TRIVANT

CUSTOM PORTFOLIO GROUP, LLC

July 2010

quarterly INSIGHTS

EXECUTIVE SUMMARY

Second Quarter 2010

In This Issue

Global Stock Markets Fall In Q2

In the Second Quarter, the domestic S&P 500 Index fell 11.43% while the MSCI EAFE Index (foreign) fell 13.75%. Almost all global equity markets had double digit negative performance (the exception was Emerging Markets). Concerns regarding the Greek debt crisis continued to pressure the Euro and European stocks. The British budget deficit (the largest of any G20 country) further hurt the Pound.

The market exhibited higher volatility than the First Quarter. Trading volume fell as some investors moved from stocks to bonds. Many investors who have been in the market for the last year continued to hold their stocks. Investors who have been out of the market remained reluctant to buy in.

We maintain our belief that 2010 global equity markets will advance 12% to 16%.

Market Correction or Bear Market?

Did we observe a market correction or the signal of a bear market in the Second Quarter? We distinguish a market correction from a bear market by looking at two factors: magnitude and duration.

A market correction is characterized by a sizeable (high magnitude) and quick (short duration) market decline followed by an equally considerable and quick bounce-back. Corrections are normal in bull markets.

A bear market is characterized by a moderate (low magnitude) and gradual (long duration) market decline followed by a sizeable and quick market decline (a “final panic”).

The S&P 500 Index fell 15.36% (a high magnitude) from April 23 through June 30 (a short duration). We believe this is typical of a market correction, not a bear market.

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EXECUTIVE SUMMARY

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Increased Emphasis on Small Cap US Stocks

During the Second Quarter, we continued a shift towards increased small cap emphasis that we initiated over a year ago. We raised our Emerging Markets exposure and increased our US Cyclicals position. Our average portfolio market cap value was further reduced.

Real gross domestic product (GDP) growth eased to 2.7% after a robust Fourth Quarter (+5.6%) and is projected to increase 3.0% to 3.5% in 2010 (source: Bureau of Economic Analysis). This tops all developed nations. We expect to see further signs of an improved economy. Small cap stocks should out-perform during the expansion phase of the business cycle.

Bond Prices Rise In The Second Quarter

The Fed interest rate was maintained in the Second Quarter as part of a globally coordinated effort to stimulate economic growth. The Barclays Capital U.S. Government/Credit Bond Index rose 3.88% in the Second Quarter.

Investors continued to move cash to bonds at record levels. Many of these investors have put money into bonds thinking that bonds carry no risk. They are wrong. Rising interest rates are a huge bond price risk.

There are no immediate inflation concerns. The return to normal GDP growth, coupled with no current inflation threat, should allow the Fed the flexibility to hike interest rates in the range of 50 to 100 basis points.

TRIVANT CUSTOM PORTFOLIO GROUP, LLC Second Quarter 2010 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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Market Correction or Bear Market?

Magnitude And Duration Distinguish A Market Correction From A Bear Market

The Second Quarter double-digit market decline may evoke memories of past bad markets, most recently 2008. Naturally investors are wondering whether we are heading to, or are in the midst of, another bear market. There is no doubt that many investors are skittish. Many remain on the sidelines in cash positions that offer negligible returns. Record levels of funds have been directed to bonds that offer very low returns. For these investors, the fear of losing money is far out-weighing the confidence to make money.

The reality is that most investors need a greater return than is currently offered by cash and bonds to meet their long-term investment objectives. These investors face a dilemma of when to get back into the market.

Did we observe a market correction or the signal of a bear market in the Second Quarter? How do we distinguish a market correction from a bear market? The answer is simpler than you think: magnitude and duration.

A market correction is characterized by a sizeable (high magnitude) and quick (short duration) market decline followed by an equally considerable and quick bounce-back. Corrections are normal in bull markets.

Recent Bull Market Corrections

Year	Correction Amount	Duration (Days)	Total Calendar Return
2006	(8.10%)	39	15.80%
2005	(7.52%)	44	5.43%
2004	(7.13%)	65	10.80%
1999	(10.88%)	74	21.03%
1998	(22.45%)	80	28.57%
1997	(13.00%)	21	33.34%
1996	(9.54%)	62	22.99%

A bear market is characterized by a moderate (low magnitude) and gradual (long duration) market decline followed by a sizeable and quick market decline (a “final panic”). Some describe bear markets in the context of a “one-third, two-thirds” rule. The first one-third of the bear market decline occurs over two-thirds of its duration. The final two-thirds of the bear market decline occurs over the final one-third of its duration.

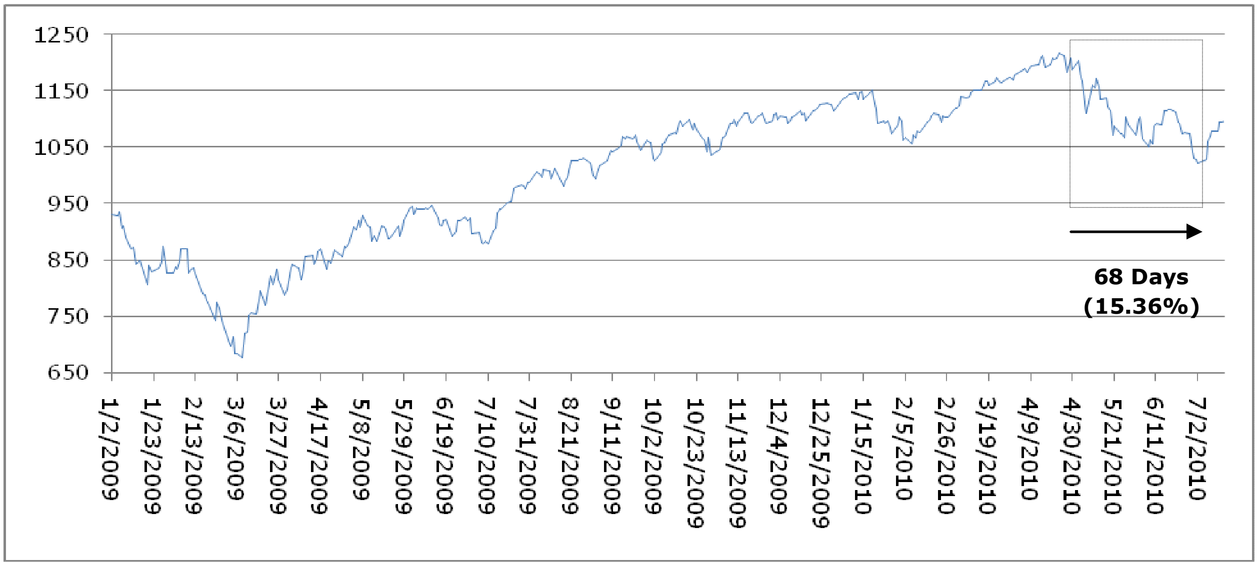
Recent Bear Market Declines

Years	Decline	Duration (Days)
2007-2009	(56.7%)	482
2000-2002	(49.2%)	929
1980-1982	(27.2%)	630
1973-1974	(48.2%)	632
1968-1970	(36.1%)	543

We Believe The Second Quarter Pullback Was A Market Correction

In the Second Quarter, the S&P 500 Index peaked at 1217.28 on April 23 and bottomed at 1030.28 on June 30. As of July 15, the S&P 500 Index was 1096.48. Over a period of 68 days (April 23 through June 30), the market decline was 15.36%. We believe this is characteristic of a market correction. The decline was sizeable (high magnitude) and quick (short duration).

S&P 500 Index Performance Over The Last Six Quarters



Easing Market Uncertainty Should Signal An Improved Market

There are four areas of uncertainty which we believe caused a market correction. Each area of uncertainty has gained recent clarity. This should help propel the market going forward.

1. The British Petroleum Oil Spill

The oil spill has weighed heavily on both the markets and consumer sentiment. After three months of efforts to stop the oil flow, it appears that the leak is close to being capped.

2. The Greek Debt Crisis

On May 10, the European Union and the International Monetary Fund announced an emergency rescue package of up to $1 trillion to keep Greece's debt crisis from spreading through the Euro Zone.

3. Financial Regulation

On July 15, the Senate passed a bill for financial regulation. The bill aims to strengthen consumer protection, reign in complex financial products and head off more bank bailouts.

4. The Economy

First Quarter real GDP growth was +2.7% and is projected for stable 2010 growth (between 3.0% to 3.5%).

CONCLUSION

The market has gone through what we believe is a correction. We believe the second half of 2010 will be favorable. Consequently, we will maintain our portfolio strategy at this time.

Equity Market Review

Global Stock Markets Fall In Q2

In the Second Quarter, the domestic S&P 500 Index fell 11.43% while the MSCI EAFE Index (foreign) fell 13.75%. Almost all global equity markets had double-digit negative performance (the exception was Emerging Markets). Concerns regarding the Greek debt crisis continued to pressure the Euro and European stocks. The British budget deficit (the largest of any G20 country) further hurt the Pound.

The market exhibited higher volatility than the First Quarter. Trading volume fell as some investors moved from stocks to bonds (as evidenced by the 94 basis point drop in the 10-Year Treasury yield). Many investors who have been in the market for the last year continued to hold their stocks. Investors who have been out of the market remained reluctant to buy in. Areas of note for the quarter include:

- Concerns remained for the debt and unemployment levels of the "PIGS" (Portugal, Italy, Greece and Spain)
- Significant US Dollar appreciation versus the Euro (+10.51%) spurred domestic stock out-performance
- Emerging Markets (the relatively-best performing global region) was led by India (-2.24%)
- Utilities (-4.82%) and Telecom (-5.65%) led sector performance, although both lag the market year-to-date
- US small cap stocks (-10.19%) fared slightly better than the large cap S&P 500 Index (-11.43%)

Equity Index Performance

Index	Q2 2010	2010
S&P 500 (Domestic)	(11.43%)	(6.65%)
MSCI EAFE (Foreign)**	(13.75%)	(12.93%)
MSCI World	(12.49%)	(9.56%)
MSCI Emerging Markets	(8.29%)	(6.64%)
Russell 2000 (Small Cap)*	(10.19%)	(2.54%)
MSCI Japan	(10.07%)	(2.65%)
MSCI UK (United Kingdom)	(13.84%)	(14.35%)
MSCI EMU (European Monetary Union)	(17.32%)	(21.26%)

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

We Have Positioned The Portfolio To Benefit From An Economic Expansion

During the Second Quarter, we continued the shift towards increased small cap emphasis that we initiated over a year ago. We reduced our exposure to the consumer staples and telecom sectors. We increased our exposure to the consumer discretionary and financial sectors.

Real gross domestic product (GDP) growth recovered from –16.4% in February 2009 to +9.7% in November 2009. GDP growth eased from +5.6% in the Fourth Quarter 2009 to +2.7% in the First Quarter 2010 (source: Bureau of Economic Analysis). We interpret this data as an indication that the economy is moving from a recovery phase to an expansion phase. Small cap stocks should out-perform in an expansion.

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

The US Dollar

The US Dollar considerably appreciated versus the Euro, modestly appreciated versus the British Pound, and depreciated versus the Japanese Yen in the Second Quarter. The Federal Reserve Board Funds Rate was maintained at a target 0% to 0.25%. The European Central Bank (ECB) maintained its rate at 1.00%. Oil prices fell from approximately US $80 to US $76 per barrel over the quarter (a decrease of 5%) in spite of a rising US Dollar.

US Dollar Appreciation Versus Foreign Currencies

Currency	Q2 2010	2010	2009	2008
US Dollar/Euro	10.51%	17.14%	0.00%	5.88%
US Dollar/Japanese Yen	(5.40%)	(4.82%)	2.18%	(18.37%)
US Dollar/British Pound	1.61%	8.14%	(10.14%)	44.00%
US Dollar Index*	6.10%	10.44%	(4.24%)	6.20%

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

In Q2 2010, the dollar rose 6.10% against a basket of diversified currencies.

The US Dollar continued to appreciate in the Second Quarter for two main reasons:

- The Greek debt crisis and impending bailout uncertainty continued to hurt the Euro. To recap, Greece faces a huge sovereign debt problem (its debt is forecast at 125% of GDP for 2010). Its budget deficit is 12.7% of GDP, four times higher than Euro area rules allow. On May 10, the European Union and the International Monetary Fund announced an emergency rescue package of up to $1 trillion to keep Greece’s debt crisis from spreading through the Euro Zone. It took a month after the announcement for the Euro to stabilize (the Euro depreciated considerably through May and early June).

- The British budget deficit is estimated at 200 billion Pounds (13% of GDP), the largest deficit of any G20 country. Deficit fears hurt the British Pound in April, but anticipated austerity measures helped the Pound to recover in May and June. On June 22, the British Government announced a $40 billion budget cut to ease debt, its largest budget cut in several decades.

The US Dollar: Portfolio Strategy Considerations

The magnitude of the US Dollar appreciation versus the Euro in the Second Quarter surprised us. From a portfolio standpoint, it had little impact because we have maintained minimal European exposure. We stated in our previous report (Quarterly Insights April 2010, page 7) that we “believe that the European Union will find a way to ease global concerns about the Greek debt crisis if Greece cannot do so itself.” Indeed this occurred and the Euro eventually began to stabilize.

We anticipate a steady US Dollar going forward. Our current target domestic portfolio weighting remains at 85%. This target is for sector and market cap considerations, not currency considerations.

Japan

Japan (-10.07%) fell in line with global performance in the Second Quarter after leading the developed nations in the First Quarter. Japan will benefit from an expanding US economy (the US represents a considerable portion of the Japanese export market). The US Dollar depreciated against the Yen in the Second Quarter, which hurt the Japanese exporters.

Japan: Portfolio Strategy Considerations

We previously removed almost all Japanese portfolio exposure to increase our US weighting. This adjustment did not impact our Second Quarter performance. We see no compelling reasons to change our stance.

Emerging Markets

Emerging Markets (-8.29%) led global market performance on a relative basis. There was regional disparity. Brazil and Russia, heavily influenced by commodities, had a rough quarter. India and China fared better.

Emerging Markets Performance By Region

Country	Q2 2010	2010
Brazil	(15.21%)	(15.28%)
Russia	(15.36%)	(9.63%)
India	(2.24%)	2.51%
China	(4.48%)	(5.98%)

Source: MSCI

Emerging Markets: Portfolio Strategy Considerations

We added exposure to Brazil via a bank purchase versus a commodity play (our commodity exposure is located elsewhere in the portfolio). Additional Emerging Markets portfolio exposure remains in China and India, whose economies are expanding and represent an important aspect of portfolio diversification.

Europe

Europe was down considerably (-17.32%) versus the S&P 500 Index (-11.43%) for a second consecutive quarter, and is by far the worst-performing developed market year to date. The significant performance lag has been largely due to a depreciating Euro fueled by concerns regarding the "PIGS" (Portugal, Ireland, Greece and Spain). Each of these countries has high levels of debt and unemployment.

Investor Concern	Portugal	Ireland	Greece	Spain
Sovereign Debt as a % of GDP	85	83	125	66
Unemployment Rate (%)	10.4	13.3	9.7	19.5

Europe: Portfolio Strategy Considerations

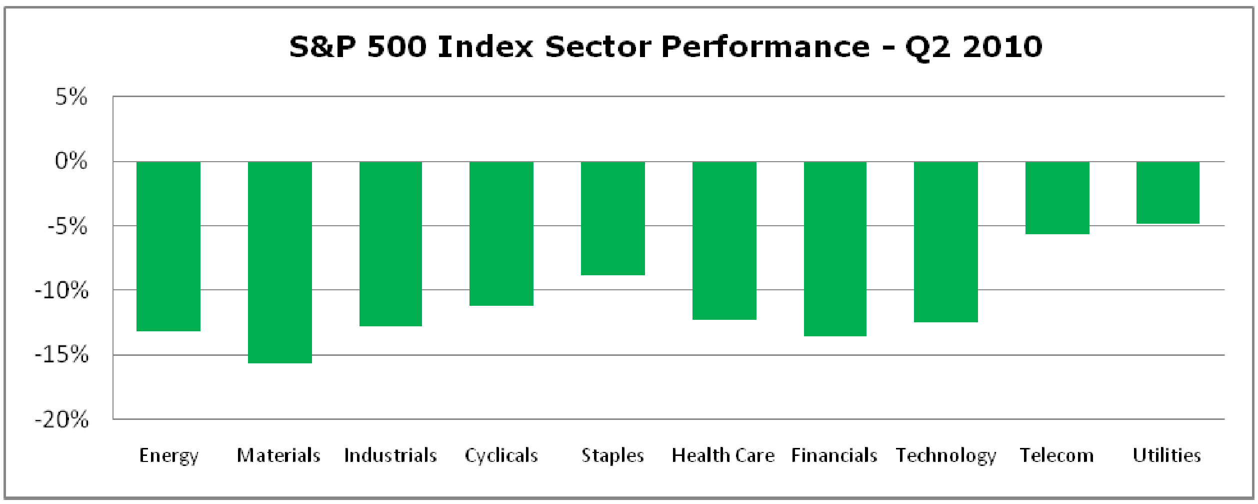
Although the Euro has stabilized over the last month, we will maintain minimal European exposure as we see no factors that point to out-performance.

Sector Performance

Utilities (-4.82%) and Telecom (-5.65%) were the best-performing sectors in the Second Quarter. Year to date, Industrials (-1.94%), Cyclicals (-2.28%) and Financials (-4.20%) are the best performing sectors. We believe this is a good sign because we expect these sectors to lead in the transition from a recovery to expansion phase of the business cycle.

Materials was the worst performing sector in the Second Quarter (-15.72%), followed closely by Financials (-13.56%) and Energy (-13.23%). Technology (-12.46%) lagged the S&P 500 Index for a second straight quarter after a torrid performance in 2009 (+59.92%). Health Care (-12.29%) was disappointing given the recent passing of health care reform. We had anticipated the sector would out-perform.

Staples (-8.85%) out-performed the S&P 500 Index. Cyclicals (-11.20%) was a market performer.



Source: Standard & Poor's

Sectors: Portfolio Strategy Considerations

We remain under-weight to Energy and have no Utilities exposure. Energy prices have been stagnant and crude oil inventories remain high. Utilities are pressured by weak electricity demand and aging infrastructure. Recently we reduced our Staples exposure from a neutral to under-weight position in anticipation of a continued business expansion. We reduced our Telecom position for the same reason.

We increased our weight to Financials (Brazil), although we remain light to the US banking sub-sector. In our opinion, US bank exposure to commercial real estate and sub-prime mortgages remains risky. We also added exposure to Cyclicals (retail clothing) in anticipation of higher consumer spending.

Technology remains an over-weight position. The sector has lagged the market year to date. We anticipate future out-performance as the economy expands. Technology expenditures should increase as businesses seek better efficiency and productivity.

We are over-weight to Health Care. The sector started off poorly in the First Quarter due to health care reform uncertainty. Once the bill was passed, the sector has started to perform relatively better. Strong cash positions enhance potential dividend payments, stock buybacks, and mergers and acquisitions.

Market Cap Performance

Small cap US stocks fared slightly better than large cap US stocks in the Second Quarter. Small cap foreign stocks fared better than large cap foreign stocks. We have yet to observe a meaningful trend.

Small cap stocks should out-perform during the expansion phase of the business cycle. There are many signs of an improving economy. We have gradually moved towards a lower average portfolio market cap over the last year in anticipation of a potential small cap out-performance.

Market Cap Performance	Second Quarter 2010	2010
Large Cap Performance		
World	(12.49%)	(9.56%)
Foreign	(13.75%)	(12.93%)
USA	(11.56%)	(6.76%)
Small Cap Performance		
World	(10.40%)	(3.54%)
Foreign	(11.19%)	(6.91%)
USA	(9.92%)	(1.38%)

Source: MSCI

Market Cap: Portfolio Strategy Considerations

Our continuing shift towards small cap portfolio emphasis had minimal performance impact in the Second Quarter (the S&P 500 Index and the Russell 2000 Index were literally identical). We anticipate future small cap momentum. If it does occur, we will be well-positioned.

Style Performance

US Growth stocks fared almost the same as US Value stocks in the Second Quarter. The minor disparity was partly attributable to similar performance between Technology (-12.46%) and Financials (-13.56%).

Style Performance	Second Quarter 2010	2010
US Growth	(11.74%)	(7.20%)
US Value	(10.92%)	(4.84%)
Foreign Growth	(12.27%)	(10.48%)
Foreign Value	(14.76%)	(14.48%)

Source: MSCI

Style: Portfolio Strategy Considerations

For the moment, we will maintain a slight growth bias due to our expectation of upcoming challenges in the Financials sector (commercial loans). An expanding economy should benefit the Technology sector.

Bond Market Review

The Fed interest rate was maintained in the Second Quarter as part of a globally coordinated effort to stimulate economic growth. The Barclays Capital U.S. Government/Credit Bond Index rose 3.88% in the Second Quarter.

Key US Interest Rates	June 30, 2010	March 31, 2010	Change
Federal Reserve Board Funds Rate (Target)	0.25%	0.25%	no change
2-Year Treasury (Constant Maturity)	0.60%	1.04%	- 44 basis points
5-Year Treasury (Constant Maturity)	1.77%	2.59%	- 82 basis points
10-Year Treasury (Constant Maturity)	2.93%	3.87%	- 94 basis points

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

Lingering fears regarding the European debt crisis had investors running to US Treasury bonds. Although we think these fears will subside as Europe addresses their issues, the immediate heightened bond demand bid Treasury bond prices up and drove yields down on every part of the yield curve.

With no inflation and a slow-growth economy, the Fed has no inclination to raise its target rate right now. However, the Fed has the flexibility to hike its rate in the range of 50 to 100 basis points sometime in 2010 as GDP growth trends upward. We think a rate hike is likely. If inflation becomes more pronounced, this could pressure bond prices (as interest rates increase, bond prices decrease), especially bonds with longer durations.

A record $376 billion was directed to bond funds in 2009. An identical amount is projected to move to bonds in 2010, more money than was directed to domestic stock funds in the past decade. Many of these investors have put money into bonds thinking that bonds carry no risk. They are wrong. Rising interest rates are a huge risk. To illustrate, assume you buy a 10-Year Treasury for $100 at the current yield of 3%. If rates rise to 4%, the price of the bond would fall to $92.50 over the next year.

Corporations that issue bonds have dramatically improved their balance sheets over the last two years. They now have record levels of cash, which enhances the safety of meeting their bond obligations. Many weaker corporations have already gone by the wayside, as evidenced by a record high 2009 corporate bond default rate of 13.7% improving to a 2010 projected default rate of approximately 1.0%. The combination of high yields and low default rates (low risk) makes 2010 an excellent time to own high yield bonds.

Bond Market: Portfolio Strategy Considerations

We continue to favor a balance between Treasury Inflation Protected Securities (TIPS) and corporate bonds. Additionally, we hold previously-acquired certificates of deposit (CDs) in some accounts, but do not intend to add more CDs as yields no longer warrant purchases.

We added high-yield corporate bonds in May when prices fell due to the market correction. These are higher quality bonds than most investors realize. The current risk/return tradeoff is excellent. Investors are receiving attractive returns (much greater than Treasuries) for minimal risk as high default rates have not materialized.

*Source: Bureau of Labor Statistics

Closing Thoughts

After four consecutive quarters in which the stock market advanced, the Second Quarter pulled back. We believe this was a market correction versus the start of a bear market. The second half of 2010 should be favorable.

We maintain our belief that global equity markets will advance 12% to 16% in 2010. If we are right, we have already seen that the market ascent will not be smooth. Your patience may be further tested.

Although we anticipate a better stock market than bond market for the year, we believe it is important to remain disciplined regarding your appropriate asset allocation. Bond exposure where warranted plays a vital role in overall portfolio risk control.

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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"Give a man a fish and he will eat for a day. Teach a man to fish and he will eat for a lifetime. Teach a man to create an artificial shortage of fish and he will eat steak."

Jay Leno