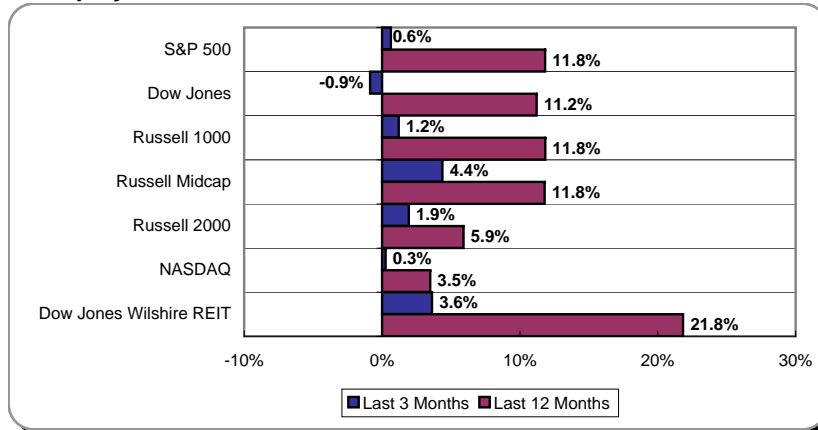




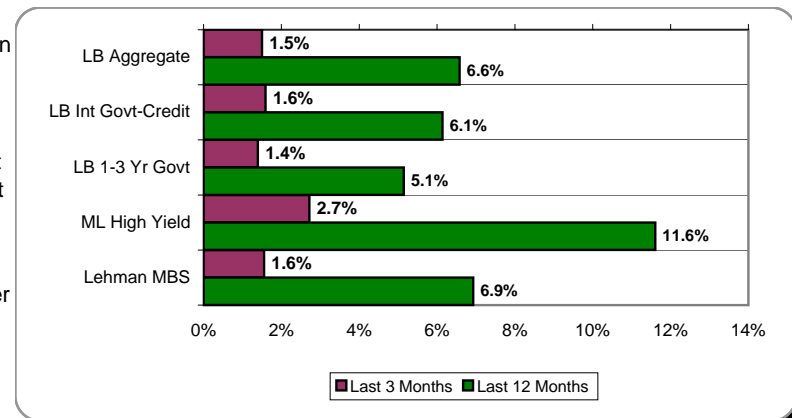
US Equity



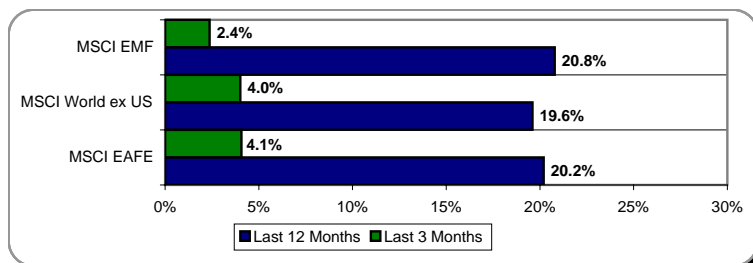
- ◆ Another ho-hum quarter in the US bond market. Like the REIT segment of the equity market, bond geeks are still seeking yield, still bidding up prices on below-investment-grade paper and still driving total returns disproportionately higher than the rest of the pack (risk notwithstanding).
- ◆ Bond traders (finally) awoke and threw in the towel, based on the notion that their two favorite things...a business slowdown and a Fed rate cut...were just around the corner. Accordingly, they began to re-shape the yield curve toward a more natural, upwardly-sloping state.
- ◆ The big story: Fears born of the junk-mortgage market crisis spilled into other sectors. Overall corporate bond yields vs. US Treasuries moved sharply wider in March, after bullishly narrowing for 7 straight months. There were also indications that traders' ever-nervous stomachs churned, following announcements of several large LBO transactions.

- ◆ The new news from US equities is that volatility may be headed back toward historical norms. Based on human tendency to extrapolate the recent past, many people may consider 1Q 2007 to have been only a belch. But not so.
- ◆ Perhaps this quarter was just a breather. The market's initial April sizzle was the stuff that attracts record viewing audiences to cable TV's market-jibber-jabber programming. (Q: Will we ever see a TV show advising on which stocks to sell?)
- ◆ Even REITs were tame this quarter, though they still bested other US equities. (See our web site for expanded comments on REITs.)
- ◆ The junk mortgage market (politely called "sub-prime") proved to be a good excuse for the market to balance its rampant greed with a long-lost dose of fear. Considerable carnage was visited on financial stocks and, despite calm-spinners' quotes, cracks kept showing up in The Street's wall.

US Fixed Income



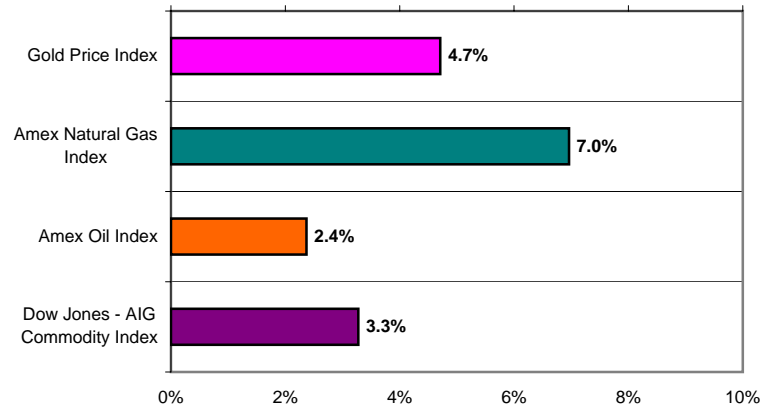
International Equity (returns measured in US Dollars)



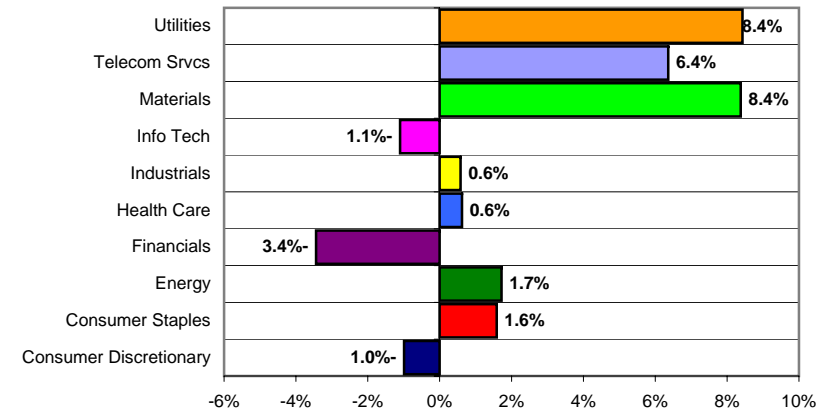
- ◆ Non-US equities are STILL the place for US investors to make the highest common stock returns.
- ◆ The US ranked a puny 28th out of 33 world stock markets, thus far in 2007. The Pacific basin continues to shine (Malaysia, Philippines, Singapore comprise the top 3), though Latin America was the strongest region, returning almost 7% for the quarter. In fact, Mexico earned a robust 6th ranking.
- ◆ The ever-weak US Dollar posted a(nother) 0.7% year-over-year decline vs. major currencies. Except for a 7-month run of positive change in late 2005/early 2006, there hasn't been a plus-number in years.



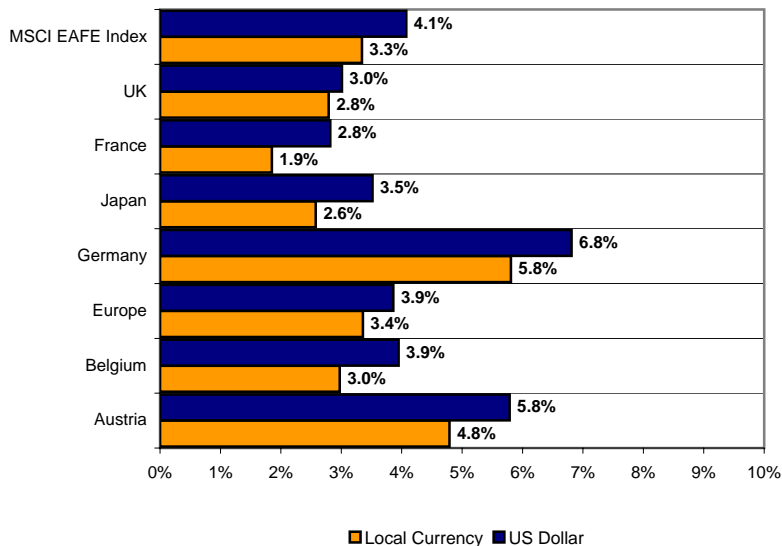
Commodities Indexes 1st Qtr 2007



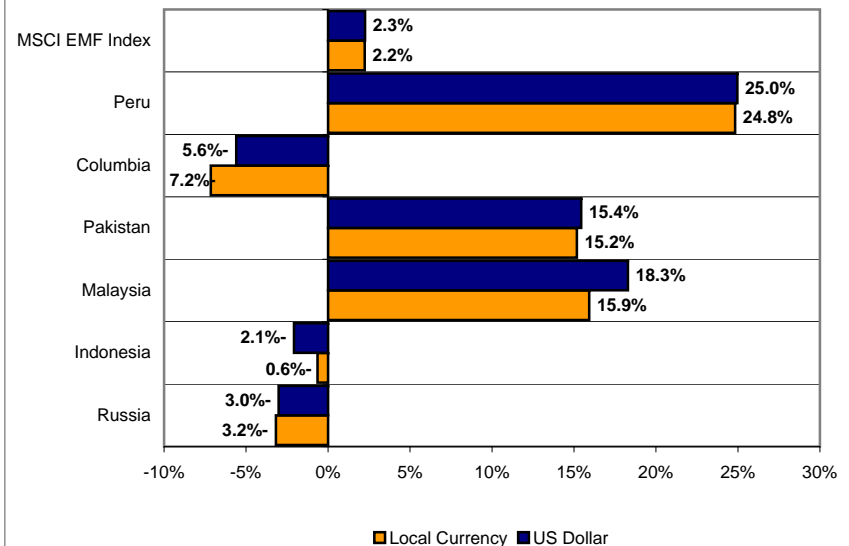
S&P Returns by Sector 1st Qtr 2007

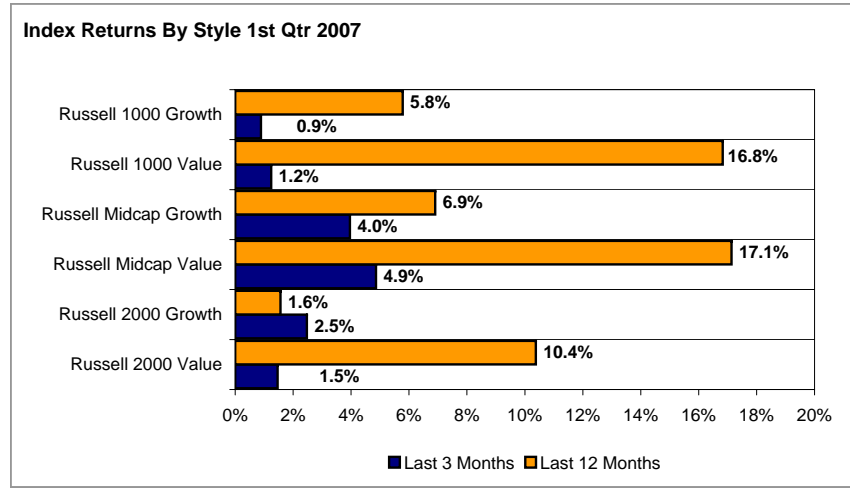


Developed Markets Returns 1st Qtr 2007

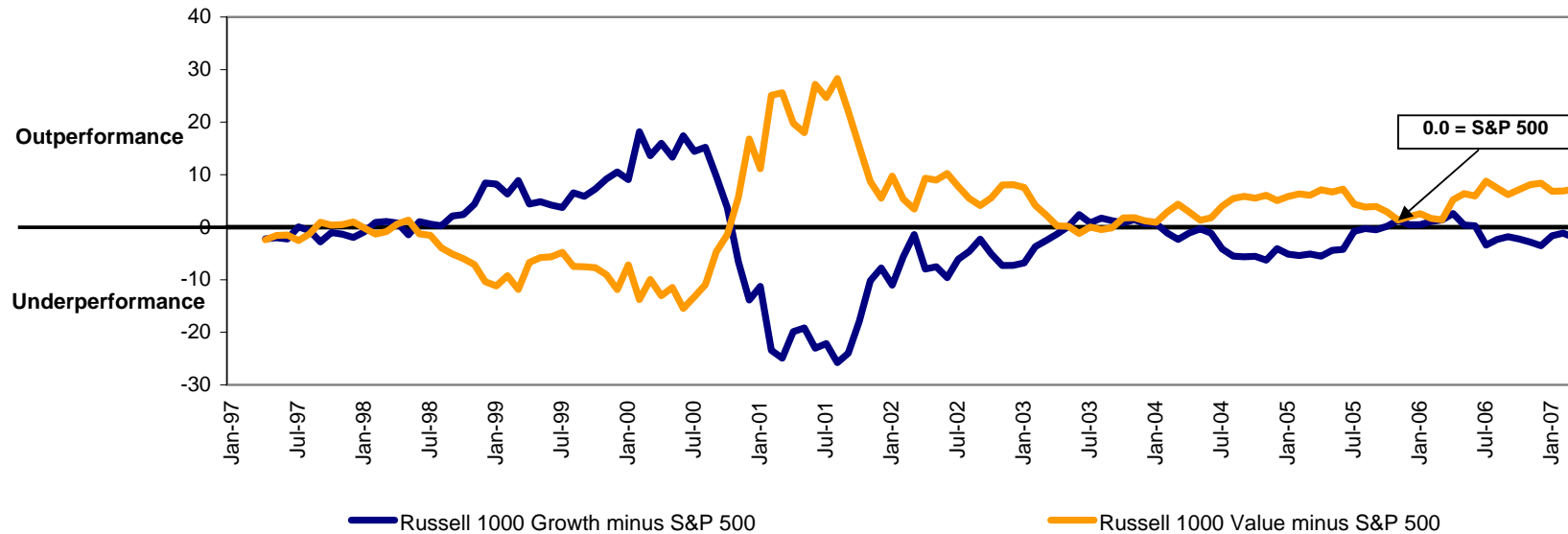


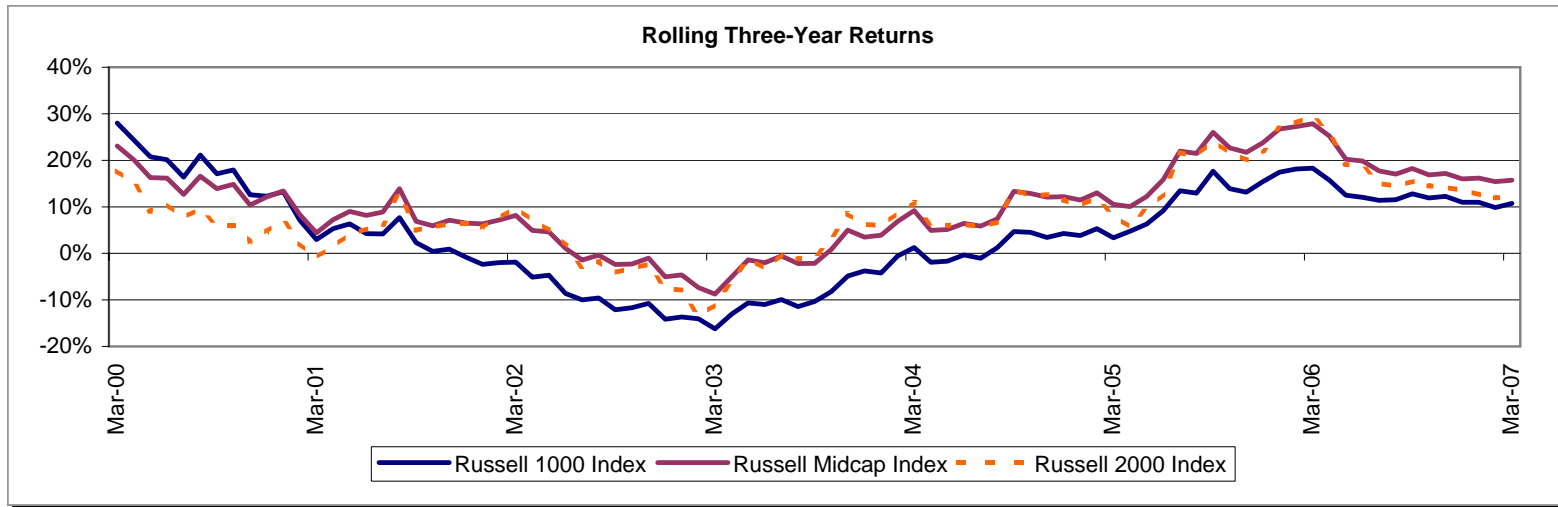
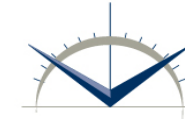
Emerging Markets Returns 1st Qtr 2007



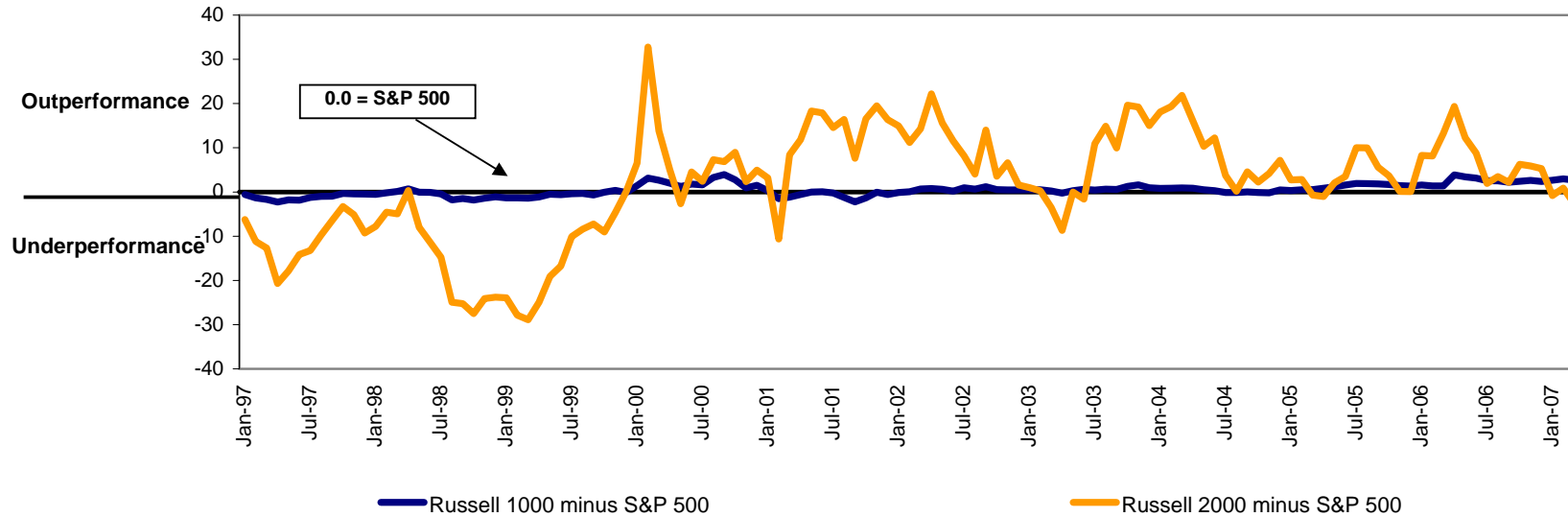


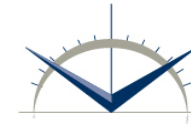
Growth vs. Value Style Stocks' Performance
(rolling twelve months compound total returns) - Using the S&P 500 Index as a Baseline





Large Cap vs. Small Cap Stocks' Performance
 (rolling twelve months compound total returns) - Using the S&P 500 Index as a Baseline





**U.S. Government Bond Yields
At Selected Quarter End Dates**

