Verity Investments, Inc.

MEMBER, NASD, SIPC

REGISTERED INVESTMENT ADVISER

Core Allocation September 30, 2008

Market Commentary and Outlook:

It is no secret that market turmoil increased dramatically as the third quarter progressed. By September, we were witnessing weekly crises involving major financial institutions, which began to topple in almost unimaginable fashion. By mid-September, world credit markets were nearly frozen and panic was spreading.

Gordon T. Wegwart
Chief Investment Officer

Employing an equity strategy that currently emphasizes long positions in U.S. equities and short positions in foreign equities, the general equity component of our portfolios experienced very limited declines. However, though we continued to effectively dampen volatility and significantly outperformed broad equity markets for the year, we did not escape the third quarter unscathed. Some elements of our portfolio that are intentionally longer term in nature were punished by the markets during the increasingly indiscriminate sell-off despite their attractive valuations and a continued positive long-term outlook.

Our closed-end foreign bond funds are a good example. They have for years provided our portfolios a combination of solid dividend yields and asset class diversification while holding investments with sound financial underpinnings. In September's panic, prices of these instruments were driven down deeply in the "flight to quality". We pared back a little for defensive purposes early in the decline, but we feel that the high yields and extreme oversold condition of these funds now provide excellent upside as credit markets stabilize.

> *". . .our strategies nonetheless have been critical in continuing to temper overall risk while positioning us effectively as we look to capitalize on the opportunities that will inevitably arise."*

Another example is our gold related positions. For a number of fundamental reasons, we believe the price of gold has a strong upside, and gold plays a clear defensive role during systemic uncertainty. Despite this, gold corrected sharply early in the quarter as many investors liquidated commodities investments of all types, and although it rebounded as the financial crisis escalated, both gold and mining shares remained well down for the quarter.

Not surprisingly, the broadly diversified strategies that have served us exceptionally well over the past year were not sufficient to completely overcome the onslaught of the market's response to extraordinary systemic events. In growth portfolios, the risks that are necessary in the search for opportunity make occasional periods of decline inevitable. Though we find no satisfaction in that reality, we recognize that our strategies nonetheless have been critical in continuing to temper overall risk while positioning us effectively as we look to capitalize upon the opportunities that will inevitably arise.

For More Information:

Target Allocation By Asset Class

34.5%	Equities - Domestic & Foreign
15.5%	Gold, Energy & Commodity Related
0%	Foreign Currency
10.5%	Equities - Short (Leveraged 200%)
8.0%	Bonds
15.0%	Bonds - Short
16.5%	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.

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.