TRIVANT

CUSTOM PORTFOLIO GROUP, LLC

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INSIGHTS

First Quarter 2009

In This Issue

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EXECUTIVE SUMMARY

Stock Market Soars Near The End Of A Challenging Q1

In the First Quarter, the domestic S&P 500 Index fell 11.01% while the MSCI EAFE Index (foreign) fell 13.85%. The market continued to exhibit unusually high volatility. Through March 9, the S&P 500 Index had fallen 24.64% year-to-date. By March 31, it recovered significantly to be down 11.01% year-to-date.

Through April 9, the S&P 500 Index continued its ascent and was down only 4.37% year-to-date. The market recovery was remarkable in terms of its timing and magnitude. Between March 9 and April 9, the S&P 500 Index rose 26.89%. This is typical of significant bounces off market bottoms.

Through these tough times, we have steadfastly advocated that our clients stay the course regarding their appropriate asset allocation. This disciplined approach to investing has recently paid off.

Many clients have asked us if we maintain our 2009 forecast that global equity markets will advance 18% to 22% (Fourth Quarter 2008, 2009 Market Forecast, page 9). We maintain our forecast.

LEI Stability Is A Bullish Sign

The Leading Economic Index (LEI) is comprised of 10 economic components designed to predict economic activity six to nine months in the future. It fell at an annualized rate of 5.6% for the last half of 2008. Over the last three months, the LEI has stabilized, and we expect it to rise in the near term. A rising LEI precedes an improving economy. This bodes well for the stock market.

We believe the stock market will lead the economy by a shorter time frame than normal. There is nearly $9 trillion cash on the sidelines (source: St. Louis Federal Reserve) to help fuel a rally. Given the record-breaking market volatility over the last six months and the historical precedence for strong market rallies off the bottom, we are bullish on the stock market.

EXECUTIVE SUMMARY

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Continued Emphasis on Large Cap US Stocks

Small cap stocks tend to bounce more off a market bottom (although this phenomenon has yet to be observed in 2009). Even though the market has recovered significantly since March 9, we will maintain a large cap focus in the portfolio because large cap stocks continue to offer a better risk/return tradeoff.

We anticipate a more opportune time to shift towards a smaller cap focus. For now, the larger companies should be better positioned to withstand the slowdown in the economy and consumer spending.

Fixed Income

The Fed interest rate was maintained in the First Quarter as part of a globally coordinated effort to stimulate economic growth. The Lehman Brothers Government/Corporate Bond Index fell 1.28% in the First Quarter.

The Fourth Quarter 2008 phenomenon of investors' "flight to safety" with respect to US Treasury bonds became less pronounced. Perhaps this is a sign that investors are becoming more bullish about the stock market.

The Fed can no longer cut interest rates. There are 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.

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LEI Stability Is A Bullish Sign

The LEI Hints At The Future Direction Of The Stock Market

The Conference Board generates three different monthly indices. The Leading Economic Index (LEI) is comprised of 10 economic components designed to predict economic activity six to nine months in the future. For the Coincident Economic Index (CEI), four components are chosen because they are generally in-step with the current economic cycle. The Lagging Economic Index (LAG) is made up of seven economic series that have historically registered a change in the business cycle *after the change has already taken place.*

From a portfolio management standpoint, we are most interested in the LEI. We want an indication of where the economy is going, not so much where it is or where it has been.

Under normal conditions of economic clarity, stock prices typically start to recover six months before the economy rebounds. With the currently poor economic clarity, we believe the stock market will lead the economy by significantly less than six months. Consequently, the LEI can offer an even more time-sensitive hint regarding the future direction of the stock market.

The LEI Has Stabilized

The LEI fell at an annualized rate of 5.6% for the last half of 2008. Over the last three months, the level of the LEI has stabilized. We believe this bodes well for the stock market.

Recent Movement Of The LEI

Month	LEI Increase/(Decrease) From Previous Month
November, 2008	(0.70)%
December, 2008	(0.10)%
January, 2009	0.10%
February, 2009	(0.40)%

Source: The Conference Board

A closer examination of the index components is needed to understand what has caused the index to stabilize and what may cause it to rise going forward.

Pay Attention To The Heavily Weighted LEI Components

Three of the 10 LEI components are heavily weighted, accounting for over 70% of the index. The status of these three components provides the greatest insight as to the potential direction of the index.

1. Money Supply, M2

Money supply is measured in a variety of ways, but the most widely cited measurements are M1, M2 and M3 (the "monetary aggregates"). M1 is currency in circulation and bank checking accounts. M2, the money supply measure used in the LEI, is M1 plus savings accounts, CDs under $100,000, retail money-market fund shares and overnight repurchase agreements. M3 is M2 plus CDs over $100,000, institutional money-market funds and term repurchase agreements.

The Fed sets target ranges for the growth rates of M2 and M3. Money-supply growth depends on interest rates, specifically the Fed Funds rate. Raising the Fed Funds rate curbs money supply growth (negative economic factor), while cutting the rate accelerates money supply growth (positive economic factor).

2. Average Weekly Hours, Manufacturing

The average manufacturing work week (in hours) is a strong measure of the health of the economy. A declining work week is a negative sign. An increased work week is a positive sign.

3. Interest Rate Spread, 10-Year Treasury Bonds Less Federal Funds

The interest rate spread is the 10-Year Treasury bond rate less the Fed Funds rate. An increased interest rate spread is a positive economic factor because lending becomes more profitable for the banks. Bank lending stimulates the economy, while the absence of bank lending (the current "credit freeze") hurts the economy.

The remaining seven components of the LEI comprise about 30% of the index. Since these components have a smaller weighting, they have less potential influence on the index.

LEI Component Weights

Leading Economic Index (LEI) Component	LEI Weight (%)	Cumulative LEI Weight (%)
Money Supply, M2	35.80	35.80
Average Work Week Hours, Manufacturing	25.49	61.29
Interest Rate Spread, 10-Year Treasury Bonds Less Fed Funds	9.91	71.20
Manufacturers' New Orders, Consumer Goods And Materials	7.74	78.94
Index of Supplier Deliveries – Vendor Performance	6.77	85.71
Stock Prices, 500 Common Stocks	3.90	89.61
Average Weekly Initial Claims For Unemployment Insurance	3.07	92.68
Index Of Consumer Expectations	2.82	95.50
Building Permits, New Private Housing Units	2.70	98.20
Manufacturers' New Orders, Nondefense Capital Goods	1.80	100.00

Source: The Conference Board

LEI Attribution Analysis

An attribution analysis is a decomposition of the overall LEI performance to explain why the results were achieved. We will examine the most immediate month (February) to illustrate. What contribution was made by each of the 10 components to drive a relatively minor 0.40% decrease in the LEI?

Six of the 10 LEI components increased in February. The positive contributors (in order of largest to smallest positive contribution) were the interest rate spread, vendor performance, building permits, money supply, and the two categories of manufacturers' new orders. The negative contributors (in order of largest to smallest negative contribution) were unemployment insurance claims, stock prices, the index of consumer expectations, and average weekly manufacturing hours.

Attribution Analysis (%) For LEI: The Four Most Recent Months

LEI Component	Nov	Dec	Jan	Feb
Money Supply, M2	.65	.99	.32	.03
Average Work Week Hours, Manufacturing	(.13)	(.19)	(.06)	(.13)
Interest Rate Spread,10-Yr Treasury Bonds Less Fed Funds	.31	.22	.23	.26
Manufacturers' New Orders, Consumer Goods And Materials	(.20)	(.16)	(.10)	.02
Index of Supplier Deliveries – Vendor Performance	(.05)	(.20)	(.03)	.09
Stock Prices, 500 Common Stocks	(.36)	(.02)	(.05)	(.28)
Average Weekly Initial Claims For Unemployment Insurance	(.29)	(.15)	(.16)	(.30)
Index Of Consumer Expectations	(.09)	.00	.11	(.21)
Building Permits, New Private Housing Units	(.46)	(.32)	(.08)	.08
Manufacturers' New Orders, Nondefense Capital Goods	(.10)	(.20)	(.06)	.02
% LEI Index Increase/(Decrease) From Previous Month	**(.70)**	**(.10)**	**.10**	**(.40)**
Number of Positive LEI Components For The Month	2	3	3	6
Number of Negative LEI Components For The Month	8	7	7	4
Total Number of LEI Components	10	10	10	10

Source: The Conference Board

We Expect The LEI Will Rise

We expect the LEI will rise within the next few months. The cumulative effect of the three most heavily weighted LEI components (money supply, average weekly hours, interest rate spread) has positively impacted the LEI over the last three months and should continue to do so. On March 18, the Fed announced plans to buy $300 billion of Treasuries and take other measures to channel money to the economy (positive impact on the Money Supply, M2). We do not anticipate an increased Fed rate in the near term and we expect bond yields to increase (positive impact on the Interest Rate Spread). The Average Work Week may have bottomed.

Key Component Data For LEI: The Four Most Recent Months

LEI Component	Nov	Dec	Jan	Feb
Money Supply, M2 ($ billions)	6,576	6,761	6,822	6,828
Average Work Week Hours, Manufacturing	40.2	39.9	39.8	39.6
Interest Rate Spread, 10-Year Treasury Bonds Less Federal Funds	3.14	2.26	2.37	2.65

Source: The Conference Board

The three largest negative contributors to the LEI in February (unemployment insurance claims, stock prices, and consumer expectations) comprise less than a 10% weight in the index. Their collective potential impact on the LEI is minimal.

We anticipate unemployment insurance claims and consumer expectations will continue to minimally drag the LEI. Manufacturers' new orders and vendor performance have stabilized. The Commerce Department announced a 22% February surge in new home construction, which will further advance the LEI building permits component. Stock prices rose in March, which will positively impact the LEI stock prices component.

CONCLUSION

The LEI has stabilized and we expect it to rise in the near term. A rising LEI precedes an improving economy. We believe the stock market will lead the economy by a shorter time frame than normal. There is nearly $9 trillion cash on the sidelines (source: St. Louis Federal Reserve) to help fuel a rally. Given the record-breaking market volatility over the last six months and the historical precedence for strong market rallies off the bottom, we are bullish on the stock market.

Equity Market Review

Stock Market Soars Near The End Of A Challenging Q1

In the First Quarter, the domestic S&P 500 Index fell 11.01% while the MSCI EAFE Index (foreign) fell 13.85%. Almost all global equity markets had negative performance in a range of 10%-17% (the exception was Emerging Markets). The Technology sector was the lone "positive performer" regarding sector, market cap or style (growth versus value) performance.

The market continued to exhibit unusually high volatility. Through March 9, the S&P 500 Index had fallen 24.64% year-to-date. By March 31, it recovered significantly to be down 11.01% year-to-date. Through April 9, the S&P 500 Index was down 4.37% year-to-date. Between March 9 and April 9, the S&P 500 Index rose 26.89%. This is typical of significant bounces off market bottoms previously discussed (Third Quarter 2008, Bounces Off Bear Market Bottoms Are Substantial, page 13). Areas of note for the quarter include:

- Financials (-29.49%) fell sharply due to initial fears of bank nationalization
- Technology (+3.96%) prospered as buyers continue to seek operating efficiencies
- Emerging Markets (+1.02%) benefited from relatively stronger fiscal stability
- US growth stocks (-3.94%) significantly out-performed US value stocks (-16.87%)

Equity Index Performance

Index	Q1 2009	2008
S&P 500 (Domestic)	(11.01%)	(37.00%)
MSCI EAFE (Foreign)**	(13.85%)	(43.06%)
MSCI World	(11.78%)	(40.33%)
MSCI Emerging Markets	1.02%	(53.18%)
Russell 2000 (Small Cap)*	(15.36%)	(34.80%)
MSCI Japan	(16.57%)	(29.11%)
MSCI UK (United Kingdom)	(10.86%)	(48.32%)
MSCI EMU (European Monetary Union)	(17.43%)	(47.09%)

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

Continued Emphasis on Large Cap US Stocks

Even though the market has recovered significantly since March 9, we will maintain a large cap focus in the portfolio because large cap stocks continue to offer a better risk/return tradeoff. We anticipate a more opportune time to shift towards a smaller cap focus. For now, the larger companies should be better positioned to withstand the slowdown in the economy and consumer spending.

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

The US Dollar

The US Dollar slightly appreciated versus the British Pound, appreciated versus the Euro, and considerably appreciated versus the Japanese Yen in the First Quarter. The Federal Reserve Board Funds Rate was maintained at a target 0% to 0.25%. The European Central Bank (ECB) lowered its rate from 2.50% to 1.50%. Oil prices were not a major factor in the continuing appreciation of the US Dollar, rising from approximately US $44 to US $50 per barrel over the quarter.

US Dollar Appreciation Versus Foreign Currencies

Currency	Q1 2009	2008	2007	2006
US Dollar/Euro	4.17%	5.88%	(9.59%)	(11.79%)
US Dollar/Japanese Yen	9.25%	(18.37%)	(6.43%)	0.94%
US Dollar/British Pound	1.45%	44.00%	(1.01%)	(14.00%)
US Dollar Index*	5.03%	6.20%	(8.47%)	(8.25%)

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

In Q1 2009, the dollar rose 5.03% against a basket of diversified currencies.

The US Dollar continued to appreciate in the First Quarter for the following reasons:

- The European Central Bank (ECB) lowered its rate from 2.50% to 1.50%. The Fed rate was maintained at a target 0% to 0.25% (it cannot go lower). As the rate gap between the ECB and the FED narrows, the Euro becomes a less attractive currency versus the US Dollar.

- The "flight to safety" through US Treasury purchases continued to bolster the US Dollar in the short-term. Because US Treasury purchases must be made in US dollars, foreign currencies must be converted to US Dollars. As a result, the demand for US dollars increases, and the US Dollar appreciates.

- The US trade deficit fell for the seventh straight month in February to $26 billion, the smallest gap since 1999 (source: The Commerce Department). Imports fell and exports rose. A 16.3% plunge in imports of crude oil led the decline in imports. Stronger sales for consumer goods led the strength in exports. A reduced trade deficit continues to benefit the US Dollar.

The US Dollar: Portfolio Strategy Considerations

We believe the US Dollar will continue to slightly appreciate in 2009. Assuming this happens, we expect US stocks to out-perform the developed foreign markets in a stock recovery. Our current portfolio weighting of approximately 90% domestic exposure would be well-positioned.

Japan

The relative under-performance of the Japanese market was mainly attributable to Yen depreciation. We believe the Yen depreciated due to evidence of a deep Japanese recession (source: the March Tankan Survey). Exports to the US, Asia and the European Union (EU) are falling. Corporate profits continue to weaken.

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 was the best-performing global area (+1.02%) in the First Quarter. Stabilized commodity and energy prices helped resource-rich regions. In addition, the fact that these countries are not undertaking nearly the level of deficit spending as observed in the US and Europe may have contributed to performance.

Emerging Markets Performance By Region

Country	Q1 2009	2008
Brazil	12.50%	(57.64%)
Russia	5.93%	(74.16%)
India	(1.50%)	(65.07%)
China	1.33%	(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 2008. Since commodity and energy prices have stabilized, and we see the potential for an increasing number of middle-class consumers in this area, we will consider Emerging Markets exposure.

Europe

Europe was down considerably (-17.43%) versus the S&P 500 Index (-11.01%) for the quarter, and was the worst-performing developed market. There are no indications that European business prospects are better than other global regions as Europe is trapped in its deepest recession since World War II. The Euro continued to lose 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 further cut its rate (from 2.50% to 1.50%) in an effort to stimulate the economy. We anticipate the rate will remain stable. There is no pressing need to combat inflation (raise interest rates).

Europe: Portfolio Strategy Considerations

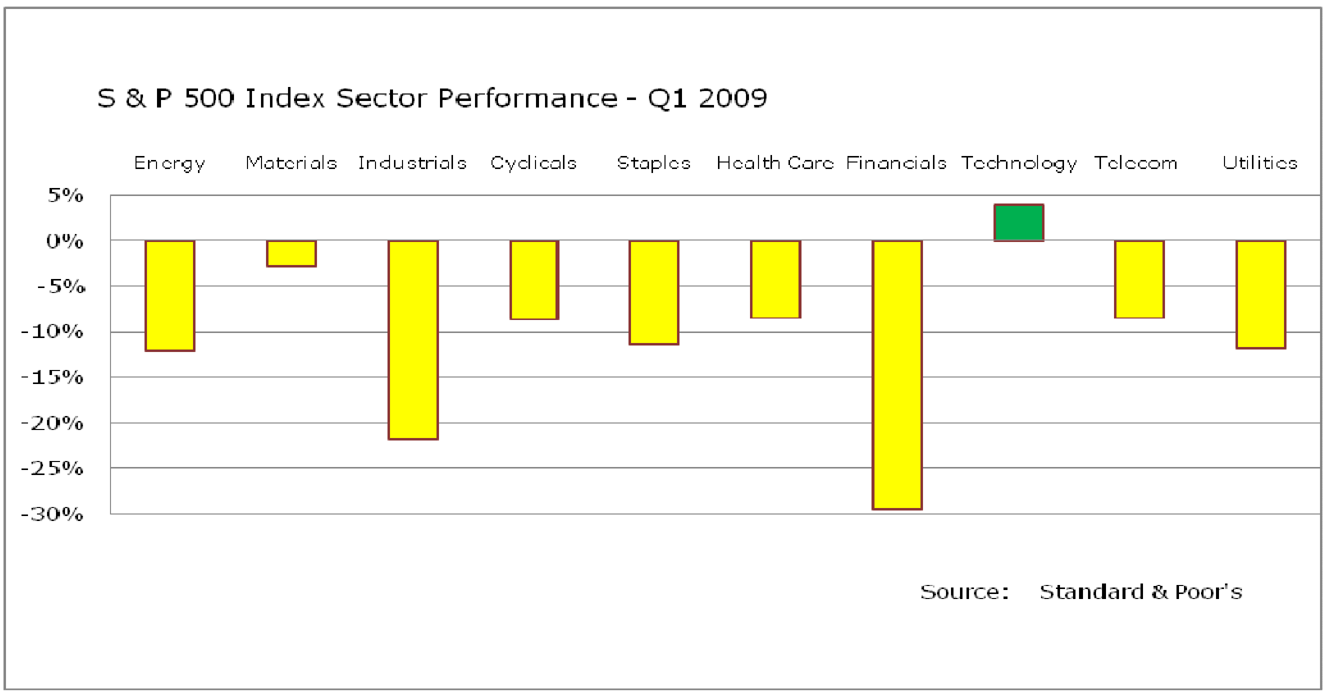
We will maintain minimal European exposure as we see no factors that point to out-performance.

Sector Performance

Technology was the lone positive-performing sector (+3.96%) in the First Quarter. We believe this is a good sign because this sector has typically led the market off bottoms reached during previous sell-offs. Materials (-2.82%) was the next best performing sector, perhaps spurred by aggressive infrastructure spending by the Chinese government to stimulate its economy.

Financials was the worst performing sector in the First Quarter (-29.49%), due mainly to fears of bank nationalization (these fears subsequently subsided). Industrials (-21.77%) was the second-worst performing sector, likely in response to fears that the tough lending environment was forcing, or could force, companies to reduce capital spending.

Health Care, Cyclicals and Telecom slightly out-performed the S&P 500 Index (-11.01%). Energy, Utilities and Staples closely mirrored the S&P 500 Index performance.



Sectors: Portfolio Strategy Considerations

We remain under-weight to Energy and Materials pending more evidence of an improving world economy. Although the Financials sector has recently enjoyed a nice rebound, we are leery of changing our neutral-weight position to an over-weight position. There is still tremendous uncertainty as to how massive government intervention will affect the sector going forward.

We out-performed the S&P 500 Index in the First Quarter primarily due to portfolio over-weights in the Technology and Health Care sectors. Neutral weightings to the Financials and Materials sectors hindered the portfolio (we would have fared better with sector under-weights). Our other sector weightings were somewhat inconsequential in terms of relative performance versus the S&P 500 Index.

We continue to over-weight Health Care and Technology. Each of these sectors has solid balance sheets with good cash positions, which are attractive qualities in the current credit environment.

Market Cap Performance

Small cap US stocks fared slightly worse than large cap US stocks in the First Quarter. Small cap foreign stocks fared better than large cap foreign stocks. We are not concluding a meaningful trend.

Theoretically, the right time to lower the average portfolio market cap is six months prior to improved economic data. Although the Leading Economic Index (LEI) has stabilized and we expect it to rise in the near term, we believe a move right now towards small cap stocks is premature.

Market Cap Performance	First Quarter 2009	2008
Large Cap Performance		
World	(11.78%)	(40.33%)
Foreign	(13.85%)	(43.06%)
USA	(10.50%)	(37.14%)
Small Cap Performance		
World	(10.36%)	(41.60%)
Foreign	(9.47%)	(46.78%)
USA	(11.52%)	(35.88%)

Source: MSCI

Market Cap: Portfolio Strategy Considerations

For the moment, we believe that large cap stocks are better positioned from a risk/reward standpoint and will maintain our large cap focus. We may shift towards a smaller cap focus in the near future. Small cap stocks tend to bounce more off a market bottom (although this phenomenon has yet to be observed in 2009).

Style Performance

US Growth stocks fared significantly better than US Value stocks in the First Quarter. This was partly attributable to the significant performance differential between Technology (+3.96%) and Financials (-29.49%).

Style Performance	First Quarter 2009	2008
US Growth	(3.94%)	(39.00%)
US Value	(16.87%)	(35.38%)
Foreign Growth	(12.32%)	(42.46%)
Foreign Value	(15.46%)	(43.68%)

Source: MSCI

Style: Portfolio Strategy Considerations

For the time being, we will maintain a growth bias due to our expectation of continuing fallout from the sub-prime mortgages, and the safety of significant cash on hand amidst credit flow issues.

Bond Market Review

The Fed interest rate was maintained in the First Quarter as part of a globally coordinated effort to stimulate economic growth. The Lehman Brothers Government/Corporate Bond Index fell 1.28% in the First Quarter.

Key US Interest Rates	March 31, 2009	Dec. 31, 2008	Change
Federal Reserve Boards Funds Rate	0.25%	0.25%	no change
2-Year Treasury (Constant Maturity)	0.80%	0.76%	+4 basis points
5-Year Treasury (Constant Maturity)	1.65%	1.55%	+10 basis points
10-Year Treasury (Constant Maturity)	2.66%	2.21%	+45 basis points

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

The Fourth Quarter 2008 phenomenon of investors' "flight to safety" with respect to US Treasury bonds became less pronounced. During the First Quarter, bond prices fell (yields increased) despite the Fed's commitment to buy $300 billion in Treasury securities (announced on March 18). Perhaps this is a sign that investors are becoming more bullish about the stock market.

The yield curve, which compares the 2 year Treasury rate (Constant Maturity) versus the 10 year Treasury rate, became slightly more "steep" as the rise of longer yields was more than the rise 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 remains tame. On a seasonally adjusted basis, the CPI (Consumer Price Index) increased 0.3% in January and 0.4% in February.* A 24% rise in energy prices (oil rose from $39.03 to $48.41 per barrel through the First Quarter) drove the increase in the overall index.

The Fed can no longer cut interest rates. There are 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 sold Treasury bonds late last year and replaced them with investment-grade corporate bonds and certificates of deposit (CDs). At the time, we believed Treasury bond prices did not have much upside after their best year since 1995 (a 2008 return of 13.7%). So far in 2009, we are right.

We also 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.

*Source: Bureau of Labor Statistics

Closing Thoughts

The First Quarter continued to test the patience of investors, although the last three weeks of March provided some degree of relief and optimism. Positive momentum has continued through the early part of April. This is encouraging.

Through these tough times, we have steadfastly advocated that our clients stay the course regarding their appropriate asset allocation. This discipline paid off between March 9 and April 9, a short time frame where the S&P 500 Index rose almost 27%.

Despite a shaky start to the year, we maintain our original forecast that global equity markets will advance 18% to 22% in 2009.

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

Respectfully submitted,

TRIVANT

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"If you owe the bank $100, that's your problem. If you owe the bank $100 million, that's the bank's problem."

J. Paul Getty