



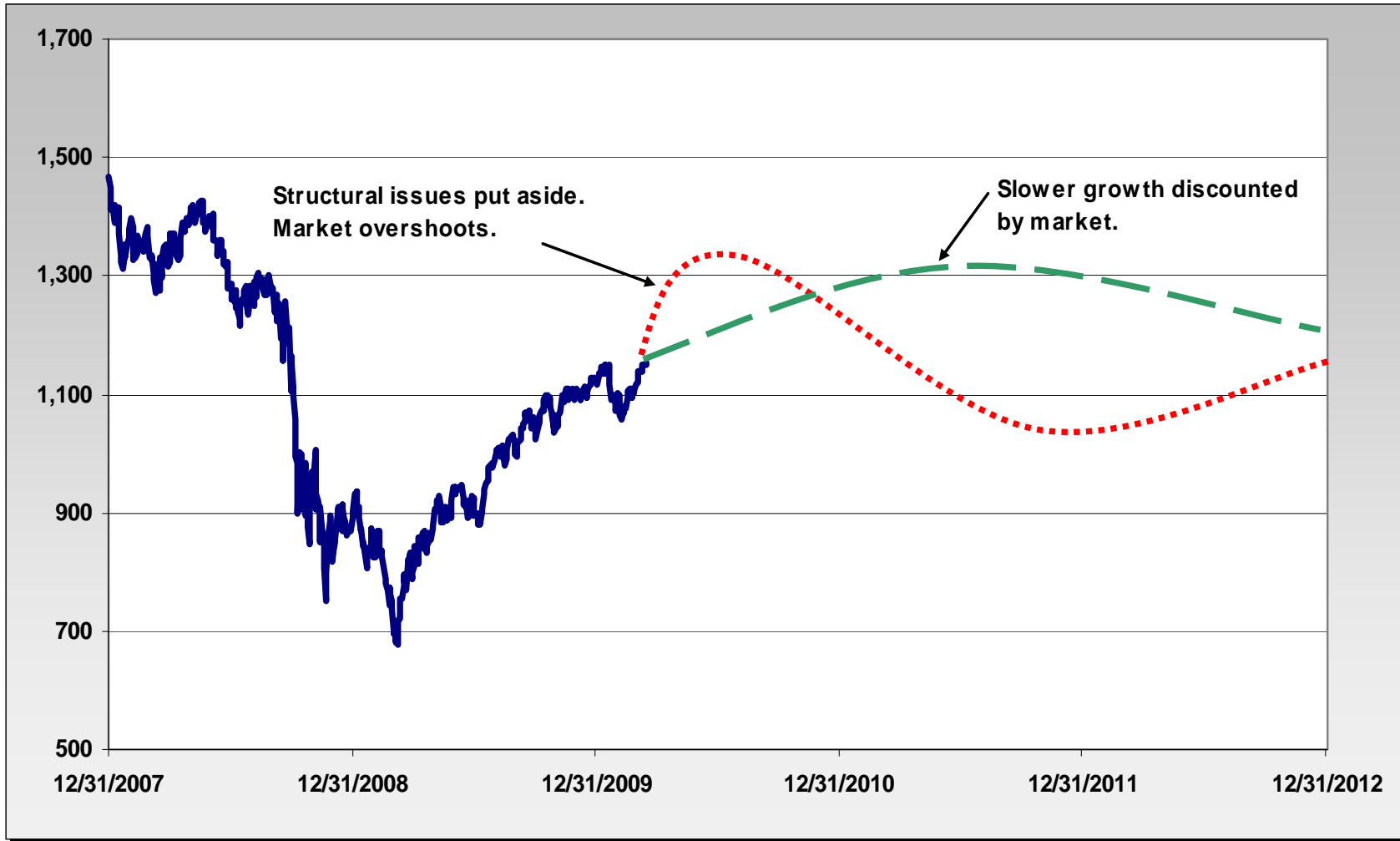
# Spring 2010 Economic Outlook and Investment Strategy

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Harris SBSB

# Two Potential "Recovery" Scenarios

## S&P 500

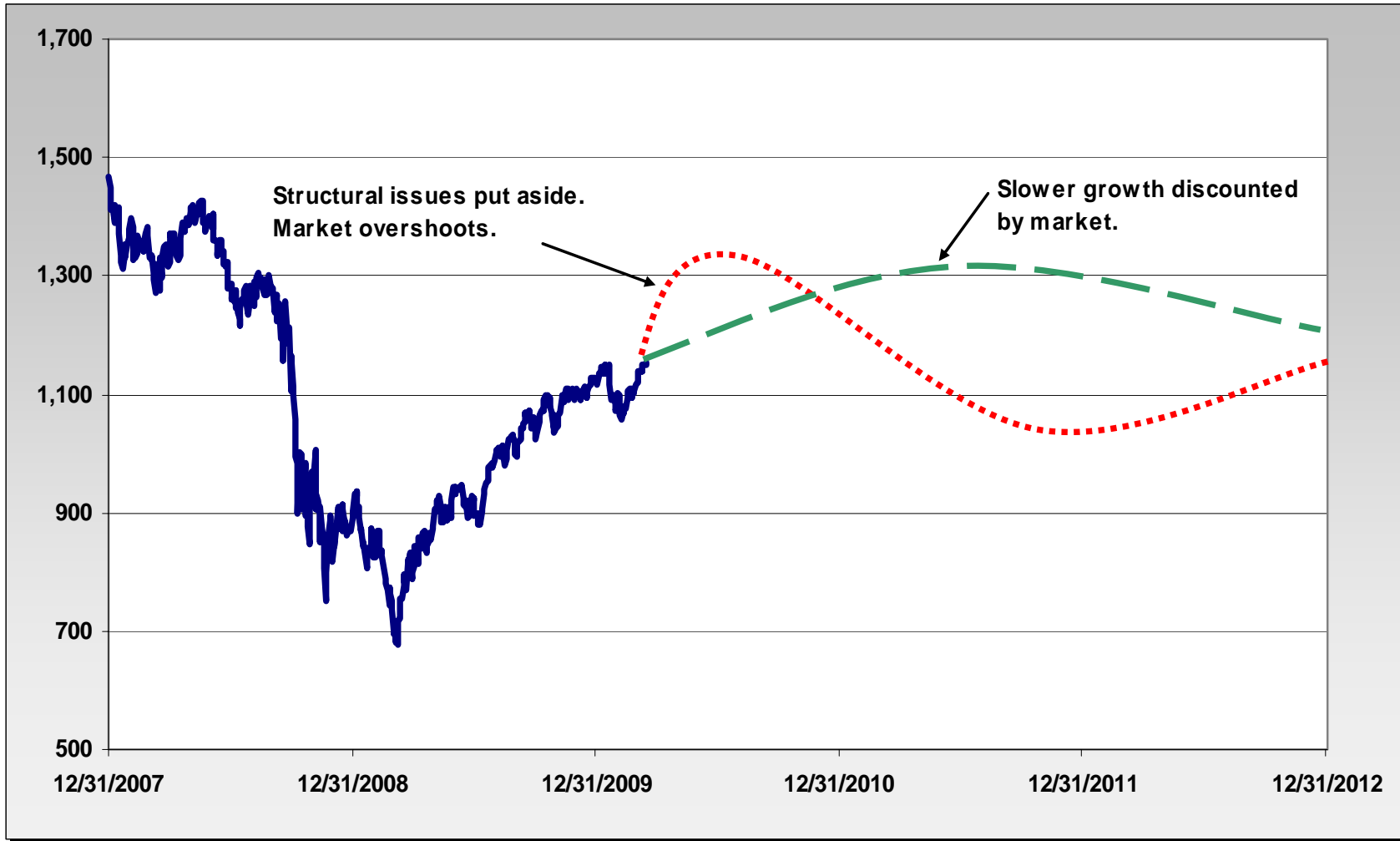


## Key Positives

- Retail sales are improving
- Corporate earnings are improving
- Inflation is tame
- World GDP is resuming growth
- Liquidity is still high
- Market valuations are fair
- More risk taking by investors
- Market participants seem to be paying little attention to structural issues
- Market technicals are positive
- Corporate balance sheets are very healthy
- Consumer delinquencies have begun tapering off
- Retail investors are still skeptical

# Two Potential "Recovery" Scenarios

## S&P 500

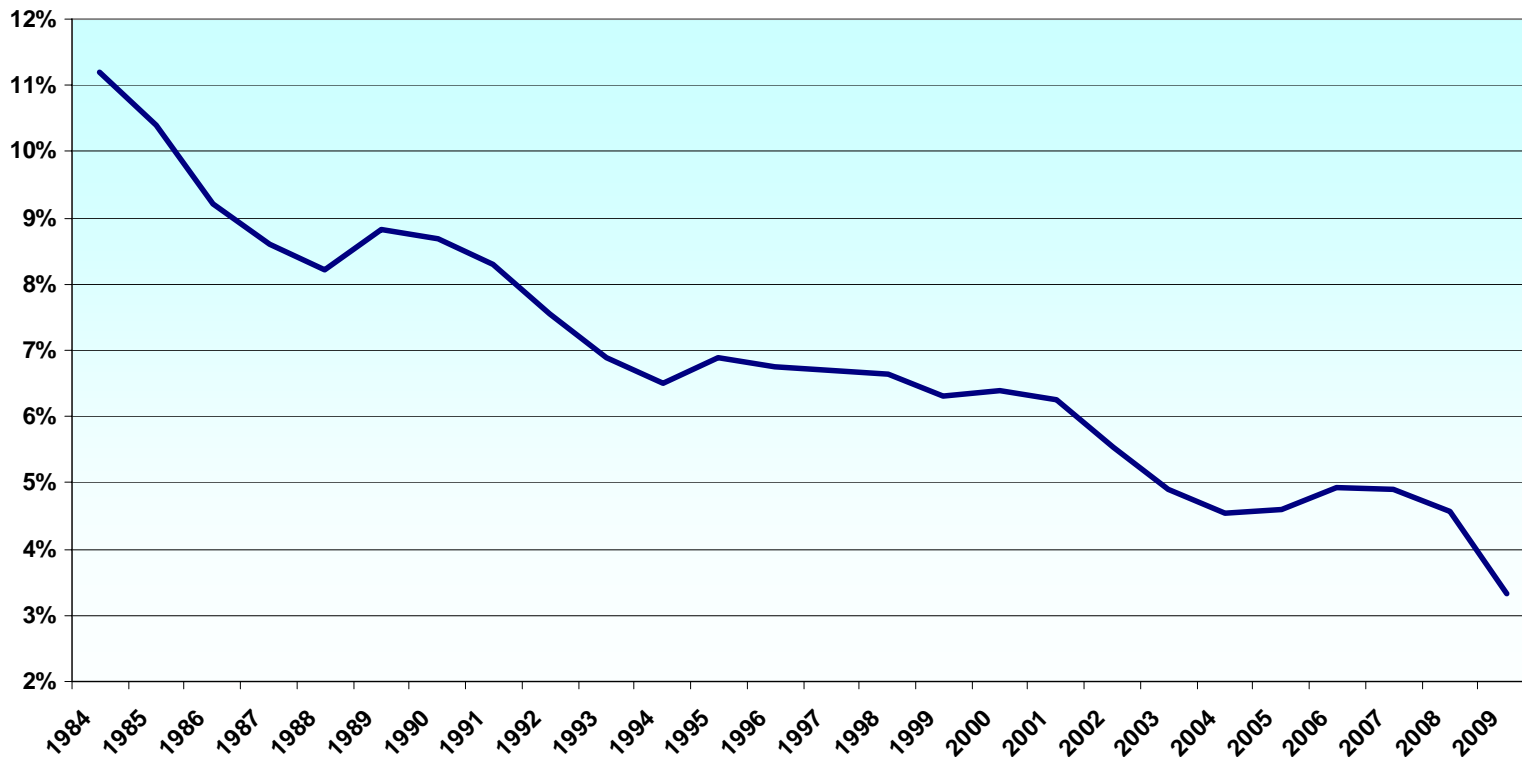


# Key Concerns

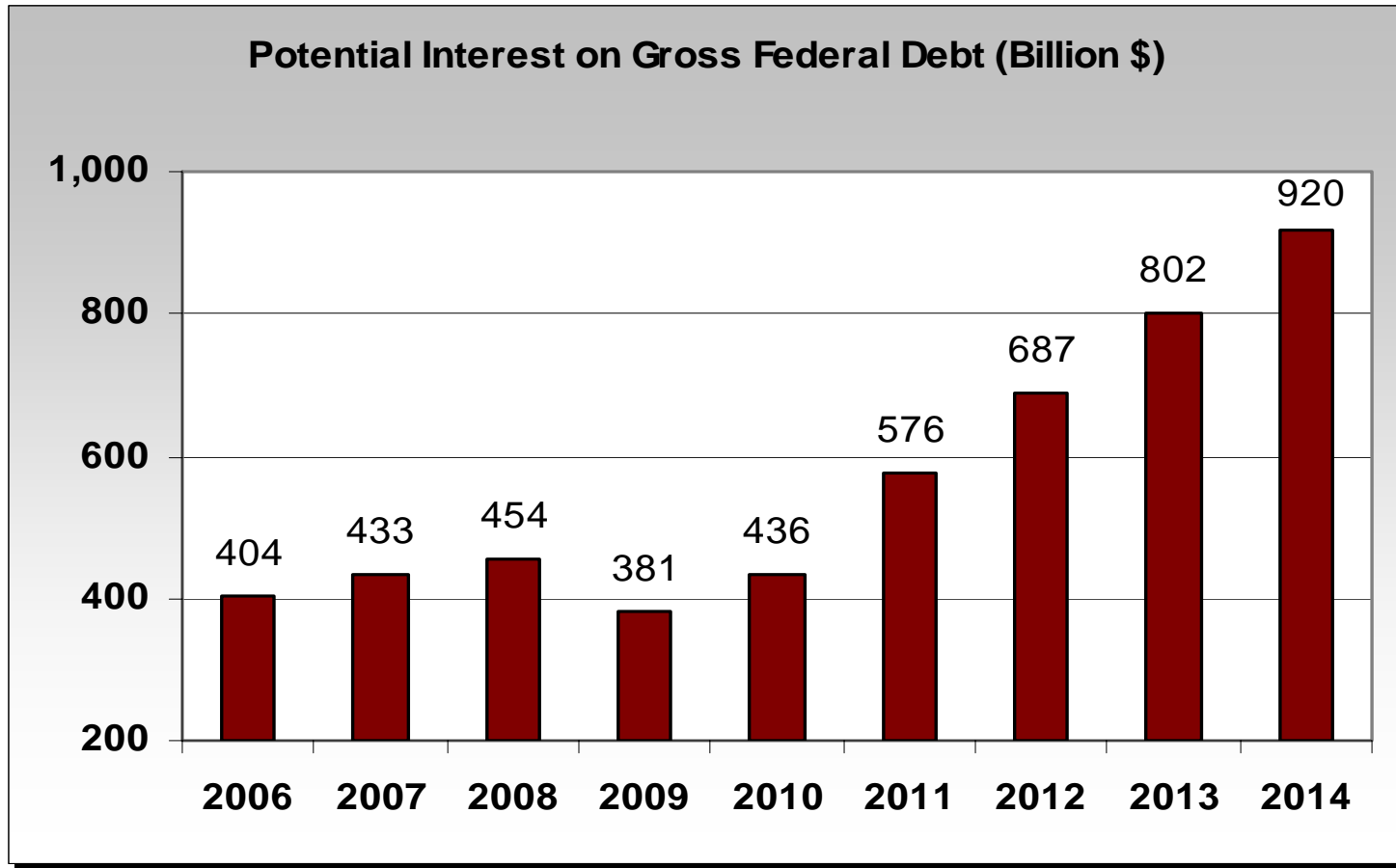
- The Federal Reserve's exit strategy
- Refinancing of National Debt interest payments
- Higher marginal taxes for the wealthy and largest corporations
- Higher interest rates for bonds
- The imbalance between revenue and receipts for state and local finance
- A still-leveraged consumer facing wage deflation and higher inflation
- Unemployment still too high
- Federal deficits unsustainable
- Wave of adjustable rate mortgage resets
- Large phantom inventory of unsold homes
- Post stimulus sustainable GDP growth

# Interest Rates on Government Debt Have Been Ideal for Decades

Average Interest Rate of Federal Debt Outstanding



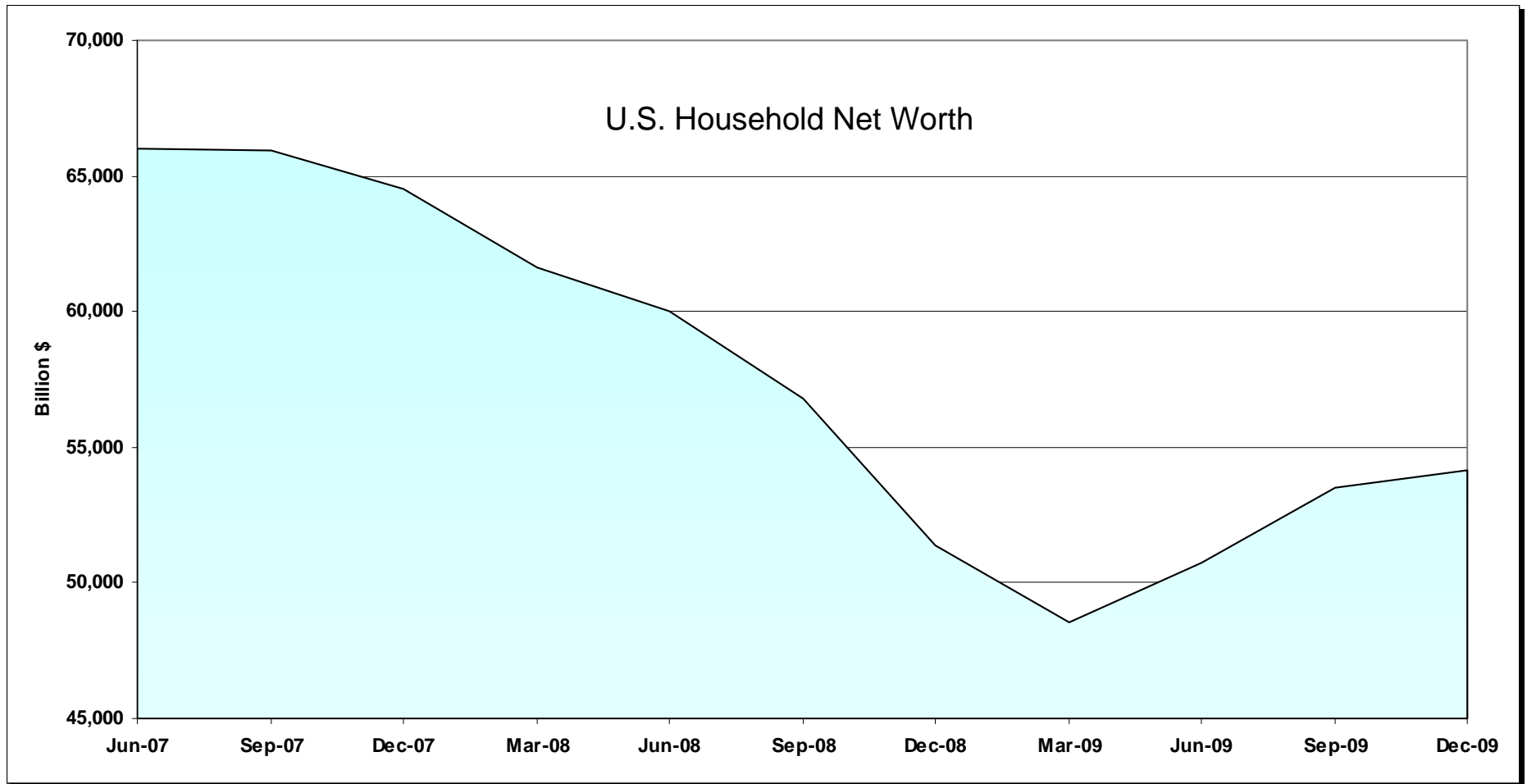
# Debt Burden Will Likely Increase



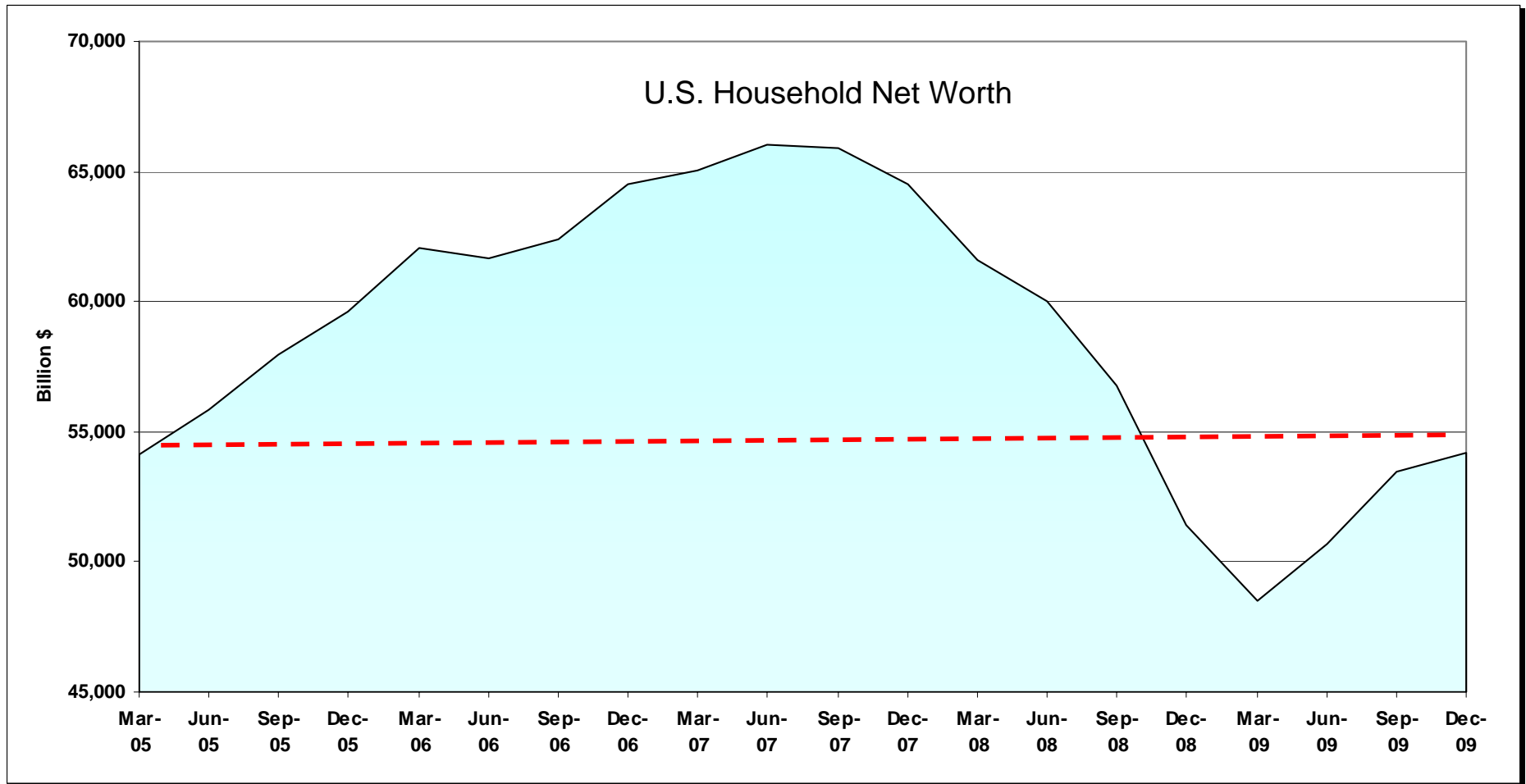
**Assumptions:**

<b>Interest Rate</b> <i>(Harris SBSB)</i>	3.29%	4.00%	4.5%	5.0%	5.5%
<b>Gross Federal Debt</b> <i>(CBO Estimates)</i>	13,260	14,395	15,259	16,030	16,723

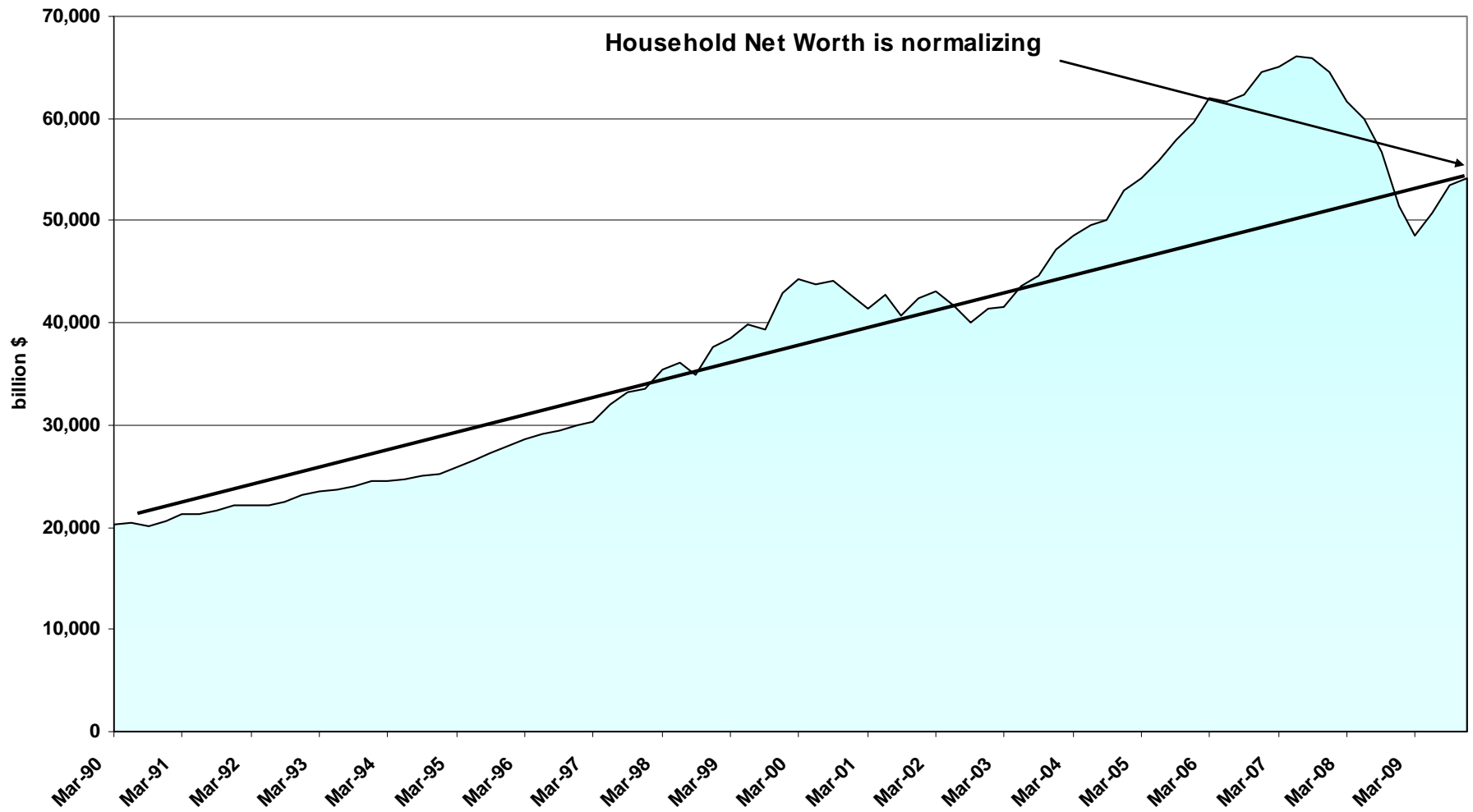
# U.S. Household Net Worth Down from Peak



# No Growth in U.S. Household Net Worth Since March 2005

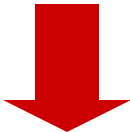
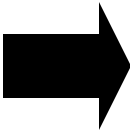


# U.S. Household Net Worth Back to Normal Level

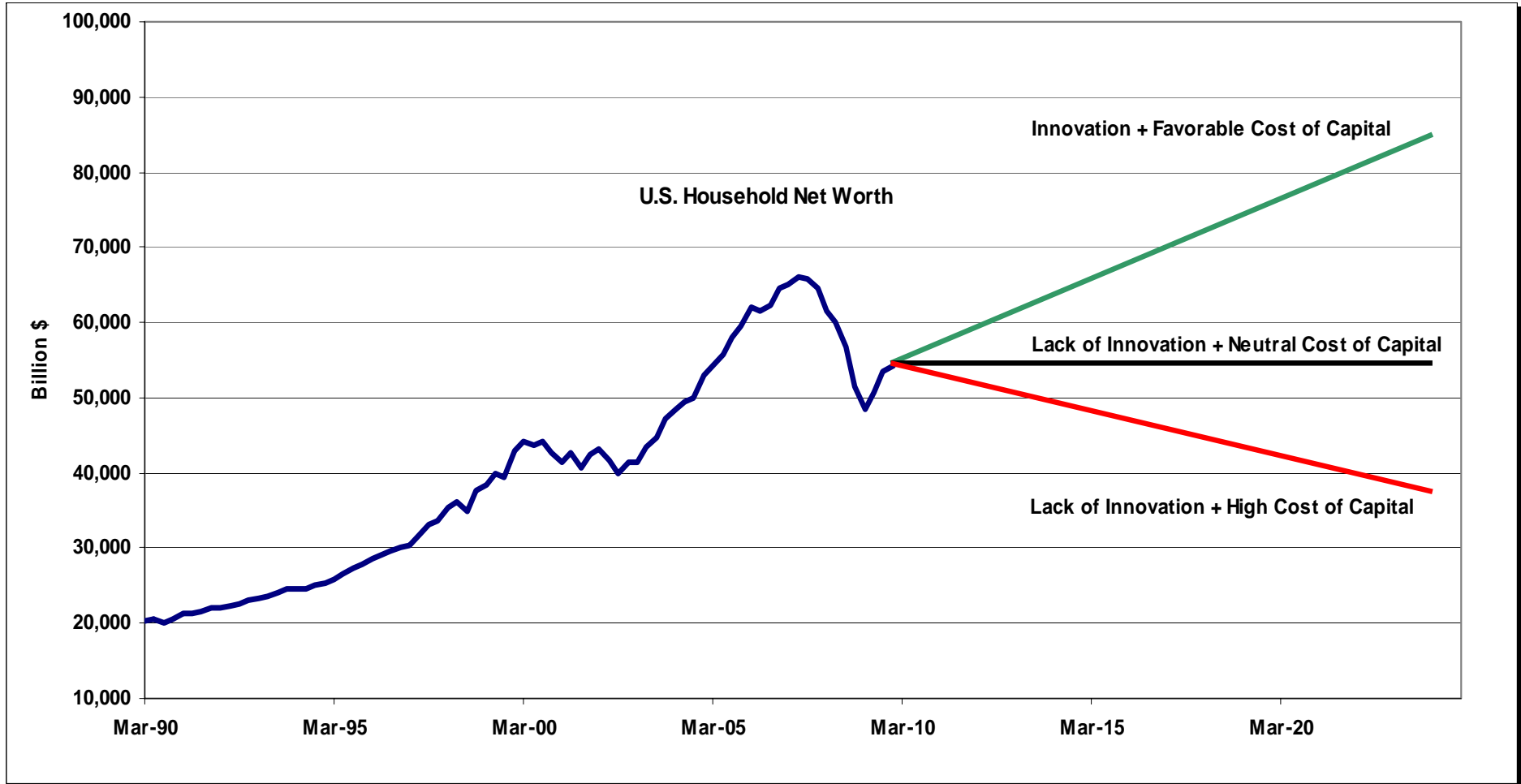


# Personal Consumption Funded With Savings

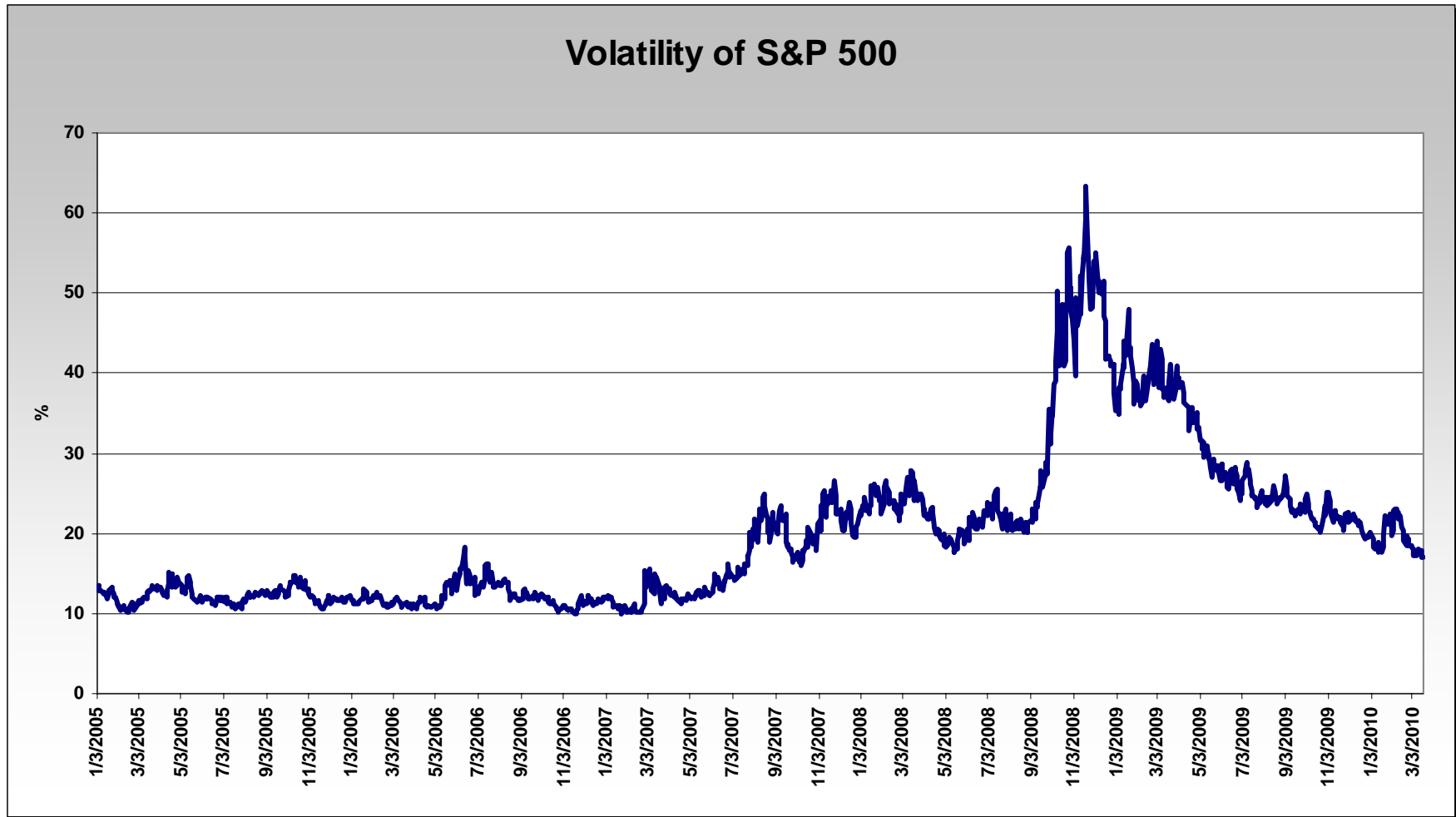
<b>Personal Consumption</b>
<b>Shopping Index</b>
<b>Personal Income</b>
<b>Personal Savings Rate</b>



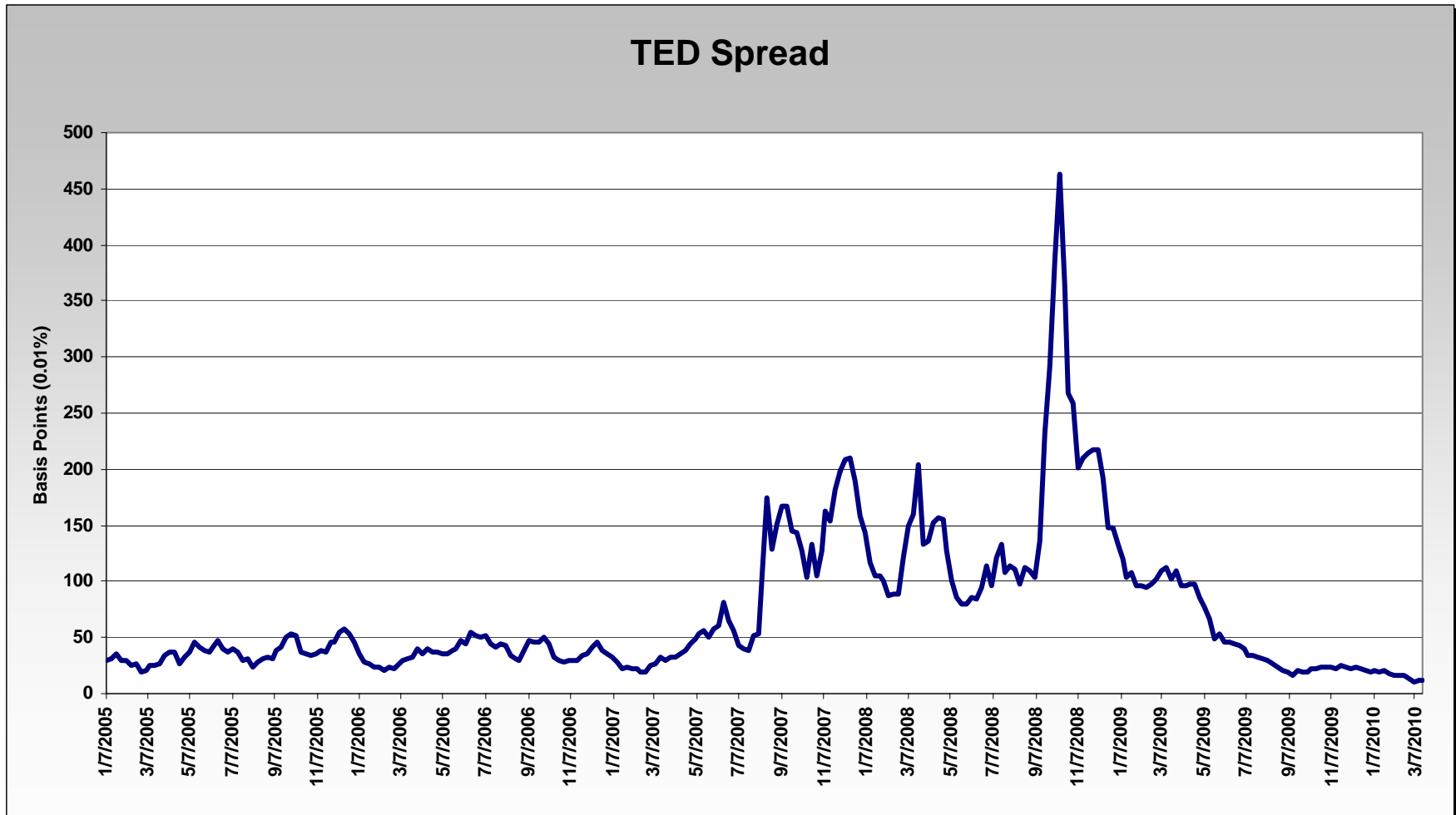
# Innovation and Cost of Capital Will Shape Future Net Worth



# Volatility Down



# Fear Gauge Says, "Don't Worry"



# Global Equity Valuations Seem Reasonable in Most Countries

## Price/Earnings Ratios

	<u>2010</u>	<u>2011</u>
<b>S&amp;P 500 Index</b>	<b>14.9</b>	<b>12.4</b>
<b>FTSE (UK)</b>	<b>13.0</b>	<b>10.8</b>
<b>DAX (Germany)</b>	<b>13.0</b>	<b>10.8</b>
<b>Shanghai (China)</b>	<b>17.6</b>	<b>14.8</b>

Assumes Forward Calendar Year Consensus EPS Estimates as of March 25, 2009

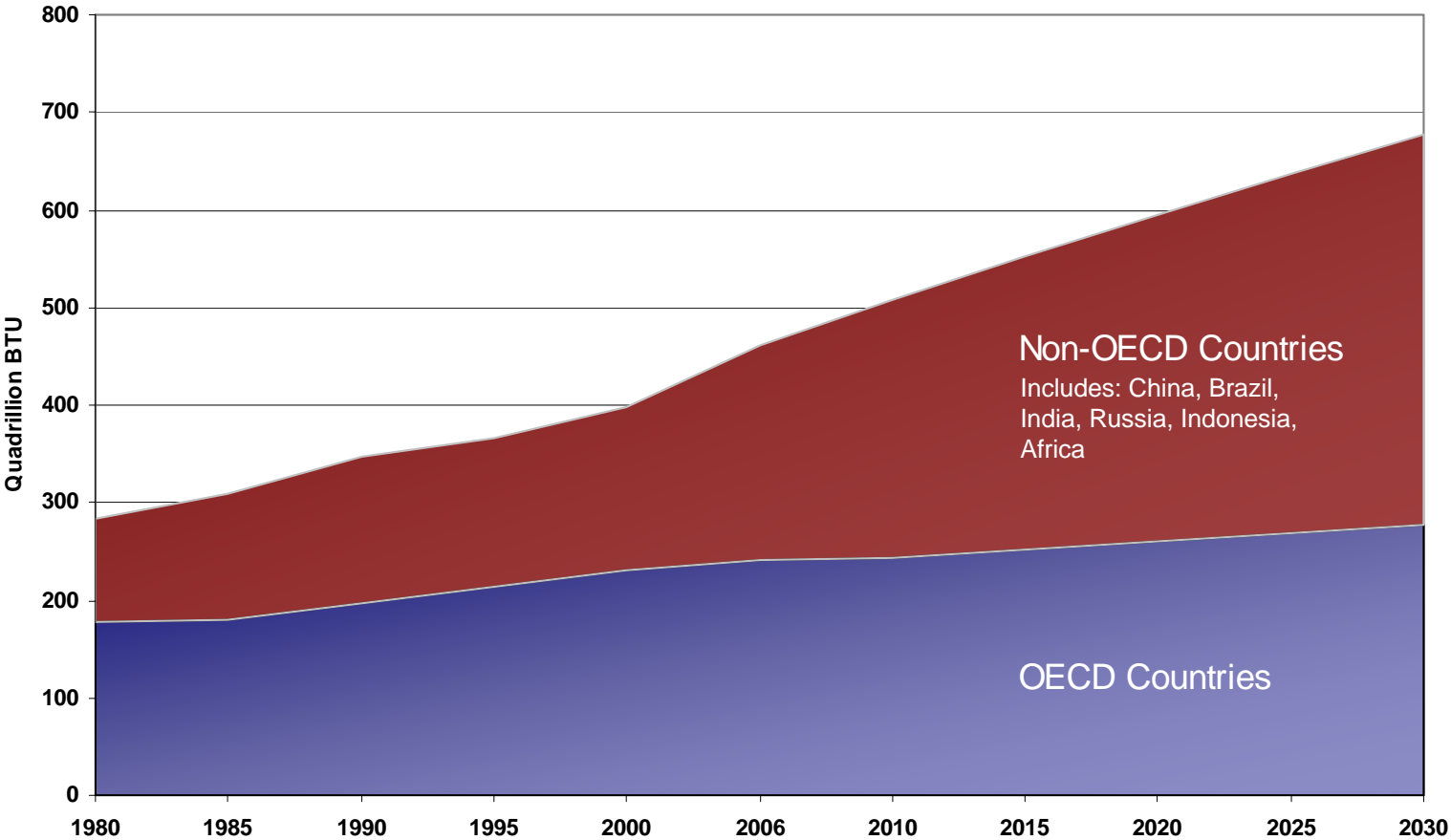
# Earnings Continue to Surprise to the Upside

## Q4 2009 S&P 500 Earnings Per Share (EPS) Results Relative to Analyst Expectations

<b>Higher than expected EPS</b>	<b>72.6%</b>
<b>Lower than expected EPS</b>	<b>17.2%</b>
<b>Inline with expected EPS</b>	<b>10.2%</b>

# Developing Nations Will Drive Energy Consumption Growth

## World Marketed Energy Consumption



# Portfolio Changes and Key Watch List Items

## Changes to the Portfolios:

- Shortened Duration of Fixed Income Portfolios
- Adding Commodities Fund (*Balanced, Growth, Aggressive Growth Accounts*)

## Key Watch List Items:

- Market Technicals
- Interest Rate Yield Curve
- Unemployment Changes
- Housing Indicators
- Bank Lending
- Commodity Prices



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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 25 years of experience advising affluent clients. He is a CERTIFIED FINANCIAL PLANNER™ professional, a Certified Public Accountant (CPA) and is accredited as a Personal Financial Specialist (PFS) by the American Institute of Certified Public Accountants.

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.



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**Gary Lyons** is Director of Portfolio Management at Harris SBSB where he specializes in investment strategy and policy. In addition to meeting with clients to discuss investments, Mr. Lyons chairs Harris SBSB's Investment Policy Committee.

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.

## Disclosures

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