

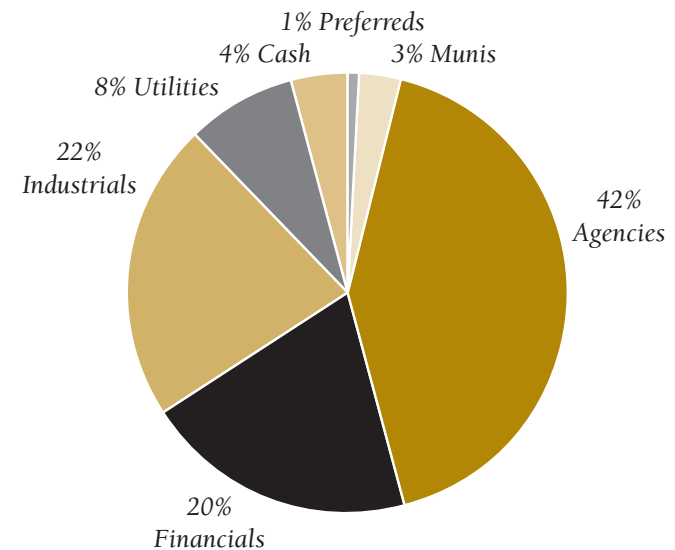
Economic conditions have not shown much improvement domestically, and foreign economies continue to deteriorate. The Federal Reserve's concerns are focused on the threat of deflation and the market will most likely stay in a low interest rate environment for an extended period of time. In spite of all the debt the Treasury is issuing, most agree inflation worries are years down the road. The FOMC has exhausted traditional monetary policy moves, and now have embarked upon credit easing. In order to provide support for the troubled housing sector and the credit markets, the Fed has increased the size of its balance sheet and will be purchasing debt (Treasuries, Agencies and Mortgage Backed Securities) over the next several months. This action should keep mortgage rates low, to entice borrowers and more importantly, provide confidence and movement of funds throughout the financial system. The massive stimulus package should manifest itself during the second half of 2009 and provide a gradual up tick in consumer spending which should continue into 2010.

The TCVA taxable, fixed income composite underperformed its benchmark for the 1st quarter and the year, ending March 31, 2009. The composite has maintained an average weighted maturity and duration shorter than the Lipper Benchmark, and therefore was not positioned to take advantage of the

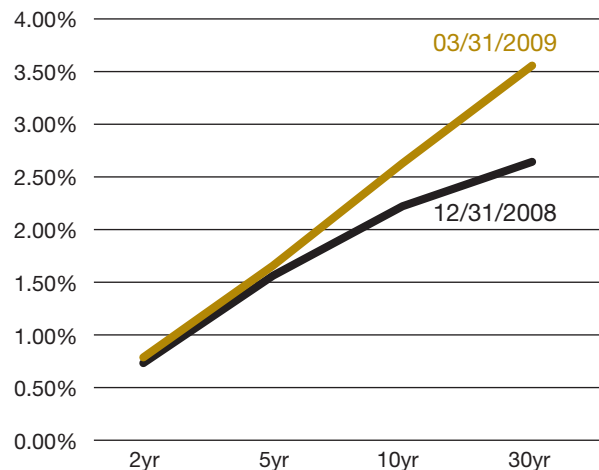
unexpected large increase in bond prices in March. Other characteristics of the composite included higher credit quality and a larger concentration of corporate securities over government agency bonds. Investing in shorter maturing bonds with higher coupons is the best defensive strategy in an already low interest rate environment and no change in the composite's configuration is expected. Concentrating on higher quality bonds with above average yield advantages over Treasuries will continue to be the focus.

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**Fixed Income Sector Breakdown**



**Treasury Yield Curve**



**Portfolio Characteristics:**

Average Maturity	2.0 yrs
Average Duration	1.8 yrs
Average Yield to Maturity	4.16%
Average Coupon	6.12%
Average Quality	AA

**Credit Quality:**

Aaa	48%
Aa	12%
A	38%
BBB	2%