

YEAR IN REVIEW

After continuing to freefall for the first nine weeks of 2009, financial markets began to regain their footing in the second half of March and went on to stage one of the most dramatic recoveries in recent times. Unprecedented fiscal and monetary stimulus efforts provided companies with opportunities to create liquidity through refinancings and rights issues. Deflation concerns subsided, and the economic outlook improved. Investors embraced these developments and took advantage of historically low market valuations. Most non-Treasury markets rallied sharply and closed the year with strong cumulative returns. Entering 2010, high unemployment, fiscal imbalances, commercial real estate challenges, and the plight of the U.S. consumer are among concerns weighing on investors.

ASSET CLASS RESULTS

Global equity markets rebounded sharply in 2009, with the MSCI ACWI Index gaining 76.8% from its trough in March through year end. For calendar year 2009, the MSCI ACWI Index gained 34.6%, marking its strongest return since 1985. Despite these substantial gains, the Index remains 26.4% off its October 2007 peak. Emerging market equities led by China, India, and Brazil, surged 78.5% in 2009 as measured by the MSCI Emerging Markets Index, spurred by higher commodity prices, increased industrial activity, and investor recognition that many emerging markets remained on solid economic footing. Implied U.S. equity market volatility, as measured by the Volatility Index (VIX), trended lower throughout 2009, reaching its lowest level since May 2008 shortly after year-end.

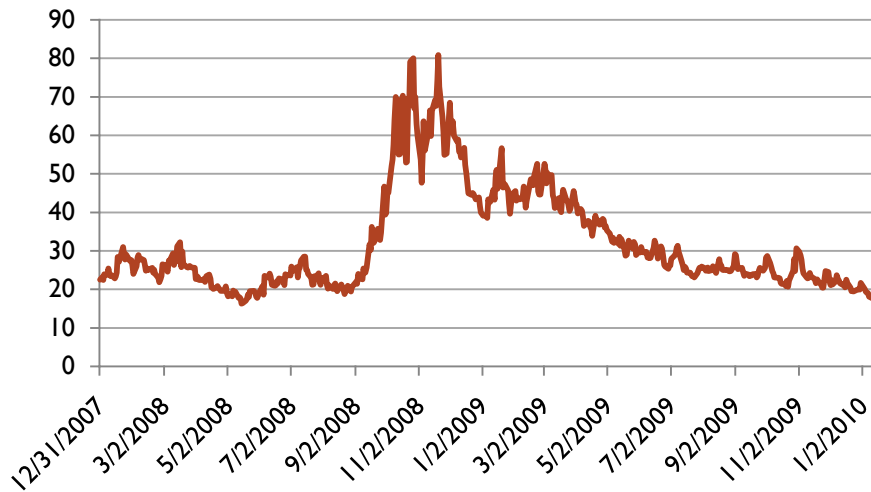
MARKET RETURNS – As of December 31, 2009*

Market	1 Year	2 Year	3-Year	5-Year	7-Year	10-Year	2009	2008	2007	2006
U.S. Equities	26.5%	-10.7%	-5.6%	0.4%	5.5%	-0.9%	26.5%	-37.0%	5.5%	15.8%
Global Equities	34.6%	-11.8%	-4.6%	3.1%	8.7%	0.5%	34.6%	-42.2%	11.7%	21.0%
Non-U.S. Equities	31.8%	-13.6%	-6.0%	3.5%	10.8%	1.6%	31.8%	-43.1%	11.6%	26.9%
Emerging Markets Equity	78.5%	-8.5%	5.1%	15.5%	22.1%	9.8%	78.5%	-53.2%	39.4%	32.2%
High Yield	58.2%	8.1%	6.0%	6.5%	10.1%	6.7%	58.2%	-26.2%	1.9%	11.9%
U.S. Core Bond	5.9%	5.6%	6.0%	5.0%	4.8%	6.3%	5.9%	5.3%	7.0%	4.3%
U.S. Long Treasuries	-12.9%	3.9%	5.8%	5.2%	5.1%	7.6%	-12.9%	24.0%	9.8%	1.9%
U.S. TIPS	11.4%	4.3%	6.7%	4.6%	5.7%	5.7%	11.4%	-2.4%	11.6%	0.4%
Commodities	18.9%	-12.5%	-3.8%	2.0%	5.9%	7.1%	18.9%	-35.7%	16.2%	2.1%
Global REITS	38.3%	-15.0%	-12.4%	2.0%	9.8%	9.2%	38.3%	-47.7%	-6.9%	42.3%
Hedge Funds	20.0%	-1.4%	2.2%	5.7%	8.0%	6.4%	20.0%	-19.0%	10.0%	12.9%
Private Equity (6/30/09)	-17.9%	8.1%	2.9%	9.9%	9.1%	8.3%	-	-6.3%	28.9%	17.5%
Cash	0.2%	1.0%	2.2%	2.9%	2.4%	2.8%	0.2%	1.8%	4.7%	4.8%
70% SP500/30% BC Agg	20.4%	-5.6%	-1.9%	2.0%	5.5%	1.5%	20.4%	-26.0%	6.1%	12.3%
Diversified Asset Mix	22.6%	-6.4%	-1.4%	4.0%	8.0%	4.4%	22.6%	-28.5%	9.3%	15.4%
Inflation	3.0%	1.5%	2.4%	2.6%	2.6%	2.6%	3.0%	0.1%	4.1%	2.5%

*Based on broad market indices; see page 6 for description of indices and Diversified Asset Mix.

Sources: Bloomberg, Citigroup, Hedge Fund Research, Inc., Thomson Reuters

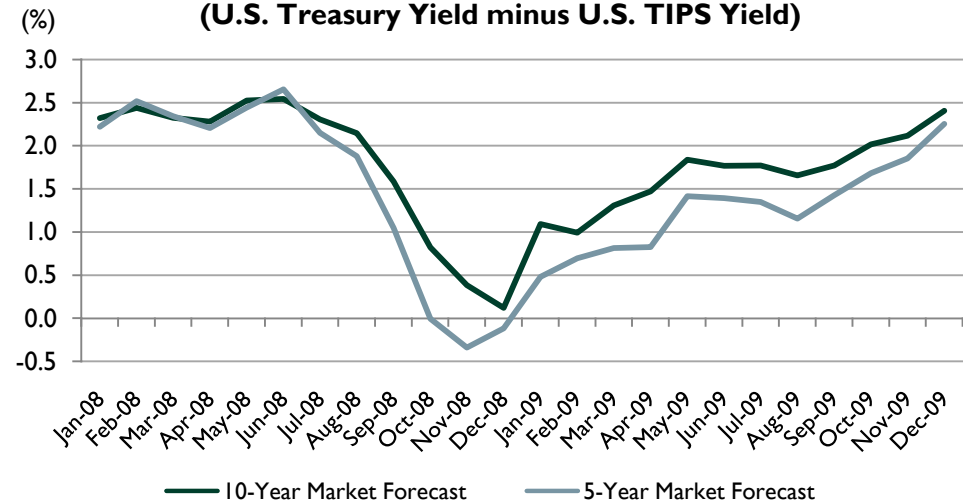
CBOE SPX Volatility Index (VIX)



Corporate bonds—both investment grade and high yield—also posted strong gains as expectations for default rates declined and investors were attracted to the historically wide spreads. Conversely, long and intermediate Treasury bond prices tumbled as the U.S. government issued an unprecedented amount of new debt and investors sought return rather than safety. Hedge funds finished the year with a return of 20.0%, capturing some of the upside in the market despite remaining cautious through much of the year. In general, funds entered the year with relatively low gross and net exposure, allowing them to protect capital in the first two months of 2009, but hindering performance as the market climbed. Hedge funds began meaningfully increasing both gross and net exposure in the second quarter, while emphasizing diversification and liquidity, and ended the year within more normal ranges. The past year was marked with a return of asset flows, increased transparency, a focus on risk management, and concentration on operational due

diligence, which we believe will continue throughout 2010. Marketable real asset investments recovered significantly from 2008 losses, as investors became concerned about future inflation amid extraordinary central bank and government intervention. Private equity experienced a year of uncertainty and transition. Fund market values declined with worsening economic conditions early in 2009, and throughout the year capital availability and transaction volume decreased and fundraising slowed significantly from prior-year levels. Heading into 2010, growing economic stability and brightening of prospects for future global growth should be positive factors for private equity valuations while lower asset prices are likely to increase opportunities for investment.

**Inflation Expectations
(U.S. Treasury Yield minus U.S. TIPS Yield)**



The traditional allocation of 70% equities and 30% fixed income gained 20.4% for the calendar year, as measured by the 70% S&P 500/ 30% Barclays Aggregate, the blend’s highest return since 2003. Overall, a (simulated) broader diversified portfolio mix that incorporates private investments, real assets, and hedge funds outperformed the traditional

asset mix. The diversified asset mix benefited from an underweight to traditional bonds and its broad allocation to real assets, including Global REITs. Additionally, non-U.S. equity and emerging markets exposure bolstered the returns of the diversified portfolio. These results are in stark contrast to 2008, when both the 70/30 Index and the diversified portfolio mix declined by more than 20% and the diversified portfolio suffered because of its exposure to inflation-hedging assets amid the deflationary concerns that permeated the market, particularly at year-end. The lag in valuation of private investment vehicles can also contribute to performance differentials between the two portfolio proxies. However, historical analysis shows that the diversified portfolio mix has exhibited a significant return advantage relative to the traditional portfolio over the 10-year annualized period. Also, the diversified mix has outperformed in eight out of the last ten calendar years.

CONCLUSION

The significant rally across risky assets in 2009 highlights the importance of investing with a long-term perspective and remaining fully invested through market cycles. Despite this capital markets recovery, significant risks remain in both the global economy and the markets. The U.S. consumer remains troubled as the massive wealth erosion and balance sheet damage of 2008 was not entirely reversed in the recovery of 2009. Thus far, government spending has been the driver of growth. That must shift to consumer spending in order to begin a meaningful long-term recovery. It is important to continue to monitor how these government interactions with the markets evolve in the coming quarters. While the Federal Government's balance sheet growth has reached levels never before seen, the increase to the monetary base has not yet led to inflation—banks' reluctance to lend has kept it out of the money supply.

In addition, there is significant excess capacity, which is applying deflationary pressures on prices. We remain in a difficult environment and recommend that clients remain cautious but invested, while maintaining flexibility to take advantage of opportunities as they arise. Through all market environments, it is important to stay focused on long-term policy objectives and ensure that hedges are in place to protect portfolios against macroeconomic risk factors.

ABOUT PRIME BUCHHOLZ

Prime, Buchholz & Associates, Inc. was established in 1988 and has grown to become a leading, completely independent investment consulting firm advising more than 260 institutional clients. Headquartered in Portsmouth, NH—with offices in Boston and Atlanta—Prime Buchholz was one of the first investment consulting firms to develop in-depth expertise in alternative investments such as hedge funds, private equity, and real assets.

Our clients include educational endowments, private and public foundations, cultural and religious organizations, health care and insurance organizations, corporate and public pension plans, nuclear decommissioning trusts, and high net worth families. We work closely with our clients to create, implement, and monitor investment policies and asset allocation strategies to meet their unique investment goals.

Long-term client partnerships are a cornerstone at Prime Buchholz. The firm is employee-owned, and clients can expect personal service from a deeply experienced team that puts client needs first.

Bond Market Returns

	MTD	QTD	1-Year	3-Year	5-Year	10-Year
Barclays 1-3 Month T-Bill	0.00%	0.02%	0.15%	2.21%	2.88%	2.84%
Barclays Aggregate	-1.56%	0.20%	5.93%	6.03%	4.97%	6.32%
Barclays Long Treasury	-5.63%	-5.33%	-12.92%	5.83%	5.16%	7.58%
Barclays Capital U.S. Corporate	-0.78%	1.35%	18.68%	5.65%	4.58%	6.57%
S&P Leveraged Loan 100	4.24%	3.74%	52.23%	3.60%	4.48%	4.61%
Barclays High Yield	3.28%	6.19%	58.21%	5.96%	6.46%	6.70%
Barclays Emerging Mkts	-0.46%	2.23%	35.61%	6.34%	7.88%	10.57%
Barclays Global Treasury (Unhedgd)	-4.97%	-1.89%	2.63%	7.73%	4.44%	7.24%
Barclays Global Treasury (Hedged)	-1.02%	-0.23%	1.03%	5.20%	4.79%	5.30%

Currency Rates

per U.S. Dollar	MTD	QTD	YTD	1-Year	3-Year*	5-Year*	Current Spot Rate
Canadian Dollar	0.33%	1.58%	15.81%	15.81%	11.46%	14.70%	1.053
Japanese Yen	-7.13%	-3.60%	-2.47%	-2.47%	28.33%	10.48%	93.035
British Pound	-1.64%	1.18%	10.81%	10.81%	-17.13%	-15.09%	0.618
Euro	-4.26%	-1.87%	2.83%	2.83%	9.09%	6.69%	0.696
GBP/Euro	2.95%	3.33%	7.84%	7.84%	-23.87%	-20.23%	0.886
Yen/Euro	-2.65%	-1.42%	-4.91%	-4.91%	18.05%	3.91%	133.195

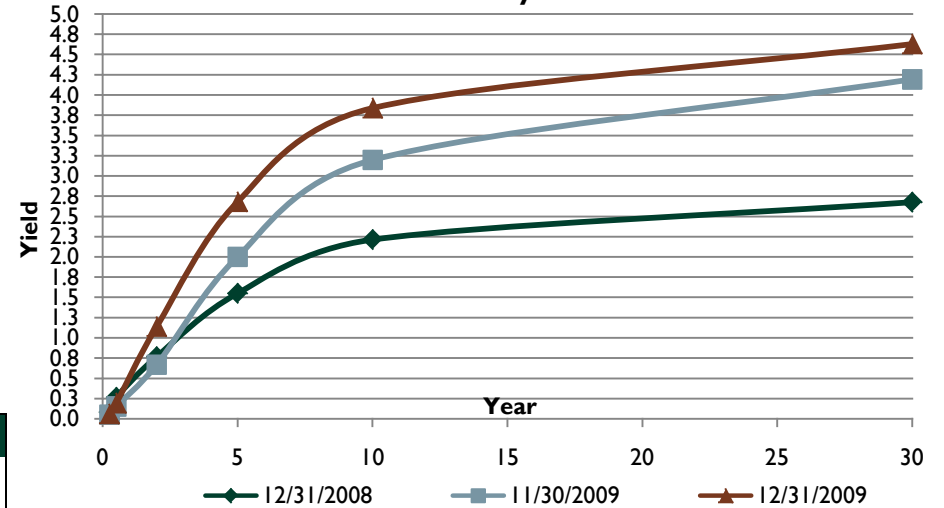
*Cumulative price change

Real Asset Returns

	MTD	QTD	1-Year	3-Year	5-Year	10-Year	Current Price
FTSE EPRA/NAREIT Global Index	3.61%	4.40%	38.26%	-12.36%	2.00%	9.20%	
EPRA/NAREIT US Index	6.92%	8.81%	28.61%	-13.35%	-0.02%	10.36%	
EPRA/NAREIT Europe Index	0.80%	1.84%	40.45%	-19.63%	-1.08%	10.09%	
EPRA/NAREIT Asia Index	1.71%	2.49%	44.75%	-7.01%	6.85%	8.11%	
S&P GSSI Nat. Resources Index	1.62%	6.60%	37.54%	2.03%	11.13%	9.21%	
S&P GSCI Index	0.86%	8.42%	13.49%	-6.93%	-2.99%	5.05%	
DJ-UBS Commodity Index	1.98%	9.03%	18.91%	-3.82%	1.96%	7.12%	
Barclays TIPS Index	-2.19%	1.76%	11.41%	6.67%	4.63%	5.66%	
Gold \$/oz.	-6.97%	8.89%	24.41%	72.35%	155.46%	17.09%	\$1,097.33
WTI Crude Oil \$/bbl	2.69%	12.39%	77.94%	29.99%	88.41%	13.27%	\$79.36

*Cumulative price change

U.S Treasury Yield Curve



U.S. Treasury Yields

Date	3-Mo T-Bill	6-Mo T-Bill	2-Year Note	5-Year Note	10-Year Note	30-Year Note
12/31/2008	0.08%	0.26%	0.77%	1.55%	2.21%	2.68%
11/30/2009	0.05%	0.15%	0.67%	2.00%	3.20%	4.19%
Current	0.06%	0.19%	1.14%	2.68%	3.84%	4.63%

Hedge Funds – HFRI Index Returns

	MTD	QTD	1-Year	3-Year	5-Year	10-Year
Global Hedge	1.25%	2.66%	20.05%	2.25%	5.69%	6.41%
Convertible Arb.	1.67%	3.36%	58.43%	3.41%	4.01%	6.72%
Distressed Securities	3.35%	6.51%	29.19%	0.51%	4.97%	9.18%
Equity Hedge (L/S)	2.37%	3.35%	25.07%	0.45%	4.60%	5.43%
Eq. Market Neutral	0.69%	-0.15%	1.19%	0.08%	2.71%	4.17%
Event Driven	3.15%	4.97%	25.96%	1.63%	5.37%	7.93%
Macro	-1.63%	0.03%	4.03%	6.61%	6.95%	7.61%
Merger Arb.	1.10%	2.04%	11.60%	4.17%	6.53%	6.32%
Relative Value Arb.	1.95%	3.96%	25.80%	3.95%	6.00%	7.28%
Absolute Return*	0.16%	0.21%	-3.58%	-3.66%	-0.81%	3.56%

*Absolute Return as measured by HFRX Index

Diversified Asset Mix is comprised of the following: 30% U.S. equities, 20% non-U.S. equities, 15% hedge funds, 15% core bonds, 7% global REITs, 5% U.S. TIPS, 5% private equity, and 3% commodities. Private Equity: Index results are reported one quarter in arrears; mid quarter or monthly valuations are not available; off quarterly month performance is reflected at 0.0% with the third month of a quarter capturing the full return; reflected performance is based on historical returns found on the Venture Export website supplied by Thomson Reuters. Performance greater than one year is annualized.

INDEX DESCRIPTIONS

Barclays Capital Aggregate Index comprises government securities, mortgage-backed securities, asset-backed securities and corporate securities to simulate the universe of bonds in the market. The maturities of the bonds in the index are over one year.

Barclays Capital High Yield Index covers the universe of fixed rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC-registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, and 144-As are also included.

Barclays Capital Long U.S. Treasury Index includes all publicly issued, U.S. Treasury securities that have a remaining maturity of 10 or more years, are rated investment grade, and have \$250 million or more of outstanding face value.

Barclays U.S. TIPS Index is a rules-based, market value-weighted index that tracks inflation protected securities issued by the U.S. Treasury. **DJ-UBS Commodity Index** is composed of futures contracts on physical commodities. It is composed of commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc, which trade on the London Metal Exchange (LME).

FTSE EPRA/NAREIT Global Real Estate Index is designed to represent general trends in eligible real estate equities worldwide. Relevant real estate activities are defined as the ownership, disposal and development of income-producing real estate. The Index series includes a range of regional and country indices.

HFRI Fund Weighted Composite Index is designed to represent the performance of domestic and offshore hedge funds across all strategies with the exception of fund of funds. Comprised of over 2000 hedge funds, it is a fund weighted index in that all funds, regardless of assets under management or other factors, are given an equal weighting.

Ibbotson Associates (IA) SBB I U.S. Inflation or Consumer Price Index (CPI) Ibbotson Associates estimates the most current month by taking the average rate of the previous two months as reported by the U.S. Department of Labor, Bureau of Labor Statistics. The Consumer Price Index for All Urban Consumers (CPI-U), not seasonally adjusted, is used to measure inflation, which is the rate of change of consumer goods prices.

MSCI ACWI (All Country World Index) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The Index consists of 48 country indices comprising 23 developed and 25 emerging market country indices.

S&P 500 Index is a gauge of the U.S. equities market and includes 500 leading companies in leading industries of the U.S. economy.

Venture Economics All PE Index is an index comprised of pooled cash flows of private capital partnerships (Buyout, Venture and Mezzanine). Index results are reported one quarter in arrears; mid quarter or monthly valuations are not available; off quarterly month performance is reflected at 0.0% with the third month of a quarter capturing the full return; reflected performance is based on historical returns found on the Venture Export website supplied by Thomson Reuters.

VIX (Market Volatility Index) is designed to track market volatility as an independent entity. The VIX is calculated based on option activity and is used as an indicator of investor sentiment, with high values implying pessimism and low values implying optimism.

Indices referenced are unmanaged and cannot be invested in directly. Index returns do not reflect any investment management fees or transaction expenses.

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