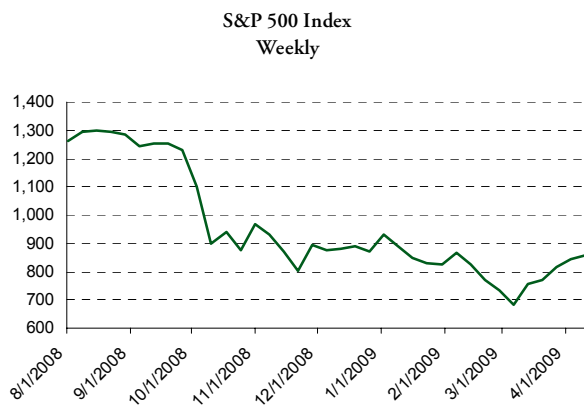




Financial Review

Equity markets continued their downward spiral for most of the first quarter before reversing direction in March. Despite the late quarter rally, the S&P 500 Index finished the quarter with an 11% decline. International (developed) markets suffered even greater losses – dropping by 16% - while emerging markets managed to virtually breakeven in the first three months of 2009.



The early declines can largely be attributed to continued pervasive fear, as investors reacted to rapidly deteriorating economic data. At the forefront were the expected - but still breathtaking - deterioration in the employment ranks at corporations large and small.



Unemployment reached 8.5% in March, nearly double the rate witnessed just two years ago. With the likely continuation of sizable job losses for the next few months, many observers currently expect unemployment to peak at 10% or higher by 2010.

Despite these dreadful numbers, market sentiment actually improved during March, as the deterioration in other economic data appeared to slow down – leading many to conclude that although the economy is not improving, we may be nearing an end to substantive declines. At the very least, the data suggests that the hyped comparisons to the “Great Depression” are unlikely to hold true.

However, we do not forecast material economic growth anytime soon. The consensus outlook is for the economy to show modest growth – which would effectively mark the end of this recession - either at the end of 2009 or early 2010. Regardless of timing of such an event, we believe the current emphasis should be on the word “modest”. The effects of global private deleveraging should limit economies from reaching their long-term growth potential for several years, as consumer savings rates continue to trend higher. Until the deleveraging process ends, personal consumption – the largest component of U.S. Gross Domestic Product (GDP) – will remain muted.

Although our economic forecast is cautious, we recognize that even with the current bounce in the equity markets, stocks broadly remain attractively valued based on realistic

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future earnings. As we enter the earnings announcement period, we expect most corporations will admit to abysmal results for the first quarter – this should not be surprising to anyone and likely will not yield movement in the market. What will likely drive stocks in the near term will be: 1) whether economic data reveals additional signs of stabilization in the broader economy; 2) the outcome of the bank “stress” tests by the Treasury; and 3) the looming deadlines for the domestic auto manufacturers to provide feasible business plans. Recent market reactions suggest the outcomes of these results may be less significant from a market volatility perspective. Even so, the market never likes uncertainty. We will be monitoring both data and sentiment closely.

Core Equity Portfolio

During the quarter, we initiated a position in Charles Schwab, and exited Dow Chemical and HSBC Holdings.

Schwab provides financial services to individual investors, independent investment managers, retirement plans and institutions. The broad decline in the stock market last year hurt Schwab's fee based revenues, but the decline in Schwab's stock more than reflected this reality and did not account for the company's successful efforts to increase market share. The company stands to be a beneficiary of both the massive dislocation at large brokerage firms, as well as the broken trust of investment advisors who custody assets through their own brokerage firms (i.e. Bernie Madoff). Even before these events Schwab was showing success in moving independent advisors/financial planners to their platform - we expect market share gains to continue for the next 18-24 months. At

recent prices, Schwab is valued substantially below the economic value of its businesses.

We sold our position in Dow Chemical primarily due to concern over the difficult position the company placed itself in with their pending acquisition of specialty chemical maker Rohm and Haas. We originally bought Dow due to our belief that the market was not fully recognizing the value of Dow's complex assortment of global businesses and joint ventures. Last year Dow sought to enhance their business portfolio through a combination of transactions, which included Dow offering to buy Rohm and Haas for cash. The funding for this purchase was to come largely from proceeds of a venture with Kuwait Petroleum Corporation. Kuwait Petroleum, however, pulled out of the agreement at the end of last year, creating a funding gap for Dow. As the potential options for successfully averting this financing gap became less attractive for equity investors in Dow, we decided to avoid the potential legal showdown between Dow and Rohm and Haas by exiting our position.

HSBC is a leading bank throughout the world, with extensive operations in the U.S., Europe and Asia. Despite the bank's highly attractive global franchise, we sold HSBC in the quarter as it became increasingly apparent that the bank would eventually be forced to raise substantial equity capital (in a dilutive manner) in order to offset potential losses on U.S. mortgage assets.

We have been asked more than once over the last few months how our equity strategy will change in order to deal with the historic dislocation in global economies. In many ways, our philosophy is perfectly suited for this environment. We have always focused on financially strong companies and, at the end of last year and early this year, we performed

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our own “stress-tests” for our portfolio companies. Even though Dow Chemical and HSBC are relatively strong companies based on traditional metrics, we exited positions in these franchises due to concerns that under the wrong circumstances, the existing equity holders were not in sufficient control to ensure the future creation of shareholder value.

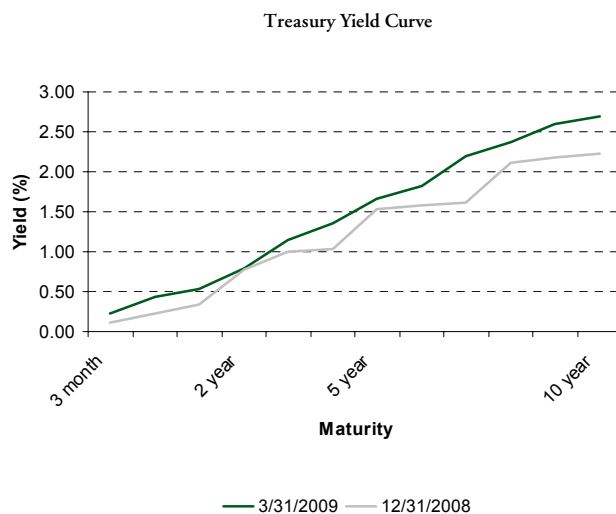
Likewise, we have long held the view that companies with dominant market share in their chosen business lines have the ability to maintain stable (or enhance) profit margins for the benefit of shareholders. In the economic environment we envision for the foreseeable future, we are emphasizing companies that will grow market share at the expense of weaker competitors. Schwab is a perfect example of this attribute, as our analysis indicates management has demonstrated that their strategy can effectively gain market share in good times and bad.

Although we believe these changes are enhancing our portfolio, we do not anticipate immediate results from these recent actions, as the stock market still seems to move more based on “macro” factors than any stock specific news. As the year progresses, however, we believe the market will begin to identify survivors and winners in this “new” economy. We believe our portfolio positioning will be increasingly rewarded as distinctions become evident.

Fixed Income Markets

Interest rates rose modestly in the first quarter, as the global economic outlook moved from pervasive fear toward a belief that world economies were nearing a bottom. Interest rates on 10-year United States

treasury securities ended the quarter at 2.7%, an increase of almost 50 basis points.



Rates would have likely risen even higher but for the plethora of Federal Reserve purchase plans, which are aggressively buying treasuries, mortgage-back securities, and commercial paper (to name just a few).

During the quarter, spreads on non-treasury securities narrowed modestly. Corporate spreads – the difference in yields on 10-year treasuries and BBB rated corporate bonds - narrowed by about 50 basis points, as credit markets for high-quality large corporations improved during the quarter. The municipal bond market also showed gradual improvement, as anticipation for higher income tax rates - as well as financial support for states in the recently passed stimulus package - provided firmer buying activity. We continue to view both corporate and high-quality municipal bonds as attractive investments.

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Alternative Investments

Event Driven funds with a focus on near term catalysts performed well during the first quarter. A number of strategic merger transactions closed and there were several announcements of new deals. Spreads continue to remain wide as investment banks shut down their proprietary trading desks as they seek to reduce leverage.

After a strong January, **Long Credit** strategies gave back some gains in February and March, but still finished positive for the quarter. Higher-rated credit positions performed much better than more speculative positions as investors were attracted to high current yields, but were not willing to go so far as to bet that an economic recovery would help the most troubled companies.

Long/Short managers posted overall flat results in a difficult quarter for the equity markets. The continued downward trend in the market was an ideal environment for many managers as funds were positioned defensively after losing substantial capital in Q408. A greater dispersion of returns among sectors and regions of the world also helped managers differentiate the returns between their longs and shorts.

Private Equity managers were recently required to mark their current holdings to "fair value" - a value that they believe could be obtained if the asset were sold today. As a result, many private equity firms have written down the value of their funds below cost. With the expectation that portfolio companies will be held longer than originally planned, some private equity firms have utilized the economic downturn to upgrade the management teams operating their portfolio companies.

Final Note

We added an "emergency contact" link in the upper right hand corner of our web homepage (www.cedhill.com). In the event of an interruption to normal business operations at our office, this link will re-direct users to a web page that will provide updates and/or alternative phone numbers for communications with clients and interested parties. Updates will be provided continuously until operations are fully restored to normal.

One Year Economic Overview

		Mar 2009	Mar 2008
Stock Market			
S&P 500 Index	▼	797.87	1,322.70
Russell 2000 Index	▼	422.75	687.97
Fixed Income Yields			
3-Month Treasuries	▼	0.23%	1.24%
5-Year Treasuries	▼	1.66	2.45
10-Year Treasuries	▼	2.70	3.60
30-Year Treasuries	▼	3.54	4.29
Inflation Monitor			
CPI-Trailing 12-Month Growth	▼	-0.1%	4.0%
CPI-(Excluding Food/Energy)	▼	1.7	2.3
Market Expectations*	▼	1.3	2.5
Gold (per ounce)	▲	\$919.15	\$916.88
Crude Oil (per barrel)	▼	49.66	101.58

*Comparison of yields for 10-Year Treasury and 10-Year TIPS