Market Update

A s s e t C o n s u l t i n g G r o u p, I n c.

INSIDE THIS ISSUE:

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Monthly Report May 2008

U.S. ECONOMY

Recent broad economic indicators continue to show the U.S. economy is teetering between a recession and slow growth. Manufacturing and service sectors are proving to be resilient, withstanding the ill effects of the slump in U.S. housing and rising energy costs. On the other hand, the nation's employers are shedding jobs in their efforts to cope with this period of economic softness. The weaker employment outlook is expected to weigh on consumer sentiment and, despite a relatively healthy business sector, contribute to sluggish growth for the foreseeable future.

Readings on manufacturing and services outpace forecasts…

May reports on the nation's manufacturing and services sectors by the Institute for Supply Management (ISM) were better than forecasted. The ISM factory index rose slightly to 49.6 in the month of May, up from the April reading of 48.6 as overseas demand helped send the measure of export orders to a four-year high and offset slower domestic demand. On the other hand, the ISM index of non-manufacturing businesses, comprising approximately 90% of the economy, decreased to 51.7 from 52 in April, but was still above 50, the dividing line between growth and contraction. The ISM reports indicate that the business sector is still weathering the fallout from the housing recession and lending support to the economy.

Economy at a Glance

Recent growth indicators	Feb-08	Mar-08	Apr-08	May-08
ISM manufacturing*	48.3	48.6	48.6	49.6
ISM non-manufacturing Composite*	49.3	49.6	52	51.7
Confernce Board Consumer Confidence**	76.4	65.9	62.8	57.2
Change in Payrolls (m-o-m, 000)**	-83	-88	-28	-49
Personal Income (% m-o-m)***	0.5	0.3	0.2	
Personal Spending (% m-o-m)***	0.1	0.4	0.2	

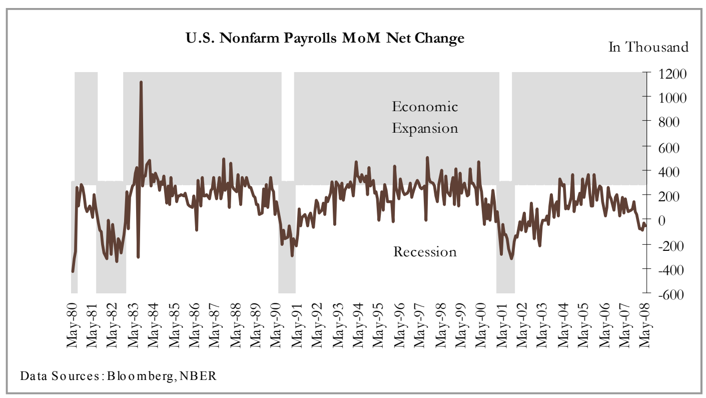
*Source: *ISM, **Bureau of Labor Statistics, ***Dept. of Commerce*

Exports climb to a record but housing continues to detract from economic growth…

The latest reading on economic growth showed that Gross Domestic Product (GDP) advanced at an annual rate of 0.9% in Q108 from the same period last year, helped by a 1% rise in consumer spending and a 9% surge in exports, which resulted in the lowest trade deficit since Q302. Trade remained the bright spot for the economy over the past four quarters with net exports contributing 1.13% on average to the economic growth over that period. The housing sector remained the largest detractor from growth as residential construction decreased at a 25.5% pace over the quarter, the biggest drop since 1981. Data from April also showed that builders began work on the fewest single-family homes in 17 years.

Payrolls fall for a fifth consecutive month…

The severe downturn in housing is dramatically impacting the nation's employment picture. Construction jobs fell by 34,000 in May, while factory jobs declined by 26,000. In total, the nation's employers reduced payrolls by 49,000, the fifth consecutive month of declines. The country's unemployment rate rose to 5.5% in May from 5.1% in April. However, the Labor Department warned that the scope of the increase in the unemployment rate could be a statistical distortion. "There is substantial flow of workers, particularly young workers, into the labor force during these months," said Phillip Rones, deputy commissioner of the Bureau of Labor Statistics.



Source: Bloomberg, NBER

As crude oil costs have more than doubled in the last 12 months, touching $135 per barrel, and gas and food prices increased considerably, consumers are being forced to spend a larger portion of their incomes on staples. Households are expected to be able to somewhat offset these higher prices with the roughly $110 billion in economic stimulus from the government. However, with a deteriorating earnings and employment outlook, consumers will be forced to economize, which will likely lead to slower consumer spending and economic growth in coming months.

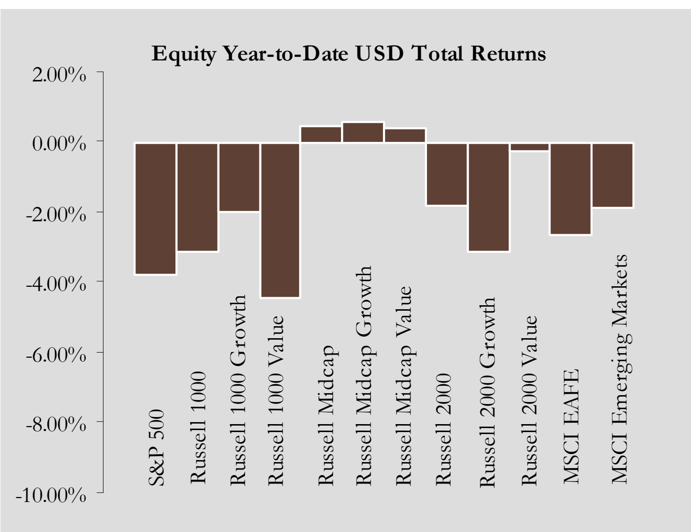
GLOBAL EQUITIES

U.S. Equities

U.S. stocks rose in May on investor optimism that the U.S. may avoid a recession after the government reported better than forecasted economic growth. The S&P 500 index posted a gain of 1.30% (-3.80% year-to-date (YTD)), its second straight monthly gain after a streak of five monthly losses. Volatility declined considerably in May as the Chicago Board Options Exchange Volatility Index (VIX) closed the month at 17.83 after reaching a five-year closing high of 32.24 on March 17, 2008. Nine of the ten S&P 500 sectors were positive for the month, with Information Technology topping all sectors with a 5.45% gain (-4.59% YTD), followed by Telecommunications up 3.35% (-8.27% YTD). The Financials sector was the lone decliner, registering a loss of 6.37% for the month (-15.04% YTD). Investors continued to shun the sector on fears that Financials would have to raise additional capital to help replenish asset writedowns and credit losses stemming from the collapse of the U.S. subprime mortgage market that amounted to $153.7 billion as of June 3, 2008. Small cap stocks rallied for the third consecutive month in May as energy and technology stocks gained on speculation that the U.S. economy might soon recover. The Russell 2000 index rose 4.59% (-1.82% YTD) and the Russell Midcap index gained enough in May (+4.53%) to show a YTD gain of 0.45%. As risk aversion decreased, investors rotated into growth stocks during the month pushing growth indices at various market capitalization tiers to outperform their value counterparts. The Russell 1000 Growth index rose 3.67% (-2.00% YTD) vs. a decline of 0.16% (-4.43% YTD) for the Russell 1000 Value index.

International Equities

The U.S. dollar strengthened broadly against other major currencies in May, rising for a second straight month against the yen and euro, as economic reports signaling that the U.S. economy might avoid a recession led traders to bet the Federal Reserve (Fed) would raise interest rates this year. The dollar climbed 1.54% last month against the yen to ¥105.51 (-5.55% YTD) and advanced 0.44% against the euro to $1.55 (-6.61% YTD).



Source: Bloomberg

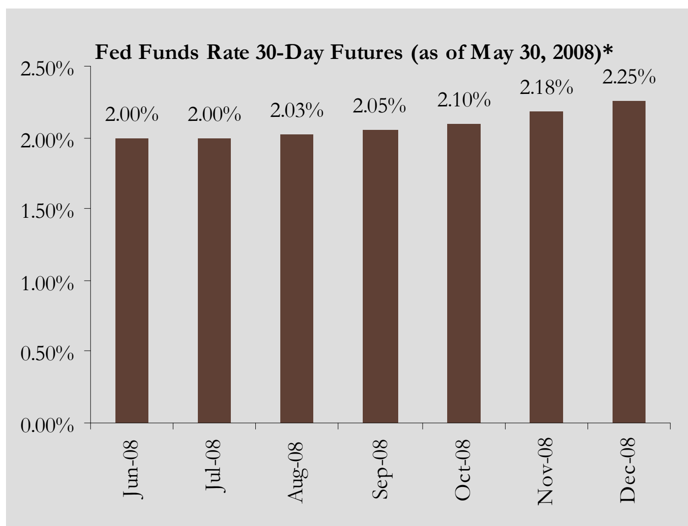
The rebound in the dollar weighed on international equity returns in May. In USD terms, Europe's Dow Jones Stoxx 600 index advanced 0.69% (-3.28% YTD). The broad based MSCI EAFE index rose 1.16% (-2.64% YTD) in USD, which lagged local currency gains of 1.44% (-7.10% YTD). Japanese equities rose to five month highs amid investor optimism that better than expected economic growth in the U.S., Japan's largest export market, would lend support to Japanese corporate earnings growth. The Nikkei 225 index jumped 2.40% in USD in May, pushing YTD returns to a gain of 0.90%.

Emerging markets enjoyed a second straight month of gains as investors' sentiment towards riskier assets continued to improve. The MSCI Russia index topped the MSCI Emerging Market index performance chart increasing 16.50% in USD for the month, which was mostly driven by strength in the oil and gas sector performance after the government's decision to ease tax pressure on the oil industry. Broad equity market performance across emerging markets, as measured by the MSCI Emerging Markets index, rose 1.88% in May (-1.87% YTD) in USD terms, matching the monthly performance in local currency terms (-2.68% YTD).

GLOBAL FIXED INCOME

U.S. Fixed-Income

U.S. fixed-income investors showed a willingness to assume more risk for the second consecutive month, as the high-yield bond segment registered its second consecutive month of positive returns, and broad U.S. bond indices posted nominal losses. Yields on the Lehman Bros. U.S. Corporate High Yield index declined to 10.06%, down 80 basis points (bps) from March's peaks, which led to a positive return of 0.36% in May (+1.53% YTD)[1]. U.S. government bonds sold off last month lifting yields on U.S. Treasury securities back to the levels seen at the beginning of the year on investor concerns that a persistent rise in inflation could force the Fed to start raising interest rates later this year. The 10-year Treasury yield ticked higher by 33 bps to 4.06%, while the two-year Treasury yields rose 39 bps to 2.65% sending the Merrill Lynch U.S. Treasury Master index to a loss of -1.21% in May (up 1.38% YTD).



** Market expectations on the future levels of the Fed funds rate*

Source: Bloomberg

Investors demanded increased compensation to buy corporate bonds as the yield on the Lehman Bros. U.S. Corporate Investment Grade index rose to 6.13% from 5.90% in April driving the index to a monthly decline of -0.95% and bringing the YTD loss to -0.20%[1]. The Lehman Bros. U.S. Aggregate index declined 0.73% in May, but was up 1.21% YTD[1].

International Fixed-Income

Inflation in the euro zone accelerated faster than forecasted to 3.6% year-over-year in May, causing investors to anticipate that the European Central Bank (ECB) would hold their key benchmark interest rate at 4%, a 6 ½-year high. The ECB stated that their biggest challenge was to push inflation below their 2% target, which helped send yields on two-year German notes, the yields most sensitive to central bank policy, up 56 bps to 4.32% during the month. The yield on ten-year German notes rose 27 bps to 4.41%. The rise in yields led the Merrill Lynch EMU Direct Government index to a monthly loss of -1.47%, but the index was still up 6.61% YTD. Investors spurned Japanese bonds for equities in May as Japanese government bond prices declined for a second month, sending 10-year government yields 23 bps higher. The Merrill Lynch Japan Sovereign index fell 1.78% in May (4.70% YTD). The Merrill Lynch Global Government Bond Index dropped 1.48% in May but was up 4.25% YTD.

All data from Bloomberg unless otherwise noted:
[1] Lehman Bothers

Indices Report

Monthly Indices Report

Periods Ending May 31, 2008

Index Name	Style	Month	Qtr	YTD	2 Qtrs	1 Year	3 Years	5 Years	10 Years
		Returns							
Domestic Equity Indices									
S&P 500	Large Cap Core	1.30%	5.78%	(3.80)%	(4.47)%	(6.69)%	7.57%	9.78%	4.21 %
S&P Equal Weighted	Large Cap Core	2.69%	6.96%	(1.21)%	(2.60)%	(9.52)%	8.20%	12.48%	8.31 %
Russell 1000	Large Cap Core	1.83%	6.27%	(3.17)%	(3.80)%	(6.26)%	8.02%	10.40%	4.66 %
Russell 1000 Growth	Large Cap Growth	3.67%	8.45%	(2.00)%	(2.35)%	(0.17)%	8.46%	9.24%	2.32 %
Russell 1000 Value	Large Cap Value	(0.16)%	3.92%	(4.43)%	(5.36)%	(12.30)%	7.43%	11.40%	6.11 %
Russell Mid Cap	Mid Cap Core	4.53%	9.98%	0.45%	0.13%	(5.66)%	10.83 %	15.20%	9.16 %
Russell 2000	Small Cap Core	4.59%	9.43%	(1.82)%	(1.88)%	(10.52)%	7.95%	12.47 %	6.40 %
Russell 2000 Growth	Small Cap Growth	5.66%	10.45%	(3.15)%	(2.54)%	(5.71)%	9.43%	12.16%	3.54 %
Russell 2000 Value	Small Cap Value	3.42%	8.30%	(0.26)%	(1.11)%	(15.33)%	6.39 %	12.64 %	8.49 %
Wilshire 5000	Broad Equities	(3.06)%	1.07%	(7.92)%	(8.48)%	(11.04)%	6.47%	9.78%	4.30 %
HFRI Equity Hedge	Long Short Equity	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
International Equity Indices									
MSCI World	Broad Global	1.65%	6.10%	(2.50)%	(3.73)%	(3.14)%	12.84%	14.83%	5.75%
MSCI EAFE	Developed Markets Intl	1.16%	5.72%	(2.64)%	(4.83)%	(2.02)%	17.13%	19.76%	7.22%
MSCI EAFE Growth	Developed Markets Intl Growth	2.42%	5.99%	(1.10)%	(3.20)%	3.24%	18.14%	18.71%	5.31%
MSCI EAFE Value	Developed Markets Intl Value	(0.13)%	5.41%	(4.20)%	(6.47)%	(7.20)%	16.03%	20.69%	8.91%
MSCI Emerging Markets Free	Emerging Market	1.88%	4.35%	(1.87)%	(1.51)%	22.01%	33.56%	34.39%	15.44%
Domestic Fixed Income Indices									
Merrill Lynch Treasury Bills	Cash	0.03%	0.37%	1.02%	1.31%	3.86%	4.29%	3.17%	3.65%
Merrill Lynch 1-3 Yr Treasuries	Treasuries	(0.65)%	(1.56)%	1.79%	2.07%	8.39%	4.79%	3.32%	5.00%
Lehman Muni 5 Yr	5 Yr Municipal Bonds	0.31%	2.18%	2.15%	2.60%	6.57%	3.76%	3.03%	4.59%
Merrill Lynch High Yield	High Yield Bonds	0.41%	4.04%	1.46%	1.76%	(1.06)%	6.20%	8.00%	5.54%
Lehman Aggregate	Core Bonds	(0.73)%	(0.60)%	1.21%	1.49%	6.90%	4.30%	3.83%	5.78%
Lehman Government	Government Bonds	(1.09)%	(1.83)%	1.47%	1.69%	9.01%	4.59%	3.55%	5.76%
Lehman U.S. Credit Index	Corporate Bonds	(0.94)%	(1.33)%	0.06%	0.21%	3.88%	3.21%	3.33%	5.71%
Lehman Muni 10 Yr	10 Yr Municipal Bonds	0.50%	3.69%	1.41%	1.69%	5.19%	3.73%	3.61%	5.13%
HFRI FOF Conservative	Low Volatility	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Real Estate Indices									
NCREIF Property*	Real Estate	N/A	1.60%	1.60%	4.88%	13.56%	16.75%	15.07%	12.58%
NAREIT Equity	Real Estate	0.77%	13.32%	8.16%	2.72%	(11.89)%	10.89%	17.46%	11.85%

All time period returns are rolling returns except for YTD

* For comparison purposes, prior quarter returns are used.

Source: State Street

Online Availability

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

DESCRIPTION OF INDICES

Domestic Equity Indices

S&P 500

Standard and Poor's 500 Index is a capitalization-weighted index of 500 large U.S. stocks. The index is designed to measure performance of the broad domestic stock market through changes in the aggregate market value of 500 stocks representing all major industries. The index was developed with a base level of 10 for the 1941-1943 base period.

S&P 500 Equal Weighted Index

Introduced in 2003, S&P Equal Weight Index (S&P EWI) is the equal-weight version of the widely regarded S&P 500. The index has the same constituents as the capitalization weighted S&P 500, but each company in the S&P EWI is allocated a fixed weight. Index constituents exhibit the following characteristics: Underlying Indices – S&P 500; Weighting – Attribute weighted: Equal weight of 0.20%; Rebalancing – Quarterly; Coincide with S&P 500 share adjustments S&P EWI is designed to meet the need for benchmarking, investing and trading strategies that require a size-neutral index compatible with the S&P 500. S&P EWI provides an even spread of individual stocks and offers different sector exposures than the S&P 500.

Russell 1000® Index

The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market. The Russell 1000 Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to ensure new and growing equities are reflected. The Index was developed with a base value of 130.00 as of December 31, 1986.

Russell 1000® Growth Index

The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates. The Russell 1000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. The index was developed with a base value of 200 as of August 31, 1992 .

Russell 1000® Value Index

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth rates. The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. The index was developed with a base value of 200 as of August 31, 1992.

Russell Midcap® Index

The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies. The Russell Midcap Index is constructed to provide a comprehensive and unbiased barometer for the mid-cap segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap opportunity set .

Russell 2000® Index

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

Russell 2000® Growth Index

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth rates. The Russell 2000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics.

Russell 2000® Value Index

The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect value characteristics.

Wilshire 5000

The Wilshire 5000 index consists of approximately 5000 cap weighted common equity securities, covering all stocks in the U.S. for which daily pricing is available.

HFRI Equity Hedge Index

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. Equity Hedge (EH): Investment Managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. EH managers would typically maintain at least 50%, and may in some cases be substantially entirely invested in equities, both long and short..

International Equity Indices

MSCI World Index

The MSCI World Index is an unmanaged free float-adjusted market capitalization index that is designed to measure global developed market equity performance. As of June 2006 the MSCI World Index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States.

MSCI EAFE® Index

The MSCI EAFE Index (Europe, Australasia, Far East) is an unmanaged free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. There are 1,100 members designed to represent the performance of developed stock markets outside of the United States and Canada. It assumes reinvestment of dividends and interest, and does not reflect deductions of fees or expenses.

MSCI EAFE® Growth Index

The MSCI EAFE (Europe, Australasia, Far East) Growth Index is an unmanaged free float-adjusted market capitalization index that is considered representative of growth stocks of Europe, Australasia, and Far East. It assumes reinvestment of dividends and interest, and does not reflect deductions of fees or expenses.

MSCI EAFE® Value Index

The MSCI EAFE (Europe, Australasia, Far East) Value Index is an unmanaged free float-adjusted market capitalization index that is considered representative of value stocks of Europe, Australasia, and Far East. It assumes reinvestment of dividends and interest, and does not reflect deductions of fees or expenses.

MSCI Emerging Markets (Free) Index

The MSCI Emerging Markets Index is an unmanaged free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

<u>Domestic Fixed Income Indices</u>

Merrill Lynch U.S. Treasury Bills Index

The Merrill Lynch U.S. Treasury Bill index tracks the performance of all outstanding 0-3 month outstanding Treasury Bills issued by the U.S. government. The index is re-balanced daily to take account of issues that are maturing and new auctions. New auctions are purchased into the index basket on their settlement date. Treasury bills are backed by the full faith and credit of the US Government and are issued at a discount. They pay no interest, but receive full face value if held until maturity. Exempt from state and local taxes, T-bills are issued in minimum denominations of $10,000, and in multiples of $1,000 thereafter. With the shortest maturities -- three and six months, and one year at issue -- T-bills are considered the least volatile of all Treasuries.

Merrill Lynch U.S. 1-3 Yr Treasuries Index

The U.S. 1-3 Treasury index tracks the performance of all outstanding U.S. Treasury Notes having a 1-3 year remaining term to maturity and a minimum amount outstanding of USD 1 billion. The index is re-balanced daily to take account of issues that are maturing and new auctions. New auctions are purchased into the index basket on their settlement date. Treasury notes are backed by the full faith and credit of the US Government and are coupon-bearing securities with initial maturities ranging between one and ten years. They pay accrued interest twice a year and repay principal at maturity. T-notes are exempt from state and local taxes; they're available with two- and three-year maturities for a minimum of $5,000 and in multiples of $1,000 thereafter.

Lehman Muni 5-Year

This index is the **5 Year (4-6)** component of the Lehman Municipal Bond index. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prerefunded bonds. Most of the index has historical data to January 1980. In addition, subindices have been create based on maturity, state, sector, quality, and revenue source, with inception dates later than January 1980.

Merrill Lynch High Yield Index

The U.S. High Yield index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Qualifying bonds must have at least one year remaining term to maturity, a fixed coupon schedule and a minimum amount outstanding of USD 100 million. Bonds must be rated below investment grade based on a composite of Moody's and Standard & Poors. The index is rebalanced on the last calendar day of the month.

Lehman Bros. Aggregate

The Lehman Aggregate index covers the U.S. investment grade fixed rate bond market, including government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Lehman Bros. Government

The Lehman Government index includes the Treasury and Agency indices. The Treasury index accounts for 87.2% of the Government index, and includes public obligations of the U.S. Treasury that have remaining maturities of more than one year. Treasury bills are excluded by the maturity constraint.

Lehman U.S. Credit Index

The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both U.S. and non-U.S. corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government. Publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. Must have at least one year to final maturity regardless of call features. Must have at least $250 million par amount outstanding. Must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. Must be fixed rate, although it can carry a coupon that steps up or changes according to a predetermined schedule. Must be dollar-denominated and non-convertible. Must be publicly issued. The U.S. Credit Index is the same as the former U.S. Corporate Investment Grade Index, which has been renamed as the U.S. Credit Index. The name change is effective as of 6/1/00 (for statistics) and as of 7/1/00 (for returns).

Lehman Muni 10-Year

This index is the **10 Year (8-12)** component of the Lehman Municipal Bond index. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prerefunded bonds. Most of the index has historical data to January 1980. In addition, subindices have been create based on maturity, state, sector, quality, and revenue source, with inception dates later than January 1980. To be included in the Lehman Brothers Non-Investment Grade Municipal Bond Index, bonds must be non-rated or be rated Ba1 or below. They must have an outstanding par value of at least $3 million and be issued as part of a transaction of at least $20 million.

HFRI Fund of Funds (FOF) Conservative Index

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index. A fund in the HFRI FOF Conservative Index shows generally consistent performance regardless of market conditions.

Real Estate Indices

NCREIF Property Index (NPI)

The NCREIF Property Index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment. Properties exit the NPI when assets are sold or otherwise leave the database. All historical data remains in the database and in the Index. The Index represents investment returns from a single class of investor. As such, the NPI may not be representative of the market as a whole.

NAREIT Equity

All of the data is based upon the last closing price of the month for all tax-qualified REITs listed on the New York Stock Exchange, American Stock Exchange, and the NASDAQ National Market System. The data is market weighted. Newly issued shares by existing REITs are added to the total shares outstanding figure in the month that the shares are issued. Only common shares issued by the REIT are included in the index. The total return calculation is based upon the weighting at the beginning of the period. Only those REITs listed for the entire period are used in the total return calculation. Dividends are included in the month based upon their payment date. There is no smoothing of income. Liquidating dividends, whether full or partial, are treated as income.

Other Indices Quoted in the Monthly Market Update

Dow Jones Stoxx 600 Index

The Dow Jones Stoxx 600 Index is a capitalization-weighted index of European stocks designed to provide a broad yet liquid representation of companies in the European region. The equities use free float shares in the index calculation. The index was developed with a base value of 100 as of December 31, 1991. This index uses float shares.

Nikkei 225 Index

The Nikkei-225 Stock Average is a price-weighted index of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange. The Nikkei Stock Average was first published on May 16, 1949, where the average price was ¥176.21 with a divisor of 225.

MSCI Russia Index

The MSCI Russia Index is an unmanaged free float adjusted capitalization weighted index that monitors the performance of stocks from the country of Russia.

Lehman Brothers US High Yield Index

The Lehman Brothers High Yield Index covers the universe of fixed rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging countries are included. Original issue zeroes, step-up coupon structures, and 144-As are also included.

Merrill Lynch U.S. Treasury Master Index

The Merrill Lynch U.S. Treasury Master Index includes approximately 160 issues in the form of publicly placed, coupon-bearing US Treasury debt. Issues must carry a term to maturity of at least one year, and par amounts outstanding must be no less than $10 million at the start and at the close of the performance measurement period. Flower bonds are excluded. Sub-indexes are calculated for a variety of maturities, including: 1-2.99 years; 3-4.99 years; and 5-6.99 years.

Lehman Brothers US Corporate Investment Grade Index

The Lehman Brothers U.S. Corporate Investment Corporate Index covers the universe of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both U.S. and non-U.S. corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government..

Merrill Lynch EMU Direct Government Index

The Merrill Lynch EMU Direct Government Index measures the performance of euro-denominated government debt of Euro-zone nations.

Merrill Lynch Japan Sovereign Index

The Merrill Lynch Japan Sovereign Index measures the performance of yen-denominated government debt of Japan.

Merrill Lynch Global Government Index

The Global Government Index tracks the performance of public debt of investment grade sovereign issuers issued and denominated in their own domestic market and currency. Qualifying countries and their respective minimum issue size requirements include: Australia (AUD 1 billion); Canada (CAD 1 billion); Denmark (DKK 5 billion); Euro-Sovereigns (EUR 1 billion); Japan (JPY 200 billion); New Zealand (NZD 1 billion); Sweden (SEK 5 billion); Switzerland (CHF 500 million); the UK (GBP 500 million); and the US (USD 1 billion). In addition, individual qualifying bonds must have at least one year remaining term to maturity and a fixed coupon schedule. Qualifying countries must maintain an investment grade foreign currency long term sovereign debt rating (based on a composite of Moody's and S&P). Government bills and inflation-linked securities are excluded from the index. Zero coupon bonds are excluded; however, any portion of a qualifying note or bond that has been stripped for purposes of creating a zero coupon security remains included in the amount outstanding of the underlying coupon note or bond. The index is re-balanced on the last calendar day of the month. The inception date of the index is December 31, 1985, with daily data available beginning September 30, 1993.

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