



A New Vision for Wealth Management

July 2, 2008

Dear iCapital Client,

Our commitment has always been to provide you with the best opportunity to preserve and grow your investable assets. To that end, the design and composition of your portfolio must continue to evolve in response to existing and anticipated domestic and international economic and market conditions. And, while we make no attempt to “time” the markets, we do believe in strategic asset allocation. This means that, as needed, we periodically make changes to the asset classes utilized to help you achieve investment success. As such, you will see a number of calculated changes to your portfolio in the first part of July. Specifically:

- ❖ We will be replacing the High Yield Bond portion of your portfolio with Precious Metals. The WestCore Flexible Income Fund will be replaced with Oppenheimer Gold and Special Minerals A (OPGSX). In today’s environment and into the foreseeable future, we believe the risk premium associated with high yield bond investing far outweighs the anticipated return. On the other hand, while more volatile than most other asset classes, the precious metals category typically does not correlate with other asset classes and should therefore provide positive returns within your portfolio when other areas may be underperforming. Specifically, the Oppenheimer Gold and Special Minerals Fund invests mainly in stocks of foreign and domestic companies that mine, process or distribute gold or other metals or minerals. This Fund does not invest directly in the metals or minerals themselves.

As of April 30th of this year, the Fund’s top five holdings were: Freeport-McMoRan Copper & Gold, Inc., Cl. B, Agnico-Eagle Mines Ltd., Newmont Mining Corp., Goldcorp, Inc., and Yamana Gold, Inc.; all of which are mining and production companies.

- ❖ We will also be removing Short-Term Corporate Bonds from all of our portfolios and substituting an investment in Inflation-Protected Bonds in their place. The American Century Inflation-Adjusted Bond Fund (ACITX) will be replacing your current investment in Metropolitan West Low Duration Bond M. As mentioned above, at this point in time the reward in short-term corporate bonds is simply not worth the risk; and, we don’t believe this is a short-term phenomenon. We believe inflation-protected bonds will benefit from two primary trends: investors looking to flee fixed-income instruments perceived as riskier and the continued increase in both core and headline inflation.
- ❖ And lastly, we will be adding a World Bond investment component to all of our mutual fund portfolios; from aggressive to conservative. The fund being utilized in this asset class is the American Funds Capital World Bond Fund F (WBFFX). Our opinion is that international diversification in the fixed income portion of your portfolio is just as advisable as in the equity portion and that by adding world bonds to your portfolio we will be able to increase your return and reduce your overall risk. The American Funds Capital World Bond Fund is managed by an experienced 5-person team that seeks to provide high, long-term total return by investing primarily in quality fixed-income securities issued by government and corporate entities in both developed and developing countries around the world.

These changes will not impact significantly to the risk of your portfolio but will add greatly to the returns we anticipate going forward. As always, we appreciate the confidence you have placed in us and look forward to a long and successful relationship.

Sincerely,

The iCapital Investment Committee