



Quarterly Flash Report

Strong corporate profit growth, slowing but positive GDP growth, and moderate inflation led to another strong global equity market for the 4th Quarter. 2006 equity market returns were the best since 2003 and surprised many market participants with the surge over the last half of the year.

International equity markets continued to outperform the U.S. as the dollar weakened and local foreign markets improved as well. Once again, international emerging markets led all other major segments.

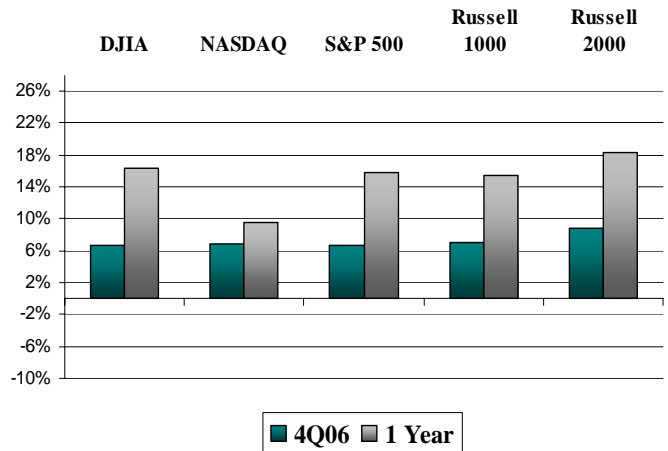
A slowing economy, tempered inflation fears, and expectations of an easing of Fed policy in 2007 provided the underpinnings for advances in the U.S. bond market. High yield and international emerging markets bonds outperformed the investment grade sectors of the U.S. and developed foreign bond markets, as spread relationships continued to tighten.

Most hedge fund sectors achieved double digit returns after two mediocre years. Record deal volume fueled profits in merger arbitrage and strong gains in emerging markets led the equity long/short sector. Real estate posted another impressive year, as the domestic REIT index grew over 35%.

Domestic Equities

- After falling behind sharply in the 3rd Quarter, small cap stocks surged ahead of large caps with the Russell 2000 gaining 8.9% versus 6.7% for the S&P 500.
- In a seemingly never-ending trend, value stocks outpaced growth in all capitalization segments. The spread was most pronounced in the large cap market where the Russell 1000 Value Index gained 8% compared to 5.9% for the Russell 1000 Growth Index.
- The top S&P 500 sector returns for the quarter were recorded by Materials (+11.4%) and Energy (+11.2%), while Health Care eked out only a 1.4% gain as the bottom performer.

As of December 31, 2006

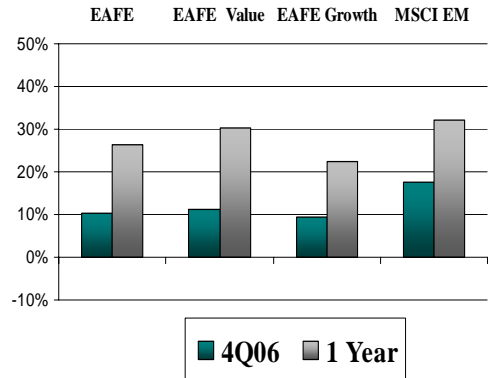


After four consecutive years of gains for stocks will there be a fifth?

International Equities

- The dollar resumed its decline relative to major foreign currencies, adding to gains for U.S. investors. The MSCI EAFE Index for developed countries was up 10.4% in dollar terms in the 4th Quarter.
- Far East markets rallied from the previous quarter losses but continued to lag European markets. In dollar terms, the MSCI Europe Index was up 11.5% compared to 6.2% for the MSCI Far East Index.
- Emerging markets closed out the year in strong fashion, gaining 17.6% for the 4th Quarter and 32.2% for the full year.

As of December 31, 2006

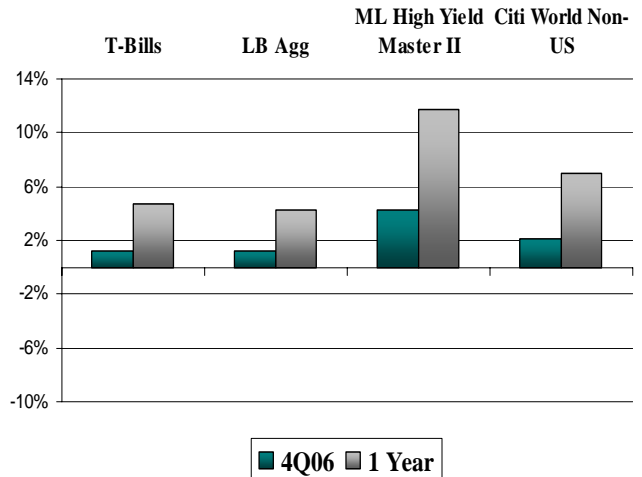


Benefiting from a weaker dollar, foreign stocks have more than doubled the gains of U.S. stocks over the last five years.

Fixed Income

- The Fed remained on the sidelines keeping overnight rates at 5.25%.
- Rates increased slightly across the treasury yield curve, despite a slowing housing market. The yield on the ten year treasury increased from 4.63% to 4.70%.
- Spread products, such as high yield bonds, confounded the conventional wisdom, as lower rated corporate securities tightened despite evidence of a slowing economy.
- Low interest rate volatility contributed to strong returns in mortgage backed and asset backed securities.

As of December 31, 2006

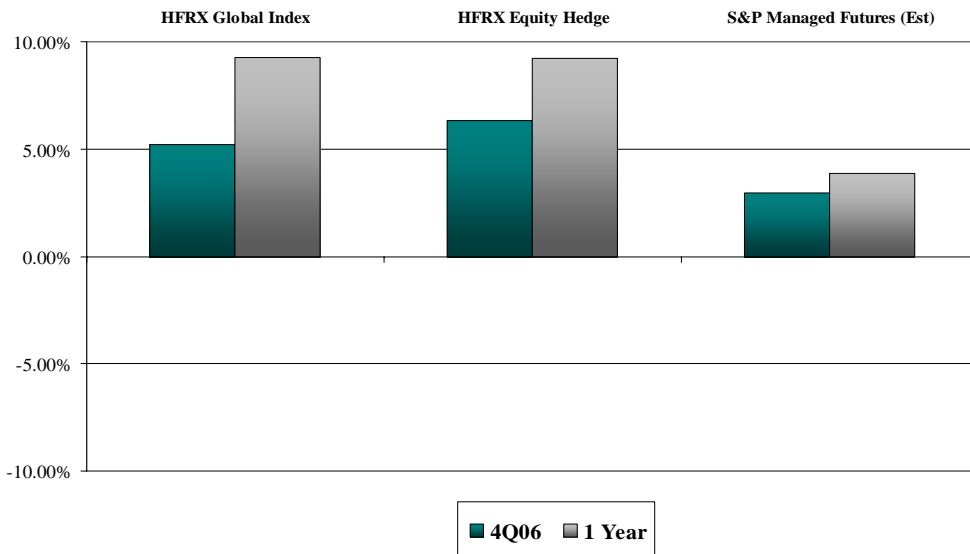


Continued tightening in credit spreads contributed to positive returns, despite slightly higher rates on treasury bonds.

Alternative Investments

- Alternative investments enjoyed a strong fourth quarter and year, as the HFR index was up 5.21% for the quarter and 9.26% for the year.
- Hedge fund gains were driven by an unprecedented level of corporate activity, as mergers set a new annual record of \$3.79 trillion. This provided ample opportunity for merger arbitrage, relative value strategies and capital structure arbitrage.
- Directional strategies benefited from equity market strength, particularly in emerging markets. Most equity long/short traders entered the quarter with a bullish bias, and low volatility allowed managers to maintain larger than average positions.
- Commodity trading advisors exploited powerful trends in grains, currencies and equity indices to end a difficult year with a profitable 4th Quarter.

As of December 31, 2006



*Alternative investments rebounded with a strong year,
as global merger activity set new records.*

Important Disclosure

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this report, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this report serves as the receipt of, or as a substitute for, personalized investment advice from Capital Advisory Group. A copy of our current written disclosure statement discussing our advisory services and fees remains available for your review upon request.



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