MARYLAND CAPITAL ADVISORS INC.

◊ Registered Investment Advisory ◊

2007 Second Quarter Asset Class Report — July 22, 2007

Global stock market returns were solid in the 2nd Quarter. **EMERGING MARKETS** (+13.0%) continued their amazing run with the best Q2, YTD, 1YR, and 3YR returns among *all* asset classes. Of course, with return comes risk – note that 1YR and 3YR **EMERGING MARKETS** risk is the highest of all equity asset classes. ***Our client portfolios have measured allocations to this asset class and we continue to manage to targeted allocations.***

As the overall US equity market rallied in Q2 (Russell 3000 +5.8%), **REITs** (-11.7%) took a major slide. This was the worst-performing quarter for **REITs** since the 3rd Quarter of 2002 – a period when all equity asset classes had large *declines* ranging from -14.6% to -21.6% (Russell 3000 -17.2%). This quarter was different: stock market returns were positive and commercial occupancy and rental rates (+3.1% in Q2, according to Reis Inc.) firmed nicely. **So what might be driving REITs lower?** In part, the REIT market may still be digesting the effect of the largest buyout transaction ever – the sale of a REIT (Equity Office Properties Trust) to private equity firm Blackstone Group LP in Q1. ***Perhaps a more powerful factor: Hedge funds and other investors have a newly-acquired desire to "hedge" by selling actively-traded securities that may offer some sense of "portfolio protection" from the pressure of the sub-prime mortgage market melt-down.*** There are actively-traded REIT exchange-traded funds (ETFs) that have seen a substantial increase in such selling pressure in Q2 (ex: IYR). Regardless of the cause of negative REIT returns, our passive asset allocation discipline allows us to focus on overall portfolio structure and our research into the best investments for each asset class.

In concert with US REITs, **INTERNATIONAL REAL ESTATE** (-3.2%) was negative in Q2. Note the divergence of YTD returns between REITs (-8.5%) and INTERNATIONAL REAL ESTATE (+3.5%). ***In our client portfolios, we began to replace some US REIT exposure with INTERNATIONAL REAL ESTATE after January 1, 2007 when the largest European economies (Germany and the UK) implemented a REIT structure into their tax code.*** This follows similar legislative schemes in Luxemburg (2002), France (2003), Spain (2004), and Bulgaria (2004). Our introduction of INTERNATIONAL REAL ESTATE earlier this year was not meant as a "bet" against US REITs, although this changed exposure provided diversification benefits this year. This is now an established asset class with cost-effective institutional funds for our client portfolios.

The second "alternative" asset class in client portfolios is **COMMODITIES** (-2.5%). Most agricultural products returns were higher, while precious metals, corn, and natural gas were negative in Q2. The funds we use for commodities exposure are based on broad indices – we want diversification benefits from commodity investments, not active-management expenses and concentration risks.

The best-performing bond sectors were **HIGH YIELD FLOATING-RATE** (+3.0%), **MONEY MARKETS** (+2.6%) and **TREASURIES 1-3YR** (+0.7%). ***Bond classes with longer-maturities performed poorly in Q2, as interest rates rose. Our client portfolios have been biased toward short-maturities and high credit quality, and will remain so.*** In my opinion, the bond market continues to offer inadequate yield compensation for default risk and the risk of rising interest rates.

I recently saw an advertisement that said something like "Warning: Risks in your portfolio may be larger than they appear". Our discipline of global asset allocation, diligence in investment research, and detailed reporting allows us to better define, monitor and manage each risk. How much *aggregate* risk is appropriate for your portfolio is the most important topic we discuss each quarter – and any time there is a material change in your individual situation.

[see attached Asset Class Report]

	Asset Class Report	Total Return						Risk		Yield	Valuation	
	June 30, 2007	YTD	**07Q2**	07Q1	1YR	3YR	5YR	1YR	3YR	12 Mo	P/E	P/B
EQUITIES	Large Cap Growth	8.1	**6.7**	1.4	18.2	***9.1***	10.2	7.7	9.1	0.9	22.3	4.4
EQUITIES	Large Cap Core	7.1	**5.9**	1.2	20.2	12.7	12.1	5.8	7.4	1.6	18.4	3.0
EQUITIES	Large Cap Value	6.0	**4.9**	***1.1***	21.3	16.1	14.0	4.9	6.9	2.1	15.6	2.2
EQUITIES	Mid Cap Growth	10.8	**6.4**	4.1	19.4	14.9	16.8	8.7	11.5	0.5	25.5	4.3
EQUITIES	Mid Cap Core	9.8	**4.8**	4.7	20.3	17.5	17.5	6.7	9.4	1.3	23.3	2.9
EQUITIES	Mid Cap Value	8.6	**3.3**	***5.1***	21.7	19.4	18.0	5.1	8.2	2.0	21.2	2.1
EQUITIES	Small Cap Growth	9.5	**7.4**	2.0	17.3	12.4	14.8	9.9	15.4	0.4	58.1	3.2
EQUITIES	Small Cap Core	6.7	**4.5**	2.1	17.0	13.9	15.3	8.0	13.8	1.1	38.1	1.6
EQUITIES	Small Cap Value	***3.7***	***2.2***	1.5	***15.9***	15.1	15.7	6.4	12.3	1.8	29.3	1.1
EQUITIES	Large Cap International	10.3	**5.9**	4.2	26.1	21.7	18.0	5.1	9.5	1.9		
EQUITIES	Emerging Markets	***15.3***	***13.0***	2.0	***42.2***	***36.9***		11.8	18.3	1.2		
ALTS	International Real Estate	3.5	**-3.2**	7.4						1.2	7.9	1.5
ALTS	US Real Estate Investment Trusts	***-8.5***	***-11.7***	3.6	11.4	***21.8***	20.0	14.8	14.9	2.9	33.7	2.9
ALTS	Commodities	3.0	**-2.5**	***5.6***	***0.5***	8.2	17.6	15.5	15.0			
ALTS	Precious Metals	1.7	**-2.2**	4.0	5.0			11.9		0.0		
ALTS	Hedge Fund of Funds Index	***6.4***	***4.7***	***1.6***	***12.7***	***7.1***						
BONDS	Treasuries 1-3yr	2.1	**0.7**	1.3	5.4	2.8		0.9	1.1	4.3		
BONDS	Treasuries 7-10yr	0.2	**-1.3**	1.5	6.0	3.1		4.0	4.6	4.5		
BONDS	Treasuries 20-30yr	***-1.8***	***-2.4***	0.6	6.2	5.0		7.3	8.5	4.8		
BONDS	Treasury IPS (TIPs)	1.7	**-0.7**	***2.4***	3.9	3.2	5.8	4.3	4.1	4.9		
BONDS	Mortgage-Backed (MBS)	0.6	**-0.7**	0.9	5.4	3.6	3.8	2.3	2.2	4.8		
BONDS	Inv Grade Short Duration	2.0	**0.5**	1.2	5.3	3.5	3.7	1.2	1.2	4.3		
BONDS	Inv Grade Intermediate Duration	0.8	**-0.9**	1.2	6.1	3.6	4.9	3.3	3.4	4.8		
BONDS	Inv Grade Long Duration	-1.3	**-2.0**	***0.2***	6.8	4.7	6.0	6.9	7.2	5.4		
BONDS	High Yield Intermediate Duration	1.8	**-0.5**	1.6	8.4	6.5	8.1	2.0	3.1	6.6		
BONDS	Municipals Short Duration	1.1	**0.2**	0.6	***3.4***	***2.3***	2.5	0.9	1.1	3.1		
BONDS	Municipals Intermediate Duration	0.2	**-0.6**	0.4	4.1	3.2	3.5	2.3	2.5	3.9		
BONDS	Municipals Long Duration	-0.2	**-0.8**	0.2	4.6	4.0	4.4	2.9	3.2	4.3		
BONDS	International	0.2	**-1.1**	1.0	3.7	3.4	7.5	5.7	6.5	3.2		
BONDS	Emerging Markets	2.1	**-0.1**	1.5	***13.2***	***14.7***	16.2	3.4	5.8	6.7		
BONDS	High Yield Floating-Rate	***3.0***	***1.2***	1.2	6.4	5.1		0.6	0.7	6.0		
$	Money Market	2.6	**1.3**	1.3	5.2	3.7	2.6			5.2		

Balanced Portfolio Funds	YTD	**07Q2**	07Q1	1YR	3YR	5YR	1YR	3YR	12 mo	P/E	P/B
Vanguard 60/40	4.8	**3.3**	1.4	14.4	9.3	9.5	3.3	4.7	2.8	18.3	2.7
DFA 60/40	6.5	**4.1**	2.3	16.0	12.2		3.4	5.2	1.2		
DFA 25/75	4.1	**2.3**	1.8	9.5			1.3		0.7		

Market Index ETFs	YTD	**07Q2**	07Q1	1YR	3YR	5YR	1YR	3YR	12 mo	P/E	P/B
S&P 500	6.9	**6.2**	0.7	20.2	12.1	11.6	5.8	7.3	1.8	17.9	3.0
DJIA	8.9	**9.1**	-0.2	22.6	11.6	10.6	7.6	8.3	1.9	17.9	3.9
NASDAQ 100	10.4	**9.4**	0.9	23.2	9.6	15.1	11.1	14.5	0.3	36.0	4.4
US Domestic Bonds	1.1	**-0.7**	1.4	6.4	3.5		3.0	3.0	4.9		
US Dollar Index	-2.0	**-1.2**	-0.9	-3.8	-2.7	-5.0	5.9				

Source: Bloomberg L.P., MCA

x.xx sub-asset class with highest period total return (%)
x.xx sub-asset class with lowest period total return (%)

Note: Asset Class returns are primarily investable benchmarks using selected mutual funds and ETFs, with dividends reinvested. Returns for periods greater than 1 year are compound annual returns. Risk is annualized standard deviation of returns.

Maryland Capital Advisors Inc. obtained the information from sources we believe to be reliable, but we do not guarantee its accuracy or completeness.

US Equity Factors

		Growth	Core	Value
1 YR	Small Cap	+17.3	+17.0	+15.9
1 YR	Mid Cap	+19.4	+20.3	+21.7
1 YR	Large Cap	+18.2	+20.2	+21.3
		Growth	Core	Value
5 YR	Small Cap	+14.8	+15.3	+15.7
5 YR	Mid Cap	+16.8	+17.5	+18.0
5 YR	Large Cap	+10.2	+12.1	+14.0

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