



Agenda

Employees' Retirement System Board Meeting

July 10, 2013 at 12:00 PM
Conference Room C

Troy City Hall
500 West Big Beaver
Troy, Michigan 48084
(248) 524-3330

Roll Call

Minutes from the June 12, 2013 Meeting

Retirement Requests

Name	Carolyn Wright
Pension Program	DB
Retirement Date	8/16/13
Department	Police
Service Time	17 yrs, 8 mo

Other Business

Greystone Consulting

Investments

Public Comment

Adjourn

A meeting of the Employees' Retirement System Board of Trustees was held on Wednesday May 8, 2013 at Troy City Hall, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting was called to order at 12:15 p.m.

Trustees Present: Mark Calice
Thomas J. Gordon, II
Thomas Darling, CPA
Milton Stansbury
Steve Pallotta
William R. Need (Ex-Officio)
Brian Kischnick
Dave Henderson

Trustees Absent:

Also Present: Sehrish Salah-Ud-Din

Minutes

Resolution # ER – 2013-06-12

Moved by Pallotta
Seconded by Gordon

RESOLVED, That the Minutes of the April 10, 2013 meeting be approved.

Yeas: All-5

Absent: Kischnick, Henderson

Retirement Requests – Carolyn Wright Disability Retirement

The board discussed whether to appoint a physician to review the case. The board wants to invite City Attorney Lori Bluhm to the next meeting.

Other Business – Third Quarter Performance Reports

John Grant and Rebecca Sorenson presented UBS's Third Quarter Performance Report.

Thomas Darling also presented his Third Quarter Performance Report to the Board.

Other Business – Discussion Relating to Investment Consultant

The board discussed their thoughts on the performance of Investment Consultant candidates as well as the direction of services in general. No decision was made.

INVESTMENTS

Resolution # ER – 2013-05-15

Moved by Darling

Seconded by Pallotta

RESOLVED, That the Board directs the Pension Administrator to sell all but 5,000 shares of Sigma-Aldrich.

Yeas: All-4

Absent: Kischnick, Henderson, Gordon

Public Comment

None

The next meeting is June 12th, 2013 at 12:00 a.m. at Troy City Hall, Conference Room C, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting adjourned at 2:18 p.m.

Mark Calice, Chairman

Tom Darling, Pension Administrator

July 8, 2013

City of Troy Employees'
Retirement System
Attn: Tom Darling
500 W. Big Beaver Road
Troy, MI 48084

Board Members,

Enclosed you will find:

- 1) Equity Focus List
- 2) Performance Review
 - Portfolio Holdings
 - Asset Allocation Summary
 - Equity Sector Analysis
 - Bond Summary
 - Bond Holdings

John C. Grant & Rebecca S. Sorensen
Senior Vice Presidents – Wealth Management
UBS Financial Services, Inc.
248-645-4945

Equity Focus list

CIO Wealth Management Research

July 2013



This report has been prepared by UBS Financial Services Inc. ("UBS FS").

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 27.

UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.



How does the list work?

The Equity Focus List integrates intellectual capital expertise across multiple research disciplines within the UBS CIO Wealth Management Research team into a list of stocks that is designed to outperform the broad US equity market. Stocks chosen for the list are best aligned with the following disciplines: our House View, Fundamentals, Technicals, Thematics and Quantitative (described below). The CIO WMR Stock Selection Committee uses these tools to determine the final composition of the list.

House view

The House View incorporates our macro strategists' outlook on economic growth, asset allocation, risk-taking, regional equity recommendations, sector preferences within the US equity market, as well as US equity size and style tilts.

Fundamentals

We incorporate bottom-up industry analyst ratings from both UBS CIO Wealth Management Research and UBS Investment Research. Stocks must have a positive or neutral view from either source to be considered.

Technicals

Stocks must have a Bullish or Neutral technical rating. Stocks with a Neutral technical rating included on the list require a favorable risk / reward with a material probability of breaking into a bullish trend.

Thematic

We incorporate selections that we expect to benefit from our highest conviction tactical or secular equity themes based on previously published thematic research or theme-based research embedded in CIO WMR strategy reports.

Quantitative

Our quantitative framework identifies factors that have produced historical outperformance within each industry group and then scores the current constituents of each industry group according to those factors. Factors encompass valuation, growth, quality, and momentum.

Authors

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Ticker	Name	Sector	Page
CMCSA	Comcast	Consumer Discretionary	8
NKE	Nike	Consumer Discretionary	8
ORLY	O'Reilly Automotive	Consumer Discretionary	9
HOT	Starwood Hotels	Consumer Discretionary	9
TJX	TJX Companies	Consumer Discretionary	10
CLX	Clorox	Consumer Staples	10
KO	Coca-Cola	Consumer Staples	11
CL	Colgate-Palmolive	Consumer Staples	11
MRO	Marathon Oil	Energy	12
PSX	Phillips 66	Energy	12
AFL	Aflac	Financials	13
AMP	Ameriprise	Financials	13
FITB	Fifth Third Bancorp	Financials	14
JPM	JPMorgan	Financials	14
PRA	ProAssurance	Financials	15
WFC	Wells Fargo	Financials	15
ABT	Abbott Laboratories	Healthcare	16
ESRX	Express Scripts	Healthcare	16
MCK	McKesson	Healthcare	17
MDT	Medtronic	Healthcare	17
IR	Ingersoll-Rand	Industrials	18
KBR	KBR	Industrials	18
TYC	Tyco	Industrials	19
UPS	United Parcel Service	Industrials	19
CSCO	Cisco Systems	Information Technology	20
GOOG	Google	Information Technology	20
LRCX	Lam Research	Information Technology	21
QCOM	Qualcomm	Information Technology	21
SNDK	SanDisk	Information Technology	22
CE	Celanese	Materials	22
CPN	Calpine	Utilities	23

UBS CIO WMR Stock Selection Committee

David Lefkowitz, CFA, Chair
Senior Equity Strategist

Peter Lee
Chief Technical Strategist

Michael Dion, CFA
Co-Head Sector Research

Jonathan Woloshin, CFA
Co-Head Sector Research

Stephen Freedman, PhD, CFA (*)
Co-Head Investment Strategy

Jeremy A. Zirin, CFA
Chief Equity Strategist

(*) Non-voting

Review

Adding

- We are making no additions

Removing

- Accenture
Accenture's fiscal third quarter results and guidance were disappointing. The company suggested that most of the weakness was due to sluggish macro-economic conditions, especially in Europe and Brazil. While we do believe that the macro environment in some regions has become more challenging, the scope of the miss increases our concerns that Accenture may be contending with challenges that extend beyond macro. We fear that the shift to cloud architecture could lead to a lower level of IT consulting demand. With the stock downgraded from Buy to Neutral by UBS Investment Research and the Technical rating from UBS CIO WMR also lowered from Bullish to Neutral, we remove Accenture from our list.

What's working

Calpine was our best performing stock during June (+7.9%). We believe the stock regained ground after an undeserved decline in May. The shares likely suffered in May as interest rates rose and the dividend yield-oriented Utilities sector came under pressure. However, unlike most of the Utilities sector, Calpine is not a regulated utility company with a high dividend yield and was likely unjustifiably sold along with regulated utilities. We believe the shares continue to have a bright outlook as power markets tighten, especially in Texas.

Further signs of improvements in NAND flash memory prices boosted SanDisk (+5.1% in June). We expect the supply / demand balance in NAND flash semiconductors to remain favorable for the next several quarters, powering further momentum for SanDisk.

Finally, insurance companies ProAssurance and AFLAC rose in June by 4.2% and 4.1% respectively. Higher interest rates in June were generally supportive for the insurance industry. While interest rates may decline in the near-term as the rates market appears to have priced in an earlier "taper" to the Fed's quantitative easing

program than we forecast, we still believe that over the next few years, interest rates are biased higher. This should continue to support valuations for insurers.

What's not working

Accenture, which we are removing from the list as of this report, was our worst performing stock (-11.4%). As we described in the table on the left, the disappointing results and guidance drove the underperformance.

Global and commodity-oriented cyclical struggled in June due to concerns about emerging market growth. Petroleum refiner Phillips 66 fell 9.6% driven by a narrowing of the spread between Brent (international) and West Texas Intermediate (domestic) oil prices. Many of Phillips' refineries use cheaper domestic oil as a feedstock giving it an advantage versus those refiners that use imported oil. We believe that fears of slower emerging market growth weighed on Brent oil prices during the month. Still, the US energy boom and limited ability to export these resources will likely keep US oil prices (WTI) lower than international benchmarks, such as Brent.

Chemical producer Celanese fell 8% in June also driven by fears of slower emerging market growth. Materials companies' share price performance is closely correlated with industrial production growth in China. While Chinese growth may remain sluggish in the near term, Celanese's near-term earnings should be supported by idiosyncratic events, such as its ongoing cost savings program. Over the intermediate term, the company's coal to fuel ethanol technology, if it can be commercialized successfully, could also drive significant earnings growth.

Performance

Period	Equity Focus List	S&P 500	Relative Performance
June 2013*	-1.3%	-1.4%	0.1%
Since inception (cumulative)*	-1.3%	-1.4%	0.1%

* Since the list's inception on 3 June 2013.

Note: Actual list performance is calculated with a one trading day lag for all additions and deletions in order for clients to more realistically replicate our published performance.

Source: FactSet and UBS CIO WMR as of 28 June 2013.

House view — US equities

US equity market overview

Despite strong year-to-date gains, we see **further upside potential for US equities**. Several of the upside risks for US equity markets that we identified in our 2013 outlook report in December 2012 are visibly playing out—housing fundamentals continue to improve, domestic energy production is surging, fiscal policy risks have become less acute, and dividends and share repurchases are accelerating. We now expect S&P 500 earnings per share to grow by 7% in both 2013 and 2014. Downside market risks based on the Federal Reserve prematurely tapering off its bond buying program are low. More likely, the Fed will only very gradually reduce monetary accommodation commensurate with improving US growth momentum. Our six month price target on the S&P 500 is 1730.

Sector outlook

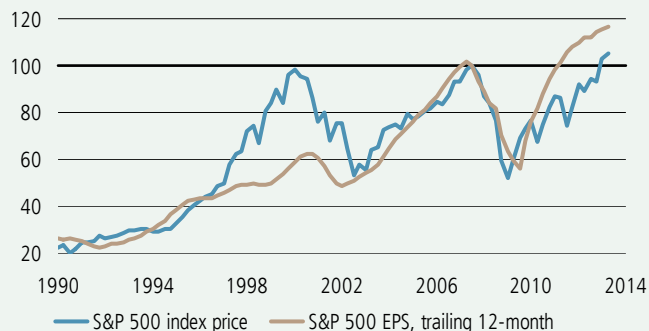
We have a **strong preference for cyclical over defensive sectors**, with overweight allocations to Information Technology (IT), Industrials and Consumer Discretionary. We are also overweight Financials, which should benefit from improving capital market activity, rising bond yields, and a sustained rebound in housing. Within defensive areas of the market, we favor Consumer Staples and select segments of Healthcare (equipment and services). We are cautious on commodity-producers – reflected in our underweight allocation to both the Energy and the Materials sector. Finally, we remain underweight the “expensive defensives”, such as Utilities and Telecommunications Services.

Size and style

We are **overweight both small-caps and mid-caps** relative to large-caps and have a **moderate preference for growth over value**. US housing activity and prices continue to improve and smaller size segments should derive a greater benefit from an improving domestic economy, particularly in housing. Valuation continues to favor growth over value within style segments. Also, sector influences play a strong role in determining the relative performance of growth versus value. An improving outlook for Financials boosts value, but we still have an overweight to Technology, the largest weight in the growth index.

Fig. 1: Stocks reached all-time highs in late 1Q13...18 months after earnings

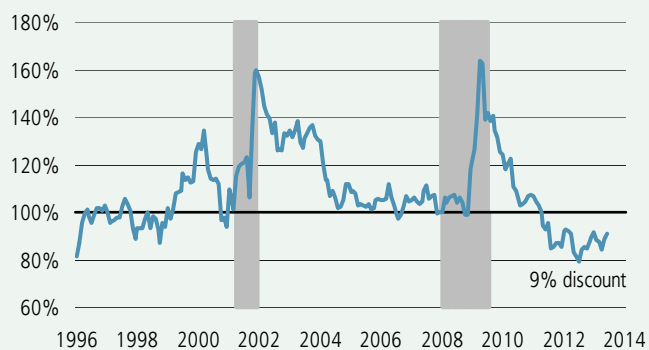
S&P 500 price and EPS, indexed to 2007 Q2



Source: Bloomberg, Standard & Poor's, UBS CIO WMR, as of 27 June 2013

Fig. 2: Low cyclical sector relative valuations should improve as rates rise and the economic outlook improves

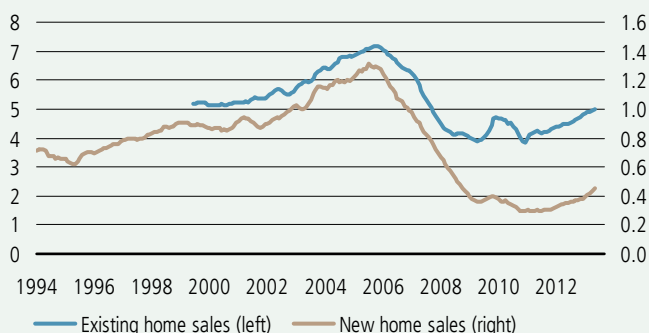
Relative P/E of cyclicals versus defensives



Source: Thomson DataStream, UBS CIO WMR, as of 27 June 2013

Fig. 3: Small- and mid-caps have greater exposure to US housing

New and existing home sales (in millions), 6-month m.a.



Source: Bloomberg, UBS CIO WMR, as of 27 June 2013

Themes

US Housing—the long grind higher

US housing is clearly recovering and should positively contribute to US GDP growth in the coming years. Through April, the S&P Case-Shiller home price index rose 12% year-over-year—the fastest growth rate since March 2006. We expect home prices to continue to rise as supply/demand dynamics are supportive within the market. Sustained housing market gains act as a strong support for Financials, specifically regional and global banks. Other industries that have attractive valuations and housing market exposure include autos, cable TV, home furnishing, machinery, and retailing.

Beneficiaries: Comcast, TJX Companies, Fifth Third Bancorp, JPMorgan Chase, Wells Fargo

Emerging consumers—more people, more money

As emerging markets continue to grow, we believe that the resulting growth in the middle class will lead to increased demand for numerous consumer products and services, including both basic necessities (food, shelter, clothing) and discretionary items/services (automobiles, luxury goods, travel). There are a broad range of companies that stand to benefit from the rise of emerging market consumers in the Consumer Staples, Healthcare and Consumer Discretionary sectors.

Beneficiaries: Coca-Cola, Colgate-Palmolive, Abbott Laboratories

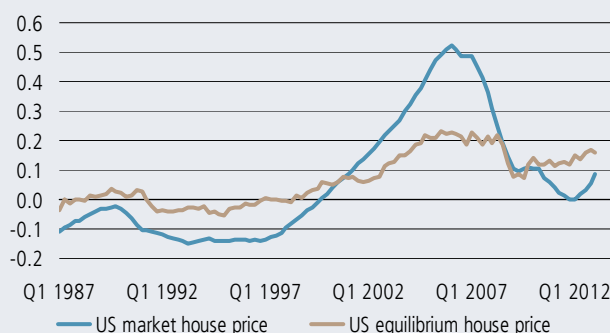
Information Technology—secular growth, on sale

The Information Technology (IT) sector is uniquely positioned to experience strong growth in the coming years. The secular growth drivers within IT include smart mobility, cloud computing, e-commerce and big data. Many US IT companies dominate their categories globally and are well positioned to capture a significant portion of the expected growth within these markets. In addition, Tech should also benefit from a cyclical pickup in enterprise spending on IT products and services. Finally, sector valuations are near two decade lows relative to the market.

Beneficiaries: Cisco Systems, Google, Lam Research, Qualcomm, SanDisk

Fig. 1: US home price gains to continue

US inflation-adjusted market and equilibrium house price, logarithm of normalized index

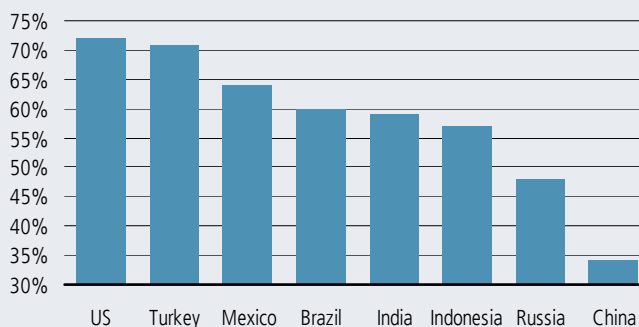


Note: We use the S&P/Case-Shiller Home Price Index to measure the US national single-family house price

Source: Thomson DataStream, UBS CIO WMR, as of 27 June 2013

Fig. 2: EM countries have room to expand consumption

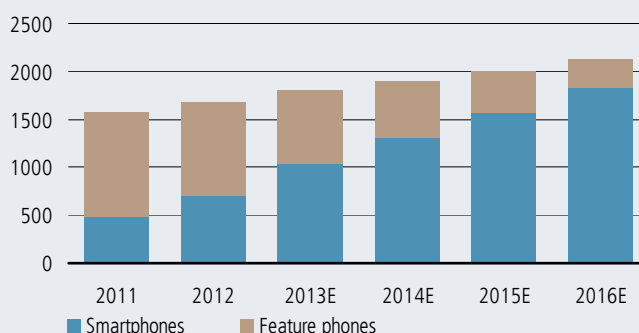
Household final consumption expenditure, as a share of GDP



Source: World Bank, UBS CIO WMR, as of 27 June 2013

Fig. 3: Mobile computing—a secular growth driver for IT

Global unit shipment forecasts, in millions



Source: UBS CIO WMR, as of 27 June 2013

Themes

US Healthcare—change comes from within

The US healthcare system is likely to change dramatically in the coming year, which will have significant investment implications. The main intent behind the transformation of healthcare is to improve the efficiency of the system. We believe investors should focus on companies within three main categories: cost savers, “efficienators” and innovators. Cost savers are organizations that can profit by reducing the cost of care. “Efficienators” are companies that help create market efficiencies. Innovators are organizations that can improve healthcare outcomes through innovative products and services.

Beneficiaries: Abbott Laboratories, Express Scripts, McKesson, Medtronic, ProAssurance

North American energy independence—reenergized

North America is likely to achieve energy independence by the end of the decade. Improvements in technology will provide access to previously unrecoverable supplies of oil throughout the continent. The shift towards greater energy independence will have positive effects on the US economy and companies both directly and indirectly exposed to domestic energy production. A vast amount of infrastructure will need to be developed in order to adequately service the changing energy landscape, benefiting a select group of industries and companies.

Beneficiaries: Marathon Oil, Phillips 66, KBR, Calpine

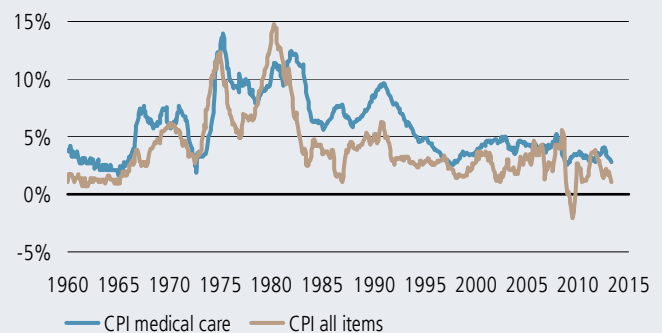
US competitiveness: America’s still got talent

The US consistently ranks as one of the most competitive countries in the world. Although concerns abound regarding America’s future following the recent financial crisis, there are many reasons to be optimistic. A manufacturing renaissance has begun, but the extent of the resurgence will depend on policies aimed at corporate tax reform, streamlining the regulatory environment and improving the skills of the US worker. An emphasis on innovation, creativity, branding, and research and development, combined with an elite labor pool, are the factors that we believe give many US corporations a sustainable edge.

Beneficiary: UPS

Fig. 4: Healthcare costs savings still required

US Consumer Price Indices, year-over-year change



Source: Bloomberg, UBS CIO WMR, as of 27 June 2013

Fig. 5: US energy revolution becoming increasingly apparent

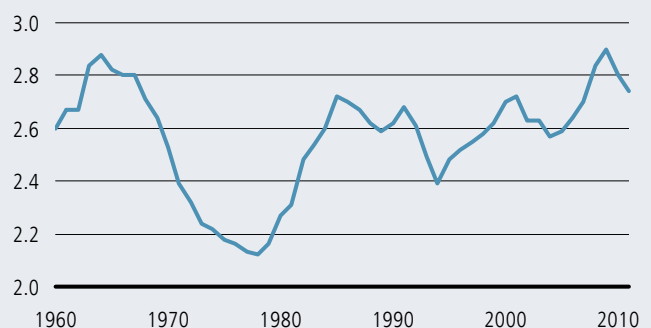
Total US crude oil production, in millions of barrels per day



Source: Bloomberg, US Department of Energy, UBS CIO WMR, as of 27 June 2013

Fig. 6: High R&D intensity supports US competitiveness

Research & development (R&D) as a share of GDP, in %



Source: National Science Foundation/National Center for Science and Engineering Statistics, National Patterns of R&D Resources, UBS CIO WMR, as of 27 June 2013

Themes

Dividend growth stocks—don't overpay for yield

Historically, stocks that have consistently increased dividend payments have generated solid investment results. Our Dividend Ruler Stock List look for companies that meet four criteria: 1) an indicated dividend yield greater than that of the S&P 500; 2) solid fundamentals/valuations; 3) high historical dividend growth; and 4) strong historical dividend consistency. Currently, dividend growth stocks appear undervalued relative to companies with only the highest dividend yield (and low dividend growth).

Beneficiaries: Clorox, Coca-Cola, Colgate-Palmolive, Aflac, Medtronic, UPS

Q-GARP—quality growth at a reasonable price

For our Q-GARP stock list, we screen for stocks that score highly on three characteristics: quality, secular earnings growth, and valuation. To measure quality, we look for companies that are highly profitable with low profit margin volatility. For growth, we look both at the near-term and long-term earnings growth outlook. Lastly, we examine valuation versus peers. We believe that growth stocks appear well positioned to outperform value stocks, but by definition growth stocks carry higher valuations. Our Q-GARP list selects stocks that appear attractively valued relative to their expected earnings growth.

Beneficiaries: Comcast, Nike, O'Reilly Automotive, TJX Companies, Coca-Cola, Colgate-Palmolive, Ameriprise, Express Scripts, McKesson, Medtronic, UPS, Google

Fig. 7: High dividend growth is at record low valuations relative to high dividend yield

Relative P/E valuation of high dividend growth stocks versus high dividend yielding stocks



Source: FactSet, UBS CIO WMR, as of 27 June 2013

Fig. 8: Growth stock valuations remain attractive relative to value

Growth P/E relative to Value P/E



Source: Russell, UBS CIO WMR, as of 27 June 2013

Equity focus list

Comcast (CMCSA) – Consumer Discretionary

House view – Preference for Growth stocks
Fundamentals – CIO WMR: Outperform; IB: Buy
Technicals – Bullish
Thematic – Member of Q-GARP and US housing lists
Quant – Low valuation; attractive growth

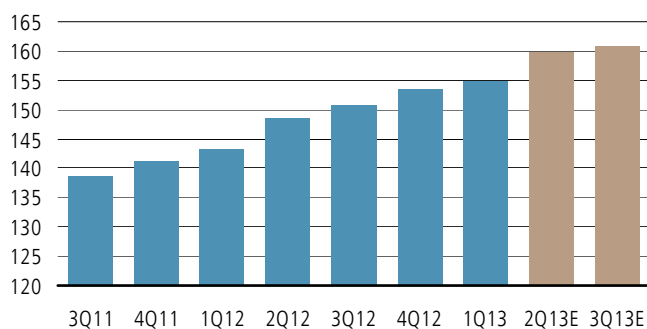
Investment thesis

Comcast is the largest broadband and pay TV provider in the US. Our positive view on Comcast largely rests on the company's strong position in the broadband business. Due to cable's superior broadband infrastructure, pricing power remains quite favorable (see chart below). More tactically, earlier this year the company acquired the 49% stake in NBCUniversal that it had not previously owned. The purchase is accretive to earnings and enables shareholders to fully capture potential upside from ongoing improvements at NBC.

The company also stands to benefit from a recovering housing market, as new homes are added to its network. Industry-wide concerns about higher content costs for cable TV providers are mitigated by the company's ownership of NBCUniversal. The stock is trading at 16x forward earnings, a 12% premium to the market, but justified by its strong competitive advantages, and shareholder friendly management team.

Broadband is driving solid pricing power

Revenue per customer, in USD, brown bars reflect estimates



Source: UBS Investment Research, UBS CIO WMR, as of 27 June 2013

Nike (NKE) – Consumer Discretionary

House view – Preference for Growth stocks
Fundamentals – CIO WMR: Marketperform; IB: Buy
Technicals – Bullish
Thematic – Member of Q-GARP List
Quant – Good asset turnover; strong balance sheet

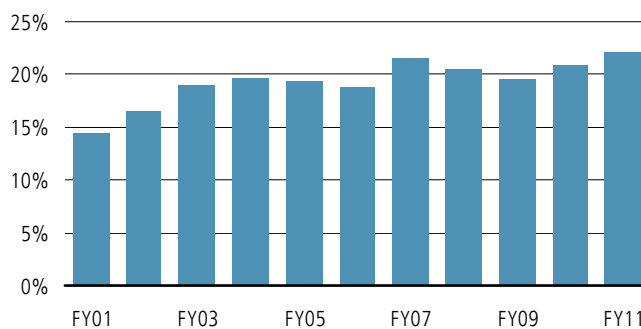
Investment thesis

Nike is a footwear, athletic apparel and sports equipment manufacturer, with one of the strongest global consumer brands. This brand strength, a strong product pipeline, direct to consumer initiatives and emerging market consumer growth opportunities underpin our outlook for consistent long term earnings growth. In the near-term the company has potential upside from a turnaround in its China business, improvements in gross margins and continued innovation-driven market share gains in both basketball and running footwear. On 28 June 2013, Nike reported solid fiscal fourth quarter earnings results, modestly beating Street expectations. Earnings guidance for fiscal 2014 was in-line with published consensus estimates, although some investors seemed disappointed.

Nike generates solid free cash flow and has ramped up share repurchases and dividends. Valuation relative to the market is in line with average levels over the last three years.

Nike: strong brand, strong returns

Return on invested capital



Source: Bloomberg, UBS CIO WMR, as of 27 June 2013

Equity focus list

O'Reilly Automotive (ORLY) – Consumer Discretionary

House view – Preference for Growth stocks
Fundamentals – CIO WMR: Not Rated; IB: Buy
Technicals – Bullish
Thematic – Member of Q-GARP List
Quant – Good cash conversion; attractive free cash flow yield

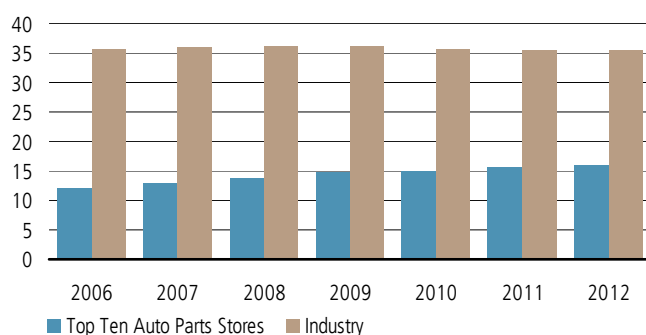
Investment thesis

O'Reilly is the second largest auto parts retailer in the US. The auto parts market is fragmented, with the top three retailers comprising only 30% of the market. Geographic expansion has enabled O'Reilly to post consistent top-line growth and has driven market share gains and same store sales growth that is typically better than peers.

Effective inventory management enables O'Reilly to carry the largest selection of parts and serve both retail and professional consumers. An aging vehicle fleet and rising vehicle maintenance costs also underpin the growth outlook. Tactically, the company faces easy comparisons this year as the warm winter in 2012 enabled many car owners to forgo seasonal maintenance. In addition, management is reducing working capital needs and recently rolled out a loyalty rewards program. Profit margins have historically been fairly stable and the company has consistently generated solid returns on capital. O'Reilly regularly returns cash to shareholders.

Further consolidation likely to boost growth

Number of auto parts stores, in thousands



Source: O'Reilly, UBS CIO WMR, as of 27 June 2013

Starwood Hotels (HOT) – Consumer Discretionary

House view – Preference for Growth stocks
Fundamentals – CIO WMR: Outperform; IB: Buy
Technicals – Bullish
Thematic – Member of Q-GARP List
Quant – Good cash conversion; attractive growth

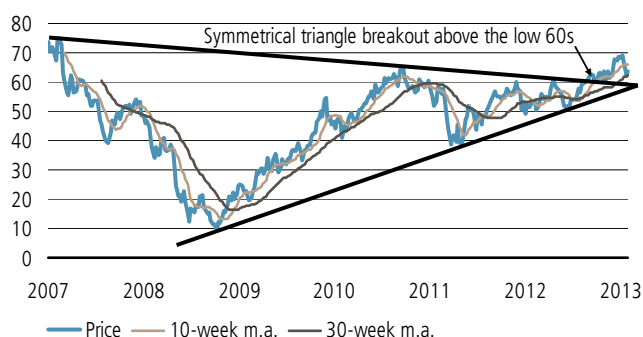
Investment thesis

Starwood Hotels is a global lodging company that is well positioned within the lodging industry given its focus on high-end consumers and business travelers. Recently, management raised the low end of its RevPAR guidance (revenue per available room, a proxy for pricing) by 100 basis points and guided 2013 earnings slightly above consensus.

Strong pricing power is underpinned by limited new supply additions in the lodging industry. Starwood should benefit from ongoing US economic growth as well as a recovery in overseas markets. In addition, Starwood is freeing up capital and creating a steadier cash flow stream by transitioning from owning its hotel rooms to a royalty model. Management has shown a commitment to shareholder value, by returning USD 1.8bn to shareholders in the form of share repurchases and dividends since 2008.

Technicals: Starwood breaking out

Share price, in US dollars



Source: Bloomberg, UBS CIO WMR, as of 28 June 2013

Equity focus list

TJX Companies (TJX) – Consumer Discretionary

House view – Overweight Consumer Discretionary
Fundamentals – CIO WMR: Not Rated; IB: Buy
Technicals – Bullish
Thematic – Member of Q-GARP and US housing lists
Quant – Attractive free cash flow yield; good cash conversion

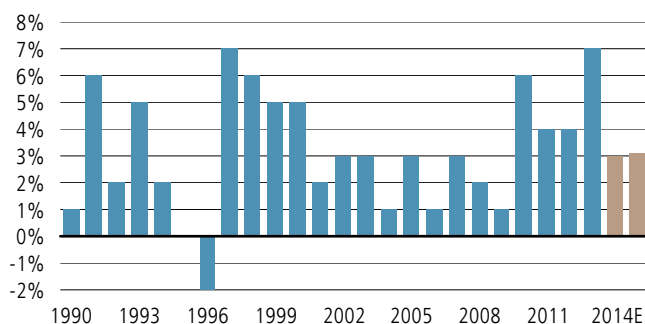
Investment thesis

TJX is the leading off-price apparel and home furnishing retailer in the US and Canada, and is the only major off-price retailer chain in Europe. In the US, its brands include T.J. Maxx, Marshalls, and HomeGoods. The company has an enviable execution track record. Over its 35-year history, only once has the company reported negative same store sales. TJX is also pioneering off-priced retailing in Europe and early results have been encouraging.

The company is also leveraged to the ongoing, and in our view durable, recovery in the US housing market. Home furnishings account for roughly 30% of sales. Recent housing data has been quite positive, with the S&P/Case-Shiller home price index at over 12% yoy for the first time since 2006. The company plans to roll out a new e-commerce strategy in the coming quarters. Relative valuations are only slightly higher than historical averages.

16 consecutive years of positive same store sales growth

Same store sales, year-over-year percent change



Note: Light shading indicates UBS Investment Research estimates.

Source: FactSet, TJX, UBS Investment Research, UBS CIO WMR, as of 27 June 2013

Clorox (CLX) – Consumer Staples

House view – Consumer Staples: preferred defensive sector
Fundamentals – CIO WMR: Outperform; IB: Neutral
Technicals – Bullish
Thematic – Member of Dividend Ruler Stock List
Quant – Attractive valuation; above average gross margins

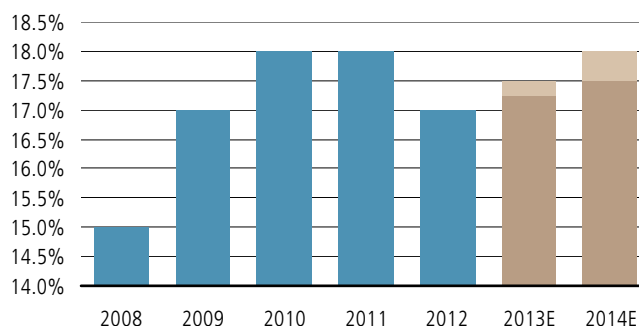
Investment thesis

Clorox, a diversified consumer products company, is attractive relative to peers in the current environment considering its minimal exposure to weak regional end-markets (Europe). Sales volume and earnings momentum should improve in calendar 2013 driven by product innovation, particularly in its bleach business, coupled with margin expansion potential from productivity programs.

Consensus earnings expectations appear relatively low and the majority of Street analysts are cautious on the stock, providing the potential for earnings “beats” and analyst upgrades to be a catalyst for the shares. Over the past ten years, Clorox has also delivered consistent dividend growth and currently has an attractive dividend yield of 3.4%. In terms of valuation, Clorox trades at an 11% valuation premium to the Consumer Staples sector, only slightly higher than its average premium over the past ten years.

Lower overhead & commodity costs to boost margins

EBIT margins



Note: Tan bars indicate company guidance, with lighter shade indicating range of expectations.

Source: Clorox, UBS CIO WMR, as of 27 June 2013

Equity focus list

Coca-Cola (KO) – Consumer Staples

House view – Consumer Staples: preferred defensive sector
Fundamentals – CIO WMR: Outperform; IB: Neutral
Technicals – Bullish
Thematic – EM Consumer; member of Dividend Ruler Stock List
Quant – High gross margins; attractive valuation

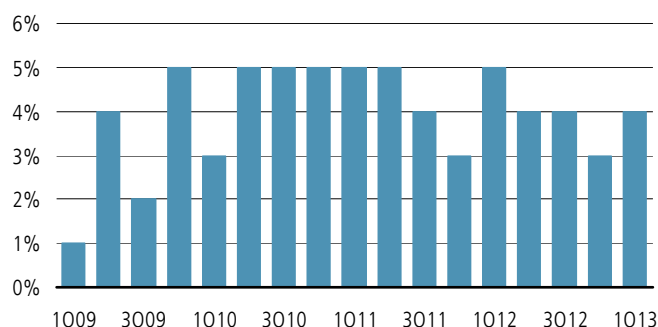
Investment thesis

Coca-Cola is the world's largest beverage company. Coke's high and stable profit margins and consistent long term growth are underpinned by one of the most recognized brands in the world. Coke has rejuvenated its brands through innovation and re-investment in the business, and has expanded its portfolio of non-carbonated beverages such as water, juice, and energy drinks to meet consumer demand for healthier beverage alternatives.

Strong emerging market growth continues to underpin healthy global unit case growth. Productivity programs and, over time, refranchising its distribution network in North America should drive margin expansion. Cash flow remains strong, and the company consistently returns cash to shareholders. Recently, analysts have been trimming earnings estimates due to concerns about a strong dollar and unfavorable weather. We believe investors will see through these short-term factors and, in our view, Coke shares remain attractive.

Steady volume growth for Coca-Cola

Global unit case volume growth, year-over-year



Source: Coca-Cola, UBS CIO WMR, as of 27 June 2013

Colgate-Palmolive (CL) – Consumer Staples

House view – Consumer Staples: preferred defensive sector
Fundamentals – CIO WMR: Outperform; IB: Neutral
Technicals – Bullish
Thematic – EM Consumer; member of Div Ruler & Q-GARP Lists
Quant – High gross margins; good cash conversion

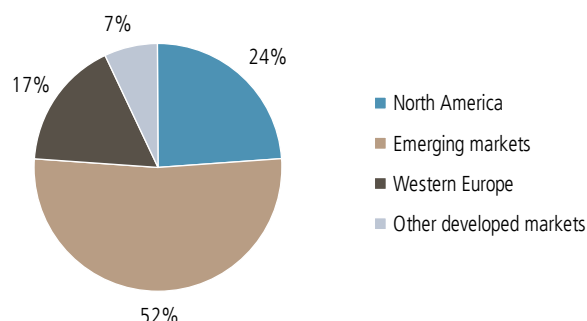
Investment thesis

Colgate continues to deliver solid execution and is one of the best-positioned companies in the Consumer Staples sector given its strong brands in attractive categories, particularly oral care. Over half of total revenues (52%) are derived in faster-growth emerging economies, and the company maintains leading or near-leading market shares across the BRIC regions.

Colgate's steady margin expansion over the last decade is a reflection of the company's strong market position, solid brand recognition as well as the success of its ongoing cost savings programs. Going forward, the company's new product pipeline should bolster top-line growth and a new restructuring program should deliver cost savings later this year. We also like the stock for its strong and consistent dividend growth. Colgate has increased its dividend for the last 51 consecutive years, including a 10% increase announced this March.

More than half of Colgate sales from Emerging Markets

Percent of total sales, by geography



Source: Colgate-Palmolive, UBS CIO WMR, as of 27 June 2013

Equity focus list

Marathon Oil (MRO) – Energy

House view – Favor higher production growth within Energy
Fundamentals – CIO WMR: Marketperform; IB: Buy
Technicals – Bullish
Thematic – North America Energy Independence
Quant – Low valuation

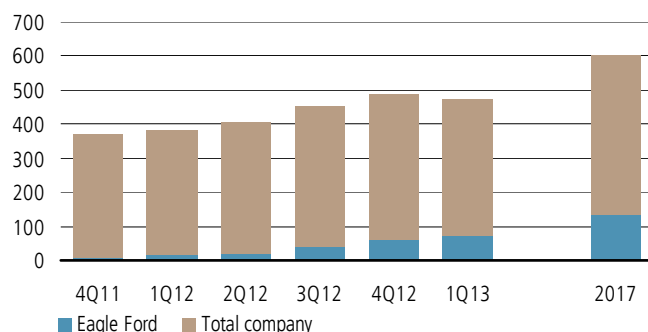
Investment thesis

Marathon Oil is an international energy company involved in the exploration and production of crude oil and natural gas. The company is leveraged to domestic oil and gas production growth, with operations in the Eagle Ford, Bakken and Oklahoma resource basins. MRO spun off its downstream business (now Marathon Petroleum Corporation) in 2011.

While production growth had been inconsistent prior to 2011, the company's increase in its Eagle Ford acreage in the past two years has enabled increased production growth visibility, which management pegs at 5-7% through 2017. This propels cash flow per share growth, which should be nearly twice the level of peers, yet valuations are in line with its closest comparables. While we expect oil prices to be generally range-bound over the next few years, MRO's production growth and low valuation should support solid share price gains.

Eagle Ford Shale driving high-margin production growth

Marathon Oil production, in barrels of oil equivalent per day



Source: Marathon Oil, UBS CIO WMR, as of 27 June 2013

Phillips 66 (PSX) – Energy

House view – Brent / WTI spread to remain
Fundamentals – CIO WMR: Marketperform; IB: Buy
Technicals – Not Rated; not enough price history
Thematic – North America Energy Independence
Quant – Low valuation, strong balance sheet

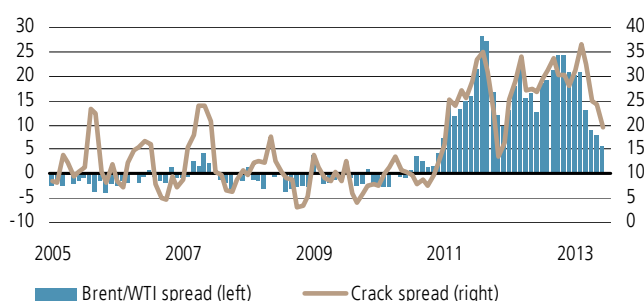
Investment thesis

Phillips 66 was spun off from ConocoPhillips in 2012. As a US refiner (with some overseas assets), PSX is a beneficiary of the US energy boom. The surge in domestic oil production has outpaced the industry's ability to process and transport the commodity. In addition, there are legal restrictions on exporting US crude. As a result, domestic oil prices (WTI) trade at a discount to global oil prices (Brent), which gives US-based refiners a cost advantage.

In addition, US refineries are run on relatively inexpensive domestic natural gas. PSX also owns midstream and chemicals businesses, which are also benefitting from the domestic energy boom. Phillips shares suffered in June as the spread between WTI and Brent narrowed. However, we believe that this spread will widen as domestic supply continues to increase while the industry struggles to process the growth in volumes. Phillips intends to increase dividends and share repurchases.

Wide spread between Brent and WTI benefits refiners

Brent/WTI spread and "Crack spread," in USD



Note: Crack Spread = difference between crude and gasoline prices.

Source: Bloomberg, UBS CIO WMR, as of 27 June 2013

Equity focus list

AFLAC (AFL) – Financials

House view – Overweight Financials
Fundamentals – CIO WMR: Outperform; IB: Neutral
Technicals – Bullish
Thematic – Member of Dividend Ruler Stock List
Quant – Attractive valuation; low volatility

Investment thesis

AFLAC is a US-based insurer that markets and underwrites life and health insurance to individuals in both the US and Japan. It has a dominant market share in Japan from which it derives over 70% of its revenue. Sales growth in Japan is slowing from a very high level, but margins should improve due to mix shift. In addition, AFLAC's business has high retention rates. US sales should benefit from a more active recruitment of better qualified agents, strength in new group insurance sales and an improving US labor market.

AFLAC has a strong capital position. Although the company has heavy exposure to Japan, its shares have historically not been significantly correlated to movements in the yen. We believe AFLAC's valuation is attractive, with a price-to-book multiple of 1.7x, much lower than its 10-year average of 2.6x. We believe valuation will expand as investors grow comfortable that the company's high ROEs are sustainable.

Technicals: Aflac is an emerging leader in Financials

Share price, in US dollars



Source: Bloomberg, UBS CIO WMR, as of 28 June 2013

Ameriprise (AMP) – Financials

House view – Overweight Financials
Fundamentals – CIO WMR: Outperform; IB: Buy
Technicals – Bullish
Thematic – Member of Q-GARP List
Quant – High cash distributions to shareholders

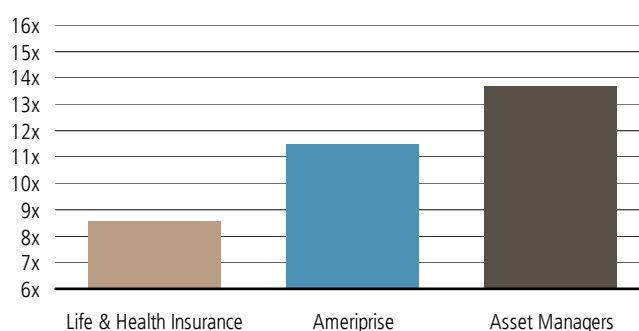
Investment thesis

Ameriprise is transitioning from an insurance business to an asset and wealth management business through organic growth and acquisitions. This transition should result in better returns on capital and a higher valuation multiple for the shares. The company's good growth prospects are underpinned by increasing demand for financial advice as the population ages, as well as market share gains. While assets under management and wealth management client activity should rise as equity markets make further gains, 2Q results may show weak asset management flows due to difficulties at a distributor.

Ameriprise has a strong balance sheet and solid profitability. Despite strong year to date share price performance, Ameriprise still trades at a below-market P/E multiple and a discount to asset managers. As the company becomes increasingly viewed as an asset/wealth manager as opposed to an insurer, we expect valuations to migrate towards the higher P/E multiple asset managers.

Ameriprise valuation to improve as business shifts

Current forward P/E multiple for Ameriprise and sub-industries



Source: FactSet, UBS CIO WMR, as of 27 June 2013

Equity focus list

Fifth Third Bancorp (FITB) – Financials

House view – Overweight Financials
Fundamentals – CIO WMR: Marketperform; IB: Buy
Technicals – Bullish
Thematic – Housing recovery; dividend & share buyback growth
Quant – Attractive valuation

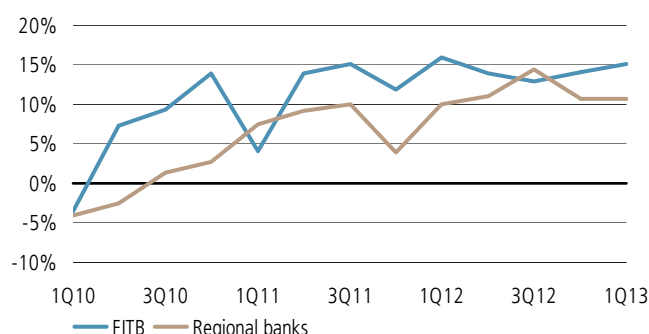
Investment thesis

We expect Fifth Third to benefit from a gradual improvement in commercial loan growth as 2013 unfolds. Fully 39% of total loans come from this segment, tops among its peers. While revenues should slowly pick up, expense management remains the strongest lever to improve profitability. Last quarter, core expenses declined by 4% driven by lower spending on technology, compensation and reduced credit-related expenses.

Lower interest rates have pressured net interest margins (for all banks) over the past few quarters, but the recent increase in the 10-year bond yield to over 2.4% is encouraging. We expect 10-year Treasury rates to stabilize in the mid-2% range over the next six months. Additionally, capital requirements under Basel III have already been achieved (Tier I Common ratio of nearly 9%), which should allow for greater distribution of excess capital in the form of dividends and share repurchases over the coming several quarters.

Profitability at Fifth Third has been stronger than peers

Return on tangible equity; peer group is other regional banks



Source: SNL, UBS CIO WMR, as of 27 June 2013

JPMorgan Chase (JPM) – Financials

House view – Overweight Financials
Fundamentals – CIO WMR: Outperform; IB: Buy
Technicals – Bullish
Thematic – Housing recovery; dividend & share buyback growth
Quant – Attractive return of capital to shareholders

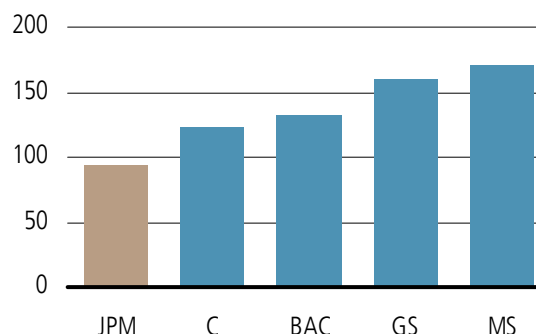
Investment thesis

At a valuation of 9.0x next 12 months EPS, JPM is the cheapest of the large-cap diversified banks. We believe this is unwarranted and presents an attractive opportunity for investors to benefit from an improving capital markets and lending environment. In fact, indications are that 2Q capital markets activity was solid. JPM's return on tangible common equity has consistently been in the mid-teens, which is best among the global US banks. Stronger investment banking revenues combined with continued improvements in credit trends should offset the pressure from declining net interest margins, which themselves could get a boost from a continuation of the recent rise in interest rates.

In short, JPM has a strong balance sheet with ample loan loss reserves, but also exposure to rebounding capital markets and consumer trends, which should propel earnings power going forward. More aggressive return of capital to shareholders is another potential catalyst.

JPMorgan viewed as the highest quality universal bank

5 Year credit default swap price, in basis points



Source: Bloomberg, UBS CIO WMR, as of 27 June 2013

Equity focus list

ProAssurance (PRA) – Financials

House view – Overweight Financials
Fundamentals – CIO WMR: Outperform; IB: Not Rated
Technicals – Bullish
Thematic – US Healthcare
Quant – Attractive valuation; high return on equity

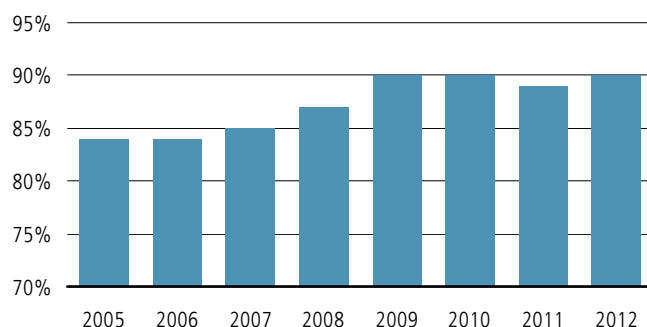
Investment thesis

ProAssurance is a medical professional liability (MPL) insurer. The company specializes in coverage of physicians, with an emphasis on individual and small group practices, not hospitals. The MPL market is fragmented, which makes market share gains easier and enables the company to grow through acquisition. ProAssurance is the only publicly traded MPL company.

PRA has a strong track record of double-digit book value growth, underwriting outperformance and gains in premiums and market share. The company should continue to be a beneficiary of recent changes in the health care landscape that have resulted in lower losses due to various state tort reform measures. Reserve releases contributed to significant EPS upside in 1Q13, and we believe that current consensus EPS estimates may understate the level of reserve releases in 2013.

High retention rates, solid underwriting drive consistent results

Premium Retention - Physicians



Source: ProAssurance, UBS CIO WMR, as of 27 June 2013

Wells Fargo (WFC) – Financials

House view – Overweight Financials
Fundamentals – CIO WMR: Outperform; IB: Neutral
Technicals – Bullish
Thematic – Housing Recovery
Quant – Attractive valuation

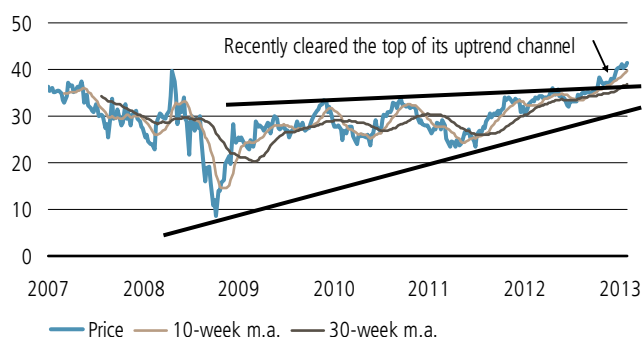
Investment thesis

Wells Fargo is a high-quality large cap bank. We view Wells as a relatively inexpensive way to play a recovery in the US housing market, considering the meaningfully higher valuations of other housing market beneficiaries, such as homebuilders and housing-related retailers (home improvement, home furnishings, etc.). Rising interest rates are beginning to ease pressure on net interest margins. That being said, higher rates are driving a slowdown in mortgage refi activity, although this has been anticipated by investors. We believe mortgage originations related to home purchases will continue to slowly rise.

Meanwhile, credit trends (falling delinquency rates, net charge-offs) continue to improve. The company's diverse revenue sources, its consistently high profitability, the continuing opportunity from improving cross-selling in the legacy Wachovia franchise, and significant expense leverage lend strong upside to a company trading at only 10.9x forward earnings, a 21% discount to the market.

Technicals: WFC is nearing new highs, a bullish sign

Share price, in US dollars



Source: Bloomberg, UBS CIO WMR, as of 28 June 2013

Equity focus list

Abbott Laboratories (ABT) – Healthcare

House view – Preference for Growth stocks
Fundamentals – CIO WMR: Outperform; IB: Buy
Technicals – Bullish
Thematic – US Healthcare; EM Consumer
Quant – Attractive valuation

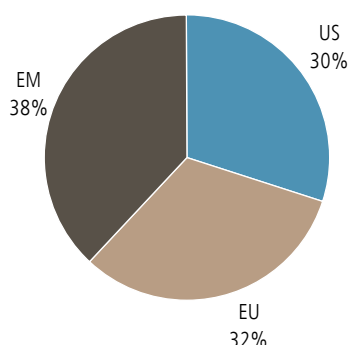
Investment thesis

The “new Abbott,” after the January 2013 spin-off of its proprietary pharmaceuticals business (AbbVie), is a large, diversified medical products company with four well-positioned business segments: Nutritionals (30% of revenues), Medical Devices (25%), Established Pharmaceuticals (25%) and Diagnostics (20%). The new Abbott is a top three player in businesses that account for over 75% of its revenues.

With revenue growth estimated at 5-7% and reasonable margin expansion over the next five years (300bps), driven mostly by Nutritionals and Diagnostics, the new company has the potential to deliver low double digit EPS growth (11-13%). In addition, ABT has significant (nearly 40% of revenues) exposure to fast growing emerging markets. Given these strong growth prospects, we believe valuation of 16.6x forward consensus earnings is reasonable and share price gains will be driven by the solid earnings growth outlook.

The new ABT has significant emerging markets exposure

Percent of total sales, by geography



Source: Abbott, UBS Investment Research, UBS CIO WMR, as of 27 June 2013

Express Scripts (ESRX) – Healthcare

House view – Preference for Growth stocks
Fundamentals – CIO WMR: Outperform; IB: Buy
Technicals – Bullish
Thematic – Member of Q-GARP List
Quant – Attractive valuation; good cash conversion

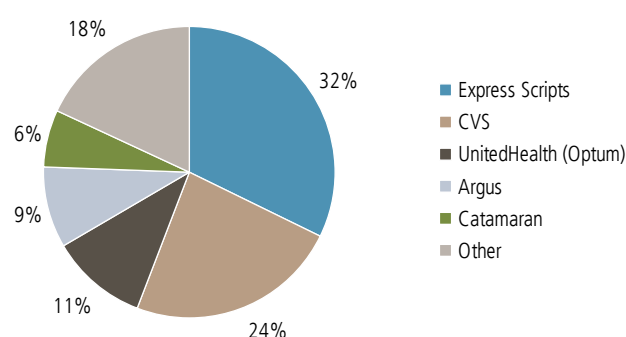
Investment thesis

Express Scripts is the largest pharmacy benefit manager (PBM) in the country. PBMs are well-positioned as a large percentage of branded drugs go off-patent and face generic competition for the first time. Generic drug sales are typically more profitable for PBMs than sales of branded pharmaceuticals. Healthcare reform should also boost volumes as more Americans gain drug insurance coverage.

The industry's oligopoly structure and the company's strong execution have resulted in steady margins and significant free cash flow. Its 2012 acquisition of Medco should further support earnings growth and margins. ESRX currently trades at approximately 13.5x next twelve months consensus EPS estimates, a discount to the broad US equity market and near relative valuation lows. We believe this valuation discount is unwarranted given the solid double digit earnings growth that we expect.

Express Scripts to benefit as prescription volume increases

PBM market share (prescriptions)



Source: Express Scripts, UBS Investment Research, UBS CIO WMR, as of 27 June 2013

Equity focus list

McKesson (MCK) – Healthcare

House view – Preference for Growth stocks
Fundamentals – CIO WMR: Outperform; IB: Buy
Technicals – Bullish
Thematic – Member of Q-GARP List
Quant – Attractive valuation

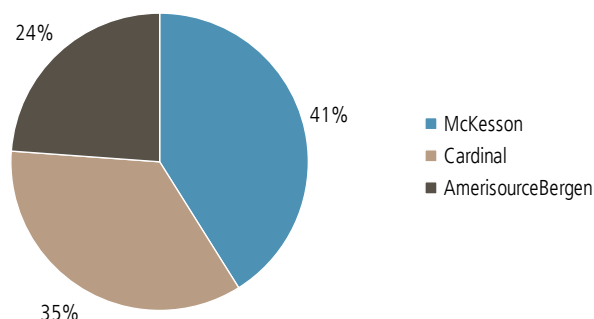
Investment thesis

McKesson is the largest US drug distributor, acting as middleman between pharmaceutical manufacturers and retailers. The largest three US drug distributors collectively comprise 97% of the market, an oligopoly industry structure that supports pricing power, margin stability and growth.

Healthcare reform will increase healthcare insurance coverage, which should result in greater demand and higher volumes for healthcare products and services. The large volume of branded pharmaceuticals coming off patent should also support earnings growth given the greater profitability of generics for McKesson. At their analyst meeting on 26 June, management confirmed FY 2014 guidance, highlighted their differentiated global sourcing and suggested that trends in the June quarter have been solid. We believe the stock is attractively valued, trading at a P/E multiple that is in line with the market despite higher than market average growth prospects.

McKesson the largest of the “big three” drug distributors

Distributor market share (revenues)



Source: McKesson, UBS Investment Research, UBS CIO WMR, as of 27 June 2013

Medtronic (MDT) – Healthcare

House view – Prefer Healthcare Eqmnt & Svcs within Healthcare
Fundamentals – CIO WMR: Outperform; IB: Buy
Technicals – Bullish
Thematic – Member of Dividend Ruler and Q-GARP Lists
Quant – Attractive valuation and growth

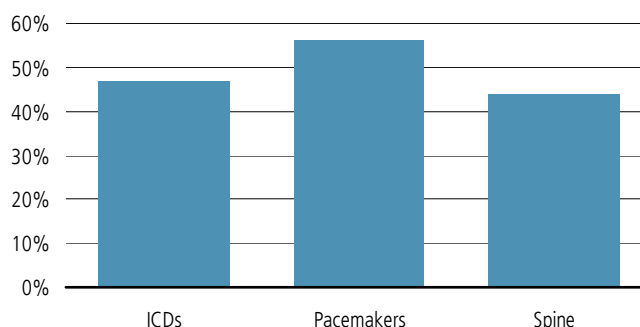
Investment thesis

Medtronic is one of the largest medical equipment makers in the world with specialties in spine, cardiac and neuromodulation (e.g. pain management). The company should be able to maintain sales and EPS growth given its continued expansion into non-US markets, focus on chronic diseases, an aging population and a new slate of products that are taking share. Additional product launches to treat diabetes, hypertension and a new cardiac valve are in the pipeline.

Medtronic recently reported surprisingly strong 4Q FY13 results, delivering better-than-expected sales gains in three of its largest product categories—implantable defibrillators (ICDs), pacemakers and spine products. Its results demonstrate that the markets for these products have finally stabilized after 2-3 years of downward trends and that Medtronic has gained market share from its competitors. The stock's free cash flow yield of nearly 9% and ramping distributions to shareholders mitigate downside risks.

Dominant market share in large product segments

Worldwide market share



Source: UBS Investment Research, UBS CIO WMR, as of 27 June 2013

Equity focus list

Ingersoll-Rand (IR) – Industrials

House view – Overweight Industrials
Fundamentals – CIO WMR: Not Rated; IB: Buy
Technicals – Bullish
Thematic – Cyclical improvement in capital spending
Quant – Attractive historical growth and valuation

Investment thesis

Ingersoll-Rand is a diversified industrial. Its Climate Solutions unit – which includes both Trane Commercial (indoor climate control systems) and Thermo-King (transport refrigeration) – comprises half of revenues. The other businesses are Industrial Technologies, Security and Residential Solutions. The company is most levered to the non-residential HVAC (heating, ventilation and air conditioning) end-markets.

The commercial construction and retrofit cycles during the current recovery have been rather weak, but should improve over the next several quarters as US growth picks up and businesses become more convinced of its sustainability. An activist investor joined the board in 2012 and has sparked a shift to more shareholder-friendly activities such as a significant ramp in share repurchases, a greater focus on cost discipline and a proposed spin-off of its security business. The company filed spin-off documents with the SEC in June and management expects the deal to be completed in Nov or Dec.

Technicals: New all-time highs for this leader in Industrials

Share price, in US dollars



Source: Bloomberg, UBS CIO WMR, as of 28 June 2013

KBR (KBR) – Industrials

House view – Overweight Industrials
Fundamentals – CIO WMR: Not Rated; IB: Buy
Technicals – Neutral
Thematic – North American Energy Independence
Quant – Attractive profitability and historical growth

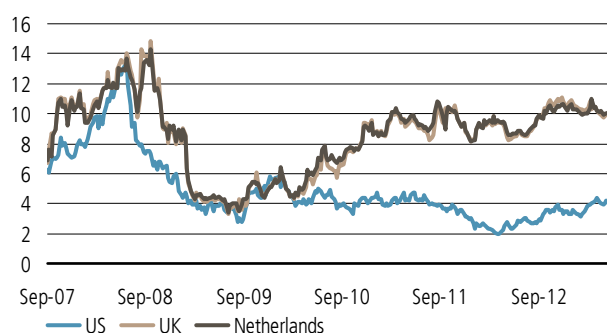
Investment thesis

KBR is an engineering and construction firm that is well positioned to benefit from the build-out of infrastructure to support booming natural gas production. KBR has strong Liquefied Natural Gas (LNG) export terminal construction expertise. On the heels of a recent US Department of Energy study that showed that exports of natural gas from the US would have minimal impact on domestic prices, we expect the federal government to approve additional export terminals.

The company should also benefit from LNG export facility development in Africa and Australia. Much higher natural gas prices in Europe and Japan (relative to the US) are further incentives to construct export and import facilities to take advantage of these geographical arbitrage. China is also turning to natural gas to satisfy its continued thirst for energy. With the stock trading at only 11.2x earnings, we believe the risk/reward for the shares is attractive.

Low natural gas prices in US incentivizes US exports

Natural gas price, in USD per MMBtu



Source: Bloomberg, UBS CIO WMR, as of 27 June 2013

Equity focus list

Tyco (TYC) – Industrials

House view – Overweight Industrials
Fundamentals – CIO WMR: Not Rated; IB: Buy
Technicals – Bullish
Thematic – Cyclical improvement in capital spending
Quant – Low valuation, attractive historical growth

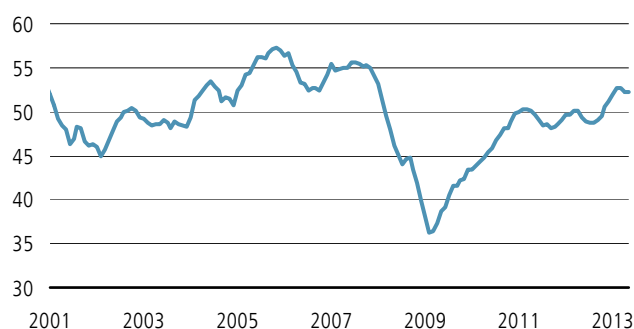
Investment thesis

After divesting many divisions over the past several years, today's Tyco is the market share leader in the global security and fire protection services and equipment markets. The company is levered to an increase in non-residential construction, which we believe is poised to improve. Non-residential construction usually takes its cues from residential construction, which has been rebounding.

Away from macro considerations the company has identified margin expansion opportunities through efficiency gains and focusing on more profitable business. In fact, margins were up 120bps year over year in the most recent quarter. The industry is highly fragmented, and Tyco is in a good position to pursue an acquisition strategy within its markets. The company's balance sheet is very strong and should fuel bolt-on acquisitions as well as more aggressive redeployment of capital to shareholders in the coming years.

Non-residential construction activity poised to rebound

Architecture Billings index, 6-month moving average



Source: Bloomberg, UBS CIO WMR, as of 27 June 2013

UPS (UPS) – Industrials

House view – Overweight Industrials
Fundamentals – CIO WMR: Outperform; IB: Buy
Technicals – Neutral
Thematic – Dividend Ruler, Q-GARP, US Competitiveness
Quant – Low share price volatility

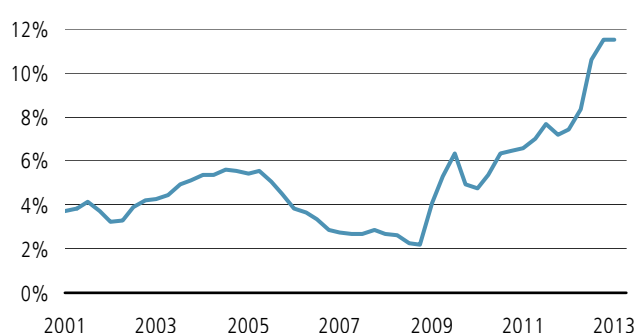
Investment thesis

UPS is a high-quality company that has consistently generated attractive returns on capital – a reflection of the oligopoly nature of most of its markets and a keen focus on efficiency. We expect the company to benefit from a gradual re-acceleration in global economic growth over the next few quarters. UPS is also benefitting from the secular growth in e-commerce.

Valuation is attractive, in our view. The stock's current P/E is 18% higher than the market, a discount to its 30% valuation premium over the last 5 years. As the economy recovers, we expect valuations to expand. While rival FedEx reported a sluggish outlook in June, much of the weakness was due to a longer than expected implementation (and associated earnings benefit) of its restructuring plan. Meanwhile, cash continues to pile up on the balance sheet (see chart below) and the company's 2.7% dividend yield and its recent USD 10 billion share repurchase authorization mitigate downside risks.

Growing free cash flow supports share repurchases

Cash as a percentage of market value, rolling four quarter avg



Source: FactSet, UBS CIO WMR, as of 27 June 2013

Equity focus list

Cisco (CSCO) – Information Technology

House view – Overweight Information Technology
Fundamentals – CIO WMR: Outperform; IB: Buy
Technicals – Bullish
Thematic – Cyclical improvement in capital spending
Quant – High return on capital, good asset turns

Investment thesis

We believe Cisco's guidance for 5-7% revenue growth and pro forma EPS growth of 7-10% over the next few years are likely to be reached or exceeded. Though Cisco remains the dominant player in its slower-growth, core legacy business of routers and Ethernet switches, we believe that its internal growth targets can be achieved through faster growth in other business lines.

The company has successfully penetrated the data center server market as part of its cloud strategy, and is driving solid growth in mobility, video collaboration and security. At the Cisco Live customer and partner conference in June, they launched a variety of products that demonstrate the company's adjustment to global IT industry changes, particularly the rapid shift to cloud computing. With improving growth prospects and a new emphasis on shareholder-friendly measures (dividends and share repurchases), we expect Cisco's low P/E multiple of 11.7x to expand over time.

CSCO's growth to be driven by non-legacy segments

Earnings growth guidance, by segment

Segment	Expected 3-5 year growth rate
Data Center	20%-26%
Mobility	14%-17%
Software	14%-16%
Services	9%-11%
Video	6%-9%
Security	5%-7%

Source: Cisco, UBS CIO WMR, as of 27 June 2013

Google (GOOG) – Information Technology

House view – Overweight Information Technology
Fundamentals – CIO WMR: Outperform; IB: Buy
Technicals – Bullish
Thematic – Internet secular growth, Q-GARP List
Quant – High return on capital, good cash conversion

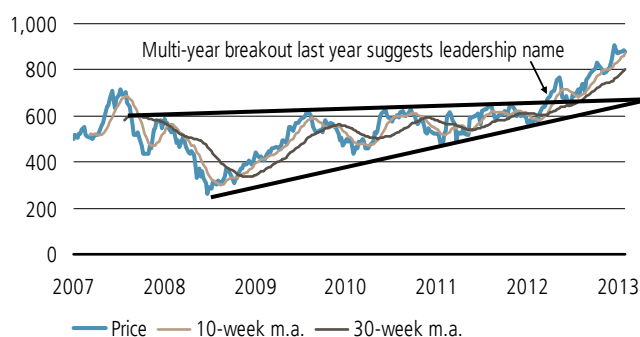
Investment thesis

Google dominates the Internet search business with a 67% market share, which drives high profitability relative to its IT peers. As the global search leader, Google is positioned as one of the primary beneficiaries of the structural shift of advertising dollars from traditional to online media. The percent of consumer time devoted to the Internet is still higher than the percent of advertising dollars that have migrated online, suggesting that Internet advertising (both search and display) has many more years of solid growth ahead.

With the leading operating system for smartphones (Android), Google is also well positioned to grow in the mobile advertising marketplace. Given the company's strong earnings growth outlook and dominant market positioning, we view its current 27% valuation premium relative to the S&P 500 as reasonable and expect the shares to be propelled by better than market average EPS growth.

Technicals: GOOG is a leader in the Tech sector

Share price, in US dollars



Source: Bloomberg, UBS CIO WMR, as of 28 June 2013

Equity focus list

Lam Research (LRCX) – Information Technology

House view – Overweight Information Technology
Fundamentals – CIO WMR: Not Rated; IB: Buy
Technicals – Bullish
Thematic – Information Technology secular growth
Quant – Attractive valuation, good cash conversion

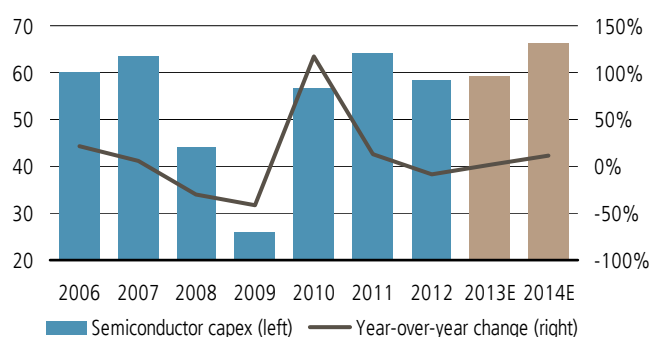
Investment thesis

Lam Research is a leading wafer fabrication equipment supplier. We believe that Lam will benefit from an increase in capital spending by semiconductor manufacturers over the next few years. Semiconductor spending has flattened out over the past several years as companies have been increasingly focused on cost management. In particular, memory semiconductor manufacturers have been “under-spending” for the last three years. However, semiconductor manufacturers are approaching a tipping point, finding that it is becoming more costly to increase efficiency.

We therefore view recent concerns about a potential pause in equipment spending as temporary. With the global economy healing and the cost of expanding semiconductor manufacturing rising, semi capital equipment spending should increase. Finally, Lam shares are currently trading at approximately 1.6 times book value, a significant discount to its long-term average of 3.4 times.

Semiconductor capex expected to rise

Semiconductor capex (in billions of US dollars) and y/y change



Source: UBS Investment Research, UBS CIO WMR, as of 27 June 2013

Qualcomm (QCOM) – Information Technology

House view – Overweight Information Technology
Fundamentals – CIO WMR: Outperform; IB: Buy
Technicals – Neutral
Thematic – Mobility secular growth
Quant – High return on capital, strong free cash flow growth

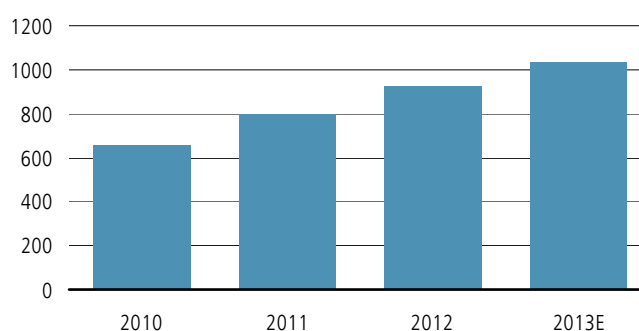
Investment thesis

Qualcomm is one of the best ways to participate in the explosive growth in mobility, in our view. As an early pioneer in developing wireless communications standards, Qualcomm assembled an impressive intellectual property portfolio. As a result, the company earns a royalty on all handsets that operate on certain 3G and 4G technologies, which should continue to enjoy strong growth as these networks experience rapid expansion into emerging markets. This business accounts for over 70% of the company's profits, with the remainder derived from semiconductor chips that are sold to handset manufacturers.

The company's strong position in both businesses drives high and stable returns on invested capital and management expects double-digit annual revenue and EPS growth over the next five years. At a P/E of 12.7x, shares are trading at the bottom of their five-year absolute and relative valuation ranges.

Royalty income rising for Qualcomm

Qualcomm 3G/4G device shipment estimates, in millions



Source: Qualcomm, UBS CIO WMR, as of 27 June 2013

Equity focus list

SanDisk (SNDK) – Information Technology

House view – Overweight Information Technology
Fundamentals – CIO WMR: Outperform; IB: Buy
Technicals – Bullish
Thematic – Mobility secular growth
Quant – High return on capital

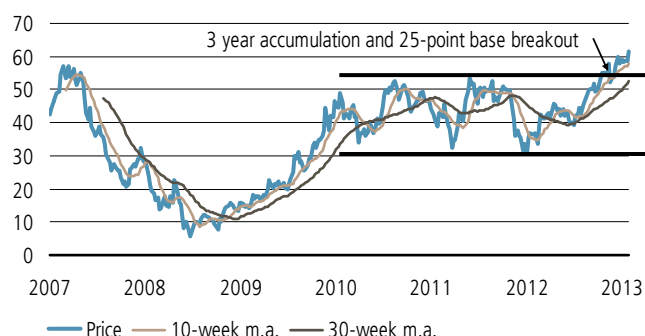
Investment thesis

SanDisk is a leading provider of NAND flash memory chips and the only “pure-play” of the five major global NAND flash manufacturers. NAND growth has been propelled by the explosion in mobile devices, which rely on NAND chips to store everything from apps to videos. NAND is also beginning to penetrate the notebook market, displacing hard disk drives. SanDisk estimates that NAND memory will be used in 22% of notebook PCs this year and in over 50% by 2015-2016, up from just 12% in 2012.

After suffering through a period of over-capacity in 2012, NAND manufacturers have dialed back expansion plans. As a result, NAND pricing has improved, with data released in June showing NAND flash prices remained firm. We expect NAND manufacturers to remain disciplined especially as the cost of adding capacity is rising. Meanwhile, demand growth remains robust (“bits” sold in Q1 increased 36% year-over-year). At a current P/E of 13.7x, we find the shares compelling.

Technicals: Large multi-year base breakout for SanDisk

Share price, in US dollars



Source: Bloomberg, UBS CIO WMR, as of 28 June 2013

Celanese (CE) – Materials

House view – Preference for small- and mid-caps
Fundamentals – CIO WMR: Outperform; IB: Not Rated
Technicals – Bullish
Thematic – North American Energy Independence
Quant – Attractive valuation

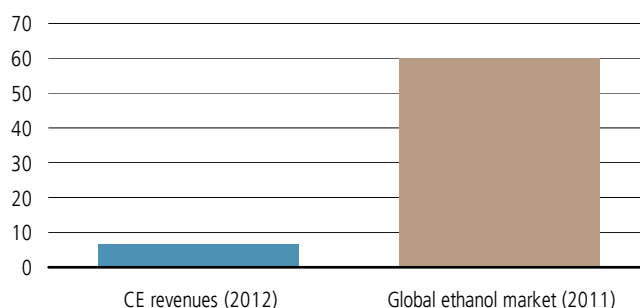
Investment thesis

Celanese is a global chemical manufacturer with a new management team that is restructuring underperforming businesses. The company is generally exposed to end markets such as automobiles, appliances, paints, construction, carpets and solar photovoltaics. Celanese is also attempting to commercialize a new technology that can convert coal and natural gas-based methanol into ethanol for use as a transportation fuel. This technology could be a blockbuster if it can, as management expects, be commercialized at a cost that is lower than the current price of gasoline. Celanese is initially targeting the Chinese and Indonesian markets for this technology.

Concerns about growth in emerging markets have weighed on the shares and led to a modest reduction in consensus estimates. But with the shares now trading at a P/E of approximately 10x normalized EPS (excluding the ethanol opportunity), we believe risk / reward is attractive.

Huge potential opportunity in ethanol fuel market

Total sales, in billions of US dollars



Source: Bloomberg, Celanese, UBS CIO WMR, as of 27 June 2013

Equity focus list

Calpine (CPN) – Utilities

House view	– Avoid expensive high dividend yielding Utilities
Fundamentals	– CIO WMR: Outperform; IB: Buy
Technicals	– Bullish
Thematic	– North American Energy Independence
Quant	– Attractive historical growth, low valuation

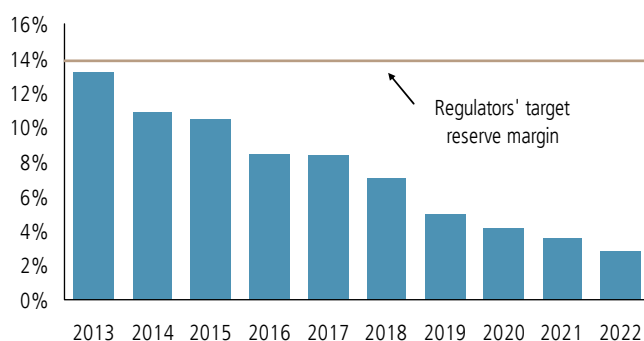
Investment thesis

Calpine shares offer one of the best ways to participate in a power market recovery. Due to the recession, the US has surplus generating capacity. However, power markets are beginning to tighten as demand grows and the most inefficient coal-fired power plants are shuttered due to environmental regulations and poor profitability. This is particularly true in Texas where Calpine generates approximately 25% of its power. Texas regulators took further steps in 2Q to introduce market reforms that would enable power generators to collect revenues that are more reflective of the tight power market conditions.

Calpine's P/E appears high, but current earnings are distorted by higher than normal depreciation expense and do not account for the company's large tax shield. Alternatively, the shares currently have an attractive normalized free cash flow yield of 7%. Additionally, we look for share repurchases totaling 3-4% of the company's market value to provide further support.

Tightening Texas power markets a positive for Calpine

Reserve margins (excess supply relative to demand)



Source: ERCOT forecasts, UBS CIO WMR, as of 27 June 2013

Financial highlights and performance

Name	Ticker	Date of addition	Industry/ Sub Industry	PE on next 12 mo EPS ests	Consensus 2013E EPS Growth	Consensus 2014E EPS Growth	Dividend Yield	Total Return - June (c)	Total Return Since Addition
<i>Consumer Discretionary</i>									
Comcast	CMCSA	06/04/13	Cable & Satellite	15.5	25%	14%	1.87%	2%	2%
Nike	NKE	06/04/13	Footwear	20.2	14%	8%	1.32%	1%	1%
O'Reilly Automotive	ORLY	06/04/13	Automotive Retail	18.1	22%	14%	0.00%	3%	3%
Starwood Hotels	HOT	06/04/13	Hotels Resorts & Cruise Lines	22.1	7%	5%	1.98%	-6%	-6%
TJX Companies	TJX	06/04/13	Apparel Retail	16.9	11%	13%	1.16%	-1%	-1%
<i>Consumer Staples</i>									
Clorox	CLX	06/04/13	Household Products	18.2	5%	8%	3.42%	-1%	-1%
Coca-Cola	KO	06/04/13	Soft Drinks	18.1	6%	9%	2.79%	-2%	-2%
Colgate-Palmolive	CL	06/04/13	Household Products	19.1	7%	10%	2.38%	-3%	-3%
<i>Energy</i>									
Marathon Oil	MRO	06/04/13	Oil & Gas Exploration & Prod.	11.3	17%	7%	1.97%	-1%	-1%
Phillips 66	PSX	06/04/13	Oil & Gas Refining & Marketing	7.7	-5%	-10%	2.12%	-10%	-10%
<i>Financials</i>									
Aflac	AFL	06/04/13	Life & Health Insurance	9.2	-6%	6%	2.41%	4%	4%
Ameriprise	AMP	06/04/13	Asset Management & Banks	11.5	18%	15%	2.57%	-2%	-2%
Fifth Third Bancorp	FITB	06/04/13	Regional Banks	10.4	5%	-1%	2.66%	1%	1%
JPMorgan	JPM	06/04/13	Diversified Financial Services	9.1	10%	4%	2.88%	-2%	-2%
ProAssurance	PRA	06/04/13	Property & Casualty Insurance	13.7	-6%	-8%	1.92%	4%	4%
Wells Fargo	WFC	06/04/13	Diversified Banks	10.9	10%	5%	2.91%	2%	2%
<i>Health Care</i>									
Abbott Laboratories	ABT	06/04/13	Health Care Equipment	16.6	15%	12%	1.60%	-5%	-5%
Express Scripts	ESRX	06/04/13	Health Care Services	13.5	15%	15%	0.00%	-1%	-1%
McKesson	MCK	06/04/13	Health Care Distributors	13.9	27%	13%	0.70%	2%	2%
Medtronic	MDT	06/04/13	Health Care Equipment	13.4	2%	7%	2.18%	0%	0%
<i>Industrials</i>									
Ingersoll-Rand	IR	06/04/13	Industrial Machinery	14.3	9%	16%	1.52%	-2%	-2%
KBR	KBR	06/04/13	Construction & Engineering	11.2	24%	17%	0.98%	-7%	-7%
Tyco	TYC	06/04/13	Security & Alarm Services	15.9	36%	17%	1.96%	-2%	-2%
United Parcel Service	UPS	06/04/13	Air Freight & Logistics	16.4	10%	14%	2.87%	1%	1%
<i>Information technology</i>									
Cisco Systems	CSCO	06/04/13	Communications Equipment	11.7	8%	6%	2.80%	0%	0%
Google	GOOG	06/04/13	Internet Software & Services	17.6	16%	16%	0.00%	2%	2%
Lam Research	LRCX	06/04/13	Semiconductor Equipment	12.2	3%	78%	0.00%	-8%	-8%
Qualcomm	QCOM	06/04/13	Communications Equipment	12.7	22%	8%	2.29%	-4%	-4%
SanDisk	SNDK	06/04/13	Computer Storage	13.7	73%	15%	0.00%	5%	5%
<i>Materials</i>									
Celanese	CE	06/04/13	Specialty Chemicals	9.4	20%	14%	0.80%	-8%	-8%
<i>Utilities</i>									
Calpine	CPN	06/04/13	Utilities	29.3	262%	50%	0.00%	8%	8%
Equity Focus List (a)				14.6	22%	13%	1.68%	-1.3%	-1.3%
S&P 500 (b)				13.9	7%	11%	2.13%	-1.4%	-1.4%
Relative Performance								0.1%	0.1%

(a) Valuation and earnings growth data is the average for the stocks currently on the list.

(b) Based on current consensus bottom-up estimates.

(c) Since list inception on 3 June 2013

Source: Bloomberg, FactSet, UBS CIO WMR, as of 28 June 2013

Statement of Risk

Equity markets are difficult to forecast because of fluctuations in the economy, investor psychology, geopolitical conditions, and other important variables.

Description and Methodology

To be included on the CIO WMR Equity Focus List, stocks must:

1. **Have a positive or neutral fundamental rating.** Stocks must be listed on either the Sector Outperform or Sector Marketperform List from CIO Wealth Management Research (CIO WMR), or a 12-month rated Buy or Neutral recommendation by UBS Investment Research. UBS Investment Research is part of UBS Investment Bank (the UBS business group that includes, among others, UBS Securities LLC).
2. **Have a favorable technical rating.** Stocks must have a Bullish or Neutral technical rating. Neutral-rated stocks included on the list have a favorable risk / reward with a material probability of breaking into a bullish trend.
3. **Score attractively on our quantitative framework.** Our quantitative framework identifies factors that have produced historical outperformance within each equity industry group. We apply these factors to the current industry group constituents in order to determine the most attractive candidates. Factors encompass valuation, growth, quality, and momentum indicators.
4. **Fit into the UBS House View.** The House View incorporates our macro strategists' outlook on economic growth, asset allocation, risk-taking, regional equity recommendations, sector preferences within the US equity market, as well as US equity size and style tilts. The House View is articulated in our *UBS House View* publications.
5. **Be consistent with our thematic views.** We incorporate selections that we expect to benefit from our highest conviction tactical or secular equity themes based on previously published thematic research or theme-based research embedded in other strategy reports.

Portfolio analysis tools are also employed to measure overall factor exposures within the list.

The UBS CIO WMR Stock Selection Committee (SSC) determines the constituents of the Equity Focus List by identifying stocks that screen attractively on the criteria listed above. Members of the SSC are:

David Lefkowitz (Chair)	Stephen R. Freedman (*)	Jonathan Woloshin
Michael Dion	Peter Lee	Jeremy A. Zirin

(*) Non-voting

The indicated performance is based on capital appreciation plus dividends of an equal weight portfolio, but does not include transaction costs, such as commissions, fees, margin interest, and interest charges. Actual transactions adjusted for such transaction costs will result in reduced total returns. Prices of stocks in this performance reflect closing prices one trading day after the addition or deletion to ensure that changes to the list are announced in a manner that allows clients to match the list's performance.

A complete record of all the recommendations upon which the report is based is available from UBS Financial Services Inc. upon written request. Past performance is not an indication of future results. Since its inception, the list has included 32 stocks, of which 13 advanced and 19 declined while on the list.

Treatment of Equity Focus List Stocks on the Firm's Restricted List

Where securities are included on the Firm's Restricted List (explained in more detail below) the securities are annotated as such with an asterisk, but have been left in the Equity Focus List for performance tracking purposes only. At the time the security was added to the Equity Focus List, and until the time it was added to the Restricted List, it met the WMR criteria for inclusion described above. However, while it is on the Restricted List the firm and authors of this publication, are prohibited from expressing their ongoing view of the security. As a matter of course this should neither be necessarily construed positively or negatively, or as a recommendation to buy, hold or sell the security.

The security remains on the Equity Focus List until such time as the security is removed from the Restricted List at which time the analyst will either re-affirm his/her ongoing inclusion on the Equity Focus List or remove it in accordance with the normal rules for changes to the list outlined above when other stocks are judged to offer more attractive risk/reward tradeoffs.

The Firm's Restricted List

The principal reasons that issuers are included on the Firm's Research Restricted list are that one or more legal entities within the UBS group are involved as an advisor and/or underwriter in a publicly announced corporate transaction. Dependent on relevant security regulations / laws, firm policy, the management of conflicts of interest and to avoid the appearance of impropriety, there may be a requirement for all or a combination of the following: restrictions on the publication of new research, suspensions of research ratings and forecasts, prohibitions on making recommendations to clients, restrictions on placing securities into discretionary accounts and prohibitions on proprietary and/or personal account trading in respect of names on the list.

Equity Focus List

Name	Ticker	Sector	Price (6/28/2013)
Abbott Laboratories	ABT	Health Care	\$34.88
Accenture	ACN	Information Technology	\$71.96
Aflac	AFL	Financials	\$58.12
Ameriprise	AMP	Financials	\$80.88
Calpine	CPN	Utilities	\$21.23
Celanese	CE	Materials	\$44.80
Cisco Systems	CSCO	Information Technology	\$24.34
Clorox	CLX	Consumer Staples	\$83.14
Coca-Cola	KO	Consumer Staples	\$40.11
Colgate-Palmolive	CL	Consumer Staples	\$57.29
Comcast	CMCSA	Consumer Discretionary	\$41.75
Express Scripts	ESRX	Health Care	\$61.74
Fifth Third Bancorp	FITB	Financials	\$18.05
Google	GOOG	Information Technology	\$880.37
Ingersoll-Rand	IR	Industrials	\$55.52
JPMorgan	JPM	Financials	\$52.79
KBR	KBR	Industrials	\$32.50
Lam Research	LRCX	Information Technology	\$44.34
Marathon Oil	MRO	Energy	\$34.58
McKesson	MCK	Health Care	\$114.50
Medtronic	MDT	Health Care	\$51.47
Nike	NKE	Consumer Discretionary	\$63.68
O'Reilly Automotive	ORLY	Consumer Discretionary	\$112.62
Phillips 66	PSX	Energy	\$58.91
ProAssurance	PRA	Financials	\$52.16
Qualcomm	QCOM	Information Technology	\$61.09
SanDisk	SNDK	Information Technology	\$61.10
Starwood Hotels	HOT	Consumer Discretionary	\$63.19
TJX Companies	TJX	Consumer Discretionary	\$50.06
Tyco	TYC	Industrials	\$32.95
United Parcel Service	UPS	Industrials	\$86.48
Wells Fargo	WFC	Financials	\$41.27

Source: FactSet and UBS CIO WMR as of 28 June 2013

Required Disclosures

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Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

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Stock Recommendation System

Wealth Management Research

Analysts provide a relative rating, which is based on the stock's total return potential against the total estimated return of the appropriate sector benchmark over the next 12 months.

Industry Sector Relative Stock View

Outperform (OUT)	Expected to outperform the sector benchmark over the next 12 months.
Marketperform (MKT)	Expected to perform in line with the sector benchmark over the next 12 months.
Underperform (UND)	Expected to underperform the sector benchmark over the next 12 months.

Under review

Upon special events that require further analysis, the stock rating may be flagged as "Under review" by the analyst.

Restricted

Issuing of research on a company by WMR can be restricted due to legal, regulatory, contractual or best business practice obligations which are normally caused by UBS Investment Bank's involvement in an investment banking transaction in regard to the concerned company.

Sector bellwethers, or stocks that are of high importance or relevance to the sector, that are not placed on either the outperform or underperform list (i.e., are not expected to either outperform or underperform the sector benchmark) will be classified as Marketperform.

Stocks that are rated Marketperform that are not sector bellwethers are not assigned a price target.

Technical Research Rating Definitions

Rating	Corresponding Rating Category	Definition and criteria
Bullish	Buy	Well-defined, reliable uptrend, an increase in the rate of change (or strong momentum) and confirming technical indicators.
Neutral	Hold	Trading range trend, a flat rate of change and confirming technical indicators.
Bearish	Sell	Negative or weakened trend, momentum and confirming technical indicators.
N/A		Not enough historical data to make an evaluation.

UBS Investment Research Stock Recommendation System

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Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.

Key Definitions

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Exceptions and Special Cases

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The One Constant In Life IsChange

It has been a while since my last report and the reason behind this long interval is described very accurately in the title of this newsletter; there has been a great deal of change in who, and how the “Employee Retirement Plan” (ERP) and “Employee Healthcare Trust”(EHT) will operate in times to come. I am reasonably sure that some of this will be old news to a great many of you, but we must remember that not all of us live in the area any longer, or have lost contact with fellow retirees that previously kept them up-to-date with the comings and goings of the city.

John Szerlag Resigns His Post As City Manager:

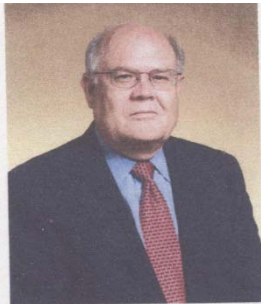
I’m sure that almost all of you are aware of the fact that John Szerlag resigned his position as Troy City Manager back in May of 2012 to accept a similar opportunity in Cape Coral Florida. During John’s tenure in Troy he was responsible for a number of improvements in the city’s retirement system, mostly centered on the availability and the cost of health insurance benefits for all Troy retirees, and steps were taken to establish the “Troy Retiree Healthcare Trust Fund” that insures that these benefits are available for all current and future retirees.



John Szerlag

An Interim City Manager Is Hired:

As a result of Szerlag’s resignation the City Council decided that it was necessary to hire an interim city manager to oversee the city’s operation while the search for a permanent manager moved forward.



Mike Culpepper received this appointment and moved into the City Manager’s office soon after Szerlag departed. As I’m sure you’re all aware that Mike retired from Troy in 1998 as Public Works Director and took a similar position in the City of Auburn Hills and was later promoted to the city manager’s job, a title he retained until he retired from that city in 2010.

Mike Culpepper Mike served the City of Troy in this position until mid-November of 2012 when a new permanent City Manager was hired. As interim manager Mike served as a voting member of the retirement board where his insights and expertise that he gained in Auburn Hills proved to be of great value to the board during his time with us.

Council Appoints Brian Kischnick New City Manager:

Brian Kischnick was appointed the City of Troy’s 7th City Manager in September of 2012 and he officially took charge of the city’s municipal administration in November. Prior to his appointment in Troy Brain was the Township Manager for Tittabawassee Township a position he held from 2002 until he came to Troy. From 1995 to 2002 he was the City Manager for the City of Vassar, Michigan.

Brian was an Assistant to the City Manager in Largo, Florida 1993 to 1995, and a Senior Budget analyst for Ingham County, Michigan from 1991 to 1993. Brian received his Bachelor's **Degree** in Public Administration from Michigan State University, and his Master's Degree in Public Administration from Western Michigan University. The new manager is a member of the International City/County Managers Association, and is also a member of the Michigan Local Government Managers Association.



Brian Kischnick

Other Retirement Board Changes Membership:



Since my last report **Councilman Dave Henderson** was appointed by his peers on council as their representative on the retirement board. David is currently serving his first term on city council, having been elected in November of 2011. A residential realtor, he has been employed by "Real Estate One" in Troy since 2002. A longtime resident of Troy, he is a graduate of Troy Athens High School, attended Oakland Community College focusing on a business curriculum.

Prior to entering the real estate profession Dave was the Director of Franchise Development for Ziebart Corporation, and Market Development Manager/Franchise Owner for Matco Tool Corporation.

Dave Henderson

Thomas Darling became acting Finance Director replacing John Lamerato who retired in late 2011. In early May of 2012 Tom accepted the permanent position of Finance Director. Tom is a certified public accountant, graduating from Michigan State University. He has over 24 years' experience working with many local governmental entities. Prior to accepting the position with Troy, Tom was Managing Director for Darling & Associates a CPA firm who provided auditing and consulting services for local governments and non-profit agencies. From 1998 to 2009 Tom was employed by The Rehmann Group where he was Senior Manager for Southeast Michigan Governmental Services.



Tom Darling

Milt Stansbury is our newest D.B. board member completing the term of Mitch Lenczewski who retired in December of 2011. Milt has been a Troy police officer with 22 years of service. Prior to coming to Troy he was a police man in Lake Orion and Oxford. His primary job responsibilities center on the enforcement of truck regulations. He is also a member of the South Oakland County Crash Investigation Team. Milt was elected to his first full term in November of 2012.

The Current Board:

The remaining ERP members include our Chair **Mark Calice** (Citizens Representative); Vice-Chair **Thomas Gordon** (Employee Representative D.B.); **Steve Pallotta** (Employee Representative D.C.); and lastly me **Bill Need** (Ex-Officio-Member Retiree Representative). The board's deliberations are aided by **Sehrish Salah-Ud-Din** "Assistant to the City Manager". Sehrish is a very important support person and the boards "Techy", who keeps us connected to the markets in real-time during our meeting as well as performing whatever other tasks that's necessary to facilitate the Boards efforts.

An Explosion of Retirements:

Over the past few years we all know that the "Great Recession" has negatively impacted many local governments. In this economic environment coupled with current and recently approved legislation in Lansing, municipal revenue streams with continue to diminish for the foreseeable future. Troy has not been immune from these events; all-of-which has resulted in a significant number of changes in the city's operations from the times when most of us were employed by "**The City of Tomorrow Today**".

Changes included the consolidation of departments and divisions; contracting out many operations that were previously performed by full time employees; facilities such as the "Stage Nature Center" are now being operated on a daily basis civic organization; reduction in services levels such as recreation programing and specialized police programs; and a drastic reduction in the number of municipal employees.

These staff reductions were achieved in two manners: lay-offs and with the implementation of an "**ERIP**" or "**Early Retirement Incentive Program**". The program was modeled after a similar program that was employed by Oakland County to reduce their staffing issues. The basic provisions of the ERIP were: qualified employees were offered a choice of cash incentives or conversion from a "Defined Contribution" (DC) retirement plan to a "Defined Benefit" (DB) retirement program. To qualify for this package an employee needed either:

- 1) Meet the age and service requirements for a normal retirement as defined by the Employee Retirement System Ordinance or by the respective collective bargaining agreement.
- 2) Age 55 with a minimum of 10 years' service time.
- 3) Be within 5 years of eligibility as stated in items 1 and 2.

The cash incentive option consisted of eligible employees having the option to elect to receive \$1000.00 for each actual year of credited service with the city.

For those employees participating in the Defined Benefit/ERP program, the incentive was not eligible in the determination of their Final Average Compensation (FAC). For those employees participating in the Defined Contribution Pension segment of the ERP, the employee and the city were each required to contribute required to contribute the appropriate percentage to the plan.

Eligible employees in the Defined Contribution Pension/ERP had the option to transfer their total accumulated balance (including all of the employee contributions and accrued interest to the City of

Troy Employees Defined Benefit/ERP program. Their pension benefits were based solely on the value of their accumulated DC account balance at the date of the transfer as determined by the Retirement Systems actuary Gable, Roeder, Smith & Company.

When all was said and done the effort achieved the desired results and were quite dramatic. In the span of nine (9) months a total of sixty-seven (67) now former employees took advantage of the ERIP. As a result of these 67 staffers leaving the city a total of 1685 years and 2 months in institutional knowledge vanished when these employees left.

Currently there are a total of 488 retired former employees receiving benefits from the City of Troy, 392 are members of the “Defined Benefit/ ERP” program and the remaining 96 are enrolled in the “Defined Contribution” program. To sharpen the image even more there is a total of 319 full-time employees’ positions funded in the city’s 2012-13 budget. For the first time in Troy’s history there are fewer active employees than there are retirees.

A Possible Change in How the Retirement System Is Managed

We all know that the Defined Benefit/ERP program was closed to new employee enrollees several years ago. The number of active employees has been reduced to only seventy (70) active staff members still in the program. There is very little money coming into the program annually making it extremely important that we look at management practices that reduce our risk and improve our return.

Currently as most of you know the board meets on a monthly basis where we review the current status of the plan; access the recommendations of the various brokerage firms we deal with on a regular basis; evaluate the results of each board member’s assigned areas of research over the past month, from there various investment decisions are made.

This procedure has worked very well for us in the past and the board is reminded of this on a regular basis when we have hosted various financial experts to our meetings to make presentations from time to time, but board is told by Tom Darling this is not how most municipal retirement system boards operate. He indicates that most governing panels of retirement systems employee financial advisers to manage the day to day operations of our program. I had the opportunity to question John Lamerato recently about Tom’s assertion about how the Troy program functioned and he agreed with Tom stating when he first came to Troy he was blown away with how the program worked, never in his career up to that point has he been involved in a program where the board members made the important investment decision without the advice of a professional. Lamerato indicated that since he left Troy he is now involved with two other retirement programs (Gross Pointe Park and Sterling Heights) and both are managed by professionals.

While the current management system has performed well there are some important drawbacks that needed to be identified and dealt with:

- 1) The board meets monthly. It is very difficult for the board to react quickly to important changes in the market.

With the wild fluctuations that have occurred in the market over the past year and half it has been very difficult to react to these trends in a timely manner.

- 2) Another drawback to the current system is that we have not been able to gain access to the discounts that most institutional investment groups are offered which does increase their opportunity for profit.
- 3) Having a professional manage the fund: the amount risk that the plan is exposed to should be reduced far below current levels.

Honestly, the idea of turning over the fund to an outside entity is something that the trustees have not bought into hook-line-and-sinker. I must say that all of us have been very skeptical about the idea, but we all believe that it would be in the best interest of the plan, to study and discuss in detail the pros and cons of the concept. If we had not decided to fully investigate the proposal, I feel that we would definitely be doing a disservice to both current and future retirees.

To move forward Tom Darling has put together a **“Request for Information” (RFI)** and with the Boards review and eventual approval the RFI was posted to the City’s procurement system. The Board’s criteria for consideration listed minimum requirements that any firm needed to achieve if it was to be considered for this opportunity.

- 1) The investment consultant must have a minimum of five (5) years’ experience in providing qualified retirement plan services.
- 2) The investment consultant must be a registered investment advisor under the Investment Advisors Act of 1940.
- 3) The Investment Consultant shall acknowledge its responsibilities as a fiduciary under Public Act 314 of 1965 as amended.
- 4) The firm must provide investment consulting services for a retirement system with assets in excess of \$75 million.
- 5) If a firm is affiliating or partnering with a national firm, or are a local office of a national firm the minimum qualification requirements herein must be satisfied by the individual(s) or entity submitting this proposal.
- 6) The investment consultant must attend monthly, as well as special meetings upon the request by the Retirement Board and at no additional cost to the Retirement System.

It was required that all proposals were to be submitted to the City of Troy by 4:00 P.M on October 26, 2012. A total of twelve firms made submissions at the appointed time. The following is a complete listing of all the firms who made qualifying submittals:

- Independent Portfolio Consultants
- Fund Evaluation Group
- Graystone Consulting
- Well’s Fargo Advisors
- Dahab Associates Inc.

- Callan Associates Inc.
- Gallagher Fiduciary Advisors LLC
- Center Street Wealth Advisors
- Asset Consulting Group
- Asset Strategies
- UBS Financial Services Inc.

After completing the review and evaluation process of the **RFP's** that were submitted, the Board's members narrowed the fields of contenders to the three top candidates (which was a very difficult task). Those firms were:

- Fund Evaluation Group
- Graystone Consulting-Morgan Stanley
- UBS Institutional Consulting Group

All three firms made presentations and were interviewed by the board during the Employee Retirement Board's regular meeting which was held on April 10th 2013. After a short discussion it was agreed that no decision would be made at this time, giving the board members the next month to review their notes and solidify their thoughts.

During the May 8th meeting the Board made the following decisions:

1. It was decided that there was sufficient value to be gained by having the ERP AND EHT managed by a professional, and that this increase in value would offset the cost that a professional will charge for his/her service.
2. The Board decided all three of the firms interviewed were qualified to manage our "Employee Retirement Plan" and the "Employee Healthcare Trust".
3. It was also decided that while all three candidates were deemed qualified, the Board wasn't ready to authorize the administration to enter into any negotiations with any of the qualified firms. It was felt that more time was needed to consider to each firm's qualifications, and determine who was the best of the best.
4. Another item that needed to be decided was what exactly would be the limits of the agreement with the company and/or companies. Would one firm manage both the retirement and healthcare plans, or would each of the programs have its own manager. There also was some feeling on the Board to continue to manage a portion of each plan's portfolio in an effort to gauge how effective was the professional performance.
5. Lastly a decision needed made about the length of time of any agreement with any firm.

The Board then tabled any final action on the proposal until our June 12th meeting.

At the June 12th meeting the Board decided that there were two firms who they felt most comfortable working with, both Graystone Consulting-Morgan Stanley and UBS Institutional Consulting Group. With this in mind it was decided that the administration would authorize to begin negotiating with Graystone to manage the "Employee Retirement Plan". The Board put off any decision regarding the management

of the EHT ("Employee Healthcare Trust") until the July 10th. meeting. The reasoning was the Board's regular EHT meeting is held only on a quarterly basis making it improper to vote on this topic until the July meeting. UBS Institutional Consulting to manage the "Employee Healthcare Trust", During the July 10, 2013 meeting the Board decided to authorize the administration to negotiate an agreement with UBS Institutional Consulting to manage the "Employee Healthcare Trust".

It needs to be understood that once a satisfactory agreement is presented to and approved by the Board that each and every trustee will work very hard to learn and implement our new duties of managing both the "Employee Retirement Plan" and the "Employee Health-Care Trust", which include a more active role in risk management, cash flow assessments, liability mitigation and of course managing the new manager.

I will make every effort to keep up-to-date in regards to this matter. Remember the board's meetings are open to the public and you are welcomed to attend. The regular board meeting takes place in Conference Room "C" on the second Wednesday of the month starting at approximately at 12:30 P.M.



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Financial Advisor:
GRANT/SORENSEN
2486456400

UBS Client Review

as of July 5, 2013

Prepared for

CITY OF TROY
EMPLOYEES RETIREMENT SYSTEMS

Accounts included in this review

Account	Name	Type
TZ 34595	• ERS Account	• Defined Benefit
Risk profile:	Moderate	
Return Objective:	Current Income and Capital Appreciation	

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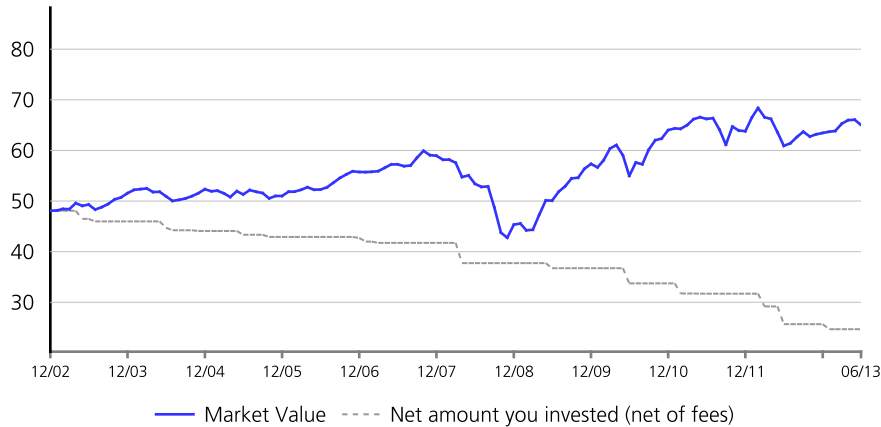


Performance review

as of June 30, 2013

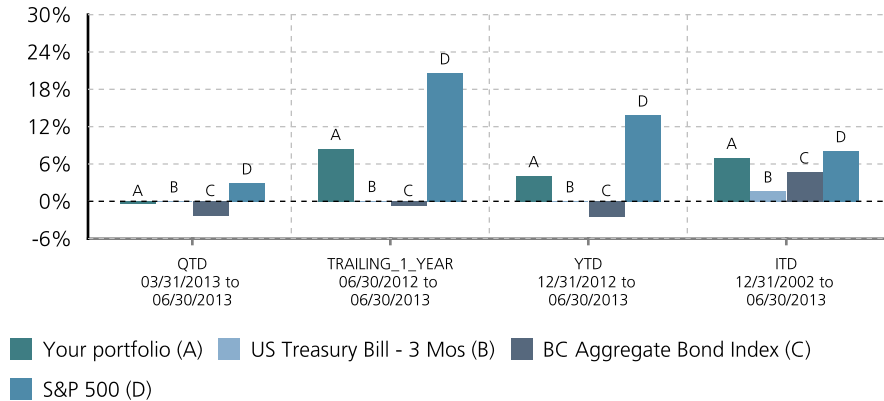
Sources of portfolio value

\$ Millions



Portfolio and selected benchmark returns

Net Time-weighted returns annualized



Portfolio value and investment returns

Performance returns (annualized > 1 year)

	QTD 03/31/2013 to 06/30/2013	1 Year 06/30/2012 to 06/30/2013	YTD 12/31/2012 to 06/30/2013	ITD 12/31/2002 to 06/30/2013
Opening value	65,277,787.12	60,903,860.45	63,453,366.76	48,080,148.50
Net deposits/withdrawals	0.00	-1,000,225.00	-1,000,025.00	-23,405,111.62
Div./interest income	409,595.65	1,838,739.13	765,381.28	21,272,333.86
Change in accr. interest	1,270.41	-15,036.46	-7,584.25	-506,433.14
Change in value	-664,276.14	3,297,038.92	1,813,238.26	19,583,439.44
Closing value	65,024,377.04	65,024,377.04	65,024,377.04	65,024,377.04
Net Time-weighted ROR	-0.39	8.44	4.08	7.00

Net deposits and withdrawals include program and account fees.

Time weighted rates of return (net of fees)

Performance returns (annualized > 1 year)

	QTD 03/31/2013 to 06/30/2013	1 Year 06/30/2012 to 06/30/2013	YTD 12/31/2012 to 06/30/2013	ITD 12/31/2002 to 06/30/2013
Your portfolio(%)	-0.39	8.44	4.08	7.00
US Treasury Bill - 3 Mos	0.01	0.08	0.03	1.61
BC Aggregate Bond Index	-2.32	-0.69	-2.44	4.68
S&P 500	2.91	20.60	13.82	8.08

Past performance does not guarantee future results and current performance may be lower/higher than past data presented.

Report created on: July 08, 2013

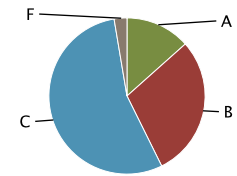
Portfolio holdings

as of July 05, 2013

Summary of Portfolio Holdings

	Cost basis (\$)	Value on 07/05/2013 (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of portfolio
A Cash	8,783,406.14	8,783,585.40	179.26	0.00%	0.00	0.00%	13.41%
Cash	8,783,406.14	8,783,585.40	179.26	0.00%	0.00	0.00%	13.41%
B Fixed Income	18,698,488.33	19,167,161.86	468,673.53	2.51%	876,201.87	4.57%	29.27%
US	13,445,722.28	13,927,293.17	481,570.89	3.58%	652,727.10	4.69%	21.27%
Global	5,252,766.05	5,239,868.69	-12,897.36	-0.25%	223,474.77	4.26%	8.00%
C Equity	23,192,255.12	35,804,363.99	10,559,342.27	45.53%	679,087.31	1.90%	54.67%
US	17,451,803.39	29,009,699.34	9,505,129.35	54.47%	593,873.27	2.05%	44.30%
Global	2,607,581.34	3,585,883.66	978,302.32	37.52%	17,635.47	0.49%	5.48%
International	3,132,870.39	3,208,780.99	75,910.60	2.42%	67,578.57	2.11%	4.89%
D Commodities	0.00	0.00	0.00	0.00%	0.00	0.00%	0.00%
E Non-Traditional	0.00	0.00	0.00	0.00%	0.00	0.00%	0.00%
F Other	1,607,422.47	1,734,115.89	126,693.42	7.88%	53,130.36	3.06%	2.65%
Balanced	1,607,422.47	1,734,115.89	126,693.42	7.88%	53,130.36	3.06%	2.65%
Total Portfolio	\$52,281,572.06	\$65,489,227.14	\$11,154,888.48	21.34%	\$1,608,419.53	2.46%	100%

Balanced mutual funds are allocated in the 'Other' category





Portfolio holdings - as of July 05, 2013 (continued)

Details of portfolio holdings

	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of asset class	% of portfolio
Total Portfolio	\$52,281,572.06	\$65,489,227.14	\$11,154,888.4	21.34%	\$1,608,419.53	2.46%	100%	100%

Cash	Quantity	Avg. purchase price (\$)	Price on 07/05/2013 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Cash	% of portfolio
Cash											
RMA MONEY MKT. PORTFOLIO	7,383,599.40	1.00	1.00	7,383,599.40	7,383,599.40	0.00	0.00%	0.00	0.00%	84.06%	11.27%
UNITED STATES TREAS BILL DUE 07/18/13	700,000.00	1.00	1.00	699,955.20	699,993.00	37.80	0.01%	0.00	0.00%	7.97%	1.07%
UNITED STATES TREAS BILL DUE 07/25/13	700,000.00	1.00	1.00	699,851.54	699,993.00	141.46	0.02%	0.00	0.00%	7.97%	1.07%
Total Cash				\$8,783,406.14	\$8,783,585.40	\$179.26	0.00%	\$0.00	0.00%	100.00%	13.41%
Total Cash				\$8,783,406.14	\$8,783,585.40	\$179.26	0.00%	\$0.00	0.00%	100%	13.41%

Fixed Income US	Quantity	Avg. purchase price (\$)	Price on 07/05/2013 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Fixed Income	% of portfolio
AT&T BROADBAND CORP 09.455% 111522 DTD111802 FC051503 GLOBAL B/E	297,000.00	98.86	139.46	293,625.00	418,108.27	124,483.27	42.40%	28,081.35	6.78%	2.18%	0.64%
ATLANTIC RICHFIELD CO 08.250% 020122 DTD020192 FC080192 DEBS	600,000.00	97.88	127.16	587,250.00	784,153.00	196,903.00	33.53%	49,500.00	6.49%	4.09%	1.20%
BANK OF AMER INTERNOTES 04.000% 041515 DTD042910 FC101510 NTS B/E	500,000.00	100.00	102.73	500,000.00	518,114.44	18,114.44	3.62%	20,000.00	3.89%	2.70%	0.79%
BANK OF AMER INTERNOTES 04.900% 021517 DTD021910 FC081510 NTS B/E	1,000,000.00	100.00	104.94	1,000,000.00	1,068,445.56	68,445.56	6.84%	49,000.00	4.67%	5.57%	1.63%
BLACKROCK HIGH YIELD BOND A Client investment: \$1,500,005.25	197,726.31	7.90	7.98	1,562,090.90	1,577,855.96	15,765.06	1.01%	95,027.07	6.02%	8.23%	2.41%



Portfolio holdings - as of July 05, 2013 (continued)

Fixed Income	Quantity	Avg. purchase price (\$)	Price on 07/05/2013 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Fixed Income	% of portfolio
US											
BLACKROCK HIGH YIELD BOND A											
Reinvested dividends: \$62,085.65											
Investment return: \$77,850.71 (5.19%)											
EATON VANCE FLOATING RATE FUND CLASS A	116,659.89	9.39	9.43	1,095,771.51	1,100,102.72	4,331.21	0.40%	44,416.27	4.04%	5.74%	1.68%
Client investment: \$1,000,005.25											
Reinvested dividends: \$95,766.26											
Investment return: \$100,097.47 (10.01%)											
FORD HOLDING INC DEB 09.375% 030120 DTD030190 FC090190	200,000.00	97.69	122.77	195,375.00	252,002.33	56,627.33	28.98%	18,750.00	7.64%	1.31%	0.38%
LORD ABBETT FLOATING RATE FUND A	575,487.97	9.42	9.45	5,419,007.63	5,438,361.28	19,353.65	0.36%	275,567.81	5.07%	28.37%	8.30%
Client investment: \$5,000,015.75											
Reinvested dividends: \$418,991.88											
Investment return: \$438,345.53 (8.77%)											
PIMCO TOTAL RETURN FUND CLASS A	212,819.17	10.77	10.62	2,292,602.24	2,260,139.62	-32,462.62	-1.42%	57,019.15	2.52%	11.79%	3.45%
Client investment: \$1,000,005.25											
Reinvested dividends: \$1,292,596.99											
Investment return: \$1,260,134.37 (126.01%)											
PRUDENTIAL FINL NOTES 03.073% 111015 DTD111705 FLT VS YOY CPI-U +201BPS	500,000.00	100.00	102.00	500,000.00	510,010.00	10,010.00	2.00%	15,365.45	3.01%	2.66%	0.78%
Total US				\$13,445,722.28	\$13,927,293.17	\$481,570.89	3.58%	\$652,727.10	4.69%	72.66%	21.27%
Global											
ALLIANCE BERNSTEIN HIGH INCOME FD CL A	168,004.15	9.33	9.35	1,567,701.93	1,570,838.80	3,136.87	0.20%	107,919.31	6.87%	8.20%	2.40%
Client investment: \$1,500,005.25											
Reinvested dividends: \$67,696.68											
Investment return: \$70,833.55 (4.72%)											
PIMCO UNCONSTRAINED BOND FUND CLASS A	189,428.73	11.15	11.23	2,111,461.99	2,127,284.66	15,822.67	0.75%	13,749.12	0.65%	11.10%	3.25%
Client investment: \$2,000,000.00											
Reinvested dividends: \$111,461.99											
Investment return: \$127,284.66 (6.36%)											
TEMPLETON GLOBAL TOTAL RETURN CLASS A	116,270.38	13.53	13.26	1,573,602.13	1,541,745.23	-31,856.90	-2.02%	101,806.34	6.60%	8.04%	2.35%
Client investment: \$1,500,005.25											
Reinvested dividends: \$73,596.88											
Investment return: \$41,739.98 (2.78%)											
Total Global				\$5,252,766.05	\$5,239,868.69	\$-12,897.36	-0.25%	\$223,474.77	4.26%	27.34%	8.00%



Portfolio holdings - as of July 05, 2013 (continued)

Fixed Income	Quantity	Avg. purchase price (\$)	Price on 07/05/2013 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Fixed Income	% of portfolio
Global											
Total Fixed Income				\$18,698,488.33	\$19,167,161.86	\$468,673.53	2.51%	\$876,201.87	4.57%	100%	29.27%

Equity	Quantity	Avg. purchase price (\$)	Price on 07/05/2013 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Equity	% of portfolio
US											
AMERICAN SCIENCE & ENGINEERING INC	3,000.00	86.53	56.84	259,595.93	170,520.00	-89,075.93	-34.31%	6,000.00	3.52%	0.48%	0.26%
AMERICAN TOWER CORP REIT	5,000.00	63.62	71.67	318,090.87	358,350.00	40,259.13	12.66%	5,400.00	1.51%	1.00%	0.55%
APPLE INC	6,750.00	287.32	417.42	1,939,414.26	2,817,585.00	878,170.74	45.28%	82,350.00	2.92%	7.87%	4.30%
BANK OF AMER CORP	10,000.00	16.85	13.06	168,536.26	130,600.00	-37,936.26	-22.51%	400.00	0.31%	0.36%	0.20%
BED BATH & BEYOND INC	1,500.00	53.84	72.76	80,757.20	109,140.00	28,382.80	35.15%	0.00	0.00%	0.30%	0.17%
BRUKER CORP	5,000.00	15.60	16.36	78,022.84	81,800.00	3,777.16	4.84%	0.00	0.00%	0.23%	0.12%
CALL AMERICAN TOWER CORP DUE 07/20/13 82.500 050GW8	-20.00	101.11	6.00	-2,022.21	-120.00	1,902.21	94.07%	0.00	0.00%	0.00%	0.00%
CALL CIT GROUP INC DUE 10/19/13 48.000 068HJ1	-21.00	114.15	283.00	-2,397.10	-5,943.00	-3,545.90	-147.92%	0.00	0.00%	-0.02%	-0.01%
CALL CLIFFS NAT RESOURCE DUE 10/19/13 27.000 0923Y0	-20.00	142.22	14.00	-2,844.33	-280.00	2,564.33	90.16%	0.00	0.00%	0.00%	0.00%
CALL COSTCO WHOLESALE CO DUE 07/20/13 115.000 0929G5	-10.00	91.62	24.00	-916.23	-240.00	676.23	73.81%	0.00	0.00%	0.00%	0.00%
CALL DARLING INTL INC DUE 07/20/13 17.500 194921	-20.00	91.27	182.50	-1,825.48	-3,650.00	-1,824.52	-99.95%	0.00	0.00%	-0.01%	-0.01%
CALL DECKERS OUTDOOR COR DUE 09/21/13 70.000 1243B0	-20.00	101.11	27.50	-2,022.21	-550.00	1,472.21	72.80%	0.00	0.00%	0.00%	0.00%
CALL DUKE ENERGY CORP NE DUE 07/20/13 70.000 119MG4	-18.00	95.92	10.00	-1,726.61	-180.00	1,546.61	89.57%	0.00	0.00%	0.00%	0.00%



Portfolio holdings - as of July 05, 2013 (continued)

Equity US	Quantity	Avg. purchase price (\$)	Price on 07/05/2013 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Equity	% of portfolio
CALL EMC CORP MASS DUE 07/20/13 26.000 137499	-20.00	91.27	1.00	-1,825.48	-20.00	1,805.48	98.90%	0.00	0.00%	0.00%	0.00%
CALL FLOWERS FOODS INC DUE 07/20/13 20.000 150 FLO 1622K1	-25.00	126.36	232.50	-3,159.10	-5,812.50	-2,653.40	-83.99%	0.00	0.00%	-0.02%	-0.01%
CALL GENUINE PARTS CO DUE 08/17/13 75.000 181455	-10.00	88.85	950.00	-888.49	-9,500.00	-8,611.51	-969.23%	0.00	0.00%	-0.03%	-0.01%
CALL GLOBAL PAYMENTS INC DUE 08/17/13 55.000 1848N3	-10.00	88.85	20.00	-888.49	-200.00	688.49	77.49%	0.00	0.00%	0.00%	0.00%
CALL GREEN MTN COFFEE DUE 09/21/13 75.000 3276A1	-30.00	175.13	647.50	-5,253.80	-19,425.00	-14,171.20	-269.73%	0.00	0.00%	-0.05%	-0.03%
CALL HARTFORD FINCL SERV DUE 09/21/13 31.000 1988E4	-10.00	103.60	187.50	-1,036.03	-1,875.00	-838.97	-80.98%	0.00	0.00%	-0.01%	0.00%
CALL HILLENBRAND INC DUE 07/20/13 25.000 2085U0	-10.00	88.85	10.00	-888.49	-100.00	788.49	88.74%	0.00	0.00%	0.00%	0.00%
CALL IDEX CORP DUE 07/20/13 55.000 223085	-25.00	190.53	155.00	-4,763.19	-3,875.00	888.19	18.65%	0.00	0.00%	-0.01%	-0.01%
CALL JOS A BANK CLOTHIER DUE 07/20/13 45.000 240478	-10.00	177.38	25.00	-1,773.82	-250.00	1,523.82	85.91%	0.00	0.00%	0.00%	0.00%
CALL KINDER MORGAN ENERG DUE 08/17/13 39.000 +MERGER PACKAGE 248AH5	-30.00	102.05	92.00	-3,061.60	-2,760.00	301.60	9.85%	0.00	0.00%	-0.01%	0.00%
CALL LENNOX INTL INC DUE 09/21/13 65.000 2594N4	-10.00	187.22	370.00	-1,872.20	-3,700.00	-1,827.80	-97.63%	0.00	0.00%	-0.01%	-0.01%
CALL ONEOK INC NEW DUE 10/19/13 52.500 3496G4	-30.00	92.17	30.00	-2,764.97	-900.00	1,864.97	67.45%	0.00	0.00%	0.00%	0.00%
CALL PFIZER INC DUE 09/21/13 28.000 370011	-20.00	91.27	87.50	-1,825.48	-1,750.00	75.48	4.13%	0.00	0.00%	0.00%	0.00%



Portfolio holdings - as of July 05, 2013 (continued)

Equity US	Quantity	Avg. purchase price (\$)	Price on 07/05/2013 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Equity	% of portfolio
CALL PFIZER INC DUE 09/21/13 28.000 370011											
CALL PORTFOLIO RECOVERY DUE 09/21/13 145.000 3803K6	-10.00	226.57	1,735.00	-2,265.68	-17,350.00	-15,084.32	-665.77%	0.00	0.00%	-0.05%	-0.03%
CALL PRAXAIR INC DUE 07/20/13 120.000 385344	-10.00	93.77	20.00	-937.67	-200.00	737.67	78.67%	0.00	0.00%	0.00%	0.00%
CALL PROCTER & GAMBLE CO DUE 07/20/13 77.500 383601	-10.00	134.10	142.50	-1,340.99	-1,425.00	-84.01	-6.26%	0.00	0.00%	0.00%	0.00%
CALL SIGMA ALDRICH CORP DUE 07/20/13 80.000 422142	-30.00	141.60	164.00	-4,248.07	-4,920.00	-671.93	-15.82%	0.00	0.00%	-0.01%	-0.01%
CALL SMUCKER J M CO NEW DUE 07/20/13 95.000 4258Y5	-10.00	93.77	825.00	-937.67	-8,250.00	-7,312.33	-779.84%	0.00	0.00%	-0.02%	-0.01%
CALL SPECTRA ENERGY CORP DUE 09/21/13 30.000 433AH7	-12.00	89.66	505.00	-1,075.88	-6,060.00	-4,984.12	-463.26%	0.00	0.00%	-0.02%	-0.01%
CALL STARBUCKS CORP DUE 07/20/13 62.500 509736	-10.00	98.69	530.00	-986.86	-5,300.00	-4,313.14	-437.06%	0.00	0.00%	-0.01%	-0.01%
CALL THORATEC CORP NEW DUE 07/20/13 41.000 4564C8	-10.00	113.44	25.00	-1,134.40	-250.00	884.40	77.96%	0.00	0.00%	0.00%	0.00%
CALL TRACTOR SUPPLY COMP DUE 07/20/13 115.000 4608B6	-10.00	256.18	455.00	-2,561.79	-4,550.00	-1,988.21	-77.61%	0.00	0.00%	-0.01%	-0.01%
CALL WALGREEN CO DUE 07/20/13 50.000 496405	-10.00	96.53	2.00	-965.33	-20.00	945.33	97.93%	0.00	0.00%	0.00%	0.00%
CALL WATSCO INC DUE 08/17/13 85.000 498009	-10.00	138.03	365.00	-1,380.34	-3,650.00	-2,269.66	-164.43%	0.00	0.00%	-0.01%	-0.01%
CALL WELLS FARGO & CO NE DUE 10/19/13 39.000	-10.00	107.54	370.00	-1,075.38	-3,700.00	-2,624.62	-244.06%	0.00	0.00%	-0.01%	-0.01%



Portfolio holdings - as of July 05, 2013 (continued)

Equity US	Quantity	Avg. purchase price (\$)	Price on 07/05/2013 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Equity	% of portfolio
4971H5 CALL YUM! BRANDS INC DUE 10/19/13 75.000 5175J8	-28.00	160.24	212.00	-4,486.78	-5,936.00	-1,449.22	-32.30%	0.00	0.00%	-0.02%	-0.01%
CATERPILLAR INC	5,000.00	71.86	82.14	359,277.67	410,700.00	51,422.33	14.31%	12,000.00	2.92%	1.15%	0.63%
CELGENE CORP	2,000.00	56.44	122.48	112,873.22	244,960.00	132,086.78	117.02%	0.00	0.00%	0.68%	0.37%
CHEVRON CORP	16,900.00	0.00	120.51	0.00	2,036,619.00	0.00	0.00%	67,600.00	3.32%	5.69%	3.11%
CIT GROUP INC	9,162.00	47.53	48.60	435,487.64	445,273.20	9,785.56	2.25%	0.00	0.00%	1.24%	0.68%
CLEAN ENERGY FUELS CORP	5,000.00	20.33	13.46	101,643.37	67,300.00	-34,343.37	-33.79%	0.00	0.00%	0.19%	0.10%
CLIFFS NAT RESOURCES INC	12,000.00	33.84	15.68	406,067.53	188,160.00	-217,907.53	-53.66%	7,200.00	3.83%	0.53%	0.29%
CORNING INC	3,000.00	29.04	14.52	87,127.85	43,560.00	-43,567.85	-50.00%	1,200.00	2.75%	0.12%	0.07%
COSTCO WHOLESALE CORP	5,000.00	84.41	111.76	422,060.72	558,800.00	136,739.28	32.40%	6,200.00	1.11%	1.56%	0.85%
DANAHER CORP	8,000.00	25.41	64.60	203,308.72	516,800.00	313,491.28	154.19%	800.00	0.15%	1.44%	0.79%
DARLING INTL INC	10,000.00	6.66	19.41	66,595.12	194,100.00	127,504.88	191.46%	0.00	0.00%	0.54%	0.30%
DECKERS OUTDOOR CORP	9,000.00	37.78	52.01	340,059.65	468,090.00	128,030.35	37.65%	0.00	0.00%	1.31%	0.71%
DIRECTV	3,020.00	48.10	63.64	145,271.52	192,192.80	46,921.28	32.30%	0.00	0.00%	0.54%	0.29%
DUKE ENERGY CORP NEW	8,841.00	40.32	67.27	356,494.82	594,734.07	238,239.25	66.83%	27,583.92	4.64%	1.66%	0.91%
EMC CORP MASS	17,000.00	12.33	24.13	209,532.02	410,210.00	200,677.98	95.77%	6,800.00	1.66%	1.15%	0.63%
ESCROW GENERAL MTRS CORP 6.250% SER C DUE 07/15/33 CALLBL CONV	20,000.00	24.84	0.38	496,763.00	7,600.00	-489,163.00	-98.47%	0.00	0.00%	0.02%	0.01%
FACTSET RESH SYSTEMS INC	2,000.00	31.36	103.62	62,713.03	207,240.00	144,526.97	230.46%	2,800.00	1.35%	0.58%	0.32%
FISERV INC	3,000.00	38.76	88.96	116,289.61	266,880.00	150,590.39	129.50%	0.00	0.00%	0.75%	0.41%
FLOWERS FOODS INC	11,250.00	11.31	22.50	127,229.34	253,125.00	125,895.66	98.95%	5,062.50	2.00%	0.71%	0.39%
FREEPORT-MCMORAN COPPER & GOLD INC	20,000.00	44.11	27.34	882,118.37	546,800.00	-335,318.37	-38.01%	25,000.00	4.57%	1.53%	0.83%
GAMESTOP CORP NEW (HOLDING CO) CL A	1,000.00	24.45	42.99	24,452.66	42,990.00	18,537.34	75.81%	1,100.00	2.56%	0.12%	0.07%
GENERAL MOTORS CO	2,037.00	112.20	34.67	228,544.97	70,622.79	-157,922.18	-69.10%	0.00	0.00%	0.20%	0.11%
GENL ELECTRIC CO	10,000.00	35.74	23.24	357,402.80	232,400.00	-125,002.80	-34.98%	7,600.00	3.27%	0.65%	0.35%
GENL MILLS INC	5,000.00	38.13	49.03	190,632.65	245,150.00	54,517.35	28.60%	7,600.00	3.10%	0.68%	0.37%
GENUINE PARTS CO	5,000.00	63.29	83.74	316,434.00	418,700.00	102,266.00	32.32%	10,750.00	2.57%	1.17%	0.64%
GLOBAL PAYMENTS INC	3,000.00	51.56	47.01	154,667.78	141,030.00	-13,637.78	-8.82%	240.00	0.17%	0.39%	0.22%
GOOGLE INC CL A	1,000.00	479.74	893.49	479,740.99	893,490.00	413,749.01	86.24%	0.00	0.00%	2.50%	1.36%
GREEN MTN COFFEE ROASTERS INC	10,000.00	30.85	72.83	308,539.75	728,300.00	419,760.25	136.05%	0.00	0.00%	2.03%	1.11%
HARTFORD FINCL SERVICES GROUP INC	5,000.00	67.53	31.36	337,662.20	156,800.00	-180,862.20	-53.56%	2,000.00	1.28%	0.44%	0.24%
HESS CORP	2,000.00	56.10	68.13	112,204.73	136,260.00	24,055.27	21.44%	800.00	0.59%	0.38%	0.21%



Portfolio holdings - as of July 05, 2013 (continued)

Equity US	Quantity	Avg. purchase price (\$)	Price on 07/05/2013 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Equity	% of portfolio
HILLENBRAND INC	5,000.00	19.55	23.81	97,745.28	119,050.00	21,304.72	21.80%	3,900.00	3.28%	0.33%	0.18%
HONEYWELL INTL INC	2,000.00	18.32	80.06	36,637.50	160,120.00	123,482.50	337.04%	3,280.00	2.05%	0.45%	0.24%
IDEX CORP	10,500.00	20.50	55.68	215,255.25	584,640.00	369,384.75	171.60%	9,660.00	1.65%	1.63%	0.89%
JOS A BANK CLOTHIERS INC	5,000.00	32.08	41.35	160,409.66	206,750.00	46,340.34	28.89%	0.00	0.00%	0.58%	0.32%
KINDER MORGAN ENERGY PARTNERS MLP	4,563.00	65.35	85.28	298,179.02	389,132.64	90,953.62	30.50%	23,727.60	6.10%	1.09%	0.59%
LENNOX INTL INC	5,000.00	42.09	66.27	210,437.94	331,350.00	120,912.06	57.46%	4,800.00	1.45%	0.93%	0.51%
MCDONALDS CORP	8,100.00	47.82	99.86	387,373.85	808,866.00	421,492.15	108.81%	24,948.00	3.08%	2.26%	1.24%
MCKESSON CORP	4,000.00	78.63	115.73	314,535.03	462,920.00	148,384.97	47.18%	3,200.00	0.69%	1.29%	0.71%
MOTORS LIQ CO GUC TR UBI	511.00	0.00	31.60	0.00	16,147.60	0.00	0.00%	0.00	0.00%	0.05%	0.02%
OMNICOM GROUP INC	5,000.00	34.28	63.50	171,378.28	317,500.00	146,121.72	85.26%	8,000.00	2.52%	0.89%	0.48%
ONEOK INC NEW	28,000.00	13.72	40.00	384,203.21	1,120,000.00	735,796.79	191.51%	40,320.00	3.60%	3.13%	1.71%
ORACLE CORP	7,000.00	13.18	31.19	92,240.52	218,330.00	126,089.48	136.70%	3,360.00	1.54%	0.61%	0.33%
PEPSICO INC	19,800.00	38.49	80.80	762,113.66	1,599,840.00	837,726.34	109.92%	44,946.00	2.81%	4.47%	2.44%
PERRIGO COMPANY	5,000.00	99.44	123.77	497,217.21	618,850.00	121,632.79	24.46%	1,800.00	0.29%	1.73%	0.94%
PFIZER INC	7,000.00	9.07	27.97	63,480.04	195,790.00	132,309.96	208.43%	6,720.00	3.43%	0.55%	0.30%
PORTFOLIO RECOVERY ASSOC INC	3,000.00	48.08	158.93	144,235.79	476,790.00	332,554.21	230.56%	0.00	0.00%	1.33%	0.73%
PRAXAIR INC	6,000.00	41.66	115.69	249,987.48	694,140.00	444,152.52	177.67%	14,400.00	2.07%	1.94%	1.06%
PROCTER & GAMBLE CO	4,875.00	46.05	78.34	224,489.81	381,907.50	157,417.69	70.12%	11,729.25	3.07%	1.07%	0.58%
PUT CELGENE CORP DUE 07/20/13 72.500 094889	-10.00	96.72	2.00	-967.19	-20.00	947.19	97.93%	0.00	0.00%	0.00%	0.00%
PUT CHEVRON CORP DUE 01/18/14 75.000 0926P3	-30.00	102.05	50.50	-3,061.60	-1,515.00	1,546.60	50.52%	0.00	0.00%	0.00%	0.00%
PUT DECKERS OUTDOOR COR DUE 12/21/13 35.000 1243B0	-20.00	101.11	100.00	-2,022.21	-2,000.00	22.21	1.10%	0.00	0.00%	-0.01%	0.00%
PUT FISERV INC DUE 12/21/13 50.000 159425	-10.00	93.77	12.50	-937.66	-125.00	812.66	86.67%	0.00	0.00%	0.00%	0.00%
PUT PORTFOLIO RECOVERY DUE 09/21/13 90.000 3803K6	-10.00	95.75	210.00	-957.50	-2,100.00	-1,142.50	-119.32%	0.00	0.00%	-0.01%	0.00%
SCANA CORP NEW	5,000.00	34.85	48.51	174,228.40	242,550.00	68,321.60	39.21%	10,150.00	4.18%	0.68%	0.37%
SIGMA ALDRICH CORP	8,000.00	11.74	81.29	93,909.76	650,320.00	556,410.24	592.49%	6,880.00	1.06%	1.82%	0.99%
SMUCKER J M CO NEW	4,000.00	60.27	103.12	241,085.93	412,480.00	171,394.07	71.09%	8,320.00	2.02%	1.15%	0.63%
SOUTH JERSEY IND INC	5,000.00	37.59	57.20	187,934.87	286,000.00	98,065.13	52.18%	8,850.00	3.09%	0.80%	0.44%
SPECTRA ENERGY CORP	5,200.00	20.14	34.86	104,737.84	181,272.00	76,534.16	73.07%	6,344.00	3.50%	0.51%	0.28%
STARBUCKS CORP	5,000.00	55.61	67.72	278,067.04	338,600.00	60,532.96	21.77%	4,200.00	1.24%	0.95%	0.52%



Portfolio holdings - as of July 05, 2013 (continued)

Equity	Quantity	Avg. purchase price (\$)	Price on 07/05/2013 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Equity	% of portfolio
US											
THORATEC CORP NEW	5,000.00	29.63	32.41	148,140.05	162,050.00	13,909.95	9.39%	0.00	0.00%	0.45%	0.25%
TRACTOR SUPPLY COMPANY	4,000.00	20.34	118.81	81,375.30	475,240.00	393,864.70	484.01%	4,160.00	0.88%	1.33%	0.73%
VISA INC CL A	3,000.00	94.26	190.79	282,770.30	572,370.00	289,599.70	102.42%	3,960.00	0.69%	1.60%	0.87%
WALGREEN CO	5,000.00	39.30	44.25	196,513.07	221,250.00	24,736.93	12.59%	5,500.00	2.49%	0.62%	0.34%
WATSCO INC	5,000.00	61.20	88.03	306,014.09	440,150.00	134,135.91	43.83%	5,000.00	1.14%	1.23%	0.67%
WELLS FARGO & CO NEW	5,000.00	10.92	42.07	54,576.32	210,350.00	155,773.68	285.42%	6,000.00	2.85%	0.59%	0.32%
WTS GENERAL MOTORS CO EXP 07/10/16	1,852.00	82.17	25.24	152,171.95	46,744.48	-105,427.47	-69.28%	0.00	0.00%	0.13%	0.07%
WTS GENERAL MOTORS CO EXP 07/10/19	1,852.00	63.74	17.63	118,051.33	32,650.76	-85,400.57	-72.34%	0.00	0.00%	0.09%	0.05%
YUM! BRANDS INC	24,800.00	20.64	71.66	511,792.83	1,777,168.00	1,265,375.17	247.24%	33,232.00	1.87%	4.96%	2.71%
Total US				\$17,451,803.39	\$29,009,699.34	\$9,505,129.35	54.47%	\$593,873.27	2.05%	81.02%	44.30%
Global											
AMER FUNDS CAPITAL WORLD GROWTH & INCOME FUND CL A Client investment: \$670,980.25 Reinvested dividends: \$53,726.86 Investment return: \$138,816.10 (20.69%)	20,506.37	35.34	39.49	724,707.11	809,796.35	85,089.24	11.74%	17,635.47	2.18%	2.26%	1.24%
COLUMBIA SELIGMAN COMMUNICATION AND INFORMATION FUND A Client investment: \$1,602,223.43 Reinvested dividends: \$280,650.80 Investment return: \$1,173,863.88 (73.26%)	61,690.83	30.52	45.00	1,882,874.23	2,776,087.31	893,213.08	47.44%	0.00	0.00%	7.75%	4.24%
Total Global				\$2,607,581.34	\$3,585,883.66	\$978,302.32	37.52%	\$17,635.47	0.49%	10.02%	5.48%
International											
BANK OF NOVA SCOTIA CANADA CAD	5,000.00	53.43	52.50	267,163.70	262,500.00	-4,663.70	-1.75%	11,632.56	4.43%	0.73%	0.40%
CALL RIO TINTO PLC SPON DUE 07/20/13 65.000 4005C0	-20.00	101.11	5.00	-2,022.21	-100.00	1,922.21	95.05%	0.00	0.00%	0.00%	0.00%
CALL TEVA PHARMACEUTICAL DUE 09/21/13 40.000 456748	-30.00	111.94	74.00	-3,358.21	-2,220.00	1,138.21	33.89%	0.00	0.00%	-0.01%	0.00%
DIAGEO PLC NEW GB SPON ADR	2,000.00	64.02	117.48	128,034.73	234,960.00	106,925.27	83.51%	5,655.79	2.41%	0.66%	0.36%



Portfolio holdings - as of July 05, 2013 (continued)

Equity	Quantity	Avg. purchase price (\$)	Price on 07/05/2013 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Equity	% of portfolio
International											
INVESCO EUROPEAN GROWTH FUND CLASS A Client investment: \$761,276.65 Reinvested dividends: \$249,643.64 Investment return: \$165,967.03 (21.8%)	26,721.72	37.83	34.70	1,010,920.29	927,243.68	-83,676.61	-8.28%	16,041.05	1.73%	2.59%	1.42%
RIO TINTO PLC SPON ADR	10,000.00	42.96	39.90	429,598.42	399,000.00	-30,598.42	-7.12%	16,559.00	4.15%	1.11%	0.61%
TEVA PHARMACEUTICALS IND LTD ISRAEL ADR	9,000.00	30.64	38.94	275,754.65	350,460.00	74,705.35	27.09%	8,512.07	2.43%	0.98%	0.54%
THORNBURG INTERNATIONAL VALUE FUND CLASS A Client investment: \$1,000,005.25 Reinvested dividends: \$26,773.77 Investment return: \$36,932.06 (3.69%)	37,461.61	27.41	27.68	1,026,779.02	1,036,937.31	10,158.29	0.99%	9,178.09	0.89%	2.90%	1.58%
Total International				\$3,132,870.39	\$3,208,780.99	\$75,910.60	2.42%	\$67,578.57	2.11%	8.96%	4.89%
Total Equity				\$23,192,255.12	\$35,804,363.99	\$10,559,342.2	45.53%	\$679,087.31	1.90%	100%	54.67%
Other Balanced											
MFS DIVERSIFIED INCOME FUND CLASS A Client investment: \$1,500,010.50 Reinvested dividends: \$107,411.97 Investment return: \$234,105.39 (15.61%)	147,584.33	10.89	11.75	1,607,422.47	1,734,115.89	126,693.42	7.88%	53,130.36	3.06%	100.00%	2.65%
Total Balanced				\$1,607,422.47	\$1,734,115.89	\$126,693.42	7.88%	\$53,130.36	3.06%	100.00%	2.65%
Total Other				\$1,607,422.47	\$1,734,115.89	\$126,693.42	7.88%	\$53,130.36	3.06%	100%	2.65%
Total Portfolio				\$52,281,572.06	\$65,489,227.14	\$11,154,888.4	21.34%	\$1,608,419.53	2.46%	100%	100%

Total accrued interest (included in market values): \$55,033.52



Portfolio holdings - as of July 05, 2013 (continued)

Prepared for CITY OF TROY

TZ 34595 • ERS Account • Defined Benefit

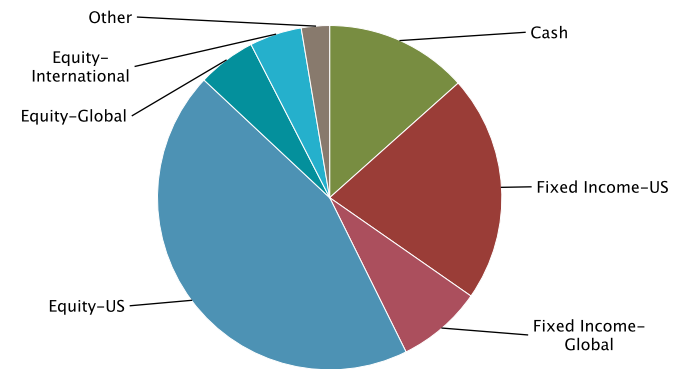
Risk profile: Moderate

Return Objective: Current Income and Capital Appreciation

Asset allocation summary

as of July 05, 2013

	Market value (\$)	% of portfolio
Cash	8,783,585.40	13.41
Cash	8,783,585.40	13.41
US	8,783,585.40	13.41
US Cash	8,783,585.40	13.41
Fixed Income	19,167,161.86	29.27
US	13,927,293.17	21.27
US Fixed Income	2,260,139.62	3.45
Intermediate	2,260,139.62	3.45
Corporate Investment	3,550,833.60	5.42
Grade Credit		
Short	1,028,124.44	1.57
Intermediate	2,522,709.16	3.85
Corporate High Yield	8,116,319.95	12.40
Corporate High Yield	8,116,319.95	12.40
Global	5,239,868.69	8.00
Global	5,239,868.69	8.00
Global	5,239,868.69	8.00





Asset allocation summary - as of July 05, 2013 (continued)

Equity	35,804,363.99	54.67
US	29,009,699.34	44.30
US Equity	95,542.84	0.15
Other	95,542.84	0.15
Large Cap	19,204,208.80	29.32
Core	4,114,368.50	6.28
Growth	9,955,109.80	15.20
Value	4,390,127.86	6.70
Master Limited Partnerships	386,372.64	0.59
Public Real Estate	358,230.00	0.55
Mid Cap	7,308,267.70	11.16
Core	4,750,317.70	7.25
Growth	2,272,410.00	3.47
Value	285,540.00	0.44
Small Cap	2,394,080.00	3.66
Core	1,076,990.00	1.64
Growth	958,690.00	1.46
Value	358,400.00	0.56
Convertibles	7,600.00	0.01
Convertibles	7,600.00	0.01
Global	3,585,883.66	5.48
Global	3,585,883.66	5.48
Core	809,796.35	1.24
Growth	2,776,087.31	4.24
International	3,208,780.99	4.89
Developed Markets	3,208,780.99	4.89
Core	1,588,643.68	2.43
Growth	1,271,897.31	1.94
Value	348,240.00	0.52
Commodities	0.00	0.00
Non-Traditional	0.00	0.00
Other	1,734,115.89	2.65
Balanced	1,734,115.89	2.65
Balanced	1,734,115.89	2.65
Balanced	1,734,115.89	2.65
Total Portfolio	\$65,489,227.14	100%

Balanced mutual funds are allocated in the 'Other' category

Equity sector analysis

as of July 05, 2013

Summary of equity sector analysis compared to S&P 500 index

	Actual %	Model %	Value of equity (\$)	Model value (\$)	Gap (\$)	Actual (%)	Model (%)	Gap (%)
Consumer discretionary	17.01%	11.80%	6,091,915.24	4,235,840.29	1,856,074.95	17.01%	11.80%	5.21%
Energy	8.42%	10.45%	3,013,659.48	3,752,059.35	-738,399.87	8.42%	10.45%	-2.03%
Finance	7.01%	16.36%	2,508,260.07	5,875,272.84	-3,367,012.77	7.01%	16.36%	-9.35%
Health care	6.87%	12.46%	2,460,859.31	4,476,120.13	-2,015,260.82	6.87%	12.46%	-5.59%
Industrials	8.98%	10.12%	3,215,326.22	3,635,304.08	-419,977.86	8.98%	10.12%	-1.14%
Materials	7.32%	3.30%	2,620,780.29	1,184,624.97	1,436,155.32	7.32%	3.30%	4.02%
Staples	14.34%	11.37%	5,133,027.23	4,081,873.59	1,051,153.64	14.34%	11.37%	2.97%
Technology	23.63%	18.10%	8,458,977.15	6,501,715.55	1,957,261.60	23.63%	18.10%	5.53%
Telecommunications	0.32%	2.76%	113,320.39	989,554.04	-876,233.65	0.32%	2.76%	-2.44%
Utilities	6.41%	3.13%	2,295,312.51	1,122,336.58	1,172,975.93	6.41%	3.13%	3.28%
Total classified equity			\$35,911,437.89					
Unclassified securities			-\$107,073.90					

Rounding calculation may affect totals.

Equity sector analysis - as of July 05, 2013 (continued)

Detail of equity sector analysis

	Number of shares	Price on 07/05/2013 (\$)	Value of equity (\$/%)	Volatility/ 60-month beta	UBS Wealth Management Research rating	UBS Investment Research rating
Consumer discretionary						
BED BATH & BEYOND INC CUSIP: 075896100 Symbol: BBBY	1,500.00	72.76	109,140.00 0.30%	Low 0.85		Neutral
DECKERS OUTDOOR CORP CUSIP: 243537107 Symbol: DECK	9,000.00	52.01	468,090.00 1.30%			
DIRECTV CUSIP: 25490A309 Symbol: DTV	3,020.00	63.64	192,192.80 0.54%	Medium 0.84	Outperform	Neutral (Rating Exception)
GAMESTOP CORP NEW (HOLDING CO) CL A CUSIP: 36467W109 Symbol: GME	1,000.00	42.99	42,990.00 0.12%			
GENERAL MOTORS CO CUSIP: 37045V100 Symbol: GM	2,037.00	34.67	70,622.79 0.20%	Medium 1.41		Buy
GENUINE PARTS CO CUSIP: 372460105 Symbol: GPC	5,000.00	83.74	418,700.00 1.17%			
HILLENBRAND INC CUSIP: 431571108 Symbol: HI	5,000.00	23.81	119,050.00 0.33%			
JOS A BANK CLOTHIERS INC CUSIP: 480838101 Symbol: JOSB	5,000.00	41.35	206,750.00 0.58%			
MCDONALDS CORP CUSIP: 580135101 Symbol: MCD	8,100.00	99.86	808,866.00 2.25%		Marketperform	
OMNICOM GROUP INC CUSIP: 681919106 Symbol: OMC	5,000.00	63.50	317,500.00 0.88%	Low 1.06	Underperform	Neutral (Rating Exception)
STARBUCKS CORP CUSIP: 855244109 Symbol: SBUX	5,000.00	67.72	338,600.00 0.94%		Outperform	
TRACTOR SUPPLY COMPANY CUSIP: 892356106 Symbol: TSCO	4,000.00	118.81	475,240.00 1.32%	Medium 0.84		Buy (Rating Exception)
WTS GENERAL MOTORS CO EXP 07/10/16 CUSIP: 37045V118 Symbol: GMWSA	1,852.00	25.24	46,744.48 0.13%			
WTS GENERAL MOTORS CO EXP 07/10/19 CUSIP: 37045V126 Symbol: GMWSB	1,852.00	17.63	32,650.76 0.09%			
YUM! BRANDS INC CUSIP: 988498101 Symbol: YUM	24,800.00	71.66	1,777,168.0 4.95%		Outperform	
MUTUAL FUNDS COMPONENT (for further details see last section of this report)			667,610.41 1.86%			
Total consumer discretionary			\$6,091,915.24 17.01%			

Equity sector analysis - as of July 05, 2013 (continued)

	Number of shares	Price on 07/05/2013 (\$)	Value of equity (\$/%)	Volatility/ 60-month beta	UBS Wealth Management Research rating	UBS Investment Research rating
Energy						
CHEVRON CORP CUSIP: 166764100 Symbol: CVX	16,900.00	120.51	2,036,619.0 5.67%	Low 0.80	Marketperform	Neutral
CLEAN ENERGY FUELS CORP CUSIP: 184499101 Symbol: CLNE	5,000.00	13.46	67,300.00 0.19%			
HESS CORP CUSIP: 42809H107 Symbol: HES	2,000.00	68.13	136,260.00 0.38%	High 1.16	Marketperform	Neutral
KINDER MORGAN ENERGY PARTNERS MLP CUSIP: 494550106 Symbol: KMP	4,563.00	85.28	389,132.64 1.08%	Low 0.62		Neutral (Rating Exception)
SPECTRA ENERGY CORP CUSIP: 847560109 Symbol: SE	5,200.00	34.86	181,272.00 0.50%			
MUTUAL FUNDS COMPONENT (for further details see last section of this report)			203,075.84 0.57%			
Total energy			\$3,013,659.48 8.42%			
Finance						
AMERICAN TOWER CORP REIT CUSIP: 03027X100 Symbol: AMT	5,000.00	71.67	358,350.00 1.00%	Low 0.62	Outperform	Buy
BANK OF AMER CORP CUSIP: 060505104 Symbol: BAC	10,000.00	13.06	130,600.00 0.36%	High 1.63	Marketperform	Neutral (Rating Exception)
BANK OF NOVA SCOTIA CANADA CAD CUSIP: 064149107 Symbol: BNS	5,000.00	52.50	262,500.00 0.73%			
CIT GROUP INC CUSIP: 125581801 Symbol: CIT	9,162.00	48.60	445,273.20 1.24%			
HARTFORD FINCL SERVICES GROUP INC CUSIP: 416515104 Symbol: HIG	5,000.00	31.36	156,800.00 0.44%	Medium 1.96		Buy (Rating Exception)
PORTFOLIO RECOVERY ASSOC INC CUSIP: 73640Q105 Symbol: PRAA	3,000.00	158.93	476,790.00 1.33%			
WELLS FARGO & CO NEW CUSIP: 949746101 Symbol: WFC	5,000.00	42.07	210,350.00 0.59%	Low 1.06	Outperform	Neutral (Rating Exception)
MUTUAL FUNDS COMPONENT (for further details see last section of this report)			467,596.87 1.31%			
Total finance			\$2,508,260.07 7.01%			

Equity sector analysis - as of July 05, 2013 (continued)

	Number of shares	Price on 07/05/2013 (\$)	Value of equity (\$/%)	Volatility/ 60-month beta	UBS Wealth Management Research rating	UBS Investment Research rating
Health care						
BRUKER CORP CUSIP: 116794108 Symbol: BRKR	5,000.00	16.36	81,800.00 0.23%	Medium 1.13		Buy
CELGENE CORP CUSIP: 151020104 Symbol: CELG	2,000.00	122.48	244,960.00 0.68%	High 0.75	Outperform	Neutral
MCKESSON CORP CUSIP: 58155Q103 Symbol: MCK	4,000.00	115.73	462,920.00 1.29%	Low 0.81	Outperform	Buy (Rating Exception)
PERRIGO COMPANY CUSIP: 714290103 Symbol: PRGO	5,000.00	123.77	618,850.00 1.72%	Low 0.64		Buy (Rating Exception)
PFIZER INC CUSIP: 717081103 Symbol: PFE	7,000.00	27.97	195,790.00 0.55%	Low 0.77	Marketperform	Buy
TEVA PHARMACEUTICALS IND LTD ISRAEL ADR CUSIP: 881624209 Symbol: TEVA	9,000.00	38.94	350,460.00 0.98%	Low 0.66	Marketperform	Neutral
THORATEC CORP NEW CUSIP: 885175307 Symbol: THOR	5,000.00	32.41	162,050.00 0.45%	Medium 0.79		Buy
MUTUAL FUNDS COMPONENT (for further details see last section of this report)			344,029.31 0.96%			
Total health care			\$2,460,859.31 6.87%			
Industrials						
AMERICAN SCIENCE & ENGINEERING INC CUSIP: 029429107 Symbol: ASEI	3,000.00	56.84	170,520.00 0.47%			
CATERPILLAR INC CUSIP: 149123101 Symbol: CAT	5,000.00	82.14	410,700.00 1.14%	Medium 1.39	Marketperform	Neutral
DANAHER CORP CUSIP: 235851102 Symbol: DHR	8,000.00	64.60	516,800.00 1.44%	Low 0.90	Outperform	Buy (Rating Exception)
GENL ELECTRIC CO CUSIP: 369604103 Symbol: GE	10,000.00	23.24	232,400.00 0.65%	Low 1.17	Marketperform	Buy (Rating Exception)
HONEYWELL INTL INC CUSIP: 438516106 Symbol: HON	2,000.00	80.06	160,120.00 0.45%	Low 1.08	Marketperform	Neutral
IDEX CORP CUSIP: 45167R104 Symbol: IEX	10,500.00	55.68	584,640.00 1.63%			
LENNOX INTL INC CUSIP: 526107107 Symbol: LII	5,000.00	66.27	331,350.00 0.92%	Medium 0.96		Neutral (Rating Exception)
WATSCO INC CUSIP: 942622200 Symbol: WSO	5,000.00	88.03	440,150.00 1.23%	Medium 0.85		Neutral (Rating Exception)
MUTUAL FUNDS COMPONENT (for further details see last section of this report)			368,646.22 1.03%			
Total industrials			\$3,215,326.22 8.98%			

Equity sector analysis - as of July 05, 2013 (continued)

	Number of shares	Price on 07/05/2013 (\$)	Value of equity (\$/%)	Volatility/ 60-month beta	UBS Wealth Management Research rating	UBS Investment Research rating
Materials						
CLIFFS NAT RESOURCES INC CUSIP: 18683K101 Symbol: CLF	12,000.00	15.68	188,160.00 0.52%	High 1.59		Neutral (Rating Exception)
FREEPORT-MCMORAN COPPER & GOLD INC CUSIP: 35671D857 Symbol: FCX	20,000.00	27.34	546,800.00 1.52%	High 1.45	Outperform	Buy
PRAXAIR INC CUSIP: 74005P104 Symbol: PX	6,000.00	115.69	694,140.00 1.93%		Marketperform	
RIO TINTO PLC SPON ADR CUSIP: 767204100 Symbol: RIO	10,000.00	39.90	399,000.00 1.11%	High 1.00		Buy
SIGMA ALDRICH CORP CUSIP: 826552101 Symbol: SIAL	8,000.00	81.29	650,320.00 1.81%	Low 0.87		Sell
MUTUAL FUNDS COMPONENT (for further details see last section of this report)			142,360.29 0.40%			
Total materials			\$2,620,780.29			
			7.32%			
Staples						
COSTCO WHOLESALE CORP CUSIP: 22160K105 Symbol: COST	5,000.00	111.76	558,800.00 1.56%	Low 0.70	Marketperform	Buy
DARLING INTL INC CUSIP: 237266101 Symbol: DAR	10,000.00	19.41	194,100.00 0.54%			
DIAGEO PLC NEW GB SPON ADR CUSIP: 25243Q205 Symbol: DEO	2,000.00	117.48	234,960.00 0.65%	Low 0.79		Neutral
FLOWERS FOODS INC CUSIP: 343498101 Symbol: FLO	11,250.00	22.50	253,125.00 0.70%			
GENL MILLS INC CUSIP: 370334104 Symbol: GIS	5,000.00	49.03	245,150.00 0.68%		Marketperform	
GREEN MTN COFFEE ROASTERS INC CUSIP: 393122106 Symbol: GMCR	10,000.00	72.83	728,300.00 2.03%			
PEPSICO INC CUSIP: 713448108 Symbol: PEP	19,800.00	80.80	1,599,840.0 4.45%		Marketperform	
PROCTER & GAMBLE CO CUSIP: 742718109 Symbol: PG	4,875.00	78.34	381,907.50 1.06%		Marketperform	
SMUCKER J M CO NEW CUSIP: 832696405 Symbol: SJM	4,000.00	103.12	412,480.00 1.15%			
WALGREEN CO CUSIP: 931422109 Symbol: WAG	5,000.00	44.25	221,250.00 0.62%	Medium 0.96	Marketperform	Buy
MUTUAL FUNDS COMPONENT (for further details see last section of this report)			303,114.73 0.85%			
Total staples			\$5,133,027.23			
			14.34%			

Equity sector analysis - as of July 05, 2013 (continued)

	Number of shares	Price on 07/05/2013 (\$)	Value of equity (\$/%)	Volatility/ 60-month beta	UBS Wealth Management Research rating	UBS Investment Research rating
Technology						
APPLE INC CUSIP: 037833100 Symbol: AAPL	6,750.00	417.42	2,817,585.0 7.85%	High 0.86	Outperform	Buy
CORNING INC CUSIP: 219350105 Symbol: GLW	3,000.00	14.52	43,560.00 0.12%	Medium 1.12		Buy
EMC CORP MASS CUSIP: 268648102 Symbol: EMC	17,000.00	24.13	410,210.00 1.14%	Low 0.98		Buy
FACTSET RESH SYSTEMS INC CUSIP: 303075105 Symbol: FDS	2,000.00	103.62	207,240.00 0.58%	Low 0.87		Neutral (Rating Exception)
FISERV INC CUSIP: 337738108 Symbol: FISV	3,000.00	88.96	266,880.00 0.74%	Low 0.92		Neutral
GLOBAL PAYMENTS INC CUSIP: 37940X102 Symbol: GPN	3,000.00	47.01	141,030.00 0.39%	Low 0.85		Buy
GOOGLE INC CL A CUSIP: 38259P508 Symbol: GOOG	1,000.00	893.49	893,490.00 2.49%	Medium 0.90	Outperform	Buy (Rating Exception)
ORACLE CORP CUSIP: 68389X105 Symbol: ORCL	7,000.00	31.19	218,330.00 0.61%	Medium 1.00	Marketperform	Buy
VISA INC CL A CUSIP: 92826C839 Symbol: V	3,000.00	190.79	572,370.00 1.59%	Low 0.76		Neutral (Rating Exception)
MUTUAL FUNDS COMPONENT (for further details see last section of this report)			2,888,282.1 8.07%			
Total technology			\$8,458,977.15 23.63%			
Telecommunications						
MUTUAL FUNDS COMPONENT (for further details see last section of this report)			113,320.39 0.32%			
Total telecommunications			\$113,320.39 0.32%			
Utilities						
DUKE ENERGY CORP NEW CUSIP: 26441C204 Symbol: DUK	8,841.00	67.27	594,734.07 1.66%	Low 0.49	Outperform	Buy
ONEOK INC NEW CUSIP: 682680103 Symbol: OKE	28,000.00	40.00	1,120,000.0 3.12%			
SCANA CORP NEW CUSIP: 80589M102 Symbol: SCG	5,000.00	48.51	242,550.00 0.68%	Low 0.59		Neutral (Rating Exception)
SOUTH JERSEY IND INC CUSIP: 838518108 Symbol: SJI	5,000.00	57.20	286,000.00 0.80%			
MUTUAL FUNDS COMPONENT (for further details see last section of this report)			52,028.45 0.15%			
Total utilities			\$2,295,312.51 6.41%			

Equity sector analysis - as of July 05, 2013 (continued)

			Number of shares	Price on 07/05/2013 (\$)	Value of equity (\$/%)	Volatility/ 60-month beta	UBS Wealth Management Research rating	UBS Investment Research rating
Total classified equity					\$35,911,437.89			
Unclassified securities								
CALL AMERICAN TOWER CORP DUE 07/20/13	82.500							
050GW8			-20.00	6.00	-120.00 0.00%	Low	Outperform	Buy
CUSIP: 99UBA9A20 Symbol: AMT								
CALL CIT GROUP INC DUE 10/19/13	48.000	068HJ1			-5,943.00			
CUSIP: 99UBBCYV2 Symbol: CIT			-21.00	283.00	-0.01%			
CALL CLIFFS NAT RESOURCE DUE 10/19/13	27.000				-280.00	High		Neutral (Rating Exception)
0923Y0			-20.00	14.00	0.00%			
CUSIP: 99UBAIGP3 Symbol: CLF								
CALL COSTCO WHOLESALE CO DUE 07/20/13	115.000				-240.00	Low	Marketperform	Buy
0929G5			-10.00	24.00	0.00%			
CUSIP: 99UBBCXU5 Symbol: COST								
CALL DARLING INTL INC DUE 07/20/13	17.500	194921			-3,650.00			
CUSIP: 99UBAX6M8 Symbol: DAR			-20.00	182.50	-0.01%			
CALL DECKERS OUTDOOR COR DUE 09/21/13	70.000				-550.00			
1243B0			-20.00	27.50	0.00%			
CUSIP: 99UBBCYD2 Symbol: DECK								
CALL DUKE ENERGY CORP NE DUE 07/20/13	70.000				-180.00	Low	Outperform	Buy
119MG4			-18.00	10.00	0.00%			
CUSIP: 99UBA4C86 Symbol: DUK								
CALL EMC CORP MASS DUE 07/20/13	26.000	137499			-20.00	Low		Buy
CUSIP: 99UBALH34 Symbol: EMC			-20.00	1.00	0.00%			
CALL FLOWERS FOODS INC DUE 07/20/13	20.000	150 FLO			-5,812.50			
1622K1			-25.00	232.50	-0.01%			
CUSIP: 99UBBPRT6 Symbol: FLO1								
CALL GENUINE PARTS CO DUE 08/17/13	75.000				-9,500.00			
181455			-10.00	950.00	-0.01%			
CUSIP: 99UBAXLQ2 Symbol: GPC								
CALL GLOBAL PAYMENTS INC DUE 08/17/13	55.000				-200.00	Low		Buy
1848N3			-10.00	20.00	0.00%			
CUSIP: 99UBAX7G0 Symbol: GPN								
CALL GREEN MTN COFFEE DUE 09/21/13	75.000				-19,425.00			
3276A1			-30.00	647.50	-0.03%			
CUSIP: 99UBAIP24 Symbol: GMCR								
CALL HARTFORD FINCL SERV DUE 09/21/13	31.000				-1,875.00	Medium		Buy (Rating Exception)
1988E4			-10.00	187.50	0.00%			
CUSIP: 99UBAIC28 Symbol: HIG								
CALL HILLENBRAND INC DUE 07/20/13	25.000	2085U0			-100.00			
CUSIP: 99UBAX7M7 Symbol: HI			-10.00	10.00	0.00%			
CALL IDEX CORP DUE 07/20/13	55.000	223085			-3,875.00			
CUSIP: 99UBAX770 Symbol: IEX			-25.00	155.00	-0.01%			

Equity sector analysis - as of July 05, 2013 (continued)

			Number of shares	Price on 07/05/2013 (\$)	Value of equity (\$/%)	Volatility/ 60-month beta	UBS Wealth Management Research rating	UBS Investment Research rating
Unclassified securities								
CALL JOS A BANK CLOTHIER DUE 07/20/13	45.000							
240478			-10.00	25.00	-250.00			
CUSIP: 99UBASOC1 Symbol: JOSB					0.00%			
CALL KINDER MORGAN ENERG DUE 08/17/13	39.000	+MERGER						
PACKAGE 248AH5			-30.00	92.00	-2,760.00			
CUSIP: 99UBAZA30 Symbol: KMP1					0.00%			
CALL LENNOX INTL INC DUE 09/21/13	65.000	2594N4			-3,700.00	Medium		Neutral (Rating Exception)
CUSIP: 99UBAX8K0 Symbol: LII			-10.00	370.00	-0.01%			
CALL ONEOK INC NEW DUE 10/19/13	52.500	3496G4			-900.00			
CUSIP: 99UBAPSU3 Symbol: OKE			-30.00	30.00	0.00%			
CALL PFIZER INC DUE 09/21/13	28.000	370011			-1,750.00	Low	Marketperform	Buy
CUSIP: 99UBAWCX9 Symbol: PFE			-20.00	87.50	0.00%			
CALL PORTFOLIO RECOVERY DUE 09/21/13	145.000				-17,350.00			
3803K6			-10.00	1,735.00	-0.03%			
CUSIP: 99UBAI3H5 Symbol: PRAA							Marketperform	
CALL PRAXAIR INC DUE 07/20/13	120.000	385344			-200.00			
CUSIP: 99UBAZQK5 Symbol: PX			-10.00	20.00	0.00%			
CALL PROCTER & GAMBLE CO DUE 07/20/13	77.500				-1,425.00		Marketperform	
383601			-10.00	142.50	0.00%			
CUSIP: 99UBAWZS5 Symbol: PG								
CALL RIO TINTO PLC SPON DUE 07/20/13	65.000				-100.00	High		Buy
4005C0			-20.00	5.00	0.00%			
CUSIP: 99UBAUPX9 Symbol: RIO								
CALL SIGMA ALDRICH CORP DUE 07/20/13	80.000				-4,920.00	Low		Sell
422142			-30.00	164.00	-0.01%			
CUSIP: 99UBAX978 Symbol: SIAL								
CALL SMUCKER J M CO NEW DUE 07/20/13	95.000				-8,250.00			
4258Y5			-10.00	825.00	-0.01%			
CUSIP: 99UBBH790 Symbol: SJM								
CALL SPECTRA ENERGY CORP DUE 09/21/13	30.000				-6,060.00			
433AH7			-12.00	505.00	-0.01%			
CUSIP: 99UBAYAF6 Symbol: SE							Outperform	
CALL STARBUCKS CORP DUE 07/20/13	62.500	509736			-5,300.00			
CUSIP: 99UBBI6I9 Symbol: SBUX			-10.00	530.00	-0.01%			
CALL TEVA PHARMACEUTICAL DUE 09/21/13	40.000				-2,220.00	Low	Marketperform	Neutral
456748			-30.00	74.00	0.00%			
CUSIP: 99UBBR715 Symbol: TEVA								
CALL THORATEC CORP NEW DUE 07/20/13	41.000				-250.00	Medium		Buy
4564C8			-10.00	25.00	0.00%			
CUSIP: 99UBAYBI9 Symbol: THOR								
CALL TRACTOR SUPPLY COMP DUE 07/20/13	115.000				-4,550.00	Medium		Buy (Rating Exception)
4608B6			-10.00	455.00	-0.01%			
CUSIP: 99UBAU0S7 Symbol: TSCO								



Equity sector analysis - as of July 05, 2013 (continued)

			Number of shares	Price on 07/05/2013 (\$)	Value of equity (\$/%)	Volatility/ 60-month beta	UBS Wealth Management Research rating	UBS Investment Research rating
Unclassified securities								
CALL WALGREEN CO DUE 07/20/13	50.000	496405			-20.00	Medium	Marketperform	Buy
CUSIP: 99UBALBZ9 Symbol: WAG			-10.00	2.00	0.00%			
CALL WATSCO INC DUE 08/17/13	85.000	498009			-3,650.00	Medium		Neutral (Rating Exception)
CUSIP: 99UBAYBZ1 Symbol: WSO			-10.00	365.00	-0.01%			
CALL WELLS FARGO & CO NE DUE 10/19/13	39.000				-3,700.00	Low	Outperform	Neutral (Rating Exception)
4971H5			-10.00	370.00	-0.01%			
CUSIP: 99UBASZF2 Symbol: WFC								
CALL YUM! BRANDS INC DUE 10/19/13	75.000	5175J8			-5,936.00		Outperform	
CUSIP: 99UBBEZA3 Symbol: YUM			-28.00	212.00	-0.01%			
ESCROW GENERAL MTRS CORP 6.250% SER C DUE 07/15/33 CALLBL					7,600.00			
CONV			20,000.00	0.38	0.01%			
CUSIP: 370ESC717 Symbol:								
MOTORS LIQ CO GUC TR UBI					16,147.60			
CUSIP: 62010U101 Symbol: MTLQU			511.00	31.60	0.02%			
PUT CELGENE CORP DUE 07/20/13	72.500	094889			-20.00	High	Outperform	Neutral
CUSIP: 99UBAYB32 Symbol: CELG			-10.00	2.00	0.00%			
PUT CHEVRON CORP DUE 01/18/14	75.000	0926P3			-1,515.00	Low	Marketperform	Neutral
CUSIP: 99UBBMBH6 Symbol: CVX			-30.00	50.50	0.00%			
PUT DECKERS OUTDOOR COR DUE 12/21/13	35.000				-2,000.00			
1243B0			-20.00	100.00	0.00%			
CUSIP: 99UBBC064 Symbol: DECK								
PUT FISERV INC DUE 12/21/13	50.000	159425			-125.00	Low		Neutral
CUSIP: 99UBANO32 Symbol: FISV			-10.00	12.50	0.00%			
PUT PORTFOLIO RECOVERY DUE 09/21/13	90.000				-2,100.00			
3803K6			-10.00	210.00	0.00%			
CUSIP: 99UBAKSM2 Symbol: PRAA								
Total unclassified securities					-\$107,073.90			
					-0.30%			
Total equity					\$35,804,363.99			

Balanced mutual funds are allocated in the 'Other' category.

Rounding calculation may affect totals.



Bond summary

Includes all fixed-rate securities in the selected portfolio. Average yields and durations exclude Structured Product, Pass-Through, Perpetual Preferred, and Foreign securities.

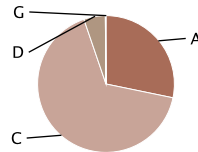
as of July 05, 2013

Bond overview

Total quantity	4,517,000
Total market value	\$4,903,386.08
Total accrued interest	\$55,033.52
Total market value plus accrued interest	\$4,958,419.60
Total estimated annual bond interest	\$180,696.80
Average coupon	6.09%
Average current yield	3.69%
Average yield to maturity	2.58%
Average yield to worst	2.58%
Average effective maturity	3.71

Credit quality of bond holdings

Effective credit rating	Issues	Value on 07/05/2013 (\$)	% of port.
A Aaa/AAA/AAA	2	1,399,986.00	28.55
B Aa/AA/AA	0	0.00	0.00
C A/A/A	5	3,298,831.27	66.29
D Baa/BBB/BBB	1	252,002.33	5.01
E Non-investment grade	0	0.00	0.00
F Certificate of deposit	0	0.00	0.00
G Not rated	1	7,600.00	0.15
Total	9	\$4,958,419.60	100%

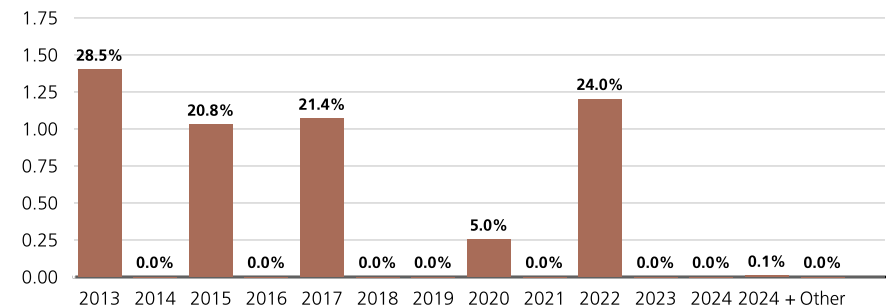


Investment type allocation

Investment type	Taxable (\$)	Tax-exempt / deferred (\$)	Total (\$)	% of bond port.
U.S. corporates	0.00	3,558,433.60	3,558,433.60	71.77
U.S. treasuries	0.00	1,399,986.00	1,399,986.00	28.23
Total	\$0.00	\$4,958,419.60	\$4,958,419.60	100%

Bond maturity schedule

\$ Millions



Effective maturity schedule

Cash, mutual funds and some preferred securities are not included.



Bond holdings

Includes all fixed-rate securities in the selected portfolio. Average yields and durations exclude Structured Product, Pass-Through, Perpetual Preferred, and Foreign securities.

as of July 05, 2013

Summary of bond holdings

Maturity Year	Issues	Quantity	Est. annual income (\$)	Current yield (%)	Yield to maturity (%)	Yield to worst (%)	Adjusted cost basis (\$)	Unrealized gain/loss (\$)	Mkt. value (\$)	% of bond portfolio maturing
2013	2	1,400,000	0.00	0.00%	0.02 %	0.02 %	1,399,806.74	179.26	1,399,986.00	28.55%
2014	0	0			NA	NA				
2015	2	1,000,000	35,365.45	3.45%	2.42 %	2.42 %	1,000,000	23,680.00	1,028,124.44	20.88%
2016	0	0			NA	NA				
2017	1	1,000,000	49,000.00	4.67%	3.43 %	3.43 %	1,000,000	49,390.00	1,068,445.56	21.4%
2018	0	0			NA	NA				
2019	0	0			NA	NA				
2020	1	200,000	18,750.00	7.64%	5.27 %	5.27 %	195,375	50,169.00	252,002.33	5.01%
2021	0	0			NA	NA				
2022	2	897,000	77,581.35	6.59%	4.37 %	4.37 %	880,875	296,311.08	1,202,261.27	24.01%
2023	0	0			NA	NA				
2024	0	0			NA	NA				
2025	0	0			NA	NA				
2026	0	0			NA	NA				
2027	0	0			NA	NA				
2028	0	0			NA	NA				
2029	0	0			NA	NA				
2030	0	0			NA	NA				
2031	0	0			NA	NA				
2032	0	0			NA	NA				
2033	1	20,000	0.00	0.00%	NA	NA	496,763	-489,163.00	7,600.00	0.15%
2034	0	0			NA	NA				
2035	0	0			NA	NA				
2036	0	0			NA	NA				
2037	0	0			NA	NA				
2038	0	0			NA	NA				
2039	0	0			NA	NA				
2040	0	0			NA	NA				
2041	0	0			NA	NA				
2042	0	0			NA	NA				
2042 +	0	0			NA	NA				
Other	0	0			NA	NA				
Total	9	4,517,000	\$180,696.80	3.69%	2.58 %	2.58 %	\$4,972,819.74	\$-69,433.66	\$4,958,419.60	



Bond holdings - as of July 05, 2013 (continued)

Details of bond holdings

	Effective rating/ Underlying rating (Mdy/Fitch/S&P)	Quantity	Coupon	Effective maturity	Call date/ Call price (\$)	Est. annual income (\$)/ Curr. yield (%)	YTM (%)/ YTW (%)	Adjusted cost basis (\$)/ Unreal. g/l (\$)	Market price (\$)	Mkt. value (\$)/ Accr. interest (\$)	% of bond port.
Total Bond Portfolio		4,517,000	6.09%	03/20/2017	NA	\$180,696.80 3.69%	2.58% 2.58%	\$4,972,819.74 \$-69,433.66	NA	\$4,903,386.08 \$55,033.52 \$4,958,419.60	100%
Maturing 2013											
UNITED STATES TREAS BILL DUE 07/18/13	NR/AAA/NR NR/NR/NR	700,000		07/18/2013			0.03% 0.03%	699,955.20 37.80	99.999	699,993.00 0.00	14.28%
UNITED STATES TREAS BILL DUE 07/25/13	NR/AAA/NR NR/NR/NR	700,000		07/25/2013			0.02% 0.02%	699,851.54 141.46	99.999	699,993.00 0.00	14.28%
Total 2013		1,400,000	0.00%	07/22/2013		\$0.00 0.00%	0.02% 0.02%	\$1,399,806.74 \$179.26		\$1,399,986.00 \$0.00	28.55%
Maturing 2015											
BANK OF AMER INTERNOTES 04.000% 041515 DTD042910 FC101510 NTS B/E	Baa2/A/A- NR/NR/NR	500,000	4.00%	04/15/2015		20,000.00 3.89%	2.42% 2.42%	500,000.00 13,670.00	102.734	513,670.00 4,444.44	10.48%
PRUDENTIAL FINL NOTES 03.073% 111015 DTD111705 FLT VS YOY CPI-U +201BPS	Baa2/NR/A NR/NR/NR	500,000	3.07%	11/10/2015		15,365.45 3.01%	NA NA	500,000.00 10,010.00	102.002	510,010.00 0.00	10.40%
Total 2015		1,000,000	3.54%	07/28/2015		\$35,365.45 3.45%	2.42% 2.42%	\$1,000,000.00 \$23,680.00		\$1,023,680.00 \$4,444.44	20.88%
Maturing 2017											
BANK OF AMER INTERNOTES 04.900% 021517 DTD021910 FC081510 NTS B/E	Baa2/A/A- NR/NR/NR	1,000,000	4.90%	02/15/2017		49,000.00 4.67%	3.43% 3.43%	1,000,000.00 49,390.00	104.939	1,049,390.00 19,055.56	21.40%
Total 2017		1,000,000	4.90%	02/15/2017		\$49,000.00 4.67%	3.43% 3.43%	\$1,000,000.00 \$49,390.00		\$1,049,390.00 \$19,055.56	21.40%

Bond holdings - as of July 05, 2013 (continued)

	Effective rating/ Underlying rating (Mdy/Fitch/S&P)	Quantity	Coupon	Effective maturity	Call date/ Call price (\$)	Est. annual income (\$)/ Curr. yield (%)	YTM (%)/ YTW (%)	Adjusted cost basis (\$)/ Unreal. g/l (\$)	Market price (\$)	Mkt. value (\$)/ Accr. interest (\$)	% of bond port.
Maturing 2020											
FORD HOLDING INC DEB 09.375% 030120 DTD030190 FC090190	Baa3/BBB-/BB+ NR/NR/NR	200,000	9.38%	03/01/2020		18,750.00 7.64%	5.27% 5.27%	195,375.00 50,169.00	122.772	245,544.00 6,458.33	5.01%
Total 2020		200,000	9.38%	03/01/2020		\$18,750.00 7.64%	5.27% 5.27%	\$195,375.00 \$50,169.00		\$245,544.00 \$6,458.33	5.01%
Maturing 2022											
ATLANTIC RICHFIELD CO 08.250% 020122 DTD020192 FC080192 DEBS	A2/A/A NR/NR/NR	600,000	8.25%	02/01/2022		49,500.00 6.49%	4.41% 4.41%	587,250.00 175,728.00	127.163	762,978.00 21,175.00	15.56%
AT&T BROADBAND CORP 09.455% 111522 DTD111802 FC051503 GLOBAL B/E	A3/BBB+/A- NR/NR/NR	297,000	9.46%	11/15/2022		28,081.35 6.78%	4.29% 4.29%	293,625.00 120,583.08	139.464	414,208.08 3,900.19	8.45%
Total 2022		897,000	8.67%	05/13/2022		\$77,581.35 6.59%	4.37% 4.37%	\$880,875.00 \$296,311.08		\$1,177,186.08 \$25,075.19	24.01%
Maturing 2033											
ESCROW GENERAL MTRS CORP 6.250% SER C DUE 07/15/33 CALLBL CONV /DE	WR/NR/NR NR/NR/NR	20,000	6.25%	07/15/2033	07/20/2013 25.52		NA NA	496,763.00 -489,163.00	0.380	7,600.00 0.00	0.15%
Total 2033		20,000	6.25%	07/15/2033		\$0.00 0.00%	NA NA	\$496,763.00 \$-489,163.00		\$7,600.00 \$0.00	0.15%
Total Bond Portfolio											
		4,517,000	6.09%	03/20/2017	NA	\$180,696.80 3.69%	2.58% 2.58%	\$4,972,819.74 \$-69,433.66	NA	\$4,903,386.08 \$55,033.52 \$4,958,419.60	100%



Disclosures applicable to accounts at UBS Financial Services Inc.

This section contains important disclosures regarding the information and valuations presented here. This report presents information since December 31, 2002. This report does not include complete account activity or performance of your accounts before this date. All information presented is subject to change at any time and is provided only as of the date indicated. The information in this report is for informational purposes only and should not be relied upon as the basis of an investment or liquidation decision. UBS FS accounts statements and official tax documents are the only official record of your accounts and are not replaced, amended or superseded by any of the information presented in these reports.

UBS FS offers a number of investment advisory programs to clients, acting in our capacity as an investment adviser, including fee-based financial planning, discretionary account management, non-discretionary investment advisory programs, and advice on the selection of investment managers and mutual funds offered through our investment advisory programs. When we act as your investment adviser, we will have a written agreement with you expressly acknowledging our investment advisory relationship with you and describing our obligations to you. At the beginning of our advisory relationship, we will give you our Form ADV brochure(s) for the program(s) you selected that provides detailed information about, among other things, the advisory services we provide, our fees, our personnel, our other business activities and financial industry affiliations and conflicts between our interests and your interests.

Please review the report content carefully and contact your Financial Advisor with any questions.

The account listing may or may not include all of your accounts with UBS FS. The accounts included in this report are listed under the "Accounts included in this review" shown on the first page or listed at the top of each page.

Client Accounts: This report includes all assets in the accounts listed and may include eligible and ineligible assets in a fee-based program. Since ineligible assets are not considered fee-based program assets, the inclusion of such securities will distort the actual performance of your accounts and does not reflect the performance of your accounts in the fee-based program. **As a result, the performance reflected in this report can vary substantially from the individual account performance reflected in the performance reports provided to you as part of those programs.** For fee-based programs, fees are charged on the market value of eligible assets in the accounts and assessed quarterly in advance, prorated according to the number of calendar days in the billing period. When shown on a report, the risk profile and return objectives describe your overall goals for these accounts. For each account you maintain, you choose one return objective and a

primary risk profile. If you have questions regarding these objectives or wish to change them, please contact your Financial Advisor to update your accounts records.

Performance: This report presents accounts activity and performance starting 12/31/02. For accounts opened prior to 12/31/02, this report does not include the complete account activity or performance of your accounts prior to that date. For consolidated reports, the Performance Start Date will be the earliest performance start date of any of the individual accounts selected for the consolidation time period. If an individual account's performance information is not available for a full reporting time period (month to date, quarter to date, year to date or performance to date), the individual's net of fee time weighted return will not be displayed. For consolidated accounts that include different account Performance Start Dates, the consolidated Additions/Withdrawals, Income Earned and Investment Appreciation/ Depreciation will include all activity that occurred during the consolidated reporting time period. Accounts that hold or held insurance products will be reported on from the month end date of when insurance and annuity activity could be obtained from the carrier.

Time-weighted Returns (prior to 10/31/2010): The report displays a time weighted rate of return (TWR) that is calculated using the Modified Dietz Method. This calculation uses the beginning and ending portfolio values for the month and weighs each contribution/withdrawal based upon the day the cashflow occurred. Periods greater than one month are calculated by linking the monthly returns. The TWR gives equal weighting to every return regardless of amount of money invested, so it is an effective measure for returns on a fee based account. All periods shown which are greater than 12 months are annualized.

Time-weighted Returns (after 10/31/2010): The report displays a time weighted rate of return (TWR) that is calculated by dividing the portfolio's daily gain/loss by the previous day's closing market value. All cash flows are posted at end of day. The TWR gives equal weighting to every return regardless of amount of money invested, so it is an effective measure for returns on a fee based account. Periods greater than one day are calculated by linking the daily returns. All periods shown which are greater than 12 months are annualized.

Money-weighted returns: Money-weighted return (MWR) is a measure of the rate of return for an asset or portfolio of assets. It is calculated by finding the daily Internal Rate of Return (IRR) for the period and then compounding this return by the number of days in the period being measured. The MWR incorporates the size and timing of cash flows, so it is an effective measure returns on a portfolio.

Annualized Performance: All performance periods

greater than one year are calculated (unless otherwise stated) on an annualized basis, which represents the return on an investment multiplied or divided to give a comparable one year return.

Cumulative Performance: A cumulative return is the aggregate amount that an investment has gained or lost over time, independent of the period of time involved.

Net of Fees and Gross of Fees Performance:

Performance is presented on a "net of fees" and "gross of fees" basis, where indicated. Net returns do not reflect Program and wrap fees prior to 10/31/10 for accounts that are billed separately via invoice through a separate account billing arrangement. Gross returns do not reflect the deduction of fees, commissions or other charges. The payment of actual fees and expenses will reduce a client's return. The compound effect of such fees and expenses should be considered when reviewing returns. For example, the net effect of the deduction of fees on annualized performance, including the compounded effect over time, is determined by the relative size of the fee and the account's investment performance.

Benchmark/Major Indices: The past performance of an index is not a guarantee of future results. Any benchmark is shown for informational purposes only and relates to historical performance of market indices and not the performance of actual investments. The benchmark is not managed and does not reflect the deduction of any fees and expenses, which will lower results. Indices are not actively managed and investors cannot directly invest in indices. The portfolio's investment strategy is not restricted to securities in the benchmark. Further, there is no guarantee that an investor's account will meet or exceed the stated benchmark. Index performance information has been obtained from third parties deemed to be reliable. We have not independently verified this information, nor do we make any representations or warranties to the accuracy or completeness of this information.

Custom Time Periods: If represented on this report, the performance start date and the performance end date have been selected by your Financial Advisor in order to provide performance and account activity information for your account for the specified period of time only. As a result only a portion of your account's activity and performance information is presented in the performance report, and, therefore, presents a distorted representation of your account's activity and performance.

Net Deposits/Withdrawals: When shown on a report, this information represents the net value of all cash and securities contributions and withdrawals, program fees (including wrap fees) and other fees added to or subtracted from your accounts from the first day to the last day of the period. When fees are shown separately, net deposits / withdrawals does not include program

fees (including wrap fees). When investment return is displayed net deposits / withdrawals does not include program fees (including wrap fees). For security contributions and withdrawals, securities are calculated using the end of day UBS FS price on the day securities are delivered in or out of the accounts. Wrap fees will be included in this calculation except when paid via an invoice or through a separate accounts billing arrangement.

Dividends/Interest: Dividend and interest earned, when shown on a report, does not reflect your account's tax status or reporting requirements. Use only official tax reporting documents (i.e. 1099) for tax reporting purposes. The classification of private investment distributions can only be determined by referring to the official year-end tax-reporting document provided by the issuer.

Change in Accrued Interest: When shown on a report, this information represents the difference between the accrued interest at the beginning of the period from the accrued interest at the end of the period.

Change in Value: Represents the change in value of the portfolio during the reporting period, excluding additions/withdrawals, dividend and interest income earned and accrued interest.

Fees: Fees represented in this report include program and wrap fees. Program and wrap fees prior to October 1, 2010 for accounts that are billed separately via invoice through a separate account billing arrangement are not included in this report. Commissions are not included in the fees calculation.

Net of fees: When indicated, the information is shown net of fees and commission charges to your accounts for the time period shown. For example, if your accounts are charged an asset based fee during the month the report is produced, net of fees performance information would reflect the deduction of those fees. Please see your program documents regarding fee schedules.

Beta: A measure of sensitivity of a portfolio of equities in relation to market movements. Beta measures the covariance of a portfolio in relation to the rest of the stock market as measured by a benchmark index. A portfolio with a higher beta would be expected to rise and fall further than the market. A portfolio with a low beta (less than 1) indicates that it would be expected to rise and fall less than the market.

Performance Start Date Changes: The Performance Start Date for accounts marked with a 'A' have changed. Performance figures of an account with a changed Performance Start Date may not include the entire history of the account. The new Performance Start Date will generate performance returns and activity information for a shorter period than is available at UBS FS. As a result, the overall performance of these



Disclosures applicable to accounts at UBS Financial Services Inc. (continued)

accounts may generate better performance than the period of time that would be included if the report used the inception date of the account. UBS FS recommends reviewing performance reports that use the inception date of the account because reports with longer time frames are usually more helpful when evaluating investment programs and strategies. Performance reports may include accounts with inception dates that precede the new Performance Start Date and will show performance and activity information from the earliest available inception date.

The change in Performance Start Date may be the result of a performance gap due to a zero-balance that prevents the calculation of continuous returns from the inception of the account. The Performance Start Date may also change if an account has failed one of our performance data integrity tests. In such instances, the account will be labeled as 'Review Required' and performance prior to that failure will be restricted. Finally, the Performance Start Date will change if you have explicitly requested a performance restart. Please contact your Financial Advisor for additional details regarding your new Performance Start Date.

Closed Account Performance: Accounts that have been closed may be included in the consolidated performance report. When closed accounts are included in the consolidated report, the performance report will only include information for the time period the account was active during the consolidated performance reporting time period.

Portfolio: For purposes of this report "portfolio" is defined as all of the accounts presented on the cover page or the header of this report and does not necessarily include all of the client's accounts held at UBS FS or elsewhere.

Percentage: Portfolio (in the "% Portfolio" column) includes all holdings held in the account(s) selected when this report was generated. Broad asset class (in the "% broad asset class" column) includes all holdings held in that broad asset class in the account(s) selected when this report was generated.

Tax lots: This report displays security tax lots as one line item (i.e., lumped tax lots). The total cost equals the total value of all tax lots. The unit cost is an average of the total cost divided by the total number of shares. If the shares were purchased in different lots, the unit price listed does not represent the actual cost paid for each lot. The unrealized gain/loss value is calculated by combining the total value of all tax lots plus or minus the total market value of the security.

Pricing: All securities are priced using the closing price reported on the last business day preceding the date of this report. Every reasonable attempt has been made to accurately price securities; however, we make no warranty with respect to any security's price. Please refer to the back of the first page of your UBS FS. accounts statement for important information regarding the

pricing used for certain types of securities, the sources of pricing data and other qualifications concerning the pricing of securities. To determine the value of securities in your account, we generally rely on third party quotation services. If a price is unavailable or believed to be unreliable, we may determine the price in good faith and may use other sources such as the last recorded transaction. When securities are held at another custodian or if you hold illiquid or restricted securities for which there is no published price, we will generally rely on the value provided by the custodian or issuer of that security.

Cash: Cash on deposit at UBS Bank USA is protected by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in principal and accrued interest per depositor for each ownership type. Deposits made in an individual's own name, joint name, or individual retirement account are each held in a separate type of ownership. Such deposits are not guaranteed by UBS FS. More information is available upon request.

Margin: The quantity value may indicate that all or part of this position is held on margin or held in the short account. When an account holds a debit balance, this debit balance is incorporated into the account's total market value and deducted from the total value. When calculating the percent of portfolio on each security, the percentage will be impacted by the total market value of the account. Therefore, if the account's market value is reduced by a debit value of a holding the percent of portfolio will be greater and if the account's market value is increased by a holding then the percent of portfolio will be less.

Mutual Fund Asset Allocation: If the option to unbundle balanced mutual funds is selected and if a fund's holdings data is available, mutual funds will be classified by the asset class, subclass, and style breakdown of their underlying holdings. Where a mutual fund or ETF contains equity holdings from multiple equity sectors, this report will proportionately allocate the underlying holdings of the fund to those sectors measured as a percentage of the total fund's asset value as of the date shown.

This information is supplied by Morningstar, Inc. on a monthly basis to UBS FS based on data supplied by the fund which may not be current. Mutual funds change their portfolio holdings on a regular (often daily) basis. Accordingly, any analysis that includes mutual funds may not accurately reflect the current composition of these funds. If a fund's underlying holding data is not available, it will be classified based on its corresponding overall Morningstar classification. All data is as of the date indicated in the report.

Equity Style: The Growth, Value and Core labels are determined by Standard and Poor's using a price-to-book ratio methodology. The Growth, Value and Core labels are based on how a company's price-to-book ratio compares to the median price-to-book ratio for its

industry based on the company's assigned Industry Sector. If the company's ratio is greater than or equal to the industry median, it is classified as a growth stock. If the company's ratio is less than the industry median, it is classified as a value stock. If a security includes both growth and value attributes, it is classified as a core stock. If price-to-book is not available or the industry's median is not available, this item will be Unclassified.

Equity Capitalization: Market Capitalization is defined as the number of shares outstanding times the market value. Equity securities are classified as Large Cap if they have a capitalization of 8 billion or above. Securities with capitalization between 1.8 and 7.9 billion are classified as Mid Cap. Securities with capitalization below 1.79 billion are classified as Small Cap. Unclassified securities are those for which no capitalization is available or applicable.

Equity Sectors: The Equity sector analysis may include a variety of accounts, each with different investment and risk parameters. As a result, the overweighting or underweighting in a particular sector or asset class should not be viewed as an isolated factor in making investment/liquidation decisions; but should be assessed on an account by account basis to determine the overall impact on the account's portfolio.

Classified Equity: Classified equities are defined as those equities for which the firm can confirm the specific industry and sector of the underlying equity instrument.

Estimated Annual Income: The Estimated Annual Income is the annualized year to date per share dividends paid and multiplied by the quantity of shares held in the selected account(s).

Current Yield: Current yield is defined as the estimated annual income divided by the total market value.

Volatility Bands: Volatility bands provide a quantitative analysis of a stock's historic price fluctuations. Volatility is defined as the standard deviation (a measure of dispersion around an average) of one year of weekly returns, weighted more heavily toward the most recent dates. The stock volatilities are banded into High, Medium and Low categories and are determined from looking at an unweighted basket of Dow Jones Global Index constituents divided into three equal parts. The volatility bands are provided for informational purposes only.

Research Rating: UBS Wealth Management Research is written by UBS Wealth Management Americas and UBS Wealth Management & Swiss Bank, and UBS Investment Research is written by UBS Investment Bank. Both UBS research providers employ their own ratings systems, methodologies and assumptions and may publish research views that are inconsistent with each other. For more information about each research source, please go to UBS Online Services or ask your Financial Advisor.

UBS Wealth Management Research Rating: Under Review The Wealth Management Research Relative Sector Rating for this stock has been placed Under Review by the analyst.

UBS Investment Research Rating: Rating Exception The rating for this stock may have been placed Under Review by the analyst, or may have an exception to the core rating bands. For further information, please refer to the "Research Rating Exceptions" daily report or contact your financial advisor or representative.

UBS Investment Research Rating: Rating Exception Recommendation and price target information temporarily suspended due to restriction or pending review. For further information please refer to the "Research Rating Exceptions" daily report or contact your financial advisor or representative.

Bond Rating: These ratings are obtained from independent industry sources and are not verified by UBS FS. Securities without rating information are left blank. Rating agencies may discontinue ratings on high yield securities.

NR: When NR is displayed under bond rating column, no ratings currently available from that rating agency.

High Yield: This report may designate a security as a high yield fixed income security even though one or more rating agencies rate the security as an investment grade security. Further, this report may incorporate a rating that is no longer current with the rating agency. For more information about the rating for any high yield fixed income security, or to consider whether to hold or sell a high yield fixed income security, please contact your financial advisor or representative and do not make any investment decision based on this report.

Credit/Event Risk: Investments are subject to event risk and changes in credit quality of the issuer. Issuers can experience economic situations that may have adverse effects on the market value of their securities.

Interest Rate Risk: Bonds are subject to market value fluctuations as interest rates rise and fall. If sold prior to maturity, the price received for an issue may be less than the original purchase price.

Reinvestment Risk: Since most corporate issues pay interest semiannually, the coupon payments over the life of the bond can have a major impact on the bond's total return.

Call Provisions: When evaluating the purchase of a corporate bond, one should be aware of any features that may allow the issuer to call the security. This is particularly important when considering an issue that is trading at a premium to its call price, since the return may be negatively impacted if the issue is redeemed. Should an issue be called, investors may be faced with



Disclosures applicable to accounts at UBS Financial Services Inc. (continued)

an earlier than anticipated reinvestment decision, and may be unable to reinvest their principal at equally favorable rates.

Effective Maturity: Effective maturity is the expected redemption due to pre-refunding, puts, or maturity and does not reflect any sinking fund activity, optional or extraordinary calls. Securities without a maturity date are left blank and typically include Preferred Securities, Mutual Funds and Fixed Income UITs.

Yields: Yield to Maturity and Yield to Worst are calculated to the worst call.

Accrued Interest: Interest that has accumulated between the most recent payment and the report date may be reflected in market values for interest bearing securities.

Bond Averages: All averages are weighted averages calculated based on market value of the holding, not including accrued interest.

Tax Status: "Taxable" includes all securities held in a taxable account that are subject to federal and/or state or local taxation. "Tax-exempt" includes all securities held in a taxable account that are exempt from federal, state and local taxation. "Tax-deferred" includes all securities held in a tax-deferred account, regardless of the status of the security.

Expected Cash Flow reporting for Puerto Rico

Income Tax Purposes: Expected Cash Flow reporting may be prepared solely for Puerto Rico income tax purposes only. If you have received expected cash flow reporting for Puerto Rico income tax purposes only and are NOT subject to Puerto Rico income taxes, you have received this reporting in error and you should contact your Financial Advisor immediately. Both the Firm and your Financial Advisor will rely solely upon your representations and will not make the determination of whether you are subject to Puerto Rico income taxes. If you have received this reporting and you are NOT subject to Puerto Rico income taxes, the information provided in this reporting is inaccurate and should not be relied upon by you or your advisers. Neither UBS FS nor its employees provide tax or legal advice. You should consult with your tax and/or legal advisors regarding your personal circumstances.

Gain/Loss: The gain/loss information may include calculations based upon non-UBS FS cost basis information. The Firm does not independently verify or guarantee the accuracy or validity of any information provided by sources other than UBS FS. In addition, if this report contains positions with unavailable cost basis, the gain/(loss) for these positions are excluded in the calculation for the Gain/(Loss). As a result these figures may not be accurate and are provided for informational purposes only. Clients should not rely on this information in making purchase or sell decisions, for tax purposes or otherwise. Rely only on year-end tax forms

when preparing your tax return. See your monthly statement for additional information.

Account changes: At UBS, we are committed to helping you work toward your financial goals. So that we may continue providing you with financial advice that is consistent with your investment objectives, please consider the following two questions:

- 1) Have there been any changes to your financial situation or investment objectives?
 - 2) Would you like to implement or modify any restrictions regarding the management of your account?
- If the answer to either question is "yes," it is important that you contact your Financial Advisor as soon as possible to discuss these changes. For MAC advisory accounts, please contact your investment manager directly if you would like to impose or change any investment restrictions on your account.

ADV disclosure: A complimentary copy of our current Form ADV Disclosure Brochure that describes the advisory program and related fees is available through your Financial Advisor. Please contact your Financial Advisor if you have any questions.

Important information for former Piper Jaffray and

McDonald Investments clients: As an accommodation to former Piper Jaffray and McDonald Investments clients, these reports include performance history for their Piper Jaffray accounts prior to August 12, 2006 and McDonald Investments accounts prior to February 9, 2007, the date the respective accounts were converted to UBS FS. UBS FS has not independently verified this information nor do we make any representations or warranties as to the accuracy or completeness of that information and will not be liable to you if any such information is unavailable, delayed or inaccurate.

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UBS Client Review

as of July 5, 2013

Prepared for

CITY OF TROY
EMPLOYEES RETIREMENT
SYSTEMS NAIC

Accounts included in this review

Account	Name	Type
TZ 34600	• CITY OF TROY	• Defined Benefit
Risk profile:	Moderate	
Return Objective:	Current Income and Capital Appreciation	

What's inside

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Performance review

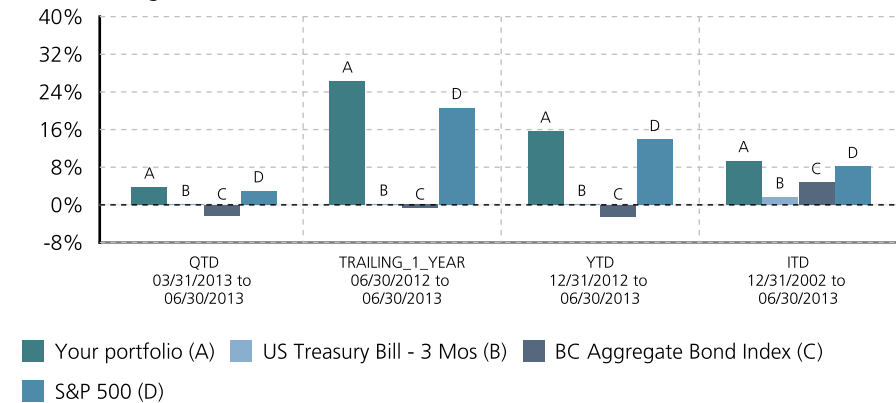
as of June 30, 2013

Sources of portfolio value



Portfolio and selected benchmark returns

Net Time-weighted returns annualized



Portfolio value and investment returns

Performance returns (annualized > 1 year)

	QTD 03/31/2013 to 06/30/2013	1 Year 06/30/2012 to 06/30/2013	YTD 12/31/2012 to 06/30/2013	ITD 12/31/2002 to 06/30/2013
Opening value	12,385,954.70	10,174,099.42	11,111,705.63	4,545,750.56
Net deposits/withdrawals	0.00	-200.00	0.00	405,296.65
Div./interest income	33,010.46	140,451.94	57,836.63	968,034.15
Change in accr. interest	0.00	0.00	0.00	0.00
Change in value	425,972.91	2,530,586.71	1,675,395.81	6,925,856.71
Closing value	12,844,938.07	12,844,938.07	12,844,938.07	12,844,938.07
Net Time-weighted ROR	3.71	26.25	15.60	9.34

Net deposits and withdrawals include program and account fees.

Time weighted rates of return (net of fees)

Performance returns (annualized > 1 year)

	QTD 03/31/2013 to 06/30/2013	1 Year 06/30/2012 to 06/30/2013	YTD 12/31/2012 to 06/30/2013	ITD 12/31/2002 to 06/30/2013
Your portfolio(%)	3.71	26.25	15.60	9.34
US Treasury Bill - 3 Mos	0.01	0.08	0.03	1.61
BC Aggregate Bond Index	-2.32	-0.69	-2.44	4.68
S&P 500	2.91	20.60	13.82	8.08

Past performance does not guarantee future results and current performance may be lower/higher than past data presented.



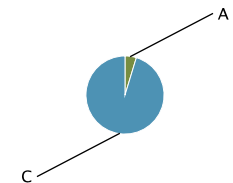
Portfolio holdings

as of July 05, 2013

Summary of Portfolio Holdings

	Cost basis (\$)	Value on 07/05/2013 (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of portfolio
A Cash	614,744.27	614,744.27	0.00	0.00%	0.00	0.00%	4.70%
Cash	614,744.27	614,744.27	0.00	0.00%	0.00	0.00%	4.70%
B Fixed Income	0.00	0.00	0.00	0.00%	0.00	0.00%	0.00%
C Equity	5,638,700.26	12,461,851.00	6,423,030.74	113.91%	132,229.43	1.06%	95.30%
US	5,041,828.98	11,742,791.00	6,300,842.02	124.97%	119,840.00	1.02%	89.80%
International	596,871.28	719,060.00	122,188.72	20.47%	12,389.43	1.72%	5.50%
D Commodities	0.00	0.00	0.00	0.00%	0.00	0.00%	0.00%
E Non-Traditional	0.00	0.00	0.00	0.00%	0.00	0.00%	0.00%
F Other	0.00	0.00	0.00	0.00%	0.00	0.00%	0.00%
Total Portfolio	\$6,253,444.53	\$13,076,595.27	\$6,423,030.74	102.71%	\$132,229.43	1.01%	100%

Balanced mutual funds are allocated in the 'Other' category





Portfolio holdings - as of July 05, 2013 (continued)

Details of portfolio holdings

	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of asset class	% of portfolio
Total Portfolio	\$6,253,444.53	\$13,076,595.27	\$6,423,030.74	102.71%	\$132,229.43	1.01%	100%	100%

	Quantity	Avg. purchase price (\$)	Price on 07/05/2013 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Cash	% of portfolio
Cash											
Cash											
RMA MONEY MKT. PORTFOLIO	614,744.27	1.00	1.00	614,744.27	614,744.27	0.00	0.00%	0.00	0.00%	100.00%	4.70%
Total Cash				\$614,744.27	\$614,744.27	\$0.00	0.00%	\$0.00	0.00%	100.00%	4.70%

Total Cash				\$614,744.27	\$614,744.27	\$0.00	0.00%	\$0.00	0.00%	100%	4.70%
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	Quantity	Avg. purchase price (\$)	Price on 07/05/2013 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Equity	% of portfolio
Equity US											
ABBOTT LABS	4,000.00	20.99	34.92	83,966.43	139,680.00	55,713.57	66.35%	2,240.00	1.60%	1.12%	1.07%
ABBVIE INC COM	4,000.00	22.76	42.72	91,054.24	170,880.00	79,825.76	87.67%	6,400.00	3.75%	1.37%	1.31%
AECOM TECHNOLOGY CORP	3,000.00	29.49	31.90	88,460.70	95,700.00	7,239.30	8.18%	0.00	0.00%	0.77%	0.73%
AFLAC INC	7,000.00	0.00	57.16	0.00	400,120.00	0.00	0.00%	9,800.00	2.45%	3.21%	3.06%
ALMOST FAMILY INC	2,000.00	27.28	18.78	54,566.15	37,560.00	-17,006.15	-31.17%	0.00	0.00%	0.30%	0.29%
AUTOMATIC DATA PROCESSNG INC	2,000.00	33.34	70.75	66,672.80	141,500.00	74,827.20	112.23%	3,480.00	2.46%	1.14%	1.08%
BIO REFERENCE LAB INC NEW NEW	2,000.00	22.16	29.04	44,318.95	58,080.00	13,761.05	31.05%	0.00	0.00%	0.47%	0.44%
BRUKER CORP	2,000.00	19.05	16.36	38,107.71	32,720.00	-5,387.71	-14.14%	0.00	0.00%	0.26%	0.25%
CELGENE CORP	2,000.00	59.03	122.48	118,056.25	244,960.00	126,903.75	107.49%	0.00	0.00%	1.97%	1.87%
COACH INC	1,000.00	31.10	57.45	31,095.92	57,450.00	26,354.08	84.75%	1,350.00	2.35%	0.46%	0.44%
COGNEX CORP	2,000.00	33.67	46.30	67,345.65	92,600.00	25,254.35	37.50%	880.00	0.95%	0.74%	0.71%
DANAHER CORP	8,000.00	14.65	64.60	117,224.25	516,800.00	399,575.75	340.86%	800.00	0.15%	4.15%	3.95%
EBAY INC	10,000.00	33.32	53.85	333,170.85	538,500.00	205,329.15	61.63%	0.00	0.00%	4.32%	4.12%
EMC CORP MASS	6,000.00	13.50	24.13	81,014.00	144,780.00	63,766.00	78.71%	2,400.00	1.66%	1.16%	1.11%
EMERSON ELECTRIC CO	4,000.00	23.56	56.43	94,240.25	225,720.00	131,479.75	139.52%	6,560.00	2.91%	1.81%	1.73%
EXPRESS SCRIPTS HLDG CO	1,620.00	56.21	62.95	91,052.10	101,979.00	10,926.90	12.00%	0.00	0.00%	0.82%	0.78%
FACTSET RESH SYSTEMS INC	3,000.00	15.62	103.62	46,870.25	310,860.00	263,989.75	563.24%	4,200.00	1.35%	2.49%	2.38%
FASTENAL CO	8,000.00	7.27	45.81	58,125.00	366,480.00	308,355.00	530.50%	6,400.00	1.75%	2.94%	2.80%
FISERV INC	3,000.00	38.44	88.96	115,329.50	266,880.00	151,550.50	131.41%	0.00	0.00%	2.14%	2.04%
FRANKLIN RESOURCES INC	2,000.00	87.53	136.95	175,059.24	273,900.00	98,840.76	56.46%	2,320.00	0.85%	2.20%	2.09%



Portfolio holdings - as of July 05, 2013 (continued)

Equity	Quantity	Avg. purchase price (\$)	Price on 07/05/2013 (\$)	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of Equity	% of portfolio
US											
GAMESTOP CORP NEW (HOLDING CO) CL A	4,000.00	25.35	42.99	101,408.50	171,960.00	70,551.50	69.57%	4,400.00	2.56%	1.38%	1.32%
GILEAD SCIENCES INC	14,000.00	22.05	53.32	308,721.43	746,480.00	437,758.57	141.80%	0.00	0.00%	5.99%	5.71%
GLOBAL PAYMENTS INC	2,000.00	39.39	47.01	78,788.25	94,020.00	15,231.75	19.33%	160.00	0.17%	0.75%	0.72%
HCC INSURANCE HLDGS INC	2,000.00	28.56	44.74	57,122.57	89,480.00	32,357.43	56.65%	1,320.00	1.48%	0.72%	0.68%
IDEX CORP	2,250.00	12.33	55.68	27,750.00	125,280.00	97,530.00	351.46%	2,070.00	1.65%	1.01%	0.96%
LABORATORY CORP AMER HLDGS NEW	5,000.00	64.44	99.90	322,221.10	499,500.00	177,278.90	55.02%	0.00	0.00%	4.01%	3.82%
LKQ CORP NEW	4,000.00	9.25	26.15	36,990.75	104,600.00	67,609.25	182.77%	0.00	0.00%	0.84%	0.80%
MEDNAX INC	2,000.00	65.98	92.25	131,968.56	184,500.00	52,531.44	39.81%	0.00	0.00%	1.48%	1.41%
MEDTRONIC INC	10,000.00	50.10	52.41	501,012.30	524,100.00	23,087.70	4.61%	11,200.00	2.14%	4.21%	4.01%
NEUSTAR INC CL A	4,000.00	22.50	51.36	90,011.90	205,440.00	115,428.10	128.24%	0.00	0.00%	1.65%	1.57%
O REILLY AUTOMOTIVE INC	4,000.00	18.22	115.75	72,891.40	463,000.00	390,108.60	535.19%	0.00	0.00%	3.72%	3.54%
OMNICOM GROUP INC	4,000.00	41.81	63.50	167,220.25	254,000.00	86,779.75	51.90%	6,400.00	2.52%	2.04%	1.94%
PERRIGO COMPANY	1,000.00	57.50	123.77	57,499.25	123,770.00	66,270.75	115.25%	360.00	0.29%	0.99%	0.95%
PRAXAIR INC	5,800.00	41.51	115.69	240,732.00	671,002.00	430,270.00	178.73%	13,920.00	2.07%	5.38%	5.13%
ROPER INDS INC NEW	4,000.00	15.11	127.84	60,440.25	511,360.00	450,919.75	746.06%	2,640.00	0.52%	4.10%	3.91%
ST JUDE MEDICAL INC	6,000.00	36.39	46.38	218,368.75	278,280.00	59,911.25	27.44%	6,000.00	2.16%	2.23%	2.13%
STRYKER CORP	13,000.00	16.05	65.23	208,628.87	847,990.00	639,361.13	306.46%	13,780.00	1.63%	6.80%	6.48%
TRACTOR SUPPLY COMPANY	4,000.00	18.24	118.81	72,965.85	475,240.00	402,274.15	551.32%	4,160.00	0.88%	3.81%	3.63%
VARIAN MEDICAL SYSTEMS INC	3,000.00	35.07	67.23	105,221.36	201,690.00	96,468.64	91.68%	0.00	0.00%	1.62%	1.54%
VISA INC CL A	5,000.00	77.23	190.79	386,135.40	953,950.00	567,814.60	147.05%	6,600.00	0.69%	7.65%	7.30%
Total US				\$5,041,828.98	\$11,742,791.00	\$6,300,842.02	124.97%	\$119,840.00	1.02%	94.23%	89.80%
International											
FABRINET	4,000.00	21.23	14.42	84,933.90	57,680.00	-27,253.90	-32.09%	0.00	0.00%	0.46%	0.44%
SHIRE PLC SPON ADR	2,000.00	80.42	97.05	160,846.10	194,100.00	33,253.90	20.67%	1,040.00	0.54%	1.56%	1.48%
TEVA PHARMACEUTICALS IND LTD ISRAEL ADR	12,000.00	29.26	38.94	351,091.28	467,280.00	116,188.72	33.09%	11,349.43	2.43%	3.75%	3.57%
Total International				\$596,871.28	\$719,060.00	\$122,188.72	20.47%	\$12,389.43	1.72%	5.77%	5.50%
Total Equity				\$5,638,700.26	\$12,461,851.00	\$6,423,030.74	113.91%	\$132,229.43	1.06%	100%	95.30%



Prepared for CITY OF TROY

TZ 34600 • CITY OF TROY • Defined Benefit

Risk profile: Moderate

Return Objective: Current Income and Capital Appreciation

Portfolio holdings - as of July 05, 2013 (continued)

	Cost basis (\$)	Market value (\$)	Unrealized gain/loss (\$)	Unrealized gain/loss (%)	Est. annual income (\$)	Current yield (%)	% of asset class	% of portfolio
Total Portfolio	\$6,253,444.53	\$13,076,595.27	\$6,423,030.74	102.71%	\$132,229.43	1.01%	100%	100%

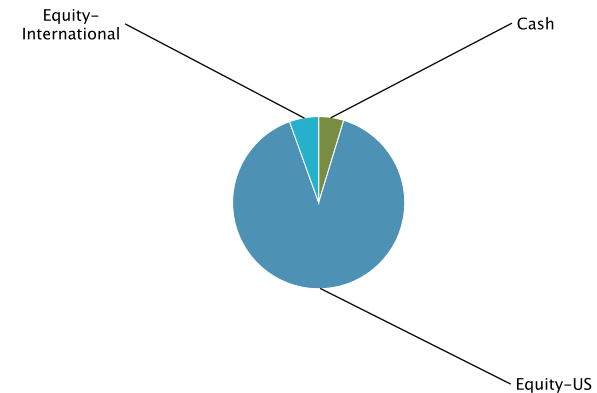
Total accrued interest (included in market values): \$0.00

Asset allocation summary

as of July 05, 2013

	Market value (\$)	% of portfolio
Cash	614,744.27	4.70
Cash	614,744.27	4.70
US	614,744.27	4.70
US Cash	614,744.27	4.70
Fixed Income	0.00	0.00
Equity	12,461,851.00	95.30
US	11,742,791.00	89.80
Large Cap	7,320,271.00	55.98
Core	1,991,490.00	15.23
Growth	4,871,211.00	37.25
Value	400,120.00	3.06
Other	57,450.00	0.44
Mid Cap	4,201,560.00	32.13
Core	814,500.00	6.23
Growth	2,847,340.00	21.77
Value	539,720.00	4.13
Small Cap	220,960.00	1.69
Growth	183,400.00	1.40
Value	37,560.00	0.29
International	719,060.00	5.50
International	57,680.00	0.44
Growth	57,680.00	0.44
Developed Markets	661,380.00	5.06
Growth	194,100.00	1.48
Value	467,280.00	3.58
Commodities	0.00	0.00
Non-Traditional	0.00	0.00
Other	0.00	0.00
Total Portfolio	\$13,076,595.27	100%

Balanced mutual funds are allocated in the 'Other' category



Equity sector analysis

as of July 05, 2013

Summary of equity sector analysis compared to S&P 500 index

	Actual %	Model %	Value of equity (\$)	Model value (\$)	Gap (\$)	Actual (%)	Model (%)	Gap (%)
Consumer discretionary	12.25%	11.80%	1,526,250.00	1,469,905.23	56,344.77	12.25%	11.80%	0.45%
Energy		10.45%	0.00	1,302,025.41	-1,302,025.41	0.00%	10.45%	-10.45%
Finance	6.13%	16.36%	763,500.00	2,038,814.90	-1,275,314.90	6.13%	16.36%	-10.23%
Health care	38.95%	12.46%	4,853,549.00	1,553,286.23	3,300,262.77	38.95%	12.46%	26.49%
Industrials	14.78%	10.12%	1,841,340.00	1,261,509.44	579,830.56	14.78%	10.12%	4.66%
Materials	5.38%	3.30%	671,002.00	411,084.06	259,917.94	5.38%	3.30%	2.08%
Staples		11.37%	0.00	1,416,476.29	-1,416,476.29	0.00%	11.37%	-11.37%
Technology	22.52%	18.10%	2,806,210.00	2,256,200.68	550,009.32	22.52%	18.10%	4.42%
Telecommunications		2.76%	0.00	343,391.29	-343,391.29	0.00%	2.76%	-2.76%
Utilities		3.13%	0.00	389,468.98	-389,468.98	0.00%	3.13%	-3.13%
Total classified equity			\$12,461,851.00					
Unclassified securities			\$0.00					

Rounding calculation may affect totals.

Equity sector analysis - as of July 05, 2013 (continued)

Detail of equity sector analysis

	Number of shares	Price on 07/05/2013 (\$)	Value of equity (\$/%)	Volatility/ 60-month beta	UBS Wealth Management Research rating	UBS Investment Research rating
Consumer discretionary						
COACH INC CUSIP: 189754104 Symbol: COH	1,000.00	57.45	57,450.00 0.46%	High 1.19		Neutral
GAMESTOP CORP NEW (HOLDING CO) CL A CUSIP: 36467W109 Symbol: GME	4,000.00	42.99	171,960.00 1.38%			
LKQ CORP NEW CUSIP: 501889208 Symbol: LKQ	4,000.00	26.15	104,600.00 0.84%			
O REILLY AUTOMOTIVE INC CUSIP: 67103H107 Symbol: ORLY	4,000.00	115.75	463,000.00 3.72%	Medium 0.56		Buy (Rating Exception)
OMNICOM GROUP INC CUSIP: 681919106 Symbol: OMC	4,000.00	63.50	254,000.00 2.04%	Low 1.06	Underperform	Neutral (Rating Exception)
TRACTOR SUPPLY COMPANY CUSIP: 892356106 Symbol: TSCO	4,000.00	118.81	475,240.00 3.81%	Medium 0.84		Buy (Rating Exception)
Total consumer discretionary			\$1,526,250.00 12.25%			
Finance						
AFLAC INC CUSIP: 001055102 Symbol: AFL	7,000.00	57.16	400,120.00 3.21%	Low 1.39	Outperform	Neutral
FRANKLIN RESOURCES INC CUSIP: 354613101 Symbol: BEN	2,000.00	136.95	273,900.00 2.20%	Medium 1.19	Marketperform	Buy
HCC INSURANCE HLDGS INC CUSIP: 404132102 Symbol: HCC	2,000.00	44.74	89,480.00 0.72%			
Total finance			\$763,500.00 6.13%			
Health care						
ABBOTT LABS CUSIP: 002824100 Symbol: ABT	4,000.00	34.92	139,680.00 1.12%	Low 0.59	Outperform	Buy
ABBVIE INC COM CUSIP: 00287Y109 Symbol: ABBV	4,000.00	42.72	170,880.00 1.37%	High 0.79	Marketperform	Neutral (Rating Exception)
ALMOST FAMILY INC CUSIP: 020409108 Symbol: AFAM	2,000.00	18.78	37,560.00 0.30%			
BIO REFERENCE LAB INC NEW NEW CUSIP: 09057G602 Symbol: BRLI	2,000.00	29.04	58,080.00 0.47%			
BRUKER CORP CUSIP: 116794108 Symbol: BRKR	2,000.00	16.36	32,720.00 0.26%	Medium 1.13		Buy
CELGENE CORP CUSIP: 151020104 Symbol: CELG	2,000.00	122.48	244,960.00 1.97%	High 0.75	Outperform	Neutral

Equity sector analysis - as of July 05, 2013 (continued)

	Number of shares	Price on 07/05/2013 (\$)	Value of equity (\$/%)	Volatility/ 60-month beta	UBS Wealth Management Research rating	UBS Investment Research rating
Health care						
EXPRESS SCRIPTS HLDG CO CUSIP: 30219G108 Symbol: ESRX	1,620.00	62.95	101,979.00 0.82%	Low 0.98	Outperform	Buy (Rating Exception)
GILEAD SCIENCES INC CUSIP: 375558103 Symbol: GILD	14,000.00	53.32	746,480.00 5.99%	High 0.71	Outperform	Buy
LABORATORY CORP AMER HLDGS NEW CUSIP: 50540R409 Symbol: LH	5,000.00	99.90	499,500.00 4.01%	Low 0.72		Neutral (Rating Exception)
MEDNAX INC CUSIP: 58502B106 Symbol: MD	2,000.00	92.25	184,500.00 1.48%			
MEDTRONIC INC CUSIP: 585055106 Symbol: MDT	10,000.00	52.41	524,100.00 4.21%	Low 0.85	Outperform	Buy (Rating Exception)
PERRIGO COMPANY CUSIP: 714290103 Symbol: PRGO	1,000.00	123.77	123,770.00 0.99%	Low 0.64		Buy (Rating Exception)
SHIRE PLC SPON ADR CUSIP: 82481R106 Symbol: SHPG	2,000.00	97.05	194,100.00 1.56%	Low 0.96		Buy (Rating Exception)
ST JUDE MEDICAL INC CUSIP: 790849103 Symbol: STJ	6,000.00	46.38	278,280.00 2.23%	Medium 0.90	Marketperform	Buy (Rating Exception)
STRYKER CORP CUSIP: 863667101 Symbol: SYK	13,000.00	65.23	847,990.00 6.80%	Low 0.86	Marketperform	Neutral
TEVA PHARMACEUTICALS IND LTD ISRAEL ADR CUSIP: 881624209 Symbol: TEVA	12,000.00	38.94	467,280.00 3.75%	Low 0.66	Marketperform	Neutral
VARIAN MEDICAL SYSTEMS INC CUSIP: 92220P105 Symbol: VAR	3,000.00	67.23	201,690.00 1.62%			
Total health care			\$4,853,549.00 38.95%			
Industrials						
AECOM TECHNOLOGY CORP CUSIP: 00766T100 Symbol: ACM	3,000.00	31.90	95,700.00 0.77%	High 1.10		Buy (Rating Exception)
DANAHER CORP CUSIP: 235851102 Symbol: DHR	8,000.00	64.60	516,800.00 4.15%	Low 0.90	Outperform	Buy (Rating Exception)
EMERSON ELECTRIC CO CUSIP: 291011104 Symbol: EMR	4,000.00	56.43	225,720.00 1.81%	Low 1.01	Outperform	Neutral
FASTENAL CO CUSIP: 311900104 Symbol: FAST	8,000.00	45.81	366,480.00 2.94%	Medium 0.84		Neutral
IDEX CORP CUSIP: 45167R104 Symbol: IEX	2,250.00	55.68	125,280.00 1.01%			
ROPER INDS INC NEW CUSIP: 776696106 Symbol: ROP	4,000.00	127.84	511,360.00 4.10%		Marketperform	
Total industrials			\$1,841,340.00 14.78%			

Equity sector analysis - as of July 05, 2013 (continued)

	Number of shares	Price on 07/05/2013 (\$)	Value of equity (\$/%)	Volatility/ 60-month beta	UBS Wealth Management Research rating	UBS Investment Research rating
Materials						
PRAXAIR INC CUSIP: 74005P104 Symbol: PX	5,800.00	115.69	671,002.00 5.38%		Marketperform	
Total materials			\$671,002.00 5.38%			
Technology						
AUTOMATIC DATA PROCESSNG INC CUSIP: 053015103 Symbol: ADP	2,000.00	70.75	141,500.00 1.14%	Low 0.76		Neutral (Rating Exception)
COGNEX CORP CUSIP: 192422103 Symbol: CGNX	2,000.00	46.30	92,600.00 0.74%			
EBAY INC CUSIP: 278642103 Symbol: EBAY	10,000.00	53.85	538,500.00 4.32%	Medium 1.09		Buy
EMC CORP MASS CUSIP: 268648102 Symbol: EMC	6,000.00	24.13	144,780.00 1.16%	Low 0.98		Buy
FABRINET CUSIP: G3323L100 Symbol: FN	4,000.00	14.42	57,680.00 0.46%			
FACTSET RESH SYSTEMS INC CUSIP: 303075105 Symbol: FDS	3,000.00	103.62	310,860.00 2.49%	Low 0.87		Neutral (Rating Exception)
FISERV INC CUSIP: 337738108 Symbol: FISV	3,000.00	88.96	266,880.00 2.14%	Low 0.92		Neutral
GLOBAL PAYMENTS INC CUSIP: 37940X102 Symbol: GPN	2,000.00	47.01	94,020.00 0.75%	Low 0.85		Buy
NEUSTAR INC CL A CUSIP: 64126X201 Symbol: NSR	4,000.00	51.36	205,440.00 1.65%			
VISA INC CL A CUSIP: 92826C839 Symbol: V	5,000.00	190.79	953,950.00 7.65%	Low 0.76		Neutral (Rating Exception)
Total technology			\$2,806,210.00 22.52%			
Total classified equity			\$12,461,851.00			
Total equity			\$12,461,851.00			

Balanced mutual funds are allocated in the 'Other' category.

Rounding calculation may affect totals.

Portfolio does not contain applicable holdings - exhibit intentionally left blank.



No Account Data

The account(s) you selected do not contain any data. Please select new accounts or choose new reports and resubmit your request. If you believe this message to be an error please contact the Portfolio Reporting Group at 800-763-0007, option 1.



Disclosures applicable to accounts at UBS Financial Services Inc.

This section contains important disclosures regarding the information and valuations presented here. This report presents information since December 31, 2002. This report does not include complete account activity or performance of your accounts before this date. All information presented is subject to change at any time and is provided only as of the date indicated. The information in this report is for informational purposes only and should not be relied upon as the basis of an investment or liquidation decision. UBS FS accounts statements and official tax documents are the only official record of your accounts and are not replaced, amended or superseded by any of the information presented in these reports.

UBS FS offers a number of investment advisory programs to clients, acting in our capacity as an investment adviser, including fee-based financial planning, discretionary account management, non-discretionary investment advisory programs, and advice on the selection of investment managers and mutual funds offered through our investment advisory programs. When we act as your investment adviser, we will have a written agreement with you expressly acknowledging our investment advisory relationship with you and describing our obligations to you. At the beginning of our advisory relationship, we will give you our Form ADV brochure(s) for the program(s) you selected that provides detailed information about, among other things, the advisory services we provide, our fees, our personnel, our other business activities and financial industry affiliations and conflicts between our interests and your interests.

Please review the report content carefully and contact your Financial Advisor with any questions.

The account listing may or may not include all of your accounts with UBS FS. The accounts included in this report are listed under the "Accounts included in this review" shown on the first page or listed at the top of each page.

Client Accounts: This report includes all assets in the accounts listed and may include eligible and ineligible assets in a fee-based program. Since ineligible assets are not considered fee-based program assets, the inclusion of such securities will distort the actual performance of your accounts and does not reflect the performance of your accounts in the fee-based program. **As a result, the performance reflected in this report can vary substantially from the individual account performance reflected in the performance reports provided to you as part of those programs.** For fee-based programs, fees are charged on the market value of eligible assets in the accounts and assessed quarterly in advance, prorated according to the number of calendar days in the billing period. When shown on a report, the risk profile and return objectives describe your overall goals for these accounts. For each account you maintain, you choose one return objective and a

primary risk profile. If you have questions regarding these objectives or wish to change them, please contact your Financial Advisor to update your accounts records.

Performance: This report presents accounts activity and performance starting 12/31/02. For accounts opened prior to 12/31/02, this report does not include the complete account activity or performance of your accounts prior to that date. For consolidated reports, the Performance Start Date will be the earliest performance start date of any of the individual accounts selected for the consolidation time period. If an individual account's performance information is not available for a full reporting time period (month to date, quarter to date, year to date or performance to date), the individual's net of fee time weighted return will not be displayed. For consolidated accounts that include different account Performance Start Dates, the consolidated Additions/Withdrawals, Income Earned and Investment Appreciation/ Depreciation will include all activity that occurred during the consolidated reporting time period. Accounts that hold or held insurance products will be reported on from the month end date of when insurance and annuity activity could be obtained from the carrier.

Time-weighted Returns (prior to 10/31/2010): The report displays a time weighted rate of return (TWR) that is calculated using the Modified Dietz Method. This calculation uses the beginning and ending portfolio values for the month and weighs each contribution/withdrawal based upon the day the cashflow occurred. Periods greater than one month are calculated by linking the monthly returns. The TWR gives equal weighting to every return regardless of amount of money invested, so it is an effective measure for returns on a fee based account. All periods shown which are greater than 12 months are annualized.

Time-weighted Returns (after 10/31/2010): The report displays a time weighted rate of return (TWR) that is calculated by dividing the portfolio's daily gain/loss by the previous day's closing market value. All cash flows are posted at end of day. The TWR gives equal weighting to every return regardless of amount of money invested, so it is an effective measure for returns on a fee based account. Periods greater than one day are calculated by linking the daily returns. All periods shown which are greater than 12 months are annualized.

Money-weighted returns: Money-weighted return (MWR) is a measure of the rate of return for an asset or portfolio of assets. It is calculated by finding the daily Internal Rate of Return (IRR) for the period and then compounding this return by the number of days in the period being measured. The MWR incorporates the size and timing of cash flows, so it is an effective measure returns on a portfolio.

Annualized Performance: All performance periods

greater than one year are calculated (unless otherwise stated) on an annualized basis, which represents the return on an investment multiplied or divided to give a comparable one year return.

Cumulative Performance: A cumulative return is the aggregate amount that an investment has gained or lost over time, independent of the period of time involved.

Net of Fees and Gross of Fees Performance:

Performance is presented on a "net of fees" and "gross of fees" basis, where indicated. Net returns do not reflect Program and wrap fees prior to 10/31/10 for accounts that are billed separately via invoice through a separate account billing arrangement. Gross returns do not reflect the deduction of fees, commissions or other charges. The payment of actual fees and expenses will reduce a client's return. The compound effect of such fees and expenses should be considered when reviewing returns. For example, the net effect of the deduction of fees on annualized performance, including the compounded effect over time, is determined by the relative size of the fee and the account's investment performance.

Benchmark/Major Indices: The past performance of an index is not a guarantee of future results. Any benchmark is shown for informational purposes only and relates to historical performance of market indices and not the performance of actual investments. The benchmark is not managed and does not reflect the deduction of any fees and expenses, which will lower results. Indices are not actively managed and investors cannot directly invest in indices. The portfolio's investment strategy is not restricted to securities in the benchmark. Further, there is no guarantee that an investor's account will meet or exceed the stated benchmark. Index performance information has been obtained from third parties deemed to be reliable. We have not independently verified this information, nor do we make any representations or warranties to the accuracy or completeness of this information.

Custom Time Periods: If represented on this report, the performance start date and the performance end date have been selected by your Financial Advisor in order to provide performance and account activity information for your account for the specified period of time only. As a result only a portion of your account's activity and performance information is presented in the performance report, and, therefore, presents a distorted representation of your account's activity and performance.

Net Deposits/Withdrawals: When shown on a report, this information represents the net value of all cash and securities contributions and withdrawals, program fees (including wrap fees) and other fees added to or subtracted from your accounts from the first day to the last day of the period. When fees are shown separately, net deposits / withdrawals does not include program

fees (including wrap fees). When investment return is displayed net deposits / withdrawals does not include program fees (including wrap fees). For security contributions and withdrawals, securities are calculated using the end of day UBS FS price on the day securities are delivered in or out of the accounts. Wrap fees will be included in this calculation except when paid via an invoice or through a separate accounts billing arrangement.

Dividends/Interest: Dividend and interest earned, when shown on a report, does not reflect your account's tax status or reporting requirements. Use only official tax reporting documents (i.e. 1099) for tax reporting purposes. The classification of private investment distributions can only be determined by referring to the official year-end tax-reporting document provided by the issuer.

Change in Accrued Interest: When shown on a report, this information represents the difference between the accrued interest at the beginning of the period from the accrued interest at the end of the period.

Change in Value: Represents the change in value of the portfolio during the reporting period, excluding additions/withdrawals, dividend and interest income earned and accrued interest.

Fees: Fees represented in this report include program and wrap fees. Program and wrap fees prior to October 1, 2010 for accounts that are billed separately via invoice through a separate account billing arrangement are not included in this report. Commissions are not included in the fees calculation.

Net of fees: When indicated, the information is shown net of fees and commission charges to your accounts for the time period shown. For example, if your accounts are charged an asset based fee during the month the report is produced, net of fees performance information would reflect the deduction of those fees. Please see your program documents regarding fee schedules.

Beta: A measure of sensitivity of a portfolio of equities in relation to market movements. Beta measures the covariance of a portfolio in relation to the rest of the stock market as measured by a benchmark index. A portfolio with a higher beta would be expected to rise and fall further than the market. A portfolio with a low beta (less than 1) indicates that it would be expected to rise and fall less than the market.

Performance Start Date Changes: The Performance Start Date for accounts marked with a 'A' have changed. Performance figures of an account with a changed Performance Start Date may not include the entire history of the account. The new Performance Start Date will generate performance returns and activity information for a shorter period than is available at UBS FS. As a result, the overall performance of these



Disclosures applicable to accounts at UBS Financial Services Inc. (continued)

accounts may generate better performance than the period of time that would be included if the report used the inception date of the account. UBS FS recommends reviewing performance reports that use the inception date of the account because reports with longer time frames are usually more helpful when evaluating investment programs and strategies. Performance reports may include accounts with inception dates that precede the new Performance Start Date and will show performance and activity information from the earliest available inception date.

The change in Performance Start Date may be the result of a performance gap due to a zero-balance that prevents the calculation of continuous returns from the inception of the account. The Performance Start Date may also change if an account has failed one of our performance data integrity tests. In such instances, the account will be labeled as 'Review Required' and performance prior to that failure will be restricted. Finally, the Performance Start Date will change if you have explicitly requested a performance restart. Please contact your Financial Advisor for additional details regarding your new Performance Start Date.

Closed Account Performance: Accounts that have been closed may be included in the consolidated performance report. When closed accounts are included in the consolidated report, the performance report will only include information for the time period the account was active during the consolidated performance reporting time period.

Portfolio: For purposes of this report "portfolio" is defined as all of the accounts presented on the cover page or the header of this report and does not necessarily include all of the client's accounts held at UBS FS or elsewhere.

Percentage: Portfolio (in the "% Portfolio" column) includes all holdings held in the account(s) selected when this report was generated. Broad asset class (in the "% broad asset class" column) includes all holdings held in that broad asset class in the account(s) selected when this report was generated.

Tax lots: This report displays security tax lots as one line item (i.e., lumped tax lots). The total cost equals the total value of all tax lots. The unit cost is an average of the total cost divided by the total number of shares. If the shares were purchased in different lots, the unit price listed does not represent the actual cost paid for each lot. The unrealized gain/loss value is calculated by combining the total value of all tax lots plus or minus the total market value of the security.

Pricing: All securities are priced using the closing price reported on the last business day preceding the date of this report. Every reasonable attempt has been made to accurately price securities; however, we make no warranty with respect to any security's price. Please refer to the back of the first page of your UBS FS. accounts statement for important information regarding the

pricing used for certain types of securities, the sources of pricing data and other qualifications concerning the pricing of securities. To determine the value of securities in your account, we generally rely on third party quotation services. If a price is unavailable or believed to be unreliable, we may determine the price in good faith and may use other sources such as the last recorded transaction. When securities are held at another custodian or if you hold illiquid or restricted securities for which there is no published price, we will generally rely on the value provided by the custodian or issuer of that security.

Cash: Cash on deposit at UBS Bank USA is protected by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in principal and accrued interest per depositor for each ownership type. Deposits made in an individual's own name, joint name, or individual retirement account are each held in a separate type of ownership. Such deposits are not guaranteed by UBS FS. More information is available upon request.

Margin: The quantity value may indicate that all or part of this position is held on margin or held in the short account. When an account holds a debit balance, this debit balance is incorporated into the account's total market value and deducted from the total value. When calculating the percent of portfolio on each security, the percentage will be impacted by the total market value of the account. Therefore, if the account's market value is reduced by a debit value of a holding the percent of portfolio will be greater and if the account's market value is increased by a holding then the percent of portfolio will be less.

Mutual Fund Asset Allocation: If the option to unbundle balanced mutual funds is selected and if a fund's holdings data is available, mutual funds will be classified by the asset class, subclass, and style breakdown of their underlying holdings. Where a mutual fund or ETF contains equity holdings from multiple equity sectors, this report will proportionately allocate the underlying holdings of the fund to those sectors measured as a percentage of the total fund's asset value as of the date shown.

This information is supplied by Morningstar, Inc. on a monthly basis to UBS FS based on data supplied by the fund which may not be current. Mutual funds change their portfolio holdings on a regular (often daily) basis. Accordingly, any analysis that includes mutual funds may not accurately reflect the current composition of these funds. If a fund's underlying holding data is not available, it will be classified based on its corresponding overall Morningstar classification. All data is as of the date indicated in the report.

Equity Style: The Growth, Value and Core labels are determined by Standard and Poor's using a price-to-book ratio methodology. The Growth, Value and Core labels are based on how a company's price-to-book ratio compares to the median price-to-book ratio for its

industry based on the company's assigned Industry Sector. If the company's ratio is greater than or equal to the industry median, it is classified as a growth stock. If the company's ratio is less than the industry median, it is classified as a value stock. If a security includes both growth and value attributes, it is classified as a core stock. If price-to-book is not available or the industry's median is not available, this item will be Unclassified.

Equity Capitalization: Market Capitalization is defined as the number of shares outstanding times the market value. Equity securities are classified as Large Cap if they have a capitalization of 8 billion or above. Securities with capitalization between 1.8 and 7.9 billion are classified as Mid Cap. Securities with capitalization below 1.79 billion are classified as Small Cap. Unclassified securities are those for which no capitalization is available or applicable.

Equity Sectors: The Equity sector analysis may include a variety of accounts, each with different investment and risk parameters. As a result, the overweighting or underweighting in a particular sector or asset class should not be viewed as an isolated factor in making investment/liquidation decisions; but should be assessed on an account by account basis to determine the overall impact on the account's portfolio.

Classified Equity: Classified equities are defined as those equities for which the firm can confirm the specific industry and sector of the underlying equity instrument.

Estimated Annual Income: The Estimated Annual Income is the annualized year to date per share dividends paid and multiplied by the quantity of shares held in the selected account(s).

Current Yield: Current yield is defined as the estimated annual income divided by the total market value.

Volatility Bands: Volatility bands provide a quantitative analysis of a stock's historic price fluctuations. Volatility is defined as the standard deviation (a measure of dispersion around an average) of one year of weekly returns, weighted more heavily toward the most recent dates. The stock volatilities are banded into High, Medium and Low categories and are determined from looking at an unweighted basket of Dow Jones Global Index constituents divided into three equal parts. The volatility bands are provided for informational purposes only.

Research Rating: UBS Wealth Management Research is written by UBS Wealth Management Americas and UBS Wealth Management & Swiss Bank, and UBS Investment Research is written by UBS Investment Bank. Both UBS research providers employ their own ratings systems, methodologies and assumptions and may publish research views that are inconsistent with each other. For more information about each research source, please go to UBS Online Services or ask your Financial Advisor.

UBS Wealth Management Research Rating: Under Review The Wealth Management Research Relative Sector Rating for this stock has been placed Under Review by the analyst.

UBS Investment Research Rating: Rating Exception The rating for this stock may have been placed Under Review by the analyst, or may have an exception to the core rating bands. For further information, please refer to the "Research Rating Exceptions" daily report or contact your financial advisor or representative.

UBS Investment Research Rating: Rating Exception Recommendation and price target information temporarily suspended due to restriction or pending review. For further information please refer to the "Research Rating Exceptions" daily report or contact your financial advisor or representative.

Bond Rating: These ratings are obtained from independent industry sources and are not verified by UBS FS. Securities without rating information are left blank. Rating agencies may discontinue ratings on high yield securities.

NR: When NR is displayed under bond rating column, no ratings currently available from that rating agency.

High Yield: This report may designate a security as a high yield fixed income security even though one or more rating agencies rate the security as an investment grade security. Further, this report may incorporate a rating that is no longer current with the rating agency. For more information about the rating for any high yield fixed income security, or to consider whether to hold or sell a high yield fixed income security, please contact your financial advisor or representative and do not make any investment decision based on this report.

Credit/Event Risk: Investments are subject to event risk and changes in credit quality of the issuer. Issuers can experience economic situations that may have adverse effects on the market value of their securities.

Interest Rate Risk: Bonds are subject to market value fluctuations as interest rates rise and fall. If sold prior to maturity, the price received for an issue may be less than the original purchase price.

Reinvestment Risk: Since most corporate issues pay interest semiannually, the coupon payments over the life of the bond can have a major impact on the bond's total return.

Call Provisions: When evaluating the purchase of a corporate bond, one should be aware of any features that may allow the issuer to call the security. This is particularly important when considering an issue that is trading at a premium to its call price, since the return may be negatively impacted if the issue is redeemed. Should an issue be called, investors may be faced with



Disclosures applicable to accounts at UBS Financial Services Inc. (continued)

an earlier than anticipated reinvestment decision, and may be unable to reinvest their principal at equally favorable rates.

Effective Maturity: Effective maturity is the expected redemption due to pre-refunding, puts, or maturity and does not reflect any sinking fund activity, optional or extraordinary calls. Securities without a maturity date are left blank and typically include Preferred Securities, Mutual Funds and Fixed Income UITs.

Yields: Yield to Maturity and Yield to Worst are calculated to the worst call.

Accrued Interest: Interest that has accumulated between the most recent payment and the report date may be reflected in market values for interest bearing securities.

Bond Averages: All averages are weighted averages calculated based on market value of the holding, not including accrued interest.

Tax Status: "Taxable" includes all securities held in a taxable account that are subject to federal and/or state or local taxation. "Tax-exempt" includes all securities held in a taxable account that are exempt from federal, state and local taxation. "Tax-deferred" includes all securities held in a tax-deferred account, regardless of the status of the security.

Expected Cash Flow reporting for Puerto Rico

Income Tax Purposes: Expected Cash Flow reporting may be prepared solely for Puerto Rico income tax purposes only. If you have received expected cash flow reporting for Puerto Rico income tax purposes only and are NOT subject to Puerto Rico income taxes, you have received this reporting in error and you should contact your Financial Advisor immediately. Both the Firm and your Financial Advisor will rely solely upon your representations and will not make the determination of whether you are subject to Puerto Rico income taxes. If you have received this reporting and you are NOT subject to Puerto Rico income taxes, the information provided in this reporting is inaccurate and should not be relied upon by you or your advisers. Neither UBS FS nor its employees provide tax or legal advice. You should consult with your tax and/or legal advisors regarding your personal circumstances.

Gain/Loss: The gain/loss information may include calculations based upon non-UBS FS cost basis information. The Firm does not independently verify or guarantee the accuracy or validity of any information provided by sources other than UBS FS. In addition, if this report contains positions with unavailable cost basis, the gain/(loss) for these positions are excluded in the calculation for the Gain/(Loss). As a result these figures may not be accurate and are provided for informational purposes only. Clients should not rely on this information in making purchase or sell decisions, for tax purposes or otherwise. Rely only on year-end tax forms

when preparing your tax return. See your monthly statement for additional information.

Account changes: At UBS, we are committed to helping you work toward your financial goals. So that we may continue providing you with financial advice that is consistent with your investment objectives, please consider the following two questions:

- 1) Have there been any changes to your financial situation or investment objectives?
 - 2) Would you like to implement or modify any restrictions regarding the management of your account?
- If the answer to either question is "yes," it is important that you contact your Financial Advisor as soon as possible to discuss these changes. For MAC advisory accounts, please contact your investment manager directly if you would like to impose or change any investment restrictions on your account.

ADV disclosure: A complimentary copy of our current Form ADV Disclosure Brochure that describes the advisory program and related fees is available through your Financial Advisor. Please contact your Financial Advisor if you have any questions.

Important information for former Piper Jaffray and McDonald Investments clients:

As an accommodation to former Piper Jaffray and McDonald Investments clients, these reports include performance history for their Piper Jaffray accounts prior to August 12, 2006 and McDonald Investments accounts prior to February 9, 2007, the date the respective accounts were converted to UBS FS. UBS FS has not independently verified this information nor do we make any representations or warranties as to the accuracy or completeness of that information and will not be liable to you if any such information is unavailable, delayed or inaccurate.

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