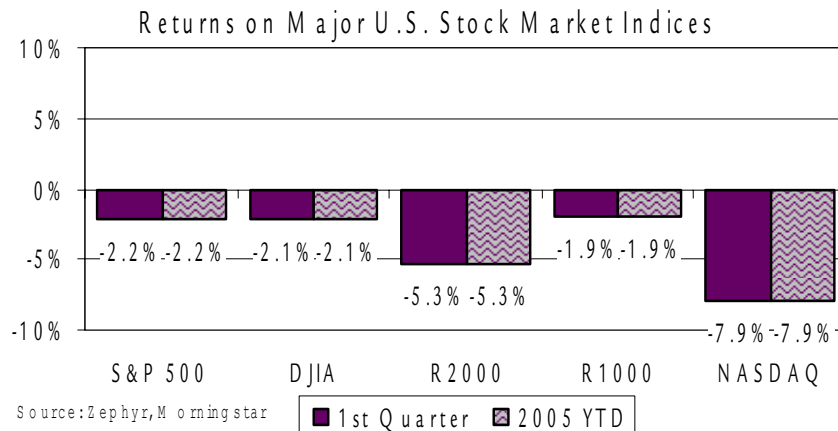


Interest Rates & Oil Keep Stock Market Down

- The US stock market posted moderate losses during the first quarter as the Fed increased interest rates due to fears of inflation.
- Crude oil prices continued to increase during the quarter. The effects of which have been felt by consumers and companies as transportation costs continue to increase. This has added to the high returns within the commodities sector for the 1st quarter.
- International stock markets beat the US markets again this quarter with the emerging markets regions posting the highest gains.
- US and international markets have seen savings rates continue to drop as high consumer spending helped to fuel the economy.

Most investors found themselves disappointed as the first quarter of 2005 ended with less than stellar returns. US markets were down during the quarter with only the large value sector able to pull through by posting a 0.09% return. The S&P 500 Index was down 2.1% during the quarter. Telecommunications and information technology were the worst performing sectors of the S&P posting losses of -8.6% and -7.5% respectively. The

energy sector performed a whopping 17% during the quarter. This should not come as much of a surprise to consumers who have noticed their bill steadily increasing at the gas pump.



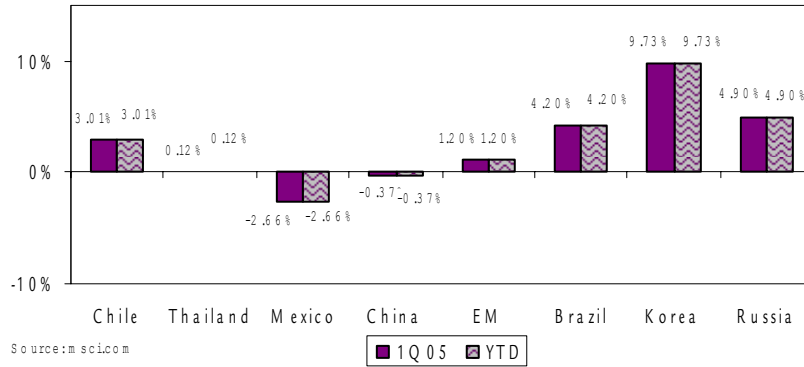
US consumers continued to see a strong demand for crude oil during the first quarter which kept oil prices high. The price of gasoline rose along with that of crude oil, proving to have a negative effect not only on the wallets of consumers filling up their tanks, but there has also been an increase in the retail prices of other products during the quarter due to the increased transportation cost. Despite the increased costs, retailers have reported an increase in sales growth specifically in the weeks after the holidays while consumers were taking advantage of the post-shopping season sales.

The highlight of market returns this quarter was in the commodity sector with the Dow Jones AIG Commodity Index returning just over 12%. This increase was driven primarily by energy and natural resources as the price of crude increased almost 25%. OPEC indicated a possibility of production cuts during the quarter, which led to a jump in prices.

Emerging markets investors saw an increase during the first quarter. The region of the world covered by the MSCI Emerging Markets Index saw a 1.94% increase. Mexico,

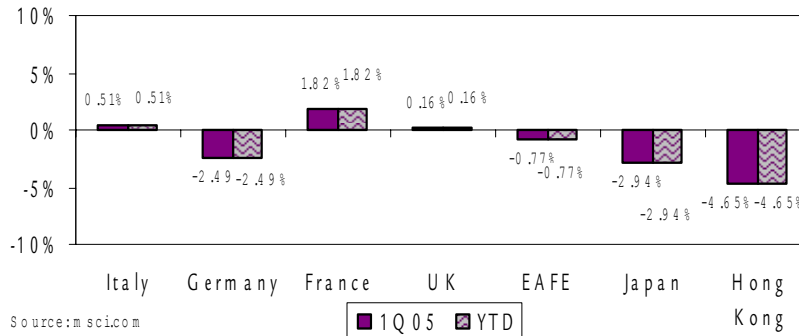
Colombia, and South Africa tended to detract from performance while Egypt, Jordan, and Pakistan were among the hot spots. While returns in China were

Emerging Market Returns
In US Dollars



somewhat disappointing for the quarter (-0.3%) their GDP was anything but that. The Chinese government reported a 9.5% growth in GDP during the first three months of the year, making China the fastest growing major economy in the world. According to Beijing, this GDP surge is attributable to a 22% jump in investment in factories, construction, and other fixed assets. The Chinese

Developed Market Returns
In US Dollars



government is becoming concerned that this type of surging growth could ignite inflation and harm China's banking system.

The international developed markets, as measured by the MSCI EAFE Index, were down -0.1% during the first quarter of 2005. While the international index posted a respectable gain (+4.3%) in February, the months of January and March proved too difficult for the markets. The European Central Bank's continued concern over the valuation of the euro seems to have kept the performance in most countries relatively moderate. With the exception of Ireland, Portugal, and Germany, the rest of Western Europe had moderate to positive performance.

with their interest in continuing to encourage the underlying growth of productivity in order to support economic activity. To accomplish this, the Fed will most likely raise rates but will be wary of raising them too quickly.

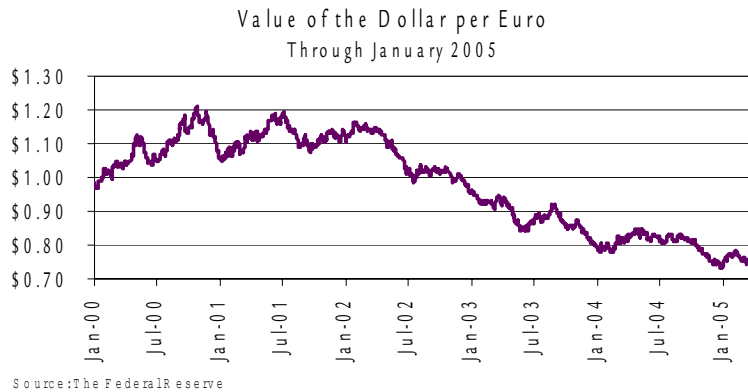
Consumer spending is continuing at a high rate. Americans, on average, are saving less than 1% of their after-tax income. We have known for sometime that Americans tend to prefer consumption over investment; however, the savings rate for Americans in the beginning of the 90s was 7%. The spendthrift attitude is not purely contained in the States.

As it turns out, many countries with aging populations have recently seen their savings rates plummet. For example, in the early

1990s the Japanese saved an average of 15% of their household income. That number is currently down to about 5%. US consumers are not the worst offenders for overspending. Australians and New Zealanders actually have a negative personal savings rate and are borrowing to consume more than they earn.

To date, the economy has been spurred, in large part, by the steady spending of consumers who forego savings for spending, thus fueling the economy. One result of the economy's solid growth is that inflationary pressures have been increasing. Additionally, expensive imports due to

The dollar has been relatively flat during the quarter versus the euro and the yen.



Source: The Federal Reserve

Expectations are still optimistic that Beijing will allow the yuan to float sometime this year. This should cause a further devaluation of the dollar allowing the US to export more goods to other countries and reduce the trade deficit.

The Federal Open Market Committee (FOMC) met twice during the quarter and increased the federal funds rate by 0.25% both times. The current fed funds rate is 2.75% and the discount rate increased to 3.75%. We expect the FOMC to increase rates by at least another 25 basis points this quarter at the May 5th meeting. The attempt by the Fed to thwart inflation is coupled

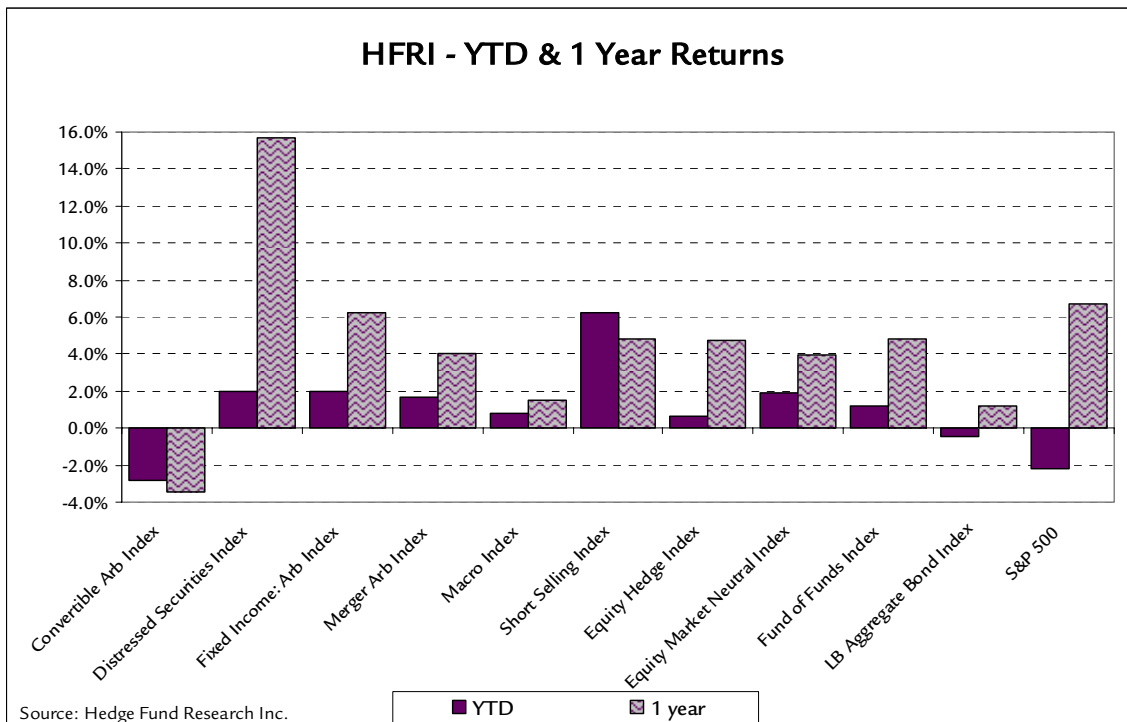
a low dollar and increases in crude oil cause the Federal Reserve to realize that interest rates will have to increase to prevent these rising costs to pass through to inflation.

In the coming quarter, we believe the Fed's main concerns will be maintaining sustainable growth in the US economy while mitigating inflation. The FOMC will attempt to keep inflation low by increasing interest rates. The hope will be to increase personal savings rates and to have corporate spending make up for the lack of spending by individual consumers. We expect the dollar to remain around the current valuation throughout the year and then drop further after Beijing allows for a floating currency. Also, look for continued growth in emerging nations as they become a more prominent player in the global economy.

Alternative investments fared better than most traditional markets in the first quarter of 2005. The HFRI Fund

Weighted Composite Index finished the quarter up 0.92%. This weighted index of all the hedge funds that report into Hedge Fund Research, Inc. managed a small quarterly return. However, when compared to the S&P 500 Index's -2.15% return for the quarter or the Lehman Brothers Aggregate Bond Index's -0.47% return for the quarter, this meager return takes on more significance. January and March were both negative months for the HFRI Composite Index but strong gains in February proved to be more than enough to keep the index in positive territory for the quarter.

On a strategy basis hedge fund returns were also generally positive overall. Most convertible arbitrage managers continued their struggle to produce returns in 2005. The HFRI Convertible Arbitrage Index was down 2.79% as of the end of March. Low issuance and continued lower volatility in the equity markets both helped to suppress returns for the quarter. Directional equity strategies as defined by the HFRI

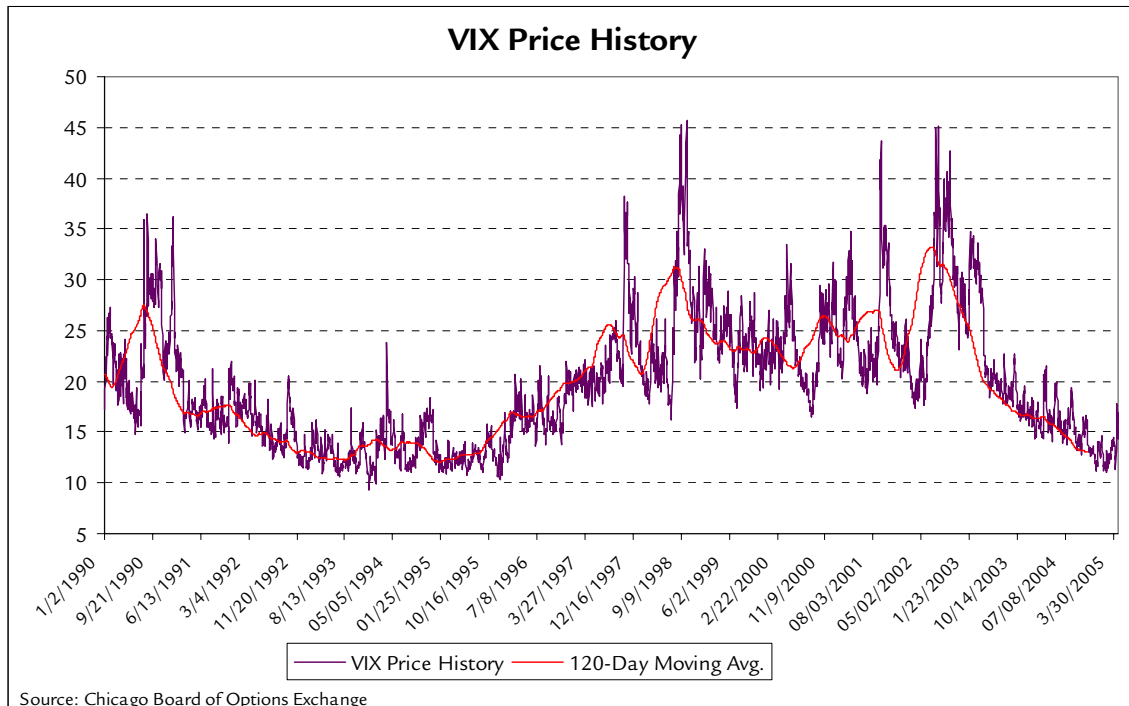


Equity Hedge Index performed positive for the first quarter of 2005, gaining 0.61% over the quarter. Like the HFRI Composite, February was the only accretive month for HFRI Equity Hedge as well, returning 2.10% in February.

The first quarter of 2005 saw the reemergence of the importance of fundamental evaluations in stock performance as the dispersion between the performance of less healthy, more highly leveraged companies and fundamentally healthy companies was noticeable. At long last, good and bad companies didn't move in unison and managers were able to realize accretive performance on both the long and short side of their books. The top performing strategy for the first quarter was short selling which was up 6.24% for the quarter as shown by the HFRI

Short Selling Index. Market Neutral managers were able to tack on relatively impressive performance over the quarter. The HFRI Equity Market Neutral Index returned 1.91% through March. Managers were able to take advantage of opportunities on both the long and short side of the market. Another factor adding to opportunities for many market neutral managers was the divergence of stock returns between good and bad companies. Overall equity volatility as measured by the VIX while still historically suppressed edged up through out the quarter.

If you have any questions, please feel free to contact the Investment Committee at 512.334.3300 or 866.747.3300.



Trade, Exchange Rates, and Budget

	Trade balance*, latest 12 mos		Current Account Balance				Exchange Rate		Budget balance % of GDP 2004‡
			\$bn		The Economist poll		trade weighted**		
			latest 12 mos		% of GDP, forecast		1990=100		
				2005	2006	March 30th	year ago		
Australia	-18.2	Jan	-39.4	Q4	-5.7	-5.3	88.5	88.4	0.7
Austria	0.1	Jan	-1.4	Jan	-0.8	-0.9	105.0§	104.6	-1.5
Belgium	18.4	Jan	11.7	Sep	3.4	3.5	105.8§	105.3	-0.1
Britain	-106.4	Jan	-49.0	Q4	-2.7	-2.8	103.5	105.1	-3.2
Canada	51.0	Jan	23.4	Q4	2.1	1.6	94.1	87.4	1.1
Denmark	9.5	Jan	5.9	Dec	2.4	2.3	107.0	106.3	0.9
France	-12.7	Jan	-10.3	Jan	-0.5	-0.4	108.6§	107.9	-3.7
Germany	196.0	Jan	103.2	Jan	2.9	3.0	106.5§	105.8	-3.9
Italy	-1.1	Jan	-16.7	Jan	-1.0	-1.1	77.7§	77.2	-2.9
Japan	129.5	Jan	169.2	Jan	3.5	3.4	133.3	141.0	-6.5
Netherlands	36.8	Jan	24.1	Q4	3.4	3.3	105.4§	104.8	-2.9
Spain	-78.0	Jan	-49.3	Dec	-4.2	-4.2	78.0§	77.7	-1.1
Sweden	22.8	Feb	28.0	Q4	6.8	6.1	82.1	79.9	0.5
Switzerland	7.3	Feb	44.7	Q3	12.1	11.7	113.1	111.2	-1.6
United States	-678.1	Jan	-665.9	Q4	-5.9	-5.7	91.9	94.8	-4.4
Euro Area	86.4	Jan	46.1	Jan	0.6	0.6	93.1	90.1	-2.9

*Merchandise. Australia, Britain, France, Canada, Japan, and United States imports fob, exports fob. All others cif/fob. **Bank of England except §IMF, October average. ‡OECD forecast.

Source: The Economist, April 2-8, 2005

Output, Demand, and Jobs

% change on a year ago

	GDP		The Economist poll GDP forecasts		Industrial Production		Retail Sales (volume)		Unemployment % rate		
	latest	qtr*	2005	2006	latest		latest		latest	year ago	
Australia	1.5	Q4	2.9	3.2	4.2	Q3	2.2	Q4	5.1	Feb	5.9
Austria	2.1	Q4	2.0	2.1	5.4	Dec	2.4	Dec	4.5	Feb	4.4
Belgium	2.6	Q4	2.1	2.2	4.5	Jan	-4.2	Jan	12.7	Feb†	12.8
Britain	2.9	Q4	2.5	2.4	0.1	Jan	3.6	Feb	4.7	Jan††	4.8
Canada	3.0	Q4	2.9	2.9	3.3	Dec	4.8	Dec	7.0	Feb	7.3
Denmark	2.2	Q4	1.9	2.1	-1.4	Jan	7.6	Jan	6.1	Jan	6.6
France	2.4	Q4	1.9	2.4	2.9	Jan	-0.7	Jan	10.1	Feb	9.8
Germany	1.5	Q4	1.1	1.6	3.5	Jan	-1.1	Jan	12.0	Mar§	10.4
Italy	0.8	Q4	1.2	1.6	-1.5	Jan	-1.5	Dec	7.8	Sep	8.4
Japan	0.8	Q4	1.4	1.8	0.5	Feb	2.4	Jan	4.7	Feb	5.0
Netherlands	1.6	Q4	1.2	1.7	-0.5	Jan	nil	Dec‡	6.5	Feb**	6.1
Spain	2.7	Q4	2.6	2.6	1.0	Jan	2.1	Jan	10.3	Jan	11.1
Sweden	2.0	Q4	2.9	2.7	-0.5	Jan	4.3	Feb	5.7	Feb†	6.0
Switzerland	1.2	Q4	1.6	1.8	4.7	Q4	-3.1	Jan	4.1	Feb†	4.2
United States	3.9	Q4	3.7	3.2	3.5	Feb	4.9	Jan	5.4	Feb	5.6
Euro Area	1.8	Q4	1.6	1.9	2.2	Jan	-0.6	Jan	8.8	Jan	8.9

*% change on previous quarter at an annual rate. †Not seasonally adjusted. ‡New Series. ††Aug-Oct; claimant count rate 2.7% in Nov. §EU

Source: The Economist, April 2-8, 2005

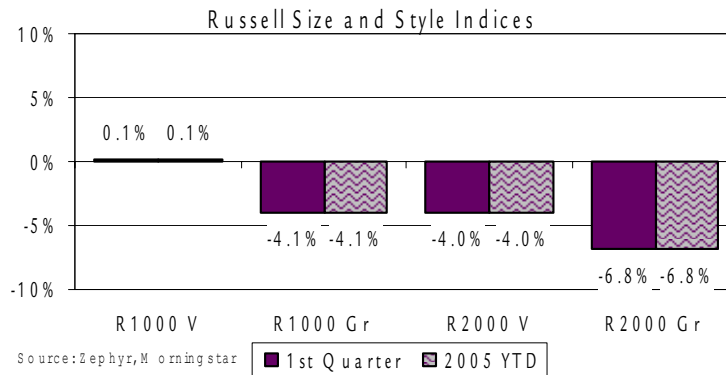
Prices and Wages

% change on a year ago

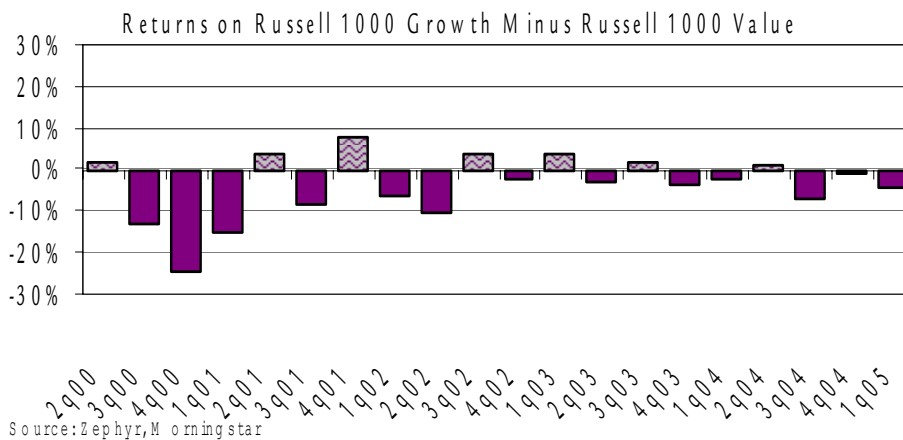
	Consumer Prices			Producer Prices			Wages/Earnings		
	latest		year ago	latest		year ago	latest		year ago
Australia	2.6	Q4	2.4	8.2	Q4	-1.1	3.0	Q4	6.0
Austria	2.8	Feb	1.4	4.6	Feb	1.8	2.1	Feb	2.2
Belgium	3.1	Mar	1.1	-1.1	Feb	2.4	2.3	Jan	1.9
Britain	1.6	Feb*	1.3	2.8	Feb	1.6	4.4	Jan**	4.8
Canada	2.1	Feb	0.7	2.3	Feb	-1.9	1.8	Jan	4.3
Denmark	1.3	Feb	0.9	3.5	Feb	-0.1	2.8	Q4	3.5
France	1.6	Feb	1.8	3.1	Feb	nil	3.0	Q4	2.7
Germany	1.8	Mar	1.1	3.8	Feb	nil	1.2	Jan	1.9
Italy	1.9	Feb	2.3	4.7	Feb	0.1	3.3	Dec	2.6
Japan	-0.3	Feb	nil	1.3	Feb	nil	-0.6	Jan	1.2
Netherlands	1.6	Feb	1.2	4.7	Jan	-0.6	1.0	Feb	1.9
Spain	3.4	Mar	2.1	4.9	Feb	0.7	2.6	Q4	3.3
Sweden	0.7	Feb	-0.3	2.8	Feb	-2.3	2.0	Dec	2.8
Switzerland	1.4	Feb	0.1	1.7	Feb	-0.1	1.4	2003	1.8
United States	3.0	Feb	1.7	4.7	Feb	2.0	2.5	Feb	1.6
Euro Area	2.1	Feb	1.6	3.9	Jan	0.3	2.2	Q4	2.1

*New Series. RPI inflation rate 3.4% in Nov. **Aug-Oct.

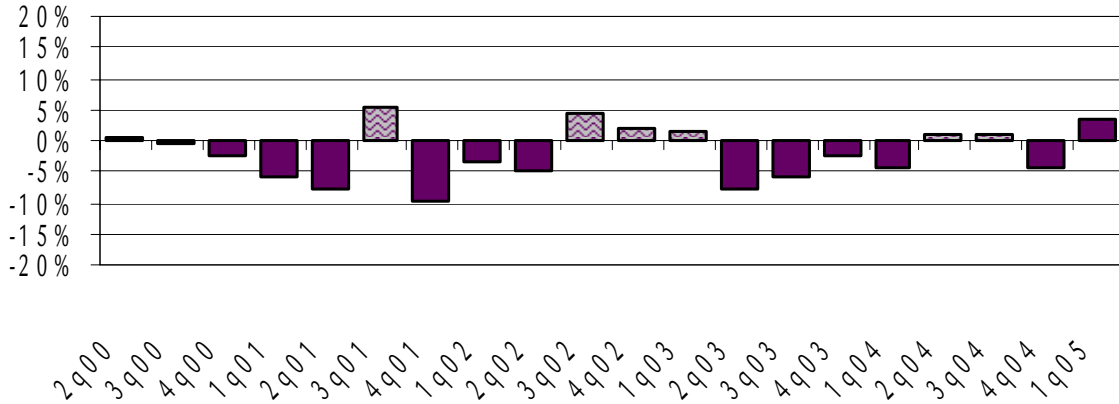
Source: The Economist, April 2-8, 2005



Value vs. Growth

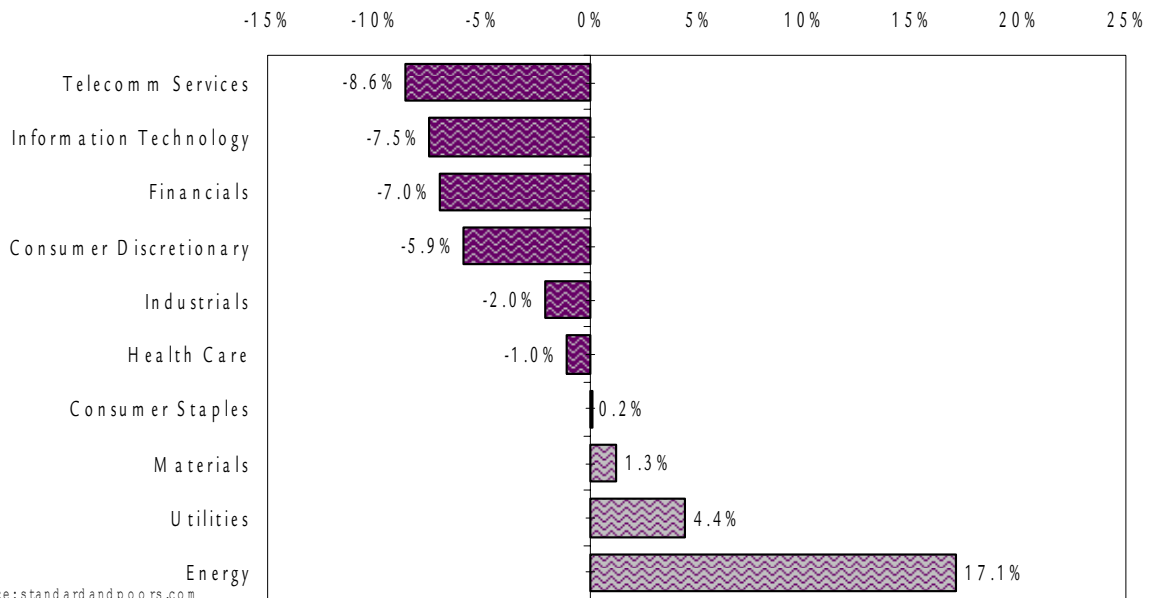


Large Cap vs. Small Cap
Returns on Russell 1000 Minus Russell 2000



Source: Zephyr, Morningstar

S&P 500 Economic Sectors
First Quarter 2005



Source: standardandpoors.com

International Developed Market Performance

Source: Morgan Stanley Capital International

	In Local Currency		In US Dollars	
	1Q'05	2005	1Q'05	2005
REGIONS				
EAFE	2.74%	2.74%	-0.77%	-0.77%
EURO	3.96%	3.96%	-0.60%	-0.60%
EUROPE	3.44%	3.44%	-0.14%	-0.14%
PACIFIC	1.14%	1.14%	-2.25%	-2.25%
THE WORLD INDEX	0.20%	0.20%	-1.54%	-1.54%
WORLD ex USA	2.84%	2.84%	-0.52%	-0.52%
NATIONAL INDICES				
AUSTRALIA	2.28%	2.28%	0.93%	0.93%
AUSTRIA	6.13%	6.13%	1.47%	1.47%
BELGIUM	6.75%	6.75%	2.07%	2.07%
CANADA	4.29%	4.29%	3.28%	3.28%
DENMARK	9.51%	9.51%	4.55%	4.55%
FINLAND	4.57%	4.57%	-0.02%	-0.02%
FRANCE	6.49%	6.49%	1.82%	1.82%
GERMANY	1.99%	1.99%	-2.49%	-2.49%
GREECE	3.24%	3.24%	-1.29%	-1.29%
HONG KONG	-4.33%	-4.33%	-4.65%	-4.65%
IRELAND	-8.11%	-8.11%	-12.14%	-12.14%
ITALY	5.12%	5.12%	0.51%	0.51%
JAPAN	1.31%	1.31%	-2.94%	-2.94%
NETHERLANDS	6.61%	6.61%	1.94%	1.94%
NEW ZEALAND	-2.70%	-2.70%	-3.96%	-3.96%
NORWAY	8.97%	8.97%	4.52%	4.52%
PORTUGAL	1.60%	1.60%	-2.86%	-2.86%
SINGAPORE	2.89%	2.89%	1.84%	1.84%
SPAIN	1.41%	1.41%	-3.03%	-3.03%
SWEDEN	3.68%	3.68%	-2.18%	-2.18%
SWITZERLAND	4.18%	4.18%	-0.61%	-0.61%
UNITED KINGDOM	1.77%	1.77%	0.16%	0.16%

International Emerging Market Performance

Source: Morgan Stanley Capital International

REGIONS	In Local Currency		In US Dollars	
	1Q'05	2005	1Q'05	2005
EM (EMERGING MARKETS)	2.43%	2.43%	1.20%	1.20%
EM ASIA	1.38%	1.38%	2.05%	2.05%
EM EASTERN EUROPE	8.22%	8.22%	5.57%	5.57%
EM EUROPE	6.61%	6.61%	4.54%	4.54%
EM EUROPE & MIDDLE EAST	5.45%	5.45%	3.78%	3.78%
EM LATIN AMERICA	2.59%	2.59%	1.81%	1.81%
NATIONAL INDICES				
ARGENTINA	11.24%	11.24%	13.19%	13.19%
BRAZIL	4.30%	4.30%	4.20%	4.20%
CHILE	8.57%	8.57%	3.01%	3.01%
CHINA	-0.03%	-0.03%	-0.37%	-0.37%
COLOMBIA	-2.88%	-2.88%	-3.46%	-3.46%
CZECH REPUBLIC	14.69%	14.69%	11.09%	11.09%
EGYPT	48.57%	48.57%	55.48%	55.48%
HUNGARY	17.13%	17.13%	11.26%	11.26%
INDIA	-1.98%	-1.98%	-2.42%	-2.42%
INDONESIA	7.46%	7.46%	5.34%	5.34%
JORDAN	25.16%	25.16%	25.25%	25.25%
KOREA	7.64%	7.64%	9.73%	9.73%
MALAYSIA	-4.05%	-4.05%	-4.05%	-4.05%
MEXICO	-2.36%	-2.36%	-2.66%	-2.66%
MOROCCO	-4.30%	-4.30%	-7.64%	-7.64%
PAKISTAN	25.92%	25.92%	25.97%	25.97%
PERU	3.24%	3.24%	3.64%	3.64%
PHILIPPINES	6.30%	6.30%	8.62%	8.62%
POLAND	4.72%	4.72%	-0.15%	-0.15%
RUSSIA	4.90%	4.90%	4.90%	4.90%
SOUTH AFRICA	1.70%	1.70%	-7.94%	-7.94%
SRI LANKA	17.82%	17.82%	23.48%	23.48%
TAIWAN	-3.95%	-3.95%	-3.39%	-3.39%
THAILAND	0.80%	0.80%	0.12%	0.12%
TURKEY	0.36%	0.36%	0.21%	0.21%
VENEZUELA	-4.54%	-4.54%	-15.50%	-15.50%