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Pyramis Fixed Income

Monthly Summary

April 2008

Economic and Treasury Markets Review

Modest GDP Growth Amid Falling Home Prices

Despite expectations of a decline from fourth quarter levels, GDP growth remained slightly positive at 0.6% in the first quarter, helped by increased exports due to a weaker dollar, a 6% increase in defense spending, and a modest increase in consumer spending. In addition, inflation, as measured by the Core CPI, was in line with forecasts of 0.2%. The unemployment rate was 5.0%, lower than the predicted rate of 5.2%. However, consumer confidence continued to worsen and now stands at its lowest level in five years (Conference Board) due to fears of job loss and declining home values. Home prices continued to slide with no sign of a bottom (a 12.7% year over year decline according to the Case/Shiller Index).

Treasury Rally Ends In April

After falling dramatically over the past several months, Treasury yields rose across the curve in April. In addition, the curve flattened slightly as the 2-year Treasury yield moved up to 2.25% from its March low of 1.58%, resulting in a 2-year to 30-year spread of 2.22%. The successive Fed rate cuts (totaling 3.25% in the past eight months), coupled with several term auction facilities, the Fed's support of JP Morgan's takeover of Bear Stearns, and the impending tax stimulus checks, all combined to help move investors out of Treasuries and back into risky assets. Fed Funds futures predict the Fed will be on hold over the course of the next few FOMC meetings.

Performance (%)

| | Current Month | YTD | 2007 | 2006 | 2005 | 2004 | 2003 |
|------------------------------------|---------------|-------|------|-------|-------|-------|-------|
| Lehman Aggregate | -0.21 | 1.95 | 6.97 | 4.33 | 2.43 | 4.34 | 4.10 |
| Lehman Long Gov/Credit | -0.02 | 0.76 | 6.60 | 2.71 | 5.33 | 8.56 | 5.87 |
| Lehman Int. Gov/Credit | -0.74 | 2.24 | 7.39 | 4.08 | 1.58 | 3.04 | 4.31 |
| Lehman 1-3yr. Gov/Credit | -0.57 | 2.14 | 6.83 | 4.25 | 1.77 | 1.30 | 2.82 |
| Lehman Universal | 0.10 | 1.76 | 6.50 | 4.97 | 2.72 | 4.97 | 5.82 |
| Lehman Global Agg (Ex-US Hedged) | -0.70 | 0.93 | 4.27 | 3.19 | 5.42 | 4.82 | 1.37 |
| 10-Year Treasury | -2.39 | 3.21 | 9.76 | 1.34 | 1.98 | 4.83 | 1.32 |
| Merrill Lynch High Yield Master II | 4.17 | 1.00 | 2.19 | 11.72 | 2.72 | 10.87 | 25.18 |
| J.P. Morgan EMBI Global | 1.01 | 1.65 | 6.28 | 9.88 | 10.73 | 11.73 | 25.66 |
| S&P 500 | 4.87 | -5.03 | 5.49 | 15.79 | 4.91 | 10.88 | 28.68 |
| NASDAQ | 5.87 | -9.03 | 9.81 | 9.52 | 1.37 | 8.59 | 50.01 |

Yields and Spreads

| | Month End | MTD Change | YTD Change | 2007 | 2006 | 2005 | 2004 |
|-------------------------------|-----------|------------|------------|------|------|------|------|
| 2 year Treasury (%) | 2.25 | 0.67 | -2.56 | 3.05 | 4.81 | 4.40 | 3.07 |
| 5 year Treasury (%) | 3.01 | 0.57 | -1.68 | 3.44 | 4.69 | 4.35 | 3.61 |
| 10 year Treasury (%) | 3.73 | 0.32 | -0.97 | 4.02 | 4.70 | 4.39 | 4.22 |
| 30 year Treasury (%) | 4.47 | 0.18 | -0.34 | 4.45 | 4.81 | 4.54 | 4.83 |
| 5-Year SWAP Spreads (bps) | 76 | -10 | 3 | 73 | 42 | 53 | 42 |
| 10-Year SWAP Spreads (bps) | 61 | -5 | -3 | 64 | 40 | 46 | 41 |
| 3-Month LIBOR (%) | 2.90 | 0.16 | -2.46 | 4.81 | 5.36 | 4.54 | 2.56 |
| Fed Funds (%) | 2.00 | -0.25 | -3.25 | 4.25 | 5.25 | 4.25 | 2.25 |
| CDX.NA.IG 10-1 Spreads (bps) | 86 | -57 | 53 | 81 | 33 | 46 | 44 |
| CDX.NA.HY 10-1 Spreads (bps) | 524 | -160 | 260 | 505 | 264 | 366 | 296 |
| ABX-HE.AAA 07-1 Spreads (bps) | 745 | -234 | 216 | 418 | 9 | na | na |
| ABX-HE.BBB 07-1 Spreads (bps) | 14409 | 4109 | 8088 | 5761 | 281 | na | na |

Page source: Lehman Brothers, JP Morgan Chase & Co., Merrill Lynch

Investment-Grade Review

Most Spread Sectors Outperform

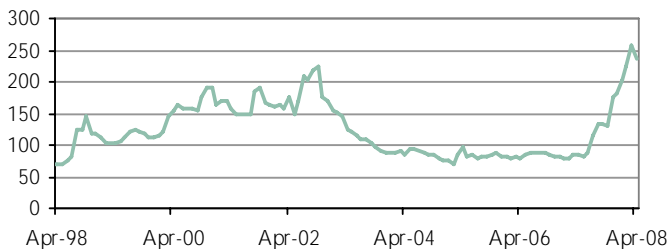
The Lehman Brothers Aggregate Index returned -0.21% in April, while most spread sectors outperformed their same-duration Treasuries. Spread tightening was responsible for the majority of the gains, as market participants unwound the flight to quality trade that was in place for the last few months and returned to spread sectors. However, the more credit sensitive sectors - CMBS and corporates, in particular - benefited the most from the improvement in market sentiment. In corporate headlines, news was neutral during the month. Although solid earnings came from several large insurers, weaker than expected results came from CFC, Radioshack, and Paper names. Countrywide announced a 1Q loss of \$1.60 per share, down from a profit of \$0.72 per share a year earlier. On a more positive note, Radian

| | Total Return (%) | | Excess Returns (Bp)* | |
|-----------------|------------------|-------|----------------------|------|
| | MTD | YTD | MTD | YTD |
| U.S. Agency | -0.69 | 2.48 | 54 | -11 |
| U.S. Credit | 0.57 | 1.01 | 245 | -173 |
| Lehman Mortgage | 0.06 | 2.53 | 96 | 19 |
| Lehman CMBS | 2.19 | -1.74 | 412 | -490 |
| Lehman ABS | -0.90 | -2.80 | 38 | -549 |

Lehman Credit Sector

| | %MV | Excess Returns (Bp)* | | |
|----------------------|------|----------------------|------|------|
| | | MTD | YTD | 2007 |
| Communications | 12.2 | 415 | -294 | -284 |
| Consumer Noncyclical | 9.6 | 213 | -101 | -347 |
| Finance Companies | 8.7 | 319 | -173 | -857 |
| Electric Utilities | 7.0 | 190 | -167 | -507 |
| Consumer Cyclical | 6.7 | 261 | -191 | -523 |
| Capital Goods | 4.6 | 157 | -170 | -387 |
| Energy | 4.6 | 207 | -92 | -356 |
| Basic Industry | 3.3 | 250 | -159 | -483 |
| Technology | 3.2 | 217 | -207 | -325 |
| Transportation | 2.2 | 218 | -202 | -649 |

Lehman Credit Option-Adjusted Spreads (Bp)



Lehman Brothers Aggregate Index Profile

| | Month End | 12/07 | 12/06 |
|-------------------------|-----------|-------|-------|
| YTW (%) | 4.70 | 5.34 | 5.08 |
| Modified Duration (yrs) | 4.46 | 4.46 | 4.57 |
| Average Quality | AA | AA | AA |
| # of issues | 9,352 | 7,158 | 6,453 |

managed to negotiate an amendment to its revolver, reducing near term risk for the company. Time Warner announced the long expected proposed split of its cable operations. Meanwhile, there was considerable activity on the ratings front led by the widely anticipated downgrade of Sprint to BB, which finally happened in April. After Merrill Lynch reported a Q1 loss of \$2.19 per share and \$9 billion in write downs, Moody's placed the broker on review for downgrade.

| | Total Return (%) | | Excess Returns (Bp)* | |
|---------------|------------------|------|----------------------|------|
| | MTD | YTD | MTD | YTD |
| U.S. Treasury | -1.72 | 2.63 | 0 | 0 |
| Aaa Credit | -1.43 | 1.96 | 26 | -80 |
| Aa Credit | 0.04 | 1.68 | 188 | -110 |
| A Credit | 0.90 | 0.96 | 281 | -174 |
| Baa Credit | 1.30 | 0.24 | 325 | -250 |

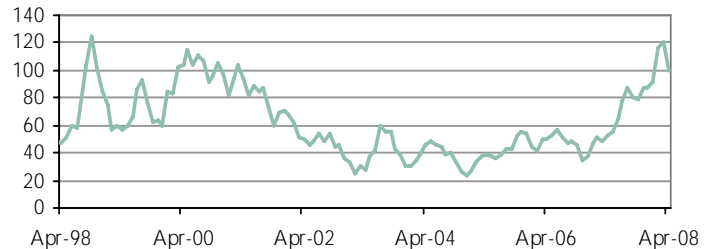
Lehman Asset Backed Sector

| | %MV | Excess Returns (Bp)* | | |
|--------------|------|----------------------|-------|-------|
| | | MTD | YTD | 2007 |
| Credit Cards | 42.6 | 129 | -180 | -340 |
| Autos | 25.1 | 90 | -174 | -204 |
| HEL | 18.6 | -257 | -1882 | -1707 |
| Utility | 13.7 | 103 | -115 | -371 |

Lehman MBS Sector

| | %MV | Excess Returns (Bp)* | | |
|----------------|------|----------------------|-----|------|
| | | MTD | YTD | 2007 |
| MBS Fixed Rate | 91.2 | 96 | 19 | -177 |
| Hybrid ARM | 8.8 | 82 | 46 | -87 |

Lehman MBS Option-Adjusted Spreads (Bp)



High Yield Review

High Yield And Leveraged Loans Positive In April

The high yield and leveraged loan markets were both positive during April, aided by better than expected earnings, an improved technical backdrop, additional monetary stimulus and rising equity prices. The Merrill Lynch High Yield Master II index returned 4.17%, its best monthly return since 2003. The index's option adjusted spread ended the month at 686 basis points, declining 135 basis points. The S&P/LSTA Leveraged Loan index returned 3.7%, its best monthly return on record.

Consistent with a rising risk appetite, the CCC sector (+5.87%) outperformed both B (+4.64%) and BB (+2.93%) rated bonds.

All industry sectors exhibited positive returns. Industries that have experienced weakness year to date led the high yield

market forward, with the automotive (+7.94%), financial (+7.21%), and technology (+6.86%) sectors all outperforming.

Underperforming sectors included gaming (+1.76%) and transportation (+1.81%). The high yield primary market had its busiest month of the year with \$4.7 billion of bonds issued versus \$3.4 billion in March. Year to date there has been \$12.8 billion in issuance versus \$55.1 billion during the same period in 2007. Demand was also strong in April, with AMG reporting \$1.1 billion of retail investor inflows. However, market fundamentals continued to deteriorate with the twelve month trailing high yield default rate rising to 2.08% from 1.86% the prior month. JP Morgan forecasts the 2008 default rate to be 2.25% and rising to 6-7% during 2009.

Total Return (%)

| | %MV | MTD | YTD | 2007 | 2006 |
|----------------------|-------|------|-------|------|-------|
| High Yield Master II | 100.0 | 4.17 | 1.00 | 2.19 | 11.72 |
| Cash Pay | 98.8 | 4.15 | 1.05 | 2.21 | 11.64 |
| Deferred Pay | 1.2 | 5.27 | -2.96 | 3.34 | 19.62 |
| BB-rated | 36.9 | 2.93 | 1.33 | 2.24 | 9.90 |
| B-rated | 46.0 | 4.64 | 1.57 | 3.11 | 11.43 |
| CCC-rated | 17.1 | 5.87 | -0.76 | 0.42 | 18.63 |

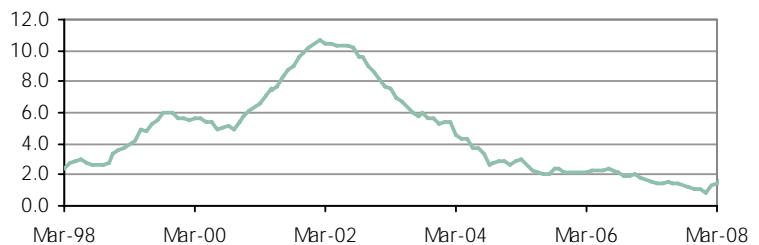
Merrill Lynch High Yield Master II Index Profile

| | Month End | 12/07 | 12/06 |
|-------------------------|-----------|-------|-------|
| YTW (%) | 10.07 | 9.53 | 7.63 |
| Modified Duration (yrs) | 4.49 | 4.63 | 4.44 |
| OAS (bp) | 634 | 551 | 292 |
| Average Quality | B1 | B1 | B1 |
| # of Issues | 1,681 | 1,765 | 1,839 |

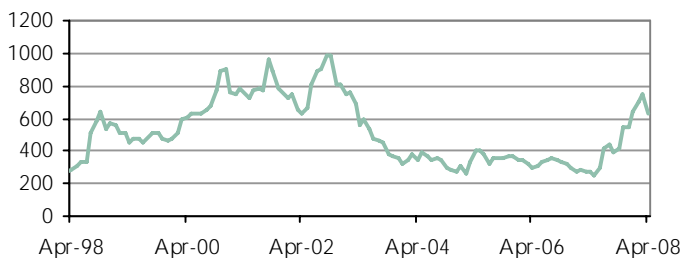
Merrill Lynch High Yield Industry Total Returns

| | %MV | MTD | YTD | 2007 |
|--------------|------|------|-------|-------|
| Autos | 10.5 | 7.94 | 2.03 | -3.22 |
| Energy | 10.0 | 2.59 | 3.21 | 5.60 |
| E. Utilities | 8.2 | 3.33 | 5.39 | 4.90 |
| Healthcare | 7.2 | 4.27 | 4.76 | 6.87 |
| Telecom | 6.7 | 3.55 | 0.96 | 4.08 |
| Technology | 6.1 | 5.91 | 2.10 | 4.07 |
| Gaming | 5.5 | 1.95 | -4.93 | 1.30 |
| Cable TV | 4.1 | 6.30 | 1.79 | 0.53 |
| Paper | 3.3 | 2.09 | -5.11 | 2.09 |
| Chemical | 2.7 | 2.18 | 0.13 | 7.07 |

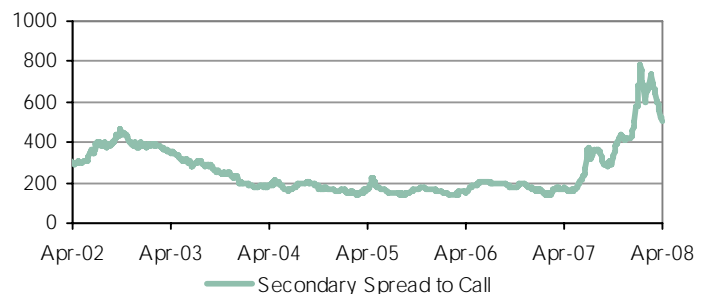
Moody's Trailing 12-months Default Rate (%)



High Yield Bond Spreads (Bp)



Bank Debt Spreads (Bp)



Page Source: Merrill Lynch & Co.

Non-U.S. Review

S&P Upgrades Brazil To Investment-Grade

The JP Morgan EMBI Global index returned 1.01% in April. The index's spread ended the month at 283 basis points, declining 41 basis points. An increased risk appetite aided lower credit rated countries. As such, Ecuador, Uruguay and the Dominican Republic all outperformed the broader index. Brazil was also notably positive during the month. The largest country in the index was upgraded to investment grade by Standard & Poor's due to continued economic growth, increased debt buy backs and improved fiscal policies. Currently 55% of the JPM EMBI index's market capitalization is investment grade rated. Meanwhile, Treasury yields negatively impacted investment grade issuers Hungary, Poland, China, Chile and Malaysia.

The Lehman Brothers Global Aggregate Index (ex-US) hedged returned -0.70% in April. Within the Index, European markets fell 49 basis points, whereas the Asian markets retreated 109 basis points. Recent financial turbulence in the US is expected to curb growth in both Europe and Japan throughout the remainder of 2008. The ECB, however, continued to reiterate its hawkish stance concerning inflation, while the outlook in Japan was further dampened as a result of the appreciation of the yen versus the dollar.

Top Ten Countries by Size: JPM EMBI Global Returns (%)

| | %MV | MTD | YTD | 2007 |
|-----------------|--------|-------|-------|--------|
| EMBI Global | 100.00 | -0.04 | 0.63 | 6.28 |
| Brazil | 14.23 | 3.15 | 3.64 | 9.13 |
| Russia | 12.56 | 0.30 | 2.42 | 6.86 |
| Mexico | 12.27 | 0.29 | 3.75 | 6.85 |
| Turkey | 9.72 | 1.60 | -0.49 | 10.20 |
| The Philippines | 7.30 | 1.11 | 1.87 | 7.95 |
| Venezuela | 7.15 | -0.01 | -3.02 | -11.15 |
| Indonesia | 3.71 | -1.67 | -0.72 | 2.96 |
| Colombia | 3.29 | 2.12 | 3.50 | 9.14 |
| Malaysia | 3.27 | -1.08 | 2.11 | 7.40 |
| Lebanon | 2.78 | 1.52 | 3.03 | 9.90 |

Source: JP Morgan Chase & Co.

Lehman Global Agg (Ex. U.S.) Total Returns Hedged (%)

| | %Index | MTD | YTD | 2007 |
|--------------------|--------|-------|-------|------|
| Global Agg (Ex-US) | 100.0 | -0.70 | 0.93 | 4.27 |
| Japan | 26.8 | -1.26 | 0.80 | 7.72 |
| Germany | 14.8 | -0.64 | 1.45 | 3.79 |
| France | 9.9 | -0.55 | 1.21 | 2.88 |
| Italy | 8.0 | -0.50 | 1.24 | 3.01 |
| United Kingdom | 7.8 | -0.57 | -1.42 | 2.86 |
| Spain | 5.0 | -0.68 | 0.80 | 2.39 |
| Canada | 4.8 | -0.63 | 2.05 | 5.17 |
| Netherlands | 3.1 | -0.46 | 1.26 | 3.46 |
| S. Korea | 2.1 | 1.04 | 4.29 | 4.29 |
| Belgium | 1.9 | -0.51 | 1.38 | 2.72 |

Source: Lehman Brothers

JPM EMBI Global Index Profile

| | Month End | 12/07 | 12/06 |
|-------------------------|-----------|-------|-------|
| YTW (%) | 6.75 | 6.63 | 6.48 |
| Modified Duration (yrs) | 7.04 | 7.07 | 7.12 |
| Average Quality | BB+ | BB+ | BB+ |
| # of issues | 194 | 196 | 191 |

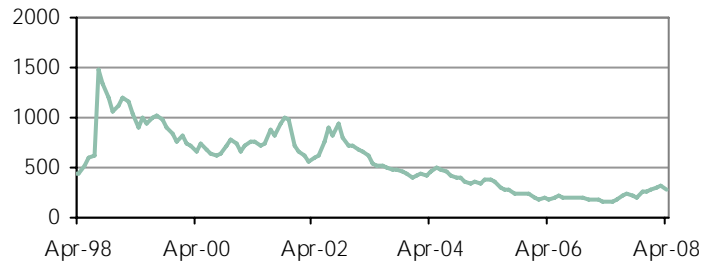
Source: JP Morgan Chase & Co.

Lehman Brothers Global Agg (Ex. U.S.) Index Profile

| | Month End | 12/07 | 12/06 |
|-------------------------|-----------|-------|-------|
| YTW (%) | 3.78 | 3.76 | 3.48 |
| Modified Duration (yrs) | 5.81 | 5.80 | 5.82 |
| Average Quality | AA | AA | AA |
| # of issues | 6,403 | 6,316 | 6,018 |

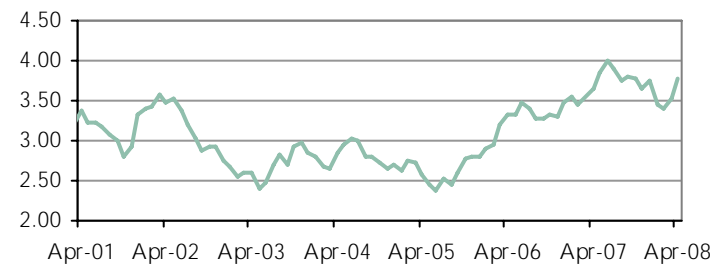
Source: Lehman Brothers

Emerging Market Debt Sovereign Spreads (Bp)



Source: JP Morgan Chase & Co.

Lehman Global Agg (Ex. U.S.) Yields (%)



Source: Lehman Brothers

Long Duration Review

Long Bonds Behind in April

The Long Government/Credit Index returned -0.02% in April following a similar result in March. The returns for the components of the Index in April were affected by the reversal of the flight to quality trade that had occurred in prior months. Long government issues returned -1.73% for the month, in contrast to the prior month's 0.88%. In comparison, returns for long credit issues were 1.69% versus last month's -0.87%. Across the yield curve, long government issues underperformed intermediate issues (1 to 10 year maturities) by 29 basis points in April. The credit sector was an entirely different story as long credit issues outperformed intermediate issues by 149 basis points. On a duration neutral basis long credit issues outperformed Treasuries by 386 basis points after underperforming by 215 basis points in March.

Lehman Brothers Long Gov/Credit Index Profile

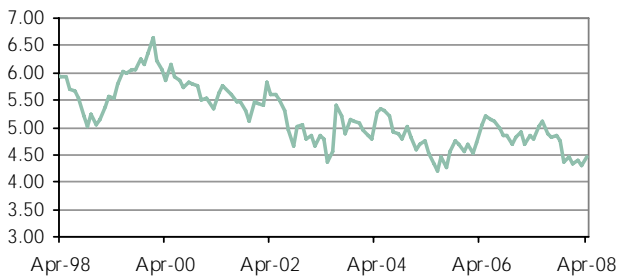
| | Month End | 12/07 | 12/06 |
|-------------------------|-----------|-----------|-----------|
| YTW (%) | 5.55 | 5.47 | 5.50 |
| Modified Duration (yrs) | 11.24 | 11.23 | 10.93 |
| Average Quality | AA- | AA- | AA- |
| Market Value (\$MM) | 1,198,323 | 1,163,608 | 1,044,544 |

Source: Lehman Brothers

| | Total Return (%) | | | Excess Returns (Bp)* | |
|---------------|------------------|--------------|-------------|----------------------|-------------|
| | % MV | MTD | YTD | MTD | YTD |
| Treasury | 40.1 | -1.92 | 1.98 | 0 | 0 |
| Agency | 8.4 | -0.82 | 1.85 | 108 | -35 |
| Corporate | 46.1 | 2.10 | -0.65 | 426 | -254 |
| Industrial | 26.8 | 2.01 | -0.52 | 417 | -241 |
| Financial | 12.4 | 2.90 | -1.15 | 506 | -305 |
| Utility | 6.9 | 1.02 | -0.31 | 324 | -213 |
| Non-Corporate | 5.4 | -1.45 | 1.64 | 76 | -45 |
| Total | 100.0 | -0.02 | 0.76 | 203 | -120 |

Source: Lehman Brothers

Long (30-Year) Treasury Yields (%)



Source: Lehman Brothers

*Excess returns over same-duration Treasury securities.

30-Year Swap Spreads (Bp)

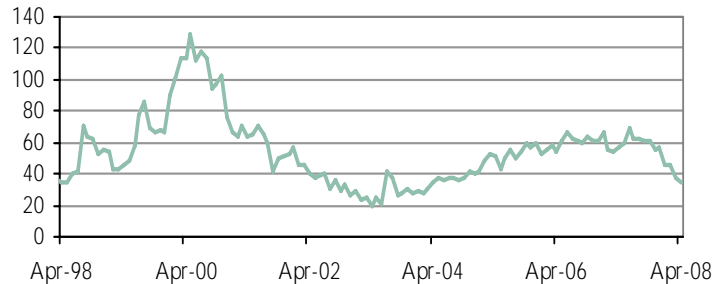
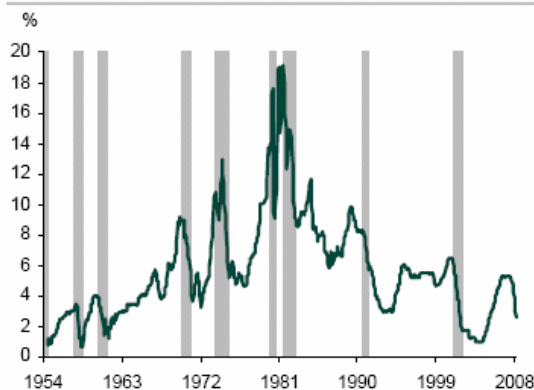


Table of The Month

Federal Funds Rate



The Fed Funds rate is currently low vs. historical levels.

Source: Lehman Brothers

Fixed Income Market Newsletter

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