



Market Update

Asset Consulting Group, Inc.

INSIDE THIS ISSUE:

Market commentary

The US Economy

Global Equities

US Equities

International Markets

Global Fixed Income

US Fixed Income

International Fixed Income

Monthly Indices Report

(June 30, 2007)

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Monthly Report

June 2007

THE U.S. ECONOMY

The Economy

The government issued its final report on 1Q07 U.S. economic growth that showed the GDP grew at a 0.7% annual rate, the slowest pace since the fourth quarter of 2002. However, recent economic releases indicate that business activity accelerated in 2Q07 while growth in jobs and wages allowed consumers to weather the huge run up in energy prices. The slump in U.S. housing market has worsened, though, as rising mortgage rates are discouraging buyers, leading to a record buildup in house inventories.

The Fed keeps interest rates steady...

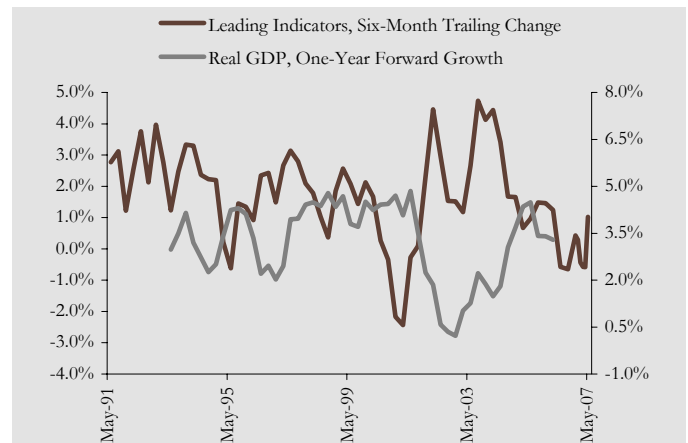
At the June 28th meeting, the Federal Open Market Committee (FOMC) decided to keep its target Fed funds rate at 5.25%. In their statement, Fed officials felt the economy had grown at a moderate pace during the first half of the year withstanding the impact from the downturn in the U.S. housing market. FOMC noted that recent readings on inflation had improved but had yet to prove sustainable, citing continued pressures from the high level of resource utilization, especially the low jobless rate that could lead to higher wages. Employers added 132,000 jobs in June, following a revised 190,000 in May, which kept the unemployment rate near a six-year low of 4.5%. Following the Fed meeting, financial market* expectations for an interest rate cut by the end of 2007, which stood near 34% at the end May, fell to 14%.

Core inflation slows within the Fed's optimal range...

Core personal consumption expenditures (PCE) prices**, the Fed's preferred gauge of inflation, were up 1.9% y/y in May, within the Fed's preferred range of 1% to 2%. This marked the first core PCE index reading below 2% since March 2004. The slowing in core inflationary pressures from a recent peak of 2.4% y/y in February shows that higher energy and food prices have yet to feed into core prices.

Business activity expands at the fastest pace in 14 months...

The Institute for Supply Management's (ISM) monthly business activity report showed that the U.S. manufacturing sector grew at the fastest pace in 14 months in June. The ISM's Purchasing Managers Index (PMI) accelerated to 56% in June, from 55% in May. Similarly, the Production index advanced 4.6% to 62.9%. The ISM's index of non-manufacturing activity rose to 60.7% in June from 59.7% in May. Leading into 2Q07 there were two sectors weighing negatively on the nation's economic growth – manufacturing and housing. It is now clearly evident that manufacturing is once again expanding production to meet growing demand. As a result, manufacturing together with the U.S. services sector seem to be cushioning the blow from the housing slump, which could lead to stronger growth in 2H07.



Source: Commerce Department, Conference Board

The U.S. housing slump worsens...

Sales of existing homes fell for a third consecutive month in May, dropping 0.3% to an annual rate of 5.99 million from a revised 6.01 million in April, even with median home prices falling for the 10 consecutive month to \$223,700. The three month drop in sales left the largest inventory of unsold homes since June 1992. The supply of existing homes increased 5% to 4.43 million, or 8.9 months' worth, vs. 8.4 months' worth in April. New home sales unexpectedly rose to 930,000 in April. However, a jump in mortgage rates⁺ discouraged buyers, as purchases of new homes subsequently fell 1.6% in May to an annual pace of 915,000, leaving 7.1 months of inventory. The continued slump in sales brought home construction sentiment to the lowest since February 1991.

Economy at a Glance

Recent growth indicators	Mar-07	Apr-07	May-07	Jun-07
ISM manufacturing	50.9	54.7	55	56
ISM non-manufacturing	52.4	56	59.7	60.7
U. of Michigan Consumer Confidence	85.3	88.7	88.3	92.4
Change in Payrolls (m-o-m, 000)	180	80	190	132
Personal Income (%m-o-m)	0.7	-0.1	0.4	
Personal Spending (%m-o-m)	0.4	0.5	0.5	

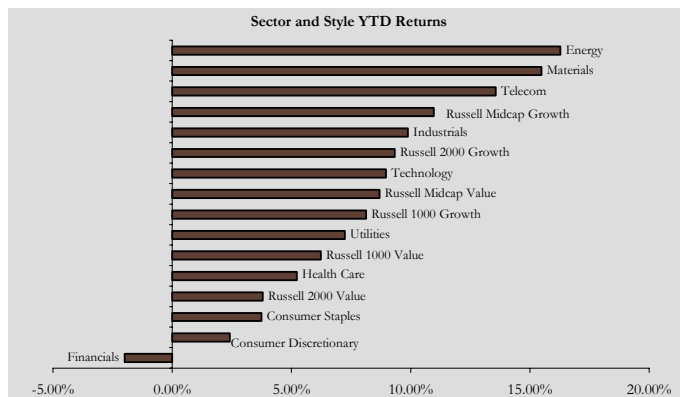
Source: Bureau of Labor Statistics, ISM, Bloomberg

Economists' views on the U.S. housing market are changing. Some forecasted the sector would recover sometime in 2007, but with rising home inventories and mortgage rates, it now appears that housing will likely continue to detract from future growth, after subtracting 4% from gross domestic product over the past five quarters. However, the economy is starting to show signs of a rebound from the slow pace of 1Q07. In addition to the healthy level of the ISM indices, considered reliable indicators of growth momentum, the Conference Board's index of leading indicators, a gauge of the direction of economic growth also rose 0.3% in May after a 0.3% drop in April.

GLOBAL EQUITIES

U.S. Equities

The S&P 500 reached a record closing high of 1540.56 on June 4th. However, from that point forward volatility increased, predominantly triggered by the sharp rise in U.S. Treasury yields, creating a fear it would lead to higher corporate borrowing costs and to declining corporate earnings. The index closed June at 1503.35, down 1.66%. The index finished the 2Q07 with a gain of 6.28%, the third quarterly gain of 5.6% or better out of the past four. YTD, 73 issues have now gained 25% or more, while seven issues have lost 25% or more, and the index increased 6.96%. Eight out of the 10 economic sectors of the S&P 500 reported losses in June led by Utilities, down 5.30%, while Energy was the best performing sector, up 1.72% on a 10.42% monthly rise in crude oil prices. Small cap stocks outpaced large caps for the month as the Russell 2000 index declined 1.46%, but lost ground to large caps for the quarter and YTD, gaining 4.43% and 6.46% respectively. Midcap stocks suffered a setback in June, with the Russell Midcap index declining 2.25% in June, but closing the quarter with a strong 5.30% gain. YTD the index has outperformed other capitalization tiers with a gain of 9.91%. With recent economic data pointing to a reacceleration of economic growth, investors favored growth stocks over value. The Russell 1000 Growth index declined 1.49% in June vs. a higher drop of 2.34% for the Russell 1000 Value index. Growth stocks racked up impressive 2Q07 gains as evident by the near 200 bps or greater outperformance relative to value stocks by both small and mid as well as large caps, highlighted by the Russell 2000 Growth index's gain of 6.69% vs. the Russell 2000 Value's gain of 2.31%.



Source: S&P 500 Economic Sectors and Russell Indices

International Equities

The U.S. dollar weakened slightly against the euro in June after the ECB raised its key lending rate a quarter point to 4%. The dollar's weakness was partly offset by signals that the U.S. economy continued to gain momentum from the lowest growth in four years during 1Q07. The dollar closed June at \$1.3542 per euro, a monthly loss of 0.66%. For the quarter the dollar lost 1.41% and declined 2.60% YTD. As the search for yield through carry trades continued, the dollar performed strongly against the yen, closing June at 123.18, a monthly gain of 1.19%, after May's gain of 1.85%. The dollar rose 4.54% and 3.45% against the yen in 2Q07 and YTD respectively.

The eurozone economy expanded at 0.6% in 1Q07, exceeding forecasts, but investors were more focused on the possible negative impact of higher interest rates on growth going forward as European equity markets recorded only slight gains in USD in June. In local currency, the MSCI Europe index declined 0.70% in June, but posted gains of 6.95% and 10.60% in 2Q07 and YTD respectively. On a USD basis, the index rose 0.02% in June, 8.68% for the quarter and 12.94% YTD. The MSCI EAFE index had a monthly local currency return of -0.22% vs. a USD return of 0.15%. For the quarter and YTD the index gained 6.18% and 9.80% respectively in local currency, and rose 6.67% and 11.09% correspondingly on a USD basis. Japanese shares recorded slight gains as well. On a Japanese yen basis, the Nikkei 225 rose 1.51% in June and gained 4.97% and 5.86% for the quarter and YTD respectively. On a USD basis the Nikkei 225 index gained 0.32% for the month, 0.14% for the quarter and 2.27% YTD.

Investor's risk appetites remained strong in June as emerging market equities continued to trend higher on optimism that emerging market economies would continue to benefit from the healthy global economic growth. In local currency the MSCI Emerging Markets index rose 4.66% for the month and gained 12.63% and 15.26% for the quarter and YTD respectively. On a USD basis the index was up 4.73% in June, while rising 15.05% and 17.75% for the quarter and YTD respectively.

GLOBAL FIXED INCOME ¹

US Fixed Income

Yields on U.S. Treasuries rose to multi-year highs in June driven by worries about inflation and rising global interest rates. Investor concerns were further exacerbated by the Federal Reserve holding interest rates steady at its last meeting and offering no indication of removing their tightening bias. The benchmark 10-year Treasury yield broke through 5% for the first time in 10 months during the first week of the month. However, reports of the collapse of two Bear Stearns hedge funds that bet heavily on securities backed by subprime mortgages increased volatility dramatically and spurred fears of a wider scale meltdown of mortgage backed securities. It helped send the 10-year yield to a five-year intra-day high of 5.327% on June 13th. The Merrill Option Volatility Estimate, or MOVE index, increased 45% on that day up to 85 basis points (bps) compared to 59 bps at the start of the month. The highest yields in months coupled with the Commerce Department's June 29th benign reading on inflation attracted Treasury buying, sending 10-year yields down to a monthly close of 5.03%. The Merrill Lynch U.S. Treasury Master

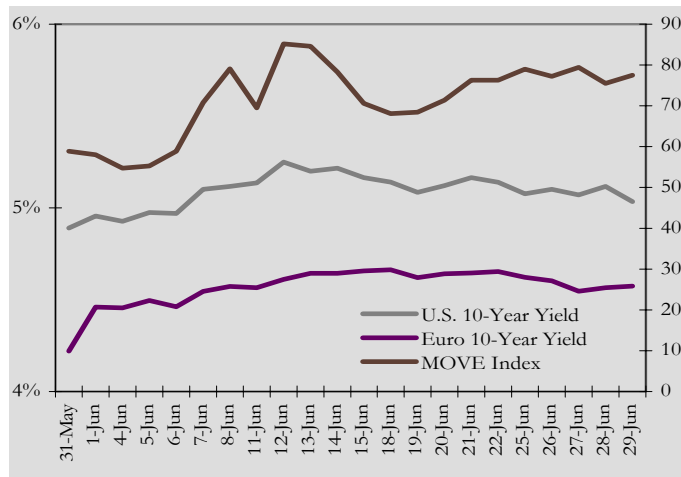
index had its second consecutive monthly decline, dropping 0.05% in June. It also posted a decline of 0.40% for the quarter, but rose 1.03% YTD.

Corporate credit conditions became tougher in June as corporate bonds yields rose in tandem with government bonds. The yields on the Lehman Bros. U.S. Corporate Investment Grade index rose from 5.86% in May to 6.01% by the end of June, but credit spreads over the five-year Treasury yield widened only 7 bps. On the other hand, there was evidence that investors reassessed their appetites for risk, as they demanded higher yields for the riskier high yield bonds. Yields on the Lehman Bros. Corporate High Yield index jumped 62 bps to 8.10%, widening credit spreads over five-year Treasuries by 54 bps to 3.14%. The rise in yields

sent the High Yield index to its first monthly loss since June 2006. The Lehman Bros. High Yield index declined 1.80% in June, but managed a gain of 0.22% and 2.87% for the quarter and YTD respectively. The Lehman Bros. Corporate index declined 0.49% and 0.76% for the month and 2Q07 respectively, but had a slight gain of 0.71% YTD. The Lehman Bros. Aggregate index had a loss of 0.30% and 0.52% for the month and quarter respectively, while gaining 0.97% YTD.

International Fixed Income

Interest rates rose globally in June as many central banks signaled intentions to quell any pickup in inflation created by global economic growth that continued at a robust pace. The European Central Bank (ECB) hiked its benchmark lending rate a quarter point to 4% on June 6th, the highest level since 2001. ECB President Jean-Claude Trichet stated that corporate pricing power had risen and posed a threat to price stability, suggesting the ECB might stay on a tightening course. The yield on the Euro 10-year bond rose 15 bps to 4.57% in June, and 51 bps during 2Q07. The Bank of Japan kept its overnight lending rate unchanged at 0.5% during its June meeting, citing the Japanese economy was expanding moderately with expectations that inflation would remain near zero. Still, yields on Japanese government bonds yields rose in conjunction with yields in other developed countries, as the Japanese 10-year bond yield increased 13 bps in June to 1.88% and 22 bps in 2Q07. The JP Morgan Global Govt. Bond index declined 0.64% in June and was off 1.72% in 2Q07 and down 0.54% YTD.



Source: Bloomberg

*Per Fed Fund 30 Day December 2007 futures contract.

**U.S. Personal Consumption Expenditure Core Price Index YOY Seasonally Adjusted, from Bureau of Economic Analysis

+Mortgage Bankers Association 30 year mortgage rates: 6.35% on June 1 2007 vs. 6.65% on July 7 2007. All data from Bloomberg except for: 1 - Lehman Brothers

Indices Report

Asset Consulting Group, Inc.

Monthly Indices Report

Periods Ending June 30, 2007

Index Name	Style	Returns							
		Month	Qtr	YTD	2 Qtrs	1 Year	3 Years	5 Years	10 Years
Domestic Equity Indices									
S&P 500	Large Cap Core	(1.66%)	6.28%	6.96%	6.96%	20.59%	11.68%	10.71%	7.13%
S&P Equal Weighted	Large Cap Core	(1.78%)	5.86%	8.86%	8.86%	21.14%	14.45%	15.22%	11.47%
Russell 1000	Large Cap Core	(1.91%)	5.89%	7.18%	7.18%	20.43%	12.34%	11.33%	7.55%
Russell 1000 Growth	Large Cap Growth	(1.49%)	6.86%	8.13%	8.13%	19.06%	8.71%	9.28%	4.39%
Russell 1000 Value	Large Cap Value	(2.34%)	4.93%	6.24%	6.24%	21.85%	15.92%	13.31%	9.86%
Russell Mid Cap	Mid Cap Core	(2.25%)	5.30%	9.91%	9.91%	20.83%	17.17%	16.39%	11.86%
Russell 2000	Small Cap Core	(1.46%)	4.43%	6.46%	6.46%	16.44%	13.44%	13.88%	9.06%
Russell 2000 Growth	Small Cap Growth	(0.57%)	6.69%	9.32%	9.32%	16.82%	11.76%	13.07%	5.28%
Russell 2000 Value	Small Cap Value	(2.33%)	2.31%	3.81%	3.81%	16.06%	15.02%	14.62%	12.13%
Wilshire 5000	Broad Equities	(1.61%)	6.07%	7.56%	7.56%	20.47%	12.74%	11.97%	7.69%
HFRI Equity Hedge	Long Short Equity	1.09%	5.42%	8.41%	8.41%	14.89%	12.18%	10.88%	13.17%
International Equity Indices									
MSCI World	Broad Global	(0.74%)	6.70%	9.48%	9.48%	24.18%	17.30%	14.56%	7.47%
MSCI EAFE	Developed Markets Intl	0.15%	6.67%	11.09%	11.09%	27.53%	22.75%	18.21%	8.03%
MSCI EAFE Growth	Developed Markets Intl Growth	0.28%	6.87%	12.24%	12.24%	25.70%	21.07%	15.75%	5.48%
MSCI EAFE Value	Developed Markets Intl Value	0.03%	6.46%	9.95%	9.95%	29.30%	24.38%	20.63%	10.43%
MSCI Emerging Markets Free	Emerging Market	4.73%	15.05%	17.75%	17.75%	45.44%	38.67%	30.66%	N/A
Domestic Fixed Income Indices									
Treasury Bills	Cash	0.39%	1.28%	2.54%	2.54%	5.20%	3.77%	2.76%	3.79%
Merrill Lynch 1-3 Yr Treasuries	Treasuries	0.34%	0.42%	1.93%	1.93%	5.18%	2.88%	3.00%	4.88%
Lehman Muni 5 Yr	5 Yr Municipal Bonds	(0.18%)	(0.33%)	0.60%	0.60%	3.83%	2.84%	3.21%	4.51%
Merrill Lynch High Yield	High Yield Bonds	(1.69%)	0.30%	2.99%	2.99%	11.63%	8.92%	11.47%	6.57%
Lehman Aggregate	Core Bonds	(0.30%)	(0.52%)	0.97%	0.97%	6.11%	3.98%	4.48%	6.01%
Lehman Government	Government Bonds	(0.04%)	(0.33%)	1.11%	1.11%	5.55%	3.62%	4.09%	5.85%
Lehman U.S. Credit Index	Corporate Bonds	(0.47%)	(0.74%)	0.76%	0.76%	6.72%	4.17%	5.51%	6.32%
Lehman Muni 10 Yr	10 Yr Municipal Bonds	(0.54%)	(0.74%)	0.01%	0.01%	4.77%	4.14%	4.37%	5.36%
HFRI FOF Conservative	Low Volatility	0.49%	3.34%	6.58%	6.58%	11.29%	8.39%	7.47%	N/A
Real Estate Indices									
NCREIF Property*	Real Estate	N/A	3.62%	3.62%	8.29%	16.59%	17.42%	13.73%	12.82%
NAREIT Equity	Real Estate	(9.07%)	(9.04%)	(5.90%)	(5.90%)	12.55%	21.13%	18.62%	13.15%

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

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