TRIVANT
CUSTOM PORTFOLIO GROUP, LLC

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INSIGHTS

EXECUTIVE SUMMARY

Third Quarter 2007

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Emerging Markets, Energy, Large Cap and Growth Stocks Lead Q3 2007

In the Third Quarter, the domestic S&P 500 Index rose 2.03% while the MSCI EAFE Index (foreign) returned 2.18%. With the exception of Japan, all global equity markets had a positive performance.

Stocks were volatile. The S&P 500 Index declined 9.27% (from July 19 to August 15) before it recovered.

Markets overcame continuing sub-prime mortgage woes and benefited from a 0.50% Fed rate cut (September 18). Six trends were noteworthy:

- Emerging Markets (+14.42%) returns were as stunning as Q2 (+15.05%)
- Energy (+9.39%) led sector performance for the second straight quarter
- Sub-prime mortgage woes and a relatively flat yield curve continued to hurt banks
- The US Dollar depreciated strongly against the Euro and the Yen
- Large cap stocks out-performed small cap stocks by over 6%
- Growth stocks out-performed value stocks by over 4%

Continued Emphasis on Large Cap US Growth Stocks Is Favorable

We have had a large cap focus on the portfolio for the past year. Through the Second Quarter, large cap and small cap stocks had performed almost identically for 2007. In the Third Quarter, large cap significantly out-performed small cap. Companies with higher "earnings quality" (Quarterly Insights, July 2007, Equity Market Review, Page 3) were rewarded, and we believe this trend will continue.

Ignoring the effects of currency fluctuation, US stocks have performed very close to those of the United Kingdom and the European Monetary Union (The US Dollar, page 4). If the US Dollar stabilizes versus these currencies going forward, we expect US stocks to out-perform.

Through the Second Quarter, growth and value stocks had performed almost identically for 2007. In the Third Quarter, growth significantly out-performed value. We will maintain our growth bias.

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EXECUTIVE SUMMARY

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Fixed Income

There was a 0.50% Fed interest rate cut on September 12. Interest rates fell in the quarter, which gave strength to the bond markets. The Lehman Brothers Government/Corporate Bond Index (widely considered the broadest of the major US bond indices) rose 3.01% for the Third Quarter. The yield curve is still somewhat flat.

Mortgage concerns and higher oil prices raised the possibility of a recession. A slowing economy reduces interest rates because there is less inflationary pressure. Interest rates are highly correlated to expected inflation rates. Since expected inflation fell in the quarter, interest rates also fell (especially for the two-year and five-year Treasuries).

We expect the yield curve will remain relatively flat moving forward, even in the event of a further fed rate cut. Given the strong recent appreciation of the Euro, we believe the likelihood of more rate hikes in Europe has declined.

Through the end of the Second Quarter, we had expected an uneventful year in fixed income. The Third Quarter performance was surprisingly strong, although we expect a more modest Fourth Quarter.

TRIVANT CUSTOM PORTFOLIO GROUP, LLC Third Quarter 2007 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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Chief Investment Officer

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President

Equity Market Review

Emerging Markets, Energy, Large Cap and Growth Stocks Lead Q3 2007

In the Third Quarter, the domestic S&P 500 Index rose 2.03% while the MSCI EAFE Index (foreign) returned 2.18%. With the exception of Japan, all global equity markets had a positive performance. Stocks were volatile. The S&P 500 Index declined 9.27% (from July 19 to August 15) before it recovered.

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Equity Index Performance

Index	Q3 2007	2007
S&P 500 (Domestic)	2.03%	9.13%
MSCI EAFE (Foreign)**	2.18%	13.15%
MSCI World	2.36%	11.74%
MSCI Emerging Markets	14.42%	34.50%
Russell 2000 (Small Cap)*	(3.39%)	2.26%
MSCI Japan	(0.86%)	1.96%
MSCI UK (United Kingdom)	0.17%	11.01%
MSCI EMU (European Monetary Union)	2.29%	17.26%

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

Continued Emphasis on Large Cap US Growth Stocks is Favorable

We have had a large cap focus on the portfolio for the past year. Through the Second Quarter, large cap and small cap stocks had performed almost identically for 2007. In the Third Quarter, large cap significantly out-performed small cap. Companies with higher "earnings quality" (Quarterly Insights, July 2007, Equity Market Review, page 3) were rewarded, and we believe this trend will continue.

Ignoring the effects of currency fluctuation, US stocks have performed very close to those of the United Kingdom and the European Monetary Union (The US Dollar, page 4). If the US Dollar stabilizes versus these currencies going forward, we expect US stocks to out-perform.

Through the Second Quarter, growth and value stocks had performed almost identically for 2007. In the Third Quarter, growth significantly out-performed value. We will maintain our growth bias.

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

The US Dollar

The US Dollar was highly volatile in the Third Quarter with the dollar depreciating strongly against the Euro, Japanese Yen and the British Pound.

U.S Dollar Appreciation vs. Foreign Currencies

Currency	Q3 2007	2007
US Dollar/Euro	(5.04%)	(7.29%)
US Dollar/Japanese Yen	(6.87%)	(3.48%)
US Dollar/British Pound	(1.53%)	(4.07%)

Source: MSCI

A weaker US Dollar can spur domestic inflation and negatively impact the US consumer. Although inflation was not a factor in the Third Quarter, it may be in future quarters. If we deem inflation to be a larger concern, we will likely reduce our exposure to Consumer Cyclical stocks.

US exporters will benefit from a relatively weaker US Dollar. Heightened exports and favorable currency translation will increase dollar-denominated revenues. This will favor large cap US companies with significant international markets. These are the types of companies that comprise the S&P 500 Index.

Note the Third Quarter performance. Despite the weakened US Dollar, the S&P 500 Index performed almost identically to Europe and better than Japan.

The US Dollar: Portfolio Strategy Considerations

We anticipate growing European concerns regarding the relative strength of their currencies because it has hurt European exports. This should effectively protect the US Dollar from significant further depreciation against European currencies. Assuming the US Dollar stabilizes, we expect US stocks to out-perform the developed foreign markets. Our current portfolio weighting of approximately 80% domestic exposure would be well-positioned.

Japan

The Japanese market fell slightly (-0.86%) for the quarter while all other areas of the world moved ahead. Year-to-date, Japan has lagged all other markets considerably.

The quarter was significant from a political standpoint. Less than one year after being elected, Prime Minister Shinzo Abe resigned (September 12) due to a scandal-plagued administration. His successor, Yasuo Fukuda, and his cabinet were sworn in September 26. The cabinet retained 13 of 17 cabinet members from the Abe leadership.

Major challenges for the new administration include an aging population and soaring national debt. Japan has the largest debt in the world at $6.8 trillion, which is 1.5 times their GDP.

Japan: Portfolio Strategy Considerations

Japan continues to be a troubled region. It has considerably lagged the rest of the world in terms of performance. We have a small Japanese weighting in most portfolios, have previously reduced our position, and may further reduce our position.

Emerging Markets

Emerging markets spiraled upward (14.42%) for the second consecutive quarter. Year-to-date, emerging markets are up 34.50%. We have been stunned that investor risk appetites remain unfazed even though political risks remain high. This is counter to the trend of large cap dominance observed in the developed markets.

We believe extreme caution is warranted. Emerging markets have been spurred by relative sector out-performance in the areas of Energy, Materials, and Telecom. We do not think it is reasonable to assume that these sectors will lead indefinitely.

China's trade surplus surged to a record high in June ($112 billion for the first half of 2007 according to Dow Jones Newswires). A deliberately undervalued currency helps give Chinese exporters a huge advantage in international markets. There will likely be increased efforts from other countries (particularly the US) to counter this advantage via trade policy reform.

Emerging Markets: Portfolio Strategy Considerations

We will continue to target a 3% portfolio weighting in emerging markets. Portfolios have been rebalanced accordingly. While opportunities remain in this area, we believe that risk is increasing.

Europe

Europe and the United Kingdom fared similar to the S&P 500 Index for the Third Quarter, returning 2.29% and 0.17% respectively. In the absence of currency translation, Europe lagged US performance.

There is growing disagreement between the new president of France, Nicolas Sarkozy, and other members of the EMU (Germany, Austria, Finland, and the Netherlands). Mr. Sarkozy faces growing criticism over the fact that his tax-cutting plans will deter the 13-member Eurozone's promise to achieve balanced budgets by 2010.

Additionally, Mr. Sarkozy wants the European Central Bank (ECB) to cut interest rates and curb the rise of the Euro. He believes that the relatively strong European currency has hurt exports. Lowering interest rates is inconsistent with the monetary policy favored by ECB president Jean-Claude Trichet.

Europe: Portfolio Strategy Considerations

We remain neutral on our European outlook because much of the return has come from currency appreciation. In our opinion, this is less likely to occur in the future.

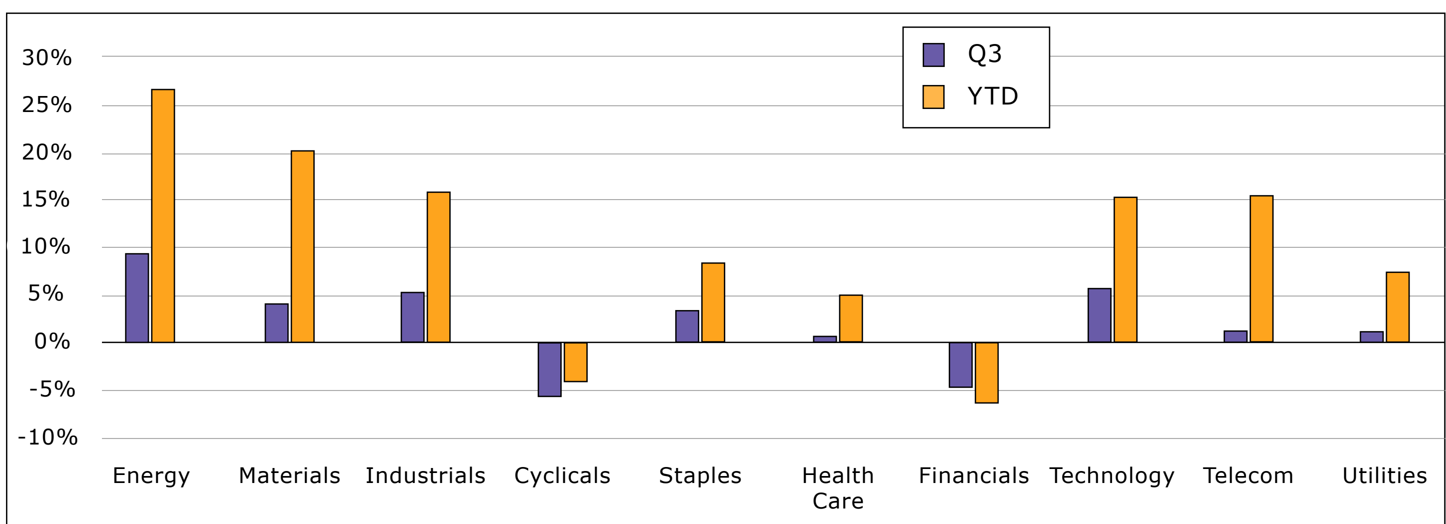
Sector Performance

Energy led the sectors (9.39%) for the quarter after also leading Q2 2007 (14.32%). Technology had a strong quarter (6.12%) to follow up a stellar Q2 2007 (10.18%). Industrials (5.35%) and Materials (4.36%) continued to exceed the S&P 500 Index performance. Telecom was a market performer for the quarter, but continues to lead 2007 sector performance after a strong Q1 2007 (8.38%).

Financials continued to suffer from sub-prime lender woes and was the second poorest performing sector (-4.93%) for the quarter. Financials is the worst performing sector (-6.83%) so far in 2007. Cyclicals is the only other sector that has negative performance for the year (-4.28%).

Telecom had its first mediocre quarter (1.36%) for the year. The last two quarters for Utilities have been flat. Utilities often act like a proxy for bonds but lagged bond performance for the quarter.

S&P 500 Index Sector Performance Q3 2007



Source: Standard & Poor's

Sectors: Portfolio Strategy Considerations

Financials is the largest sector by weight (20%) of the S&P 500 Index. An underweight to Financials helped performance. The outlook for the Financials sector, given the continuing fallout of the sub-prime mortgage woes, does not look favorable for the Fourth Quarter. One factor that may change this outlook would be a further Fed rate cut.

Technology is the second largest sector by weight (approximately 16%) of the S&P 500 Index. We have had an overweight to Technology for well over a year, and it has helped performance for the last two quarters. We believe that the rally in Technology stocks will continue as the sector remains fairly insulated from higher energy prices and is positively affected by global growth, higher efficiency demands and a weaker US Dollar.

Our modest underweight to the Energy and Materials sectors has hindered portfolio performance, as has our overweight to Health Care.

We do not anticipate significant adjustments to our portfolio sector weightings for the Fourth Quarter, but may do so at the beginning of 2008.

Market Cap Performance

Large cap stocks significantly out-performed small cap stocks for the quarter. Up until this quarter, size factors were insignificant for the previous four quarters.

Market Cap Performance

	Third Quarter 2007	2007
Large Cap Performance		
World	2.36%	11.74%
Foreign	2.18%	13.15%
USA	1.97%	9.05%
Small Cap Performance		
World	(4.14)%	5.89%
Foreign	(4.49%)	6.62%
USA	(4.76%)	2.03%

Source: MSCI

There are three factors we believe may explain large cap out-performance:

1) *The Depreciation of the US Dollar*

The companies in the S&P 500 Index now derive about 40% of their revenues abroad. The US Dollar depreciation bolsters US exports. Large cap companies have enjoyed these export gains. Small cap companies tend to have lower overseas sales.

2) *Private Equity Funds Are Now Tougher To Attract*

There continues to be fallout from damaging exposure to sub-prime mortgages and self-destructed hedge funds. Private equity transactions are being approached with much greater caution and scrutiny. We believe that many of the top tier smaller companies have already been acquired or have gone private. The prospect of private equity deals has tended to buoy smaller companies in the past. This was not the case for the last quarter. We do not expect a “small cap premium”to reappear in the near future.

3) *Negative Small Cap Momentum*

As small cap significantly lagged large cap in the quarter, investors and institutions shifted money to large cap. From a risk/reward standpoint, small cap must have a greater potential return on capital to justify its higher investment risk. When small cap returns lag large cap returns, small cap becomes very unattractive. It essentially offers less return for more risk.

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

Growth stocks led value stocks in the quarter by a significant margin. This follows an almost-identical performance in Q1 2007 and a slight out-performance in Q2 2007.

In 2006, US value stocks (21.97%) considerably out-performed growth stocks (8.90%). This trend has been reversed in 2007. Growth is leading value by a significant margin.

In our previous Quarterly Insights (July 2007, page 8), we noted that "recent performance indicates a growing focus on earnings quality". This focus became much more pronounced in the last quarter. The mortgage crisis was one factor that hurt value stocks.

Style Performance

	Third Quarter 2007	2007
US Growth	5.22%	13.08%
US Value	0.68%	6.80%
Foreign Growth	5.98%	17.74%
Foreign Value	(0.28%)	8.02%

Source: MSCI

Style: Portfolio Strategy Considerations

We have had a growth bias in the portfolio since the beginning of the year. An aging market expansion with indicators including a somewhat flat yield curve and possible declining global liquidity continue to favor a growth bias.

European Stock Exposure

Should We Increase European Stock Exposure Given Its Momentum?

In 2006 and 2007 the Euro and the British Pound have appreciated considerably versus the US Dollar. We have an approximate 13% European stock weighting in the portfolio (an overall 20% foreign stock weighting). European stocks have out-performed US stocks for the last three years.

Market Performance versus Currency Translation

	2005	2006	2007 YTD
Index Performance			
S&P 500 (Domestic)	4.91%	15.80%	9.13%
MSCI EMU (European Monetary Union)	9.58%	37.28%	17.26%
MSCI UK (United Kingdom)	7.38%	30.67%	11.01%
US Dollar Appreciation vs. Foreign Currencies			
US Dollar/Euro	10.82%	-11.79%	-7.29%
US Dollar/British Pound	11.93%	-14.00%	-4.07%

Source: Bloomberg and MSCI

Given its momentum regarding relative stock out-performance and currency strength, why not increase European stock exposure? Part of the answer is that European stock out-performance versus the US, when the effects of currency translation are not factored, has been declining considerably over the last two years.

S&P 500 Index (Domestic) Relative Performance

	2005	2006	2007 YTD
Currency Translation Factored			
vs. MSCI EMU (European Monetary Union)	-4.67%	-21.48%	-8.13%
vs. MSCI UK (United Kingdom)	-2.47%	-14.87%	-1.88%
Currency Translation Not Factored			
vs. MSCI EMU (European Monetary Union)	-15.49%	-9.69%	-0.84%
vs. MSCI UK (United Kingdom)	-14.40%	-0.87%	2.19%

Source: Bloomberg and MSCI

Significantly favorable currency translation has been the single most important attribution in European stock out-performance over the last two years. Year to date, the US and European stock markets have performed almost identically when currency translation is not factored.

Based on recent activity, the decision to potentially increase European stock exposure should therefore heavily depend upon future currency translation expectations. We should increase European stock exposure if we believe that:

- The US Dollar will depreciate considerably versus the Euro and British Pound
- A US Dollar depreciation will likely result in a relative European stock out-performance, and
- An increased European stock weighting will not assume undue portfolio risk

Will The US Dollar Continue To Depreciate?

The US Dollar is considerably affected by how investors view the US economy and fiscal responsibility. An expected strong US economy should translate to a stronger US Dollar. An anticipated slowdown in the US economy may translate to a weaker US Dollar. Lowered US economic expectations were likely the main factor in the Third Quarter US Dollar depreciation versus the Euro.

Interest rates also affect currency valuation. Currency moves to the most attractive investment returns. A relative increase in US interest rates should result in a US Dollar appreciation (when the US attracts investment, demand for US Dollars increases because foreign currencies are converted to US Dollars). In the Third Quarter, the Fed cut US interest rates by 0.50% on September 12 while the ECB interest rates remained stable. There was not much time in the quarter for the lowered US interest rate to affect the US Dollar.

The Fed's mandate is to maintain full employment while controlling inflation. Employment has been steady. The US unemployment rate was 4.6% in 2006 and 4.7% in September, 2007 (US Department of Labor, Bureau of Labor Statistics). High oil prices put upward pressure on the cost of goods, but so far, there is little evidence of large price increases. The Consumer Price Index (CPI) is up only 2.8% over the last 12 months. Since employment and inflation are under control, the Fed has potential flexibility for another rate cut if deemed necessary.

There are four factors that may point to further US Dollar depreciation:

- The US economy is slowing relative to Europe and the negative effects of the sub-prime mortgage market woes may further drag down the US economy
- There could be a lag effect from the September 12 Fed interest rate cut
- If the Fed initiates a further interest rate cut, it appears for the moment that the European Central Bank (ECB) would not follow the same monetary policy
- The "off-balance-sheet" financing of the US military efforts in Iraq become more closely scrutinized and dampen enthusiasm for the US Dollar

We assess a greater than 50% probability that the US Dollar will continue to depreciate versus the Euro and British Pound in the Fourth Quarter. If this occurs, will the depreciation be significant (greater than 5%)? We do not think so.

We anticipate growing European concerns regarding the relative strength of their currencies because it has hurt European exports. This should effectively protect the US Dollar from significant further depreciation against European currencies.

If The US Dollar Depreciates Further, Will European Stocks Out-Perform?

If the US Dollar depreciates at an insignificant level (less than 5%) versus the European currencies in the Fourth Quarter, we believe that US Large Cap stocks will out-perform.

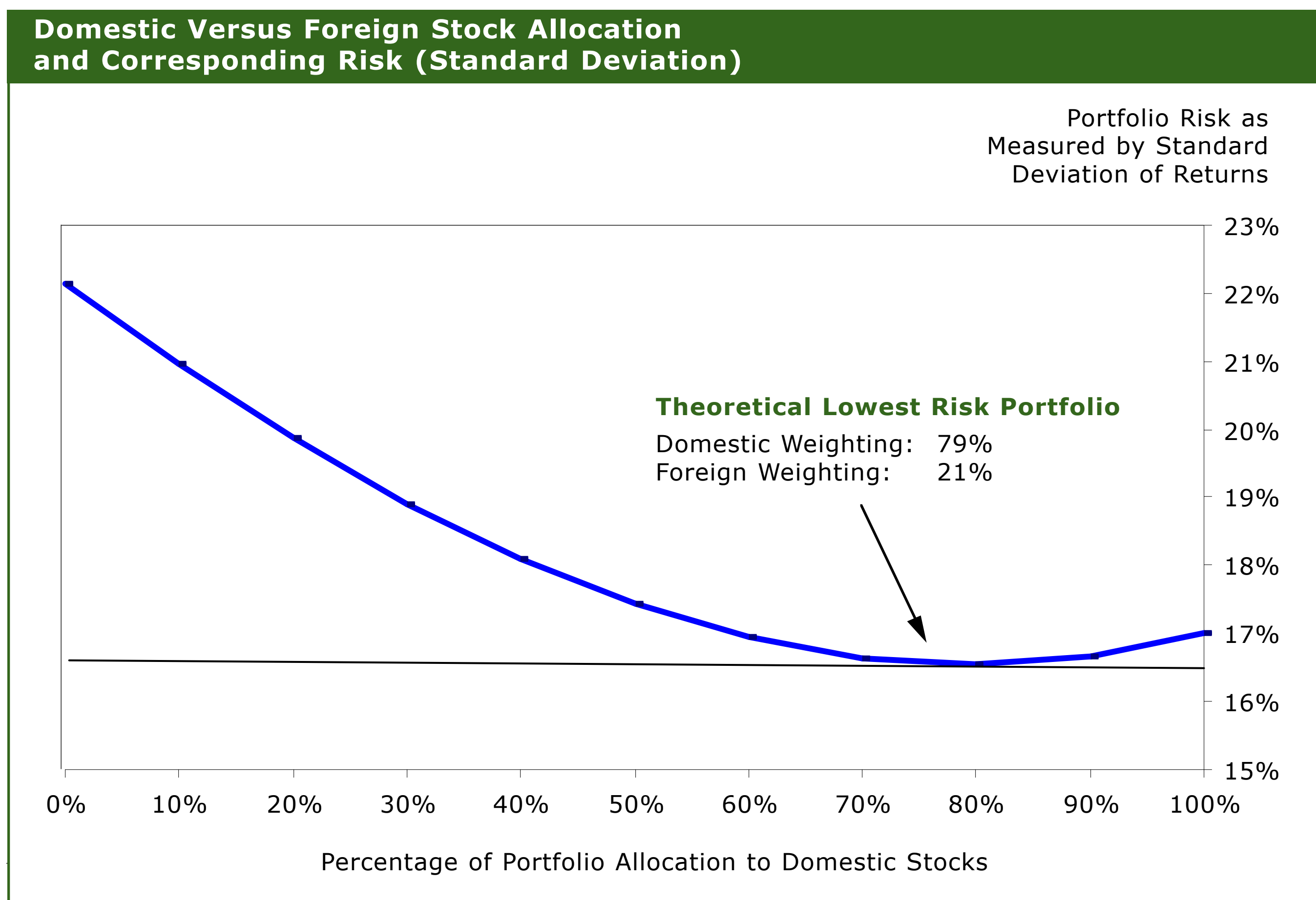
The companies in the S&P 500 Index now derive about 40% of their revenues abroad and have enjoyed gains from positive currency translations. Small cap companies tend to have lower overseas sales. This difference has benefited the earnings of the larger global companies.

If the Euro and British Pound appreciate further versus the US Dollar, European exports will decline, resulting in lower revenues (denominated in Euros and British Pounds) for the European companies. These lower revenues will be partially offset by currency appreciation (the Euros and British Pounds will translate to more US Dollars).

We believe that the net gains to the US Large Cap companies will supercede the net gains to the European companies in the event of an insignificant (less than 5%) depreciation of the US Dollar. Therefore, we do not expect European stocks to out-perform.

How Would Increased European Stock Exposure Affect Portfolio Risk?

Risk control is a vital consideration for an individual portfolio. According to data we compiled from 1970 to 2005, a domestic exposure of 79% and foreign exposure of 21% is consistent with the theoretical point of lowest portfolio risk (in terms in standard deviation). This is roughly the portfolio weighting we have at this time. Given the current market conditions, we advocate a conservative portfolio.



Another portfolio risk in addition to standard deviation of returns is currency risk. Our clients' expenditures (assuming that income needs are being met from the portfolio) are predominantly in US Dollars. A higher foreign weighting in the portfolio introduces higher currency risk. For our retired clients, the most important portfolio objective is to maintain a retirement "Probability of Success" that exceeds 90%. Unfavorable currency fluctuations can affect the "Probability of Success".

Additional European exposure will increase portfolio risk. The question is whether it is an attractive risk/potential return tradeoff. We believe the probability of a significant (greater than 5%) depreciation of the US Dollar (versus the Euro and British Pound) is less than 50%. We also believe that an insignificant US Dollar depreciation (or a stable or appreciating US Dollar) will favor US Large Cap stocks.

Conclusion

We believe there is a greater than 50% probability that the US Dollar will depreciate further against the Euro and the British Pound, but that the rate of depreciation will be insignificant. An insignificant US Dollar depreciation (or a stable or appreciating US Dollar) should favor Large Cap US stocks. We conclude that increased European exposure would be a poor risk/potential return tradeoff at this time.

Bond Market Review

There was a 0.50% Fed interest rate cut on September 12. Interest rates fell in the quarter, which gave strength to the bond markets. The Lehman Brothers Government/Corporate Bond Index (widely considered the broadest of the major US bond indices) rose 3.01% for the Third Quarter. The yield curve is still somewhat flat.

Key US Interest Rates

	30 June 2007	30 September2007	Change
Federal Reserve Board Funds Rate	5.25%	4.75%	-50 basis points
2-Yr Treasury (Constant Maturity)	4.87%	4.00%	-87 basis points
5-Yr Treasury (Constant Maturity)	4.93%	4.23%	-76 basis points
10-Yr Treasury (Constant Maturity)	5.03%	4.55%	-48 basis points

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

Mortgage concerns and higher oil prices raised the possibility of a recession. A slowing economy reduces interest rates because there is less inflationary pressure. Interest rates are highly correlated to expected inflation rates. Since expected inflation fell in the quarter, interest rates also fell (especially for the 2 year and 5 year Treasuries).

We expect the yield curve will remain relatively flat moving forward, even in the event of a further fed rate cut. Given the strong recent appreciation of the Euro, we believe the likelihood of more rate hikes in Europe has declined.

Through the end of the Second Quarter, we had expected an uneventful year in fixed income. The Third Quarter performance was surprisingly strong, although we expect a more modest Fourth Quarter.

Bond Market: Portfolio Strategy Considerations

We continue to maintain our fixed income portfolio position primarily in high quality shorter term maturity bonds and are deliberately letting our average duration decline below four years. We continue to hold Treasury Inflation Protected Securities (TIPS) in tax-deferred 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

At the beginning of the year, we forecast that global equity markets would advance 11% to 15% in 2007. Three-quarters through the year, we believe that our forecast is still on track. Valuations remain attractive and there is slowing yet positive economic growth.

It appears very unlikely that there will be a Fed interest rate hike. The market currently assesses a 60% probability of an additional Fed rate cut. Neither stocks nor bonds should be derailed in the event of stable interest rates or a slight Fed interest rate cut.

We see no reason to deviate significantly from our 2007 Market Forecast and current portfolio strategy. Portfolio changes are likely in early 2008.

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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"Buy when everyone else is selling and hold until everyone else is buying. That's not just a catchy slogan. It is the very essence of successful investing."
J.Paul Getty

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