Fixed Income Commentary

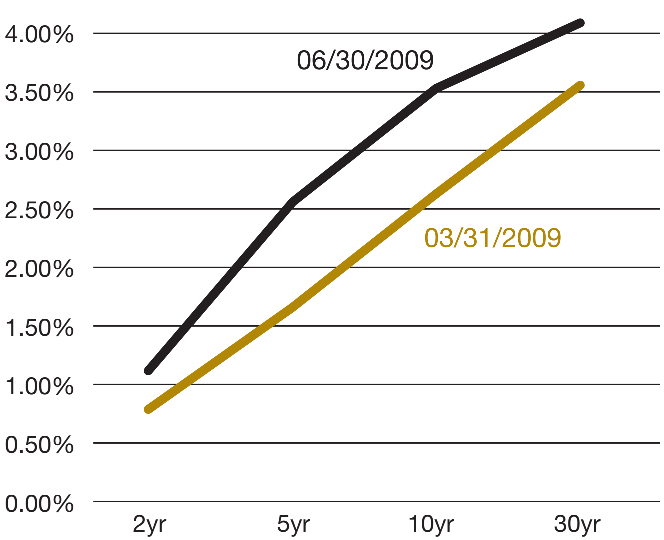
June 30, 2009

Although economic conditions remain challenging, there are some signs of optimism. The first half of 2009 continued to see deterioration in many areas of the economy, but at a slower pace than previously experienced. Housing shows evidence of stabilizing, and while the job market is still weak, the rate of job losses has slowed. Credit spreads have tightened, which can be interpreted as greater financial stability and an increase in investor confidence. While it is true that consumer spending is still lagging, the Federal Reserve is expected to keep short term interest rates close to current levels in an attempt to provide attractive borrowing costs. In spite of the concern over higher levels of inflation due to the enormous amount of stimulus, the bond market has absorbed these large amounts of debt issuance, leaving interest rates only marginally higher. With the absence of a tight labor market and slack in capacity, the economy will be hard pressed to show near term signs of inflationary pressures. The recovery will take time and although the downturn seemed rapid, a gradual return to positive economic activity is more realistic.

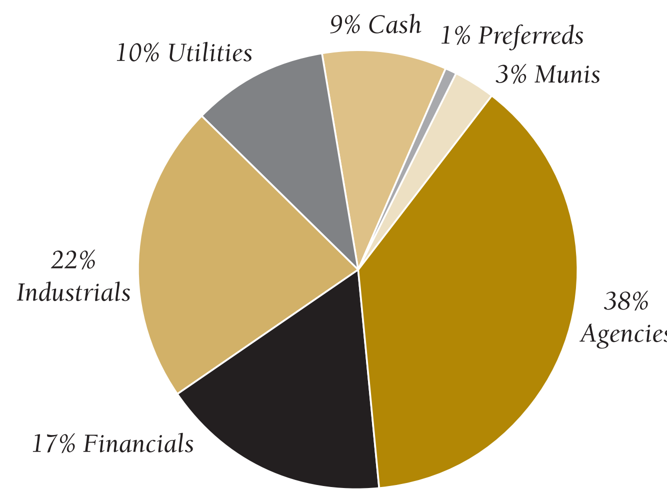
The TCVA taxable, fixed income composite underperformed its benchmark for the 2nd quarter, ending June 30, 2009, but did outperform over the past 12 months. The composite has maintained an average weighted maturity and duration shorter than the Lipper Benchmark. With the large amount of uncertainty in the financial sector, exposure to this area continues to remain significantly lower than the benchmark, and that sector did experience an upward movement in prices in May. Other characteristics of the composite included higher credit quality and a larger concentration of corporate securities over government agency bonds in the benchmark. 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 composites configuration is expected. Concentrating on higher quality bonds with above average yield advantages over Treasuries will continue to be the focus.

Elizabeth D. Swartz
Senior Vice President, Fixed Income Manager

Treasury Yield Curve



Fixed Income Sector Breakdown



Portfolio Characteristics:

Average Maturity	2.3 yrs
Average Duration	1.9 yrs
Average Yield to Maturity	4.02%
Average Coupon	6.15%
Average Quality	AA

Credit Quality:

Aaa	43%
Aa	18%
A	33%
BBB	6%