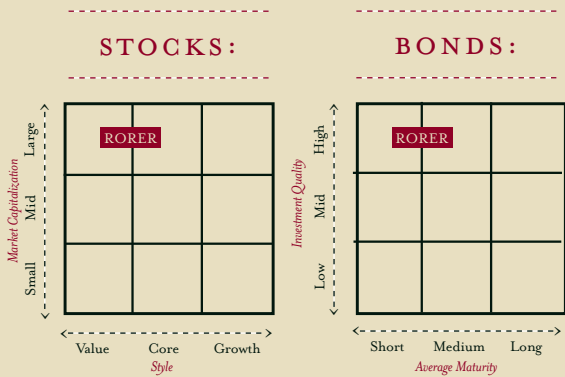


**BALANCED /
FIXED INCOME**



Investment Objective:

Rorer's balanced portfolio seeks to reduce risk by investing a portion of the portfolio in bonds. Our typical allocation is 60% equities and 40% bonds, but allocations are flexible dependent on client needs. The equity portion is managed in our Large Cap strategy and the fixed income portion is an Intermediate Term Bond portfolio.

Product Inception:

1984

Benchmarks:

Equity:

S&P 500

Fixed Income:

Lehman Intermediate
Government/Credit

RORER
ASSET MANAGEMENT, LLC

www.rorerasset.com

**RORER BALANCED PORTFOLIOS
COMBINE EQUITY AND FIXED INCOME
MANAGEMENT IN ONE PORTFOLIO.**

Equity Management:

Within a balanced portfolio, the equity portion is managed using Rorer's Large Cap strategy. This strategy focuses on high quality companies with strong fundamentals that are exhibiting both attractive relative valuation and strong potential for growth. A typical portfolio contains approximately 40 equity securities.

Fixed Income Management:

Within a balanced portfolio, the bond portion is managed using Rorer's Intermediate Term Fixed Income strategy. This strategy focuses on high quality intermediate term bond holdings, with an average maturity of 4-5 years. A typical portfolio contains approximately 15 investment grade bonds, including government Treasury and Agency securities, as well as high quality corporate bonds when portfolio size allows.

TOP TEN EQUITY HOLDINGS:

Bank of New York Mellon Corp (BK)	Illinois Tool Works Inc. (ITW)
Cognizant Technology Solutions Corp. (CTSH)	Johnson & Johnson (JNJ)
CVS Caremark Corp. (CVS)	Nabors Industries Ltd. (NBR)
Danaher Corp. (DHR)	Time Warner Inc. (TWX)
Halliburton Company (HAL)	Wal-Mart Stores Inc. (WMT)

FIXED INCOME SECTOR WEIGHTINGS

SECTORS	RORER	LEHMAN INT. GOV'T/CREDIT
U.S. Treasuries	35.0%	40.0%
U.S. Agencies	20.0%	20.0%
Corporate Bonds*	45.0%	40.0%
Total	100.0%	100.0%

*Accounts below a certain market value may not include corporate bonds.

FIXED INCOME CHARACTERISTICS

SECTORS	RORER	LEHMAN INT. GOV'T/CREDIT
Average Duration (years)	3.8	3.8
Average Maturity (years)	4.6	4.6
Average Quality	AAA	AA
Average Coupon	5.3%	5.0%
Issues	18	3,440
Yield to Maturity	4.1%	4.3%

The data represents the aggregate characteristics of all companies held in the Rorer model portfolio and is intended for informational purposes only. The Top Ten Holdings are not investment recommendations and may no longer be held in the account's portfolio.

PORTFOLIO REVIEW

Equity markets during the second quarter experienced more selling pressure as the S&P 500 declined by almost 3%. The equity portion of the Rorer Balanced Portfolio, however, turned in a positive performance, thereby substantially outperforming the benchmark. This performance was almost entirely due to good stock selection rather than from sector bets. In fact, the Rorer Balanced Portfolio had positive stock selection in almost all of the S&P 500 sectors. Two of the best-performing sectors, on a relative basis, were industrials and financial services. Joy Global, which manufactures and services mining equipment, was a standout performer in the industrial area. As the price of oil climbed throughout the quarter, investors became ever more interested in other sources of energy, such as coal and the companies that supply the coal industry. In the finance area, Goldman Sachs and TD Ameritrade were actually up in the second quarter, even though the financial sector was the worst-performing sector in the S&P 500. Both of these finance companies essentially escaped the carnage of the sub-prime and credit crisis that haunted the financial sector during the quarter. Two stocks that did not perform well in the quarter were Valero Energy and Lehman Brothers. Valero, which refines and markets crude oil, suffered from margin compression concerns as the price of crude oil rose through the second quarter. Lehman Brothers, in which we purchased a partial position during the quarter, suffered from credit concerns along with most of its peers, and we sold the partial position due to our stop loss discipline.

MARKET REVIEW

During the second quarter, equity markets fell due to continued concerns about the credit crisis, the U.S. housing market, and a potential recession. In fact, the broad equity market, as defined by the S&P 500, was down almost 3% in the quarter. Housing prices in the U.S., which started to fall last year, continued their decline through the second quarter of this year. Problems in the sub-prime real estate market, which surfaced in the third quarter of last year, have grown at a meaningful rate. Global financial firms have now written off close to \$300 billion due to the housing meltdown, and the losses are still growing. The best-performing sector in the S&P 500 in the quarter was energy, helped by the price of crude oil reaching all-time highs. The worst-performing sector was financial services, which was negatively impacted by the housing market and credit problems.

At Rorer, we feel strongly that the recent market weakness presents patient investors with many extraordinary opportunities to own quality stocks that are levered to strong long-term demand trends, at attractive valuation levels. While the Fed's actions to lower interest rates and support the mortgage market serve as confirmation that the risk of slowing U.S. growth outweighs the perceived risk of inflation, we believe that these actions also signal a critical commitment to stabilizing the U.S. capital markets. As the impact of these and prior policy actions filter through the system, we think investors will begin to look toward a period of better growth. Meanwhile, even as we anticipate a better economy next year, unemployment remains modest, wage growth is contained, international corporate and consumer spending trends remain positive, and corporate earnings - outside of financial and consumer-discretionary companies - are performing well. Taken together, the backdrop of what we believe is a temporary decline in stock prices and a favorable monetary policy should prove advantageous to the Rorer investment process. In fact, the recent pullback has allowed us to initiate new positions in many stocks that previously did not meet our strict valuation parameters. We believe our emphasis on high-quality companies, trading at low relative valuations, will help us to continue outperforming the market in the years ahead.

TRADING ACTIVITY

Trading activity was slightly heavier than normal during the second quarter due to the volatility in the marketplace. During the quarter we initiated new positions in Apollo Group, Time Warner, Lehman Brothers, Eaton Corp, and ConAgra; we also added to our positions in Nabors, Tyco, Lowes, Legg Mason, Cognizant, and JPMorgan. On the sell side, we sold Manpower as a source of funds. Our stop loss discipline triggered sales in Hologic and Lehman Brothers. In addition, we scaled back our position size in a number of holdings, including Halliburton, Caterpillar, Express Scripts, Devon, Joy Global, Linear Technologies, and Corning.

The bond market, as measured by the Lehman Brothers Intermediate Government/Credit Index, fell -1.5% during the second quarter. Yields were higher by 50 and 90 basis points (0.50% and 0.90%), respectively, for the ten-year and five-year sectors of the Treasury yield curve. Thanks to issue selection in our corporate bond exposure, which focused on quality and liquidity, the fixed-income portion of the Rorer Balanced Portfolio outperformed the Index during the quarter and particularly during June, when higher-quality sectors handily outperformed their lower-rated counterparts. In addition, throughout the quarter we maintained an average duration that was neutral to defensive relative to the Index.

New Purchases

Apollo Group Inc. (APOL)
Time Warner Inc. (TWX)
Lehman Brothers Holdings Inc. (LEH)
Eaton Corporation (ETN)
ConAgra Foods, Inc. (CAG)
Verizon Communications 6.100% 04/15/18
Kraft Foods Inc. 6.125% 02/01/18

Sales

Hologic Inc. (HOLX)
Manpower Inc. (MAN)
Lehman Brothers Holdings Inc. (LEH)
U.S. Treasury Notes 5.750% 08/15/10
U.S. Treasury Notes 4.750% 05/15/14