U.S. Economy

Many noteworthy financial experts are arguing that the U.S. economy is either in recession now or on the brink of one. The economic gauge for recession is that the gross domestic product fall for two consecutive quarters. At the end of February, billionaire Warren Buffet argued that while the GDP has not fallen for two consecutive quarters, the U.S. economy is in recession due to significant business slow downs.

Many economists point to recent U.S. job market statistics as evidence of recession. There was a loss of 22,000 jobs in January 2008, followed by a loss of 63,000 jobs in February 2008. These losses had a widespread effect across manufacturing, construction, retailing and financial services. This was the first time there has been a back-to-back job loss situation since May and June 2003.

In addition, the Conference Board's index of leading U.S. indicators has been declining in recent months. One of the indicators, consumer confidence, is the lowest it has been in five years. Manufacturing is also at the lowest point in nearly five years as the Supply Management's (ISM) index fell in February 2008 to 48.3 from 50.7 in January 2008. A reading below 50 represents a decline in manufacturing. This February reading is the lowest since April 2003.

Economic growth, as reflected by the GDP, slowed to 0.6% in the fourth quarter of 2007 and many economists are projecting somewhat lower growth for the first quarter of 2008. This is in contrast to the solid 4.9% GDP growth in the third quarter of 2007.

The U.S. government is scrambling to shore up the economy. Ben Bernanke has signaled that there will be more rate cuts at the upcoming March 18 Open Market Committee meeting. The White House and Congress are enacting an economic relief package which provides tax rebates for individuals and tax breaks for business.

The current economic situation is reflected in the U.S. stock and bond markets. The stock market has continued to decline, with the broad market equity indices down around 13.5% over the past four months. In the bond market, the yield spreads on mortgage-backed securities are rising to long term highs. In addition, many municipal bonds are being squeezed by the credit crunch.

The economy is facing rising inflation, higher oil prices and expensive war efforts with no short-term resolution in sight. There is an inter-relationship between these factors since energy prices are driven up by the cost of the Iraq war, increased national debt, diminishing value of the dollar, increased global demand by growing economies such as China and traders seeking energy profits.

While the U.S. equity markets continued to decline in February 2008, the foreign markets recovered somewhat from their three month decline from November 2007 through January 2008. The developed foreign markets as reflected by EAFE and Canada were up 1.43% and 6.16%, respectively, during February 2008. The emerging markets as reflected by the MSCI index returned 7.38% during February 2008.

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Impact of Recent Domestic and Global Market Decline

The U.S. stock market has continued to decline over the past four months. The NASDAQ Composite has declined over 20%, while the broad U.S. stock market indices considered have declined around 13.5%. The performance of the U.S. stock market over the past 14 months is (5.97%) for the NASDAQ Composite and around (4.00%) for the broad U.S. stock market indices.

Impact of Four Month US Market Decline (Jan 07- Feb 08)

Key US Market Indices	Jan 07-Oct 07	Nov-07	Dec-07	2007	Jan-08	Feb-08	Nov-07-Feb 08	Jan07-Feb 08 Unannualized
NASDAQ Composite	18.35	(6.93)	(0.33)	9.78	(9.89)	(4.95)	(20.55)	(5.97)
MSCI-US Broad	11.21	(4.47)	(0.62)	5.59	(6.07)	(3.04)	(13.54)	(3.84)
Russell 3000	10.77	(4.50)	(0.61)	5.14	(6.06)	(3.11)	(13.61)	(4.30)
PPCA Total	10.23	(4.96)	(0.38)	7.05	(6.32)	(2.34)	(13.38)	(4.52)
Morningstar U.S.	11.50	(4.41)	(0.62)	5.92	(6.09)	(3.07)	(13.53)	(3.58)
S&P 500	10.87	(4.18)	(0.69)	5.49	(6.00)	(3.25)	(13.46)	(4.05)

There were positive returns in most international markets during February 2008 with the MSCI EAFE and MSCI emerging markets indices returning 1.43% and 7.38%, respectively. Global indices such as the MSCI World index and G7 index were negative primarily due to negative performance in the United States, although there were some international developed countries with negative performance in the month such as: Greece, Ireland, Portugal, Hong Kong and New Zealand.

Global Market Performance (Jan 07-Feb 08)

Key Global Indices	Jan 07-Oct 07	Nov-07	Dec-07	2007	Jan-08	Feb-08	Nov-07-Feb 08	Jan07-Feb 08 Unannualized
World Index	15.07	(4.24)	(1.37)	7.09	(7.64)	(0.58)	(13.27)	(0.20)
EAFE	17.60	(3.45)	(2.30)	8.62	(9.24)	1.43	(13.16)	2.12
G7	2.68	(4.27)	(1.17)	5.51	(7.19)	(1.21)	(13.25)	(10.93)
Emerging Markets	49.50	(7.09)	0.35	39.39	(12.48)	7.38	(12.38)	30.99

Relative Strength of the U.S. Dollar

The U.S. dollar continued to decline relative to gold in February 2008 as the price of gold went up an additional 5.23% in February. Gold has appreciated 16.14% relative to the U.S. dollar in the first two months of 2008.

Appreciation of Gold Relative to USD	
2007	31.59%
YTD 2008	16.14%
FEB-08	5.23%

The next table provides key spot exchange rates for 1 U.S. dollar versus several developed country reference currencies. In six of the nine major reference currencies considered, during February 2008, the U.S. dollar weakened as one U.S. dollar could purchase less of the referenced currency over the past month. The U.S. dollar strengthened slightly relative to the British pound, Japanese Yen and Canadian dollar during the month.

Exchange Rate Tables 1 USD buying reference currency

Reference Currency	12/31/06	12/31/07	1/31/08	2/29/08
EUR Europe	0.7579	0.6783	0.6765	0.6592
GBP Great Britain	0.5111	0.5008	0.5026	0.5026
JPY Japan	119.06	112.27	106.98	107.12
CHF Swiss	1.2182	1.1269	1.0923	1.0419
CAD Canada	1.1643	0.9804	0.9970	0.9998
AUD Australia	1.2686	1.1444	1.1254	1.0557
NZD New Zealand	1.4194	1.2942	1.2842	1.2507
HKD Hong Kong	7.7775	7.8046	7.8035	7.7814
SGD Singapore	1.5334	1.4459	1.4205	1.3948

The next table translates the changes in spot exchange rates from the first table into FX percent returns. The most extreme U.S. dollar decline in February 2008 was a decline of (6.19%) against the Australian dollar.

FX Return of $1 USD Relative to Reference Currency

Reference Currency	2007	JAN 2008	FEB 2008
EUR Europe	(10.50%)	(0.26%)	(2.56%)
GBP Great Britain	(2.00%)	0.35%	0.00%
JPY Japan	(5.70%)	(4.71%)	0.13%
CHF Swiss	(7.49%)	(3.07%)	(4.62%)
CAD Canada	(15.79%)	1.69%	0.28%
AUD Australia	(9.78%)	(1.66%)	(6.19%)
NZD New Zealand	(8.83%)	(0.77%)	(2.61%)
HKD Hong Kong	0.35%	(0.01%)	(0.28%)
SGD Singapore	(5.71%)	(1.76%)	(1.81%)

U.S. Bond Performance

During February 2008, the U.S. Treasury curve increased slightly at the very short (1 month) and very long end of the maturity spectrum (20-30 years). The curve declined from 3 months to 10 years. On a year-to-date basis, the yields fell across the maturity spectrum with the most significant decreases at 3 months and 1 year with declines of (1.51%) and (1.57%), respectively.

In February 2008, the Lehman U.S. Aggregate and Lehman Global Aggregate returned 0.14% and 1.67%, respectively. Also in February, the Lehman municipal bond index and the Lehman High Yield bond index returned (4.58%) and (1.36%), respectively. On a year-to-date basis, the Lehman U.S. Aggregate and Lehman Global Aggregate returned 1.82% and 4.50%, respectively. During this period, the Lehman municipal bond index and the Lehman High Yield bond index returned (3.38%) and (2.68%), respectively.

TREASURY YIELDS

Maturity	1 Mo	3 Mos	1 Yr	5 Yrs	10 Yrs	20 Yrs	30 Yrs
12/31/2007	2.76	3.36	3.34	3.45	4.04	4.50	4.45
2/29/2008	2.07	1.85	1.77	2.50	3.53	4.37	4.41
Change	(0.69)	(1.51)	(1.57)	(0.95)	(0.51)	(0.13)	(0.04)
1/31/2008	1.64	1.96	2.11	2.82	3.67	4.35	4.35
2/29/2008	2.07	1.85	1.77	2.50	3.53	4.37	4.41
Change	0.43	(0.11)	(0.34)	(0.32)	(0.14)	0.02	0.06

Bond Indices - Total Return

Index	FEB 2008	YTD 2008
Lehman Global Aggregate	1.67	4.50
Lehman U. S. Aggregate	0.14	1.82
Lehman Municipal Bond	(4.58)	(3.38)
Lehman U. S. Treasury 1-3 Year	1.05	2.80
Lehman High Yield Bond	(1.36)	(2.68)

U.S. Stock Market

In February 2008, the technology-heavy NASDAQ Composite index continued to decline significantly with a loss of (4.95%). The four major broad U.S. stock indices considered posted returns in a range between (2.34%) and (3.11%). On a year-to-date basis, the NASDAQ Composite index declined (14.35%), while the broad U.S. stock indices declined in a tight range from (8.51%) to (8.98%).

For large and mid-cap issues during February 2008, value generally underperformed growth and core. Performance was weak in this period across cap ranges. On a year-to-date basis, small-cap issues generally underperformed both mid and large-cap issues. Across the cap range in this period growth generally performed lower than value and core.

The S&P 500 return, based on price change, was (3.48%) during February 2008. The top three performing S&P 500 sectors, based on price change during the month, were: Energy 6.66%, Materials 1.85% and Consumer Staples (0.26%). The bottom three sector performers were: Financials (11.43%), Telecommunication Services (9.60%) and Utilities (5.31%).

The S&P 500 return based on price change was (9.38%) on a year-to-date basis. All sectors posted negative performance on a year-to-date basis. The top three performing sectors in this period based on price change were: Materials (2.25%), Energy (4.99%) and Consumer Discretionary (5.34%). The bottom three performing sectors in this period were: Telecommunications Services (18.53%), Information Technology (16.14%) and Financials (11.97%).

As in January 2008, there were no safe equity investment styles in February 2008. All of the styles considered in this report for four major index families had negative performance.

Broad Market Indices & the NASDAQ Comp	FEB 2008	YTD 2008
NASDAQ Comp	(4.95)	(14.35)
MSCI-U.S. Broad	(3.04)	(8.93)
Russell 3000	(3.11)	(8.98)
PPCA Total	(2.34)	(8.51)
Morningstar	(3.07)	(8.97)

S & P 500 Sector Performance Price Change %

Sector	FEB 2008	YTD 2008
Energy	6.66	(4.99)
Materials	1.85	(2.25)
Industrials	(3.08)	(7.40)
Consumer Discretionary	(4.08)	(5.34)
Consumer Staples	(0.26)	(5.58)
Health Care	(2.54)	(7.33)
Financials	(11.43)	(11.97)
Information Technology	(4.15)	(16.14)
Telecommunication Svcs	(9.60)	(18.53)
Utilities	(5.31)	(11.91)
S&P 500	(3.48)	(9.38)

Small-Cap Stocks		FEB 2008	YTD 2008
S & P 600		(3.08)	(7.82)
Russell 2000		(3.71)	(10.27)
	Growth	(3.46)	(12.32)
	Value	(3.97)	(7.91)
Morningstar		(3.58)	(9.34)
	Growth	(3.49)	(13.65)
	Value	(4.96)	(6.39)
	Core	(2.31)	(7.43)
PPCA		(3.17)	(9.03)
	Growth	(4.13)	(13.27)
	Value	(3.08)	(5.41)
	Core	(2.29)	(11.00)

Mid-Cap Stocks		FEB 2008	YTD 2008
S & P 400		(1.86)	(7.91)
Morningstar		(2.46)	(8.25)
	Growth	(1.38)	(10.65)
	Value	(5.41)	(7.15)
	Core	(0.77)	(6.74)
PPCA		(2.21)	(7.66)
	Growth	(0.84)	(8.80)
	Value	(3.62)	(6.54)
	Core	(2.00)	(7.72)

Large-Cap Stocks		FEB 2008	YTD 2008
S & P 500		(3.25)	(9.05)
Russell 1000		(3.06)	(8.87)
	Growth	(1.99)	(9.63)
	Value	(4.19)	(8.03)
Morningstar		(3.19)	(9.13)
	Growth	(2.06)	(11.29)
	Value	(5.61)	(8.46)
	Core	(1.98)	(7.79)
PPCA		(2.25)	(8.75)
	Growth	(1.42)	(11.85)
	Value	(3.35)	(7.27)
	Core	(0.67)	(6.29)

Global Markets

For the month of February 2008, the EAFE index returned 1.43%. The top three EAFE country performers were: Norway 14.24%, Denmark 8.92% and Sweden 6.98%. The bottom three country performers were: Greece (4.43%), Hong Kong (2.23%) and Portugal (2.24%).

On a year-to-date basis, the EAFE index returned (7.94%) with all countries posting negative returns. The top three EAFE country performers in this period were: Ireland (2.69%), Switzerland (3.46%) and Denmark (3.57%). The bottom three country performers were: Greece (17.86%), Hong Kong (13.62%), and Portugal (12.96%).

The MSCI Emerging Markets index returned 7.38% during February 2008. The top three contributing countries were: Peru 16.18%, Taiwan 14.83% and Thailand 13.39%. The bottom three contributing countries were: Philippines (4.22%), India (2.39%) and Hungary (0.09%). These bottom three performing countries were the only emerging market countries with negative returns in February 2008.

On a year-to-date basis, the MSCI Emerging Markets index returned (6.02%). The top three countries were: Morocco 24.03%, Peru 10.96% and Pakistan 10.29%. The bottom three country performers in this period were: Turkey (22.82%), India (16.39%), and China (13.10%).

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 February 2008, the MSCI G7 index returned (1.21%). The top three G7 performing countries were: Canada 6.16%, France 1.66%, and Germany 1.32%. The bottom three G7 performing countries were: the United States (3.17%), Italy (.21%) and Britain 0.41%.

On a year-to-date basis, the G7 index returned (8.31%). The top three performing G7 countries were: Canada (0.62%), Japan (3.91%) and Britain (8.56%). The bottom three performing G7 countries were: Germany (12.70%), France (10.61%) and Italy (9.90%).

Net Total Return of MSCI Indices (U.S. $)		
Overseas Markets	**FEB 2008**	**YTD 2008**
The World Index	(0.58)	(8.18)
The World Index (Ex U.S.)	1.81	(7.37)
G7 Index	(1.21)	(8.31)
EAFE	1.43	(7.94)
Europe	1.61	(9.00)
Far East	0.55	(5.16)
Emerging Markets	7.38	(6.02)