

# In the Eye of the Storm

## Market Summary

October 2007

Financial markets have taken investors on a wild ride during the second half of 2007. Problems in the sub-prime mortgage market acted as the catalyst for a brief correction, with most major equity indexes turning in double-digit losses

between mid-July and mid-August. The Fed responded quickly with a 0.50% discount rate cut on August 17 and a 0.50% Fed Funds rate cut on September 18, and the S&P 500 Index rebounded to reach new record highs in October.

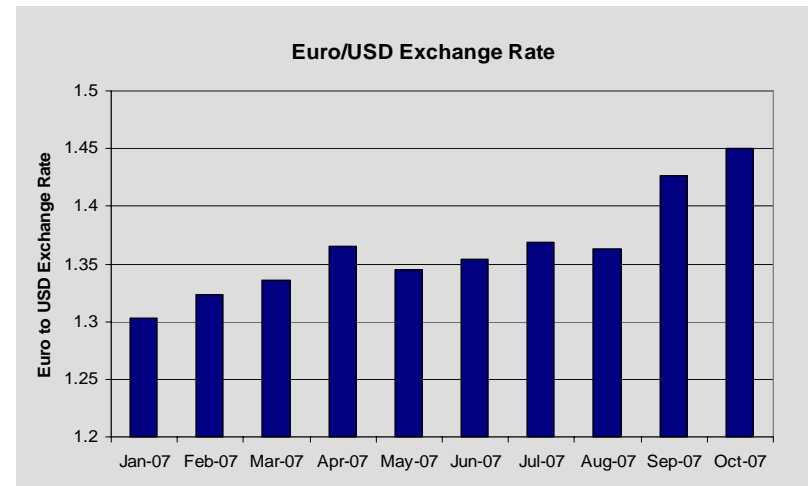
	Oct	YTD	1 Yr	3 Yrs	5 Yrs
<b>Domestic Equities/Fixed</b>					
S&P 500	1.6	10.9	14.6	13.2	13.9
Russell 2000	2.9	6.1	9.3	13.7	18.7
Russell 1000 Growth	3.4	16.5	19.2	12.9	12.6
Russell 1000 Value	0.0	6.0	10.8	14.6	16.4
Dow Jones Wilshire REIT	1.1	(3.5)	(1.2)	17.9	23.5
Lehman Aggregate Bond	0.9	4.8	5.4	3.9	4.4
<b>International Equities</b>					
MSCI EAFE	3.9	17.6	24.9	23.4	23.2
S&P/Citigroup EMI-EPAC	5.1	17.1	27.3	28.3	30.2
MSCI Emerging Markets	11.2	49.5	67.8	44.7	39.9
<b>Alternative Assets</b>					
GS Natural Resources	4.3	34.0	40.5	30.7	30.3
DJ AIG Commodity	3.3	14.7	15.4	10.1	15.1
HFR Fund of Funds	2.7	11.0	15.1	11.1	9.8

### Domestic Markets

The S&P 500 Index increased another 1.6% in October and is up 10.9% year-to-date. As they have all year, growth stocks led the way. The Russell 1000 Growth Index rose 3.4% in the month and 16.5% since the beginning of the year. The Russell 1000 Value Index was flat in October and has returned just 6.0% year-to-date. Small caps nearly doubled large caps in the month, with the Russell 2000 Index earning 2.9% to reach a 6.1% return since January 1. Fixed income securities turned in another solid month. The Lehman Aggregate Bond Index was up 0.9% in October and 4.8% year-to-date.

### International Equities

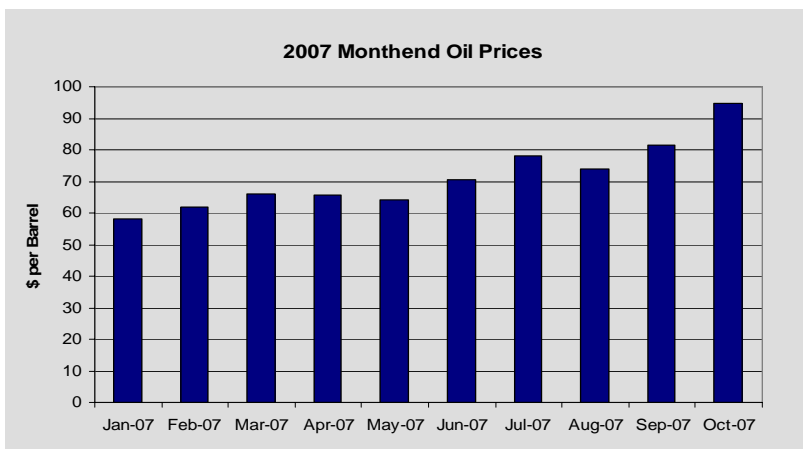
International stocks performed even better than their U.S. counterparts as the dollar continued to weaken (see chart near top of next column). The MSCI EAFE Index, representing international large cap equities, increased 3.9% in October and 17.6% since the beginning of 2007. The S&P/Citigroup EMI-EPAC Index, an international small cap stock benchmark, tracked the larger companies closely, earning 5.1% in the month and 17.1% year-to-date. Emerging market equities continued their stellar performance, jumping 11.2% in October and 49.5% since January 1.



### Alternative Investments

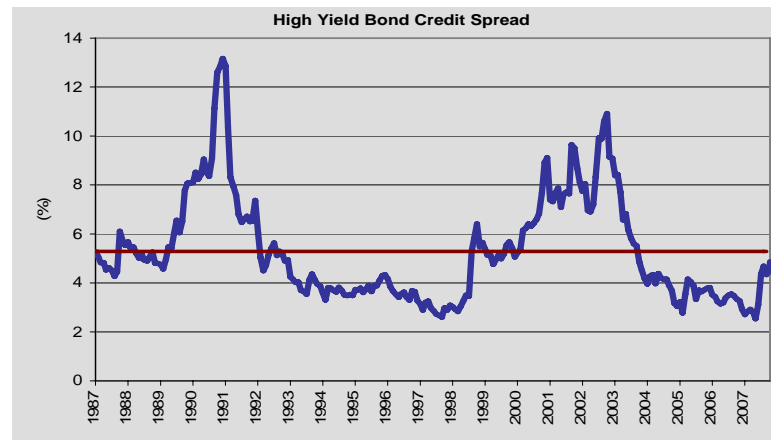
Alternative investments were positive in October as well. The Dow Jones Wilshire Real Estate Investment Trust Index eked out a 1.1% return in the month, but remains down 3.5% year-to-date. The Goldman Sachs Natural Resource Index increased another 4.3% in October as oil continued rising toward \$100 per barrel (see chart at bottom of this column). Since the beginning of the year, the Index's 34.0% return trails only emerging markets among major asset classes. Incorporating a

broader range of commodities, the DJ-AIG Commodity Index earned 3.3% in the month and 14.7% year-to-date. Following a difficult August, hedge fund returns were above 2.0% for the second straight month. The HFR Fund of Funds Index earned 2.7% in October and 11.0% since January 1.



**Looking Ahead**

Despite another 0.25% cut in the Fed Funds rate on the last day of the month, October appears to have been only a momentary calm in the middle of the storm. In the first week and a half of November, U.S. equities dropped 6% while international stocks, with ongoing support from the declining dollar, fell 4%. The high yield bond credit spread widened from 4.50% to 4.87% (see chart below), just below the long-term historical average. It will be interesting to see whether equity markets can muster their typical yearend rally in the face of the declining dollar, oil approaching \$100 per barrel, and the continuing turmoil in the credit markets.



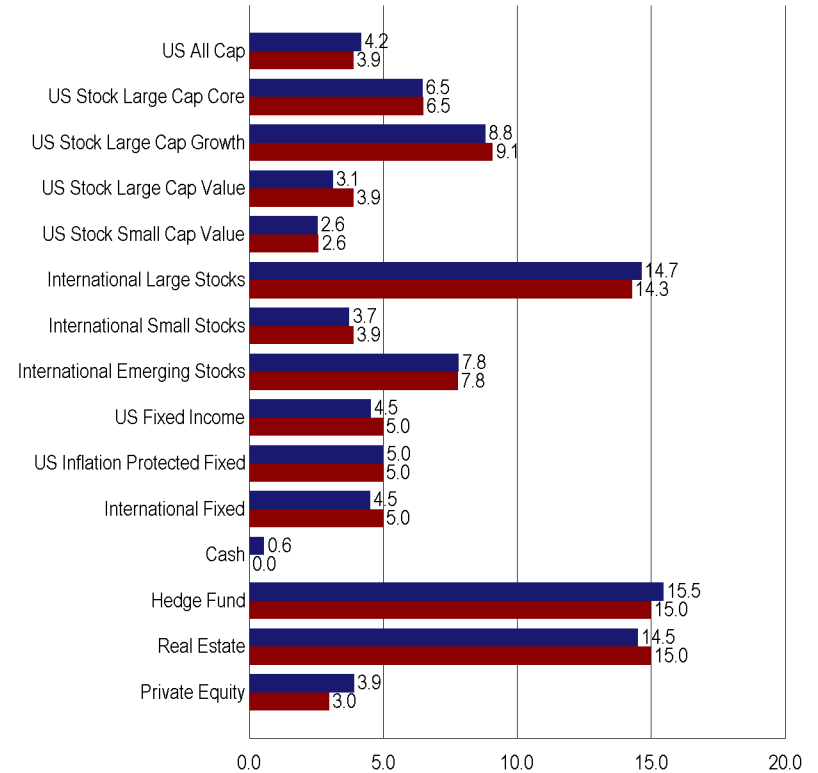
*Paul Wilkin, CFA, CAIA, CFP*  
*Senior Consultant*  
 Hammond Associates  
 101 S. Hanley Rd, 3<sup>rd</sup> Floor  
 St. Louis, MO 63105  
 314-746-1600  
[www.hammondassociates.com](http://www.hammondassociates.com)

Copyright © Hammond Associates, 2007. All rights reserved

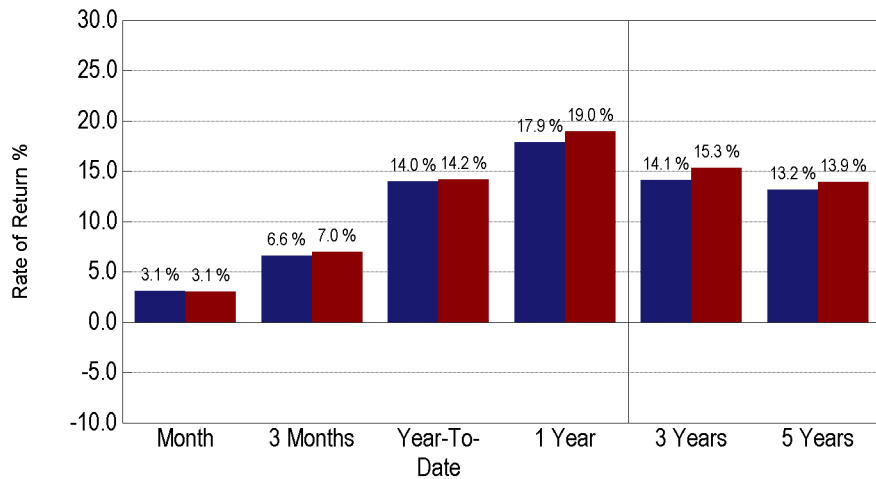
**OBJECTIVE:** The goal for the portfolio is to achieve 8.0% per year over the long-term. The current portfolio has a long-term expected return of 9.0%. Over a ten-year time horizon, the portfolio is expected to return 7.8%. The standard deviation of this portfolio is plus/minus 11.6% over any one year, with the lowest one-year likely return being -17.4%.

Sources of Portfolio Growth	Last Month	Year-To-Date
Beginning Market Value	\$183,890,315	\$170,530,360
Net Additions/Withdrawals	\$276,386	-\$4,876,333
Investment Earnings	\$5,729,032	\$24,241,706
Ending Market Value	\$189,895,733	\$189,895,733

Actual vs Interim Allocation (%)



Return Summary



OLD DOMINION UNIVERSITY FOUNDATION  
Old Dominion Interim Policy Index

Actual Pro-Rata Policy



**Asset Allocation on October 31, 2007**

	Actual \$	Actual %	Target %
US Equity	\$47,844,706	25%	20%
Non-US Equity	\$49,815,222	26%	20%
US Fixed Income	\$18,169,461	10%	10%
Non-US Fixed Income	\$8,574,215	5%	5%
Hedge Funds	\$29,393,767	15%	15%
Real Assets	\$27,573,020	15%	15%
Cash	\$1,083,857	1%	0%
Private Equity	\$7,441,484	4%	15%
<b>Total</b>	<b>\$189,895,733</b>		

**Summary of Cash Flows**

	Last Month	Last Three Months	Year-To-Date	One Year	Three Years	Inception 6/30/04
Beginning Market Value	\$183,890,315	\$183,641,477	\$170,530,360	\$162,682,732	\$123,713,219	\$120,929,402
- Withdrawals	-\$47,033					
+ Contributions	\$323,419					
= Net Cash Flow	\$276,386	-\$5,719,428	-\$4,876,333	-\$2,659,474	\$2,299,352	\$541,828
+ Net Investment Change	\$5,729,032	\$11,973,684	\$24,241,706	\$29,872,475	\$63,883,162	\$68,424,503
= Ending Market Value	\$189,895,733	\$189,895,733	\$189,895,733	\$189,895,733	\$189,895,733	\$189,895,733

# ABC UNIVERSITY EDUCATIONAL FOUNDATION

Monthly Report for October 31, 2007

## Composite Performance

Name	Market Value (\$)	% of Portfolio	Policy %	Period Ended October 31, 2007								Inception	
				1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>ABC UNIVERSITY FOUNDATION</b>	<b>189,895,733</b>	<b>100.0</b>	<b>--</b>	<b>3.1</b>	<b>6.6</b>	<b>14.0</b>	<b>14.0</b>	<b>17.9</b>	<b>14.1</b>	<b>13.2</b>	<b>--</b>	<b>7.2</b>	<b>Jul-99</b>
ABC Target Policy Index				2.6	5.9	13.1	13.1	17.4	15.8	14.4	--	6.8	Jul-99
ABC Interim Policy Index				3.1	7.0	14.2	14.2	19.0	15.3	13.9	--	6.5	Jul-99
70/30 S&P 500/LB Aggregate				1.4	5.7	9.1	9.1	11.8	10.4	11.1	--	4.6	Jul-99
<b>TOTAL EQUITY</b>	<b>97,659,928</b>	<b>51.4</b>	<b>52.0</b>	<b>3.6</b>	<b>8.0</b>	<b>16.9</b>	<b>16.9</b>	<b>23.3</b>	<b>19.8</b>	<b>--</b>	<b>--</b>	<b>19.4</b>	<b>May-03</b>
<b>TOTAL DOMESTIC EQUITY</b>	<b>47,844,706</b>	<b>25.2</b>	<b>26.0</b>	<b>1.6</b>	<b>6.9</b>	<b>10.1</b>	<b>10.1</b>	<b>13.6</b>	<b>12.9</b>	<b>--</b>	<b>--</b>	<b>14.0</b>	<b>May-03</b>
Manager A	7,942,755	4.2	--	1.8	7.1	11.2	11.2	15.0	14.0	--	--	14.0	Oct-04
<i>Wilshire 5000</i>				1.9	7.0	11.2	11.2	15.1	14.1	--	--	14.1	Oct-04
Manager B	12,315,265	6.5	--	1.5	7.6	11.6	11.6	15.2	--	--	--	17.9	Jun-06
<i>S&amp;P 500 Index (Total Return)</i>				1.6	7.0	10.9	10.9	14.6	--	--	--	18.2	Jun-06
Manager C	1,678,540	0.9	--	-1.6	-0.9	-2.1	-2.1	0.4	--	--	--	9.2	Jun-06
<i>Russell 1000 Value</i>				0.0	4.6	6.0	6.0	10.8	--	--	--	15.8	Jun-06
Manager D	4,275,854	2.3	--	-0.4	2.5	4.0	4.0	8.8	--	--	--	13.3	Nov-04
<i>Russell 1000 Value</i>				0.0	4.6	6.0	6.0	10.8	--	--	--	13.1	Nov-04
Manager E	16,760,334	8.8	--	2.2	8.5	8.9	8.9	10.9	--	--	--	9.6	Sep-05
<i>S&amp;P 500/Citigroup Growth</i>				2.1	8.4	12.9	12.9	15.6	--	--	--	12.5	Sep-05
Manager F	2,294,669	1.2	--	2.3	6.5	11.2	11.2	15.2	--	--	--	19.4	Sep-06
<i>Russell 2000 Value</i>				1.1	3.6	-1.6	-1.6	2.0	--	--	--	6.7	Sep-06
Manager G	2,577,290	1.4	--	1.7	5.3	16.4	16.4	18.1	--	--	--	21.0	Sep-06
<i>Russell 2500</i>				2.6	6.1	8.7	8.7	12.7	--	--	--	16.6	Sep-06
<b>TOTAL INTERNATIONAL EQUITY</b>	<b>49,815,222</b>	<b>26.2</b>	<b>26.0</b>	<b>5.6</b>	<b>9.1</b>	<b>23.9</b>	<b>23.9</b>	<b>33.5</b>	<b>27.2</b>	<b>--</b>	<b>--</b>	<b>26.1</b>	<b>May-03</b>
Manager A	13,670,410	7.2	--	4.3	8.6	19.4	19.4	25.9	--	--	--	26.4	Nov-05
<i>MSCI EAFE (net)</i>				3.9	7.8	17.6	17.6	24.9	--	--	--	25.9	Nov-05
Manager B	14,168,598	7.5	--	5.7	9.0	22.0	22.0	31.3	29.3	--	--	29.9	Jul-03
<i>MSCI EAFE</i>				3.9	7.8	17.6	17.6	24.9	23.5	--	--	24.1	Jul-03
Manager C	7,107,684	3.7	--	4.0	1.9	8.5	8.5	16.3	18.2	--	--	22.6	Jul-03
<i>EMI-EPAC (Int'l Small)</i>				5.1	4.3	17.1	17.1	27.3	28.3	--	--	29.8	Jul-03

Composite Performance

Name	Market Value (\$)	% of Portfolio	Policy %	Period Ended October 31, 2007								Inception	
				1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Manager D	14,868,530	7.8	--	7.7	13.6	36.0	36.0	49.8	36.4	--	--	36.4	Oct-04
<i>MSCI EM (Emerging Markets)</i>				11.2	20.8	49.5	49.5	67.8	44.7	--	--	44.7	Oct-04
<b>TOTAL FIXED INCOME</b>	<b>26,743,677</b>	<b>14.1</b>	<b>15.0</b>	<b>1.5</b>	<b>4.3</b>	<b>7.5</b>	<b>7.5</b>	<b>7.2</b>	<b>4.6</b>	<b>--</b>	<b>--</b>	<b>4.8</b>	<b>May-03</b>
Manager A	8,632,343	4.5	--	0.8	2.9	5.6	5.6	5.8	--	--	--	4.3	Nov-04
<i>LB 3-10 Year Treasury</i>				0.8	3.3	6.2	6.2	6.4	--	--	--	4.0	Nov-04
Manager B	9,537,119	5.0	--	1.2	3.4	7.5	7.5	6.2	--	--	--	4.2	Nov-04
<i>CG Inflation Linked Bond</i>				1.2	3.4	7.6	7.6	6.3	--	--	--	4.3	Nov-04
Manager C	8,574,215	4.5	--	2.7	6.7	9.9	9.9	9.7	--	--	--	8.3	Feb-06
<i>Citigroup WGBI</i>				1.6	5.8	8.5	8.5	9.4	--	--	--	8.3	Feb-06
<b>TOTAL CASH</b>	<b>1,083,857</b>	<b>0.6</b>	<b>--</b>	<b>0.4</b>	<b>1.1</b>	<b>4.0</b>	<b>4.0</b>	<b>4.8</b>	<b>4.1</b>	<b>--</b>	<b>--</b>	<b>3.1</b>	<b>May-03</b>
Manager A	927,080	0.5	--	0.4	1.1	4.0	4.0	4.7	4.0	2.9	--	3.3	Jan-00
<i>91 Day T-Bills</i>				0.3	1.0	3.9	3.9	4.8	4.1	2.9	--	3.2	Jan-00
Manager B	156,777	0.1	--	0.5	1.4	4.4	4.4	5.3	4.3	2.9	--	2.8	Jan-02
<i>91 Day T-Bills</i>				0.3	1.0	3.9	3.9	4.8	4.1	2.9	--	2.8	Jan-02
<b>TOTAL ALTERNATIVE INVESTMENTS</b>	<b>64,408,271</b>	<b>33.9</b>	<b>33.0</b>	<b>3.0</b>	<b>5.6</b>	<b>12.7</b>	<b>12.7</b>	<b>14.3</b>	<b>11.9</b>	<b>--</b>	<b>--</b>	<b>11.1</b>	<b>May-03</b>
<b>TOTAL REAL ASSETS</b>	<b>27,573,020</b>	<b>14.5</b>	<b>15.0</b>	<b>2.5</b>	<b>7.0</b>	<b>10.7</b>	<b>10.7</b>	<b>10.5</b>	<b>13.3</b>	<b>--</b>	<b>--</b>	<b>14.5</b>	<b>May-03</b>
<b>TOTAL LIQUID REAL ASSETS</b>	<b>19,407,982</b>	<b>10.2</b>	<b>--</b>	<b>2.2</b>	<b>8.7</b>	<b>11.7</b>	<b>11.7</b>	<b>12.9</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>11.0</b>	<b>Sep-05</b>
Manager A	6,294,498	3.3	--	1.2	3.4	7.5	7.5	6.2	--	--	--	3.7	Sep-05
<i>CG Inflation Linked Bond</i>				1.2	3.4	7.6	7.6	6.3	--	--	--	3.8	Sep-05
Manager B	6,142,410	3.2	--	0.9	11.2	-3.8	-3.8	-1.4	--	--	--	14.9	Dec-04
<i>Dow Jones Wilshire REIT</i>				1.1	11.3	-3.5	-3.5	-1.2	--	--	--	15.2	Dec-04
Manager C	6,971,074	3.7	--	4.3	11.8	33.1	33.1	40.1	--	--	--	31.7	May-05
<i>S&amp;P GSSI Natural Resources Index</i>				4.3	12.1	34.0	34.0	40.5	--	--	--	32.6	May-05
<b>TOTAL ILLIQUID REAL ASSETS</b>	<b>8,165,038</b>	<b>4.3</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>Sep-05</b>
Manager A	250,000	0.1	--	--	--	--	--	--	--	--	--	--	Nov-01
Manager B	250,000	0.1	--	--	--	--	--	--	--	--	--	--	Jan-03
Manager C	392,500	0.2	--	--	--	--	--	--	--	--	--	--	Jun-04
Manager D	206,250	0.1	--	--	--	--	--	--	--	--	--	--	Jun-06

Composite Performance

Name	Market Value (\$)	% of Portfolio	Policy %	Period Ended October 31, 2007								Inception	
				1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Manager E	562,564	0.3	--	--	--	--	--	--	--	--	--	--	Apr-05
Manager F	2,949,152	1.6	--	--	--	--	--	--	--	--	--	--	Apr-05
Manager G	1,392,397	0.7	--	--	--	--	--	--	--	--	--	--	Aug-05
Manager H	619,798	0.3	--	--	--	--	--	--	--	--	--	--	Sep-06
Manager I	175,815	0.1	--	--	--	--	--	--	--	--	--	--	Dec-06
Manager J	1,311,386	0.7	--	--	--	--	--	--	--	--	--	--	Apr-07
Manager K	55,176	0.0	--	--	--	--	--	--	--	--	--	--	Sep-07
<b>TOTAL HEDGE FUNDS</b>	<b>29,393,767</b>	<b>15.5</b>	<b>15.0</b>	<b>4.1</b>	<b>5.1</b>	<b>15.8</b>	<b>15.8</b>	<b>19.4</b>	<b>11.8</b>	--	--	<b>9.9</b>	<b>May-03</b>
<i>HFR Fund of Funds</i>				2.7	2.6	11.0	11.0	15.1	11.1	--	--	9.7	May-03
<i>91 Day T-Bill + 4</i>				0.6	2.0	7.3	7.3	9.0	8.3	--	--	7.3	May-03
Manager A	10,854,861	5.7	--	7.3	9.8	25.6	25.6	30.1	16.8	--	--	14.1	Jul-03
<i>HFR Fund of Funds</i>				2.7	2.6	11.0	11.0	15.1	11.1	--	--	9.8	Jul-03
Manager B	9,425,828	5.0	--	0.9	-0.6	6.1	6.1	11.0	--	--	--	11.6	Dec-04
<i>HFR Fund of Funds</i>				2.7	2.6	11.0	11.0	15.1	--	--	--	10.2	Dec-04
Manager C	9,113,078	4.8	--	3.9	5.4	16.4	16.4	18.1	--	--	--	8.9	Nov-04
<i>HFR Fund of Funds</i>				2.7	2.6	11.0	11.0	15.1	--	--	--	10.5	Nov-04
<b>TOTAL PRIVATE EQUITY</b>	<b>7,441,484</b>	<b>3.9</b>	<b>3.0</b>	--	--	--	--	--	--	--	--	--	<b>May-03</b>
Manager A	294,378	0.2	--	--	--	--	--	--	--	--	--	--	Oct-04
Manager B	1,241,776	0.7	--	--	--	--	--	--	--	--	--	--	Nov-04
Manager C	902,022	0.5	--	--	--	--	--	--	--	--	--	--	Nov-04
Manager D	1,182,130	0.6	--	--	--	--	--	--	--	--	--	--	Jun-05
Manager E	238,729	0.1	--	--	--	--	--	--	--	--	--	--	Aug-05
Manager F	1,331,372	0.7	--	--	--	--	--	--	--	--	--	--	Aug-05
Manager G	639,323	0.3	--	--	--	--	--	--	--	--	--	--	Jul-06
Manager H	698,167	0.4	--	--	--	--	--	--	--	--	--	--	Oct-06
Manager I	255,396	0.1	--	--	--	--	--	--	--	--	--	--	Dec-06
Manager J	102,332	0.1	--	--	--	--	--	--	--	--	--	--	Feb-07
Manager K	31,745	0.0	--	--	--	--	--	--	--	--	--	--	Feb-07

Composite Performance

Name	Market Value (\$)	% of Portfolio	Policy %	Period Ended October 31, 2007								Inception	
				1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Manager L	175,232	0.1	--	--	--	--	--	--	--	--	--	--	Feb-07
Manager M	5,103	0.0	--	--	--	--	--	--	--	--	--	--	Apr-02
Manager N	310,029	0.2	--	--	--	--	--	--	--	--	--	--	Feb-07
Manager O	33,750	0.0	--	--	--	--	--	--	--	--	--	--	Jun-07



