

Economic Signals

Q2 2008

- Real GDP (final) rose modestly at an annual rate of 1.0% on an inflation-adjusted basis in the first quarter of 2008 – a revision upward from the earlier estimates, and above the anemic 0.6% experienced in the 4th quarter of 2007.
- After lowering the Fed Funds rate again by 25 basis points at the end of April, the Fed ended a nine month period of rate drops, leaving the key short-term interest rate unchanged at 2.0% at their June meeting citing concerns over the risk of inflation.
- In the second quarter of 2008, the US Dollar rebounded versus the Yen (+6.0) but remained relatively stable against the Euro (+0.4%) and the Pound (+0.3%)
- After narrowing more than expected in March to \$56.5 billion, the international trade deficit widened in April to \$60.5 billion as overall imports – fueled by surging oil prices – more than offset a solid 3.3% gain in exports. The trade gap narrowed unexpectedly in May to \$59.8 billion as exports, helped by the weak dollar, climbed to all-time highs.
- Oil prices jumped sharply during the 2nd quarter, with new highs being recorded on nearly a daily basis, closing at just over a record \$140/barrel – up from \$101/barrel at the end of March. Prices have doubled in the past year – a year ago, the cost of oil was \$70/barrel.
- The Consumer Price Index surged 1.1% in June on rising energy and food prices, following a 0.6% jump in May and a more modest 0.2% rise in April. Overall prices have risen by 5.0% in the last 12 months, the highest annual increase since May, 1991.
- The PMI index rose unexpectedly to 50.2% in June (up from 49.6% in May), a level that indicates expansion in the manufacturing sector for the first time since January.
- Industrial production advanced a larger than expected 0.5% in June after tumbling 0.7% in April and 0.2% in May. June manufacturing output was boosted by a 5.4% jump in motor vehicles and parts following the end of a strike that had idled plants since February. For the quarter as a whole, output declined at an annual rate of 3.1%.
- The total business inventory to sales ratio dropped to 1.24 at the end of May, which is below the 1.26 level a year ago.
- First quarter productivity in the non-farm business sector was revised upward to 2.6%, while unit labor costs – the best measure of inflationary pressures emanating from the labor market – were revised down to a relatively benign gain of 2.2%. Year-over-year, productivity grew at stellar 3.3% and unit labor costs just 0.7%.
- The unemployment rate jumped to 0.5% to 5.5% in May, remaining at that level in June as employers continued to trim jobs from their payrolls for the sixth straight month. May's was the largest monthly gain in more than 20 years and left the rate at its highest since October 2004.
- Retail sales jumped a higher-than expected 1% in May, as the impact of the economic stimulus checks kicked in. However, they rose a meager 0.1% in June reflecting plunging sales in the auto industry and soaring gasoline prices.
- The housing market continues to struggle: After rising 2% in May, existing home sales fell 2.6% in June a seasonally adjusted annual rate of 4.86 million units – 15.5% below the level a year ago. Housing prices have risen for the last 4 months although they are 6.1% below June 2007 prices. New home sales rose 3.3% in the quarter, declining in May and June following a 5.6% rise in April and ended at a seasonally adjusted 530,000 annual rate which is 33.2% below the June 2007 level. Housing starts rose 7.9% in the second quarter to an annual rate of 1,066,000 units. However, much of this gain was attributed to builders in New York City who began construction before a building code change on July 1.
- The State Street Investor Confidence Index® which measures investor confidence by analyzing buying and selling patterns of institutional investors, rose steadily in the second quarter, reaching a level of 81.4 in June – up 15.5 points from its low in December 2007.
- Consumer confidence continues to erode: The Conference Board's Consumer Confidence index dropped 14.1 points in the quarter to an abysmally low 50.4, suggesting that consumers are their most down-beat in over 16 years.

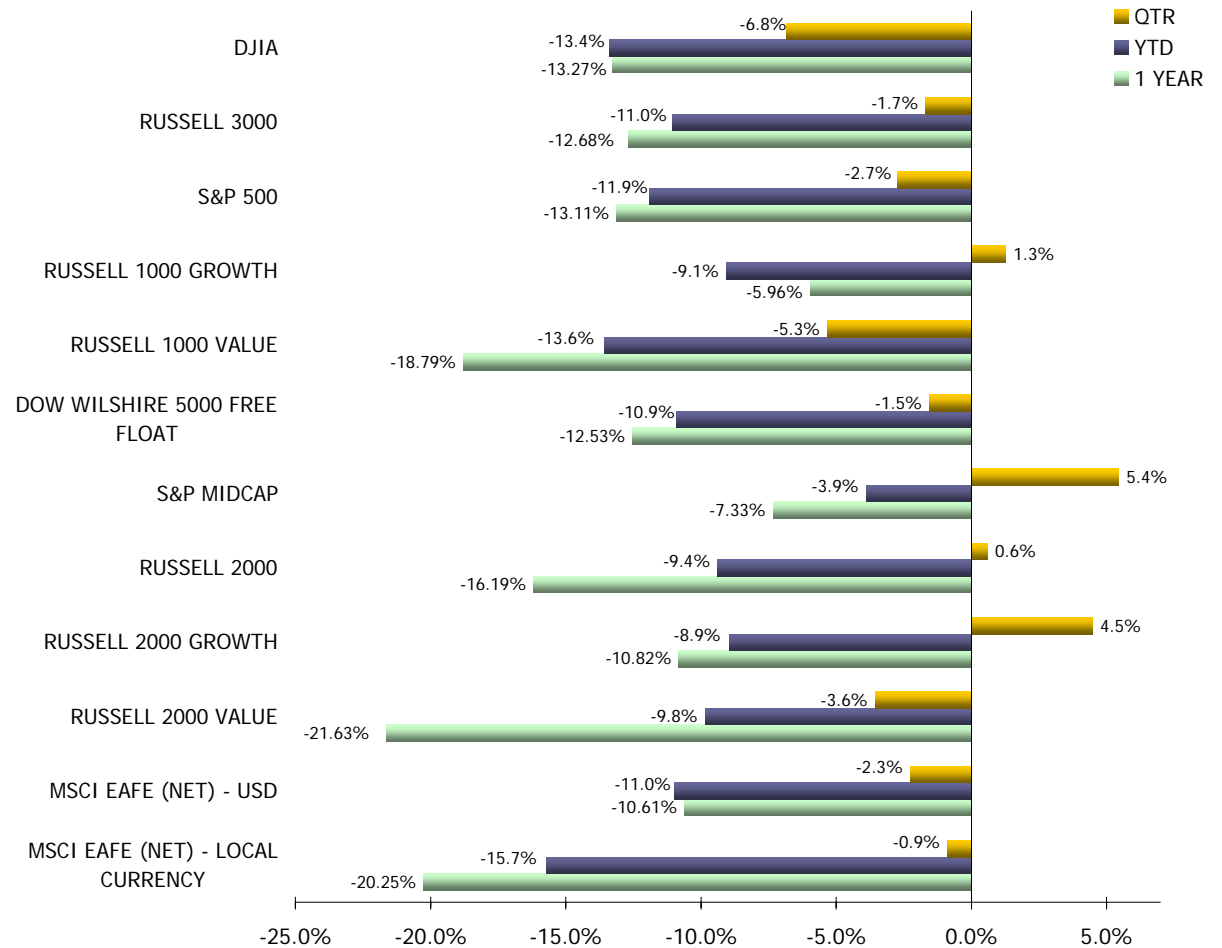
Equity Index Returns - Short Term

Returns as of 6/30/08

In both the last six months and year ending June 2008, all major equity indices suffered losses. However, in the current quarter, several indices achieved gains: the S&P MidCap Index rose 5.4% and the Russell 2000 Growth Index gained 4.5%; the Russell 1000 Growth and the Russell 2000 were also up modestly. The Dow Jones Industrial Average lost the most in the quarter – down 6.8%, followed by the Russell 1000 Value which lost 5.3%.

For both the year-to-date and one year periods, all major indices fell. The S&P MidCap Index lost the least in both periods, down 3.9% and 7.3% respectively. Among the US indices, Value stocks took the biggest hit for the year: the Russell 2000 Value Index fell 21.6% followed by the Russell 1000 Value Index which lost 18.8%. The Russell 1000 Value Index and the Dow Jones Industrial Average lost 13.6% and 13.4%, respectively in this period.

International indices lost value in both US dollar and local terms in all three periods. The MSCI EAFE in local currency terms lost nearly as much as the Russell 2000 Value Index for the year: It fell 20.3%. On a year-to-date basis, its lost more than the major US indices, dropping 15.7%.

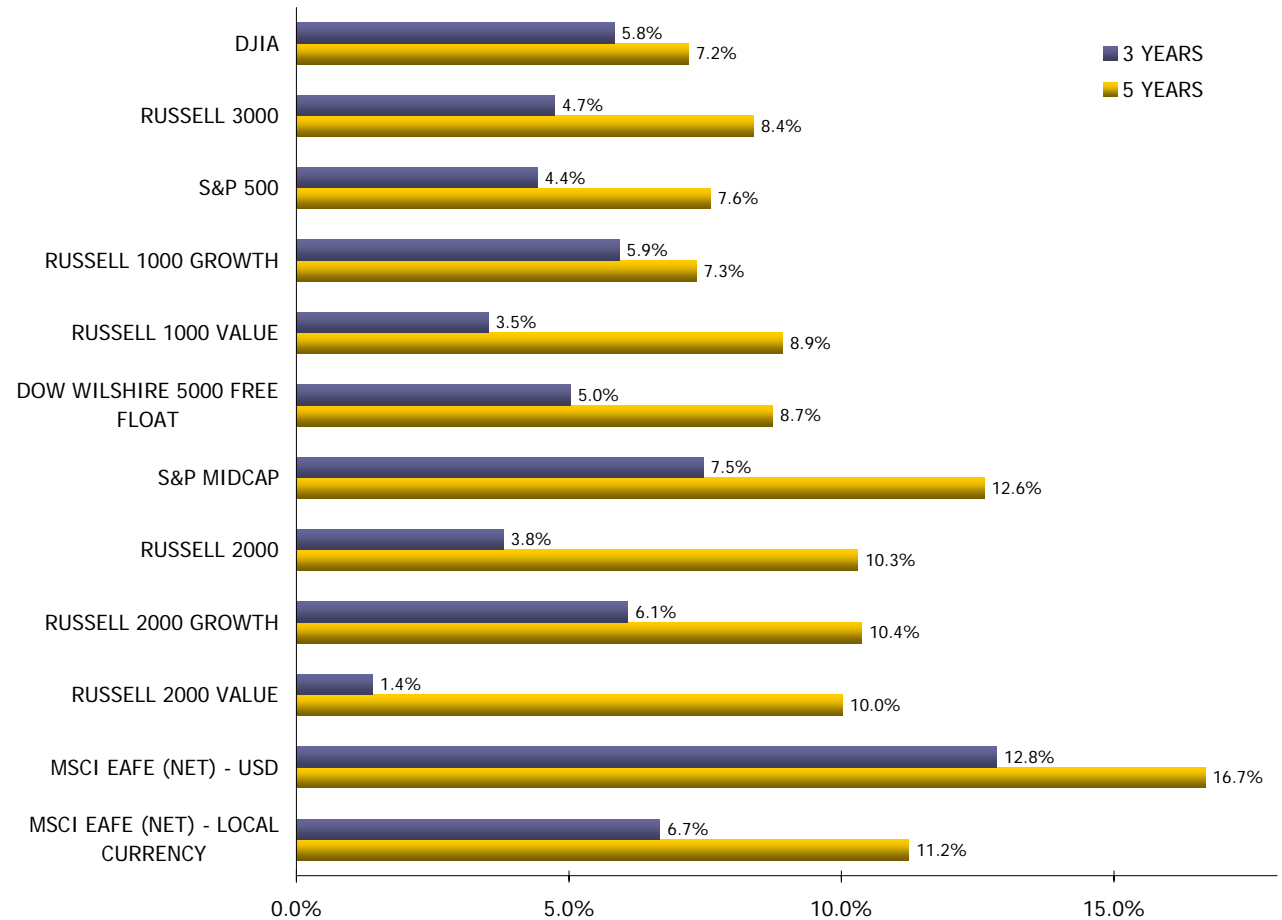


Equity Index Returns - Long Term

Returns as of 6/30/08

All major indices showed positive returns for the last three and five years, but MSCI EAFE in US dollar terms significantly outperformed all US indices with gains of 12.8 and 16.7%, respectively.

Among the domestic indices, the S&P Mid Cap Index led in both periods with gains of 7.5% and 12.6%, respectively. In the last 3 years, the weakest performance was turned in by the Russell 2000 Value Index which earned only 1.4%. For the 5-year period, the Dow Jones Industrial Average grew the least, up a still respectable 7.2%.



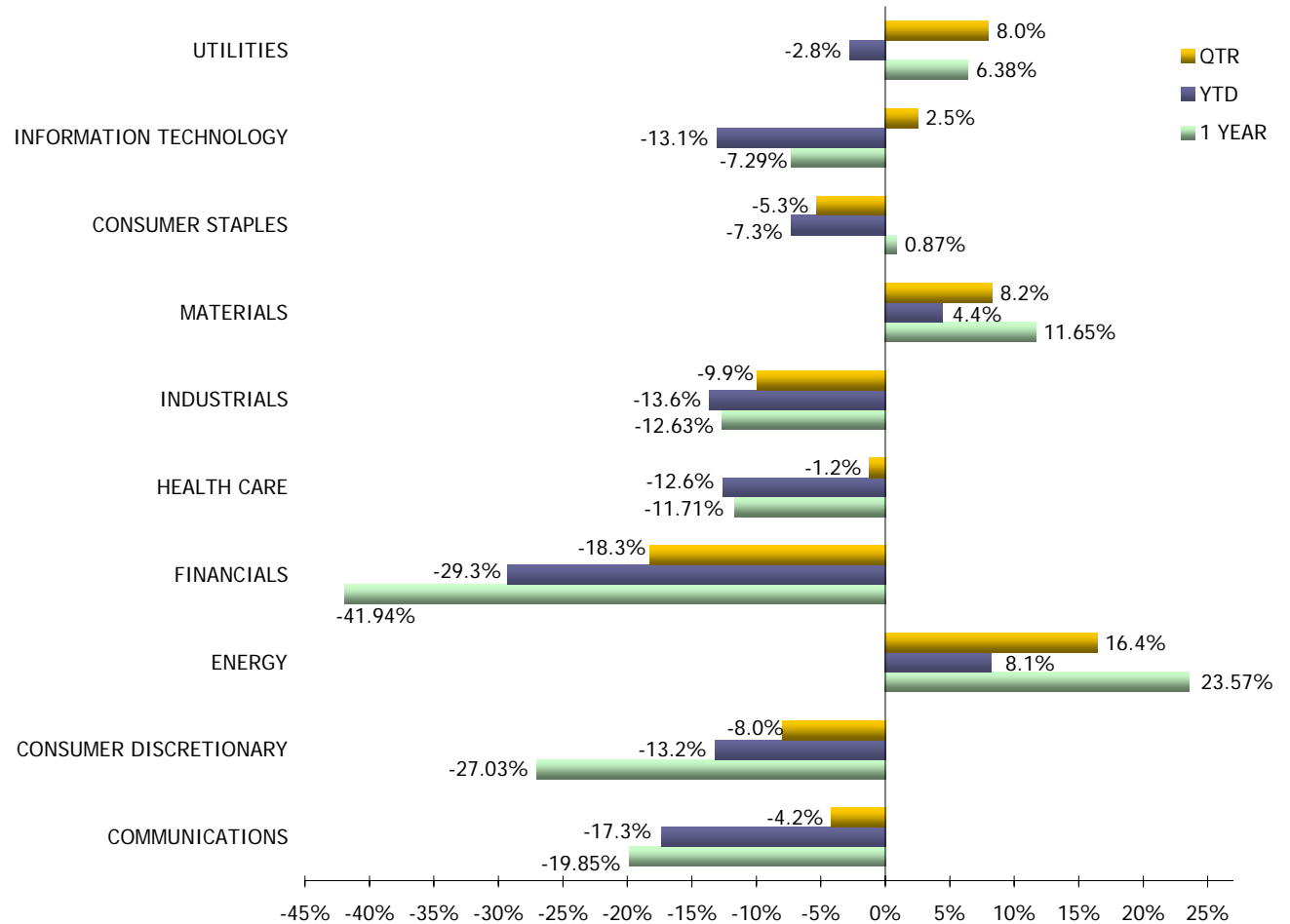
Equity Sector Returns

S&P 500 Economic Sector Returns as of 6/30/08

The past year has been particularly difficult as the impact of the subprime lending crisis, the falling housing market, soaring gasoline prices, declining consumer confidence, and the collapse of Bear Stearns rippled through the economy.

Financials lost 18.3% in the second quarter, 29.3% in the last six months, and an astounding 41.9% in the last year in wake of loan write-downs and rising concerns over the viability of a number of financial institutions. The Consumer Discretionary and Communications sectors also experienced steep declines for the year ended June 30th, falling 27.0% and 19.9% respectively.

The only bright spots were Energy, Materials, and, to a lesser extent, Utilities. Energy stocks rose 16.4% in the quarter and 23.6% for the year, while Materials were up 8.2% and 11.6% for the same periods.



Equity Sector Returns - Long Term

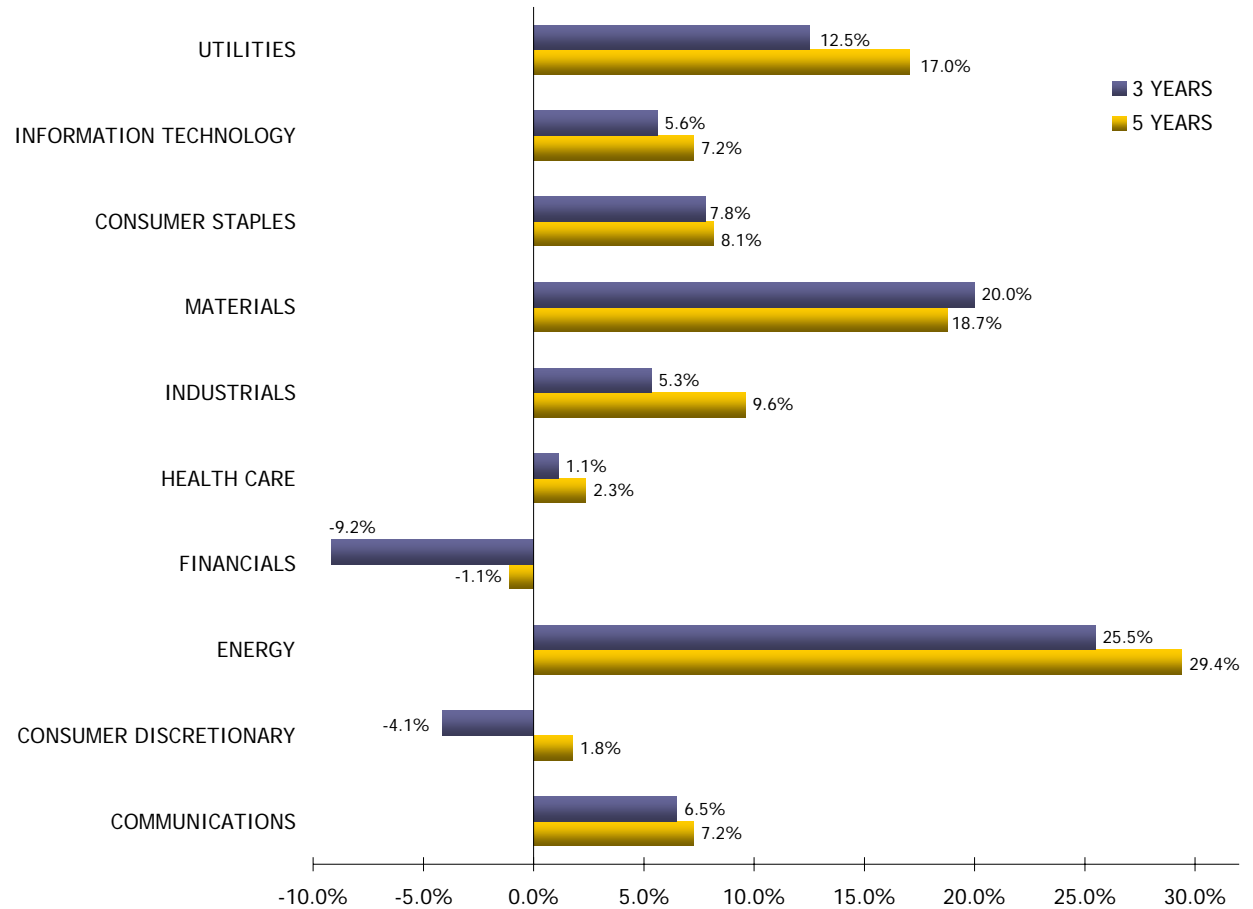
S&P 500 Economic Sector Returns as of 6/30/08

There was a wide range of results among the sectors for the 3- and 5- year periods, as well.

Energy stocks gained an impressive 25.5% and 29.4% for the 3- and 5-year periods, respectively, followed by Materials at 20.0% and 18.7% and Utilities (up 12.5% and 17.0%)

The significant hit the Financial sector took in the last year wiped out gains of prior years.

Financials lost 9.2% and 1.1% in the 3- and 5-year periods. Consumer Discretionary also did poorly in these same periods, losing 4.1% in the last 3 years and up only 1.8% in the 5 year period.



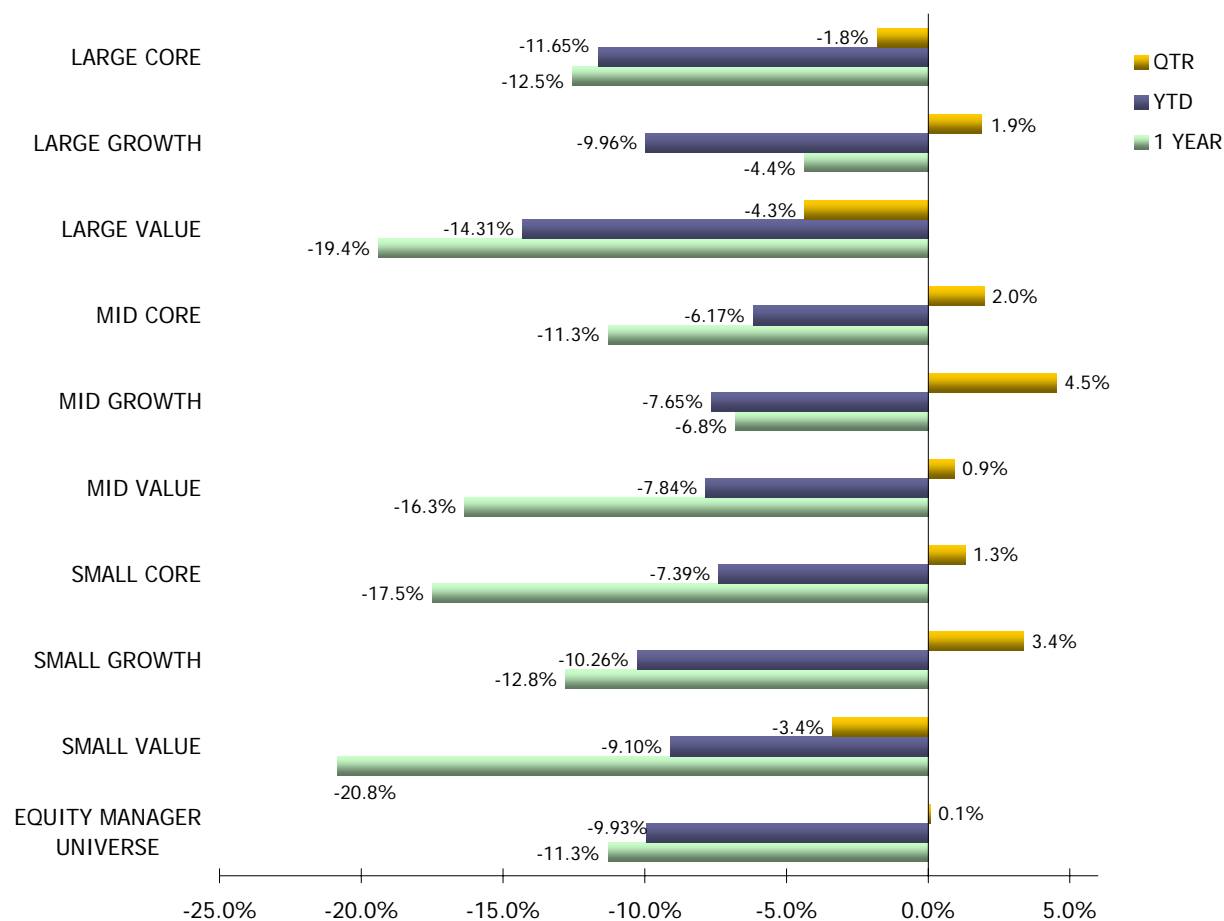
Managed Equity Portfolios Style Spectrum Returns - Short Term

Equity Only Median Returns as of 6/30/08

In the second quarter, most styles rebounded ending in positive territory. Only Large Value, Small Value, and Large Core lost ground. For the full year and year-to-date periods, however, all styles experienced losses.

In both the second quarter and for the full year ending June 30th 2008, growth stocks within each size band did best while value stocks had the lowest performance. In the second quarter, Mid-Cap Growth stock portfolios recorded the greatest gains, with a median return of 4.5%, followed by Small Cap Growth portfolios at 3.4%. Large- and Small-Cap Values lost the most ground, down 4.3% and 3.4%, respectively.

For the full year, Large Cap Growth and Mid Cap Growth portfolios lost the least, down 4.4% and 6.8%, respectively, while Small Cap Value and Large Value took the deepest cuts tumbling 20.8% and 19.4%, respectively. In the first size months of 2008, Large Value and Large Core funds lost most, falling 14.3% and 11.6%, respectively, and Mid- and Small-Cap Core lost the least – down 6.2% and 7.4%.



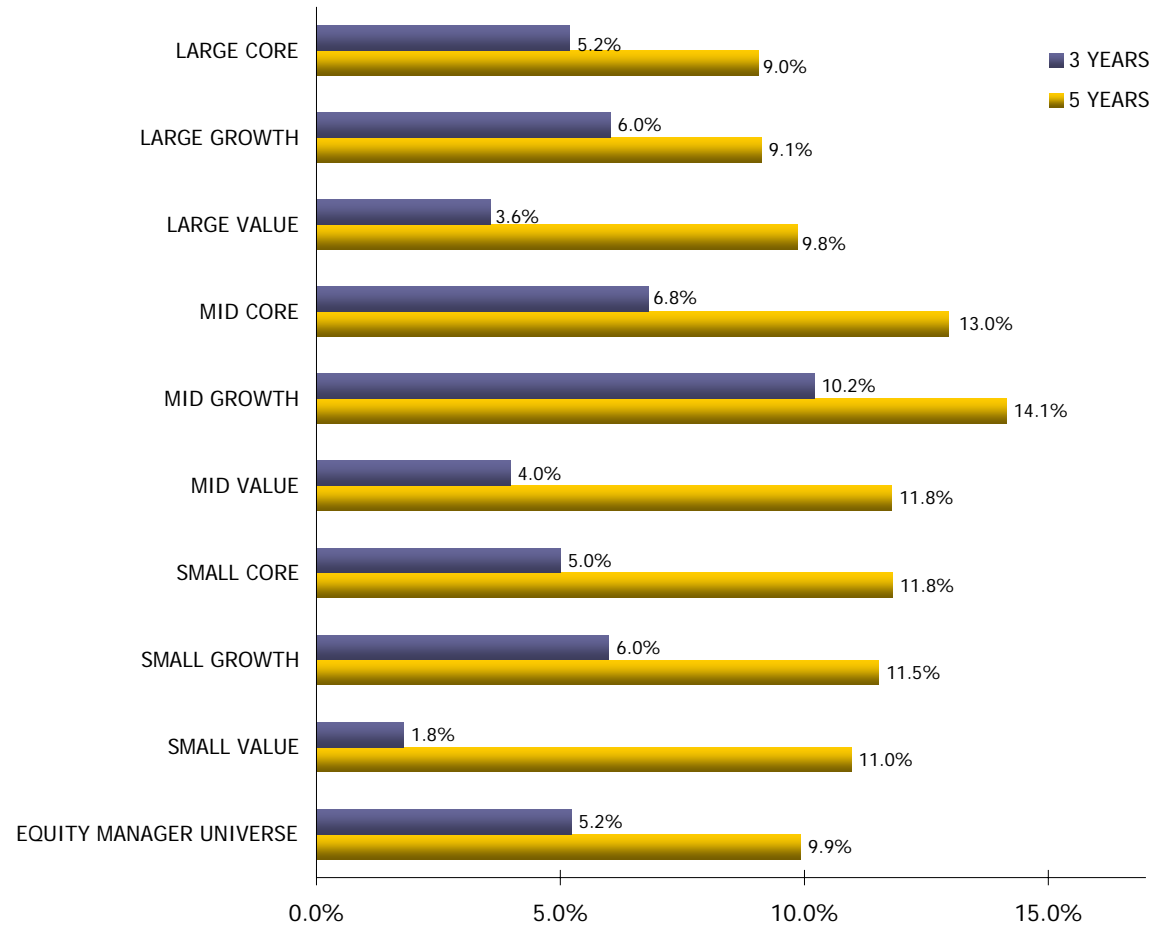
Managed Equity Portfolios Style Spectrum Returns - Long Term

Equity Only Median Returns as of 6/30/08

In both the 3- and 5-year periods, all styles posted positive median returns.

For the 3 year period ending June 30, 2008, Growth-oriented portfolios had the highest median returns within each size band, and Value-oriented portfolios had the lowest median returns – as well as the lowest returns overall. Within each style, Mid-Cap portfolios recorded the highest returns and Small Cap portfolios the lowest. Mid-Cap Growth portfolios posted the highest median return – up 10.2% -- and Small Cap portfolios the lowest, up only 1.8%.

For the 5 year period, all styles turned in a strong performance. Mid-Cap funds experienced the highest median returns within each style while Large Cap funds gained the least – and experienced the lowest gains overall. Mid-Cap Growth funds reaped the greatest gain in the period, with the median fund rising 14.1% while Large Cap Core and Growth funds had the lowest returns in the period, up a very respectable 9.0% and 9.1%, respectively.



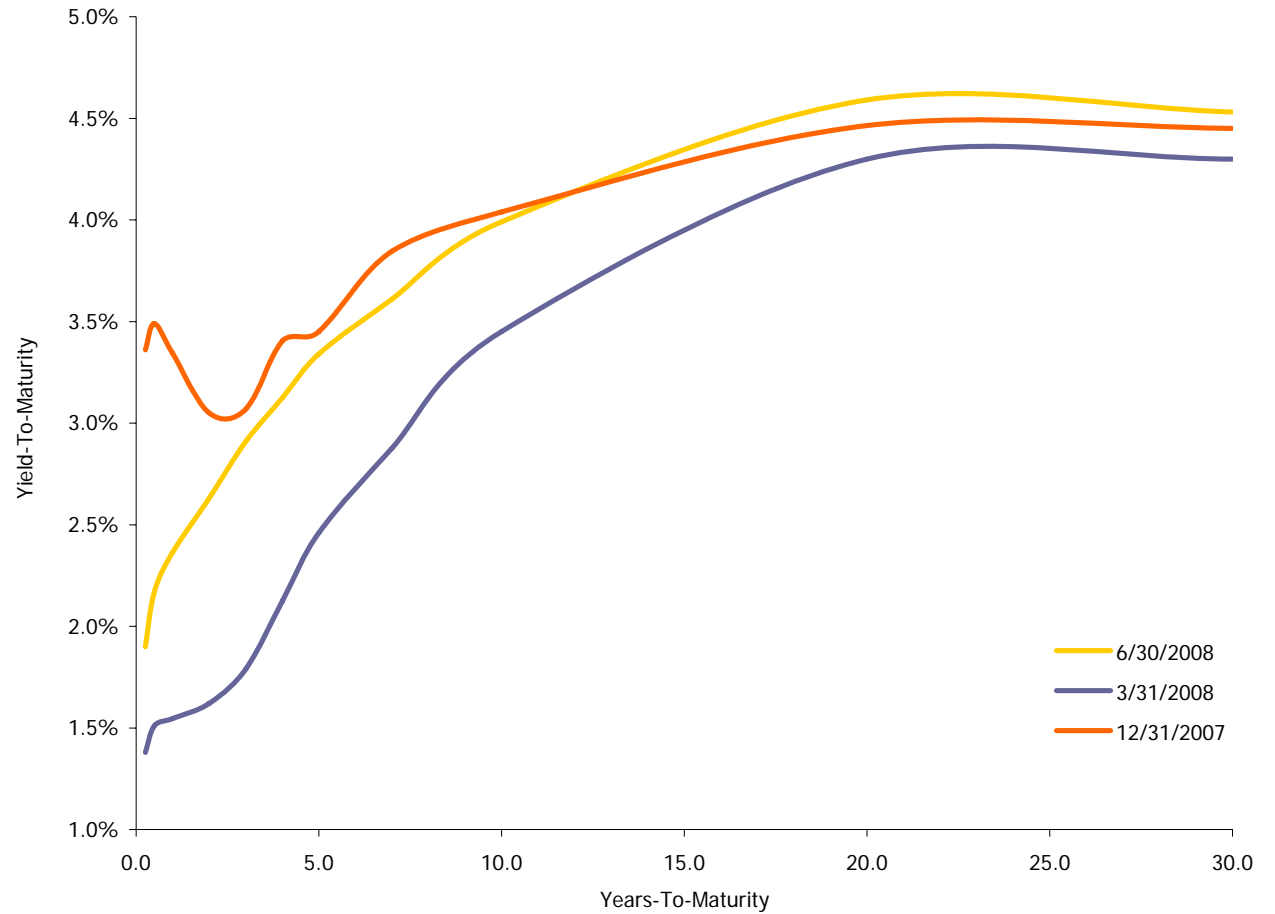
Treasury Yield Curve

Interest Rate Term Structure

Government Issues - 3 Months to 30 Years Maturity

In the wake of the continuing housing market crisis, the near-failure of Bear Stearns, and a deteriorating economy, the Fed cut interest rates by another 25 basis points in April. The interest rate stands now at 2.0%. However, it left the rate unchanged at its June meeting – the first time in nine months that the rate was not cut -- indicating concerns over the risk of inflation.

In the last 3 months, the yield curve has shifted upwards. Long term yields now exceed the rates in place at the end of 2007.

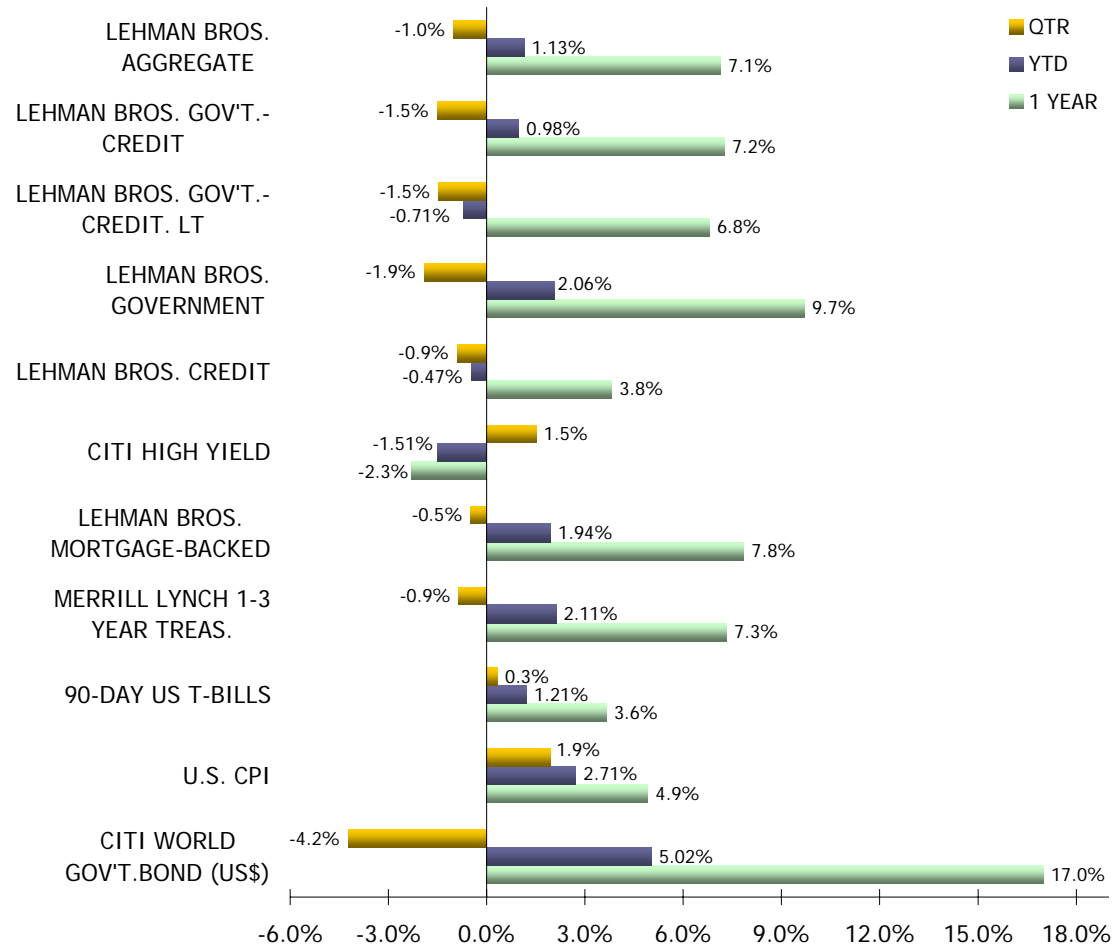


Fixed Income Index Returns - Short Term

Returns as of 6/30/08

In the second quarter of 2008, most key Fixed Income indices lost value. The two exceptions were the Citi High Yield Index with a gain of 1.5% and 90-Day T-Bills which were up only 0.3%, both below the CPI. The Citi World Government Bond index showed the biggest loss in the quarter -- down 4.2% -- yet it outperformed the US indices on both a year-to-date basis, earning 5.2%, and for the full year ending June 30th, rising a whopping 17.0%.

Among the domestic indices, the Lehman Brothers Government Index experienced the largest gain for the year, rising a substantial 9.7%, followed by the Lehman Brothers Mortgage-Backed Index which rose 7.8%. The Citi High Yield Bond Index was the only index to lose value for the year – it fell 2.3% -- and experienced the greatest decline for last six months as well (down 1.5%). None of the key domestic bond indices exceeded the CPI for the year-to-date.

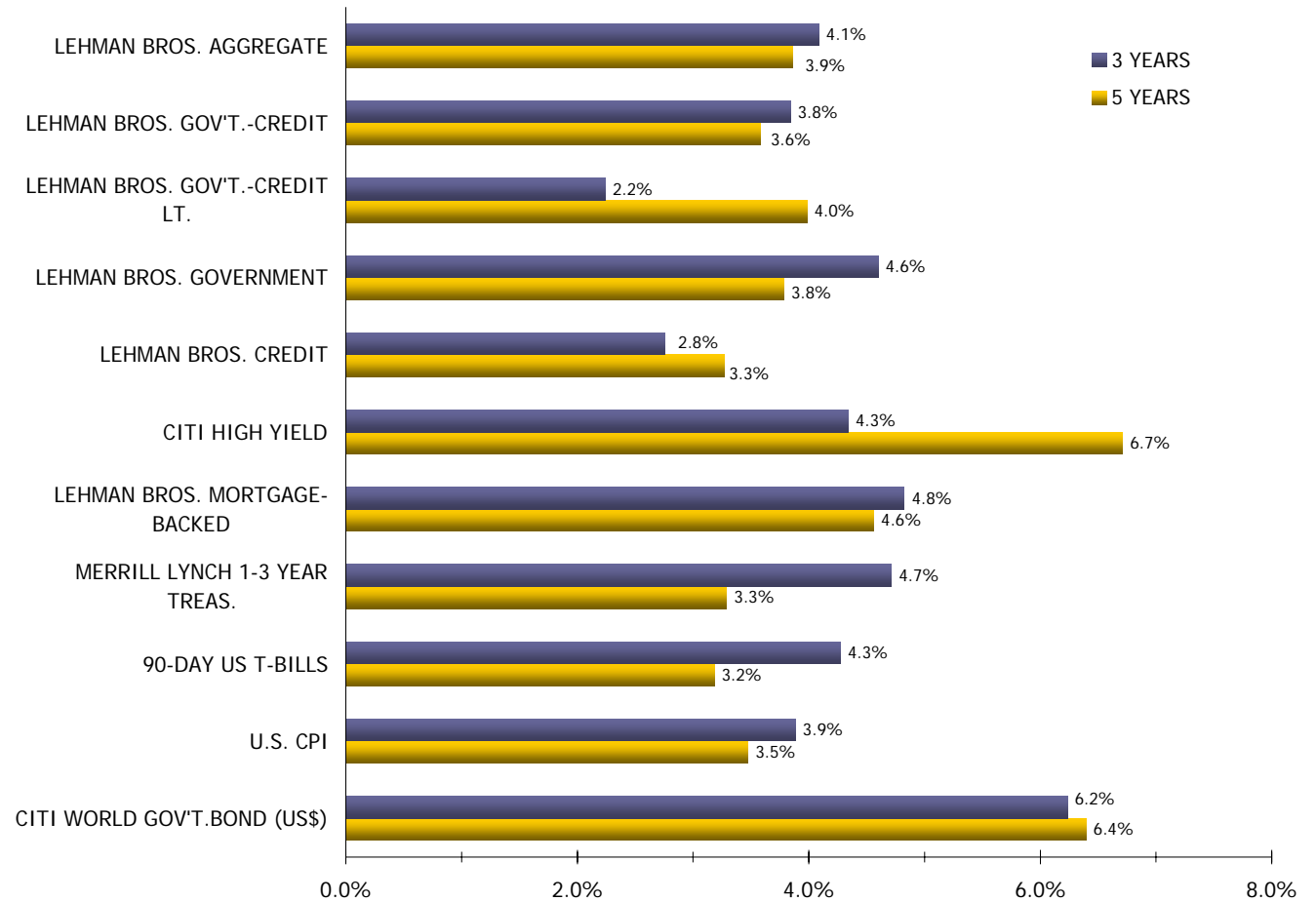


Fixed Income Index Returns - Long Term

Returns as of 6/30/08

For the last 3 years, Citi World Government Bond index far outstripped the domestic bond indicators with a return of 6.2%. Among US indices, the Lehman Brothers Mortgage Backed index had the highest return of 4.8%, followed very closely by Merrill Lynch 1-3 Year Treasury at 4.7% and Lehman Bros Government at 4.6%. The Lehman Brothers Government/Credit Long Term Index experienced the lowest gain in the group – up only 2.2%

For the 5 years ending June 30, 2008, the Citi High Yield Index experienced the greatest gain with a return of 6.7%, followed closely by the Citi World Government Bond index which earned 6.4%. 90-Day T-Bills had the lowest return for the period -- up 3.2% -- followed closely by the Lehman Brothers Credit Index and the Merrill Lynch 1-3 Year Treasuries.



Capital Market Review Second Quarter 2007

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Equity Index Returns - Short Term

	1 YEAR	YTD	QTR
MSCI EAFE (NET) - LOCAL CURRENCY	(20.25%)	(15.70%)	(0.88%)
MSCI EAFE (NET) - USD	(10.61%)	(10.96%)	(2.26%)
RUSSELL 2000 VALUE	(21.63%)	(9.84%)	(3.55%)
RUSSELL 2000 GROWTH	(10.82%)	(8.92%)	4.47%
RUSSELL 2000	(16.19%)	(9.38%)	0.58%
S&P MIDCAP	(7.33%)	(3.89%)	5.44%
DOW WILSHIRE 5000 FREE FLOAT	(12.53%)	(10.92%)	(1.55%)
RUSSELL 1000 VALUE	(18.79%)	(13.58%)	(5.32%)
RUSSELL 1000 GROWTH	(5.96%)	(9.06%)	1.26%
S&P 500	(13.11%)	(11.91%)	(2.72%)
RUSSELL 3000	(12.68%)	(11.05%)	(1.69%)
DJIA	(13.27%)	(13.36%)	(6.84%)

Equity Index Returns - Long Term

	5 YEARS	3 YEARS
MSCI EAFE (NET) - LOCAL CURRENCY	11.23%	6.67%
MSCI EAFE (NET) - USD	16.67%	12.84%
RUSSELL 2000 VALUE	10.02%	1.39%
RUSSELL 2000 GROWTH	10.37%	6.08%
RUSSELL 2000	10.29%	3.79%
S&P MIDCAP	12.61%	7.46%
DOW WILSHIRE 5000 FREE FLOAT	8.73%	5.02%
RUSSELL 1000 VALUE	8.91%	3.51%
RUSSELL 1000 GROWTH	7.33%	5.92%
S&P 500	7.59%	4.41%
RUSSELL 3000	8.38%	4.73%
DJIA	7.19%	5.82%

Equity Sector Returns

	1 YEAR	YTD	QTR
COMMUNICATIONS	(19.85%)	(17.32%)	(4.15%)
CONSUMER DISCRETIONARY	(27.03%)	(13.22%)	(7.95%)
ENERGY	23.57%	8.15%	16.41%
FINANCIALS	(41.94%)	(29.28%)	(18.28%)
HEALTH CARE	(11.71%)	(12.62%)	(1.21%)
INDUSTRIALS	(12.63%)	(13.61%)	(9.92%)
MATERIALS	11.65%	4.41%	8.25%
CONSUMER STAPLES	0.87%	(7.31%)	(5.30%)
INFORMATION TECHNOLOGY	(7.29%)	(13.07%)	2.49%
UTILITIES	6.38%	(2.75%)	7.97%

Equity Sector Returns - Long Term

	5 YEARS	3 YEARS
COMMUNICATIONS	7.24%	6.48%
CONSUMER DISCRETIONARY	1.76%	(4.12%)
ENERGY	29.39%	25.45%
FINANCIALS	(1.09%)	(9.16%)
HEALTH CARE	2.35%	1.10%
INDUSTRIALS	9.58%	5.31%
MATERIALS	18.73%	19.97%
CONSUMER STAPLES	8.14%	7.77%
INFORMATION TECHNOLOGY	7.25%	5.58%
UTILITIES	17.05%	12.49%

Managed Equity Portfolios Style Spectrum Return - Short Term

	1 YEAR	YTD	QTR
EQUITY MANAGER UNIVERSE	(11.29%)	(9.93%)	0.08%
SMALL VALUE	(20.84%)	(9.10%)	(3.36%)
SMALL GROWTH	(12.79%)	(10.26%)	3.36%
SMALL CORE	(17.49%)	(7.39%)	1.29%
MID VALUE	(16.34%)	(7.84%)	0.91%
MID GROWTH	(6.79%)	(7.65%)	4.52%
MID CORE	(11.28%)	(6.17%)	1.97%
LARGE VALUE	(19.39%)	(14.31%)	(4.35%)
LARGE GROWTH	(4.37%)	(9.96%)	1.87%
LARGE CORE	(12.55%)	(11.65%)	(1.80%)

Managed Equity Portfolios Style Spectrum Return - Long Term

	5 YEARS	3 YEARS
EQUITY MANAGER UNIVERSE	9.92%	5.22%
SMALL VALUE	10.95%	1.78%
SMALL GROWTH	11.52%	5.99%
SMALL CORE	11.80%	4.99%
MID VALUE	11.78%	3.96%
MID GROWTH	14.13%	10.19%
MID CORE	12.95%	6.79%
LARGE VALUE	9.85%	3.55%
LARGE GROWTH	9.11%	6.02%
LARGE CORE	9.04%	5.19%

Treasury Yield Curve

	6/30/2008	3/31/2008	12/31/2007
0.25	1.90%	1.38%	3.36%
0.50	2.17%	1.51%	3.49%
1.00	2.36%	1.55%	3.34%
2.00	2.63%	1.62%	3.05%
3.00	2.91%	1.79%	3.07%
4.00	3.13%	2.13%	3.41%
5.00	3.34%	2.46%	3.45%
7.00	3.61%	2.88%	3.85%
10.00	3.99%	3.45%	4.04%
20.00	4.59%	4.30%	4.47%
30.00	4.53%	4.30%	4.45%

Fixed Income Index Returns - Short Term

	1 YEAR	YTD	QTR
CITI WORLD GOV'T.BOND (US\$)	16.99%	5.02%	(4.23%)
U.S. CPI	4.91%	2.71%	1.93%
90-DAY US T-BILLS	3.64%	1.21%	0.32%
MERRILL LYNCH 1-3 YEAR TREAS.	7.31%	2.11%	(0.85%)
LEHMAN BROS. MORTGAGE-BACKED	7.84%	1.94%	(0.49%)
CITI HIGH YIELD	(2.31%)	(1.51%)	1.50%
LEHMAN BROS. CREDIT	3.81%	(0.47%)	(0.90%)
LEHMAN BROS. GOVERNMENT	9.69%	2.06%	(1.91%)
LEHMAN BROS. GOV'T.-CREDIT. LT	6.78%	(0.71%)	(1.48%)
LEHMAN BROS. GOV'T.-CREDIT	7.24%	0.98%	(1.52%)
LEHMAN BROS. AGGREGATE	7.13%	1.13%	(1.02%)

Fixed Income Returns - Long Term

	5 YEARS	3 YEARS
CITI WORLD GOV'T.BOND (US\$)	6.39%	6.23%
U.S. CPI	3.47%	3.88%
90-DAY US T-BILLS	3.18%	4.27%
MERRILL LYNCH 1-3 YEAR TREAS.	3.29%	4.71%
LEHMAN BROS. MORTGAGE-BACKED	4.56%	4.82%
CITI HIGH YIELD	6.71%	4.34%
LEHMAN BROS. CREDIT	3.27%	2.76%
LEHMAN BROS. GOVERNMENT	3.78%	4.60%
LEHMAN BROS. GOV'T.-CREDIT LT.	3.98%	2.24%
LEHMAN BROS. GOV'T.-CREDIT	3.58%	3.84%
LEHMAN BROS. AGGREGATE	3.85%	4.08%