Investment & Economic Update

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The Economy

Storm Clouds and Rampant Pessimism Remain

Anyone reading the paper or watching the news today can't help but be confronted by the negative headlines. At the end of March, the headlines read, "Consumer confidence at 5-year low," "Economy Sputters with 0.6% Growth," "Meltdown… The Worst is Yet to Come."

With economic growth rates declining, oil prices touching all time highs during the quarter, inflation and the cost of consumable goods rising, consumer confidence at its lowest level since March 2003, and investors watching their portfolio values decline, it becomes increasingly difficult to stay the course.

While difficult, maintaining a long term perspective allows us to keep today's headlines about the economy in context. In pessimistic times such as these, investors would do well to look to the advice of one of the world's most successful investors, Warren Buffett. Buffett attributes his success to being "fearful when others are greedy and greedy when others are fearful." In an observation of pessimistic times like the current one, Buffett said, "We want to do business in such an environment, not because we like pessimism but because we like the prices it produces." Investors would do well to heed this advice and to make sure that their asset allocation makes sense for their individual situation.

The Stock Market

Volatility and Uncertainty in Control

For the last year, the stock market has responded wildly to economic indicators and reports, with many single-day moves upward or downward of over 2%. The first quarter of 2008 was no exception. This volatility, combined with the pessimism mentioned above, has been incredibly unnerving for investors. The Dow Jones Industrial Average finished the quarter down 7.55% YTD.

While this volatility and overall market decline are unsettling, U.S. stock investors can find comfort in knowing that other markets around the world have fared far worse. On March 31, the *Wall Street Journal* reported that, "the benchmark indexes in German, France, and Japan have dropped at least double the decline of the DJIA. India is down almost 20% and China has tumbled 32%." This volatility overseas, despite the fact that foreign markets have trounced U.S. stocks every year since 2002, reminds investors of the potential risks associated with this part of their portfolios.

The Bond Market

Focus on Quality Remains

Fixed income investors' heightened risk aversion has continued to cause avoidance of any market/credit risk, with priority being given to the safety of U.S. Treasury securities and other high quality short term securities. This focus pushed the yield on the U.S. 10-year Treasury to 3.45% down from the 4.06% reported in our last newsletter.

The breakdown in market liquidity and the credit crisis continued in the quarter with those securities with the longest maturities being the poorest performers in the troubled market. The municipal credit market was hit particularly hard in February, seeing its worst monthly return since the municipal index was created 20 years ago. Unique market circumstances brought about this decline which briefly forced the yield on good quality municipal bonds to levels equivalent to corporate junk bonds.

Our fixed income focus remains on high quality, short to intermediate term securities. Significant risks remain with the longer term and lower credit quality securities. Investor caution regarding the fixed income market remains critical.

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Indexes		**YTD**
Stock Indexes		
Dow Jones	12,262	-7.55%*
S&P 500	1,323	-9.40%
NASDAQ	2,279	-14.07%*
* Price Return		
Bond Indexes		
10 Year Treasury	3.45%	+6.00%
3 Month Treasury	1.35%	+1.10%
US Corp. High Yield	10.86%	-3.02%

Prime Rate	5.25%
LIBOR Rate (3 mos.)	2.69%
Unemployment Rate (Feb '08)	4.80%
15 Year Mortgage Rate	5.39%
30 Year Mortgage Rate	5.87%
CPI (12 Months Ending 2/29/08)	+4.00%
GDP (4th Quarter 2007)	+0.6%
Oil Price (Price/Barrel)	$101.58
Gold (oz.)	$921.50

Treasury Yields	
3 Month	1.35%
6 Month	1.49%
2 Year	1.63%
5 Year	2.46%
10 Year	3.45%
30 Year	4.31%

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Category	Fund	March 31, 2008 Last 1 Month	March 31, 2008 Last 3 Months	March 31, 2008 Calendar Year-to-Date	Calendar Year Ended 2007	2006	2005	2004	2003	5 Year Average Annual Return
Large Cap	Dodge & Cox Stock Fund	-3.2%	-11.9%	-11.9%	0.1%	18.5%	9.4%	19.2%	32.4%	15.4%
	T. Rowe Price Equity Income	-0.4%	-8.1%	-8.1%	3.3%	19.1%	4.3%	15.1%	25.8%	13.2%
	Selected American Shares	-1.7%	-8.9%	-8.9%	4.8%	15.2%	9.9%	12.0%	30.9%	14.2%
	American Century Value Inv.	0.6%	-6.2%	-6.2%	-5.2%	18.5%	5.0%	14.4%	29.1%	11.7%
	FMI Large Cap Fund	0.2%	-5.5%	-5.5%	4.1%	16.7%	9.1%	17.5%	31.6%	15.4%
	Vanguard Index 500	-0.4%	-9.5%	-9.5%	5.4%	15.6%	4.8%	10.7%	28.5%	12.7%
	Schwab Instl Select S&P 500	-0.5%	-9.5%	-9.5%	5.5%	15.8%	4.9%	10.7%	28.5%	12.8%
	Janus Growth & Income	-1.2%	-9.2%	-9.2%	8.7%	7.8%	12.5%	11.9%	24.7%	13.0%
	SIT Large-Cap Growth	-0.1%	-7.5%	-7.5%	14.1%	9.5%	9.6%	12.8%	26.3%	14.3%
	Harbor Capital Appreciation	-0.5%	-11.0%	-11.0%	12.3%	2.3%	14.0%	9.3%	30.5%	13.3%
	Calamos Growth Fund	-0.6%	-14.1%	-14.1%	23.3%	1.5%	8.5%	18.7%	42.3%	18.1%
Mid Cap	Janus Mid Cap Value Investor	-1.1%	-4.4%	-4.4%	7.4%	15.3%	10.4%	18.4%	39.3%	17.7%
	Dreyfus/Founders Discovery	-0.5%	-12.0%	-12.0%	9.7%	5.1%	-0.7%	10.7%	36.5%	11.6%
	Dreyfus MidCap Index	-1.0%	-8.9%	-8.9%	7.6%	9.9%	12.1%	15.9%	34.9%	15.7%
	Vanguard Mid Cap Index	-2.0%	-10.5%	-10.5%	6.0%	13.6%	13.9%	20.4%	34.1%	17.2%
	Ariel Fund	-2.2%	-11.2%	-11.2%	-1.7%	10.4%	0.9%	22.0%	28.0%	11.3%
	T. Rowe Price Mid-Cap Growth	-1.1%	-10.7%	-10.7%	17.7%	6.8%	14.8%	18.4%	38.2%	18.8%
	JP Morgan Diversified Mid Cap Gr	-2.5%	-14.2%	-14.2%	17.1%	11.3%	10.9%	12.9%	26.8%	15.6%
	Fidelity Advisor Mid Cap Inst.	-2.9%	-13.8%	-13.8%	10.0%	13.6%	8.8%	16.5%	44.6%	18.0%
Small Cap	Janus Small-Cap Value	1.4%	-5.0%	-5.0%	3.2%	12.6%	9.1%	13.8%	36.8%	14.6%
	James Small Cap	-1.6%	-8.5%	-8.5%	-6.2%	13.4%	7.5%	26.2%	53.6%	17.3%
	Royce Total Return	0.3%	-5.6%	-5.6%	2.4%	14.5%	8.2%	17.5%	30.0%	14.2%
	Vanguard Small Cap Index	-0.5%	-9.2%	-9.2%	1.2%	15.7%	7.4%	19.9%	45.6%	17.0%
	Keeley Small Cap Value	2.0%	-3.5%	-3.5%	7.2%	19.6%	16.1%	32.9%	39.3%	22.5%
	T. Rowe Price Small-Cap Stock	0.1%	-10.8%	-10.8%	-1.8%	12.8%	8.4%	18.8%	32.4%	13.6%
	William Blair Small Cap Growth	-1.7%	-14.7%	-14.7%	-2.2%	14.1%	1.1%	27.3%	61.9%	18.4%
	Columbia Acorn Fund	-1.0%	-9.9%	-9.9%	7.7%	14.5%	13.1%	21.5%	45.7%	19.8%
Inter national	Oppenheimer Global A	-0.4%	-10.3%	-10.3%	6.0%	17.4%	13.8%	18.7%	43.1%	19.2%
	UMB Scout International	-0.3%	-5.0%	-5.0%	17.8%	21.5%	19.6%	18.0%	33.1%	21.9%
	Euro Pacific Fund - American Funds	-0.8%	-7.9%	-7.9%	19.0%	21.9%	21.1%	19.7%	32.9%	22.8%
	Harbor International	0.6%	-6.9%	-6.9%	21.8%	32.7%	20.8%	18.0%	41.0%	26.6%