

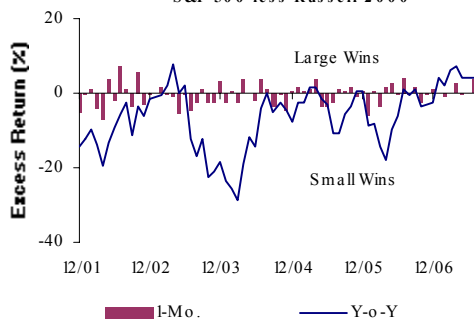
**U.S. ECONOMIC BACKGROUND**

Despite tightening credit conditions and weaker than expected housing data, the U.S. economy showed modest strength in July. Second quarter growth (GDP) was reported at 3.4%, reversing the anemic 0.7% growth for the first quarter, which is largely due to increases in exports and government spending. Manufacturing cooled with the ISM Manufacturing Index down to 53.8 from June's 56.0 reading. U.S. crude oil prices reached a new high of \$78.21/barrel, hampering Consumer Spending to a mere 1.3% rise for the month, as record gas prices weighed heavily on the wallets of the American consumer. Both CPI (0.20%) and PPI (-0.20%) were benign for the month, indicating that inflation has been kept at bay. New home sales dropped by 6.6%, which fueled a spiral of disappointing housing related data that ranged from rising inventories to a drop in home prices. Despite continued housing market worries, Consumer Confidence (112.6) soared in July to its highest reading since August 2001. Unemployment held steady for the fourth straight month at 4.5% and the Fed continued to leave rates at 5.25%.

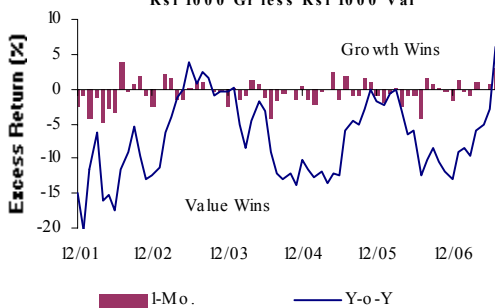
**U.S. Equity Returns (%)**

	1 Mo.	3 Mos.	12 Mos.
S&P 500	-3.10	-1.39	16.13
S&P 400	-4.31	-1.71	16.73
Russell 1000 Growth	-1.55	0.47	19.48
Russell 1000 Value	-4.62	-3.49	13.46
Russell 2000	-6.84	-4.44	12.12
Russell 2000 Growth	-5.19	-1.43	16.82
Russell 2000 Value	-8.51	-7.36	7.68
NASDAQ Composite	-2.13	1.06	22.67

**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	-7.80	-9.59	3.24
Utilities	-3.74	-7.98	15.65
Energy	0.76	9.90	22.92
Industrials	1.03	5.86	25.43
Materials	-2.24	2.69	31.08
Healthcare	-4.33	-6.30	7.54
Consumer Staples	-2.22	-2.84	10.05
Consumer Discretionary	-5.80	-4.72	16.17
Information Tech	-0.44	4.23	30.15
Telecom Svcs	-2.23	4.42	29.22

**EQUITY MARKETS**

- July proved to be the most volatile month of the year thus far, with the DJIA reaching 14,000 for the first time in mid July, but ending the month losing 1.5% to close at 13,211.99. The heavy weight to Financials in the S&P 500 hindered performance as the Index closed -3.2% for the month to 1455.27. The tech-heavy NASDAQ also closed down at 2546.27 (-2.2% for the month). Prolonged fears about the credit market and housing pushed the market down as investors initiated a sell off after the July 19<sup>th</sup> market high. As the subprime mortgage anxiety spread to creditworthy investors and began to affect lenders such as American Home Mortgage, the markets were spooked into periods of continued volatility. Recent market swings demonstrated the anxiety among investors as sell offs were followed by strong rebounds.
- The largest growth stocks outperformed all other segments of the equity market for the month of July according to month-end total returns for the Russell indices. The mega cap Russell Top 200 Growth Index (-1.21%) led all others, while the large cap Russell 1000 Growth Index (-1.55%) was not far behind. By contrast, the value counterparts to these two indices each dipped more than 4% for the month. In the small cap segment, the performance gap between value and growth has become a story in itself. The Russell 2000 Growth Index reflects a year-to-date gain of 3.65% for 2007, while the Russell 2000 Value Index shows a loss for the month (-8.51%) and for 2007 year to date (-5.03%).
- According to the Russell indices, large caps (-3.09%) were less volatile than the rest of the market as they outperformed mid caps (-3.72%) and small caps (-6.84%). Finding winners in the July performance figures was not easy, but it is noteworthy that the year-to-date figures show the Russell 3000 Growth Index (+6.19%) has expanded its year-to-date lead over the Russell 3000 Value Index (+0.75%).
- Eight of the ten GIC sectors posted negative returns during the month with Financials (-7.80%), Consumer Discretionary (-5.80%), and Health Care (-4.33%) suffering the largest declines. Energy (+0.76%) and Industrials (+1.03) were the only sectors that posted positive returns. The largest contributors within Energy were Schlumberger (+11.51%), ConocoPhillips (+3.51%), and Exxon Mobil (+1.49%), helped by high gasoline prices. Financials were the largest detractor to the S&P's monthly performance, with the majority of stocks in the sector posting negative returns as investors grew more concerned that troubles for subprime lenders and weaker-than-expected home sales would echo throughout the economy. Countrywide Financial (-22.50%), Goldman Sachs (-12.95%), and Citigroup (-9.20%) were the largest decliners within the sector. Within Consumer Discretionary, KB Home (-19.20%), D R Horton (-18.11%), and Pulte Homes (-13.85%) tumbled as concerns about the sickly housing market added pressure on the industry. Within Health Care, Wyeth (-15.38%), Boston Scientific (-14.28%), and Pfizer (-8.06%) were among the largest detractors due to overarching market concerns as well as potential political issues related to pricing and reimbursement as the 2008 elections approach.

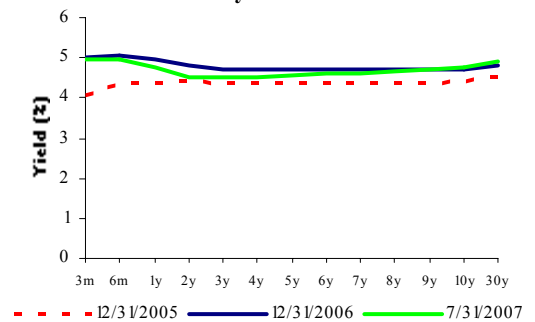
**U.S. FIXED INCOME MARKETS**

- Interest rates declined and the yield curve flattened on investor risk aversion and strong flight to quality flows into Treasuries as difficulties in the subprime mortgage market spread to other segments. Economic data took a back seat to deteriorating market technicals, which led to an abrupt widening of spreads and decline in market liquidity. Interest rates declined by 22-38 bps across the curve during the month with the largest declines in the 2-5 year segments. The yield curve, as measured by the difference between the 3-month and 30-year Treasury, flattened by 36 bps to a slope of -5 bps as investors sought a safe haven in Treasuries while short term rates remained anchored by the Fed Funds rate. Swap spreads widened by 6-12 bps on a broad re-pricing of risk. At month end, swap spreads on the 2-, 5- and 10-year maturities were 55 bps, 68 bps, and 75 bps, respectively.
- The Lehman Aggregate Index returned 0.83% as interest rates declined and volatility and risk aversion dominated market activity. All spread sectors performed poorly in relation to Treasuries. U.S. Credit returned 0.34%, underperforming comparable duration Treasuries by 159 bps as option adjusted spreads widened by 27 bps to 116 bps. Credit markets were roiled as several large bank loan transactions were unable to close on favorable terms and were pulled as a heavy new issuance calendar and less stringent covenants on LBO financings weighed on investor sentiment. In the secondary market, higher quality issues outperformed lower quality with the AA rated segment returning 0.41% (-138 bps excess), followed by A (0.44% or -154 bps excess) and BBB (-0.06% or -212 bps excess). Particularly hard hit were issues related to housing and banking, including those in the home construction, brokerage and finance industries. The U.S. Government/Credit Index returned 1.00% (-71 bps excess).
- Securitized sectors returned 0.63% or 88 bps less than comparable duration Treasuries as swap spreads widened and volatility increased. The hardest hit segment in the securitized market was Commercial Mortgage Backed Securities (CMBS) which returned 0.27% (-150 bps excess) as option adjusted spreads widened by 30 bps to 112 bps. Mortgage Backed Securities (MBS) returned 0.68% (-81 bps) as ample supply, an increase in volatility, risk reduction trades, and widening of swap spreads weighed on the segment. Asset Backed Securities (ABS) returned 0.64% (-54 bps excess) as spreads widened by 20 bps to 94 bps on subprime concerns and a widening of swap spreads.
- The Merrill Lynch High Yield Master II Index returned -3.14% for the month as a heavy new issuance calendar met with a decline in demand. The heightened level of investor risk aversion resulted in option adjusted spreads widening by 121 bps to 419 bps. Higher quality issues outperformed lower quality but no segments provided investors a safe haven from the credit market fallout. The BB and B rated segments returned -2.33% and -3.04%, respectively, while CCC rated issues returned -5.10%. Industry sectors which performed particularly poorly included Building and Construction (-8.67%) and Autos (-5.99%). At month end, the yield to worst on the Index was 8.97%.
- The Lehman Brothers Municipal Bond Index returned 0.77% as a decline in interest rates and flight to quality benefited the segment. The AAA rated issues returned 0.87% while BBB quality bonds lost value returning -0.37% for the month. The Insured Bond segment put in the best performance returning 0.91%, followed by General Obligation (+0.88%), Prerefunded (+0.77%), and Revenue Bonds (+0.45%).
- U.S. TIPS returned 2.28% during the month outperforming Treasuries by 62 bps on a decline in real yields even though breakeven spreads declined. The breakeven spread (difference between the nominal Treasury yield and TIPS real yield) is a gauge of the market's expectation for future inflation. The breakeven spread on the 10-year maturity declined by 5 bps to 2.33%.

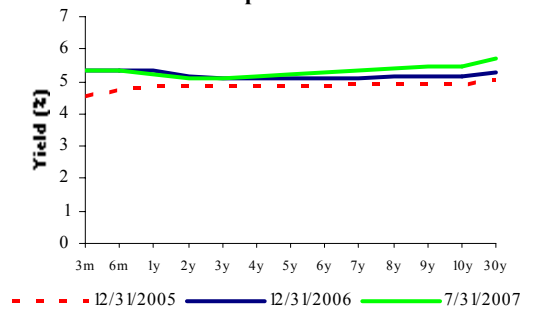
**U.S. Fixed Income Returns (%)**

	1 Mo.	3 Mos.	12 Mos.
LB Aggregate	0.83	-0.23	5.58
LB US Government	1.42	0.59	5.80
LB US Credit	0.34	-1.11	5.53
LB Mortgage Backed	0.68	-0.32	5.60
LB Asset Backed	0.64	0.36	5.18
ML US HY Master II	-3.14	-4.10	7.10

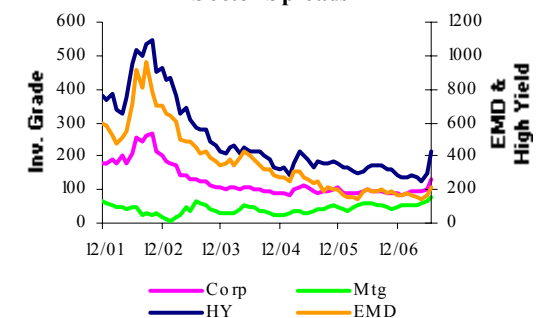
**Treasury Yield Curve**



**Swap Curve**



**Sector Spreads**



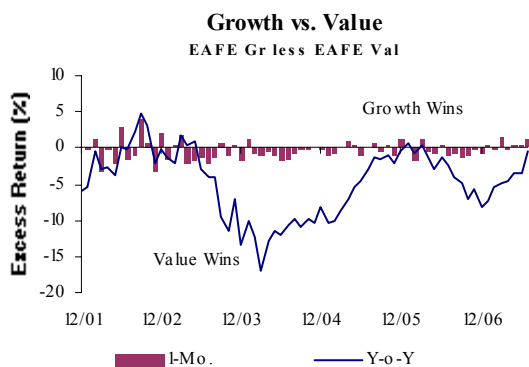
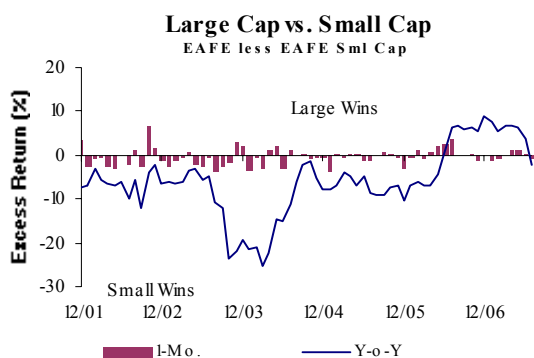
Source: Citigroup

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

Escalating concerns over the U.S. subprime mortgage market extended overseas and resulted in widespread declines in world equity markets. Among the major developed markets, the FTSE 100, DAX, and Nikkei each lost roughly 7% in the last week of the month as investors feared that credit market volatility would also take a toll on M&A activity. Emerging markets provided some exceptions to the rout. Second quarter growth in China was reported at 11.9%, the fastest pace in 12 years, and spurred the market to new highs despite government tightening measures to prevent overheating. Global economic growth remains robust with IMF projections for 2007/2008 upwardly revised to 5.2% with Japan and the euro area above trend. Needless to say, current market turmoil increases downside risk to world growth as do high oil prices that touched record highs in July of upwards of \$78/barrel.

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

	1 Mo.	3 Mos.	12 Mos.
EAFE	-1.47	0.38	23.91
AC World Free Ex-US	-0.29	3.32	28.46
Japan	-0.16	1.16	7.65
Pacific Ex-Japan	0.50	4.73	41.56
United Kingdom	-2.50	0.44	21.43
Europe Ex-UK	-1.94	-0.85	31.11



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

	1 Mo.	3 Mos.	12 Mos.
Financial	-2.24	-3.89	18.46
Utilities	-3.69	-2.86	29.40
Energy	-2.50	9.75	15.75
Industrials	0.64	4.73	41.21
Materials	0.76	11.37	44.89
Healthcare	-1.18	-5.58	2.34
Consumer Staples	-1.39	-2.26	24.16
Consumer Discretionary	-1.78	-0.32	25.38
Information Tech	0.01	4.51	23.41
Telecom Svcs	-3.62	-0.08	32.48

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

- Non-U.S. equity markets subsequently lost ground in July, as the MSCI EAFE Index generated returns of -1.47% in U.S. dollar terms and -3.25% on a local currency basis. The yen rose significantly against all major currencies. The euro reached a new high versus the U.S. dollar, and pound sterling rose to its highest level versus the dollar in several decades as investors shied away from U.S. assets.
- The largest capitalization stocks were the hardest hit during the month with those in the highest quintile of the EAFE Index by size (greater than \$110 billion in market cap) declining 3.07%. Those in each of the lower quintiles outperformed the broader Index but generated negative returns within a fairly narrow range. Stocks in the lowest quintile (below \$29 billion) fell 1.05%. The MSCI Small Cap Index earned -0.46% for the month, confirming the relative outperformance of smaller versus larger cap stocks.
- Growth stocks extended their year-to-date lead over value stocks with the MSCI EAFE Growth and Value indices generating returns of -0.81% and -2.13%, respectively.
- From a sector standpoint, only Materials (+0.76%), Industrials (+0.64), and Information Technology (+0.01%) eked out positive returns. Sectors with the largest negative returns were Utilities (-3.69%), Telecomm (-3.62%), and Energy (-2.50%).
- The European region was the dominant source of weakness in July with the MSCI Europe Index underperforming the broader Index with a return of -2.13% (-3.48% local). Individual country returns ranged from -7.99% in Ireland to 3.77% in Denmark. Among the major economies, Germany fell 3.65% (-4.93% local) led down by losses in the Financial sector, such as from Allianz (-8.69%) and Commerzbank (-9.53%), as well as Industrial giant Siemens (-11.01%). Improved profitability resulted in positive contributions from Volkswagen (+13.75%) and SAP (+5.96%). The U.K. declined -2.50% (-3.74% local) with Financials and Telecomms the largest drag on performance. In other areas, Spain posted a 1.84% gain (+0.48% local) and France lost 3.53% (-4.82% local). Switzerland's -1.65% return (-3.43% local) largely resulted from losses by UBS (-6.53%) and Credit Suisse (-6.23%).
- The Pacific region outperformed the broader Index with a modest gain of 0.04%, but declined 2.69% on a local currency basis. Japan lost 0.16% in dollar terms but fell 3.74% in local terms. Exporters such as Toyota Motor Corp (-4.26%) and Canon Inc. (-10.05%) were hurt both in terms of the feared slowdown in the U.S. economy as well as yen strength in the translation of overseas earnings. Japan also was weighed down by fears that the greater-than-expected losses of the ruling LDP in the upper house of Parliament would have negative economic implications. Strength in Japan came from Industrials and Materials. With a return of 6.98% (+7.10%), Hong Kong was the best performing market in the region and the EAFE Index, propelled by strong Financials and overall strength in China. In other areas, Australia fell 1.37% (-2.33% local). BHP Billiton's (+6.67%) strong showing was offset by weakness in the Financials area amidst fears of subprime exposures.

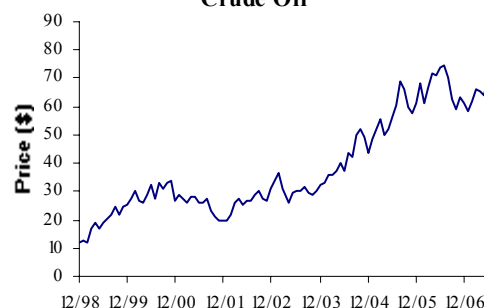
**EMERGING EQUITY MARKETS**

- The emerging markets bucked the trend in July as the MSCI Emerging Markets Index gained 5.33% in dollar terms and 4.71% in local terms. All sectors posted positive returns with notable outperformance by Industrials (+8.75%), Materials (+7.65%), Financials (+7.52%), and Energy (+6.37%).
- Latin America gained 1.45% in dollar terms and 0.14% in local currencies. Brazil, the largest country within the regional Index, rose 4.23% (+1.22% local). Holdings in the Materials sector contributed positively to the return, notably Vale Rio Doce (+12.51%), and higher oil prices supported Petrobras (+6.89%). Peru (+13.60%) was the top performing Latin American country, also on strong commodity prices. Mexico lagged, returning -4.11% (-2.78% local). Telecomms were negative contributors, among them Telefonos de Mexico (-9.31%) and America Movil (-2.95%). Deepening concerns over the U.S. housing market were detrimental to Cemex (-12.08%).
- Emerging Asia was the clear leader with a return of 7.93% (+7.62% local) for the MSCI Emerging Asia Index. China continued to soar (+10.35%) on strong economic growth; strength was broadbased, though most evident among Financials and Industrials. South Korea (+11.02%), a major supplier to China, benefited from steel producers, notably Posco (+21.56%). Thailand (+14.32%) and Indonesia (+9.39%) also outperformed while the Philippines (-1.64%) and Pakistan (-2.87%) were the only markets in the region with negative returns.
- The Emerging Europe and Middle East Index rose 4.24% (+3.90% local) with Russia (+4.62%) and Turkey (+15.04%; +12.3% local) the outperformers. Gazprom (+4.11%) and other Energy stocks boosted Russia while Turkey posted gains on national elections that favored the pro-business AKP party.

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

	1 Mo.	3 Mos.	12 Mos.
EM	5.33	15.80	50.94
Latin America	1.45	15.28	60.22
Asia	7.93	21.93	59.04
Europe & M. East	4.24	9.15	28.11
South Africa	-0.21	-5.30	31.74

**Crude Oil**



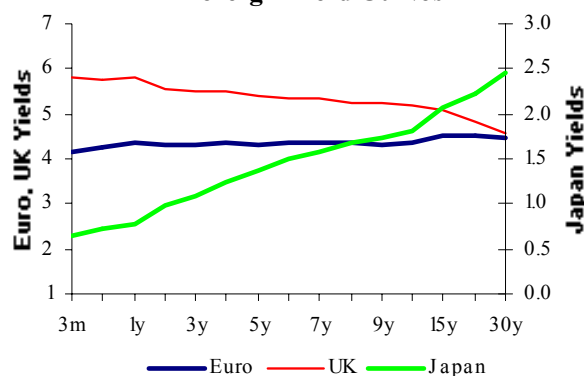
**NON-U.S. FIXED INCOME MARKETS**

- The Bank of England raised rates by 25 bps to 5.75% early in the month in an effort to combat inflation. As the month progressed, rates declined by 21-33 bps across the curve on flight to quality flows and a softening of inflation and housing data. The yield curve became more inverted carrying a slope of -123 bps as measured by the difference between the 3-month and 30-year maturities. Elsewhere, the European Central Bank (ECB) kept rates on hold at 4.00% at its policy meeting. Later in the month, risk aversion related to subprime exposures spilled into the broader European market creating strong safe haven buying of government bonds. As a result, interest rates declined by 16-23 bps and the yield curve flattened by 25 bps to a slope of 33 bps. The Bank of Japan (BOJ) held rates steady at 0.50% on weakness in inflation measurements. Rates declined by 4-10 bps during the month. The yield curve flattened slightly to a slope of 180 bps as measured by the 3-month and 30-year maturity.
- The Citigroup World Government Bond Index (WGBI) had a strong month on flight to quality flows in government bonds and weakness in the U.S. dollar. The WGBI returned 2.96% on an unhedged basis. The dollar was weak versus most major currencies. Particularly noteworthy was the strength in the Japanese yen as the long established carry trade began to unwind as risk aversion spread across markets. Particularly hard hit were the higher yielding New Zealand and Australian dollar that until recently were the beneficiary of such trades. Japan (+4.30%) and U.K. (+4.03%) were the best performing bond markets.
- The J.P. Morgan EMBI+ Index returned -0.90%. Emerging country debt performed reasonably well in the face of global risk aversion. There were a few country-specific issues such as Argentina where difficulties in energy markets and political difficulties weighed on the bonds (-10.78%). Some of the largest countries in the Index – Russia (16%), Mexico (14%), and Turkey (12%) – were largely flat for the month while Brazil, which makes up 21% of the Index, saw some selling (-1.28%). Emerging market local currency debt markets continue to do well in U.S. dollar terms on strength in emerging currencies. The EMLI+ Index returned 1.02% for the month.

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

	1 Mo.	3 Mos.	12 Mos.
WGBI	2.96	0.28	5.05
United States	1.65	0.70	5.90
Europe	2.97	0.23	8.57
Japan	4.30	-0.12	-1.76
United Kingdom	4.03	1.88	9.07
World BIG Ex-US	3.05	0.13	5.76
WGBI Non-U.S.	3.31	0.16	4.86
Agencies Ex-US	2.64	-0.09	8.16
Collateralized Ex-US	2.30	-0.07	8.45
Corporates Ex-US	2.15	-0.01	8.76
EMBI+	-0.90	-3.57	6.98

**Foreign Yield Curves**



**STATISTICAL SUMMARY**

As of July 31, 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	-3.10	-1.39	3.64	Financial	-7.80	-9.59	-8.53
S&P 500/CG Growth	-2.22	-0.41	4.16	Utilities	-3.74	-7.98	4.77
S&P 500/CG Value	-3.93	-2.31	3.15	Energy	0.76	9.90	18.11
S&P 400	-4.31	-1.71	7.16	Industrials	1.03	5.86	12.11
Russell 1000	-3.09	-1.52	3.87	Materials	-2.24	2.69	14.11
Russell 1000 Growth	-1.55	0.47	6.45	Healthcare	-4.33	-6.30	1.50
Russell 1000 Value	-4.62	-3.49	1.32	Consumer Staples	-2.22	-2.84	2.56
Russell 2000	-6.84	-4.44	-0.82	Consumer Discretionary	-5.80	-4.72	-3.04
Russell 2000 Growth	-5.19	-1.43	3.65	Information Technology	-0.44	4.23	8.85
Russell 2000 Value	-8.51	-7.36	-5.03	Telecommunication Svcs	-2.23	4.42	12.90
NASDAQ Composite	-2.13	1.06	5.87				

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	-1.47	0.38	9.11	Financial	-2.24	-3.89	3.40
EAFE Growth	-0.81	1.43	11.03	Utilities	-3.69	-2.86	5.39
EAFE Value	-2.13	-0.68	7.21	Energy	-2.50	9.75	14.05
AC World Ex-US	-0.29	3.32	12.26	Industrials	0.64	4.73	20.79
Japan	-0.16	1.16	2.68	Materials	0.76	11.37	26.60
Pacific Ex-Japan	0.50	4.73	18.13	Healthcare	-1.18	-5.58	-0.05
United Kingdom	-2.50	0.44	8.05	Consumer Staples	-1.39	-2.26	10.62
Europe Ex-UK	-1.94	-0.85	11.15	Consumer Discretionary	-1.78	-0.32	7.47
Emerging Markets	5.33	15.80	24.02	Information Technology	0.01	4.51	9.36
				Telecommunication Svcs	-3.62	-0.08	6.73

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>5/31/07</u>	<u>6/30/07</u>	<u>7/31/07</u>	<u>7/31/07</u>	<u>7/31/07</u>	<u>7/31/07</u>
Overnight	5.25	5.25	5.25	4.00	0.50	5.75
3- Month	4.74	4.81	4.95	4.15	0.66	5.82
2- Year	4.92	4.87	4.53	4.30	0.99	5.56
5- Year	4.86	4.93	4.57	4.32	1.38	5.37
10-Year	4.89	5.03	4.74	4.35	1.80	5.21

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>Duration</u>	<u>MktVal</u>
LB Universal	0.50	-0.58	1.61	4.68	--	--
LB Aggregate	0.83	-0.23	1.82	4.63	100.0%	100.0%
LB US Government	1.42	0.59	2.54	4.46	32.7%	34.0%
LB US Credit	0.34	-1.11	1.11	6.02	28.3%	21.8%
LB Mortgage Backed	0.68	-0.32	1.74	3.98	32.6%	37.9%
LB Municipal Bond	0.77	-0.19	0.92	6.72	--	--
LB US TIPS	2.28	0.79	4.05	6.57	--	--
ML US HY Master II	-3.14	-4.10	-0.18	4.68	--	--

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	1.65	0.70	2.67	---	---	---
WGBI	2.96	0.28	2.55	1.30	-0.12	0.46
WGBI Non-US	3.31	0.16	2.51	1.21	-0.33	-0.11
EMBI+	-0.90	-3.57	-0.32	---	---	---
EMLI+ (local currency index)	1.02	2.67	7.23	0.55	1.67	3.90
Euro Zone	2.97	0.23	3.43	1.60	-0.21	-0.33
United Kingdom	4.03	1.88	2.86	2.71	0.26	-0.93
Japan	4.30	-0.12	0.29	0.56	-0.48	0.22

Sources: Citigroup, JP Morgan, Bloomberg