

★ U.S. Economy

The global equity markets have continued to be volatile during August 2008 with the U.S. posting broad equity index returns close to 1.5% while the MSCI world equity index (Ex. U.S.) posted a (3.87%) return. The U.S. dollar strengthened significantly in August with respect to gold and the key foreign currencies considered below. The U.S. bond market posted modest returns as yields fell across the maturity spectrum from 1 to 30 years.

The Federal Reserve Open Market Committee met on August 5, 2008 and decided to maintain the target federal funds rate at 2 percent. The Fed continues to express a concern on rising inflation. It was posted in August, that the annual inflation rate climbed to 5.6% in July 2008. The rise in energy cost was a leading contributor with an annual increase of 29.3%. In August 2008, there was some reduction in inflation due to declines in produce and fuel costs. The New York Mercantile Exchange price of crude oil declined from \$125.10/barrel on August 1 to \$115.46/barrel on August 29, 2008.

During August 2008, U.S. industrial production fell 1.1% when the consensus forecast was for a decline of 0.3% during the month. The primary contributor to this decline was auto production which was down 11.9% in August and 20.7% on a year over year basis. Excluding auto production, the production index fell 0.6% in August. The unemployment rate rose to 6.1% in August with a loss of 84,000 nonfarm jobs.

Major U.S. financial institutions continued to face credit difficulties at the end of August. The housing market has continued to decline in activity as construction activities and home prices fall. At the end of August, Fannie Mae and Freddie Mac were on the verge of being taken over by the U.S. government. This bailout occurred in early September 2008.

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

The broad U.S. market indices plus the NASDAQ composite and S&P 500 posted positive performance in August 2008 with returns ranging from 1.31% to 1.80%. Since November 2007, the cumulative returns through August 2008 ranged from (14.71%) to (17.19%) for these equity indices

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

Key U.S. Market Indices	Recent U.S. Market Cycles (Jan 07—Aug 08)			Jan07-Aug08
	Jan 07-Oct 07	2007	Nov 07– Aug 08	Unannualized
NASDAQ Composite	18.35	9.78	(17.19)	(1.99)
MSCI-US Broad	11.21	5.59	(14.71)	(5.15)
Russell 3000	10.77	5.14	(14.94)	(5.78)
PPCA Total	10.23	7.05	(15.03)	(6.34)
Morningstar U.S.	11.50	5.92	(14.76)	(4.96)
S&P 500	10.87	5.49	(15.67)	(6.51)

In August 2008, the major global indices posted negative performance ranging from (0.88%) for the G7 index to (7.99%) for the emerging markets. The continued decline in August resulted in these indices returning from (18.16%) to (27.15%) from November 2007 through August 2008.

Recent Global Market Cycles (Jan 07—Aug 08)				Jan 07-Aug 08
Key Global Market Indices	Jan 07-Oct 07	2007	Nov 07-Aug 08	Unannualized
World Index	15.17	7.09	(19.19)	(6.93)
EAFE	17.60	8.62	(22.64)	(9.03)
G7	13.16	5.51	(18.16)	(7.39)
Emerging Markets	49.50	39.39	(27.15)	8.92

★ Relative Strength of the U.S. Dollar

The U.S. dollar strengthened significantly in August 2008 relative to gold as the price of gold went down (9.26%). On a year-to-date basis, the price of gold is now down (0.42%). Over the past 20 months since the beginning of 2007, the U.S. dollar weakened 31.17% relative to gold.

Price Change of Gold Relative to USD	
2007	31.59%
Jan 07—Aug 08 (20 months)	31.17%
YTD 08	(0.42%)
AUG-08	(9.26%)

The next table provides key spot exchange rates for 1 U.S. dollar versus nine key developed country currencies. During August 2008, the U.S. dollar strengthened against each of the key currencies.

Exchange Rate Tables 1 USD buying reference currency				
Reference Currency	12/31/06	12/31/07	07/31/08	8/31/08
EUR Europe	0.7579	0.6783	0.6417	0.6812
GBP Great Britain	0.5111	0.5008	0.5049	0.5490
JPY Japan	119.06	112.27	108.04	108.77
CHF Swiss	1.2182	1.1269	1.0466	1.1010
CAD Canada	1.1643	0.9804	1.0235	1.0635
AU D Australia	1.2686	1.1444	1.0553	1.1648
NZ D New Zealand	1.4194	1.2942	1.3591	1.4263
HK D Hong Kong	7.7775	7.8046	7.8003	7.8064
SGD Singapore	1.5334	1.4459	1.3680	1.4154

The next table translates the changes in spot exchange rates from the first table into FX percent returns. During August 2008, the U.S. dollar strengthened from 0.08% relative to the Hong Kong dollar up to 10.38% relative to the Australian dollar. On a year-to-date basis, the U.S. dollar was up relative to six of the nine key currencies considered. The three key currencies where the U.S. dollar weakened on a year-to-date basis include: Japanese yen, Swiss Franc and the Singapore dollar.

FX Return of \$1 USD Relative to Reference Currency			
Reference Currency	2007	YTD 2008	AUG-08
EUR Europe	(10.50%)	0.44%	6.16%
GBP Great Britain	(2.00%)	9.62%	8.73%
JPY Japan	(5.70%)	(3.12%)	0.67%
CHF Swiss	(7.49%)	(2.31%)	5.20%
CAD Canada	(15.79%)	8.47%	3.90%
AUD Australia	(9.78%)	1.78%	10.38%
NZD New Zealand	(8.83%)	10.21%	4.95%
HKD Hong Kong	0.35%	0.02%	0.08%
SGD Singapore	(5.71%)	(2.11%)	3.47%

★ U.S. Bond Performance

During August 2008, U.S. Treasury yields rose for issues under one year maturity and fell for issuers with a maturity of 1 year or over. The declines ranged from 10 basis points at one year up to 16 basis points for issues from 10 to 30 years.

In August 2008, the Lehman Global Aggregate and U.S. Aggregate returned (1.65%) and 0.95%, respectively. Also in August 2008, the Lehman Municipal Bond and High Yield bond indices returned 1.17% and 0.35%, respectively. On a year-to-date basis through August 2008, the Lehman Global Aggregate and U.S. Aggregate returned 1.95% and 2.00%, respectively. During this same period, the Lehman Municipal Bond and High Yield bond indices returned 1.57% and (2.28%).

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
8/29/2008	1.63	1.72	2.17	3.10	3.83	4.47	4.43
Change	(1.13)	(1.64)	(1.17)	(0.35)	(0.21)	(0.03)	(0.02)
7/31/2008	1.55	1.68	2.27	3.25	3.99	4.63	4.59
8/29/2008	1.63	1.72	2.17	3.10	3.83	4.47	4.43
Change	0.08	0.04	(0.10)	(0.15)	(0.16)	(0.16)	(0.16)

Bond Indices - Total Return		
Index	AUG 2008	YTD08
Lehman Global Aggregate	(1.65)	1.95
Lehman U. S. Aggregate	0.95	2.00
Lehman Municipal Bond	1.17	1.57
Lehman U. S. Treasury 1-3 Year	0.50	3.01
Lehman High Yield Bond	0.35	(2.28)

★ U.S. Stock Market

In August 2008, the NASDAQ composite posted a positive return of 1.80%. Also during August, the four broad U.S. stock indices had positive returns ranging from 1.31% to 1.60%. On a year-to-date basis, the NASDAQ composite is down (10.72%). During this period, the four broad U.S. stock indices fell over a tight range from (10.16%) to (10.39%).

Most domestic style indices considered posted positive performance in August 2008. The strongest performance during the month was from small cap stocks with value leading the way. The weakest performance was from mid-large cap growth stocks.

On a year-to-date basis, all style and capitalization ranges continued to have negative performance. Generally small cap outperformed large cap and mid cap while style outperformance depended on the cap range and the index family.

Broad Market Indices & the NASDAQ Comp	AUG 2008	YTD 2008
NASDAQ Comp	1.80	(10.72)
MSCI-U.S. Broad	1.60	(10.16)
Russell 3000	1.55	(10.39)
PPCA Total	1.31	(10.25)
Morningstar	1.52	(10.26)

S & P 500 Sector Performance Price Change %		
Sector	AUG 2008	YTD 2008
Energy	(0.84)	(7.79)
Materials	(2.82)	(6.69)
Industrials	1.68	(11.64)
Consumer Discretionary	7.02	(7.42)
Consumer Staples	2.52	(3.19)
Health Care	1.73	(7.62)
Financials	(1.31)	(27.16)
Information Technology	2.02	(12.80)
Telecommunication Svcs	3.57	(21.72)
Utilities	(1.85)	(12.00)
S&P 500	1.22	(12.64)

The S&P 500 return based on price change was 1.22% in August 2008. The top three performing sectors were: Consumer Discretionary 7.02%, Telecommunications Services 3.57% and Consumer Staples 2.52%. The bottom three performing sectors were: Materials (2.82%), Utilities (1.85%) and Financials (1.31%).

On a year-to-date basis, the S&P 500 return based on price change was (12.64%). The top three performing sectors were: Consumer Staples (3.19%), Materials (6.69%) and Consumer Discretionary (7.42%). The bottom three performing sectors were: Financials (27.16%), Telecommunication Services (21.72%) and Information Technology (12.80%).

Mid-Cap Stocks	AUG 2008	YTD 2008
S & P 400	1.71	(4.07)
Morningstar	1.60	(8.21)
Growth	(0.60)	(10.47)
Value	3.90	(9.09)
Core	1.77	(5.29)
PPCA	1.41	(9.43)
Growth	(0.48)	(14.67)
Value	3.27	(7.83)
Core	0.97	(3.90)

Small-Cap Stocks	AUG 2008	YTD 2008
S & P 600	4.18	(1.21)
Russell 2000	3.61	(2.62)
Growth	2.48	(4.50)
Value	4.75	0.71
Morningstar	4.13	(4.18)
Growth	3.69	(7.29)
Value	5.78	(4.19)
Core	3.08	(0.91)
PPCA	3.61	(6.61)
Growth	3.00	(14.62)
Value	3.93	(1.69)
Core	3.59	(6.96)

Large-Cap Stocks	AUG 2008	YTD 2008
S & P 500	1.45	(11.39)
Russell 1000	1.38	(11.02)
Growth	1.08	(9.82)
Value	1.70	(12.42)
Morningstar	1.25	(11.35)
Growth	0.28	(10.01)
Value	0.24	(17.29)
Core	2.89	(7.65)
PPCA	0.90	(11.16)
Growth	(0.69)	(14.49)
Value	1.48	(12.27)
Core	2.32	(2.27)

★ Global Markets

For the month of August 2008, the EAFE index returned (4.05%). The top three EAFE country performers were: Netherlands 1.27%, Belgium (0.27%) and Ireland (2.80%). The bottom three EAFE country performers were: Greece (8.28%), Singapore (7.94%) and Portugal (7.18%).

On a year-to-date basis, the EAFE index returned (17.31%). The top three EAFE country performers were: Denmark (7.94%), Switzerland (10.75%) and Japan (12.38%). The bottom three EAFE country performers were: Ireland (36.44%), Portugal (33.14%) and Greece (32.37%).

The MSCI Emerging Markets index returned (7.99%) during Aug 2008. The top three country performers were: the Philippines 1.66%, Thailand 1.56% and Israel (0.64%). The bottom three country performers were: Pakistan (19.21%), Russia (14.61%) and Korea (13.80%).

On a year-to-date basis, the MSCI Emerging Markets index returned (21.87%). The top three country performers included: Morocco 18.93%, Jordan 11.21% and Argentina 7.69%. The bottom three country performers were: Pakistan (46.15%), India (38.17%) and Korea (31.94%).

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 August 2008, the MSCI G7 index returned (.88%). The top three G7 performers were: the United States 1.31%, Canada (1.98%) and Britain (3.22%). The bottom three G7 performers were: Germany (6.11%), Japan (3.98%) and France (3.49%).

On a year-to-date basis, the MSCI G7 index returned (13.06%). The top three G7 performers were: Canada (5.00%), the United States (11.37%) and Japan (12.38%). The bottom three G7 performers were: Italy (23.67%), Germany (19.98%) and Britain (17.62%).

Net Total Return of MSCI Indices (U.S. \$)		
Overseas Markets	AUG2008	YTD 2008
The World Index	(1.40)	(13.98)
The World Index (Ex U.S.)	(3.87)	(16.34)
G7 Index	(0.88)	(13.06)
EAFE	(4.05)	(17.31)
Europe	(3.94)	(18.28)
Far East	(4.29)	(14.10)
Emerging Markets	(7.99)	(21.87)