Ryan ALM, inc.

Asset/Liability Management

The Solutions Company

Ronald Ryan, CEO, CFA

The Ryan Letter

March 2007

Index	Returns YTD 2007	Estimated Weights
Liabilities :		
Market (Tsy STRIPS)	0.70 %	100 %
IRS (Corporates)	1.16	
ROA (8% constant rate)	2.00	
Assets :		
Ryan Cash	1.26 %	5 %
Lehman Aggregate	1.50	30
S&P 500	0.64	60
MSCI EAFE Int'l	4.15	5
Asset Allocation Model	1.12%	100 %
Assets – Liabilities		
Market	0.42%	
IRS	-0.04	
ROA	-0.88	

Based on the Asset Allocation above, 2007 has been a roller coaster as assets outperformed liability growth based on market value in January (2.14%), lost in February (-4.66%) and won in March (2.83%). For the year, pension assets outperformed liabilities by about **0.42%** using market valuations (i.e. STRIPS); **-0.04%** under the IRS Contribution rules (PPA Corporate rates); and **-0.88%** using the ASOP 27 methodology of a constant ROA (i.e. 8.00%). Most pension funds enjoyed a funded ratio surplus in 1999. However, this **funded ratio has been reduced by about 64% since 1999** (see Graphs and Index disclosures on pages 3 and 4).

Total Returns

	2000	2001	2002	2003	2004	2005	2006	2007
Assets	- 2.50	- 5.40	-11.41	20.04	8.92	4.43	12.25	1.12
Liabilities	25.96	3.08	19.47	1.96	9.35	8.87	0.81	0.70
Difference	-28.46	- 8.48	-30.89	18.08	-0.43	-4.44	11.44	0.42
Cumulative		-37.60	-73.40	- 60.08	-66.13	-76.75	-64.60	-64.53

God Bless Pension America !

GM Shifts 20% to Bonds

On March 14, GM Chief Financial Officer Fritz Henderson announced an asset allocation shift of 20% from stocks to bonds. Mr. Henderson explains, "What this is intended to do is reduce the expected volatility of asset returns in the plan's funded status, and frankly lower the probability of any future funding requirements." This will change the asset allocation to 52% in global bonds, 29% global equity, 8% real estate and 11% alternative investments. "With the pension plan successfully overfunded, the issue is you want to stay that way," said Henderson. "Because as you find, and we did find '02 and '03 you can actually blow a hole in your pension plan real fast if you have a pretty significant change or dislocation in equity markets." Because of this shift in asset allocation, GM lowered its expected return on assets for 2007 to 8.5%, down from the previous 9.0% ROA. Well done GM for recognizing that the volatility of the funding ratio is the key to asset allocation. The question remains, if overfunded why not immunize with a Liability Index Fund (Liability Beta portfolio) versus 100% of liabilities and manage surplus as a separate and distinct asset allocation. This would remove or eliminate any risk of a deficit and future contributions.

New Jersey Pension Accounting Practices Questioned

New Jersey's public employee pension system could be as much as $175 billion in the hole because of questionable "Enron-type" accounting practices protests Doug Forrester, former candidate for governor. Current governor Corzine admits a pension deficits deficit of $25 billion, plus an additional unfunded health care liability of nearly $80 billion. New Jersey has diverted billions of dollars from its pension fund into other purposes over the last 15 years using transactions authorized by lawmakers and governors from both political parties, according to a report by the New York Times. The state recorded investment gains immediately and then delayed reporting investment losses. It reported money paid for health care costs as contributions to the pension fund. The state also claimed it had excess assets that allowed it to divert pension contributions to fund other projects. The New Jersey pension is the ninth largest in the public fund sector with reported assets of $79 billion. The New Jersey Education Association has sued the state for failing to put enough money into the teachers' pension fund. The lawsuit does not describe all of the accounting maneuvers, but a State Supreme Court judge has held that the case, now scheduled for trial in May can proceed.

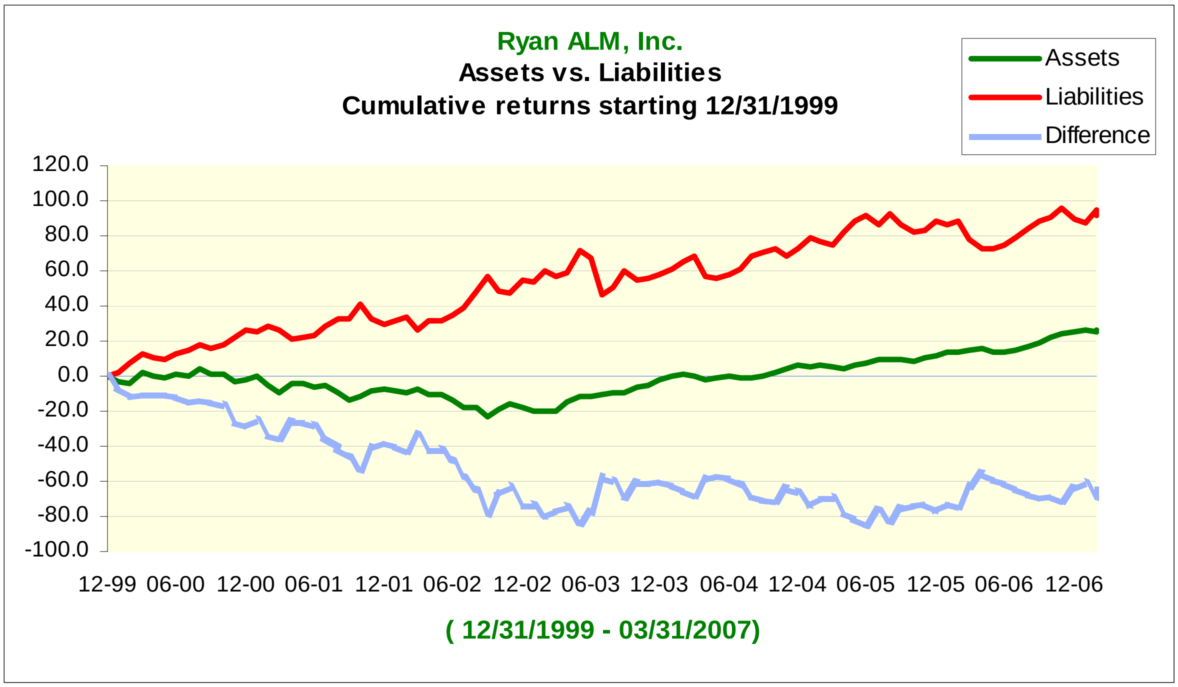
San Diego Pension Update

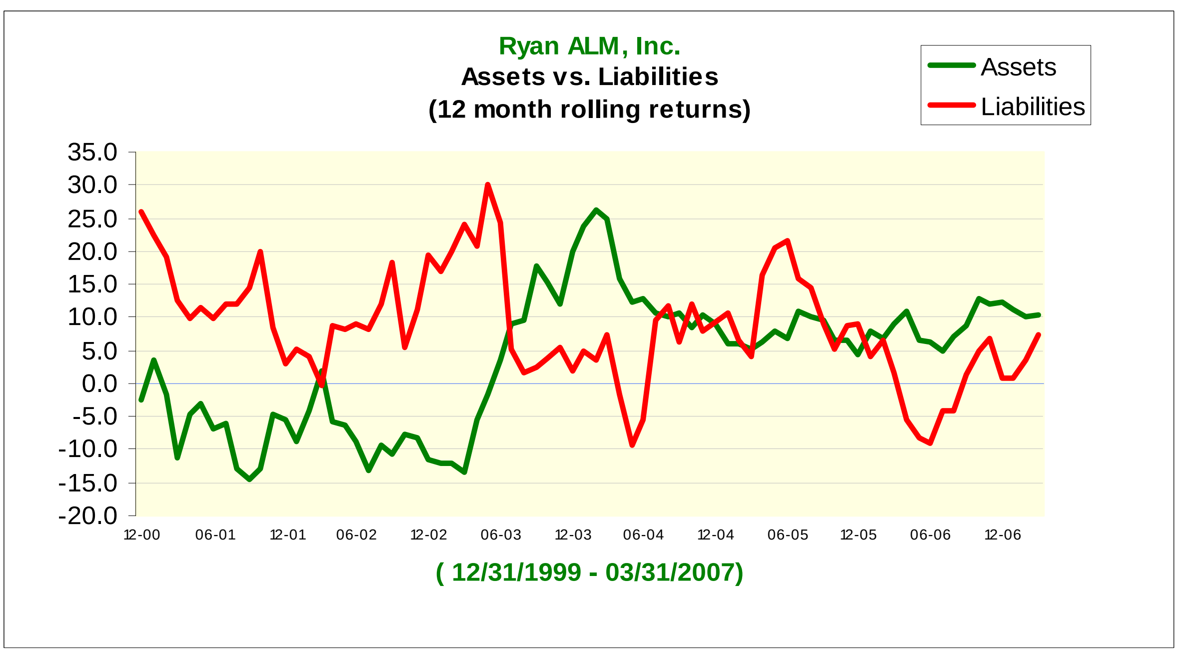
The current estimated San Diego pension deficit is $1.23 billion. Since the county borrowed $1.2 billion to enhance the funding status the true deficit is $2.43 billion. Under California law, the taxpayers are on the hook to fund any and all government pensions in the state. If a deficit jeopardizes pension checks, lawmakers must slash services, raise taxes or both. Recently, the Board of Supervisors woke up to the fiscal dangers and voted to trim retiree health care subsidies. County officials approved a plan to eliminate health benefits for about 2,600 recent retirees and 17,000 current employees when they retire. These benefits were never guaranteed but retirees have enjoyed them since 1974. This change allows the county to reduce its long term debt by $350 million. The board also eliminates about $1.2 billion in annual payments over the next 20 years. The pension board has until June 30 to agree to the plan.

Pension Scoreboard

Based on the Ryan generic Liability Index and a static Asset Allocation, as shown on page 1, the following graphs show asset growth versus liability growth for rolling 12 month periods and cumulative growth since 1999. The cumulative growth difference is **-64.53% suggesting any plan with a Funding Ratio below 164.53% at the end of 1999 is in a deficit position today**.

In order to closely watch the Pension Crisis, we have designed the **Pension Monitor**. We believe that this is the most comprehensive site for pension articles in the world today. To view, please click on : **http://www.pensionmonitor.com/**





Custom Liability Indexes

In 1991, my current product development team and I designed the first Liability Index using the Ryan STRIPS Indexes. Since then we have developed hundreds of Custom Liability Indexes (CLI). Similar to snowflakes, no two pension funds are alike in that they have unique benefit payment schedules due to different labor forces, different mortality, different plan amendments, etc…. **The true objective of a pension is to fund liabilities at the lowest cost to the plan with prudent risk**. Without a Custom Liability Index it would be difficult, if not impossible, for assets to be managed vs. this liability objective. Until a CLI is installed as a set of economic books, the asset side is in jeopardy of managing vs. the wrong objective (i.e. generic market indexes) **If you outperform generic market indexes, but lose to the CLI … the plan loses !**

Ryan Indexes …Enhanced !

In March 1983, my index team and I at the Ryan Financial Strategy Group (RFSG) created the **1st Daily bond Index … Ryan Index** as a *Treasury Yield Curve* index series for each auction maturity series (from Bills to Bonds). The best way to understand the interest rate behavior of bonds is to use the Ryan Treasury constant maturity series for each Treasury *auction* series with two composite indexes … **Ryan Cash and Ryan Index.**

The daily reports on these indices have been greatly expanded and enhanced to over 130 daily pages + 10 pages of research and methodology including :

Returns
Yield History
Yield Spreads
Percentage Spreads

The best way to price (discount rate) and understand the interest rate sensitivity of **liabilities** is … the **Ryan Treasury STRIPS yield curve** known as the **LIABILITY BENCHMARK or LIABILITY INDEX**. In March 1985, when STRIPS were born, my team and I at the Ryan Financial Strategy Group (RFSG) created the **1st STRIPS Index.** Based upon these Ryan STRIPS indexes we created the **1st Liability Index in 1991** as the proper liability Benchmark for liability driven objectives (Pensions, Lotteries, NDT, Insurance Cos., etc.).

To view all Ryan Indexes data go to : www.RyanIndex.com

Note: In October 2005, Ron Ryan terminated his license agreement with Ryan Labs to distribute and calculate the Ryan Indexes and Ryan STRIPS Indexes. Ron Ryan and Ryan ALM have no affiliation with Ryan Labs. Any use of the formulas, methodologies and data of any of the Ryan Indexes without Ron Ryan's written permission is prohibited.

Given the Wrong Index … you will get the Wrong Risk/Reward
Confucius

Mergent and Ryan Agree to Bond Index Joint Venture

Mergent and Ryan ALM have entered into an agreement to produce bond indexes together. Given the vast data bases of Mergent and the index design talents of the Ryan index team, this strategic alliance should be quite prolific. Mergent has one of the largest bond data bases for US corporate and municipal bonds having acquired the rich Moody's terms and conditions data base. Moreover, Mergent prices over 1.2 million municipal bonds and over 50,000 corporate bonds daily. Most of the current bond indexes are quite large filled with issues that have poor liquidity. This leads to difficult pricing and duplication issues. What is needed is a new evolution of bond indexes that are transparent, accurate, liquid and purchasable. Already in the works is a series of bond indexes that best fit ETFs … (see PRESS RELEASE).

MERGENT®

Ryan ALM, inc. Asset / Liability Management —The Solutions Company

Mergent, Ryan ALM to Launch New Investible Benchmark Bond Indexes

NEW YORK, NY – February 8, 2007 – Mergent, Inc., a leading provider of critical business and financial data and Ryan ALM, Inc., an independent bond market research and asset management firm, today announced a partnership to develop and launch a series of fixed-income indexes that will be licensed for investment products such as exchange-traded funds and mutual funds.

"We're pleased to announce a partnership with Ronald Ryan, an innovative and award winning index designer with more than 40 years of bond market experience, to develop a unique family of indexes that will provide investors with a better way to invest in the bond market," said Jonathan Worrall, CEO of Mergent.

Ryan, CEO of Ryan ALM., is one of the world's leading experts on fixed-income investing and index construction. While working as Director of Fixed Income Research at Lehman Brothers during the 1970s and 1980s, he designed many of the popular Lehman Brothers bond indexes used today.

"Given the outstanding quality and depth of the Mergent data bases, we are excited about the ability to produce a new generation of bond indexes with the transparency, accuracy and purchasability the market demands and deserves," Ryan said.

About Mergent

Mergent, Inc., a Xinhua Finance company (TSE Mothers: 9399; OTC ADRs: XHFNY) is the preferred provider of business and financial data on global publicly listed companies. Currently headquartered in Charlotte, NC and New York City, with sales offices in key North American cities, Mergent also has a strong global presence, with offices in London, Shanghai, Tokyo, Toronto and Sydney. Mergent's databases contain detailed equity, debt and corporate action information on over 15,000 U.S. public companies, 20,000 non-U.S. public companies and all U.S. municipal bonds.

For more than a century Mergent has been providing solutions to clients in the investment management, academic, research and corporate information fields. Today, that unique experience is combined with leading-edge technology to form a robust, diverse product line that operates under Mergent's umbrella. These include; Mergent's Dividend Achievers Indices – the premier benchmark for long-term returns; Ford Equity Research – a leading independent investment research firm; Mergent Online – a powerful web-based research portal that provides critical business information to support daily research and analysis; Mergent Manuals, Handbooks and Investment Guides; in-depth municipal and corporate fixed-income data, as well as end-of-day evaluation pricing; EventsData – providing real-time information on corporate actions, dividend payouts, news and updates directly to clients desktops. For more information, visit www.mergent.com and www.dividendachievers.com.

About Xinhua Finance Limited

Xinhua Finance Limited is China's unchallenged leader in financial information and media, and is listed on the Mothers board of the Tokyo Stock Exchange (symbol: 9399) (OTC ADRs: XHFNY). Bridging China's financial markets and the world, Xinhua Finance serves financial institutions, corporations and re-distributors through four focused and complementary service lines: Indices, Ratings, Financial News and Investor Relations. Founded in November 1999, the Company is headquartered in Shanghai with 20 news bureaus and offices in 19 locations across Asia, Australia, North America and Europe. For more information, please visit www.xinhuafinance.com.

About Ryan ALM, Inc.

Ryan ALM, Inc. is both a bond index provider and an asset management firm. Its ALM Research Solutions division maintains and delivers the Ryan Treasury Index series (see www.RyanIndex.com) and numerous Custom Indexes for its clients. The Ryan ALM Advisers division manages assets versus liabilities as a turnkey system where Ryan creates Custom Liability Indexes and manages the assets as Liability Beta and Liability Alpha portfolios in an integrated Portable Alpha system named PALS. For more information, please visit www.RyanALM.com.

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