

MARKET COMMENTARY

Arguably, the worldwide interest rate environment is the single most important macroeconomic factor for investors. Despite a series of central bank rate increases over the past several years, rates remain low on a historical basis. The balancing act of promoting growth and controlling inflation is the key to any central bank's success. And, through the first half of 2007, inflation remained in-check, unemployment was steady and interest rates crept slightly higher. The table below provides a summary of the world's three largest economies.

	Real GDP YOY	CPI	Unemployment	Central Bank Rate
	3/2007	5/2007	6/2007	7/2007
United States	1.9%	2.7%	4.5%	5.25%
Japan	2.6%	0.0%	3.8%	0.50%
Eurozone	3.0%	1.9%	7.0%	4.00%

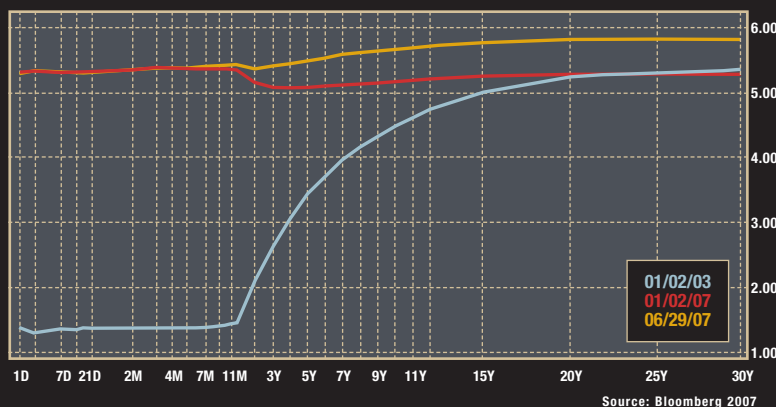
Source: Bloomberg 2007

Japan is the single largest holder of US Treasury securities, and its economy therefore exerts a disproportionate influence on US interest rates. It now appears that the Bank of Japan will raise rates for a third time in a year, partly in response to rising Japanese stock prices which reached a 7-year high in June. At the end of April, Japan held \$614.8 billion, about \$200 billion more than China and the largest portion of the \$2.165 trillion in Treasuries held by foreign investors. Japan's holdings peaked three years ago at \$700 billion and since that time US rates have been slowly rising. Japanese rates have also risen, with the Japanese 10-year trading at about 1.95%, not far from the 8-year high of 2.0% set in May 2006. It seems likely Japan's 10-year will surpass that level.

A weak dollar benefited US exporters and had some bearing on foreign investment in the US during the second quarter. Net foreign buying of US long-term securities was \$84.1 billion in April alone, \$12.1 billion more than expected. The data appear to ease worries about the possibility of central banks' diversification out of dollar-denominated assets such as US Treasuries into other assets. Also in April, net foreign purchases of US equities were \$27.4 billion, the largest monthly inflow since February 2000 and well above the 7-year monthly average of \$7.2 billion. We expect the dollar to remain weak and foreign investment strong for the remainder of the year.

The chart below illustrates the term structure of US interest rates in January 2003, January 2007 and June 2007. As illustrated, the yield curve on Treasury securities is no longer inverted. For the past year or more, the interest rate curve had been inverted, prompting some forecasters to warn of a pending recession. Current Treasury yields range from 4.85% at the short end to 5.13% on the long end. From a historical perspective, a 5% yield on the 10-year Treasury may begin a choking level for equities as competitive rates of return can be achieved from bonds. However, a 15-year correlation study of bond yields and equity returns from Lehman Brothers shows that the more critical level is 6% where investors will substitute bonds for equities. This should be good news for equity investors. Lehman points out, with rates at current levels, other factors such as earnings, cash flow and valuations override bond yields. Unless inflation spikes and the Federal Reserve is forced to raise rates, Treasury bond yields will stay at 5.00% - 5.25%. In line with the Lehman study, this is bullish for equities and mildly negative for bonds.

TERM STRUCTURE OF INTEREST RATES



MARKET PERFORMANCE

	2Q2007	2007 YTD
Dow Jones	9.03%	8.82%
S&P 500	6.24%	6.99%
Nasdaq	7.50%	7.78%
Russell 2000	4.12%	5.85%
MSCI EAFE	6.14%	9.55%
Lehman Agg	-0.52%	0.98%

MACROECONOMIC OUTLOOK

	April 2007	July 2007
U.S. GDP	Neutral	Positive
Inflation	Neutral	Neutral
Employment	Positive	Positive
Productivity	Positive	Positive
Corporate Profits	Neutral	Neutral
Consumer Debt	Negative	Negative
International Growth	Positive	Positive

We are changing our outlook on US GDP growth from *Neutral to Positive* this quarter. As we mentioned in our April commentary, the concerns surrounding subprime loan exposure contributed to slowing US GDP growth during the first quarter of 2007. That quarter subsequently marked the one with the slowest GDP growth of any quarter in the past several years. We are anticipating it as the low point for the remainder of 2007. From a preliminary view, it appears that the second quarter GDP has recovered to more than a 3% growth rate.

RETIREMENT PLANS

Retirement plans attract, retain and motivate employees. Review your plan's options including:

- Costs, performance and ease of use
- Matches which could increase employee participation
- Retirement planning tools and advice
- Benefits of contributing early in employees' careers
- Changes in the law and new limits

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IN THE NEWS

Christopher "Biff" Baker was appointed to the Board of Advisors for the Genomic Medicine Institute (GMI) of the Cleveland Clinic Foundation in April 2007.

WHEN TO WORK WITH WINFIELD

PRIVATE INDIVIDUAL INVESTORS

- Manage accumulated wealth, inheritances and settlements to meet investment objectives

ENDOWMENTS AND FOUNDATIONS

- Manage assets with a long-term growth strategy while meeting investment policy requirements

BUSINESS OWNERS

- Customize investment portfolios to meet investment objectives and lessen risk of concentrated assets
- Defer taxable earnings in profit sharing plans
- Manage and advise 401(k) plans

BUSINESS PROFESSIONALS

- Customize investment portfolios, manage stock options and consolidate 401(k)/IRA plans to meet investment objectives and lessen risk of concentrated assets

RETIREES

- Customize investment portfolios to meet investment objectives with the option of drawing income
- Management of IRAs, trusts and taxable accounts

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