

Disclosure Section | General

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Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

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Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.

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Asset-backed securities generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.

Yields are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision.

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment.

Companies paying **dividends** can reduce or cut payouts at any time.

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Investing in **smaller companies** involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

Stocks of **medium-sized companies** entail special risks, such as limited product lines, markets, and financial resources, and greater market volatility than securities of larger, more-established companies.

Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

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Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies.

Technology stocks may be especially volatile. Risks applicable to companies in the energy and natural resources sectors include commodity pricing risk, supply and demand risk, depletion risk and exploration risk.

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Investing in foreign emerging markets entails greater risks than those normally associated with domestic markets, such as political, currency, economic and market risks.

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Disclosure Section | Andrew Slimmon (cont'd)

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Disclosure Section | Andrew Sheets

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Disclosure Section | Andrew Sheets (cont'd)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% Of TOTAL IBC	% Of RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight / Buy	1,157	37%	305	42%	26%	544	39%
Equal-weight / Hold	1,380	44%	335	46%	24%	632	45%
Not-Rated / Hold	47	1%	7	1%	15%	7	0%
Underweight / Sell	553	18%	82	11%	15%	220	16%
Total	3,137		729			1,403	

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Disclosure Section | Andrew Sheets (cont'd)

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Disclosure Section | Lisa Shalett

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S&P 500 Index: The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks.

Glossary

Gross Domestic Product (GDP): The total value of goods produced and services provided in a country during one year.

Return on Equity (ROE): Amount of net income returned as a percentage of shareholders' equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Sharpe Ratio: This statistic measures a portfolio's rate of return based on the risk it assumed and is often referred to as its risk-adjusted performance. Using standard deviation and returns in excess of the returns of T-bills, it determines reward per unit of risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing risk.

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Term premium: The excess yield that investors require to commit to holding a long-term bond instead of a series of shorter-term bonds.

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Disclosure Section | Vishwanath Tirupattur

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Disclosure Section | Vishwanath Tirupattur (cont'd)

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	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight / Buy	1,156	37%	295	40%	26%	541	38%
Equal-weight / Hold	1,405	44%	342	47%	24%	641	45%
Not-Rated / Hold	46	1%	7	1%	15%	7	0%
Underweight / Sell	555	18%	85	12%	15%	226	16%
Total	3,162		729			1,415	

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Disclosure Section | Martin Leibowitz

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