



Harmonic Investment Advisors

***Equity Investment Strategies and
Process***



Harmonic Investment Advisors

HIA is a boutique investment management company that leverages the proprietary research of its principals to create long-only, "core style" US equity portfolios for a select group of institutional, nonprofit, and high net worth clients.



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EQUITY INVESTMENT STRATEGIES



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Investment Strategies

- **Stock strategies**
 - US large-cap core
 - US smid-cap core
 - US all-cap core
 - US socially responsible



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Investment Strategies

- US large-cap core stock
 - 50-60 stocks
 - Includes ADRs
 - Benchmark / universe: Russell 1000



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Investment Strategies

- US mid-cap core stock
 - 50-60 stocks
 - Includes ADRs
 - Benchmark / universe: Russell 2500



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Investment Strategies

- US all-cap core stock
 - 50-60 stocks
 - Includes ADRs
 - Benchmark / universe: Russell 3000



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Investment Strategies

- US socially responsible
 - 30-50 stocks
 - Excludes ADRs
 - Benchmark / universe: Domini 400



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INVESTMENT PROCESS



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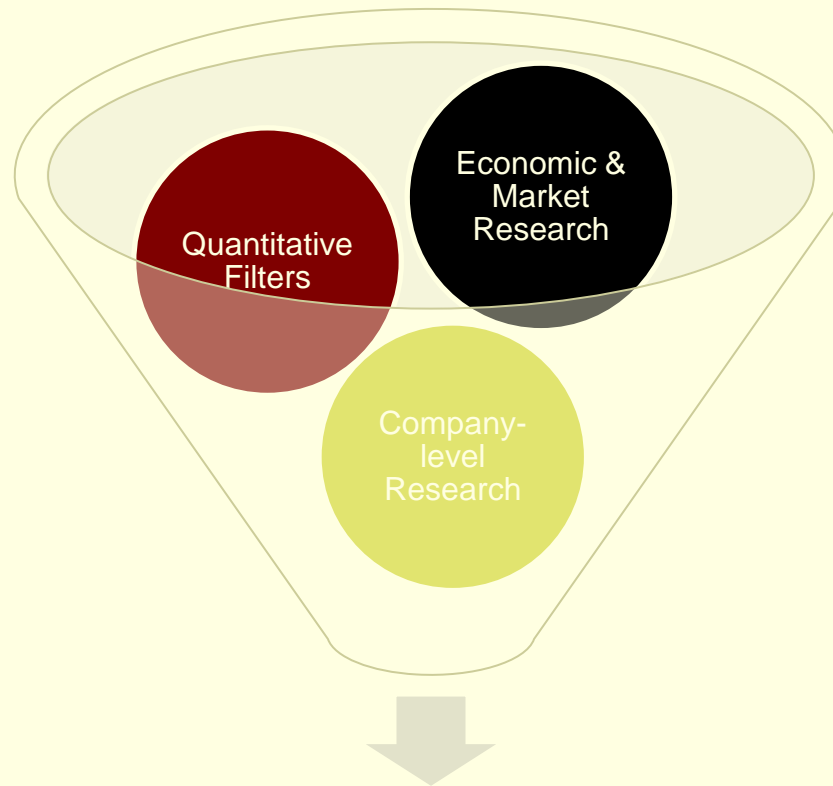
Investment Process

- Team management
- Proprietary intellectual capital
 - Economic research
 - Market forecasts
 - Economic sectors
 - Quantitative filters
 - Investment selection



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Investment Process



HIA Portfolio



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Investment Process

- Economic and Market Strategy
 - Multiple resources offering varying points of view
 - HIA principals arrive at final forecast
- Strategic and tactical forecasts
 - Economic sector outlook
 - Typical range 50% to 150% of benchmark weight
 - Industry outlook
 - Considered but not a mandated weight



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Investment Process

- Quantitative Filters
 - Screen large number of companies quickly
 - Uses publicly available fundamental data
 - Return on Tangible Capital (Tangible Assets)
 - Earnings Yield
 - Earnings Growth Rate
 - PEG ratio



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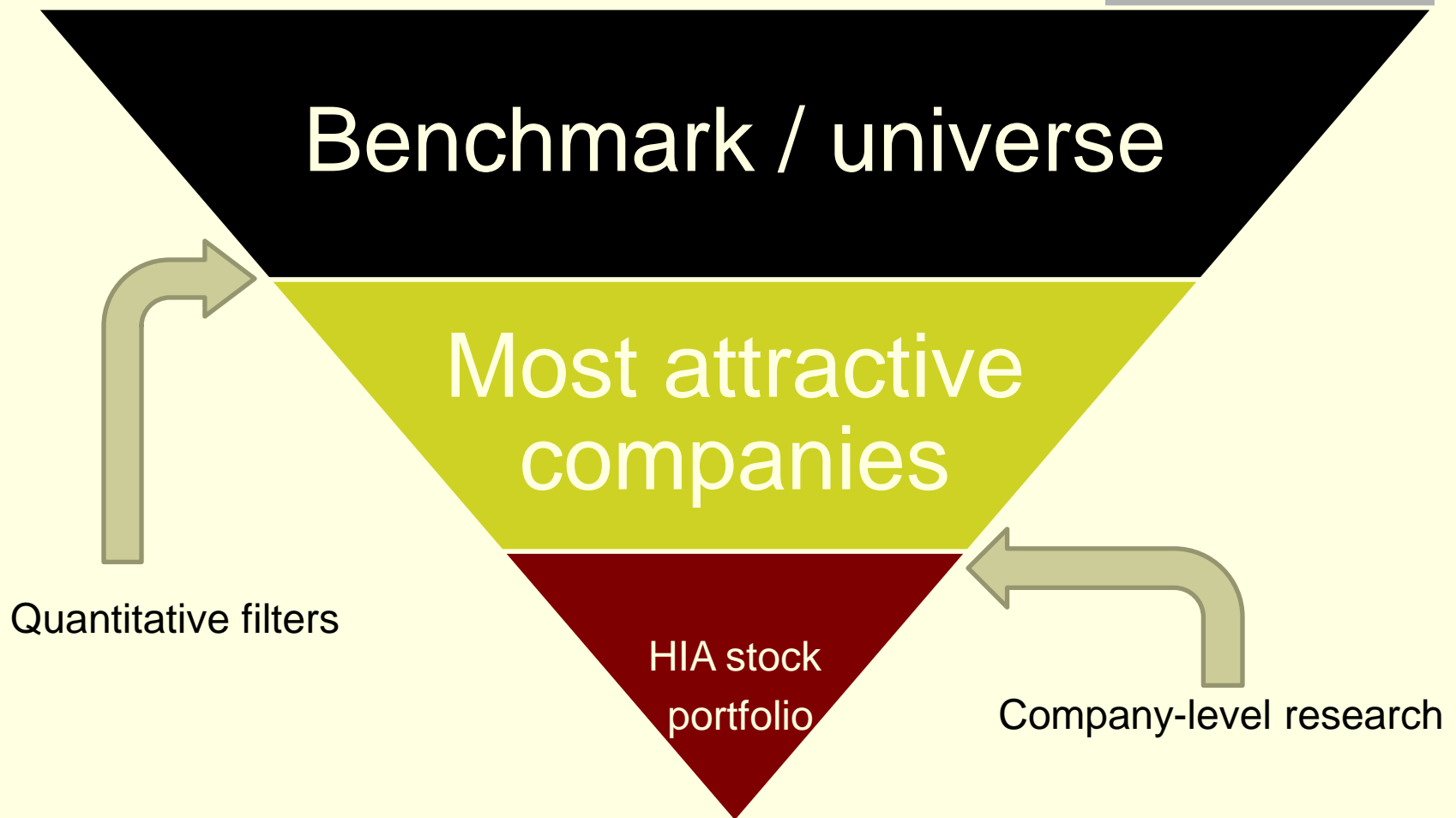
Investment Process

- Company-level Research
 - Scour fundamental data of companies preferred by filters
 - Regulatory filings
 - Company contacts
 - Sell-side research
 - Rank by expected return within sector



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Investment Process



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Investment Process

■ Final portfolio

- 50-60 names
- Weighted by expected return based on 1- and 2-year price targets
 - (1% or 2% initial weight)



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Investment Process

- Sell discipline
 - Sector weight reduction
 - Sector weights evaluated monthly
 - Quantitatively unattractive
 - Quantitative screens run monthly
 - Unfavorable fundamental change
 - Price target achieved
- Expected annual turnover <50%



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PORTFOLIO STATISTICS



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Portfolio Statistics

Sector	bias	HIA Large-cap Core		HIA Smid-cap Core		HIA All-cap Core		HIA Socially Responsible	
		<u>Russell 1000 %</u>	<u>tactical %</u>	<u>Russell 2500 %</u>	<u>tactical %</u>	<u>Russell 3000 %</u>	<u>tactical %</u>	<u>Domini 400%</u>	<u>tactical %</u>
Consumer Discretionary	neutral	13%	13%	16%	16%	13%	13%	14%	14%
Consumer Staples	overweight	9%	10%	4%	5%	8%	9%	14%	15%
Energy	overweight	11%	12%	6%	6%	11%	12%	5%	5%
Financial Services	underweight	17%	13%	21%	22%	17%	12%	14%	12%
Healthcare	overweight	12%	14%	13%	13%	12%	13%	14%	16%
Materials and Processing	neutral	4%	4%	10%	8%	5%	5%	3%	2%
Producer Durables	neutral	10%	10%	8%	13%	11%	11%	8%	8%
Technology	overweight	17%	19%	12%	13%	17%	18%	25%	25%
Utilities	underweight	6%	5%	7%	5%	6%	5%	3%	3%

Portfolio and benchmark data as of 11 November 2009



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Portfolio Statistics

	HIA Large-cap Core	HIA Smid-cap Core	HIA All-cap Core	HIA Socially Responsible
Dividend Yield	2.00%	1.49%	1.76%	1.83%
P/E Ratio	10.31x	9.86x	9.34x	10.93x
Price / Cashflow	7.59x	6.94x	6.73x	6.67x
Price / Book Value	2.01x	1.78x	1.77x	2.28x
Estimated ROA	9.73%	9.92%	9.68%	9.07%
Debt / Common Equity	42.26%	54.30%	39.53%	59.54%
Current Ratio	1.36	1.56	1.35	1.49

Portfolio data as of 1 July 2009



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ABOUT HARMONIC INVESTMENT ADVISORS



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About HIA

■ Kenn Lamson, CFA

■ Professional

- Chief Investment Officer, Idaho Trust National Bank
- Senior Portfolio Manager, US Bank Private Asset Management
- Senior Analyst, Financial Stocks Inc.
- Mutual Fund Manager, Star Funds

■ Other

- Bachelor of Science, Jacksonville State University (AL)
- Founder and Past President, CFA Society of Idaho
- Guest Lecturer, Boise State University
- Contributor to local and national media, including Bloomberg, The Idaho Statesman and Idaho Business Review



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About HIA

■ Kevin A. Jones, CFA

■ Professional

- Chief Investment Officer, DB Fitzpatrick & Co.
- Senior Portfolio Manager, ICM Asset Management

■ Other

- Bachelor of Arts, University of California at Santa Barbara
- Past President, CFA Society of Idaho
- Past VP, CFA Society of Spokane
- Guest Lecturer, Boise State University and Gonzaga University
- Contributor to local and national media, including Wall Street Journal, CNBC, Bloomberg The Idaho Statesman and Idaho Business Review





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