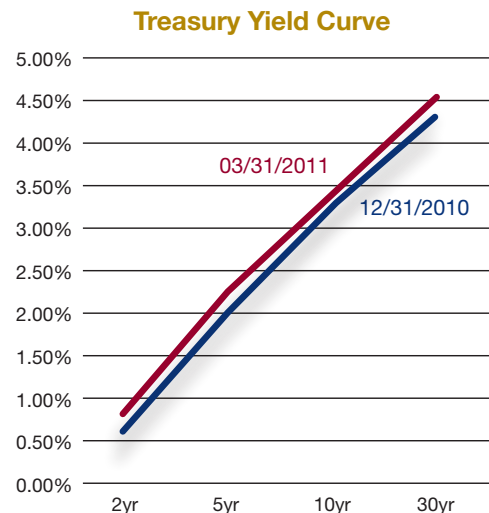


**Market Comments**

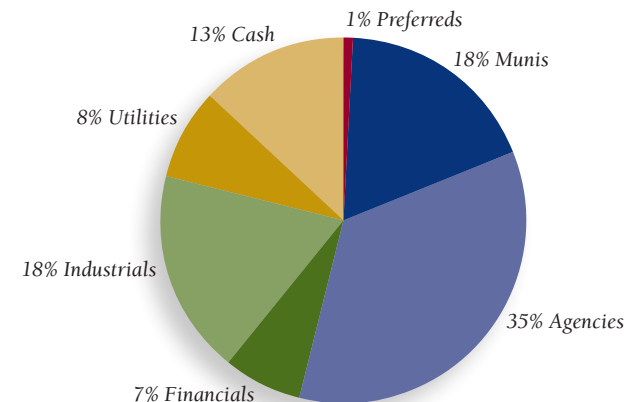
Overall, the U.S. economy is moving in the right direction. The labor market is improving, although gradually, and household spending and business investment continues to expand. During the 1st quarter, interest rates moved up in a slow and methodical manner as a result of improving consumer sentiment. The issues that remain are the depressed housing market and the recent rise in oil and commodity prices. Adding to the uncertainty is the geopolitical unrest in the Middle East and North Africa and the human and financial devastation in Japan. Although it is too early to tell the extent, all these events will likely have some negative impact on the economic expansion. In their latest comments, the Federal Reserve affirmed its stance on keeping short term interest rates near zero. While it is true that rising commodity prices have put upward pressure on prices, it appears to be a near term situation. Longer term, real inflation cannot exist without wage increases, and the elevated level of unemployment, makes passing costs through to the consumer difficult. It may not be until late 2011 before a change in Fed policy is seen. The attractiveness of bonds in a rising rate environment has been questioned, but investor sentiment shows a continued need for investing in lower volatility securities with a reliable and predictable income stream.



**Taxable Fixed Income Performance Composite**

The TCVA taxable, fixed income composite underperformed its benchmark for the 1st quarter, ending March 31, 2011. The composite has maintained an average weighted maturity and duration shorter than the Lipper Benchmark. Characteristics of the composite included a large exposure to government agency securities and higher overall credit quality. The supply of quality securities continued to be light and yield spreads tightened during the quarter. The composite's exposure in the taxable municipal bond arena remains strong; while maintaining a high degree of credit quality. 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.

**Fixed Income Sector Breakdown**



**Portfolio Characteristics:**

Average Maturity	2.7 yrs
Average Duration	2.4 yrs
Average Yield to Maturity	2.00%
Average Coupon	5.31%
Average Quality	AA

**Credit Quality:**

AAA	44%
AA	17%
A	36%
BBB	3%