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How Are Your Retirement Plan Assets Invested? In a Volatile Market . . . It Takes Perspective

Bear Stearns and UPAL Pooled Funds

Two UPAL investment managers hold stock in Bear Stearns. Both managers are extremely well-diversified, as are the Funds they manage. The total holding in Bear Stearns is less than \$11,000 or 0.006197% of total UPAL assets.

Investor Sentiment

The American Association of Individual Investors conducts a weekly survey measuring the percentage of individual investors who are bullish, bearish and neutral on the stock market short-term. In the last five months, bullish investor sentiment has eroded by 63% to only 20.42% of the survey participants being bullish on the economy while bearish sentiment climbed by 126%, up to 59.15% of those surveyed.

Survey Date	Bullish	Neutral	Bearish
Oct. 11, 2007	54.65%	19.59%	25.77%
Mar. 12, 2008	20.42%	20.42%	59.15%

Extreme investor anxiety translates into volatile capital markets.

Best Investment Practice

The best investment practice to reduce one's anxiety as an investor is to:

- (1) understand your tolerance for risk;
- (2) diversify your assets among several classes or types of investments;
- (3) review your asset allocation periodically (quarterly, semi-annually or annually); and
- (4) re-allocate your assets to remain in alignment with or to alter your allocation according to less risk tolerance, when appropriate.

The UPAL Retirement Program provides answers and flexibility to diversification. All UPAL funds are professionally advised by household names, such as Northern Trust, John Hancock, Principal and Vanguard, and all managers are independently monitored and advised by Gerber Taylor Associates, an independent investment advisor. Core investments include ten different fund strategies, ranging from money market to international equities; four asset allocation models, ranging from conservative to aggressive growth; and six target date funds. The self-directed option provides access to online trading of individual stocks, bonds and mutual funds.

An investor in the UPAL Program can also invest his or her account balance according to one asset allocation and his or her future contributions according to another asset allocation.

On April 1, UPAL will reduce real estate exposure in favor of cash in the Conservative and Balanced Asset Allocations.

Asset Allocation Service

UPAL provides a free asset allocation service to help an individual investor select a personalized, risk-based asset allocation right for his or her return needs and investment time horizon. UPAL provides an investor profile questionnaire, scores the questionnaire, designs an asset allocation and communicates with the investor to discuss implementation of the designed asset allocation.

Risk Tolerance

The volatility of one's investment portfolio's value can be an important factor in determining an investor's risk tolerance or the amount of risk one is willing to take. Investors who take on too much risk may be more likely to panic when confronted with unexpected losses and abandon their investment plans mid-stream, usually at the worst possible time. While some people do become more risk averse as they get older, risk tolerance is not necessarily a function of age. Conservative and aggressive investors will go through changes in risk tolerance over his life cycle.

Return Needs & Asset Allocation

This refers to whether you need to emphasize growth or income in your investment portfolio. Younger investors who are accumulating savings will want returns that tend to emphasize growth and higher total returns, which primarily are provided by emphasizing stocks in an asset allocation. Retirees who depend on their investment portfolio for part of their annual income will want returns that emphasize relatively higher and consistent annual payouts, such as those from bonds and dividend-paying stocks. Of course, many individuals may want their asset allocation to reflect a blending of the two -- some current income, but also some growth.

Investment Time Horizon & Asset Allocation

One's time horizon starts when the investment portfolio is implemented and ends when the investor needs to take the money out. The length of time one will be invested in the portfolio is important, because it can directly affect one's ability to mitigate risk. Longer time horizons allow one to take on greater risks in asset allocation, with a greater total return potential, because some of that risk can be reduced by investing across different market conditions and environments. If your time horizon is short, you may have greater liquidity and capital preservation needs—the ability to withdraw at any time with reasonable certainty of value. Volatile investments such as stocks may not protect capital in the short run and require a longer time horizon generally. Investment time horizons tend to vary over one's life. Younger investors who are accumulating savings for retirement have longer time horizons than investors who are planning to retire in the near future or who are in retirement.

Next Steps

Identify your tolerance for investment risk and find the correct asset allocation for your investment time horizon.

Get started today. Call UPAL, 747-5585.