Market Update

Asset Consulting Group, Inc.

INSIDE THIS ISSUE:

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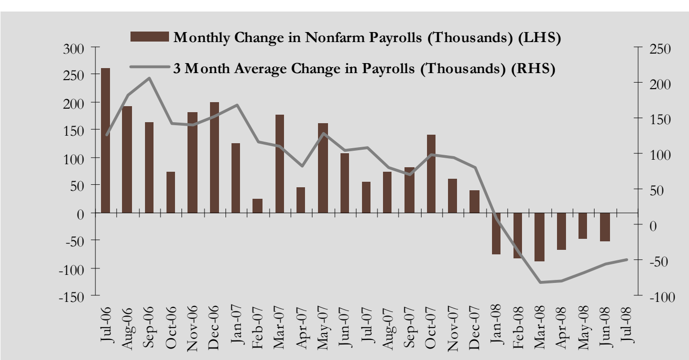
U.S. ECONOMY

The U.S. consumer continues to weather shocks of higher energy and food prices and softening labor markets as companies reduce payrolls in the wake of weaker domestic demand. Even with the benefit of the government tax rebate stimulus, higher costs and stagnant wages are dampening consumer spending, causing sluggish economic growth. The Federal Reserve (the Fed) recognized that the consumer and the economy overall remained under considerable stress, which prompted them to hold their benchmark policy rate at 2% and to hint that interest rates may not budge for the rest of the year.

Job losses are moderate compared to the 2001 recession…

Nonfarm employment fell by 51,000 in July while revisions added 26,000 to payroll figures previously reported for May and June. Job losses were concentrated primarily within manufacturing, construction and financial services. U.S. payrolls have declined for seven straight months in 2008 for a total of 463,000 jobs. Nonetheless, the most recent data show the pace of job losses is moderating with payrolls declining at an average pace of 50,000 per month over the past three months versus a peak of 82,000 in March 2008. In addition, total job losses thus far this year pale in comparison to those experienced in the last recession in 2001 when over a million jobs were lost in the first seven months of the year.



Source: Bloomberg, U.S. Labor Department

U.S. unemployment rate rises to a four-year high…

The mounting job losses drove the unemployment rate from 5.5% in June to 5.7% in July, the highest level since January 2004. As employers cut back payrolls, weekly hours of production declined and wages increased at an annual rate of 3.4% in July, down from 4.3% in December 2006, the current cycle peak. Thus, the job market has softened and will probably get worse before it gets better. However, the pace of weakening appears moderate as compared to the past recessions, suggesting that American businesses are not over-staffed.

The economic stimulus package provides a temporary boost to consumers…

Overall, consumer spending is still increasing but at a much slower pace than a year ago as the U.S. economy and labor markets have weakened. The latest reading on spending shows retail sales rose only 0.1% in June from May, less than forecast, and 3% from June 2007 when sales increased at a 4.1% annual clip. Advance estimates for second quarter GDP growth jumped to 1.9% from 0.9% in 1Q08 due to the effects of the government's stimulus package. Since April, consumers have received a boost as the government distributed $86.1 billion in rebate checks out of a total plan of $110 billion. However, given the recent spending slowdown it would appear the momentum from this stimulus might be fading.

Economy at a Glance

Recent growth indicators	Apr-08	May-08	Jun-08	Jul-08
ISM Manufacturing Composite*	48.6	49.6	50.2	50
ISM Non-Manufacturing Composite*	52	51.7	48.2	49.5
Confernce Board Consumer Confidence**	62.8	58.1	51	51.9
Change in Payrolls (m-o-m, 000)**	-67	-47	-51	-51
Personal Income (% m-o-m)***	0.2	1.8	0.1	
Personal Spending (% m-o-m)***	0.3	0.8	0.6	

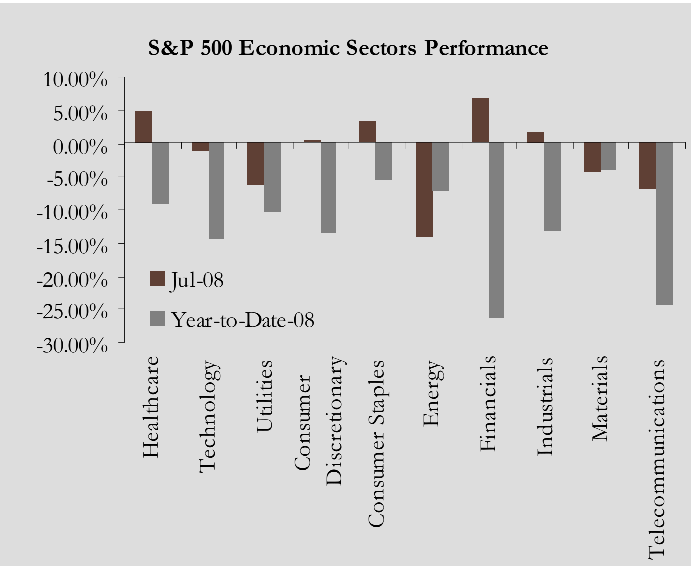
*Source: *Institute for Supply Management (ISM), **Bureau of Labor Statistics, ***Dept. of Commerce*

The consumer is definitely showing visible signs of stress, trimming spending on non-essential items, as a greater amount of resources are applied to purchase goods that are required for daily needs. Additionally, the job market is likely to remain sluggish for a period of time. This might place consumer spending, which makes up 70% of the nation's GDP, at risk of further erosion. However, if crude oil prices, which have receded almost 22% from a peak in July, drop further in the second half of the year, consumer spending may improve.

GLOBAL EQUITIES

U.S. Equities

U.S. stocks declined in July, marking a second consecutive monthly decline in the S&P 500 index, as markets were roiled by extreme volatility on added concerns over financial institutions' ability to weather the current credit market crises and after economic growth trailed forecasts. Escalating concerns that Fannie Mae and Freddie Mac, the largest U.S. mortgage-finance companies, did not have sufficient capital helped send the S&P 500 index down 5.45% by July 15 to 1214.91, the lowest level since November 2005. However, after the U.S Treasury and the Fed assembled a rescue plan for Fannie and Freddie, stocks rallied rising 5.70% by July 30, only to drop 1.31% on the final day of trading when it was reported that 2Q08 economic growth was less than anticipated. For the month, the index dropped 0.84%, bringing the year-to-date (YTD) loss to 12.65%. Stocks in the S&P 500 Financials sector rallied on the news of the government bailout, gaining 6.80% in July (-26.19% YTD). The 11.37% decline in oil prices helped send the Energy sector down 13.99% for the month, wiping out the gains for the year and resulting in a YTD loss of 7.01%.



Source: Bloomberg

For July, the small cap Russell 2000 index posted a solid gain of 3.70% (-6.02% YTD) boosted by an 11.49% rebound in the Healthcare sector (-6.67% YTD) and an 8.02% rally in Financial Services (-11.41% YTD). Energy stocks in the small cap space declined 17.00% for the month paring YTD gains to 21.76%. Value stocks at every market capitalization tier outperformed their growth counterparts. The Russell 1000 Value index fell 0.36% (-13.89% YTD), while the Russell 1000 Growth index declined 1.90% (-10.79% YTD).

International Equities

The U.S. dollar (USD) gained against major currencies in July after U.S. dollar denominated crude oil prices declined over 11% for the month. The USD declined to a record low of $1.6038 per euro on July 15, 2008 but recovered to $1.5603 by the month's end, gaining 0.96% for the month (-6.95% YTD). The euro-dollar exchange rate and crude oil prices have had a high positive correlation in the past 12 months of 0.89, with a correlation of 1 meaning prices move in tandem.[1] The dollar traded at ¥107.91 on July 31, compared to ¥106.21 at the end of June, an increase of 1.60% for the month (-3.44% YTD).

European stocks fell in July, sending the Dow Jones Stoxx 600 index to its third consecutive monthly decline, as tumbling oil and commodity prices sent energy and raw material shares lower. The index lost 2.74% in July (-14.24% YTD) on a USD basis, dragged lower by Basic Materials, off 12.92%, and Energy stocks, down 11.67%. Japanese government reports showing the first monthly slump in exports in over four years in June contributed to a drop in Japanese equities in July as the Nikkei 225 index fell 2.42% (-7.87% YTD) in USD. The broad based MSCI EAFE index dropped 3.20% and 13.45% for the month and YTD on a US dollar basis, while local currency investors lost 2.00% and 17.03% in July and YTD, respectively.

Emerging market equities came under increased pressure last month, as investor risk aversion continued to grow towards this riskier equity class, led by declines in the MSCI Argentina index and MSCI Pakistan index, down 19.31% and 18.36%, respectively, on a USD basis. Eighteen of the 25 country indices that make up the MSCI Emerging Market index have now posted losses for 2008. Local currency investors in the MSCI Emerging Market index lost 5.02% in July and 16.68% YTD, while USD based investors lost 3.69% for the month and 14.90% YTD, respectively.

GLOBAL FIXED INCOME

U.S. Fixed-Income

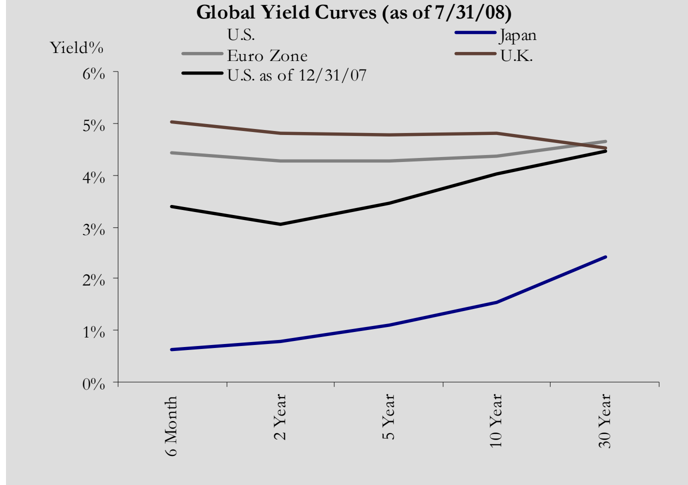
U.S. Treasuries rallied in July as investors shifted assets from U.S. corporate bonds to the relative safety of government securities after the government was forced to develop a rescue plan for Fannie Mae and Freddie Mac and the Federal Deposit Insurance Corp. (FDIC) took over IndyMac Federal Bank, the seventh biggest mortgage originator in the U.S., in the largest collapse of an FDIC-insured institution since 1984. The gains in Treasuries pushed two-year note yields down 11 basis points (bps) to 2.51%, the most since February 2008, as investors anticipated the Fed would hold interest rates steady in the wake of slower economic growth and rising inflation expectations. Ten-year note yields fell 2 bps to 3.95%. The Merrill Lynch U.S. Treasury Master index rose for the second consecutive month, gaining 0.40% in July and 2.64% YTD. Corporate risk premiums rose in July amid the continued turmoil within the U.S. financial sector as investors shed U.S. corporate bonds, sending yields on junk-rated debt to its highest level in nearly five and a half years. Yields on the Lehman Bros. Corporate High Yield index rose to 11.43% at the close of July from 10.89% a month earlier, the highest level since 11.29% in February 2003.[2] The index closed lower for the second consecutive month, down 1.33% (-2.62% YTD), after losing 2.80% in June.[2] The broad based Lehman Aggregate index lost 0.08% in July (+1.05% YTD) as yields rose to 5.14% vs. 5.07% at the end of June. [2]

International Fixed-Income

European government bonds moved in tandem with U.S. Treasuries in July, recording their second consecutive monthly gain amid speculation the European Central Bank (ECB) will keep rates steady going forward despite accelerating inflation as the economy cools down. The ECB raised its policy rate a quarter percentage point to 4.25% on July 3 as inflation in the euro region increased to 4.1% in July from 4% in June, the fastest pace in 16 years. Expectations for higher interest rates from the ECB declined, with the implied yield for the December 2008 three-month Euribor futures contract dropping 21 bps by the months end to 5.04%. The yield on the two-year note fell 34 bps to 4.26% in the month, while the 10-year yield declined 27 bps to 4.36%. The Merrill Lynch EMU Direct Government index jumped 1.21%, bringing the YTD gain to 8.13%. At its July meeting, the Bank of Japan held its benchmark rate at 0.50%, a level that has been maintained since February 2007 when rates were hiked from 0.25%. Japanese government yields fell in July, with the two-year notes dropping 2 bps to 0.79% and ten-year notes falling 6 bps to 1.54%, sending government bond prices higher. The Merrill Lynch Japanese Government index slid 1.60% in July but gained 3.71% YTD as the 1.60% July loss in the yen vs. USD more than offset the bond price gains. Globally, the Merrill Lynch Global Government index rose 0.32% and 4.99% for the month and YTD, respectively, both in USD.

All data from Bloomberg unless otherwise noted.
[1] Based on Bloomberg data calculations
[2] Lehman Brothers

Global Yield Curves (as of 7/31/08)



Source: Bloomberg

Indices Report

Asset Consulting Group, Inc.
Monthly Indices Report
Periods Ending July 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	(0.84)%	(8.02)%	(12.65)%	(7.08)%	(11.09)%	2.86%	7.03%	2.91 %
S&P Equal Weighted	Large Cap Core	(0.48)%	(7.80)%	(11.30)%	(7.19)%	(13.37)%	2.18%	9.34%	7.51 %
Russell 1000	Large Cap Core	(1.16)%	(7.72)%	(12.24)%	(6.64)%	(10.63)%	3.07%	7.54%	3.38 %
Russell 1000 Growth	Large Cap Growth	(1.90)%	(5.62)%	(10.79)%	(3.24)%	(6.29)%	3.58%	6.39%	0.83 %
Russell 1000 Value	Large Cap Value	(0.36)%	(10.04)%	(13.89)%	(10.29)%	(15.16)%	2.41%	8.51%	5.06 %
Russell Mid Cap	Mid Cap Core	(2.54)%	(6.26)%	(9.92)%	(3.64)%	(10.11)%	4.13 %	11.76%	8.35 %
Russell 2000	Small Cap Core	3.70%	0.11%	(6.02)%	0.86%	(6.71)%	2.92%	9.75 %	6.81 %
Russell 2000 Growth	Small Cap Growth	2.33%	1.68%	(6.80)%	2.61%	(3.75)%	4.52%	9.27%	3.94 %
Russell 2000 Value	Small Cap Value	5.13%	(1.71)%	(5.21)%	(1.16)%	(9.95)%	1.21 %	10.05 %	8.89 %
Wilshire 5000	Broad Equities	(0.86)%	(7.03)%	(11.68)%	(5.99)%	(10.23)%	3.31%	8.03%	3.73 %
HFRI Equity Hedge	Long Short Equity	(2.91)%	(2.91)%	(6.47)%	(2.10)%	(4.50)%	6.84%	8.57%	10.30 %
International Equity Indices									
MSCI World	Broad Global	(2.42)%	(8.69)%	(12.41)%	(5.19)%	(10.38)%	7.31%	11.55%	4.39%
MSCI EAFE	Developed Markets Intl	(3.20)%	(10.07)%	(13.45)%	(4.64)%	(11.74)%	10.99%	15.84%	5.77%
MSCI EAFE Growth	Developed Markets Intl Growth	(3.48)%	(7.89)%	(11.06)%	(2.05)%	(6.66)%	12.58%	15.51%	4.00%
MSCI EAFE Value	Developed Markets Intl Value	(2.91)%	(12.27)%	(15.84)%	(7.25)%	(16.74)%	9.31%	16.06%	7.32%
MSCI Emerging Markets	Emerging Market	(3.69)%	(11.65)%	(14.90)%	(2.80)%	(4.08)%	23.09%	27.61%	14.72%
Domestic Fixed Income Indices									
Merrill Lynch Treasury Bills	Cash	0.18%	0.39%	1.39%	0.88%	3.42%	4.25%	3.20%	3.60%
Merrill Lynch 1-3 Yr Treasuries	Treasuries	0.51%	0.24%	2.69%	0.53%	7.76%	5.22%	3.75%	4.98%
Lehman Muni 5 Yr	5 Yr Municipal Bonds	1.41%	0.69%	2.54%	0.04%	6.24%	3.92%	3.61%	4.56%
Merrill Lynch High Yield	High Yield Bonds	(1.59)%	(3.81)%	(2.81)%	(1.49)%	(0.49)%	3.50%	6.81%	4.98%
Lehman Aggregate	Core Bonds	(0.08)%	(0.89)%	1.05%	(0.62)%	6.16%	4.37%	4.55%	5.65%
Lehman Government	Government Bonds	0.44%	(0.08)%	2.51%	0.11%	8.61%	5.18%	4.75%	5.73%
Lehman U.S. Credit Index	Corporate Bonds	(0.59)%	(2.05)%	(1.06)%	(2.25)%	2.85%	2.90%	4.05%	5.52%
Lehman Muni 10 Yr	10 Yr Municipal Bonds	0.77%	0.22%	1.12%	(0.89)%	4.53%	3.73%	4.54%	5.05%
HFRI FOF Conservative	Low Volatility	(1.43)%	(0.30)%	(2.63)%	(1.09)%	(1.71)%	5.69%	5.80%	5.88%
Real Estate Indices									
NCREIF Property*	Real Estate	N/A	0.56%	2.17%	2.17%	9.27%	14.95%	14.72%	12.19%
NAREIT Equity	Real Estate	3.47%	(7.08)%	(0.26)%	0.78%	(3.09)%	3.77%	13.88%	11.77%

All time period returns are rolling returns except for YTD

* For comparison purposes, June 30, 2008 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 Index
The MSCI Emerging Markets Index is an unmanaged 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.

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.

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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