



Market Update

Asset Consulting Group, Inc.

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Monthly Indices Report
(August 31, 2008)

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Monthly Report

August 2008

U.S. ECONOMY

The downturn in the U.S. housing market has weighed on economic growth over the past two and half years. However, readings on housing activity in July provided evidence that the drag on the economy is lessening, as sales of existing and new homes rose, marking the first time both have grown in the same month since December 2006. Despite July's home sales rebound and a decline in prices, housing affordability has yet to stabilize with stricter lending standards and rising mortgage rates keeping many potential homebuyers out of the market. It is expected that falling home values and rising borrowing costs will likely continue to put pressure on household wealth and consumer spending.

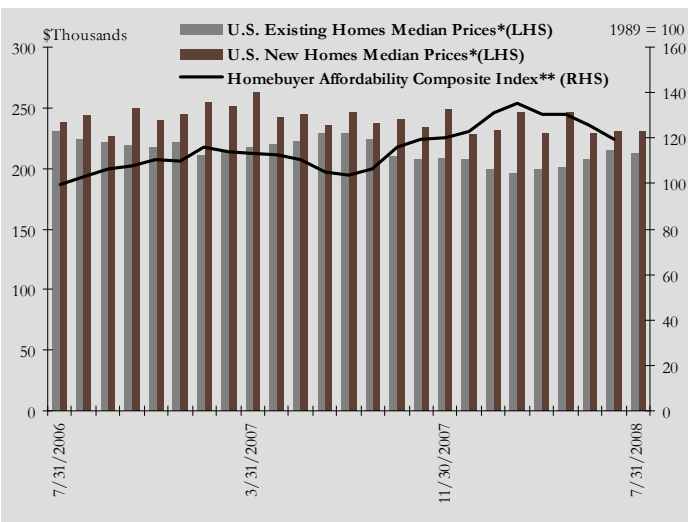
Home sales rise as prices fall and inventories climb...

Sales of previously owned U.S. homes advanced at an annual rate of 5 million in July, a 3.1% jump from June's pace, while average sale prices fell 7.1% to \$212,400 in the same period. The increase in sales was not enough to offset the rise in inventories as the total housing inventory at the end of July rose 3.9% to 4.67 million existing homes available for sale. It represented an 11.2-month supply at the current sales pace, up from an 11.1-month supply in June. The net rise in overall supply reflects a sharp increase in condo inventory as the supply of single family homes declined. Sales of new homes increased 2.4% to a 515,000 annual pace from 503,000 in June as a 6.3% decline in prices attracted buyers.

Housing affordability is impacted by tighter lending standards and rising financing costs...

While home prices have declined 8% and 12% for existing and new homes respectively from pre-bubble peaks in July 2006, improving affordability, more stringent lending standards for mortgages and rising finance costs have offset this improvement. What started out in 2007 as more restrictive lending for sub-prime mortgages has spilled over into the overall market place, as \$243.7 billion in credit losses incurred since August 2007 have U.S. financial institutions recapitalizing balance sheets and reducing risk exposures. According to the Federal Reserve Senior Loan Officer Opinion Survey for the three months ended in mid-July, 74% of banks tightened standards on prime mortgage loans, up from 50% in January, and 86% increased standards on sub-prime mortgages, up from 78% in January.

The more restrictive lending has led to a ramp up in mortgage rates. The 30-year fixed mortgage rate peaked at 6.66% in July 2007, just prior to the Federal Reserve embarking on an interest rate cutting campaign that lowered the benchmark Fed fund rate by 325 basis points (bps) to 2% by April 2008. However, their efforts have yet to trickle through to the general economy as tighter lending standards have led to a rise in mortgage rates for five consecutive months since March, from 5.75% to a 12-month high of 6.58% on August 8. Currently, declining home prices is the lone component improving home affordability.



Source: *Bloomberg, **National Association of Realtor; Homebuyer Affordability Composite Index: National Association of Realtors analysis, issued on a monthly basis, of the ability of the average family to afford the average home with only 20% down.

Economy at a Glance

Recent growth indicators	May-08	Jun-08	Jul-08	Aug-08
ISM Manufacturing Composite*	49.6	50.2	50	49.9
ISM Non-Manufacturing Composite*	51.7	48.2	49.5	50.6
Conference Board Consumer Confidence**	58.1	51	51.9	56.9
Change in Payrolls (m-o-m, 000)**	-47	-100	-60	-84
Personal Income (% m-o-m)***	1.8	0.1	-0.7	
Personal Spending (% m-o-m)***	0.8	0.6	0.2	

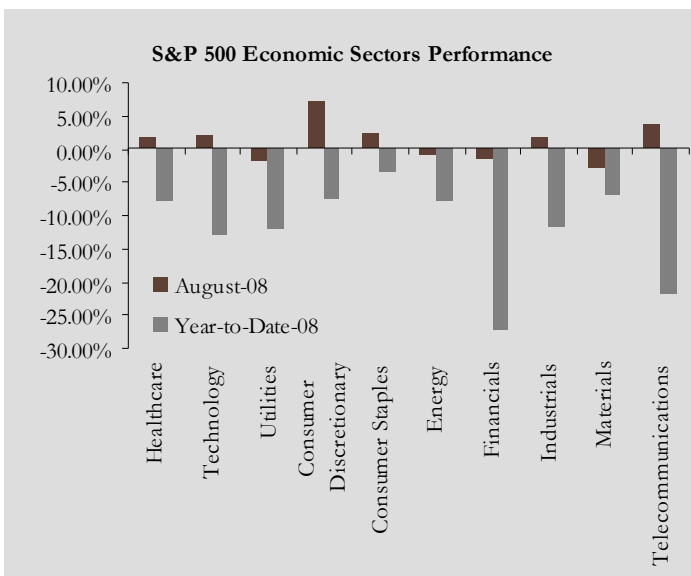
Source: *Institute for Supply Management (ISM), **Bureau of Labor Statistics, ***Dept. of Commerce

While the July sales figures offer hope that the housing downturn may be approaching a bottom, with banks reducing the pool of available funds for mortgages and record levels of home inventories on hand, home prices will remain under pressure for the foreseeable future. Furthermore, the decline in home values is reducing household wealth, just as job losses and borrowing costs are rising, suggesting consumers will likely reign in spending, leading to weaker economic expansion in the second half of the year.

GLOBAL EQUITIES

U.S. Equities

U.S. stocks rallied in August after the government reported that the economy expanded faster than previously estimated, increasing investor optimism that the U.S. economy may avoid a recession. Gross domestic product increased at a 3.3% annual rate, compared with the initial estimate of 1.9%, helping send the S&P 500 to its first monthly gain since May. For the month, the S&P 500 index rose 1.45%, paring the year-to-date (YTD) loss to 11.38% and has now gained 5.89% from the 2 ½ year low on July 15. The advance in the index was led by a 7.02% and 3.57% gain in the Consumer Discretionary and Telecommunication sectors respectively. Investors became increasingly pessimistic on the prospects for Materials stocks (-2.82%) as oil and other commodity prices plunged amid reduced forecasts for global demand. Small cap stocks outperformed large caps for the fourth consecutive month as the Russell 2000 index rose 3.61% (-2.63% YTD) in August, capping a two month gain of 7.45%. Value stocks topped growth stocks for the second consecutive month in August at every market capitalization tier. The Russell 1000 Value index rose 1.70% (-12.42% YTD) vs. 1.08% (-9.82% YTD) for the Russell 1000 Growth index.



Source: Bloomberg

International Equities

The U.S. dollar (USD) gained against major currencies in August after U.S. dollar denominated crude oil prices declined over 7% for the month. The USD posted its biggest monthly gain against the euro since the European currency began trading in 1999 rising to \$1.47 per euro, a gain of 5.96% for August (-0.58% YTD). The euro-dollar exchange rate and crude oil prices have had a high positive correlation in the past 12 months of 0.90, with a correlation of 1 meaning prices move in tandem.¹ The dollar traded at ¥108.8 on August 31, compared to ¥107.91 at the end of July, an increase of 0.82% for the month (-2.64% YTD).

European stocks rose in August for local currency investors after the U.S. Government reported the U.S. economy expanded more than originally estimated and concerns eased that European banks would need more capital. However, the strength in the

USD in August sent the Dow Jones Stoxx 600 index to its fourth consecutive monthly decline. The index lost 4.35% in August (-17.97% YTD) on a USD basis. Japanese government reports showing gains in factory output and lower than forecasted inflation contributed to a 4.26% gain in the Nikkei 225 index in the final week of trading paring the monthly decline to -2.96% in USD (-10.60% YTD). The broad based MSCI EAFE index dropped 4.03% and 16.93% for the month and YTD on a USD basis, while local currency investors gained 1.05% in August but lost 16.17% YTD.

Emerging market equities came under increased pressure last month as investor risk aversion continued to grow towards this riskier equity class. Twenty 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 4.80% in August and 20.68% YTD, while USD based investors lost 7.95% for the month and 21.67% YTD, respectively.

GLOBAL FIXED INCOME

U.S. Fixed-Income

U.S. Treasuries rallied in August, their third consecutive monthly gain, as investors continued to shift assets from U.S. corporate bonds to the relative safety of government securities as mortgage-related credit losses surpassed \$512 billion worldwide and economists lowered their forecasts for U.S. economic growth. The gains in Treasuries pushed two-year note yields down 14 bps to 2.37%, as investors anticipated the Fed would hold interest rates steady in the wake of slower economic growth and possibly moderating future inflation. Ten-year note yields fell 14 bps to 3.81%. The Merrill Lynch U.S. Treasury Master index rose for the third consecutive month, gaining 1.26% in August and 3.93% YTD. Corporate risk premiums rose in August 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. U.S. Corporate High Yield index rose to 11.56% at the close of August from 11.43% a month earlier, the highest level since 11.29% in February 2003.² The index rose slightly for the first time in three months, up 0.35% (-2.28% YTD), after losing 1.33% in July. The broad based Lehman Aggregate index gained 0.95% in August (+2.01% YTD) as average investment grade yields fell to 5.05% from 5.14% at the end of July.²

International Fixed-Income

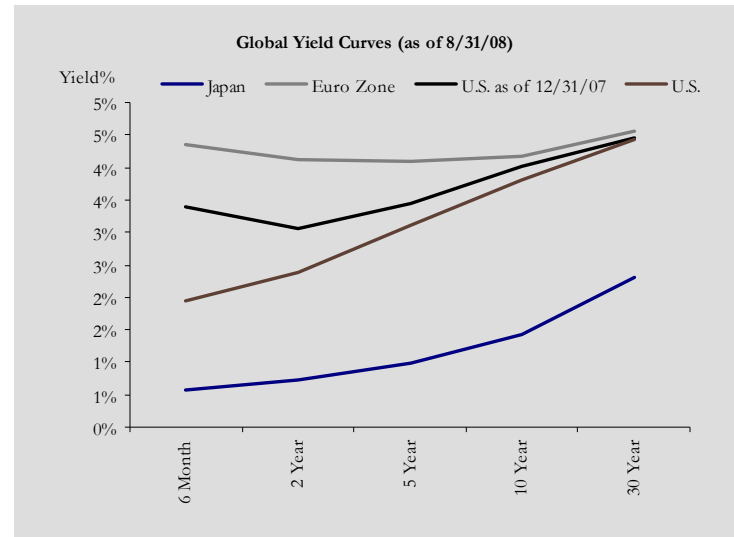
European government bonds rose in local currencies in August amid speculation among investors that slower economic growth would curb inflation, paving the way to allow the European Central Bank (ECB) to lower interest rates next year. On August 7, the ECB left their benchmark interest rate at 4.25% after raising it by a quarter-percentage point in July and commented that economic growth would be particularly weak for the remainder of the year. The bond gains pushed yields lower as two-year yields slipped 15 bps to 4.11% and 10-year yields dropped 18 bps to 4.18%. The stronger USD led to a decline of 4.56% in the Merrill Lynch EMU Direct Government index for U.S. based investors (+3.21% YTD). Japanese government bonds rose in August for a third consecutive month on a local currency basis on

continued signs the world's second largest economy is slowing. Japan's unemployment rate stayed near the highest level since 2006 and the number of jobs available fell to lowest level since October 2004, which could keep interest rates on hold in coming months. Two-year yields fell 6 bps to 0.73%, while 10-year yields dropped 12 bps to 1.42% leading to a 0.54% (+4.27% YTD) gain in the Merrill Lynch Japan Sovereign index. The Merrill Lynch Global Government index declined 1.91% in August, reducing the YTD gain to 2.99%.

All data from Bloomberg unless otherwise noted.

¹ Based on Bloomberg data calculations

² Lehman Brothers



Source: Bloomberg

Indices Report

Asset Consulting Group, Inc. Monthly Indices Report Periods Ending August 31, 2008

Index Name	Style	Returns							
		Month	Qtr	YTD	2 Qtrs	1 Year	3 Years	5 Years	10 Years
<u>Domestic Equity Indices</u>									
S&P 500	Large Cap Core	1.45%	(7.88)%	(11.38)%	(2.56)%	(11.13)%	3.67%	6.93%	4.68%
S&P Equal Weighted	Large Cap Core	2.96%	(7.56)%	(8.67)%	(1.12)%	(10.97)%	3.55%	9.03%	9.61%
Russell 1000	Large Cap Core	1.38%	(8.12)%	(11.03)%	(2.37)%	(10.62)%	3.85%	7.40%	5.21%
Russell 1000 Growth	Large Cap Growth	1.08%	(7.98)%	(9.82)%	(0.21)%	(6.76)%	4.41%	6.10%	2.59%
Russell 1000 Value	Large Cap Value	1.70%	(8.36)%	(12.42)%	(4.77)%	(14.68)%	3.13%	8.54%	6.95%
Russell Mid Cap	Mid Cap Core	1.85%	(8.67)%	(8.25)%	0.45%	(8.61)%	5.01%	11.22%	10.46%
Russell 2000	Small Cap Core	3.61%	(0.83)%	(2.63)%	8.52%	(5.49)%	4.80%	9.55%	9.52%
Russell 2000 Growth	Small Cap Growth	2.48%	(1.38)%	(4.49)%	8.92%	(3.78)%	5.87%	8.67%	6.96%
Russell 2000 Value	Small Cap Value	4.75%	(0.45)%	(0.71)%	7.81%	(7.52)%	3.59%	10.25%	11.28%
Wilshire 5000	Broad Equities	1.57%	(7.50)%	(10.30)%	(1.55)%	(10.07)%	4.16%	7.85%	5.67%
HFRI Equity Hedge	Long Short Equity	(2.16)%	(7.09)%	(8.37)%	(5.32)%	(4.85)%	5.85%	7.61%	10.95%
<u>International Equity Indices</u>									
MSCI World	Broad Global	(1.36)%	(11.39)%	(13.61)%	(5.98)%	(11.57)%	6.54%	10.76%	5.75%
MSCI EAFE	Developed Markets Intl	(4.03)%	(14.68)%	(16.93)%	(9.80)%	(13.97)%	8.56%	14.34%	6.74%
MSCI EAFE Growth	Developed Markets Intl Growth	(4.75)%	(14.33)%	(15.28)%	(9.20)%	(10.22)%	9.73%	13.97%	4.68%
MSCI EAFE Value	Developed Markets Intl Value	(3.28)%	(15.03)%	(18.60)%	(10.44)%	(17.73)%	7.30%	14.61%	8.60%
MSCI Emerging Markets	Emerging Market	(7.95)%	(20.18)%	(21.67)%	(16.71)%	(9.83)%	19.38%	23.90%	17.72%
<u>Domestic Fixed Income Indices</u>									
Merrill Lynch Treasury Bills	Cash	0.15%	0.51%	1.54%	0.88%	3.00%	4.20%	3.22%	3.57%
Merrill Lynch 1-3 Yr Treasuries	Treasuries	0.69%	1.59%	3.40%	0.01%	7.18%	5.16%	3.88%	4.89%
Lehman Muni 5 Yr	5 Yr Municipal Bonds	1.35%	1.73%	3.92%	3.95%	6.85%	4.17%	3.75%	4.57%
Merrill Lynch High Yield	High Yield Bonds	0.33%	(3.89)%	(2.49)%	(0.01)%	(1.25)%	3.49%	6.60%	5.48%
Lehman Aggregate	Core Bonds	0.95%	0.79%	2.01%	0.18%	5.87%	4.26%	4.61%	5.58%
Lehman Government	Government Bonds	1.02%	2.05%	3.55%	0.18%	8.09%	5.02%	4.85%	5.57%
Lehman U.S. Credit Index	Corporate Bonds	0.79%	(0.34)%	(0.27)%	(1.66)%	2.72%	2.65%	4.05%	5.55%
Lehman Muni 10 Yr	10 Yr Municipal Bonds	1.40%	1.12%	2.54%	4.85%	5.73%	3.79%	4.65%	5.01%
HFRI FOF Conservative	Low Volatility	(0.41)%	(2.46)%	(3.50)%	(2.58)%	(0.81)%	5.17%	5.58%	6.21%
<u>Real Estate Indices</u>									
NCREIF Property*	Real Estate	N/A	0.56%	2.17%	2.17%	9.27%	14.95%	14.72%	12.19%
NAREIT Equity	Real Estate	2.21%	(5.75)%	1.94%	6.81%	(7.05)%	5.83%	14.26%	13.13%

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 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.

MSCI Pakistan Index

The MSCI Pakistan index is designed to broadly and fairly represent the full diversity of business activities in Pakistan. As of the close of May 31, 2002, this index will aim to capture 85% of the free float adjusted market capitalization in each industry group.

MSCI Russia Index

The MSCI Russia index is designed to broadly and fairly represent the full diversity of business activities in Russia. As of the close of May 31, 2002, this index will aim to capture 85% of the free float adjusted market capitalization in each industry group.

Domestic Fixed Income Indices**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 created 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 created 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-indices 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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