

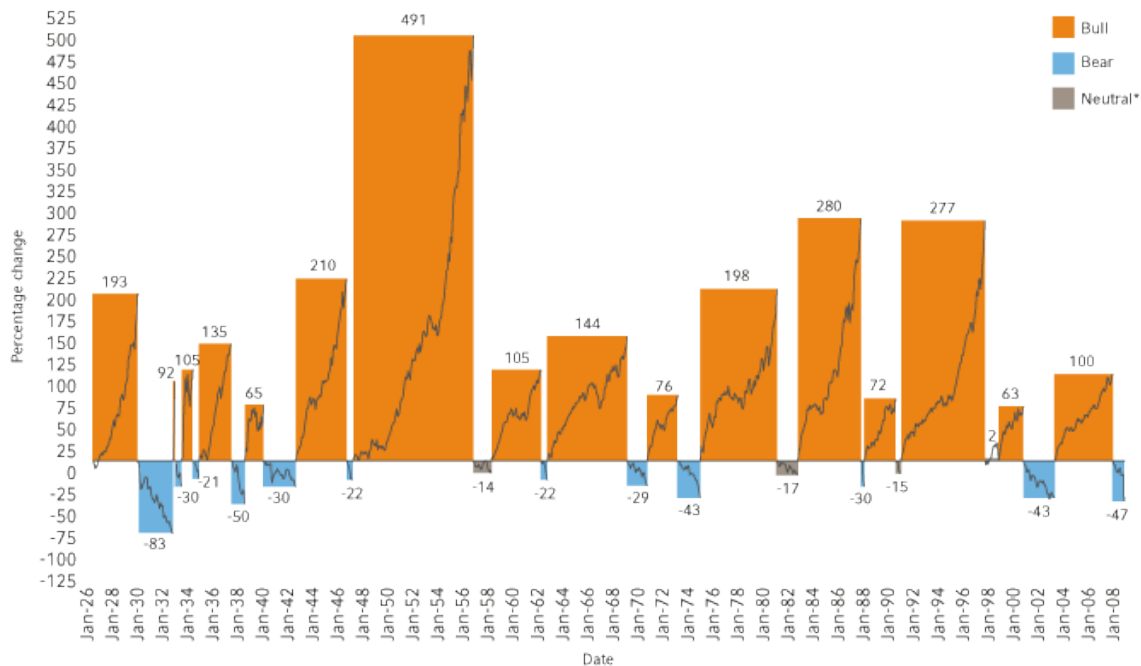


Dear Friend:

September 1, 2011

The Importance of Staying Invested

During difficult times in the equity markets there is a temptation to liquidate positions. Reacting to current market turmoil by making sudden changes is a natural reaction, though it is one that has not yielded great investment returns over time. Staying invested through market turmoil has proven to be a better strategy from an empirical perspective. The chart below examines bull and bear markets in the U.S. as measured by the S&P 500 from 1926 through 2008. There have been several periods of significant losses, the most noteworthy being the 1930's. After each of these periods, the market rebounded significantly, often returning several times the amount lost in the previous downturn. Additionally, bull markets have lasted significantly longer than bear markets as evidenced in the below chart.



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A more recent study published by Reuters explains how investors who maintained their holdings since the severe 2008 downturn made the right move. They point to an investment analysis that explored retirement investors' portfolios during the 2008 market decline when many people were inclined to pull money out of the equity market.

¹ Russell Investments

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This study looked at over 7 million 401k accounts and compared returns for investors who made changes to their portfolios during the 2008-2009 market crash up through June 30, 2011. The key findings were as follows:

- 1) Participants in this study who changed their equity allocations to zero percent between Oct. 1, 2008 and Mar. 31, 2009 and kept this allocation until June 30, 2011 saw an average gain of 2%.
- 2) Investors who left the equity markets during the same time period but returned to some level of equity allocation after the initial crash saw an average appreciation of 25%.
- 3) Investors who weathered the storm during the same time period and continued with their asset allocation strategy that included equities had an average appreciation of 50%.
- 4) The study also looked at investors who stopped contributing to their 401k's during the 2008-2009 crash experienced an average increase of 26% through the 2nd Quarter of 2011. Investors who continued with their normal contributions during the same period saw a 64% increase.²

Locust Capital has always stressed the importance of strategic asset allocation models for our clients. Our Investment Policy Statements are customized to reflect your financial goals (whether short or long-term). Our Investment Committee carefully selects active managers that have a focus on downside protection. We create portfolios in order to give our clients peace of mind. While we are certainly poised to make changes if necessary, we strongly believe that a long-term approach of staying invested through market cycles has been the best option (as history illustrates).

Thank You

As always, we are honored to be your fiduciary partner. Please do not hesitate to contact us should you have any questions or require any additional information. We look forward to speaking with you soon.

Best Regards,

Locust Capital Management, LLC

² Reuters

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