TRIVANT
CUSTOM PORTFOLIO GROUP, LLC

January 2006

quarterly INSIGHTS

EXECUTIVE SUMMARY

Fourth Quarter 2005

Japan, Emerging Markets and Materials Lead Q4 2005

In the Fourth Quarter, the domestic S&P 500 Index rose 2.09% while the MSCI EAFE Index (foreign) returned 4.12%. There were three primary trends to note regarding Fourth Quarter 2005 performance:

- Japanese markets continued to rally with the September re-election of Prime Minister Koizumi
- Emerging markets benefited from strong local telecom markets and higher commodity prices
- The Energy and Utility sectors lagged the market with falling oil prices and rising interest rates

Our 2005 Equity Market Forecast Was Accurate

We expected that global equity markets would advance in the mid single digit range (5%-8%) for 2005 (*2005 Market Forecast, January 2005*). From a quantitative perspective, our forecast was accurate (the S&P 500 Index rose 4.91% and the MSCI World Index rose 10.02% in 2005). The factor we did not anticipate was how heavily the energy sector would drive this performance. (See Appendix: Our 2005 Report Card for a detailed discussion).

Our Equity Performance Continues To Exceed the Market

The equity component of our portfolio has continued to out-perform the S&P 500 Index.

Our 2006 Forecast: Global Equity Markets Will Advance 9%-13%

We believe that global equity markets will advance 9%-13% in 2006.

Our rationale includes the following (See 2006 Market Forecast, page 9 for detailed discussion):

- The 2006 S&P 500 Index consensus forecast return of 10% is reasonable
- Stable interest rates should positively impact the market
- The current equity Price Earnings ratio (17.91) is attractive

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EXECUTIVE SUMMARY

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TriVant 2006 Portfolio Strategy

We anticipate three major portfolio strategy adjustments from our current position:

- Increase domestic exposure and reduce foreign exposure
- Increase telecom exposure
- Increase portfolio beta level in second half of year

(See 2006 Portfolio Strategy, page 13 for a detailed discussion.)

TriVant 2006 Portfolio Strategy

2006 Portfolio Strategy Considerations	2006 Portfolio Position (Anticipated)	2005 Portfolio Position (End of Year)
Equity		
Domestic vs Foreign	Increase Domestic, Reduce Foreign	74% Domestic, 26% Foreign
Sector Weighting	*Over-weight* (*to S&P 500 Index*) - Telecom - Health Care - Technology *Under-weight* (*to S&P 500 Index*) - Financials - Utilities	*Over-weight* (*to S&P 500 Index*) - Goods - Health Care - Technology *Under-weight* (*to S&P 500 Index*) - Financials - Utilities
Average Market Cap	Maintain current level	$35 Billion
Style (Growth vs. Value)	Maintain current level	Weighted - Emphasis towards growth stocks
Portfolio Beta Level (Risk)	- Maintain current level in first half - Raise level in second half	Below Market (less than 1.0)
Fixed Income		
Desirable Securities	Shorter term government bonds and Treasury Inflation Protected Securities (TIPS). Average Duration = 5.5 years	Shorter term government bonds and Treasury Inflation Protected Securities (TIPS). Average Duration = 6.5 years
Securities with less emphasis	Longer term government bonds, corporate bonds	Longer term government bonds, corporate bonds

Equity Market Review

Japan, Emerging Markets and Materials Lead Strong Q4 2005

In the Fourth Quarter, the domestic S&P 500 Index rose 2.09% while the MSCI EAFE Index (foreign) returned 4.12%.

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

- Japanese markets continued to rally with the September re-election of Prime Minister Koizumi
- Emerging markets benefited from strong local telecom markets and higher commodity prices
- The Energy and Utility sectors lagged the market with falling oil prices and rising interest rates

Equity Index Performance	Q4 2005	2005
S&P 500 (Domestic)	2.09%	4.91%
MSCI EAFE (Foreign)**	4.12%	14.02%
MSCI World	3.16%	10.02%
MSCI Emerging Markets	7.20%	34.54%
Russell 2000 (Small Cap)*	1.01%	3.32%
MSCI Japan	11.86%	25.63%
MSCI UK (United Kingdom)	0.20%	7.38%
MSCI EMU (European Monetary Union)	2.29%	9.58%

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

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- The 2006 S&P 500 Index consensus forecast return of 10% is reasonable
- Stable interest rates should positively impact the market
- The current equity Price Earnings ratio (17.91) is attractive

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

The US Dollar

The US Dollar continued to appreciate in the Fourth Quarter. We believe that the dollar has reached an appropriate level and expect a relatively flat currency market in 2006.

U.S Dollar Appreciation vs. Foreign Currencies

Currency	Q4 2005	2005
US Dollar/Euro	(2.25%)	10.82%
US Dollar/Japanese Yen	3.72%	14.81%
US Dollar/British Pound	2.33%	11.93%

Source: Discount Currency Exchange, MSCI

The appreciation of the US Dollar in 2005 did not surprise us. We stated the following in our 2005 Market Forecast, January, 2005, page 8:

> "We anticipate the US Dollar will appreciate in 2005 for the following reasons:
>
> - Rising US interest rates will stimulate demand for the US Dollar
> - The US deficit level is improving while foreign deficit levels remain static
> - US has relatively higher projected Gross Domestic Product (GDP) growth versus Europe
> - Dramatic previous foreign currency appreciation (relative to the US Dollar)

We believe that the US Dollar appreciation may end in 2006 for the following reasons:

- Mr. Greenspan's replacement (Federal Reserve Board Chairman Ben Bernanke) may be less "hawkish" regarding inflation. (See our *Third Quarter 2005 Review*, page 8, "Greenspan Reign Comes To An End And So Might Interest Rate Hikes")
- Considerable US Dollar appreciation in 2005
- Jean-Claude Trichet, The President of the European Central Bank (ECB), may feel pressure to raise interest rates with the fall of the Euro
- The American Jobs Creation Act of 2004 (*2004 Jobs Act*) has expired. To benefit from special temporary tax incentives, American companies previously moved profits from their foreign subsidiaries to the US, which strengthened the dollar.

The US Dollar: Portfolio Strategy Considerations

We do not believe the US Dollar will fluctuate dramatically in 2006, and consequently do not currently view the US Dollar as an important factor to determine US versus foreign equity exposure. We will increase our US equity exposure for reasons other than the US Dollar. (See upcoming discussion, Europe: Portfolio Strategy Considerations, page 5).

Japan

The powerful market performance of the Third Quarter 2005 (+19.22%) due to Prime Minister Koizumi's landslide re-election in September carried into the Fourth Quarter (+11.86%). Promises of sweeping financial reforms that could invigorate the economy, higher projected GDP growth, property appreciation and higher return on equity (ROE) for Japanese companies continued to positively impact Japanese stocks.

According to the Bank of Japan's Tankan survey, which is a gauge of business confidence, Japanese manufacturers had their highest rating in the past 12 months and non-manufacturing firms scored as high as any time since 1992. Business confidence was another factor to which the market reacted favorably.

Japan: Portfolio Strategy Considerations

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

Emerging Markets

In the past three years, emerging economies have grown GDP at 6% annually compared with 2.4% for developed economies (*The Economist*, January 7, 2006). The International Monetary Fund (IMF) forecasts that emerging market economies will grow at least twice as fast as developed economies over the next five years. Last year was the first time since 1970 that no emerging economy was in recession.

Driven by high commodity prices and telecom opportunities, the MSCI Emerging Markets Index continued its stellar returns with 7.2% for the quarter and 34.5% for the year. Over the last three and five years, emerging markets have returned an annualized rate of 38.4% and 19.4% respectively. This compares favorably with the S&P 500 Index returns of 14.3% and 0.5% during the same periods. Clearly, emerging markets have recently benefited investors.

Emerging Markets: Portfolio Strategy Considerations

Strong returns have increased our portfolio weighting. We will keep our target weight at around 4% and will rebalance should levels increase due to appreciation.

Europe

Europe returned 1.99% for the quarter and 9.93% for the year (in US dollars). Local investors fared much better with returns of 4.6% for the quarter and 25.52% for the year.

European GDP growth (1.8%) is expected to lag US GDP growth (3.3%) in 2006 (*The Economist*, January 7, 2006). The European Central Bank, in our opinion, will be more concerned about inflation and more likely to increase interest rates than the US Fed (Federal Reserve Board).

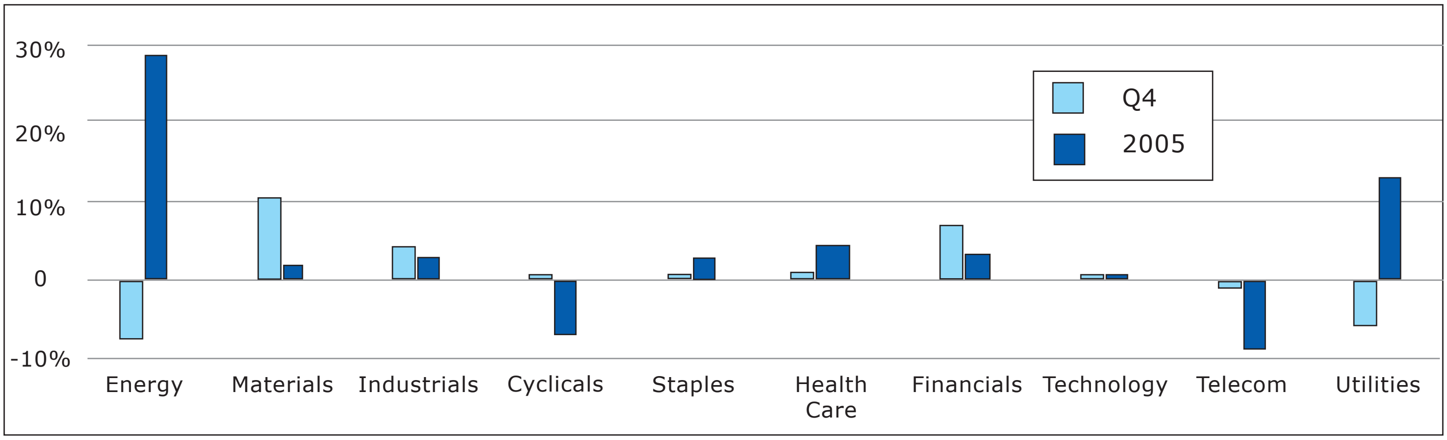
Europe: Portfolio Strategy Considerations

We believe that Europe will lag US performance, especially in the second half of the year. We will likely reduce our exposure to this region as opportunities present themselves.

Sector Performance

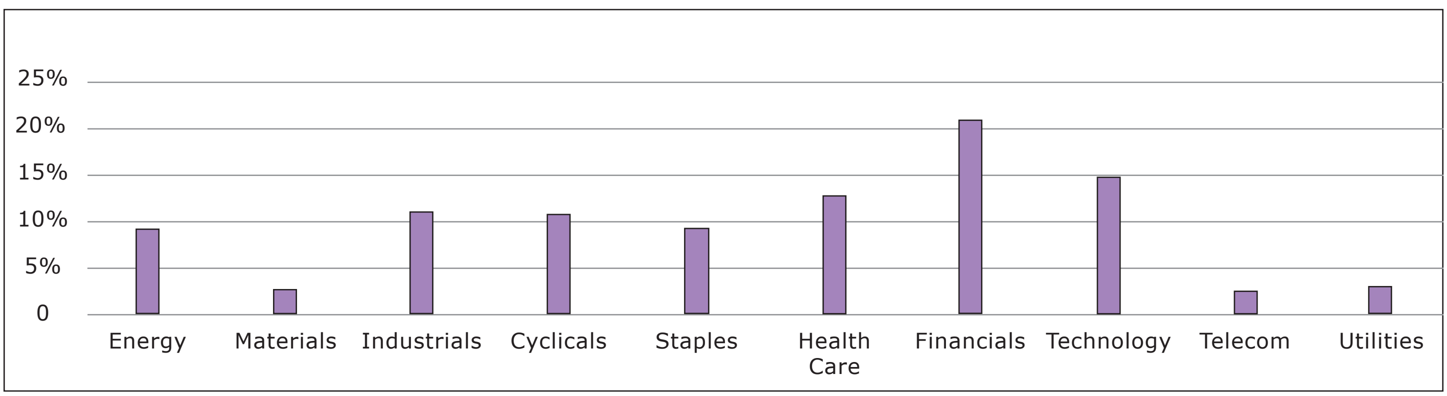
Oil prices fell 9.1% (September 30 $66.35; December 31 $60.32) in the Fourth Quarter 2005, causing the Energy sector to decline. Higher interest rates appeared to negatively impact Utilities as other safer interest-bearing investments competed against the sector's high dividend yield. Outside of Energy and Utilities, all other sectors performed within a narrow band in 2005. We do not expect this trend to continue.

US S&P 500 Index Sector Performance



Source: Standard & Poor's

S&P 500 Index Sector Weights as of December 31, 2005



Source: Standard & Poor's

Sectors: Portfolio Strategy Considerations

We continue to overweight Health Care and Technology (as compared to their weightings in the S&P 500 Index). Health Care should prosper in a slower growth environment. Technology should benefit from healthy corporate balance sheets and the deferred technology demand that has gathered from several years of budget cutbacks and consolidation. We will likely overweight Telecom because of its sector growth potential, over-funded pensions (surprisingly, Energy has the most under-funded pensions), and high dividends (often over 5%). Significantly increased Energy exposure at this time is not a worthwhile risk/reward tradeoff. A flat (and potentially inverted) yield curve causes us to maintain our current portfolio underweight to Financials.

Market Cap Performance

Large cap US stocks slightly out-performed small cap US stocks in the Fourth Quarter 2005. Relative performance for 2005 was identical. Foreign small cap stocks out-performed in the Fourth Quarter 2005 and for 2005. We postulate the reason for this out-performance was that small foreign exporters benefited from depreciating foreign currencies. Given our expectation that currencies will not fluctuate dramatically in 2006, we do not anticipate that foreign small cap stocks will continue to out-perform.

Market Cap Performance

	Fourth Quarter 2005	2005
Large Cap Performance		
World	3.16%	10.02%
Foreign	4.12%	14.02%
USA	2.39%	5.72%
Small Cap Performance		
World	4.76%	16.08%
Foreign	7.86%	26.65%
USA	1.73%	5.73%

Source: MSCI

Market Cap: Portfolio Strategy Considerations

We continue to believe that large cap stocks are better positioned from a risk/reward standpoint and 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.

Style Performance

Growth stocks are characterized by relatively faster earnings growth. Value stocks are characterized by lower Price Earnings (PE) ratios (see Equity Valuations, page 12) and higher dividend yields.

There was a negligible performance differential between growth and value stocks for the Fourth Quarter 2005 and for the year of 2005.

Style Performance

	Fourth Quarter 2005	2005
US Growth	2.56%	5.42%
US Value	2.20%	5.99%
Foreign Growth	4.37%	13.64%
Foreign Value	3.87%	14.39%

Source: MSCI

Style: Portfolio Strategy Considerations

We will maintain our growth bias due to our expectation of a flat (and potentially inverted) yield curve and slowing (yet positive) economic growth (See 2006 Portfolio Strategy, Style, page 14).

Bond Market Review

We believe the measured pace for Fed rate hikes may be near an end. The Fed Funds rate is 4.25% after two more quarter point rate hikes this quarter.

(See our *Third Quarter 2005 Review,* page 8, "Greenspan Reign Comes To An End And So Might Interest Rate Hikes").

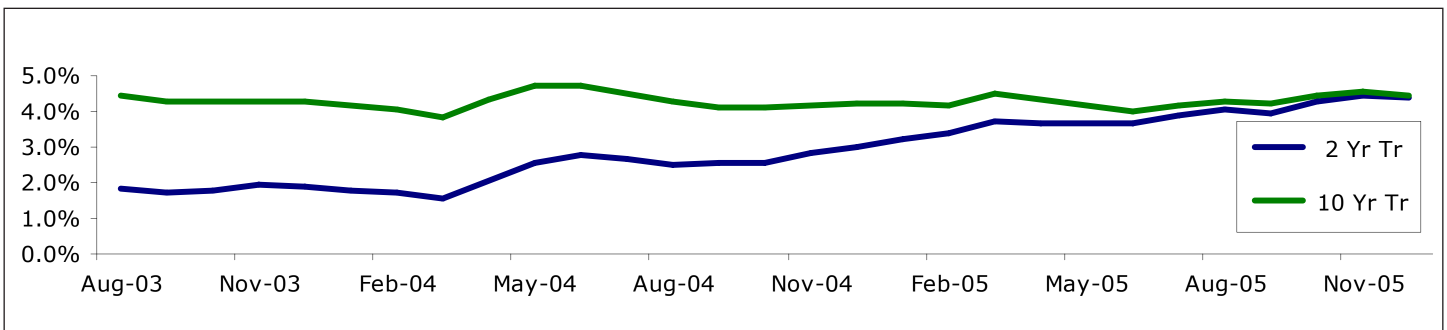
Key US Interest Rates	31 December 2004	31 December 2005	Change
Federal Funds Rate	2.25%	4.25%	+ 200 basis points
2 yr Treasury (Constant Maturity)	3.01%	4.39%	+ 138 basis points
5 yr Treasury (Constant Maturity)	3.61%	4.35%	+ 74 basis points
10 yr Treasury (Constant Maturity)	4.22%	4.39%	+ 17 basis points

Note: 100 basis points = 1.00% Source: Bloomberg

During the quarter, interest rates rose and bond prices fell (yields increased) as investors continued to shift money from bonds to stocks.

The yield curve, which compares the 2 Year Treasury rate (Constant Maturity, "CM") versus the 10 Year Treasury rate, is literally flat at this time. It is trending towards inversion, although the prospect of a slightly inverted yield curve does not concern us (See 2006 Market Forecast, Monetary Policy, page 10).

2 Year CM Treasury Yield Compared to 10 Year CM Treasury Yield



Source: Federal Reserve

We view current US and foreign interest rates as stable, although we believe there is a possibility that foreign interest rates may rise modestly. In our opinion, there is reasonable economic growth and minimal inflation risk in the US. We anticipate that demand for US bonds, especially from China and Japan, will not waiver, as these Asian countries need US consumers to buy their exports. All in all, these factors point to a 2006 bond market that should be relatively uneventful.

Bond Market: Portfolio Strategy Considerations

We continue to maintain our fixed income portfolio position in shorter term maturity bonds (average duration of 5.5 years) and Treasury Inflation Protected Securities (TIPS) (*TriVant Quarterly Insights, April 2005*). Although we do not view inflation as a large risk at this time, TIPS offer protection in the event inflation becomes more prominent. This can be especially important for investors who require portfolio income.

We previously reduced our position in corporate bonds because of narrow yield spreads between corporate and treasury bonds. Should the spreads widen, we may increase corporate bond exposure.

2006 Market Forecast

In 2006, we believe global markets will advance 9%-13%. Market momentum may be a factor in the second half as the midterm elections approach and conclude.

Our 2006 Equity Market Prediction

"Global markets will advance in the range of 9%-13%."

RATIONALE		Positive	Neutral	Negative
Domestic Considerations				
Market Sentiment	The 2006 S&P 500 consensus forecast return of 10% is reasonable.	◆		
Leading Economic Indicators	The index will continue to grow at an annualized rate of 3%-4%, consistent with moderate economic growth.		◆	
Monetary Policy	Stable interest rates should positively impact the equity market.	◆		
Fiscal Policy	Current fiscal policy (tax policy and deficit levels) will neither help nor hinder the equity market.		◆	
Market Momentum	Market momentum will be a factor in the second half of the year.		◆	
History	The second year of the Presidential cycle has historically been stronger for the stock market than the first.		◆	
Corporate Profitability	Profitability will show average gains in 2006.		◆	
Equity Valuations	The current equity price/earnings ratio remains attractive.	◆		
Foreign Considerations				
Currency Translation	Exchange rates will stabilize.		◆	
GDP Growth, Monetary & Fiscal Policy	Relative to the USA, foreign GDP growth should lag, monetary & fiscal policy is comparable.		◆	

Our 2006 Bond Market Prediction

"Bond yields will stabilize."

RATIONALE		Positive	Neutral	Negative
Interest Rate Expectations	The yield curve will remain flat and has the potential to slightly invert. The FRB will likely maintain the current level of interest rates.		◆	
Inflation Rate Expectations	Future inflation expectations will be moderate and be discounted into the longer maturity bond yields.		◆	

Global Equity Markets Should Rise Moderately in 2006

We predict global equity markets will advance between 9%-13% in 2006. Our rationale is as follows:

Domestic Considerations

Market Sentiment

In our opinion, the 2006 S&P 500 consensus forecast of 10% is reasonable. The consensus forecasts have been extremely accurate in the last three years.

Leading Economic Indicators

The Index of Leading Economic Indicators (LEI) rose at an annualized rate of 3.4% for the last half of 2005. We anticipate the index will continue to rise in the range of 3%-4% for 2006, a level that would be consistent with moderate economic growth. A reasonably rising LEI Index could equate to stock market growth in the range of 9%-13%.

Monetary Policy

The Federal Funds Rate is currently 4.25%, a level we believe is accommodative to business. We do not foresee a rate adjustment in 2006 that would hinder economic growth.

Mr. Greenspan's tenure as Federal Reserve Board Chairman ends this month with Ben Bernanke taking the helm. It appears Mr. Greenspan's rate hikes will end with inflation remaining tame (even with the hurricanes and the spike in oil prices). We believe that Mr. Bernanke will be less "hawkish" regarding inflation and unlikely to continue the rate hikes in 2006. This will benefit the equity markets.

Many investors are concerned with the prospect of an "inverted yield curve" (a scenario where the 2 Year Treasury Rate exceeds the 10 Year Treasury Rate). They believe this implies that we are headed towards a recession. We disagree. While it is true that inverted yield curves have preceded most recessions, we view the global economy as healthy. The flat yield curve is attributable to foreign investment versus a weak economy.

Large exporters (such as China and Japan) and oil producers (several emerging market countries) have cumulated a surplus of cash from their recent robust activities. Many industry observers have dubbed this cash surplus as a "global savings glut". Demand for US Treasury bonds remains strong as foreigners place their cash in what they deem to be safe investment vehicles. As long as bond demand is strong, interest rates will stabilize (rates do not have to rise to attract investment). This also implies that money is available to be added to the equity markets and thus drive prices up as investors adjust their asset allocations.

Fiscal Policy

The 2003 Bush tax cuts have clearly helped economic growth over the last few years. Tax receipts have risen, even with the lower rates, setting an all-time high in 2005. However, government spending continues to increase at a rate greater than revenue growth (even with the Administration's stated goal of cutting the deficit in half by 2009). This year, the deficit may substantially surpass the Bush Administration's original forecast of a $319 billion deficit, possibly reaching $400 billion. Though some of this shortfall may be the result of the horrific hurricane damage done to the Gulf coast and the cost of rebuilding, it is also directly attributable to tax cuts and the war in Iraq. This issue is festering and will likely be a major issue in the midterm elections.

We believe the federal deficit level is within an acceptable boundary at this time, but remain concerned for the longer term. Persistently large deficits can lead to higher long-term interest rates, essentially rule out the possibility of additional tax cuts, and put increasing pressure on Congress to make hard decisions about maintaining tax cuts, raising taxes, and/or cutting federal programs and benefits.

Market Momentum

There is little market momentum to carry over from 2005. Market momentum may be a factor in the second half of 2006 as the midterm elections approach and conclude.

History

The second year of the Presidential cycle has historically been slightly stronger than the first year for the stock market. Midterm elections have commonly pressured markets in the first half of the year. Often this pressure has acted like a spring and allowed markets to have powerful year-end market rallies.

Presidential Cycle - Annual Returns Since World War II

First Year	Second Year	Third Year	Fourth Year
7.5%	8.6%	22.4%	12.7%

Source: Standard & Poor’s

Corporate Profitability

Record growth rates may be slowing but corporate profits remain healthy. Standard and Poor's forecasts corporate profit growth of 8% in 2006. These moderate expectations may be exceeded, which could be a catalyst for healthy market performance.

Equity Valuations

Equities are very attractively priced. The S&P 500 Price Earnings (PE) Ratio is at more than a 20% discount to its average level since 1988, and nearly a 35% discount to its average level over the last 10 years.

S&P 500 Index Price Earnings Ratios

Time Period	Price Earnings Ratio
2005 Estimate (as of December 30, 2005)	17.91
Average from 1996	27.47
Average from 1988	23.23
Average from 1935	15.68

Source: Standard & Poor’s

The main factors that affect valuation levels are interest rates, expected growth, and risk.

Interest rates climbed in 2005 after reaching historic lows in the previous couple of years. We expect interest rate hikes to end very soon with possible cuts by the end of the year (if the economy shows any weakness). Longer term interest rates remained fairly flat in 2005 and we think that a surplus of cash (a “global savings glut”) will continue to keep rates near current levels. The interest rate environment should allow for stable PE values.

Expected growth rates remain moderate after several of the strongest years of profit growth in history. Standard and Poor's forecasts corporate profit growth at 8% in 2006 for S&P 500 companies. US GDP growth is expected to be the fastest (3.3%) in the world for developed countries according to The Economist. Profit growth forecasting can be difficult as unexpected factors can rapidly change results. Moderate expectations of 8% profit growth leave it more likely that we may have an upside surprise.

Risk is the hardest of the three factors to quantify. Elections (political scandals), oil supply shocks, and terrorism remain the “Big 3” of risk. However, the good news is that corporate balance sheets are very strong.

The price earnings ratio (PE ratio = stock price/company earnings) of the S&P 500 Index should expand in 2006 because of the following:

- We anticipate stock prices will rise 9%-13%
- Standard & Poor's forecasts 2006 profit growth to rise 8%

The PE ratio numerator (stock price) should rise at a relatively higher rate than the ratio denominator (company earnings), causing the ratio to increase.

Foreign Considerations

We do not believe that the US Dollar will fluctuate dramatically in 2006 (See The US Dollar, page 4). Consequently, we do not currently view the US Dollar as an important factor to determine US versus foreign equity exposure. We will increase our US equity exposure (and reduce foreign exposure) because of a relatively higher projected US GDP growth, which may cause foreign equity to under-perform.

Bond Yields Should Stabilize in 2006

We view current US and foreign interest rates as stable, although we believe there is a possibility that foreign interest rates may rise modestly. In our opinion, there is reasonable economic growth and minimal inflation risk. We anticipate that demand for US bonds (especially from China and Japan) will not waiver as these Asian countries need US consumers to buy their exports. The US deficit level should not significantly impact the bond market (See Fiscal Policy, page 10). All in all, these factors point to a 2006 bond market that should be relatively uneventful.

2006 Portfolio Strategy

Our 2006 outlook is more optimistic for the equity market than the fixed income market. We anticipate three major portfolio adjustments from our current position:

- Increase domestic exposure and reduce foreign exposure
- Increase telecom exposure
- Increase portfolio beta level in second half of the year

TriVant 2006 Portfolio Strategy

2006 Portfolio Strategy Considerations	2006 Portfolio Position (Anticipated)	2005 Portfolio Position (End of Year)
Equity		
Domestic vs Foreign	Increase Domestic, Reduce Foreign	74% Domestic, 26% Foreign
Sector Weighting	*Over-weight* (*to S&P 500 Index*) - Telecom - Health Care - Technology *Under-weight* (*to S&P 500 Index*) - Financials - Utilities	*Over-weight* (*to S&P 500 Index*) - Goods - Health Care - Technology *Under-weight* (*to S&P 500 Index*) - Financials - Utilities
Average Market Cap	Maintain current level	$35 Billion
Style (Growth vs. Value)	Maintain current level	Weighted - Emphasis towards growth stocks
Portfolio Beta Level (Risk)	- Maintain current level in first half - Raise level in second half	Below Market (less than 1.0)
Fixed Income		
Desirable Securities	Shorter term government bonds and Treasury Inflation Protected Securities (TIPS). Average Duration = 5.5 years	Shorter term government bonds and Treasury Inflation Protected Securities (TIPS). Average Duration = 6.5 years
Securities with less emphasis	Longer term government bonds, corporate bonds	Longer term government bonds, corporate bonds

Equity

Domestic vs. Foreign

The reason why we are raising domestic equity exposure and lowering foreign equity exposure is that US GDP growth is forecast to exceed European GDP growth. US Dollar and interest rate expectations did not factor into this decision. Regarding foreign equity regional exposure, we will:

- Maintain Japan
- Reduce Emerging Markets (to rebalance the portfolio)
- Reduce Europe

For detailed discussion, see Portfolio Strategy Considerations, page 5.

Sector Weighting

We continue to over-weight Health Care and Technology, and under-weight Financials and Utilities. The Telecom sector has become more attractive and, consequently, we will increase exposure in this area. For detailed discussion, see Sectors: Portfolio Strategy Considerations, page 6.

Average Market Cap

We will maintain the average market cap of our equity portfolios at $35 billion because we believe it lowers our portfolio risk without sacrificing performance. For detailed discussion, see Market Cap Performance, page 7.

Style (Growth vs. Value)

We continue to moderately weight our equity portfolio towards growth stocks because:

- Growth stocks have more attractive valuations versus value stocks at this time
- A flat yield curve should favor growth versus value stocks
- Given a slower profit growth outlook, investors will likely seek large growth companies with solid historical earnings

Portfolio Beta Level (Risk)

The beta of an individual stock is a measure of its risk in relation to the market. By definition, the market has a beta of 1.0. Portfolio beta describes the relative volatility of an individual securities portfolio, taken as a whole, as measured by the individual stock betas of the securities making it up. We have a current portfolio beta below the market (less than 1.0) and anticipate maintaining this level until the midterm elections approach. At that point, we expect to raise the portfolio beta level to benefit from higher anticipated market returns.

Fixed Income

We will maintain our fixed income strategy and make no adjustments at this time.

Closing Thoughts

In 2005, we were successful regarding our equity strategy and selection. The equity component of our portfolio significantly out-performed the S&P 500 Index. The fixed income component of our portfolio also performed reasonably well in relation to the market. (See Appendix: Our 2005 Report Card for a detailed discussion regarding our 2005 strategy and results.) Our 2006 outlook is more optimistic for the equity market than the fixed income market.

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

Respectfully submitted,

TRIVANT
CUSTOM PORTFOLIO GROUP, LLC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"A banker is a fellow who lends you his umbrella when the sun is shining, but wants it back the minute it begins to rain."
Mark Twain

TRIVANT CUSTOM PORTFOLIO GROUP, LLC Fourth 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

Our 2005 Report Card

In this section, we re-visit our 2005 Market Forecast and Portfolio Strategy. How accurate was our forecast? How successful were the various strategy decisions?

Our 2005 Equity Market Prediction

"Global markets will advance in the mid single digit range (5% - 8%)." *Correct*

RATIONALE				
Domestic Considerations		**Correct**	**Neutral**	**Incorrect**
Market Sentiment	The 2005 S&P 500 consensus forecast return of 8% is reasonable.	◆		
Leading Economic Indicators	The index will not deviate significantly from its current level of 115, and thus equate to moderate stock market growth.	◆		
Monetary Policy	Interest rates should negatively impact the equity market in the second half.			◆
Fiscal Policy	Current fiscal policy (tax policy and deficit levels) will neither help nor hinder the equity market.	◆		
Market Momentum	Market momentum will subside.	◆		
History	The first year of the Presidential cycle has historically been the weakest for the stock market.	◆		
Corporate Profitability	Profitability will show average gains.	◆		
Equity Valuations	The current equity price/earnings ratio remains attractive.	◆		
Foreign Considerations				
Currency Translation	There will be favorable currency translation (US Dollar will appreciate).	◆		
GDP Growth, Monetary & Fiscal Policy	Relative to the USA, foreign GDP growth should lag, monetary & fiscal policy is comparable.	◆		

Our 2005 Bond Market Prediction

"Bond yields should rise. Short maturity yields should rise at a greater rate." *Neutral*

RATIONALE		Correct	Neutral	Incorrect
Domestic Considerations				
Interest Rate Expectations	The yield curve will flatten. The FRB will likely continue to raise interest rates at a moderate pace.	◆		
Inflation Rate Expectations	Future inflation expectations will be moderate and be discounted into the longer maturity bond yields.			◆

Our 2005 Portfolio Strategy Considerations

PORTFOLIO POSITIONING				
Equity		**Correct**	**Neutral**	**Incorrect**
Domestic vs. Foreign	The foreign component of a properly diversified equity portfolio should moderately exceed 22%. Domestic exposure was increased from 70% to 74%.		◆	
Sector Weighting	*Increased Exposure* - Goods - Health Care - Technology *Reduced Exposure* - Financials - Utilities		◆	
Average Market Cap	Average market cap was increased to $35 billion (from $25 billion).	◆		
Style (Growth/Value)	We moved towards a slight emphasis on growth stocks (from a position that did not favor growth or value stocks).		◆	
Portfolio Beta Level (Risk)	Portfolio beta level was reduced from "above the market" (greater than 1.0) to "below the market" (lower than 1.0).	◆		
Fixed Income				
Desirable Securities	Shorter term government bonds and Treasury Inflation Protected Securities (TIPS). Average Duration = 6.5 years.		◆	
Securities with Less Emphasis	Longer term government bonds, corporate municipal bonds.		◆	

2005 Equity Market Prediction - How We Fared

Our overall prediction of a 5%-8% advance in equity market growth was accurate (see Equity Market Review, Page 3). We correctly anticipated the effects of domestic market sentiment, leading economic indicators, fiscal policy, market momentum, history, corporate profitability, and equity valuations. None of these factors proved to have had a significant impact on the equity market. As well, we correctly anticipated an appreciating US Dollar and relatively higher US GDP growth.

The one factor we did not anticipate was how well the energy sector would perform in 2005 and how much impact this sector would have on overall market performance. Essentially, the energy sector was primarily responsible for the S&P 500 Index rising close to 5%. Without this sector, the S&P 500 Index would have been almost flat. Monetary policy (constant rate increases by the Federal Reserve Board) did not greatly impact the market.

2005 Fixed Income Market Prediction - How We Fared

Along with most market observers, we correctly anticipated that the Federal Reserve Board would continue to raise interest rates at a moderate pace. Indeed, rates increased a total of 2.00% (200 basis points) for 2005.

While bond yields rose, as we predicted, the manner in which they rose surprised us. The 2 year Treasury yield rose 1.38% (138 basis points) to 4.39%. The 10 year Treasury yield rose just 0.017% (17 basis points) to 4.39%. Consequently, the yield curve is now completely flat (see Bond Market Review, page 8 for detailed discussion). Inflation and expected inflation, for the second consecutive year, did not factor into the rate of longer term interest rates to the degree we anticipated.

2005 Portfolio Strategy Considerations - How We Fared

Equity

We were successful regarding our equity strategy and selection. The equity component of our portfolio has continued to significantly out-perform the S&P 500 Index for the second straight year (our composite data is available upon request).

In our opinion, 2005 was a year where our equity selection had greater performance attribution than our equity strategy decisions. Strategy considerations included the following factors:

- Domestic versus foreign weighting
- Sector weighting
- Average market cap
- Style (growth versus value) weighting
- Portfolio beta level (risk)

Overall, we assess our 2005 decisions in the above areas to be satisfactory, but not excellent.

Therefore, in order to have out-performed the S&P 500 Index to the degree we did, our stock selection had to be above average.

Domestic vs. Foreign

Our proprietary research concludes that an equity portfolio (for a USA-based investor) comprised of 78% domestic (USA) stocks and 22% foreign (non-USA) stocks carries the least amount of risk (see *First Quarter 2004 Review*). We reduced our 2005 foreign exposure (from 30% to 26%) in our equity portfolio because we expected the US Dollar to appreciate and, because of this, foreign stocks to under-perform. We were half right. The US Dollar appreciated, but foreign stocks out-performed in spite of their relatively weakened currencies. The small reduction in foreign exposure slightly hindered our portfolio performance. However, reducing foreign exposure enabled us to implement desired positioning regarding portfolio sector weighting, average market cap, style and beta.

Sector Weighting

In early 2005, our portfolio was over-weighted to Consumer Goods, Health Care and Technology. It was under-weighted to Financials and Utilities, and almost market-weighted to Energy. By a considerable margin, the top-performing sector in 2005 was Energy (+30%). Most other sectors performed within a narrow band, and our positioning in these sectors neither helped nor hindered portfolio performance. Since we did not adjust our Energy weighting as the sector rose (at the time, we did not believe this was a worthwhile risk/reward tradeoff), our market-weight portfolio position soon became a market under-weight position. Our energy stock selection included some of the more conservative companies in the sector, rather than the riskier oil drillers. In 2005, the riskier energy companies fared even better than the conservative companies. Our energy exposure and stock selection hindered portfolio performance, but this short-fall was more than recovered with successful stock selection in the other sectors.

Average Market Cap

We raised the average market cap of our equity portfolio from $25 billion to $35 billion because we believed it would lower our portfolio risk without sacrificing performance. In 2005, small and large cap US stocks performed identically (see Market Cap Performance, page 7). Our positioning proved correct.

Style: Growth vs. Value

We moderately weighted our equity portfolio towards growth stocks because:

- Growth stocks had more attractive valuations versus value stocks at that time
- A flatter yield curve should have favored growth versus value stocks
- Given a slower profit growth outlook, investors would likely seek large growth companies with solid historical earnings

Since these factors have not changed, we continue to weight our equity portfolio towards growth stocks. There was a negligible performance differential between growth and value stocks for 2005 (see Style Performance, page 7). The Energy sector was the driving force for value stocks. Our growth bias neither helped nor hindered the portfolio.

Portfolio Beta Level (Risk)

The beta of an individual stock is a measure of its risk in relation to the market. By definition, the market has a beta of 1.0. Portfolio beta describes the relative volatility of an individual securities portfolio, taken as a whole, as measured by the individual stock betas of the securities making it up. We reduced our portfolio beta from "above the market" (greater than 1.0) to "below the market" (lower than 1.0) in anticipation of a subdued equity market. We exceeded market performance while assuming "less than market" risk. The move towards a lower portfolio beta level was successful.

Fixed Income

The fixed income component of our portfolio performed reasonably well in relation to the market. Given our expectation that the yield curve would flatten, we held shorter term government bonds and Treasury Inflation Protected Securities (TIPS). The average duration of our fixed income holdings was 6.5 years.

We reduced our corporate bond exposure when the spread between corporate and treasury bonds became very narrow. This proved to be a sound portfolio adjustment.

We could have benefited from higher average bond duration. The yield curve flattened more than we anticipated. Bearing in mind our clients' specific portfolio income needs, we felt the potential risk in having average bond duration greater than 6.5 years, given our interest rate and inflation rate expectations, would have been too great.