WEALTH MANAGEMENT
DEXTER ALBRECHT
ALERUS.COM
IMPACTING FINANCIAL OUTCOMES
IN A BIG WAY

With roots tracing back to 1879, Alerus is one of the largest and oldest independent, multibillion-dollar financial service companies in the upper Midwest. Our over 800 employees across 23 locations in North Dakota, Minnesota, Arizona, Michigan, and New Hampshire, serve in the best interest of individuals, families, and businesses.

BANKING ASSETS
$2.1 BILLION

ASSETS UNDER MANAGEMENT
$5.3 BILLION

ASSETS UNDER ADMINISTRATION
$27.9 BILLION

Please see important disclosures on the final page of this presentation.

Data as of 06.30.2019
ALERUS OVER THE CENTURIES
A GLIMPSE INTO OUR HISTORY

One of original incorporators of the Ninth District Minneapolis Federal Reserve Bank

Founded as the Bank of Grand Forks, the second bank chartered in the Dakota Territory.

Since de-regulation, we’ve focused on 2 major strategies:
1. build fee income
2. grow beyond ND

Recapitalized as First National in Grand Forks and acquired trust powers in ND

Since 1985, we have completed 23 acquisitions (combination of bank and fee income)

Grand Forks Flood and Fire

Changed our name to Alerus Financial

Since 2002, we have completed 18 strategic acquisitions

Since 2009, we have doubled our company earnings

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OUR MISSION

We will always act in the best interest of our clients by providing innovative and comprehensive financial solutions that are delivered through a relationship-oriented primary point of contact along with responsive and adaptable customer-friendly technology.

Please see important disclosures on the final page of this presentation.
NATIONAL PRESENCE, LOCAL IMPACT

RETIREMENT AND BENEFITS OFFICES

MINNESOTA
3 retirement and benefits offices

MICHIGAN
2 retirement and benefits offices

NEW HAMPSHIRE
1 retirement and benefits office

ND
8 full-service banking and wealth management offices (3 Fargo, 5 Grand Forks)

AZ
1 full-service banking and wealth management office
1 loan production office

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COMPANY PORTFOLIO
PRODUCTS AND SERVICES DEDICATED TO YOUR BEST INTEREST

BANKING
- Business Banking
- Personal Banking
- Private Banking
- Home Equity/Second Mortgages

MORTGAGE
- Residential Mortgage Lending
- Purchase or Refinance
- Residential Construction Lending

RETIREMENT
- Retirement Plan Administration
- Retirement Plan Investment Advisory
- ESOP Fiduciary Services
- Health and Welfare (HSA/FSA/HRA)
- Payroll Administration

WEALTH MGMT.*
- Advisory and Planning Services*
- Investment Management*
- Trust and Fiduciary Services

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INVESTING 101:
UNDERSTANDING ASSET ALLOCATION

INVESTING FOUNDATION DOLLARS

Dexter Albrecht
TODAY’S TOPICS

▪ Reviewing Investments
▪ What is Asset Allocation?
▪ Risk Tolerance
▪ Rebalancing

Please see important disclosures provided on Page 10 of this presentation.
ASSET ALLOCATION

Please see important disclosures provided on Page 10 of this presentation.
DIVERSIFICATION

- Different Types of Investments
- Higher Returns
- Lower Risk

Please see important disclosures provided on Page 10 of this presentation.
THE IMPORTANCE OF REALIGNMENT

Please see important disclosures provided on Page 10 of this presentation.
WEALTH MANAGEMENT AT ALERUS


Choosing Alerus to manage your wealth is to choose steadiness over opportunism, planning over reaction, and relationships above all else.

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OUR APPROACH

PERSONALIZE  IMPLEMENT  MANAGE  SERVE

Our advisors start by listening to you and taking the time to genuinely understand your needs and goals. Then, we design a solution just for you.

Our team will seamlessly implement the agreed upon course of action. Your assets will be invested according to your plan.

Your portfolio will be managed with your goals in mind. And, using our powerful online tools, you’ll be able to track your progress.

We combine people and technology to serve you and help you progress. Simply put, when you have questions, we’ll have answers.

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**A SERVICE MODEL**

**BUILT FOR YOUR SUCCESS**

<table>
<thead>
<tr>
<th>ADVISORY</th>
<th>ADMINISTRATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Advice and Planning</td>
<td>- Serves as Day-To-Day Contact for Clients</td>
</tr>
<tr>
<td>- Assures Plan Implementation</td>
<td>- Manages Contributions and Distributions</td>
</tr>
<tr>
<td>- Provides Ongoing Review and Recommendations</td>
<td>- Works Hand-in-Hand with Your Advisor</td>
</tr>
<tr>
<td>- Goal Tracking</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>INVESTMENT MANAGEMENT</th>
<th>OPERATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Individual Security Management</td>
<td>- Manages Operational-Related Issues</td>
</tr>
<tr>
<td>- Risk Management</td>
<td>- Accounting and Recordkeeping</td>
</tr>
<tr>
<td>- Develop and Implement Investment Strategies</td>
<td>- Maintains Accounting for Client Accounts</td>
</tr>
<tr>
<td>- Create and Manage Asset Allocation</td>
<td>- Processes Account Cash and Security Transfers</td>
</tr>
</tbody>
</table>

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Whether through an individual advisor, or cutting-edge technology, you will feel a sense of partnership from a team of professionals dedicated to your success.

- Focus on broad financial solutions
- 24/7 access to your accounts
- Involvement of recognized product experts
- Coordination with outside professionals and advisors
- Personalized technology to support your future
  - Customized online financial dashboard
  - Wealth access

Please see important disclosures on the final page of this presentation.
A HIGHLY QUALIFIED TEAM

DIVERSE SKILL SETS AND DEEP KNOWLEDGE

You’ll benefit from the skill and experience of our well credentialed wealth management professionals, who can be brought in as needed to assist with your account.

- Attorneys
- Chartered Financial Consultants
- Certified Public Accountants
- Certified Financial Planners
- Certified Employee Benefits Specialists
- Certified Insurance Counselors
- Certified Trust and Financial Advisors
- Certified Financial Analysts
- Certified Securities Operations Professionals
- Chartered Life Underwriters

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LET’S LOOK DEEPER

ADVISORY AND PLANNING SERVICES
INVESTMENT MANAGEMENT
TRUST AND FIDUCIARY SERVICES

Please see important disclosures on the final page of this presentation.
WEALTH MANAGEMENT SERVICES
BUILDING, PROTECTING, AND TRANSFERRING WEALTH

ADVISORY AND PLANNING SERVICES*

- Financial Planning
- Tax Planning
- Insurance Planning
- Wealth Transfer Planning
- Trust and Estate Planning

INVESTMENT MANAGEMENT*

- Global Asset Allocation
- Tax-Efficient Management
- Risk Management
- Manager/Consultant
- Competitive Pricing

TRUST AND FIDUCIARY SERVICES

- Trustee
- Personal Representative
- Conservator
- IRA Administration

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INVESTMENT MANAGEMENT

CONSISTENT INVESTMENT STYLE
- Fundamentals: Analyzing a company from all angles.
- Valuation: Considering earnings, cash flow, and more.
- Quality: Identifying companies that meet our standards.

RISK MANAGEMENT
- Strategic allocation modeling.
- Diversification through multiple asset classes.
- Sophisticated software tools to monitor asset class risk.

MINIMIZE INVESTMENT COSTS
- Primary use of individual securities.
- Low portfolio turnover means lower transaction costs.
- Lower cost share class funds.

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INVESTMENT PHILOSOPHY AND STYLE
CORE/SATELLITE APPROACH

MANAGER/CONSULTANT ROLE

CORE
• Large, liquid, publicly traded markets
• Internal management

SATELLITE
• Small, less well-followed markets
• External management

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PORTFOLIO CONSTRUCTION
A MULTI-STEP PROCESS TO DEVELOP, ANALYZE, AND OPTIMIZE PORTFOLIOS

Active Risk: The difference between a portfolio’s returns and the returns of the benchmark or index to which the portfolio is compared.

S&P 500 SECTORS

<table>
<thead>
<tr>
<th>Sector</th>
<th>Hypothetical Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Discretionary</td>
<td>11.8%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>9.3%</td>
</tr>
<tr>
<td>Energy</td>
<td>6.6%</td>
</tr>
<tr>
<td>Financials</td>
<td>13.4%</td>
</tr>
<tr>
<td>Health Care</td>
<td>17.8%</td>
</tr>
<tr>
<td>Industrials</td>
<td>9.2%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>21.4%</td>
</tr>
<tr>
<td>Materials</td>
<td>1.1%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>3.2%</td>
</tr>
<tr>
<td>Telecommunication Services</td>
<td>2.8%</td>
</tr>
<tr>
<td>Utilities</td>
<td>3.5%</td>
</tr>
</tbody>
</table>
Effective Duration: A measure of interest-rate sensitivity that takes into account the fact that cash flows adjust as interest rates change.
MANAGED ACCOUNTS
THE RIGHT SOLUTION, CUSTOM TAILORED JUST FOR YOU

DIMENSION

Determine appropriate equity/fixed income allocation
Asset class and company diversification
Flexible and customizable

The Dimension Managed Portfolio is the most cost effective for accounts that maintain a minimum balance of $500,000 or greater, based on average trading fees and trading frequency.

INCOME BUILDER

Seems to generate higher income than typical moderate allocation portfolios
Seeks to provide stable source of income with minimal risk
Asset allocation determined by Alerus’ management to target a four percent yield

The Dimension Income Builder SMA is most cost effective for accounts that maintain a minimum balance of $650,000 or greater, based on average trading fees and trading frequency.

Blueprint Income Builder can accommodate all account sizes, while specifically focused on balances below $650,000.

BLUEPRINT

Diversified, low-cost modeled portfolios to meet a variety of investment needs

Open an account with as little as $5,000.

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DIMENSION HIGHLIGHTS

- Personalized asset strategy and allocation
- Majority of assets individually owned and managed
- Consistent management approach
- Flexibility to make changes as economic environment evolves
  - A given scenario could call for the addition of commodities, REITs, or emerging markets (for example)

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INCOME BUILDER PORTFOLIO

FOCUSED ON HIGH-QUALITY INCOME

CORPORATE BONDS
- Individual bond holdings, no added expense of mutual funds
- Senior securities, investment grade quality
- Laddered portfolio 1.5 – 11 years

DIVIDEND-PRODUCING COMMON STOCK
- Maximum individual securing weighting of five percent
- Invested in all 10 major S&P 500 sectors

INDIVIDUAL PREFERRED STOCK

HIGH-YIELD CORPORATE BONDS
- Exposure to domestic high-yield bonds via an externally managed mutual fund

LONG-DURATION U.S. TREASURY BONDS

REITs

HYPOTHETICAL ALLOCATION

Please see important disclosures on the final page of this presentation.
<table>
<thead>
<tr>
<th>Portfolio Type</th>
<th>Stock Funds</th>
<th>Bond Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Conservative Income Portfolio</strong></td>
<td>0% - 20%</td>
<td>100% - 80%</td>
</tr>
<tr>
<td><strong>Income Portfolio</strong></td>
<td>20% - 40%</td>
<td>60% - 80%</td>
</tr>
<tr>
<td><strong>Balanced Portfolio</strong></td>
<td>40% - 60%</td>
<td>40% - 60%</td>
</tr>
<tr>
<td><strong>Growth and Income Portfolio</strong></td>
<td>50% - 70%</td>
<td>30% - 50%</td>
</tr>
<tr>
<td><strong>Growth Portfolio</strong></td>
<td>70% - 90%</td>
<td>10% - 30%</td>
</tr>
<tr>
<td><strong>Aggressive Portfolio</strong></td>
<td>90% - 100%</td>
<td>0% - 10%</td>
</tr>
</tbody>
</table>

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UNLOCK THE FULL POTENTIAL OF YOUR WEALTH

Connect with experienced advisors and consultants who share one simple passion: to help you achieve your goals and feel confident about your finances.

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DISCLOSURES

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Trust products and services offered through Alerus Financial, N.A.

Deposit products offered by Alerus Financial, N.A., Member FDIC.

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