



Market Update

Asset Consulting Group, Inc.

INSIDE THIS ISSUE:

Market commentary

The US Economy

Global Equities

US Equities

International Markets

Global Fixed Income

Monthly Indices Report

(April 30, 2007)

231 South Bemiston Avenue, 14th Floor St. Louis, MO 63105

t. 314-862-4848 f. 314-862-5967

www.acgnet.com

Monthly Report

April 2007

THE U.S. ECONOMY

April economic reports suggested that risks surrounding the prospects for U.S. corporations and consumers remain elevated in the current economic environment. The Commerce Department reported that 1Q07 economic growth was at the slowest pace in four years as the slump in U.S. housing and inventory reduction efforts on the part of corporations were still dragging down growth. The lone bright spot in the first quarter was the consumer, but higher gas prices in April took a bite out of their discretionary income sending last month's retail sales unexpectedly lower. Nevertheless, there are signs providing a glimmer of hope that business activity may be on the rebound, contributing to further gains in jobs and wages, and supporting notions of a soft U.S. economic landing.

Economic growth slowing visibly...

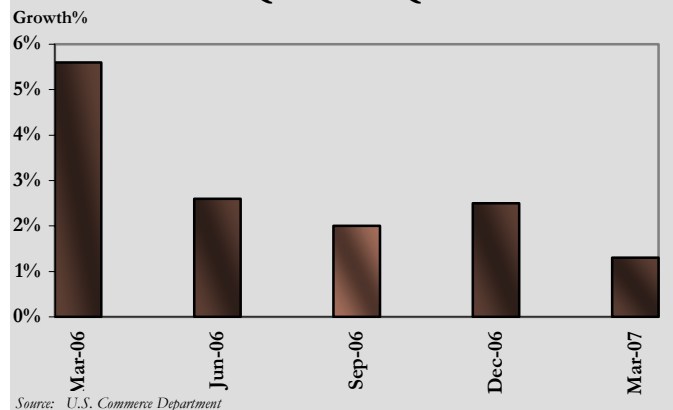
The U.S. economy grew at a 1.3% annual rate in the first quarter, following a 2.5% fourth-quarter pace. Dragging growth down was a 17% annualized decline in home construction, the second consecutive double-digit quarterly decline (-19% for 4Q06). Home builders remained cautious on new construction as the March supply of homes for sale stood at 7.3 months, the highest level since October 2006, compared with 6.8 months in February. Further exacerbating the oversupply of homes were increased foreclosures from the fallout of the subprime mortgage market. In addition, growth slackened from a higher trade deficit. The deficit widened to an annual pace of \$597.8 billion in 1Q07 from \$582.6 billion in 4Q06, as export growth slowed. Business inventory reduction trimmed down growth by 0.30%, after subtracting 1.2% from 4Q06 GDP growth.

Consumer spending starting to be affected...

The major bright spot in the first quarter GDP report was the continued robust pace of consumer spending, which rose at an

annual rate of 3.8%, compared with a 4.2% pace in 4Q06. Rising consumer incomes, as employers increased payrolls and wages, was the key catalyst driving economic growth. Personal incomes rose 0.7% in March, the same level as in February. However, spending in April unexpectedly declined 0.2%, following March's 1% gain, as gasoline prices jumped 26 cents, averaging \$2.83 a gallon and diverting an estimated \$20 billion from discretionary purchases last month.¹ Some economists felt the higher gas prices would be temporary due to refinery bottlenecks from maintenance shutdowns and switching operations to produce summer formulated gasoline. However, the reduced purchasing activity increased the risk that consumer spending, which accounts for two-thirds of economic activity, could pull back, slackening growth further going forward.

Annualized Quarter over Quarter U.S. GDP



Business spending and manufacturing rebounding...

The ongoing correction in housing seemed to have taken the largest bite out of last quarter's growth. In fact, after subtracting the declines in housing, 1Q07 growth amounted to 2.23% within the rest of the economy. A portion of that growth came from a rebound in business spending which rose at a 2% annual rate after declining at a 3.1% rate in Q406. In particular, businesses stepped up purchases of offices and warehouses (+2.2%*) and equipment and software (+1.9%*), suggesting business confidence might be gaining traction as corporations renewed expansion plans put on hold in Q406. Also, the manufacturing sector showed signs of a rebound as businesses made progress in realigning inventories with demand, spurring an increase in factory orders. The ISM index of manufacturing activity rose to 54.7 in April, the highest level since May 2006, on an uptick in orders and production.²

Economy at a Glance

Recent growth indicators	Jan-07	Feb-07	Mar-07	Apr-07
ISM manufacturing	49.3	52.3	50.9	54.7
ISM non-manufacturing	59	54.3	52.4	56
U. of Michigan Consumer Confidence	96.9	91.3	85.3	87.1
Change in Payrolls (m-o-m, 000)	111	97	180	88
Personal Income (%m-o-m)	1	0.7	0.7	
Personal Spending (%m-o-m)	0.5	0.7	0.3	

Source: Bureau of Labor Statistics, ISM, Bloomberg

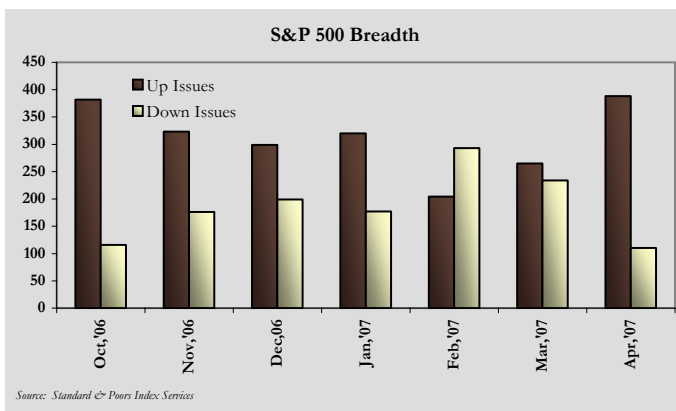
It is clearly visible from the slump in April retail sales that risks remain elevated for the key driver of economic growth, the U.S. consumer. However, a recovery in manufacturing, along with renewed growth in business expansion should sustain growth in jobs and wages helping consumers weather higher energy costs and slumping home prices.

*Annualized Rates

GLOBAL EQUITIES

U.S. Equities

Better than forecasted 1Q07 U.S. corporate earnings coupled with continued robust mergers & acquisitions (M&A) activity helped lift U.S. equities to new highs in April. The Dow Jones Industrial Average crossed 13,000 for the first time, setting a trading high of 13,148 on April 27 and closing April at 13062.91. The Dow's gain on April 27 marked the 37th record close for the index since October 2006. For the month, the index gained 5.86%, while the S&P 500 rose 4.43%, both recording their best monthly performance since December 2003. YTD, the Dow gained 5.52%, while the S&P 500 posted an increase of 5.09%. The S&P 500 rally was broadly based as 388 issues closed higher by an average of 6.31%, with 110 issues lower by an average of -3.09%. According to Bloomberg, as of May 9th, 434 companies within the S&P 500 reported a market cap weighted gain of 15.3% in 1Q07 earnings from continuing operations (excluding gains, charges and one-time items). All 10 S&P 500 economic sectors rose in April led by Healthcare (+7.10). YTD, the Utilities sector posted the highest gain (+12.91%). Small cap stocks underperformed large caps in April as the Russell 2000 rose 1.80% for the month and was up 3.78% YTD. The slowing U.S. economy and the forecasted downturn in 2007 U.S. corporate earnings resulted in investors reallocating towards growth stocks offering better corporate earnings growth prospects. The Russell 1000 Growth index gained 4.71% in April, outpacing the Russell 1000 Value index, which rose 3.70%. YTD, the Russell 1000 Growth index rose 5.95% vs. a gain of 4.99% for the Russell 1000 Value index.



International Equities

Stronger foreign economic growth and rising interest rates outside the U.S. resulted in downward pressure on the U.S. dollar. For April, the dollar closed down 2.20% against the euro at \$1.3648 and dropped 1.62% against the British pound to \$2.00.

The dollar rose 1.43% against the yen to 119.52 yen in the same period.

Strong economic data from European economies, better than forecasted corporate profits and increasing M&A activity helped European stocks rally to multi-year highs in April. The Dow Jones Stoxx 600 index posted its biggest monthly advance in 2007, closing at a 6 ½ year high. The index posted a gain of 6.28% for the month and was up 11.03% YTD, both on a USD basis. The MSCI EAFE index gained 4.53% in April and 8.86% YTD on a USD basis helped by the depreciation of the dollar. In local currency, the EAFE gained 2.99% and 6.50% in April and YTD, respectively.

Japanese equities did not fare as well as U.S. and European stocks in April. Economic reports showing a dramatic economic slowdown in the U.S., Japan's major trading partner, had investors heading for the sidelines. The Nikkei 225 index closed slightly higher at 0.65% for the month and was up 1.50% YTD in local currency. On a USD basis, the index lost 1.17% for the month and had a gain of 0.93% YTD.

Emerging market equities continued an upward swing in April on better economic forecasts vs. developed economies and still abundant liquidity flowing into this riskier asset class. In local currency, China's CSI 300 index, rose 28.02% in April and was up 74.51% YTD. The index tripled in the last 12 months. The MSCI Emerging Markets index rose 3.44% in April and was up 5.85% YTD in local currency. On a USD basis, the index had a monthly gain of 4.64% and increased 7.09% YTD as the dollar depreciated against the emerging currencies as well.

GLOBAL FIXED INCOME ³

The U.S. Treasury yield curve continued to flatten as yields on the short end of the curve closed April below 5%, signaling investors felt the 5.25% Fed fund rate might be too high. The yield on the two-year Treasury note, the most sensitive to Federal Reserve interest rate moves, declined 22 bps to 4.60% since December 2006 and remained below the 10-year yield for the second consecutive month. The declining government bond yields led to a monthly gain of 0.53% for the Merrill Lynch U.S. Treasury Master index. The index posted a YTD gain of 1.97%. The current credit market environment of high liquidity and low volatility has been attracting investors to higher yielding, riskier assets within fixed-income investments, leading to further compression of credit spreads. In the past two years, the Lehman Bros. U.S. High Yield index credit spread over the U.S. 10-year Treasury peaked at 3.89% in May 2005. At the close of April 2007, the spread stood at 1.04%, a decline of 285 bps. Furthermore, spreads in lower quality high yield bonds continued to compress as well. High yield bonds rated CCC, one level above default, peaked at 7.07% in June 2005 but closed April at 4.45%, a drop of 262 bps. As a result, the speculative grade Lehman Bros. U.S. High Yield index outpaced the Lehman Bros. Aggregate Bond index in 13 out of the last 16 months dating back to January 2006. In April the Lehman Bros. U.S. High Yield index rose 1.30%, and gained 3.97% YTD, while the Lehman Bros. U.S. Aggregate Bond index rose 0.54% for the month and 2.05% YTD respectively.

The Euro Treasury yield curve has shifted higher in parallel fashion across all maturities since the start of 2007 assisted by the European Central Bank's quarter point hike in their key lending rate on March 14 to 4.75%, the seventh quarter point increase since December 2005. At the start of 2007, the two-year Euro note yielded 3.90% and 10-year Euro note stood at 3.95%. At the end of April, the two-year yielded 4.13%, a spread of 2 bps over the 10-year note. In general, global government bonds closed slightly higher in April as the JP Morgan Global Govt. Bond index rose 0.97% for the month and gained 2.17% YTD.

All data from Bloomberg except for:

- 1) David Resler, Chief Economist at Nomura Securities
- 2) Institute for Supply Management
- 3) Lehman Brothers

Indices Report

Asset Consulting Group, Inc.

Monthly Indices Report

Periods Ending April 30, 2007

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	4.43%	3.53%	5.09%	8.59%	15.24%	12.25%	8.55%	8.05 %
S&P Equal Weighted	Large Cap Core	4.34%	4.80%	7.29%	10.79%	15.70%	15.81%	12.61%	12.55 %
Russell 1000	Large Cap Core	4.20%	3.47%	5.47%	9.10%	15.16%	12.94%	9.09%	8.48 %
Russell 1000 Growth	Large Cap Growth	4.71%	3.30%	5.95%	8.42%	12.26%	9.09%	6.23%	5.32 %
Russell 1000 Value	Large Cap Value	3.70%	3.66%	4.99%	9.79%	18.13%	16.76%	11.82%	10.80 %
Russell Mid Cap	Mid Cap Core	3.81%	4.81%	8.35%	12.24%	15.25%	18.64 %	14.20%	12.86 %
Russell 2000	Small Cap Core	1.80%	2.08%	3.78%	6.86%	7.82%	14.64%	11.14 %	10.40 %
Russell 2000 Growth	Small Cap Growth	2.62%	3.23%	5.15%	7.41%	4.52%	12.26%	8.91%	6.70 %
Russell 2000 Value	Small Cap Value	1.04%	1.00%	2.52%	6.36%	11.23%	16.91 %	13.06 %	13.41 %
Wilshire 5000	Broad Equities	4.00%	3.49%	5.46%	9.10%	14.53%	13.31%	9.65%	8.70 %
HFRI Equity Hedge	Long Short Equity	2.43%	4.16%	5.51%	9.07%	8.64%	11.49%	9.70%	13.64 %
<u>International Equity Indices</u>									
MSCI World	Broad Global	4.47%	5.92%	7.19%	12.13%	17.55%	17.66%	12.72%	8.42%
MSCI EAFE	Developed Markets Intl	4.53%	8.12%	8.86%	15.68%	20.32%	23.00%	17.10%	9.09%
MSCI EAFE Growth	Developed Markets Intl Growth	4.35%	8.70%	9.59%	15.97%	17.84%	20.58%	14.67%	6.43%
MSCI EAFE Value	Developed Markets Intl Value	4.71%	7.54%	8.14%	15.38%	22.76%	25.38%	19.50%	11.58%
MSCI Emerging Markets Free	Emerging Market	4.64%	8.22%	7.09%	20.27%	18.21%	33.67%	25.81%	N/A
<u>Domestic Fixed Income Indices</u>									
Treasury Bills	Cash	0.44%	1.28%	1.69%	2.58%	5.15%	3.54%	2.65%	3.80%
Merrill Lynch 1-3 Yr Treasuries	Treasuries	0.39%	1.76%	1.90%	2.37%	5.43%	2.84%	3.32%	5.04%
Lehman Muni 5 Yr	5 Yr Municipal Bonds	0.15%	1.29%	1.08%	1.29%	4.21%	2.95%	3.67%	4.76%
Merrill Lynch High Yield	High Yield Bonds	1.32%	2.95%	4.04%	6.83%	12.25%	9.23%	9.94%	7.05%
Lehman Aggregate	Core Bonds	0.54%	2.09%	2.05%	2.64%	7.35%	4.40%	5.06%	6.35%
Lehman Government	Government Bonds	0.50%	2.08%	1.96%	2.27%	6.76%	3.92%	4.68%	6.15%
Lehman U.S. Credit Index	Corporate Bonds	0.72%	2.26%	2.24%	2.79%	8.26%	4.58%	6.13%	6.74%
Lehman Muni 10 Yr	10 Yr Municipal Bonds	0.32%	1.53%	1.07%	1.39%	6.13%	4.65%	4.95%	5.73%
HFRI FOF Conservative	Low Volatility	1.03%	2.82%	4.11%	6.92%	7.95%	7.40%	6.97%	N/A
<u>Real Estate Indices</u>									
NCREIF Property*	Real Estate	N/A	3.62%	3.62%	8.29%	16.59%	17.42%	13.61%	12.71%
NAREIT Equity*	Real Estate	(0.02)%	(4.60)%	3.44%	6.56%	26.44%	29.15%	21.86%	15.10%

* For comparison Purposes, prior quarter returns are used
All time period returns are rolling returns except for YTD

Online Availability

The Asset Consulting Group archive for Monthly Market Update reports can be accessed through our Web site, www.acgnet.com.

Copyright © 2007 Notice

No part of this publication may be copied, or duplicated in any form without written consent of ACG, Inc. The views contained in this Monthly Report are those of ACG and are based on information obtained by ACG from sources that are believed to be reliable. Such information is not necessarily all-inclusive and is not guaranteed as to its accuracy. ACG is not responsible for typographical or clerical errors in this Report or in the dissemination of its contents. Reliance upon information in the Report is at the sole discretion of the reader.