

Capital Market Review • First Quarter 2008

The first quarter of 2008 saw significant drops for the major equity indices. Things were different for bonds, however. All areas of the bond market continued to shine in the quarter building on solid gains from the fourth quarter. The Lehman Brothers Aggregate Bond Index, an index of the bond market, gained 2.2% building on the 3.0% in the fourth quarter of last year. The index is now up 7.7% for the twelve month period beating most equity indices by more than 10%. The S&P 500, Russell 2000, and MSCI EAFE were all in negative territory for the quarter. The S&P 500 Index, an index of large company stocks, finished the quarter with a 9.5% loss. It was the worst quarter for the S&P since September of 2002. The index lost 5.1% for the twelve month period. The Russell 2000 Index, an index of small company stocks, dropped 9.9% in the first quarter, also its worst quarter since September 2002. The index's twelve month return was a dismal 13.0% loss. The MSCI EAFE Index, an index of international stocks, lost 8.9% during the quarter, but was unable to keep its twelve month return positive losing 2.7%. After its worst annual return since 1990, the Dow Jones Wilshire REIT Index, an index of real estate companies, gained 2.1% during the quarter. Its twelve month return still remains deep in negative territory down 18.8%.

The top headlines of last year continued to grab the headlines during the first quarter of 2008. The U.S. Dollar continued to weaken against most major currencies. The unprecedented rise in commodity prices were widely talked about during the quarter as they affected the price consumers pay for many products. They have also forced many businesses to pass these high costs on to the consumer. The price of oil continued to rise well past \$100/barrel and consumers also felt the pain at the pump as the price of gasoline rose to levels never seen. The housing market was also on the minds of many with foreclosures spiking higher and new and existing home sales declining. The talk of recession for the U.S. was a major headline during the quarter with most economic analysts now saying we are in a recession. Recession or not, with the higher prices of everyday goods at the grocery store to higher prices at the pump, the rising costs are being noticed not just by most Americans, but our elected officials as well. Early in the quarter, President Bush introduced an economic stimulus package that would give more than \$150 billion to the American people with the hopes that they would turn around and spend it to give a boost to the slowing economy.

The next three months should be of interest to see if the top headlines in the first quarter will again be the big news stories in the second quarter.

STOCK MARKET

The major averages saw steep losses during the first quarter. The S&P 500 Index, an index of large company stocks, gave up 9.5% and continued its downward slide from last quarter. The Russell 2000 Index, an index of small company stocks, didn't fare any better dropping 9.9% for the first quarter, also continuing losses from the fourth quarter of 2007. The MSCI EAFE Index, an index representing international stocks, lost 8.9% in the quarter after losing 1.8% in the fourth quarter. The Dow Jones Wilshire REIT Index, an index representing real estate companies, managed to gain 2.1% in the first quarter after its punishing drop of 13.5% fourth quarter showing last year.

Market Returns

	3 months ended 3/31/08	12 months ended 3/31/08
T-Bills	0.6%	4.0%
Lehman Bros. Aggregate Bond Index	2.2%	7.7%
S&P 500	-9.5%	-5.1%
Russell 2000	-9.9%	-13.0%
EAFE	-8.9%	-2.7%
Wilshire REIT	2.1%	-18.8%

Returns by Equity Styles

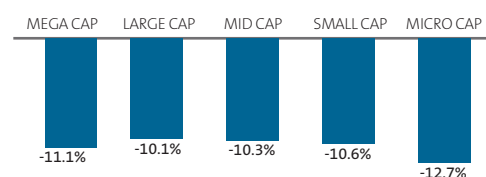
	3 months ended 3/31/08	12 months ended 3/31/08
Large Value	-9.4%	-9.3%
Large Growth	-11.7%	-1.3%
Small Value	-6.9%	-14.9%
Small Growth	-14.5%	-10.9%
International	-9.4%	-1.3%
Real Estate	-1.0%	-18.5%

For the second consecutive quarter, all of the equity manager styles lost money. Growth stocks were hit the hardest as investors moved out of them after impressive showings in 2007. Small Growth suffered the worst drop losing 14.5% in the quarter with Large Growth close behind shedding 11.7%. Small Growth and Large Growth were down 1.3% and 10.9% respectively, for twelve months. Both, Large Value and International Equities finished the quarter down 9.4% with Large

Value dropping 9.3% for twelve months and International Equities down 1.3%. Small Value had a respectable showing compared with the other equity manager styles, but it still lost 6.9% during the quarter. The style was the worst for the twelve month period, however, falling 14.9%. After a horrendous 12.1% drop in the fourth quarter, Real Estate lost 1.0% this quarter. Its twelve month return remains dismal dropping 18.5%.

Return by Market Cap

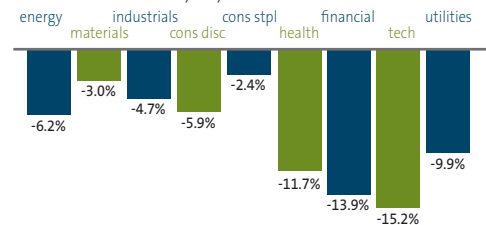
3 months ended 03/31/08



The fourth quarter saw all major market caps down significantly. Not one of the market cap categories could manage to prevent losses under 10%. Micro Caps continued to struggle falling 12.7% during the quarter and pushing its twelve month return to -20.2%. Mega Caps followed close behind dropping 11.1%, but still remained the best market cap for the twelve month period losing only 4.0%. Large Caps, Mid Caps, and Small Caps were all close to even for the quarter losing 10.1%, 10.3%, and 10.6% respectively. For the twelve month period, Large Caps have performed considerably better losing 5.4% compared to Mid Caps 8.9% and Small Caps 13.0%.

Stocks by Sector

3 months ended 03/31/08

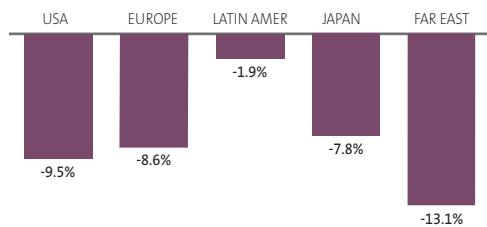


All stock sectors provided investors with negative returns during the quarter. Technology led the way dropping 15.2% due to concerns the U.S. may be headed for a recession. Technology fell 2.5% for the twelve months ending March 31st. Financials continued to struggle losing 13.9% and pushing its total return for twelve months down 28.0%. Healthcare and Utilities joined in the declines with Healthcare falling double digits down 11.7% and Utilities pulling back 9.9%. Despite the price of oil hitting record highs, the Energy sector lost 6.2%. Its return

for twelve months remains impressive, gaining 24.3%. Consumer Discretionary and Industrials lost 4.7% and 5.9% respectively for the first quarter, but were mixed for the twelve months. Industrials were able to remain in positive territory gaining 6.1%, but Consumer Discretionary fell further losing 17.8% for twelve months. Materials and Consumer Staples were the best performing sectors of the stock market during the first quarter, but couldn't escape the selloff. Materials lost 3.0% while Consumer Staples dropped 2.4%. Both sectors were positive for the twelve month period gaining 8.4% and 7.3% respectively.

Stocks by Region

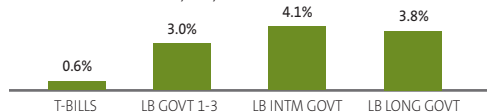
3 months ended 03/31/08



The major regions of the world posted losses during the first quarter of the year. Latin America continued to be the best region in the world, but not even it could manage a positive return. The region dropped 1.9% in the quarter, but still added an impressive 36.4% for the twelve month period. Japan and Europe fell about the same falling 7.8% and 8.6% respectively. Japan remained the worst region for twelve months losing 14.7%. Europe hangs on to a positive return for twelve months adding 0.2%. The United States fell 9.5% during the quarter sending its twelve month return down 5.1%. The Far East region got hit the hardest in the first quarter ending down 13.1%, but still had a solid 14.9% return for the twelve month period.

BOND MARKET

3 months ended 03/31/08

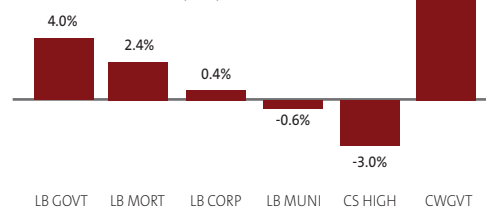


The bond market continued to build on its momentum from the fourth quarter while investors fled to fixed income investments as the equity markets fell dramatically. The Lehman Brothers Aggregate Bond Index, a benchmark of the bond market, gained 2.2% for the quarter and now has a return for twelve months of 7.7%. It is by far the best performing index over that period. Yields continued to fall in the quarter, especially on the shorter end of the curve, as investors anticipated and got more rate cuts from the Federal Reserve. The

Fed stepped in and again lowered rates by 200 basis points during the quarter to take the Fed fund's rate from 4.25% to 2.25%. Government bonds continued to do better than corporates and municipals. World Government bonds, however, were the standout again this quarter. Intermediate and long-term bonds outpaced short-term bonds for the first three months of the year. The Lehman Brothers Intermediate Government Index led the way ending up 4.1% and finished the twelve month period at 11.2%. The Lehman Brothers Long Government Index gained 3.8% in the quarter. Long-term bonds performed well over the past year adding 12.6%. The Lehman Brothers 1-3 Year Index returned 3.0% in the quarter and ended the twelve months with an 8.8% return. T-Bills trailed all maturities last quarter and it was the same for these three months with a 0.6% return. It also trails for the one year return coming in at 4.0%.

Bonds by Sector

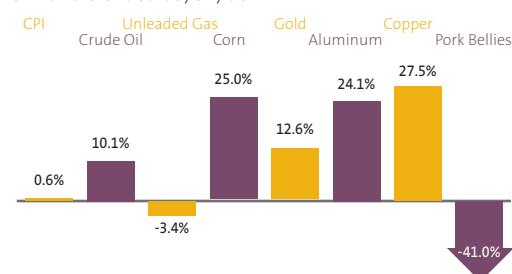
3 months ended 03/31/08



With the exception of high yield bonds, the rest of the bond market's sectors gained during the first quarter. World Government bonds lead the way gaining 10.9% this quarter bringing its one year return to an impressive 22.3%. Government bonds added another 4.0% this quarter to end the twelve month period up 11.5%. Mortgages returned 2.4% in the first quarter bringing its total return for twelve months to 7.8%. Corporates were able to stay in positive territory gaining 0.4% and were up 4.0% over the last year. Municipals gave back some of their gains from the fourth quarter losing 0.6%, but remained positive with a return of 1.9%. High Yield bonds continued to lag the other sectors losing another 3.0% finishing the twelve month period down 3.7%.

COMMODITIES MARKET

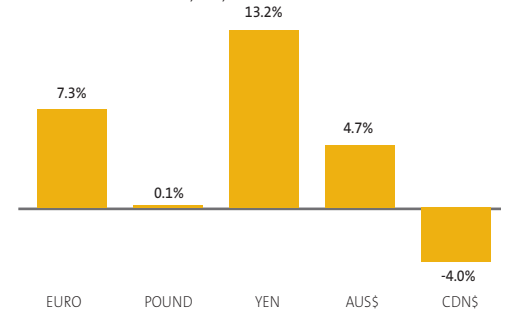
3 months ended 03/31/08



The Dow Jones AIG Commodity Index continued to pick up where it left off last year gaining another 9.6% in the first quarter. The index has now gained 21.8% for the last twelve months. Commodities continued to be at the top of the headlines during the quarter as many commodities hit record highs leading some to call it a bubble that will soon burst. The big winners during the quarter were Copper up 27.5%, Corn up 25.0%, Aluminum up 24.1%, and Wheat up 23.2%. Copper now has gained 22.9% for the last twelve months, Corn adding 56.2%, Aluminum rising 8.4%, and Wheat up an astounding 151.2%. Crude Oil jumped 10.1% during the quarter and has appreciated 53.9% over the last twelve months. Gold was up 12.6% and hit \$1,000/ounce for the first time ever. It has now gained 41.1% over the past year. The only two commodities we follow on the chart that were negative during the quarter were Unleaded Gas and Pork Bellies. Unleaded Gas lost 3.4%, while Pork Bellies fell sharply losing 41.0%. Unleaded Gas remained up for the twelve month period, however, with a return of 10.4%. Pork bellies have now lost almost half their value since March of last year down 48.3%.

CURRENCY MARKET

3 months ended 03/31/08



The U.S. Dollar weakened against most major currencies in the first quarter with the Canadian Dollar being the only exception. The Euro continued to show strength adding 7.3% during the first three months after hitting record levels earlier in the year. The Japanese Yen surged 13.2% against the Dollar and hit levels not seen in over ten years. The Australian Dollar gained 4.7% pushing its return into double digits over the past twelve months. The British Pound was unchanged against the U.S. Dollar during the first quarter and up 1.7% over the past year. The Canadian Dollar weakened 4.0% during the quarter, but strengthened 10.0% for twelve months.