Market Update

Asset Consulting Group, Inc.

INSIDE THIS ISSUE:

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Monthly Report May 2007

THE U.S. ECONOMY

The Economy

The government reported that first quarter U.S. economic growth advanced at the slowest pace since the fourth quarter of 2002, the initial stages of the current economic expansion. However, recent reports indicate that economic growth in the second quarter may be gaining some momentum as demonstrated by the strengthening of the manufacturing sector, a rebound in business spending, and above average employment growth. In addition, consumer spending continues to be the brightest spot in the economy while inflation remains high but increased less than forecast in April. This economic backdrop of slightly stronger growth expected in the current quarter and still somewhat elevated inflation, prompted the Federal Reserve (Fed) to hold rates steady at 5.25% during its May 9th meeting, which resulted in investors further paring bets of a cut in interest rates this year.

A larger trade deficit and smaller inventories further reduced economic growth…

In its second estimate of 1Q07 GDP, the Commerce Department reported growth of 0.6%, down from an earlier estimate of 1.3%. The largest revisions to GDP came from a trade deficit that widened to $611.8 billion, twice the originally estimated level, subtracting 1% from growth. In addition, a net reduction in business inventories of $4.5 billion, compared with a net gain of $14.8 billion originally reported, also subtracted 1% from growth. Slower growth over the last nine months of 2006 led to excess inventories, forcing companies to work down existing levels to realign with demand. However, leaner inventories could be a positive for growth going forward as companies lift production to meet accelerating demand.

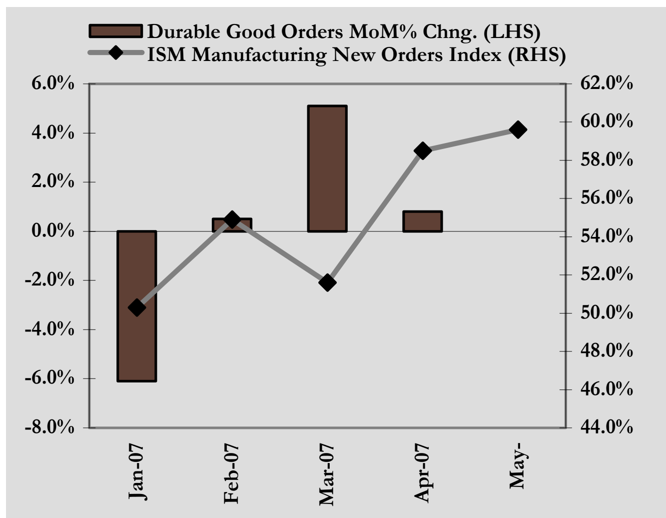
Manufacturing activity has been expanding for four consecutive months…

The Institute for Supply Management's (ISM) monthly business activity report showed that the U.S. manufacturing sector had been lifting production for the past four months to meet growing orders. The ISM's Purchasing Managers Index accelerated to 55% in May, an increase of 0.3% from 54.7% in April. Similarly, monthly growth in new orders and production have trended higher in the past four months, with the New Orders index rising 1.1% in May to 59.6%, and the Production index advancing 1% to 58.3%. Overall, business investment, a detractor from growth in the last three quarters, is showing signs of a pick up in activity. In May, orders for durable goods, which are meant to last three years or more, an excellent barometer for business investment, rose 0.8%, after a 5.1% jump in April. Therefore, a recovery in manufacturing and business investment in 2Q07 is contributing to growth, which appears to be tracking higher than in 1Q07.

Economy at a Glance

Recent growth indicators	Feb-07	Mar-07	Apr-07	May-07
ISM manufacturing	52.3	50.9	54.7	55
ISM non-manufacturing	54.3	52.4	56	59.7
U. of Michigan Consumer Confidence	91.3	85.3	88.7	88.3
Change in Payrolls (m-o-m, 000)	97	180	80	157
Personal Income (%m-o-m)	0.7	0.7	-0.1	
Personal Spending (%m-o-m)	0.7	0.4	0.5	

Source: Bureau of Labor Statistics, ISM, Bloomberg



Source: Bloomberg, Institute for Supply Management

LHS - Left hand side axis
RHS - Right hand side axis

Solid consumer spending continues…

Employment and consumer spending continue to grow at a healthy pace in 2Q07. U.S. employers added 157,000 jobs in May, nearly twice the revised 80,000 added in April and just above the 12-month average of 156,000. Job growth continued to feed into higher consumer spending, the sector contributing the most to economic growth. The 1Q07 GDP report showed consumers spent at a 4.4% annualized clip, the highest in a year. As a result of a resilient job market, consumer spending continued its healthy pace in 2Q07, rising by a strong 0.5% in April, withstanding the slump in housing and higher energy prices. However, higher energy prices have yet to feed into core consumer prices as evidenced by the personal consumption expenditures index, the Federal Reserve's preferred measure of inflation that excludes food and energy. The index rose 0.1% in April, following no change in March. That left the inflation measure with an annualized gain of 2.0 % from April 2006. Although still at the top of the Fed's comfort zone, it was the smallest year-over-year increase in inflation since February 2006.

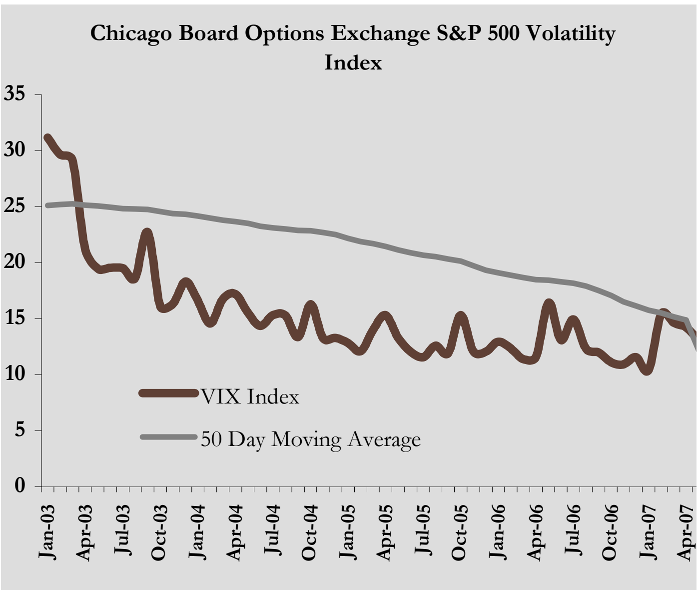
The Fed's predominant concern is that inflation will not moderate as expected…

In minutes from the May open market committee meeting the Fed felt the economy was likely to expand at a moderate pace over coming quarters, but a sustained high level of resource utilization could prevent inflation from subsiding as expected. As U.S. job growth has accelerated at a healthy pace, keeping the unemployment rate near a five-year low of 4.5%, a reduced pool of available labor could force corporations to pay higher wages to retain and attract employees. Given that labor costs represent approximately two-thirds of the cost to produce a good or service, it heightens the risk that corporations could raise the prices of goods or services to compensate for higher labor costs. In fact, labor costs have recently accelerated. The Labor Department reported that labor costs rose 1.8%* in 1Q07, after a 0.6% gain in 4Q07. Indications of a pick up in economic growth coupled with future potential inflationary pressures from labor markets has lowered the odds the Fed will reduce interest rates in 2007. Although such a reduction was largely anticipated by financial markets earlier in the year, a growing number of economists now believe that the Fed could be facing increasing pressure to consider raising interest rates as soon as December.

GLOBAL EQUITIES

U.S. Equities

In May, robust mergers and acquisition (M&A) activity coupled with better than forecasted corporate earnings boosted investor optimism and sent the S&P 500 above its previous record close of 1527.46 (set on March 24, 2000). The S&P 500 index closed the month at 1530.62, increasing 3.49% for the month and 8.76% YTD.



Source: Bloomberg

The index has risen in 11 of the past 12 months, gaining 22.79% over the past 12 months. According to Bloomberg data, there have been nearly $1.2 trillion of announced deals involving U.S. corporations this year. In addition, as of early June, 97% of the S&P 500 members have reported an average market-cap weighted gain of 15.10% in 1Q07 income from continuing operations. All 10 economic sectors of the S&P 500 reported gains in May led by Telecom Services, up 9.65%. On March 5, 2007, after equities had tumbled for 5 days on interest rate concerns, volatility, as measured by the Chicago Board Options Exchange Volatility index (VIX), spiked to 19.63, but it trended back by the end of May, closing the month at 13.05, 31% below the historical average of 18.89. Small cap stocks outpaced large caps for the month as the Russell 2000 index rose 4.10% for the month and was up 8.04% YTD. However, midcap stocks continued to lead other capitalization tiers YTD, with the Russell Midcap index rising 3.77% in May and 12.44% YTD. Growth and value stocks finished neck and neck in May. The Russell 1000 Value index rose 3.61% (+8.78% YTD) while the Russell 1000 Growth index gained 3.60% (+9.77% YTD).

International Equities

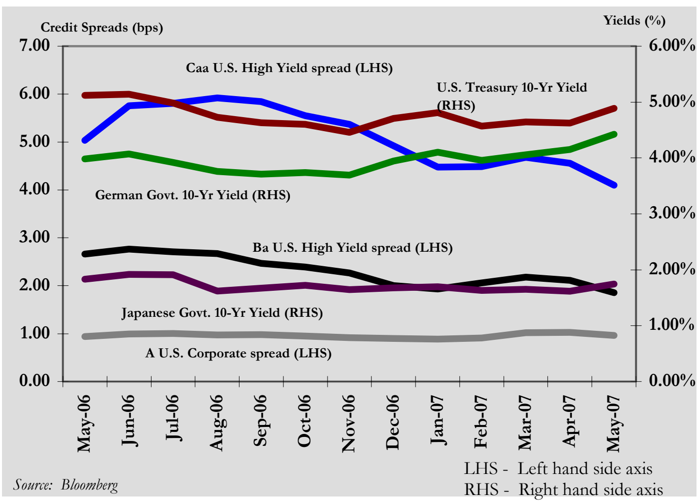
The U.S. dollar rebounded sharply against both the euro and yen in May after strong signals that the U.S. economy is gaining momentum from the lowest growth in four years during 1Q07. After hitting a record low of $1.3681 per euro on April 27, the dollar closed May at $1.3453, a monthly gain of 1.43%. Similarly, the dollar traded near a three month high against the yen, closing May at 121.73, a monthly gain of 1.85%.

European equity markets benefited from solid economic fundamentals and a continued uptrend in M&A activity, with announced takeovers reaching $1.25 trillion to date in 2007 compared with $1.6 trillion in all of 2006. However, the strong dollar weakened USD returns. The MSCI EAFE index had a monthly local currency return of 3.33% vs. a USD return of 1.89%. YTD the index gained 10.05% in local currency and was up 10.92% YTD on a USD basis. Japanese shares rose on increased investor optimism that the nation's corporate earnings would benefit from growing exports as the U.S. economy strengthens. On a USD basis the Nikkei 225 index gained 1.00% for the month and was up 1.94% YTD.

Chinese shares plummeted 6.7% in USD on May 29 after the government tripled the tax on stock trades to 0.3% in a continued effort to dampen the run up in their equity markets. China's CSI 300 index still gained 11.38% in May and was up a whopping 96.79% for the year, both on a USD basis. Emerging market equities generally rose in May as investors continued to feel their economies would benefit from global economic growth. In local currency the MSCI Emerging Markets index rose 4.04% for the month and had a gain of 10.13% YTD. On a USD basis the index was up 4.98% in May and 12.43% YTD as some emerging currencies appreciated against the dollar.

GLOBAL FIXED INCOME [1]

U.S. Treasuries fell in May after the yield on the benchmark 10-year note had its largest monthly increase since August 2006. 10-year yields rose 27 basis points (bps) to 4.89% amid signs of renewed growth in the manufacturing sector and business spending, while traders pared bets the Federal Reserve will reduce interest rates in 2007. On April 30th Federal fund futures contracts showed a 90% chance of a quarter point reduction. On May 31st futures showed traders saw only a 34% chance the Federal Reserve would reduce interest rates by a quarter point to 5% by December.



The Merrill Lynch U.S. Treasury Master index declined 0.87% in May, but it had a gain of 1.08% YTD. The change in credit spreads varied across the quality structure in May. Single A rated corporate bond spreads over the U.S. 5-year government yield rose 10 bps to 72.68 from the end of April. However, the lower quality BB and CCC rated bond spreads compressed further over 5-year Treasury yields. BB corporate bond spread fell 27 bps to close May at 172.90 and CCC rated corporate bond spreads declined by 47 bps to 404.90. The continued compression in lower quality bond premiums shows risk appetites remain hardy among bond investors as the search for higher yields outweighs quality factors. The Lehman Brothers Corporate U.S. High Yield index continued to outperform the higher quality more conservative Lehman Brothers U.S. Aggregate index. The U.S. High Yield index rose 0.75% in May and was up 4.75% YTD, while the U.S. Aggregate index declined 0.76% for the month, but showed a gain of 1.27% YTD.

Interest rates rose globally in May as central banks signaled intentions to quell any pickup in inflation created by global economic growth that continues at a robust pace. The Japanese 10-year government note yielded 1.61% at the end of April, but jumped 14 bps to 1.75% at the end of May, while the 10-year German note, the benchmark for the euro zone, yielded 4.42% at the close of trading in May, a 27 bps rise. Rising global interest rates contributed to a monthly decline of 2.03% for the JP Morgan Global Government Bond index, leaving the index with a slight gain of 0.10% YTD.

* U.S. Unit labor costs of the Nonfarm business sector QoQ Seasonally Adjusted.
All data from Bloomberg except for:
1 - Lehman Brother

Indices Report

Asset Consulting Group, Inc.
Monthly Indices Report
Periods Ending May 31, 2007

		Returns							
Index Name	**Style**	***Month***	***Qtr***	***YTD***	***2 Qtrs***	***1 Year***	***3 Years***	***5 Years***	***10 Years***
Domestic Equity Indices									
S&P 500	Large Cap Core	3.49%	9.29%	8.76%	10.28%	22.80%	13.02%	9.46%	7.78 %
S&P Equal Weighted	Large Cap Core	3.30%	8.63%	10.83%	11.63%	23.06%	16.31%	13.68%	12.11 %
Russell 1000	Large Cap Core	3.60%	9.07%	9.27%	10.67%	22.94%	13.74%	10.06%	8.19 %
Russell 1000 Growth	Large Cap Growth	3.60%	9.07%	9.77%	10.14%	20.39%	9.71%	7.51%	4.96 %
Russell 1000 Value	Large Cap Value	3.61%	9.11%	8.78%	11.22%	25.57%	17.75%	12.51%	10.59 %
Russell Mid Cap	Mid Cap Core	3.77%	8.59%	12.44%	12.42%	23.76%	19.14 %	15.31%	12.48 %
Russell 2000	Small Cap Core	4.10%	7.11%	8.04%	8.39%	18.93%	15.58%	13.06 %	9.68 %
Russell 2000 Growth	Small Cap Growth	4.56%	8.29%	9.95%	9.68%	17.56%	13.20%	11.22%	5.69 %
Russell 2000 Value	Small Cap Value	3.67%	6.02%	6.28%	7.21%	20.30%	17.85 %	14.65 %	12.95 %
Wilshire 5000	Broad Equities	3.66%	9.00%	9.32%	10.60%	22.66%	14.16%	10.71%	8.35 %
HFRI Equity Hedge	Long Short Equity	2.78%	5.82%	7.70%	9.16%	13.53%	12.33%	10.15%	13.31 %
International Equity Indices									
MSCI World	Broad Global	2.90%	9.51%	10.30%	12.57%	25.12%	18.41%	13.31%	8.08%
MSCI EAFE	Developed Markets Intl	1.89%	9.27%	10.92%	14.41%	27.39%	23.59%	17.23%	8.60%
MSCI EAFE Growth	Developed Markets Intl Growth	2.13%	10.16%	11.92%	15.06%	25.54%	21.47%	15.09%	6.05%
MSCI EAFE Value	Developed Markets Intl Value	1.64%	8.38%	9.92%	13.74%	29.16%	25.66%	19.33%	10.99%
MSCI Emerging Markets Free	Emerging Market	4.98%	14.27%	12.43%	17.50%	38.58%	36.75%	27.45%	N/A
Domestic Fixed Income Indices									
Treasury Bills	Cash	0.44%	1.34%	2.14%	2.59%	5.19%	3.66%	2.71%	3.79%
Merrill Lynch 1-3 Yr Treasuries	Treasuries	(0.31)%	0.44%	1.59%	1.43%	5.00%	2.79%	3.13%	4.93%
Lehman Muni 5 Yr	5 Yr Municipal Bonds	(0.30)%	0.09%	0.78%	0.58%	3.53%	3.03%	3.47%	4.60%
Merrill Lynch High Yield	High Yield Bonds	0.70%	2.25%	4.76%	5.91%	13.13%	10.08%	10.21%	6.91%
Lehman Aggregate	Core Bonds	(0.76)%	(0.22)%	1.27%	0.69%	6.65%	4.28%	4.73%	6.17%
Lehman Government	Government Bonds	(0.79)%	(0.26)%	1.15%	0.45%	5.89%	3.78%	4.39%	5.97%
Lehman U.S. Credit Index	Corporate Bonds	(0.98)%	(0.75)%	1.24%	0.37%	7.38%	4.48%	5.64%	6.52%
Lehman Muni 10 Yr	10 Yr Municipal Bonds	(0.52)%	(0.40)%	0.55%	0.08%	4.87%	4.45%	4.74%	5.53%
HFRI FOF Conservative	Low Volatility	1.18%	3.34%	5.60%	7.04%	10.28%	8.11%	7.18%	N/A
Real Estate Indices									
NCREIF Property*	Real Estate	N/A	3.62%	3.62%	8.29%	16.59%	17.42%	13.49%	12.61%
NAREIT Equity	Real Estate	0.05%	(2.36)%	3.49%	1.87%	30.21%	26.24%	21.55%	14.78%

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

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