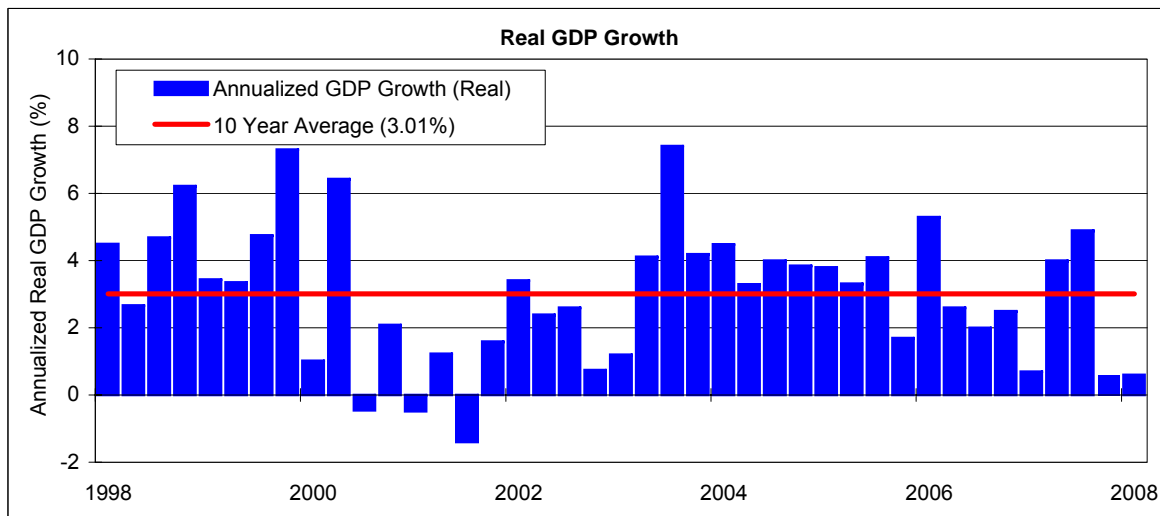


### Economic Growth

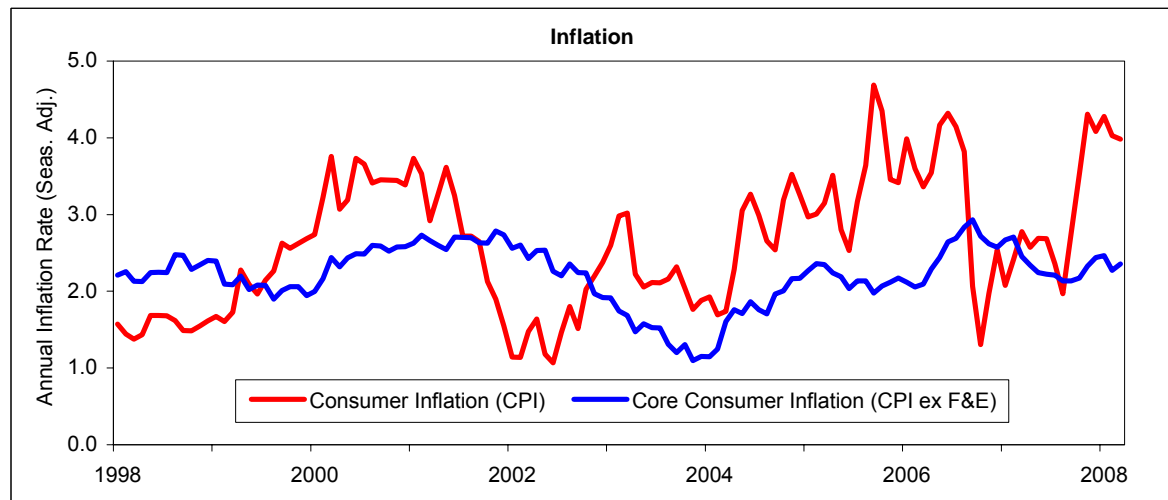


Source: Bureau of Economic Analysis. Green bar indicates preliminary estimate.

- According to preliminary estimates from the Commerce Department, real gross domestic product (GDP) increased at a 0.6% annualized rate during the first quarter. The positive growth was mostly attributed to higher exports and a build-up of business inventories. Without these two components, GDP would have fallen by 0.4% during the quarter.
- Consumer spending, which accounts for about 70% of GDP, rose only 1.0% during the first quarter, its slowest pace of growth since the second quarter of 2001.
- The housing market continued to weigh on GDP growth as residential fixed investment fell 26.7%, thereby reducing overall GDP by 1.23%.

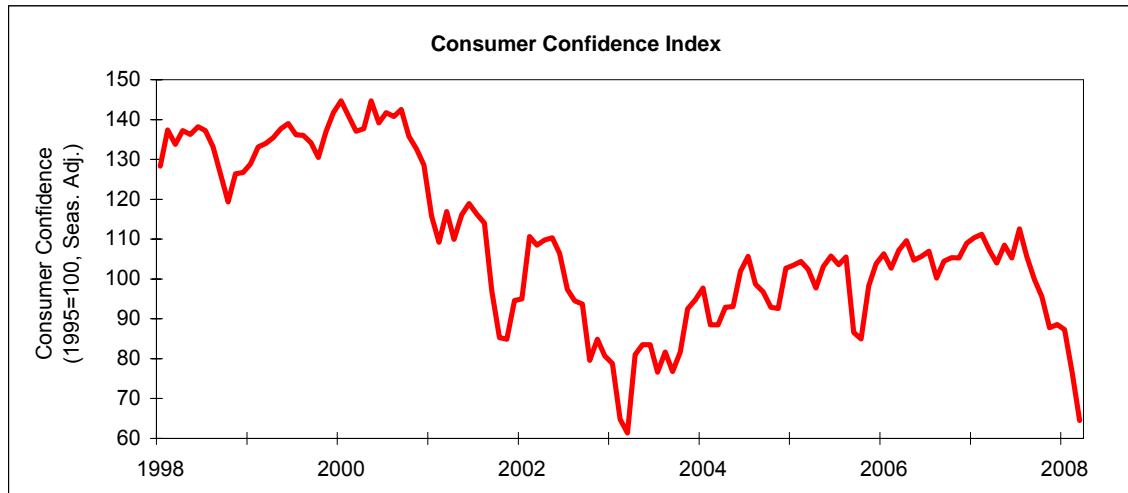
### Inflation

- Consumer prices, as measured by the Consumer Price Index (CPI), rose at a 4.0% annual rate in March. The largest contributor to CPI was the energy index, which has risen 17.0% in the past year, largely as a result of higher oil prices.
- Excluding food and energy, consumer prices rose 2.4% year-over-year, reflecting smaller increases in the indices for shelter and medical care, coupled with a larger decline in the index for apparel.
- Within CPI, transportation and food experienced increases of 8.2% and 4.5% over the past year, respectively.



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

### Consumer Confidence

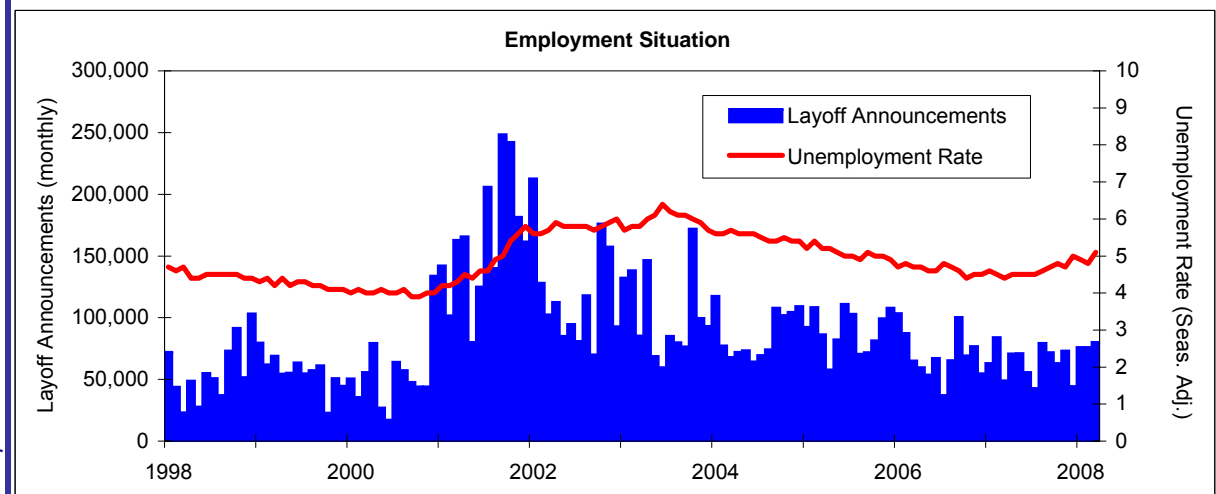


Source: The Conference Board

- The Conference Board's Consumer Confidence Index fell to 64.5 in March from 76.4 in February. This is the lowest reading of the index since March 2003 when the war in Iraq began.
- Consumers' appraisal of present-day conditions weakened further in March. Those claiming business conditions are "bad" increased to 25.4% from 21.3%, while those claiming business conditions are "good" dropped from 19.1% to 15.4%.
- The outlook for the labor market was also bleak. Consumers expecting fewer jobs in the months ahead increased to 29.0% from 28.0%, while those anticipating more jobs declined to 7.7% from 8.9%.

### Employment

- The number of unemployed persons increased by 434,000 to 7.8 million in March. In addition, the unemployment rate rose by 0.3% to 5.1%. Since March 2007, the number of unemployed persons has increased by 1.1 million while the unemployment rate has risen by 0.7%.
- Employment continued to fall in construction, manufacturing, and employment services, while health care, food services, and mining added jobs.
- The number of persons who worked part time for economic reasons was little changed in March at 4.9 million. However, the figure has risen by 629,000 over the past 12 months.



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

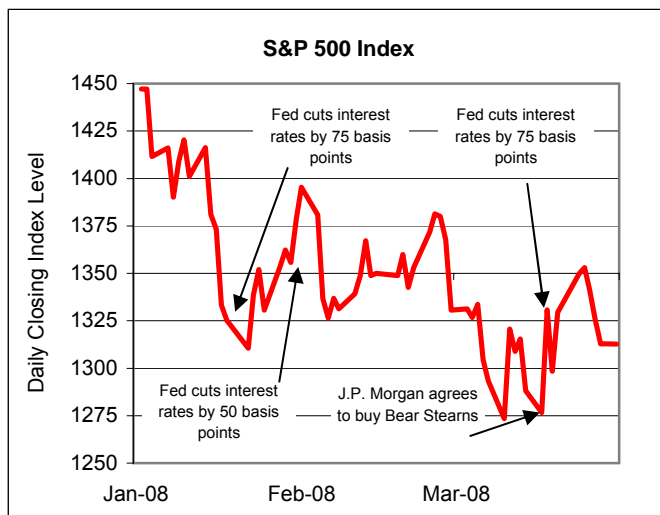
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# Market Environment

## U.S. Equity Market

First Quarter, 2008

### US Stock Market Highlights



Source: Yahoo! Finance

### Sector Performance

	<u>Quarter</u>	<u>One Yr</u>
Consumer Disc.	(5.7)	(19.2)
Consumer Staples	(2.1)	9.3
Energy	(7.1)	21.7
Financials	(13.5)	(27.5)
Health Care	(11.5)	(6.1)
Industrials	(4.1)	6.1
Info. Technology	(15.2)	(0.2)
Materials	(3.6)	11.1
Telecom. Services	(13.7)	(10.0)
Utilities	(9.9)	(1.9)

- Despite the Federal Reserve's rate cuts, the S&P 500 fell 9.5% during the first quarter amid fears of a recession and credit crunch.
- During the quarter, information technology and telecom services were the worst performing sectors, returning -15.2% and -13.7% respectively. While consumer staples and materials were the top performing sectors, neither could not muster positive returns.
- Over the past year, the energy and materials sectors have benefited from higher commodity prices to return 22% and 11%, respectively.

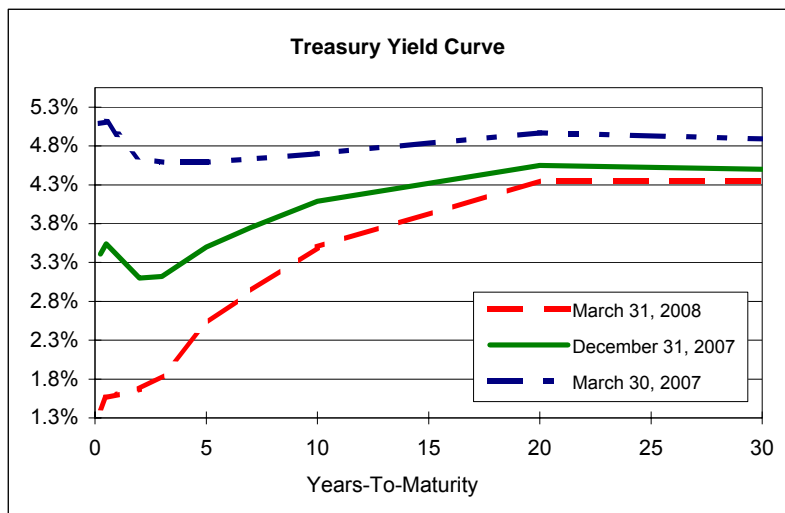
### Equity Market Performance

- Value stocks made a recovery during the first quarter, outperforming growth stocks. This was a reversal from 2007 when growth outperformed value (as measured by the Russell 1000 indices) by 12%.
- Large and small caps performed roughly in line during the quarter with the Russell 1000 outperforming the Russell 2000 by only 40 basis points.
- In the first three months of 2008, the Dow Jones Industrial Average lost 1,001.93 points, its largest first-quarter drop since the inception of the index. In addition, the S&P 500 has experienced negative returns for five consecutive months, its longest losing streak since October 1990.

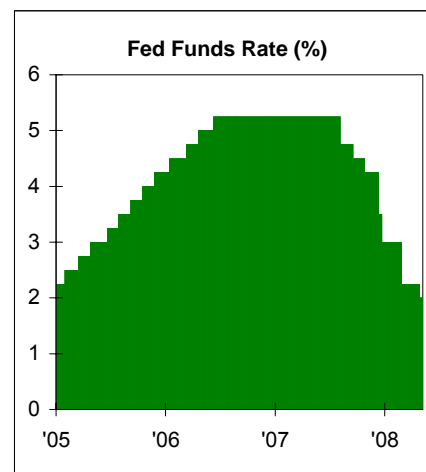
	<u>Quarter</u>	<u>YTD</u>	<u>One Yr</u>	<u>Three Yrs</u>	<u>Five Yrs</u>	<u>Ten Yrs</u>
<b><u>Core Index Performance:</u></b>						
Standard & Poor's 500	(9.5)	(9.5)	(5.1)	5.9	11.3	3.5
S&P 500 Equal Weighted	(8.6)	(8.6)	(9.8)	5.9	15.0	7.3
Dow Jones Industrial Average	(7.0)	(7.0)	1.6	7.8	11.4	5.5
Russell Top 200	(9.3)	(9.3)	(3.9)	5.7	10.3	2.6
Russell 1000	(9.5)	(9.5)	(5.4)	6.2	11.9	3.8
Russell 2000	(9.9)	(9.9)	(13.0)	5.1	14.9	5.0
Russell 3000	(9.5)	(9.5)	(6.1)	6.1	12.1	3.9
Russell Mid Cap	(10.0)	(10.0)	(8.9)	7.4	16.3	7.7
<b><u>Style Index Performance:</u></b>						
Russell 1000 Growth	(10.2)	(10.2)	(0.8)	6.3	10.0	1.3
Russell 1000 Value	(8.7)	(8.7)	(10.0)	6.0	13.7	5.5
Russell 2000 Growth	(12.8)	(12.8)	(8.9)	5.7	14.2	1.7
Russell 2000 Value	(6.5)	(6.5)	(16.9)	4.3	15.5	7.5

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### Interest Rate Environment



Source: State Street Corp.



Source: Federal Reserve

- The Fed continued its rate-cutting during the quarter with a surprise 75 bps cut on January 22nd, a 50 bps cut on January 30th and 75 bps cut on March 18th. The two 75 bp cuts marked the first two occasions since 1990 that the Fed reduced rates by such a large margin.
- Yields fell across the entire curve, particularly along the short-end, resulting in a much steeper yield curve.
- The Fed cut rates an additional 25 basis points on April 30th and is expected to make another 25 bp cut at the June FOMC meeting.

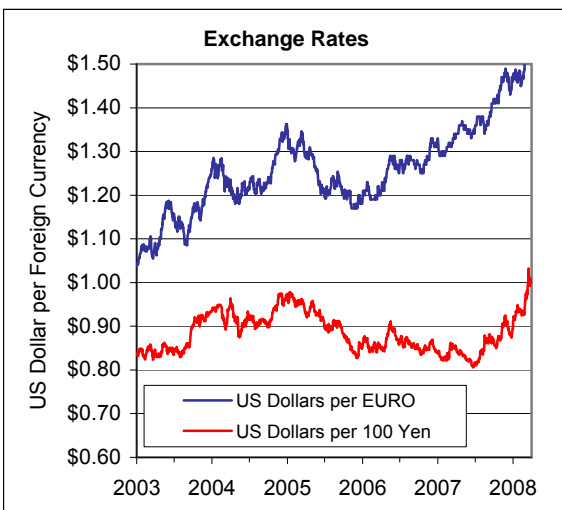
### Bond Markets

- The LB Aggregate Index, benefiting from falling interest rates, continued its strong recent performance with a first quarter return 2.2%.
- The yield on TIPS and Treasuries fell as the Fed's rate cuts and overall market volatility spurred fears of higher inflation. Over the past year, the Lehman Brothers TIPS Index and Long Treasury Index have returned 14.5% and 13%, respectively.
- Given the credit crunch, the market for high yield bond issuances has virtually dried up. In addition, high yield bonds returned -3% during the quarter, making high yield one of the few bond sectors to experience negative performance.

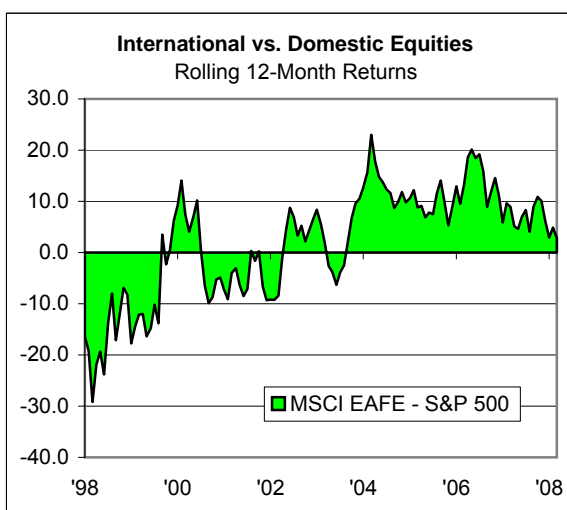
	<u>Quarter</u>	<u>YTD</u>	<u>One Yr</u>	<u>Three Yrs</u>	<u>Five Yrs</u>	<u>Ten Yrs</u>
<b><u>Index Performance:</u></b>						
LB Aggregate	2.2	2.2	7.7	5.5	4.6	6.0
LB US TIPS	5.2	5.2	14.5	6.8	6.8	8.0
90 Day US Treasury Bills	0.9	0.9	4.6	4.4	3.2	3.7
<b><u>Maturity Evaluation:</u></b>						
LB 1-3 Yr Treasury	3.1	3.1	9.1	5.4	3.6	4.9
LB Intermediate Treasury	4.6	4.6	12.0	6.4	4.3	5.7
LB Long Treasury	4.0	4.0	13.0	7.2	6.2	7.4
<b><u>Issuer Performance:</u></b>						
LB Intermediate Agency	3.2	3.2	9.6	6.0	4.3	5.9
LB U.S. Credit	0.4	0.4	4.0	4.3	4.4	5.9
LB Mortgage	2.4	2.4	7.8	5.8	4.8	6.0
LB High Yield	(3.0)	(3.0)	(3.7)	4.9	8.6	4.9
JPM Emer Mkts Bond Plus	0.5	0.5	4.3	10.2	12.1	9.9

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### International Market Environment



Source: Federal Reserve Bank, Daily Press



Source: Ibbotson

- International equities, despite outperforming the domestic market during the first quarter, still experienced substantial losses as fears of a U.S. recession spooked foreign markets.
- The US dollar fell 7.5% against the euro and 10.5% versus the yen in 1Q08. The fall relative to the yen is the largest quarterly decline since the third quarter of 1999, when it fell 12.3%.
- According to the International Monetary Fund, the world's economy is expected to expand at a 4.1% annualized rate in 2008. Growth is expected to be even higher in developing economies, whose growth is projected at 6.9%.

### International Equity Market Performance

- International developed markets recorded their second negative quarter since 2005. The MSCI EAFE ex Japan Index returned -9.1% while the MSCI Emerging Markets Index returned -10.9% (compared to -8.8% for the broad EAFE index).
- Developed markets managed to outperform emerging markets during the quarter. This marks only the fourth quarter in the past five years where developed markets have posted higher returns.
- Unlike the U.S. equity market, the international equity market continued to buck history with growth stocks outperforming value stocks for the quarter.

	<u>Quarter</u>	<u>YTD</u>	<u>One Yr</u>	<u>Three Yrs</u>	<u>Five Yrs</u>	<u>Ten Yrs</u>
<b><u>Broad Index Performance:</u></b>						
MSCI EAFE	(8.8)	(8.8)	(2.3)	13.8	21.9	6.6
MSCI World	(9.0)	(9.0)	(2.8)	10.2	16.5	5.0
MSCI EAFE ex. Japan	(9.1)	(9.1)	1.4	16.0	23.9	7.5
MSCI Emerging Markets	(10.9)	(10.9)	21.7	29.6	36.0	12.5
MSCI EAFE Small Cap	(6.2)	(6.2)	(10.9)	11.5	25.9	N/A
<b><u>Style Index Performance:</u></b>						
MSCI EAFE Growth	(8.1)	(8.1)	2.3	14.7	20.2	4.6
MSCI EAFE Value	(9.6)	(9.6)	(6.8)	12.8	23.5	8.3
<b><u>Regional Index Performance:</u></b>						
MSCI Europe ex-UK	(7.7)	(7.7)	3.9	18.1	26.2	8.2
MSCI United Kingdom	(10.5)	(10.5)	(5.8)	10.3	18.7	N/A
MSCI Japan	(7.8)	(7.8)	(14.6)	6.5	15.1	N/A
MSCI Asia	(14.1)	(14.1)	21.3	26.1	31.5	N/A
MSCI Latin America	(1.4)	(1.4)	40.1	46.4	50.7	17.8

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# Market Environment

## Alternative Markets

First Quarter, 2008

### Real Assets

	<u>Quarter</u>	<u>YTD</u>	<u>One Yr</u>	<u>Three Yrs</u>	<u>Five Yrs</u>	<u>Ten Yrs</u>
<b><u>Real Estate:</u></b>						
NCREIF Property	1.6	1.6	13.6	16.8	15.1	12.6
NAREIT Equity	1.4	1.4	(17.4)	11.7	18.3	10.7
<b><u>Timber:</u></b>						
NCREIF Timberland	4.5	4.5	21.5	18.2	14.9	8.8
<b><u>Commodities:</u></b>						
Goldman Sachs Commodity	9.9	9.9	38.6	8.4	16.1	11.4
Dow Jones AIG	9.6	9.6	21.8	12.1	15.7	10.4
<b><u>Reference Benchmarks:</u></b>						
Inflation (CPI)	1.2	1.2	3.5	3.2	2.9	2.7
T-Bills + 3%	1.6	1.6	7.7	7.5	6.3	6.8
T-Bills + 5%	2.1	2.1	9.8	9.6	8.3	8.9

- REITs and Private Real Estate returned 1.4% and 1.6% during the first quarter, respectively. Over the past one and three year periods, private real estate has outperformed REITs by 31% and 5.1%.
- With oil topping \$100, commodity indices performed exceptionally well. The energy-laden Goldman Sachs Commodity Index returned nearly 10% during the quarter.
- Over the past year, given its heavy energy allocation, the Goldman Sachs Commodity index has outperformed its Dow Jones counterpart by nearly 17%.

### Hedge Funds & Private Equity

- The broad HFRI Fund of Funds Composite returned -4.2% during the period, its worst quarterly performance since September 1998 when the index shed 10%.
- Many hedge fund managers were whipsawed as broad deleveraging served as a headwind to performance. According to S&P, the first quarter was the most volatile period in 70 years.
- Among hedge fund styles, emerging markets and convertible arbitrage fell 7.5% and 6.9%. Equity market neutral funds, benefiting from abnormally high market volatility, fell only 0.3% during the quarter.

	<u>Quarter</u>	<u>YTD</u>	<u>One Yr</u>	<u>Three Yrs</u>	<u>Five Yrs</u>	<u>Ten Yrs</u>
<b><u>Broad Index Performance:</u></b>						
Cambridge Venture Capital*	16.0	7.0	16.0	13.8	10.6	15.2
Cambridge Private Equity*	3.3	19.7	19.7	24.4	24.3	14.2
HFRI Fund of Funds Comp.	(4.3)	(4.3)	2.3	7.5	8.1	6.3
HFRI FOF Diversified	(4.2)	(4.2)	1.8	7.3	8.0	6.1
<b><u>Hedge Fund Styles (HFRI):</u></b>						
Convertible Arbitrage	(6.9)	(6.9)	(4.7)	3.6	2.8	7.2
Emerging Markets	(7.5)	(7.5)	10.0	18.9	23.2	11.7
Equity Hedge	(5.7)	(5.7)	1.3	8.6	11.0	10.4
Equity Market Neutral	(0.3)	(0.3)	2.9	5.5	5.0	6.0
Event-Driven	(3.0)	(3.0)	(0.5)	8.2	12.6	9.6
Fixed Income Corporate	(4.9)	(4.9)	(7.6)	2.8	7.3	4.6

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\*Venture Capital and Private Equity returns are preliminary and through December 31, 2007.

# Market Environment

## Asset Class Rankings Over the Past Twenty Years

First Quarter, 2008

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	YTD 2008
Best	29.5	35.9	17.5	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	26.9	15.8	2.2
	28.6	25.2	8.9	41.7	13.8	26.3	6.4	37.2	21.6	31.8	20.3	33.2	12.3	8.4	6.7	46.0	20.7	14.0	23.5	11.8	1.6
	23.2	20.2	7.9	41.2	12.3	23.8	4.2	31.0	21.4	30.5	16.2	27.3	11.6	7.3	1.7	38.6	16.5	7.5	22.2	11.6	0.9
	20.4	18.8	2.6	24.6	8.0	18.1	2.7	25.8	14.4	18.6	15.6	26.5	7.0	4.1	1.0	30.0	14.3	7.1	16.1	9.9	-3.9
	11.7	14.5	2.3	21.7	7.8	13.4	-0.8	24.6	14.1	16.2	13.6	13.0	6.0	2.8	-8.6	29.7	13.1	7.1	13.4	7.9	-5.1
	11.3	12.4	-0.3	16.0	7.4	11.5	-1.5	18.5	11.3	13.9	8.7	11.4	4.1	-2.7	-11.4	21.6	11.1	5.3	12.8	7.1	-6.5
	9.6	10.8	-8.1	14.5	5.0	9.8	-2.0	11.6	10.3	12.9	5.1	7.3	1.9	-5.6	-15.5	11.6	6.9	4.7	10.4	7.0	-8.7
	7.9	8.6	-17.4	12.5	3.6	3.1	-2.4	11.1	6.4	9.7	1.2	4.7	-14.0	-9.2	-15.7	9.0	6.3	4.1	9.1	4.7	-8.8
	6.8	7.8	-21.8	5.8	-4.3	2.9	-2.9	7.5	5.3	5.3	-5.1	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.0	4.8	-0.2	-10.2
	Worst	N/A	N/A	-23.2	-5.6	-11.9	1.4	-3.5	5.8	3.6	2.1	-6.5	-1.5	-22.4	-21.2	-30.3	1.1	1.2	2.4	4.3	-9.8



Large Cap Growth US Stocks (Russell 1000 Growth Index)



Large Cap Value US Stocks (Russell 1000 Value Index)



Small Cap Growth US Stocks (Russell 2000 Growth Index)



Small Cap Value US Stocks (Russell 2000 Value Index)



Hedge Fund of Funds (HFRI Fund of Funds Index)



International Stocks (MSCI EAFE Index)



Domestic Fixed Income (Lehman Bro Aggregate Bond Index)



Real Estate (NCREIF Property Index)



Cash (Citigroup 3-Mo Treasury)



ICC Universe Median (Total Funds)

Data: Ibbotson Associates, 2008; Independent Consultants Cooperative.

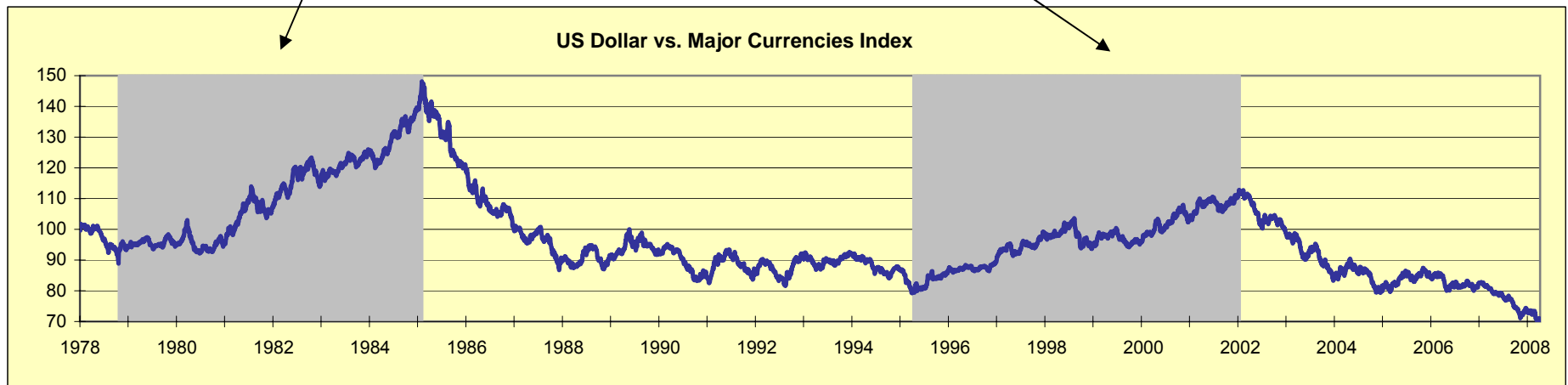
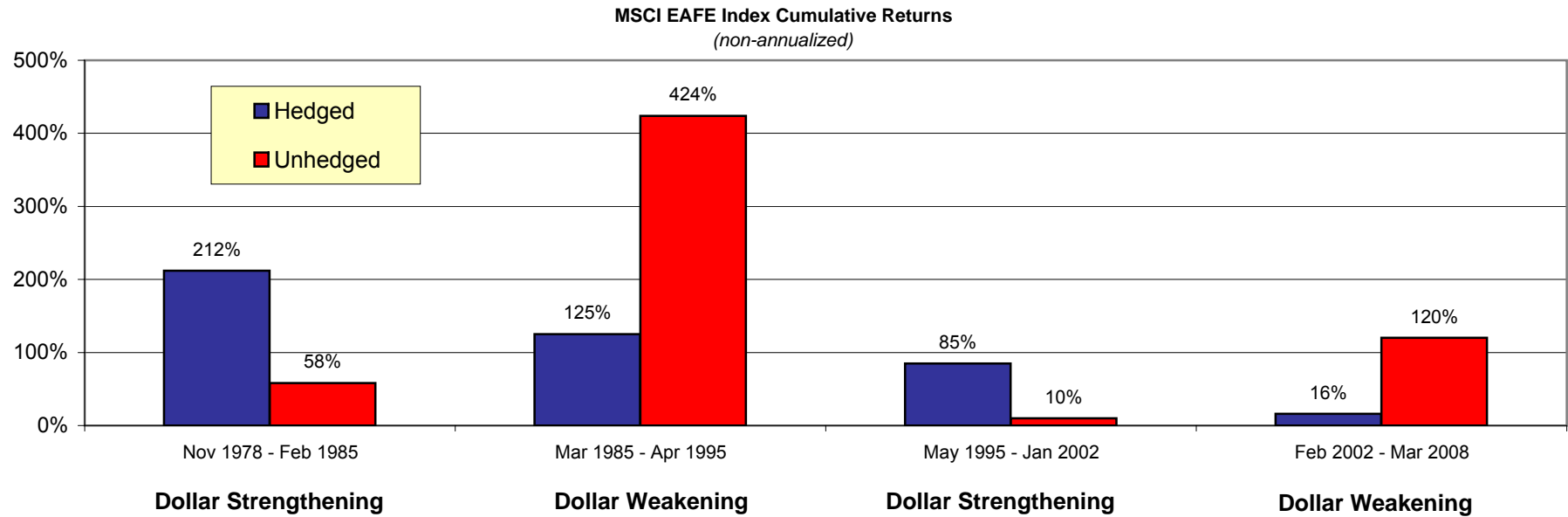
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# Market Environment

## The Significant Impact of Currency

First Quarter, 2008

### Historical Currency Movements



Source: Bernstein Investment Research & Management; DataStream; MSCI; Federal Reserve

Revised 4/17/2008 "Hedged" represented by MSCI EAFE Index in Local Currency; "Unhedged" represented by MSCI EAFE Index US \$



### S&P 500 Index Performance

- This chart was created using daily returns for the S&P 500 Index from January 1985 through March 2008.
- From January 1985 through March 2008, there have been 5,783 trading days. If an investor had remained invested in the S&P500 during the entire time period, their return would have been 9.44% annualized.
- If an investor attempted to time the market and happened to miss the 40 best trading days (or only 0.69% of all trading days), their return would have fallen by 726 basis points to 2.7%.
- The chart illustrates that the market's returns are highly dependent on a small number of trading days. Therefore, missing out on a small portion of the total trading days results in lower returns.

S&P 500 Index: January 1, 1985 -- March 31, 2008

