

HB Moderate Allocation <sup>(1)</sup>		Comments	Market Indicators					
			YTD	1-Yr	5-Yr	10-Yr		
<b>Domestic Equity</b>	<b>18%</b>	We are overweight dividend paying stocks within our domestic equity allocation because we believe investors will focus on safety and income.  Last Change: Reduced by 2% on 11/4/2009	<i>As of 08/31/2010</i>					
					<i>Annualized</i>			
<b>International Equity</b>	<b>9%</b>	We maintain exposure to both developed and emerging markets. Earlier this year, we shifted our allocation to become more defensive and increase currency hedges.  Last Change: Reduced by 3% on 03/12/2009	<b>S&amp;P 500</b>	1,049	-4.62%	4.91%	-0.91%	-1.81%
			<b>DJIA</b>	10,015	-2.11%	8.39%	1.77%	1.23%
			<b>NASDAQ</b>	2,114	-6.84%	5.22%	-0.36%	-6.65%
<b>Debt Securities</b>	<b>31%</b>	We have allocated toward more defensive managers and trimmed managers correlated to the equity markets. We recently reduced our allocation to TIPs given unattractive real yields.  Last Change: Reduced by 2% on 12/10/2009	<b>MSCI World ex-U.S.</b>		-7.23%	-1.05%	1.46%	1.41%
			<b>MSCI EAFE</b>		-7.95%	-2.34%	0.96%	1.08%
			<b>MSCI Emerging Mkts</b>		-0.33%	18.02%	12.38%	N/A
<b>Hedged Securities</b>	<b>25%</b>	We hold for diversification, downside protection, to lower volatility in portfolios, and for return opportunities. We believe the current market volatility creates opportunities for our managers.  Last Change: Reduced by 2% on 05/25/2010	<b>Barclay's Aggregate</b>		7.83%	9.18%	5.96%	6.47%
			<b>HFR Fund of Funds</b>		-0.42%	2.80%	1.97%	3.28%
			<i>Returns as of 08/31/2010</i>					
<b>Public Commodities</b>	<b>6%</b>	Commodities should benefit from global economic growth and dedicated fund flows. We recently added an allocation to MLPs (Master Limited Partnerships) due to attractive yields and the potential for distribution growth.  Last Change: Increased by 2% on 8/12/2010	<b>DJ-UBS Commodities</b>		-5.93%	4.17%	-2.83%	4.39%
			<b>NAREIT U.S. Real Estate</b>		13.44%	30.62%	0.23%	9.77%
<b>Public Real Estate</b>	<b>0%</b>	We remain cautious on public real estate due to concerns over looming massive debt maturities and declining cash flows.  Last Change: Reduced by 1% on 11/16/2008	<b>NCREIF Property Index**</b>		4.10%	-1.48%	3.78%	7.15%
			<i>**Returns as of 06/30/2010</i>					
<b>Private Alternatives</b>	<b>7%</b>	We remain constructive on private energy, distressed debt, and select private equity. Private real estate valuations are starting to turn positive despite declining occupancy and rents.  Last Change: Increased by 1% on 6/16/2008	<b>Citi 3-Mo Treasury</b>		0.08%	0.12%	2.53%	2.46%
			<b>Cash</b>		4%			
		We keep an allocation to cash for liquidity and safety.  Last Change: Reduced by 2% on 8/12/2010						

<sup>(1)</sup> Allocation for a hypothetical client with a moderate tolerance for risk. The allocation assumes no constraints exist, such as unrealized gains in the portfolio or a need for liquidity.

As we wind up an interesting (and volatile) summer and try to digest the flood of economic information from the last few weeks, many of our clients have been asking about some well publicized technical indicators and their meaning. News articles about signals such as the “Hindenburg Omen” have been popular lately as everyone tries to guess which way the stock market is headed. While we use technical indicators like price trends vs. long-term moving averages as part of our monitoring strategies, we caution against paying too much attention to these stories. While a baseball hitter hitting .300 is considered an All-Star, a technical indicator with the same batting average is less attractive to use as the basis for allocation strategies.

So what do we do during these uncertain times? We continue to seek pockets of value and focus on moves that we feel can do well in this environment. We have made a number of changes over the past month as part of that strategy. Within our hedge fund allocation we introduced a new hedge mutual fund and made some adjustments to the allocation mix for our other hedge mutual funds. We reduced our exposure to TIPS (Treasury Inflation Protected Securities) and reallocated to other bond funds, given the current market valuation and low real yields on TIPS at this point.

We also have added MLPs (Master Limited Partnerships) to our allocation mix via a mutual fund and/or exchange traded note to provide convenient options for both taxable and tax-free accounts that avoid the issue of dealing with complex tax reporting. MLPs have a unique publicly-traded company structure focused mainly on operating the “toll roads” of our energy infrastructure such as pipelines, storage tanks, processing facilities, etc. These companies typically charge contract prices based on volume regardless of commodity prices, meaning that they are less sensitive to swings in the price of oil or gas. Often the contracts have esca-

tors that increase the price charged if commodity prices rise, but do not decrease the price charged if prices fall. Many MLPs typically pay out annualized distribution yields and have the potential to grow (or decrease) their distributions over time. Despite their focus on distributions, MLPs do still fluctuate in value like “regular” stocks. The addition of MLPs to our allocation model provides another form of exposure to the commodity sector as well as another source of potential current income from the portfolio.

The final thought for this month’s commentary accompanies the chart below. If you have a child or friend (or grandchild) who is complaining about how tough college or high school (or first grade) is for them to suffer through, just remind them of the statistics shown in this chart. The jobs crisis in our country has certainly hit all of us, but there is no doubt that it has had a greater impact on those with less education. While the unemployment rate you hear about in the news is most recently estimated to be 9.6%, the rate for people with less than a high school diploma is around 14% while the rate for those with a bachelors degree or higher is just a little over 4%.

