



INVESTING IN AN UNCERTAIN ENVIRONMENT



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Scott is the Chief Investment Officer for the Multnomah Group and a Founding Principal of the firm. In that role, Scott leads Multnomah Group's Investment Committee, is responsible for the development of the firm's investment research methodology, and conducts investment manager due diligence. Scott also consults with plan sponsors on investment menu design, investment manager selection, fiduciary governance, and vendor fees/services.

Scott is a member of the CFA Institute, the CFA Society of Portland, the Investment Management Consultants Association, and the Portland Chapter of the Western Pension Benefit Conference. Scott holds a B.S. in Management from Purdue University



AGENDA

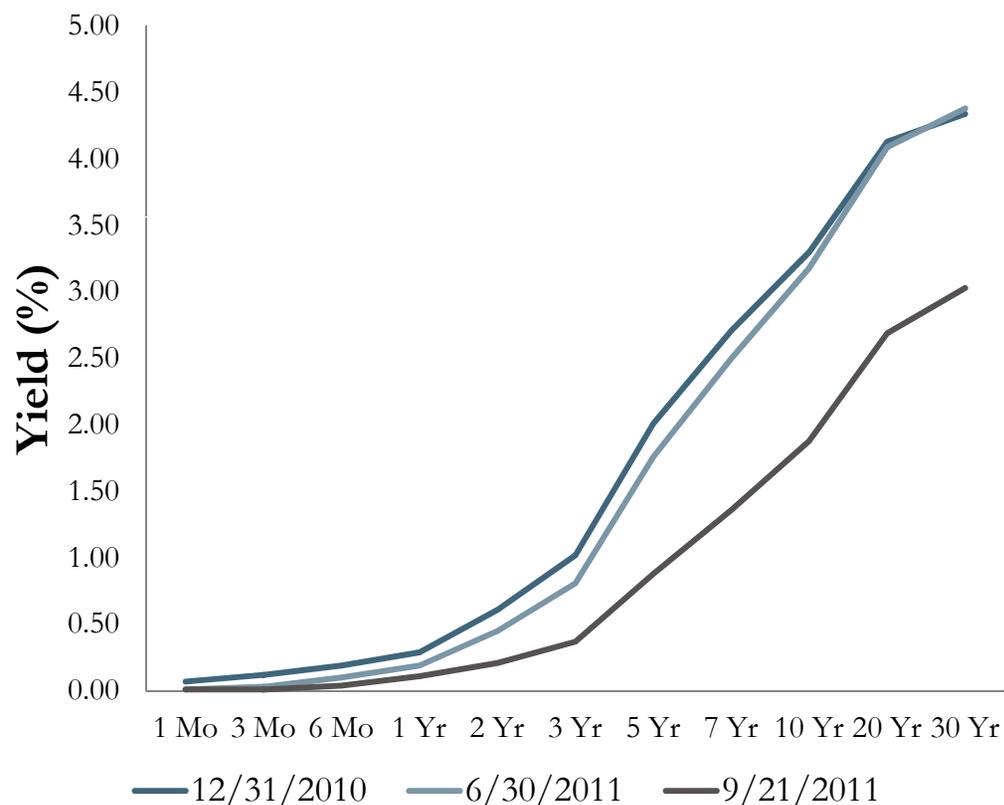
- The impact of the U.S. downgrade on investment markets
- How to select appropriate asset classes for participants
- Prudent steps for selecting investment managers
- Education strategies for wary participants
- The efficacy of target date funds



S&P DOWNGRADE OF U.S. DEBT

- S&P announces a downgrade of U.S. debt to AA+ on August 5, 2011 with a negative outlook
- Moody's and Fitch have maintained their AAA rating
- Short term impact
 - Increased market volatility
 - Increased pessimism
 - Equity market declines
 - No material impact on role of Treasuries within the financial system
 - Cascading impact on ratings
- Long term impact
 - Potential for higher borrowing costs
 - Unknown impact on role of Treasuries within global financial system

U.S. Treasury Yield Curve



Source: U.S. Department of the Treasury

ASSET CLASS SELECTION

- Traditional DC Investment Lineup
 - Stable principal (money market/stable value)
 - Investment-grade U.S. bond fund
 - U.S. equities
 - Coverage of Morningstar's 9 style boxes
 - International equity
- Recent additions
 - Real estate (2005)
 - Emerging markets (2007)
 - Commodities (2010-2011)

TIERED INVESTMENT MENUS

Tier 1: Age-based or risk-based life cycle funds/model portfolios											
Tier 2: Core array of funds											
Stable Principal	Fixed Income			U.S. Equity			International Equity			Specialty Funds	
Money Market	Short Govt. Bonds	Short Bond	World Bond	Large Value	Large Blend	Large Growth	International Large Value	International Large Blend	International Large Growth	Real Estate	
Stable Value	Intm. Govt. Bonds	Intm. Bond	Multisector Bond	Mid Value	Mid Blend	Mid Growth	International Small/Mid Value		International Small/Mid Growth		World Stock
General Investment Account	Inflation Protected Securities		High Yield Bond	Small Value	Small Blend	Small Growth	Emerging Market Stocks		Sector Funds		
Tier 3 (Optional): Self-directed brokerage account (SDBA) or mutual fund window											

CORE ARRAY OBJECTIVES

- Provide participants with the ability to create a diversified portfolio tailored to their specific risk tolerance and time horizon
- Allow participants to diversify their holdings among a number of different asset classes with different risk and return profiles
- Utilize low correlated asset classes to minimize the amount of risk at any given return profile
- Minimize the opportunity for participants to select undiversified portfolios based on unrealistic return and risk expectations

Correlation (Last 15 Years)

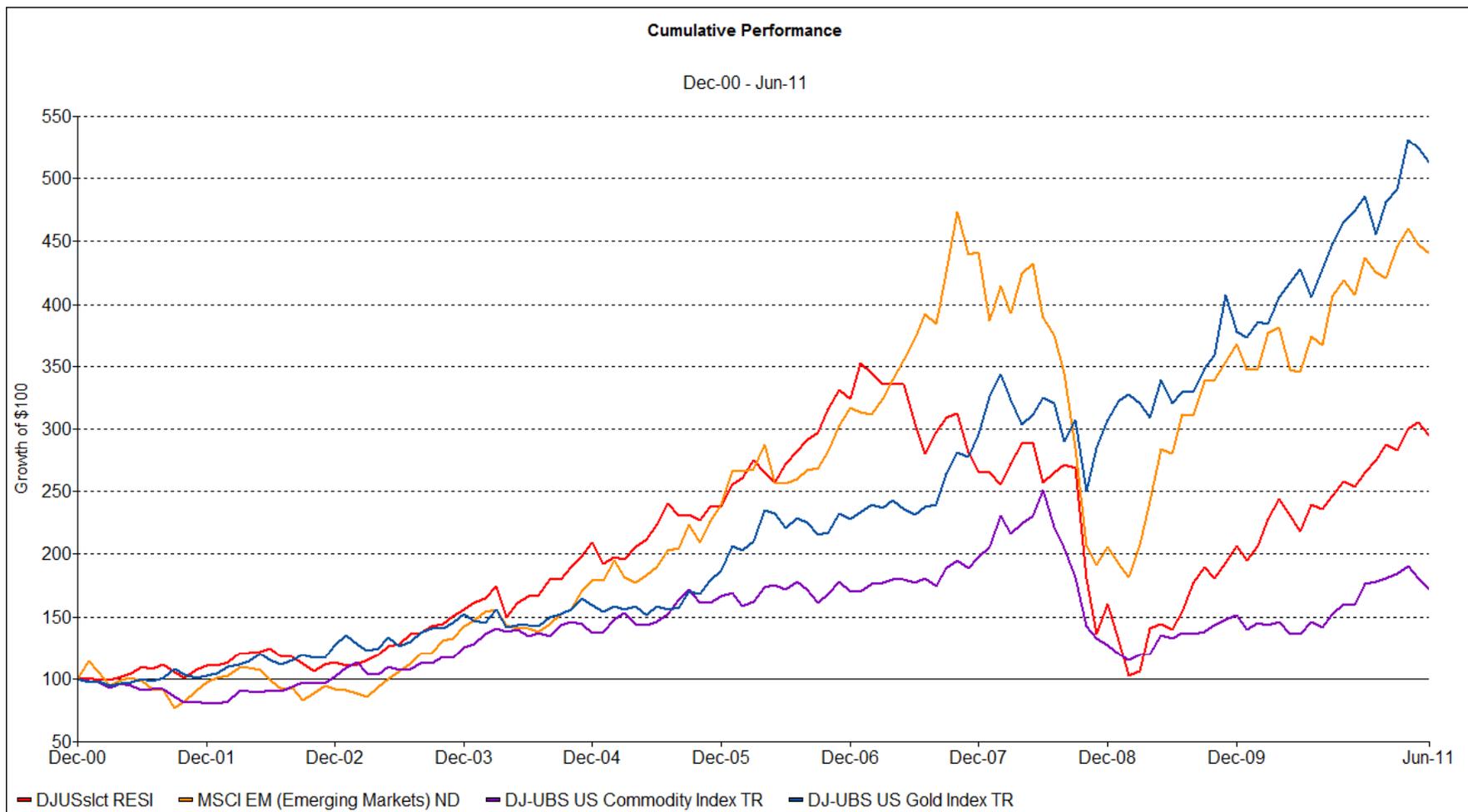
	3-Month T-Bills	Aggregate Bonds	Large Core	Small Core	Real Estate	Intl Large/Mid Cap	Intl Small Cap	Emerging Markets
3-Month T-Bills	1.00							
Aggregate Bonds	0.10	1.00						
Large Core	0.01	0.01	1.00					
Small Core	-0.07	-0.05	0.80	1.00				
Real Estate	-0.06	0.11	0.57	0.65	1.00			
Intl Large/Mid Cap	-0.08	0.03	0.85	0.76	0.57	1.00		
Intl Small Cap	-0.16	0.04	0.76	0.77	0.58	0.94	1.00	
Emerging Markets	-0.13	-0.04	0.74	0.72	0.48	0.82	0.82	1.00

DOMESTIC EQUITY CORRELATIONS (LAST 15 YRS)

	Large Value	Large Core	Large Growth	Mid Value	Mid Core	Mid Growth	Small Value	Small Core	Small Growth
Large Value	1.00								
Large Core	0.93	1.00							
Large Growth	0.78	0.95	1.00						
Mid Value	0.95	0.87	0.74	1.00					
Mid Core	0.89	0.92	0.89	0.93	1.00				
Mid Growth	0.70	0.85	0.93	0.72	0.92	1.00			
Small Value	0.83	0.78	0.68	0.91	0.89	0.74	1.00		
Small Core	0.75	0.80	0.80	0.81	0.93	0.90	0.93	1.00	
Small Growth	0.65	0.77	0.83	0.70	0.89	0.95	0.82	0.97	1.00

As of 6/30/2011

PERFORMANCE CHASING IN DC PLANS

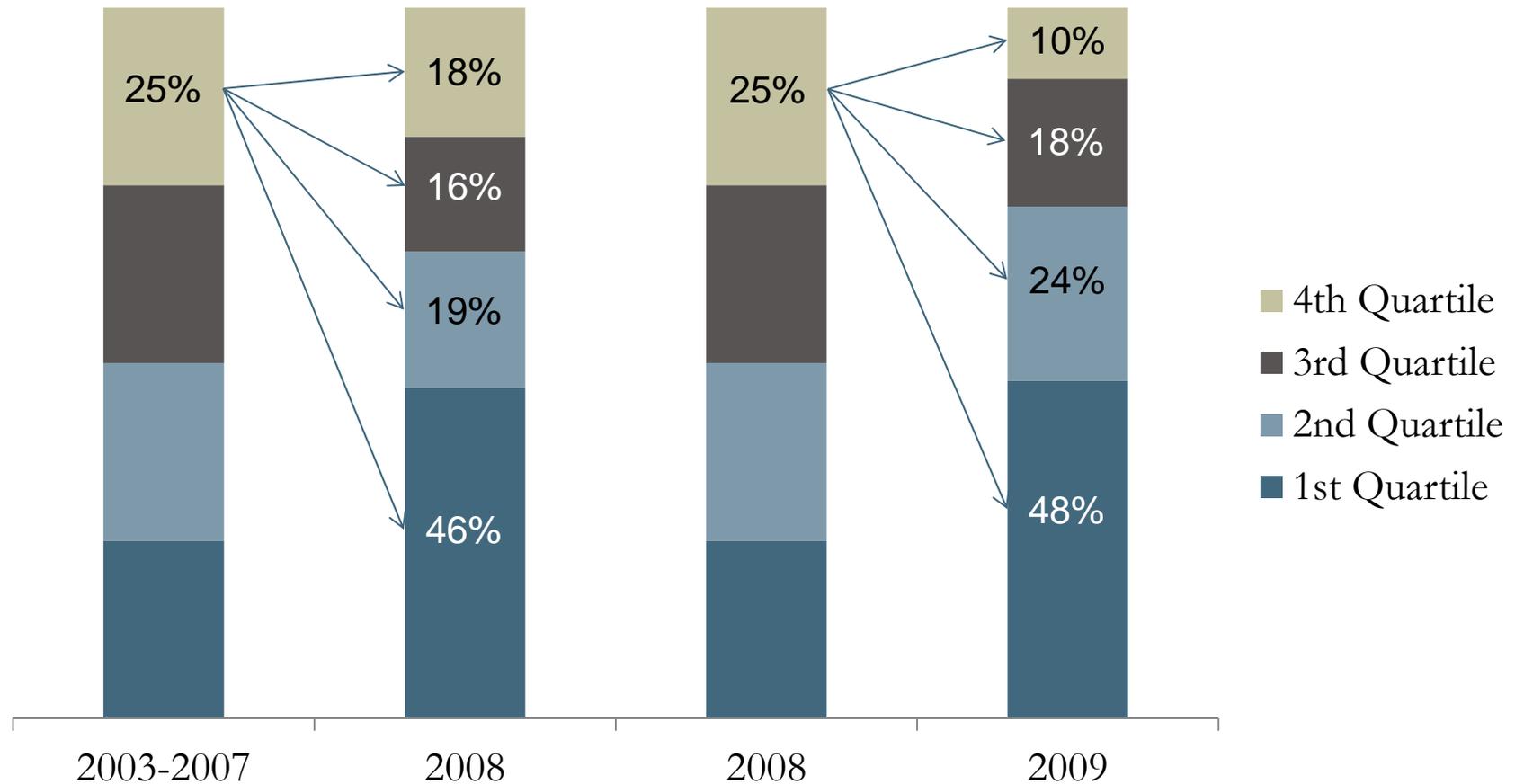


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MANAGER SELECTION BAD HABITS

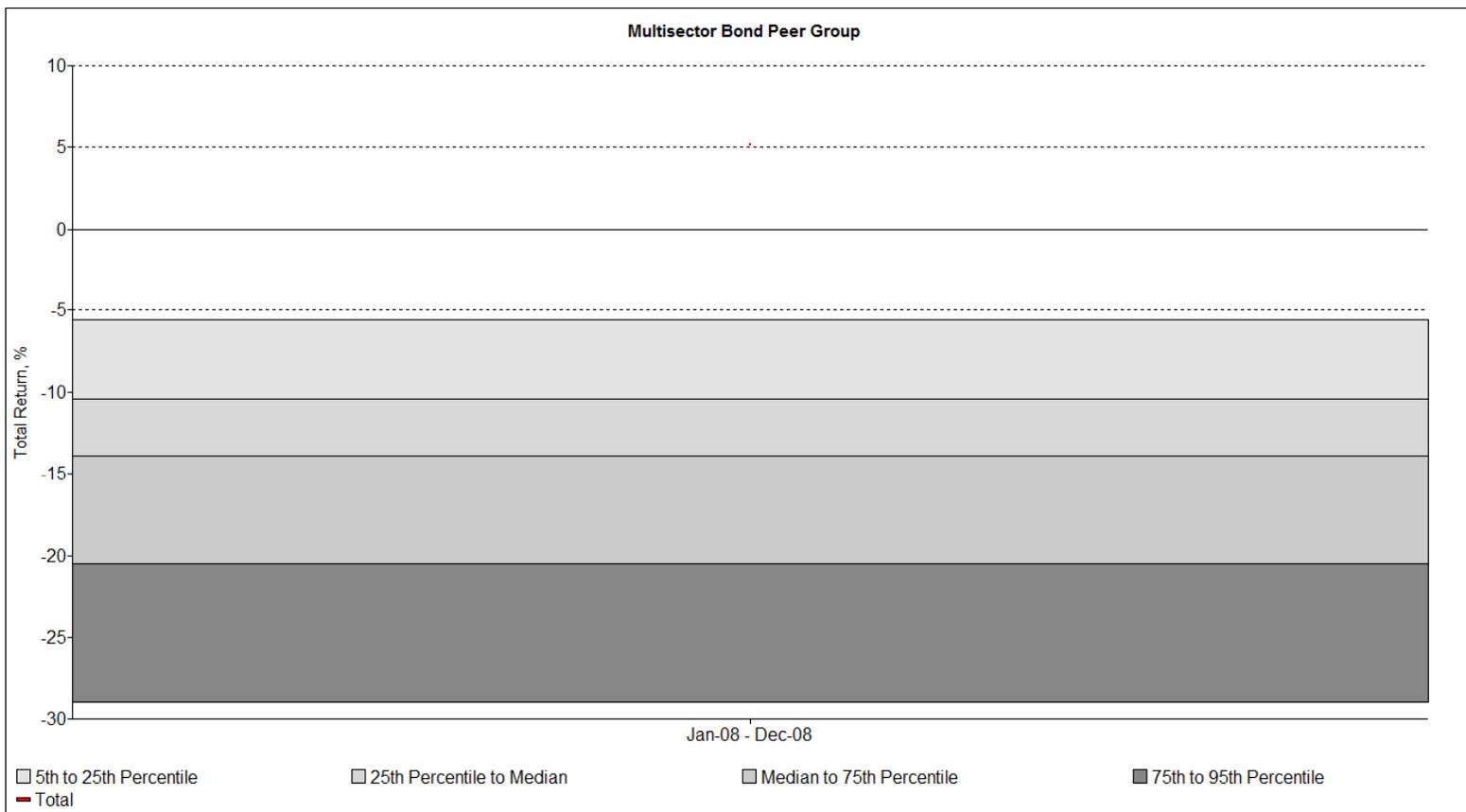
- Primarily rely on past performance
- Too focused on short term performance metrics
- Utilize inappropriate peer group measures
- Failure to understand manager's beta exposures

PAST PERFORMANCE IS A POOR PREDICTOR OF FUTURE PERFORMANCE



Source: Morningstar Large Blend funds (distinct portfolios)

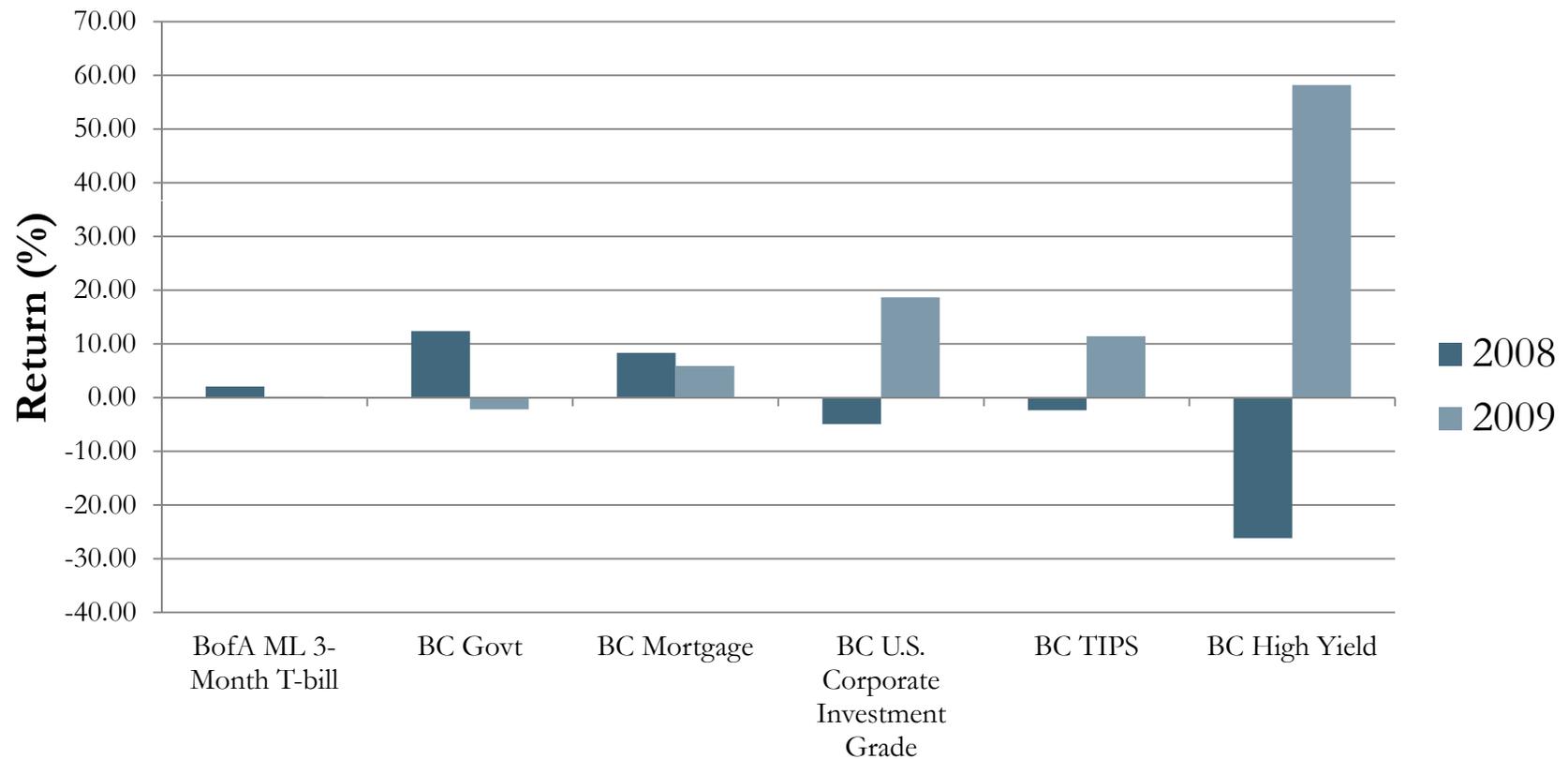
VARIANCE IN PEER GROUP PERFORMANCE



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INVESTMENT RISK – BOND STRATEGIES

Investment Performance (2008-2009)

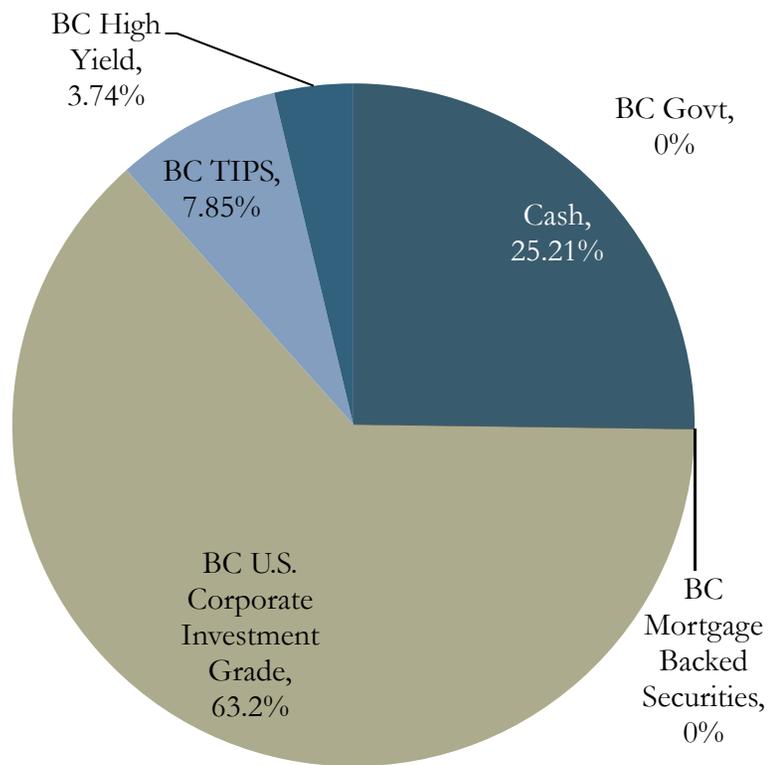


MANAGER SELECTION BEST PRACTICES

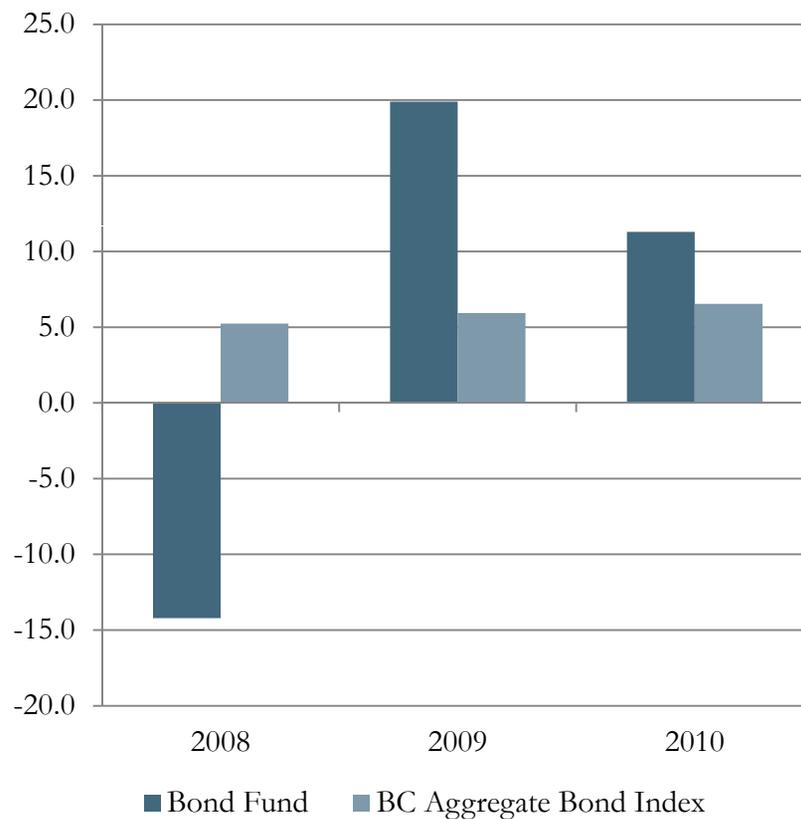
- Focus on qualitative analysis
 - Firm structure
 - Firm history
 - People
 - Organization
 - Investment Philosophy
 - Investment Strategy
 - Buy/Sell Discipline
- Use quantitative analysis to inform the qualitative review
 - Performance consistent with investment strategy
 - Market risk factor exposure

EXPOSURE DRIVES PERFORMANCE

Asset Loadings (As of 12/31/2007)



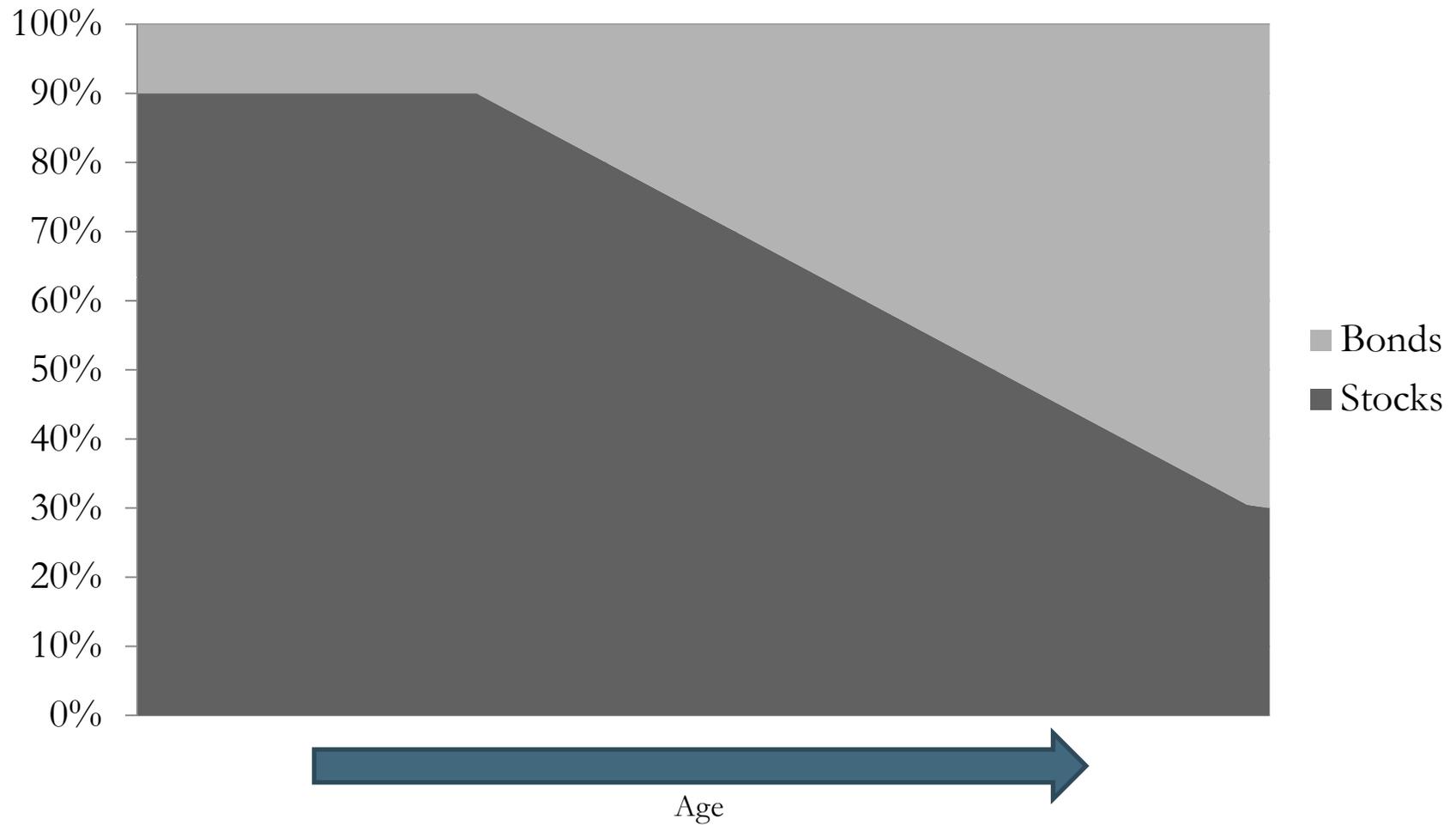
Performance (2008-2010)



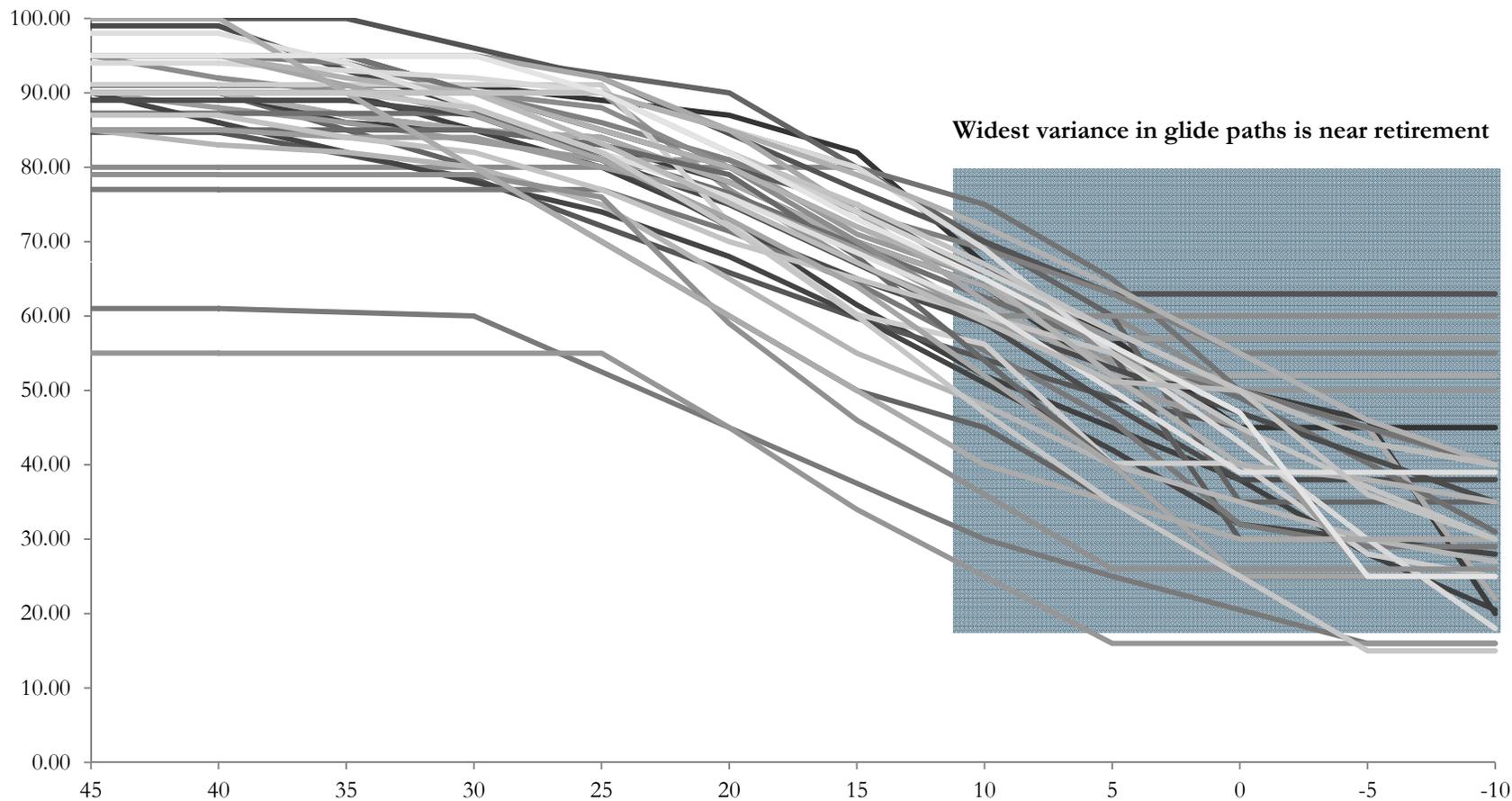
EDUCATION STRATEGIES FOR WARY PARTICIPANTS

- Customize communication strategies
 - Understand plan demographics
 - Evaluate behavior
 - Changes in participation/deferral rates
 - Increased use of loans/hardships
 - Portfolio changes
- Customize delivery methods
- Focus on tangible benefits
 - Tax savings
 - Employer contributions
- Provide context
 - Retirement time horizon
 - Cyclical nature of markets
- Focus on fundamentals

TARGET DATE FUNDS - EQUITY GLIDE PATH

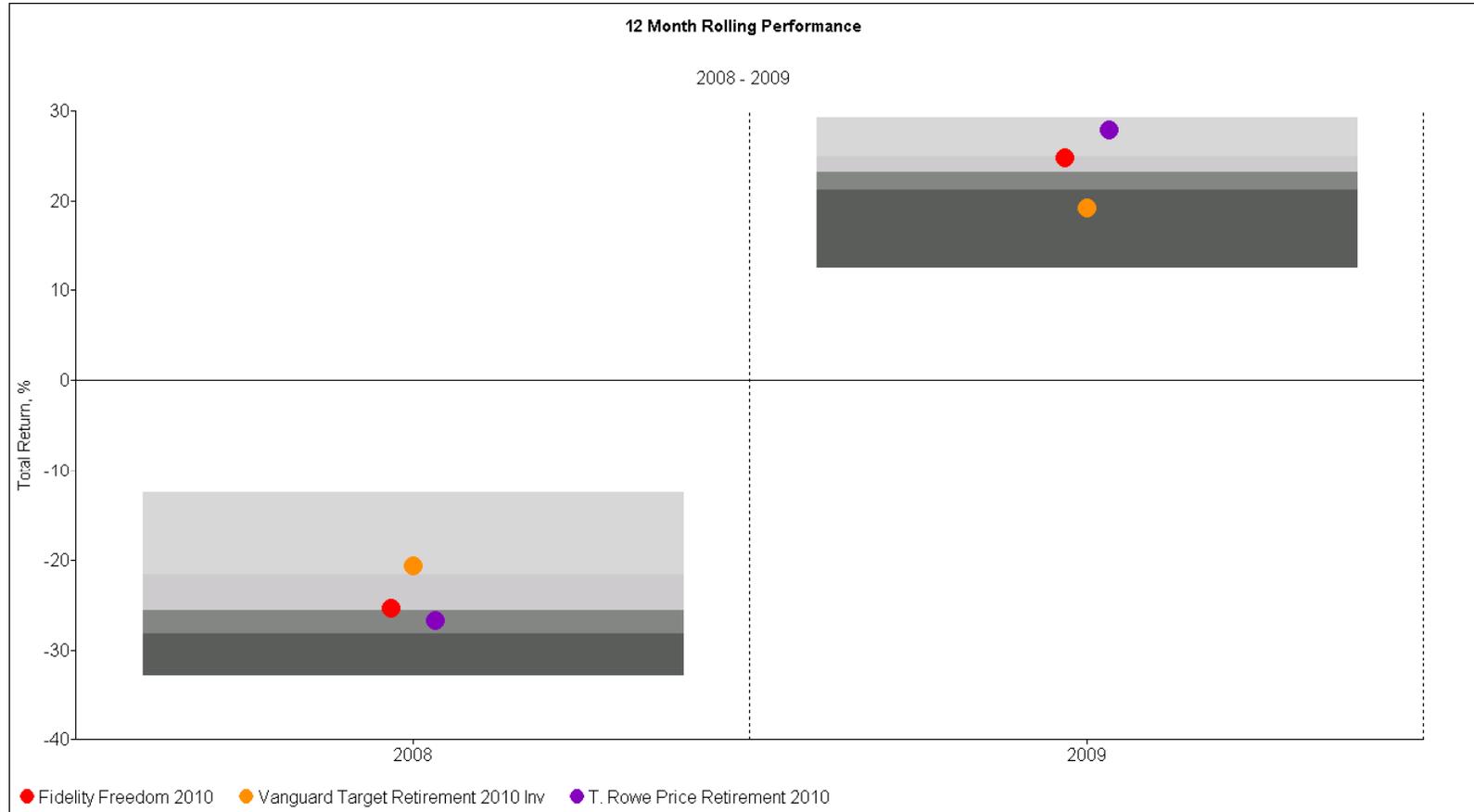


TARGET DATE STOCK ALLOCATIONS



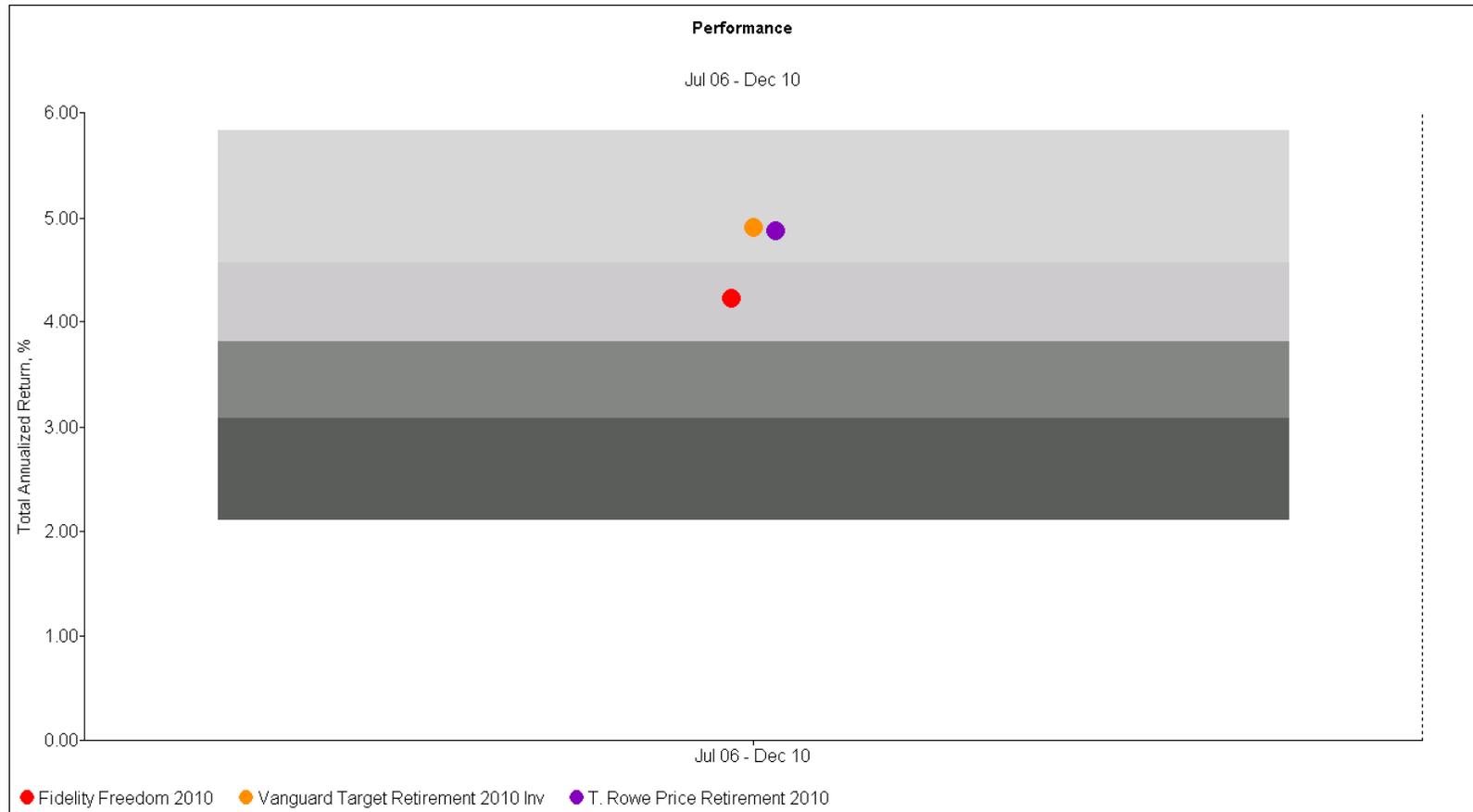
Source: Morningstar

TARGET DATE FUNDS – CALENDAR YEAR PERFORMANCE



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TARGET DATE FUND PERFORMANCE – LEADING INTO RETIREMENT



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INVESTOR PERFORMANCE (AS OF 12/31/09)

Category	Asset Wgt 3 Yr Investor Return	Average 3 Yr Total Return
U.S. Equity Funds	-5.18%	-4.96%
Intl Equity Funds	-5.17%	-4.55%
Balanced	-2.15%	-1.72%
Taxable Bond	3.82%	4.13%
All Funds	-2.71%	-2.14%

Source: Morningstar, Inc.

DISCLOSURES

Investment advisory services provided by Multnomah Group, Inc., an Oregon corporation.

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Investment performance and returns are based on historical information and should not be construed as a guarantee of future performance. Investing contains risk. Some of the asset classes involve significantly higher risk because of the nature of the investments and the low liquidity/high volatility of the securities.

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