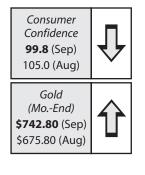


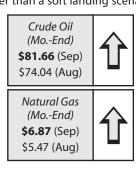
TALKING POINTS

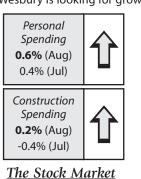
A Recap of September 2007

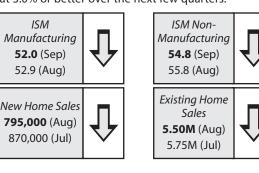
The Economy

GDP growth in the second quarter was revised slightly lower from 4.0% to 3.8%. The federal funds rate was cut 50 basis points on September 18 and the reduction was well received by the stock and bond markets. Global investors did not embrace the cut as evidenced by the 9.9% spike in the price of gold futures and the 3.85% decline in the value of the U.S. dollar. Foreign investors, in our opinion, sent a message back to the Fed that the rate cut will prove inflationary in time. While some worry that the U.S. might be heading towards recession, Brian Wesbury, chief economist at First Trust Advisors, believes just the opposite. In his latest piece (October 1), Wesbury sees a re-acceleration of growth springboarding off of Q2. In other words, a takeoff rather than a soft landing scenario. Wesbury is looking for growth at 3.0% or better over the next few quarters.









The major indices performed as follows (Sep & Y-T-D): S&P 500 (3.74% & 9.13%); DJIA (4.16% & 13.31%); Nasdag Composite (4.09% & 12.48%); Russell 2000 (1.72% & 3.17%); MSCI Emerging Markets in USD (11.05% & 34.32%); and MSCI World ex-USA in USD (5.70% & 14.83%). Some of the top performing S&P 500 industry groups in September were as follows: Fertilizer & Ag Chemicals (+22.9%); Diversified Metals & Mining (+20.0%); Internet Retail (+14.6%); Automobile Manufacturers (+14.2%); and Construction & Engineering (+13.2%). The top performing S&P sector was Energy (+8.0%). In September, the dividend-payers (388) in the S&P 500 (equal weight) posted a total return of 2.34%, vs. 2.84% for the non-payers (112), according to Standard & Poor's. Year-to-date, the payers gained 6.01%, vs. 7.13% for the non-payers. For the 12-month period ended September 2007, payers gained 13.52%, vs. 14.31% for the non-payers. The number of dividend increases (S&P 500) year-to-date totaled 224. That topped the 222 increases over the same period in 2006, but lagged the 232 increases registered in 2005. The dividend yield on the index was 1.85% at the close of September. The Q3'07 edition of the Investment Manager Outlook, a survey of investment managers conducted by Russell Investment Group, says that money managers continue to be most bullish on large-cap growth stocks over all other asset classes. Sixty-nine percent of those managers polled are bullish, down slightly from 74% in Q2'07. Non-U.S. developed markets came in second at 57% followed by mid-cap growth stocks at 53%. The sectors that managers are most bullish on are technology (73%) and health care (69%). U.S. investment managers continue to favor equities over fixed-income.









Short Interest (NYSE) Sep: 11.84B (-5.2%) Aug: 12.49B (-3.6%) Short Interest Record = 12.95B

Convertible

Municipal

Asset-Backed



The yield on the 10-Yr. T-Note rose 6 basis points in September closing at 4.59% – 4 basis

points lower than a year ago. Every major bond category performed well. Speculative-grade

debt and municipals rebounded nicely after some tough sledding in July and August.

Speculative-grade selling pressure was due to heavy supply and a re-pricing of risk, while

municipals dipped due to heavy selling from hedge funds. Defaults remain very low for high

S&P 500 P-E Ratio (Trailing 12-mo. earnings) 17.94 (9/28) 17.32 (8/31) Avg. P-E is 20 over past 25 years



The Bond Market

Index (Source: Lehman) Sep <u>Y-T-D</u> <u>12-Mo.</u> U.S. Treasury: Intermediate 0.60% 5.11% 5.91% GNMA 30 Year 0.75% 3.63% 5.23% Municipal Bond (22+) 2.34% 0.04% 1.86% U.S. Aggregate 0.76% 3.85% 5.14% Intermediate Corporate 0.67% 3.07% 4.42% U.S. Corporate High Yield 2.62% 3.21% 7.54% Global Aggregate 2.24% 6.02% 8.20% Global Emerging Markets 2.82% 3.69% 8.18%

4.75%

3.99%

4.59%

6.30%

4.80%

Key Rates as of September 28th Fed Funds

2-Yr.T-Note

10-Yr. T-Note

30-Yr. Mortgage

Bond Buyer 40

Key Yield Spread				
The spread between the Merrill Lync				
High Yield Master II Index and the 10				
Yr. T-Note was 408 basis points or				
9/28. It was 450 on 8/31 and 370 or				
9/30/06.				

yield debt, but the outlook isn't as bright. The U.S. speculative-grade default rate declined					
from 1.5% in July to 1.4% in August, according to Moody's. It expects that rate to climb to					
$4.5\% \ over the \ next \ year. \ Moody's \ cites \ higher \ spreads \ and \ diminished \ liquidity \ for \ the \ added$					
pressure on distressed issuers. It expects the global rate to increase to 4.1%.					
Key Yield Spread	2007 Debt Issuance through August				
between the Merrill Lynch	(Source: Thomson Financial)				
Master II Index and the 10-	Debt Category	<u>\$ Amount</u>	% change over '06		
was 408 hasis noints on	Corporate	\$770.1 Billion	+13.8%		

\$56.1 Billion

\$703.6 Billion

\$290.8 Billion

The Investment Climate

Net cash outflows from equity funds totaled \$12.3 billion in August, compared to inflows totaling \$11.6 billion in July, according to the Investment Company Institute. Bond funds reported outflows totaling \$4.0 billion, compared to inflows totaling \$3.9 billion in July. Money funds reported inflows totaling \$153.8 billion, up from \$71.1 billion in July. Y-T-D through August, inflows to equity funds totaled \$88.1 billion, vs. \$87.3 billion for bond funds.

+58.5%

+22.3%

-9.6%