Verity Investments, Inc.

MEMBER, NASD, SIPC

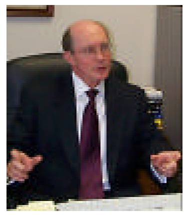
Core Allocation

March 31, 2007

Market Commentary and Outlook:

As the quarter drew to a close, equity markets continued to demonstrate weakness and uncertainty despite a partial recovery from the huge sell-off on February 27 and the volatile two weeks following. Broadly publicized concerns about possible cascading effects from problems in subprime mortgages provide a glimpse into a bigger story, as extremely loose credit standards have left little margin for error in several key components of the lending markets.

In this very risky environment, we are actively seeking alternate opportunities for growth without excessive exposure to significant loss of investor capital. We will not hesitate to assume greater volatility risk in positions that we assess to have a strong likelihood of significant gains, but we will not assume major risk in asset classes that we deem to be more precarious.



Gordon T. Wegwart
Chief Investment Officer

Current strategies are quite diverse. Multiple factors continue to favor a strong bull market for gold. We are thus maintaining an aggressive allocation while moderating risk with a previously outlined strategy that uses mining shares in combination with an exchange traded fund (ETF) that provides direct exposure to the price of gold.

Debt market strategies continue to function soundly. Targeted long and short positions in diverse components of the debt market are all assessed to benefit from anticipated longer term trends, yet their careful juxtaposition provides a partial hedge against interest rate risk. An outlier is an expansion of our short junk bond position to capitalize in the event of expected problems.

> *". . . .We continue to seek attractive opportunities for growth while working to actively defend portfolios from the potential of more precipitous market declines."*

While we continue to believe that the dollar will trend lower long term, we further diversified our currency holding by employing a formulaic strategy that uses interest rate differentials among currencies to target long and short positions based upon anticipation that funds will flow toward higher rates.

Energy strategy has been active. We have isolated much of our remaining allocation to Canadian Royalty Trusts into one company which appears positioned to maintain a strong ongoing business despite impending taxation changes for these entities. In addition, we have rotated some of our energy exposure into alternative energy for its diversification and growth potential.

While there can be no guarantees, risk management has functioned thus far very effectively in response to the recent increase in market volatility as we continue to seek attractive opportunities for growth while working to actively defend portfolios from the potential of more precipitous market declines.

For More Information:

All investing involves market risk and possible loss of principal, and past performance doesn't guarantee future results. Additionally, asset allocation doesn't assure a profit or guarantee against a loss in a declining market.

Target Allocation By Asset Class

26.0%	Equities - Domestic & Foreign
22.0%	Gold, Energy & Commodity Related
10.0%	Foreign Currency
8.0%	Equities - Short (Leveraged 200%)
6.5%	Bonds - Global & Domestic
8.0%	Bonds - Short
19.5%	Cash

About Our Methodology:

Effective investing is a process of considering risk and potential reward and seeking to overweight the odds of success while limiting the downside. Our portfolios thus reflect diversification across only those asset classes we currently believe to hold superior risk/reward profiles.

Although the time horizon of our core positions is not short term, we constantly monitor the marketplace in order to discern and adjust to changes in market dynamics and risk/reward outlook. As a result, even in areas we deem to be major long term themes, the size of allocations may fluctuate to reflect a changed shorter term outlook.

We will also seek certain shorter term opportunistic investments, but will do so only when consistent with our investment discipline.

Capital preservation is of utmost importance. This may lead us to reduce the size of investments in more volatile asset classes in response to short term concerns, but we will not eliminate them completely if our long term investment thesis remains intact. There have been several instances of this type of adjustment during 2006.

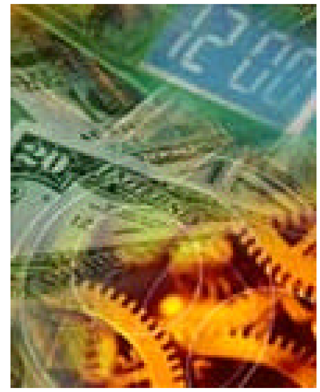
We believe our methodology and investment discipline will serve our clients exceptionally well in all types of markets and over the long term, while providing us with the needed flexibility in an environment that may become increasingly volatile.

Not FDIC Insured | May Lose Value | No Bank Guarantee

VERITY INVESTMENTS, INC.

MEMBER, NASD, SIPC

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 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.

All investing involves market risk and possible loss of principal, and past performance doesn't guarantee future results. Additionally, asset allocation doesn't assure a profit or guarantee against a loss in a declining market.

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.