# VERITY INVESTMENTS, INC.

MEMBER, NASD, SIPC

## CORE ALLOCATION: PERFORMANCE SUMMARY

**March 31, 2006**

The Core model, as the name suggests, is designed to be the primary holding for clients seeking growth of capital. The objective of this portfolio is to seek absolute returns that materially exceed domestic equity returns in years of market declines and remain comparable to broad domestic equity returns in years that surpass historical averages.

Using a tactical asset allocation methodology, this model portfolio is weighted more heavily in asset classes that appear undervalued relative to historical norms and/or supply and demand conditions. Technical analysis guides entry and exit points for certain of the chosen positions, particularly in securities where greater volatility and/or more limited trading volume makes such tools important both for opportunistic and risk management functions.

The model may be allocated at various times among domestic and foreign equity and debt securities, emerging markets equity and debt, commodities, real estate, foreign currency, and short equity and debt positions. Securities may be selected from open and closed-end mutual funds, exchange-traded funds, and individual equities. The investment adviser does not use leverage or derivatives, although it may strategically invest in funds that use leverage and derivatives of certain types.

Although broad diversification is employed with the intent to realize opportunity while limiting volatility, there can be no assurance that securities of various types and combinations will not result in greater volatility and risk of loss should the assessment of market conditions and choice of risk management strategies prove incorrect. However, based on past experience and research, this approach to diversification is reasonably expected to provide some reduction in volatility relative to an investment in the S&P 500.

Given the broadly diversified and dynamic tactical asset allocation strategy, the Core model is neither designed to correlate to the performance of any benchmark index, nor can a benchmark accurately reflect the potentially changing mix of asset classes over various periods for which performance may be illustrated. To imply otherwise would be misleading. Thus, the generic industry standard S&P 500, an unmanaged capitalization-weighted index of stocks designed to represent the broad domestic market, is provided simply as a point of reference to which many investors look in assessing their own investment results.

| | Model Return | S&P 500 Index Return | Firm Advisory Assets | Accounts in Model | Assets in Model | Percentage of Firm's Assets in Model |
|---|---|---|---|---|---|---|
| Period One: (Year-to-date) 1/1/2006 - 3/31/2006 | 7.19% | 4.21% | $70,831,678 | 457 | $17,263,769 | 24.37% |
| Period Two: (Trailing 12 months) 4/1/2005 - 3/31/2006 | 16.49% | 12.44% | $70,831,678 | 457 | $17,263,769 | 24.37% |

During the periods covered, domestic equity markets performed well and the U.S. economy was strong. Foreign equity markets, led by very strong performance in emerging markets stocks, performed above historical norms. The dollar strengthened versus foreign currencies in general. General commodities indices were relatively flat, but significant gains in energy and precious metals notably impacted the returns of the Core model. In addition, volatility was more limited than normal in many of the markets represented in this portfolio.

Several variations of this model exist for special situations such as 403(b) retirement plan accounts or as a complement to other holdings. These variations use the same themes and many, but not all, of the same securities. For this reason, composite performance for variations may be higher or lower. To receive a list and description of these variations of the Core Model, contact Verity Investments, Inc. at the address listed.

Performance figures above are stated in U.S. dollars using a time-weighted total rate of return. Returns in any particular account will vary due to differences in points of entry and other related factors. Returns are net of all expenses, including management fees, custody fees, and trading commissions, where applicable, and reflect reinvestment of dividends and other earnings. Values expressed for the S&P 500 are total returns including dividends. The management fee schedule is as follows: $0 - $50,000 at 1.50% plus $50,001 - $100,000 at 1.25% plus $100,001 - $250,000 at 1.00% plus $250,001 - $500,000 at 0.85% plus $500,001 - $750,000 at 0.65% plus $750,001 - $1,000,000 at 0.50% plus $1,000,001 - $2,500,000 at 0.45% plus $2,500,001 and up at 0.40%.