

# The Atlantic Trust Advisor

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## Market Outlook

### Overview

As we move into the fourth quarter, we are clearly in the midst of the most far-reaching changes in the financial system that we have seen in many years.

- The crash in financial shares in the past few weeks has intensified the credit crisis in a dramatic way. Initially there was a series of individual failures (Bear Stearns, IndyMac Bank, etc.) with the market seeming to focus on the next most exposed bank in a game of international financial dominoes.
- But following the U.S. Treasury's intervention to take over Fannie Mae and Freddie Mac, the runs on individual institutions, such as Lehman and AIG, turned into a general run on the system. U.S. money market funds were inundated with redemptions and several had to suspend dealing or close, the U.S. dollar plunged and commodity prices surged.
- The only response to such a broad-based capital flight is a comprehensive, systemic solution that removes the bad assets of the banks (which are the source of the anxiety), and — if necessary — injects more capital into the banking system.
- U.S. Treasury Secretary Paulson's TARP (Troubled Asset Recovery Program) is another step in the Bush Administration's attempt to help facilitate the orderly restructuring of the U.S. financial system.
- In the meantime, the de-leveraging of the financial and household sectors in major, developed economies will continue, exerting a dampening impact on economic activity and inflation.
- The commodity price bubble is over, and inflationary pressures are receding rapidly. This gives the Fed room to remain accommodative.
- Economic downturns are either already under way or about to begin in many developed economies, which will in turn reduce global demand.
- So far the economic weakness has been quite mild, but the credit crunch is now causing abrupt slowdowns or even declines in the availability of credit. This is likely to intensify the downturn this winter and next year.
- Market expectations of rate hikes by the Fed should be discounted completely. In the current economic

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**ATLANTIC TRUST**

PRIVATE WEALTH MANAGEMENT

## Market Outlook

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situation, it is inconceivable that the Fed could raise rates. The next move is more likely to be a rate cut designed to avoid deflation.

- Spillover effects on the broader, global economy are mounting — from housing, from the credit crunch, from wealth effects, and from the reverse multiplier effects of de-leveraging.
- Fed policy remains extremely accommodative and is far ahead of the rest of the world in responding to the credit crisis.
- Likewise, the U.S. is well into its economic slowdown and the rest of the world is sure to follow.

### Outlook for the Credit Markets

Over the last four quarters, global financial institutions have been hit with more than \$520 billion of mortgage-related write-downs and losses, and the International Monetary Fund has estimated that total losses will be close to \$1 trillion. These write-downs and losses have destroyed the bank capital necessary to support lending. The result is higher credit spreads and higher borrowing costs for bond issuers, businesses and consumers.

No sector has been unaffected. We have seen business cycle high-water marks in the risk premium over Treasuries for government agency debt, asset-backed securities, investment-grade corporate debt, high-yield corporate debt and in the ratio of municipal to Treasury yields.

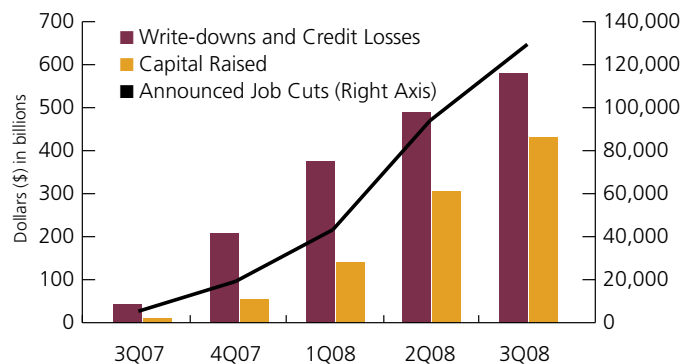
The credit market has failed to respond to a succession of catalysts designed to restore confidence — lower short term rates, new lending facilities, sovereign wealth fund equity investments, the consolidation of financial institutions and the government bailout of Fannie Mae and Freddie Mac.

Extraordinary measures clearly are called for: An effective rescue plan would provide two critical remedies that have been missing so far. It would set a price on distressed mortgage-related assets, and it would free up lending capacity at financial institutions by taking these assets off of their balance sheets.

If successful, a rescue plan will result in tighter credit spreads and lower borrowing rates for consumers and businesses, as banks regain the ability to lend. We may also see an increase in Treasury yields, as these securities are used to finance the government's purchase of distressed assets. (This could end up offsetting some of the benefits to borrowers, depending

on the government's ability to sell these assets at a profit.) As the rescue plan takes shape and normal credit markets are re-established, we may see a prolonged recovery period, characterized by low rates, a steep yield curve, clearing level prices for assets and industry consolidation. We must, however, remain cognizant of the potential downside risks of plan failure and an extended period of high borrowing costs on the global economy.

### Write-downs and Credit Losses



Source: Bloomberg LP

The global economy is certainly going through a stressful and turbulent period. Recently released unemployment data highlights the impact of Wall Street's liquidity crisis on Main Street. Our current expectation is that we'll see moderately negative real GDP in the fourth quarter of this year and the first quarter of 2009. Our preliminary expectation is for anemic economic growth in 2009. The good news is most of corporate America is in good fiscal condition, with strong cash flows and only modest debt relative to their assets.

### Keeping a Long-Term Perspective

We remain strong believers in the power of global investing. When you look around the world at the sources of liquidity, it is clear that global markets will play a key role in the long-term solution to the liquidity crisis that has its epicenter in the U.S. capital markets.

It is important that we not lose sight of the fact that times like these are not unprecedented. Our capital markets and financial system have been subject to frequent periods of market stress. Each time the problems seem equally insurmountable and the solutions woefully inadequate. Yet, our economy is remarkably resilient. Given time, we adopt and adjust to shocks to the system and then return to a path of sustainable growth. We do not believe that the current crisis we are going through will prove an exception to the rule. However, volatility will remain a constant companion and a broadly diversified investment program critical to your long-term investment objectives. ■

## New Administration, New Tax Legislation

### After Election Day

Non-partisan political and financial analysts are in broad agreement that tax increases are likely next year no matter who wins the 2008 presidential election. On another note, analysts also anticipate federal legislation that will create new investment opportunities in many businesses, including wind and solar energy, generic drugs and health care information technology.

At Atlantic Trust, we pay close attention to the reasoning behind such predictions. "Under any new administration, some industries will likely benefit while others won't," said S. Mark Powell, managing director and head of the Austin, Texas, office. "That's why we identify and select investment managers who stay abreast of political and legislative developments, and who make good judgments based upon their evaluation of changing conditions. In addition, our asset allocation committee meets regularly to discuss macro-economic conditions—and their potential impact on our clients' portfolios—and this includes tax policy."

### The Case for Rising Tax Rates

The 2008 presidential candidates, Senator Barack Obama and Senator John McCain, have very different tax proposals (see chart below), but non-partisan observers think taxes will

rise regardless of which candidate is elected. If so, it will be the first net federal tax increase in 15 years. "This has been a golden era for American taxpayers. Not only have tax increases been off the table since 1993—the federal government has cut taxes by \$2.8 trillion since 1997," said Daniel Clifton, director and head of policy research in the Washington D.C., office of Strategas Research Partners, a firm that provides investment strategy, economic and policy research to the institutional investment community.

**All of this is going to drain the new president's ability to fund his campaign promises and will put significant upward pressure on taxes.**

In fact, there are compelling reasons to think that the era of low taxes is now drawing to a close. Among them:

- The government needs money. The annual federal budget deficit has ballooned to \$500 billion and may get larger; the bailout of Fannie Mae and Freddie Mac and AIG could potentially cost an additional \$200 billion, and then there is the proposed comprehensive bailout plan to acquire up to \$700 billion of the illiquid assets of U.S. commercial banks over the next two years; entitlement spending is poised to accelerate sharply and the slowing economy is shrinking tax revenues. "All of this is going to drain the new president's ability to fund his campaign promises and will put significant upward pressure on taxes," said Clifton.

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### TAX RECAP: THE CANDIDATES' PROPOSALS

Federal Provision	What It Is Now	In 2011 (Pre-2001 Law)	McCain Proposes	Obama Proposes
Ordinary Income Tax Brackets	10% 15% 25% 28% 33% 35%	n/a 15% 28% 31% 36% 39.6%	Keep the current rates	Permanently extend the 10%, 15%, 25% and 28% federal income tax rates, but repeal tax cuts for those making over \$200,000 or \$250,000 (restore 36% and 39.6% tax rates)
Long-Term Capital Gains Tax Rate	15% or 0%	20% or 10%; greater than 5 years: 18% or 8%	Keep the current rates	Keep the current rates for families with incomes below \$250,000; raise the top rate to 20% for families with incomes above \$250,000; require reporting of cost basis for gains
Qualified Dividend	15% or 0%	n/a	Keep the current rates	Increase the maximum rate to 20% for families with incomes above \$250,000
AMT	Exemption: Married: \$66,250 Single: \$43,250	Exemption: Married: \$45,000 Single: \$33,750	Extend and index the 2007 AMT patch; further increase exemption by 5% in excess of inflation after 2013 (temporarily)	Extend and index the 2007 AMT patch
Estate Tax	Exemption: \$2,000,000 and 45% rate	Exemption: \$1,000,000 and 55% rate	Make the estate tax permanent with a \$5 million exemption and 15% rate	Make the estate tax permanent with a \$3.5 million exemption and 45% rate

Sources: [www.johnmccain.com](http://www.johnmccain.com), [www.barackobama.com](http://www.barackobama.com) and Tax Policy Center.

## New Administration, New Tax Legislation

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- The new administration will almost certainly be working with a Democratic Congress. Moreover, only 51 Senate votes are required to pass federal tax legislation that is enacted through the federal budget process. (By contrast, it takes 60 Senate votes to pass other bills.) “On tax issues, the chairman of the House Ways and Means Committee (Rep. Charles Rangel, D-NY) is almost as important as the president,” notes a recent report from the policy research team of International Strategy and Investment Group (ISI).
- The current tax law expires at the end of 2010. Congress could literally do nothing and tax rates would automatically rise in 2011, reverting to their pre-2001 levels.

### The McCain Tax Scenario

A McCain administration tax increase is likelier to be the result of behind-the-scenes negotiations, said Clifton. “We expect a huddle to respond to an urgent fiscal crisis, similar to what happened in 1990 under President George H. W. Bush,” he said. Clifton added that although McCain has embraced the 2001 and 2003 Bush administration tax cuts on the campaign trail, he originally opposed them as disproportionately beneficial to the wealthy. He thinks McCain will bow to pressure to increase ordinary income tax rates for higher-income taxpayers. “But I think it would be very hard to get McCain to agree to a capital gains rate increase,” he added.

### The Obama Tax Scenario

Observers believe an Obama administration will seek a broad-based tax increase early in 2009. If such a tax increase were enacted in mid-2009, it could be made retroactive to January 1, 2009. However, ISI’s policy research team thinks January 1, 2010 is a more likely effective date for a higher capital gains rate. The reason: A 2010 effective date might generate a revenue windfall for the government if investors lock in their gains at the lower 15% rate during the second half of 2009 (a strategy that may or may not be appropriate for all tax payers).

### More Upbeat Predictions: New Investment Opportunities

Alternative energy will be a top priority for the new Congress. Strategas Research Partners believes that a federal subsidy for wind and solar is very likely as “Obama favors it; McCain doesn’t. But, it has a lot of bipartisan support. This may not

be a fight McCain wants,” explained Clifton. Currently, only about half of all states have laws that mandate a specific percentage of electricity production from renewable sources by a specific date.

“A federally mandated renewable energy portfolio would add more than 20 states to the total,” Clifton said. “We have a similar mandate on ethanol, and as soon as it was in place, the ethanol industry took off. We think the same thing will happen with wind and solar.”

Strategas is more skeptical about passage of a new national health care system. “The government just doesn’t have the money to do that right now,” said Clifton. But less sweeping changes in health care legislation are very likely. Senator McCain and Senator Obama have the same positions on prescription drugs, for example. The result: We’ll probably see new legislation that allows the government to negotiate prices on Medicare prescription drugs—a boon for generic drugs. “We’re also very bullish on health care information technology, like computerization of health care records,” he said. “Congress has talked itself into the idea that if we spend money on new technology, we can save money in the long run.” That may prove to be a mixed blessing for taxpayers; but for investors, it’s good news. ■

### Tax Planning Rule #1: Don’t Act on Impulse



Mark Powell  
Managing Director,  
Atlantic Trust-Austin

As always, it’s important to discuss your situation with your advisor to determine whether the current tax environment presents any planning opportunities for you.

When tax rates are expected to rise, it generally makes sense to accelerate income and defer deductible expenses. But it’s rarely a good idea to let tax considerations drive your investment decisions, said Powell.

For example, in anticipation of higher capital gains tax rates, investors may be tempted to “lock in” embedded gains at today’s historically low capital gains tax rate, currently 15%. Doing so, however, will require that the investor actually pay a 15% tax on any realized gains. “If there is no compelling investment reason for disposing of the asset (e.g., diversifying a concentrated position), why pay any tax at all on the gain?” asks Powell. “If it is an asset you want to hold for the longer term, then hold it, don’t sell it,” adds Powell.

“My biggest concern for clients is how to preserve their capital in a world of increasingly higher tax rates,” says Powell. “Whoever is elected, the prospect of large budget deficits combined with a sizeable externally-financed national debt will put upward pressure on domestic tax rates. It could also limit our public policy options—as we’ve already seen with the FNMA / FHLMC bailout—and this is very concerning. This situation puts even greater emphasis on the tax efficiency of our strategies and our asset allocation decisions,” concludes Powell. ■

## What the Election Results Could Mean for Your Estate Plan

Wealth Strategies Group

*The Wealth Strategies Group at Atlantic Trust uses a well-developed methodology to simplify, organize, and make sure you understand all aspects of your wealth management plan. Our goal is to demystify the process and guide you toward your financial, investment, and estate planning objectives. Our highly educated, seasoned wealth strategists work together with your relationship manager and other advisors, such as your accountant, attorney, or insurance agent, to implement your integrated wealth plan. We identify where you are now and where you want to be later—and then connect the two.*

Federal estate tax law changes are on the horizon. Both Senator Barack Obama and Senator John McCain offer plans that, if enacted, would result in lower estate taxes than are currently in effect.

Under existing law, the estate tax is scheduled for repeal at the end of 2009. Then, after a year with no estate tax, it would return at the unfavorable rates that applied in 2001 (a \$1 million exemption and a maximum tax rate of 55%), unless Congress enacts a new plan. For the current year, the exemption amount is \$2 million/person and the rate is 45%; the exemption increases to \$3.5 million in 2009 with the rate unchanged.

**Whether or not you expect to leave a taxable estate, a number of key issues still require attention going forward.**

Neither presidential candidate wants the tax repealed, and each has offered a proposal to modify it (see chart on page 3). Senator Obama's plan would make permanent the regime that goes into effect in 2009. The first \$3.5 million would be exempt from estate tax and the balance would be taxed at 45%. Senator McCain's proposal would allow \$5 million to pass tax-free and lower the tax rate to 15%.

Both plans also contain a proposed change for married couples. A surviving spouse would be permitted to carry over any portion of the exempt amount that was not used by the first spouse to die. Spouses would no longer need to transfer assets to each other during their lifetime or worry about in whose name assets are titled in order to fully use both of their exemptions. Couples would, in effect, not be subject to estate tax if their combined assets were up to

\$7 million under the Obama plan or up to \$10 million under McCain's.

This change in the law would require major legislation to make up for the revenue loss it would cause and to close potential loopholes, says Dennis I. Belcher, a lawyer with McGuireWoods in Richmond, Va., who has testified before Congress and followed proposals for estate tax reform. For example, Congress might impose stricter rules on the use of *grantor-retained annuity trusts* (GRATs) and on family limited partnerships. In addition, there may need to be clarification as to how the rules will apply if individuals remarry.

**Independent of taxes, strong reasons remain for creating new trusts and maintaining old ones.**

No matter who occupies the White House, the lawmakers might also opt for the path of least resistance and just keep extending the 2009 rates, one year at a time, rather than making them permanent or tackling the bigger issues, Belcher said.

### Why Should You Still Plan?

"Whether or not you expect to leave a taxable estate, a number of key issues still require attention going forward," says H. Arthur Graper, senior vice president at Atlantic Trust. Families will continue to wrestle with questions of how wealthy they want their children to become, when to give them access to the money and how to motivate them to be responsible members of society. Moreover, planning is necessary to achieve other personal, family and charitable objectives.

### Plan for Incapacity

Whether or not there is an estate tax, for example, you should provide for your care if you become physically or mentally unable to manage your finances. Among the options you may consider are a revocable (living) trust, a durable power of attorney and a living will and health care proxy. A revocable trust holds assets for your benefit while you are alive and tells the trustee who will receive the property when you die. A durable power of attorney enables you to appoint a trusted family member, friend or advisor as an agent (*or attorney-in-fact*) to act on your behalf in a variety of financial and legal matters. A living will and health care proxy specify your wishes in the event of incapacity and designate an individual to manage health care decisions if you are unable to do so.

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## What the Election Results Could Mean for Your Estate Plan

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“These documents can be customized to give your trustee or attorney-in-fact flexible powers to manage your affairs and facilitate your estate planning,” says Linda S. Beerman, managing director at Atlantic Trust. For example, if you have routinely made monetary gifts to family members, direct payments for medical or educational expenses or charitable donations, the trustee or agent could continue these disbursements after you can no longer make them yourself.

### Use Trusts to Safeguard Family Wealth

“Independent of taxes, strong reasons remain for creating new trusts and maintaining old ones,” says Judith A. Saxe, managing director at Atlantic Trust. They can hold money for minors, a surviving spouse or children with special needs; help educate children financially by giving them small amounts of money to manage over time; preserve funds for future generations; and protect assets from creditors.

### Pass Along the Family Business

“Business owners face special challenges when planning for the succession of their venture,” says Saxe. A crucial issue is how to equalize inheritances when some children are involved in the business and others are not. One popular solution is to divide the business into voting and nonvoting shares and give voting stock to the children who are running the company. It may be necessary to implement a buy-sell planning arrangement or leave other assets to family members not in the business.

### Eliminate the Income Tax on Retirement Assets

Whether or not you have a taxable estate, heirs must pay income tax as they withdraw funds from traditional *individual retirement accounts* (IRA), which can substantially diminish the inheritance. You can avoid that result by setting up a tax-free retirement account, known as a Roth IRA, or converting a traditional IRA employer-sponsored qualified plan to a Roth IRA. (See Atlantic Trust white paper: “To Roth Or Not to Roth – Your Retirement Account”).

### Structure Your Estate for Maximum Benefit

Traditional retirement accounts are one example of an asset that generates *income in respect of a decedent* (IRD), meaning income that wasn’t taxed before a person’s death. Others are savings bonds and nonqualified employee stock options. Inheritors must pay income tax on IRD, and that reduces the value of what you have left them.

“Therefore, even when estate tax is no longer an issue, the prospect of IRD should influence which assets you spend, which you give to charity and which you pass along to family,” says Daryl M. Allen, senior vice president at Atlantic Trust.

For instance, clients who wish to benefit charity might find it more tax efficient to name the nonprofit, which is tax-exempt, as the beneficiary of their Roth IRA and leave their heirs other property. When that other property is stock, real estate or tangible assets, heirs get another tax advantage: the value of the inheritance gets a stepped-up basis at the owner’s death, reducing the capital gains tax heirs must pay on appreciated property if they decide to sell it. ■

### Year-End Planning Reminders

Tax changes may be coming, but the following year-end planning checks will reduce tax impact under current law.

- ✓ By December 31, pay all charitable contribution amounts, state and local income taxes and mortgage interest (including consideration of whether to make your January 2009 mortgage payment before year’s end). Compare the tax benefit for deductions paid in 2008 with 2009, taking into consideration alternative minimum tax considerations to determine whether you should pre-pay certain expenses or hold off until January and pay those expenses.
- ✓ Consider charitable gifts of appreciated property to avoid capital gains tax and to obtain an income tax charitable deduction, taking into consideration limitations on deductions and the five-year carry-over rule. If the property has depreciated in value below the amount you paid for the property, sell the property and donate the cash. You may offset the loss against other capital gains.
- ✓ If greater investment diversification is appropriate, consider taking advantage of the current low capital gains rate by selling appreciated property in 2008. Alternatively, assets may be repurchased, establishing a new, increased basis.
- ✓ Review the amount of non-charitable gifts made in 2008; consider the appropriateness and advantage of making additional gifts (using the annual exclusion, lifetime exemption or a taxable transfer).
- ✓ Confirm year-to-date estimated tax payments and federal and state income tax withholdings to avoid 2008 underpayment. ■

## An Interview with Boston Trust Small Cap Fund Manager

Kenneth P. Scott, Manager, CFA, CFP

Kenneth P. Scott is the lead manager for all Boston Trust Small Cap equity portfolios, as well as for the Boston Trust Small Cap mutual fund, an approved strategy on Atlantic Trust's Multi-Manager Investment Program.

He also manages other institutional and individual portfolios and is a member of the Investment and Portfolio Strategy committees of Boston Trust & Investment Management Co. Prior to joining Boston Trust, Scott was an analyst at Calvert Group and also served for three years at the Council on Economic Priorities, where he co-authored company-specific environmental reports. He is a CFA charterholder and a member of the Boston Security Analysts Society and the CFA Institute.



**Q The Boston Trust Small Cap Fund has an impressive track record. How would you describe this fund's portfolio?**

**A** We invest in small, higher quality, innovative and steadily growing companies—companies that are showing some increase in market share. We focus especially on companies that are more reasonably valued than their peers. For us, “small cap” means in the \$100 million to \$3 billion range. Our typical holding has a \$1 billion market cap. The fund usually owns shares in 90 to 100 names.

We look for companies with innovative products, services or processes that are protected by patents and supported by strong R&D programs, which will allow them to take advantage of niche opportunities. Typically, these are companies that are leveraged to secular trends with long-term investment potential. There are long-term changes in demographics, government spending or regulation, or geophysics that are likely to provide them with a tail wind.

**Q The Boston Trust Small Cap Fund has proven to be appealing to clients who want to invest in socially responsible companies, even though technically it isn't a socially responsible investment (SRI). Why is that?**

**A** The Boston Trust Small Cap Fund has no explicit environment, social and governance objectives, but it's managed by the same team that manages small cap SRI accounts for Walden Asset Management, which is the Socially Responsible Investment Division of Boston Trust.

And, in fact, there's significant overlap between the portfolios.

The Boston Trust Small Cap Fund invests in companies that are involved in innovative medical care, resource efficiency, healthy living, education, remote connectivity and waste reduction. These companies typically are doing business in underserved or niche markets. These companies often have strong appeal to investors who want to meet both social and financial objectives and therefore favor SRI investments.

**Q The Fund has outperformed the benchmark Russell 2000 Index (net of fees), for the 1-year, 3-year, 5-year and 10-year periods ending June 30, 2008—while also experiencing less volatility. To what do you attribute this strong record?**

**A** There are two reasons. The first is our focus on higher quality companies. We pay quite a bit of attention to a company's profitability, to the persistence of that profitability over time, to the sustainability of the business model and to valuations. These are companies with clean financials and reasonable valuations. They tend to have more stable performance than their peers, so the portfolio as a whole tends to have that profile, too.

The second reason is our portfolio construction discipline. We don't make sector judgments. We stay diversified, keeping in line with the size and sector weightings of the benchmark. We're not looking to go up to mid-sized companies or down to micro-sized. As a result, the fund has tended to participate in up markets and to protect well in volatile and recessionary environments. Over the full market cycle, the Fund tends to do well.

**Q Do you think the 2008 election results will affect any of your holdings?**

**A** Regardless of who wins the election, we're seeing an interest in collaboration across party lines to meet the challenges we face. We can be sure the new administration and new Congress will turn greater attention to promoting a broader portfolio of energy sources, for example. We believe companies that offer products or services that conserve energy or other natural resources will tend to do well going forward.

We have companies in our portfolio making more efficient industrial equipment, irrigation equipment and power devices, in addition to being focused on natural gas and improved productivity of petroleum resources. In general, companies that are focused on resource conservation will, as a group, do better than their peers. ■

*The opinions expressed are those of Boston Trust at the time of publication and are not necessarily those of Atlantic Trust. Past performance is not a guarantee of future results.*

## The Safety of Atlantic Trust

Our clients have entrusted more than \$16.4 billion to our care (as of June 30, 2008). During uncertain times, Atlantic Trust offers you stability and strength. We are fiduciaries, acting in relationships of trust with the duty to care for our clients. This important sense of responsibility characterizes the professionals of Atlantic Trust—and gives you peace of mind.

### How safe are your assets with Atlantic Trust?

Our business is to manage investment assets for others (you, our clients). The assets that we manage for you belong to you; they do not become assets of Atlantic Trust. The assets we manage are owned by the individuals or entities (our clients) on whose behalf we are acting as investment manager, trustee and/or custodian. Your assets are separate and apart from Atlantic Trust's own assets. This means that in the event Atlantic Trust was to ever fail or become insolvent, your assets would not be subject to the claims of Atlantic Trust's creditors.

### How are assets held with Atlantic Trust different from bank deposits?

If you place money in a traditional deposit account at an FDIC-insured bank, that cash becomes an asset of the bank and your deposit becomes a liability of the bank. You have, in effect, loaned the cash to the bank in exchange for the bank's promise to repay that cash to you (with interest, if applicable) under the terms specified for that account. If the bank fails but has FDIC insurance, you are protected up to the maximum amount allowed by law (generally, \$100,000 per depositor, subject to certain exceptions). Above the FDIC limit, you become another creditor of the bank.

### Are your accounts with Atlantic Trust insured?

As described above, your accounts with Atlantic Trust are not deposit accounts, so they do not have FDIC insurance. But again, your accounts never become assets of Atlantic Trust; they remain your accounts. Accordingly, they are never subject to claims of Atlantic Trust's creditors.

### Is Atlantic Trust a private company?

Atlantic Trust is a subsidiary of Invesco Ltd. (NYSE: IVZ). With \$450 billion of client assets under management (as of June 30, 2008), Invesco is one of the world's largest, most diversified global investment management firms.

### How has Invesco been affected by current market turmoil? Will you be the next company with problems?

Invesco is a financially strong global asset manager with a stable investment grade credit rating from all three major credit rating agencies. Invesco maintains a strong capital position, significant access to liquidity facilities and a substantial cash position on our balance sheet.



It is important to note that Invesco is not an investment bank like Lehman Brothers or an insurance company like American International Group (AIG), whose financial stability can be compromised by the types of balance sheet liabilities and other credit exposures prevalent in today's headlines.

Invesco seeks to do one thing well—investment management. As a firm whose sole focus is investment management supported by a high level of customer service, we believe Invesco's ongoing emphasis on managing money for millions of clients worldwide will continue to serve us well during this period of ongoing market volatility.

The considerable resources of Invesco are available to Atlantic Trust when needed, yet our firm remains independent in its investment platform. This preserves the objectivity of our investment counsel, while assuring clients of the strength and financial stability of Atlantic Trust.

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