

UPDATE FROM PRIMA CAPITAL

SUMMER 2008



LETTER FROM THE PRESIDENT

“Any sensible person would say we’re in a recession.” So says Warren Buffet in a CNBC interview.

It’s hard to argue his point. The most telling statistics have been those reporting declining job growth and falling retail sales, key measurements both for the health of the economy. This, of course, directionally in line with the sub-prime mortgage mess, the structured investment vehicle debacle, and massive write-downs by banks and financial service firms. It’s hard indeed to argue the pains on Wall Street are advancing toward Main Street.

At the same time, inflationary pressures continue to mount on the U.S. economy, and in a big way—oil has often traded above \$140 a barrel, gold has more than once crossed \$1,000 an ounce, and the dollar has, and keeps, hitting record lows against the euro. All of this together poses the ultimate challenge for the Fed: Stimulating the economy without fueling inflation. So far, Washington’s best response was the \$150 billion tax rebate package. Pardon our skepticism...it is an election year...but we don’t believe that plan promotes sustained growth or changes consumer behavior in a meaningful way.

Against this backdrop—and it’s a sobering one—the Prima team has compiled a ‘wish list’ of action we’d like to see implemented in the coming year. At the top is a strong dollar policy to pull capital back into the U.S., alleviate capital shortages in mortgage markets, accelerate a recovery in residential real estate and, ultimately, reduce the rate of inflation. (The biggest risk we can imagine is that the new administration raises taxes, which will surely cause the dollar to weaken further.) We’d also like to see Congress make the Bush tax cuts permanent while simplifying and reducing corporate tax rates.

THE WEALTH MANAGEMENT INDUSTRY

So, given all this, what do we see as the most important happenings in the wealth management space? First one’s easy—it’s the continuing evolution of financial intermediaries and the tremendous prospects for well trained, competent advisors who put the interests of their clients first. We’re also bullish on the fact that large financial firms are increasingly outsourcing certain components of their wealth management business to proven providers in the industry, Prima Capital for example, and truly empowering them for success. The result is smarter advisors who are able to own, retain, and expand client relationships, generate more referrals, and grow their business.

Meanwhile, there are tremendous new products emerging designed specifically for aging baby boomers and their migration into retirement. We see increased demand for new investment portfolios that include inflation-hedged, income-generating intelligent asset allocation in their portfolio construction. And given the American consumers’ savings rate, which has hovered around 0% for several years now, solid, well-thought out retirement solutions can’t come fast enough.

PRIMA CAPITAL UPDATE

In spite of, or maybe because of, all the market turmoil, the SMA business has been growing, and that’s had a positive impact on Prima. The firm’s organic growth rate in 2007 was over 60%, and I’m pleased to say we’re on a similar trajectory this year. Consistent with that upward direction, Prima is now providing research, due diligence, and advice in the alternative space, with a focus on funds-of-hedge funds and funds-of-private equity funds, capabilities that further differentiate us in the marketplace.

The ability to better serve Prima clients was supported, in no small part, by the firm’s new strategic relationship with Matrix Financial Solutions. Our decision last year to collaborate with Matrix provided the kind of growth capital necessary to strengthen the firm’s research and technology development capabilities, and attract top-tier analytic talent. The Matrix relationship will undoubtedly make us a stronger and even more formidable company as we move forward.

But Prima Capital’s core competency remains the same: Objective, conflict-free research and advice on investment products that are appropriate for affluent high net worth investors and the advisors and firms who serve them. And as we grow and evolve to meet our clients’ needs, our conviction about investment quality grows as well. Simply put, in the wealth management business nothing is more important than investment quality.

I want to thank you for the trust you’ve placed in Prima Capital. You have my assurance we’re working hard every day to meet your needs.

Sincerely,

J. Gibson Watson, III





ORGANIZATIONAL DEVELOPMENT

While wealth management firms large and small have mostly looked to 'slim down' over the last twelve months, we're pleased to reflect back on what's been nothing short of a massive expansion here at Prima Capital. In just one year, Prima has increased staff by more than 80%, leading to the expansion of its physical space by seven working offices and a new conference room.

A major component of this outsized growth in 2007 was the formation of the Consulting Services Group (CSG). Headed by Geoff Selzer, CFA, (gselzer@primacapital.com) the CSG is a formalized team of professionals that acts as Prima's 'face to the client' through hands-on support and proactive consulting. In addition to advisory and workflow support, the CSG produces client education pieces, coordinates speaking engagements for client company conferences, and heads up Prima's newly-formed Advisory Board. The purpose of the Advisory Board is to provide feedback concerning Prima's current and proposed services. The Board consists of five to eight members that are operational representatives, investment analysts, or key client company executives who use our services.

Partly in response to the business growth in 2007, but primarily in anticipation of more of the same in 2008, Prima added significant resources to its Research and Technology teams. Of great significance to the firm and its clients, Cliff Stanton, CFA, was recruited in May of 2007 to the position of Chief Investment Officer. In this role, Cliff heads up the Investment Research team, oversees strategic investment direction, and manages a series of target date and target risk fund-of-funds. Cliff has also hired additional research analysts to support the growing advisory needs of Prima's clients. To the same end, Walter Generally, Director of Technology, increased his staff by two developers in 2007 and another in 2008. Look for important technology enhancements to be announced in future communications. Meanwhile, David Eral has built out the Business Development team with the hire of a new Senior Business Development Consultant, Dean Rodewald.

Every member of the Prima team is pleased about the company's recent achievements and excited about its future prospects. And all are looking forward to the continued success of the firm and its clients.

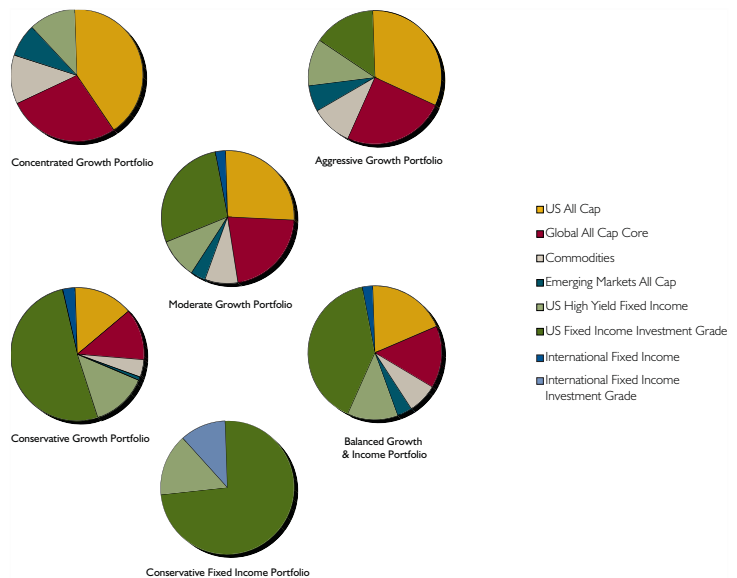
PRODUCT DEVELOPMENT

RETIREFOCUS™ FUNDS

The RetireFocus Funds are a series of diversified investment funds designed for investors with a specific time horizon for retirement (i.e. RetireFocus 2040 Fund). Housed in collective investment trusts sponsored and maintained by MG Trust, a subsidiary of Matrix Financial Solutions, the Funds effectively leverage Prima's research capabilities and are built from a pure open architecture platform. Designed to be comprehensive investment solutions for participants in defined contribution plans, the Funds use strategic and institutional grade asset allocation as well as core-satellite portfolio construction principles to match the appropriate level of risk across each stage of a plan participant's life. The RetireFocus funds represent a great solution for firms looking to provide an easy to use, professionally managed, comprehensive portfolio solution for 401(k) plans sponsors and participants.

PRIMA TARGET RISK PORTFOLIOS

Prima has also developed a series of asset allocation portfolios for investors with specific risk objective (i.e. aggressive, moderate, conservative). A series of six portfolios are offered across the risk spectrum ranging from the more conservative Fixed Income portfolio to the more aggressive Concentrated Growth portfolio. Similar to the RetireFocus Funds, the key features of the Target Risk Portfolios include an open architecture platform, strategic asset allocation, broad asset class representation, and core-satellite portfolio construction. They represent a great solution for firms looking to provide a turnkey option for investors with smaller accounts.



This is an illustration only. These charts are intended to be used in consultation with an investment advisor and cannot be used in and of themselves to determine which securities to buy or sell, or when to buy or sell them.

PRIMA ALLOCATIONGUIDE™

Prima's AllocationGuide is a web-based application that allows financial advisors to evaluate existing portfolios and create new portfolios based on an assessment of an investor's objectives and risk tolerance. AllocationGuide serves well as a proposal generation tool and integrates seamlessly with PrimaGuide's toolsets, such as historical simulations and product research reports. Other features of AllocationGuide include its customizable nature at the enterprise level (risk questionnaire, model portfolios, reports), investment policy statement generation, and security import functionality. AllocationGuide is currently in beta testing and is expected to officially launch in the latter part of 2008.

Prima Aggressive Growth Portfolio

Asset Class	Weight
Commodities - Long/Short - Sector Specific (10% - \$1,600)	
Emerging Markets Equity - Large Cap - Core (6.39% - \$959)	
Global Fixed Income - Intermediate Term - High Yield (2.5% - \$375)	
Global Fixed Income - Intermediate Term - Investment Grade (8% - \$750)	
International Equity - Large Cap - Core (12.4% - \$1,866)	
International Equity - Large Cap - Value (12.4% - \$1,866)	
US Equity - Large Cap - Core (15.01% - \$2,252)	
US Equity - Large Cap - Growth (4.5% - \$675)	
US Equity - Large Cap - Value (4.5% - \$675)	
US Equity - Mid Cap - Core (4.5% - \$675)	
US Equity - Small To Mid Cap - Growth (2% - \$300)	
US Equity - Small To Mid Cap - Value (2% - \$300)	
US Fixed Income - Intermediate Term - High Yield (4.68% - \$698)	
US Fixed Income - Intermediate Term - Investment Grade (7.8% - \$1,128)	
US Fixed Income - Long/Short - Investment Grade (2.5% - \$375)	

Prima Conservative Income Portfolio

Name: Target Risk Portfolios - Prima Conservative Income Portfolio
 Account Minimum: \$
 Objective: Appropriate for investors who seek capital preservation and income generation in a lower risk all fixed-income portfolio.

Manager	Product	Product Type	Asset Class	Capitalization	Style	Weight
Vanguard Funds - Vanguard Total Bond Market Index (VTBIX)		Mutual Fund	US Fixed Income	Intermediate Term	Investment Grade	29.01
Harbor Funds - Harbor Bond Instl (HABDX)		Mutual Fund	US Fixed Income	Long/Short	Investment Grade	18
Managers Funds - Managers Fixed Income Inst (MFDYX)		Mutual Fund	US Fixed Income	Intermediate Term	Investment Grade	18

RETIRETOOL(K)IT™

Alongside Matrix Financial Solutions, Prima Capital has developed RetireTool(k)it. The application provides advisors, brokers, and TPAs with an open architecture tool that delivers an end-to-end 401(k) solution, from fund selection and monitoring, to investment policy statements, point-of-sale brochure and plan enrollments kits. Advisors can use the tool to select and monitor funds themselves, or hire MG Advisory Services in conjunction with Prima Capital, to fill a co-fiduciary role with the plan sponsor.

Plan Info

Plan Name	Agilent Technologies 401k Plan	Rep Name	Claire Littleton	Plan Size	\$0 - 1M
Company	Agilent	Status	Pending Approval	# Participants	945

Fund List

Asset Class	Fund	Share Class	Status	Fact Sheet	Research
Short Term Fixed Income	Calvert - Calvert Social Investment Bond A (CSIBX)	A Shares			
Short Term Fixed Income	John Hancock - JHancock Strategic Income B (STIBX)	B Shares			
Short Term Fixed Income	PIMCO Funds - PIMCO Mortgage-Backed Securities Instl (PTRIX)	Institutional			
Interm Term Fixed Income	DFA Funds - DFA Intermediate Govt Fixed-Income I (DFIGX)				
Interm Term Fixed Income	Transamerica - Transam Asset Alloc Short Horizon Inv (DVCSX)				
Interm Term Fixed Income	Vanguard - Vanguard CA Interm-Trm Tax-Exempt Adm (VCADX)	Admin			
Interm Term Fixed Income	Vanguard - Vanguard Inst Total Bond Market Index (VTBIX)	Institutional			
Interm Term Fixed Income	Vanguard - Vanguard Interm-Term Treasury Adm (VFIUX)	Admin			
Interm Term Fixed Income	Vanguard - Vanguard NJ Long-Term Tax-Exempt Adm (VNUJX)	Admin			

Report data as of quarter ending: 6/30/2008

Monitoring Mandate

- Product History: Product must have been in existence for at least 5 years.
- Product Assets: Must have more than \$100 million managed in this specific investment style.
- Manager Tenure: Portfolio manager or management team must have managed this specific investment product for at least 3 years.
- # of Equity Holdings: Must have at least 25 equity holdings in the portfolio.

Alerts

There are no alerts.

NEWS FROM THE INVESTMENT GROUP

In an effort to continually improve Prima's due diligence process, the research group recently undertook a critical self assessment of its practices. Most of the discussion was focused around the following three general areas: quantitative analysis, qualitative analysis, and research process and output. Examples of specific topics that were addressed include benchmarking policy, attribution analysis, alpha thesis evaluation, on-site due diligence consistency, and revising the manager interview write-up. Look for process enhancements to impact Prima's analyst opinions, search documents, and presentations within the next six months. In addition, the Research team has recently initiated research and due diligence on funds-of-hedge funds and funds-of-private equity funds, as well as Bank Loans.

CONFERENCE CALENDAR

Matrix Financial Solutions Annual Conference
August 24-27, 2008
Keystone, CO
Gib Watson/Cliff Stanton speaking

Financial Research Associates presents the 7th Annual Managed Accounts & UMA Summit
September 24-25, 2008
Paris Hotel - Las Vegas, NV
Gib Watson speaking

IMCA (Investment Management Consultants Association) 2008 Fall Professional Development Conference
September 25-27, 2008
Hyatt Regency at the Colorado Convention Center
Denver, CO

CFDD (Center for Due Diligence) Advisor Conference
October 12-15, 2008
The Fairmont Princess Resort
Scottsdale, AZ
Gib Watson & Cliff Stanton speaking

MMI (Money Management Institute) Managed Accounts Conference
October 16-17, 2008
The Roosevelt Hotel
New York, NY

ABA (American Bankers Association) Wealth Management & Trust
March 11-13, 2009
Grand Hyatt Hotel
New York, NY
Gib Watson speaking

ARTICLES

Look for us in the following industry publications.

Wealth Manager
Monthly "Wealth Matters" column

On Wall Street
Bi-monthly "Managed Money" column

Investment News
Quarterly SMA Rankings

Investment Advisor
Annual SMA Awards Program - April Edition

WHITE PAPERS

Check our website for periodic white papers.

Bank Loans: A Diversifying Asset – July 2008

Prima promotes the diversification benefit of the bank loan asset class and also discusses the history of the asset class, recent performance volatility, and distinguishing characteristics of the asset class.

Fundamentals of Hedge Funds – July 2008

This paper provides a fundamental framework for understanding hedge funds. Prima discusses what hedge funds are, what strategies hedge fund managers employ, what the attraction is from a risk and return perspective, and how to think about integrating hedge funds into a portfolio.

Upcoming papers...

ADR-Only Strategies: The Pros & Cons, Prima Asset Allocation and Portfolio Construction Methodology, Market Performance and Political Cycles.