

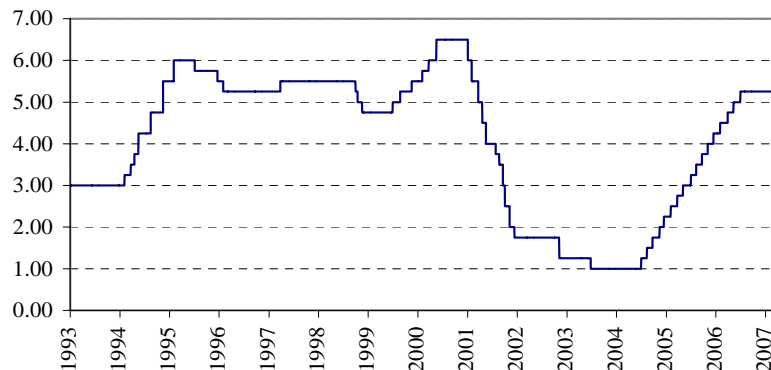
ECONOMIC REVIEW

First Quarter 2007

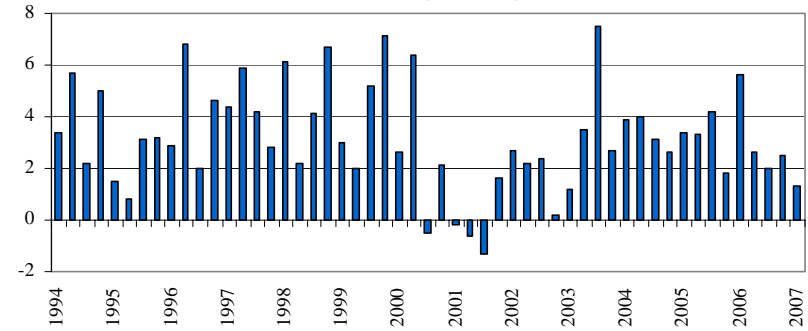
Economic Highlights

- *Gross Domestic Product (GDP) expanded at an annualized 1.3% rate (advance release) for the first quarter, which compared to the increase of 2.5% for the fourth quarter. This quarter marked the twenty-second consecutive quarter of expansion.*
- *The major positive contributor to the first quarter GDP was personal consumption expenditures (PCE), which added 2.66 percentage points to GDP. Within PCE, services expenditures experienced the largest advance contributing 1.51 percentage points followed by nondurable goods (+0.58) and durable goods (+0.56). The largest detractor from first quarter GDP was residential fixed investment, which subtracted 0.97 percentage points. Residential fixed investment continued its decline, falling 17.0% from the fourth quarter. Net exports of goods and services, private inventory investments and federal government spending also detracted during the first quarter.*
- *The Federal Open Market Committee left its target for the federal funds rate unchanged at 5.25% at each of its two first quarter meetings. The FOMC raised the federal funds rate from 1.00% to its current level in 17 rate hike installments of 25 basis points each starting in June, 2004 and ending in June, 2006. In its March 21 statement release, the FOMC stated that “Recent indicators have been mixed and the adjustment in the housing sector is ongoing. Nevertheless, the economy seems likely to continue to expand at a moderate pace over coming quarters. Although inflation pressures seem likely to moderate over time, the high level of resource utilization has the potential to sustain those pressures. In these circumstances, the Committee's predominant policy concern remains the risk that inflation will fail to moderate as expected.”*

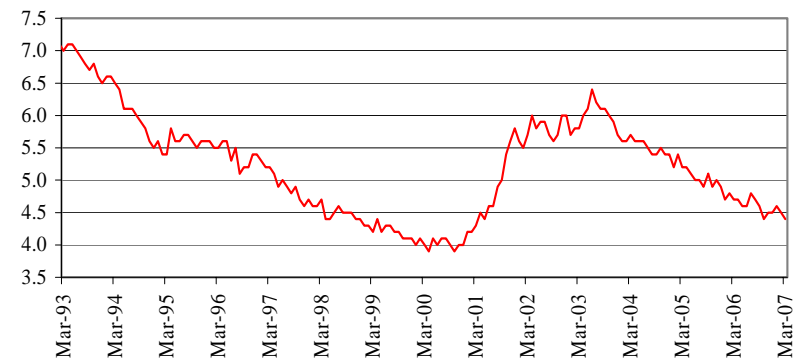
FEDERAL FUNDS RATE



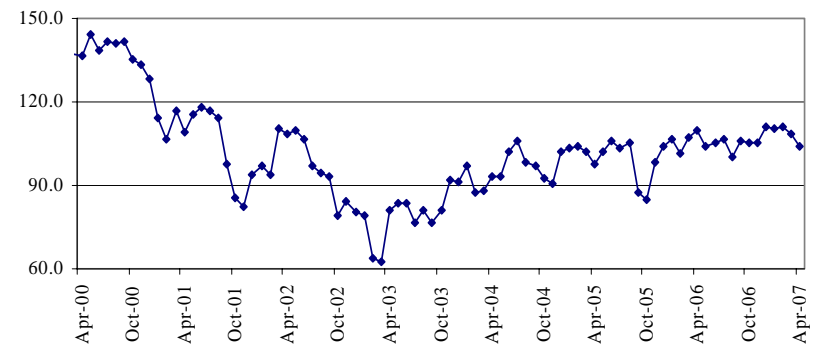
GROSS DOMESTIC PRODUCT 1Q 1994 - 1Q 2007 (Annualized)



US UNEMPLOYMENT RATE (Seasonally Adjusted)



CONSUMER CONFIDENCE INDEX



DOMESTIC EQUITY MARKET PERFORMANCE

TRAILING PERFORMANCE as of: 3/31/2007

		3 Months Trailing	Year to Date	1 Year Trailing	3 Year Trailing Average	5 Year Trailing Average	10 Year Trailing Average
Broad Market	S&P 500 Index	0.64	0.64	11.83	10.05	6.27	8.21
	NASDAQ Composite Index	0.26	0.26	3.49	6.69	5.59	7.08
	Dow Jones Wilshire 5000 Index	1.48	1.48	11.43	11.13	7.76	8.76
	NAREIT - Equity	3.46	3.46	21.79	22.56	22.09	14.79
	Dow Jones Industrial Average	-0.33	-0.33	13.83	8.48	5.86	8.60
Small Cap	Russell 2000 Growth Index	2.48	2.48	1.56	9.41	7.88	6.31
	Russell 2000 Index	1.95	1.95	5.91	12.00	10.95	10.23
	Russell 2000 Value Index	1.46	1.46	10.38	14.47	13.61	13.46
Mid Cap	Russell MidCap Growth Index	3.96	3.96	6.90	12.41	9.45	9.44
	Russell MidCap Index	4.38	4.38	11.79	15.72	12.91	12.71
	Russell MidCap Value Index	4.86	4.86	17.13	18.58	15.22	14.00
Large Cap	Russell 1000 Growth Index	1.19	1.19	7.06	7.01	3.47	5.51
	Russell 1000 Index	1.21	1.21	11.84	10.73	6.92	8.61
	Russell 1000 Value Index	1.24	1.24	16.83	14.42	10.25	10.85

CALENDAR YEAR PERFORMANCE

2006	2005	2004	2003	2002	2001	2000
15.80	4.91	10.87	28.70	-22.10	-11.88	-9.11
9.52	1.37	8.59	50.01	-31.53	-21.05	-39.29
15.87	6.32	12.62	31.64	-20.86	-10.97	-10.89
35.06	12.16	31.58	37.13	3.82	13.93	26.37
19.05	1.72	5.31	28.28	-15.01	-5.44	-4.85
13.35	4.15	14.31	48.54	-30.26	-9.23	-22.43
18.37	4.55	18.33	47.25	-20.48	2.49	-3.02
23.48	4.71	22.25	46.03	-11.43	14.03	22.83
10.66	12.10	15.48	42.71	-27.41	-20.15	-11.75
15.26	12.65	20.22	40.06	-16.18	-5.62	8.25
20.22	12.65	23.71	38.07	-9.65	2.33	19.18
9.07	5.26	6.30	29.75	-27.89	-20.42	-22.42
15.46	6.27	11.40	29.89	-21.65	-12.45	-7.79
22.25	7.05	16.49	30.03	-15.52	-5.59	7.01

- A precipitous decline in the domestic equity markets in late February erased much of the increases posted in January. The selloff took place amid sharp declines across the Asian markets and was compounded by bankruptcies among subprime mortgage lenders and rising oil prices, which crept back up to \$65 per barrel. A recovery in March drove the major market indexes to more or less finish the quarter with positive results.
- The S&P 500 Index gained 0.64% during the first quarter of the year while the Dow Jones Wilshire 5000 Index increased 1.48% and the NASDAQ Composite Index earned 0.26%.
- During the quarter, cyclical and aggressive growth issues led the market while more speculative and high yield stocks lagged. Industrial materials and utilities outperformed, with 6.97% and 6.28% increases, respectively. Within industrial materials, steel/iron companies surged as investors bet on strong global demand, particularly from developing countries. Rubber and metal products were also strong performers. Merger activity among utilities issues gave the sector another strong quarter. In particular, two prominent private equity firms gave TXU Corp the largest leveraged buyout bid in history, making this stock the biggest contributor to the sector's performance. Also, firms such as Public Service Enterprise Group and Constellation Energy Group posted large increases amid merger speculation.
- Energy, financial services, and software companies lagged the other industry sectors, each ending up the quarter with moderate losses.
- Mid capitalization stocks were the most resistant to February's declines. As such, they topped both large and smaller cap issues for the quarter. The Russell MidCap Index topped the Russell 2000 Index by a margin of 243 basis points and the Russell 1000 Index by 317 basis points. Among smaller cap issues, growth outpaced its value counterparts. However, value topped growth in the mid and large cap arenas.

Sector Performance as of 3/31/07

	S&P 500 Index		YTD
	Weights (%)	1Q 2007	
Industrial Materials	12.2	6.97	6.97
Utilities	3.7	6.28	6.28
Consumer Goods	8.6	3.78	3.78
Business Services	3.9	3.14	3.14
Telecommunications	3.6	2.74	2.74
Consumer Services	7.8	2.23	2.23
Media	3.7	1.70	1.70
Healthcare	12.3	1.65	1.65
S&P 500 Index	-	0.64	0.64
Hardware	9.1	0.61	0.61
Energy	9.5	-0.28	-0.28
Financial Services	21.8	-0.98	-0.98
Software	3.7	-2.08	-2.08

FIXED INCOME MARKET PERFORMANCE

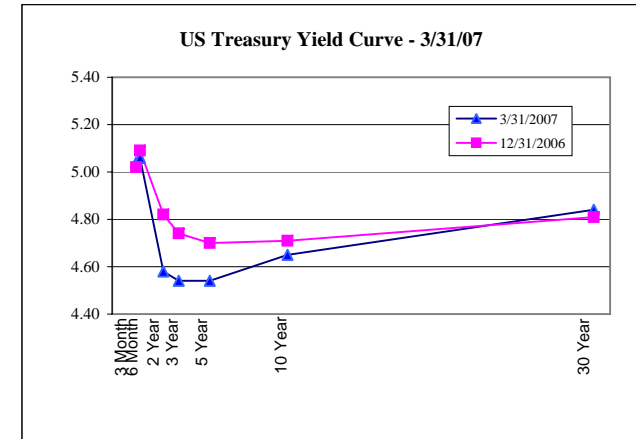
TRAILING PERFORMANCE as of: 3/31/2007

	3 Months Trailing	Year to Date	1 Year Trailing	3 Year Trailing Average	5 Year Trailing Average	10 Year Trailing Average
Citigroup US 3 Month T-Bill	1.24	1.24	4.98	3.33	2.51	3.67
ML 1-3 Year Treasury	1.40	1.40	5.02	2.31	3.11	4.76
LB Intermediate Credit	1.69	1.69	6.84	2.94	5.75	6.47
LB Intermediate Govt	1.52	1.52	5.73	2.38	4.28	5.64
LB Credit	1.51	1.51	7.09	3.22	6.27	6.83
LB Govt	1.45	1.45	5.93	2.70	5.07	6.25
ML Treasury	1.44	1.44	5.84	2.62	5.07	6.20
Citigroup U.S. Inflation-Linked Sec. Index	2.45	2.45	5.27	2.94	7.40	6.90
LBGC Intermed	1.59	1.59	6.14	2.59	4.90	5.98
LBGC	1.48	1.48	6.38	2.90	5.57	6.51
LB Mortgage	1.55	1.55	6.93	4.05	4.96	6.31
LB Aggregate	1.50	1.50	6.58	3.31	5.35	6.46
LBGC Long-Term	0.98	0.98	7.37	4.12	7.86	8.13
Citigroup AAA/AA Corp	1.27	1.27	6.51	3.01	5.70	6.71
Citigroup A Corp	1.28	1.28	6.94	3.30	6.48	7.05
Citigroup BBB Corp	1.70	1.70	7.54	3.63	6.65	6.86
Citigroup CCC Hi-Yld	4.01	4.01	19.40	11.40	16.96	7.16
Citigroup High Yield	2.49	2.49	11.50	8.39	10.33	6.91

CALENDAR YEAR PERFORMANCE

2006	2005	2004	2003	2002	2001	2000
4.76	3.00	1.24	1.07	1.70	4.09	5.96
3.96	1.67	0.91	1.90	5.76	8.30	7.99
4.50	1.42	4.07	6.89	10.13	9.76	9.45
3.83	1.70	2.31	2.30	9.63	8.42	10.47
4.27	1.95	5.25	7.69	10.53	10.40	9.40
3.46	2.65	3.48	2.37	11.50	7.24	13.23
3.14	2.81	3.50	2.26	11.57	6.74	13.37
0.40	2.86	8.40	8.26	16.71	7.92	13.10
4.07	1.57	3.04	4.30	9.82	8.98	10.10
3.77	2.34	4.21	4.68	11.02	8.51	11.84
5.22	2.62	4.70	3.05	8.74	8.22	11.17
4.33	2.43	4.34	4.11	10.27	8.42	11.63
2.73	5.34	8.56	5.88	14.84	7.26	16.16
4.42	2.31	4.10	4.45	12.35	10.02	11.30
4.35	2.49	5.20	6.18	12.79	11.08	9.99
4.98	1.20	6.46	12.34	5.87	11.09	7.17
19.92	-3.70	15.70	64.70	-3.38	10.54	-21.74
11.85	2.08	10.79	30.62	-1.53	5.44	-5.68

- For the first quarter of 2007, the Federal Reserve once again chose to leave monetary policy unchanged as it appeared to marginally downgrade its assessment of economic conditions.
- The yield of the 10-year Treasury note declined by 5 basis points to 4.65%, and the yield of the 30-year Treasury note Index rose by 16 basis points to 4.84% as the yield curve steepened for the quarter.
- TIPS outperformed during the quarter due to higher core inflation in both January and February.
- In the subprime mortgage market, many originators filed for bankruptcy, spreads widened, ratings were downgraded and new issuance declined dramatically.
- However, consumer asset-backed sectors such as credit cards and prime auto performed relatively strong.
- For the first time since early 2000, mortgages failed to earn a positive excess return compared with Treasuries.
- The rally in investment grade credit spreads was halted due to fears of slowing economic growth and of rising inflation.
- Lower quality outperformed higher quality as CCC spreads tightened.
- The Bank of Japan raised rates by 25 basis points to 0.50% in order to normalize monetary policy.
- While the dollar outperformed for the first half of the quarter, it ended down, underperforming most major currencies.
- While emerging market bonds and currencies sold off in late February, losses were not severe and the sector rebounded.
- The JP Morgan EMBI Global Index ended the quarter with a gain of 2.39%, attributable to accrued interest and lower US yields.



INTERNATIONAL EQUITY MARKET PERFORMANCE

TRAILING PERFORMANCE as of: 3/31/2007

INDEX	3 Months Trailing	Year to Date	1 Year Trailing	3 Year Trailing Average	5 Year Trailing Average	10 Year Trailing Average
MSCI EAFE	4.15	4.15	20.69	20.31	16.24	8.67
MSCI EAFE Growth	5.02	5.02	18.11	17.92	13.83	6.08
MSCI EAFE Value	3.28	3.28	23.22	22.66	18.60	11.08
MSCI EAFE Small Cap	7.19	7.19	15.91	23.74	24.76	-
MSCI AC World	2.58	2.58	16.42	15.97	11.68	8.37
MSCI Emerging Markets	2.35	2.35	21.03	27.97	24.84	8.77
MSCI Canada	2.39	2.39	11.41	18.19	13.23	11.90
MSCI EM Latin America	6.07	6.07	31.56	43.97	31.82	15.67
MSCI Europe	3.92	3.92	25.98	22.67	16.27	10.76
MSCI Pacific Free	4.66	4.66	10.26	15.27	16.39	4.94
MSCI Japan	2.62	2.62	3.16	16.48	11.47	3.46
MSCI Pacific Free ex Japan	7.59	7.59	34.30	26.11	23.10	8.23
MSCI Far East Free	3.60	3.60	5.45	12.67	14.28	3.51

CALENDAR YEAR PERFORMANCE

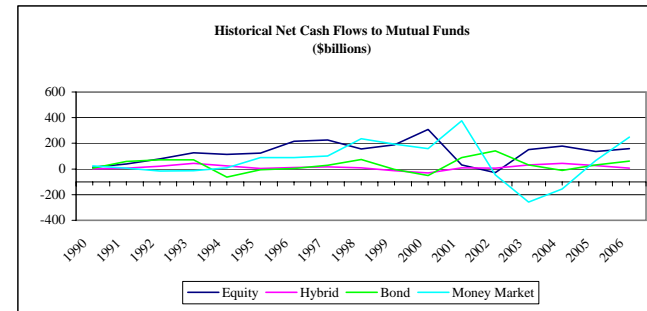
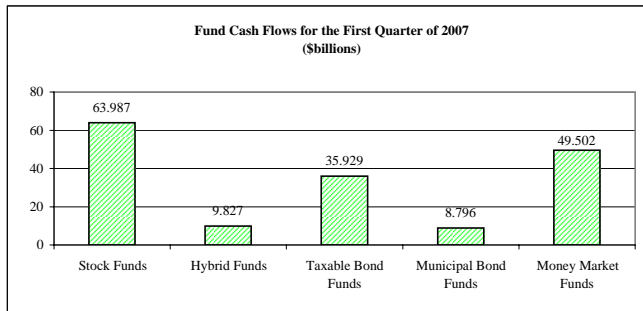
2006	2005	2004	2003	2002	2001	2000
26.86	14.02	20.70	39.17	-15.66	-21.21	-13.96
22.69	13.64	16.48	32.49	-15.76	-24.41	-24.40
31.05	14.39	24.88	45.96	-15.60	-18.22	-2.82
19.67	26.65	31.27	62.14	-7.44	-12.11	-7.22
21.53	11.37	15.75	34.63	-18.98	-15.91	-13.94
32.59	34.54	25.95	56.28	-6.00	-2.37	-30.61
17.90	25.63	13.84	27.08	-13.68	-15.09	9.34
43.48	50.42	39.62	73.66	-22.45	-0.39	-16.57
34.36	9.93	21.39	39.14	-18.09	-19.64	-8.14
12.51	23.01	19.30	38.98	-9.01	-25.22	-25.64
7.35	44.70	10.87	22.96	-18.61	-18.84	-19.74
33.15	14.84	29.55	47.03	-5.78	-9.43	-15.19
8.87	24.16	16.69	36.35	-10.82	-28.28	-27.00

- The first quarter of 2007 was a particularly volatile one, with markets around the world falling sharply in late February and early March following a steep decline in the Shanghai market. However, most markets rebounded during the latter half of March and the MSCI EAFE Index finished the quarter up 4.2% in \$US and 3.3% in local terms.
- During the three month period, growth outperformed value and small caps bettered their larger counterparts. Leading sectors during the period included materials, industrials and consumer staples, while energy, information technology and telecommunication services were the most significant laggards.
- The MSCI Europe gained 3.9% in \$US during the period with Germany (+6.8%), Spain (+4.4%) and Finland (+10.4%) outpacing the regional index and France (+2.8%) and the UK (+3.0%) underperforming.
- In Japan, a rate increase adversely impacted the financial sector and the strengthening yen hampered its automakers. The MSCI Japan Index gained 2.6% in \$US, while the MSCI Pacific Free ex Japan rose 7.6%. The latter index was boosted by strong results in Singapore (+10.3%) and Australia (+9.2%).
- Emerging markets trailed developed markets during the quarter, with the MSCI Emerging Markets Index up just 2.4% in \$US for the quarter. The Latin American market was the index's strongest contributor during the period.

MSCI EAFE Sector Performance as of 3/31/07

	1Q 2007	YTD 2007
Materials	10.46	10.46
Industrials	8.95	8.95
Consumer Staples	8.10	8.10
Consumer Discretionary	4.78	4.78
Utilities	4.48	4.48
Financials	2.31	2.31
Healthcare	1.52	1.52
Telecommunication Svcs	1.46	1.46
Information Technology	-0.26	-0.26
Energy	-0.50	-0.50

*Trends in Mutual Fund Investing**



*Data as per Investment Company Institute