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Quarterly Update

July 20, 2009

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Past Commentaries

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[Signs of Improvement
Broadening Out Portfolios &
Raising Equity Exposure](#)

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[Credit: Don't Want It... Can't
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Tactical Asset Allocation Observations Third Quarter 2009

- ❖ Restoration of the supply of credit through government-backed loans, asset purchases, equity infusions, and guarantees have kept credit markets from shutting down. In turn, the sharp falloff in global growth and trade has abated and some signs of improvement are evident, but the difficult work of de-leveraging the economy with limited policy tools remains in front of us.
- ❖ Portfolios have been broadened out and equity exposure increased from very low levels in response to these changes.
- ❖ Exposures to common stock remain below the average in our common stock ranges across portfolios. This reflects anemic growth and lackluster profit expectations as the economy enters the second stage of unwinding leverage. This stage is potentially a longer process, involving continued tightness of credit, further increases in joblessness, and modest growth in output and trade.
- ❖ Prominent themes for our recommended portfolios emphasize diversification both in and outside the United States, growth investing over value, and owning sectors with secular growth drivers and established long-run trends.
- ❖ Recommended investment posture is still defensive, but portfolios have been adjusted to recognize improvement in underlying economic trends as captured in our *credit conditions index*, *economic conditions index*, and *foreign index*.

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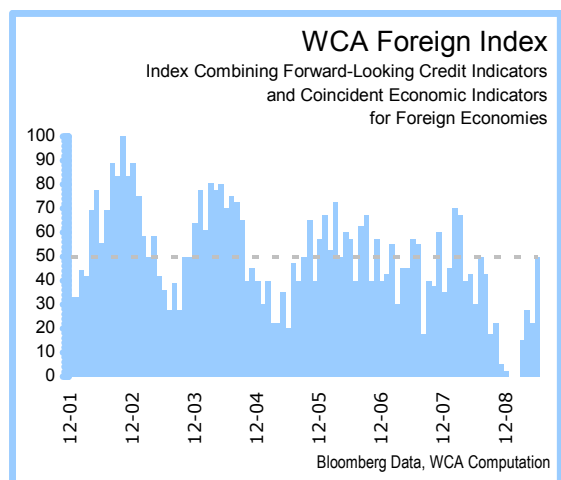
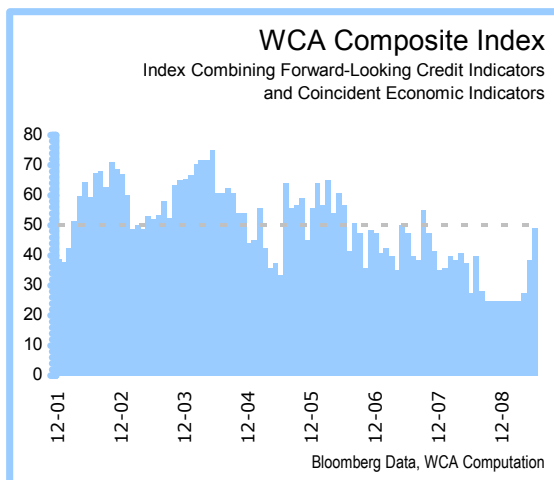
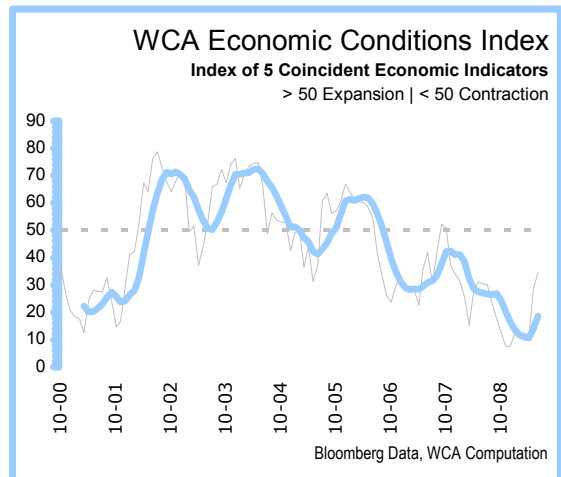
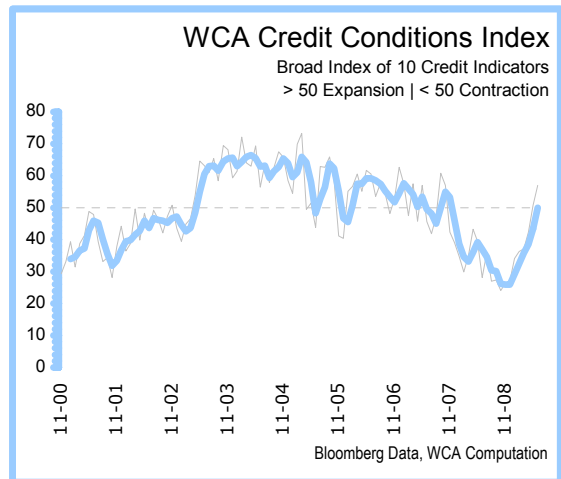
Quantitative Economic Observations

Credit conditions have improved modestly as the result of government and central bank intervention. However, demand for credit, delinquencies, and charge-offs remains a drag, which could delay and temper recovery in the real economy. The WCA Credit Conditions Index (chart, right-top) confirms this improvement in credit supply conditions.

Our U.S. Economic Conditions Index (chart, right-middle) continues to indicate the economy is contracting, but at a less rapid pace. Some items, like confidence and initial jobless claims, are showing tentative signs of stability, while other items, like growth in private sector employment, paint a darker picture.

Meanwhile, the WCA Foreign Index (chart, right-bottom) shows that output and trade outside the United States may have passed the "lights out" phase of the downturn that occurred last December. China, in particular, has showed meaningful improvements in their reported levels of activity.

The combination of these three perspectives yields an improved "composite index," (chart, below) but one that remains below 50 – a level still associated with weakness and contraction.



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Economic Narrative

The economy is seeking equilibrium. It is trying to find a level of activity and output that supports the maximum level of profits, employment, and production given the limits of the financial system. That system has been incapable of holding the large levels of liabilities accumulated in recent years. From a balance sheet perspective, mortgages (for households), along with loan portfolios and deposits (for financial firms), have required diminishing amounts of equity, collateral, and reserves that diminished the weight of equity in the system, which makes the economy less flexible in absorbing losses. From an income statement perspective, the persistent decline in short-term interest rates over the past 25 years has lessened the cost to carry these same obligations and encouraged the accumulation of debt and assets. But interest savings were not saved, but spent, and loan balances rose. The long-term slide in interest rates, coupled with an unsustainable rise in asset prices, engendered complacency and increased risk-taking for both borrowers and lenders, despite low returns to investors for that risk. While securitization and deregulation played a role in this, we believe the role was secondary behind these other factors.

The fundamental problem of instability caused by a weakened liability structure still exists. Household equity remains under pressure despite efforts to increase savings. Auto, home, and retail sales continue to be negative as unemployment increases. While private sector debt has stopped rising, home values continue to slip, resulting in a still shrinking equity cushion. This continued shrinkage portends more systemic risk, not less. Rising risk and falling equity discourages investment in the short run and prevents the release of high-powered money into the economy

through the sort of autonomous investment that drives substantial production and employment growth. Should the government seek to increase employment, it must first incentivize production, which it can do by pursuing policies that improve the after-tax rate of return to businessmen and entrepreneurs that risk capital. Unfortunately, there is little support behind such policies in the current dialog. Hence, it is our view that the economy will take longer to recover than would be the case otherwise. It also means that growth fueled by credit expansion will be far more limited than the experience of the past ten or twenty years and price levels will tend toward softness, all else being equal. Thus, we expect additional bad news on the economy, but markets are more aware of risk than they were a year or two ago.

On the plus side of the ledger, there are signs that reparative market forces are at work in some segments of the economy. There have been widespread declines, for example, in prices for a wide variety of goods and services which improve affordability. Home prices, gasoline, natural gas, lumber, paper, copper, automobiles, and labor costs have all moved lower. At the same time, production cutbacks are preventing unsold inventories from growing further, and the ratio of orders-to-inventories for durable items has improved. Sadly, cutbacks also extend to corporate budgets, with companies continuing to cut workers in an effort to restore profitability. These cutbacks have been the main reason why, for example, companies have recently been able to meet lowered profit expectations. So, while many aspects of the financial collapse have been accompanied by government intervention, households and private businesses continue to work toward restoring financial health and profitability.

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Our indices that track credit, the U.S. economy, and the global economy did improve modestly in the second quarter. We already saw in the first quarter the improvement in the supply of credit to the economy through such indicators as inter-bank lending spreads, credit spreads, and mortgage spreads. Demand indicators of credit, such as delinquencies and defaults, however, remained weak. Much of the same can be said for the second quarter with regard to credit. Nonetheless, the fact that the supply of credit was restored (but not without unprecedented government action, central bank purchases of questionable assets, and massive loan guarantees) provided the minimum necessary for the market to begin to envision a recovery scenario. But, to paraphrase John Maynard Keynes, **the restoration of credit is a necessary, but insufficient pre-requisite for economic growth.** For growth to re-emerge, the "animal spirits" of risk-taking entrepreneurs must be energized. Such improvements should be apparent in the leading economic indicators.

Some of the indicators did improve. Confidence improved as the stock market rallied during the quarter. The rate of firings also slowed as claims for initial unemployment eased. Retail sales, building permits, and inventories may also be stabilizing. Unfortunately, private sector employment and consumer prices continue to point toward weakness.

There are signs that trade and overseas output may be stabilizing. We have seen, for example, an improvement in exports and industrial production in Germany, Japan, Brazil, and China. China, in particular, has demonstrated a sharp rebound according to official Chinese state statistics. Specifically, we have seen a 19% increase in cement production; a 24% increase in energy

production; a 15% increase in freight traffic; a 28% increase in overall industrial output; and an 8% year-over-year increase in the Shanghai composite index (that index was down 65% year-over-year last December, and remains 50% down from its 2007 high water mark).

When we combine all of the observations for credit as seen in the WCA Composite Index, the U.S. economy, and foreign economies into a summary figure, we see that while economic conditions have improved overall, the outlook remains weak. Accordingly, we have modestly increased our equity exposure from the lowest end of our tactical ranges and have broadened out portfolios to include foreign assets (both stocks and bonds).

Model Portfolio Changes

Stocks \uparrow Bonds \downarrow

During the quarter, we increased common stock exposure to 70% from 52% in the growth model; to 45% from 27% in the balanced model; and to 20% from 2% in the conservative model. We also note that stocks (representing the "risk trade") have already underperformed long-term Treasuries by roughly 50% since late 2007, when markets began to anticipate the current recession.

Foreign \uparrow Domestic \downarrow

After an initial period of outperformance at the start of the recession, domestic stocks have steadily slipped relative to foreign stocks. The average performance of creditor nations such as Japan, Germany, Russia, and China has been materially better than debtor nations such as the United States, Spain, and the United Kingdom. Since 2003, the equity markets of these creditor economies outperformed the debtor economies by an average of 9% per year. Several years ago, the distribution of world market capitalization

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was heavily concentrated in the developed world, particularly the United States. **Today, we see a much more diverse distribution of market value and production across the globe.**

According to Bloomberg and OECD data, the United States accounts for 30% of world market capitalization and produces 25% of world output. Thus, 70% of equity investment value and 75% of world output is outside the United States. These facts, coupled with the re-emergence of better performance from overseas markets (following a year-long period of underperformance), suggests that portfolios should include a greater exposure to overseas assets. Hence, we have increased our overseas exposure on both the equity and bond side of our tactical model portfolios.

Small / Mid Cap ↑ Large Cap ↓

Smaller capitalization stocks have begun to show some improved performance relative to larger capitalization stocks. This sort of relative performance would be expected following an economic downturn where liquidity is improving. From the March lows, small cap stocks have outperformed large capitalization stocks by roughly 9%. Currently small and mid capitalization stocks account for 37% of our domestic equity exposure and 26% of our overall equity exposure. By contrast, smaller capitalization stocks account for roughly 10% of domestic equity market value.

Growth ↑ Value ↓

Growth indices remain in an established bullish trend relative to value. Our domestic equity exposure in model portfolios continues to emphasize growth over value. This "growth" cycle followed a prolonged "value" cycle. By our measurements, the current growth cycle began in the second half of 2007, along with the underperformance of the

financial sector, which contributes significantly to the performance of the "value" style of investment as measured by the popular value indices. Currently, our domestic equity portfolio is split 60/40% between growth and value. By contrast, the domestic equity market is split by market capitalization 47/52% between growth and value.

Corporate Bonds ↑ Treasuries ↓

As for the non-common stock portion of the model portfolio, we have added to corporate bonds and reduced exposure to Treasury bonds. High grade corporate bonds, after underperforming long-term Treasuries since mid-2007, have seen improved relative performance of late. A weak economy has increased the likelihood of default and reduced the amount of recovery for the most risky corporate bonds. However, the yield on corporate bonds is considerably higher than Treasuries, thus compensating investors better for taking on that risk. During the second quarter, the average difference between Moody's rated Baa bond yields and Treasuries was 4.5%. This compares to a 20-year average spread of 2.25%. Exposure to investment grade corporate bonds now amounts to 18% of our non-common stock exposure. High yield corporate bonds amount to 4% of non-common stock exposure. U.S. government and agency bonds account for 53%.

Gold ↓

We reduced our exposure to gold in portfolios during the quarter on higher prices and in response to the firming in financial and economic conditions seen in our diffusion indices. However, we have roughly 10% of our non-equity exposure in gold as a hedge against financial and geopolitical risk.

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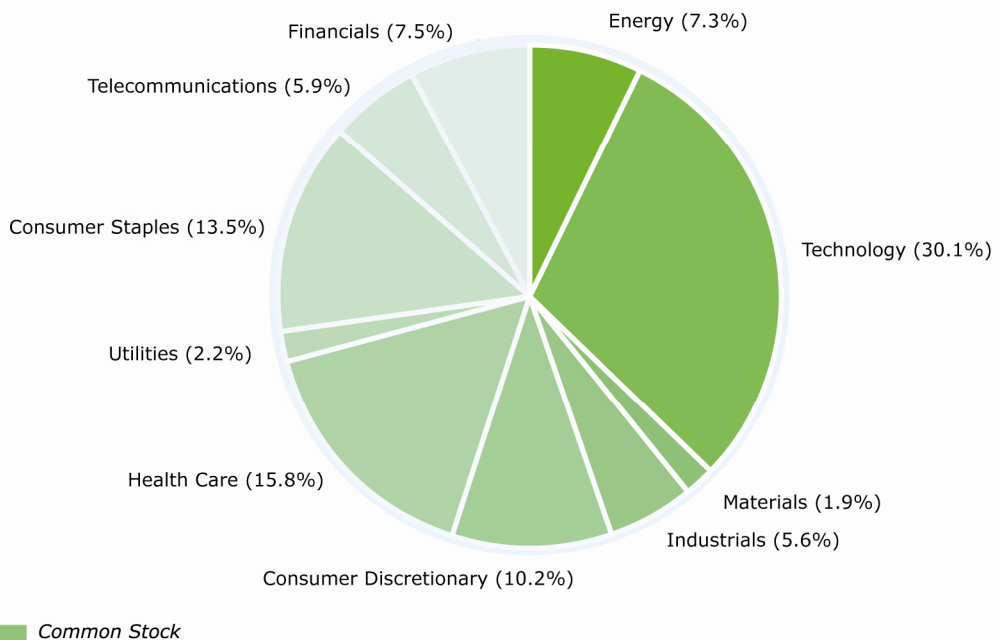
Sector Portfolio Changes

| Sector | Model Weight | S&P 500 Weight | Comments |
|---------------|--------------|----------------|---|
| Technology | 30.1% | 18.8% | Technology spending expected to increase in 2010, as companies seek to make productivity improvements to improve profitability. Expansion of wireless data services is the key driver for data processing. Sector possesses strong cash position, with modest debt and leverage. |
| Healthcare | 15.8% | 13.7% | Favorable demographic trends and expanded participation in healthcare programs and services should lead to increased volume consumption in this sector. Healthcare reform and pricing remains an uncertainty, but we believe much of these concerns already are priced into the sector. |
| Staples | 13.5% | 12.2% | Lower commodity prices helpful for margins. Consistent profitability makes this sector a strong defensive position with overseas growth potential longer term. |
| Discretionary | 10.0% | 9.0% | Consumer discretionary companies have performed better than the market of late, despite cutbacks in consumer spending. Retailers continue to struggle with negative year-over-year results, but some signs of stabilization can be seen in monthly retail sales trends. |
| Financials | 7.5% | 13.7% | Spread business improved, but loan volumes remain poor. We expect more write-offs as commercial and residential real-estate remain under pressure. |
| Energy | 7.3% | 12.1% | Supply continues to outpace demand for oil and natural gas producers. Sector underperforming market of late. |
| Telecom | 5.9% | 3.3% | Competition from alternative providers and economic conditions hurt landline companies. However, data volume remains the key driver for growth for wireless companies. |
| Industrials | 5.6% | 9.8% | Global recession has collapsed demand for industrial goods. Inventory drawdown continues as production is cut, but progress is very slow. |
| Utilities | 2.2% | 4.0% | Electricity demand remains weak due to weaker economy, materially lower interest rates as a driver for yield-oriented electric utilities not likely in our view. |
| Materials | 1.9% | 3.3% | Overcapacity remains in many industries; we expect commodity prices to once again come under pressure. |

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Sector Allocation Third Quarter, 2009



Investment Posture

❖ After six months of decidedly negative performance, the more cyclical sectors (energy, technology, materials, industrials, and consumer discretionary) have seen improved performance of late. The average return of these sectors has been roughly equivalent to the average performance of the defensive sectors since mid-spring.

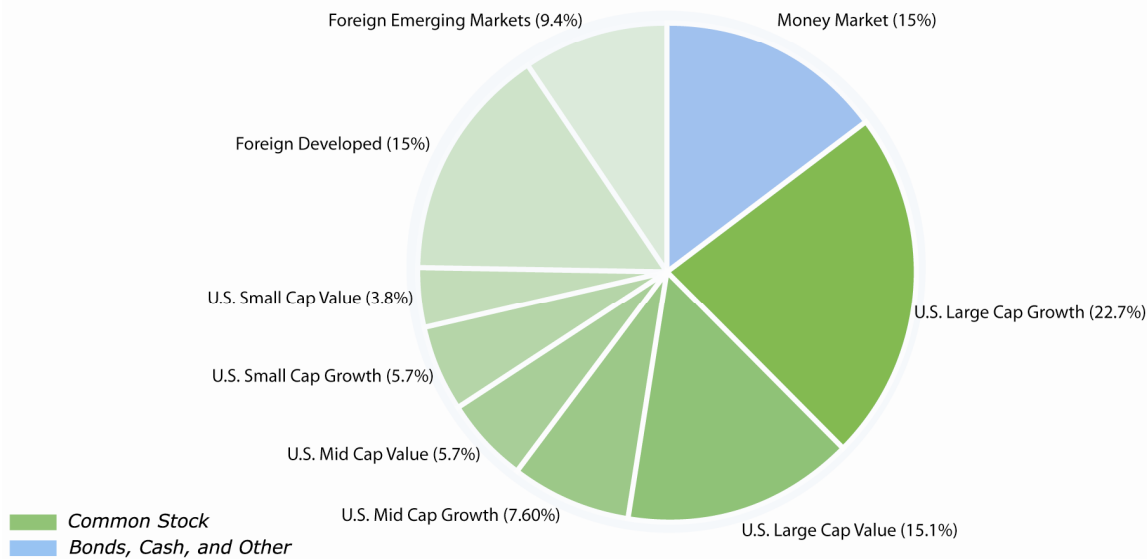
❖ The recommended sector weightings have been adjusted to include a heavier emphasis on technology, and healthcare remains the second heaviest weighting. We believe that these sectors have balance sheet characteristics that are attractive in a more difficult credit environment. For example, technology and healthcare sectors carry debt-to-equity ratios of 23% and 36%, respectively, compared to the S&P 500, whose debt-to-equity ratio is 225%, according to Standard & Poor's *Analyst's Handbook*.

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Aggressive Portfolio Allocation

Common Stock Policy Range: 75-100%
Current Common Stock Exposure: 85%
Third Quarter, 2009



Investment Posture

This portfolio is intended to be a complement to a bond portfolio or as an investment for highly risk tolerant investors. The portfolio's target common stock range is 75-100% invested at all times. Currently, the portfolio is 85% invested, with the remainder held in cash or equivalents.

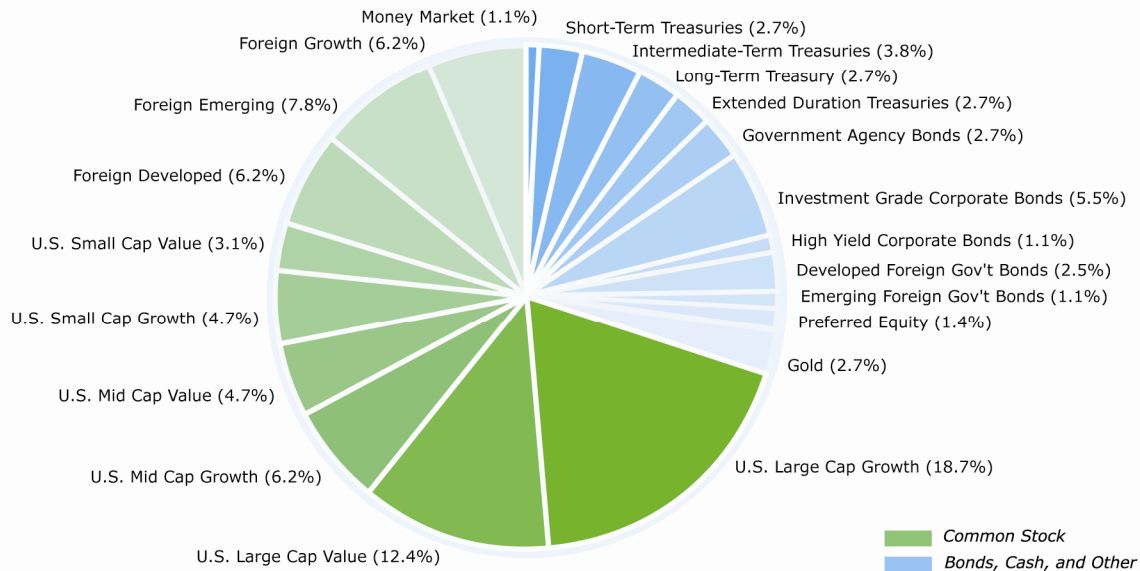
❖ During the last quarter, we increased our exposure to equities, especially overseas investments. Equity concentration continues to focus on growth sectors and the growth style of investment. Smaller companies have been included in the portfolio, but large cap equities remain the largest segment of the portfolio.

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Growth Portfolio Allocation

Common Stock Policy Range: 50-100%
Current Common Stock Exposure: 70%
Third Quarter, 2009



Investment Posture

The growth portfolio model recommends between 50-100% of exposure to common stocks. It is appropriate for investors with a long investment time horizon and a higher than average tolerance for risk.

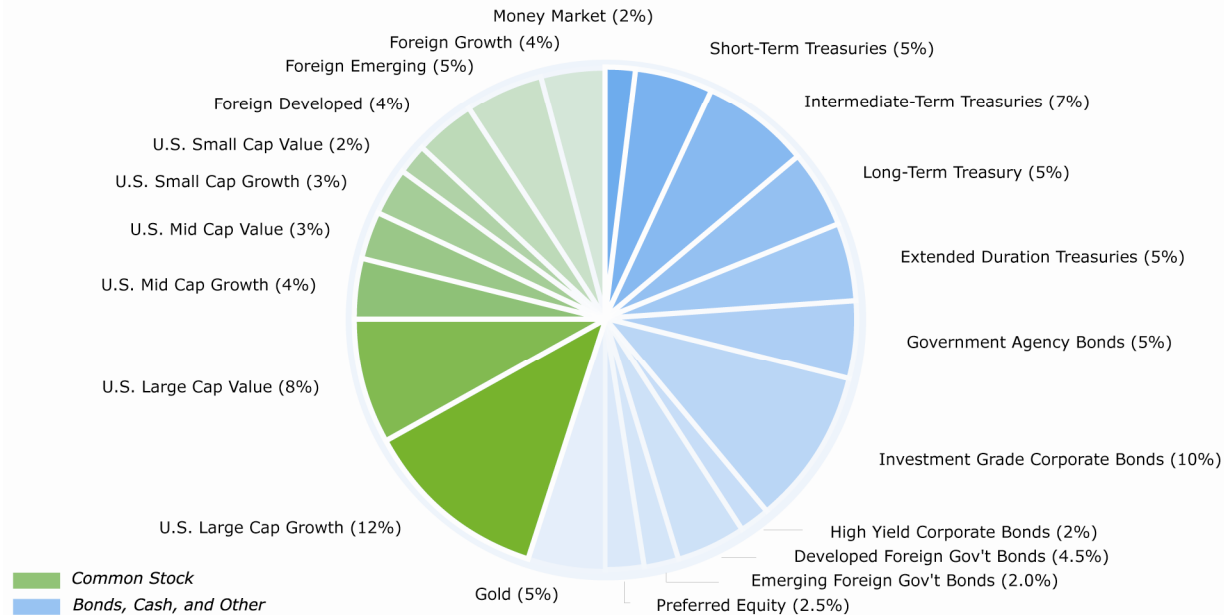
- ❖ Economic and credit trends remain under pressure, but some signs of improvement have led us to increase our allocation to equities and corporate bonds where higher yields can be found.
- ❖ The portion of the portfolio invested in common stocks has been increased, and greater exposure to overseas assets has been added. A more broadly diversified portfolio now also includes corporate bonds (both high grade and high yield), along with preferred stock.
- ❖ This portfolio continues to emphasize growth investing over value, and has recently seen an increase in the percentage allocated to small and mid capitalization equities, which have demonstrated some signs of market leadership of late.

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Balanced Portfolio Allocation

Common Stock Policy Range: 25-75%
Current Common Stock Exposure: 45%
Third Quarter, 2009



Investment Posture

The balanced portfolio invests between 25-75% in common stocks. It provides primarily a mix of equity and fixed income investments. It is most appropriate for investors with a long-to-medium time horizon and moderate risk tolerance.

❖ The balanced portfolio has a higher percentage of its assets allocated to non-common stock investments than either our growth or aggressive growth portfolios, which invest primarily in common stock. Accordingly, this portfolio has performed somewhat less this year as bonds have taken a back seat to stocks in terms of performance.

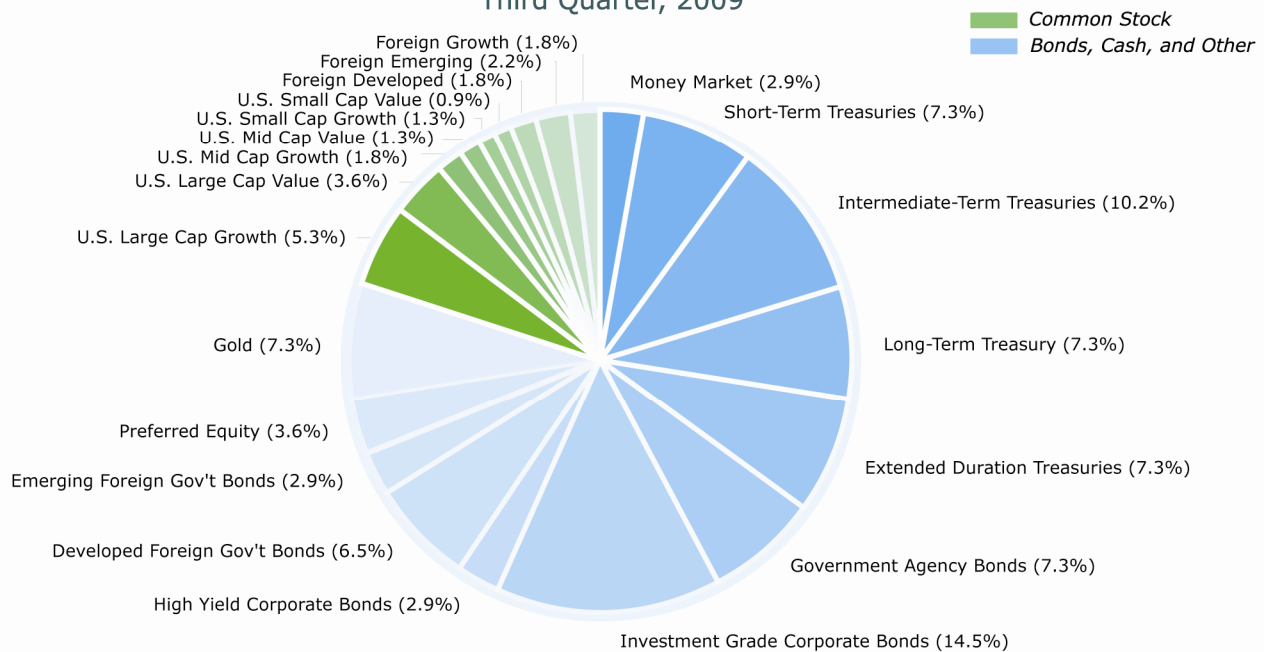
❖ During the last quarter, we broadened out the portfolio to include a somewhat larger equity exposure along with corporate and foreign government bonds. Preferred stock has been included as well, and gold remains in the portfolio as a hedge against financial system and geopolitical risk.

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Conservative Portfolio Allocation

Common Stock Policy Range: 0-50%
Current Common Stock Exposure: 20%
Third Quarter, 2009



Investment Posture

The conservative portfolio invests between 0-50% in common stocks. This portfolio offers a more conservative mix of equity, bond, and shorter-term Treasury instruments. Investors with a short to medium time horizon and lower risk tolerance who desire some modest growth may prefer this option.

- ❖ Economic and credit trends remain under pressure. Accordingly, the equity exposure in this portfolio has been small, and bonds have been overweighted for some time now.
- ❖ The portfolio invests across a wide variety of bond sectors and includes domestic Treasury bonds and bills, U.S. government agency debt, foreign sovereign debt, and investment grade and high yield corporate debt. Recently, this portfolio's recommended exposure to foreign assets and equities has been increased along with modest improvement in our forward-looking indicators. However, equity exposure remains below the midpoint of our common stock policy range of 0-50% of portfolio value.

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Databank: Economy

Economic Data

Source Data: Bloomberg

| | 3 Month Average | 6 Month Average | 9 Month Average |
|---|--------------------|--------------------|--------------------|
| Private Sector Employment (Year/Year % Change) | -4.9% | -4.3% | -3.6% |
| Initial Jobless Claims (Year/Year % Change) | 61.4% | 73.2% | 66.5% |
| Real Personal Income (Index level; December 31, 2000 = 1) | -2.4% | -2.1% | -1.8% |
| Retail Sales (Year/Year % Change) | -9.3% | -9.2% | -8.8% |
| Consumer Expectations (Survey Index Level) | 66.2 | 58.1 | 58.5 |
| Consumer Price Index (Year/Year % Change) | -1.3% | -0.6% | 0.1% |
| CRB Commodity Price Index (Year/Year % Change) | -45% | -44% | -39% |
| Durable Goods Orders to Inventory Ratio | 37% | 37% | 39% |
| Average Work Week (Hours) | 39.4 | 39.6 | 39.8 |
| Building Permits (Thousands) | 514.3 | 528.7 | 592.9 |

Credit Data

Source Data: Bloomberg

| | 3 Month Average | 6 Month Average | 9 Month Average |
|--|--------------------|--------------------|--------------------|
| Futures "Ted" Spread (3 Month T-Bill vs. Eurodollar) | -0.32% | 0.10% | 0.35% |
| Term Spread (3 Month / 10 Year Treasury) | 329 Bps | 292 Bps | 290 Bps |
| Credit Spread (Moody's Baa / 10 Year Treasury) | 4.3% | 5.0% | 5.3% |
| Conforming Mortgage Spread (30 Year Mortgage / Treasury) | 0.9% | 1.1% | 1.6% |
| Stocks vs. Bonds Performance (12 Month Change) | -34.0% | -41.3% | -42.5% |
| Credit Card Delinquencies (Percent >30 Days Past Due) | 6.3% | 5.9% | 5.6% |
| Credit Card Payments (Avg. Percent of Bill Paid) | 16.2% | 16.0% | 16.4% |
| Commercial Loans Held By Banks (Year/Year % Change) | 1.6% | 5.3% | 8.2% |
| Real Estate Loans Held By Banks (Year/Year % Change) | 6.1% | 5.4% | 5.6% |
| Consumer Credit Outstanding | -1.7% | -0.1% | 0.9% |

Foreign Data

Source Data: Bloomberg

| | 3 Month Average | 6 Month Average | 9 Month Average |
|---|--------------------|--------------------|--------------------|
| German Industrial Production (Year/Year % Change) | -19.2% | -18.5% | -13.7% |
| German Exports (Year/Year % Change) | -23.9% | -21.0% | -14.7% |
| Japan Industrial Production (Year/Year % Change) | -29.1% | -30.4% | -23.2% |
| Japan Exports (Year/Year % Change) | -41.1% | -42.6% | -32.1% |
| EuroZone Industrial Production (Year/Year % Change) | -6.5% | -4.4% | -1.9% |
| EuroZone Exports (Year/Year % Change) | -25.1% | -23.8% | -18.4% |
| China Cargo Handled At Ports (Year/Year % Change) | -2.5% | -3.8% | -3.6% |
| China Exports (Year/Year % Change) | -22.4% | -21.8% | -12.9% |
| Brazil Industrial Production (Year/Year % Change) | -10.9% | -13.2% | -8.4% |
| Brazil Exports (Year/Year % Change) | -29.3% | -18.5% | -5.3% |

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Databank: Relative Market Performance

Relative Performance Index *

All indices based at 100 as of October 31, 2007

| | Latest Month | 3 Month Average | 6 Month Average | 9 Month Average |
|---|--------------|-----------------|-----------------|-----------------|
| U.S. Stocks vs. Treasury Bonds | 52.4 | 51.1 | 46.7 | 47.8 |
| Domestic Stocks vs. Foreign Stocks | 101.5 | 103.0 | 105.9 | 107.5 |
| Domestic Growth Stocks vs. Value Stocks | 123.6 | 122.4 | 121.6 | 116.9 |
| Domestic Small vs. Large Capitalization Stocks | 98.3 | 98.3 | 96.8 | 97.5 |
| Emerging vs. Developed Foreign Stocks | 127.6 | 126.4 | 119.1 | 113.1 |
| High Grade Corporate vs. LT Treasuries | 91.9 | 89.5 | 85.3 | 83.3 |
| Long-Term Treasury Bonds vs. T-Bills | 106.6 | 107.2 | 109.8 | 110.5 |
| High Yield vs. High Grade Corporate Bonds | 81.2 | 80.5 | 75.7 | 73.3 |
| Real Estate Investment Trusts vs. LT Treasuries | 37.1 | 37.6 | 33.3 | 35.8 |
| Inflation-Protected vs. Regular Treasury Bonds | 94.6 | 93.1 | 89.9 | 87.8 |
| Gold vs. Dollar | 137.5 | 137.0 | 134.6 | 129.0 |
| Global Statistics (\$USD) | Market Cap | % World Cap | GDP | Mcap / GDP |
| World | 37,084 | 100% | 54,583 | 68% |
| United States | 11,193 | 30% | 13,751 | 0.81 |
| Japan | 3,240 | 9% | 4,384 | 0.74 |
| China | 3,219 | 9% | 3,206 | 1.00 |
| United Kingdom | 2,412 | 7% | 2,772 | 0.87 |
| France | 1,498 | 4% | 2,590 | 0.58 |
| Canada | 1,269 | 3% | 1,330 | 0.95 |
| Germany | 1,173 | 3% | 3,317 | 0.35 |
| Brazil | 916 | 2% | 1,313 | 0.70 |
| Spain | 641 | 2% | 1,437 | 0.45 |
| Italy | 569 | 2% | 2,102 | 0.27 |
| Other | 10,953 | 30% | 18,381 | 0.60 |

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Index Definitions

Barclays U.S. Government Inflation-Linked Bond Index measures the performance of the U.S. Treasury Inflation Protected Securities ("TIPS") market. Used as a proxy for "inflation-protected bonds."

Bloomberg/EFFAS Bond Indices U.S. Government 1-3 Year Total Return Index is a transparent benchmark for government bond markets. Indices are grouped by country and maturity sectors. Bloomberg computes daily returns and index characteristics for each sector. Used as a proxy for "short-term Treasuries."

Bloomberg/EFFAS Bond U.S. Government 10+Year Total Return Index is a transparent benchmark for the total return of the 10+ year U.S. Government bond market. Used as a proxy for "long-term Treasuries."

FINRA-Bloomberg Active Investment Grade U.S. Corporate Bond Index and **FINRA-Bloomberg Active High Yield U.S. Corporate Bond Index** are comprised of the most frequently traded investment-grade and high yield U.S. corporate fixed coupon bonds represented by the Financial Industry Regulatory Authority (FINRA) transaction reporting facility. Used as proxy for "high yield bonds."

FTSE NAREIT Equity REIT Total Return Index is a total return performance index of all equity REITs tracked by NAREIT. Used as a proxy for REITs.

MSCI EAFE International Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets excluding the U.S. and Canada. As of June 2007, the MSCI EAFE Index consisted of 21 developed market country indices. Used as a proxy for "developed foreign."

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. Used as a proxy for "emerging markets."

Russell 1000 Index is an unmanaged index that measures the performance of the 1,000 largest companies in the Russell 3000 index. The **Russell 3000 Index** measures the performance of the 3,000 largest US Companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. Used as proxy for domestic "large cap stocks."

Russell 2000 Index is an unmanaged index that measures the performance of the 2,000 smallest companies in the broader Russell 3000 index. Used as proxy for "small cap domestic stocks."

Russell 3000 Growth Index is an unmanaged index that measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. Used as proxy for "domestic growth stocks."

Russell 3000 Value Index is an unmanaged index that measures the performance of those Russell 3000 Index companies with lower price-to-book ratios. Used as proxy for "domestic value stocks."

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. There is no guarantee that the figures or opinions forecasted in this report will be realized or achieved. Employees of Stifel, Nicolaus & Company, Incorporated or its affiliates may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Past performance is no guarantee of future results. Indices are unmanaged, and you cannot invest directly in an index.

Asset allocation and diversification do not ensure a profit and may not protect against loss. There are special considerations associated with **international** investing, including the risk of currency fluctuations and political and economic events. Investing in **emerging markets** may involve greater risk and volatility than investing in more developed countries. Due to their narrow focus, **sector-based investments** typically exhibit greater volatility. **Small company stocks** are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. Property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance of **real estate companies**. When investing in **bonds**, it is important to note that as interest rates rise, bond prices will fall. **High-yield bonds** have greater credit risk than higher quality bonds. The risk of loss in trading **commodities** and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.