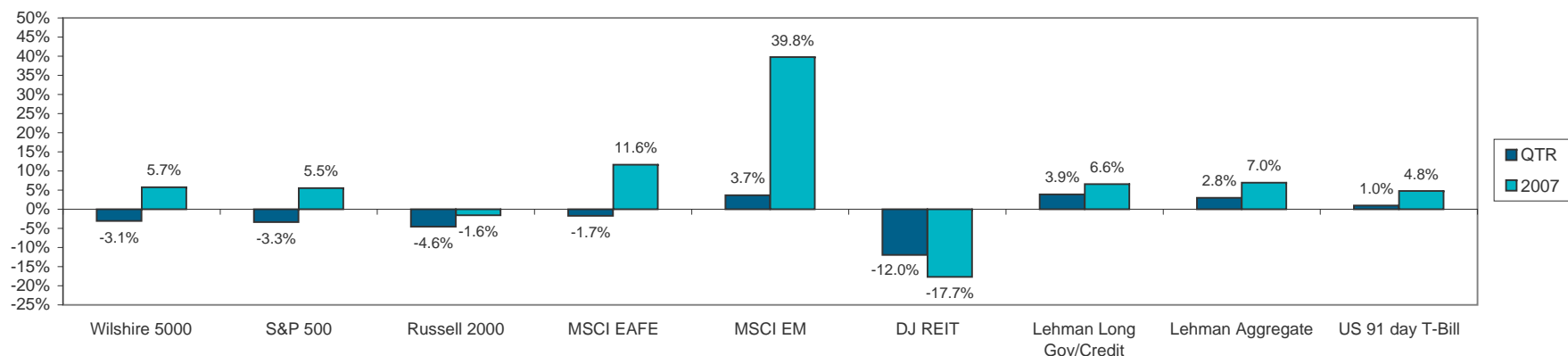


Capital Markets Overview

December 31, 2007

Quarter and Year-to-Date Benchmark Returns



U.S. Market

- A wave of pessimism in the stock market resulting from the sub prime credit meltdown and \$100 barrel oil negatively impacted equities in the fourth quarter. The S&P 500 Index fell -3.3% during the quarter, while the broad market Wilshire 5000 declined -3.1% in the same period.
- REITS performed poorest among the major asset classes in the fourth quarter of 2007. The Dow Jones REIT Index returned -12.0% for the quarter and -17.7% year-to-date. Weak returns reflected a housing market in the midst of its worst recession in three decades.
- Bonds rallied in the fourth quarter along with falling interest rates and a flight to quality across the credit spectrum, which boosted returns on Treasuries. The Lehman Aggregate Index climbed 3.0% and the Lehman Intermediate Gov/Credit Index rose 2.9% during the quarter. The longer end of the yield curve benefited the most from the flight to safety with the Lehman Long Gov/Credit Index gaining 3.9% in the period.

Non-U.S. Markets

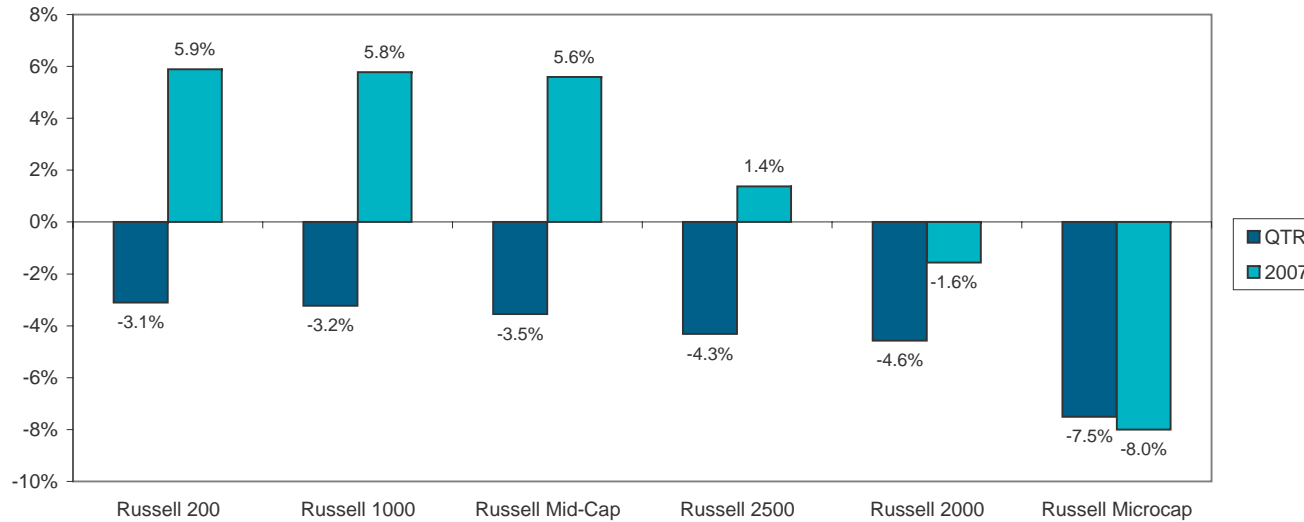
- Foreign stock markets witnessed declines amid rising concern over slowing global growth while emerging markets continued to post positive results. The developed market MSCI EAFE Index declined -1.7% and the MSCI Emerging Market Index added 3.7%, a considerable slowdown in momentum from gains in previous quarters.
- In spite of global market declines, several major overseas markets chalked impressive returns in 2007. Top performers included developed markets, such as Germany (+35.9%), and France (+14.0%), and emerging countries, such as Brazil (+80.0%), China (+66.2%), and Russia (+24.8%).

Economic Developments

- In December, the Fed lowered its target for the Federal funds rate by 25 basis points to 4.25%. The rate cut reflected worries over slowing growth in the US economy triggered by an intensifying housing correction and softening in business and consumer spending.
- The ISM Index, a widely used gauge of manufacturing activity, came in at 47.6 in December, the lowest level in five years. Significant declines in new orders both for domestic use played a major role in the contraction of the manufacturing sector.
- According to the Bureau of Labor Statistics, unemployment rose 0.3% from the previous month to 5.0% in December. Job growth in the service-related industry failed to offset job losses in construction and manufacturing, further heightening fears the economy might slip into a recession.

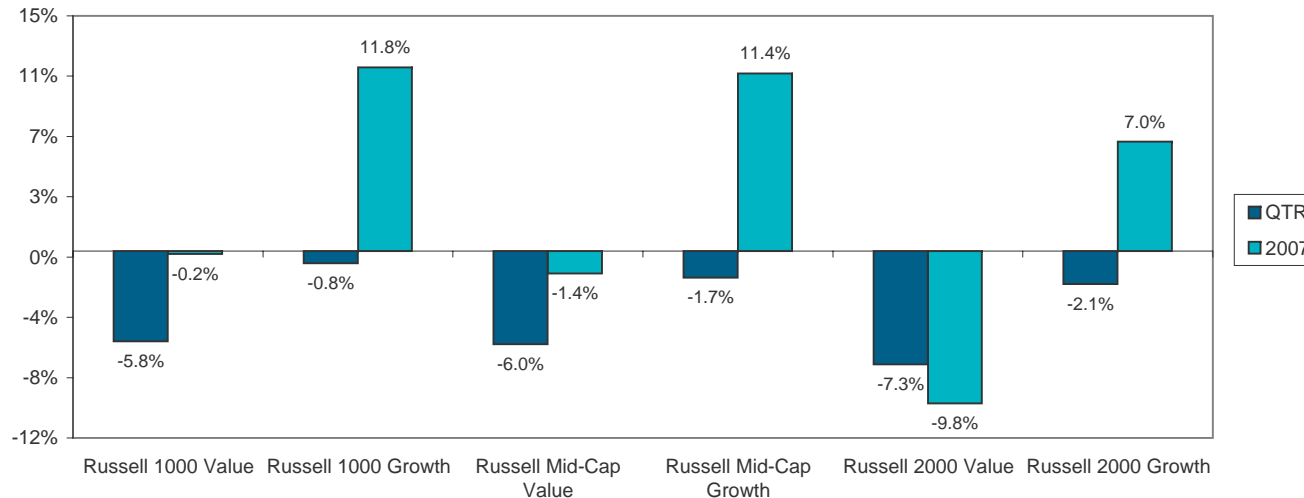
US Equity Markets Overview

December 31, 2007



Capitalization Analysis

- Returns for the major equity indices showed strong correlation between capitalization and performance for the second consecutive quarter.
- The Russell index of the biggest 200 companies by market cap decreased -3.1% during the quarter to finish 5.9% for the year. In sharp contrast, the Russell Microcap Index lost -7.5% and -8.0% during the quarter and year-to-date periods, respectively.
- Significant exposure to overseas markets as well as an ability to pay steady dividends made large companies more attractive to investors weary of a struggling US economy.



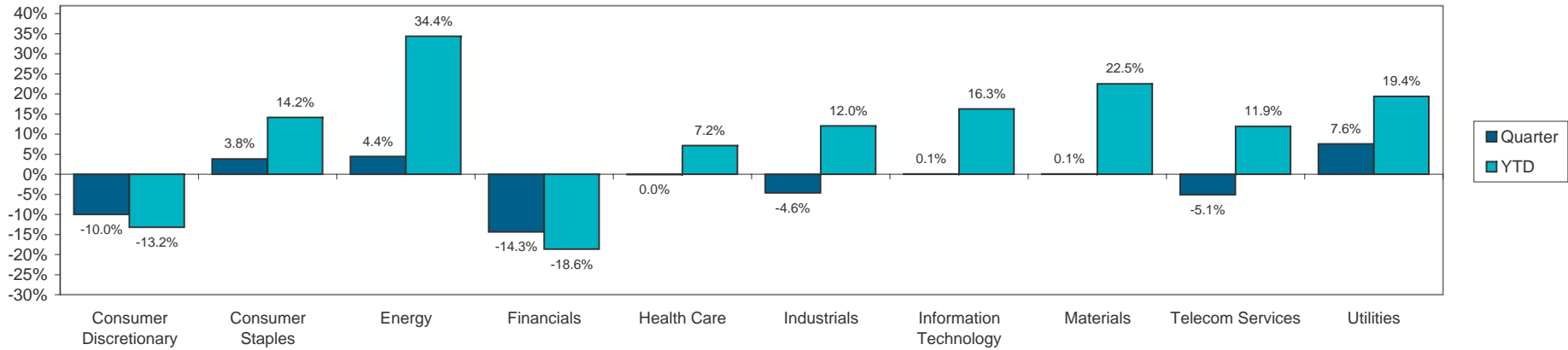
Style Analysis

- The disparity in performance between growth and value stocks widened during the quarter.
- The Russell 1000 Value Index declined -5.8% in the fourth quarter to end the year at -0.2%. The Russell 1000 Growth Index on the other hand gave up just -0.8% for the quarter to finish 11.2% for the year.
- The value indices took a big hit from the slump in the financial sector whereas the growth benchmarks benefited from the strength in health care, technology and consumer staple sectors.
- The Russell 2000 Value Index returned -7.3% during the quarter, as the slowing economy and flight to quality pressured cyclical companies.

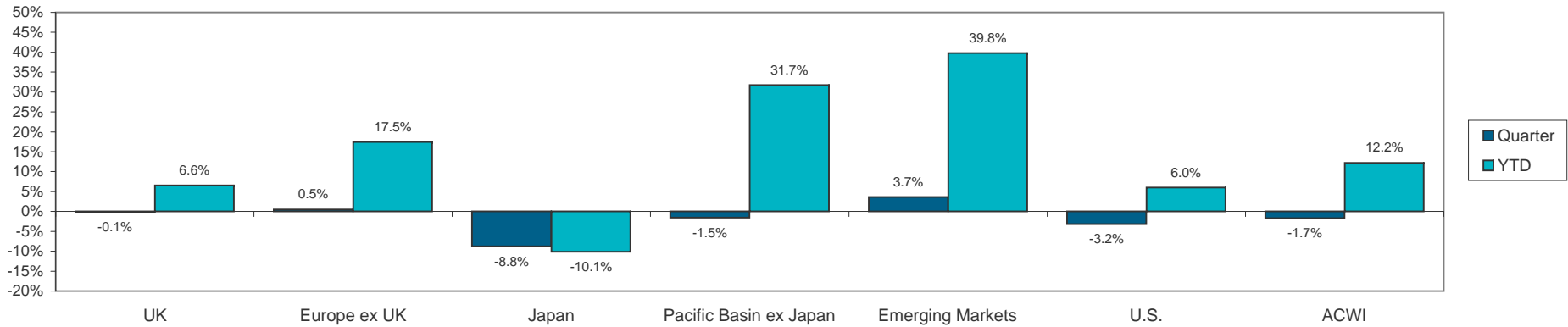
U.S. Equity Sector Returns / Country Returns

December 31, 2007

US Equity Sector Returns



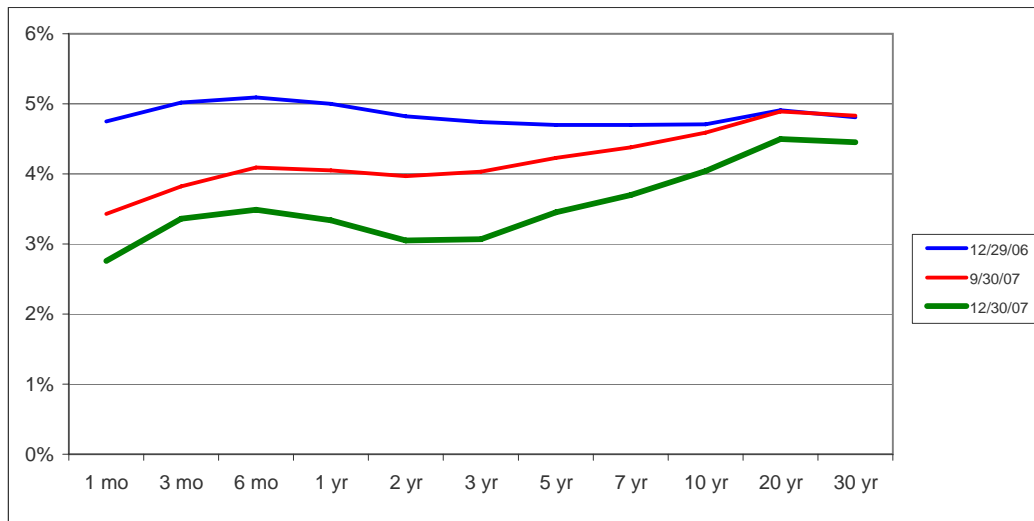
Country Returns



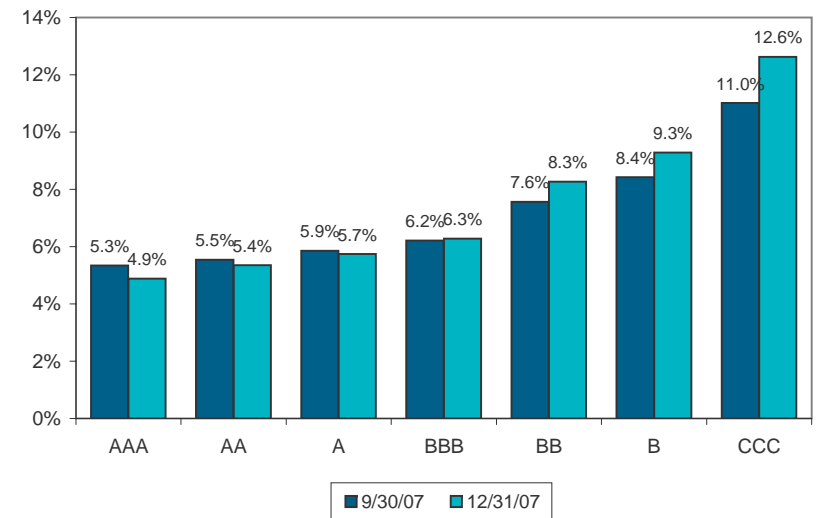
Fixed-Income Markets Overview

December 31, 2007

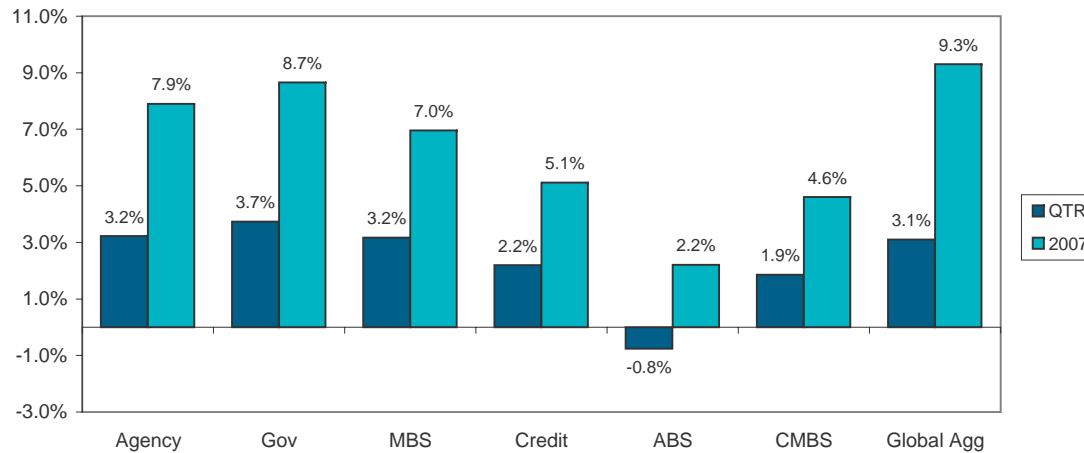
Yield Curve



Yield by Credit Rating



Sector Returns



Commentary

- The lower end of the credit quality spectrum witnessed price declines during the quarter, while AAA to A rated issues benefited the most from investor flight to safety. The spread between yields on AAA and CCC rated debt increased 200 basis points from last quarter.
- The yield curve dropped across all maturities signaling market expectations of Fed rate cuts in 2008. Lower expected economic growth and a higher potential for a recession this year contributed to the curve adjustments.
- Almost all the sectors of the bond market put in very strong performances in the fourth quarter to end the year on a positive note. The only exception being the asset backed securities market, which declined -0.8% during the quarter amid concerns over consumer credit worthiness.