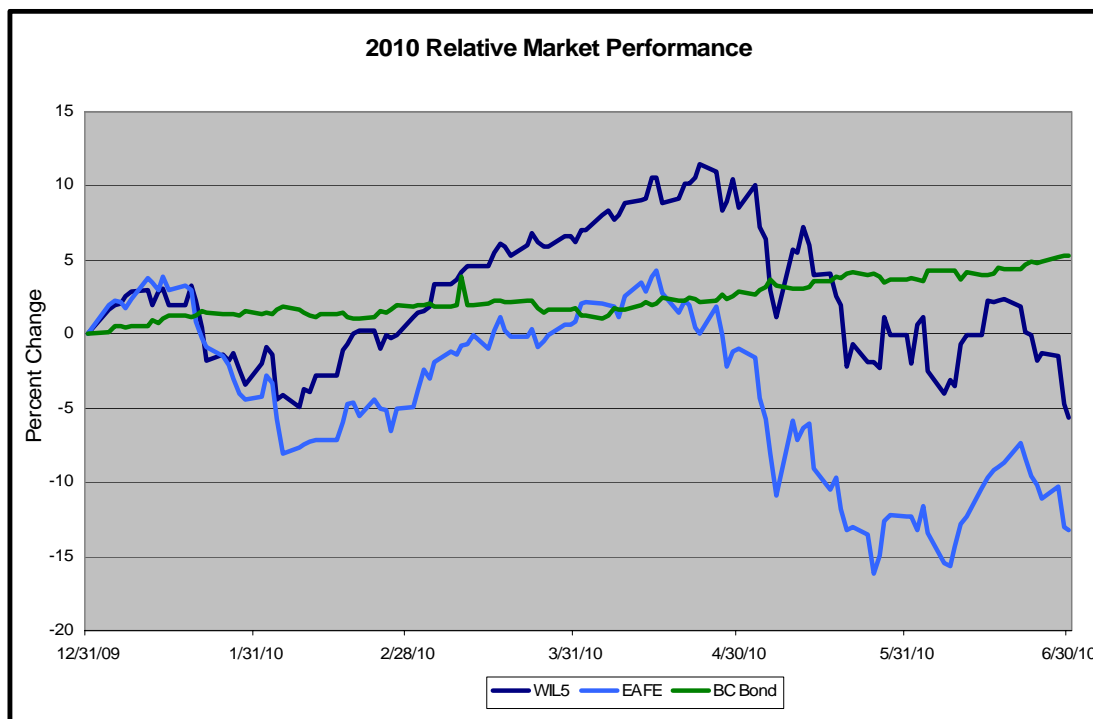




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Market Commentary Second Quarter 2010



Source: *The Wall Street Journal*, *Morningstar*, *djindexes.com*, *standardandpoors.com* & *msci.com*
 All index returns include reinvested dividends

As of 6/30/10

Market Performance	2009		2010		*TTM
	3Q	4Q	1Q	2Q	
Dow Jones Industrial Average (DJIA)	15.82	8.10	4.82	(9.36)	18.94
Standard & Poor's 500 (SPX)	15.61	6.04	5.39	(11.43)	14.43
NASDAQ Composite (COMP)	15.91	7.17	5.91	(11.84)	15.98
Wilshire 5000 (WIL5)	16.34	5.89	6.24	(11.21)	16.20
MSCI Europe Australasia and Far East (EAFE)	19.47	2.18	0.87	(13.97)	5.92
Barclays Capital U.S. Agg. Index (BC Bond)	3.74	0.20	1.78	3.49	9.50

Source: *The Wall Street Journal*, *Morningstar*, *djindexes.com*, *standardandpoors.com* & *msci.com*

All index returns include reinvested dividends

*Trailing Twelve Months

Quarterly Performance Review

After peaking in April, all major indexes finished the second quarter in the red. The S&P 500 posted a loss of 11.43%. The Dow Jones Industrial Average finished the period down 9.36% and the tech-focused NASDAQ Composite lost 11.84%. Lipper, Inc., a mutual fund tracking company, reported that the average U.S. stock fund lost 10.28%. Overseas markets fared even worse due in part to the strengthening U.S. dollar. The MSCI Europe, Australasia and Far East Index, a common international stock benchmark, lost 13.97% for the period. Lipper, Inc. also reported that the average foreign stock fund lost 13.07%.

Yield on the benchmark 10-Year U.S. Treasury bond fell by almost one percentage point since early April to end the quarter at 2.97%. The last time the U.S. had seen sub-3.00% yield on the 10-Year Treasury was early 2009. This came as growing fears surrounding global growth forced investors to the safe haven of U.S. Treasury securities. As investor demand for U.S. government debt increases, yields are forced lower. Lipper, Inc. reported that the average taxable bond fund gained 1.81%, trailing the Barclays Capital U.S. Aggregate Bond Index, a common domestic bond benchmark, which gained 3.49%. Bond prices move inversely to yields.

2010 Mid Year Outlook

At the height of the financial crisis, government policy actions and stimulus programs were initiated to temporarily fill the gap in economic activity left by the private sector's hasty retreat. As the handoff from the public to private sector unfolds, challenges to the recovery remain. High levels of public debt, high unemployment and the risk of renewed weakness in housing will prevail for some time. One of the main risks for the recovery is an escalation of financial stress prompted by rising concern over government bond risks in the Euro zone. Uncertainty also surrounds the new financial regulatory reform law and its unintended consequences.

Signs of improvement are nevertheless evident in the recovery. Household balance sheets are advancing as personal savings have increased while debt levels have declined. More importantly, momentum is gathering in private demand, a key element of a sustainable recovery. Corporations continue to surprise on the upside and are expected to earn record profits this year - a prerequisite for an expansion of employment. Though it appears that risks to the downside may have increased, the recovery remains on track.

Interest Rates

The Federal Open Market Committee, the policymaking arm of the Federal Reserve Bank, maintained the federal funds target rate, which is the overnight rate at which depository institutions lend to each other, at 0.00% to 0.25%. However, the Fed took a more cautious tone on growth. Due to fiscal troubles abroad they noted that "financial conditions have become less supportive of economic growth" and expect the pace of recovery "to moderate for a time." Given the recent turmoil in global markets, the Fed is likely to keep rates on hold for longer than originally anticipated. Many economists now point to 2011 as the earliest date at which the Fed may raise the federal funds target.

The Fed also acknowledged the lack of inflation when they said that "underlying inflation has trended lower." Core inflation, which excludes food and energy prices, may fall further. Given subdued inflation pressures, there is little reason for the Fed to hike interest rates in the foreseeable future.

Transition to Growth

Gross domestic product (GDP), a common gauge of a country's economic health as measured by the value of its goods and services produced, came in at a lower than previously reported rate of 2.7% for the first quarter 2010. A downward revision to personal consumption and an upward revision to imports led to the slower growth. Aided by manufacturing, GDP for the second quarter of 2010 is expected to be moderately higher. Estimates vary in the 3.5% to 4.5% range. This is below the long-term historical average of 5.0% for a recovery period. Furthermore, many economists expect GDP to taper off in the second half of the year as many headwinds remain.

As the stimulus fades, there is growing concern that private sector demand will not be able to pick up the slack from the government. The threat of a moderate recovery in employment, expectations of increased taxes, and weak housing market could negatively impact consumer confidence and potentially stall spending.

While it is encouraging to see modest improvement in consumer balance sheets, personal consumption may not be the primary driver of economic recovery until the labor markets improve. In the last few months the economy has begun creating jobs, but not enough to sustain a recovery. Private sector employment increased by 83,000 in June and the unemployment rate declined to 9.5% from 9.7%. Unfortunately, the unemployment rate decline was due to the labor force shrinking as discouraged workers stopped looking for employment. Nonetheless, any recovery in employment bodes well for household finances.

Fundamentally, we have the ingredients for a greater rebound in hiring. Corporate profits are elevated relative to the working population. Temporary hiring continues to increase. The trend in temporary workers is an indicator that leads changes in nonfarm payrolls by three to six months. Since turning positive last October, temporary jobs are up by 319k. This represents the second largest increase over a seven month period on record. The health of the corporate sector bodes well for an increase in hiring.

Even though the worst of the housing market decline is most likely over, home prices may be flat for some time. Housing activity has been much weaker since the homebuyer tax credit expired at the end of April. While activity was expected to fall once it expired, the fall-off has been greater than anticipated. Housing starts collapsed 32.7% to 300k in May, the lowest reading on record despite record low mortgage rates. On top of this, the overhang of foreclosures and excess inventory represents a significant headwind. Unless income and job growth improve at a meaningful pace the recovery in housing will likely be slow.

Corporate Earnings Growth

Corporate profits in the U.S. are recovering at a rate that may put them on track to surpass the previous peak in annualized earnings on the S&P 500 within a year. This has occurred because companies prepared for a depression that did not happen. Corporate cost cutting has allowed more dollars to flow to the bottom line. The companies in the S&P 500 reported stronger than expected results for the first quarter of 2010 as profits grew at a 24% annual rate. Short of a significant slowdown in the recovery, corporate profitability should continue to increase for the remainder of the year. Second quarter operating profit is expected to increase 35% from last year.

Summary

The recent "soft patch" is not uncommon during recessionary recoveries from a financial crisis. Historically, repercussions have periodically appeared in other recoveries, though usually at a less severe magnitude. Though household balance sheets continue to improve, unemployment remains stubbornly elevated. The recovery in housing has been less than robust and financial stress remains in the global system. In light of this it is expected that above average volatility will persist as the market continues to focus on headline risks surrounding the health of the global economy and its banking systems. While the pieces are present for the economy to advance its recovery, it will likely be at a slower rate as we move into the second half of the year and beyond.

In volatile markets investors should remain focused on their long-term objectives. Asset allocation strategies developed for a portfolio provide a roadmap to follow in times of duress. Steps may need to be taken to ensure capital preservation, but must be weighed against their potential impact on long-term performance. Implementing a disciplined, strategic approach with portfolio allocation across varying asset classes is an important element of a successful investment strategy. That's why at TrustCore, we believe in creating a customized, well-diversified portfolio to help you meet your long-term financial goals.

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