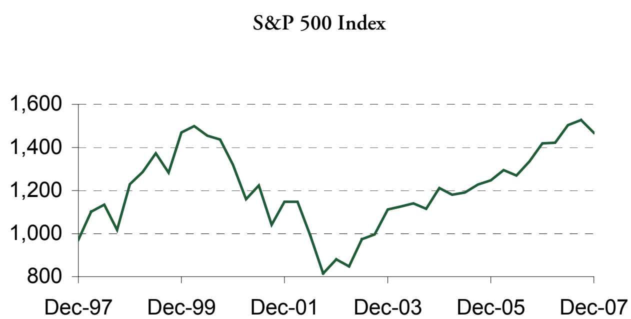
CEDAR HILL
WEALTH MANAGEMENT

Quarterly Investment Review

December 31, 2007

Financial Review

The final quarter of 2007 was characterized by increased volatility, with global markets generally fading as the year came to a close. For 2007, the S&P 500 Index managed a modest gain of 5.5%, compared with a loss of 1.6% for the Russell 2000 Index. International stocks, as reflected by the Morgan Stanley EAFE Index, continued to outperform domestic stocks, recording a gain of 11.5% for the year.



Economic data released in the fourth quarter indicated slowing domestic growth, as retail sales disappointed, factory utilization declined, and the unemployment rate began to rise. The domestic consumer has found it increasingly difficult to maintain spending habits as additional sources of borrowing have dried up. Large corporations are now turning to layoffs in order to maintain profit growth in the wake of slowing consumer demand. These layoffs have resulted in the unemployment rate rising to 5% in December, the highest level in two years.

Outlook for 2008

The deterioration in the health of the economy in the fourth quarter has created an unattractive investment backdrop for the 2008. As witnessed in the first few weeks of the year, equity markets have suffered from increased downward volatility. This volatility is largely the result of investor uncertainty - and investors today have many areas of concern:

- Will the financial difficulties of the domestic consumer lead to further slowdown around the globe?
- Is the strength of the global financial network unraveling due to the culmination of excesses that brought about a stock market bubble and a real estate bubble over the last ten years?
- Can central banks coordinate efforts to maintain adequate liquidity in the financial system?
- Will any of the proposed remedies to the mortgage crisis provide enough relief to distressed borrowers to moderate growth in delinquencies/foreclosures?
- Who will be elected President in November and what will the consequences be for the markets?
- Will Democrats control both houses of Congress? If so, what should investors expect regarding changes in tax policy?

These are but a few of the larger questions that need to be answered before a noticeable change in investor sentiment can be seen. It is clear by the tenor of these questions that, at least for the first part of the year, our view is investors should continue to be most concerned with managing risk.

As a firm we have repeatedly discussed the virtues of what we consider "true" diversification, which extends far beyond the traditional approach of diversifying solely amongst equity style boxes. Our contention has long been that to properly manage risk, one should consider investments across a number of categories where the returns are not highly correlated with stocks (nor each other). With a well-balanced approach to investment allocation, we believe our clients are better prepared to take advantage of temporary market dislocations – opportunistically reallocating capital to where the best risk-adjusted opportunities lie. It is precisely in these uncertain times that the comprehensive asset allocation process we pursue pays true long-term benefits.

Core Equity Portfolio

Core portfolios became increasingly defensive during the fourth quarter, as we exited two positions - BEA Systems and News Corporation.

BEA Systems is a leading provider of e-commerce and enterprise infrastructure software. We initiated our position in BEA during the first quarter of 2007, as the stock was subject to significant publicity (negative) related to stock option grants to its CEO. We believed the stock was considerably undervalued just as the company prepared to launch a new product cycle for their server-oriented architecture. In October, Oracle offered to buy the company for $17 cash.

With the market pushing the shares above the initial offer due to the belief a higher offer would be forthcoming, we decided to take the profits.

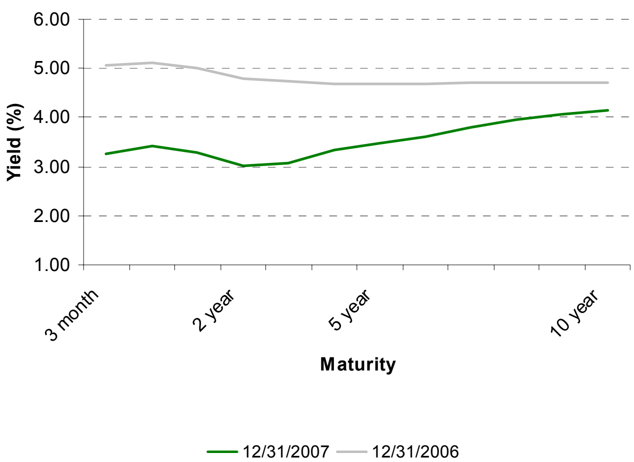
News Corporation is an international media company with interests in television, satellite and cable broadcasting, as well as motion pictures, newspapers and magazines. We sold our position, initiated in 1999, due to our belief that the shares traded at a fair value based on what was becoming a more risky operational profile as the company launched a business news network and made what we feel was an expensive acquisition of Dow Jones.

Core portfolios remain overweight stocks within the energy and basic material sectors, while maintaining relatively low exposure in financial and consumer cyclical stocks. In general, cash balances have been growing in order to capitalize on what we expect to be more favorable valuations in some of the harder hit industries. We believe our patient, disciplined approach will continue to be rewarded in an environment where fear gives a decided edge to those with liquidity.

Fixed Income Markets

Interest rates continued to decline in the fourth quarter, as liquidity concerns drove down the yield for treasuries and sparked growing worries of a consumer led recession. Central banks across the globe pushed ahead with plans to add liquidity to markets nearing a critical standstill. For the year, the entire treasury yield curve shifted lower, with yields on 10-year bonds declining 58 basis points to finish the year at 4.14%.

Treasury Yield Curve



Due to concerns about the slowing economy, corporate offerings did not fully participate in the bond rally. As a result, for the first time in years, corporate bonds are looking increasingly attractive for future purchases in taxable portfolios.

Alternative Investments

Equity Long/Short managers posted flat performance in the fourth quarter. For the year, Equity Long/Short outperformed the U.S. stock indices, though this was in large part due to an increasing emphasis on international investing within the strategy.

After a strong start to the year, **Merger Arbitrage** managers posted modestly negative results in the fourth quarter. Fewer financial and strategic buyouts are limiting the number of deals in the space, and spreads on announced mergers are in some cases at historical highs. The market doubts whether financing can be obtained to close these deals, creating interesting opportunities for these managers.

Long Credit and **Bank Debt** strategies continued to suffer as the market bid down the price of all classes of debt. Delinquencies from corporate borrowers remain at very low levels and have yet to show any weakness, but the market is pricing in a recession that will drive defaults substantially higher in 2008.

The newly risk-averse credit market has also impacted **Commercial Real Estate**. Transaction volume has slowed as buyers and sellers wait out the difficult lending environment and attempt to judge how severe a slowdown we might be facing.

Other News

We are pleased to announce that Dan Jones joined Cedar Hill in January. Dan brings over 20 years of experience in wealth management, most recently as a Senior Portfolio Manager at the Northern Trust in Highland Park. Dan will be involved in client service activities.

One Year Economic Overview

		Dec 2007	Dec 2006
Stock Market			
S&P 500 Index	▲	1,468.36	1,418.30
Russell 2000 Index	▼	766.03	787.66
Fixed Income Yields			
3-Month Treasuries	▼	3.25%	5.06%
5-Year Treasuries	▼	3.46	4.68
10-Year Treasuries	▼	4.14	4.72
30-Year Treasuries	▼	4.46	4.80
Inflation Monitor			
CPI-Trailing 12-Month Growth	▲	4.3%	2.0%
CPI-(Excluding Food/Energy)	▼	2.3	2.6
Market Expectations*	▼	2.1	2.3
Gold (per ounce)	▲	$833.92	$636.70
Crude Oil (per barrel)	▲	96.00	61.05

*Comparison of yields for 10-Year Treasury and 10-Year TIPs