WELLINGTON MANAGEMENT

FIRST QUARTER
2009

MARKET UPDATE

Financial Market Review

AFTER PLUNGING for much of the first quarter, global equities rebounded sharply in March as favorable news flow from a few large global banks signaled to investors that the troubled financials sector may be starting to stabilize. Adding fuel to the recovery was the US Treasury's updated plan to clean up bank balance sheets, along with additional government policy actions around the globe and moderating economic data. In a departure from recent quarters, returns were disperse across regions and sectors as investors started to unwind the "safety" trade in favor of some of the higher risk/return areas such as emerging markets (+1.0% in US dollar terms), which outperformed developed market equities. Global equities (-8.6%) fell for the sixth consecutive quarter.

As conditions remained volatile during the quarter, performance across fixed income markets was uneven. A multitude of policy responses altered the landscape on a frequent basis and ultimately lent some semblance of stability to markets. For the period, asset-backed securities (+7.6%) was the top-performing sector, bolstered by the initiation of the Term Asset-Backed Securities Loan Facility (TALF) program.

The US dollar was stronger against most major currencies during the quarter. The greenback benefited from a "flight to safety" during the early part of the quarter; however, the dollar began to slip in March as investors raised exposure to risk assets and inflationary concerns increased amid massive US government stimulus spending.

Commodity prices fell modestly as weakness in energy (-14.7%) and agriculture & livestock (-6.3%) outweighed gains from industrial metals (+6.0%) and precious metals (+5.2%).

Equities

United States

After falling more than 25% earlier in the year, US equities staged a powerful rally to close the quarter with an 11.0% decline. Investor fears of a crippling recession gave way to hope that the worst of the downturn may be near and that massive US government stimulus spending and Federal Reserve actions would lead to an economic recovery. Unexpected positive news from Citigroup ignited the rally. This was followed by encouraging news from other large banks, which soothed investors' nerves regarding the financials sector. Better-than-expected data regarding retail sales, new and existing home purchases, housing starts, and durable goods orders further boosted optimism. However, the biggest gains came after the US Treasury rolled out additional details on its plan to partner with private investors to buy up to US$1 trillion in toxic assets from banks. Despite the renewed hope, not all news was positive. The unemployment rate rose to 8.1% in February, home prices continued to tumble (down 19% for the year ended January), consumer confidence was near all-time lows, and the US auto industry was on the verge of collapse as sales continued to plunge.

While they drove the March rebound, financials (-28.8%) led all sectors lower for the quarter, followed by industrials (-20.9%), as manufacturing activity continued to weaken. Information technology (+4.3%) was the only sector to post a gain as semiconductor and hardware equipment stocks fared well. Rebounding commodity prices helped materials (-2.0%) finish with only modest losses.

Europe

European equities (-11.4%) struggled as unemployment rose, exports slowed, and sagging consumer and business confidence weighed on markets. Germany (-15.7%) and France (-12.0%) continued to suffer from manufacturing and export weakness, while banking and insurance troubles undermined equities in the UK (-10.4%), Spain (-14.5%), and Italy (-16.8%).

Pacific Basin

Pacific Basin markets (-7.1%) were weighed down by weakness in Japan (-9.1%), where plunging sales of automobiles and electronics contributed to year-over-year declines of 30.8% for industrial production and 12.1% for GDP. Other markets in the region outperformed, notably Hong Kong (-0.5%) and Australia (-1.2%).

Emerging Markets

After posting some of the worst returns in recent quarters, emerging markets (+1.0%) gained the most as investors started to ease back into some of the formerly high-flying markets. Rebounding commodity prices lifted markets in Brazil (+12.5%) and Russia (+5.9%). Other emerging markets posted gains, including Taiwan (+8.3%) and China (+1.3%).

Fixed Income

The global economy continued to contract with increasing severity during the quarter. The closing months of 2008 were weaker than most experts expected and this momentum carried into 2009. Readings on industrial production across the globe collapsed as consumers retrenched and corporations cut spending. Conditions in labor markets deteriorated and global trade slowed sharply. In response, global policymakers ratcheted up efforts to dampen the impact of the downturn, implementing policies and programs on a historic scale. The environment was volatile as markets intermittently engaged with these massive, opposing forces.

As concerns regarding future supply mounted and risk sentiment improved, US Treasuries (-1.3%) underperformed. Commercial mortgage-backed securities (-1.9%) also underperformed during the quarter, particularly in January and

All equity returns quoted in local currency terms with the exception of emerging markets. Fixed income, currencies, and commodities quoted in US dollar terms.

February when economic concerns were perhaps most acute. Corporates (-1.9%) continued to lag, led lower by financials (-7.8%), while mortgage-backed securities (+2.2%) performed well during the quarter, bolstered by ongoing government initiatives and purchasing programs. Other strong performers included high yield (6.0%) and emerging markets debt (+3.8%) – clear beneficiaries of an improved risk environment.

Currencies

Recent heightened levels of volatility remained firmly in place during the first quarter. Aggressive monetary and fiscal policy responses influenced sentiment and impacted performance across virtually all major markets and currencies. As a bearish outlook reigned for the majority of the period, the US dollar was a notable beneficiary, peaking in late February on a trade-weighted basis. Recent counterparts in this anti-risk trade, the Japanese yen and the Swiss franc, lost ground as a result of deteriorating economic conditions and an interventionist central bank, respectively. The euro continued to give up ground, depreciating versus most major currencies, although it began to stabilize later in the period – particularly versus the yen and the US dollar.

Commodities

Commodity prices (-10.6%) fell for the third successive quarter, as weak demand continued to weigh on the asset class. However, we are beginning to see greater differentiation across commodities as longer-term fundamentals begin to re-engage on a commodity-by-commodity basis. Energy (-14.7%) prices fell as substantial supply cuts failed, initially at least, to support commodity prices in the face of weak global demand. Industrial metals (+6.0%) rose as copper prices surged on strong Chinese demand. Agriculture & livestock (-6.3%) declined as high inventories weighed on wheat prices. Precious metals (+5.2%) received a boost from investors who continued to seek the relative safety of gold. Market uncertainty remains prevalent and inflation expectations ticked up during the quarter on announcements of significant government stimulus spending around the globe.

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Market Performance

	Total Returns, Periods Ended 03/31/2009			
	3 Mos	6 Mos	1 Yr	4Q08
Equities				
MSCI All Country World (USD)	-10.6%	-30.5%	-42.7%	-22.3%
MSCI All Country World (Local)	-8.6	-27.5	-37.0	-20.7
MSCI World (USD)	-11.8	-30.9	-42.2	-21.7
MSCI World (Local)	-9.9	-28.4	-37.0	-20.5
S&P 500	-11.0	-30.5	-38.1	-21.9
Russell 1000 Growth	-4.1	-26.0	-34.3	-22.8
Russell 1000 Value	-16.8	-35.2	-42.4	-22.2
S&P MidCap 400	-8.7	-32.0	-36.1	-25.6
Russell 2000	-15.0	-37.2	-37.5	-26.1
MSCI EAFE (USD)	-13.9	-31.0	-46.2	-19.9
MSCI EAFE (Local)	-10.0	-26.6	-36.5	-18.5
MSCI Europe (USD)	-14.5	-33.9	-49.6	-22.7
MSCI Europe (Local)	-11.4	-26.4	-36.8	-16.9
MSCI Japan (USD)	-16.6	-24.1	-35.9	-9.0
MSCI Japan (Local)	-9.1	-29.4	-36.4	-22.3
MSCI Pacific Basin ex Japan (USD)	-2.2	-26.5	-43.9	-24.9
MSCI Pacific Basin ex Japan (Local)	-1.4	-19.3	-31.9	-18.2
MSCI Emerging Markets (USD)	1.0	-26.8	-46.9	-27.6
MSCI Emerging Markets (Local)	4.2	-18.7	-36.5	-21.9
Fixed Income				
Citigroup WGBI (Hedged to USD)	-4.8	3.6	-3.8	8.8
Citigroup WGBI (Unhedged)	-5.7	2.6	-6.4	8.8
Barclays Global Aggregate Bond Index	-3.3	1.8	-4.9	5.2
Barclays US Aggregate Bond Index	0.1	4.7	3.1	4.6
Barclays Treasury Index	-1.3	7.3	7.5	8.8
Barclays Fixed MBS Index	2.2	6.6	8.1	4.3
Barclays US CMBS Index	-1.9	-15.1	-19.9	-13.5
Barclays US ABS Index	7.6	0.2	-4.3	-6.8
Barclays IG Corp Index	-1.9	2.0	-6.6	4.0
Barclays High Yield Corporate Index	6.0	-13.0	-19.3	-17.9
JPM EMBI Global Diversified (USD)	3.8	-3.5	-9.2	-7.1
Currencies (% Return vs US Dollar)				
Australian dollar	-0.3	-13.5	-31.4	-13.1
Canadian dollar	-1.9	-18.3	-22.6	-16.1
Euro	-4.7	-5.8	-19.3	-1.0
Swiss franc	-6.8	-1.4	-15.0	5.1
Japanese yen	-9.0	7.0	0.8	14.6
British pound	-0.3	-24.4	-38.7	-24.0
Commodities				
S&P/Goldman Sachs Commodity Index	-10.6	-52.6	-56.5	-47.0
S&P/GSCI Energy	-14.7	-61.8	-63.4	-55.2
S&P/GSCI Industrial Metals	6.0	-39.7	-55.2	-43.1
S&P/GSCI Precious Metals	5.2	4.6	-3.9	-0.6
S&P/GSCI Agriculture & Livestock	-6.3	-20.0	-33.9	-14.7

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