CORE EQUITY PORTFOLIO REVIEW

First Quarter 2010

PERFORMANCE COMMENTARY

Though investors might have been hoping for a quiet year after the drama of the last two, the stock market certainly didn't provide a soft ride in 2010's first quarter. Broad US stock market averages dropped about 8% from the start of the year into early February, as concern over consumer weakness and financial problems in several European countries gave legitimacy to a market correction. As the causes for those concerns dissipated alongside the appearance of reasonably good economic data, an upward surge lasting through the end of March not only erased the earlier sharp decline but generated a positive 5.4% return for the full quarter (as measured by the S&P 500 Index). Other averages such as the Russell 2000 and Russell Microcap Indices (measures of small- and smallest-cap stock performance) were also up during the quarter by nearly 9%, indicating that this first quarter's strong showing had legs in all corners of the US equity market.

The Core Equity strategy enjoyed a good absolute and relative performance in the quarter just completed. As we state in our literature, Core Equity is comprised of primarily mid- and large-cap, financially sound (good balance sheet, solid cash earnings….what we like to call low enterprise risk), growth-oriented companies, as well as some mega-cap, steadier company stocks that provide stability to the portfolio, particularly in times of market duress. Last year, the performance of our steadier holdings was quite subdued as the market awarded greater returns to securities on the opposite end of the risk spectrum. At the same time, our growth-oriented holdings in some cases did not keep pace with the market's overall excitement even though their investment theses remained intact. During the first quarter of 2010 expectations concerning the fundamental stories for both the larger and growth-oriented names in the portfolio were met or exceeded, rewarding our patience with good performance.

	Periods Ending March 31, 2010				
	Quarter	1 Year	3 Years	5 Years	10 Years
Core Equity Composite - NET	**6.8%**	**41.2%**	**2.2%**	**6.0%**	**5.2%**
Equity Only Portion	*7.6%*	*50.7%*	*0.5%*	*5.5%*	*2.7%*
S&P 500 Index	5.4%	49.7%	-4.2%	1.9%	-0.7%

Composite performance is reported **NET** of fees and expenses. Please refer to the disclosures at the end of this report.

A standout among the larger companies was **Boeing (BA)**, up 35% for the quarter. News in the commercial aerospace industry was increasingly better over the last three months, culminating in the announcements by the two major airframe manufacturers - Airbus and Boeing - of plans to increase production rates during 2010. Though the production rate increase was modest, it was a signal to the industry that the worst of the recession has passed. The updraft in the stock prices of the larger participants in the aerospace industry also helped a smaller Core Equity company, the Wisconsin-based maker of forged jet airplane parts, **Ladish (LDSH)**, which also gained 35% for the quarter. We purchased both Boeing and Ladish – two duopolies with highly secure competitive positions - on the assumption that the market's worst fears about the airliner purchasing cycle would not be realized, and that a moderate, though not robust, return to normal growth trends would resume. Both stocks were also cheap relative to our belief that each would earn in a more normal demand environment. Though both have started to move upwards, we still believe they have room for significant gains tied to further positive potential in the commercial aerospace cycle.

Sara Lee (SLE) was another good performer this quarter, up nearly 15%. We started buying Sara Lee, viewed as a decent but undermanaged group of businesses, in the back half of 2008 because (1) we believed CEO Brenda Barnes was close to completing the massive restructuring of Sara Lee's operations and management structures, (2) the company would begin to enjoy growth in its operating margins because of this, and (3) due to low expectations in the market place, the stock was attractively valued. During the fourth quarter of 2009, it became clear that Barnes and her management team's efforts were beginning to bear fruit. In addition to, and more important than, their cost cutting achievements, the company has become a better marketer and responder to pricing and demand changes in the marketplace. The 'new' Sara Lee's ability to handle the massive changes in commodity pricing and promotional activity over the past eighteen months proves management has built the controls to realize the value of the company's assets, something that could not have been accomplished by the 'old' Sara Lee. And like Boeing, we still believe Sara Lee has more upside to come.

Websense (WBSN), **Rovi Corporation (ROVI)** and **Martek Biosciences (MATK)**, last year's newer positions that were left behind by the market's general excitement, were all standout performers during this past quarter…delivering double digit returns for announcing very good results during their quarterly earnings reviews. Our position in Websense comes from our investment theme of enterprise information technology (IT) security, or more accurately, enterprise-based Web security. As shown by recent events such as the Chinese government's hacking into Google email user accounts, Web architecture security is a major unmet need. Indeed, today's hackers are no longer teenagers having fun in their dorm rooms, but instead are organized professional teams attempting to steal very high value information from corporations. Websense, a company that has invested heavily over the past four years to develop products that can neutralize Web 2.0 threats such as video, image and music files, has seen sizable traction in their new products over the past two quarters, resulting in a 30% stock price increase this quarter. Our belief is that Websense has just begun a two-year run of product introductions focused on these threats. We thus see ample reasons to retain it in Core Equity portfolios for the longer-term.

Rovi provides software utilized by both consumer electronics as well as by the broadcasting equipment of video programming providers such as Comcast and DirectTV. The software provides functionality to the programming guides used by the viewers as they navigate these services. The company surprised the marketplace with better than expected results in fourth quarter 2009, leading most analysts to mark up expectations for both 2010 and 2011. Additionally, interest in Rovi's next generation guide (called TotalGuide) is very high. The strong reception TotalGuide received from both consumer electronics makers and service providers at January's Consumer Electronics Show was a bit of a surprise, providing an additional kick to the company's stock price, which ended the quarter up more than 16%.

Last year we initiated an investment in Martek, a company that provides food additives to the global food processors. Though the company has several new products about to become available, its primary product remains DHA additives for baby food products. (DHA is docosahexaenoic acid, an omega-3 fatty acid that plays a major role in controlling the metabolic functions of our bodies. Think of DHA as a manufactured (all natural) tasteless additive that has the positive health attributes of fish oil.) As 2009 progressed, Martek's earnings from DHA products were affected by the recession's impact on the worldwide birth rate. (Nothing puts a damper on romance like unemployment and a collapsing home value!) The company was able to announce better news in its fourth quarter report, including the expectation that new products would make it to market at a speedier-than-expected rate. Martek's stock price rose nearly 19% for the quarter.

As always, we would be remiss if we didn't mention a poor performer during the quarter. **Monsanto (MON)**, in the parlance of our profession, was a dog. First purchased in early 2009 in the low-$70's, the

stock saw several up and down cycles during the year, reaching a high of $92 in May, but closing out at $81 at year-end. Since then, the stock has dropped back to the low $70's. Its problem is not so difficult to pinpoint: since one of its major products, Roundup herbicide, went off patent, pricing pressures from generic alternatives have intensified. To Monsanto's credit, the company decided to meet the competition head on and lowered Roundup's price in order to move more product. Unfortunately, the financial effects of the price drop were felt immediately. Monsanto's future financial results will be solely based upon its efforts to introduce new, more productive seeds. We continue to believe that the agriculture industry is in the early stages of a multi-year story in which productivity will continue to move higher with better seed technology at the vanguard. We continue to hold Monsanto and look forward to better days by the end of 2010.

At this point in our quarter-end reviews we generally highlight a recent purchase and sale or two, but there is nothing to discuss this quarter as there were no major purchases or sales in the Core Equity portfolio. Is this a change in strategy, you ask? No. Purchase and sale activity is not a goal on its own, but is generally the result of changes in company prospects or the market's estimation of them. During this past quarter we were not moved by price changes, our outlook for any of our holdings' futures, nor by the attractiveness of any of the stocks on our watch list relative to our cash reserves. Don't worry that this state of inactivity will continue and we won't have anything to write about in future reviews! We are currently discussing a number of potential changes that will likely unfold in the next quarter or two, and look forward to sharing with you the rationale behind those changes as they occur.

SOME THOUGHTS LOOKING FORWARD

Like most investment professionals, we examine broad economic trends and discuss expected impacts on industries and companies. Such big picture considerations, however, do not drive our investment decisions. We prefer to draw our investment conclusions by conversing with and observing the companies we follow, with the big picture considerations providing an interesting perspective to our analyses. That said, we thought we'd share a few top-down observations about the economy and markets.

First, in the past twelve months or so, the stocks that did very, very well tended to be of companies that are smaller, generate sales from a limited number of geographies, have a limited product or service lineup, are cash consumers (not cash producers), and have leveraged balance sheets. The stocks of larger, multi-national, multi-product, companies that have relatively clean balance sheets and are throwing off gobs of cash have seen their stock prices move up with much less enthusiasm. If we had to guess - we don't make promises when it comes to future portfolio moves - we would say upcoming purchases in Core Equity portfolios will look pretty boring - that is, favor the larger, more diverse companies over the smaller ones with limited function. When we look at the companies in our portfolios and on our watch lists, it's these more 'boring' companies that are still attractive on average, due to less valuation risk, and therefore more appropriate for the inherently defensive nature of Core Equity portfolios.

Our second comment pertains to a theme we have spent significant time discussing over the course of the slowly strengthening economy. During the depths of 2008, we asked ourselves "what has to change? What appeared to be real before that will no longer appear to be gospel?" Our answer then, as well as now, is: the US as über-consumer of the world's manufacture will not continue. For the US, consuming beyond its means while piling on debt is a finite trend that is in the process of reversing. Obviously, we're not the first to discuss this, and we will leave the moral bromides and preaching to others. Our interest is in how this unwinding will affect the minutiae of the US and world economies. For example, the transportation chain (ships, railroads, trucks, shipyards, computer systems, and human resources) that has been created over the past twenty years to handle inbound freight to the US is undergoing change. Several of the chain's elements

have found the re-balancing of trade patterns to be an unexpected challenge. We fully expect a greater balance between consumption and production between the US and the world. However, while we are already hearing buzzwords like 'onshoring' (moving manufacturing to the US), this shift in direction will be slow to appear and take quite a few years to yield substantial change. And as with any economic or market movement, it will contain a number of short-term reversals. We don't expect the US to become a manufacturing powerhouse like China or Germany, but we do expect the one-sided nature of the US economy - all consumption all the time - to subside. We also expect this re-balancing of trade patterns to be a fertile source of investment opportunity.

DISCLOSURES: The Core Equity Composite is comprised of discretionary taxable and tax-exempt accounts of similar risk and investment objectives that are managed according to Princeton Capital Management's conservative, equity oriented investment strategy. Prior to 1/1/09 this strategy and its composite were marketed as Princeton Capital Management's Growth and Income investment product. While the strategy has not changed, it was renamed to reflect its intended strategic role within an investment program. Accounts are included in the composite at the beginning of the first full calendar month each account is fully reflective of the investment strategy. Results are calculated internally using Advent portfolio accounting software and information provided by outside custodial firms. Composite and index performance valuations and calculations include dividends, interest and other earnings and are stated in US dollars. Performance figures for periods one year and longer are annualized. Composite returns are asset weighted and are reported net of fees and commissions. Performance results for individual accounts may vary due to the timing of investments, size of positions, fees, and other reasons. Additional information regarding policies for calculating and reporting returns is available upon request. A client's returns may be reduced by other expenses incurred in the management of the client's portfolio. PAST PERFORMANCE SHOULD NOT BE CONSTRUED AS A GUARANTEE OF FUTURE PERFORMANCE.

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