

Market Commentary

O.U.C.H.! Oil, unemployment, credit, and housing dominated the headlines and investor sentiment for the first 10 months of 2008. However, what looked like the beginning of a typical bear market quickly escalated to global financial crisis of historic proportions. The market environment has been extraordinary as traditional and alternative investment managers faced challenges not seen since the 1930s.

The original source of the market dislocation began in the credit markets and steep declines in U.S. residential housing. Although many expected a softening of the U.S. and global economies as a result of the housing bubble, near panic set in after the collapse of Lehman Brothers and other high profile financial institutions. Investor fear deepened as the reality of a prolonged recession seemed imminent. Money markets “breaking a buck”, bank failures, “frozen” credit markets, a temporary ban on short selling, securities lending programs with collateral losses, and equity securities nose-diving seemed to overshadow the coordinated efforts of government sponsored financial rescue programs. With the equity markets already down 20% as of September, investor panic, market volatility, and financial problems abroad resulted in an additional 15%-20% loss in equities for the month of October.

Policy makers appear committed to providing intervention to help keep the system moving and stem investor fear, however, the road to economic recovery may be long. The recent Presidential election certainly helped remove one “unknown” from the market and will hopefully help begin restoring confidence in the system. We recognize that the market impact on portfolios year-to-date has been severe and acknowledge that it is easy to become distracted by these short-term declines, but it is our hope that clients maintain a long-term focus, rebalance assets to targets, and stay committed to their long-term investment goals.

Keep in mind that bear markets like the one we are currently experiencing do not last forever and at some point a catalyst will emerge to drive stock prices higher. Predicting the timing of such catalysts has proven to be impossible to do consistently, as they frequently come without warning, and at a moment of maximum pessimism. However, missing these market movements can dramatically hurt performance.

In the News

Rich Sichel, President of IPS, was recently profiled in the August 11, 2008 edition of the Money Management Letter, a publication of Institutional Investor, Inc. The profile discussed the use of hedge fund of funds by IPS for increased diversification in client portfolios as well as our recent asset allocation recommendation regarding high quality high yield. In the article Rich discusses the firm's intentions for long/short equity fund of funds allocations as well as the development of discretionary consulting services. The complete article can be accessed via our website at www.ips-net.com.

Index Update

Style	Index	October	YTD
US Equity	S&P 500	-16.8%	-32.8%
US Large Cap Growth	Russell 1000 Growth	-17.6%	-34.3%
US Large Cap Value	Russell 1000 Value	-17.3%	-32.9%
US Mid Cap	Russell Midcap	-22.4%	-37.5%
US Small Cap	Russell 2000	-20.8%	-29.0%
International Equity	MSCI EAFE	-20.2%	-43.5%
Core Fixed Income	Lehman Aggregate	-2.4%	-1.7%
High Quality High Yield	LB HY Ba + B 2%	-14.4%	-20.9%
Real Estate	NCREIF Open End Funds*	N/A	+1.2%
Hedge Fund of Funds	HFRI Fund of Funds*	-6.2%	-12.3%

*As of September 30, 2008

New at Investment Performance Services, LLC

IPS welcomes the following new clients:

- Operating Engineers Local 3 Benefit Funds (CA)
- MC-UA Local 119 Pension Fund (AL)

IPS welcomes the following new employees:

- Justin Adamson – Performance Analyst
- Darlene Edmond – Executive Assistant
- Penni Kirkland – Performance Analyst
- Greg White – Compliance Analyst



Speaker Spotlight

Rich Sichel will be speaking at the “54th Annual International Foundation of Employee Benefit Plans Conference” held in San Antonio, TX November 14-19, 2008. The session (#114) entitled, Basic Fiduciary Issues in Investments, will focus on the establishment of investment policy guidelines, determining the asset allocation mix, selecting investment vehicles, identifying conflicts of interest, and understanding fees. The presentation dates and times are Monday November 17th 10:30-11:45am and Tuesday November 18th 1:15-2:30pm.

Jennifer Mink will be speaking at the “Made in America 2009 Taft-Hartley Benefits Summit” held in San Juan, Puerto Rico January 25-27, 2009. The presentation entitled, Hedge Funds: Perilous Pitfalls or Boundless Opportunities?, will focus on how hedge funds have performed in the recent market environment, timing of hedge fund investments, advantages and restrictions of using hedge funds for diversification, and risk factors that trustees need to be aware of when making hedge fund investments. Attendees at the conference can hear Jennifer speak on Tuesday January 27th at 9:15am. Jennifer will also be presenting at the “32nd Annual National Labor & Management Conference” hosted in Hollywood, FL February 12-17, 2009 at the Westin Diplomat. Jennifer’s presentation, Selecting and Implementing Alternative Investments, will be held on February 16th and will discuss different alternative investment vehicles and what trustees need to consider when selecting investments for their funds.

Corporate Headquarters:

7402 Hodgson Memorial Drive, Suite 100
Savannah, GA 31406
(912) 352-2862

Philadelphia Office:

12 Penns Trail
Newtown, PA 18940
(267) 756-7005

New York City Office:

230 Park Avenue, Suite 1000
New York, NY 10169
(212) 808-6540

Chicago Office:

One South Dearborn, Suite 2100
Chicago, IL
(312) 212-4340

All material included in the IPS Perspective is for informational purposes only. The material contained herein is not offered as advice on any particular matter. The Firm and the contributing authors expressly disclaim all liability to any person in respect of anything and in respect of the consequences of anything done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents of the IPS perspective. Transmission of this information is not intended to create and receipt does not constitute a consultant-client relationship between IPS and the reader. No client or other reader should act or refrain from acting on the basis of any matter contained in the IPS Perspective without seeking the appropriate professional advice on the particular facts and circumstances at issue. IPS is not responsible for any third party content which can be accessed through the newsletter.



**INVESTMENT
PERFORMANCE
SERVICES, LLC**