

Porter, White & Company

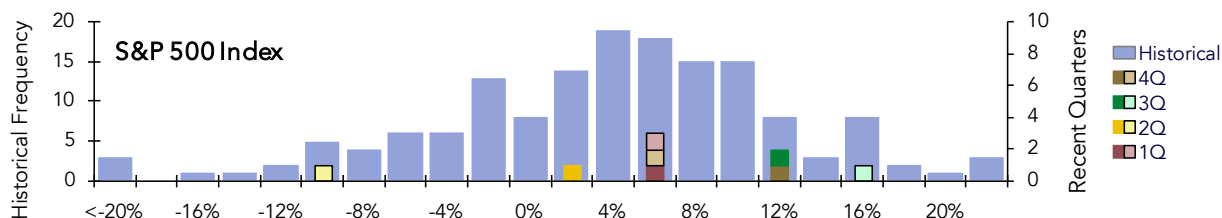
A Professional's Review of Capital Markets

Investment Review - Second Quarter 2011, July 2011

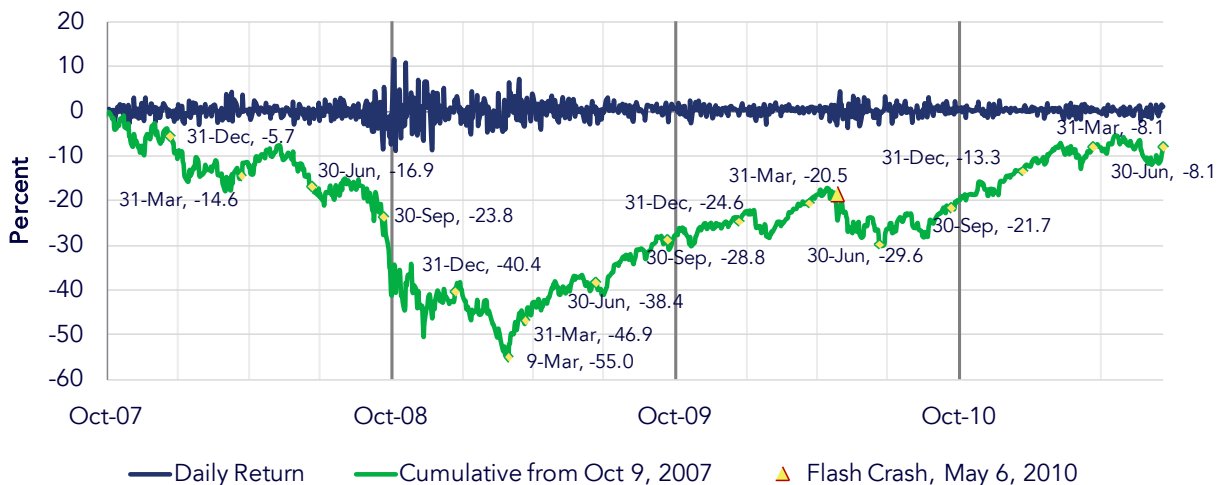
As investment managers, we maintain situational awareness of capital markets. Situational awareness is important in investing since markets are frequently volatile and investors with long term objectives are often unduly influenced by recent events, particularly as reported in the media. This report presents capital market statistics that we believe are important to track over time and that support effective investment decisions.

I. Equity Markets

After climbing until the end of April and then selling off in May and June, the S&P 500 rallied to post a slight gain of 0.1% for the 2nd quarter of 2011. As reflected in the histogram below, this magnitude of gain is slightly below the historical average of 2.8% since June 30, 1972.¹



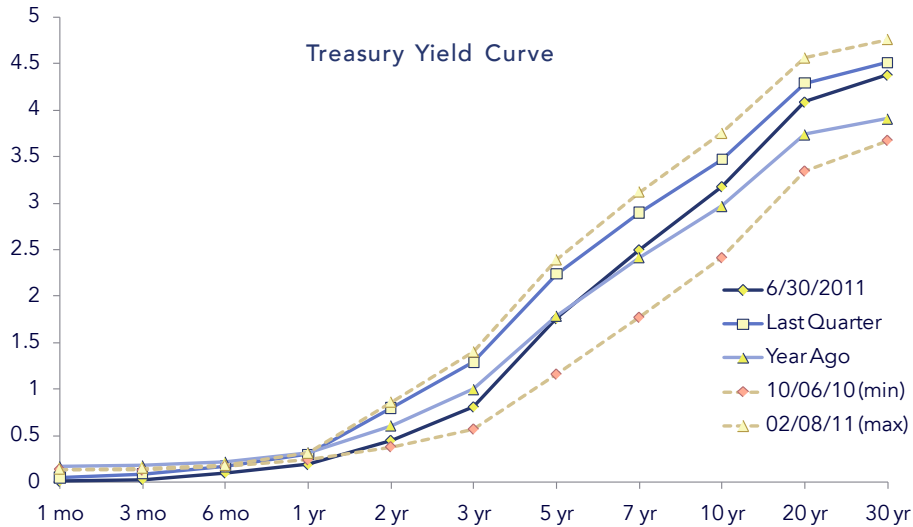
The market rally continued until the end of April, when the S&P 500 recovered its losses dating back to January 1, 2008. The graph below shows daily returns (in blue) and cumulative returns (in green) from the previous market peak on October 9, 2007.² The S&P 500 has yet to recover.



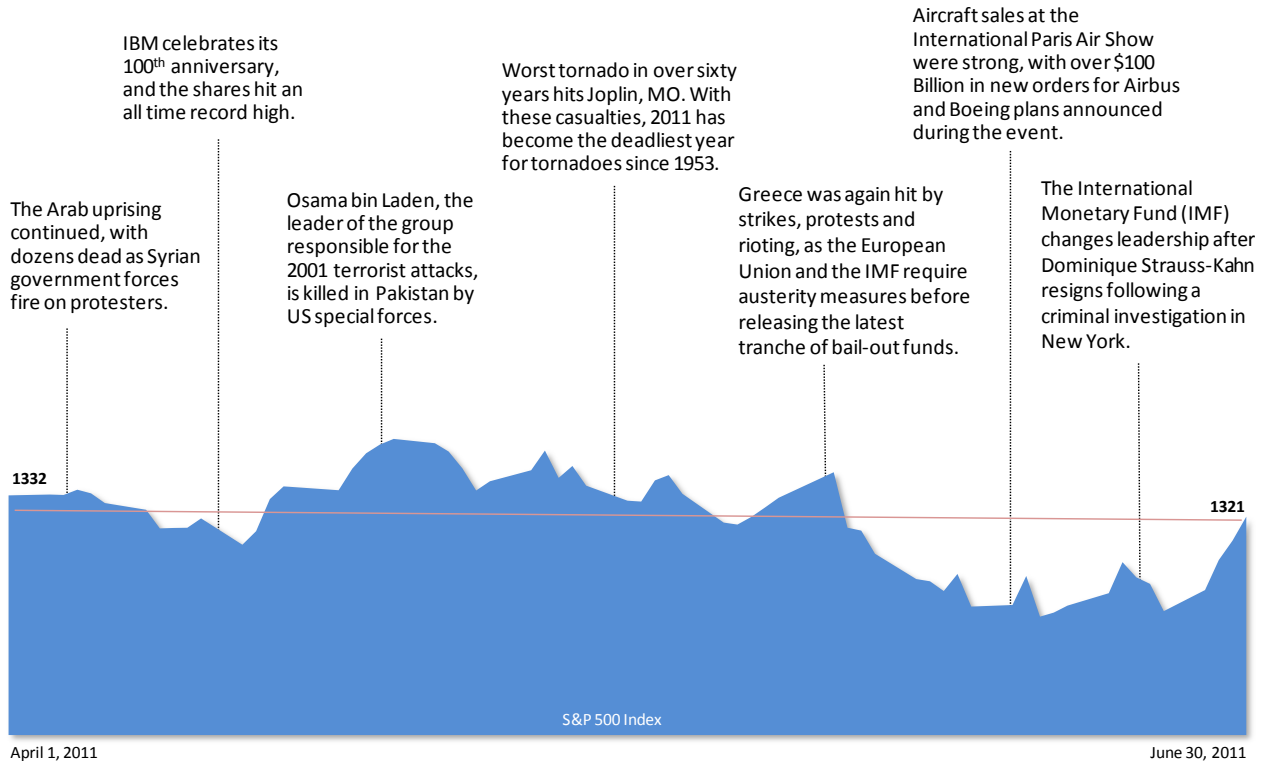
II. Fixed Income Markets

Treasury rates decreased during the quarter for maturities longer than 1 year to approximately the same level they were one year ago. The implied inflation rate for the next 5 years (as determined

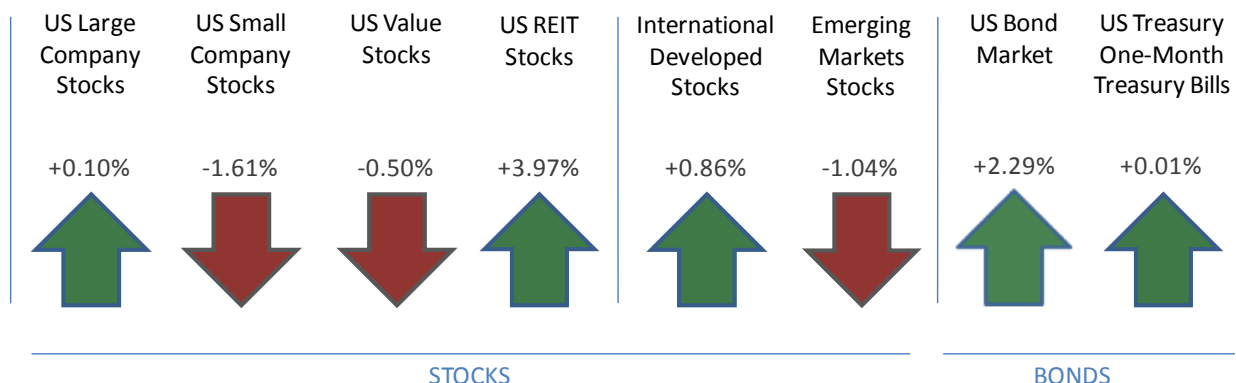
by comparing the real and nominal treasury yield curves) stayed about the same over the quarter, starting the quarter at 2.2% and decreasing to 2.0%. Yields on the 5 year TIPS are now negative at -.27%, which means that an investor must *lose money* on their investment after inflation without taking risk over a five year period.



III. Time Line of Events



IV. Quarterly Market Returns³

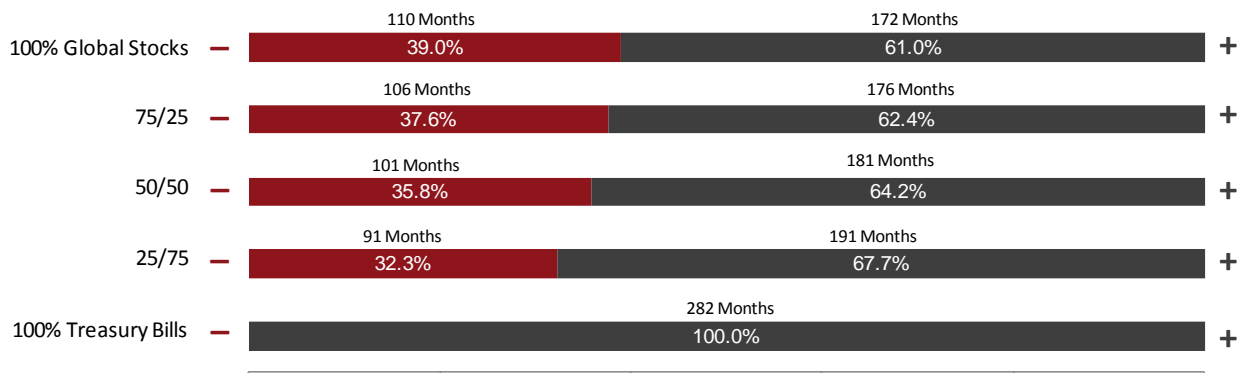


V. Returns of Globally Diversified Portfolios⁴

One of the most important decisions for an investor is the allocation between stocks and bonds in an investment portfolio. While annualized returns over long periods of time tells us about what performance has been, it doesn't give us a sense of the emotions we experience in achieving those returns. The charts below show that while an all equity portfolio of global stocks had the highest annualized return over the past twenty years, the portfolio incurred "loss months" almost 40% of the time. Only U.S. Treasury Bills have had no loss months.

	Q2 2011	1 Year	3 Years	5 Years	10 Years	20 Years
100% Global Stocks	0.44	30.77	1.47	3.70	5.30	7.69
75/25	0.35	22.62	1.74	3.62	4.75	6.82
50/50	0.25	14.79	1.62	3.28	4.01	5.80
25/75	0.14	7.29	1.13	2.67	3.07	4.62
100% Treasury Bills	0.01	0.11	0.29	1.80	1.96	3.31

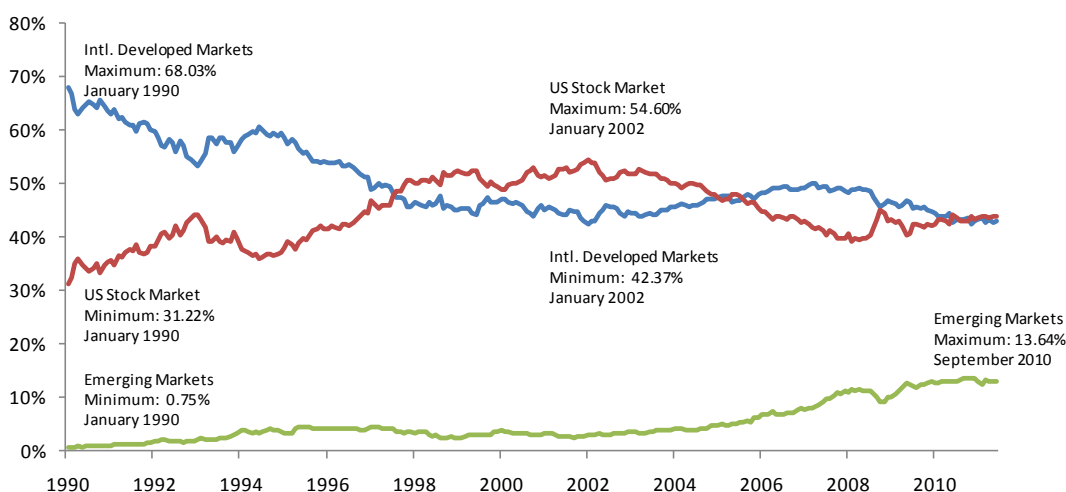
Positive vs. Negative Returns: January 1988–June 2011



VI. Stock Market Values around the World⁵

Competition for investor capital is global and the variance of an investor's stock portfolio from total global equity allocations should be based on a reasonable rationale. The chart below shows how the world allocates equity capital and how this allocation has changed.

	Number of Countries	Number of Stocks	Total Value	Weights		
				June 30, 2011	Change from Previous Quarter	01/90-6/11 Average
United States	1	2,969	15.05 Trillion	43.89%	-0.09%	44.62%
Developed Markets	23	3,719	14.71 Trillion	42.91%	0.14%	50.21%
Emerging Markets	21	2,811	4.52 Trillion	13.20%	-0.05%	5.17%
Total	45	9,499	34.28 Trillion	100.00%		



VII. Our Process for Serving Individuals and Families

A professionally managed investment portfolio requires knowledge and study of capital markets and a method for constructing, managing, and measuring investment portfolios to fit individual needs. Our knowledge of capital markets, gained through years of observation, experience and research, combined with our market access to institutional-type investment options, has allowed us to develop a process that focuses on individual client needs. In our first meeting with a potential client we learn about client investment objectives, current situation, risk constraints, time horizon, liquidity needs, tax position and special circumstances. Not until we know this can we apply our knowledge of capital markets to better the client's position.

To download our wealth management value proposition, [click here](#).

To learn more about how we serve individual clients, contact *Goodloe White*.

¹ On the histogram, the frequency of quarterly returns over the last 8 quarters is shown on the right axis and the frequency of historical returns since June 30, 1972 is shown on the left axis. Each recent calendar quarter number (ie, 2nd Quarter) shares a similar color, with the more recent quarter more darkly shaded and boxed.

² The returns on the S&P 500 assume the reinvestment of dividends and other distributions.

³ Market segment (Index representation) as follows: US Large Company Stocks (S&P 500 Index); US Small Company Stocks (Russell 2000 Index), US Value Stocks (Russell 1000 Value Index). US Real Estate Market (Dow Jones US Select REIT Index), International Developed (MSCI EAFE Index (net div.)), Emerging Markets (MSCI Emerging Markets Index (gross div.)), US Bond Market (Barclays Capital US Aggregate Bond Index), and Treasury (One-Month US Treasury Bills). The S&P data are provided by Standard & Poor's Index Services Group. Russell data copyright © Russell Investment Group 1995-2010, all rights reserved. MSCI data copyright MSCI 2010, all rights reserved. Dow Jones data (formerly Dow Jones Wilshire) provided by Dow Jones Indexes. Barclays Capital data provided by Barclays Bank PLC. US long-term bonds, bills, and inflation data © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

⁴ January 1988 start date based on the latest common index inception. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Data copyright MSCI 2010, all rights reserved. © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

⁵ Developed markets' securities and commodities data provided by Bloomberg. Emerging Markets' data provided by International Finance Corporation. The Russell 3000 Index is used as the proxy for the US market. The proxies for the non-US developed and emerging markets are the respective developed country and emerging country portions from the MSCI All Country World IMI ex USA Index. The proxies for the UK, Canada, and Australia are the relevant subsets of the developed market proxy.

Porter White and Company

15 Richard Arrington, Jr. Blvd., N. • Birmingham, AL 35203-4103 • P.O. Box 12367 • Birmingham, AL 35202-2367
205/252-3681 • FAX 205/252-8803 • www.pwco.com