

2008 SECOND QUARTER MARKET REVIEW

Despite an encouraging start in April and May, investors ended the second quarter with little relief from the difficulties of the past year. A June swoon pushed returns for most asset classes into the red as concerns over oil prices, inflation, and the continuing credit crisis plagued the markets. The S&P 500 lost 2.7%, bringing the year-to-date decline to 11.9%. Bonds, as measured by the Lehman Brothers Aggregate Index, gave back 1.02%, as the yield on the 10-year Treasury Note rose from 3.43% at March 31 to 3.97% at June 30. The yield on the 2-Year Note climbed more than a full percentage point despite a Fed rate cut at the end of April.

	Q2 2008 Return	YTD 2008 Return
DJIA	-6.8%	-13.4%
S&P 500	-2.7%	-11.9%
NASDAQ	0.8%	-13.2%
Russell 2000 (Small Cap)	0.6%	-9.4%
MSCI EAFE (US\$)	-2.3%	-11.0%
MSCI Emerging Markets	-0.8%	-11.6%
Lehman Brothers Aggregate	-1.0%	1.1%

Financial stocks continued to lead the way down, with the sector off more than 30% for the year-to-date period. The upward spiral of oil prices hurt consumer stocks but propelled the energy sector to double digit gains in the quarter. Commodities likewise skyrocketed. Growth stocks were able to produce positive results, with small cap growth out ahead.

GROWTH IS UP IN SECOND QUARTER

SECOND QUARTER 2008 RETURNS*

	VALUE	GROWTH
Large Cap	-5.3%	+1.3%
Small Cap	-3.6%	+4.5%

*(Apr 1-Jun 30, 2008)

2008 RETURNS*

	VALUE	GROWTH
Large Cap	-13.6%	-9.1%
Small Cap	-9.8%	-8.9%

*(Jan 1-Jun 30, 2008)

Russell 1000 Value and Growth indices used for Large Cap returns.

Russell 2000 Value and Growth indices used for Small Cap returns.



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Overseas stocks experienced similar woes, as the MSCI EAFE Index, representing developed countries, fell 2.3% (in US\$), bringing 2008's decline to 11.0%. In a change from the recent past, the US dollar gained on both the euro and yen during the quarter. Emerging Markets were mixed with declines in Asia/Far East but double digit gains in Latin America. The MSCI Emerging Markets Index edged down 0.8%.

International fixed income retreated after a strong showing in the first quarter. The benchmark Salomon Non-US World Government Bond Index (unhedged) lost 4.7%, but is still up 5.7% year-to-date. Emerging markets debt had a slight gain, as the JP Morgan GBI-Emerging Markets Diversified USD, rose 0.7%. In high yield, spreads reversed direction and tightened during the quarter. The CS First Boston High Yield Index advanced 1.8%

2008 has proven to be a challenging year for investors as equities teeter on the edge of a bear market and troubles in the credit markets continue. Despite widespread pessimism and red ink in some areas, well-diversified portfolios held up quite well in the second quarter. Losses were moderated by exposure to high yield bonds and smaller cap growth stocks, which had positive results.

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