



Forecast *(continued)*

offs. Since this money is earning so little in interest, it needs to find a return. Other alternatives to fixed income are also not very attractive so the stock market is becoming the logical choice. This has helped cushion down-turns and then repowered the market to higher levels.

It also helps that business fundamentals have been improving at a rapid rate. Profits are expected to be up as much as 70% for the overall market this year; quite a recovery. In fact, profit projections for this year have been steadily rising.

Beyond earnings recovery, Riverplace Capital expects that companies that get a significant portion of their revenues from faster growing foreign markets, or are involved in internet services, the mobile internet, clean water, or green energy will continue to have growth opportunities for years to come. These represent the core of our investment themes and seem to have durability.

Fixed Income

Interest rates this past quarter traded mostly in a trading range; i.e. within the range established over the past few quarters. However, toward the end of March, interest rates began to break toward higher levels. Riverplace Capital has been predicting for some time now that interest rates would gradually return to levels more appropriate to an expanding and healthier economy. That may be starting to happen.



Talk With Us cont'd

Seasoned investors can usually spot extremes that generally occur at both major tops and bottoms; it is the in between times that is much more difficult. At least there are some tools that are helpful for these periods. Asset allocation, diversification, judicious use of leverage and balance are a few of the major ones.

For extremes, it's all about commitment and timing. Commitment is to the investment process and acceptance of risk and volatility. Timing is about knowing whether it is too late, too early or about right. No one can consistently time markets; however, true extremes are far more recognizable.

Back to Seneca, one of the great Roman stoic philosophers and writers, he recognized that there is no avoiding disaster and difficult times. It is how one responds that sets one person apart from another. Another quote from him: "disaster is virtue's opportunity". So rather than cowering from risk, accept that it will always be present. Vow to use it to good effect, be prepared and profit from it. So if you want to work with seasoned investors that understand and can deal with inevitable volatility, *Talk with Us.*

Talk with Us.

Investment Strategy

Equities

Riverplace Capital remains fully invested. Our investment themes are working. Although we are seeing some meaningful recoveries in other categories, we are not as confident in their longer-term ability to grow. Therefore we are staying with our longer-term themes.

Beyond the major themes we have listed many times, we have also identified some specific opportunities. One of these that we see as durable is copper. Copper as a material has a myriad of uses and is indispensable to the industrialization of many emerging economies. At the same time, copper is not as plentiful as one would like. In fact, commercial grade ore in sufficient quantities for large scale mining is getting more and more difficult to find. We foresee a favorable supply/demand relationship that will keep prices high for a long time. This is fortuitous for those companies that control large supplies.

Riverplace Capital has identified other opportunities as well and we will discuss these in the future. We are finding more opportunities than we have money for. **It is an exciting time and leaves us optimistic for future returns.**

Fixed Income

We have been finding a few bonds recently that meet our criteria. As rates continue to improve, we expect to find more opportunities to safely put money to work. Riverplace Capital hopes that current trends continue and we can put even more assets into this category.

Fixed income has been particularly difficult for investors because rates have not been attractive enough for the risk. That may now be slowly changing.

Wealth Management

We have been pleased with the performance of this broad-based investment approach. Last year this category did very well and is off to a good start in 2010. This approach is particularly appropriate for accounts that need an efficient means to get exposure to a variety of sectors. Greater diversification and hopefully less volatility are achieved

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