



Market Update

Asset Consulting Group, Inc.

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Monthly Report

April 2006

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The Economy

Economic indicators released in April offered evidence that the current economic expansion remains above long-run average growth rates. There are signs of strong business investment and resilient consumers, who are enjoying faster wage growth, which is currently offsetting the headwinds of higher energy costs. The two major risks to the U.S. economy continue to be: 1) the potential for higher energy prices and record commodity prices pushing through to core inflation, and 2) the impact of rising interest rates on consumer household wealth and final consumer demand.

Both business and consumers loosen their purse strings...

Gross Domestic Product increased at an annual rate of 4.8% in the first quarter, the fastest pace in two years, led by robust business investment and consumer spending. Total business fixed investment, which includes spending on commercial construction as well as equipment and software, rose at a 14.3% annual rate, after rising at a 4.5% rate in the fourth quarter of 2005. Spending on equipment and software rose 16.4%, the most since the first quarter of 2000. Similarly, growth in jobs and wages spurred consumers to spend at an annual rate of 5.5% in the first quarter, the largest increase since the third quarter of 2003, and up from 0.9% in the fourth quarter of 2005.

Commodities reach record levels...

Geopolitical tensions over Iran, growing consumption by China and India, and greatly increased speculative buy-

ing on part of investment funds sent commodity prices to record high levels in April. Copper and zinc prices rose 59% and 66% respectively YTD as of the end of April, hitting all time highs, and aluminum pushed above \$3,000 a tonne for the first time in 18 years. Crude oil touched \$75.35 a barrel on both April 21st and 24th, the highest level since oil futures trading began in 1983, and was up 26% YTD at the month end. Higher oil prices have translated into higher prices at the pump. At the end of April, gasoline prices averaged \$2.91 per gallon, up from \$2.28 at the end of 2005.

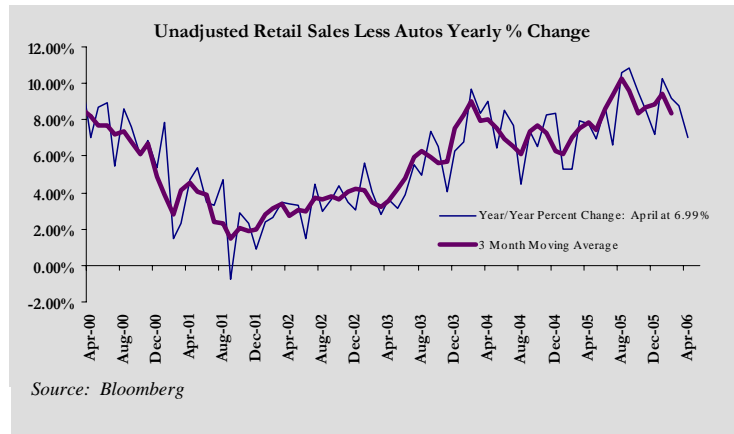
Consumer spending maintain momentum...

Despite higher energy costs taking a greater proportion of consumer incomes, there has not yet been an indication of a strong slowdown in spending. Labor markets continue to improve, albeit at a slower pace, as companies added another 138,000 jobs in April, and created an average of 167,000 jobs a month thus far in 2006. In addition, wages are accelerating, as the Labor Department reported that

average wages were up 3.8% from April 2005, the biggest gain since August 2001. Consequently, gains in real disposable incomes are allowing consumers to offset higher gas prices, and to continue spending on other items, as U.S. retail sales rose 0.5% in April, after March's 0.6% increase. Excluding autos, sales increased 0.7%, a faster pace of sales than the 0.5% rise in March.

Inflation still moderate, can the Fed pause?

The government's personal consumption expenditures index (PCE), a measure of prices tied to consumer spending, rose at a 2.0% annual rate in the first quarter, after a 2.9% rise in the fourth quarter. The core PCE index (prices less food & energy) rose at a 2.0% annual rate, the high end of the Fed's comfort zone, after a 2.4% rise in the previous quarter. It appears the Fed's tightening cycle has so far curbed inflation. However, there remains a lingering core inflation risk as higher energy prices might still have a delayed reaction on the core prices and increased resource utilization may pressure corporations to pass along higher costs. In addition, higher interest rates have yet to lead to a slowdown in consumer spending. As a result, until there are strong signs of cooling final consumer demand, the Fed may continue to signal a readiness to tighten further, as demonstrated by the May 10th 25 basis point increase in the Fed target rate and by the accompanying remarks from the Fed offi-



Source: Bloomberg

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Economy at a Glance

Recent growth indicators	Jan	Feb	Mar	Apr
ISM manufacturing	54.8	56.7	55.2	57.3
ISM non-manufacturing	56.8	60.1	60.5	63
U. of Michigan Consumer Confidence	91.2	86.7	88.9	87.4
Change in Payrolls (m-o-m, 000)	154	200	200	138
Personal Income (%m-o-m)	0.7	0.3	0.5	
Personal Spending (%m-o-m)	0.9	0.2	0.6	

Source: Bureau of Labor Statistics, ISM, Bloomberg

Equities

U.S. stocks rallied in April on indications the economy remains on solid footing, bolstering prospects for future corporate earnings. Eighty-nine percent of the companies included in the S&P 500 index posted a 16.3% share-weighted average year-over-year quarterly earnings gain, which is on track to record the 16th consecutive quarter of double digit earnings increases. The S&P 500 hit a 52-week high of 1311.56 on April 5th and recorded a total

gain of 1.34% for the month (5.61% YTD), the fourth consecutive positive monthly return. The 8% rise in crude oil prices helped propel the Energy sector (+5.11%) as the top performing sector for the month, followed by the Financials (+4.06%) and the Materials (+3.54%) sectors. Energy remained the top year-to-date performer with the 14.15% gain. S&P 500 cash balances at the end of April reached a record \$654 billion or 7.26% of market value, which is expected to support further share buy back and M&A activity in

coming quarters.¹ The small cap Russell 2000 index hit an all time high of 778.42 on April 19th. Investors believed that, despite the recent rise in interest rates, rates were still historically low, minimizing the potential impact on small cap's borrowing costs, thus allowing small cap earnings growth to accelerate at a quicker pace than large caps going forward. Nonetheless, the large cap Russell 1000 index outperformed the Russell 2000 in April, gaining 1.20% compared to the Russell 2000 loss of 0.02%. Year-to-date, though,

the Russell 2000 was up 13.91% vs. 5.74% for the Russell 1000. Value stocks outperformed growth stocks in April. The Russell 1000 Value index gained 2.54% and rose 8.62% YTD, while the Russell 1000 Growth index lost 0.14% for the month, and was up 2.96% for the year. Mid capitalization equities trailed small caps in April, but have outpaced large caps thus far in 2006, with the Russell MidCap index gaining 0.70% in April and 8.37% YTD.

Fixed Income²

The robust economic data reported in April and record high commodity prices left an underlying bearish tone on bond markets, as investors feared both could lead to an acceleration of inflation. Speculation that the Federal Reserve will have to tighten further in order to tame inflation, sent U.S. 10-year Treasury yields through 5% and as high as 5.14% on April 27th, the highest level since May 2002. The rise in 10-year yields led to a fourth straight monthly loss of 1.3% in April (-4% YTD) in the Merrill Lynch 10-year Treasury index. Investment grade bond yields have risen in line with Treasury yields, in part to maintain their at-

Index	Monthly	YTD
	Total Return (%)	Total Return (%)
U.S. Corporate High Yield	0.62	3.52
Ba U.S. High Yield	0.05	2.14
B U.S. High Yield	0.52	3.48
Caa U.S. High Yield	2.40	6.95
Ca to D U.S. High Yield	4.90	17.98

Source: Lehman Brothers

tractiveness as compared to rising yields in Japan and Europe. The rising yields have pressured investment grade bond returns as the Lehman Brothers U.S. Aggregate Index lost 0.18% for the month and was down 0.82% YTD. Improving

credit quality and tighter spreads have led to a reduction in risk aversion among bond investors and to the continued search for yield, which benefited speculative grade bonds. The first quarter downgrade ratio (the number of downgrades to total

rating actions) was 61.1% at the end of April, a large improvement from the 72.6% recorded in the fourth quarter of 2005. High Yield spreads to the U.S. 5-year Treasury tightened further from 390 bps at the end of 2005 to 323 bps at the end of April, resulting from investors taking on more risk in search of higher yields. The Lehman Brothers Corporate High Yield Index gained 0.62% for the month and was up 3.52% YTD in April. Investors were rewarded for allocating to lower quality bonds, as 'CCC' rated credits have returned 6.95% YTD and 'C - D' rated credits were up 17.98%.

International

International equity markets registered another strong month of returns in April as global economic data remained upbeat, prompting investors to continue to anticipate positive future economic growth. Prospects for sustainable economic growth in both Japan and Europe coupled with rising Euro zone interest rates resulting from the ECB's new tightening cycle, sent the US dollar significantly lower against world currencies in April. The euro gained 4.26% in April and was up 6.63% YTD vs. the dollar, while the yen gained 3.35% for the month and

3.33% YTD. There remain signs of sustainable Japanese economic growth with rising wages, falling unemployment and increased consumer and business investment spending. Financial markets have started anticipating a rise in short-term interest rates by the Bank of Japan (BOJ) from its current zero percent level. In recent reports the BOJ has described the economy as "recovering", which marks a clear sign the central bankers are confident about the sustainability of growth and a rise from seven years of deflation. Additionally, the recent statements by the Japanese Prime Minister and Minister of Economy

indicate that more operational independence with regards to the setting of monetary policy will be given to the BOJ. The Nikkei 225 index gained 2.31% in April and was up 9.27% YTD on a US dollar basis. The European measures of economic activity are signaling that the Euro zone economic recovery is gaining momentum. The German economy, the largest within the zone, saw its IFO business confidence index rise to 105.5, a 15-year high. In addition, ECB officials have made it clear they will not hesitate to raise interest rates to fend off inflationary pressures. The MSCI Euro index gained 4.25% in April

and 17.20% YTD on a US dollar basis. The MSCI EAFE index rose 4.85% in April and was up 14.78% YTD in US dollar terms. Emerging equity markets continue to outpace developed world stocks. The MSCI Emerging Markets index gained 7.14% in April and rose 20.12% YTD on a US dollar basis. China recorded another double-digit economic growth rate, rising 10% in the first quarter, which marks 11 consecutive quarters of economic growth above 9%. This prompted China's central bank to increase interest rates by 0.27% to 5.85% and to restrict lending to prevent the economy from overheating.

Footnotes:

All data from Bloomberg except:

1- Standard & Poors

2- Lehman Brothers

Indices Report

Asset Consulting Group, Inc.
Monthly Indices Report
 Periods Ending April 30, 2006

Index Name	Style	Returns							
		Month	Qtr	YTD	2 Qtrs	1 Year	3 Years	5 Years	10 Years
<u>Domestic Equity Indices</u>									
S&P 500	Large Cap Core	1.34%	2.87%	5.60%	9.64%	15.41%	14.68%	2.70%	8.94 %
S&P Equal Weighted	Large Cap Core	1.06%	3.13%	7.37%	12.94%	22.42%	22.03%	8.65%	11.70 %
Russell 1000	Large Cap Core	1.20%	2.86%	5.74%	9.91%	16.70%	15.73%	3.38%	9.14 %
Russell 1000 Growth	Large Cap Growth	(0.14)%	1.18%	2.96%	7.07%	15.19%	12.05%	(0.76)%	6.20 %
Russell 1000 Value	Large Cap Value	2.54%	4.56%	8.62%	12.85%	18.29%	19.39%	7.30%	11.21 %
Russell Mid Cap	Mid Cap Core	0.70%	3.07%	8.37%	14.35%	26.43%	25.21 %	10.85%	12.43 %
Russell 2000	Small Cap Core	(0.02)%	4.54%	13.91%	18.90%	33.46%	25.67%	10.90 %	9.57 %
Russell 2000 Growth	Small Cap Growth	(0.29)%	4.00%	14.04%	20.31%	36.12%	24.21%	6.04%	4.70 %
Russell 2000 Value	Small Cap Value	0.27%	5.11%	13.81%	17.51%	30.84%	26.96 %	15.25 %	13.75 %
Wilshire 5000	Broad Equities	1.11%	2.94%	6.60%	11.01%	18.61%	17.00%	4.52%	8.99 %
HFRI Equity Hedge	Long Short Equity	2.32%	4.96%	9.08%	13.99%	22.82%	15.53%	8.39%	13.93 %
<u>International Equity Indices</u>									
MSCI World	Broad Global	3.09%	5.29%	10.01%	16.29%	24.92%	21.70%	5.91%	7.78%
MSCI EAFE	Developed Markets Intl	4.85%	8.14%	14.78%	23.10%	33.99%	29.60%	9.59%	7.02%
MSCI EAFE Growth	Developed Markets Intl Growth	4.59%	7.47%	14.10%	22.43%	33.19%	25.93%	7.39%	4.42%
MSCI EAFE Value	Developed Markets Intl Value	5.10%	8.79%	15.46%	23.75%	34.82%	33.25%	11.73%	9.50%
MSCI Emerging Markets Free	Emerging Market	7.14%	7.99%	20.12%	37.77%	62.88%	45.86%	24.09%	N/A
<u>Domestic Fixed Income Indices</u>									
Treasury Bills	Cash	0.37%	1.08%	1.40%	2.06%	3.68%	2.18%	2.23%	3.82%
Merrill Lynch 1-3 Yr Treasuries	Treasuries	0.31%	0.53%	0.70%	1.41%	2.07%	1.46%	3.19%	4.82%
Lehman Muni 5 Yr	5 Yr Municipal Bonds	0.22%	0.01%	0.24%	0.96%	1.20%	2.13%	4.19%	4.81%
Merrill Lynch High Yield	High Yield Bonds	0.59%	1.84%	3.46%	4.90%	9.07%	9.91%	8.42%	6.98%
Lehman Aggregate	Core Bonds	(0.18)%	(0.83)%	(0.82)%	0.56%	0.71%	2.58%	5.16%	6.33%
Lehman Government	Government Bonds	(0.28)%	(1.02)%	(1.19)%	0.18%	0.25%	1.90%	4.83%	6.12%
Lehman U.S. Credit Index	Corporate Bonds	(0.37)%	(1.33)%	(1.53)%	0.04%	0.12%	2.95%	5.97%	6.66%
Lehman Muni 10 Yr	10 Yr Municipal Bonds	(0.18)%	(0.63)%	(0.31)%	1.22%	1.16%	3.41%	5.15%	5.76%
HFRI FOF Conservative	Low Volatility	1.08%	2.82%	5.02%	7.35%	10.54%	7.27%	6.14%	N/A
<u>Real Estate Indices</u>									
NCREIF Property*	Real Estate	n/a	3.62%	3.62%	9.25%	20.19%	15.07%	11.49%	12.10%
NCREIF Classic Property*	Real Estate	n/a	3.63%	3.63%	8.87%	20.73%	14.44%	10.63%	12.06%
NAREIT Equity	Real Estate	(3.72)%	2.95%	10.47%	14.89%	26.57%	28.61%	20.80%	15.32%

*For comparison purposes prior quarter returns are used.

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