

Trust & Investment Services

INVESTMENT PROCESS

YOUR NEEDS & OBJECTIVES

Your financial goals are unique. Your investable assets, the projected rate of investment returns, the level of risk, as defined by market volatility, and your time horizon, all contribute to the uniqueness of your financial goals.

Your time horizon (e.g. the number of years until retirement) and investable assets are known to you today. Although no one can predict the future, history has shown that successful investing depends on choosing the right level of risk for your time horizon.

By completing the customized questionnaire and through personal discussions, the Trust & Investment Services Department will help you discover:

- Your specific goals
- How soon you expect to reach those goals
- Your income needs
- How much risk you are willing and able to assume
- Your lifestyle expectations
- Your tax situation

With this information we will then work with you to develop an asset allocation model that is right for you.



Banking

What is Asset Allocation?

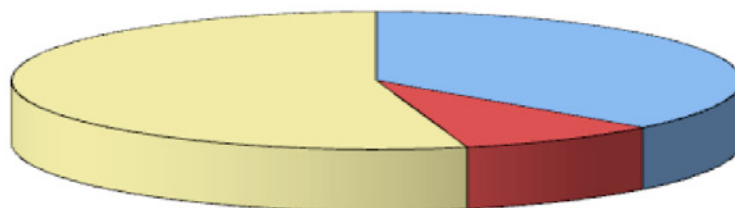
Asset Allocation is the process by which an investor chooses how much of their portfolio to invest in different asset classes, from conservative to aggressive, in a way that matches the investor's risk tolerance, time horizon, and investment goals. Historically, different asset classes (e.g. large & medium cap stocks, small cap stocks, bonds) have tended to perform differently under various economic and market conditions. While one asset class may be performing poorly, another may be performing well, and yet a third may be stable. By positioning yourself across a range of asset classes, you may reduce your overall risk and potentially enhance returns.

How Important is Asset Allocation?

This asset allocation decision, or how you divide your investments among different asset classes; stocks, bonds, and money markets, has been shown to have the greatest impact on overall investment performance of your account. This decision determines 91.5% of the portfolio's performance, making it significantly more important than individual security selection or market timing.

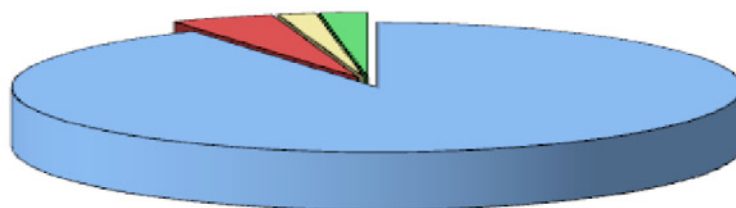
Source: Financial Analysts Journal, B.G.P. Brinson, D.D. Singer and G.L. Beebower, May – June, 1991.

Domestic Conservative Growth



- U.S. Large and Medium Cap Stocks
- U.S. Small Cap Stocks
- U.S. Investment Grade and High Yield Bonds

Investment Performance Factors



- Asset Allocation Decisions
- Stock Selection
- Market Timing Decisions
- Other



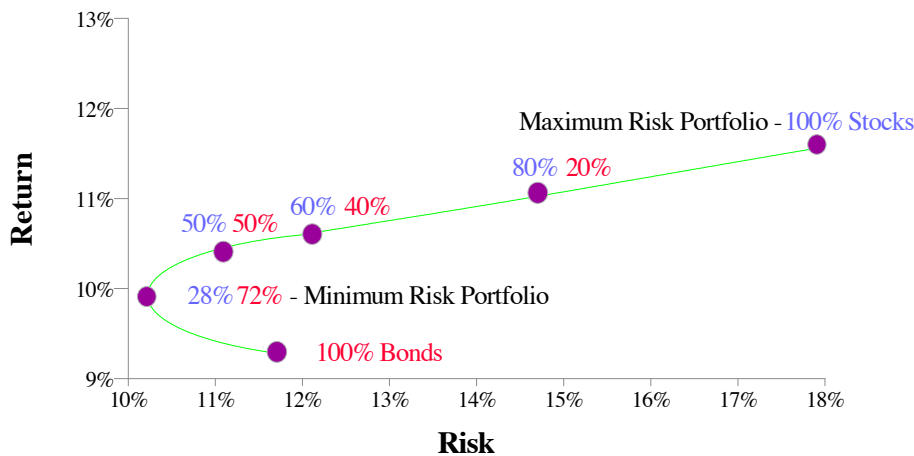
Asset Allocation – Greed versus Fear

All investors should understand the balance between risk and return. We all want returns – earning more money to obtain our goals. Yet, we all want to avoid risk – the chance that we will fall short of our goals. Unfortunately, history has shown that the only way to achieve high returns is to accept more risk. The impossibility of superior returns without risk is demonstrated time and again. Recently, there has been considerable research into tools for systematically analyzing optimal investment opportunities.

This work has shown how to mathematically balance risk and return by considering all possible combinations of investments and then identifying those “efficient” combinations that provided the highest return achievable at a given level of risk. These “efficient” combinations are quite often shown on a chart comparing risk, as measured by volatility, on the horizontal axis and return on the vertical axis, often referred to as the “Efficient Frontier.”

This chart illustrates an efficient frontier for all combinations of two asset classes: stocks and bonds. Although bonds are considered less risky than stocks, the minimum risk portfolio does not consist entirely of bonds – because over time, stock returns may be up while bond returns are down, and vice versa. These offsetting movements help to reduce overall portfolio volatility.

Stocks and Bonds: Risk versus Return — 1970-2010



Past performance is no guarantee of future results. Risk and return are measured by standard deviation and arithmetic mean, respectively. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

The Trust & Investment Services Department, in conjunction with Federated Investors (additional information on Federated Investors available), uses these efficient combinations of assets to develop and review model asset portfolios. The objective is for the model portfolios to continue to be positioned as close to the efficient frontier as possible, maintaining the appropriate balance between risk and return for you.

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Ongoing Review

Even after the asset allocation and efficient frontier is decided, investment management remains a dynamic process. Over time, your personal circumstances will change, often altering your investment profile and requiring reassessment of the asset allocation. Annual portfolio reviews and ongoing communications between you and your Personal Trust Officer or administrator will help us keep abreast of life changes that may suggest changes to your portfolio. Changes in your life such as marriage, the birth of children, retirement, an inheritance, or the loss of a spouse should trigger a reevaluation of your needs and objectives.

Monitoring your goals, personal situation and your investment portfolio annually with your Personal Trust Officer or administrator will keep you focused on long-term goals and not allow the markets' short-term ups and downs determine your investment course.

Rebalancing

Once your asset allocation decision has been made, it is critical to continuously monitor and maintain your target investment mix. Research has shown that deviating from the modeled efficient frontier may result in unexpected investment risk.

The rationale for rebalancing is simple and compelling. Your account's asset allocation was developed to show how investments should be divided among stocks, bonds, alternative investments, money markets and other asset classes. Since the performance of these asset classes changes daily, the actual target allocations on any given day may be considerably different. Rebalancing is as simple as "buying low and selling high" in that when one asset sector does well, the gains are sold and added to a lower performing sector, until that sector outperforms. Trust & Investment Services uses a systematic, disciplined rebalancing procedure to make sure your account is within asset allocation guidelines.

Investment Selection

After determining your optimum asset allocation based on your goals, objectives, risk profile and lifestyle, Trust & Investment Services may suggest that you invest in a high quality model portfolio consisting of well diversified actively managed mutual funds. Each one of these 14 different model portfolios is specifically designed to be efficient at all risk levels. These investment models include such objectives as Ultra-Conservative, Conservative, Moderate Conservative, Moderate, Moderate Aggressive, Aggressive and Ultra-Aggressive. For clients who can benefit from tax-efficient investments, there are Tax-Efficient Ultra-Conservative, Tax-Efficient Conservative, Tax-Efficient Moderate Conservative, Tax-Efficient Moderate, Tax-Efficient Moderate Aggressive, Tax-Efficient Aggressive and Tax-Efficient Ultra-Aggressive models.

For more information or to discuss our products and services, call 888-447-4730.

