



COVENANT TRUST COMPANY INVESTMENT PERSPECTIVE 1 [October 2008]

During a major market shock, it often seems the situation is unprecedented. No two market shocks are identical in terms of the events leading up to them. In just the past decade we have seen several situations—the Asian market crisis, the bursting of the tech bubble and September 11—which seemed at the time unprecedented and potentially catastrophic. In each case the markets recovered. We recognize the seriousness of the current situation. However, the credit crisis is being addressed; and we are optimistic, knowing that history proves the resilience of our economy and capital markets as well as the soundness of Covenant Trust Company’s investment approach.

While we are confident that markets will stabilize in due course, we do want to remind you of Covenant Trust Company’s disciplined, balanced investment approach.

- ***Our investment approach is strategic rather than tactical:*** Our strategies are designed to be successful over time periods sufficient to encompass various market conditions. For most of our clients investment time horizon is measured in terms of years, not weeks or months.
- ***Asset allocation is the framework of our investment approach:*** Asset allocations are set initially and maintained long-term, usually with only gradual adjustments over time. We do not shift our allocation targets based on short-term movements in markets. We do not attempt to time the markets.
- ***Rebalancing is a core feature of our investment process:*** This is an important means of controlling the overall risk profile of portfolios; it also enables the capture of additional return by essentially “buying low and selling high.”
- ***Diversification is a top priority:*** Our core mutual funds are highly diversified in terms of distribution over market segments, industries and individual securities issuers.
- ***We maintain rigorous asset quality standards:*** The same asset quality standards that have been in place up to this time remain in place for all our core holdings, resulting in ***high quality portfolios***.

Our advice has always been—and continues to be—not to react to market downturns. Our investment process is designed to equalize for market movements over time through the methodical process of asset allocation and rebalancing. If you have questions or concerns, we encourage you to contact our office at (800) 483-2177 or your local Financial Services Representative.

Gary S. Johnson
Portfolio Manager
Covenant Trust Company