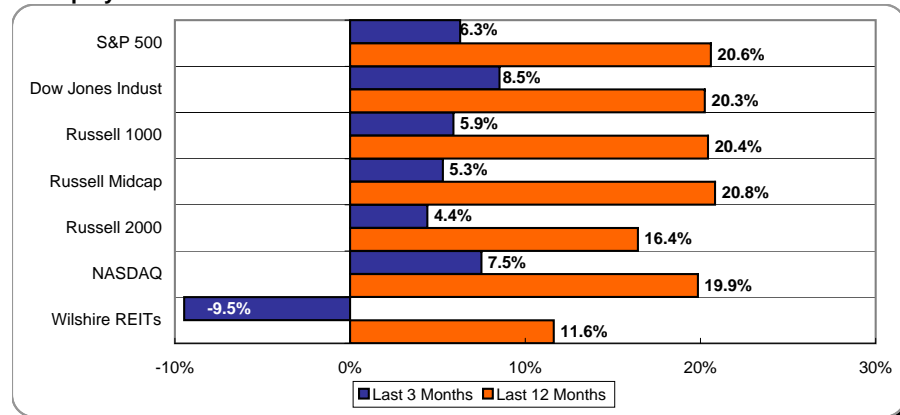


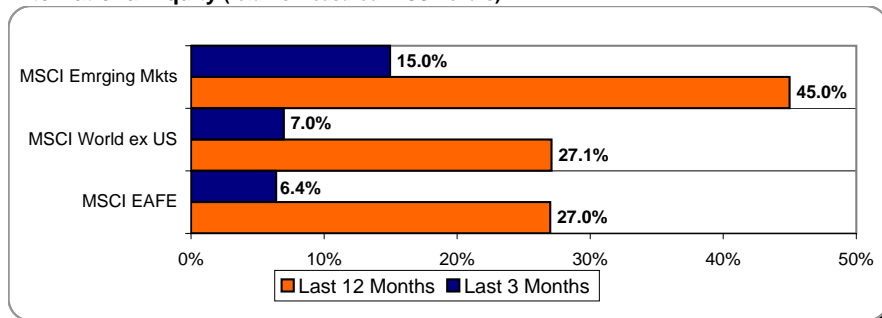


US Equity



- ◆ There is but one story in the US bond market, both recently and ongoing. It is the unraveling default rate on junk-quality home mortgages which make up nearly half the value of popular bundled debt instruments called CDOs. These are not new vehicles, but in 2006, sophisticated yield-seeking portfolio managers bought more than \$500 billion of them....five times the volume only 3 years ago.
- ◆ Markets cannot be orderly without information....lots of it. But, according to an article published by Bloomberg, the CDO "market" is rather secretive and illiquid. So, despite the considerable resources in their all-electronic trading rooms, it is difficult for bond managers to determine values of the CDOs they hold.
- ◆ Quicksand? Apparently, market-makers' worst fears about the junk mortgage mini-crisis is that it will not only be worse, but also prolonged. Many CDO investments (the "tranches" that offered the highest yields) sit atop a classic meat-grinder: (a) homes occupied by credit-deficient families who cannot re-finance the rising adjustable rates on their mortgage debt which (b) may now exceed 100% of the weak/weakening values of their homes.

International Equity (returns measured in US Dollars)

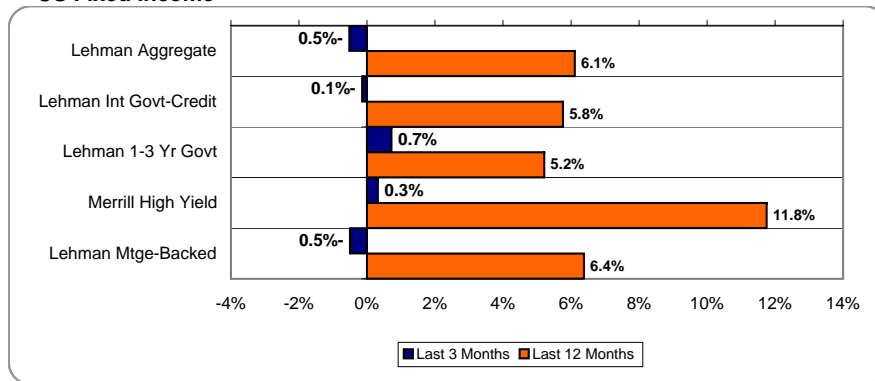


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This publication is not a suitable basis for investment decisions.

- ◆ Two subjects have captured market-makers' fancy this quarter: (1) the first of several elite hedge fund operators offered small, multi-billion-dollar slices of their equity to average-Joe investors and (2) chunks of American equity continue to be taken private in greater proportion than going public. Both of these trends, we suppose, are bullish for US equity prices at a time when earnings growth is calm, but steady.
- ◆ After showing a pronounced determination to surge ahead for the initial two months of the quarter, the market spent nearly all of June in disarray and negative momentum. All sub-categories posted 1.5 to 2% losses for the month, but nearly all of them still managed to net 5-7% for the quarter. (All, that is, except the 7-year shooting-star REITs category which returned nothing for April/May, then flushed away 9% of its value during June.) Growth shares solidly out-performed their value cousins for a change.
- ◆ The S&P 500 index at June 30 stood a hair above 18 times its reported earnings....a slight edge below the 20-multiple jumping-off point that historically prompts sober investors to strap on their parachutes. Another market fundamental, its overall dividend yield rate, hovers at a level hardly worth measuring; it is current boardroom vogue to buy-in the company's shares, rather than re-invest in business growth, or pay out cash to shareholders.

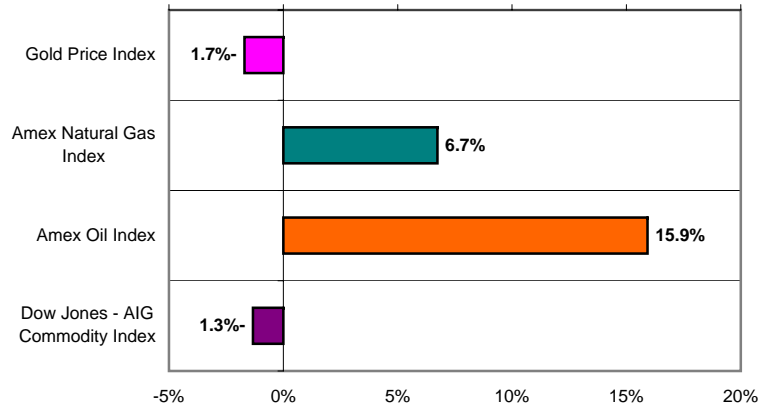
US Fixed Income



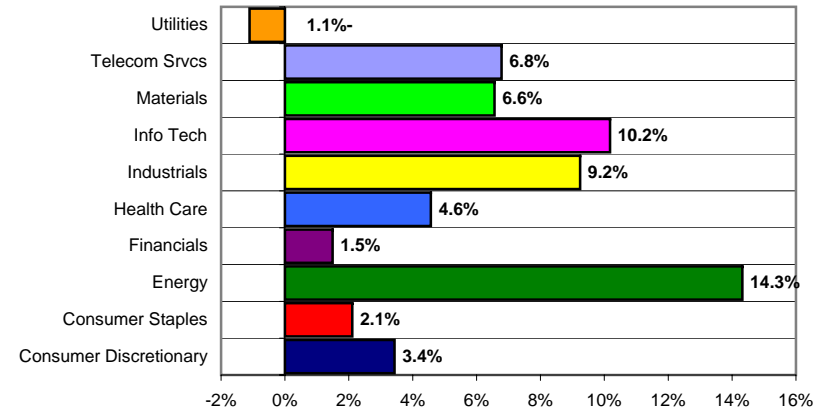
- ◆ As we watch the world's growth-engine economies and note their currencies continuing to float ever upward in value, versus the US dollar, it continues to amaze us that there is so little US investor demand for truly global (US + foreign) investment products. Moreover, the "international" allocation in most US investor portfolios is still given minority status.
- ◆ This year is by no means the beginning of the decline in US currency value. For all we know, 2007 may be the end of it. But consider these 2007 value depreciation figures, for the US dollar vs. Brazilian real: -10.5%; vs. Canadian dollar: -9.2%; vs. Columbian peso: -12.5%; vs. Australian dollar: -8.0%; vs. Indian rupee: -8.4%; vs. Thai baht: -11.0%....you get the idea. With a tailwind such as this, small wonder that the emerging markets' equities are performing for US investors as if on fire.
- ◆ The ever-more-powerful Euro is continuing to test its record high valuation vs. the \$US, despite a presumed ongoing effort by the EU Central Bank to arrest, if not reverse this trend. (EU's goal: arrest the increasing price-attractiveness of US-produced goods and the conversely increasing un-attractiveness of EU-produced goods.) Another aspect: If you are a non-US-based investor, consider the increasingly attractive pricing of US equities....buy US shares at lower prices than at the beginning of the year, despite their 8-9% (local) price appreciation!



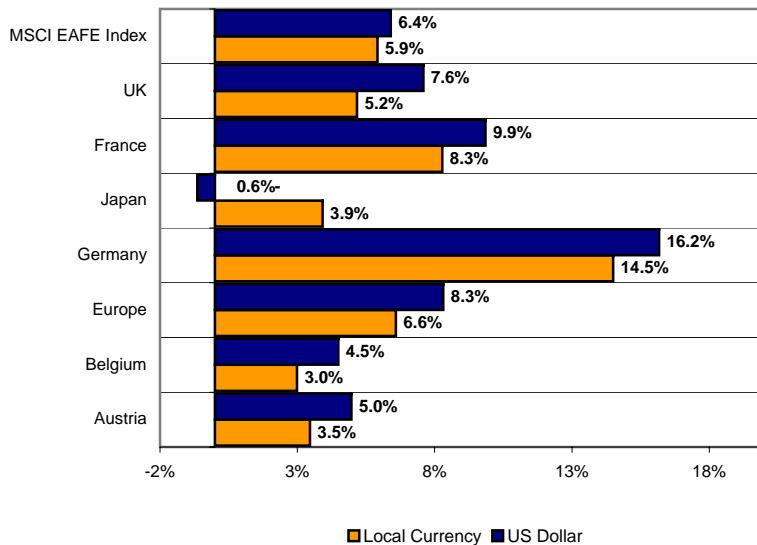
Commodities Indexes 2nd Qtr 2007



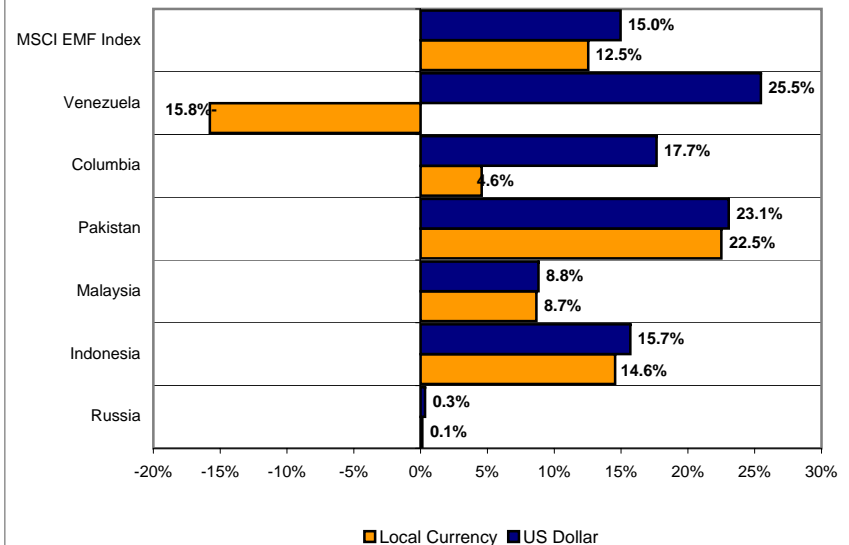
S&P Returns by Sector 2nd Qtr 2007

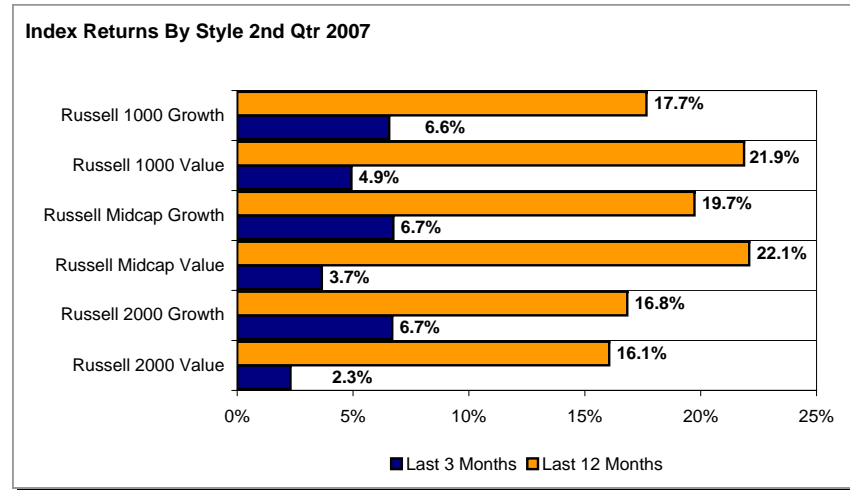
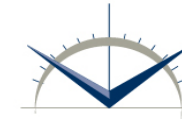


Developed Markets Returns 2nd Qtr 2007

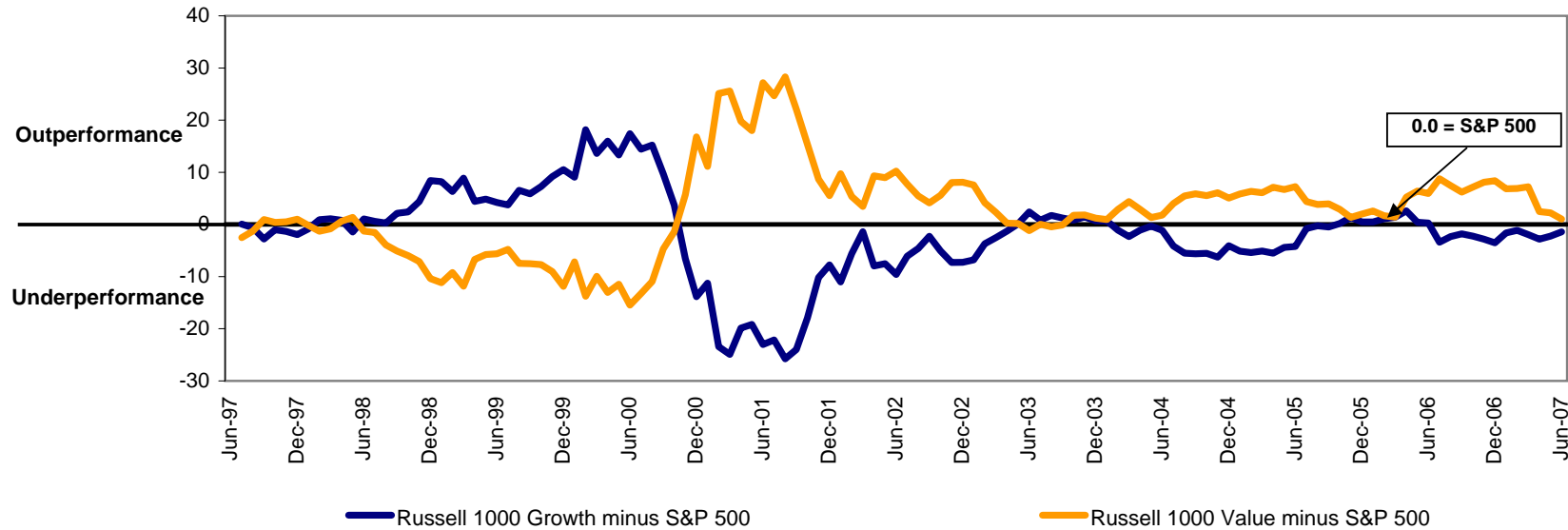


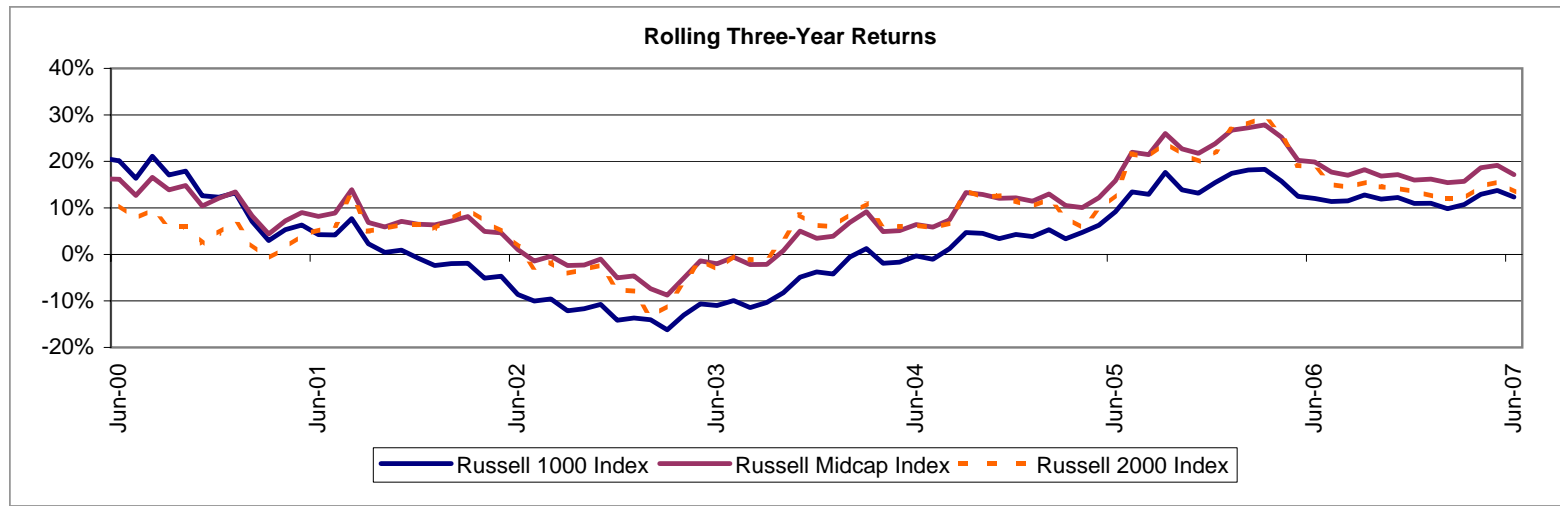
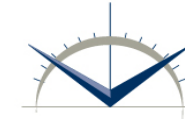
Emerging Markets Returns 2nd Qtr 2007



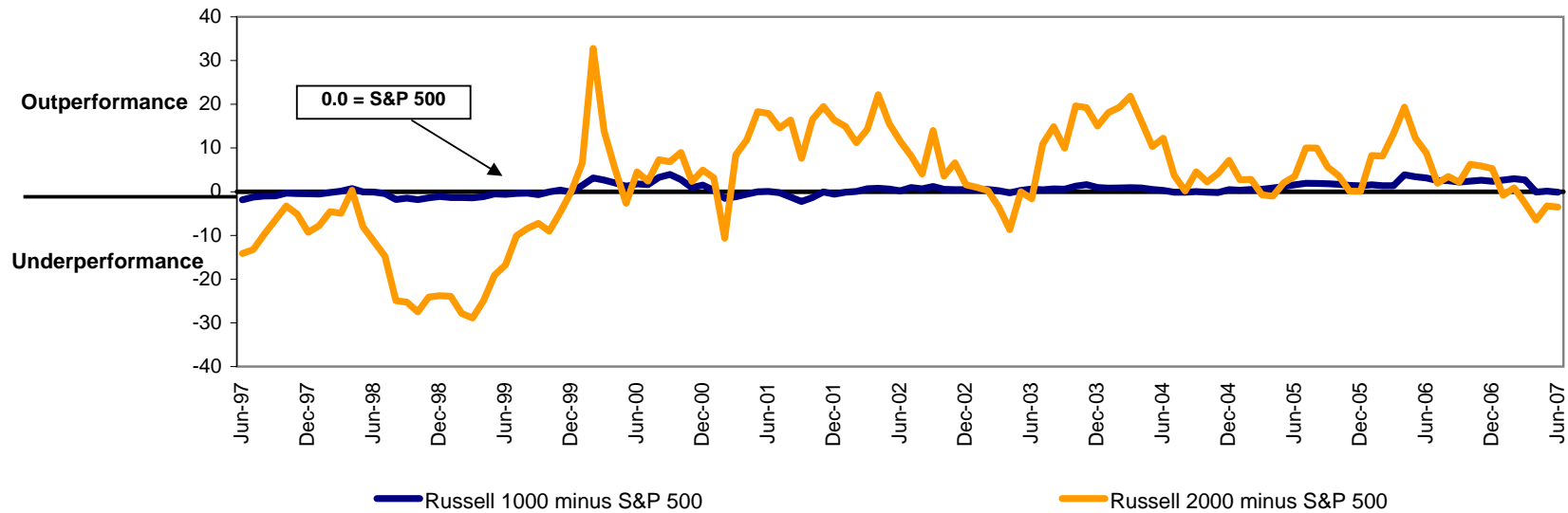


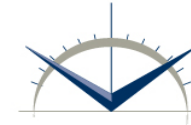
Growth vs. Value Style Stocks' Performance
(rolling twelve months compound total returns) - Using the S&P 500 Index as a Baseline





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**

