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Steve Weinstein, *President of Altair Advisers*, opened the conference by reviewing the highlights of the first quarter investment markets: volatility in stocks, a brief February contraction, and continuing solid returns of foreign equities and real estate investment trusts (REITs). U.S. equities and bonds posted modest returns while commodities scored the highest returns of any asset class. Steve also discussed the results of the Altair Advisers Quarterly Manager Survey. Overall our recommended managers were optimistic for several reasons: economic indicators are strong, the economy has returned to a sustainable growth rate, no inflation surprises are expected, corporate earnings multiples have breathing room despite the recent run, and emerging economies provide vast consumer markets.

Steve then provided an overview of how alternative investments -- real estate, private equity, hedge funds, and commodities -- fit in diversified portfolios, and then introduced our guest speakers.

Peter Lawrence, *Co-Founder and Managing Partner of FLAG Capital Management*, spoke about investing in private equity. After providing some background on the history of private equity investing, and discussing investment structure, Peter identified what he believes is driving private equity activity today. He cited a convergence of factors, including corporate restructurings, the high cost of being a public company, available and cheap debt financing, record levels of fundraising, improved earnings visibility, opportunity overseas, and investor acceptance. Peter pointed out how deal sizes have increased tremendously as a result of these factors. Today, we are facing higher interest rates, plentiful liquidity, higher valuations, many high quality assets trading hands, mixed economic indicators, and fickle public equity markets. In this environment, Peter said that discipline and differentiation would be rewarded.

David Sherman, *Co-Founder and Managing Director of Metropolitan Real Estate Equity Management*, provided some insights into investing in privately held real estate. He cited as benefits of real estate in general, attractive risk-adjusted returns, low correlation to other asset classes, inflation protection, and relatively low volatility. He further pointed out that private real estate has been historically less volatile than public real estate (REITS), because prices are more closely associated with their true asset values. He also suggested that private real estate investing tends to be more opportunistic because the investor/operator can add value to the properties, rather than the typical "yield-plays" common with REIT assets. David also discussed the increasing amount of investment opportunity in Europe and Asia as many of the seasoned U.S. real estate investors launch funds aimed overseas. The world markets outside the U.S. are still largely immature, he said.