

**U.S. ECONOMIC BACKGROUND**

The U.S. economy managed to endure another volatile quarter for the financial markets, showing signs of moderate growth. Housing continues to be a persistent catalyst for anxiety as existing home sales steadily dropped throughout the quarter and housing starts also dwindled in comparison. The weak employment report in August (-4,000 jobs) coupled with soft housing data brought suspicions of recession; however, the resiliency of the American consumer, powered by full employment (4.6%) and increases in Personal Income (+0.30%), revealed the endurance of the U.S. economy. This backdrop allowed for an easing of monetary policy, resulting in a 50 basis point reduction in the Federal Funds rate (4.75%) in September, the first cut in more than four years. Inflation-related worries were diminished as core prices, excluding food and energy, remained benign (CPI: +0.20%). GDP was reported to have increased at an annual rate of 3.8%, on par with Wall Street's expectations, although it seems the consumer has become more cynical as Consumer Sentiment dropped to 83.4 during the quarter.

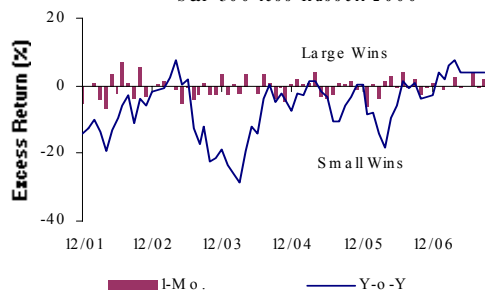
**U.S. Equity Returns (%)**

	1 Mo.	3 Mos.	12 Mos.
S&P 500	3.74	2.03	16.44
S&P 400	2.65	-0.87	18.76
Russell 1000 Growth	4.19	4.21	19.36
Russell 1000 Value	3.43	-0.24	14.43
Russell 2000	1.72	-3.09	12.35
Russell 2000 Growth	2.91	0.02	18.92
Russell 2000 Value	0.45	-6.26	6.09
NASDAQ Composite	4.09	3.98	20.52

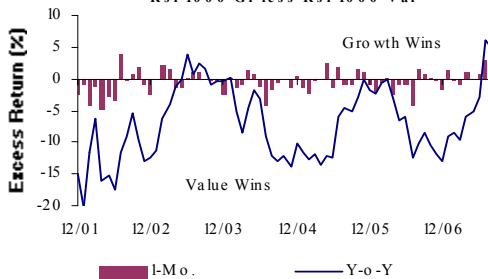
**U.S. EQUITY MARKETS**

- Battling the worst housing slump in 16 years and continued turbulence in the financial and credit markets, most major domestic equity indices managed to bounce off a July slide, some ending the quarter in positive territory. The DJIA (13,895.63) finished the quarter up 4.2%, the S&P 500 (1,526.75) climbed 2.0%, and the NASDAQ (2701.50) posted a 4% gain. The third quarter was littered with upheavals and disruptions, as subprime lending took center stage in July and August while the credit crunch dominated September. Fortunately the Fed stepped in, injecting liquidity and easing monetary policy to help offset the effects from the housing and credit concerns. Risk aversion has been present, as investors have been diverting their attention to blue chip companies and sectors likely to perform well in global economic expansion. Exports continue to rise thanks to the weak dollar, which helped to stimulate stock market buoyancy during the quarter. Oil prices rose over \$80/barrel during the quarter causing a stir in the upcoming home heating season but failing to significantly increase prices at the pump.
- Large cap stocks outperformed small caps in September and for the third quarter, according to total returns for the Russell indices. The large cap Russell 1000 Index added 3.82% in September for a 1.98% third quarter gain, and the benchmark now holds a relatively strong year-to-date advantage over the small cap Russell 2000 Index (+9.30% vs. +3.17%). In a notable change of leadership, the Russell Top 200 Growth Index gained 4.32% for the month and 5.23% for the quarter to lead all others for both periods.
- During the third quarter of 2007, growth stocks outperformed their value counterparts in every market capitalization range for September and the third quarter, adding to growth's sizable lead over value stocks from a year-to-date perspective. The distinction between the two styles has been most notable among small caps where the Russell 2000 Growth Index currently leads its value counterpart by over 1,200 basis points (YTD).
- Eight of the ten S&P 500 GICS sectors posted positive returns during the quarter with Energy (+9.8%) and Information Technology (+6.3%) posting the largest gains. Consumer Discretionary (-6.3%) and Financials (-4.3%) were the only sectors to post negative returns. Energy stocks had the largest positive impact on the S&P 500 Index return where the largest contributors were Schlumberger (+23.8%) and ConocoPhillips (+12.4%), buoyed by a rally in energy prices that put crude north of \$80/barrel. Within Information Technology, Apple (+25.8%) and Cisco (+18.9%) contributed the most. Performing well within the Industrials area was General Electric (+8.9%), the world's second-largest company by market capitalization behind Exxon Mobil. Within Consumer Staples, the largest contributors were Proctor & Gamble (+15.6%) and PepsiCo (+13.6%). Financials suffered the most as 63 of the 91 related stocks in the S&P 500 Index posted negative returns. Within Financials, Countrywide Financial (-47.4%) and Merrill Lynch (-14.3%) had the greatest negative impact for the quarter, as growth in the subprime sector has come with financial concerns for those loaning to low and moderate income families.

**Large Cap vs. Small Cap**  
S&P 500 less Russell 2000



**Growth vs. Value**  
Rsl 1000 Gr less Rsl 1000 Val



**S&P Sector Returns (%)**

	1 Mo.	3 Mos.	12 Mos.
Financial	2.26	-4.26	1.67
Utilities	3.55	1.96	21.13
Energy	8.08	9.82	43.11
Industrials	4.80	5.87	24.61
Materials	7.87	4.92	36.48
Healthcare	3.01	1.06	8.73
Consumer Staples	4.49	4.81	13.80
Consumer Discretionary	-0.89	-6.28	6.38
Information Tech	3.79	6.31	23.24
Telecom Svcs	4.55	2.15	28.22

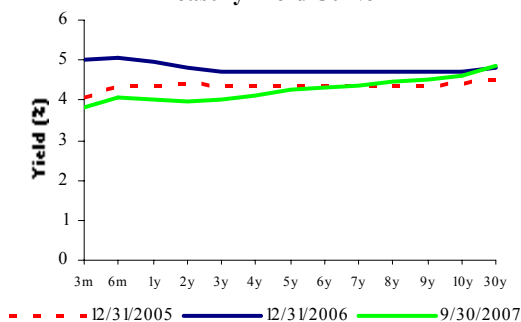
**U.S. FIXED INCOME MARKETS**

- Interest rates declined and the yield curve steepened on investor risk aversion, flight to quality flows, and an easing of monetary policy. During the quarter, difficulties in the subprime mortgage market weighed heavily on market sentiment creating a severe bout of illiquidity. In order to restore investor confidence, the Fed reduced the Discount Rate by 100 bps to 5.25%, encouraged banks to borrow from the discount window, injected liquidity into the market through open market operations, and cut the Federal Funds rate by 50 bps to 4.75%. Interest rates on the 3-month maturity declined by 101 bps as investors recoiled from credit risk, particularly in the asset backed commercial paper market, and flocked to the safety of Treasury Bills. Interest rates on the 2-, 5-, 10-, and 30-year Treasuries declined by 88, 67, 44, and 29 bps, respectively. The yield curve steepened by 72 bps to a slope of 103 bps, as measured by the 3-month and 30-year Treasuries. Swap spreads widened, particularly on the short end, to the point of inversion. At month end, swap spreads on the 2-, 5-, and 10-year maturities were 66, 63, and 62 bps, respectively.
- The Lehman Aggregate Index returned a solid 2.84% for the quarter, as interest rates declined and volatility and risk aversion dominated market activity. All spread sectors performed poorly in relation to Treasuries. U.S. Credit was the worst relative performer returning 2.08%, underperforming comparable duration Treasuries by 216 bps as a heavy supply backlog and reduced risk appetite resulted in significant spread widening. The few new issues that were able to get completed during the early part of the quarter were priced with much higher yields. After the mid-September Fed rate cut though, new issuance increased and the credit markets took on a decidedly better tone. In the secondary market, finance companies and housing-related issues continued to experience price pressure. Higher quality outperformed lower quality with AA-, A- and BBB-rated issues returning 2.29%, 1.94%, and 1.67%, respectively. U.S. Agency securities performed quite well, returning 3.18% (-13 bps) as investors sought safety. The U.S. Government/Credit Index returned 3.01% (-88 bps excess).
- Securitized sectors returned 2.64% (-98 bps excess) as swap spreads widened and volatility increased. The hardest hit sector in the securitized market was Asset Backed Securities (ABS) which returned 1.41% (-176 bps excess) as investors sought to reduce risk. Not surprisingly, the home equity ABS segment was the worst relative performer, returning -0.68% (-401 bps excess) as difficulties in the subprime mortgage market persisted. The Mortgage Backed Securities (MBS) segment returned 2.64% (-91 bps) as ample supply, an increase in volatility and widening of swap spreads weighed on the segment. Commercial Mortgage Backed Securities (CMBS) returned 2.81% (-137 bps excess) on forced selling and general lack of liquidity.
- The Merrill Lynch High Yield Master II Index returned 0.33% as credit fears gripped the market, particularly in July. Higher quality issues outperformed lower quality with BB, B and CCC sectors returning 1.21%, 0.53%, and -1.80%, respectively. Housing related issues performed particularly poorly. During the quarter, the yield on the Index increased by 53 bps to 8.58% while the option adjusted spread increased 118 bps to 416 bps.
- The Lehman Brothers Municipal Bond Index returned 1.82% as yields declined, the curve steepened, and volatility increased on hedge fund selling and flight to quality flows. Long duration, lower quality, and tobacco issues underperformed. Pre-refunded bonds performed best (2.28%) followed by General Obligation (2.23%), Insured (2.03%), and Revenue Bonds (0.81%).
- U.S. TIPS returned 4.54% for the quarter outperforming nominal Treasuries by 73 bps on a decline in real yields. The breakeven spread, a gauge of the market's expectation for future inflation, declined by 6 bps to 2.32% on the 10-year maturity. The breakeven spread is the difference between the nominal Treasury yield and TIPS real yield.

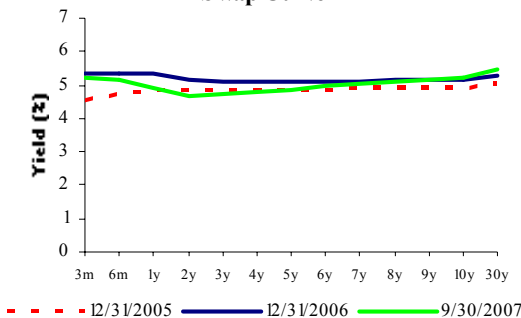
**U.S. Fixed Income Returns (%)**

	1 Mo.	3 Mos.	12 Mos.
LB Aggregate	0.76	2.84	5.14
LB US Government	0.63	3.61	5.63
LB US Credit	0.80	2.08	4.23
LB Mortgage Backed	0.77	2.64	5.39
LB Asset Backed	1.13	1.41	4.12
ML USHY Master II	2.44	0.33	7.75

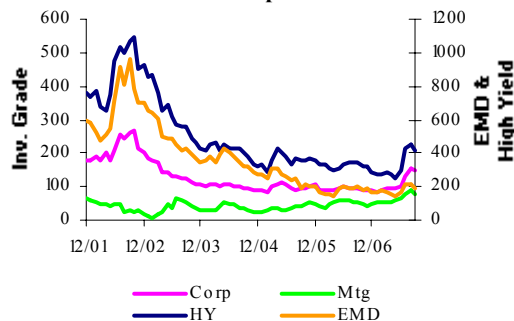
**Treasury Yield Curve**



**Swap Curve**



**Sector Spreads**



Source: Citigroup

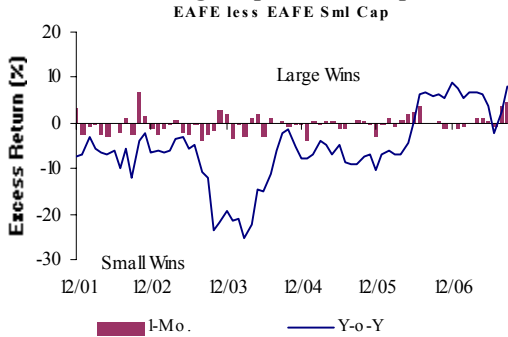
**NON-U.S. ECONOMIC BACKGROUND**

The 50 basis point reduction in the U.S. Federal Funds rate on September 18 provided respite to the global economy in a quarter that was dominated by the subprime crisis and heightened worries over the impact of a deteriorating housing market on U.S. growth. Against this backdrop, prospects for Europe's economies remain clouded based on a surging euro, oil prices that breached \$82/barrel, and the fastest deceleration in manufacturing and services activity in the nine-year history of the eurozone-area purchasing managers index. In Japan, GDP fell by 0.3% in the second quarter, prompting the key interest rate to remain at 0.5%. Shinzo Abe abruptly resigned as prime minister, leaving his successor, Yasuo Fukuda, a divided Parliament and challenges to economic reforms. In China, consumer prices rose by 6.5% in the year to August and the central bank again raised rates. The market continued its upward path, fuelling other economies in the region.

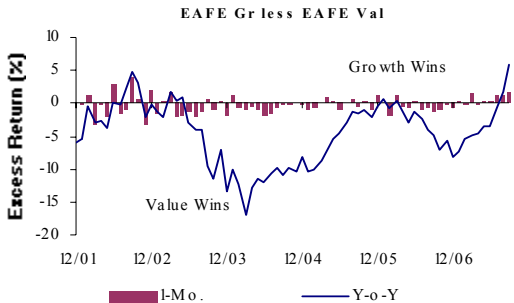
**MSCI Non-U.S. Equity Returns (\$)**

	1 Mo.	3 Mos.	12 Mos.
EAFE	5.35	2.18	24.87
AC World Free Ex-US	6.62	4.69	31.06
Japan	2.31	-0.86	7.07
Pacific Ex-Japan	14.56	13.09	55.13
United Kingdom	3.61	0.17	22.42
Europe Ex-UK	5.77	2.43	30.16

**Large Cap vs. Small Cap**



**Growth vs. Value**



**MSCI EAFE Sector Returns (\$)**

	1 Mo.	3 Mos.	12 Mos.
Financial	4.32	-1.57	13.71
Utilities	5.81	4.79	31.23
Energy	7.10	1.21	29.23
Industrials	4.38	1.82	38.68
Materials	11.00	8.98	56.30
Healthcare	3.84	2.43	5.82
Consumer Staples	3.93	5.21	28.52
Consumer Discretionary	4.01	-0.92	21.04
Information Tech	4.56	5.91	24.36
Telecom Svcs	8.07	8.98	41.80

**NON-U.S. EQUITY MARKETS**

- The developed markets gained ground in September to end a turbulent third quarter in positive territory for the dollar-based investor. For the three-month period, the MSCI EAFE Index generated a return of 2.2% in U.S. dollar terms and -2.5% on a local currency basis. The Index fell by roughly 12% from a high in mid July to a mid August low, recovering nearly as much by the end of September. In terms of currencies, the Japanese yen strengthened against the U.S. dollar while the dollar hit an all time low against the euro in September, breaking the \$1.40 level. The Canadian dollar, boosted by higher commodity prices, reached parity with the greenback for the first time in more than 30 years. Year to date, EAFE is up 13.2% (+6.7% local).
- Growth stocks continued to outperform value stocks with the MSCI EAFE Growth and Value indices generating quarterly returns of 4.3% and 0.02%, respectively. Larger capitalization stocks outperformed their smaller counterparts with those in the middle range of the EAFE quintiles (\$28 billion to 58 billion) leading the pack (+4.5%). The MSCI Small Cap Index returned -4.5%.
- In terms of sectors, Materials (+9.0%) and Telecomm Services (+9.0%) made the largest positive contributions to the quarterly return, while the heavily weighted Financials (-1.6%) and Consumer Discretionary (-0.9%) sectors brought the Index down.
- The European region underperformed the broader Index with a U.S. dollar return of 1.7% and a local currency return of -2.3%. Quarterly returns ranged from lows in Ireland (-12.3%) and Austria (-8.4%) to highs in Finland (+19.0%) and Greece (+11.1%). Among the dominant markets in the Index, Germany posted a return of 3.7% (-1.5%). Utilities, Telecomms, and Info Technology holdings offset poor results in Financials as evidenced by Commerzbank (-15.8%) and Deutsche Bank (-11.7%). The U.K. eked out a positive return of 0.2% (-1.4% local) amid pronounced strength in Materials and continued weakness among Financials. In other areas, Financial weakness also accounted for the middling returns of France (-0.4%) and Switzerland (+1.6%). Finland rose on Nokia (+34.9%), the best performing company in the regional Index overall.
- The Pacific region outperformed the broader Index with a U.S. dollar return of 3.3% (-2.8% local). Japan lagged considerably in the quarter with a return of -0.9% (-7.7% local). Financials remained under considerable pressure while exporters continued to struggle with a strengthening yen; Materials, Industrials, and Info Technology provided pockets of strength. Hong Kong (+23.9%), in contrast, rose to record highs as new rules allowed Chinese investors to channel funds into that market. In other areas, booming commodity prices underlined Australia's performance (+11.1%) with BHP Billiton (+33.8%) and NewCrest Mining (+39.0%) among the beneficiaries. New Zealand (-1.0% US\$; +1.3% local) was the only EAFE country where the currency lost value against the U.S. dollar.

**EMERGING EQUITY MARKETS**

- Following a strong September (+11.1%), the MSCI EM Index closed the quarter with a return of 14.5% in U.S. dollar terms and 12.6% on a local currency basis. The Index declined 18% from a high on July 23<sup>rd</sup> to a low on August 16<sup>th</sup>, thereafter rebounding 26% to a new record. Quarterly returns ranged from notable lows in Mexico (-4.5%) and Chile (-2.6%) to highs in China (+41.9%), Turkey (+24.4%), and Brazil (+20.7%). Except for a few Latin American countries, emerging markets currencies generally appreciated versus the U.S. dollar over the three-month period. In terms of sectors, all were positive with Materials (+27.1%) and Industrials (+20.2%) taking the lead and Information Technology (+3.5%) lagging. The return for Financials (+13.3%) suggests some immunity from the subprime crises that roiled developed markets. Year to date, the EM Index is up 34.9% (+29.8% local).
- Emerging Asia (+18.9%) outperformed the broader Index, led by China's ascent that is now 72.5% year to date. Large contributors to performance in that market included China Mobile (+53.9%) and PetroChina (+31.2%). There was also a record number of IPOs. Among them, China Construction Bank surged over 30% following its 9/25 Shanghai debut and \$7.7 billion sale of shares. Korea (+13.9%) continued to benefit from China's growth particularly in steel, shipping and other Industrials, as well as Materials and Telecomms. In other areas, Taiwan and Thailand rose 6.4% and 13.4%, respectively. India's gain of 20.2%, the next best after China in the region, was broadbased among Industrials, Info Technology, and Telecomms.
- Emerging Latin America generated a return of 10.8% (+8.2%) for the quarter. Brazil (+20.7%) was a standout as the commodity boom buoyed the likes of Cia Vale Rio Doce (+50.8%) and Petrobras (+24.5%). Some Financials, including BCO Bradesco (+20.2%), also contributed positively to results. Mexico lagged in the region with a return of -4.4% and, on a weakening peso, a local return of -3.1%. Losses were substantial among Consumer Discretionary stocks, and Cemex (-18.6%), which fluctuates with U.S. economic prospects, weighed heavily on the overall return. In other areas, mining stocks supported Peru's 22.1% rise.
- Emerging Europe and Middle East (+8.9% US\$; +5.7% local) was the lagging region within the broader Index. In Turkey, the lira appreciated nearly 8% against the U.S. dollar resulting in a gain of 24.4% for the quarter (+15.4% local). Financials were the predominant source of strength and handily offset weakness among Consumer stocks. In Russia (+9.0%), Energy was the main driver of returns with the large constituents of the country Index, Gazprom and Lukoil, up 5.4% and 8.6%, respectively.

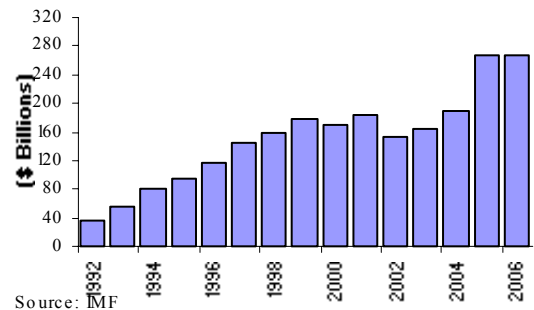
**MSCI Emerging Market Equity Returns (\$)**

	1 Mo.	3 Mos.	12 Mos.
EM	11.05	14.52	58.63
Latin America	12.48	10.79	71.90
Asia	11.76	18.96	62.78
Europe & M. East	8.82	8.87	36.71
South Africa	6.76	6.04	49.82

**Crude Oil**

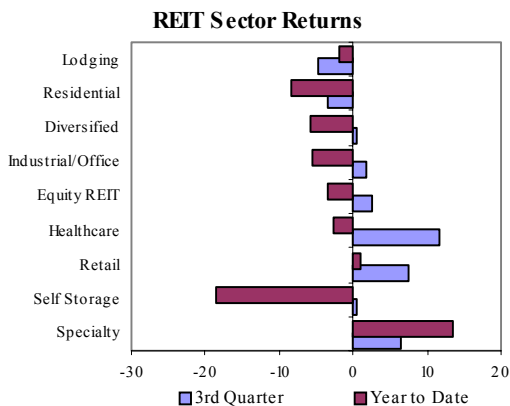
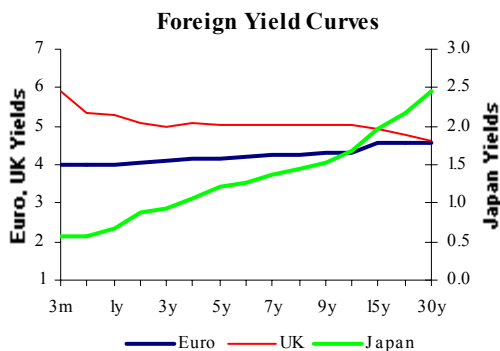


**Emerging Market Private Direct Investment (net)**



**Global Fixed Income Returns (unhedged, \$)**

	1 Mo.	3 Mos.	12 Mos.
WGBI	2.46	7.20	8.68
United States	0.54	3.80	5.61
Europe	4.00	7.62	12.34
Japan	0.75	9.11	4.26
United Kingdom	1.01	5.94	9.40
World BIG Ex-US	3.21	7.73	10.24
WGBI Non-U.S.	2.95	8.10	9.51
Agencies Ex-US	4.26	7.63	12.52
Collateralized Ex-US	4.17	7.07	12.88
Corporates Ex-US	3.65	5.94	12.10
EMBI+	2.40	3.07	7.94



Source: NAREIT Equity Index

**NON-U.S. FIXED INCOME MARKETS**

- The Bank of England raised rates by a quarter point to 5.75% in early July to combat inflation. However, subprime exposure and turmoil in credit markets kept it on hold for the remainder of the quarter while strong flight to quality flows into government securities resulted in a further curve inversion. The 3-month rate increased by 29 bps, anchored by the target rate, while the 2- and 5-year maturities declined by 70 bps. The 10- and 30-year maturities declined by 45 and 23 bps, respectively. Elsewhere, the European Central Bank (ECB) kept rates on hold at 4.00% at its policy meeting and injected liquidity into the market to restore confidence and alleviate disruptions in the bank credit markets. Safe haven buying of government securities brought yields down across the curve by 11-43 bps with little impact on the yield curve slope. The Bank of Japan (BOJ) held rates steady at 0.50% on mixed economic measurements. Rates declined by 16-28 bps across the curve while the yield curve steepened by 3 bps to a slope of 187 bps as measured by the 3-month and 30-year maturity.
- The Citigroup World Government Bond Index (WGBI) posted a return of 7.20% for the quarter on an unhedged basis on flight to quality flows into government bond markets across the globe, unwinding of the leveraged carry trade, which benefit lower yielding currencies (such as Japan), and weakness in the U.S. dollar, particularly after the Federal Reserve cut the target rate. The best performing bond markets for the quarter were Norway (+12.25%), Canada (+9.46%), and Japan (+9.11%) while the laggards included Malaysia (+1.40%), the U.S. (+3.80%), and the U.K. (+5.94%).

- The J.P. Morgan EMBI+ Index returned 3.07% for quarter. Emerging country debt performed very well in the face of global risk aversion. The few outliers included Argentina (-2.58%) and Venezuela (+1.51%) on unfavorable political and economic developments. The largest countries in the Index, including Brazil (21%), Russia (16%), Mexico (14%) and Turkey (12%), had positive returns of about 2.5% to 4.0% for the quarter. The EMLI+ Index, which measures returns in local currency, posted a strong return of 4.71% as EM currencies continue to benefit from good economic fundamentals and growth prospects in many countries.

**REAL ESTATE (REITs)**

- The U.S. REIT market (as represented by the FTSE/NAREIT Equity REIT Index) continued to be volatile during the 3<sup>rd</sup> quarter, but still ended in positive territory with a +2.59% total return. The Index began the quarter down -7.80% in July, but then rebounded over the next two months, up +6.57% and 4.41% in August and September, respectively, pulling the year-to-date loss up to only -3.46%.
- Of the four major property types, Industrial led the Index during the quarter with a +13.09% return, in stark contrast to its prior quarterly performance of -10.98%. Likewise, Retail, which suffered a dismal 2<sup>nd</sup> quarter (-14.55%), performed well during the 3<sup>rd</sup> quarter with a +7.52% total return. Noteworthy quarterly performance for other property types include Healthcare (+11.64%) and Specialty (+6.54%).
- Office, the top performing sector in 2006, has struggled during 2007, down -9.26% as of the end of the 3<sup>rd</sup> quarter and down -2.57% for the 3<sup>rd</sup> quarter. The Residential sector, which led the Index during the second quarter, was the worst performing of the four major sectors during the 3<sup>rd</sup> quarter, posting a -3.44% return.
- Global real estate securities, as represented by the FTSE/EPRA NAREIT Global Real Estate Index (in U.S. dollars), outperformed U.S. REIT securities during the 3<sup>rd</sup> quarter, up +3.66%. Asia continued to drive the Index, leading all regions with a strong +10.32% return for the quarter. Europe continued to prove a drag on the Index (-5.69%) while North America showed moderate gains during this period (+2.35%).

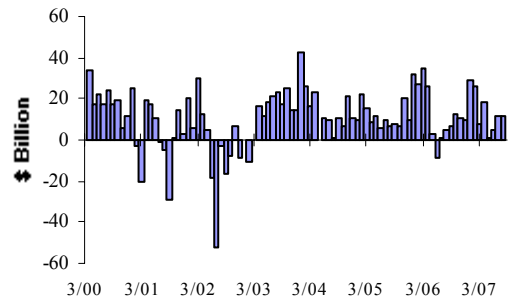
**MUTUAL FUNDS**

- The combined assets of the nation's mutual funds increased by \$107 billion, to \$11.50 trillion in July and August of 2007. Stock funds posted an outflow of \$710 million. Among stock funds, world equity funds (U.S. funds that invest primarily overseas) posted an inflow of \$16.63 billion while domestic funds had an outflow of \$17.34 billion. Hybrid funds witnessed inflows of roughly \$1.79 billion while taxable bonds had outflows of \$90 million. Municipal bonds had an outflow of \$1 billion and money market funds had an inflow of \$224.92 billion.

**EXCHANGE TRADED FUNDS**

- Total assets for exchange-traded funds (ETFs) were \$507.12 billion in August, according to the Investment Company Institute (ICI). At the end of August, there were 546 ETFs – 387 domestic equity, 129 international equity and 30 bond index. Assets of all ETFs rose in July and August by \$21.19 billion. Investors added nearly \$18.49 billion to domestic equity, \$976 million to international equity and \$3.88 billion to bond index. Over the past 12 months, ETF assets increased \$147.22 billion, or +40.9%. Assets in domestic equity ETFs increased \$83.16 billion since August 2006, and global equity ETFs assets rose \$55.29 billion during this period.

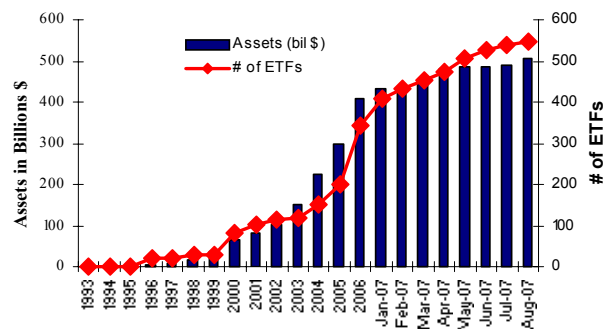
**Equity Mutual Fund Net Flows**



**Equity Funds Cash as a Percent of Total Net Assets**



**ETF Asset Growth**



Source: The Investment Company Institute www.ici.org

Sources: Lehman Brothers, J.P. Morgan, Standard & Poor's, Morgan Stanley Capital International, Merrill Lynch, Bloomberg, Frank Russell Company, Salomon Smith Barney, NASDAQ, IMF, NAREIT.

**STATISTICAL SUMMARY**  
**As of September 30, 2007**

**EQUITY MARKETS**

<u>US Markets</u>	<u>Total Return</u>			<u>S&amp;P 500 Sectors</u>	<u>Total Return</u>		
	<u>Month</u>	<u>3 Mos</u>	<u>YTD</u>		<u>Month</u>	<u>3 Mos</u>	<u>YTD</u>
S&P 500	3.74	2.03	9.13	Financial	2.26	-4.26	-5.02
S&P 500/CG Growth	4.40	3.76	10.54	Utilities	3.55	1.96	10.97
S&P 500/CG Value	3.10	0.39	7.79	Energy	8.08	9.82	28.73
S&P 400	2.65	-0.87	11.01	Industrials	4.80	5.87	17.48
Russell 1000	3.82	1.98	9.30	Materials	7.87	4.92	22.47
Russell 1000 Growth	4.19	4.21	12.68	Healthcare	3.01	1.06	7.22
Russell 1000 Value	3.43	-0.24	5.97	Consumer Staples	4.49	4.81	9.93
Russell 2000	1.72	-3.09	3.17	Consumer Discretionary	-0.89	-6.28	-3.54
Russell 2000 Growth	2.91	0.02	9.34	Information Technology	3.79	6.31	16.22
Russell 2000 Value	0.45	-6.26	-2.69	Telecommunication Svcs	4.55	2.15	17.96
NASDAQ Composite	4.09	3.98	12.48				

Sources: Standard & Poor's, Frank Russell Company, Bloomberg, Vestek

<u>Non-US Markets</u>	<u>Total Return</u>			<u>MSCI EAFE Sectors</u>	<u>Total Return</u>		
	<u>Month</u>	<u>3 Mos</u>	<u>YTD</u>		<u>Month</u>	<u>3 Mos</u>	<u>YTD</u>
EAFE	5.35	2.18	13.15	Financials	4.32	-1.57	4.12
EAFE Growth	6.23	4.33	16.78	Utilities	5.81	4.79	14.67
EAFE Value	4.45	0.02	9.57	Energy	7.10	1.21	18.39
AC World Free Ex-US	6.62	4.69	17.85	Industrials	4.38	1.82	22.21
Japan	2.31	-0.86	1.96	Materials	11.00	8.98	36.93
Pacific Ex-Japan	14.56	13.09	32.93	Healthcare	3.84	2.43	3.60
United Kingdom	3.61	0.17	11.01	Consumer Staples	3.93	5.21	18.02
Europe Ex-UK	5.77	2.43	16.12	Consumer Discretionary	4.01	-0.92	8.42
Emerging Markets Free	11.05	14.52	34.85	Information Technology	4.56	5.91	15.81
				Telecommunication Svcs	8.07	8.98	20.69

Sources: MSCI, Bloomberg, Vestek

**FIXED INCOME MARKETS**

<u>Key Rates</u>	<u>U. S. Yields</u>			<u>Euro</u>	<u>Japan</u>	<u>U.K.</u>
	<u>7/31/07</u>	<u>8/31/07</u>	<u>9/30/07</u>			
Overnight	5.25	5.25	4.75	4.00	0.50	5.75
3- Month	4.95	4.12	3.81	3.98	0.57	5.89
2- Year	4.53	4.14	3.99	4.03	0.87	5.07
5- Year	4.57	4.25	4.25	4.16	1.20	5.00
10-Year	4.74	4.53	4.59	4.33	1.69	5.01

Sources: Merrill Lynch, Bloomberg

<u>Sectors</u>	<u>Total Return %</u>			<u>Mod.Adj.</u>	<u>Weighting Basis</u>	
	<u>Month</u>	<u>3 Mos.</u>	<u>YTD</u>		<u>Duration</u>	<u>MktVal</u>
LB Universal	0.90	2.61	3.74	4.67	--	--
LB Aggregate	0.76	2.84	3.85	4.62	100.0%	100.0%
LB U.S. Government	0.63	3.61	4.75	4.56	32.6%	33.0%
LB U.S. Credit	0.80	2.08	2.86	6.14	29.7%	22.3%
LB Mortgage Backed	0.77	2.64	3.73	3.74	30.8%	38.1%
LB Municipal Bond	1.48	1.82	1.97	7.09	--	--
LB U.S. TIPS	1.33	4.54	6.35	6.14	--	--
ML US HY Master II	2.44	0.33	3.40	4.56	--	--

Sources: Lehman Brothers, Salomon Smith Barney, Bloomberg

<u>Markets/Regions</u>	<u>U.S. Dollars %</u>			<u>Local Currency %</u>		
	<u>Month</u>	<u>3-Months</u>	<u>YTD</u>	<u>Month</u>	<u>3-Months</u>	<u>YTD</u>
United States	0.54	3.80	4.84	---	---	---
WGBI	2.46	7.20	6.75	0.13	2.58	1.73
WGBI Non-US	2.95	8.10	7.26	0.02	2.26	0.93
EMBI+	2.40	3.07	3.68	---	---	---
EMLI+ (local currency index)	4.04	4.71	11.14	0.63	1.70	5.09
Euro Zone	4.00	7.62	8.10	0.02	2.63	0.68
United Kingdom	1.01	5.94	4.75	0.00	4.33	0.62
Japan	0.75	9.11	4.91	-0.04	1.62	1.27

Sources: Salomon Smith Barney, JP Morgan, Bloomberg

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