The U.S. Equity Market

The U.S. equity market suffered its worst quarterly loss since the 3rd quarter of 2002 with the Dow Jones Wilshire 5000SM posting a –9.52% return. All three months of the quarter returned negative results, marking five consecutive months of market losses. January's -6.06% retreat was the largest pullback, while February and March saw sequentially narrowed losses of -3.01% and –0.69%, respectively. Continued credit and liquidity strain, capitulated by the weekend collapse of Bear Stearns, kept equity market volatility at relatively high levels during the quarter (VIX 1st Qtr Avg. = 26.12 vs. Year 2007 Avg. = 17.57)

U.S. Equity	**MTD (%)**	**QTD (%)**	**YTD (%)**	**1 Year (%)**
Dow Jones Wilshire 5000SM	-0.69	-9.52	-9.52	-5.76
S&P 500	-0.43	-9.45	-9.45	-5.08
Dow Jones Wilshire 4500	-1.77	-9.83	-9.83	-8.69
U.S. Equity by Size/Style	**MTD (%)**	**QTD (%)**	**YTD (%)**	**1 Year (%)**
Dow Jones Wilshire 2500	-0.66	-9.47	-9.47	-5.48
Dow Jones Wilshire – Large Cap	-0.60	-9.44	-9.44	-4.66
Dow Jones Wilshire Large Growth	-0.76	-9.90	-9.90	-1.26
Dow Jones Wilshire Large Value	-0.42	-8.93	-8.93	-8.10
Dow Jones Wilshire – Small Cap	-1.12	-9.65	-9.65	-11.30
Dow Jones Wilshire Small Growth	-1.60	-12.02	-12.02	-9.18
Dow Jones Wilshire Small Value	-0.59	-6.99	-6.99	-13.40
Dow Jones Wilshire Microcap	-2.57	-12.52	-12.52	-21.23

No size or style segment was immune from the general market downdraft, but small capitalization value stocks faired best, as the DJ Wilshire Small Value Index surrendered –6.99% for the quarter versus a more severe –12.02% retreat for the DJ Wilshire Small Growth Index. Bucking the recent trend, growth stocks also lagged value in the large capitalization segment with the DJ Wilshire Large Growth and Value Indexes returning –9.90% and –8.93%, respectively. The DJ Wilshire Microcap Index posted the largest losses among size segments, down –12.52% during the quarter.

The Telecommunications and Technology groups led all industries lower with returns of –14.96% and –15.93% respectively. Basic Materials, buoyed by rising commodity prices, was the best performing industry, down a relatively mild –3.49%. The Fed has gotten increasingly aggressive in its response to the current economic slowdown and credit crunch. In addition to cutting rates 3% during this easing cycle, the Bernanke-led central bank has proven itself to be very creative in identifying alternative ways of getting capital to where it is most needed. The Fed's most innovative move to date was its handling of the imminent collapse of Bear Stearns. While controversial, the Fed's brokering of JP Morgan's takeover of Bear Stearns via guarantees of $29 billion was well received by markets.

The Non-U.S. Equity Market

Winding up the worst quarter since the 3rd quarter 2002, the MSCI AC World ex U.S. and EAFE indexes returned -9.14% and -8.91% respectively. In local currency terms, the quarter-to-date returns were more dramatic with all Non-U.S. indices displayed below posting double digit losses. During the quarter, Industrial output in Japan fell by -1.2% in February, coming in above economist expectations of -2.2% but still marking a second straight month of industrial output decline. Emerging markets continued to hold onto their one-year holding period return gains despite a double digit loss this quarter. This pullback follows six straight quarters of positive returns.

	USD (%)				Local Currency (%)			
Non-U.S. Equity	**MTD**	**QTD**	**YTD**	**1 Year**	**MTD**	**QTD**	**YTD**	**1 Year**
MSCI AC World ex US	-2.19	-9.14	-9.14	2.15	-3.71	-13.41	-13.41	-8.86
MSCI EAFE	-1.06	-8.91	-8.91	-2.70	-3.84	-14.96	-14.96	-14.79
MSCI Europe	0.41	-8.62	-8.62	0.18	-2.55	-13.94	-13.94	-11.71
MSCI Pacific	-4.33	-9.56	-9.56	-8.93	-6.69	-17.11	-17.11	-21.16
MSCI Japan	-4.05	-7.80	-7.80	-14.71	-8.27	-17.86	-17.86	-28.10
MSCI EM (Emerging Markets)	-5.29	-11.00	-11.00	21.33	-4.22	-11.01	-11.01	15.92

The Fixed Income Market

Turmoil in credit markets led to several regulatory actions during the quarter. Treasury Secretary Henry Paulson officially released the Treasury's Blueprint for Financial Regulatory Reform, viewed as the largest overhaul of U.S. financial regulation since the Great Depression. The Federal Reserve opened its lending window to brokerage firms to add more stability to the market. Concerns about the economy led to spread widening for investment grade and junk bonds by 100 and 200 basis points respectively. Treasuries across the duration spectrum experienced another quarter of strong returns.

U.S. Fixed Income	**MTD (%)**	**QTD (%)**	**YTD (%)**	**1 Year (%)**
Lehman U.S. Aggregate	0.34	2.17	2.17	7.67
Lehman 1-3 Year Govt.	0.30	2.97	2.97	8.76
Lehman Long Term Treasury	0.87	3.97	3.97	12.98
Lehman U.S. Credit	-0.96	0.43	0.43	3.99
Lehman U.S. Corporate High Yield	-0.34	-3.02	-3.02	-3.74
Non-U.S. Fixed Income	**MTD (%)**	**QTD (%)**	**YTD (%)**	**1 Year (%)**
Lehman Global Aggregate	2.04	6.63	6.63	15.25
Lehman Global Aggregate (Hedged)	-0.06	1.88	1.88	6.07
Lehman Non-U.S. Govt.	3.48	10.36	10.36	21.13
Lehman Non-U.S. Govt. (Hedged)	-0.05	2.15	2.15	6.10

The Real Estate & Commodity Markets

Another quarter of poor housing market performance stoked existing fears of recession. Several metropolitan areas with high loan to value markets are contending with negative equity situations where owners, whose loan obligations are greater than their equity, are intentionally allowing lenders to foreclose on properties. The negative wealth impact of falling home prices nationwide has led to forecasts of a broad based decline in consumer spending.

While commodity prices fell substantially by month end on bearish news from the U.S. Department of Agriculture and profit taking, commodity indexes ended the quarter with substantial gains. General fears of inflation led to inflows into commodity indices and fueled trader expectations of continued investor interest. Soft commodities most recently led the headlines with year over year Soybean and All Wheat supplies down 20% and 17% respectively as of month end. Crude Oil also hit a new high settling mid month at $109.92 on the New York Mercantile Exchange.

Real Estate / Commodity	MTD (%)	QTD (%)	YTD (%)	1 Year (%)
Dow Jones Wilshire U.S. RESI	6.60	2.12	2.12	-18.93
Dow Jones Wilshire Non-U.S. RESI	-1.96	-6.88	-6.88	-18.30
Dow Jones Wilshire Global RESI	1.53	-3.23	-3.23	-18.57
Dow Jones AIG Commodity (DJ-AIG)	-6.34	9.60	9.60	21.80
Goldman Sachs Commodity (GSCI)	-1.17	9.92	9.92	38.62