First Rate®

Market Review - September 2008

U.S. Economy

The global markets significantly declined during September 2008 in the midst of significant credit problems in the financial sector. The U.S. broad market indices declined between (9%) and (10%) while the primary international indices such as MSCI EAFE and Emerging Markets indices declined (14.46%) and (17.50%), respectively. The U.S. dollar continues to strengthen relative to the Euro and British pound.

The U.S. stock market has been extremely volatile as it continues falling in early October 2008. The nonfarm payroll employment declined by 159,000 in September and unemployment is still at the 6.1% August rate. The losses that were originally prevalent in housing and finance have spread to the other economic sectors. U.S. oil demand dropped (9%) in September 2008 while we are now seeing the price of crude oil at a 10 month low, dropping below $88/barrel.

In September, U.S. bond performance was negative in everything except government bonds. Due to the significant credit issues, bond spreads widened significantly for corporate issues with below investment grade bonds posting almost equity level negative returns. Municipal issues are also facing serious problems due to increasing budgets and decreasing tax revenues.

A major indicator of increasing global credit concerns, is the rise in the TED ratio. The TED ratio is the spread difference between 3 month future contracts for U.S. Treasuries and 3 month contracts for EUROs as measured by the London Interbank Offered Rate or LIBOR. Prior to the subprime crisis, the spread was low at 40 basis points. By mid-September, these rates climbed up 302 basis points and ended September at 315 basis points. This spread level is greatly reducing the flow of funds between banks on a global basis.

Several major U.S. financial institutions faced severe problems during September 2008. The primary source of the issues was the toxic effect of defaulting sub-prime mortgage loans. Most of these institutions received government support through restructuring or were acquired by another institution. On September 5, 2008, both Fannie Mae and Freddie Mac were placed under government control. Also, on September 16 the Reserve Primary Fund, one of the oldest money market funds in the United States, lost money and traded at $0.97 thus "breaking the buck." There have also been significant global bailouts of financial institutions by foreign governments in September. Many global banks have reported exposure to troubled hedge funds that invested in the sub-prime market.

The last three days of September and the first two days of October were highly volatile with regard to the U.S. stock market and U.S. politics. At first the U.S. House would not approve an extremely high profile bailout package to improve U.S. credit liquidity. Upon House disapproval on September 28th, the stock markets fell almost 10% and the package labeled a Wall Street bailout impacted everyone with a 401k or other investments. Main Street felt the impact and Congress felt pressure to pass the measure known as the "Troubled Asset Relief Program" or Tarp. The U.S. Senate first approved Tarp on Wednesday with the House approval on Friday, Oct 3, 2008. President Bush immediately signed this $700 billion package into law. This relief package allows Treasury Secretary Henry Paulson to buy bad mortgage assets, in the hopes of getting credit liquidity in the economy again.

Performance in Past 18 Months (Jan 07—Sept 08)

The broad U.S. market indices plus the NASDAQ composite and S&P 500 posted negative performance in September 2008 with returns ranging from (9.27%) to (11.64%). Since November 2007, the cumulative returns through September 2008 ranged from (22.61%) to (26.83%) for these equity indices.

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

Key U.S. Market Indices	Jan 07-Oct 07	2007	Nov 07– Sept 08	Jan07–Sept08 Unannualized
NASDAQ Composite	18.35	9.78	(26.83)	(13.40)
MSCI-US Broad	11.21	5.59	(22.61)	(13.94)
Russell 3000	10.77	5.14	(22.94)	(14.64)
PPCA Total	10.23	7.05	(23.39)	(15.55)
Morningstar U.S.	11.50	5.92	(22.79)	(13.91)
S&P 500	10.87	5.49	(23.19)	(14.84)

In September 2008, the major global indices posted negative performance ranging from (11.09%) for the G7 index to (17.50%) for the Emerging Markets. The significant decline in September resulted in these indices returning from (27.24%) to (39.90%) from November 2007 through September 2008.

Recent Global Market Cycles (Jan 07—Sept 08)

Key Global Indices	Jan 07-Oct 07	2007	Nov 07-Sept 08	Jan07–Sept08 Unannualized
World Index	15.17	7.09	(28.80)	(17.99)
EAFE	17.60	8.62	(33.83)	(22.18)
G7	13.16	5.51	(27.24)	(17.66)
Emerging Markets	49.50	39.39	(39.90)	(10.14)

Relative Strength of the U.S. Dollar

The U.S. dollar weakened significantly in September to gold as the price of gold went up 6.18%. On a quarterly basis, the U.S. dollar has strengthened relative to gold by 4.92%. On a year-to-date basis, the price of gold is now up 5.74%.

Appreciation of Gold Relative to USD	
2007	31.59%
YTD 08	5.74%
3Q08	(4.92%)
SEPT-08	6.18%

The next table provides key spot exchange rates for 1 U.S. dollar versus nine key developed country currencies During September 2008, the U.S. dollar strengthened against five of the key currencies considered including the Euro, Great Britain pound, Australian dollar, New Zealand dollar and the Singapore dollar.

Exchange Rate Tables 1 USD buying reference currency

Reference Currency		12/31/06	12/31/07	06/30/08	8/31/08	9/30/08
EUR	Europe	0.7579	0.6783	0.6330	0.6812	0.6921
GBP	Great Britain	0.5111	0.5008	0.5011	0.5490	0.5502
JPY	Japan	119.06	112.27	106.07	108.77	105.86
CHF	Swiss	1.2182	1.1269	1.0180	1.1010	1.0967
CAD	Canada	1.1643	0.9804	1.0101	1.0635	1.0378
AUD	Australia	1.2686	1.1444	1.0400	1.1648	1.2179
NZD	New Zealand	1.4194	1.2942	1.3134	1.4263	1.4684
HKD	Hong Kong	7.7775	7.8046	7.8003	7.8064	7.7700
SGD	Singapore	1.5334	1.4459	1.3624	1.4154	1.4302

The next table translates the changes in spot exchange rates from the first table into FX percent returns. During September 2008, the U.S. dollar weakened (2.42%) relative to the Canadian dollar and (2.67%) relative to the Japanese yen. Also in September, the U.S. dollar strengthened 1.59% relative to the Euro and 4.55% relative to the Australian dollar. On a year-to-date basis, the U.S. dollar strengthened in 5 of the 9 reference currencies considered including: the Euro, Great Britain pound, Canadian dollar, Australian dollar and New Zealand. Also, on a year-to-date basis, the U.S. dollar fell significantly relative to key Asian currencies including Hong Kong, Singapore and Japan as well as declining against the Swiss franc.

FX Return of $1 USD Relative to Reference Currency

Reference Currency		2007	YTD 2008	3Q08	SEPT-08
EUR	Europe	(10.50%)	2.03%	9.34%	1.59%
GBP	Great Britain	(2.00%)	9.86%	9.79%	0.22%
JPY	Japan	(5.70%)	(5.71%)	(0.19%)	(2.67%)
CHF	Swiss	(7.49%)	(2.68%)	7.73%	(0.38%)
CAD	Canada	(15.79%)	5.85%	2.74%	(2.42%)
AUD	Australia	(9.78%)	6.42%	17.10%	4.55%
NZD	New Zealand	(8.83%)	13.47%	11.81%	2.95%
HKD	Hong Kong	0.35%	(0.44%)	(0.39%)	(0.47%)
SGD	Singapore	(5.71%)	(1.09%)	4.98%	1.04%

U.S. Bond Performance

During September 2008, U.S. Treasury yields fell over most of the maturity spectrum with the most significant declines at the shorter maturities with an 80 basis point decline for 3 month issues. Over the third quarter of 2008, yields fell across the maturity spectrum with a maximum decline of 98 basis points for 3 month issues. On a year-to-date basis, rates also fell across the maturity spectrum with the maximum declines at the short end of the spectrum at one year maturity or less.

TREASURY YIELDS

Maturity	1 Mo	3 Mos	1 Yr	5 Yrs	10 Yrs	20 Yrs	30 Yrs
8/29/2008	1.63	1.72	2.17	3.10	3.83	4.47	4.43
9/30/2008	1.02	0.92	1.78	2.98	3.85	4.43	4.31
Change	(0.61)	(0.80)	(0.39)	(0.12)	0.02	(0.04)	(0.12)
6/30/2008	1.60	1.90	2.36	3.34	3.99	4.59	4.53
9/30/2008	1.02	0.92	1.78	2.98	3.85	4.43	4.31
Change	(0.58)	(0.98)	(0.58)	(0.36)	(0.14)	(0.16)	(0.22)
12/31/2007	2.76	3.36	3.34	3.45	4.04	4.50	4.45
9/30/2008	1.02	0.92	1.78	2.98	3.85	4.43	4.31
Change	(1.74)	(2.44)	(1.56)	(0.47)	(0.19)	(0.07)	(0.14)

In September 2008, the Lehman Global Aggregate and U.S. Aggregate returned (2.35%) and (1.34%), respectively. Also in September 2008, the Lehman Municipal Bond and High Yield bond indices returned (4.69%) and (7.98%), respectively.

On a year-to-date basis, the Lehman Global Aggregate and U.S. Aggregate returned (0.44%) and 0.63%, respectively. Also on a year-to-date basis, the Lehman Municipal Bond and High Yield indices returned (3.19%) and (10.08%).

Bond Indices - Total Return

Index	SEPT 2008	3Q08	YTD08
Lehman Global Aggregate	(2.35)	(3.83)	(0.44)
Lehman U. S. Aggregate	(1.34)	(0.49)	0.63
Lehman Municipal Bond	(4.69)	(3.21)	(3.19)
Lehman U. S. Treasury 1-3 Year	0.79	1.70	3.82
Lehman High Yield Bond	(7.98)	(8.89)	(10.08)

Broad Market Indices & the NASDAQ Comp	SEPT 2008	3Q08	YTD 2008
NASDAQ Comp	(11.64)	(8.77)	(21.12)
MSCI-U.S. Broad	(9.27)	(8.55)	(18.49)
Russell 3000	(9.40)	(8.73)	(18.81)
PPCA Total	(9.84)	(9.90)	(19.08)
Morningstar	(9.42)	(8.87)	(18.71)

In September 2008, the NASDAQ composite posted a negative return of (11.64%). Also during September, the four broad U.S. stock indices had negative returns ranging from (9.27%) to (9.84%). On a year-to-date basis, the NASDAQ composite is down (21.12%). During this period, the four broad U.S. stock indices fell over a range from (18.49%) to (19.08%).

All domestic style indices posted losses in September 2008. The weakest performance was from growth stocks across capitalization ranges. The relatively stronger performance was from value stocks across capitalization ranges.

On a quarterly basis, only small-cap value had positive returns. The most significant negative returns during the quarter were in mid-cap growth.

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

The S&P 500 return based on price change was (9.08%) in September 2008. All economic sectors in the S&P 500 had negative price performance during the month. The top three performing sectors were: Consumer Staples (1.62%), Financials (5.22%) and Health Care (6.33%). The bottom three performing sectors were: Materials (17.24%), Information Technology (12.75%) and Telecommunication Services (12.70%).

S & P 500 Sector Performance Price Change %			
Sector	SEPT 2008	3Q08	YTD 2008
Energy	(12.00)	(24.95)	(18.85)
Materials	(17.24)	(22.93)	(22.78)
Industrials	(12.16)	(9.12)	(22.38)
Consumer Discretionary	(7.92)	(1.04)	(14.75)
Consumer Staples	(1.62)	4.14	(4.76)
Health Care	(6.33)	(0.01)	(13.47)
Financials	(5.22)	(0.10)	(30.96)
Information Technology	(12.75)	(12.11)	(23.91)
Telecommunication Svcs	(12.70)	(15.74)	(31.66)
Utilities	(11.67)	(18.74)	(22.26)
S&P 500	(9.08)	(8.88)	(20.57)

The S&P 500 return based on price change was (8.88%) during the third quarter of 2008. Only the Consumer Staples sector had a positive return. The top three performing sectors were: Consumer Staples 4.14%, Health Care (0.01%), and Financials (0.10%). The bottom three performing sectors were: Energy (24.95%), Materials (22.93%) and Utilities (18.74%).

On a year-to-date basis, the S&P 500 price return was (20.57%). All sectors posted negative returns during this period. The top three performing sectors were: Consumer Staples (4.76%), Health Care (13.47%) and Consumer Discretionary (14.75%). The bottom three performing sectors were: Telecommunication Services (31.66%), Financials (30.96%) and Information Technology (23.91%).

Small-Cap Stocks	SEPT 2008	3Q08	YTD 2008
S & P 600	(6.76)	(0.86)	(7.88)
Russell 2000	(7.97)	(1.11)	(10.38)
Growth	(11.30)	(6.99)	(15.29)
Value	(4.69)	4.96	(5.37)
Morningstar	(8.93)	(3.27)	(12.74)
Growth	(11.98)	(8.37)	(18.40)
Value	(4.00)	5.68	(8.03)
Core	(10.37)	(5.89)	(11.19)
PPCA	(9.36)	(4.24)	(15.35)
Growth	(13.95)	(10.76)	(26.53)
Value	(5.91)	1.16	(7.50)
Core	(11.28)	(7.57)	(17.46)

Mid-Cap Stocks	SEPT 2008	3Q08	YTD 2008
S & P 400	(10.71)	(10.87)	(14.34)
Morningstar	(12.04)	(12.67)	(19.26)
Growth	(15.74)	(20.62)	(24.57)
Value	(7.47)	(3.19)	(15.79)
Core	(12.53)	(12.60)	(17.17)
PPCA	(12.32)	(13.43)	(20.59)
Growth	(16.83)	(22.38)	(29.03)
Value	(8.01)	(4.64)	(15.21)
Core	(13.50)	(14.45)	(16.88)

Large-Cap Stocks	SEPT 2008	3Q08	YTD 2008
S & P 500	(8.91)	(8.37)	(19.29)
Russell 1000	(9.53)	(9.35)	(19.50)
Growth	(11.58)	(12.33)	(20.27)
Value	(7.35)	(6.11)	(18.85)
Morningstar	(8.75)	(8.34)	(19.10)
Growth	(13.00)	(15.23)	(21.71)
Value	(5.37)	(6.09)	(21.73)
Core	(7.69)	(3.88)	(14.75)
PPCA	(8.98)	(9.42)	(19.14)
Growth	(15.42)	(18.94)	(27.68)
Value	(5.20)	(3.95)	(16.83)
Core	(6.41)	(4.52)	(8.54)

Global Markets

For the month of September 2008, the EAFE index returned (14.46%). The top three EAFE country performers were: Portugal (9.10%), Spain (10.00%) and Switzerland (10.15%). The bottom three country performers were: Austria (31.02%), Norway (30.36%) and Ireland (26.09%).

During the third quarter of 2008, the EAFE index returned (20.56%). The top three EAFE country performers were: Switzerland (13.23%), New Zealand (16.81%) and Spain (17.15%). The bottom three country performers were: Ireland (42.21%), Austria (41.22%) and Norway (40.68%).

On a year-to-date basis, the EAFE index returned (29.26%). The top three EAFE country performers were: Switzerland (19.81%), Japan (22.21%) and Denmark (27.03%). The bottom three countries were: Ireland (53.02%), Belgium (46.78%) and Austria (44.35%).

The MSCI Emerging Markets index returned (17.50%) during September 2008. The top three country performers were: Pakistan (3.30%), the Philippines (6.33%) and Israel (8.13%). The bottom three country performers were: Argentina (24.68%), Russia (23.68%) and Brazil (23.07%).

During the third quarter of 2008, the MSCI Emerging Markets index returned (26.95%). The top three country performers were: the Philippines 3.06%, Turkey (0.65%) and Columbia (8.41%). The bottom three country performers were: Russia (45.27%), Argentina (43.96%) and Brazil (37.89%).

On a year-to-date basis, the MSCI Emerging Markets index returned (35.54%). The top three country performers include: Morocco 2.00%, Jordan (0.40%) and Columbia (9.07%). The bottom three country performers include: India (49.54%), Pakistan (47.93%) and Russia (46.35%).

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 Sept 2008, the MSCI G7 index returned (11.09%). The top three G7 performers were: the United States (9.22%), Japan (11.21%) and Canada (14.23%). The bottom three G7 performers were: Britain (14.85%), Italy (14.81%) and Germany (14.50%).

During the third quarter of 2008, the G7 returned (13.88%). The top three G7 performers were: the United States (9.13%), Japan (17.65%) and France (18.93%). The bottom three G7 performers were: Italy (22.19%), Canada (21.80%) and Britain (20.97%).

On a year-to-date basis, the MSCI G7 index returned (22.70%). The top three G7 performers were: Canada (18.52%), the United States (19.55%) and Japan (22.21%).. The bottom three G7 performers were: Italy (34.98%), Germany (31.58%) and Britain (29.85%).

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

Overseas Markets	SEP2008	3Q08	YTD 2008
The World Index	(11.89)	(15.25)	(24.21)
The World Index (Ex U.S.)	(14.44)	(20.67)	(28.42)
EAFE	(14.46)	(20.56)	(29.26)
Europe	(15.08)	(20.77)	(30.60)
Far East	(11.92)	(18.32)	(24.34)
Emerging Markets	(17.50)	(26.95)	(35.54)
G7 Index	(11.09)	(13.88)	(22.7)