

### ★ U.S. Economy

It is generally acknowledged that the U.S. economy is slowing down dramatically as stock prices fall and the U.S. housing market declines. U.S. banks are reporting billions of dollars in write-downs of investments backed by sub-prime mortgages and the economic pressure is having a negative impact on the U.S. consumer. Chain-store sales during December holiday shopping were down as consumer credit was tightening.

The Federal Reserve has expressed concern about the increased potential for recession and has continued to reduce interest rates. On December 11, 2007, the Federal reserve cut the discount rate one quarter percentage point to 4.75%. Also on December 11, 2007, the Federal Reserve cut the Fed Funds rate by .25% down to 4.25%

The negative performance in the U.S. stock market during November and December turned what looked like a promising year for domestic stocks to disappointment in 2007. At the end of October the major broad U.S. market indices were returning around 11% percent on a year-to-date basis. By the end of December, the broad U.S. equity market indices were returning 5 to 7%. Stock market performance abroad was stronger with the developed countries as measured by the MSCI EAFE index returning 8.6% and the emerging market countries as measured by the MSCI Emerging Markets index returning a strong 39.39%. Around the globe, heavily populated countries such as China and India are posting stellar performance returning 66.24% and 73.11%, respectively. The U.S. market is still feeling the negative impact of write-downs in the financial sector which lost over 20% in 2007.

### ★ Relative Strength of the U.S. Dollar

The U.S. dollar continues to decline in value with respect to purchasing gold. As shown in the table below, the London spot price of gold in the U.S. market went up 6.76% , 12.58% and 31.59% through December 2007 for December, the fourth quarter and the year.

Appreciation of Gold Relative to USD	
2007	31.59%
4Q2007	12.58%
Dec-07	6.76%

The next table provides key spot exchange rates for 1 U.S. dollar versus several developed country reference currencies. During December, the U.S. dollar increased in value versus six of the nine major currencies considered, and continued to decline relative to the currencies of Canada, New Zealand and Singapore. During the fourth quarter of 2007, the U.S. dollar declined in six of the nine major currencies considered. During the year 2007, the U.S. dollar declined against every major currency considered with the exception of the Hong Kong dollar.

Exchange Rate Tables 1 USD buying reference currency					
Reference Currency		12/31/06	9/28/07	11/30/07	12/31/07
EUR	Europe	0.7579	0.7070	0.6769	0.6783
GBP	Great Britain	0.5111	0.4940	0.4849	0.5008
JPY	Japan	119.06	115.74	109.61	112.27
CHF	Swiss	1.2182	1.1727	1.1164	1.1269
CAD	Canada	1.1643	1.0029	0.9944	0.9804
AUD	Australia	1.2686	1.1384	1.1364	1.144
NZD	New Zealand	1.4194	1.3365	1.3005	1.2943
HKD	Hong Kong	7.7775	7.7600	7.7871	7.8046
SGD	Singapore	1.5334	1.4907	1.4489	1.4459

The next table translates the changes in spot exchange rates from the first table into FX percent returns for December, fourth quarter of 2007 and the year 2007. During 2007, the depreciation of the U.S. dollar was quite significant relative to the Canadian dollar, (15.79%), and the Euro with a decline of (10.5%).

FX Return of \$1 USD Relative to Reference Currency				
Reference Currency		2007	4Q 2007	DEC 2007
EUR	Europe	(10.50%)	(4.06%)	0.20%
GBP	Great Britain	(2.00%)	1.38%	3.28%
JPY	Japan	(5.70%)	(3.00%)	2.43%
CHF	Swiss	(7.49%)	(3.90%)	0.94%
CAD	Canada	(15.79%)	(2.24%)	(1.40%)
AUD	Australia	(9.78%)	0.53%	0.70%
NZD	New Zealand	(8.83%)	(3.16%)	(0.49%)
HKD	Hong Kong	0.35%	0.57%	0.22%
SGD	Singapore	(5.71%)	(3.01%)	(0.21%)

## ★ U.S. Bond Performance

During December 2007, one month treasury yields declined significantly from 3.63% to 2.76%. There was an increase of 21 basis points in three month treasury yields from 3.15% to 3.36%. The rest of the maturity spectrum shown in the table had increases in yields ranging from 4 to 8 basis points.

For the fourth quarter of 2007, the treasury yields declined across the maturity spectrum with the largest decline of 78 basis points for 5 year issues.

During 2007, there was a decline across the maturity spectrum with the largest decline at the short end, with 1 month issues declining 1.99% from 4.75% to 2.76%.

In December 2007, the Lehman U.S. Aggregate and Lehman Global Aggregate returned 0.28% and (0.30%), respectively. Also in December, the Lehman municipal bond index and the high yield bond index returned 0.28% and 0.29%, respectively.

During the fourth quarter of 2007, the Lehman U.S. Aggregate and Lehman Global Aggregate returned 3.00% and 3.26%, respectively. During this quarter, the Lehman municipal bond index returned 1.37% and the high yield bond index returned (1.30%).

During 2007, the Lehman U.S. Aggregate and the Lehman Global Aggregate returned 6.97% and 9.48%, respectively. During the year, the Lehman municipal bond index and the high yield bond index returned 3.36% and 1.87%.

## ★ U.S. Stock Market

Almost all of the U.S. equity market indices considered posted negative returns in December 2007. In December, the NASDAQ Composite fell 33 basis points, while the broad U.S. equity market indices returned from (38) to (62) basis points. The NASDAQ Composite declined 1.83% during the fourth quarter, while the broad U.S. equity market indices returned from (2.89%) to (3.34%). During 2007, the NASDAQ Composite returned 9.78%, while the broad U.S. equity market indices returned 5.14% to 7.05%.

TREASURY YIELDS							
Maturity	1 Mo	3 Mos	1 Yr	5 Yrs	10 Yrs	20 Yrs	30 Yrs
11/30/2007	3.63	3.15	3.26	3.41	3.97	4.44	4.40
12/31/2007	2.76	3.36	3.34	3.45	4.04	4.50	4.45
Change	(0.87)	0.21	0.08	0.04	0.07	0.06	0.05
9/28/2007	3.43	3.82	4.05	4.23	4.59	4.89	4.83
12/31/2007	2.76	3.36	3.34	3.45	4.04	4.50	4.45
Change	(0.67)	(0.46)	(0.71)	(0.78)	(0.55)	(0.39)	(0.38)
12/29/2006	4.75	5.02	5.00	4.70	4.71	4.91	4.81
12/31/2007	2.76	3.36	3.34	3.45	4.04	4.50	4.45
Change	(1.99)	(1.66)	(1.66)	(1.25)	(0.67)	(0.41)	(0.36)

Bond Indices - Total Return			
Index	DEC 2007	4Q07	2007
Lehman Global Aggregate	(0.30)	3.26	9.48
Lehman U. S. Aggregate	0.28	3.00	6.97
Lehman Municipal Bond	0.28	1.37	3.36
Lehman U. S. Treasury 1-3 Year	0.25	2.38	7.31
Lehman High Yield Bond	0.29	(1.30)	1.87

The S&P 500 return based on price change was (.86%) during December 2007. The top three performing S&P 500 sectors based on price change during the month were: Energy 7.28%, Telecommunication Services 3.08% and Information Technology 1.48%. The bottom three performing sectors during the period were: Financials (5.73%), Consumer Discretionary (4.95%) and Health Care (3.10%).

During the fourth quarter of 2007, the S&P 500 price change was (3.83%). The top three performing S&P 500 sectors were: Utilities 6.76%, Energy 4.07% and Consumer Staples 3.26%. The bottom three performing sectors during the period were: Financials (15.04%), Consumer Discretionary (10.49%) and Telecommunication Services (5.79%).

During 2007, the S&P 500 price change was 3.53%. The top three performing S&P 500 sectors were: Energy 32.38%, Materials 19.98% and Information Technology 15.54%. The bottom three sector performers during the year were: Financials (20.84%), Consumer Discretionary (14.32%) and Health Care 5.39%.

During December 2007, growth continued to outperform value across the capitalization ranges. The strongest relative performance was in mid-cap growth, while the weakest relative performance was in small-cap value or small-cap core. Performance in the fourth quarter of 2007 was led by large-cap core according to PPCA and mid-cap growth

According to Morningstar. The weakest performance in the quarter was with small-cap issues across capitalization ranges. During 2007, mid-cap growth posted the strongest performance in the 14.54% to 19.70% range, while the weakest performance shown was (8.15%) for the Morningstar small-cap value index.

Broad Market Indices & the NASDAQ Comp	DEC 2007	4Q 2007	2007
NASDAQ Comp	(0.33)	(1.83)	9.78
MSCI-U.S. Broad	(0.62)	(3.31)	5.59
Russell 3000	(0.61)	(3.34)	5.14
PPCA Total	(0.38)	(2.89)	7.05
Morningstar	(0.62)	(3.28)	5.92

Large-Cap Stocks	DEC 2007	4Q 2007	2007
S & P 500	(0.69)	(3.33)	5.49
Russell 1000	(0.65)	(3.23)	5.77
Growth	(0.36)	(0.77)	11.81
Value	(0.97)	(5.80)	(0.17)
Morningstar	(0.72)	(2.95)	6.69
Growth	(0.64)	(1.28)	12.34
Value	(0.60)	(6.84)	(0.43)
Core	(0.90)	(0.82)	8.64
PPCA	(0.34)	(2.14)	8.71
Growth	(0.35)	(1.24)	13.60
Value	(0.55)	(4.46)	4.31
Core	0.19	2.26	12.40

S & P 500 Sector Performance			
Price Change %			
Sector	DEC 2007	4Q 2007	2007
Energy	7.28	4.07	32.38
Materials	0.87	(0.44)	19.98
Industrials	(0.87)	(5.12)	9.83
Consumer Discretionary	(4.95)	(10.49)	(14.32)
Consumer Staples	(1.25)	3.26	11.60
Health Care	(3.10)	(0.46)	5.39
Financials	(5.73)	(15.04)	(20.84)
Information Technology	1.48	(0.08)	15.54
Telecommunication Svcs	3.08	(5.79)	8.45
Utilities	0.04	6.76	15.81
S&P 500	(0.86)	(3.83)	3.53

Mid-Cap Stocks	DEC 2007	4Q 2007	2007
S & P 400	(0.19)	(2.73)	7.98
Morningstar	(0.30)	(4.07)	5.23
Growth	1.63	(0.08)	19.70
Value	(1.75)	(6.87)	(5.52)
Core	(1.05)	(5.71)	1.95
PPCA	(0.35)	(3.34)	7.19
Growth	1.05	(0.34)	14.54
Value	(1.36)	(5.40)	1.28
Core	(0.90)	(4.60)	6.11

Small-Cap Stocks	DEC 2007	4Q 2007	2007
S & P 600	(0.79)	(6.45)	(0.30)
Russell 2000	(0.06)	(4.58)	(1.57)
Growth	0.63	(2.10)	7.05
Value	(0.85)	(7.28)	(9.78)
Morningstar	(0.30)	(4.66)	(0.66)
Growth	0.91	(2.08)	11.07
Value	(0.48)	(5.12)	(8.15)
Core	(1.58)	(7.24)	(5.43)
PPCA	(0.73)	(6.63)	(4.03)
Growth	(0.14)	(7.90)	(7.39)
Value	(1.21)	(7.12)	(6.73)
Core	(0.47)	(4.32)	4.84

For the month of December 2007, the EAFE index returned (2.30%). Most of the EAFE countries had negative performance during the month. The top three EAFE country performers were: Greece 2.74%, Germany 1.68% and Norway 1.46%. The bottom three country performers were: Switzerland (3.90%), Japan (4.01%) and Ireland (5.30%).

During the fourth quarter of 2007, the EAFE index returned (2.04%). The top three country performers were: Spain 7.57%, Portugal 7.34% and Hong Kong 6.62%. The bottom three country performers were: Japan (6.17%), Ireland (11.69%) and Sweden (12.75%).

During 2007, the EAFE index returned 8.62%. The top three country performers were: Finland 45.01%, Hong Kong 37.48% and Germany 32.52%. The bottom three country performers were: Belgium (5.27%), Japan (5.42%) and Ireland (21.87%).

The MSCI Emerging Markets index returned 0.35% during December 2007. The top three country performers were: Egypt 10.22%, India 7.55% and Malaysia 6.46%. The bottom three country performers were: South Africa (3.92%), China (4.45%) and Argentina (4.86%).

The MSCI Emerging Markets index returned 3.64% in the fourth quarter of 2007. The top three country performers were: Egypt 24.33%, Jordan 24.17% and India 23.31%. The bottom three country performers for the quarter were: Hungary (6.16%), Taiwan (7.65%) and Argentina (10.83%).

During 2007, the MSCI Emerging Markets index returned 39.39%. The top three country performers were: Peru 94.37%, Brazil 79.56% and Turkey 74.09%. The bottom three country performers were: Venezuela 3.07%, Argentina (4.02%) and Sri Lanka (13.61%).

The MSCI G7 index measures the performance of the world's seven most wealthy countries and includes the following, along with their respective estimated percentage weighting: Canada (15%), U.S. (30%), Japan (20%), Germany (10%), France (10%), Britain (10%) and Italy (5%).

Net Total Return of MSCI Indices (U.S. \$)			
Overseas Markets	DEC 2007	4Q2007	2007
The World Index	(1.37)	(2.74)	7.09
The World Index (Ex U.S.)	(1.93)	(1.92)	9.92
EAFE	(2.30)	(2.04)	8.62
Europe	(1.78)	(0.79)	10.96
Far East	(3.42)	(4.92)	(1.24)
Emerging Markets	0.35	3.64	39.39

G7-Developed Country Performance (U.S. \$) MSCI Indices			
Index	DEC 2007	4Q2007	2007
G7 Index	(1.17)	(2.94)	5.51
Britain	(2.76)	(2.97)	4.72
Canada	2.52	(0.58)	27.57
France	(1.43)	0.49	10.90
Germany	1.68	5.09	32.52
Italy	(1.46)	(0.08)	2.67
Japan	(4.01)	(6.17)	(5.42)
United States	(0.74)	(3.65)	4.09

During December of 2007, the G7 returned (1.17%) with all countries except Germany and Canada posting negative performance. The top three performing countries were: Canada 2.52%, Germany 1.68% and the United States (0.74%). The bottom three performing countries were: Italy (1.46%), Britain (2.76%) and Japan (4.01%).

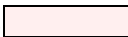


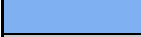






During the fourth quarter of 2007, the G7 returned (2.94%) with only France and Germany posting positive performance. The top three country performers were: Germany 5.09%, France 0.49% and Italy (0.08%). The bottom three performing countries were: Britain (2.97%), the United States (3.65%) and Japan (6.17%).

During 2007, the G7 returned 5.51% where the very strong performance of Canada and Germany was offset by the negative performance of Japan. The top three country performers were: Germany 32.52%, Canada 27.57% and France 10.90%. The bottom three country performers were: the United States 4.09%, Italy 2.67% and Japan (5.42%).

**Table 1 S&P 500 Sector Rankings**

Energy has stayed a top three performer for both 2006 and 2007. In 2006, Consumer Discretionary was also a top three sector, while in 2007 it fell to the bottom three. Financials posted low performance each quarter in 2007 and was the bottom performer in 2007 losing 20.84%.

S&P 500 Sector Rankings							Sector - Price Change (%)						
	Top 3 (Highest)		Top 3		Bottom 3		Bottom 3		Bottom 3		Bottom 3		
	1st	2nd	3rd	1st	2nd	3rd (Lowest)	1st	2nd	3rd (Lowest)	1st	2nd	3rd (Lowest)	
1Q06	Telecomm 13.39	Energy 8.6	Materials 6.81	Con Stp 0.98	Health 0.86	Utilities (2.05)							
2Q06	Utilities 4.73	Energy 3.85	Con Stp 2.31	Telecomm (1.42)	Health (5.39)	Info Tech (9.78)							
3Q06	Health 9.76	Telecomm 9.63	Info Tech 8.33	Industrials (0.59)	Materials (1.13)	Energy (2.14)							
4Q06	Materials 10.74	Energy 10.73	Cons Disc 9.82	Industrials 5.34	Con Stp 2.94	Health 0.99							
2006	Telecomm 32.13	Energy 22.22	Cons Disc 17.23	Industrials 11.02	Info Tech 7.7	Health 5.78							
1Q07	Materials 8.4	Utilities 8.4	Telecomm 6.4	Cons Disc (1.0)	Info Tech (1.1)	Financials (3.4)							
2Q07	Energy 14.32	Info Tech 10.18	Industrials 9.24	Con Stp 2.11	Financials 1.49	Utilities (1.11)							
3Q07	Energy 9.39	Info Tech 6.12	Industrials 5.35	Health 0.63	Financials (4.93)	Cons Disc (6.53)							
4Q07	Utilities 6.76	Energy 4.07	Con Stp 3.26	Telecomm (5.79)	Cons Disc (10.49)	Financials (15.04)							
2007	Energy 32.38	Materials 19.98	Utilities 15.54	Health 5.39	Cons Disc (14.32)	Financials (20.84)							

Sector			
Telecommunication Services		Consumer Discretionary	
Energy		Financials	
Materials		Consumer Staples	
Industrials		Health Care	
Information Technology		Utilities	

**Table 2 Developed Country Rankings**

The top three performers in 2006 were Spain, Portugal and Ireland. In 2007, Ireland was the lowest performer returning (21.87%). The strongest performers in 2007 were Finland, Hong Kong and Germany. Germany is the only G7 country that has performed in the top 3 for EAFE in at least one of the past two years. Japan, also a G7 country, has been a bottom 3 performer for 2006 and 2007.

MSCI Developed Market Country Performance 2006 - 2007						
Country/Total Return % (including 21 EAFE countries + Canada)						
	Top 3 (Highest) 1st	Top 3 2nd	Top 3 3rd	Bottom 3 1st	Bottom 3 2nd	Bottom 3 3rd (Lowest)
1Q06	Norway 23.42	Portugal 21.25	Ireland 15.04	Japan 6.78	Australia 5.86	New Zealand (4.51)
2Q06	U.K. 4.92	Italy 4.21	Australia 3.71	Finland (2.81)	Japan (4.56)	New Zealand (7.46)
3Q06	Spain 12.21	Netherlands 10.75	Denmark 8.71	Canada 1.14	Japan (0.72)	Norway (6.2)
4Q06	Singapore 23.3	New Zealand 21.79	Sweden 19.87	Netherlands 7.14	Canada 7.01	Japan 5.01
2006	Spain 49.36	Portugal 47.37	Ireland 46.81	Canada 17.81	New Zealand 16.56	Japan 6.24
1Q07	Finland 10.38	Singapore 10.32	Australia 9.22	Hong Kong 0.53	Italy 0.89	Ireland (0.94)
2Q07	Portugal 17.64	Germany 16.17	Finland 15.6	Ireland 3.58	Switzerland 3.18	Japan (0.64)
3Q07	Hong Kong 23.94	Finland 19.03	Australia 11.14	Portugal (6.16)	Austria (8.40)	Ireland (12.28)
4Q07	Spain 7.57	Portugal 7.24	Hong Kong 6.62	Japan (6.17)	Ireland (11.69)	Sweden (12.75)
2007	Finland 45.01	Hong Kong 37.48	Germany 32.52	Belgium (5.27)	Japan (5.42)	Ireland (21.87)

Developed Country		
Australia	Hong Kong	Portugal
Austria	Ireland	Singapore
Belgium	Italy	Spain
Canada	Japan	Sweden
Denmark	Netherlands	Switzerland
Finland	New Zealand	U.K.
Germany	Norway	

**Table 3 Emerging Country Rankings**

The top three country performers in 2006 included China, Venezuela and Indonesia. Although not in the top three for 2007, both China and Indonesia have maintained exceptionally strong performance. Venezuela has dropped to the bottom three performing countries in 2007 along with Argentina and Sri Lanka. The top performing countries in 2007 included Peru, Brazil and Turkey.

MSCI Emerging Market Country Performance 2006 - 2007 Country/Total Return % (includes 27 countries)						
	Top 3 1st	Top 3 2nd	Top 3 3rd	Bottom 3 25th	Bottom 3 26th	Bottom 3 27th
1Q06	Venezuela 50.19	Morocco 39.25	Russia 28.35	Taiwan 2.62	Israel (3.4)	Jordan (14.59)
2Q06	Peru 15.30	Argentina 5.13	Morocco 3.35	Egypt (26.57)	Turkey (29.6)	Columbia (31.39)
3Q06	Egypt 37.76	Philippines 27.08	Columbia 18.84	Brazil (1.34)	South Africa (6.49)	Argentina (6.71)
4Q06	China 35.87	Argentina 33.65	Hungary 32.04	Thailand 1.92	Pakistan (5.32)	Jordan (8.89)
2006	China 82.87	Venezuela 79.53	Indonesia 73.78	Israel (5.31)	Turkey (7.21)	Jordan (30.88)
1Q07	Peru 24.96	Morocco 24.70	Malaysia 18.29	India (3.25)	Columbia (5.6)	Venezuela (11.17)
2Q07	Peru 33.56	Hungary 28.73	China 24.45	Russia 0.33	Jordan (4.95)	Sri Lanka (8.49)
3Q07	China 41.89	Turkey 24.41	Peru 22.1	Pakistan (5.85)	Sri Lanka (8.73)	Venezuela (8.84)
4Q07	Egypt 24.33	Jordan 24.17	India 23.31	Hungary (6.16)	Taiwan (7.65)	Argentina (10.83)
2007	Peru 94.37	Brazil 79.56	Turkey 74.09	Venezuela 3.07	Argentina (4.02)	Sri Lanka (13.61)

Emerging Country			
Argentina	India	Pakistan	Taiwan
Brazil	Indonesia	Peru	Thailand
China	Israel	Philippines	Turkey
Columbia	Jordan	Russia	Venezuela
Egypt	Malaysia	South Africa	
Hungary	Morocco	Sri Lanka	

**Table 4 Domestic Equity Style Rankings**

The equity market leadership has clearly moved from value to growth from 2006 to 2007. In 2006, the bottom three performers included Large-Cap Core and Large-Cap Growth. These two styles were in the top three performers in 2007.

Domestic Equity Index Relative Performance 2006 - 2007 PPCA Style Groups (% return)									
	High 1	2	3	4	5	6	7	8	9 Low
1Q06	SCG 17.30	SCC 13.50	SCV 9.30	MCG 9.10	MCC 8.00	MCV 7.10	LCV 5.40	LCG 3.20	LCC 1.50
2Q06	LCV 1.95	MCV (0.69)	LCC (1.22)	SCV (1.89)	MCC (2.73)	SCC (3.56)	MCG (3.99)	LCG (4.98)	SCG (9.79)
3Q06	LCV 7.09	LCC 4.60	LCG 3.91	MCC 3.35	SCV 2.58	MCV 2.45	SCC 0.57	MCG 0.43	SCG (2.04)
4Q06	SCG 10.52	SCV 8.99	SCC 8.33	MCC 8.09	MCV 8.04	MCG 7.82	LCV 7.56	LCG 6.73	LCC 4.45
2006	LCV 23.66	SCV 20.09	SCC 19.11	MCV 17.78	MCC 17.39	SCG 13.65	MCG 13.34	LCC 9.55	LCG 8.77
1Q07	MCC 5.12	MCG 4.99	MCV 4.18	SCC 3.71	SCG 1.95	LCG 1.74	SCV 1.55	LCV 0.40	LCC (1.23)
2Q07	MCG 7.45	LCV 7.21	MCC 7.06	SCC 6.61	LCC 6.48	MCV 5.93	LCG 5.88	SCV 4.29	SCG 3.86
3Q07	LCG 6.78	LCC 4.51	MCG 1.87	LCV 1.40	SCC (0.89)	MCC (1.17)	MCV (2.99)	SCG (5.04)	SCV (5.17)
4Q07	LCC 2.26	MCG (0.34)	LCG (1.24)	SCC (4.32)	LCV (4.46)	MCC (4.60)	MCV (5.40)	SCV (7.12)	SCG (7.90)
2007	MCG 14.54	LCG 13.60	LCC 12.40	MCC 6.11	SCC 4.84	LCV 4.31	MCV 1.28	SCV (6.73)	SCG (7.39)

	Growth	Core	Value
Large	LCG	LCC	LCV
Mid	MCG	MCC	MCV
Small	SCG	SCC	SCV