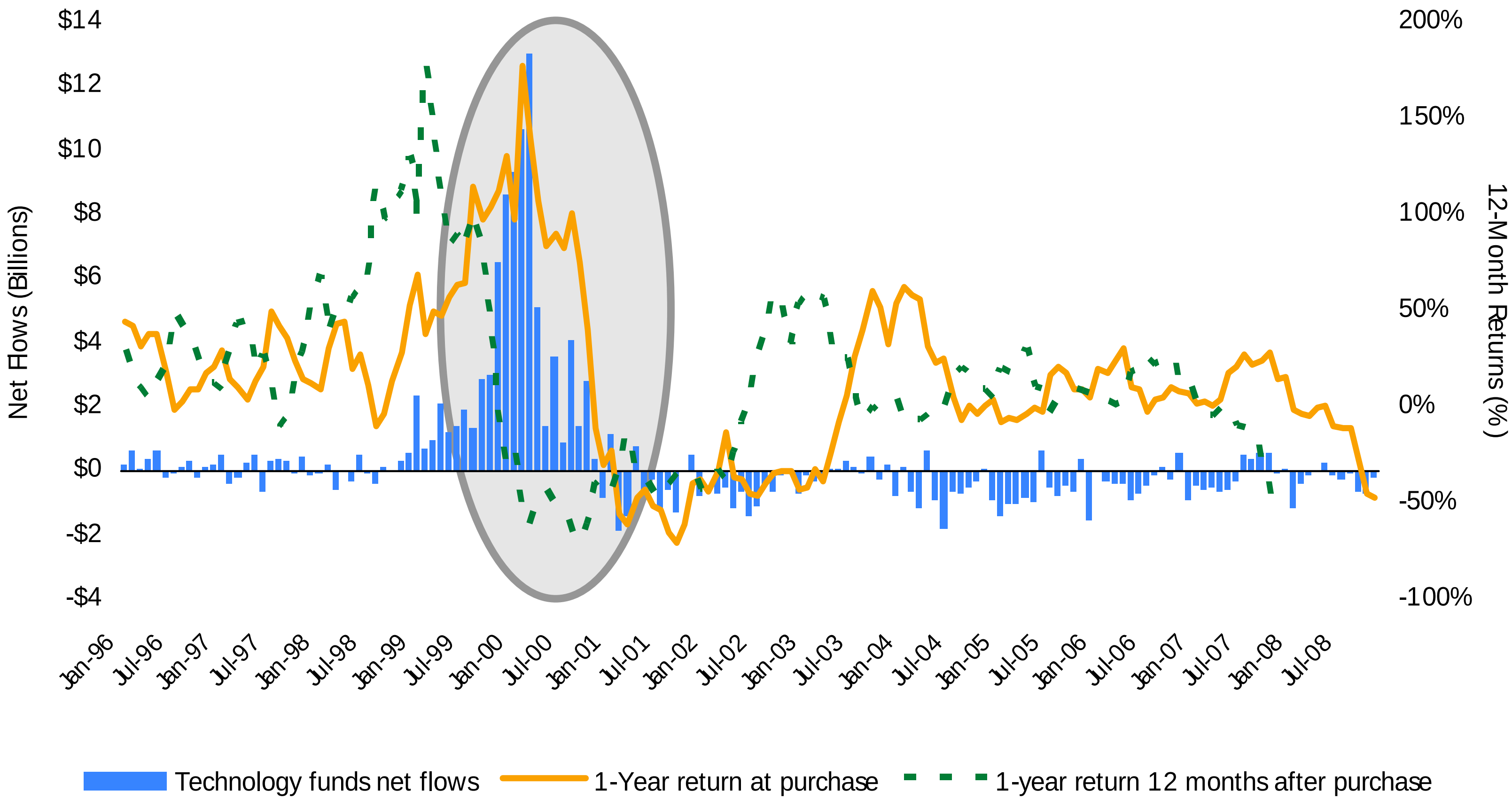
Note: Standard and Poor's started calculating its pricing index in 1926, the Nasdaq in 1971 and the Dow Jones Industrials in 1896. Source: Ned Davis Research and UBS Global Asset Management; used with permission. **Past performance does not guarantee future results** and is shown for illustrative purposes only. Indices are unmanaged and not available for direct investment.

"Fear has a greater grasp on human action than does the impressive weight of historical evidence."

Professor Jeremy Siegel
Stocks for the Long Run

Chasing the hot dot: Technology sector fund flows

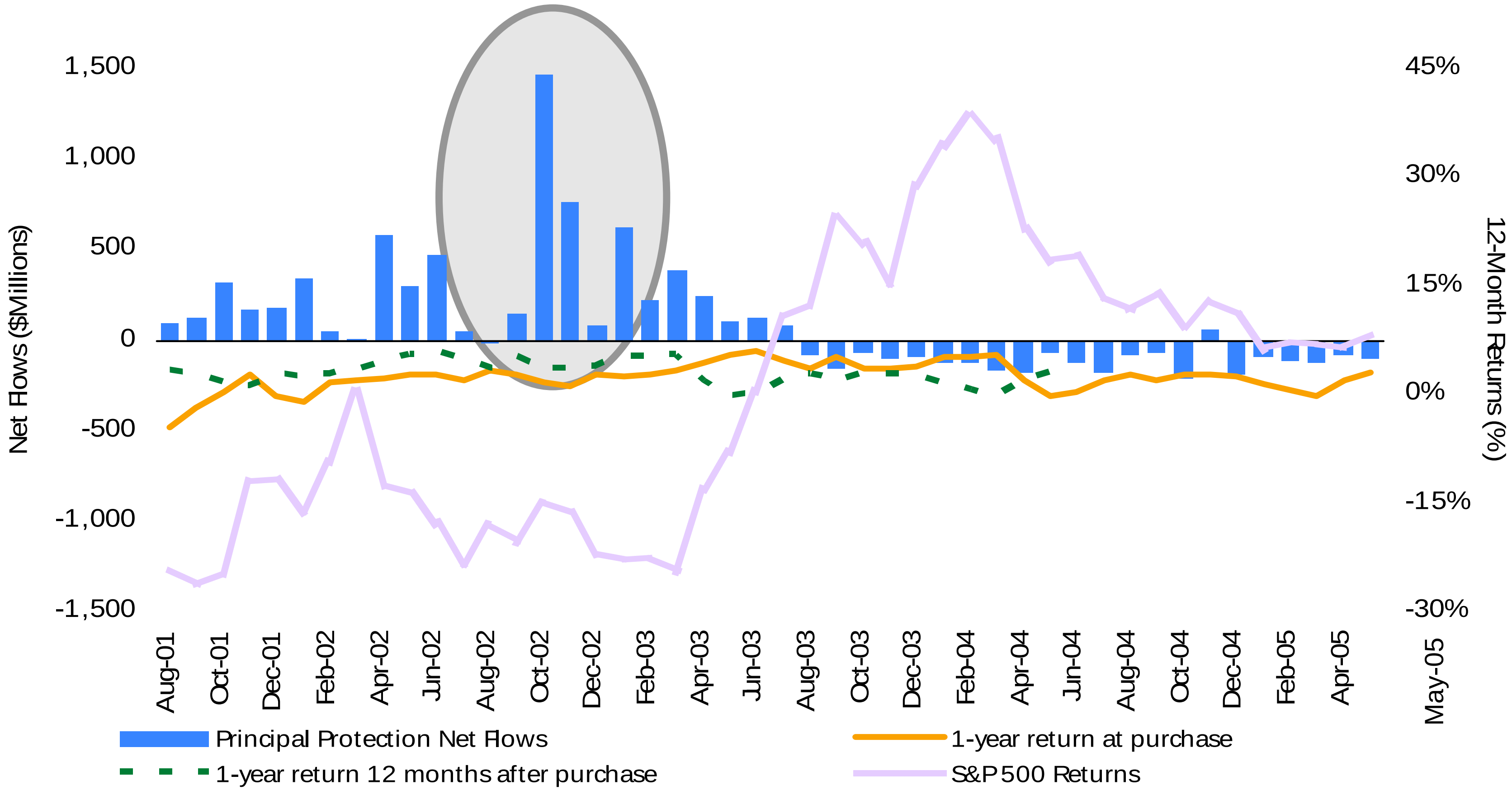
Net flows peak as performance of technology funds hits high
Data through 11/08



Source: Financial Research Corporation (FRC); used with permission. For illustrative purposes only. **Past performance is no guarantee of future results.** Technology mutual fund sales, redemptions, exchanges, reinvested dividends and assets under management are based on monthly data calculated by FRC. Performance information based on Specialty Technology sector provided to FRC by Morningstar. UBS104.2526C

Investors fled to principal protection funds in 2002

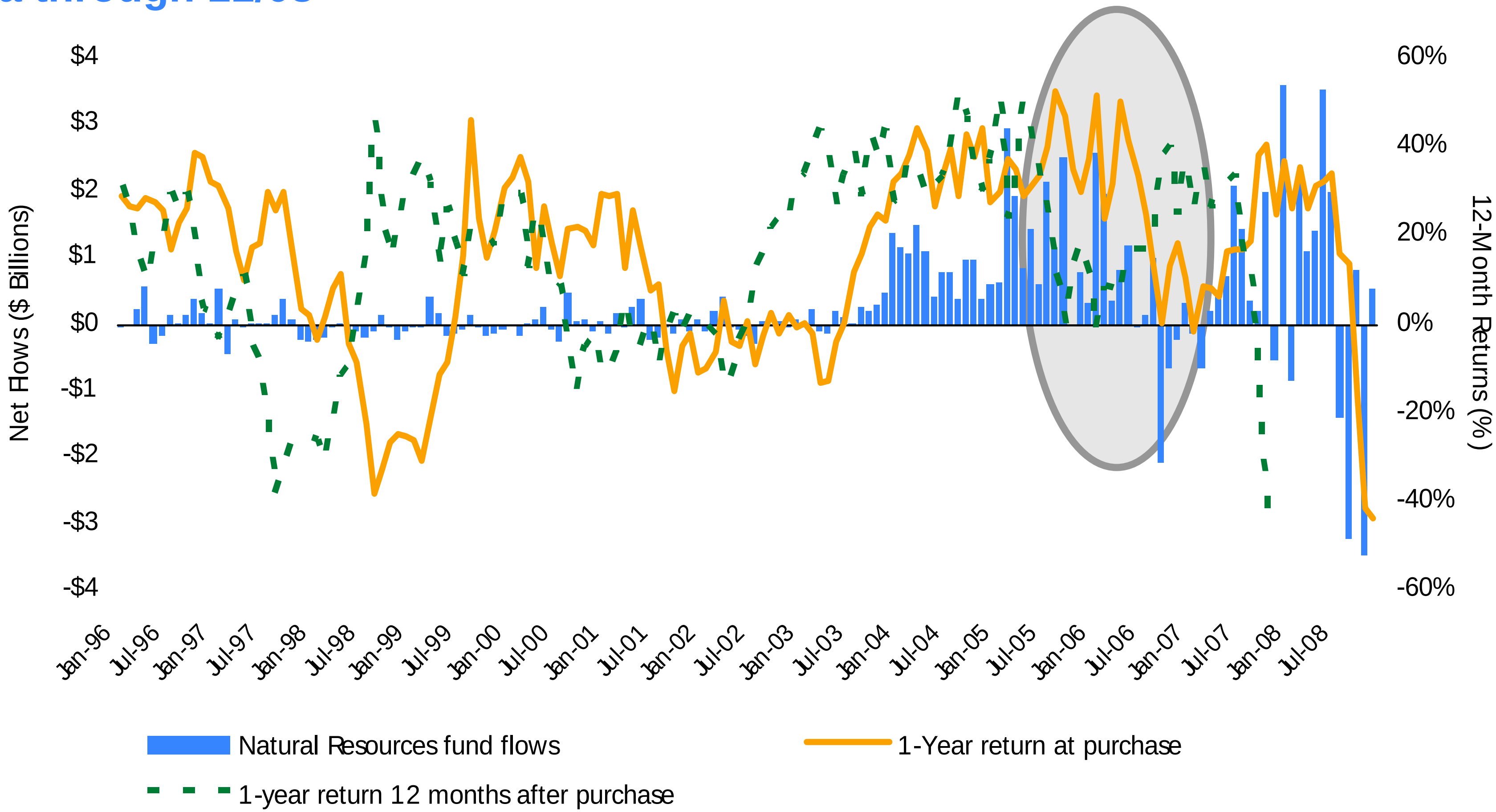
Net flows peak at market bottom
Data through 5/05



Source: Financial Research Corporation (FRC); used with permission. For illustrative purposes only. Past performance is no guarantee of future results. Principal protection mutual fund sales, redemptions, exchanges, reinvested dividends and assets under management are based on monthly data calculated by FRC. Performance information is provided to FRC by Morningstar. S&P 500 returns provided by Lipper. The S&P 500 Index is an unmanaged weighted index composed of 500 widely held common stocks varying in composition, and is not available for direct investment. S&P 500 is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use by UBS Global Asset Management. UBS104.2526C

Natural Resources Funds: How will the story end?

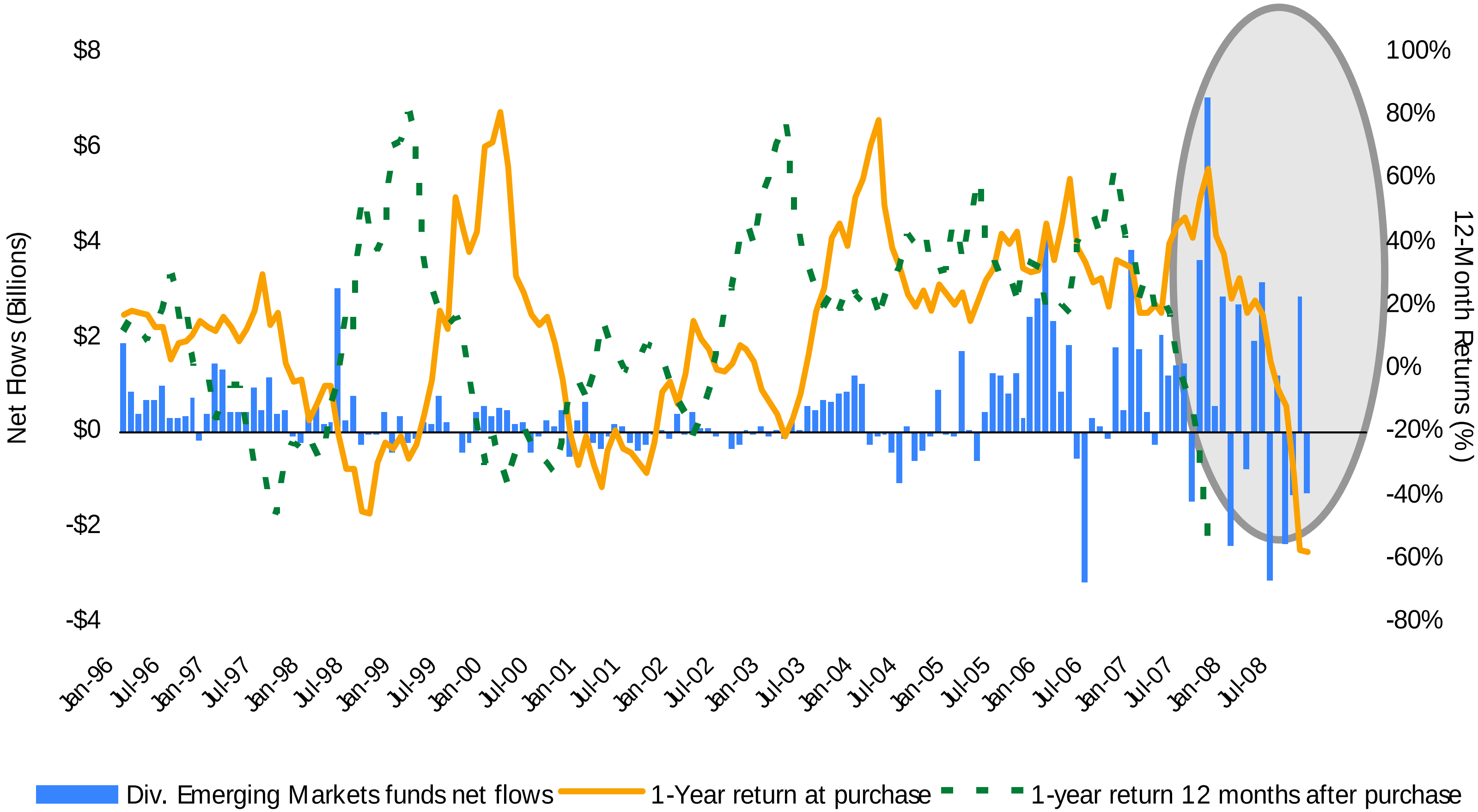
Natural Resource Funds attracted record levels of net sales following periods of high returns
Data through 11/08



Source: Financial Research Corporation (FRC); used with permission. For illustrative purposes only. **Past performance is no guarantee of future results**. Natural Resource mutual fund sales, redemptions, exchanges, reinvested dividends and assets under management are based on monthly data calculated by FRC. Performance information based on Specialty Natural Resources category provided to FRC by Morningstar. UBS104.2526C

Emerging Markets: How will the story end?

Emerging markets funds have attracted record levels of net sales following periods of high returns.
Data through 11/08

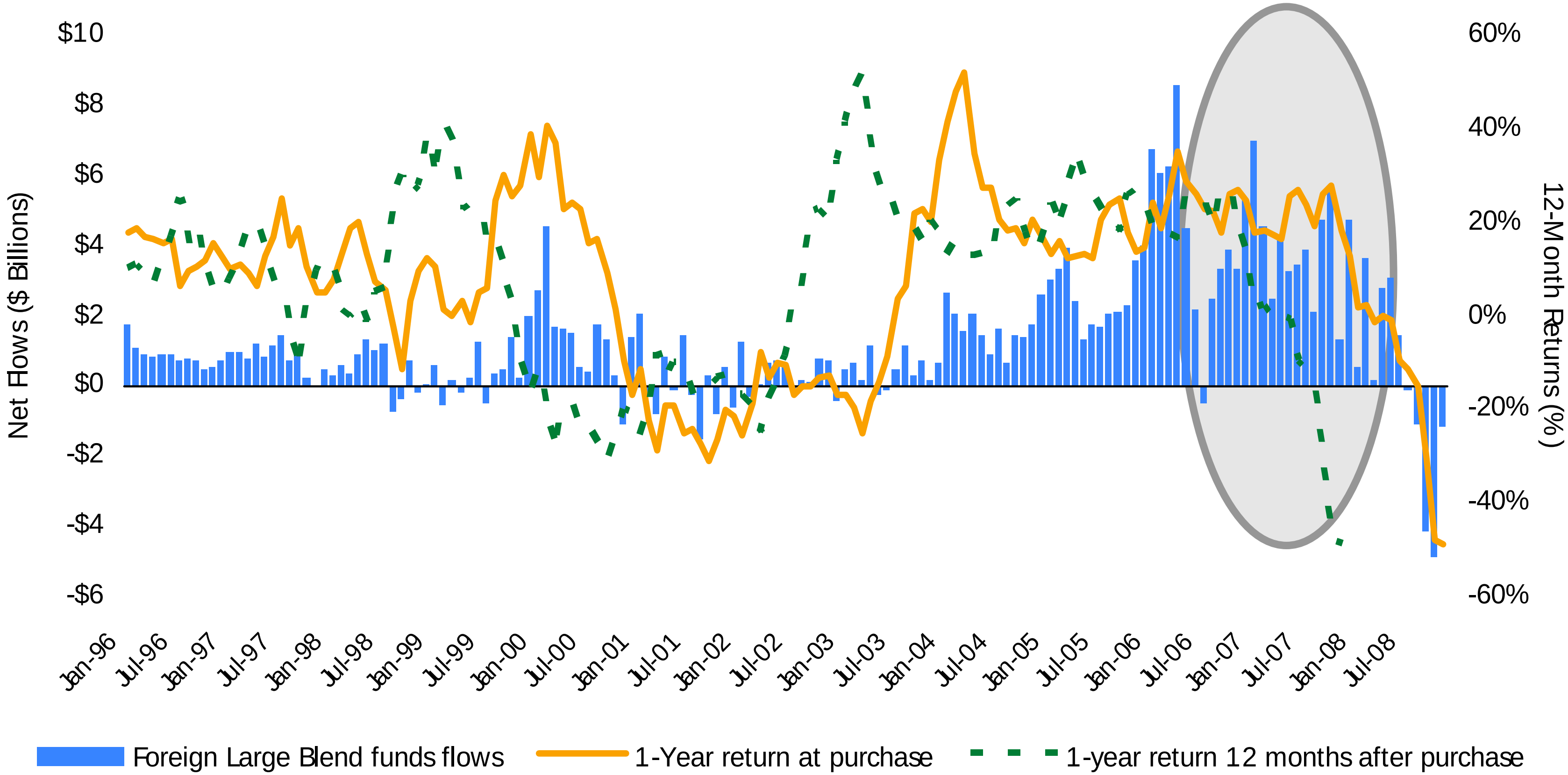


Source: FRC; used with permission. For illustrative purposes only. **Past performance is no guarantee of future results.** Emerging Markets mutual fund sales, redemptions, exchanges, reinvested dividends and assets under management are based on monthly data calculated by FRC. Performance information based on Diversified Emerging Markets category provided to FRC by Morningstar. UBS104.2526C

UBS Global Asset Management

Foreign Large Blend

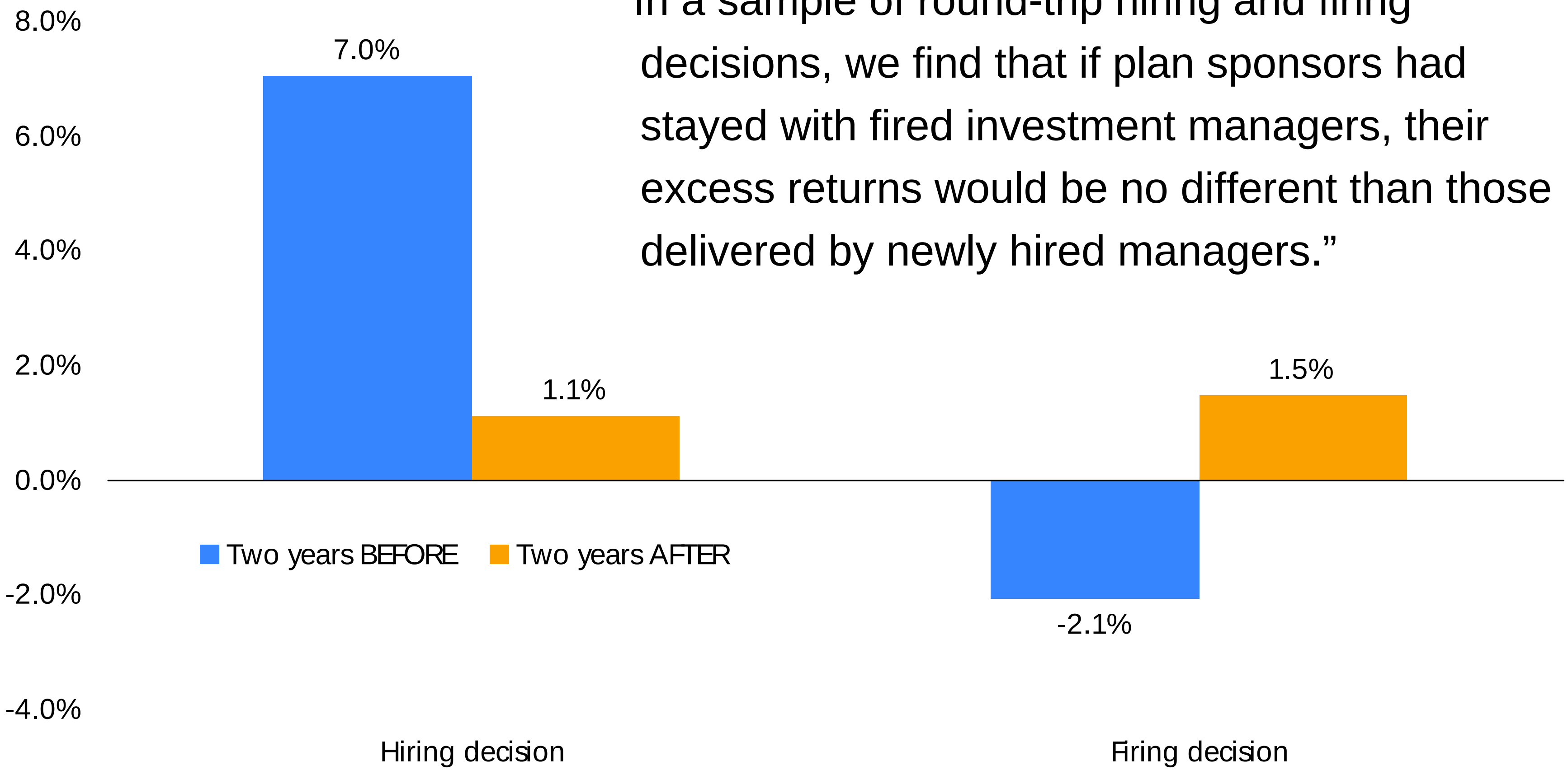
Data through 11/08



Source: Financial Research Corporation (FRC); used with permission. For illustrative purposes only. **Past performance is no guarantee of future results.** Foreign Large Blend mutual fund sales, redemptions, exchanges, reinvested dividends and assets under management are based on monthly data calculated by FRC. Performance information based on Foreign Large Blend category provided to FRC by Morningstar. UBS104.2526C

Plan sponsors chase return with disappointing results

Cumulative excess returns two years before and after the hiring or firing decision, 1994-2003



"In a sample of round-trip hiring and firing decisions, we find that if plan sponsors had stayed with fired investment managers, their excess returns would be no different than those delivered by newly hired managers."

Source: Goyal, A. and Sunil Whal, 2007. "The Selection and Termination of Investment Management Firms by Plan Sponsors," *Journal of Finance* Forthcoming. Based on data collected from 3,400 plan sponsors between 1994-2003. **Past performance is not a guarantee of future results.**

UBS Global Asset Management

How does inflation affect your purchasing power?

$1,000,000 today will be worth less tomorrow

	Assuming an inflation rate of:			
Years	**2%**	**3%**	**4%**	**5%**
5	$903,921	$858,734	$815,373	$773,781
10	$817,073	$737,424	$664,833	$598,737
15	$738,569	$633,251	$542,086	$463,291
20	$667,608	$543,794	$442,002	$358,486

Between 1970 and 2004, the average amount of time spent in retirement increased by 48% (from 13 to 19.2 years).*

Source: Karen Stevenson Brown, CPA, "Retirement Changes Dramatically Over the Years," www.elderweb.com.

* Average years in retirement were estimated by using average life expectancies at the average retirement age. Average life expectancies were obtained from the Center for Disease Control. Average retirement age is calculated by using data from the U.S. Office of Personnel Management.

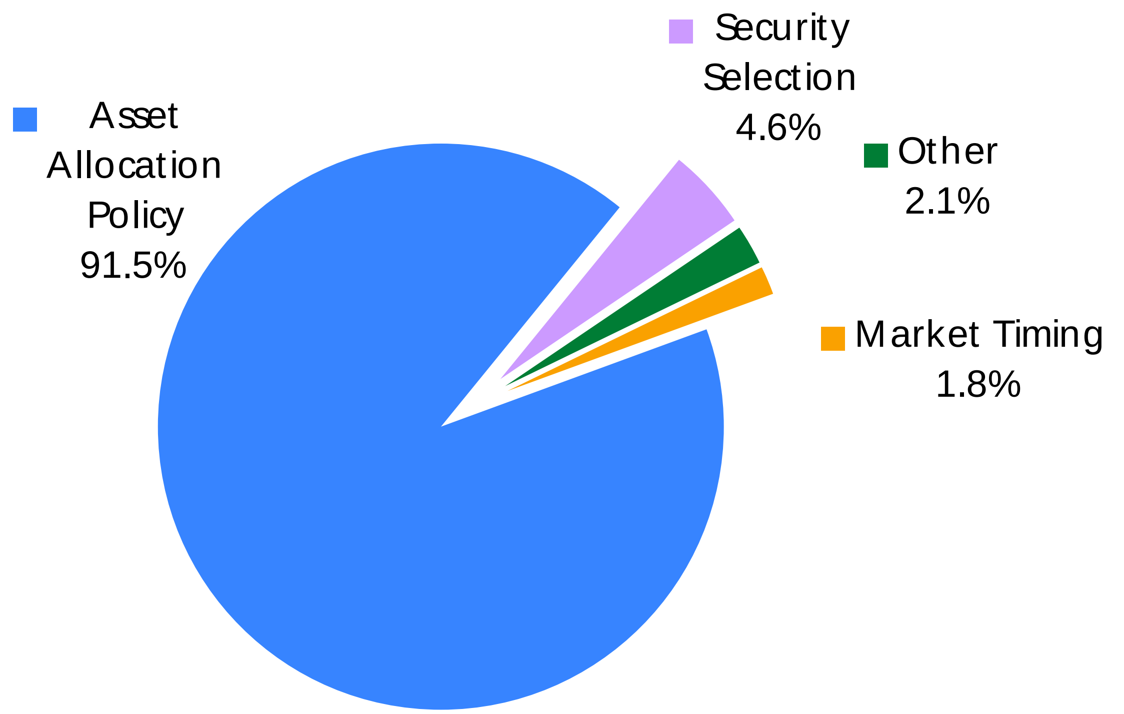
“The intelligent investor is likely to need considerable willpower to keep from following the crowd.”

Benjamin Graham

Investing principles to navigate volatile markets

- Asset allocation
- Diversification
- Rebalancing

UBS asset allocation study



Bottom Line: According to this study, asset allocation—America's most admired, but least practiced investment discipline—accounts for 91.5% of the variation in portfolio returns.[1]

Conclusion: Strategic asset allocation can help manage portfolio risk while stabilizing returns[2]

[1] Gary P. Brinson, L. Randolph Hood and Gilbert L. Beebower, "Determinants of Portfolio Performance," *The Financial Analysts Journal,* July/August 1986; and Gary P. Brinson, Brian D. Singer and Gilbert L.Beebower, "Determinants of Portfolio Performance, II: An Update,"*The Financial Analysts Journal,* May/June 1991.
[2]Asset allocation, however, does not assure a profit or prevent against loss from occurring in an investment portfolio.

Diversification

America’s most admired, least practiced investment discipline

The Callan Periodic Table of Annual Investment Returns for Selected Asset Classes (1987 – 12/31/2007)
Ranked from Best to Worst Performance

1987	1988	1989	1990	1991	1992	1993
Int’l Stocks 24.64%	Small Cap Value 29.47%	Large Cap Growth 36.40%	US Bonds 8.96%	Small Cap Growth 51.18%	Small Cap Value 29.15%	Int’l Stocks 32.57%
Large Cap Growth 6.50%	Int’l Stocks 28.26%	Large Cap Stocks 31.69%	Large Cap Growth 0.20%	Small Cap Stocks 46.05%	Small Cap Stocks 18.42%	Small Cap Value 23.86%
Large Cap Stocks 5.25%	Small Cap Stocks 24.89%	Large Cap Value 26.13%	Large Cap Stocks -3.11%	Small Cap Value 41.70%	Large Cap Value 10.52%	Small Cap Stocks 18.89%
Large Cap Value 3.68%	Large Cap Value 21.67%	Small Cap Growth 20.16%	Large Cap Value -6.85%	Large Cap Growth 38.37%	Small Cap Growth 7.77%	Large Cap Value 18.61%
US Bonds 2.75%	Small Cap Growth 20.38%	Small Cap Stocks 16.25%	Small Cap Growth -17.42%	Large Cap Stocks 30.47%	Large Cap Stocks 7.62%	Small Cap Growth 13.37%
Small Cap Value -7.12%	Large Cap Stocks 16.61%	US Bonds 14.53%	Small Cap Stocks -19.50%	Large Cap Value 22.56%	US Bonds 7.40%	Large Cap Stocks 10.08%
Small Cap Stocks -8.76%	Large Cap Growth 11.95%	Small Cap Stocks 12.43%	Small Cap Value -21.77%	US Bonds 16.00%	Large Cap Growth 5.06%	US Bonds 9.75%
Small Cap Growth -10.48%	US Bonds 7.89%	Int’l Stocks 10.53%	Int’l Stocks -23.45%	Int’l Stocks 12.14%	Int’l Stocks -12.18%	Large Cap Growth 1.68%

1994	1995	1996	1997	1998	1999	2000
Int’l Stocks 7.78%	Large Cap Growth 38.13%	Large Cap Growth 23.97%	Large Cap Growth 36.52%	Large Cap Growth 42.16%	Small Cap Growth 43.09%	Small Cap Value 22.83%
Large Cap Growth 3.13%	Large Cap Stocks 37.58%	Large Cap Stocks 22.96%	Large Cap Stocks 33.36%	Large Cap Stocks 28.58%	Large Cap Growth 28.24%	US Bonds 11.63%
Large Cap Stocks 1.52%	Large Cap Value 36.99%	Large Cap Value 22.00%	Small Cap Value 31.78%	Int’l Stocks 20.00%	Int’l Stocks 26.96%	Large Cap Value 6.08%
Large Cap Value -0.64%	Small Cap Growth 31.04%	Small Cap Value 21.37%	Large Cap Value 29.98%	Large Cap Value 14.69%	Small Cap Stocks 21.26%	Small Cap Stocks -3.02%
Small Cap Value -1.55%	Small Cap Stocks 28.44%	Small Cap Stocks 16.53%	Small Cap Stocks 22.36%	US Bonds 8.70%	Large Cap Stocks 21.04%	Large Cap Stocks -9.10%
Small Cap Stocks -1.81%	Small Cap Value 25.75%	Small Cap Growth 11.32%	Small Cap Growth 12.93%	Small Cap Growth 1.23%	Large Cap Value 12.73%	Int’l Stocks -14.17%
Small Cap Growth -2.44%	US Bonds 18.46%	Int’l Stocks 6.05%	US Bonds 9.64%	Small Cap Stocks -2.55%	US Bonds -0.82%	Large Cap Growth -22.07%
US Bonds -2.92%	Int’l Stocks 11.21%	US Bonds 3.64%	Int’l Stocks 1.78%	Small Cap Value -6.46%	Small Cap Value -1.48%	Small Cap Growth -22.43%

2001	2002	2003	2004	2005	2006	2007
Small Cap Value 14.03%	US Bonds 10.25%	Small Cap Growth 48.54%	Small Cap Value 22.25%	Int’l Stocks 13.54%	Int’l Stocks 26.34%	Int’l Stocks 11.17%
US Bonds 8.44%	Small Cap Value -11.43%	Small Cap Stocks 47.25%	Int’l Stocks 20.25%	Large Cap Value 5.82%	Small Cap Value 23.48%	Large Cap Growth 9.13%
Small Cap Stocks 2.49%	Int’l Stocks -15.66%	Small Cap Value 46.03%	Small Cap Stocks 18.33%	Large Cap Stocks 4.91%	Large Cap Value 20.81%	Small Cap Growth 7.05%
Small Cap Growth -9.23%	Small Cap Stocks -20.48%	Int’l Stocks 38.59%	Large Cap Value 15.71%	Small Cap Value 4.71%	Small Cap Stocks 18.37%	US Bonds 6.97%
Large Cap Value -11.71%	Large Cap Value -20.85%	Large Cap Value 31.79%	Small Cap Growth 14.31%	Small Cap Stocks 4.55%	Large Cap Stocks 15.79%	Large Cap Stocks 5.49%
Large Cap Stocks -11.88%	Large Cap Stocks -22.10%	Large Cap Stocks 28.68%	Large Cap Stocks 10.88%	Small Cap Growth 4.15%	Small Cap Growth 13.35%	Large Cap Value 1.99%
Large Cap Growth -12.73%	Large Cap Growth -23.59%	Large Cap Growth 25.66%	Large Cap Growth 6.13%	Large Cap Growth 4.00%	Large Cap Growth 11.01%	Small Cap Stocks -1.57%
Int’l Stocks -21.44%	Small Cap Growth -30.26%	US Bonds 4.10%	US Bonds 4.32%	US Bonds 2.43%	US Bonds 4.33%	Small Cap Value -9.78%

Small Cap Value, represented by the Russell 2000 Value Index, contains those Russell 2000 securities with a less-than-average growth orientation. Securities in this index generally have lower price-to-book and price-to-earnings ratios than those in the Russell 2000 Growth Index.

Small Cap Growth, represented by the Russell 2000 Growth Index, contains those Russell 2000 securities with a greater-than-average growth orientation. Securities in this index generally have higher price-to-book and price-to-earnings ratios than those in the Russell 2000 Value Index.

International Stocks, represented by the MSCI EAFE Index, is a Morgan Stanley Capital International index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Large Cap Stocks, represented by the S&P 500 Index, is a market-value weighted index of 500 stocks that are traded on the NYSE, AMEX, and NASDAQ. The weightings make each company’s influence on the performance of this index directly proportional to that company’s market value.

Large Cap Growth and Large Cap Value, represented by the S&P Barra Growth and the S&P 500 Barra Value indexes, are constructed by dividing the stocks in the S&P 500 Index according to price-to-book ratios. The Growth Index contains stocks with higher price-to-book ratios. The Value Index contains stocks with lower price-to-book ratios. The indexes are market capitalization weighted, and their holdings are mutually exclusive.

US Bonds, represented by the Lehman Brothers Aggregate Bond Index, includes US government, corporate, and mortgage-backed securities with maturities up to 30 years.

Small Cap Stocks, represented by the Russell 2000 Index. The Russell 2000 is a market-value-weighted index of the 2000 smallest stocks in the broad-market Russell 3000 Index. These securities are traded on the NYSE, AMEX and NASDAQ.

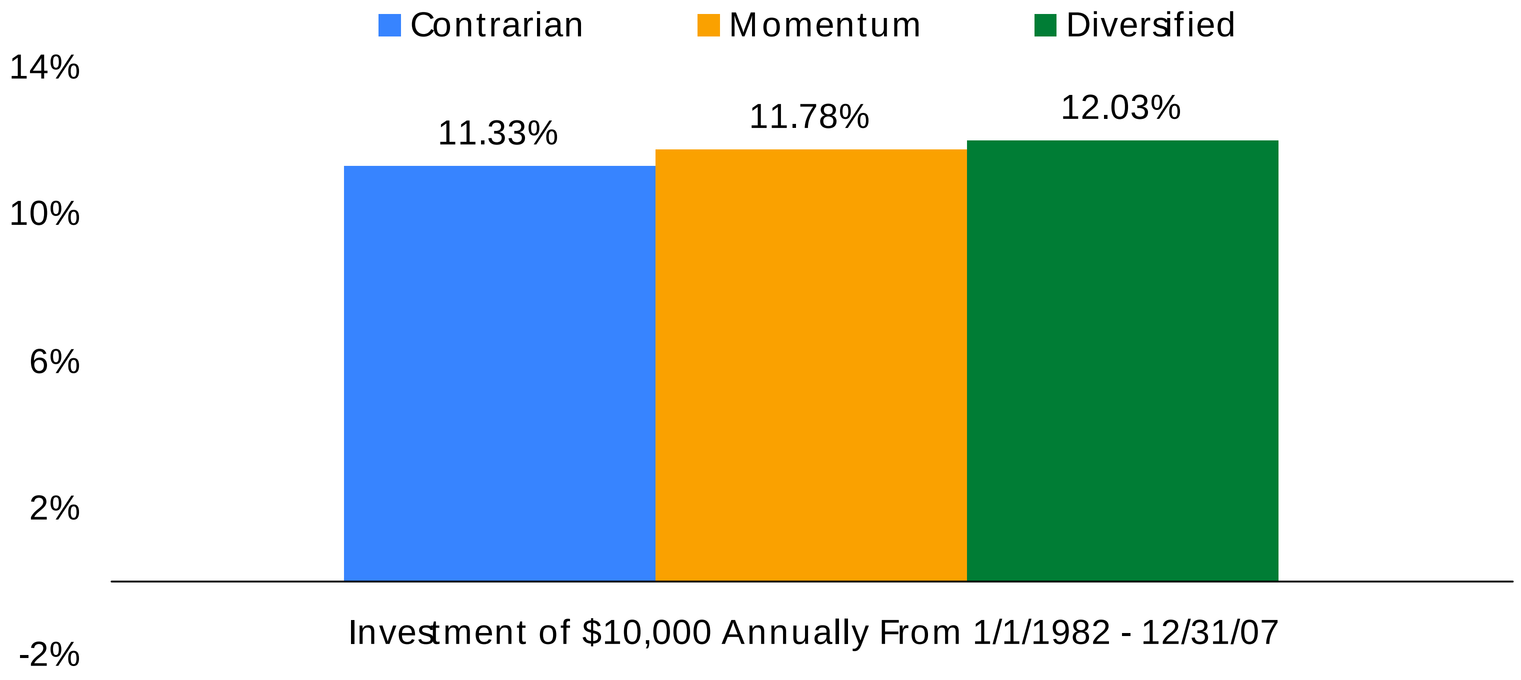
Source: Data from the Callan Periodic Table. Callan Associates, Inc., 2008. Used with permission.

Data as of 12/31/07. For illustrative purposes only. Security indices are unmanaged. They assume reinvestment of distributions and interest payments and do not take into account fees, taxes and other charges. Such fees and charges would reduce performance. It is not possible to invest directly in an index. Past performance does not guarantee future results.

True diversification includes stocks, bonds & cash

Consider three investment strategies going back 26 years:

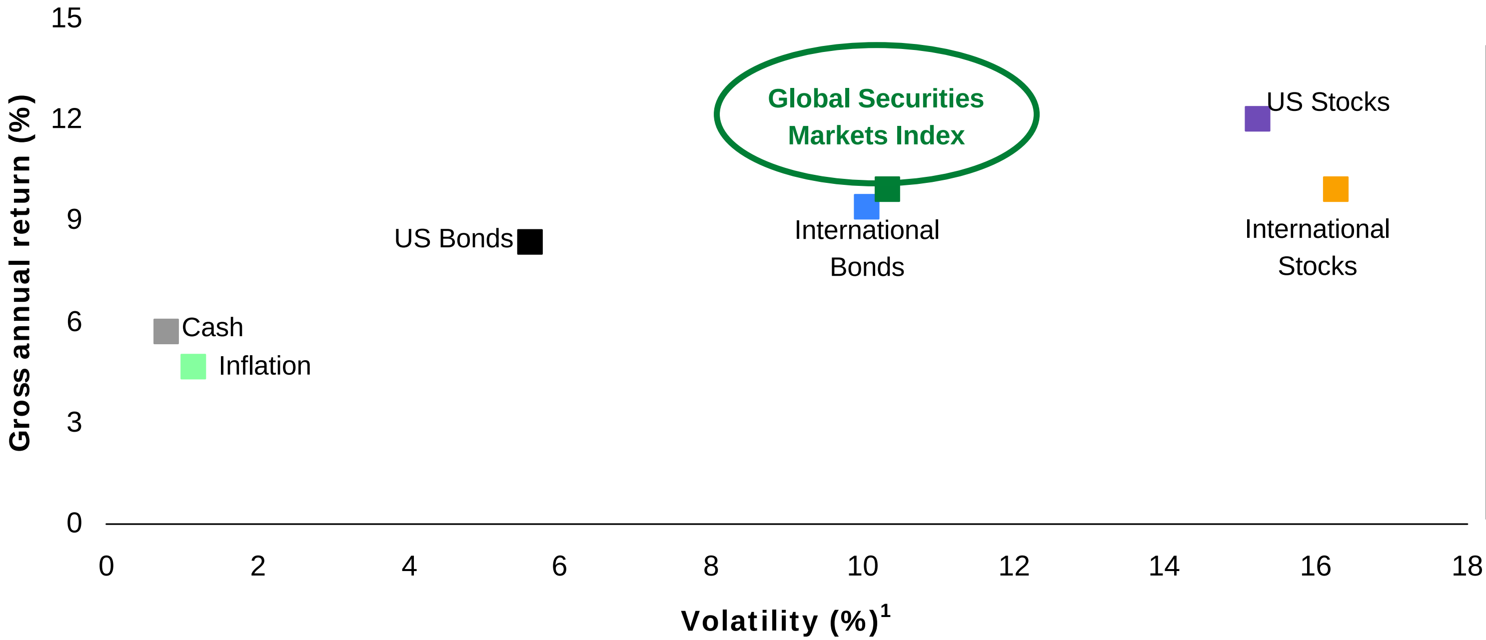
Contrarian: choosing the worst performers of the past 12 months
Momentum: choosing the best performers of the past 12 months
Diversified: choosing an equally weighted selection of all asset classes



Source: Callan Associates; used with permission. For illustrative purposes only. Momentum and Contrarian results are based on investing each year in the best and worst index performers from chart on previous slide, respectively, for the past 12 months. Diversified results based on investing each year in an equally weighted portfolio of all index performers from chart on previous slide. Indices are unmanaged and not available for direct investment. **Past performance is no guarantee of future results**. Diversification does not assure a profit or prevent against loss from occurring in an investment portfolio.

The value of staying centered

Comparative of historical index performance: December 31, 1969 – December 31, 2008



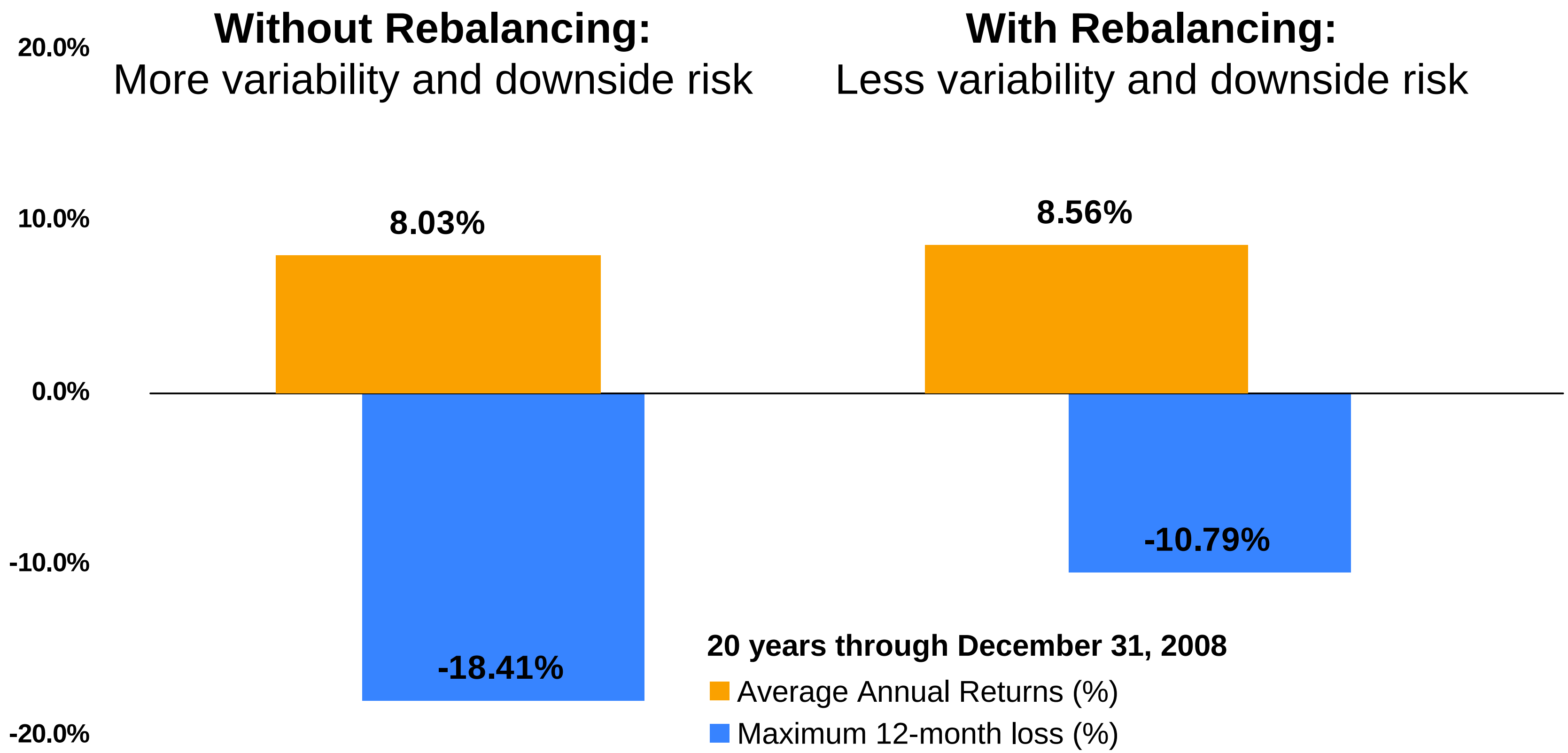
December 31, 1969 – December 31, 2008	
Annual return (%):	
Inflation	4.51
Cash	5.67
US Bonds	8.44
International Bonds	9.38
Global Securities Markets Index	9.94
International Stocks	9.90
US Stocks	11.99

[1]Annualized standard deviation of monthly logarithmic returns.

Performance is historical and does not guarantee future results. Indices Represented: Cash is defined by the 1 month T-Bill (Citigroup); Inflation by the US Consumer Price Index; US Bonds by the Citigroup (BIG) Broad Investment Grade Bond Index; International Bonds by the Citigroup World Gov't Bond (WGBI) non-US Index; US Stocks by the Russell 3000 Index (from 12/31/1978-9/30/2008) and International Stocks by the MSCI World ex-USA (Free) Index. The Global Securities Markets Index (GSMI) Index is an unmanaged index compiled by UBS Global Asset Management. Prior to November 30, 2003, the 40% US Equity portion of the benchmark was constructed using the Wilshire 5000 Equity Index. The GSMI is currently constructed as follows: 40% Russell 3000 Index, 22% MSCI World ex-USA (Free) Index, 21% Citigroup Broad Investment Grade (BIG) Bond Index, 9% Citigroup World Government Bond non-US Index, 3% Merrill Lynch High Yield Cash Pay Constrained Index, 3% MSCI Emerging Markets Free Index and 2% JP Morgan EMBI Global. These index returns are unmanaged and are intended for illustration purposes only. They assume reinvestment of distributions and interest payments and do not take into account fees, taxes and other charges. Such fees and charges would reduce performance. It is not possible to invest directly in an index. Please see slide titled "Global asset class definitions" for definitions of indices used to represent the global asset classes portrayed above.

Rebalancing can help to manage volatility

Portfolios that are rebalanced even once per year are significantly less volatile than portfolios that have not been rebalanced.



Source: UBS Global Asset Management. For illustrative purposes only. The example above is based on a hypothetical portfolio consisting of 40% S&P 500 Index and 60% Barclays Capital Treasury Index. The indices are unmanaged and are not available for direct investment. The portfolio rebalanced annually was rebalanced every January during the 20-year period. Maximum loss is based on any rolling 12-month period during the 20-year period. Past performance is no guarantee of future results. Rebalancing alone does not ensure gains or prevent losses from occurring in a portfolio or account.

The rule of 72: the power of compounding

Rate of Return	Investment Doubles Every . . .
2%	36 years
4%	18 years
6%	12 years
8%	9 years
10%	7 years
12%	6 years

For illustrative purposes only. Does not represent actual investment performance or guarantee future results. An actual investment would incur fees, expenses, charges and taxes. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost.

An ivy-league investment education

“Investors should take a cue from the disciplined manner in which [David Swensen] manages Yale's portfolio. He won't chase after hot returns and doesn't fret if every piece of Yale's portfolio isn't firing on all cylinders at the same time (the fact that they don't is by design).

The endowment's asset mix actually changes very little from year to year because Swensen and his staff create a well-thought-out plan
and stick with it. We think that's a recipe for long-term success well worth emulating. ”

—Morningstar.com

“Should your portfolio look like Yale’s?” October 23, 2007

Lessons learned …investment disciplines to follow

Lessons Learned

- Emotion is the biggest obstacle to investor success.
- Periodic and painful declines are part of equity investing.
- Diversification is never out of style.

Investment Disciplines

- Build a balanced portfolio:
  - based on your time horizon and risk tolerance
  - strategically and insightfully constructed
  - diversified by asset class, region, sector, and security
- Review your portfolio at least once a year; rebalance when your portfolio's asset allocation shifts away from your original investment goals.
- Have a plan, stick with it.

Global Asset Class Index Definitions

International Stocks, represented by the Morgan Stanley Capital International (MSCI) World ex-USA (Free) Index, comprises the entire developed world less the United States. There are 21 countries within this index. Emerging Markets Stocks, represented by the MSCI Emerging Markets Free Index, is a market-capitalization-weighted index of over 670 stocks traded in 26 world markets. US Bonds, represented by the Citigroup Broad Investment Grade (BIG) Bond Index, includes US Treasury, government agency, and mortgage-backed bonds. International Bonds, represented by the Citigroup World Government Bond non-US Index, includes the most significant and liquid government bond markets globally that carry at least an investment grade rating. High Yield, represented by the Merrill Lynch High Yield Cash Pay Index, is an index comprised of below-investment grade corporate bonds issued in the United States. Emerging Markets Bonds, represented by the J.P. Morgan Emerging Markets Bond Index Global, tracks Brady bonds of 17 foreign countries. US Stocks, represented by the Russell 3000 Index, measures the performance of the 3,000 largest US companies based on total market capitalization which represents approximately 98% of the investable US equity market. Prior to November 30, 2003, US Stocks were represented by the Wilshire 5000 Index, a broad-based, market capitalization weighted index that includes all US large-, intermediate- and small-cap issues.

Other index class definitions

All indices are unmanaged and unavailable for direct investment.

- S&P 500 Index is comprised of 500 widely held common stocks varying in composition.
- Morgan Stanley Capital International EAFE Index (USD) comprises 21 MSCI country indices, representing the developed markets outside of North America: Europe, Australasia and the Far East.
- Morgan Stanley Capital International Emerging Markets Index (USD) is a market-capitalization-weighted index of over 670 stocks traded in 26 world markets.
- Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
- Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
- Russell 2000 Index measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization.
- Goldman Sachs Natural Resources Index is a market capitalization-weighted index of 112 stocks designed to measure the performance of companies in the natural resources sector, which includes energy, precious metals, timber, and other sub sectors.
- Dow Jones US Technology Index measures the performance of the technology sector of the United States equity market.