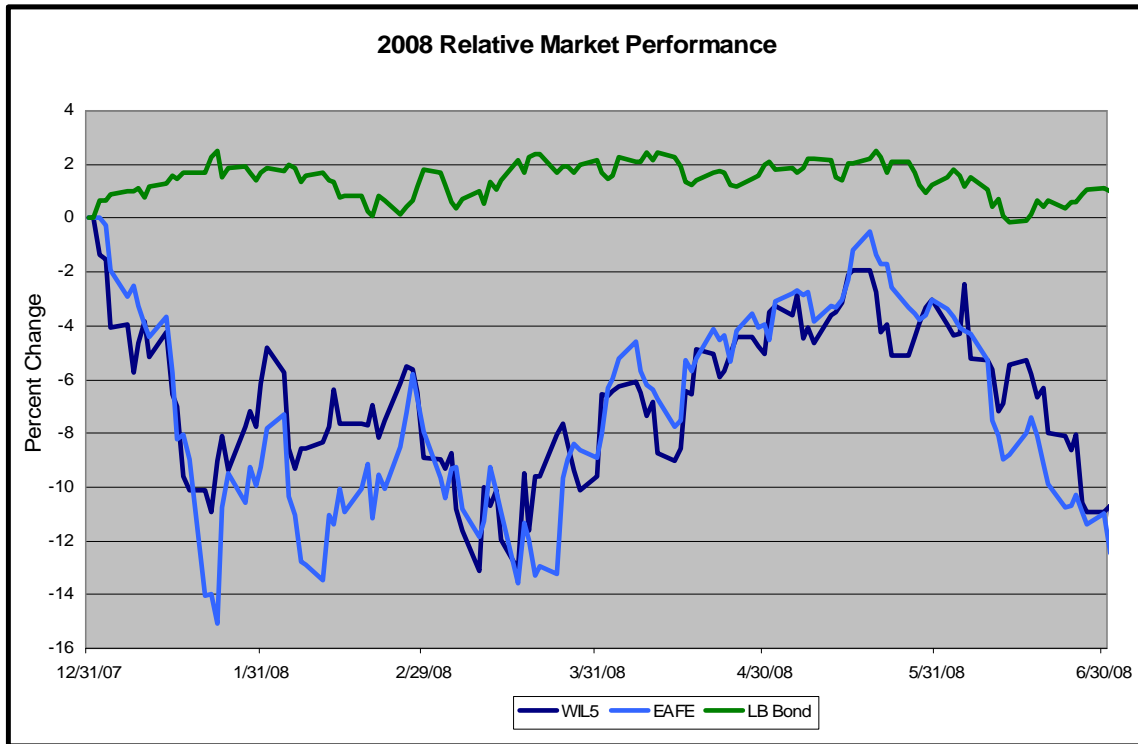


Market Commentary Second Quarter 2008



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

As of 6/30/08					
Market Performance	2007		2008		*TTM
	3Q	4Q	1Q	2Q	
Dow Jones Industrial Average (DJIA)	4.19	(3.91)	(7.00)	(6.85)	(13.27)
Standard & Poor's 500 (SPX)	2.03	(3.33)	(9.44)	(2.73)	(13.12)
NASDAQ Composite (COMP)	3.94	(1.65)	(13.90)	0.79	(11.28)
Wilshire 5000 (WIL5)	1.42	(3.08)	(9.61)	(1.48)	(12.46)
MSCI Europe Australasia and Far East (EAFE)	2.18	(1.75)	(8.91)	(2.25)	(10.61)
Lehman Brothers Aggregate Bond (LB BOND)	2.84	3.00	2.17	(1.02)	7.12

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 major stock indices had a rough quarter with all but one ending in the red. The Dow Jones Industrial Average, an index of 30 large-cap companies, dropped to its lowest level for the year. In fact, the precipitous drop of 10.19% in the Dow during June was the worst month since 1930. Among the major domestic indices, the Dow was also the biggest loser for the quarter finishing down 6.85%. The S&P 500 posted a loss of 2.73%. Surprisingly, technology stocks finished the quarter on the upside as the tech-focused NASDAQ Composite gained 0.79%. Lipper, Inc., a mutual fund tracking company, reported that the average U.S. stock fund gained 0.20%. Overseas markets fared little better than domestic as the MSCI Europe, Australasia and Far East Index (EAFE), a common international stock benchmark, fell 2.25% during the period. Lipper, Inc. also reported the average foreign stock fund shed 1.80%.

Yield on the benchmark 10-Year U.S. Treasury bond ended the period at 3.99%, up 0.54% from last quarter. Lipper, Inc. reported that the average U.S. taxable bond fund lost 0.30%, beating the Lehman Brothers Aggregate Bond Index which fell 1.02%. Bond prices move inversely to yields.

2008 Mid Year Outlook

To date, the Federal Reserve Bank's (Fed) main charge has been to avert the crisis in the financial sector and navigate the economy through recessionary-like times. Fortunately, the financial crisis has improved as confidence and liquidity have returned to the market. However, the economy remains in a weakened state in the aftermath. Economic growth has remained positive but weak job growth, coupled with a cautious consumer, leaves the outlook for the remainder of the year questionable.

Interest Rates

The Federal Open Market Committee (FOMC), the policy-making arm of the Federal Reserve Bank, kept rates unchanged at 2.00%. This pause marks an end to the Fed's string of interest rate cuts and allows time for the economy to gain traction. The easing to date combined with the Fed's efforts to provide further liquidity "should help to promote moderate growth over time", according to the Fed's most recent press release. While risks to economic growth have waned, risks to inflation have increased as global growth exceeds that of resources.

The surge in commodity prices since January has been one of the primary reasons for the elevated expectations for inflation throughout 2008. The Dow Jones AIG Commodity Index has soared more than 27% since the beginning of the year due largely to the price of oil which has surpassed \$140 per barrel. While Fed action in the form of rate hikes may be necessary to maintain price stability, moves are unlikely before the end of the year unless inflation indicators surge. The Federal Reserve projects cost and pricing pressures will weaken and lead to a moderation of inflation in 2009 and 2010 with the economy slowing.

Slowing Economic Growth

Economic growth is expected to be much weaker in 2008. The Commerce Department reported that gross domestic product (GDP), a common gauge of a country's economic health as measured by the value of its goods and services produced, increased at an annual rate of only 1.0% in the first quarter as compared to the long-run average of 3.0%. Increasing economic activity is critical to the health of our economy and markets. The Federal Reserve has estimated growth to be in the 0.3% to 1.2% range for the year. A positive growth rate will largely depend on the actions of the US consumer.

Consumer spending accounts for two-thirds of U.S. economic activity. To date, the consumer has been resilient in his ability to spend in the face of the slowdown in the housing market, tightening credit standards and rising consumer prices. For example, consumer confidence as measured by the Reuters/University of Michigan Surveys of Consumers Index, a measure of consumer attitudes and expectations about the U.S. economy, fell in June to the lowest level since 1980. Confidence at such low levels suggests a significant change in spending habits. To date, however, consumer spending has only weakened slightly. Some experts argue that the Federal Government's economic stimulus checks have kept spending from dropping more. Nonetheless, consumer and investor sentiment is at record lows and creates potential challenges to economic growth.

Corporate Earnings Growth

As companies report second quarter earnings, expect diverse results. Consumer discretionary stocks will likely show continued weakness amid slowing growth as will financials amid expectations for continued write-downs. These factors will add to the volatility in the markets this summer. Second quarter operating earnings for the S&P 500 are projected to decline 9.2%.

From a valuation standpoint, the S&P 500 is currently trading near 17.3 times trailing earnings with forward estimates of around 13.5. Expect price-to-earnings ratios (P/E) to remain near current levels or move lower as, historically, inflation compresses P/E ratios.

Summary

Though the worst may be over in regard to the financial crisis, expect continued weakness in the near-term. In the wake of plunging consumer confidence, weak job growth and rising inflation, personal consumption remains vulnerable. The Fed holds an unenviable position of balancing the risk of slowing growth with the threat of rising inflation.

Looking further, growth should continue and, with the exception of banks and financials, many firms' profit margins should remain healthy. For example, according to First Call, earnings for the S&P 500, excluding banks and financials, increased 11.4% in the first quarter of 2008. Also, unlike the height of the tech bubble, current stock valuations are reasonable and earnings growth is anticipated to accelerate over the next few quarters. Moreover, the Federal Reserve has just finished a series of rate cuts that historically take months to fully impact the economic system. These cuts slashed the yield on the more than \$4 trillion dollars in money market and small CDs. Liquidity such as this represents a mountain of potential equity buying power.

It is often said that what makes an investor successful is not what they do in the good times, but what they do in the bad times. The Dow Jones Industrial Average and S&P 500 both reached official "bear market" territory in early July. These are the times when investment decisions need to be made with caution, reason and a long-term perspective.

Utilizing investment managers who have skill and the supporting resources necessary to identify and capitalize on unique investment opportunities is essential to generating competitive returns. 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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