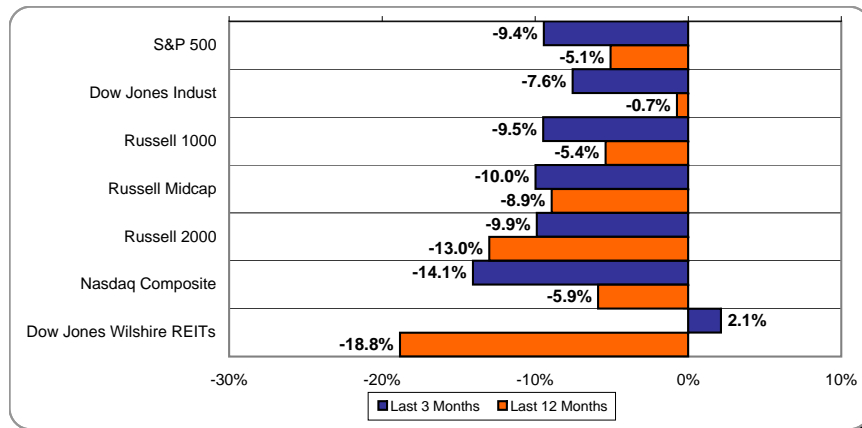


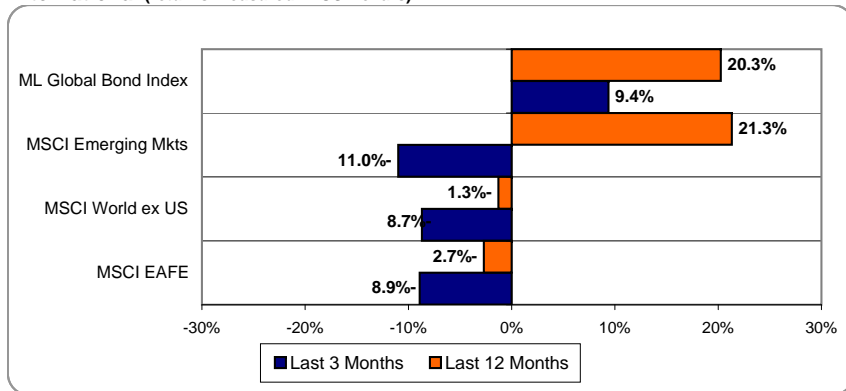


US Equity



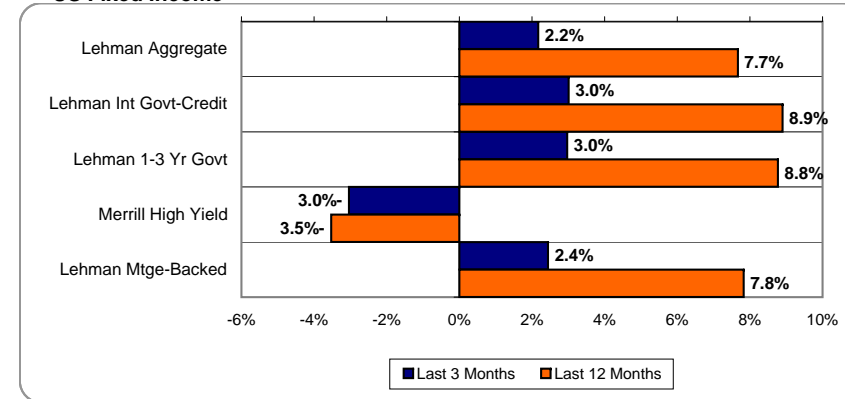
- ◆ A 3% quarterly/8% annual return has recently looked attractive compared to holding stocks. The recent several quarters of robust bond returns were driven by rising bond prices, as hordes of investors fled the equity market and sought a safer parking place. But, since bond returns have no growth component, investor demand may be waning. Long term, there are three reasons to allocate investment assets to investment grade fixed income: (1) collect interest income, (2) control overall portfolio volatility and (3) hedge recession/ depression.
- ◆ It is not surprising that the "high yield" category of debt securities has recently performed poorly. This group is always the first to suffer from a softening business environment, because this paper is issued by companies which are on the weak side of the business world, from a variety of causes. In general, high yield debt has very cyclical price action, having higher highs and lower lows than investment grade companies' debt... with a few defaults sprinkled into the mix.
- ◆ Note that, despite a crisis in the mortgage-backed debt sector, the investment grade mortgage-backed index (and the Aggregate Index that is over 40% mortgages) are not reflecting a problem. This is because the mortgage crisis is actually a Wall Street crisis, involving certain bundles of debt that are not included in the bond market indexes, because the paper is held almost exclusively in global investment banks' in-house portfolios.

International (returns measured in US Dollars)

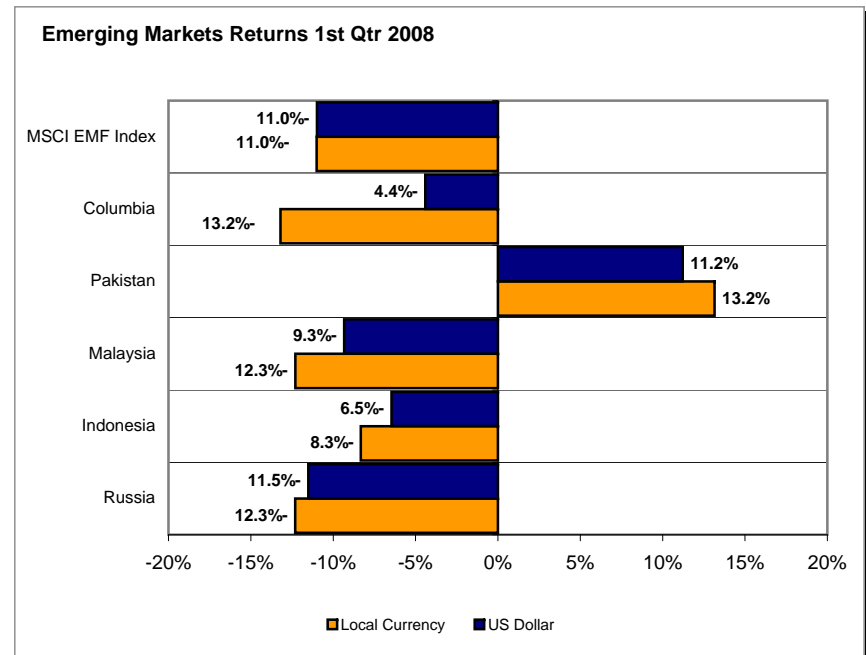
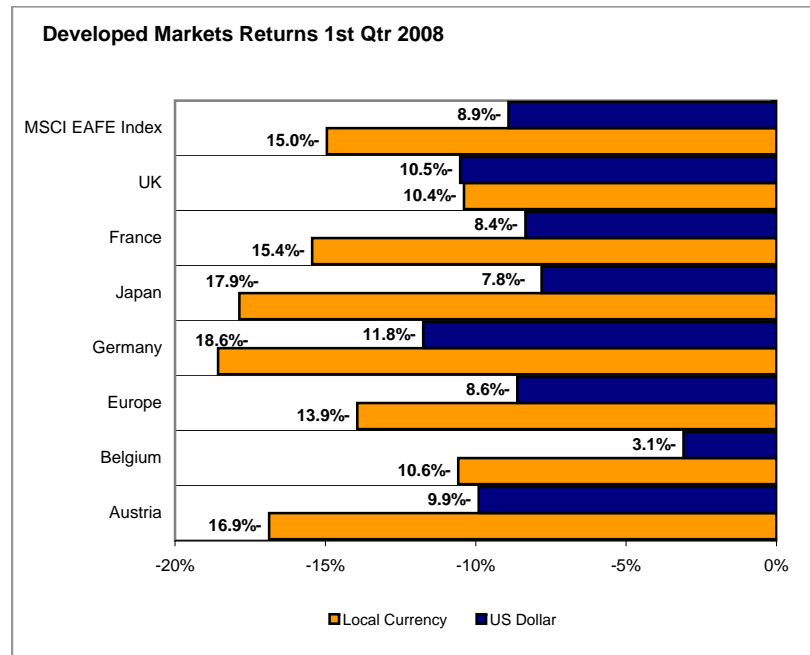
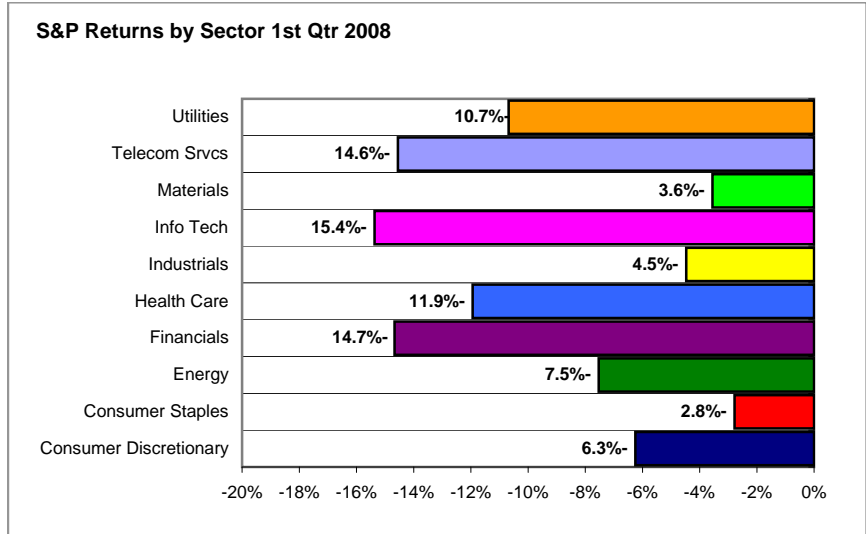
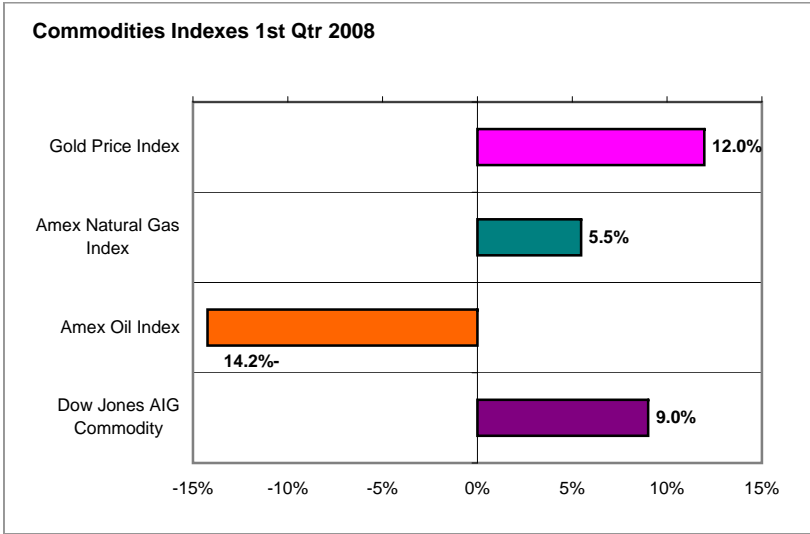


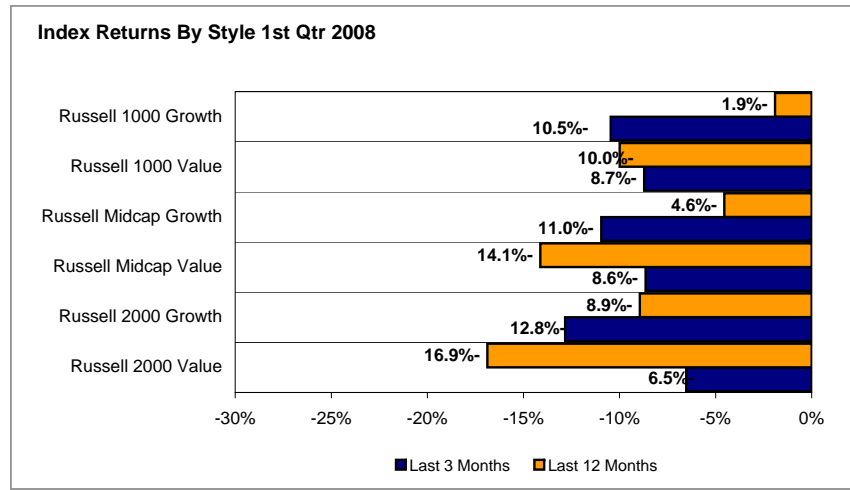
- ◆ As you may know, or have guessed, the quarter ended March 2008 was the US equity market's worst since the -17% third quarter of 2002 and, while we have just seen two negative quarters in a row, be reminded that years 2000 through 2002 turned in the following numbers: -9%, -12% and -22%. So, while it has been recently bad and some pundits say the worst is yet to come, at least this time there was only one component of our markets....housing..... that was experiencing a bubble.
- ◆ Total volatility of the S&P 500 Index for the quarter was extraordinary; almost 51% of market days experienced at least a 1% change in the index's value. In fact, by comparison, this quarter's proportion of days with greater-than-1% value volatility was higher (mostly, far higher) than any entire year since 1938....70 years. To some extent, recent volatility is a sort of payback for the past five years which have seen total volatility at very low levels. Longer spans of recent history (10-20 years) have also produced historically light volatility. It is therefore wise to anticipate more, rather than less future market bumpiness.
- ◆ Real Estate Investment Trust (REIT) shares have already shown indications of turnaround, after having taken a merciless beating in the last half of 2007. It is not yet clear whether the US is headed into a period when commercial property descends into a funk...widespread rental vacancies, etc. If that happens, REITs' problems are not yet behind them. The big factor still hanging over property and REIT shares is their high valuation, i.e., earnings capitalization rates have remained stubbornly low.

US Fixed Income

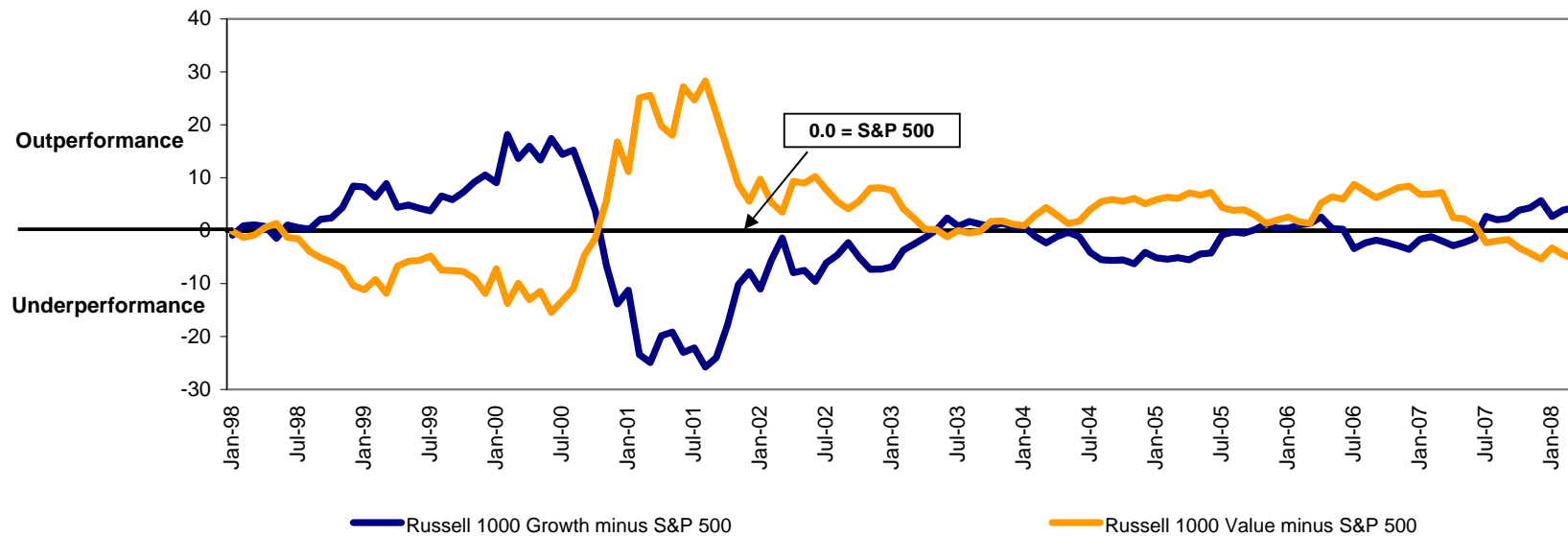


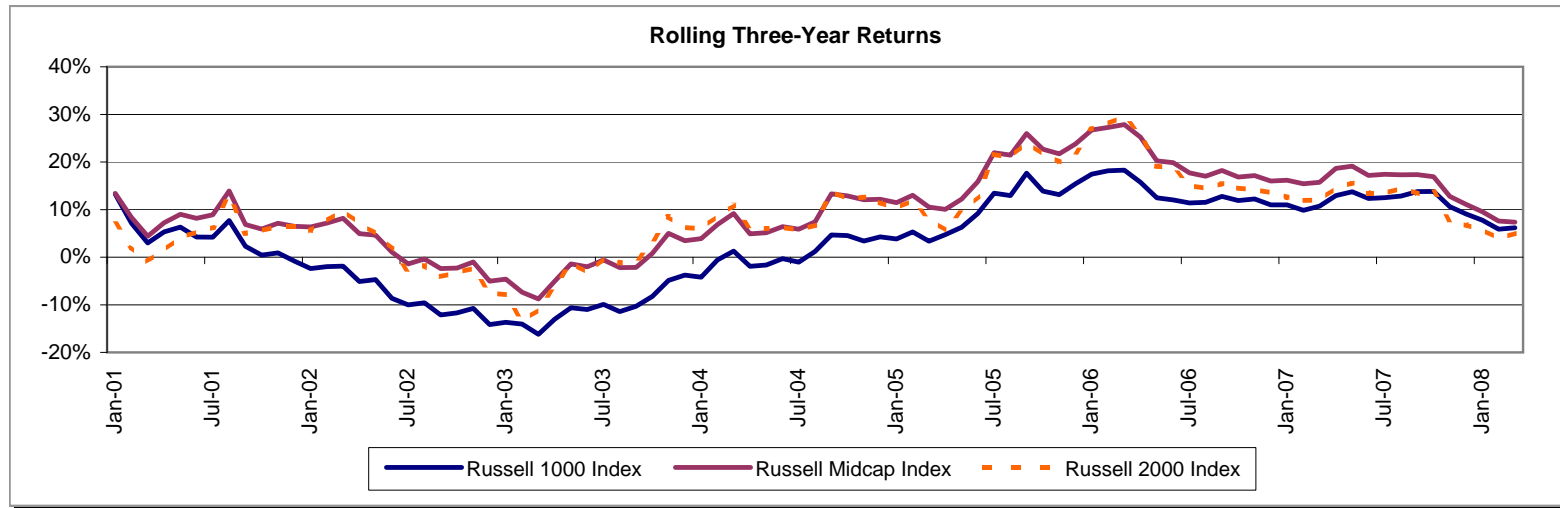
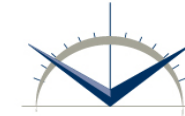
- ◆ This quarter illustrates the reason why FiduciaryVest no longer considers shares of large, non-US-based companies to be a separate asset class from US counterparts of similar market cap, sector and industry. There was once a real and logical difference, but during the 1990s it receded and has now all but disappeared. Even though the US's recent market gyrations were definitely US-caused... a home mortgaging binge, on the backs of financially shaky borrowers who were also big consumers... the rest of the world's mature markets reflect the US downturn fairly quickly, if not instantly, and usually to a similar degree.
- ◆ The broad global category of "emerging markets" companies is also showing up recently as the exception that it is. However, as we can see in the most recent quarter, beware of the fact that, if there is a significant US consumption-slowdown, the emerging markets' high growth companies eventually cannot avoid the impact of that cold wind and, because those stock prices have a strong built-in anticipation of continued high growth, there will logically be price declines in such periods.



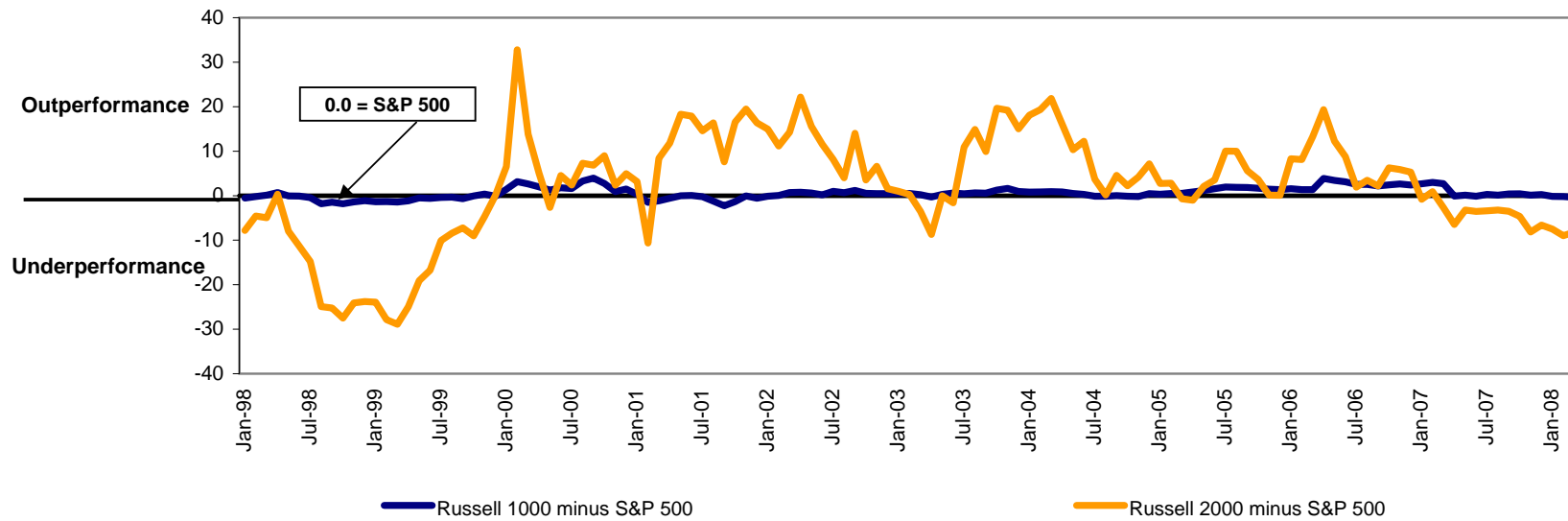


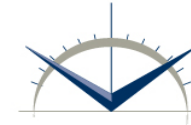
**Growth vs. Value Style Stocks' Performance**  
(rolling twelve months compound total returns) - Using the S&P 500 Index as a Baseline



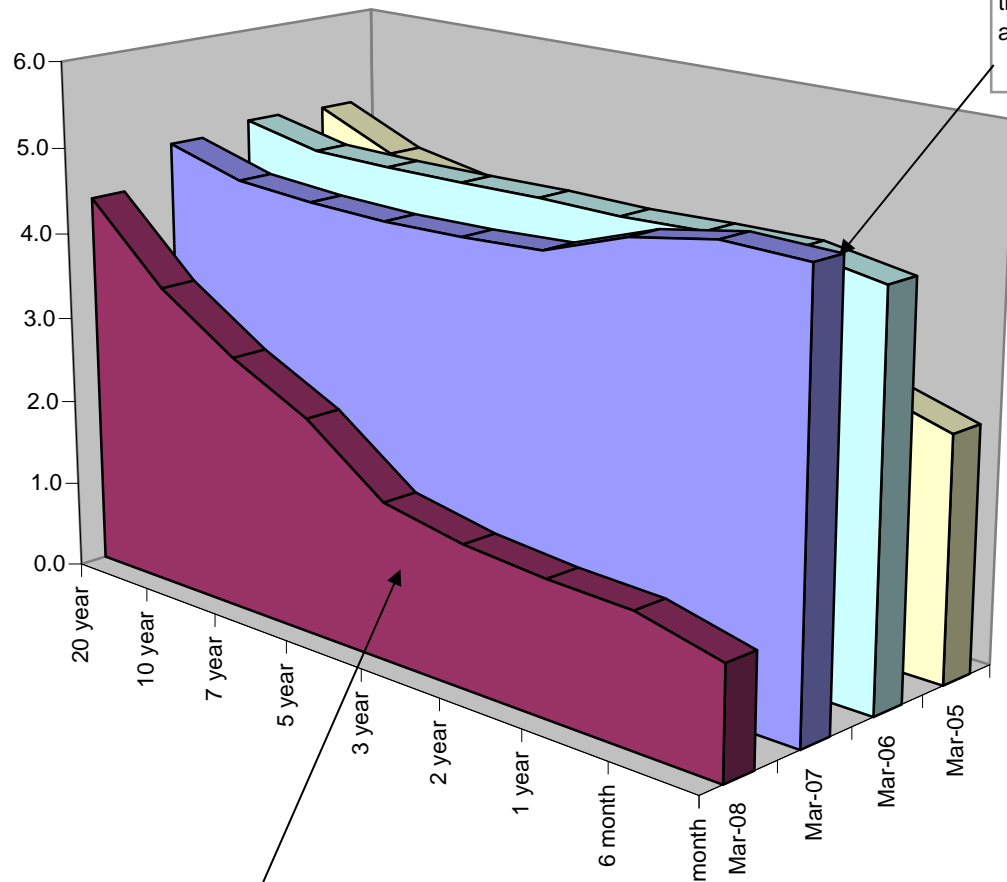


**Large Cap vs. Small Cap Stocks' Performance**  
(rolling twelve months compound total returns) - Using the S&P 500 Index as a Baseline





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



1 year ago:  
Yields were "inverted"...a condition that is inherently unstable and is often an indicator of expected recession.

Now:  
The Fed has dramatically (again) reduced short term Gov't borrowing rates in order to ward off signs of economic disarray and credit contraction, while the bond market (longer term) rates have re-structured themselves into a fairly normal, upward sloping curve, which represents a generally stable outlook for the next 6 months or so.

# The FV Periodic Table of Investment Returns

## Annual Returns for Key Indices (2000-2007)

Ranked in order of performance (Best to Worst)

2000	2001	2002	2003	2004	2005	2006	2007	10 Year Forecast
REIT 26.4%	REIT 13.9%	Commodities 23.9%	Emerging Mkts 55.8%	REIT 31.6%	Emerging Mkts 34.0%	REIT 35.0%	Emerging Mkts 39.4%	Emerging Mkts 21.1%
Commodities 24.2%	Intermediate Bond 9.0%	Global Bond 22.7%	Small Cap 47.3%	Emerging Mkts 25.6%	Private Equity 27.6%	Emerging Mkts 32.2%	Long/Short Equity 13.7%	Private Equity 15.1%
MLM Index 16.2%	1-3 Yr Govt Bond 8.5%	US TIPs 17.0%	Mid Cap 40.1%	Private Equity 25.1%	Timber 19.4%	International Equity 26.3%	Hedge Funds 12.6%	REIT 14.5%
US TIPs 13.4%	Aggregate Bond 8.4%	Aggregate Bond 10.3%	International Equity 38.6%	International Equity 20.3%	Commodities 17.5%	Small Cap 18.4%	US TIPs 11.6%	NCREIF Timber 14.3%
Aggregate Bond 11.6%	US TIPs 8.0%	Intermediate Bond 9.8%	REIT 37.1%	Mid Cap 20.2%	International Equity 13.5%	Large Cap 15.8%	Global Bond 11.3%	Small Cap 14.0%
Intermediate Bond 10.1%	High Yield 5.3%	1-3 Yr Govt Bond 6.0%	High Yield 29.0%	Small Cap 18.3%	Mid Cap 12.7%	Mid Cap 15.3%	International Equity 11.2%	Mid Cap 13.9%
Mid Cap 8.3%	3-month T-Bill 4.4%	REIT 3.8%	Large Cap 28.7%	Global Bond 12.7%	REIT 12.1%	Long/Short Equity 14.4%	Intermediate Bond 7.4%	International Equity 12.9%
1-3 Yr Govt Bond 8.2%	Hedge Funds 4.4%	Hedge Funds 3.0%	Private Equity 23.3%	Long/Short Equity 11.6%	Long/Short Equity 9.7%	Hedge Funds 13.9%	1-3 Yr Govt Bond 7.1%	Large Cap 11.6%
3-month T-Bill 6.2%	MLM Index 3.6%	Timber 1.9%	Commodities 22.7%	Timber 11.2%	Hedge Funds 7.6%	Timber 13.7%	Aggregate Bond 7.0%	Hedge Funds 10.0%
Hedge Funds 4.9%	Small Cap 2.5%	3-month T-Bill 1.8%	Global Bond 20.2%	High Yield 11.1%	MLM Index 6.3%	Private Equity 13.4%	Mid Cap 5.6%	MLM Index 9.5%
Timber 4.4%	Global Bond -2.6%	High Yield -1.4%	Long/Short Equity 17.3%	Large Cap 10.9%	Large Cap 4.9%	High Yield 11.9%	Large Cap 5.5%	Global Bond 9.4%
Long/Short Equity 2.1%	Emerging Markets -2.6%	Long/Short Equity -1.6%	Hedge Funds 15.4%	Hedge Funds 9.6%	Small Cap 4.6%	Global Bond 8.2%	3-month T-Bill 5.0%	Long/Short Equity 8.6%
Private Equity 1.9%	Long/Short Equity -3.7%	MLM Index -1.6%	US TIPs 8.3%	US TIPs 8.5%	3-month T-Bill 3.1%	3-month T-Bill 4.9%	MLM Index 2.9%	High Yield 8.1%
Global Bond -2.4%	Timber -5.3%	Emerging Markets -6.2%	Timber 7.7%	Commodities 7.6%	US TIPs 2.8%	Aggregate Bond 4.3%	High Yield 1.9%	Aggregate Bond 6.9%
Small Cap -3.0%	Mid Cap -5.6%	Private Equity -7.8%	Intermediate Bond 4.3%	Aggregate Bond 4.3%	High Yield 2.7%	1-3 Yr Govt Bond 4.1%	Small Cap -1.6%	Commodities 6.3%
High Yield -5.9%	Private Equity -11.2%	International Equity -15.9%	Aggregate Bond 4.1%	MLM Index 3.5%	Aggregate Bond 2.4%	Intermediate Bond 4.1%	REIT -15.7%	Intermediate Bond 6.2%
Large Cap -9.1%	Large Cap -11.9%	Mid Cap -16.2%	MLM Index 3.9%	Intermediate Bond 3.0%	1-3 Yr Govt Bond 1.7%	US TIPs 0.5%	Timber not available	1-3 Yr Govt Bond 6.1%
International Equity -14.2%	International Equity -21.4%	Small Cap -20.5%	1-3 Yr Govt Bond 2.0%	3-month T-Bill 1.3%	Intermediate Bond 1.6%	MLM Index 0.4%	Private Equity not available	3-month T-Bill 5.3%
Emerging Markets -30.8%	Commodities -22.3%	Large Cap -22.1%	3-month T-Bill 1.2%	1-3 Yr Govt Bond 1.1%	Global Bond -8.5%	Commodities -2.7%	Commodities not available	US TIPs 5.3%

Merrill Lynch 90-day T-Bill Index	Lehman Brothers High Yield Credit Bond Index	S&P 500 Index
Lehman 1-3 Yr Govt Bond Index	NCREIF Timberland Index	Russell Midcap Index
Merrill Lynch US Inflation Protected Securities Index	Merrill Lynch Global Broad Bond (ex US) Index	Russell 2000 Index
Lehman Brothers Intermediate Govt/Credit Bond Index	Cambridge Associates Private Equity Index	MSCI EAFE Index
Lehman Brothers Aggregate Bond Index	Credit Suisse-Tremont Long/Short Equity Index	MSCI EMF Index
Credit Suisse-Tremont HFI Hedge Fund Index	Credit Suisse-Tremont Long Only Equity Index	
MLM Commodities Futures Index	NAREIT Equity Index	



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