

Quarterly Update- for the Period ended December, 2008

Equity markets were down for the quarter amidst slowing economic growth from the continuing financial crisis. The Standard & Poor's 500 (S&P 500) was down 21.9%, and smaller companies, as measured by the Russell 2000 Index, were down about 26.1%. Fixed income markets, as measured by the Barclays US Aggregate Bond Index, were up about 4.58%.

QSI Aggregate returns were mixed relative to their benchmarks, a weighted average of the S&P 500 and Barclays US Aggregate Bond Index. Returns ranged from slightly positive on the Defensive strategy, to down approximately 21% for the Aggressive Growth strategy.

Equities, in general, were down for the quarter. We repositioned in October to reduce international holdings and add to Consumer Staples to reduce downside risk associated with a recessionary environment. This has helped returns and to date, we have generally maintained these positions. Mid Cap Stocks have underperformed slightly, as has the financial sector, and we have small positions in both of these sectors. Bond positions, other than high quality, were generally down for the quarter, though there has been significant retracement of value for some of the riskier areas, and this has continued thus far into the New Year. These areas should show continued improvement as credit markets slowly recover.

The last half of 2008 saw low consumer confidence, poor retail sales, and a recessionary economy. While we are still in the midst of an economic downturn, we have seen a shift in energy prices from \$140 per barrel oil down to below \$40 (which contributes to increasing purchasing power), consolidations in the financial and banking sector, and significant efforts to increase money supply. While money supply has increased, credit is still limited as institutions continue to hoard cash. Moving forward, it will take renewed confidence and the circulation of cash/credit to alleviate the credit issues started in 2007.

The change in administration from Bush to Obama should lead to stronger, more stimulating economic fiscal policy, but it will take some time before this begins to contribute to economic growth.

We remind investors that markets are emotional and often irrational. We are prepared for continued market volatility, but are also aware that markets can, and frequently do, rebound rapidly and unexpectedly. With that in mind, portfolios have maintained certain defensive positions, and are ready to be adjusted as economic conditions warrant.