Verity Investments, Inc.

MEMBER FINRA, SIPC

REGISTERED INVESTMENT ADVISER

Core Allocation

June 30, 2009

Market Commentary and Outlook:

Investment strategy was effective during second quarter, allowing the portfolio to capture strong gains without simultaneously taking on exposure to serious risk. In an environment that has yet to move beyond daunting economic challenges and considerable uncertainty, our central equity market theme since last summer has been to take selected long positions in U.S. stocks, simultaneously hedging much of the inherent risk by being short developed foreign markets, particularly Europe, where we believe the financial and economic problems are even more deeply embedded and less cohesively being addressed. As markets began to rebound from the lows of the fall, we also began to reestablish meaningful positions in selected Asian and Latin American emerging markets, most notably China.

Gordon T. Wegwart
Chief Investment Officer

Several adjustments made near the market bottom in March proved effective, and equity exposure was carefully expanded in targeted sectors and regions as the ensuing rally became established. An early March decision to rotate out of part of the health care position and into technology proved very successful, as technology soundly outperformed both the S&P 500 and the more defensive health care sector through June. In general, with the exception of a price decline in regional banks, our equity sectors were very strong performers during second quarter, with expanded exposures to emerging markets, water-related stocks, and retail all up significantly more than the broad domestic equity market.

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In the debt arena, moves between late February and early April to increase the 10 year Treasury short, eliminate the short on junk bonds, and add a position in a high grade corporate bond index collectively contributed to solid gains with reasonable downside risk. Most notably, Aberdeen Asia Pacific Income Fund rebounded dramatically in price while concurrently generating very strong dividend yields.

Our strategy in gold and precious metals added only a little to performance during the quarter. The position was cut back to target percentages in early June in order to take profits after a period of strength, but our longer term conviction remains intact.

In a period characterized by considerable uncertainty, one of the few things virtually assured is that the economic landscape will look different on the other side of this process than it did as the summer of 2008 came to a close. Along the way, the recovery will not be a straight line, and the market's route to health will during some periods create considerable second guessing. Fortunately, our tactical investment process is well suited to navigate this type of transition and the new reality it may bring with flexibility and careful attention to the management of risk.

For More Information:

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Target Allocation By Asset Class

46.5%	Equities - Domestic & Foreign
16.8%	Gold, Energy & Commodity Related
0%	Foreign Currency
10.5%	Equities - Short (Leveraged 200%)
8.0%	Bonds
8.0%	Bonds - Short
10.25%	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.