Financial Market Review and Outlook

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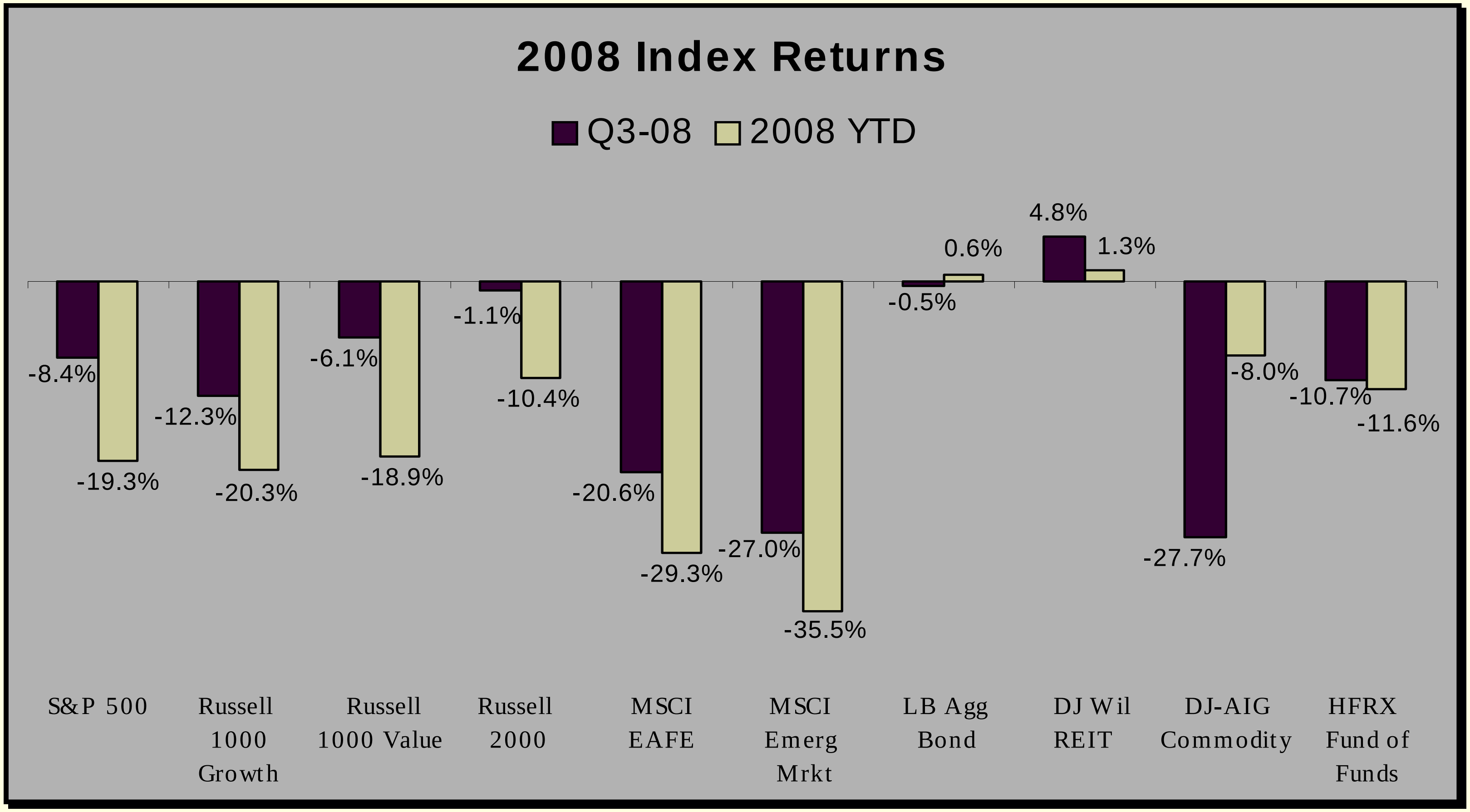
Oxford's Investment Strategy Group

September 30, 2008

Contents

2008 Index Returns



Past performance is not indicative of future returns.

Market Decline Analysis

Down Market	Length In Months	Total Return S&P 500	Months to Break Even: From End Of Down Market	Months to Break Even: From Start Of Down Market	First 12 Months After Down Market	Second 12 Months After Down Market
Nov 48-May 49	7	(10.0)%	4	11	42.4%	23.8%
Jan 53-Aug 53	8	(8.7)	5	13	35.0	51.2
Aug 57-Dec 57	5	(15.0)	7	12	43.4	12.0
Jan 60-Oct 60	10	(8.4)	2	12	32.6	(14.9)
Jan 62-Jun 62	6	(22.3)	10	16	31.2	21.5
Feb 66-Sep 66	8	(15.6)	6	14	30.6	9.6
Dec 68-Jun 70	19	(29.3)	9	28	41.9	10.7
Jan 73-Sep 74	21	(42.5)	21	42	38.1	30.5
Jan 77-Feb 78	14	(14.1)	5	19	16.6	24.5
Dec 80-Jul 82	20	(16.9)	3	23	59.4	(2.9)
Sep 87-Nov 87	3	(29.5)	18	21	23.2	30.8
Jun 90-Oct 90	5	(14.7)	4	9	33.5	9.9
Jul 98-Aug 98	2	(15.4)	3	5	39.8	16.3
Aug 00-Sept 02	25	(44.7)	27	52	24.4	13.9
Average	**10.9**	**(20.5)%**	**9**	**20**	**35.2%**	**16.9%**

Source: Ibbotson Associates

Financial Market Weatherscape

Overall Economy	Unfavorable	US is in a recession, along with most of Europe and Japan. Growth in most emerging markets will slow.
Inflation	Unclear	Lower commodity prices have reduced inflation pressures for now. Expensive financial stabilization measures suggest inflation to come.
Credit Environment	Unfavorable	Credit spreads have widened dramatically. The market for commercial paper has seized; municipal and corporate issuance is at a standstill.
Earnings	Unfavorable	Reduced input prices as commodities fall will be insufficient to offset slowing consumer demand.
Equity Valuations	Favorable	Stock valuations appear remarkably attractive, even adjusting for slowing earnings. Long-term investors should consider rebalancing.
Sentiment	Unclear	Widespread pessimism frequently signals a buying opportunity, but panicky investors suggest choppy waters ahead.
Technical Factors	Unfavorable	Continued volatility is likely as highly leveraged players delever. Hedge fund redemptions likely to be a significant factor.

Source: Oxford Investment Strategy Group

Opinions, estimates, forecasts and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice.

Favorable Unclear Unfavorable

Investment Outlook

- The U.S. economy is in a recession. Europe and Japan are not far behind. Global financial markets are trying to recover from a systemic shock that eclipses any turmoil in recent memory.
- Falling home prices, an over-leveraged consumer, and the seizure of the credit markets will have far reaching effects on the global economy including:
  - Rising Unemployment, Slower Income Growth
  - Weaker Consumer Spending and Business Investment
  - A Rise in Corporate and Personal Bankruptcies
- Inflation pressures have eased in response to weaker aggregate demand. Prices for both financial and real assets have dropped sharply. This trend is short-term deflationary.
- Monetary and fiscal authorities worldwide are flooding the financial system with liquidity and injecting capital into troubled institutions. They are printing money and monetizing government debt. This trend is long-term inflationary.

Investment Outlook

- Risk aversion and fear have gripped investors. Panic selling, the lock-up of credit, the hoarding of capital and a distorted regulatory environment have created significant financial market dislocations.
- Interest rates for risk-free U.S. Treasury securities have collapsed, while credit spreads for high-yield bonds are the widest on record.
- The stock market has experienced its worst year-over-year decline since the 1930's, re-pricing to account for the reduced earnings expectations and increased uncertainty.
- This back drop has provided long-term investors with their best entry points into stocks and bonds in well over a decade:
    - Normalized P/E ratios are the lowest since 1990
    - Credit spreads for investment-grade corporate and municipal bonds have widened to historic levels.

Investment Outlook

Key investment themes:

- Equities are attractively valued, though near-term volatility will require patience.
- Municipal bonds and corporate debt securities are trading at their highest relative yields in years, making them bargains compared to Treasuries.
- The hedge fund industry is going through a period of significant change and increasing regulatory scrutiny; the time may be at hand to return to neutral exposure.
- Many other alternative investment categories are becoming more attractive, including private equity, natural resources and distressed securities.

Investment Outlook

- *For long-term investors with a tolerance for near-term volatility, we are recommending they rebalance their equity positions back to their long-term Strategic & Tactical targets*.
- Funding for this move should come from fixed income and hedge funds allocations where appropriate.
- Additional recommendations are as follows:
  - Remove the growth bias in large-cap, while continuing to overweight large-cap equities.
  - Add corporate bond exposure at the expense of the core fixed income position (tax-deferred accounts).
  - Close out the tactical position in developing local markets bonds.
  - Continue the tax-loss harvesting program initiated last quarter.

Tactical Asset Allocation Summary

Domestic Large Cap Equities	**Overweight.** • As the current tight credit environment drags on, this will favor larger companies with strong balance sheets and greater financial flexibility. • Valuations are attractive on a relative basis as large caps are now selling at a significant P/E discount relative to small caps. • Large-cap exports should benefit from a relatively weak dollar, although U.S. dollar appreciation could become a potential headwind. A global recession would also limit export growth.
Domestic Small Cap Equities	**Underweight.** • Earnings of small-caps are more vulnerable to a domestic economic contraction. • Frozen credit markets are likely to limit growth going forward as borrowing costs have risen substantially.
International Equities	**Neutral Allocation.** • A mix of hedged and unhedged equity exposure looks attractive. Developed markets—especially Europe—trade at a significant P/E discount to the US. Europe is falling into recession and the euro is vulnerable as the ECB begins to ease, but the Japanese yen may have potential to strengthen. • Rebalance emerging markets positions to targets. Economies are positioned for further growth, but a global recession will impact exporters in the short term. Long-term valuations are compelling.

Tactical Asset Allocation Summary

Fixed Income	**Neutral Allocation. Favor High Grade Credits.** • Fixed income remains valuable for capital preservation, and spreads on investment grade corporates are at all-time highs. • Treasuries look expensive. Mass risk-aversion has brought down yields. • High yield appears attractive, although we would prefer to be a little further along in the default cycle. • High grade credits and municipal bonds offer investors relative value. Yields on munis are now trading above treasuries on a pre-tax basis. • Foreign currency denominated issues look less attractive at this point. We are removing our tactical allocation to local emerging markets debt.
Commodities / Natural Resources	**Underweight Commodities. Neutral Allocation to Private Natural Resources.** • Commodities have come crashing down as the global recession has reduced demand. Massive deleveraging could continue this trend. • Exposure is still warranted as commodities provide a good hedge against inflation. The long-term demand story remains intact. • Private natural resource investments offer an opportunity to create value beyond the price of the commodity itself. • MLPs have experienced sharp declines and now look quite attractive with yields exceeding 10%.

Tactical Asset Allocation Summary

Real Estate	**Underweight REITs. Neutral on Private Real Estate.** • Public REITs declined sharply in early October, but the market may still not fully reflect the likelihood of higher vacancies and property value declines. • Private real estate has held up better, but operators are now facing a more difficult "portfolio realization" environment. • Credit availability and tenant growth remain problematic.
Hedge Funds	**Neutral Allocation.** • Hedge funds have protected capital when compared to equities year-to-date, but have fared far worse than expected. • Many hedge funds have failed, and will continue to fail, as a result of the credit crisis. Hedge funds are likely to face increased regulation and scrutiny going forward and this will weigh on returns in the near term. • Hedge funds remain an attractive diversifier and portfolio hedge during uncertain times. Continued failure of overleveraged players and those who misjudged risk highlights importance of manager selection and diversification. • Gradually reduce to a neutral allocation over time.
Private Equity	**Neutral Allocation.** • Experienced, well-capitalized teams are likely to find opportunities especially in distressed assets. • Not an asset class that can be "timed." • Credit availability and portfolio realization are near-term problems.

Financial Market Review

- The third quarter of 2008 started with concerns over $147/barrel oil and a falling dollar and ended with September's spectacular meltdown in global credit and equity markets.
  - Major US financial institutions like Fannie Mae, Freddie Mac, and AIG were effectively nationalized. Meanwhile, Lehman Brothers became the largest bankruptcy in US history, and Washington Mutual became the largest US bank ever to fail.
  - Wachovia, which early in the month appeared to be a potential suitor for Morgan Stanley, ended the month being rescued by Citigroup with an assist from the FDIC.
  - The independent investment bank essentially ceased to exist as a business model as the last two standing, Goldman Sachs and Morgan Stanley, became bank holding companies. This gives them the capacity to obtain a stable deposit base, but subjects them to greater regulation.
  - Interbank lending, and corporate and municipal bond issuance ground to a halt while 30-day treasury yields at one point became negative. The spread between the Federal funds rate and LIBOR reached record levels, and remains elevated.
  - For the near term, inflation has ceased to concern most policymakers worldwide, who are now focused on saving the financial system at all costs.

Timeline of a Turbulent Quarter

July

July 11 – Crude oil hits $147 per barrel
July 13 – US Treasury announces it will back Fannie Mae and Freddie Mac
July 14 – €1 = $1.59
July 15 – SEC bans naked short-selling of 19 financial firms

August

August 5 – Fed leaves interest rates unchanged
August 8 – Russia invades Georgia; Olympics begin in Beijing
August 26 – Hillary Clinton endorses Barack Obama at Democratic Convention
August 29 – John McCain picks Sarah Palin as his running mate

September

September 7 – US Government takes over Fannie Mae and Freddie Mac
September 13 – Hurricane Ike devastates Galveston and coastal Texas
September 14 – Bank of America Acquires Merrill Lynch
September 15 – Lehman Brothers files for bankruptcy
Oil closes below $100 per barrel
September 16 – Fed provides $85 billion loan to AIG, takes majority control
Reserve Primary money market fund breaks the buck
Fed leaves interest rates unchanged
September 19 – Treasury announces insurance plan for money market funds
Treasury announces outlines of troubled loan bailout program
SEC halts all short sales of hundreds of financial stocks
September 22 – Goldman Sachs and Morgan Stanley become bank holding companies
September 25 – Washington Mutual fails, becoming the largest US bank failure
September 29 – Wachovia announces intention to sell to Citigroup
House of Representatives defeats bailout
Dow falls 777 points, the largest one-day point drop in history
September 30 – Iceland takes control of Glitnir Bank
Crude oil closes at $100.70
€1 = $1.44

Periodic Table of Investment Returns

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 YTD	Q3-2008
Large Cap Growth 38.71%	Small Cap Growth 43.09%	Real Estate 26.36%	Small Cap Value 14.03%	Core Fixed Income 10.27%	Small Cap Growth 48.54%	Real Estate 31.58%	International Stocks 13.54%	Real Estate 35.06%	Large Cap Growth 11.81%	Real Estate 1.25%	Small Cap Value 4.96%
Large Cap Core 28.58%	Large Cap Growth 33.16%	Small Cap Value 22.83%	Real Estate 13.93%	Real Estate 3.81%	Small Cap Value 46.03%	Small Cap Value 22.25%	Real Estate 12.16%	International Stocks 26.34%	International Stocks 11.17%	Core Fixed Income 0.63%	Real Estate 4.78%
International Stocks 20.00%	U.S. Hedge Funds 31.29%	Core Fixed Income 11.63%	Core Fixed Income 8.44%	U.S. Hedge Funds -1.49%	International Stocks 38.59%	International Stocks 20.25%	U.S. Hedge Funds 9.26%	Small Cap Value 23.48%	Small Cap Growth 7.05%	Small Cap Value -5.37%	Core Fixed Income -0.49%
Large Cap Value 15.63%	International Stocks 26.96%	Large Cap Value 7.01%	U.S. Hedge Funds 4.62%	Small Cap Value -11.43%	Real Estate 37.14%	Large Cap Value 16.48%	Large Cap Value 7.04%	Large Cap Value 22.25%	Core Fixed Income 6.97%	U.S. Hedge Funds -11.61%	Large Cap Value -6.11%
Core Fixed Income 8.70%	Large Cap Core 21.04%	U.S. Hedge Funds 4.98%	Large Cap Value -5.59%	Large Cap Value -15.52%	Large Cap Value 30.03%	Small Cap Growth 14.31%	Large Cap Growth 5.26%	Large Cap Core 15.79%	Large Cap Core 5.49%	Small Cap Growth -15.29%	Small Cap Growth -6.99%
U.S. Hedge Funds 2.62%	Large Cap Value 7.35%	Large Cap Core -9.10%	Small Cap Growth -9.23%	International Stocks -15.66%	Large Cap Growth 29.75%	Large Cap Core 10.87%	Large Cap Core 4.91%	Small Cap Growth 13.35%	U.S. Hedge Funds 4.20%	Large Cap Value -18.85%	Large Cap Core -8.37%
Small Cap Growth 1.23%	Core Fixed Income -0.82%	International Stocks -14.17%	Large Cap Core -11.88%	Large Cap Core -22.10%	Large Cap Core 28.68%	U.S. Hedge Funds 9.03%	Small Cap Value 4.70%	U.S. Hedge Funds 9.25%	Large Cap Value -0.17%	Large Cap Core -19.29%	U.S. Hedge Funds -10.68%
Small Cap Value -6.46%	Small Cap Value -1.48%	Large Cap Growth -22.42%	Large Cap Growth -20.42%	Large Cap Growth -27.89%	U.S. Hedge Funds 19.56%	Large Cap Growth 6.30%	Small Cap Growth 4.14%	Large Cap Growth 9.07%	Small Cap Value -9.78%	Large Cap Growth -20.27%	Large Cap Growth -12.33%
Real Estate -17.51%	Real Estate -4.62%	Small Cap Growth -22.43%	International Stocks -21.44%	Small Cap Growth -30.26%	Core Fixed Income 4.11%	Core Fixed Income 4.34%	Core Fixed Income 2.43%	Core Fixed Income 4.33%	Real Estate -17.55%	International Stocks -29.26%	International Stocks -20.56%

- Performance of Large Cap Core (large capitalization U.S. stocks) is measured using the S&P 500 Index
- Performance of Large Cap Growth (large cap U.S. stocks utilizing growth style investing) is measured using the Russell 1000 Growth Index
- Performance of Large Cap Value (large cap U.S. stocks utilizing value style investing) is measured using the Russell 1000 Value Index
- Performance of Small Cap Growth (small cap U.S. stocks utilizing growth style investing) is measured using the Russell 2000 Growth Index
- Performance of Small Cap Value (small cap U.S. stocks utilizing value style investing) is measured using the Russell 2000 Value Index
- Performance of International Stocks (non U.S. stocks) is measured by the MSCI EAFE Index--a Morgan Stanley Capital International Index of the developed stock markets of Europe, Australia, and the Far East
- Performance of Core Fixed Income (U.S. corporate and government bonds) is measured using the Lehman Brothers Aggregate Bond Index
- Performance of Real Estate (Real Estate Investment Trusts) is measured using the NAREIT Index
- Performance of U.S. Hedge Funds is measured using the HFR Fund Weighted Composite Index prior to 2006, beyond that date the performance of Hedge Funds is measured using the HFRX Global Hedge Fund Index.

Stocks Down Across Styles - Small Value Suffers The Least

Returns by Style – Domestic Equities

Q3 2008

	Value	Blend	Growth
Large	-6.1	-9.4	-12.3
Mid	-7.5	-12.9	-17.8
Small	5.0	-1.1	-7.0

2008 YTD

	Value	Blend	Growth
Large	-18.9	-19.5	-20.3
Mid	-15.5	-19.5	-23.4
Small	-5.4	-10.4	-15.3

Trailing P/E Ratios (8/31/08)

	Value	Blend	Growth
Large	16.8	19.3	21.7
Mid	20.0	22.1	24.2
Small	21.7	25.3	29.2

- **Small Cap Value stocks stand alone in positive territory for the quarter.**
- **Large Cap Stocks look relatively attractive on a P/E basis.**

Source: Russell Investment Group; iShares

Energy Tumbles For The Quarter; Financials Outperform

*Domestic - Returns by Sector**

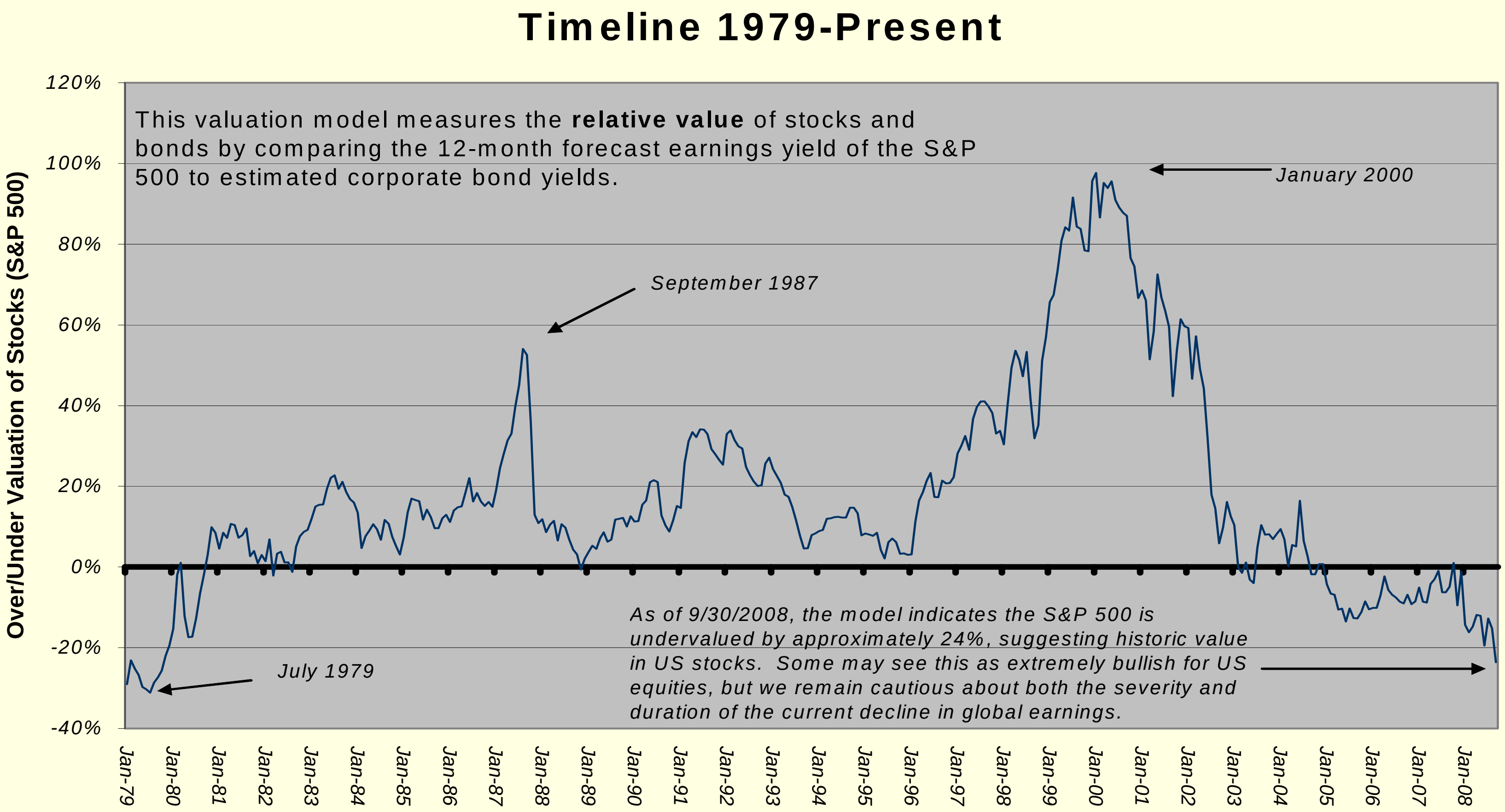
	Technology	Financials	Energy	Health Care	Industrials	Cons. Staples	Cons. Disc.	Utilities	Materials	Telecom	S&P 500 Index
S&P Weight	16.0%	15.9%	13.4%	13.1%	11.1%	12.2%	8.5%	3.6%	3.4%	3.1%	100%
Q3 2008	-12.1	-0.1	-25.0	0.0	-9.1	4.1	-1.0	-18.7	-22.9	-15.7	-8.4
YTD	-23.9	-31.0	-18.9	-13.5	-22.4	-4.8	-14.8	-22.3	-22.8	-31.7	-19.3
Forward P/E Ratio	13.1x	10.3x	7.6x	12.2x	11.0x	14.9x	14.4x	11.8x	10.4x	10.0x	11.2x

**Individual sector returns exclude dividends.*

Past performance is not indicative of future returns.

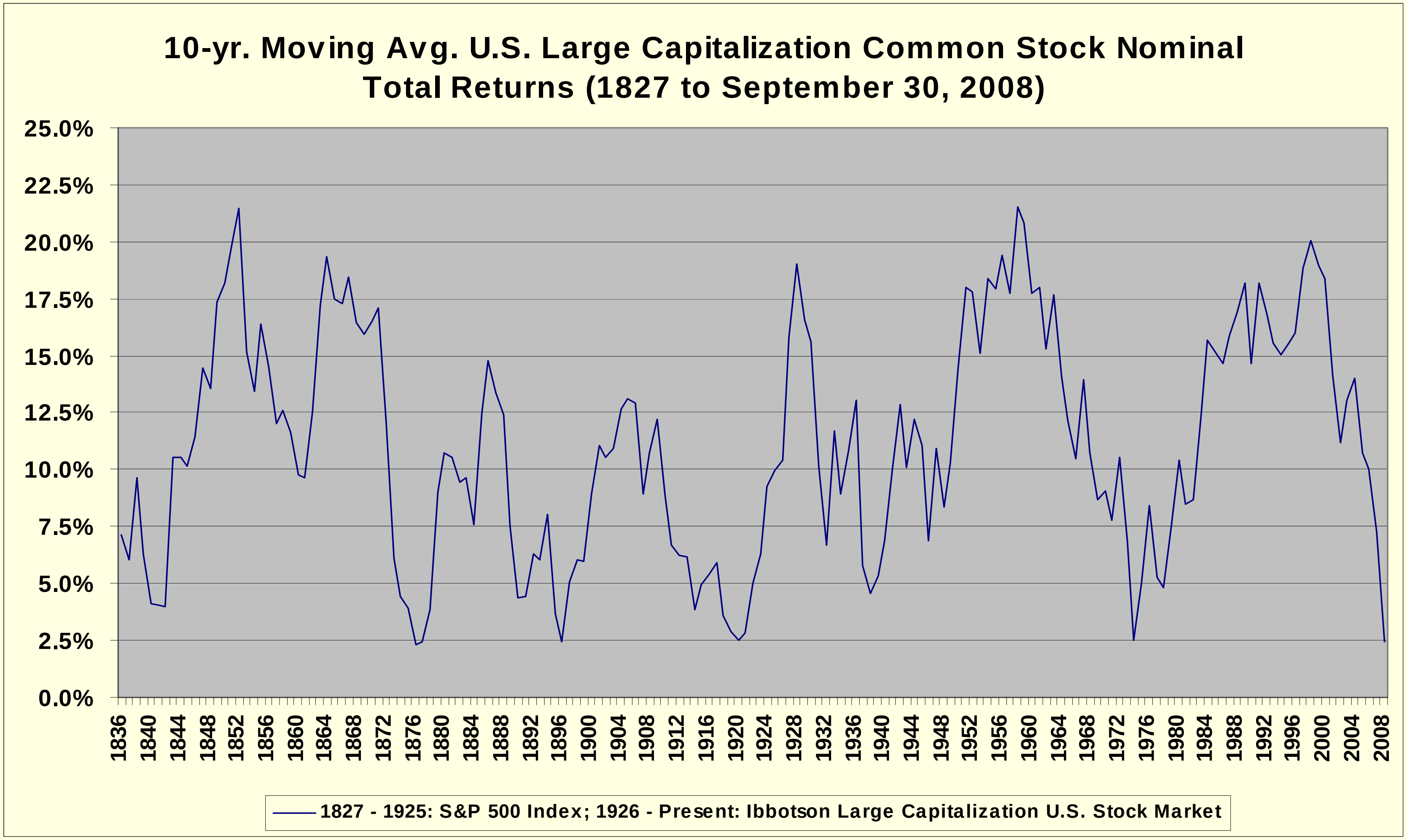
Source: Standard & Poor's

Stocks Remain Undervalued Relative To Corporate Bonds



Source: Data obtained from S&P, Thomson Financial, and Federal Reserve Bank of St. Louis.

A Historic Opportunity to Purchase Equities?



Source: Barry Bannister, Stifel, Nicolaus & Co.

International Stocks Decline Strongly; U.S. Equities Outperform

DEVELOPED MARKETS	Returns in US $					
Country/Region	*Q3 2008*	*YTD*	*1 year*	*3 year*	*5 year*	*10 year*
MSCI World ex-US	-20.7%	-28.4%	-29.6%	1.7%	10.3%	5.6%
United Kingdom	-21.0%	-29.9%	-31.5%	-0.2%	8.5%	3.4%
Europe ex-UK	-20.7%	-31.0%	-30.6%	4.0%	12.3%	5.4%
Japan	-17.7%	-22.2%	-26.9%	-4.0%	4.5%	3.9%
Pacific ex-Japan	-25.2%	-34.0%	-35.1%	4.2%	13.7%	11.8%
Canada	-21.8%	-18.5%	-18.7%	8.3%	17.7%	14.6%
S&P 500 (United States)	-8.4%	-19.3%	-22.0%	0.2%	5.2%	3.1%

Past performance is not indicative of future returns.

Source: MSCI, Standard & Poor's

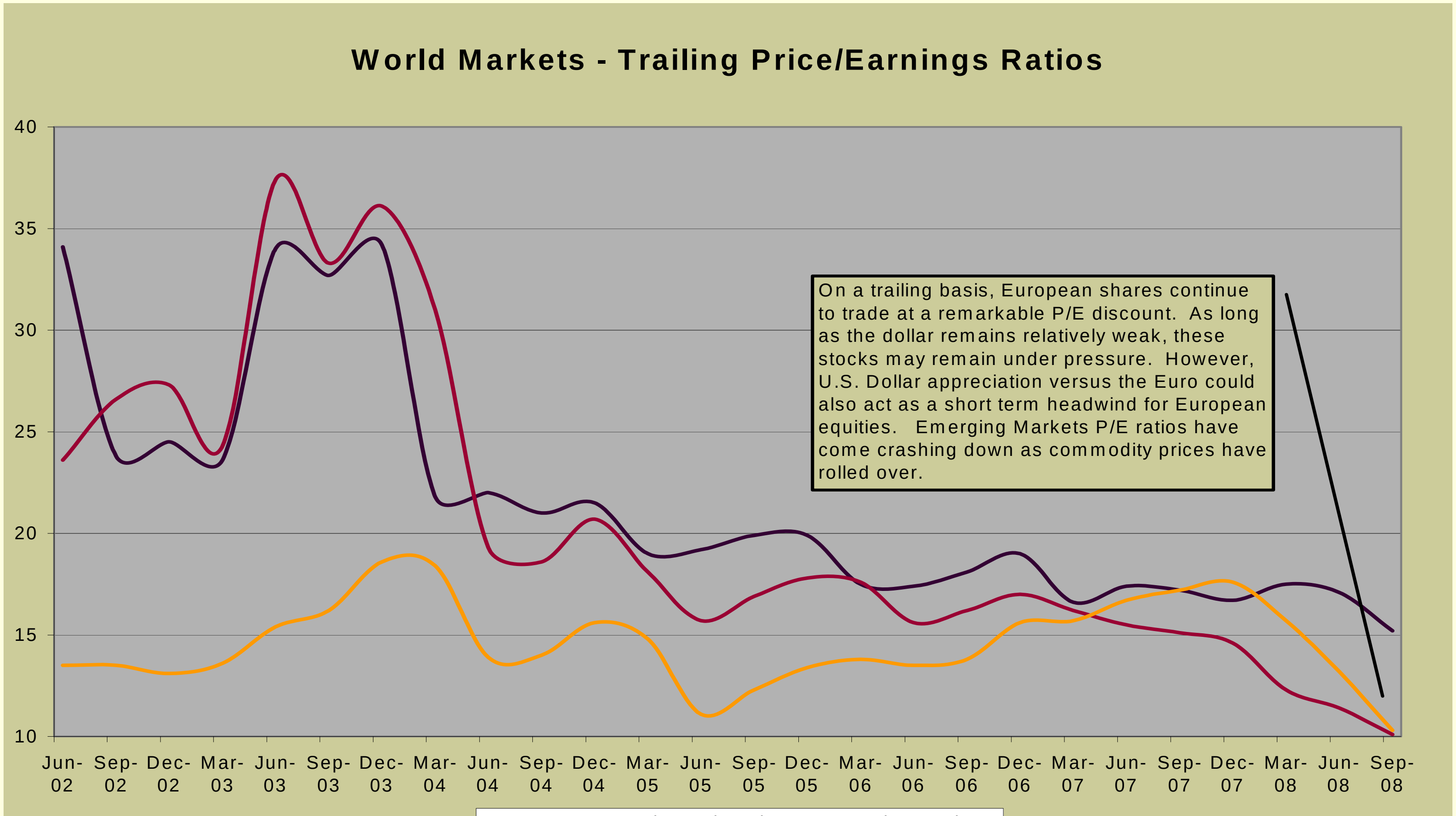
Large Losses In Emerging Markets; Commodity Producers Lead Decline

EMERGING MARKETS	Returns in US $					
Country/Region	*Q3 2008*	*YTD*	*1 year*	*3 year*	*5 year*	*10 year*
MSCI Emerging Markets	-27.0%	-35.5%	-33.2%	8.4%	18.7%	14.8%
Brazil	-37.9%	-30.2%	-21.0%	22.7%	39.8%	21.9%
Korea	-24.2%	-39.2%	-42.0%	1.4%	14.6%	23.3%
Taiwan	-25.3%	-29.7%	-35.1%	-0.2%	1.8%	1.7%
Russia	-45.3%	-46.4%	-37.0%	2.8%	15.0%	37.9%
India	-13.9%	-49.5%	-37.8%	12.6%	23.2%	17.1%
China	-25.2%	-44.9%	-46.9%	18.6%	22.4%	7.4%
South Africa	-16.5%	-25.8%	-24.9%	4.9%	18.8%	15.3%
Mexico	-18.7%	-18.5%	-20.1%	12.8%	25.8%	20.0%
MSCI World Index (All Developed Markets)	-15.3%	-24.2%	-26.1%	0.8%	7.3%	3.8%

Past performance is not indicative of future returns.

Source: MSCI

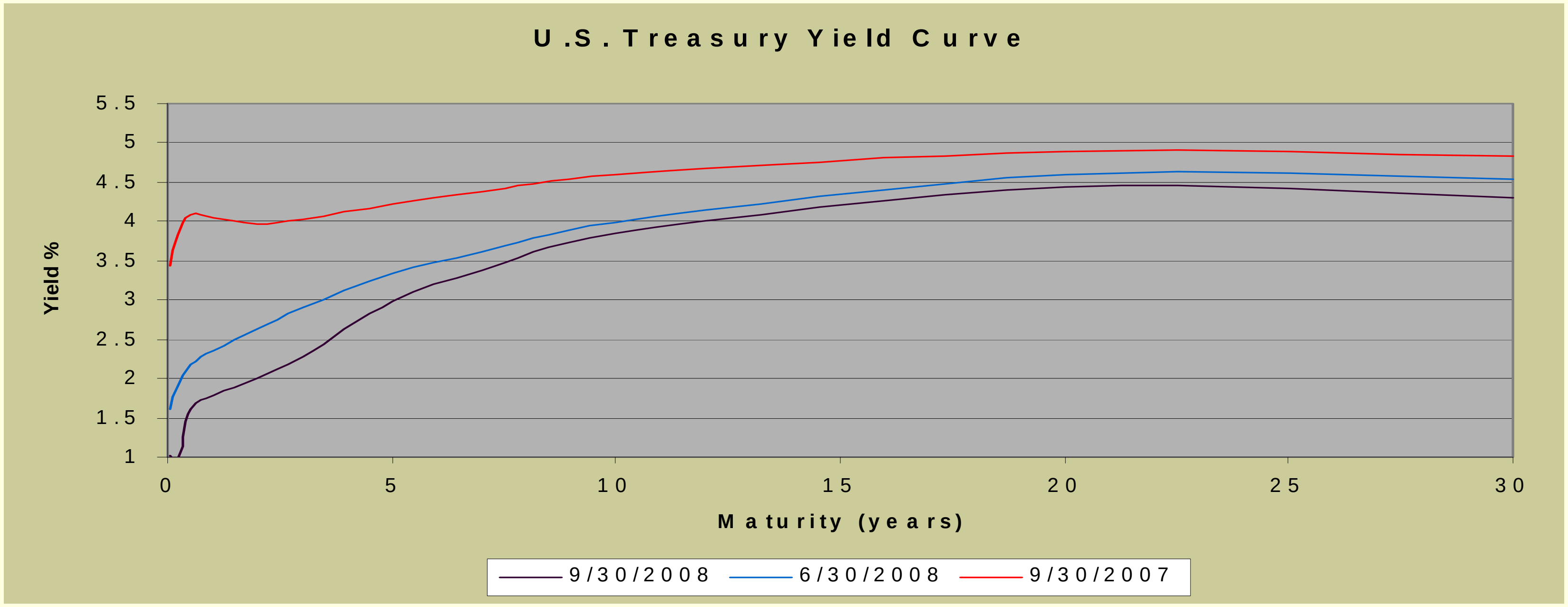
Declining Global P/E's As The Markets Price In A Global Recession



Source: FTSE Nomura

Credit Markets Freeze Up; Global Bonds Face A Rising Dollar

Benchmarks	Q3 2008	YTD	1 year	3 year	5 year	10 year
	Fixed Income Returns					
Lehman Brothers 1 - 3 Year US Govt/Credit	0.2%	2.2%	4.5%	4.7%	3.3%	4.6%
Lehman US Aggregrate	-0.5%	0.6%	3.7%	4.2%	3.8%	5.2%
Lehman Brothers Long US Govt/Credit	-3.4%	-4.1%	-0.4%	2.0%	3.7%	5.3%
Lehman TIPS	-3.5%	1.2%	6.2%	4.3%	5.2%	7.1%
Lehman 5 Year Municipal Bond	0.7%	1.8%	3.7%	3.5%	2.8%	4.3%
Lehman Brothers High Yield	-8.9%	-10.1%	-11.2%	1.0%	4.4%	4.4%
JPMorgan Non-US Govt Bond Global Unhedged	-3.9%	1.3%	5.3%	5.4%	5.5%	5.2%



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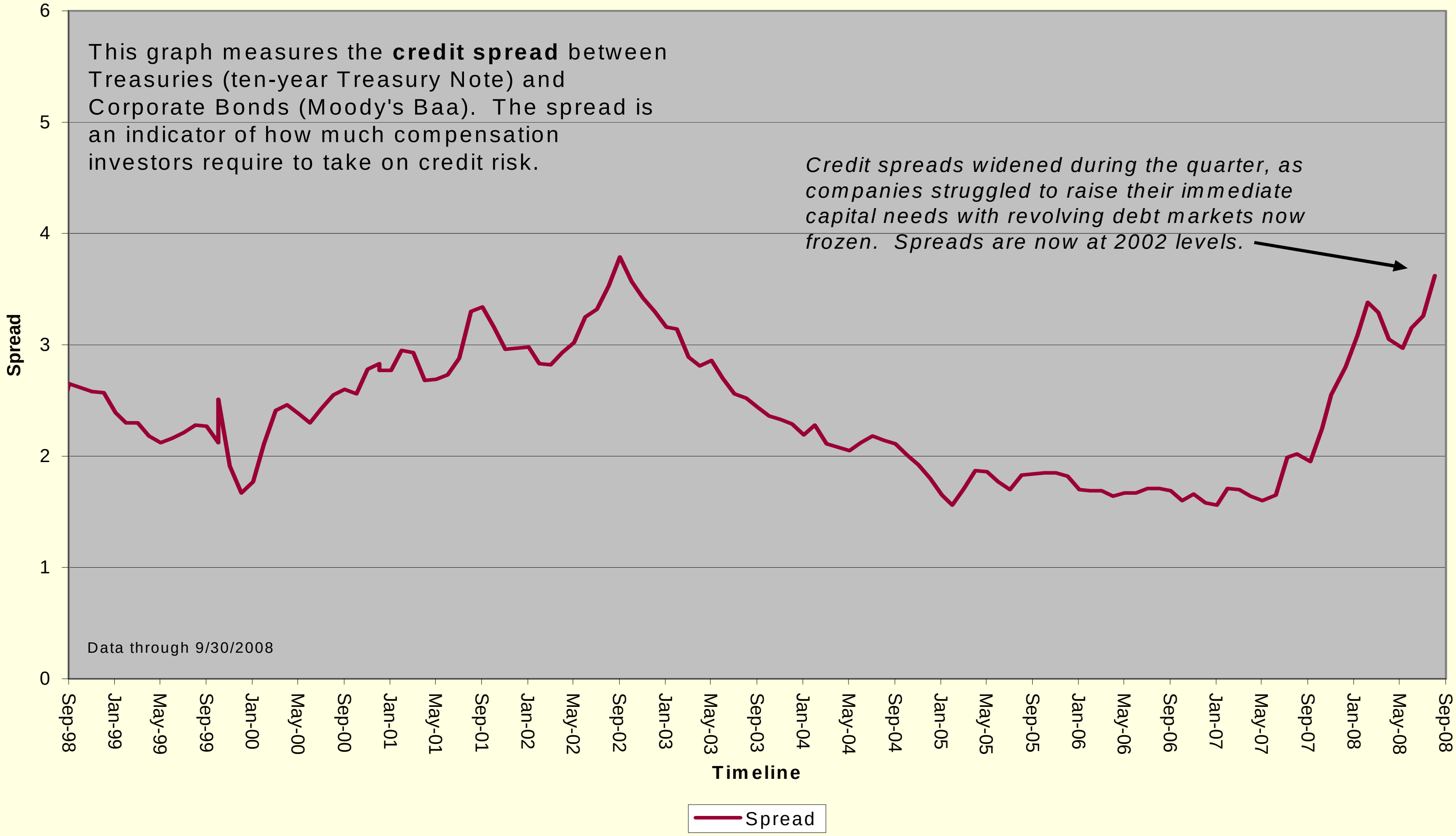
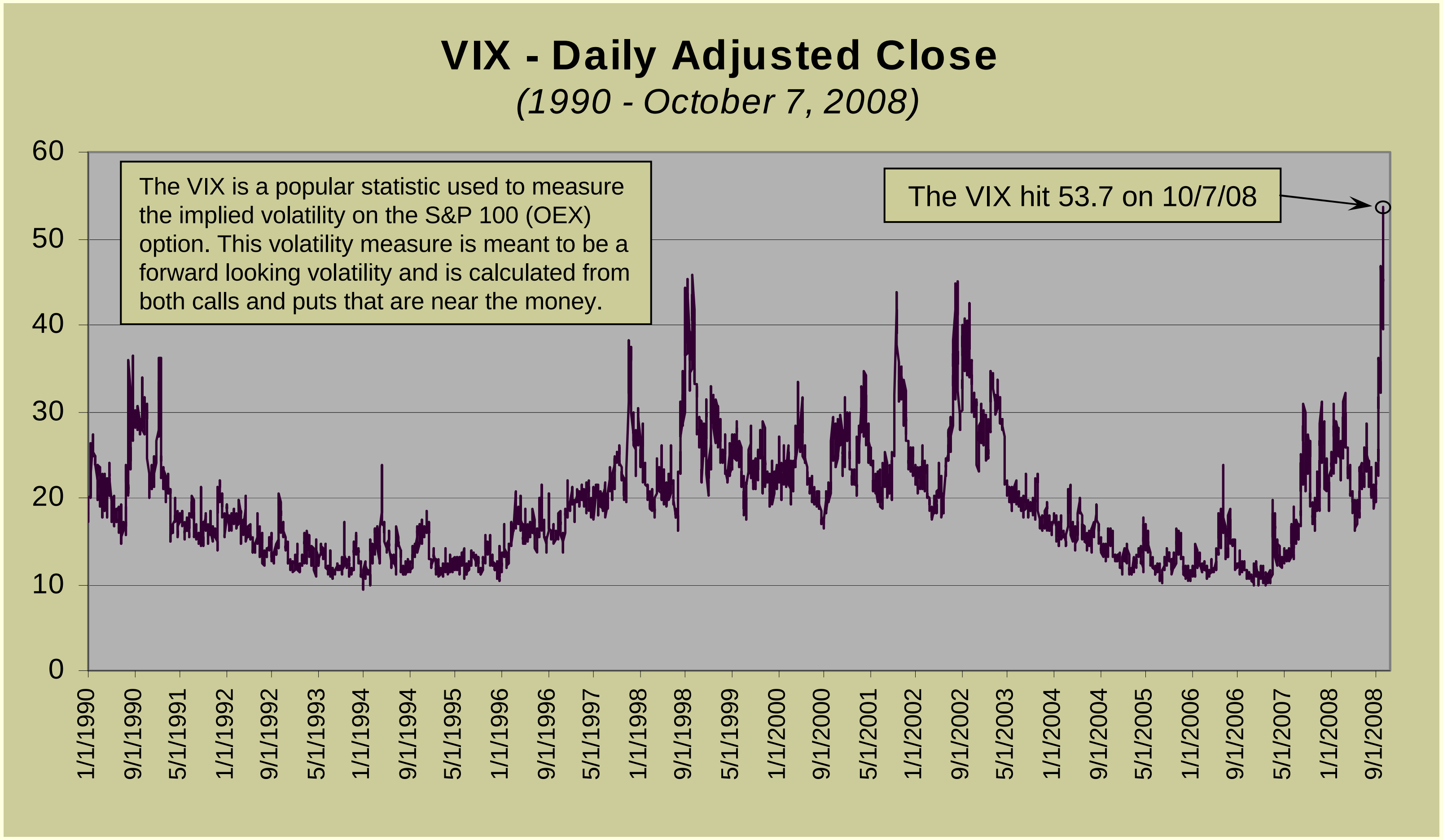
Credit Spreads at 2002 Levels



Volatility Has Recently Spiked; Now Beyond Levels Seen In 2002



Source: Montag & Caldwell, Inc.

Hedge Funds Outperform, But Post Absolute Losses

Hedge Funds (as of 9/30/2008)	Q3 2008	YTD (9/30)	2007	2006	2005
HFRX Global Hedge Fund Index	-10.7%	-11.6%	4.2%	9.3%	2.7%
Convertible Arbitrage Index	-19.0%	-24.5%	-1.0%	9.6%	-5.7%
Distressed Securities Index	-4.7%	-7.9%	4.0%	9.6%	1.2%
Equity Hedge Index	-12.5%	-13.6%	3.2%	9.2%	4.2%
Equity Market Neutral Index	-2.2%	0.1%	3.1%	4.8%	0.2%
Event Driven Index	-9.1%	-12.7%	4.9%	10.3%	2.8%
Macro Index	-10.1%	2.6%	3.2%	5.6%	6.7%
Merger Arbitrage Index	-1.2%	1.2%	4.9%	10.7%	3.7%
Relative Value Arbitrage Index	-11.9%	-18.9%	5.8%	10.7%	-1.0%
Real Estate (as of 6/30/2008)	**Q2 2008**	**YTD (6/30)**	**2007**	**2006**	**2005**
NCREIF Property Index	0.6%	2.2%	15.8%	16.6%	20.1%
Apartment	0.3%	1.6%	11.4%	14.6%	21.2%
Industrial	0.9%	2.4%	14.9%	17.0%	20.3%
Office	0.5%	2.5%	20.5%	19.2%	19.5%
Retail	0.7%	2.1%	13.5%	13.4%	20.0%
Private Equity (as of 6/30/2008)	**Q2 2008**	**YTD (6/30)**	**2007**	**2006**	**2005**
Cambridge U.S. Venture Capital Index	0.4%	-1.3%	16.3%	17.6%	8.0%
Cambridge U.S. Private Equity Index (LBO)	1.0%	-0.7%	20.5%	25.8%	27.6%

Past performance is not indicative of future returns.

Source: Hedge Fund Research; NCREIF; Cambridge Associates