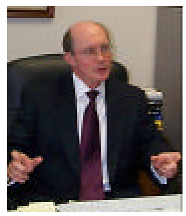
VERITY INVESTMENTS, INC.

MEMBER, NASD, SIPC

CORE ALLOCATION — **June 30, 2006**

This allocation is our flagship model. Effective investing is a process of considering risk and potential reward and seeking to overweight the odds of success while limiting the downside. While there are no guarantees, we seek opportunities that logically offer significant upside potential relative to their downside risk.

MARKET COMMENTARY AND OUTLOOK:



GORDON T. WEGWART
Chief Investment Officer

The theme of the 2nd quarter was volatility. As we anticipated, many markets suddenly awakened from long entrenched complacency. While our portfolios gave ground during the broad mid-May corrections, preemptive cutbacks in March and carefully considered adjustments as events unfolded helped us generally improve upon first quarter gains.

Core equity holdings, with our short positions buffering volatility, finished with a near break-even performance. The hardest hit, emerging markets, had already been cut back despite a solid long term outlook, and it was cut again in late May to further reduce short-term risk.

Our currency position, which did well, was managed more actively than normal with positive results as a move into and back out of a strengthening Euro enhanced profits, and a late reduction in the core foreign currency allocation proved beneficial as the dollar strengthened.

Overall commodities allocations, including gold and precious metals, finished up despite significant volatility as strategic profit taking moderated risk. As gold dramatically corrected, we were able to opportunistically initiate positions for new money awaiting entry into the models and effectively reduced risk on entry by monitoring historical spreads between the prices of mining shares and bullion. Targeted energy positions finished up strongly as strategy and selection were well complemented by the discipline and trading skill of our portfolio manager.

Emerging markets bonds were hurt by the dual headwinds of rising interest rates and investors exiting some historically risky asset classes. With economic fundamentals stronger than in the past, we believe this asset class is oversold and will rebound in time. Declines were partially mitigated by our short debt strategies, which gained in value.

Going forward, we expect higher volatility to continue. As over the past several months, a component of our strategy in this environment will be to take profits more quickly in sectors that we believe will be volatile, but rangebound.

Finally, recognizing that our adjustments cannot always be successful and with concerns of greater risk than potential reward in many areas, a money market cushion with current yields exceeding 4.7% serves both to reduce risk and provide capital for attractive opportunities that may arise in volatile markets.

For More Information, contact:

TARGET ALLOCATION BY ASSET CLASS

25.0%	Equities - Domestic & Foreign
18.0%	Gold, Energy & Commodity Related
12.0%	Foreign Currency
9.5%	Equities - Short (Leveraged 200%)
7.5%	Bonds - Global & Domestic
7.5%	Bonds - Short
20.5%	Cash

"The process of selecting a portfolio may be divided into two stages. The first stage starts with observation and experience and ends with beliefs about the future performances of available securities. The second stage starts with the relevant beliefs about future performances and ends with the choice of the portfolio."

HARRY MARKOWITZ
Journal of Finance, 1952

A CASE FOR COMMODITIES

Many investors associate commodities with high risk investing. An individual commodity, like an individual internet stock, for example, can be very volatile. However, a portfolio diversified across the commodities spectrum has been demonstrated to be, over long periods of time, of comparable volatility to the S&P stock index.

Further, stocks and commodities are investments that tend not to correlate closely, thus providing diversification. Studies of market history have shown that a broad allocation of commodities along with other more traditional asset classes over long periods of time can improve portfolio performance while reducing overall volatility.

Commodities did exceptionally well on the whole during the '70s when the stock and bond markets were having a very tough time and, alternatively, did relatively poorly in the '80s and '90s when other parts of the investment spectrum, stocks and bonds, were doing exceptionally well. A number of very strong fundamental reasons support the possibility that the commodities market, despite inevitable corrections, may be generally strong for a number of years to come.

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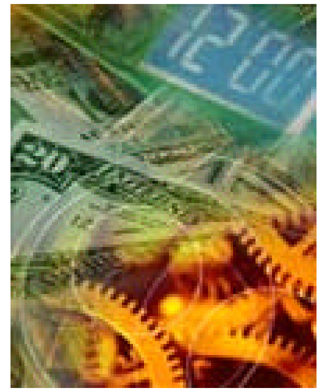
What does our Managed Portfolio Investment approach bring to the individual investor?



In short, managed portfolio investing brings some advantages of institutional scale investing directly to an individual investor on a personal level. The concept may be more easily characterized by what it is not.

A Managed Portfolio is not a mutual fund. In a mutual fund, shareholders don't typically see the individual holdings selected by the fund managers, except perhaps in the fine print of an annual report. The value of the securities are calculated daily and 'unitized' into a single share price. In effect, every investor buys into the fund's allocation completely every time shares are purchased, and remains invested completely as long as those shares are held. In a managed portfolio, each individual account will reflect the specific holdings, buy prices and valuations unique to the history of that account.

A Managed Portfolio is not simply an individual portfolio. Instead, model allocations are developed at a macro level to retain certain targeted portfolio characteristics. As an individual investor enters a managed portfolio, the allocation targets serve as a road map, but it is a highly individualized road map. Purchases into the various holdings within the model are made on an individual investor level to reflect the current market conditions at the time of entry.

Managed Portfolio investing is not a passive buy-and-hold approach. By grouping large numbers of individual investors within structured model portfolios, every investor is in a position to benefit from allocation adjustments made at the macro level at a small fraction of typical expenses. Advanced technology, omnibus accounts, and account aggregation allow hundreds of individual investors to form the purchasing power of one larger investing entity.

A managed portfolio can, and likely will, contain mutual funds, individual securities, or even ETFs (exchange traded funds), but it is the careful blending of the components in a model allocation, and the on-going management of those holdings, that deliver maximum value to the individual investor.

About Us . . .

Verity Investments, Inc. was formed in 1996 as a subsidiary of Verity Asset Management, a diversified financial services corporation. Our objective is to deliver an uncommon blend of low relative expenses in tandem with superior investment planning expertise and uncompromising service. In other terms, our focus is on providing a convenient and an informative source of high quality investment management at a very limited expense.

Based upon an on-going evaluation of changing market conditions, the firm's style of investing evolved between 1996 and 2000 from an aggressive value approach to strategic asset allocation toward a more tactical approach to the asset allocation process. The bottom line of this evolution was a focus on investing in a diverse mix of relatively underpriced asset classes rather than maintaining exposure to popular asset classes that had become historically quite expensive. The transition proved considerably effective in protecting client assets during the equity bear markets of 2000 – 2002 and has helped uncover unique opportunities while limiting volatility risk to client portfolios in the period since.

In investing, there is always risk of loss, and successful performance in the past can provide no assurance that future performance will be similarly successful. That said, the firm as a whole continues to expand its knowledge, its insights, and its contacts with sources of uniquely attractive opportunities in the investment arena. Those factors, along with the significantly enhanced capabilities afforded by a new investment advisory platform, provide growing conviction about the resources targeted toward building upon the successes of the past.