Comprehensive Wealth Management: Five Steps to Success with High Net Worth Clients

Presentation to the Accountants Media Group Conference:
How CPAs Can Make Money In Financial Planning

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Today’s Presenter

Garrett R. D’Alessandro, CFA, AIF®
Chief Executive Officer & President

Mr. D’Alessandro is Chief Executive Officer and President of Rochdale Investment Management. In addition to setting the strategic direction of Rochdale, he leads the firm’s portfolio management and investment research functions. In this capacity he determines the macroeconomic outlook and strategic asset allocations for the firm’s strategies.

Prior to joining Rochdale in 1986, Mr. D’Alessandro was a Certified Public Accountant and an Audit Manager with KPMG Peat Marwick. Mr. D’Alessandro received his M.B.A. in finance from the Stern School of Business at New York University. He holds the Chartered Financial Analyst designation and is a member of the New York Society of Security Analysts and the CFA Institute. He also is an Accredited Investment Fiduciary. Mr. D’Alessandro makes presentations on current investment issues to financial professionals throughout the country and has been featured in various media including CNBC, The Financial Network, Practical Accountant, CPA Wealth Provider, and New Jersey CPA. Mr. D’Alessandro is an Ironman tri-athlete and supporter of numerous charitable and civic organizations.
Rochdale Investment Management

• Over 20 years’ experience managing private client portfolios in partnership with CPAs and financial advisors
• We deliver Intelligently Personalized™ portfolio management:
  – Customized portfolios that seek to meet specific client objectives
  – Innovative and intelligent solutions given a client’s existing stock and bond portfolio
  – Clients have direct relationship with a Senior Portfolio Manager
  – Proprietary investment research
• We manage investment portfolios across all major asset classes
• We use sophisticated portfolio optimization techniques to create unique client solutions
Advisors and CPAs Partnering with Rochdale have a Competitive Advantage

• Bring in highly skilled Sales Investment Consultant to do analytical work and jointly attend client meeting

• Leverage investment intelligence in client presentations

• Incorporate best practices modern portfolio theory via an asset allocation process

• Provide competitive portfolio performance tailored to each client’s individual risk tolerance

• Rely on an experienced portfolio manager to proactively communicate, set expectations, and manage risk
Client Opportunity

Concerning professional money management, do you feel that your clients have been properly served regarding:

- Ongoing portfolio manager communication: 24% Yes, 46% No, 30% Not Sure
- Investment policy development: 27% Yes, 44% No, 29% Not Sure
- Appropriate investments: 27% Yes, 40% No, 33% Not Sure
- Income planning: 48% Yes, 24% No, 28% Not Sure
- Tax management: 65% Yes, 16% No, 19% Not Sure

Comprehensive Wealth Planning Framework

CPA

Diagnostics and Discovery

Risk Management
- Health
  - Disability
  - Death

Asset Protection
- Liability
  - Creditor
  - Domestic

Financial Management
- Taxation
  - Income
  - Cash Flows
- Portfolio Management
  - Risk Profile
  - After Tax Returns

Insurance

Estate Attorney

CPA

Investment Management

Intelligent Solutions
High Net Worth Client Requirements

• Conflict-free investment advice
• Investment intelligence and experience
• High value proposition: high quality investment counsel at a fair price
• Practical solutions given risk and return objectives
• Portfolio coordination across accounts
  – With existing assets
  – Of taxes, estate, and financial planning
• Completeness of service
• Reduced focus on performance, best of breed
Whom the Affluent Trust

Ranked as "Very Trustworthy"

- CPA or accounting firm: 53%
- Private bank: 41%
- Fee-based investment manager: 38%
- Attorney: 33%
- Financial Planner: 32%
- Commercial bank: 29%
- Investment bank: 25%
- Mutual fund company: 21%
- Insurance company: 20%
- Stockbroker or brokerage firm: 19%

Your Role as the Client’s Trusted Advisor

What Clients Value Most From Their Financial Advisors

- Trust and Integrity
- Knowledge and/or Competency
- Understanding Client's Needs
- Availability of Professional
- Responsiveness to Requests
- Price or Cost of Service
- Overall Value for Cost of Service
- Broad Range of Services
- Education and Professional Designations

Five Steps to Success

1. Partner effectively
2. Engage the client
3. Assess and present findings
4. Implement recommendations
5. Provide ongoing communication
Five Steps to Success

1. Partner effectively
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CPAs are Pressed for Time

In offering personal financial services to your clients, what would you need the most to succeed?

- **44%**: A turnkey model requiring a limited amount of my time and providing highly personalized client service
- **35%**: Training in investments and planning
- **13%**: A business plan
- **8%**: A marketing plan

Best Practices for CPAs Offering Financial Services

- Outsource the expertise – don’t learn a new profession
- Keep doing what you do best; adapt when required
- Align with a partner to implement your services
- Have a professional team of experts guide you
- Have a focused business plan with measurable goals
- Obtain clients from inside and outside the current practice
- Keep overhead down and satisfied clients up
Partnering is the Most Desired Model

In offering personal financial services to your clients, what would be your ideal model?

- Option 1: Refer to professional money managers (57%)
- Option 2: Get licensed, refer with increased involvement (25%)
- Option 3: Hire planner (9%)
- Option 4: Become expert (9%)

Partnering for Success:
What to Look for in a Partner

• Cultural fit
• Expertise and assistance with
  – Administration
  – Operations
  – Sales/solutions
  – Marketing
  – Investment management
  – Investment reporting
• Experienced team/employees you can leverage
The Value of Partnering
CPAs who partner with outside investment managers are more successful

<table>
<thead>
<tr>
<th>Advisors as Asset Gatherers</th>
<th>Advisors as Money Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $75K</td>
<td>32%</td>
</tr>
<tr>
<td>$75K - $150K</td>
<td>27%</td>
</tr>
<tr>
<td>&gt; $150K</td>
<td>14%</td>
</tr>
</tbody>
</table>

Gatherers versus Managers

Net Income and percentage of financial advisors who consider themselves money-management specialists or asset gatherers

Develop a Recurring Revenue Stream

Revenue Generated by 10 Accounts Per Year

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>New FP Revenue</td>
<td>$150,000</td>
<td>$150,000</td>
<td>$150,000</td>
<td>$150,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>Cumulative FP Revenue</td>
<td>$150,000</td>
<td>$297,645</td>
<td>$442,972</td>
<td>$586,017</td>
<td>$726,817</td>
</tr>
</tbody>
</table>

For illustrative purposes only. Assumes 10 new HNW portfolio relationships of $2,500,000 each, annually; 0% increase in market value annually; 100% client retention; total client fee of 1.60% including financial planning fee of 0.60%, paid from the account.
# Best Practices for Fee-Based Investment Management Services

## Less Service, Lower Fee
- Investment plan
- Recommend manager(s)
- Report investment performance
- Annual reviews

## More Service, Higher Fee

<table>
<thead>
<tr>
<th>Basic</th>
<th>Regular</th>
<th>Full</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment plan</td>
<td>Manager implementation</td>
<td>Investment policy development</td>
</tr>
<tr>
<td>Recommend manager(s)</td>
<td>Report investment performance</td>
<td>Ongoing portfolio and manager monitoring</td>
</tr>
<tr>
<td>Report investment performance</td>
<td>Ongoing portfolio monitoring</td>
<td>Ongoing integration w/estate, trusts, insurance, budgeting, and cash management</td>
</tr>
<tr>
<td>Annual reviews</td>
<td>Integration with retirement, estate, tax planning</td>
<td>Quarterly reviews</td>
</tr>
<tr>
<td></td>
<td>Semi-annual reviews</td>
<td>Unlimited advisor contact</td>
</tr>
<tr>
<td></td>
<td></td>
<td>And more…</td>
</tr>
</tbody>
</table>

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![Image](image.jpg)
Benefits of Partnering

- Access to the investment management team
- You maintain control of client relationship
- Operational support customized to your needs
- Direct portfolio manager relationship
- Comprehensive investment resources
- Flexibility in services available
Our Partnering Business Model for CPAs

- You maintain control of client relationship
- Complement your successful relationship by offering investment management services
- Access our team dedicated to serving your high net worth client needs, including:
  - Portfolio managers communicating and coordinating the investments
  - Senior investment consultants for new client presentations
  - Research analysts to prepare comprehensive client portfolio analyses
  - Highly sophisticated, proprietary technological and operational support
- Collaborate in the development of individual marketing plans
  - Sales lead generation
  - Targeted seminars
- High win rate with Rochdale’s senior investment consultants making the presentations with you
Five Steps to Success

1. Partner effectively
2. Engage the client
3. Assess and present findings
4. Implement recommendations
5. Provide ongoing communication
Expanding Your Practice

• How do I ask a client for statements?
• What if we lose the client’s money?
• How do I ask for referrals?
• How do I get my clients to pay fees?
• Where will I find the time?
High Net Worth Action Plan

• Develop a standardized referral program
• Limit the number of clients you serve
• Choose the right clients
• Create an economic model to serve them profitably
• Focus on their top concerns
• Lead or participate in their 360° of support
• Build a network of experts
• Follow a consultative sales process

## Consultative Client Development Process

<table>
<thead>
<tr>
<th>PROCESS STEP</th>
<th>INPUTS AND ACTIONS</th>
<th>RESULT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assessment</strong></td>
<td>Complete Investment Policy Questionnaire</td>
<td>Identify personal needs and objectives</td>
</tr>
<tr>
<td></td>
<td>Review Client’s financial statements and investment requirements</td>
<td>Create customized solution</td>
</tr>
<tr>
<td><strong>Analysis</strong></td>
<td>Conduct preliminary analysis and propose alternatives</td>
<td>Demonstrate Intelligently Personalized Approach</td>
</tr>
<tr>
<td><strong>Proposal</strong></td>
<td>Meet with Client to discuss proposed solutions</td>
<td>Implement Investment Strategy</td>
</tr>
<tr>
<td><strong>Commitment</strong></td>
<td>Confirm and formalize Client’s investment policy in Engagement Letter</td>
<td>Provide performance reports and investment commentary</td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td>Client, Financial Advisor, and Portfolio Manager meet regularly</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Access Portfolio Manager toll-free and view portfolio on the Web site</td>
<td></td>
</tr>
</tbody>
</table>

**PROCESS STEP**

- **Assessment**
- **Analysis**
- **Proposal**
- **Commitment**
- **Communication**

**INPUTS AND ACTIONS**

- Complete Investment Policy Questionnaire
- Review Client’s financial statements and investment requirements
- Conduct preliminary analysis and propose alternatives
- Meet with Client to discuss proposed solutions
- Confirm and formalize Client’s investment policy in Engagement Letter

**RESULT**

- Identify personal needs and objectives
- Create customized solution
- Demonstrate Intelligently Personalized Approach
- Implement Investment Strategy
- Provide performance reports and investment commentary
Identifying Opportunities

*When the client is...*

- Seeking a comprehensive analysis of any existing portfolio
- Concerned about market volatility and would benefit from a custom risk analysis
- Overwhelmed by the details of a multi-manager portfolio
- Holding low basis or concentrated positions
- Planning for retirement or other cash flow scenarios
- Selling a business
- Establishing a trust or planning for heirs
- Looking for more sophisticated tax management
- Underserved elsewhere and would benefit from a more personalized approach

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Five Steps to Success

1. Partner effectively
2. Engage the client
3. Assess and present findings
4. Implement recommendations
5. Provide ongoing communication
Comparative Summary

Portfolio Analysis - Return & Risk

Beginning Portfolio Value ($): 5,215,910
Planned Annual W/ds (Real $): 175,000 Starting in 2008

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Actual Portfolio</th>
<th>Personalized Asset Allocation 1</th>
<th>Personalized Asset Allocation 2</th>
<th>Personalized Asset Allocation 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity/Dividend &amp; Income/Fixed Income/Alternative Investments</td>
<td>61 / 1 / 38 / 0</td>
<td>35 / 30 / 25 / 10</td>
<td>50 / 20 / 15 / 15</td>
<td>65 / 15 / 5 / 15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk &amp; Return</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annualized Return Forecast</td>
<td>8.5</td>
<td>8.4</td>
<td>9.1</td>
<td>10.1</td>
</tr>
<tr>
<td>Annualized Risk Forecast (Normal)</td>
<td>12.4</td>
<td>9.8</td>
<td>11.0</td>
<td>12.8</td>
</tr>
<tr>
<td>Annualized Risk Forecast (Excessive)</td>
<td>24.8</td>
<td>19.6</td>
<td>22.0</td>
<td>25.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hypothetical Future Real Portfolio Value (20 yrs simulated, real amount before tax)</th>
<th>$MMs</th>
<th>$MMs</th>
<th>$MMs</th>
<th>$MMs</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% confidence level, at least</td>
<td>6.9</td>
<td>7.2</td>
<td>8.3</td>
<td>10.1</td>
</tr>
<tr>
<td>70% confidence level, at least</td>
<td>4.6</td>
<td>5.3</td>
<td>5.9</td>
<td>6.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Probability Forecast</th>
<th>Potential Decline &amp; Duration of Recovery</th>
<th>Decline (%)</th>
<th>Recovery (Months)</th>
<th>Decline (%)</th>
<th>Recovery (Months)</th>
<th>Decline (%)</th>
<th>Recovery (Months)</th>
<th>Decline (%)</th>
<th>Recovery (Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>85% confidence level, not more / longer than</td>
<td>-10.3</td>
<td>24</td>
<td>-7.1</td>
<td>24</td>
<td>-8.1</td>
<td>24</td>
<td>-9.8</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>85% confidence level, not more / longer than</td>
<td>-16.5</td>
<td>48</td>
<td>-11.5</td>
<td>36</td>
<td>-13.3</td>
<td>36</td>
<td>-15.9</td>
<td>36</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Historical Performance - Negative Case Scenario</th>
<th>Year</th>
<th>Return (%)</th>
<th>Year</th>
<th>Return (%)</th>
<th>Year</th>
<th>Return (%)</th>
<th>Year</th>
<th>Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year</td>
<td>2002</td>
<td>-10.9</td>
<td>2002</td>
<td>-8.1</td>
<td>2002</td>
<td>-11.3</td>
<td>2002</td>
<td>-15.7</td>
</tr>
</tbody>
</table>

The analysis of your Current Portfolio characteristics is derived from the approximate asset class mix of your existing holdings and does not exactly match the actual portfolio characteristics (e.g., return, risk) of your existing holdings, which in some instances differs materially. Historical performance does not include Dividend & Income Equity. Drawdown is the percentage decline in a portfolio before it recovers. The number of months shown represents the maximum amount of time required for a portfolio to fully recover from its maximum drawdown. The maximum drawdown shown represents the difference between the original portfolio value prior to decline and the portfolio value at its lowest point prior to the recovery in full.

Please see the Important Disclosures page for more information.
Comparative Summary

Portfolio Analysis - Return & Risk

Beginning Portfolio Value ($) 5,215,910
Planned Annual W/ds (Real $) 175,000 Starting in 2008

Hypothetical Future Portfolio Value
(20 yrs simulated, real amount before tax)

- Actual Portfolio
- Personalized Asset Allocation 1
- Personalized Asset Allocation 2
- Personalized Asset Allocation 3

Drawdown Duration

- Actual Portfolio
- Personalized Asset Allocation 1
- Personalized Asset Allocation 2
- Personalized Asset Allocation 3

The analysis of your Current Portfolio characteristics is derived from the approximate asset class mix of your existing holdings and does not exactly match the actual portfolio characteristics (e.g., return, risk) of your existing holdings, which in some instances differs materially. Historical performance does not include Dividend & Income Equity. Drawdown is the percentage decline in a portfolio before it recovers. The number of months shown represents the maximum amount of time required for a portfolio to fully recover from its maximum drawdown. The maximum drawdown shown represents the difference between the original portfolio value prior to decline and the portfolio value at its lowest point prior to the recovery in full.

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# Comparative Summary

## Cash Flow Analysis

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<th></th>
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<th>Personalized Asset Allocation 2</th>
<th>Personalized Asset Allocation 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Cash Flow ($)</td>
<td>157,746</td>
<td>204,020</td>
<td>149,097</td>
<td>113,081</td>
</tr>
<tr>
<td>Required Wd ($)</td>
<td>175,000</td>
<td>175,000</td>
<td>175,000</td>
<td>175,000</td>
</tr>
<tr>
<td>Cash Flow Coverage (%)</td>
<td>90%</td>
<td>117%</td>
<td>85%</td>
<td>65%</td>
</tr>
</tbody>
</table>

Please see the Important Disclosures page for more information.
Personalized Asset Allocation

Investment Strategy Graph

The Investment Strategy curve represents portfolio combinations with the highest possible expected return for each level of risk (standard deviation), given the capital market assumptions and constraints being used. The Actual and Target Portfolios are displayed in the graph.

This Efficient Frontier was created using data believed to be reliable. Past performance is not a guarantee of future results. Please see the Important Disclosures page for more information.
## Current Portfolio

### Detailed Asset List By Asset Groups

|-----------------|--------|---------------|--------|---------|----------------|----------------------|-------------------|-----------------|----------------------|---------------------|-----|--------|-------------------------|----------------|----------|----------------------|----------------|

### Exposures

#### Exposed

|--------|---------------|--------|---------|----------------|----------------------|-------------------|-----------------|----------------------|---------------------|-----|--------|-------------------------|----------------|----------|----------------------|----------------|

### Sector Diversification

#### Overweights

|--------|---------------|--------|---------|----------------|----------------------|-------------------|-----------------|----------------------|---------------------|-----|--------|-------------------------|----------------|----------|----------------------|----------------|

#### Underweights

|--------|---------------|--------|---------|----------------|----------------------|-------------------|-----------------|----------------------|---------------------|-----|--------|-------------------------|----------------|----------|----------------------|----------------|

### Countries

#### Exposed

|--------|---------------|--------|---------|----------------|----------------------|-------------------|-----------------|----------------------|---------------------|-----|--------|-------------------------|----------------|----------|----------------------|----------------|

### Country Diversification

#### Overweights

|--------|---------------|--------|---------|----------------|----------------------|-------------------|-----------------|----------------------|---------------------|-----|--------|-------------------------|----------------|----------|----------------------|----------------|

#### Underweights

|--------|---------------|--------|---------|----------------|----------------------|-------------------|-----------------|----------------------|---------------------|-----|--------|-------------------------|----------------|----------|----------------------|----------------|

### Information Technology

#### Exposed

|--------|---------------|--------|---------|----------------|----------------------|-------------------|-----------------|----------------------|---------------------|-----|--------|-------------------------|----------------|----------|----------------------|----------------|

### Investment Grade

#### Overweights

|--------|---------------|--------|---------|----------------|----------------------|-------------------|-----------------|----------------------|---------------------|-----|--------|-------------------------|----------------|----------|----------------------|----------------|

#### Underweights

|--------|---------------|--------|---------|----------------|----------------------|-------------------|-----------------|----------------------|---------------------|-----|--------|-------------------------|----------------|----------|----------------------|----------------|

### Unallocated (Loss) Minimum

|--------|---------------|--------|---------|----------------|----------------------|-------------------|-----------------|----------------------|---------------------|-----|--------|-------------------------|----------------|----------|----------------------|----------------|

### Liability Exposure

|--------|---------------|--------|---------|----------------|----------------------|-------------------|-----------------|----------------------|---------------------|-----|--------|-------------------------|----------------|----------|----------------------|----------------|

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Current Portfolio

Volatility Analysis (Pie)

Actual Portfolio - Large Cap Stock

- Distressing: 12.15%
- Manageable: 35.44%
- Uncomfortable: 25.52%
- Acceptable: 26.88%

Benchmark - S&P 500

- Distressing: 15.34%
- Manageable: 20.92%
- Uncomfortable: 24.38%
- Acceptable: 39.35%

Rochdale Investment Management uses Barra Inc.’s Aegis System™ ‘Total Risk’ data as a measure of volatility.
Barra Inc’s Aegis System™ is a third party equity risk management software package used to help assess risk/return trade-offs.
Please see notes on volatility analysis.
Volatility Zones - Cash: 0% - 5%; Manageable: 5% - 23%; Acceptable: 23% - 28.5%; Uncomfortable: 28.5% - 36%; Distressing: 36% - 100%
Five Steps to Success

1. Partner effectively
2. Engage the client
3. Assess and present findings
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Tailoring A Client’s Portfolio

*A personalized portfolio allocation depends on:*

- The client’s volatility threshold
- The client’s unique situation, goals, and expectations
  - Time horizon for investment/terminal value
  - Cash flow requirements
  - Relationship of macro-economic environment to long term policy ranges
- The economic and financial landscape
  - Perspective on the economic and financial markets
  - Stock and bond market potential returns
- The client’s investment policy
  - In conjunction with the financial advisor, the client’s portfolio manager reviews, coordinates, and implements the investment policy and manages the portfolio
Framework for Portfolio Development

1. **Asset Mix**
   - Stock and Bond Strategy
   - Large or Small Stocks
   - US or International
   - Growth or Value

2. **Equity Mix**
   - Large or Small Stocks
   - US or International
   - Growth or Value

3. **Method of Implementation**
   - Integrating *Disciplined* and Active Management

4. **Manager Selection**
   - Separate Accounts and/or Funds

5. **Portfolio Construction**
   - Security Selection, Rebalancing, and Tax Loss Harvesting, Timing

Needs Drive Asset Allocation

*Client objectives and risk tolerance determine the asset allocation policy*

<table>
<thead>
<tr>
<th>Primary Need</th>
<th>Investment Vehicle</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fixed Income</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>✔️</td>
</tr>
<tr>
<td>Capital Preservation</td>
<td>✔️</td>
</tr>
<tr>
<td>Growth</td>
<td>✔️</td>
</tr>
<tr>
<td>Price Volatility*</td>
<td>5%-10%</td>
</tr>
</tbody>
</table>

* Defined as a price standard deviation of individual securities. Rochdale Investment Management uses Barra Inc.'s Aegis System™ 'Total Risk' data as a measure of volatility. Barra Inc's Aegis System™ is a third party equity risk management software package used to help assess risk/return trade offs.

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Economic and Financial Indicators

July 2008

**Positive**
- Global Economic Growth
- US Economic Outlook
- Disposable Personal Inc.
- Equity Market Valuation
- ISM Survey Trend
- Inflation
- Low Med High

**Neutral**
- 0
- Accommodative Monetary Policy
- Corporate Profits
- Disposable Personal Inc.
- Falling Rising Interest Rates/Fixed Income
- Personal Consumption/Retail Sales
- Company Guidance
- Business Spending

**Negative**
- ECRI Leading Index
- Job Creation
- Housing/Mortgages
- Consumer/Investor Outlook
- Volatility Levels
- Tax Policy

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Sources: Wall Street Journal, Conference Board, Federal Reserve, Rochdale Investment Management 7/02/08
Three-Dimensional Portfolio Management

Tax-efficient portfolio construction adds return potential security selection, portfolio construction and risk management

Return
Investment Research and Security Selection

Active Tax Management
Systematic Loss Harvesting
Buy and Sell Discipline

Risk Management
Tracking Error and Volatility Zones

+ 1.6%
(Potential alpha)*


Past performance is not guarantee of future results. Actual results will vary.
Maximizing Tax Efficiency
Portfolio Development

• Holistic portfolio analysis
• Tax-sensitive transition strategy from existing portfolio
  – Identify unrealized gain by individual security and overall
  – Assess quality of after tax cash flow coverage
  – Asset location implementation strategy
• Accept/hold existing positions, including those not on our buy list
• Advanced strategies for concentrated and low basis positions
• Focus on tax-advantaged sources of income
Maximizing Tax Efficiency
Ongoing Portfolio Management

- Managed turnover appropriate for each asset class
- Tax lot accounting and gain/loss matching
- Avoiding short-term capital gains when prudent
- Sell discipline to capture gains and minimize losses
- Rebalancing within target policy ranges
- Coordinated planning with CPA/Advisor, including outside positions
- Ongoing tax reporting on realized gains/losses
Five Steps to Success

1. Partner effectively
2. Engage the client
3. Assess and present findings
4. Implement recommendations
5. Provide ongoing communication
The Role of the CPA/Advisor

• Communication, communication, communication
• “Translator”
• Nobody knows the client better
• Identify client’s sensitivity points
• Use Portfolio Manager as your resource
Integrated Process

*Client and Portfolio Manager Quarterly Communication*

- **Portfolio Manager Review**
- **Asset Allocation**
  - Long-Term
  - Intermediate
- **Asset Class**
  - Dynamics
  - Economics
- **The Efficient Portfolio**
- **Portfolio Implementation**
- **Investment Actions**
- **Monitoring & Reporting**

Assessing Performance

• Are the assets being managed as directed by the policy?
• Is the portfolio asset allocation within the strategic asset class ranges?
• What benchmarks are relevant?
• Are we on track to meet liability obligations?
• What are the sources of return?
• How has risk been managed?
Consultative Sales Process
*Leverage Partners’ Expertise*

<table>
<thead>
<tr>
<th>Initial Portfolio Manager Discussion</th>
<th>Ongoing Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Review new account paperwork</td>
<td>• Quarterly: Portfolio Manager reviews accounts with Advisor/CPA</td>
</tr>
<tr>
<td>• Portfolio Manager contacts Advisor/CPA to review client case</td>
<td>• Quarterly or as needed: Portfolio Manager and Advisor/CPA review portfolio with client</td>
</tr>
<tr>
<td>• Establish communication schedule</td>
<td>• Additional portfolio and investment commentary</td>
</tr>
</tbody>
</table>

FOR INVESTMENT PROFESSIONAL USE ONLY
Significantly Differentiate Your Investment Management Services for High Net Worth Clients

• Leverage your position of trust
• Target the right client for your consultative approach
• Employ listening skills to help define the issues relevant to the solution
• Partner effectively to maximize your efficiency and ability to service clients
• Focus on value added activities to mitigate cost and risk
• Avoid chasing performance
For more information, please contact

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