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Of the 12.5 million barrels of oil that the US imports daily from foreign countries, the top 2 suppliers are Canada and Mexico (source: Energy Information Administration).

The US has just under 5% of the world's population but is home to 42% of the globe's largest 1,000 companies (based upon annual revenues), including the 2 largest corporations in the world (source: Census Bureau, The Economist).

The US government has taken in more in tax receipts than it has spent in each of the last 2 months (December and January) resulting in an \$80 billion surplus. That's the largest amount created in back-to-back surplus months since January 2001 or 6 years ago (source: Treasury Department). How could tax cuts lead to this? Tax less get more.

Tax receipts collected by the US government through 5 months of fiscal year 2007 (through 2/28/07) are up +\$81 billion vs. the same period in fiscal year 2006 (source: Treasury Department).

32% of millionaires in North America reached that level of wealth by the regular saving of a portion of their income/salary. 26% of this group achieved their wealth through the ownership of a business. Only 16% of millionaires inherited their wealth (source: Merrill Lynch, Capgemini).

In fiscal year 1957, national defense spending made up 59% of total government spending while Social Security expenses represented only 9% of the total. Now 50 years later (fiscal year 2007), defense spending is projected to account for just under 21% of total US spending while Social Security now makes up just over 21% of our national expenditures (source: Office of Management and Budget).

The week before the 2/27/07 stock market fall, 54% of individual investors were bullish about the US stock market. As of the Friday after the 1-day drop, only 37% of investors remained bullish (source: Barron's, American Association of Individual Investors).

The S&P 500 has experienced a percentage drop at least as large as the 3.5% fall on 2/27/07 only once every 464 trading days since 1950, equal to once every 22 months (source: BTN Research).

58% of Americans believe they will need to have accumulated at least \$2 million in savings in order to enjoy a comfortable retirement (source: Kiplinger).

80% of India's 1.1 billion population lives on less than \$2 a day (source: Time).

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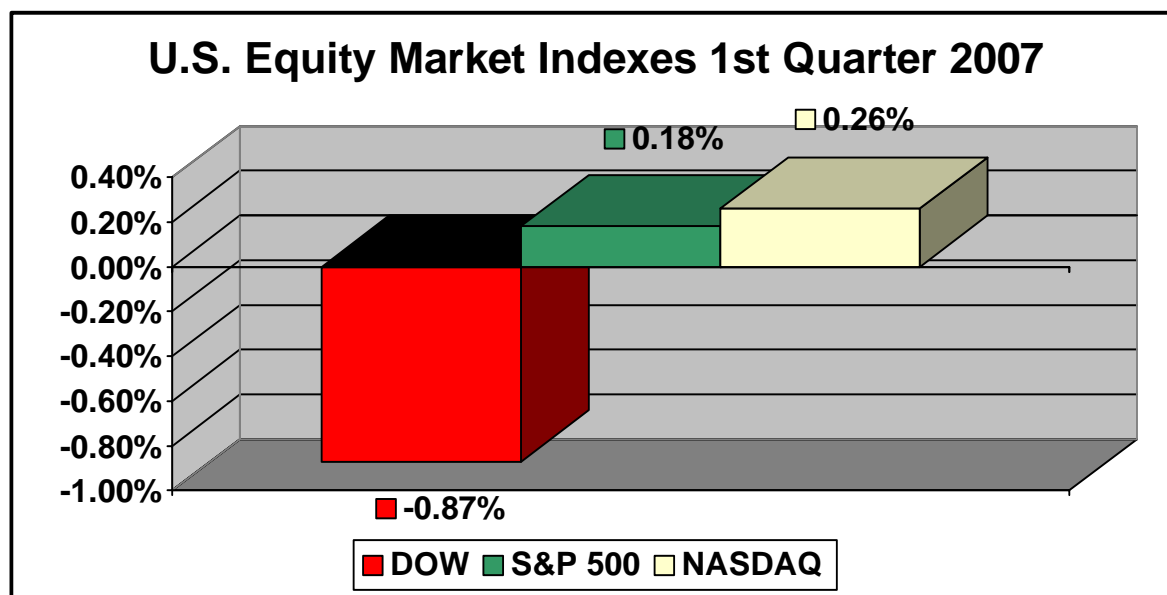
1st QUARTER 2007 INVESTMENT PERFORMANCE REPORTING

Dear Clients and Friends;

I'm happy to enclose your 1st quarter 2007 investment performance report for the period beginning January 1, 2007 and ending on March 31, 2007.

After experiencing good returns for stocks in 2006, the 1st quarter of 2007 exhibited a poor showing, as measured by the major indexes, resulting from a market correction that began on February 27, 2007. The Dow Jones Industrials lost -0.87% , the S&P 500 barely added 0.18% , and the NASDAQ Composite increased just 0.26% ¹.

In contrast, our managed portfolios generally performed better, producing positive returns during the 1st quarter. Exceptions might be due to timing of investment cash flows during the period. Our portfolios, while generally being broadly diversified, have had investment exposure to small caps, mid caps, large caps, value, growth, international, natural resources, real estate and fixed income both domestic and international. The 1st quarter was a quarter where diversification proved to be an excellent attribute.



While Wall Street recovered a good deal of ground lost in the February 27 correction, the major indexes were still lower to flat for the first quarter. The Fed left interest rates alone during the first quarter, while consumer spending maintained the slowing economy in the face of the real estate downturn, the sub-prime mortgage crisis and rising oil and gas prices.

The 416-point DOW drop of February 27 came on the heels of an 8.8% plunge in Chinese stocks – one day after investors pushed Shanghai's benchmark index to a record high close.

Domestic economic health. Federal Reserve Chairman Ben Bernanke has attempted, and so far successfully, to engineer a soft landing amid media fed fears of recession. His goal is a so-called "Goldilocks" economy, not too cold and not too hot, with moderating growth and declining inflation. Fears are heightened by the media and other doomsayers who believe that the sub-prime mortgage crisis could

shake the foundation of the economy remain, with flat retail sales, auto and manufacturing declines, and rising oil and gas prices adding to anxieties.

Global economic health. At the start of the year, the United Nations' World Economic Situation and Prospects 2007 proclaimed a weakening global economy, cautioning that the downturn in the U.S. housing market would stall the American economic engine on which developing nations rely. However, at the same time conversely, IMF chief Rodrigo de Rato publicly predicted a world economy set for 5% growth. As the quarter played out, foreign investors' reduced confidence in the future of U.S.-based assets prompted a sharp depreciation of the dollar in late March.

While the surging economies of India and China have the world's attention, many eyes are also on the economies of Brazil and Russia, which appear poised to benefit from mammoth mineral reserves and strong commodity prices. This begs the question, if we are in a midst of a global slowdown, why then are commodity prices still going strong?

World financial markets. February's market correction was felt worldwide, with European markets also losing 3-5% in the wake of the sell-off in China. Inversely, Asian and European indexes took a hit in March as news broke of the financial troubles of American sub-prime lenders.

Yet global markets rebounded on each occasion, making up most of February's loss by the end of the quarter despite lingering fears over the state of the American real estate market, the jump in oil prices and the decline in U.S. consumer confidence.

Commodities markets. With a mild winter, oil and natural gas prices took a rollercoaster ride in the first quarter. On January 10, crude oil prices reached an 18-month low of \$55.64 per barrel, but they topped \$66 per barrel in late March, when gasoline futures hit a seven-month high of \$1.985 per gallon on the New York Mercantile Exchange. The seizure of 15 British sailors and marines by Iran and ongoing stress over Iran-U.K. tensions pushed oil prices up \$6.43 per barrel on the NYMEX between March 21-30.

Gold prices fell sharply in February along with the equity markets, but they climbed above \$660 per ounce in late March, helped by rising energy prices. Although some analysts are thinking bullish for the medium-to-long-term, gold prices are expected to remain in a holding pattern in the short-term. Gold, while having been a store of value, has historically been extremely volatile and traded heavily by speculators.

Housing & interest rates. Foreclosure rates spiked at the start of the quarter, yet residential re-sales rose 3.9% in February, in part due to a glut in housing inventory and price reductions².

While foreclosures fell 4% nationally in February from January, ten (10) states currently have foreclosure rates above 7%, and January-February 2007 was the first instance of consecutive months with U.S. foreclosure numbers over 130,000, according to RealtyTrac (which expects 2007 foreclosure activity to be 33% higher than in 2006). In late March, the Mortgage Bankers Association reported delinquencies at 4.7%, up from 4.38% in March 2006; for homeowners with ARMs, the delinquency rate is 5.72%, nearly 1% above one year ago.

Prime mortgage interest rates remained relatively low: at the end of the quarter, 30-year fixed rates were averaging 6.16%, 15-year fixed rates averaged 5.86%, and 5-year ARMs 5.88%³.

Sub-prime mortgages & lenders. Call it a perfect storm: rising mortgage interest rates, falling home prices and declining incomes combined to squeeze sub-prime borrowers and lenders. In all about 20 sub-prime lenders have closed their doors. However, putting this in to perspective, why wouldn't this happen to lenders who lend to those borrowers who are shaky to begin with, at best when the going gets rough. Why would these companies expect a different outcome? Go figure.

My opinion is that this collapse of the sub-prime lenders will not bleed through to prime lenders including the entire mortgage and banking industry, as some in the media would have us believe. Despite the recent growth of the sub-prime market it remains a relatively small portion of the national housing market. Increasing levels of delinquencies and foreclosures will inflict more pain on the borrowers and the neighborhoods in which they live than on the national housing market and the broad U.S. economy. At the same time the strong job market and affordable mortgage rates help the affordability of housing and should allow the sector as well as the broad economy to withstand the recent rise in delinquencies and the pending curtailment in available liquidity⁴.

With standards tightening for adjustable rate mortgages and fewer exotic mortgages in the future, some economists worry about an inventory overhang in the housing market. But at this juncture according to U.S. Treasury Secretary Henry Paulson, the risk of a wider economic effect appears to be “contained.”

Second quarter outlook. The Federal Reserve forecasts moderate economic expansion, but few economists see a rosy 2Q 2007 for the markets (both in my view, might be a good environment for the market). We see periods of investor and economic pundit pessimism as opportunities to invest at lower prices in the current environment. It generally holds true, that when economic and market conditions seem bleak and investors see few positives, the market is usually poised for better times ahead. A moderately growing economy could be just what the doctor ordered.

Despite February’s stock market correction, Federal Reserve Chairman Ben Bernanke seems to have an optimistic outlook on the state of the economy; as he commented a day after the sell-off. “Taking all the new data into account, there is really no material change in our expectations for the U.S. economy since I last reported to Congress a couple of weeks ago,” Mr. Bernanke said, referring to his most recent visit to congress on Feb. 14 and 15. There was no single event that triggered the correction, he said. Moving ahead, he expects the economy to record “moderate growth.” He added that if current corrections underway in housing and the amount of inventories being held by business stabilize in coming months, the economy should begin to rebound by year’s end.

2007 FOMC Meetings
Jan. 30–31
March 20–21
May 9
June 27–28
Aug. 7
Sept. 18
Oct. 30–31
Dec. 11

Interest Rates. Most economists and market watchers are not expecting the Fed to cut interest rates before summer, and perhaps not until 4Q 2007, if at all this year. The next Federal Reserve policy meetings will occur May 9 and June 27-28⁵.

The Federal Open Market Committee surprised the markets by subtly shifting the closely scrutinized wording of its latest policy statement. The Fed omitted a key phrase; “additional policy firming may be necessary,” which it had used for months to signal a bias toward raising interest rates should core inflation fail to moderate. Instead, the committee stated, “future policy adjustments will depend on the outlook for both inflation and economic growth.”⁶

The Fed also reiterated that core inflation remains elevated, recent indicators have been mixed and the housing sector “adjustment” continue. The markets have seemed to interpret what might, in some other context, appear to be an insignificant shift in word choice as a clear signal that the threat of additional rate hikes has receded—for now.

Peering Into the Future

Hopefully, the balance of 2007 will find economic growth continuing to stabilize at more sustainable trend-like levels and inflationary pressures continuing to normalize to levels that are consistent with trend growth. This case would be the backdrop for the classic mid-cycle slowdown scenario and one that historically bodes well for financial assets. Investors may do well by looking beyond the short-term noise in the sub-prime lending and housing sector and focus on the underlying strength of the U.S. economy. Be careful of the pundits on TV and the news. One day you’ll hear about great buy opportunities, the next day you’ll

hear about a pending crisis. Ignore the chatter. Those that keep their long-term plans in tact should come out of the current volatility in tact.

Asset Class Overview

Sometimes it is help to review what various major asset classes have done over long periods of time. This

Asset Class Overview				
Asset class	81 years (1926–2006) annualized %	80 years (1926–2005) annualized %	2006 %	2005 %
Large company stocks ¹	10.4	10.4	15.8	4.9
Small company stocks ²	12.7	12.6	16.2	5.7
Bonds ³	5.4	5.5	1.2	7.8
Cash ⁴	3.7	3.7	4.8	3.0
Inflation	3.0	3.0	2.0	3.4

¹S&P 500; ²Bottom 20% of companies by market cap on the NYSE and companies of similar size on the Nasdaq and AMEX;

³Long-term government; ⁴30-day T-bill

Source: [Ibbotson](#)

exercise can help to make sure our expectations are in check and are realistic. It's important to note that large company stocks have returned on average a little over 10% for the last 80 years. One could also draw the conclusion from this chart, and in my opinion correctly, that investing in cash type vehicles (T-Bills, CD's, and Deposit Accounts)

over long periods of time won't keep pace with inflation, especially after taxes.

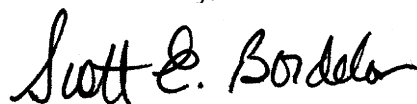
In Closing

We sincerely appreciate the confidence and trust you have placed in us to manage your investments. We take this charge very seriously. We truly appreciate the opportunity to work with you.

Please feel free to call us if you have any questions regarding this report, your investment portfolio or its performance. Please do not hesitate to call your advisor if you would like to schedule an appointment or telephone appointment. Regular consultations with you are an important part of the service your advisor provides.

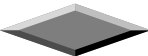
I hope you are doing well and are making plans to enjoy the summer, as summer will be here soon. Your 2nd quarter investment performance report should be sent to you around the middle of August 2007 or sooner if possible.

I remain sincerely,




Scott E. Bordelon, CFP[®], AAMS

Enclosures



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- ◆ *The S&P 500 is made up of 500 common stocks representing major US industry sectors*
- ◆ *The Dow Jones Industrial Average is an index of 30 blue chip US Stocks*
- ◆ *The Russell 2000 is a small cap index which tracks the returns of the smallest 2000 firms in the Russell 3000 Index, which is composed of the 3000 largest companies in the United States, as measured by Market Capitalization*
- ◆ *The NASDAQ Index is a measure of the combined value of roughly 5000 stocks traded on the National Association of Securities Dealers Exchange*
- ◆ *Lehman Brothers Aggregate Bond Index is abroad based bond index composed of U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities, and commercial mortgage-based securities.*
- ◆ *NAREIT Equity Index. NAREIT share price equity index measures the performance of all tax-qualified REITs listed on the New York Stock Exchange, American Stock Exchange, and the NASDAQ National Market system.*
- ◆ *Lehman Brothers High Yield Index is an index comprised of the universe of fixed-rate, non-investment-grade debt.*
- ◆ *One cannot invest directly in an index.*
- ◆ *Investments are not guaranteed and may lose value.*
- ◆ *Past performance in no way guarantees future results.*
- ◆ *Diversification does not assure against market loss.*
- ◆ *Russell1000® Index – measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization was approximately \$13 billion; the median market capitalization was approximately \$3.8 billion. The smallest company in the index had an approximate market capitalization of \$1.4 billion.*
- ◆ *The Wilshire 5000 is an index of approximately 5000 stocks designed to be a measure of the entire U.S. market.*
- ◆ *Data Source for charts: Haver Analytics.*
- ◆ *S&P Mid-Cap Index is a diverse basket of medium-sized U.S. firms. A mid-cap stock is broadly defined as a company with a market capitalization ranging from about \$2 billion to \$10 billion.*
- ◆ *The S&P SmallCap 600 Index consists of 600 small-cap stocks. A small-cap company is generally defined as a stock with a market capitalization between \$300 million and \$2 billion.*
- ◆ *PSE 100 Index - The ArcaEx Tech100 Index is a price-weighted index comprised of common stocks and ADRs of technology-related companies listed on US exchanges.*
- ◆ *The Dow Jones Utility Average is a price-weighted average of 15 utility stocks traded in the United States.*
- ◆ *The Dow Jones Transportation Average is a price-weighted index composed of 20 stocks that are chosen to represent the transportation industry.*

Endnotes:

¹ Source: As calculated by +dbCAMS.

² Source: US Department of Commerce

³ Source: Mortgage Bankers Association

⁴ Source: According to economist Dr. Jerry Webman

⁵ Source: Meetings and Proceedings of the FOMC

⁶ Source: FOMC Policy Statements