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Worrying About Nothing, or Nothing to Worry About?

The economy took a slight breather in the second quarter, as economic growth slowed relative to expectations. Consumer spending slowed sharply in June, as retail sales fell 1.1%, thereby reversing most of May's gain. Job growth slowed to 112,000 in June, suggesting perhaps that the economic expansion may not be spiraling out of control as previously feared.

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Living with Uncertainty

Industrials and Energy, aided by growing consumer confidence and surging oil prices, helped push the **S&P SuperComposite 1500** (+1.73%) to its fifth consecutive quarterly gain—the longest run since 1998. Financials (-2.38%), which are frequently hurt by rising interest rates, turned in the worst performance. Growth stocks beat value stocks for the first time in three quarters.

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Whose Measured Pace?

The second quarter opened with the release of a very strong March jobs report. The market feared the Fed would be forced to raise interest rates faster than their previously described measured pace. In response, the market moved ahead of the Fed at a more than measured pace. The **Lehman Aggregate** lost 2.44%, its worst quarterly return in 10 years.

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Bricks – A Symbol of Stability

Private real estate once again provided stable investment returns, as represented by the **NCREIF Property Index** (+3.1%). The **NAREIT Equity Index** fell 5.8% in the second quarter. Leading all sectors, Apartments (+2.2%) was the only group to end in positive territory.

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International Markets Turn Defensive

MSCI EAFE Index returned just 0.2% to U.S. investors. Rising rates and a slowing China led investors to pull out of the higher risk areas that had recovered strongly in the past year. Japan and Asia were dealt a setback in the second quarter, with the **MSCI Pacific** (-4.0%) coming in last among all the developed markets regions.

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Rising Rates Hurt International Bonds

The anticipation of rising interest rates took hold around the globe in the second quarter. The **Citigroup World Government Bond Index ex-U.S.** dropped 3.38% in dollar terms, but just 1.01% in local terms. The global rotation out of higher-risk asset classes, which had done well for the past year, resulted in the **JPMorgan EMBI+ Index** turning in its first loss (-5.89%) in the past seven quarters.

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Private Equity Market

June turned out to be a good month for fundraising. General partners closed just over \$14 billion in new commitments, accounting for nearly half of the \$30.5 billion raised year-to-date. Buyouts continued to lead the way. Absent in 2004 are a large number of “first-time” venture funds as most commitments are going to proven general partners.

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Hedge Funds Struggle in Well-Behaved Markets

The median manager in the **Callan Hedge Fund-of-Fund Database** fell 0.50% last quarter, after fees. Over the last year the median manager advanced 7.01%, beating its typical benchmark of T-bills + 5% by 1.03%. Both *Managed Futures* (-10.07%) and *Convertible Arbitrage* (-1.63%) suffered. In contrast, *Fixed-Income Arbitrage* (+2.70%) continued to profitably collect premia from various mortgage, credit or yield curve trades.

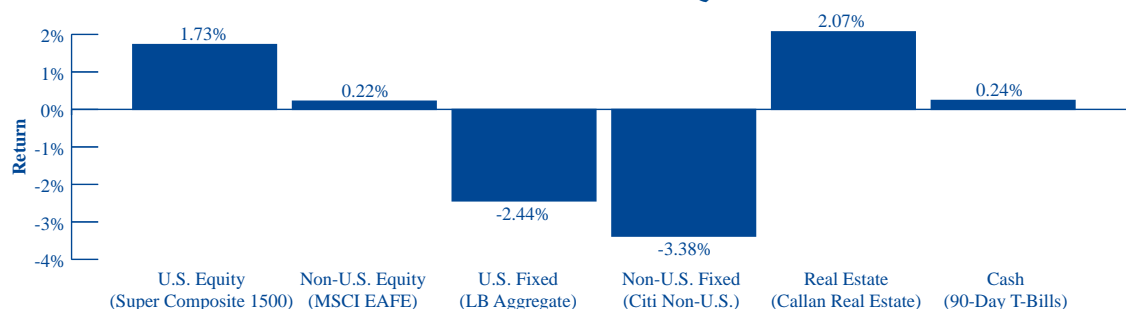
see page 10

A Cooling Trend?

With the equity markets both at home and abroad advancing in the second quarter, those fund sponsors with more aggressive asset allocations (i.e., more equity exposure) came out on top. Taft-Hartley plans (-0.05%) garnered the lowest return due to their more conservative equity allocation (57%). In the recent quarter, both global and domestic balanced managers beat their static 60% equity and 40% fixed-income benchmarks.

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Broad Market Returns – Second Quarter 2004



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Living with Uncertainty

With uncertainty hanging over the market, the S&P 500 turned in one of its tightest quarterly trading ranges (low to high daily close) in the last six plus years. The market was exposed to a mixture of both positive and negative news that did not allow for a consistent trend. On the positive side, non-farm payroll added over 750,000 new jobs during the quarter for the largest three-month increase since May 2000. Personal incomes were up 5.7% over the past 12 months, and new home sales continued at a record annual level of over 6.2 million units. The counterpoints came in the form of higher mortgage rates, which rose to 5.9% (30-year fixed) from under 5.0% one year ago, and crude oil, which saw a new high of over \$42 per barrel in June.

Industrials and Energy, aided by growing consumer confidence and surging oil prices, helped push the **S&P SuperComposite 1500** (+1.73%) to its fifth consecutive quarterly gain—the longest run since 1998.

The low volatility bull market of 2004 continued for stocks of all sizes with the small capitalization stocks maintaining their recent leadership role. The **S&P Small Cap 600** was up 3.60% and the **S&P MidCap 400** climbed 0.97%. The **S&P 500** split the difference with a gain of 1.72%.

Industrials (+8.44%), buoyed by strong demand across the board and growing construction spending, topped the S&P 1500's 10 economic sectors. 3M (+10.42%), Tyco (+15.72%), and Boeing (+24.97%) all showed double-digit gains. Led by ConocoPhillips (+9.93%), Energy (+7.94%) was the number two performing sector as oil production companies benefited from higher energy prices. Basic Materials (+3.56%) came in a distant third as many of the leading companies had a mixed quarter.

Health Care (+2.78%) was also a mixed bag as biotechnology (+0.11%) and managed health care (+0.31%) put a damper on an otherwise strong sector.

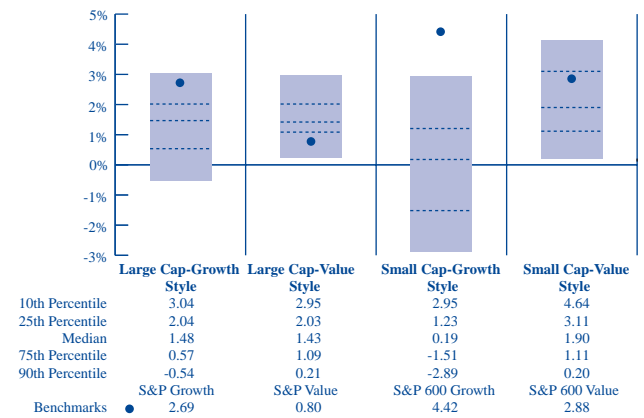
Consumer Staples (+0.68%) may have been hurt by the rising oil prices that reduce the money consumers have to spend. Wal-Mart, the largest stock in the sector, fell 11.4%, while Budweiser (+6.34%) and P&G (+4.32%) rose. Consumer Discretionary (-0.77%) fell on poor performance from Home Depot (-5.56%) and Viacom (-8.76%).

Financials (-2.38%), which are frequently hurt by rising interest rates, turned in the worst performance as four of the top six stocks (by market capitalization) in the sector declined. Utilities (-0.68%), which can also be hurt by rising interest rates, was the second worst economic sector with five of the six top stocks falling during the quarter.

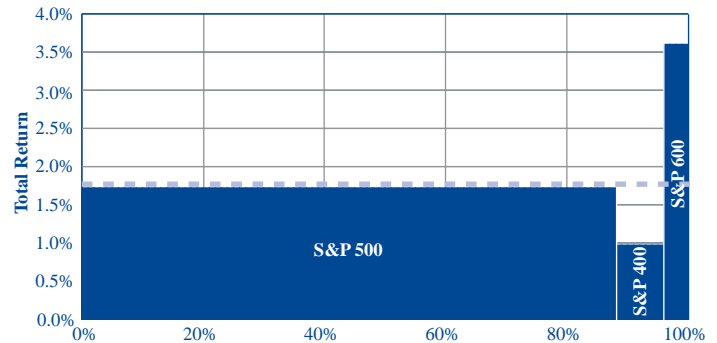
Weakness from AT&T (-24.0%), BellSouth (-4.44%), and Qwest (-16.71%) hampered the Telecommunications (-0.92%) sector. Buoyed by Microsoft (+14.56%) and Dell (+6.54%), Technology (+2.39%) turned in a strong quarter.

Based upon the S&P/Barra style indices, growth-oriented stocks beat value-oriented stocks for the first time in three quarters. To compare value and growth styles, S&P/Barra divide the capitalization indices evenly by price-to-book, creating subsectors of growth- and value-oriented stocks. Among smaller stocks, the **S&P/Barra SmallCap Growth Index** gained 4.42%, compared to only 2.88% for its value counterpart. In the large stock arena, the division was even wider with the **S&P/Barra Growth Index** advancing 2.69%, while its value counterpart was up 0.80%.

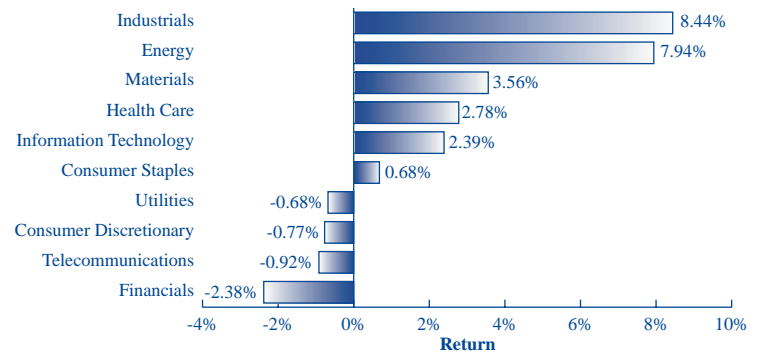
Callan Group Returns – Second Quarter 2004



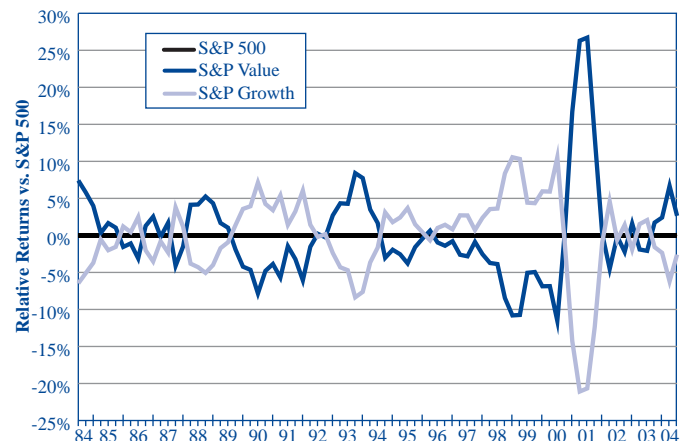
Capitalization Sector Performance – Second Quarter 2004



Economic Sector Performance – S&P 1500 Second Quarter 2004



Rolling One-Year Relative Returns vs. S&P 500



U.S. EQUITY
Style Median and Index Returns* for Periods ended June 30, 2004

| | Last Quarter | Last 1/2 Year | Last Year | Last 3 Years | Last 5 Years | Last 10 Years |
|--|-------------------------|--------------------------|----------------------|-------------------------|-------------------------|--------------------------|
| Large Cap Equity | | | | | | |
| <i>Large Cap–Broad Style</i> | 1.44 | 3.36 | 18.89 | -1.03 | -0.67 | 12.50 |
| <i>Large Cap–Growth Style</i> | 1.48 | 2.65 | 16.93 | -3.59 | -4.04 | 11.92 |
| <i>Large Cap–Value Style</i> | 1.43 | 4.21 | 21.47 | 1.77 | 2.08 | 12.59 |
| <i>Aggressive Growth Style</i> | 0.82 | 4.21 | 21.84 | -2.65 | -0.81 | 12.39 |
| <i>Contrarian Style</i> | 1.80 | 5.14 | 22.81 | 4.96 | 4.52 | 13.17 |
| <i>Core Style</i> | 1.46 | 3.03 | 18.21 | -1.03 | -1.31 | 12.54 |
| <i>Yield Style</i> | 1.98 | 4.00 | 19.68 | 3.42 | 3.16 | 12.64 |
| S&P Super Composite 1500 | 1.73 | 3.91 | 20.38 | 0.19 | -1.06 | 12.00 |
| S&P 500 | 1.72 | 3.44 | 19.11 | -0.70 | -2.20 | 11.83 |
| NYSE | 0.66 | 3.66 | 22.53 | 2.05 | 1.03 | 11.96 |
| Dow Jones Industrials | 1.22 | 0.79 | 18.57 | 1.94 | 0.92 | 13.40 |
| Mid Cap Equity | | | | | | |
| <i>Mid Cap–Broad Style</i> | 1.73 | 6.65 | 26.53 | 4.70 | 7.93 | 14.34 |
| <i>Mid Cap–Growth Style</i> | 1.73 | 5.52 | 23.93 | -3.13 | 2.18 | 12.00 |
| <i>Mid Cap–Value Style</i> | 2.19 | 6.96 | 28.99 | 9.42 | 10.51 | 14.80 |
| S&P Mid Cap 400 | 0.97 | 6.08 | 27.98 | 6.58 | 9.05 | 15.47 |
| Small Cap Equity | | | | | | |
| <i>Small Cap–Broad Style</i> | 1.11 | 6.79 | 33.58 | 7.02 | 11.18 | 14.64 |
| <i>Small Cap–Growth Style</i> | 0.19 | 4.73 | 28.96 | 1.24 | 5.45 | 12.63 |
| <i>Small Cap–Value Style</i> | 1.90 | 8.64 | 35.72 | 14.15 | 14.96 | 16.23 |
| S&P Small Cap 600 | 3.60 | 10.05 | 35.25 | 9.35 | 10.69 | 13.60 |
| Russell 2000 | 0.47 | 6.76 | 33.37 | 6.24 | 6.63 | 10.93 |
| NASDAQ | 2.79 | 2.43 | 26.77 | -1.35 | -4.94 | 11.74 |
| S&P SuperComposite 1500 Sectors** | | | | | | |
| Consumer Staples | 0.68 | 6.63 | 16.95 | 1.11 | 0.26 | 12.12 |
| Consumer Discretionary | -0.77 | 1.74 | 19.93 | 5.47 | 1.45 | 10.39 |
| Industrials | 8.44 | 7.91 | 30.23 | -0.47 | 1.74 | 12.31 |
| Energy | 7.94 | 14.08 | 32.25 | 7.66 | 8.44 | 13.42 |
| Materials | 3.56 | 2.47 | 33.42 | 8.53 | 4.53 | 7.61 |
| Information Technology | 2.39 | 0.12 | 25.68 | -6.76 | -10.54 | 11.86 |
| Utilities | -0.68 | 4.06 | 13.12 | -6.43 | 1.16 | 8.31 |
| Financials | -2.38 | 2.60 | 20.14 | 4.43 | 5.58 | 16.75 |
| Telecommunications | -0.92 | 4.08 | 7.04 | -13.95 | -16.48 | — |
| Health Care | 2.78 | 3.10 | 8.10 | -0.28 | 1.90 | — |

| U.S. Equity Index Characteristics as of June 30, 2004 | | | | | |
|--|---------------------|--------------------|--------------------|--------------------|---------------------|
| | S&P 1500 | S&P 500 | S&P 400 | S&P 600 | Russell 3000 |
| Cap Range | 64–341,961 | 887–341,961 | 343–14,360 | 64–3,136 | 5–341,961 |
| Number of Issues | 1,500 | 500 | 400 | 600 | 2,998 |
| % of S&P SuperComposite 1500 | 100% | 88% | 8% | 4% | — |
| Wtd Avg Mkt Cap | \$79.9B | \$90.7B | \$3.4B | \$1.1B | \$74.0B |
| Price/Book Ratio | 2.9 | 3.0 | 2.4 | 2.3 | 2.8 |
| P/E Ratio (forecasted) | 16.6 | 16.5 | 17.0 | 17.3 | 17.1 |
| Dividend Yield | 1.6% | 1.7% | 1.1% | 0.8% | 1.6% |
| 5-Yr Earnings (forecasted) | 12.3% | 12.0% | 13.9% | 13.4% | 12.4% |

* Returns less than one year are not annualized.

** Returns prior to 1Q03 are based upon Callan Broad Market's sector returns.

Whose Measured Pace?

The second quarter opened with the release of the much anticipated March jobs report. The Labor Department's report announced that 308,000 non-farm jobs were created during the month, dispelling the fears of a jobless recovery. Inflation worries, motivated by 4% GDP growth rates, a tightening job market, and \$40 barrels of oil, suggested that the Fed would be forced to raise interest rates—possibly faster than their previously described measured pace. For the quarter, the **Lehman Aggregate** lost 2.44%, its worst quarterly return in 10 years. The quarterly income return of 1.26% was no match for the price loss of over 3.5%, produced by rising interest rates.

Towards the end of the quarter, a disappointing jobs report and weaker than expected economic data led to a modest rally in Treasury rates. Nevertheless, on June 30, the Federal Open Market Committee (FOMC) met the market's expectation when it raised the fed funds target rate from 1% to 1.25%, the first increase since May 2000. At the quarter's close, the futures market was predicting an additional 25 bps increase would occur at the FOMC's August meeting and a total increase of 100 bps would come to pass by the end of 2004.

The short end of the yield curve, which is most sensitive to expected changes in the fed funds rate, bore the brunt of the market's sell-off. The yield curve flattened, as the difference between two-year and 30-year Treasuries decreased from 3.20% to 2.61%. The yield on the two-year Treasury rose from 1.57% in March to 2.68% at the end of the quarter. The yield on the 10-year Treasury gained 75bps to end the quarter at 4.58%, modestly off an inter-quarter high of 4.87%.

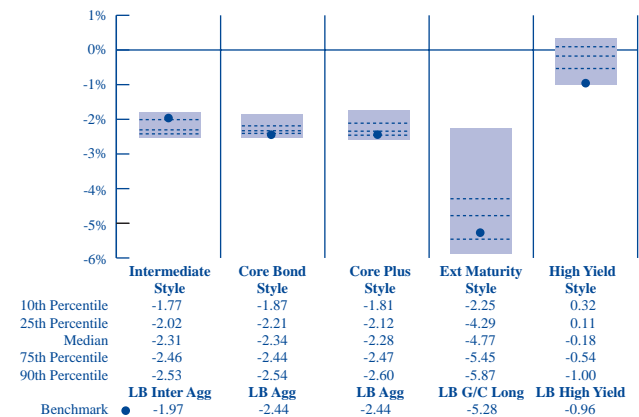
The rise in interest rates impacted real rates, as opposed to embedded inflation expectations. The real yield on the five-year Treasury Inflation Protected Security (TIPS) climbed from 0.45 to 1.23, while break-even inflation to nominal Treasuries edged up only 20 bps. Due to the increase in real rates, the **Lehman US TIPS Index** fell 3.10% during the second quarter. On a positive note, in order to provide a more robust yield curve, the Treasury announced it will start issuing five-year and 20-year TIPS, in addition to the already issued 10-year securities.

During the first half of the quarter, the increased volatility in interest rates had a negative impact on the fixed-rate mortgage market. In April, mortgages lost 52 bps relative to Treasuries of the same duration. Most of the relative loss was regained toward the end of the quarter when interest rate volatility decreased and rates fell from their peak. During the quarter, the duration of the **Lehman Mortgage Index** extended from 2.37 to 4.13 due to the increase in yields.

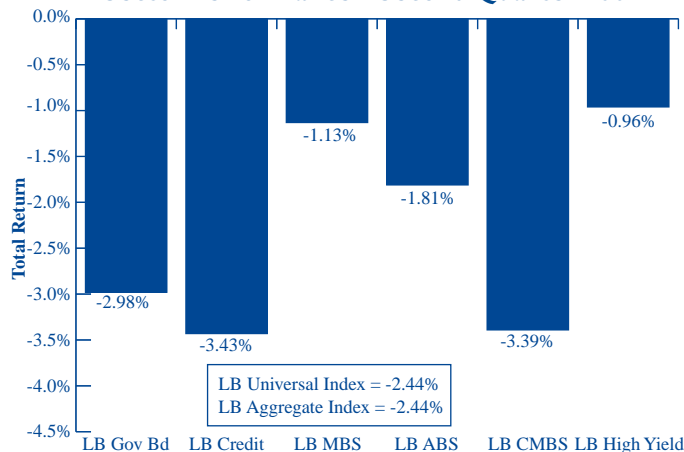
In April, when investors began calculating the impact of rising short rates, levered (hedge funds) investors, who predicted their cost of borrowing would increase, began reducing their exposure to the carry trade—a strategy where an investor borrows at a low interest rate and invests in a higher yielding (riskier) asset. Unwinding of the carry trade had a significant impact on the emerging debt market, especially the largest and most liquid names. In response, emerging market debt indices shed more than five percent of their value during the quarter.

High yield credit produced positive excess returns, relative to Treasuries of the same duration, over the quarter. But, the income advantage offered by high yield was not enough to keep total returns in positive territory. Over the quarter, the **Lehman High Yield Index** slipped 0.96%. The higher quality, and more interest rate sensitive, BB market declined 2.31% while the lower quality, credit driven CCC market produced a positive 0.91% return.

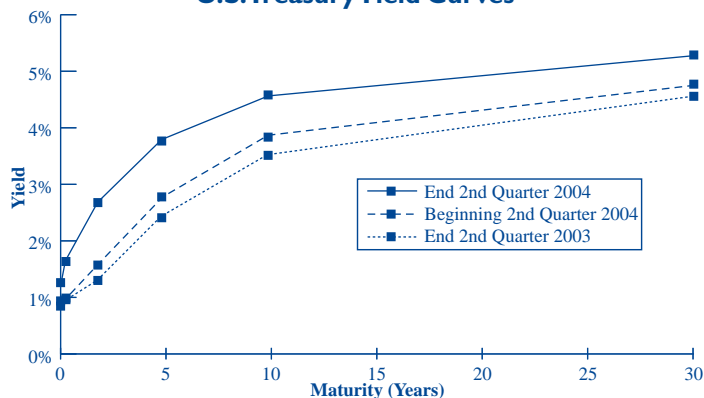
Callan Style Group Returns – Second Quarter 2004



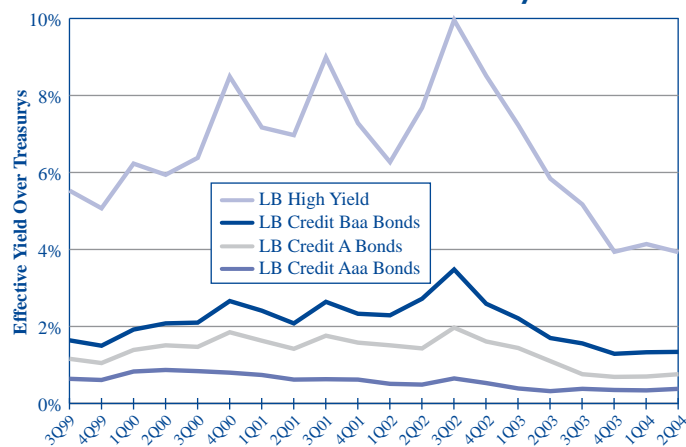
Sector Performance – Second Quarter 2004



U.S. Treasury Yield Curves



Effective Yield Over Treasuries



U.S. FIXED INCOME
Style Median and Index Returns* for Periods ended June 30, 2004

| | Last Quarter | Last 1/2 Year | Last Year | Last 3 Years | Last 5 Years | Last 10 Years |
|---|-------------------------|--------------------------|----------------------|-------------------------|-------------------------|--------------------------|
| Broad Fixed Income | | | | | | |
| <i>Active Duration Style</i> | -2.27 | 0.26 | -0.45 | 6.59 | 6.90 | 7.28 |
| <i>Core Bond Style</i> | -2.34 | 0.31 | 0.55 | 6.53 | 7.14 | 7.53 |
| <i>Core Bond Plus Style</i> | -2.28 | 0.39 | 1.67 | 6.82 | 7.16 | 7.93 |
| LB Aggregate | -2.44 | 0.15 | 0.32 | 6.36 | 6.95 | 7.39 |
| LB Govt/Credit | -3.17 | -0.19 | -0.72 | 6.74 | 7.11 | 7.43 |
| LB Govt | -2.98 | -0.13 | -1.35 | 6.12 | 6.72 | 7.16 |
| LB Credit | -3.43 | -0.27 | 0.08 | 7.54 | 7.53 | 7.95 |
| Citi Broad Investment Grade | -2.44 | 0.18 | 0.37 | 6.37 | 6.95 | 7.39 |
| Long Term | | | | | | |
| <i>Extended Maturity Style</i> | -4.77 | -0.18 | -2.20 | 8.46 | 8.53 | 9.15 |
| LB Govt/Credit Long | -5.28 | -0.46 | -2.69 | 8.33 | 8.16 | 8.92 |
| LB Gov Long | -5.21 | -0.13 | -3.92 | 7.89 | 8.02 | 8.90 |
| LB Credit Long | -5.37 | -0.89 | -1.05 | 8.93 | 8.24 | 8.80 |
| Citigroup High Grade | -5.49 | -0.86 | -3.11 | 8.49 | 8.41 | 8.66 |
| Intermediate Term | | | | | | |
| <i>Intermediate Style</i> | -2.31 | 0.05 | 0.18 | 6.17 | 6.80 | 6.98 |
| LB Intermediate Aggregate | -1.97 | 0.25 | 0.85 | 6.01 | 6.74 | 7.06 |
| LB Govt/Credit Intermediate | -2.52 | -0.11 | -0.07 | 6.21 | 6.75 | 6.90 |
| LB Gov Intermediate | -2.30 | -0.15 | -0.48 | 5.49 | 6.25 | 6.56 |
| LB Credit Intermediate | -2.82 | -0.08 | 0.44 | 7.14 | 7.38 | 7.56 |
| Short Term | | | | | | |
| <i>Defensive Style</i> | -0.95 | 0.26 | 0.87 | 4.35 | 5.54 | 6.06 |
| <i>Active Cash Style</i> | -0.10 | 0.42 | 1.11 | 3.05 | 4.34 | 5.16 |
| <i>Money Market Funds (net of fees)</i> | 0.12 | 0.25 | 0.50 | 1.18 | 2.85 | 3.92 |
| ML Treasury 1-3 Year | -1.06 | -0.08 | 0.50 | 3.90 | 5.11 | 5.71 |
| 90-day Treasury Bills | 0.24 | 0.47 | 0.98 | 1.71 | 3.29 | 4.27 |
| High Yield | | | | | | |
| <i>High Yield Style</i> | -0.18 | 1.91 | 10.82 | 9.48 | 5.98 | 8.57 |
| LB High Yield | -0.96 | 1.36 | 10.32 | 9.30 | 5.06 | 7.28 |
| CSFB High Yield | -0.19 | 2.47 | 11.74 | 11.10 | 6.36 | 7.83 |
| ML High Yield Master | -0.88 | 1.33 | 9.97 | 8.88 | 5.39 | 7.69 |
| Mortgage/Asset-Backed | | | | | | |
| <i>Mortgages Style</i> | -1.15 | 0.83 | 2.30 | 5.96 | 6.91 | 7.57 |
| LB MBS | -1.13 | 0.77 | 2.23 | 5.61 | 6.60 | 7.29 |
| LB ABS | -1.81 | 0.45 | 1.05 | 6.05 | 6.95 | 6.93 |
| LB CMBS | -3.39 | -0.25 | -0.88 | 8.40 | 8.48 | — |

| U.S. Fixed-Income Index Characteristics as of June 30, 2004 | | | | | |
|--|---------------------------|-----------------------------------|-----------------------------|------------------------|------------------------------|
| Lehman Brothers Indices | Yield to Worst | Modified Adj. Duration | Average Maturity | % of LB G/C | % of LB Aggregate |
| LB Aggregate | 4.64 | 4.77 | 7.47 | 100.00% | 100.00% |
| LB Govt/Credit | 4.27 | 5.21 | 7.84 | 100.00% | 59.77% |
| Intermediate | 3.86 | 3.72 | 4.42 | 78.92% | 47.17% |
| Long-Term | 5.79 | 10.81 | 20.61 | 21.08% | 12.60% |
| LB Govt | 3.81 | 4.93 | 6.96 | 58.87% | 35.18% |
| LB Credit | 4.92 | 5.62 | 9.09 | 41.13% | 24.58% |
| LB MBS | 5.29 | 4.13 | 7.21 | — | 35.78% |
| LB ABS | 3.77 | 2.63 | 3.00 | — | 1.64% |
| LB CMBS | 4.68 | 4.62 | 5.52 | — | 2.81% |
| LB Corp High Yield | 8.00 | 4.80 | 8.13 | — | — |

* Returns less than one year are not annualized.

International Markets Turn Defensive

International equity markets were nearly unchanged in the second quarter, with **MSCI EAFE Index** returning just 0.2% to U.S. investors, as the dollar strengthened by 2.1%. In a turn of events from previous quarters, rising rates and a slowing China led investors to pull out of the higher risk areas that had recovered strongly in the past year, such as emerging markets (-9.6%). On the receiving end of this rotation were the defensive sectors, such as Consumer Staples (+3.6%) and Energy (+7.2%), and the previously lagging European markets (+2.4%).

Europe

Investors finally turned their attention away from Japan and the emerging markets, where they had been focusing for the past year, and moved into some European markets that had previously been laggards. The region advanced 2.4% in dollar terms for the quarter, the highest of any developed region in the world, with the euro drifting 1.0% lower versus the dollar. The economic data coming from the continent showed only gradual growth and tame inflation. Accordingly, the market expected that the European Central Bank could afford to postpone an increase in interest rates. The faster-growing UK economy, however, motivated the Bank of England to raise rates twice during the quarter, which may have caused the UK equity market (+1.5%) to slightly underperform the continent. Despite the ECB accommodation, sector returns across Europe reflected the overall backdrop of rising global rates. As a result, defensive Energy (+7.4%) and Consumer Staples (+3.6%) did markedly better than the more rate-sensitive Financials (-1.2%). Technology (-7.4%) and Telecommunications (-2.9%) also fell.

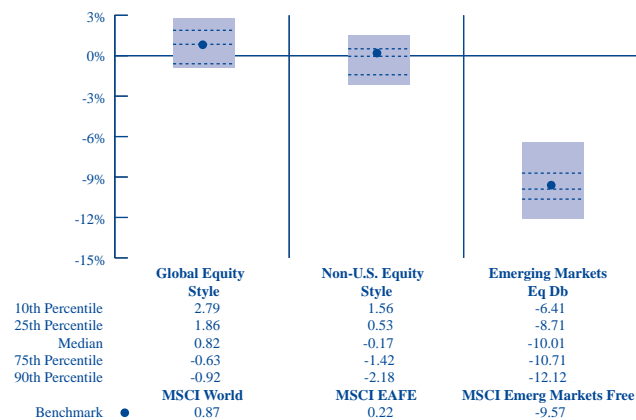
Asia

Japan and Asia were dealt a setback in the second quarter, with the **MSCI Pacific** (-4.0%) coming in last among all the developed markets regions. Although the economic news out of Japan remained favorable—with evidence of the recovery broadening from the industrial sector to the long-suffering consumer sector—investors grew concerned that a potentially slowing China could seriously undermine Japan's export-sensitive economic rebound. As a result, Japan took a pause from its strong positive performance of the past year and sank 3.8% for the quarter, primarily from the dollar gaining 4.6% versus the yen on expectations of rising rates. Most sectors were negative, with Telecommunications (-13.6%) getting hit the hardest, but the defensive Energy sector (+5.7%) benefited from rising oil prices. Elsewhere, Hong Kong (-4.5%) suffered similarly, particularly the Financials, on perceptions of an eventual China slowdown. Australia slumped 5.3% as its currency plunged 8.8% versus the U.S. dollar.

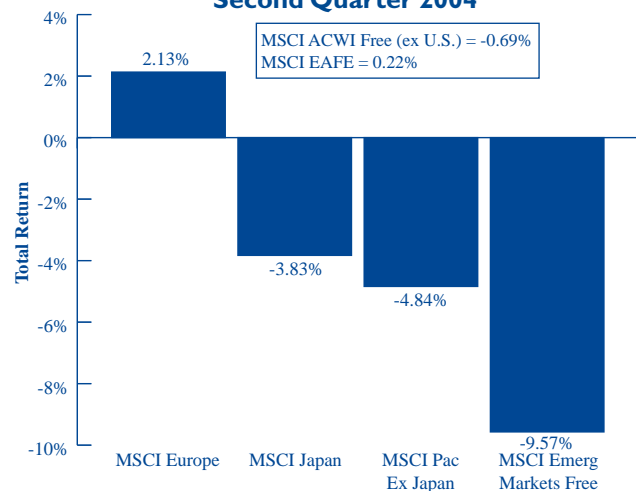
Emerging Markets

Emerging markets gave up some of their recent stellar gains in the second quarter, declining 9.6% as investors decided to lock in the past year's profits by exiting the asset class. The specter of rising global rates and a slowdown in the Chinese growth engine were the primary areas of investor concern. Latin America was nearly flat with the **MSCI EMF Index**, with investors discriminating between the healthy economy of Mexico (-4.4%) and still-fragile Brazil (-12.0%). Emerging Asia (-11.6%) was the weakest region, with Taiwan (-11.7%) and Korea (-14.7%) struggling considerably. A drop in the region's technology shares led the downdraft, while exporters were sold on Chinese slowdown concerns.

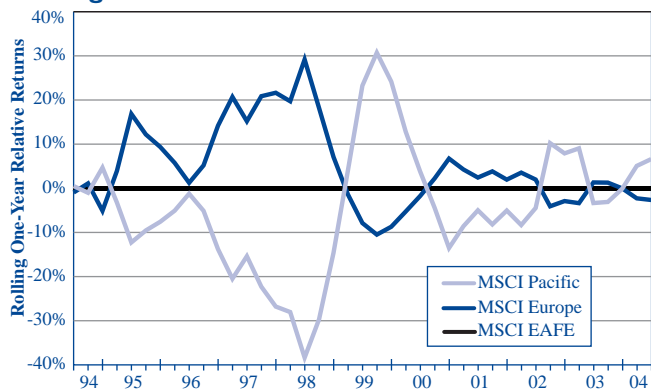
Callan Style Group Returns – Second Quarter 2004



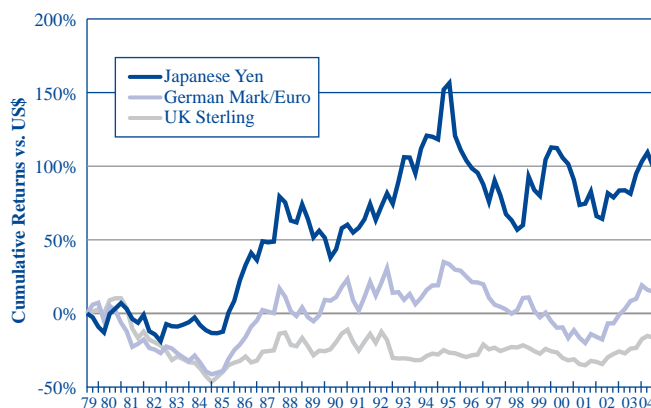
Regional Performance (based on US\$) Second Quarter 2004



Rolling One-Year Relative Returns vs. MSCI EAFE US\$



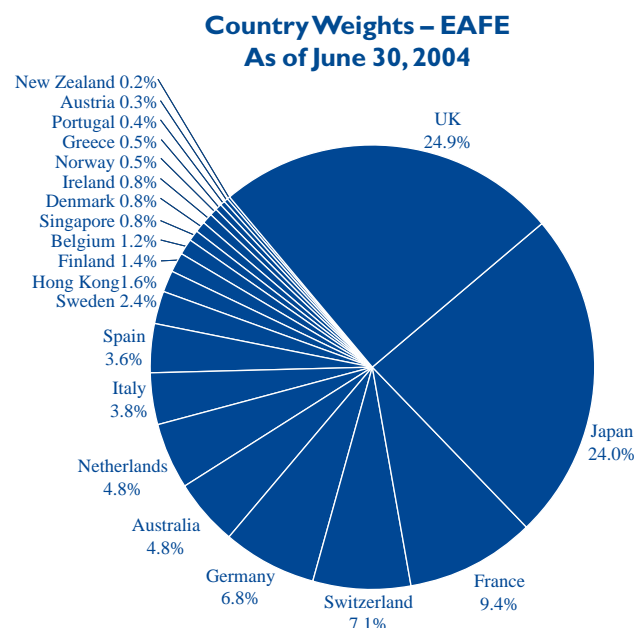
Major Currencies vs. US\$ Cumulative Returns over Last 25 Years



INTERNATIONAL EQUITY
Style Median and Index Returns* for Periods ended June 30, 2004

| | Last Quarter | Last 1/2 Year | Last Year | Last 3 Years | Last 5 Years | Last 10 Years |
|-------------------------------------|-------------------------|--------------------------|----------------------|-------------------------|-------------------------|--------------------------|
| International Equity | | | | | | |
| <i>Global Style</i> | 0.82 | 4.15 | 24.94 | 2.00 | 2.77 | 8.78 |
| <i>Non-U.S. Style</i> | -0.17 | 4.00 | 30.15 | 4.58 | 2.15 | 6.91 |
| <i>Core Style</i> | 0.22 | 3.84 | 28.98 | 4.55 | 2.52 | 6.77 |
| <i>Top Down Style</i> | 0.28 | 4.14 | 31.86 | 5.44 | 1.17 | 6.37 |
| <i>Bottom Up Style</i> | -0.13 | 4.85 | 30.16 | 5.65 | 3.13 | 8.83 |
| <i>Small Cap Style</i> | 0.82 | 11.54 | 49.56 | 13.92 | 12.70 | 9.21 |
| MSCI EAFE–Unhedged | 0.22 | 4.56 | 32.37 | 3.87 | 0.06 | 4.06 |
| MSCI EAFE–Local | 2.40 | 6.56 | 22.73 | -5.24 | -2.86 | 4.15 |
| MSCI EAFE Growth Index | -1.43 | 2.48 | 26.42 | 1.73 | -3.29 | 1.78 |
| MSCI EAFE Value Index | 1.84 | 6.63 | 38.43 | 5.94 | 3.20 | 6.21 |
| MSCI World–Unhedged | 0.87 | 3.52 | 24.00 | 0.87 | -1.70 | 7.13 |
| MSCI World–Local | 1.89 | 4.51 | 20.19 | -3.01 | -2.83 | 7.36 |
| MSCI AC World Free ex-U.S.–Unhedged | -0.69 | 4.10 | 32.50 | 5.25 | 0.97 | 4.40 |
| MSCI AC World Free–Unhedged | 0.52 | 3.57 | 24.92 | 1.80 | -1.14 | 7.18 |
| Pacific Equity | | | | | | |
| <i>Pacific Basin Style</i> | -4.59 | 6.20 | 36.23 | 4.65 | -0.17 | 0.59 |
| <i>Japan Style</i> | -2.22 | 13.04 | 49.30 | 3.22 | 0.95 | 0.70 |
| <i>Pacific Rim Style</i> | -8.82 | -2.82 | 29.37 | 10.76 | 3.50 | 1.90 |
| MSCI Pacific–Unhedged | -4.03 | 8.19 | 41.12 | 3.33 | -0.53 | -2.15 |
| MSCI Pacific–Local | 1.05 | 11.10 | 30.32 | -1.98 | -2.70 | -1.44 |
| MSCI Japan–Unhedged | -3.83 | 10.73 | 46.22 | 1.28 | -1.73 | -3.44 |
| MSCI Japan–Local | 0.87 | 12.74 | 32.87 | -3.13 | -3.75 | -2.46 |
| Europe Equity | | | | | | |
| <i>Europe Style</i> | 1.50 | 2.46 | 26.57 | 4.40 | 2.32 | 11.14 |
| MSCI Europe–Unhedged | 2.13 | 3.04 | 28.87 | 4.07 | 0.30 | 9.34 |
| MSCI Europe–Local | 3.00 | 4.71 | 19.78 | -6.53 | -2.72 | 8.77 |
| Emerging Markets | | | | | | |
| <i>Emerging Markets Database</i> | -10.01 | -1.52 | 34.52 | 14.72 | 6.92 | 4.52 |
| MSCI Emerging Markets Free–Unhedged | -9.57 | -0.78 | 33.51 | 13.10 | 3.27 | 1.20 |
| MSCI Emerging Markets Free–Local | -8.18 | -1.21 | 30.38 | 12.12 | 5.54 | 7.00 |

| Country | Total | Local | Currency |
|----------------|--------------|--------------|-----------------|
| Australia | -5.52% | 3.55% | -8.76% |
| Austria | 6.97% | 8.04% | -1.00% |
| Belgium | 6.00% | 7.07% | -1.00% |
| Denmark | 4.69% | 5.57% | -0.83% |
| Finland | -19.59% | -18.78% | -1.00% |
| France | 3.48% | 4.53% | -1.00% |
| Germany | 3.75% | 4.79% | -1.00% |
| Greece | 3.80% | 4.85% | -1.00% |
| Hong Kong | -4.50% | -4.40% | -0.11% |
| Ireland | 7.41% | 8.49% | -1.00% |
| Italy | 5.71% | 6.78% | -1.00% |
| Japan | -3.83% | 0.87% | -4.66% |
| Netherlands | 3.36% | 4.40% | -1.00% |
| New Zealand | -1.49% | 3.27% | -4.61% |
| Norway | 6.05% | 7.06% | -0.95% |
| Portugal | -0.74% | 0.26% | -1.00% |
| Singapore | -2.20% | 0.49% | -2.68% |
| Spain | 0.60% | 1.61% | -1.00% |
| Sweden | 4.45% | 4.34% | 0.11% |
| Switzerland | 2.13% | 0.97% | 1.15% |
| UK | 1.48% | 2.84% | -1.33% |



* Returns less than one year are not annualized.

Rising Rates Hurt International Bonds

In the second quarter, the **Citigroup World Government Bond Index ex-U.S.** dropped 3.38% in dollar terms, but just 1.01% in local terms. The anticipation of rising interest rates took hold around the globe, and many investors who had been searching for yield outside the United States decided those days were nearly finished and rotated back into the U.S. dollar. As a result, the U.S. currency strengthened by 2.30% versus other currencies in the Index.

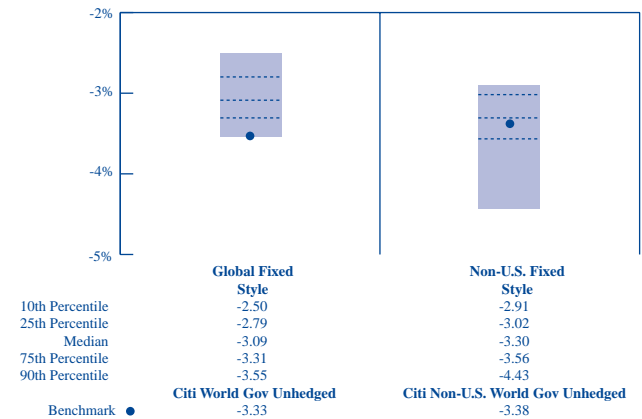
Europe

The European bond market traded slightly lower in the quarter, with the **Citigroup EMU Government Bond Index** declining 1.79% in U.S. dollar terms. The yield curve shifted only slightly higher as investors continued to expect that the European Central Bank could afford to postpone raising interest rates. The dollar rose 1.0% versus the euro. The United Kingdom was a different story, however, with the Bank of England tightening twice. Despite the rising rates, sterling weakened by 1.3% versus the U.S. dollar.

Japan

The Japanese government bond market fell 5.57% in dollar terms during the quarter but just 0.96% in local terms, as the dollar strengthened by 4.6% versus the Japanese yen. The yield curve steepened

Callan Style Group Returns – Second Quarter 2004



significantly throughout the quarter as long-term rates increased sharply on the perception of a broadening domestic economic recovery.

Emerging Markets

The global rotation out of higher-risk asset classes, which had done well for the past year, resulted in the **JPMorgan EMBI+ Index** turning in its first loss (-5.89%) in the past seven quarters.

INTERNATIONAL FIXED INCOME

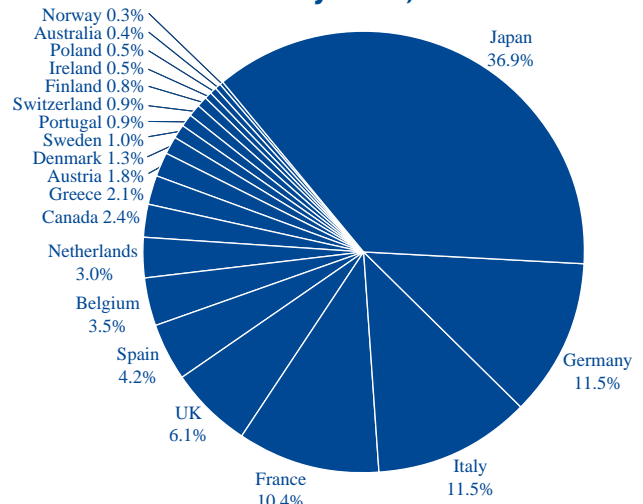
Style Median and Index Returns* for Periods ended June 30, 2004

| | Last Quarter | Last 1/2 Year | Last Year | Last 3 Years | Last 5 Years | Last 10 Years |
|------------------------------------|--------------|---------------|-----------|--------------|--------------|---------------|
| Global Fixed | | | | | | |
| <i>Global Style</i> | -3.09 | -1.12 | 6.38 | 12.73 | 7.14 | 7.33 |
| Citi World Govt–Unhedged | -3.33 | -1.53 | 5.64 | 11.94 | 7.00 | 6.55 |
| Citi World Govt–Local | -1.44 | 0.57 | -0.23 | 4.65 | 4.73 | 6.61 |
| Non-U.S. Fixed | | | | | | |
| <i>Non-U.S. Style</i> | -3.30 | -1.64 | 8.02 | 14.47 | 6.96 | 7.31 |
| Citi Non-U.S. World Govt–Unhedged | -3.38 | -1.86 | 7.60 | 13.66 | 6.84 | 6.14 |
| Citi Non-U.S. World Govt–Local | -1.01 | 0.76 | 0.12 | 4.18 | 4.04 | 6.48 |
| Europe | | | | | | |
| Citi Euro Govt Bond Index–Unhedged | -1.79 | -1.48 | 7.97 | 20.34 | 8.97 | — |
| Citi Euro Govt Bond Index–Local | -0.98 | 1.96 | 1.72 | 6.57 | 5.39 | — |
| Emerging Markets Fixed | | | | | | |
| JPM Emerg Mkts Bond Index Plus | -5.89 | -2.82 | 4.78 | 10.37 | 13.33 | 13.77 |

Return Attribution for Non-U.S. Govt Indices Second Quarter 2004

| Country | Total | Local | Currency** |
|-------------|--------|--------|------------|
| Australia | -8.77% | -0.01% | -8.76% |
| Austria | -2.06% | -1.07% | -1.00% |
| Belgium | -1.99% | -1.00% | -1.00% |
| Canada | -3.98% | -2.04% | -1.98% |
| Denmark | -1.85% | -1.03% | -0.83% |
| Finland | -1.93% | -0.95% | -1.00% |
| France | -1.95% | -0.96% | -1.00% |
| Germany | -2.00% | -1.01% | -1.00% |
| Greece | -2.04% | -1.05% | -1.00% |
| Ireland | -2.19% | -1.20% | -1.00% |
| Italy | -1.88% | -0.90% | -1.00% |
| Japan | -5.57% | -0.96% | -4.66% |
| Netherlands | -1.99% | -1.01% | -1.00% |
| Norway | -1.88% | -0.95% | -0.95% |
| Poland | 3.74% | -0.72% | 4.50% |
| Portugal | -2.01% | -1.03% | -1.00% |
| Spain | -2.06% | -1.07% | -1.00% |
| Sweden | -1.23% | -1.34% | 0.11% |
| Switzerland | -1.24% | -2.36% | 1.15% |
| UK | -2.34% | -1.03% | -1.33% |

Country Weights – Citigroup Non-U.S. Govt As of June 30, 2004



* Returns less than one year are not annualized.

** Derived from MSCI EAFE data.

Bricks – A Symbol of Stability

When asked the difference between private and public real estate, it is often pointed out that private real estate is not prone to some of the risks that the public sector has. The second quarter proved that point. The quarter began with positive job growth data and a spike in mortgage rates, although still at relatively low historical levels, which sent public real estate securities investors scurrying to the door. By mid May, Real Estate Investment Trusts (REITs) declined 18% from their March highs, bottomed on May 10, then rebounded to end the quarter down 5.8%, as represented by the **NAREIT Equity Index**. Despite the increased volatility in REITs, dedicated real estate mutual funds experienced net inflows on a year-to-date basis of \$2.8 billion, according to AMG Data Services as presented by Merrill Lynch.

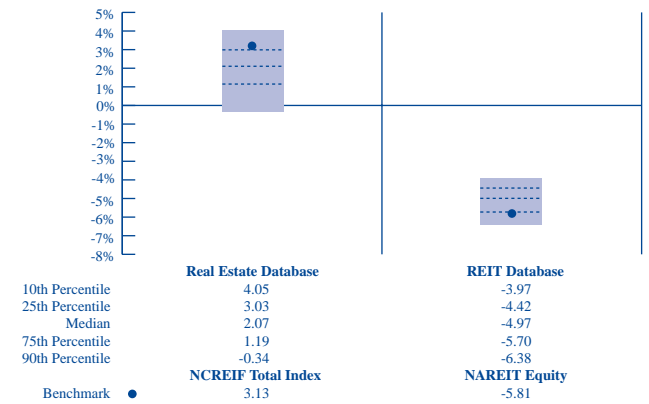
Leading all sectors, Apartments (+2.2%) was the only group to end in positive territory. Health Care (-13.4%) and Regional Mall (-11.5%) were the clear losers. The correction was healthy. REITs were trading at 20% to 30% premiums to their underlying Net Asset Values, and the sell-off brought pricing back down to reasonable levels.

Private real estate once again provided stable investment returns, as represented by the **NCREIF Property Index**. NCREIF returned 3.1% for the quarter and 10.8% for the trailing 12 months. These returns were driven by the income component, which was 1.9% and 7.7% for those same time periods. Significant write-ups in the Retail sector caused an appreciation return of 1.3% for the quarter. The stable real estate returns and relatively low interest rates drove investor allocations to private real estate, especially to core investment strategies. Investors still demand stable yielding investments from core products, such as the open-end core commingled funds. Overall, investors remain in the asset class and continue to make commitments to it.

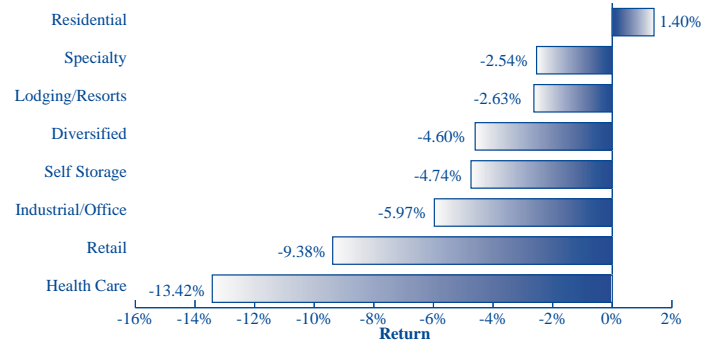
| Overall Capitalization Rates | | |
|------------------------------|------------------|--------------|
| Sector | 2nd Quarter 2004 | One Year Ago |
| Industrial | 8.35% | 8.82% |
| Apartment | 7.13% | 8.92% |
| CBD Office | 8.55% | 9.34% |
| Suburban Office | 9.11% | 9.80% |
| Strip Shopping Center | 7.96% | 8.63% |

Source: *Korpacz Real Estate Investor Survey*®
Rates based on unleveraged, all-cash transactions.

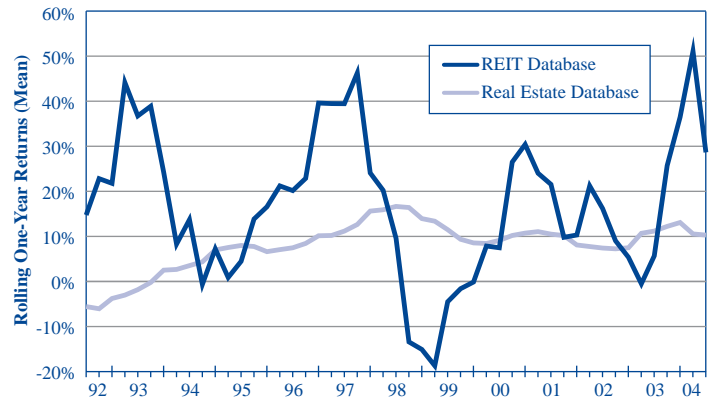
Callan Style Group Returns – Second Quarter 2004



NAREIT Equity Sector Performance – Second Quarter 2004



Rolling One-Year Returns



REAL ESTATE

Style Median and Index Returns* for Periods ended June 30, 2004

| | Last Quarter | Last 1/2 Year | Last Year | Last 3 Years | Last 5 Years | Last 10 Years |
|---|--------------|---------------|-----------|--------------|--------------|---------------|
| Private Real Estate | | | | | | |
| <i>Real Estate Database (net of fees)</i> | 2.07 | 4.55 | 8.47 | 7.52 | 8.89 | 11.47 |
| NCREIF Total Index | 3.13 | 5.77 | 10.83 | 7.97 | 9.40 | 10.36 |
| Public Real Estate | | | | | | |
| <i>REIT Database</i> | -4.97 | 6.96 | 29.39 | 16.48 | 15.94 | 14.66 |
| NAREIT Equity | -5.81 | 5.51 | 27.07 | 15.37 | 14.51 | 12.07 |

* Returns less than one year are not annualized.

Private Equity Market

June turned out to be a good month for fundraising. General partners closed just over \$14 billion in new commitments, accounting for nearly half of the \$30.5 billion raised year-to-date. This could signal a fundraising rebound eagerly expected from industry participants, as there has been a dearth of high quality partnership opportunities. First half-year fundraising statistics for 2002 and 2003 were \$19 billion and \$14 billion, respectively. Fundraising has picked up considerably from the past two years as funds are being raised quickly for both buyouts and venture capital. Many well-known general partners are raising their latest funds with only one closing.

Adding \$12.5 billion in June commitments, buyouts continued to lead the way in fundraising with several firms closing multibillion dollar funds. Buyout firms have garnered a healthy majority of the fresh capital in 2004 and more than twice the \$7 billion in commitments from the same period last year. Venture capital is also up more than double the commitments from the first half of 2003, when they drew \$1.8 billion. Absent in 2004 are a large number of "first-time" venture funds, as most commitments are going to proven general partners.

Please see our upcoming issue of Private Markets Trends for more in-depth coverage.

| Funds Closed January I through June 30, 2004 | | | |
|--|------------|---------------|--------------|
| Strategy | # of Funds | \$ Amt (mil) | % |
| Venture Capital | 36 | 4,396 | 14.4 |
| Acquisition/Buyouts | 27 | 19,516 | 64.0 |
| Subordinated Debt | 5 | 1,327 | 4.4 |
| Distressed Debt | 1 | 500 | 1.6 |
| Other | 8 | 1,626 | 5.3 |
| Fund-of-funds | 11 | 3,126 | 10.3 |
| Totals | 87 | 30,491 | 100.0 |

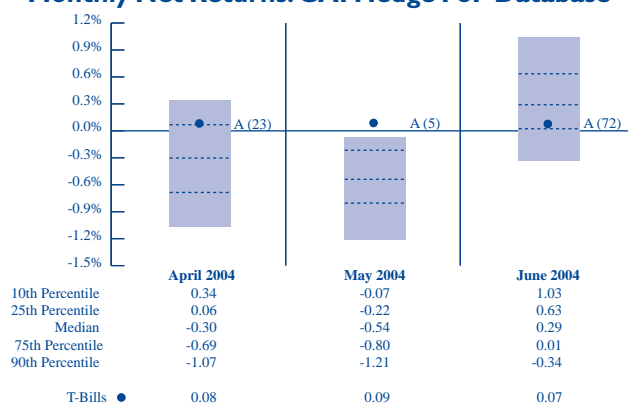
Source: *The Private Equity Analyst*

Hedge Funds Struggle in Well-Behaved Markets

To validate their raison d'être, hedge funds profit from markets reacting to new information. Unfortunately, last quarter the markets either saw no new meaningful information or just simply did not decisively react. For example, the Fed's quarter-point rate hike on June 30 was as anticipated as that day's sunrise. Representing broadly diversified programs of hedge fund strategies, the median manager in the **Callan Hedge Fund-of-Fund Database** fell 0.50% last quarter, after fees. Over the last year, the median manager advanced 7.01%, beating its typical benchmark of T-bills + 5% by 1.03%.

Looking at an unmanaged composite of underlying hedge fund strategies, the **CSFB/Tremont Hedge Fund Index** dropped 0.47% last quarter. Besides *Managed Futures* (-10.07%), which fell dramatically when oil and other commodity markets whipsawed investors, *Convertible Arbitrage* (-1.63%) systematically suffered, as lower equity volatility and rising rates undermined convertible values. In contrast, *Fixed-Income Arbitrage* (+2.70%) continued to profitably collect premia from various mortgage, credit or yield curve trades. *Long-Short Equity* (-1.11%) stumbled over the miscues of an equivocating S&P 500 (+1.72%).

Monthly Net Returns: CAI Hedge FoF Database



ALTERNATIVE INVESTMENTS

Style Median and Index Returns* for Periods ended June 30, 2004

| | Last Quarter | Last 1/2 Year | Last Year | Last 3 Years | Last 5 Years | Last 10 Years |
|--|--------------|---------------|-----------|--------------|--------------|---------------|
| Convertibles | | | | | | |
| <i>Convertibles Database</i> | -1.11 | 1.76 | 13.79 | 4.32 | 6.84 | 11.73 |
| CSFB Convertible Securities | -0.87 | 2.45 | 14.16 | 4.89 | 5.75 | 10.09 |
| Absolute Return Strategies | | | | | | |
| <i>Hedge Fund-of-Funds Database</i> | -0.50 | 2.05 | 7.02 | 5.24 | 9.59 | 10.35 |
| <i>Market Neutral Equity Style</i> | 0.27 | 0.94 | 0.61 | 3.22 | 3.29 | 6.07 |
| CSFB/Tremont Equity Market Neutral | 0.70 | 2.21 | 6.08 | 6.47 | 9.49 | 10.86 |
| CSFB/Tremont Long/Short Equity | -1.12 | 2.83 | 12.51 | 5.76 | 8.72 | 13.45 |
| CSFB/Tremont Event-Driven | 1.58 | 5.22 | 13.74 | 9.49 | 10.35 | 11.83 |
| CSFB/Tremont Convertible Arb | -1.63 | 0.48 | 4.88 | 7.61 | 12.43 | 10.97 |
| CSFB/Tremont Fixed-Income Arb | 2.71 | 4.36 | 6.63 | 7.15 | 7.21 | 7.50 |
| 90-Day T-Bills | 0.24 | 0.47 | 0.98 | 1.71 | 3.29 | 4.27 |
| Other Alternative Investment Benchmarks | | | | | | |
| VE Post Venture Cap Index | 0.04 | 5.70 | 32.37 | -4.05 | -8.49 | 8.66 |
| GS Commodity Index | 2.46 | 12.71 | 26.19 | 12.82 | 17.08 | 9.76 |
| MLM Managed Futures Index | -5.61 | 1.26 | 3.87 | 1.05 | 5.01 | 7.60 |

* Returns less than one year are not annualized.

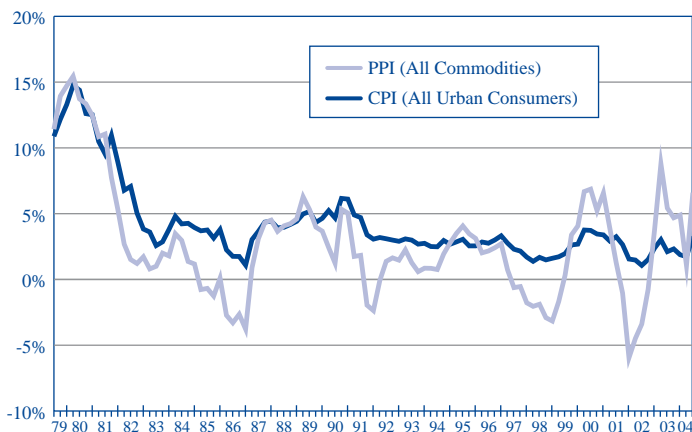
Worrying About Nothing, or Nothing to Worry About?

The economy took a slight breather in the second quarter, as economic growth slowed relative to expectations. GDP growth for the first quarter was revised upward from 3.9% to 4.5%. The initial estimates for second quarter GDP growth came in at 3.0%. A slowdown in consumer spending and weaker employment gains accounted for much of the downward revision in GDP growth. The expectations for GDP growth for the year remain in the 4.5% range, a sharp rise from 3.1% in 2003. The economy remains on a solid growth track, but like the stock market, the headlines scream “failure” when perfectly reasonable levels of growth fail to meet expectations (no matter how reasonable the expectations may be).

Consumer spending slowed sharply in June, as retail sales fell 1.1%, thereby reversing most of May’s gain. Much of the decline was due to car sales, falling from a 17.8 million annual rate in May to 15.5 million in June. Excluding car sales, retail sales fell 0.2% in June. Until the June fall-off in sales, many observers were surprised by the willingness of consumers to keep spending, despite high oil prices and uncertainty in Iraq and the Middle East. The slowdown in June sales may be a return to reality for consumers, caused in part by a slowdown in job growth. The labor market finally got back on track this year. After struggling to add just over 100,000 jobs in February, the job market surged, adding almost one million jobs during the next three months. Job growth slowed to 112,000 in June, suggesting perhaps that the economic expansion may not be spiraling out of control as previously feared. June can be notorious for false signals in the labor market, caused by significant seasonal shifts in employment as students graduate and schools let out for the summer. Initial unemployment claims have drifted down toward 340,000 (four-week moving average), well below the danger level of 400,000. Overall, the data on jobs and consumer spending suggest that economic growth cooled in June after a hot spring.

The reasonable (but slower than expected) growth in the economy means the Federal Reserve can remain optimistic on both growth and inflation. The year-over-year change in the CPI for June is 3.3%, up sharply from the 1.7% change in March, but the jump was fueled primarily by the surge in energy prices. The core rate of inflation—excluding the volatile energy and food components—is up just 1.9% from one year ago. The June Producer Price Index is up 6.6% from one year ago, again boosted mainly by energy price changes. However, the elevation of inflation measures in the first half of 2004 appear to be largely due to transitory factors that may be behind us. Producer prices, in fact, fell in June from the May levels, led by a decline in energy, and food prices do not appear to be a problem. Oil

Inflation – Year Over Year



prices sustained above \$40 per barrel will keep energy-related inflation a factor in the coming months, but there is little pricing pressure from elsewhere in the economy, and in particular from wages. While wage and benefit costs are rising, the increases remain contained and productivity gains have been more than enough to offset, resulting in a decline in labor costs per unit of output.

Capital spending has lagged throughout the current expansion, as firms have been more cautious about investing and hiring than in any previous expansion during the past 30 years. Part of the problem has been capacity utilization, which has risen by more than four percentage points since the low point in mid-2003, but at 77.2% for June, remains below the magic level of 80%. For decades, the reliable rule of thumb was that utilization has to reach 80% before capital spending kicks in. The investment spree of the late 1990s led to a larger than usual overhang when the recession ended. Capital spending began to show signs of life in the second half of 2003 and has continued into 2004, showing up a little early in part because some of the capacity in the overhang has become out of date, spurring replacement demand. The Institute for Supply Management (ISM) Purchasing Managers’ Index, a reliable reading on production and supply, has been above 50—the dividing line between expansion and contraction—for 13 months through June. The June reading fell sharply for manufacturing, led by a drop in new orders. The Index for non-manufacturing also fell in June, corroborating the slowdown in the economy suggested by the consumer and employment data. “Special factors” can explain the decline in each of the ISM reports, but a preponderance of special factors in the interpretation of many economic indicators suggests instead that they may not be so special, and that growth in the economy has indeed cooled a bit in the second quarter.

U.S. ECONOMY

Recent Quarterly Indicators

| Economic Indicators (seasonally adjusted) | 3Q02 | 4Q02 | 1Q03 | 2Q03 | 3Q03 | 4Q03 | 1Q04 | 2Q04 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|
| CPI–All Urban Consumers (year over year) | 1.5% | 2.4% | 3.0% | 2.1% | 2.3% | 1.9% | 1.7% | 3.3% |
| PPI–All Commodities (year over year) | -0.8% | 3.8% | 8.8% | 5.4% | 4.7% | 4.9% | 1.1% | 6.6% |
| Employment Cost–Total Compensation Growth | 2.5% | 3.0% | 5.5% | 3.4% | 4.2% | 3.1% | 4.3% | 3.9% |
| Manufacturing Output–Productivity Growth | 5.5% | 2.3% | 3.4% | 6.2% | 9.5% | 2.5% | 3.8% | 1.8% |
| GDP Growth | 2.6% | 0.7% | 1.9% | 4.1% | 7.4% | 4.2% | 4.5% | 3.0% |
| Manufacturing Capacity Utilization (level%) | 74.1 | 73.0 | 73.0 | 72.6 | 74.9 | 75.8 | 76.6 | 77.2 |
| Consumer Sentiment Index (1966=1.000) | 0.873 | 0.838 | 0.800 | 0.893 | 0.893 | 0.920 | 0.980 | 0.956 |

A Cooling Trend?

The strong start to the year faded, but equity markets still managed to rise in the second quarter. Median fund sponsor returns were slightly negative during the quarter, as equity returns were not able to offset weakness in the bond markets, which were hurt by rising interest rates.

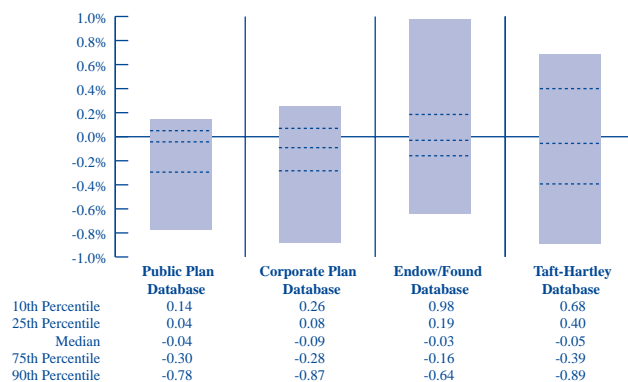
Using the median manager returns from the latest quarter and ending asset allocations from the prior quarter, Callan estimates the recent total returns of the institutional investor community.

The adjacent graph illustrates the range of returns for public, corporate, and Taft-Hartley pension plans, as well as endowments/foundations, showing gains across the board. The table below compares the returns of the four institutional fund sponsors to several benchmarks over longer periods. Choices in asset allocation explain much of the difference in performance.

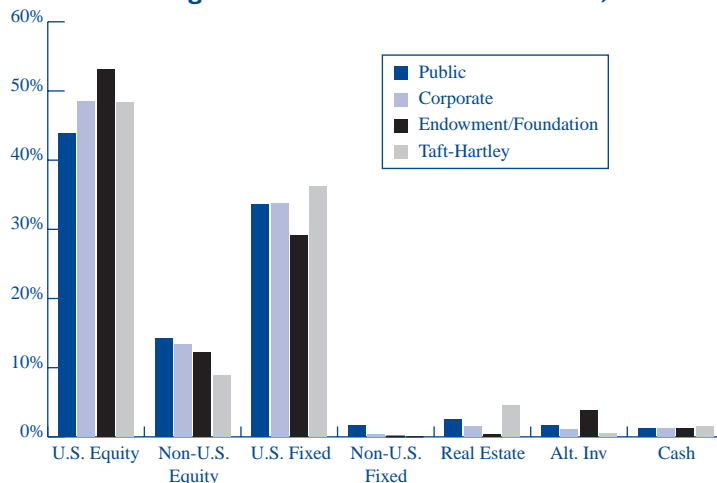
With the equity markets both at home and abroad advancing in the second quarter, those fund sponsors with more aggressive asset allocations (i.e., more equity exposure) came out on top. With an average public equity allocation of 65%, the median endowment/foundation fared the “best,” down 0.03% for the quarter. Despite their less aggressive equity allocations, corporate (62%), public (58%), and Taft-Hartley plans (57%) weren’t far behind, declining 0.09%, 0.04%, and 0.05% in the median case, respectively.

Callan’s balanced manager groups generally maintain well-diversified portfolios and attempt to add value by underweighting or overweighting asset classes, as well as through stock selection. In the recent quarter, both global and domestic balanced managers beat their static 60% equity and 40% fixed-income benchmarks.

Callan Style Group Returns – Second Quarter 2004



Average Asset Allocation as of March 31, 2004



DIVERSIFIED ACCOUNT DATABASE

Style Median and Index Returns* for Periods ended June 30, 2004

| Plan Sponsor | Last Quarter | Last 1/2 Year | Last Year | Last 3 Years | Last 5 Years | Last 10 Years |
|--------------------------------------|--------------|---------------|-----------|--------------|--------------|---------------|
| <i>Public Database</i> | -0.04 | 2.87 | 14.96 | 4.42 | 3.91 | 9.59 |
| <i>Corporate Database</i> | -0.09 | 2.79 | 14.95 | 4.06 | 3.80 | 10.37 |
| <i>Endowment/Foundation Database</i> | -0.03 | 3.20 | 16.10 | 3.98 | 3.93 | 10.27 |
| <i>Taft-Hartley Database</i> | -0.05 | 2.67 | 13.59 | 3.94 | 3.88 | 9.63 |
| Diversified Manager | | | | | | |
| <i>Asset Allocator Style</i> | 0.04 | 2.30 | 13.41 | 1.40 | 1.95 | 10.27 |
| <i>Domestic Balanced Database</i> | 0.18 | 2.48 | 12.22 | 2.82 | 3.12 | 10.25 |
| <i>Global Balanced Database</i> | -0.16 | 2.92 | 18.77 | 6.17 | 5.24 | 10.47 |
| 60% S&P 500 + 40% LB Aggregate | 0.06 | 2.14 | 11.40 | 2.79 | 1.96 | 10.51 |
| 60% MSCI World + 40% Citi World Govt | -0.81 | 1.49 | 16.44 | 6.00 | 2.32 | 7.39 |

* Returns less than one year are not annualized.

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