

VTL Associates, LLC

Economic Report

3rd Quarter 2007

Presented by



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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

3rd Qtr 2007

- Oct. 28 (Bloomberg) -- Smaller employment gains and slower growth signal the two-year U.S. housing slump is reverberating through the economy, economists said before reports this week.

- Employers added 80,000 workers to payrolls this month following an increase of 110,000 in September, based on the median forecast in a Bloomberg News survey of economists before a Nov. 2 government report. Figures two days earlier may show the economy expanded at a slower pace in the third quarter.

- Manufacturers fired workers for a 16th consecutive month in October, while declines in subprime-mortgage lending and homebuilding led to job losses at construction companies and financial institutions.

- Gains in wages and hours worked at service industries, such as health care and education, are giving the majority of employed Americans the means to keep spending, helping to prevent the economy from succumbing to the housing slump, economists said.

- Gross domestic product rose at an annual rate of 3.1 percent from July through September, compared with a 3.8 percent growth rate the prior quarter, according to economists surveyed. Consumer spending, which accounts for more than two-thirds of the economy, expanded at a 3.2 percent pace, more than double the second quarter's growth rate.

- U.S. inventories of distillate fuel, a category that includes heating oil and diesel, fell as demand from wholesalers and retailers increased before the winter months, a Bloomberg News survey indicated.

Capital Markets Overview

THE U.S. BOND MARKET

3rd Qtr 2007

- A quick flight to quality was investors' reaction to the recent credit crunch, which resulted in plummeting yields on U.S. Treasuries.
- Subprime concerns caused havoc in the asset-backed commercial paper market, as banks and investors shied away from short-term commercial paper and sought the safety of Treasuries.
- Given the challenging market environment for fixed income investors, the Fed's interest rate cuts were a welcome relief.
- The Lehman Aggregate Index returned 2.84% in the quarter; Treasuries 3.81%; corporates 1.82% and mortgages 2.64%.
- The Lehman High Yield Index returned .33%, BBBs were 1.66%.
- U.S. TIPS posted a return of 4.54%
- Cash (3-month T-Bill) returned 1.38%.
- Yields fell sharply during the quarter as the economy weakened, the Fed eased and the curve steepened.
- Global Treasuries were the best performers as the US dollar weakened to all time lows.
- An immediate side effect of the Fed's actions was seen in the US Treasury Yield curve, which assumed a more positive slope by the end of the third quarter – a signal that investors do not see recession as an imminent threat.
- While Treasuries were able to hold their ground, higher risk bonds (i.e. junk bonds) faced a sell off as fixed income investors shunned higher risk issues.

Capital Markets Overview

THE U.S. STOCK MARKET

3rd Qtr 2007

- Domestically, large-cap growth was the winner for the quarter.
- Growth beat value and large cap beat small cap.
- Emerging markets once again led both domestic and developed international markets.
- The worst sectors were consumer discretionary (-6.28%), financials (-4.17%) and healthcare (+1.05%).
- The best performing sectors were energy (+9.81%), information technology (+6.30%) and industrials (+5.86%)
- The S&P 500, the Dow Jones Industrial Average and the Russell 1000 all had record closes on July 19th.
- Despite the turbulence investors had to ride out over the third quarter, the overall US stock market ended up with moderate gains once the dust had settled.
- Despite the intra-quarter decline that took many indices down nearly 10%, the broader market averages closed the quarter slightly higher
- While July and August were rough months for many stocks, the historically foreboding month of September provided immediate relief.
- Small company stocks and dividend based indices (i.e. value stocks) proved laggards thanks in part to the weakness in financial stocks.
- Continuing the theme we have seen for most of this year, international stock markets posted impressive returns.
- Despite strength in the global market, Japan continued to struggle against other foreign markets.