

### ★ U.S. Economy

The U.S. Stock Market partially recovered from the declines in February and early March as the S&P 500 returned 1.12%. The collapse of sub-prime mortgage lending had a major negative impact on the U.S. stock market in mid-March as major lenders such as New Century made their loan repayment problems public. Sub-prime lenders such as New Century have financing deals with many of the nation's largest banks. It should be noted that Financials in the S&P 500 had the lowest sector performance for March 2007. The Federal Open Market Committee met on March 21<sup>st</sup> and kept the target for the federal funds rate at 5.25%.

During the first quarter of 2007, growth outperformed value and core issues in the U.S. Stock Market while mid-cap outperformed large cap and small cap issues. Foreign markets have continued to outperform U.S. markets led by strong performance in Europe where performance was 3.62% during March and 3.86% for the quarter. U.S. stock performance in the first quarter as measured by broad market indices ranged from 1.28% to 1.67%.

### ★ U.S. Bond Performance

In March 2007, U.S. Treasury yields fell at the short end (1 month -1 year) and the long end (30 years). The U.S. Treasury yields rose in the 5 year to 20 year range with an extreme of 14 basis points for 20 year issues. Performance was weak for the Lehman Global Aggregate and Lehman U.S. Aggregate with returns of 24 and 0 basis points respectively. The Lehman High Yield Bond index was up 11 basis points and the Lehman Municipal Bond index was down 25 basis points during the month of March.

During the first quarter of 2007, U.S. Treasury yields rose at the very short end (1 month - 3 months) and rose very slightly at the long end (20 - 30 years). Conversely, during the quarter U.S. Treasury yields fell in the short to intermediate range from 1 to 10 years with an extreme decline of 16 basis points at the 5 year level. Performance for the Lehman Global Aggregate and Lehman U.S. Aggregate was modest at 1.3% and 1.5% respectively. The Lehman High Yield Bond index was up 2.64% and the Lehman Municipal Bond index was up 81 basis points for the quarter.

#### TREASURY YIELDS

<u>Maturity</u>	<u>1 Mo</u>	<u>3 Mos</u>	<u>1 Yr</u>	<u>5 Yrs</u>	<u>10 Yrs</u>	<u>20 Yrs</u>	<u>30 Yrs</u>
12-29-06	4.75	5.02	5.00	4.70	4.71	4.91	4.81
3-30-07	5.07	5.04	4.90	4.54	4.65	4.92	4.84
<b>Change</b>	0.32	0.02	(0.10)	(0.16)	(0.06)	0.01	0.03
2-28-07	5.24	5.16	4.96	4.52	4.56	4.78	4.68
3-30-07	5.07	5.04	4.90	4.54	4.65	4.92	4.84
<b>Change</b>	(0.17)	(0.12)	(0.06)	0.02	0.09	0.14	0.16

#### Bond Indices - Total Return

<u>Index</u>	<u>Mar 2007</u>	<u>1Q 2007</u>
Lehman Global Aggregate	0.24	1.30
Lehman U. S. Aggregate	0.00	1.50
Lehman Municipal Bond	(0.25)	0.81
Lehman U. S. Treasury 1-3 Year	0.39	1.41
Lehman High Yield Bond	0.11	2.64

## ★ U.S. Stock Market

During the month of March, the broad U.S. market indices posted some recovery from February declines with returns ranging from 1.04% to 1.24%. The NASDAQ composite posted a modest 24 basis points for the month. For the quarter returns were only slightly greater than for the month with the broad U.S. market indices returning 1.28% to 1.67%. The NASDAQ composite returned 26 basis points for the quarter.

The domestic market was led by large cap value where Morningstar and PPCA indices returned 2.26% and 2.27% respectively during March. The lowest monthly performance was in large cap core where the returns for Morningstar and PPCA indices were .02% and (.53%) respectively.

The top three performing sectors in the S&P 500 with respect to price changes during March were: Energy 6.1%, Telecommunication Services 3.9% and Utilities 3.9%. The bottom three performing sectors during the month were: Financials (0.9%), Consumer Discretionary (0.6%) and Health Care .20%. During the quarter, the top three performing sectors for the S&P 500 were: Utilities 8.4%, Materials 8.4% and Telecommunication Services 6.4%. The bottom three performers were: Financials (3.4%), Information Technology (1.1%) and Consumer Discretionary (1.0%).

Broad Markets	Mar 2007	1Q 2007
NASDAQ Comp	0.23	0.26
MSCI-U.S. Broad	1.12	1.38
Russell 3000	1.04	1.28
PPCA Total	1.24	1.67
Morningstar	1.12	1.39

Large Cap Stocks	Mar 2007	1Q 2007
S & P 500	1.12	0.64
Russell 1000	1.04	1.21
Growth	0.54	1.19
Value	1.55	1.24
Morningstar	1.18	0.43
Growth	1.29	1.58
Value	2.26	0.82
Core	0.02	(0.89)
PPCA	1.36	0.43
Growth	1.44	1.74
Value	2.27	0.40
Core	(0.53)	(1.23)

S & P 500 Sector Performance		
	Price Change %	
Sector	Mar 2007	1Q 2007
Energy	6.1	1.7
Materials	1.7	8.4
Industrials	0.8	0.6
Consumer Discretionary	(0.6)	(1.0)
Consumer Staples	1.5	1.6
Health Care	0.2	0.6
Financials	(0.9)	(3.4)
Information Technology	0.5	(1.1)
Telecommunications Svcs	3.9	6.4
Utilities	3.9	8.4
S&P 500	1.0	0.2

MidCap Stocks	Mar 2007	1Q 2007
S & P 400	1.35	5.80
Morningstar	0.87	4.59
Growth	1.27	5.22
Value	1.01	4.19
Core	0.33	4.35
PPCA	1.04	4.69
Growth	1.12	4.99
Value	1.26	4.18
Core	0.49	5.12

Small Cap Stocks	Mar 2007	1Q 2007
S & P 600	1.68	3.21
Russell 2000	1.07	1.95
Growth	0.92	2.48
Value	1.21	1.46
Morningstar	1.19	2.52
Growth	1.67	3.85
Value	0.50	1.31
Core	1.37	2.40
PPCA	0.99	2.21
Growth	0.43	1.95
Value	0.94	1.55
Core	1.68	3.71

For the month of March 2007, the EAFE index was up 2.55%. The top three country performers were: Netherlands 7.19%, Austria 7.17% and Sweden 5.96%. The bottom three country performers for March were: Japan (1.32%), Portugal .40% and Ireland .52%. For the first quarter of 2007, the EAFE index was up 4.08%. The top three country performers were: Finland 10.38%, Singapore 10.32%, and Australia 9.22%. The MSCI Emerging Markets index was up 3.98% for the month. The top three country performers were: Venezuela 13.02%, Czech Republic 8.97% and Morocco 8.63%. The bottom three country performers were: Sri Lanka (5.95%), Jordan (5.58%) and Taiwan (2.20%). For the first quarter the MSCI Emerging Markets index was up 2.25%. The top three country performers were: Peru 24.96%, Morocco 24.70% and Malaysia 18.29%. The bottom three country performers were: Venezuela (11.17%), Columbia (5.60%) and India (3.25%).

Venezuela has had an interesting performance history over the past five quarters. During 2006, Venezuela trailed China as the number two emerging market performer with a stellar 79.53% driven by the country's vast energy resources. Crude oil reserves are the sixth largest in the world and Venezuela is the fourth largest supplier of oil to the United States. President Chavez has had a stormy relationship internally with the country's business and military leaders and externally with the West. He does have the support of the country's poor. The combination of vast resources and divisive politics has resulted in a volatile market. In January 2007, Venezuela performance was (33.82%). For February and March 2007, Venezuela performance has made a significant but partial recovery from the January decline by posting returns of 18.76% and 13.02% respectively. These returns geometrically link to a return of (11.17%) for the quarter.

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

During the month of March 2007, the G7 index returned 1.38%. The top three country performers were: Germany 4.38%, Britain 3.32% and France 3.08%. The bottom three country performers were: Japan (1.32%), United States 1.05% and Italy 2.05%. For the quarter, the G7 index returned 1.96%. The top three country performers for the quarter were: Germany 6.81%, Japan 3.52% and Canada 3.15%. The bottom three country performers for the quarter were: Italy .89%, United States .89% and France 2.82%.

Net Total Return of MSCI Indices (U.S. \$)		
Overseas Markets	Mar 2007	1Q 2007
The World Index	1.83	2.50
The World Index (Ex U.S.)	2.56	4.01
EAFE	2.55	4.08
Europe	3.62	3.86
Far East	(0.87)	3.56
Emerging Markets	3.98	2.25

G7-Developed Country Performance (U.S. \$) MSCI Indices		
Index	Mar 2007	1Q 2007
G7 Index	1.38	1.96
Britain	3.32	3.01
Canada	2.74	3.15
France	3.08	2.82
Germany	4.38	6.81
Italy	2.05	0.89
Japan	(1.32)	3.52
United States	1.05	0.89