

### ★ U.S. Economy

The Federal Open Market Committee met on September 18<sup>th</sup> and reduced the federal funds rate by 50 basis points to 4.75%. This decision was made in an environment where economic growth has been moderate and credit has been tightening. Credit has been a strong problem in the sub-prime mortgage sector and has been a strong threat to a declining housing market. The Feds action was intended to prevent disruptions in the financial markets and support continued economic growth. The immediate impact of this rate reduction was a boost to the stock market, since the rate decrease was significant at 50 basis points and in excess of the widely anticipated reduction of 25 basis points. This action was a boost to the financial markets in the short run as stock, bond and credit markets soared globally after the rate cuts.

Former Fed Chairman, Alan Greenspan was back in the news publicly disapproving these cuts and warning that these actions could lead to inflationary pressures. The long term benefit of these rate cuts remains to be seen. The deficit spending in the U.S. is taking its toll on the U.S. dollar in light of the ongoing cost of the war and the high cost of energy.

Although the U.S. broad stock market indices rallied in September 2007, they were outperformed by both the MSCI EAFE and the Emerging Markets indices. In addition, we have been witnessing an erosion in the relative value of the dollar throughout 2007. This decline accelerated in September and is discussed in the next section. The U.S. dollar has weakened this year against most major foreign currencies and with regard to gold prices.

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

This past year, the U.S. dollar has weakened with respect to purchasing gold, as well as relative to purchasing major developed country currencies. We have added some new tables to this market review to illustrate the relative strength of the U.S. dollar. The first table depicts the appreciation of gold prices relative to the U.S. dollar. The dollar has continued to weaken in its gold purchasing strength throughout the year. As shown in the table, the London spot price of gold in the U.S. market has appreciated 10.57% in September 2007, 14.22% in the 3<sup>rd</sup> quarter of 2007 and 16.88% on a year-to-date basis through September 2007.

Appreciation of Gold Relative to USD	
YTD 2007	16.88%
3Q 2007	14.22%
Sep-07	10.57%

The second new table, to the right, provides key spot exchange rates for 1 U.S. dollar versus several developed country reference currencies. Across all nine major reference currencies the U.S. dollar weakened as 1 U.S. dollar could purchase less of the reference currency over the past month, quarter and year-to-date through September 2007. The most extreme U.S. dollar decline on a year-to-date basis is shown against the Canadian dollar where the U.S. dollar could purchase 1.1643 Canadian dollars at the start of 2007 and only 1.0029 Canadian dollars on the last day of the quarter.

Exchange Rate Tables 1 USD buying reference currency				
Reference Currency	12/31/06	6/29/07	8/31/07	9/28/07
EUR Europe	0.7579	0.7416	0.7324	0.7070
GBP Great Britain	0.5111	0.4989	0.4959	0.4940
JPY Japan	119.06	123.30	115.98	115.74
CHF Swiss	1.2182	1.2278	1.2025	1.1727
CAD Canada	1.1643	1.0595	1.0548	1.0029
AUD Australia	1.2686	1.1780	1.2219	1.1384
NZD New Zealand	1.4194	1.2969	1.4193	1.3365
HKD Hong Kong	7.7775	7.8173	7.7995	7.7600
SGD Singapore	1.5334	1.5314	1.5235	1.4907

The third new table translates the changes in spot exchange rates from the first table into FX percent returns. With the one exception of the New Zealand dollar in the third quarter of 2007, the U.S. dollar showed negative performance relative to all of the nine major reference currencies over the time frames considered. The most extreme decline of the U.S. dollar on a year-to-date basis was against the Canadian dollar and was (13.86%).

#### FX Return of \$1 USD Relative to Reference Currency

Reference Currency	YTD 2007	3Q 2007	SEPT 2007
EUR Europe	(6.71%)	(4.67%)	(3.46%)
GBP Great Britain	(3.33%)	(0.98%)	(0.38%)
JPY Japan	(2.79%)	(6.13%)	(0.21%)
CHF Swiss	(3.74%)	(4.49%)	(2.48%)
CAD Canada	(13.86%)	(5.34%)	(4.92%)
AUD Australia	(10.26%)	(3.36%)	(6.84%)
NZD New Zealand	(5.85%)	3.05%	(5.84%)
HKD Hong Kong	(0.23%)	(0.73%)	(0.51%)
SGD Singapore	(2.78%)	(2.66%)	(2.16%)

### ★ U.S. Bond Performance

During September 2007, the U.S. Treasury curve continued to steepen as rates rose slightly in the intermediate to long end of the maturity spectrum, and fell significantly at the short end of the spectrum with a 59 basis point decline for 1 month issues. In the third quarter of 2007, yields fell across the maturity spectrum with a steepening of the U.S. Treasury curve. The year-to-date U.S. Treasury curve changes also reflected a steeper curve with significant yield declines from 132 to 95 basis points for issues between 1 month and 1 year.

In September, the Lehman U.S. Aggregate and Lehman Global Aggregate returned 76 basis points and 224 basis points, respectively. Also in September, the Lehman Municipal Bond Index and the High Yield Bond Index returned 1.48% and 2.62%, respectively. During the third quarter of 2007, the Lehman U.S. Aggregate and Lehman Global Aggregate returned 2.84% and 5.61%, respectively. During the quarter, the Lehman Municipal Bond Index and High Yield Bond Index returned 1.83% and 0.33%, respectively. On a year-to-date basis, the Lehman Aggregate and Lehman Global Aggregate returned 3.85% and 6.02%, respectively. Also on a year-to-date basis, the Lehman Municipal Bond Index and High Yield Bond Index returned 1.97% and 3.21%, respectively.

#### TREASURY YIELDS

Maturity	1 Mo	3 Mos	1 Yr	5 Yrs	10 Yrs	20 Yrs	30 Yrs
8/31/2007	4.02	4.01	4.19	4.25	4.54	4.87	4.83
9/28/2007	3.43	3.82	4.05	4.23	4.59	4.89	4.83
Change	(0.59)	(0.19)	(0.14)	(0.02)	0.05	0.02	0.00
6/29/2007	4.28	4.82	4.91	4.92	5.03	5.21	5.12
9/28/2007	3.43	3.82	4.05	4.23	4.59	4.89	4.83
Change	(0.85)	(1.00)	(0.86)	(0.69)	(0.44)	(0.32)	(0.29)
12/29/2006	4.75	5.02	5.00	4.70	4.71	4.91	4.81
9/28/2007	3.43	3.82	4.05	4.23	4.59	4.89	4.83
Change	(1.32)	(1.20)	(0.95)	(0.47)	(0.12)	(0.02)	0.02

#### Bond Indices - Total Return

Index	Sept 2007	3Q 2007	YTD 2007
Lehman Global Aggregate	2.24	5.61	6.02
Lehman U. S. Aggregate	0.76	2.84	3.85
Lehman Municipal Bond	1.48	1.83	1.97
Lehman U. S. Treasury 1-3 Year	0.70	2.65	4.81
Lehman High Yield Bond	2.62	0.33	3.21

## ★ U.S. Stock Market

The broad U.S. market indices returned between 3.62% and 3.92% during September 2007. The third quarter performance for the broad indices ranged between 1.54% and 1.80%. The year-to-date performance range was between 8.77% and 10.23% for the broad indices.

The S&P 500 return based on price change was 3.58% during September 2007. The top three performing S&P 500 sectors based on price change in the month were: Energy 8.04%, Materials 7.63% and Industrials 4.52%. The bottom three performing sectors in the month were: Consumer Discretionary (.98%), Financials 2.00% and Health Care 2.94%

The S&P 500 appreciation during the third quarter of 2007 was 1.56%. The top three performing sectors based on price change during the quarter were: Energy 9.39%, Information Technology 6.12% and Industrials 5.35%. The bottom three performers during the quarter were: Consumer Discretionary (6.53%), Financials (4.93%) and Health Care 0.63%.

Broad Market Indices & the NASDAQ Comp	SEPT 2007	3Q 2007	YTD 2007
NASDAQ Comp	4.05	3.75	11.83
MSCI-U.S. Broad	3.62	1.54	9.21
Russell 3000	3.65	1.55	8.77
PPCA Total	3.92	1.80	10.23
Morningstar	3.70	1.72	9.51

Large-Cap Stocks	SEPT 2007	3Q 2007	YTD 2007
S & P 500	3.74	2.03	9.13
Russell 1000	3.82	1.98	9.30
Growth	4.19	4.21	12.68
Value	3.43	(0.24)	5.97
Morningstar	4.10	3.02	9.94
Growth	5.38	5.30	13.79
Value	3.33	0.56	6.88
Core	3.66	3.34	9.54
PPCA	4.53	3.69	11.08
Growth	5.78	6.78	15.03
Value	4.01	1.40	9.18
Core	3.64	4.51	9.91

S & P 500 Sector Performance			
Price Change %			
Sector	SEPT 2007	3Q 2007	YTD 2007
Energy	8.04	9.39	27.21
Materials	7.63	4.36	20.51
Industrials	4.52	5.35	15.76
Consumer Discretionary	(0.98)	(6.53)	(4.28)
Consumer Staples	4.16	4.19	8.08
Health Care	2.94	0.63	5.88
Financials	2.00	(4.93)	(6.83)
Information Technology	3.76	6.12	15.63
Telecommunications Svcs	4.46	1.36	15.12
Utilities	3.28	1.16	8.48
S&P 500	3.58	1.56	7.65

Mid-Cap Stocks	SEPT 2007	3Q 2007	YTD 2007
S & P 400	2.65	(0.87)	11.01
Morningstar	2.93	(1.35)	9.69
Growth	5.05	4.87	19.80
Value	1.44	(6.25)	1.45
Core	2.16	(2.75)	8.12
PPCA	3.12	(0.78)	10.89
Growth	3.94	1.87	14.93
Value	2.33	(2.99)	7.07
Core	3.14	(1.17)	11.23

Small-Cap Stocks	SEPT 2007	3Q 2007	YTD 2007
S & P 600	1.49	(1.82)	6.58
Russell 2000	1.72	(3.09)	3.16
Growth	2.91	0.02	9.35
Value	0.45	(6.26)	(2.70)
Morningstar	1.53	(3.27)	4.19
Growth	4.17	2.45	13.43
Value	0.21	(6.82)	(3.19)
Core	(0.14)	(5.95)	1.95
PPCA	1.82	(4.02)	2.78
Growth	3.24	(5.04)	0.55
Value	0.61	(5.17)	0.42
Core	2.57	(0.89)	9.58

The S&P 500 appreciation on a year-to-date basis through September 2007 was 7.65%. The top three performing sectors based on price change on a year-to-date basis were: Energy 27.21%, Materials 20.51% and Industrials 15.76%. The bottom three performing sectors on a year-to-date basis were: Financials (6.83%), Consumer Discretionary (4.28%) and Health Care 5.88%.

The strongest performing style during September 2007 was large-cap growth while the weakest performing style was small-cap value. For the third quarter, the strongest performing style was also large-cap growth while the weakest performing style was again small-cap value. On a year-to-date basis, the top performing style indices were in the large to mid-cap growth area. The weakest performance on a year-to-date basis was in small-cap value.

## ★ Global Markets

For the month of September 2007, the EAFE index returned a strong 5.35%. The top three country performers were: Hong Kong 15.30%, Australia 14.84% and New Zealand 13.62%. The bottom three country performers were: Ireland (2.65%), Portugal (1.16%) and Austria .43%.

For the third quarter of 2007, EAFE returned only 2.18% due to a weak July and August performance of (1.54%) and (1.81%), respectively. The top three country performers for the quarter were: Hong Kong 23.94, Finland 19.03% and Australia 11.14%. The bottom three country performers during this quarter were: Ireland (12.28%), Austria (8.40%) and Portugal (6.16%).

On a year-to-date basis, the EAFE returned 13.15% with all countries except Ireland posting positive performance. The top three country performers in this period were: Finland 51.87%, Australia 33.90% and Singapore 32.84%. The lowest three country performers in this period were: Ireland (10.0%), Austria 1.71% and Japan 1.96%.

The MSCI Emerging Markets index returned 11.04% in September 2007. The top three country performers for the month were: Brazil 20.7%, China 19.94% and India 16.82%. The bottom three country performers in the month were: Venezuela (7.32%), Sri Lanka (4.48%) and Chile 0.52%.

The MSCI Emerging Markets index returned 14.42% in the third quarter of 2007. The top three country performers in this period were: China 41.89%, Turkey 24.41% and Peru 22.10%. The lowest three country performers in this period were: Venezuela (8.84%), Sri Lanka (8.73%) and Pakistan (5.85%).

On a year-to-date basis, the MSCI Emerging Markets index returned 34.50%. The top three country performers in this period were: Peru 103.78%, China 72.53% and Turkey 64.48%. The bottom three country performers in this period were: Sri Lanka (17.04%), Jordan 0.09% and Venezuela 1.60%.

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%).

During September of 2007, the G7 returned 4.10%. The top three country performers were: Canada 9.78%, Germany 7.43% and France 5.15%. The bottom three country performers in this period were: Japan 2.31%, Britain 3.61% and Italy 3.74%.

Net Total Return of MSCI Indices (U.S. \$)			
Overseas Markets	SEPT 2007	3Q 2007	YTD 2007
The World Index	4.76	2.36	11.74
The World Index (Ex U.S.)	5.68	2.71	14.29
EAFE	5.35	2.18	13.15
Europe	5.06	1.69	14.39
Far East	3.75	1.36	5.23
Emerging Markets	11.04	14.42	34.50

During the 3<sup>rd</sup> quarter of 2007, the G7 index returned 1.63%. The top three performers during the quarter were: Canada 9.50%, Germany 3.69% and the United States 1.97%. The bottom three performers during the quarter were: Japan (.86%), France (.44%) and Britain 0.17%.

On a year-to-date basis, the G7 index returned 10.21%. The top three country performers were: Canada 29.79%, Germany 28.66% and France 12.45%. The bottom three country performers were: Japan 1.96%, Italy 5.50% and the United States 9.05%.

<b>G7-Developed Country Performance (U.S. \$) MSCI Indices</b>			
<b>Index</b>	<b>SEPT 2007</b>	<b>3Q 2007</b>	<b>YTD 2007</b>
G7 Index	4.10	1.63	10.21
Britain	3.61	0.17	11.01
Canada	9.78	9.50	29.79
France	5.15	(0.44)	12.45
Germany	7.43	3.69	28.66
Italy	3.74	0.33	5.50
Japan	2.31	(0.86)	1.96
United States	3.75	1.97	9.05