

★ The U.S. Economy

On the first day of December 2008, the National Bureau of Economic Research made the U.S. recession official as they stated that U.S. economic activity peaked in December 2007. Throughout 2008, we have faced months of bad economic news regarding the U.S. financial system. There has been a significant focus by the government to strengthen financial institutions through this economic downturn. Historically, the most significant recession since the 1929-1933 recession has been the downturn in the early 1980's which lasted 16 months through 1981-1982. Many economists today believe that the current recession is on a par or will surpass this 1980's recession. It is interesting that Paul Volcker was the fed chairman in this earlier recession and is now a part of President-elect Obama's incoming economic team.

A recent announcement by the government stated job losses were 533,000 in November 2008. This is the highest level in the past 34 years and the unemployment rate has risen to 6.7%.. The FOMC did not meet to consider rate cuts in November and will next meet on December 16, 2008. Government bailout activities for financial institutions continued through November and the Big Three auto manufacturing CEO's have returned to Washington without their private jets to seek financial support and avert shutting down. Government support for the auto industry is currently being determined.

The U.S. and global stock markets have continued to be volatile and declined in November 2008. Most broad U.S. indices were down 8 to 10 percent during the month while the developed and emerging foreign markets declined 5.41% and 7.53% according to MSCI indices. Domestic and global bond yields declined in November resulting in the global and U.S. Lehman aggregate indices returning 2.89% and 3.26%, respectively. The U.S. dollar weakened relative to gold but strengthened relative to most key foreign currencies during November 2008.

★ Performance in Recent Market Cycles (Jan 07– Nov 08)

The broad U.S. market indices plus the NASDAQ composite and S&P 500 posted significant negative returns in November 2008 ranging from (10.77%) to (7.72%). In the bear market from November 2007 through November 2008, these indices provided returns in a range between (40.68%) and (46.28%) on an unannualized basis. Over the 23 months from January 2007 through November 2008, these indices returned from (34.23%) to (36.79%).

Recent U.S. Market Cycles (Jan 07—Nov 08)

Key U.S. Market Indices	Jan07-Nov08			
	Jan 07-Oct 07	2007	Nov 07– Nov 08	Unannualized
NASDAQ	18.35	9.78	(46.28)	(36.43)
MSCI-US Broad	11.21	5.59	(41.31)	(34.73)
Russell 3000	10.77	5.14	(41.61)	(35.32)
PPCA Total	10.23	7.05	(42.65)	(36.79)
Morningstar U.S.	11.50	5.92	(41.24)	(34.49)
S&P 500	10.87	5.49	(40.68)	(34.23)

In November 2008, the major global indices posted negative performance ranging from (5.41%) for EAFE to (7.53%) for the MSCI Emerging Markets index. In the bear market from November 2007 through November 2008, these indices provided returns between (44.45%) for the G7 index to (59.63%) for the MSCI Emerging Markets index.

Recent Global Market Cycles (Jan 07—Nov 08)

Key Global Market Indices	Jan 07-Nov 08			
	Jan 07-Oct 07	2007	Nov 07-Nov 08	Unannualized
World Index	15.17	7.09	(46.09)	(37.91)
EAFE	17.60	8.62	(50.08)	(41.29)
G7	13.16	5.51	(44.45)	(37.14)
Emerging Markets	49.50	39.39	(59.63)	(39.65)

★ Relative Strength of the U.S. Dollar

The U.S. dollar weakened significantly again in November 2008 relative to gold as the price of gold went up 11.46%. On a year-to-date basis, U.S. dollars has strengthened as the price of gold was down 2.63%.

Price Change of Gold Relative to USD

2007	31.59%
YTD 08	(2.63%)
NOV-08	11.46%

The next table provides key spot exchange rates for 1 U.S. dollar versus nine key developed country currencies. During November 2008, the U.S. dollar again strengthened in all key currencies considered except the Japanese yen and the Hong Kong dollar.

Exchange Rate Tables 1 USD buying reference currency

Reference Currency	12/31/06	12/31/07	06/30/08	10/31/08	11/30/08
EUR Europe	0.7579	0.6783	0.6330	0.7660	0.7876
GBP Great Britain	0.5111	0.5008	0.5011	0.6068	0.6503
JPY Japan	119.06	112.27	106.07	98.23	95.51
CHF Swiss	1.2182	1.1269	1.0180	1.1316	1.2129
CAD Canada	1.1643	0.9804	1.0101	1.2083	1.2387
AUD Australia	1.2686	1.1444	1.0400	1.4753	1.5256
NZD New Zealand	1.4194	1.2942	1.3134	1.6918	1.8192
HKD Hong Kong	7.7775	7.8046	7.8003	7.7519	7.7501
SGD Singapore	1.5334	1.4459	1.3624	1.4718	1.5127

The next table translates the changes in spot exchange rates from the first table into FX percent returns. During November 2008, the U.S. dollar strengthened 7.18% against the Swiss franc and weakened (2.77%) against the Japanese yen. On a year-to-date basis, the U.S. dollar strengthened in all of the key currencies considered except the Japanese yen and the Hong Kong dollar.

FX Return of \$1 USD Relative to Reference Currency

Reference Currency	2007	YTD 2008	NOV-08
EUR Europe	(10.50%)	16.12%	2.82%
GBP Great Britain	(2.00%)	29.85%	7.17%
JPY Japan	(5.70%)	(14.93%)	(2.77%)
CHF Swiss	(7.49%)	7.62%	7.18%
CAD Canada	(15.79%)	26.34%	2.52%
AUD Australia	(9.78%)	33.31%	3.41%
NZD New Zealand	(8.83%)	40.57%	7.53%
HKD Hong Kong	0.35%	(0.70%)	(0.02%)
SGD Singapore	(5.71%)	4.62%	2.77%

★ U.S. Bond Performance

During November 2008, U.S. treasury yields fell across the maturity spectrum with the most significant decline at the intermediate to long end where 10 year issues fell 108 basis points. On a year-to-date basis, yields also fell across the maturity spectrum with the most significant decreases at the short end where 3 month issues were down 335 basis points.

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>
10/31/2008	0.12	0.46	1.34	2.80	4.01	4.74	4.35
11/28/2008	0.02	0.01	0.90	1.93	2.93	3.71	3.45
Change	(0.10)	(0.45)	(0.44)	(0.87)	(1.08)	(1.03)	(0.90)
12/31/2007	2.76	3.36	3.34	3.45	4.04	4.50	4.45
11/28/2008	0.02	0.01	0.90	1.93	2.93	3.71	3.45
Change	(2.74)	(3.35)	(2.44)	(1.52)	(1.11)	(0.79)	(1.00)

In November 2008, the Lehman Global Aggregate and U.S. Aggregate returned 2.89% and 3.26%, respectively. Also in November 2008, the Lehman Municipal and High Yield bond indices returned 0.32% and (9.31%) respectively.

On a year-to-date basis, the Lehman Global Aggregate and U.S. Aggregate returned (1.34%) and 1.45%, respectively. Also on a year-to-date basis, the Lehman Municipal Bond and High Yield indices returned (3.88%) and (31.42%).

Bond Indices - Total Return		
<u>Index</u>	<u>NOV 2008</u>	<u>YTD08</u>
Lehman Global Aggregate	2.89	(1.34)
Lehman U. S. Aggregate	3.26	1.45
Lehman Municipal Bond	0.32	(3.88)
Lehman U. S. Treasury 1-3 Year	1.21	6.08
Lehman High Yield Bond	(9.31)	(31.42)

★ U.S. Stock Market

In November 2008, the NASDAQ composite posted a negative return of (10.77 %). Also during November, the four broad U.S. stock indices had negative returns ranging from (7.72%) to (8.31%). On a year-to-date basis, the NASDAQ composite index was down (42.09%). During this period, the four broad U.S. stock indices fell over a range from (38.14%) to (39.43%).

All domestic style indices posted significant losses in November 2008. In this market, the relative style rankings by performance was not consistent across index families. Generally the most significant losses were in the small cap styles while large cap performance was the highest.

On a year-to-date basis, all style and capitalization ranges continued to have negative performance. Overall, growth continued to post the lowest performance across cap ranges while the least negative performance was generally in value.

<u>Broad Market Indices & the NASDAQ Comp</u>	<u>NOV 2008</u>	<u>YTD 2008</u>
NASDAQ Comp	(10.77)	(42.09)
MSCI-U.S. Broad	(7.90)	(38.18)
Russell 3000	(7.89)	(38.48)
PPCA Total	(8.31)	(39.43)
Morningstar	(7.72)	(38.14)

The S&P 500 return based on price change was (7.49%) in November 2008. Most economic sectors had significant negative performance during the month. The top three performing sectors were: Telecommunications Services 6.43%, Utilities 2.43% and Energy 0.40%. The bottom three performing sectors were: Financials (18.74%), Information Technology (11.44%) and Materials (11.22%).

On a year-to-date basis, the S&P 500 price return was (38.96%). All sectors posted significant negative sector performance. The top three performing sectors were: Consumer Staples (17.02%), Health Care (29.17%) and Utilities (29.82%). The bottom three performing sectors were: Financials (56.66%), Materials (46.64%) and Information Technology (44.62%).

S & P 500 Sector Performance		
Price Change %		
Sector	NOV 2008	YTD 2008
Energy	0.40	(33.20)
Materials	(11.22)	(46.64)
Industrials	(7.60)	(41.86)
Consumer Discretionary	(9.78)	(37.91)
Consumer Staples	(2.01)	(17.02)
Health Care	(7.18)	(29.17)
Financials	(18.74)	(56.66)
Information Technology	(11.44)	(44.62)
Telecommunication Svcs	6.43	(34.20)
Utilities	2.43	(29.82)
S&P 500	(7.49)	(38.96)

Small-Cap Stocks	NOV 2008	YTD 2008
S & P 600	(11.68)	(35.04)
Russell 2000	(11.83)	(37.42)
Growth	(12.10)	(41.70)
Value	(11.58)	(33.04)
Morningstar	(11.66)	(39.22)
Growth	(11.43)	(43.41)
Value	(11.19)	(34.31)
Core	(12.39)	(39.42)
PPCA	(12.89)	(42.77)
Growth	(16.02)	(55.10)
Value	(12.94)	(36.21)
Core	(9.94)	(40.94)

Mid-Cap Stocks	NOV 2008	YTD 2008
S & P 400	(9.27)	(39.18)
Morningstar	(9.77)	(43.02)
Growth	(10.49)	(47.36)
Value	(8.44)	(38.89)
Core	(10.36)	(42.55)
PPCA	(10.17)	(44.53)
Growth	(10.69)	(50.68)
Value	(10.17)	(41.15)
Core	(9.28)	(40.70)

Large-Cap Stocks	NOV 2008	YTD 2008
S & P 500	(7.18)	(37.66)
Russell 1000	(7.56)	(38.58)
Growth	(7.95)	(39.53)
Value	(7.17)	(37.71)
Morningstar	(6.86)	(36.74)
Growth	(9.22)	(41.75)
Value	(5.09)	(36.11)
Core	(6.42)	(33.02)
PPCA	(7.00)	(37.02)
Growth	(8.41)	(45.39)
Value	(4.74)	(33.43)
Core	(8.53)	(28.61)

★ Global Markets

For the month of November 2008, the MSCI EAFE index returned (5.41%). The top three EAFE country performers were: Hong Kong (0.60%), Japan (1.25%) and Spain (1.68%). The bottom three EAFE country performers were: Ireland (18.67%), Norway (15.12%) and Austria (14.48%).

On a year-to-date basis, the EAFE returned (46.59%). The top three EAFE country performers were: Japan (34.53%), Switzerland (36.04%) and the United Kingdom (46.81%). The bottom three EAFE country performers were: Ireland (70.86%), Austria (70.07%) and Belgium (69.74%).

The MSCI Emerging Markets index returned (7.53%) during November 2008. The top three country performers were: Peru 12.66%, Columbia 5.23% and China 4.55%. The bottom three country performers were: Russia (18.37%), Korea (16.95%) and Egypt (14.49%).

On a year-to-date basis, the MSCI Emerging Markets index returned (56.71%). The top three country performers include: Morocco (14.55%), Columbia (31.26%) and Israel (32.01%). The bottom three country performers include: Russia (71.65%), India (67.76%) and Indonesia (64.98%).

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 November 2008, the MSCI G7 index returned (6.44%). The top three G7 performers were: Japan (1.25%), France (5.61%) and Italy (5.70%). The bottom three G7 performers were: Germany (8.95%), the United States (7.47%) and Britain (6.44%).

On a year-to-date basis, the MSCI G7 index returned (40.92%). The top three G7 performers were: Japan (34.53%), the United States (38.32%) and Canada (43.91%). The bottom three G7 performers were: Italy (53.16%), Germany (52.01%) and France (47.73%).

Net Total Return of MSCI Indices (U.S. \$)		
Overseas Markets	NOV 2008	YTD 2008
The World Index	(6.47)	(42.56)
The World Index (Ex U.S.)	(5.42)	(46.38)
EAFE	(5.41)	(46.59)
Europe	(6.86)	(49.09)
Far East	(1.27)	(37.23)
Emerging Markets	(7.53)	(56.71)
G7 Index	(6.44)	(40.92)