

Welcome

As part of an introduction to the Riherd-West Financial Group, we thought it would be helpful to provide a written summary of our approach and investment philosophy. Our experience has taught us there are three basic tenets to managing private client assets that are of monumental importance. Above all else, the following statements stand at the core of our practice:

1. Private Client Assets Are Irreplaceable

2. Every Client's Situation is Unique

3. A Disciplined Approach is Essential

Transitory economic conditions, capital market returns and geopolitical events are, by their very nature, unpredictable. In contrast, human responses to extremes in the economy, market returns, and political situations, are quite predictable. We have found that investors invariably seek to avoid the pain of loss in periods of stress, but will throw caution to the wind when the economic, market and political backdrops appear favorable. Behavioral psychologists have called this phenomenon recency bias. In essence, we humans have an innate ability to place greater value on present situations - whether good or bad - and then extrapolate those situations into the future. Our "beliefs" about the future are often born out of our most recent experiences.

While this psychological trait can be helpful in many aspects of life (for example, a good employee is likely to continue to be a good employee and poor employee is likely to continue to be a poor employee), it has shown many times over to be a detriment when it comes to successful investing. Simply put, recency bias tells us that bad gets even worse and that good gets even better.

Investment and Insurance Products are:

- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

Capitalism, however, embodies a very powerful characteristic which runs contrary to the forces of recency bias - that characteristic is mean reversion. Mean reversion, as the phrase implies, suggests that there is a tendency for things to revert to an average - to a mean. This suggests that when things are good - perhaps a company achieving profit margins far in excess of the average company due to a unique product offering or service - forces will likely develop (i.e., competition) to neutralize that company's advantage and drive profit margins back toward an industry average. When a company is struggling, forces can develop that allow profits to improve. In tough times, we have all witnessed companies laying off workers, shuttering capacity, refinancing debt and reorganizing their business units. In short, companies take strong, decisive measures to size their organizations to the level of the opportunity - most often forcing profits to revert back to the mean.

With the forces of recency bias and mean reversion as a backdrop, how does a financial advisor achieve success in relation to our three central tenets? We believe the answer is through a thoughtful, purpose-based strategic asset allocation.

Asset allocation is the practice of combining asset classes such as equities, fixed income, real estate, cash and cash alternatives in a manner that attempts to maximize the return potential for a given level of risk. The process of deriving the appropriate allocation for each of our clients begins with a thorough understanding of our client's unique situation - their time horizon along with their needs, goals, and ambitions over that time horizon. Importantly, once the investment time horizon is established we can then identify the unique risks posed by various asset classes over that client's time-frame.

A well derived, efficient asset allocation created for each client independently aims to:

- 1. Preserve assets at an acceptable level thus limiting the risk of catastrophic decline.***
- 2. Address each client's unique set of circumstances through exposure to different asset classes with specific characteristics.***
- 3. Provide a disciplined framework or set of "rules" to address changing market conditions***

Let's take a closer look at how we segregate the asset classes in order to address unique client needs. Our analytical framework distinguishes each asset class by specific functional attribute. Segregating asset classes in this manner allows us to better match individual client objectives with the potential asset class.

1. Cash/Cash Alternatives	<i>Offers liquidity and preservation of capital</i>
2. Fixed Income	<i>Offers income and diversity with low volatility through debt securities</i>
3. Equities	<i>Offers long term growth with ownership interest in corporate enterprises</i>
4. Alternative	<i>Offers diversification and an inflation hedge in non-traditional assets</i>

Cash or cash alternatives, for example, provide liquidity and preservation of capital. High quality fixed income products generate a reliable stream of income while diversifying equity market risk. Equities comprise the primary growth engine of investment portfolios while alternative investments can provide a hedge against inflation and preserve purchasing power over time. A well designed strategic asset allocation matches the specific needs of individual clients to the functional attributes of each asset class.

Tactical Adjustments (Economic)

While our philosophy is based on long-term strategic allocations, we may employ tactical adjustments in our discretionary managed portfolios (PIM) in an effort to safeguard our clients from significant changes in the economy or the capital markets. Where appropriate, we may also provide similar recommendations to our non-discretionary advisory relationships.

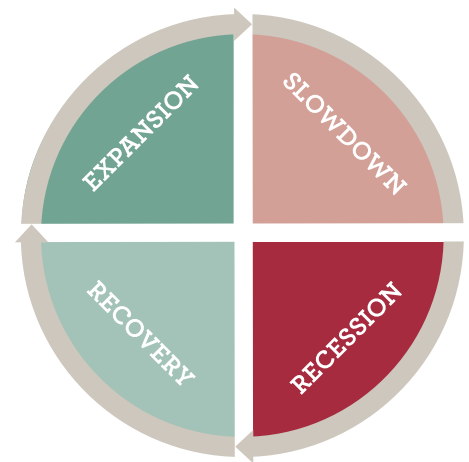
Using a rigorous analytical approach across multiple research platforms we attempt to identify the most likely near and long term outlook for the economy. We attempt to characterize the broad economy into some combination of four primary conditions: Expansion, Slowdown, Recession, and Recovery.

Tactical adjustments or recommendations are considered when our outlook skews heavily into a single primary economic condition.

We are reluctant to implement or recommend changes to a client’s long-term strategic asset allocation without due cause. Most adjustments are modest and arise from a temporary shift in our outlook. Deeper or more lasting changes could drive more significant tactical adjustments.

A financial crisis is a good example of a material change in economic condition. Necessary deleveraging by consumers and financial institutions could increase the risk of a possible recession. A sharp shift in economic condition toward recession might give us reason to consider increasing our exposure to fixed income at the expense of equities. Fixed income prices are more likely to rise in such a scenario as investors seek the safety of steady income and the Fed eases monetary policy to rekindle growth through lower interest rates.

	<i>Portfolio Balance:</i>	<i>Economic Conditions:</i>
Recovering Economy	<i>Overweight in Cyclical Stocks Underweight in Bonds</i>	<i>Rapidly Expanding Economy Accommodative Policy Measures Low Inflation Low Interest Rates</i>
Expanding Economy	<i>Overweight in Quality Stocks Underweight in Cash</i>	<i>Improving Living Standards Expanding Economy Business Thriving Interest Rates Typically Rising</i>
Slowing Economy	<i>Overweight in Cash Underweight in Cyclical Stocks</i>	<i>Slowing Growth Restrictive Policy Measures Interest Rates and Inflationary Pressure Building</i>
Receding Economy	<i>Overweight in Bonds Underweight in Stocks</i>	<i>Economy in Recession Unemployment Rising Interest Rates Falling</i>



Alternatively, a highly expansionary market where living standards are improving, the economy is growing, and business thriving is generally a good environment to overweight equities. Cash or cash alternatives are more attractive in a slowing economic environment characterized by rising interest rates and restrictive credit conditions. Conversely, we would likely look to overweight cyclical stocks ahead of a sustained economic recovery. Cyclical stocks are the most sensitive to changes in the economy both positive and negative. They generally perform well in periods of increasingly accommodative policy measures and declining interest rates that typically precede economic recoveries.

Tactical Adjustments (Valuation)

On rare occasions, segments of the market experience a significant deviation from historical valuation levels. In such situations we may look to implement or recommend a tactical adjustment.

Multiple standard deviation events (rare events) tend to occur in the buildup or aftermath of an investment bubble. The dramatic rise in home prices in the mid 2000's and the dot-com euphoria of the late 1990's are examples of significant valuation anomalies. Alternatively, the massive run-up in corporate bond yields in the aftermath of the financial crisis provided an incredible opportunity for investors to buy bonds at extremely deep discounts.

We think markets for the most part are efficient. We do not expect to recommend tactical adjustments based on valuation divergences very often. However, we remain ever watchful for evidence of material mispricing and the formation of asset bubbles. If properly identified, such events can lead to significant investment opportunity or more importantly the avoidance of substantial loss.

As each Private Investment Management (PIM[®]) program account is individually managed, construction and ongoing management of portfolios may vary from those discussed in this Philosophy Statement.

Communication

Wells Fargo Advisors provides you with written progress evaluations on a periodic basis. These evaluations will include a comparison of your portfolio to an index as well as a review of your asset allocation and historical performance. In addition, you will receive a monthly statement and a 1099 statement at the end of the year. You will have direct access to me should you have any questions or concerns. By maintaining open communication, I believe we may be able to help avoid reflexive or reactive decisions during downward market cycles.

Notes

All investing involves risk including the possible loss of principal. There is no assurance any investment strategy will be successful or that a fund will meet its investment objectives.

Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Bonds are subject to market, interest rate, price, credit/default, call, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates.

Alternative Investment Products that employ alternative strategies are more complex investment vehicles. They tend to be more volatile than other types of investments and present an increased risk of investment loss.

Fees for the PIM program include Advisory services, performance measurement, transaction costs, custody services and trading. Fees are based on the assets in the account and are assessed quarterly. There is a minimum fee of \$250 per calendar quarter to maintain this type of account. Advisory accounts are not designed for excessively traded or inactive accounts, and may not be appropriate for all investors. During periods of lower trading activity, your costs might be lower if our compensation was based on commissions.

Please carefully review the Wells Fargo Advisors advisory disclosure document for a full description of our services, including fees and expenses. The minimum account size for this program is \$50,000.

Past performance is no guarantee of future results and there can be no assurance that any strategy will be successful. Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns. Standard Deviation is a statistical measure of the volatility of the fund's returns. The higher the fund's standard deviation, the greater its volatility has been.

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