FIRST Trust ADVISORS L.P.

Quarterly Market Overview

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Mr. Carey has over 20 years of experience as an Equity and Fixed-Income Analyst and is a recipient of the Chartered Financial Analyst (CFA) designation. He is a graduate of the University of Illinois at Champaign-Urbana with a B.S. in Physics. He is also a member of the CFA Society of Chicago and the CFA Institute.

Mr. Carey has appeared as a guest on such programs as Bloomberg TV and CNBC and has been quoted by several publications, including *The Wall Street Journal, The Wall Street Reporter, Bloomberg News Service, and Registered Rep*.

When you're assessing global opportunities don't forget about the U.S.

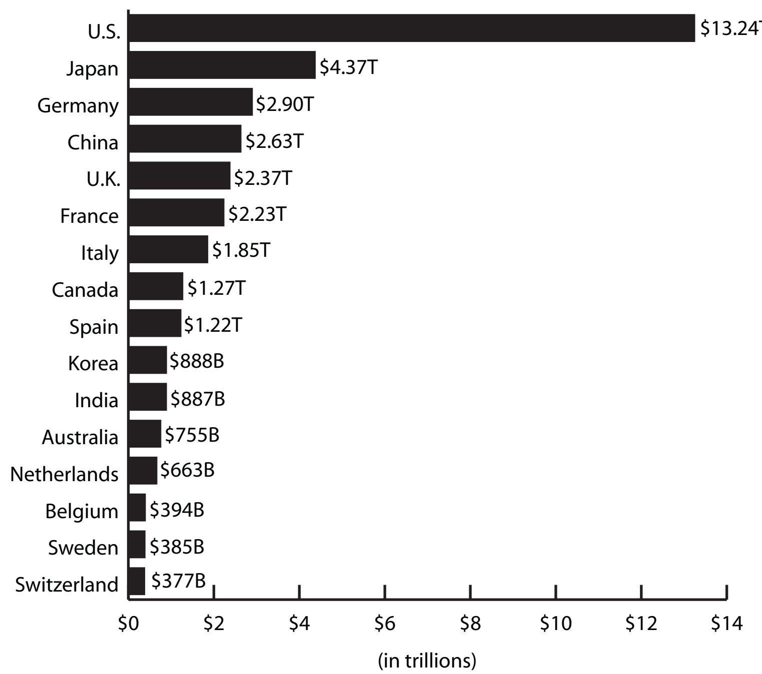
Investors poured over $250 billion into international/global equity funds over the past two calendar years ('05 & '06), while committing less than $100 billion to U.S. stock funds, according to data from Lipper & Trim Tabs. In 2006, investors favored foreign stock funds over U.S. stock funds by a ratio of about 5 to 1. The decision to commit more investment capital to the buildup of foreign markets and economies, particularly emerging countries, has been a lucrative one.

From 12/31/04-3/30/07, the MSCI Emerging Markets Index and MSCI World Index (x USA) posted cumulative total returns ($) of 79.9% and 51.3%, respectively, vs. a 22.2% return for the S&P 500 Index. Two interesting points to be made about this time period are that the U.S. dollar was essentially unchanged vs. a basket of major currencies and the U.S. stock market was some 27 months into its new bull run. We believe that the resiliency of the dollar was largely due to the tightening of monetary policy by the Fed beginning in June 2004. Since then, the Fed has hiked short-term rates by a total of 425 basis points, which, in turn, attracted considerable foreign capital to our interest-bearing debt. As we now know, the sluggish gains posted by the S&P 500 had a lot to do with the fact that investors were allocating their capital overseas and to small- and mid-cap stocks, where companies were growing their earnings at a much faster clip.

We have dedicated two editions over the past couple of years to the topic of overseas investing. Our first discussion in July '05 put forth an argument as to why investors should favor foreign equities over foreign debt, and that one proved timely and accurate. Our second discussion in April '06 asked investors to respect the inherent risks associated with emerging countries despite being in the midst of a strong bull market. As it turned out, investors got a taste of what can happen in May '06 as India, as well as others, experienced sharp corrections, with some declines as steep as 10% in a day. The good news is most markets recovered.

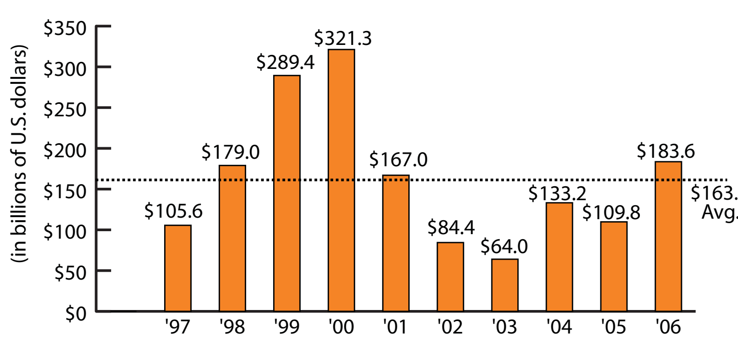
Since then, there have been other noticeable corrections. China and India experienced one-day sell-offs of approximately 9% and 5%, respectively, early on in 2007. Our message this quarter is the following: If you want to continue to play the global growth story and/or a weaker dollar, but with less volatility than you get with emerging markets, then consider investing in U.S. multinationals.

Gross Domestic Product ($) current prices
Source: International Monetary Fund



Note: Some of the totals are still estimates as of April 2007.

Foreign Direct Investment in the U.S. +67% in 2006
1997-2006



Source: Bureau of Economic Analysis, International Transactions Account Data

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The "Flight to Quality" some are anticipating in the stock market could be taxiing the runway as we speak...

As the old saying goes, "There's more than one way to skin a cat." Investors still interested in exploiting the global growth story can, in our opinion, do so without having to send their dollars to emerging countries. Why is now different than before? We'll cite two reasons. First, today is different, in our opinion, because the huge run-up in commodity prices in recent years is not likely to continue at this stage of the expansion. Some emerging countries, such as Russia and Mexico, generated explosive equity returns because their economies benefitted from the surge in the price of oil. At the end of Q1'07, the price of oil closed down nearly 15% from its high in 2006. Second, if you listen to the message coming from China and India, the two largest and fastest growing economies in the world today, the two things that stand out are their desire to increase domestic consumption and build a middle class. The two have a combined population greater than 2.3 billion.

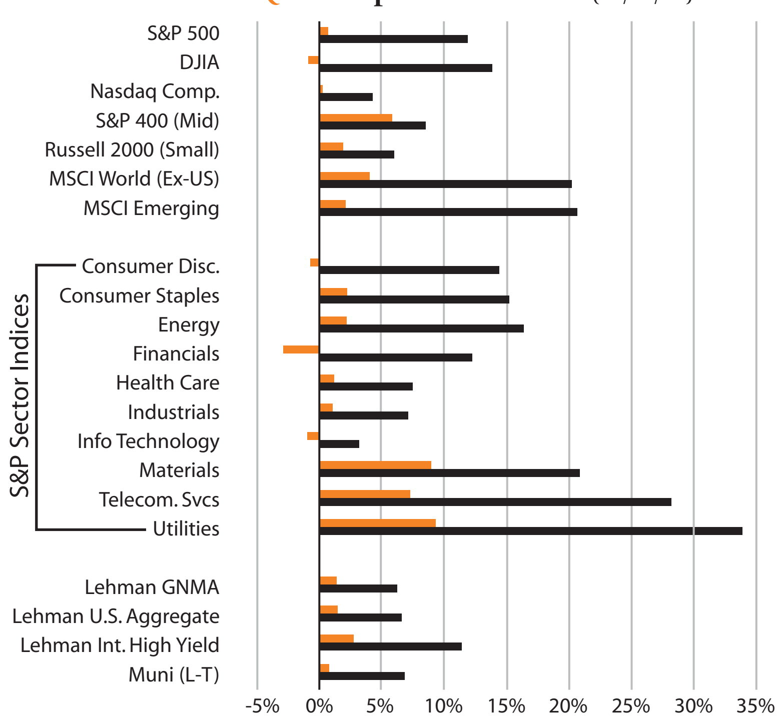
What is most interesting about such comments, in our opinion, is that they support a contention held by the U.S. for some time that one of the simplest ways to fix our burgeoning trade deficit is to have our trading partners consume more of our goods and services. For far too long the U.S. has contended that some of our trading partners, such as Japan, have been too one-dimensional in attempting to export their way to economic prosperity. After all, what good is Japan's 10% annual savings rate if the capital doesn't get circulated back into the economy in a productive way?

A case for investing in U.S. multinationals

- U.S. multinationals can be found in the S&P 500 Index.
- In our opinion, the S&P 500 is currently 25% to 30% undervalued.
- Foreign sales from companies in the S&P 500 accounted for 29% of all sales in 2005, up from 21% in 2001, according to UBS. Profits generated outside of the U.S. were up 38.5% year-over-year in Q4'06, and accounted for 16.5% of U.S. corporate earnings, according *BusinessWeek*.
- Global capital expenditures were up 18.1% year-over-year in Q4'06 for 1,000 large and mid-size U.S. based companies, according to *BusinessWeek*.
- Sixty-three percent of U.S. multinationals are optimistic about the U.S. economy over the next 12 months, up from 55% in Q3'06, according to PricewaterhouseCoopers.
- The Q1'07 edition of the *Investment Manager Outlook*, a survey of investment managers conducted by Russell Investment Group, says that money managers (globally) are most bullish on U.S. large-cap growth stocks.

U.S. Trade Weighted Dollar Index
(Ticker: USTW$)
Source: Federal Reserve
Used to track the rates of exchange of major currencies against the U.S. dollar.

Total returns for *Q1* and past *12 months* (03/30/07)



A Look Ahead:
The outlook for earnings (year-over-year)...

	Q2'07E	Q3'07E	2007E
Financials	0.9%	-0.8%	5.1%
Technology	**13.7%**	**8.6%**	**8.0%**
Health Care	7.0%	12.3%	9.1%
Consumer Staples	**9.4%**	**8.1%**	**8.0%**
Consumer Discretionary	-4.3%	8.1%	4.0%
Industrials	**13.9%**	**11.8%**	**10.5%**
Telecommunications Services	3.1%	6.7%	6.7%
Energy	**-9.7%**	**-6.7%**	**-4.4%**
Utilities	6.9%	7.5%	8.1%
Materials	**0.2%**	**1.7%**	**1.1%**
S&P 500 Index	**4.7%**	**1.9%**	**4.7%**
S&P 400 Index (Mid-Cap)	**8.1%**	**9.7%**	**8.9%**
S&P 600 Index (Small-Cap)	**4.1%**	**9.2%**	**6.5%**

Source: Thomson First Call/Baseline (4/5/07)