

The Road Ahead ... Good, Bad or Ugly?

AAll Silicon Valley

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A Beginning Exploration ...

What does the future hold?

12 months from now ...

- **Will the markets be higher?**
- **GDP growth – above or below 2%?**
- **Interest rates – higher or lower?**



Where should you invest?

The dilemma? ... No one can reliably predict the future



“The Euro will not survive the first major European recession” *Milton Friedman, 1999*

“We think that most of the US market is just not worth investing in...” *Grantham, Mayo, Van Otterloo, April 2012*

“... a six-decade passion for equities has come to an end”
Authers and Burgess – Financial Times, June 2012

“The world economy will experience a brutal slowdown ... every European country will be in recession in 2012 ...”

Quote attributed to Felix Zulauf – Fund manager

Barron's, January 2012

Current Trends – The Good ...

- **Stock valuations relative to recent historical averages (15-years)**
- **Corporate profits and cash levels**
- **Recent trends in manufacturing inventory and capital goods orders.**
- **Trends in housing (perhaps ...)**
- **Rising personal savings and improving consumer debt service levels**



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Where We Are and Where We' ve Been:

S&P Valuation (as of 12/31/12)

S&P 500 Index: Valuation Measures				Historical Averages			
Valuation Measure	Description	Latest*	1-year ago	3-year avg.	5-year avg.	10-year avg.	15-year avg.
P/E	Price to Earnings	12.5x	11.8x	12.6x	12.8x	14.2x	16.7x
P/B	Price to Book	2.3	2.1	2.1	2.2	2.5	3.0
P/CF	Price to Cash Flow	8.5	8.1	8.4	8.4	9.7	11.0
P/S	Price to Sales	1.2	1.1	1.2	1.1	1.3	1.5
PEG	Price/Earnings to Growth	1.3	1.2	0.9	1.7	1.5	1.5
Div. Yield	Dividend Yield	2.4%	2.3%	2.2%	2.3%	2.1%	1.9%

Current valuations use forward earnings estimates

Where We Are and Where We've Been: The S&P at Inflection Points

S&P 500 Index



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Source: Standard & Poor's, Compustat, FactSet and JP Morgan Asset Management

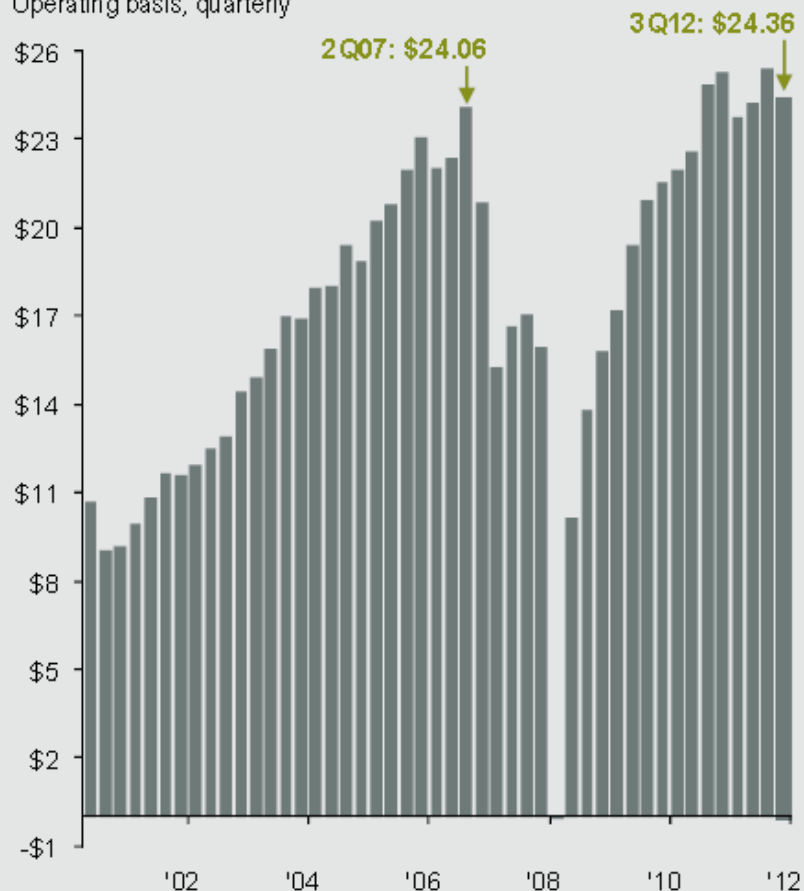
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Where We Are:

Corporate Earnings and Profits are Strong

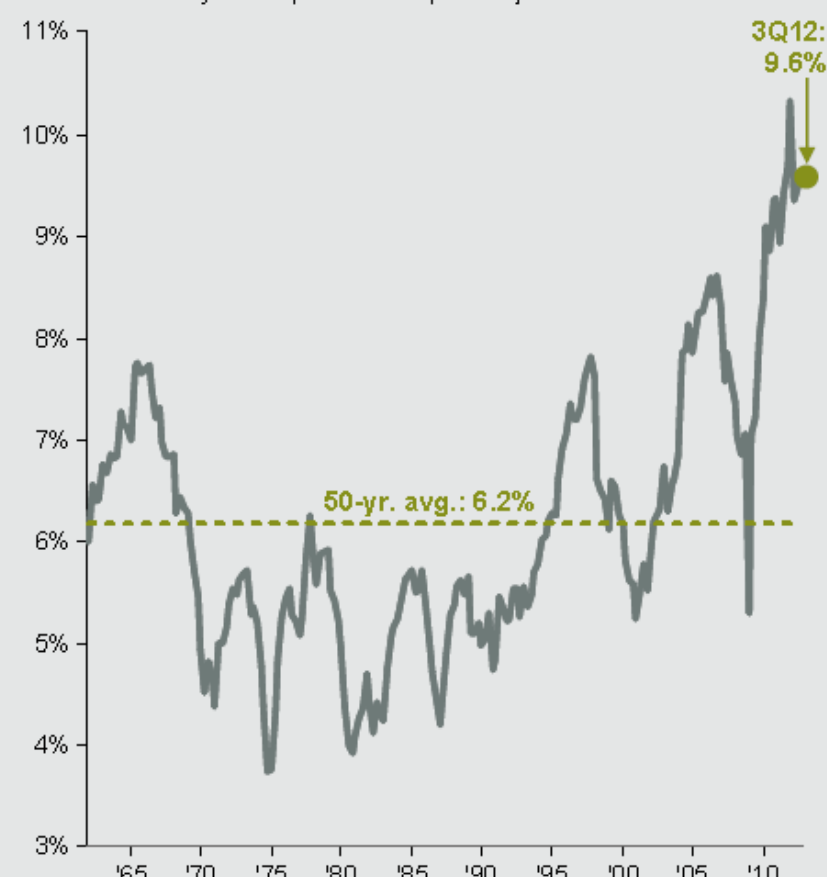
S&P 500 Earnings Per Share

Operating basis, quarterly



Adjusted After-Tax Corporate Profits (% of GDP)

Includes inventory and capital consumption adjustments



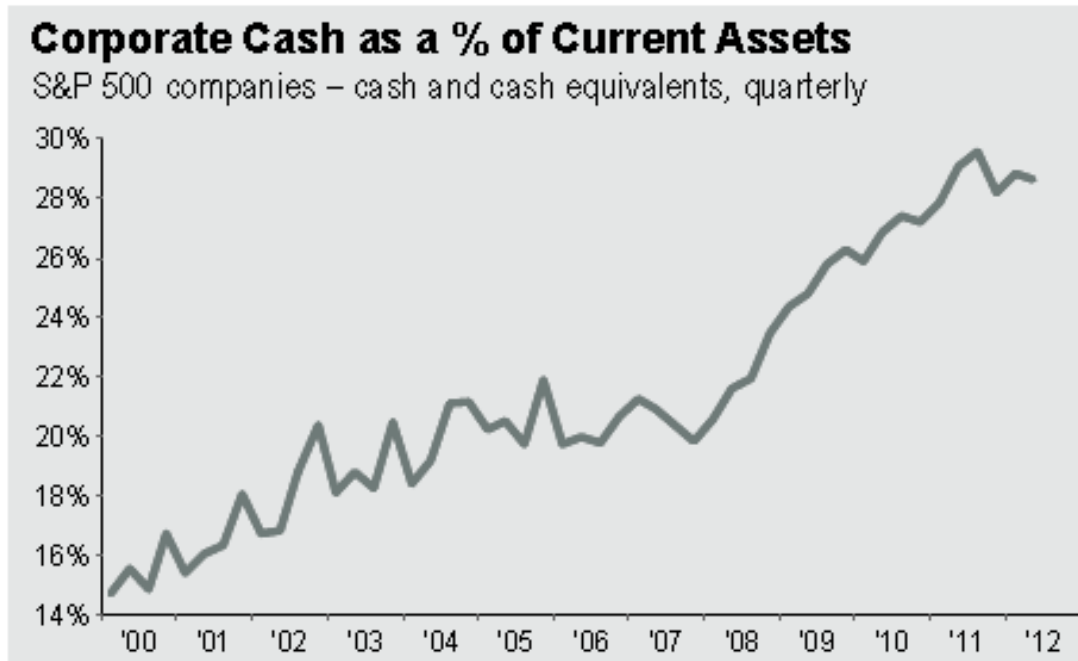
M O S A I C

FINANCIAL PARTNERS, INC.

Source: Standard & Poor's, FactSet and JP Morgan Asset Management

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Where We Are: Corporate Cash at Near Record Levels

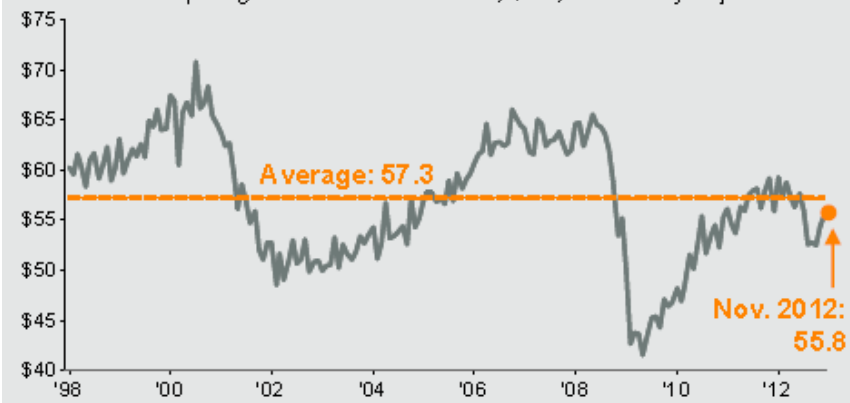


What will business do with this cash reserve?

Current Trends: Business Trends Appear Favorable

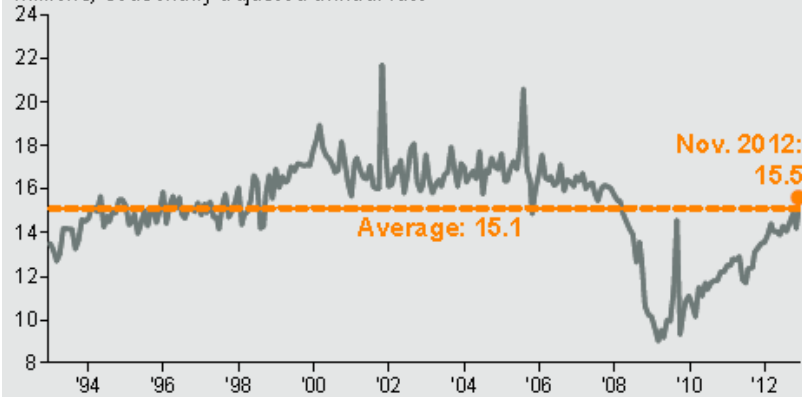
Real Capital Goods Orders

Non-defense capital goods orders ex. aircraft, \$ bn, seasonally adjusted



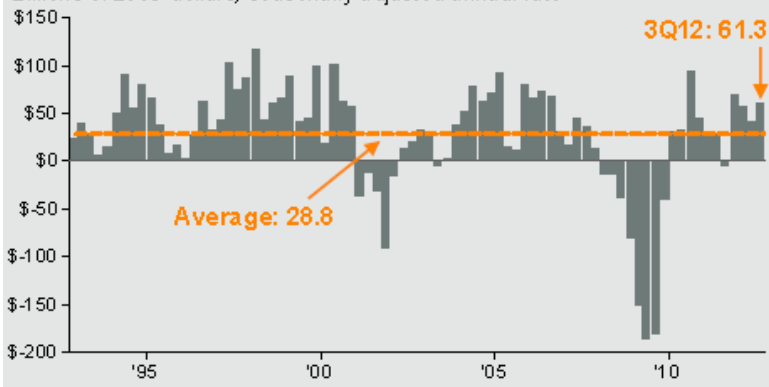
Light Vehicle Sales

Millions, seasonally adjusted annual rate



Change in Private Inventories

Billions of 2005 dollars, seasonally adjusted annual rate

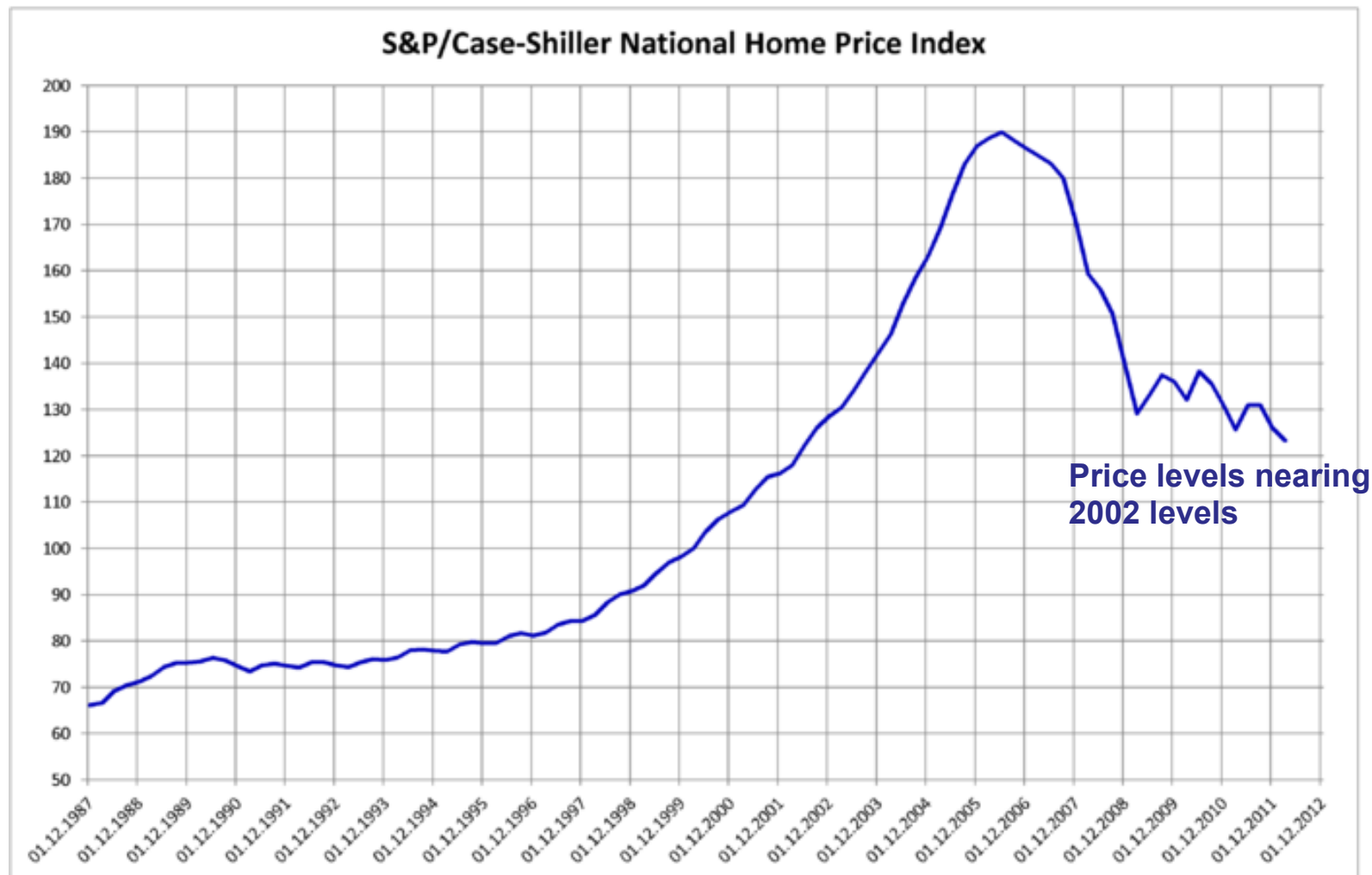


Current Trends: Real Estate

Not out of the woods yet

- **Since falling dramatically, U.S. real estate prices have risen from market lows but remain weak in many areas**
- **Encouraged by record low interest rates and improving affordability, demand for residential real estate has improved**
- **Have real estate prices fallen below reasonable valuation measures? (affordability and rent vs. mortgage payment ratios)**
- **Can residential prices fall from today's levels? (official inventory figures vs. pending foreclosures)**

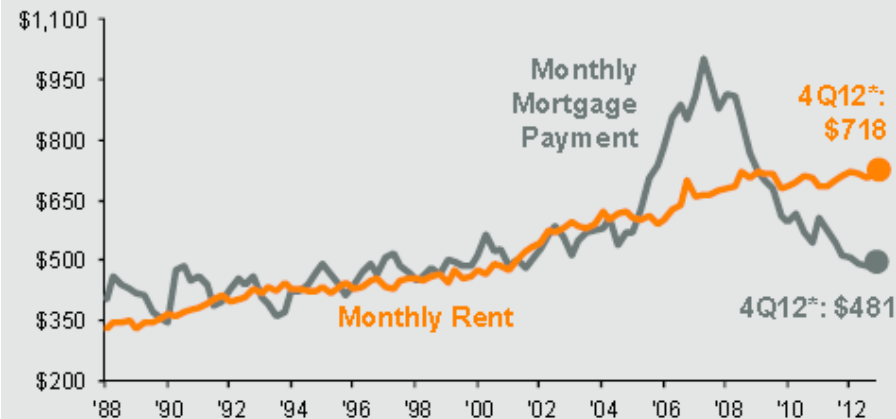
Current Trends: Real Estate



Current Trends: Real Estate

Monthly Rent vs. Monthly Mortgage Payment

Vacant properties



Home Inventories

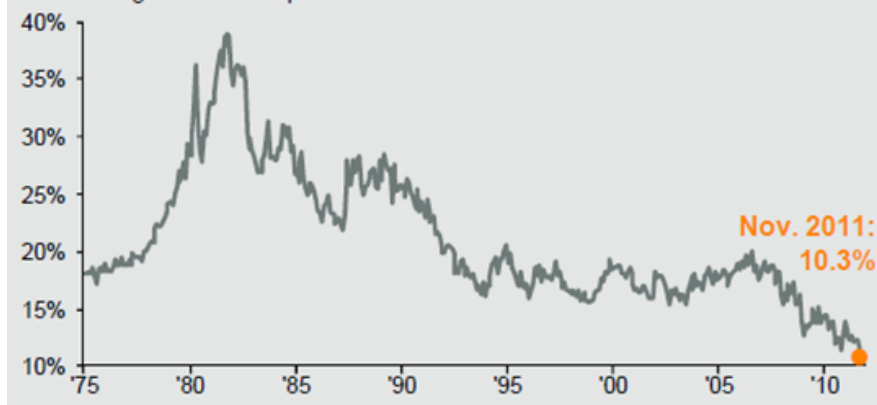
Millions, annual rate, seasonally adjusted



Affordability has improved

Affordability: Mortgage Payment on Average New Home

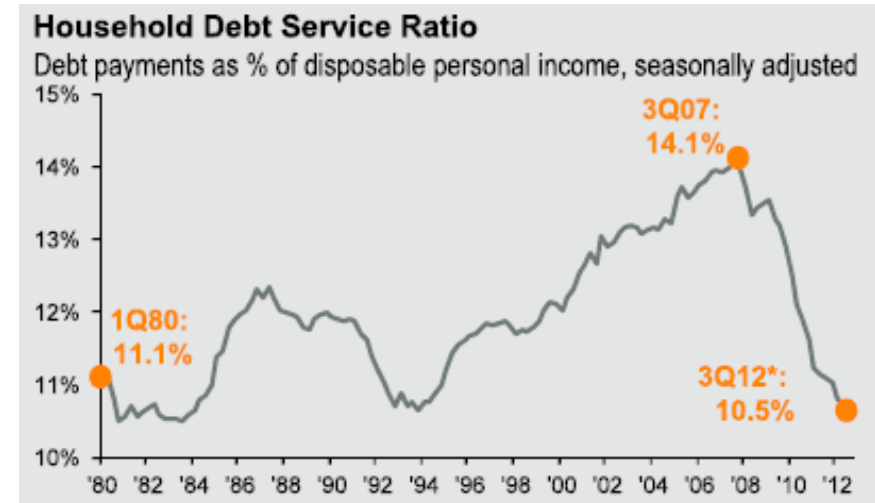
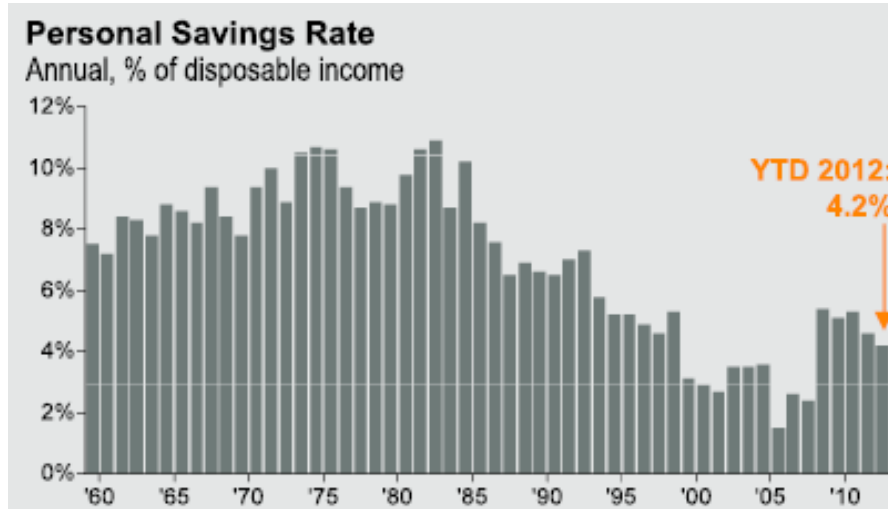
% of average household personal income



Supply is beginning to normalize

Current Trends:

Personal Savings Rates have risen from the early 2000s



Debt Service Ratio has been steadily declining as consumers delever (voluntarily or otherwise)

Current Trends – The Bad ...

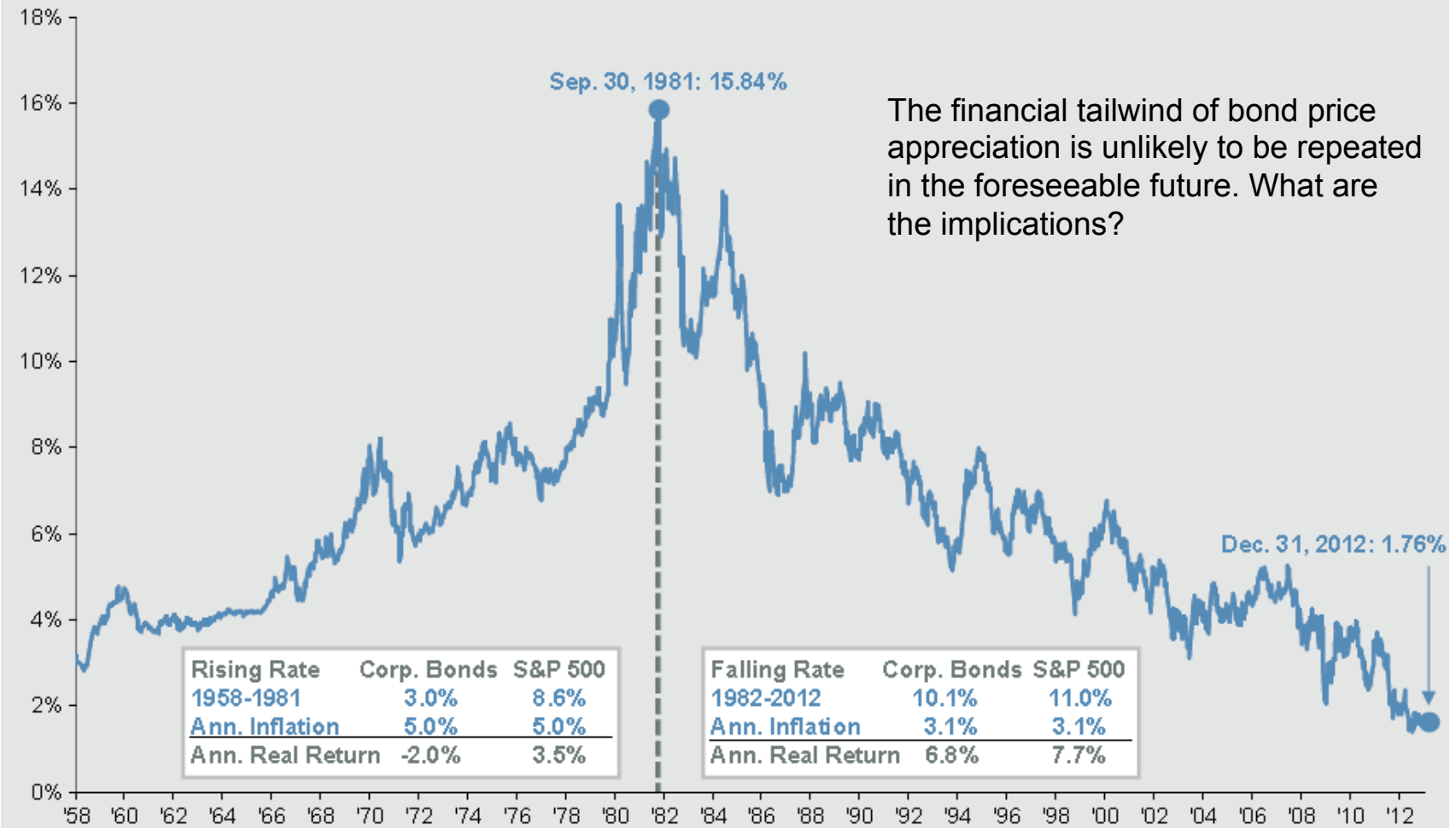
- Interest rates – there's nowhere to go but up
- Residential home inventory – how much supply really exists?
- New housing starts – real estate still drives much economic activity
- Continued weak economic growth anticipated in many developed markets

Current Trends: Interest Rates

- Interest rates today are at historic lows. The Fed has signaled its intention to maintain these levels through 2014.
- Longer term, a rise in interest rates has to be seen as inevitable.
- The question is ... when will rates begin to increase and by what magnitude will they rise?

Current Trends: U.S. Interest Rates – Near Historic Lows

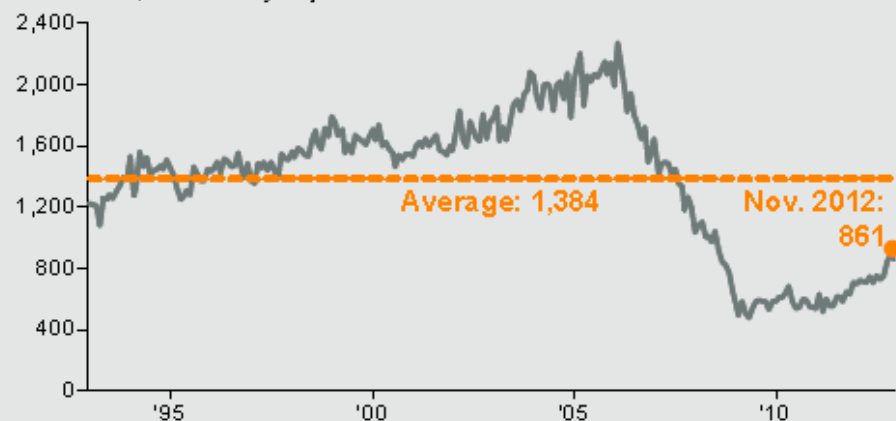
10-Year Treasury Yields and Real Capital Market Returns



Current Trends: New Housing Starts / Housing Inventory

Housing Starts

Thousands, seasonally adjusted annual rate



Clearly improving but still more than 30% below 20 year average

Home Inventories

Millions, annual rate, seasonally adjusted



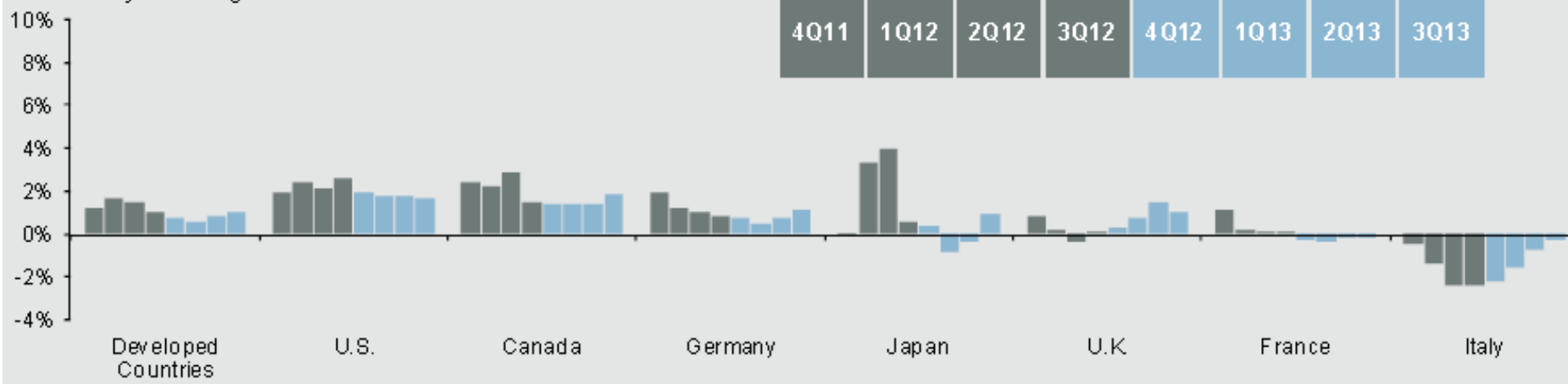
When will “shadow” foreclosure inventory appear?

Current Trends:

Weak economic growth anticipated in many developed international markets (will forecasts be right?)

Developed Market Country Real GDP Growth

Year-over-year % chg. – forecasts from JPMSI



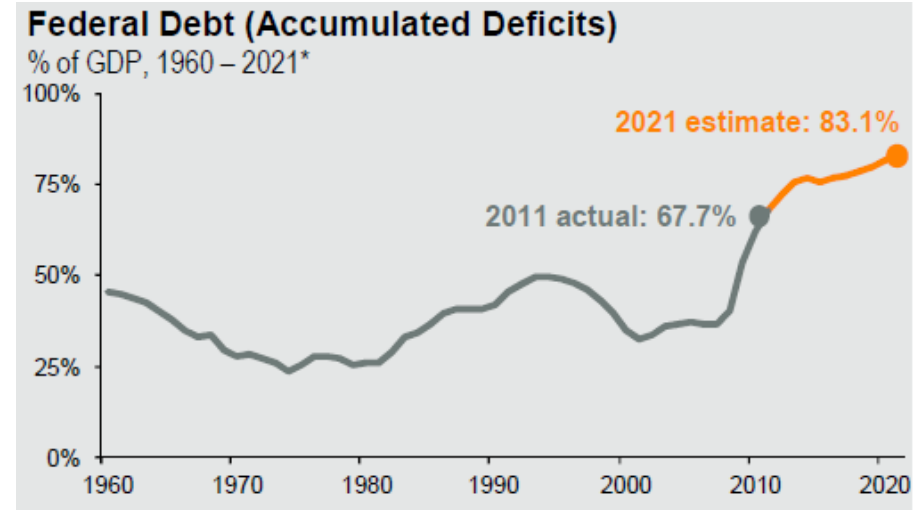
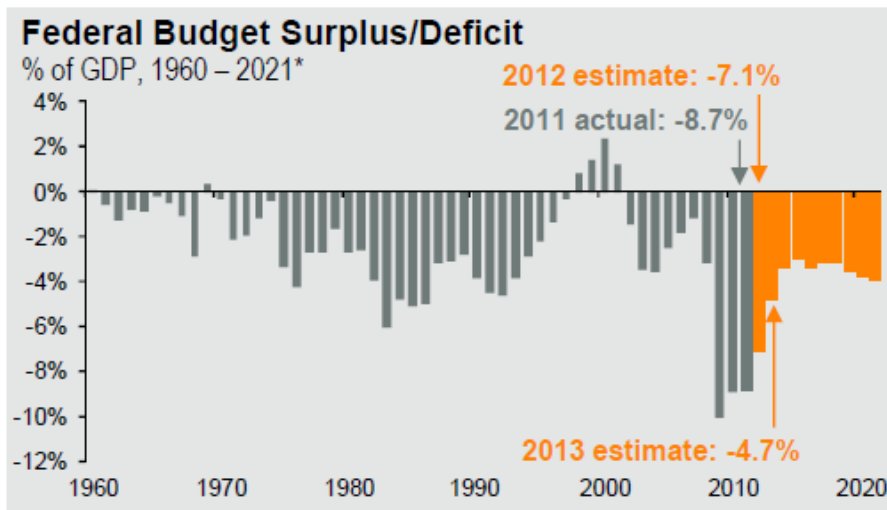
Current Trends – The Ugly ...

- U.S. debt and deficit levels
- U.S. employment
- Sovereign debt problems throughout much of the globe
- Political gridlock in congress and state legislatures



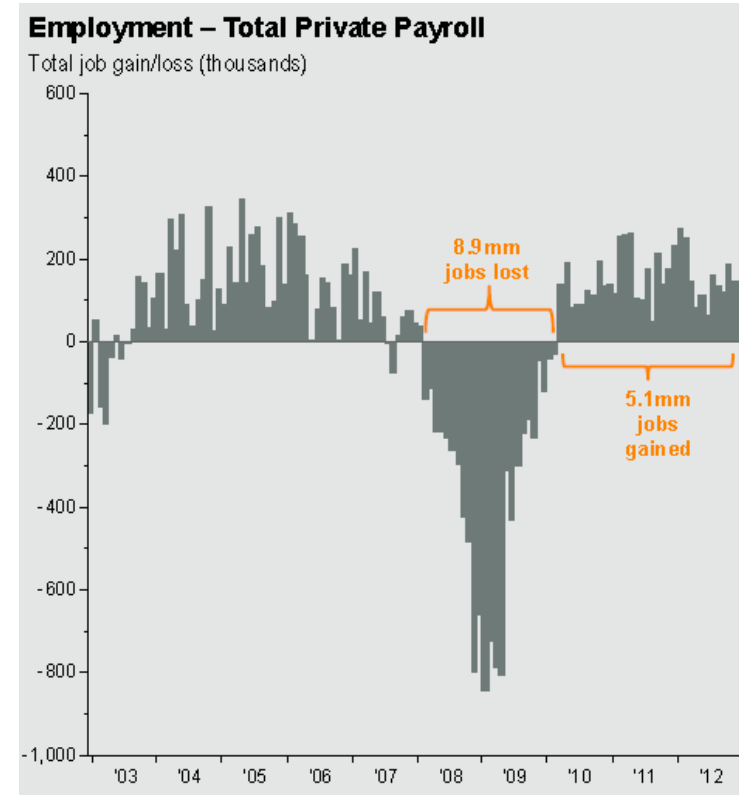
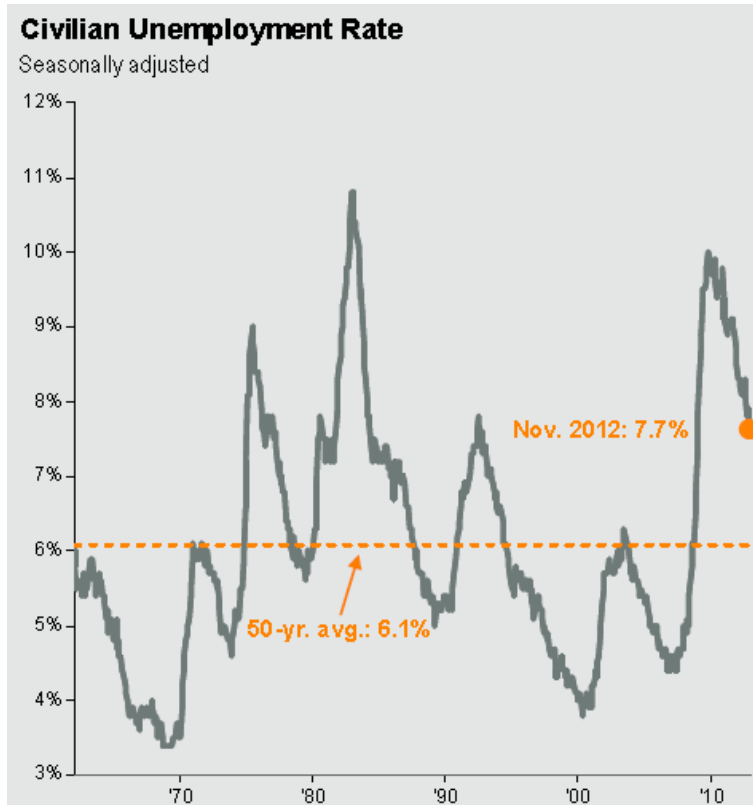
Current Trends: Government Debt and Spending: Issues Still Abound

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Will reduction targets be met?

Current Trends: Employment

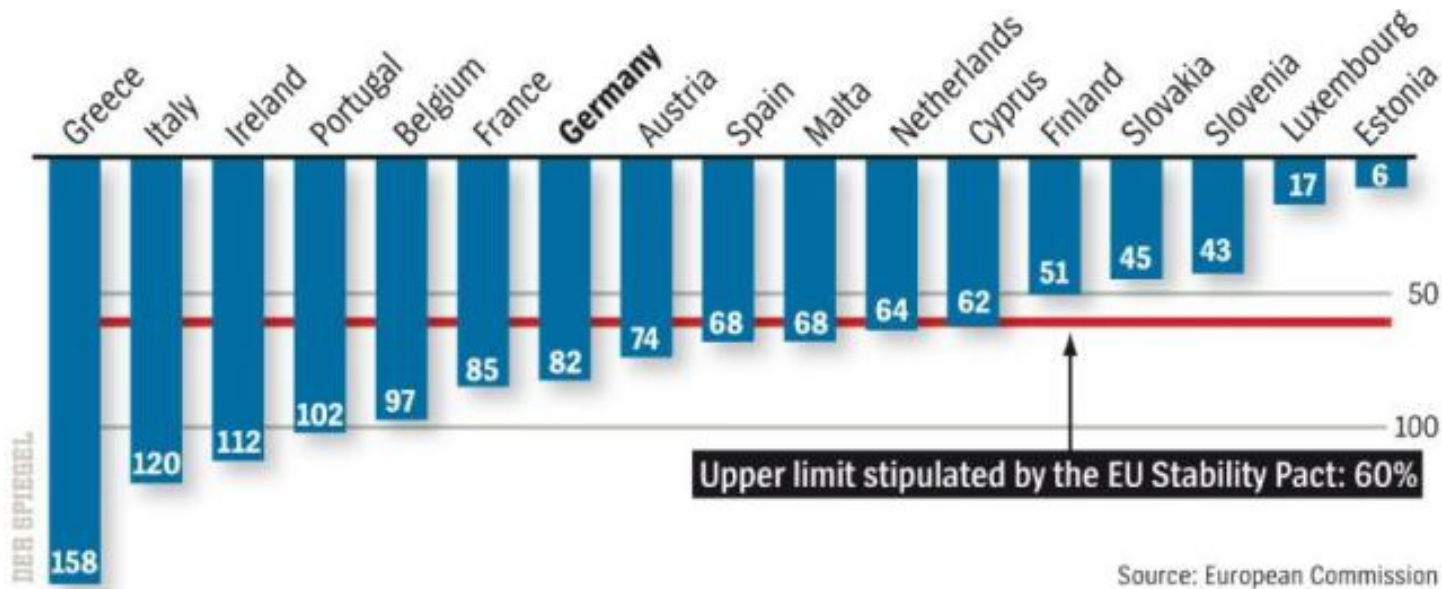


Hiring levels only modestly above annual “replacement” rate

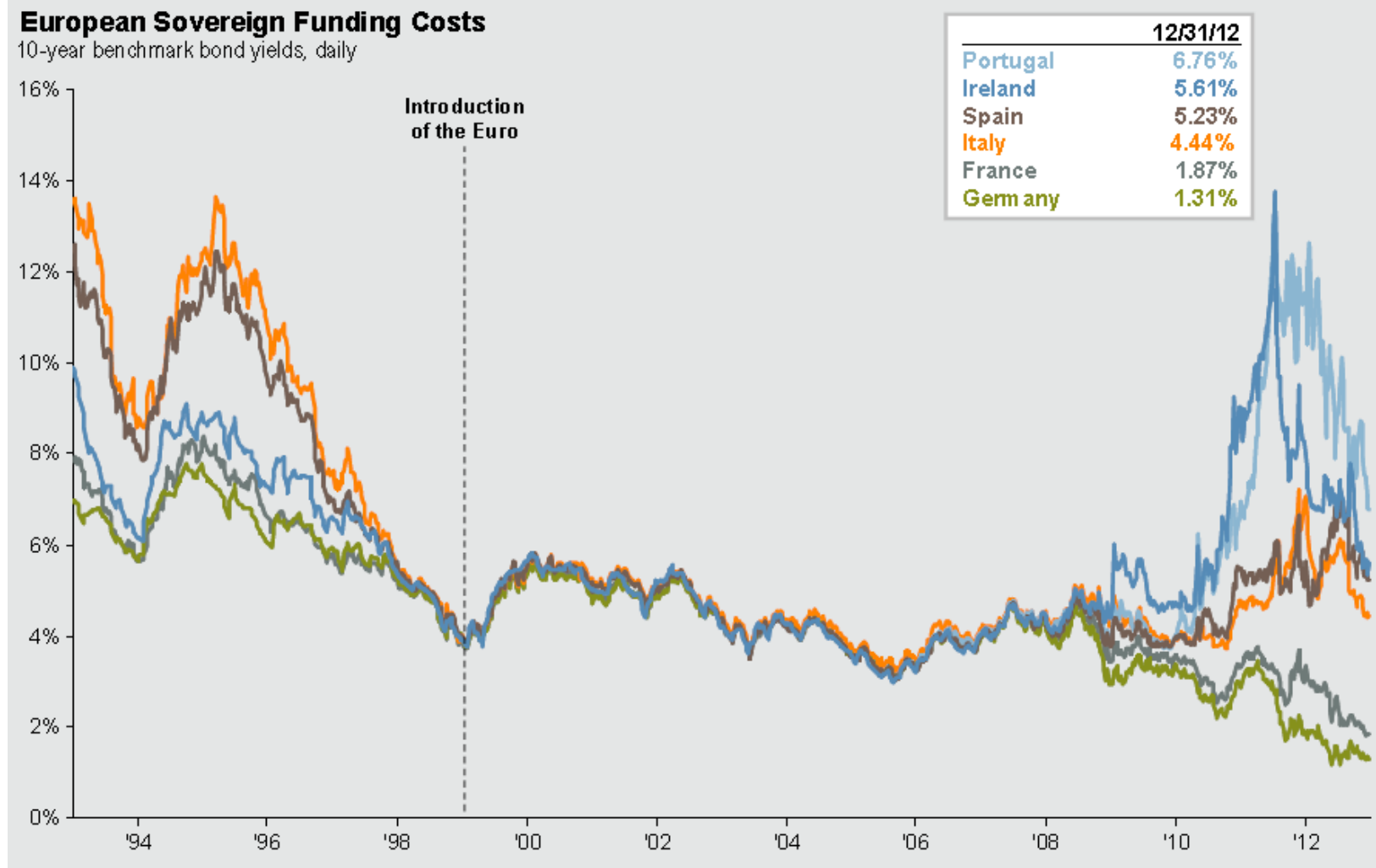
Sources: Bureau of Labor Statistics, FactSet and JP Morgan Asset Management

Current Trends: Sovereign Debt Risks Persist

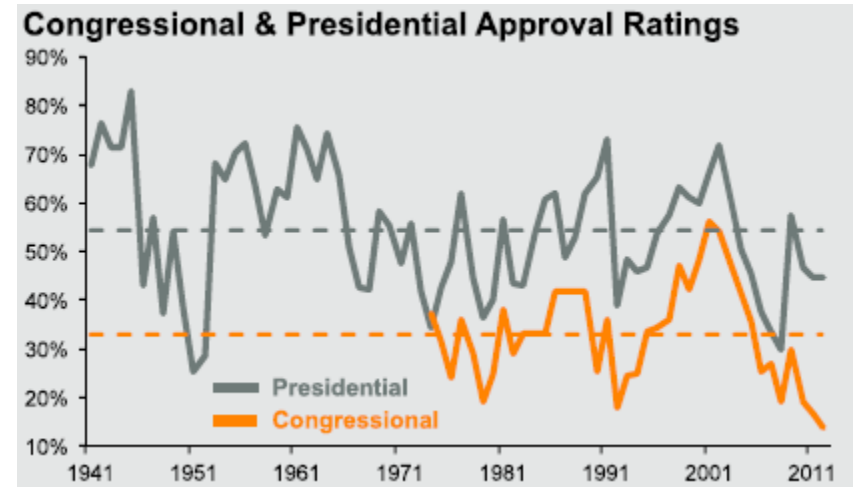
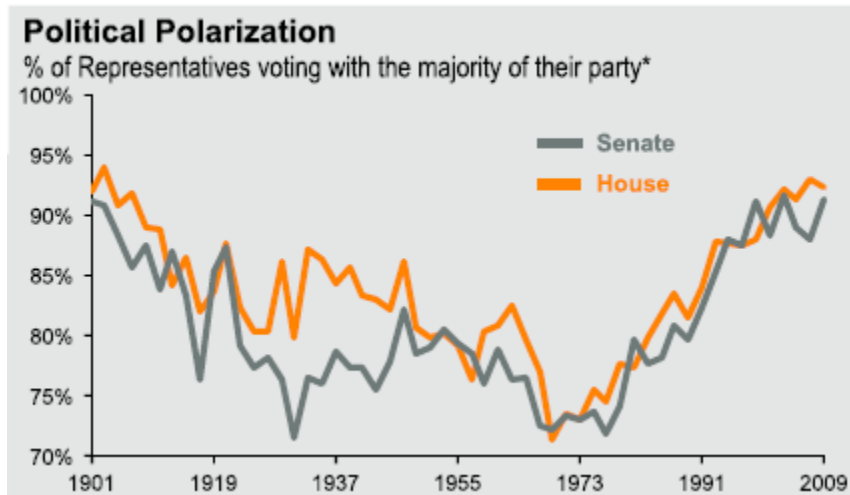
Eurozone government debt as a % of GDP (forecast as of 5/2011)



Current Trends: Sovereign Debt Risks Persist



Current Trends: Political Gridlock in the U.S.



You have the full benefit of hindsight ...

You've traveled back to January 2009 – where do you choose to invest?

- **US Aggregate Bond Index (total bond market)?**
- **Intermediate Municipal Bond Index?**
- **US TIPS?**
- **S&P 500?**
- **US Equity REITs?**
- **International developed (EAFE)?**
- **China?**
- **Diversified Emerging Mkts?**

The Challenge of Prediction ...

Why do good people make bad decisions?

Because we're human ...



The Challenge of Prediction ...

Why do good people make bad decisions?

- **Availability** - We tend to be biased by information that is easier to recall, more vivid, well publicized or recent.

This often leads to an mis-estimation of the likelihood of events.

- **Judgment bias (hindsight)** - After the fact, we often tend to over-estimate our foresight that a given event would occur (“it was obvious – I saw it coming”)

Can lead to overconfidence in an estimation of one’s predictive skill

- **Overconfidence** - Our tendency to over-estimate our knowledge, skill, or insight.

Average Drivers / Professional forecasts / Active traders

The Challenge of Prediction



A study of securities analysts' earnings forecasts covering a period from 1973 – 1995 . Reviewed over 94,000 consensus forecasts covering over 1,500 companies. Found:

- An average forecast error as a % of earnings of 44%
- Only 29% were accurate within +/- 5%
- The average error in forecasts by industry sector ranged from a low of 25% for “Foods” to a high of 75% for “Transportation”

Research consistently reflects the inability of experts, regardless of specialty, to accurately forecast future events

The Randomness of Market Returns (the case for diversification)

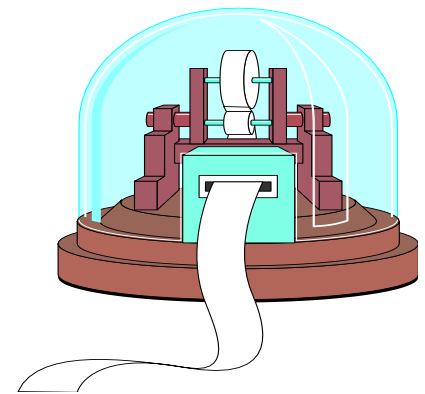
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	37.05	36.94	28.58	66.41	31.04	40.59	7.62	74.48	35.14	34.54	35.97	39.78	8.83	79.02	34.59
	22.96	33.75	23.11	33.01	8.96	18.04	5.11	69.18	33.16	24.13	32.99	8.16	6.60	70.19	29.53
	22.36	33.36	11.95	30.16	8.28	12.35	3.82	66.79	32.11	22.63	32.59	8.04	4.75	51.48	28.07
	19.97	25.79	10.24	28.41	7.33	8.44	3.58	60.25	30.58	15.10	27.54	6.35	-37.00	47.81	20.79
	17.43	19.66	9.69	21.51	4.01	7.28	3.39	57.81	27.33	13.82	26.32	6.31	-38.64	47.02	20.17
	10.23	7.27	8.41	21.04	-2.01	6.44	-2.85	56.28	25.95	9.70	21.87	6.24	-39.20	44.83	19.30
	7.67	7.12	7.75	6.99	-3.08	-2.37	-6.00	36.43	19.15	5.61	21.70	5.95	-42.54	37.51	19.20
	6.03	5.93	5.91	4.37	-6.40	-2.71	-11.72	36.18	17.74	4.91	17.08	5.49	-44.49	28.46	15.06
	5.49	0.39	-2.33	4.04	-9.10	-6.48	-13.84	28.69	10.88	4.45	15.80	-2.61	-45.12	26.46	13.32
	4.54	-11.59	-10.04	3.55	-12.26	-11.89	-19.87	2.04	2.65	3.08	4.32	-12.24	-47.11	2.29	3.73
	3.49	-14.55	-17.01	1.90	-12.26	-15.41	-22.10	1.95	1.35	2.36	4.09	-17.55	-53.14	0.80	1.99
	2.80	-15.12	-25.34	-2.58	-30.61	-16.75	-30.28	1.47	0.83	1.34	3.75	-18.38	-53.18	0.19	0.83

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
US Large Cap	22.96	33.36	28.58	21.04	-9.10	-11.89	-22.10	28.69	10.88	4.91	15.80	5.49	-37.00	26.46	15.06
US Large Cap Value	19.97	33.75	11.95	6.99	-6.40	-2.71	-30.28	36.43	17.74	9.70	21.87	-12.24	-53.14	37.51	20.17
US Small Cap	17.43	25.79	-2.33	28.41	-12.26	18.04	-19.87	57.81	19.15	5.61	17.08	-2.61	-38.64	47.02	29.53
US Small Cap Value	22.36	36.94	-10.04	4.37	-3.08	40.59	-11.72	74.48	27.33	4.45	21.70	-18.38	-44.49	70.19	34.59
US Real Estate	37.05	19.66	-17.01	-2.58	31.04	12.35	3.58	36.18	33.16	13.82	35.97	-17.55	-39.20	28.46	28.07
International Large Cap Value	10.23	0.39	23.11	33.01	4.01	-15.41	-13.84	69.18	30.58	15.10	32.99	6.35	-45.12	51.48	13.32
International Small Cap	2.80	-14.55	10.24	30.16	-12.26	-16.75	-2.85	60.25	32.11	22.63	26.32	8.04	-47.11	44.83	20.79
International Small Cap Value	3.49	-15.12	9.69	21.51	-2.01	-6.48	3.82	66.79	35.14	24.13	27.54	6.24	-42.54	47.81	19.30
Emerging Markets	6.03	-11.59	-25.34	66.41	-30.61	-2.37	-6.00	56.28	25.95	34.54	32.59	39.78	-53.18	79.02	19.20
One-Year US Fixed	5.49	5.93	5.91	4.04	7.33	7.28	3.39	1.47	0.83	2.36	4.32	5.95	4.75	0.80	0.83
Five-Year US Government Fixed	4.54	7.12	7.75	1.90	8.96	8.44	7.62	2.04	1.35	1.34	3.75	8.16	8.83	0.19	3.73
Five-Year Global Fixed	7.67	7.27	8.41	3.55	8.28	6.44	5.11	1.95	2.65	3.08	4.09	6.31	6.60	2.29	1.99

US Large Cap is the S&P 500 Index. US value (ex utilities) and US Small Cap data provided by Fama/French. US Real Estate is the Dow Jones Wilshire REIT Index. International Value data provided by Fama/French from Bloomberg and MSCI securities data. International Small Cap data compiled by Dimensional Fund Advisors. International Small Cap Value data compiled by Dimensional Fund Advisors. Emerging Markets is the MSCI Emerging Markets Index (gross dividends). One-Year US Fixed is the Merrill Lynch One-Year US Treasury Note Index. Five-Year US Government Fixed is the Barclays Capital Treasury Bond Index 1-5 Years. Five-Year Global Fixed is the Citigroup World Government Bond Index 1-5 Years (hedged).

A Fundamental Premise ...

- Investment success is driven by sound long term strategy combined with disciplined execution
- In seeking to achieve investment results ... Over time ... effective portfolio design (asset allocation) provides the highest probability of achieving a targeted rate of return



“It’s Different this Time” ...

“Markets are more volatile today”

“Technology has changed the game”

“Asset allocation is dead”

Maybe but ...

Market Risk Premium and Volatility

Monthly: Jan 1990 - Dec 2011

Fama/French US Market Research Factor Returns

Year	Annual Return	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1990	-13.8%	-7.6%	0.9%	1.8%	-3.5%	8.2%	-1.1%	-1.6%	-9.9%	-6.0%	-1.9%	6.0%	2.4%
1991	29.1%	4.4%	7.1%	2.5%	-0.2%	3.6%	-4.8%	4.2%	2.2%	-1.6%	1.4%	-4.1%	10.3%
1992	6.4%	-0.5%	1.1%	-2.7%	1.0%	0.4%	-2.3%	3.7%	-2.3%	1.0%	0.9%	3.8%	1.5%
1993	8.4%	1.0%	0.3%	2.3%	-2.8%	2.7%	0.3%	-0.3%	3.7%	-0.2%	1.6%	-2.0%	1.7%
1994	-4.1%	2.9%	-2.6%	-4.9%	0.7%	0.6%	-3.1%	2.8%	3.9%	-2.2%	1.1%	-4.1%	0.8%
1995	31.0%	1.6%	3.6%	2.2%	2.1%	2.9%	2.7%	3.6%	0.5%	3.2%	-1.6%	3.9%	1.0%
1996	16.2%	2.4%	1.2%	0.7%	2.1%	2.3%	-1.2%	-5.8%	2.8%	4.9%	0.9%	6.1%	-1.6%
1997	26.1%	4.9%	-0.5%	-4.9%	3.8%	6.7%	4.0%	7.2%	-4.0%	5.4%	-3.9%	2.7%	1.3%
1998	19.4%	0.0%	6.9%	4.7%	0.7%	-3.0%	2.8%	-2.7%	-16.2%	5.9%	7.1%	5.9%	5.9%
1999	20.2%	3.5%	-4.2%	3.4%	4.5%	-2.4%	4.7%	-3.4%	-1.4%	-2.7%	5.8%	3.3%	8.0%
2000	-16.7%	-4.4%	2.8%	4.9%	-6.4%	-4.4%	4.8%	-2.2%	7.1%	-5.6%	-3.0%	-10.8%	1.5%
2001	-14.8%	3.4%	-10.3%	-7.5%	8.0%	0.7%	-2.0%	-2.1%	-6.2%	-9.4%	2.6%	7.7%	1.6%
2002	-22.9%	-1.8%	-2.3%	4.3%	-5.1%	-1.2%	-7.2%	-8.3%	0.7%	-10.1%	7.4%	6.0%	-5.4%
2003	30.7%	-2.4%	-1.6%	0.9%	8.2%	6.3%	1.5%	2.2%	2.4%	-1.0%	6.0%	1.6%	4.5%
2004	10.7%	2.2%	1.5%	-1.2%	-2.5%	1.4%	2.1%	-3.9%	0.2%	2.0%	1.7%	4.7%	3.4%
2005	3.2%	-2.8%	2.1%	-1.9%	-2.7%	3.6%	0.9%	4.1%	-0.9%	0.8%	-2.4%	3.7%	0.0%
2006	10.6%	3.7%	-0.5%	1.5%	0.9%	-3.5%	-0.4%	-0.6%	2.1%	1.5%	3.3%	2.0%	0.7%
2007	0.8%	1.5%	-1.8%	0.9%	3.6%	3.5%	-1.9%	-3.6%	0.7%	3.8%	2.3%	-5.3%	-0.7%
2008	-38.4%	-6.4%	-2.3%	-1.2%	5.0%	2.2%	-8.0%	-1.5%	1.0%	-10.0%	-18.6%	-8.5%	2.1%
2009	29.1%	-7.7%	-10.1%	8.8%	11.1%	6.7%	-0.3%	8.2%	3.2%	4.5%	-2.8%	5.7%	2.9%
2010	18.0%	-3.7%		6.4%	2.0%	-8.0%	-5.2%	7.2%	-4.4%	9.2%			6.8%
2011	-0.9%						-1.9%	-2.4%	-5.9%	-8.4%	11.5%	-0.6%	

Indicates a monthly return greater than 6.0% or less than -6.0%.

Monthly returns greater than 6%	25
Monthly returns less than 6%	21

A Common Perspective ...

Stocks Tarnished By 'Lost Decade'

*U.S. Shares in Longest Funk Since 1970s;
Credit Crunch Could Prolong Weakness*

BY E.S. BROWNING

Over the past 200 years, the stock market's steady upward march occasionally has been disrupted for long stretches, most recently during the Great Depression and the inflation-plagued 1970s. The current market turmoil suggests that we may be in another lost decade.

cording to Morningstar Inc. For the past nine years, it has fallen 0.37% a year, and for the past eight, it is off 1.4% a year. In light of the current wobbly market, some economists and market analysts worry that the era of disappointing returns may not be over.

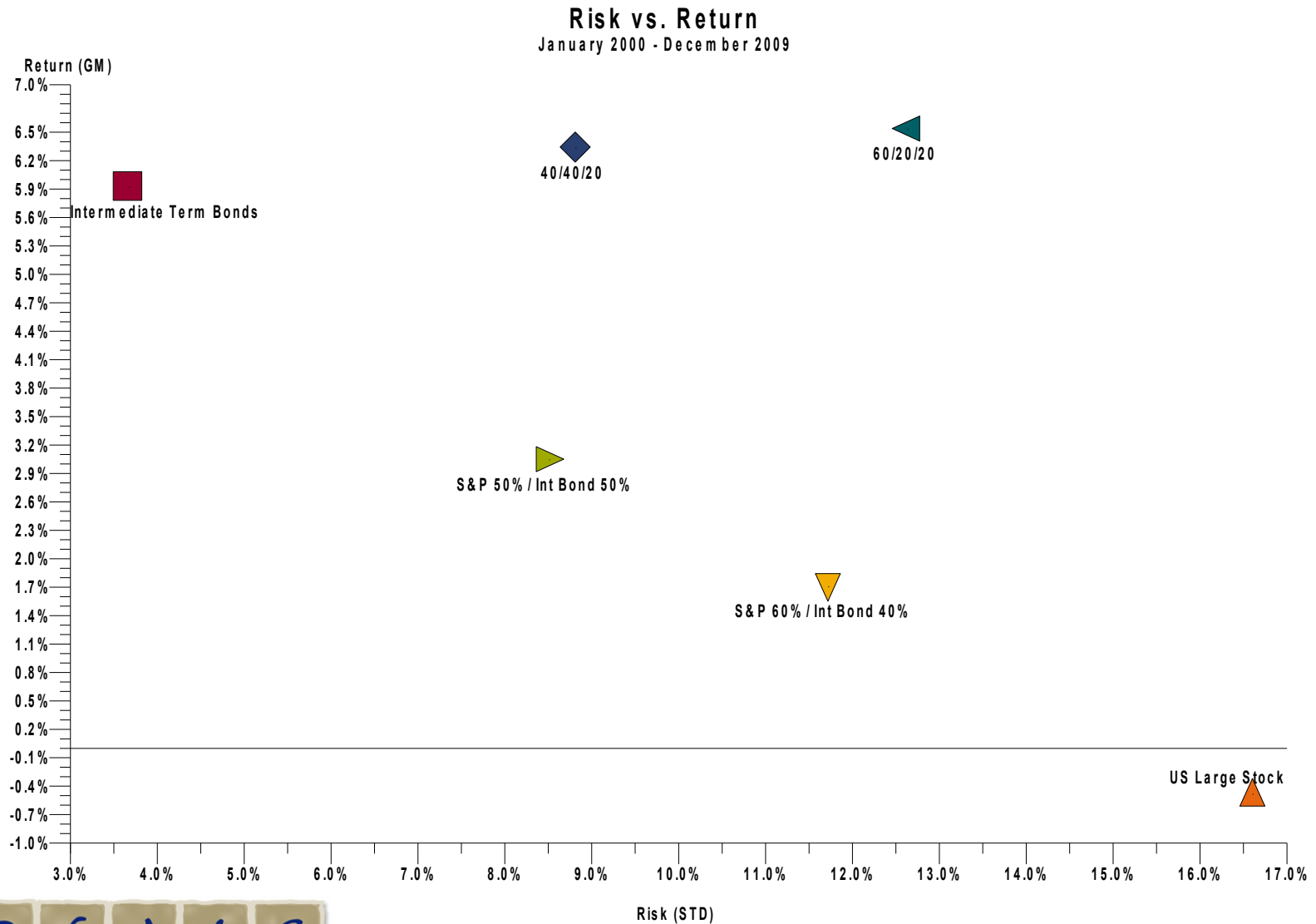
Until last fall, many investors had viewed the bursting of the tech-stock bubble as a

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A Lost Decade? ... Not for a Diversified Portfolio



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Investment Strategy Considerations

- In an uncertain investment climate, portfolio diversification will continue to be an important strategy
- Diversification beyond traditional asset classes can add value
- Lower correlation remains a key to effective diversification

Correlation - In times of global dislocation, asset correlations rise

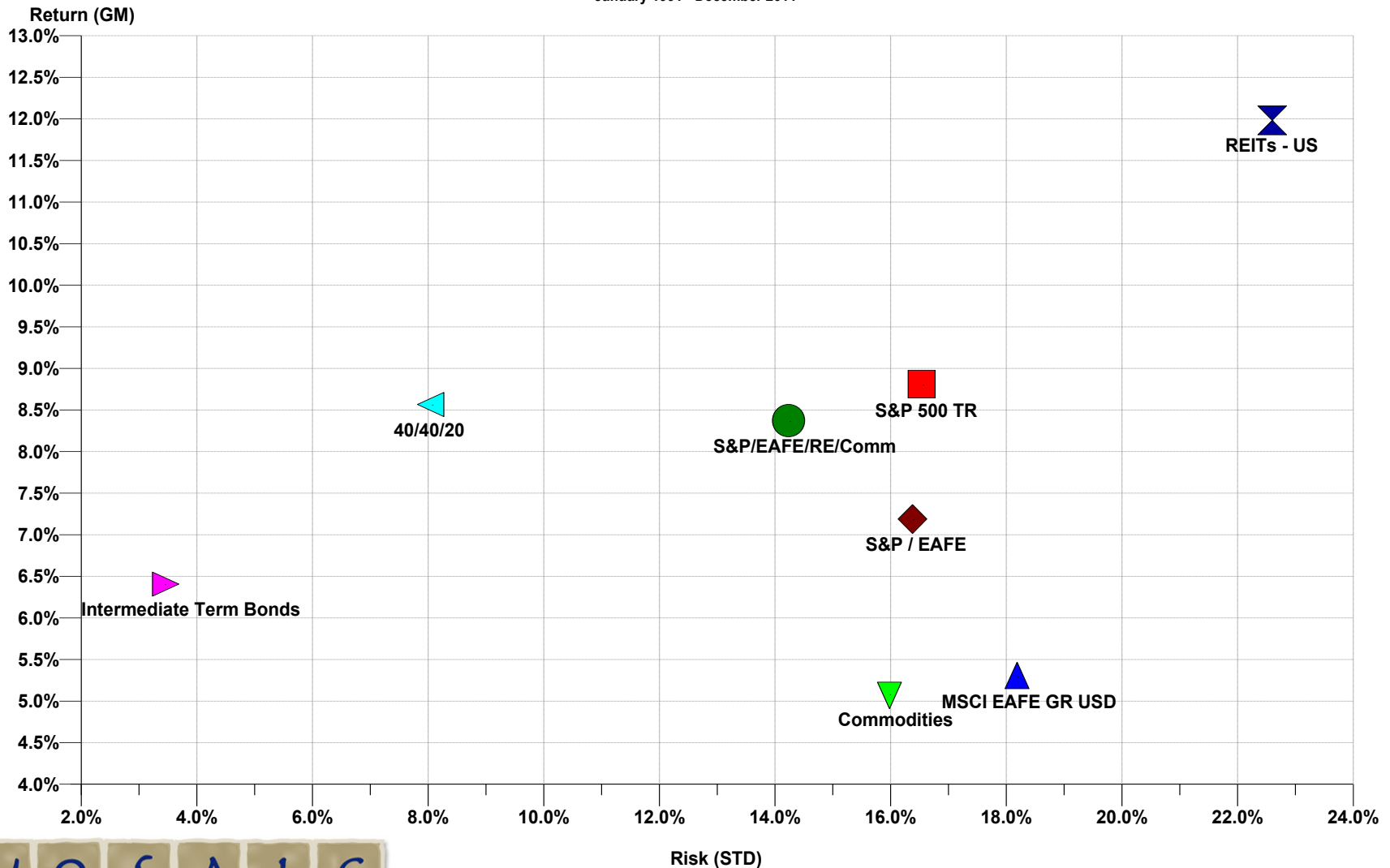
Correlation to the S&P 500

	2008 - 2011	2000 - 2009	1990 - 1999	1980 - 1989	1972 - 1979	1972 - 2011
US Large Caps	1.00	1.00	1.00	1.00	1.00	1.00
US Small Caps	0.95	0.80	0.81	0.90	0.80	0.82
EAFE Index	0.92	0.87	0.53	0.46	0.52	0.63
Int'l Small Caps	0.88	0.75	0.37	0.43	0.33	0.54
Emerging Mkts	0.86	0.79	0.57	N/A	N/A	N/A
REIT Index	0.83	0.59	0.47	0.66	0.64	0.58
Commodity Index	0.59	0.29	-0.12	0.17	-0.13	0.09
Interm Bonds	0.11	-0.07	0.34	0.15	0.34	0.19

Diversification Still Matters

Portfolio Risk vs. Return

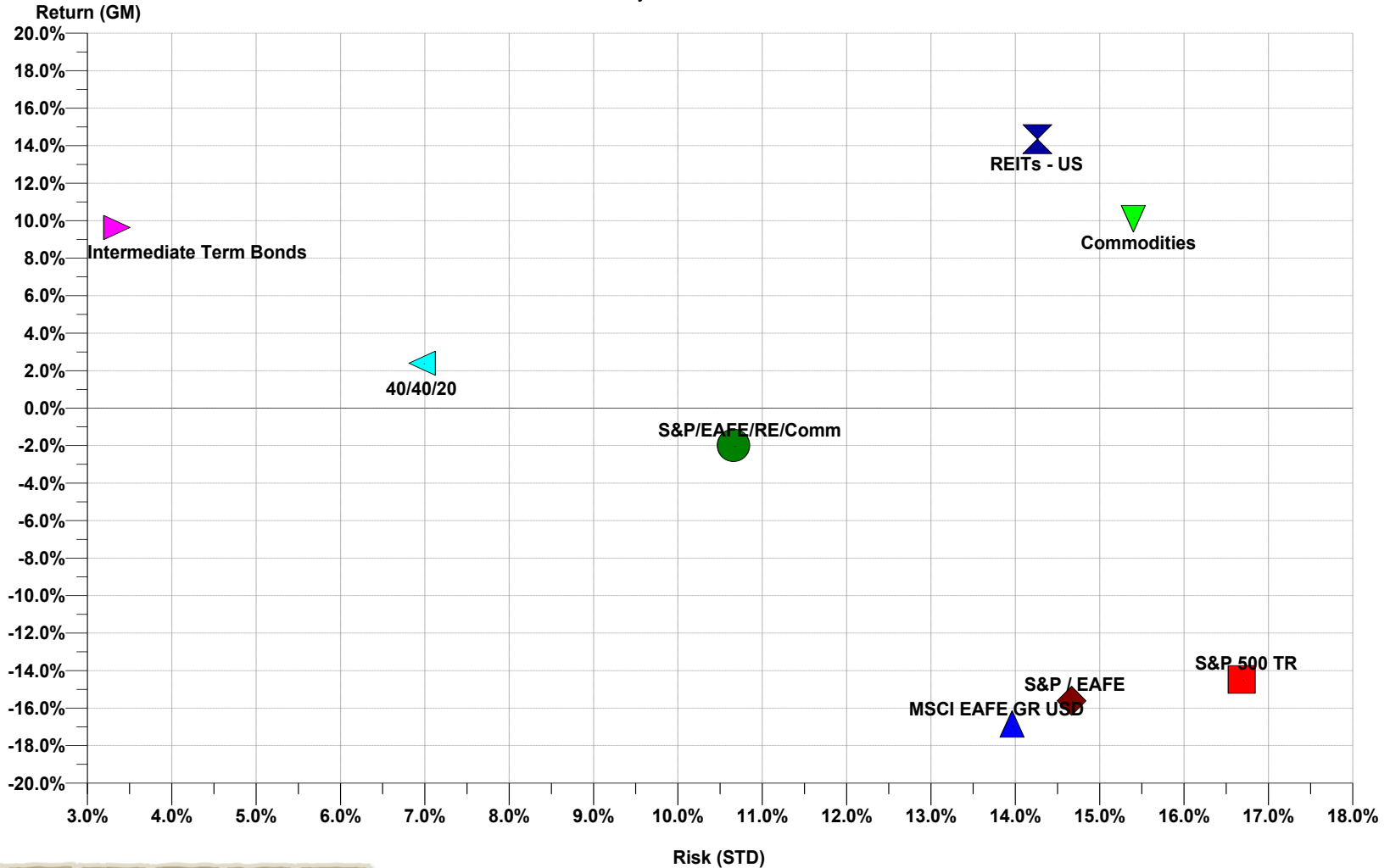
January 1991 - December 2011



Diversification Still Matters

Portfolio Risk vs. Return

January 2000 - December 2002

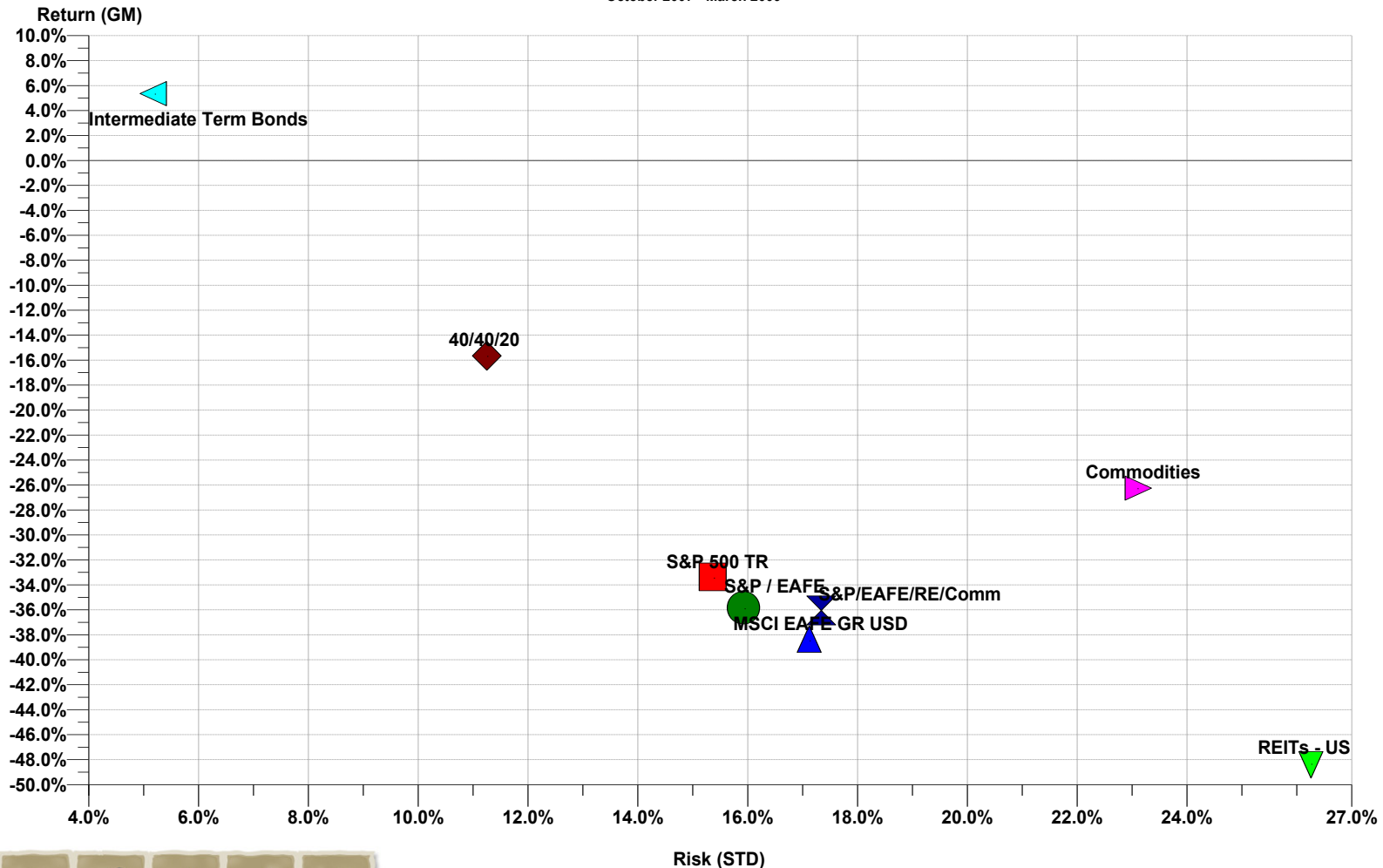


Diversification Matters - *But it's not a silver bullet*

In times of market crisis, diversification cannot prevent portfolio decline

Portfolio Risk vs. Return

October 2007 - March 2009

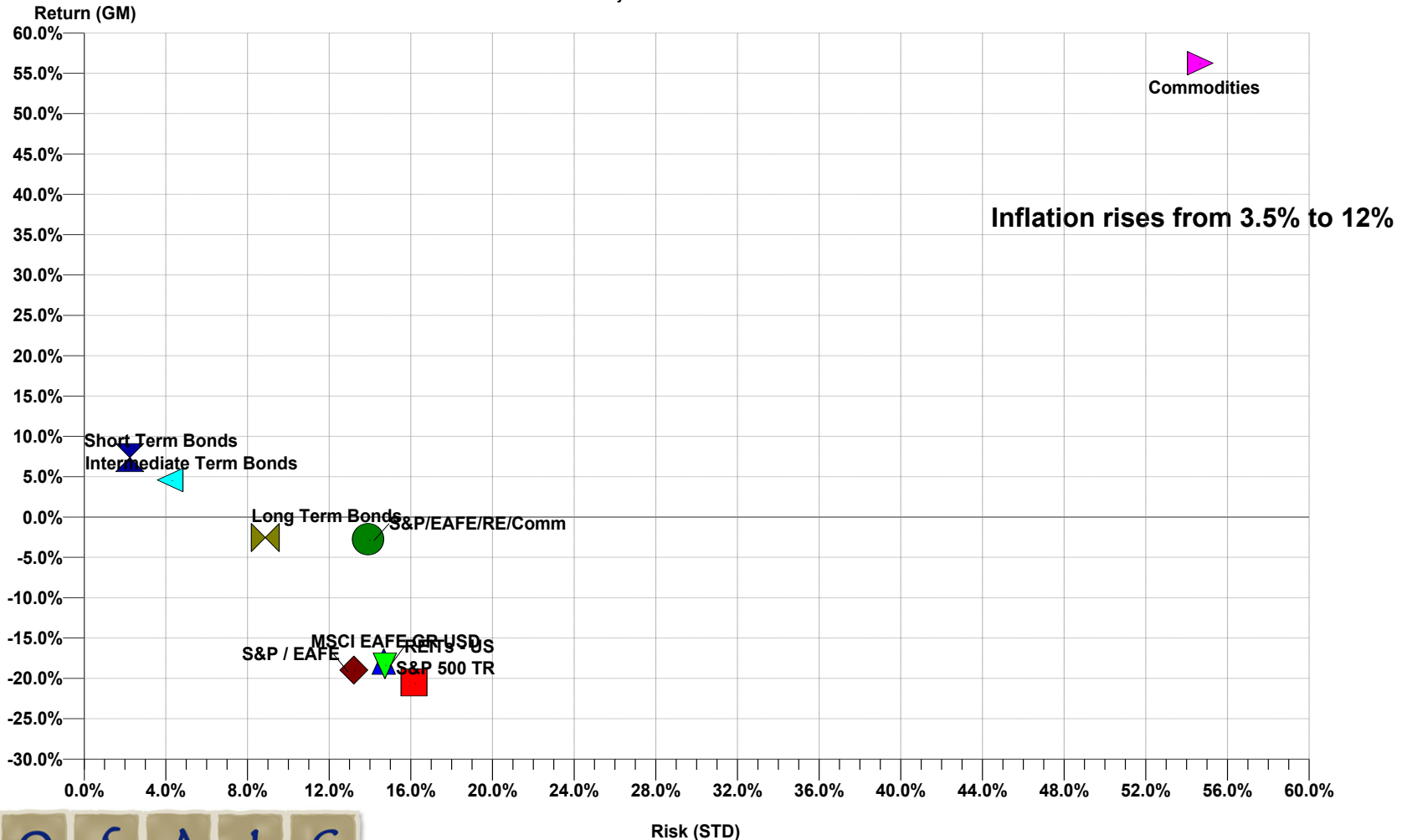


A Walk Through Time – Asset Class Performance

The Arab Oil Embargo / Nixon / The Rise of Inflation

Portfolio Risk vs. Return

January 1973 - December 1974

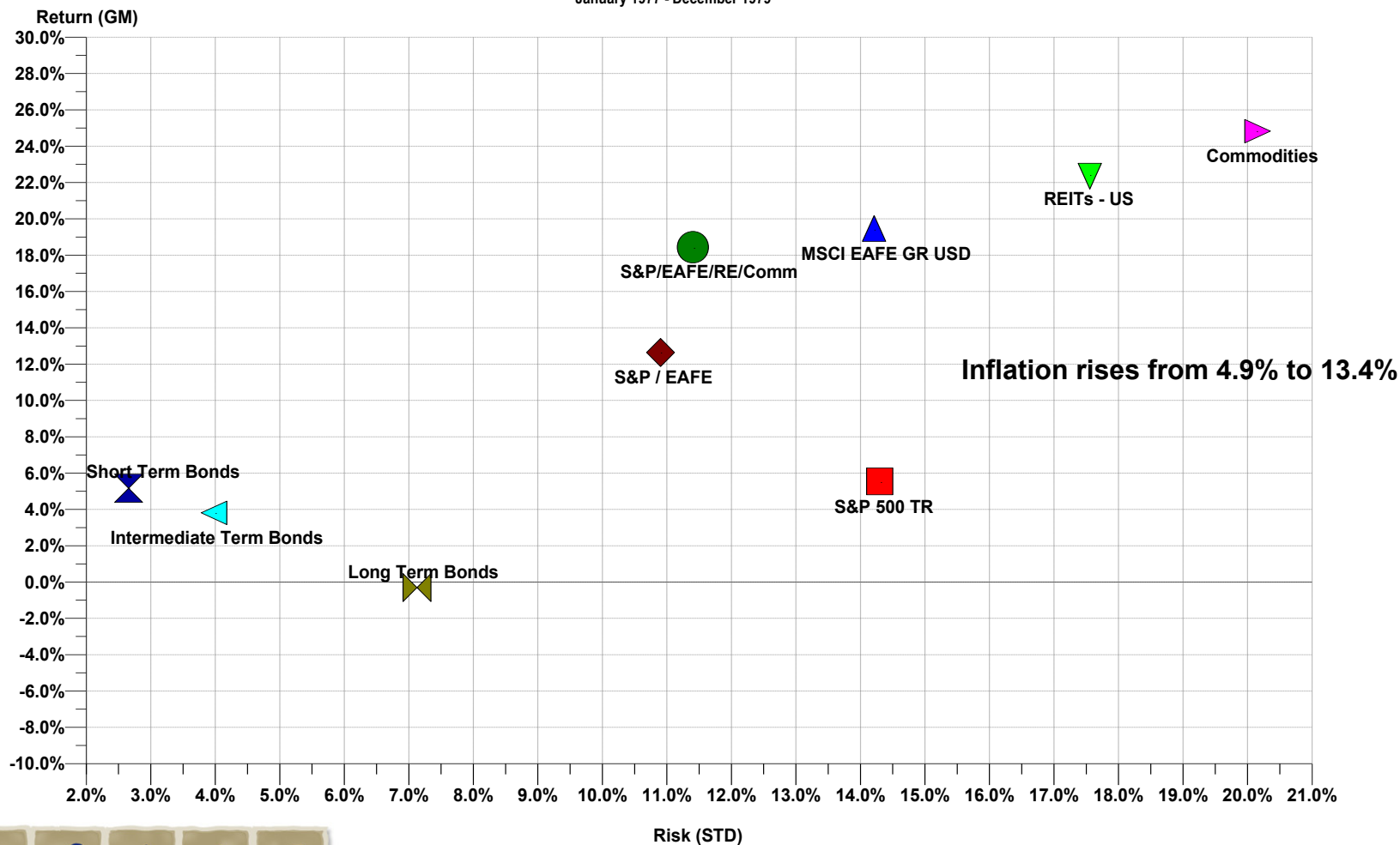


A Walk Through Time – Asset Class Performance

Inflation Resumes ...

Portfolio Risk vs. Return

January 1977 - December 1979

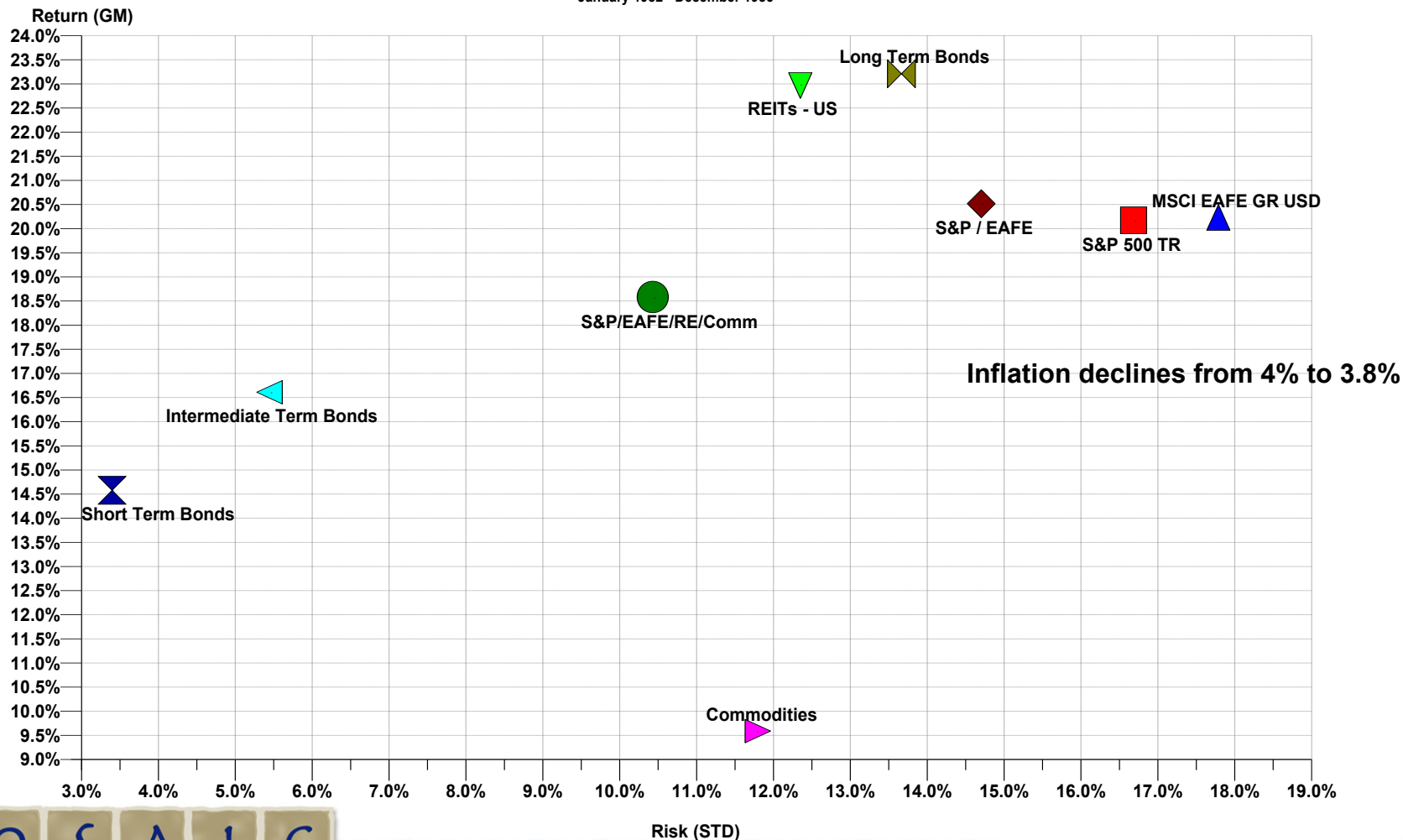


A Walk Through Time – Asset Class Performance

The Mexican Default and Latin American Debt Crisis

Portfolio Risk vs. Return

January 1982 - December 1985

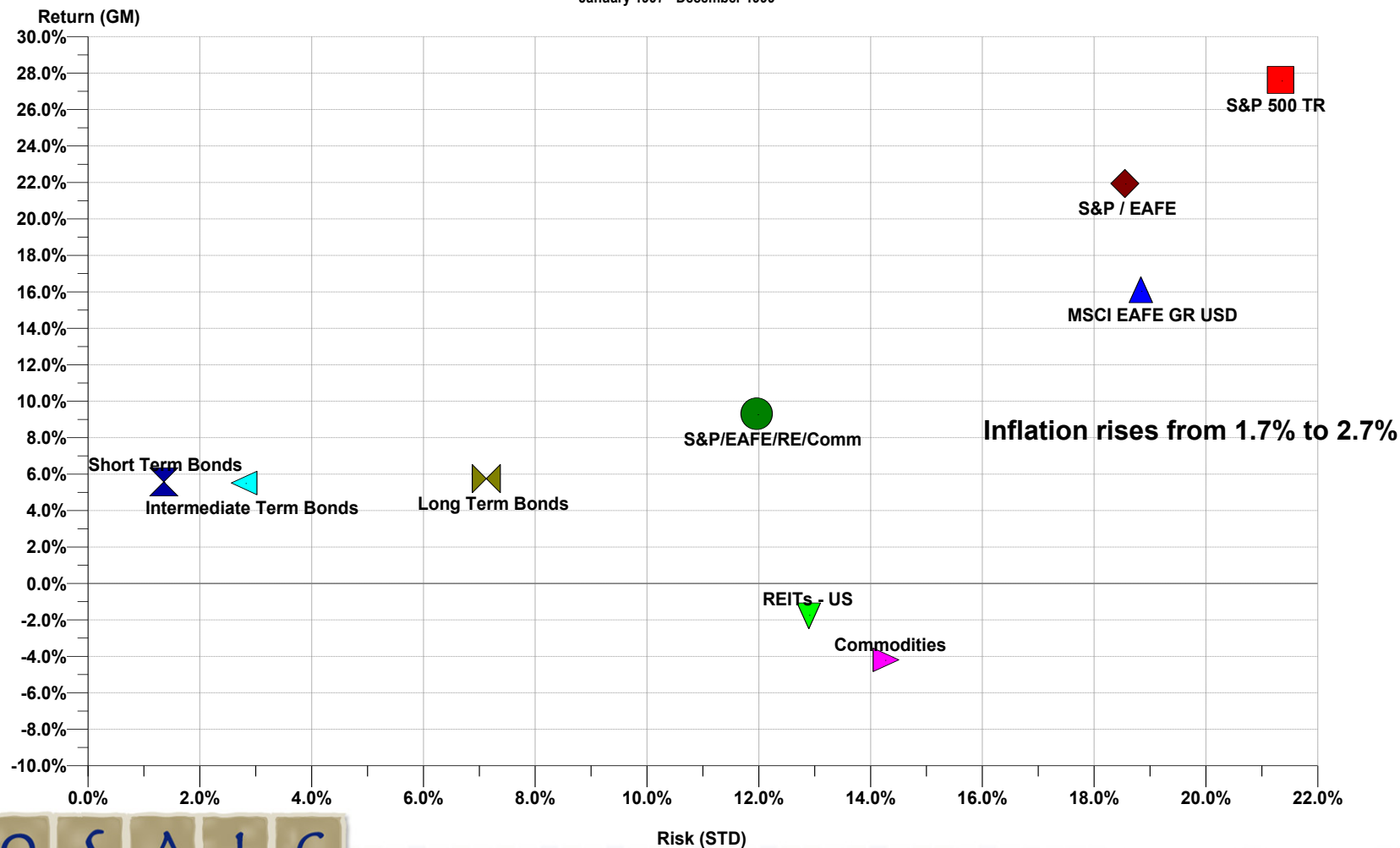


A Walk Through Time – Asset Class Performance

The Asian Financial Crisis and Russian Default

Portfolio Risk vs. Return

January 1997 - December 1999



Market Downturns—A Historical Perspective

Individual Index Monthly Downturns As of December 31, 2010

	Domestic Large Cap	Domestic Small Cap	International	Emerging
Fund Equivalent Index	S&P 500 Index	CRSP 6-10 Index	MSCI EAFE Index	MSCI Emerging Markets Index
Start Date	January 1926 December	January 1926	January 1970	January 1988
End Date	2010	December 2010	December 2010	December 2010
Threshold	-7%	-7%	-7%	-7%
Months at or below Threshold	62	108	30	34
Months in Sample	1,020	1,020	492	276
Percentage of Months below Threshold	6.1%	10.6%	6.1%	12.3%

Annualized Average Compound Return over Subsequent Periods (starting the next month)

1 Year	8.5%	20.8%	9.9%	7.5%
3 Years	9.1%	16.2%	12.4%	11.9%
5 Years	9.9%	16.2%	12.8%	13.7%
10 Years	8.8%	14.0%	12.3%	11.1%



Source: University of Chicago – Center for Research in Securities Prices – (CRSP) University of Chicago, S&P Index Services Group, MSCI, and Dimensional Fund Advisors. Performance for periods greater than one year are annualized.

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Investment Strategy Prescriptions

Diversify globally



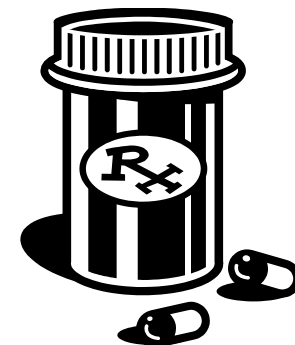
Expand allocation to international investments - particularly those categories with a lower correlation to the US:

- **International small cap stocks**
- **Emerging markets stocks**

You must be prepared for volatility!

Investment Strategy Prescriptions

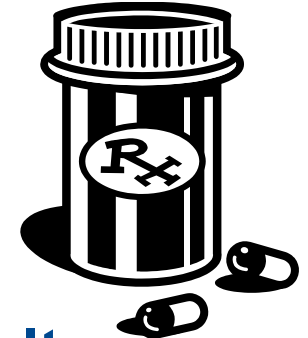
Fixed Income



- Eliminate or substantially reduce the use of long term bonds
- Employ TIPs for longer term fixed income inflation hedge
- Employ short to intermediate term bonds to dampen portfolio volatility
- If you can live with volatility, consider foreign bonds (EM debt?)

Investment Strategy Prescriptions

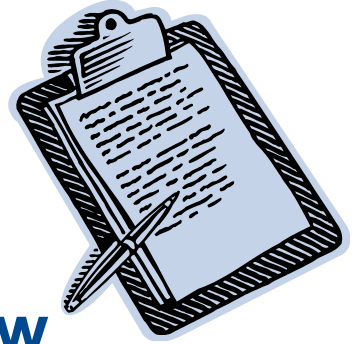
Consider Alternative Investments



- Using “non-traditional” investments adds diversification and can enhance portfolio results
- Potential long term areas for consideration: real estate and commodities (seek lower correlation)
- “Hedge” strategies may warrant consideration but considerable caution must be exercised

Challenges include - transparency / access / and lack of regulatory oversight

A Prescription for Managing Behavior

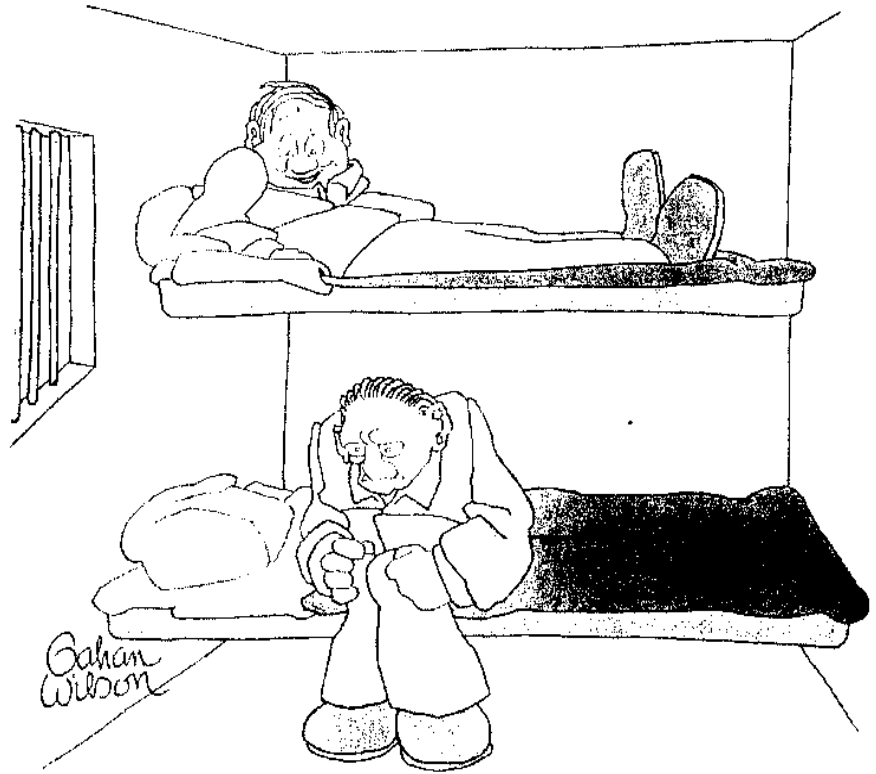


- ✓ **Recognize and admit what you don't know**
 - News drives markets – the future is unpredictable
- ✓ **Make strategic decisions for the future – now**
 - Develop investment policy to guide future decision making. Don't let ad hoc decisions trump sound policy
- ✓ **Focus on what you can control**
 - Expenses matter – limit trading and fund expenses

Understand What You're Investing In ...

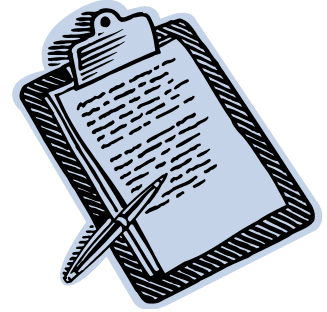
Bernie Madoff anyone?

- **But ... even when you know what you're investing in, surprises can occur that severely impact expected results.**



"Well, it sure is handy having my broker right here in my cell!"

A Prescription for Managing Behavior



✓ In times of market dislocation and stress ...

Remember ... while the specifics of a market crash may be unique – the phenomenon is not!

✓ Accepting (temporary) losses is a part of the investing process. Realize losses to redeploy capital.

In declining markets – harvest losses to offset future capital gains.

Questions ...



"ROCK BEATS SCISSORS....LET'S PLAY AGAIN!!!"

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General information:

- The data reflected in the preceding charts and tables reflect the returns achieved by each asset class or portfolio over the period of time noted.
- The portfolio returns reflect investment results for portfolios comprised of indexes which do not have fund expenses or investment advisory fees.
- Actual returns achieved over this time period would differ due to differences in the actual securities held, cash flows into and out of the portfolio, and expenses associated with the portfolio (trading costs, funds expenses, etc.).

*Important Note: The returns reflected in this analysis represent past investment returns. Future returns may vary significantly from these past results. **Past returns are not predictive of future investment performance.***

Definitions:

Geometric Mean % - The annual *compound rate of return*

Arithmetic Mean % - The mean average rate of return

Standard Deviation - A measure of investment volatility. This figure expresses the variability of investment returns. The higher the number reflected, the more volatile the investment.

Asset Class Return Series Used:

Short Term Bonds - Jan-76 to present Barclays Capital 1-3 Year Govt/Credit TR

Intermediate Bonds - Jan-73 to present Barclays Capital Intermediate Govt/Credit TR

Inflation Adjusted Bonds - Jan-73 to Feb-97 Barclays Capital US Government TR, Mar 97 to present Barclays Capital US Treasury TIPS TR

US Large Stocks - Jan-79 to present Russell 1000 TR

US Large Value - Jan-79 to present Russell 1000 Value

US Small Stocks - Jan-79 to present Russell 2000 TR

US Small Value - Jan-79 to present Russell 2000 Value TR

International Stocks - Jan-70 to present MSCI EAFE + Canada GR USD

International Value - Jan 75 to present MSCI EAFE + Canada Value GR USD

International Small - Aug-89 to present S&P Developed BMI Ex US Small TR USD [Canada & Korea]

International Small Value - Aug-89 to present S&P Developed BMI Ex US Small Value TR USD

Emerging Markets - Jan-88 to present MSCI Emerging Markets GR USD

Real Estate / REITs - US Jan-72 present FTSE NAREIT Equity TR

Alternative Data Series Used:

Commodities - Jan-91 to present DJ UBS Commodity TR

Emerging Market Debt - Jan-91 to Dec-93 JPM EMBI Emerging Composite, Jan-94 to present JPM Emerging Mkt Bond Index Plus TR USD

Master Limited Partnerships - Jan-91 to Jan-96 Blend of the 7 other Alternatives; equal weighted, Feb-96 to present Alerian MLP Index

Buy Write S&P500 Options - Jul-86 to present CBOE S&P500 BuyWrite BXM

Merger Arbitrage - Feb-89 to present *Merger Fund*

Emerging Market Currency - Oct-88 Dec-93 *Lord Abbott Dev Local Mkts A*, Jan-94 to present JPM Emerging Local Markets Index + TR USD

Managed Futures - Jan-85 to present S&P Diversified Trends Indicator

Timber Mar-90 to present *Plum Creek Timber*

TR = total return with dividends GR USD = gross return with dividends, before foreign income taxes, expressed in US dollars

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Past results are not necessarily indicative of future performance and are no guarantee that losses will not occur in the future. Future returns are not guaranteed and a loss of principal may occur. The standard deviations and information ratios may be higher or lower at any time. There is no guarantee that these measurements will be achieved.

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Kevin Gahagan, CIMA® CFP®

Principal, Mosaic Financial Partners, Inc

Kevin Gahagan is a Principal and Senior Advisor with Mosaic Financial Partners, Inc., a leading Bay Area wealth advisory firm. Kevin has been recognized by the San Francisco Business Times as one of “the Bay Area’s Top Twenty-Five Independent Wealth Advisors.” He has also been named a “Top Advisor” by Reuters AdvicePoint and was recognized by the Consumer Research Council of America as one of “America’s Top Financial Planners.”

Prior to establishing his financial advisory practice in 1995, Kevin enjoyed a successful twenty-year career with Wells Fargo Bank. He is a Certified Financial Planner® certificant, Certified Investment Management Analyst (CIMA®) and a Certified Estate Planner (CEP). Kevin is a past president of the local chapter of the Financial Planning Association and past Chairman of the association’s Northern California Presidents’ Council. He served for seven years on the board of the Estate Planning Council of Mount Diablo concluding his service as President and Chairman. He currently serves on San Francisco board of the American Association of Individual Investors. He is an active member of the Investment Management Consultants Association and the Financial Planning Association.

From 2000 through 2005, Kevin taught for the financial planning program at UC Berkeley. He continues to be involved with the program as a member of the program’s advisory board. Often quoted in the national press and other media, Kevin is a frequent speaker on investment strategy, financial and retirement planning.

How Mosaic Financial Partners Can Help You

You have a wide variety of financial interests and complex financial concerns that change over time. Mosaic Financial Partners offers you a personalized, creative approach with expert advice to help you meet your goals. We're here to help you get organized, identify key goals and develop strategies to achieve them. By working as a team and using our collective experience and knowledge, we strive to provide the very best independent, objective and personalized financial advice.

Because your best interest is our primary concern, our advice is objective and tailored to your specific situation. We work on a fee-only (commission-free) basis to eliminate the potential conflicts that can arise in other models of compensation. We help you take a disciplined approach to decisions about your money and your financial life so that you can enjoy life confident that your important financial matters are well structured and properly managed.

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If we're the type of firm you're seeking, please call us to discuss how we might be of service to you.

