TRIVANT
CUSTOM PORTFOLIO GROUP, LLC

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INSIGHTS

First Quarter 2007

In This Issue

EXECUTIVE SUMMARY

Europe and Materials Lead Q1 2007

In the First Quarter, the domestic S&P 500 Index rose 0.64% while the MSCI EAFE Index (foreign) returned 4.15%. Market liquidity and healthy stock valuations supported the markets.

Three primary trends occurred:

- Materials (+8.38%) and Energy (+1.72%) returns diverged for the first time in five quarters
- Japan kept pace with world markets after being the global laggard in 2006
- Europe continued to out-perform, but this time without the aid of currency appreciation

Market Liquidity Should Remain Strong for the Short Term

The equity market was steady in the First Quarter 2007. No region had a negative performance.

Global demand for stocks has remained stable. The equity market does not appear to be threatened by the prospect of rising interest rates because inflation has remained tame. The slower pace of economic growth has also eased pressure on the Federal Reserve Board to raise interest rates.

Money continues to move into the equity market (see The Japanese Carry Trade, page 10). Investor appetite for risk remains strong as evidenced by the Price/Earnings premium of small cap stocks to large cap stocks (see Market Cap Performance, page 8).

Companies maintain healthy balance sheets, and have cash readily available to buy back their own shares in the event of a market decline. Market liquidity should remain strong for the short-term, although an unwinding of the Japanese Carry Trade would likely present a longer-term liquidity threat.

We Maintain Our 2007 Market Forecast

We continue to expect global equity markets will advance 11%-15% in 2007 (Quarterly Insights, January 2007, 2007 Market Forecast, page 9). Inflation and interest rates remain stable, and the current S&P 500 Index Price/Earnings ratio (15.19) is attractive. Economic growth continues, albeit at a slower rate.

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EXECUTIVE SUMMARY

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Fixed Income

In our opinion, interest rates will continue to remain relatively stable throughout the year (the last rate hike occurred August 8, 2006), The Lehman Brothers Government/Corporate Bond Index, widely considered the broadest of the major US bond indices, rose 1.47% for the First Quarter. The yield curve flattened during the quarter but remains slightly inverted.

We expect the yield curve will remain relatively flat in the near term as the Fed plays a balancing game. Energy prices may fall after the summer “vacation driving” season and inflationary pressures could be reduced to the point of providing flexibility for the Federal Reserve. Should this occur, the Fed may finally be in the position to cut rates if the predicted "soft landing" of the slowing economy becomes more difficult than anticipated. This may affect the steepness of the yield curve with any rate cuts benefiting shorter term treasuries.

In our opinion, there is reasonable economic growth and minimal inflation risk. Even if interest rates rise, we would expect a modest increase in yields at best. We continue to expect an uneventful year in fixed income.

TRIVANT CUSTOM PORTFOLIO GROUP, LLC First Quarter 2007 Review

John Barber, CFA
Chief Investment Officer

Dan Laimon, MBA
President

Equity Market Review

Europe and Materials Lead Q1 2007

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Equity Index Performance

Index	Q1 2007	2006
S&P 500 (Domestic)	0.64%	15.80%
MSCI EAFE (Foreign)**	4.15%	26.86%
MSCI World	2.60%	20.65%
MSCI Emerging Markets	2.35%	32.59%
Russell 2000 (Small Cap)*	0.05%	17.00%
MSCI Japan	3.56%	6.33%
MSCI UK (United Kingdom)	3.02%	30.67%
MSCI EMU (European Monetary Union)	4.59%	37.28%

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

Market Liquidity Should Remain Strong for the Short Term

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Global demand for stocks has remained stable. The equity market does not appear to be threatened by the prospect of rising interest rates because inflation has remained tame. The slower pace of economic growth has also eased pressure on the Federal Reserve Board to raise interest rates.

Money continues to move into the equity market (see The Japanese Carry Trade, page 10). Investor appetite for risk remains strong as evidenced by the Price/Earnings premium of small cap stocks to large cap stocks (see Market Cap Performance, page 8). Companies maintain healthy balance sheets, and have cash readily available to buy back their own shares in the event of a market decline. Market liquidity should remain strong for the short-term, although an unwinding of the Japanese Carry Trade would likely present a longer-term liquidity threat.

We Maintain Our 2007 Market Forecast

We continue to expect global equity markets will advance 11% - 15% in 2007 (Quarterly Insights, January 2007, 2007 Market Forecast, page 9). Inflation and interest rates remain stable, and the current S&P 500 Index Price/Earnings ratio (15.19) is attractive. Economic growth continues, albeit at a slower rate.

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

The US Dollar

The US Dollar was stable in the First Quarter. We continue to believe the dollar has reached an appropriate level and expect a relatively flat currency market in 2007.

U.S Dollar Appreciation vs. Foreign Currencies

Currency	Q1 2007	2006
US Dollar/Euro	(0.94%)	(11.79%)
US Dollar/Japanese Yen	(0.91%)	0.94%
US Dollar/British Pound	(0.35%)	(14.00%)

Source: MSCI

We believe the US Dollar will not fluctuate significantly in 2007 for the following reasons:

- Stable Federal Reserve interest rates (the last rate change occurred August 8, 2006)
- Falling oil prices may reduce inflationary pressures and help to improve the US trade deficit
- Global investors (such as China and Japan) continue to purchase US Dollars

The US Dollar: Portfolio Strategy Considerations

Since we do not believe the US Dollar will fluctuate dramatically in 2007, we do not currently view the US Dollar as an important factor to determine portfolio style, country or sector decisions.

Japan

The Japanese market increased 3.56% for the quarter. This was despite another interest rate hike (0.25% to 0.50%) from the Bank of Japan. Although this rate hike may appear small, the impact may have large consequences for global markets (see The Japanese Carry Trade, page 10). Potential Japanese currency appreciation would likely hamper export-driven industries such as autos and electronics.

Political tensions with North Korea eased, which removed some of the Japanese market pressures experienced in 2006.

Japan: Portfolio Strategy Considerations

We will maintain our overall weighting to Japan, but will likely adjust our industry allocation should the yen be poised to strengthen. Less focus on exporters and more focus on consumer goods would be a prudent portfolio adjustment.

Emerging Markets

Emerging markets remained positive (2.35%) for the quarter despite high volatility. Chinese "Class A" shares fell 10% overnight as rumors of government intervention to quell market speculation concerned the market.

Investor risk appetites remain unfazed even though political risks remain high. This may result in substantial future downward market corrections and increasing instability. Venezuela, Russia, and the Ukraine have all threatened to nationalize companies and/or industries.

We remain concerned about a situation called "contagion". New investors have been attracted to strong returns (in 2006, emerging markets were up 32.59%). A disastrous investment performance in one region of emerging markets could easily prompt investors to flee from all regions of emerging markets.

Emerging Markets: Portfolio Strategy Considerations

We will maintain our target weight at around 3%. Although this asset category can be very volatile, it has low historic correlation with developed categories. Emerging markets exposure provides an important measure of portfolio risk control.

Europe

Europe and the United Kingdom continued to fare well as both out-performed world market averages. Over the last year, we have been concerned with the Value Added Tax increases in Germany and labor riots in France. The election of Andrea Merkel as Chancellor of Germany was seen as evidence of a socialist revival. However, inspired by neighboring Austria (which in 2005 cut corporate tax rates from 35% to 24%), Ms. Merkel cut German corporate tax rates from 39% to 30%.

France has also been slowly reducing corporate taxes, cutting rates from 34% to 25% over the past decade. Personal tax rates for high income earners were lowered last year from 48% to 40%.

European real GDP growth was revised upward in the last quarter and grew at a 3.3% annualized rate, beating the US rate (3.0%) for the first time in many decades.

Europe: Portfolio Strategy Considerations

Last quarter we cautioned that tax hikes and labor unrest could impede European returns and that it would be prudent to pare back European exposure. Now we believe that we were premature in our assessment. We did not pare back European exposure in the last quarter and will not do so at this time. We have shifted our somewhat negative European outlook to a more neutral view.

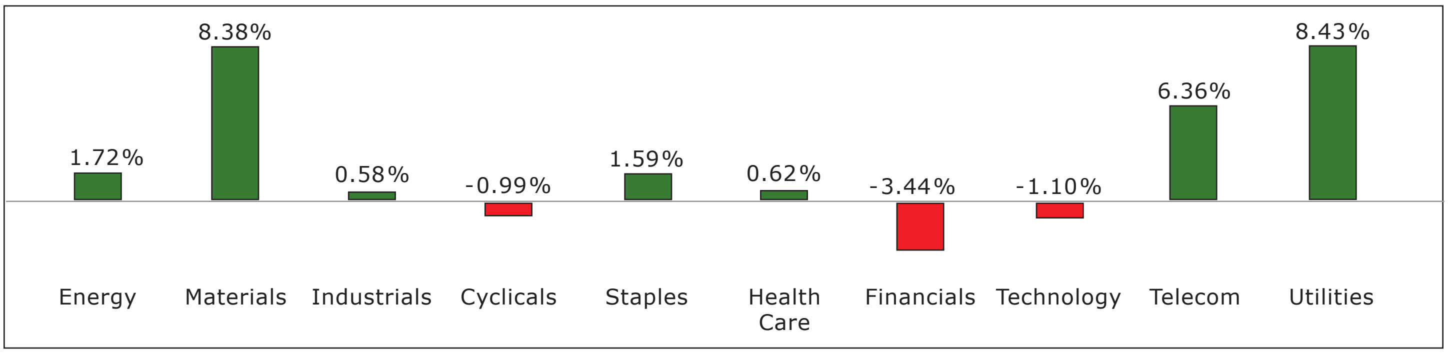
Sector Performance

Telecom, Utilities and Materials, three of the smallest sectors by weight in the S&P 500 Index, led Q1 2007 performance. Financials and Technology, the two largest sectors by weight, were slightly down for the quarter.

Financials got caught in the sub-prime lender woes as investors tried to understand the exposure various banks had to the crisis. Concerns remain over whether the mortgage crisis is contained to the sub-prime and Alt-A loans.[1] This hindered the financial stocks.

We believe that the issue is more related to all adjustable mortgages versus solely the sub-prime loans. The mortgage crisis will likely linger as weak housing prices trigger increasing defaults. Borrowers will walk away from growing obligations in which they do not have equity. A rising supply of homes for sale and a tightening of lending standards will exacerbate the problem.

S&P 500 Index Sector Performance Q1 2007

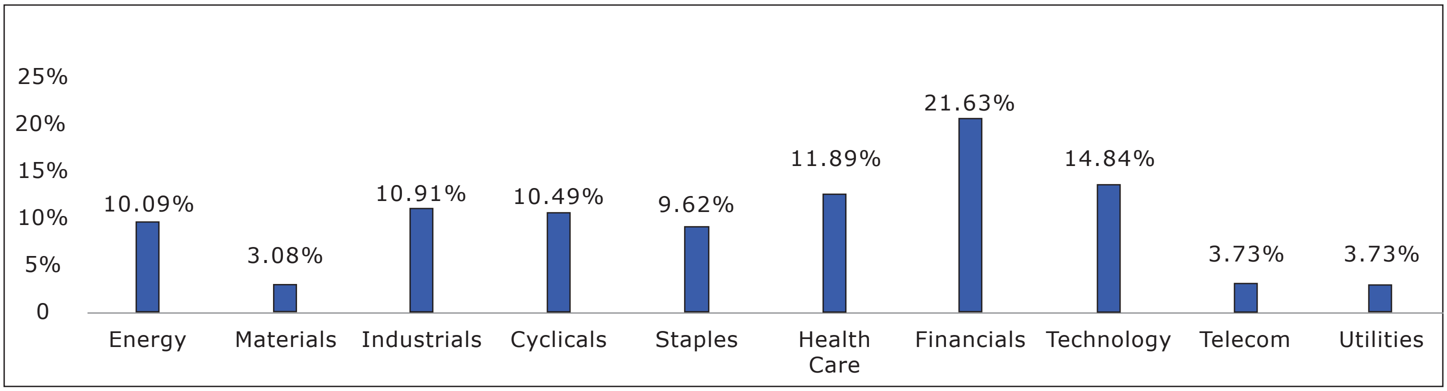


Source: Standard & Poor's

Sector performance was a main reason why foreign stocks (MCSI EAFE) out-performed domestic stocks (S&P Index) in the First Quarter 2007. The US economy is heavily dependent on Financials, Technology, and Health Care. These combined sectors comprise nearly half of the market capitalization of the S&P Index. These sectors were the laggards.

1 Alt-A loans are mortgages to certain borrowers, such as self-employeds, who cannot provide standard documentation such as a W-2 form.

S&P 500 Index Sector Weights Q1 2007



Source: Standard & Poor's

Sectors: Portfolio Strategy Considerations

Our sector weighting results were mixed. An underweight to Financials and an overweight to Telecom added value. An overweight to Technology hindered performance. Our underweight to Energy had no performance impact (the sector was a market performer). We will continue to underweight Financials partly due to sub-prime mortgage concerns, and Energy due to its volatility. We also believe that Technology will rebound and Health Care stocks offer protection in a slowing economy. We will continue to overweight these sectors.

Market Cap Performance

Last year large cap stocks modestly out-performed small cap stocks. Small cap slightly outperformed in the last quarter. Over the last few years, market cap performance has been nearly identical despite increased volatility in small cap as measured by beta. The Russell 2000 Index now has a beta of 1.36 (by definition, the market has a beta of 1.0).

Market Cap Performance

	First Quarter 2007	2006
Large Cap Performance		
World	2.60%	20.65%
Foreign	4.15%	26.86%
USA	1.03%	15.32%
Small Cap Performance		
World	5.23%	17.56%
Foreign	7.19%	19.67%
USA	2.16%	14.67%

Source: MSCI

Annual earnings growth has been solid for companies regardless of their size, while Price/Earnings (PE) ratios have fallen. The PE premium of small cap to large cap has increased as the bull market has aged. This is contrary to what normally occurs and is a sign of concern.

Price/Earnings (PE) Premium of Small Cap to Large Cap

PE Ratio	2003	2004	2005	2006	2007*
S&P 500 Index (Large Cap)	20.33	17.93	16.33	16.20	15.19
S&P 500 Index (Small Cap)	23.43	20.85	19.17	20.23	18.80
Small Cap Premium	15.25%	16.29%	17.39%	24.88%	23.77%

*As of April 10, 2007 Source: Standard and Poor's

Market Cap: Portfolio Strategy Considerations

We continue to believe that large cap stocks are substantially better from a risk/reward standpoint and we will maintain our large cap focus in the current environment.

Style Performance

Value appeared to lose its edge in the First Quarter after significantly leading growth in 2006. Massive global liquidity has been a factor in recent Value out-performance. We believe that previous US rate hikes along with the mortgage crisis could hamper liquidity. Weak energy prices or an increase in the Japanese Yen (see The Japanese Carry Trade, page 10) could also pressure liquidity.

Style Performance

	First Quarter 2007	2006
US Growth	0.88%	8.90%
US Value	1.18%	21.97%
Foreign Growth	5.02%	22.69%
Foreign Value	3.28%	31.05%

Source: MSCI

Style: Portfolio Strategy Considerations

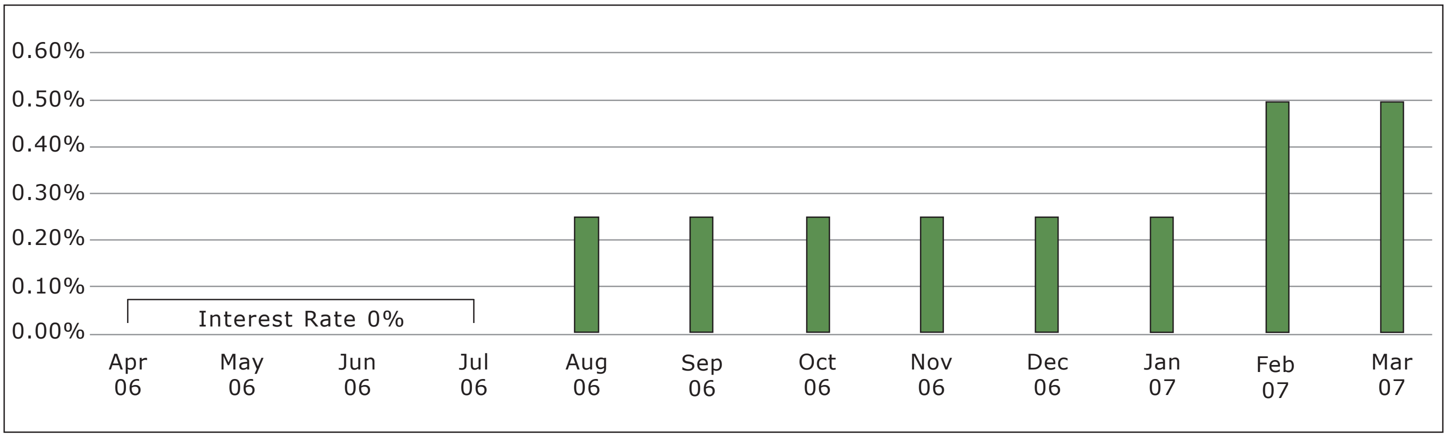
An aging market expansion with indicators including an inverted yield curve and possible declining global liquidity favor a growth bias.

The "Japanese Carry Trade": Should Investors Be Concerned?

There has been discussion regarding a phenomenon called the "Japanese Carry Trade". The term has been mentioned frequently in the media, yet many investors are not familiar with what it means. We would like to briefly explain the carry trade and how it has influenced our current portfolio strategy.

The Bank of Japan interest rate is currently 0.50% while the US Federal Reserve Funds Rate is 5.25%. Traders worldwide have borrowed the low-interest Japanese Yen (and converted the yen to other currencies) to finance a wide range of global investments. This is the meaning of the term "carry trade".

Bank of Japan Interest Rates Over The Last 12 Months



Source: Standard & Poor's

The Japanese carry trade grew popular after Japan started holding interest rates steady near zero six years ago. The more traders entered into the Japanese carry trade, the more yen was sold. This caused the yen to fall over the last few years.

The carry trade has been a main driver of global liquidity. Many hedge funds and other large institutional investors have been borrowing money at cheap rates in Japan and moving it to higher-yielding US Treasuries, as well as some of the physical commodities and stocks (Energy and Materials).

To illustrate a Japanese carry trade, suppose a trader borrows 1 million yen from a Japanese bank, converts the funds into US Dollars, and buys a US bond for the equivalent amount. Assume that the US bond pays 4.5% and the Japanese interest rate is 0.5%. The trader will make a profit of 4.0% (4.5% - 0.5%) as long as the exchange rate between the countries does not change (remember that the borrowed Japanese yen must be repaid in the same currency). The gains can become much larger if the trader uses a common leverage factor of 10:1 (the profit will be 40.0% versus 4.0%).

The big risk in the carry trade is the uncertainty of exchange rates. In this example, if the Japanese Yen were to appreciate versus the US Dollar at a rate greater than the interest rate differential, the trader would lose money. This is because it would become more expensive to purchase the Japanese yen (with US Dollars) needed to pay back the Japanese bank. The amount owing has become a lot more than originally borrowed. When leverage is considered, a small movement in exchange rates can result in huge losses.

Factors That Could Cause The Japanese Yen To Appreciate

There are four factors, individually or collectively, that could cause the Japanese Yen to appreciate.

Japanese Pullback from Weakening the Yen

A weak yen stimulates Japanese exports, which helps its economy. For many years, Japan has deliberately weakened the yen through purchasing a tremendous amount of US Treasuries (yen is sold, US dollars are purchased). With recent Japanese economic strength, there may not be as much necessity to maintain a weak yen. The gains to Japanese consumers and consumer companies with a stronger yen may supercede the losses to exporters.

A Strong Japanese Economy

The Japanese economy grew faster than expected in the last quarter of 2006 (at an annualized rate of 5.1%). Consumer spending contributed to half of the gain. A continuing strong economy will attract foreign investment, which in turn will increase demand for the Japanese yen and cause it to appreciate.

The Bank of Japan Raises the Interest Rate

Although it is expected that the Bank of Japan will hold the interest rate steady at 0.50%, the rate can change at any time. For many years, the Japanese consumer has been hurt by a depreciated yen. Using the justification of solid signs of a domestic economic recovery, the Bank of Japan could benefit its own citizens by a further rate hike.

A Further Unwinding of the Japanese Carry Trade

If the yen appreciates due to a strong Japanese economy and/or an interest rate hike from the Bank of Japan, the carry trade will become less attractive. As traders unwind their positions, they will purchase yen, which will increase demand for the Japanese yen and cause it to appreciate.

Up to this point, traders have been quite willing to take the currency risk of the Japanese carry trade. It is only recently that a variety of hedge funds, insurance companies and mutual funds are getting out of those bets, and removing a key source of support for stocks and bonds. This has caused an appreciation of the yen, as yen has to be purchased to repay loans.

Portfolio Strategy Implications

We believe there is a strong possibility that the Japanese carry trade will unwind. If it unwinds, the process could be gradual or fast. However, it is important to position the portfolio accordingly at this time versus trying to time the market at a future date.

Equity

It is possible that a substantial amount of the increase in the price of oil over the last two years is a result of the speculative behavior financed by the Japanese carry trade. If the carry trade unwinds, we would expect a decline in energy prices. This is one of the reasons why we have under-weighted Energy in our equity portfolio.

Similarly, we believe the Japanese carry trade has been a factor in the rise of commodity prices. We have also under-weighted Materials.

An unwinding of the Japanese carry trade would hamper the available funds for private equity. Investor appetite for risk will decrease with less available (cheap) funds. Smaller cap companies would likely lose favor. This reinforces our portfolio emphasis towards large cap stocks.

If the Japanese carry trade unwinds, the yen will likely appreciate. We believe it is important to maintain our overall weighting to Japan, but will likely adjust our industry allocation. A strengthened yen will hurt Japanese exporters and help Japanese consumers. Consequently, less equity focus on exporters and more focus on consumer goods would be a prudent portfolio adjustment.

Bonds

China and Japan are currently the largest buyers of US Treasuries. If the Japanese carry trade unwinds, we would expect two opposing reactions:

- US Treasuries would be sold to purchase yen (to unwind the carry trade)
- A "flight to quality" would attract new entrants to the US bond market

The net result would be a "wash" – no major change in supply or demand for US Treasuries. This would likely translate to an uneventful bond market.

From a strategy standpoint, we believe that it is best to maintain a relatively short (5-year) bond duration for three reasons:

- If the Japanese carry trade unwinds, long-term bonds are more susceptible to price declines
- Long-term bonds are more sensitive to inflation
- A potential Fed rate cut would be of greater benefit to short-term bonds

Bond Market Review

In our opinion, interest rates will continue to remain relatively stable (the last rate hike occurred August 8, 2006) throughout the year. The Lehman Brothers Government/Corporate Bond Index (widely considered the broadest of the major US bond indices) rose 1.47% for the First Quarter. The yield curve flattened during the quarter but remains slightly inverted.

Key US Interest Rates

	31 Mar 2007	31 Dec 2006	Change
Federal Reserve Board Funds Rate	5.25%	5.25%	0 basis points
2-Yr Treasury (Constant Maturity)	4.58%	4.79%	- 21 basis points
5-Yr Treasury (Constant Maturity)	4.54%	4.68%	- 14 basis points
10-Yr Treasury (Constant Maturity)	4.65%	4.68%	- 3 basis points

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

We expect the yield curve will remain relatively flat in the near term as the Fed plays a balancing game. Energy prices may fall after the summer “vacation driving” season and inflationary pressures could be reduced to the point of providing flexibility for the Federal Reserve. Should this occur, the Fed may finally be in the position to cut rates if the predicted "soft landing" of the slowing economy becomes more difficult than anticipated. This may affect the steepness of the yield curve with any rate cuts benefiting shorter term treasuries.

In our opinion, there is reasonable economic growth and minimal inflation risk. Even if interest rates rise, we would expect a modest increase in yields at best. We continue to expect an uneventful year in fixed income.

Bond Market: Portfolio Strategy Considerations

We continue to maintain our fixed income portfolio position in shorter term maturity bonds, and are deliberately letting our average duration decline to less than four years. We continue to hold Treasury Inflation Protected Securities (TIPS) in tax dererred accounts as a hedge against unanticipated inflation. The shorter term bonds allow us to get higher yields while remaining protected from a larger than expected increase in interest rates.

Closing Thoughts

We continue to expect global equity markets will advance 11%-15% in 2007. Reasons for our optimism include stable inflation and interest rates, an attractive current S&P 500 Index Price/Earnings ratio (15.19), and positive economic growth. We do not anticipate a rate hike from the Federal Reserve Board, and would not be surprised if there was a slight rate cut. Consequently, we expect an uneventful bond market at this time.

We see no reason to deviate significantly from our 2007 Market Forecast and current 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,

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"It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."
Warren Buffett