CAMBRIDGE FINANCIAL GROUP · INC. ·

REGISTERED INVESTMENT ADVISER

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 negative, due to the severity of the earnings decline and the reduction of dividend payments. The P/E ratio on the S&P 500 concluded the fourth quarter at 86.9x. The yield on the S&P 500 is 1.94%, as of the end of December.

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

Momentum indicators remain positive even after the continuing rally during the fourth quarter. Currently, all four indicators in this area are positively graded as of the end of December.

Interest rate relationships are positive as of the end of the fourth quarter. T-Bill rates were lower throughout the fourth quarter of 2009, finishing December at 0.06%.

The final quarter of 2009 ended with a bang, helping the broad market, as measured by the S&P 500, post its best annual return since 2003. Despite the fantastic finish for the decade, however, a very sobering reality remains: the market posted a loss for a calendar decade for the first time in history. For every $1.00 invested in the S&P 500 on December 31, 1999 with dividends reinvested, investors were left with approximately $0.90 by the conclusion of 2009. As the painful 2000's come to a merciful close, many Wall Street veterans have begun referring to the period as the "Lost Decade". The only comparable time frame in history for such sub-par performance goes all the way back to the 1930's, when the market ebbed out a miniscule average annual return of 1% with dividends reinvested.

The upshot to such dismal performance over an extended period of time similar to that just experienced by investors, is the fact that stocks have historically rebounded in grand fashion in subsequent periods. The average annualized return in the 1940's, for example, was nearly 9%, while the 1950's performed even better, posting annualized returns of 19%. When viewed in the context of the worst 15 rolling 10-year periods in history, the S&P 500 has posted positive returns in each and every one of the 15 subsequent rolling 10-year time frames, averaging annual advances in excess of 10.5%.

After posting a loss of 56.8% from the previous October 2007 highs through the March 9th 2009 lows (the worst such loss since the 1930's), stocks had retreated to 12-year lows. To the dismay of the multitude of market skeptics, the S&P 500 then proceeded to mount a massive rally off those bottoms to the tune of 64.8% thru 12/31/09. The key question now is whether that momentum can be sustained as we advance into 2010.

Cambridge portfolios, as is historically typical coming off market bottoms, gained positive traction in Q4 posting a gain of 8.2% for the quarter and finishing 2009 up 20.2%. Although under-performing for the year, due to lack of exposure in lower quality stocks that had been on life support and left for dead back in March, positive trends continue to emerge as higher quality stocks are participating in the rally.

As leadership in higher quality stocks continue to emerge with subsequent price momentum gaining steam, CFG believes that strong returns will become commonplace once again. Cambridge also subscribes to the belief that patience and strict adherence to a time-tested investment discipline will be the key to future investment success. Despite the difficulties of the past decade, we enter 2010 confident the future for large cap stocks is very bright, which will bode well for our investment strategy and for those investors who stay the course.

II. Performance

Index	Return (%) Q4	2009	10-Yr
CFG Core Portfolio	**8.2**	**20.2**	**1.3**
CFG Aggressive Portfolio	**6.2**	**25.5**	**-1.9**
S&P 500	6.0	26.5	-1.0

** 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 12/31/09.*

III. Sub-Sector Portfolios

The names listed below are recommended holdings as of January, 2010.

S&P Momentum	CFGI Momentum	CFGI Value
Amgen	Apple	Boeing
Amazon.com	Colgate-Palmolive	Bemis
AutoNation	Dow Chemcial	Cardinal Health
BB & T Corp	EMC Corp	ConocoPhillips *
Direct TV	Ford	Eaton Corp *
Genworth Financial *	Home Depot	Marathon Oil *
Micron Technology *	Hewlett Packard	Sara Lee
Charles Schwab	Microsoft	Sysco
Southwestern Energy	Oracle	Walgreen
Western Digital	Qualcomm	Wal-Mart

* Indicates addition as of January, 2010. Momentum portfolios are adjusted quarterly. Value portfolio is adjusted annually.

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