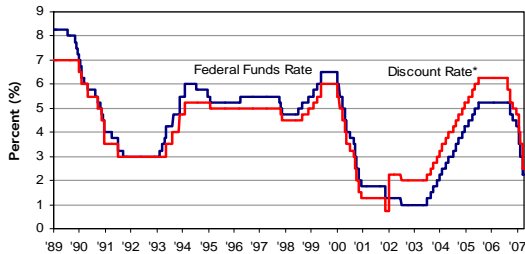


Economic Review

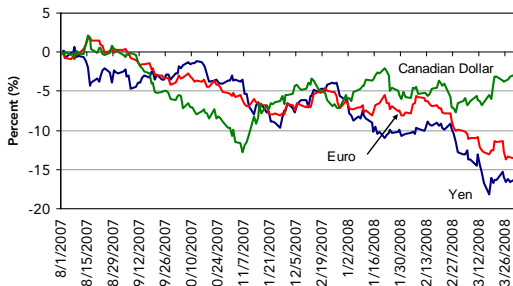
Economic events in March were led by further fallout from turmoil in the credit markets. Ongoing unwillingness of banks to lend money to other banks and market participants led to the forced takeover of Bear Stearns by JPMorgan Chase. New York governor and former state attorney general Eliot Spitzer resigned amidst personal scandal. The U.S. Air Force awarded a contract for refueling tankers, valued at over \$50 billion, to a consortium led by European aeronautical giant Airbus. Objections were raised by Boeing and several Congressmen over alleged flaws in the bidding, although several Boeing associates were indicted for improprieties related to the contract over the past several years.

Federal Reserve Target Interest Rates



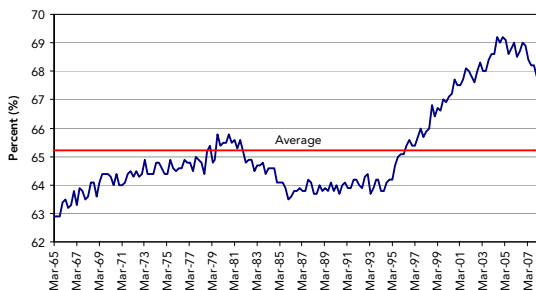
*Discount Window Primary Credit replaced Discount Rate on Jan. 9, 2003

U.S. Dollar Continues to Slide Lower



Source: Bloomberg
USD / Foreign currency unit

Home Ownership Rate Falls



Source: Census Bureau

As of March 31, 2008

	March	3 Months	1 Year
S&P 500	-0.4%	-9.5%	-5.1%
Russell 1000 Value	-0.8%	-8.7%	-10.0%
Russell 1000 Growth	-0.6%	-10.2%	-0.8%
Russell 2000	0.4%	-9.9%	-13.0%
MSCI EAFE	-1.1%	-8.9%	-2.7%
LB Agg	0.3%	2.2%	7.7%
3-Month T-Bills	0.2%	0.9%	4.6%

The Federal Reserve cut interest rates by 75bps, bringing the Fed Funds rate down to 2.25%. The drastic reduction in rates this year represents an attempt by the bank to provide liquidity to the economy as lenders are increasingly cautious with new loan commitments.

The banking sector faces a two-sided dilemma affecting the economy at large. First, and most apparent, is the reluctance of banks to issue new loans and provide financing to other banks. The first break in the lending system was the collapse of subprime-related lending and the seizure of trading in related securities. The break spread to other securities, which have become important alternative financing sources. These securities are also used as avenues for short-term investment funds to add yield to their funds. These included the use of auction-rate securities, which are longer term bonds whose interest rates reset at periodic auctions, and credit-default swaps, which are akin to insurance contracts on loans. Second, the Federal Reserve and other banking regulatory agencies have directed banks to write down bad loans more aggressively, while recapitalizing to shore up reserves.

These combined effects have made obtaining funds for new loans immensely difficult and provided the impetus for central banks around the world to furnish their reserves to maintain market liquidity. In attempts to unfreeze credit operations, the Federal Reserve took the unprecedented step of accepting troubled mortgage-backed securities as collateral in exchange for its Treasury bonds, while extending terms up to ninety days, and providing loans to banks outside of the twenty major banks with which it customarily deals.

The origination of Federal Reserve loans to broker-dealers and investment banks came after a forced sale of Bear Stearns. A liquidity crunch prompted the Federal Reserve to provide \$30 billion in loan guarantees to JPMorgan Chase to purchase the company. The financing was provided to prevent the spread of financial instability throughout financial markets, as Bear Stearns' ongoing operations interacted with intermediaries throughout the world.

Home equity in the U.S. declined to under 50%, resulting from large outstanding loans and falling home values. The first half of 2008 will experience the highest number of mortgage loan rate resets to date. The rapidity of interest rate cuts by the Federal Reserve is expected to provide little cushion to borrowers already in delinquency.

Crude oil rose to a fresh high of \$110/barrel. Commodities, especially dollar-denominated commodities, have risen sharply in price amongst inflation fears and increasing demand. Corn and ethanol prices are expected to rise further as planted acreage falls in favor of expanded wheat and soybean plantings, which remain at record prices.