CAMBRIDGE FINANCIAL GROUP · INC. ·

REGISTERED INVESTMENT ADVISER

Cambridge Equity Management January, 2009

I. Market Environment

The Cambridge Financial Group monthly composite of indicators continues to suggest a **favorable** environment for equities. As such, a **full investment posture** is currently recommended with funds invested 100% in favorably ranked stocks for all equity accounts.

Valuation measures are all positive. The P/E ratio and dividend yield on the S&P 500 remain in positive territory. The P/E ratio on the S&P 500 concluded the fourth quarter at 19.6x. The yield on the S&P is now above the 3.0% mark at 3.02%, as of the end of December.

Breadth is graded as positive as of the end of December.

Momentum indicators remain positive in light of the continuing decline during the fourth quarter. Currently, all four indicators in this area are graded positive as of the end of December. Continued movement to the downside over the past few months has resulted in a more oversold situation.

Interest rate relationships are positive as of the end of December. T-Bill rates were lower throughout the fourth quarter of 2008, finishing December at 0.11%.

The best way to describe investor mindset regarding 2008 is that it is finally and mercifully over. The past twelve months will surely go down in history as a year that will live in infamy with markets producing the worst returns since the Great Depression. A brutal fourth quarter only exacerbated what had already shaped-up to be a very bad year. Coming into 2008, it was clear that investors continued to face many of the same headwinds carried over from their prior year.

The sheer multitude, as well as severity of financial disasters in 2008, is almost beyond comprehension. Troubles in the housing market were already well documented from the previous year, and they continued into 2008, as foreclosures hit new highs, while housing starts hit new lows. The subprime-loan issues, which had surfaced earlier, clearly remained a huge problem. The systemic toxicity and subsequent effect on the entire domestic and global financial system, however, was about to be unleashed with the force of a Category 5 hurricane. With credit markets seizing up, many firms holding these mortgage securities found themselves unable to sell and began experiencing growing losses.

The fear and panic pervasive on both Wall Street and Main Street was almost palpable. The impact on investor portfolios was devastating. The S&P 500 declined 22.6% for the fourth quarter leaving the index down 38.5% for the year, the worst loss for the index since 1937, and the third worse ever. The DJIA fared somewhat better, declining "only" 19.0% for Q4, leaving a loss of 33.8% for the year, representing the indices worst loss since 1931.

In a market where 469 members of the S&P 500 lost value for the year, there was ultimately no place to hide. Cambridge portfolios were no exception. Cambridge portfolios fell 22.4% during the fourth quarter to finish 2008 with a decline of 38.7%. We believe it is wise, however, to remember the old adage, "It is always darkest before the dawn." However, as new market leadership continues to emerge, opportunities in the stock market will present themselves and a full investment posture is advised. As always, CFG will continue to adhere to our strict, time-tested investment discipline with the anticipation of long-term investment success on behalf of our clients.

II. Performance

Index	Return (%) Q4	2008	10-Yr
CFG Core Portfolio	**-22.5**	**-38.6**	**3.0**
CFG Aggressive Portfolio	**-26.1**	**-42.9**	**1.2**
S&P 500	-21.9	-36.9	-1.5

** The respective performances for the* ***CFG Core Portfolio & CFG Aggressive Portfolio*** *are composite figures for all accounts that are invested according to each specific equity strategy. Figures are presented on a net basis - after transaction costs and management fees. 10-Year returns are for the period ending 12/31/08.*

III. Sub-Sector Portfolios

The names listed below are recommended holdings as of January, 2009.

S&P Momentum	CFGI Momentum	CFGI Value
Amgen	Burlington Northern	Air Products *
Amazon.com	Colgate-Palmolive	Boeing *
Apollo Group *	Covidien	Bemis *
BB & T Corp	Hewlett Packard	Cardinal Health *
Cephalon *	McDonald's	IBM
Direct TV	Microsoft	Pitney Bowes *
Express Scripts	Oracle	Sara Lee *
Marsh McLennan	Raytheon	Sysco *
Charles Schwab	US Bancorp	Walgreen *
Southwestern Energy	Wells Fargo	Wal-Mart

* Indicates addition as of January, 2009. Momentum portfolios are adjusted quarterly. Value portfolio is adjusted annually.

4100 Horizons Drive . Suite 200 . Columbus, OH 43220 . 614/457-1530

8280 Montgomery Road . Suite 302 . Cincinnati, OH 45236 . 513/794-0002

www.cfginc.net