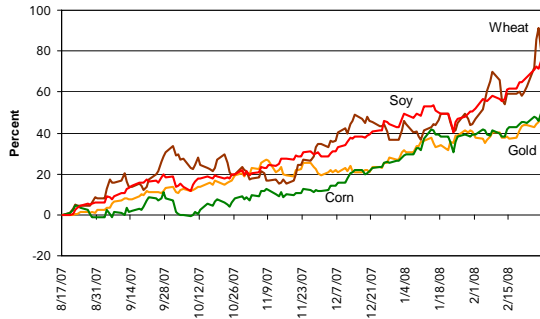


Economic Review

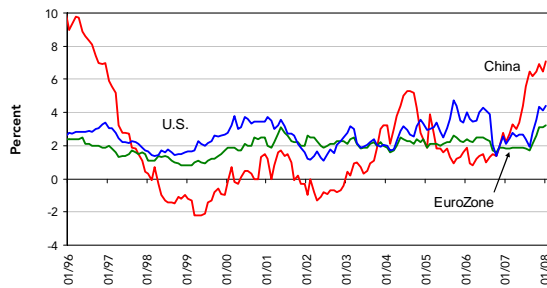
Political changes and economic uncertainties dominated the headlines in February. After nearly fifty years in power, Fidel Castro officially relinquished control over Cuba, opening up the possibility of more amicable relations with the U.S. in the future. Replacing him was his brother, Raul Castro. Kosovo declared independence from Serbia, prompting immediate recognition from the U.S. and immediate condemnation from Russia and China. Pervez Musharraf's party in Pakistan was weakened in elections, exacerbating uncertainties about the future direction of the country and its alliance with the U.S.

Commodity Prices Soar Amidst Fed Easing Cycle



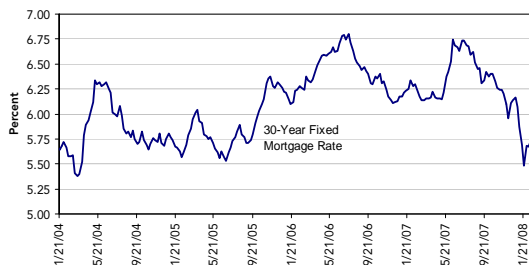
Source: Bloomberg

U.S. Not Alone In Inflation Battle



Sources: Federal Reserve; Bloomberg

Mortgage Rates Quickly Reverse Downward Trend



Source: Federal Reserve

Federal Reserve Chairman Ben Bernanke punctuated the Fed's belief that slowing growth was a more immediate concern than rising inflation. Markets worldwide have taken a different view, believing that inflation pressures are greater than Federal Reserve and Treasury Department policies suggest. Since the Fed cut interest rates in mid-August, commodity prices have skyrocketed. In conjunction with temporary Treasury support for a stronger dollar, demand from developing countries has pushed up prices on food staples globally.

Regions worldwide reported accelerating inflation in January to levels well above official comfort zones. China's inflation rate of 7.1% led to increased lending restrictions, while the European Central Bank withheld support for interest rate cuts. Only in February did the ECB signal the potential for rate cuts, citing worsening U.S. economic conditions as the culprit for slowing growth. The Bank of England cut rates 25 bps as the country braced for a real estate slowdown and further writedowns from mortgage-backed bonds. The Federal Reserve is expected to cut rates 25 to 50 bps when it meets on March 18.

Mortgage giants Fannie Mae and Freddie Mac reported combined losses of over \$6 billion during the fourth quarter. Continued weakness in the housing markets, along with rising delinquencies, added to their woes. Mortgage rates fell to a multi-year low of 5.5% for a brief time, before rebounding quickly to 6% after Fannie Mae and Freddie Mac both announced increased fees for mortgages it purchases from lenders. Congress passed legislation allowing both companies to extend debt levels higher, potentially easing downward price pressures in the housing markets.

Bond markets were given a reprieve as insurers Ambac and MBIA raised enough new capital to keep their credit ratings unchanged. A cut in their ratings would have raised borrowing costs and driven down values of outstanding bonds as many bond issuers depend upon the financial stability of insurers to maintain their investment-grade ratings. Warren Buffett was rebuked in his attempt to purchase the profitable municipal bond insurance divisions from the insurers.

Crude oil prices pushed over \$103/barrel, passing through the psychological limit of \$100/barrel. Gasoline prices are expected to rise sharply this spring, as the oil purchased at these levels is refined and the traditional pre-Memorial Day price hikes are enacted. Gold prices advanced toward \$1000/ounce as investors continued to buy gold to hedge rising inflation and a weakening dollar.

Visa announced plans to go public in March, in what is expected to be the largest U.S. IPO ever at nearly \$18 billion.

As of February 29, 2008

	February	3 Months	YTD
S&P 500	-3.3%	-9.7%	-9.1%
Russell 1000 Value	-4.2%	-8.9%	-8.0%
Russell 1000 Growth	-2.0%	-10.0%	-9.6%
Russell 2000	-3.7%	-10.3%	-10.3%
MSCI EAFE	1.4%	-10.0%	-7.9%
LB Agg	0.1%	2.1%	1.8%
3-Month T-Bills	0.1%	0.9%	0.7%