THE PRIVATE CLIENT RESERVE

2009 Market Views

MACRO VIEWS

- We believe the American Recovery and Reinvestment Act of 2009 (stimulus package), while large, will be back-end loaded with limited "visibility and effectiveness" in 2009
  - — We view the package as constructive, but it will likely have a somewhat delayed reaction in stimulating the economy
- While the new Financial Stabilization Plan is intended to address remedies to the banking system and credit markets, it does not yet contain enough tangible details to provide market confidence
  - — Gaining clarity around this new program may take time and therefore the credit markets will likely remain volatile in the near term, while markets in general continue to be skeptical until details of the proposed strategies are provided

EQUITY MARKET VIEWS

- We look for domestic equities to lead global equities in terms of a price recovery beginning later in 2009 and extending into 2010
  - — Small-caps typically lead the way in terms of an equity market recovery
  - — Earnings recovery will most likely begin towards the end of 2009, with equity markets anticipating this stability
- The domestic equity market may have a better-than-expected second half of 2009 as investors anticipate a better 2010 environment

FIXED INCOME MARKET VIEWS

- Current rates on Treasury securities appear to be too low and may represent a risk to investors; rates are likely to rise due to:
  - — Lower inflation now; higher inflation in 2010
  - — Heavy borrowing needs by the U.S. government
  - — The end of the "flight to safety" trade
- The credit markets, outside of Treasuries, may represent an attractive opportunity for investors
  - — Corporates, municipals, and selected paper that is "less than investment grade" all qualify in this category
- Non-Treasury spreads are likely to narrow as we move through the year, providing total return upside to these credit instruments in 2009
- It is possible we will see the default of sovereign debt by some commodity dependent emerging market countries
  - — As commodity prices have fallen (tracking the global economy down), there are indications that some emerging market countries, especially those which are commodity-export dependent, are experiencing domestic difficulty in terms of budgets

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COMMODITY MARKET VIEWS

- Commodity prices are expected to track the global economy
  — Since we believe there will be a gradual and modest global recovery in the second half of 2009 (led by the U.S.), we anticipate that commodities (including energy) will remain soft in terms of price for most of 2009

REAL ESTATE MARKET VIEWS

- Residential real estate will possibly decline an additional 10% in value from current levels, however, we believe most of the price declines have been realized at this time
  — Commercial real estate has begun to weaken and we anticipate this weakness may track into 2010