MARKET COMMENTARY

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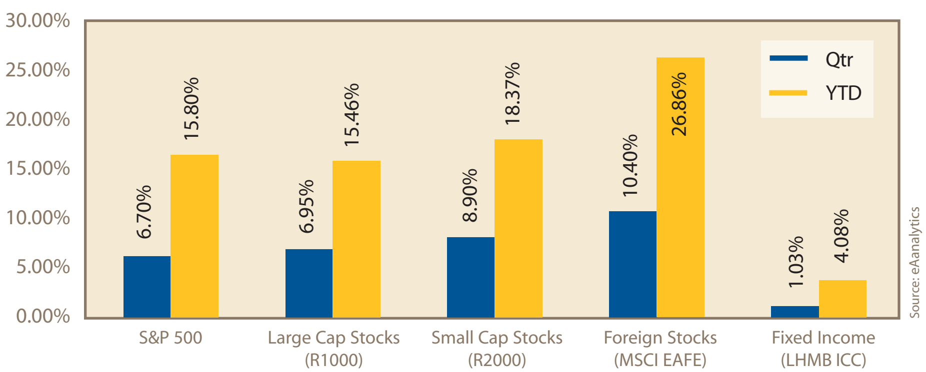
2006 4th Quarter Market Commentary

DÉJÀ VU ALL OVER AGAIN

The fourth quarter of 2006 continued the strong third quarter showing across global financial markets, with equities, fixed income, real estate, and alternative strategies (with the exception of some commodity indices) posting gains. Although some leadership changed within sub-asset classes, the fourth quarter effectively mirrored the third; equities were strong globally, fixed income returns lagged but were still positive, commodity volatility was high, real estate continued its march north, and hedge fund strategies were generally positive with a few pockets of distinct strength. Clients following our recommendations to diversify into non-US equities while retaining a solid US footing, continue to position fixed income portfolios with a focus on shorter maturities yet extending duration into longer-dated issues, and retain selective exposure within alternative strategies were rewarded in Q4. Staying involved, as market participants are wont to say, was a position rewarded in the fourth quarter.

2006 Performance Was Positive



RECAPPING 2006/ LINKING 2007

Before examining the above asset classes in detail, let's look at some of the highlights of 2006 and their potential implications for the upcoming year:

ECONOMY:

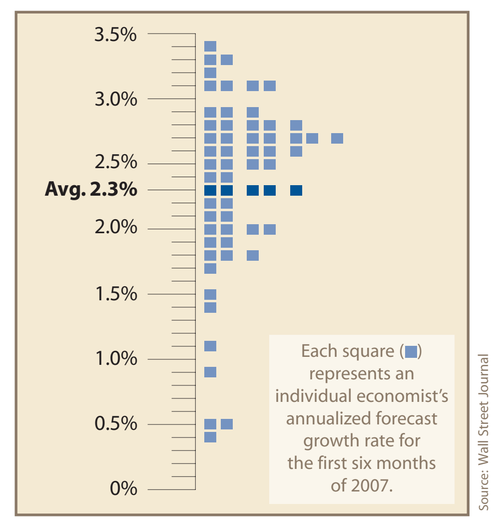
- **Real Global GDP** is forecasted to have risen somewhere in the mid 4% range in 2006, up from an actual 4.3% reading in 2005. 2006 witnessed continued divergence between high and low-income country growth, with the latter generally a positive surprise.

2007 Implications — While most economists forecast a modest fall in global growth in 2007, more stable commodity prices, stronger emerging market infrastructure spending, and a resilient US consumer could lead to higher forecast revisions.

- **US economic growth** likely came in the mid 3% range in 2006 as the market awaits full-year data released at the end of January. 2005 growth was pegged at 3.2%, so similar growth trends existed between the two years. The economy slowed as 2006 progressed.

2007 Implications — Based on a recent Wall Street Journal semiannual poll of sixty economists, consensus expectations are for further slowing in the first half of 2007 (GDP estimated to grow at 2.3%) followed by a modest recovery in the second half (estimated at 2.7%). **The extent of the first-half slowdown will drive monetary policy in the second half.** The state of the US consumer amidst a housing slowdown, the US trade balance, and continued thrust of business capital spending are key drivers.

GDP Growth Forecasted To Slow



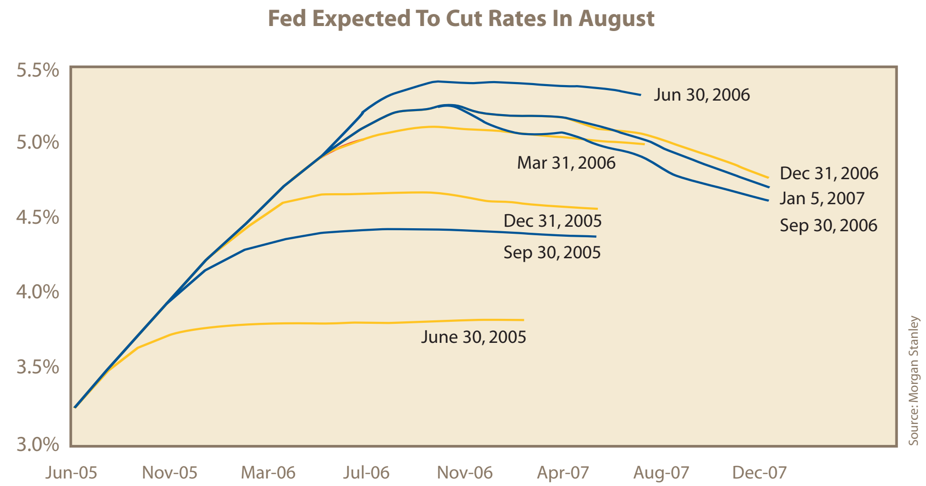
Inflation/ Monetary Policy:

• **Global Monetary Policy** is varied across the world's major central banks, with the US at the perceived end of monetary tightening and continental Europe, the UK, and Japan all with rate risks to the upside.

2007 Implications — This disparity carries the risk of spawning global imbalances at a time when repairing Japanese and European economies need US investment to help drive growth. Higher interest rates in Europe and Japan could push their currencies even higher, making foreign goods less attractive to US consumers, which could hurt global growth.

• **US Monetary Policy** was highlighted by the last of seventeen successive 25 basis point federal funds target rate hikes on June 29th. A pause in the two following meetings (and each meeting since the end of June) set up the bond market for a much-anticipated rally in the third quarter of 2006, followed by small total return gains in the fourth quarter.

2007 Implications — The Federal Reserve continues to voice its concern over inflation, and as is seen in the attached chart, based on the futures market, expectations are for a 25 basis point cut in rates by the August meeting. The Fed has been consistent in highlighting inflation as their primary concern, and should economic data releases point to higher prices, expectations for rate cuts could quickly disappear.



Political Developments:

• **Global tensions** seemed to peak in the mid-summer, with crude oil touching $78.40 intraday on July 14th amidst Israeli-Hezbollah tensions, concerns about Iranian nuclear ambitions, and the ongoing Iraq war. US-China relations received a boost with the Treasury Secretary appointment of Hank Paulson, former CEO of Goldman Sachs, and hopes escalated for currency flexibility as China continues its torrid growth. Russian president Vladimir Putin's increased presence in business concerned several market participants as that country's wealth was perpetuated by climbing oil prices in 2006.

2007 Implications — Protectionism continues to be a concern, and early 2007 developments including Venezuela's nationalization of utilities and oil companies and Russia's brief suspension of oil shipments to continental Europe are a reminder of the increased centralization potential of scarce resources like oil amidst globalization forces. Note that France has a critical spring election as it prepares for the likely departure of Jacques Chirac, with the leading contenders representing pro-capitalism and pro-socialist policies, respectively.

• **The US midterm elections** resulted in a leadership change as Democrats took over congressional leadership. President Bush responded with a change in leadership in his cabinet and a new Iraq strategy released in early January.

2007 Implications — The third year of a presidential cycle has historically been the best period of US equity market performance, and the likely resultant gridlock of shared political power in Washington could be a boost to share price performance. While spending policies, taxation on healthcare and energy companies, and handling of the Iraq war under split power remains to unfold, we expect political offsets to provide a favorable backdrop for economic growth.

Outlook: "History doesn't repeat itself, but it often rhymes."

The above quote attributed to Mark Twain is one of our favorite reminders to clients. While a new year means new considerations across a variety of issues, the tenets of investment success have not changed with the calendar. Focusing on absolute returns generated by diversification can promote consistent compounding, and consistent compounding perpetuates wealth. Here is where we think the opportunity set lies in the short to medium term:

- We recommend clients remain **overweight equities**, and continue to remain overweight non-US stocks within their equity allocations. However, we would recommend clients reduce their overweight to non-US stocks relative to US stocks. Given cheap protection levels, we would recommend clients consider portfolio insurance to hedge risk.

- We would be **underweight bonds** and prefer to use alternative strategies (absolute return and arbitrage funds) as complements to traditional bond allocations, particularly for non-taxable capital. Within fixed income, we continue to view short-term fixed income as the best risk-reward but would selectively move out on the curve with evidence of a weakening economy. Inflation-adjusted fixed income securities look cheap historically, but catalysts are scarce.

- Where suitable for qualified investors capable of tolerating added risk, we would continue to allocate to alternative asset classes, especially absolute return vehicles, hedged equity strategies, and private real estate. Actively managed commodity strategies may also benefit from continued sector volatility.

As always, our goals are to combine asset class fundamentals with thoughtful portfolio construction, retaining a focus on client objectives and capital preservation. Best wishes in the New Year.

CAPTRUST looks forward to a great year with our clients in 2007

401(k) Market Place

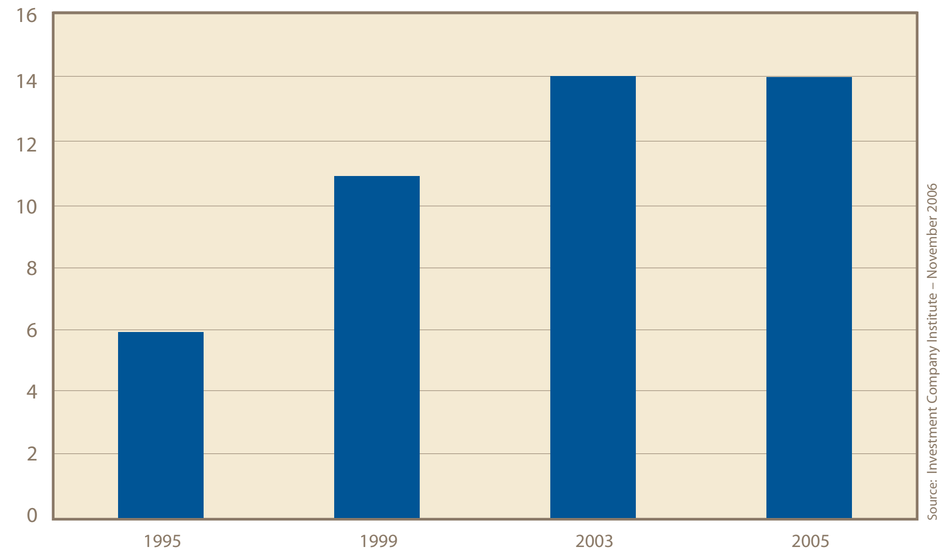
25 Years Since the Inception of 401(k) Plans

As 401(k) plans enter into their 25th year of existence, let's look at the evolution of the plan and identify challenges that Plan Sponsors will likely face in the future.

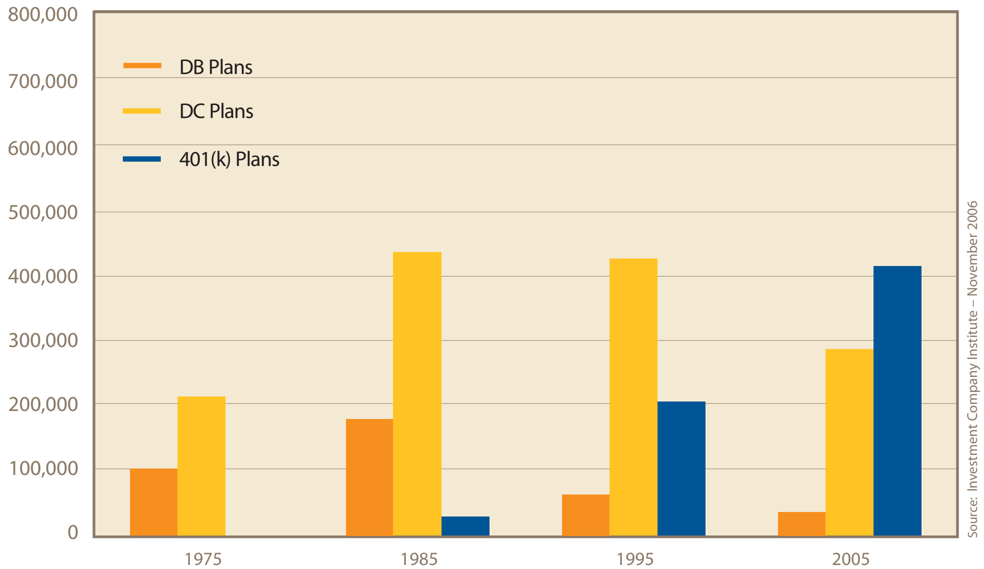
The shift from defined benefit to 401(k) plans in the private sector has been pronounced. In 1975 only about 30% of retirement plans were defined benefit plans and they covered about 60% of employees in the private sector. By 2005, the number of these defined benefit plans has shrunk to about 5% covering 27% of the employees in the private sector.

The number of investment options offered to plan participants has risen in the past 10 years. There appears to be a leveling out as research shows that too many options cause confusion for the plan participants.

Investment Options Offered



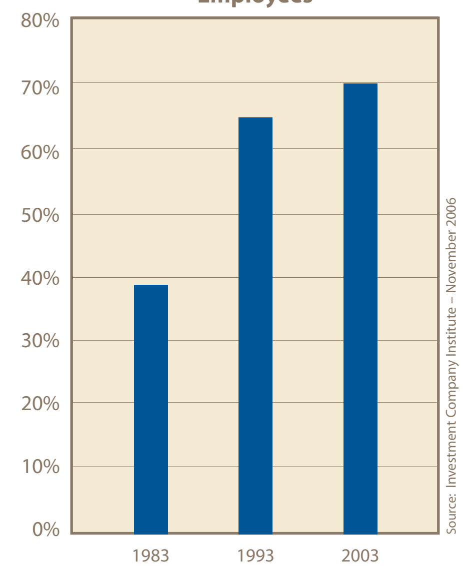
Shifts In 401(K) Plans Since Inception



Participation rates among those companies offering 401(k) plans have been steadily rising. In 2003 the average participation rate was just shy of 70%. Automatic enrollment is predicted to raise this number dramatically.

Although automatic enrollment has been shown to increase the number of participants for employers, still only about 17% of 401(k) plans use this feature. With the passage of the PPA and guidance on using automatic enrollment, it is anticipated that this feature will become the normal method of enrolling employees into plans.

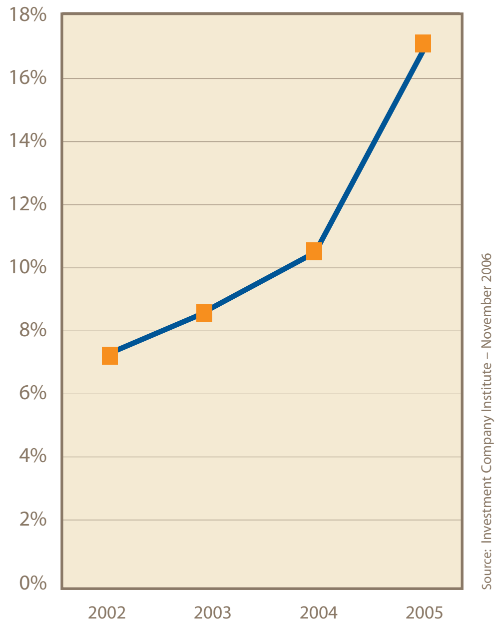
Rates of Participation by Employees



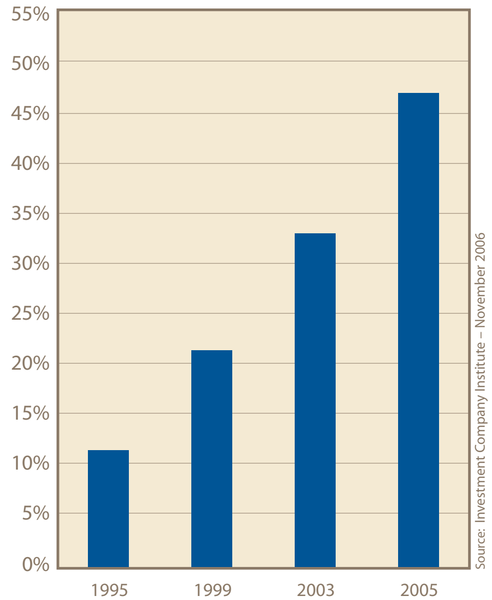
401(k) Market Place

Diversification of participant accounts across multiple asset classes is a concern to many employers. The use of funds that provide asset diversification has risen significantly over the past decade. With the passage of the PPA and rules outlining acceptable default investment funds, these types of investments will continue to be added to retirement menus.

Percentage of Plans Offering Auto Enrollment Feature



% Of Plans Offering Lifestyle and/or Lifecycle Funds



What questions do these trends raise for employers as retirement benefits are becoming born by their employees?

- Are our employees saving enough?
- Are we contributing enough in the form of match?
- What help do our employees want/need to work toward providing themselves an adequate retirement?
- Where do we get that help?

CAPTRUST's Professional Services Group is able to assist you with any participant related questions you may have.

Please see your Advisor for details.

2006 4th Quarter Asset Class Returns

Annual Returns for Key Market Indices (1990-2006) Ranked in order of performance (Best to Worst)

1990	1991	1992	1993	1994	1995	1996	1997	1998
Fixed Income 9.17%	Small Cap Growth Stocks 51.19%	Small Cap Value Stocks 29.14%	Foreign Stocks 32.94%	Foreign Stocks 8.06%	Large Cap Growth Stocks 38.13%	Large Cap Growth Stocks 23.97%	Large Cap Growth Stocks 36.53%	Large Cap Growth Stocks 42.16%
Cash 7.27%	Small Cap Value Stocks 41.70%	Large Cap Value Stocks 10.53%	Small Cap Value Stocks 23.84%	Cash 3.83%	Large Cap Value Stocks 37.00%	Large Cap Value Stocks 21.99%	Small Cap Value Stocks 31.69%	Foreign Stocks 20.33%
Large Cap Growth Stocks 0.20%	Large Cap Growth Stocks 38.37%	Small Cap Growth Stocks 7.77%	Large Cap Value Stocks 18.60%	Large Cap Growth Stocks 3.13%	Small Cap Growth Stocks 31.04%	Small Cap Value Stocks 21.37%	Large Cap Value Stocks 29.99%	Large Cap Value Stocks 14.67%
Large Cap Value Stocks -6.85%	Large Cap Value Stocks 22.56%	Fixed Income 7.17%	Small Cap Growth Stocks 13.36%	Large Cap Value Stocks -0.63%	Small Cap Value Stocks 25.75%	Small Cap Growth Stocks 11.26%	Small Cap Growth Stocks 12.95%	Fixed Income 8.42%
Small Cap Growth Stocks -17.41%	Fixed Income 14.63%	Large Cap Growth Stocks 5.07%	Fixed Income 8.78%	Small Cap Value Stocks -1.55%	Fixed Income 15.31%	Foreign Stocks 6.36%	Fixed Income 7.87%	Cash 4.55%
Small Cap Value Stocks -21.77%	Foreign Stocks 12.50%	Cash 3.25%	Cash 2.87%	Fixed Income -1.93%	Foreign Stocks 11.55%	Cash 4.97%	Cash 4.87%	Small Cap Growth Stocks 1.23%
Foreign Stocks -23.20%	Cash 5.13%	Foreign Stocks -11.85%	Large Cap Growth Stocks 1.68%	Small Cap Growth Stocks -2.43%	Cash 5.36%	Fixed Income 4.06%	Foreign Stocks 2.06%	Small Cap Value Stocks -6.43%

1999	2000	2001	2002	2003	2004	2005	2006
Small Cap Growth Stocks 43.09%	Small Cap Value Stocks 22.81%	Small Cap Value Stocks 14.02%	Fixed Income 9.82%	Small Cap Growth Stocks 48.53%	Small Cap Value Stocks 22.25%	Foreign Stocks 14.02%	Foreign Stocks 26.86%
Large Cap Growth Stocks 28.25%	Fixed Income 10.10%	Fixed Income 8.98%	Cash 1.65%	Small Cap Value Stocks 46.02%	Foreign Stocks 20.73%	Large Cap Value Stocks 6.33%	Small Cap Value Stocks 23.48%
Foreign Stocks 27.30%	Large Cap Value Stocks 6.09%	Cash 3.69%	Small Cap Value Stocks -11.42%	Foreign Stocks 39.17%	Large Cap Value Stocks 15.71%	Small Cap Value Stocks 4.71%	Large Cap Value Stocks 20.80%
Large Cap Value Stocks 12.72%	Cash 5.65%	Small Cap Growth Stocks -9.23%	Foreign Stocks -15.65%	Large Cap Value Stocks 31.79%	Small Cap Growth Stocks 14.31%	Small Cap Growth Stocks 4.15%	Small Cap Growth Stocks 13.35%
Cash 4.44%	Foreign Stocks -13.96%	Large Cap Value Stocks -11.71%	Large Cap Value Stocks -20.86%	Large Cap Growth Stocks 25.66%	Large Cap Growth Stocks 6.13%	Large Cap Growth Stocks 3.46%	Large Cap Growth Stocks 11.01%
Small Cap Value Stocks 1.48%	Large Cap Growth Stocks -22.08%	Large Cap Growth Stocks -12.72%	Large Cap Growth Stocks -23.59%	Fixed Income 4.30%	Fixed Income 3.04%	Cash 2.93%	Cash 4.76%
Fixed Income 0.39%	Small Cap Growth Stocks -22.43%	Foreign Stocks -21.20%	Small Cap Growth Stocks -30.27%	Cash 1.03%	Cash 1.21%	Fixed Income 1.57%	Fixed Income 4.08%

Source: Markov Processes, Inc., Bloomberg, Mobius

- Small Cap Value Stocks (Russell 2000 Value)
- Small Cap Growth Stocks (Russell 2000 Growth)
- Large Cap Growth Stocks (Citigroup S&P 500 Growth)
- Large Cap Value Stocks (Citigroup S&P 500 Value)
- Foreign Stocks (MSCI EAFE)
- Fixed Income (Lehman Brother's Intermediate Government/Corporate Bond Index)
- Cash (Citigroup 1-Month Treasury Bill)

2006 4th Quarter Index and Peer Group Rankings

Indices	Q4-06	YTD'06	2005	2004	2003	2002	2001	1 Year	3 Year	5 Year	10 Year
S&P 500	6.70%	15.80%	4.91%	10.88%	28.68%	-22.10%	-11.88%	15.80%	10.44%	6.19%	8.42%
Dow Jones Industrial Average	7.39%	19.05%	1.72%	5.31%	28.28%	-15.01%	-5.44%	19.05%	8.44%	6.81%	8.91%
NASDAQ Composite	6.95%	9.52%	1.37%	8.59%	50.01%	-31.53%	-21.05%	9.52%	6.43%	4.37%	6.46%
Russell 1000	6.95%	15.46%	6.27%	11.40%	29.89%	-21.65%	-12.45%	15.46%	10.98%	6.82%	8.65%
Russell 1000 Growth	5.93%	9.08%	5.27%	6.30%	29.75%	-27.88%	-20.42%	9.08%	6.87%	2.69%	5.44%
Russell 1000 Value	8.00%	22.25%	7.05%	16.50%	30.03%	-15.52%	-5.59%	22.25%	15.09%	10.86%	11.00%
Russell Mid Cap Index	7.67%	15.26%	12.65%	20.22%	40.06%	-16.18%	-5.62%	15.26%	16.00%	12.88%	12.14%
Russell 2000	8.90%	18.37%	4.55%	18.33%	47.25%	-20.48%	2.49%	18.37%	13.56%	11.39%	9.44%
Russell 2000 Growth	8.77%	13.35%	4.15%	14.31%	48.54%	-30.26%	-9.23%	13.35%	10.51%	6.93%	4.88%
Russell 2000 Value	9.03%	23.48%	4.71%	22.25%	46.03%	-11.42%	14.03%	23.48%	16.49%	15.38%	13.27%
MSCI Europe, Australia, Far East	10.40%	26.86%	14.02%	20.70%	39.17%	-15.66%	-21.21%	26.86%	20.41%	15.43%	8.03%
Wilshire REIT Index	8.97%	36.14%	14.00%	33.14%	36.18%	3.60%	12.35%	36.14%	27.37%	23.86%	15.38%
Lehman Government Intermediate Bond	0.89%	3.84%	1.68%	2.33%	2.29%	9.64%	8.42%	3.84%	2.62%	3.92%	5.48%
Lehman Corporate Bond	1.36%	4.30%	1.68%	5.39%	8.24%	10.12%	10.31%	4.30%	3.78%	5.90%	6.52%
Lehman Aggregate Bond	1.24%	4.33%	2.43%	4.34%	4.10%	10.25%	8.44%	4.33%	3.70%	5.06%	6.24%
Lehman Intermediate Govt/Credit	1.03%	4.08%	1.58%	3.04%	4.31%	9.84%	8.96%	4.08%	2.90%	4.53%	5.81%
CSFB High Yield	4.45%	11.93%	2.26%	11.96%	27.93%	3.11%	5.78%	11.93%	8.62%	11.07%	7.09%
90-Day US Treasury	1.29%	5.08%	3.35%	1.44%	1.05%	1.68%	3.64%	5.08%	3.28%	2.51%	3.79%
Consumer Price Index (Inflation)	-0.77%	2.31%	3.42%	3.26%	1.88%	2.38%	1.55%	2.31%	2.99%	2.65%	2.42%
Manager Universe	**Q4-06**	**YTD'06**	**2005**	**2004**	**2003**	**2002**	**2001**	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Average Lg Cap Growth Fund	5.57%	6.99%	6.50%	7.95%	28.78%	-26.86%	-20.61%	6.99%	7.23%	2.97%	6.03%
Average Lg Cap Blend Fund	6.72%	14.12%	5.81%	10.34%	27.71%	-21.53%	-10.81%	14.12%	10.06%	5.96%	7.74%
Average Lg Cap Value Fund	7.19%	18.21%	5.96%	13.29%	28.77%	-18.14%	-2.85%	18.21%	12.37%	8.41%	8.95%
Average Mid Cap Blend Fund	7.75%	13.92%	9.07%	15.98%	37.51%	-16.64%	0.34%	13.92%	12.86%	10.46%	10.93%
Average Small-Cap Value Fund	8.45%	16.27%	5.86%	20.80%	42.83%	-9.17%	15.90%	16.27%	14.13%	13.99%	12.44%
Average Small-Cap Blend Fund	8.38%	15.06%	7.00%	18.74%	43.44%	-16.27%	8.14%	15.06%	13.42%	11.70%	11.37%
Average Small-Cap Growth Fund	7.91%	10.62%	5.76%	12.00%	45.45%	-28.42%	-8.95%	10.62%	9.41%	6.31%	8.25%
Average Foreign Fund	11.05%	25.81%	16.37%	19.19%	38.01%	-15.38%	-20.18%	25.81%	20.33%	15.29%	8.75%
Average Emerging Market Fund	17.84%	32.53%	31.61%	23.56%	55.57%	-5.74%	-3.17%	32.53%	28.85%	25.57%	9.47%
Average Conservative Allocation	3.43%	8.19%	3.20%	5.45%	12.72%	-3.38%	-0.05%	8.19%	5.77%	5.60%	6.00%
Average Moderate Allocation	5.06%	11.26%	4.91%	8.71%	20.53%	-11.56%	-3.84%	11.26%	8.35%	6.27%	7.15%
Average Fixed Income Fund	1.44%	4.87%	2.27%	4.34%	7.10%	6.94%	4.97%	4.87%	3.85%	5.10%	5.02%
Average High Yield Bond Fund	4.06%	10.14%	2.53%	10.04%	24.69%	-1.48%	2.44%	10.14%	7.52%	8.90%	5.31%
Average Real Estate Fund	10.07%	33.59%	11.60%	32.08%	37.02%	4.18%	9.64%	33.59%	25.16%	23.05%	14.48%
Average Aggressive Growth Fund	6.95%	9.58%	8.13%	11.83%	35.92%	-27.00%	-20.24%	9.58%	10.09%	5.68%	7.05%

Source: Morningstar, MPI