welcome to

FACING the NEW NORMAL and the ROAD AHEAD

Presented by:
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plante moran FINANCIAL ADVISORS

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Frequently Asked Questions

- **Certain disclosures accompany this webinar that appear at the end of the slide presentation.**
- **To Join the Voice Conference:**
  - Dial 1-866-939-3921
- **We'll leave time for Q&A at the end of the session**
  - You can submit questions at any time through the webcast console.
- **Presentation Slides will be available post webinar**

Part I

ECONOMIC ENVIRONMENT

Is it Different This Time?

- **To put it simply: Yes.**
- **The scale of the global crisis and massive wall of fiscal and monetary stimulus has been unprecedented.**
- **The last secular bull market in stocks was supported by a drive for reduced role of government, declining tax rates, deregulation, disinflation, and falling interest rates.**
- **We believe a reversal in these trends will result in substantial headwinds for growth and create a very different environment than we have come to expect.**

Post-Recession Possibilities

- **Scenario 1: Robust V-Shaped Recovery (Strong Growth)**
- **Scenario 2: W-Shaped Recovery (Double Dip Recession)**
- **Scenario 3: Slow U-Shaped Recovery (New Normal)**

Scenario 1: V-Shaped Recovery

Economy Robust with Stable Growth

- Assumes consumer steps up and takes over from government stimulus
    - Increased optimism
    - Reduced savings and increased pace of spending
- Reduction in unemployment rate
- Consistent with history and deep recessions
- Appealing, but may be unlikely

Scenario 2: W-Shaped Recovery

Growth Proves Temporary, Economy Contracts

- Stimulus runs its course
- Purchasing activity falters
- Consumers tapped
- Credit relatively tight
- Pace of job loss picks up
- Growth must come from consumers and business interests
- Pragmatic policymaking may reduce this risk

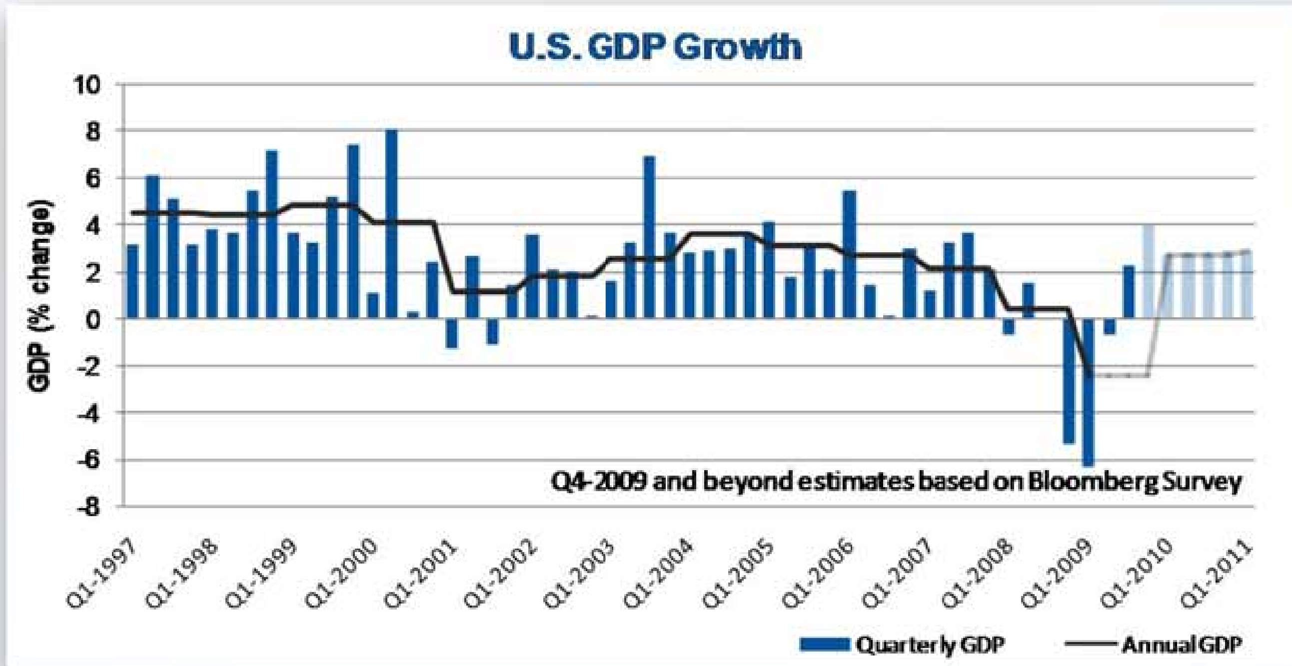
Scenario 3: U-Shaped Recovery

Economy gradually pulls from slump

- Won’t feel much like a recovery
- Private sector de-leveraging likely continues
- Consumers constrain spending
- Inflation could remain in check for some time
- Corporate profit growth would likely remain muted
- Most likely scenario given massive headwinds to growth

GDP Positive, But Muted

The U.S. economy has returned to growth, but economists project a tepid expansion.

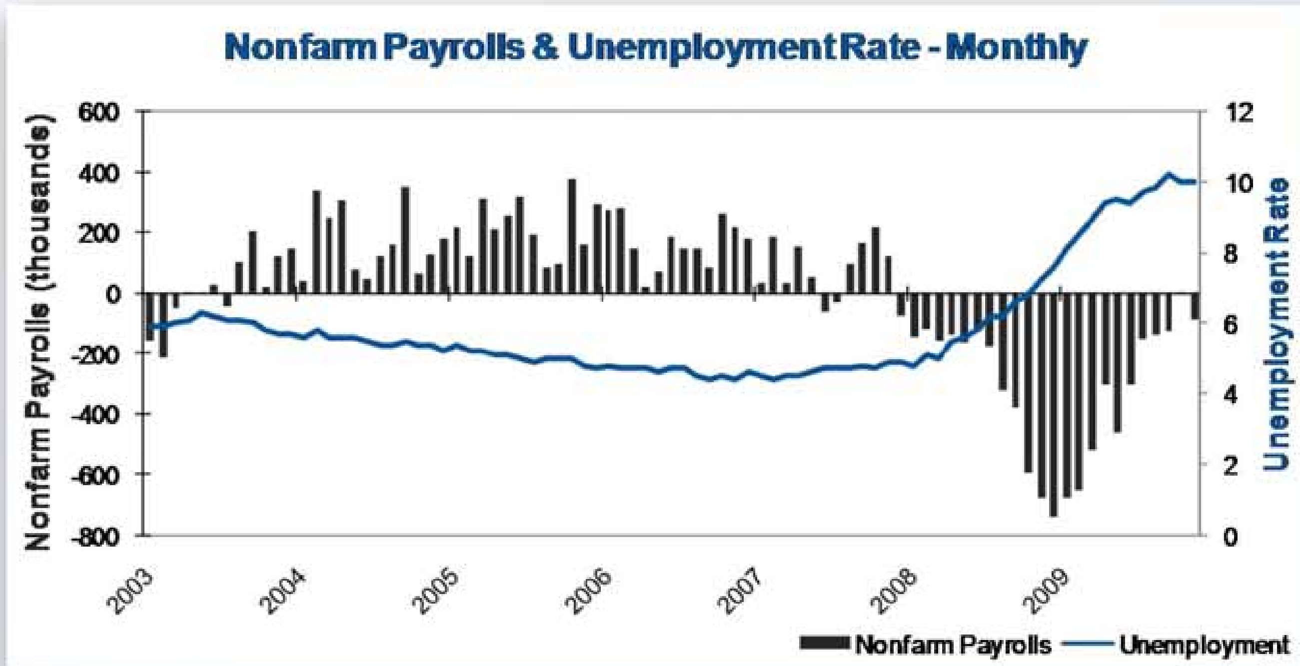


Source: PMFA, Bureau of Economic Analysis (BEA), Bloomberg

Jobs Market Remains a Concern

Unemployment reached a 26 year high in October, at 10.2%.

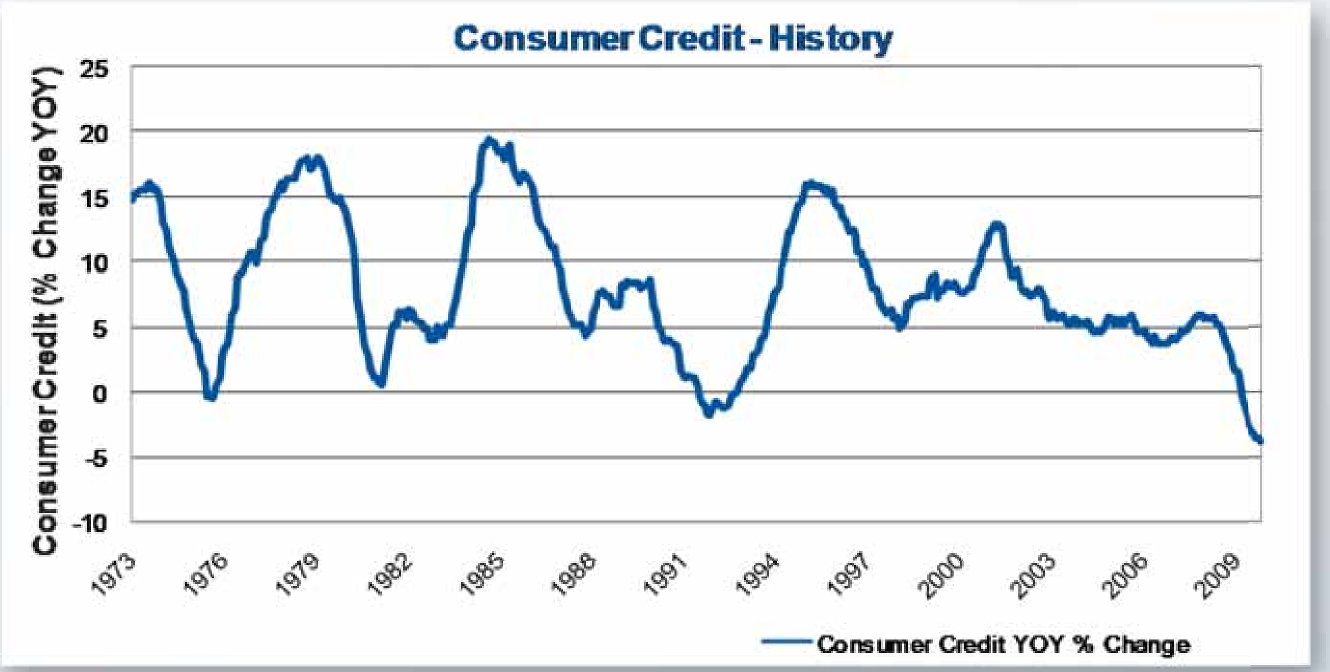
The pace of job losses is improving; net job creation may be achieved in the relatively near term even as the jobless rate struggles.



Source: PMFA, BLS

Consumers Are Borrowing Less

Consumers are focused on debt reduction. The recent pace of credit contraction is fastest since the Fed began tracking the data in 1973.

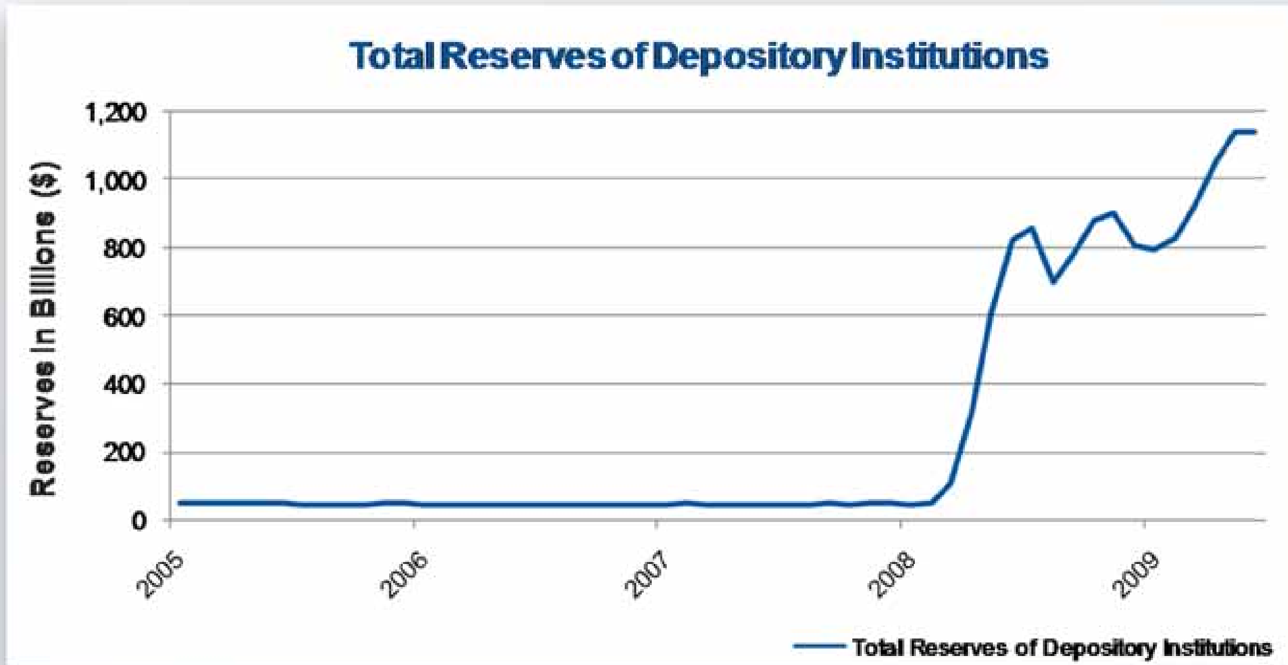


Source: PMFA, Federal Reserve

Banks Have been Hoarding Cash

Financial institutions continue to hoard cash upon concerns of further write downs needed.

Credit availability has been muted based on this hoarding stance.



Source: PMFA, Federal Reserve

Policy Response to the Crisis Ignited Money Supply Growth

The Fed expanded the money supply in response to the crisis and to provide liquidity to the financial sector. The Fed now turns its eye toward unwinding those measures.

Source: PMFA, Federal Reserve

Inflation or Deflation?

The Consumer Price Index peaked in July 2008 at 5.6%.

After a year of declines, inflation indices appear to be bottoming.

Source: PMFA, BEA, Bureau of Labor Statistics (BLS)

Are Interest Rates at an Inflection Point?

With inflation tame and a muted recovery, the Fed is expected to move slowly on raising interest rates.

Source: PMFA, BLS, Federal Reserve

Question For Participants

What do you believe to be the most likely recovery scenario?

1. Robust Growth – A V-Shaped Recovery
2. Double Dip Recession – A W-Shaped Recovery
3. Slow Growth – A U-Shaped Recovery

Part II

THE IMPACT OF THE "NEW NORMAL" ON INVESTORS

What Do We Hear From Our Clients?

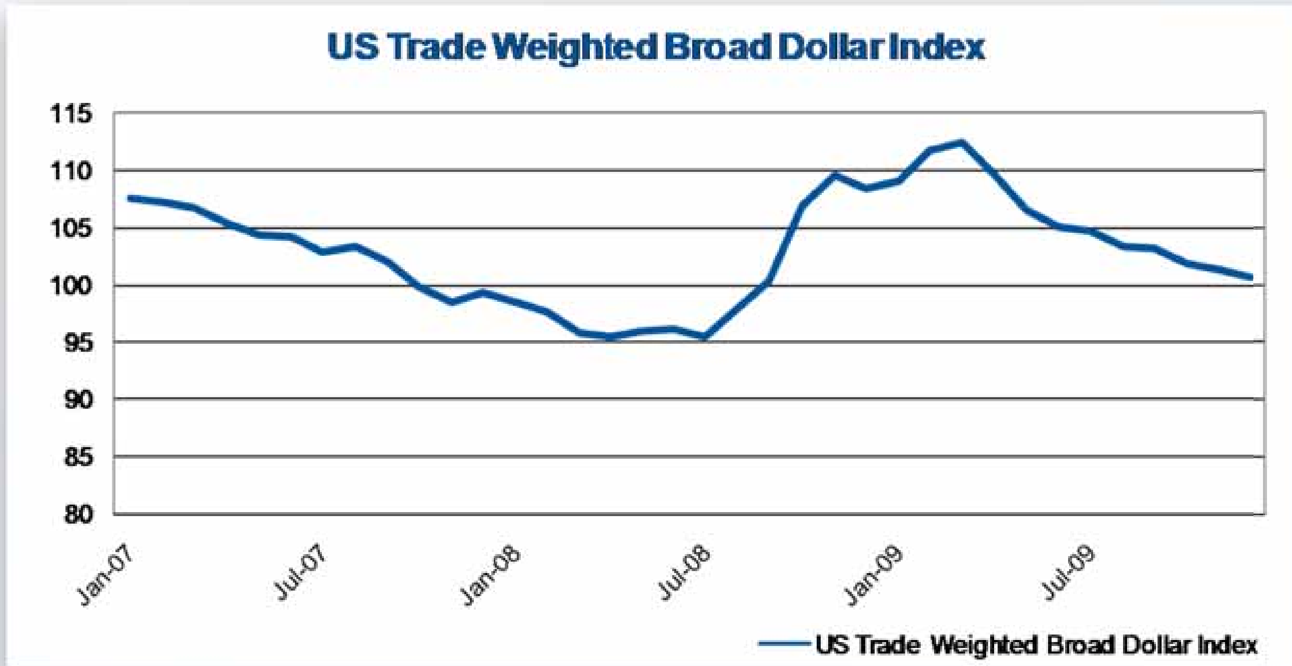
- Have equities overcorrected to the upside?
- Am I taking on an appropriate level of risk given my circumstances?
- In an increasing interest rate environment, how will my fixed income assets fare?
- What can I do to protect my portfolio against inflation?

Fiscal and Monetary Policy Changes on the Horizon

- An inflection point for monetary policy?
- Divergent monetary policy in 2010 may lead to disparity in global fixed-income returns.
- A weak U.S. Dollar remains a major risk factor for fixed income investors.
- Mounting state and local fiscal pressures have heightened concerns related to municipal bond credit qualities.
- Greater flexibility and security selection are becoming increasingly important considerations within fixed income.

Dollar Giving Back Gains as Fear Trade Unwinds

The U.S. Dollar has given back most of its gains since the crisis-driven flight to quality.



Source: PMFA, Federal Reserve

Challenges Create Opportunity – How Will You Adjust?

- **Challenges ahead for fixed income markets:**
  - Rising interest rates
  - Changing Fed policy
  - Mounting global monetary/fiscal differences
  - Debt challenged municipalities
  - Increased inflation
- **High level of uncertainty supports the need for greater manager flexibility within fixed income portfolios to take advantage of opportunities related to duration, credit quality, and specific issuer or country characteristics.**

Will Earnings Recover?

Corporate earnings are improving. The pace of earnings growth may falter as cost-cutting wanes unless revenue growth exceeds expectations.

Source: PMFA, Standard and Poors

Challenges Create Opportunity – How Will You Adjust?

- A reversal of the tailwinds that drove equity returns over the last two decades may lead to below average returns over the next market cycle.
- The risk premium of equities has fallen, as price/earnings ratios have increased.
- Potential excess return for risk assets over risk-free assets is lower than it was a year ago, though we believe it still exists.
- In an uncertain economic environment, even one in which the outlook appears to be improving, a greater degree of downside protection remains advisable.

Challenges Create Opportunity – How Will You Adjust?

- **Broad diversification in one's risk assets and meaningful exposure to alternative investments is advisable, particularly in light of global economic uncertainty and current equity valuations.**
- **Strategies for consideration include:**
  - Hedged strategies
  - Tactical asset allocation strategies
  - Broad commodities and gold
  - Higher risk bond strategies
  - Convertibles

Question For Participants

What potential issue on the horizon is of greatest concern to you?

1. Rising inflation
2. Increased government regulation
3. Rising interest rates
4. U.S. Dollar weakness
5. U.S. Fiscal Policy – Rising Deficits and/or Higher Taxes

Part III

2010 CHECKLIST

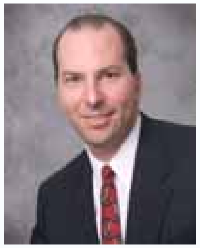
2010 Checklist – Ideas for Consideration

- Cast a broader net in constructing your investment portfolio.
- Review your life insurance policies.
- Talk to your advisor about how a trust can help you accomplish your goals.
- Consider reviewing your estate plan documents.
- Retirement Plan Fiduciaries – be aware of potential policy changes resulting from the forthcoming legislation.

QUESTIONS

About our speakers

John J. Lesser, CFA, CPA, CFP®, Partner



John is a partner with Plante and Moran Financial Advisors. He provides comprehensive investment consulting, estate planning, and income tax planning services to wealthy families and institutions. His specialties include advanced portfolio construction concepts, manager searches and due diligence, performance reporting, and sophisticated wealth transfer techniques. John is also a member of Plante and Moran Financial Advisors, Research and Investment Committees. Additionally, he was named to Crain's Detroit Business's annual "40 Under 40," and listed among Barron's "Top 100 Independent Financial Advisers." John holds a BA from Oakland University and an MBA from Wayne State University.

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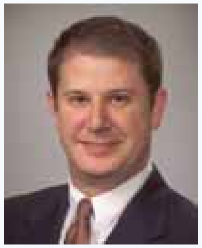

Jim is a partner with and the Chief Investment Strategist for Plante Moran Financial Advisors and serves as a member of the firm's Research and Investment Committees. In that capacity, his expertise includes the development of investment strategies, portfolio construction implementation solutions, manager searches and due diligence, performance reporting, and authoring a variety of market commentaries and investment research papers. In addition, he provides commentary to the press on a regular basis related to investment consulting, capital markets and issues relevant to wealth management. He is also a Certified Investment Management Analyst by the Investment Management Consultants Association, which involved coursework and an examination taken at the Wharton School of Business at the University of Pennsylvania. He holds a BBA from Western Michigan University.

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