

▪ *more than*  
**investing**

*annual report 2007*



# *more than* investing

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Dear Clients and Friends,

We acknowledge that the definition of “success” means something different to everyone. Yet, for Plante Moran Financial Advisors (PMFA), our clients are at the focal point of everything we do. We love doing what we do for our clients and constantly strive to provide the highest degree of service.

Over the past year, we’ve been fortunate to receive a number of accolades; while we certainly appreciate the recognition, it’s not what motivates us. When you, our clients and valued friends, achieve your goals and objectives, we feel successful. It’s that simple.

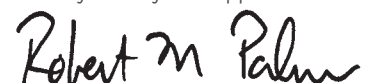
In our continuing effort to meet client needs and exceed expectations, we’ve made a number of incremental, yet meaningful, changes over the past year. We understand that your needs are constantly changing, your personal and financial goals evolving. PMFA is likewise changing and evolving; all of these enhancements have one commonality: they were effected as part of our constant commitment to meeting your needs.

To begin, we’ve modified our service model by offering discretionary services to our clients. We’ve added a trust specialist in Grand Rapids. In addition, we’ve continued to expand our investment capabilities to provide clients with more sophisticated investment solutions at greater reduced costs, and we’ve continued to expand our investment research capabilities, taking an even more proactive role in researching high-level investment opportunities.

In 2008, we’ll be replacing Wealthline with Wealth Horizon™, a state-of-the-art web solution that will afford clients increased online account management capabilities. Finally, in an effort to become more “green,” we’re encouraging clients to sign up for paperless statements and other communications.

I’d like to close by thanking you—all of our valued clients and friends—for your continuous support and for entrusting us to help guide you toward your ultimate financial goals. Our goal is to provide more than wealth management, more than asset allocation, affording you security, peace of mind, and that all-too-rare opportunity for a good night’s sleep—resting assured that you’re invested, vested, defended, reassured, optimistic, and confident.

Thank you for your support,



# “Our clients

are the  
focal point of  
everything we do.”

–BOB PALMER *on what drives PMFA*

"Our clients' goals and objectives are constantly evolving. Yet their ultimate goal, protecting and improving their wealth, remains the same. That's why we provide **tailored, customized solutions** to our clients. After all, one size doesn't fit all."

–Mike Lopus  
Partner

"We're driven by a **profound desire to serve** our clients. It's our purpose, our function, our raison d'être. Everything else is secondary."

–Nancy Meconi  
Partner

# We Stand Ready

Our goal is to provide our clients with everything they need to have the highest level of confidence that their wealth is in good hands. And since "peace of mind" isn't a concrete service—it's more of a desired outcome—we stand ready to provide any of the following services.

## services

### Portfolio Management & Portfolio Advisory Services

The development of a sound investment policy statement and the ongoing monitoring of an investment portfolio are critical to achieving short- and long-term financial goals. We incorporate a variety of asset classes, sub-asset classes, and alternative investments as necessary to help our clients realize their financial goals.

### Financial Planning

We help our clients establish a long-term financial plan that incorporates a prudent combination of strategies, including minimizing tax burdens, improving net worth, or maximizing the value of their estates for their heirs.

### Tax Planning

Our tax planning experts help maximize our clients' after-tax personal and business worth and ensure their assets aren't reduced due to the overpayment of taxes.

"There's so much noise in the industry that it's easy to get confused. Our clients appreciate our **independent, objective advice**, which rises above the clamor to point them in the right direction."

–Bill Stone  
Relationship Manager

"We put a premium on collaboration with our clients, with each other, and with our clients' other advisors to ensure we're taking the proper steps to **achieve client goals** and objectives."

–Art Albin  
Partner

# to Serve You

## Estate Planning

In addition to building wealth, preserving wealth and creating a plan to leave a legacy are critical for most clients. We work with them to develop a comprehensive estate plan that helps provide financial security, protect their families' interests, and ensure that their estates will be transferred according to their wishes.

## Business Transition Planning

We help our clients develop successful business transition plans, which encompass everything from financial and estate planning to ownership transition planning to family dynamics, which help facilitate their business and personal goals.

## Pension & Profit-Sharing Plan Investment Advisory Services

We assist our clients in creating investment policy statements and investment plans, and we serve as a co-fiduciary of their organizations' retirement plans in accordance with the mandates from the Department of Labor and ERISA.

## Plante Moran Trust

When it comes to preserving, protecting, and growing assets, our clients and their families face many complex issues. Plante Moran Trust helps our clients control and protect their assets during their lifetime, and later, provide for a smooth transition of personal and business matters according to their wishes.

## Plante Moran Insurance Agency

Insurance is an integral, yet often overlooked, component in many estate and succession plans. We assist clients in choosing the right life, annuity, and disability insurance as part of an overall wealth management strategy.

Plante Moran Insurance Agency is a member of the FINRA. Securities are offered through Valmark Securities, Inc., an unaffiliated securities broker-dealer. Member FINRA and SIPC.

## Education Planning

We provide in-depth, comprehensive resources to help plan for our clients' children's or grandchildren's education, including objective, independent advice on a variety of education savings vehicles.

# “In order to have a winner...”

“Serving clients effectively often transcends investment planning and asset allocation. An appropriate **holistic strategy** might involve a number of disciplines within PMFA. We understand the bigger picture, our clients’ financial well being, and we have the resources to help them achieve it.”

–Tina Ferland  
Partner

“**Our low client turnover** speaks to our ability to exceed client expectations. Our clients tell us they appreciate that they can consult with the right team of experts anytime, anyplace.”

–Fred Treuhaft  
Partner

"I love that Bear Bryant quote, because it's so true. We are united—a group of people with an **unwavering commitment to our clients** and each other. We're able to offer this stability due to the constancy of our team and the respect we have for one another."

–Mike Johnson  
Relationship Manager

"What does our team bring to our clients? **Expertise, value, knowledge, and sophistication** including CFA, CFP, CIMA, and CPA credentials. Having that group of experts allows us to serve our clients in the unique ways their situations demand."

–John Lesser  
Partner

every player must  
put the team first—  
ahead of personal glory."

–PAUL BEAR BRYANT *on teamwork*

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"It's about **creating a legacy**, both for one's immediate family and for future generations. One of our greatest rewards is helping clients achieve that legacy, providing a sound strategic plan to withstand short-term market fluctuations, and providing the support they need to achieve their long-term financial goals."

–Sal Veltri  
Partner

"During periods of uncertainty, volatility increases and it's easy to have knee-jerk reactions. The key to avoiding them is a **well-developed** investment strategy that incorporates your entire financial situation."

–Mark Dixon  
Partner

"If you asked 100 clients about their risk tolerance, expected returns, and time horizon, you'd get 100 different answers. The key is to find **the right balance** and maintain that balance over time. That's where we come in."

–Lisa Judy  
Relationship Manager

# Road Ahead

## EXECUTIVE SUMMARY

- Equity investors were taken on a bumpy ride throughout 2007, as stocks were rattled by a series of threats, both real and perceived. Equity returns were generally strong through the first half of the year, but struggled to hang on to those gains during the third and fourth quarters, as dark clouds in the form of a slowing economy, the downward spiral in housing, and an increasingly difficult credit environment weighed on investors. For the year, the S&P 500 Index gained 5.5%. Small companies fared worse, as the Russell 2000 Index lost 1.6% for the year. International stock returns were aided by the tailwind of a weakening dollar; the MSCI EAFE Index gained 11.2% during 2007, sufficient to outpace most broad domestic market equity indices.

- Bond market returns were mixed during 2007, as Treasuries generally rallied in anticipation of, and subsequently in response to, rate cuts by the Federal Reserve. Fears about lower quality debt—most notably in the sub-prime mortgage markets—also contributed to the flight to quality that lifted returns for high quality bonds. For the year, the Lehman Aggregate Bond Index returned 7.0%, while the Lehman 5-year Muni Index provided a 5.2% return for investors.

Conversely, yield spreads for lower quality bonds relative to Treasuries generally expanded during 2007. In response to concerns about the economy and the lack of clarity surrounding the severity of the housing recession and tighter credit conditions, this widespread re-pricing of risk indicated a significant, rapid spike in investor risk aversion.

- The U.S. economy stumbled to a slow start during the first quarter of 2007, growing at a mediocre 0.6% annualized rate, before gathering steam through the next six months. Expectations for final fourth quarter results were for a material slowdown in the rate of growth as the effects of the severe downturn in housing and the spike in energy prices dragged on consumer spending. While the final results have not yet been released, the U.S. economy likely grew at a rate of about 2.5% during 2007.

- In response to the credit crunch precipitated by the virtual collapse in investor interest in sub-prime mortgages exacerbated by falling home prices, the Fed pumped additional liquidity into the banking system starting in August. In cutting the benchmark Fed funds rate to 4.25%, as well as reducing the discount rate and loosening collateral requirements for banks borrowing directly from the Federal Reserve, the nation's central bank signaled its intent to take whatever steps were needed to avoid a freezing up of the banking system. The three cuts in the Fed funds rate during the latter half of the year reversed the course of a tightening policy that extended back to June 2004.

# 2007: The Year in Review

Investors experienced no shortage of issues to grab their attention in 2007, as the cracks in the housing market that were evident at the outset of the year continued to grow larger, chipping away at the foundation of residential real estate. The climate of any market is tailor made for problems when excessive leverage is being utilized, typically a sign of speculative elements operating within that market. Add that excessive leverage to a relatively illiquid market such as residential housing, mix in inadvisably loose lending standards and falling asset values, and the market had the recipe for a substantial correction. Over the course of the year, the pace of existing home sales fell by over 20%, while the median sales price also declined year-over-year for the first time in twelve years.<sup>1</sup>

Had the housing correction and credit market turmoil not occurred, record-breaking

energy prices could easily have been the main story for the year. Oil prices spiked to around \$60 per barrel at the end of 2006. Just a few years ago, the thought of \$100 oil was regarded as a near "doomsday scenario" by some market observers. Although surging energy costs have undoubtedly put a bit of a drag on consumer spending, the U.S. economy pushed forward at a strong pace throughout the second and third quarters of the year. Third quarter consumer spending rebounded from a soft second quarter result, demonstrating again that the resiliency of the U.S. consumer should not be underestimated.

Broad equity market returns were generally positive again in 2007, extending the current bull market in the U.S. through its fifth year. However, unlike the comparatively placid, upward trend of the past few years, volatility returned to equity markets with a vengeance

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in 2007. Leading the market higher were large cap stocks, which easily outperformed small caps for the year. While small caps dominated the market for a multi-year period dating back to 2000, large caps finally wrested market leadership away starting in February 2006 and further outpaced small caps in 2007. Specifically, small cap value stocks, as measured by the Russell 2000 Value Index, posted their first calendar year loss since 2002.

From a style perspective, investors also benefited from the long-anticipated rebound in growth stocks. The increasingly uncertain outlook for the U.S. economy, coupled with reasonably attractive valuations, contributed to enhanced investor interest in companies with stronger earnings growth and the ability to sustain that growth even in a slowing economy.

In the closing months of 2007, the spike in volatility had a greater negative affect on riskier investments, and equities were no exception. In general, smaller company stocks were harder hit and lagged behind large caps—particularly during the latter half of the year. International equities also surrendered a portion of their prior gains, but held up comparatively well given the severity of the downturn in the domestic markets.

“...investors also benefited from the long-anticipated rebound in growth stocks.”

# 2008:

## The Road Ahead

### ECONOMY

After a very soft first quarter, GDP growth in the U.S. was relatively strong in the second quarter of 2007, and the 4.9% pace of growth in the third quarter was better than generally anticipated. It appears that the economy is on pace for calendar year growth of about 2.5%. However, economists generally expect that the rate of growth will likely weaken substantially heading into 2008, a view reinforced by recent statements by Fed Chairman Ben Bernanke. The one-two punch of rising energy and food costs, coupled with falling home prices, is widely expected to crimp consumer spending moving forward. Based on recent surveys of economists conducted by Bloomberg, the average expected rate of GDP growth for the fourth quarter of 2007 was projected at an annualized rate of 1.6%.<sup>2</sup> While still positive, such a result would represent a marked slowdown from the past few quarters.

The Federal Reserve increasingly finds itself between the devil and the deep blue sea, in this case in the form of an economy that is slowing concurrent with rising inflation risk. In recent months, the Fed announced three rounds of interest rate cuts in response to tumult in the credit markets and the perceived risk of a greater freezing up therein. While the immediate risk subsided, many market observers continue to project that the losses to this point may represent the tip of the iceberg.

Under different circumstances, the Fed might have sufficient flexibility to cut

“The Federal Reserve increasingly finds itself between the devil and the deep blue sea...”

short-term interest rates further in an effort to stimulate spending and mitigate the effects of a slowdown. In the current environment, however, rising inflation may restrain the Fed's ability to cut further in the absence of a greater crisis in the credit market. In the Federal Open Market Committee's statement accompanying its most recent rate cut of December 11, it noted that "some inflation risks remain, and (the FOMC) will continue to monitor inflation developments carefully."<sup>3</sup> In a normal environment, that state of equilibrium is the goal; under the current set of circumstances, it is the result of being boxed in on both fronts.

Typically, a lag of six to nine months is anticipated before changes in monetary policy are absorbed into the system. With the potential effects of the most recent rate cuts still in the pipeline, inflation is already a concern.

The Consumer Price Index was up 4.3% for the 12 months ended November 30, while the core rate increased 2.3% during that period. The Fed tends to focus on core inflation, which excludes volatile food and energy prices, but it appears to have little room to work with inflation near the high end of its implied comfort zone.

This is not to say that the Fed is irretrievably stuck. A moderation in inflationary pressures often accompanies an economic slowdown, as a decline in aggregate demand provides some relief on strained capacity in the system. The Fed's minutes from

“...rising inflation may restrain the Fed's ability to cut further in the absence of a greater crisis in the credit market.”

its October meeting confirmed its expectation that inflation should abate "over the next few years," consistent with this anticipated slowdown. The recent uptick in productivity gains (a four-year high of 6.3% in the third quarter) should provide some relief in labor costs. The likelihood that energy costs will continue to increase at the same pace as in 2007 also appears low. Even a slowdown could provide sufficient relief to allow the Fed to cut.

The wild card for inflation may be in commodities in general, with the food and energy complexes having the greatest direct impact on the consumer. By their very nature, demand for each tends not to diminish as substantially as certain other sectors during a slowdown. Global demand is rising, while supply growth is hemmed in by structural constraints that cannot be fixed quickly or easily. In addition, the money supply is rapidly expanding—a trend that has historically often been a precursor to increasing inflation.

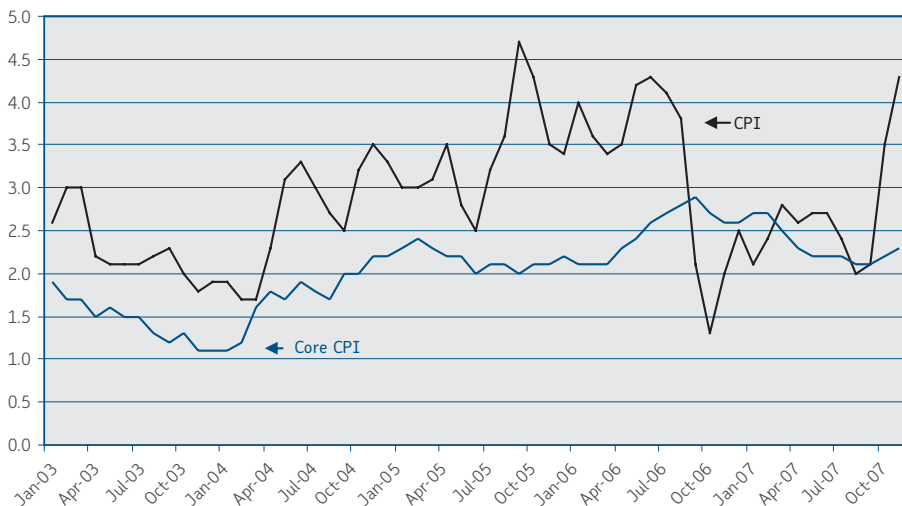
Consequently, while core inflation may continue to recede or at least stabilize, the potential exists for headline inflation to remain elevated.

The bottom line is that the nation's central bankers will have some difficult decisions to make if the economy continues to be squeezed by both weakening growth and elevated inflation. While a return to stagflation is far from a certainty, the potential for such a challenging environment appears to have escalated. Will a slowdown in U.S. growth be sufficient to bring inflation back in check? That appears to be the most recent conundrum that will challenge monetary policy makers in the months ahead.

"Global demand is rising, while supply growth is hemmed in by structural constraints..."

## Consumer Price Index History

Inflationary pressures persist



Data Source: Bureau of Labor Statistics

# INTEREST RATES AND FIXED INCOME

The anticipation of short-term rate cuts and the reality of credit market dislocations of late summer sent investors scurrying for cover in Treasuries at the expense of higher risk bonds. The Treasury yield curve has recently reverted to a more normal upward slope after an extended period of flatness and periodic inversion. Investors increasingly questioned the validity of credit ratings for many securities, including many CDO, CMBS, and other derivative structures that were rated AAA, as the perceived threat of default ballooned and "spread product" bonds were rapidly re-priced. Yields on the ten-year Treasury briefly declined to below 4.0% after reaching 5.2% mid-year, while the two-year Treasury yield also temporarily broke below 3.0% in the closing weeks of the year. This return to a normally shaped yield curve is a positive development as it provides additional return potential for the assumption of the additional risk for investing in longer term bonds.

We have avoided high yield bonds for nearly two years, focusing our "risk budget" in other areas of the bond market such as emerging currencies. Although the yield spreads between Treasuries and higher risk bonds expanded in recent months, we still do not believe that incremental yield pickup in most cases has been sufficient to make spread products particularly attractive. Further, should the U.S. economy slow, the potential for those yield spreads to expand further remains substantial. In our view, this risk does not currently justify aggressively investing in spread sectors in an attempt to nominally increase portfolio yield. We will continue to monitor these areas of the bond market to identify any potential opportunities that may develop.

Conversely, we continue to expect the dollar to weaken against emerging market currencies. Funds continue to flow into many of these commodity-rich economies and out

of the United States, a secular trend that we do not expect to end any time soon, although short-term rallies in the dollar certainly occur. Moreover, lower interest rates in the U.S. make the dollar less attractive, further supporting a relative strengthening in emerging markets' currencies over a shorter cyclical time horizon as well. As a means to supplement core bond returns in the low to mid-single digit range, we believe that emerging market currencies continue to present attractive return potential with a solid yield that can cushion against potential downside should the dollar rebound.

We also anticipate that positioning the core portion of a bond portfolio with a slightly longer duration than the index should provide

some incremental benefit should interest rates continue to decline. In its most recent statement, the Fed hinted that it may hold on lowering rates further in the short term, although the market continued to price in some further easing. If the economy continues to slow as anticipated, the Fed is more likely to be in a position to ease further unless inflation picks up. We believe that we are in the midst of a bull market in Treasuries, but it is unclear how long this will last. Once this cyclical move is completed, the potential for a long-term bear market from current low yields in the face of potential long-term deflation remains. We believe these structural factors support active duration management and the use of Treasury Inflation Protected Securities and other tactically attractive sub-asset classes to provide positive real returns and protect against inflation risks.

"...we continue to expect the dollar to weaken against emerging market currencies."

# EQUITIES

Over the long-term, equity returns generally exceed those of high quality bonds. In a diversified portfolio, that equity exposure is typically the primary driver of growth, while bonds provide an "anchor" to reduce portfolio volatility. For markets to be efficient, however, that excess return potential (or equity premium) has to come at a price, specifically in the form of additional risk.

As evidenced again in recent months, uncertainty generally causes stock market

"...we believe that the economy is at an inflection point."

volatility to increase until the outlook improves. As discussed earlier herein, we believe that the economy is at an inflection point. While economists widely anticipate that the economy will slow—perhaps considerably—over the next few quarters, the degree of

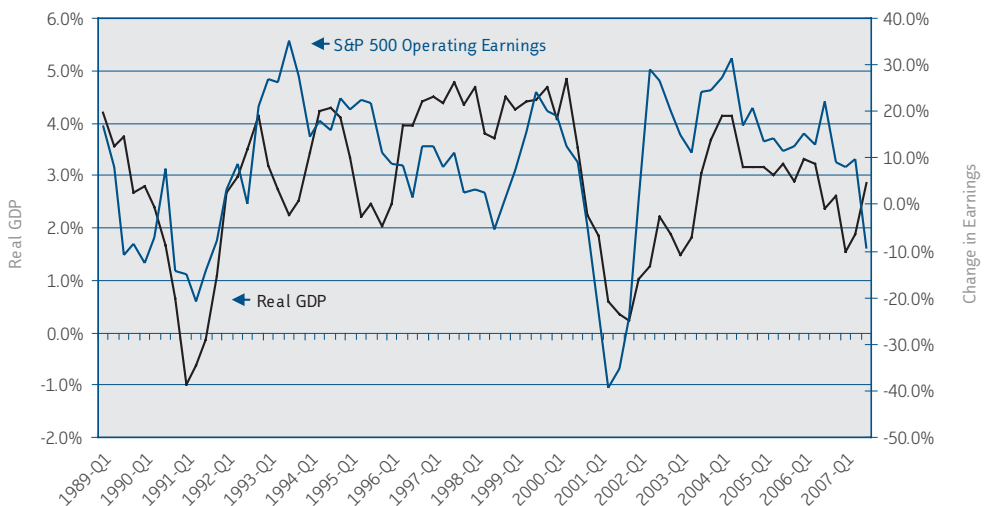
the slowdown and the potential for a recession remain lingering questions. Typically,

economic weakness filters through to the corporate sector in the form of diminished expectations for earnings. Recently, corporate America has already begun to show signs of a decline in income. The aggregate results for the third quarter demonstrated that earnings for the quarter actually declined on a year-over-year basis. Couple this weakness in earnings with expectations for a deceleration in economic growth and the potential for further disappointment in earnings in the near term appears to be rising. Moreover, volatility also often increases during presidential election years and the first year of a new presidential term. The convergence of these market factors suggests that investors should be prepared for a more volatile market that may not provide returns on par with long-term expectations.

Given the uncertainty of the current environment, we continue to recommend a significant overweight to large cap stocks compared to our neutral position, offset by meaningful underweights to small cap and mid cap U.S.

## U.S. Gross Domestic Product vs. S&P Operating Earnings

As the economy has slowed, corporate earnings have also declined.



Data Source: Bureau of Economic Analysis, Standard & Poors

stocks. On a more granular level, mega cap stocks (loosely defined as the tier representing the largest companies in the S&P 500 Index) remain attractive based on their reasonable valuations and diverse global sources of revenue and income. Smaller companies often suffer in a weaker economy, as they tend to be more limited in their revenue sources and ability to sustain earnings growth, and may experience greater difficulty in securing debt or equity capital. Should the economic climate in the U.S. decelerate as anticipated, large companies should be better positioned to weather the storm and provide superior performance. While valuations for growth stocks look nominally favorable as compared to those of value stocks, we do not believe that the degree of relative "discount" justifies a tactical overweight to growth stocks. Consequently, we are maintaining a relatively balanced stance from a style perspective.

The continuing strength of the global economy and the secular weakness in the U.S. dollar provide a favorable backdrop for a healthy allocation to international equity. As we noted in our outlook for 2007, the significant structural trade deficit of the U.S. places substantial downward pressure on the greenback. In recent years, this depreciation provided a tailwind for U.S. investors in foreign securities. We believe that tailwind should continue vis-à-vis emerging market currencies, although the dollar could gain some ground against the euro and pound sterling. Despite the robust returns of the MSCI EAFE Index over the past several years, the Price/Earnings Ratio for the Index actually declined fractionally compared to a year prior. Consequently,

we expect that the combination of reasonable valuations and continued economic growth outside the U.S. should provide ample support for returns in the asset class. While the possibility for a cyclical dollar rally against the euro and certain other developed market currencies exists, the fundamental outlook for international equities remains compelling in our view.

The near-term outlook for U.S. stocks is a source of uncertainty, but we believe that the intermediate term outlook remains positive. Given their current valuations, U.S. large cap stocks are not particularly expensive, especially given the current level of interest rates. While a slowdown in the economy could result in disappointing returns in the short term, investors with a long-term time horizon should still reasonably expect returns that exceed current bond yields. Moreover, if the Federal Reserve is successful in its efforts to avoid a recession, a slowdown in corporate earnings is also likely to be temporary. Given that the stock market tends to be a leading indicator of the economy, attempting to time the market based on changes in the economic outlook is difficult at best. Investors should continue to look toward their long-term investment time horizon to evaluate their appropriate allocation to equities.

"...large companies should be better positioned to weather the storm and provide superior performance."

## POLITICS AND POLICY

While voters will not head to the polls until November, the presidential election cycle has been in full swing for some time now. As we write this, the nomination of each party remains up for grabs. As was the case in the last Congressional election, the Iraq war remains a polarizing issue that is likely to significantly influence voters' decisions and the eventual outcome of the election in November 2008.

The outcome of this election is also expected to steer tax policy for at least the next few years. However, the range of potential policy direction appears limited without regard to which party wins the White House. In our view, tax rates—especially those for higher income taxpayers—are likely headed higher over the next several years, with the primary source of uncertainty at this point limited to the degree, nature, and timing of any increases. It appears that the best-case scenario for taxpayers is that no significant tax legislation passes prior to the expiration of the Bush tax cuts. This would almost certainly require that power in Washington be split between the parties to block any legislation to raise taxes or accelerate the sunset provisions of the current law.

There is also increasing momentum in the drive to overhaul the Alternative Minimum Tax (AMT), although the probability of finding a politically palatable solution remains questionable. As originally introduced in the 1960s, the AMT targeted a very small number of wealthy taxpayers who had utilized aggressive tax sheltering techniques to avoid the payment of ordinary income tax. In the subsequent decades, policymakers failed to adequately revise AMT-related provisions to address changes in other income tax provisions or to adjust for the effects of inflation. In the closing days of December, Congress finally passed a short-term AMT patch for the 2007 tax year, which will allow millions of additional taxpayers to avoid being subjected to AMT this year. Beyond this short-term fix, however, the outlook for a long-term solution remains unclear.

“The outcome of this election is also expected to steer tax policy..”

## SUMMARY

Periodically, we reach inflection points in both the economy and the capital markets. In the midst of uncertainty, it can be difficult to predict the short-term direction of either. The current broad range of opinion of near-term outcomes projected by economists lends credence to the argument that the U.S. economy is at an inflection point. The core question still remains: where do we go from here?

The Fed has warned of a near-term slowdown in economic growth under the burgeoning weight of falling home prices coupled with tightening mortgage terms, rising rates, and the drying up of available re-financing opportunities for many marginal borrowers. The risks to aggregate consumer spending—especially those who have borrowed heavily to spend—are real and increasing. The housing market has demonstrated very little sign of bottoming to this point, and projections suggest that adjustable rate mortgage interest rate resets are not expected to peak until perhaps early in the second quarter of 2008.<sup>5</sup> Although early indications are that consumers continued to dip into their wallets in the third quarter, it seems inevitable that the “reverse wealth effect” of falling home values and restrictions on credit will drag on consumer spending in coming quarters. Moreover, increasing mortgage rates for many homeowners will demand that previously discretionary monthly income be re-directed to cover those higher mortgage costs. Top that off with higher energy and food costs and it is difficult to envision that the American consumer can continue to spend at the rapid pace of the past several years. A loss of spending momentum by consumers, which account

for 70% of aggregate economic activity in the U.S., would create a substantial headwind for the economy.

Partially offsetting the slowdown in domestic consumer spending has been a boom in exports courtesy of the weaker U.S. dollar. Pricing of goods produced in the U.S. is becoming increasingly attractive to foreign buyers. According to the advance estimate from the Bureau of Economic Analysis, third quarter exports grew by nearly \$62 billion, or 4.5%, over the prior quarter.<sup>6</sup> Exports grew at a blistering 10.3% annual pace during the 12 months ended September 30. Imports grew by just short of 1.8% during that same period, allowing the trade gap to narrow considerably in recent months.

Moreover, the global economy remains strong, even as the U.S. economy is shuddering. Historically, global growth has been inexorably tied to the U.S. economy, and that linkage remains intact, although arguably to a lesser degree. It is difficult to envision that the global economy could flourish concurrent with an extended period of weakness in the U.S. Nonetheless, the secular maturation of many emerging economies, the effects of globalization and expanding global trade, and the gradual rise of the consumer economy outside of the U.S. could all provide support should the U.S. economy stumble.

“...adjustable rate mortgage interest rate resets are not expected to peak until perhaps early in the second quarter of 2008.”

Regardless of the specific environment, investment opportunities exist—even if only on a relative basis. Within the context of the current economic backdrop, we believe that attractive opportunities remain. By emphasizing larger companies over small caps, maintaining healthy allocations to non-dollar denominated investments, opportunistic positioning of bond investments relative to the yield curve, focusing on higher quality bonds over credits, and utilizing alternative investments such as hedge funds when possible, we believe that investors should be well positioned despite the uncertainty.

Ultimately, we expect that the current storm clouds on the horizon will blow through, although the possibility exists that the full effects of the housing pullback, return to balance in credit markets, and re-pricing of risks in the capital markets could play out over

an extended period. Doomsayers are typically afforded a louder microphone during times of uncertainty such as these. No one can say with certainty how these issues will play themselves out or when the bottom might be reached. However, we continue to be optimistic about the long-term prospects for the U.S. and global economies and capital markets. Investors may find much of the current noise to be cause for concern. At any given time, reasons to be pessimistic are plentiful; with hindsight, many (if not most) are revealed to have been less troublesome in reality, as the perceived “worst case scenario” seldom actually occurs.

“...we believe that attractive opportunities remain.”

#### FOOTNOTES

<sup>1</sup> National Association of Realtors

<sup>2</sup> Bloomberg L.P.

<sup>3</sup> Statement of the Federal Open Market Committee—December 11, 2007

<sup>4</sup> Morgan Stanley Capital International

<sup>5</sup> Lehman Brothers

<sup>6</sup> Bureau of Economic Analysis

#### THE ROAD AHEAD DISCLOSURE:

Past performance does not guarantee future results. All investments include risk and have the potential for loss as well as gain.

Data sources for peer group comparisons, returns, and standard statistical data are provided by the sources referenced and are based on data obtained from recognized statistical services or other source believed to be reliable. However, some or all information has not been verified prior to the analysis, and we do not make any representations as to its accuracy or completeness. Any analysis nonfactual in nature constitutes only current opinions, which are subject to change. Benchmarks or indices are included for information purposes only to reflect the current market environment; no index is a directly tradable investment. There may be instances when consultant opinions regarding any fundamental or quantitative analysis may not agree.

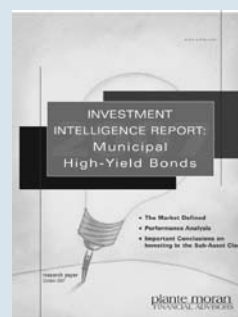
Plante Moran Financial Advisors publishes this update to convey general information about market conditions and not for the purpose of providing investment advice. Investment in any of the sectors mentioned herein may not be appropriate for you. You should consult a representative from Plante Moran Financial Advisors for investment advice regarding your own situation.

Our personal "Chief Financial Officer" (CFO) model coordinates our clients' wealth management plans, including communications with investment managers, custodians, and other resource providers. This structure allows us to provide objectivity and discipline to the process, resulting in greater efficiency and effectiveness for you.

We periodically provide research reports on investment-related topics, which examine traditional and alternative investments, the aspects associated with implementation solutions, and their impact on traditional investment portfolios. In addition, we publish monthly investment commentaries, quarterly performance statistics, and podcasts to give our clients refined analysis, timely updates, and guidance through the plethora of investment news.

Coming in 2008, PMFA clients will have access to Wealth Horizon™, a state-of-the-art web solution that affords enhanced online account management capabilities.

In addition, we've aligned with the country's premier investment firms to provide clients with institutional-level resources and solutions, which often afford access to the best managers at reduced costs. We continue to invest in our team of researchers, who are committed to developing, implementing, and maintaining creative strategies and processes that help our clients align their goals with the appropriate investment vehicles in a proactive way.

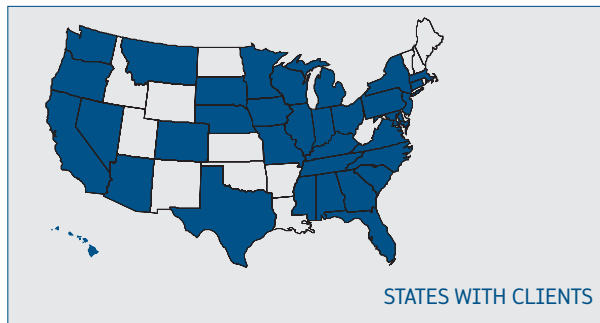
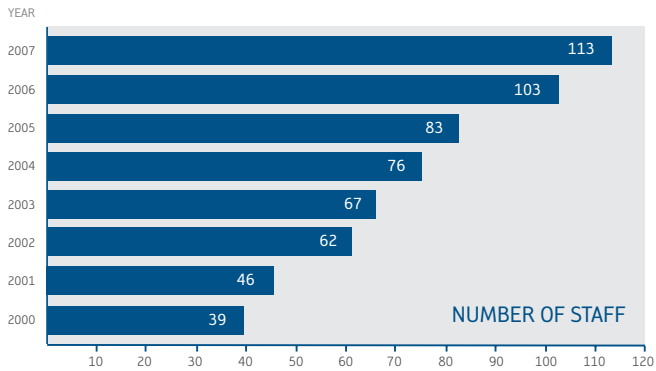
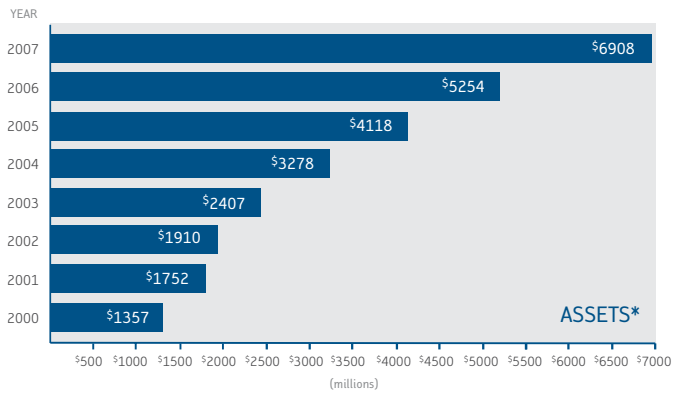
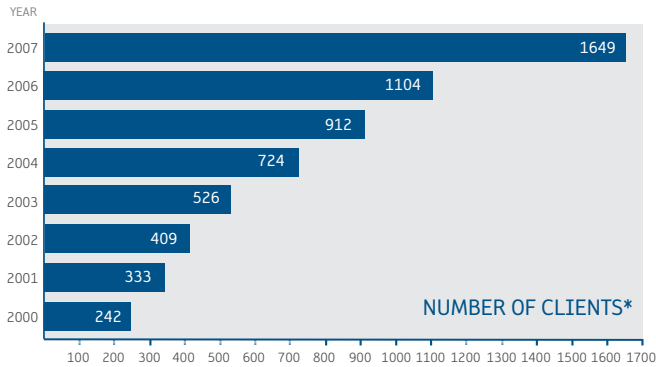


# resources

**We have a diverse team of professionals, whose credentials include:**

- Certified Public Accountant
- Chartered Financial Analyst
- Certified Financial Planner™
- Chartered Financial Consultant
- Chartered Life Underwriter
- Certified Investment Management Analyst<sup>SM</sup>
- Qualified 401k Administrator
- Qualified Pension Administrator
- Accredited Investment Fiduciary Analyst™
- Certified Trust and Financial Advisor

**—it's how they put their knowledge to use for you that really makes an impact.**



\* Includes all client accounts and assets under supervision.  
Information as of June 30, 2007

Michigan  
Ann Arbor  
Auburn Hills  
East Lansing  
Flint  
Grand Rapids  
Kalamazoo  
Southfield  
Traverse City

Ohio  
Cleveland  
Columbus  
Toledo

Illinois  
Chicago  
Elgin

# office locations

Over the past year, we've been fortunate to attain the recognition of the media and independent organizations for reaching various milestones, none of which would have been possible without our clients. The following is an overview of these accomplishments:

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# recognition

- In July 2007, *Financial Advisor* magazine ranked PMFA sixth in the nation in its listing of Independent Registered Investment Advisors, based on assets under management in the billion or more category.
- In July 2007, PMFA ranked 61st in average client relationship for independent financial advisory firms, according to *Wealth Manager* magazine's seventh annual rankings. The ranking includes 500 firms from across the United States.
- John Lesser and Bob Palmer were named to *Barron's* inaugural "Top 100 Independent Financial Advisors" list featured in the August 27, 2007 issue.
- *CPA Wealth Provider* ranked PMFA first in its inaugural ranking of CPA firms with financial planning practices based on assets under management.
- Plante & Moran, PLLC was named by FORTUNE magazine as one of the "100 Best Companies to Work For" in America for the ninth consecutive year.
- PMFA was frequently quoted in the media, including *Reuters*, *The Chicago Tribune*, *Bloomberg*, *Bankrate.com*, and *CNNMoney.com*.

While we appreciate this recognition and it brings a certain measure of satisfaction, we don't equate it with success.

At PMFA, we define our success by yours and remain committed to serving you with premier-class resources on every level.

"...we define our success by yours..."

# "It's not hard to make decisions

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"What best describes our principles? An unwavering commitment to **doing the right thing** for our clients, for PMFA, and for each other."

–Trevor Royston  
Partner

"Really? Roy Disney? If I didn't know better, I'd swear that was a Frank Moran quote. It really sums up our firm and **what we're about.**"

–Scott Carano  
Partner

"We're defined by our **'we care' culture.** It's our foundation and our legacy, and it doesn't take long for our clients to notice the difference."

–Susan Shoemaker  
Relationship Manager

"**We know our values;** they've been the same values since the inception of the firm, and we live by them every day."

–Tim Wendt  
Relationship Manager

when you know  
what your  
values are.”

–ROY DISNEY *on values*

"Our clients tend to consult us whenever they make 'big' decisions. Sometimes they're financial or business related; other times, they're more personal. Whatever the need, we're **always pleased to be of service.**"

–Mark Corombos  
Relationship Manager

"Our clients demand **technical expertise**, global research, and sophisticated investment solutions. We are happy to deliver. It is all part of developing the strong relationships with our clients."

–Dori Drayton  
Relationship Manager

"We focus on developing and sustaining long-term relationships with our clients. It's the only way to serve them well, as **wealth means something different to everyone.** It takes a deep level of familiarity to understand the intricacies of our clients' needs."

–Sandra Campbell  
Relationship Manager

"A client recently told us that she could **sleep well at night** thanks to the peace of mind our services provided. We find that extremely gratifying."

–Gary Johnson  
President, Plante Moran Trust

"True happiness

is not attained through  
self-gratification, but  
through fidelity to a  
worthy purpose.”

–HELEN KELLER *on commitment*

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Please visit our website for further information, news,  
and highlights at [morethaninvesting.pmf.com](http://morethaninvesting.pmf.com).

# contacts

**“** If you work  
**just for money,**  
you’ll never make it,  
but if you love  
what you’re doing  
and you always put  
the customer first,  
success will be yours. **”**

–RAY KROC *on client service*

[www.pmf.com](http://www.pmf.com)