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# NORTHSTAR

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## ASSET MANAGEMENT

- ✦ NorthStar Asset Management specializes in the individual management of portfolios of private clients, foundations, corporations, and institutions.
- ✦ While we are guided by the philosophy that both the creation and preservation of wealth is best attained through a growth bias, we understand that asset allocation as well as specific holdings within a portfolio are best determined by matching client objectives with their individual circumstances and risk tolerances.
- ✦ Our investment discipline is inclusive and preserves the flexibility to focus upon the most attractive opportunities presented by an ever changing market environment.
- ✦ Our clients have entrusted us with over \$350 million of assets. Our portfolio managers have an average experience of over 40 years.

We encourage your inquiries

# Performance Returns

## Gross Equity Returns (%) Through December 31, 2011:

(Returns for one-year and longer are annualized)

	<u>NorthStar Model</u>	<u>S&amp;P 500</u>
One Quarter	<b>+9.69</b>	+11.74
One Year	<b>-9.12</b>	+2.14
Three Years	<b>+11.48</b>	+14.04
Five Years	<b>+0.34</b>	-0.30
Ten Years	<b>+3.53</b>	+2.88
From Inception	<b>+7.52</b>	+7.30

Data represents the equity performance of the NorthStar Investment Model and does not include cash balances. The Model performance is calculated on a time weighted basis and includes price change, dividends, and brokerage commissions (imputed at \$0.03 per share), but excludes management and custody fees. It should be noted that past performance is not necessarily indicative of future performance and that results do not represent actual trading and may not reflect the impact that material economic and market factors might have had on decision making concerning actual funds. Returns will be reduced by expenses that may include management and custody fees. The client is referred to NorthStar's ADV II for a full disclosure of the management fee schedule. As fees are deducted quarterly, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance. For example, on an account with a 1% management fee, if the gross performance is 20%, the compounding effect of the fees will result in a net performance of 18.9%. Client returns will vary based on the timing of purchases and sales in client accounts versus those of the model, differences in holdings in client accounts versus the model portfolio, and the amount and timing of client capital additions and withdrawals.

The NorthStar Investment model was created in June of 1995 by the principals of NorthStar while portfolio managers with another firm; these individuals together formed NorthStar in July 2000.

# Performance Returns

## Gross Equity Returns (%) Through December 31, 2011:

(Returns for one-year and longer are annualized)

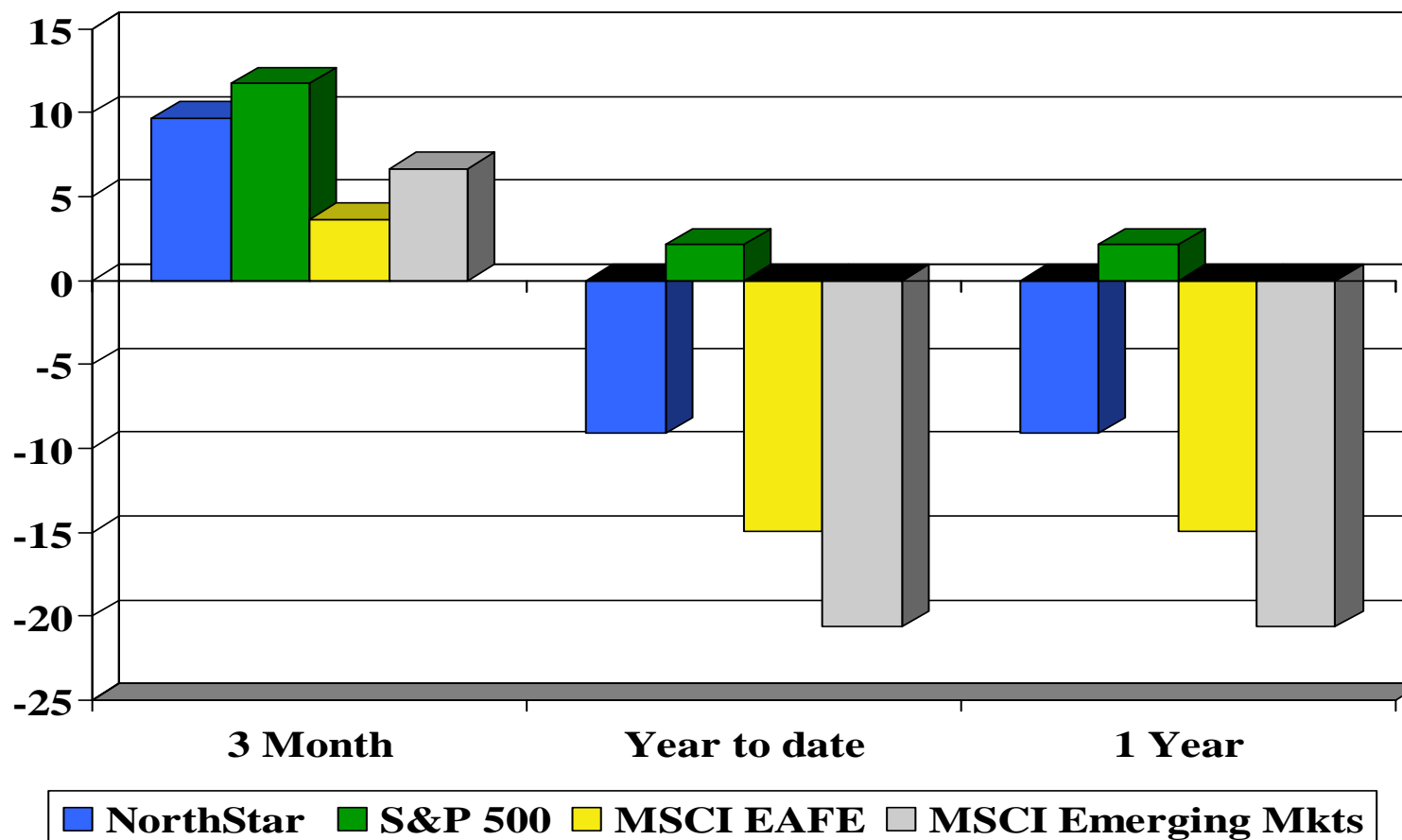
	<u>MSCI Indices</u>				
	<u>NorthStar Model</u>	<u>S&amp;P 500</u>	<u>NASDAQ</u>	<u>International Developed Markets</u>	<u>International Emerging Markets</u>
One Quarter	<b>+9.69</b>	+11.74	+7.86	+3.66	+6.64
One Year	<b>-9.12</b>	+2.14	-1.80	-14.93	-20.64
Three Years	<b>+11.48</b>	+14.04	+18.21	+3.36	+17.47
Five Years	<b>+0.34</b>	-0.30	+1.52	-7.52	-0.25
From Inception	<b>+7.52</b>	+7.30	+6.74	N/A	N/A

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# Performance Returns

Gross Equity Returns (%) Through December 31, 2011:



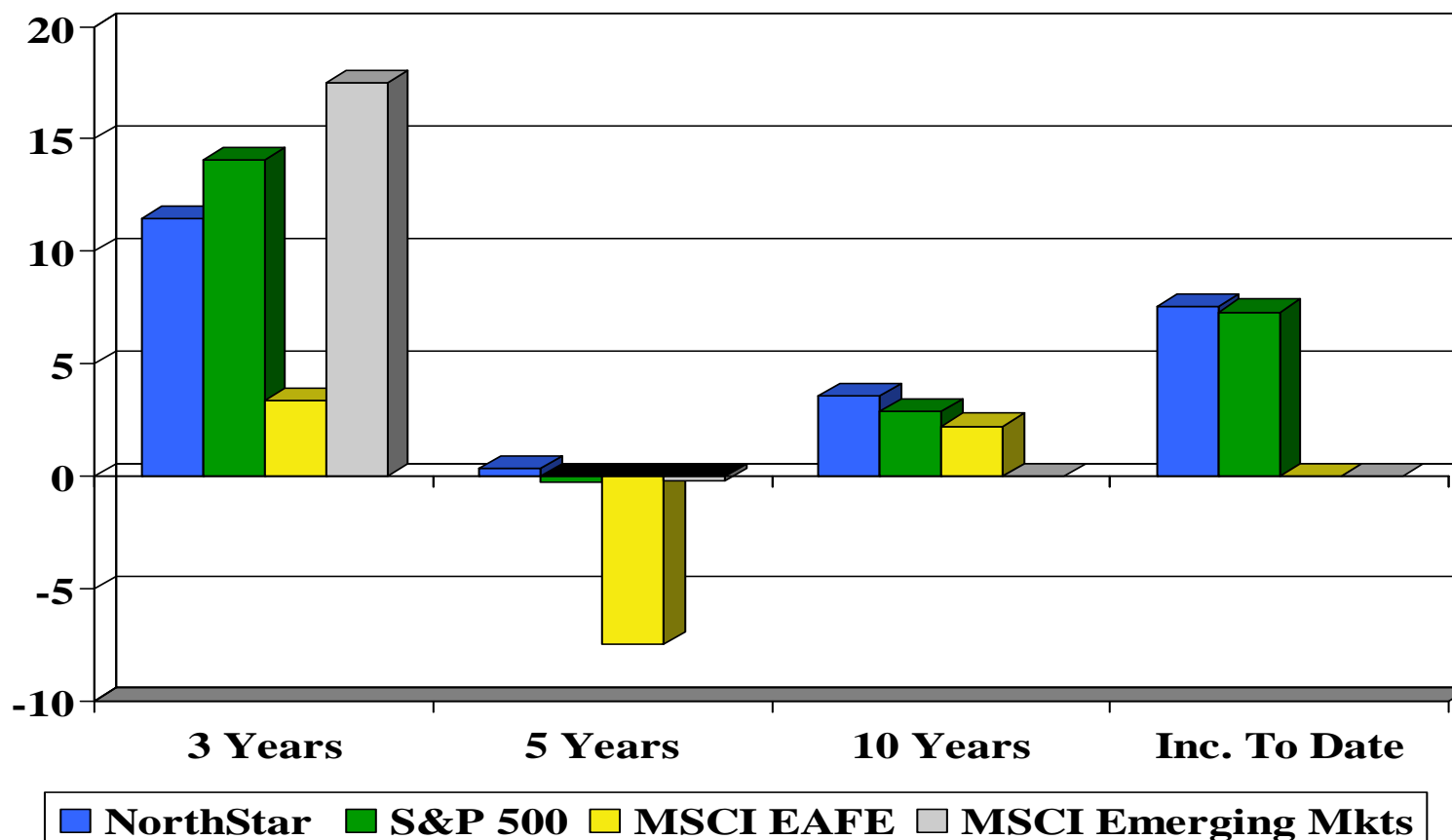
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# Performance Returns

Long Term Gross Equity Returns (%) Through December 31, 2011:

(Returns are annualized)



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# Performance Returns

## Gross Equity Returns (%) Through December 31, 2011:

(Returns for one-year and longer are annualized)

	<u>MSCI Indices</u>			
	<u>NorthStar Model</u>	<u>S&amp;P 500</u>	<u>International Developed Markets</u>	<u>International Emerging Markets</u>
Year-to-date	<b>-9.12</b>	+2.14	-14.93	-20.64
One Year	<b>-9.12</b>	+2.14	-14.93	-20.64
Three Years	<b>+11.48</b>	+14.04	+3.36	+17.47
Five Years	<b>+0.34</b>	-0.30	-7.52	-0.25
From Inception	<b>+7.52</b>	+7.30	N/A	N/A

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## Gross Equity Returns (%) Through December 31, 2011:

(Returns for one-year and longer are annualized)

	<u>NorthStar Model</u>	<u>S&amp;P 500</u>	<u>NASDAQ</u>	<u>International Developed Markets</u>	<u>International Emerging Markets</u>
One Quarter	<b>+9.69</b>	+11.74	+4.83	+3.66	+6.64
One Year	<b>-9.12</b>	+2.14	+16.97	-14.93	-20.64
Three Years	<b>+11.48</b>	+14.04	+6.86	+3.36	+17.47
Five Years	<b>+0.34</b>	-0.30	+1.52	-7.52	-0.25
Ten Years	<b>+3.53</b>	+3.24	+2.94	+2.22	N/A

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# Historical Quarterly Performance

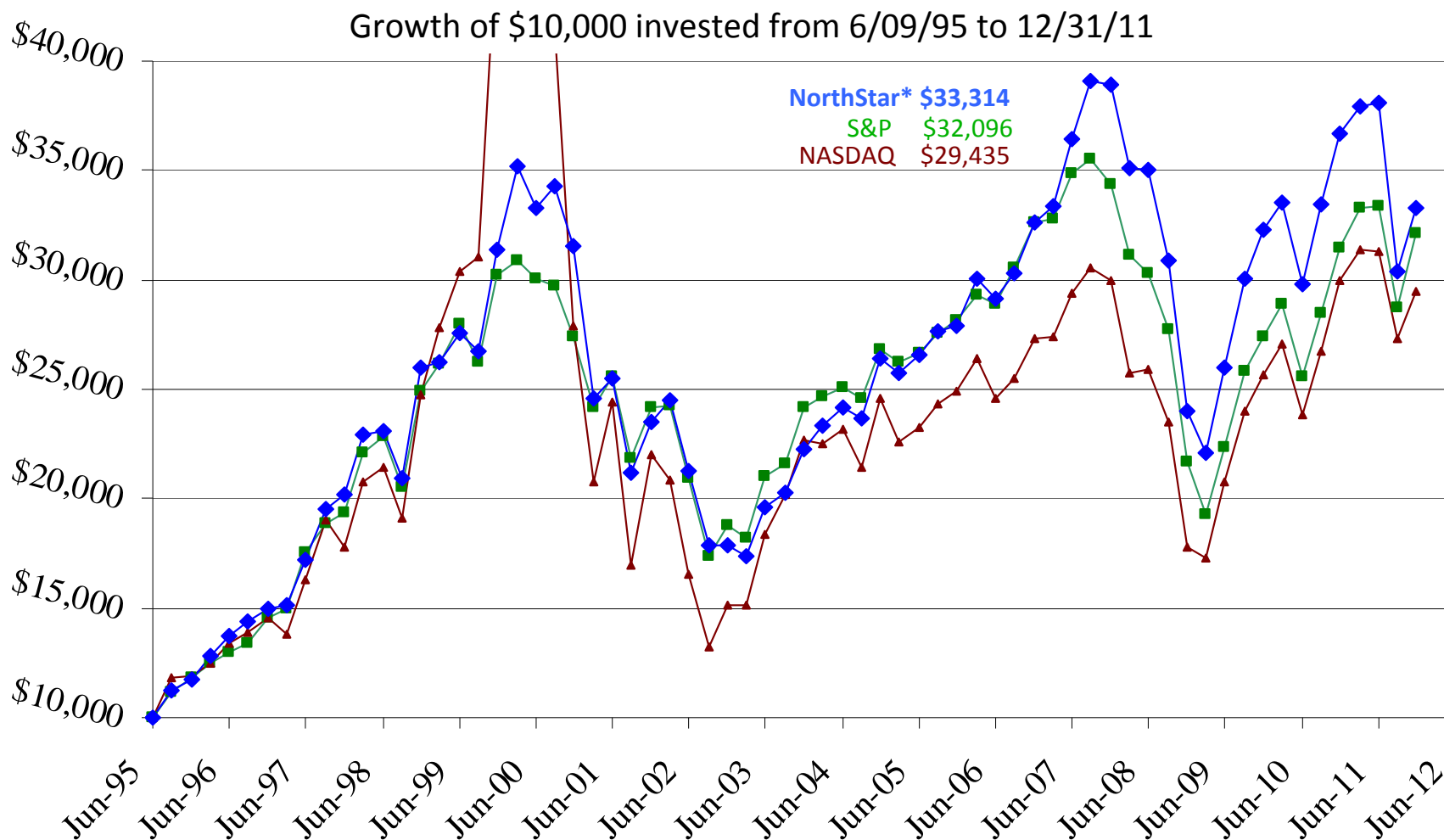
Period	Equities	S&P 500	Period	Equities	S&P 500	Period	Equities	S&P 500
3 <sup>rd</sup> Qtr. 1995	8.69	8.06	1 <sup>st</sup> Qtr. 2001	-22.13	-11.85	1 <sup>st</sup> Qtr. 2007	2.32	0.70
4 <sup>th</sup> Qtr. 1995	4.39	5.99	2 <sup>nd</sup> Qtr. 2001	3.76	5.83	2 <sup>nd</sup> Qtr. 2007	9.25	6.24
<b>1995 ( From Inception)</b>	<b>13.45</b>	<b>12.71</b>	3 <sup>rd</sup> Qtr. 2001	-16.97	-14.72	3 <sup>rd</sup> Qtr. 2007	7.32	2.02
			4 <sup>th</sup> Qtr. 2001	11.03	10.73	4 <sup>th</sup> Qtr. 2007	-0.48	-3.36
			<b>2001</b>	<b>-25.52</b>	<b>-11.90</b>	<b>2007</b>	<b>18.68</b>	<b>5.48</b>
1 <sup>st</sup> Qtr. 1996	9.54	5.39	1 <sup>st</sup> Qtr. 2002	4.37	0.26	1 <sup>st</sup> Qtr. 2008	-9.77	-9.47
2 <sup>nd</sup> Qtr. 1996	7.03	4.42	2 <sup>nd</sup> Qtr. 2002	-13.20	-13.44	2 <sup>nd</sup> Qtr. 2008	-0.16	-2.73
3 <sup>rd</sup> Qtr. 1996	4.86	3.13	3 <sup>rd</sup> Qtr. 2002	-16.22	-17.21	3 <sup>rd</sup> Qtr. 2008	-11.99	-8.49
4 <sup>th</sup> Qtr. 1996	3.74	8.37	4 <sup>th</sup> Qtr. 2002	0.30	8.36	4 <sup>th</sup> Qtr. 2008	-22.33	-21.85
<b>1996</b>	<b>27.54</b>	<b>22.99</b>	<b>2002</b>	<b>-23.87</b>	<b>-22.14</b>	<b>2008</b>	<b>-38.43</b>	<b>-37.03</b>
1 <sup>st</sup> Qtr. 1997	1.34	2.67	1 <sup>st</sup> Qtr. 2003	-2.90	-3.09	1 <sup>st</sup> Qtr. 2009	-7.78	-10.93
2 <sup>nd</sup> Qtr. 1997	13.71	17.4	2 <sup>nd</sup> Qtr. 2003	12.95	15.41	2 <sup>nd</sup> Qtr. 2009	17.64	15.93
3 <sup>rd</sup> Qtr. 1997	13.48	7.5	3 <sup>rd</sup> Qtr. 2003	3.26	2.56	3 <sup>rd</sup> Qtr. 2009	15.50	15.55
4 <sup>th</sup> Qtr. 1997	3.27	2.9	4 <sup>th</sup> Qtr. 2003	9.84	12.12	4 <sup>th</sup> Qtr. 2009	7.31	6.00
<b>1997</b>	<b>35.04</b>	<b>33.34</b>	<b>2003</b>	<b>24.40</b>	<b>28.61</b>	<b>2009</b>	<b>34.52</b>	<b>26.49</b>
1 <sup>st</sup> Qtr. 1998	13.37	13.94	1 <sup>st</sup> Qtr. 2004	4.96	1.80	1 <sup>st</sup> Qtr. 2010	4.08	5.41
2 <sup>nd</sup> Qtr. 1998	0.65	3.24	2 <sup>nd</sup> Qtr. 2004	3.47	1.74	2 <sup>nd</sup> Qtr. 2010	-11.58	-11.45
3 <sup>rd</sup> Qtr. 1998	-9.26	-9.92	3 <sup>rd</sup> Qtr. 2004	-2.04	-1.96	3 <sup>rd</sup> Qtr. 2010	12.35	11.30
4 <sup>th</sup> Qtr. 1998	24.26	21.34	4 <sup>th</sup> Qtr. 2004	11.60	9.22	4 <sup>th</sup> Qtr. 2010	9.27	10.49
<b>1998</b>	<b>28.65</b>	<b>28.57</b>	<b>2004</b>	<b>18.73</b>	<b>10.91</b>	<b>2010</b>	<b>12.86</b>	<b>14.79</b>
1 <sup>st</sup> Qtr. 1999	0.86	4.94	1 <sup>st</sup> Qtr. 2005	-2.41	-2.12	1 <sup>st</sup> Qtr. 2011	3.45	5.86
2 <sup>nd</sup> Qtr. 1999	5.06	7.03	2 <sup>nd</sup> Qtr. 2005	3.06	1.37	2 <sup>nd</sup> Qtr. 2011	0.46	0.22
3 <sup>rd</sup> Qtr. 1999	-2.83	-6.25	3 <sup>rd</sup> Qtr. 2005	4.20	3.60	3 <sup>rd</sup> Qtr. 2011	-20.28	-13.84
4 <sup>th</sup> Qtr. 1999	17.17	14.90	4 <sup>th</sup> Qtr. 2005	0.67	2.03	4 <sup>th</sup> Qtr. 2011	9.69	11.74
<b>1999</b>	<b>20.64</b>	<b>20.98</b>	<b>2005</b>	<b>5.51</b>	<b>4.87</b>	<b>2011</b>	<b>-9.12</b>	<b>2.14</b>
1 <sup>st</sup> Qtr. 2000	12.32	2.28	1 <sup>st</sup> Qtr. 2006	7.81	4.28			
2 <sup>nd</sup> Qtr. 2000	-5.55	-2.66	2 <sup>nd</sup> Qtr. 2006	-2.92	-1.46			
3 <sup>rd</sup> Qtr. 2000	3.04	-0.97	3 <sup>rd</sup> Qtr. 2006	3.90	5.64			
4 <sup>th</sup> Qtr. 2000	-7.96	-7.82	4 <sup>th</sup> Qtr. 2006	7.54	6.66			
<b>2000</b>	<b>0.61</b>	<b>-9.61</b>	<b>2006</b>	<b>16.97</b>	<b>15.79</b>			

Cumulative Since Inception:  
Annualized Since Inception:

NorthStar: 232.37  
NorthStar: 7.52

S&P 500: 221.13  
S&P 500: 7.30

# Equity Performance From Inception



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# Investment Philosophy

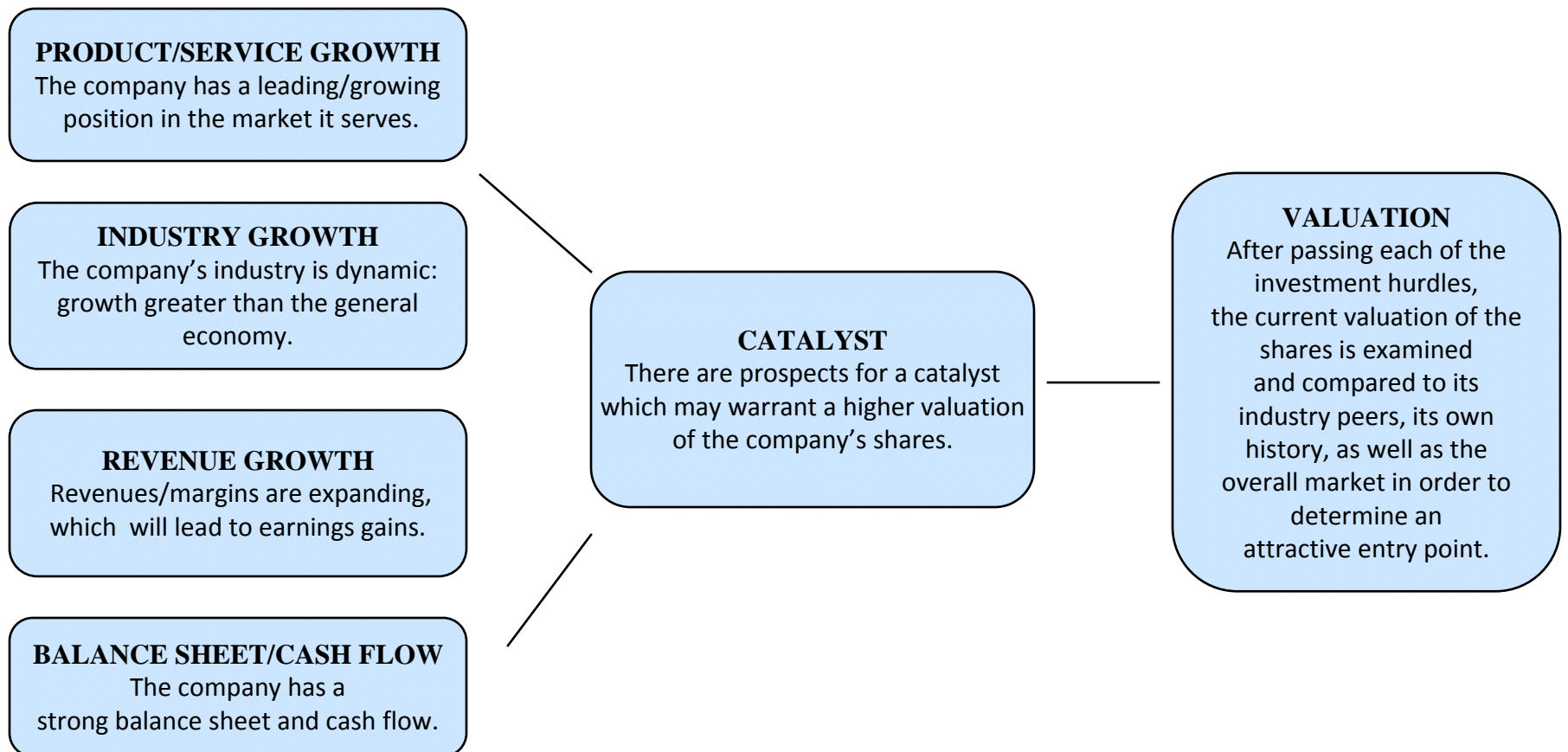
Over the past ten years it has become popular to define one's approach to investments in the most narrow of terms. This has been encouraged by the pension plan consultants who recommend multiple managers, each directed to achieve a specific objective within a larger asset pool. NorthStar's approach is less restrictive and considers the overall objectives of a portfolio. Client circumstances and risk tolerances determine the final composition of their portfolios. Our clients may own larger as well as smaller stocks, higher P/E stocks as well as lower P/E stocks, etc. Our discipline is inclusive and preserves the flexibility to focus on the best opportunities presented by a continually changing market environment.

We focus on industries that have long-term positive growth trends. Our investment discipline directs us towards companies having a dominant strategic position, with a specific focus on innovation. We then consider specific company fundamentals and valuation criteria that guide us in determining when to buy or sell a stock and how to weight these holdings within the specific objectives of the client's portfolio.

While performance is the final report card, we believe performance and service go hand in hand, and we strive to provide both at the highest level. NorthStar provides a superior quality of service and communication expected by both individual and institutional investors. We believe this is critical to our thorough understanding of our clients' objectives and enhances our ability to achieve the desired investment returns.

# Investment Process

Performance is attained by a strict adherence to a process of selecting stocks of companies which possess certain characteristics:



# Investment Discipline

## **Sell Discipline**

Investment holdings are monitored continuously to ensure that each security's investment fundamentals are maintained. The ongoing search for new ideas may lead to the exchange of an existing holding for a more attractive opportunity. In addition to discretionary exchanges, NorthStar also enforces a disciplined selling methodology to seize gains when appropriate and limit downside exposure.

## **The Upside Sell Discipline**

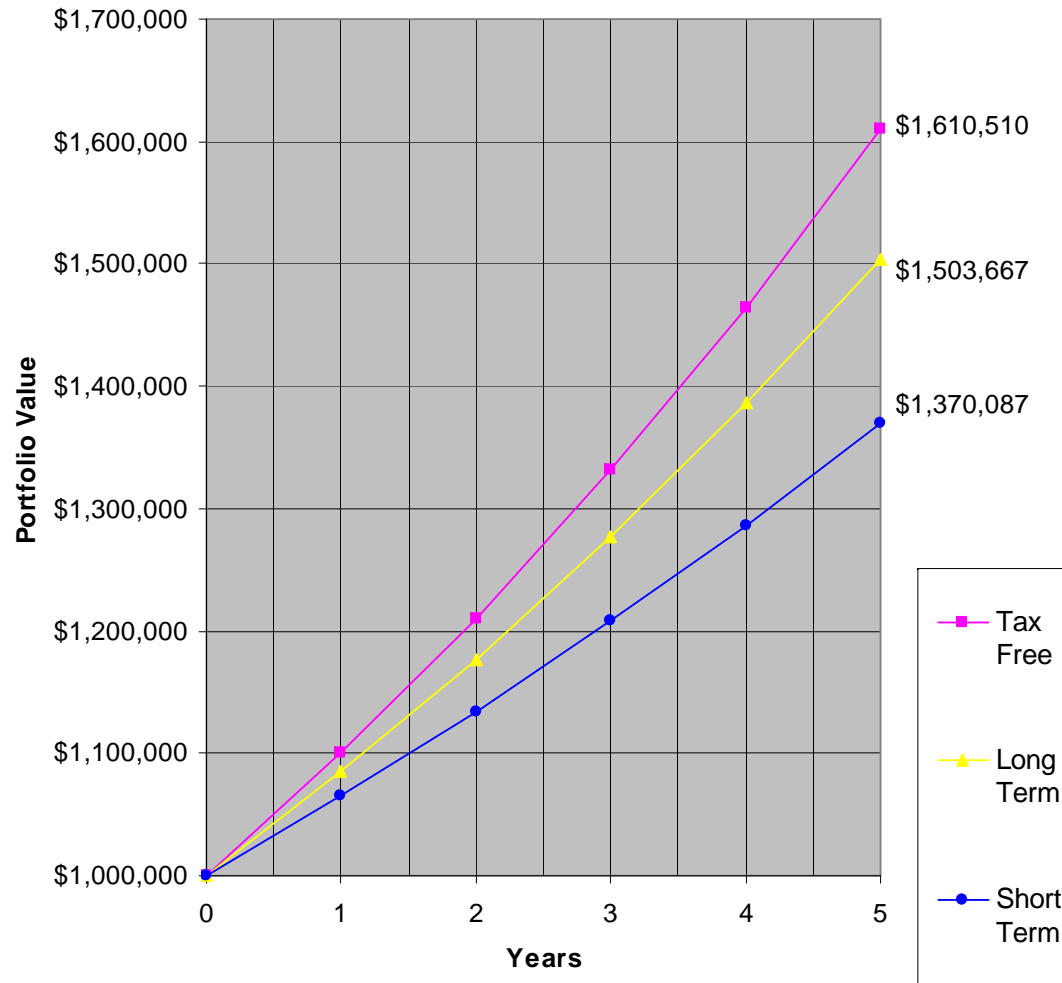
When a stock is added to the portfolio, an initial position of 1 ½% to 2% is established. As the stock appreciates in value and reaches a point where the position exceeds 4% of the portfolio, its valuation is carefully reviewed for a possible reduction or elimination of the position.

## **20/20 Rule – Limiting Downside Exposure**

In the event of a significant price decline, reflecting adverse economic, industry or company-specific conditions, the stock's fundamentals and our assumptions are re-evaluated. If a stock's value declines by 20% from the price on the date it was approved by NorthStar's investment committee, its fundamentals are automatically reviewed. If the price declines by 20% both from its purchase price *and* by 20% relative to the S&P 500, the holding is placed into consideration for possible sale. The 20/20 rule serves as a mechanism to limit downside exposure.

# Investment Discipline - Tax Sensitivity

Annual Account Growth



Greater tax sensitivity may contribute to higher returns.

- \$1,000,000 invested in a tax-free account, realizing a 10% annual return will grow to \$1,610,510 in 5 years.

- \$1,000,000 invested in a taxable account, where all of the annual 10% return is long term, and therefore taxed at 15%, will grow to \$1,503,667 in 5 years.

- \$1,000,000 invested in a taxable account, where all of the annual 10% return is short term, and therefore taxed at 35%, will grow to \$1,370,087 in 5 years.

- NorthStar is sensitive to the effect taxes can have on investment returns. While active portfolio management within a dynamic market requires the constant appraisal and periodic repositioning of security positions, every attempt is made to minimize short term gains as NorthStar's investment philosophy is long term in its horizon.

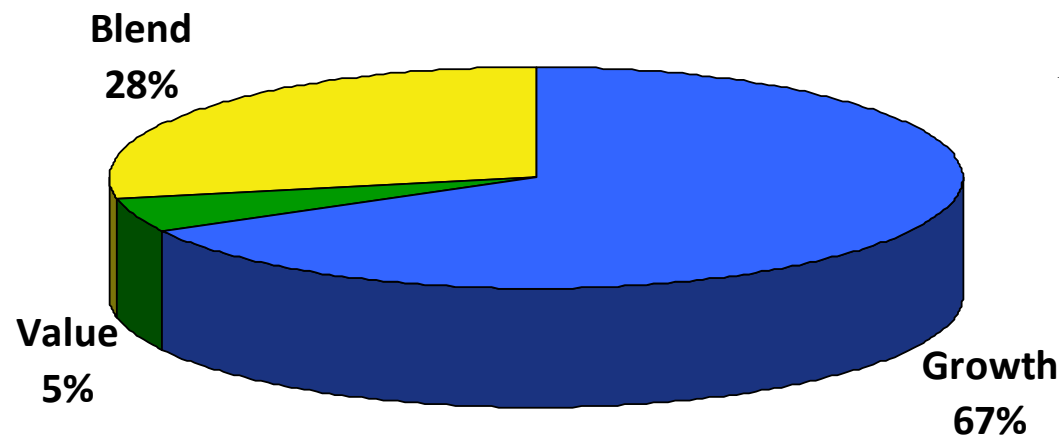
# Investment Model Diversification

- ✦ We believe portfolios should match client objectives and be diversified by type and character of investment.
- ✦ One such diversification is a balance between growth and value. Of our individual holdings receiving such a designation, as of December 31, 2011, 67% of the monies invested in stocks were invested in “growth” stocks, 5% in “value” stocks, and 28% as a blend between growth and value as designated by *S&P/Citigroup*
- ✦ Also, on the same date the model portfolio was excluding our direct international investments diversified by having a 74% exposure to large capitalization companies, 17% to mid-cap concerns and 9% to small cap.
- ✦ We also believe that investors should attain diversification through exposure to international investments. As of quarter-end, our model equities were 27% invested in direct international securities (non-dollar denominated securities trading on foreign exchanges,) 9% in securities of foreign-based companies trading on U.S. exchanges (ADRs and ADSs, etc.) and 64% in domestic stocks (U.S. based companies trading on U.S. stock exchanges).
- ✦ Our aggregate holdings represent exposure to numerous economic sectors.
- ✦ We believe it prudent to diversify our clients’ portfolios and are comfortable owning growth and value, large and small capitalized, foreign and domestic companies, as well as including exposure to varying economic sectors.

# Investment Model Diversification

## Domestic Portfolio Style Diversification\*

as of December 31, 2011:



- ✦ Top Growth Holdings:
- Occidental Petroleum, Corp.
  - Danaher Corporation
  - Qualcomm, Inc.

- ✦ Top Value Holdings:
- Prudential, Inc.

- ✦ Top Blend Holdings  
(Growth and Value):
- Procter & Gamble
  - Celanese, Corp.
  - Vanity Fair, Corp.

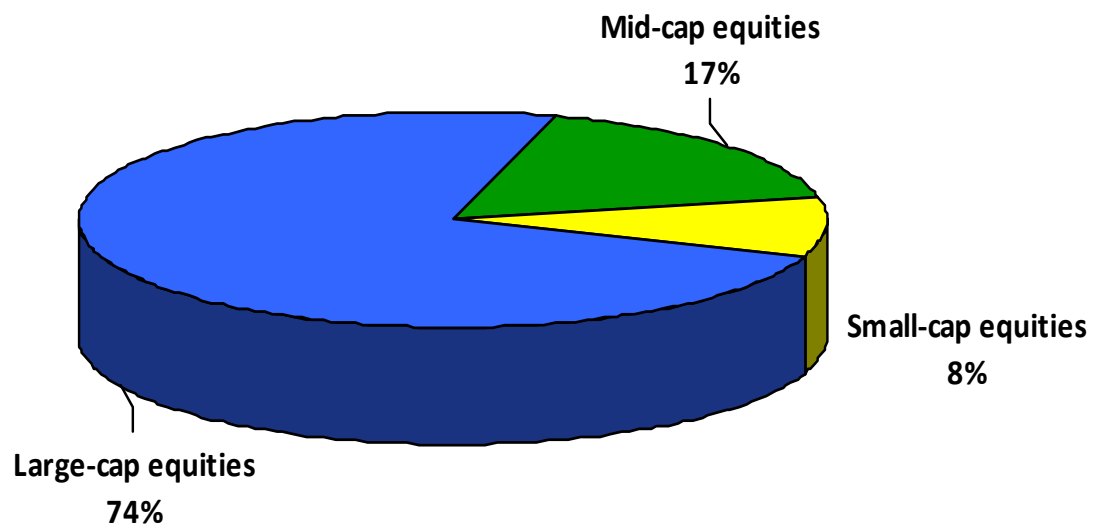
\*Excludes cash, sector diversified and international exchange traded funds, and equities not rated by S&P/Citigroup



# Investment Model Diversification

## Portfolio Market-Cap Diversification

as of December 31, 2011:



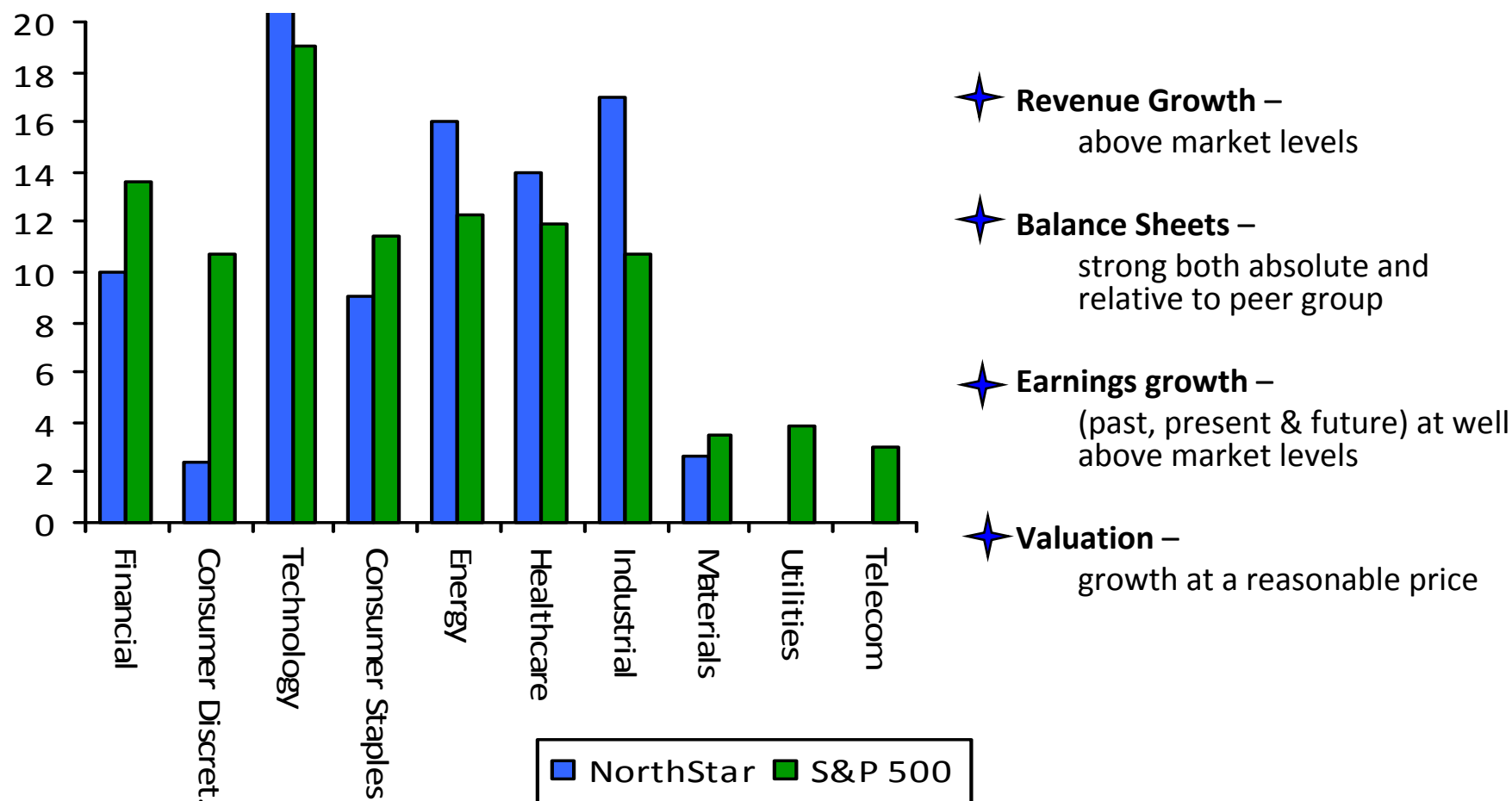
- ✦ Diversification by type and character of investment
- ✦ Exposure to select worldwide indices
- ✦ Tax sensitive investment style
- ✦ Fixed income exposure as appropriate for each client

\*Excludes cash, market-cap diversified and international exchange traded funds.

# Investment Model Diversification

## Domestic Portfolio Sector Diversification\*

as of December 31, 2011:

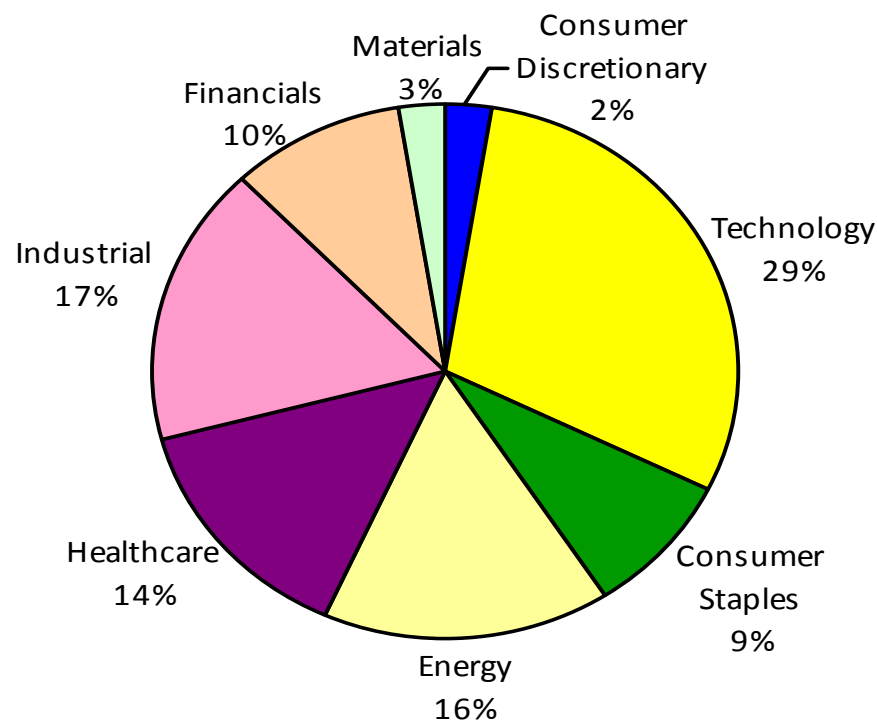


\*Excludes cash, sector diversified and international exchange traded funds

# Investment Model Diversification

## Domestic Portfolio Sector Diversification\*

as of December 31, 2011:



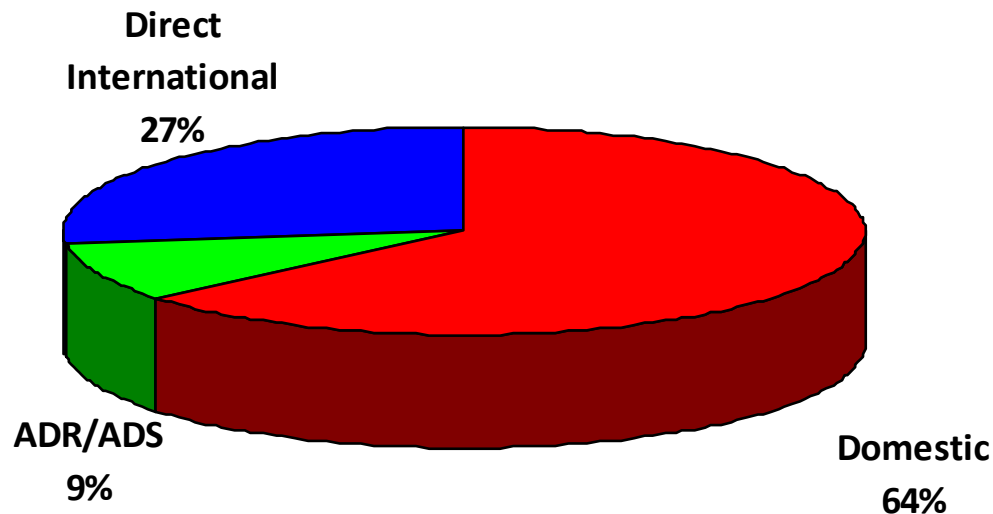
- ★ **Revenue Growth** – above market levels
- ★ **Balance Sheets** – strong both absolute and relative to peer group
- ★ **Earnings growth** – (past, present & future) at well above market levels
- ★ **Valuation** – growth at a reasonable price

\*Excludes cash, sector diversified and international exchange traded funds

# Investment Model Diversification

## Market Exposure Diversification

as of December 31, 2011:



✦ **Domestic –**  
U.S. based companies  
trading on U.S. exchanges

✦ **Direct International –**  
Non-dollar denominated  
securities trading on  
foreign exchanges

✦ **ADR/ADS –**  
Foreign based companies  
trading on U.S. exchanges

# Top 10 Holdings

Top 10 Equity Holdings as of December 31, 2011 :

<u>Company</u>	<u>% of Equities</u>
Vanguard Information Technology ETF	12.9
Vanguard Emerging Markets ETF	6.8
iShares MSCI Asia ex-Japan ETF	5.8
Occidental Petroleum, Corp.	4.6
iShares MSCI Pacific ex-Japan ETF	4.1
Canadian National Railway	3.7
Wisdom Tree Em. Mkts. Eq. Income ETF	3.6
Vanguard Small-Cap ETF	3.3
Nestle S.A. Sponsored ADR	3.2
Danaher, Corp.	3.1
	51.1%

# NorthStar Model Equities

## Statistical Comparison to S&P 500 (with operating EPS and excluding exchange traded funds)

All figures as of September 30, 2011:

	<u>Earnings Growth</u>				<u>Dividend</u>			<u>Valuation</u>		<u>Avg. P/E to Long- Term Growth Est..</u>
	<u>Last 5 Years</u>	<u>Last Year</u>	<u>Next Year</u>	<u>Long- Term Est. Growth</u>	<u>Last year % change</u>	<u>Current Yield</u>	<u>Trailing Pay-out Ratio</u>	<u>Trailing P/E</u>	<u>Forward P/E</u>	
Model	6.7%	15.7%	18.2%	11.9%	6.9%	1.4%	21.7%	15.5	12.4	1.2
S&P 500	2%	19.9%	6.0%	6.7%	12.6%	2.0%	27.5%	13.9	12.8	2.0

\* The NorthStar Investment model was created in 1995 by the principals of NorthStar while portfolio managers with another firm; these individuals together formed NorthStar in July 2000. Data items above taken from a database created and maintained by StockVal, Inc..

# Client Services

- ✦ Creating and preserving wealth for our clients is our only business. Our portfolio managers are knowledgeable in handling individual portfolios, multi-generational relationships and institutional holdings, and we are tax-sensitive where appropriate.
- ✦ We bring the NorthStar investment discipline to guide us in meeting each client's unique needs. We work with each client to identify specific objectives and establish portfolio guidelines. This is reviewed on a regular basis to ensure that we continually address our clients' changing needs in an evolving marketplace.
- ✦ We provide each client with a report on a quarterly basis presenting their portfolio's valuation, profiles of newly purchased securities, performance analysis and investment commentary. Meetings are scheduled to suit client circumstances.
- ✦ Portfolio managers and their assistants are always available to answer questions or provide assistance with a client's broader financial plan. The confidentiality of each client's affairs is strictly observed and carefully guarded. We have built our reputation on the longevity of our client relationships which are based on outstanding performance and exceptional service.

# Portfolio Managers

**Robert Bobrow**, Founder and Managing Director

Portfolio Manager/Managing Partner, Stratton Management Company, 1996-2000. Executive Vice President, DJ Investment Advisors, Inc., 1983-96. Vice President and Head of Trust Investment Division, Central Penn National Bank, 1968-83. Past President and Board Member, Financial Analysts Society of Philadelphia; Association for Investment Management and Research. B.S., University of Pennsylvania.

**Christopher M. Dunham**, Founder and Managing Director

Portfolio Manager/Managing Partner, Stratton Management Company, 1998-2000. Vice President, Wertheim & Co./Schroders (1977-1998). Vice President, Shields, Model, Roland & Co., Inc., (1974-1977). Vice President and Partner, W.E. Hutton & Co., (1967-1974). A.B., Trinity College; M.B.A., University of Pennsylvania, Wharton Business School.

**C. Warren Ormerod**, Founder and Chairman

Portfolio Manager/Managing Partner, Stratton Management Company, 1992-2000. Executive Vice President, Chief Trust Officer, Continental Bank, 1968-92. Trust Officer, National Bank of Westchester, 1964-68. Trust Division, Bankers Trust Company, 1961-64. A.B., Trinity College.

**Edward B. Putnam**, Founder and Chief Executive Officer

Portfolio Manager/Managing Partner, Stratton Management Company, 1992-2000. Vice President and Group Manager, Provident National Bank, 1976-92. Chairman of the Board of Directors, South Chester Tube Company. Director, Pennsylvania Warehousing and Safe Deposit Company. Past Board Member and Chair of the Finance Committee, Chestnut Hill Academy. Past President of the Board, Fleisher Art Memorial. Past Chairman, Eastern Pennsylvania Chapter of Arthritis Foundation. B.A., Rollins College; M.B.A., Crummer School, Rollins College.



# Fee Schedule

## Investment Management Fee Schedule

<u>Assets Under Management</u>	<u>Annual Rate</u>
On the first two million dollars invested	1.00%
On the next three million dollars invested	0.80%
On the balance of the account	0.70%

\$5,000 Minimum Fee  
Accounts are billed quarterly in advance

Client accounts regularly hold investment positions in securities which charge additional fees, such as mutual funds, exchange traded funds, and money market funds. While NorthStar Asset Management, LLC has no financial interest in such payments, it is relevant information that clients should have in determining the overall cost of the investment management of their portfolio. It has been NorthStar's policy to identify and disclose such additional fees for any mutual fund and/or exchange traded fund it recommends for a client account. Typically, those costs are discussed in the one-page NorthStar writeup created for new purchase candidates.