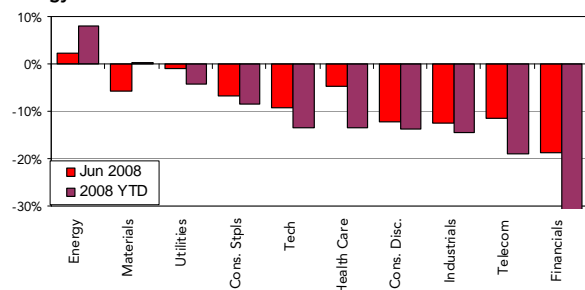


Economic Review

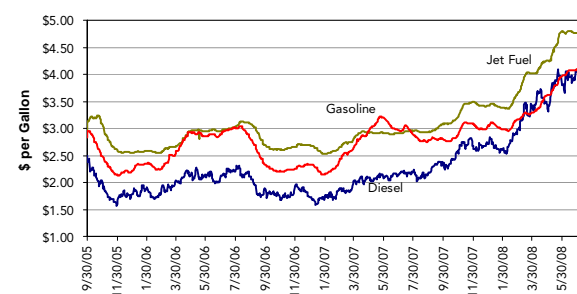
The Presidential primaries ended in June, leaving Republican John McCain and Democrat Barack Obama as the presumptive nominees. Widely differing policies emerged on taxes, energy, and the overall role of government. Obama called for raising capital gains and dividend tax rates, lifting a cap on taxable income for Social Security, and higher spending on alternative energies. McCain supported lifting federal bans on certain oil production and exploration, additional nuclear energy, and permanent status for current income tax rates, which will automatically revert to higher rates in 2010.

Energy and Materials Gain in 2008 YTD



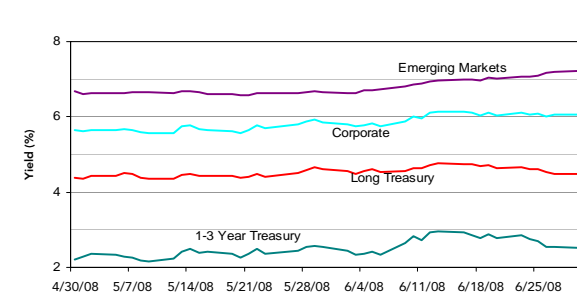
Source: Standard & Poor's
Performance During Month of June

Fuel Prices Set New Records



Source: Bloomberg

Bond Yields Rise as Inflation Grows



Source: Lehman Brothers

As of June 30, 2008

	June	3 Months	YTD
S&P 500	-8.4%	-2.7%	-11.9%
Russell 1000 Value	-9.6%	-5.3%	-13.6%
Russell 1000 Growth	-7.2%	1.3%	-9.1%
Russell 2000	-7.7%	0.6%	-9.4%
MSCI EAFE	-8.2%	-2.3%	-11.0%
LB Agg	-0.1%	-1.0%	1.1%
3-Month T-Bills	0.2%	0.3%	1.2%

Crude oil prices rose to over \$143/barrel. The largest jump of \$10 in one day followed news of a simulated military attack by Israel on potential Iranian targets. Attacks in Nigeria against oil pipelines disrupted output several times, further squeezing the delicate balance between supply and demand. Saudi Arabia announced a small increase in current production, along with plans to increase output capacity by 10% over the next two years. Congress mulled limiting investments in commodities by hedge funds, pension funds, and others to control price swings.

President Bush vetoed a bill that would have imposed a cap and trade system on carbon emissions. The bill would have forced companies to buy rights to emit carbon dioxide, and allowed unused rights to be sold in a market-driven arena. Economic effects of the bill would have imposed enormous costs on electric utilities and their customers, who are the biggest users of coal.

As fuel costs continued to rise, airlines announced further cuts in flights and imposed additional surcharges on luggage. Marking a change in public sentiment, South Dakota approved tentative plans for the first new oil refinery since the 1970s. The new refinery would be able to use lower-grade crude obtained from oil sands found in the Rocky Mountains. Average gasoline prices passed \$4/gallon, while diesel rose even higher. Diesel fuel has increasingly been used to supplement electricity production in developing countries, while the Chinese government stockpiled fuel in the leadup to the Olympics. China also increased regulated fuel prices by 18%, hoping to curtail ever-increasing demand. The IRS raised the mileage allowance to \$0.585/mile.

Flooding in the Midwest caused billions of dollars in damages. The loss of millions of acres of corn and soybeans sent corn prices to record levels. Meat prices, especially pork, are expected to rise sharply as the impact of higher feed costs are passed on to consumers. Transportation costs were sent higher, while trains and trucks were diverted around flooded areas.

The unemployment rate rose to 5.5%, as teenagers seeking summer employment were unable to find work. Employment has declined each month in 2008 as businesses attempt to contain costs.

The European Central Bank hinted at a 0.25% rise in interest rates in July, hoping to control inflation, which remains close to 4% in Europe. Anticipating a similar move in the U.S., bond markets sent yields on most durations higher, although the likelihood of interest rate hikes diminished until later in the year. The stimulus checks provided a temporary boost in retail sales, clouding data on the overall direction of the economy, which would benefit more from permanent tax measures and support for the dollar.