

### ★ U.S. Economy

The Federal Reserve Open Market committee met on October 25 and decided to retain the Federal Funds rate at 5.25%. Inflation pressures continue to fluctuate over time as energy prices declined. Economic growth has slowed, partly reflecting a cooling of the housing market.

At the end of October, the U.S. stock market rally had continued for the fifth week. This streak has been boosted by strong earnings from energy companies such as Exxon Mobil Corporation, where performance exceeded analysts' forecasts.

### ★ U.S. Bond Performance

The U.S. Treasury curve continued to invert in October 2006, with yield increases across the maturity spectrum. The 1 month to 1 year maturity issues had yield increases significantly higher than the increases in yield for the mid to longer-term treasuries. Performance continued to be positive in bonds with the Lehman Global Aggregate and the Lehman U.S. Aggregate returning 0.97% and 0.66%, respectively. The Lehman Municipal Bond and Lehman High Yield Bond indices returned 0.63% and 1.36%, respectively, during October 2006.

#### 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>
9-29-06	4.60	4.89	4.91	4.59	4.64	4.84	4.77
10-31-06	5.18	5.08	4.99	4.57	4.61	4.81	4.72
<b>Change</b>	0.58	0.19	0.08	(0.02)	(0.03)	(0.03)	(0.05)
12-30-05	4.01	4.08	4.38	4.35	4.39	4.61	N.A.
10-31-06	5.18	5.08	4.99	4.57	4.61	4.81	4.72
<b>Change</b>	1.17	1.00	0.61	0.22	0.22	0.20	N.A.

#### Bond Indices - Total Return

<u>Index</u>	<u>Oct 2006</u>	<u>YTD06</u>
Lehman Global Aggregate	0.97	5.50
Lehman U. S. Aggregate	0.66	3.74
Lehman Municipal Bond	0.63	4.34
Lehman U. S. Treasury 1-3 Year	0.38	3.39
Lehman High Yield Bond	1.36	8.80

The broad indices all posted strong returns in October 2006 with the NASDAQ returning 4.79% and the other major indices having returns in a tight range from 3.56% to 3.71%. On a year-to-date basis through October 2006, the NASDAQ returned 7.31%, while the other broad indices returned 11.87% to 12.21%.

The three top performing sectors in the S&P 500 during October 2006 were Consumer Discretionary 6.43%, Materials 5.88% and Utilities 5.32%. The bottom three performers for this period were Health Care 0.42%, Consumer Staples 1.83% and Financials 2.27%.

The top three performing S&P 500 sectors on a year-to-date basis through October 2006 were Telecommunications Services 26.79%, Energy 15.29%, and Utilities 13.68%. The bottom three performers for this period were Health Care 5.18%, Information Technology 5.84% and Industrials 7.81%.

In October 2006, all indices considered here earned positive returns. The strongest performance was from small-cap issues, followed by mid-cap and then large-cap issues. Growth stocks tended to outperform value stocks in the large-cap and small-cap issues.

Broad Markets	Oct 2006	YTD 06
NASDAQ Comp	4.79	7.31
MSCI-U.S. Broad	3.56	11.87
Russell 3000	3.60	11.91
PPCA Total	3.71	12.21
Morningstar	3.49	11.87

On a year-to-date basis through October 2006, value issues have outperformed both core and growth issues. The highest performing sector is large cap value, while the lowest performing sector is large-cap growth.

Large Cap Stocks	Oct 2006	YTD 06
S & P 500	3.26	12.06
Russell 1000	3.40	11.62
Growth	3.51	6.59
Value	3.27	16.89
Morningstar	3.17	12.11
Growth	3.09	3.19
Value	2.93	19.86
Core	3.48	12.53
PPCA	3.37	12.08
Growth	3.70	5.68
Value	3.02	18.45
Core	3.61	8.68

S & P 500 Sector Performance		
Sector	Oct 2006	YTD 06
Energy	4.46	15.29
Materials	5.88	10.65
Industrials	2.28	7.81
Consumer Discretionary	6.43	13.62
Consumer Staples	1.83	10.56
Health Care	0.42	5.18
Financials	2.27	11.72
Information Technology	4.12	5.84
Telecommunications	3.46	26.79
Utilities	5.32	13.68

MidCap Stocks	Oct 2006	YTD 06
S & P 400	4.16	7.40
Morningstar	4.07	10.14
Growth	4.00	6.69
Value	3.74	13.18
Core	4.46	10.68
PPCA	3.85	11.64
Growth	3.28	8.57
Value	4.20	13.59
Core	4.15	13.11

Small Cap Stocks	Oct 2006	YTD 06
S & P 600	4.95	12.03
Russell 2000	5.76	14.95
Growth	6.48	10.96
Value	5.09	19.02
Morningstar	5.38	13.91
Growth	5.88	8.70
Value	4.69	15.33
Core	5.54	17.67
PPCA	5.57	13.86
Growth	6.36	9.37
Value	5.27	16.00
Core	5.16	15.62

For the month of October 2006, the EAFE index returned 3.89%. All developed countries in the EAFE index posted positive returns. The strongest regional performance was in Europe, which returned 4.29% during October 2006. The top three country performers include: Norway 8.57%, Singapore 8.31% and Australia 8.22%. The bottom three country performers in EAFE for this period include: Netherlands 0.43%, Japan 1.74% and Hong Kong 1.87%.

On a year-to-date basis, for the ten months through October 2006, the EAFE index returned 18.94%. This EAFE return was powered by the strong year-to-date performance in Europe of 25.11%. The three top country performers include: Spain 40.36%, Portugal 33.87% and Ireland 30.31%. The bottom three country performers include: Japan 2.94%, New Zealand 3.17% and Hong Kong 15.94%.

The MSCI Emerging Markets index returned 4.75% during October 2006. The top three performing countries were Turkey 15.03%, South Africa 11.09% and Hungary 9.60%. The bottom three performing countries for this period were Korea (0.42%), Taiwan 0.84% and Morocco 1.04%.

On a year-to-date basis, the MSCI Emerging Markets index returned 17.73%. The top three country performers include: Venezuela 61.72%, Morocco 59.77% and Indonesia 50.47%. The bottom three country performers for this period include: Jordan (23.25%), Israel (6.24%) and Turkey (5.39%).

The MSCI G7 index measures the performance of the world's seven most wealthy countries and includes the following, along with their respective percentage weightings: Canada (15%), U.S. (30%), Japan (20%), Germany (10%), France (10%), Britain (10%) and Italy (5%).

During the month of October 2006, the G7 index returned 3.48%. The top three country performers are Germany 5.01%, Britain 4.99% and Canada 4.78%. The bottom three country performers are Japan 1.74%, France 2.70% and United States 3.39%.

On a year-to-date basis through October 2006, the G7 index returned 13.26%. The top three country performers were France 25.00%, Germany 24.85% and Britain 24.35%. The bottom three country performers for this period were Japan 2.94%, United States 11.22% and Canada 15.35%.

<b>Net Total Return of MSCI Indices (U.S. \$)</b>		
<b>Overseas Markets</b>	<b>Oct 2006</b>	<b>YTD06</b>
The World Index	3.67	14.86
The World Index (Ex U.S.)	3.95	18.67
EAFE	3.89	18.94
Europe	4.29	25.11
Far East	1.96	4.43
Emerging Markets	4.75	17.73

<b>G7-Developed Country Performance (U.S. \$) MSCI Indices</b>		
<b>Index</b>	<b>Oct 2006</b>	<b>YTD06</b>
G7 Index	3.48	13.26
Britain	4.99	24.35
Canada	4.78	15.35
France	2.70	25.00
Germany	5.01	24.85
Italy	3.98	23.06
Japan	1.74	2.94
United States	3.39	11.22

The indices listed under Broad Market indices have the following coverage:

**NASDAQ Composite** – Lists all NASDAQ domestic and international-based common type stocks, listed exclusively on the NASDAQ Stock Market. The index currently includes over 3,000 issues. The NASDAQ over-the-counter market is heavily weighted in technology and internet stocks. Companies on NASDAQ tend to be more speculative and risky than those on the New York Stock Exchange (NYSE).

**MSCI – U.S. Broad** – The MSCI U.S. Broad Market index represents approximately 99.5% of the U.S. equity market, including large-cap, mid-cap, small-cap and micro-cap issues. This index includes approximately 3,900 companies.

**Russell 3000** – The Russell 3000 index represents approximately 98% of the U.S. market. The index is made up of 3,000 of the largest and most liquid stocks based and traded in the U.S.

**PPCA Total** – This index includes all U.S. compustat issues which are currently 5,800 stocks. This covers over 99.5% of the U.S. market by capitalization.

**Morningstar U.S. Market** – This index covers 97% of the U.S. market capitalization and currently consists of 2,118 holdings.

**All of the above indices are market value weighted.**