KINGS POINT CAPITAL MANAGEMENT

2009 Second Quarter Review and Outlook

In the next few years, as we reflect upon the economic and political events of the past 18 months, we will begin to more fully realize the significance that each has introduced to the U.S. and to the world. The worst global recession since the great depression of the 1930's, coupled with a global financial crisis, will surely mark a unique period of time that rivals any in history. In all major financial markets, this period resulted in the collapse of equity prices that was unparalleled in the speed of the decline. Time, along with the coordinated efforts by governments to infuse monetary stimulus into the global financial system, helped to stem an economic Armageddon that could have continued for years to come. Importantly, many government stimulus programs have yet to really make an impact.

While the level of fear for many investors may have receded from the panic levels seen earlier this year, the lingering effects from this world crisis continue to weigh heavily on consumers and investors. In the U.S., unemployment rates are increasing, government deficits are at near record levels, and most investors have suffered a dramatic decline in individual and family wealth. More disconcerting is the constant chatter from the "experts" on television, the internet, and other media sources, voicing their negative opinions and observations on the plight of our economic problems. In the face of this negative commentary, the U.S. (and global) equity market's second quarter recovery reflected a rebound in equity valuations across the board from the panic/selling mentality that was pervasive earlier in the year. When it became apparent that the global governments had intervened enough to prevent a collapse of the worldwide financial system, the various markets responded by rallying back to more realistic levels. Barring a major setback in the global credit markets, we believe the first week in March probably set a bear market trough.

If we at KPCM have learned anything in our 40+ years of investing, it is that the economy will ultimately recover and prosper. The economy recovered after the inflation/recession crisis of 1974 – 1982, after the 1987 crash, after the bursting of the technology bubble in 2000. It will do so again. Clear signs are beginning to emerge indicating that the U.S. economy is beginning to reach a trough and that emerging markets (China/India/Brazil) are starting to report improved growth. Two quick examples are the tightening of credit spreads and the GDP metrics of the emerging markets.

We are not suggesting that a recovery from this crisis will be easy. We believe that a peaking in unemployment and ultimately a bottoming in home prices are needed to set the stage for a significant and extended economic/stock market recovery (which may not occur until the summer of 2010). Rather, we believe that financial opportunities can and do arise during these times. Let's take a look at certain examples:

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- Through this difficult period, many U.S. and foreign companies have dramatically reduced their operating cost structures. This has allowed for inventories to be dramatically reduced, capital investment projects to be cut or delayed, headcount reductions, and certain general administrative costs to be eliminated. As a result, many companies are reporting dramatically lower break-even levels for profitability. Interestingly, certain companies are reporting profitability while experiencing a 20% - 40% decline in overall revenues! Corporate America is still surviving and more importantly, critical metrics are improving/accelerating such as "return on invested capital", "cash flow", and "profit margins." Additionally, company balance sheets are far stronger than most investors realize. As revenues ultimately recover, the stage will be set for a turnaround in employment and a continued improvement in overall productivity/profitability. Most American companies will emerge from this recession in a stronger position.

- The stock market, even with the significant bounce from the trough levels reached in March 2009, is selling at valuation levels that are well below historical norms. Contrary to the populist view, we MUST take a patient, 2-3 year view when recovering from a recessionary period rather than a shorter- term focus. Accenture (ACN, $33), one of our core positions, is an example where our patience should be rewarded by taking this view: ACN is one of the largest consulting and business process outsourcing companies in the world. This company has an average long-term growth of 12%-15%, generates huge free cash flow (some of which continues to be used to repurchase shares in the open market), and has an extremely high return on invested capital. Yet, this company sells for approximately 12 times depressed earnings. Even if it just averages 10% earnings growth in the next three years, we expect the returns to exceed that of other assets like cash and corporate debt. Accenture has also meaningfully outperformed the overall market averages in the last twelve months. A number of other companies we hold exhibit similar characteristics. Barring a dramatic rise in interest rates and assuming only a modest global economic recovery, we think companies like Accenture should build solid equity value over the coming years.

- Global debt leverage is clearly coming down. The near-term impact should result in slower economic growth as individuals and companies continue to focus on improving their balance sheets. The longer-term positive implication is that the slower growth will lead to a more sustainable economic growth over longer periods of time. Clearly, the U.S. consumer will likely be more restrained going forward. That is why it is critical for companies to maintain tight controls over costs and maintain a lower expense structure in this environment. Importantly, it also means that well-managed companies with solid balance sheets will benefit the most during this period of time.

- Growth in emerging markets will likely be far more important to overall U.S. growth than during previous periods. While America served as the world's growth engine for decades, the burden and the opportunity will likely shift to the emerging markets in the future. While this may suggest that the U.S. economy is not likely to grow at the pace seen during the last 10 years, it also suggests that the problems created through the use of incredible leverage to drive growth should also be reduced.

We view this as a great opportunity to further focus our long-term investment strategy. When viewed in this context, a number of investment themes are developing that should prove rewarding over the coming years:

- The emerging market economies and, thus corporations, will grow along similar patterns as experienced during past U.S. growth cycles. As such, we seek global companies that will take advantage of this trend.

- Technology will be an even more important driver to U.S. growth than in the past. Thus, companies that are positioned well should benefit greatly as the world's economies recover.

- Energy will continue to dominate the news both from old energy sources and, more importantly, from new emerging energy alternatives.

- Corporate and municipal bonds will offer substantially better risk-weighted, rates of return at certain times during the recovery cycle. Our purchase of investment grade corporate debt (as an equity substitute) earlier this year is a good example of this strategy. More opportunities are likely to emerge in the future.

Overall, we expect a muted economic recovery in the U.S. as we grapple with rising deficits, a weakened consumer and a slower-than-normal recovery in global economic growth. However, we do expect growth to begin accelerating throughout 2010 and beyond as we see employment and housing trends stabilize. When viewed in a two to three year time frame, we are genuinely excited at the investment opportunities that exist today after the economic and financial carnage of the last 18 months. With an overall philosophy of capital preservation through prudent asset allocation and security selection, we expect to continue having a positive impact on our client portfolios in the coming years. Wealth creation is best accomplished in a long-term, tax efficient manner. The next few years appear to offer a good basis to accomplish this objective.

Sincerely,

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