

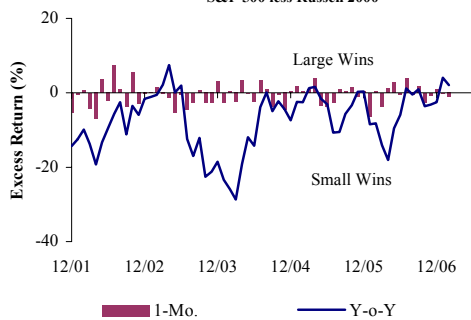
**U.S. ECONOMIC BACKGROUND**

Fourth quarter GDP was revised downward to 2.2%, a move that was expected but greater than initial estimates. Of particular impact was a decline in home building in the fourth quarter by nearly 20%, the steepest decline in 15 years and one that knocked 1.2 percentage points from GDP. There appears to be an oversupply of unsold homes that could weigh on future construction and home prices, especially given the concerns regarding the subprime mortgage market. Prices of existing homes have fallen in six consecutive months to just over a median of \$210k, making the state of the nation's housing market perhaps the biggest area of focus when considering the health of this service oriented economy. With the latest revision, the economy grew 3.3% for the full calendar year of 2006 compared with 3.2% for 2005. Declining energy costs helped keep inflationary measures in check, while unemployment measures and the trade deficit moved slightly higher.

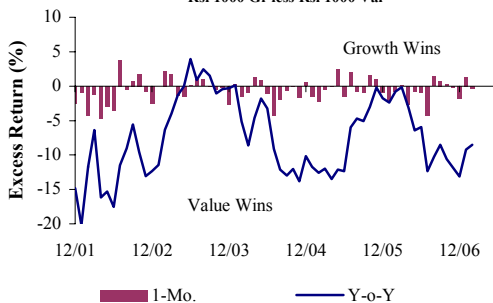
**U.S. Equity Returns (%)**

	1 Mo.	3 Mos.	12 Mos.
S&P 500	-1.96	0.92	11.97
S&P 400	0.73	3.89	9.68
Russell 1000 Growth	-1.88	0.98	8.05
Russell 1000 Value	-1.56	1.93	16.58
Russell 2000	-0.79	1.20	9.85
Russell 2000 Growth	-0.32	1.29	5.52
Russell 2000 Value	-1.23	1.12	14.34
NASDAQ Composite	-1.85	-0.46	6.65

**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	-2.98	1.67	13.40
Utilities	5.28	6.15	22.56
Energy	-1.95	-5.53	13.93
Industrials	-1.13	1.33	11.08
Materials	2.23	7.72	23.42
Healthcare	-2.26	2.00	5.71
Consumer Staples	-1.66	2.78	13.81
Consumer Discretionary	-2.95	2.04	15.24
Information Tech	-3.03	-2.80	4.31
Telecom Svcs	-0.66	8.02	27.23

**EQUITY MARKETS**

- February's reading of GDP came a day after stocks around the globe took a nosedive that started in response to a correction in the Chinese market. This, in combination with indications of moderating growth in the U.S., was enough to trigger a sell off in equities that measured between 3-4% across most major domestic equity benchmarks for the Feb. 27<sup>th</sup> trading day. The month closed the following session, but the previous day's sell off was enough to put all Russell indices in the red for the month with the exception of the Russell Midcap and Russell Midcap Value indexes, which were only capable of posting marginal positive returns. For the month ended February 28<sup>th</sup>, the S&P 500 was off 1.96% while the NASDAQ was down 1.85% and the Dow fell 2.51%. In other areas, oil, gold, and commodities all moved higher.
- For the month of February, Russell indices indicated that value outperformed growth in large caps and mid caps while growth did better than value in small caps. The disparity between styles was somewhat muted. The largest gap between styles was among small caps where the Russell 2000 Growth outperformed its value counterpart by 91 basis points (-0.32% vs. -1.23%). The competition was tightest among large caps where large value outperformed large growth by just 32 basis points (-1.56% vs. -1.88%), followed by mid value outperforming mid growth by 82 basis points (+0.60% vs. -0.22%).
- On a year-to-date basis, mid caps (+3.55%) have led the market while small caps (+0.87%), and large caps (+0.18%) have lagged in comparison. Most major equity market indices lost ground in the month of February, reversing last month's rally due to weak economic data releases and a continued slowdown in the housing market. According to the Russell indices, mid caps (+0.16%) outperformed large caps (-1.72%) and small caps (-0.79%).
- Eight of the ten GICS sectors posted negative returns during the month with Information Technology (-3.03%), Financials (-2.98%), and Consumer Discretionary (-2.95%) suffering the largest declines. Utilities (+5.28%) and Materials (+2.23%) were the only sectors that posted positive returns. The largest contributors within Utilities were TXU Corp (+23.12%) and Exelon Corp (+10.66%). TXU Corp, a Texas utility, benefited from a proposed \$45 billion buyout led by a team of private equity firms. Within Materials, Weyerhaeuser (+14.49%) and Dow Chemical (+5.44%) advanced. Financials were the largest detractor to the S&P's monthly performance with the majority of the stocks posting negative returns at least partially in response to the troubles for subprime lenders. Merrill Lynch (-10.23%) and Citigroup (-7.68%) were the largest decliners within the sector. Within Information Technology, Google (-10.34%), Hewlett Packard (-9.01%), and Microsoft (-8.40%) were among the largest detractors for month-end performance as corporate spending was weak. At the other end of the spectrum a few household names within the sector, notably Qualcomm (+7.28%) and Yahoo (+9.01%), had positive returns.

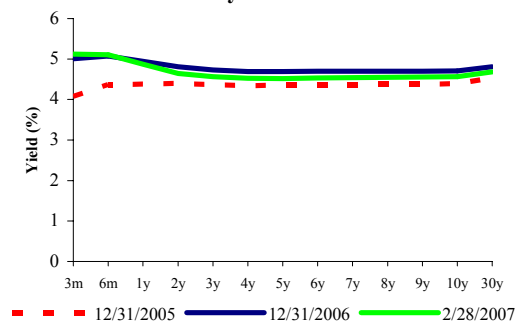
**U.S. FIXED INCOME MARKETS**

- Interest rates declined in February on weaker than expected economic measurements including a downward revision in fourth quarter GDP and a decline in durable goods orders. The decline in interest rates was most pronounced at the end of the month as a bout of investor risk aversion led to strong flight to quality flows into the relative safety of Treasuries. By month's end, the yield curve inverted further to a slope of -45 bps, as measured by the difference between the 3-month and 30-year Treasury. The 3-month Treasury yield was largely unchanged while intermediate and long yields declined by 23-29 bps. Swap rates declined in sympathy with Treasuries and short term spreads narrowed by 3-5 bps while long dated spreads widened by 1-3 bps. At month's end, swap spreads on the 2-, 5-, 10- and 30-year maturities were 39 bps, 47 bps, 54 bps, and 57 bps, respectively.
- The Lehman Aggregate Index returned a strong 1.54% on a decline in market rates. Long duration issues and the Credit sector were the strongest performers. Despite difficulties in the equity market, the Credit sector returned 2.02%, or 8 bps over Treasuries on a low level of new issuance and strong investor demand earlier in the month, which was only partially offset by spread widening at month end. Low quality issues outperformed high quality on an absolute basis with the Baa sector returning 2.30%, while the A, Aa, and Aaa sectors returned 2.03%, 1.77%, and 1.63%, respectively. U.S. Agencies returned 1.30%, in line with comparable duration Treasuries, and the U.S. Government/Credit Index returned 1.73%, or 3 bps excess.
- The securitized sectors lagged Credit and Treasuries during the month, returning 1.28%, or -11 bps versus comparable duration Treasuries on an increase in volatility and overhang from increasing difficulties in the subprime mortgage market. Mortgage-Backed Securities (MBS) were the worst performing sector on a relative basis, returning 1.23%, or -11 bps versus comparable duration Treasuries as prepayment concerns surfaced on an increase in volatility and a decline in rates. The Commercial Mortgage-Backed Security (CMBS) sector returned 1.64%, or -8 bps versus comparable duration Treasuries while Asset-Backed Securities (ABS) fared better, returning 1.11% (+2 bps).
- The Merrill Lynch High Yield Master II Index underperformed the investment grade market, returning 1.39% as an increase in investor risk aversion and a decline in the equity market caused spreads to widen. Lower quality issues outperformed higher quality. The CCC-rated segment returned 1.74% while the B and BB returned 1.32% and 1.35%, respectively. Most industries generated positive returns led by Life & Health Insurance (+2.60%), Gas Distribution (+2.46%), and Pharmaceuticals (+2.21%). Energy issuers, including Gas Distribution, benefited from rising oil prices. Only two industries had negative returns for the month. Automotive returned -0.31%, hurt by weaker than expected sales at Ford while Integrated Energy returned -0.25%. At the end of February, the Index yield-to-worst was 7.50%.
- The Lehman Brothers Municipal Bond Index returned 1.32% in February. Responding to the decline in rates, price returns were strong across all sectors with longer duration issues doing especially well. Within various bond segments, the longer duration Insured bond segment had the best return (+1.48%), followed by Revenue bonds (+1.31%) and General Obligation bonds (+1.25%). Pre-refunded bonds lagged with a 0.91% return for the month.
- U.S. TIPS returned 2.14% during February, beating nominal Treasuries by 48 bps on a decline in real yields. TIPS are quite sensitive to changes in real rates as measured by their long real durations. Breakeven spreads on the 10-year maturity narrowed by 5 bps to 2.38%, suggesting a decline in the market's expectation of inflation.

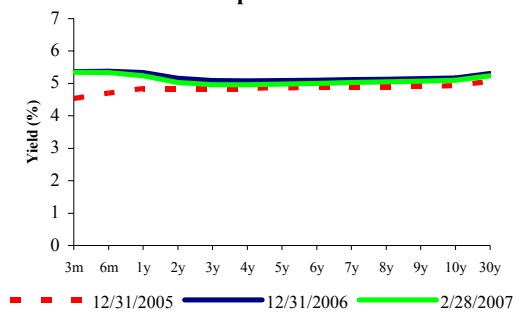
**U.S. Fixed Income Returns (%)**

	1 Mo.	3 Mos.	12 Mos.
LB Aggregate	1.54	0.91	5.54
LB US Government	1.54	0.71	4.95
LB US Credit	2.02	1.12	6.09
LB Mortgage Backed	1.23	1.02	5.76
LB Asset Backed	1.11	0.90	5.51
ML US HY Master II	1.39	3.61	12.05

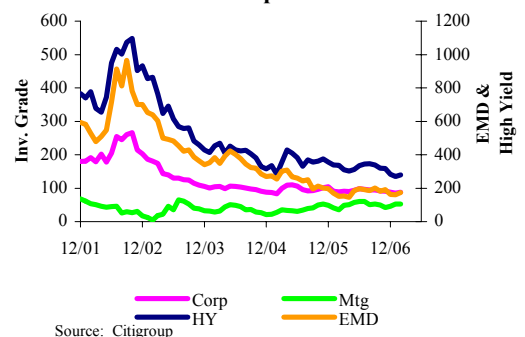
**Treasury Yield Curve**



**Swap Curve**



**Sector Spreads**



Source: Citigroup

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

The condition of the global economy was generally positive in February, but concern about moderating economic growth in the U.S. was a catalyst for a major sell off in world markets at the very end of the month. However, despite the downward revision to fourth quarter GDP in the U.S., global growth is relatively strong with certain markets gaining strength while others are moderating. For the full year of 2006, economic growth came in at 2.3% in Japan, 3.0% in the U.K., 3.7% in Germany, and 3.3% in the eurozone as a whole while China surged 10.4%. In terms of central bank action, Japan was the only major country to raise rates as the Bank of Japan upped the Overnight Rate by a quarter of a point to 0.50%, its second rate increase in a year. While this also contributed to the recent equity market decline due to its influence on the carry trade, rate differentials between Japan and elsewhere remain fairly wide and few expect the Bank of Japan to raise rates much higher in 2007.

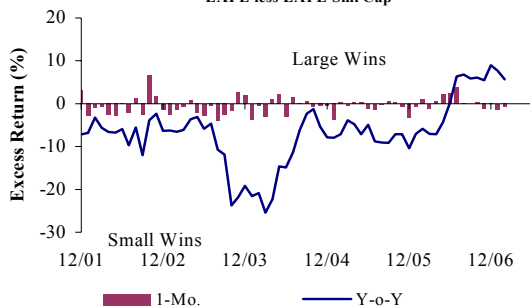
**MSCI Non-U.S. Equity Returns (\$)**

	1 Mo.	3 Mos.	12 Mos.
EAFE	0.81	4.68	21.07
AC World Free Ex-US	0.61	4.13	20.39
Japan	4.02	7.51	7.01
Pacific Ex-Japan	1.70	7.09	28.37
United Kingdom	-0.14	2.23	23.71
Europe Ex-UK	-0.47	4.09	26.73

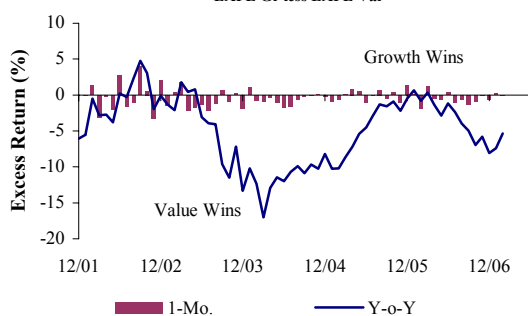
**NON-U.S. EQUITY MARKETS**

- The MSCI EAFE Index ended the month with a gain a 0.8% in dollar terms, but fell 0.5% in local currency terms. The index was ahead by 4.6% (+3.8% locally) prior to a global market sell off that began in China on February 27<sup>th</sup>. Over the course of the final two days of the month, the index fell 3.7% in dollar terms and 4.1% on a local basis. Year to date, the index was still registering a gain of more than 1%, although it continued to exhibit significant volatility heading into March. The decline that began in late February was broad based as both the growth and value segments generated almost identical returns as the broader EAFE Index. Small cap stocks outperformed during the month, primarily due to strength in the period leading up to the decline. For the full month, the MSCI EAFE Small Cap Index gained 1.7% in dollar terms and managed to hold on to a gain of 0.3% locally. However, the small cap index fell slightly more than the larger cap EAFE Index when stocks began to slide (-4.0%, -4.5% locally). Within the EAFE Index, the largest quintile of stocks by market cap as well as those with lower P/E multiples and higher yields performed worse over the full month than those at the opposite end of the spectrum. From a sector perspective, Materials was the top-performing sector with a gain of 3.5% followed by Industrials (+2.2%), Consumer Staples (+1.9%), and Consumer Discretionary (+1.7%). These were also the only sectors to register gains on a local currency basis. Lagging sectors were led by Financials (-0.3%), which accounts for 30% of the index, and Info Tech (-0.7%).

**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	-0.30	4.27	19.42
Utilities	0.45	4.60	35.22
Energy	-0.94	-5.10	7.77
Industrials	2.20	10.21	23.32
Materials	3.53	8.85	27.22
Healthcare	1.02	1.63	18.57
Consumer Staples	1.94	5.34	27.90
Consumer Discretionary	1.73	6.60	21.63
Information Tech	-0.73	0.77	6.82
Telecom Svcs	0.26	6.29	39.70

- The European region lagged the broader index as the MSCI Europe Index lost 0.4% in dollar terms and 1.4% locally. Again, markets here were higher before falling more than 4% during the sell off. Within Europe, only Ireland (+3.5%) and Portugal (+2.6%) registered gains on a local currency basis while the rest of the region remained in the red or slightly higher because of currency gains. The U.K. was off only 0.1% (-0.3% locally) as the pound sterling was virtually flat for the month. Losses by banking Giant HSBC (-3.6%) and other Financials, along with declines in the Energy sector helped push the U.K. market lower. However, these were somewhat offset by gains from Glaxo (+5.9%), BHP Billiton (9.0%) and stocks in the Consumer Staples sector. Sweden declined 3.1% (-2.4% locally) as Info Tech heavyweight Ericsson fell 9.9% and the krona was the only developed market currency to suffer a decline against the dollar. Germany was up 0.9% due to currency as stocks fell 0.7%. Gains by Allianz (+8.2%) and the country's automakers were more than offset by losses from Deutsche Bank (-7.0%), Siemens (-4.1%) and the rest of the Financials sector. France was neutral on a dollar basis but lost 1.6% locally as Total (+0.1%), Vivendi (-3.9%) and the Financials sectors weighed heavily on the index.

- The Pacific region outperformed in February with a gain of 3.4% in dollar terms and 1.5% locally. Japanese equities, which have rallied in the first two months of the year, rose 4.0% (+1.9% locally) as the index was bolstered by gains by Sony (+13.5%), Nippon Steel (+15.4%), and NTT DoCoMo (+20.4%). While Toyota (+3.0%) was also up for the month, other auto makers like Nissan (-7.1%) and Honda (-5.0%) fell as the strengthening yen took a toll on some exporters. In other areas, Australia gained 3.4% (+1.6% locally) amid gains in the Financials sector while Hong Kong fell 2.6%, including a loss of 4.9% in the last two trading days of the month.

**EMERGING EQUITY MARKETS**

- The MSCI Emerging Markets Index declined 0.6% (-0.7% locally) in February, the first consecutive monthly decline since March/April 2005. Through February 26<sup>th</sup>, the index was up 4.4% (+3.7% locally) before falling 4.8% in the final two days of the month. Industrials (+4.0%) and Materials (+2.7%) were among the only three sectors to generate positive returns during the month while Energy (-4.2%) and Consumer Staples (-3.5%) were the biggest detractors.
- Emerging Asia (interestingly) was the only region to post a gain in February as the index rose 0.2% on both a dollar and locally currency basis. Although China, the source of the recent sell off, declined only 1.8% in February, India fell 8.6% and the Philippines lost 5.9%. However, Korea (+4.5%), Taiwan (+1.8%), and Thailand (+6.6%) helped bolster the regional index.
- The MSCI Emerging Europe and Middle East Index lagged the broader index with a loss of 1.4% (-1.9% locally). Poland was the worst performing country in the region with a loss of 6.0% (-7.5% locally) while Russia (-1.8%) was hurt by a 6.4% decline in shares of Gazprom, the largest stock in the emerging markets. Elsewhere, Turkey and South Africa each gained less than 1% while countries in the Middle East such as Egypt (+7.3%) and Israel (+1.8%), were higher.
- Latin America was the hardest hit emerging markets region in the early days of the sell off and the index ended the month with a loss of 2.7% on both a dollar and local currency basis. Brazil declined 2.8% (-3.3% locally), including a loss of 6.5% in the first two days of the decline. Although shares of CVRD were higher by 4.6%, Petrobras fell 8.0% and banks were hit hard. Mexico fell 3.9% (-2.8% locally) amid losses by Grupo Televisa (-7.0%), Telmex (-5.0%), and a steep decline by Walmex of 12.6%.

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

	1 Mo.	3 Mos.	12 Mos.
EM	-0.58	2.83	17.39
Latin America	-2.69	5.94	19.92
Asia	0.21	1.81	21.53
Europe & M. East	-1.39	-0.41	7.27
South Africa	0.40	8.10	10.82

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

- The Bank of England kept its benchmark rate at 5.25%, waiting to measure the impact of recent rate hikes. During the month, evidence of slowing inflation and housing price growth, as well as the market's flight to quality, drove interest rates lower, creating a further inversion of the U.K. yield curve. Interest rates declined 9-20 bps with long rates declining the most. By month's end, the U.K. curve inverted by 14 bps to a slope of -110 bps. Elsewhere, the European Central Bank (ECB) also held rates steady at 3.50%, though a rate increase in March is widely expected given the strong growth of the eurozone economy. Despite expectations of a rate increase, interest rates fell as the global market sell-off caused investors to move into safer assets. The 3-month rate rose 11 bps while rates fell by 2-24 bps along the rest of the curve, causing the curve to flatten to a slope of 25 bps. The Bank of Japan (BOJ) raised rates by 25 bps to 0.50% after much uncertainty over timing of the next move. By month's end, the 3-month rate rose 16 bps, while the 30-year fell 14 bps. As a result, the Japanese yield curve flattened to a slope of 167 bps.
- The Citigroup World Government Bond Index (WGBI) returned 2.32% for the month on an unhedged basis. The global flight to quality at month end and a relatively weak U.S. dollar helped returns. All global bond markets posted positive returns for the month, with Australia (+3.21%), Switzerland (+2.91%), and Italy (+2.80%) leading performance. Sweden, with the only currency to weaken versus the U.S. dollar, had the worst relative performance, returning 0.60%. The dollar weakened significantly versus all other major currencies on investor concern over a slowing U.S. economy.
- The J.P. Morgan EMBI+ Index returned 1.80%, holding up well during the global market sell off as fundamentals and commodity prices remained stable. All regions had positive returns, led by Latin America at 2.13%. Europe, Africa, and Asia returned 1.54%, 1.46%, and 0.83%, respectively. The largest Index components at month end were Brazil (21%), Russia (16%), Mexico (13%) and Turkey (11%).

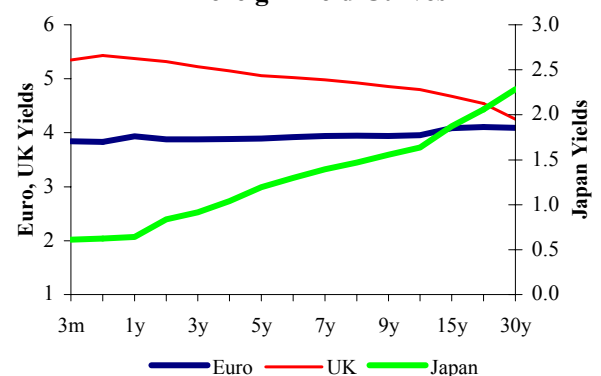
**Global Fixed Income Returns (unhedged, \$)**

	1 Mo.	3 Mos.	12 Mos.
WGBI	2.32	-0.96	6.27
United States	1.66	0.66	4.80
Europe	2.55	-1.05	11.69
Japan	2.42	-1.84	-0.91
United Kingdom	1.89	-1.38	11.79
World BIG Ex-US	2.49	-1.15	7.98
WGBI Non-U.S.	2.49	-1.35	6.70
Agencies Ex-US	2.60	-0.85	11.64
Collateralized Ex-US	2.54	-0.52	12.18
Corporates Ex-US	2.49	-0.36	12.76
EMBI+	1.80	2.09	7.87

**Crude Oil**



**Foreign Yield Curves**



**STATISTICAL SUMMARY**

As of February 28, 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	-1.96	0.92	-0.47	Financial	-2.98	1.67	-2.12
S&P 500/CG Growth	-2.23	-0.64	-1.01	Utilities	5.28	6.15	4.95
S&P 500/CG Value	-1.69	2.45	0.04	Energy	-1.95	-5.53	-3.74
S&P 400	0.73	3.89	4.39	Industrials	-1.13	1.33	0.20
Russell 1000	-1.72	1.46	0.18	Materials	2.23	7.72	6.93
Russell 1000 Growth	-1.88	0.98	0.64	Healthcare	-2.26	2.00	0.77
Russell 1000 Value	-1.56	1.93	-0.30	Consumer Staples	-1.66	2.78	0.29
Russell 2000	-0.79	1.20	0.87	Consumer Discretionary	-2.95	2.04	-0.24
Russell 2000 Growth	-0.32	1.29	1.53	Information Technology	-3.03	-2.80	-1.50
Russell 2000 Value	-1.23	1.12	0.25	Telecommunication Svcs	-0.66	8.02	3.21
NASDAQ Composite	-1.85	-0.46	0.15				

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	0.81	4.68	1.49	Financial	-0.30	4.27	1.05
EAFE Growth	0.77	4.43	1.58	Utilities	0.45	4.60	0.71
EAFE Value	0.84	4.92	1.40	Energy	-0.94	-5.10	-5.30
AC World Ex-US	0.61	4.13	0.99	Industrials	2.20	10.21	5.69
Japan	4.02	7.51	4.90	Materials	3.53	8.85	4.32
Pacific Ex-Japan	1.70	7.09	2.64	Healthcare	1.02	1.63	1.17
United Kingdom	-0.14	2.23	-0.30	Consumer Staples	1.94	5.34	2.58
Europe Ex-UK	-0.47	4.09	0.50	Consumer Discretionary	1.73	6.60	2.30
Emerging Markets	-0.58	2.83	-1.61	Information Technology	-0.73	0.77	-2.29
				Telecommunication Svcs	0.26	6.29	2.13

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>12/31/06</u>	<u>1/31/07</u>	<u>2/28/07</u>	<u>2/28/07</u>	<u>2/28/07</u>	<u>2/28/07</u>
Overnight	5.25	5.25	5.25	3.50	0.50	5.25
3- Month	5.02	5.11	5.13	3.84	0.61	5.35
2- Year	4.82	4.93	4.65	3.88	0.84	5.32
5- Year	4.70	4.80	4.52	3.89	1.19	5.06
10-Year	4.71	4.81	4.57	3.96	1.64	4.80

Sources: Merrill Lynch, Bloomberg

<u>Sectors</u>	<u>Total Return %</u>			<u>Mod.Adj. Duration</u>	<u>Weighting Basis</u>	
	<u>Month</u>	<u>3 Mos.</u>	<u>YTD</u>		<u>Duration</u>	<u>MktVal</u>
LB Universal	1.54	1.13	1.57	4.64	--	--
LB Aggregate	1.54	0.91	1.50	4.60	100.0%	100.0%
LB US Government	1.54	0.71	1.41	4.58	35.3%	35.4%
LB US Credit	2.02	1.12	2.00	6.08	30.5%	23.0%
LB Mortgage Backed	1.23	1.02	1.30	3.67	28.1%	35.2%
LB Municipal Bond	1.32	0.70	1.06	5.98	--	--
LB US TIPS	2.13	-0.12	2.27	6.50	--	--
ML US HY Master II	1.39	3.61	2.48	4.40	--	--

Sources: Lehman Brothers, Citigroup, Bloomberg

<u>Markets/Regions</u>	<u>U.S. Dollars %</u>			<u>Local Currency %</u>		
	<u>Month</u>	<u>3 Mos.</u>	<u>YTD</u>	<u>Month</u>	<u>3 Mos.</u>	<u>YTD</u>
United States	1.66	0.66	1.49	---	---	---
WGBI	2.32	-0.96	0.91	1.00	0.02	0.74
WGBI Non-US	2.49	-1.35	0.79	0.82	-0.16	0.54
EMBI+	1.80	2.09	1.35	---	---	---
Euro Zone	2.55	-1.05	0.66	1.09	-0.61	0.57
United Kingdom	1.89	-1.38	0.40	1.77	-1.01	0.27
Japan	2.42	-1.84	1.03	0.33	0.57	0.46

Sources: Citigroup, JP Morgan, Bloomberg