TRIVANT
CUSTOM PORTFOLIO GROUP, LLC

January 2009

quarterly
INSIGHTS

Fourth Quarter 2008

EXECUTIVE SUMMARY

No Bright Spots In A Dismal Q4 2008

In the Fourth Quarter, the domestic S&P 500 Index fell 21.94% while the MSCI EAFE Index (foreign) fell 19.90%. With the exception of Japan, all global equity markets were down at least 20%. Housing market weakness and sub-prime mortgage woes, along with the credit crisis and an economic downturn, significantly impacted the markets. Areas of note include:

- Materials (-31.43%) were hit hard by the recession
- Financials (-37.64%) continued to be devastated by exposure to sub-prime mortgages
- The Fed lowered its target funds rate to 0% to 0.25% in order to stimulate the economy
- The Troubled Assets Relief Program (TARP) disbursed its first $350 billion

Our 2009 Forecast: Global Equity Markets Will Advance 18% to 22%

We believe that global equity markets will advance 18% to 22% in 2009. Most of the advance will take place in the second half of the year.

Our rationale includes the following (see 2009 Market Forecast, page 9 for detailed discussion):

- Aggressive fiscal policy will stimulate the economy
- Oil prices and interest rates are low
- There is nearly $9 trillion in cash on the sidelines
- Equity valuations are very attractive; cash and bonds are not

In This Issue

3 Equity Market Review
8 Bond Market Review
9 2009 Market Forecast
15 2009 Portfolio Strategy
18 Closing Thoughts
19 Appendix

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EXECUTIVE SUMMARY

Continued from Page 1

TriVant 2009 Portfolio Strategy

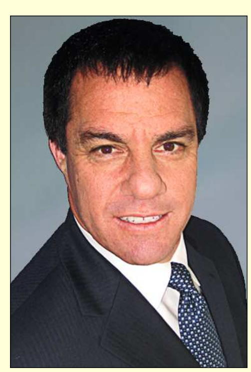
2009 Portfolio Strategy Considerations	2009 Portfolio Position (Anticipated)	2008 Portfolio Position (End of Year)
Equity		
Domestic versus Foreign	Maintain Current Weighting	90% Domestic, 10% Foreign
Sector Weighting	Over-weight (to S&P 500 Index) - Industrials - Health Care - Technology Under-weight (to S&P 500 Index) - Energy - Materials - Utilities	Over-weight (to S&P 500 Index) - Consumer Staples - Health Care - Technology Under-weight (to S&P 500 Index) - Energy - Materials - Utilities
Average Market Cap	Reduce current level	Slightly below S&P 500 Index level
Style (Growth versus Value)	Increase weighting in value stocks	Weighted - Emphasis towards growth stocks
Portfolio Beta Level (Risk)	Above Market (greater than 1.0)	Below Market (less than 1.0)
Fixed Income		
Desirable Securities	Certificates of deposit (CDs) Corporate bonds and Treasury Inflation Protected Securities (TIPS) Average Duration = under 4.0 years	Certificates of deposit (CDs) Corporate bonds and Treasury Inflation Protected Securities (TIPS) Average Duration = under 4.0 years
Securities with Less Emphasis (First half of 2009)	Treasury bonds	Treasury bonds

TRIVANT CUSTOM PORTFOLIO GROUP, LLC Fourth 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.

John Barber, CFA
Chief Investment Officer

Dan Laimon, MBA
President



Mike Harris, CFA
Vice President

Equity Market Review

No Bright Spots In A Dismal Q4 2008

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Equity Index Performance

Index	Q4 2008	2008
S&P 500 (Domestic)	(21.94%)	(37.00%)
MSCI EAFE (Foreign)**	(19.90%)	(43.06%)
MSCI World	(21.65%)	(40.33%)
MSCI Emerging Markets	(27.56%)	(53.18%)
Russell 2000 (Small Cap)*	(26.51%)	(34.80%)
MSCI Japan	(9.00%)	(29.11%)
MSCI UK (United Kingdom)	(26.35%)	(48.32%)
MSCI EMU (European Monetary Union)	(21.89%)	(47.09%)

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

Our 2008 Equity Market Forecast Was Incorrect

We expected global equity markets would advance 5% to 9% in 2008 (2008 Market Forecast, Quarterly Insights, January 2008). Our forecast was incorrect (the S&P 500 Index fell 37.00% and the MSCI World Index fell 40.33% in 2008). There were several events we did not anticipate (See Appendix: Our 2008 Report Card for a detailed discussion).

Our 2009 Forecast: Global Equity Markets Will Advance 18% to 22%

We believe that global equity markets will advance 18% to 22% in 2009. Most of the advance will take place in the second half of the year.

Our rationale includes the following (see 2009 Market Forecast, page 9 for detailed discussion):

- Aggressive fiscal policy will stimulate the economy
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- Equity valuations are very attractive; cash and bonds are not

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

The US Dollar

The US Dollar appreciated versus the Euro, considerably appreciated versus the British Pound, and fell versus the Japanese Yen in the Fourth Quarter. The Federal Reserve Board Funds Rate was reduced from 2.00% to a target 0% to 0.25%. In a similar move, the European Central Bank (ECB) lowered its rate from 4.25% to 2.50%. A further Fourth Quarter decline in oil price (from US $96 to under US $40 per barrel) likely contributed to the appreciation of the US Dollar by improving the trade deficit.

U.S Dollar Appreciation versus Foreign Currencies

Currency	Q4 2008	2008	2007	2006
US Dollar/Euro	1.41%	5.88%	(9.59%)	(11.79%)
US Dollar/Japanese Yen	(14.48%)	(18.37%)	(6.43%)	0.94%
US Dollar/British Pound	23.21%	44.00%	(1.01%)	(14.00%)
US DollarIndex*	2.38%	6.20%	(8.47%)	(8.25%)

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

In 2008, the dollar rose 6.20% against a basket of diversified currencies.

We believe the US Dollar will slightly appreciate in 2009 for the following reasons:

- Energy costs will not likely surge going forward. Controlling inflation (by raising interest rates) will not likely be the primary concern of the Fed in the short term, nor will inflation be the primary concern of the European Central Bank (ECB) or British Bank. The US Dollar should at the very least maintain stability with global rate cuts.
- The "flight to safety" through US Treasury purchases should continue to stabilize the US Dollar in the short-term.
- Although the recent government package and other assistance will no doubt have a significant impact on the US fiscal deficit level, this impact will not be priced in to the exchange rate right away. The "flight to safety" towards US Treasuries dominates the US deficit impact short-term.
- The US trade deficit has suddenly and unexpectedly narrowed (from $57 billion to $40 billion) due to the plunge in oil prices and restrained demand for a wide range of foreign goods. In November, US exports declined 5.8% (from $151 billion to $143 billion) while US imports fell 12.0% (from $208 billion to $183 billion). A reduced trade deficit should benefit the US Dollar.

The US Dollar: Portfolio Strategy Considerations

Assuming the US Dollar slightly appreciates, we expect US stocks to out-perform the developed foreign markets in an anticipated stock recovery. Our current portfolio weighting of approximately 90% domestic exposure would be well-positioned.

Japan

The relative out-performance of the Japanese market was mainly attributable to Yen appreciation. We believe the Yen appreciated due to further unwinding of the Japanese Carry Trade (Quarterly Insights, April 2007, The Japanese Carry Trade, page 10).

Exports to the US, Asia and the European Union (EU) are falling. Corporate profits continue to weaken. Japanese manufacturing will ultimately benefit from lower oil prices, but not enough at this time to bolster profits. The unemployment rate is rising, there is no personal income growth, and private consumption is almost flat.

Japan: Portfolio Strategy Considerations

Japan provides a degree of portfolio risk control since it is lowly correlated to US performance. We maintain a very small portfolio position at this time.

Emerging Markets

Emerging markets were the worst-performing area (-27.56%) in the Fourth Quarter, although there was large disparity in performance by region. Falling commodity and energy prices continued to hurt many resource-rich regions.

Emerging Markets Performance

Country	Q4 2008	2008
Brazil	(38.23%)	(57.64%)
Russia	(51.34%)	(74.16%)
India	(30.05%)	(65.07%)
China	(10.99%)	(51.94%)

Source: Telemet

Emerging Markets: Portfolio Strategy Considerations

Emerging Markets performance is highly correlated to commodity and energy prices. We anticipated falling oil prices (Second Quarter 2008, Has Oil Peaked?, page 8) and sold our Emerging Markets position early in the Third Quarter. Since we do not expect a near-term rally in commodity and energy prices, we continue to avoid this region.

Europe

Europe was down (21.89%) by the same magnitude as the S&P 500 Index for the quarter, and was among the worst-performing developed markets for 2008. There are no indications that European business prospects are better than other global regions. The Euro lost ground to the US Dollar, but this will not help European exporters given the current economic climate.

The European Central Bank (ECB) was forced to cut its rate (from 4.25% to 2.50%) amidst the globally coordinated rate cuts in early October. We anticipate the rate will remain stable. There is no pressing need to combat inflation (raise interest rates).

Europe: Portfolio Strategy Considerations

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

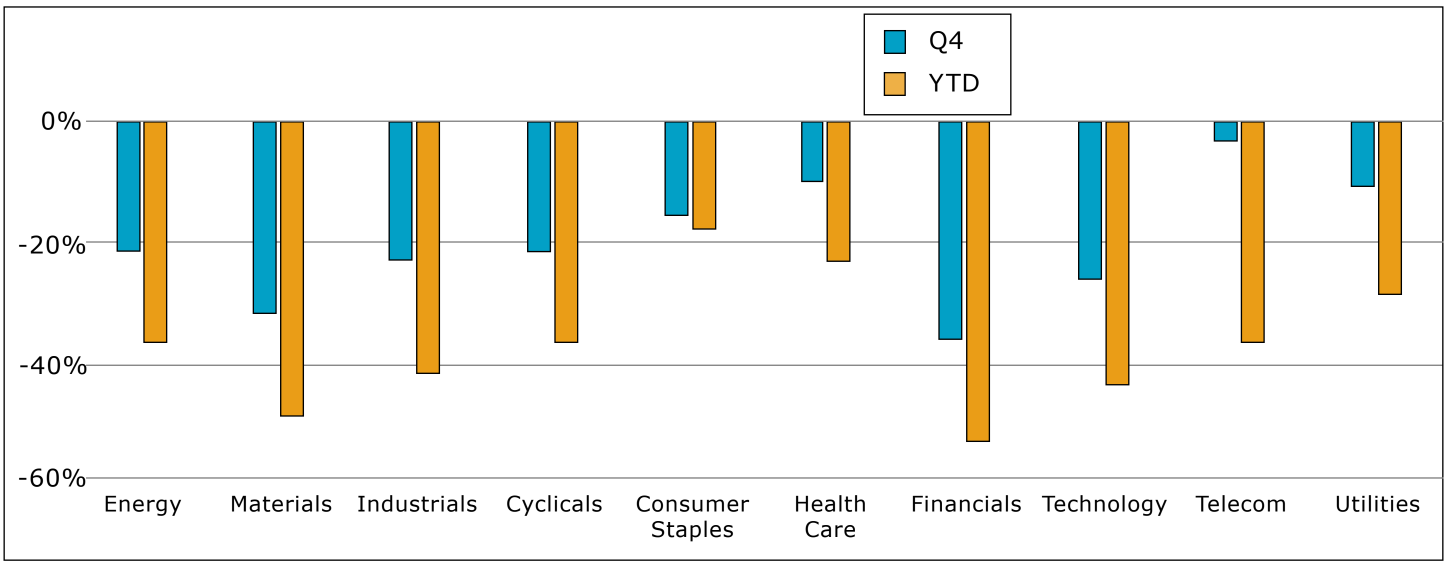
Sector Performance

Materials (-47.05%) was the second worst sector in terms of 2008 performance, and it is interesting to note that it lost all its ground in the second half of the year. Since this sector is highly correlated to the economy, its decline illustrated the dramatic fall in economic expectations.

Consumer Staples was the best relative performing sector (-17.66%) in 2008, losing most of its ground in the Fourth Quarter. Health Care (-24.48%) was the next best performing sector on a relative basis in 2008, losing half of its ground in the Fourth Quarter. It was not surprising that these two defensive sectors held up relatively the best in tough times.

Financials was the worst performing sector in 2008 (-56.95%), due in no small part to the devastating financial impact of the sub-prime mortgage crisis. Over half of the sector decline occurred in the Fourth Quarter as the credit crisis and the TARP (Troubled Asset Relief Program) grabbed the headlines.

S&P 500 Index Sector Performance — Q4 2008



Source: Standard & Poor's

Sectors: Portfolio Strategy Considerations

The Energy sector experienced a dramatic fall in oil prices (from a peak $US147 to under $US40 per barrel) over the last six months. We will maintain our current under-weight position as the sector appears to have more downside than upside potential. The Financials sector will likely have bad earnings announcements through the first half of 2009. In addition, bank balance sheets continue to weaken from falling home prices. Consequently, we will continue to under-weight this sector.

We continue to overweight Health Care and Technology (as compared to its weightings in the S&P 500 Index). Each of these sectors has solid balance sheets with good cash positions, which are attractive qualities in the current credit environment. Health Care may become less attractive in a rising market, but we believe it is beneficial to maintain a conservative stance in the portfolio at this time. As workforces are reduced, Technology is well positioned to benefit from company capital expenditures that are biased towards enhancing efficiency.

Market Cap Performance

Small cap US stocks fared slightly worse than large cap US stocks in the Fourth Quarter. We are not concluding a meaningful trend from Fourth Quarter performance. Over the entire year, there was little difference between small and large cap performance. Each area was down roughly the same magnitude as the overall market.

Although we do not anticipate large cap out-performance in 2009, we do not believe now is the right time to lower the average portfolio market cap. Theoretically, the right time to make such an adjustment would be six months prior to improved economic data. We do not anticipate improved data until the latter part of this year.

Market Cap Performance

	Fourth Quarter 2008	2008
Large Cap Performance		
World	(21.65%)	(40.33%)
Foreign	(19.90%)	(43.06%)
USA	(22.22%)	(37.14%)
Small Cap Performance		
World	(24.86%)	(41.60%)
Foreign	(22.11%)	(46.78%)
USA	(25.75%)	(35.88%)

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. We will wait to shift towards a smaller cap focus. Small cap stocks tend to bounce more off a market bottom.

Style Performance

Growth stocks fared slightly worse than value stocks in the Fourth Quarter. We are not interpreting this result as a momentum shift. Over the year, there was little difference between the growth and value categories.

Style Performance

	Fourth Quarter 2008	2008
US Growth	(24.71%)	(39.00%)
US Value	(19.73%)	(35.38%)
Foreign Growth	(20.08%)	(42.46%)
Foreign Value	(19.73%)	(43.68%)

Source: MSCI

Style: Portfolio Strategy Considerations

For the time being, we will maintain our growth bias due to our expectation of a declining economy for the first half of 2009, attractive growth fundamentals, anticipated continuing fallout from the sub-prime mortgages, and the safety of significant cash on hand amidst credit flow issues.

Bond Market Review

There was a 1.75% Fed interest rate cut in the Fourth Quarter as part of a globally coordinated effort to stimulate economic growth. The Lehman Brothers Government/Corporate Bond Index, widely considered the broadest of the major US bond indices, rose 6.42% for the Fourth Quarter and 5.70% for the year.

Key US Interest Rates

	31 December 2007	31 December 2008	Change
Federal Reserve Board Funds Rate	4.25%	0.25%	-400 basis points
2-Year Treasury (Constant Maturity)	3.05%	0.76%	-229 basis points
5-Year Treasury (Constant Maturity)	3.44%	1.55%	-189 basis points
10-Year Treasury (Constant Maturity)	4.03%	2.21%	-182 basis points

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

During the year, interest rates fell and bond prices rose (yields decreased) while corporate and municipal bond prices fell. This phenomenon was due to investors' "flight to safety" with respect to US Treasury bonds.

The yield curve, which compares the 2-Year Treasury rate (Constant Maturity) versus the 10-Year Treasury rate, became slightly more "steep" as the fall of longer yields was less than the fall of shorter yields. Normally a steepened yield curve benefits banks because lending becomes more profitable. In the tough current lending environment, a slightly steepened yield curve is somewhat inconsequential.

Core inflation averaged 2.85% in 2007 and 5.40% through August, 2008.[1] Inflation became a non-issue in the Fourth Quarter. On a seasonally adjusted basis, the CPI (Consumer Price Index) decreased 1.7% in November and 1.0% in October. For the 12-month period ending in November, the CPI was up 1.1%, compared to 5.6% for the twelve months ending July of 2008. Falling energy prices, particularly gasoline, drove the decline in the overall index.

The Fed can no longer cut interest rates. No immediate inflation concerns and the need to stimulate the economy rules out an interest rate increase. Interest rates should therefore remain steady in the near term.

Bond Market: Portfolio Strategy Considerations

We recently sold Treasury bonds and replaced them with investment-grade corporate bonds and certificates of deposit (CDs). In our opinion, Treasury bond prices did not have much upside after their best year since 1995 (a 2008 return of 13.7%). Yields have been driven to all-time lows as investors seek safety. When stocks rebound, we expect many investors to switch from bonds to stocks, which will pressure the bond market.

Corporate bond yield spreads are gigantic and offer enormous value. The spreads should narrow as economic risk subsides.

We continue to hold Treasury Inflation Protected Securities (TIPS) as part of a diversified bond portfolio. Deflationary fears are keeping TIPS prices low. Although inflation is not a concern right now, deficit spending and an economic recovery could fuel inflation. TIPS offer protection in the event inflation becomes more prominent. This can be especially important for investors who require portfolio income.

[1] Source: Bureau of Labor Statistics

2009 Market Forecast

In 2009, we believe global equity markets will advance 18% to 22%. Negative market momentum will likely carry forward from Q4 2008, but should reverse mid-year.

Our 2009 Equity Market Prediction

"Global Markets Will Advance in the Range of 18% to 22%."

RATIONALE				
Domestic Considerations		**Positive**	**Neutral**	**Negative**
Investor Sentiment	There is nearly $9 trillion in cash on the sidelines (source: St. Louis Federal Reserve).	◆		
Leading Economic Indicators	The index will continue to fall in the first half of the year due to slowing economic growth and negative sentiment, but will improve near the end of the year.			◆
Monetary Policy	The Fed has no further ability to lower interest rates, which will be a negative factor for the equity market.			◆
Fiscal Policy	The new Administration's fiscal policy (TARP, infrastructure stimulus, tax cuts) will be aggressive and should help the equity market.	◆		
Market Momentum	Negative market momentum will continue into the first few months of 2009, but reverse as investors anticipate positive economic growth in the second half of the year.		◆	
History	There is historical precedence for strong bounces off bear market bottoms.	◆		
Equity Valuations	The current dividend yield and equity price/operating earnings ratio are attractive.	◆		
Corporate Profitability	Profitability will improve in the second half of 2009 as companies adapt to the changing economy.			◆
Foreign Considerations				
Currency Translation	Exchange rates will stabilize.		◆	
GDP Growth, Monetary and Fiscal Policy	Relative to the USA: foreign GDP growth and deficit levels comparable.		◆	

Our 2009 Bond Market Prediction

"Longer-term Bond Yields Will Increase."

RATIONALE				
Domestic Considerations		**Positive**	**Neutral**	**Negative**
Interest Rate Expectations	The yield curve will become more "normal". The FRB cannot lower the current level of interest rates.			◆
Inflation Rate Expectations	Future inflation expectations will eventually be discounted into the longer maturity bond yields.		◆	

Global Equity Markets Should Significantly Rise in 2009

We predict that the global equity markets will advance between 18% to 22% in 2009. Our rationale is as follows:

Domestic Considerations

Investor Sentiment

Recent market conditions have caused great concern to investors. There is now almost $9 trillion in cash on the sidelines, as compared to approximately $3.6 trillion as at September 17, 2008 (source: St. Louis Federal Reserve). This new cash balance is equal to 74% of the entire market value of U.S. public companies, the highest ratio since 1990 (source: Bloomberg). We expect a considerable portion of this money will start to come back into the equity market in 2009. When it does, we anticipate that buying will propel further buying as investors will not want to get left behind in a rising market.

Leading Economic Indicators

The Index of Leading Economic Indicators (LEI) fell at an annualized rate of 5.6% for the last half of 2008. Without the very large increases in inflation-adjusted money supply since September, the leading index would have been significantly weaker. As Q4 2008 stock market performance is factored into the LEI, we anticipate the index will further decline in the first half of 2009. We anticipate a rising LEI Index in the latter part of 2009, but until then, it will not positively impact the equity market.

Monetary Policy

The Fed Funds Rate is targeted at 0% to 0.25%, a level intended to stimulate the economy. There is no further ability by the Fed to lower interest rates, which we view as a negative factor for the equity market in the short term.

The yield curve is slightly "normal" (a scenario where the 10-Year Treasury Yield exceeds the 2-Year Treasury Yield). Since the Fed cannot further cut interest rates, the yield curve will remain "normal".

In general, longer term interest rates are determined by expectations of future inflation. When investors believe inflation is ahead of us, interest rates rise. When slower economic growth is on the horizon, interest rates fall.

We believe that inflation expectations will eventually start to factor into longer term interest rates as the economy recovers. Consequently, we anticipate a further "normalizing" of the yield curve. This bodes well for the equity market in the longer term.

We are not concerned about deflation. Deflation is defined as a reduction in the general level of prices sustained over several months, usually accompanied by declining employment and output.

Although consumer prices fell 1.0% in October and 1.7% in November (source: The Labor Department), the price fall reflects a huge drop in energy costs. Energy prices fell 6.6% in October and 17.0% in November. Core inflation, excluding food and energy, showed a 0.1% drop in October and no drop in November.

Fiscal Policy

After much fanfare, the $700 billion TARP Program (Troubled Asset Relief Program) was approved in early October. The purpose of the Program is to stabilize the economy. Half of these funds have already been distributed to recipients such as major financial institutions and insurance companies.

President Barack Obama has promised to create an economic stimulus package (to fund infrastructure projects) that will generate 2.5 million jobs over the next two years. Cost estimates for this proposed program have ranged from $600 billion to $800 billion.

The cost of proposed tax cuts for individuals is estimated at $300 billion.

Given that the 2009 US federal deficit is projected to reach $1.2 trillion (source: Congressional Budget Office) before any money is spent on stimulus, we believe the deficit level (a projected 8.3% of GDP) is a cause for future concern. Persistently large deficits can lead to higher long-term interest rates, essentially rule out the possibility of additional tax cuts, and put increasing pressure on Congress to make hard decisions about maintaining tax cuts, raising taxes, and/or cutting federal programs and benefits.

For the moment, a stabilized economy and job creation are greater priorities than the potential downside of deficit spending. We anticipate the equity market will benefit from aggressive fiscal policy.

Market Momentum

Negative market momentum will likely carry over from Q4 2008, but reverse thereafter as investors anticipate positive economic growth in the latter half of 2009. Consequently, the equity market may be flat for the first few months of 2009.

History

From an historical standpoint, 2008 was the second worst year ever in the stock market.

Worst Years In The Stock Market

Year	S&P 500 Index Return
1931	-43.3%
2008	-37.0%
1937	-35.0%
1974	-26.5%
2002	-22.1%

Source: Standard & Poor's

When bear markets end, market upside is tremendous. For the last 10 bear markets, the average S&P 500 Index 12-month bounce off the bottom has averaged over 30% (Quarterly Insights, October 2008, page 13). We believe the market bottomed on November 20, 2008 (the S&P 500 Index closed at 752) and it subsequently recovered 20% by the end of 2008 (the S&P 500 Index closed at 903).

We anticipate significant further upward movement in 2009. Since the magnitude of the bear market drop was so dramatic, the bounce off the bottom may be more pronounced than average.

Equity Valuations

A Price Operating Earnings (Operating PE) ratio is calculated as stock price/company operating earnings (over the last 12 months). The S&P 500 Operating PE Ratio is 13.21 (as of December 31, 2008).

S&P 500 Index Estimated Price/Operating Earnings Ratios by Economic Sector As of December 31, 2008

S&P 500 Index Sector	2008 Estimate Current Price/ Estimated Operating Earnings	2009 Estimate Current Price/ Estimated Operating Earnings
S&P 500 Index (Net)	13.21	10.63
Cyclicals	18.97	14.76
Energy	6.49	7.93
Materials	9.23	11.35
Industrials	9.37	9.99
Consumer Staples	13.92	12.75
Health Care	11.86	10.56
Financials	NM*	9.47
Technology	12.63	12.22
Telecommunication	12.48	11.15
Utilities	11.51	10.89

* Not Measurable (due to negative operating earnings) Source: Standard & Poor's

A bond PE ratio is the inverse of the bond yield. The 10-Year Treasury has a yield of 2.21% and a bond PE Ratio of 45.25 (as of December 31, 2008).

Due to its higher expected future earnings, we believe that the S&P 500 Operating PE Ratio should theoretically exceed a bond PE Ratio. There are three possible ways to interpret why this is currently not the case:

1. Bonds are over-priced
2. Stocks are under-priced
3. A combination of the above two points

Given the considerable Treasury bond price appreciation in 2008, its low yields, and the inability of the Fed to further lower interest rates, we believe that Treasury bonds may have peaked (we sold our Treasury bonds, except the TIPS, near the end of the year). The wide gap between the PE ratios also leads us to conclude that stocks have considerable upside.

The Price Operating Earnings ratio (Operating PE ratio = Stock Price/Company Operating Earnings over the last 12 months) of the S&P 500 Index should rise in 2009 because of the following:

- We anticipate stock prices will rise 18% to 22%
- Standard & Poor's forecasts 2009 profit growth to rise 24.3%, which we believe is overly optimistic

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

Corporate Profitability

The S&P 500 Index 2009 operating earnings is projected to rise 24.3% as compared to 2008. We believe this projection is overly optimistic because it is predicated on a very strong recovery to profitability in the Financials sector. There are too many unknown factors right now to make this assertion. Even if the operating earnings growth forecast proves to be optimistic in hindsight, we believe that 2009 operating earnings growth in the 10%+ range will be a stabilizing factor for market performance.

S&P 500 Index Estimated Operating Earnings by Economic Sector As of December 31, 2008

S&P 500 Index Sector	Estimated Percentange Change from 2007	Estimated Percentange Change from 2008
S&P 500 Index (Net)	-20.3%	24.3%
Cyclicals	-36.0%	28.6%
Energy	24.8%	-18.2%
Materials	-10.5%	-18.7%
Industrials	-0.9%	-6.2%
Consumer Staples	10.9%	9.2%
Health Care	8.6%	12.2%
Financials	NM*	NM*
Technology	2.5%	3.3%
Telecommunication	5.4%	12.0%
Utilities	6.6%	5.7%

* Not Measurable (due to negative operating earnings) Source: Standard & Poor's

Operating earnings are an important gauge of the health of a company but do not give a complete indication of future company prospects. Companies that have "toxic assets" on their balance sheets (for example, hard-hit mortgage securities) can show decent operating earnings, but may be prone to poor net earnings. Companies that cannot or will not adapt to challenging economic conditions (by restructuring operations, shedding employees and other costs as needed) will also be prone to poor net earnings. Regarding portfolio stock selection, we seek companies with strong balance sheets that can maneuver tough conditions.

Foreign Considerations

We anticipate the US Dollar will continue to modestly appreciate versus the Euro in 2009 (see page 4) and consequently do not currently view the US Dollar as an important factor to determine US versus foreign equity exposure. We will maintain our current level of US equity exposure because we believe it is the optimal risk/return tradeoff at this point in time.

Longer-Term Government Bond Yields Should Increase in 2009

The overall bond market was mixed in 2008. Municipal and corporate bonds struggled considerably. PIMCO's Municipal Bond Fund fell 18%. Corporate bonds fell in a similar range. Treasury bonds had an unusually strong year, returning 14.6% (source: Lehman Brothers Treasury Index). This was the best return for Treasury bonds in 13 years.

Investors embraced Treasury bonds in 2008. As global equity markets declined 37% and oil fell close to 75%, there was an investor "flight to safety". Inflation, which usually drives investors away from bonds, fell by a record amount towards the end of the year.

Monetary policy and investor fear created what could now be considered a potential bubble in the Treasury market. As prices rose, yields fell to historic lows (yields move in the opposite direction to prices).

The Fed can no longer lower US interest rates, which effectively puts a cap on potential Treasury bond price increases. We believe that inflation expectations will eventually start to factor into longer term interest rates, which would put downward pressure on bond prices. If the equity market rises as we anticipate, an ensuing shift of funds from bonds to stocks would also put downward pressure on bond prices. All of these factors point to a 2009 bond market that should be much less lucrative than the stock market.

2009 Portfolio Strategy

2008 was the worst year ever in the stock market since 1931. While market performance has been upsetting, we think it would be wrong to pull out of the market at this point in time. There are better times ahead. Our strategy is to remain well-diversified and "ride out" the current slowdown. There are three reasons why we think this is the best course of action:

1. We Are Likely Through A Good Portion Of The Bear Market

There have been 10 recessions since World War II – only two of them lasted more than a year. Current economic conditions are unusually tough, and to say that the current recession is a "normal" recession would be incorrect.

The US economy has officially been in a recession since December 2007. It is now the 14th month of this recession, and we anticipate the recession will continue through at least the first half of 2009. If so, this recession would be twice as long as a "normal" and two-thirds completed at this point in time. There is light at the end of the tunnel.

Stock prices typically start to recover six months before the economy rebounds. We anticipate the economy will show signs of growth sometime between the second half of this year and early next year. If this happens, stocks should start to recover well within 2009.

Patience is important. Until investors can reasonably foresee positive economic growth, the equity market may be flat. Since we do not know future market movements with certainty, we want to remain invested. It is impossible to "time the market" in terms of efficient exit and entry.

2. Much Of The Bad News Is Already Out

Extreme market pessimism is already priced into the market. The worst news is coming from the Financials sector. We anticipate that the news will start to get better after the Q4 2008 and Q1 2009 reporting periods.

3. We Believe Stocks Are Under-Valued

We believe stocks are attractively priced at this time.

Our 2009 outlook is more optimistic for the equity market than the fixed income market. We believe the portfolio is already properly positioned to ride out the recession. Other than various stock-specific adjustments (please see client portfolio updates), we will maintain our current portfolio strategy at this time and adjust accordingly in the first half of the year in anticipation of a rising equity market.

TriVant 2009 Portfolio Strategy

2009 Portfolio Strategy Considerations	2009 Portfolio Position (Anticipated)	2008 Portfolio Position (End of Year)
Equity		
Domestic versus Foreign	Maintain Current Weighting	90% Domestic, 10% Foreign
Sector Weighting	Over-weight (to S&P 500 Index) - Industrials - Health Care - Technology Under-weight (to S&P 500 Index) - Energy - Materials - Utilities	Over-weight (to S&P 500 Index) - Consumer Staples - Health Care - Technology Under-weight (to S&P 500 Index) - Energy - Materials - Utilities
Average Market Cap	Reduce current level	Slightly below S&P 500 Index level
Style (Growth versus Value)	Increase weighting in value stocks	Weighted - Emphasis towards growth stocks
Portfolio Beta Level (Risk)	Above Market (greater than 1.0)	Below Market (less than 1.0)
Fixed Income		
Desirable Securities	Certificates of deposit (CDs) Corporate bonds and Treasury Inflation Protected Securities (TIPS) Average Duration = under 4.0 years	Certificates of deposit (CDs) Corporate bonds and Treasury Inflation Protected Securities (TIPS) Average Duration = under 4.0 years
Securities with Less Emphasis (First half of 2009)	Treasury bonds	Treasury bonds

Equity

Domestic versus Foreign

We are maintaining our current domestic equity exposure (90%) and foreign equity exposure (10%) because we believe it is the optimal risk/return tradeoff in an economy that is still in a recession. There are no signs that the economic outlook is relatively better outside of the United States. Regarding foreign equity regional exposure, we will:

- Maintain Japan
- Continue to avoid Emerging Markets
- -Maintain Europe

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

Sector Weighting

We continue to over-weight Consumer Staples, Health Care, and Technology, and under-weight Energy, Materials and Utilities. The remaining sectors are neutrally-weighted (to the S&P 500 Index sector weights). We anticipate raising the Industrials exposure in the next few months. For detailed discussion, see Sectors: Portfolio Strategy Considerations, page 6.

Average Market Cap

We anticipate lowering the average market cap of our equity portfolios sometime in the first half of 2009. This will serve to increase portfolio risk in anticipation of a rising equity market. For detailed discussion, see Market Cap Performance, page 7.

Style (Growth versus Value)

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

- Growth stocks have more attractive fundamentals versus value stocks at this time
- A slightly normal yield curve should favor growth versus value stocks
- Given the recent (negative) earnings announcements (especially in the Financials sector), investors will likely seek large growth companies with solid historical earnings

Sometime within the first half of the year, we anticipate increasing the weighting towards value stocks (which are more cyclical in nature). Value stocks usually lead the way off bear market bottoms.

Portfolio Beta Level (Risk)

We have a current portfolio beta below the market (lower than 1.0) and anticipate raising portfolio beta to above the market (greater than 1.0) in the first half of 2009.[2]

Fixed Income

We will maintain our fixed income strategy. The average duration of the portfolio is below 4.0 years.[3] We anticipate the current Fed target interest rate (0% to 0.25%) will remain in place throughout 2009.

[2] The beta of an individual stock is a measure of its risk in relation to the market. By definition, the market has a beta of 1.0. Portfolio beta describes the relative volatility of an individual securities portfolio, taken as a whole, as measured by the individual stock betas of the securities making it up.

[3] Duration measures the sensitivity of bond prices to a 1% change in interest rates. As interest rates increase (decrease), bond prices decrease (increase). For example, the average duration of 4.0 years would mean that if interest rates decrease by 1%, the bond portfolio value would be expected to increase by 4.0%.

Closing Thoughts

2008 was a historically bad year in the equity market. There was little consolation in being successful regarding several aspects of our equity strategy and selection.

(See Appendix: Our 2008 Report Card for a detailed discussion regarding our 2008 strategy and results.) The magnitude of the equity market decline superseded all other considerations.

We know how difficult and disappointing last year was for everyone. Thank you for your support and continued confidence in our firm.

On a positive note, we believe that the market will improve. Our 2009 outlook is more optimistic for the equity market than the fixed income market.

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

Respectfully submitted,

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"If there is anyone out there who still doubts that America is a place where all things are possible, who still wonders if the dream of our founders is alive in our time, who still questions the power of our democracy, tonight is your answer."

Barack Obama
Election Night Speech
Chicago, November 4, 2008

Our 2008 Report Card

In this section, we re-visit our 2008 Market Forecast and Portfolio Strategy. How accurate was our forecast? How successful were our strategy decisions?

Our 2008 Equity Market Prediction

"Global Equity Markets Will Advance 5% to 9%." Incorrect

RATIONALE				
Domestic Considerations		**Correct**	**Neutral**	**Incorrect**
Market Sentiment	The 2008 S&P 500 consensus forecast return of 9% is reasonable.			◆
Leading Economic Indicators	The index will fall in the first half of the year due to slowing economic growth and negative sentiment, but will improve near the end of the year.			◆
Monetary Policy	The Fed has the flexibility to lower interest rates and we expect this will occur, which should positively impact the equity market.		◆	
Fiscal Policy	Current fiscal policy (tax policy and deficit levels) will neither help nor hinder the equity market.			◆
Market Momentum	Negative market momentum will continue in the first half of the year, but reverse in the second half.			◆
History	The fourth year of the Presidential cycle has historically been the second strongest for the market.			◆
Equity Valuations	The current equity price/earnings ratio remains attractive.	◆		
Corporate Profitability	Profitability will show slightly above-average gains in 2008.			◆
Foreign Considerations				
Currency Translation	Exchange rates will stabilize.	◆		
GDP Growth, Monetary and Fiscal Policy	Relative to the USA: foreign GDP growth should lag, deficit levels comparable.		◆	

Our 2008 Bond Market Prediction

"Longer-term bond yields will slightly increase." Incorrect

RATIONALE				
		Correct	**Neutral**	**Incorrect**
Interest Rate Expectations	The yield curve will become more "normal". The FRB will lower the current level of interest rates.	◆		
Inflation Rate Expectations	Future inflation expectations will be further discounted into bond yields.			◆

Our 2008 Portfolio Strategy Considerations

PORTFOLIO POSITIONING				
Equity		**Correct**	**Neutral**	**Incorrect**
Domestic versus Foreign	The foreign component of a properly diversified equity portfolio should not exceed 22%. Domestic exposure was increased from 80% to 90%.	◆		
Sector Weighting	Over-weight (to S&P 500 Index) - Consumer Staples - Health Care - Technology Under-weight (to S&P 500 Index) - Energy - Financials	◆		
Average Market Cap	Average market cap was maintained (slightly below that of the S&P 500 Index).		◆	
Style (Growth versus Value	We maintained an emphasis on growth stocks.		◆	
Portfolio Beta Level (Risk)	Portfolio beta level was maintained at slightly "below the market" (less than 1.0).	◆		
Fixed Income				
Desirable Securities	Shorter term government bonds and Treasury Inflation Protected Securities (TIPS) Average Duration = Under 4.0 years.		◆	
Securities with Less Emphasis	Longer term government bonds, corporate bonds.		◆	

2008 Equity Market Prediction — How We Fared

Our overall prediction of a 5% to 9% advance in equity market growth proved to be wrong (see Equity Market Review, page 3). Domestic market sentiment was inaccurate. We were incorrect in believing that the 2008 S&P 500 consensus return of 9% (a prediction made at the beginning of 2008) would prove reasonable (the S&P 500 Index was a staggering -37.00% for 2008). The Leading Economic Indicators index fell throughout the entire year, not just the first half.

We correctly anticipated the Fed would lower interest rates (the target rate dropped from 4.25% to 0% to 0.25% during 2008), but wrongly assumed that the significantly-lowered interest rates would positively impact the market. Fiscal policy was a significant market factor in 2008 (we thought it would not be a factor). When the government suddenly proposed the $700 billion TARP (Troubled Asset Relief Program), and it failed to pass on its first vote in Congress, the market responded with unprecedented panic and volatility (Quarterly Insights, October 2008, page 9).

A second half 2008 reversal of market momentum (negative to positive) never materialized. At the end of September, we thought we were in the final stage of a normal bear market. In fact, we had just taken the initial steps to reposition the portfolio for a potential "bounce off a market bottom". Unfortunately, we were wrong. We did not anticipate the sudden speed and ferocity of the subsequent market decline through the first 10 days of October. We were subsequently astounded that the market fell to further depths by November 20.

Although the fourth year of the Presidential cycle has historically been the second strongest for the market, and we anticipated that 2008 would perform below historical levels, we did not anticipate the sudden effects of the credit crisis.

Our prediction of slightly above-average profits in 2008 was highly inaccurate. The S&P 500 operating earnings dropped 20.3% in 2008 as compared to 2007, primarily due to two sectors. Operating earnings in Cyclicals fell 36.0% and the fall in Financials operating earnings could not even be measured. Not surprisingly, the S&P 500 Index Price/Operating Earnings ratio is more attractive now than it was a year ago.

We correctly anticipated that the US Dollar would stabilize in 2008. The US Dollar appreciated (+5.88%) against the Euro, highly appreciated versus the British Pound (+44.00%), and fell against the Yen (-18.37%). Currency translation proved to be an important factor in our 2008 portfolio performance because we significantly lowered our foreign exposure during the year (from a 20% to 10% weighting). Relative GDP growth (USA versus foreign) was not an important portfolio factor because of the currency translation impact.

2008 Fixed Income Market Prediction — How We Fared

We anticipated the Federal Reserve Board would lower the 2007 year-end level of interest rates. Rates decreased a total of 4.00% (400 basis points) in 2008 (from 4.25% to 0% to 0.25%), so our interest rate prediction was accurate. The major factor we and most others did not foresee was the severity of the credit/economic crisis, which was the driving factor for drastically reduced Fed interest rates.

Although the yield curve became more "normal" as we anticipated, longer-term bond yields did not increase. The 10-Year Treasury yield fell 1.82% (182 basis points) from 4.03% to 2.21%. Inflation did not factor into longer term interest rates. In fact, there were fears of deflation.

2008 Portfolio Strategy Considerations — How We Fared

Equity

We were moderately successful regarding our equity strategy and selection (although the magnitude of the market decline superseded all other considerations). Our equity composite exceeded the S&P 500 Index in 2008 (although this was a hollow victory given the extent of the market decline). Overall, our portfolio has significantly out-performed the S&P 500 Index since our inception.[4]

In our opinion, 2008 was a year where our equity strategy and selection decisions could do little to combat the market. Strategy considerations included the following factors:

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

Overall, we assess our 2008 decisions in the above areas to be correct. Under normal circumstances, this would have had a significantly favorable impact on the portfolio. These were unusual circumstances.

Domestic versus Foreign

Our proprietary research concludes that an equity portfolio (for a USA-based investor) comprised of 79% domestic (USA) stocks and 21% foreign (non-USA) stocks carries the least amount of risk (Quarterly Insights, July 2006, page 10). We reduced our 2008 foreign exposure (from 20% to 10%) in our equity portfolio because we felt the US Dollar would stabilize.

Foreign stocks lagged (with the exception of Japan), partially due to relatively weakened currencies. There was notable stock under-performance in the European Monetary Union, the United Kingdom, and Emerging Markets. The reduction in foreign exposure helped our portfolio performance.

Sector Weighting

In 2008, our portfolio was over-weighted to Consumer Staples, Health Care and Technology. It was under-weighted to Energy and Financials.

Consumer Staples (-17.66%) and Health Care (-24.48%) fared relatively better than the S&P 500 Index (-37.00%). Financials (-56.95%) considerably lagged the market, while the market lag in Technology (-43.68%) was less pronounced. Energy (-35.93%) was a market performer. We slightly benefited from our relative sector bets.

We neutral-weighted several sectors (Materials, Industrials, Cyclicals, Telecom). Our positioning in these sectors collectively had little impact on our 2008 equity performance.

Near the end of 2008, we reduced our over-weight to Health Care, increased our Industrials exposure, and increased our Financial exposure. We anticipate more changes within the first half of the year (see page 6).

Average Market Cap

We maintained the average market cap of our equity portfolio for most of 2008 because we believed it would lower our portfolio risk without sacrificing performance. Near the end of the year, we lowered the average market cap through several stock transactions. We anticipate further lowering the average market cap in 2009. In 2008, large cap US stocks (-40.33%) slightly lagged small cap US stocks (-37.14%). Our market cap bias had little portfolio impact.

Style: Growth versus Value

We weighted our equity portfolio towards growth stocks because in a slowing economic environment, we expect investors to seek large growth companies with strong balance sheets and solid historical earnings. For the same reasons, we continue to weight our equity portfolio towards growth stocks (although we anticipate a shift towards more weighting in value stocks later in the year).

US growth stock performance (-39.00%) closely resembled US value stocks (-35.38%) in 2008 (see page 7). Our growth bias did not make a difference.

Portfolio Beta Level (Risk)

The beta of an individual stock is a measure of its risk in relation to the market. By definition, the market has a beta of 1.0. Portfolio beta describes the relative volatility of an individual securities portfolio, taken as a whole, as measured by the individual stock betas of the securities making it up.

We maintained our portfolio beta at "below the market" (less than 1.0). Our equity out-performance (versus the S&P 500 Index) was achieved by taking less than average market risk. The lower portfolio beta positioning was correct.

Fixed Income

The fixed income component of our portfolio performed reasonably well in relation to the overall bond market. Given our expectation that the yield curve would become more "normal", we held shorter term Treasury bonds and Treasury Inflation Protected Securities (TIPS). The average duration of our fixed income holdings was less than 4.0 years. For most of 2008, we did not have corporate bond exposure.

The shorter term government bonds performed well in 2008. The TIPS did not perform nearly as well because inflation was not a factor (in fact, there were fears of deflation). We sold the Treasury bonds near the end of the year because we felt the prices had peaked or were close to peaking. These bonds were replaced by higher-yielding certificates of deposit (CDs) and corporate bonds.

Corporate bonds were down in the double-digit range in 2008. Because they were beat up so badly, the yield spread between government and corporate bonds became substantial. In our opinion, quality corporate bonds became attractive late in the year. It was the right time for a fixed income rotation.

We could have benefited from higher average bond duration. The fall in the 10-Year Treasury bond yield was not anticipated. Bearing in mind our clients' specific portfolio income needs, we felt the potential risk in having average bond duration greater than 4.0 years, given our interest rate and inflation rate expectations, would have been too great. During the year, interest rates fell much more than we expected and our inflation concerns were unfounded.