Second Quarter Market Review

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In investing for retirement, it is essential to keep a long-term time horizon in mind, recognizing that short-term fluctuations in portfolio value are inherent when investing in securities. For those interested in tracking these short-term fluctuations and their causes, below is given a brief market summary for Second Quarter, 2007. Keep in mind when looking at this data that past performance is not indicative of future results.

Though tempered near the end of quarter by rising interest rates and concerns with the sub-prime lending markets, domestic equities had a strong showing overall, owing in large part to strong first quarter corporate earnings and positive spending data. Large cap stocks led the way, up 6.28% for the quarter (as measured by the S&P 500 Index), with mid cap (S&P 400 Mid Cap) and small cap (Russell 2000) stocks up 5.84% and 4.41%, respectively.

The failure of the Federal Reserve to lower its target rate, coupled with increasing interest rates overseas led to a general decrease in bond prices for the quarter, with the domestic broad fixed income market (Lehman Brothers Govt./Credit) down 0.48%, and the government fixed income market (Lehman Brothers Intermediate Govt.) essentially breaking even, up 0.01%.

A strong showing by the emerging markets led the way in international equities, leading to outperformance overall compared to domestic equities. China, in particular, bounced back very solidly after a sharp pullback in first quarter. The international equity markets as a whole (MSCI-EAFE) ended the quarter up 6.67%

To illustrate performance results for the securities markets, we have set-up three hypothetical portfolios: 1) Aggressive Portfolio, 2) Moderate Portfolio, and 3) Conservative Portfolio. These should not be construed as "recommended" portfolios, but rather simply as a means of illustrating market performance over historical periods. The portfolio weightings used are as follows:

Aggressive	
Large Cap	50%
Mid Cap	20%
Small Cap	20%
International	10%

Moderate	
Large Cap	40%
Mid Cap	10%
Small Cap	10%
International	10%
Fixed	20%
Government	10%

Conservative	
Large Cap	40%
Fixed	30%
Government	25%
Cash	5%

Below are given the performance returns of these portfolios as of the end of Second Quarter, 2007. Note that for the quarter, Aggressive Portfolio outperformed both the Moderate Portfolio and the Conservative Portfolio. This can be attributed to its more substantial weightings in equities, which outperformed debt securities overall for the three-month time horizon. Remember that past performance is no guarantee of future returns.

Performance Returns as of 6.30.07					
	1 Month	**3 Month**	**1 Year**	**3 Year**	**5 Year**
Aggressive	-1.55%	5.86%	20.04%	13.83%	12.78%
Moderate	-1.04%	4.11%	16.23%	10.89%	10.20%
Conservative	-0.67%	2.43%	11.63%	6.78%	6.68%

*Benchmark Indexes used are as follows: **Large-Cap stocks** – S & P 500 Index, **Mid-Cap Stocks** – S & P 400 Index, **Small-Cap Stocks** – Russell 2000 Index, **International stocks** – MSCI-EAFE Equity Index, **Broad Fixed Income** – LB Government/Corp. Bond Index, **Government Bonds** – LB Intermediate Government Bond Index, **Cash/Cash Equivalents** – 30 Day Money Market Index