

Investment Outlook: Atypical Decline - Typical Recovery?

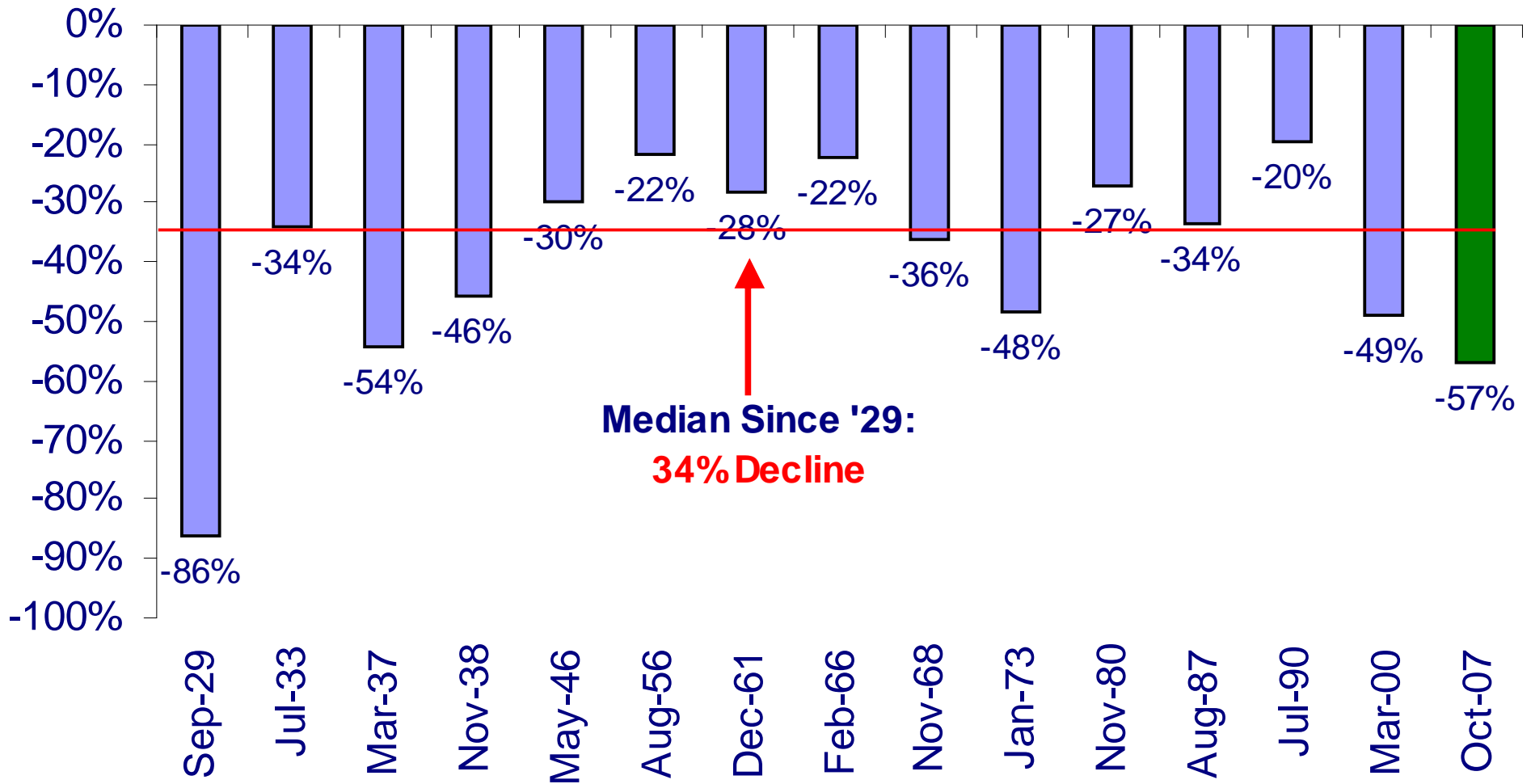
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October 17, 2009

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Worst S&P 500 Bear Market Since the 1929 Crash S&P 500 Bear Market Declines 1929-2009



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Understanding Why Some Stuck With Stocks

S&P 500 Index Price Declines (No Dividends) Since 1945

Sell Off Type (% Decline)	Count	Avg. % Chg.	Duration in Months	# Months to Recover
Pullbacks (5%-10%)	49	(7)	1	2
Corrections (10%-20%)	16	(16)	6	4
All Bears (20%+)	10	(32)	16	22
-- Regular Bear (20%-40%)	8	(27)	14	12
-- Mega-Meltdown (40%+)	2	(48)	26	63

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There is Usually No Place to Hide During Bear Markets

S&P 500 Sector Performances: This and Average Bears

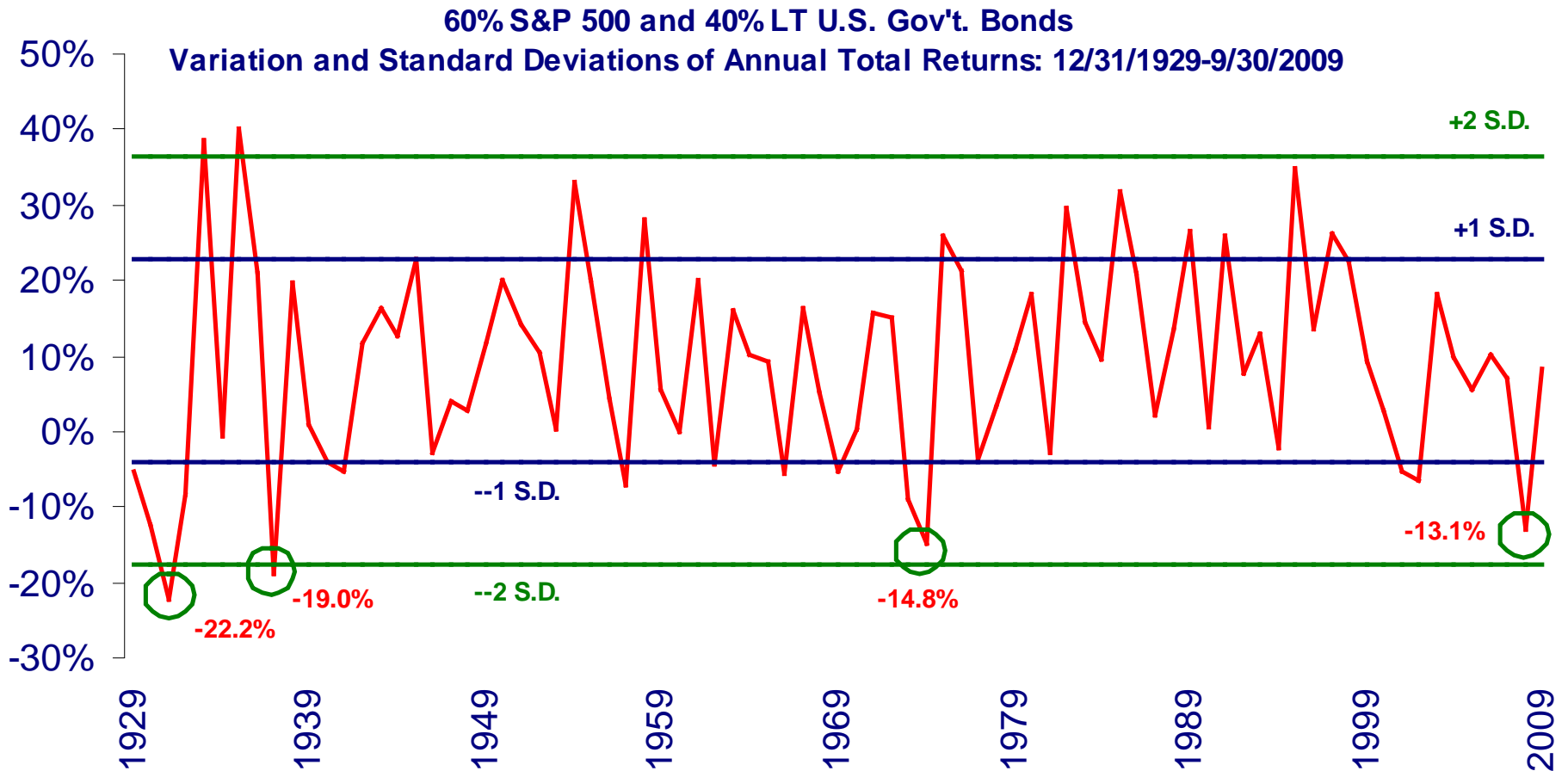
S&P 500 Sectors	10/9/07- 3/9/09	Average 1946-2002	
		% Chg.	Rank
Consumer Staples	-31%	-9%	1
Health Care	-40%	-12%	2
Utilities	-46%	-19%	3
Energy	-47%	-21%	4
Telecommunications Services	-51%	-33%	10
Information Technology	-53%	-26%	7
S&P 500-All Industries	-57%	-24%	NA
Consumer Discretionary	-58%	-29%	8
Materials	-60%	-23%	5
Industrials	-65%	-31%	9
Financial	-83%	-24%	6

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Did Diversification Fail During This Bear Market?



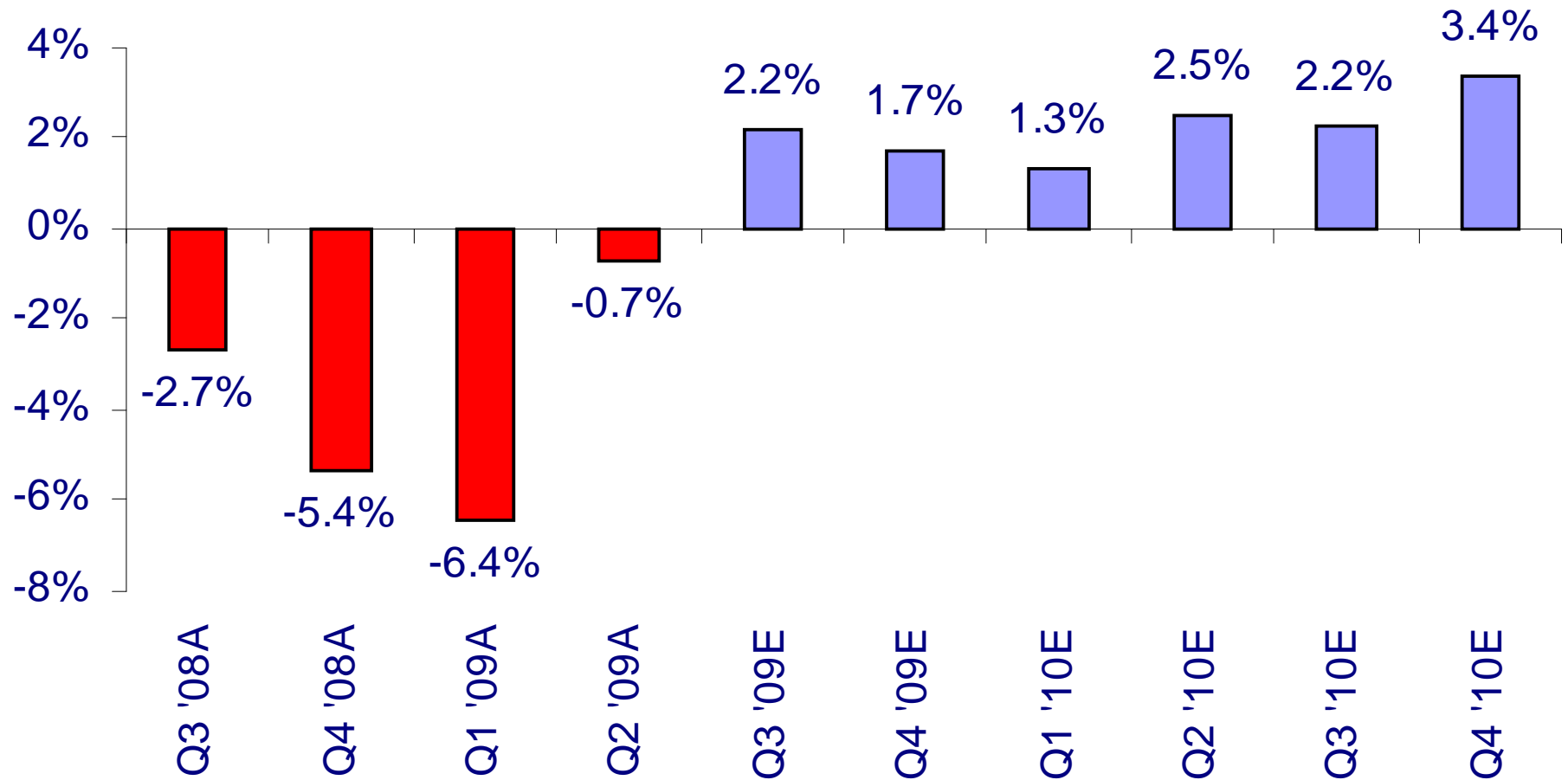
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Projected Economic Recovery

Annualized % Change in U.S. Real GDP

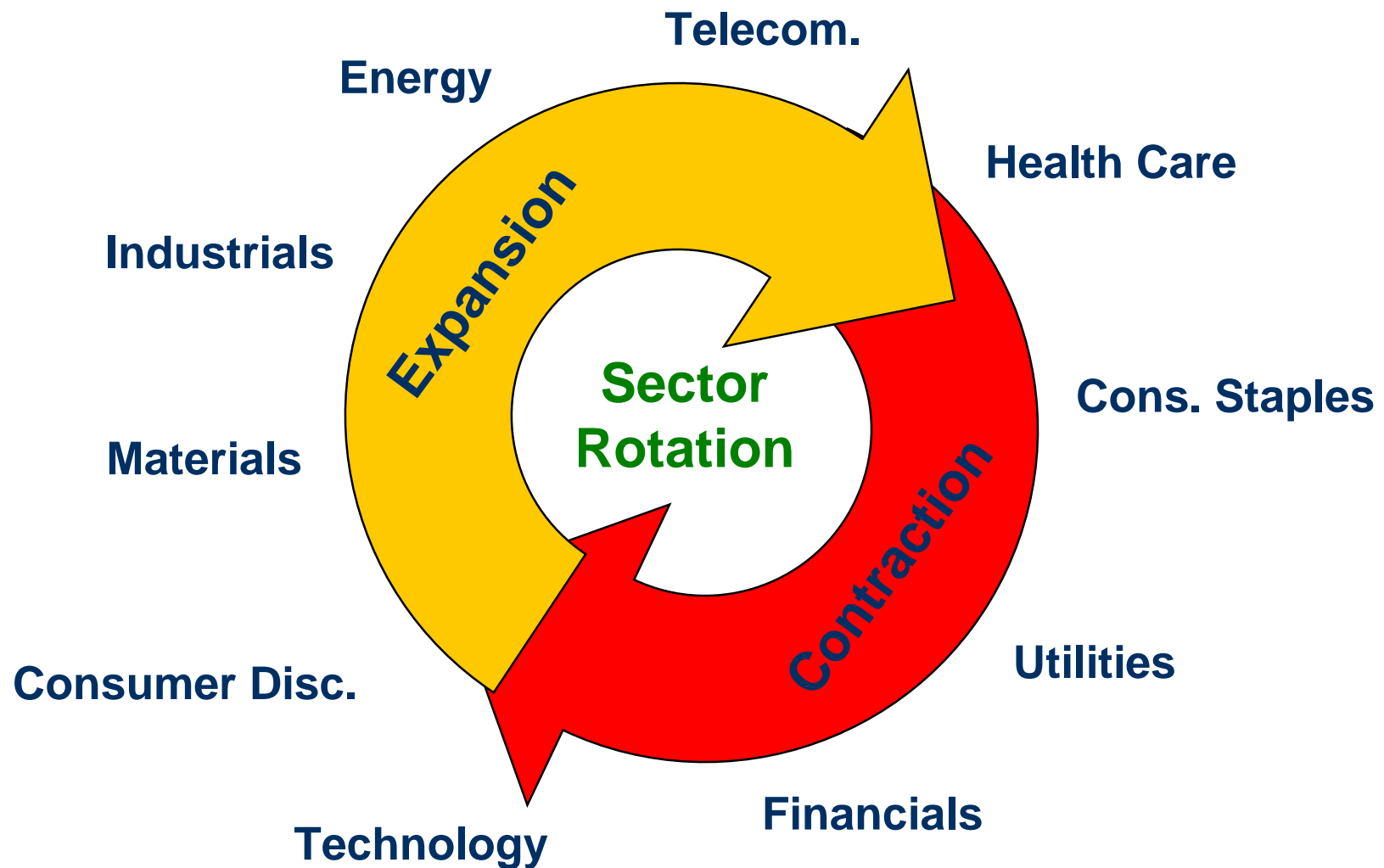


Source: Standard & Poor's Economics

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Typical Sector Rotation Through an Average Economic Cycle 1945-2003

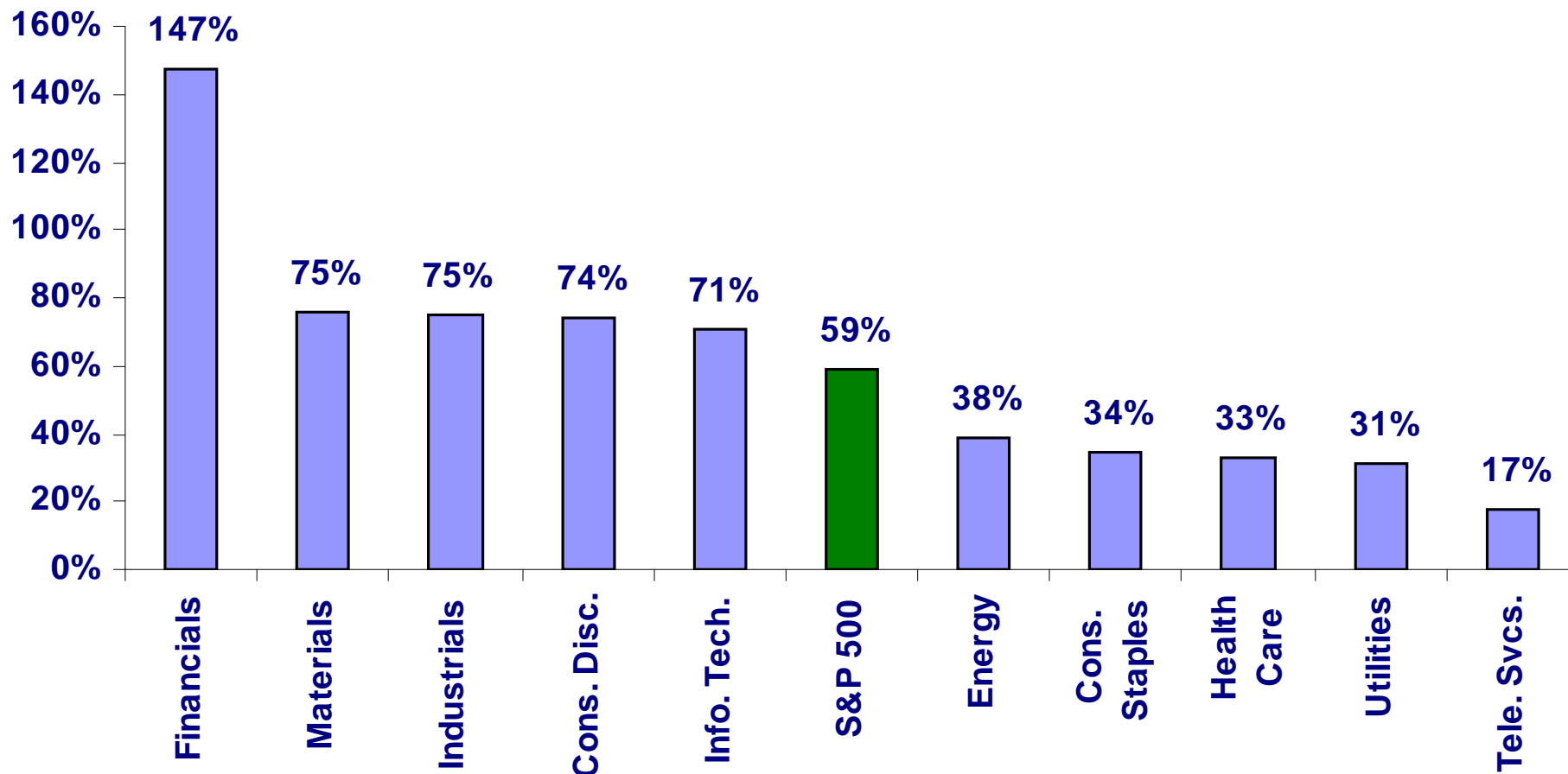


Source: Standard & Poor's Equity Research. Past performance is no indication of future results.

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Where We've Been: Recent Bounce off the Bear Market Bottom

S&P 500 Sector Changes 3/9/09-10/12/09



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Bear Markets End When Prices Stop Falling

Lagging Peaks & Troughs:

Stocks Have Anticipated Recessions, Earnings, Revenues and Unemployment

S&P 500 Bottomed	Recession End	Months Ahead of S&P 500 Trough		Unempl. Peak	Peak Unempl. Level %
		Earnings	Revenues		
6/13/49	5	7		5	7.9
9/14/53	9	4		13	6.1
10/22/57	6	11		8	7.5
10/25/60	4	8		7	7.1
5/26/70	6	7	7	7	6.1
10/3/74	6	12	9	8	9.0
3/27/80	4	6	12	4	7.8
8/12/82	4	8	8	4	10.8
10/11/90	6	15	18	21	7.8
10/9/02	(10)	(9)	6	9	6.3
3/9/09	7	9E	???	13E	10.4E
Mean:	4	6	10	9	8
Median:	6	8	8	8	8

Source: S&P Equity Research Services, NBER, BLS. Past performance is no guarantee of future results.

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Negatives

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Projected Weakness of Economic Recovery

Projected

4 2009

d of year

Equity Valuations

-- Hard to justify further surge

-- Analysts looking to '10E and '11E

ain

929 Crash

r Re-Tests

Money Supply/Federal Deficit Worries

-- Higher Treasury Yields

-- Rising Inflation Worries

-- Drag on housing recovery

ce 3/9/09

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Rising Commodity Prices

rge Caps

at Defensives

Still-High Consumer Debt Levels

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S&P Forecasts

- ★ **S&P 500: Double-Digit Rise Possible Over the Coming 12 Months.**
- ★ **Economy: GDP Rise Expected in Q3 '09; 1.8% growth seen in 2010.**
- ★ **EPS Freefall Likely to Slow: Late 2009 Recovery Seen.**
- ★ **M&A Activity: Likely to Increase.**
- ★ **Sector Outlooks: Emphasis on Cyclical over Defensive Sectors.**
- ★ **Reminder: Don't Forget the Importance of Re-invested Dividends.**

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The Seven Rules of Wall Street

- ★ **Let Your Winner's Ride, But Cut Your Losers Short**
- ★ **As Goes January, So Goes the Year**
- ★ **Sell in May, Then Go Away**
- ★ **No Free Lunch on Wall Street (Oh Yeah, Who Says?)**
- ★ **Don't Get Mad -- Get Even!**
- ★ **Don't Fight the Fed (At Least for Too Long)**
- ★ **There's Always a Bull Market Someplace**

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Don't

Sell in May? Not After the Bear has Bottomed

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S&P 500 I

S&P 500 Price Changes in May-Oct. and Q3 During / After End of Bear Markets

1/12/09)

Bear Market		May-Oct.	S&P 500 % Change	
End Date	% Decline	Period	May-Oct	Q3
06/01/32	(86)	1932	19.4	82.4
03/14/35	(34)	1935	34.3	13.3
03/31/38	(54)	1938	35.8	5.9
04/28/42	(46)	1942	23.0	6.6
06/13/49	(30)	1949	8.8	10.0
10/22/57	(22)	1958	18.2	(2.7)
06/27/62	(28)	1962	(13.4)	2.8
10/07/66	(22)	1967	(0.1)	6.7
05/26/70	(36)	1970	2.1	15.8
10/03/74	(48)	1975	2.0	(11.9)
08/12/82	(27)	1982	14.8	9.9
12/04/87	(34)	1988	6.8	(0.6)
10/11/90	(20)	1991	4.6	4.5
10/09/02	(49)	2003	14.6	2.2
03/09/09	(57)	2009	23.3	15.0
Averages	(40)		12.9	10.7

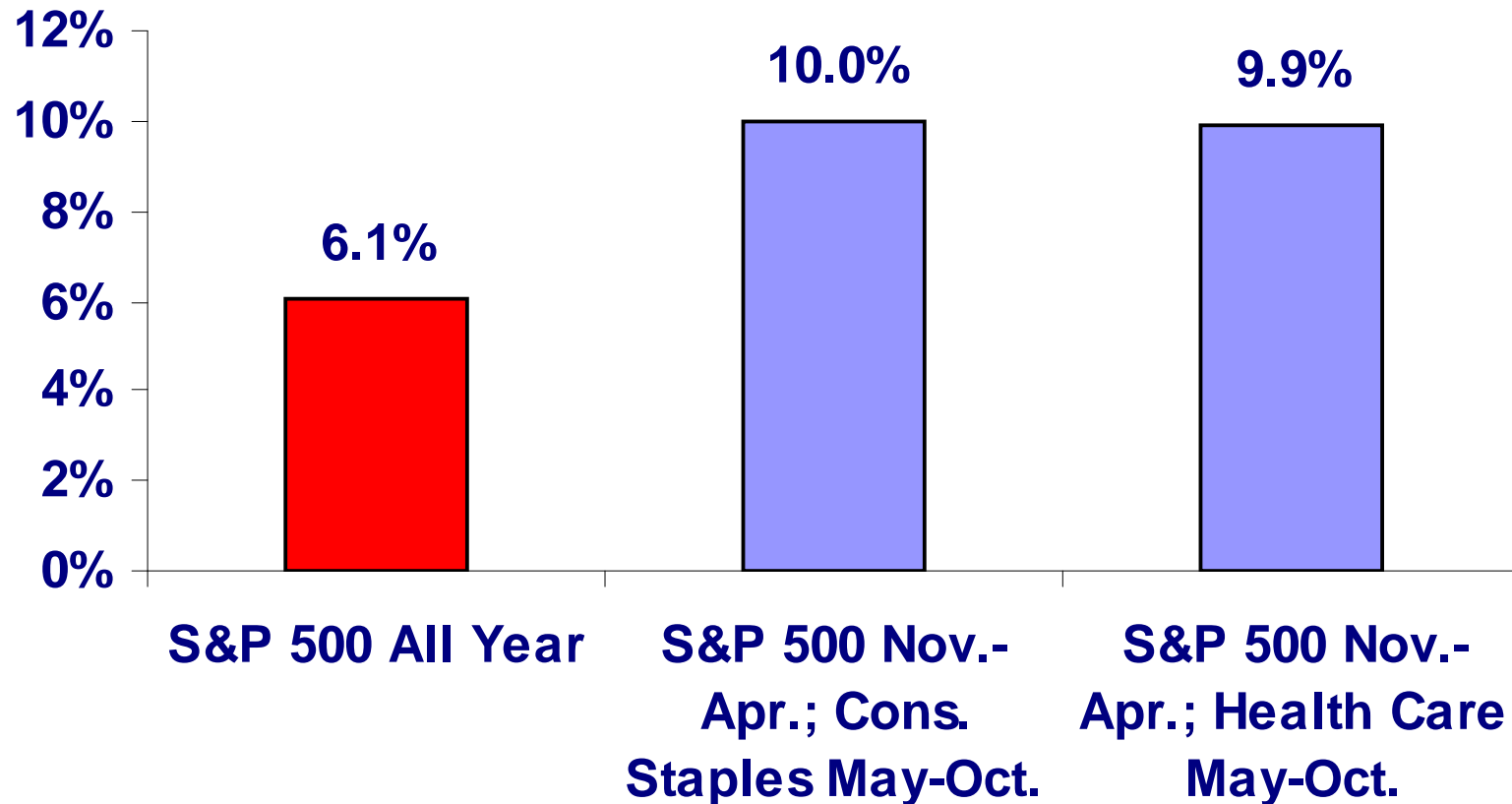
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Rule #3: Sell in May and Then Go Away

Compound Annual Growth Rates
April 30, 1990 - October 12, 2009



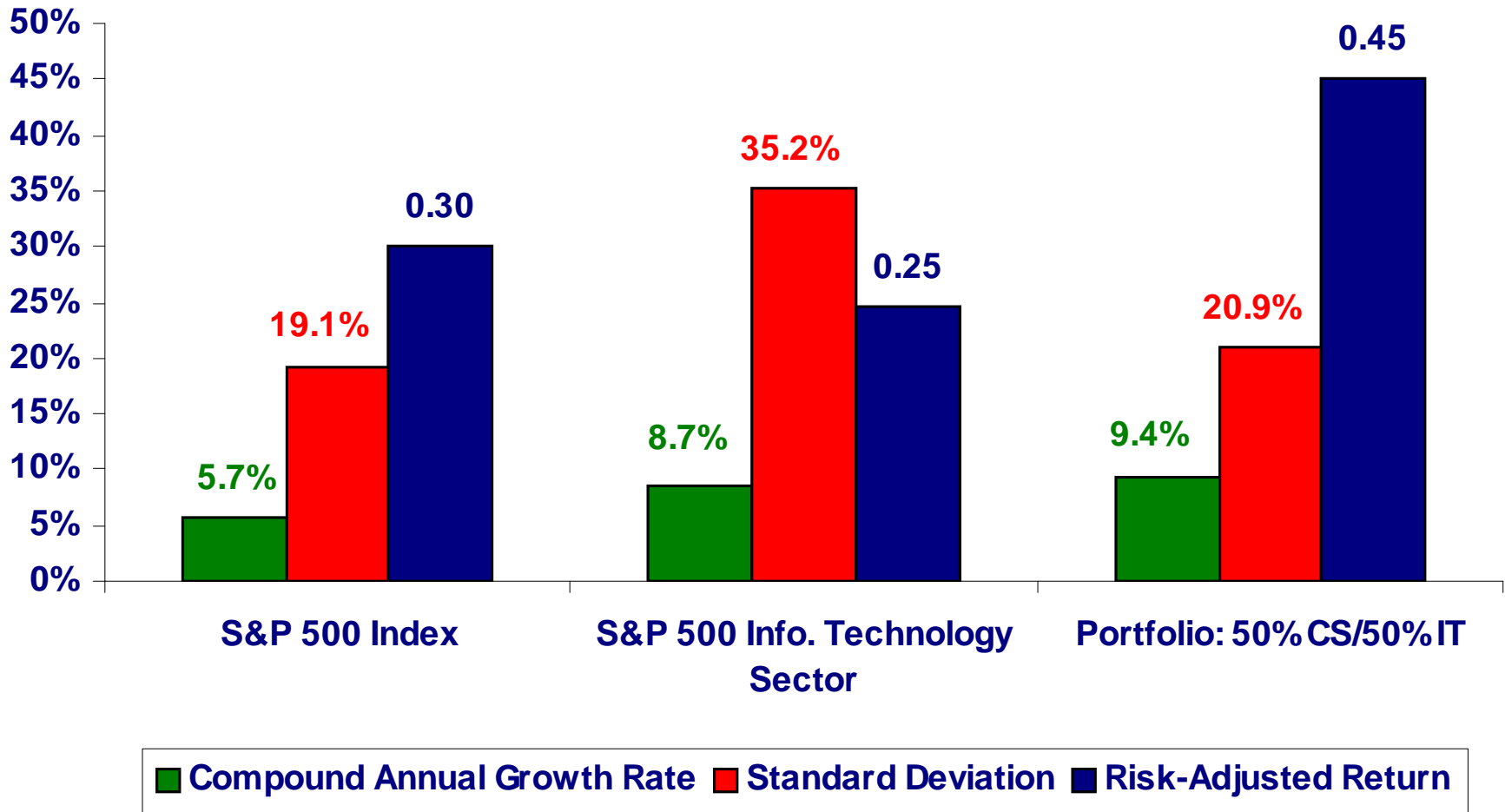
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Rule #4: There's No Free Lunch on Wall Street (Who Says?)

Compound Annual Growth Rates and Volatility 12/31/89-10/12/09



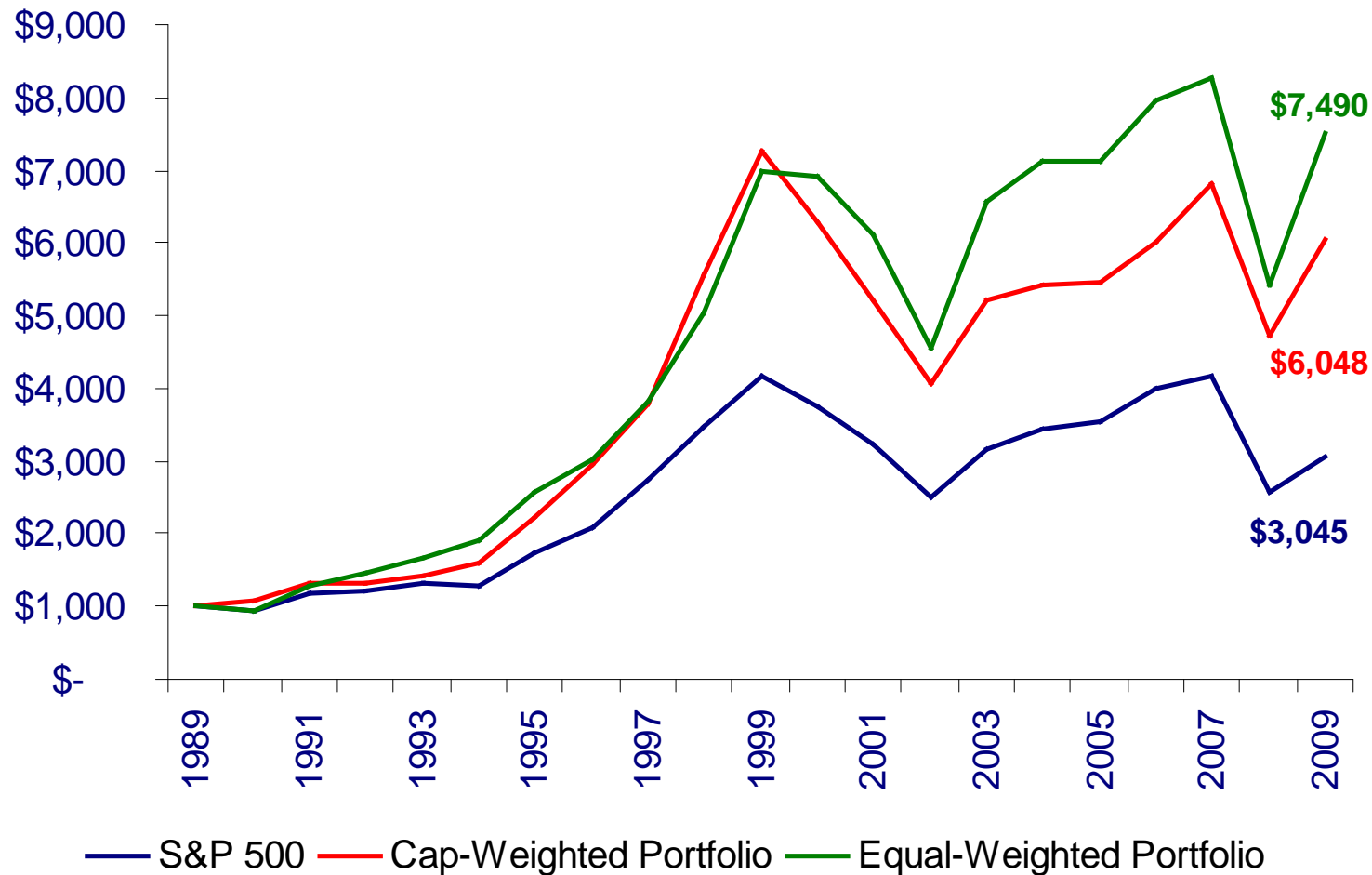
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“Free Lunch” Portfolio: 50% S&P 500 Tech., 50% S&P 500 Cons. Staples

What \$1,000 on 12/31/89 would be hypothetically worth on 12/31/09 (excluding dividends reinvested):



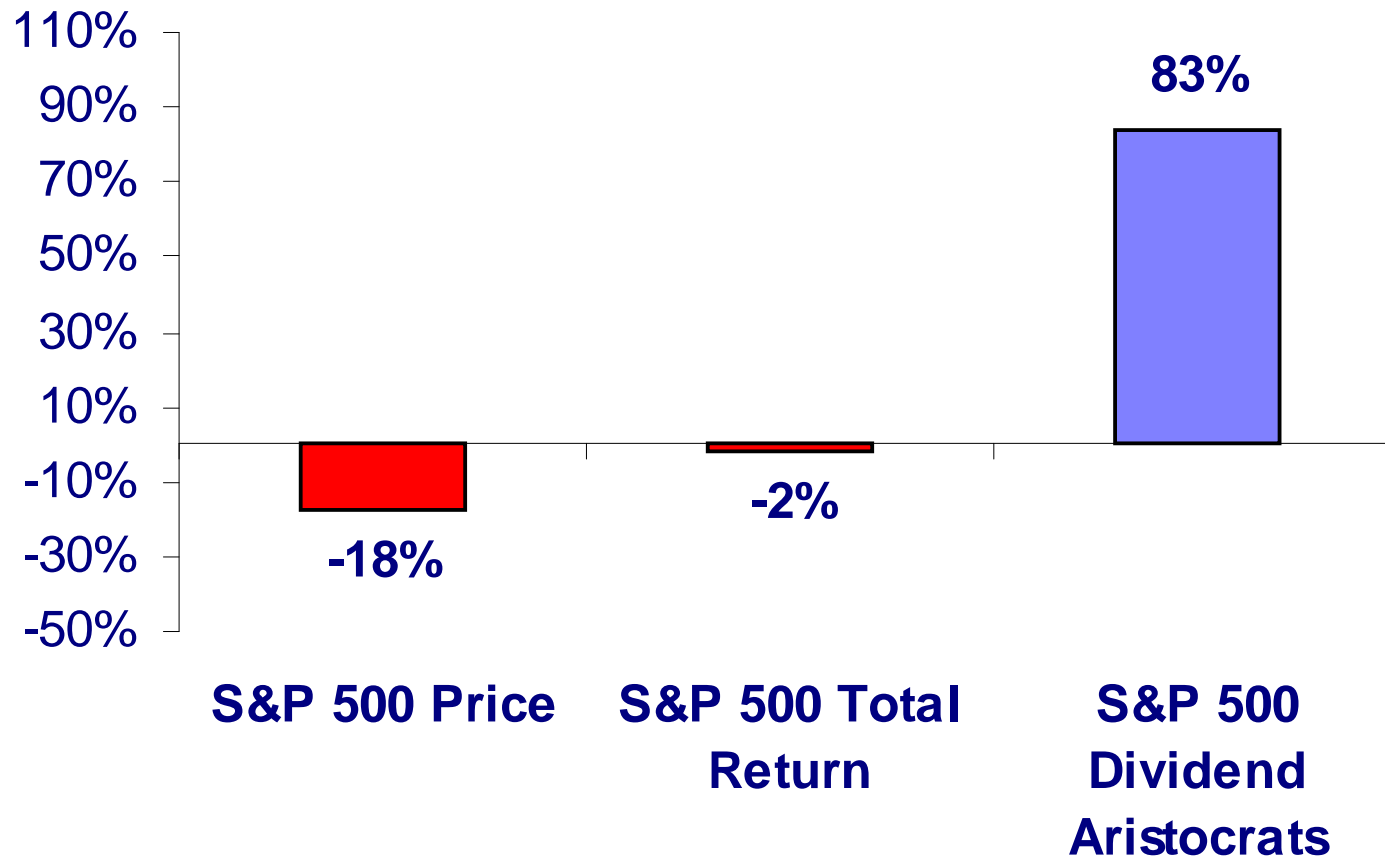
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The Impact of Dividends: S&P 500 and the S&P 500 Dividend Aristocrats

Performances 9/30/99-9/30/09



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Stock Screen: Focusing on High Quality, High Yielding Stocks

Stocks With Highest S&P STARS, Quality Ranking and Dividend Yield by Sector as of 10/12/09

S&P Sector	Ticker	Price	S&P		Yield %
			STARS	Q. Rank	
Consumer Discretionary	GPC	\$38	5	A	4.2
Consumer Staples	MO	\$18	5	A	7.5
Energy	CVX	\$74	5	A-	3.7
Financials	PEI	\$8	4	A	7.8
Health Care	JNJ	\$62	4	A+	3.2
Industrials	CAT	\$54	4	A+	3.1
Information Technology	LLTC	\$28	5	A-	3.2
Materials	PPG	\$60	5	B+	3.6
Telecommunication Services	CTL	\$33	4	A-	8.6
Utilities	FPL	\$53	5	A	3.6

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A+	Highest	B-	Lower
A	High	C	Lowest
A-	Above Average	D	In Reorganization
B+	Average	NR	Not Ranked
B	Below Average		

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S&P 12 Month Target Price – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

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Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

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