LONG-TERM INVESTMENT PERFORMANCE

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TYPES OF ASSET CLASSES

**Stocks**
- Large stocks
- Small stocks
- International stocks

**Bonds**
- Government bonds
- Corporate bonds
- Municipal bonds
- High-yield bonds
- International bonds

**Cash alternatives**
- Money-market funds
- Treasury bills
- Certificates of deposit

**Real assets**
- Real estate
- Commodities
- Gold

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STOCKS, BONDS, BILLS AND INFLATION 1991 – 2010

Compound Annual Return
- Small Stocks: 12.5%
- Large Stocks: 9.1%
- Government Bonds: 8.4%
- Treasury Bills: 3.5%
- Inflation: 2.5%

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THE PAST 10 YEARS
2001 – 2010

Compound Annual Return
- Small Stocks 9.6%
- Government Bonds 6.6%
- Inflation 2.3%
- Treasury Bills 2.2%
- Large Stocks 1.4%

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# Long-Term Asset Class Performance

## 1926 – 2010

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<table>
<thead>
<tr>
<th></th>
<th>Small Stocks</th>
<th>Large Stocks</th>
<th>Government Bonds</th>
<th>Treasury Bills</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compound Annual Return</td>
<td>12.1%</td>
<td>9.9%</td>
<td>5.5%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>32.6%</td>
<td>20.4%</td>
<td>9.5%</td>
<td>3.1%</td>
</tr>
<tr>
<td><strong>12-Month Rolling Periods</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highest Return</td>
<td>316.4%</td>
<td>162.9%</td>
<td>54.4%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Lowest Return</td>
<td>-75.9%</td>
<td>-67.6%</td>
<td>-17.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Average Positive Return</td>
<td>31.4%</td>
<td>21.7%</td>
<td>8.6%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Average Negative Return</td>
<td>-19.0%</td>
<td>-14.3%</td>
<td>-3.9%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Percent Periods Positive</td>
<td>71.8%</td>
<td>73.3%</td>
<td>78.1%</td>
<td>98.4%</td>
</tr>
<tr>
<td>Percent Periods Negative</td>
<td>28.2%</td>
<td>26.7%</td>
<td>21.9%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>
Past performance is no guarantee of future results. • An investment cannot be made directly in an index. • Hypothetical value of $1 invested at the beginning of 1926. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. • Source: Created by Raymond James using Ibbotson Presentation Materials • © 2011 Morningstar. All Rights Reserved. 3/1/2011
GROWTH AND VALUE INVESTING
1970 – 2010

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STOCKS, COMMODITIES, REITs, AND GOLD
1980 – 2010

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Asset allocation is the process of combining asset classes such as stocks, bonds, real estate, commodities and cash in a portfolio in order to meet your goals.
THE CASE FOR ASSET ALLOCATION
2001 – 2010

Past performance is no guarantee of future results. An investment cannot be made directly in an index. Time period illustrated is from 2001 – 2010. This time period was chosen as a dramatic illustration of stock and bond return behavior and how their often opposite movements reduced portfolio volatility. This is for illustrative purposes only and not indicative of any investment. Created by Raymond James using Ibbotson Presentation Materials © 2011 Morningstar. All Rights Reserved. 3/1/2011
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MORE FUNDS DO NOT ALWAYS MEAN GREATER DIVERSIFICATION
IDENTIFYING POTENTIAL SECURITY SECURITY OVERLAP

Equity Portfolio A

Equity Portfolio B

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DIVERSIFIED PORTFOLIOS IN VARIOUS MARKET CONDITIONS
PERFORMANCE DURING AND AFTER SELECT BEAR MARKETS

Past performance is no guarantee of future results. • An investment cannot be made directly in an index. Diversified portfolio: 35% stocks, 40% bonds, 25% Treasury bills. Hypothetical value of $1,000 invested at the beginning of January 1973 and Nov 2007, respectively. This is for illustrative purposes only and not indicative of any investment. Created by Raymond James using Ibbotson Presentation Materials © 2011 Morningstar. All Rights Reserved. 3/1/2011
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COMPOUNDING & REBALANCING
POWER OF REINVESTING
1991 – 2010

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POWER OF COMPOUNDING
HYPOTHETICAL INVESTMENT IN STOCKS

<table>
<thead>
<tr>
<th>Investor A</th>
<th>Investor B</th>
</tr>
</thead>
<tbody>
<tr>
<td>$80k</td>
<td>$40,000</td>
</tr>
<tr>
<td>Years Contributing:</td>
<td>Years Contributing:</td>
</tr>
<tr>
<td>Annual Amount Contributed:</td>
<td>Annual Amount Contributed:</td>
</tr>
<tr>
<td>$2,000</td>
<td>$4,000</td>
</tr>
</tbody>
</table>

- **Total Amount Invested**
- **Compounded Value at Year-End 2010**

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Past performance is no guarantee of future results. • An investment cannot be made directly in an index. • Stocks: 50% large and 50% small stocks. Bonds: intermediate-term government bonds. This is for illustrative purposes only and not indicative of any investment. Created by Raymond James using Ibbotson Presentation Materials. © 2011 Morningstar. All Rights Reserved. 3/1/2011
CONTROLLING RISK WITH PORTFOLIO REBALANCING
THE RISK AND RETURN OF REBALANCED VERSUS NON-REBALANCED PORTFOLIOS

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COMBATING COMMON INVESTOR ERRORS
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Please refer to disclosures on the next slide.
THE MOST DETRIMENTAL INVESTOR MISTAKES

- Not paying enough attention to asset allocation: 33%
- Trying to time the market: 31%
- Having too much money in one investment: 16%
- Holding on to investments too long: 11%
- Buying overvalued investments: 8%
- Other: 1%

Source: AllianceBernstein Investments. 2005 Survey of Financial Advisors on Asset Allocation

Asset allocation does not ensure a profit or protect against a loss. Investing involves risk and investors may incur a profit or a loss.
INDIVIDUAL INVESTORS TEND TO REACT EMOTIONALLY

Net flows by broad investment categories at major inflection points in the market and subsequent performance:

<table>
<thead>
<tr>
<th>Year</th>
<th>Stock Funds ($ Billions)</th>
<th>Bond Funds ($ Billions)</th>
<th>Subsequent Returns Stocks (S&amp;P 500)</th>
<th>Bonds (Barclays Capital Agg Index)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$262.80</td>
<td>-49.90</td>
<td>2001 -11.89%</td>
<td>+8.43%</td>
</tr>
<tr>
<td>2002</td>
<td>$140.50</td>
<td>-29.10</td>
<td>2002 -22.10%</td>
<td>+10.26%</td>
</tr>
<tr>
<td>2008</td>
<td>-87.88</td>
<td>39.29</td>
<td>2003 +28.68%</td>
<td>+4.10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2004 +10.88%</td>
<td>+4.34%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2009 +26.47%</td>
<td>+5.93%</td>
</tr>
</tbody>
</table>

The S&P 500 is an unmanaged index of 500 widely held stocks. The Barclays Capital Aggregate Bond index measures changes in the fixed rate debt issues rated investment grade or higher. Investors cannot invest directly in an index. There is no assurance that past trends will continue into the future. | Source: Investment Company Institute. Morningstar Data. The categories listed above, Equity and Fixed Income, represent those funds categorized as such by the Investment Company Institute.
DANGERS OF MARKET TIMING
HYPOTHETICAL VALUE OF $1 INVESTED FROM 1991 – 2010

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THE COST OF MARKET TIMING
RISK OF MISSING THE BEST DAYS IN THE MARKET 1991 – 2010

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REDUCTION OF RISK OVER TIME
1926 – 2010

Past performance is no guarantee of future results. • An investment cannot be made directly in an index. • Each bar shows the range of compound annual returns for each asset class over the period 1926–2010. This is for illustrative purposes only and not indicative of any investment. Created by Raymond James using Ibbotson Presentation Materials. © 2011 Morningstar. All Rights Reserved. 3/1/2011
Past performance does not guarantee future results. No fees or expenses are reflected in the performance of the index. An investor cannot invest directly in an index, and an index’s results are not indicative of any specific investment. Source: Compustat; Roger G. Ibbotson and Rex A. Sinquefield, “Stocks, Bonds, Bills, and Inflation: Year-by-Year Historical Returns,” University of Chicago Press Journal of Business (January 1976); and Bernstein Global Wealth Management. Updated as of 2/1/10 with data from Callan and Associates. Market data references S&P 500 returns. The S&P 500 is an unmanaged index of 500 widely held stocks.
PORTFOLIO CONSTRUCTION
INVESTMENT PROCESS  PORTFOLIO CONSTRUCTION

We use a variety of tools to tailor our investment process to your objectives, risk tolerance, time horizon, tax situation and investment experience.

“Time is your friend; impulse is your enemy.”

– John Bogle
Founder, The Vanguard Group
INVESTMENT PROCESS

We can build specific investments into your financial plan to help you achieve your financial goals.
An efficient frontier represents every possible combination of assets that maximizes return at each level of portfolio risk and minimizes risk at each level of portfolio return. The above illustration depicts the typical relationship between risk and return. Generally, investors are expected to be compensated in returns for assuming higher levels of risk.

Asset allocation does not ensure a profit or protect against a loss. Standard deviation measures the fluctuation of returns around the arithmetic average return of the investment. The higher the standard deviation, the greater the variability (and the risk) of the investment returns.
INVESTMENT PROCESS  ASSET CLASSES

We employ a variety of asset classes to help balance risk.

- U.S. Equity
- Non-U.S. Equity
- Fixed Income
- Real Estate
- Alternative Investments
- Cash & Cash Alternatives

HYPOTHETICAL INCOME-FOCUSED PORTFOLIO

HYPOTHETICAL GROWTH-FOCUSED PORTFOLIO

Please refer to disclosures on the next slide.
INVESTMENT PROCESS  INVESTMENT OPTIONS

We have access to a wide variety of investments when designing portfolios for our clients and – with the support of Raymond James research and due diligence, and our own analysis and understanding of your needs – we choose investments best suited to your needs, constraints, obligations and goals.
Investing in small-cap stocks generally involves greater risks and, therefore, may not be appropriate for every investor.

U.S. government bonds and Treasury bills are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term (less than one year) obligations of the U.S. government.

Diversification does not ensure a profit or protect against a loss.

Standard deviation measures the fluctuation of returns around the arithmetic average return of investment. The higher the standard deviation, the greater the variability (and thus risk) of the investment returns.

Holding stocks for the long-term does not insure a profitable outcome. Investing in stocks always involves risk, including the possibility of losing one’s entire investment.

There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices rise.
• High-yield (below investment grade) bonds are not suitable for all investors. The risk of default may increase due to changes in the issuer’s credit quality. Price changes may occur due to changes in interest rates and the liquidity of the bond. When appropriate, these bonds should only comprise a modest portion of your portfolio.

• Municipal bond interest is not subject to federal income tax but may be subject to AMT, state or local taxes. Income from taxable municipal bonds is subject to federal income taxation; and it may be subject to state and local taxes. Municipal securities typically provide a lower yield than comparably rated taxable investments in consideration of their tax-advantaged status. Investments in municipal securities may not be appropriate for all investors, particularly those who do not stand to benefit from the tax status of the investment. Please consult an income tax professional to assess the impact of holding such securities on your tax liability.

• Commodities trading is generally considered speculative because of the significant potential for investment loss. Commodities and precious metals are volatile investments and should only form a small part of a diversified portfolio. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.
DISCLOSURES (CONTINUED)

- Investing in small-cap stocks generally involves greater risks and, therefore, may not be appropriate for every investor.

- International investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility.

- U.S. government bonds and Treasury bills are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term (less than one year) obligations of the U.S. government.

- Diversification does not ensure a profit or protect against a loss.

- Holding stocks for the long-term does not insure a profitable outcome. Investing in stocks always involves risk, including the possibility of losing one's entire investment.

- Specific sector investing such as real estate can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.
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