

OVERVIEW OF GLOBAL MARKETS

Market Commentary

Global equity markets rebounded in the third quarter, posting strong returns as long-term interest rates declined and the U.S. dollar cheapened. The gains reversed second quarter losses, and have brought almost all domestic and global stock market indices back into the black for the year. Equities were fueled by strong corporate balance sheets and a favorable sentiment amongst investors, many of whom believe the Federal Reserve will soon act with additional stimulus measures in order to avert a double dip recession. The majority of performance was driven by September's strong return, which was the best S&P 500 return for September since 1939. International equity markets outpaced the U.S. (in dollar terms) for the quarter, benefitting from a weaker dollar.

Economic data remains mixed on several fronts as the deleveraging cycle continues, with unemployment still high, real estate prices stagnant, and inflation nonexistent. Corporate earnings growth remains robust, however, benefitting from cost-cutting measures enacted over the past few years.

Gold continues to do quite well, hitting all time highs in late September as investors continue to fear a debasement of global currencies. Broad commodities also exhibited strong returns as prices were pushed higher by weakness in the U.S. dollar.

Bonds extended their rally as interest rates declined and credit spreads narrowed. Retail investors continue to flock to the asset class at the expense of equities. In the Treasury market, yields dropped across all maturities with the yield on the benchmark ten-year note dropping from 2.9% at the start of the quarter to 2.5% by the quarter's end. A lack of inflation has allowed the Federal Reserve to keep short-term rates low and instill confidence in bond investors.

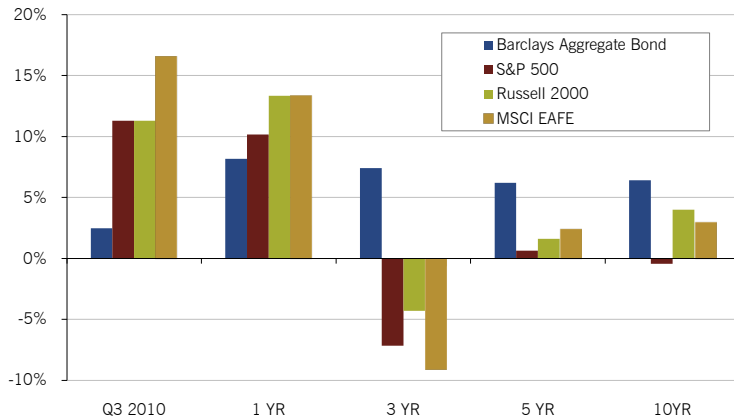
INDEX	3RD QTR RETURN	YTD RETURN	1-YEAR RETURN	3-YEAR RETURN*
Equity				
U.S. Equity				
S&P 500	11.29%	3.89%	10.16%	(7.16%)
Russell 1000	11.55%	4.41%	10.75%	(6.79%)
Russell 1000 Value	10.13%	4.49%	8.90%	(9.39%)
Russell 1000 Growth	13.00%	4.36%	12.65%	(4.36%)
Russell 2000	11.29%	9.12%	13.35%	(4.29%)
Russell 2000 Value	9.72%	7.92%	11.84%	(4.99%)
Russell 2000 Growth	12.83%	10.23%	14.79%	(3.75%)
International Equity				
MSCI EAFE	16.53%	1.46%	3.71%	(9.06%)
MSCI EAFE Value	16.43%	(1.48%)	(1.15%)	(10.16%)
MSCI EAFE Growth	16.62%	4.39%	8.78%	(8.02%)
MSCI Europe	19.40%	(0.07%)	3.23%	(9.79%)
MSCI Japan	5.89%	3.09%	0.25%	(9.95%)
MSCI EAFE Small Cap	17.56%	9.44%	8.35%	(6.52%)
MSCI Emerging Markets	18.16%	11.02%	20.54%	(1.20%)
Alternative Equity				
HFR Fund of Funds Composite	3.36%	2.11%	3.61%	(3.01%)
HFR Equity Hedge	5.62%	3.46%	6.47%	(1.65%)
Real Assets				
DJ Wilshire Global Real Estate	18.11%	15.83%	20.60%	(9.45%)
DJ UBS Commodity	11.61%	0.90%	10.01%	(6.84%)
Gold Spot	5.32%	19.27%	29.83%	20.72%
Arbitrage/Credit Strategies				
HFR Fund of Funds Conservative	2.99%	3.16%	4.29%	(2.73%)
Barclays U.S. Corporate High Yield	6.71%	11.53%	18.44%	8.75%
JPM Emerging Local Markets	8.57%	5.23%	6.33%	5.68%
Fixed Income				
Barclays U.S. Aggregate Bond	2.48%	7.94%	8.16%	7.42%
Barclays U.S. Treasury	2.73%	8.74%	7.32%	7.43%
Barclays U.S. Credit	4.65%	10.53%	11.67%	8.30%
Barclays Municipal Bond	3.40%	6.83%	5.81%	6.04%
Citi 3-Month Treasury Bill	0.04%	0.09%	0.12%	1.01%

* Three-year annualized return.

HISTORICAL MARKET RETURNS

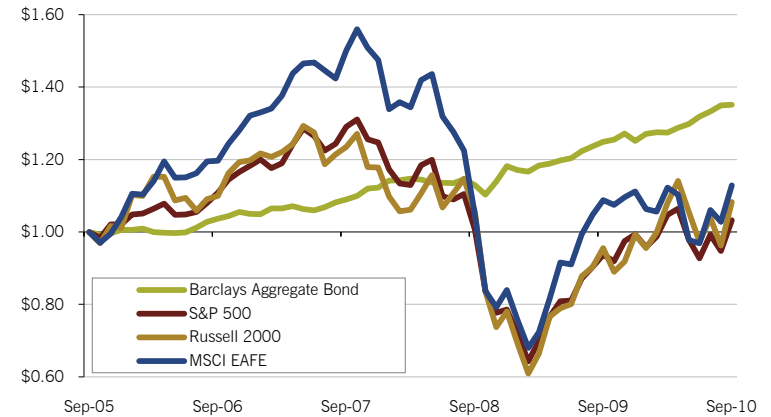
TRAILING PERIOD RETURNS THROUGH Q3 2010

The past decade was one of the worst in history for stocks, especially U.S. large cap equities. Bonds have been one of the few asset classes to have exhibited successful performance in the past five and ten-year periods.



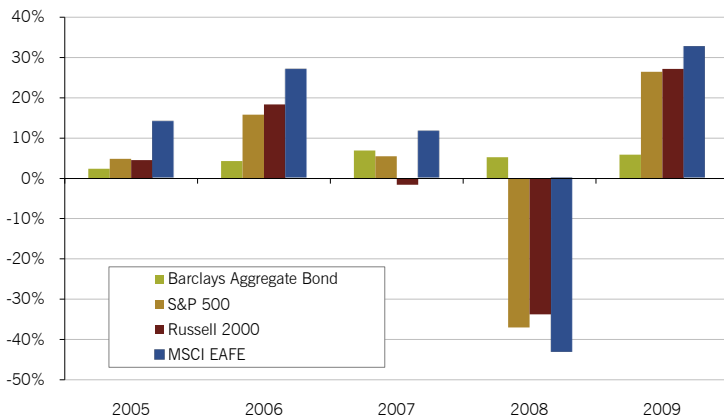
GROWTH OF \$1 OVER PAST FIVE YEARS

Over the trailing five-year period, bonds, as illustrated by the growth of a dollar, have been a steady performer, while equities have endured significant amounts of volatility.



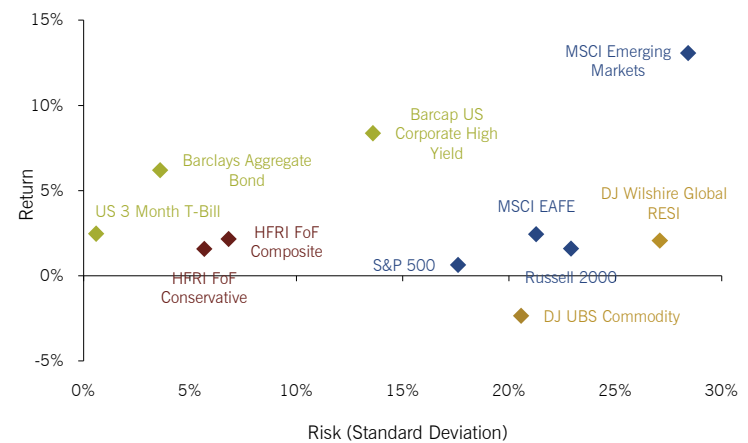
ANNUAL RETURNS 2005 - 2009

Following some of the steepest annual declines on record in 2008, nearly all asset classes rallied substantially in 2009 as economic recovery took hold. However, equity indices have not yet recouped all of their losses.



FIVE-YEAR ANNUAL RISK VS. RETURN

Other than bonds and emerging market equities, not much has been wildly successful over the past five-year period. This period, of course, has included dramatic asset class rallies and busts.



GLOBAL ECONOMIC DATA

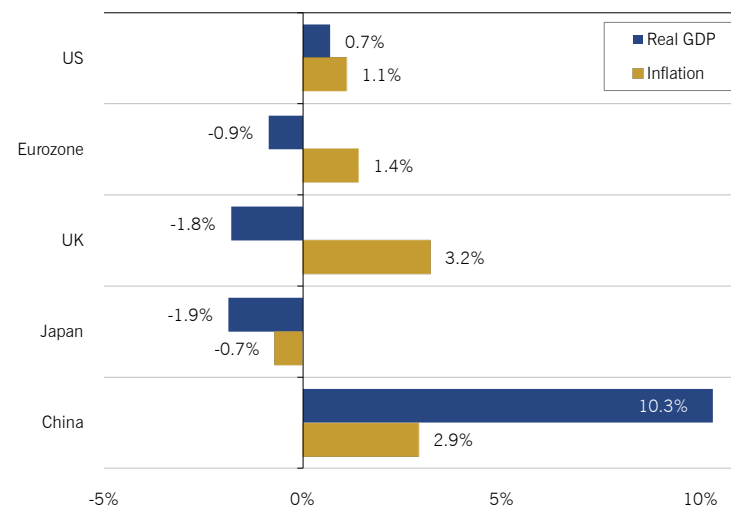
GLOBAL ECONOMIC COMMENTARY

The U.S. economy, as measured by real GDP, grew at 1.7% in the second quarter of 2010, its fourth consecutive quarter of positive growth since coming out of recession. Economists expect to continue to see gradually improving, albeit below trend, economic growth heading into 2011. As such, little reduction in the unemployment rate is expected.

The Fed continues to keep interest rates at record lows as the recovery gains traction. Many expect the Fed may enact further quantitative easing measures (QE2), given their dissatisfaction with the pace of growth and low levels of inflation.

Growth in the Eurozone is expected to remain tepid, though there are stark contrasts among Eurozone members. For example, Spain's economy is expected to contract for all of 2010, while Germany is projected to have solid growth.

YEARLY % CHANGES -- REAL GDP VS. INFLATION



PROJECTED ECONOMIC GROWTH

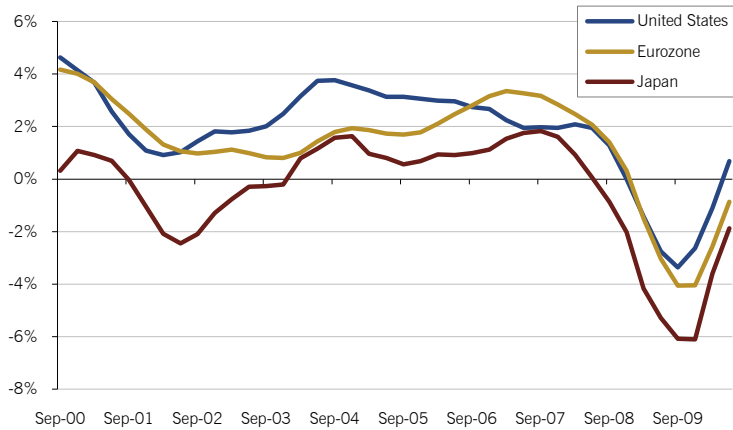
INFLATION AND INTEREST RATES AS OF SEPTEMBER 30, 2010

Country/Region	REAL GDP (Year-over-Year % Change)				INFLATION (Year-over-Year % Change)				3-MONTH INTEREST RATES (Year-End)					10-YEAR INTEREST RATES (Year-End)				
	2008	2009	2010 est	2011 est	2008	2009	2010 est	2011 est	2008	2009	Current	2010 est	2011 est	2008	2009	Current	2010 est	2011 est
North America																		
United States	0.0%	(2.6%)	2.7%	2.5%	0.1%	2.7%	1.6%	1.5%	0.1%	0.0%	0.1%	0.3%	0.6%	2.2%	3.8%	2.5%	2.6%	3.1%
Europe																		
Eurozone	0.3%	(4.0%)	1.6%	1.5%	1.6%	0.9%	1.5%	1.5%	2.9%	0.7%	0.9%	1.4%	1.2%	3.7%	3.6%	2.6%	2.6%	2.8%
UK	(0.1%)	(5.0%)	1.6%	1.8%	3.1%	2.9%	3.1%	2.6%	2.8%	0.6%	0.7%	1.3%	0.3%	3.7%	4.1%	3.0%	3.1%	3.4%
Asia																		
Japan	(2.0%)	(6.1%)	2.9%	1.4%	0.4%	(1.7%)	(0.9%)	(0.4%)	0.8%	0.3%	0.2%	0.6%	0.1%	1.2%	1.4%	1.0%	1.1%	1.2%
China	9.6%	9.1%	10.0%	9.1%	1.2%	1.9%	3.0%	3.2%	0.9%	1.6%	2.2%	2.1%	2.5%	1.7%	4.1%	3.2%	N/A	N/A

GLOBAL ECONOMIC TRENDS

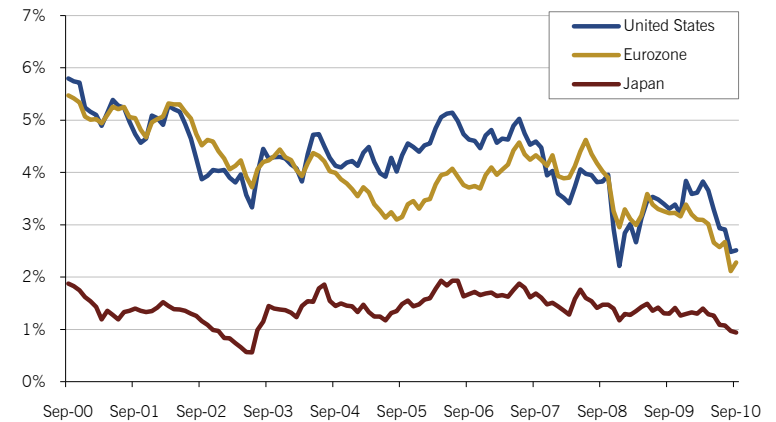
GDP YEAR-OVER-YEAR GROWTH

U.S. GDP continues to recover after a steep contraction during 2009, the worst full-year contraction since 1946. The pace of economic recovery, however, is very modest as compared to prior post-recessionary periods.



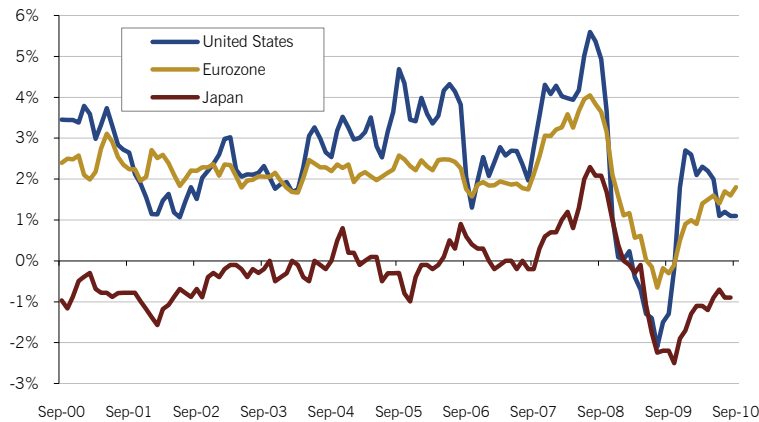
TEN-YEAR GOVERNMENT BOND YIELDS

U.S. ten-year Treasury yields hovered around 2.5% as bond markets have had little to worry about regarding inflation and are anticipating further quantitative easing from the Federal Reserve.



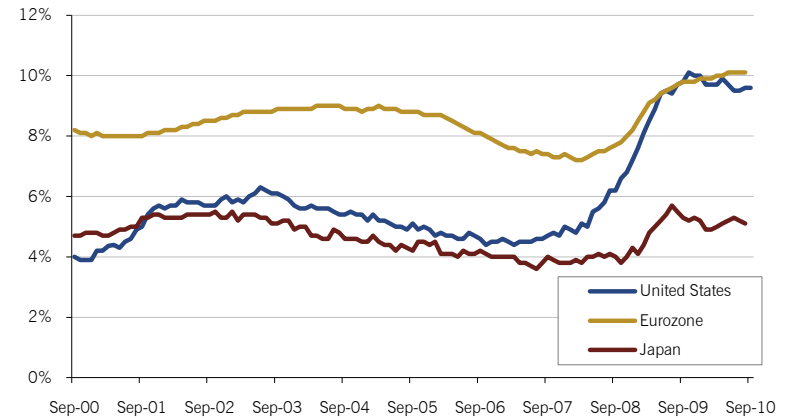
INFLATION (YEAR-OVER-YEAR)

Economists project U.S. inflation will remain in check throughout 2010-2011 due to slack in the labor markets and soft shelter costs. A severe deflationary spiral is probably not a high probability, however.



UNEMPLOYMENT

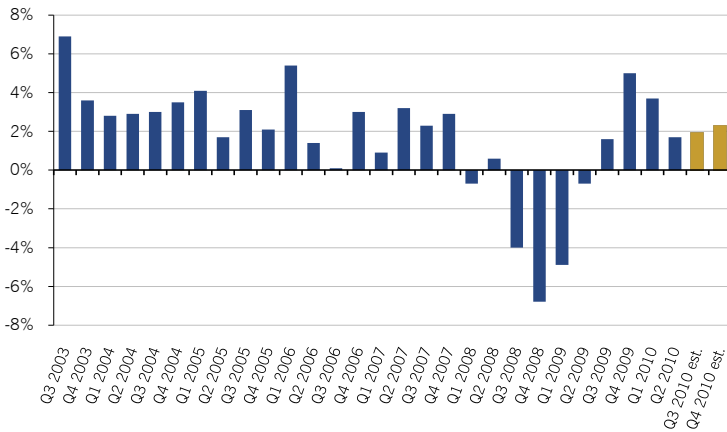
The U.S. unemployment rate has equaled or exceeded 9.5% for 14 consecutive months, the longest span at such high levels of joblessness on record.



U.S. ECONOMIC TRENDS

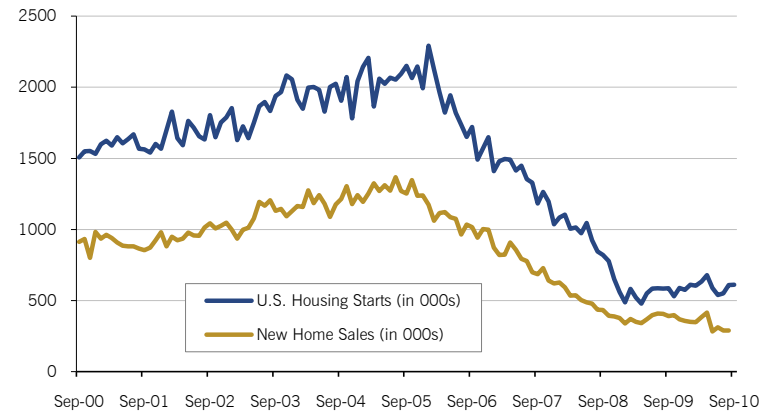
U.S. REAL GDP QUARTERLY ANNUALIZED % CHANGE

U.S. real GDP grew at a sluggish annual rate of 1.7% in the second quarter. Continued slow growth is expected for the remainder of 2010 and into 2011 as high unemployment will likely constrain consumer spending.

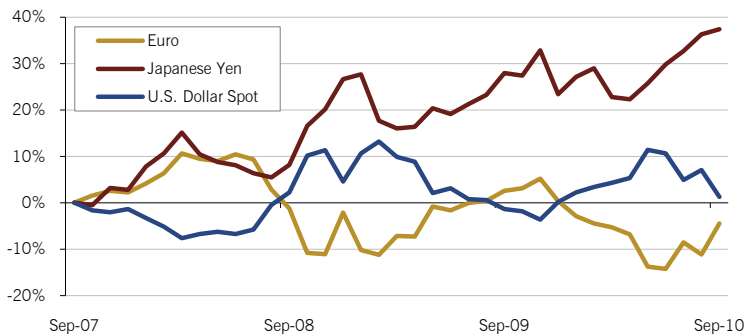


U.S. HOUSING STARTS AND NEW HOMES

Despite record-low mortgage rates, sales for new homes have faltered since the expiration of the new homebuyer tax credit program and are well below levels seen during the boom years.



APPRECIATION VS. U.S. DOLLAR OVER PAST THREE YEARS

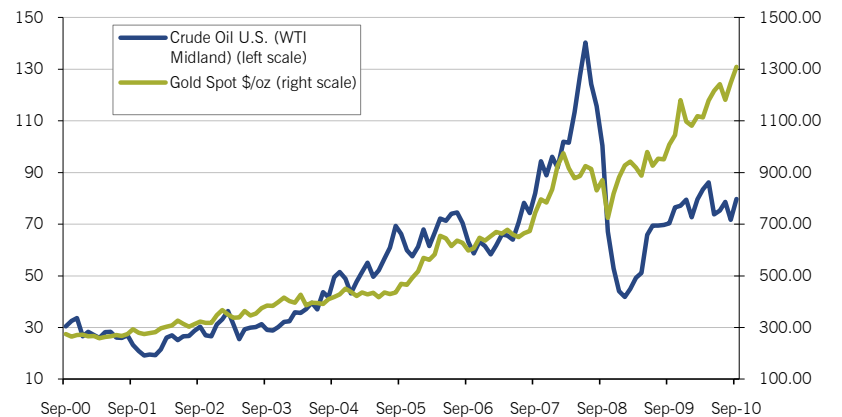


EXCHANGE RATES FOR MAJOR CURRENCIES

Currency	12/31/08	12/31/09	9/30/10
Euro (in U.S. dollars)	1.3971	1.4321	1.3634
Japanese Yen (per USD)	90.64	93.02	83.53
U.S. Dollar Index (DXY)	81.31	77.86	78.72

COMMODITY PRICES

Gold touched record highs in the third quarter, finishing above \$1,300/oz. Oil has been held in check by high inventories and stable, but not increasing, demand.



U.S. FIXED INCOME

U.S. FIXED INCOME COMMENTARY

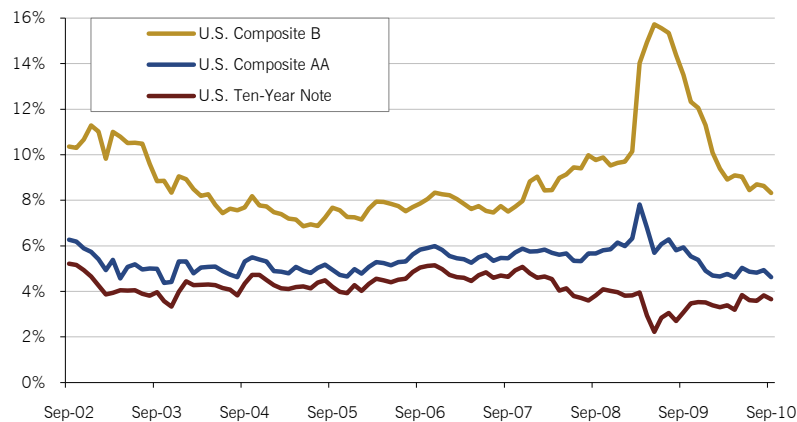
The Treasury yield curve shifted lower from the prior quarter as investors continued to pour cash into bond funds. The curve remains at some of the steepest levels ever seen as yields of longer-dated maturities are well above shorter-term rates. The slope between the two-year and ten-year Treasury ended the quarter at 209 basis points.

The Fed continues to maintain a zero percent short-term interest rate policy, enticing many investors to reach for yield. That, along with improved corporate balance sheets, has helped risk assets such as high yield corporate debt continue to post strong returns.

Spreads in the corporate credit markets tightened slightly and are well below the extreme levels seen in November 2008. The tightening reflects declining default rates and investors who are more confident in slow yet positive economic growth.

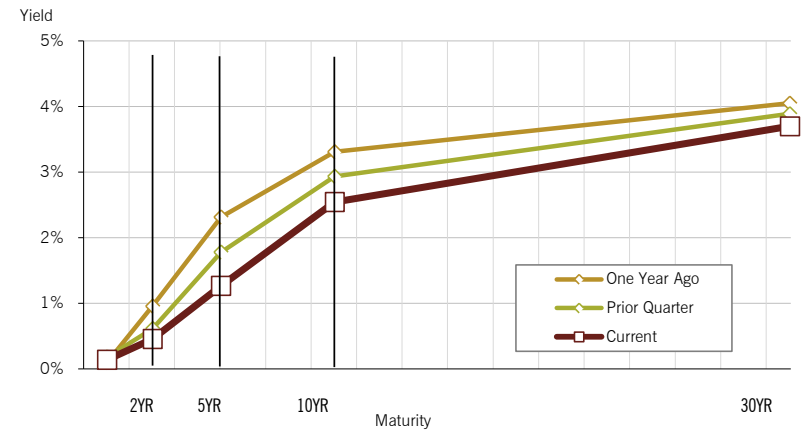
U.S. HISTORICAL BOND YIELDS

Credit spreads (the gap between the yields of lower quality and investment grade bonds) continue to tighten as corporate bond investors have become more comfortable with the idea of a slowly improving economy.



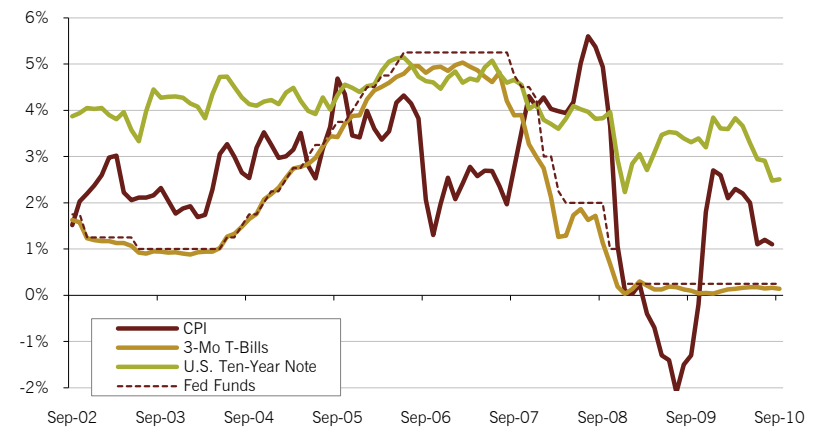
U.S. TREASURIES YIELD CURVE

The benchmark of the U.S. Treasury yield curve, the ten-year note, yielded 2.52% at the end of September, well below the 2.94% yield at the end of the prior quarter and the 3.31% yield a year ago.



U.S. T-BILL, INFLATION, AND FEDERAL FUND YIELDS

The Fed continues to keep short-term interest rates near zero and has indicated it will do so for an "extended period." Inflation as measured by CPI remains well-contained.



U.S. EQUITY

U.S. EQUITY COMMENTARY

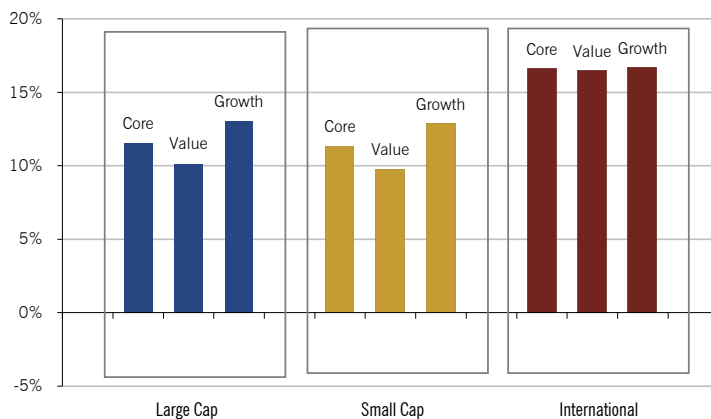
Domestic stocks rose sharply in the third quarter, with much of the increase coming from the strong performance in September. The gains in the quarter brought all domestic indices into the black for the year, as well as most of the S&P 500 sectors.

Dispersion amongst the returns in different segments continued to be relatively muted. Large cap stocks outperformed small cap stocks by a narrow margin, while growth modestly outgained value. In addition to the lack of dispersion between market cap and style, there were limited differences amongst sectors. Materials and telecom were the strongest sectors, while health care and financials lagged.

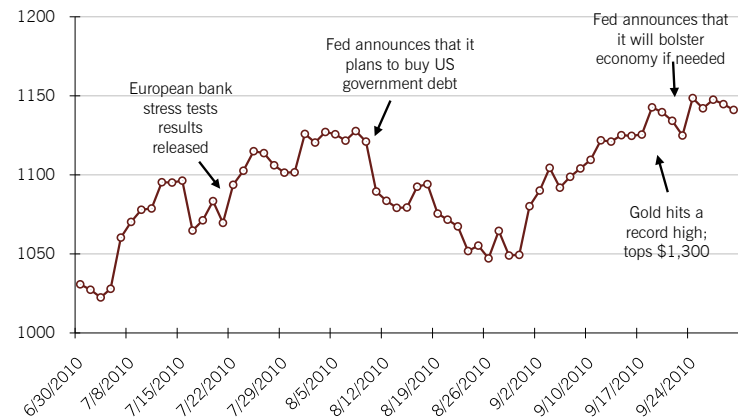
Despite the rally, smaller investors continue to head for the exit. According to fund flow data from the Investment Company Institute, investors have pulled dollars out of equity funds for five consecutive months. Furthermore, trading volume has been relatively light.

Q3 2010 PERFORMANCE: VALUE VS. GROWTH

Regardless of market style or capitalization, domestic stocks posted strong returns in the third quarter. International stocks outperformed, particularly in U.S. dollar terms.

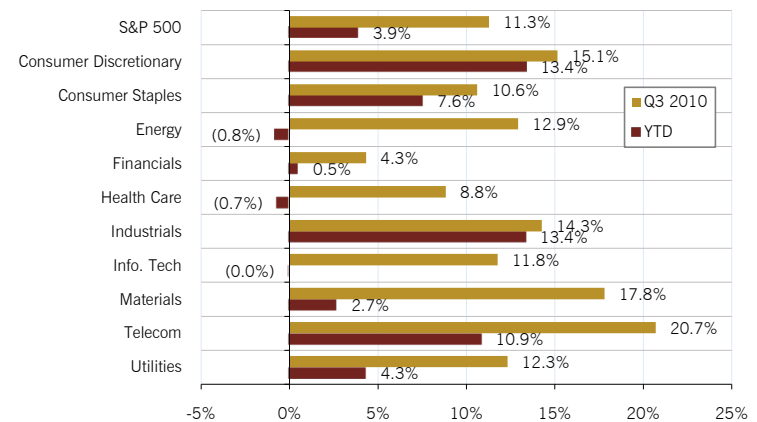


Q3 2010 PERFORMANCE: S&P 500 INDEX



Q3 2010 S&P 500 INDEX: PERFORMANCE BY SECTOR

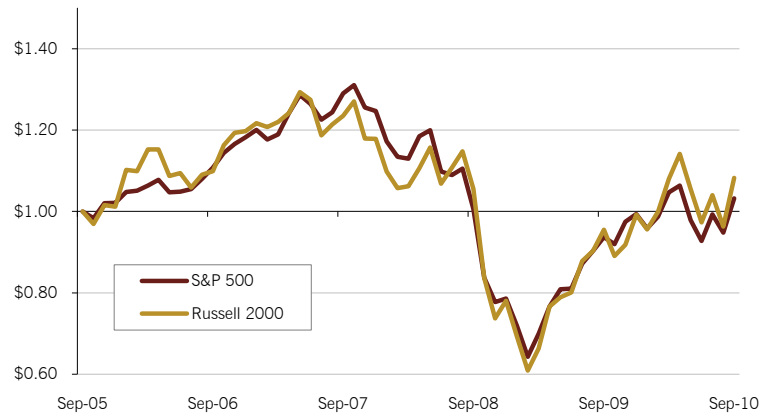
All sectors produced strong positive returns in Q3 and eight of the ten sectors produced returns in excess of 10%. Telecom and materials were the strongest performers, while health care and financials were the weakest.



U.S. EQUITY

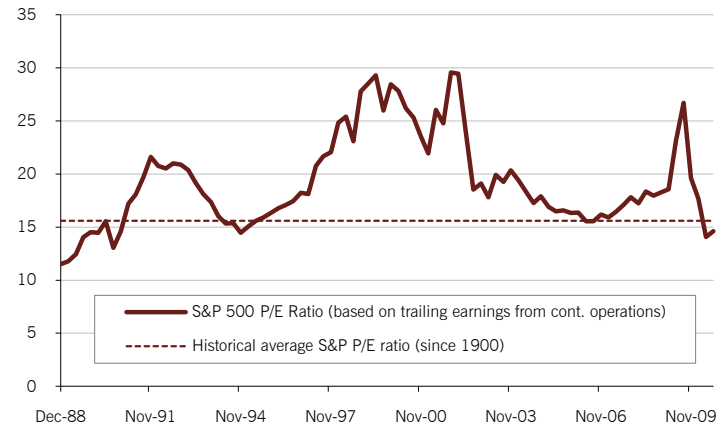
LARGE CAP VS. SMALL CAP -- GROWTH OF \$1

Over the past five years there has been little divergence in performance between U.S. small cap equities and their large cap brethren. Despite huge swings, they are both just about where they started (including dividends).



S&P 500 P/E RATIO

The price-earnings (P/E) ratio based on trailing 12-month earnings from continued operations, a commonly used tool for determining whether stocks are reasonably priced, is slightly below its historical average.



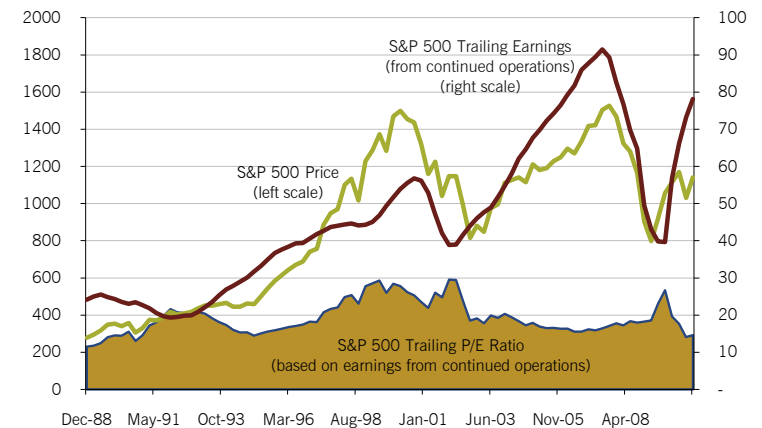
S&P 500 METRICS

Valuations (as measured by price-earnings ratios) have become much more reasonable in the past year as earnings have rebounded at a much faster pace the prices.

Statistic	5 Years Ago	3 Years Ago	1 Year Ago	Current
S&P 500 Index				
Price	1228.8	1526.8	1057.1	1141.2
Dividend Yield	2.0%	1.8%	2.4%	1.9%
P/E Ratio (TTM Operating Earnings)	16.6	17.1	26.7	14.6
Trailing 12-Month (TTM) Op Earnings	74.2	89.3	39.6	78.1
Trailing Yr-over-Yr Earnings Growth	14.9%	3.9%	(38.9%)	97.2%
U.S. Yields				
Three-Month T-Bill Yield	3.4%	3.9%	0.1%	0.1%
Ten-Year Treasury Yield	4.3%	4.7%	3.3%	2.5%
AA Corporate Yield	5.1%	5.8%	4.7%	3.6%

S&P 500 PRICE AND EARNINGS

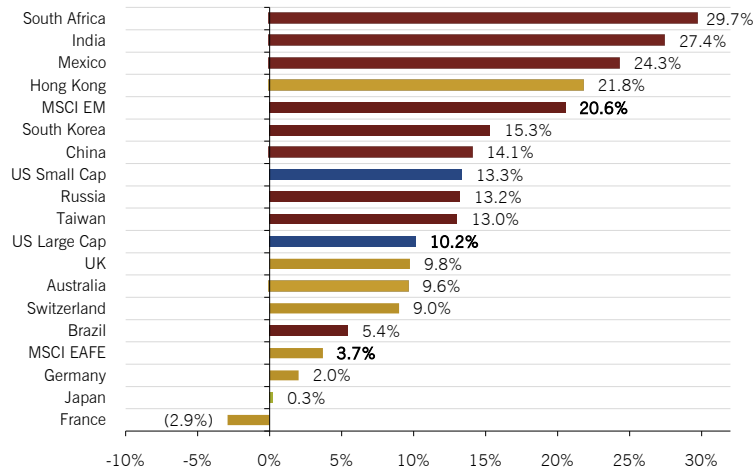
Earnings and profits continue to rebound as companies have improved worker productivity and managed their costs. Future performance, however, may depend on jobs growth and increased consumer spending.



GLOBAL EQUITY

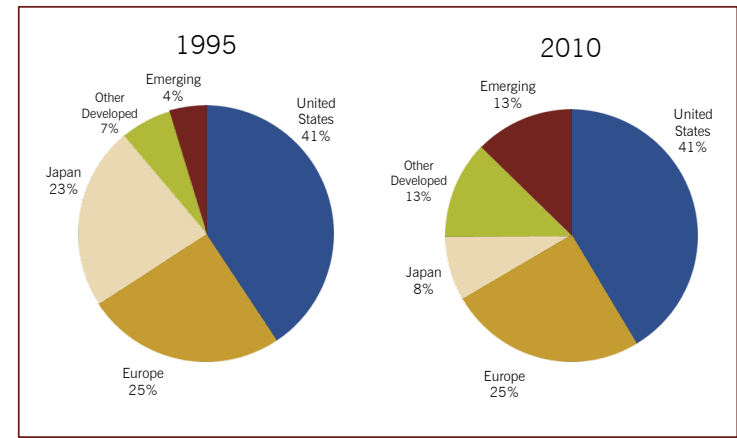
TRAILING ONE-YEAR GLOBAL EQUITY RETURNS

Generally speaking, emerging equity markets have outpaced developed markets over the past year. Within developed markets, the U.S. has outgained most MSCI EAFE countries.



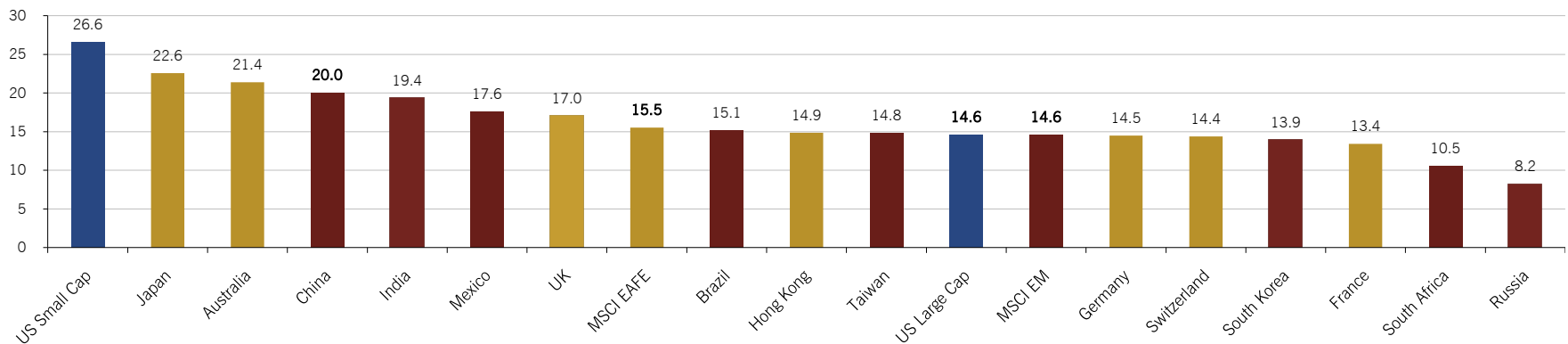
GLOBAL MARKET CAPS

Global equity market capitalization shifted dramatically away from Japan in the late 1990s. More recently, the market capitalization of emerging market countries has increased significantly.



GLOBAL P/E RATIOS

The P/E ratios illustrated below are based on trailing 12-month earnings from continued operations. While there are many manners of calculating P/E ratios, stocks in many regions generally appear to be near or even below historical valuations.



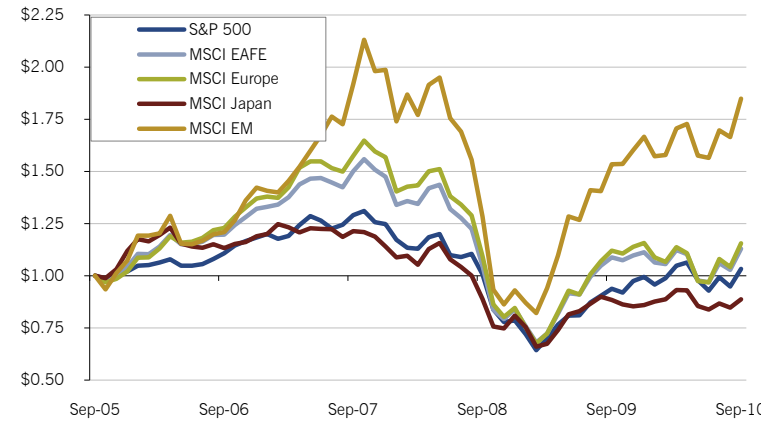
INTERNATIONAL EQUITY

INTERNATIONAL EQUITY COMMENTARY

International equity markets gained strongly in September as investors were comforted by solid corporate earnings, positive key economic releases in several regions, and accommodative central bank policies which could foster further economic expansion. A declining U.S. dollar compounded the positive international equity returns in USD terms.

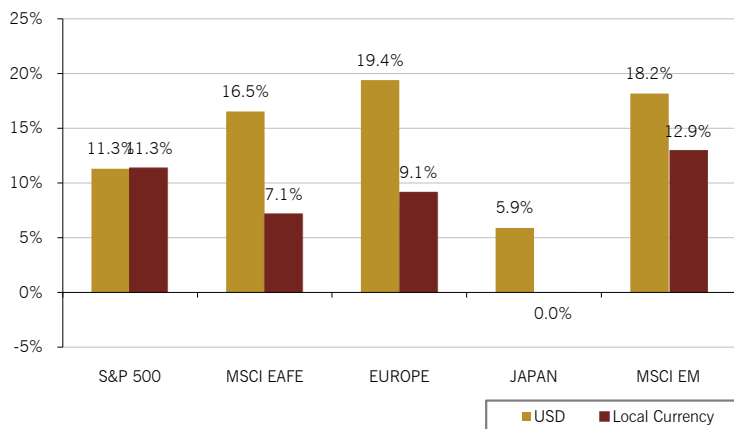
Emerging market equities performed even more strongly during the quarter. Chinese export and manufacturing data remained healthy. Latin America benefited from stronger commodity prices, India moved close to its record high, and Russian stocks gained from energy and agricultural related issues.

GROWTH OF \$1 OVER PAST FIVE YEARS



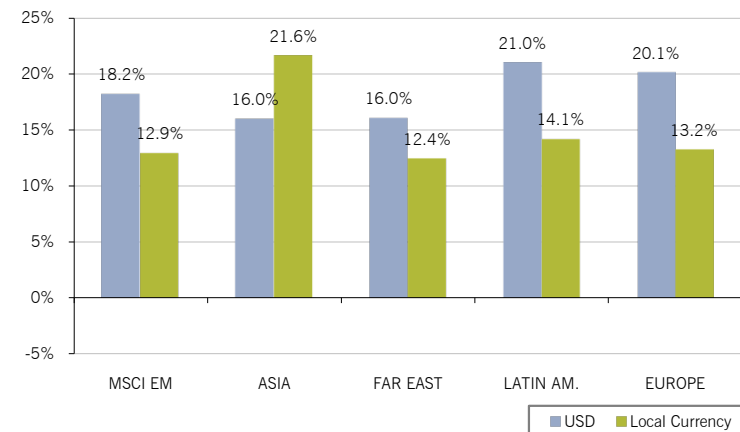
Q3 2010 PERFORMANCE: GLOBAL MARKETS

Led by banks and energy companies, developed European stock markets outperformed other areas. The decline of the USD against most major currencies also helped lift foreign indices higher (in USD terms).



Q3 2010 PERFORMANCE: EMERGING MARKETS

Emerging market equities rebounded from losses in Q2 with strong gains in many countries, pushing index levels back towards record highs set almost three years ago.



HEDGE FUNDS

HEDGE FUND COMMENTARY

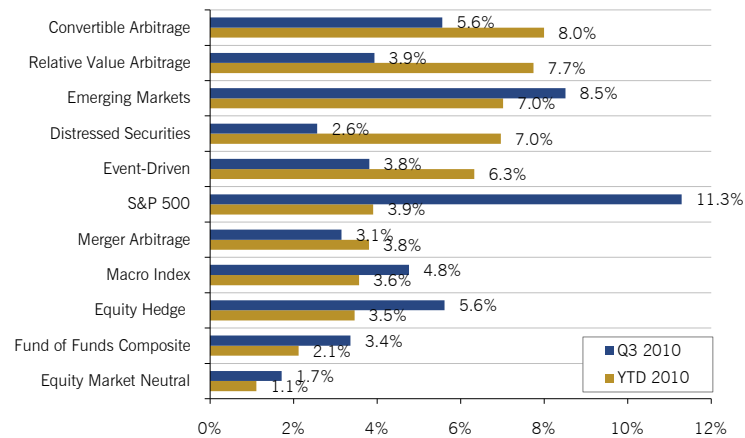
Hedge funds posted solid gains in the third quarter, especially in September as credit and stock markets recorded strong rallies worldwide. Most managers remain conservatively positioned with regards to net exposures, however, and as such trailed equity market returns in Q3. Nevertheless, on a trailing one-year basis, the ability to hedge and profit from short portfolios has allowed hedge funds to experience significantly less volatility than traditional equities.

Equity-oriented funds continue to be long-biased, but most managers have kept gross and net exposures low due to nervousness of another potential market drop.

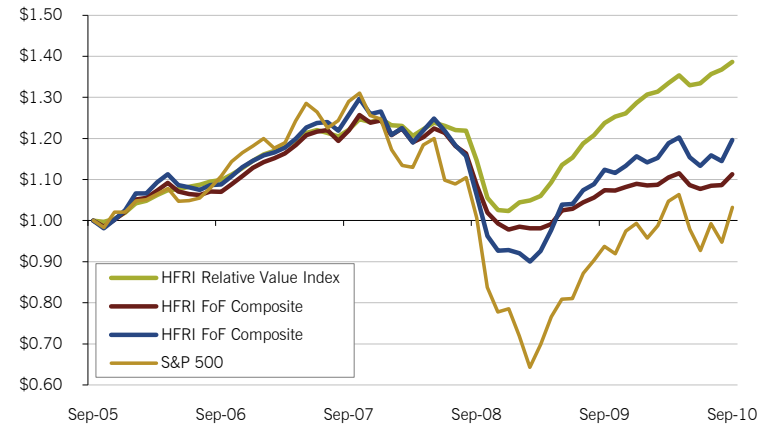
Emerging markets was the top performing strategy for the quarter, as policies implemented by China, India, and Brazil to control inflation without decimating growth appear to be working better than originally anticipated.

Q3 2010 HEDGE FUND PERFORMANCE

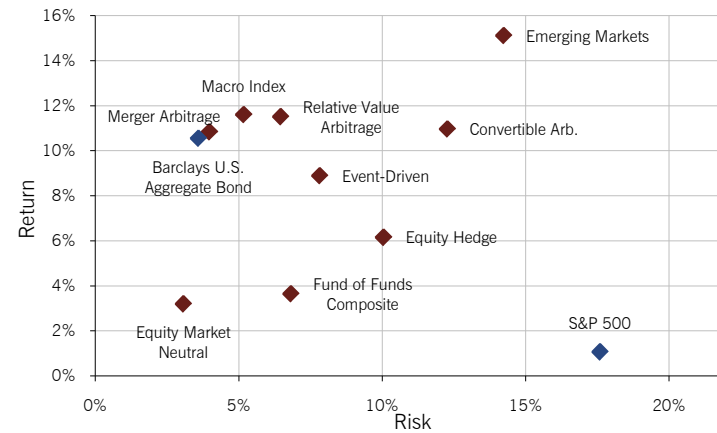
Hedge funds posted solid gains during the quarter but lagged long only equity indices.



GROWTH OF \$1 OVER PAST FIVE YEARS



FIVE-YEAR ANNUALIZED RISK VS. RETURN



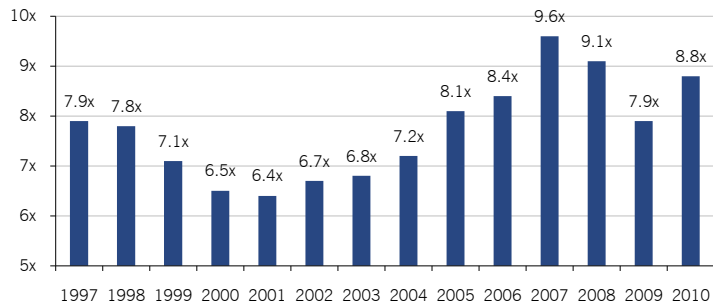
PRIVATE EQUITY

PRIVATE EQUITY COMMENTARY

Private equity valuations continue to rebound as company fundamentals have improved since the 2008/2009 financial crisis. Deal activity is accelerating, especially as compared to last year. The pick-up in transaction activity is due in part to improving fundamental factors (improving credit markets and a narrowing of bid/ask spreads) but also as a result of managers being under pressure to deploy dry powder.

The next 12-24 months could be attractive from an acquisition standpoint, but there are plenty of dollars chasing deals. Return expectations for some segments may need to be tempered as compared to previous post-recessionary periods (which historically have produced among the best vintage years) as managers have a large capital overhang to work through which could increase competition for transactions and put pressure on pricing.

U.S. LBO ACQUISITION MULTIPLES (PURCHASE PRICE/EBITDA)



U.S. FUNDRAISING STATISTICS (DOLLARS IN BILLIONS)					
Sector	2006	2007	2008	2009	2010 YTD
Buyouts	\$183.0	\$258.9	\$195.5	\$53.7	\$41.4
Mezzanine	\$21.0	\$8.3	\$43.1	\$3.3	\$5.4
Venture	\$31.9	\$40.9	\$28.7	\$13.0	\$8.9
Fund of Funds	\$24.7	\$32.8	\$23.0	\$8.3	\$4.1
Other	\$7.8	\$6.7	\$9.6	\$17.5	\$8.5
TOTAL	\$268.4	\$347.6	\$299.9	\$95.8	\$68.3

U.S. PRIVATE EQUITY PERFORMANCE

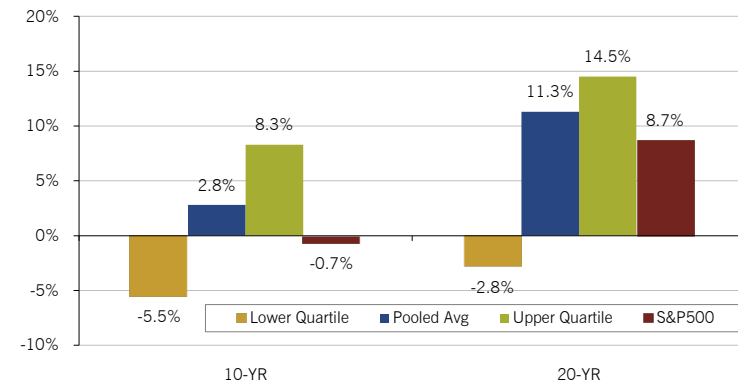
INVESTMENT HORIZON POOLED IRR AS OF 03/31/10

Sector/Stage	1st Qtr Return	1 Yr Return	5 Yr Return	10 Yr Return	20 Yr Return
Early Stage VC	0.3%	4.0%	1.0%	(3.6%)	24.4%
Later Stage VC	6.7%	19.3%	8.3%	0.3%	15.5%
All Venture	2.6%	11.5%	4.6%	(1.5%)	17.8%
Small Buyouts	4.7%	0.0%	4.4%	3.3%	11.8%
Medium Buyouts	6.1%	12.8%	8.1%	2.7%	10.9%
Mega Buyouts	4.6%	20.0%	4.9%	4.2%	7.8%
All Buyouts	4.6%	19.4%	5.4%	4.0%	9.0%
Mezzanine	1.2%	4.0%	2.7%	2.3%	6.7%
All U.S. Private Equity	4.4%	21.9%	5.8%	2.8%	11.3%
European Private Equity	9.4%	7.7%	6.5%	5.2%	8.9%
S&P 500	5.4%	49.8%	1.9%	(0.7%)	8.7%
Russell 2000	8.9%	62.8%	3.4%	3.7%	8.9%

Source: Thomson Reuters. Return data generally is available with an approximate four month lag.

U.S. PRIVATE EQUITY IRR QUARTILE PERFORMANCE

Private equity returns, particularly for upper quartile partnerships, have historically outperformed public equities as the private equity market is relatively inefficient, and managers, who face little public market pressure, typically have their interests more closely aligned to those of investors.



REAL ASSETS

REAL ASSETS COMMENTARY

Despite a lack of inflation, commodity prices bounced back in the third quarter on continued strong demand from emerging markets. The agriculture sector was especially strong, buoyed by supply fears.

Gold continues to be sought out by many investors as a hedge against paper currencies in the face of government debt burden concerns. A lack of inflation pressures and recently strong equity markets may have reduced recent buying demand for the yellow metal in Q3, however.

Real estate investment trusts were one of the best performing asset classes during the quarter, and have well outpaced equity markets over the past year (though they did fall much more in 2007-2008). Yields, while near historically low levels, are still high relative to those available in the fixed income markets.

REAL ASSETS INDEX ANNUAL RETURNS

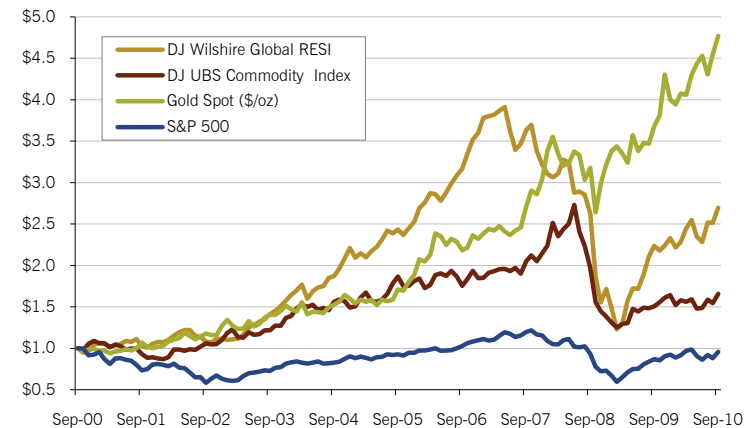
Year	DJ Wilshire Global RESI Index	DJ UBS Commodity Index	Gold Spot (\$/oz)	S&P 500
1994	(14.27%)	16.61%	(1.92%)	1.31%
1995	11.05%	15.21%	1.02%	37.43%
1996	31.29%	23.16%	(5.01%)	23.07%
1997	(5.20%)	(3.39%)	(21.39%)	33.36%
1998	(14.27%)	(27.03%)	(0.28%)	28.58%
1999	2.02%	24.35%	(0.09%)	21.04%
2000	17.56%	31.84%	(5.47%)	(9.11%)
2001	3.50%	(19.51%)	2.46%	(11.88%)
2002	3.53%	25.91%	24.77%	(22.10%)
2003	41.08%	23.93%	19.37%	28.70%
2004	40.05%	9.15%	5.54%	10.87%
2005	14.43%	21.36%	17.92%	4.91%
2006	42.46%	2.07%	23.15%	15.80%
2007	(10.69%)	16.23%	30.98%	5.49%
2008	(46.70%)	(35.65%)	5.77%	(37.00%)
2009	35.91%	18.91%	24.35%	26.46%
2010 YTD	15.82%	0.89%	19.27%	3.91%

REAL ASSETS INDEX TEN-YEAR HISTORICAL RETURNS

Statistic	DJ Wilshire Global RESI	DJ UBS Commodity Index	Gold Spot (\$/oz)	S&P 500
Compound Annual Return	10.43%	5.19%	16.91%	(0.43%)
Risk (Standard Deviation)	21.14%	17.53%	16.78%	16.41%
Correlation to S&P 500	0.74	0.34	0.02	1.00
Sharpe Ratio (3% Riskfree)	0.35	0.12	0.83	(0.21)

GROWTH OF \$1 OVER PAST TEN YEARS

Real assets are generally seen as providing a portfolio with several potential benefits, including a hedge against inflation, longer-term diversification from stocks and bonds, and, in certain segments, high income yields.



DISCLOSURE

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