STATEMENT OF INVESTMENT POLICY

1. Confidence in the global financial system has been shaken. Falling housing prices and lax government regulation are the root causes of the problem which has begun to spread to the broader economy.

2. Unprecedented problems in the short-term funding markets, declining equities, and a strengthening US dollar have combined to tighten financial conditions for both businesses and consumers.

3. Recent massive global government responses designed to inject banking liquidity, protect depositors, and encourage lending are being implemented and should bear fruit, standing a good chance of breaking the cycle of ever-decreasing confidence and worsening economic impact. However, uncertainties and the unintended consequences of the remedies being applied remain formidable.

4. The bond market has recently weakened (yields are higher) as investors became more willing to hold non-treasury securities. Fear of counter-party risks has begun to recede. Long-term rates are rising as investors begin to realize government policies are inflationary long-term.

5. Stocks have fallen to levels last seen in the late 1990's. Meanwhile, earnings have risen creating compelling valuations in portfolio holdings.

6. While it will be some time before the full repercussions are known, economic activity will be adversely affected in coming quarters.

7. Given the worsening macro backdrop, resilient companies that are less reliant on raising capital from outside sources (i.e. companies able to self-finance their future growth) and have a record of strong profitability should perform well as investors are likely to re-engage the markets through higher quality companies.

8. Financial companies will be the unique beneficiaries of recently enacted government programs and, despite their obvious problems, are attractively priced.

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9. Investors, seeking to further deleverage their portfolios and increase liquidity, may shun previous market favorites (i.e. hedge funds, commodities, private equity).

10. We encourage adding to clients' equity portfolios during periods of weakness. We expect to extend bond maturities as interest rates drift higher. Municipal bonds are particularly attractive as rates remain above those of comparable taxable government bonds.

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