Sample Company
Pension Plan

As of 12/31/08

Presented to:

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Pension Plan

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ECONOMIC REVIEW AND MARKET COMMENTARY

ECONOMIC REVIEW

- The fourth quarter was marked by the efforts of the U.S. and foreign governments to stabilize market volatility and combat economic weakness. Several countries announced fiscal stimulus plans, with the U.S. working on an additional stimulus package in early 2009 intended to increase employment and economic activity. Additionally, a portion of the Government's Troubled Asset Relief Program (TARP) has been allocated towards directly recapitalizing banks through preferred equity purchases.
- Gross Domestic Product contracted at a 3.8% annualized rate in the fourth quarter, the worst quarterly drop in 29 years. Consumer spending fell 3.5% during the quarter, its second consecutive decline, while residential investment continued to fall, decreasing by 23.6%.
- The Federal Reserve cut the target federal funds rate three times during the quarter, lowering it from 2% to between 0% and 0.25%, its lowest level in history. The U.S. and several foreign governments participated in a coordinated interest rate cut in October to try to unfreeze credit markets. With interest rates near zero, the Fed also set up facilities to extend credit and purchase securities in order to inject liquidity into the marketplace.
- The unemployment rate rose to 7.2% in December, a 16-year high. Nonfarm payroll employment fell by 524,000 in December, totaling a decline of 1.9 million in payroll employment over the final four months of the year.
- Inflationary pressures continued to deteriorate in the fourth quarter, as consumer prices fell to a Seasonally Adjusted Annual Rate of 12.7% in the quarter. Since the end of 2007, prices have risen just 0.1%. This inflationary easing was primarily driven by the decline in energy prices, a result of sluggish global demand.

INTERNATIONAL EQUITY

- International equity markets continued to experience losses as several developed markets confirmed that they had entered into a recession. The MSCI EAFE Index finished the quarter down 19.9%. Due to the worldwide market weakness throughout 2008, the MSCI EAFE Index (-43.1%) posted the worst calendar year performance results on record.
- Growth stocks trailed value stocks – a turnaround that was observed in the third quarter. Small cap issues underperformed their larger counterparts for both the quarter and the entire year 2008.
- All sectors ended the quarter and the year in negative territory, with the defensive telecommunication services (-3.3%), healthcare (-8.1%), and utilities (-8.6%) sectors holding up the best. The financial sector (-32.4%) saw the largest decline amid deterioration of earnings growth forecast and layoff announcements. Cyclical sectors, including materials (-26.6%) and consumer discretionary (-21.2%) also detracted for the period and the year.
- The U.S. dollar appreciated relative to all currencies except the Japanese yen at the beginning of the quarter. However, in the month of December, the dollar lost ground against both the euro and the yen.
- During the quarter, the MSCI Europe Index (-22.7%) underperformed the MSCI EAFE Index, with nearly all of the European markets plunging at least 20%. The U.K., Germany and France detracted significantly during the quarter (-26.4%, -20.9% and -20.4%, respectively). Among the European developed markets, Austria (-43.2%) declined the most while Switzerland (-4.5%) fell the least.
- Japan's equity market (-9.0%) held up relatively well, led by the strength of the Japanese yen and better-than-estimated profit reports from its telecommunication and utilities companies.
- Emerging equity markets (-27.6%) lagged their developed counterparts during the period, as they continued to struggle from decreasing global demand and declining commodity prices. Emerging Europe (-46.2%) and Latin America (-34.0%) fared poorly, while emerging Asia was down 21.5%.

DOMESTIC EQUITY

- The domestic equity markets continued to get battered during the fourth quarter due to ongoing weakness in the housing market, rising unemployment and uncertainty in the financial sector. The housing market continued to remain under pressure as housing inventories remained high.
- The Dow Jones Industrial Average fell 18.4%, the NAREIT Equity Index fell 38.8%, the S&P 500 declined 21.9% and the NASDAQ Composite declined 24.6% for the quarter.
- During the quarter, large capitalization stocks outperformed their small counterparts across the style spectrum. The Russell 2000 Index lost 26.1% while the Russell 1000 Index lost 22.5%. Mid cap stocks were the worst performing segment, losing 27.3%.
- Value stocks marginally outperformed their growth counterparts. The Russell 1000 Value Index fell 22.2% and was down 36.9% for the year. On the flip side, the Russell 1000 Growth Index lost 22.8% for the quarter and was down 38.4% for the year.
- Telecommunications was the leading sector in the fourth quarter, with a loss of 5.3%, followed by utilities, healthcare, consumer goods and consumer services. Financial stocks were the clear laggards during the quarter, due to market illiquidity, asset write-downs, and higher than expected losses.

REAL ESTATE

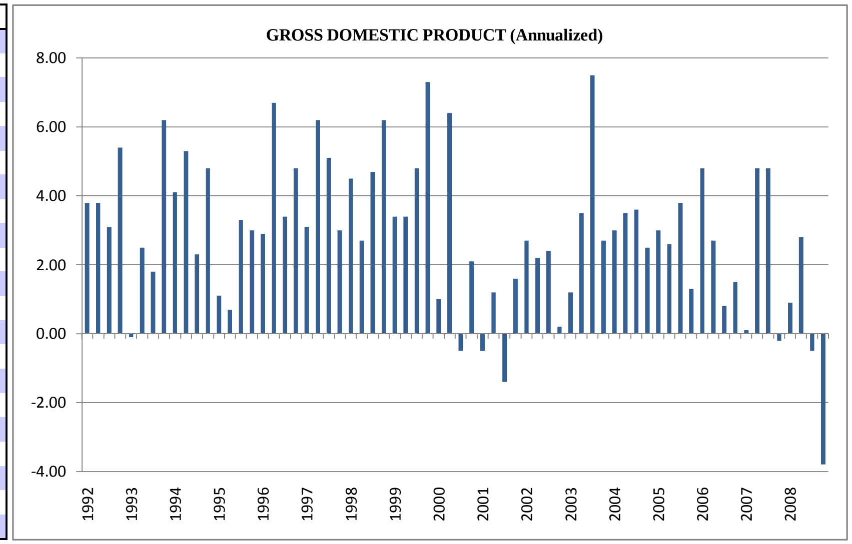
- Housing prices continued their broad based declines through November, according to the S&P/Case-Shiller Composite-20 Index. The index has declined every month since August 2006 and it posted a record low for annual price changes, declining 18.2% over the one-year period to November. Phoenix and Las Vegas continue to be the weakest markets, with prices declining 32.9% and 31.6% respectively during the same period.
- Commercial real estate prices fell dramatically in the fourth quarter, according to the NCREIF NPI Index. For calendar year 2008, the index posted a return of -6.5%. This marks the index's first calendar year decline since 1992 and the largest ever decrease in the index's 31-year history. Hotels were the worst performing sector, falling -9.4% during the year.

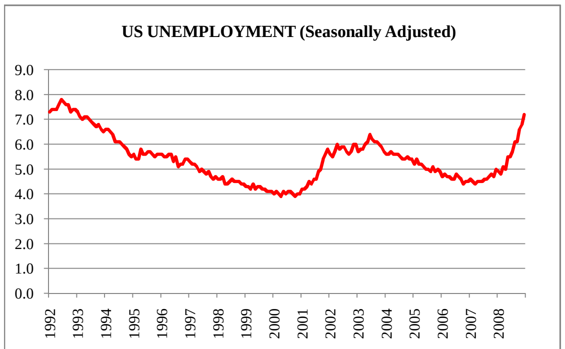
FIXED INCOME

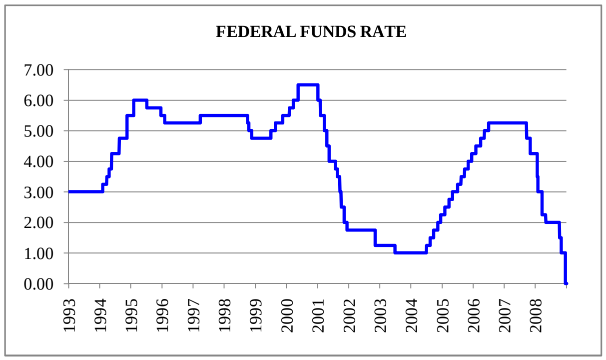
- The flight to quality accelerated during the quarter as investors continued to suffer from the credit crisis. Investors' confidence in risky assets almost disappeared and Treasury bill rates moved toward zero as investors preferred US Government securities even as they were paid little to invest. As a result, interest rates declined and the yield curve flattened as the yield on the 30-year Treasury declined more than the shorter-term yields. The Barclay's Treasury Sector returned 8.75% for the quarter.
- The Treasury and Federal Reserve attempted to prop up markets via direct purchases or new loan programs, including those targeted at money markets and commercial paper. By the end of the year, money markets recovered substantially from the unprecedented flight-to-quality that had caused huge money fund outflows and malfunctioning interbank markets. In addition, most spread sectors outperformed their same duration Treasuries during December.
- The Barclay's Aggregate Index return of 4.6% was less than the US Government/Credit Index's 6.4% return due to the Aggregate's corporate and securitized sectors exposure.
- The gap between investment grade corporate and Treasury yields widened to 600 basis points led by commercial mortgage-backed securities which suffered from an increase in delinquencies and concerns over the performance of commercial properties in the recession, and asset-backed securities. While posting positive returns, mortgages and corporates also underperformed Treasuries as credit fears and illiquidity grew throughout the crisis.
- Worries heightened over the credit quality of state and local governments, dampening the demand for municipals and resulting in a return of 0.7% for the sector.
- The deterioration in the market caused High Yield to lag Treasuries by 24.9% for the quarter.

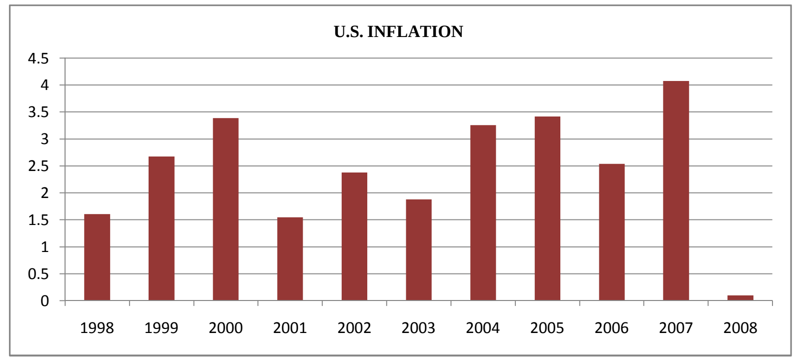
ECONOMIC REVIEW

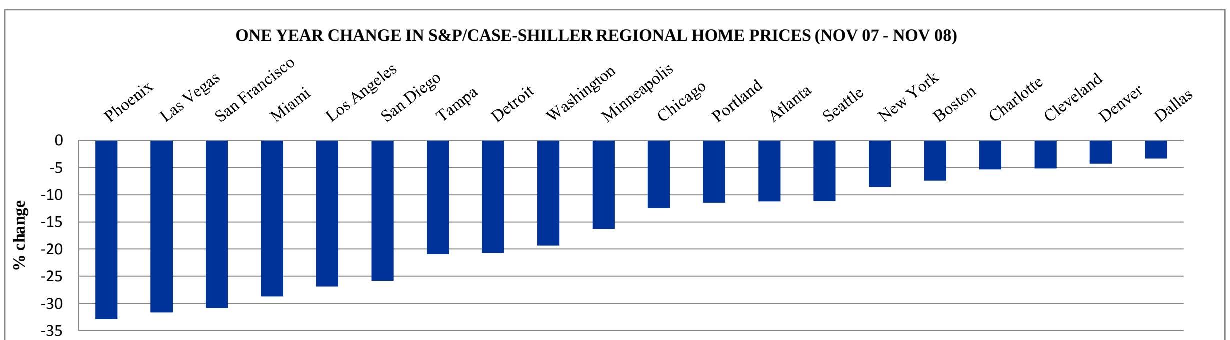
% Change From Preceding Period Seasonally Adjusted Annual Rates	2005		2006				2007				2008			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP	3.8	1.3	4.8	2.7	0.8	1.5	0.1	4.8	4.8	(0.2)	0.9	2.8	(0.5)	(3.8)
PCE	3.7	1.4	4.3	2.8	2.2	3.7	3.9	2.0	2.0	1.0	0.9	1.2	(3.8)	(3.5)
Durable Goods	5.4	(11.7)	18.9	1.8	3.5	4.2	9.2	5.0	2.3	0.4	(4.3)	(2.8)	(14.8)	(22.4)
Nondurable Goods	3.0	4.7	4.4	3.1	2.3	3.1	3.5	1.9	1.2	0.3	(0.4)	3.9	(7.1)	(7.1)
Services	3.8	2.5	1.6	2.8	2.0	3.9	3.1	1.4	2.4	1.4	2.4	0.7	(0.1)	1.7
GPDI	4.0	12.2	6.2	(0.4)	(5.3)	(15.0)	(9.6)	6.2	3.5	(11.9)	(5.8)	(11.5)	0.4	(12.3)
Fixed Investment	5.3	2.3	8.3	(2.5)	(4.8)	(7.6)	(3.4)	3.0	(0.9)	(6.2)	(5.6)	(1.7)	(5.3)	(20.1)
Nonresidential	6.1	3.7	15.9	6.4	5.3	(1.0)	3.4	10.3	8.7	3.4	2.4	2.5	(1.7)	(19.1)
Structures	(9.2)	1.9	15.6	19.7	14.3	2.5	11.2	18.3	20.5	8.5	8.6	18.5	9.7	(1.8)
Equip & software	12.2	4.4	16.3	1.7	2.0	(2.4)	0.0	6.9	3.6	1.0	(0.6)	(5.0)	(7.5)	(27.8)
Residential	4.0	0.2	(3.6)	(16.6)	(21.4)	(19.5)	(16.2)	(11.5)	(20.6)	(27.0)	(25.1)	(13.3)	(16.0)	(23.6)
Exports	0.4	10.9	16.7	5.5	3.5	15.6	0.6	8.8	23.0	4.4	5.1	12.3	3.0	(19.7)
Goods	(0.8)	13.2	18.1	6.7	3.6	10.4	2.1	6.9	21.8	5.1	4.5	16.3	3.7	(27.7)
Services	3.2	5.7	13.4	2.7	3.2	28.6	(2.7)	13.3	25.9	2.7	6.4	3.8	1.4	0.6
Imports	0.8	15.3	10.3	0.1	3.1	2.0	7.7	(3.7)	3.0	(2.3)	(0.8)	(7.3)	(3.5)	(15.7)
Goods	1.1	17.0	9.0	0.5	3.8	(0.8)	8.4	(4.0)	2.4	(2.6)	(2.0)	(7.1)	(4.7)	(18.8)
Services	(1.0)	6.8	17.7	(2.0)	(0.3)	18.4	4.2	(2.0)	6.3	(0.9)	5.5	(8.0)	3.3	0.9
Government	3.4	(1.7)	3.9	1.2	1.7	1.6	0.9	3.9	3.8	0.8	1.9	3.9	5.8	1.9
Federal	9.7	(7.2)	10.0	(1.5)	1.9	1.8	(3.6)	6.7	7.2	(0.5)	5.8	6.6	13.8	5.8
State and Local	(0.1)	1.6	0.5	2.9	1.6	1.5	3.6	2.4	1.9	1.6	(0.3)	2.5	1.3	(0.5)











Percent Changes in CPI for All Urban Consumers (CPI - U)

	2001	2002	2003	2004	2005	2006	2007	2008
Food and Beverages	2.8	1.5	3.5	2.6	2.3	2.2	4.8	5.8
Housing	2.9	2.4	2.2	3.0	4.0	3.3	3.0	2.4
Apparel	(3.2)	(1.8)	(2.1)	(0.2)	(1.1)	0.9	(0.3)	(1.0)
Transportation	(3.8)	3.8	0.3	6.5	4.8	1.6	8.3	(13.3)
Medical Care	4.7	5.0	3.7	4.2	4.3	3.6	5.2	2.6
Recreation	1.5	1.1	1.1	0.7	1.1	1.0	0.8	1.8
Education & Communication	3.2	2.2	1.6	1.5	2.4	2.3	3.0	3.6
Other Goods and Services	4.5	3.3	1.5	2.5	3.1	3.0	3.3	3.4
Energy Commodities	(24.5)	23.7	6.9	26.7	16.7	6.1	29.4	(40.5)
Energy Services	(1.5)	0.4	6.9	6.8	17.6	(0.6)	3.4	7.7
All Items Less Food & Energy	2.7	1.9	1.1	2.2	2.2	2.6	2.4	1.8

DOMESTIC EQUITY MARKET PERFORMANCE

Trailing Performance as of: December 2008

(As exhibited by the Russell 1000, MidCap and 2000 stylized indices)

Quarter

	Value	Blend	Growth
Large	**-22.18**	**-22.48**	**-22.79**
Mid	-27.19	**-27.27**	**-27.36**
Small	-24.89	-26.12	**-27.45**

Year To Date

	Value	Blend	Growth
Large	**-36.85**	-37.60	-38.44
Mid	-38.44	**-41.46**	**-44.32**
Small	**-28.92**	**-33.79**	**-38.54**

1 Year

	Value	Blend	Growth
Large	**-36.85**	-37.60	-38.44
Mid	-38.44	**-41.46**	**-44.32**
Small	**-28.92**	**-33.79**	**-38.54**

3 Years

	Value	Blend	Growth
Large	**-8.32**	-8.66	-9.11
Mid	**-9.98**	**-10.68**	**-11.79**
Small	**-7.49**	**-8.29**	-9.32

5 Years

	Value	Blend	Growth
Large	-0.79	-2.04	**-3.42**
Mid	**0.33**	**-0.71**	**-2.33**
Small	**0.27**	-0.93	**-2.35**

10 Years

	Value	Blend	Growth
Large	1.36	**-1.09**	**-4.27**
Mid	**4.44**	**3.18**	-0.19
Small	**6.11**	3.02	**-0.76**

15 Years

	Value	Blend	Growth
Large	7.48	6.47	**4.82**
Mid	**8.64**	**7.70**	**5.34**
Small	**8.39**	5.89	**2.77**

20 Years

	Value	Blend	Growth
Large	9.07	8.50	**7.43**
Mid	**10.16**	**9.73**	8.20
Small	**9.96**	**7.86**	**5.21**

Top 3 performers **Bottom 3 performers**

Sector Performance as of: December 2008

Sector	Weight	3 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
Telecommunications	**3.8**	-5.27	-34.02	-34.02	-0.17	2.77	-7.42
Utilities	**4.1**	-10.25	-28.71	-28.71	1.67	8.29	4.23
Healthcare	**14.8**	-13.73	-24.11	-24.11	-3.55	0.17	0.74
Consumer Goods	**10.5**	-16.91	-22.89	-22.89	0.29	2.89	2.56
Consumer Services	**8.0**	-18.11	-27.57	-27.57	-8.67	-1.86	0.45
Business Services	**5.0**	-19.05	-35.07	-35.07	-5.75	2.27	0.48
S&P 500 Index	**-**	-21.94	-37.00	-37.00	-8.36	-2.19	-1.38
Energy	**13.5**	-23.47	-37.96	-37.96	1.57	13.37	10.19
Software	**3.9**	-24.55	-38.96	-38.96	-5.96	-2.16	-4.11
Media	**2.7**	-25.55	-41.47	-41.47	-14.62	-10.31	-7.12
Hardware	**9.0**	-26.48	-44.49	-44.49	-10.85	-6.92	-5.51
Industrial Materials	**11.5**	-28.32	-46.97	-46.97	-9.06	-1.67	0.55
Financial Services	**13.2**	-33.22	-51.27	-51.27	-20.76	-9.54	-1.60

Other Market Indices Performance as of: December 2008

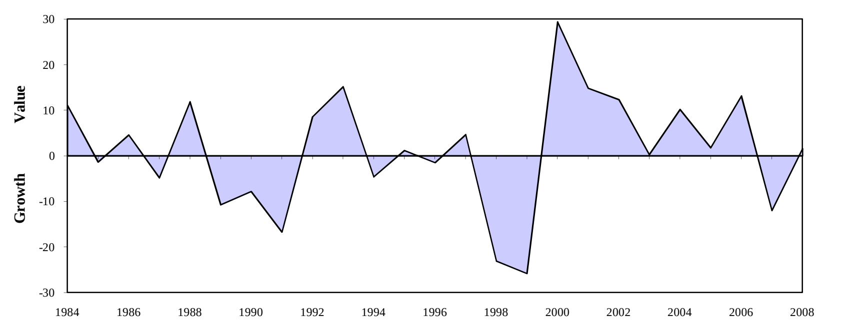
Index	3 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500 Index	-21.94	-37.00	-37.00	-8.36	-2.19	-1.38
NASDAQ Composite Index	-24.61	-40.54	-40.54	-10.58	-4.67	-3.24
Dow Jones Wilshire 5000 Index	-22.93	-37.34	-37.34	-8.43	-1.67	-0.63
NAREIT - Equity	-38.80	-37.73	-37.73	-10.83	0.91	7.42
Dow Jones Industrial Average	-18.39	-31.93	-31.93	-4.09	-1.12	1.66

Calendar Year Performance By Style Within Capitalization Category

(As exhibited by the Russell 1000, MidCap and 2000 stylized indices)

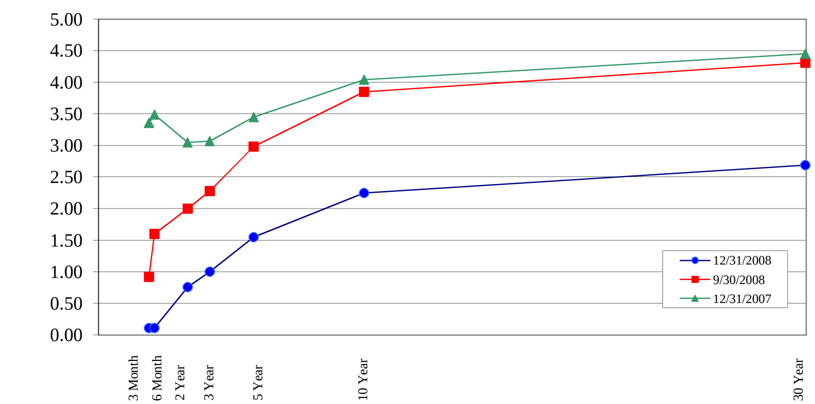
	LARGE CAP		MID CAP		SMALL CAP		LARGE	MID	SMALL
	Russell 1000 V	Russell 1000 G	Russell MCV	Russell MCG	Russell 2000 V	Russell 2000 G	Russell 1000	Russell MC	Russell 2000
1983	**28.29**	15.99	-	-	**38.64**	20.13	22.13	23.82	**29.13**
1984	**10.10**	-0.95	-	-	**2.27**	-15.83	**4.75**	1.43	-7.30
1985	31.51	**32.86**	-	-	**31.01**	30.97	**32.26**	32.01	31.05
1986	**19.98**	15.36	**17.87**	17.55	**7.41**	3.58	17.87	**18.20**	5.68
1987	0.50	**5.31**	-2.19	**2.76**	**-7.11**	-10.48	**2.93**	0.23	-8.80
1988	**23.16**	11.27	**24.61**	12.92	**29.47**	20.37	17.25	19.80	**25.02**
1989	25.19	**35.92**	22.70	**31.48**	12.43	**20.17**	**30.43**	26.27	16.26
1990	-8.08	**-0.26**	-16.08	**-5.13**	-21.77	**-17.41**	**-4.21**	-11.50	-19.48
1991	24.55	**41.27**	37.92	**47.03**	41.70	**51.19**	33.04	41.51	**46.04**
1992	**13.58**	4.99	**21.68**	8.71	**29.14**	7.77	8.93	16.34	**18.41**
1993	**18.07**	2.87	**15.62**	11.19	**23.77**	13.37	10.18	14.30	**18.88**
1994	-1.98	**2.62**	**-2.13**	-2.16	**-1.54**	-2.43	**0.39**	-2.09	-1.82
1995	**38.35**	37.17	**34.93**	33.98	25.75	**31.04**	**37.77**	34.45	28.45
1996	21.64	**23.12**	**20.26**	17.48	**21.37**	11.26	**22.45**	19.00	16.49
1997	**35.18**	30.49	**34.37**	22.54	**31.78**	12.95	**32.85**	29.01	22.36
1998	15.63	**38.71**	5.08	**17.86**	-6.45	**1.23**	**27.02**	10.10	-2.55
1999	7.35	**33.16**	-0.11	**51.29**	-1.49	**43.09**	20.91	18.23	**21.26**
2000	**7.01**	-22.42	**19.18**	-11.75	**22.83**	-22.43	-7.79	**8.25**	-3.02
2001	**-5.59**	-20.42	**2.33**	-20.15	**14.03**	-9.23	-12.45	-5.62	**2.49**
2002	**-15.52**	-27.89	**-9.65**	-27.41	**-11.43**	-30.26	-21.65	**-16.18**	-20.48
2003	**30.03**	29.75	38.07	**42.71**	46.03	**48.54**	29.89	40.06	**47.25**
2004	**16.49**	6.30	**23.71**	15.48	**22.25**	14.31	11.40	**20.22**	18.33
2005	**7.05**	5.26	**12.65**	12.10	**4.71**	4.15	6.27	**12.65**	4.55
2006	**22.25**	9.07	**20.22**	10.66	**23.48**	13.35	15.46	15.26	**18.37**
2007	-0.17	**11.81**	-1.42	**11.43**	-9.78	**7.05**	**5.77**	5.60	-1.57
2008	**-36.85**	-38.44	**-38.44**	-44.32	**-28.92**	-38.54	-37.60	-41.46	**-33.79**

% Differential Between Value and Growth
Over Past 25 Years



DOMESTIC FIXED INCOME MARKET PERFORMANCE

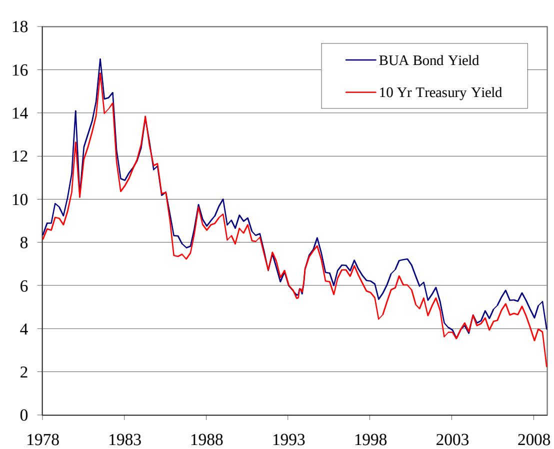
US Treasury Yield Curve



US Treasury Curve Yield Change (bps)							
	3 Mos.	**6 Mos.**	**2 Years**	**3 Years**	**5 Years**	**10 Years**	**30 Years**
Trailing 3 Months	-81	-149	-124	-128	-143	-160	-162
Trailing 12-Months	-325	-338	-229	-207	-190	-179	-176

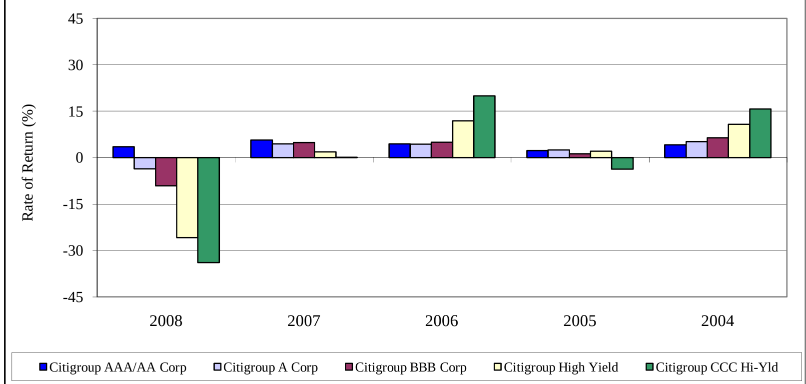
TRAILING PERFORMANCE as of 12/31/2008							
	3 Mos.	**6 Mos.**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**10 Years**
Citigroup US 3-Month T-Bill	0.25	0.68	1.80	1.80	3.76	3.10	3.30
ML 1-3 Year Treasury	2.69	4.42	6.61	6.61	5.96	4.06	4.71
Barclays Aggregate Bond Index	4.58	4.07	5.24	5.24	5.51	4.65	5.63
BUAGC Intermediate	4.84	3.60	5.07	5.07	5.50	4.21	5.43
BUAGC	6.42	4.68	5.71	5.71	5.56	4.64	5.64
BUAGC Long-Term	13.06	9.21	8.44	8.44	5.89	6.31	6.62

BUA Yield vs. 10 Yr. Treasury Yield (%)



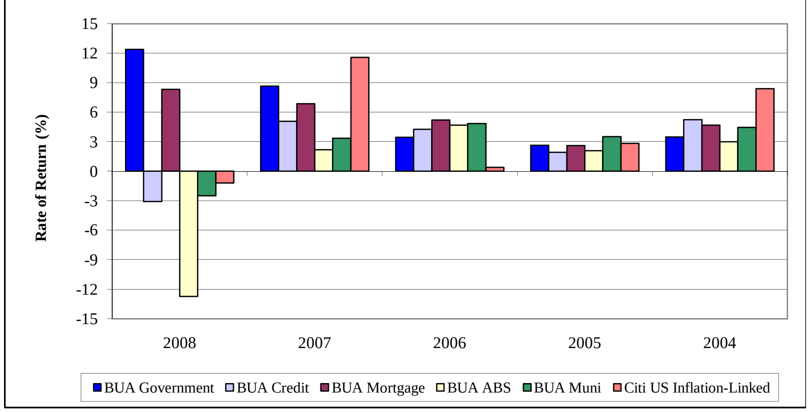
Barclay's Aggregate Bond Index Composition (%)	
US Treasury	25.08
US Agency	9.66
Total Government	**34.74**
Industrial	8.76
Utility	1.96
Finance	6.95
Non-Corporate	3.88
Total Credit	**21.55**
GNMA	4.77
FNMA	18.61
FHLMC	13.27
Total MBS	**36.65**
Credit Card	0.28
Auto	0.14
Home	0.08
Utility	0.06
Manufactured Housing	0.00
Total ABS	**0.56**
CMBS	**3.55**
Hybrid Arm	**2.95**

Credit Quality Performance



TRAILING PERFORMANCE as of 12/31/2008							
Credit Quality	**3 Mos.**	**6 Mos.**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**10 Years**
Citigroup AAA/AA Corp	10.35	3.50	3.50	3.50	4.52	3.99	5.52
Citigroup A Corp	7.62	-3.05	-3.62	-3.62	1.66	2.52	4.95
Citigroup BBB Corp	-3.47	-8.57	-9.13	-9.13	0.01	1.51	4.27
Citigroup High Yield	-17.20	-24.78	-25.91	-25.91	-5.50	-0.93	2.19
Citigroup CCC Hi-Yld	-21.16	-32.16	-33.93	-33.93	-7.44	-2.44	1.81

Sector Performance



TRAILING PERFORMANCE as of 12/31/2008							
Sector	**3 Mos.**	**6 Mos.**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**10 Years**
BUA Government	8.05	10.12	12.39	12.39	8.11	6.06	6.16
BUA Credit	4.03	-2.61	-3.07	-3.07	2.03	2.65	4.85
BUA Mortgage	4.34	6.29	8.34	8.34	6.81	5.54	6.04
BUA ABS	-6.81	-10.29	-12.72	-12.72	-2.25	-0.36	3.23
BUA Muni	0.74	-2.49	-2.48	-2.48	1.86	2.71	4.26
Citi US Inflation-Linked	-2.32	-5.75	-1.17	-1.17	3.46	4.31	6.90

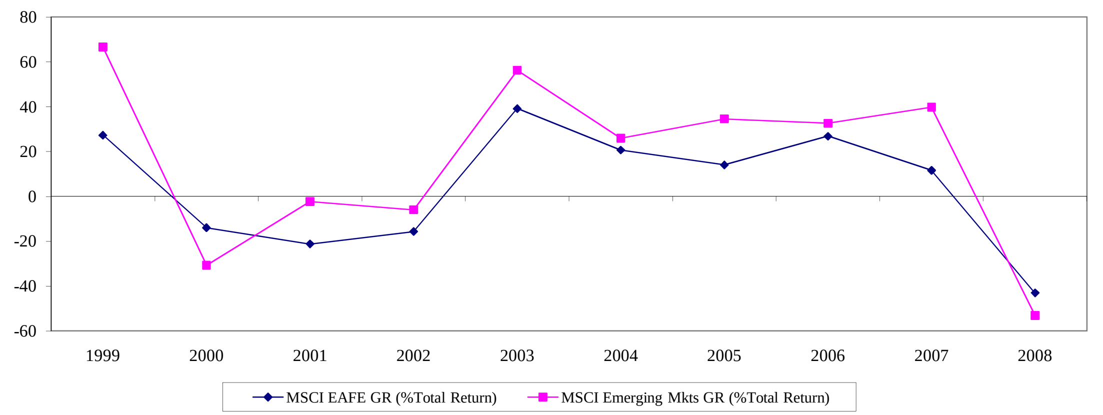
INTERNATIONAL EQUITY MARKET PERFORMANCE

As of 12/31/08 ($)	3 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
BROAD INDEXES						
MSCI AC World	-22.25	-41.85	-41.85	-7.45	0.44	0.23
MSCI AC World Ex US	-22.29	-45.24	-45.24	-6.57	3.00	2.32
MSCI EAFE	-19.90	-43.06	-43.06	-6.92	2.10	1.18
MSCI EAFE Growth	-20.08	-42.46	-42.46	-6.22	1.77	-1.01
MSCI EAFE Value	-19.73	-43.68	-43.68	-7.71	2.34	3.19
MSCI EAFE Small Cap	-22.11	-46.78	-46.78	-13.45	1.51	4.79
MSCI Emerging Markets	-27.56	-53.18	-53.18	-4.62	8.02	9.31
EPRA/NAREIT Global ex N. America	-25.31	-52.03	-52.03	-11.18	3.42	6.72
REGIONAL INDEXES						
MSCI Europe	-22.74	-46.08	-46.08	-6.07	2.03	0.79
MSCI Europe Ex UK	-21.06	-45.04	-45.04	-4.16	3.71	1.67
MSCI Pacific Free	-13.81	-36.17	-36.17	-8.81	2.16	2.15
MSCI Pacific Free Ex Japan	-24.87	-50.03	-50.03	-4.30	5.45	6.79
MSCI EM Latin America	-33.97	-51.28	-51.28	1.74	17.21	14.70
MSCI EM Europe	-46.23	-67.98	-67.98	-17.08	3.29	8.68
MSCI EM Asia	-21.51	-52.77	-52.77	-3.78	5.55	7.07
MSCI BRIC	-30.63	-60.27	-60.27	-1.75	8.54	10.40

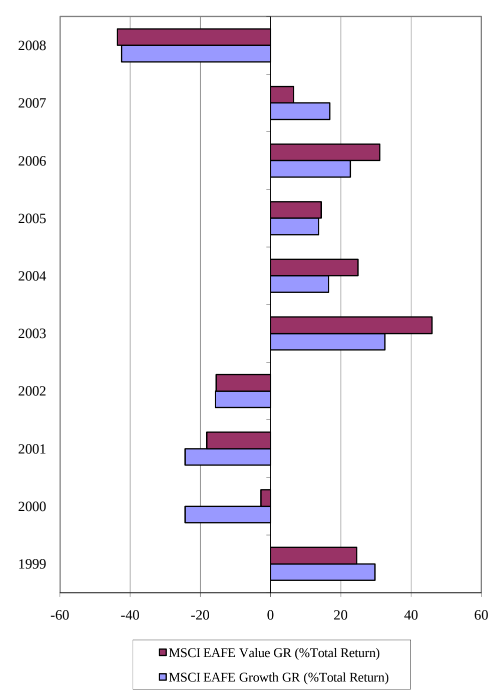
DEVELOPED MARKETS	MSCI EAFE WEIGHT	3 Mos.	YTD	1 Year	3 Years	5 Years	10 Years
MSCI Japan	25.3%	-9.00	-29.11	-29.11	-10.27	1.03	0.58
MSCI U.K.	19.9%	-26.35	-48.32	-48.32	-9.88	-1.24	-1.07
MSCI France	10.9%	-20.38	-42.71	-42.71	-4.00	3.13	2.36
MSCI Germany	8.7%	-20.88	-45.50	-45.50	0.45	5.49	1.42
MSCI Switzerland	8.4%	-13.32	-29.90	-29.90	-1.58	5.24	2.12
MSCI Australia	6.0%	-26.61	-49.96	-49.96	-4.88	5.95	8.36
MSCI Spain	4.5%	-16.69	-40.06	-40.06	3.92	8.81	5.05
MSCI Italy	3.7%	-22.92	-49.20	-49.20	-9.94	0.17	-0.33
MSCI Netherlands	2.4%	-22.91	-47.88	-47.88	-5.79	1.72	-0.92
MSCI Sweden	2.0%	-25.08	-49.17	-49.17	-9.30	2.65	3.29
MSCI Hong Kong	2.0%	-18.76	-51.21	-51.21	-3.52	4.00	4.37
MSCI Finland	1.4%	-20.14	-54.67	-54.67	-3.75	2.37	2.58
MSCI Singapore	1.1%	-26.26	-47.34	-47.34	-0.27	6.77	6.53
MSCI Denmark	0.8%	-28.12	-47.33	-47.33	-2.50	8.86	6.85
MSCI Belgium	0.8%	-36.99	-66.15	-66.15	-22.93	-6.08	-5.68
MSCI Norway	0.6%	-40.67	-63.91	-63.91	-11.23	6.32	8.27
MSCI Greece	0.5%	-40.98	-66.01	-66.01	-15.18	0.68	-2.12
MSCI Austria	0.3%	-43.22	-68.22	-68.22	-23.52	-0.71	3.20
MSCI Ireland	0.3%	-40.21	-71.72	-71.72	-30.52	-14.02	-9.44
MSCI Portugal	0.3%	-21.28	-51.78	-51.78	-3.72	2.12	-1.00
MSCI New Zealand	0.1%	-23.85	-53.35	-53.35	-15.52	-3.06	3.70

MSCI EAFE SECTORS	3 Mos.	YTD	1 Year
Telecommunication Services	-3.33	-32.49	-32.49
Healthcare	-8.05	-18.95	-18.95
Utilities	-8.63	-28.15	-28.15
Consumer Staples	-13.54	-31.33	-31.33
Energy	-15.20	-38.18	-38.18
Industrials	-18.09	-44.48	-44.48
Information Technology	-19.16	-44.87	-44.87
Consumer Discretionary	-21.21	-45.47	-45.47
Materials	-26.62	-53.03	-53.03
Financials	-32.36	-55.21	-55.21

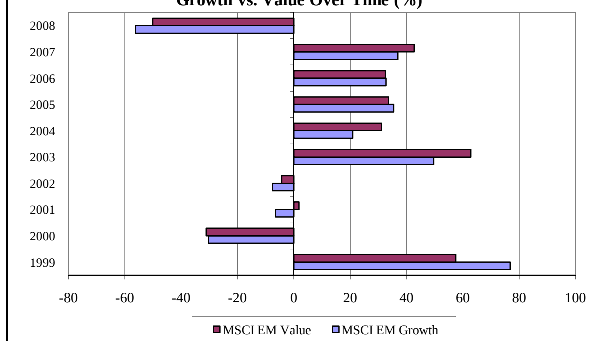
Foreign Developed vs. Emerging Markets Performance Over Time (%)



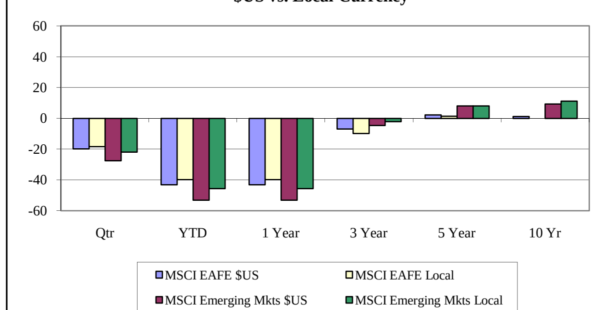
MSCI EAFE Index:
Growth vs. Value Over Time (%)



MSCI Emerging Markets Index:
Growth vs. Value Over Time (%)



Performance as of Current Period End:
$US vs. Local Currency



INVESTMENT POLICY STATEMENT

Sample Company - Pension Plan
December, 2008

I. Purpose of This Statement

The purpose of this Statement of Investment Policy (“Statement”) is to:

A. Articulate the consensus of views of the Board of Trustees (the “Trustees”) of the Sample Company Pension Plan (the “Plan”) regarding their investment objectives, tolerance for risk and the Plan’s liquidity needs.

B. Formulate policies to assist the Trustees with first, developing a suitable asset allocation; second, selecting investment managers or commingled funds within the framework of that asset allocation; and third, monitoring and evaluating the performance of such managers or commingled funds.

C. Establish procedures for achieving the foregoing purposes (set forth in paragraphs I(A) and I(B) over a reasonable period of time). The Trustees recognize that at the time this Statement is adopted in final form, certain aspects of the Plan’s investment practices and procedures may not be in full conformance with this Statement. However, the Trustees will seek prudently to bring the Plan into conformance with this Statement over a reasonable period of time.

II. General Plan Description

The Plan is designed to provide pension benefits to eligible participants in accordance with the terms of the Plan. The Plan and the benefits provided hereunder are funded by contributions from the Sample Company in accordance with the minimum funding standards under ERISA and the applicable collective bargaining agreement.

The Trustees are charged by law with the responsibility for investing the Plan’s assets. The Trustees will establish and revise investment policy objectives and general guidelines from time to time after consideration of the advice and recommendations of consultants, actuaries and investment managers.

III. Investment Objectives

The Plan shall seek to achieve the following long term investment objectives:

A. Maintenance of sufficient income and liquidity to pay retirement benefits and other lump sum payments.

B. A long-term rate of return in excess of the annualized inflation rate, defined as the average annualized compound rate of the CPI-U (Consumer Price Index, All Urban Consumers) calculated on a five year moving average.

C. A long-term annualized rate of return (net of relevant fees) that meets or exceeds the assumed actuarial rate as stated in the Plan's actuarial report over rolling five-year periods.

D. A long term competitive rate of return on investments, net of expenses, that equals or exceeds various benchmark rates of return on a moving three year average, including a "Policy Index" consisting of 50% S&P 500 Index and 50% Barclays US Government/Credit Index.

E. Avoid consecutive years of negative return for the Plan taken as a whole, except that the Plan may incur occasional years of negative return in pursuit of objectives B, C and D.

IV. Assignment of Responsibilities

Board of Trustees: Investment Policy, Asset Allocation and Liquidity

The Trustees shall have the responsibilities of establishing the basic investment policy and asset allocation that will guide the Plan's investment program. The Trustees shall also have the responsibility of planning for the Plan's liquidity needs. In carrying out these responsibilities, the Trustees shall utilize the advice and assistance of the investment consultant, among other professionals.

Consistent with the above, the Trustees will determine from time-to-time a suitable asset allocation that seeks to control risk (i.e., the volatility of returns from year to year) through portfolio diversification and takes into account, among possible other factors, the above-stated objectives, in conjunction with current funding levels, cash flow conditions and economic and industry trends. Also consistent with the above, the Trustees shall rebalance the Plan's portfolio from time-to-time in order to correct material deviations from the asset allocation it adopts.

Based on written recommendations from the investment consultant to the Plan, the Trustees will select various commingled funds and allocate the assets of the Plan to seek to achieve the stated investment return objectives and to control risk. The assets managed in each commingled fund shall constitute an "investment account."

The Trustees will establish reasonable guidelines for each asset class and investment account, specifying (as applicable) acceptable and/or prohibited investments limits on asset and asset class exposures, risk constraints and investment return objectives. The practices of the commingled funds as identified in the fund's prospectus or other governing document shall be materially consistent with this Statement.

With assistance and advice from the investment consultant, the Trustees will monitor the activity and performance of the custodian, each investment account, and the Plan as a whole, on a quarterly basis. The investment consultant will evaluate and prepare reports to the Trustees, the Plan's third party administrator and the Plan's professionals on the performance of each asset class, asset subclass and investment account against applicable benchmarks.

The Trustees may (but are not required to) allocate to a sub-Committee of the Trustees any of their responsibilities and powers to make decisions regarding the Plan's investment program and to carry out such decisions, (e.g., decisions regarding rebalancing the portfolio, selection of commingled funds and supervision of the Plan's third party administrator and staff, if applicable, regarding implementation of Trustees' policy). Additionally, the Trustees may, to the extent and in the manner permitted by law, appoint one or more investment managers to carry our any of the Trustee's responsibilities described in this Statement.

Investment Managers: Execution of Policy

Each investment manager appointed by the Trustees shall discharge its duties in accordance with this Policy and applicable individual guidelines. These individualized guidelines shall be prepared and/or reviewed by the investment consultant and approved by the Trustees. Each manager is accorded full discretion, within general and specific investment manager guideline limits and restrictions, to select and time individual purchase and sale transactions and to diversify assets appropriately. Each investment manager shall acknowledge that it will discharge its responsibilities with respect to that portion of assets allocated to its management in accordance with this Statement (including, without limitation, investments only through commingled and/or mutual funds), ERISA and Plan documents. These managers will possess the necessary skills and ability to prudently manager the investment account entrusted to them.

V. Asset Allocation, Portfolio Structure and Re-balancing

A. Asset Allocation

The Trustees shall periodically re-assess the Plan's long-term "strategic" asset allocation, in light of analysis and advice from the investment consultant and actuary.

In light of such analysis and advice, and its own deliberations, the Trustees have determined that the strategic target asset allocation (excluding cash held in a discrete account for payments of benefits and expenses) will be as follows:

Asset Class	Target % of Portfolio	Range
Equities	50%	+/- 10%
Fixed Income	50%	+/- 10%

The Trustees may change the target allocation within their sole discretion by revising these investment guidelines to a range that is 10% more or less than the target percentage set forth above (e.g., up to 60% equities and 40% fixed income or 60% fixed income and 40% equities). The Trustees shall monitor on a periodic basis the percentage allocation targets for each asset class. The targets may be changed from time to time by the Trustees based on asset allocation studies performed by the investment consultant, which evaluate the risk and return expectations for various weightings of the authorized asset class. Insofar as the Trustees add other permitted asset classes (e.g., mutual fund(s) investing in REITs), the current asset allocation will change, on a strategic basis.

B. Portfolio Structure

To further control risk, the Plan will also diversify by equity style (value and growth). Equities classified as large-cap. mid-cap and small-cap may be included as part of the diversification strategy. Fixed income investments will be structured in such manner as to diversify the portfolio. Diversification may be by type of issuer, structure of security and/or quality of issuer. The Trustees may use active investment management or passive investment strategies as them deem appropriate and based on the advice and guidance of the investment consultant. The overall asset allocation will be reviewed periodically through a formal asset allocation study.

C. Re-balancing Procedure

The allocation of the Plan's assets will be monitored by the Plan's investment consultant on a quarterly basis after receipt of the portfolio valuations from the custodian (or other appropriate source). The Plan's investment portfolio may be re-balanced to the percentage for each asset class when an asset class exceeds the upper limit of the range or falls below the lower limit of the target range by more than 0.5%. Based on advice from the investment consultant, the Trustees may rebalance the portfolio through the deployment of cash or by either purchasing or selling the assets necessary to bring each asset class down to the top or up to the bottom of its range. Consistent with the target and ranges described in Section V(A), the Plan's custodian (or other appropriate source) shall effectuate such re-balancing, but solely in accordance with instructions from the Trustees, and only when so instructed.

The Trustees may further establish targets and ranges for each investment account and direct the Plan's third party administrator or the Plan's professionals to re-balance accounts on a quarterly basis, consistent with those targets and ranges and the Trustees direct.

VI. Guidelines for Specific Asset Classes

A. Equity Securities

1. Investment Objective

Equity investments are intended to provide a real rate of return over a "market cycle" (generally, a period of at least three years), and therefore to contribute to the portfolio's "purchasing power" and long-term capital growth. No single investment strategy is consistently superior over time and therefore a combination of several investment strategies (e.g., large-cap equities or small-cap equities) shall be utilized in order to seek broad market exposure and higher returns.

Each equity commingled fund manager is expected to (a) produce a net return over a full market cycle that equals or exceeds an appropriate benchmark index defined in the manager's investment guidelines and based on the investment account strategy and (b) equal or exceed the median performance of other equity managers of the same or substantially similar strategies, on a gross return basis over a rolling three-year period.

For purposes of investment performance measurement, rate of return shall mean the total rate of return, comprised of investment income plus realized and unrealized capital gains and losses, net of investment management fees. Performance shall be calculated on a time-weighted basis by linking dollar-weighted monthly rates of return, consistent with the standards set by the CFA Institute.

2. Diversification

To further control risk, the Trustees will also diversify by equity style (value and growth) and capitalization. Equities classified as large-cap, mid-cap and small-cap may be included as part of the diversification strategy.

3. Prohibited Activity

The portfolio shall not hold any individual securities. Therefore, equity investments may be made only through commingled and/or mutual fund products. The portfolio shall not be invested directly in the following, unless otherwise explicitly permitted by the Trustees:

a. Equity securities of individual companies, except that instruments that provide exposure to the broad equity markets are permitted, including, e.g., index-based instruments, such as exchange-traded funds, index funds and “ishares”;

b. Foreign investments, defined as securities that are not denominated in U.S. or Canadian dollars, or that are traded on exchanges solely in markets outside the U.S. or Canada, or that are issued by an entity incorporated or domiciled outside the U.S. or Canada. However, investments may be made through commingled and/or mutual products in securities issued by foreign companies denominated in U.S. dollars and traded on U.S. exchanges and sponsored American Depository Receipts ("ADRs");

c. Short sales;

d. Options or futures contracts, except to the extent required by an index fund manager to more closely replicate the rates of return and risk characteristics of the appropriate index and subject to the guidelines established for that index fund by the manager;

e. Commodities;

f. Warrants (except those appurtenant to regular stock purchases);

g. Margin transactions or any other borrowing of money;

h. Restricted securities or private placements, unless specifically permitted under individual manager guidelines or agreements; and

i. Real Estate (except REITs)

B. Fixed Income

1. Investment Objective

Fixed income investments are intended to provide a positive rate of return over a full market cycle and, along with various sources of revenue, provide a regular supply of cash flow. Within the fixed income asset class, the portfolio may use investment managers that seek broad market coverage across the fixed income market and/or specialist managers with expertise in certain sectors. However, the overall fixed income objective is generally to seek broad market diversification.

Each fixed income investment manager is expected to (a) produce a net return over a full market cycle that equals or exceeds an appropriate benchmark index defined in the manager's investment guidelines and based on the investment account strategy and (b) equal or exceed the median performance of other fixed income managers of the same or substantially similar strategies, on a gross return basis over a rolling three-year period.

For purposes of performance measurement, rate of return shall mean total rate of return, that is, investment income plus realized and unrealized capital gains and losses. Performance shall be calculated on a time-weighted basis by linking dollar-weighted monthly rates of return, consistent with the standards set by the CFA Institute.

2. Diversification

Fixed income investments will be structured in such a manner as to diversify the portfolio. Diversification may be by type of issuer, structure of security and/or quality of issuer. Fixed income investments include, but are not limited to, U.S. dollar-denominated obligations of the United States Government and its Agencies and instrumentalities.

To assure a prudent degree of diversification and avoid excessive risk, the fixed income accounts shall not exceed the following limits:

a. Fixed income separate accounts may hold only government- or agency-issued fixed income debt securities

b. The average-option adjusted (i.e., effective) duration of each fixed income account may not exceed 125% of the effective duration of the bond market index specified for that account.

3. Prohibited Activity

The portfolio shall not hold any individual securities or debt instruments of operating companies. Therefore, fixed income investments of operating companies may be made only through commingled and/or mutual fund products. The portfolio shall not be invested directly in the following, unless explicitly permitted by the Trustees:

a. Repurchase agreements against securities which are not permitted to be held in the portfolio;
b. Short sales;
c. Options or future contracts, except to the extent required by an index fund manager to more closely replicate the rates of return and risk characteristics of the appropriate index and subject to the guidelines established for that index fund by the manager;
d. Commodities;

e. Restricted securities or private placements;

f. Margin transactions or any borrowing of money, except for emergencies experienced by a commingled fund in connection with unanticipated redemption requests;

g. Foreign investments, defined as securities that are issued by entities outside the U.S. and Canada and are not denominated in U.S. or Canadian dollars. However, investments can be made through commingled and/or mutual fund products in U. S dollar denominated "Yankee" bonds; and

h. Derivatives, including but not limited to interest only strips ("IOs), principal only strips ("POs"), Z-bonds, structured notes, inverse floaters, instruments with internal leverage or other investments that demonstrate similar risk characteristics, although low-risk CMOs are permitted, as follows:

For the purposes of this Statement, "low risk" CMOs are considered to be mortgage-backed, derivative securities which contain none of the following characteristics: leverage, more pre-payment risk than the underlying mortgage collateral and/or risk from other tranches (e.g., low risk CMOs do not include "support" or "companion bonds."); The following are also permissible, insofar as specifically allowed pursuant to separate written guidelines with an investment manager:

- Basic, low risk asset-backed and mortgage-backed securities; and
- Basic floating rate notes

C. Short-Term Investments

1. Investment Objective

Short-term investments are intended to meet any necessary disbursements of the portfolio and to accumulate funds for future investment. To fulfill this objective, the primary goal of short-term investment is the consistent preservation of capital. The short-term investments will be expected to provide net returns at least equal to the 91-Day U.S. Treasury bill on a quarterly basis.

2. Permitted Activity

Short-term investments are a permitted class of assets provided they fall within one or more of the following categories;

a. U.S. and Canadian Government securities (backed by the full faith and credit of the U.S. and Canadian Governments) and U.S. Agency obligations;

b. Certificates of deposit ("CDs"), maturing within 12 months, of any domestic bank meeting the capital standards mandated by the FDIC Improvements Act of 1991;

c. Tri-party repurchase agreements secured by U.S. Government or U.S. Agency obligations; and

3. Prohibited Activity

The portfolio shall not hold any individual securities or debt instruments of operating companies. Therefore, short-term investments of operating companies may be made only through commingled and/or mutual fund products. The portfolio shall not be invested directly in the following, unless explicitly permitted by the Trustees:

a. Repurchase agreements against securities which are not permitted to be held in the portfolio;

b. Short selling;

c. Options or futures contracts, except to the extent required by an index fund manager to more closely replicate the rates of return and risk characteristics of the appropriate index and subject to the guidelines established for that index fund by the manager;

d. Non-marketable securities;

e. Margin transactions or any other borrowing of money except for emergencies experienced by a commingled fund in connection with unanticipated redemption requests;

e. Commodities;

f. Foreign investments, defined as securities that are issued by entities outside the U.S. and Canada and are not denominated in U.S. and Canadian dollars, although U.S. dollar denominated “Yankee” bonds are permitted; and

g. Derivatives, including but not limited to interest only strips ("IOs"), principal only strips ("POs"), Z-bonds, structured notes, inverse floaters, instruments with internal leverage or other investments that demonstrate similar risk characteristics, although low-risk CMOs are permitted, as follows:

For the purposes of this Statement, “low risk” CMOs are considered to be mortgage-backed, derivative securities which contain none of the following characteristics: leverage, more prepayment risk than the underlying mortgage collateral and/or risk from other tranches (e.g., low risk CMOs do not include “support” or “companion” bonds).

D. Other Asset Classes

The Trustees may decide to invest the portfolio in other asset classes or strategies, beyond those listed above, e.g., real estate or private equity. However the portfolio shall not be invested directly in any such additional asset class unless and until the Trustees adopt a supplement to this Investment Policy Statement for investing in such asset class, and until such a supplement is adopted, the Trustees may not invest directly in any individual securities, operating companies or hedge funds.

VII. Review & Implementation

A. Periodic Review of this Statement

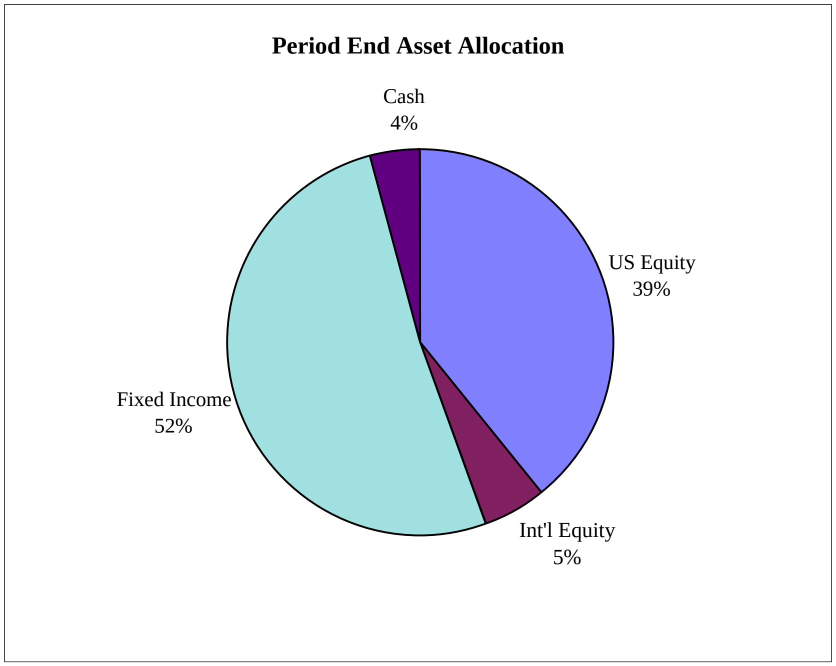
The Trustees shall review this Statement periodically. Changes to any portion of this Statement will be made to the extent such changes would be in the interest of the Plan's participants or required as a matter of law or prudence. Changes to this Statement will be made after consultation with the Plan's legal counsel and investment consultant; they will be put in writing; and will be accepted only after a majority of the Trustees votes in favor of the changes.

ASSET ALLOCATION - CURRENT PERIOD

Sample Company - Pension Plan
10/1/08 - 12/31/2008

Investment Vehicle	Opening Market Value	% Weight	Deposits	Withdrawals	Net Cash Flows	Gains/Losses	Closing Market Value	% Weight
Sample Bond Fund	$12,372,329	47%	$0	($1,000,000)	($1,000,000)	$666,229	$12,038,558	51%
Sample Index Fund	$9,157,567	35%	$0	$0	$0	($2,022,289)	$7,135,278	30%
Sample Equity Fund	$2,738,179	10%	$0	$0	$0	($722,178)	$2,016,001	9%
Sample International Equity Fund	$1,530,600	6%	$0	$0	$0	($295,942)	$1,234,659	5%
Sample Money Market Fund	$714,736	3%	$1,333,860	($1,060,000)	$273,860	$5,085	$993,681	4%
Total Portfolio	***$26,513,411***	***100%***	***$1,333,860***	***($2,060,000)***	***($726,140)***	***($2,369,095)***	***$23,418,176***	***100%***

Note: Sum of components may not add to 100% due to rounding.



EQUITY FUND STYLE

	Value	Blend	Growth
Large Cap	Sample Equity	Sample Index *Sample International Equity*	
Mid Cap			
Small Cap			

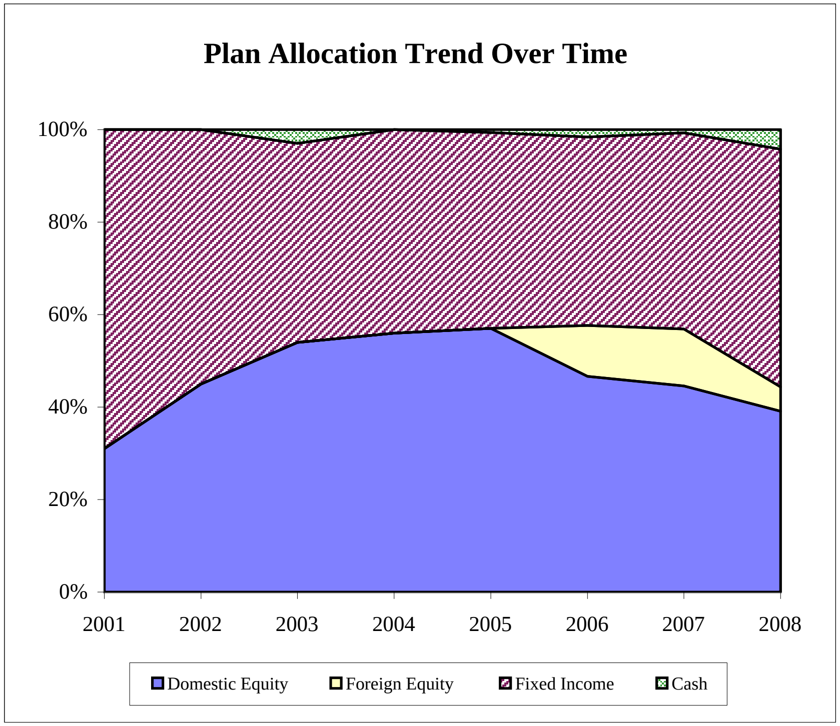
FIXED INCOME FUND STYLE

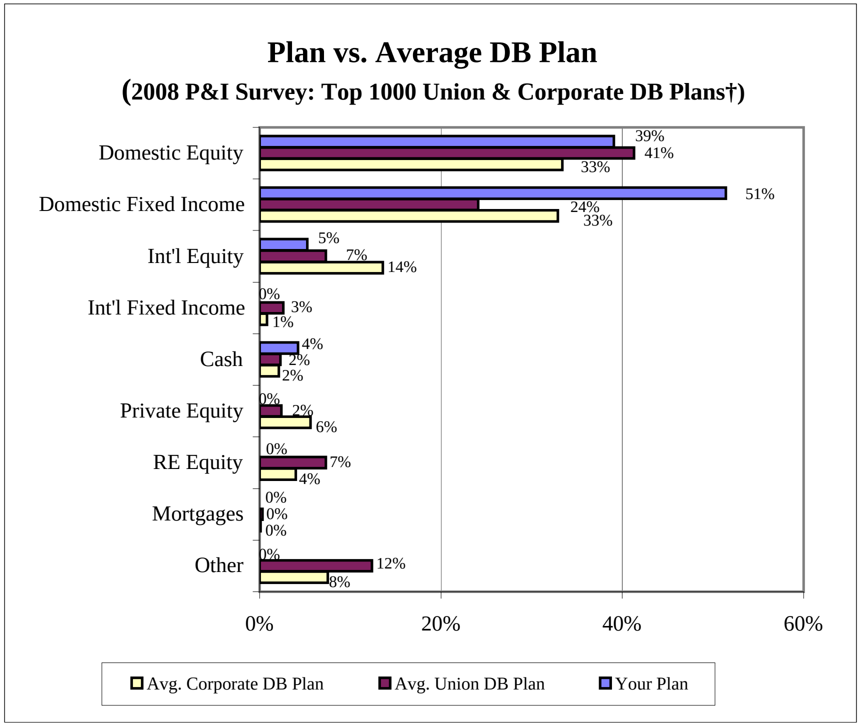
	Short	Intermediate	Long
High	Sample Money Market	Sample Bond	
Medium			
Low			

ASSET ALLOCATION

	Policy Minimum	Policy Target Weight	Policy Maximum	Closing Weight‡	+/- Policy Target
Total Equity Sector	*40%*	*50%*	*60%*	*46%*	*-4%*
Total Fixed Income	*40%*	*50%*	*60%*	*54%*	*4%*
Grand Total Portfolio	*-*	*100%*	*-*	*100%*	*0%*

‡ Weights exclude the Plan's cash component, as per its current Investment Policy Statement.





† Data is provided for informational purposes only.

PENSION PLAN SUMMARY AS OF 12/31/08

Fund	TRAILING PERFORMANCE 4th Quarter	1 Year	3 Year	5 Year	Calendar Year Performance	Sharpe Ratio	Sector Concentration	Top 10 Concentration	Management	Expenses	Style	% of Plan Assets
Total Portfolio	✓	✓	✓	✓	▽	✓	✓	-	-	✓	-	100%
Sample Bond Fund	✓	✓	✓	✓	✓	✓	-	-	✓	✓	✓	51%
Sample Index Fund**	✓	✓	✓	✓	✓	✓	-	-	✓	✓	✓	30%
Sample Equity Fund	✓	✓	✓	✓	✓	✓	-	-	✓	✓	✓	9%
Sample International Equity Fund	✓	✓	✓	✓	✓	✓	✓	✓	✓	⚐	✓	5%
Vanguard Federal Money Market*	✓	✓	✓	✓	✓	-	-	-	-	⚐	✓	4%

** Compared to the 90 day T-Bill, gross of fees*

† Reasonableness of gross performance relative to the Index. (Gross performance no more than 5 bps below the respective index)

Trailing Performance

- ✓ Above the median peer
- ⚐ Below the median peer

Calendar Year Performance

- ✓ Above the median peer at least 3 of the preceding 5 calendar years
- ▽ Below the median peer 3 of the preceding 5 calendar years
- ⚐ Below the median peer 4 or more of the preceding 5 calendar years

Sharpe Ratio

- ✓ Above the median peer
- ⚐ Below the median peer

Sector Concentration

- ✓ No one sector more than 35%
- ▽ At least one sector has between 35-40%
- ⚐ Above 40% in any one sector

Top 10 Holdings Concentration

- ✓ Comprise up to 35% of assets
- ▽ Comprise 35-50% of assets
- ⚐ Comprise more than 50% of assets

Management

- ✓ Average tenure greater than 3 years
- ▽ Average tenure between 1 and 3 years
- ⚐ Average tenure less than 1 year

Expenses

- ✓ Above median peer
- ⚐ Below median peer

Style

- ✓ Same style as last report
- ⚐ Different style from last report

SUMMARY PERFORMANCE DATA

Net performance as of: 12/31/2008

	PERFORMANCE					RISK	
	3 Months Trailing	**Year to Date**	**1 Year Trailing**	**3 Year Trailing Average**	**5 Year Trailing Average**	**5 Yr. Standard Deviation**	**5 Yr. Sharpe Ratio**
Total Portfolio	**-9.47**	**-20.06**	**-20.06**	**-1.69**	**0.91**	**7.75**	**-0.28**
Median Balanced Fund	-14.13	-26.57	-26.57	-4.89	-0.33	9.53	-0.36
Asset Allocation Index **	-7.76	-17.20	-17.20	-1.10	1.48	6.48	-0.25
Consumer Price Index	-3.91	0.09	0.09	2.22	2.67	2.93	-

*** Index is comprised of: 100% Barclays US Government Bond Index for periods prior to 1/1/00; 50% S&P 500 Index and 50% Barclays US Government Bond Index from the first quarter of 2000 through the third quarter of 2003; 50% S&P 500 Index, 45% Barclays US Government Bond Index and 5% Citigroup 3-Month T-Bill Index from the fourth quarter of 2003 through the fourth quarter of 2005; and 50% S&P 500 Index and 50% Barclays US Government/Credit Index beginning 1/1/06 and forward.*

	3 Months Trailing	Year to Date	1 Year Trailing	3 Year Trailing Average	5 Year Trailing Average	5 Yr. Standard Deviation	5 Yr. Sharpe Ratio
Sample Bond	**4.97**	**4.82**	**4.82**	**5.94**	**5.17**	**4.80**	**0.43**
Median High Intermediate Fund	1.09	-1.22	-1.22	2.93	2.95	3.96	-0.04
Barclays US Aggregate Index	4.58	5.24	5.24	5.51	4.65	3.98	0.39
Sample Index	**-21.91**	**-36.95**	**-36.95**	**-8.35**	**-2.18**	**13.80**	**-0.38**
Median Large Blend Fund	-22.10	-37.53	-37.53	-8.91	-2.41	14.15	-0.39
S&P 500 Index	-21.94	-37.00	-37.00	-8.36	-2.19	13.82	-0.38
Sample Equity	**-23.40**	**-41.64**	**-41.64**	**-10.83**	**-3.56**	**15.11**	**-0.44**
Median Large Value Fund	-21.37	-36.44	-36.44	-8.49	-1.62	13.94	-0.34
Russell 3000 Value Index	-22.41	-36.25	-36.25	-8.26	-0.72	14.45	-0.26
Russell 1000 Value Index	-22.18	-36.85	-36.85	-8.32	-0.79	14.38	-0.27
S&P 500 Index	-21.94	-37.00	-37.00	-8.36	-2.19	13.82	-0.38
Sample International Equity	**-16.11**	**-35.62**	**-35.62**	**-4.13**	**3.81**	**16.78**	**0.04**
Median Foreign Large Value Fund	-20.03	-42.65	-42.65	-6.62	1.75	18.03	-0.08
MSCI EAFE Index	-19.90	-43.06	-43.06	-6.92	2.10	18.67	-0.05
MSCI EAFE Value Index	-19.73	-43.68	-43.68	-7.71	2.34	18.76	-0.04
Sample Money Market (gross of fee)	**0.62**	**2.99**	**2.99**	**4.52**	**3.65**	**0.79**	**-**
Citigroup 3 Month T-Bill Index	0.25	1.80	1.80	3.76	3.10	0.79	-

TOTAL PORTFOLIO - PERFORMANCE

Sample Company - Pension Plan

TRAILING PERFORMANCE as of: 12/31/2008 — ***CALENDAR YEAR PERFORMANCE***

	3 Months Trailing	Year to Date	1 Year Trailing	3 Years Trailing (Annual)	5 Years Trailing (Annual)	10 Years Trailing (Annual)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Total Portfolio	**-9.47**	**-20.06**	**-20.06**	**-1.69**	**0.91**	**1.82**	**8.49**	**9.55**	**3.89**	**6.02**	**12.85**	**-5.11**	**1.90**	**8.62**	**-3.42**	**11.13**
Median Balanced Fund	-14.13	-26.57	-26.57	-4.89	-0.33	1.60	5.61	10.73	4.41	8.10	18.83	-10.10	-3.22	3.11	8.61	12.31
Asset Allocation Index**	-7.76	-17.20	-17.20	-1.10	1.48	1.36	6.49	9.71	3.83	7.15	15.27	-5.58	-1.78	1.71	-2.24	9.85
Consumer Price Index	-3.91	0.09	0.09	2.22	2.67	2.52	4.08	2.54	3.42	3.26	1.88	2.38	1.55	3.39	2.68	1.61

*** Index is comprised of: 100% Lehman Brothers Government Bond Index for periods prior to 1/1/00; 50% S&P 500 Index and 50% Lehman Brothers Government Bond Index from the first quarter of 2000 through the third quarter of 2003; 50% S&P 500 Index, 45% Lehman Brothers Government Bond Index and 5% Citigroup 3-Month T-Bill Index from the fourth quarter of 2003 through the fourth quarter of 2005; and 50% S&P 500 Index and 50% Lehman Brothers Government/Credit Index beginning 1/1/06 and forward.*

PEER GROUP — **PEER GROUP**

Highlighted below is the percentile where your returns ranked.

Percentile	3 Months Trailing	Year to Date	1 Year Trailing	3 Years Trailing (Annual)	5 Years Trailing (Annual)	10 Years Trailing (Annual)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
5%	-5.95	-14.28	-14.28	0.88	3.42	4.28	12.45	15.44	8.81	12.94	28.18	0.24	8.19	16.34	25.60	24.80
10%	-8.09	-16.59	-16.59	-0.92	1.74	3.71	9.59	14.25	7.86	11.63	25.36	-2.82	5.40	14.28	18.00	21.51
20%	**-10.32**	**-20.09**	**-20.09**	**-2.47**	0.96	3.00	**7.57**	12.65	6.56	10.40	23.18	**-6.57**	**1.22**	10.04	14.23	16.74
30%	-12.59	-23.83	-23.83	-3.54	**0.43**	2.44	6.66	11.80	5.39	9.37	21.83	-7.81	-0.26	**7.43**	12.03	15.47
40%	-13.31	-25.53	-25.53	-4.32	0.03	2.00	6.18	11.22	4.85	8.73	20.24	-8.87	-1.74	5.33	10.25	13.82
50%	-14.13	-26.57	-26.57	-4.89	-0.33	**1.60**	5.61	10.73	4.41	8.10	18.83	-10.10	-3.22	3.11	8.61	12.31
60%	-14.87	-28.11	-28.11	-5.54	-0.73	1.14	5.04	10.20	4.01	7.58	17.85	-11.19	-4.41	0.28	6.67	11.15
70%	-16.18	-29.66	-29.66	-6.17	-1.36	0.60	4.28	**9.48**	**3.54**	6.80	17.00	-12.90	-5.42	-0.71	4.65	**10.19**
80%	-17.07	-31.37	-31.37	-6.94	-1.92	-0.13	3.30	8.69	2.97	6.14	15.28	-14.05	-6.36	-2.26	3.21	8.68
90%	-20.36	-35.63	-35.63	-8.24	-2.96	-1.23	2.05	7.66	2.21	**4.94**	**12.73**	-17.39	-8.57	-3.97	-0.33	7.16
95%	-22.35	-38.57	-38.57	-10.81	-4.59	-2.09	0.28	6.31	1.01	4.15	10.39	-18.44	-12.61	-5.29	-1.49	5.63
															*****	

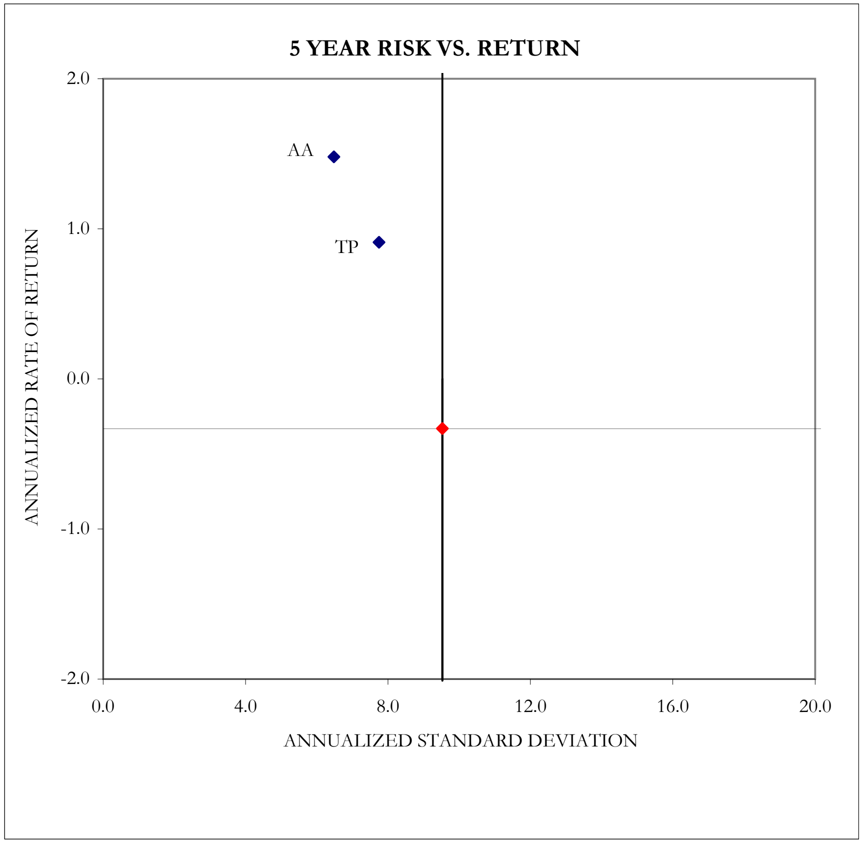
TOTAL PORTFOLIO - RISK ANALYSIS

	5 Year Trailing Annualized Return	5 Year Standard Deviation (Risk)	5 Year Sharpe Ratio
Total Portfolio	**0.91**	**7.75**	**-0.28**
Median Balanced Fund	-0.33	9.53	-0.36
Asset Allocation Index	1.48	6.48	-0.25

PEER GROUP

Highlighted below is the percentile where your returns ranked.

Percentile	5 Year Trailing Annualized Return	5 Year Standard Deviation (Risk)	5 Year Sharpe Ratio
5%	3.42	5.53	0.06
10%	1.74	6.76	-0.16
20%	0.96	**8.04**	-0.25
30%	**0.43**	8.65	**-0.29**
40%	0.03	9.17	-0.33
50%	-0.33	9.53	-0.36
60%	-0.73	10.02	-0.40
70%	-1.36	10.67	-0.44
80%	-1.92	11.57	-0.50
90%	-2.96	12.52	-0.58
95%	-4.59	13.85	-0.62



Cross hairs at peer group median

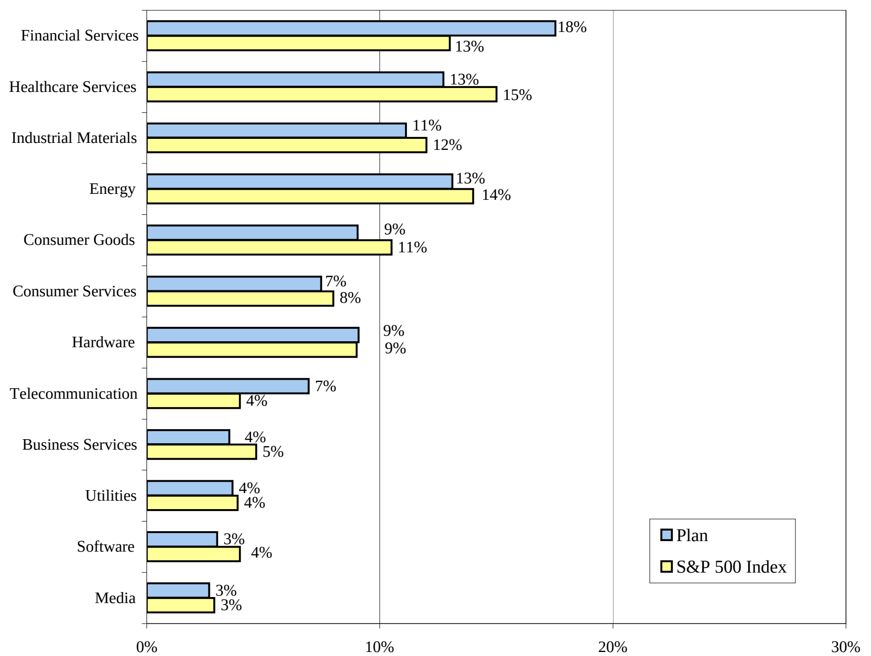
TOTAL PORTFOLIO - STATISTICS

PLAN ASSET ALLOCATION (%)†

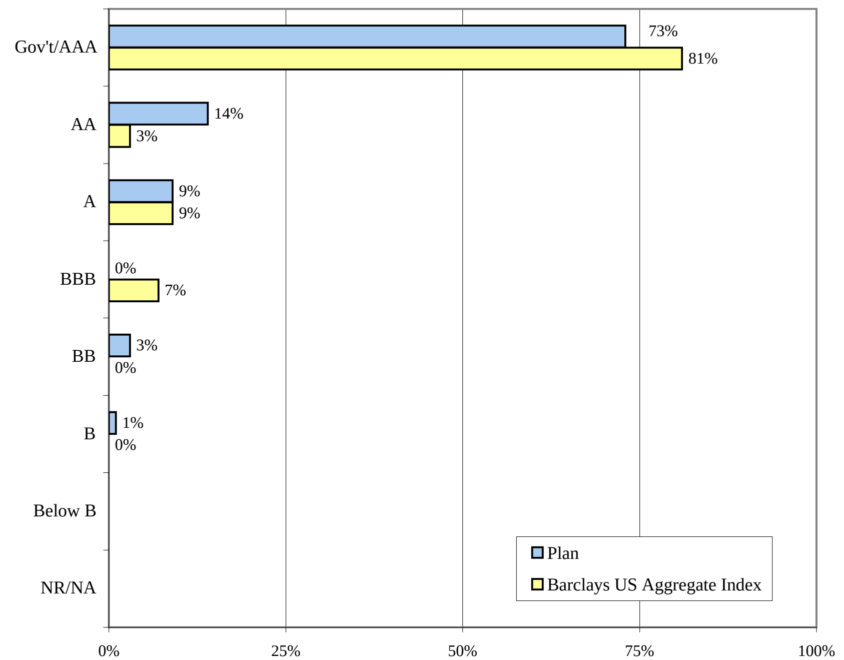
	Plan	Policy Index	Differential
Total Equity	46.3	50.0	-3.7
Total Fixed Income	53.7	50.0	3.7

† Excludes cash component.

AGGREGATE EQUITY SECTOR ALLOCATION



AGGREGATE FIXED INCOME QUALITY (%)



AGGREGATE EQUITY STATISTICS

	Plan	S&P 500 Index
Market Cap (billions)	40.3	38.2
P/E	12.4	10.9
P/B	1.9	1.7

AGGREGATE FIXED INCOME STATISTICS

	Plan	Barclays US Aggregate Index
Average Maturity	6.1	5.5
Average Duration	5.3	3.7
Average Credit Quality	AAA	AAA

SAMPLE BOND - PERFORMANCE

TRAILING PERFORMANCE as of: 12/31/2008

	3 Months Trailing	Year to Date	1 Year Trailing	3 Years Trailing (Annual)	5 Years Trailing (Annual)	10 Years Trailing (Annual)
Sample Bond	**4.97**	**4.82**	**4.82**	**5.94**	**5.17**	**6.24**
Median High Intermediate Fund	1.09	-1.22	-1.22	2.93	2.95	4.32
Barclays US Aggregate Index	4.58	5.24	5.24	5.51	4.65	5.63
Consumer Price Index	-3.91	0.09	0.09	2.22	2.67	2.52

CALENDAR YEAR PERFORMANCE

2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
9.07	**3.99**	**2.89**	**5.15**	**5.56**	**10.20**	**9.50**	**12.09**	**-0.28**	**9.77**
5.74	3.84	1.93	3.81	3.87	8.77	7.36	10.70	-1.15	7.49
6.97	4.33	2.43	4.34	4.10	10.26	8.44	11.63	-0.82	8.69
4.08	2.54	3.42	3.26	1.88	2.38	1.55	3.39	2.68	1.61

PEER GROUP

Highlighted below is the percentile where your returns ranked.

Percentile	3 Months Trailing	Year to Date	1 Year Trailing	3 Years Trailing (Annual)	5 Years Trailing (Annual)	10 Years Trailing (Annual)
5%	6.67	8.80	8.80	6.48	**5.05**	**5.76**
10%	5.41	7.62	7.62	**5.94**	4.70	5.52
20%	**4.49**	5.74	5.74	5.29	4.26	5.17
30%	3.53	**4.03**	**4.03**	4.58	3.88	4.86
40%	2.17	1.14	1.14	3.73	3.40	4.59
50%	1.09	-1.22	-1.22	2.93	2.95	4.32
60%	-0.21	-2.70	-2.70	2.15	2.45	4.09
70%	-1.76	-5.39	-5.39	1.17	1.87	3.80
80%	-3.24	-7.96	-7.96	0.01	1.30	3.48
90%	-4.85	-11.92	-11.92	-1.48	0.35	2.97
95%	-8.49	-17.42	-17.42	-3.54	-0.67	2.40

PEER GROUP

Highlighted below is the percentile where your returns ranked.

2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
8.82	5.92	**2.86**	6.11	10.14	11.02	9.53	12.85	2.15	**9.44**
7.82	5.14	2.63	5.29	7.89	10.48	**9.04**	12.33	1.27	8.91
6.82	4.52	2.41	**4.70**	5.94	**9.91**	8.40	**11.84**	0.39	8.37
6.38	4.25	2.24	4.36	**4.91**	9.56	7.99	11.45	**-0.30**	8.08
6.06	4.02	2.07	4.07	4.28	9.12	7.62	11.08	-0.83	7.74
5.74	**3.84**	1.93	3.81	3.87	8.77	7.36	10.70	-1.15	7.49
5.32	3.67	1.73	3.55	3.34	8.39	7.13	10.29	-1.57	7.16
4.84	3.43	1.51	3.26	2.85	8.03	6.77	9.79	-2.07	6.79
4.21	3.13	1.33	2.90	2.09	7.36	6.41	9.10	-2.66	6.23
3.22	2.71	1.02	2.47	1.45	6.36	5.92	7.67	-3.37	5.41
2.49	2.12	0.69	2.05	1.05	5.29	5.30	6.10	-3.82	4.68

SAMPLE BOND - RISK ANALYSIS

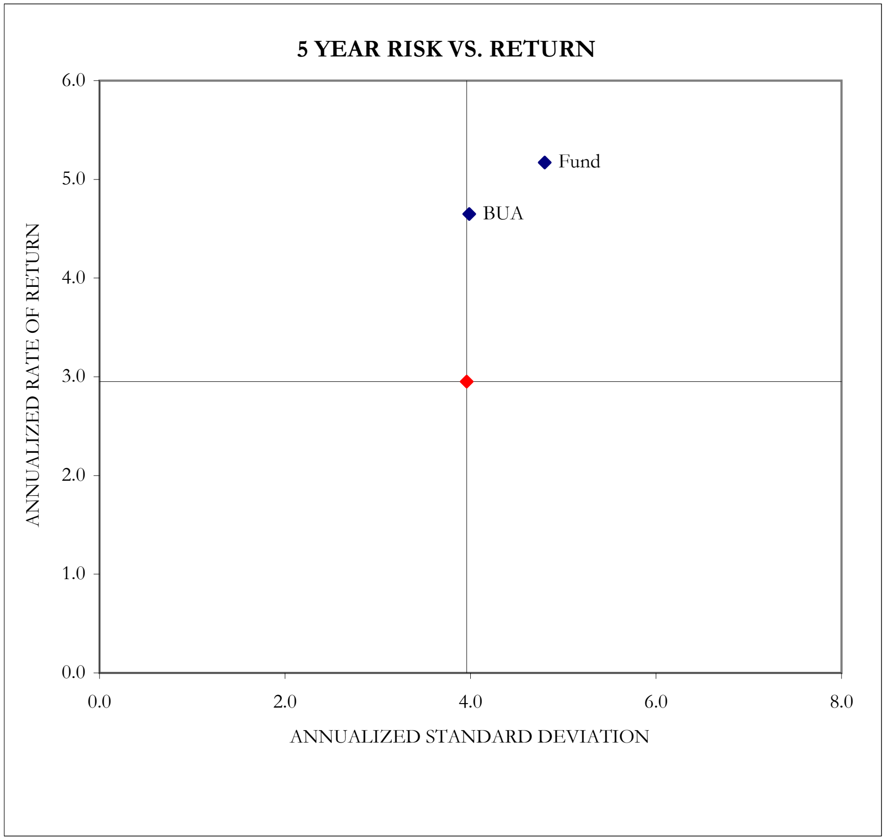
	vs. Barclays US Aggregate Index									
	Alpha	**Beta**	**R-Squared**	**Up Capture Ratio**	**Down Capture Ratio**	**Alpha**	**Beta**	**R-Squared**	**Up Capture Ratio**	**Down Capture Ratio**
Sample Bond	**0.56**	**0.99**	**82.75**	**106.78**	**99.93**	-	-	-	-	-
Barclays US Aggregate Index	0.00	1.00	100.00	100.00	100.00	-	-	-	-	-

	5 Year Trailing Annualized Return	**5 Year Standard Deviation (Risk)**	**5 Year Sharpe Ratio**
Sample Bond	**5.17**	**4.80**	**0.43**
Median High Intermediate Fund	2.95	3.96	-0.04
Barclays US Aggregate Index	4.65	3.98	0.39

PEER GROUP

Highlighted below is the percentile where your returns ranked.

Percentile	**5 Year Trailing Annualized Return**	**5 Year Standard Deviation (Risk)**	**5 Year Sharpe Ratio**
5%	**5.05**	2.83	0.49
10%	4.70	3.12	**0.40**
20%	4.26	3.43	0.30
30%	3.88	3.66	0.20
40%	3.40	3.83	0.08
50%	2.95	3.96	-0.04
60%	2.45	4.09	-0.17
70%	1.87	4.39	-0.32
80%	1.30	4.78	-0.45
90%	0.35	**5.66**	-0.60
95%	-0.67	6.30	-0.70



Cross hairs at peer group median

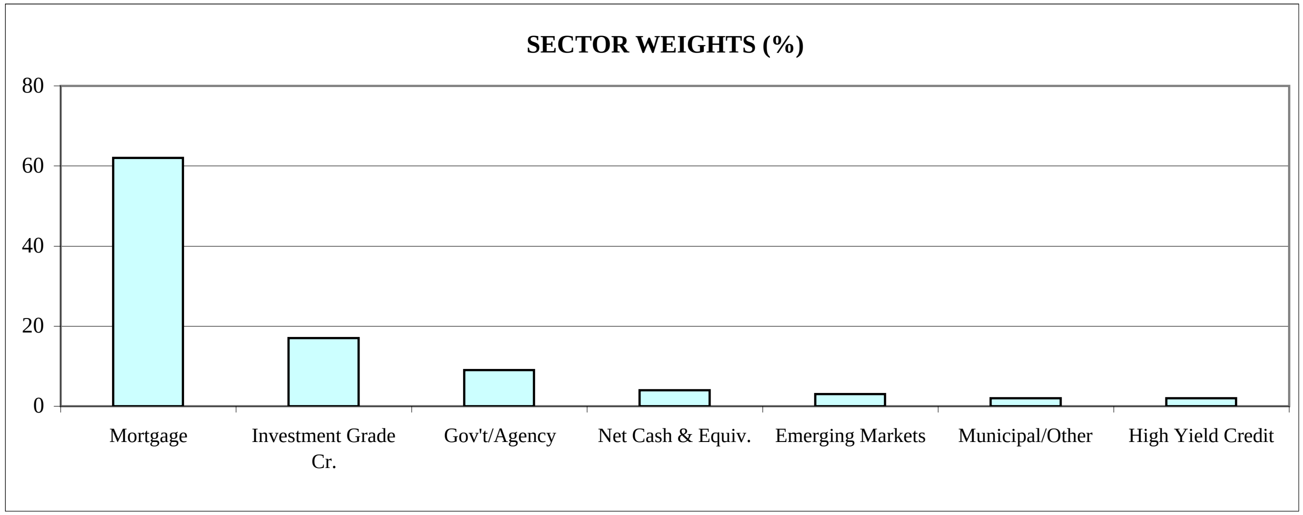
SAMPLE BOND - STYLE ANALYSIS

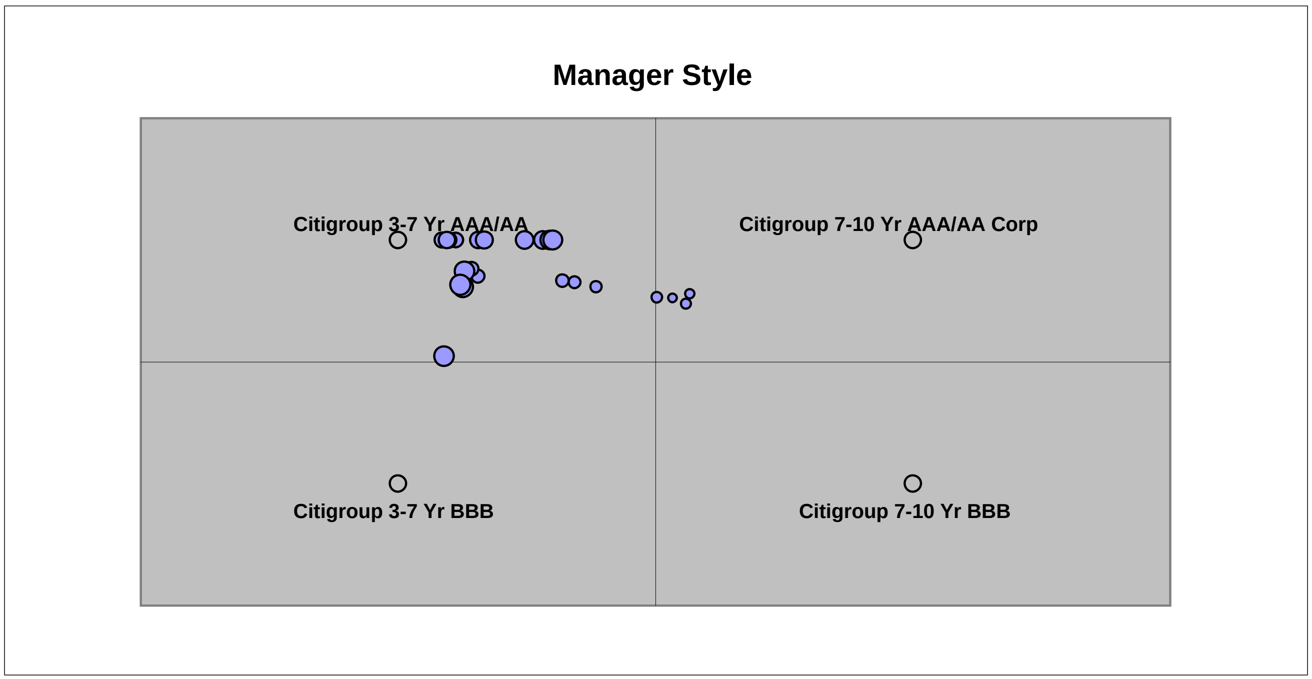
ASSET ALLOCATION

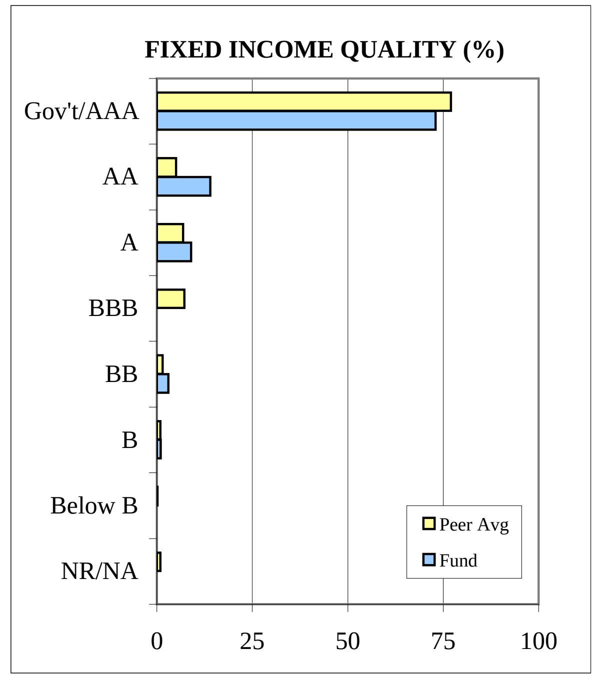
	Fund	Peer Avg.
Cash	4.0	5.8
US Stocks	0.0	0.2
Non-US Stocks	0.0	0.1
Bonds	94.0	92.6
Other	2.0	1.3

PORTFOLIO STATISTICS

Average Maturity	3.7	7.3
Average Duration	3.4	4.5
Average Credit Quality	AAA	AA
Turnover Ratio (%)	226	286
Assets in Top 10 (%)	-	49.9
Total Holdings	19121	896
Total Assets (millions)	160,828	1,747







SAMPLE BOND

FUND INFORMATION

Advisor:	Sample Advisor
Address:	123 Broadway Street, New York, NY, 10001
Category:	High Intermediate Bond
Benchmark:	Barclays US Aggregate Index
Inception:	May, 1987
Status:	Open

INVESTMENT PROCESS

- The fund seeks maximum total return, consistent with preservation of capital and prudent investment management. The total return sought by the fund consists of income earned on the fund's investments and any capital appreciation which may arise from decreases in interest rates or improving credit fundamentals for a particular sector or security.
- In order to achieve its objective, top down and bottom up strategies are employed. First, the Sample Advisor holds an annual forum to develop a 3 to 5 year global economic and interest rate outlook. Quarterly meetings are also held to see how this outlook affects the upcoming 3 to 12 month periods and to forecast specific influencing factors. The factors that are addressed include the yield curve, credit trends, and interest rate volatility.
- The basis for the portfolio parameters is set from these meetings. These parameters include yield curve positioning, duration, credit quality, and sector weightings.
- Then bottom up strategies such as credit analysis, quantitative research, and individual issue selection is used in conjunction with the top down process to add value.
- The fund will aim to keep its duration within +/- 2 years of the Barclays US Aggregate Index.
- The fund will invest at least 65% of assets in a diversified portfolio of fixed income securities with various maturities, which may be represented by forwards or derivatives. The use of derivative instruments such as options, futures, and swap agreements will be used to replicate bond positions, manage duration, and sector exposure. The Sample Advisor believes using futures will provide the opportunity to outperform actually owning the bond due to the relative pricing of these instruments and due to their active management of the collateral backing the futures contracts.
- The credit quality of the fund's investments will range between Aaa to B, with a maximum of 10% of assets below Baa, which are considered high yield securities.
- The fund may invest up to 30% of assets in securities denominated in foreign currencies and may invest beyond this limit in US dollar denominated foreign securities. The fund will normally limit its foreign currency exposures from non-US dollar denominated securities or currencies to 20% of total assets. In terms of foreign exposure, up to 15% of assets may be invested in emerging market securities.

MANAGER INFORMATION

Manager Name	Tenure	Education
Sample Manager, CFA	5/87	BA Duke U., MBA UCLA

INVESTMENT COMMENTARY

Commentary as of February 2, 2009

Recent Performance

- During a very difficult market environment in 2008, the fund posted a positive return even though it underperformed the Barclays US Aggregate Index. Although performance was negative during the second and third quarters, the fund recovered strongly during the fourth quarter.
- Returns were most negative during the third quarter when the fund's underweight position to U.S. duration hurt performance as yields fell. The fund had reduced duration earlier in the year to reduce interest rate risk.
- The fund is positioned to focus less on interest rate strategies and more on high-quality assets that offer attractive yield premiums. The fund is targeting near-index duration as the Sample Advisor believes interest rates are unlikely to fall from current low levels.

Historical Review

- The fund has historically been one of the best performing funds in the high intermediate peer group, outperforming its peer group over the trailing three and five-year periods. On a calendar year basis, the fund has generally outperformed its benchmark index and the peer group median in each of the last ten years. Much of this success is due to the Sample Manager and his team, who are among the best in the business and utilize a total return approach.
- The only period of noteworthy underperformance relative to the benchmark was in 2006 as riskier bonds outperformed, and the fund was underweight corporate bonds, believing that credit spreads would widen as the economy slowed. In addition, the fund's anticipation of a steeper yield curve and increasing risk premiums was premature.

Style

- This is the largest bond fund with over $160 billion in assets. Large funds could potentially have issues efficiently investing large sums of money or generating returns due to their scale.
- Though benchmarked against the BUA, the fund maintains exposure to riskier issues such as high yield and emerging market bonds. Although this can help the fund outperform in markets when risk appetites are high, the opposite is true when the market becomes risk averse.

Organization

- The Sample Advisor recently had roughly 325 investment professionals, a large amount that gives the Sample Advisor the ability to perform more research than its competitors and ably handle personnel turnover. The Sample Advisor senior managers designate potential successors every year and the firm has great depth in senior management.
- The most important factor for compensation is investment performance, including three-year, two-year, and one-year dollar-weighted and account-weighted returns, as judged against benchmarks and relative to applicable industry peer groups. The compensation committee also considers whether the fund manager took appropriate investment risks, based on the Sample Advisor's investment philosophy, as well as the investment committee and CIO's approach to generating excess returns. Gross has more than $1 million invested in the fund.

Risk Management

- Portfolio managers independently monitor portfolio risk exposures on a daily basis to ensure consistency with client guidelines and firm investment strategies. Seeking to capture all relevant market risk factors, portfolio managers use an array of proprietary risk measures and systems at both the individual security and portfolio levels. The risks monitored include: interest rate risk, interest rate volatility risk, yield curve risk, sector risk, and credit risk.
- The Sample Advisor also has a portfolio risk oversight team under the direction of CEO/Co-CIO. This group is responsible for implementing and enhancing portfolio risk reporting and oversight processes for the Sample Advisor's offices around the world.

SAMPLE INDEX - PERFORMANCE

TRAILING PERFORMANCE as of: 12/31/2008

	3 Months Trailing	Year to Date	1 Year Trailing	3 Years Trailing (Annual)	5 Years Trailing (Annual)	10 Years Trailing (Annual)
Sample Index	**-21.91**	**-36.95**	**-36.95**	**-8.35**	**-2.18**	**-1.35**
Median Large Blend Fund	-22.10	-37.53	-37.53	-8.91	-2.41	-1.45
S&P 500 Index	-21.94	-37.00	-37.00	-8.36	-2.19	-1.38
Consumer Price Index	-3.91	0.09	0.09	2.22	2.67	2.52

CALENDAR YEAR PERFORMANCE

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Sample Index	**5.48**	**15.79**	**4.91**	**10.86**	**28.66**	**-22.03**	**-11.93**	**-8.94**	**21.17**	**28.79**
Median Large Blend Fund	5.55	14.54	5.94	10.60	27.95	-21.62	-11.41	-5.01	20.00	22.93
S&P 500 Index	5.49	15.80	4.91	10.87	28.70	-22.10	-11.88	-9.11	21.04	28.58
Consumer Price Index	4.08	2.54	3.42	3.26	1.88	2.38	1.55	3.39	2.68	1.61

PEER GROUP

Highlighted below is the percentile where your returns ranked.

Percentile	3 Months Trailing	Year to Date	1 Year Trailing	3 Years Trailing (Annual)	5 Years Trailing (Annual)	10 Years Trailing (Annual)
5%	-16.34	-29.15	-29.15	-4.03	0.87	3.65
10%	-18.30	-31.87	-31.87	-5.51	0.00	2.22
20%	-20.23	-34.80	-34.80	-6.98	-0.90	0.99
30%	-21.22	-36.48	-36.48	-8.07	-1.61	0.02
40%	-21.88	**-37.10**	**-37.10**	**-8.55**	-2.08	-0.82
50%	**-22.10**	-37.53	-37.53	-8.91	**-2.41**	**-1.45**
60%	-22.36	-38.30	-38.30	-9.39	-2.72	-1.70
70%	-23.32	-39.55	-39.55	-9.96	-3.09	-2.01
80%	-24.43	-41.33	-41.33	-10.75	-3.66	-2.59
90%	-26.08	-43.48	-43.48	-12.10	-4.86	-3.19
95%	-27.85	-46.06	-46.06	-13.78	-6.03	-3.90

PEER GROUP

Highlighted below is the percentile where your returns ranked.

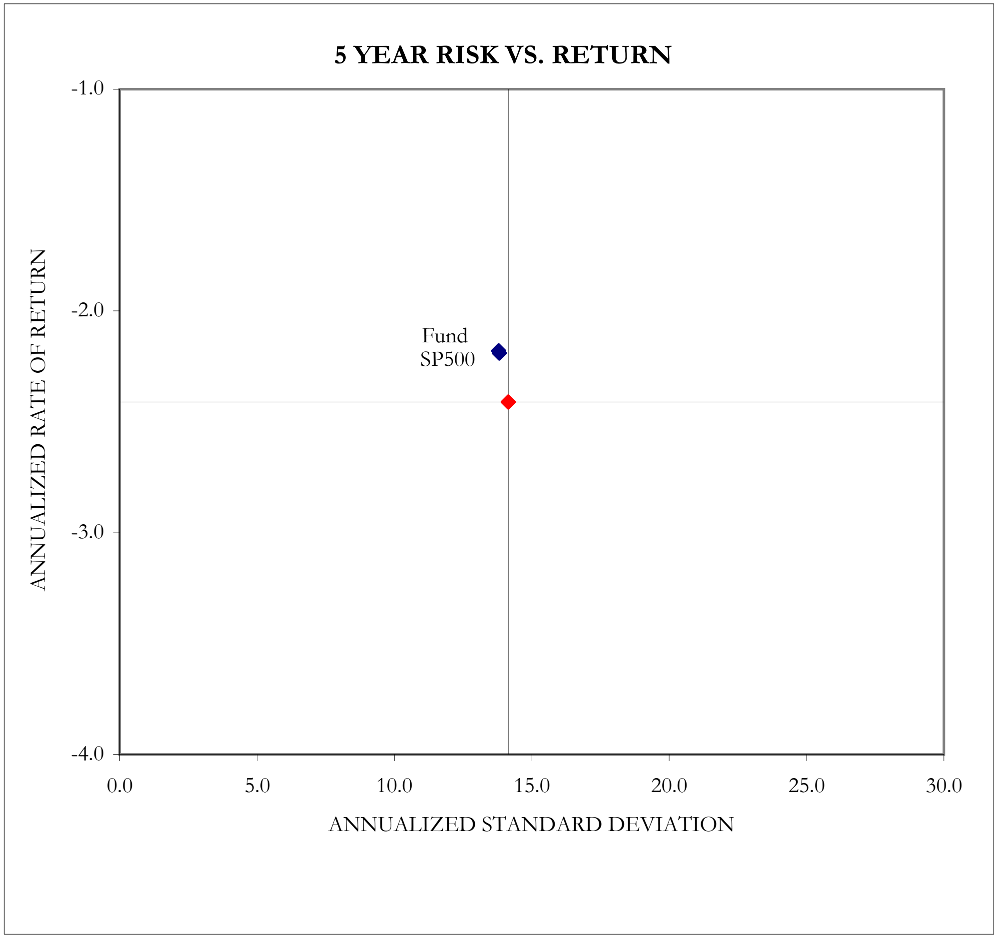
2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
14.47	19.27	12.35	16.43	39.11	-11.78	5.12	19.15	40.38	32.95
12.25	17.34	10.42	15.04	35.04	-15.48	-0.48	12.78	32.27	30.86
9.51	16.13	8.74	13.15	31.42	-17.67	-6.04	4.59	26.09	**28.46**
7.89	**15.53**	7.45	12.00	29.57	-19.29	-8.58	0.51	23.04	27.65
6.56	15.14	6.61	11.18	**28.49**	-20.67	-10.21	-2.19	**20.74**	25.19
5.55	14.54	5.94	**10.60**	27.95	-21.62	-11.41	-5.01	20.00	22.93
5.07	14.01	5.10	10.17	27.06	**-22.31**	**-12.13**	-7.18	18.71	20.93
4.40	13.37	**4.52**	9.55	25.89	-22.71	-12.59	**-9.15**	16.04	16.22
3.12	12.59	3.83	8.67	24.27	-23.61	-13.90	-9.69	11.60	13.70
0.81	11.22	2.47	7.09	22.51	-25.27	-17.12	-11.09	6.15	8.06
-0.74	9.99	1.01	5.33	20.69	-26.35	-21.53	-13.57	-0.23	5.10

SAMPLE INDEX - RISK ANALYSIS

	vs. S&P 500 Index									
	Alpha	**Beta**	**R-Squared**	**Up Capture Ratio**	**Down Capture Ratio**	**Alpha**	**Beta**	**R-Squared**	**Up Capture Ratio**	**Down Capture Ratio**
Sample Index	**0.00**	**1.00**	**100.00**	**99.92**	**99.92**	**-**	**-**	**-**	**-**	**-**
S&P 500 Index	0.00	1.00	100.00	100.00	100.00	-	-	-	-	-

	5 Year Trailing Annualized Return	**5 Year Standard Deviation (Risk)**	**5 Year Sharpe Ratio**
Sample Index	**-2.18**	**13.80**	**-0.38**
Median Large Blend Fund	-2.41	14.15	-0.39
S&P 500 Index	-2.19	13.82	-0.38

PEER GROUP			
Highlighted below is the percentile where your returns ranked.			
Percentile	**5 Year Trailing Annualized Return**	**5 Year Standard Deviation (Risk)**	**5 Year Sharpe Ratio**
5%	0.87	11.70	-0.14
10%	0.00	12.47	-0.21
20%	-0.90	13.42	-0.28
30%	-1.61	13.69	-0.33
40%	-2.08	**13.81**	-0.37
50%	**-2.41**	14.15	**-0.39**
60%	-2.72	14.56	-0.42
70%	-3.09	15.09	-0.44
80%	-3.66	15.67	-0.48
90%	-4.86	16.76	-0.54
95%	-6.03	18.02	-0.59

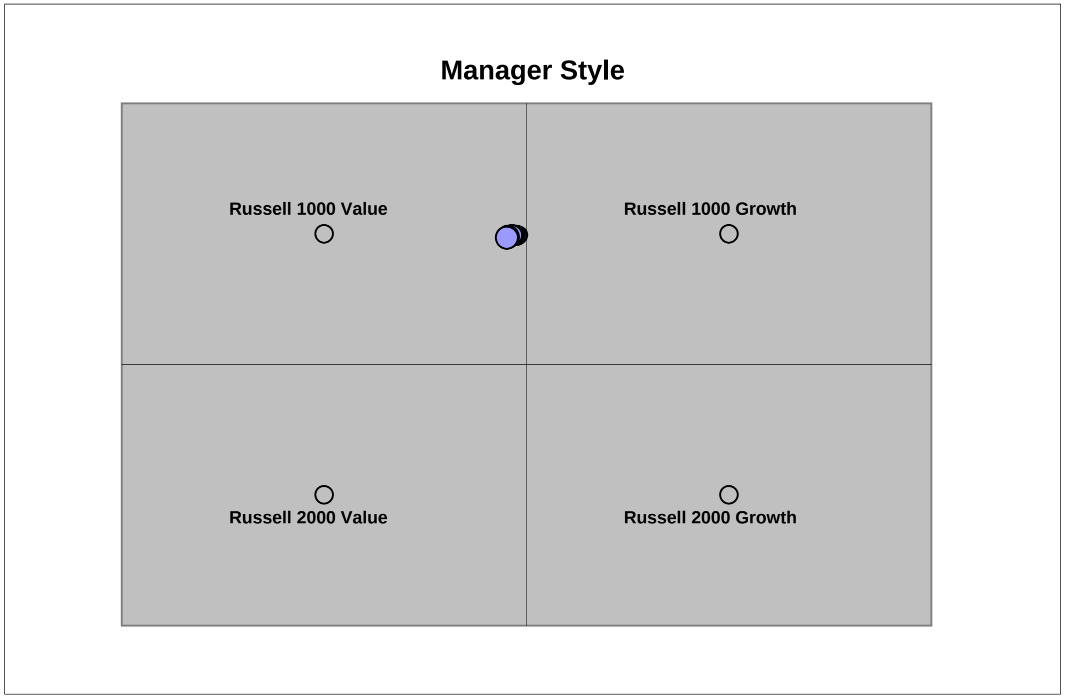


Cross hairs at peer group median

SAMPLE INDEX - STYLE ANALYSIS

TOP 10 HOLDINGS

As of: 12/31/2008	% of Assets	Industry Sector	Market Cap	Dividend Yield	Total Return 3 Mos.
ExxonMobil	5.1%	Energy	Giant	1.9	3.35
Procter & Gamble	2.3%	Consumer Goods	Giant	2.5	-10.69
General Electric	2.1%	Industrial Materials	Giant	9.6	-35.25
AT&T	2.1%	Telecommunications	Giant	5.6	3.73
Johnson & Johnson	2.1%	Healthcare	Giant	3.0	-12.96
Chevron	1.9%	Energy	Giant	3.4	-9.52
Microsoft	1.9%	Software	Giant	2.4	-26.68
Wal-Mart Stores	1.6%	Consumer Services	Giant	1.7	-5.99
Pfizer	1.5%	Healthcare	Giant	7.2	-2.15
J.P. Morgan Chase & Co.	1.5%	Financial Services	Giant	4.8	-31.97
Total Top Ten %	**22.1%**				



SECTOR WEIGHTS

	Fund	Peer Avg.	+/-
Manufacturing Economy	**39.8**	**38.1**	**1.7**
Utility	3.5	3.0	0.5
Energy	13.4	12.2	1.2
Industrial Materials	12.2	12.6	-0.4
Consumer Goods	10.7	10.4	0.3
Service Economy	**40.9**	**43.1**	**-2.2**
Financial Services	15.7	15.9	-0.2
Business Services	4.7	5.6	-0.9
Consumer Services	7.4	8.5	-1.1
Healthcare	13.1	13.0	0.1
Information Economy	**19.2**	**18.7**	**0.5**
Telecommunications	3.0	3.0	0.0
Media	2.7	2.8	-0.1
Hardware	9.5	8.8	0.7
Software	4.0	4.2	-0.2

EQUITY STYLE MIX

Large Growth	26.2	25.0	1.2
Large Blend	31.2	26.6	4.5
Large Value	29.9	25.0	4.9
Mid Growth	3.1	6.1	-2.9
Mid Blend	4.2	6.8	-2.6
Mid Value	5.1	6.3	-1.2
Small Growth	0.0	1.3	-1.2
Small Blend	0.1	1.4	-1.4
Small Value	0.2	1.6	-1.4

PORTFOLIO STATISTICS

Market Cap (billions)	45.3	31.1
P/E	13.9	12.3
P/B	2.2	2.0
Turnover Ratio (%)	7	71
Assets in Top 10 (%)	22.1	40.5
Total Holdings	513	244
Total Assets (millions)	49,187	1,112

SAMPLE INDEX

FUND INFORMATION

Advisor:	Sample Advisor
Address:	123 Broadway Street, New York, NY, 10001
Category:	Large Blend
Benchmark:	S&P 500 Index
Inception:	July, 1990
Status:	Open

INVESTMENT PROCESS

- The fund seeks to track the performance of the S&P 500 Index.
- The portfolio is constructed with all of the holdings of the S&P 500 Index, in the same capitalization and proportion as the Index.
- The fund is passively managed with a full replication approach, using proprietary software to implement trading decisions that accommodate cash flow and maintain close correlation with Index characteristics.
- The portfolio generally has at least 80% of its assets invested in the stocks that make up the Index.
- The fund may invest in foreign securities to carry out the investment strategy, but typically no more than 5%.
- Manager will opportunistically purchase futures contracts to add value on the margins and, invests in derivatives to reduce transaction costs and to help stay fully invested.

MANAGER INFORMATION

Manager Name	Tenure	Education
Sample Manager, CFA	2000	BA/BS Shippensburg U.

INVESTMENT COMMENTARY

Commentary as of February 9, 2009

Recent Performance

- Due to its full replication strategy, the fund has closely tracked its benchmark over the last four quarters. Unfortunately, the S&P 500 Index concluded its worst calendar year performance since 1931.
- Although performance during the first three quarters of 2008 was negative, performance during the fourth quarter was particularly challenging. A broad market decline punished stock prices indiscriminately.
- During the year, the worst performing sectors were financials, which reeled from bad loans and credit market upheaval, and materials which retreated as commodity prices collapsed.

Historical Review

- The fund’s full replication strategy has successfully tracked its index over the trailing three and five-year periods. Over the same time horizons, the fund has ranked near the median of its peer group.
- The fund’s highly diversified strategy has limited volatility over the trailing ten-year period, preventing the fund from landing at the top or bottom of its peer group, even on a calendar-year basis.

Style

- In line with its benchmark, the fund has consistently maintained its large cap blend style over the long term. There are slight deviations from peers with respect to sector weights, but the fund has maintained its sector weights in line with those of its benchmark index.
- The fund has incredibly low turnover while successfully mirroring index characteristics. Its R-squared is 100 and it consistently maintains a Beta of 1.0, indicating that all of the fund’s returns are derived from the index’s return.

Organization

- The Sample Advisor investors own the funds, which own the management company. This mutual ownership structure allows the Sample Advisor to run its funds at cost and for the benefit of shareholders.
- The Sample Advisor's index managers receive base compensation, an annual bonus, and long-term incentive compensation. The performance component of the bonus is based on how closely the index fund tracks its benchmark over a one-year period. According to the most recent SEC filing, Sample Manager did not invest in the fund.

Risk Management

- The firm has a strong compliance culture that includes a strict employee trading policy, annual compliance conferences, and designated compliance liaisons in every business unit. The Sample Advisor personnel are expected to do the right thing or face grave consequences, including possible dismissal.
- The Sample Advisor has embedded risk management procedures into daily investment management activities. The Sample Advisor employs sophisticated systems and very discrete sampling techniques, down to the sub-industry level, to monitor portfolio guidelines and tracking error. This is of particular importance to index funds which are designed to mirror a benchmark.

SAMPLE EQUITY - PERFORMANCE

TRAILING PERFORMANCE as of: 12/31/2008

	3 Months Trailing	Year to Date	1 Year Trailing	3 Years Trailing (Annual)	5 Years Trailing (Annual)	10 Years Trailing (Annual)
Sample Equity	**-23.40**	**-41.64**	**-41.64**	**-10.83**	**-3.56**	**-0.08**
Median Large Value Fund	-21.37	-36.44	-36.44	-8.49	-1.62	0.89
Russell 3000 Value Index	-22.41	-36.25	-36.25	-8.26	-0.72	1.69
Russell 1000 Value Index	-22.18	-36.85	-36.85	-8.32	-0.79	1.36
S&P 500 Index	-21.94	-37.00	-37.00	-8.36	-2.19	-1.38
Consumer Price Index	-3.91	0.09	0.09	2.22	2.67	2.52

CALENDAR YEAR PERFORMANCE

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Sample Equity	**1.40**	**19.81**	**5.74**	**11.29**	**29.96**	**-17.16**	**-5.02**	**8.54**	**7.15**	**12.52**
Median Large Value Fund	2.16	18.40	5.96	13.38	27.78	-17.23	-3.22	9.93	5.47	11.96
Russell 3000 Value Index	-1.01	22.34	6.85	16.94	31.14	-15.18	-4.33	8.04	6.65	13.50
Russell 1000 Value Index	-0.17	22.25	7.05	16.49	30.03	-15.52	-5.59	7.01	7.35	15.63
S&P 500 Index	5.49	15.80	4.91	10.87	28.70	-22.10	-11.88	-9.11	21.04	28.58
Consumer Price Index	4.08	2.54	3.42	3.26	1.88	2.38	1.55	3.39	2.68	1.61

PEER GROUP

Highlighted below is the percentile where your returns ranked.

Percentile	3 Months Trailing	Year to Date	1 Year Trailing	3 Years Trailing (Annual)	5 Years Trailing (Annual)	10 Years Trailing (Annual)
5%	-16.62	-28.54	-28.54	-3.94	1.70	3.92
10%	-18.04	-30.66	-30.66	-4.89	0.96	3.36
20%	-19.20	-33.39	-33.39	-6.22	0.18	2.56
30%	-20.00	-34.70	-34.70	-7.19	-0.56	1.80
40%	-20.72	-35.78	-35.78	-7.94	-1.17	1.33
50%	-21.37	-36.44	-36.44	-8.49	-1.62	0.89
60%	-21.97	-37.34	-37.34	-9.18	-2.14	0.49
70%	-22.70	-39.19	-39.19	-10.13	-2.63	0.01
80%	**-23.93**	-40.87	-40.87	**-11.14**	-3.36	**-0.53**
90%	-25.53	**-42.78**	**-42.78**	-13.03	**-4.46**	-1.32
95%	-26.86	-46.85	-46.85	-14.74	-5.63	-1.86

PEER GROUP

Highlighted below is the percentile where your returns ranked.

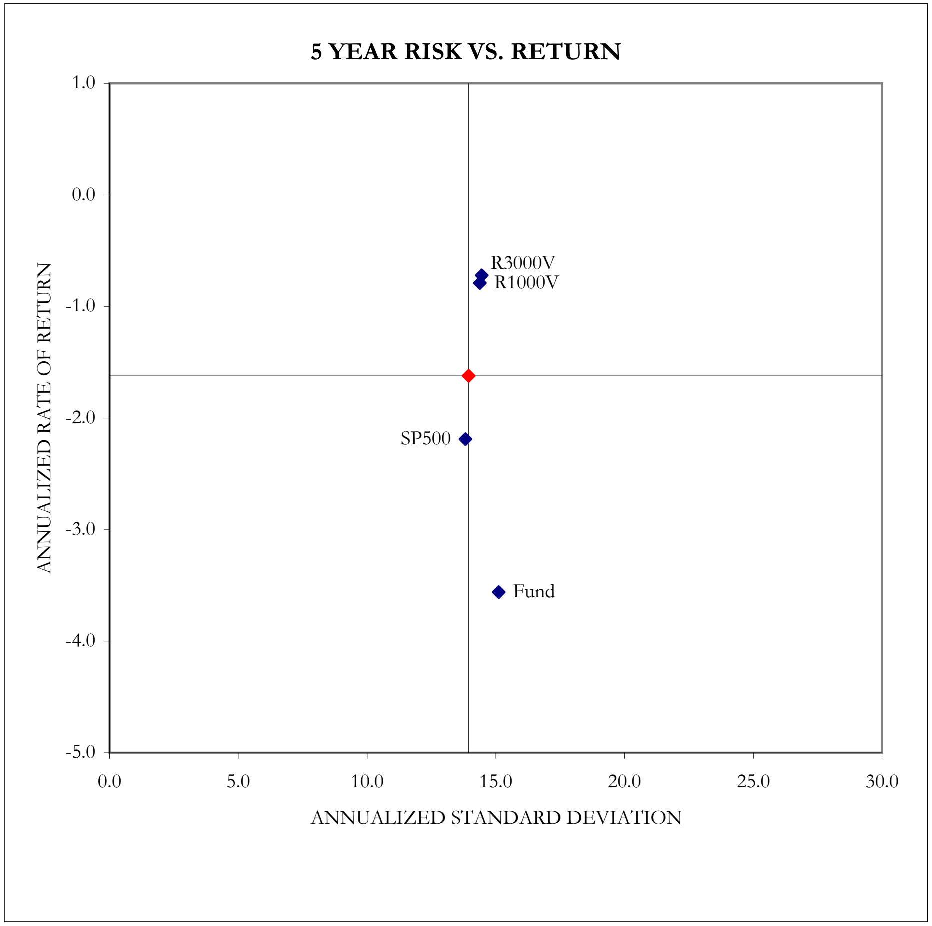
Percentile	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
5%	9.16	22.61	11.97	19.08	40.85	-7.90	11.54	30.16	19.28	22.75
10%	7.98	21.68	10.64	17.93	36.11	-11.48	7.27	22.59	16.38	20.40
20%	5.83	20.55	9.31	16.35	32.34	-13.25	3.84	17.25	12.57	17.43
30%	4.04	**19.72**	8.08	14.91	30.59	-14.45	1.23	13.77	9.61	15.10
40%	3.11	19.05	6.83	14.13	**28.78**	-15.68	-1.51	11.45	7.90	13.76
50%	2.16	18.40	5.96	13.38	27.78	**-17.23**	-3.22	9.93	**5.47**	**11.96**
60%	**0.69**	17.68	**5.17**	12.60	26.82	-19.00	-4.71	8.66	2.89	10.31
70%	-0.65	16.86	4.50	11.71	25.91	-20.47	**-5.65**	**6.80**	0.77	8.88
80%	-2.15	16.00	3.62	**10.48**	24.98	-22.70	-7.79	3.21	-0.32	6.47
90%	-5.09	15.14	2.73	9.47	23.34	-24.85	-11.09	-0.57	-3.16	0.00
95%	-6.58	14.00	1.59	8.82	22.34	-26.14	-12.57	-2.85	-4.97	-3.57

SAMPLE EQUITY - RISK ANALYSIS

	vs. Russell 3000 Value Index					vs. Russell 1000 Value Index				
	Alpha	**Beta**	**R-Squared**	**Up Capture Ratio**	**Down Capture Ratio**	**Alpha**	**Beta**	**R-Squared**	**Up Capture Ratio**	**Down Capture Ratio**
Sample Equity	**-2.77**	**1.03**	**96.68**	**87.61**	**104.91**	**-2.67**	**1.05**	**97.17**	**92.42**	**108.17**
Russell 3000 Value Index	0.00	1.00	100.00	100.00	100.00	0.10	1.01	99.75	102.29	101.17
Russell 1000 Value Index	-0.10	0.98	99.75	96.81	98.23	0.00	1.00	100.00	100.00	100.00
S&P 500 Index	-1.53	0.94	95.12	87.92	98.76	-1.44	0.96	95.23	89.48	99.64

	5 Year Trailing Annualized Return	**5 Year Standard Deviation (Risk)**	**5 Year Sharpe Ratio**
Sample Equity	**-3.56**	**15.11**	**-0.44**
Median Large Value Fund	-1.62	13.94	-0.34
Russell 3000 Value Index	-0.72	14.45	-0.26
Russell 1000 Value Index	-0.79	14.38	-0.27
S&P 500 Index	-2.19	13.82	-0.38

PEER GROUP			
Highlighted below is the percentile where your returns ranked.			
Percentile	**5 Year Trailing Annualized Return**	**5 Year Standard Deviation (Risk)**	**5 Year Sharpe Ratio**
5%	1.70	11.74	-0.10
10%	0.96	12.43	-0.16
20%	0.18	13.05	-0.22
30%	-0.56	13.36	-0.27
40%	-1.17	13.67	-0.30
50%	-1.62	13.94	-0.34
60%	-2.14	14.30	-0.38
70%	-2.63	14.72	-0.41
80%	-3.36	**15.12**	**-0.45**
90%	**-4.46**	16.37	-0.51
95%	-5.63	16.96	-0.57

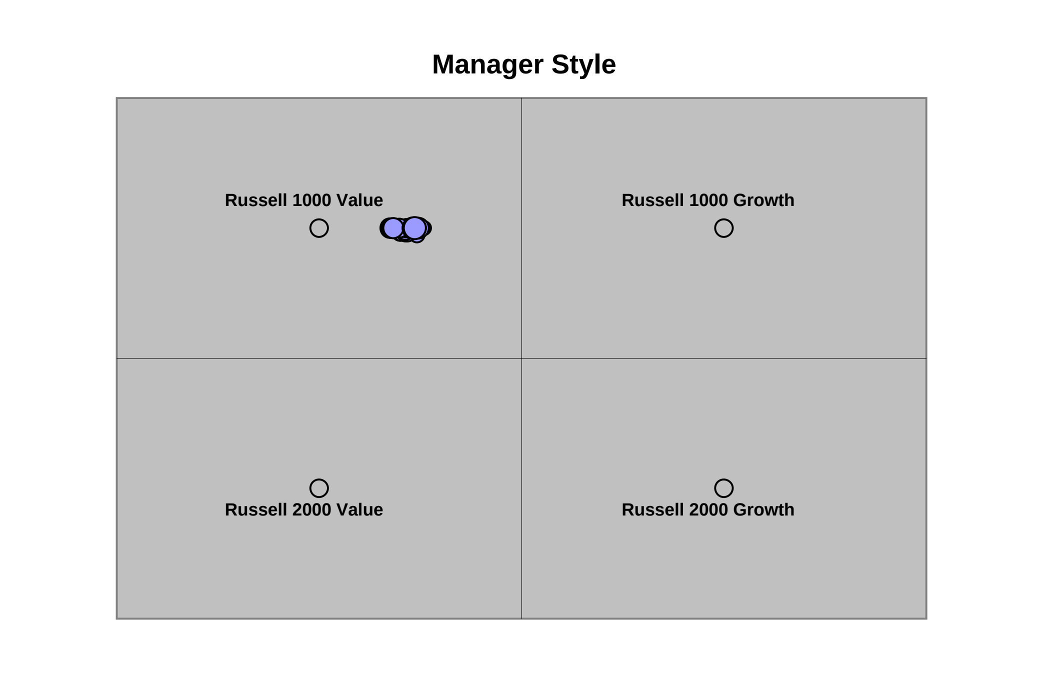


Cross hairs at peer group median

SAMPLE EQUITY - STYLE ANALYSIS

TOP 10 HOLDINGS

As of: 12/31/2008	**% of Assets**	**Industry Sector**	**Market Cap**	**Dividend Yield**	**Total Return 3 Mos.**
ExxonMobil	4.9%	Energy	Giant	1.9	3.35
AT&T	4.2%	Telecommunications	Giant	5.6	3.73
Chevron	3.5%	Energy	Giant	3.4	-9.52
J.P. Morgan Chase & Co.	3.4%	Financial Services	Giant	4.8	-31.97
Wells Fargo	3.2%	Financial Services	Giant	4.4	-20.61
Bank of America	2.5%	Financial Services	Giant	15.9	-58.92
Verizon Communications	2.1%	Telecommunications	Giant	5.2	7.39
ConocoPhillips	2.0%	Energy	Giant	3.6	-28.62
Pfizer	2.0%	Healthcare	Giant	7.2	-2.15
General Electric	1.9%	Industrial Materials	Giant	9.6	-35.25
Total Top Ten %	**29.7%**				



SECTOR WEIGHTS

	Fund	Peer Avg.	+/-
Manufacturing Economy	**42.2**	**42.0**	**0.2**
Utility	3.8	4.9	-1.1
Energy	20.1	14.2	5.9
Industrial Materials	12.7	12.7	0.0
Consumer Goods	5.6	10.2	-4.6
Service Economy	**40.1**	**42.8**	**-2.7**
Financial Services	23.4	21.0	2.4
Business Services	1.6	3.3	-1.7
Consumer Services	6.6	6.7	-0.1
Healthcare	8.5	11.7	-3.2
Information Economy	**17.8**	**15.3**	**2.5**
Telecommunications	7.6	4.9	2.7
Media	3.2	3.0	0.2
Hardware	5.6	5.3	0.3
Software	1.4	2.2	-0.8

EQUITY STYLE MIX

Large Growth	8.5	12.7	-4.2
Large Blend	26.9	26.4	0.4
Large Value	45.1	39.7	5.4
Mid Growth	2.1	2.2	-0.2
Mid Blend	4.0	6.2	-2.2
Mid Value	10.6	10.1	0.5
Small Growth	0.5	0.4	0.1
Small Blend	0.4	0.8	-0.5
Small Value	2.1	1.6	0.5

PORTFOLIO STATISTICS

Market Cap (billions)	37.0	33.4
P/E	9.5	11.3
P/B	1.3	1.6
Turnover Ratio (%)	23	62
Assets in Top 10 (%)	29.7	34.3
Total Holdings	260	117
Total Assets (millions)	17,945	1,232

SAMPLE EQUITY

FUND INFORMATION

Advisor:	Sample Advisor
Address:	123 Broadway Street, New York, NY, 10001
Category:	Large Value
Benchmark:	Russell 3000 Value Index
Inception:	May, 1966
Status:	Open

INVESTMENT PROCESS

- The fund seeks reasonable income by normally invests at least 80% of assets in equity securities. Invests primarily in income-producing equity securities, which tends to lead to investments in large cap value stocks. The fund will also consider the potential for capital appreciation.
- Manager emphasizes fundamental, bottom-up research to identify companies where the market's perceived value of the stock may overlook potential for some improvement in the company's fundamentals.
- Seeks companies with strong investment potential that have price/book value, price/earnings and price/cash flow below the market.
- The portfolio reflects a balance between the potential for these fundamental improvements and attractive security valuations.
- Buy discipline consists of: (1) higher yielding domestic or foreign companies with proven earnings or credit, (2) attractive valuations, and/or (3) anticipated improvement in earnings, dividends, or business fundamentals.
- Positions are sold when: (1) securities are overvalued, (2) appreciation in price, (3) change in environment, and/or (4) dividend concerns.
- May invest in international securities – typically less than 10% of fund assets.
- The Sample Advisor's 550 person analyst base is divided among generalists who are grouped by asset classes and specialists grouped by sector. Each team of generalist analysts is headed by the portfolio managers within that specific asset class. These analysts work closely with the managers and help to supplement the research that is being done by sector analysts. However, managers may go directly to sector analysts for information as well.
- Among other more subjective criteria, manager compensation is based on the performance of the fund in rolling periods (5 years versus the benchmark and 3 years versus the peer group), weighted according to the manager's tenure and the fund's average asset size over the manager's tenure. The Sample Manager has over $1 million of his own money invested in the fund.

MANAGER INFORMATION

Manager Name	Tenure	Education
Sample Manager	7/93	BA, MS U. of Wisconsin

INVESTMENT COMMENTARY

Commentary as of: December 31, 2008

Recent Performance

- The fund significantly underperformed the majority of its large cap value peers and the benchmark Russell 3000 Value Index over the past year. The fund suffered from stock selection in the financials sector; specifically, positions in Fannie Mae, Freddie Mac, Lehman Brothers, AIG, and Wachovia were large detractors. Consistent with his contrarian approach, the Sample Manager bought into these stocks in early 2008 at what he saw as depressed prices, not expecting returns until 2009 or 2010. However, the fund suffered permanent losses in the case of stocks like Lehman Brothers and AIG.
- The energy sector also weighed on the portfolio. A relative overweight in the sector gave the fund a boost in the first half of 2008, but the sector's momentum reversed and detracted from returns over the last half of 2008.

Historical Review

- The Sample Manager generates most of the fund's returns through stock selection among out-of-favor companies. Returns over the past ten years rank below the peer median and benchmark. The Sample Manager's low-turnover, contrarian approach rarely results in significant outperformance; usually, the fund's returns place it in the middle of the peer group. An emphasis on financials has hindered the fund over the past two years, dragging down long-term returns. Subprime exposure in large financial holdings like AIG minimized value relative to the peer group beginning in 2007 and continued to weigh on returns throughout 2008.
- The fund's emphasis on large-cap stocks puts it at a disadvantage relative to the benchmark when small- and mid-caps outperform. Since small caps have generally outpaced large caps in the past ten years, the fund has underperformed the benchmark during most of the decade.

Style

- The fund's patient, buy-and-hold strategy can be seen in its consistently low turnover rate versus the peer average. Its low turnover and large number of total holdings helps to mitigate the effects of managing one of the largest asset bases in the large value category.
- While the fund may buy securities throughout the market cap spectrum and uses the Russell 3000 Value Index as its benchmark, its large asset base and search for income-producing stocks results in a focus on large caps. As such, the Russell 1000 Value Index is a better reflection of the fund's composition; the fund has a higher R-squared relative to the Russell 1000 Value Index than it does relative to the Russell 3000 Value.

Organization

- Due to the underperformance of some of the Sample Advisor's main equity funds in the 2000s, the company spent $100 million in the middle of the decade to double the number of equity analysts around the world to more than 300 in 20 major cities in order to gain an information and research advantage. The Sample Advisor also began hiring more experienced analysts, a departure from the norm, and created a career analyst path within the company.

Risk Management

- Portfolio risk is controlled by the Sample Advisor's Compliance Division, which is separate from the firm's investment space and works with legal professionals to assess risk guidelines. The division uses tools such as automated compliance in trading and real-time monitoring of the portfolio's exposures. A formal review of each fund is conducted quarterly with the fund's team in which portfolios within each strategy are reviewed relative to each other and the benchmark.

SAMPLE INTERNATIONAL EQUITY - PERFORMANCE

TRAILING PERFORMANCE as of: 12/31/2008

	3 Months Trailing	Year to Date	1 Year Trailing	3 Years Trailing (Annual)	5 Years Trailing (Annual)	10 Years Trailing (Annual)
Sample International Equity	**-16.11**	**-35.62**	**-35.62**	**-4.13**	**3.81**	**7.49**
Median Foreign Large Value Fund	-20.03	-42.65	-42.65	-6.62	1.75	3.10
MSCI EAFE Index	-19.90	-43.06	-43.06	-6.92	2.10	1.18
MSCI EAFE Value Index	-19.73	-43.68	-43.68	-7.71	2.34	3.19
Consumer Price Index	-3.91	0.09	0.09	2.22	2.67	2.52

CALENDAR YEAR PERFORMANCE

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Sample International Equity	**6.72**	**28.16**	**10.16**	**24.17**	**50.45**	**-17.80**	**-11.99**	**2.94**	**52.43**	**11.82**
Median Foreign Large Value Fund	9.18	26.81	13.61	21.25	38.53	-12.82	-14.62	-4.26	24.99	12.25
MSCI EAFE Index	11.63	26.86	14.02	20.70	39.17	-15.66	-21.21	-13.96	27.30	20.33
MSCI EAFE Value Index	6.49	31.05	14.39	24.88	45.96	-15.60	-18.22	-2.82	24.54	18.09
Consumer Price Index	4.08	2.54	3.42	3.26	1.88	2.38	1.55	3.39	2.68	1.61

PEER GROUP

Highlighted below is the percentile where your returns ranked.

Percentile	3 Months Trailing	Year to Date	1 Year Trailing	3 Years Trailing (Annual)	5 Years Trailing (Annual)	10 Years Trailing (Annual)
5%	-12.77	-32.02	-32.02	-2.75	5.96	**6.81**
10%	-14.99	-33.72	-33.72	-3.44	5.18	5.75
20%	**-16.72**	**-38.63**	**-38.63**	**-4.92**	3.90	5.10
30%	-18.01	-39.75	-39.75	-5.52	**3.15**	4.65
40%	-19.29	-41.57	-41.57	-6.08	2.22	3.75
50%	-20.03	-42.65	-42.65	-6.62	1.75	3.10
60%	-21.09	-43.47	-43.47	-7.29	1.30	2.30
70%	-21.85	-44.62	-44.62	-8.23	0.73	1.65
80%	-23.21	-46.38	-46.38	-9.36	0.21	1.18
90%	-25.41	-48.56	-48.56	-11.22	-0.79	0.57
95%	-26.63	-51.60	-51.60	-12.87	-1.53	0.34

PEER GROUP

Highlighted below is the percentile where your returns ranked.

Percentile	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
5%	18.09	33.42	19.83	28.63	**49.29**	-3.20	-3.37	4.13	**51.63**	24.18
10%	15.77	31.41	18.86	26.78	47.20	-5.53	-8.56	**2.22**	49.91	19.76
20%	11.53	29.26	16.59	25.07	43.36	-7.50	-10.24	0.92	35.83	15.34
30%	10.71	28.27	15.37	**24.15**	41.26	-10.14	**-12.44**	-1.38	29.25	13.93
40%	9.91	**27.38**	14.31	22.78	39.65	-11.80	-13.28	-3.08	26.97	13.36
50%	9.18	26.81	13.61	21.25	38.53	-12.82	-14.62	-4.26	24.99	12.25
60%	8.49	25.67	12.07	20.00	37.11	-14.32	-15.50	-4.77	23.43	**11.44**
70%	7.19	24.63	10.93	18.97	35.65	-15.27	-16.32	-6.47	21.73	10.16
80%	**5.70**	23.39	10.42	17.94	31.83	-17.60	-18.79	-11.65	18.41	8.98
90%	3.78	21.03	**9.52**	16.42	29.81	**-18.28**	-21.91	-16.59	16.35	-1.08
95%	-0.16	17.54	8.12	15.33	29.15	-18.58	-22.55	-17.89	14.29	-5.11

SAMPLE INTERNATIONAL EQUITY - RISK ANALYSIS

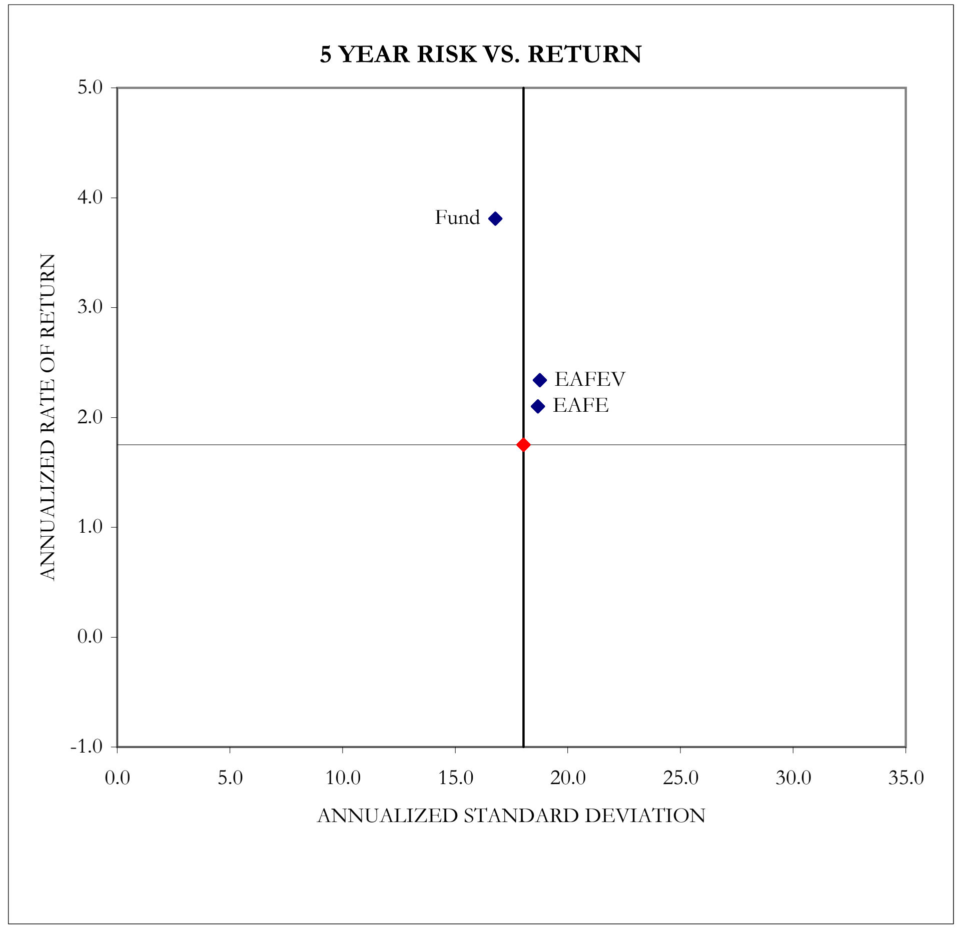
	vs. MSCI EAFE Index					vs. MSCI EAFE Value Index				
	Alpha	Beta	R-Squared	Up Capture Ratio	Down Capture Ratio	Alpha	Beta	R-Squared	Up Capture Ratio	Down Capture Ratio
Sample International Equity	**1.90**	**0.90**	**87.54**	**94.82**	**89.78**	**1.67**	**0.90**	**88.41**	**93.60**	**89.54**
MSCI EAFE Index	0.00	1.00	100.00	100.00	100.00	-0.20	0.98	98.61	96.84	98.63
MSCI EAFE Value Index	0.26	1.00	98.61	100.45	99.43	0.00	1.00	100.00	100.00	100.00

	5 Year Trailing Annualized Return	5 Year Standard Deviation (Risk)	5 Year Sharpe Ratio
Sample International Equity	**3.81**	**16.78**	**0.04**
Median Foreign Large Value Fund	1.75	18.03	-0.08
MSCI EAFE Index	2.10	18.67	-0.05
MSCI EAFE Value Index	2.34	18.76	-0.04

PEER GROUP

Highlighted below is the percentile where your returns ranked.

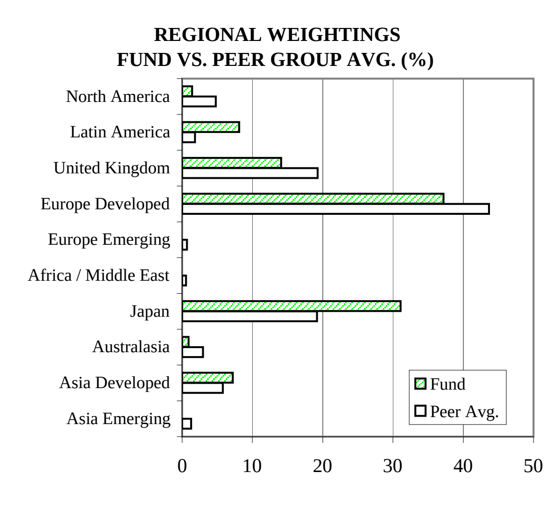
Percentile	5 Year Trailing Annualized Return	5 Year Standard Deviation (Risk)	5 Year Sharpe Ratio
5%	5.96	14.66	0.17
10%	5.18	15.57	0.11
20%	3.90	16.22	**0.04**
30%	**3.15**	**17.03**	0.00
40%	2.22	17.73	-0.05
50%	1.75	18.03	-0.08
60%	1.30	18.45	-0.10
70%	0.73	18.71	-0.13
80%	0.21	19.65	-0.16
90%	-0.79	21.29	-0.19
95%	-1.53	22.76	-0.23



Cross hairs at peer group median

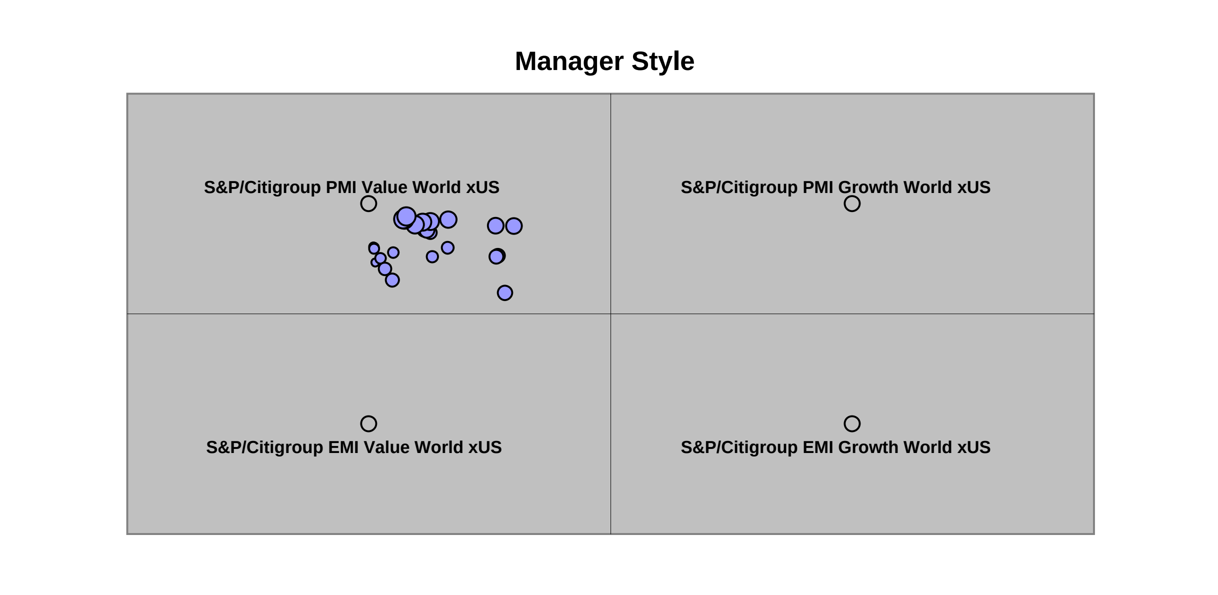
SAMPLE INTERNATIONAL EQUITY - STYLE ANALYSIS

Top 10 Holdings 12/31/2008	% of Assets	Country
Deutsche Telekom	4.3%	Germany
Sanofi Aventis	4.3%	France
Ono Pharmaceutical	3.6%	Japan
Ericsson	3.1%	Sweden
AstraZeneca	3.1%	United Kingdom
Nippon Telephone & Telegraph	3.0%	Japan
GlaxoSmithKline	2.9%	United Kingdom
Mitsui Sumitomo	2.9%	Japan
Mitsubishi UFJ Financial Group	2.9%	Japan
Portugal Telecom	2.8%	Portugal
TOTAL	**32.8%**	



SECTOR WEIGHTS

	Fund	Peer Avg.	+/-
Manufacturing Economy	**11.9**	**42.2**	**-30.3**
Utility	4.5	5.0	-0.5
Energy	0.0	10.4	-10.4
Industrial Materials	2.3	14.2	-11.9
Consumer Goods	5.1	12.6	-7.5
Service Economy	**45.5**	**40.8**	**4.7**
Financial Services	18.6	22.5	-3.9
Business Services	0.0	5.3	-5.3
Consumer Services	9.4	4.2	5.2
Healthcare	17.5	8.7	8.8
Information Economy	**42.8**	**17.1**	**25.7**
Telecommunications	28.7	9.5	19.2
Media	1.7	2.6	-0.9
Hardware	12.4	4.2	8.2
Software	0.0	0.8	-0.8



EQUITY STYLE MIX

Large Growth	10.0	14.6	-4.6
Large Blend	28.7	25.5	3.2
Large Value	52.7	44.6	8.2
Mid Growth	0.0	1.9	-1.9
Mid Blend	1.4	4.0	-2.6
Mid Value	6.7	7.6	-0.9
Small Growth	0.0	0.3	-0.3
Small Blend	0.0	0.4	-0.4
Small Value	0.5	1.2	-0.8

PORTFOLIO STATISTICS

	Fund	Peer Avg.
Market Cap (billions)	16.7	24.4
P/E	8.8	8.5
P/B	0.8	1.5
Turnover Ratio (%)	19	50
Assets in Top 10 (%)	32.8	30.9
Total Holdings	81	161
Total Assets (millions)	1,470	1,236

SAMPLE INTERNATIONAL EQUITY

FUND INFORMATION	
Advisor:	Sample Advisor
Address:	123 Broadway Street, New York, NY, 10001
Category:	Foreign Large Value
Benchmark:	MSCI EAFE Index
Inception:	December, 1995
Status:	Closed, but may be open on select platforms

INVESTMENT PROCESS

- The fund seeks long-term capital appreciation by investing at least 65% of its assets in equity securities of foreign companies that have market caps of more than $1 billion.
- The fund generally invests in foreign companies in at least three countries other than the U.S. The fund typically invests up to 20% of its assets in emerging market countries.
- The Sample Manager uses the "Graham and Dodd" value approach to managing the Master Portfolio, investing in a company when its current price appears to be below its intrinsic value.
- Intrinsic value is determined by fundamental analysis and other factors such as earnings, book value, cash flow, capital structure, and management record as well as industry and position within that industry.
- Analysis includes a review of company reports, filings with the SEC, computer databases, industry publications, general and business publications, research reports, and other information sources, as well as interviews with company management.
- A maximum of 5% of assets may be invested in a single security. Normally, the fund invests up to 20% of its assets in a single country or industry or up to 150% of the weighting of a single country or industry in the benchmark MSCI EAFE Index.
- The sell decision is made when a security's price reaches its target, if the Sample Manager believes there is deterioration in the issuer's financial circumstances or fundamental prospects, or when other investment opportunities are more attractive.

MANAGER INFORMATION		
Subadvised by:	**Brandes Investment Partners, L.P.**	
Manager Name	**Tenure**	**Education**
Sample Manager, CFA	12/95	BA U. of California, San Diego
Sample Manager , CFA	12/95	AB Princeton U., MA Cambridge U., JD Harvard U.
Sample Manager , CFA	12/95	BA U. of California, Davis, MBA U. of Chicago
Sample Manager , CFA	12/95	BS USAF Academy, MBA Harvard U.
Sample Manager , CPA, CMA	2005	BS U. of Iowa, MBA Northwestern U.
Sample Manager , CFA	2005	BA California State U., Fullerton

INVESTMENT COMMENTARY

Commentary as of: February 24, 2009

Recent Performance

- Despite a difficult market environment for capital markets, the fund outperformed both its benchmark index and the peer group median in 2008.
- The fund's sizable exposure to the traditionally defensive healthcare and telecommunications sectors, as well as exposure to the Japanese markets, contributed to performance.
- Going forward, management will continue to focus on Japan, France, and the U.K., especially in the telecommunications, financials, and healthcare sectors where they see fundamentally sound businesses.
- According to the Sample Advisor's press release, the Sample Advisor funds began lending securities in the third quarter of 2008. However, all the Sample Advisor funds prohibited security lending in mid-September due to the volatility in the recent markets.

Historical Review

- The fund exhibited solid long-term performance, outperforming its Index and peer group over the three- and five-year trailing periods.
- In the rally of 2003 and 2004, the fund's overweight in emerging markets and telecom stocks paid off. In 2005, the fund ranked in the bottom decile due to its sizable stake in the telecom sector and lack of exposure to the hot energy sector. Lack of exposure to energy and metal industries and its overweight to the hard-hit Japanese market were detrimental to performance in 2007.
- The fund held up well through the growth-driven markets of 1997 through 1999 and in the first two years of the slide that lasted from 2000 through 2002. Its strong performance in 1999 and 2000 were the result of management's focus on emerging markets, which by the end of 2000 constituted 23% of assets – twice as much as the category norm at the time. The fund lost ground to peers in 2002 due to its European bank holdings as well as individual telecom names. Additionally, the fund's investment in Tyco that year was a major set-back for the portfolio.

Style

- Management is willing to make big sector bets when they see particular stocks that are trading at significant discount to their intrinsic values. This explains why the fund's sector weightings deviate substantially from those of the peer group.
- The fund remains underweight to the traditional value energy and industrial materials sectors, as it has been over the few years, on management's belief that these stocks are far too pricey.
- Management's long-term investing perspective is reflected in the fund's low turnover of 19%.

Organization

- The advisor is an indirect, wholly owned investment management subsidiary of the Sample Advisor.
- The fund's sub-advisor is an independent investment advisory firm since 1974. As part of the firm's investment philosophy, they consistently applies the value investing approach to all of the portfolios it manages under all market conditions.
- The investment team is supported by a global industry team of more than 30 analysts.

Risk Management

- In addition to a thorough review of financial statements, the team conducts company visits to fully understand a business. Buy and sell disciplines are determined based on consensus.

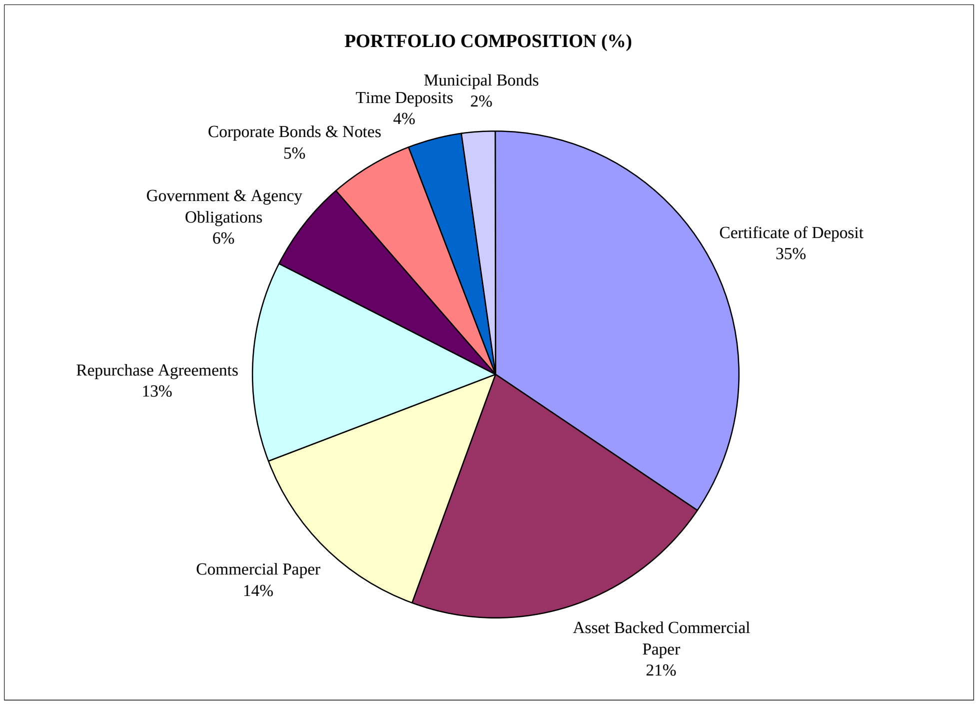
SAMPLE MONEY MARKET - RISK/RETURN ANALYSIS

TRAILING PERFORMANCE as of: 12/31/2008 — *RISK* — *CALENDAR YEAR PERFORMANCE*

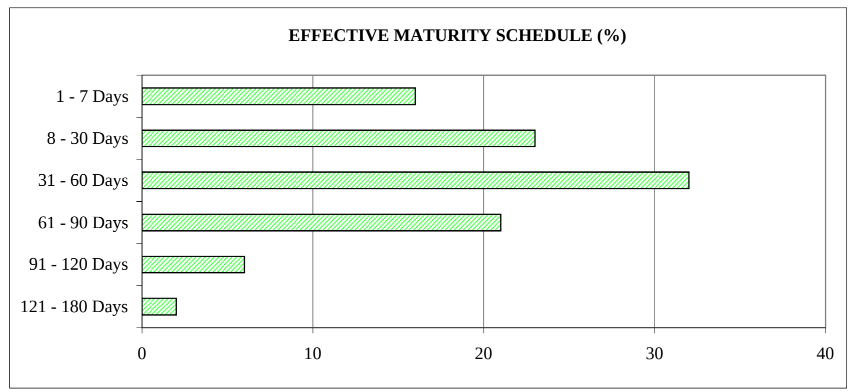
	3 Months Trailing	Year to Date	1 Year Trailing	3 Year Trailing Average	5 Year Trailing Average	10 Year Trailing Average	5 Yr. Standard Deviation	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Sample Money Market (gross of fee)	**0.62**	**2.99**	**2.99**	**4.52**	**3.65**	**-**	**0.79**	**5.43**	**5.17**	**3.28**	**1.46**	**1.28**	**2.01**	**4.42**	**6.69**	**-**	**-**
Citigroup 3 Month T-Bill Index	0.25	1.80	1.80	3.76	3.10	3.30	0.79	4.74	4.76	3.00	1.24	1.07	1.70	4.09	5.96	4.74	5.06
Consumer Price Index	-3.91	0.09	0.09	2.22	2.67	2.52	2.93	4.08	2.54	3.42	3.26	1.88	2.38	1.55	3.39	2.68	1.61

Annual fee: 0.30%

Sample Money Market (net of fee)	**0.54**	**2.69**	**2.69**	**4.22**	**3.35**	**-**	**0.79**	**5.13**	**4.87**	**2.98**	**1.16**	**0.98**	**1.71**	**4.12**	**6.39**	**-**	**-**



PORTFOLIO CHARACTERISTICS	
Weighted Average Maturity (Days)	43
7-Day Effective Yield (%)	1.49
Total Net Assets (millions)	$49,206
Average Credit Quality	AA
Total Holdings	184
Inception Date	5/17/99
Manager Tenure (Years)	-
Manager	Team Managed
Ticker	XXXXX
Cut-off Time for Deposits	5:00pm EST
Participation in Govt. Program	Yes
Maximum Maturity (days)	397



SAMPLE MONEY MARKET

FUND INFORMATION	
Advisor:	Sample Advisor
Address:	123 Broadway Street, New York, NY, 10001
Category:	Money Market
Benchmark:	Citigroup 3 Month T-Bill Index
Inception:	May, 1999
Status:	Open

INVESTMENT PROCESS

- The fund seeks current income, consistent with capital preservation and maintenance of a high degree of liquidity.
- It invests in high-quality money market instruments, including primarily short-term debt securities of U.S. and foreign issuers.
- It purchases only first tier securities, which include bank obligations (including certificates of deposit and time deposits issued by domestic or foreign banks or their subsidiaries or branches), commercial paper, corporate bonds, extendible commercial notes, asset-backed securities, funding agreements, municipal securities, repurchase agreements and other high-quality, short-term obligations.
- Management considers local, national and global economic conditions, market conditions, interest rate movements, and other relevant factors to determine the allocation of the fund's assets among different securities.
- Management, in connection with selecting individual investments for the fund, evaluates a security based on its potential to generate income and to preserve capital, as they believe that preservation of capital is the fundamental principle guiding their decisions and risk management oversight.
- Management considers, among other factors, the creditworthiness of the issuer of the security and the various features of the security, such as its interest rate, yield, maturity and value relative to other securities.
- Management may sell an instrument before it matures in order to meet cash flow needs; to manage the portfolio's maturity; if management believes that the instrument is no longer a suitable investment, or that other investments are more attractive; or for other reasons.

MANAGER INFORMATION		
Manager Name	**Tenure**	**Education**
Team Managed	5/99	-

INVESTMENT COMMENTARY

Commentary as of: February 17, 2009

Recent Performance

- During the second half of 2008, management focused on investing in high-quality securities with very short maturity. This strategy to managing risk resulted in lower yields, but the fund was able to outperform the Citigroup 3 Month T-Bill Index for the year. This strategy was consistent with the goals of liquidity and stability of principal and in line with the fund's conservative investing approach. There was a slight increase in allocation to repurchase agreements to enhance liquidity. As of 8/31/08, repo agreements stood about 8% of the portfolio. These were increased to 13% as of the year-end, which was greater than the typical 10% allocation.
- According to Sample's press release, the Sample Advisor funds began lending securities in the third quarter of 2008. However, all the Sample Advisor funds prohibited security lending in mid-September due to the volatility in the recent markets.

Historical Review

- The fund's portfolio has a high concentration of commercial paper, which carries a higher yield under normal market conditions. This has contributed to the fund's historical performance.

Style

- Repo agreements in the portfolio are mostly treasury, agency, corporate, and mortgage repo collaterals, with a typical maturity of 2 to 3 days.

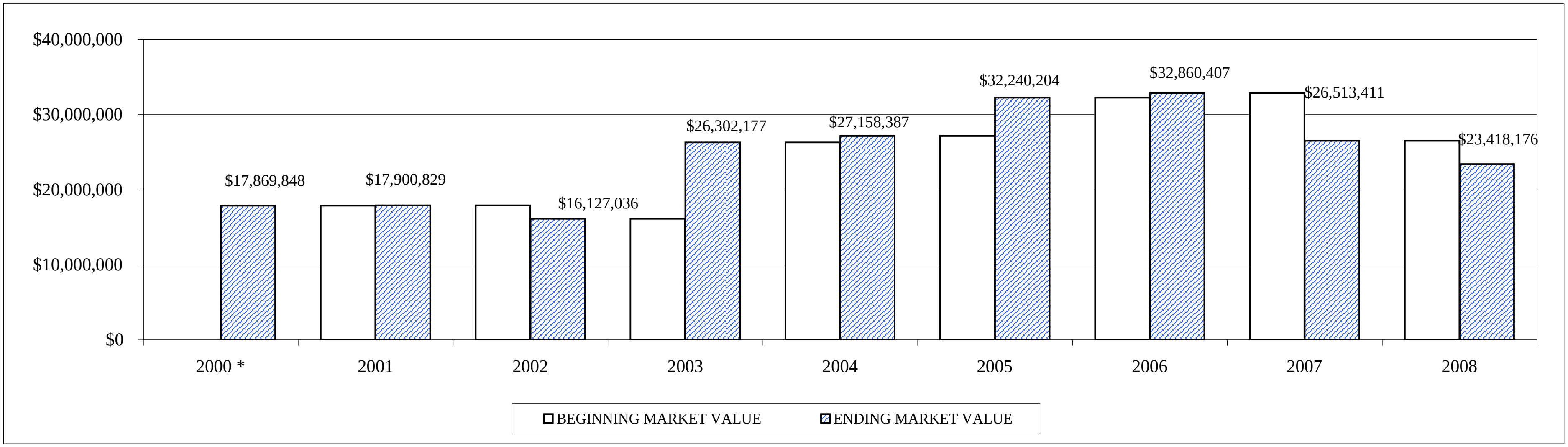
Organization

- The advisor is an indirect, wholly owned investment management subsidiary of the Sample Advisor.
- The Sample Management's money market investment team consists of 6 portfolio managers with more than 20 years of investment experience and 38 credit analysts with 13 years of investment experience.

Risk Management

- The fund has been accepted for continued participation in the U.S. Department of the Treasury's Temporary Guarantee Program for Money Market Funds, which provides a guarantee to shareholders of participating funds up to the amount held in the fund as of the close of business on September 19, 2008. The U.S. Treasury recently extended the program through April 30, 2009.
- Management has always focused on risk management when managing the portfolio. The Credit Review Committee at the Sample Advisor Management approves all of the macro and micro credit decisions, reviews existing holdings, defines investment parameters, and confirms research standards and documentation. Additionally, management has access to the Sample Advisor's research resources.
- In light of recent market conditions, portfolio holdings are updated every week and are available on the Sample Advisor's website.
- The Sample Management stated that all of their retail money market funds, including this fund, have always maintained a $1.00 per share NAV and are operating normally despite this difficult market environment.

PLAN GROWTH SUMMARY

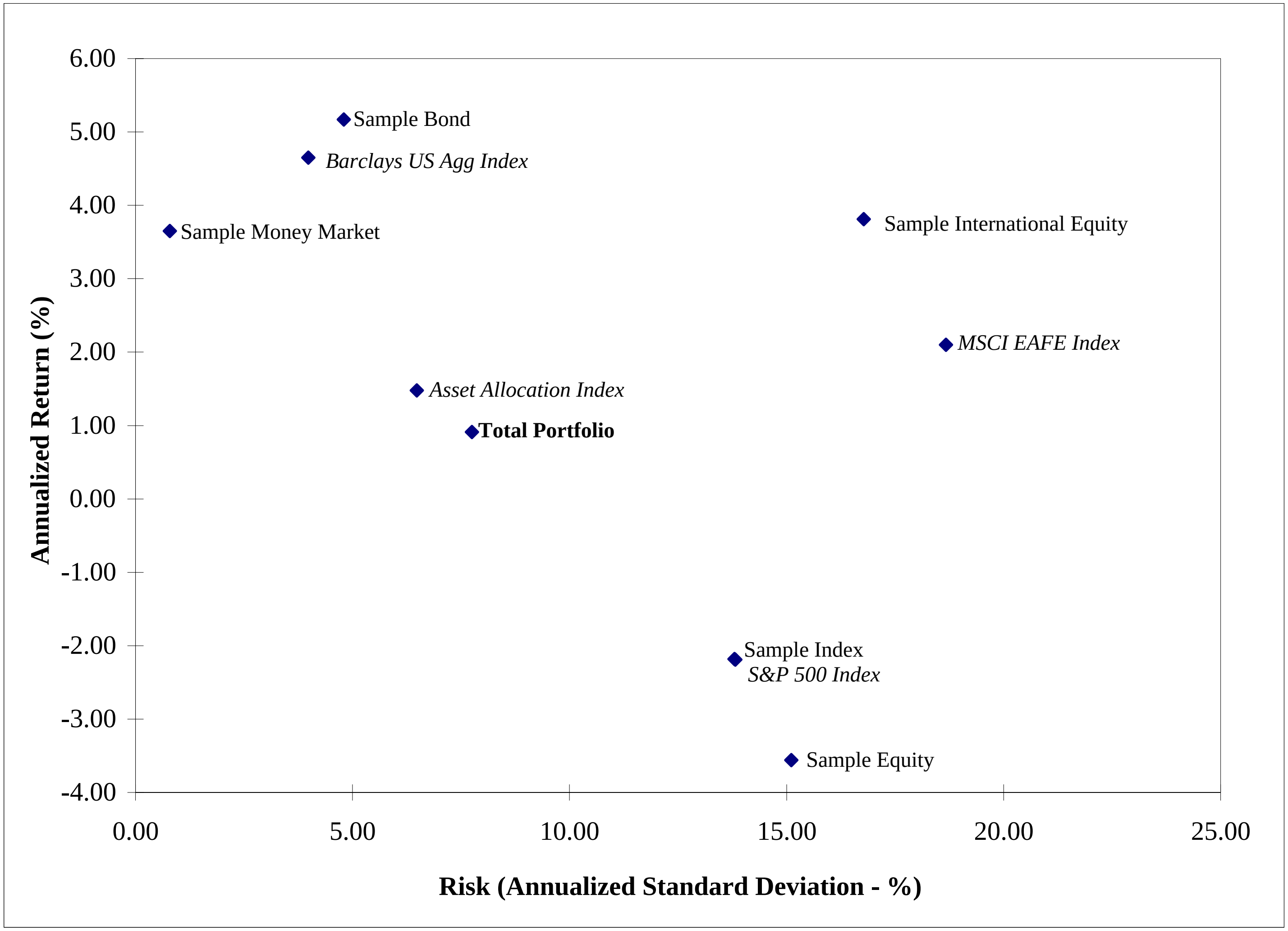


Sample Company - Pension Plan	**2000 ***	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
BEGINNING MARKET VALUE	-	$17,869,848	$17,900,829	$16,127,036	$26,302,177	$27,158,387	$32,240,204	$32,860,407	$26,513,411
NET DEPOSITS & WITHDRAWALS	-	($348,993)	($945,120)	$7,523,004	($661,000)	$3,801,523	($2,404,425)	($1,336,715)	($726,140)
INVESTMENT EARNINGS (Realized & Unrealized)	-	$379,975	($828,673)	$2,652,137	$1,517,210	$1,280,294	$3,024,628	($5,010,281)	($2,369,095)
ENDING MARKET VALUE	$17,869,848	$17,900,829	$16,127,036	$26,302,177	$27,158,387	$32,240,204	$32,860,407	$26,513,411	$23,418,176

** Asset information for periods prior to 12/31/00 was not available for this report.*

5 YEAR RISK VS. RETURN

Sample Company - Pension Plan



EXPENSE RATIO ANALYSIS

Fund	***Total Portfolio (Weighted Average)‡***	Sample Bond	Sample Index	Sample Equity	Sample International Equity	Sample Money Market
Fund Expense Ratio	0.38	0.43	0.05	0.66	1.32	0.52
Median Peer†	0.43	0.45	0.23	0.67	0.90	0.48

5%	-	0.10	-	0.15	0.40	-
10%	-	0.11	-	0.20	0.44	-
20%	-	0.20	-	0.30	0.54	-
30%	-	0.39	-	0.52	0.73	-
40%	-	**0.44**	-	0.59	0.84	-
50%	-	0.45	-	**0.67**	0.90	-
60%	-	0.54	-	0.80	0.98	-
70%	-	0.61	-	0.90	1.08	-
80%	-	0.70	-	1.03	1.14	-
90%	-	0.84	-	1.09	1.24	-
95%	-	1.24	-	1.23	**1.51**	-

† For actively managed mutual fund comparisons, data is based on the annual expense ratios of the fifty largest mutual funds (ranked by net assets) for each actively managed peer group. Equity index funds are compared to the average annual expense ratio of index funds in their respective peer groups. Money market comparison is an industry average.

‡ Total Portfolio and peer group weighted averages are based on the period's ending market values.

EXECUTIVE SUMMARY

Sample Company
Pension Plan
12/31/08 Commentary

I. *Investment Policy*

- As of 12/31/08, the Plan was underweighted in equities (46% as compared to a 50% target) and overweighted in fixed income (54% versus a 50% target), excluding its cash component. The allocations fell well within the allowable ranges defined within the Plan's formal investment policy statement ("IPS").

- The IPS states that the Plan's investments should generally outperform their benchmark indexes as well as the median portfolio within their respective peer groups over a full market cycle and emphasizes the three-year rolling period as a specific guideline. For the three-year period ended 12/31/08, the Total Portfolio experienced an average annualized return of -1.69%, which underperformed its Asset Allocation Index's 1.10% loss by 59 basis point, yet outpaced 80% of the balanced peer group.

- For the five-year period the Portfolio's 0.91% annualized return trailed the Index's 1.48% gain by 57 basis points, while outperforming 70% of the balanced peer group. With respect to the peer group, strong relative results over the past two years have outweighed weak relative performance during 2004, 2005 and 2006 that stemmed in part from the Plan's lack of exposure to both international equities and the corporate segment of the US bond market, as well as from past limited exposure to smaller cap domestic equities.

- All of the Plan's underlying investments held as of 12/31/08 have performed solidly over the three- and five-year trailing periods.

- The Committee should consider updating the Plan's formal Investment Policy Statement when it is practical to do so. More detailed allocation targets and guidelines as well as performance expectations would serve to improve the document.

II. *Plan Commentary*

- The Plan had a total market value of $23,418,176 as of 12/31/08 versus $2,651,411 as of 9/30/08.

- Net outflows from the Plan during the fourth quarter of the year totaled $726,140. The Plan experienced investment losses of $2,369,095 during the three month period.

- No changes were made to the Plan's investment structure during the quarter.

- Relative to the average allocation of the top 1,000 union defined benefit plans (source: 2008 P&I Survey), the Plan is underweighted in domestic equities and international equity (39% vs. 41% and 5% vs. 14%, respectively), while its fixed income allocation is significantly above average (51% vs. 24). The current 4% cash allocation was twice that of the 2% average. As of the period-end, the Plan lacked exposure to all other categories listed in the survey, including international fixed income (3% for the average union DB plan), private equity (2%), real estate equity (7%) and "other" (12%).

- Relative to the average allocation of the top 1,000 corporate defined benefit plans, the Plan is overweighted in domestic equities (39% vs. 33%) and domestic fixed income (51% vs. 33%), while being underweighted in international equities (5% vs. 14%).

Total Portfolio Performance:

- The Total Portfolio declined 9.47% during the fourth quarter amid continuing difficult market conditions. The S&P 500 Index fell 21.94% during the three-month period and the MSCI EAFE Index declined 19.90%. In an improvement over the prior quarter, the Barclays US Aggregate Index (previously known as the Lehman Brothers Aggregate Bond Index) was in positive territory, up 4.58%.

- The Total Portfolio underperformed its Asset Allocation Index's 7.76% decline by 171 basis points, yet outperformed 80% of the balanced peer group. The index was a much more difficult benchmark during this period as it lacks mid and small cap equity components, which generally underperformed during the period. This was evidenced by the Russell MidCap Index's 27.27% loss and the Russell 2000 Index's 26.12% decline as compared to the S&P 500 Index's -21.94% return. Furthermore, the Asset Allocation Index's fixed income component lacks exposure to asset-backed securities, which fared very poorly during the period, and has half of its assets committed to government bonds, which performed very strongly.

- The Portfolio's single fixed income investment, the Sample Bond Fund, benefited overall performance in that it gained 4.97% during the quarter, outpacing its benchmark index, the Barclays US Aggregate Index, by 39 basis points, as well as the majority of competing high quality, intermediate-term bond funds (i.e., 80%).

- The fund's international investments offered mixed results for the quarter, with the Sample International Equity Fund contributing positively in the sense that it fared somewhat better than most foreign large cap value equity products.

- Domestic equity performance was mediocre with the Sample Index Fund falling slightly above the broad S&P 500 Index and in line with the median large cap blend equity fund. The Sample Equity Fund was a modest negative for the overall Portfolio, as it trailed the performance of the median large cap value equity fund and below its benchmark.

- For the full year 2008, the Total Portfolio declined 20.06%, which was 286 basis points below the Asset Allocation Index's 17.20% loss, but ahead of 80% of its peers. An overweight to equities at certain points in time earlier in the year and its non-U.S. exposure detracted relative to the Index. Performance relative to the peer group benefited most from the strength of the Sample Bond Fund and the Sample International Equity, which both were well ahead of competitors.

- Over the three-year trailing period, the Total Portfolio outpaced 80% of the peer group, as already noted. The Portfolio has compared favorably over the past two years, more than offsetting its below-par showing in 2006. With respect to the Asset Allocation Index, the Portfolio trailed this benchmark modestly over this time frame (i.e., by 59 basis points). The Portfolio modestly underperformed in 2006, comfortably outperformed in 2007 and lagged by a considerable margin in 2008, as already discussed.

- For the five-year trailing period, the Total Portfolio's 0.91% annualized return surpassed 70% of competing portfolios, but lagged the Index by 57 basis points.

- The Total Portfolio has lagged the median balanced fund in three of the past five calendar years (2004, 2005 and 2006). This was due to both allocation differences relative to the typical balanced portfolio as well as to underperforming managers. The Total Portfolio also underperformed its Asset Allocation Index in three of the past five calendar years (2004, 2006 and 2008).

- The Portfolio has experienced low volatility over the trailing five-year period compared to the balanced universe, though it was higher than that of the Asset Allocation Index. Its risk-adjusted return over this period was ahead of the median peer and slightly behind that of the Asset Allocation Index.

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Securities Lending

What is Securities Lending?
While stock markets and the financial industry were doing well, many investment strategies were not paid much attention or given their share of due diligence research by investors. However, as the investment landscape has worsened, the risk involved in many of these strategies has come to the forefront.

One such strategy is the practice of securities lending. Many mutual funds and exchange-traded funds lend out their securities to create additional revenue and help offset fees. A potential borrower, typically a hedge fund or someone looking to short sell a stock, will contact a lending agent that works with the inventory of all investment managers. Usually, a mutual fund or its lending agent will not lend directly to a hedge fund or other borrower. Instead, a prime broker will borrow the securities on behalf of the borrowing party. Using a prime broker helps to protect the lender from a borrower who cannot return the loaned securities.

A loan will be negotiated between the two parties whereby a mutual fund will lend out securities in exchange for collateral from the borrower. The borrower will typically have to post collateral worth between 102% and 105% of the lent out securities. The lender will revalue the loaned securities on a daily basis and the amount of collateral posted must be adjusted to reflect any change in value.

The collateral may be either cash or non-cash. With cash collateral, a lending fund will invest the cash in short-term investments in order to create additional revenue. A portion of this revenue will be returned to the borrower in the form of a rebate. In a case where there is non-cash collateral, the borrower will pay the lender a fee and there is no rebate given back to the borrower.

When the loan period has ended, the securities are returned to the lender and the collateral is returned to the borrower. If necessary, the rebate will be paid to the borrower. Either the fee paid by the borrower or the return earned on the reinvestment of the collateral will be divided between the lending mutual fund and its lending agent bank according to a predetermined fee split.

Why would an investor want to borrow securities?
There are a couple of reasons for why someone would want to borrow securities. The main reason would be to short sell a security. If an investor such as a hedge fund or alpha plus manager believes that a company's securities will decrease in value in the future, they can short sell the security in order to make money. In order to short sell a security, the investor must first borrow that company's securities. The investor will then sell the securities for the current market value. At the end of the borrowing period, the investor must purchase the same amount of securities it borrowed and return them to the lender. If the investor's prediction was correct, the securities will have decreased in price and they will have been purchased for less than they were sold for originally, thus making a profit for the investor on the entire transaction (minus any fees paid to the lender). Of course, if the security's price increased in value, the transaction would have resulted in a net loss for the short seller.

Another reason why an investor would want to borrow securities is to gain the voting rights that accompany them. While the lender retains most rights of ownership of the securities over the duration of the loan, the borrower acquires the voting rights of the stock. With these voting rights, a borrower can affect the decisions made by a company it may have an investment in.

What are some of the risks associated with securities lending?
One risk of securities lending involves the credit-worthiness of the borrower. There is always the risk that the party which borrowed the securities is not able to return them to the lender. The collateral posted by the borrower helps to mitigate this risk since the lender can keep the collateral in the case of the borrower defaulting.

Another risk for the lender involves the investment of cash collateral and the potential that the investment could lose value. The risk associated with the investment of this cash depends on what types of investments are made. During the mid 2000s, yields on what are considered the safest investments were low and some lending funds turned to asset-backed securities and other higher risk products in order to enhance their returns on the investment of cash collateral. Since the subprime crisis began in 2007, many asset-backed securities have become very risky in price and illiquidity due to their ties to mortgages. As a result, there has been greater awareness of the need for investors to understand where funds are investing collateral from securities lending practices.

While recent market conditions have exposed the risks in lending out securities, securities lending can be a relatively safe strategy if the lending fund conducts thorough due diligence and practices strong risk management.

Treasury Money Market Fund Closures

Several money market funds that invest mostly in U.S. Treasuries have closed to new investors as low yields on government debt are deteriorating shareholder returns. Treasury yields are at their lowest point in 50 years, a result of extraordinary demand from investors seeking the safest investments. As of 1/15/09, the one-month Treasury yield was 0.03%. In the three weeks following the collapse of the Reserve Primary Fund in mid-September, $347 billion was pulled out of prime money market funds and $300 billion was placed into money market funds that invest only in U.S. government debt, according to Bloomberg. At the end of November 2008, around $750 billion was invested in Treasury money market funds, an increase of 150% from November 2007, as reported by Crane Data.

Current Treasury yields are so low that fund companies are worried that returns will not be sufficient enough to cover management fees, potentially resulting in a loss to investors. To combat this, many fund companies are choosing to lower management fees and/or close their Treasury money market funds to new investors. Some of the fund companies that have announced the closing of Treasury money market funds include Vanguard, Fidelity, JPMorgan, Barclays, Evergreen, and Allegiant.

By closing out new investors, a fund company can protect current shareholder returns as well as management fees. Without new investors, a fund does not have to buy as many new Treasuries with yields that are lower than those of their current holdings, thus avoiding a decrease in returns per shareholder. Another reason for the closing of some of these funds is the fear that the large wave of new investors could easily remove their money, possibly requiring the fund to sell holdings at a loss in order to meet redemptions.

Market Effects on Endowments

As a result of the continued turmoil in the world's financial markets, college and university endowments have generally suffered severe investment losses in 2008. Even the large endowments of Yale and Harvard, which have dodged the effects of recent market downturns with their intricate investment strategies, have failed to avoid the effects of the current crisis. In fact, from early July to late October, it was estimated that the endowments of Harvard and Yale had each plummeted by over 20%. What is all the more disturbing is that many of the investments within these endowments have not been realistically appraised yet. Once real estate and private equity losses are factored in, declines could well exceed 30% for the period.

For many collegiate institutions with larger endowments, a non-traditional investment approach may be partly to blame. This approach de-emphasizes more traditional investments such as publicly traded stocks and bonds in favor of investments in less liquid assets such as timberland, real estate, and private-equity funds. While this hedging strategy helped tremendously in mitigating losses in past market downturns, it has not fared well in the current market. This is due to increased exposure to commodities, timber/agriculture, and real estate which have been hit particularly hard in recent periods. In addition, relatively low exposure to better performing market segments, such as U.S. Treasuries, has hampered performance. In contrast, endowments with limited exposure to alternative, and sometimes riskier, investments such as the University of Pennsylvania's endowment have posted declines, but have been weathering the storm far better.

Regarding endowments, the current state of the economy affects more than just the investment returns. In periods of economic decline, government support and charitable donations also tend to decrease, while distribution requirements stemming from student financing hardships caused by job losses, investment losses, and reduced borrowing power tend to increase.

Many institutions depend on revenue generated from their endowment to fund general operating costs. With the drop in endowment values, the revenue provided may not be sufficient to fund the institutions operating costs. In light of this, many institutions will be forced to cut their budgets which could include, among other things, moderating salary increases for faculty, limiting renovations, and possibly reducing student aid. Furthermore, tuition increases may be instituted to offset endowment losses.

Implications of Recent Market Declines for the PBGC

The sharp declines experienced in all corners of the global equity markets in 2008 have become a double-edged sword for the Pension Benefit Guaranty Corporation ("PBGC"). On the one side, deteriorating financial markets, as well as sharply slowing economic growth, has created an environment in which the agency's services are likely to be in significantly greater demand than in recent years. Takeovers of a growing number of underfunded pension plans due to both an increasing number of corporate failures and weakened plan financials are widely expected to put a greater strain on the insurer in the foreseeable future. On the other side, the PBGC's assets have been meaningfully reduced by investment losses of its own, as its equity investments have suffered along with those of most other investors.

The PBGC's Annual Management Report for the fiscal year 2008 (which ended September 30th) reported total assets of approximately $62 billion, down from more than $68 billion as of September 30, 2007. Nevertheless, during the fiscal year 2008, the agency's liabilities were reduced as a result of favorable changes in interest factors and other positive events, to the extent that its deficit actually declined from the prior fiscal year end from approximately $13 billion to $11 billion. However, during the fourth quarter of 2008, equity markets plunged sharply and grim economic forecasts and corporate earnings reports have increased concerns over escalating numbers of bankruptcies and a greater level of underfunded plans (and the extent to which they are underfunded).

An additional issue for the PBGC is the fact that early in 2008 it made a decision to change its own investment policy from a 75%-85% fixed income/15%-25% equity allocation to a much more aggressive 45% equity/45% fixed income/10% alternative investment allocation. This decision has come under heavy fire from multiple parties, including the House Education and Labor Committee, which appear to be highly uncomfortable with the emphasis on equities in light of recent losses and volatility. The agency's position is that the new target allocation will generate higher returns over the long-term, while reducing risk due to the benefits of improved diversification. Though the agency recently made manager selections for the alternative portion of its portfolio (specifically for private equity and real estate advisory services), it is still in the process of implementing its new policy guidelines and continues to face intense scrutiny from many quarters on this issue.

Passage of WRERA - The Worker, Retiree, and Employer Recovery Act of 2008

In a surprise turn of events, The Worker, Retiree, and Employer Recovery Act of 2008 ("WRERA") passed both the House and the Senate unanimously, and was signed into law by President Bush on December 23, 2008. For defined benefit plans, the most significant provisions of WRERA provide temporary relief from funding requirements that were to take effect in 2009.

The most noteworthy provisions specific to defined benefit pension plans include:

Asset Smoothing - Allows plans to apply "smoothing" to their market value calculations of plan assets, including contributions, distributions and expected earnings, averaging gains and losses up to a 24-month period. However, this new provision does not adjust the fairly narrow "corridor" that restricts the smoothed value to remain within at least 10% of the fair market value of plan assets.

Transition Relief - Eliminates the “cliff” transition rule, allowing plans with a funding shortfall to lower their required contributions by basing these contributions on a lower percentage of the funding target. Therefore, many plans need only fund up to the transition percentages, instead of to 100%, from 2008 through 2010. These percentages are now 92% funding target for 2008, 94% in 2009 and 96% in 2010.

Benefit Accruals – Delays by one-year, the requirement to limit or suspend benefit accruals for plan participants in plans that fall below the 60% funding target.

Small Lump Sum Distributions - Lifts the restriction under PPA on lump sum distributions of less than $5,000. These small distributions can now be made without the consent of plan participants of underfunded plans.

Plan Expenses - Requires that plan expenses must be included in target normal cost as part of a plan’s funding calculations. This requirement goes into effect for plan years in 2009, but plans can apply the provision to 2008. This approach can benefit plans that otherwise may need to revise 2008 plan cost calculations because they did not include these expenses based on the previous PPA provisions.

IRS Provides Relief for 2009 403(b) Regulations on Written Plan Document Requirements

The IRS recently issued Notice 2009-3, providing relief for sponsors of 403(b) plans with respect to the pending 403(b) regulations regarding the requirement of a written plan document in place by January 1, 2009. Although the final 403(b) regulations were initially published on July 26, 2007, this relief was intended to provide additional time for plan sponsors to put a written plan document in place, with the purpose of properly outlining the terms of the plan as well as investment provider and plan sponsor responsibilities.

Notably, Notice 2009-03 also provides that plans will be treated as compliant with the aforementioned regulations during the 2009 calendar year if:

1) By December 31, 2009, the plan sponsor has a written document in place that fulfills the requirements of the regulations.
2) During 2009, the plan sponsor operates in accordance with a reasonable interpretation of 403(b) and final regulations.
3) By the conclusion of 2009, the plan sponsor makes a good faith effort to retroactively fix any operational failure during the calendar year to conform to the terms of the written 403(b) plan; with such relief applying only to the operational failures during the 2009 calendar year, not including any prior or subsequent calendar year.

The Economic Slowdown Leads Companies to Suspend Their 401(k) Matches

In recent months, worsening economic conditions have caused business activity to slow significantly, increasing the need for companies to aggressively cut costs. As a result, a number of high profile companies have suspended or reduced their employer contribution or "match" for their 401(k) Plans. In addition to struggling auto giants GM and Ford, notable plan sponsors such as FedEx, Eastman Kodak, Motorola, Frontier Airlines, and Cushman & Wakefield have all suspended their matching contributions for 2009. Additionally coffee giant Starbucks may reduce or restructure its 2009 employer contributions.

A recent survey indicated that 2% of plan sponsors plan on eliminating their matching contributions in 2009, while 4% plan on reducing their matches. Fidelity has indicated that, as of December 2008, only a small number of its 18,000 plans have suspended or terminated their matches. As the impact of the recession continues, attention will continue focus on how many other companies will follow suit in early 2009.

The Use of Managed Accounts & Advice Technology Amid Market Volatility

In response to the market turmoil, participants in defined contribution plans have taken a more active role over their retirement assets, while also seeking guidance on the appropriateness of their investments. A growing resource has been the implementation of managed accounts and advice technology to assist participants with their retirement savings. Since 2007, New York Life and Vanguard have seen increases in implementation by plan sponsors for these services. However, utilization by participants in plans currently offering such services has remained fairly stagnant even in recent months. A number of recordkeepeers noted increased call volume by plan participants in the months of September and October; when the market saw some of its most volatile trading, with a relative drop-off in activity towards the end of 2008. However, New York Life also noted a year-over-year increase in participants acting on advice recommendations for 2008. The ongoing response by defined contribution participants to market volatility will be interesting to follow, especially as a growing baby boomer population is forced to evaluate its retirement readiness.

Update on Regulation 408(b)(2)

In 2007-2008, the Department of Labor proposed regulation under ERISA Section 408(b)(2) that explains the prohibited transaction exemption in ERISA which required contracts and arrangements between Plans and Service Providers to be "reasonable." The regulation was finalized by the Department of Labor and sent to the Federal Office of Management and Budget in September, as a final step before issuance. As of early January 2009, the final regulation has not been issued despite official guidance of a late-2008 release. With the change in the administration and broader economic concerns, the regulation may or may not be released in its present form; it may go back to the legislative body or be incorporated as part of a broader set of regulations.

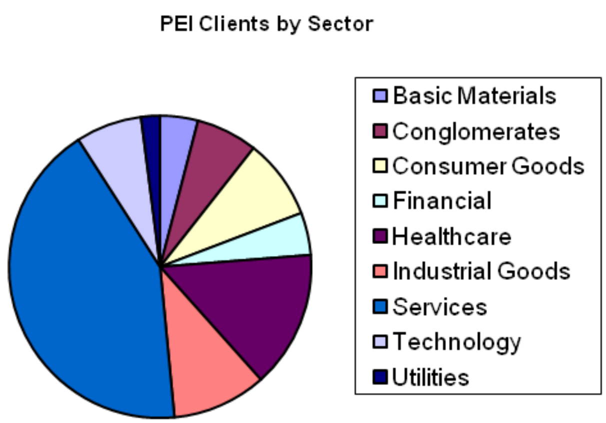
As proposed, section 408(b)(2) would provide relief from ERISA's prohibited transaction rules only if the contract and arrangement between the plan and the service provider is reasonable, if the services are necessary for the establishment or operation of the plan, and if no more than reasonable compensation is paid for the services. However, to fully comply with their fiduciary duty, plan sponsors will need to understand, review and monitor the aforementioned arrangements in order to assess reasonableness of the fees for the services provided. The implications of the proposal may have a broad impact on the way service providers, such as registered investment advisors, broker-dealers, recordkeepers and third-party administrators disclose their compensation and conflicts of interest. While many of these parties have come a long way towards full disclosure, others may need to provide significant amendments and provide more transparency in order to comply with the proposed regulation.

In conclusion, despite uncertainty associated with the proposed regulation, plan sponsors have an existing fiduciary duty to obtain, understand and evaluate the arrangement between the plan and service providers to ensure that the arrangements are reasonable. As plan sponsors become more educated and comply with their obligations, the need for transparency of services and disclosure of potential conflicts of interest will remain as mandated by the DOL, ERISA, and/or industry best practice.

What's New at PEI

As part of our national growth plans, PEI recently hired Tom Harty as an investment consultant in our Chicago office. This is the first of our four regional offices to now have a permanent local presence. Tom brings a tremendous amount of experience and expertise to PEI, especially in the government and 403(b) markets. We are excited to be able to continue our growth especially in this challenging economic climate and are excited to have Tom as the newest member to PEI. Underpinning our success has been our core philosophy – do everything in the best interest of the client. By being true to this tenet, we hope to continue to grow and develop our regional offices.

Currently, PEI services clients in over 20 different states and covering many industries. PEI has clients in advertising, airlines, law, manufacturing, medicine, information technology, education, insurance, media, entertainment and many other industries. Below is a graph of broad sectors our clients represent.



GLOSSARY OF TERMS

Alpha: is a measure of risk (beta) adjusted return. A positive alpha indicates that a selected portfolio has produced returns above expectations at that level of risk represented as beta. A negative alpha means that the manager failed to match performance with risk.

Beta: is a volatility measure that measures market risk of a stock or equity portfolio by showing how responsive it is to the market. By definition, the beta of the market (S&P 500) is equal to 1.00. A beta of 0.84 means an equity portfolio would be expected to gain 16% less than the market on the upside, but drop 16% less than the market on the downside. Conversely, an equity portfolio with a beta of 1.10 is expected to perform 10% better in up markets and 10% worse in down markets.

Down Capture Ratio: is a measure of the manager's performance in down markets relative to the benchmark index. A value of 90 suggests the manager's loss is nine-tenths that of the benchmark index.

Duration: A measure of a bond's interest rate risk. Duration is the average time (in years) required for a bond or a portfolio of bonds to return the full amount of principal and interest payments to the holder, given a certain market interest rate. Duration is calculated by weighting each remaining cash flow (interest payments and principal repayments) by the bond's present value, and dividing the sum of the weighted values by the bond's current price. Bonds with longer durations (i.e. longer average lives) are exposed to interest rate fluctuations for a longer period, and, therefore have a greater chance of price declines over time.

Equity Style Mix: indicates the manager's concentration in the three market capitalization buckets (large, mid, and small) and style (growth, blend, and value) based on the latest available portfolio.

Barclays US Aggregate Bond Index: is an index derived from Barclays Government, Barclays Corporate, Barclays Mortgage, and Asset Backed Securities containing Treasury Notes, Agency Issues, all SEC Registered Corporate Bonds, GNMA's, FNMA's, Credit Card Loans, Home Loans, and Auto Loans.

BUGC (Barclays US Government/Corporate Bond Index): is an index of government and corporate debt securities with a rating of no less than Baa.

Manager Style Graph: creates a visual representation of the style of the manager, based on the return stream of the manager relative to four indexes. The data points for a manager get larger over time, showing changes in style. If a manager's return series is tracked well by an index's return series, then there is evidence that the style embodied by the index is being displayed by the manager.

Market Capitalization: Defines the overall "size" of a stock fund's portfolio as the geometric mean of the market capitalization for all of the stocks it owns. It is calculated by raising the market capitalization of each stock to a power equal to that stock's stake in the portfolio. The resulting numbers are multiplied together to produce the geometric mean of the market caps of the stocks in the portfolio, which is reported as average market capitalization. The geometric mean better identifies the portfolio's "center of gravity." That is, it provides more accurate insight into how market trends (as defined by capitalization) might affect the portfolio. Small Capitalization stocks are those stocks with market capitalizations below $1 billion. Mid Capitalization stocks have market capitalizations between $1 billion and $5 billion. Large Capitalization stocks have market capitalizations between $5 billion and $25 billion. Giant Capitalization Stocks are defined as those with market capitalizations of more than $25 billion.

Morgan Stanley Capital International (MSCI) EAFE Index: is a capitalization-weighted index in U.S. Dollars which combines the MSCI country indices of Europe, Australia, and the Far East. The index includes dividends.

Morgan Stanley Capital International (MSCI) World Index: is a capitalization-weighted index in U.S. Dollars which adds the U.S., Canada, Mexico, and South African Gold Mine Index to the MSCI EAFE Index. The index includes dividends.

Price/Book (P/B) Ratio: A ratio that compares the market price of a stock with its book value. Essentially, a low ratio reflects the market's view that the firm's assets have been overvalued on its financial statements. The formula is: Average annual common stock price divided by book value (Book Value = Reported stockholders' equity – preferred equity).

Price/Earnings (P/E) Ratio: The P/E ratio of a stock is calculated by dividing the current price of the stock by its trailing 12 months earnings per share. A high P/E generally indicates that the market will pay more to obtain the company because it has confidence in the company's ability to increase its earnings. Conversely, a low P/E indicates that the market has less confidence that the company's earnings will increase, and therefore will not pay as much for its stock. Companies in those industries enjoying a surge of popularity (e.g. telecommunications, biotechnology) tend to have high P/E ratios, reflecting a growth orientation. More staid industries, such as utilities and mining, tend to have low P/E ratios, reflecting a value orientation.

R-Squared: is a measure of how well two portfolios track each other. R-squared ranges between 0 and 100. An R-squared of 100 indicates perfect tracking, while an R-squared of zero indicates no tracking at all. R-squared is used in style analysis to determine how much information about a return series the style benchmark has been able to capture. Generally, a higher R-squared will indicate a more reliable beta figure. If the R-squared is lower, then the beta is less relevant to the manager's performance.

Rate of Return: the rate of return derived in this analysis is a time-weighted return. A time-weighted return is used to eliminate the effects of the portfolio on the timing and magnitude of external cash flows. The rationale for the use of the time-weighted return is that what is being subjected to performance analysis is not the fund's results but the activities of the investment manager. This calculation is in accordance with the standards set by the Association for Investment Management and Research (AIMR).

Russell 2000 Index: contains the smallest 2,000 stocks (by market capitalization) in the Frank Russell 3000 Index. The index represents approximately 7% of the Russell 3000 total market capitalization.

Sharpe Ratio: (named after William Sharpe) is a measure of risk-adjusted return based on total risk. To calculate the Sharpe ratio, we divide the portfolio's total risk premium by its standard deviation. A risk premium is defined as the return above the risk free rate, such as the Treasury Bill rate. The result indicates how much excess return was achieved per unit of risk.

Standard Deviation: A statistical measurement of dispersion about an average, which for an investment, depicts how widely the returns varied over a certain period of time. It is useful as a predictive measure of the probable range within which the realized return is likely to deviate from its expected return. If an investment's returns are normally distributed, then approximately 68% of the time they will fall within one standard deviation of the mean return, and 95% of the time within two standard deviations. For example, for an investment with a mean annual return of 10% and a standard deviation of 2%, future returns would be expected to be between 8% and 12%, sixty-eight percent of the time, and between 6% and 14% approximately ninety-five percent of the time.

Standard & Poor's 500 Index: contains 500 stocks which represent the industrial, financial, utility, and transportation sectors of the equity market. This index is commonly used by institutional investors as a proxy for the equity market.

Up Capture Ratio: is a measure of the manager's performance in up markets relative to the benchmark index. A value of 110 suggests the manger performs ten percent better than the market when the benchmark is positive.

Wilshire 5000 Index: A gauge of 5,000 securities, including a number of securities from smaller companies as well as some over-the-counter securities. Some say the gauge is more accurate than other indexes in measuring the "market" because of the wide cross section of securities used.