



## First Quarter 2007 Results

### **Volatility returned to the stock market during the first quarter of 2007.**

Following a strong start for the year, the markets reversed course as the S&P 500 declined 3.5% on February 26. The decline was in response to the sharp drop that occurred for the Chinese stock market the night before, concerns over high risk mortgage loans and concerns over U.S. economic conditions. Fast forward to the end of the quarter and we find the Chinese market at new all-time highs, the worst of the home mortgage fiasco likely behind us and a U.S. economy not on the brink of a recession. As a result, the U.S. stock market recovered with the S&P 500 gaining 0.64% for the quarter.

### **FIRST QUARTER RETURNS**

	<u>Growth</u>	<u>Value</u>	<u>Overall</u>
Russell 1000	1.19%	1.24%	1.21%
<b>Russell MidCap</b>	<b>3.96%</b>	<b>4.86%</b>	<b>4.38%</b>
Russell 2000	2.48%	1.46%	1.95%
Russell 3000	1.29%	1.26%	1.28%

Dissecting the quarter we find that **Mid-Cap stocks were the clear leaders during the period** followed by Small-Caps and then Large-Cap issues. Overall, growth stocks slightly outperformed value stocks for the period and the advantage was most evident in the small-cap space. From an industry/sector perspective, Basic Materials was the top performer at +9.3%, followed by Utility stocks (+8.7%) and Telecommunications (+5.5%).

**Both our All-Cap Core 50 and All-Cap Core 100 portfolios gained approximately 2.9% for the period.** A large part of the increases achieved by our core strategies came from **outsized gains from basic material and industrial stocks**. On the other hand, an overweight position in the financial service sector detracted from the portfolios value given the sub-prime lending/banking uncertainties of the period.



## Sector Analysis

Sector	First Quarter % Change			Return Contributions	
	All-Cap Core 100	All-Cap Core 50	S&P SPDRs	All-Cap Core 100	All-Cap Core 50
Basic Materials	11.0%	11.5%	9.3%	28.7%	31.8%
Capital Goods/ Ind.	8.1%	15.4%	1.8%	26.5%	34.7%
Information Tech.	0.3%	(3.9%)	0.3%	1.4%	(20.5%)
Consumer Discret.	4.8%	9.2%	(0.7%)	20.2%	41.2%
Healthcare	7.8%	7.1%	0.8%	30.4%	21.5%
Consumer Staples	18.3%	-	2.5%	5.4%	0
Energy	9.7%	11.6%	3.1%	20.6%	23.9%
Financial Services	(4.2%)	(3.8%)	(1.8%)	(35.3%)	(34.7%)
Utilities	15.0%	-	8.7%	1.4%	-
Telecommunications	1.1%	1.8%	5.5%	0.7%	2.1%

Looking into the balance of 2007, we continue to believe the biggest potential threats to the securities markets are unrest in the Middle East and if Congress legislates income tax increases. The combination of much higher energy prices and almost any increase in tax rates could put the economy dangerously close to a recession. While we are not forecasting a recession, we believe the lingering threat of tax increases may not provide for a very good investment environment. Nonetheless, we are supporters of today's higher energy prices since the free market has now found it economical to invest in much needed alternative energy projects. We believe the stock market will move modestly higher the remainder of the year and that consumer discretionary, basic materials, technology, and growth stocks in general will lead the way.



**PERFORMANCE (% Total Return)**

As of 3/31/07

	Gross of Fees					Net of Fees				
	2007 3 Mos.	2006	2005	2004	2003	2007 3 Mos.	2006	2005	2004	2003
All-Cap Core 50 Composite	3.18	12.78	21.43	27.81	39.76	2.92	11.65	20.22	26.53	38.37
All-Cap Core 100 Composite	3.11	12.44	20.38	26.95	38.81	2.85	11.32	19.18	25.68	37.43
Russell 1000	1.22	15.46	6.27	11.4	29.89	--	--	--	--	--
Large Cap Core Composite	1.62	14.96	14.19	19.7	--	1.37	13.81	13.05	18.5	--
S&P 500	0.64	15.80	4.91	10.88	--	--	--	--	--	--
Midcap Core Composite	7.99	8.41	16.68	29.9	--	7.72	7.33	15.52	28.61	--
Russell Midcap	4.37	15.26	12.65	20.22	--	--	--	--	--	--
Smallcap Core Composite	4.39	16.91	20.76	--	--	4.13	15.75	19.56	--	--
Russell 2000	1.95	18.37	4.55	--	--	--	--	--	--	--

**CHARACTERISTICS**

As of 3/31/07

	ALL-CAP CORE 50	ALL-CAP CORE 100	Russell 1000	LARGECAP CORE	S&P 500	MIDCAP CORE	Russell Midcap	SMALLCAP CORE	Russell 2000
P/E 1-Yr Forecast	14.1	14.3	15.3	13.6	14.9	14.8	17.6	15.5	20.8
P/E (ex-negative earnings)	16.0	16.1	17.2	15.4	16.7	16.7	20.3	20.2	26.7
Return on Equity (5-Yr Average)	22.0	21.5	17.0	22.6	18.5	21.9	12.7	13.8	0.2
Return on Equity (T4Q)	24.9	21.2	17.3	21.5	17.8	23.5	14.9	17.9	9.55
EPS Growth (5-Year)	33.7	36.9	12.8	25.9	12.5	32.3	13.5	--	19.1
EPS Growth (5-Year Est.)	16.8	15.9	13.3	15.5	12.3	15.3	13.6	16.4	16.4
Dividend Yield	1.0	0.8	1.8	1.0	1.8	0.8	1.3	0.4	1.1
Price/Book Value	3.7	3.1	2.9	3.1	2.9	3.6	2.9	3.4	2.5
Price/Sales	1.7	1.6	1.5	1.6	1.5	1.3	1.3	1.4	1.1
Price/Cash Flow	12.1	12.8	9.9	12.4	11.3	12.9	7.2	15.3	10.5
Average Market Cap (Bil)	19.4	15.6	15.7	29.0	26.8	5.0	6.0	1.9	0.9
Median Market Cap (Bil)	7.9	5.8	5.6	19.6	12.5	3.9	4.4	1.7	0.7

**Sector Weightings \*\***

Energy	16.0	11.0	8.3	18.0	9.8	12.0	7.0	9.0	5.4
Materials	10.0	6.0	3.9	12.0	3.3	4.0	6.9	8.0	4.9
Industrials	8.0	16.0	10.9	10.0	10.8	22.0	11.6	26.0	15.2
Consumer Discretionary	10.0	12.0	11.8	4.0	11.2	12.0	20.3	13.0	19.0
Consumer Staples	0.0	1.0	10.0	0.0	10.3	0.0	6.6	5.0	13.6
Health Care	18.0	14.0	11.3	18.0	11.8	12.0	9.8	7.0	12.4
Financials	20.0	17.0	20.3	24.0	20.1	20.0	13.4	7.0	14.5
Information Technology	18.0	22.0	15.6	14.0	15.5	18.0	13.8	23.0	20.4
Telecommunication Services	0.0	1.0	3.8	0.0	3.7	0.0	2.2	1.0	1.7
Utilities	0.0	0.0	4.1	0.0	3.6	0.0	8.5	1.0	2.9

\*\*Sector Weightings reflect the S&P GICS sector definitions. Past performance is no guarantee of future results. The Summit composites are constructed of similarly managed unconstrained, discretionary accounts in accordance with industry calculation standards. New accounts are included in their first full calendar month of operation. Performance is based on time-weighted, total returns including resigned accounts. Performance results reflect the reinvestment of dividends and other earnings. Gross of Fees performance is determined by deducting the maximum transaction fee of 0.4% per year. Net of Fees performance is determined by deducting the maximum fee of 1.0% per year from the gross returns. Summit's exact fees are described in part II of Form ADV. The composite inceptions are as follows: Largecap 50 and Midcap 50 January 1, 2004, Benchmark 100 and Benchmark 50 December 1, 2002, Smallcap 100+ September 1, 2004. The composition and market volatility of the Russell 1000, Russell Midcap, S&P 500 and Russell 2000 indices, and the composition and volatility of the portfolios managed by Summit are materially different. The results presented were achieved during generally upward trending market conditions.