

Fall 2010 Economic Outlook and Investment Strategy

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Unusually Uncertain Times

“Even as the Federal Reserve continues prudent planning for the withdrawal of monetary policy accommodation, we also recognize that the economic outlook remains unusually uncertain.”

Dr. Ben S. Bernanke - July 22, 2010

“Unusually uncertain means we don’t have a clue. Unusually uncertain equates to wait and hope.”

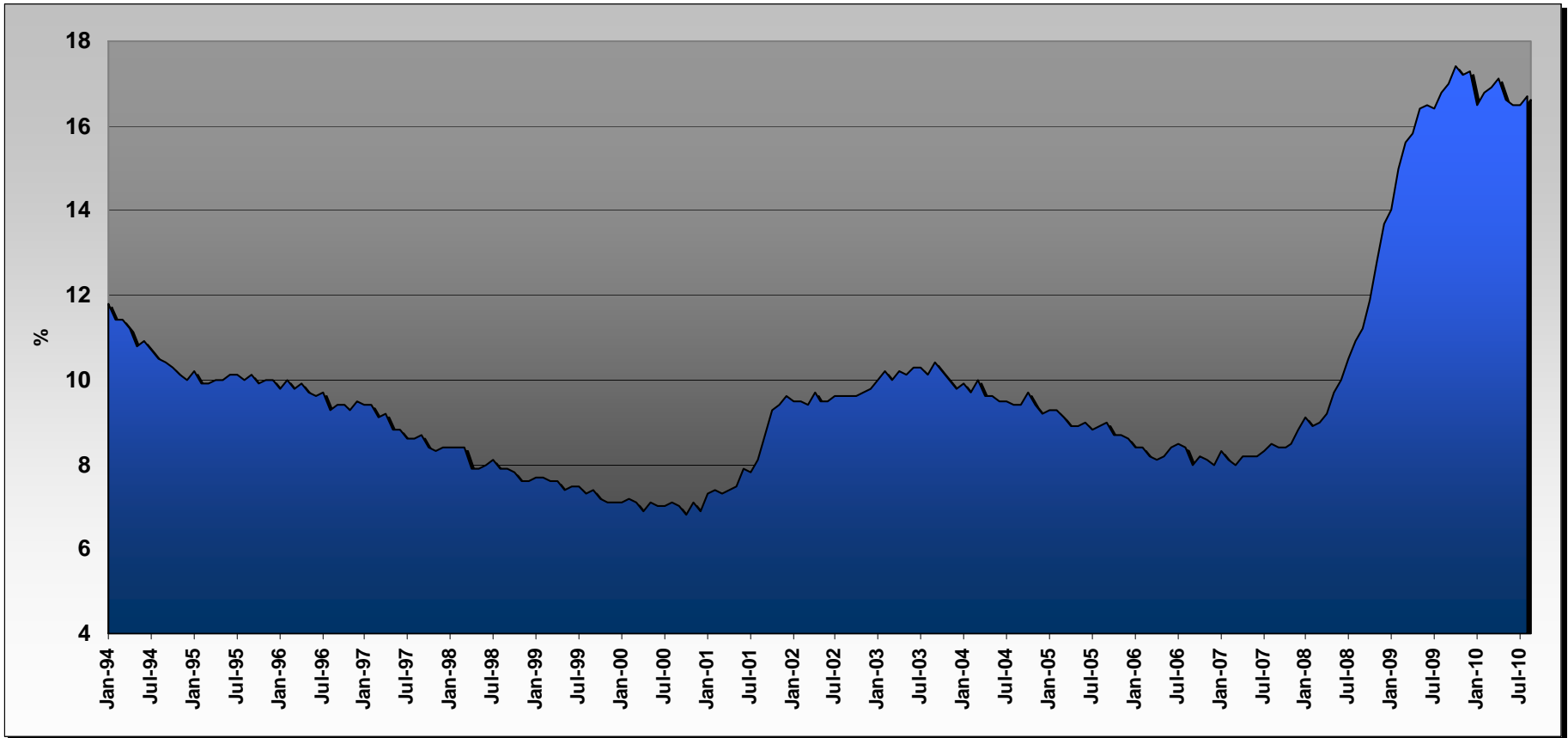
Dr. John B. Taylor - July 23, 2010

What is happening in the economy?

- The employment situation has showed no real signs of sustained improvement
- Housing is still weak
- Many of the leading indicators that we track have continued to decline
- Debt levels remain unsustainably high
- Unfavorable demographics in the U.S.
- Inflation remains low – tipping to deflation?

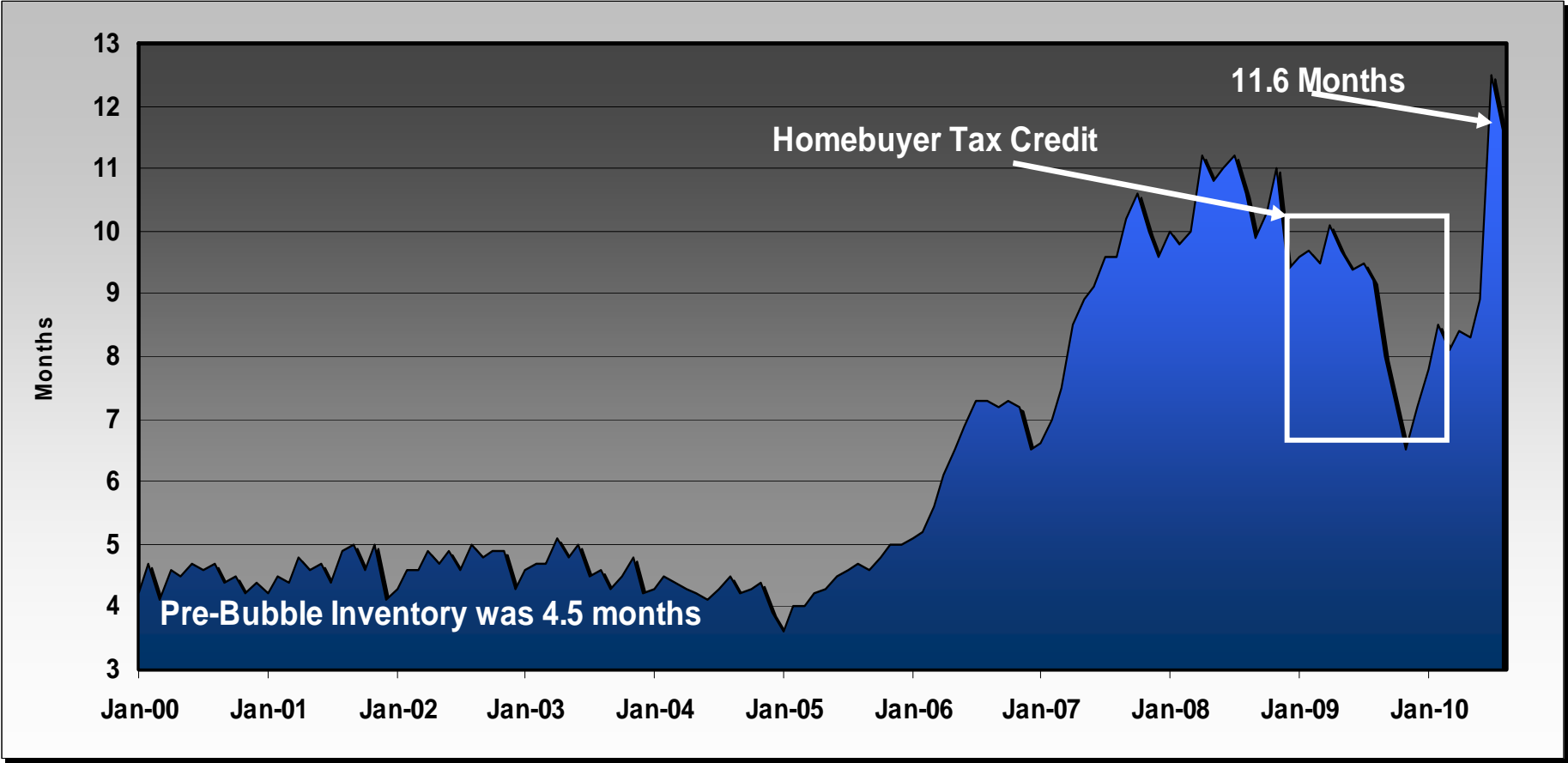
Under-employment: Still a Major Issue

Under-employment Rate (U-6)

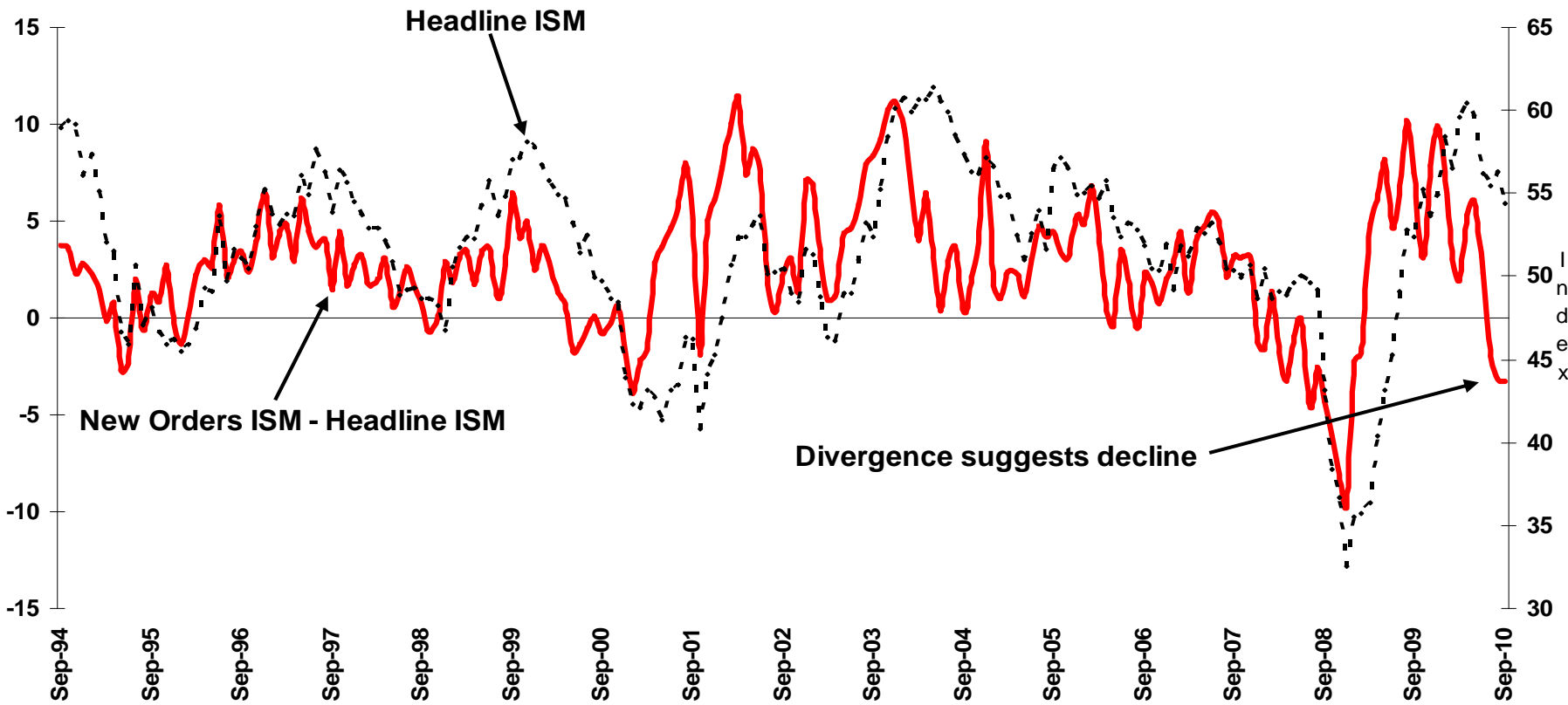


Housing Remains Weak

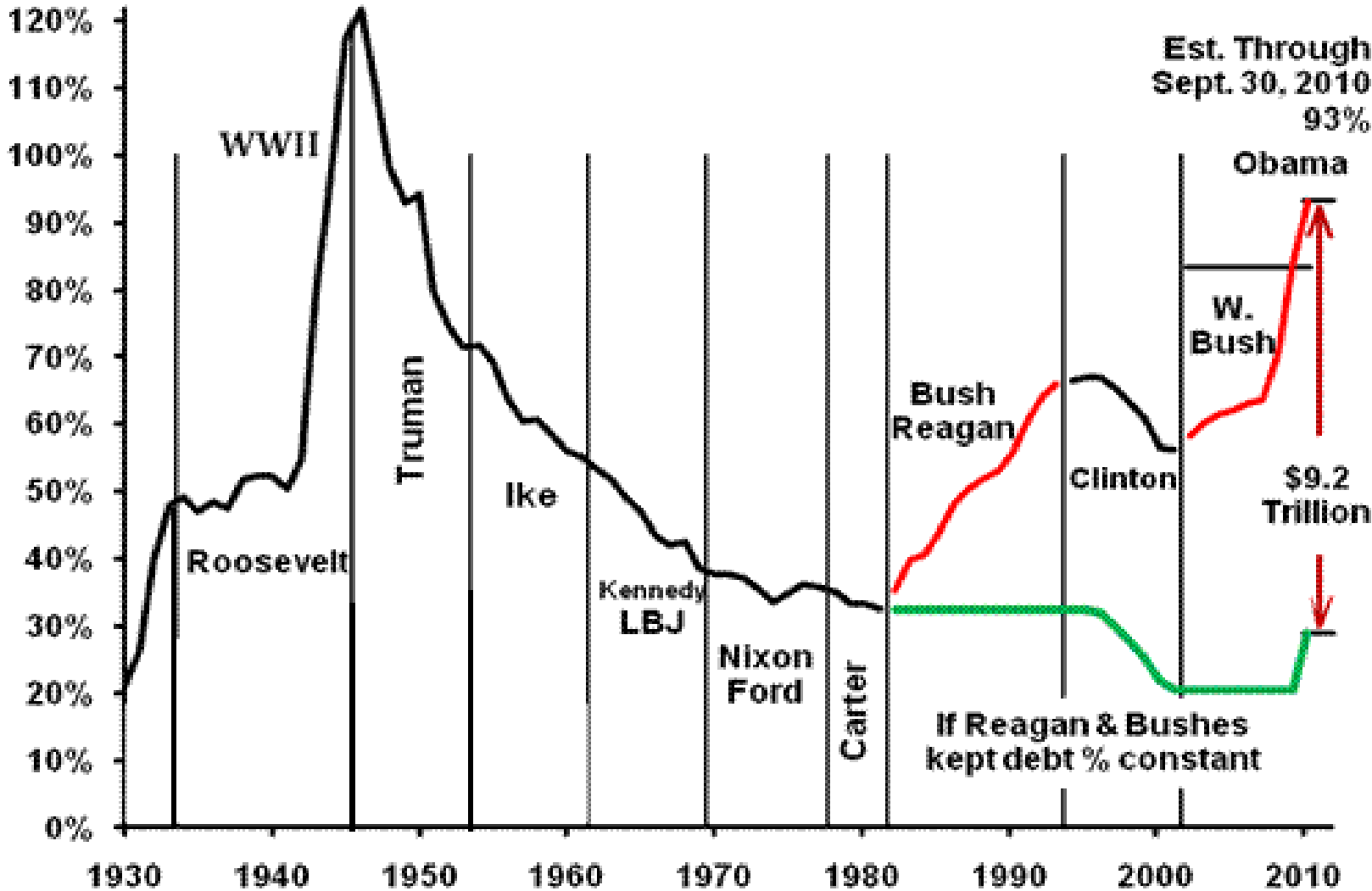
Existing Homes Supply of Inventory in Months



ISM Leading Components Suggest Decline Soon



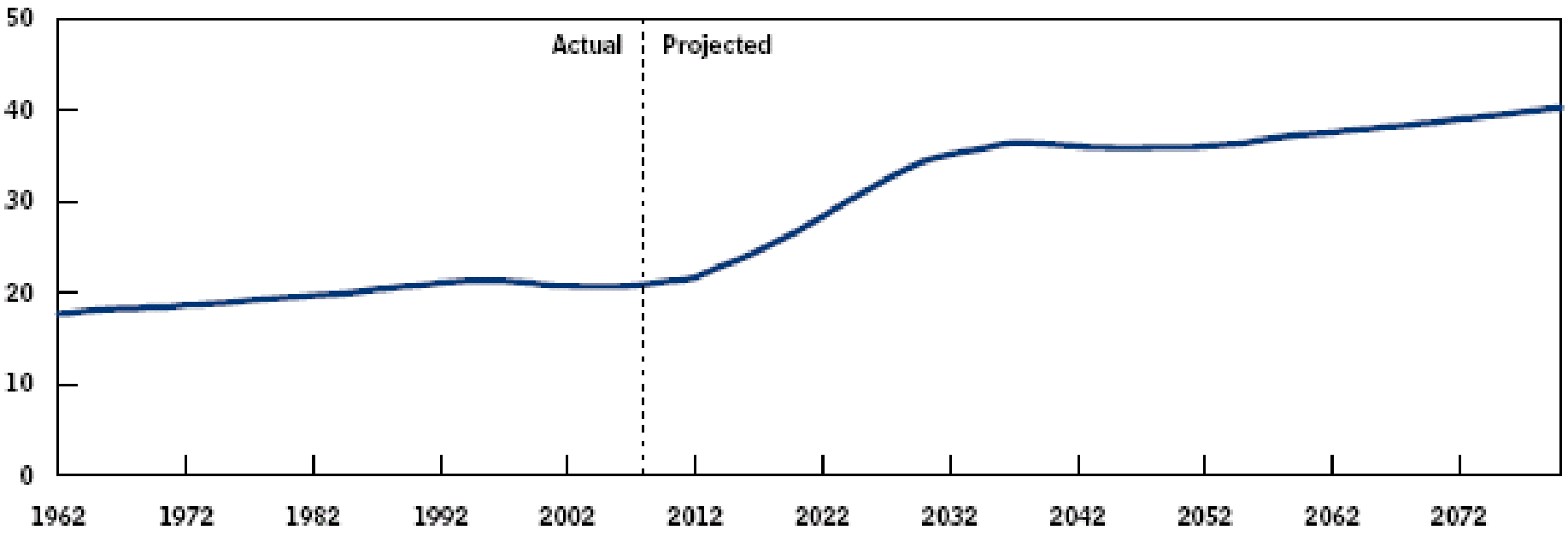
National Debt as a Percentage of GDP



Baby Boomers Turn 65 Next Year

The Population Age 65 or Older as a Percentage of the Population Ages 20 to 64, 1962 to 2080

(Percent)



Inflation or Deflation?

Inflation

Developed Nations

United States	1.1%
Japan	-0.9%
Germany	1.3%
United Kingdom	3.1%
France	1.4%
Italy	1.6%
Weighted Average	1.1%

} **51% of Global GDP**

Developing Nations

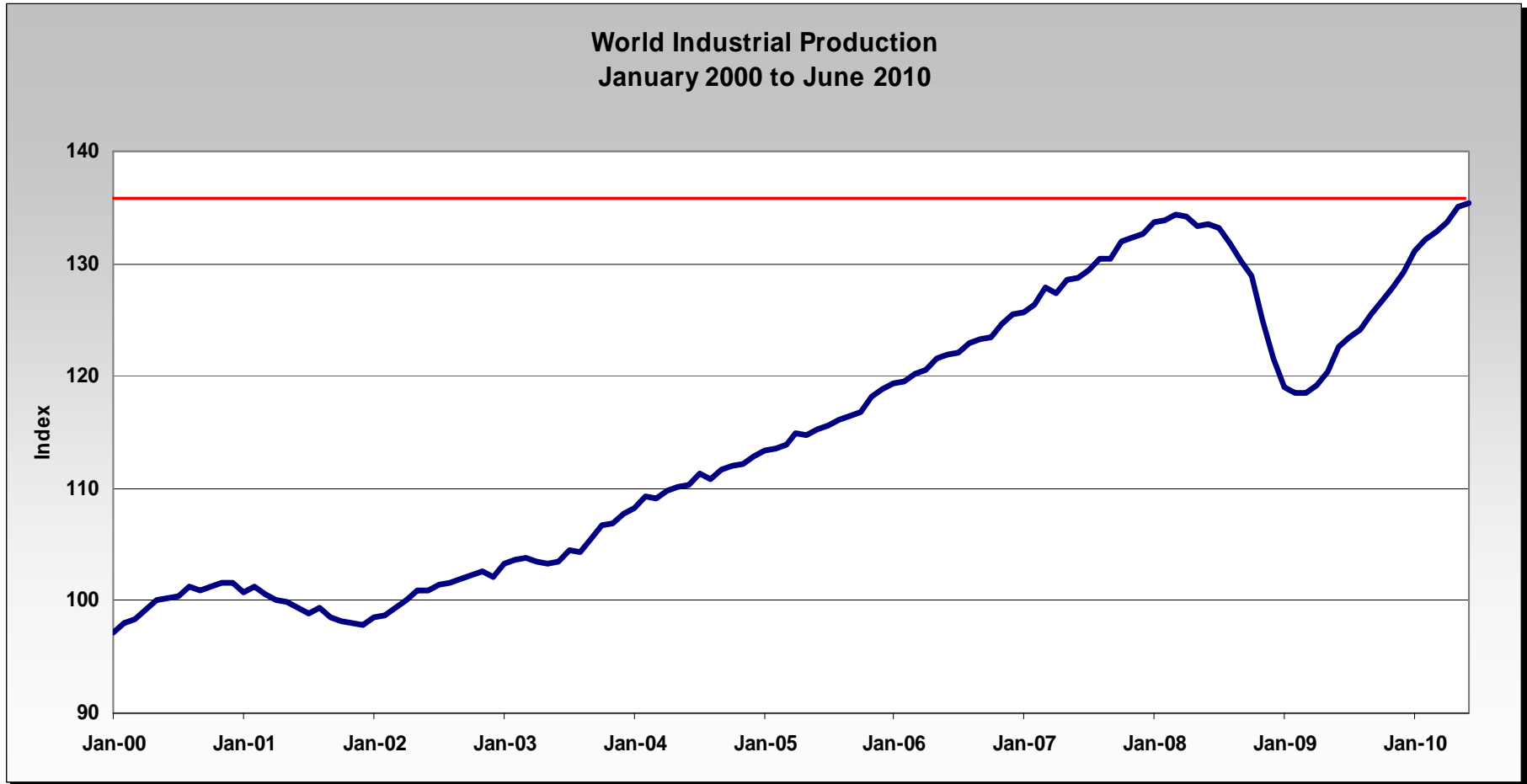
China	3.5%
Brazil	4.6%
India	11.3%
Australia	3.1%
South Korea	2.6%
Indonesia	6.4%
Weighted Average	4.7%

} **18% of Global GDP**

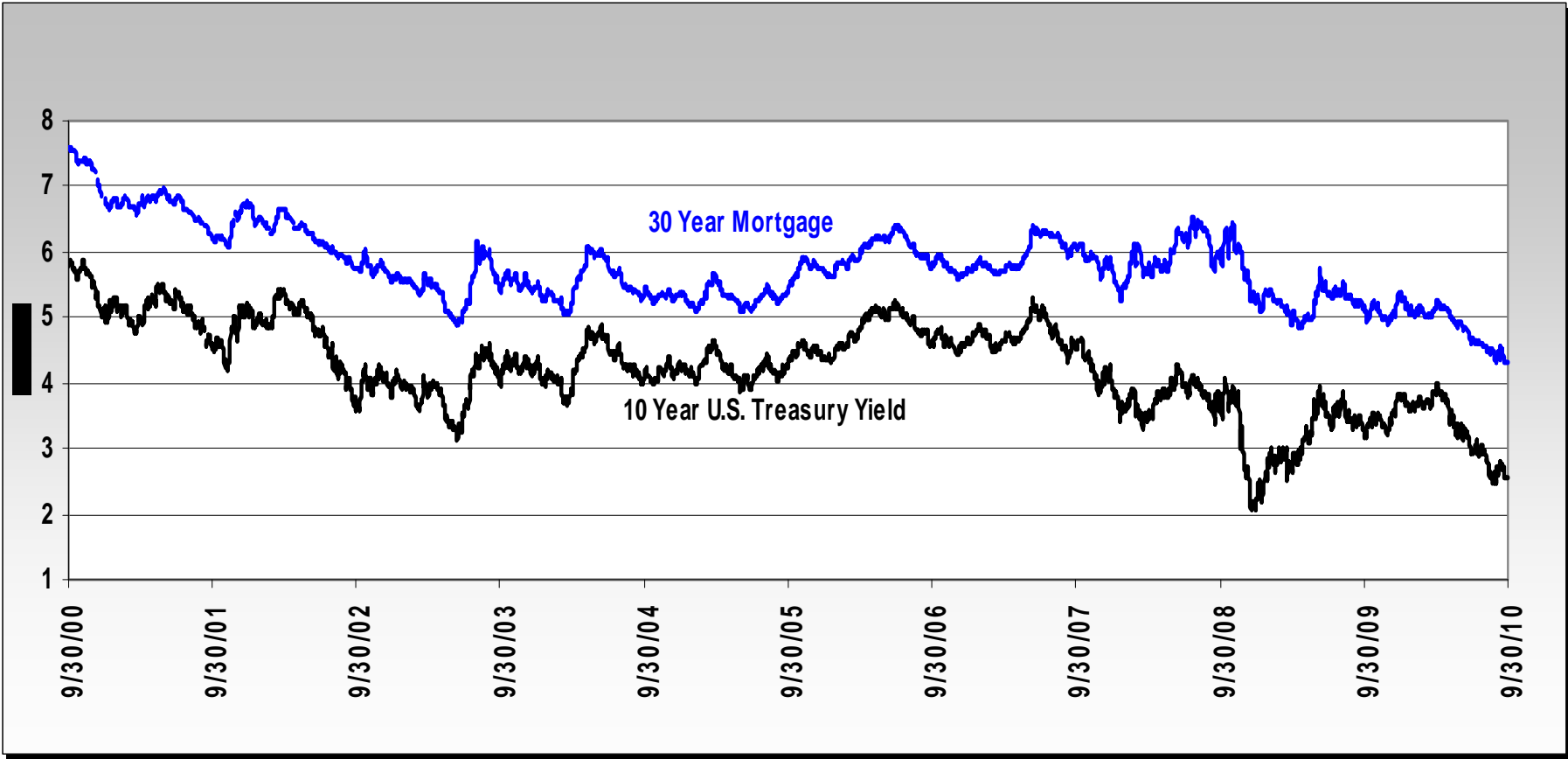
Despite the hurdles, there are some bright spots

- Global industrial production back to pre-recession levels
- Balance sheets have historically high levels of cash
- Companies have adjusted their cost structure to a slower growth environment
- Overall corporate liquidity at levels last seen in the 1950s
- Forward P/E ratios are well below historical average
- Low interest rates create favorable refinancing opportunities for the U.S. Government, as well as for homeowners
- Expected long-term growth for the Emerging Markets

Global Output Reaches All-Time High in June World Economy in New Cycle of Economic Growth?

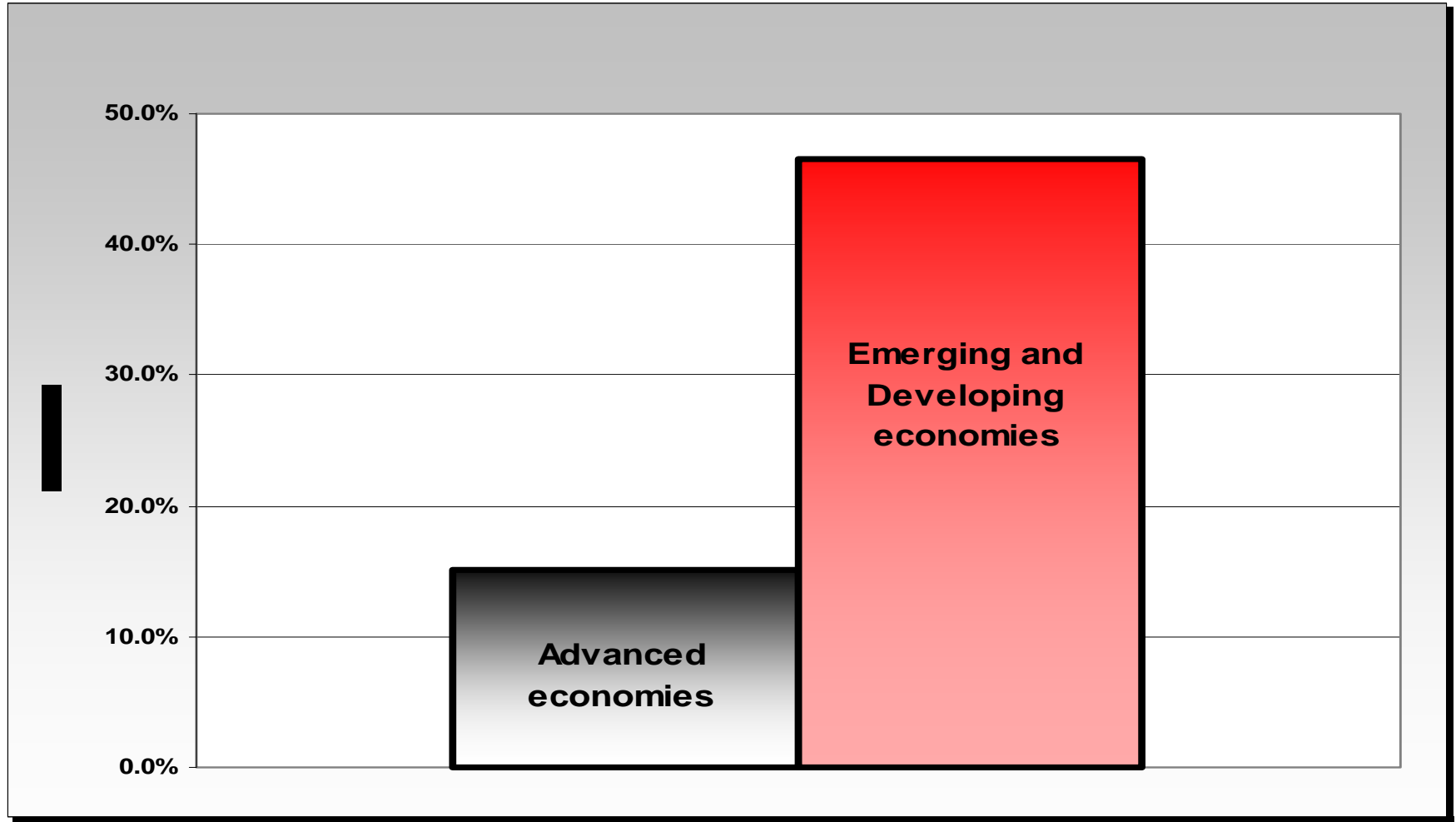


Money is Relatively Cheap



Growth Prospects Brighter in Developing Markets

Forecasted Cumulative GDP Growth through 2015



Global P/E Ratios

Consensus Estimates based on Forward Earnings

	<u>2010</u>	<u>2011</u>
S&P 500	13.7	12.0
UK (FTSE 100)	11.3	9.8
Germany (DAX)	11.3	10.1
Japan (Nikkei 225)	16.1	14.3
China (Shanghai)	15.1	12.6

As of September 30, 2010

Global Equities

- Currently near 80% of equity target
- Utilizing managers who focus on risk management
- Low exposure to developed international equities
- Increasing allocation to emerging markets

Global Fixed Income

- Utilizing global bond managers that are focusing on countries with better debt ratios than the U.S.
- Focusing on high credit quality
- Keeping durations shorter than normal
- Diversified portfolio

Sample Balanced Model Portfolio

Global Allocation	Range
Cash + Fixed Income Target	55%
Cash	1-3%
Short Term Bonds	20-22%
Intermediate U.S. Bonds	20-24%
Intermediate Global Bonds	8-10%
Equity + Alternatives Target	45%
U.S. Equities	22-25%
International Developed	4-7%
International Emerging	4-7%
Alternatives	8-12%

“Even if you are on the right track,
you’ll get run over if you just sit there.”

- Will Rogers



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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.



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Brett Slattery is Manager of Portfolio Management at Harris SBSB where he oversees portfolio management and trading. Mr. Slattery is also a member of Harris SBSB's Investment Policy Committee.

Mr. Slattery earned his B.A. in Finance from the University of Wisconsin at Whitewater. He received his M.B.A., also in Finance, from Georgetown University where he served as Co-Chairman of the Georgetown University Graduate Investment Fund.

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.

Disclosures

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