TRIVANT
CUSTOM PORTFOLIO GROUP, LLC

October 2005

quarterly INSIGHTS

EXECUTIVE SUMMARY

Third Quarter 2005

Japan, Emerging Markets and Energy Lead Strong Q3 2005

In the Third Quarter, the domestic S&P 500 Index rose 3.61% while the MSCI EAFE Index (foreign) had an impressive 10.44% return. There were three primary trends to note regarding Third Quarter 2005 performance:

- Japanese markets rallied dramatically with the promise of economic reforms
- Emerging markets benefited from strong world growth and higher commodity prices
- The energy sector continued its meteoric rise due to additional oil supply shocks

Equities Rally Despite Katrina and Rita

Hurricanes Katrina and Rita left much of the oil producing and refining Gulf area in utter devastation. The storms highlighted concerns about refining capacity and may enable the Administration to gain approval on removing obstacles that have prevented the construction of refineries for two decades. Despite the dramatic Third Quarter rise in oil prices (from $56 to $66 per barrel), the equity market had its best quarterly performance of the year.

Greenspan Reign Comes To An End And So Might Interest Rate Hikes

The consensus view is that interest rates will continue to rise through most of 2006. We do not concur and believe that certain events will prevent this from happening:

- There is currently no foreign pressure to raise domestic interest rates
- Hurricanes Katrina and Rita may be viewed to cause economic slowdown
- Some Federal Reserve Board Governors are calling into question future rate hikes
- A pause or a rate cut before the 2006 mid term elections would help the current Administration

We anticipate one or two more rate hikes before a pause or a rate cut.

In This Issue

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EXECUTIVE SUMMARY

We Maintain Our 2005 Market Forecast

We continue to expect that global equity markets will advance in the mid single digit range (5%-8%) for 2005 (*2005 Market Forecast, January 2005*). Healthy market valuations, low inflation, and a growing economy support positive future performance. Whether the market reaches our forecast by year-end is less significant than our contention that the markets remain reasonably valued.

From a portfolio management standpoint, we try to anticipate interest rate movements. Stable or declining interest rates would favor the equity market versus the bond market.

In terms of equity positioning, the anticipation of stable or declining domestic interest rates may cause us to do any or all of the following:

- Reduce US exposure and increase non-European foreign exposure
- Increase domestic financial sector exposure
- Reduce our growth bias (versus value)

Two More Interest Rate Hikes Cause Bonds To Fall

The Fed Funds rate is 3.75% after two more quarter point rate hikes this quarter. It appears that the rate could go to or above 4.00% by the end of the year. During the quarter, interest rates rose and bond prices fell (yields increased). Investors shifted money from bonds to stocks.

We continue to maintain our fixed income portfolio position in shorter term maturity bonds and Treasury Inflation Protected Securities (TIPS).

The anticipation of stable or declining domestic interest rates may cause us to do one or both of the following:

- Continue significant exposure to Treasury Inflation Protected Securities (TIPS) since we do not anticipate higher inflation to be neutralized with higher interest rates
- Shorten the average duration of the bond portfolio

TRIVANT CUSTOM PORTFOLIO GROUP, LLC Third Quarter 2005 Review

Commentary in this review reflects our portfolio strategy. Many of our clients have different objectives and circumstances which are reflected in unique portfolio considerations. Please note that accounts may not contain all elements of the strategy discussed here. Additionally, individual client customizations and start dates may preclude certain elements of this strategy from being implemented. Past performance is no guarantee of future results. A risk of loss is involved with investments in stock markets.

John Barber, CFA
Chief Investment Officer

Dan Laimon, MBA
President

Equity Market Review

Japan, Emerging Markets and Energy Lead Strong Q3 2005

In the Third Quarter, the domestic S&P 500 Index rose 3.61% while the MSCI EAFE Index (foreign) had an impressive 10.44% return.

There were three primary trends to note regarding Third Quarter 2005 performance:

- Japanese markets rallied dramatically with the promise of economic reforms
- Emerging markets benefited from strong world growth and higher commodity prices
- The energy sector continued its meteoric rise due to additional oil supply shocks

Equity Index Performance	Q3 2005	Year to Date 2005
S&P 500 (Domestic)	3.61%	2.77%
MSCI EAFE (Foreign)**	10.44%	9.50%
MSCI World	7.08%	6.65%
MSCI Emerging Markets	18.11%	25.51%
Russell 2000 (Small Cap)*	4.40%	2.49%
MSCI Japan	19.22%	12.31%
MSCI UK (United Kingdom)	6.19%	7.17%
MSCI EMU (European Monetary Union)	7.98%	7.13%

* Performance data does not include dividends ** Europe, Australia and the Far East

Equities Rally Despite Katrina and Rita

Hurricanes Katrina and Rita left much of the oil producing and refining Gulf area in utter devastation. The storms highlighted concerns about refining capacity and may enable the Administration to gain approval on removing obstacles that have prevented the construction of refineries for two decades. Despite the dramatic Third Quarter rise in oil prices (from $56 to $66 per barrel), the equity market had its best quarterly performance of the year.

We Maintain Our 2005 Equity Market Forecast

We continue to expect global equity markets will advance in the mid single digit range (5%-8%) for 2005 (*2005 Market Forecast, January 2005*). Healthy market valuations, low inflation, and a growing economy support positive future performance. Whether the market reaches our forecast by year-end is less significant than our contention that the markets remain reasonably valued.

Currency, Country, Sector & Market Cap Performance at a Glance

The US Dollar

The US Dollar continued to appreciate in the Third Quarter. We anticipate it will continue to appreciate through the end of this year, but not in 2006.

U.S Dollar Appreciation vs. Foreign Currencies

Currency	Q3 2005	Year to Date 2005
US Dollar/Euro	0.41%	12.74%
US Dollar/Japanese Yen	2.28%	10.59%
US Dollar/British Pound	1.32%	8.52%

Source: Discount Currency Exchange, MSCI

We anticipate the US Dollar will continue to appreciate through 2005 because:

- The American Jobs Creation Act of 2004 (*2004 Jobs Act*) expires at the end of this year. To benefit from special temporary tax incentives, American companies must move profits from their foreign subsidiaries to the US (if they have not done so already). The purchase of US Dollars with foreign currencies should strengthen the dollar.
- Federal Reserve Board Chairman Alan Greenspan, whose tenure ends in January, is often regarded as an "inflation hawk". Why? He has responded to actual or anticipated inflation concerns by raising interest rates in 11 consecutive Fed meetings. We believe that there will be one or two more interest rate hikes while Mr. Greenspan leads the Fed. Assuming that foreign interest rates remain unchanged through January, raising US interest rates should continue to help the dollar appreciate.

We believe the US Dollar appreciation may end in 2006 because:

- Mr. Greenspan's replacement may be less "hawkish" (see upcoming section Greenspan Reign Comes To An End And So Might Interest Rate Hikes, page 8).
- Europeans have watched their currency unexpectedly fall against the dollar. Jean-Claude Trichet, Europe's equivalent to Greenspan, may feel pressure to raise interest rates. If this occurs, the dollar will likely weaken.

The US Dollar: Portfolio Strategy Considerations

Since we believe the US Dollar will appreciate in the short-term, we will continue to maintain our relative weighting of US versus foreign equities. The prospect of a depreciating US Dollar will likely prompt a reduction in US equity exposure (and a corresponding increase in foreign equity exposure) sometime in 2006.

Japan

After more than a decade of decline, Japanese stocks staged a powerful comeback by rising 19.22% for the quarter. This dramatic increase was due to the landslide re-election victory for Prime Minister Koizumi and the promises of sweeping financial reforms that could invigorate the economy. Mr. Koizumi's reforms may include a massive overhaul of the Postal Savings System (the Japanese equivalent of US Social Security), which could eventually free up near $3 trillion for individual investing and consumption.

Alan Greenspan (L), Junichiro Koizumi (R)

There were additional positive indicators to which the market reacted favorably:

- Japanese GDP growth was recently revised upward from 1.1% to 3.3%
- Property has appreciated for the first time in 15 years
- Return on equity (ROE) for Japanese companies has recently climbed to 9.5% (from approximately 5.5% throughout the 1990s)

Japan: Portfolio Strategy Considerations

We view Japan as attractive and will maintain our previously increased portfolio position.

Emerging Markets

Emerging markets finished an unusually strong quarter with returns of 18.1%. Eastern Europe and Russia were the leaders with 37.7% and 48.1% returns respectively. Eastern Europe is becoming the manufacturing center for Europe (particularly for automobiles) due to more flexible labor, better costs, and proximity. Russia prospered from a dramatic price increase in energy and commodities.

Emerging Markets: Portfolio Strategy Considerations

We have benefited from the outstanding performance of emerging markets. However, this asset category can be very volatile and is susceptible to economic slowdowns. It has a low correlation with developed markets but has become increasingly tied to the price of energy and commodities. We will likely reduce exposure modestly in the short-term.

Europe

The European markets slightly outpaced the US. Noteworthy news included the election of Angela Merkel as Chancellor of Germany, and resistance to Turkey joining the European Union (EU).

Europe: Portfolio Strategy Considerations

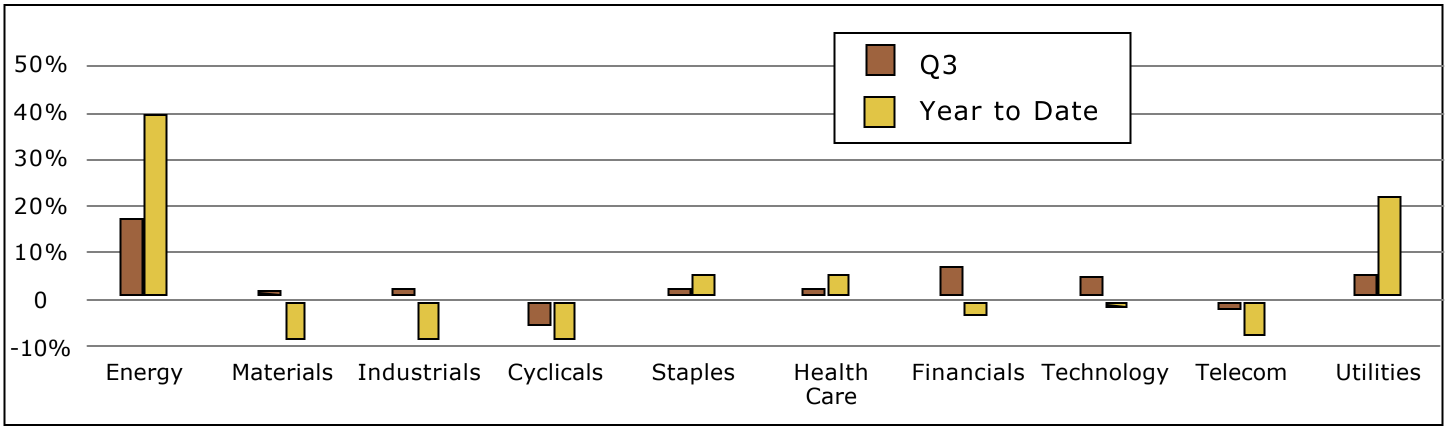
Higher equity valuations coupled with slower economic growth make a compelling case for reduced European exposure in the short-term.

Designate Angela Merkel

Sector Performance

With the exception of energy (up almost 20%), most sectors were flat for the quarter and year-to-date. Hurricanes Katrina and Rita left much of the oil producing and refining Gulf area in utter devastation. Energy benefited from these supply shocks. Oil prices for November delivery rose to $70.85 per barrel at the end of August before settling at $66.35 by quarter end—a substantial increase from the prior quarter closing price ($56.63).

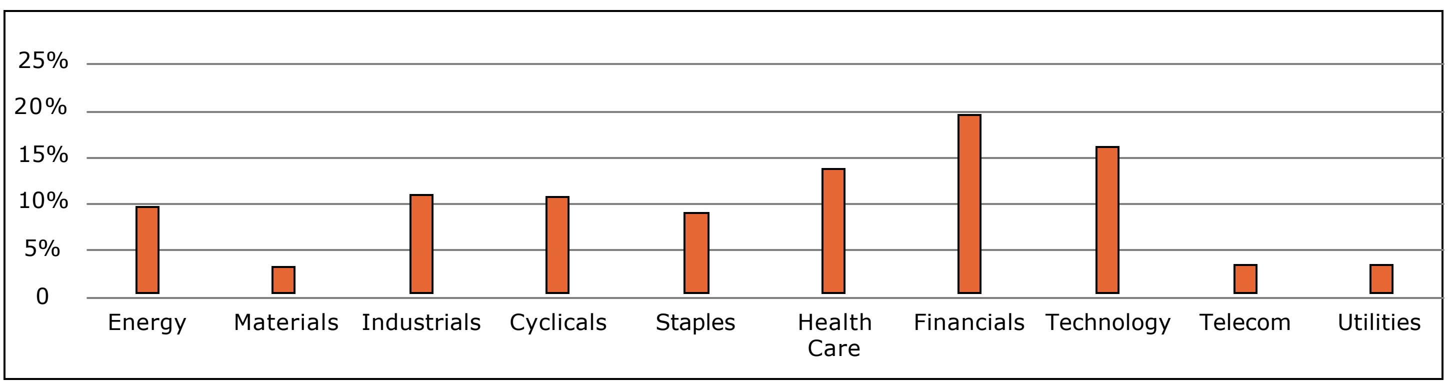
US S&P 500 Index Sector Performance



Source: Standard & Poor's

The US economy is heavily dependent on Financials, Technology, and Health Care. These combined sectors comprise nearly half the market capitalization of the S&P 500 Index. Foreign developed markets are dominated by Financials while emerging markets are greatly influenced by Telecom and Energy. Even with the meteoric rise of crude oil, energy comprises only 10% of the S&P 500 Index market cap.

S&P 500 Index Sector Weights



Source: Standard & Poor's

Sectors: Portfolio Strategy Considerations

We believe increasing our exposure to energy at this time is not a worthwhile risk/reward tradeoff. The sector has already risen dramatically and is highly volitile. Higher energy prices may negatively impact consumer spending, hence we will likely further reduce exposure to cyclicals. The prospect of higher short-term interest rates coupled with slower economic growth causes us to maintain our current portfolio underweight to financials (as compared to its weighting in the S&P 500 Index) and overweight to health care and technology.

Market Cap Performance

Small cap US stocks slightly out-performed large cap US stocks in the Third Quarter, although relative performance year-to-date is almost identical. There was little Third Quarter difference between foreign large cap and small cap performance.

Market Cap Performance

2005	Third Quarter	Year to Date
Large Cap Performance		
World	7.08%	6.65%
Foreign	10.44%	9.50%
USA	3.68%	3.25%
Small Cap Performance		
World	8.99%	10.81%
Foreign	12.01%	17.43%
USA	5.36%	3.94%

Source: MSCI

Market Cap: Portfolio Strategy Considerations

We continue to believe that large cap stocks are better positioned from a risk/reward standpoint so we will maintain our large cap focus. Our current average market cap is approximately $35 billion, which is slightly smaller than the S&P 500 Index and larger than the MSCI EAFE Index.

The prospect of a depreciating US Dollar (see page 4) will likely prompt a future reduction in US equity exposure (and a corresponding increase in foreign equity exposure). Stronger foreign currencies would hurt smaller foreign companies (exporters). Consequently, we anticipate increasing foreign large cap exposure in the short-term.

Style Performance

Growth stocks outpaced value stocks for another consecutive quarter, although value has outpaced growth year to date. Value out-performance is due to rising oil prices.

Style Performance

2005	Third Quarter	Year to Date
US Growth	4.22%	2.79%
US Value	3.13%	3.71%
Foreign Growth	10.51%	8.88%
Foreign Value	10.38%	10.13%

Source: MSCI

Style: Portfolio Strategy Considerations

We will maintain our growth bias due to our expectation of rising interest rates (through the remainder of Alan Greenspan's tenure as Fed Chairman) and slowing (but positive) economic growth. If interest rate hikes pause after the departure of Mr. Greenspan (see upcoming section), we may reduce growth exposure.

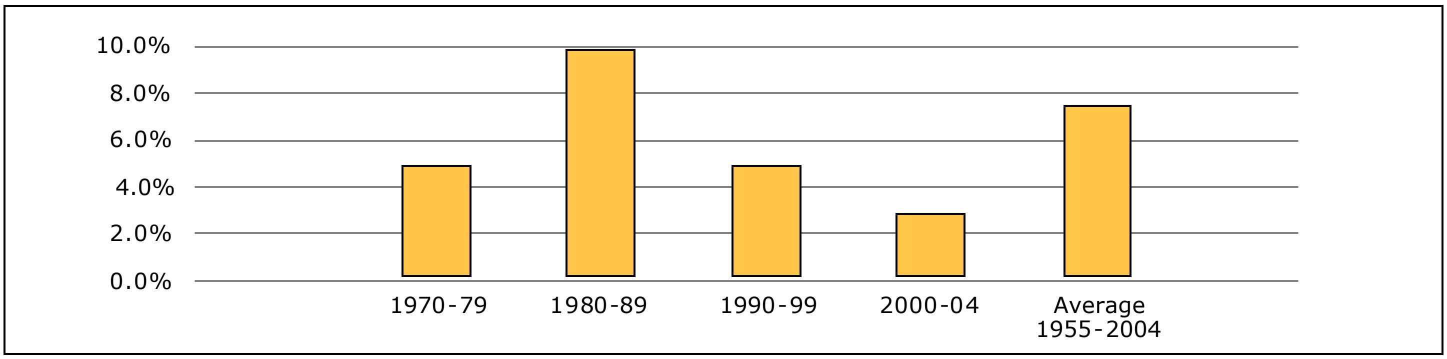
Greenspan Reign Comes To An End And So Might Interest Rate Hikes

Alan Greenspan's 18-year tenure as Federal Reserve Board Chairman will end in January. Speculation regarding his successor will increase in the coming weeks. Some believe Fed Governor turned White House advisor Ben Bernanke is the front runner. He has the right experience and is a close ally of President Bush, both of which may be pre-requisites for the job.

The Fed has laid out a clear strategy of steady and consistent interest rates hikes. They have raised interest rates at 11 consecutive meetings going back to the summer of 2001. The new Fed Chairman will have to deal with Greenspan's legacy of being an "inflation hawk" (see page 4).

Mr. Greenspan has said that rates will increase until they reach a "neutral level". Historically, neutral has meant over 5%. However, this may no longer be the case. Fed Governor Janet Yellen said at the most recent meeting: "The neutral fed rate might be lower than it has been historically." This implies that the Fed may stop the interest rate hikes sooner than forecast.

Historical Federal Reserve Board Fund Rates



Source: Federal Reserve Board

The consensus view is that interest rates will continue to rise through most of 2006. We do not concur and believe that certain events will prevent this from happening.

There is no current foreign pressure to raise domestic interest rates. Foreign interest rates have remained stagnant while US rates have increased (causing an appreciation of the US Dollar). Assuming that Jean-Claude Trichet (Europe's equivalent to Greenspan) resists pressure to raise interest rates, this trend will continue.

The last Federal Reserve Board meeting was the first one in several years without a unanimous vote on interest rate policy. Fed Governor Mark Olson voted not to raise rates. Clearly, some of the Governors are becoming concerned with the interest rate hike strategy set forth by Mr. Greenspan. His successor will soon have the opportunity to exert his or her influence by ceasing hikes temporarily with the rationale of waiting for more economic data.

For instance, the new successor would not likely be criticized for assessing the economic impact of Hurricanes Katrina and Rita prior to acting on interest rates. Given the emotional toll of these recent natural disasters and the need to foster domestic (regional) economic growth, stabilizing versus raising interest rates may be viewed as reasonable.

Next year's mid-term elections will likely be very heated. The party in power would benefit from paused interest rates. President Bush has appointed many from his inner circle to various positions. If this trend continues, it would favor the appointment of a Fed Chairman who the Administration anticipates would not raise interest rates as aggressively as Mr. Greenspan (at least in the short term). In fact, an unexpected rate cut in mid-2006 would not surprise us. Given the backdrop of Hurricanes Katrina and Rita, it could be done without overtly appearing to be payback for the appointment.

continued from page 8

In short, we believe that the next Federal Reserve Board chairman will not continue the current "hawkish" view on inflation for the following reasons:

- There is currently no foreign pressure to raise domestic interest rates
- Hurricanes Katrina and Rita may be viewed to cause economic slowdown
- Some Fed Governors are calling into question future rate hikes
- A pause or a rate cut before the 2006 elections would help the current Administration

We anticipate one or two more rate hikes before a pause or a rate cut.

From a portfolio management standpoint, we try to anticipate interest rate movements. Stable or declining interest rates would favor the equity market versus the bond market.

In terms of equity positioning, the anticipation of stable or declining domestic interest rates may cause us to do any or all of the following:

- Reduce US exposure and increase non-European foreign exposure
- Increase domestic financial sector exposure
- Reduce our growth bias (versus value)

In terms of bond positioning, the anticipation of stable or declining domestic interest rates may cause us to do one or both of the following:

- Continue significant exposure to Treasury Inflation Protected Securities (TIPS) since we do not anticipate higher inflation to be neutralized with higher interest rates
- Shorten the average duration of the bond portfolio

The Federal Reserve System

On December 23, 1913, President Woodrow Wilson signed the Owen-Glass Act, creating the Federal Reserve System.

The first major banking reform to follow the Civil War, the Federal Reserve was organized to regulate banking and provide the nation with a more stable and secure financial and monetary system. It remains the central banking authority of the United States, establishing banking policies, interest rates, and the availability of credit. It also acts as the government's fiscal agent and regulates the supply of currency.

Expanded since its founding, in both size and function, the Federal Reserve consists of a board of governors, nominated by the president and confirmed by the Senate, twelve regional Federal Reserve banks, the Federal Open Market Committee, the Federal Advisory Council, a Consumer Advisory Council, and several thousand member banks.

Before the Federal Reserve opened its twelve regional banks and began monitoring banking in November 1914, America's banks functioned in widely divergent ways. These varied banking practices had driven the nation to four major financial crises in less than forty years.

By requiring all national banks to join the Federal Reserve System, to invest three percent of their holdings in the system, and to hold another three percent subject to call, the "Fed" curtailed the money and credit flow problems characteristic of the late 1800s and early 1900s.

While the early Federal Reserve System answered many of the demands of the growing economy, it proved fallible. After the Great Depression and again, after the financial crisis of the late 1970s, the Federal Reserve was re-examined and overhauled to meet new needs. This process of improvement continues today as the actions of the Fed profoundly impact the national and global economy.

Source: The Library of Congress

Bond Market Review

We believe the measured pace for Fed rate hikes may be near an end (see pages 8-9). The Fed Funds rate is 3.75% after two more quarter point rate hikes this quarter.

It appears that the rate could go to or above 4.00% by the end of the year.

Key US Interest Rates	31 December 2004	30 September 2005	Change
Federal Reserve Board Funds Rate	2.25%	3.75%	+ 150 basis points
2 yr Treasury (constant maturity)	3.01%	4.22%	+ 121 basis points
5 yr Treasury (constant maturity)	3.61%	4.20%	+ 59 basis points
10 yr Treasury (constant maturity)	4.22%	4.33%	+ 11 basis points

Note: 100 basis points = 1.00% Source: Bloomberg

The yield curve remains flat, although we maintain our view that longer term interest rates will rise.

During the quarter, interest rates rose and bond prices fell (yields increased). Investors shifted money from bonds to stocks.

Bond Market: Portfolio Strategy Considerations

We continue to maintain our fixed income portfolio position in shorter term maturity bonds and Treasury Inflation Protected Securities (TIPS) (*TriVant Quarterly Insights, April 2005*).

We already reduced our position in corporate bonds because we anticipate yield spreads will widen.

The anticipation of stable or declining domestic interest rates may cause us to do one or both of the following:

- Continue significant exposure to Treasury Inflation Protected Securities (TIPS) since we do not anticipate higher inflation to be neutralized with higher interest rates
- Shorten the average duration of the bond portfolio

Closing Thoughts

We continue to expect that global equity markets will advance in the mid single digit range (5%-8%) for 2005. Healthy market valuations, low inflation, and a growing economy support positive future performance. We believe the yield curve is now very flat and may widen going forward. The Federal Reserve Board funds rate may exceed 4.00% by the end of 2005, but we anticipate an upcoming pause in interest rate hikes.

Nothing has happened thus far to cause us to deviate significantly from our 2005 Market Forecast of January 2005.

As we approach year end, we will contact you to discuss your 2005 taxes and any potential adjustments in future income distributions. One of the advantages of separate account management is that we can consider tax consequences in every step of the design and implementation of your portfolio. Some tactics that we use to maximize your after-tax returns include loss harvesting, HIFO (highest in, first out) accounting, and tax shields (the best placement of stocks and bonds in taxable or tax-deferred accounts).

We will continue to monitor the market and adjust your portfolio as needed. Please feel free to contact us anytime to discuss questions or concerns you may have. We will keep you informed of portfolio progress.

Respectfully submitted,

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The wisest mind has something yet to learn.
George Santayana