

# 2011 Mid-Year Review

June 29, 2011



# Overview

**U.S. Economy**



**U.S. Consumer**



**Corporate America**



**Global Concerns**

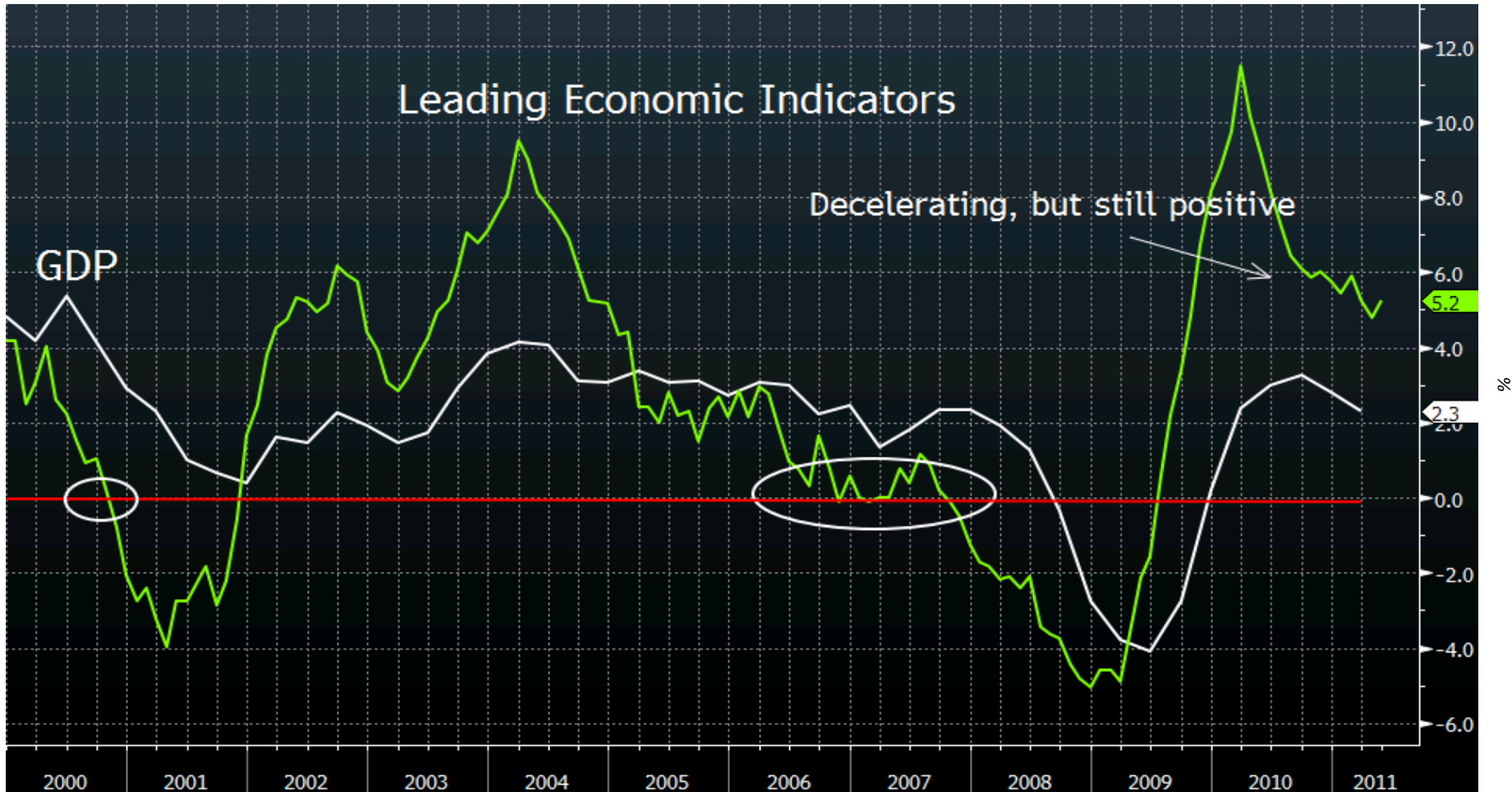


- **Slowing Growth**
- **High Unemployment**
- **Record Government Debt Levels**
- **Soft Housing Market**
- **Rising Inflation**
- **Lacking Strong Leadership**



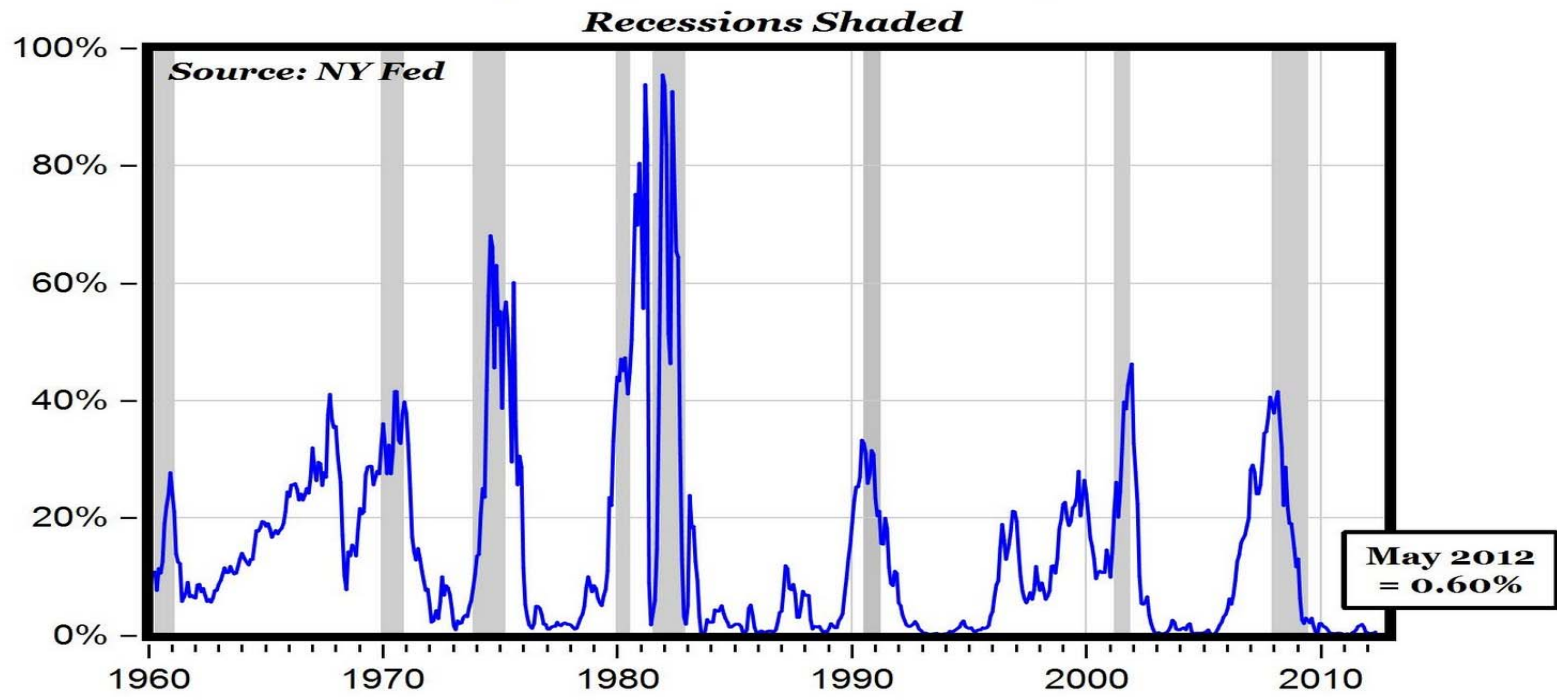
# U.S. Economy Slowing

## Conference Board Leading Economic Indicators Annual Growth



# Fed Recession Indicator is Very Healthy

## Probability of U.S. Recession Predicted by Treasury Spread January 1960 to May 2012



# The Debt Level is Unsustainable

## U.S. Government Debt/GDP

"The relationship between government debt and real GDP growth is weak below 90% of GDP. Above that threshold, median growth rates fall by 1% and average growth rates fall considerably more."  
-Carmen Reinhart



- **Low Overall Confidence**
- **Increased Energy and Food Costs**
- **Difficulty Borrowing**
- **Distrust of Markets and Government**
- **High Household Debt Levels**
- **Lower Net Worth**



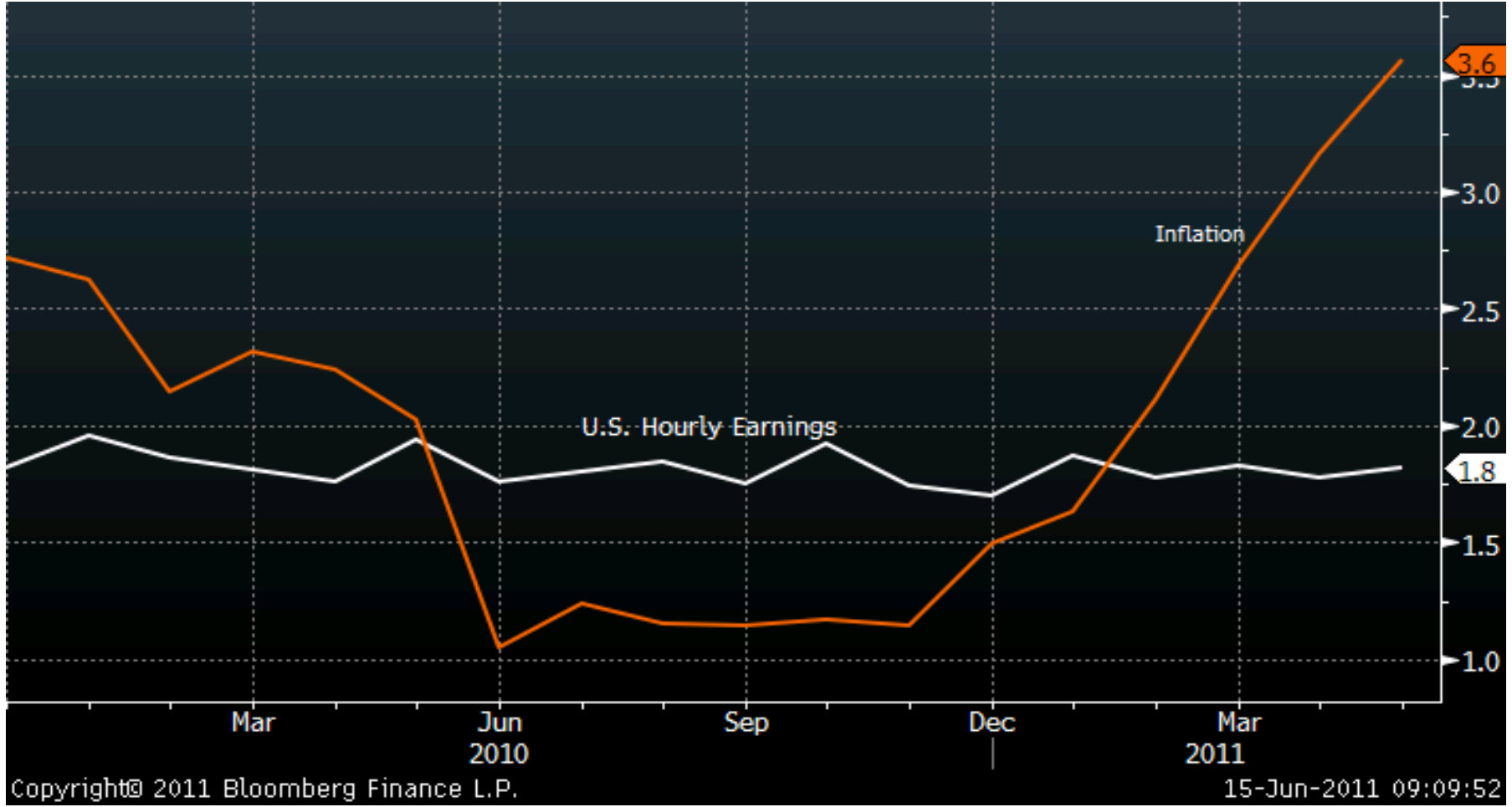
# U.S. Consumer Confidence

## University of Michigan Consumer Sentiment



# Inflation Outpacing Wages

## U.S. Average Hourly Earnings vs. Consumer Price Index Annual Growth



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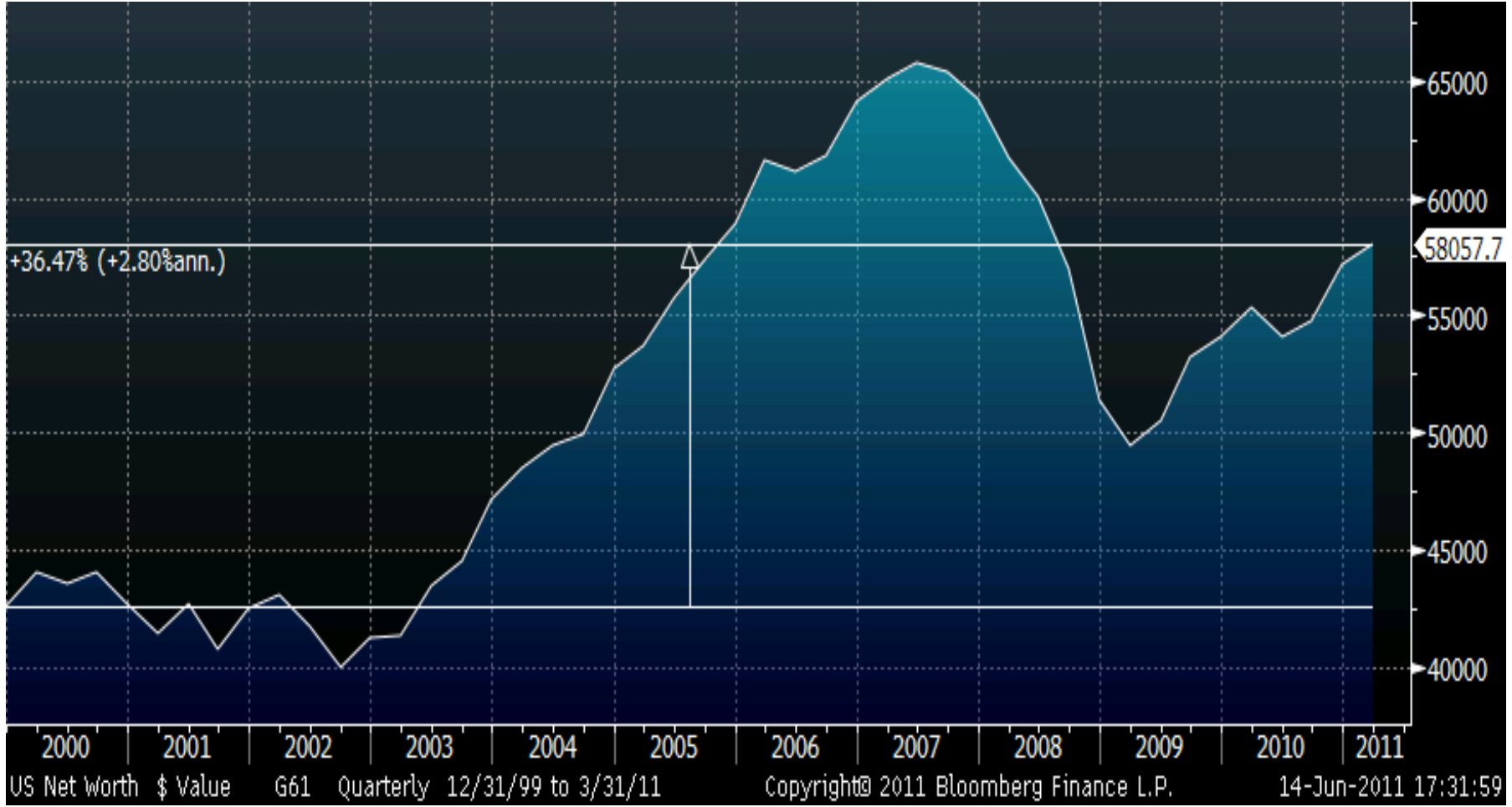
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# Duration of Unemployment Worrisome

## Average Weeks Unemployed



# Net Worth Below Peak but Recovering



US Net Worth \$ Value G61 Quarterly 12/31/99 to 3/31/11 Copyright© 2011 Bloomberg Finance L.P. 14-Jun-2011 17:31:59

- **Solid Balance Sheets**
- **Record Profits**
- **Stable Labor Costs**
- **Favorable Tax Climate**
- **Increasing M&A**
- **Forward Profit Estimates Strong**



# U.S. Corporate Profits are Above Previous Peak

Bureau of Economic Analysis (Corporate Pre-tax Profit)



# S&P 500 Index with Earnings Estimates



- **European Debt Restructuring**
- **Slowdown in China**
- **Japan Stagnation**
- **Limitations of Central Banks to a Global Catastrophe**
- **Loss of Faith in Major Currencies**



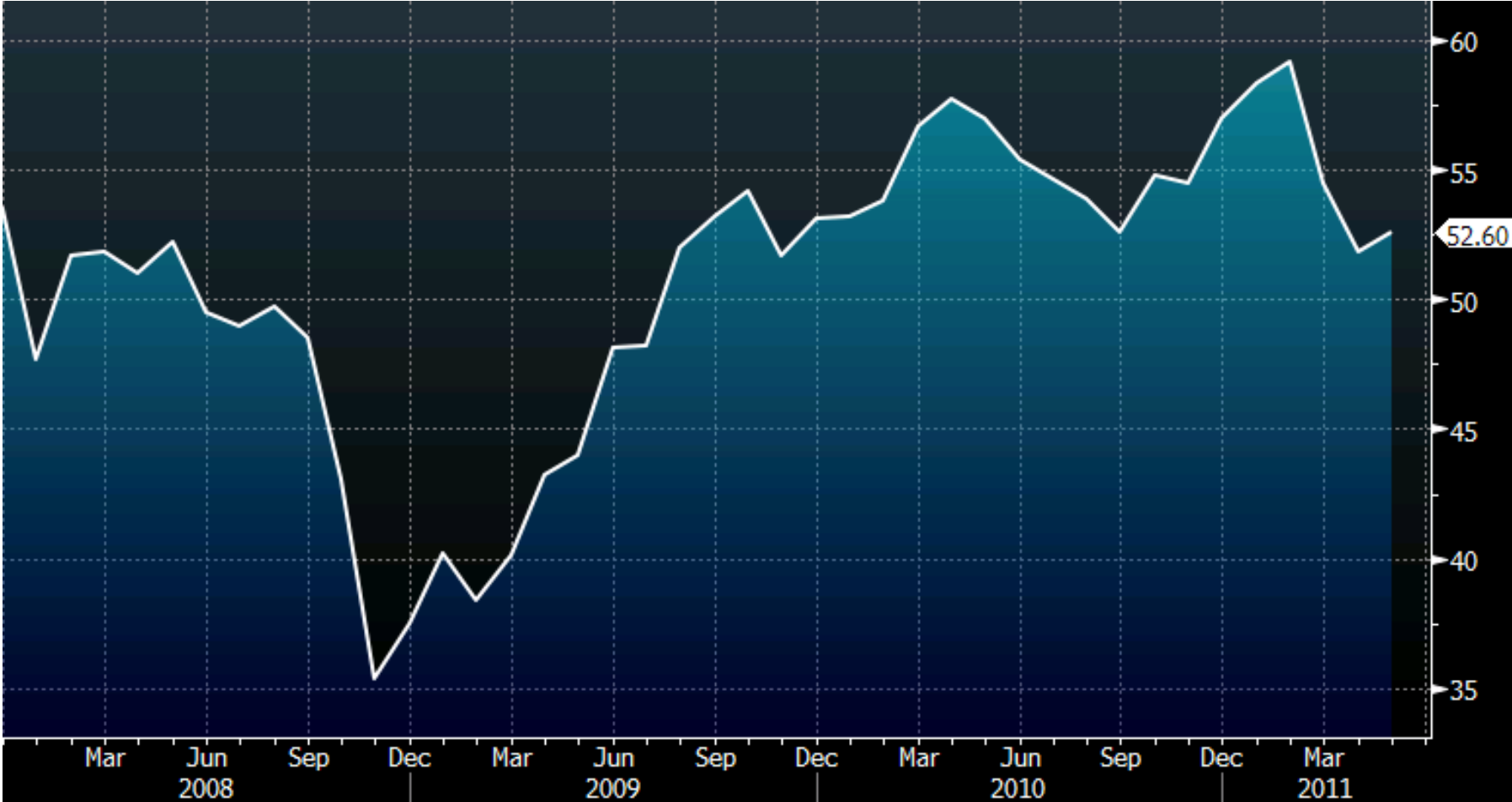
# China's Inflation Above 4% Target

## China Consumer Price Index Annual Growth



# Global Economy Slowing but Still Positive

## JP Morgan Global Purchasing Managers Index (Growth above 50)



Global PMI Composite G39 Monthly 12/31/07 to 5/31/11 Copyright© 2011 Bloomberg Finance L.P. 27-Jun-2011 17:44:08

# General Portfolio Positioning

- **Increased use of Alternative Managers to manage downside risk**
- **Use of technical analysis in funds and as a tactical overlay to manage downward trending markets**
- **Increased Commodity exposure to protect against inflation and weakness in dollar**
- **Use of International Stocks and Bonds to protect against weakness in dollar**



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**Greg Sullivan** is President of Harris SBSB, a service of Harris Private Bank that provides comprehensive financial planning and wealth advisory services to affluent clients. Mr. Sullivan, who co-founded Harris SBSB in 1991, is responsible for ensuring the continued growth and development of the business and specializes in providing investment management, tax advisory and financial planning services to clients.

Mr. Sullivan earned his bachelor's degree from Pennsylvania State University and has over 30 years of experience advising affluent clients. He is a CERTIFIED FINANCIAL PLANNER™ professional and a Certified Public Accountant (CPA).

Mr. Sullivan is actively involved in the financial planning community. He is past president of the International Association for Financial Planning (now called the Financial Planning Association) and served on its Board of Directors from 1989-1997. He is a founding member of the Alpha Group, a nationally recognized group of leading financial planners. Mr. Sullivan was recognized by Barron's as one of the Top 100 Independent Advisors and by Washingtonian magazine as one of the area's Top Financial Planners in 2009 and 2010.



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Mr. Lyons earned his B.B.A., with honors, in Accounting and Finance from the University of Georgia and his M.B.A., also with honors, in Finance from the University of Kentucky.

Prior to Harris SBSB, Mr. Lyons served as Executive Director of Riggs & Co.'s domestic Wealth Management Division where he had full responsibility for all aspects of the firm's domestic wealth and asset management businesses. Before joining Riggs & Co., Mr. Lyons served as the Managing Director of the Alexandria Bancorp Group of companies. He was responsible for a 75-person staff with full profit and loss responsibility for \$19.8 billion in assets under management, \$140 million in annual revenues and a \$28 million operations budget. He directed the operations of seven offices in five countries.

Mr. Lyons currently serves on the board of The Patrick Foundation, a private charitable foundation that contributes to various organizations in areas of interest to the foundation trustees (mainly environmental). He has also served on the boards of Transatlantic Trading and Leasing Corp., Shield International Insurance Corp., as well as Ellwood Venture Capital Corporation. He previously served on the Financial Accounting Standards Board from 1991-1995 and The Canadian Society of Management Accountants from 1993-1995.



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Mr. Slattery has fourteen years of investment management experience. Prior to joining Harris SBSB, he was an Equity Research Analyst at Abingdon Capital Management and served as the firm's head trader for several years. Before Abingdon Capital Management, Mr. Slattery held various positions at the Dreyfus Corporation, including: Equity Research Summer Associate, Business Analyst Project Leader, and Investment Trading Representative handling the firm's most actively traded accounts. Before joining the Dreyfus Corporation, he was an Investment Center Representative at the Strong Funds.

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