

April 2008

Dear Client,

Investors were cautious during the first quarter of 2008, preferring to wait out market developments and watch the effects of recent actions taken by the Federal Reserve Board (“Fed”). Many responded to the market’s volatility by seeking safety in treasury bonds. Overall, economic signals were mixed, but the Fed’s quick and decisive actions to inject liquidity in the system were taken by many as a strong positive signal of government.

First Quarter Markets

The markets saw a few trend reversals, including value stocks taking the lead over growth, as well as emerging markets declining within most equity styles. The ‘flight to quality’ continues as investors favored treasuries over credit. The US dollar lost terrain against both the Euro and the Yen by 7.59% and 10.76% respectively (source: Bloomberg).

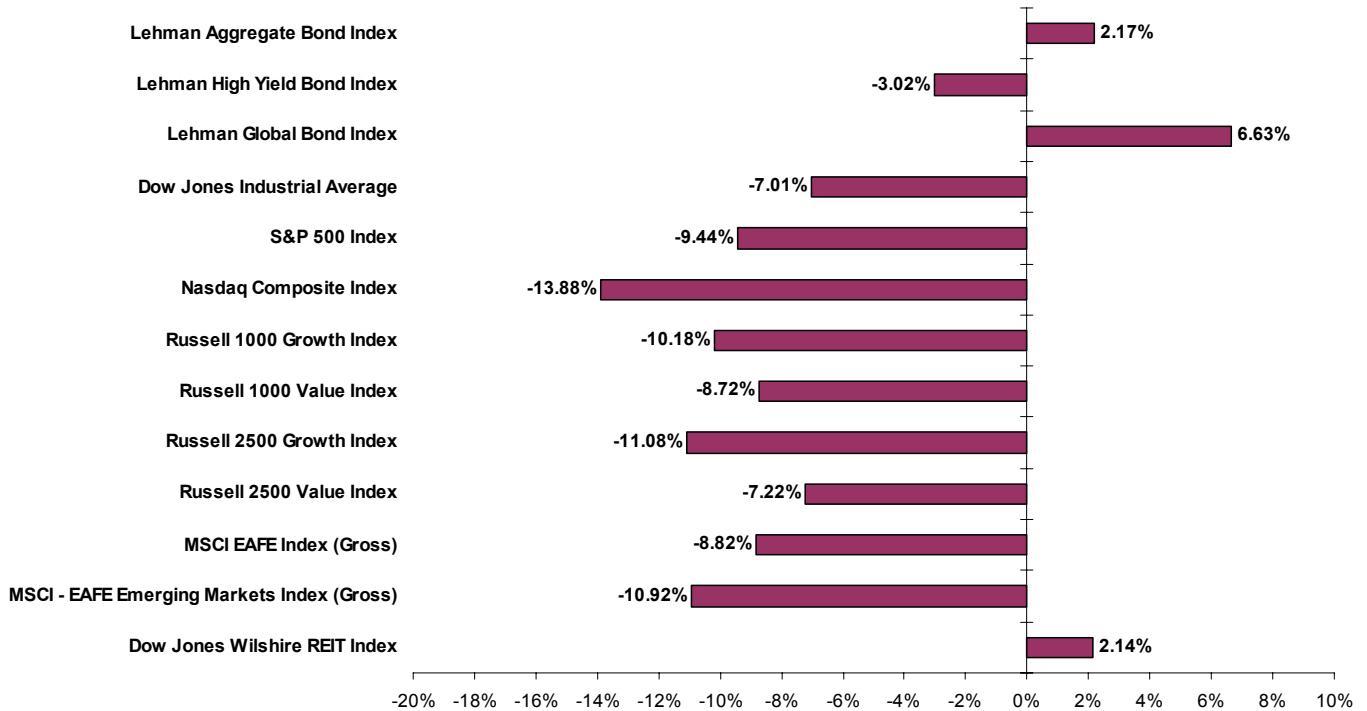
The graph below shows returns for the first quarter of 2008 for the major indexes. Here are a few of the trends and returns that we think are particularly noteworthy:

- Within the overall U.S. equity market, value stocks outperformed growth stocks. However, the results were mixed by capitalization. (source: Russell indexes).
- Aided by the weakness of US currency, developed markets outperformed the broad US equity markets in dollar terms. It is important to note that the differential between local currency and US dollar returns was around 6% for the quarter (source: mscibarra.com).
- Emerging markets underperformed the US and Developed equity markets. The biggest laggards were India, China and Turkey, which had been the drivers of strong positive returns in 2007. (source: mscibarra.com).
- Real estate, as measured by the Dow Jones Wilshire REIT Index, provided a modest positive return fueled mainly by the Self-Storage and Apartments sector. (source: djindexes.com)
- In the fixed income space, US corporate spreads widened against treasuries near all time high levels as a result of a massive repricing of risk combined with the lack of liquidity. The Federal Reserve Board continued to reduce both the discount rate and Fed Funds Rate (sources: Lehman Brothers, Bloomberg; Federal Reserve Board).
- According to the US Department of Treasury, yields continued to decline during the first quarter across all durations as follows:
 - 30-day T-Bill yields declined from 3.09% to 1.22%
 - 10-year note yields declined from 3.91% to 3.45%
 - 30-year bond yields declined from 4.35% to 4.30%.

U.S. Economic Report

Cuts in the Fed Funds rate at the January and March meetings of the Federal Reserve Board brought the rate down to a current level of 2.25%. Analysts anticipate another 25 bps cut to the Fed Funds rate (source Bloomberg survey on March 11, 2008). The revised Gross Domestic Product (GDP) number for the fourth quarter of 2007 came out below expectations at a 0.6% growth rate (source: Bureau of Economic Analysis). Expectations for the first quarter of 2008 (according to the Bloomberg survey conducted on March 11, 2008) are for GDP to check in at a modest 0.1%.

2008 Q1 Index Returns



An index is a portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Indexes are unmanaged with no associated expenses, and investors cannot invest directly in an index. Past performance is no guarantee of future result. The index returns are all "Total Return" with dividends reinvested, which means the return includes not only the change in price for the securities in the index, but any income generated by those securities. Source: Bloomberg, Lehman Brothers, Wilshire Associates.

Oil prices continued to trend higher and ended the quarter 5.83% over year-end 2007 levels. Commodities, as measured by the Dow Jones/AIG Commodity index, were up 9.60% for the period. (sources: Federal Reserve Board; Bloomberg, closing prices at the end of trading date on March 31, 2008).

While the slowdown in the housing market and tightening in the credit markets remain problematic, economists are now watching consumer sentiment and unemployment as major concerns. A mild recession seems to be already priced into the markets as the second half of the year offers a more optimistic outlook based on expected GDP growth and the confidence that the Fed has injected into the markets (source: Bloomberg)

Staying on track

Today's valuations suggest that patient investors with a long-term investment horizon and a diversified portfolio will be rewarded. In times like this, it is important that clients stay the course and avoid emotional reactions.

Of course, as the markets shift and your needs and goals evolve, a reassessment and "fine tuning" of your portfolio may be appropriate. If you would like to reassess your portfolio, please contact me at XXX-XXX-XXXX, we welcome the opportunity to spend time with you reviewing your financial objectives and answering any questions you may have.

Sincerely,