

VTL Associates, LLC

Economic Report

September 2006

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

- The employment report was neither too heated nor too slow, and job growth stayed on target although manufacturing employment was a bit weak.
- Wage increases of 0.1% are good news for inflation although the previous month was revised upward to 0.5%. The overall trend is stable.
- Recent reports lead us to believe that the economy is cooling and that inflation is contained.
- VTL Associates has maintained for two years that positive productivity gains have checked inflation despite commodity increases. Ben Bernanke indicates that he expects productivity gains to continue for some time to come. We believe as productivity goes, so goes inflation. The recent drop in productivity in the September report is well worth monitoring in the succeeding months.
- At the August 8th FOMC, the Federal Reserve held rates and it now appears to be the right move. Housing is slowing down possibly at a quicker pace than needed.
- The slow down in housing has a potential wave-effect of hurting the consumer's wealth psychology, causing a slow down in consumption, which has been the driving force in the economy for more than 20 years.
- VTL Associates believes that the FOMC may even begin to lower rates beginning the first quarter 2007.
- There are many challenges to the economy going forward including the potential showdown with Iran. This showdown could cause oil prices to rise or create a rift between the U.S., Europe, China and Russia. Such tension would have a negative impact on the equity markets world wide but a positive effect on the price of high-quality and government bonds.
- Despite the immediate stumbling blocks facing the economy, VTL Associates believes the intermediate and longer-term prospects for equities are very positive for the following reasons:

1. The world community is beginning to communicate more frequently and with less censorship than ever before, due the Internet system of communication.
2. Although China and Russia both maintain excessive control of human liberties, they will ultimately give way to global economic integration.
3. The U.S. equity markets will be one of the largest beneficiaries of global integration, which is moving at breath-taking speed.
4. Baby boomers will not be net liquidators of stocks for at least 20-25 years. Most boomers will work beyond the age of 70 and older and will continue to add to the productivity gains that the U.S. has experienced over the past decade.
5. Although nuclear proliferation is the greatest foreseeable risk to the world and its economies, the good news is the obvious irresponsible behavior of Iran and North Korea has finally created enough anxiety for the rest of the world that we may see both offensive and defensive paradigm changes that will contain the nuclear threat. We may delay a nuclear incident for several more decades.
6. We believe that the new global economic integration will create more economic growth over the next 20-years than during the post World War II 50-year expansion. The number of people coming into the economic integration is several fold more than the expansion that gave us the post-World War II boom.

September 2006

Capital Markets Overview

THE U.S. BOND MARKET

- Interest rates rose about 30 basis points, while the yield curve flattened modestly during the 2nd qtr.
- The Lehman Aggregate Index returned -0.08% in the 2nd quarter; treasuries -0.06% ; corporates -0.39% and mortgages 0.01% .
- The Lehman High Yield Index returned $.25\%$, while BBBs were -0.59% in the 2nd qtr
- TIPS posted a return of $.49\%$ during the 2nd qtr
- Cash was the best-performing area for the quarter.
- The yield curve moved in almost parallel fashion, finishing the quarter about 30 bps higher.
- The Fed raised short-term interest rates in May and again in June.
- Long treasuries suffered the most as rates rose in the quarter.
- Spread product performed poorly as spreads generally widened further from very tight levels in the quarter.
- Duration was the key driver in the quarter as all quality buckets had negative quarterly returns with the only exception being the lowest quality high yield space.

Capital Markets Overview

THE U.S. STOCK MARKET

- In the domestic equity market, bigger equaled better as large cap shares enjoyed the best performance while mid and small caps suffered losses in July.
- Value outperformed growth by substantial margins in large, mid and small cap market segments in July.
- S&P 500 returned 0.62% for the month of July 06.
- Domestic share prices languished during July while international markets posted solid gains.
- The housing slowdown is now well established with the release of last week's weaker-than-expected housing reports for July in our view.
- Sales of previously owned homes in July fell to the lowest level in 2 ½ years and the inventory of unsold homes climbed to a record high.
- Sales of new homes in July were also less than expected, declining 4.3% to 1.07 million
- Durable goods orders: Orders dropped 2.4% in July compared to an expectations they would fall only 0.2%.
- For the month of July, the S&P 100 index- a reasonable proxy for mega caps-led the performance parade, followed by the S&P 500 and Dow Jones Industrials.
- The Russell 2000, S&P MidCap 400 and Nasdaq Composite all trailed significantly in July

The Market Environment

June 30, 2006

	Last Quarter	Last 2 Quarters	Last 3 Quarters	Last Year	Last 5 Years
MARKET INDEX RETURNS					
Standard & Poors 500	-1.43	2.71	4.86	8.63	2.48
Wilshire 5000	-1.96	3.38	5.67	9.92	4.02
Dow Jones Industrial	0.94	5.22	7.40	11.09	3.44
SB Broad Inv Grade	-0.11	-0.78	-0.13	-0.80	5.02
LB Govt/Credit	-0.14	-1.15	-0.57	-1.53	5.13
MSCI EAFE (Net)	0.70	10.16	14.66	26.55	10.02
S B World Govt Bond	3.17	2.74	0.77	-0.36	8.52
91-Day Treasury Bill	1.15	2.20	3.13	3.98	2.25
Consumer Price Index	1.56	3.10	2.07	4.32	2.53
S & P 500 SECTOR PERFORMANCE					
Consumer Non Durables	-0.48	1.52	2.69	3.01	1.89
Consumer Durables	0.10	8.09	3.77	-2.14	0.59
Materials and Services	-3.49	0.21	5.75	9.43	6.10
Capital Goods	-0.47	2.90	7.27	8.83	-0.02
Technology	-8.00	-3.41	-2.09	4.19	-1.50
Energy	4.06	13.57	5.28	24.64	13.67
Transportation	2.27	13.94	28.15	38.53	9.39
Utilities	2.71	9.04	5.62	9.92	1.26
Finance	-0.33	2.99	11.37	12.29	6.34