

VTL Associates, LLC

Economic Report

1st Quarter 2007

Presented by



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The hypothetical performance studies contained in this report were conducted for the periods ranging from January 3, 1995 through September 23, 2005 for the RWLCI™, and from January 2, 1998 through September 30, 2005 for the RWMCI™ and RWSCI™.

The RWLCI™, RWMCI™, and RWSCI™ are comprised of the constituent securities underlying the S&P 500® (“S&P 500®”), S&P MidCap 400™ (“S&P 400™”), and S&P SmallCap 600™ (“S&P 600™”), respectively, (collectively, “S&P Indices”). Each underlying security of the RW Indices™ is assigned a percentage weighting according to each corresponding company’s annualized revenue. The constituent securities underlying the RW Indices™ for each calendar year throughout the study periods are based upon those securities underlying the corresponding S&P Index as of December 31st of each preceding calendar year.

VTL utilized Bloomberg Professional® service (“Bloomberg”) to gather all revenue data. VTL retained the services of Standard & Poor’s®, which was responsible for calculating daily valuations of the RW Indices™, with daily re-investment of dividends, throughout the study periods. VTL utilized Wilshire® Cooperative Service to prepare hypothetical performance measurement reports from the daily valuations calculated by Standard & Poor’s®. Zephyr StyleADVISOR® was utilized to perform various risk-return and relative return analyses.

During each calendar year throughout the study periods, the constituent securities underlying the RW Indices™ were adjusted by Standard & Poor’s® to reflect corporate activity among member companies underlying the respective S&P® indices. At the end of each calendar year, the RW Indices™ were reconstituted to reflect the then-current membership of each respective S&P® index and rebalanced to reflect changes to each corresponding company’s annualized revenues.

An average of more than 97% of the securities underlying the S&P 500® were included in the RWLCI™ throughout the study period. An average of 98.8% of the securities underlying the S&P 400™ were included in the RWMCI™ throughout the study period. An average of more than 98.5% of the securities underlying the S&P 600™ were included in the RWSCI™ index throughout the study period.

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Capital Markets Overview

THE U.S. ECONOMY

April 2007

- The CPI core rate is running at 2.5% year over year through mid-April. This number will reduce any chance of a rate cut from the Fed.
- The unemployment rate has fallen to 4.4% and hours worked remained strong and have been revised up in previous months.
- The Commerce Department will report April 27th that gross domestic products, the sum of all goods and services produced, appears to have expanded at an annual rate of 1.8% in January through March. This compares with a 2.5% gain in the previous quarter.
- The U.S. economy expanded last quarter at the weakest pace in more than a year, depressed by the longest continuous homebuilding slump in a generation.
- Consumer spending, which counts for more than two-thirds of the economy probably grew at an annual rate of 3.5% last quarter, compared with a 4.2% increase on the last three months of 2006.
- Consumer confidence in the U.S. declined to the lowest level in eight months in April, sapped by concerns about rising gasoline prices and a wave of mortgage defaults.
- The share of consumers who said jobs are plentiful fell to 27.8% in April from 30.3% in March. The proportion who said jobs are hard to get increased to 20.4% from 18.9%.
- The decline in housing sales, while partly weather related, may renew concern that the housing recession will linger and put at risk the Federal Reserve's forecast for moderate economic growth.
- The average U.S. retail price of regular unleaded gasoline rose to \$2.80 per gallon on April 10th, the highest in seven months and up 30% from this year's low of \$2.15 per gallon.
- The Labor Department's monthly jobs report showed that American employers added a greater-than-forecasted 180,000 workers in March while the jobless rate fell to 4.4%, matching a five-year low and defying predictions that it would climb.
- We believe this type of environment contains all the ingredients to sustain moderate growth for the foreseeable future.

Capital Markets Overview

THE U.S. BOND MARKET

April 2007

- The fixed income markets staged a rally with yields declining across the curve. The 6-month bill declined about 4 basis points.
- The two through thirty-year treasury maturities experienced significantly lower yields.
- Interest rate swap spreads widened by 2.5 to 3 basis points and the dollar swap curve declined.
- Commodity prices rallied through the month as the CRB index finished up 3.7% as crude oil finished up about 6% higher YTD.
- TIPS out-performed all other fixed income in the two to five year maturities as treasuries, agencies, and corporate securities lagged behind.
- Ryan Labs reports that asset growth in pension plans trailed liability growth by 2.44% in February. The deterioration in asset performance versus liabilities has caused the average economic pension funding level in America to drop back to 86.5%
- The 2-year treasury is yielding 4.64 versus a 4.90 for AAA corporates.
- The ten year AAA corporate yield is 4.97 versus a 4.56 for treasuries.
- The thirty- year treasury is yielding 4.68 versus 5.54 for a AAA corporate.
- The spreads are very narrow and we believe there is more risk in corporates over the next 12 months.

Capital Markets Overview

THE U.S. STOCK MARKET

April 2007

- Mid cap was by far the best domestic performer during the 1st quarter 07, followed by small, then large.
- The Standard and Poor's 500 stock index ended the quarter with a lackluster 0.65% return.
- A volatile quarter for the markets, with the bulk of the volatility occurring February 27th when U.S. markets lost about 3.5%
- International outperformed domestic.
- The out performance of growth stocks was more pronounced in the small cap segment of the market where the Russell 2000 Growth outperformed the Russell 2000 Value by about 1%.
- In the first quarter of 2007, all major styles of domestic equity posted positive returns, despite a couple of nasty days in late February and early March.
- Seven of the ten sectors in the broad market S&P500 Index advanced in the quarter.
- Stock prices recovered some ground throughout March, but the three-month roller coaster ride left many investors worried about the outlook for the rest of the year
- The Dow Jones Wilshire 5000 Composite managed to outperform the 500, with a 1.40% return thanks to its small cap stock exposure.
- Despite higher fuel prices, the strongest-performing sector (Wilshire classification) of the S&P500 was Utilities, up 7.77% for the first quarter.
- The worst-performing sector was Finance, with a -2.89% return for the quarter; financial institutions with large home loan exposure were the biggest drag on this sector.