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Market Review - January 2007

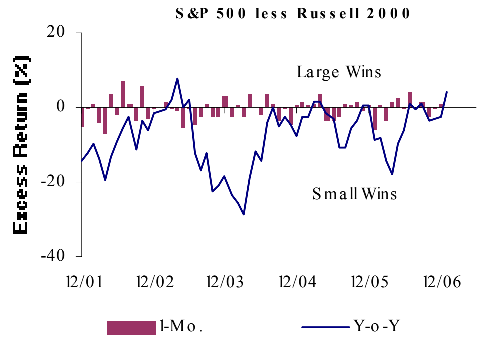
U.S. ECONOMIC BACKGROUND

GDP expanded faster than most economists expected in the final quarter of 2006, measuring up to a 3.5% annual pace. This reading underscored the resilience of the economy, which continues to move forward in the face of an uncertain housing market and an ailing automotive sector. Even though January's reading on housing revealed a slight move up, it was reported that new home sales fell in 2006 by the largest amount in 16 years, and that investment in home building for all of last year was cut by 4.2%, the biggest decline in 15 years. Attention is on the direction of interest rates that remain at the rate set back in June - 5.25% - as the FOMC appears comfortable with the current readings on inflation. With that in mind, prices jumped at both the producer (+0.9%) and consumer (+0.5%) levels due primarily to a run up in food and energy, which ebb and flow quite frequently. Finally, unemployment remained steady (4.5%), retail sales were positive (+0.9%), and consumer confidence appears relatively strong.

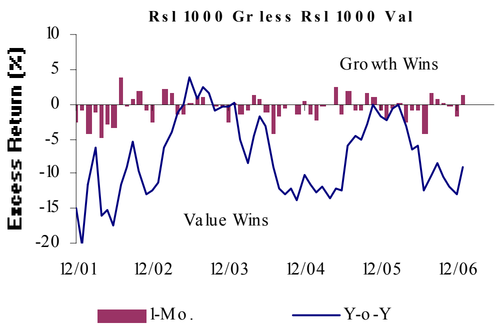
U.S. Equity Returns (%)

	1 Mo.	3 Mos.	12 Mos.
S&P 500	1.51	4.89	14.51
S&P 400	3.63	6.45	7.97
Russell 1000 Growth	2.57	4.96	9.95
Russell 1000 Value	1.28	5.91	19.15
Russell 2000	1.67	4.69	10.42
Russell 2000 Growth	1.86	4.04	5.30
Russell 2000 Value	1.50	5.30	15.76
NASDAQ Composite	2.04	4.31	7.60

Large Cap vs. Small Cap



Growth vs. Value



S&P Sector Returns (%)

	1 Mo.	3 Mos.	12 Mos.
Financial	0.89	5.44	19.24
Utilities	-0.31	3.24	17.71
Energy	-1.83	4.41	7.12
Industrials	1.35	4.90	15.48
Materials	4.60	10.06	18.51
Healthcare	3.10	4.04	9.25
Consumer Staples	1.98	3.53	16.94
Consumer Discretionary	2.79	6.47	19.23
Information Tech	1.58	3.53	6.80
Telecom Svcs	3.90	8.38	36.52

EQUITY MARKETS

- The month of January was another positive period for domestic equity markets, building off the strength witnessed in the fourth quarter and throughout last year. The price of oil seemed to volley between $50 and $60 per barrel during most of the month as many wondered if the current Iraq policy would change course given new leadership in the House and Senate. Otherwise, economic news was generally positive while corporate earnings remain healthy. Names like Boeing, Google, Proctor & Gamble and Starbucks, which represent different areas of the economy, all reported positive numbers. For the month ended January 31, 2007, the S&P 500 gained 1.51% while the NASDAQ Composite gained 2.04%.

- For the month of January, growth stocks outperformed value stocks across the market cap spectrum. The disparity between styles was somewhat muted during the month with the largest gap among large caps where the Russell 1000 Growth outperformed its value counterpart by 129 basis points (+2.57% vs. +1.28%). The competition was tightest among small caps where small growth outperformed small value by just 36 basis points (+1.86% vs. +1.50%) followed by mid growth exceeding mid value by 56 basis points (+3.64% vs. +3.08%).

- As measured by the Russell indices, mid caps (+3.38%) outperformed large caps (+1.93%) and small caps (+1.67%). Though smaller cap companies lagged for the month, they generally have led the pack since the start of 2000 and claim a lead over large caps of nearly 600 basis points from a seven-year annualized cumulative perspective.

- Eight of the ten GIC sectors posted positive gains during the month with Materials (+4.60%), Telecomm Service (+3.90%), and Health Care (+3.10%) posting the largest gains. Energy (-1.83%) and Utilities (-0.31%) were the only sectors that posted negative returns. Health Care stocks had the largest impact on the monthly S&P 500 return as forty-one of the fifty-five related stocks posted positive returns. The largest contributors were Bristol Myers Squibb (+10.55%) and Abbott Labs (+9.44%), though other large pharma names like Pfizer (+1.31%), Johnson & Johnson (+1.18), and Merck (+2.64) were less additive to the S&P 500's total return. Within Telecomm Service, AT&T (+6.36%) and Verizon Communications (+4.58%) continued their run while names like Google (+8.86%), Hewlett Packard (+5.07%) and Microsoft (+3.35%) help lift the Technology space. Energy was the largest detractor during the month. Within the sector, ConocoPhillips (-7.70%), and Exxon Mobil (-3.30%) tumbled as the unseasonably warm temperatures in the United States and throughout most of the northern hemisphere reduced demand for petroleum and natural gas.

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U.S. FIXED INCOME MARKETS

- The Federal Reserve left the fed funds rate unchanged at 5.25% on signs of economic growth and the expectation that inflation will moderate over time. Strong economic growth, driven by continued resiliency in consumer spending, reduced expectations of any rate cut in the near future. As a result, interest rates rose by 10 bps across the yield curve and the yield curve remained inverted, by 21 bps as measured by the difference between the 3-month and 30-year Treasury security. Swap rates increased in sympathy with Treasuries and spreads widened by 3-7 bps with longer-dated swap spreads widening most. At month's end, swap spreads on the 2-, 5-, 10- and 30-year maturities were 37 bps, 44 bps, 52 bps and 54 bps, respectively.

- The Lehman Aggregate Index returned -0.04%, or 4 bps over comparable duration Treasuries. While most spread sector performance was pressured by a widening of swap spreads, credit bucked the trend in response to strong economic growth, healthy consumer confidence readings, and some favorable earnings reports. The Credit sector returned -0.02%, or 23 bps over Treasuries. Low quality issues significantly outperformed high quality with the Baa sector providing the only positive absolute return (+0.11%), or 44 bps of excess return over comparable duration Treasuries; the A, Aa, and Aaa sectors generated excess returns of 19 bps, 5 bps, and -1 bps, respectively. U.S. Agencies returned -0.04%, or -7 bps excess, and the U.S. Government/Credit Index returned -0.08%, or 7 bps excess.

- The securitized sectors performed poorly during the month, returning 0.02%, or -2 bps excess over comparable duration Treasuries. The Commercial Mortgage-Backed Security (CMBS) sector fared the worst, both on an absolute and relative basis, returning -0.30% (-17 bps) as spread widened. The Mortgage-Backed Security (MBS) sector returned 0.06%, on par with comparable duration Treasuries. MBS continues to perform favorably on low levels of implied volatility. Asset-Backed Securities (ABS) returned 0.03% (-9 bps). ABS returns were driven by weakness in the Credit Card segment that trades in line with swaps.

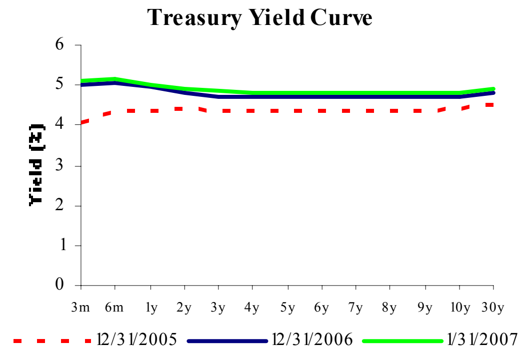
- The Merrill Lynch High Yield Master II Index had another strong month, returning 1.07%, the seventh consecutive month of above 1% returns. Limited new issuance and strong equity market performance drove returns in January. Lower quality issues outperformed higher quality. The CCC-rated segment returned 2.35% while the B and BB segments returned 1.13% and 0.40%, respectively. Most industries had positive performance for the month. Paper (+3.36%), Automotive (+3.22%), and Building Materials (+2.39%) led returns. The paper industry benefited from a planned merger between two manufacturers that together make up 50% of the newsprint market. The worst performing high yield industries were Integrated Energy (-0.64%), Hotels (-0.37%), and Energy Exploration & Production (-0.30%). At the end of January, the index yield-to-worst was 7.68%.

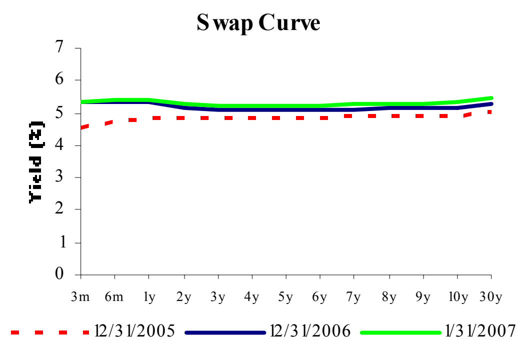
- The Lehman Brothers Municipal Bond Index returned -0.26% in January. Responding to the increase in rates, price returns were negative across all sectors with longer duration issues doing especially poorly. Within various bond segments, the shorter duration Pre-refunded bond segment had the least negative return (-0.15%), followed by Revenue bonds (-0.18%) and General Obligation bonds (-0.27%). Insured bonds lagged with a -0.32% return for the month, due to their longer duration.

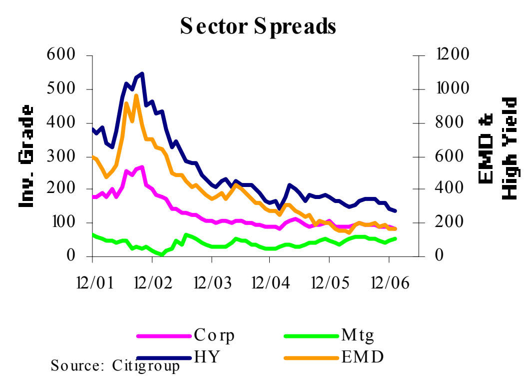
- U.S. TIPS returned 0.13% during January, beating nominal Treasuries by 29 bps as real yields fell and the breakeven spread increased. The breakeven spread, or the difference between the nominal Treasury yield and TIPS real yield, is largely a gauge of the market's expectation for future inflation. The breakeven spread for the 10-year maturity widened by 13 bps to 2.42%.

U.S. Fixed Income Returns (%)

	1 Mo.	3 Mos.	12 Mos.
LB Aggregate	-0.04	0.53	4.28
LB US Government	-0.12	0.19	3.53
LB US Credit	-0.02	0.52	4.45
LB Mortgage Backed	0.06	0.93	4.95
LB Asset Backed	0.03	0.62	4.48
ML US HY Master II	1.07	3.82	11.21







Source: Citigroup

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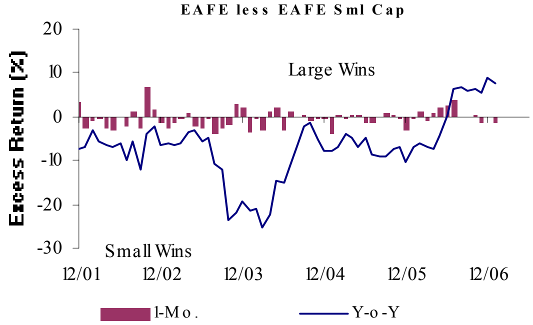
NON-U.S. ECONOMIC BACKGROUND

The global economy got off to a good start in January after reports that fourth quarter GDP came in higher than expected in the U.S. This helped push the dollar higher by more than 1% against the euro and yen while moving sideways against the pound sterling. Sterling breached the $1.98 level in January, its highest level since 1992, before falling back a bit by month end. Fourth quarter GDP growth in the U.K. registered an annual rate of 3%, driving inflation to a 10-year high in December and prompting the Bank of England to raise the Base Rate to 5.25%. In other areas, the euro came off its December peaks and spent the month hovering in the $1.30 range while the yen fell to its lowest level since 2002. Despite government projections of higher growth in Germany, an increase in the VAT tax from 16% to 19% called into question the consumer's ability to drive growth. Similarly, Japanese faced an unexpected drop in wages, signaling consumer spending there may remain sluggish.

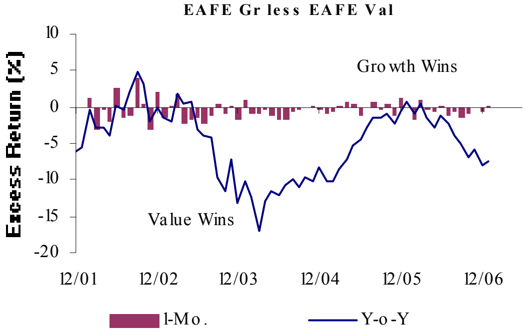
MSCI Non-U.S. Equity Returns ($)

	1 Mo.	3 Mos.	12 Mos.
EAFE	0.68	6.94	19.84
AC World Free Ex-US	0.37	7.26	19.31
Japan	0.85	4.08	2.00
Pacific Ex-Japan	0.92	10.22	25.23
United Kingdom	-0.16	4.87	23.07
Europe Ex-UK	0.98	8.94	27.97

Large Cap vs. Small Cap
EAFE less EAFE Sml Cap



Growth vs. Value
EAFE Gr less EAFE Val



MSCI EAFE Sector Returns ($)

	1 Mo.	3 Mos.	12 Mos.
Financial	1.35	6.72	23.02
Utilities	0.26	11.19	39.69
Energy	-4.40	-0.16	0.50
Industrials	3.41	12.40	20.24
Materials	0.76	7.74	21.49
Healthcare	0.15	1.25	14.54
Consumer Staples	0.63	7.80	27.65
Consumer Discretionary	0.56	7.55	19.31
Information Tech	-1.57	4.11	5.13
Telecom Svcs	1.87	10.35	34.80

NON-U.S. EQUITY MARKETS

- The MSCI EAFE Index increased 0.7% in U.S. dollar terms while local shares gained 1.9%. Overall, it was a fairly quiet month following a year in which the index posted a solid return from both stock appreciation and currency gains. The rebound in small cap stocks that began in late 2006 continued into January as the MSCI EAFE Small Cap Index gained 2.1% in dollar terms and 3.3% locally. Within the EAFE index itself, companies in the largest quintile performed the worst and as a group posted a loss of 0.6%. This was primarily the result of losses generated by Energy sector stocks BP, Total, and Royal Dutch, all top-10 holdings. Also within the broader index, growth stocks edged out value stocks by a marginal amount as the MSCI EAFE Growth Index gained 0.8% (+2.0% locally) versus 0.6% (+1.7% locally) for the Value index. This was partly the result of better performance from Health Care stocks, which make up a larger portion of the growth index as well as weakness in the value-dominated Energy sector. On a broad sector basis, Industrials (+3.4%) was the top-performing sector followed by Telecom (+1.9%) and Financials (+1.4%). Energy (-4.4%) was the worst performing sector followed by Info Tech (-1.6%), both of which were also the only two sectors to suffer declines on a local currency basis.

- The European region lagged the broader index, primarily due to lackluster performance in the U.K. While the MSCI Europe Index gained 0.6% (+1.6% locally), the Europe ex-U.K. Index gained 1.0% (+2.6% locally). The U.K., which lost 0.16% (-0.17% locally) was one of only two developed countries to suffer declines at the local level, the other being Ireland. Losses by BP (-5.8%) and Royal Dutch (-4.0%) weighed heavily on performance as these two stocks account for roughly 15% of the country's index. France also underperformed during the month as stocks there fell 0.3% in dollar terms but rose 1.2% locally. In addition to oil company Total (-6.6%), the French index was also hurt by weakness in other large holdings like Sanofi-Aventis (-5.0%), Carrefour (-5.2%) and France Telecom (-0.3%). Germany gained 1.4% (+2.9% locally) amid losses in Utilities and mixed performance in the banking and insurance industries. However, gains in the Industrials sector, most notably Siemens (+12.8%), helped bolster the country's return. Switzerland gained 1.9% (+4.1% locally) as the Swiss Franc fell over 2%. Switzerland benefited from gains by UBS (+5.0%), Nestle (+5.4%) and Roche (+4.6%), which offset weakness in Novartis (-0.4%). In other areas, Finland (+3.8%, +5.3% locally) benefited from a 6.7% rise in Nokia while Norway (+4.2%, +4.8% locally) was bolstered by shares of Telenor (+7.3%).

- The Pacific region outperformed in January as all countries in the region beat the broad EAFE index on a local currency basis. The MSCI Pacific Index gained 0.9% in dollar terms and 2.3% locally. Despite mixed performance, Japan was a contributor to the region's performance as stocks there increased more than 0.8% in dollar terms while gaining 2.4% locally. The Japanese banking and auto industries generated weak performance, as did key holdings like Canon (-6.6%) and Takeda Pharmaceuticals (-5.1%). However, these were offset by gains in Nintendo (+13.0%), Sony (+7.2%) and Tokyo Electric (+5.2%). Australia gained 1.9% locally but only 0.2% in U.S. dollar terms amid mixed performance by banks while the metals and mining industry fared better. In other areas, Singapore (+3.9%) and Hong Kong (+1.6%) outperformed while New Zealand (-0.1%) lagged due to currency.

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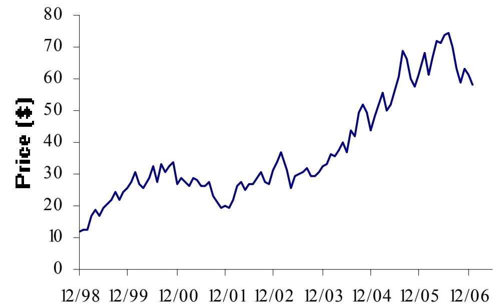
EMERGING EQUITY MARKETS

- The MSCI Emerging Markets Index declined 1.0% (-0.3% locally) in January after surging more than 32% in 2006. Most countries posted gains, but losses were suffered in key countries like Russia, China, Korea, and Taiwan, which account for more than half of the benchmark. Health Care (+4.7%), Materials (+3.2%), and Consumer Discretionary (+1.7%) were the only positive sectors of note, but these were offset by losses in Energy (-6.3%), Info Tech (-2.9%), and Financials (-1.8%), which also make up more than 50% of the index.
- Emerging Asia lagged the broader index as the result of weakness in several countries. China Mobile gained 6.1%, but losses by PetroChina (-13.5%) and China Life (-14.5%) helped push China lower by 4.2%. Korea (-4.4%) and Taiwan (-2.7%) fell due to losses in the Info Tech sector while India (+2.6%) and the Philippines (+10.0%) moved higher. In other areas, the Thai baht's 4% gain helped Thailand break even in dollar terms, but stocks were lower by 3.8%.
- The MSCI Emerging Europe and Middle East Index underperformed with a loss of 1.8% (-1.0% locally). Russia was the primary detractor of performance as losses in the Energy sector helped push the country lower by 5.2%. Hungary fell 6.4% (-3.3% locally) led by a decline in oil company Mol (-9.4%). In other areas, Poland gained 3.8% (+7.6% locally) and Turkey rose 7.3%.
- Latin America was the top-performing region as the index gained 1.7% (+2.4% locally). Mexico (+2.5%, +4.5% locally) helped bolster returns with solid gains from Grupo Televisa (+8.9%), Telmex (+8.2%), and Cemex (+4.3%). Brazil (+1.0%, +0.6%) ended the month up slightly as gains by CVRD (+11.4%) were offset somewhat by losses from Petrobras (-4.6%) and mixed performance by banks. Peru rose 9.0% on strong performance from Southern Copper (+16.9%).

MSCI Emerging Market Equity Returns ($)

	1 Mo.	3 Mos.	12 Mos.
EM	-1.04	11.13	17.97
Latin America	1.73	15.18	24.38
Asia	-2.05	9.80	21.02
Europe & M. East	-1.76	8.74	12.14
South Africa	0.30	15.95	4.18

Crude Oil



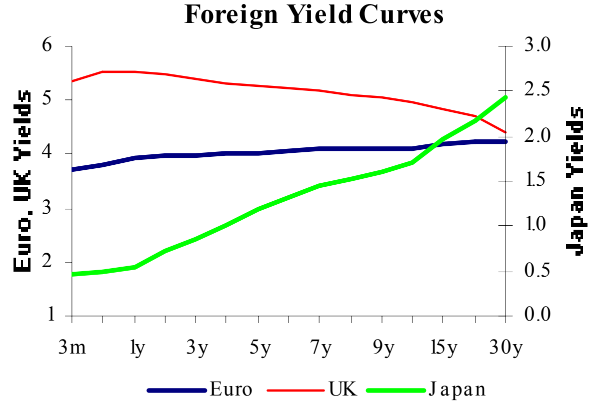
NON-U.S. FIXED INCOME MARKETS

- The Bank of England raised its benchmark rate to 5.25% in a move that roiled the U.K. bond market and drove their currency higher. The BOE's decision was driven by an increase in inflation. As a result, interest rates increased across the curve, by 31 bps on the short end and 19-27 bps on long and intermediate maturities, respectively. The U.K. yield curve grew more inverted by month's end to a slope of -95 bps between the 3-month and 30-year Gilt. Elsewhere, the European Central Bank (ECB) held rates steady at 3.50%, waiting for evidence of increasing inflation. Comments that the ECB remains vigilant on inflation, coupled with strong economic and money supply growth, caused interest rates to rise during January. The 3-month rate rose 11 bps while the 30-year rose 17 bps, causing the euro yield curve to steepen to a slope of 49 bps. The Bank of Japan (BOJ) left rates unchanged at 0.25%, as they wait for more information on consumer prices and spending. Though consumer spending has been consistently weak, divergent views on the outlook for spending caused a split decision to hold rates steady. Short rates fell by 2-8 bps while long rates rose by 2-16 bps, causing the yield curve to steepen by 18 bps to a slope of 197 bps.
- The Citigroup World Government Bond Index (WGBI) returned -1.37% on an unhedged basis. An increase in global interest rates, as well as a stronger U.S. dollar, hurt returns. All global bond markets posted negative returns, with Switzerland (-2.85%) and Poland (-2.84%) showing the greatest weakness, largely due to the U.S. dollar's relative strength. The U.S. and Singapore had the best relative performance, returning -0.17% and -0.24%, respectively. The dollar strengthened versus most major currencies on strong economic data.
- The J.P. Morgan EMBI+ Index returned -0.44% as higher quality countries with large index weights (Mexico and Russia) were hurt by rising U.S. Treasury yields. The only region with positive returns was Africa at 0.43%. Latin America returned -0.40% followed by Asia (-0.49%) and Europe (-0.54%). The largest Index components at month end were Brazil (21%), Russia (16%), Mexico (14%), and Turkey (12%).

Global Fixed Income Returns (unhedged, $)

	1 Mo.	3 Mos.	12 Mos.
WGBI	-1.37	-0.54	3.33
United States	-0.17	0.05	3.26
Europe	-1.85	0.64	7.12
Japan	-1.36	-2.60	-2.54
United Kingdom	-1.46	-0.09	8.25
World BIG Ex-US	-1.63	-0.23	4.39
WGBI Non-U.S.	-1.66	-0.67	3.39
Agencies Ex-US	-1.74	0.79	7.04
Collateralized Ex-US	-1.61	1.15	7.57
Corporates Ex-US	-1.36	1.34	8.13
EMBI+	-0.44	1.65	8.66

Foreign Yield Curves



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STATISTICAL SUMMARY
As of January 31, 2007

EQUITY MARKETS

US Markets	Total Return Month	3 Mos	YTD
S&P 500	1.51	4.89	1.51
S&P 500/CG Growth	1.25	3.67	1.25
S&P 500/CG Value	1.76	6.08	1.76
S&P 400	3.63	6.45	3.63
Russell 1000	1.93	5.43	1.93
Russell 1000 Growth	2.57	4.96	2.57
Russell 1000 Value	1.28	5.91	1.28
Russell 2000	1.67	4.69	1.67
Russell 2000 Growth	1.86	4.04	1.86
Russell 2000 Value	1.50	5.30	1.50
NASDAQ Composite	2.04	4.31	2.04

S&P 500 Sectors	Total Return Month	3 Mos	YTD
Financial	0.89	5.44	0.89
Utilities	-0.31	3.24	-0.31
Energy	-1.83	4.41	-1.83
Industrials	1.35	4.90	1.35
Materials	4.60	10.06	4.60
Healthcare	3.10	4.04	3.10
Consumer Staples	1.98	3.53	1.98
Consumer Discretionary	2.79	6.47	2.79
Information Technology	1.58	3.53	1.58
Telecommunication Svcs	3.90	8.38	3.90

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

Non-US Markets	Total Return Month	3 Mos	YTD
EAFE	0.68	6.94	0.68
EAFE Growth	0.80	6.65	0.80
EAFE Value	0.55	7.23	0.55
AC World Ex-US	0.37	7.26	0.37
Japan	0.85	4.08	0.85
Pacific Ex-Japan	0.92	10.22	0.92
United Kingdom	-0.16	4.87	-0.16
Europe Ex-UK	0.98	8.94	0.98
Emerging Markets	-1.04	11.13	-1.04

MSCI EAFE Sectors	Total Return Month	3 Mos	YTD
Financial	1.35	6.72	1.35
Utilities	0.26	11.19	0.26
Energy	-4.40	-0.16	-4.40
Industrials	3.41	12.40	3.41
Materials	0.76	7.74	0.76
Healthcare	0.15	1.25	0.15
Consumer Staples	0.63	7.80	0.63
Consumer Discretionary	0.56	7.55	0.56
Information Technology	-1.57	4.11	-1.57
Telecommunication Svcs	1.87	10.35	1.87

Sources: MSCI, Bloomberg, Vestek

FIXED INCOME MARKETS

	U. S. Yields			Euro	Japan	U.K.
Key Rates	11/30/06	12/31/06	1/31/07	1/31/07	1/31/07	1/31/07
Overnight	5.25	5.25	5.25	3.50	0.25	5.25
3- Month	5.03	5.02	5.11	3.74	0.45	5.35
2- Year	4.62	4.82	4.93	3.97	0.73	5.48
5- Year	4.45	4.70	4.80	4.04	1.19	5.26
10-Year	4.46	4.71	4.81	4.10	1.71	4.98

Sources: Merrill Lynch, Bloomberg

	Total Return %			Mod.Adj.	Weighting Basis	
Sectors	Month	3 Mos.	YTD	Duration	Duration	MktVal
LB Universal	0.03	0.79	0.03	4.62	--	--
LB Aggregate	-0.04	0.53	-0.04	4.58	100.0%	100.0%
LB US Government	-0.12	0.19	-0.12	4.43	34.6%	35.8%
LB US Credit	-0.02	0.52	-0.02	5.96	29.8%	22.9%
LB Mortgage Backed	0.06	0.93	0.06	3.85	29.4%	35.0%
LB Municipal Bond	-0.26	0.22	-0.26	6.19	--	--
LB US TIPS	0.13	-1.00	0.13	6.60	--	--
ML US HY Master II	1.07	3.82	1.07	4.43	--	--

Sources: Lehman Brothers, Citigroup, Bloomberg

	U.S. Dollars %			Local Currency %		
Markets/Regions	Month	3 Mos.	YTD	Month	3 Mos.	YTD
United States	-0.17	0.05	-0.17	---	---	---
WGBI	-1.37	-0.54	-1.36	-0.26	-0.42	-0.26
WGBI Non-US	-1.66	-0.67	-1.66	-0.28	-0.54	-0.28
EMBI+	-0.44	1.65	-0.44	---	---	---
Euro Zone	-1.85	0.64	-1.85	-0.52	-1.22	-0.52
United Kingdom	-1.46	-0.09	-1.46	-1.47	-2.65	-1.47
Japan	-1.36	-2.60	-1.36	0.13	0.56	0.13

Sources: Citigroup, JP Morgan, Bloomberg

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