USMFOUNDATION

USMF Endowment | Quarterly Investment Report | As of March 31, 2010

Performance

	Qtr	FYTD	3-Yr	5-Yr
USMF Endowment [1]	2.4%	12.0%	(3.6%)	3.9%
Tactical Benchmark [2]	1.5%	11.2%	(5.5%)	1.8%
80%/20% Strategy [3]	4.7%	24.3%	(1.8%)	2.9%

Asset Allocation

	MV $millions	% of Total	Target Range
Global Equities	$258	37%	35% - 55%
Multi-Strategy & Opportunistic	$195	28%	20% - 30%
Real Assets	$181	26%	20% - 30%
Bonds & Cash	$63	9%	5% - 15%
Total USMF Endowment Pool	$697	100%	

Account Information

USMF Endowment

In $000s	Qtr	FYTD
Beginning MV [4]	$677,666	$615,627
Additions	$9,107	$26,568
Withdrawals	($6,223)	($23,496)
USMF Mgmt Fee	($ 528)	($2,313)
Institutional Assessment	--	($1,998)
Custodial & Mgr Fees	($ 732)	($2,936)
Investment Gains/Loss	$17,298	$85,145
Ending MV [4]	$696,598	$696,598

Market Review

In last quarter's letter we wondered if the problems in Greece were merely the canary in the coal mine for the next phase of this recession. The rumblings in January over sovereign credit issues in Europe grew to a full roar by springtime. From their April highs to the May nadir, domestic stocks sold off nearly 15% and international markets were down 20%. This latest bout of risk aversion has affected all asset classes: REITs fell 15%, high yield bonds down 10%, and commodities were off 20%. The dollar surged as a safe haven, along with gold, as investors demonstrated diminished confidence in fiat currencies.

Market sentiment has been further dented by fears of a property bubble bursting in China and geopolitical risks due to tensions on the Korean peninsula and the Gaza strip. This correction, although not (yet?) as severe as the 2008 panic, has exhibited a similar if not faster rise in correlations. As we look ahead, we believe markets will continue to experience clusters of high volatility.

During this period, the endowment declined about 3% and we are still up slightly for the calendar year while most markets are now in the red. We are up a little over 11% for the fiscal year about to end in June.

In May we held our annual asset allocation discussion. The committee approved policy changes designed to increase liquidity and provide greater flexibility to reduce portfolio risk. We remain cautious and are not taking steps to increase our risk exposure. We are confident with our current portfolio's positioning in these turbulent markets, but expect to lag equities should they rally sharply from these levels. Please feel free to call with any questions, concerns, or comments.

Performance by Asset Class

	Qtr	Fiscal YTD	3-Year	5-Year
Global Equities	3.7%	20.6%	(3.3%)	3.0%
MSCI World Index	*3.2%*	*26.2%*	*(5.4%)*	*2.9%*
Multi-Strategy & Opportunistic	3.6%	13.8%	1.9%	5.7%
HFR Fund of Funds Index	*1.5%*	*7.5%*	*(1.7%)*	*2.9%*
Real Assets	1.4%	5.1%	(7.6%)	11.0%
Goldman Sachs Commodity Index	*(0.9%)*	*5.5%*	*(8.8%)*	*(6.9%)*
Bonds & Cash	0.8%	1.6%	3.3%	3.7%
Barclays Aggregate Index	*1.8%*	*5.8%*	*6.1%*	*5.4%*
Total Endowment	2.4%	12.0%	(3.6%)	3.9%
Tactical Benchmark [2]	*1.5%*	*11.2%*	*(5.5%)*	*1.8%*
80%/20% Strategy [3]	*4.7%*	*24.3%*	*(1.8%)*	*2.9%*

Exposures by Security Type [5]

	% of Endowment			
	Long	Short	Gross	Net
Public Equity	39.2%	(13.9%)	53.1%	25.3%
U.S. & Canada	*21.3%*	*(8.6%)*	*29.9%*	*12.7%*
Europe	*6.4%*	*(2.4%)*	*8.8%*	*4.0%*
Japan	*1.0%*	*(0.3%)*	*1.3%*	*0.7%*
Asia Ex Japan	*6.6%*	*(1.7%)*	*8.3%*	*4.9%*
Other Markets	*3.9%*	*(0.9%)*	*4.8%*	*3.0%*
Private Equity	16.4%	---	16.4%	16.4%
Buyouts & Turnarounds	*9.2%*	---	*9.2%*	*9.2%*
Venture & Growth Equity	*2.6%*	---	*2.6%*	*2.6%*
Mezzanine	*1.0%*	---	*1.0%*	*1.0%*
Hedge Fund Side Pockets	*3.6%*	---	*3.6%*	*3.6%*
Real Assets	20.5%	---	20.5%	20.5%
Resources & Infrastructure	*12.2%*	---	*12.2%*	*12.2%*
Real Estate	*8.3%*	---	*8.3%*	*8.3%*
Fixed Income	14.0%	(1.9%)	15.9%	12.1%
Government & Agencies	*1.7%*	---	*1.7%*	*1.7%*
Investment Grade Corporates	*2.1%*	*(0.5%)*	*2.6%*	*1.6%*
High Yield	---	---	---	---
Distressed	*3.8%*	*(0.2%)*	*4.0%*	*3.6%*
Structured Products	*2.7%*	---	*2.7%*	*2.7%*
Other	*3.7%*	*(1.2%)*	*4.9%*	*2.5%*
Other	0.7%	(0.1%)	0.8%	0.6%
Total Exposure	90.8%	(15.9%)	106.7%	74.9%
Net Cash [6]	9.2%	---	---	---

Endnotes

1: Private investment market values are as of 12/31/2009 plus contributions and less distributions through 3/31/2010.

2: The Tactical Benchmark is dynamic and uses the Endowment's actual asset class weights at the beginning of each month and their designated passive benchmarks. This benchmark is intended to show how tactical allocation decisions performed relative to a neutral policy allocation.

3: The 80/20 Strategy consists of 80% S&P 500 Index and 20% Barclays Aggregate Bond Index and is rebalanced quarterly.

4: Accounting values do not match investment performance due to the nature of when the custodian closes records for a period. This typically occurs before all market values have been received.

5: Exposures by Security Type contains aggregated data from all managers in the portfolio on a look-through basis.

6: Net Cash represents cash held by individual managers in addition to cash held directly by the Endowment.