



Market Update

Asset Consulting Group, Inc.

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Monthly Indices Report
(September 30, 2008)

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Monthly Report

September 2008

U.S. ECONOMY

The global credit crisis intensified in September, as credit markets stalled after enormous U.S. mortgage-related losses caused the collapse of investment bank giant Lehman Brothers and governments were forced to bail out banks in the U.S. and Europe. Since the start of 2007, financial institutions globally have recorded losses of \$590 billion from the declining values of U.S. mortgage-related investments stemming from the downturn in the U.S. housing market. Thus far the U.S. economy has been able to weather the fallout from the credit market crisis, but further deterioration in the credit markets could prove very disruptive for the economy.

Confidence in the financial system broke down...

Credit markets fell into disarray this past month as banks ceased lending to each other after the Lehman Brothers collapse heightened concerns more firms could fall. Central bankers immediately stepped up efforts to inject liquidity into global markets to ease apprehensions and encourage lending, but failed to bring stability as banks instead hoarded cash. Liquidity dried up in short-term debt markets, such as the U.S. commercial paper market (CP), as confidence in the financial system broke down.

The demise of the oldest money-market fund sets off a wave of investor withdrawals...

The CP market, where companies raise cash to fund operations, felt the pressure of tightening conditions as money market mutual

funds, the biggest buyers of the debt, became extremely risk adverse after encountering widespread withdrawals from shareholders. The problem originated from the demise of the oldest money-market fund, Reserve Primary, when on September 16 after writing off \$785 million of debt issued by bankrupt Lehman Brothers, its net asset value fell below the \$1 per share paid by investors. That sparked a two-day run on money market funds as investors withdrew \$133 billion.

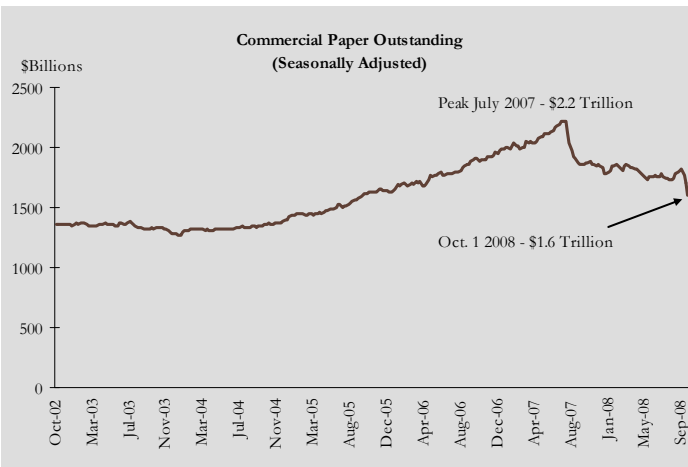
Widespread withdrawals from money market funds aggravated short-term debt markets...

After the woes at the Reserve Primary fund and the widespread withdrawals by investors, U.S. money market mutual funds shifted cash into the safety of U.S. Treasuries, unwilling to assume the risk associated with corporate debt. The U.S. CP market declined \$94.9 billion in the final week of September, its worst weekly decline on record, and dropped \$196.9 billion for the month. However, investors had yet to shy away from the debt of **non**-financial issuers as that CP market closed September at \$199.1 billion after rising to an almost seven-year high of \$217.2 billion on September 10.

Economy at a Glance

Recent growth indicators	Jun-08	Jul-08	Aug-08	Sep-08
ISM Manufacturing Composite*	50.2	50	49.9	43.5
ISM Non-Manufacturing Composite*	48.2	49.5	50.6	50.2
Conference Board Consumer Confidence**	51	51.9	58.5	59.8
Change in Payrolls (m-o-m, 000)**	-100	-60	-73	-159
Personal Income (% m-o-m)***	0.1	-0.6	0.5	N/A
Personal Spending (% m-o-m)***	0.5	0.1	0	N/A

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



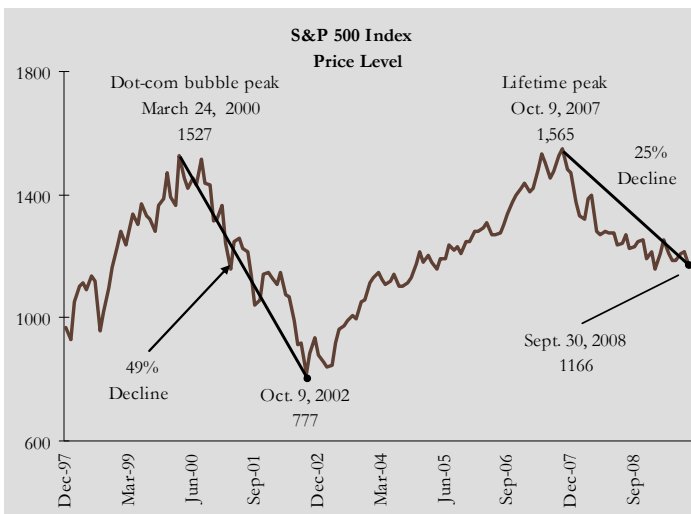
Source: Bloomberg

The flow of credit is severely impaired, as banks hoard cash and investors flee to the safety of Treasuries due to heightened levels of fear and uncertainty. The credit crunch is starting to spread to the broad economy as businesses and consumers are having a tougher time gaining access to capital as banks reduce lines of credit and financing. If businesses cannot access funding on reasonable terms they are likely to curtail operations, restrain investment, and reduce payrolls. Moreover, if the U.S. job market deteriorates further, while household wealth continues to take a hit from declines in home values and investments, consumers are likely to pull back spending. As such, the combination of a strapped consumer and cautious companies may cause the economy to contract.

GLOBAL EQUITIES

U.S. Equities

The year long credit market seizure accelerated bailouts of financial companies and sent investors fleeing to the relative safety of U.S. Treasuries in September leading to the steepest monthly decline in the S&P 500 index since September 2002. September marked one of the most volatile on record as the index posted movements of at least 1.5% (up or down) within a range of -8.79% to +5.42% in 14 of the 21 days of trading. The index lost 8.91% for the month and 8.37% for the quarter, bringing year-to-date (YTD) losses to 19.28%. All ten of the S&P 500 economic sectors lost ground in the month, as Materials (-17.24%) and Information Technology (-12.75%) were the two worst performers. Small cap stocks outperformed large caps for the fifth consecutive month as the Russell 2000 dropped 7.97% for the month, adding to the YTD decline of 10.39% (-1.12% 3Q08). Value stocks outperformed growth at every market capitalization tier as the Russell 1000 Value index lost 7.35% (-18.86% YTD) vs. a decline of 11.58% for the Russell 1000 Growth index (-20.26% YTD).



Source: Bloomberg

International Equities

The U.S. dollar (USD) staged its biggest one day rally since January 2001 against the euro on September 30 after European governments were forced to bail out two of their own financial institutions. The USD gained 2.37% to \$1.4092 per euro from \$1.4434 the day before, adding to a gain of 3.96% for the month (+3.41% YTD). The dollar traded at ¥108.11 on September 30, compared to ¥108.88 at the end of August, a loss of 2.47% for the month (-5.05% YTD).

Evidence the credit market turmoil had spread to Europe sent stocks plummeting worldwide in September as investors feared there might be more government bail outs of banks, prompting them to buy the safest assets. The Dow Jones Stoxx 600 plunged 14.50% (-29.88% YTD) in USD, the worst monthly slump since September 2002. Investors sent Japanese stocks toward a three year low as the turmoil within the U.S credit mar-

kets, coupled with a Japanese government report showing unemployment rose to the highest in two years, raised fears of an economic slowdown. In USD the Nikkei 225 index declined 11.17% in September (-20.58% YTD). For the month, the broad based MSCI EAFE index fell 12.10% (-26.31% YTD) in local currency, while declining 14.42% on a USD basis (-20.50% 3Q08, -28.91% YTD).

A plunge in commodity prices and increased risk aversion helped send emerging market equities to the worst monthly loss in ten years as investors shed riskier assets amid concerns the global credit crunch could widen into a global economic crunch. The benchmark MSCI Emerging Market index declined 17.49% on a USD basis, the worst decline since August 1998 (-28.91%) resulting in a YTD loss of 35.37% (-26.85 3Q08). In local currency terms, the index dropped 12.37% (-30.49% YTD).

GLOBAL FIXED INCOME

U.S. Fixed Income

Investor concerns over the collapse of the U.S. banking system sparked a rally in U.S. Treasuries in September that drove down 3-month T-bill yields to 0.02% on September 17, the lowest since 1940, but bouncing back to 0.91% by month's end. Demand was so strong across Treasuries of varying maturities that yields on the 30-year bond declined to 4.31%, 1.09% below the current rate of U.S. inflation. Investors effectively locked in losses when adjusting for inflation. Yields on 2-year Treasuries fell 41 basis points (bps) during the month to 1.96%, while ten-year notes yielded 3.83%, relatively unchanged from 3.82% in August. For the month, the Merrill Lynch U.S. Treasury Master index rose 0.66% (+4.61% YTD). Yields on U.S. corporate high-yield rated bonds soared 235 bps to 13.91%, still well below a record high of 20.94% set in December 1990. Nonetheless, the jump in yields was enough to send the Lehman Brothers U.S. Corporate High Yield index to a monthly loss of 7.98% (-10.08% YTD), the worst monthly decline since the inception of the index in July 1983.¹ Yields on the Lehman Brothers U.S. Aggregate bond index jumped to 5.27% from 5.05% in August leading to a monthly decline of 1.34% (-0.48% 3Q08, +0.64% YTD).¹

International Fixed-Income

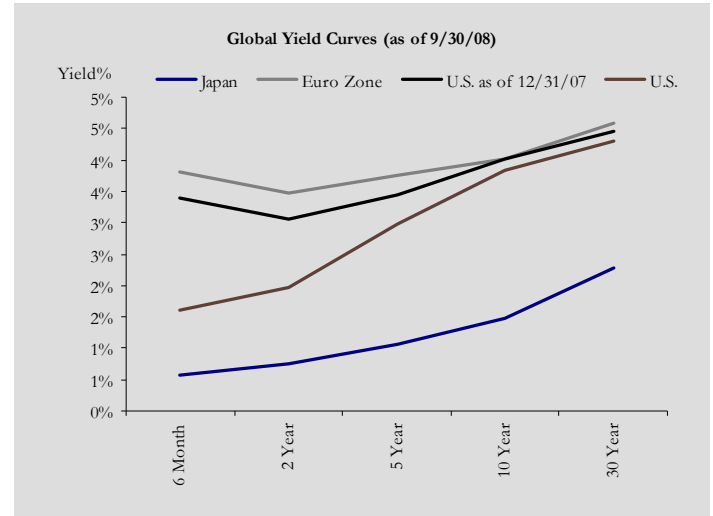
Investors bought shorter-dated European government debt in September, which is more sensitive to changes in borrowing costs, in anticipation that the European Central Bank's (ECB) next move would be to lower interest rates in an effort to stave off a recession. The yield on European two-year government notes fell 112 bps to 3.48%, the biggest monthly drop in 16 years, while ten-year government bond yields fell 61 bps to 4.02%. However, the ECB voted to keep their benchmark interest rate unchanged at 4.25% during their October 2nd meeting as they struggle to reduce inflation back within their 2% target ceiling, from 3.6% reported in September. In local currency, the Merrill Lynch EMU Direct Government index rose 0.57% in September (+3.08% YTD), but the advance in the USD vs. the euro caused a decline of 4.05% (-0.97% YTD) for U.S. based investors.

Two-year yields on Japanese government notes fell 5 bps to 0.76%, while ten-year yields dropped 13 bps to 1.47%, helping

send the Merrill Lynch Japanese Governments index to a USD gain of 1.95% for the month (+6.30% YTD). For September, the Merrill Lynch Global Government bond index declined 1.14% in USD (-2.72% 3Q08, +1.81% YTD).

All data from Bloomberg unless otherwise noted.

¹ Lehman Brothers



Source: Bloomberg

Indices Report		Monthly Indices Report							
		Periods Ending September 30, 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	(8.91)%	(8.37)%	(19.28)%	(10.86)%	(21.97)%	0.22%	5.17%	3.07%
S&P Equal Weighted	Large Cap Core	(10.13)%	(7.91)%	(17.92)%	(10.20)%	(21.96)%	(0.35)%	7.08%	7.84%
Russell 1000	Large Cap Core	(9.53)%	(9.35)%	(19.51)%	(11.07)%	(22.11)%	0.13%	5.49%	3.49%
Russell 1000 Growth	Large Cap Growth	(11.58)%	(12.32)%	(20.26)%	(11.22)%	(20.87)%	0.06%	3.74%	0.59%
Russell 1000 Value	Large Cap Value	(7.35)%	(6.11)%	(18.86)%	(11.11)%	(23.57)%	0.08%	7.11%	5.54%
Russell Mid Cap	Mid Cap Core	(12.26)%	(12.91)%	(19.50)%	(10.57)%	(22.37)%	0.09%	8.62%	8.34%
Russell 2000	Small Cap Core	(7.97)%	(1.12)%	(10.39)%	(0.54)%	(14.49)%	1.83%	8.15%	7.80%
Russell 2000 Growth	Small Cap Growth	(11.30)%	(6.98)%	(15.28)%	(2.82)%	(17.07)%	1.46%	6.64%	4.67%
Russell 2000 Value	Small Cap Value	(4.69)%	4.96%	(5.37)%	1.23%	(12.25)%	2.00%	9.45%	10.14%
Wilshire 5000	Broad Equities	(9.30)%	(8.67)%	(18.64)%	(10.08)%	(21.26)%	0.56%	6.00%	3.98%
HFRI Equity Hedge	Long Short Equity	(7.55)%	(11.98)%	(15.33)%	(9.96)%	(14.79)%	2.34%	5.76%	9.74%
<u>International Equity Indices</u>									
MSCI World	Broad Global	(11.85)%	(15.15)%	(23.84)%	(16.36)%	(25.61)%	1.27%	7.87%	4.24%
MSCI EAFE	Developed Markets Intl	(14.42)%	(20.50)%	(28.91)%	(22.03)%	(30.13)%	1.58%	10.16%	5.41%
MSCI EAFE Growth	Developed Markets Intl Growth	(15.03)%	(21.88)%	(28.01)%	(21.69)%	(28.20)%	2.50%	9.58%	3.28%
MSCI EAFE Value	Developed Markets Intl Value	(13.81)%	(19.06)%	(29.84)%	(22.41)%	(32.12)%	0.56%	10.63%	7.36%
MSCI Emerging Markets	Emerging Market	(17.49)%	(26.85)%	(35.37)%	(27.44)%	(33.00)%	8.69%	19.05%	14.77%
<u>Domestic Fixed Income Indices</u>									
Merrill Lynch Treasury Bills	Cash	0.30%	0.63%	1.84%	0.95%	2.92%	4.20%	3.26%	3.55%
Merrill Lynch 1-3 Yr Treasuries	Treasuries	0.85%	2.06%	4.28%	0.56%	7.34%	5.63%	3.77%	4.79%
Lehman Muni 5 Yr	5 Yr Municipal Bonds	(2.06)%	0.66%	1.78%	(0.15)%	3.71%	3.51%	2.80%	4.25%
Merrill Lynch High Yield	High Yield Bonds	(8.32)%	(9.48)%	(10.60)%	(7.85)%	(11.63)%	0.87%	4.21%	4.54%
Lehman Aggregate	Core Bonds	(1.34)%	(0.48)%	0.64%	(1.50)%	3.66%	4.15%	3.78%	5.19%
Lehman Government	Government Bonds	0.45%	1.92%	4.02%	(0.02)%	7.90%	5.59%	4.34%	5.33%
Lehman U.S. Credit Index	Corporate Bonds	(6.57)%	(6.39)%	(6.83)%	(7.23)%	(4.79)%	0.86%	1.94%	4.51%
Lehman Muni 10 Yr	10 Yr Municipal Bonds	(3.63)%	(1.53)%	(1.18)%	(1.49)%	0.54%	2.83%	3.20%	4.47%
HFRI FOF Conservative	Low Volatility	(4.37)%	(6.78)%	(7.92)%	(5.21)%	(6.50)%	3.18%	4.34%	5.89%
<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	(0.19)%	5.56%	1.75%	0.35%	(11.15)%	5.56%	13.45%	12.49%

All time period returns are rolling returns except for YTD

* For comparison purposes, June 30, 2008 returns are used.

To change the data included in the table above, enter the appropriate # below that relates to the column in the [INDXMSTR.XLW]INDEX DATABASE table.

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.

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 Brothers 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 Brothers 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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