QUARTERLY REVIEW

CHRISTIANA

BANK & TRUST

Subsidiary of National Penn

SEPTEMBER 30, 2009

THIRD QUARTER SEPTEMBER 30, 2009

The world-wide rally in equities continued in the third quarter on signs a modest recovery had begun as corporate earnings beat reduced expectations. Stocks of all stripes - growth and value, large and small, domestic and foreign, participated near equally in the significant advance. Bonds also enjoyed a strong rally as the recovery in corporate issues continued.

Large cap U.S. stocks (+15.6%) nearly matched last quarter's big gains. But unlike last period's rally, which was based on no more bad news, this quarter's advance was based on some good news. It came in the form of corporate earnings that beat expectations. While those expectations had been revised downward, given the high level of unemployment, it was still a strong sign the economy was through contracting and a modest recovery was under way. The finance sector (+25.1%) led the way for the second quarter in a row as banks, brokers and insurance companies continued to recover from their March lows. This enabled value stocks (+17.9%) to outperform growth stocks (+13.6%) for the period but they still trail year-to-date. Like last quarter, mid (+20.0%) and small (+19.3%) cap stocks did even better as an appetite for risk appears to have returned for investors.

The rally in international stocks (+19.5%) continued apace during the quarter in anticipation of a global economic recovery fueled by a combination of low interest rates and plenty of liquidity. Two notable exceptions to the significant gains by foreign stocks this period could be found in Japan and China. Japan (+5.9%) lagged on election results that changed their government and disappointed financial markets. It was also impacted by a strengthening yen versus the U.S. dollar which hurts their export dependent economy. China (+10.0%), which had roared ahead the first half of the year on recovery expectations, trailed for the quarter as bank lending slowed and investors started to question the robustness of their recovery.

Bonds (+3.7%) continued their rally this period with more than double their performance of last quarter. Again, corporate issues led the way as the improving outlook for earnings drew more investor interest. But unlike last quarter, U.S. Treasuries participated in this rally on better than expected demand from overseas investors including foreign central banks and purchases by the Federal Reserve. It also did not hurt that paltry money market rates drove many investors into longer maturity, higher yielding Treasury securities. Further gains from here will be more difficult as continued improvement in the economy will probably introduce higher interest rates.

Stocks have rallied significantly from their March lows on expectations that the drastic measures taken by the Federal Reserve and Treasury would turn around the worst bear market since the 1930s. These actions included slashing interest rates to help borrowers and flooding credit markets with money to revive lending. So far the results have been a rally in financial assets (stocks and bonds), an improvement in corporate earnings due more to cost cutting than improved sales, no inflation and no job growth. To extend the rally from here the economy will probably need to continue to show improvement as the Federal Reserve and Treasury begin to remove some of their massive stimulus.

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IN THE NEWS

The News Journal

October 15, 2009

Dow milestone may augur recovery
Surging stock market, stronger-than-expected retail prompt optimism

By Eric Ruth

Yet there's also a strong sense that there could be plenty of bumps for the rest of the country along the way to a fuller recovery. Third-quarter corporate earnings are just now trickling out, and some believe that the second quarter's healthy showing was something of an illusion.

"As a whole, companies beat expectations, but they beat expectations that were revised downward about 30 percent from the beginning of the year," said **Scott A. Armiger**, portfolio manager at **Christiana Bank & Trust**. "We beat a lower hurdle."

There's some concern that Wall Street could be putting too much value on an unsustainable equation — revenues are up, but only because companies have pared staffs and other expenses to the bone, not because of brisk business.

"That'll take you a ways, but it does stop," **Armiger** said. "You're going to need topline growth."

BusinessWeek.com

September 24, 2009

Stocks: From Sweet Spot to Sour Patch?
Rising optimism on the economy. A powerful summer rally. What's not to like about equities? Plenty

By Ben Steverman

But **Scott Armiger**, portfolio manager at **Christiana Bank & Trust**, believes earnings could still show plenty of weakness. "Consumers are not really spending," he says. "They're still focusing on needs and passing on wants."

"I think the market has gotten way ahead of the economy," he says.

THE WALL STREET JOURNAL

October 1, 2009

BofA and Disney Fall; Moody's Gives up 1.7%

By Donna Kardos Yesalavich

NEW YORK — Stocks closed lower Wednesday as investors grew nervous about a slew of economic data set to be released Thursday and Friday, hurting financial giants J.P. Morgan Chase and Bank of America and consumer companies including Walt Disney.

For the day, the Dow closed down 29.92 points, or 0.3%, at 9712.28, marking its fifth drop in six sessions. J.P. Morgan led the decliners, ending the session down $1.06, or 2.4%, at $43.82. Bank of America slid 24 cents, or 1.4%, to 16.92, while Disney was off 48 cents, or 1.7%, to 27.46.

"It's all nerves that the numbers coming out [Thursday] might be negative," said **Thomas Nyheim**, portfolio manager at **Christiana Bank & Trust Co**. "It's the end of the quarter and, with the data coming out [Thursday], people want to consolidate some of their gains."

AP Associated Press

September 23, 2009

Stocks end lower despite better view from Fed

By Sara Lepro

Fed Chairman Ben Bernanke had already tipped off the market last week about the Fed's view on the economy when he said that the recession was "likely over" from a technical standpoint, even as trouble spots like unemployment remain.

"If they had come out with anything other than no changes, the market would have reacted negatively," said **Tom Nyheim**, vice president and portfolio manager at **Christiana Bank & Trust Co**. "But the policy decision was uniform, unanimous. They are not concerned about inflation."

To view more quotes by our investment team, please visit the "In the Media" page on our Web site.

www.christianatrust.com

CHRISTIANA
BANK & TRUST
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LARGE CAP GARP EQUITY COMPOSITE

SEPTEMBER 30, 2009

INVESTMENT STYLE
GROWTH AT A REASONABLE PRICE

The primary objective of the Large Cap GARP Equity style is growth of principal. This style's goal is to identify companies that have demonstrated superior operating characteristics and long-term prospects. We strive to purchase them at a fair price. These companies will generally have a market capitalization in excess of $5 Billion. Sector weightings may differ significantly from the S&P 500 Index. Individual issues are identified and selected using quantitative proprietary screens with growth and value factors and fundamental research.

PORTFOLIO CONSTRUCTION

Portfolios will generally contain 30 to 45 issues. A portfolio's dividend yield will generally be slightly lower than the S&P 500 Index. Turnover is moderate. Over a full market cycle, a portfolio would be expected to demonstrate controlled volatility, a higher ROE, and a moderately higher P/E ratio than the benchmark S&P 500 Index.

PORTFOLIO CHARACTERISTICS

	Composite	S&P 500
Price/Earnings	19.50	20.50
Price/Book	2.93	2.22
Price/Sales	1.56	1.18
Beta	0.95	1.00
Yield	1.93%	2.30%
*EPS Growth	10.47%	6.00%
Median Market Cap. ($Millions)	$31,353.63	
Turnover	25-40%	
Composite ROE	23.54%	

*5-Year Growth Estimate

SECTOR WEIGHTINGS

Basic Materials	2.4%
Industrials	14.6%
Telecommunications	1.1%
Consumer Discretionary	5.8%
Utilities	2.0%
Financial	10.1%
Consumer Staples	17.0%
Energy	13.6%
Health Care	14.2%
Technology	19.2%

TOP 10 EQUITY HOLDINGS

Procter & Gamble	5.0%
Thermo Fisher Scientific	4.9%
Exxon Mobil Corp.	4.8%
Precision Castparts Corp.	4.7%
Johnson & Johnson	4.3%
Pepsico Inc.	4.2%
Nike Inc.	3.5%
Wal Mart Stores Inc.	3.4%
Oracle	3.3%
Burlington Northern Santa Fe	3.3%

PERFORMANCE

	CBT	LCC**	S&P 500
1999	34.21%	22.35%	21.04%
2000	1.71%	-8.96%	-9.09%
2001	-12.05%	-13.76%	-11.88%
2002	-23.87%	-23.49%	-22.10%
2003	25.76%	25.59%	28.68%
2004	8.71%	7.79%	10.88%
2005	4.95%	4.85%	4.91%
2006	6.88%	13.50%	15.80%
2007	8.21%	5.80%	5.49%
2008	-32.28%	-37.23%	-37.00%
2009 (9 Mo.)	17.01%	20.80%	19.26%
ITD*	**1.73%**	**-0.48%**	**0.35%**

*Inception to date (1999) annualized
**Large Cap Core equity mutual fund average from Lipper

NOT A DEPOSIT	NOT FDIC INSURED	MAY LOSE VALUE
NOT GUARANTEED BY NATIONAL PENN BANK	NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY	

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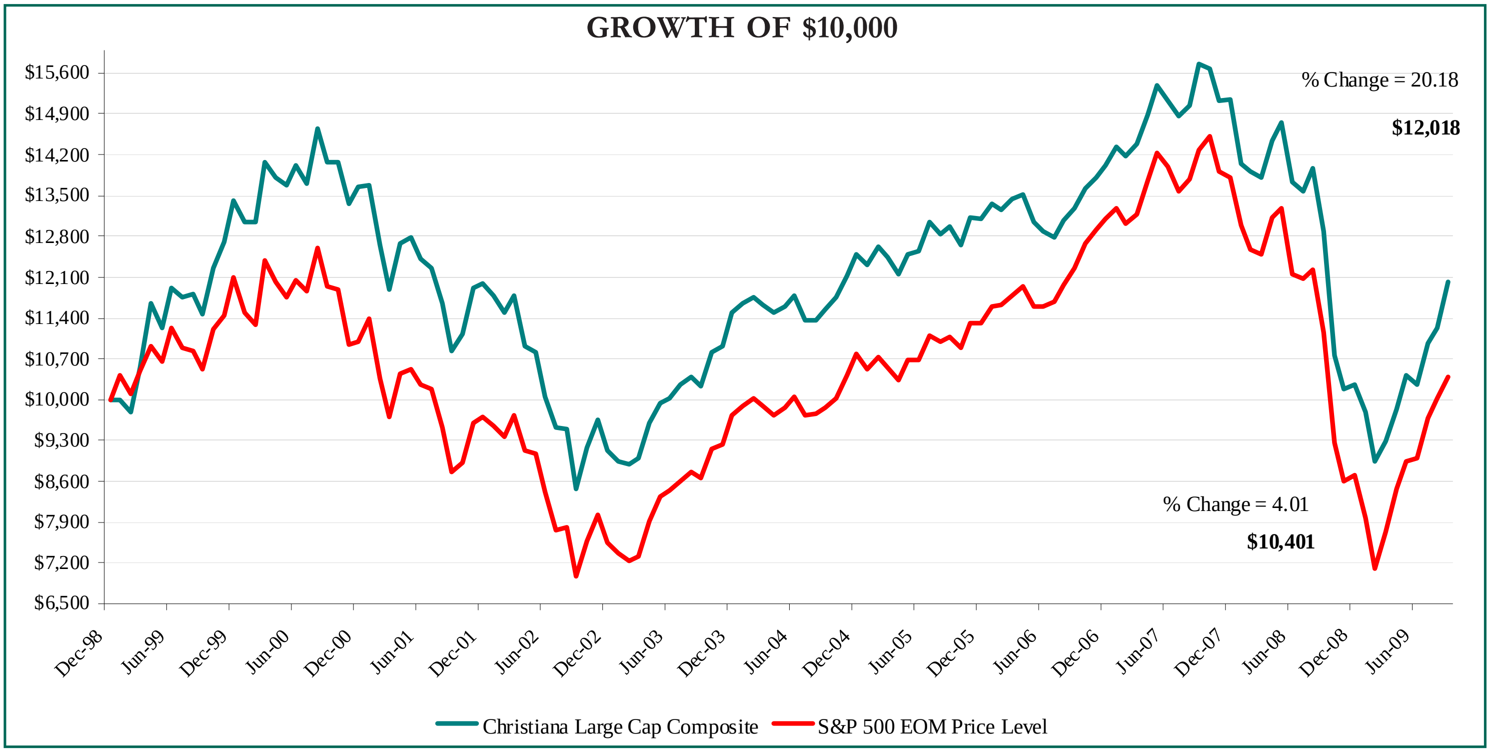

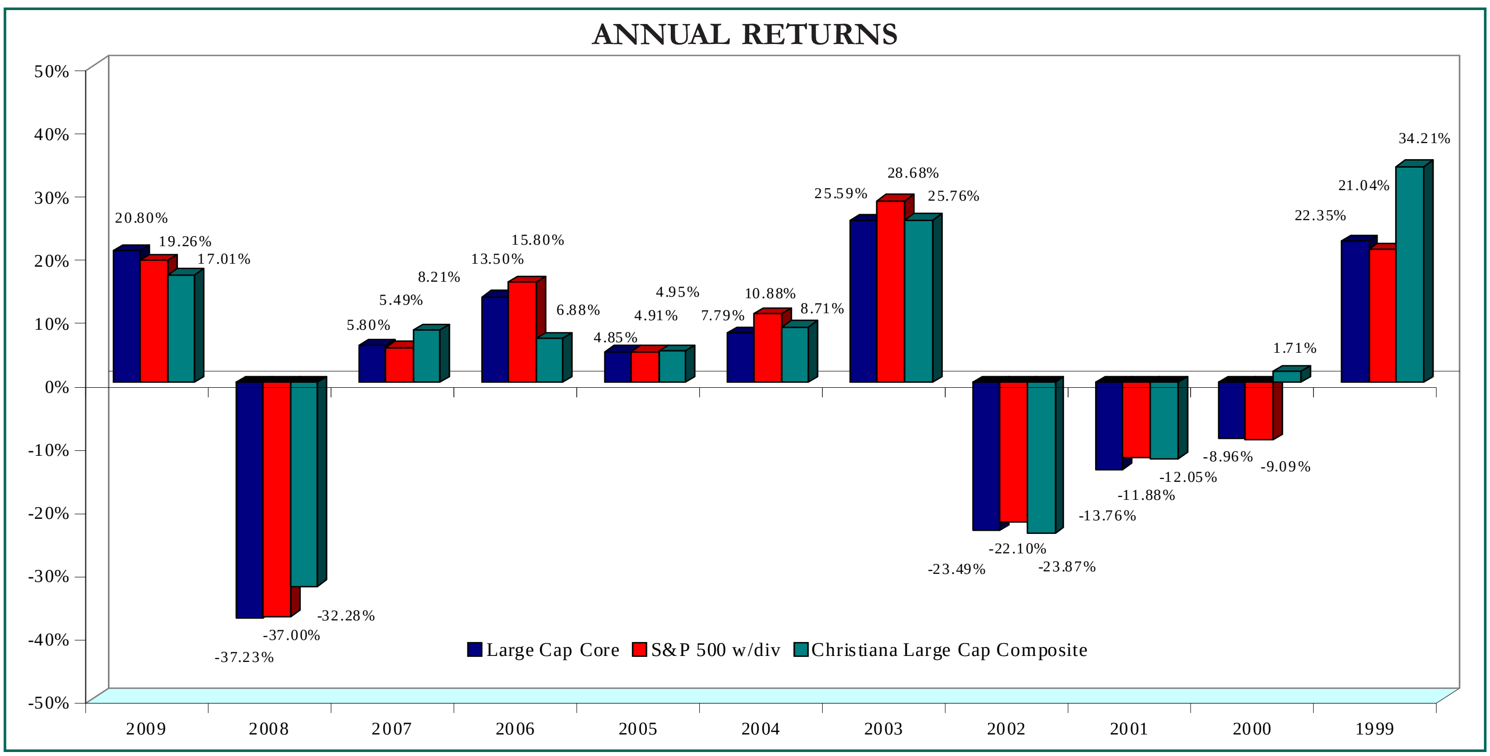

Large Cap Equity composite returns represent a dollar weighted composite of all equity accounts where Christiana Bank & Trust Company has full investment discretion. Performance does not reflect the deduction of investment management fees. Leverage is not used in this composite. Composite returns reflect the reinvestment of interest, dividends and capital gains. Past performance is neither a guarantee nor a prediction of future results.The source of returns for the large cap core equity mutual fund average is Lipper.

CHRISTIANA BANK & TRUST

Subsidiary of National Penn

FIXED INCOME COMPOSITE

SEPTEMBER 30, 2009

INVESTMENT STYLE

INTERMEDIATE FIXED INCOME

The primary objective of the Intermediate Fixed Income style is to generate current income consistent with managing portfolio volatility. The principal characteristic of the process is a quest for value. The process invests by looking at historical spreads as they apply to particular issues as well as relevant trends on a comparative basis.

PORTFOLIO CONSTRUCTION

Portfolios utilize investment grade and highly liquid issues. All fixed income market sectors are reviewed. Maturities are spread across the yield curve. High quality, liquid issues are actively managed with the objective of identifying the best relative values. Credit and yield spread analysis is the basis for portfolio construction.

QUALITY ALLOCATIONS

AAA/Aaa:	19.4%
AA/Aa:	5.3%
A:	42.7%
BBB/Baa:	32.6%
BB/Ba:	0.0%
B:	0.0%
Average Quality Issue:	A
Minimum Quality Issue:	BBB

SECTOR ALLOCATIONS

US Govts/Agencies:	10.1%
US Inv. Grade Corporates:	89.9%
US High Yield Corporates:	0.0%
US MBS/ABS:	0.0%
Mortgage Pass Thrus/TBA:	0.0%
Municipals:	0.0%
Yankees:	0.0%
Emerging Market Debt:	0.0%

PORTFOLIO CHARACTERISTICS

	Composite
Average Maturity (years)	1.7
Yield to Worst	1.7%
Yield to Maturity	3.9%
Duration (years)	1.3
Current Number of Issues	30
Duration Emphasis	Intermediate
Turnover	20%
Current Term Structure	Ladder

PERFORMANCE

	CBT	IB*	B**
1999	-4.41%	-1.32%	0.39%
2000	12.50%	9.74%	10.10%
2001	8.76%	7.57%	8.98%
2002	10.05%	8.14%	9.82%
2003	5.51%	4.55%	4.30%
2004	2.93%	3.83%	3.04%
2005	1.95%	1.77%	1.57%
2006	4.72%	4.00%	4.07%
2007	5.01%	4.70%	7.40%
2008	3.11%	-4.43%	5.08%
2009 (9 Mo.)	4.39%	11.70%	4.93%
ITD* **	**4.98%**	**4.58%**	**5.51%**

*Intermediate Bond mutual fund average from Lipper
**Barclays Intermediate Government/Credit Index
***Inception to date (1999) annualized

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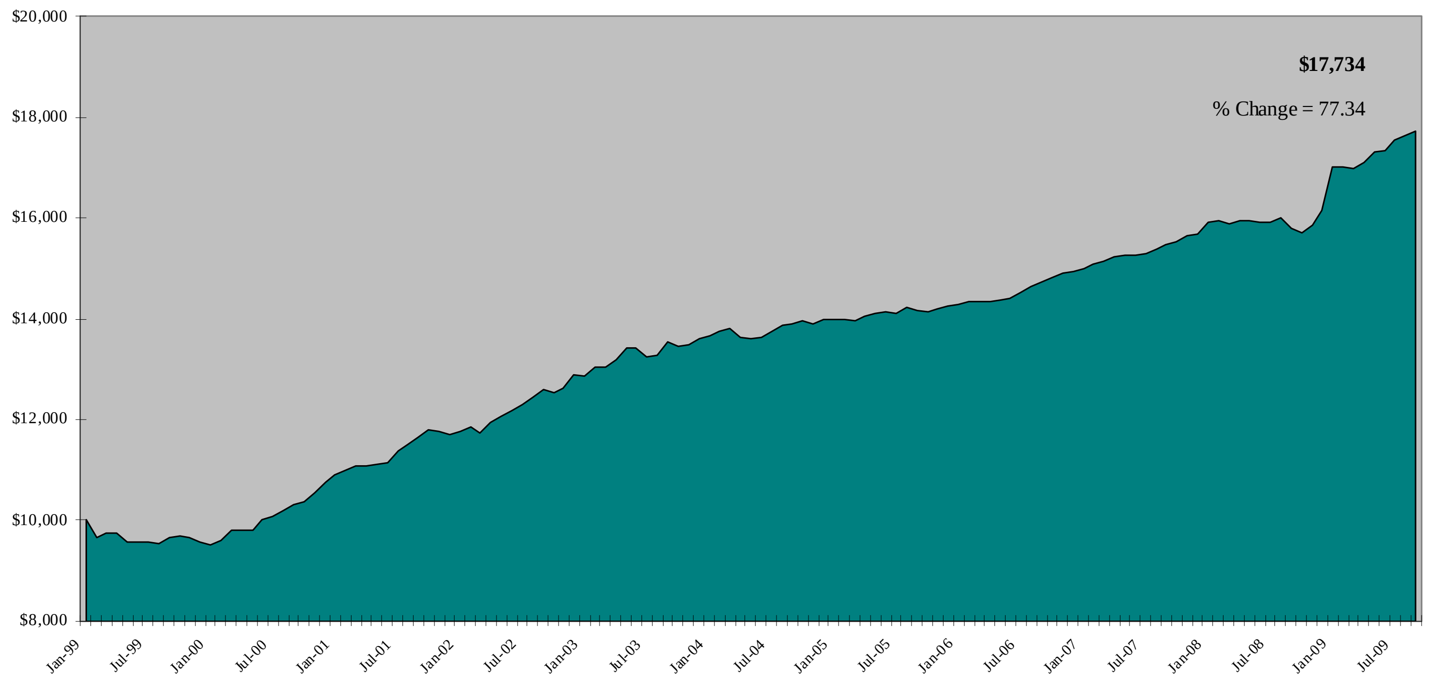
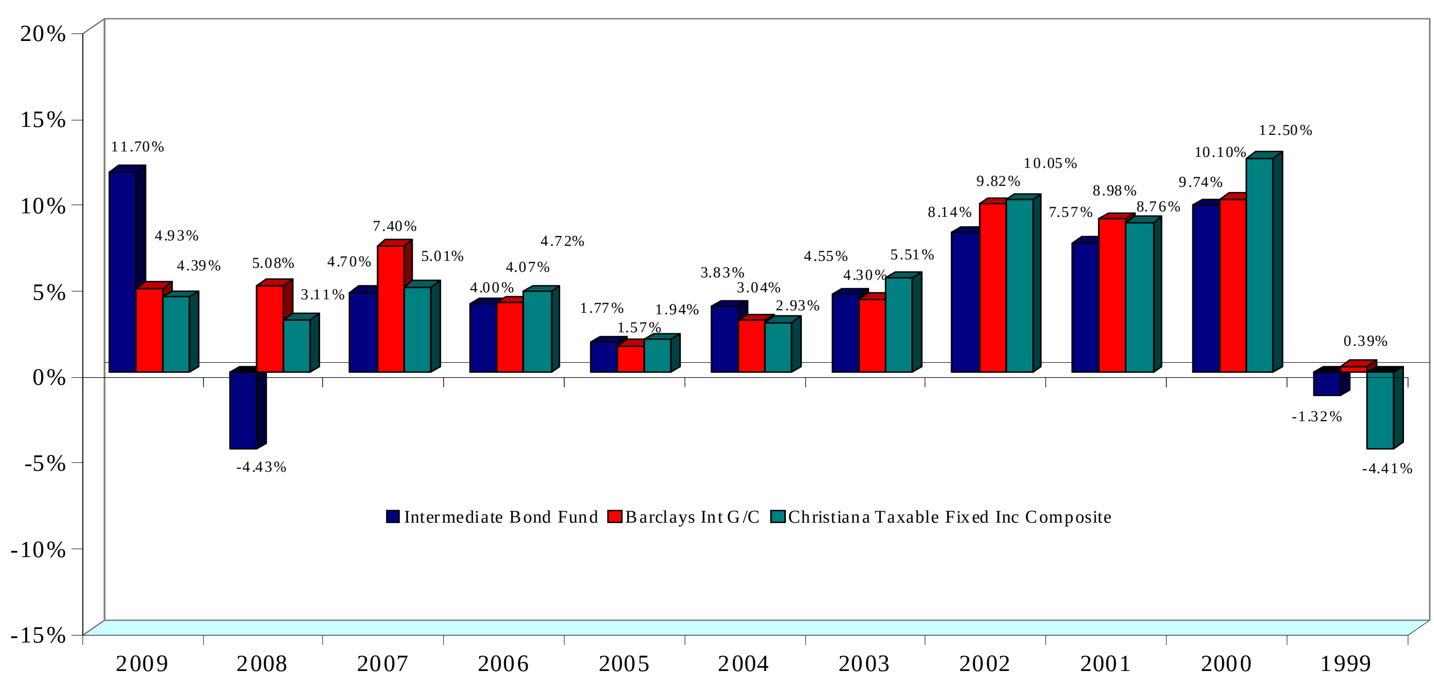
FIXED INCOME COMPOSITE

GROWTH OF $10,000



ANNUAL RETURNS



Intermediate Fixed Income composite returns represent a dollar weighted composite of all fixed income accounts where Christiana Bank & Trust Company has full investment discretion. Performance does not reflect the deduction of investment management fees. Leverage is not used in this composite. Composite returns reflect the reinvestment of interest and capital gains. Past performance is neither a guarantee nor a prediction of future results.The source of returns for the intermediate bond mutual fund average is Lipper.

CHRISTIANA BANK & TRUST

Subsidiary of National Penn

TAX-EXEMPT MUNICIPAL COMPOSITE

SEPTEMBER 30, 2009

INVESTMENT STYLE

INTERMEDIATE FIXED INCOME

The primary objective of the Intermediate Tax-Exempt Municipal Bond style is to generate current income consistent with managing portfolio volatility. The principal characteristic of the process is a quest for value. The process invests by looking at historical spreads as they apply to particular issues as well as relevant trends on a comparative basis.

PORTFOLIO CONSTRUCTION

Portfolios utilize primarily tax-exempt municipal bonds based on client's tax considerations. The composite seeks a high level of income that is exempt from both federal and state income taxes. Maturities are spread across the yield curve. High quality, liquid issues are actively managed with the objective of identifying the best relative values. Credit and yield spread analysis is the basis for portfolio construction.

PORTFOLIO CHARACTERISTICS

	Composite
Average Maturity (years)	2.5
Yield to Worst	1.4%
Yield to Maturity	4.0%
Duration (years)	2.4
Current Number of Issues	160
Duration Emphasis	Intermediate
Turnover	20%
Current Term Structure	Ladder

QUALITY ALLOCATIONS

AAA/Aaa:	67.8%
AA/Aa:	19.2%
A:	9.2%
BBB/Baa:	3.8%
BB/Ba:	0.0%
B:	0.0%
Average Quality Issue:	AA
Minimum Quality Issue:	BBB

SECTOR ALLOCATIONS

Municipals:	98.8%
US Govts/Agencies:	0.3%
Certificates of Deposit	0.9%
US Inv. Grade Corporates:	0.0%
US High Yield Corporates:	0.0%
US MBS/ABS:	0.0%
Mortgage Pass Thrus/TBA:	0.0%
Yankees:	0.0%
Emerging Market Debt:	0.0%

PERFORMANCE

	CBT	IMB*	B*
1999 (8 Mo.)	-3.72%	-2.17%	-0.60%
2000	13.47%	8.68%	7.70%
2001	3.56%	4.79%	6.20%
2002	10.53%	8.34%	9.26%
2003	3.51%	4.35%	4.13%
2004	2.13%	2.85%	2.71%
2005	1.80%	2.01%	0.95%
2006	3.34%	3.87%	3.34%
2007	4.29%	2.90%	5.13%
2008	2.91%	-1.79%	5.79%
2009 (9 Mo.)	3.63%	10.80%	6.82%
ITD* **	**4.39%**	**4.32%**	**5.03%**

*Intermediate Muni Bond mutual fund average from Lipper
*Barclays 5-Yr Muni Bond
***Inception to date (May 1999) annualized

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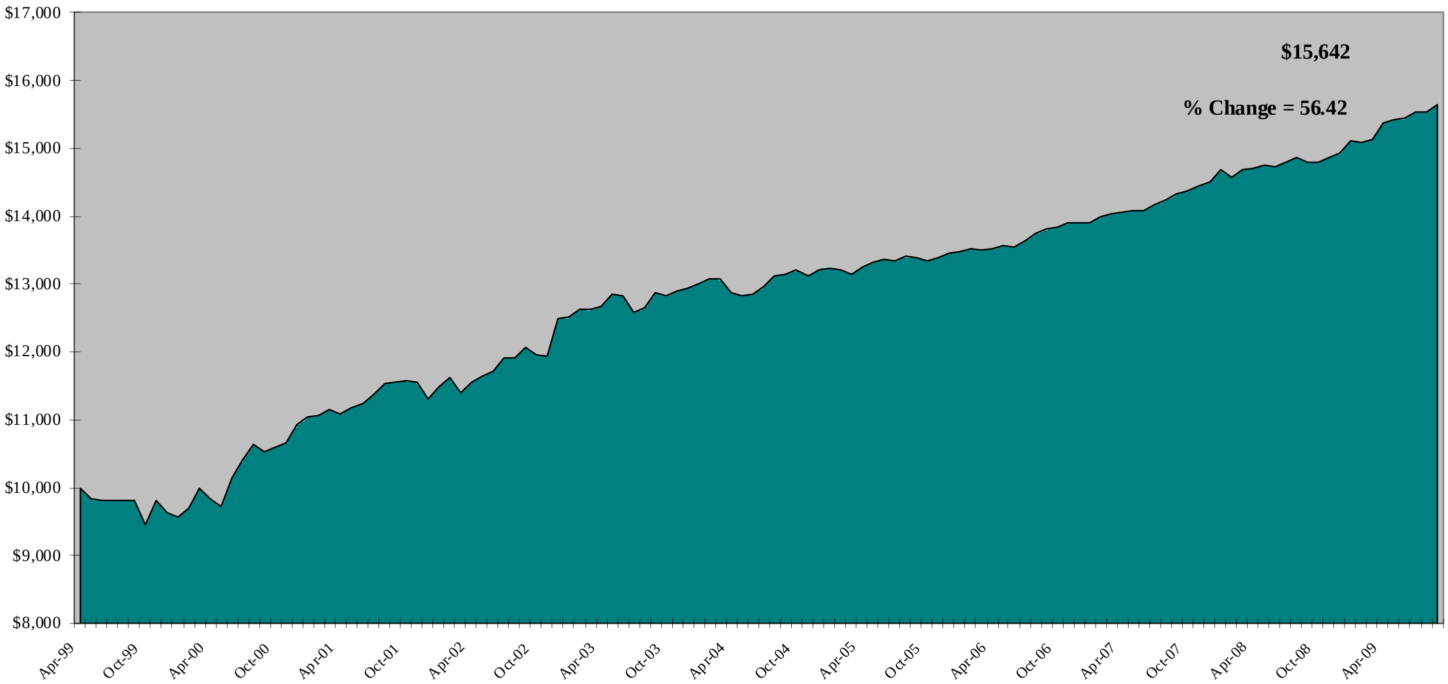
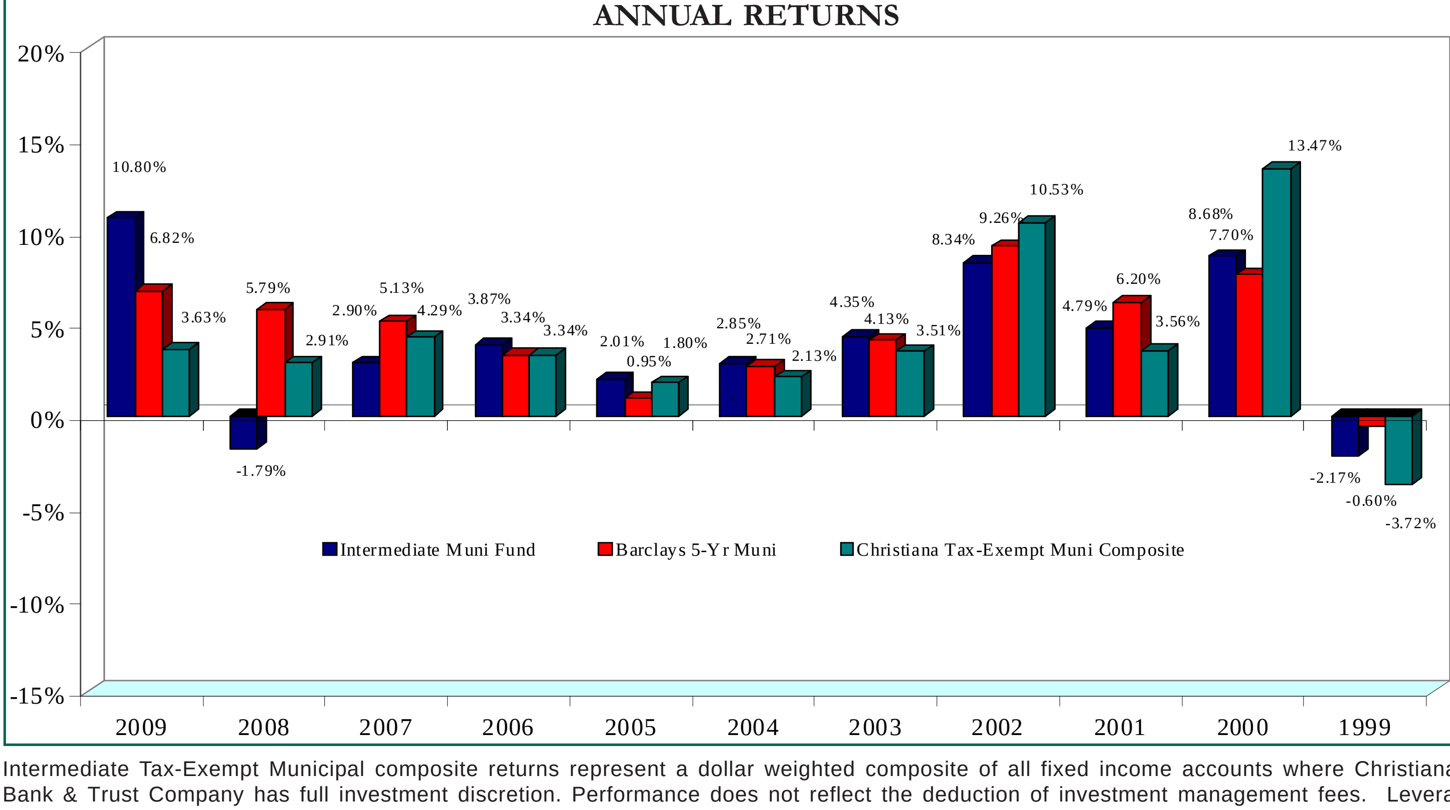
TAX-EXEMPT MUNICIPAL COMPOSITE

GROWTH OF $10,000



ANNUAL RETURNS



Intermediate Tax-Exempt Municipal composite returns represent a dollar weighted composite of all fixed income accounts where Christiana Bank & Trust Company has full investment discretion. Performance does not reflect the deduction of investment management fees. Leverage is not used in this composite. Composite returns reflect the reinvestment of interest and capital gains. Past performance is neither a guarantee nor a prediction of future results.The source of returns for the intermediate muni bond mutual fund average is Lipper.

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