TRIVANT
CUSTOM PORTFOLIO GROUP, LLC

July 2006

quarterly
INSIGHTS

EXECUTIVE SUMMARY

Second Quarter 2006

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United Kingdom, Energy and Large Cap Provide Safety in Weak Q2 2006

In the Second Quarter, the domestic S&P 500 Index fell 1.44% while the MSCI EAFE Index (foreign) returned 0.94%. There were three primary trends to note regarding Second Quarter 2006 performance:

- The United Kingdom (UK) out-performed due to British Pound appreciation
- The Energy sector had modest gains as crude oil prices remained very strong
- Large cap stocks offered relative safety during the steep May/June market decline

The Market Declined Amidst Heightened Inflation Concerns

The market surrendered its early quarter gains as concerns heightened regarding Federal Reserve Board interest rate policy. Strong oil prices and labor growth raised inflation expectations and the perceived likelihood that the Fed would enact further rate hikes. The prospect of further rate hikes, and concerns regarding whether the Fed is potentially over-shooting a desirable interest rate level, caused the market to decline. Troubles with Iraq, Iran and North Korea also contributed to the decline.

Portfolio Strategy at the Midpoint of 2006

Although the equity market performance was somewhat flat for the entire quarter, its descent from early May to early June was dramatic.

When a downward pattern emerged in mid-May, we were left with a decision to:

1. Maintain our strategy
2. Slightly adjust our strategy, or
3. Significantly adjust our strategy

We chose to maintain our strategy because we believe market conditions remain favorable and that we have not entered nor will enter a prolonged severe market downturn. So far, we see no reason to change our 2006 Market Forecast.

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EXECUTIVE SUMMARY

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We Maintain Our 2006 Equity Market Forecast

We continue to expect that global equity markets will advance 9% -13% for 2006 (2006 Market Forecast, January 2006). For political reasons, we anticipate a pause in US rate hikes as the mid-term elections approach (although we do not attach as high a probability to this scenario as we did three months ago). In our First Quarter 2006 Review (Equity Market Review, page 3) we stated that "the markets may subside for the next two quarters due to political pressures, but have positive momentum as the mid-term elections approach and conclude." We maintain this view.

Fixed Income

Yields increased across the US yield curve, causing bonds to perform poorly again in the Second Quarter. The Lehman Brothers Government/Corporate Bond Index, widely considered the broadest of the major US bond indices, fell 1.01% in total return in the first quarter and declined 0.14% in the Second Quarter. Year to date, the bond index is down 1.15%.

Global yield curves remain flat as indicated by the narrow spread between 2 and 10 year bond yields. Only Japan has a spread of more than 1.00% for developed markets. Flat yield curves indicate that economic growth should continue slowing.

We foresee stable to very modest increases in US bond yields for the remaining year. There are no anticipated changes in our fixed income strategy. We continue to maintain our fixed income portfolio position in shorter term maturity bonds and Treasury Inflation Protected Securities (TIPS), with an average duration of five years. Clients who cannot tolerate a potentially significant decline in portfolio value should not be entirely exposed to equity, even in a time period where bonds have been under moderate pressure.

Disclaimer: The information presented herein is intended for informational purposes only. All views are subject to change based on updated indicators. The recommendations made in this publication are made without regard to individual suitability. Investors should consider their own needs and objectives before making any investment decision. A risk of loss is involved with investments in stock markets.

Equity Market Review

United Kingdom, Energy and Large Cap Provide Safety in Weak Q2 2006

In the Second Quarter, the domestic S&P 500 Index fell 1.44% while the MSCI EAFE Index (foreign) returned 0.94%.

There were three primary trends to note regarding Second Quarter 2006 performance:

- The United Kingdom (UK) out-performed due to British Pound appreciation
- The Energy sector had modest gains as crude oil prices remained very strong
- Large cap stocks offered relative safety during the steep May/June market decline

Equity Index Performance	Q2 2006	Year to Date
S&P 500 (Domestic)	(1.44%)	+2.71%
MSCI EAFE (Foreign)**	+0.94%	+10.50%
MSCI World	(0.33%)	+6.37%
MSCI Emerging Markets	(4.27%)	+7.34%
Russell 2000 (Small Cap)*	(5.27%)	+7.64%
MSCI Japan	(4.56%)	+1.95%
MSCI UK (United Kingdom)	+4.94%	+13.64%
MSCI EMU (European Monetary Union)	+1.78%	+15.02%

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

The Market Declined Amidst Heightened Inflation Concerns

The market surrendered its early quarter gains as concerns heightened regarding Federal Reserve Board interest rate policy. Strong oil prices and labor growth raised inflation expectations and the perceived likelihood that the Fed would enact further rate hikes. The prospect of further rate hikes, and concerns regarding whether the Fed is potentially over-shooting a desirable interest rate level, caused the market to decline. Troubles with Iraq, Iran and North Korea also contributed to the decline.

We Maintain Our 2006 Equity Market Forecast

We continue to expect global equity markets will advance 9%-13% for 2006 (2006 Market Forecast, January 2006). For political reasons, we anticipate a pause in US rate hikes as the mid-term elections approach (although we do not attach as high a probability to this scenario as we did three months ago). In our First Quarter 2006 Review (Equity Market Review, page 3) we stated that "the markets may subside for the next two quarters due to political pressures, but have positive momentum as the mid-term elections approach and conclude." We maintain this view.

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

The US Dollar

The US Dollar depreciated in the Second Quarter. We continue to anticipate a relatively flat currency market throughout 2006.

U.S Dollar Appreciation vs. Foreign Currencies

Currency	Q2 2006	Year to Date
US Dollar/Euro	(5.36%)	(7.75%)
US Dollar/Japanese Yen	(3.12%)	(3.15%)
US Dollar/British Pound	(6.22%)	(7.18%)

Source: Discount Currency Exchange, MSCI

We continue to anticipate a pause in US rate hikes as the mid-term elections approach. In isolation, a pause in rate hikes would theoretically pressure the US Dollar (especially if foreign interest rates were raised simultaneously). However, we believe that current geo-political events/concerns (Iraq, Iran, North Korea) will "balance" the Dollar because the US Dollar remains the preferred global currency in times of uncertainty.

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. At the beginning of 2006, we slightly increased our US equity exposure due to our expectation of relatively higher 2006 US GDP (Gross Domestic Product) versus other developed countries. This portfolio adjustment also served to slightly reduce portfolio risk. We may further increase our US equity exposure as the mid-term elections approach in order to raise the portfolio beta level (risk).

Japan

Tremendous market performance over the last year (+25.63%) slowed as tensions with North Korea rose. Missile testing recently resulted in missiles flying over the Sea of Japan, which hurt investor confidence. The Japanese market declined 4.56% for the quarter and was the weakest performer of the developed countries.

Strong energy prices also hurt Japan, which must import all of its petroleum. As the price of petroleum continued to rise, so did the cost of manufacturing. Increased production costs squeezed profits. It is ironic that higher energy prices may be a future boon to its large auto industry (which produces numerous energy efficient products).

To end deflation in the world's second-largest economy, economists expect the Bank of Japan to raise interest rates this summer after keeping rates near zero since March 2001.[1]

Japan: Portfolio Strategy Considerations

We continue to view Japan as attractive and believe that declining Korean peninsula tensions will allow strong returns. Our current portfolio position will be maintained.

1 The Bank of Japan raised interest rates for the first time in six years on July 14, lifting its key rate to 0.25% from zero.

Emerging Markets

After several years of outstanding performance, emerging markets experienced high volatility in Q2 2006 (see page 8). Its performance was +34.54% for 2005, +12.12% for Q1 2006 and +20% year to date before declining 26.24% in five weeks (May 9 to June 13). Emerging markets finished the quarter -4.27%. The cause of the steep five-week decline seemed unrelated to any events or news. We believe that the region's previous outstanding performance attracted new investors. Increased speculation drove up prices to unsustainable (and unjustified) levels. Many new investors may have panicked in mid-May amidst rapidly-slumping prices and initiated a considerable sell-off.

Emerging Markets: Portfolio Strategy Considerations

Outstanding opportunities remain in emerging markets. However, this asset category can be very volatile and is susceptible to economic slowdowns. It has a low correlation with developed markets, although the correlation tends to rise as global markets decline. We rebalanced our portfolio at the beginning of this year to keep our target portfolio weight at around 4%. From a risk control standpoint, we will maintain this current positioning.

Europe

European markets (+1.78%) outpaced the domestic S&P 500 Index (-1.44%). The Euro appreciated +5.36% versus the US Dollar. In fact, the European markets under-performed the US markets in terms of local currency. European GDP growth continues to lag US GDP growth. In May, producer-price inflation in the euro region accelerated to its fastest pace in more than five years. Excluding energy, prices rose 2.6% from a year earlier. Crude oil prices have increased 26% since early December, when the European Central Bank (ECB) raised rates for the first time in over two years. European Union (EU) interest rates are expected to rise, which could further slow growth.

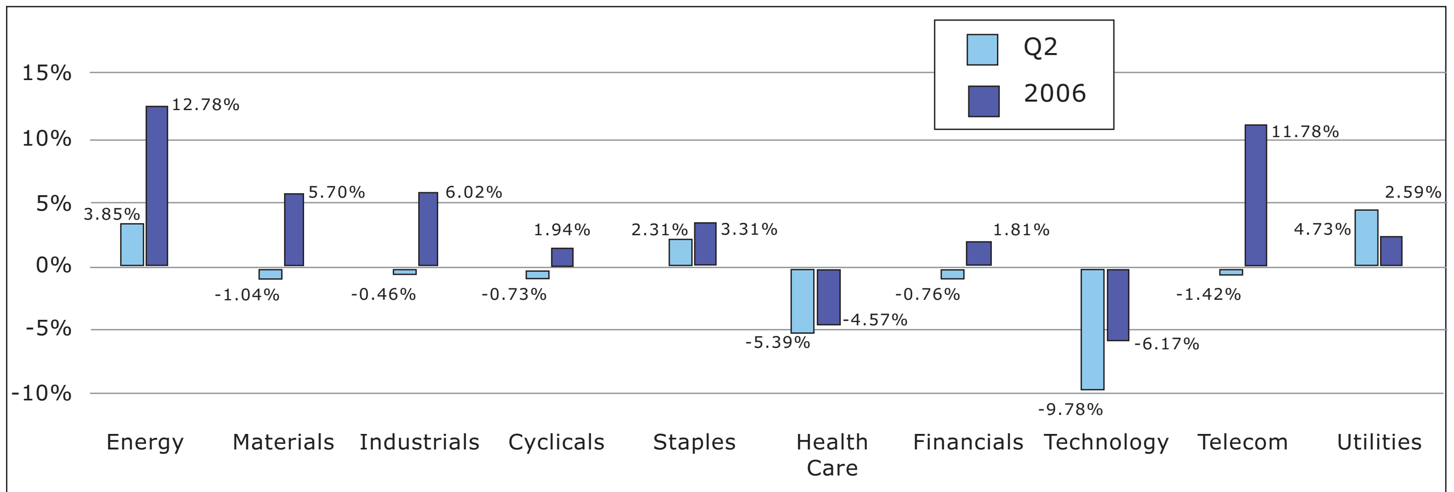
Europe: Portfolio Strategy Considerations

We do not expect the recent European market out-performance to continue. The reason it out-performed this quarter was attributable to favorable currency translation. The prospects of higher interest rates and lower relative GDP growth do not favor Europe. If we raise our portfolio beta (risk) as the mid-term elections approach, we will likely increase domestic (US) exposure and correspondingly reduce European exposure.

Sector Performance

Record oil prices continued to drive the Energy sector, which had modestly positive returns in the quarter (+3.85%). Technology (-9.78%) and Health Care (-5.39%) struggled.

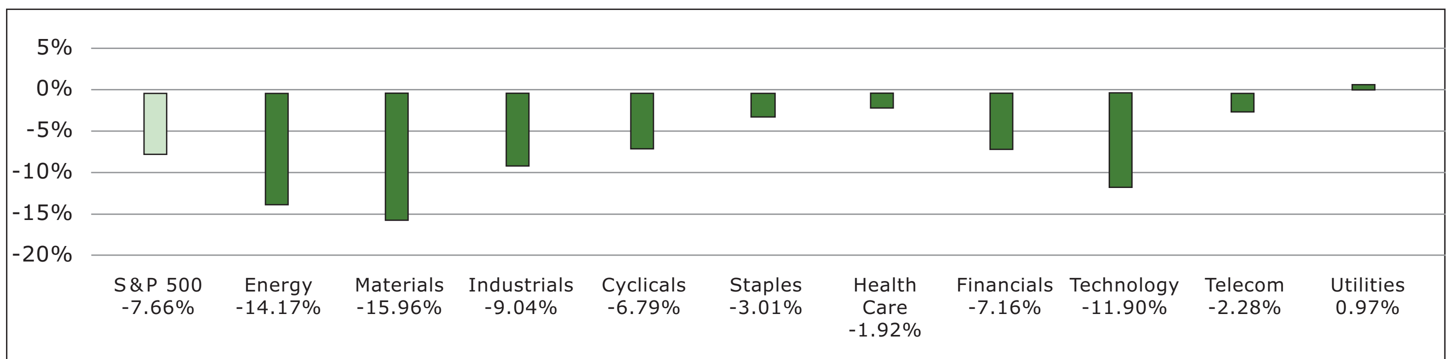
S&P 500 Index Sector Performance



Source: Standard & Poor's

Sector performance for the full quarter does not show how various sectors performed in the steep May/June decline (see page 8). Recall that we reduced our position in Materials and increased our position in Utilities in early May.[2] Our timing was fortunate as Materials was the worst performer during the decline while Utilities was the only sector with positive performance.

S&P 500 Index Sector Declines (May 9 through June 13, 2006)



Source: Standard & Poor's

Sectors: Portfolio Strategy Considerations

We do not anticipate portfolio sector adjustments over the next few months. We continue to overweight Health Care and Technology, although these sectors have disappointed us to date. Health Care should prosper in a slower growth environment. Technology should benefit from deferred demand and healthy corporate balance sheets.

An inverted yield curve causes us to maintain our current portfolio underweight to Financials. While our overall sector positioning thus far in 2006 has been mediocre, we see no compelling reasons at this time to change our sector strategy.

2 Customization issues precluded some client portfolios from this adjustment.

Market Cap Performance

Large cap stocks fared relatively better than small cap stocks in the Second Quarter. This did not surprise us—we shifted the portfolio to a large cap focus several months ago.[3] Peak to trough (May 9 to June 13), the S&P 500 Index (large cap) fell 7.66% while the Russell 2000 Index (small cap) fell 14.14%.

Flat yield curves indicate moderate economic growth, which should increase the risk in smaller companies. Our interest rate model predicts that the S&P 500 Index will out-perform the Russell 2000 index by 11% over the next 12 months.

Market Cap Performance

	Second Quarter 2006	Year to Date
Large Cap Performance		
World	(0.33%)	+6.37%
Foreign	+0.94%	+10.50%
USA	(1.57%)	+2.52%
Small Cap Performance		
World	(4.57%)	+6.63%
Foreign	(3.67%)	+6.60%
USA	(5.94%)	+6.17%

Source: MSCI

Market Cap: Portfolio Strategy Considerations

We will maintain our large cap focus (and will likely further increase our average market cap over the next few months) due to a more favorable risk/return tradeoff.

Style Performance

US Growth stocks have lagged US value stocks, while foreign growth and value stocks have been close in performance. One of the main reasons for the US growth lag may be the relative out-performance of the energy versus technology sectors.

Style Performance

	Second Quarter 2006	Year to Date
US Growth	(3.75%)	(0.46%)
US Value	+0.65%	+5.58%
Foreign Growth	+0.42%	+9.55%
Foreign Value	+1.46%	+11.45%

Source: MSCI

Style: Portfolio Strategy Considerations

We will maintain our growth bias due to slowing (but positive) global economic growth, especially if we have a clear indication of another potential rise in domestic interest rates.

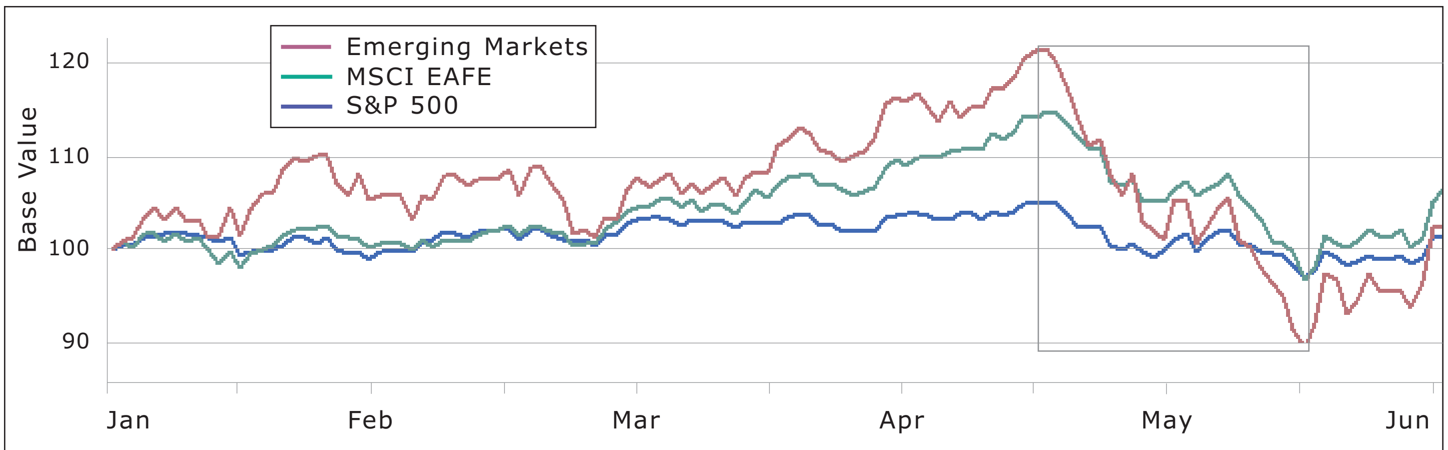
3 First Quarter 2006 Review, Large Caps Are Due, pages 8-10

Portfolio Strategy at the Midpoint of 2006

Portfolio strategy is a proactive versus reactive process. We closely monitor the market and adjust your portfolio as needed. Sometimes in the midst of market pressure, we believe the best action to take is little or no action. This was the case during the Second Quarter 2006.

Although the equity market performance was somewhat flat for the entire quarter, its descent from early May to early June was dramatic.

Relative Market Performance
Domestic vs. Foreign—January through June 2006



Source: MSCI

The foreign markets (as represented by the MSCI EAFE Index) fell significantly more than the domestic markets (as represented by the S&P 500 Index) over this short time frame, even though foreign out-performed domestic for the quarter.

Q2 2006 Performance

Equity Index	Entire Quarter	Peak To Trough May 9 to June 13
S&P 500 Index (Domestic)	(1.44%)	(7.66%)
MCSI EAFE (Foreign)	+0.94%	(15.75%)
MCSI Emerging Markets	(4.27%)	(26.24%)

Source: MSCI

When a downward pattern emerged in mid-May, we were left with a decision to:

1. Maintain our strategy
2. Slightly adjust our strategy, or
3. Significantly adjust our strategy

We chose to maintain our strategy because we believe market conditions remain favorable and that we have not entered nor will enter a prolonged severe market downturn. So far, we see no reason to change our 2006 Market Forecast:[4]

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

[4] Fourth Quarter 2005 Review, January 2006, 2006 Market Forecast, page 9

Our 2006 portfolio adjustments have thus far been consistent with our anticipated strategy.[5]

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)

Strategy Considerations:

1) Domestic vs. Foreign (Increase Domestic, Reduce Foreign)

In 2005, the MSCI Emerging Markets index was +34.54%, which caused our portfolio to have an emerging markets exposure higher than our target of 4%. During the First Quarter 2006, we reduced our Emerging Markets exposure to 4% in order to re-balance the portfolios. During the Second Quarter 2006, we further reduced foreign exposure (we sold Canadian materials) and correspondingly increased domestic exposure (we purchased US utilities, although we are still underweight to this sector).

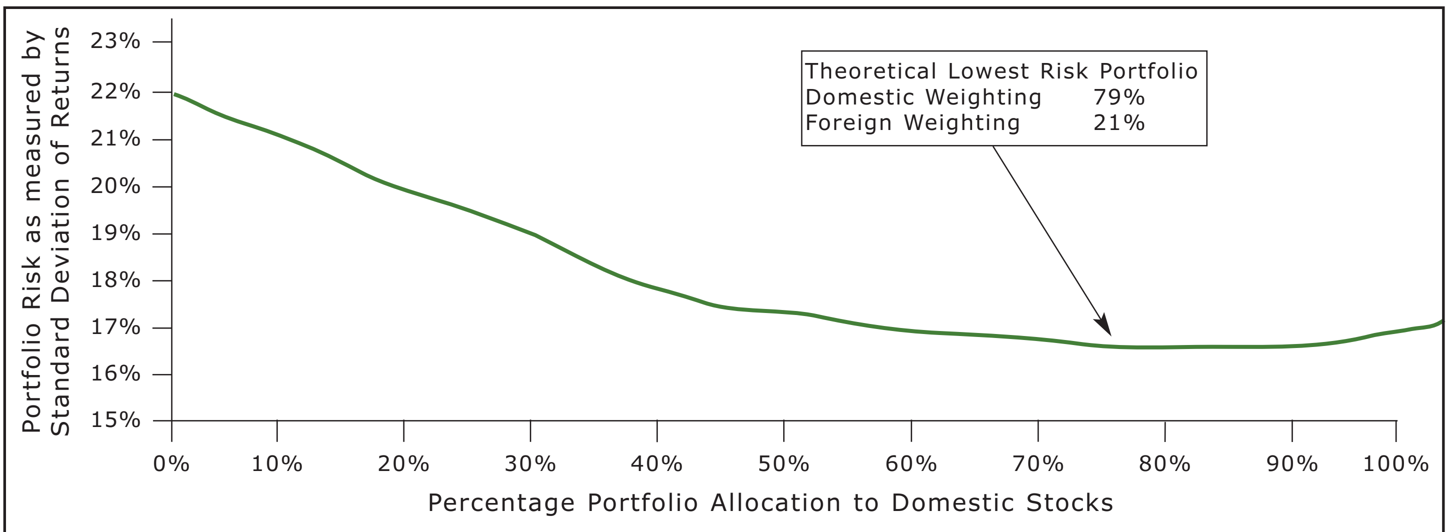
At this time, we believe it is prudent to be conservative versus aggressive. Our current domestic exposure (79%) and foreign exposure (21%) is consistent with the theoretical point of lowest portfolio risk (in terms of standard deviation).

As the November mid-term elections approach, we anticipate more favorable market conditions (higher market returns). This would be the right time to increase the level of our portfolio beta (risk).

We are currently at a point where either increasing or decreasing our domestic exposure will increase portfolio beta. Looking forward, we expect the domestic market will out-perform the foreign market. Consequently, we anticipate raising our portfolio beta via increased domestic exposure (versus increased foreign exposure) over the next few months. This would provide the best risk/return tradeoff.

[5] Fourth Quarter 2005 Review, January 2006, 2006 Portfolio Strategy, page 9

Domestic vs. Foreign Equity Allocation and Corresponding Risk (Standard Deviation)
Theoretical Lowest Risk Portfolio[6]



2) Sector Weighting

During the First Quarter 2006, we modestly increased our exposure to the Telecom sector. We continue to over-weight Health Care and Technology, and under-weight Financials. Thus far in 2006, Health Care and Technology have been disappointing in terms of performance. However, we believe it is prudent to maintain our positioning.

2) Average Market Cap (Maintain Current Level)

At the end of the First Quarter 2006, our average market cap was approximately $38 billion (slightly smaller than the S&P 500 Index and larger than the MSCI EAFE Index). At the end of the Second Quarter 2006, our average market cap slightly rose to approximately $44 billion.

Four Reasons Why We Have Maintained Our Large Cap Exposure[7]

More Attractive Valuation	Small cap stock valuations are at historic premiums
Rising Interest Rates	Increased interest rates will pressure small cap stocks
Reduced Speculation	Over-priced small caps are not attractive acquisition targets
A Flight to Quality	In a slowing economy, investors will seek large cap quality

During the Second Quarter 2006, small cap stocks considerably lagged large cap stocks. We expect this trend to continue for the next several months and consequently expect to maintain our large cap focus.

6 Our conclusion is based on the Nobel prize-winning research of Harry Markowitz regarding "Mean Variance Optimization." Market data was assessed from the time period of 1975 to 2005.

7 First Quarter 2006 Review, April 2006, Large Caps Are Due, page 10

Bond Market Review

Yields increased across the US yield curve, causing bonds to perform poorly again in the Second Quarter. The Lehman Brothers Government/Corporate Bond index, widely considered the broadest of the major US bond indices, fell 1.01% in total return in the First quarter and declined 0.14% in the Second Quarter. Year to date, the bond index is down 1.15%.

Key US Interest Rates	31 March 2006	30 June 2006	Change
Federal Reserve Board Funds Rate	4.75%	5.25%	+ 50 basis points
2 yr Treasury (Constant Maturity)	4.82%	5.15%	+ 33 basis points
5 yr Treasury (Constant Maturity)	4.81%	5.10%	+ 29 basis points
10 yr Treasury (Constant Maturity)	4.85%	5.14%	+ 29 basis points

Note: 100 basis points (bp) = 1.00%   Source: Bloomberg

US yields are higher than most developed country government bond yields as the Federal Reserve Board enacted two more quarter point interest rate hikes, their 17th in a row. Global yield curves remain flat as indicated by the narrow spread between 2 and 10 year bond yields. Only Japan has a spread of more than 1.00% for developed markets. Flat yield curves indicate that economic growth should continue slowing.

Government Bond Yields

Maturity	US	UK	Japan	Germany	Brazil	Australia
3 Month	4.98%	4.50%	0.34%	2.96%	N/A	N/A
2 Year	5.15%	4.77%	0.84%	3.58%	5.94%	5.79%
5 Year	5.10%	4.79%	1.42%	3.84%	6.69%	5.78%
10 Year	5.14%	4.71%	1.93%	4.07%	N/A	5.78%
30 Year	5.19%	4.35%	2.53%	4.30%	7.57%	N/A
2-10 Spread	(0.01%)	(0.06%)	1.09%	0.49%	N/A	(0.01%)

Source: Bloomberg

Short term yields have increased as central banks have raised interest rates in an effort to control inflation. Concerns regarding persistently higher energy prices and declining unemployment continue to fuel worry in bond markets.

Bond Market: Portfolio Strategy Considerations

We foresee stable to very modest increases in US bond yields for the remaining year. There are no anticipated changes in our fixed income strategy. We continue to maintain our fixed income portfolio position in shorter term maturity bonds and Treasury Inflation Protected Securities (TIPS), with an average duration of five years. Clients who cannot tolerate a potentially significant decline in portfolio value should not be entirely exposed to equity, even in a time period where bonds have been moderately pressured.

Closing Thoughts

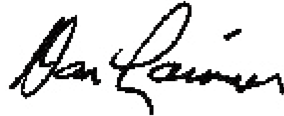
We continue to expect global equity markets will advance 9%-13% for 2006. Reasons for our optimism include neutral interest rates, attractive price/earnings (PE) ratios, and continued corporate profitability levels. The market may face some political pressures as the November mid-term elections approach, but have positive momentum as the elections conclude. We do not believe that the Federal Reserve Board will raise interest rates during the time leading up to the mid-term elections (although our confidence in this assertion has declined over the last three months). Consequently, we foresee stable to very modest increases in US bond yields for the remaining year.

So far, we see no reason to deviate significantly from our 2006 Market Forecast and 2006 Portfolio Strategy.

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



"It's not enough that we do our best; sometimes we have to do what's required."
Sir Winston Churchill

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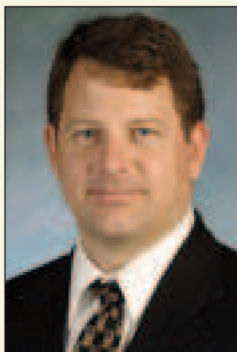
TRIVANT CUSTOM PORTFOLIO GROUP, LLC Second Quarter 2006 Review

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.



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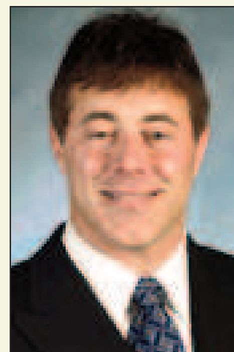

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