

**U.S. ECONOMIC BACKGROUND**

The U.S. economy experienced several challenges during the third quarter including continued weakness in the housing market, rising unemployment, and uncertainty in the financial sector. America's housing market showed no signs of recovery. Housing starts were down from last quarter and housing inventories remained high. Unemployment data showed signs of further softening, as September's result ticked up to 6.1% in response to economic uncertainty. During the quarter, government sponsored entities Fannie Mae and Freddie Mac were placed into a conservatorship administered by the Federal Housing Administration; the Fed provided AIG with an \$85 billion two-year revolving credit facility; and Lehman Brothers declared bankruptcy. Late in the quarter, the House of Representatives voted down the financial rescue plan. Stocks collapsed in a frenzy of selling due to uncertainty about what the government would do to stabilize financial markets. The Producer Price Index, CPI (ex food and energy), and the CRB Index decreased, lessening fears of inflation. Manufacturing activity declined and business inventories increased, while durable goods orders declined. At the September meeting, the FOMC held the Fed Funds rate at 2.0%.

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

	1 Mo.	3 Mos.	12 Mos.
S&P 500	-8.91	-8.37	-21.98
S&P 400	-10.71	-10.87	-16.68
Russell 1000 Growth	-11.58	-12.32	-20.87
Russell 1000 Value	-7.35	-6.11	-23.57
Russell 2000	-7.97	-1.12	-14.49
Russell 2000 Growth	-11.30	-6.98	-17.07
Russell 2000 Value	-4.69	4.96	-12.25
NASDAQ Composite	-11.60	-8.59	-21.92

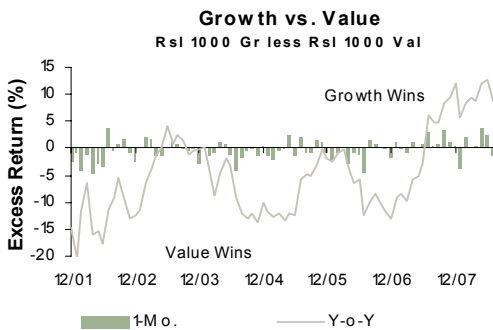
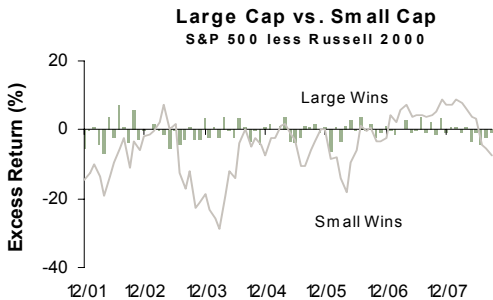
**U.S. EQUITY MARKETS**

- All major equity indices finished the quarter lower. The Dow suffered its biggest daily point decline in history, 777 points, and closed at its lowest level in three years. The S&P 500 had its worse decline since 1987. The NASDAQ Composite declined 8.6% to finish at 2,082; the S&P 500 fell 8.4% to end the quarter at 1,165; and the Dow Jones Industrial Average fell 3.7% to end the quarter at 10,851. On a year-to-date basis, the NASDAQ Composite (-20.6%) trails the S&P 500 (-19.3%) and the Dow Jones Industrial Average (-16.6%). The instability felt in the market was intensified by continued economic concern centering on the U.S. financial sector.

- The quarter ended with significant differentiation in performance across market capitalization segments. Investors found refuge in small cap stocks. The small cap Russell 2000 Index declined 1.1%, the Russell 1000 Index lost 9.4%, and the Russell Midcap Index lost 12.9%.

- For the third quarter, according to the Russell indices, value stocks outperformed their growth counterparts across the market capitalization range. The largest disparity between styles was among small caps, where small value outperformed small growth by 1194 basis points (+5.0 % vs. -7.0%). The competition was tightest among large caps where value outperformed growth by 621 basis points (-6.1% vs. -12.3%), followed by mid caps where value outperformed its growth counterpart by 1023 basis points (-7.5% vs. -17.8%).

- Seven of the ten GICS sectors posted negative returns during the third quarter with Energy (-24.6%), Materials (-22.5%), and Information Technology (-11.9%) experiencing large losses; Consumer Staples (+4.8%) and Financials (+0.8%) posted gains. Energy stocks had the largest negative impact on the S&P 500 return where noteworthy contributors included Exxon (-11.4%), Schlumberger (-27.2%), and Chevron (-16.2%). Energy stocks declined as crude oil prices plummeted to the \$90/barrel level in mid September. Materials stocks, such as Freeport McMoran (-51.3%), were hurt by declining commodity prices. Within Information Technology, Apple (-32.1%) and Google (-23.9%) fell on macroeconomic factors including the fear of decreased consumer spending. Consumer Staples provided some reprieve for investors as Procter & Gamble (+15.3%) and PepsiCo (+12.8%) held their ground during turbulent market conditions. Within Financials, Bank of America (+49.5%), Wells Fargo (+59.8%), and JP Morgan Chase (+37.6%) were rewarded for their strong balance sheets.



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

	1 Mo.	3 Mos.	12 Mos.
Financial	-4.88	0.82	-39.31
Utilities	-11.41	-18.01	-14.27
Energy	-11.97	-24.65	-14.33
Industrials	-11.89	-8.55	-24.68
Materials	-17.04	-22.48	-21.45
Healthcare	-6.26	0.49	-12.23
Consumer Staples	-1.29	4.80	0.72
Consumer Discretionary	-7.80	-0.66	-22.41
Information Tech	-12.72	-11.93	-23.39
Telecom Svcs	-12.61	-14.79	-33.12

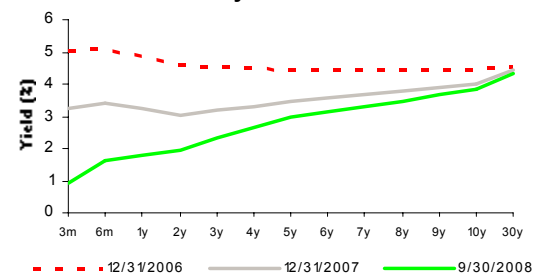
U.S. FIXED INCOME MARKETS

- Interest rates declined and the yield curve steepened as investors sought safe haven in short term Treasuries and liquidity dried up across markets. The financial crisis was most severe near the end of the quarter as several big banks and brokers failed. While the Fed Funds Rate remained unchanged at 2.00%, the Fed and other Central Banks were actively injecting liquidity into the banking system to stabilize markets. Interest rates on the 3-month Treasury declined by 82 bps to yield 0.92% while the 30-year Treasury declined 22 bps to 4.31% causing the yield curve (as measured by the 3-month to 30-year maturities) to steepen by 61 bps to a slope of 339 bps. Interest rates on the 2-, 5-, and 10-year Treasuries declined by 65, 35, and 14 bps, respectively. Swap spreads widened significantly on the short end of the curve. At month end, swap spreads on the 2-, 5-, and 10-year maturities were 148 bps, 110 bps, and 66 bps, respectively.
- The Lehman Aggregate Index returned -0.49% (-263 bps versus comparable Treasuries). U.S. Credit was the worst performing sector with a -6.38% return (-884 bps excess), as investors demanded extra compensation for corporate credit risk. Financials and long corporate bonds were particularly hard hit. New supply was priced at steep discounts and most scheduled deals were delayed. Higher quality outperformed lower quality with AAA, AA, A, and BBB-rated issues returning -1.13%, -4.97%, -10.05%, and -4.85%, respectively. U.S. Agency securities returned 1.08% (-83 bps excess) as the stronger implicit government guarantee kept prices from a free fall. The U.S. Government/Credit Index returned -1.64% (-393 bps excess).
- Securitized sectors returned 0.92% (-104 bps excess). MBS performed well returning 1.87% (-5 bps excess) as yield spreads on Fannie Mae and Freddie Mac tightened on the heels of the U.S. Treasury's plan to provide financial backing, resulting in strong returns of 2.12% (17 bps excess) for Fannie and 2.03% (6 bps excess) for Freddie. GNMA's, the only segment to have an explicit government guarantee, widened to the levels of the GSEs, returning 1.73% (-26 bps excess). The worst performing securitized sector was CMBS, returning -5.83% (-809 bps excess) on concerns about the economy and forced asset sales. Asset-Backed Securities returned -3.72% (-569 bps excess); particularly hard hit was the credit card receivables segment which returned -4.51% (-667 bps excess).
- The Merrill Lynch High Yield Master II Index returned -9.48%, with most of the decline coming in September when the floor fell out from under equity markets. The high profile default of Washington Mutual, which left bond investors empty-handed, caused further technical pressure. Mortgage Banks & Thrifts was the worst performing industry (-59.4%) followed by Telecom Equipment (-24.3%), Consumer Leasing (-22.7%), and Auto Finance (-18.7%). High quality outperformed with BB, B, and CCC-rated sectors returning -7.2%, -10.2%, and -12.49%, respectively. During the quarter, the yield on the Index increased 282 bps to 13.77%, and the option adjusted spread increased 338 bps to 1,081 bps.
- The Lehman Brothers Municipal Bond Index returned -3.21% as technical pressures mounted, causing states to pull their municipal auctions late in the quarter. Safest issues performed best with Pre-refunded returning 0.63%, followed by GO (-2.4%), Insured (-4.0%), and Revenue bonds (-4.5%).
- U.S. TIPS returned -3.54%, as real yields increased, and inflation concerns ebbed on negative economic news. The breakeven spread, which is a gauge of the market's expectation for future inflation, declined by 96 bps to 1.59% on the 10-year maturity.

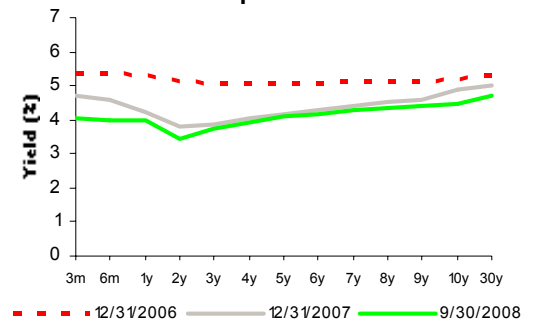
U.S. Fixed Income Returns (%)

	1 Mo.	3 Mths.	12 Mths.
LB Aggregate	-1.34	-0.49	3.65
LB US Government	0.45	1.92	7.90
LB US Credit	-6.57	-6.38	-4.79
LB Mortgage Backed	0.75	1.87	7.02
LB Asset Backed	-2.60	-3.72	-7.04
ML US HY Master II	-8.30	-9.48	-11.68

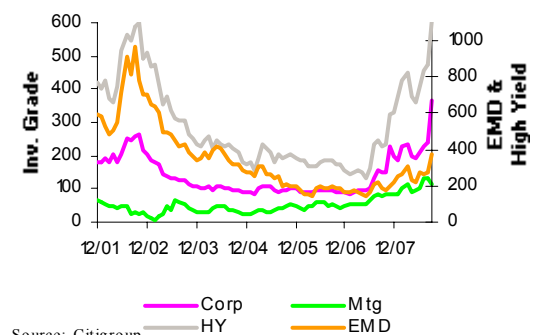
Treasury Yield Curve



Swap Curve



Sector Spreads



Source: Citigroup

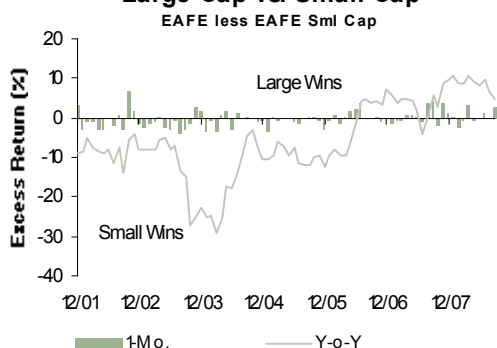
**NON-U.S. ECONOMIC BACKGROUND**

The third quarter was one of the worst quarters in recent years for markets around the world as fears of a global economic recession began to become a reality. Expected growth rates for 2008 continue to be revised downward by major economies such as Japan, France, and Australia. Exports from Japan to the U.S. fell a record 22% in August, reversing Japan's trade surplus to a trade deficit. The eurozone economies experienced their fourth consecutive month of contraction in August. Fortis received \$16 billion from the Belgian, Dutch, and Luxembourg governments in exchange for a 49% stake in the firm to help ward off the largest European bank failure yet. The U.K. nationalized Bradford & Bingley, and Iceland purchased a 75% stake in Glitner Bank. Commodity prices fell dramatically as speculators feared that global demand will be severely dampened by a recession. Oil prices peaked above \$145/barrel in early July before tumbling to near \$90/barrel by mid September.

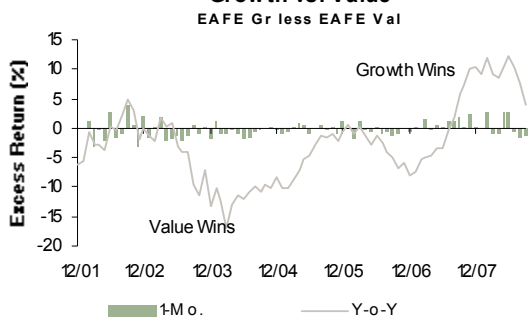
**MSCI Non-U.S. Equity Returns (\$)**

	1 Mo.	3 Mos.	12 Mos.
EAFE	-14.46	-20.56	-30.50
AC World Free Ex-US	-14.99	-21.84	-29.97
Japan	-11.21	-17.65	-26.93
Pacific Ex-Japan	-17.09	-25.20	-35.07
United Kingdom	-14.85	-20.97	-31.53
Europe Ex-UK	-15.19	-20.68	-30.63

**Large Cap vs. Small Cap**



**Growth vs. Value**



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

	1 Mo.	3 Mos.	12 Mos.
Financial	-12.58	-17.10	-37.21
Utilities	-11.15	-16.44	-14.90
Energy	-18.36	-30.50	-24.67
Industrials	-18.11	-24.74	-34.84
Materials	-27.28	-39.41	-38.23
Healthcare	-8.81	-8.08	-14.11
Consumer Staples	-6.15	-9.13	-16.28
Consumer Discretionary	-12.76	-16.32	-33.24
Information Tech	-17.66	-21.37	-36.94
Telecom Svcs	-10.68	-16.80	-25.42

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

- The developed markets outside the U.S. declined sharply during the third quarter, particularly in September, with the MSCI EAFE Index returning -20.6% in U.S. dollars and -13.0% in local currencies. The U.S. dollar strengthened versus other major world currencies as slowing consumption by the U.S. consumer has reduced the outflow of U.S. dollars. The euro plummeted to 1.3998 before closing the quarter at 1.4092; the British pound fell to 1.7530 before finishing at 1.7805; the Canadian dollar dropped to 1.0752 with a close of 1.0644; and the Australian dollar ended the quarter lower at 0.7924. The Japanese yen, although volatile, was much more resilient against the U.S. dollar. The yen finished the quarter at 106.11, near where it started, as the banking system in Japan was not as exposed to the credit and mortgage crises.
- No capitalization segment was immune to the sell-off in the global markets, although larger stocks fared slightly better. The MSCI EAFE Large Cap Index lost 20.3%, the MSCI EAFE Mid Cap Index declined 21.8%, and the MSCI EAFE Small Cap Index slumped 24.0%, showing that investors had no bias for which stocks they were abandoning.
- Both value- and growth-oriented stocks suffered during the third quarter, although growth stocks experienced modestly more selling than their value equivalents. The MSCI EAFE Value Index dropped 19.1% while the MSCI EAFE Growth Index fell 21.9%.
- There were no safe havens in terms of sector performance as all 10 GICS sectors fell during the third quarter. The recent favorites of Energy (-30.5%) and Materials (-39.4%) pulled back dramatically as investors feared that a looming worldwide recession would cause a marked decline in the global demand for commodities, even from the still growing economies of China and India. Financials (-17.1%) continued their extended downfall due to credit- and mortgage-related issues that were much worse than previously considered. Health Care (-8.1%) and Consumer Staples (-9.1%), two traditionally defensive sectors, fared best in the third quarter as most investors held on to companies with stable cash flows and healthy balance sheets.
- In Europe, all country markets fell in double-digits, some more than 25%, as continued troubles in credit and mortgage markets took their toll on European economies. The MSCI Europe Index returned -20.8% in U.S. dollars and -11.3% in local currencies. The largest European markets of the United Kingdom (-21.0%), Germany (-20.6%), and France (-18.9%) all experienced sell-offs while the smaller Austrian (-41.2%), Irish (-42.2%), and Norwegian (-40.7%) markets tumbled dramatically due to weakness in their Financials or Energy sectors. UK Financials (-11.5% U.S.\$, -1.1% local) were surprisingly resilient as firms such as HSBC (+5.2%) and Barclays (+4.0%) rose on positive acquisition news.

- Pacific region developed markets were battered during the third quarter as falling commodity prices, a stronger U.S. dollar, and weakening global demand weighed on the export driven region. The MSCI Pacific Index returned -20.1% in U.S. dollars and -16.6% in local currencies. Australia (-26.6%), with its heavy reliance on metals and mining, was hit the hardest while Japan (-17.7%) was somewhat buoyed by the strength of its Financials which, as a whole, were not as affected by credit and housing market woes to the same extent as the U.S. and Europe. Across the region, the Utilities (-3.5%) and Health Care (-5.0%) sectors provided relative safety as companies like Eisai (+10.7%) and Hong Kong Electric (+5.7%) rose for the quarter.

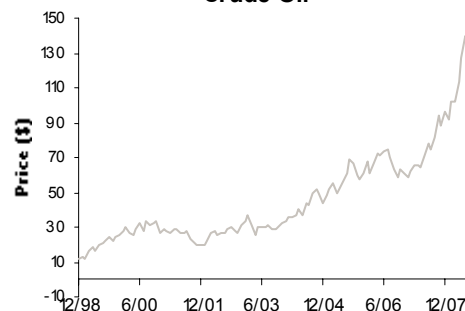
### EMERGING EQUITY MARKETS

- Global emerging markets were more negatively impacted by the global economic downturn than the developed markets during the third quarter. The MSCI Emerging Markets Index returned -26.9% in U.S. dollars and -20.8% in local currencies as the countries that are heavily dependant on the Energy (-36.8%) and Materials (-40.8%) sectors saw their valuations plummet due to slowing demand. Companies such as Gazprom (-45.1%), Petrobras (-38.3%), and Lukoil (-40.4%) experienced some of the sharpest declines. The smallest sector of the emerging markets, Health Care (-5.7%), performed the best while the largest sector, Financials (-18.7%), fared better than others as several firms saw a double-digit rise in their share prices as interest rates continued to rise in most emerging market countries.
- The Latin American region was severely affected by the fall in energy and other commodity prices. The MSCI EM Latin America Index lost almost one-third of its value (-32.6% U.S., -21.9% local) during the third quarter. The Brazilian market (-37.9%), which is dominated by Energy and Materials companies, struggled significantly as mega cap stocks like Petrobras and Cia Vale Rio Doce (-47.5%) lost one-third to one-half of their value. The Mexican market (-18.7%) fared better during the quarter on the relative strength of their Consumer Staples (-13.0%) and Telecom Services (-11.1%) companies.
- The Asian emerging markets, although not as reliant on commodities production as other regions, also faltered during the third quarter with the MSCI EM Asia Index returning -23.0% in U.S. dollars and -17.9% in local currencies. China (-25.2%) saw its three largest sectors (Financials, Telecom Services, and Energy) fall at least 18% while Korea (-24.2%) saw its three largest sectors (Information Technology, Industrials, and Financials) fall at least 25%. India's (-13.9%) market did not decline as much as its neighbors due to positive news for its Financials (-6.4%) companies like Axis Bank (+9.3%), where the Indian government announced that it is reducing its stake, and HDFC Bank (+12.3%), the country's leading automobile financier.
- The European and Middle Eastern emerging markets fared the worst during the third quarter as the MSCI EM Europe & Middle East Index returned -33.1% in U.S. dollars and -29.7% in local currencies. Energy-driven Russia (-45.3%) saw a substantial collapse in investor confidence, causing the RTS and Micex stock exchanges to halt trading and/or close down twice in September. Israel (-15.3%) fared better due to strength in Health Care company Teva Pharmaceuticals (-1.0%), while Poland (-15.4%) and Turkey (-0.7%) were supported by their Financials sectors.

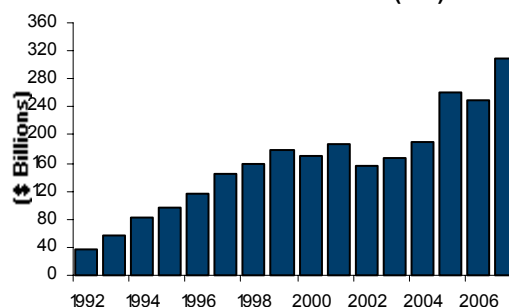
MSCI Emerging Market Equity Returns (\$)

	1 Mo.	3 Mos.	12 Mos.
EM	-17.49	-26.86	-33.01
Latin America	-19.58	-32.57	-21.05
Asia	-16.56	-22.95	-39.71
Europe & M. East	-18.49	-33.08	-29.13
South Africa	-14.89	-16.53	-24.85

Crude Oil



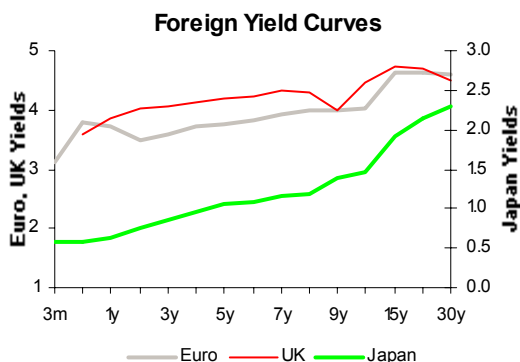
Emerging Market Private Direct Investment (net)



Source: IMF

Global Fixed Income Returns (unhedged, \$)

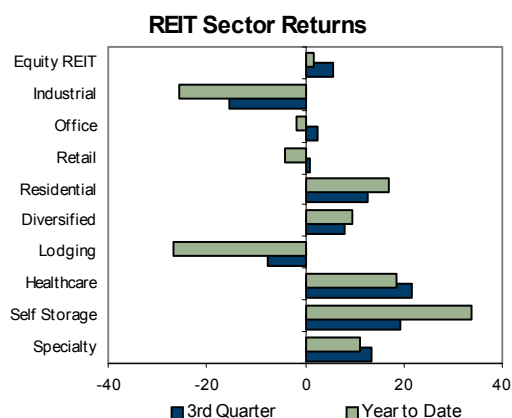
	1 Mb.	3 Mbs.	12 Mbs.
WGBI	-1.19	-2.97	5.90
United States	0.67	2.35	8.78
Europe	-3.83	-7.29	1.97
Japan	1.96	0.86	10.92
United Kingdom	-2.21	-6.18	-6.52
World BIG Ex-US	-1.94	-3.36	4.11
WGBI Non-U.S.	-1.65	-4.26	5.16
Agencies Ex-US	-3.96	-7.62	2.63
Collateralized Ex-US	-4.76	-9.13	0.24
Corporates Ex-US	-7.69	-11.69	-4.85
EMBI+	-6.71	-4.56	-2.63



NON-U.S. FIXED INCOME MARKETS

- The Bank of England (BOE) kept its benchmark rate at 5.00% throughout the quarter trying to balance concerns over inflation and growth. As the quarter ended, the BOE conceded that it will be necessary to reduce rates in the latter part of the year as concerns over growth became more pronounced. The yield curve steepened with the 2-, 5-, 10-, and 30-year maturities declining by 121 bps, 98 bps, 68 bps, and 18 bps, respectively. The European Central Bank (ECB) raised its target rate by 25 bps in July to 4.25%, citing concerns over inflation. However, by September the economic data showed that GDP for the continent retracted and the ECB announced that rate cuts were imminent. The slope on the European yield curve steepened by 93 bps during the quarter as short rates declined. The Bank of Japan held rates steady at 0.50%, and the yield curve flattened by 11 bps to a slope of 170 bps, as measured by the 3-month to 30-year maturity. The largest move was in the belly of the curve where the 5-year and 10-year maturities declined by 13 bps each.
- The Citigroup World Government Bond Index posted a return of -2.97% on an unhedged basis, as an extreme flight to quality caused the dollar to rally against most currencies. The United States was the best performing country, returning 2.35% for the quarter. The most notable laggards impacted by currency weakness were Australia and Norway which returned -12.0% and -9.3%, respectively, despite posting strong returns in their home markets. Eurozone countries returned -7.4%, as the dollar hit a one-year high against the euro at the close of the quarter.
- The J.P. Morgan EMBI+ Index returned -4.56% over the quarter as investor risk aversion and flight to quality flows favored the debt of more developed nations. Argentina was the hardest hit country as political turmoil and uncertainty about its solvency led to a -24.4% return. Ecuador followed suit returning -20.3% as uncertainty about its dollarization program added to the general investor risk aversion. The best performing country was Turkey which returned 3.01% as inflation slowed and the economy strengthened.

REAL ESTATE (REITs)

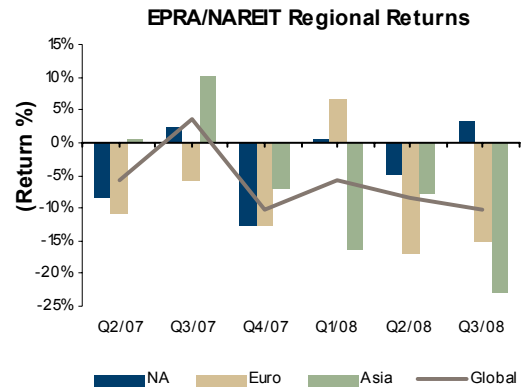


Source: NAREIT Equity Index

- With the deteriorating credit markets and fears of a weaker economy negatively impacting the broader equity markets, U.S. REITs held up relatively well during the third quarter, outperforming the broader market indices over that time period. The FTSE/NAREIT Equity REIT Index generated a positive total return for the quarter (+5.6%) and year to date (+1.8%). U.S. REITs gained 3.5% in July, 2.2% in August, and declined only modestly (-0.2%) in September.
- Although U.S REITs performed well overall in the quarter, there was significant disparity in performance among the various sectors. Within the U.S., the top performing property sectors included “defensive” REITs such as Healthcare (+21.7%) and Specialty (+13.4%), and also Storage (+19.3%). Residential REITs also added to the Index, up 12.7% for the quarter. The weakest performing sectors continued to be Industrial (-15.4%) and Hotel (-7.6%); both sectors are experiencing the effects of a weakening global economy. Performance was mixed within the Retail sector (+1.0%), as shopping centers gained (+10.9%) and regional malls lagged (-9.0%). Although office REITs ended the quarter in positive territory (+2.5%), the events of September significantly impacted this sector which was the worst performing sector during the month (-7.7%).

**REAL ESTATE (REITs) continued**

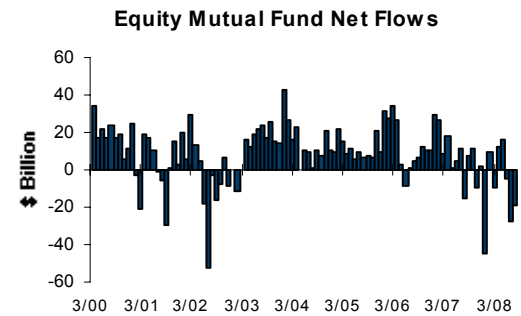
- Although global real estate securities did not perform nearly as well as those in the U.S., with the FTSE/EPRA NAREIT Global Real Estate Index (in USD) ending the quarter down (-10.4%), they did outpace broader World equity indices. Due to the strong performance of U.S. REITs, the North American region (+3.2%) added to the Index, while Europe (-15.0%) and Asia (-22.9%) proved to be significant detractors during the quarter. Non-U.S. real estate markets are facing similar issues as is the U.S market, as uncertainty in the global financial markets remained high and the credit markets deteriorated further. However, negative sentiment towards non-U.S. REITs has been far more severe than towards those in the U.S., particularly towards the end of the quarter; real estate securities were down materially in Asia (-17.7%) and in Europe (-11.1%), but down more modestly (-1.6%) in North America during the month of September.
- Although property fundamentals are beginning to deteriorate in some sectors/regions, negative sentiment related to the capital markets has been the main driver of weak REIT performance recently, especially abroad. However, across the globe, real estate companies with high leverage or unfunded development commitments have experienced the most significant declines, in addition to companies with greater exposure to local markets with deteriorating fundamentals. Prolonged economic weakness will continue to take a toll on real estate, including REITs.



Source: FTSE EPRA/NAREIT (Data as of 6/30/08)

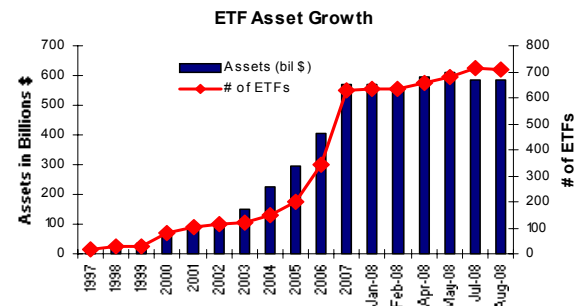
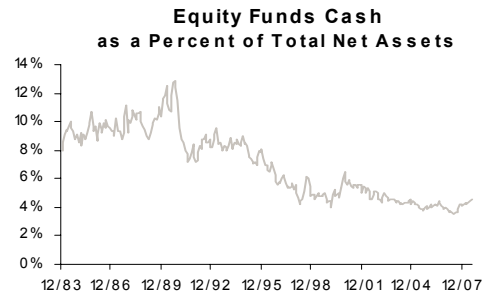
**MUTUAL FUNDS**

- The combined assets of U.S. mutual funds decreased by \$101 billion, to \$11.58 trillion, in July and August of 2008. Stock funds posted an outflow of \$46 billion. Among stock funds, world equity funds (U.S. funds that invest primarily overseas) posted an outflow of \$25.3 billion, while domestic equity funds had an outflow of \$21.6 billion. Hybrid funds experienced outflows of roughly \$1.8 billion. Taxable bond funds had inflows of \$4.8 billion, while municipal bond funds added \$4.9 billion and money market funds added \$108 billion.



**EXCHANGE TRADED FUNDS**

- Total assets for exchange-traded funds (ETFs) were \$586 billion in August, according to the Investment Company Institute (ICI). At the end of August there were 707 ETFs: 429 domestic equity (\$389 billion), 211 global/international equity (\$147 billion), 6 hybrid (\$175 million), and 61 bond (\$49 billion). Assets of all ETFs rose in July and August by \$8 billion. Investors added nearly \$18.4 billion to domestic equity. Global/international equity posted an outflow of \$15 billion. Over the past 12 months ending August, ETF assets increased by \$79 billion, or 16%.



Source: Investment Company Institute

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

**STATISTICAL SUMMARY**

As of September 30, 2008

**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	-8.91	-8.37	-19.29	Financial	-4.88	0.82	-29.15
S&P 500/CG Growth	-10.15	-11.24	-18.40	Utilities	-11.41	-18.01	-20.28
S&P 500/CG Value	-7.48	-4.97	-20.21	Energy	-11.97	-24.65	-17.96
S&P 400	-10.71	-10.87	-14.34	Industrials	-11.89	-8.55	-21.04
Russell 1000	-9.53	-9.35	-19.51	Materials	-17.04	-22.48	-21.51
Russell 1000 Growth	-11.58	-12.32	-20.26	Healthcare	-6.26	0.49	-12.19
Russell 1000 Value	-7.35	-6.11	-18.86	Consumer Staples	-1.29	4.80	-3.01
Russell 2000	-7.97	-1.12	-10.39	Consumer Discretionary	-7.80	-0.66	-13.80
Russell 2000 Growth	-11.30	-6.98	-15.28	Information Technology	-12.72	-11.93	-23.45
Russell 2000 Value	-4.69	4.96	-5.37	Telecommunication Sv	-12.61	-14.79	-29.53
NASDAQ Composite	-11.60	-8.59	-20.64				

Sources: Standard &amp; 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	-14.46	-20.56	-29.26	Financials	-12.58	-17.10	-33.79
EAFE Growth	-15.06	-21.92	-28.28	Utilities	-11.15	-16.44	-21.37
EAFE Value	-13.85	-19.14	-30.28	Energy	-18.36	-30.50	-27.10
AC World Free Ex-US	-14.99	-21.84	-29.54	Industrials	-18.11	-24.74	-32.22
Japan	-11.21	-17.65	-22.21	Materials	-27.28	-39.41	-35.98
Pacific Ex-Japan	-17.09	-25.20	-33.97	Healthcare	-8.81	-8.08	-11.85
United Kingdom	-14.85	-20.97	-29.85	Consumer Staples	-6.15	-9.13	-20.58
Europe Ex-UK	-15.19	-20.68	-30.95	Consumer	-12.76	-16.32	-30.79
Emerging Markets	-17.49	-26.86	-35.37	Information	-17.66	-21.37	-31.81
				Telecommunication	-10.68	-16.80	-30.17

Sources: MSCI, Bloomberg, Vestek

**FIXED INCOME MARKETS**

<u>Key Rates</u>	<u>U. S. Yields</u>			<u>Euro</u>	<u>Japan</u>	<u>U.K.</u>
	<u>7/31/2008</u>	<u>8/31/2008</u>	<u>9/30/2008</u>			
Overnight	2.00	2.00	2.00	4.25	0.50	5.00
3- Month	1.67	1.72	0.92	3.13	0.59	N/A
2- Year	2.52	2.38	1.97	3.48	0.76	4.01
5- Year	3.24	3.10	2.98	3.77	1.05	4.20
10-Year	3.95	4.43	3.83	4.02	1.47	4.45

Sources: Merrill Lynch; Bloomberg Financial Market

<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	-1.87	-1.16	-0.34	4.49	--	--
LB Aggregate	-1.34	-0.49	0.63	4.47	100.0%	100.0%
LB U.S. Government	0.45	1.92	4.02	4.72	34.4%	32.6%
LB U.S. Credit	-6.57	-6.38	-6.83	5.88	29.0%	22.0%
LB Mortgage Backed	0.75	1.87	3.84	3.51	31.5%	40.1%
LB Municipal Bond	-4.69	-3.21	-3.19	8.07	--	--
LB U.S. TIPS	-3.83	-3.54	1.17	4.21	--	--
ML US HY Master II	-8.30	-9.48	-10.64	4.31	--	--

Sources: Lehman Brothers, SSB/Citi

<u>Markets/Regions</u>	<u>U.S. Dollars %</u>			<u>Local Currency %</u>		
	<u>Month</u>	<u>3-Months</u>	<u>YTD</u>	<u>Month</u>	<u>3-Months</u>	<u>YTD</u>
United States	0.67	2.35	4.63	---	---	---
WGBI	-1.19	-2.97	1.91	0.32	2.76	2.85
WGBI Non-US	-1.65	-4.26	1.20	0.23	2.85	2.42
EMBI+	-6.71	-4.56	-5.17	---	---	---
EMLI+ (local currency index)	-3.80	-5.10	3.20	0.42	1.55	4.66
Euro Zone	-4.05	-7.44	-0.98	0.57	3.83	3.06
United Kingdom	-2.21	-6.18	-8.05	0.07	4.75	2.69
Japan	1.96	0.86	6.30	-0.26	1.01	1.02

Sources: Lehman Brothers, Citigroup, JP Morgan, Bloomberg Financial Markets

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