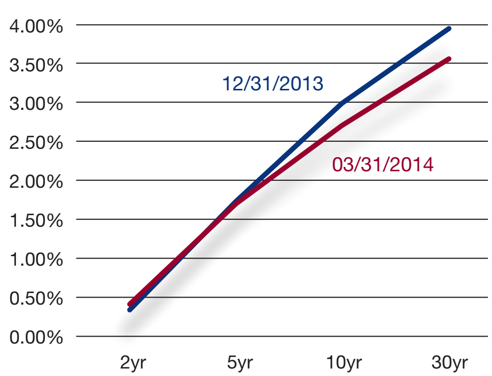
Fixed Income Market Comments

It continues to be all about the Fed. The first quarter of 2014 saw the tapering of the Federal Reserve's asset purchase program (QE) continue. Should the reduction of purchases remains on track at its current rate Quantitative Easing should be complete by October of this year. But the real question remains: when will the Fed begin to raise short term interest rates? In comments made after the March FOMC meeting, forward guidance on future monetary policy was updated. With the domestic economy growing at a moderate pace, the labor market continues to be mixed; whether this is temporary due to the harsh winter remains to be seen. Chairman Yellen stated that the committee would be considering a wider range of economic data in future decisions on monetary policy and dropped the unemployment rate threshold of 6.50% and the inflation target of 2.50%. Even though the intention was to clarify forward guidance, it only created more uncertainty about the Fed's time line. The bond market's view was one of less transparency and short term yields moved higher, longer maturities remained relatively stable and the yield curve flattened. Geopolitical events added to concerns and generated the largest move in yields in mid March while China's sluggish economic recovery reinforced the perpetual lack of global inflationary pressures. In spite of all the Fed posturing, interest rates continued to trade in a narrow range and have registered positive returns for the quarter. The most recent outlook for changes to the Fed Funds rate could be as early as mid 2015, and should result in an upward movement in bond yields over the near term. Regardless of the shift in rates, it is important to remember the role that bonds play in ones portfolio. Fixed income securities provide a consistent stream of income, principal protection and a reduction in the overall volatility of a balanced portfolio. In spite of which direction interest rates move, we believe fixed income exposure is a necessary part of overall asset allocation and individual objectives will determine how much should be allocated to this asset class. By investing in individual bonds, it enables flexibility in managing income, quality, duration and tax considerations.

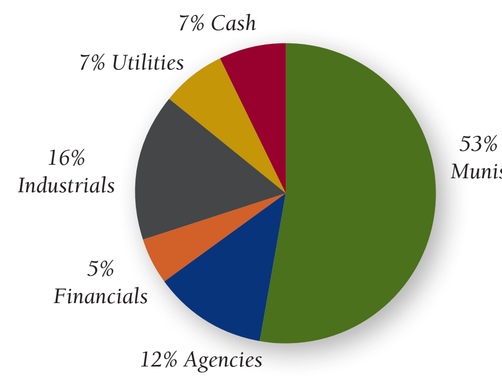
Treasury Yield Curve



Taxable Fixed Income Performance Composite

The TCVA taxable, fixed income composite outperformed its benchmark for the quarter ending March 31, 2014. The composite has maintained an average weighted maturity and duration shorter than the benchmark. Characteristics of the composite included a large exposure to investment grade, corporate and taxable municipal bonds and higher overall credit quality. The supply of quality securities continued to be light and yield spreads tightened during the quarter. Investing in shorter maturing bonds with higher coupons is the best defensive strategy in a historically low interest rate environment and no change in the composites configuration is expected. Concentrating on higher quality bonds with above average yield advantages over Treasuries will continue to be the focus. Concentrating on higher quality bonds with above average yield advantages over Treasuries will continue to be the focus.

Fixed Income Sector Breakdown



Portfolio Characteristics:

Average Maturity	3.2 yrs
Average Duration	2.8 yrs
Average Yield to Maturity	2.5%
Average Coupon	4.56%
Average Quality	AA

Credit Quality:

AAA	17%
AA	48%
A	26%
BBB	9%