CURRAN
INVESTMENT MANAGEMENT
DEFINING QUALITY®

October 20, 2010

The stock market in the 3rd quarter continued to humble and confuse investors. The S&P 500 was up 11.29% which offset the dismal 2nd quarter which declined 11.43%. For the year through September 30, the S&P 500 was up 3.89%.

Investor confidence has been shattered by the financial crisis and its impact on the economy and the great bear market it caused. Like the 1930s, confidence is recovering more slowly than the economy and the stock market. Investor expectations regarding the recovery were and continue to be too optimistic.

We believe the economy will continue to gradually improve. However it is not likely there will be significant improvement in the unemployment rate before year end. Increases in productivity will continue making it difficult for the unemployed to find jobs.

However, the savings rate should continue to improve. Currently it is about 6% and should continue to rise gradually for the next few years. Our expectation is savings will reach 10%-12% of disposable income sometime in 2013.

Corporate profits continue to rebound and are expected to slowly improve through the next few quarters.

As we continue to climb a "wall of worry" mutual fund flow data shows lack of confidence continues. Investors are liquidating equity mutual funds while adding to fixed income funds. The estimated outflow from equity funds in the 3rd quarter was $40 billion while the inflow to bond funds was estimated to be $90 billion.

Performance in the 3rd quarter was up in all broad investment categories to include stocks and bonds.

INDEX	3RD QUARTER 2010	YEAR TO DATE	LATEST 12 MONTHS
Domestic Equity			
S&P 500 Index	11.29%	3.89%	10.16%
Dow Jones	11.13%	5.57%	14.12%
Russell 1000	11.55%	4.41%	10.75%
Russell 1000 Growth	13.00%	4.36%	12.65%
Russell 1000 Value	10.13%	4.49%	8.90%
Russell Midcap	13.31%	10.97%	17.54%
Russell Midcap Growth	14.65%	10.85%	18.27%
Russell Midcap Value	12.13%	11.15%	16.93%
Russell 2000	11.29%	9.12%	13.35%
Russell 2000 Growth	12.83%	10.23%	14.79%
Russell 2000 Value	9.72%	7.92%	11.84%
International Equity			
MSCI EAFE Index	16.48%	1.07%	3.27%
Domestic Fixed Income			
Barclays Gov/Credit Int. Bond	2.76%	7.44%	7.77%
BofA ML 0-3 Year Treasury	0.49%	1.93%	1.96%
BofA ML Muni 1-3 Year	0.52%	1.67%	2.26%
Cash Equivalents			
Citigroup 3-Mo. Treasury Bill	0.04%	0.09%	0.12%

We did not make many changes in portfolios. We believe we are well positioned to take advantage of the current market which we believe will favor highest quality companies over lower quality. The 2000s was a period when lower quality and riskier investments performed better than long-term averages would predict. Similarly higher quality equities performed below expectations.

Core Equity Portfolio	
Buy/Increase	**Sell/Decrease**
Healthcare SPDR	Stryker Corp
Visa, Inc	Mastercard Incorporated
	Cognizant Technology Solutions
	Novo Nordisk
	Priceline.com
Growth & Income Portfolio	
No Changes	
Mid Cap Portfolio	
Buy/Increase	**Sell/Decrease**
Mettler-Toledo International, Inc.	Zimmer Holdings
DeVry Inc	Ross Stores Inc
Small Cap Portfolio	
Buy/Increase	**Sell/Decrease**
EBIX Inc	Russell 2000 Growth I-Share
Bridgepoint Education	American Public Education Inc
GT Solar International	GT Solar International
Sun Hydraulics Corp.	II-VI Inc
International Portfolio	
No Changes	
All-Tech Portfolio	
Buy/Increase	**Sell/Decrease**
Microsoft Corporation	Healthcare SPDR
Fixed Income	
Buy/Increase	**Sell/Decrease**
Barclays MBS Bond Fund	Powershares VRDO Tax-Free Weekly

At Curran Investment Management we believe we are entering a period when highest quality companies like those we own in your portfolio will regain their favored status among many long-term investors.

CURRAN INVESTMENT MANAGEMENT'S OUTLOOK

EQUITY MARKETS

We believe the stock market measured by the S&P 500 will continue to improve over the next few years. As we have repeatedly stated since November 2008, historical evidence dating to 1875 shows markets perform above long-term averages following a severe financial crisis.

There have been 5 crises since 1875 and each of the previous 4 was marked by stock market advances of 15% or more annualized over 10 year periods lasting at least 10 years.

The 5th and current crisis has witnessed a rally from the March 2009 lows equal to approximately 71% or about 43% annualized. We continue to believe we are in the early stages of a great bull market that should last 10 years or longer based upon historical indicators.

INTEREST RATES

Short-term interest rates are expected to remain low. The announcement by the Federal Reserve of further quantitative easing, interest rates are expected to move lower. Since short-term rates are already 0%, the impact on bonds maturing in 5-10 years will continue to decline toward ½% to1%.

THE IMPACT OF LOWER RATES

Concern over the inflation consequence of additional quantitative easing may result in 30 year Treasury bonds paying higher rates. We are watching the 30 year bond closely. It is our belief it will prove to be the best indicator of future inflation. We expect long-term rates to move higher while shorter term rates continue their downward trend.

REAL ESTATE

Thomas Curran was a founder of C&W enterprises in 1975. C&W is a real estate partnership engaged in the development and management of residential seasonal property in New Jersey, North Carolina and Vermont. Tom and his wife Peggy are the founders and sole owners of C&W Enterprises and W&C LLC.

Our outlook for residential real estate is for the market to continue to stabilize at or near current prices. We do not foresee a significant rebound.

Historically, residential real estate has appreciated at approximately 2% since 1900. Beginning in 1998 residential real estate began to appreciate at rates significantly higher than the historical rate of 2%. Double digit annual returns fueled by cheap and abundant mortgages eventually developed into a bubble causing consequences we are coping with today.

What we must remember is that the success enjoyed by home ownership in building equity was due historically to leverage and not excessive rates of return.

Typically the down payment people make to buy a home is 30% or less. In the recent past the down payment was frequently much less and in some cases about 0. Sometimes we forget the obvious. Consider the following:

When a $250,000 home is purchased with a down payment equal to 20% or $50,000 and the price of the home appreciates 2%, the return on the equity is $5,000 or 10%.

However, during the early 2000s rates of return on residential real estate reached double digits in terms of year over year price appreciation. The same home owner who purchased their home with a 20% down payment enjoyed an annual return on their equity exceeding 50% in many cases. In "hot" markets like Florida and Arizona the returns were even greater.

Fuelled by interest rates that were historically low, the bubble eventually had to burst.

Our view is residential real estate must endure a long period when price appreciation will be near 0 adjusted for inflation. Considering the supply of foreclosed property and a growing inventory of owners who are selling second and third homes, we are not optimistic home prices can rebound significantly from their current prices.

Taxes and interest are the two biggest expenses for home owners. Our view is both will increase substantially over the next few years making the prospects for recovery even more unlikely. Together with the growing disillusionment with home ownership and the aforesaid supply of foreclosed properties still to be sold, housing will continue to be a drag on the economy.

All of us at Curran are grateful for your trust and respect.

Curran Investment Management is Defining Quality.®

Sincerely,

Thomas J. Curran
President

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