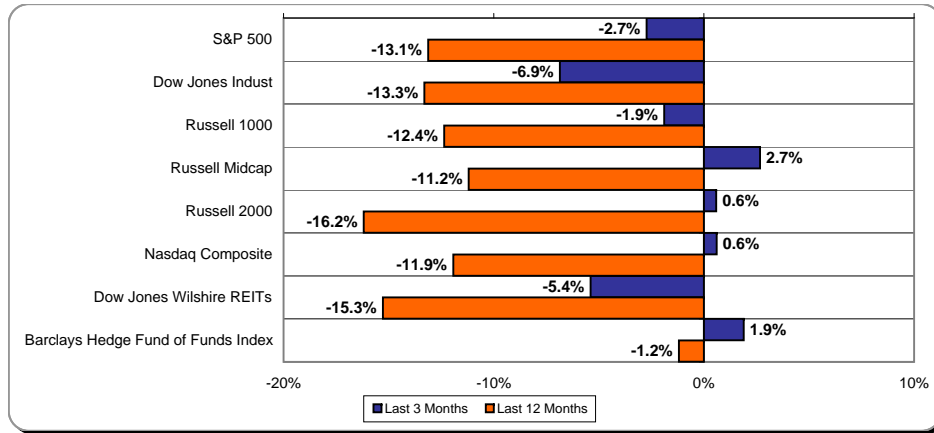




US Equity

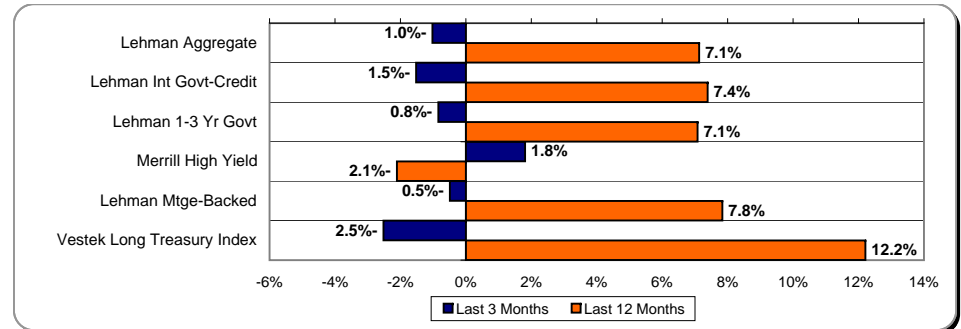


- ◆ The US equity market began the second quarter with warm feelings. Its (apparent) view was that the Fed's unprecedented mid-March intervention in the Bear Stearns Affair would put a floor under the global Crisis of Confidence in credit markets.* It worked...but only for a couple of months. Then, the market bottom fell out. June's -8.4% was the worst single month since the doldrums of September 2002. This year's nearly -12% is one of the seven worst six-month calendar periods since 1948.
- ◆ As we have said so many times in the past, if the liquidity goes out of a trading market (as did the mortgage securities market almost 12 months ago), then by definition, there is NO "market value". The absence of a market value, in this case, turned hundreds of billions of dollars-worth of holdings, mostly owned by big investment banks, into an uncertain mush. In turn, this absence-of-market-value chasm in the balance sheets of global financial institutions has, for now, wiped out huge portions of their capital, forcing many to issue new debt, or equity shares to hyper-growing, Mid-East oil money investment funds (which need to re-cycle the billions of US dollars they continuously collect).
- ◆ Most hedge funds survived the June quarter with small positive returns, thereby accomplishing their mission: to significantly reduce equity market volatility. July has dawned a new crisis: the down-spiraling economy and homeowner mortgage defaults are breeding commercial bank failures, and fear of failures. The Big Bang: looming collapse of "Fannie Mae" and "Freddie Mac", the shareholder-owned (but federally tethered) mortgage lenders that literally dominate their market. Meanwhile, it has become the *game du jour* that daily stock prices are closely tied to daily movements of oil, the price of which seems to be ignoring the deteriorating economies of its entire global customer base.

◆ Bonds mostly turned in losses for the quarter, though vulture-investors have moved in selectively to buy the low-credit-rated "high yield" segment of the market, as yields on those bonds soared even higher, while a flight-to-quality stampede into US Treasury issues (a typical reaction of foreign-based investors) reduced their yields, but drove the long-maturity Treasury index return to +1.5% for the month of June (and a robust 12.2% for the past 12 months).

◆ The big deal for bonds, over the coming months, will be whether the Fed focuses on stabilizing the economy, or whether it turns at least partially toward its more traditional stance: fighting off rapidly appearing indications of price-inflation (as Warren Buffet urges them to do). On the one hand, it is unlikely that a currently sluggish and declining US economy will lead to price hikes in goods and services. On the other hand, it's happening anyway. Is it time to dust off the old 1970s term: Stagflation? We think so.

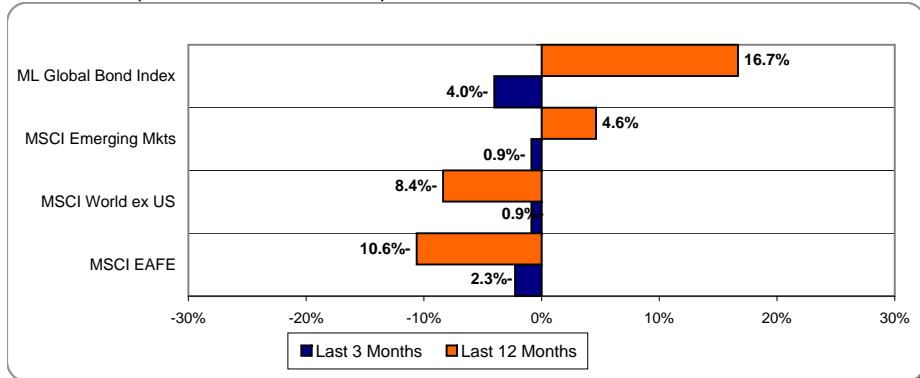
US Fixed Income



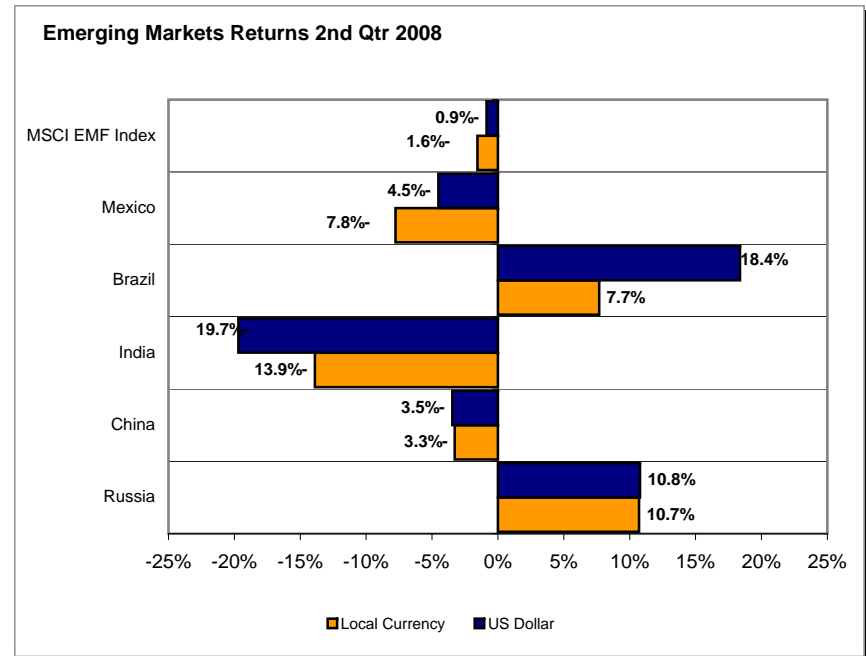
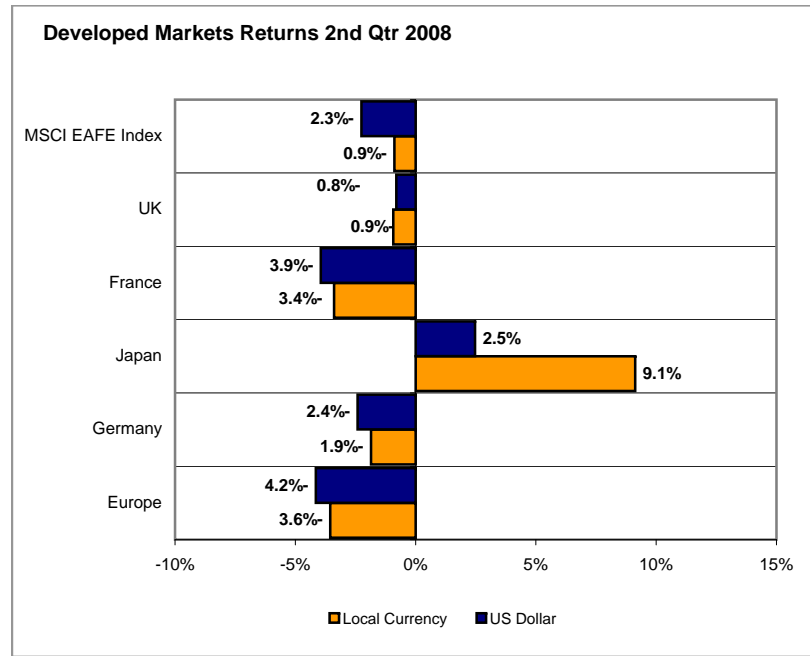
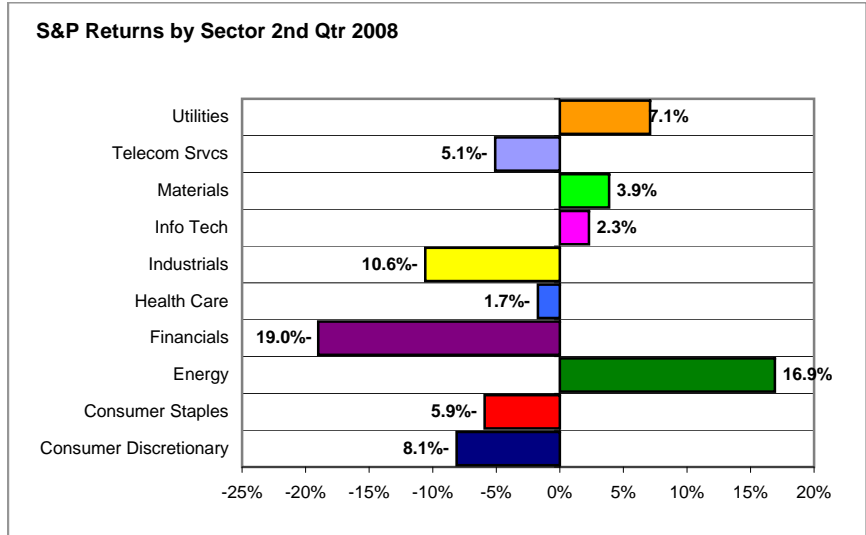
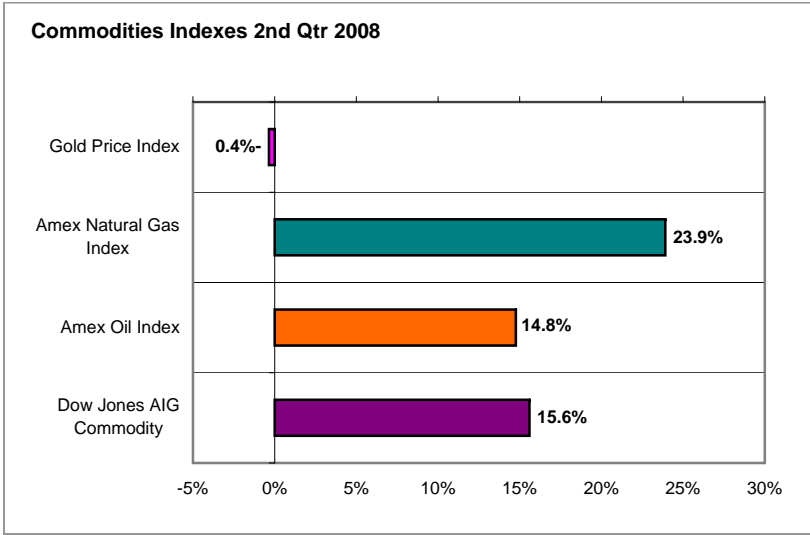
◆ As indicated in the chart to the left, global bonds have been the place to be (other than energy stocks) for the past 12 months...But recently, not so. "Emerging" stock markets have finally given-in to the realities of world economic/market fears. These stock markets, representing the world's fastest-growing economies are down almost 12% YTD. That said, they were overdue for at least a breather. Even with the recent weakness included, the Emerging Markets Index posted an astounding compound return of more than 30% per year for the trailing 5 years ended June 30...4 times the S&P 500's 5-year annualized return of 7.6%.

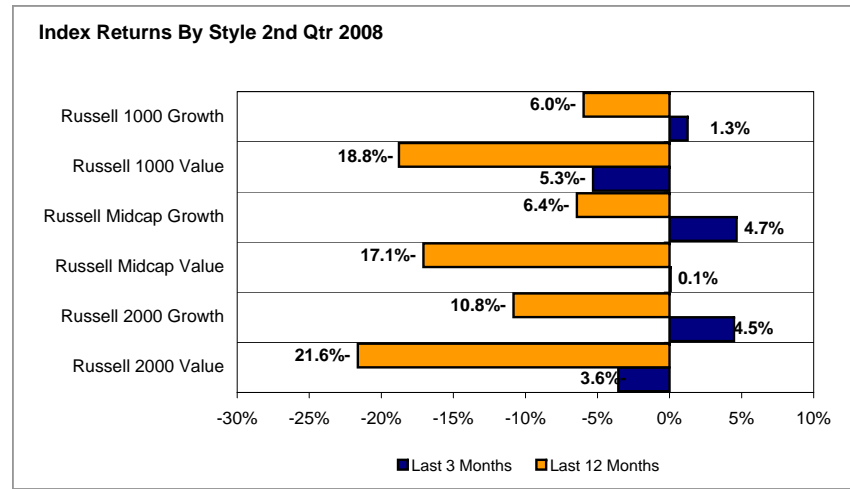
◆ As is our regular comment, the disastrously plummeting value of the US Dollar against other developed nations' currencies is continuing to create: (a) good news: returns for US-based investments abroad have had a steady tailwind, but (b) bad news: the US dollar-decline accounts for a *substantial* portion of oil's soaring price per barrel.*

International (returns measured in US Dollars)

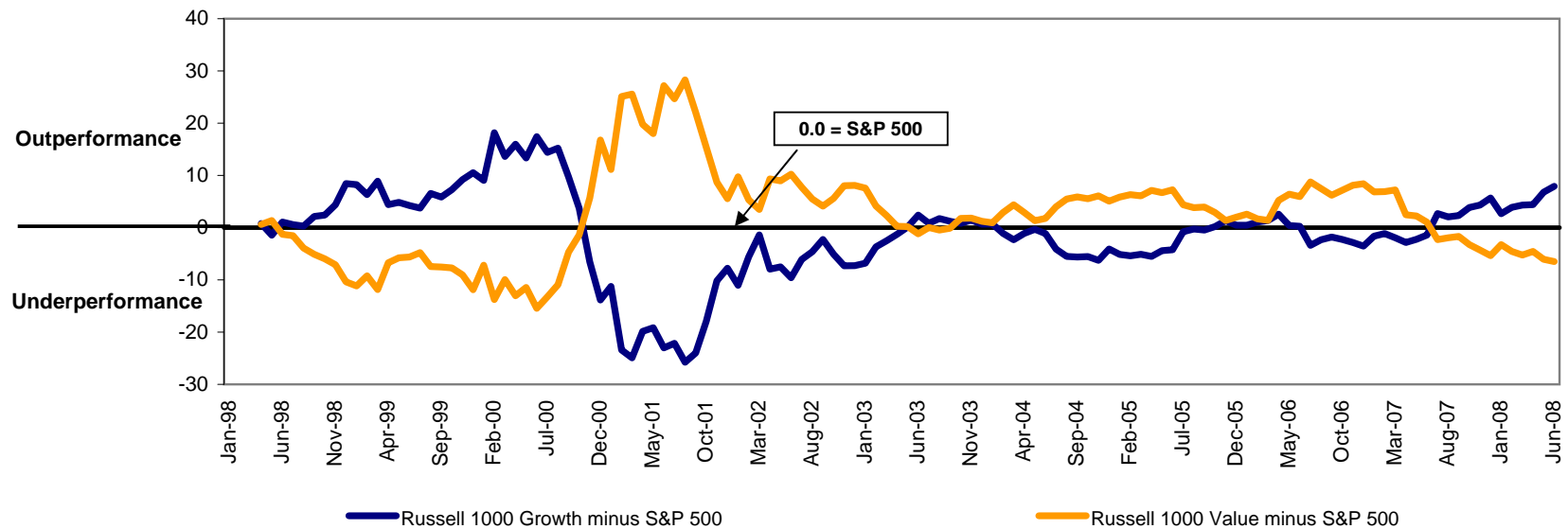


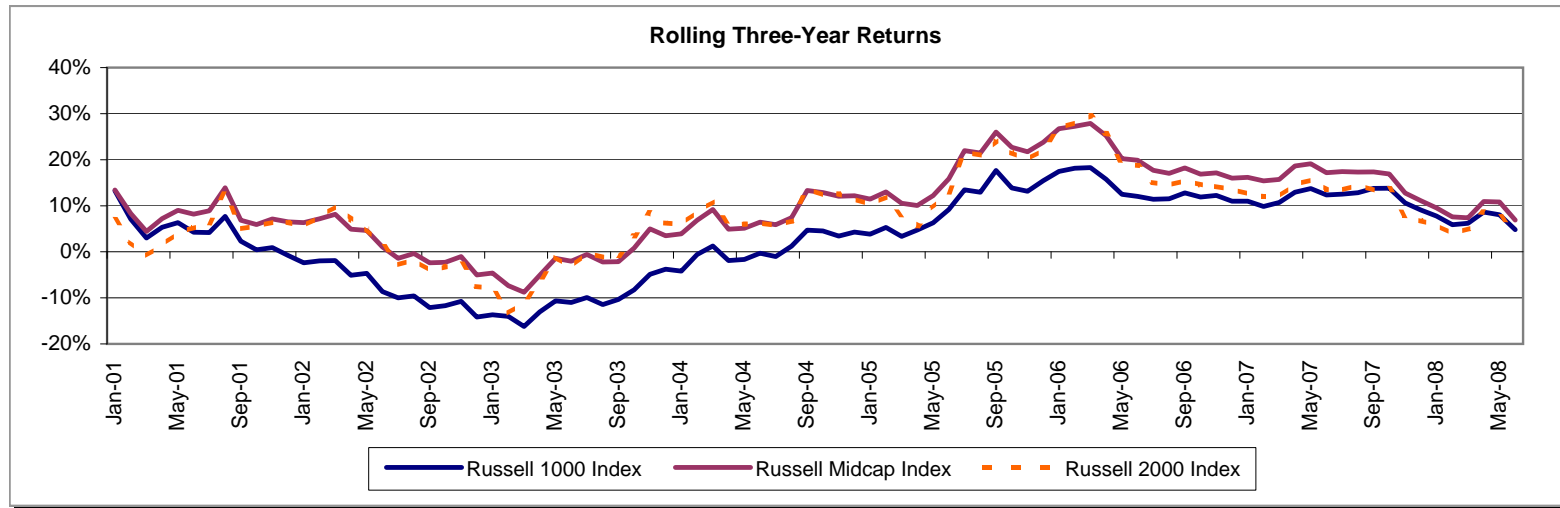
*We invite you to view our more in-depth commentaries on this and other key topics at www.fiduciaryvest.com/research_whitepapers.html



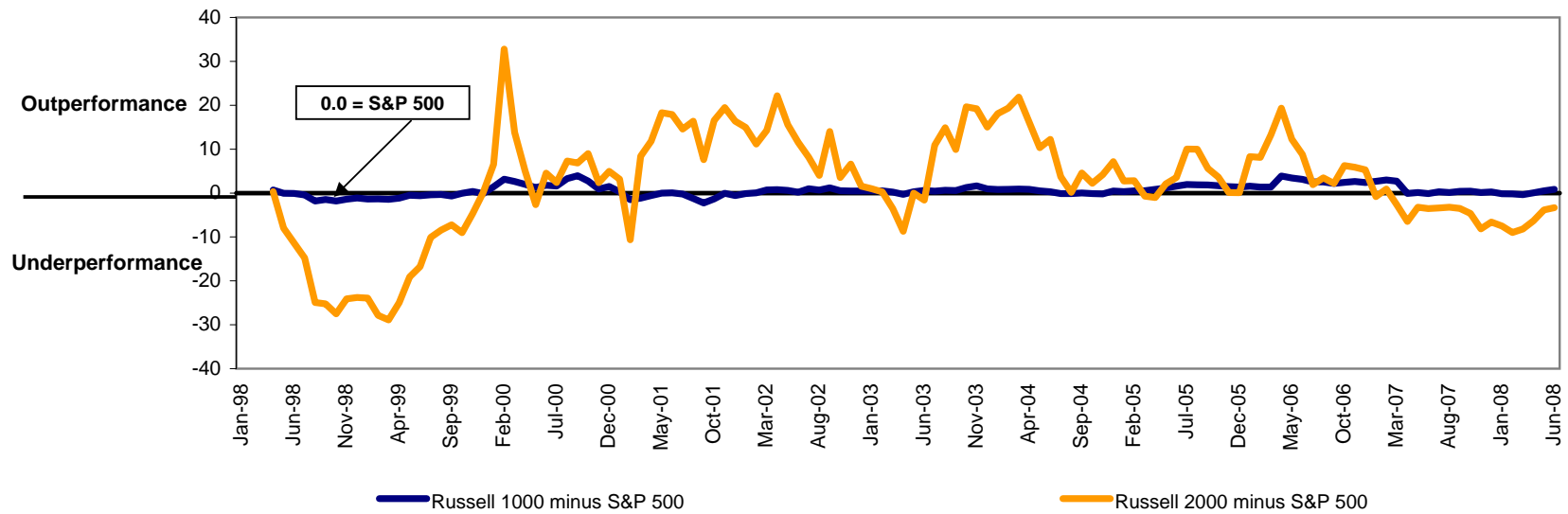


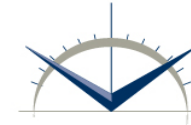
Growth vs. Value Style Stocks' Performance
(rolling twelve months compound total returns) - Using the S&P 500 Index as a Baseline



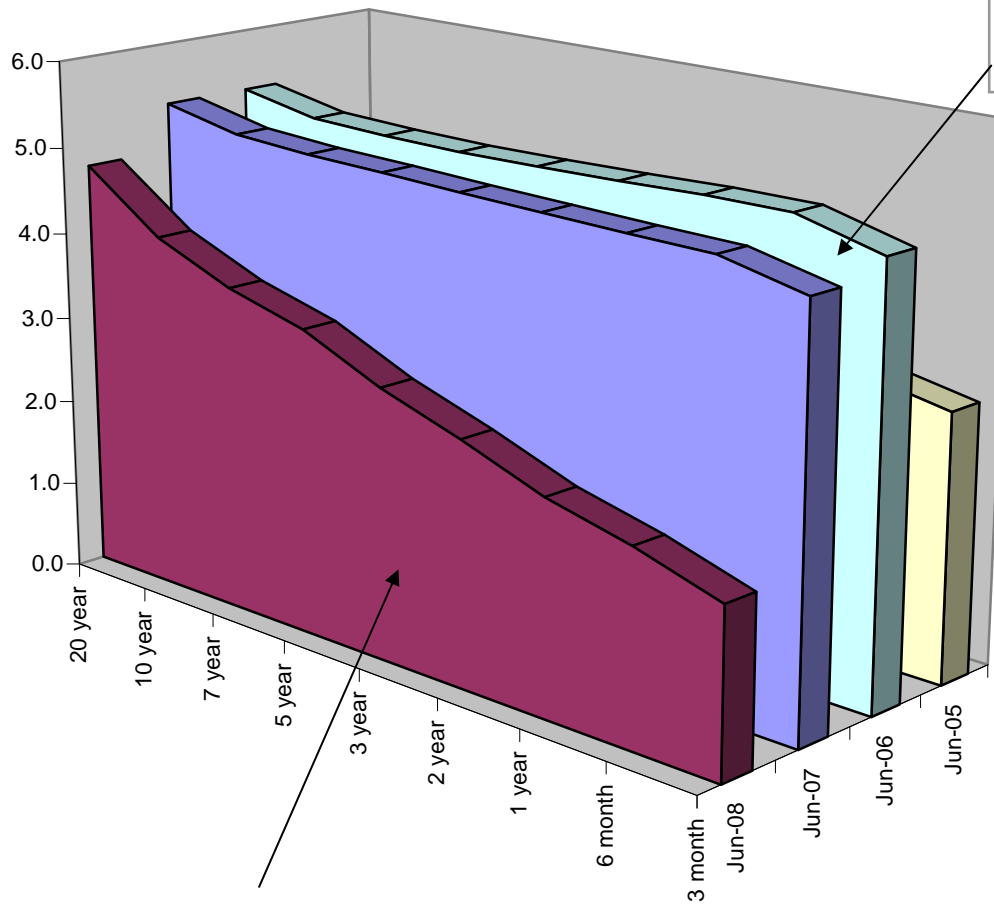


Large Cap vs. Small Cap Stocks' Performance
(rolling twelve months compound total returns) - Using the S&P 500 Index as a Baseline





**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%	Private Equity 20.4%	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%	Timber 18.4%	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%	Long/Short Equity 13.7%	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%	Hedge Funds 12.6%	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%	US TIPs 11.6%	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%	Global Bond 11.3%	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%	International Equity 11.2%	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%	Commodities 11.1%	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%	Intermediate Bond 7.4%	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%	1-3 Yr Govt Bond 7.1%	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%	Aggregate Bond 7.0%	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%	Mid Cap 5.6%	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%	Large Cap 5.5%	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%	3-month T-Bill 5.0%	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%	MLM Index 2.9%	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%	High Yield 1.9%	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%	Small Cap -1.6%	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%	REIT -15.7%	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	Dow Jones-AIG Commodity Index	
MLM Commodities Futures Index	NAREIT Equity Index	



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