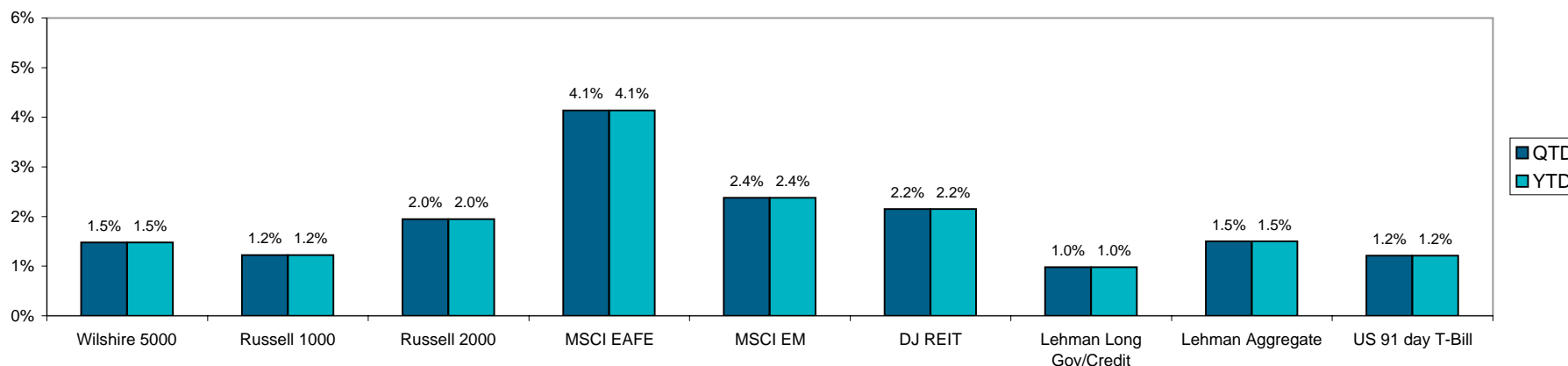


Capital Market Summary for 1st Quarter 2007

Capital Markets Overview - March 31, 2007

Quarter and Year-to-Date Benchmark Returns



U.S. Market

- Equities felt the impact of various highly disruptive forces during the quarter, such as an earnings slowdown, an energy price spike, a subprime mortgage meltdown, bad news from Iran and Iraq and increasing inflationary pressures, which pressured stocks.
- The mid and small cap growth indexes performed well, but large cap lagged due to lowered earnings growth expectations.
- After a tough late-February stretch of steady declines, however, stocks rebounded as investors jumped back in, encouraged by a continued surge in private equity buyouts.
- Traditional value sectors such as Materials, Utilities, and Energy led the markets in the 1st quarter once again. However, after a 9% gain in January, REIT returns declined sharply as heavy profit taking by quarter end reduced performance to only 3.7%.

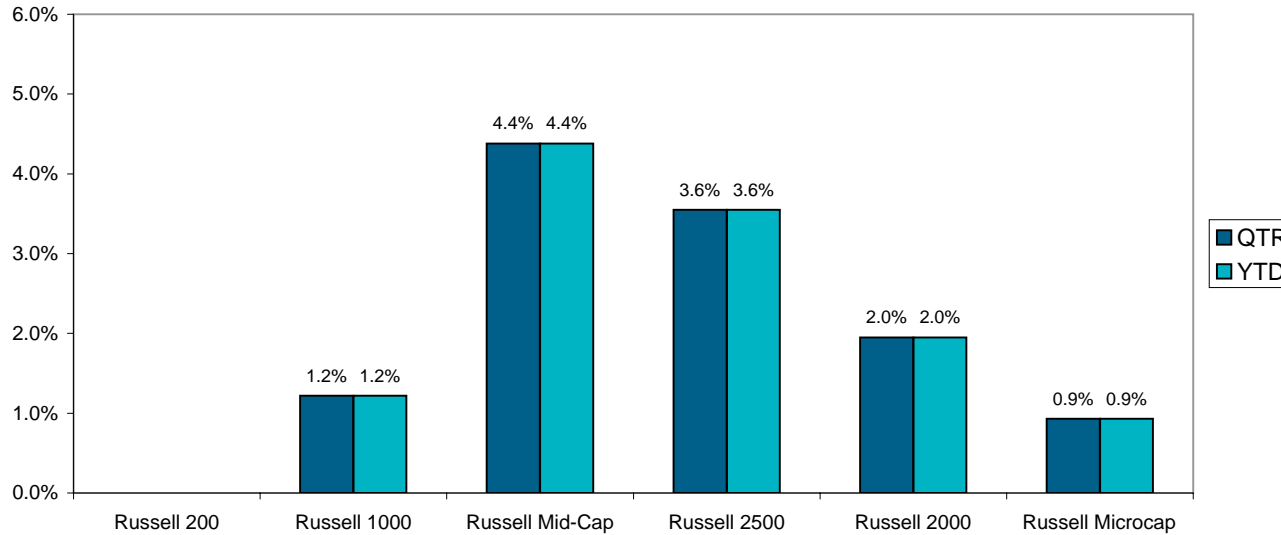
Non-U.S. Markets

- The developed market MSCI EAFE Index returned 4.1% and the MSCI Emerging Market Index added 2.4% aided by stronger earnings growth and a softening US Dollar.
- Rising tensions in the Middle East led to February losses, but overall foreign equity markets were buoyed by large fund flows in the first quarter.
- The wave of profit-taking in overheated markets such as China and India was ignited by market-control discussions among Chinese government authorities.
- Unlike US equity markets, growth stocks are leading in the international markets, as higher quality global names benefit from robust global end markets. This may be a precursor to a renewal in the fortunes of lagging US consumer staples stocks.

Economic Developments

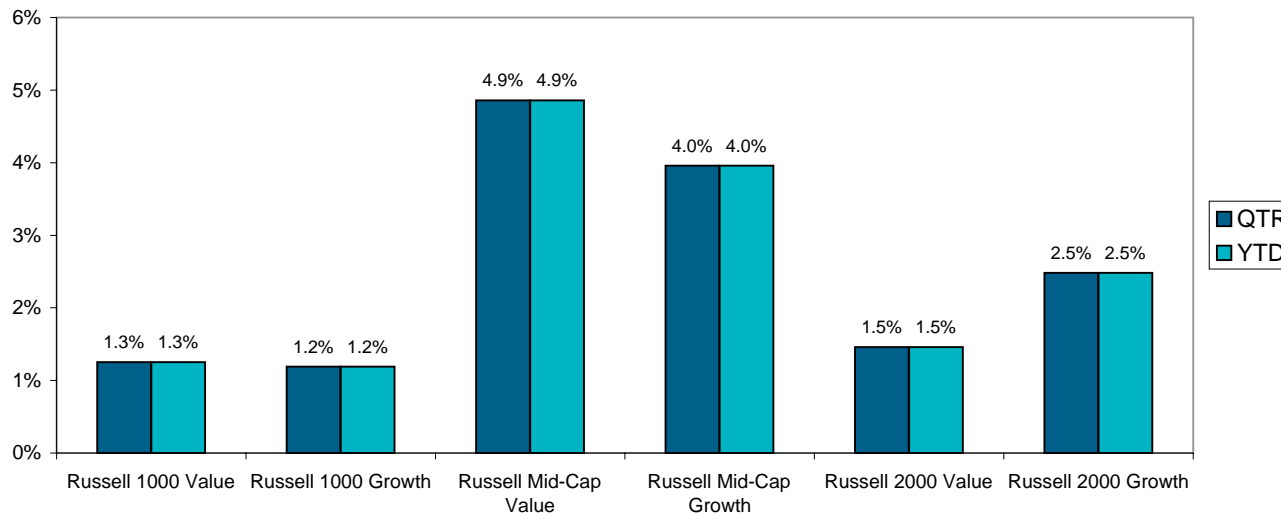
- The economy is clearly slowing down and expectations are that GDP growth will average less than 2.5% for the first half of the year, a sharp drop from the 5% growth rate achieved less than a year ago.
- The expected start of the Fed's easing cycle continues to be pushed back confounding financial markets, which had anticipated a rate cut by the second quarter.
- The Residential Real Estate drag is being offset by broader economic expansion. Economy still producing new jobs at 160-180k per month.
- The housing market could significantly impact 2007 GDP, however, a survey of businesses conducted by Moody's Economy.com indicated that "expectations regarding the six-month outlook have improved measurably..."

US Equity Markets Overview - March 31, 2007



Capitalization Analysis

- After gaining traction at the end of last year mega cap stocks lagged once again as investors focused again on smaller companies.
- The mid cap indexes showed more strength as Materials, Utilities, and REITs all performed well, helped by a private equity premium.
- The "January Effect" drove small and micro cap stocks early in the quarter upward, however, gains fell back to low single digits as the signs of slowing economic growth appeared.

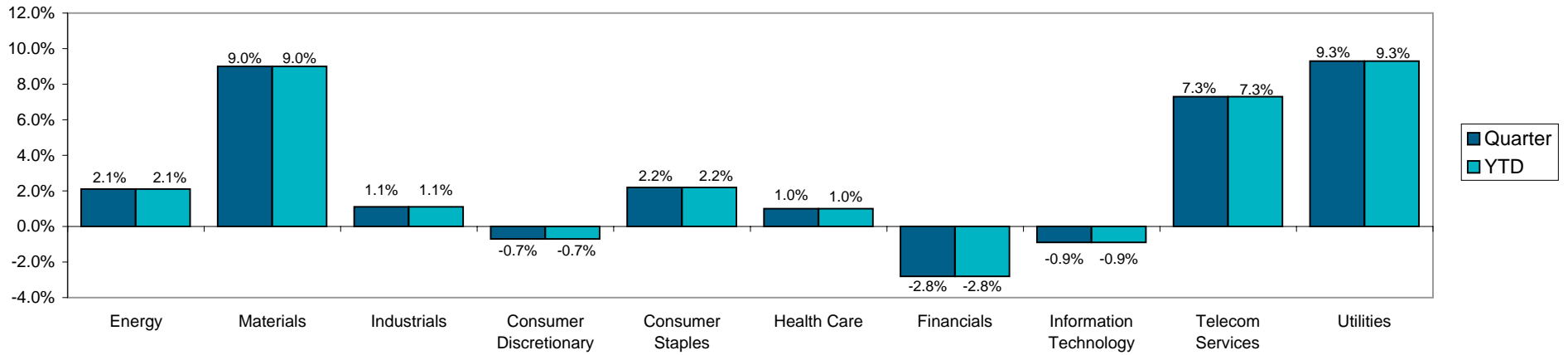


Style Analysis

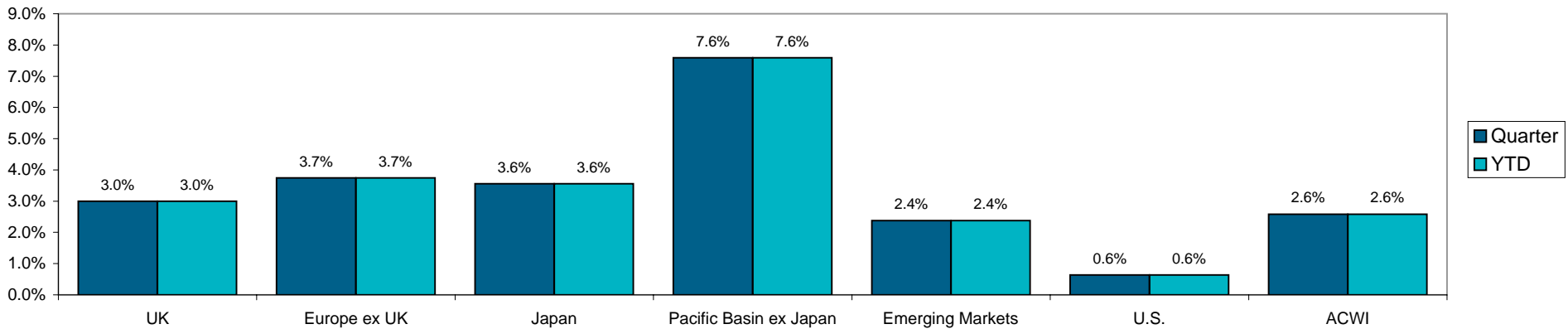
- Bargain hunting in traditional growth sectors, such as Technology and Healthcare helped the slumping growth indices keep up with the broad market.
- Mid cap value led other styles as buyout activity continued to lift the whole area. Otherwise, stock returns were unimpressive, as seen in the Russell 1000 and 2000 value performance.
- While we continue to expect large cap growth to perform relatively better, there was little sign of that this quarter.

U.S. Equity Sector Returns / Country Returns - March 31, 2007

US Equity Sector Returns

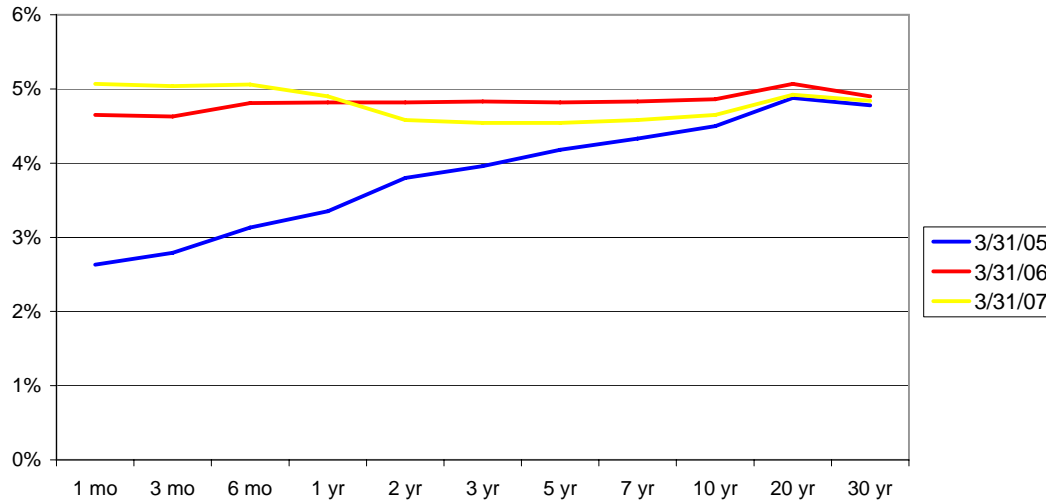


Country Returns

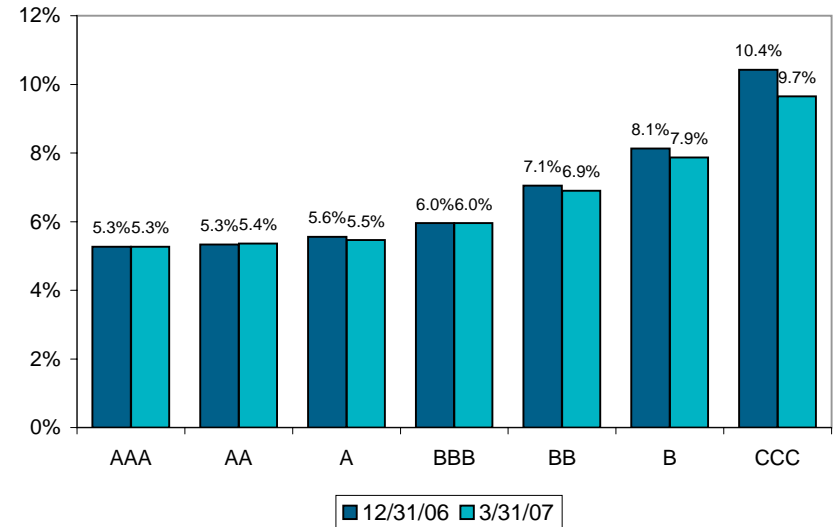


Fixed-Income Markets Overview - March 31, 2007

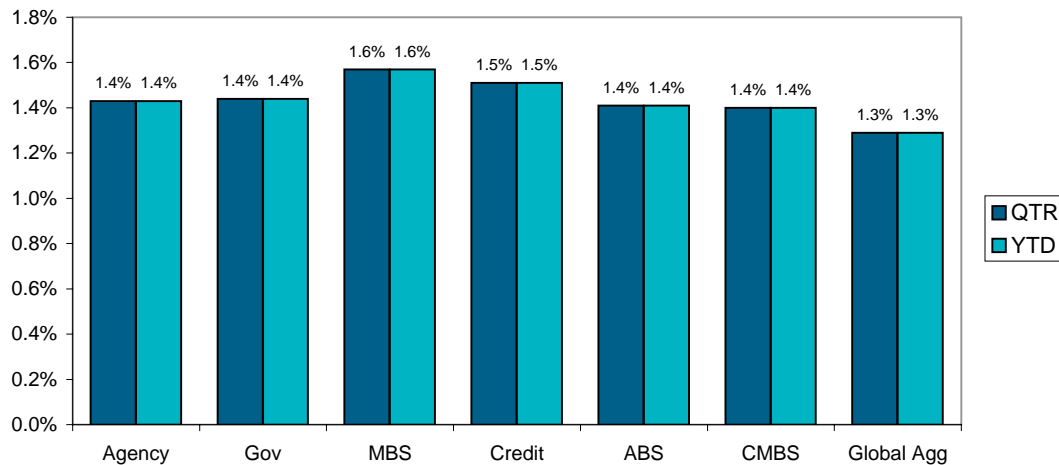
Yield Curve



Yield by Credit Rating



Sector Returns



Commentary

- Hopes for a Fed rate cut were dashed by inflationary indications and strength in consumer spending in the last quarter.
- February's subprime mortgage debacle and Chinese stock market swoon helped Treasuries climb back from negative territory by quarter end, benefiting from a flight to safety.
- The Lehman Aggregate index rose 1.5% and the Lehman Intermediate Gov/Credit 1.6% for the quarter.
- Bank Loan's yield advantage over the past few quarters plus the senior status has helped returns over the last two years.
- High Yield bonds once again showed some strength, as the Lehman High Yield index added 2.6% for the quarter, with CCC bonds coming on with a 4.2% jump.
- TIP's (Inflation linked securities) gained 2.5% for the quarter with inflation trending higher after several months of decline.