CYPRESS

ASSET MANAGEMENT, INC.

MARKET COMMENTARY

April, 2007

We remain in the midst of a transition from unsustainably high levels of growth in the global economy and corporate profits to levels more in line with historical norms. The U.S. and global economy have enjoyed essentially three years of very strong growth, consistently in a range of 3 ½% - 4%, and we expect to see that growth moderate during 2007. U.S. economic growth may average only 2% - 2 ½% for the next few quarters, somewhat below the rate of global economic growth. Transition periods can be tricky, witness the market correction and increased volatility of late February and early March, but we believe a soft landing is already under way in the U.S. economy and that the likelihood of a recession is low. Once the market gains greater confidence in this scenario, a period of slower growth that cools inflationary expectations but does not threaten recession, stocks could move significantly higher in a short period of time.

Given a continued favorable global business environment and quite reasonable equity valuations (S&P 500 trades at only about 15.5 times estimated earnings), 2007 shapes up to be a good year for U.S. equities. Moreover, global liquidity remains very strong and considerable cash is available to fuel the market. In summary, a moderating but sound economic environment combined with continued solid global demand and corporate profitability bode well for stocks.

Market Balance Sheet

POSITIVE	NEUTRAL	NEGATIVE
Interest Rates		
Economic Growth/Industrial Production	Budget Deficit/Surplus	Geopolitical Stability
Economic Growth/Consumer Spending		
	Liquidity (Monetary Growth)	
Fiscal Policy		Energy Prices
Valuation	Inflation	
Profit Growth/Margins	Dollar	Regulatory Environment
Productivity	Employment	
Demographics	Free Trade Protectionism	

POSITIVE

Interest Rates	Still relatively low and favorable to equity valuations. Inflation expectations are moderating with the economy. Also of note is the inverted yield curve with long rates below the 5.25% Fed Funds rate. We believe that the next move by the Fed will be to lower rates, probably in the second half of this year.
Economic Growth	Should remain healthy while moderating 2% – 2 1/2% range for the next few quarters. ➢ Profits and corporate liquidity remain strong, and support both 1) increased business investment and higher employment; and 2) strong dividend growth and share repurchase. ➢ The economic growth driver has shifted from the consumer to capital spending and industrial production, and toward innovation, small business, and more entrepreneurial activity.
Fiscal Policy	Taxes on dividends and capital gains at lowest levels in over 60 years. Two year extension of the tax cuts on dividends and capital gains through 2010 is a big positive for equity markets.
Valuation	Very reasonable at 15.5 times estimated 2007 S&P 500 operating earnings. Moreover, stocks are significantly cheaper than bonds, where the bellwether 10 year U.S. Treasury currently yields about 4.70%, and is thus valued at roughly 21.2 times "earnings" (its coupon).
Profit Growth/ Margins	Profit growth slowing to 5% range over the next few quarters; profit margins continue at very high levels aided by ongoing gains in productivity, but could come under some pressure from a rise in employment costs.
Productivity	Continues to drive profit growth and keeps the U.S. economy the most competitive in the world; will moderate somewhat as economic expansion matures and we move closer to full employment.
Demographics	Baby boomers in the sweet spot of wealth and investing cycle, hungry for growth and income.

NEUTRAL

Liquidity (Monetary Growth)	Money growth has picked up in recent months, now running above nominal GDP.
Inflation	Remains low, but cyclical inflationary pressures are still a concern despite the recent pullback in global commodity prices. We believe any pick up in inflation will prove temporary, as the global economy exerts relentless pressure on prices. In particular, China remains the dragon slayer of inflation, exerting downward pressure on U.S. wages and manufacturing. Low global bond yields and a slightly inverted yield curve in the U.S. also indicate inflation is contained.
Dollar	The dollar has stabilized, but a return of dollar weakness could lead to higher short term interest rates in order to lend support to the dollar. The weaker dollar helps U.S. multinationals, but our trade deficit remains stubbornly high despite the competitive advantages of a lower dollar. It is also worth noting that about 30% of our trade deficit is due to imported oil (net energy imports are currently running at an annual rate of around $300 billion). This is a structural deficit, which has exploded in the last couple of years due to the declining dollar and doubling of global oil prices.

Employment	The employment picture remains quite healthy, with 46 consecutive months of job growth. The 4.4% overall unemployment rate is low by historical standards, and is essentially at a six year low. Still, employment growth has been less robust than in typical recoveries, and the pace of job growth is likely to moderate further over the course of the year.
Free Trade/ Protectionism	Free trade and free market oriented reforms were given a boost by recent election results in Japan, Canada and Mexico.
Budget Deficit	A concern at about 2.5% of GDP, but in an improving trend due to surge in federal tax receipts. Still, we would like to see more spending restraint. Bigger issue is the persistent growth of medical care costs and the long term liability of retirement in our aging society.

NEGATIVE

Geopolitical Stability	Iraq continues to be plagued by terrorism and sectarian violence. The global terrorist threat will be with us for some time. Although event risk remains significant, investors are becoming more accustomed to dealing with terrorism, scandals and unforeseen events.
Energy Prices	After a significant decline late in 2006, natural gas and oil prices rebounded to over \$7/Mcf and \$60/Bbl respectively during the first quarter. Without a global economic slowdown it is difficult to make a convincing case for a sustained collapse in energy prices. Additionally, in order to be economically viable, most non conventional hydro carbons (e.g. Canadian Tar Sands, coal to liquids, biofuels) need a sustained price of \$45 - \$50 per barrel of oil.
Regulatory Environment	Federal and state investigations continue to impact individual corporations and entire industries; recent concerns focus on the area of stock options and executive compensation. Changes in Congress also raise the possibility for increased regulation and tax policy changes for certain industries.

Cypress Asset Management

PERFORMANCE SUMMARY DISCLOSURES

TIME-WEIGHTED RETURN \ CAGR

The time-weighted rate of return is the geometric (compounded) return measured on the basis of period market valuations of assets. An alternative to the dollar-weighted return measure, the time-weighted return over a certain period depends only on the length of this period and not on the amount invested. The Compound Annual Growth Rate (CAGR) is the year-over-year growth rate of an investment over a specified period of time.

ECONOMIC AND INVESTMENT TERMS AND DISCLOSURES

Gross Domestic Product (GDP) is the annual total market value of all final goods and services produced domestically in the U.S.

Consumer Price Index (CPI) is a measure of inflation compiled by the United States Bureau of Labor Statistics.

Treasury Bills are certificates reflecting short term (under one year) obligations of the U.S. Government.

U.S. Government Bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government.

International investing involves additional risks such as currency fluctuations, differing financial accounting standards and possible political and economic instability.

BENCHMARK DISCLOSURES

Cypress composites are being compared to a benchmark for information purposes only. Cypress Asset Management has chosen this benchmark solely for your information and may require adjustment to correlate with the assets held in your portfolio.

S&P 500 INDEX

The S&P 500 is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It consists of 400 industrial, 40 utility, 20 transportation and 40 financial companies listed on U.S. market exchanges. This index does not include the effects of reinvested dividends. TR (Total Return) indexes include daily reinvestment of dividends. You cannot invest directly in this index.

DOW JONES INDUSTRIAL AVERAGE

The Dow Jones Industrial Average is an unmanaged price-weighted index of 30 widely held securities traded on the New York Stock Exchange and the NASDAQ. You cannot invest directly in this index.

LEHMAN INTERMEDIATE GOVERNMENT/CORPORTATE INDEX

The Lehman Brothers Intermediate is an unmanaged index that includes U.S. Treasuries and Agencies and other publicly issued U.S. corporate and foreign debentures and secured notes with maturities between 1 and 9.99 years. This index is the intermediate component of the U.S. Government/Credit Index.

BALANCED INDEX

The Balanced Index is a growth and income index comprised of a blend of the total return of the Dow Jones Industrial Average and the Lehman Intermediate Government/Corporate Indexes. The composition is equally weighted between these two indexes (i.e. 50% DJIA / 50% Lehman Int. Gov/Corp). Cypress Asset Management uses this customized index to benchmark growth and income style portfolios.

RUSSELL 1000 GROWTH INDEX

The Russell 1000 Indexes are designed to measure the performance of the top 1,000 companies from a universe of the 3,000 largest stocks in the U.S. These indexes are capitalization-weighted and include only common stocks belonging to corporations domiciled in the US and its territories and traded on the NYSE, NASDAQ or the AMEX. The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher forecasted growth values.