

ECONOMIC REVIEW

Third Quarter 2007

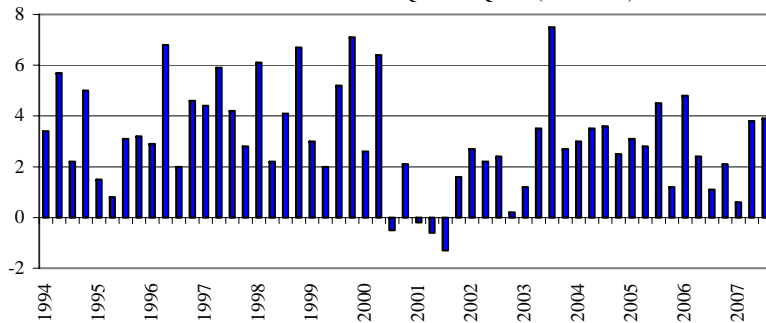
Gross Domestic Product (GDP) expanded at an annualized 3.9% rate (advance release) for the third quarter, which compared to the increase of 3.8% for the second quarter. This quarter marked the twenty fourth consecutive quarter of expansion.

Personal consumption expenditures (PCE) contributed 2.11 percentage points to third quarter GDP. PCE increased 3.0%, up from the 1.4% rate in the previous quarter, led by durable goods (+4.4%), services (+2.9%) and nondurable goods (+2.7%).

Net exports of goods and services contributed 0.93 percentage points, as exports grew 16.2% while imports (which subtract from GDP) rose only 5.2%.

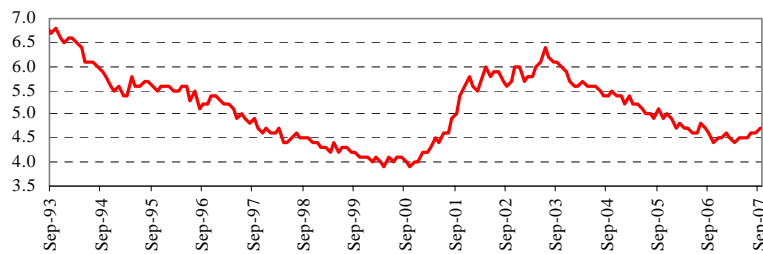
Gross private investment added 0.13 percentage points, led by a 12.3% increase in nonresidential structures. Residential continued to serve as a drag, declining 20.1%, the seventh consecutive quarterly decline.

GROSS DOMESTIC PRODUCT IQ 1994 - 3Q 2007 (Annualized)



The unemployment rate ticked up to 4.7% from 4.5% at the end of the second quarter. Nonfarm payroll employment rose by 282,000 in the third quarter, compared to 379,000 in the second quarter and 606,000 a year ago.

US UNEMPLOYMENT RATE (Seasonally Adjusted)



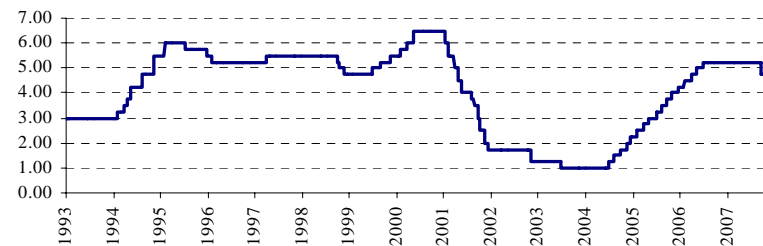
The Federal Open Market Committee (FOMC) kept the federal funds rate at 5.25% at its August 7 meeting. Though the committee noted that financial markets had been volatile and “credit conditions tighter for some households and businesses, economic activity seemed likely to continue to moderately expand.”

On August 10, the FOMC released a statement that the “Federal Reserve will provide reserves as necessary through open market operations to promote trading in the federal funds market at rates close to the FOMC’s target rate of 5.25%. In the current circumstances, depository institutions may experience unusual funding needs because of dislocations in money and credit markets.”

A week later, on August 17, the FOMC released a statement that “Financial market conditions have deteriorated, and tighter credit conditions and increased uncertainty have the potential to restrain economic growth going forward. The Committee is monitoring the situation and is prepared to act as needed to mitigate the adverse effects on the economy.” Also on August 17, the Federal Reserve Board approved a 50 basis point cut in the discount rate to 5.75%.

On September 18, the FOMC lowered the target for the federal funds rate by 50 basis points to 4.75%, stating “Economic growth was moderate during the first half of the year, but the tightening of credit conditions has the potential to intensify the housing correction and to restrain economic growth more generally.” With regard to inflation, the Committee noted that “readings on core inflation have improved...though some inflation risks remain.” In addition, the discount rate was also reduced by 50 basis points to 5.25%.

FEDERAL FUNDS RATE



According to the National Association of Realtors (NAR), existing home sales fell 8.0% in September, from a revised pace of 5.48 million units in August, to a seasonally adjusted annualized rate of 5.04 million units, the lowest sales pace since NAR began tracking the combined series (single family plus condo) in 1999. Home prices fell 4.2% and the month supply rose to 10.5.

DOMESTIC EQUITY MARKET PERFORMANCE

TRAILING PERFORMANCE as of: 9/30/2007

		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	2.03	9.13	16.44	13.14	15.45	6.57
	NASDAQ Composite Index	3.77	11.85	19.62	12.51	18.18	4.83
	Dow Jones Wilshire 5000 Index	1.42	9.09	17.08	14.04	16.53	6.85
	NAREIT - Equity	2.59	-3.46	5.68	19.00	21.52	12.19
	Dow Jones Industrial Average	4.19	13.31	21.69	13.87	15.44	7.86
Small Cap	Russell 2000 Growth Index	0.02	9.35	18.94	14.10	18.70	3.65
	Russell 2000 Index	-3.09	3.16	12.34	13.36	18.75	7.22
	Russell 2000 Value Index	-6.26	-2.70	6.09	12.51	18.70	10.07
Mid Cap	Russell MidCap Growth Index	2.15	13.35	21.22	17.01	20.39	7.47
	Russell MidCap Index	-0.39	9.48	17.87	17.34	20.90	10.43
	Russell MidCap Value Index	-3.55	4.83	13.75	17.22	21.02	11.31
Large Cap	Russell 1000 Growth Index	4.21	12.68	19.35	12.20	13.84	4.06
	Russell 1000 Index	1.98	9.30	16.90	13.77	15.98	6.86
	Russell 1000 Value Index	-0.24	5.97	14.45	15.25	18.07	8.80

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

- The domestic equity market indices rebounded from sharp declines in July, driven by volatility from subprime mortgage concerns and a weakening real estate market. Some indices managed to finish out the third quarter in positive territory. Investors reconsidered their risk tolerance of speculative stocks and low-rated bonds and shifted assets to more conservative investments.
- The S&P 500 Index returned 2.03% for the quarter while the Dow Jones Industrial Index increased 4.19%. The NAREIT - Equity Index rose 2.59% for the quarter.
- Large cap issues outperformed their mid and small cap counterparts, as demonstrated by the Russell 1000 Index's 1.98% increase as compared to the Russell MidCap's decline of 0.39% and Russell 2000's 3.09% loss. Growth once again outperformed value in each of the capitalization categories, with the widest margin occurring among small caps. The Russell 2000 Growth Index outperformed the Russell 2000 Value Index by 628 basis points.
- Energy was the leading sector in the third quarter, with an 8.86% increase, followed by hardware, industrial materials, and consumer goods. The media, financial services, and consumer services sectors were laggards.
- Rising oil prices and oil exploration activity were the driving forces behind the energy sector performance. Individual names such as FMC Technologies and Oceaneering International rose 46% and 44%, respectively. The media sector declined on lower advertising spending as well as from increased competition from digital media. In the financial services sector, stocks experienced heavy losses as the cost of capital rose as a result of the credit crisis.

Sector Performance as of 9/30/07

	S&P 500 Index		YTD
	Weights (%)	3Q 2007	
Energy	11.0	8.86	29.20
Hardware	10.5	8.42	20.83
Industrial Materials	12.5	5.75	21.77
Consumer Goods	8.4	3.01	9.84
S&P 500 Index	-	2.03	9.13
Telecommunications	3.7	1.98	17.55
Healthcare	11.7	1.91	8.21
Utilities	3.4	1.16	9.95
Software	3.7	0.93	5.67
Business Services	4.1	-0.89	11.03
Consumer Services	7.6	-2.90	0.54
Financial Services	20.1	-4.15	-5.21
Media	3.2	-5.96	-3.68

FIXED INCOME MARKET PERFORMANCE

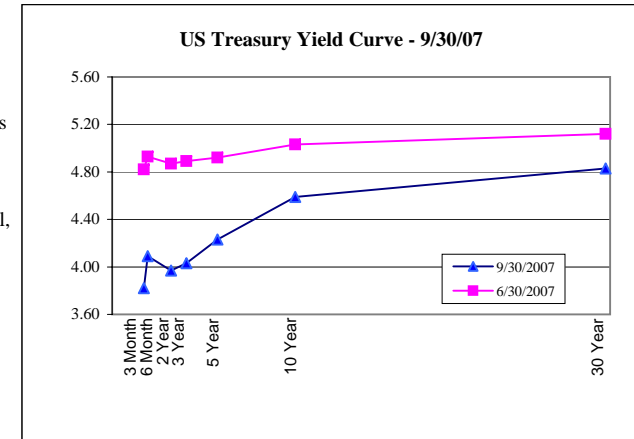
TRAILING PERFORMANCE as of: 9/30/2007

	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	1.19	3.71	5.01	3.97	2.83	3.65
ML 1-3 Year Treasury	2.67	4.84	5.80	3.49	2.82	4.68
LB Intermediate Credit	2.05	3.36	4.68	3.35	4.58	5.95
LB Intermediate Govt	3.36	4.94	5.87	3.55	3.21	5.43
LB Credit	2.07	2.85	4.23	3.45	5.02	6.13
LB Govt	3.61	4.76	5.63	3.79	3.49	5.88
ML Treasury	3.82	4.89	5.64	3.75	3.41	5.84
Citigroup U.S. Inflation-Linked Sec. Index	4.56	6.30	4.91	4.03	5.33	7.04
LBGC Intermed	2.88	4.37	5.44	3.47	3.81	5.67
LBGC	3.01	4.02	5.10	3.66	4.16	6.02
LB Mortgage	2.65	3.72	5.39	4.28	4.14	5.83
LB Aggregate	2.85	3.84	5.13	3.86	4.13	5.96
LBGC Long-Term	3.54	2.63	3.71	4.30	5.39	7.15
Citigroup AAA/AA Corp	2.53	3.30	4.57	3.57	4.08	6.15
Citigroup A Corp	2.11	2.39	3.78	3.50	4.61	6.35
Citigroup BBB Corp	1.87	2.88	4.43	3.59	6.51	6.10
Citigroup CCC Hi-Yld	-1.53	3.80	11.70	9.89	22.85	5.98
Citigroup High Yield	0.49	3.16	7.66	7.25	13.10	6.06

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

- In response to signs of slowing economic growth and liquidity concerns, the Federal Reserve cut the federal funds rate by 50 basis points to 4.75%, and also cut the discount rate by 50 basis points on two separate occasions in the third quarter.
- In a flight to quality amidst weakness in the subprime lending market, credit spreads between low-quality and high-quality fixed income securities widened. Mortgage-backed bonds and corporate bond markets came under pressure during the quarter as investors sought the safety of Treasuries. High-yield corporates experienced the weakest performance for the quarter, trailing all major investment-grade sectors.
- US Treasury yields fell across all maturities, most notably on the short-end, causing the yield curve to steepen and revert to a normal, upward-sloping shape.
- The yields of the 3-month and 2-year Treasury notes declined by 100 and 90 basis points to 3.82% and 3.97%, respectively; while the yields of the 10-year and 30-year Treasury notes declined by 44 and 29 basis points to 4.59% and 4.83%, respectively. The spread between the 2-year and 10-year US Treasury yields increased by 62 basis points, its steepest level since 2005.
- The US dollar continued its slide against major world currencies. Non-US dollar bonds, especially emerging market debt, performed well in response to the weakening US dollar amidst falling rates. European currencies benefited the most, with the Euro reaching a new all-time high against the US dollar.



INTERNATIONAL EQUITY MARKET PERFORMANCE

TRAILING PERFORMANCE as of: 9/30/2007

INDEX	3 Months Trailing	Year to Date	1 Year Trailing	3 Year Trailing Average	5 Year Trailing Average	10 Year Trailing Average
MSCI EAFE	2.23	13.57	25.38	23.75	24.05	8.35
MSCI EAFE Growth	4.37	17.14	28.19	23.45	21.78	5.84
MSCI EAFE Value	0.09	10.05	22.54	23.99	26.26	10.68
MSCI EAFE Small Cap	-4.43	6.92	19.48	23.99	28.03	-
MSCI AC World	3.57	14.13	24.59	20.16	21.02	7.76
MSCI Emerging Markets	14.52	34.85	58.63	41.29	39.11	11.94
MSCI Canada	2.42	11.25	24.33	20.73	20.78	10.72
MSCI EM Latin America	10.79	40.80	71.90	54.36	54.75	15.90
MSCI Europe	1.72	14.88	28.10	25.31	26.02	10.03
MSCI Pacific Free	3.40	10.68	19.52	20.43	19.72	5.12
MSCI Japan	-7.63	-1.49	4.40	17.18	13.91	2.51
MSCI Pacific Free ex Japan	13.36	33.75	56.36	33.60	32.52	11.23
MSCI Far East Free	1.39	5.31	11.86	17.08	16.57	3.29

CALENDAR YEAR PERFORMANCE

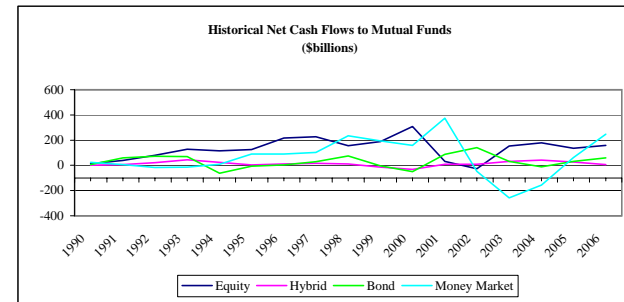
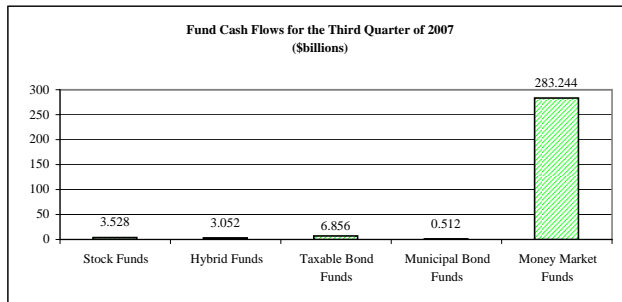
2006	2005	2004	2003	2002	2001	2000
26.86	14.02	20.70	39.17	-15.66	-21.21	-13.96
22.69	13.64	16.48	32.49	-15.76	-24.41	-24.40
31.05	14.39	24.88	45.96	-15.60	-18.22	-2.82
19.67	26.65	31.27	62.14	-7.44	-12.11	-7.22
21.53	11.37	15.75	34.63	-18.98	-15.91	-13.94
32.59	34.54	25.95	56.28	-6.00	-2.37	-30.61
17.90	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

- Overseas equity markets were extremely volatile during the quarter, as problems in the US subprime mortgage market triggered a global liquidity crisis. The MSCI EAFE Index fell sharply during the period, but regained ground as moves by central bankers reduced anxiety. The Index fell 2.5% in local terms for the three-month period, but gained 2.2% in US\$.
- Growth outpaced value during the quarter and larger cap issues bettered their smaller counterparts. In terms of sector performance, materials and telecommunication services led, while consumer discretionary and financial stocks lagged.
- Europe underperformed the MSCI EAFE Index in dollar terms, with France and the UK detracting, while Germany's market was supported by its utilities, telecommunication and technology names. The dollar fell to a new low vs. the euro.
- The Japanese market struggled with political turmoil, declining GDP figures and a strengthening yen. Other developed Asian markets performed significantly better during the period, most notably Hong Kong and Australia.
- Emerging markets collectively fared well during the quarter, with their financial sectors largely unaffected by the issues that were so damaging to their more developed counterparts. Particularly strong markets included China, India, Brazil, and Turkey, while weaker markets included Mexico and Chile. In regional terms, Eastern Europe and the Middle East trailed other emerging areas during the quarter, while emerging Asia experienced the greatest gains.

MSCI EAFE Sector Performance as of 9/30/07

	3Q 2007	YTD 2007
Energy	1.21	18.39
Materials	8.98	36.93
Industrials	1.82	22.21
Information Technology	5.91	15.81
Telecommunication Svcs	8.98	20.69
Utilities	4.79	14.67
Consumer Discretionary	-0.92	8.42
Consumer Staples	5.21	18.02
Financials	-1.57	4.12
Healthcare	2.43	3.60

Trends in Mutual Fund Investing*



*Data as per Investment Company Institute