QUANTITATIVE ASSET MANAGEMENT, LLC
Investment & Advisory Services

Newsletter

July 7, 2007

Dear Clients,

Quarter Ending June 30, 2007		
Year to Date Performance	**YTD**	**Last Full Quarter**
Dow Jones Industrial Averages	8.76%	9.10%
NASDAQ Composite Price	7.78%	7.50%
Standard & Poor's Averages	6.96%	6.28%
Lehman Brothers Muni Bond Index	0.15%	-0.66%
Lehman Brothers Bond Index	0.99%	-0.49%
EAFE	11.10%	6.67%

The second quarter saw the equity markets continue their upward trend that started in the second half of the first quarter. This move comes despite the fact that the economy is slowing. I'm not convinced the residential real estate, mortgage and construction markets have yet fully reflected the negative fundamentals that are the byproduct of past excesses. Private equity (hedge funds), brokers and other mortgage originators have earnings issues that have not been fully disclosed or reported – Bear Stearns's hedge funds and G.E.'s mortgage arm have announced large write-offs, and they can't be the exception.

Add to these issues the higher cost of energy and debt, the consumer will be hard pressed to keep consuming at past levels. This loss of purchasing power will take a toll on the economy going forward.

The bond market has been schizophrenic at best, and as a result the interest sensitive sectors, i.e. bond, bond funds, REITS and the like, have suffered performance wise. The REIT index was down double digits for the quarter. The good news here is yields are up and therefore provide very attractive cash flows.

The offset to the bad news is corporations have cleaned up their balance sheets. Cash as a percentage of their book value is at historic highs (+/- 14%). This has created more stock repurchases, and higher dividends. After being so frugal, corporate spending could improve and help offset the declines in consumer spending.

Global investment must also be weighed, given 40% of the S&P 500 revenues comes from outside the U.S. according to an S&P report. There has been a "significant increase in foreign

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sales by U.S. companies over the past five years due to the rapidly expanding foreign markets for goods and services," (1) the report goes on to say.

Also, the U.S. investor is not bullish and has record amounts sitting in money market accounts. This could also provide demand for equities and fixed income investments.

Where does this take us? I still feel the equity markets will see a correction, and the bond and interest sensitive markets will recover. The Fed will maintain a neutral stance given the nature of our economic softness, and the current weakness of the U.S. dollar.

As always, predicting these short term trends is almost impossible, so we will continue to look at individual opportunities and base our decisions on getting the best value vs. the risks.

I will be in touch with each of you soon. Please feel free to call if you have any questions.

Sincerely,

Jeffrey L. Farni Sr.

**As required by Advisors Act Rule 204-3 advisory disclosure documents (ADV Part 2A) are available upon request.*

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