CAMBRIDGE FINANCIAL GROUP · INC. ·

REGISTERED INVESTMENT ADVISER

Cambridge Equity Management **April, 2008**

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 continues to be a mixed bag. Although the dividend yield on the S&P 500 is graded as negative, the P/E ratio remains in positive territory. The P/E ratio on the S&P 500 concluded the first quarter at 18.5x. The yield on the S&P is now above the 2.0% mark at 2.18%, as of the end of March.

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

Momentum indicators continue to be more positive in light of the decline during the first quarter. Currently, all four indicators in this area are graded positive as of the end of March. Continued movement to the downside in the near term would result in a more oversold situation.

Interest rate relationships are positive as of the end of March. T-Bill rates were lower throughout the first quarter of 2008, finishing March at 1.38%. This is a decrease from the 3.36% level seen at the end of December.

The stock market began the New Year with a blast. Unfortunately for investors, it proved to be an explosion to the downside. In fact, the first quarter of 2008 finished as the worst quarter in 5½ years, dating back to the third quarter of 2002, when accounting scandals at Enron and WorldCom sparked an equity sell-off. At that point, Wall Street was approaching its lowest point of an extended bear market. Furthermore, the market has fallen five consecutive months for the first time since 1990.

The DJIA concluded Q1 of 2008 with a 7.6% loss while the S&P 500 posted a 9.9% decline from where it started the year. The NASDAQ was a different story as it closed the first quarter with a 14% loss and off 20% from its October high. Deeper declines were averted by the Fed's action to improve liquidity by revisiting Depression-era rules and giving brokerage firms access to short term loans. This, in addition to slashing key short term interest rates, perhaps staved off a potential collapse of the entire financial system.

Historically, market bottoms occur when the news is most bleak. There was certainly no shortage of bad news impeding a market advance during the opening quarter of 2008 led by the ongoing sub-prime crisis, mortgage foreclosures, as well as heightened tensions in the credit markets. As fears of a recession deepened, along with familiar themes such as oil prices in excess of $100/barrel, slower corporate profit growth and the ongoing war in Iraq, all ten broad market sectors declined during the quarter.

Cambridge portfolios fared slightly better than the index posting a loss of 9.4% vs. a 9.9% decline for the S&P 500 for the quarter. Limited exposure to the financial sector as well as representation in rail and material stocks contributed to some downside protection. As we proceed into the second quarter, new market leadership will eventually emerge and a full investment posture continues to be advised. Adherence to a strict investment discipline and continued focus on the long-term are keys to investment success in these turbulent times.

II. Performance

Index	Return (%) Q1	2008	10-Yr.
CFG Core Portfolio	**-9.4**	**-9.4**	**8.7**
CFG Aggressive Portfolio	**-7.8**	**-7.8**	**9.1**
S&P 500	-9.4	-9.4	3.5

** 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 3/31/08.*

III. Sub-Sector Portfolios

The names listed below are recommended holdings as of April, 2008.

S&P Momentum	CFGI Momentum	CFGI Value
Amazon.com	Apple	Archer Daniels
Consolidated Energy	Burlington Northern *	Caterpillar
CSX Corp.	Colgate-Palmolive *	ConocoPhillips
Direct TV	Halliburton *	General Electric
EOG Resources *	Hewlett Packard	IBM
Express Scripts	McDonald's	Johnson Controls
Gamestop	Microsoft	Lehman Bros.
Monsanto	Oracle	Rohm & Haas
Nat'l Oilwell	Schlumberger	RR Donnelley
AT&T	Raytheon *	Wal-Mart

* Indicates addition as of April, 2008. Momentum portfolios are adjusted quarterly. Value portfolio is adjusted annually.

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