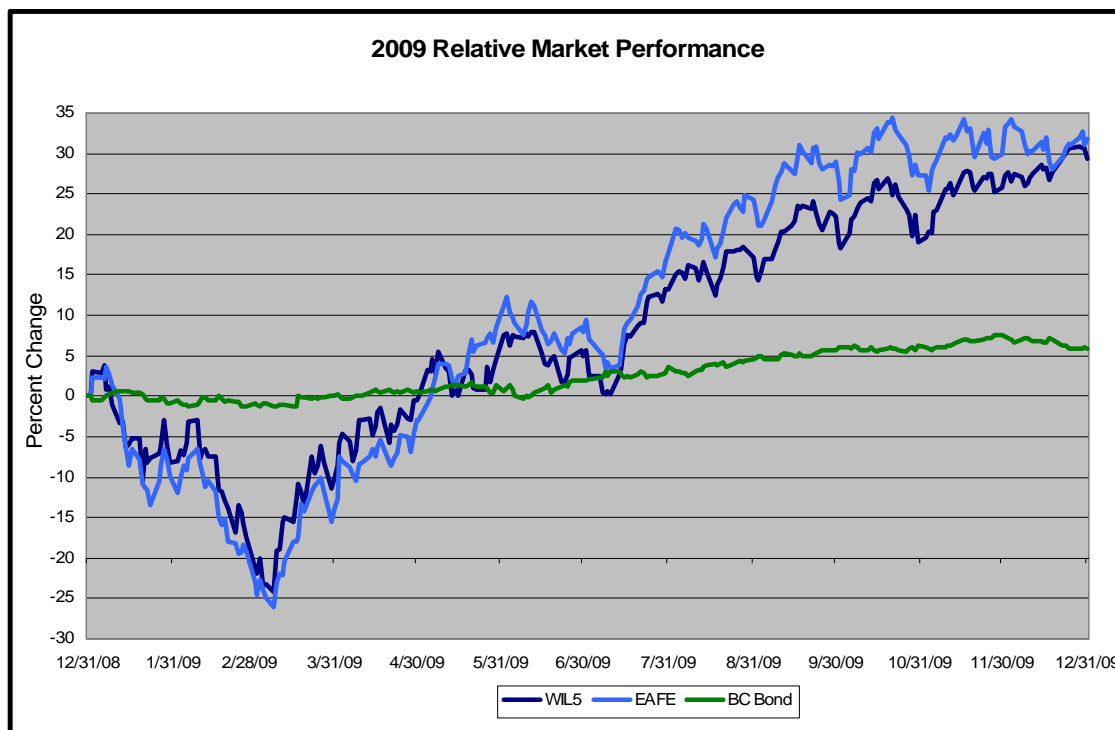


TRUSTCORE[®]

105 WESTWOOD PLACE, SUITE 400
 BRENTWOOD, TN 37027-1015
 (615) 377-1177
 FAX (615) 371-1941
 www.trustcore.com

Market Commentary Fourth Quarter 2009



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

Market Performance	2009				2009
	1Q	2Q	3Q	4Q	
Dow Jones Industrial Average (DJIA)	(12.48)	11.96	15.82	8.10	22.68
Standard & Poor's 500 (SPX)	(11.01)	15.93	15.61	6.04	26.46
NASDAQ Composite (COMP)	(2.79)	20.34	15.91	7.17	45.32
Wilshire 5000 (WIL5)	(10.11)	16.82	16.34	5.89	29.35
MSCI Europe Australasia and Far East (EAFE)	(13.94)	25.43	19.47	2.18	31.78
Barclays Capital U.S. Agg. Index (BC Bond)	0.12	1.78	3.74	0.20	5.93

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

Quarterly Performance Review

The stock market extended its gains in the fourth quarter. The Dow Jones Industrial Average finished the period up 8.10%. The S&P 500 posted a gain of 6.04% and the tech-focused NASDAQ Composite returned 7.17%. Lipper, Inc., a mutual fund tracking company, reported that the average U.S. stock fund gained 5.40%. Overseas markets, as measured by the MSCI Europe, Australasia and Far East Index (EAFE), a common international stock benchmark, gained 2.18% in the period. Lipper, Inc. also reported that the average foreign stock fund gained 2.70%.

Yield on the benchmark 10-Year U.S. Treasury bond ended the period at 3.85%. Lipper, Inc. reported that the average taxable bond fund gained 1.80%, beating the Barclays Capital U.S. Aggregate Bond Index, a common domestic bond benchmark, which gained 0.20%. Bond prices move inversely to yields.

Year-End Review

The U.S. economy staged an impressive recovery in 2009 thanks to unprecedented efforts by government aided stimulus. From the bear market low on March 9th the S&P 500 gained 67.8%. For the full year, the S&P 500 returned 26.5%, the 11th best performance in the last 50 years. Lipper, Inc. reported that the average U.S. stock fund gained 32.0%. Overseas markets as measured by the EAFE Index gained 31.8% in the period. Lipper, Inc. also reported that the average foreign stock fund gained 32.7%.

Early in 2009, fixed income prices across the credit spectrum dropped to new all time lows. Recognizing opportunity and still somewhat leery of stocks, investors poured cash into bonds. At one point, high-yield corporate bonds were paying over 20% more than government bonds. High-yield bonds returned 57.5% in 2009 according to the Merrill Lynch high-yield master index, a common high-yield bond benchmark. By year-end, credit spreads had dropped sharply from their peak. However, safe assets, such as U.S. Treasury securities, underperformed as investors fled to riskier fare. As bond prices move inversely to yields, the move in yield on the benchmark 10-year treasury from 2.25% at the beginning of the year to 3.85% by year-end resulted in a loss of 9.3%.

2010 Outlook

By many estimates 2010 will start off well and most analysts expect the stock market to end the year with gains. Many of the trends that supported stocks in 2009 should continue in the near-term but there will be bumps along the way. Returns in 2010 will rely more on earnings growth as the rebound trade from market lows appears to be coming to an end. Strong operating leverage should propel earnings but revenue growth will be a necessary catalyst to support further equity price appreciation.

Interest Rates

The Federal Open Market Committee (FOMC), the policymaking arm of the Federal Reserve Bank, maintained the federal funds target rate of 0.00% to 0.25%. Given a weak economic backdrop and subdued inflation, the Fed indicated they will keep rates low for an extended period. Core inflation typically decelerates for 12 to 24 months after recessions end because the slack in capacity utilization tends to keep downward pressure on prices even as economic activity improves. The Fed is trying to be supportive of economic growth by providing the appropriate stimulus to lead us out of the recession. As worry about the recession abates, the concern is starting to shift to the exit strategies the Federal Reserve must employ. At some point, the Fed will need to raise rates and reverse the \$8.2 trillion in emergency funds U.S. agencies have lent, spent or guaranteed.

There is considerable risk if the Fed hits the brakes too soon as it could spoil the recovery. If they wait too long, cheap money could inflate a new asset bubble. In a recent Bloomberg survey of economists, the Fed is not expected to start raising rates until the third quarter of 2010. We may begin to see some upward pressure on broad interest rates, especially in the Treasury market, as the government extends the average maturity of their debt and risk appetites push investors toward higher yielding assets. Additionally, mortgage rates may increase as the Fed ends the program in March, through which it bought \$1.25 trillion in mortgage bonds. Ultimately, a reversal in the Fed's stance will be determined by a multitude of factors, but once job creation turns positive the Fed could come under pressure to raise rates.

Transition to Growth

Although consumer spending has remained constrained in 2009, household economics are looking more promising in 2010. Job growth is projected to turn positive in the first half of the year, but unemployment will remain stubbornly high. The median forecast for unemployment in 2010 is 10.0% and 9.3% for 2011. The labor market should not experience permanent job loss, but rather a considerable multi-year adjustment in employment as industries are retooled to pre-crisis levels. Given this backdrop, consumer spending will be selective. Job gains will be key to sustainable economic recovery as it should promote an increase in consumer spending, an essential component of growth in our economy.

Housing, another crucial component to growth, has begun to show signs of recovery. This is especially important in the most troubled areas. Home prices have risen for the fifth consecutive month, based on the S&P/Case-Shiller home price index in October. However, the recovery remains uneven with only 11 of the 20 metropolitan areas the index tracks showing gains. There is also worry that fundamental weaknesses may arise as government sponsored support is removed.

In light of the imbalances still present, most economists look for gross domestic product (GDP), a common gauge of a country's economic health as measured by the value of its goods and services produced, to expand at a pace that is less than past recoveries. Estimates are broad, ranging from 2.3% to 4.0%, less than the 5.0% average seen in post recessionary environments.

Corporate Earnings Growth

The International Council of Shopping Centers and Goldman Sachs reported that U.S. retail sales climbed higher than expected during the Christmas week. ICSC predicts sales growth in 2010 of as much as 3.5% over last year as consumers begin to feel more optimistic. This bodes well for businesses. The corporate cost-cutting during the recession has produced the greatest profit leverage in decades. Once sales growth renews, profits could be great. Analysts are forecasting operating earnings per share (EPS) for the S&P 500 to advance 33% in 2010, following the expected 14% gain for 2009.

International markets are also expected to continue their rally in 2010. Consensus estimates expect 28.8% EPS gains for developed overseas equities and 27.3% for emerging market equities. Estimates look for modest price-to-earnings (PE) expansion. Developed overseas markets are currently trading at 13.6 times 2010 EPS estimates and emerging markets are at 12.8.

Summary

We begin 2010 coming off a strong rebound in the stock market, but remain approximately 23% below the peak with lingering economic concerns. Sustaining the economic turnaround will be critical to market gains. We expect high unemployment to dampen the rate of recovery, but corporate profits to increase due in part to lower labor costs. The Federal Reserve will seek to limit unwanted future inflationary pressures while still promoting economic growth. In our opinion, the biggest risk facing the markets in 2010 is the timing and pace of policy actions to remove excess stimulus. We anticipate this policy reversal will lead to increased volatility in the equity markets.

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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