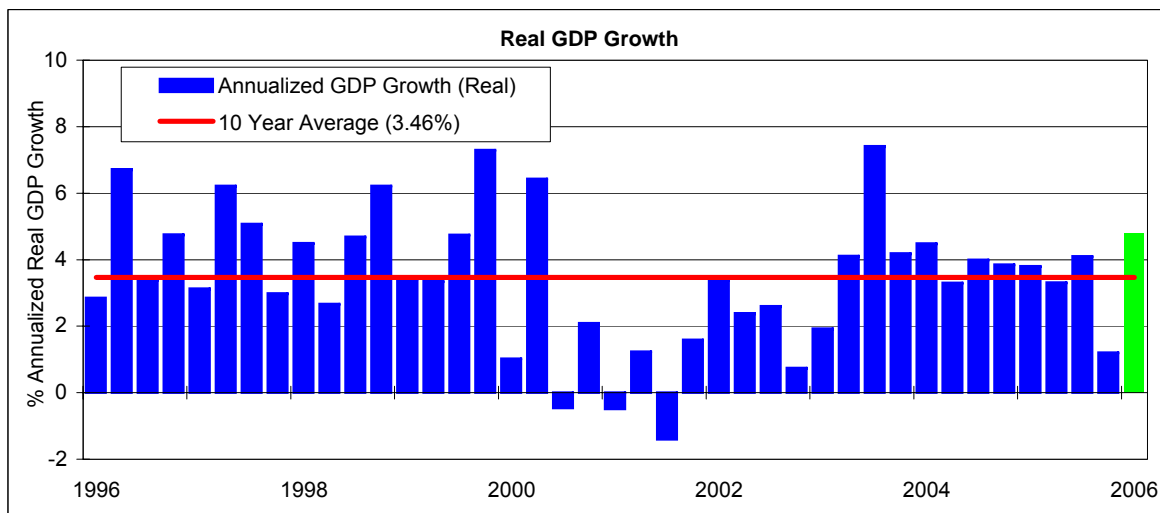


Economic Growth

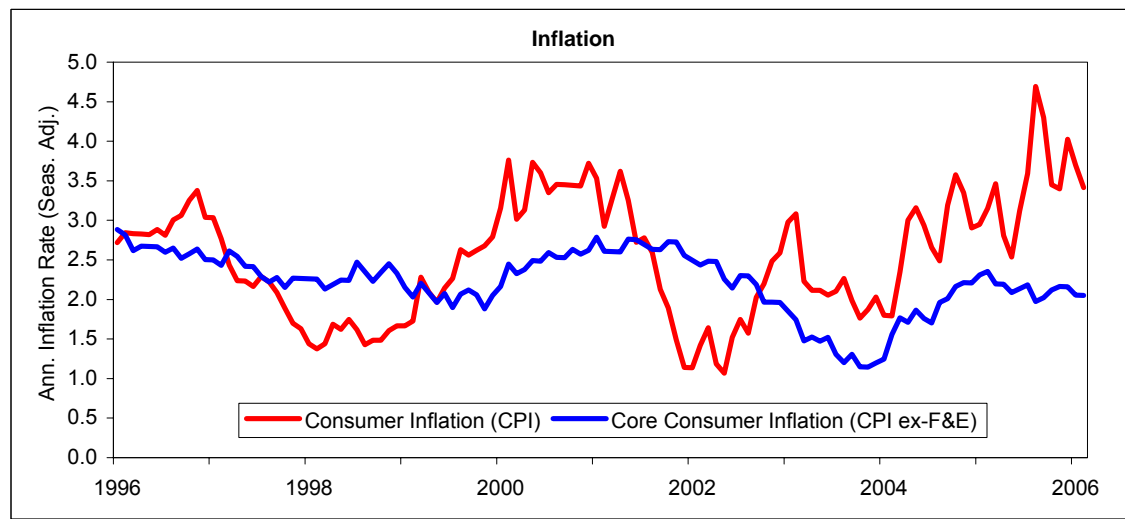


Source: Bureau of Economic Analysis. Green indicates preliminary estimate.

- The final total for fourth quarter GDP growth was 1.2%, up slightly from the preliminary estimate of 1.1%.
- The Commerce Department's initial estimate of GDP growth showed a first quarter gain of 4.8% (real, annualized). This is the highest rate of growth since the third quarter of 2003.
- Consumer spending sparked first quarter GDP growth. In February, consumers' spending exceeded their disposable income by 0.5%.
- Though economists generally believe that rising interest rates and a cooler housing market will slow economic growth, consumer spending is expected to hold up due to job and wage growth.

Inflation

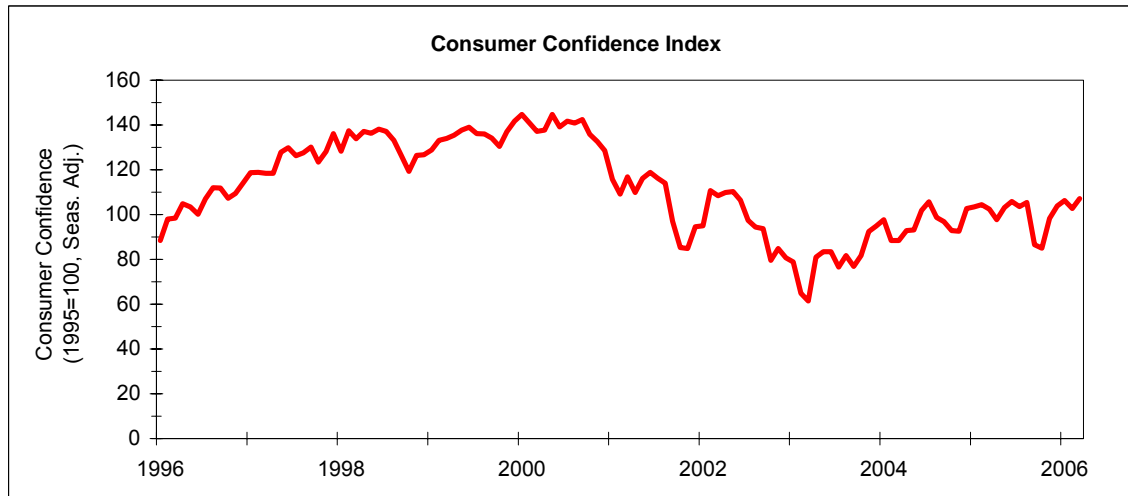
- At quarter end, consumer prices were 3.4% higher than one year ago (unadjusted).
- The 0.3% March increase in core consumer prices (excluding food and energy) was the largest monthly increase in over four years.
- Since March 2005, energy prices have increased by 17.3% (unadjusted).



Source: Bureau of Labor Statistics; Federal Reserve Bank of St. Louis

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Consumer Confidence

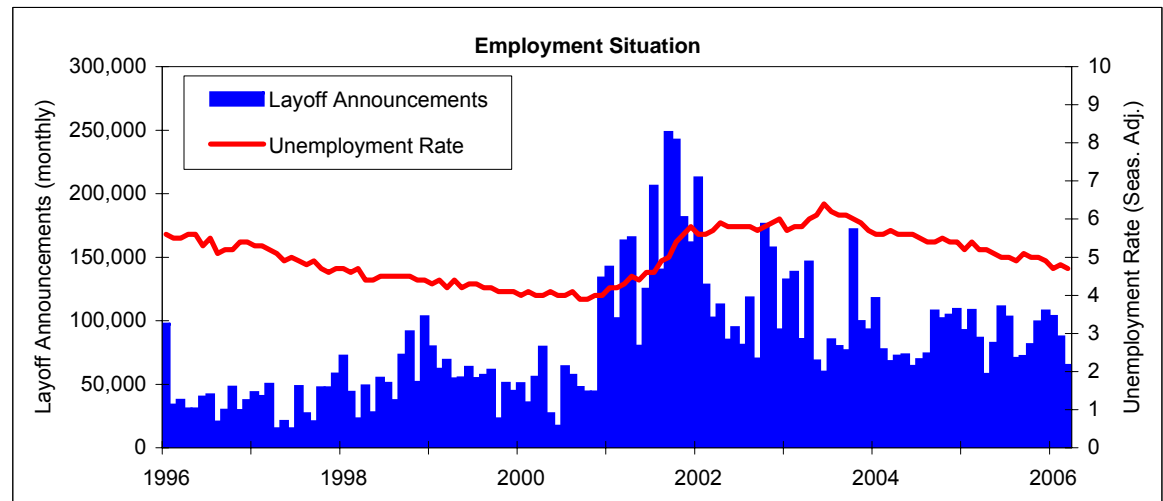


Source: The Conference Board

- The Consumer Confidence Index reached its highest reading since May 2002.
- The Conference Board's survey of 100 CEOs and business leaders showed that 52% of CEOs believe that conditions in their respective industries have improved, up from 39% last quarter.

Employment Situation

- In March, the U.S. unemployment rate hit its lowest mark since July 2001 at 4.7%.
- Employer-paid health benefits, pensions, and payroll taxes have risen almost 16% since 2000 as the unemployment rate has decreased. The rise in non-wage costs have made employers less generous with wages.



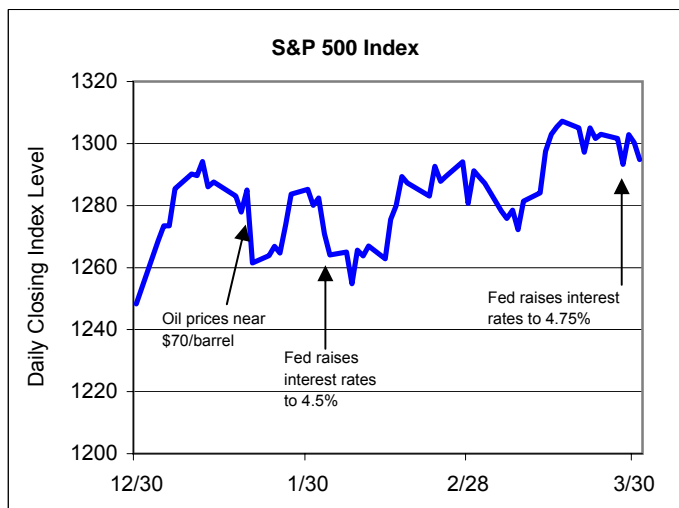
Source: Bureau of Labor Statistics; Challenger, Gray & Christmas, Inc.

Market Environment

U.S. Equity Market

First Quarter, 2006

US Stock Market Highlights



Source: Yahoo! Finance

Sector Performance

	<u>Quarter</u>	<u>Year</u>
Consumer Disc.	2.9	2.6
Consumer Staples	1.6	4.3
Energy	9.0	21.8
Financials	3.3	17.6
Health Care	1.3	8.5
Industrials	6.8	10.8
Info. Technology	4.7	14.0
Materials	7.4	10.1
Telecom. Services	13.1	15.0
Utilities	(1.2)	9.5

- The S&P 500 Index ended the quarter up 4.2%, its strongest opening quarter gain since 1999.
- The growth of the stock market in the face of rising interest rates is due to historically low stock valuations. The forward price-to-earnings ratio on the S&P 500 is 15.3, below the historical average of 19.7, looking back to 1988.
- Energy and telecommunication services had a strong first quarter while consumer staples and health care showed the weakest growth. Energy also leads the one-year returns at 21.8%.

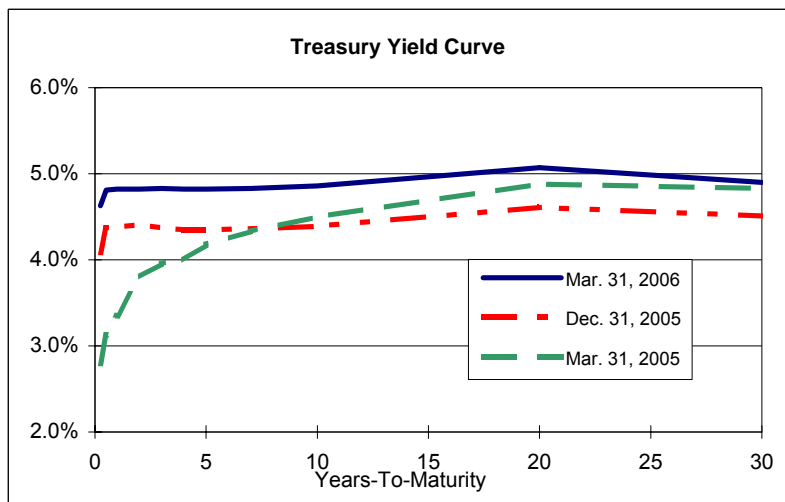
Equity Market Performance

- Small cap outperformed both large and mid cap, up 13.9% for the opening quarter of 2006.
- Small cap stocks, predicted by economists to lag behind the rest of the market, had their best opening quarter since 1991.
- Value outperformed growth in the large cap range, but growth edged out value in the small cap range.
- The S&P 500, which was up 4.2% for the quarter, rose above 1300 for the first time in five years.

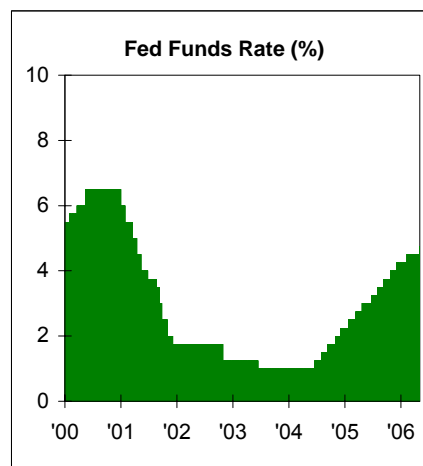
	<u>Quarter</u>	<u>YTD</u>	<u>One Yr</u>	<u>Three Yrs</u>	<u>Five Yrs</u>	<u>Ten Yrs</u>
<u>Core Index Performance:</u>						
Standard & Poor's 500	4.2	4.2	11.7	17.2	4.0	9.0
S&P 500 Equal Weighted	6.3	6.3	17.4	25.6	10.1	11.9
Dow Jones Industrial Average	4.2	4.2	8.3	14.1	4.6	9.2
Russell 1000	4.5	4.5	13.2	18.3	4.7	9.2
Russell 2000	13.9	13.9	25.8	29.5	12.6	10.2
Russell 3000	5.3	5.3	14.3	19.2	5.3	9.2
Russell Mid Cap	7.6	7.6	21.6	27.9	12.5	12.7
<u>Style Index Performance:</u>						
Russell 1000 Growth	3.1	3.1	13.2	14.8	1.7	6.5
Russell 1000 Value	5.9	5.9	13.3	21.8	7.8	11.0
Russell 2000 Growth	14.4	14.4	27.8	28.1	8.6	5.5
Russell 2000 Value	13.5	13.5	23.8	30.7	16.2	14.0

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Interest Rate Environment



Source: State Street Corp.



Source: Federal Reserve

- The Fed raised rates twice during the quarter, marking the 14th and 15th consecutive rate hikes. The Fed Funds Rate stood at 4.75% at quarter end.
- In a speech in March, new Fed Chairman Bernanke said strong demand from pension funds for long-term bonds and a shortage of such securities in the market may explain why long-term interest rates are low.
- Minutes from the Fed's March meeting indicate that the expected interest rate increase at the May meeting may be the last increase for some time.

Bond Markets

- In the bond sector, short-term bonds saw the only positive growth in the first quarter at 0.4%. The Fed's persistent raising of interest rates was a major factor.
- High yield bonds showed the highest returns at 2.9% while both U.S. credit, mortgage and government (hedged) bonds saw negative returns.
- Emerging markets continue to perform well with quarterly returns of 1.7%.

	<u>Quarter</u>	<u>YTD</u>	<u>One Yr</u>	<u>Three Yrs</u>	<u>Five Yrs</u>	<u>Ten Yrs</u>
<u>Index Performance:</u>						
LB Aggregate	(0.6)	(0.6)	2.3	2.9	5.1	6.3
LB US TIPS	(2.3)	(2.3)	0.9	4.8	7.2	n/a
91 Day US Treasury Bills	1.0	1.0	3.5	2.1	2.2	3.8
<u>Maturity Evaluation:</u>						
LB 1-3 Yr Treasury	0.4	0.4	2.3	1.4	3.2	n/a
LB Intermediate Treasury	0.0	0.0	2.0	1.4	3.5	5.1
LB Long Treasury	(1.8)	(1.8)	1.4	1.8	4.9	n/a
<u>Issuer Performance:</u>						
LB Intermediate Agency	0.1	0.1	2.5	2.1	4.6	5.8
LB U.S. Credit	(1.2)	(1.2)	1.8	3.7	6.0	6.6
LB Mortgage	(0.1)	(0.1)	2.7	3.1	4.9	6.2
LB High Yield	2.9	2.9	7.4	12.1	8.2	6.7
JPM Emerg. Mkts Bond Index	1.7	1.7	15.2	15.0	12.7	13.4
Non-US Gov't Bond (Hedged)	(0.8)	(0.8)	3.4	3.5	4.4	7.1

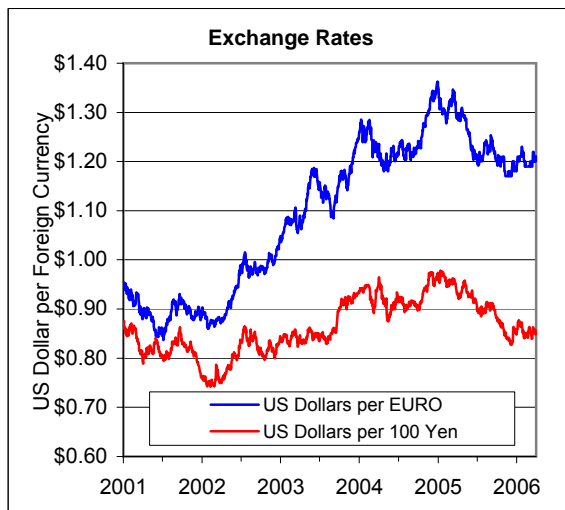
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Market Environment

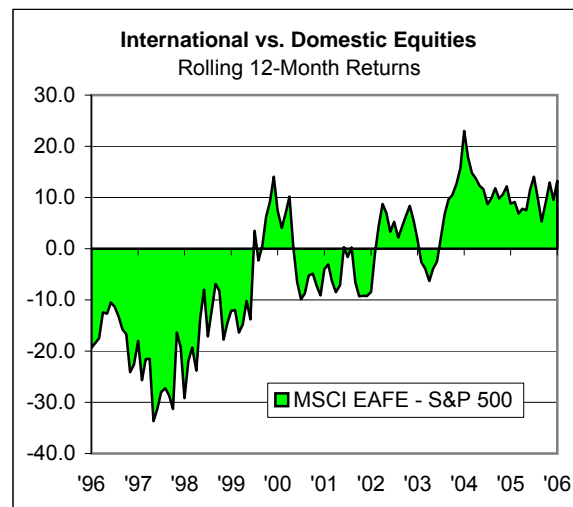
International Market

First Quarter, 2006

International Market Environment



Source: Federal Reserve Bank, Daily Press



Source: Ibbotson

- The U.S. dollar traded narrowly against foreign currencies in the first quarter, weakening 2.4% against the euro and 0.2% against the yen.
- Economists hypothesize that the dollar is feeling the effects of the U.S. trade deficit, which was revealed in the first quarter to have ballooned 20.5% in 2005 to \$804.9 billion.
- Periodic reports that some central banks around the world were shifting their dollar reserves to the euro may have further aggravated the dollar.

International Equity Market Performance

- Emerging markets continued their five-year streak in beating U.S. stocks, with some emerging market portfolios showing first quarter investments that exceeded all investments in 2005.
- Latin America had a strong first quarter showing despite periods of chopiness due to fears regarding rising U.S. interest rates. Mexico's stock market hit a record high in late March due to solid retail sales which pushed up shares of WalMart de Mexico.
- Japan's economy continued to improve in the first quarter with strong signs of a turnaround in the property market. The Bank of Japan also hinted that increases in interest rates may be on the horizon. Currently, the rate stands at 0%.

	<u>Quarter</u>	<u>YTD</u>	<u>One Yr</u>	<u>Three Yrs</u>	<u>Five Yrs</u>	<u>Ten Yrs</u>
<u>Broad Index Performance:</u>						
MSCI EAFE	9.5	9.5	24.9	31.7	10.0	6.8
MSCI World	6.7	6.7	18.6	24.0	6.8	7.7
MSCI EAFE ex. Japan	10.4	10.4	21.3	31.4	10.6	9.7
MSCI Emerging Markets	12.1	12.1	48.0	46.7	23.6	n/a
MSCI EAFE Small Cap	10.7	10.7	34.2	45.3	21.1	n/a
<u>Style Index Performance:</u>						
MSCI EAFE Growth	9.1	9.1	25.0	27.6	7.9	4.2
MSCI EAFE Value	9.9	9.9	24.9	35.7	12.2	9.3
<u>Regional Index Performance:</u>						
MSCI Europe ex-UK	12.3	12.3	24.9	34.4	10.6	11.0
MSCI United Kingdom	8.3	8.3	14.7	26.2	n/a	n/a
MSCI Japan	6.8	6.8	37.4	31.9	n/a	n/a
MSCI Asia	9.7	9.7	35.8	38.6	n/a	n/a
MSCI Latin America	15.7	15.7	70.1	61.5	27.2	15.7

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Portfolio Diversification

Asset Class Rankings Over the Past Twenty Years


First Quarter, 2006

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Best	69.9	24.9	29.5	35.9	8.9	51.2	29.1	32.9	8.1	38.3	23.1	35.2	38.7	43.1	22.8	14.0	10.3	48.5	22.3	18.9	14.4
	20.0	8.0	28.6	25.2	7.9	41.7	13.8	23.8	6.4	37.2	21.6	31.8	20.3	33.2	12.3	8.4	6.7	46.0	20.7	14.0	13.5
	15.9	5.9	23.2	20.2	2.6	41.2	8.0	18.1	4.2	31.0	21.4	30.5	16.2	27.3	11.6	7.3	1.8	38.6	16.5	7.1	9.5
	15.4	5.3	20.4	18.8	2.3	24.6	7.8	13.4	2.7	25.8	14.1	18.6	15.6	13.0	7.0	4.1	-8.6	30.0	14.3	7.1	5.9
	15.3	4.6	11.7	14.5	-0.3	21.7	7.4	11.5	-0.8	24.6	11.3	13.9	13.6	11.4	6.0	-2.7	-11.4	29.7	13.1	5.3	4.3
	8.3	2.7	11.3	12.4	-8.1	16.0	5.0	9.8	-1.5	18.5	10.3	12.9	8.7	7.3	1.9	-5.6	-15.5	21.6	11.1	4.7	3.6
	7.4	0.5	9.6	10.8	-17.4	12.5	3.6	3.1	-2.0	11.6	6.4	9.7	5.1	4.7	-14.0	-9.2	-15.7	9.0	6.3	4.1	3.1
	6.2	-7.1	7.9	8.6	-21.8	5.8	-4.3	2.9	-2.4	7.5	5.3	5.2	1.2	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.1	1.0
	Worst	3.6	-10.5	6.8	7.8	-23.2	-5.6	-11.9	1.4	-2.9	5.8	3.6	2.1	-6.5	-1.5	-22.4	-21.2	-30.3	1.2	1.2	2.4


 Large Cap Growth US Stocks (Russell 1000 Growth Index)

 International Stocks (MSCI EAFE Index)


 Large Cap Value US Stocks (Russell 1000 Value Index)


 Domestic Fixed Income (LB Aggregate Bond Index)

 Small Cap Growth US Stocks (Russell 2000 Growth Index)

 Real Estate (NCREIF Property Index)

 Small Cap Value US Stocks (Russell 2000 Value Index)

 Cash (SB 3-Mo Treasury)

 ICC Universe Median (Total Funds)

Data: Ibbotson Associates, 2005; Institutional Consultants Cooperative.
Rev. 05/01/06