Investing in an Uncertain World

Presented By:

Lori A. Van Dusen, CIMA
Principal
LVW ADVISORS

• Advise on over $3B in assets, working with roughly 40 Institutional and High Net Worth Clients/Family Offices

• Open source investment platform with access to multiple research providers

• Client centric model serving as CIO, providing holistic solutions that are transparent, independent and unbiased

• Over 25 years in the advisory business; established as RIA in October 2011

• Highly experienced team; Sr. Advisors boast an average 18 years in industry
THE LVW APPROACH - SOLVING THE ENTIRE EQUATION
THE LVW APPROACH – OPEN-SOURCE RESEARCH PLATFORM

LVW Investment Committee

✓ Access to six leading research specialists / boutiques

✓ Quantitative coverage on over 35,000 managers

✓ Qualitative coverage on over 400 managers

✓ Industry network of asset class specialists developed over the partners careers
REVIEW OF THE RECENT INVESTMENT LANDSCAPE

1. The Eurozone crisis has largely been in remission

2. The Japanese government announcing a major policy shift towards reflation

3. The improving domestic economy, housing and consumer sentiment continued to drive investors out the risk spectrum

4. The events that unfolded in Cyprus

5. Recent economic activity and Fed comments have created speculation that the bond buying program may be curtailed sooner versus later
Despite inflows into equities during the 1st quarter of 2013, fixed income inflows still outpace equities over the last four years.
REVIEW OF THE RECENT INVESTMENT LANDSCAPE – QUANTITATIVE EASING

10-Year Treasury Rate

Source: treasurydirect.gov
REVIEW OF THE RECENT INVESTMENT LANDSCAPE – VOLATILITY HAS PLUNGED

Volatility and cross correlation among stocks has plunged, leaving opportunity for managers focused on fundamental factors in their investment process.

Source: Bloomberg, L.P.
# MARKET VALUATIONS – GLOBAL EQUITIES

*as of March 31st, 2013*

<table>
<thead>
<tr>
<th>INDEX</th>
<th>Price-to- Normalized (5-Year)</th>
<th>Trailing 12 month P/E Ratio</th>
<th>Forward P/E Ratio</th>
<th>Historical Average</th>
<th>P/B Ratio</th>
<th>P/CF Ratio</th>
<th>Dividend Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russell 1000</td>
<td>24.6*</td>
<td>17.6</td>
<td>14.6</td>
<td>16.2*</td>
<td>2.4</td>
<td>11.4</td>
<td>2.1%</td>
</tr>
<tr>
<td>Russell 2000</td>
<td>31.1</td>
<td>26.3</td>
<td>21.1</td>
<td>17.1</td>
<td>2.0</td>
<td>14.7</td>
<td>1.4%</td>
</tr>
<tr>
<td>MSCI EAFE</td>
<td>15.9</td>
<td>15.9</td>
<td>12.6</td>
<td>12.3</td>
<td>1.5</td>
<td>8.3</td>
<td>3.3%</td>
</tr>
<tr>
<td>MSCI EM</td>
<td>14.7</td>
<td>12.5</td>
<td>10.1</td>
<td>11.4</td>
<td>1.6</td>
<td>7.7</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

*S&P 500 used due to limited history of published normalized earnings for the Russell 1000*

*Source: Bloomberg, Rimes, and Robert Shiller*

*Data as of 3/31/2013*
MARKET VALUATIONS – P/E RATIOS AND EQUITY MARKET RETURNS

Source: BEA, FRB, JP Asset Management.
MARKET VALUATIONS – HIGH YIELD BONDS VS. BANK DEBT

BofA/ML High Yield BB-B Index Average Price
As of April 30, 2013

BofA/ML High Yield BB-B Index Average YTM
As of April 30, 2013

Data sources: Bloomberg, L.P., Bank of America/Merrill Lynch

CS Leverage Loan Index Price & Yield
As of April 30, 2013

Source: Credit Suisse

Leverage Trends Remain Below the Cyclical Peaks Seen in 2007-2008
Leverage on bond issuance excluding refinancings

Source: JP Morgan, as of March 22, 2013
MARKET VALUATIONS – INTEREST RATE RISK

Impact of interest rates increases and decreases on various maturities and investment time horizons.

A 1% increase in interest rates could result in a 6% loss of principal on a 10 year bond over a 1 year time period.

<table>
<thead>
<tr>
<th>5 Year Note</th>
<th>Interest Rate Decrease</th>
<th>Interest Rate Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>25bp 50bp 100bp</td>
<td>25bp 50bp 100bp 200bp 300bp 400bp 500bp</td>
</tr>
<tr>
<td>1 Year Horizon</td>
<td>1.8% 2.7% 4.7%</td>
<td>-0.2% -1.2% -3.1% -6.8% -10.5% -14.0% -17.5%</td>
</tr>
<tr>
<td>3 Year Horizon</td>
<td>0.9% 1.1% 1.4%</td>
<td>0.6% 0.5% 0.2% -0.5% -1.1% -1.7% -2.3%</td>
</tr>
<tr>
<td>4 Year Horizon</td>
<td>0.8% 0.9% 1.0%</td>
<td>0.7% 0.7% 0.6% 0.3% 0.1% -0.1% -0.4%</td>
</tr>
<tr>
<td>10 Year Note</td>
<td>3.9% 5.9% 10.1%</td>
<td>-0.2% -2.2% <strong>-6.1%</strong> -13.6% -20.8% -27.6% -34.1%</td>
</tr>
<tr>
<td>1 Year Horizon</td>
<td>2.3% 2.8% 3.9%</td>
<td>1.3% 0.8% -0.2% -2.2% -4.2% -6.1% -8.0%</td>
</tr>
<tr>
<td>5 Year Horizon</td>
<td>2.0% 2.2% 2.6%</td>
<td>1.6% 1.3% 0.9% 0.1% <strong>-0.8%</strong> -1.6% -2.4%</td>
</tr>
</tbody>
</table>
**MARKET VALUATIONS – INTEREST RATE RISK**

*Absolute yields require investors to look at skill-based opportunities for growth potential*

<table>
<thead>
<tr>
<th></th>
<th>3/31/13 Yield/Rate</th>
<th>12/31/12 Yield/Rate</th>
<th>9/30/12 Yield/Rate</th>
<th>6/30/12 Yield/Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fed Funds Target Rate</td>
<td>0.25%</td>
<td>0.25%</td>
<td>0.25%</td>
<td>0.25%</td>
</tr>
<tr>
<td>3-month London Interbank Offered Rate (LIBOR)</td>
<td>0.28%</td>
<td>0.31%</td>
<td>0.36%</td>
<td>0.46%</td>
</tr>
<tr>
<td>10 Year Treasury</td>
<td>1.85%</td>
<td>1.76%</td>
<td>1.63%</td>
<td>1.65%</td>
</tr>
<tr>
<td>10 Year Treasury Inflation Protected Security (TIPS)</td>
<td>-0.67%</td>
<td>-0.75%</td>
<td>-0.80%</td>
<td>-0.50%</td>
</tr>
<tr>
<td>Barclays Aggregate Bond Index</td>
<td>1.86%</td>
<td>1.74%</td>
<td>1.61%</td>
<td>1.98%</td>
</tr>
<tr>
<td>Barclays High Yield Index</td>
<td>5.67%</td>
<td>6.13%</td>
<td>6.51%</td>
<td>7.35%</td>
</tr>
<tr>
<td>CSFB Leveraged Loan Index</td>
<td>4.95%</td>
<td>5.16%</td>
<td>5.15%</td>
<td>5.16%</td>
</tr>
<tr>
<td>BofA/ML EMD (Local) Sovereign Index</td>
<td>4.81%</td>
<td>4.80%</td>
<td>5.02%</td>
<td>5.10%</td>
</tr>
<tr>
<td>BofA/ML EMD ($-denominated) Sovereign Index</td>
<td>4.28%</td>
<td>3.84%</td>
<td>4.11%</td>
<td>4.75%</td>
</tr>
<tr>
<td>Barclays Global Aggregate Bond Index</td>
<td>1.74%</td>
<td>1.70%</td>
<td>1.71%</td>
<td>2.04%</td>
</tr>
</tbody>
</table>

Source: Bloomberg LP, Barclays, PIMCO
PAY FOR SKILL WHERE YOU WILL BE REWARDED

Alternative Asset Returns Exhibit Significant Dispersion
Active Manager Returns by Quartile for Periods Ending June 30, 2012 *

* Fixed income and marketable equity performance based on annualized ten-year returns of BNY Mellon manager universes, adjusted for fees. Venture capital, LBO, real estate, and natural resources returns based on annualized since-inception IRRs of Cambridge Associates manager universes.

Source: 2012 Yale Endowment Report
OPPORTUNITIES IN A LOW RETURN AND UNCERTAIN ENVIRONMENT

*Opportunities which are generally independent of the direction of the equity markets and require manager skill to exploit the market opportunity.*

1. Private Equity Secondaries

2. European Direct Lending

3. Municipal Arbitrage Opportunity

4. Companies with strong balance sheets and high free cash flow
DYNAMIC POSITIONING

Dynamically over and underweight asset classes based upon valuations to take advantage of market opportunities

<table>
<thead>
<tr>
<th>Category</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQUITY</td>
<td>overweight</td>
</tr>
<tr>
<td>U.S. Large Cap Equity</td>
<td>overweight</td>
</tr>
<tr>
<td>U.S. Small Cap Equity</td>
<td>underweight</td>
</tr>
<tr>
<td>Developed Non-U.S. Equity</td>
<td>overweight</td>
</tr>
<tr>
<td>Emerging Markets Equity</td>
<td>overweight</td>
</tr>
<tr>
<td>Hedged Equity</td>
<td>underweight</td>
</tr>
<tr>
<td>Real Asset / Commodities</td>
<td>neutral</td>
</tr>
<tr>
<td>Multi-Strategy</td>
<td>neutral</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>significant underweight</td>
</tr>
<tr>
<td>Cash</td>
<td>neutral</td>
</tr>
</tbody>
</table>

- Large Cap
- Small Cap
- Developed Non-US
- Emerging Markets
- Hedged Equity
- Real Assets
- Multi-Strategy
- Fixed Income
- Cash
PRIVATE EQUITY SECONDARIES

• Purchasing private investment interests in the secondary market at significant discounts
  ✓ In many cases at 25 -35% discounts to net asset value

• Ability to purchase mature assets at a steep discount, thus reducing future cash outlays as well as providing strong downside protection

• Opportunity for capital appreciation in the assets provided the manager selects performing and growth oriented assets

• Seller are typically non-economic in nature

• Secondaries tend to be less cyclical than other private investment asset classes
EUROPEAN DIRECT LENDING

- Banks and CLO’s were the primary providers of new issuance
- Banks are working to improve their balance sheets and capital reserves
- CLO’s issuance has been dwarfed compared to the domestic markets
- Lending is a huge opportunity, with attractive illiquidity premiums

Source: Loan Market Association, INTEX, S&P European Leverage Loan Index (ELL), S&P LCD
MUNICIPAL ARBITRAGE OPPORTUNITY

Strategy attempts to exploit the opportunity in the fragmented and inefficient municipal bond market

Source: Piper Jaffray Investment Management
COMPANIES WITH STRONG BALANCE SHEETS AND HIGH FREE CASH FLOW

**Source:** Standard & Poor's

---

**Source:** Strategas Research, January 2013
**JAPANESE EQUITIES – VALUATIONS THROUGH MULTIPLE LENSES**

<table>
<thead>
<tr>
<th></th>
<th>Forward P/E</th>
<th>Normalized*</th>
<th>P/B</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>17</td>
<td>n/a</td>
<td>1.3</td>
<td>6</td>
</tr>
<tr>
<td>Current</td>
<td>14.9</td>
<td>14</td>
<td>1.2</td>
<td>5.5</td>
</tr>
<tr>
<td>% of Average</td>
<td>88%</td>
<td>-</td>
<td>92%</td>
<td>92%</td>
</tr>
</tbody>
</table>

*On a normalized P/E basis Japanese equities are trading at a 35% discount to U.S. equities*
### EXAMPLE – VALUATIONS THROUGH MULTIPLE LENSES, EMERGING MARKET EQUITIES

<table>
<thead>
<tr>
<th></th>
<th>Forward P/E</th>
<th>Normalized*</th>
<th>P/B</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>11.4</td>
<td>n/a</td>
<td>2</td>
<td>6.1</td>
</tr>
<tr>
<td>Current</td>
<td>10.6</td>
<td>13</td>
<td>1.6</td>
<td>5.9</td>
</tr>
<tr>
<td>% of Average</td>
<td>93%</td>
<td>-</td>
<td>80%</td>
<td>97%</td>
</tr>
</tbody>
</table>

*On a normalized P/E basis EM equities are trading at a 40% discount to U.S. equities.
SUMMARY

We believe:

1. The investment landscape continues to remain uncertain

2. Building truly diverse portfolios with distinct drivers of risk and return is key to managing risk

3. With muted real and nominal interest rates, accessing skill-based opportunities is critical to meeting clients’ long-term objectives

4. Having a disciplined, dynamic, valuation-based approach is important in an uncertain environment
Appendix:
CORE AND EXTENDED OFFERING FOR AFFLUENT FAMILIES

• **Investment Advisory:** LVW creates customized investment strategies informed by an open-source research platform. This allows us to diversify assets, model scenarios, and mitigate risk while engaging the management talent and financial vehicles best suited to deliver on your performance objectives.

• **Trust Services and Estate Planning:** One conversation with our partnered experts will prove that it’s never too early—or late—to plan for the long-term impact of your assets. LVW partners can connect this service with your tax, insurance and income strategies to amplify effectiveness.

• **Insurance:** We select partners with the ability to show you fresh options that could offer economies and/or more strategic coverage. An outsourced CFO would be one way to assure that your varied fiscal decision-making was integrated with your overall investment and wealth management goals.

• **Tax Planning:** A tax strategy that’s not in synch with client investment objectives can dampen net returns. Our partners are current, knowledgeable and supportive of your strategic objectives. Tax and estate planning should be coordinated with an individual’s insurance needs to make them most effective in building and preserving wealth.
CORE AND EXTENDED OFFERING FOR AFFLUENT FAMILIES

• **Investment Banking:** Our open-source platform connects you with best-of-breed resources for funding new endeavors (lending) and other financial management services.

• **Donor-Advised Charitable Gift Administration:** Enjoy the convenience and potential tax advantages of this flexible alternative to direct giving or the creation of a private foundation.

• **Outsourced CFO:** LVW aligns with providers who can integrate and simplify your financial life by helping you manage fiscal decision-making in areas such as budgeting, personal accounting and coordinating many of services listed previously.
BIOGRAPHY OF THE SPEAKER

Lori Van Dusen, CIMA®
Principal

Before founding LVW, Lori was the co-lead of Convergent Wealth Advisors’ Institutional Group, where she served on the Executive and Investment Committees, and advised approximately $8 billion in assets for clients. Prior to that, she was Managing Director with CitiGroup/Smith Barney Institutional Consulting, which is where she began her investment career in 1986.

Considered one of the premier investment advisors in the country, in 2011 Lori ranked #3 on Barron’s annual list of America’s Top 100 Women Financial Advisors and earned a spot on Barron’s Top 100 Financial Advisors for eight consecutive years. She and LVW Advisors were recently featured in Barrons (2013) and Forbes (2012). In 2010, she was named Institutional Investor’s Nonprofit Consultant of the Year.

Lori received her Masters of Education degree from Harvard University and graduated Magna cum Laude with a Bachelor of Arts degree from Ithaca College. She holds the Certified Investment Management AnalystSM designation, administered by Investment Management Consultants Association® and taught in conjunction with The Wharton School.

Lori is a member of the Board of Trustees of the University of Rochester Medical Center, Nazareth College and the Memorial Art Gallery. She is an advisory member for Institutional Investor’s RIA Investment Forum. Lori also serves on the Board of Directors for the National Center for Missing and Exploited Children. She is the past chair of the Board of Monroe Community College. Lori also previously served on the Board of Roberts Wesleyan College and the Northeastern Seminary and is presently the Chair of its Investment Committees.

A native of Rochester, New York, Lori is a long distance runner, enjoys decorating and the local music scene. She regularly cooks big Italian meals for her family and friends.

Honors:
2011: Ranked #3 on Barron’s annual list of America’s Top 100 Women Financial Advisors.
2011: Ranked by Barron’s as one of America’s Top 100 Financial Advisors for the eighth consecutive year.
2004 – 2011: Ranked by Barron’s as one of the Top 10 Financial Advisors in America.
2010: Named Institutional Investor’s 2010 Nonprofit Consultant of the Year.
LVW CONTACT INFORMATION AND DISCLOSURES

Contact Information:

585-267-4901
lvandusen@lvwadvisors.com

The information contained in this summary is for informational purposes only and contains confidential and proprietary information that is subject to change without notice. Any opinions expressed are current only as of the time made and are subject to change without notice. This report may include estimates, projections or other forward looking statements, however, due to numerous factors, actual events may differ substantially from those presented. The graphs and tables making up this report have been based on unaudited, third-party data and performance information provided to us by one or more commercial databases. While we believe this information to be reliable, LVW Advisors bears no responsibility whatsoever for any errors or omissions. Additionally, please be aware that past performance is not a guide to the future performance of any manager or strategy, and that the performance results displayed herein may have been adversely or favorably impacted by events and economic conditions that will not prevail in the future. Therefore, caution must be used in inferring that these results are indicative of the future performance of any strategy. Index results assume the re-investment of all dividends and interest. Moreover, the information provided is not intended to be, and should not be construed as, investment, legal or tax advice. Nothing contained herein should be construed as a recommendation or advice to purchase or sell any security, investment, or portfolio allocation. Any investment advice provided by LVW Advisors is client specific based on each clients' risk tolerance and investment objectives.