

MARKET INSIGHT...

- Performance
- Economic Update
- Charts* of Interest

March 14, 2012



PERFORMANCE: as of 3/13/12

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Sector	YTD	4 Week	1yr
S&P 500	11.5%	3.5%	9.3%
Russell 2000 (small/mid Cap)	11.5%	0.9%	5.0%
MSCI EAFE (Eurp.Asia, Far East)	10.5%	2.2%	-3.2%
MSCI Emerging Mkt	16.4%	1.3%	-3.8%
US Bonds (Barclay's agg. Index)	0.4%	-0.2%	7.7%
High Yield Bonds (US)	5.2%	1.3%	6.0%
Gold (GLD: Net asset value)	7.3%	-1.8%	19.3%
Defensive Sector	5.1%	3.4%	17.0%
Cyclical Sector	16.0%	3.9%	4.0%

US Economic: Employment Strengthening

GDP Forecast: Q1 = 1.5%, Q2 = 2.5%, Q3 = 3.0%

Exhibit 1: Payroll employment



Exhibit 2: Payroll proxy of private labor income and components

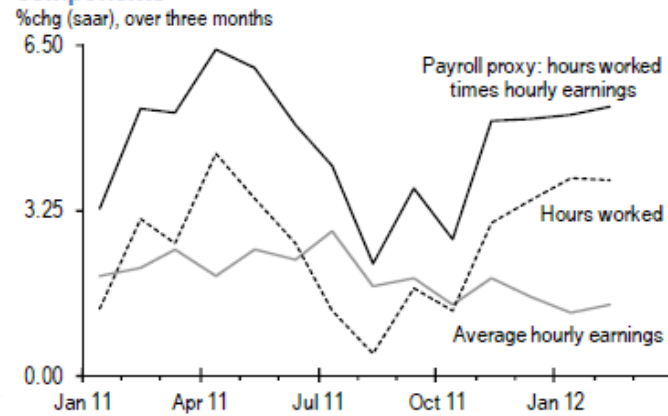
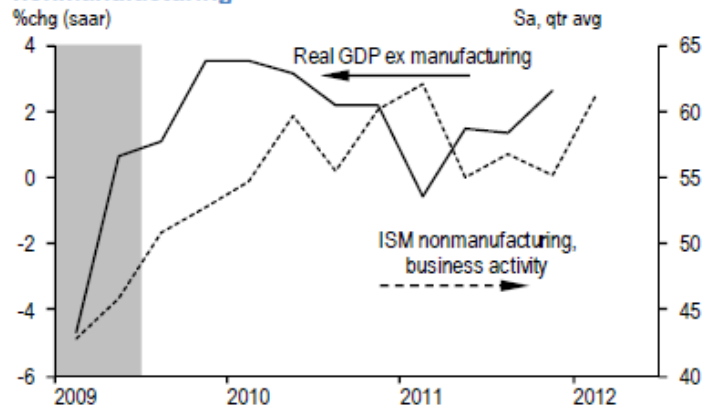


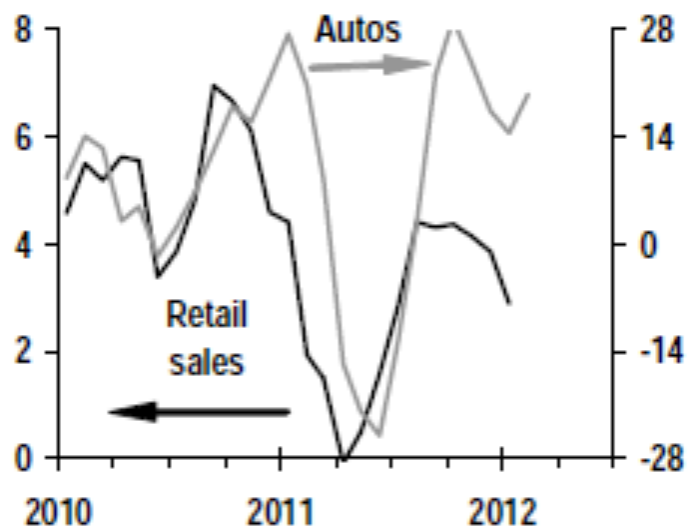
Exhibit 4: Real GDP growth ex manufacturing and ISM nonmanufacturing



Global Economic: Momentum is Continuing to Build

Global retail sales volumes and auto sales

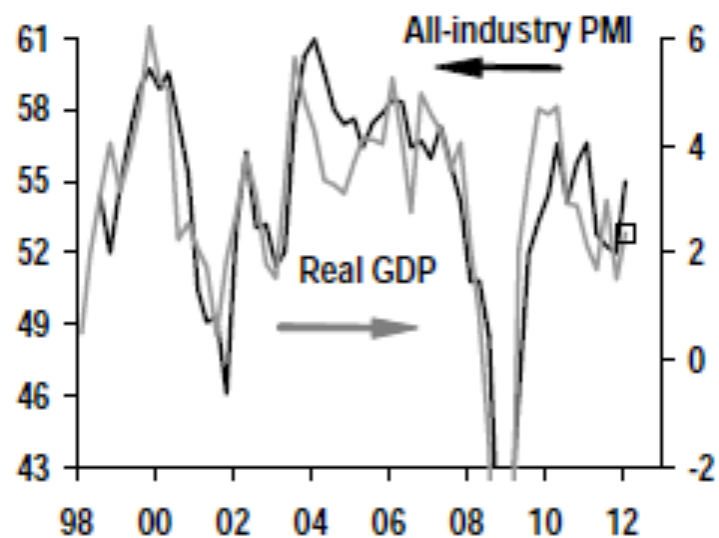
%3m/3m saar, both scales



Global PMI and GDP

DI, sa

%q/q saar; 1Q12 fcst in box



Gold & Silver & Bonds: Though Gold continues to outperform silver, Silver is gaining traction. Any rise in yields could hammer both Gold & Silver



Forty years of flat money

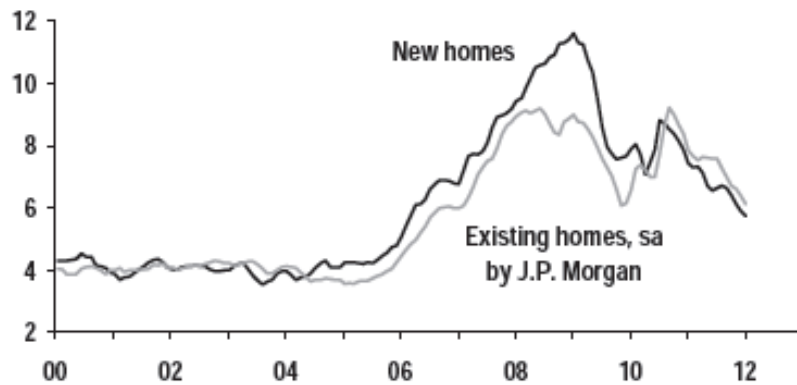


More Dollars chasing Gold.

US Housing Market: Sales creeping up from basement. Inventories falling... a good sign

Inventory of homes for sale, months' supply

Sa, 3-mo avg



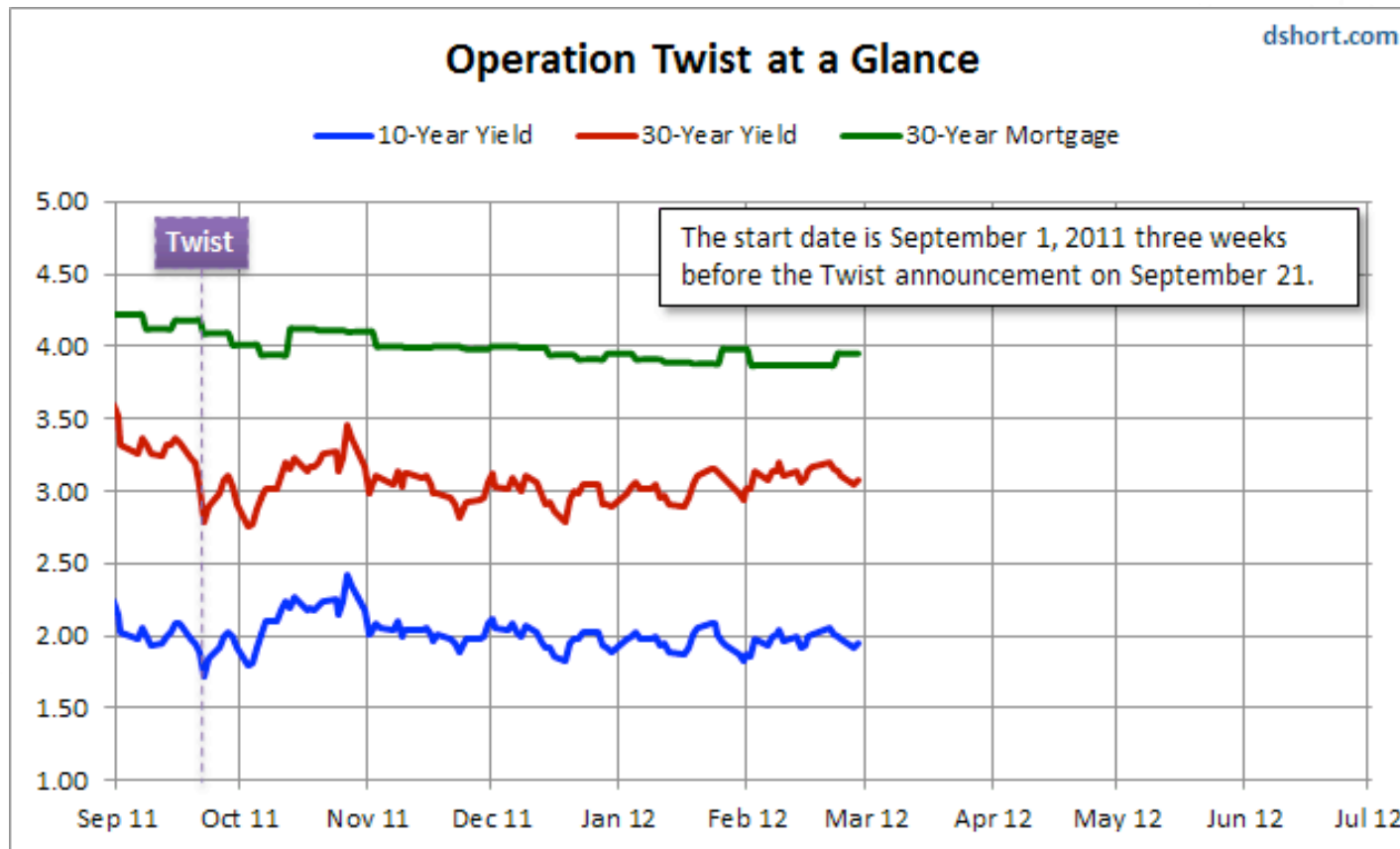
Pending home sales and existing home sales

Index, sa

Mn, saar



Fed: 'Operation Twist' of selling shorter maturity and buying longer maturity US Debt to hold mortgage rates down.

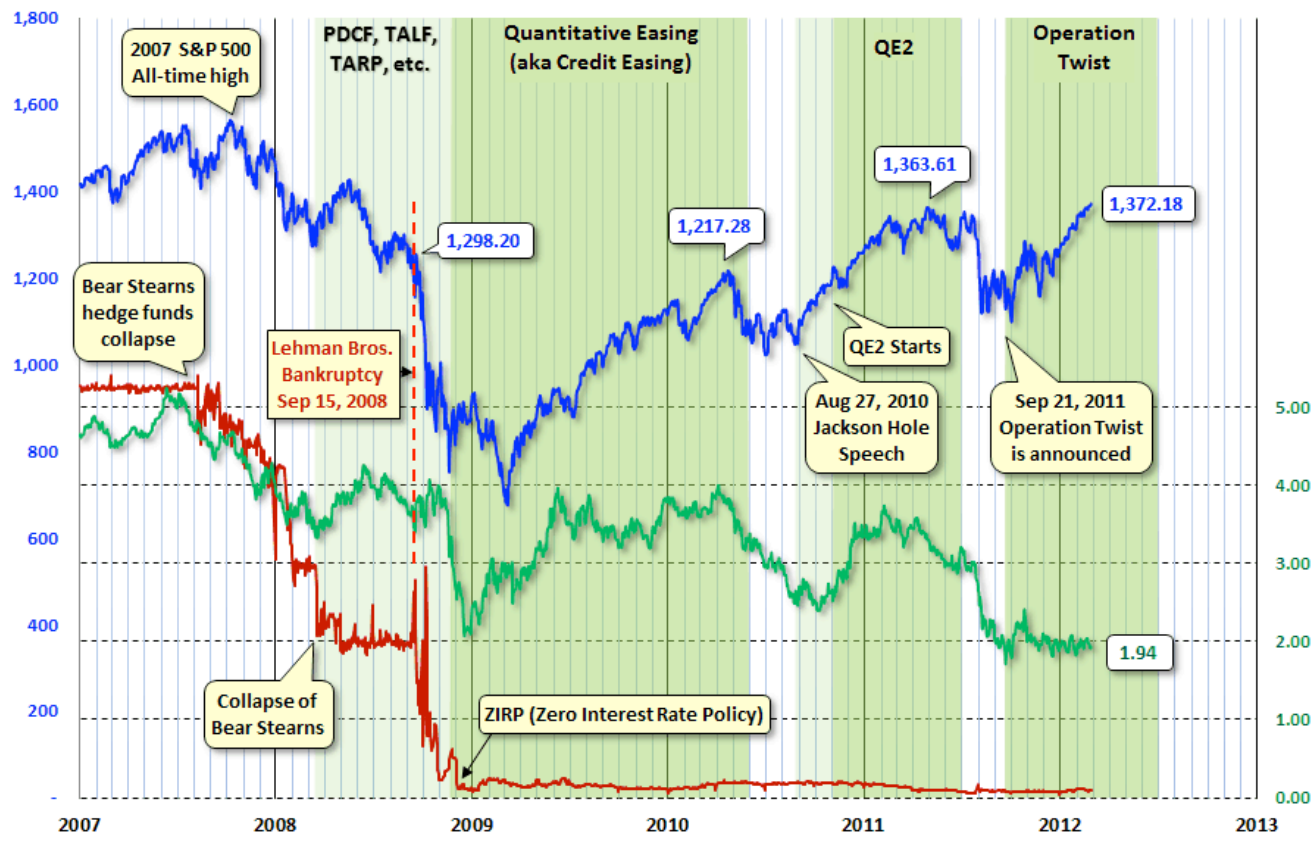


Fed Intervention, Mortgage Rates and the S&P

The S&P 500 and Federal Reserve Intervention

dshort.com
2/29/2012

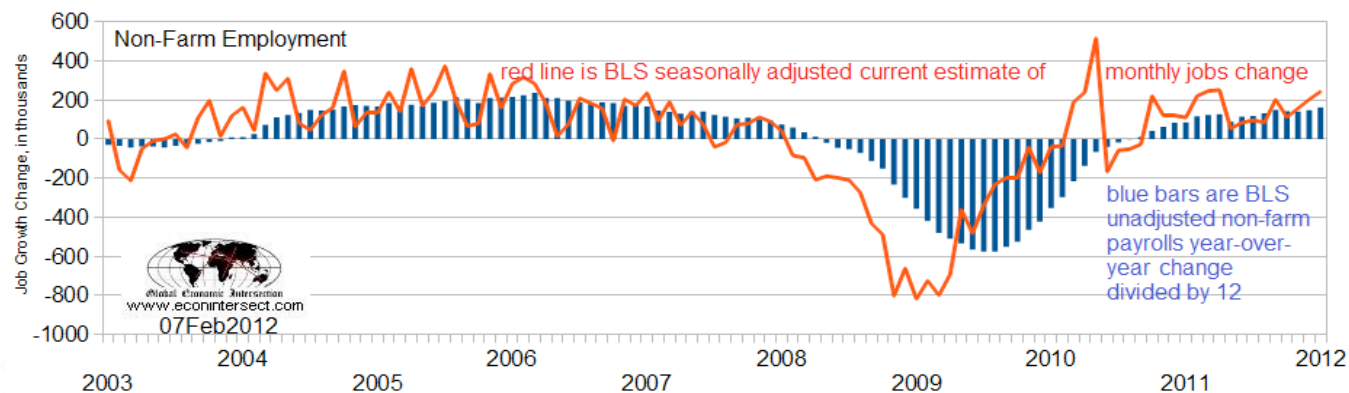
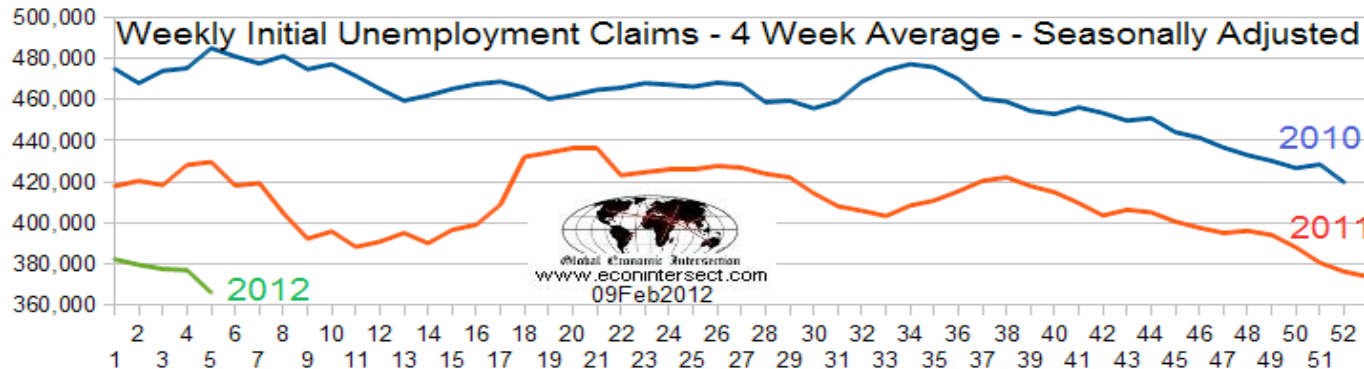
The S&P 500, 10-Year Treasury Yields, and the Fed Funds Rate



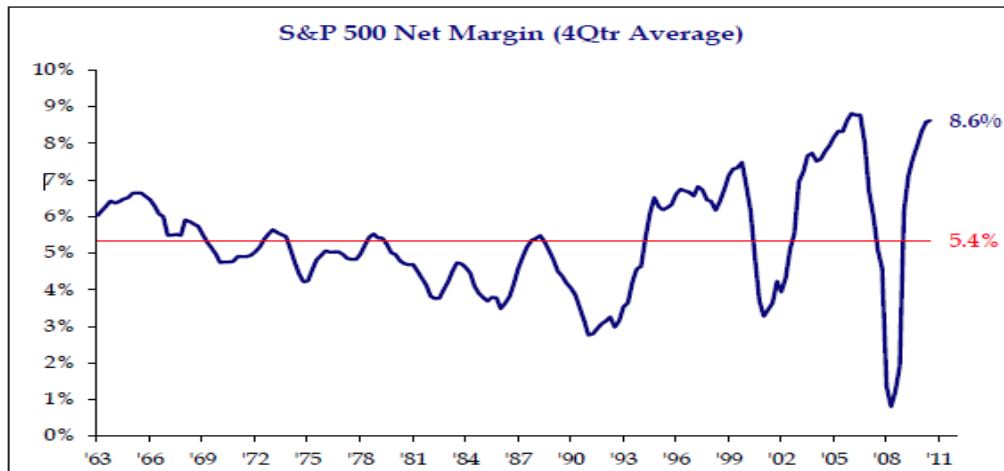
Fed has been propping up the Market through keeping rates low. Current program to lower long term rates (Operation Twist of selling short term treasuries and buying long term treasuries) expires June 2012

US EMPLOYMENT PERSPECTIVE: Still Fragile at best....

- Employment at January 2005 levels yet population has grown by 18mm.
- Job growth rate at January 2008 levels
- Historically, recessions do not start when payroll is expanding



EARNINGS & MULTIPLES: Profit Margins near all time high but can they remain given flat economic growth forecast?



2012 S&P 500 Expected Value Table

Probability	Economy	S&P Earnings	Expected Multiple	Implied S&P 500
35%	Recession	\$86.00	11x	946
30%	Macro Uncertainty	\$100.50	12x	1,206
30%	Positive Policy Response	\$100.50	16x	1,608
5%	Upside Surprise	\$105.00	14x	1,470
Expected Value				1,249

Changes in P/E multiple, driven by investor confidence (or lack there of) likely biggest factor in driving stock prices in 2012.



MARKET STRATEGY: Flexible, Diversified, Durable, Efficient....

Portfolio Strategy is positioned across 5 asset sectors and managed according to each Client's investment objectives and risk tolerance.

- 1) **High Quality Bonds**: Interest rates are expected to remain subdued. Exposure to Intermediate Corporate bonds (3-4% yield), provide income to portfolio.
- 2) **High Yield Bonds**: Sector was hit hard in 2011 pricing in a potential recession and high default rates. A disconnect between expectations and reality pushed prices down hard. But with yields over 7%, and improved confidence of a slow albeit growing US economy, HY bonds offer both income and price appreciation opportunities.
- 3) **Stocks**: Sticking with High Quality, Growth and Dividend Paying sectors as core position. Increased exposure to risk assets such as Mid Cap and Cyclical stocks in more aggressive portfolios. Moved out of Defensive sectors.
- 4) **Dynamic Fund Stock Strategies**: Exposure to funds which can rapidly adjust positions across the global markets as market conditions change. Also exposure to funds which employ long/short strategies- where they hold long positions in assets expected to rise in price against selling short positions of assets expected to fall in price.
- 5) **Commodities**: Exposure in two ways: Long Gold; Long/Short position in commodities through funds.