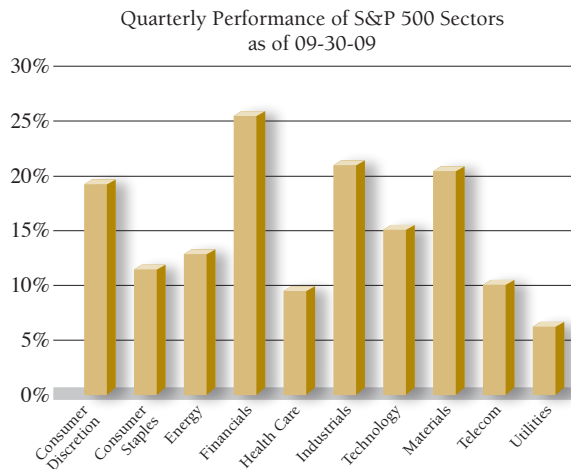
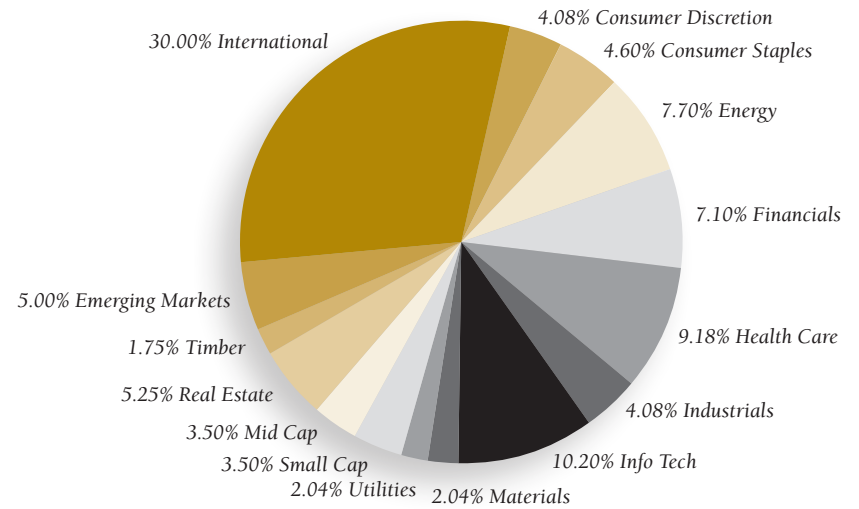


Market Highlights

Thankfully, the third quarter continued the upward trends of the second quarter. The S&P 500 rose 15.58% with every sector participating in the rally. Even in the face of 10% unemployment, the market looked forward to better times. Historically, the market improves about 6 months before the economy does, so fears of a double dip recession appear to be abating. In general, money rotated out of the traditional safe havens (Consumer Staples, Health Care and Utilities) and sought the more aggressive sectors (Consumer Discretion, Industrials and Materials). The Financials' recovery strengthened as the sector soared over 25%, but the gains were concentrated in last year's biggest losers, many of whom teetered on the brink of collapse.



TCVA Equity Model Portfolio



Performance Attribution

In the third quarter, we slightly underperformed our benchmark, the Lipper Large Cap Value Index, 15.09% vs 15.91%. Once again, our defensive posture cost us some upside potential in an incredible rally. Sector-weighting detracted from performance in that we were overweighted in the defensive sectors and underweighted in the aggressive sectors. Likewise, stock-picking was a drag on our results, as we were in the safer names within the sectors. While our conservative holdings avoided much of the pain during the decline, they lagged some of the big bouncers for the quarter.

Alternative asset class exposure helped our portfolios considerably. Small Cap, Mid Cap, Real Estate, Emerging Markets and International stocks all outperformed Large Cap stocks, which further validates our focus on diversification and asset allocation, while avoiding market-timing.

