

MARQUETTE ASSET MANAGEMENT, INC.



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REFLECTIONS:
A REWARDING 2007 AND A LOOK
FORWARD TO 2008

John Pohlad
*Managing Director,
Chief Executive Officer*

Each of us at Marquette Asset Management would like to thank you for the trust and confidence you have placed in us over the past year. We recognize your business with us is a very personal and important aspect of your life and we treat that relationship with respect and appreciation.

It was another exciting year for us in 2007 as we continued to grow in assets managed, types of business served, geography, and in the size of our staff. With the addition of Phil Ebner as relationship manager, we have been able to extend our services to a growing number of institutional clients. Ben Peyton, also a relationship manager, has developed key contacts in the community to further our private wealth management efforts. In addition, Jason Beumer's talents as an analyst have enhanced our development of individual client portfolios. With about \$700 million in assets under administration, we have also begun to join forces with our sister companies, Meridian Bank, N.A. in Arizona and Meridian Bank Texas to serve clients in those vicinities.

The year 2007 also brought many challenges and opportunities in the fixed income and equity markets. John Beuerlein's year-end commentary in this newsletter offers a more detailed review of the year and a look forward to 2008. Volatile times and challenging markets bring great opportunities to demonstrate that a conservative, long-term outlook is a very rewarding investment strategy.

An important aspect of any company is its willingness to participate in community efforts on a volunteer basis. Our employees participated in relief work in New Orleans and Port Arthur, Texas assisting with the reconstruction of homes damaged by disasters, as well as serving local needs through the Paint-A-Thon effort. We also supported various non-profits including the Juvenile Diabetes Research Foundation, Torah Academy, Abbott Northwestern Hospital, Twin Cities Public Television,

the Phoenix Art Museum, the Jay Phillips Center for Jewish & Christian Learning, and many others. Community involvement is explicitly part of our mission.

As we move into 2008, our first priority is to maintain the high level of service, personal attention and investment expertise that is our daily practice at Marquette Asset Management. We extend our hearty greetings to you for a Happy New Year!



ECONOMIC UPDATE

John C. Beuerlein
*Managing Director,
Chief Investment Officer*

ECONOMIC UPDATE

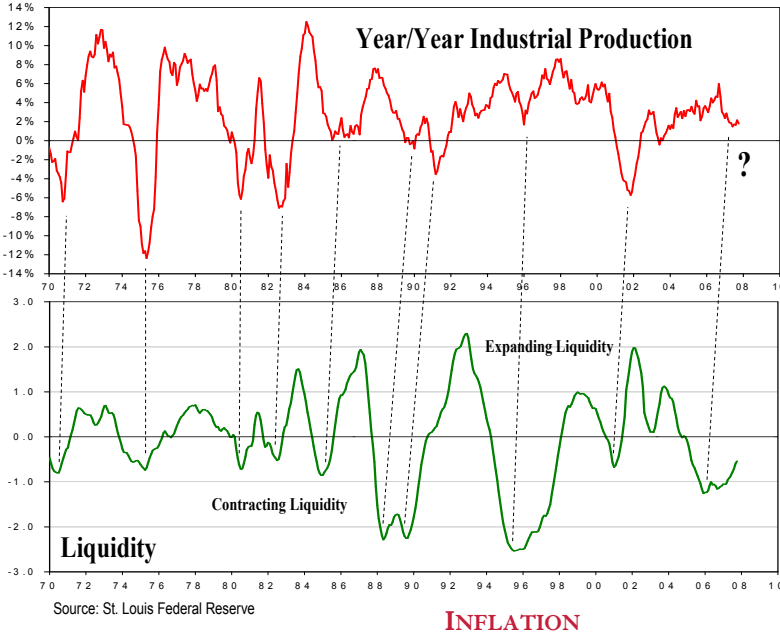
The economy in the last half of 2007 has continued to process the challenges of the credit squeeze, with the Federal Reserve straddling the twin objectives of controlling inflation and encouraging growth. In spite of the softness in the housing sector, the likelihood of the U.S. economy slipping into recession is still low given the overall strength of the economy. However, with expectations of sub-par domestic growth over the next six months, weakened consumer consumption, and ongoing disruption in the credit markets, it wouldn't take much to push the economy into a negative growth situation. The Fed is aware of this, and thus is expected to aggressively add liquidity to prevent such an event. Lack of inflationary pressure at the core level gives the Fed and other central banks room to add the needed liquidity. Statistics which follow were current as of 12/31/2007.

ECONOMIC GROWTH

In the third quarter of 2007, the Real GDP increased at a 4.9% rate (up from the 3.8% rate of the second quarter). The yearly growth rate also improved to 2.9%, which is slightly below the long term growth rate of the economy (3% - 3.5%). Consumer spending



showed surprising strength with personal consumption expenditures up 2.7% in the third quarter (compared to an increase of 1.4% in the second quarter.) Despite this reported strength, consumer spending is expected to exhibit softness over the next 6 months as tighter lending standards take hold. Personal Consumption Expenditures (PCE) have grown at a 2.9% year/year rate, which is at the lower end of the range of the past three years.



INFLATION

On a year/year basis, the Consumer Price Index (CPI) is up 4.3% through November and the Producer Price Index (PPI) is up 7.7%. These headline inflation pressures are at elevated levels due to recent increases in gasoline and crude oil prices. However, core inflationary pressures remain contained. For the 12 months ending November, the Fed's preferred measure of inflation, the Core PCE, is at 2.2%—just above the upper bound of the Fed's target range for inflation. Core CPI through November is 2.3%, up from the previous month's reading.

These elevated headline inflation numbers are not very reassuring to some members of the Fed despite the fact that the core rates remain near the Fed's targets. There are a number of analysts who are criticizing the Fed for being too timid in its response to the current credit market disruptions out of concerns about inflationary pressures. In fact, the Fed is even more concerned about the economy slipping into a recession and causing a contraction of employment. Therefore, it is likely that the Fed will concentrate more on resolving the disruptions in the credit markets and the associated downside risks to economic activity. Globally, core inflationary pressures remain contained (<2.5%).

EMPLOYMENT

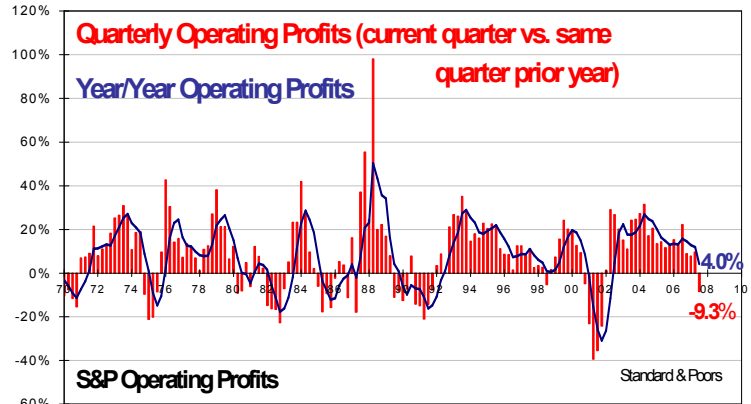
After averaging gains of 188,000 new jobs per month in 2006, employment gains in 2007 have slowed to an average of 118,000 per month (through November). Year/year payroll growth, which peaked at 2.1% in early 2005, is currently at 1.1%. Initial unem-

ployment claims have stopped declining and appear to have started inching their way higher. Corporations are turning more cautious, as is indicated by a reduction in the growth of orders for durable goods which, in turn, could jeopardize employment growth.

One factor that has helped to keep the impact of the current liquidity crisis relatively isolated in the housing sector has been the steady employment outlook. If claims continue to move higher, however, other sectors of the economy are likely to be impacted. The Fed is paying close attention to initial unemployment claims as a forward looking indicator of developing employment weakness.

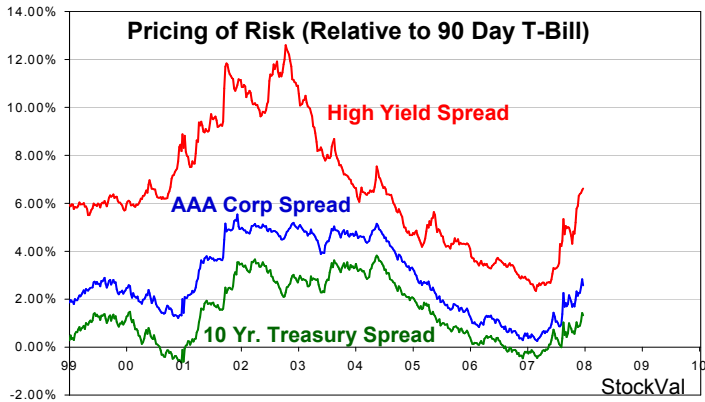
CORPORATE PROFITS

With 98% of the companies reporting, third quarter S&P operating earnings were 9.3% lower than those of the third quarter of 2006. This number is skewed to the downside by the weak results in financial and consumer discretionary sectors contrasted with relatively strong results from the other eight economic sectors. Financials are the most heavily weighted sector in the S&P 500, and thus their weakness has a disproportionate impact. Corporate profits reported in the National Income and Product Accounts (NIPA) by the Bureau of Economic Analysis indicates that third quarter profits grew only 1.9% compared to third quarter 2006. Deterioration in year/year retail sales is a result of the ongoing contraction in liquidity over the past 2 years. Earning expectations going forward remain subdued.



INTEREST RATES

One of the best ways to monitor the disruption in the credit markets is to observe various interest rate spreads. Most spreads have widened substantially and clearly exemplify the stress in the credit markets. After expanding sharply in August, spreads tightened through October, but since the beginning of November spreads have widened again—in many cases surpassing the August highs. Credit conditions have clearly deteriorated since the beginning of November.



After the August crisis, short term yields stabilized between 3.5% and 4.25%. At the beginning of November, however, further concerns about the housing sector and the associated subprime debt caused another flight to quality and short term yields have traded between 2.75% and 3.5% since then. The return of short term rates to more normal levels will be an indication that investors' anxieties are subsiding.

According to the Fed's quarterly flow of funds data, total lending to the private sector declined in the 1st half of 2007 after peaking in the first quarter of 2006. The October survey of senior lending officers showed tighter standards for consumer lending, commercial lending, and mortgage lending.

HOUSING

The softness in the housing sector is expected to detract from overall economic growth well into 2008, albeit in lessening degrees with each passing quarter. Up to now, some of the weakness in the housing sector has been countered by strength in commercial construction, but a continued slowing of the economy may result in weakness there, as well.

Inventories remain elevated and affordability remains too low. Affordability, however, has shown some improvement as home prices have fallen and incomes continue to grow. The tightening of lending standards for all types of mortgages creates another hurdle for the industry to overcome as it works its way through the excess inventory.

| As of November 2007 | New Home | Existing Home |
|----------------------------|----------|---------------|
| Sales vs. Nov. 2006 | -34% | -20% |
| Sales vs 2005 peak | -53% | -30% |
| Median price vs. Nov. 2006 | -0.4% | -3.7% |

STOCK MARKET

Equity markets have been in a 10% - 12% trading range for all of 2007. Lows of the range were established in February and August, while the highs were reached in July and October. This range will likely persist until the markets believe that the likelihood of a recession is high, causing the markets to break

below the lower end of the range, or there is a resolution to the credit crisis, causing the markets to rise above the upper end of the range. The heightened volatility that we have experienced in the equity markets since August reflects a tug of war between the impact of increasing liquidity from the Federal Reserve and the concerns surrounding the continued disruptions in the credit markets.

The financial sector typically is one of the leading sectors in a market advance. Despite accommodative moves by the Fed, the financial sector continues to act as a drag on overall market performance. It is unlikely that there will be a sustained market advance without participation and leadership from this source.

Valuation in the equity markets relative to the fixed income markets is the most attractive that it has been since the market bottom in 2002 - 2003. And international equity markets continue to outperform domestic markets. While the case is being made by some for a decoupling of the world economies from the U.S., it would be incorrect to conclude that international economies are not impacted by weakness in the U.S. economy. Globalization, by definition, precludes total decoupling of economies - especially an economy the size of the U.S. There is little doubt that if the U.S. slips into a recession there will be serious ramifications in all major economies around the world that would be reflected in their equity markets.

FINAL THOUGHTS

Continued disruptions in the credit markets are undermining confidence in the economy and the financial markets. The Fed has provided, and has stated that they will continue to provide liquidity as needed. However, additional liquidity is only part of the solution. Major banks and institutions should accelerate efforts to identify and write off bad debt, despite the negative impact to capital, and look for ways to increase capital in order to shore up capital ratios. Additionally, an entity that will act as lender of last resort is needed to re-establish trust throughout the bank lending system. This is especially critical to foreign banks who have not been as proactive as domestic banks in declaring writedowns of impaired holdings.

One of the biggest concerns in today's credit markets is that no one—not even the Federal Reserve—has a good handle on the location and magnitude of all the subprime paper that may be problematic. This uncertainty helps to keep market volatility at elevated levels and Libor spreads to Fed Funds at historically wide readings. Expect the central bank in Europe to join our Federal Reserve to lower rates and add further liquidity as its economy start to slow. The Bank of England and Bank of Canada have already started down this path.

Somewhat overlooked in the recent credit market disruption has been the continued erosion in the value of the U.S. Dollar. Although the decline remains orderly, it is possible that a short term dollar crisis could develop that would exacerbate current credit market disruptions.



DEALING WITH VOLATILITY

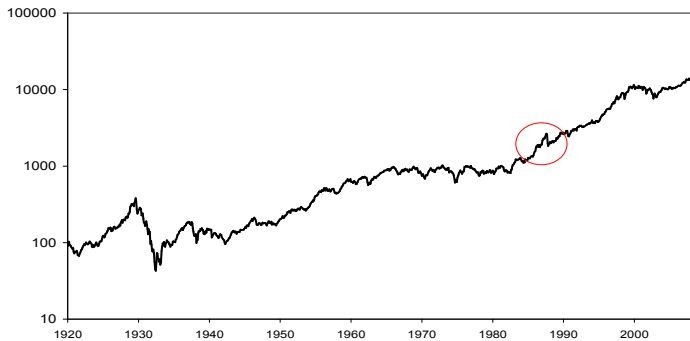
Ben Peyton
Relationship Manager

Volatility has been synonymous with the financial markets recently. It has made headlines with the advent of a declining housing market, credit woes and ever changing geopolitical unrest around the world. But what exactly is volatility and what creates it? What opportunities does it present, and how can one best manage it?

First, volatility is the measure of price fluctuation—in particular, how market swings deviate from the norm or average. It is dictated by investors’ and traders’ uncertainty—the more uncertainty, the more volatility. The volatility of down markets tends to be greater than that of up markets because down markets contain more inherent doubt. Despite having greater volatility, bear markets have historically had shorter durations than bull markets. Markets thrive on two emotions: fear and greed. Those same emotions often exacerbate price fluctuations—increasing volatility.

A negative connotation is often associated with volatility, but it can also create opportunities for investors to buy on trading lows. Great wealth has been amassed buying in down markets when the rest of the market still remains uncertain. For long-term investors, discipline is extremely important when investing because emotions such as fear and greed, when excited by periods of heightened volatility, can lead one toward abandoning one’s investment philosophy or overlooking opportunities. Discipline helps one distinguish short-term volatility from a long-term trend.

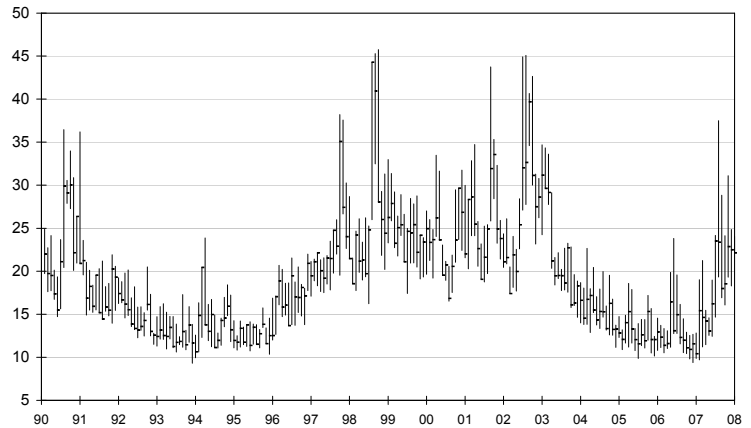
Dow Jones Industrial Average



A prime example of volatility is “Black Monday,” which occurred on Oct. 19, 1987. The Dow Jones Industrial Average dropped 508 points to 1739 or 22.6%—the largest one day percentage loss in the market’s history. In hindsight, that decline looks minuscule as the market recovered in a relatively short period of time (see chart).

The following chart of the S&P Market Volatility Index since 1990 clearly shows that some of the greatest volatility occurred during the mid to late 90’s—which was one of the most prosperous markets in history.

CBOE SPX Volatility Index



In managing a portfolio, an investor can mitigate risk by allocating the portfolio among asset classes with little to no correlation. When unforeseen events occur that could have an adverse effect on a certain asset class, it generally will not affect the entire portfolio as severely. As a corollary, the effect of a positive event on a diversified portfolio generally will not increase the value as sharply, either.

In closing, it is important to remember that the one constant is the resiliency of the financial markets to overcome periods of fear and uncertainty. At Marquette Asset Management, we invest in companies that provide products and services that are vital to the economy. By maintaining a long term focus, we are not sidetracked by short term market swings.

OUR GUIDING PRINCIPLES

| | |
|------------------------|--|
| Integrity | The core of who we are and the way we live |
| Expertise | Knowing our profession and practicing it with passion |
| Advocacy | Being active champions of our clients’ financial interests |
| Confidentiality | Ensuring client privacy |

Past issues of this newsletter are posted under “News and Press” on our website at www.marquetteteam.com.