

PATHWAY PORTFOLIOS

*Your pathway
to financial security.*



**FIRST FEDERAL
BANK**
WEALTH MANAGEMENT
TRUST & INVESTMENT SERVICES

At First Federal Bank Wealth Management Trust & Investment Services, we want to guide you down the path to financial freedom, helping you reach your destination with efficient, time-tested economic philosophies and processes.

Come along with us on a journey that is marked with academically grounded, scientific practices designed to maximize return and minimize expenses and trading costs along the way.

P Portfolio design

A Asset allocation

T Tax efficiency

H High value on client relationships

W Worldwide investment exposure

A Academic research is our foundation

Y Year over year performance accountability



Guidepost 1

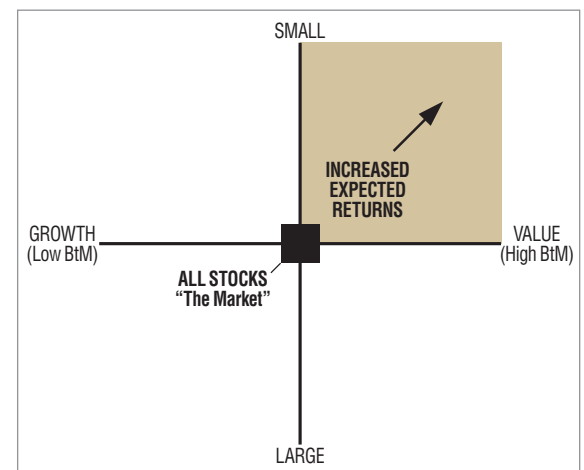
Markets Work – *Capital markets do a good job of fairly pricing all available information and investor expectation about publicly traded securities.*

Investors around the world are constantly looking for the equity markets to provide a fair return for the capital they are willing to invest. At the same time, companies around the world are competing for that very capital. Put the two together, and you have a market that fairly prices the securities being bought and sold on a daily basis. Only through speculation can one hope to earn a better than fair return. The problem is when speculation is wrong, just the opposite happens. Our philosophy...let the markets work for you. Take advantage of the way markets are right and accept what they have to offer. By doing so, you will experience a fair return.

Guidepost 2

Risk and Return are Related – *The compensation for taking on increased levels of risk is the potential to earn greater returns.*

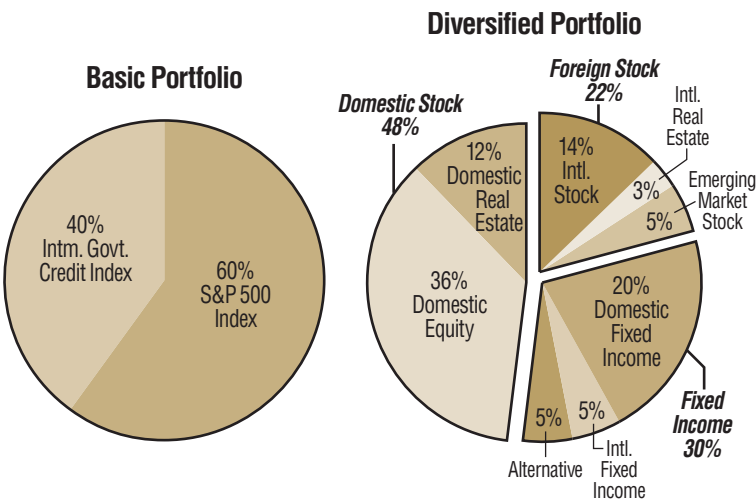
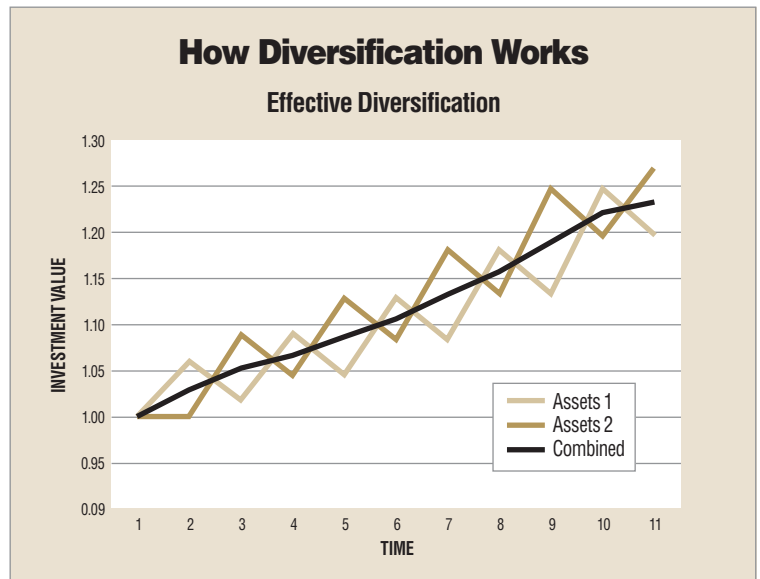
Academic studies, as well as historical performance, show that the return one can expect is dependent upon the risk one is willing to accept. The key is to identify those risks that have the highest probability of producing a reliable reward. Research has identified three risks that have historically done just that. The first is investing in equities as compared to lower-risk bonds or fixed rate instruments. The second suggests favoring small company stocks over large company stocks. And the third relies on the fact that value oriented stocks have outperformed growth oriented stocks over time. Our philosophy...let your risk tolerance be your guide in determining the percentage you invest in equities as opposed to fixed income, then “tilt” your equity exposure to small, value-oriented stocks.



Guidepost 3

Global Diversification is Key – *Comprehensive global asset allocation can neutralize the risks specific to individual securities. Remember, companies go out of business, markets do not.*

In addition to identifying the risks one is willing to accept, it is every bit as important to identify those risks one should not take. Those risks could include concentration in too few securities, limiting asset class exposure, placing emphasis in certain countries or sectors, as well as following market “predictions.” No one really knows which stocks are going to outperform from year-to-year. The same holds true for asset classes, industries and foreign economies. Our philosophy...own it all. Broad market exposure will decrease concentration risk while capturing the return premium provided by the small value “tilt.”



Guidepost 4

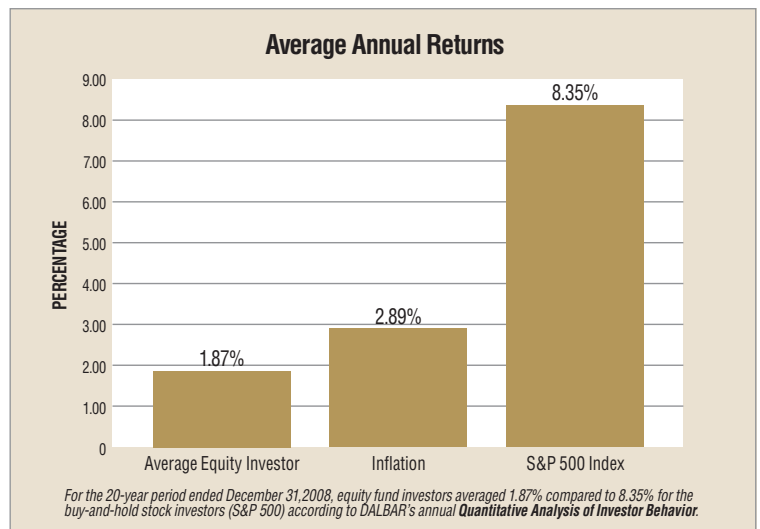
Portfolio Structure Explains Performance – *The asset classes that comprise a portfolio and the risk levels of those asset classes are responsible for most of the variability of portfolio returns.*

Studies indicate that 94% of a portfolio’s performance is derived from asset class selection. Only 4% of returns are explained by security selection, defined by finding “underpriced” companies or industries, and 2% of returns are explained by market timing or the shifting of portfolio assets in and out of the market or between asset classes. Unfortunately, security selection and market timing have shown to have net negative impacts on performance. Our philosophy...structure your portfolio in such a way that it provides exposure to all asset classes, and then let it do the work. Do not try to “outguess” the market through security selection and market timing.

Guidepost 5

Disciplined Management and Commitment – *Successful investing requires the separation of emotion and investment decision making.*

An underlying acceptance and commitment to the philosophy, followed by the discipline to see it through regardless of what our emotions are telling us, is necessary for long-term success. A lack of discipline and trying to time the market can be detrimental to the portfolio’s long term success. Our commitment...deliver an efficient, low cost investment portfolio which is rebalanced, if necessary, on a quarterly basis and review the portfolio with you regularly to make any adjustments that may be warranted by your personal situation or change in objectives.



“October is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August, and February.” – Mark Twain

The guidance you receive on this investment journey will lead you away from decisions based on speculation and emotion and place you on the pathway to financial freedom founded on academic and scientific principles.

Which Portfolio Option is Designed for You?



Fixed Income

- You are interested in a short term investment.
- Your time horizon is 1– 3 years.
- Income may be one of your main goals.
- You want 100% of your investment to be in bonds and do not want any exposure to equities.
- You consider yourself to be very conservative and want to take very little risk.



Conservative (20/80)

- You are interested in an intermediate investment.
- Possible income now or in the future is one of your main goals.
- You want to be diversified with exposure to some equities, but mostly a mixture of bonds.
- You consider yourself to be conservative and want to take very little risk.



Moderate (40/60)

- You are interested in a long-term investment.
- Income and growth are your goals, where income is of greater importance to you.
- You seek diversification with exposure to many asset classes, including U.S. and international stocks and bonds.
- You consider yourself to be rather conservative and are not content with a lot of risk.



Standard (60/40)

- You are interested in a long-term investment.
- Income and growth are your goals, where growth is of greater importance to you.
- You seek diversification with exposure to many asset classes, including U.S. and international stocks and bonds.
- You consider yourself to be comfortable taking a moderate amount of risk.



Aggressive (80/20)

- You are interested in a long-term investment.
- Growth of your portfolio is your primary goal. Current income is not a concern.
- You seek diversification with exposure to many asset classes, including U.S. and international stocks.
- You consider yourself to be aggressive and can tolerate significant swings in your portfolio value.



All Equity (100)

- You are interested in a long-term investment.
- Growth of your portfolio is your goal. Current income is not a concern.
- You seek diversification with exposure to many asset classes, with 100% of the investment in U.S. and international stocks.
- You are comfortable with risk and are willing to try to take advantage of changes in the market.
- You are willing to take on the most risk for the highest potential return while accepting significant swings in your portfolio value.