TRIVANT
CUSTOM PORTFOLIO GROUP, LLC

July 2008

quarterly INSIGHTS

EXECUTIVE SUMMARY

Second Quarter 2008

In This Issue

Energy Shines and Financials Deteriorate In A Lackluster Q2 2008

In the Second Quarter, the domestic S&P 500 Index fell 2.73% while the MSCI EAFE Index (foreign) fell 1.93%. Almost all global equity markets had negative performance in a range of 5% (the exception was Japan). There were few "bright spots" regarding sector, market cap or style (growth versus value) performance.

The market continued to exhibit high volatility. Gains realized in the first two months of the quarter were erased in June. Rapidly rising energy costs became the prime concern of investors. Investors also remained nervous due to recession fears, housing market weakness and sub-prime mortgage woes. Areas of note include:

- Financials (-19.01%) continued to deteriorate due to sub-prime mortgage exposure
- Energy (+16.92%) was the star performer
- Technology (+2.29%) showed signs of recovery after a disappointing First Quarter
- US small cap stocks (+2.03%) out-performed US large cap stocks (-2.73%)
- US growth stocks (+3.00%) out-performed US value stocks (-5.98%)

Continued Emphasis on Large Cap US Growth Stocks Is Favorable

Until energy prices fall, we will maintain a large cap focus in the portfolio because large cap stocks offer a better risk/return tradeoff. We believe the Second Quarter US small cap out-performance was insignificant and perhaps an anomaly. The larger companies should be better positioned to withstand the slowdown in the economy and consumer spending.

US stocks slightly under-performed those of the United Kingdom and Japan, and slightly out-performed the European Monetary Union. The US Dollar stabilized versus the Euro, Pound and the Yen, an event which may point to US stock out-performance going forward.

We believe energy costs will ease by the Fourth Quarter. If this happens, the resulting improved consumer confidence and company profitability should be the

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EXECUTIVE SUMMARY

Continued from Page 1

catalyst for a stock market recovery. In anticipation of a recovery, we would shift the portfolio towards a smaller-cap focus. Small cap stocks tend to bounce more off a market bottom.

Fixed Income

There was a 0.25% Fed interest rate cut in the Second Quarter as the Fed took mild measures to stimulate economic growth. The Lehman Brothers Government/Corporate Bond Index, widely considered the broadest of the major US bond indices, fell 1.51% for the Second Quarter.

During the quarter, interest rates fell and bond prices also fell (yields increased) as inflation reality and inflation expectations took their toll. Inflation hurts bonds because inflation diminishes the value of future bond payments.

The yield curve, which compares the 2-year Treasury rate (Constant Maturity) versus the 10-year Treasury rate, became more "flat" as the rise of longer yields did not match the rise of shorter yields. Normally a flattening yield curve hurts banks, which adds insult to injury in the midst of the continuing fallout from the sub-prime mortgage mess.

Core inflation averaged 2.85% in 2007 and 4.03% through February, 2008.[1] Oil and food costs continue their ascent. Through May 2008, core inflation rose to 4.20%. The Fed Funds Rate is significantly below the inflation rate.

Increasing inflationary pressures would normally cause the Fed to consider an interest rate increase. However, we are in the midst of the fallout from the sub-prime mortgage crisis and an economic slowdown. The need to reduce interest rates has been a higher priority than the need to raise interest rates. This should change in the near term.

We anticipate the Fed will increase interest rates in the near future in order to combat inflation and protect the US Dollar.

[1] Source: Bureau of Labor Statistics

TRIVANT CUSTOM PORTFOLIO GROUP, LLC Second Quarter 2008 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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Equity Market Review

Energy Shines and Financials Deteriorate In A Lackluster Q2 2008

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- US growth stocks (+3.00%) out-performed US value stocks (-5.98%)

Equity Index Performance

Index	Q2 2008	2008 Year to Date
S&P 500 (Domestic)	(2.73%)	(11.91%)
MSCI EAFE (Foreign)**	(1.93%)	(10.58%)
MSCI World	(1.43%)	(10.25%)
MSCI Emerging Markets	(0.80%)	(11.64%)
Russell 2000 (Small Cap)*	0.25%	(9.97%)
MSCI Japan	2.48%	(5.46%)
MSCI UK (United Kingdom)	(0.79%)	(11.22%)
MSCI EMU (European Monetary Union)	(5.44%)	(14.06%)

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

Continued Emphasis on Large Cap US Growth Stocks Is Favorable

Until energy prices fall, we will maintain a large cap focus in the portfolio because large cap stocks offer a better risk/return tradeoff. We believe the Second Quarter US small cap out-performance was insignificant and perhaps an anomaly. The larger companies should be better positioned to withstand the slowdown in the economy and consumer spending.

US stocks slightly under-performed those of the United Kingdom and Japan, and slightly out-performed the European Monetary Union. The US Dollar stabilized versus the Euro, Pound and the Yen (The US Dollar, page 4), an event which may point to US stock out-performance going forward.

We believe energy costs will ease by the Fourth Quarter (Has Oil Peaked?, page 8). If this happens, the resulting improved consumer confidence and company profitability should be the catalyst for a stock market recovery. In anticipation of a recovery, we would shift the portfolio towards a smaller-cap focus. Small cap stocks tend to bounce more off a market bottom.

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

The US Dollar

The US Dollar stabilized versus the Euro and British Pound in the Second Quarter, and appreciated versus the Japanese Yen. There was a small 0.25% cut in the Federal Reserve Board Funds Rate (as compared to a net 2.00% cut in the First Quarter). The European Central Bank (ECB) maintained its rate. Relative interest rate stability between the two regions likely contributed to currency stability between the US Dollar and the Euro.

U.S Dollar Appreciation versus Foreign Currencies

Currency	Q2 2008	2008 YTD	2007	2006
US Dollar/Euro	(0.73%)	(7.46%)	(9.59%)	(11.79%)
US Dollar/Japanese Yen	3.53%	(4.85%)	(6.43%)	0.94%
US Dollar/British Pound	(0.23%)	(0.39%)	(1.01%)	(14.00%)
US DollarIndex*	(0.07%)	(5.50%)	(8.47%)	(8.25%)

* The Dollar compared with a weighted basket of currencies. Source: Telemet

After two consecutive annual declines in the range of 10% versus the Euro, and a First Quarter decline of almost 8%, we believe the US Dollar is poised for a recovery over the next 12 months. Our optimism regarding the dollar is for the following reasons:

- Higher energy costs continue to drive inflation. The Fed Funds Rate (2.00%) is further below the rate of inflation than the previous quarter. This is a situation we believe is unsustainable beyond the short term. There is no more flexibility for the Fed to lower the Funds Rate to stimulate the economy. Sooner or later, controlling inflation (by raising rates) will become a greater Fed priority. Recessions generally last between 6 to 9 months. We expect the economy to improve in the near future with lower energy costs as a catalyst (Has Oil Peaked?, page 8). At the point of economic recovery, the Fed will have the flexibility (and the need) to increase interest rates. This should benefit the US Dollar.

- There will be a change of Administration at the end of this year. The new Administration may scale back military efforts in Iraq, and take other measures towards fiscal improvement. A lower deficit would benefit the US Dollar.

- The ECB benchmark short-term rate is currently 4.00%[2] and the US Fed rate is 2.00%. Lower US interest rates make foreign investment in the US less attractive, and this in turn pressures the dollar. The ECB has talked loudly about inflation concerns in recent weeks. It is not inconceivable that the ECB raises its rate very soon. In the event of a rate hike, the Fed may be forced to raise the US rate by at least an equal amount in order to protect the US Dollar. If the US Dollar is not protected, the price of oil could immediately increase and further drive US inflation. This is not what the Fed would want, as its mandate is to foster maximum sustainable employment and price stability.

The US Dollar: Portfolio Strategy Considerations

Whether motivated by inflation and/or a rise in the ECB rate, we expect the Fed to take measures to protect the US Dollar. Assuming a stable US Dollar, we expect US stocks to out-perform the developed foreign markets. Our current portfolio weighting of approximately 80% domestic exposure would be well-positioned. We may further increase our domestic exposure.

[2] The ECB raised its benchmark interest rate from 4.00% to 4.25% on July 3rd.

Japan

The Japanese market was positive (2.48%) in the Second Quarter despite a Japanese Yen that depreciated more than 3% against the US Dollar. Exports continue to increase moderately, although exports to the US (Japan's most important export market) continue to fall. Since the US economy has slowed, this dampens our enthusiasm regarding Japanese exposure. We will await future data to assess whether or not the Second Quarter Japanese out-performance is a potential trend or an anomaly.

Japanese manufacturing is vulnerable to high oil prices. Second Quarter corporate profits should fall considerably due to rising oil prices (from $108 to $140 per barrel in the Second Quarter) and a depreciated currency. The unemployment rate (3.8%) has not improved, there is no personal income growth, and private consumption has remained flat. Consumer spending makes up about 55% of Japan's economic activity. A current inflation rate of approximately 3% may encourage consumer spending, which could foster economic growth.

Japan: Portfolio Strategy Considerations

We view Japan as neutral at this time and will maintain our small portfolio position.

Emerging Markets

Emerging markets were down (0.80%) in the quarter, although there was large disparity in performance by region. China lost further ground (3.46%) in the quarter and is down 26.33% year-to-date. India continues to be decimated, losing 19.70% in the quarter and 41.38% year-to-date. Buoyed by commodity prices, Second Quarter star performers included Argentina (+35.36%), Brazil (+18.42%) and Russia (+10.95%).

Asian consumer goods exporters (China, Vietnam, Malaysia and Korea) continue to be vulnerable to the slowing US economy. Resource-rich countries such as Russia and Brazil should continue to prosper as long as commodity prices remain high.

Emerging Markets: Portfolio Strategy Considerations

We will keep our target weight in the range of 2% to 3% to reduce overall portfolio risk.

Europe

Europe was down (5.44%) for the quarter, and is the worst-performing developed market year to date. The Euro maintained its strength versus the US Dollar, which continues to hurt European exporters.

There is a dilemma facing the European Central Bank (ECB). Inflation is rising and exports are falling. What is a greater priority, combating inflation or encouraging exports?

The ECB has maintained stable interest rates in the midst of a series of US Fed interest rate cuts. Raising interest rates would help control inflation, but would also strengthen the Euro (and further hurt exporters). We believe the ECB will slightly increase interest rates[3], which in turn should prompt the Fed to raise US interest rates by an equal or greater amount to protect the US Dollar. Assuming the Fed responds in this manner, the ECB will have taken a first step to combat inflation and the collateral damage to European exporters will be minimized.

Europe: Portfolio Strategy Considerations

We will maintain our recently-lowered European exposure as we see no factors that point to out-performance.

[3] The ECB raised its benchmark interest rate from 4.00% to 4.25% on July 3rd.

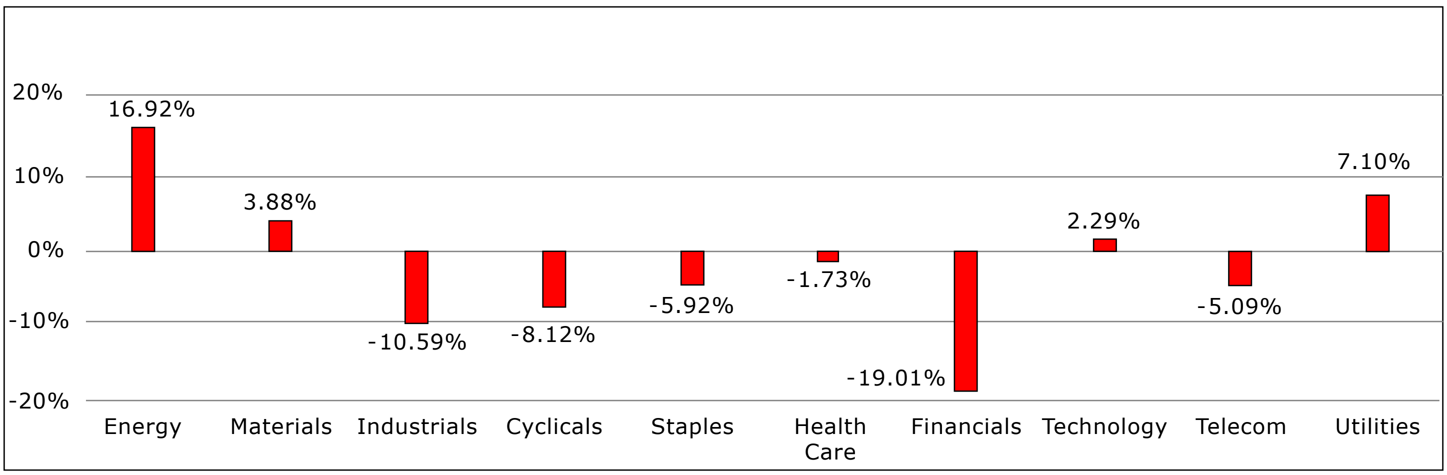
Sector Performance

Sector performance was mixed for the Second Quarter. A strong rebound in Energy (+16.92%) could not prevent a further fall in the S&P 500 Index (- 2.73%). The index was most hurt by Financials (-19.01%), as the impact of the sub-prime mortgage crisis continued to carry over from the First Quarter and from 2007.

Technology (+2.29%) showed signs of recovery from a tough First Quarter (-15.37%). There were partnership proposals, increased mergers and acquisitions activity, and reasonable earnings results. Nominal business investment in software is now at its highest level since 2000, perhaps aided by a weak US Dollar. Balance sheets are cash-heavy. Net share repurchases as a percentage of total market capitalization is at an all-time high, which adds support to the stocks.

Health Care (-1.73%) slightly out-performed the S&P 500 Index. The sector is finally gaining some momentum. In the month of June, Health Care was the third-best performing sector (trailing Energy and Utilities).

S&P 500 Index Sector Performance — Q2 2008



Source: Standard & Poor's

Sectors: Portfolio Strategy Considerations

Through the first two quarters of 2008, all sectors comprising more than 5% of the S&P 500 Index have performed within a narrow (3%) range of the index except Energy (+8.12%) and Financials (-30.89%). In terms of relative benchmark performance, there have been only two critical portfolio decisions: the weighting of Energy and the weighting of Financials (as compared to their index weightings).

We under-weighted both Energy and Financials. The under-weight to Energy detracted from portfolio performance and the under-weight to Financials aided portfolio performance.

We will maintain an under-weight to Energy since we believe oil prices will ease (Has Oil Peaked?, page 8). The Financials sector had a misleading rally ("sucker's rally") in the first part of the quarter, and subsequently tanked in June (-18.66%). We anticipate more bad earnings announcements and will continue to under-weight this sector.

We will maintain over-weights to Technology and Health Care. Technology is well exposed to foreign sources of revenue, which should help support earnings growth in the midst of a challenging US environment. We normally expect Health Care to fare relatively better than other sectors in a slower economic environment, and recently it has started to do so.

Market Cap Performance

Small cap US stocks fared better than large cap US stocks in the Second Quarter. We are not interpreting this result as a momentum shift. The worst-hit stocks in the quarter were the large US banks, and this likely skewed the market cap data.

We continue to anticipate large cap out-performance (excluding Financials) in most of 2008. The larger US companies are better positioned to withstand a slowdown in the economy and consumer spending. Since these companies derive a significant portion of their revenues (over 40%) outside the US, they are better diversified.

Market Cap Performance

	Second Quarter 2008	2008 Year to Date
Large Cap Performance		
World	(1.52%)	(10.51%)
Foreign	(1.45%)	(10.63%)
USA	(2.73%)	(11.66%)
Small Cap Performance		
World	(0.77%)	(8.75%)
Foreign	(4.30%)	(10.19%)
USA	2.03%	(7.94%)

Source: MSCI

Market Cap: Portfolio Strategy Considerations

For the time being, we believe that large cap stocks are better positioned from a risk/reward standpoint and will maintain our large cap focus. If energy prices ease, we will likely shift towards a smaller cap focus sometime before the November election in anticipation of a market rally. Small cap stocks bounce more off a market bottom.

Style Performance

Growth stocks fared better than value stocks in the Second Quarter, continuing the trend observed throughout 2007. Technology (+2.29%) weighed heavily on growth stocks while Financials (-19.01%) did the same to value stocks.

Style Performance

	Second Quarter 2008	2008 Year to Date
US Growth	3.00%	(7.40%)
US Value	(5.98%)	(14.22%)
Foreign Growth	(0.19%)	(7.83%)
Foreign Value	(4.47%)	(13.15%)

Source: MSCI

Style: Portfolio Strategy Considerations

In a slowing economic environment, we expect investors to seek large growth companies with strong balance sheets and solid historical earnings. We will maintain our growth bias due to our expectation of a slowing economic growth, attractive growth fundamentals, and anticipated continuing fallout from the sub-prime mortgages.

Has Oil Peaked?

We Believe Price Relief Is On the Horizon

The price of oil has almost tripled over the last 18 months and has negatively impacted US and world economies. Not surprisingly, the stock market has suffered and will likely stagnate until there is a perceived "relief in sight" regarding energy prices. We believe that time is near. The fundamentals of the energy market do not appear to support current oil price levels.

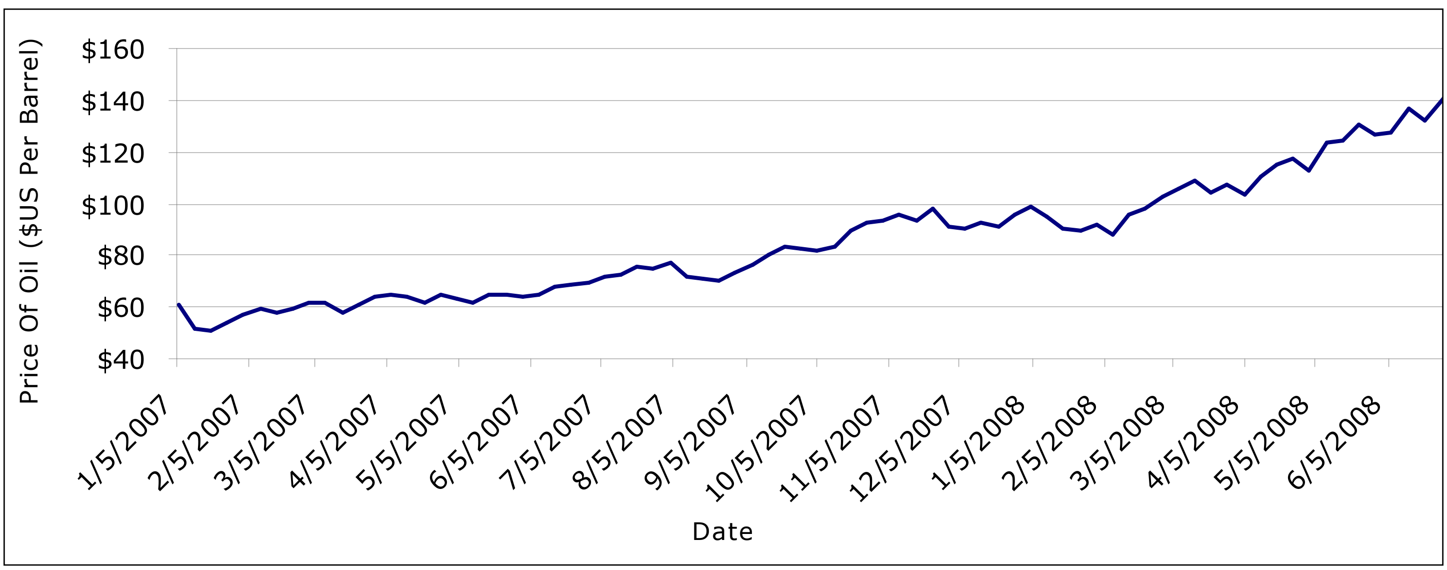
In our opinion, there is a greater probability that global oil usage will fall at current price levels versus stabilize or increase. Peak demand is the issue, not peak supply. Oil supply is available, as evidenced by Saudi Arabia's recent announcement that they will boost production from 9.0 million barrels a day to a capacity 12.5 million barrels per day by the end of next year.

We anticipate lower energy costs by the Fourth Quarter, soon after peak summer driving and travel subsides.

The Meteoric Rise of Oil Prices — What Has Caused It?

The recent rise in oil prices is reminiscent of prior market bubbles – the Internet stocks of the late 1990s, and the more recent Chinese stock market. Oil prices have surged 178% in the last 18 months, from a low of US$ 50.49 per barrel (January 19, 2007) to a high of US$ 140.21 per barrel (June 30, 2008).

The Meteoric Rise of Oil Prices over the Last 18 Months



Source: Telemet

Some market observers have suggested that speculators are driving oil prices to record levels. US Energy Secretary Samuel Bodman recently stated that U.S. officials have found no evidence that speculators are driving up prices. It is highly unlikely that there are market participants with the monetary means and sophistication to significantly impact oil prices.

It has also been suggested that growth in emerging economies and corresponding increased energy demands has caused the price spike. While recent oil usage in China, India and the Middle East has significantly increased, oil usage in the United States (the world's largest oil consumer) has decreased by almost the same amount. Increasing usage from emerging countries does not appear to be a plausible cause of the recent upsurge in oil prices.

A weak US Dollar over the last two years has contributed to higher oil prices (since oil is priced in US Dollars), but cannot be attributed to the magnitude of the price increase.

Since world economies are so heavily dependent upon oil, fear of reduced supply and higher prices has likely pressured the energy market. The Iraq war, political tensions in many oil-producing countries, and an always-present threat of natural disasters is not comforting. In addition, the leaders of some oil-producing countries (Iran, Russia, Venezuela) have made recent comments regarding future (much higher) oil prices. The "fear premium" contained in current oil prices is at a level we deem excessive. We anticipate a pullback.

Why We Believe That Oil Prices Will Be Lower In the Short-Term

1. Oil Usage Is Not Inelastic

The demand for a good is relatively "inelastic" when the quantity demanded does not change much with a price change. Oil usage has historically been "inelastic". No matter where the price of oil settled, usage continued to increase. That is, until now.

Oil Usage (Millions of Barrels Per Day)

Year	Global Total	USA	China	India	Middle East	Range of Oil Prices (US Dollars Per Barrel)
2004	82.5	25.0	6.4	2.1	5.7	$32.49 to $56.37
2005	83.8	25.1	6.7	2.2	6.0	$42.13 to $69.48
2006	84.7	25.3	7.2	2.5	6.2	$56.27 to $76.99
2007	85.8	**25.4**	7.4	2.7	6.4	$50.49 to $98.83
2008 Q1	86.6	**24.7**	7.9	2.9	6.7	$87.37 to $108.76

Source: International Energy Agency (IEA) Oil Market Report, May 13, 2008

Although oil usage increased in China (+6.85%), India (+4.80%) and the Middle East (+4.70%) in the First Quarter 2008 as compared to 2007, oil usage decreased in the United States (-3.00%). This was the first time in history that oil usage in the US declined, and indicates that oil usage is not inelastic. There are price points that, if reached, will discourage oil usage.

While it is impossible to gauge exactly which oil price points will prompt various usage levels, it seems likely that oil prices moving towards $100 per barrel in the Fourth Quarter 2007 spurred the initial US usage decline observed in the First Quarter 2008.

We anticipate current oil prices (in the $140 per barrel range) will prompt further US usage declines. There is ample evidence that US consumers are reacting to higher gas prices:

- Traffic levels have been steadily declining
- Public transportation usage (buses, subways, trains) has been steadily increasing
- Lower-mileage vehicle sales and production has fallen dramatically

2. Oil Subsidies Are Being Eliminated In Emerging Countries

Emerging countries have been subsidizing energy costs in order to promote economic activity. Businesses and consumers in these countries, unlike those in the United States, have been partially shielded from rapidly rising energy costs. This may be one reason why First Quarter 2008 oil usage increased in China (+6.85%) and India (+4.80%), but not in the US (-3.00%).

Times are changing. Several oil consuming countries lifted subsidies in the last month. It is anticipated that oil subsidies in India will be lifted in 2009 after its national election.

On June 19, China announced it would raise gas prices by partially removing its oil subsidies. This will result in Chinese retail gas prices rising to $2.84 per gallon, which is still cheap relative to other countries, but 16% higher than before the adjustment. At the very least, higher oil prices in China should slow its rate of increased oil usage.

3. Saudi Arabia Has Announced Increased Oil Production

Saudi Arabia is the largest global oil producer. On June 22 at the Jeddah energy summit, Saudi King Abdullah announced that his country will increase daily oil production to 9.7 million barrels (from 9.0 million barrels) starting in July. In addition, the Saudi government will invest in oil projects that will allow Saudi Arabia to have the capacity to produce 12.5 million barrels per day by the end of next year.

This is a significant announcement. There has been rampant speculation that oil supply has peaked and that major producers such as Saudi Arabia will not be able to meet future demand. The ability of Saudi Arabia to raise production indicates that peak oil supply is not an issue.

What prompted Saudi Arabia to announce increased oil production in response to high energy price concerns? We postulate the main decision driver was that the Saudis recognized a price tolerance point from the United States.

As discussed earlier, US oil usage fell 3.00% in the First Quarter 2008, perhaps in response to oil prices moving towards $100 per barrel. With oil prices moving towards $140 per barrel at the time of the Jeddah energy summit, the Saudis could foresee an even more dramatic future fall in US oil usage.

The Saudis likely concluded that it was in their best interest to provide what they believed to be just enough incremental oil production (700,000 barrels per day) to help ease oil prices. They did not want high oil prices to inhibit global economic growth, nor did they want high oil prices to intensify alternative energy development.

Lower Oil Prices: The Catalyst For A Stock Market Recovery

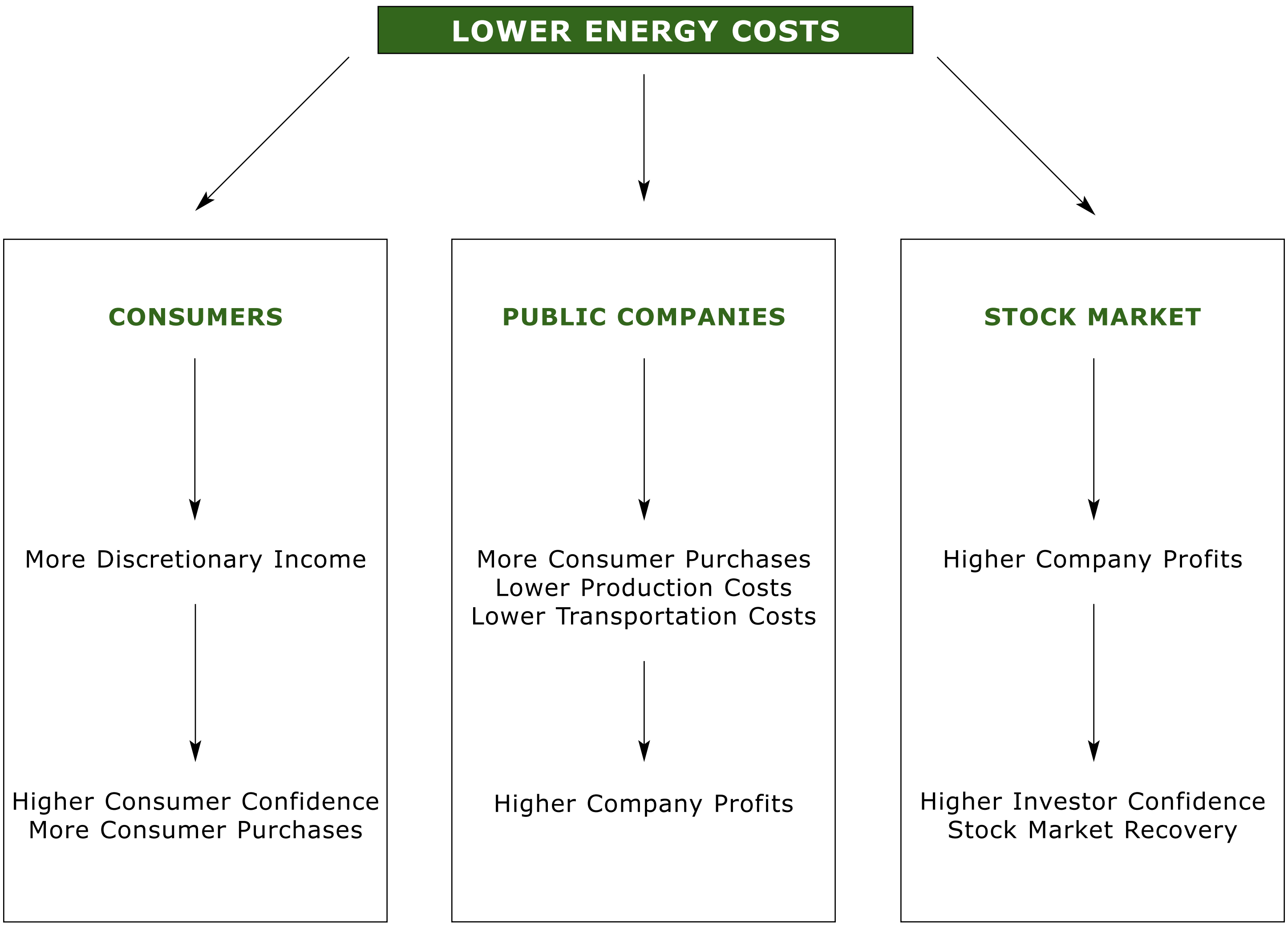
The Conference Board Consumer Confidence Index, released on June 24, fell to 50.4 (1985 level of Index = 100), the lowest reading since February 1992 and half of what it was a year ago (105.4). This was the fifth-lowest reading in the history of the index. Declining consumer confidence is directly correlated to escalating energy costs.

Consumers have been forced to devote a greater proportion of their disposable income to energy purchases. In doing so, consumers have adjusted, rejected or postponed purchases they deem discretionary.

Most businesses, either directly or indirectly, have felt the brunt of higher energy costs. Retailers have faced falling revenues due to reduced consumer spending. Auto makers have announced declining sales and production cuts for higher-mileage vehicles. Airlines have cancelled flights to minimize fuel costs.

We believe energy costs will ease by the Fourth Quarter. Improved consumer confidence and company profitability should be the catalyst for a stock market recovery.

Lower Energy Costs: The Catalyst for a Stock Market Recovery



Bond Market Review

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Key US Interest Rates

	30 June 2008	31 March 2007	Change
Federal Reserve Board Funds Rate	2.00%	2.25%	-25 basis points
2-Year Treasury (Constant Maturity)	2.62%	1.59%	+103 basis points
5-Year Treasury (Constant Maturity)	3.33%	2.44%	+89 basis points
10-Year Treasury (Constant Maturity)	3.97%	3.41%	+56 basis points

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

During the quarter, interest rates fell and bond prices also fell (yields increased) as inflation reality and inflation expectations took their toll. Inflation hurts bonds because inflation diminishes the value of future bond payments.

The yield curve, which compares the 2-year Treasury rate (Constant Maturity) versus the 10-year Treasury rate, became more "flat" as the rise of longer yields did not match the rise of shorter yields. Normally a flattening yield curve hurts banks, which adds insult to injury in the midst of the continuing fallout from the sub-prime mortgage mess.

Core inflation averaged 2.85% in 2007 and 4.03% through February, 2008.[4] Oil and food costs continue their ascent. Through May 2008, core inflation rose to 4.20%. The Fed Funds Rate is significantly below the inflation rate.

Increasing inflationary pressures would normally cause the Fed to consider an interest rate increase. However, we are in the midst of the fallout from the sub-prime mortgage crisis and an economic slowdown. The need to reduce interest rates has been a higher priority than the need to raise interest rates. This should change in the near term.

We anticipate the Fed will increase interest rates in the near future in order to combat inflation and protect the US Dollar.

Bond Market: Portfolio Strategy Considerations

We continue to maintain our fixed income portfolio position in shorter term maturity bonds (average duration of less than 4.0 years) and Treasury Inflation Protected Securities (TIPS). If investor funds shift from bonds to stocks later in the year, we will consider increasing the bond duration and incorporating a component of corporate bonds.

Inflation is becoming a larger risk. TIPS offer protection in the event inflation becomes more prominent. This can be especially important for investors who require portfolio income.

[4] Source: Bureau of Labor Statistics

Closing Thoughts

This quarter continued to test the patience of investors. We advocate our clients stay the course regarding their appropriate asset allocation. During hard times, it is tough to remain disciplined, but pulling out of the market creates a pattern of buying high and selling low.

It is our belief that there are better times ahead. We see no reason to deviate significantly from our current portfolio strategy. If energy prices ease, we will likely shift towards a smaller cap focus sometime before the November election in anticipation of a market rally.

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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"There is only one sort of discipline, perfect discipline."
General George S. Patton, Jr.