

commonfund

Commonfund Forum Investor Outlook Survey™

2nd Annual Survey

March 2012



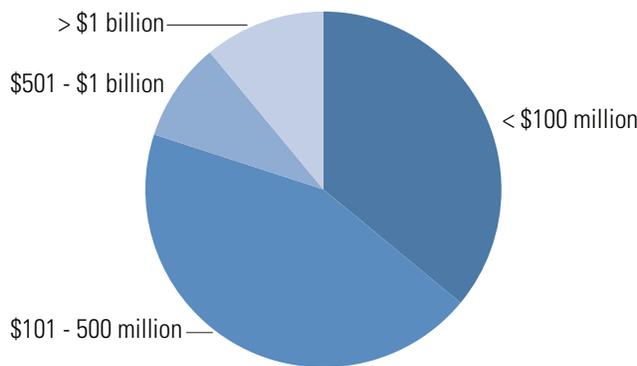
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Commonfund Forum Investor Outlook Survey

This year at Commonfund Forum we are pleased to present the findings of our 2nd annual Commonfund Forum Investor Outlook Survey™. The survey was anonymous and confidential and was fielded from February 29th through March 9th. We captured responses from 222 investors, representing a 40 percent response rate. Aggregate assets of those responding totaled \$239 billion.

Distribution of Respondents by Size

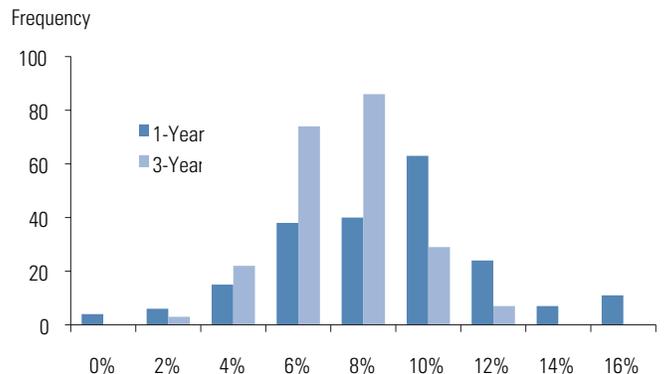


The survey asked registrants for their expectations of investment performance in 2012 and over the next three years. In this context we also asked participants how they expected allocations to specific strategies to change, and we asked about their greatest concerns over this period including specific tail risks.

Investment Expectations

Overall, investor expectations for 2012 are for the S&P 500 Index to return 8.3 percent (median response 9.0 percent); however, the dispersion of expected performance is wide with 25 percent of respondents expecting a return of five percent or less and 25 percent expecting a return of at least 10 percent. Investor expectations for average annual three year performance of the S&P 500 Index reflect lower expectations and a significantly narrower dispersion of responses. Average annual return expectations over the next three years for the S&P 500 Index are 6.8 percent with 72 percent of responses in the range of 5.0 to 8.0 percent.

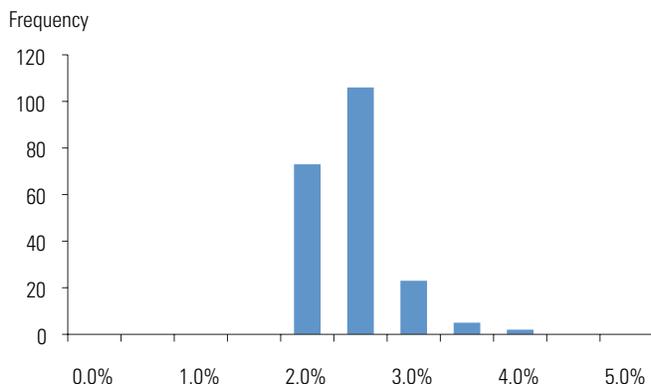
Expected Return | S&P 500 Index



Expectations for the yield on 10-year U.S. Treasury notes reflect a continued outlook for very low historical interest rates. 33 percent of respondents expect the 10-year Treasury yield to range between 1.5 and 2.0 percent at year-end while an additional 49 percent responded that they expected the yield

to be between 2.0 and 2.5 percent. The average expected yield is 2.2 percent.

10-Year Treasury Yield



Respondents overall view of their portfolio performance over the next one, three and five years are:

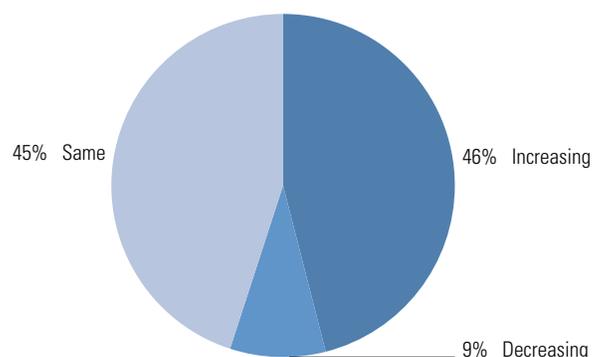
| | Average | Median |
|--------|---------|--------|
| 1 year | +7.4% | +8.0% |
| 3 year | +7.2% | +7.0% |
| 5 year | +7.6% | +7.0% |

Relative to the S&P 500 Index, respondents see the greatest outperformance in emerging market equities and commodities, and greatest underperformance in fixed income (shown in Table I on the bottom of the page).

Risks and Concerns

Respondents are united in their outlook for risk over the next three years. Only nine percent believe that tail risks will decrease over this period, while 46 percent expect them to increase and 45 percent expect them to stay the same.

Tail Risk Probability Expectation



When asked to rank the most significant tail risks over the next three years respondents cited an EU crisis as most significant (shown in Table II below).

Table II

| Tail risk | % respondents cited as most significant |
|--------------------------------|---|
| EU Crisis | 32% |
| Washington gridlock on US debt | 23% |
| Oil price jump | 16% |
| US recession | 4% |
| China slowdown | 2% |
| Other | 24% |

When asked to cite their concerns over the next three years, the most oft-cited concern was the risk of a shortfall in meeting return expectations shown in Table III on the following page.

Implications for Investment Strategies

In light of investor return expectations, risk tolerances and outlook and institution need, respondents expect to make some significant shifts in portfolio allocations over the next 12-18 months. Table IV on the following page reflects the thinking of survey respondents over this period.

Table I

Relative to your expectations for the average annual return on the S&P 500 Index over the next 3 years, indicate whether you believe the following markets/indices will underperform, match or outperform the S&P 500 Index.

| | Underperform | Match | Outperform |
|---|--------------|-------|------------|
| MSCI – ex U.S. (developed equity markets) | 43% | 35% | 22% |
| MSCI Emerging Markets (emerging equity markets) | 7% | 18% | 75% |
| Barclay's Aggregate Bond Index | 84% | 13% | 3% |
| HFRI Fund Weighted Composite (hedge funds) | 30% | 40% | 30% |
| Dow Jones - UBS Commodities Index | 17% | 39% | 44% |
| Merrill Lynch High Yield Bond Index | 37% | 45% | 17% |

Table III

Relative to the management of your assets, to what extent are you concerned with the following over the next three years (on a five point scale with 5 being extremely concerned)

| | No concern | 2 | Modest concern | 4 | Extreme concern |
|---|------------|-----|----------------|-----|-----------------|
| Inflation | 0% | 18% | 54% | 24% | 4% |
| Deflation | 18% | 46% | 27% | 7% | 1% |
| Market (investment) volatility | 0% | 5% | 25% | 57% | 12% |
| Portfolio liquidity | 12% | 38% | 36% | 12% | 2% |
| Portfolio tail risks | 2% | 21% | 40% | 29% | 7% |
| Portfolio complexity | 7% | 23% | 38% | 30% | 2% |
| Shortfall in meeting return objectives | 1% | 12% | 24% | 42% | 21% |
| Costs of investment management | 9% | 30% | 30% | 25% | 5% |
| Structure/effectiveness of investment resources (staff and board) | 12% | 27% | 35% | 22% | 5% |
| Risk management (broadly defined) | 2% | 15% | 46% | 32% | 6% |

Table IV

Relative to the following strategies, do you expect that you will decrease, maintain or increase your exposure over the next 12-18 months?

| | Decrease | Maintain | Increase |
|---------------------------------------|----------|----------|----------|
| US equities | 18% | 59% | 22% |
| European equities | 30% | 57% | 13% |
| Japanese equities | 21% | 73% | 6% |
| Emerging markets equities | 1% | 46% | 53% |
| Hedge fund strategies | 18% | 55% | 28% |
| U.S. Treasuries | 38% | 58% | 4% |
| Cash | 28% | 68% | 5% |
| Core U.S. fixed income strategies | 25% | 69% | 6% |
| Distressed debt/high yield strategies | 11% | 59% | 31% |
| Commodities | 8% | 58% | 34% |
| Natural resources | 3% | 52% | 44% |
| Real estate | 13% | 50% | 37% |
| Venture capital, private equity | 13% | 47% | 40% |

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