

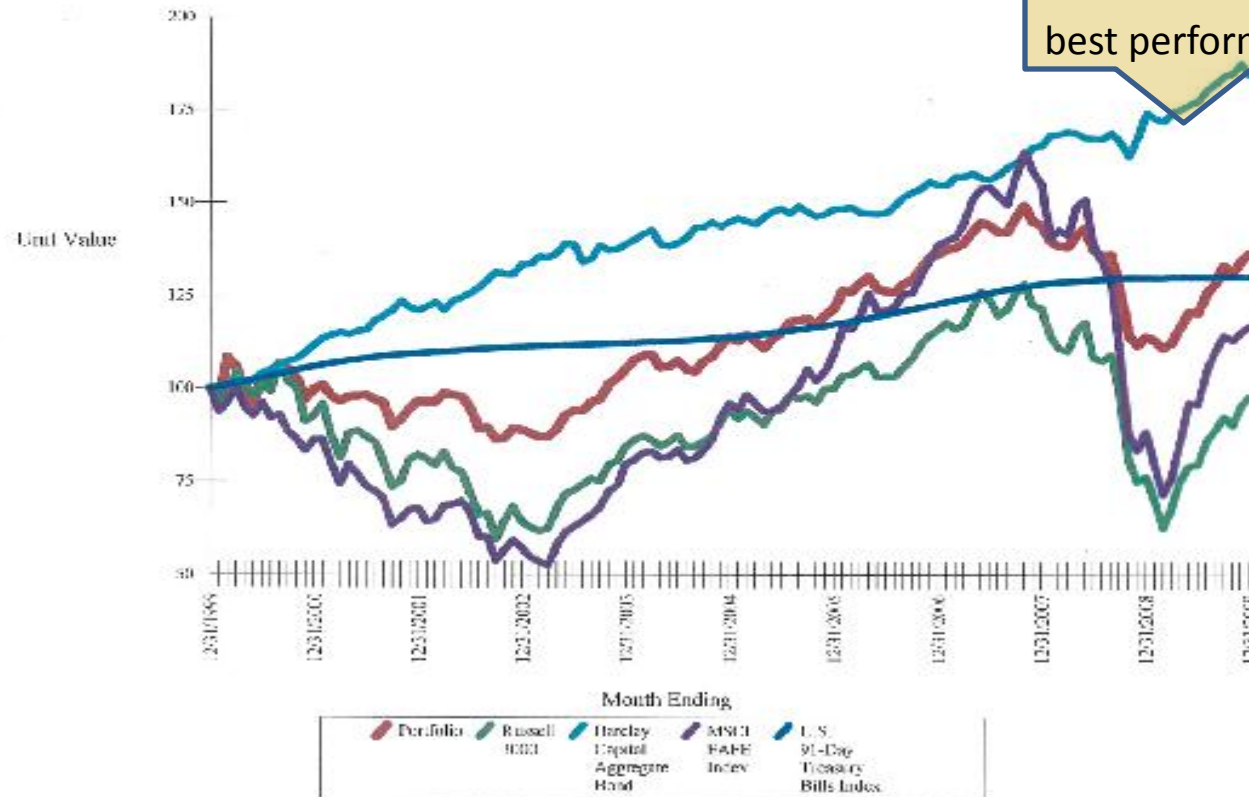
Is the Stock Market Getting Its Mojo Back?

Join Harvey Rowen, CEO and Chief Investment Officer of Starmont Asset Management for a Webinar and Find Out Why 2011 Could Be the Inflection Year for The Stock Market

After a decade of the stock market under-performing historical norms, the economic winds seem to have changed. 2011 may be the year that the stock market returns to its historical long term performance. At Starmont we have been increasing the equity allocation in most of our Clients' portfolios. Harvey discusses the thinking behind this strategy and answers frequently asked questions on topics like the next correction, buying gold, the outlook for bonds, and others you can ask during the webinar.

Graphical Comparative Performance

Consolidated Asset Billing



2000 Decade: Dec 31, 1999 – Dec 31, 2009

Total Portfolio

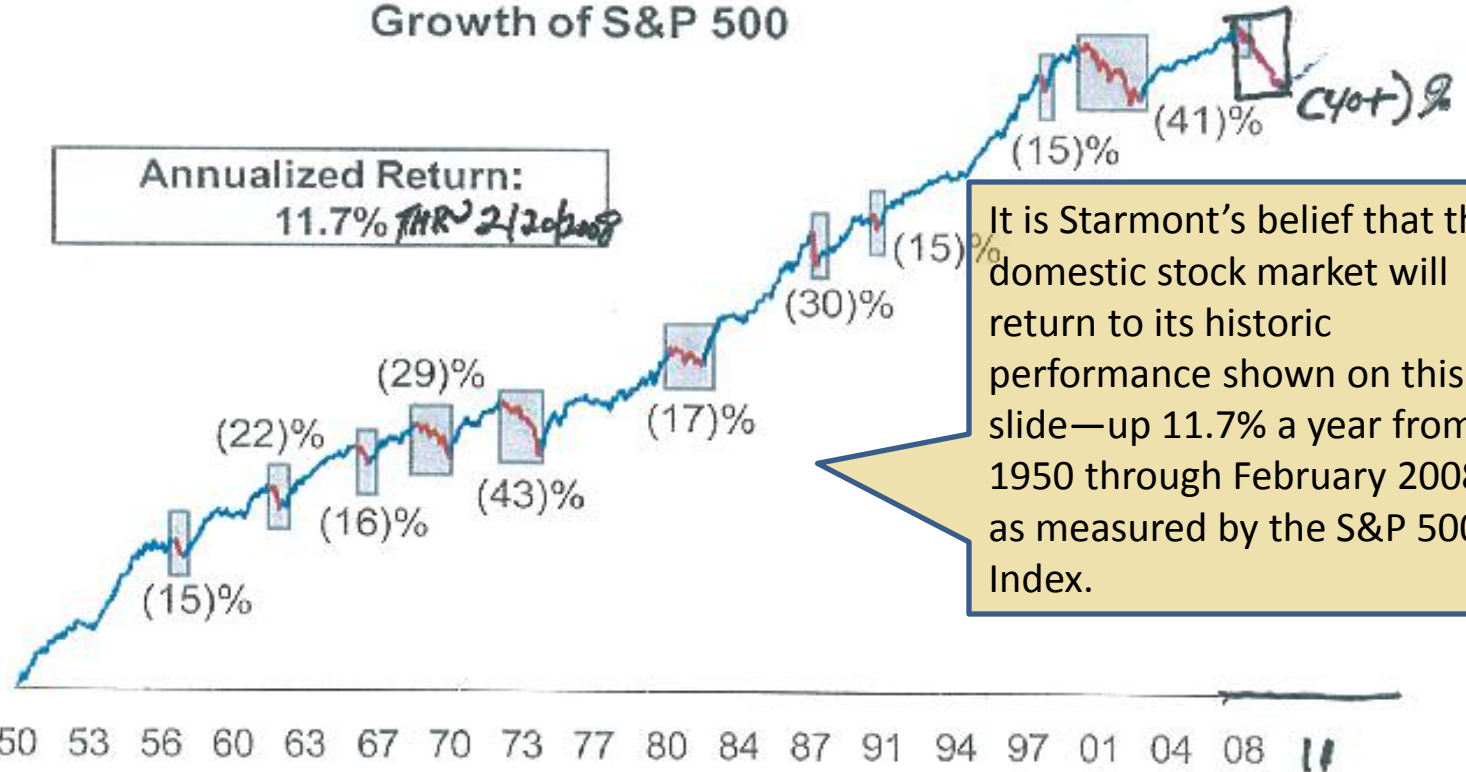
Internal Rate of Return	35.83
Russell 3000	(2.02)
MSCI EAFE Index	16.97
MSCI EM Emerge Markets	161.95
Barclay Capital Aggregate	84.75
Barclay Capital Munis	53.86
Time Weighted (net)	36.64

* Past performance is no guarantee of future results.

It was still possible for Starmont to obtain positive returns for our Clients however. Here are the numbers for the Client whose portfolio was graphed on the previous slide. In order to obtain this performance we had to overweight in international stock funds and in bond funds. And we had to substantially get out of the stock market starting in December 2007 through March of 2009.

Stocks Have Gone Up over the Long Term

Growth of S&P 500



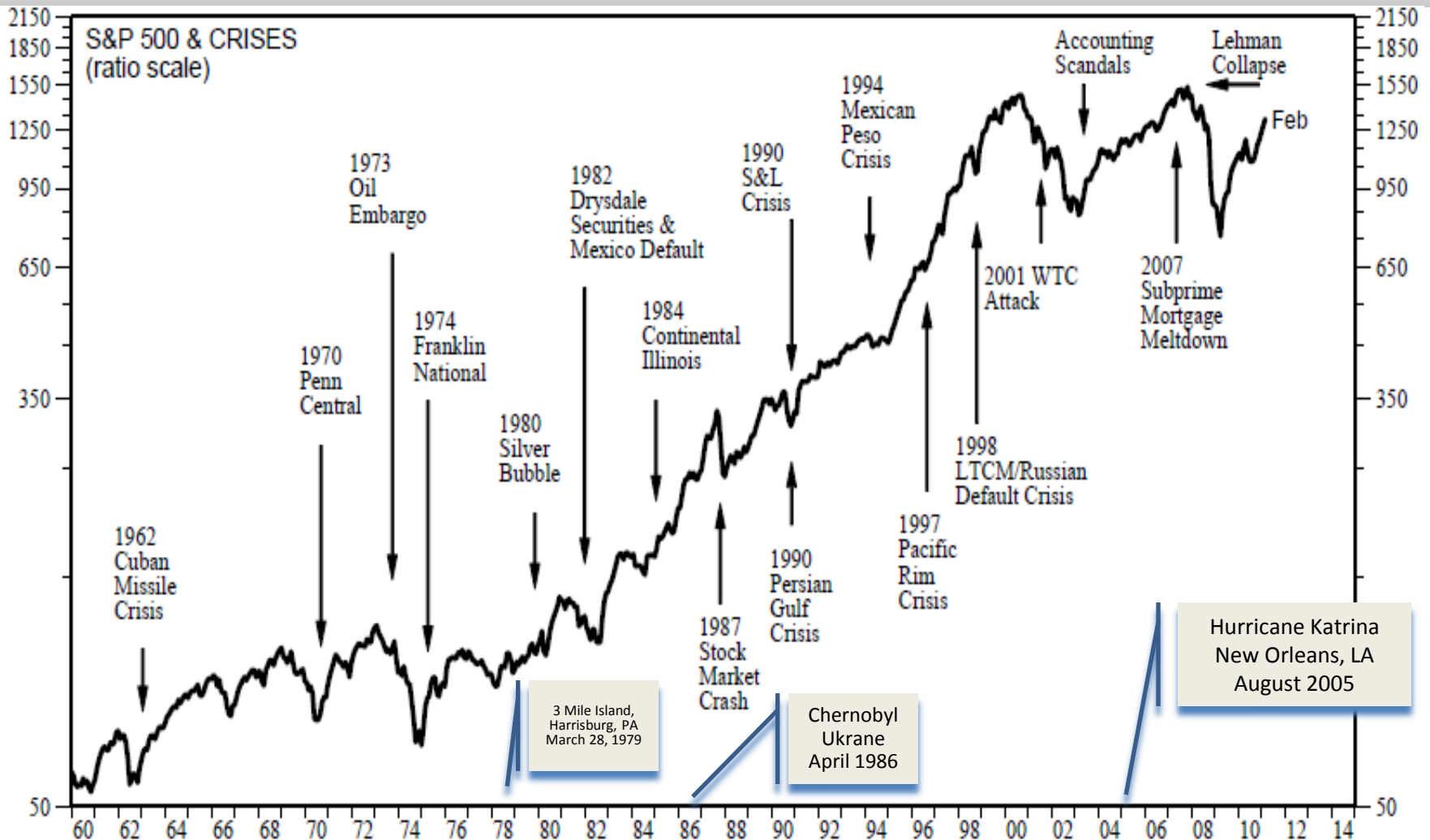
Past performance does not guarantee future results.

Through February 20, 2008.

An investor cannot invest directly in an index or average and they do not include sales charges or operating expenses associated with an investment in a mutual fund, which would reduce total returns. See slides 31-33 for index definitions.

Source: Compustat, Roger G. Ibbotson and Rex A. Sinquefeld, "Stocks, Bonds, Bills, and Inflation: Year-by-Year Historical Returns," University of Chicago Press/Journal of Business (January 1976); Standard and Poor's; and Alliance Bernstein.

S&P 500 & Crises – keep your perspective



Sources: ©2011 Yardeni Research, Inc.. Strategist's Handbook. March 3, 2011, page 4. Standard & Poor's.
From: FRITZMEYER POV

S&P 500 & Crises – keep your perspective

--But that does not mean that the market will only go up. The domestic stock market went up about 75% of the time from 1950 to 2008, and down about 25% of the time. The last six weeks have been a down period because of Libya and then Japan. As you can see, that is normal, even though it is uncomfortable.

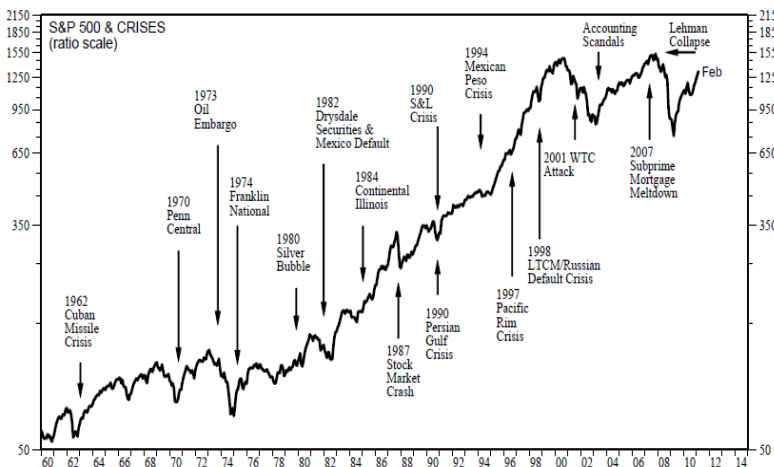
--Indeed In no year between 1950 and 2008 did the stock market go up 11.7%--although that is what it averaged per year over that period of time.

--The stock market is a market of extremes, not of averages. When it goes up it goes up a lot—like 25% or 32% or 15%.

--And when it goes down the 25% of the time it goes down, it goes down a lot—like 43% and 30%.

--It is this volatility that makes it so emotionally difficult to invest in stocks—and why Starmont always holds some bonds in our Clients' portfolios to take some of that volatility away.

--In the last decade bonds were a twofer—they damped down volatility and they gave us the best return. In the decade we are in now, we are concerned that bonds will decline in value because of rising interest rates. Something we discuss in a subsequent slide.



S&P 500 — earnings drive stock prices, estimates rising



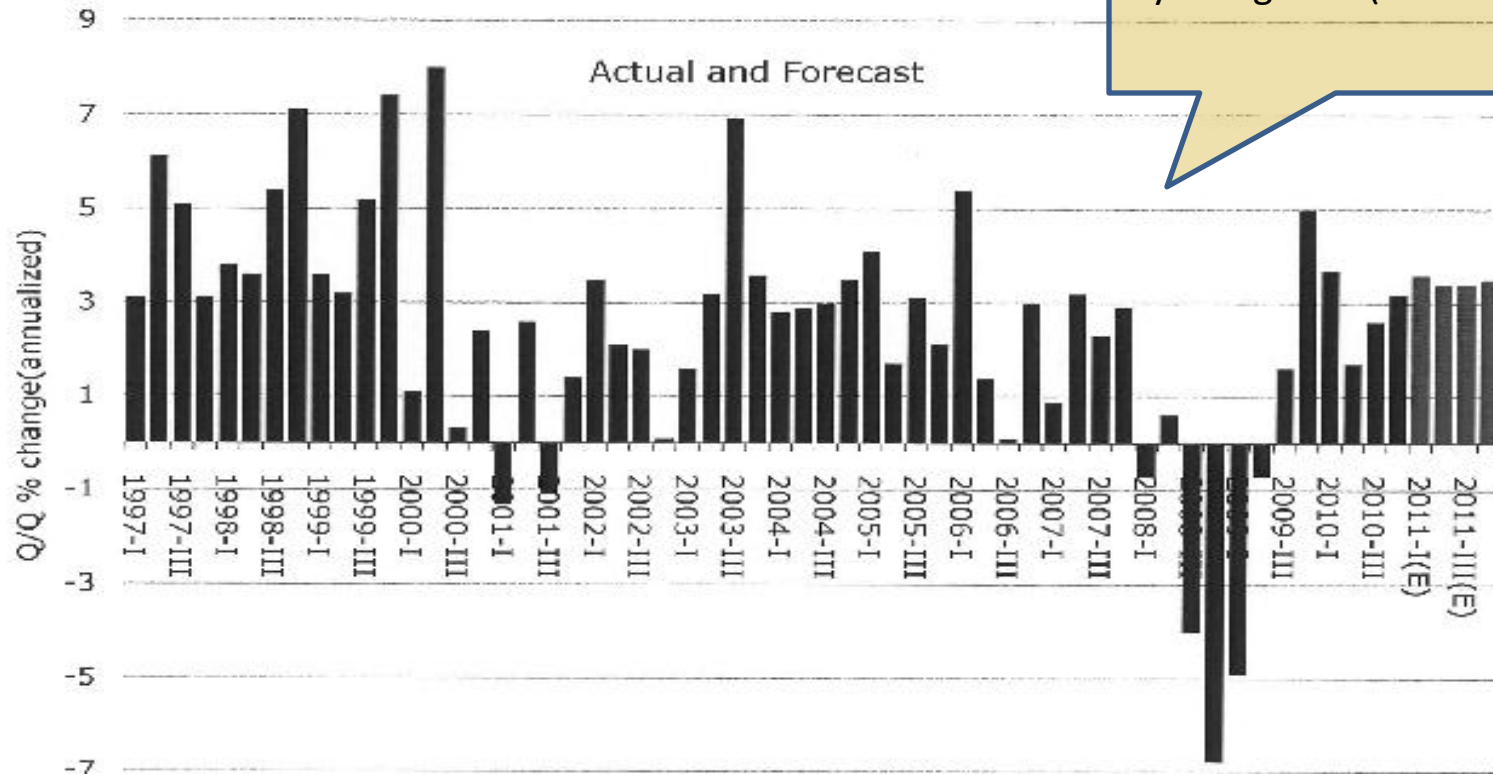
--What will cause the domestic stock market to rise?
 --Stock prices are driven by earnings and valuations.
 --Valuations are reasonable at the moment-- around 15.5 times S&P 500 earnings
 --And earnings are on the rise—and are projected to go higher. (See slide).

1 Estimated 2011 and 2012 bottom-up S&P 500 earnings per share (left scale): for 2011, \$96.33; for 2012, \$108.98; as of Jan. 14, 2011.

Sources: Thomson Baseline; data through Jan 27, 2011. Reuters and Thomson Financial survey of consensus estimates.

Gross Domestic Product (GDP) Growth

--Earnings will be generated by rising GDP (refer to slide)



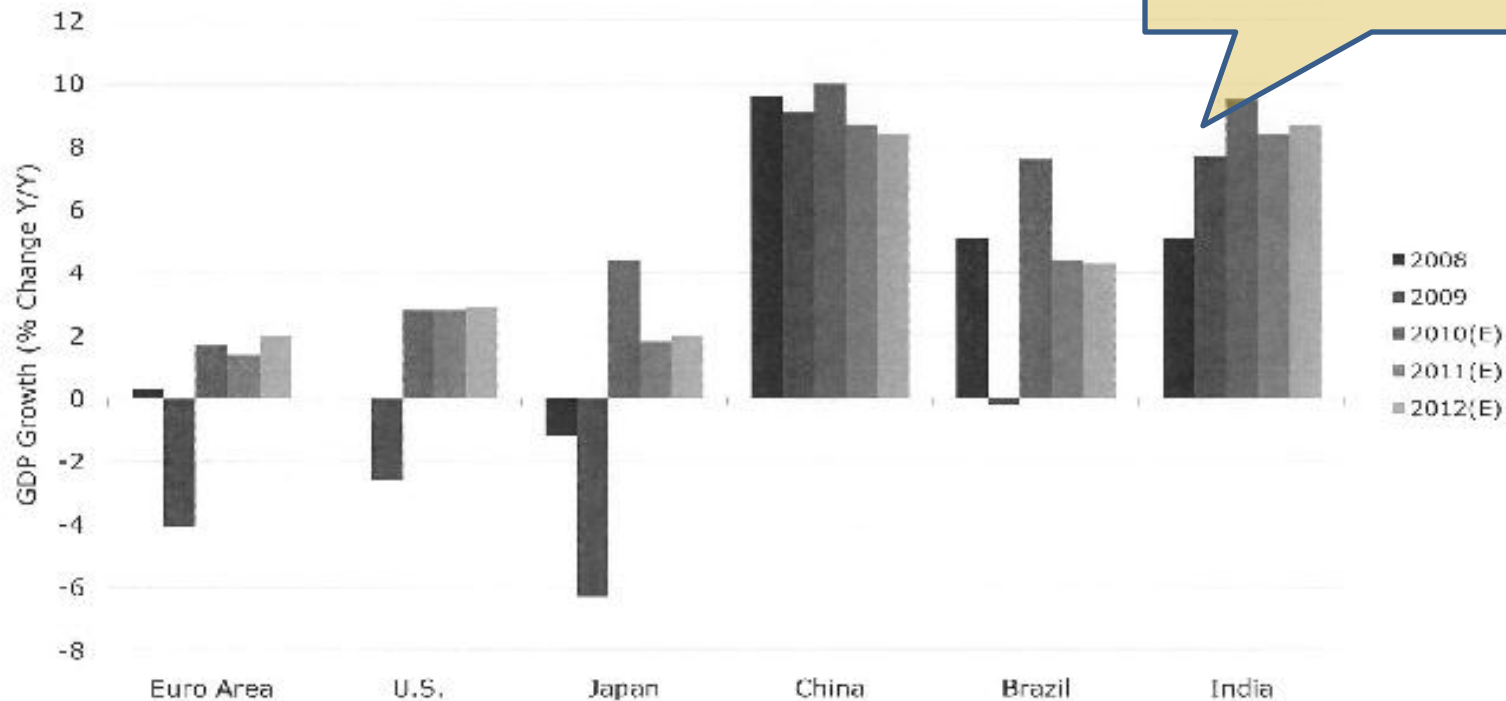
Sources: Bureau of Economic Analysis, data through Dec. 31, 2010; Wall Street Journal survey taken Feb. 4-11, 2011.

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Your Logo

World GDP Growth Forecasts Healthy global recovery expected

--This is even truer in emerging market countries like China, India and Brazil.



Source: World Bank, *Global Economic Prospects*, published Jan. 12, 2011

Share of Global GDP 2035E

1. China	(28%)
2. U.S.	(21%)
3. India	(8%)
4. Brazil	(5%)
5. Russia	(4%)
6. Japan	(4%)
7. UK	(4%)
8. Germany	(4%)
9. France	(3%)
10. Mexico	(3%)

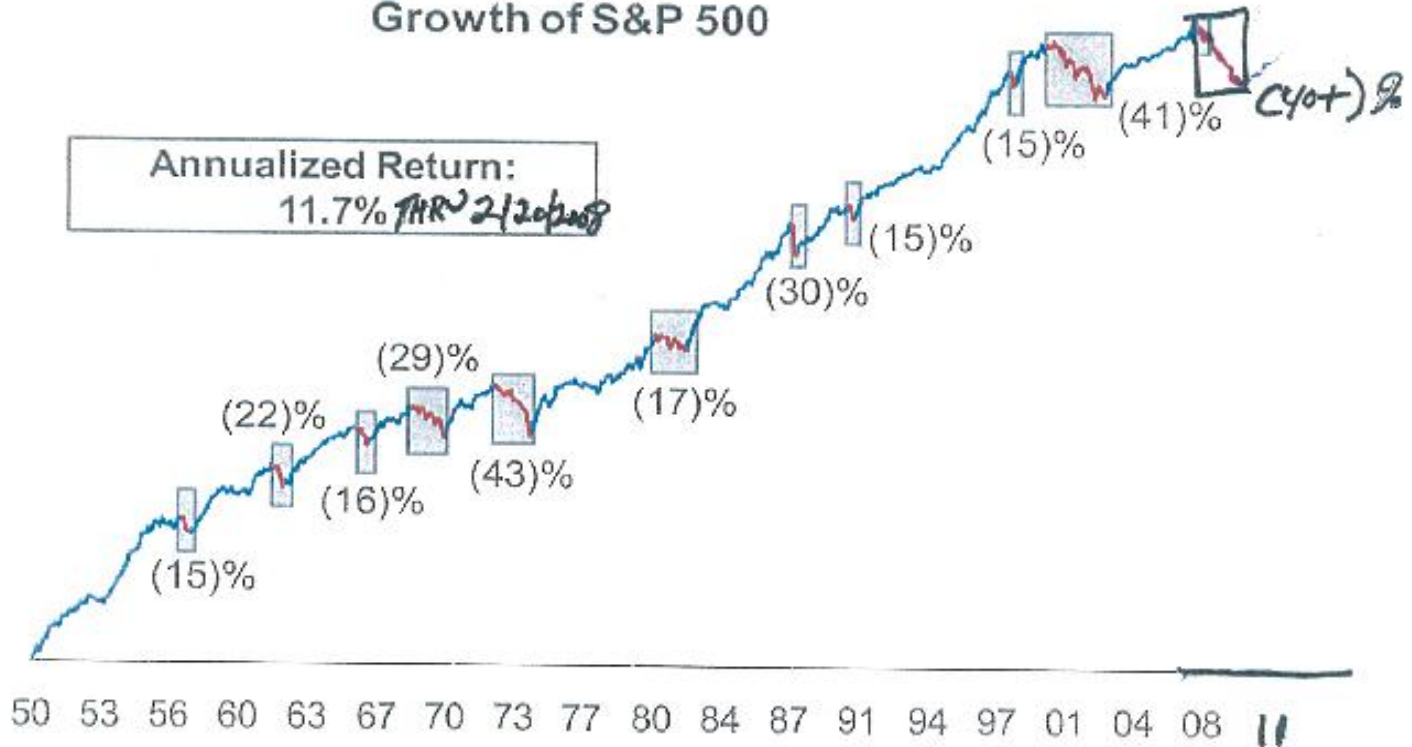
--Indeed Barclays Capital Research has estimated that by 2035 China will be the largest global economy based upon GDP, and five of the top 10 economies in the world will be located in what we now refer to as the Emerging Markets

--These estimates impact how much of our Clients portfolios we want to invest in Emerging Markets.

Source: Barclays Capital Research (June 22, 2010)

Stocks Have Gone Up over the Long Term

Growth of S&P 500



Past performance does not guarantee future results.

Through February 20, 2008

All investors cannot invest directly in an index or leverage and they do not include sales charges or operating expenses associated with an investment in a mutual fund, which would reduce total returns. See slides 31-33 for index of definitions.

Source: Compustat; Roger U. Ibbotson and Rex A. Sinquefeldt, "Stocks, Bonds, Bills, and Inflation: Year-by-Year Historical Returns," University of Chicago Press Journal of Business (January 1978); Standard and Poors; and Alliance Bernstein

--Before talking about where to put our Clients money going forward, let's spend a little time and talk about the current "wall of worry" facing everyone.

--Some Clients Say, "But there is a Correction coming"

--Yes, but there is always a correction coming

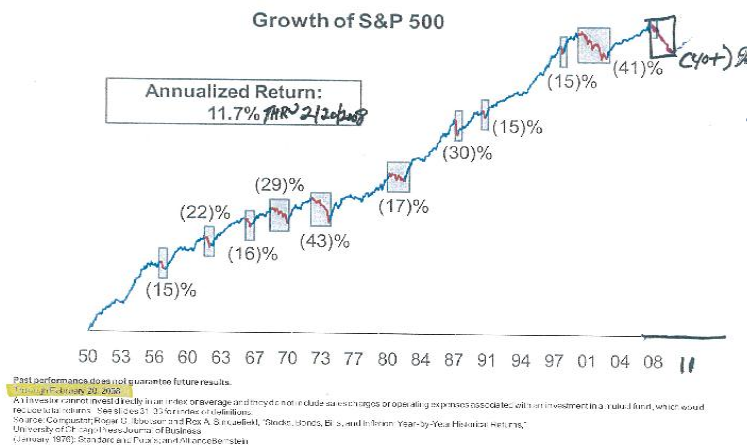
--And we don't think we will see 40%+ corrections for a while

The tech bubble correction of 2000 to 2003—was like the Dutch Tulip Mania in the 1630s where the tech bubble burst and then the market normalized. We don't see any bubbles building at the moment.

The housing bubble (2005-2007) and the financial crisis that surrounded it in 2008-2009. Still to be fully worked out—but the worst is behind us.

This was a failure of government regulation

Stocks Have Gone Up over the Long Term

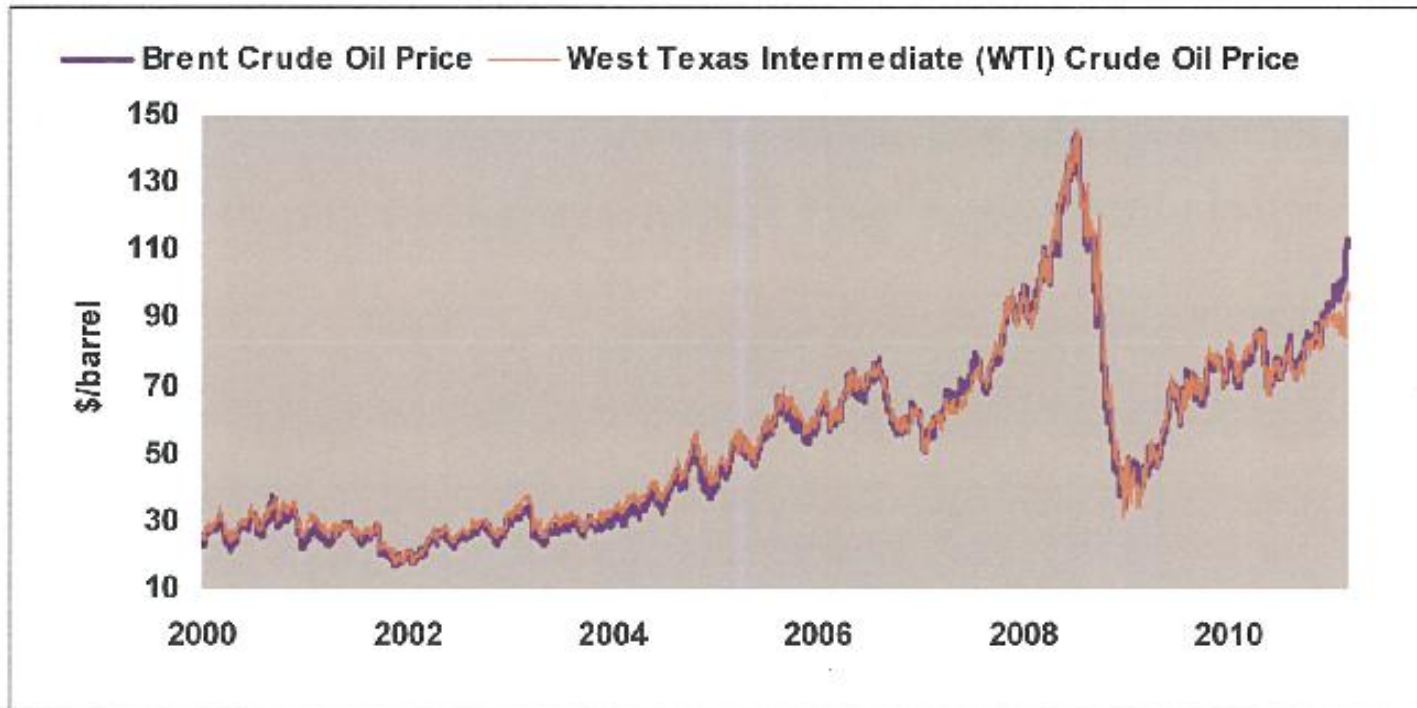


--Oil prices will fluctuate with demand and supply—just like other commodities

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Oil Prices on a Tear

Gap Between Brent & WTI Reflects Excess US Supply



As of 2/23/11. Source: FactSet.

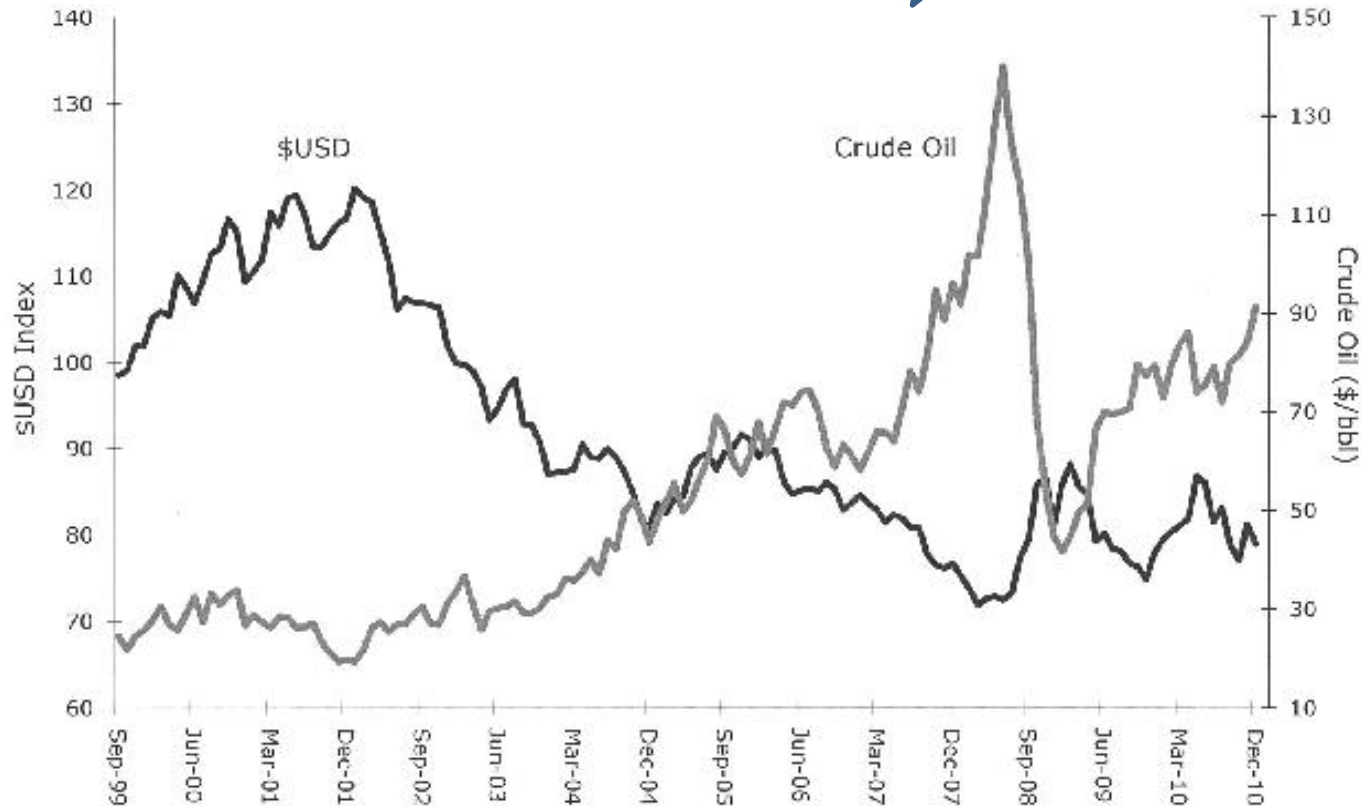
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charles SCHWAB

--Oil prices will fluctuate with demand and supply—just like other commodities

Crude Oil

Historically inversely correlated to the \$USD; reflecting rising global demand outlook



Source: Baseline, data as of Dec. 31, 2010

Unemployment and the Stock Market

--Unemployment is a lagging indicator
--Stock market goes up before unemployment goes down

- Unemployment is a lagging indicator
- Historically, recessions end and stocks climb before unemployment drops
- Indeed, unemployment could rise as the economy recovers, because of the strange way unemployment is calculated. Unemployment is:

those who are currently looking for jobs at the point in time that the survey is conducted
those looking plus those with jobs

- So as the economy gets better and more people start looking for jobs, the “unemployment rate” goes up (until the people looking find jobs).

Housing Market

--Stock market went up in 2009 and 2010, even though the housing market has not recovered

- Stock market up in 2009 and 2010 even though the housing market has not recovered
- Banks and homeowners need to work through houses that are underwater and allocate the losses
- Financial institutions now better equipped to deal with losses—unlikely chance of another financial crisis

--They are not. See Slide for details

The US and the States Are Bankrupt

- Not Really
- The Federal Government and the States can do something you and I cannot do when they need money—they can levy taxes.
- And the Federal Government can print money—something you and I would go to prison for if we did it.
- The Federal and State Governments are struggling with budget deficits—something they will resolve by cutting costs and raising revenues.
- How they do that, and over what period of time, could have short term impacts on the US economy.

--Starmont's view is that QE2 will lead to inflation, which will lead to rising interest rates, which will cause the value of outstanding bonds to decline.

--So Starmont is recasting our Clients' bond investments

Inflation—QE2—Interest Rates—Bond Prices

- General consensus is that inflation is not a problem, and will not be for some time.
- Starmont has a different point of view. We believe that the creation of another \$1 Trillion in money via the QE2 program now underway by the Fed will have an inflationary impact on the economy.
- In response, interest rates will rise, and the price of outstanding bonds will fall.
- Accordingly, Starmont is recasting the bond portion of our Clients' portfolios, shortening durations and investing in bond funds that are less susceptible to a rising rate environment.

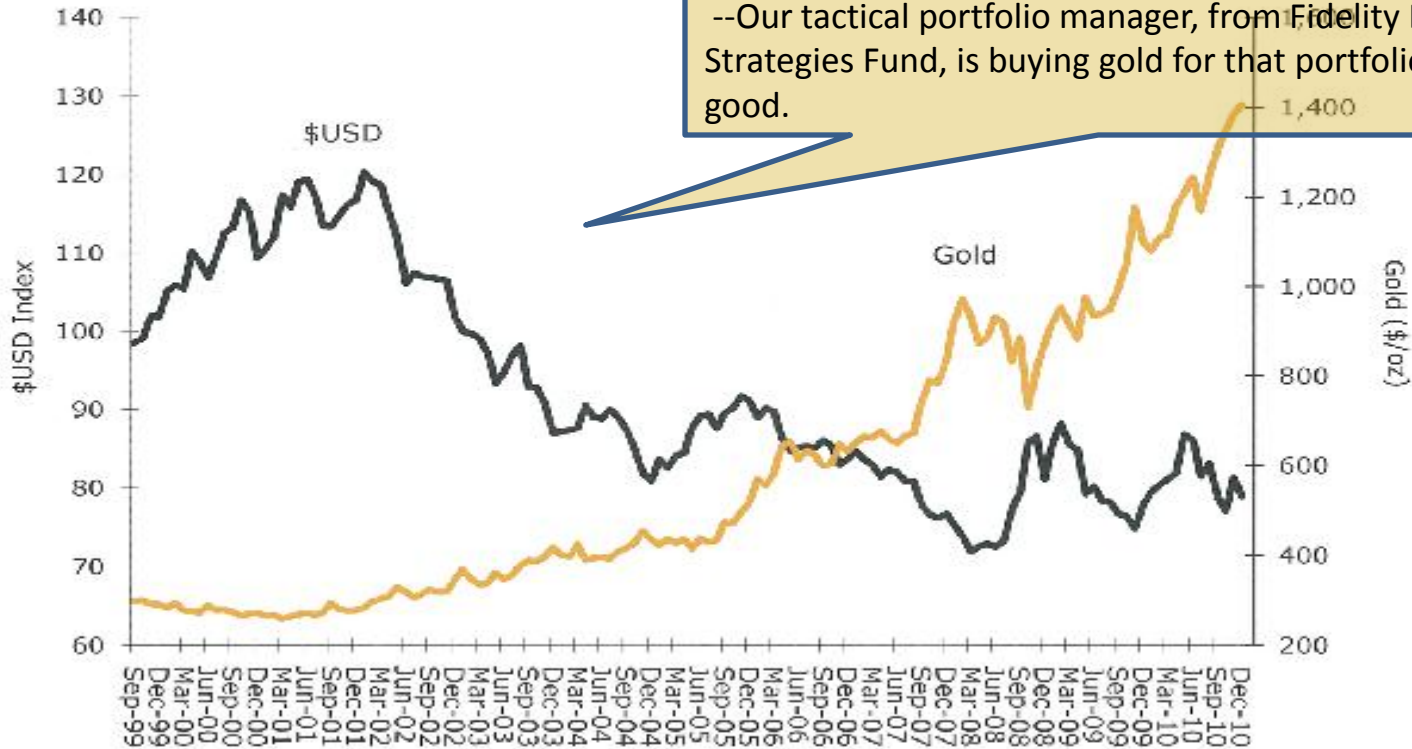
Gold

--Gold is prone to extreme boom-bust periods—normal for most commodities

--It goes sideways choppy, then down for long periods (1982 until 2005), then skyrockets (like right now), then drops like a stone.

--To thrive with gold you must time, both in and out, near perfectly.

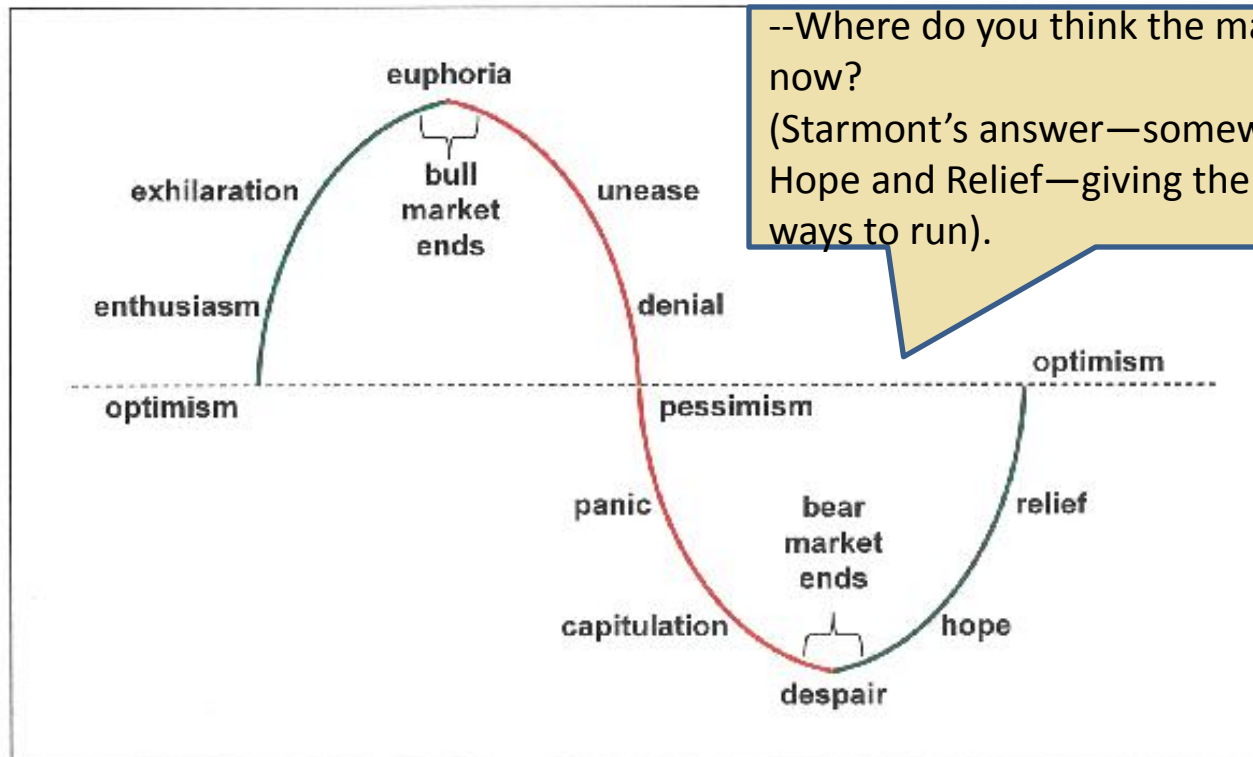
--Our tactical portfolio manager, from Fidelity Dynamic Strategies Fund, is buying gold for that portfolio. So far, so good.



Source: Baseline; data as of Dec. 31, 2010

Market's Emotional Roller Coaster

Maintaining Discipline = Key to Long-Term Success



--Where do you think the market is right now?
(Starmont's answer—somewhere between Hope and Relief—giving the stock market a ways to run).

STARMONT

ASSET MANAGEMENT LLC

MANAGING YOUR FINANCIAL FUTURE

A Common Starmont Client Portfolio Allocation

Portfolio Statement

Consolidated Acct #: Reporting

<u>Security</u>	<u>Symbol</u>	<u>Quantity</u>	<u>Current Price</u>	<u>Current Value</u>	<u>% of Assets</u>	<u>Actual IRR (%)</u>
Equities						
Domestic Stocks						
Smaller Cap						
Bay Commercial Bank	BCML	2,500	7.59	18,975	0.6%	-24.85
Domestic Funds						
Larger Cap Value						
MainStay ICAP Select Equity	ICSELX	1,992	37.21	74,121	2.4%	-1.45
Dodge & Cox Stock	DODGX	546	114.23	62,346	2.0%	29.45
				136,467	4.3%	
Larger Blend						
The Faitholme Fund	FAIRX	3,691	35.49	131,008	4.3%	45.66
Larger Cap Growth						
Vanguard Cap Opp	VHCOX	2,204	34.58	76,231	2.5%	168.69
T. Rowe Price New America	PRWAX	1,702	34.62	58,935	1.9%	51.00
				135,166	4.4%	
Mid Cap Value						
Artisan Mid Cap Value	ARTQX	2,429	21.70	52,703	1.7%	104.02
Mid Cap Blend						
Royce Premier Fund	RYP1X	2,464	21.70	53,476	1.8%	128.90
Royce Value Fund	RYVFX	3,020	13.49	40,745	1.3%	35.82
				94,222	3.1%	
Mid Cap Growth						
T. Rowe Price Mid Gr	RPMGX	1,453	62.19	90,377	3.0%	66.68

Portfolio Statement

Consolidated Acct ft: Reporting

<u>Security</u>	<u>Symbol</u>	<u>Quantity</u>	<u>Current Price</u>	<u>Current Value</u>	<u>% of Assets</u>	<u>Actual IRR (%)</u>
Equities						
Domestic Funds						
Smaller Cap Value						
Royce Opportunity	RYPNX	6,264	12.65	79,235	2.6%	330.16
Smaller Cap Blend						
Bogle Small Cap Gr Instl	BOGIX	1,630	21.49	35,021	1.1%	172.66
				<u>754,197</u>	<u>24.8%</u>	
International Funds						
Emerging Markets						
Oppenheimer Developing	ODVYX	3,252	35.00	113,807	3.7%	22.17
American New World - Class F	NWFFX	1,193	53.71	64,097	2.1%	73.08
Matthews Pacific Tiger	MAPIX	2,207	22.61	49,956	1.6%	-0.09
				<u>227,860</u>	<u>7.5%</u>	
Larger Cap Value						
Oakmark International I	OAKIX	2,484	20.31	50,446	1.7%	122.83
Larger Cap Growth						
Janus Overseas	JAOSX	1,102	51.72	56,992	1.9%	47.11
Smaller Cap Value						
Oakmark Int'l Small Cap I	OAKEX	3,786	14.63	55,389	1.8%	51.36

Portfolio Statement

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<u>Security</u>	<u>Symbol</u>	<u>Quantity</u>	<u>Current Price</u>	<u>Current Value</u>	<u>% of Assets</u>	<u>Actual IRR (%)</u>
Equities						
International Funds						
Smaller Cap Growth						
T. Rowe Price International Di	PRIDX	687	44.63	30,650	1.0%	2.17
Artisan Intl Sm Cp	ARTJX	1,142	19.89	22,708	0.7%	35.85
				<u>53,358</u>	<u>1.8%</u>	
				<u>444,045</u>	<u>14.6%</u>	
World Funds						
Tactical Allocation						
Fidelity Dynamic	FDYSX	11,105	9.79	108,715	3.6%	37.25
Aston Lake Partners	ALSOX	4,059	12.57	51,020	1.7%	13.40
				<u>159,735</u>	<u>5.2%</u>	
				<u>1,376,952</u>	<u>45.2%</u>	
Fixed Income						
Domestic Funds						
Bank Loan						
Fidelity Floating Rate High Inc	FFRHX	15,191	9.88	150,086	4.9%	0.06
Bond Funds						
Taxable Bond Funds						
JPMorgan Strategic Incm	JSOSX	15,703	12.00	188,431	6.2%	7.65
T. Rowe Price Instl High	TRHYX	17,253	10.05	173,391	5.7%	68.34
PIMCO TOTAL RETURN FN	PTTRX	14,750	10.90	160,776	5.3%	27.92
Loomis Sayles Bond Cl 1	LSBIZ	8,107	14.52	117,715	3.9%	3.35
Metropolitan West Total	MWTIX	10,115	10.42	105,397	3.5%	38.03
Loomis Sayles Bond	LSBUX	6,364	14.52	92,404	3.0%	32.75

Portfolio Statement

As of 03/15/2011

As of 03/15/2011 Prices

Investment Manager

John W. Schumacher, President Consolidated Acct #: Reporting

<u>Security</u>	<u>Symbol</u>	<u>Quantity</u>	<u>Current Price</u>	<u>Current Value</u>	<u>% of Assets</u>	<u>Actual IRR (%)</u>
Fixed Income						
Bond Funds						
Taxable Bond Funds						
Doubleline Total Return	DBLTX	3,762	11.00	41,384	1.4%	11.09
				879,499	28.9%	
Tax-Advantaged Bond Funds						
T. Rowe Price CA T/F Bd	PRXCX	20,112	10.28	209,014	6.9%	55.68
Fidelity Spar InternMuni	FLTMX	20,156	10.01	203,760	6.7%	32.77
Spartan Cal Muni Income	FCIFX	13,610	11.59	157,745	5.2%	9.02
				570,519	18.7%	
				1,450,017	47.6%	
				1,600,103	52.5%	
Cash Equivalents						
Money Market Funds						
Money Market Funds						
Schwab Advisor Cash -Premie	SWZXX			69,399	2.3%	
				3,046,454	100.0%	

Portfolio Performance Review:

Dec 31, 1999 – Dec 31, 2010

Total Portfolio

Internal Rate of Return	49.40
Russell 3000	14.57
MSCI EAFE Index	26.57
MSCI EM Emerge Markets	212.24
Barclay Capital Aggregate	96.83
Barclay Capital Munis	56.65
Time Weighted (net)	44.01

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STARMONT

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MANAGING YOUR FINANCIAL FUTURE

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