WINTER 2008

FIDUCIARY PERSPECTIVE

INSIGHTS ON PRIVATE WEALTH MANAGEMENT

A NOTE FROM OUR PRESIDENT

I am pleased to introduce our newly enhanced publication, the *Fiduciary Perspective*. You may be familiar with our previous *Perspective*, which provided insight on various wealth management issues. Going forward, the newsletter will contain additional articles of interest. The Market Commentary will provide our current economic outlook on relevant issues as they pertain to your investments. News and Notes will provide an inside look at our many services and newsworthy information that may have an impact on your financial needs.

This issue's Feature Article focuses on open architecture investing—an approach we employ to construct customized portfolios incorporating a broad range of investment strategies across traditional and alternative asset classes.

We hope you enjoy the winter issue of *Fiduciary Perspective*. If you would like more information about any of the topics, please contact your investment officer or email us at perspective@fiduciary-trust.com.

Doug Smith-Petersen
President and CEO

IN THIS ISSUE

OPEN ARCHITECTURE:
ACCESS TO TOP-TIER INVESTMENT MANAGERS

The concept of open architecture has gained acceptance within the investment management world over the past five to ten years. What is it? At its most simple level, open architecture provides investors access to top-performing investment managers. Fiduciary Trust employs this concept by constructing customized portfolios incorporating a broad range of investment strategies across traditional and alternative asset classes.

INDEPENDENCE LEADS TO UNBIASED ADVICE

Fiduciary Trust embraces the concept of open architecture and takes the matter one step further. Throughout our more than 100-year history, we have prized our independence. This quality stems from the fact that the firm is privately held and owned by its employees, founding families and members of its Board of Directors. As part of our independence, we serve as a trusted advisor in presenting investment recommendations without the conflicts of interest seen as inherent with many other providers. Open architecture permits us to work with our clients so that our interests and our clients' interests are more closely aligned.

ASSET ALLOCATION: THE FOUNDATION

Asset allocation is a critical element in managing our clients' portfolios. Numerous studies have proven that asset allocation is the primary determinant of a portfolio's performance. We believe that it is of paramount importance to identify the asset allocation appropriate for each client's risk and return objectives. Open architecture allows us to construct client portfolios utilizing a broad range of asset classes and investment strategies.

COMMITMENT TO OPEN ARCHITECTURE

Fiduciary Trust has dedicated significant resources to open architecture including the firm's Alternative Investment Committee ("AIC"), which is comprised of six of Fiduciary Trust's senior investment professionals. Additionally, the firm's Investment Committee oversees the AIC's efforts to ensure that there is a consistent and coordinated investment process. AIC members have extensive experience in asset

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FIDUCIARY TRUST

MARKET COMMENTARY

By Christopher M. White, CFA
Chief Investment Officer

THE WALLS OF WORRY

During the last quarter of 2007, the US stock market gyrated between fear and relief. There was little greed displayed in the quarter since investors generally acknowledged that the US economy is slowing down. Our estimates of fourth-quarter Gross Domestic Product (GDP) suggest that the economy's year-over-year growth will be only 1% to 2%, down from the 3.9% growth seen in the third-quarter. Corporate profit growth has in fact turned negative. Early 2008 will also be anemic. Overseas, Europe and the UK also appear to be slowing. The Pacific Rim economies, while stronger than the US or Europe and the UK, are still expanding, but slowing from recent torrid growth.

During the quarter, the US media repeatedly painted a dour economic outlook. A stock market sell off, such as the 10% correction we saw from late October until late November, was often cited as confirmation of a looming recession. Yet, forecasters should remember that the stock market alone is a highly fallible predictor of the future economy. As wags have quipped, the market has predicted nine of the last three recessions!

The bond market provides some of our more reliable early recession indicators. One forward-looking indicator we use is the tightness of the spread of interest rates in the quality end of the bond market. In mid-December, the spread between the highest and lowest investment-grade bonds widened significantly. This suggested growing investor fear in buying the lower quality paper compared to buying the best quality paper. Exhibit 1 below shows this development, plotting the spread between AAA bond yields and BBB bond yields. Investors holding the BBB paper now require that they be compensated for the suddenly increased risk perceived in holding the lower quality paper. A slower or recessionary economy means more risk. This indicator, which has been reliable in the past, suggests that the economy and the consumer will be affected adversely early in 2008.

The other indicator that causes concern is the recent report on inflation. One of our econometric sources, ECRI, has indicated that inflationary pressures have continued to ebb over the past 18 months, thereby giving the Federal Reserve Bank room to be stimulative monetarily. On December 21st, the Commerce Department reported that the personal consumption expenditure (PCE) price indicator showed a jump of 0.6% for November, or 3.6% on an annual basis. The core inflation indicators showed a still-high 0.2% rise for November, or 2.2% annually. Such numbers suggest that our period of declining inflationary pressures may be coming to

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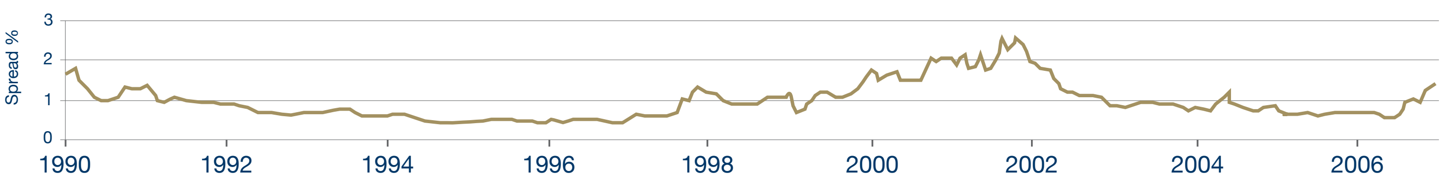
EXHIBIT 1: Corporate Bond Yield Spread–AAA vs. BBB



Through December 31, 2007–Source: *Bloomberg*

THE WALLS OF WORRY

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an end. Treasury Inflation-Protected Securities rallied this year, indicating investor expectations that inflation will increase going forward.

THE FED AND THE US GOVERNMENT ARE IN A BOX BETWEEN UNDERSTIMULATING IN THE FACE OF A RECESSION AND OVERSTIMULATING IN THE FACE OF POTENTIAL INFLATION.

The Fed started cutting rates last August, but the bond market has been unimpressed with the Fed's actions to date. The Treasury market yields are pricing in another 1% cut in short rates beyond what the Fed has already done. Our spread graph similarly shows that the bond market has grown impatient with the pace of easing by the Fed. Whether you want to blame this on the housing slump, the subprime mess or the uncertainty of the upcoming political elections, it doesn't really matter. The markets are saying that new and stronger monetary and even fiscal policy measures are needed in the next few months to avoid an already slow economy from slowing further, possibly into a recession.

The Fed and the US government are in a box between understimulating in the face of a recession and over-stimulating in the face of potential inflation. The Fed and the government will need to take quick measures to avoid a recession for 2008. At this time, we see that if there is a recession, it will be mild. The underlying economy, while slowing, remains healthy. But this could prove to be too optimistic given the tightrope that stretches out in front of the policymakers.

From an investment point of view, the four-plus years of economic expansion in the US economy appears at risk. We recommend that portfolios adopt a more defensive posture, including the use of hedge funds, to help protect wealth. The economy will right itself eventually, but the near-term outlook is more uncertain that at any time over the past five years.

NEWS AND NOTES

Same address; new look

After successfully negotiating a new lease, we are pleased to announce that the firm and its 126 employees will be remaining at 175 Federal Street–our home since the building was constructed in 1976. Conveniently located in the heart of Boston's financial district, this location has served our clients and employees well. However, times have changed and technological advancements have helped companies create greater operational efficiencies. The build-out of our new space includes new electrical systems that will enable us to create a more energy- and cost-effective work environment. Renovations to our space will begin this February.

Thinking outside the mailbox

Our technology team is currently working on a new initiative that will allow clients to view their statements online. Clients will simply login to Private View™, Fiduciary Trust's online account information system, and click on the link to see their Investment Report. Paperless Investment Reports will only be available to clients who are enrolled in Private View™. Clients who have not yet taken advantage of our online tool and would like to learn more about it should contact their Investment Officer or visit www.fiduciary-trust.com to see an online introduction to Private View™. We anticipate that online Investment Reports will be accessible this spring, and we will inform Private View™ users when this feature is available.

2007 tax information update

With tax season almost upon us, clients can expect to receive their Fiduciary Trust account tax information on the following dates. While every effort is made to meet these mailing dates, the structure of some investment strategies and vehicles (e.g. private equity limited partnerships) can result in the late receipt of asset-related tax information and may cause reporting delays.

January 15, 2008
Form 1099 and agency/custodian tax letters

February 15, 2008
Grantor tax letters

March 15, 2008
Non-grantor Form 1041 Schedule K-1

OPEN ARCHITECTURE

ACCESS TO TOP-TIER INVESTMENT MANAGERS *(continued from page 1)*

allocation, in investment management and in selecting and monitoring investment managers. The AIC's goal is to identify managers who have consistently delivered superior risk-adjusted investment results (alpha) and who are capable of adding value going forward. The AIC also conducts ongoing investment manager due diligence, which entails the evaluation and monitoring of recommended investment managers.

ADDING VALUE

Our expertise in alternative investment strategies and the scale of the assets we manage provide us access to top-tier managers who otherwise would not be available to our clients. Because the average asset size of the private equity and real estate funds that we recommend are typically less than $350 million, many larger institutions cannot afford to allocate research resources to a strategy that would not be utilized by a wide range of clients.

In the more traditional asset classes, such as small-cap international equity and fixed income, we recommend both niche and more mainstream investment managers. Mainstream managers often have a larger size and a global scale, which are strong competitive advantages, particularly in markets outside the US. Fiduciary's size is also large enough for the firm to be considered a significant institutional investor for this class of managers. Therefore, we are able to select from a wide range of potential investment managers.

Fiduciary Trust's size and reputation allow for open communication and face-to-face meetings with the portfolio teams, and first hand knowledge of any material changes impacting the investment firm or its strategy. Our bargaining power lies in the fact that the investment manager views our clients' assets collectively, allowing us to leverage our relationship in order to provide our clients with attractive fee arrangements and timely recommendations. The combination of all of these factors creates a compelling investment opportunity and a significant benefit for our clients.

WHAT'S BEST FOR OUR CLIENTS

Clients need and deserve help in sifting through the plethora of investment choices that will help provide proper portfolio diversification. In the contemporary investing world, selection and ongoing monitoring of investment managers are critical. Fiduciary Trust's focused approach to open architecture addresses both the opportunities and the risks that are inherent in building a solid investment portfolio. As stewards of our clients' wealth, we believe it is our responsibility to offer comprehensive investment solutions that achieve their individual investment objectives.

COMPONENTS OF A DIVERSIFIED PORTFOLIO

EQUITY SECURITIES

Domestic
- Large capitalization
- Mid capitalization
- Small capitalization

International
- Developed
- Emerging markets

FIXED INCOME SECURITIES

Domestic
- Treasurys
- Agencies
- Municipals
- Investment-grade corporates
- High-yield corporates
- Inflation protected securities

International
- Developed
- Emerging markets

ALTERNATIVE INVESTMENTS

Real estate investment trusts (REITS)
- Domestic
- International

Private real estate
Private equity
Hedge funds
Timberland
Commodities/managed futures