REGISTERED INVESTMENT ADVISER

Cambridge Equity Management **July, 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 second quarter at 21.2x. The yield on the S&P is now above the 2.0% mark at 2.26%, as of the end of June.

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

Momentum indicators continue to be more positive in light of the decline during the second quarter. Currently, all four indicators in this area are graded positive as of the end of June. 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 June. T-Bill rates were higher throughout the second quarter of 2008, finishing June at 1.90%. This is an increase from the 1.38% level seen at the end of March.

Wall Street ended a brutal second quarter with the worst June decline since 1930, when we were in the midst of the Great Depression. As oil prices surged to over $140/barrel and worries continued in the financial industry, blue-chip stocks flirted with a bear market, last seen six years ago with the collapse of the technology bubble between 2000 and 2002. The second quarter decline was the S&P 500's third consecutive quarterly drop in value, the index's longest stretch of losses since 1977-1978.

With consumer confidence plummeting, oil prices soaring to more than $140 a barrel, $4.00 gas prices at the pump, continued write-offs by banks and other financial institutions arising from the housing bust, economic doom and gloom appears to be omnipresent. Stocks got a brief reprieve in April and May, posting modest gains after narrowly averting a financial meltdown at the end of the first quarter. Renewed fears, however, concerning the general health of banks and brokerages, resurfaced by June as write-offs continued from losses on bad mortgages.

The S&P 500 followed first quarter losses with a second quarter decline of 3.2% leaving the index off 12.8% for the first six months of 2008, and 18.2% below its 2007 high. The NASDAQ followed with a 9.1% loss in June to finish the quarter with a modest 0.6% gain for the period. The index is off more than 13.5% for the year.

Cambridge portfolios performed relatively well during the second quarter posting a gain of 2.2% for the period. Limited exposure to financial stocks as well as representation in the energy, chemical and rail sectors all contributed to the overall positive performance. As consumers and businesses continue to struggle under the weight of $4.00 a gallon gas, and housing inventories remain extremely high, the problems will not disappear anytime soon. 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, adherence to a well-defined and strict investment discipline with a focus on long term results is vital to success in these turbulent times.

II. Performance

	Return (%)		
Index	**Q2**	**2008**	**10-Yr.**
CFG Core Portfolio	**2.2**	**-7.4**	**8.7**
CFG Aggressive Portfolio	**10.2**	**1.6**	**10.0**
S&P 500	-2.7	-11.9	2.8

** 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 6/30/08.*

III. Sub-Sector Portfolios

The names listed below are recommended holdings as of July, 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
Monsanto	Microsoft	Lehman Bros.
Nat'l Oilwell	Oracle	Rohm & Haas
Southwestern Energy*	Schlumberger	RR Donnelley
US Steel*	Raytheon	Wal-Mart

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

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