Market Review - August 2007

U.S. Economy

The Federal Open Market Committee met in early August and decided not to raise the federal funds rate for the 18th straight time. The Fed is recognizing the impact of interest rates on the housing market and the impact of the housing market on the U.S. economy as it determines strategy. Rising rates would dampen the housing market with slower sales and a lower level of economic activity in housing. The housing market activity accounts for more than 20% of the gross domestic product and is very important to the U.S. economy. Ben Benanke has recently made public comments about how closely the Fed is following developments in the mortgage markets, and there is a widespread view that there could be a potential rate deduction in the upcoming September 18th meeting.

At the end of July 2007, the U.S. dollar was trading at historically low values versus other major currencies. It took a significant drop in global stock markets in August to cause some recovery in the value of the dollar. The potential danger of reducing U.S. interest rates is more currency devaluation.

The U.S. stock market recovered somewhat in August with broad market returns over 1%. The yield declines in the U.S. Treasury market have resulted in a more normalized yield curve with the short end around 4% and the long end around 4.8%.

U.S. Bond Performance

In August 2007, the U.S. Treasury curve steepened and fell across the maturity spectrum. The one month issues plummeted 1.11% while the 30 year issues fell 9 basis points. The intermediate 5 and 10 year treasury yields fell 35 and 24 basis points, respectively. These yield declines benefited the U.S. bond market as the Lehman Aggregate posted a 1.23% return in August. Performance in the broad investment grade global markets was also 1.23%. The Lehman Municipal Bond and High Yield indices returned (.43%) and 1.36%, respectively.

TREASURY YIELDS

Maturity	1 Mo	3 Mos	1 Yr	5 Yrs	10 Yrs	20 Yrs	30 Yrs
12/29/2006	4.75	5.02	5.00	4.70	4.71	4.91	4.81
8/31/2007	4.02	4.01	4.19	4.25	4.54	4.87	4.83
Change	(0.73)	(1.01)	(0.81)	(0.45)	(0.17)	(0.04)	0.02
7/31/2007	5.13	4.96	4.85	4.60	4.78	5.00	4.92
8/31/2007	4.02	4.01	4.19	4.25	4.54	4.87	4.83
Change	(1.11)	(0.95)	(0.66)	(0.35)	(0.24)	(0.13)	(0.09)

During the first eight months of 2007, U.S. Treasury yields declined across most of the maturity spectrum. The greatest declines were at the short end with the one month, three month and one year issues dropping 73, 101 and 81 basis points, respectively. At the long end of the maturity spectrum the yield change was modest as 20 year and 30 year issues moved -4 basis points and +2 basis points, respectively. The returns for the Lehman Aggregate and the Lehman Global Aggregate were 3.07% and 3.70%, respectively. The Lehman Municipal Bond index returned 48 basis points while the Lehman High Yield Bond index returned 58 basis points.

Bond Indices - Total Return

Index	AUG 2007	YTD 2007
Lehman Global Aggregate	1.23	3.70
Lehman U. S. Aggregate	1.23	3.07
Lehman Municipal Bond	(0.43)	0.48
Lehman U. S. Treasury 1-3 Year	1.04	4.09
Lehman High Yield Bond	1.36	0.58

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U.S. Stock Market

During the month of August 2007, there was an upswing in the U.S. stock market with the major broad market indices returning from 1.15% to 1.45%. This raised the year-to-date performance for the broad market indices to a range from 4.95% to 6.07%. The large-cap indices were consistently up for the four index providers from the Russell 1000 with a 1.36% return to the Morningstar large-cap index return of 1.76%. The mid-cap performance was positive but low with PPCA posting a 0.10% return up to the S&P 400 with a .92% return. The small-cap performance range was quite wide in August with the PPCA returning 0.40% at the low end and the Russell 2000 returning 2.27% at the high end. There were more variations in style performance results in August than usually occur. This is a reminder that each benchmark vendor has different mapping rules and coverage levels for their indices.

During August 2007, the top three performing sectors in the S&P 500 with respect to price changes were: Information Technology 2.74%, Consumer Staples 2.47% and Health Care 2.27%. The bottom three performing sectors during the month were: Materials (0.78%), Industrials (0.20%) and Telecommunications Services (0.08%). On a year-to-date basis, the top three S&P 500 sector performers were: Energy 17.74%, Materials 11.97% and Information Technology 11.44%. The bottom three performers were: Financials (8.65%), Consumer Discretionary (3.33%) and Health Care 2.86%.

S & P 500 Sector Performance Price Change %

Sector	August 2007	YTD 2007
Energy	0.55	17.74
Materials	(0.78)	11.97
Industrials	(0.20)	10.75
Consumer Discretionary	0.24	(3.33)
Consumer Staples	2.47	3.77
Health Care	2.27	2.86
Financials	1.26	(8.65)
Information Technology	2.74	11.44
Telecommunications Srvcs	(0.08)	10.21
Utilities	1.84	5.03
S&P 500	1.29	3.93

Broad Markets	August 2007	YTD 2007
NASDAQ Comp	1.97	7.48
MSCI-U.S. Broad	1.44	5.39
Russell 3000	1.44	4.95
PPCA Total	1.15	6.07
Morningstar	1.45	5.60

Large Cap Stocks		August 2007	YTD 2007
S & P 500		1.50	5.20
Russell 1000		1.36	5.28
	Growth	1.59	8.15
	Value	1.12	2.45
Morningstar		1.76	5.61
	Growth	1.36	7.98
	Value	2.11	3.44
	Core	1.79	5.68
PPCA		1.65	6.26
	Growth	2.17	8.74
	Value	1.23	4.98
	Core	1.89	6.06

MidCap Stocks		August 2007	YTD 2007
S & P 400		0.92	8.14
Morningstar		0.12	6.57
	Growth	0.99	14.04
	Value	(0.92)	0.01
	Core	0.20	5.84
PPCA		0.10	7.54
	Growth	0.16	10.57
	Value	(0.12)	4.63
	Core	0.40	7.85

Small Cap Stocks		August 2007	YTD 2007
S & P 600		1.87	5.01
Russell 2000		2.27	1.41
	Growth	2.52	6.26
	Value	2.00	(3.14)
Morningstar		1.95	2.62
	Growth	2.46	8.89
	Value	2.79	(3.40)
	Core	0.64	2.10
PPCA		0.40	0.94
	Growth	(1.58)	(2.61)
	Value	0.89	(0.18)
	Core	1.75	6.83

Global Markets

For the month of August 2007, the EAFE index returned (1.81%). The top three country performers were: Finland 5.86%, Hong Kong 0.34% and Germany 0.17%. The bottom three country performers for this period were: New Zealand (13.00%), Portugal (5.53%) and Singapore (4.80%). On a year-to-date basis, the top three country performers were: Finland 32.81%, Denmark 17.62% and Germany 17.38%. For the same period, the lowest three country performers were: Ireland (8.96%), New Zealand (3.57%) and Belgium (1.57%).

The MSCI Emerging Markets index returned -2.13% during August 2007. The top three country performers were: China 7.21%, Morocco 4.70% and Sri Lanka 4.69%. The bottom three country performers were: Pakistan (11.66%), Columbia (11.10%) and Malaysia (8.24%). On a year-to-date basis, the top three country performers were: Peru 75.45%, China 43.85%, and Turkey 41.15%. For the same period, the bottom three country performers were: Sri Lanka (13.15%), Jordan (2.61%) and Russia (2.02%).

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 August 2007, the G7 index returned 0.05%. with only the United States and Germany posting positive returns. The top three performers were: United States 1.31%, Germany 0.17%, and Canada (.14%). The bottom three performers were: Japan (2.95%), France (1.87%) and Britain (1.51%). On a year-to-date basis, the top three country performers were: Germany 17.38%, Canada 17.07% and France 4.94%. For the same period, the bottom three country performers were: Japan (0.99%), Italy (0.96%) and the United States 4.23%.

Net Total Return of MSCI Indices (U.S. $)

Overseas Markets	AUG 2007	YTD 2007
The World Index	(0.27)	5.26
The World Index (Ex U.S.)	(1.68)	6.23
EAFE	(1.81)	5.44
Europe	(1.38)	6.51
Far East	(2.78)	0.59
Emerging Markets	(2.13)	21.12

G7-Developed Country Performance (U.S. $) MSCI Indices

Index	AUG 2007	YTD 2007
G7 Index	0.05	4.59
Britain	(1.51)	4.33
Canada	(0.14)	17.07
France	(1.87)	4.94
Germany	0.17	17.38
Italy	(0.44)	(0.96)
Japan	(2.95)	(0.99)
United States	1.31	4.23