

Investment Outlook and Strategy Forum Session IV

September 2009

Presented by

Gregory Sullivan, President and CEO
and
Gary Lyons, Director of Portfolio Management

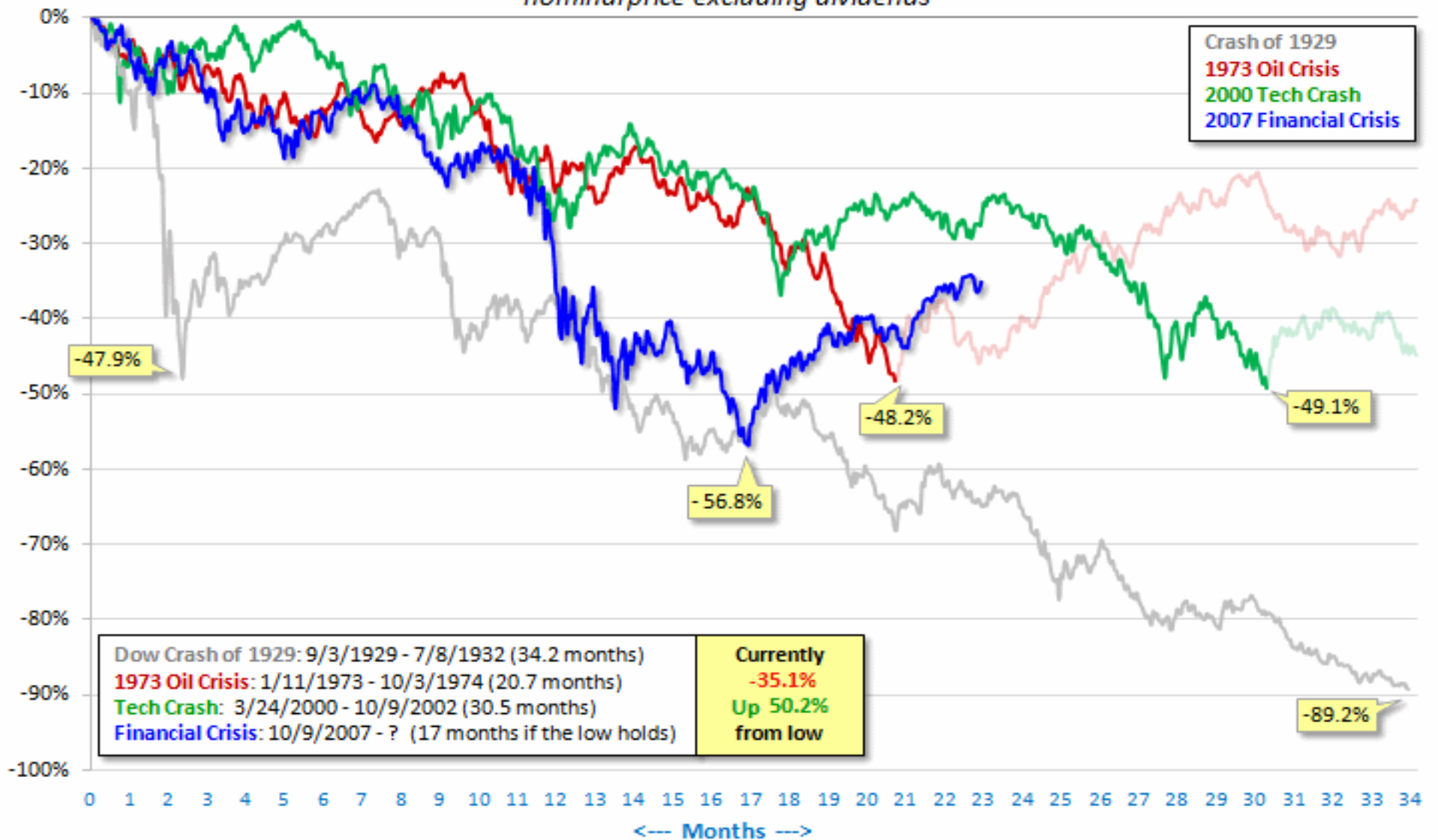


Four Bad Bear Markets

dshort.com
9/4/2009

Dow in 1929-1932; S&P 500 in 1973-74, 2000-02, 2007-09

nominal price excluding dividends



The "Real" (Inflation-Adjusted) Mega-Bears Extended

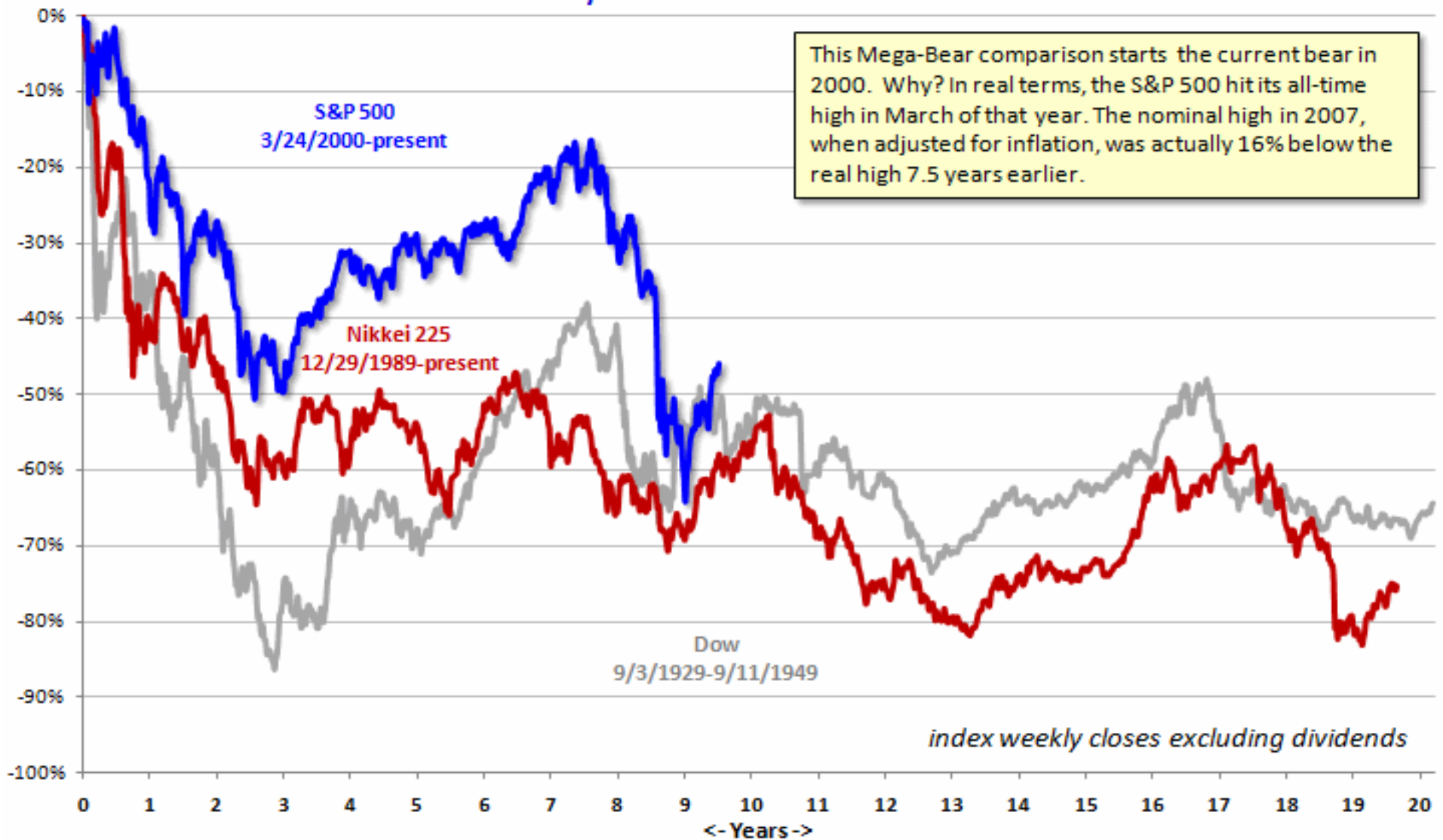
The Dow Crash of 1929 and Great Depression

The Nikkei 225 Colapse in 1989

and Today's S&P 500 Since the 2000 Peak

WATERGATE

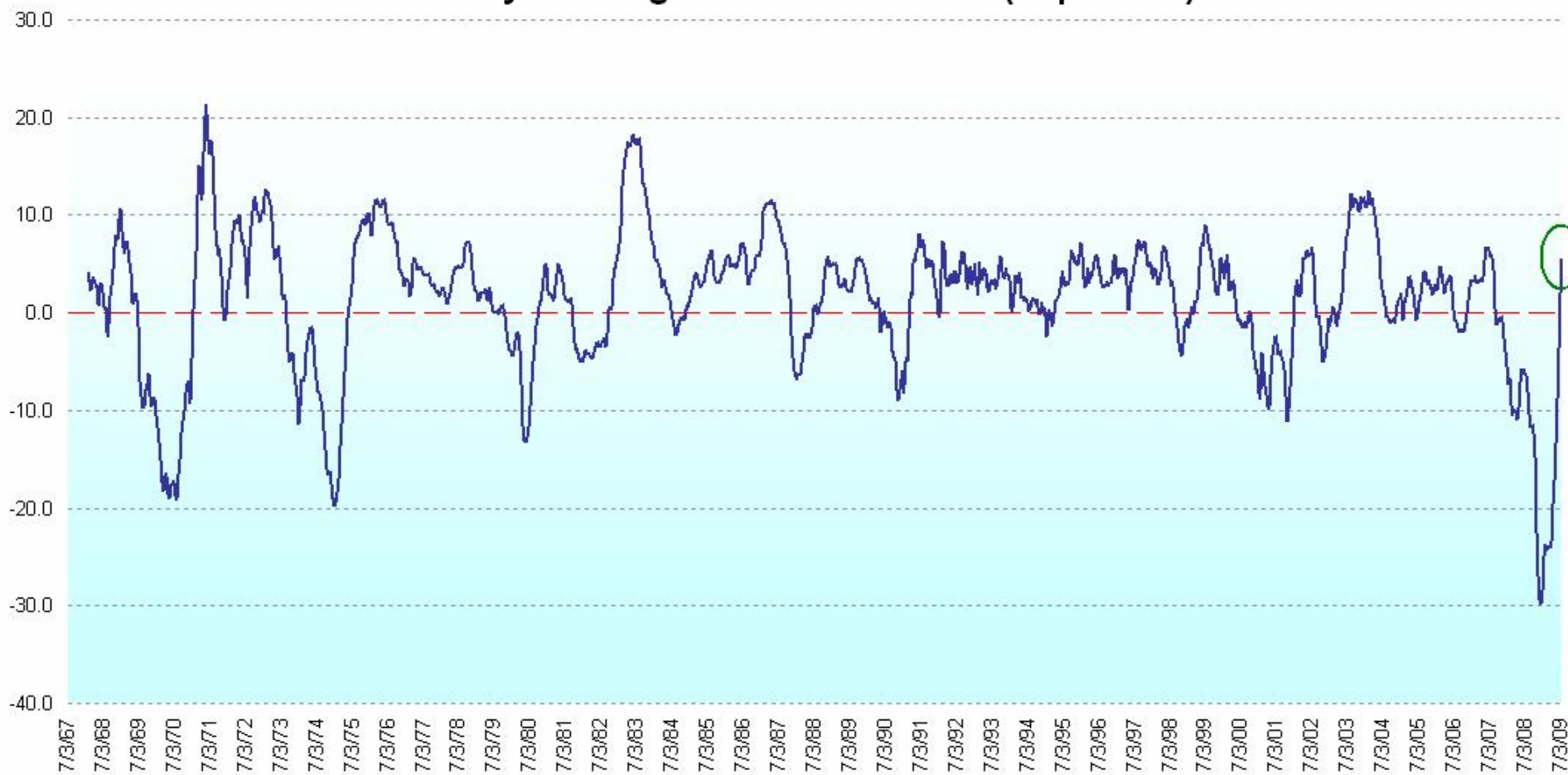
9/11/2009



Key Positives

- ECRI's Leading Index improving
- Market valuations
- Home sales improving
- Consumer confidence improving
- Cash on the sidelines
- Manufacturing/ non-manufacturing sectors at the beginning of an expansion phase

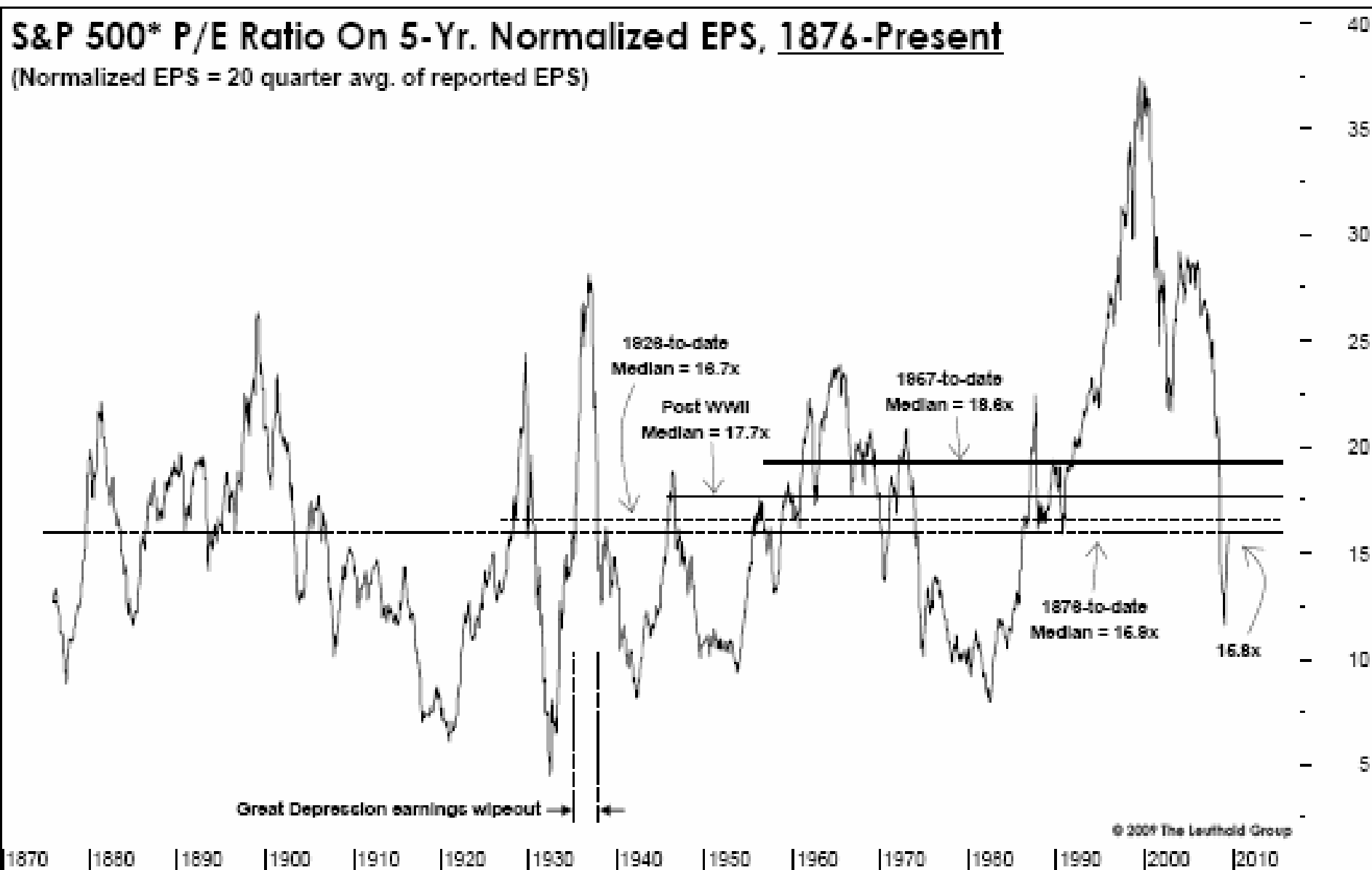
Economic Cycle Research Institute: Weekly Leading Index Growth Rate (in percent)



Data from Economic Cycle Research Institute (Graph Harris SBSB)

S&P 500* P/E Ratio On 5-Yr. Normalized EPS, 1876-Present

(Normalized EPS = 20 quarter avg. of reported EPS)



*S&P 500 Index values and EPS prior to 1928 estimated by the Cowles Commission.

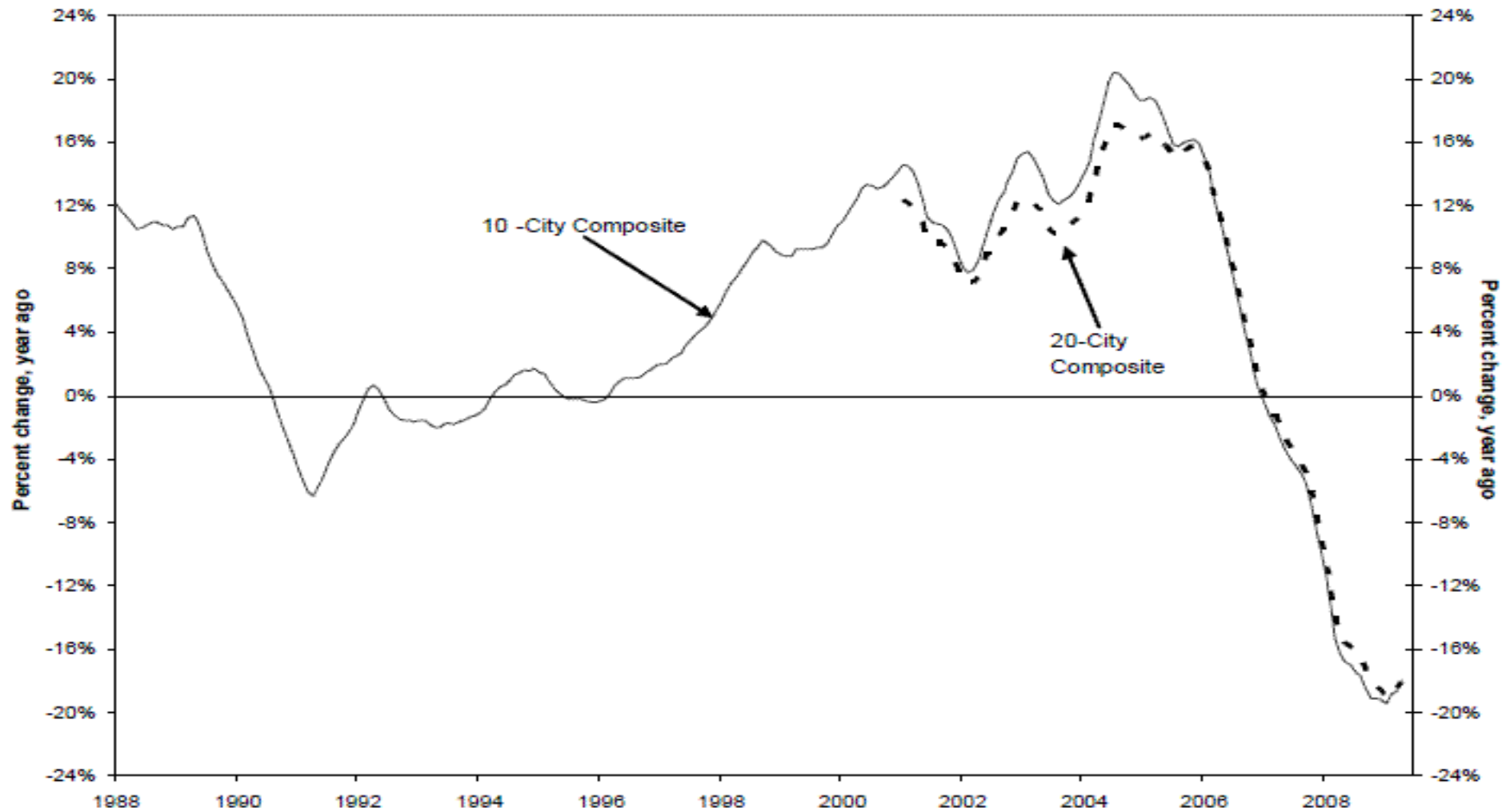
Hypothetical S&P 500 Market Values at Various Projected Earnings and P/E Ratios

<u>P/E Ratio</u>	S&P 500 Market Values at:	
	<u>\$60 EPS</u>	<u>\$72 EPS</u>
10	600	720
12	720	864
15	900	1080
18	1080	1296

Disclosure: This chart is hypothetical and does not represent actual earnings or other information.



S&P/Case-Shiller Home Price Indices

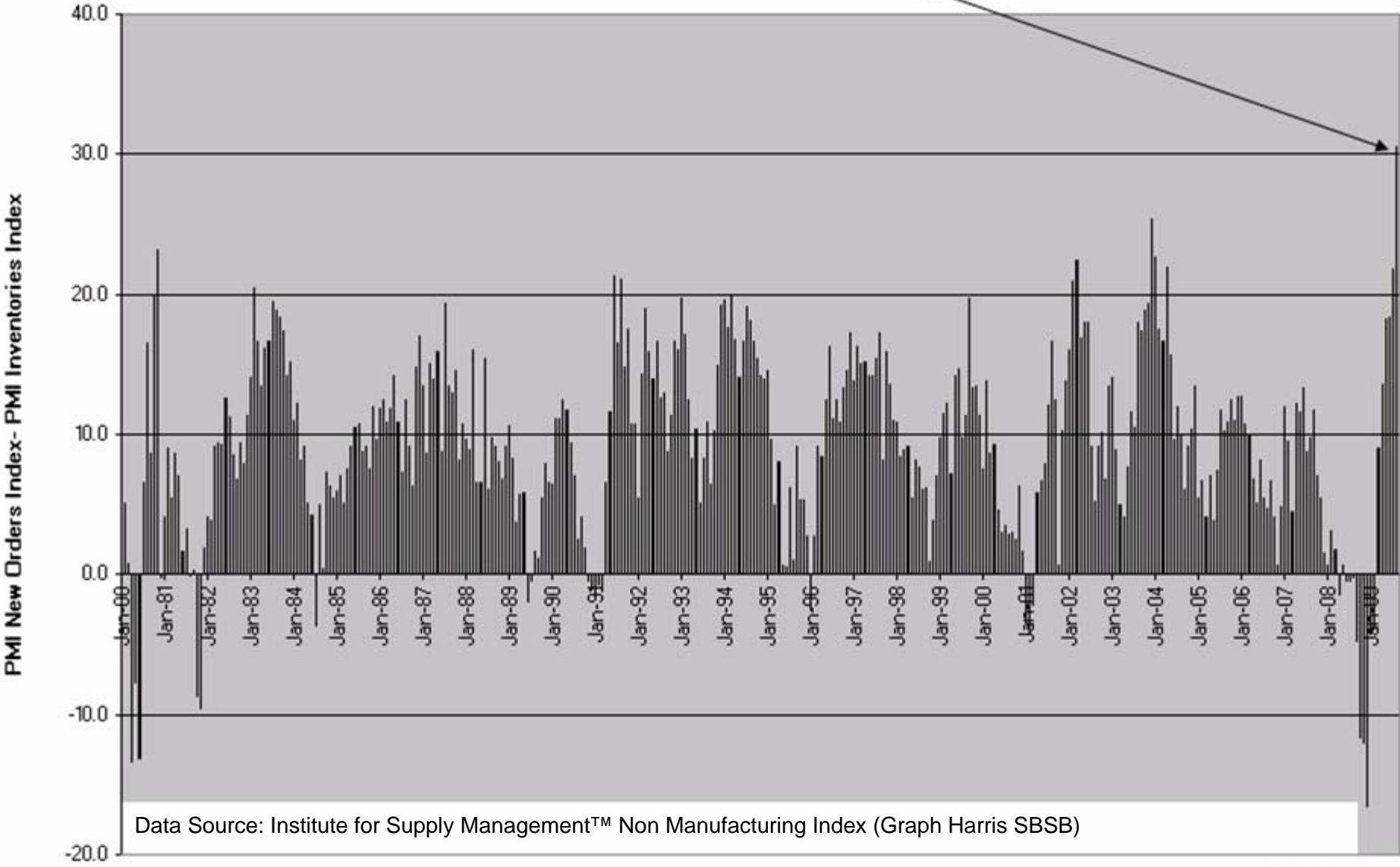


Source: Standard & Poor's and Fiserv





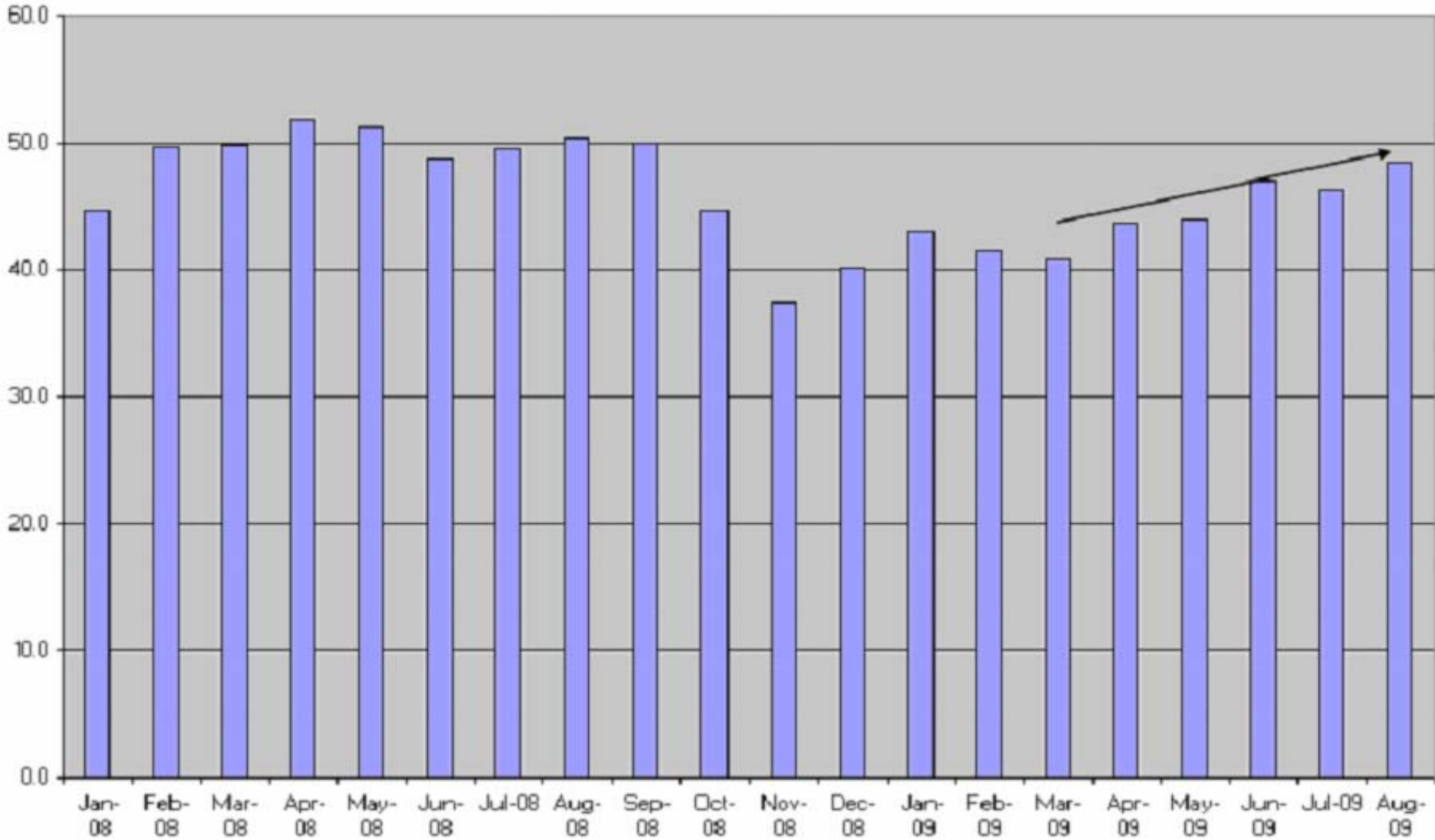
Extremely Favorable Inventory Picture for the Manufacturing Sector



Data Source: Institute for Supply Management™ Non Manufacturing Index (Graph Harris SBSB)



ISM Non Manufacturing Improving



Institute for Supply Management. Index data (chart Harris SBSB)

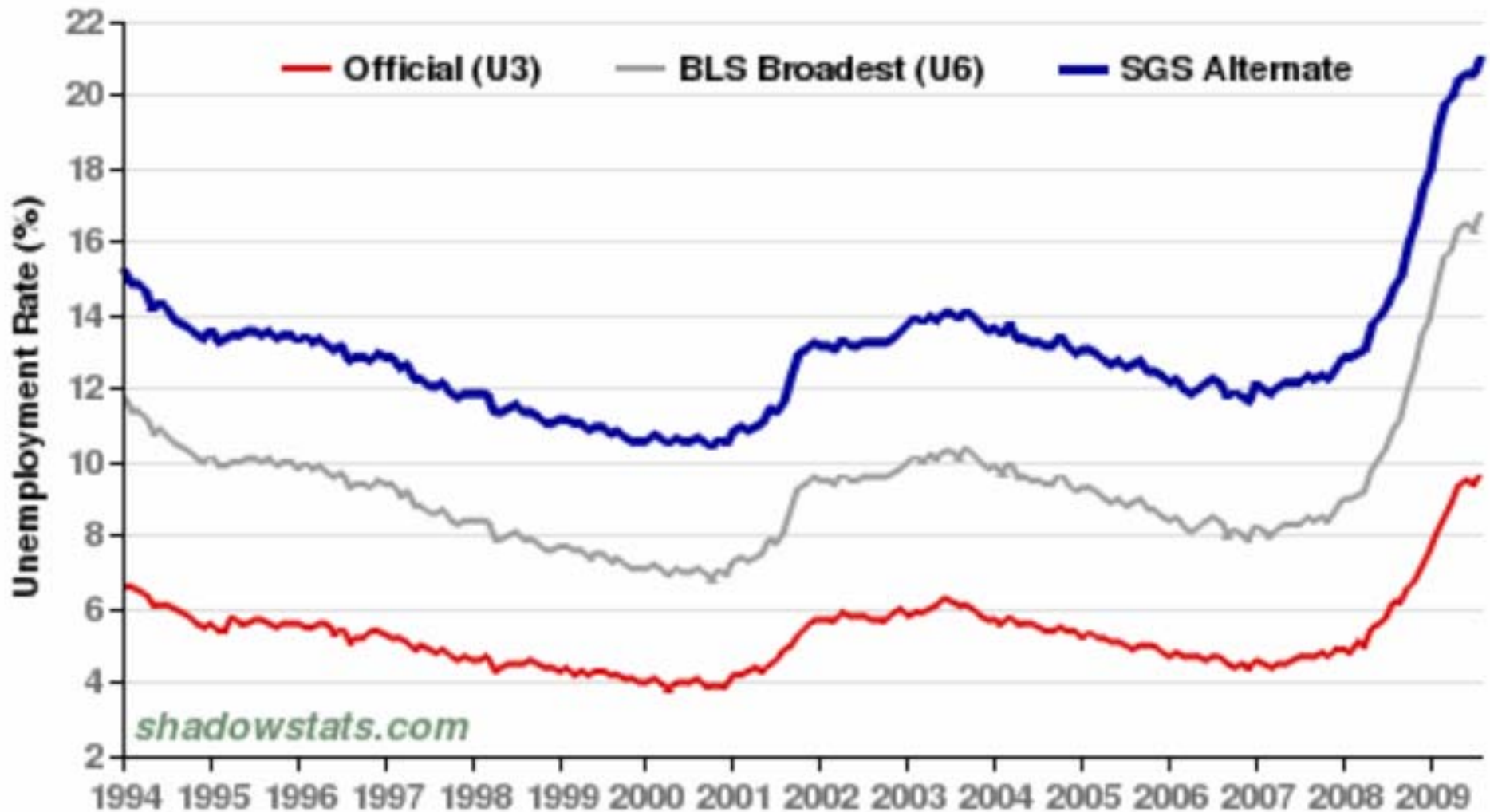


Key Concerns

- Unemployment still increasing
- Federal deficits still growing
- Money supply rapidly increasing
- Consumer debt still elevated
- Decline in worldwide wealth
- Uncertainty of future earnings

Unemployment Rate - Official (U-3 & U-6) vs. SGS Alternate

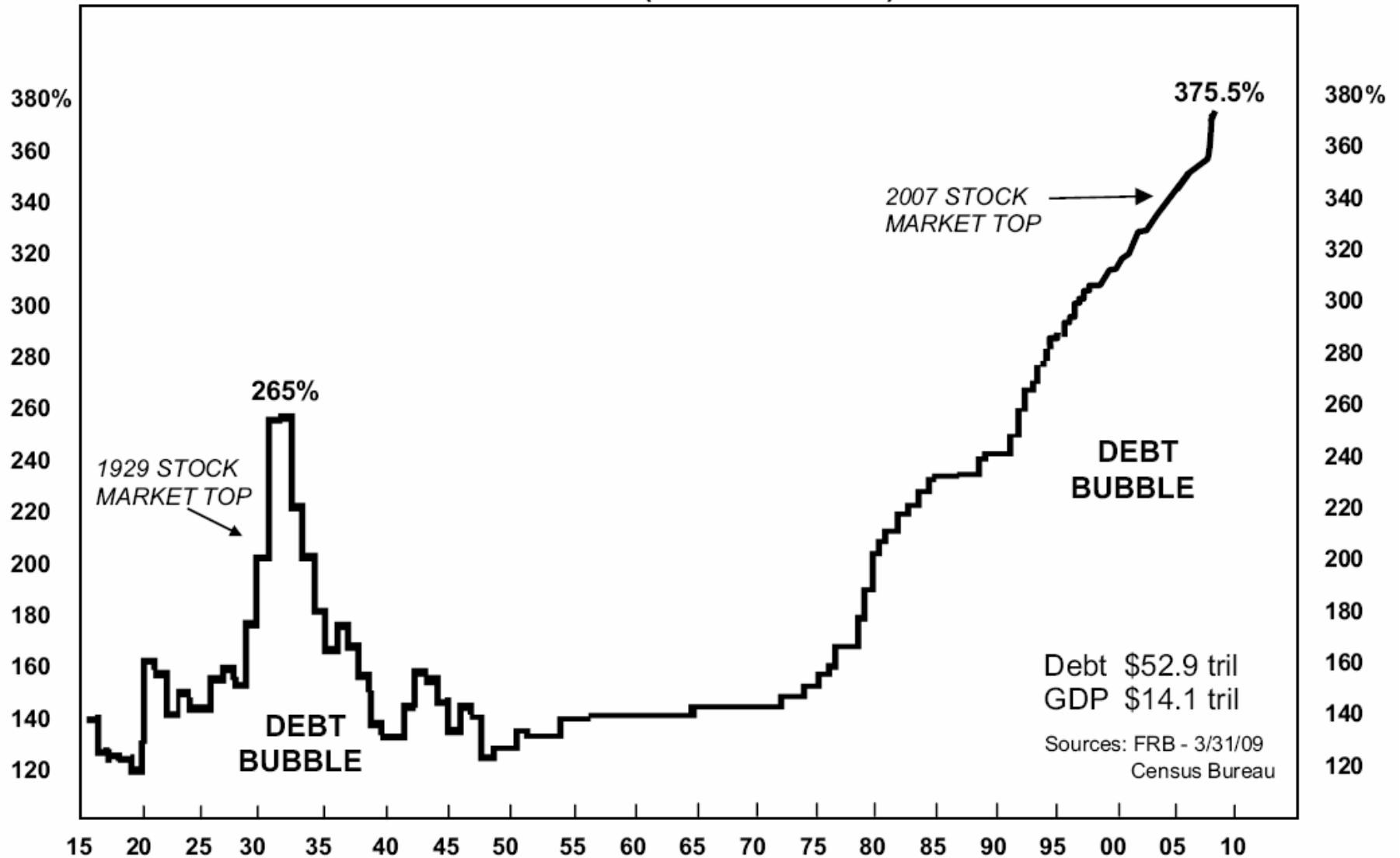
Monthly S.A. through August 2009 (ShadowStats.com, BLS)



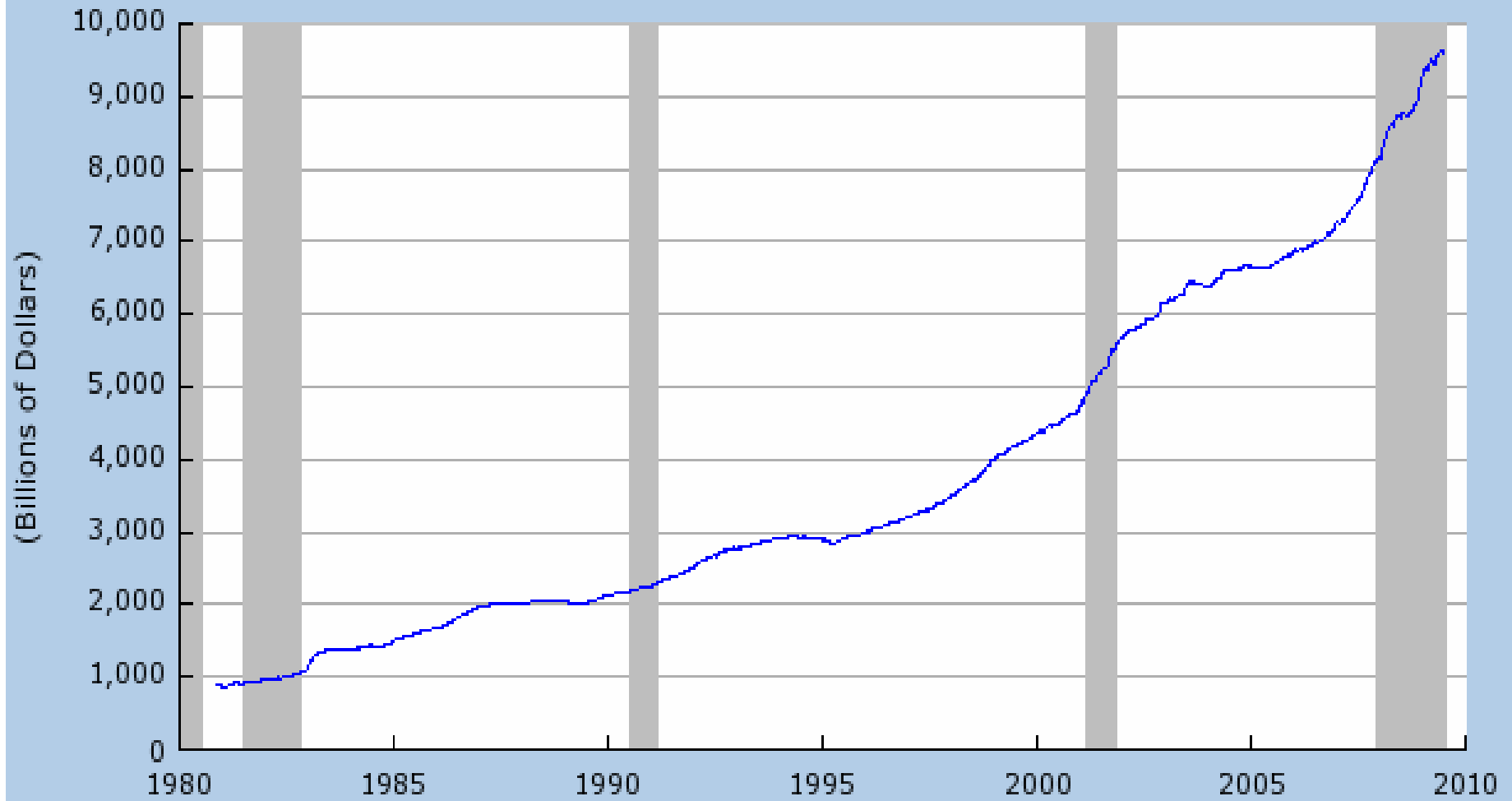
shadowstats.com

Courtesy GAMCO Mathers Fund

Total Debt as a % of GDP

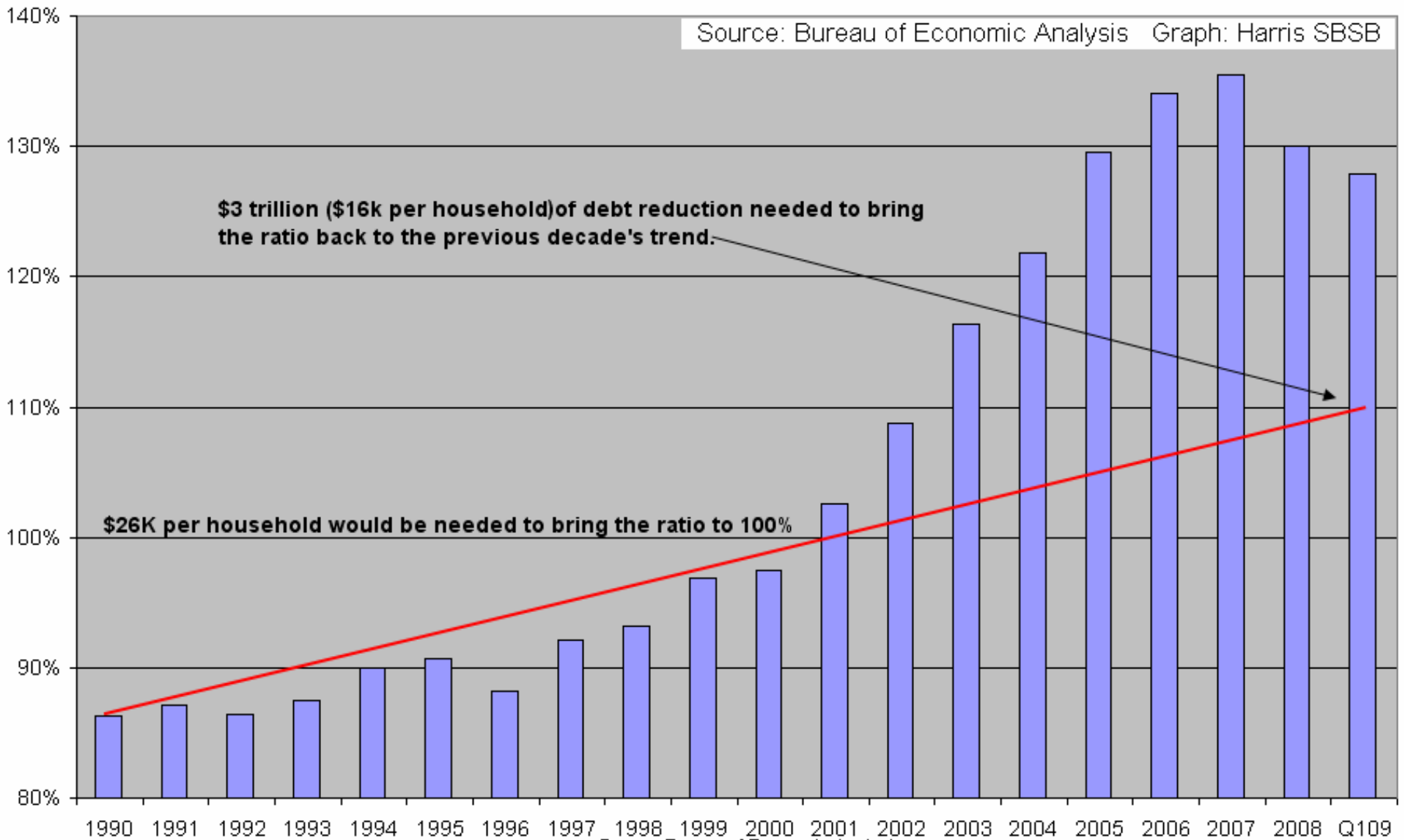


MZM Money Stock (MZM)
Source: Federal Reserve Bank of St. Louis



Shaded areas indicate US recessions.
2009 research.stlouisfed.org

Household Debt/Personal Disposable Income



Before and after: Cash for Clunkers and Edmunds car buying intent

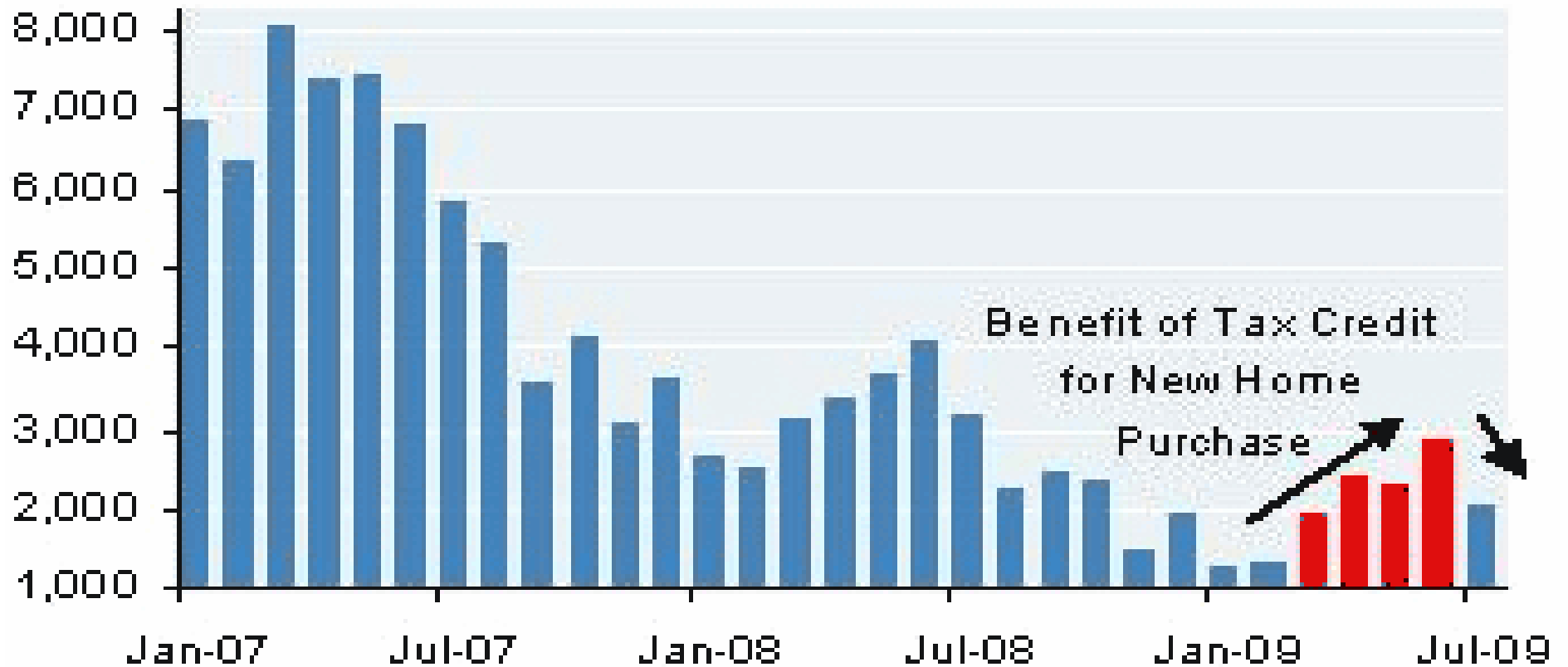
Index level, 1/31/2009 = 100



Source: Edmunds.com.

Before and after: California New Home Tax Credit and monthly building permits issued

Permits



Source: California Construction Industry Research Board.

Scenarios and Probabilities

25% probability Global Recovery Is On Pace: Policy makers have it together. Sustainable growth looks doable. Markets rally through year end.

35% probability Equity Markets Consolidate and Remain Range Bound. Both stock and bond markets trade their recent ranges.

40% probability Markets Face Unconventional Headwinds (less access to credit, higher taxes, higher regulation, etc.) The consumer was not allowed to properly de-leverage and we have a very serious problem continuing to fund the deficits. Markets retrace some of their gains.

Source: Thomson Reuters Institutional Data Survey Sept. 2009



What we are doing for clients:

- Increasing foreign stocks and bonds to diversify away from US dollar exposure.
- Holding a portion of portfolios in real assets.
- Managing purchasing power risk.

- **Harris SBSB™ is a trade name used by Sullivan, Bruyette, Speros & Blayney, Inc., an SEC-registered investment advisor. Harris SBSB is part of Harris Private Bank, a brand name used for various subsidiary financial services providers of Harris Financial Corp.**
- **This presentation is for informational purposes only and is not presented as investment advice or recommendation of any particular security, investment or strategy. The information, opinions, estimates, projections and other materials contained herein are provided as of the date hereof and are subject to change without notice. Some of the information, opinions, estimates, projections and other materials contained herein have been obtained from numerous sources and Harris SBSB makes every effort to ensure that the contents thereof have been compiled or derived from sources believed to be reliable and to contain information and opinions which are accurate and complete. However, Harris SBSB does not independently verify or make any representation or warranty, express or implied, in respect thereof, and takes no responsibility for any errors and omissions which may be contained herein or accept any liability whatsoever for any loss arising from any use of or reliance on the information, opinions, estimates, projections and other materials contained herein whether relied upon by the recipient or user or any other third party (including, without limitation, any customer of the recipient or user). The information presented is not sufficient to form any basis or financial planning decision. Please consult with your advisor in regards to your own personal situation.**
- **This presentation contains certain forward-looking statements, including statements relating to the expectations of Harris SBSB and its representatives regarding future market conditions. These statements are made while taking into account the information currently available as well as historical trends. However, any forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual performance of future markets to differ materially from the projections depicted here. There can be no certainty as to the extent or depth of any market downturn, nor any assurance regarding the nature, extent or timing of markets rebounding. When evaluating the information included in this report, you are cautioned not to place undue reliance on these forward-looking statements, which reflect the judgment of Harris SBSB and its representatives only as of the date of this presentation. Harris SBSB undertakes no obligation to publicly revise or update the forward-looking statements contained in this presentation to reflect events and circumstances that arise after this presentation has concluded.**
- **International investing, especially in emerging markets, involves special risks, such as currency exchange and price fluctuations, as well as political and economic risks. There are risks involved with investing in small cap companies, including price fluctuations and lower liquidity. Alternative Investments involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss and can be highly illiquid.**
- **Past performance is not indicative of future results.**

