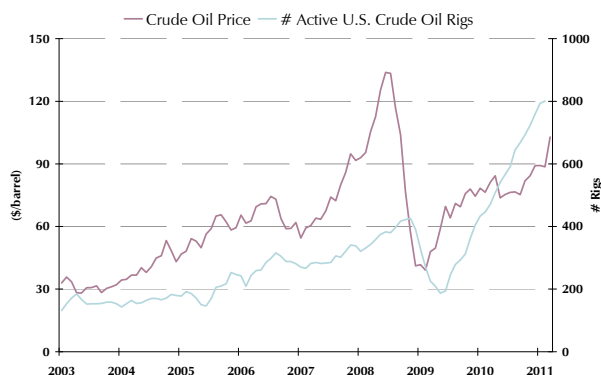


**Unrest in the MENA region, concerns over U.S. and European debt levels, and a bearish outlook on global economic growth whipsawed commodity prices during the second quarter of 2011.**

- The price of oil rose to a high of \$113/barrel on persistent concerns in the Middle East and North Africa region. In response to the conflict and oil supply disruptions in Libya, the International Energy Agency (“IEA”) announced its intention to release 60 million barrels of oil over 30 days to help stabilize oil and help stimulate the global economy. The release increased the world’s supply by 2.5% and more than offset Libya’s daily production loss. As a result, oil prices retrenched and settled at \$96/barrel at the end of the second quarter.
- Increasing oil prices and unplanned refinery outages from the Mississippi River floods drove gasoline prices higher. The average price of regular gasoline was \$3.79/gallon at the end of the quarter, representing a 34% increase over the prior year.
- Extreme summer temperatures around the nation resulted in greater natural gas consumption from the power sector in order to meet increased electricity demand for air conditioning. The spot price for natural gas increased 14% to \$4.5/MM BTU during the second quarter. Natural gas horizontal drilling and hydraulic fracturing activity continued to increase in the U.S. Critics of the techniques cite environmental pollution and safety concerns, whereas proponents support domestic energy production and energy independence from oil producing nations.
- Investors continued to seek shelter in safe-haven and store-of-value assets to protect against sovereign debt concerns and a global economic slowdown. During the quarter, gold increased to another record high and settled at \$1,523/oz. The price of silver was unchanged from the prior quarter ending at \$36/oz on June 30.
- Food prices increased modestly during the quarter; however, relative to one year prior, wheat, corn, and soybean prices were up 107%, 103%, and 43%, respectively. Unpredictable weather events and increasing demand, particularly from developing and emerging markets countries, have contributed to price increases.
- Sustained weakness in the U.S. residential housing continued to impact U.S. timber and timberland markets. A recovery is not expected until the high number of foreclosed properties make their way through the system. The Southeastern U.S. region relies heavily on the housing industry and continues to be adversely affected. The Pacific-Northwest region has benefited from increased exports to China and Japan.
- California, the nation’s leader in renewable energy and environmental standards, signed into law an increase in the state’s Renewable Portfolio Standards (“RPS”) from 20% to 33%. RPS requires electric utility providers in the state to generate or purchase electricity from renewable resources such as solar, wind, geothermal, or hydro.

Extracted Resources

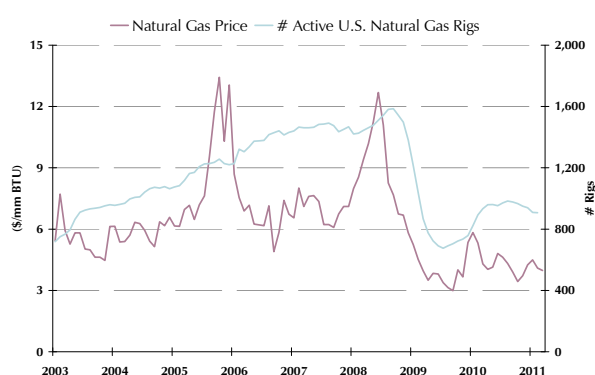
Crude Oil Price vs. Active U.S. Rigs<sup>1</sup>



The rebel-led uprising in Libya, a crude oil producing member of the OPEC cartel, helped drive the price of oil up to \$113/barrel in April, as millions of barrels of daily oil production and exports were taken off line. In response, the 28-nation IEA released strategic oil reserves into the global marketplace to alleviate the reduction in supply. As a result, the price of oil fell 15% from its quarterly high and settled at \$96/barrel at the end of June.

Since the rebound in oil prices at the start of 2009, many inactive oil producing rigs have become operational again as profitability has returned. Additionally, many new oil wells have been brought on line. During the second quarter, 149 additional rigs became active, bringing the total to 979.

Natural Gas Price vs. Active U.S. Rigs<sup>1</sup>

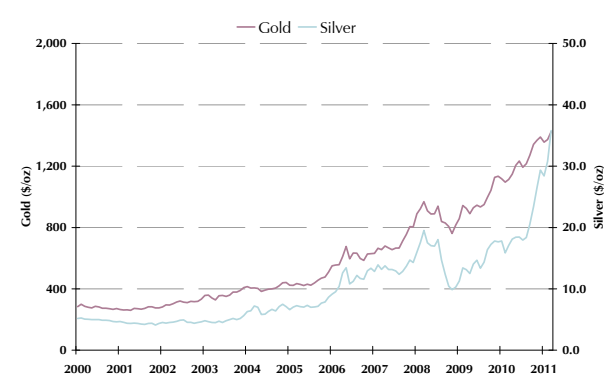


Shale basins in the U.S. are thought to contain significant quantities of natural gas. Extraction of these gases was not economically feasible until recent developments and advances in horizontal drilling and hydraulic fracturing techniques. Energy companies are eager to exploit these resources and potentially help the U.S. reduce its dependence on foreign energy.

Although the total number of active natural gas rigs has declined slightly over the past year, the number of horizontal wells has increased. Additionally, many wells recently drilled have not yet been connected to the gathering system and pipeline network.

With the increased supply of natural gas being brought to market, gas prices continue to remain at near-record lows. At a price of \$4.5/MM BTU, many natural gas producers are barely profitable.

Metals Prices<sup>2</sup>



Precious metals experienced extreme volatility during the second quarter as investors and speculators purchased gold and silver. Concerns over U.S. and European sovereign debt and a global economic slowdown drove the increase in demand and price. Additionally, the central banks of many nations have increased their reserve holdings of gold.

The price of gold increased by 7% and ended the quarter at a new record high of \$1,523/oz. This represents a price increase of 24% from one year prior.

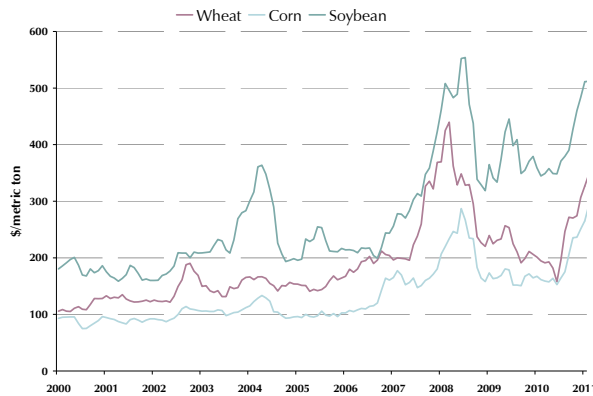
Although the price of silver was unchanged from the prior quarter, there was significant volatility in the daily pricing of the metal. Silver spiked to a record high of \$49/oz. in April but later retreated during May and June. The price of silver was up over 94% relative to one year prior.

<sup>1</sup> Source: Energy Information Administration

<sup>2</sup> Source: Index Mundi and Kitco

Harvested Resources

Wheat, Corn, & Soybean<sup>1</sup>



Extreme weather events brought excessive rainfall, droughts, flooding, and high temperatures to different parts of the United States during the second quarter. High temperatures and a lack of rainfall drove drought-like conditions in the Southern-Great Plains and portions of the Delta region. Several large storms and the melting of the winter snowpack resulted in flooding of several states along the Mississippi River.

These weather events have lowered crop yield expectations for the upcoming harvest. Although the prices of wheat, corn, and soybeans were relatively unchanged during the second quarter, prices were up approximately 107%, 103%, and 43% from one year prior.

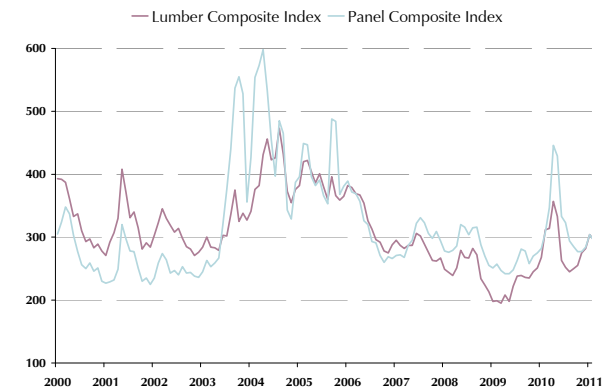
Trailing Period Returns<sup>2</sup>

As of June 30, 2011	Q2 11	1 Year	5 Years	10 Years
NCREIF Farmland	1.5%	11.1%	12.9%	14.0%
NCREIF Timberland	0.7	0.5	6.1	6.9
S&P 500	0.1	30.7	2.9	2.7
Barclays Aggregate	2.3	3.9	6.5	5.7

Farmland returns during the second quarter were driven by income returns of 1.0% and land appreciation returns of 0.5%. Row crops, such as wheat, corn, and soybeans, returned 1.8%. Permanent crops, such as oranges, apples, and grapes, returned 1.0%.

Timberland's returns of 0.7% were generated through income returns of 0.8% and a capital loss of 0.1%. The Pacific-Northwest region experienced strong income returns of 1.5% as a result of increasing export demand from Asia.

Lumber & Panel Composites<sup>3</sup>



Weakness in the U.S. residential housing market continues to place downward pressure on the U.S. timber industry, particularly in regions that rely heavily on new home construction such as the Southeast. The Pacific-Northwest region has benefited from increased demand for sawlogs from Asian countries.

Lumber and paneling, both products from timber mills, are often used as a proxy to gauge new home construction and remodeling activity. During the second quarter, lumber and paneling prices fell by 10% and 7%, respectively. Relative to one year prior, lumber prices were flat while paneling prices were down 17%.

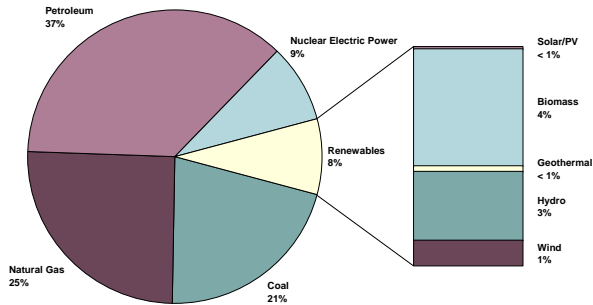
<sup>1</sup> Source: Index Mundi

<sup>2</sup> Source: National Council of Real Estate Investment Fiduciaries (NCREIF)

<sup>3</sup> Source: Random Lengths

Renewable Resources

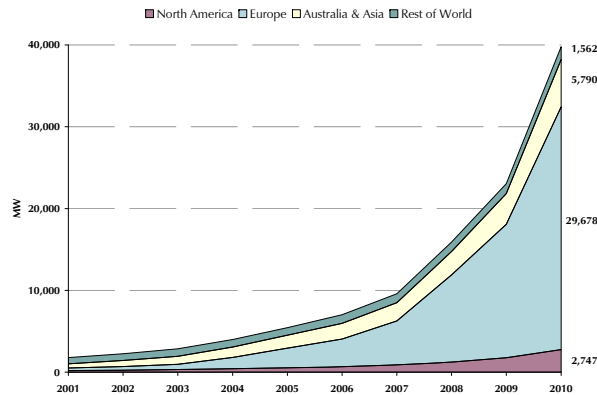
2010 U.S. Energy Consumption<sup>1</sup>



Total U.S. energy consumption increased by 4% to 97.8 quadrillion BTUs between 2009 and 2010. All energy sources experienced gains with the exception of hydro, which fell by 6%.

Energy from fossil fuels represented over 83% of U.S. consumption in 2010 led by petroleum (37%), natural gas (25%), and coal (21%). As natural gas production from U.S. shale basins is expected to increase over the coming years, it is expected to displace less-clean energy sources such as petroleum and coal. Since the Fukushima nuclear disaster in Japan, many countries are re-evaluating their energy policies and reducing nuclear as a source of energy. Greater environmental awareness and a desire for foreign energy independence are driving a push for cleaner energy. Renewable energy experienced the largest percentage gain increases but still represented a small fraction of total energy consumed.

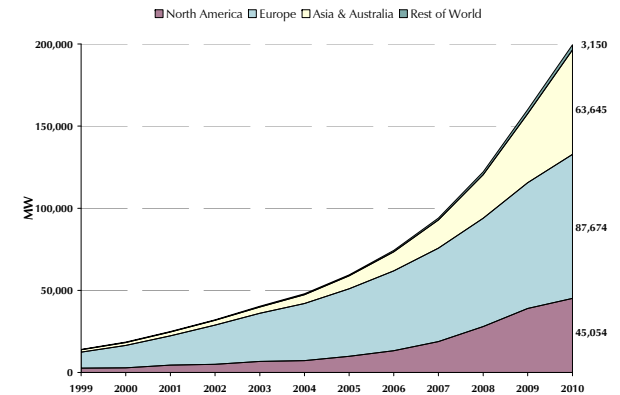
Installed PV Power<sup>2</sup>



During 2010, installed solar or photovoltaic (“PV”) capacity grew by approximately 73% to 39.8 GW, representing an additional 16.7 GW of installed capacity. Europe saw the largest gains during the year, increasing 82% and representing 13.3 GW of capacity. The Australasia region experienced growth of 54%, adding 2.0 GW of capacity. The North American region, led by the United States, grew by 56% and added 1.0 GW of capacity.

Strong government support in the form of feed-in-tariffs has helped drive the solar industry in Germany, Spain, and Italy in recent years. At the end of 2010, PV installations amounted to 17.3 GW in Germany, 3.9 GW in Spain, 3.6 GW in Japan, 8.8 GW in Italy, and 2.5 GW in the U.S. These five countries accounted for approximately 78% of the total installed PV capacity globally. China grew its PV installations by 139% to 0.9 GW.

Installed Wind Power<sup>2</sup>



Wind power generating capacity increased by 39.4 GW, or 25%, to 199.5 GW in 2010. Europe represented the region with the most installed wind power but the smallest percentage increase from the prior year. The Australasia region, led by China, grew by 51% and added 21.6 GW of new capacity. The North America region grew by 16% and added 6.1 GW of capacity.

During 2010, China grew by its solar installations by 73% and overtook the United States as the country with the most installed wind capacity at 44.8 GW. The United States added 5.1 GW and grew its installations to 40.2 GW but fell to the number two spot. Wind capacity in Germany and Spain totaled 27.4 GW and 20.3 GW, respectively. The four countries with the largest wind power capacity accounted for 66% of total installations in 2010.

<sup>1</sup> Source: Energy Information Administration

<sup>2</sup> Source: BP Statistical Review of World Energy