

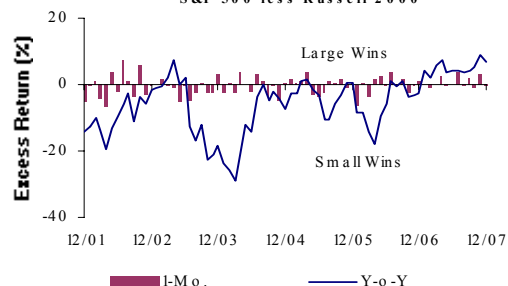
U.S. ECONOMIC BACKGROUND

Despite a plummeting housing market, the subprime lending crisis, consumer woes, and record oil prices, the U.S. economy reported GDP annualized growth of 4.9%. Economic activity was lifted by a weak dollar that fostered a spike in export sales which, along with consumer spending, provided momentum for sustained growth in 2007. Inflation fears were sparked by rising oil prices and high food costs that began to put pressure on the consumer in the fourth quarter as consumer confidence plummeted to a record low and consumer spending began to subside. The Fed was reactive throughout the year, providing support for easing monetary policy and ending the year by cutting rates for the third time to 4.25%. Housing concerns became a more chronic condition in 2007 as home prices fell to record levels while delinquency levels rose. Risk aversion continued to cast its shadow on the economy as banks became reluctant to lend due to the subprime crisis that was the catalyst behind the year's credit crunch. Unemployment held steady for most of the year before ticking up from 4.5% to 4.7% in the fourth quarter.

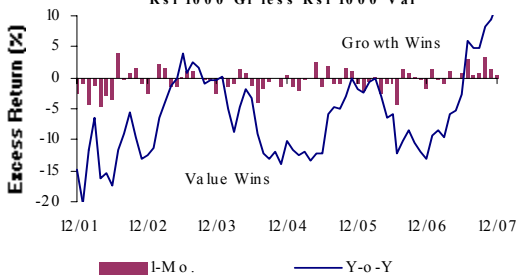
U.S. Equity Returns (%)

	1 Mo.	3 Mos.	12 Mos.
S&P 500	-0.69	-3.33	5.49
S&P 400	-0.19	-2.73	7.98
Russell 1000 Growth	-0.36	-0.76	11.82
Russell 1000 Value	-0.97	-5.80	-0.18
Russell 2000	-0.06	-4.57	-1.55
Russell 2000 Growth	0.63	-2.11	7.04
Russell 2000 Value	-0.85	-7.28	-9.77
NASDAQ Composite	-0.27	-1.63	10.65

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	-5.43	-14.33	-18.63
Utilities	0.26	7.55	19.35
Energy	7.33	4.42	34.42
Industrials	-0.59	-4.62	12.05
Materials	1.09	0.08	22.56
Healthcare	-3.03	-0.04	7.18
Consumer Staples	-0.95	3.85	14.16
Consumer Discretionary	-4.79	-9.99	-13.17
Information Tech	1.52	0.08	16.31
Telecom Svcs	3.16	-5.09	11.95

U.S. EQUITY MARKETS

- Volatility set in early as the markets were agitated by subprime concerns in the first quarter, then rattled continuously throughout the year on housing-related fears and a mid-year credit crisis. As risk aversion set in quickly, investors focused on higher quality investments, helping to lift large cap blue chip stocks. The DJIA finished the year at 13,264, up 8.9% on the year while the broader S&P 500 rose 5.6% to 1468. The NASDAQ was up 10.7% for the year, ending at 2652, as technology stocks crawled back from the burst of the growth bubble. Reflective of increased uncertainty about what lies ahead, all of the equity indices declined in the fourth quarter, a period when stocks usually rise. Oil prices climbed over 50% in 2007, ending the year over \$95/barrel. The markets responded strongly to the Fed's latest rate cut with all major market indices trending down sharply; investors expected a more aggressive cut to help stimulate the economy and prevent recession.
- According to the Russell indices, growth stocks outperformed value stocks in 2007 by a double digit spread at every capitalization range, a complete reversal from 2006. The broad market Russell 3000 Growth Index for the first time since 1999 outpaced the Russell 3000 Value Index. The growth Index gained 11.4% for 2007, while the value Index lost 1%. The best performing benchmark was the Russell Top 200 Growth Index (+12.2%), which also led all other U.S. market segments for the fourth quarter. The smallest value stocks, as represented by the Russell Microcap Value Index (-13.1%), turned in the worst performance for the year.
- Among capitalization segments, mega-cap stocks led the market in 2007; at the opposite end of the capitalization spectrum, microcap lagged. Given the credit crunch and a declining dollar, investors benefited from positioning in larger companies with international sources of revenue. The Russell Top 200 Index gained 5.9%, beating the Russell Midcap Index by 31 basis points. The large cap Russell 1000 Index had a 5.8% gain for the year, outpacing the small cap Russell 2000 Index (-1.6%) that had been the previous market darling in the 2000s.
- Eight of the ten S&P 500 sectors posted positive returns during the year with Energy (+34.4%), Materials (+22.6%), and Utilities (+19.4%) posting the largest gains. Financials (-18.6%) and Consumer Discretionary (-13.2%) were the only sectors to post negative returns. Energy stocks had the largest impact on the S&P 500, as names like Schlumberger (+57.1%), Chevron (+30.6%), and Exxon Mobil (+24.3%) were buoyed by rising energy prices. Within Materials, Monsanto (+114.5%) and Freeport-Mcmoran Coppercom (+86.9%) contributed the most. Performing well within Information Technology were Apple (+133.5%), Google (+50.2%), and Intel (+34.2%). Within Utilities, the largest contributors were Public SVC Enterprise (+52.1%) and Constellation Energy (+51.9%). Financials suffered the most as 67 of the 99 related stocks posted negative returns. Selling in financial stocks was prompted by massive writedowns by Washington Mutual (-68.3%), Citigroup (-44.7%), and Merrill Lynch (-41.3%). Representing the face of direct subprime lending, Countrywide Financial fell 78.4%. Within Consumer Discretionary, Comcast (-35.3%) and Home Depot (-31.1%) suffered.

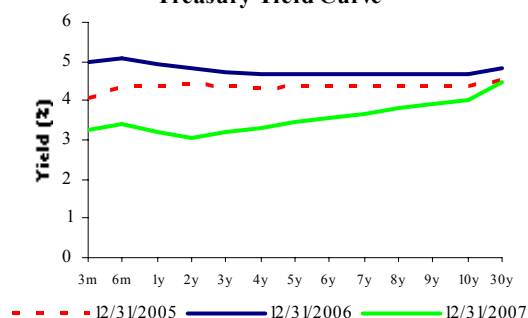
U.S. FIXED INCOME MARKETS

- Interest rates declined and the yield curve steepened as continued weakness in housing and credit market conditions, in addition to heightened concern about the risks to the overall economy, led to two more 25 basis point interest rate cuts by the Federal Reserve. In an extraordinary, coordinated effort by central banks to add liquidity into the global banking system, \$40 billion in short term funds were made available to banks through the Term Auction Facility. During the quarter, interest rates on the 3-month Treasury declined by 56 bps while rates on the 2-, 5-, 10-, and 30-year Treasuries declined by 94, 81, 56, and 39 bps, respectively. The yield curve steepened by 17 bps to a slope of 120 bps, as measured by the 3-month and 30-year Treasuries. Swap spreads widened by 7-9 bps on the 2- and 5-year maturities. At year's end, swap spreads on the 2-, 5-, and 10-year maturities were 74 bps, 72 bps, and 62 bps, respectively.
- The Lehman Aggregate Index produced a 3.00% return for the quarter and 6.97% for the year as interest rates declined. Quality reigned king as Treasuries returned 3.96% for the quarter and 9.01% for 2007, outperforming all other investment grade bond segments on concern over an economic slowdown, investor risk aversion, and flight to quality flows. U.S. Credit returned 2.19% for the quarter, underperforming comparable duration Treasuries by 236 bps on weakness in earnings, difficulties in the financial sector, and a heavy new issuance calendar. As one would expect in a market gripped by risk aversion, higher quality issues outperformed lower quality. AA rated issues returned 2.36% (-196 bps excess) followed by A and BBB rated segments that returned 1.97% (-267 bps excess) and 1.90% (-286 bps excess), respectively. U.S. Agency securities returned 3.22% (-7 bps excess) for the quarter while the U.S. Government/Credit Index returned 3.10% (-97 bps excess).
- Securitized sectors returned 2.88% (-54 bps excess) for the quarter, dragged down by significant illiquidity and spread widening in the mortgage credit segments of the market. Mortgage Backed Securities returned 3.06% (-21 bps excess) on general risk aversion, increased volatility, convexity hedging, and ample supply. The mortgage credit segments (ABS and CMBS) saw significant weakness during the quarter as subprime mortgage market difficulties, investor risk aversion, and forced selling into an illiquid market weighed heavily. Specifically, the Asset Backed Securities (ABS) segment was the worst performing sector for the quarter returning -0.76% (-408 bps excess) dragged down by significant pressure on home equity ABS (subprime mortgages), which returned -8.72% (-1223 bps excess). The Commercial Mortgage Backed Securities (CMBS) segment returned 2.25% (-217 bps excess) for the quarter.
- The Merrill Lynch High Yield Master II Index returned -1.16% for the quarter on equity market weakness, persistently negative headlines, the new issue calendar backlog, and concern over the increasing risk of recession. Higher quality outperformed lower quality issues. Specifically, BB rated issues returned -0.54% while B and CCC rated issues returned -0.77% and -3.33%, respectively. Industries that had the worst returns included issuers in the finance, brokerage, building and construction industries. During the quarter, the yield to worst on the Index increased by 104 bps to 9.62% while the option adjusted spread increased by 176 bps to 592 bps.
- The Lehman Brothers Municipal Bond Index returned 1.37% for the quarter as interest rates declined. Higher quality issues performed best as did intermediate duration issues in the 4-8 year part of the municipal curve. The Pre-refunded segment performed best (+2.00%) followed by General Obligation (+1.64%), Insured (+1.36%), and Revenue bonds (+0.78%).
- U.S. TIPS returned 4.97%, outperforming nominal Treasuries by 100 bps as real yields declined. The breakeven spread (a gauge of the market's expectation for future inflation) for the 10-year maturity remained largely unchanged at 2.32%.

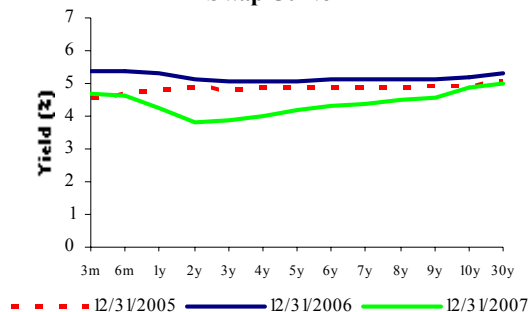
U.S. Fixed Income Returns (%)

	1 Mo.	3 Mos.	12 Mos.
LB Aggregate	0.28	3.00	6.97
LB US Government	0.22	3.73	8.66
LB US Credit	0.15	2.19	5.11
LB Mortgage Backed	0.28	3.06	6.90
LB Asset Backed	-0.39	-0.76	2.21
ML USHY Master II	0.29	-1.16	2.19

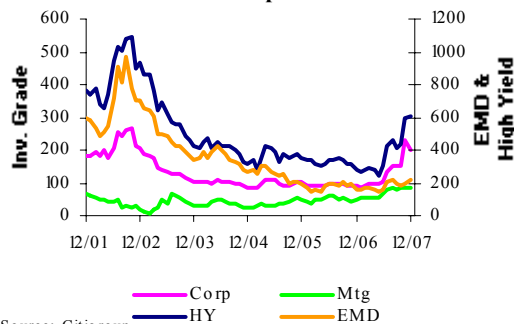
Treasury Yield Curve



Swap Curve



Sector Spreads



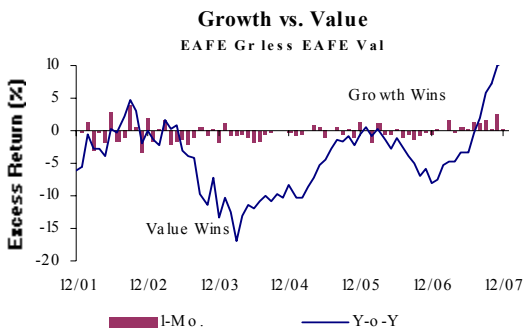
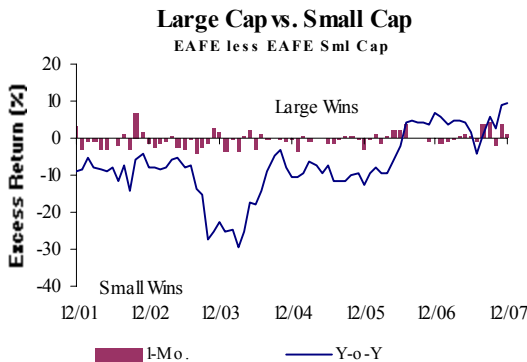
Source: Citigroup

NON-U.S. ECONOMIC BACKGROUND

The international markets had a volatile fourth quarter with developed markets experiencing turmoil due to growing concerns in the credit and housing markets, as well as fears of rising inflation, while emerging markets continued to shine primarily as a result of rising energy and commodity prices. Oil prices approached \$100/barrel toward year end and gold prices also reached record highs. Several central banks cut their main policy rates (Federal Reserve down to 4.25%, Bank of England down to 5.50%, Bank of Canada down to 4.25%) while others have held them steady (European Central Bank at 4.00%, Bank of Japan at 0.50%) in an effort to relieve credit market or inflationary pressures. These same concerns have caused 2008 growth forecasts, particularly in developed markets, to be revised downward by the IMF, OECD, and World Bank. Additionally, several sovereign wealth funds began to inject capital into U.S. and global financial institutions in the wake of the numerous subprime mortgage write-downs.

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

	1 Mo.	3 Mos.	12 Mos.
EAFE	-2.25	-1.75	11.17
AC World Free Ex-US	-1.44	-0.62	17.12
Japan	-3.96	-6.08	-4.23
Pacific Ex-Japan	-2.26	-1.66	30.73
United Kingdom	-2.69	-2.39	8.36
Europe Ex-UK	-1.31	0.47	16.66



MSCI EAFE Sector Returns (\$)

	1 Mo.	3 Mos.	12 Mos.
Financial	-3.57	-5.14	-1.23
Utilities	-0.73	8.28	24.17
Energy	2.06	3.35	22.36
Industrials	-2.81	-3.73	17.66
Materials	-1.78	-3.50	32.14
Healthcare	-4.38	-2.55	0.95
Consumer Staples	-0.83	5.32	24.30
Consumer Discretionary	-2.16	-3.55	4.57
Information Tech	-3.22	-7.55	7.07
Telecom Svcs	-1.64	6.85	28.95

NON-U.S. EQUITY MARKETS

- The developed non-U.S. equity markets continued their decline in December, resulting in negative fourth quarter performance of -1.8% in U.S. dollars and -3.0% in local currencies despite strong performance in October. Notwithstanding the global downturn in the quarter, the EAFE Index finished the year with a return of 11.2% (+3.5% local). In terms of currencies, the U.S. dollar continued to lose ground against most currencies and the euro hit an all-time high of 1.4873 before closing the year at 1.4590. The British pound saw similar strength versus the U.S. dollar in the beginning of the quarter, reaching as high as 2.1074, but signs of economic slowdown in the U.K. drove the pound to close the quarter lower at 1.9849. The Japanese yen also made gains against the U.S. dollar with a quarter high of 107.41 and a year-end close at 111.71. The Canadian dollar, which reached parity with the U.S. dollar for the first time in 30-years in the third quarter, ended the fourth quarter flat despite hitting 0.9204 in early November.
- Mega capitalization stocks and those with capitalizations between \$31 billion to \$62 billion were the fourth quarter leaders in non-U.S. developed markets with gains of slightly over 1.0%, while the second, fourth and fifth capitalization size quintiles of the EAFE Index stumbled with returns of -2.3%, -3.4%, and -5.3%, respectively.
- Growth stocks maintained their dominance over value stocks in the quarter with the MSCI EAFE Growth Index declining only 0.3% versus the 3.3% fall of the MSCI EAFE Value Index. December marked the eighth consecutive month of growth outperforming value. EAFE Growth ended the year with a return of 16.5% while EAFE Value finished at 6.0%.
- The Information Technology (-7.6%) and Financial (-5.1%) sectors were hit hardest in the quarter due to the continuing impact of the credit market crisis and its subsequent impact on IT spending by banks. Non-cyclical sectors such as Utilities (+8.3%), Telecomm (+6.9%), and Consumer Staples (+5.3%) performed best indicating that investors are starting to flee the cyclical sectors that had been star performers in the recent past. For the full year, Materials (+32.1%) was the sector leader followed by Telecomm (+28.9%), Consumer Staples (+24.3%), and Utilities (+24.2%).
- Faring slightly better than the broad Index in the quarter was the European region with a return of -0.5% in U.S. dollars and -1.5% in local currencies. Positive quarterly performance was seen in Spain (+8.3%), Portugal (+7.4%), Greece (+6.3%), and Germany (+5.1%), while Sweden (-12.8%), Ireland (-11.2%), Belgium (-6.0%), and the United Kingdom (-2.4%) declined. Similar to the broad EAFE Index, the European region showed weakness in Financials (-5.7%) and Information Technology (-10.8%), but solid performance from Utilities (+9.7%), Telecomm (+6.8%), and Consumer Staples (+5.4%). For the year, the European region gained 13.9% (+6.0% local).

- The quarter was especially difficult for the Pacific region, which fell -4.6% in U.S. dollars and -6.3% in local currencies. Japan fared the worst, dropping 6.1% (-8.8% local) due to continued disappointments in political and economic developments, as well as a drop in third quarter corporate earnings for the first time in five years. Hong Kong performed extremely well with a return of 7.1% (+7.5% local) due to continued optimism from China's announcement allowing its mainland investors to invest in Hong Kong. There were heavy declines in the Materials (-10.2%) and Industrial (-10.1%) sectors led by a fall in the share price for BHP Billiton following its bid for Rio Tinto. For the year, the Pacific ex-Japan region performed well with a 30.7% return (+20.7% local) while Japan performed poorly with a -4.2% return (-10.2% local).

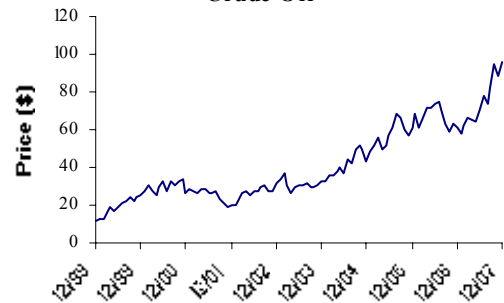
EMERGING EQUITY MARKETS

- Emerging markets were extremely volatile in the quarter with a sharp increase in October, an almost equally sharp decrease in November, and a flat December, finishing up 3.7% for the quarter (+2.9% local). Due to rising oil prices, energy was by far the best performing sector with a return of 20.6%, as evidenced by strong returns from oil companies Gazprom, Petrobras, and Reliance Industries. Telecomm also fared well with a 10.1% return due to strong domestic sales in China and Russia led by ChinaMobile (+7.9%). For the year, the MSCI Emerging Markets Index posted another strong annual return of 39.8% (+33.6% local).
- The Latin American region performed well in the quarter with a gain of 7.0% (+4.6% local). Brazil (+13.3%, +9.6% local) was the top performer for the region, led by energy stock Petrobras. Argentina suffered a setback of -10.8% (both in U.S. dollars and local currency) during the quarter with weakness in stocks such as Banco Macro (-16.3%). For the full year 2007, the Latin American region rose a robust 50.7% (+35.6% local) with Peru as the best performing country at 94.7% (+90.8% local).
- Emerging Asia was a mixed bag during the quarter with a minimal gain of 0.2% (+0.5% local). Some countries did very well (India, +23.3%; Indonesia, +18.2%; Malaysia, +12.3%) while others suffered (Taiwan, -7.7%; South Korea, -4.6%; China, -3.7%). In China, the central bank raised interest rates in response to rising commodity prices and allowed the renminbi to appreciate against the U.S. dollar. These moves, in conjunction with investor profit-taking, negatively impacted China's fourth quarter performance. For the year, the Emerging Asia region performed extremely well with a 41.6% return (+39.1% local). China's full year return came in at 66.2% (+66.7% local) and India ended the year a 73.1% return (+54.2% local).
- Emerging markets in Eastern Europe and the Middle East extended their gains with a return of 11.7% (+9.3% local) for the quarter. Country performance within the region was positive across the board buoyed by Jordan (+24.2%), Russia (+17.4%), and the Czech Republic (+14.9%). For the year, the Emerging Eastern Europe and Middle East region rose 31.6% (+23.3% local).

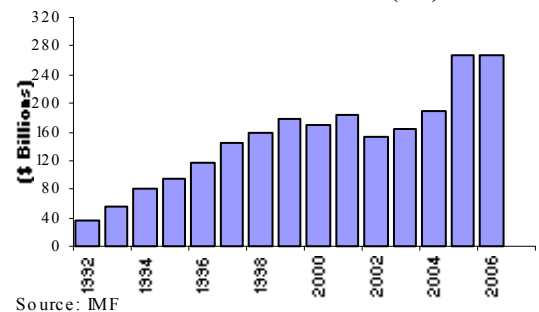
MSCI Emerging Market Equity Returns (\$)

	1 Mo.	3 Mos.	12 Mos.
EM	0.36	3.66	39.78
Latin America	1.34	7.01	50.67
Asia	-0.52	0.20	41.57
Europe & M. East	3.41	11.72	31.62
South Africa	-3.92	1.28	18.14

Crude Oil

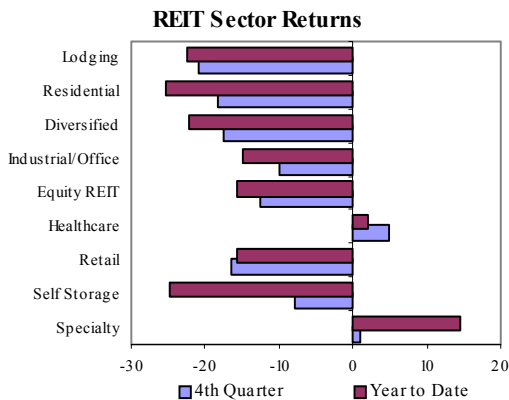
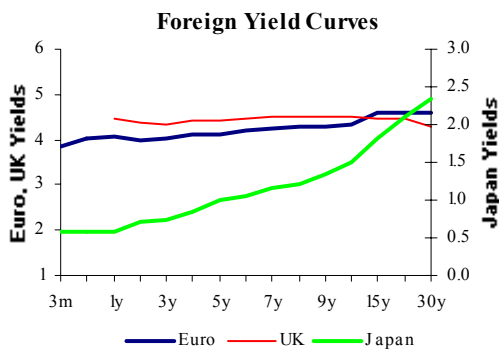


Emerging Market Private Direct Investment (net)



Global Fixed Income Returns (unhedged, \$)

	1 Mo.	3 Mos.	12 Mos.
WGBI	-0.51	3.92	10.95
United States	0.08	3.97	9.00
Europe	-0.83	3.67	12.07
Japan	-0.52	4.35	9.47
United Kingdom	-1.91	1.66	6.49
World BIG Ex-US	-0.70	3.69	11.47
WGBI Non-U.S.	-0.65	3.91	11.45
Agencies Ex-US	-0.63	3.79	12.64
Collateralized Ex-US	-0.65	3.46	12.35
Corporates Ex-US	-1.17	2.23	10.03
EMBI+	0.60	2.68	6.45



Source: NAREIT Equity Index

NON-U.S. FIXED INCOME MARKETS

- The U.K. yield curve steepened and became less inverted as short rates declined and the Bank of England cut the target rate by 25 bps citing moderate slowing of growth and market illiquidity as concerns. During the quarter, yields on the 3-month maturity declined by 83 bps while the 2- and 5-year maturities declined by 71 and 60 bps, respectively. In Europe, the ECB left its target rate unchanged while the euro yield curve steepened slightly on flight to quality flows and concerns over the economic impact of dysfunctional credit markets. Interest rates on the 2- and 5-year declined by 4-6 bps while rates farther out on the yield curve were unchanged. The euro yield curve slope increased by 13 bps to 73 bps as measured by the difference between the 3-month and 30-year maturity. The Bank of Japan (BOJ) also held rates steady at 0.50%. This caused further flattening of the yield curve as 3-month rates rose by 2 bps to 0.59% over the quarter while 30-year rates dropped 11 bps to 2.33%.
- The Citigroup World Government Bond Index (WGBI) returned 3.92% for the quarter on an unhedged basis as global yields declined on flight to quality flows and heightened concern over economic growth prospects. U.S. dollar weakness versus most currencies also augmented returns. The best performing bond markets for the quarter were Poland (+7.38%) and Japan (+4.35%) on currency strength versus the dollar while the worst performers were South Korea (-1.76%) and Australia (-0.18%) on dollar strength and an unwinding of carry trades.
- The J.P. Morgan EMBI+ Index returned 2.68% for the quarter. European and Asian issues led the regions, returning 3.70% and 3.53%, respectively, bolstered by strength in Turkey (+4.04%) and Russia (+3.80%). Latin America returned 1.98% for the quarter with the strongest returns provided by Ecuador (+6.53%) and Argentina (+6.00%). Venezuela lagged at -1.82%. The EMLI+ Index, which measures returns in local currency, posted strong returns of 4.41% for the quarter.

REAL ESTATE (REITs)

- The U.S. REIT market (as represented by the FTSE/NAREIT Equity REIT Index) suffered its third worst annual performance since the inception of the Index, down 15.69% over 2007. Much of this is attributable to the weak fourth quarter performance, when the Index was down 12.67%. This ended its seven-year run of outperforming the broader markets. The weak Index performance has less to do with real estate fundamentals, which have remained relatively stable in many segments, but rather with the credit issues in the market, the weakness in residential housing due to subprime concerns, and a general re-pricing of risk. Industry experts anticipate further REIT volatility going forward as the sector works through these concerns. The dividend yield for equity REITs increased to 4.91% over 2007, much of which was due to lower REIT prices. The average equity REIT dividend yield over the past twenty years has been 6.86%.
- The significant underperformance of equity REITs during this past year was spread across most major sub-sectors of the Index. Of the four major property types, residential suffered the worst performance for the year, down 25.21%. Office, the top performing sector of 2006, was down 18.96% for the year. Although retail fared slightly better, underperforming the broad Index by just 8 basis points, it ended the year down 15.77%. Industrial was the only major property type to outperform the broad REIT Index during the year, posting a positive return of 0.38%. Noteworthy annual performance for other property types include Specialty (+14.56%) and Healthcare (+2.13%).
- Global real estate securities, as represented by the FTSE/EPRA NAREIT Global Real Estate Index (in USD), suffered their worst annual performance in almost ten years returning -6.96% in 2007. The year ended on a weak note, with the Index down 10.25% in the fourth quarter. North America returned -14.92% for 2007 and was down 12.72% for the quarter alone. Europe was even weaker, returning -24.50% and -12.73% for the year and the quarter, respectively. Strong performance in certain Asian markets drove a 14.80% total annual return in that region. However, even Asia was down 6.86% during the fourth quarter.

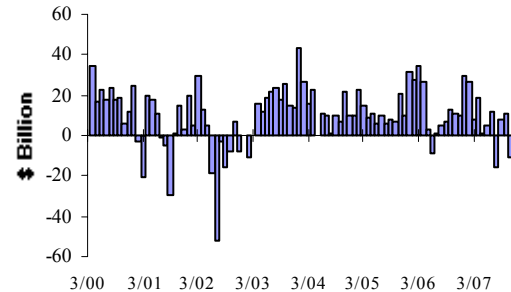
MUTUAL FUNDS

- Investors added nearly \$693 billion to stock funds in 2007 through November, roughly \$545 billion more than the amount introduced over the same time frame a year earlier. The market saw approximately \$66 billion roll into hybrid funds, \$171 billion into taxable bond funds, and \$13 billion into municipal bond funds. Net cash held by portfolio managers held steady in 2007, finishing the year at 4.2% versus the 4.0% level recorded at year-end 2006.

EXCHANGE TRADED FUNDS

- Total assets for exchange-traded funds (ETFs) were \$572 billion as of the end of November 2007, according to Investment Company Institute (ICI). At this date, there were 613 ETFs – 411 domestic equity index, 151 international equity index, 46 bond index, and 5 hybrid index funds. Assets of all ETFs rose in 2007 by \$150 billion, or 35.4%. Investors added nearly \$73 billion to domestic equity, \$65 billion to international equity, and \$12 billion to bond index funds.

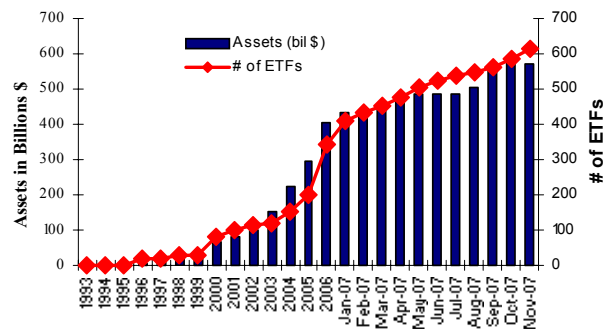
Equity Mutual Fund Net Flows



Equity Funds Cash as a Percent of Total Net Assets



ETF Asset Growth



Data: The Investment Company Institute www.ici.org

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.

STATISTICAL SUMMARY
As of December 31, 2007

EQUITY MARKETS

<u>US Markets</u>	<u>Total Return</u>			<u>S&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	-0.69	-3.33	5.49	Financial	-5.43	-14.33	-18.63
S&P 500/CG Growth	0.17	-1.28	9.13	Utilities	0.26	7.55	19.35
S&P 500/CG Value	-1.58	-5.37	1.99	Energy	7.33	4.42	34.42
S&P 400	-0.19	-2.73	7.98	Industrials	-0.59	-4.62	12.05
Russell 1000	-0.65	-3.23	5.77	Materials	1.09	0.08	22.56
Russell 1000 Growth	-0.36	-0.76	11.82	Healthcare	-3.03	-0.04	7.18
Russell 1000 Value	-0.97	-5.80	-0.18	Consumer Staples	-0.95	3.85	14.16
Russell 2000	-0.06	-4.57	-1.55	Consumer Discretionary	-4.79	-9.99	-13.17
Russell 2000 Growth	0.63	-2.11	7.04	Information Technology	1.52	0.08	16.31
Russell 2000 Value	-0.85	-7.28	-9.77	Telecommunication Svcs	3.16	-5.09	11.95
NASDAQ Composite	-0.27	-1.62	10.65				

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	-2.25	-1.75	11.17	Financials	-3.57	-5.14	-1.23
EAFE Growth	-2.13	-0.28	16.45	Utilities	-0.73	8.28	24.17
EAFE Value	-2.38	-3.30	5.96	Energy	2.06	3.35	22.36
AC World Free Ex-US	-1.44	-0.62	17.12	Industrials	-2.81	-3.73	17.66
Japan	-3.96	-6.08	-4.23	Materials	-1.78	-3.50	32.14
Pacific Ex-Japan	-2.26	-1.66	30.73	Healthcare	-4.38	-2.55	0.95
United Kingdom	-2.69	-2.39	8.36	Consumer Staples	-0.83	5.32	24.30
Europe Ex-UK	-1.31	0.47	16.66	Consumer Discretionary	-2.16	-3.55	4.57
Emerging Markets	0.36	3.66	39.78	Information Technology	-3.22	-7.55	7.07
				Telecommunication Svcs	-1.64	6.85	28.95

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>10/31/07</u>	<u>11/30/07</u>	<u>12/31/07</u>	<u>12/31/07</u>	<u>12/31/07</u>	<u>12/31/07</u>
Overnight	4.50	4.50	4.25	4.00	0.50	5.50
3- Month	3.92	3.16	3.25	3.87	0.59	5.06
2- Year	3.95	3.00	3.06	3.96	0.71	4.36
5- Year	4.17	3.39	3.44	4.12	1.01	4.41
10-Year	4.48	3.94	4.03	4.33	1.51	4.51

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	0.29	2.67	6.50	4.49	--	--
LB Aggregate	0.28	3.00	6.97	4.41	100.0%	100.0%
LB U.S. Government	0.22	3.73	8.66	4.72	34.3%	32.0%
LB U.S. Credit	0.15	2.19	5.11	6.22	32.3%	22.9%
LB Mortgage Backed	0.28	3.06	6.90	2.99	26.2%	38.6%
LB Municipal Bond	0.28	1.37	3.36	7.29	--	--
LB U.S. TIPS	-0.16	4.97	11.63	6.57	--	--
ML US HY Master II	0.29	-1.16	2.19	4.63	--	--

Sources: Lehman Brothers, Salomon Smith Barney, Bloomberg

<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	0.08	3.97	9.00	---	---	---
WGBI	-0.51	3.92	10.95	0.02	1.95	3.72
WGBI Non-US	-0.65	3.91	11.45	0.00	1.45	2.39
EMBI+	0.60	2.68	6.45	---	---	---
EMLI+ (local currency index)	0.55	4.41	16.04	0.55	1.71	6.89
Euro Zone	-0.71	3.96	12.86	-0.32	1.21	1.79
United Kingdom	-1.91	1.66	6.49	-0.72	0.32	-0.89
Japan	-0.52	4.35	9.47	-0.19	1.35	2.64

Sources: Salomon Smith Barney, JP Morgan, Bloomberg