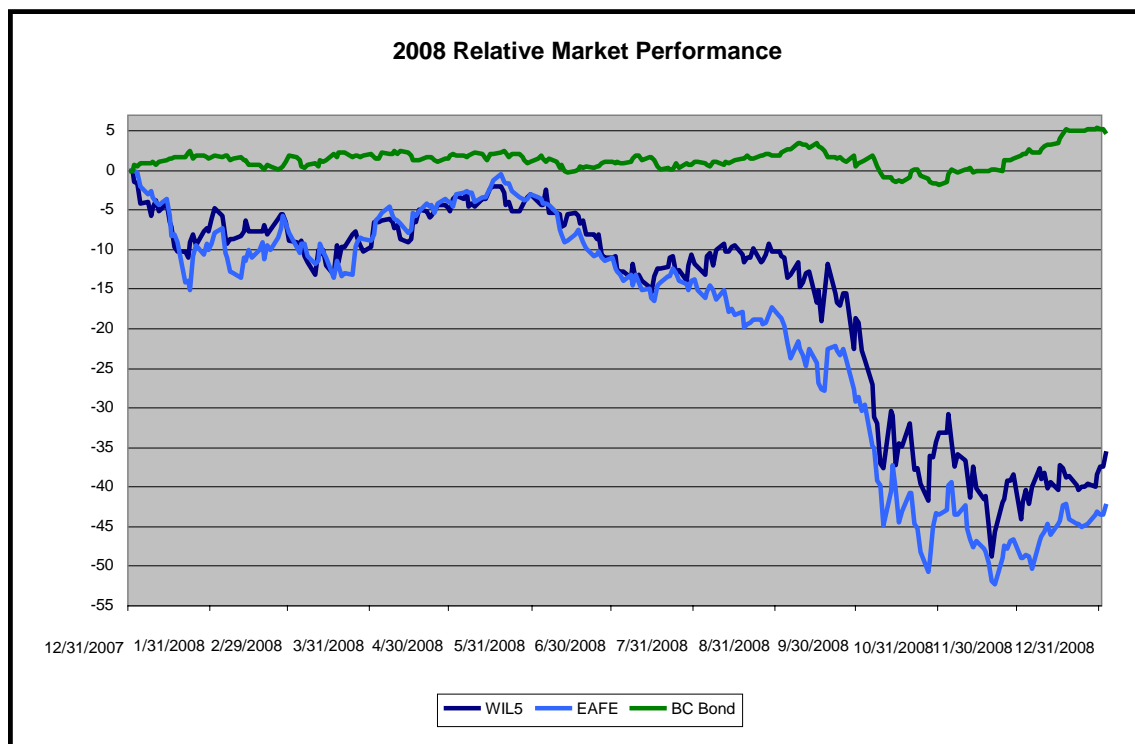


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Market Commentary Fourth Quarter 2008



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

As of 12/31/08

Market Performance	2008				2008
	1Q	2Q	3Q	4Q	
Dow Jones Industrial Average (DJIA)	(7.00)	(6.85)	(3.71)	(18.39)	(31.93)
Standard & Poor's 500 (SPX)	(9.44)	(2.73)	(8.37)	(21.94)	(37.00)
NASDAQ Composite (COMP)	(13.90)	0.79	(8.60)	(24.39)	(40.03)
Wilshire 5000 (WIL5)	(9.61)	(1.48)	(8.70)	(22.93)	(37.34)
MSCI Europe Australasia and Far East (EAFE)	(8.91)	(2.25)	(20.56)	(19.95)	(43.38)
Barclays Capital U.S. Agg. Index (BC Bond)	2.17	(1.02)	(0.49)	4.58	5.24

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

Quarterly Performance Review

Global stock markets continued their decline during the final quarter of the year. The Dow Jones Industrial Average, an index of 30 large-cap companies declined 18.39% in the period. The S&P 500 posted a loss of 21.94%, its 7th worst quarterly loss ever and poorest quarterly return in 21 years. The tech-focused NASDAQ Composite lost 24.39%. Lipper, Inc., a mutual fund tracking company, reported that the average U.S. stock fund lost 23.80%. Overseas markets suffered a similar fate as the MSCI Europe, Australasia and Far East Index (EAFE), a common international stock benchmark, fell 19.95% in the period. Lipper, Inc. reported the average foreign stock fund lost 21.30%.

Yield on the benchmark 10-Year U.S. Treasury bond ended the period at 2.25%, down 1.60% from last quarter. Lipper, Inc. reported that the average U.S. taxable bond fund lost 4.30%, trailing the Barclays Capital U.S. Aggregate Bond Index, an index of U.S. Government, corporate, mortgage and asset-backed securities, which gained 4.58%. Bond prices move inversely to yields.

Year-End Performance Review

Domestic and foreign stocks, commodities, and real estate experienced double digit losses for the year. Domestic stocks finished the year with returns not seen since the 1930s. The Dow Jones Industrial Average finished down 31.93%. The S&P 500 fared even worse, closing out the year down 37.00%, equivalent to a loss of \$5 trillion in market value. Meanwhile, the Nasdaq Composite, which dropped 40.03%, experienced the worst percentage decline in its 38-year history. International markets were unable to escape the financial and economic troubles that spread around the globe. The MSCI EAFE lost 43.38% of its market value in the year. While last year ranks as one of the worst for the S&P 500, of the last nine bear markets, the current decline would only rank third.

Facing a global recession, investors fled to the safety of U.S. Treasury securities, driving prices higher and making them one of the best performing investments for the year. The tremendous demand for U.S. government debt resulted in a decline in the yield on the 10-year Treasury note to 2.25%. Treasury bills, which have the shortest maturity of all U.S. government bonds, traded at or near yields of 0.00%. Investors became more focused on the “return of” their capital as opposed to the “return on” their capital. The Barclays Capital U.S. Aggregate Bond index, which is comprised of nearly one-third Treasuries, posted a gain of 5.24%.

In contrast to government backed debt, most corporate fixed income investments provided little diversification from stock losses during a very difficult year. For example, according to Lipper, Inc. the average taxable bond fund lost 7.70% in 2008.

2009 Outlook

Whether or not stocks indeed turn upward in 2009 depends largely on how successful policy makers are in stabilizing the economy and credit markets. With uncertainty still the norm, look for volatility to continue into the first part of 2009.

Interest Rates

The Federal Open Market Committee (FOMC), the policymaking arm of the Federal Reserve Bank, cut the federal funds target rate seven times in 2008, from 4.25% to a historic low range of 0.00% to 0.25%. According to its latest statement, the Federal Reserve suggested that “weak economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time”. The Fed further acknowledged it “will employ all available tools to promote the resumption of sustainable economic growth and to preserve price stability”. The central bank stands ready to expand lending by purchasing agency and mortgage-backed securities in addition to the possible purchase of longer-term Treasury securities, which could help keep long-term borrowing rates low.

In light of weaker economic conditions and the precipitous decline in the price of commodities, inflationary pressures have eased considerably. Consumer prices fell 1.70% in November as measured by the consumer price index (CPI), a common measure of the price of consumer goods and services purchased by households. This represents the largest drop in the history of the seasonally adjusted series, which dates back to 1947. While, lower prices in the near-term puts more money into consumer’s pockets, persistent price declines over time can lead to deflation.

Deflation can give businesses and individuals an incentive to delay purchases because they anticipate lower prices in the future. This can lead to further contraction in an already weak economy and potentially raise borrowing costs. Although we have seen an abrupt drop in CPI in recent months, the Fed currently does not foresee deflation being a problem.

Slowing Economic Growth

In November, the National Bureau of Economic Research confirmed that the U.S. has been in recession since December 2007. In the face of continued deterioration of economic activity, the U.S. witnessed significant job contraction as employers shed jobs at the fastest pace in 34 years. Unemployment currently stands at 7.2%, a 16-year high, and is expected to increase as unemployment claims near their highest levels since 1982. While labor conditions continue to weaken, expect consumer spending, the growth engine of our economy, to decline into 2009.

The Commerce Department reported that the gross domestic product (GDP), a common gauge of a country's economic health as measured by the value of its goods and services produced, declined at an annual rate of 0.5% in the third quarter. Current estimates predict the fourth quarter of 2008 and the first quarter of 2009 to be the worst of the recession, with declines at an annualized rate of around 4.0% to 5.0% expected in both quarters. Although the first half of the year may prove difficult, many economists expect a slow recovery by the end of the year aided by an economic stimulus plan. The plan is expected to approach \$850 billion or more that will include tax cuts for individuals and businesses as well as government programs that will generate millions of new jobs.

Corporate Earnings Growth

With the economy in recession, the earnings picture looks bleak. Estimates from HSBC show earnings are likely to fall by 25% this year in both the U.S. and Europe, by 20% in Asia outside Japan and by 15% in Japan. From a valuation standpoint U.S. stocks are trading below historical norms as a result of the forced selling that occurred in the final months of 2008. The companies in the S&P 500 are currently valued at 19.9 times their reported earnings and at 12.5 times their forward estimates. For the past 30 years, stocks have traded at an average of 13.7 times forward earnings.

Summary

The financial meltdown of 2008 has left the economy and markets in a precarious state and forever changed the face of Wall Street. While problems still remain, we have seen some improvement. Unprecedented global monetary and fiscal policy is making an impact. The frozen credit markets are thawing as evidenced by declining rates and increasing availability. Mortgage rates are the lowest they have been in decades.

The recovery will take time as government policy is implemented to restart growth. Until then, the economy may get worse before it gets better. Corporate profitability and job creation remain at risk. Corporate bailouts, defaults and bankruptcies will most likely increase. However, if all goes as policy makers expect, the economy will begin a slow recovery that will leave the stock market in a better position by year's end.

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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