



SECOND QUARTER RECAP

Equity markets performed extremely well in the second quarter, while bonds faltered. Despite a volatile June, the S&P 500 had its best quarterly performance in four years. The U.S. economy continued to experience the headwinds of higher energy prices, rising interest rates and a weakening housing market. However, although U.S. economic growth slowed significantly in the first quarter, corporate earnings were generally strong and, in aggregate, well above expectations. Entering earnings season at the beginning of April, S&P 500 earnings were expected to have grown only 4.0% year-over-year in the first quarter of 2007. The actual growth rate turned out to be 9.0%. Strength in overseas markets helped U.S. companies significantly. In addition to healthy earnings growth, equities benefited from heightened mergers and acquisition (M&A) activity. A large number of deals in a wide range of industries continued to be an important catalyst for higher equity valuations. Year-to-date, M&A has totaled \$2.8 trillion, with more than 20% of this amount sponsored by private equity firms. According to one of our equity managers, “the availability of inexpensive financing, the willingness of directors to entertain going private transactions and the competitive desires of private equity principals are fueling market interest and speculation.”

PERFORMANCE MATRIX

Index	2007 2Q	2007 YTD
S&P 500	6.3%	7.0%
Russell 1000 Growth	6.9%	8.1%
Russell 1000 Value	5.9%	7.2%
Russell Mid Cap	5.3%	9.9%
Russell 2000 (small cap)	4.4%	6.4%
MSCI EAFE (international, \$, net)	6.4%	10.7%
Lehman Municipal Bond	-0.6%	0.2%
Lehman Aggregate Bond	-0.5%	1.0%

In contrast to the healthy equity returns, stronger growth prospects drove yields around the world higher and, as a result, fixed income markets were weak during the second quarter. In the U.S. in particular, as it became increasingly clear that the Federal Reserve was unlikely to lower interest rates this year, investors pushed up yields. With long-dated yields rising more than short-term yields, the

U.S. yield curve normalized and became positively sloped. As a result, shorter duration bonds outperformed longer dated bonds during the second quarter, though the performance of shorter term fixed income investments was only marginally positive.

International equity markets also performed well. During the second quarter, the MSCI EAFE rose 6.4% on a net of withholding taxes basis, an increase almost identical to the quarterly return of the S&P 500. Year-to-date, the MSCI EAFE is up 10.7%, 370 b.p. greater than the S&P 500. The weaker U.S. dollar has added 130 b.p. to first half local currency returns. Similar to the U.S., international stock markets rose because of strong global economic growth, record M&A activity and continued upward revisions to corporate earnings. Economic expansion in Europe accelerated during the first quarter and exceeded expectations, leading to an increase in projections for the full year to 2.6% for the countries that use the euro. The unemployment rate for the Euro-zone fell to 7.1%, the lowest on record. Similar to the U.S. Federal Reserve, the European Central Bank (ECB) is concerned about inflationary pressures and has been raising interest rates, though the ECB benchmark rate is only 4.0% compared to 5.25% for the fed funds rate. Strong business spending led Japan's economy to grow at a brisk 3.3% annual pace in the first quarter and emerging markets continued to grow at high single-digit rates.

EQUITY MARKETS

The energy, technology, and industrial sectors led the market higher during the second quarter. The energy sector benefited from higher commodity prices. Oil crude futures rose 7% to finish the quarter at \$70.70, a 16% year-to-date increase. Concerns over Nigerian supply disruptions, geopolitical issues in Iran, and upward revisions by the International Energy Agency (IEA) for global demand, combined with a downward revision to non-OPEC supply, boosted prices. The technology and industrial sectors performed well because of continued strength in earnings and the perception that those favorable prospects will be sustained as the economy rebounds. The rise in interest rates put a damper on utility sector performance, the only sector to generate a negative quarterly return. Concerns about sub-prime exposure and credit quality, the growing realization that the Fed was unlikely to ease any time soon and the relatively flat yield curve caused financial stocks to underperform the broader market. Financials were the only sector that declined in value during the first half of 2007.

Growth outperformed value for the three-month period ending June 30th, as well as year-to-date. For the first half of 2007, the growth indices are 200 to 550 b.p. ahead of the value benchmarks. It appears that after seven years of value besting growth, the pendulum is swinging back to growth, supporting one of MLFA's core philosophies that a portfolio should be exposed to all investment styles. Although large, mid, and small cap growth styles generated comparable second-quarter returns, mid cap growth experienced the highest domestic returns year-to-date, with a gain of 11.0%. Large caps outperformed small caps in the second quarter, but it is too soon to call this outperformance a trend.

S&P 500 SECTOR PERFORMANCE

S&P 500 Sector Performance	Sector Wt. (6/30/07)	2007 2Q	2007 YTD
Energy	10.8%	14.8%	17.2%
Materials	3.1%	7.1%	16.7%
Industrials	11.4%	9.8%	11.0%
Consumer Disc.	10.2%	3.7%	2.9%
Cons. Staples	9.3%	2.7%	4.9%
Health Care	11.7%	5.0%	6.1%
Financials	20.8%	2.1%	-0.8%
Info. Technology	15.5%	10.4%	9.3%
Telecomm. Serv.	3.8%	7.6%	15.5%
Utilities	3.5%	-0.4%	8.9%
S&P 500	100.0%	6.3%	7.0%

Source: Standard & Poor's

FIXED INCOME

Many central banks around the globe continued tightening monetary policy, sending bond yields around the world higher, and U.S. yields followed this trend. The improvement in second quarter growth prospects and speculation that the Chinese and other foreign government central banks were diversifying their foreign reserve holdings away from dollar denominated securities, also contributed to a second quarter sell-off in the U.S. bond market. 10-year Treasury yields rose 67 b.p. in the quarter. After reaching a low of 4.62% on April 24th, 10-year yields subsequently rose to a quarterly high of 5.29% on June 12th before closing the quarter at 5.03%. The selling of long-term debt pushed the yield curve into a positive slope between all maturities for the first time since May 2006. The volatility in inflation expectations throughout the quarter helped TIPS slightly outperform Treasuries. The strength abroad and the rebound in U.S. manufacturing indices led to a short-term spike in inflation expectations, driving the price of TIPS higher. However, after the May CPI was released and came in lower than expected, inflation expectations retreated and TIPS were down 0.2% for the quarter. Measured by the Lehman municipal bond and U.S. Treasury indices, municipals lost 0.6% and Treasuries declined 0.4% during the second quarter of 2007. According to Morningstar, the average high yield municipal bond fund fell 0.3% during the quarter, while the average international bond fund declined 0.7%.

OUTLOOK

In our year-end 2006 market commentary, we indicated that we expected equity gains in 2007 to be on the order of mid-to-high single digits. We also said that we were anticipating low-to-mid single-digit fixed income returns for investment grade and municipal bonds, essentially earning the coupon. From what we see today, the equity return projection still looks reasonable, and possibly low, however, the fixed income projection could be optimistic unless the economy weakens in the second half of the year, which is not the current forecast.

Our expectations for the markets are based on the assumption that U.S. economic growth will rebound in the remainder of 2007, corporate earnings will continue to grow at a mid-to-high single-digits year-over-year rate, and inflation will remain quiescent. Near-term core inflation reports have been encouraging. As the year has progressed, it has become increasingly evident that the Federal Reserve will probably hold interest rates steady for the balance of 2007. The market consensus now believes this is the most likely scenario. Keeping inflation low remains the Fed's primary concern. In the plus column for stocks, equity market valuations remain reasonable and in line with historical averages. There is still a fairly high level of investor skepticism and many portfolio managers hold high cash levels which could potentially be deployed into stocks.

While international economies are expanding at a robust rate, the U.S. economy appears to be rebounding from a below trend first quarter. Although domestic companies continue to add jobs at a nice clip and consumer spending remains relatively healthy, investors remain worried about the U.S. housing market and the credit quality of portfolios at financial institutions. Is there a blowup lurking that could have ramifications for the rest of the financial system? We don't know. Corporations are flush with cash, as are private equity firms, and credit to finance these transactions still remains readily available. Since M&A continues to be an important driver of equity market performance, the availability of inexpensive financing will remain a critical factor in continued positive performance. If bond investors were to balk at providing this financing, it could have negative implications for the market.

OTHER MATTERS

Mintz Levin Financial Advisors, LLC, a financial planning and investment advisory firm registered with the U.S. Securities and Exchange Commission, updated its Form ADV this past year. If you would like to receive our current Part II of Form ADV, please contact Mintz Levin Financial Advisors, LLC in writing, or call us at 617.348.1737. Further, we have enclosed the Privacy Policy Statement for Mintz Levin Financial Advisors, LLC for your records.

Also, in accordance with SEC regulations, we request that you contact us in the event that there have been any material changes in your financial circumstances or investment objectives, or if you wish to impose any reasonable restrictions on the management of your accounts or modify existing restrictions on the management of your accounts.

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