



1Q08 Flash Report

Market Summary

Economic output continued to weaken during Q1 as home values declined, lending activity froze, and energy prices soared. The markets experienced unprecedented intervention by the Fed through numerous reductions of the Fed Funds Rate (by 2% over several cuts to end the quarter at 2.25%) as well as various fiscal stimuli, including the Term Auction Facility (TAF). Furthermore, the Fed's bailout of Bear Stearns at the end of the quarter showed investors that much dust remains to settle from the liquidity crisis that began last summer.

Domestic Equities: The first quarter of 2008 was disappointing as all major US equity indices performed negatively. Investors disregarded market cap and investment style. The S&P 500 lost (9.4%) during Q1. The better performing stocks of 2007 tended to be the worst performing in Q1.

International Equities: The international arena was not spared from the massive sell off during Q1. The MSCI EAFE lost (8.9%) and Emerging Markets gave up much of the gains seen in 2007, losing (11.3%) during the quarter.

Bond Markets: Flight to quality was the theme for Q1 as investors sought out the safe haven of fixed income. Treasuries performed the best, with the 10 year returning 5.8%, while high yield and corporates lost ground with both in negative territory.

Return Summary

