

★ U.S. Economy

Domestic and international equity markets continued to recover during May 2008. The developed markets as represented by the MSCI EAFE index returned a modest 0.28% while the broad U.S. market indices returned just over 2%. The United States has continued to avoid a recession despite the rise in energy prices and the major housing declines. During May 2008, the emerging market giants such as India and China have continued to have declining equity market returns of (10.13%) and (4.96%), respectively. Russia, Brazil and Argentina led the way for emerging market equity performance with returns between 11% and 16%.

The global rise in interest rates during May 2008 has resulted in declining bond index performance as both the Lehman global and U.S. aggregate indices had negative returns. The U.S. dollar continued to decline relative to gold. However, the U.S. dollar strengthened against key currencies such as the Euro, the British pound and the Japanese yen.

The April 29-30th Federal Open Market Committee minutes were released on May 21, 2008. During this meeting, the committee expressed concerns for elevated inflation, relatively high unemployment and weakening economic growth in the first half of 2008.

★ Impact of May 2008 Equity Market Recovery on Recent Declines

The U.S. stock market continued to make a recovery in May 2008. For the key U.S. market indices considered the returns ranged from 2.03% to 4.55% during May 2008. This increase in performance resulted in low positive returns for the extended 17 month period from January 2007 through May 2008 as shown in the table below.

Impact of May 2008 U.S. Recovery on Recent Market Declines

Key U.S. Market Indices				Jan 07-Mar 08			Jan 07-May 08	
	Jan 07-Oct 07	2007	Nov 07- Mar 08	Unannualized	Apr 08	May 08	Nov 07 - May 08	Unannualized
NASDAQ Composite	18.35	9.78	(20.28)	(5.65)	5.87	4.55	(11.76)	4.43
MSCI-US Broad	11.21	5.59	(14.05)	(4.42)	5.01	2.11	(7.84)	2.49
Russell 3000	10.77	5.14	(14.12)	(4.87)	5.00	2.05	(7.97)	1.94
PPCA Total	10.23	7.05	(14.29)	(5.52)	5.25	2.33	(7.69)	1.76
Morningstar U.S.	11.50	5.92	(14.01)	(4.12)	5.10	2.03	(7.79)	2.81
S&P 500	10.87	5.49	(13.83)	(4.46)	4.87	1.30	(8.46)	1.49

The major global and international market indices for developed countries also continued to recover in May 2008 with returns ranging from 0.28% to 1.33%. The results on performance over the past 17 months is shown below. All of the international indices posted positive 17 month returns higher than the broad U.S. equity market returns. The MSCI emerging markets index returned 36.63% from January 2007 through May 2008.

Impact of May 2008 Global Recovery on Recent Market Declines

Key Global Indices	Jan 07-Oct 07	2007	Nov 07-Mar 08	Jan 07-Mar 08			Jan 07-May 08	
				Unannualized	Apr 08	May 08	Nov 07-May 08	Unannualized
World Index	15.17	7.09	(14.11)	(1.08)	5.26	1.11	(8.58)	5.28
EAFE	17.60	8.62	(14.07)	1.05	5.43	0.28	(9.15)	6.83
G7	13.16	5.51	(14.24)	(2.95)	5.47	1.33	(8.34)	3.72
Emerging Markets	49.50	39.39	(17.01)	24.06	8.12	1.86	(8.61)	36.63

★ Relative Strength of the U.S. Dollar

The U.S. dollar weakened relative to gold in May 2008 as the price of gold went up 1.69%. On a year-to-date basis through April 2008, the price of gold has appreciated 5.89% relative to the U.S. dollar.

Appreciation of Gold Relative to USD	
2007	31.59%
YTD 08	5.89%
MAY 08	1.69%

The next table provides key spot exchange rates for 1 U.S. dollar versus several developed country reference currencies. During May 2008, the U.S. dollar strengthened in six of the nine major currencies considered while weakening only against the Canadian, Australian and New Zealand currencies.

On a year-to-date basis, the U.S. dollar strengthened only in the currencies of Great Britain and Canada.

The next table translates the changes in spot exchange rates from the first table into FX percent returns. The most significant increase in the U.S. dollar in May 2008 was 1.37% against the Japanese yen. On a year-to-date basis, the most significant decline in the U.S. dollar was (8.55%) against the Australian dollar.

Exchange Rate Tables 1 USD buying reference currency				
Reference Currency	12/31/06	12/31/07	04/30/08	05/31/08
EUR Europe	0.7579	0.6783	0.6407	0.6441
GBP Great Britain	0.5111	0.5008	0.5045	0.5060
JPY Japan	119.06	112.27	104.04	105.46
CHF Swiss	1.2182	1.1269	1.0355	1.0468
CAD Canada	1.1643	0.9804	1.0131	0.9919
AUD Australia	1.2686	1.1444	1.0694	1.0466
NZD New Zealand	1.4194	1.2942	1.2832	1.2778
HKD Hong Kong	7.7775	7.8046	7.7912	7.8003
SGD Singapore	1.5334	1.4459	1.3605	1.3643

FX Return of \$1 USD Relative to Reference Currency			
Reference Currency	2007	YTD 2008	MAY 2008
EUR Europe	(10.50%)	(5.04%)	0.53%
GBP Great Britain	(2.00%)	1.04%	0.29%
JPY Japan	(5.70%)	(6.06%)	1.37%
CHF Swiss	(7.49%)	(7.11%)	1.09%
CAD Canada	(15.79%)	1.16%	(2.10%)
AUD Australia	(9.78%)	(8.55%)	(2.14%)
NZD New Zealand	(8.83%)	(1.27%)	(0.42%)
HKD Hong Kong	0.35%	(0.05%)	0.12%
SGD Singapore	(5.71%)	(5.65%)	0.27%



U.S. Bond Performance

During May 2008 U.S. Treasury yields were higher across the maturity spectrum with the largest increases at the short end where the 1 month issues were up 81 basis points. On a year-to-date basis, treasury yields fell for issues of five years maturity or less and were up slightly for longer issues. On a year-to-date basis, the maximum yield decline was 1.47% for three month issues and the maximum yield increase was 27 basis points for 30 year issues.

In May 2008, the Lehman U.S. Aggregate and Lehman Global Aggregate posted returns of (0.73%) and (1.11%), respectively. Also in May, the Lehman municipal bond index and the Lehman high yield bond index returned 0.60% and 0.36%, respectively.

On a year-to-date basis through May 2008, the Lehman U.S. Aggregate and Lehman Global Aggregate returned 1.21% and 3.44%, respectively. During the period the Lehman municipal bond index and the Lehman high yield bond index returned 1.16% and 1.53%, respectively.



U.S. Stock Market

In May 2008, the NASDAQ again posted a significant monthly return of 4.55%. Also during May, the four broad U.S. stock indices considered posted positive returns in a range between 2.03% and 2.33%. On a year-to-date basis, the NASDAQ Composite index return was negative at (4.87%). The broad U.S. stock market indices posted negative returns ranging from (2.50%) to (3.05%) on a year-to-date basis.

During May 2008, the strongest domestic equity performance was in the mid and small cap styles while the large cap styles lagged. The overall weakest performance in May was in large cap value which posted negative returns in all three major indices including: Russell, Morningstar and PPCA. On a year-to-date basis, mid-cap performance was generally the strongest and large cap generally the weakest.

The S&P 500 return based on price change was 1.07% in May 2008. The top three performing sectors were: Information Technology 5.45%, Materials 4.61% and Telecommunication Services 3.34%. The bottom three sector performers were: Financials (6.37%), Consumer Discretionary 0.47% and Industrials 0.81%.

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>
12/31/2007	2.76	3.36	3.34	3.45	4.04	4.50	4.45
5/31/2008	1.98	1.89	2.22	3.41	4.06	4.74	4.72
Change	(0.78)	(1.47)	(1.12)	(0.04)	0.02	0.24	0.27
4/30/2008	1.17	1.43	1.85	3.03	3.77	4.49	4.49
5/31/2008	1.98	1.89	2.22	3.41	4.06	4.74	4.72
Change	0.81	0.46	0.37	0.38	0.29	0.25	0.23

Bond Indices - Total Return

<u>Index</u>	<u>MAY 2008</u>	<u>YTD08</u>
Lehman Global Aggregate	(1.11)	3.44
Lehman U. S. Aggregate	(0.73)	1.21
Lehman Municipal Bond	0.60	1.16
Lehman U. S. Treasury 1-3 Year	(0.35)	1.79
Lehman High Yield Bond	0.36	1.53

<u>Broad Market Indices & the NASDAQ Comp</u>	<u>MAY 2008</u>	<u>YTD 2008</u>
NASDAQ Comp	4.55	(4.87)
MSCI-U.S. Broad	2.11	(2.93)
Russell 3000	2.05	(3.05)
PPCA Total	2.33	(2.50)
Morningstar	2.03	(2.93)

<u>S & P 500 Sector Performance</u>		
	<u>Price Change %</u>	
<u>Sector</u>	<u>MAY 2008</u>	<u>YTD 2008</u>
Energy	3.16	5.76
Materials	4.61	6.28
Industrials	0.81	(2.41)
Consumer Discretionary	0.47	(1.83)
Consumer Staples	1.28	(1.91)
Health Care	1.70	(9.17)
Financials	(6.37)	(15.04)
Information Technology	5.45	(4.59)
Telecommunication Svcs	3.34	(8.28)
Utilities	2.89	(3.31)
S&P 500	1.07	(4.63)

On a year-to-date basis through May 2008, the S&P 500 return based on price change was (4.63%). The top three performing sectors in this period were: Materials 6.28%, Energy 5.76% and Consumer Discretionary (1.83%). The bottom three performing sectors in this period were: Financials (15.04%), Health Care (9.17%) and Telecommunication Services (8.28%).

Small-Cap Stocks	MAY 2008	YTD 2008	Mid-Cap Stocks	MAY 2008	YTD 2008	Large-Cap Stocks	MAY 2008	YTD 2008
S & P 600	4.42	0.50	S & P 400	5.29	3.37	S & P 500	1.30	(3.80)
Russell 2000	4.59	(1.81)	Morningstar	4.27	0.41	Russell 1000	1.83	(3.15)
Growth	5.66	(3.16)	Growth	5.01	0.24	Growth	3.67	(2.00)
Value	3.42	(0.27)	Value	2.99	(2.39)	Value	(0.16)	(4.42)
Morningstar	5.02	(0.60)	Core	4.65	3.12	Morningstar	1.17	(4.03)
Growth	6.21	3.42	PPCA	4.17	(0.56)	Growth	4.24	(1.80)
Value	6.56	(4.78)	Growth	5.24	(2.27)	Value	(2.53)	(6.83)
Core	2.07	(0.15)	Value	2.69	(1.04)	Core	1.55	(3.66)
PPCA	4.40	(2.73)	Core	4.98	3.13	PPCA	1.30	(3.22)
Growth	4.89	(10.23)				Growth	3.06	(4.57)
Value	3.80	1.91				Value	(0.83)	(4.39)
Core	5.00	(3.05)				Core	2.80	2.48

★ Global Markets

For the month of May 2008, the EAFE index returned 0.28%. The top three EAFE country performers were: Denmark 6.21%, Norway 5.31% and Japan 2.50%. The bottom three country performers were: Belgium (7.26%), Ireland (4.99%) and Portugal (3.43%).

On a year-to-date basis through May 2008, the EAFE index returned (4.79%). The top three country performers were: Norway 6.10%, Denmark 4.45% and Austria 2.82%. There were four low country performers near the same level on a year-to-date basis including: Portugal (14.35%), Hong Kong (14.15%), Finland (14.12%) and New Zealand (14.07%).

The MSCI Emerging Markets index returned 1.86% during May 2008. The top three country performers were: Russia 16.08%, Argentina 15.90% and Brazil 11.48%. The bottom three country performers were: Pakistan (23.54%), India (10.13%) and Egypt (6.58%).

On a year-to-date basis through May 2008, the MSCI Emerging Markets index returned (1.98%). The top three country performers were: Morocco 31.18%, Argentina 26.77% and Brazil 22.09%. The bottom three country performers in this period were: Turkey (30.70%), India (27.12%) and Philippines (25.73%).

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 May 2008, the MSCI G7 index returned 1.33%. The top three G7 performing countries were: Canada 7.44%, Japan 2.50% and the United States 1.38%. The bottom three G7 performing countries were: Germany 0.26%, United Kingdom (0.99%) and Italy (2.49%).

On a year-to-date basis through May 2008, the MSCI G7 index returned (3.79%). The top three performing G7 countries were: Canada 7.39%, Japan 0.45% and the United States (4.12%). The bottom three G7 performing countries were: Italy (9.10%), Germany (8.73%) and the United Kingdom (7.21%).

Net Total Return of MSCI Indices (U.S. \$)		
Overseas Markets	MAY 2008	YTD 2008
The World Index	1.11	(3.97)
The World Index (Ex U.S.)	0.87	(3.84)
G7 Index	1.33	(3.79)
EAFE	0.28	(4.79)
Europe	(0.48)	(6.10)
Far East	2.02	(1.21)
Emerging Markets	1.86	(1.98)