VERITY INVESTMENTS, INC.

MEMBER FINRA, SIPC — REGISTERED INVESTMENT ADVISER

CORE ALLOCATION — MARCH 31, 2010

MARKET COMMENTARY AND OUTLOOK:

The close of first quarter, 2010, has been characterized, for the most part, by a sense of calm relative to the prior three years. Stock market volatility has continued to fall after surging again briefly during mid-quarter, reaching the lowest levels since mid-2007. In an unusual juxtaposition of emotions, there is almost a feel of complacency, at least for the near term, but investors appear uncertain about the strength of the economic recovery and nervously aware of the challenges that loom ahead.

GORDON T. WEGWART
Chief Investment Officer

What is lost on no one is that the landscape has changed. The specter of government action dominates almost every discussion. As a result, there is tremendous uncertainty related to large segments of the economy and a resultant lack of confidence in longer term market forecasts. More immediately, as governments continue to respond to credit and fiscal problems, the weight of their actions on the underlying currencies is significantly affecting markets of every kind.

For investors seeking meaningful opportunities for growth without risking a hidden trap door, a reasonably hedged tactical allocation strategy seems ideal. It will not capture the best of all worlds, but it is very well suited to navigate uncertain and changing environments with balance and flexibility. With a long period of deleveraging and recovery likely ahead, attractive opportunities will emerge, but markets may continue to be even more unpredictable and dangerous than is the norm.

TARGET ALLOCATION BY ASSET CLASS / STRATEGY

54.5%	Equities - Domestic & Foreign
16.0%	Gold, Energy & Commodity Related
5.0%	Merger Arbitrage
8.5%	Equities - Short (Leveraged 200%)
4.0%	Bonds
10.0%	Bonds - Short
2.0%	Cash

Investing tactically, by design, brings focus in specific areas while limiting overall correlations:

>>> *Equity investments* comprise the largest segment of the portfolio. The primary focus remains on domestic equity, targeting specific sectors. The secondary focus is on selected emerging markets, which we anticipate will outperform developed markets longer term. The equity segment is partially hedged using a short against developed foreign markets, where we continue to believe the greatest systemic problems remain. Overall equity strategy was effective during first quarter, with domestic equity sectors solidly outperforming the S&P 500 on a collective basis while the developed foreign markets significantly underperformed.

>>> *Bond market* exposure has been reduced with the profitable sale of our corporate bond position early in the quarter. After a strong recovery in the bond market over the past year, further upside potential has weakened, and the threat of rising interest rates poses a risk as increased financing of government debt is likely to challenge investor demand. Aberdeen Asia-Pacific Income continues to provide yields in excess of 6% and includes sovereign debt of Australia, a nation we believe has been at the forefront of fiscal prudence coming out of the crisis. A short against 10 year U.S. Treasuries provides an opportunity to capitalize on any rise in interest rates.

>>> *A merger arbitrage fund* was acquired with the proceeds of the corporate bonds sale, bringing further strategic diversification using an approach that does not closely correlate to major asset classes. The process seeks to profit from successful completion of corporate reorganizations, an attractive feature in an environment in which increased merger and takeover activity appears likely.

>>> *Gold and precious metals* continue to occupy an important role on multiple levels, including portfolio diversification, continued potential for growth, and defense against systemic risks. The dual strategy, comprised of mining shares and direct exposure to the metal, was tweaked with a small early February purchase following a price decline, followed by a sale in early March to take profits after the price moved back up.

>>> *The other commodity* position provides direct exposure to the price of grains. Grain prices fell sharply in January and have trended lower in the short term. Despite continued uncertainty in the immediate outlook, we have gradually expanded our position at very favorable prices over the past several months.

Characteristically, this strategy provided protection and strong outperformance as the market pulled back into early February and yet participated meaningfully as the market surged again through March. By avoiding dependence on any one or two major asset classes and continuing to carefully manage risk, we expect to spread our opportunities for sustainable growth while navigating any turmoil that may ensue.

For More Information: