VERITY INVESTMENTS, INC.

MEMBER, NASD, SIPC

REGISTERED INVESTMENT ADVISER

CORE ALLOCATION

December 31, 2007

GORDON T. WEGWART
Chief Investment Officer

In early April, our first quarter commentary warned that "possible cascading effects from problems in subprime mortgages provide little margin for error in several key components of the lending markets." This proved to be the story of 2007, as our fears became reality.

A slowly deflating real estate bubble helped topple a subprime mortgage industry whose practices had lost touch with reason, and scrutiny intensified into an imploding labyrinth of mortgage related securities. Tumultuous upheaval in the credit markets led to tens of billions of dollars in related losses by major financial institutions, and equity markets erupted with volatility. As one shocking revelation followed another, central bankers worldwide struggled mightily to prevent credit markets from freezing, and even investment vehicles as secure as money market funds were threatened with losses.

Attempts to explain and quantify it all will fill articles and books, but suffice it to say that the potential repercussions are frightening. If the markets are fortunate to weather current difficulties without far greater consequence, most will never realize the true magnitude of the danger that passed like an iceberg, its greater part submerged beneath their gaze.

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Recognizing early the impending dangers, we maintained our risk management discipline as the market surged early in the year. As the depth of the problems finally became undeniable and markets began to react, we were able to navigate the storms with limited volatility and continued quarterly growth. Contributing factors were the dual themes of risk management and targeted investment in areas of conviction. Two of the latter, alternative energy and precious metals, while volatile in their own right, were also resilient, significantly enhancing portfolio growth.

As always, there can be no guarantee that strategies will perform similarly in the future, and the current challenge appears to grow steeper. Thus, as we continue to seek attractive growth opportunities, we remain vigilant and acutely aware of the depth of the financial issues yet to be resolved.

Not FDIC Insured | May Lose Value | No Bank Guarantee

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

34.0%	Equities - Domestic & Foreign
17.5%	Gold, Energy & Commodity Related
3.5%	Foreign Currency
10.0%	Equities - Short (Leveraged 200%)
6.5%	Bonds - Foreign
12.0%	Bonds - Short
16.5%	Cash

A CAUTIONARY NOTE: FILING EARLY TAX RETURNS MAY CAUSE COMPLICATIONS

If you are holding taxable accounts, consider waiting until after mid-March to file your tax returns. In recent years, mutual funds have frequently had to amend their original 1099 information due to late adjustments by some of the stocks in their portfolios.Those amendments must in turn be passed on to you by Trust Company of America in the form of amended 1009s, sometimes requiring the inconvenience and expense of an amended return on your part if you have filed earlier.

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