LANDMARK FINANCIAL ADVISORS, LLC

WEALTH MANAGEMENT

JUN 2012

ASSET ALLOCATION IN A LOW YIELD ENVIRONMENT

Against the current backdrop of extremely low U.S. interest rates and elevated world economic volatility, many investors are struggling to set reasonable expectations for future investment returns. High unemployment and fears of recession, government debt concerns, and unconventional monetary policy actions have individuals paralyzed on what to do with their hard earned assets. Sprinkle in historically low interest rates (negative after factoring in inflation) and forces are in place for a tough future decade without careful navigation skills.

It seems that a low-growth environment will persist in the United States and the developed world for years, which makes an individual's strategic asset allocation critical to future success. As such, we feel it is important to be realistic about our expected returns based on prevailing market conditions. We put high odds that balanced portfolios (stock/bond mix) will substantially beat returns of the past decade (but will be moderately below long-run historical averages for this current decade 2010-2020). The main positive is current stock market valuations. Market valuations generally correlate with future stock returns, and stock valuations do not appear extreme based on bond yields. This cuts both ways however, as low interest rates will substantially hinder bond results this decade.

The individuals that are most at risk in our opinion are the more conservative investors. This group of investors runs the highest risk of not achieving their desired targeted returns, as bonds will not come close to producing returns from the past decade. Our suggestion for these individuals is to consider increasing their savings or decreasing their spending if they are extremely risk averse. An alternative would be to adopt a somewhat more aggressive strategic asset allocation by increasing their equity holdings. A consequence of this would be higher short term portfolio volatility and greater downside risk.

We look forward to discussing your specific circumstances in the coming months.

"The art of taxation consists in so plucking the goose as to obtain the largest amount of feathers with the least possible amount of hissing."

—J.B. Colbert

"Quick riches are more dangerous than poverty."

—Napoleon Hill

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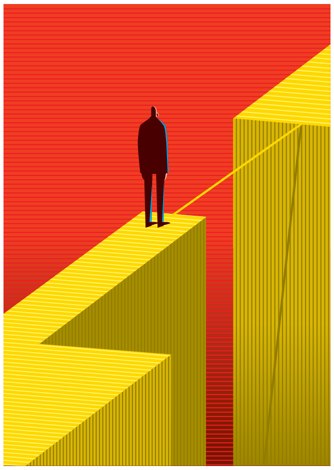
Following are some important terms that we feel everyone should understand; you may have heard them used recently in various media.

FINANCIAL JARGON—DECODED



TOTAL RETURN—Landmark believes it is important for investors to view their portfolios from this perspective. Rather than simply focusing on potential income (interest on bonds or dividends on stocks) an investor looking at total return will be concerned with capital gains and losses as well as income.

FISCAL CLIFF—Government spending cuts and tax increases that could negatively impact the economy early next year unless current legislation is changed before the end of this year. We encourage you to have your tax professional run a projection of what to expect in 2013 if no changes are made to current laws.

MONETARY LEDGE—The FOMC voted last week to extend Operation Twist. The Federal Reserve added another $267 billion of liquidity through the end of the year with this extension. This is a temporary stimulus that may or may not end when the powers in Washington claim it will. The Federal Reserve's balance sheet has grown to well over $2 Trillion, and how they remove this remains a big question.

CREDIT DIVIDE—In previous downturns lowered interest rates triggered broad waves of mortgage refinancing and new borrowing. The spending that resulted helped power the recoveries. This time around, many would-be borrowers with lower incomes or blemished credit histories are finding it difficult and more costly, or sometimes impossible, to refinance their mortgages or get new loans.

LANDMARK FINANCIAL ADVISORS WEIGHTINGS AGAINST THE S&P 500