

ASSET ALLOCATION UPDATE

From the Desk of Our Chief Investment Officer

David L. Donabedian, CFA
Chief Investment Officer

Dave Donabedian is chief investment officer of Atlantic Trust, returning to the firm in 2009 after serving as chief investment officer for Ashbridge Investment Management, LLC, from 2006 to 2009. As a leading investment expert in our industry, Dave frequently appears on television networks, such as CNBC, and provides insights in publications, such as *Baron's*. Previously, from 1996 to 2006, Dave worked with Atlantic Trust as managing director and chief economist. Dave received a B.S. in economics and a B.A. with honors from The Wharton School at the University of Pennsylvania. He subsequently earned an M.B.A. from Columbia University Graduate School of Business.

In light of continued turmoil and systemic risk in European markets, the Atlantic Trust Asset Allocation Committee (AAC) recommends a 0% Diversified International allocation and recommends investing the proceeds from such sales into either Enhanced Yield–Equity or U.S. Large Cap.

This move virtually eliminates direct exposure to what we view as the biggest systemic problem in the markets right now. The Eurozone faces both a sovereign debt crisis and an undercapitalized banking system with substantial exposure to the sovereign debt. We believe a potentially deep recession probably has already begun there.

The strong rally of the last two days in Europe has erased losses from earlier in the month. It was driven by hopes that policymakers are finally on the path to alleviating the sovereign debt and bank capital crisis. We are skeptical and concerned that the decision-making structure in the Eurozone is fractured, dysfunctional and likely to stay behind the curve in addressing widespread liquidity and solvency issues.

Fundamentally, current conditions warrant minimizing Euro exposure. The AAC is not eliminating Diversified International from a strategic (i.e., permanent) perspective. We are simply moving it to the sidelines. Given the extraordinary turmoil in Europe, we are moving toward what may be more productive equity strategies.

In addition to avoiding European economic and currency issues, these slight allocation adjustments may create a more favorable mix of equity portfolio characteristics in this volatile market environment, including:

- More favorable sector allocation (reduced bank/financials)
- Higher current income (i.e., yield) component
- Balance sheet upgrade
- Lower volatility

ATLANTIC TRUST

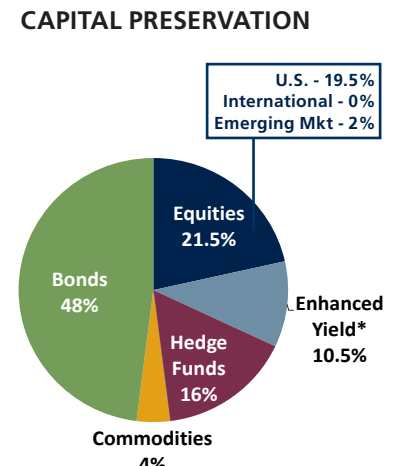
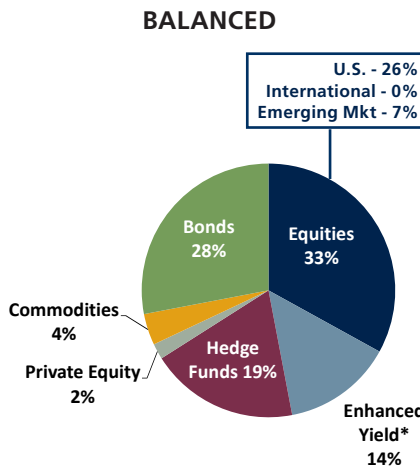
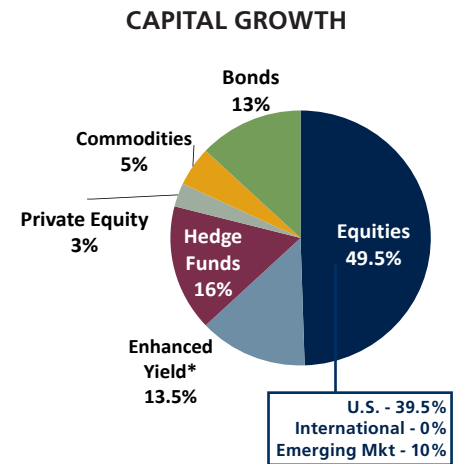
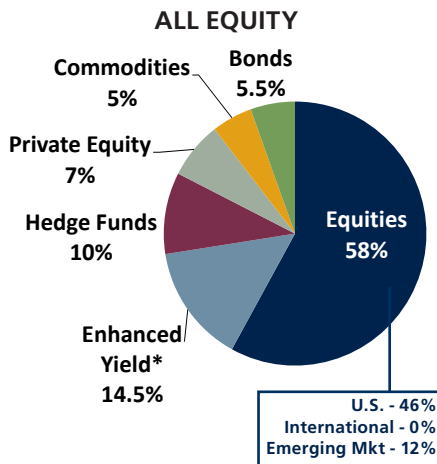
PRIVATE WEALTH MANAGEMENT

As always, the most important asset allocation discussion is between you and your relationship manager. While the Atlantic Trust AAC works hard to identify general opportunities for return enhancement and risk reduction, every client portfolio is managed to address customized objectives. Therefore, some of the recommendations previously referenced, as well as the asset allocation models illustrated to the right, may not be appropriate for your specific situation, so please speak with your Atlantic Trust relationship manager.

This recommendation is neither a bullish nor bearish shift on global equities. It is a pivot away from the eye of the storm and toward strategies that we believe should weather the storm and be better positioned for recovery.

The AAC's updated asset allocation models are below.

Asset Allocation Committee Model Recommendations



*Enhanced yield includes Master Limited Partnerships (MLPs), equity income, emerging market debt and floating rate senior debt. Source: Atlantic Trust, 08/31/2011

This does not constitute a recommendation of the suitability of an investment strategy for a particular investor.

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