

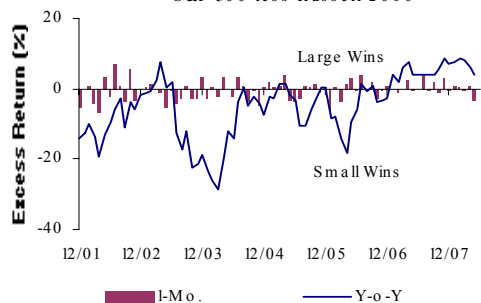
## U.S. ECONOMIC BACKGROUND

Economic indicators provided mixed results in May as evidenced by a continued decline in consumer sentiment, an upward GDP revision and a deteriorating employment picture. Starting May 2<sup>nd</sup>, the government began sending out rebate checks; however, the bulk of the benefit will likely be usurped by higher gasoline prices. Consumer confidence has dipped to a 26-year low, which could be problematic for the economy as the consumer accounts for two thirds of GDP. The ISM Manufacturing Index reported a continued contraction while durable goods orders continued to fall. Housing showed mixed results with construction spending hitting a new bottom for 2008. Despite these negative data points, GDP growth was upwardly revised from +0.6% to +0.9% in the first quarter, much of the strengths came in the form of exports and government spending. In addition, new home sales and data on housing starts improved. Both the Producer Price Index and CPI (ex food and energy) increased but at a decreasing rate. There were no scheduled FOMC meetings during the month of May and the Fed Funds rate remained at 2.0%.

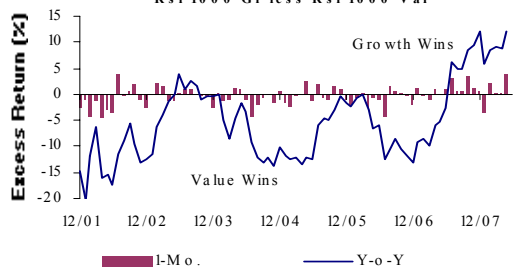
### U.S. Equity Returns (%)

	1 Mo.	3 Mos.	12 Mos.
S&P 500	1.30	5.77	-6.70
S&P 400	5.29	12.24	-2.50
Russell 1000 Growth	3.67	8.45	-0.17
Russell 1000 Value	-0.16	3.92	-12.30
Russell 2000	4.59	9.43	-10.52
Russell 2000 Growth	5.66	10.45	-5.72
Russell 2000 Value	3.42	8.30	-15.33
NASDAQ Composite	4.69	11.32	-2.33

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	-6.09	-2.69	-32.34
Utilities	3.35	10.60	1.99
Energy	3.45	11.67	24.20
Industrials	1.02	5.73	-0.55
Materials	4.80	9.27	11.83
Healthcare	2.02	-1.50	-10.71
Consumer Staples	1.40	4.53	5.61
Consumer Discretionary	0.60	4.06	-18.14
Information Tech	5.61	13.98	2.54
Telecom Svcs	3.37	13.73	-11.76

## EQUITY MARKETS

- Better-than-anticipated economic data drove investor sentiment and provided for positive equity market performance during the month of May. Technology posted the best gains, enabling the NASDAQ Composite to lead returns for the major equity market indexes. During May, the DJIA was the only broad market index to post a loss (-1.1%), ending the month at 12,638. The NASDAQ Composite rose (+4.7%), to finish at 2,553 with the S&P 500 faring slightly worse at (+1.3%), to end the month at 1,400. During the third week of May, crude oil rallied driven by increased price forecasts by major institutions and hedge fund speculation. In addition, volatility increased as measured by the VIX Index and the S&P 500 Index declined in value. Markets rallied nicely during the last week of the month and recovered from the effects of crude oil price increases experienced mid-month. On a year-to-date basis the NASDAQ Composite (-4.5%) trails the S&P 500 (-3.8%) and DJIA (-3.7%).
- Growth continued to dominate. For the month of May, growth stocks outperformed their value counterparts across the market capitalization range. The largest disparity between styles was among large caps, where the Russell 1000 Growth Index outperformed its value counterpart by 383 basis points (+3.7% vs. -0.2%). The competition was tightest amongst mid caps where mid growth outperformed mid value by just 172 basis points (+5.3% vs. +3.6%) followed by small growth outperforming small value by 224 basis points (+5.7 vs. +3.4).
- Among capitalization segments, small caps performed best in relative terms in May. The small cap Russell 2000 Index was up 4.6% versus the Russell Mid Cap Index's 4.5% gain and the large cap Russell 1000 Index's 1.8% increase. Mid cap stocks also held a slight performance edge over their larger and small capitalization counterparts. Year-to-date mid cap returns are 0.5% versus -3.2% for the large caps and -1.8% for small cap.
- Nine of the GICS sectors posted positive gains during the month with Information Technology (+5.6%) and Materials (+4.8%) posting the largest increases. Information Technology had the biggest positive impact on the S&P 500 return where large contributors were: Dell (+23.8%) aided by earnings which exceeded analyst earnings estimates; Qualcomm (+12.8%) supported by robust growth; IBM (+7.7%) supported by new product offerings; and Apple (+8.5%) due to the "smart" phone market share increases over the iPhone. Materials stocks, such as Monsanto (+11.7%) performed well amid a global agricultural boom. Financials (-6.1%) was the only sector that posted negative returns. Within Financials: AIG (-22.1%); Citigroup (-12.3%); Wachovia (-17.1%); and Merrill Lynch (-11.3%) tumbled on continuing concerns over write-downs and credit losses.

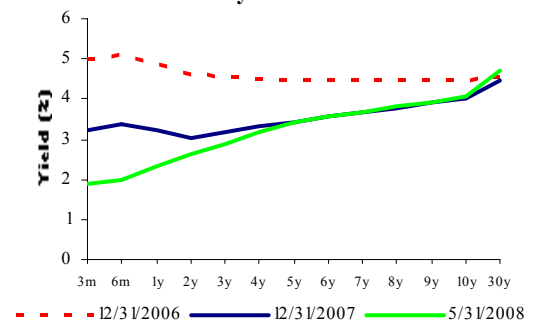
**U.S. FIXED INCOME MARKETS**

- Interest rates increased across the curve as inflation and oil prices continued to climb. While market expectations are that the Fed will likely keep the Fed Funds target rate steady at 2.00% at the upcoming June 25<sup>th</sup> meeting, expectations of a rate increase sometime in the near future increased. As a result, yields on the 3-month, 2-year, 5-year, and 10-year Treasuries increased by 50, 39, 42, and 33 bps, respectively. The 30-year Treasury yield increased 25 bps to 4.72%, causing the yield curve (as measured by the 3-month to 30-year Treasuries) to flatten by 25 bps to a slope of 283 bps. Swap spreads narrowed on the short end of the curve and widened slightly on the long end of the curve, with the 2-, 5- and 10-year maturities at still elevated levels of 81, 79 and 64 bps, respectively.
- The Lehman Brothers Aggregate Index returned -0.73% for May as interest rates increased. For the second month in a row, Treasuries lagged spread sectors as yield-advantaged securities perform better in a rising rate environment and as investor risk aversion moderates. Treasuries returned -1.17% while agencies returned -0.93% (13 bps excess return over comparable duration Treasuries). U.S. Credit returned -0.94% (39 bps excess) as equity markets performed well and demand for corporate bonds remained robust, despite strong new issuance supply. The higher yielding BBB rated issues were the best performing segment returning -0.64% (76 bps excess). Lower-rated financial companies, Countrywide and Washington Mutual, also drove the segment higher on better financial prospects. AAA rated issues returned -0.82% (28 bps excess), AA rated issues returned -1.11% (18 bps excess) and A-rated issues returned -1.15% (23 bps excess). The LB Government/Credit Index returned -1.03 (14 bps excess).
- Securitized sectors outperformed Treasuries returning -0.37% (36 bps excess) amid an increasing appetite for risk and a decline in volatility. Commercial mortgage backed securities (CMBS) had the best relative performance returning 0.69% (190 bps excess) as forced selling abated and investors found yields attractive. The Asset Backed Securities (ABS) sector also saw a rebound from beaten down levels, returning 0.58% (136 bps excess) as demand picked up and there was little new issuance in the last half of the month. The best performing sectors were credit card receivables (0.60%) and auto loans (0.78%). Mortgage backed securities also outperformed Treasuries as implied volatility declined; the sector returned -0.53% (13 bps excess).
- The Merrill Lynch High Yield Master II Index returned 0.43% for the month as yield advantaged securities outperformed higher quality interest rate sensitive issues. BB, B and CCC rated issues returned -0.20%, 0.60% and 1.38%, respectively. The best performing sector was integrated energy, returning 6.20% amid high commodity prices. The worst performing sector was automotives which returned -4.84% which also dragged auto parts (-1.22%) lower as concerns about a weakening economy and high gas prices put pressure on car sales. The option adjusted spread for the index narrowed by 33 bps to 653 bps, while the yield to worst increased 2 bps to 10.09%.
- The Lehman Brothers Municipal Bond Index returned 0.61% as investors sought out relative bargains. Yields on the municipals were still compelling enough to attract cross-over buyers into the market, bolstering returns. The best performing sector was the Insured Bond segment (0.64%) followed by Revenue Bonds (0.64%), General Obligation (0.60%) and Pre-Refunded (0.36%) Bonds.
- U.S. TIPS returned 0.33% as an increase in real yields was offset by higher inflation adjustments. A rise in inflation expectations propelled the breakevens on the 5- and 10-year TIPS to increase by 24-25 bps. The breakeven inflation rate on the 5- and 10-year TIPS closed the month at 2.44% and 2.53%, respectively.

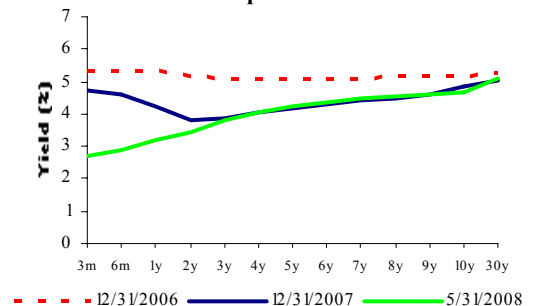
**U.S. Fixed Income Returns (%)**

	1 Mo.	3 Mos.	12 Mos.
LB Aggregate	-0.73	-0.60	6.89
LB US Government	-1.09	-1.84	9.00
LB US Credit	-0.94	-1.33	3.87
LB Mortgage Backed	-0.53	0.12	7.44
LB Asset Backed	0.58	-1.18	-1.53
ML US HY Master II	0.43	4.07	-1.11

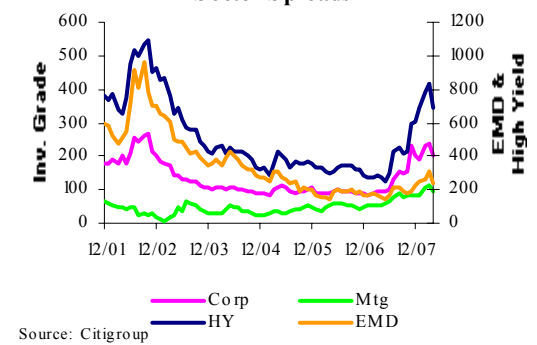
**Treasury Yield Curve**



**Swap Curve**



**Sector Spreads**



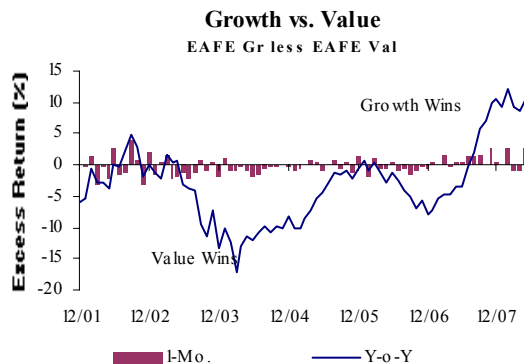
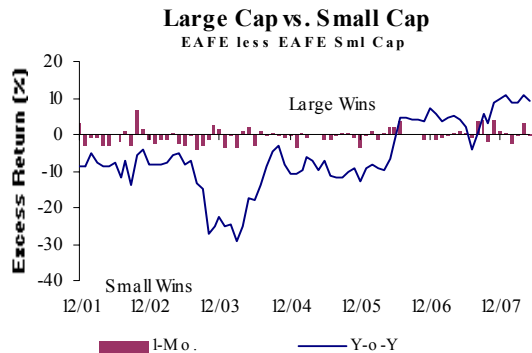
Source: Citigroup

### NON-U.S. ECONOMIC BACKGROUND

The non-U.S. developed and emerging markets rose in May despite troubling developments on the growth and inflation fronts. Almost all commodities prices, particularly oil and agricultural goods, increased amid continued supply concerns. Financial stocks struggled in the midst of renewed fears regarding the widening extent of the credit crisis as banks have encountered difficulties raising additional capital. The central banks of the U.S., the United Kingdom, the European Union, and Japan kept interest rates steady as they balanced inflationary pressures with attempts to spur growth. Inflation in the emerging markets continued to be an issue. Overseas exporters benefited from a strengthening U.S. dollar. Markets with exposure to the housing industry and consumer confidence declined. Retail sales in many markets, particularly the United Kingdom and Spain, declined. Expected growth rates in the U.S. for 2008 were revised downward from 1.3 - 2.0% to 0.3 - 1.2%, further pressuring the growth estimates in non-U.S. markets.

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

	1 Mo.	3 Mos.	12 Mos.
EAFE	0.97	5.33	-2.53
AC World Free Ex-US	1.73	5.66	3.04
Japan	2.52	5.51	-5.89
Pacific Ex-Japan	1.46	4.28	8.40
United Kingdom	-0.60	3.56	-6.21
Europe Ex-UK	0.92	6.29	-1.34



MSCI EAFE Sector Returns (\$)

	1 Mo.	3 Mos.	12 Mos.
Financial	-4.17	4.31	-16.53
Utilities	3.68	5.43	9.27
Energy	5.59	16.63	21.88
Industrials	3.74	6.29	-1.83
Materials	4.44	10.50	20.76
Healthcare	1.62	0.95	-6.01
Consumer Staples	-0.25	2.95	6.31
Consumer Discretionary	0.91	1.03	-12.60
Information Tech	3.61	4.30	-3.43
Telecom Svcs	1.88	0.15	4.16

### NON-U.S. EQUITY MARKETS

- The developed non-U.S. markets experienced tremendous volatility during the month of May. The MSCI EAFE Index was mostly flat during the first nine days, soared +3.5% over the next ten days, and tumbled -3.3% over the next nine days before closing the month slightly up +1.0% (+1.3% in local currencies). Volatility also affected the major currencies. The Euro fell as low as 1.5393 on 5/7 and rose to as high as 1.5795 on 5/21 before closing the month slightly down at 1.5554 versus the U.S. dollar. The Japanese yen experienced similar sharp movements before closing down at 105.51. The British pound tumbled during the first half of the month before getting back to a flat position at 1.9822. The Canadian dollar strengthened steadily throughout the month versus the U.S. dollar closing at 0.9934 by month's end.
- Smaller capitalization stocks bounced back versus their larger capitalization counterparts, continuing a trend that started during the first quarter of this year. The MSCI EAFE Small and Mid Cap Indices gained 1.7% and 1.8%, respectively, while the MSCI EAFE Large Cap Index advanced 1.0%.
- Following a brief switch in April, growth stocks outperformed value stocks in May to continue a shift in the markets that started in January 2007. The MSCI EAFE Growth Index gained 2.3% for the month while the MSCI EAFE Value Index returned -0.4% over the same period.
- Most sectors within the MSCI EAFE Index posted positive returns in May. Energy (+5.6%) and materials (+4.4%) again led the way as the price of oil and other natural resources continued their climb. The industrials and utilities sectors (+3.7% each) also fared well, however, financials (-4.2%) and consumer staples (-0.3%) declined as credit/housing market woes in Europe and inflationary pressures worldwide mounted.
- The European developed markets continued to lag the broader MSCI EAFE Index in May with a smaller gain of +0.4% (+0.7% in local currencies). The United Kingdom (-0.6%) lagged the region due to weakness in its financials (-7.5%) and consumer staples (-1.6%) sectors. France (+2.1%) and Germany (+1.6%) bounced back in part from strength in the materials and utilities sectors, specifically Arcelormittal (+11.9%) and E.On (+7.8%). Energy (+4.8%) was one of the best performing sectors due to strong returns by Total (+5.7%), Royal Dutch Shell (+6.8%), and StatOilHydro (+11.9%). Financials (-5.1%) were the worst performing sector due to declines by UBS (-23.4%), Royal Bank of Scotland (-23.0%), and Barclays (-18.0%).
- The developed countries of the Pacific region showed relative strength versus the European region with the MSCI Pacific Index gaining +2.2% (+2.6% in local currencies) during the month of May. Japan advanced +2.5% (+3.6% local) as companies such as Takeda Pharmaceuticals (+10.2%), Sony (+9.4%), and Nippon Steel (11.7%) showed strength. Australia returned +2.3% (+1.1% local) due to strong gains by materials companies BHP Billiton (+4.1%), Fortescue Metals (+45.4%), and Woodside Petroleum (+17.7%). Energy was by far the leading sector in the Pacific with a May return of 14.9%. Pacific region financials (-2.1%) struggled as Mitsubishi UFJ (-6.7%), Hong Kong Exchange (-15.9%), and the Commonwealth Bank of Australia (-4.5%) all declined.

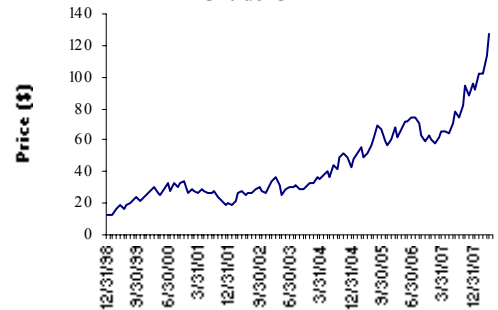
**EMERGING EQUITY MARKETS**

- The emerging markets countries performed better than the developed markets countries with the MSCI Emerging Markets Index achieving a +1.9% return in both U.S. dollars and local currencies. Six of the ten GICS sectors declined in May, but strong performance in energy (+10.8%) stocks buoyed the emerging markets index due to a run up in the price of oil. Materials stocks (+5.8%) benefited from a continued rise in commodities prices. Financials (-3.4%) retreated on poor performance by Kookmin Bank (-11.0%).
- Latin American countries again showed their strength during May with a large return of +9.4% (+6.5% in local currencies). Argentina (+15.9%) and Brazil (+11.5%) were the strongest countries within the region as their energy and materials stocks rose on rising commodities prices. Chile (-1.0%) and Peru (-0.3%) lagged due to struggles in their industrials and materials sectors.
- Asian emerging markets countries were weak in May as the region returned -4.1% (-2.6% in local currencies). Almost all countries in the region declined with Pakistan (-23.5%) and India (-10.1%) struggling the most. The lone bright spot of the region was Indonesia which gained +4.0% due to strong performance in its energy, industrial, and utilities sectors. All of the Asian sectors declined except materials (+1.9%). Financials (-8.4%) and telecomm services (-7.9%) were the worst performing sectors within the region.
- The European and Middle East countries were the leaders of the emerging markets in May rising +11.0% (+9.3% in local currencies) on exceptional performance by Russia (+16.2%) and the Czech Republic (+11.1%). All countries rose with the exception of Turkey which fell -3.1%. Russia's strong performance was attributed to its energy companies, particularly Gazprom (+15.7%) and Lukoil (+27.2%). The Czech Republic was boosted primarily by utility stock CEZ (+15.0%) and financial stock Komerční Bank (+10.5%).

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

	1 Mo.	3 Mos.	12 Mos.
EM	1.88	4.35	22.00
Latin America	9.38	16.09	44.30
Asia	-4.09	-3.12	12.75
Europe & M. East	10.96	12.08	31.44
South Africa	2.35	6.70	3.36

**Crude Oil**



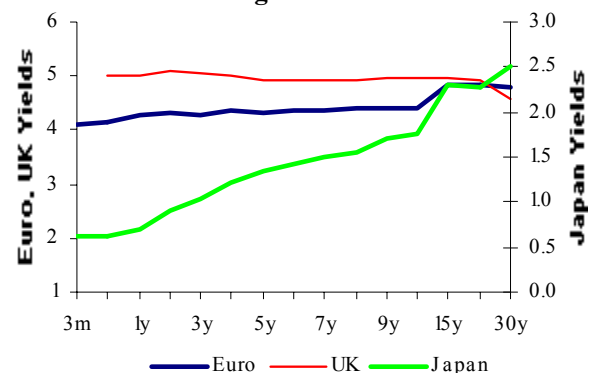
**Global Fixed Income Returns (unhedged, \$)**

	1 Mo.	3 Mos.	12 Mos.
WGBI	-1.47	-1.59	15.76
United States	-1.21	-2.22	9.32
Europe	-1.47	-0.39	17.87
Japan	-1.78	-3.36	16.67
United Kingdom	-1.77	-3.03	5.72
World BIG Ex-US	-1.39	-1.08	17.09
WGBI Non-U.S.	-1.53	-1.44	17.40
Agencies Ex-US	-1.33	-0.22	18.96
Collateralized Ex-US	-1.22	-0.16	17.53
Corporates Ex-US	-0.56	0.35	13.79
EMBI+	0.12	1.41	5.37

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

- The Bank of England (BOE) held their target rate steady at 5.00% citing increasing liquidity in the markets and narrowing of credit spreads. These positives are countered by a weakening U.K. economy and growing expectations of a rate cut by the end of 2008. The yield curve flattened as the 2-year and 5-year maturities increased by 51 and 66 bps, respectively while the 30-year yield increased by only 8 bps. Elsewhere, the European Central Bank (ECB) kept their target rate at 4% as they stayed hawkish on inflation. The European yield curve steepened by 14 bps to 72 bps as the yields on the 3-month and 30-year maturities rose by 5 and 19 bps, respectively. The biggest changes came in the belly of the curve where the yield on the 2- and 5- year maturities increased by 56 and 38 bps, respectively. The bank of Japan kept their benchmark rate steady at 0.50%. The Japanese yield curve steepened by 4 bps to a slope of 189 bps as the yield on the 30-year maturity increased 4 bps and the 3-month maturity remained steady. Larger increases were recorded in the belly of the curve where the 5- and 10-year maturities increased by 18 and 17 bps, respectively.
- The Citigroup World Government Bond Index (WGBI) returned -1.47% on an un-hedged basis as interest rates increased on inflation concerns and on dollar strength. Poland, Australia and Canada were the only positive sectors in the index returning 1.53%, 1.15% and 0.50% as their local bond markets performed relatively well and their currencies appreciated versus the U.S. dollar. The worst performing sector was Singapore which returned -3.58% on a rise in interest rates. Malaysia and Japan were impacted by the strengthening dollar and returned -3.05% and -1.78%, respectively.
- The J.P. Morgan EMBI+ Index returned 0.12% for the month. South American names such as Argentina and Columbia led the index returning 1.95% and 1.74%, respectively as political tensions in Venezuela eased. Indonesia continued to be the worst performer in the index, along with Ukraine and Mexico which returned -1.69%, -1.33% and -1.18%, respectively.

**Foreign Yield Curves**



STATISTICAL SUMMARY

As of May 31, 2008

EQUITY MARKETS

US Markets	Total Return			S&P 500 Sectors	Total		
	Month	3 Mos	YTD		Month	3 Mos	YTD
S&P 500	1.30	5.77	-3.80	Financial	-6.09	-2.69	-13.94
S&P 500/CG Growth	2.39	8.05	-2.29	Utilities	3.35	10.60	-2.02
S&P 500/CG Value	0.12	3.37	-5.44	Energy	3.45	11.67	6.44
S&P 400	5.29	12.24	3.37	Industrials	1.02	5.73	-1.63
Russell 1000	1.83	6.27	-3.17	Materials	4.80	9.27	7.15
Russell 1000 Growth	3.67	8.45	-2.00	Healthcare	2.02	-1.50	-8.37
Russell 1000 Value	-0.16	3.92	-4.43	Consumer Staples	1.40	4.53	-1.09
Russell 2000	4.59	9.43	-1.82	Consumer Discretionary	0.60	4.06	-1.29
Russell 2000 Growth	5.66	10.45	-3.15	Information Technology	5.61	13.98	-4.25
Russell 2000 Value	3.42	8.30	-0.26	Telecommunication Svcs	3.37	13.73	-6.55
NASDAQ Composite	4.69	11.32	-4.53				

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

Non-US Markets	Total Return			MSCI EAFE Sectors	Total		
	Month	3 Mos	YTD		Month	3 Mos	YTD
EAFE	0.97	5.33	-3.03	Financials	-4.17	4.31	-7.98
EAFE Growth	2.31	5.71	-1.41	Utilities	3.68	5.43	-1.52
EAFE Value	-0.40	4.94	-4.67	Energy	5.59	16.63	7.97
AC World Free Ex-US	1.73	5.66	-1.79	Industrials	3.74	6.29	-1.01
Japan	2.52	5.51	1.38	Materials	4.44	10.50	9.93
Pacific Ex-Japan	1.46	4.28	-4.62	Healthcare	1.62	0.95	-3.70
United Kingdom	-0.60	3.56	-5.30	Consumer Staples	-0.25	2.95	-3.49
Europe Ex-UK	0.92	6.29	-3.50	Consumer Discretionary	0.91	1.03	-8.02
Emerging Markets	1.88	4.35	-1.87	Information Technology	3.61	4.30	-4.41
				Telecommunication Svcs	1.88	0.15	-10.48

Sources: MSCI, Bloomberg, Vestek

FIXED INCOME MARKETS

Key Rates	U.S. Yields			Euro	Japan	U.K.
	3/31/2008	4/30/2008	5/31/2008			
Overnight	2.25	2.00	2.00	4.00	0.50	5.00
3- Month	1.33	1.39	1.89	4.09	0.61	N/A
2- Year	1.59	2.26	2.65	4.32	0.92	5.07
5- Year	2.44	3.01	3.43	4.30	1.34	4.94
10-Year	3.41	3.73	4.06	4.41	1.76	4.99

Sources: Merrill Lynch, Bloomberg

Sectors	Total Return %			Mod.Adj. Duration	Weighting Basis	
	Month	3 Mos.	YTD		Duration	MktVal
LB Universal	-0.62	-0.32	1.13	4.68	--	--
LB Aggregate	-0.73	-0.60	1.21	4.65	100.00%	100.00%
LB U.S. Government	-1.09	-1.84	1.47	4.68	31.70%	31.50%
LB U.S. Credit	-0.94	-1.33	0.05	6.21	31.90%	23.90%
LB Mortgage Backed	-0.53	0.12	1.99	3.66	30.40%	38.70%
LB Municipal Bond	0.61	4.69	1.16	7.74	--	--
LB U.S. TIPS	0.33	-1.85	3.30	7.74	--	--
ML US HY Master II	0.43	4.07	1.44	4.72	--	--

Sources: Lehman Brothers, Salomon Smith Barney, Bloomberg

Markets/Regions	U.S. Dollars %			Local Currency %		
	Month	3-Months	YTD	Month	3-Months	YTD
United States	-1.21	-2.22	1.39	---	---	---
WGBI	-1.47	-1.59	4.56	-1.13	-2.19	0.12
WGBI Non-US	-1.53	-1.44	5.32	-1.11	-2.18	-0.19
EMBI+	0.12	1.41	1.82	---	---	---
EMLI+ (local currency index)	1.68	4.40	7.88	0.54	1.46	2.55
Euro Zone	-1.51	-0.20	6.63	-1.33	-2.51	0.31
United Kingdom	-1.77	-3.03	-2.02	-1.55	-2.39	-1.31
Japan	-1.78	-3.36	4.72	-0.78	2.00	-1.05

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