

Two Thousand Ten 2010

The Year in Review



Disclosure

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Events that Changed 2010

Tragedy



Events that Changed 2010

Loss



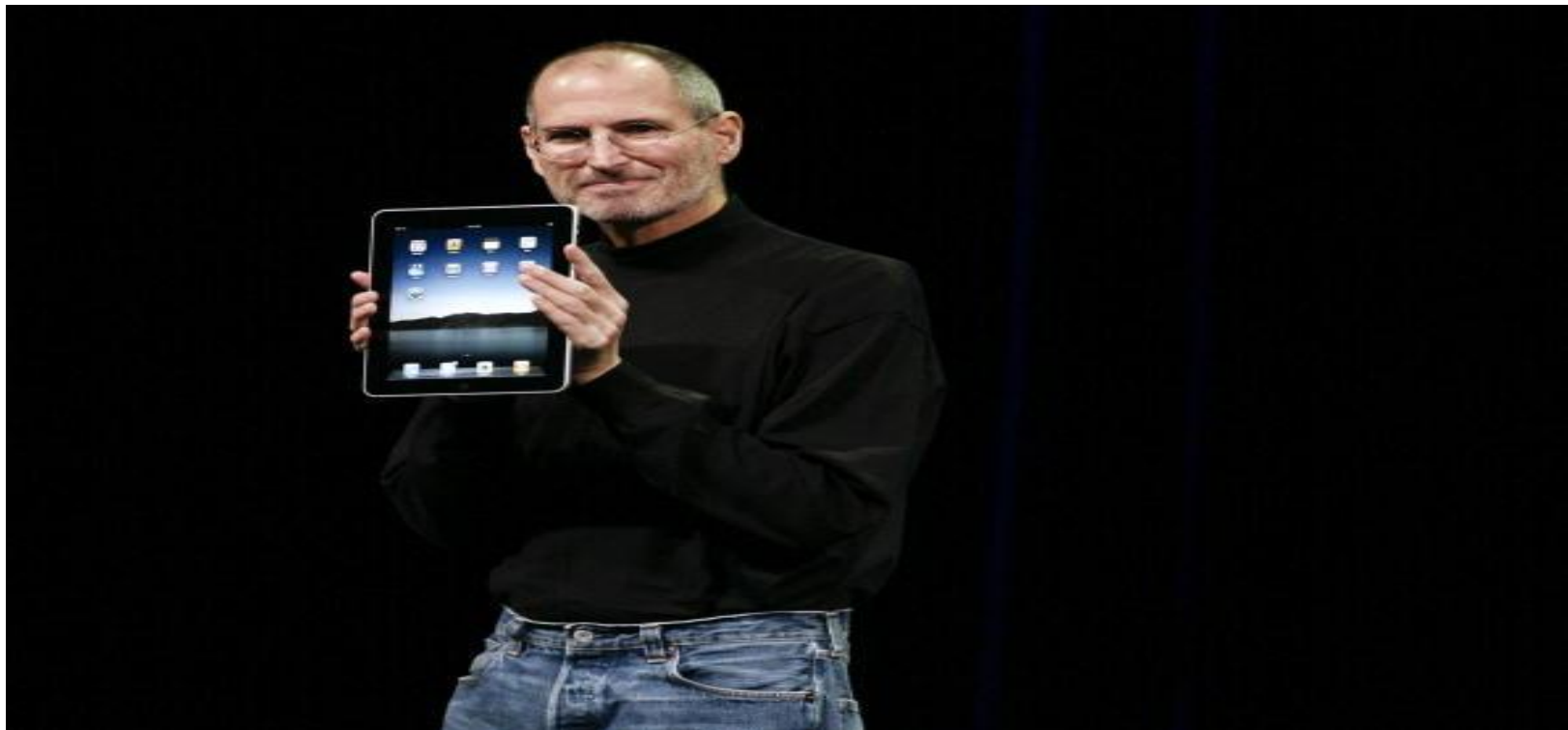
News that Made Headlines

Triumph



Old Dogs with New Tricks

Revolution



New Dogs with New Money

Reward



Endless Campaigns...

I am not a Witch...



...And More of the Same

Missing Ethics & Integrity



But Did We Learn Anything
from the Events of 2010?



Don't Go Hiking in Iran



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Don't Mess with Greek Pensions



This Stuff...



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...Can be Worth More than this Stuff



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Economic & Investment Uncertainty

A Look Back at How 2010 Began



2010 Concerns

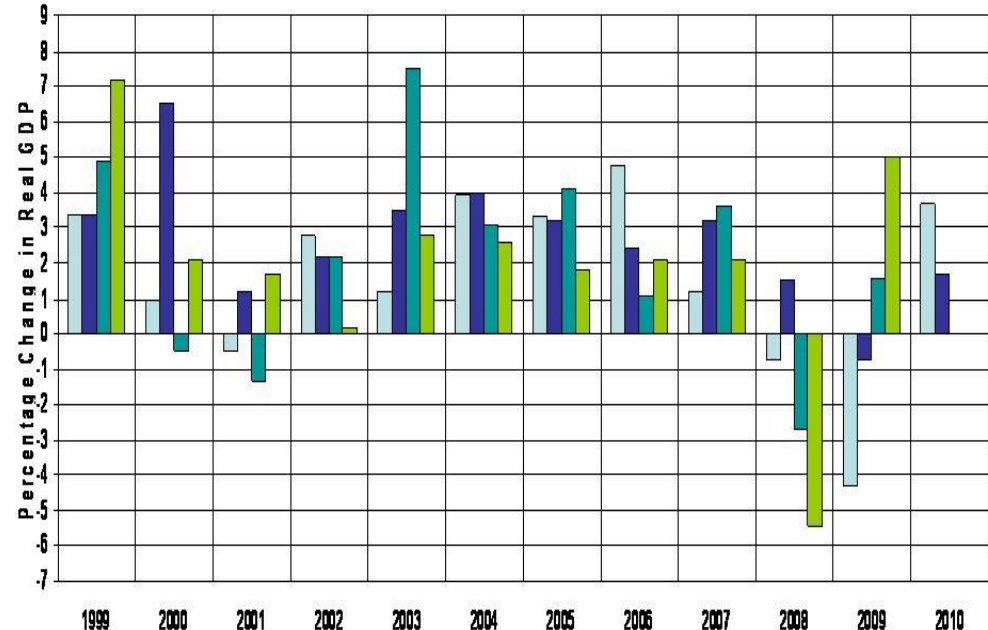
- Double dip recession
- Rampant inflation
- Markets cannot do well in slow economy
- Housing too big of a drag for economy and consumers



2010 Reality

- Double Dip Recession
 - Worst was behind
 - Govt. Intervention
 - Inventory rebuild
 - History on our side

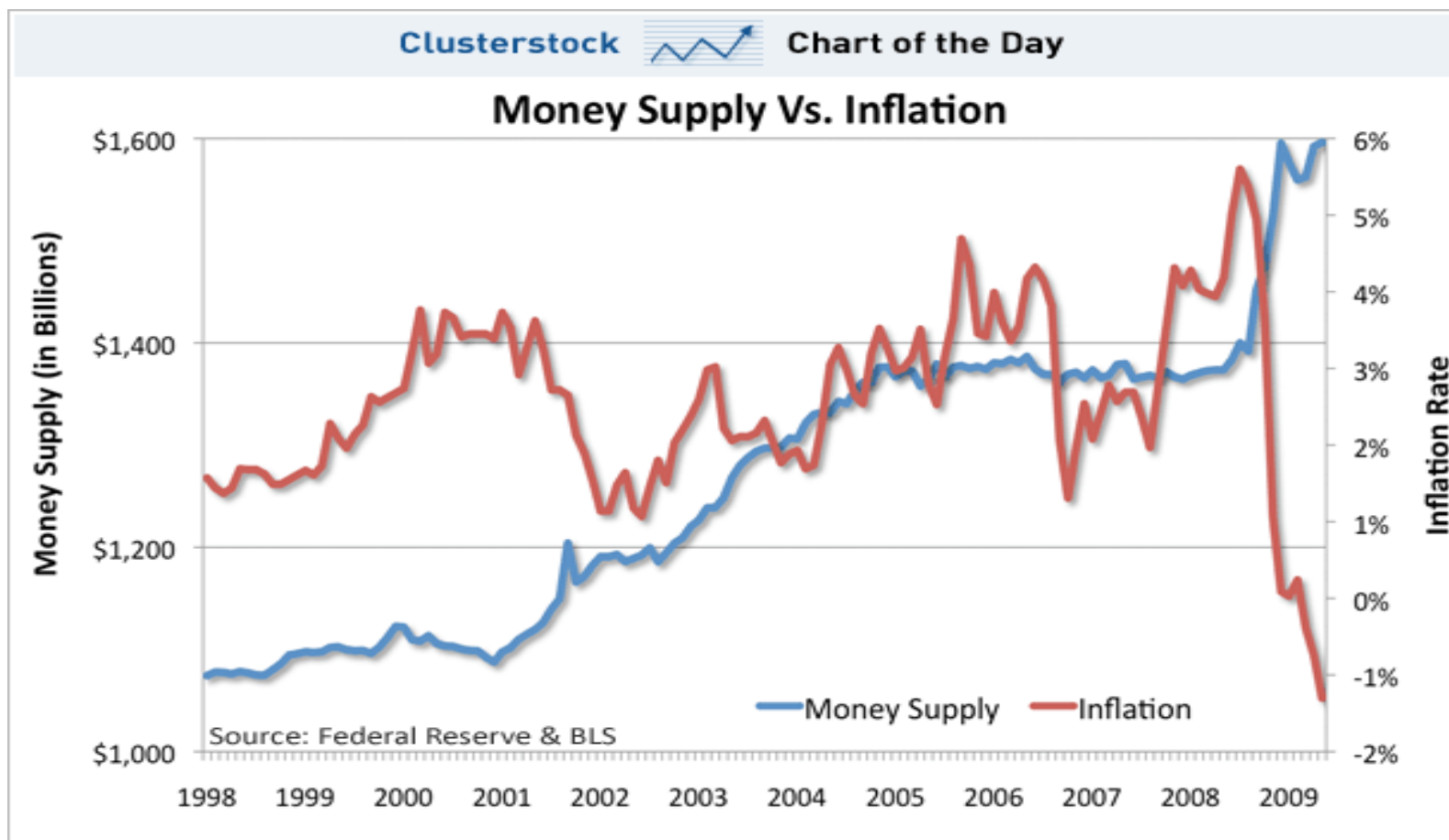
Figure 2: Quarterly Changes in U.S. Real GDP
(1999-2010)



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Concerns of Inflation



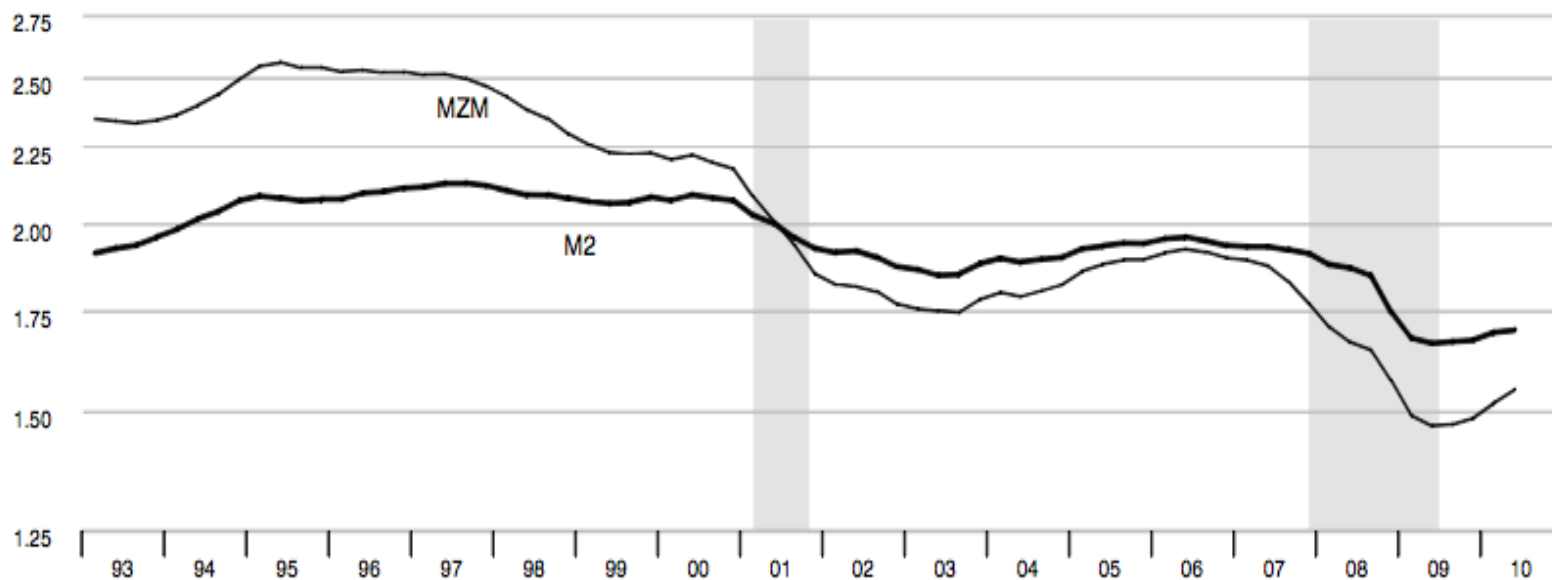
Velocity of Money

Monetary Trends

updated through
09/21/10

Velocity

Nominal GDP/MZM, Nominal GDP/M2 (Ratio Scale)



2010 Reality

- Markets Cannot do Well in Slow Economy?

Market/Index	2010 % Total Return
S&P 500	15.06%
Dow Jones Industrial Average	14.06%
DJ Global Index (ex. U.S.)	10.60%
U.K. (FTSE 100)	9.00%
India	17.40%
China	5.60%
Taiwan	9.60%



Lessons Learned

- The consensus is often wrong
- Behavioral bias is challenging to overcome
- Managing risk can be as important as seeking return



Consensus Thought...



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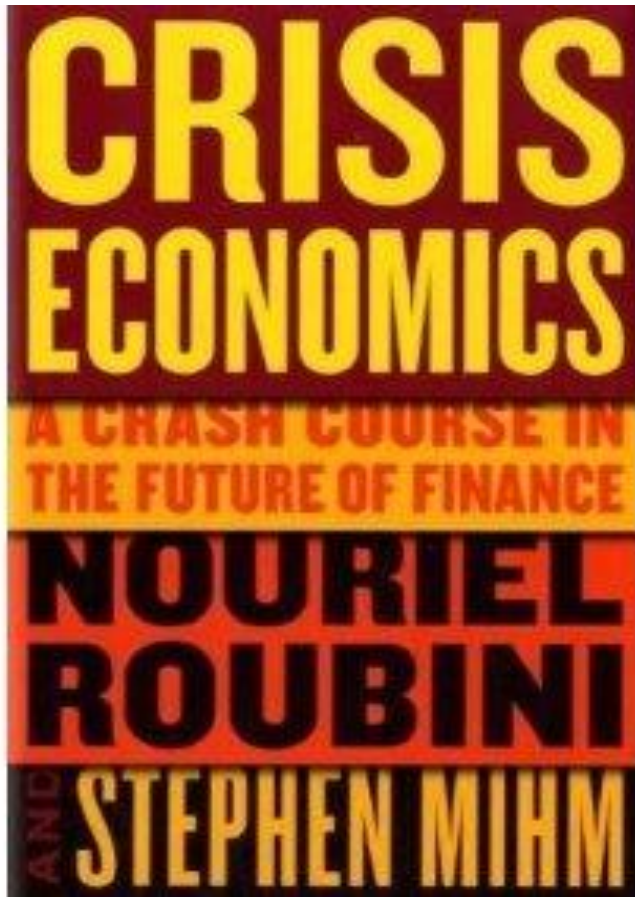
Behavioral Bias

“People tend to underestimate low probability events when they haven’t happened recently, and overestimate them when they have”

-Warren Buffett



Understanding Behavioral Bias



- Fame, Money, & Book Sales
- Roubini, Shiller, Whitney, Faber, Grantham, Taleb, Schiff
- Made name being negative and making bold predictions



Volatility



Understanding into Action

- All of these lessons are valuable components to a long-term investment discipline that Pathlight continues to execute upon



How has Pathlight Performed?

Strategy-Objective	2010*
Quality Growth- Global Long-Term Growth of Capital	12.40%
Growth & Income- Balancing Growth, Income, & Stability	11.03%
Global Macro- Absolute return	9.67%

**Gross of Fees*



Pathlight's 2010 Outlook

- Fear of rate increases will cause money to flow from bonds to stocks
- Healthcare sector less impacted since no major impact from reform
- Govt. stimulus has positive impact on U.S. infrastructure



Pathlight's 2010 Outlook

- A jobless recovery continues, benefiting corporate profits
- Economic uncertainty leads to continued volatility
- Energy & commodity prices remain high
- U.S dollar strengthens as it becomes clear we are still the safest investment in the world

