

# Smith-Kettlewell Eye Research Institute Employees' Pension Plan

## Summary Performance Information - Managed Portfolios and Individual Funds

### Fourth Quarter 2007 Market Summary

The fourth quarter was a fitting end to a year that saw the subprime meltdown and ensuing liquidity crunch, record oil prices, and the return of volatility to the markets. For the first time in seven years, the S&P 500 declined in the fourth quarter (-3.3%), a traditionally favorable period for equities. Despite the weak end to the year, most equity indices managed to run in positive results in 2007. The exception was the Russell 2000, which lost 1.6% for the full year as small cap stocks ended their multi-year reign over large cap. The Lehman Brothers Aggregate Bond Index rose above the fray to post a 3.0% return in the fourth quarter and a 7.0% return for the year.

Even stronger than the relative strength in the large cap was the shift to growth stock dominance for the quarter and year. This was most pronounced in small cap where the Russell 2000 Growth Index outperformed the Russell 2000 Value Index by almost 17% for the year.

In the fourth quarter, growth bested value by about 5% in both large and small cap. For U.S. investors, overseas stocks of developed countries outperformed their U.S. counterparts for the seventh year in a row, as the benchmark MSCI EAFE Index rose 11.2% (US\$). Most of the outperformance stemmed from the continuing decline in the dollar, as the Index rose only 3.5% when measured in local currencies. For the quarter, the Index fell 1.75%. Emerging markets bucked the negative trend for the quarter, rising 3.7% (as measured by the MSCI Emerging Markets Index) and pushing the Index to a 39.8% gain for the year.

Unhedged international bond portfolios also benefited from the falling dollar in 2007. The benchmark Salomon Non-US World Government Bond Index (unhedged) was up 3.9% for the quarter and 11.5% for the full year.

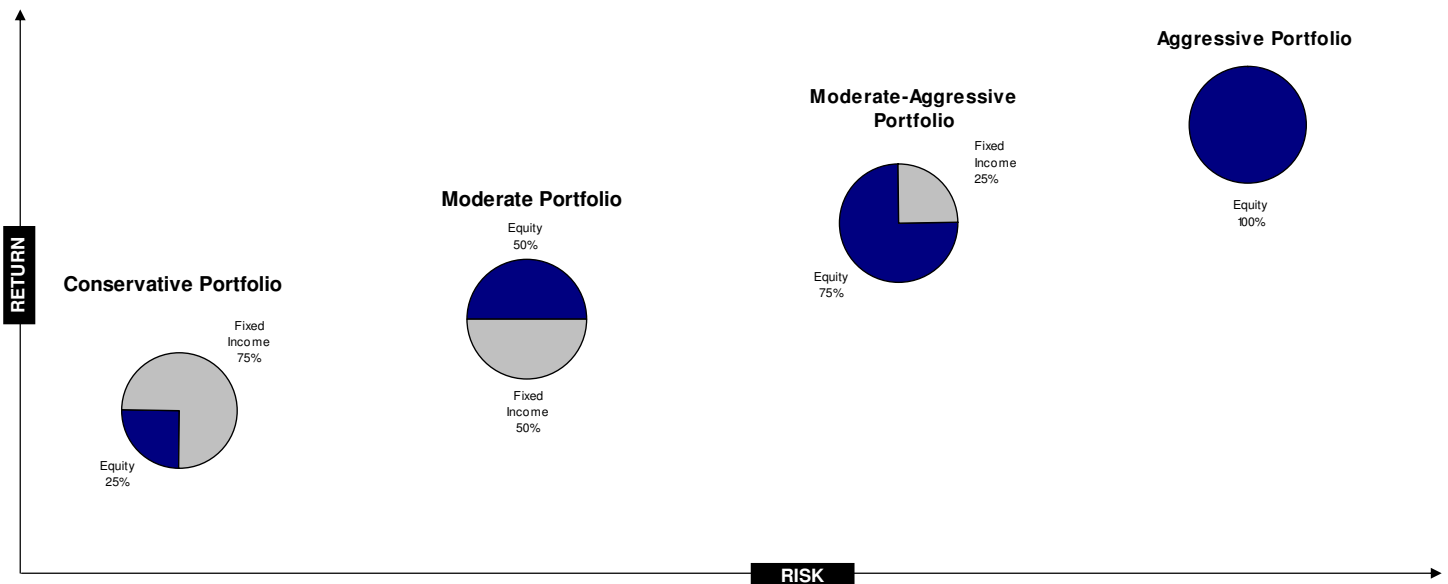
Emerging markets debt, as measured by the JP Morgan Emerging Markets Bond Plus Index, rose 2.7% in the fourth quarter and 6.5% for the year. The flight to quality that accompanied the credit crunch resulted in negative fourth quarter returns for high yield bonds, as the Lehman Brothers High Yield Index fell 1.30%. They trailed investment grade bonds with a 2.65% return for the year.

Many of the asset classes and sub asset classes that had previously garnered strong returns retreated in 2007. Higher quality was rewarded over low quality. Growth moved to the forefront after a long value run. The successful strategy again was to remain fully diversified, not succumbing to the latest hot idea or overloading on top-performing strategies from the recent past. Steady progress, rebalancing to a strategic allocation and a long-term horizon went a long way towards helping investors get past the volatility and uncertainty of the year.

### Managed Portfolio Returns

MANAGED PORTFOLIOS	Periods Ending December 31, 2007				
	Last 3 Months	Last 12 Months	Last 3 Years (Annualized)	Last 5 Years (Annualized)	Last 10 Years (Annualized)
Conservative Portfolio	1.64	7.24	6.49	8.20	7.10
<i>Conservative Benchmark*</i>	1.05	6.55	6.20	7.83	6.46
Moderate Portfolio	0.19	7.56	8.50	11.65	8.14
<i>Moderate Benchmark*</i>	-0.22	7.06	8.29	11.29	7.12
Moderate-Aggressive Portfolio	-1.29	7.75	10.50	15.20	9.06
<i>Moderate-Aggressive Benchmark*</i>	-1.55	7.46	10.36	14.85	7.60
Aggressive Portfolio	-2.53	8.18	12.51	18.08	9.72
<i>Aggressive Benchmark*</i>	-2.62	8.04	12.45	17.69	7.90

\*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 December 31, 2007

EQUITY	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 Signal Shares*	VIFSX	-3.35	5.46	8.58	12.78	5.91
Dodge & Cox Stock	DODGX	-4.78	0.14	9.09	15.41	11.43
Harbor Capital Appreciation	HACAX	0.77	12.25	9.41	13.32	5.83
Ariel Appreciation	CAAPX	-5.91	-1.39	4.03	10.77	9.04
Westcore Midco Growth	WTMGX	-2.96	11.37	9.33	15.73	8.27
S&P 500 Index		-3.33	5.49	8.62	12.83	5.91
Russell Mid-Cap Index		-3.55	5.60	11.09	18.21	9.91
<b>Small Cap</b>						
DFA US Small Cap Value	DFSVX	-8.81	-10.75	5.35	18.51	11.50
SEI Small Cap Growth	SSCGX	-6.15	1.90	5.48	14.94	6.55
Russell 2000 Index		-4.58	-1.57	6.80	16.25	7.08
<b>International</b>						
Amer Beacon Int'l Equity Inst'l	AAIEX	-0.44	9.73	15.47	22.04	10.33
American Funds EuroPac Gr R5	RERFX	1.35	19.22	20.92	23.10	--
MSCI EAFE Index		-1.75	11.17	16.83	21.59	8.65
<b>Emerging Markets</b>						
SSgA Emerging Markets	SSEMXX	2.46	40.95	37.19	37.73	16.46
MSCI Emerging Markets Free Index		3.66	39.78	35.60	37.46	14.53
<b>FIXED INCOME</b>						
<b>Core Fixed Income</b>						
PIMCO Total Ret II Instl	PMBIX	4.13	8.39	4.72	4.65	6.26
Lehman Brothers Aggregate Bond Index		3.00	6.97	4.56	4.42	5.97
<b>Stable Value</b>						
Schwab Stable Value Fund - Retirement*	N/A	1.10	4.47	4.26	4.09	4.79
Ryan Labs 3yr GIC Index		1.16	4.51	3.82	3.90	5.05
<b>High Yield Fixed Income</b>						
PIMCO High Yield - Institutional	PHIYX	0.23	3.69	5.89	9.95	6.20
Lehman Brothers High Yield Index		-1.30	1.87	5.39	10.90	5.51
<b>International Fixed Income</b>						
PIMCO Foreign Bond (Unhedged)*	PFUIX	4.15	10.49	2.32	7.53	6.04
Citigroup Non-US Government Bond Index		3.91	11.45	2.67	7.54	6.30
<b>Emerging Markets Bond</b>						
SEI Emerging Markets Debt	SITEX	1.95	6.41	10.92	16.04	11.70
JP Morgan Emerging Markets Bond Plus Index		2.68	6.45	9.57	13.63	10.36

## Managed Portfolio Target Allocation Matrix

EQUITY	Conservative	Moderate	Moderate-Aggressive	Aggressive
<b>Large/Mid Cap</b>				
Vanguard 500 Signal 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.