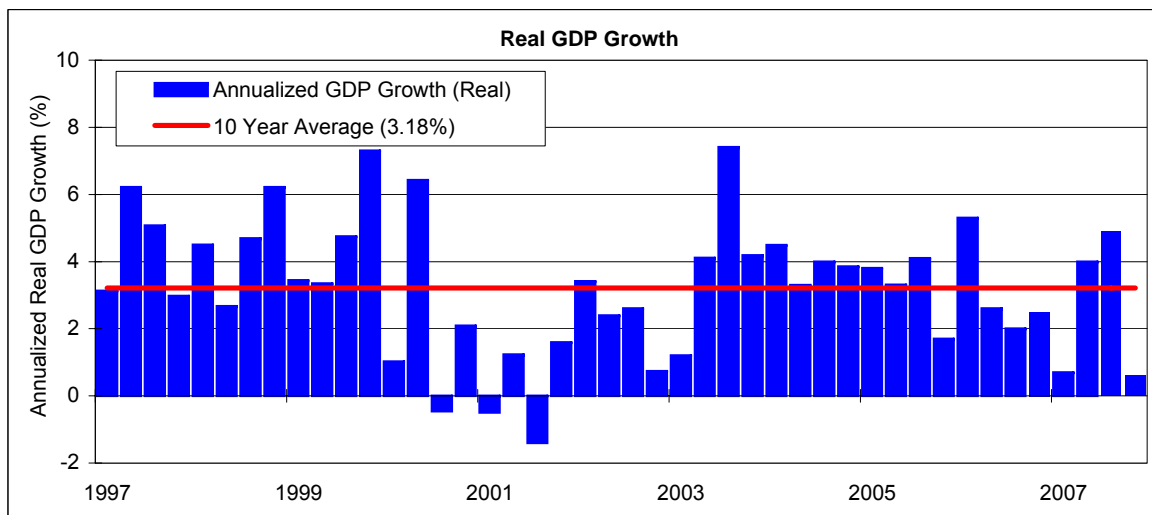


Economic Growth

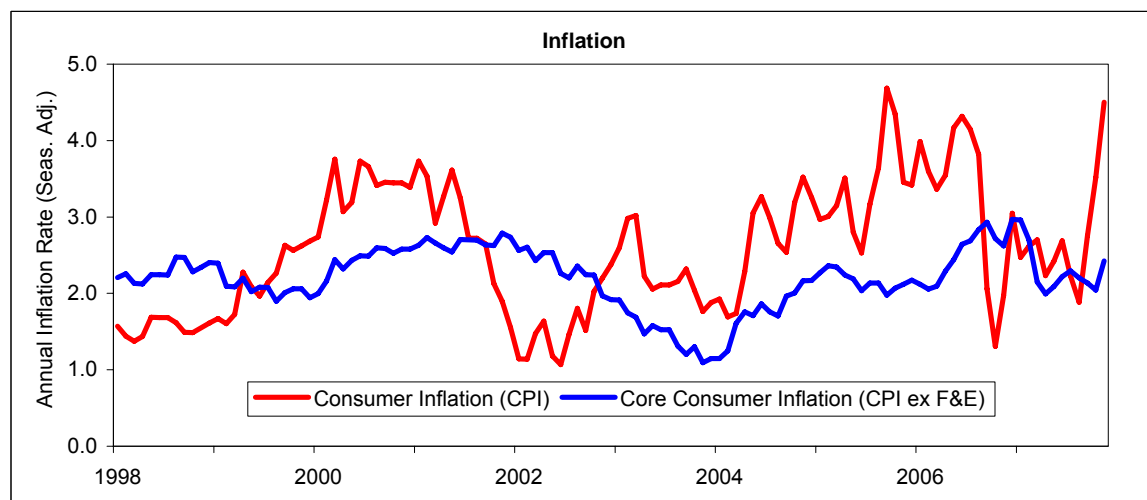


Source: Bureau of Economic Analysis.

- The Commerce Department estimates fourth quarter real domestic product (GDP) growth of 0.6%. This was much lower than the 2.5% that economists had expected and pulled GDP growth for 2007 down to the slowest pace in five years.
- Speculation about a US recession increased, as continued concerns about the US consumer's resiliency amid the housing crisis and layoffs in the banking and housing industries captivated the headlines. Consumer spending is responsible for about two-thirds of US GDP.
- The final estimate for the third quarter's real domestic product (GDP) growth was 4.9% even though housing fared worse than economists initially thought. This was up from preliminary estimates of 3.9%.

Inflation

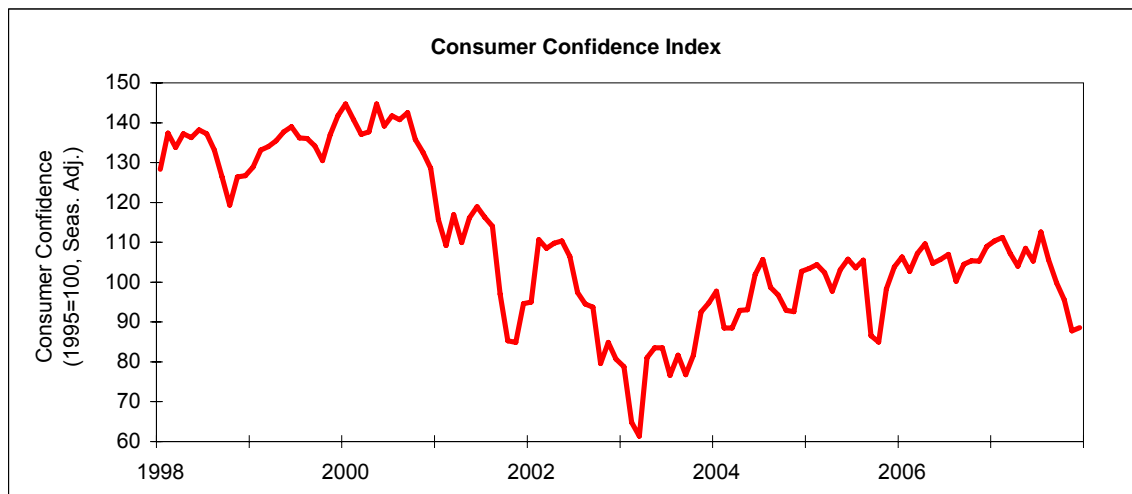
- Consumer prices, as measured by the Consumer Price Index (CPI), rose at a 4.1% annual rate in December. The largest contributor to CPI was the energy index, which has risen 17.4% from last year, partly as a result of higher oil prices.
- Excluding food and energy, consumer prices rose 2.4% over the past year. However, over the past three months, this "core inflation" metric has risen at a 2.7% annualized rate.
- Within CPI, transportation and medical care experienced increases of 8.3% and 5.2% over the past year while apparel prices fell 0.3%, respectively.



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

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Consumer Confidence

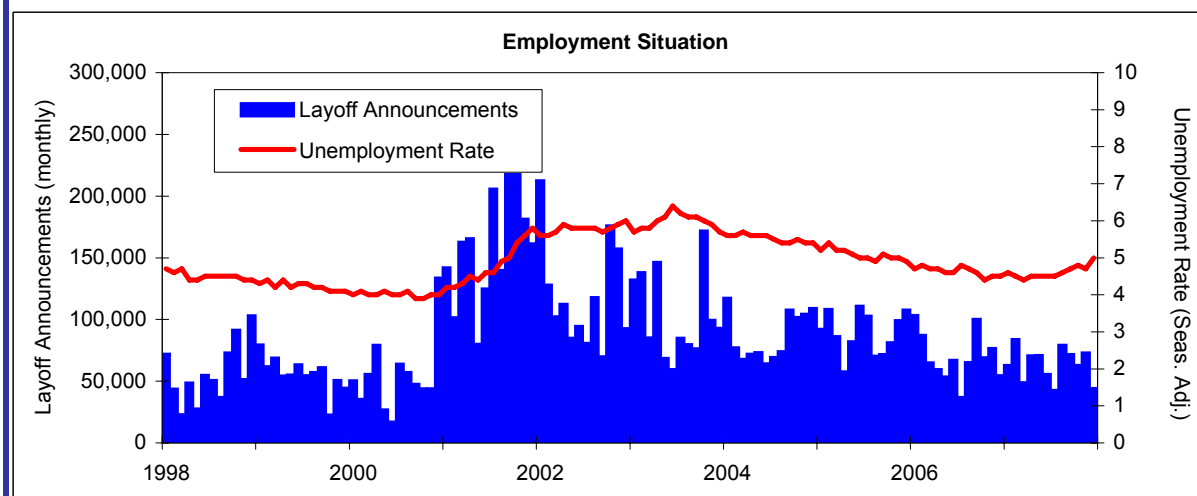


Source: The Conference Board

- The Conference Board's Consumer Confidence Index rose to 88.6, up from 87.8 in November.
- Consumers' appraisal of present-day conditions continues to paint a dismal picture. Those claiming conditions are "good" decreased to 20.3 percent from 22.5 percent. Those saying conditions are "bad" increased to 20.0 percent from 18.9 percent.
- Consumers' assessment of the job market was also less positive. Those saying jobs are "hard to get" rose to 23.5 percent from 21.4 percent, while those claiming jobs are "plentiful" declined to 22.7 percent from 23.3 percent in November.

Employment

- Non-farm employment rose by 292,000 during the fourth quarter, matching the number of new jobs during the previous quarter.
- The number of unemployed persons increased by 474,000 to 7.7 million in December and the unemployment rate rose by 0.3% to 5.0%. A year earlier, the number of unemployed persons was 6.8 million, and the jobless rate was 4.4%.
- The number of persons who worked part time for economic reasons, at 4.7 million in December, was little changed over the month but was up by 456,000 for the year.



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

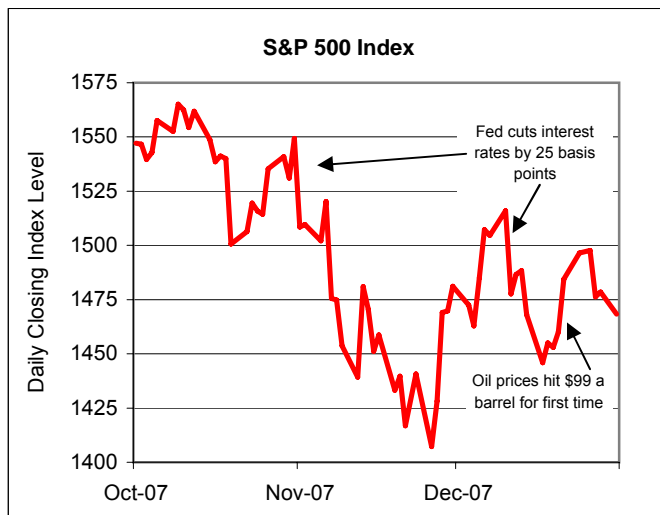
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Market Environment

U.S. Equity Market

Fourth Quarter, 2007

US Stock Market Highlights



Source: Yahoo! Finance

Sector Performance

	<u>Quarter</u>	<u>One Yr</u>
Consumer Disc.	(10.2)	(15.0)
Consumer Staples	3.8	14.1
Energy	3.9	33.8
Financials	(14.3)	(18.6)
Health Care	0.0	7.2
Industrials	(4.4)	11.9
Info. Technology	0.1	16.6
Materials	2.2	24.7
Telecom. Services	(5.1)	11.2
Utilities	7.3	19.2

- The S&P 500 finished the fourth quarter down 3.3% despite two quarter-point rate cuts by the Fed. This was the benchmark's first fourth quarter decline in seven years.
- For the quarter, Financials and Consumer Discretionary were the worst performing sectors posting -14.3% and -10.2% respectively. On the other hand, Utilities, Energy, and Consumer Staples were the top performing sectors posting 7.3%, 3.9%, and 3.8% respectively.
- Fears of recession, credit woes, rising oil prices, and a declining housing market all continue to pressure US equity markets.

Equity Market Performance

- 2007 marked a change in leadership as large cap outperformed small cap and growth outperformed value.
- Mega Caps, as measured by the Russell Top 200, returned -3.1% for the quarter and 5.9% for the year. The DJIA returned -3.9% for the quarter and 8.9% for the year.
- Growth outperformed value during the quarter within both large and small cap equities. For the year, the outperformance was particularly wide among small caps as the Russell 2000 Growth's year-to-date return of 7.1% is 1690 basis points ahead of the Russell 2000 Value.

	<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	(3.3)	5.5	5.5	8.6	12.8	5.9
S&P 500 Equal Weighted	(4.9)	1.5	1.5	8.3	16.0	9.6
Dow Jones Industrial Average	(3.9)	8.9	8.9	9.6	12.2	7.4
Russell Top 200	(3.1)	5.9	5.9	8.3	11.7	5.0
Russell 1000	(3.2)	5.8	5.8	9.1	13.4	6.2
Russell 2000	(4.6)	(1.6)	(1.6)	6.8	16.3	7.1
Russell 3000	(3.4)	5.1	5.1	8.9	13.6	6.2
Russell Mid Cap	(3.6)	5.6	5.6	11.1	18.2	9.9
<u>Style Index Performance:</u>						
Russell 1000 Growth	(0.8)	11.8	11.8	8.7	12.1	3.8
Russell 1000 Value	(5.8)	(0.2)	(0.2)	9.3	14.6	7.7
Russell 2000 Growth	(2.1)	7.1	7.1	8.1	16.5	4.3
Russell 2000 Value	(7.3)	(9.8)	(9.8)	5.3	15.8	9.1

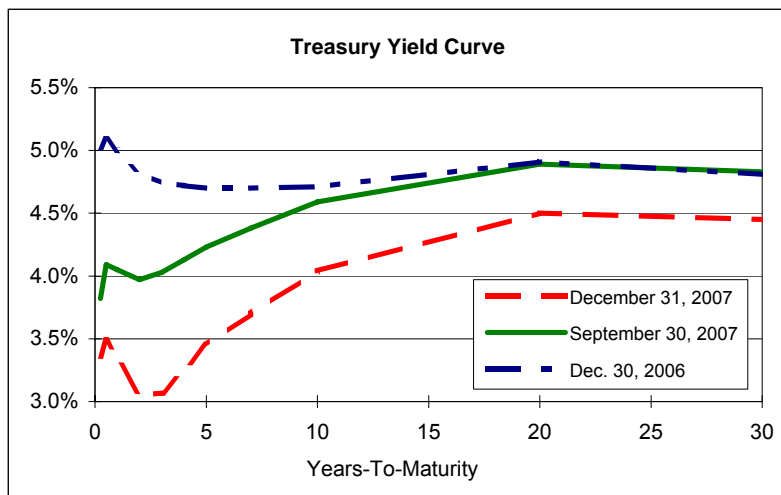
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Market Environment

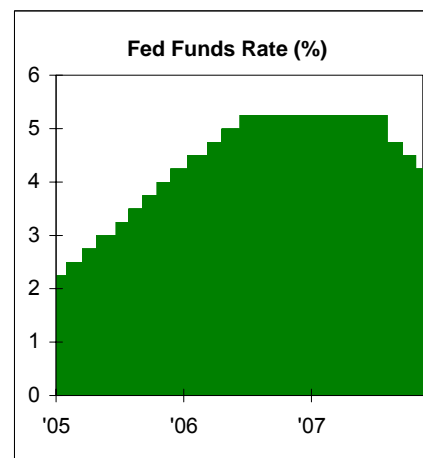
U.S. Fixed Income Market

Fourth Quarter, 2007

Interest Rate Environment



Source: State Street Corp.



Source: Federal Reserve

- The Fed continued to cut the Federal Funds rate, with quarter point cuts on October 31st and December 11th. These cuts dropped the interest rate to 4.25%.
- Yields fell sharply across the entire curve, resulting in a more normal slope although there remains modest inversion in the 2-year range.
- The Fed surprised markets with a 75 basis point cut on January 22nd due to increased concerns about a US recession and the impact on global markets. The markets appear to expect further cuts on January 29th.

Bond Markets

- A fall in interest rates helped the bond market as the Lehman Brothers Aggregate posted a return of 3.0%, its highest quarterly return since September 2006.
- The yield on TIPS and Treasuries also fell as the Fed's rate cuts and overall market volatility spurred fears of higher inflation. As a result, the one year returns for the Lehman Brothers TIPS Index and the LB Long Treasury Index were 11.6% and 9.7%, respectively.
- Credit spreads rose in the high yield market, resulting in a return of -1.3% for the Lehman High Yield index.

	<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	3.0	7.0	7.0	4.6	4.4	6.0
LB US TIPS	5.0	11.6	11.6	4.9	6.3	7.5
90 Day US Treasury Bills	1.1	5.0	5.0	4.3	3.1	3.8
<u>Maturity Evaluation:</u>						
LB 1-3 Yr Treasury	2.4	7.3	7.3	4.3	3.1	4.7
LB Intermediate Treasury	3.4	8.5	8.5	4.6	3.7	5.5
LB Long Treasury	5.6	9.7	9.7	6.1	5.7	7.2
<u>Issuer Performance:</u>						
LB Intermediate Agency	3.0	7.8	7.8	4.7	3.9	5.7
LB U.S. Credit	2.2	5.1	5.1	3.8	4.8	6.1
LB Mortgage	3.1	6.9	6.9	4.9	4.5	5.9
LB High Yield	(1.3)	1.9	1.9	5.4	10.9	5.5
JPM Emer Mkts Bond Plus	2.7	6.5	6.5	9.6	13.6	10.4

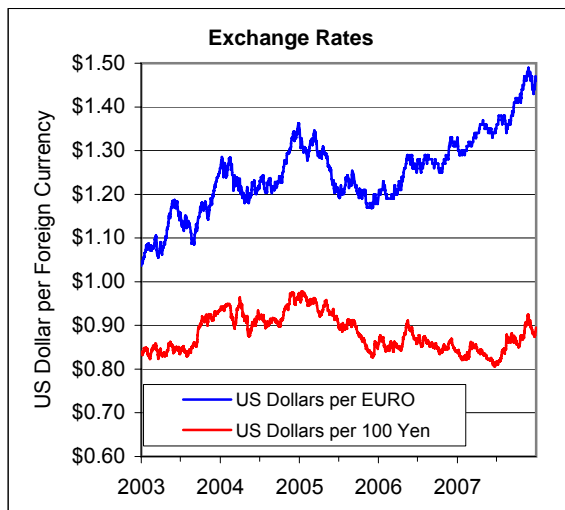
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Market Environment

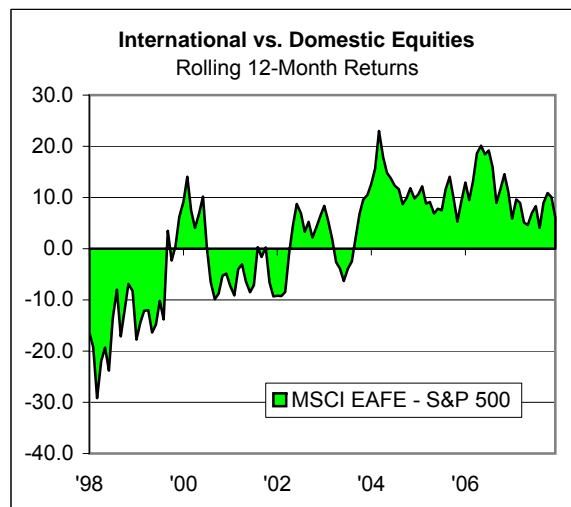
International Market

Fourth Quarter, 2007

International Market Environment



Source: Federal Reserve Bank, Daily Press



Source: Ibbotson

- International equities outperformed the domestic market during the fourth quarter. 2007 is the sixth year in a row the MSCI EAFE has outperformed the S&P 500.
- Two interest rate cuts during the fourth quarter pushed the dollar lower. The dollar fell to a record low versus the euro in November. It also fell to a 26-year low against the British pound and a century low against the Canadian dollar.
- European and Japanese equities lagged in comparison to the US in 2007. The FTSE 100 finished up 3.8% while the Nikkei 225 finished down 11%.

International Equity Market Performance

- International Developed markets recorded their first negative quarter since the second quarter of 2005. The MSCI World index, which includes the U.S., returned -2.3% while EAFE ex Japan returned -0.6% (compared to -1.7% for the broad EAFE index).
- Emerging Markets continued to outperform their Developed Market counterparts. The MSCI Emerging Markets returned 3.7% during the quarter. Brazil, India, Turkey, Indonesia, and China were top performing markets.
- Within style, growth outperformed value by 290 basis points while small caps underperformed large caps by 310 basis points.

	Quarter	YTD	One Yr	Three Yrs	Five Yrs	Ten Yrs
<u>Broad Index Performance:</u>						
MSCI EAFE	(1.7)	11.6	11.6	17.3	22.1	9.0
MSCI World	(2.3)	9.6	9.6	13.3	17.5	7.4
MSCI EAFE ex. Japan	(0.6)	16.3	16.3	19.9	24.1	10.4
MSCI Emerging Markets	3.7	39.8	39.8	35.6	37.5	14.5
MSCI EAFE Small Cap	(4.8)	1.8	1.8	15.6	26.8	n/a
<u>Style Index Performance:</u>						
MSCI EAFE Growth	(0.3)	16.8	16.8	17.7	20.2	6.8
MSCI EAFE Value	(3.2)	6.5	6.5	16.9	23.8	11.1
<u>Regional Index Performance:</u>						
MSCI Europe ex-UK	0.5	17.5	17.5	21.3	25.7	11.2
MSCI United Kingdom	(2.4)	8.4	8.4	15.0	19.2	n/a
MSCI Japan	(6.1)	(4.2)	(4.2)	8.6	15.1	n/a
MSCI Asia	0.2	41.6	41.6	34.0	33.2	n/a
MSCI Latin America	7.0	50.7	50.7	48.2	51.1	18.0

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Market Environment

Alternative Markets

Fourth Quarter, 2007

Real Assets

	<u>Quarter</u>	<u>YTD</u>	<u>One Yr</u>	<u>Three Yrs</u>	<u>Five Yrs</u>	<u>Ten Yrs</u>
<u>Real Estate:</u>						
NCREIF Property	3.2	15.8	15.8	17.5	15.1	12.9
NAREIT Equity	(12.7)	(15.7)	(15.7)	8.5	18.2	10.5
<u>Timber:</u>						
NCREIF Timberland	9.4	18.4	18.4	17.1	14.0	8.6
<u>Commodities:</u>						
Goldman Sachs Commodity	11.6	32.7	32.7	12.3	14.9	9.3
Dow Jones AIG	4.7	15.9	15.9	12.8	12.9	8.3
<u>Reference Benchmarks:</u>						
Inflation (CPI)	0.7	4.1	4.1	3.3	3.0	2.7
T-Bills + 3%	1.8	8.1	8.1	7.4	6.1	6.9
T-Bills + 5%	2.3	10.2	10.2	9.5	8.2	8.9

- Private Real Estate continued to post strong returns in the final quarter. Hotel properties led the way, with a 4.0% return, closely followed by retail and office properties, up 3.9% and 3.8%, respectively.
- Timberland posted strong results for the year, buoyed up in the final quarter by a large volume of annual appraisals.
- With oil threatening to break \$100/barrel several times during the period, commodity indices, particularly those with high allocations to Energy (such as the GSCI) saw a dramatic surge in prices during the final quarters of the year.

Hedge Funds & Private Equity

- Hedge fund returns were positive for most of the quarter, with the exception of November. Managers positioned to be long volatility added to portfolios in November.
- Merger arbitrage, which began the year strong, saw heightened volatility during the 4th quarter as several high profile deals involving financial buyers failed to close (Harman International, Sallie Mae). Globally, acquisition announcement volume declined 45% from its peak in the 2nd quarter to the 4th quarter, further depressing investors' optimism.

	<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>						
Cambridge Venture Capital*	2.9	22.4	22.4	14.9	8.0	15.0
Cambridge Private Equity*	1.3	28.0	28.0	28.9	23.5	14.9
HFRI Fund of Funds Comp.	1.9	10.1	10.1	9.0	9.3	7.3
HFRI FOF Diversified	1.9	9.7	9.7	9.1	9.2	8.3
<u>Hedge Fund Styles (HFRI):</u>						
Convertible Arbitrage	0.4	5.1	5.1	5.0	5.2	8.4
Emerging Markets	3.9	25.0	25.0	23.4	25.4	12.8
Equity Hedge	0.8	10.7	10.7	11.0	12.2	12.0
Equity Market Neutral	1.2	5.5	5.5	6.4	5.1	6.3
Event-Driven	(0.3)	6.9	9.6	9.8	13.8	10.7
Fixed Income	0.5	2.6	2.6	5.7	7.3	6.5

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*Venture Capital and Private Equity returns are through prior quarter end

Market Environment

Asset Class Rankings Over the Past Twenty Years

Fourth Quarter, 2007

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Best	24.9	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
	8.0	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
	5.9	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	1.8	38.6	16.5	7.5	22.2	11.6
	5.3	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
	4.6	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
	2.7	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
	0.5	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
	-7.1	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	5.0
	-10.5	6.8	7.8	-21.8	5.8	-4.3	2.9	-2.9	7.5	5.3	5.2	-5.1	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.1	4.8	-0.2
Worst	N/A	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	1.2	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 (LB Aggregate Bond Index)



Real Estate (NCREIF Property Index)



Cash (SB 3-Mo Treasury)



ICC Universe Median (Total Funds)

A Historical Perspective of Market Corrections & Bear Markets

Timeframes for the Recovery of Losses

Fourth Quarter, 2007

Bear Market	Total Months	Total Decline (S&P 500 Index)	First Year After Decline (Total Return)	Second Year After Decline (Total Return)	Months to Break Even	
					From End of Bear Market	From Start of Bear Market
Nov 1948 to May 1949	7	-10.0%	42.4%	23.8%	4	11
Jan 1953 to Aug 1953	8	-8.7%	35.0%	51.2%	5	13
Aug 1957 to Dec 1957	5	-15.0%	43.4%	12.0%	6	11
Jan 1960 to Oct 1960	10	-8.4%	32.6%	-14.9%	2	12
Jan 1962 to Jun 1962	6	-22.3%	31.2%	21.5%	7	13
Feb 1966 to Sep 1966	8	-15.6%	30.6%	9.6%	6	14
Dec 1968 to Jun 1970	19	-29.3%	41.8%	10.7%	7	26
Jan 1973 to Sep 1974	21	-42.6%	38.1%	30.5%	8	29
Jan 1977 to Feb 1978	14	-14.3%	16.6%	24.5%	5	19
Dec 1980 to Jul 1982	20	-16.5%	59.3%	-2.9%	3	23
Sep 1987 to Nov 1987	3	-29.6%	23.3%	30.8%	14	17
Jun 1990 to Oct 1990	5	-14.8%	33.4%	9.9%	4	9
Jul 1998 to Aug 1998	2	-15.4%	39.8%	16.3%	3	5
Apr 2000 to Sep 2002	30	-43.8%	24.4%	13.9%	49	79
Average	11.3	-20.5%	35.1%	16.9%	8.8	20.1
Nov 2007 to Jan 2008+ (?)	3+ ?	-14.7%	N/A	N/A	N/A	3 and counting

as of January 25

Based on monthly performance of S&P 500.

Source: Ibbotson

A Historical Perspective on Recessions

Recession Durations and Performance of Stocks & Bonds

Fourth Quarter, 2007

<u>BUSINESS CYCLE REFERENCE DATES</u>			<u>DURATION IN MONTHS</u>				<u>STOCK MARKET PERFORMANCE</u> (S&P 500 Index, Cumulative, non-annualized)			<u>BOND MARKET PERFORMANCE</u> (LB Aggregate Index, Cumulative, non-annualized)		
Peak	Trough	Peak	Contraction	Expansion	Cycle		Contraction	Subsequent	Total	Contraction	Subsequent	Total
Quarterly dates are in parentheses		Announce. Date*	Peak to Trough	Previous to this peak	Trough Previous Trough	Peak from Previous Peak	Peak to Trough	Year 12 months after Trough	Cycle Peak to Trough + 1yr	Peak to Trough	Year 12 months after Trough	Cycle Peak to Trough + 1yr
August 1918(III)	December 1914 (IV)	n/a	-	-	-	-	n/a	n/a	n/a			
January 1920(I)	March 1919 (I)	n/a	7	44	51	67	n/a	n/a	n/a			
May 1923(II)	July 1921 (III)	n/a	18	10	28	17	n/a	n/a	n/a			
October 1926(III)	July 1924 (III)	n/a	14	22	36	40	n/a	n/a	n/a			
August 1929(III)	November 1927 (IV)	n/a	13	27	40	41	37.1	46.8	101.4			
May 1937(II)	March 1933 (I)	n/a	43	21	64	34	-74.5	92.0	-33.7			
February 1945(I)	June 1938 (II)	n/a	13	50	63	93	-24.2	-1.9	-25.6			
November 1948(IV)	October 1945 (IV)	n/a	8	80	88	93	27.7	-7.3	18.4			
July 1953(II)	October 1949 (IV)	n/a	11	37	48	45	4.1	31.4	45.8			
August 1957(III)	May 1954 (II)	n/a	10	45	55	56	27.6	35.9	73.4			
April 1960(II)	April 1958 (II)	n/a	8	39	47	49	-6.5	37.3	28.4			
December 1969(IV)	February 1961 (I)	n/a	10	24	34	32	18.4	13.6	34.5			
November 1973(IV)	November 1970 (IV)	n/a	11	106	117	116	-3.5	11.2	7.4			
January 1980(I)	March 1975 (I)	n/a	16	36	52	47	-17.9	28.3	5.3			
July 1981(III)	July 1980 (III)	June 1980	6	58	64	74	16.1	12.9	31.2	6.2	-5.0	0.9
July 1990(III)	November 1982 (IV)	Jan 1982	16	12	28	18	14.7	25.4	43.8	37.9	10.3	52.2
March 2001(I)	March 1991(I)	April 1991	8	92	100	108	7.6	11.0	19.5	8.9	11.4	21.3
July 2007 (?)	November 2001 (IV)	Nov. 2001	8	120	128	128	-7.2	-16.5	-22.5	6.4	7.3	14.3
July 2007 (?)	unknown	TBA	6+ (?)	68 (?)	?	82						
Average, all cycles:												
1919-1945 (6 cycles)			18	35	53	53						
1945-2001 (10 cycles)			10	57	67	67						

Sources: Business cycles and duration: National Bureau of Economic Research (www.nber.org); S&P 500 & LB Aggregate Index Returns: Ibbotson, based on monthly returns

The NBER does not define a recession in terms of two consecutive quarters of decline in real GDP. Rather, a recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales.

*Peak Announcement date -- indicates the recognition of a recession starting.