

# Smith-Kettlewell Eye Research Institute Employees' Pension Plan

## Summary Performance Information - Managed Portfolios and Individual Funds

### Second Quarter 2007 Market Summary

World stock markets racked up strong gains in the second quarter despite a June pullback that saw many indices retreat from record highs set in May and early June. The S&P 500 jumped 6.3%. Bonds were another matter, as the yield on the 10-year Treasury note crossed the 5% barrier for the first time since last summer to end the quarter at 5.03%, up from 4.71% at March 31. The benchmark Lehman Brothers Aggregate index lost 0.5%.

Growth stocks moved to the forefront in the second quarter, especially in small cap. Technology and energy stocks led the way, while utilities were the only sector to post a decline during the quarter. And large cap stocks outperformed small cap.

Overseas, developed markets just about matched their U.S. counterparts. The MSCI EAFE index (US\$) rose 6.4%, marking the 8<sup>th</sup> consecutive quarter without a decline in the benchmark. Emerging Markets were even stronger, as the MSCI Emerging Markets Index leapt ahead 15.1% and now boasts a 45% gain for the past 12 months. Despite an 8% one-day decline in June, which was reminiscent of a similar decline in the first quarter, the Shanghai index finished the quarter with a 20% gain.

As in the U.S., rising interest rates took a toll on international fixed income this quarter. The European Central Bank raised interest rates in early June. The benchmark Salomon Non-US World Government Bond Index (unhedged) fell 1.8% in the quarter and is also in the red for the year-to-date period. Emerging

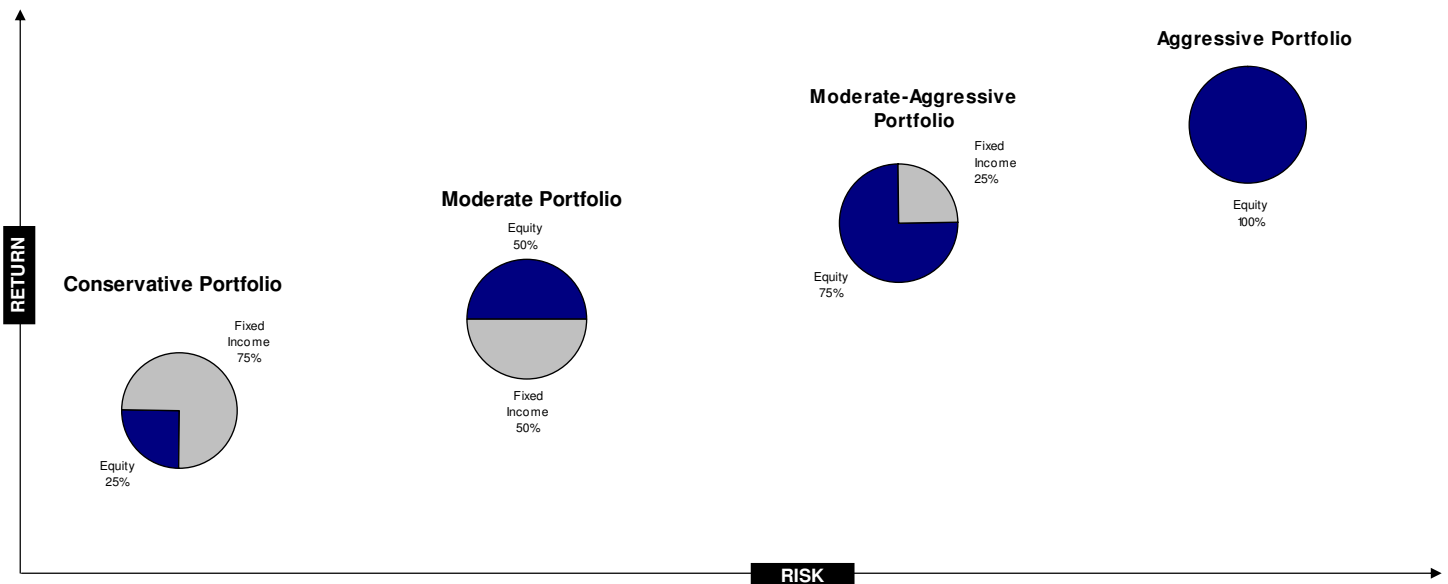
markets debt, as measured by the JP Morgan Emerging Markets Bond Plus Index, lost a similar 1.9%. High yield bonds had mixed results, with the lower quality tier posting gains while the highest tier lost ground. The CS First Boston High Yield Index had a 0.6% result.

Investors did well to maintain broad diversification in the second quarter, as solid gains in equities more than offset smaller declines in fixed income. As usual, we saw the continuation of some trends (e.g., strength in emerging markets equities) and some breaks from the recent past (e.g., growth stock resurgence). Preserving a steady asset allocation in a broadly diversified portfolio allows investors to reap the benefits without succumbing to the potential perils of shifting among asset classes.

### Managed Portfolio Returns

MANAGED PORTFOLIOS	Periods Ending June 30, 2007				
	Last 3 Months	Last 12 Months	Last 3 Years (Annualized)	Last 5 Years (Annualized)	Last 10 Years (Annualized)
Conservative Portfolio	0.99	8.86	6.99	7.51	7.23
<i>Conservative Benchmark*</i>	1.51	9.77	7.08	7.43	6.72
Moderate Portfolio	2.99	13.54	10.43	10.39	8.50
<i>Moderate Benchmark*</i>	3.17	14.27	10.41	10.23	7.52
Moderate-Aggressive Portfolio	4.98	18.33	13.97	13.22	9.58
<i>Moderate-Aggressive Benchmark*</i>	4.83	18.94	13.81	12.97	8.06
Aggressive Portfolio	7.05	22.88	17.07	15.17	10.27
<i>Aggressive Benchmark*</i>	6.57	23.27	16.85	14.80	8.28

\*The blended benchmarks shown above represent a blend of market indices appropriate to each asset class held within the portfolios, weighted proportionally to the asset allocation of the respective portfolios. See next page and the Portfolio Packet for indices, portfolio allocations, and important disclosures.



## Individual Fund Returns

Periods Ending June 30, 2007

<b>EQUITY</b>	Ticker	Last 3 Months	Last 12 Months	Last 3 Years (Annualized)	Last 5 Years (Annualized)	Last 10 Years (Annualized)
<b>Large/Mid Cap</b>						
Vanguard 500 Admiral Shares*	VFIAX	6.26	20.51	11.63	10.67	7.08
Dodge & Cox Stock	DODGX	5.41	19.73	16.02	14.80	13.12
Harbor Capital Appreciation	HACAX	3.61	14.33	9.08	8.25	6.25
Ariel Appreciation	CAAPX	7.86	23.47	11.05	10.49	12.33
Westcore Midco Growth	WTMGX	8.44	20.95	11.86	12.90	8.76
<i>S&amp;P 500 Index</i>		6.28	20.59	11.68	10.71	7.13
<i>Russell Mid-Cap Index</i>		5.30	20.83	17.16	16.39	11.86
<b>Small Cap</b>						
DFA US Small Cap Value	DFSVX	3.89	17.10	16.47	18.17	14.96
SEI Small Cap Growth	SSCGX	8.10	18.19	11.00	12.28	8.04
<i>Russell 2000 Index</i>		4.42	16.43	13.45	13.88	9.06
<b>International</b>						
Amer Beacon Int'l Equity Inst'l	AAIEX	6.63	25.44	21.49	17.72	10.05
American Funds EuroPac Gr R5	RERFX	8.49	27.62	23.74	18.72	11.03
<i>MSCI EAFE Index</i>		6.40	27.00	22.24	17.73	7.63
<b>Emerging Markets</b>						
SSgA Emerging Markets	SSEMXX	15.70	45.51	40.45	30.49	11.45
<i>MSCI Emerging Markets Free Index</i>		15.05	45.45	38.67	30.66	9.40
<b>FIXED INCOME</b>						
<b>Core Fixed Income</b>						
PIMCO Total Ret II Instl	PMBIX	-1.71	4.52	3.13	4.19	6.06
<i>Lehman Brothers Aggregate Bond Index</i>		-0.52	6.12	3.98	4.48	6.02
<b>Stable Value</b>						
Schwab Stable Value Fund - Retirement*	N/A	1.11	4.47	4.13	4.12	4.62
<i>Ryan Labs 3yr GIC Index</i>		1.10	4.18	3.60	4.01	5.14
<b>High Yield Fixed Income</b>						
PIMCO High Yield - Institutional	PHIYX	0.08	10.20	8.72	10.56	6.74
<i>CS First Boston High Yield Index</i>		0.65	12.12	9.04	11.83	6.86
<b>International Fixed Income</b>						
PIMCO Foreign Bond (Unhedged)*	PFUIX	-2.83	0.58	2.70	6.91	4.63
<i>Citigroup Non-US Government Bond Index</i>		-1.84	2.20	3.26	6.91	4.95
<b>Emerging Markets Bond</b>						
SEI Emerging Markets Debt	SITEX	-0.45	14.66	15.46	17.59	11.56
<i>JP Morgan Emerging Markets Bond Plus Index</i>		-1.88	11.94	12.66	15.19	10.00

## Managed Portfolio Target Allocation Matrix

<b>EQUITY</b>	Conservative	Moderate	Moderate-Aggressive	Aggressive
<b>Large/Mid Cap</b>				
Vanguard 500 Admiral Shares*	7%	15%	21%	27%
Dodge & Cox Stock	4%	6%	9%	11%
Harbor Capital Appreciation	3%	4%	6%	7%
Ariel Appreciation	0%	1%	2%	3%
Westcore Midco Growth	0%	1%	2%	3%
<b>Small Cap</b>				
DFA US Small Cap Value	2%	4%	6%	8%
SEI Small Cap Growth	2%	4%	6%	8%
<b>International</b>				
Amer Beacon Int'l Equity Inst'l	3%	6%	9%	13%
American Funds EuroPac Gr R5	3%	6%	9%	13%
<b>Emerging Markets</b>				
SSgA Emerging Markets	1%	3%	5%	7%
<b>FIXED INCOME</b>				
<b>Core Fixed Income</b>				
PIMCO Total Ret II Instl	44%	27%	9%	0%
<b>Stable Value</b>				
Schwab Stable Value Fund - Retirement	22%	13%	4%	0%
<b>High Yield Fixed Income</b>				
PIMCO High Yield - Institutional	3%	4%	6%	0%
<b>International Fixed Income</b>				
PIMCO Foreign Bond (Unhedged)*	4%	4%	4%	0%
<b>Emerging Markets Bond</b>				
SEI Emerging Markets Debt	2%	2%	2%	0%
<b>Portfolio Totals:</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Weighted Average Expense Ratio:</b>	<b>0.52%</b>	<b>0.54%</b>	<b>0.57%</b>	<b>0.58%</b>

PERFORMANCE DISCLOSURE: Returns data represents past performance and does not predict or guarantee future results. Returns presented are net of fund management and operating expenses. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The Mutual Funds in this report that are noted with an asterisk (\*) utilize returns for a proxy for some or all of the performance history. Please refer to the Important Disclosure Information set forth in the Portfolio Packet for further details.