CAMBRIDGE FINANCIAL GROUP · INC. ·

REGISTERED INVESTMENT ADVISER

Cambridge Equity Management **July, 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 mixed. Due to significant write-offs and continued dividend cuts, the P/E ratio and dividend yield on the S&P 500 are in negative territory. The P/E ratio on the S&P 500 concluded the second quarter at 127.5x. The yield on the S&P is 2.36%, as of the end of June.

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

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

Interest rate relationships are positive as of the end of the second quarter. T-Bill rates were roughly unchanged throughout the second quarter of 2009, finishing June at 0.19%.

The second quarter of 2009 saw the stock market post the largest quarterly gain in over a decade. One has to go all the way back to the fourth quarter of 1998 to find results that exceeded those which investors experienced in the April-June 2009 period. Finally, the streak of six consecutive negative quarters for the S&P 500 has been broken, the longest such streak since the second quarter of 1970. Despite the rally, however, the S&P 500 remains only marginally positive for the year with the fate of the nearly 4-month old bull market still uncertain. Worry on Wall Street is in no short supply, and the recent recovery will need to gain momentum in order for investor confidence to return, allowing stocks to continue their upward path.

Despite the strong showing for the second quarter, investors remain wary of what lies ahead for the stock market. Short term euphoria is quickly replaced with a dose of reality when considering the fact that the market remains 40% below its all-time high set on October 9, 2007. In other words, it would require almost three more rallies matching the magnitude of the Q2 rally to push the market back to pre-financial crisis levels. Wall Street continues to be nagged by the omnipresent fear that the most recent rally will fade. Unemployment continues to rise, home prices continue to fall, corporate earnings remain weak, and delinquencies have now spread to even the least-risky mortgages. Although the second quarter represented a healing period of sorts for financial markets all over the globe, there are still plenty of hurdles to overcome. The focus going forward will be on the U.S. economy and whether or not the market's profit underpinnings can sustain a significant rally during the second half of 2009.

Cambridge portfolios participated in the second quarter rally but fell short of the returns posted by the S&P 500 on a relative basis. For the quarter, Cambridge clients experienced a 9.3% advance for the period. For the first half of 2009, Cambridge is down slightly at –0.7%. Despite the short-term relative underperformance, CFG remains optimistic going into the second half of 2009 that sustainable market leadership will emerge and the recession appears to be bottoming out.

Cambridge believes that the lows seen in early March represent a market bottom. Although it may be a choppy ride, we also believe that the environment is ripe with investment opportunities going forward. Patience, discipline and adherence to our strict investment discipline in anticipation of better times ahead should prove beneficial to our clients in the future. As such, we are confident that this approach will pay off in the end as the current financial storm passes, as they all eventually do.

II. Performance

Index	Return (%) Q2	2009	10-Yr
CFG Core Portfolio	**9.3**	**-0.7**	**1.3**
CFG Aggressive Portfolio	**9.4**	**4.5**	**0.1**
S&P 500	15.9	3.2	-2.3

** 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 6/30/09.*

III. Sub-Sector Portfolios

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

S&P Momentum	CFGI Momentum	CFGI Value
Amgen	Colgate-Palmolive	Air Products
Amazon.com	EMC Corp	Boeing
AutoNation	Gilead Sciences	Bemis
Apollo Group	Home Depot	Cardinal Health
BB & T Corp	Hewlett Packard	IBM
Direct TV	McDonald's	Pitney Bowes
McAfee *	Microsoft	Sara Lee
Charles Schwab	Oracle	Sysco
Southwestern Energy	Qualcomm	Walgreen
Western Digital *	Verizon	Wal-Mart

* Indicates addition as of July, 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