

Investment Outlook: Atypical Decline - Typical Recovery?

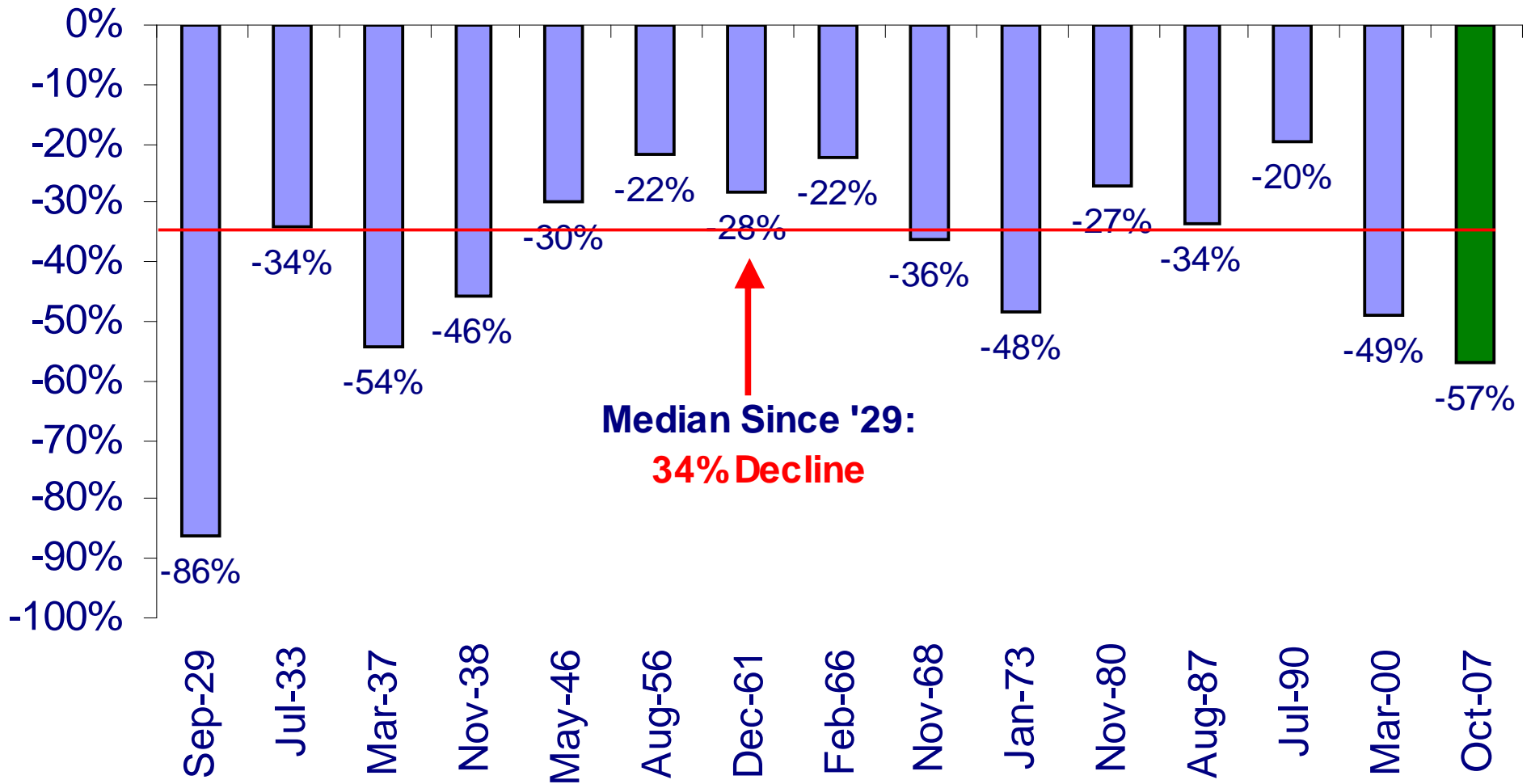
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October 17, 2009

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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

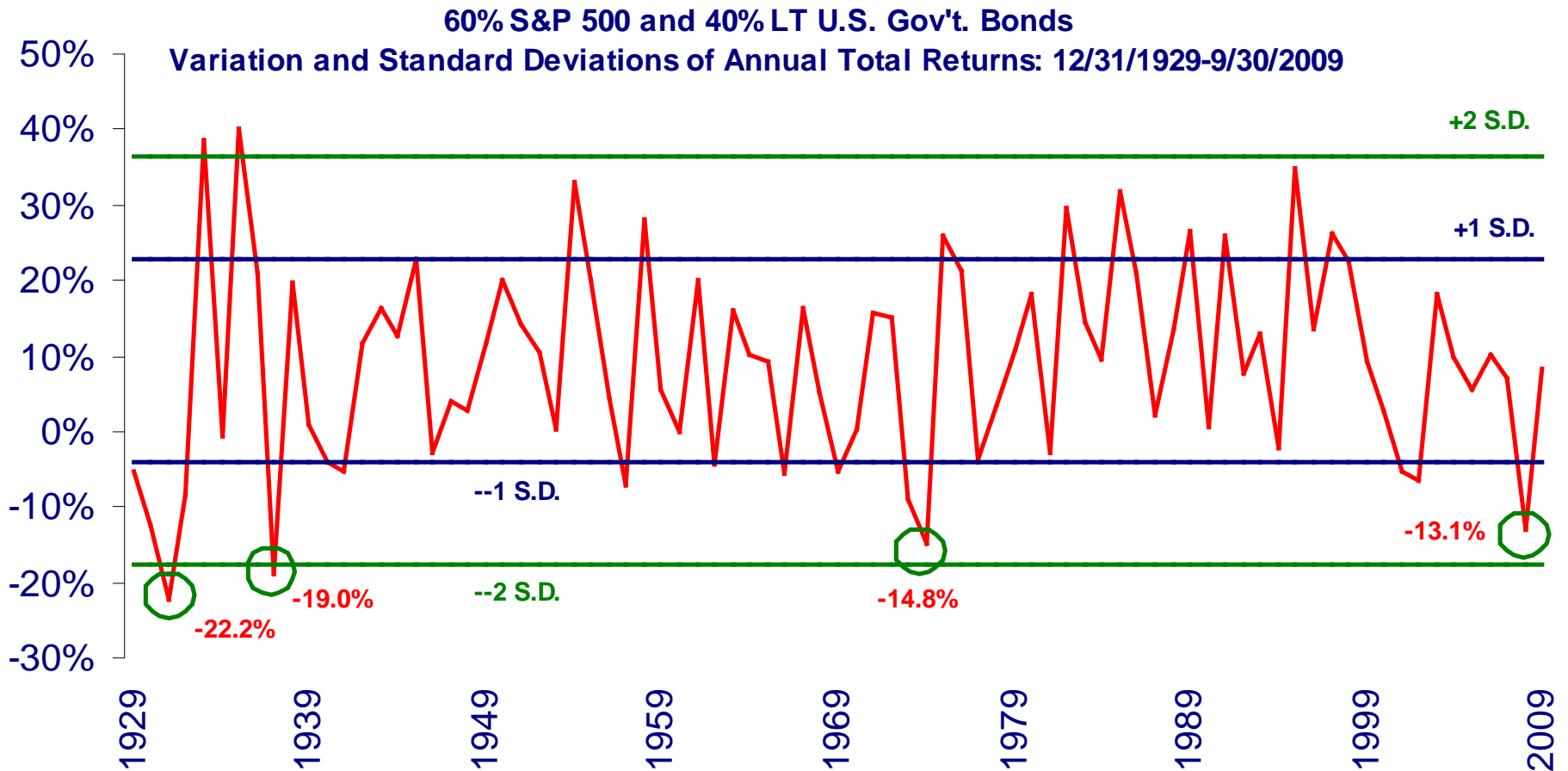
S&P 500 Sectors	10/9/07- 3/9/09	Average 1946-2002	
		% Chg.	Rank
Consumer Staples	-31%	-9%	1
Health Care	-40%	-12%	2
Utilities	-46%	-19%	3
Energy	-47%	-21%	4
Telecommunications Services	-51%	-33%	10
Information Technology	-53%	-26%	7
S&P 500-All Industries	-57%	-24%	NA
Consumer Discretionary	-58%	-29%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

Source: Standard & Poor's Equity Research. Indexes are unmanaged, statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index. Past performance is no indication of future results.

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Did Diversification Fail During This Bear Market?



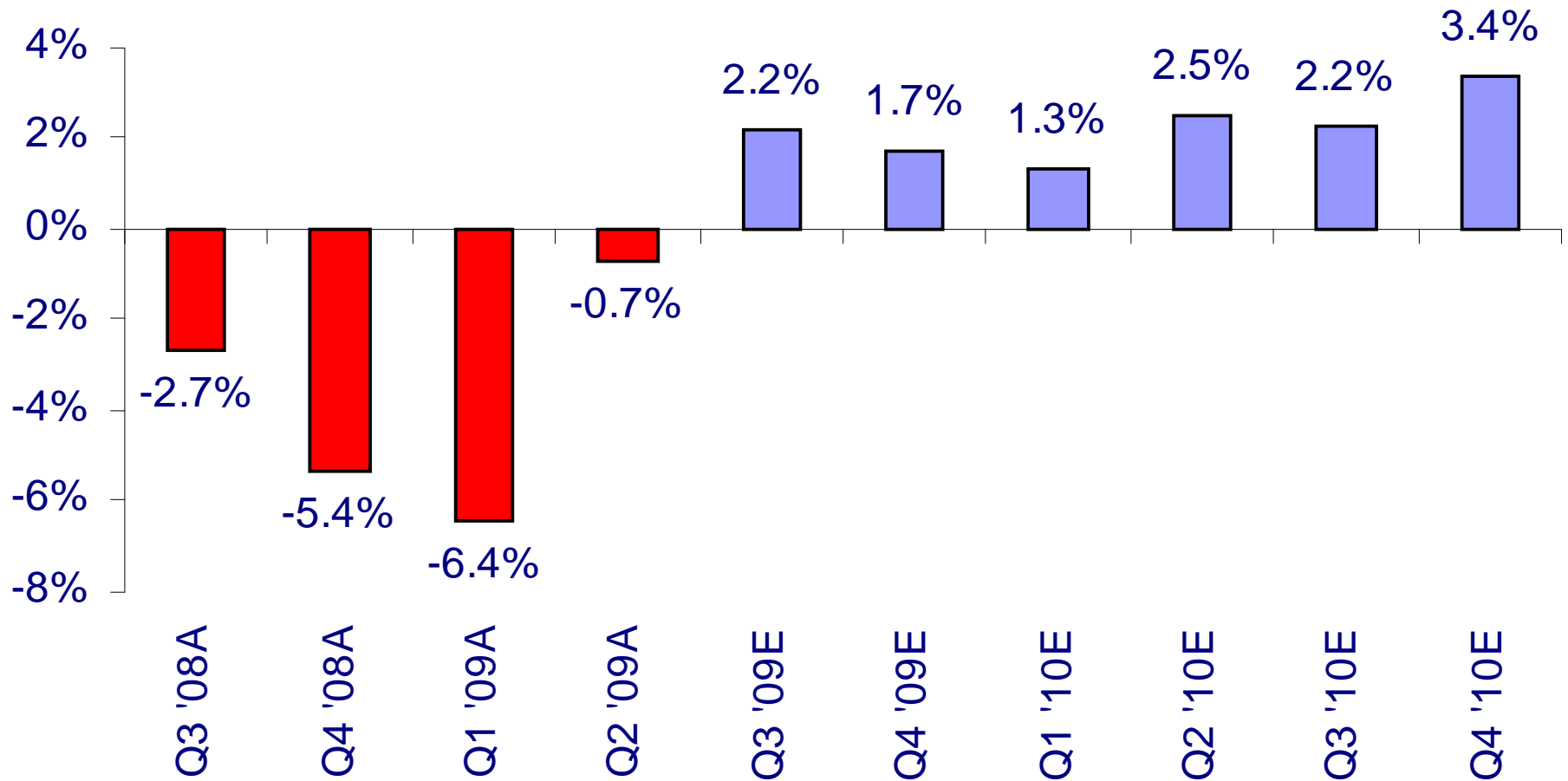
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Projected Economic Recovery

Annualized % Change in U.S. Real GDP

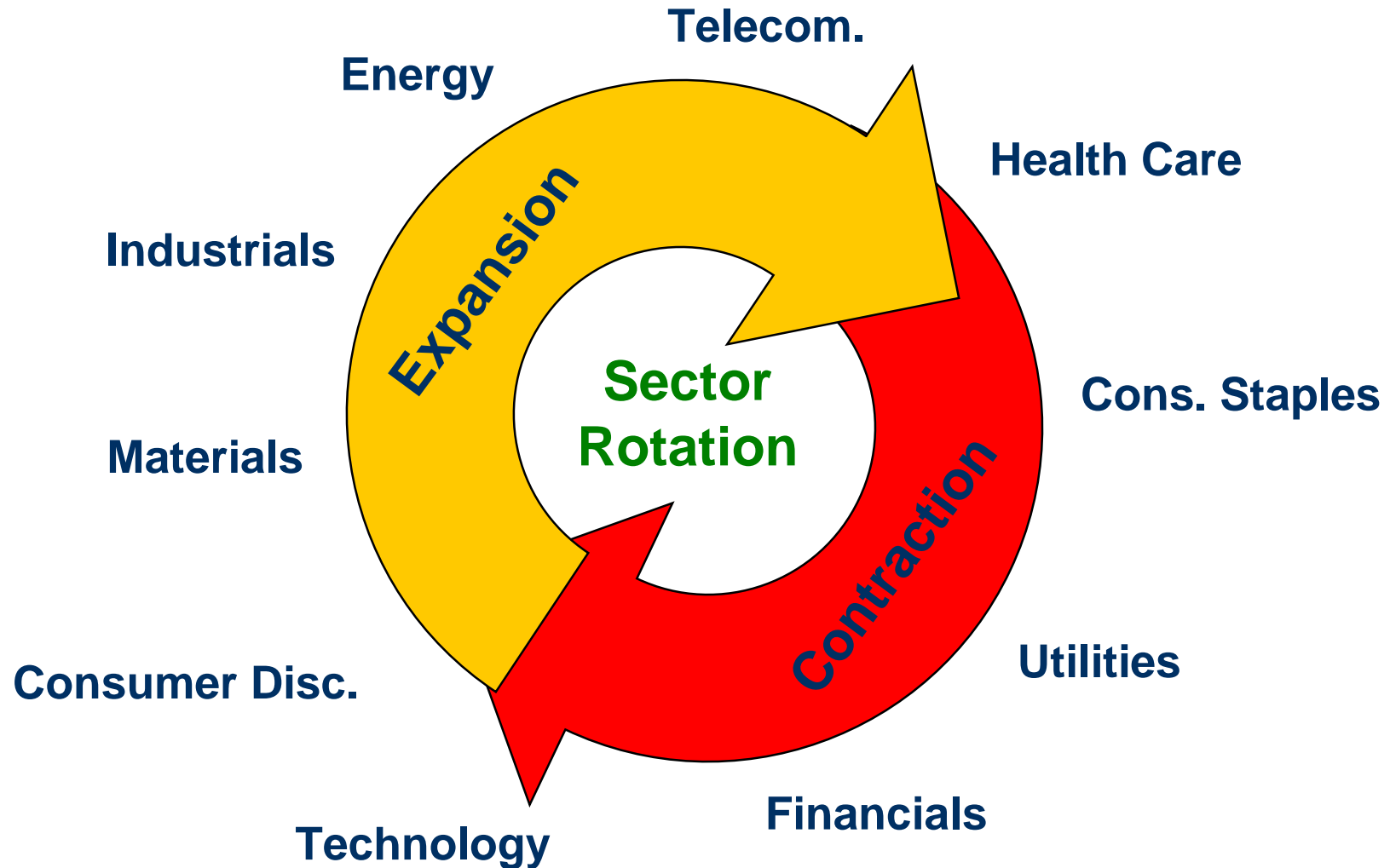


Source: Standard & Poor's Economics

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Typical Sector Rotation Through an Average Economic Cycle 1945-2003

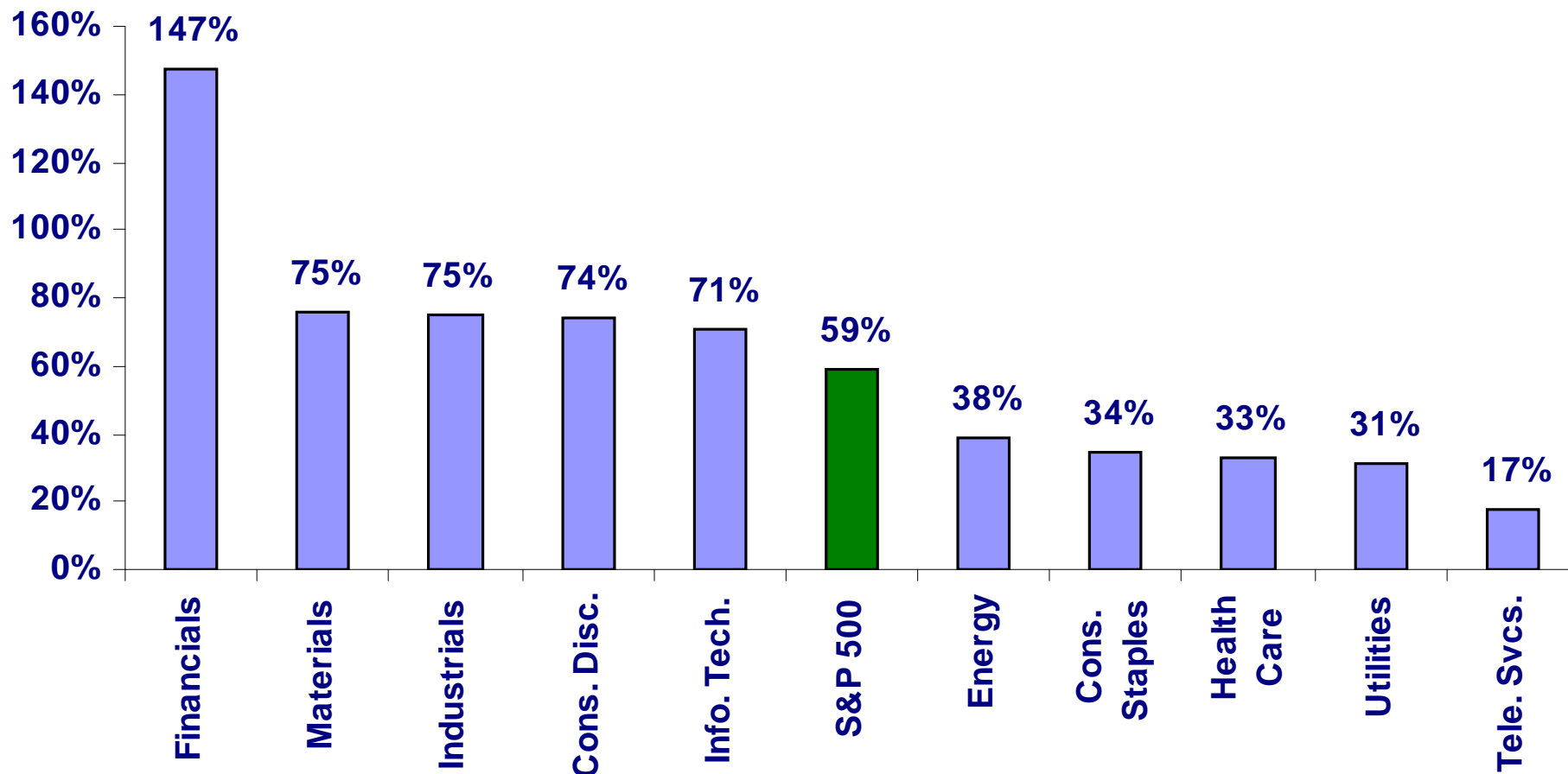


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Where We've Been: Recent Bounce off the Bear Market Bottom

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

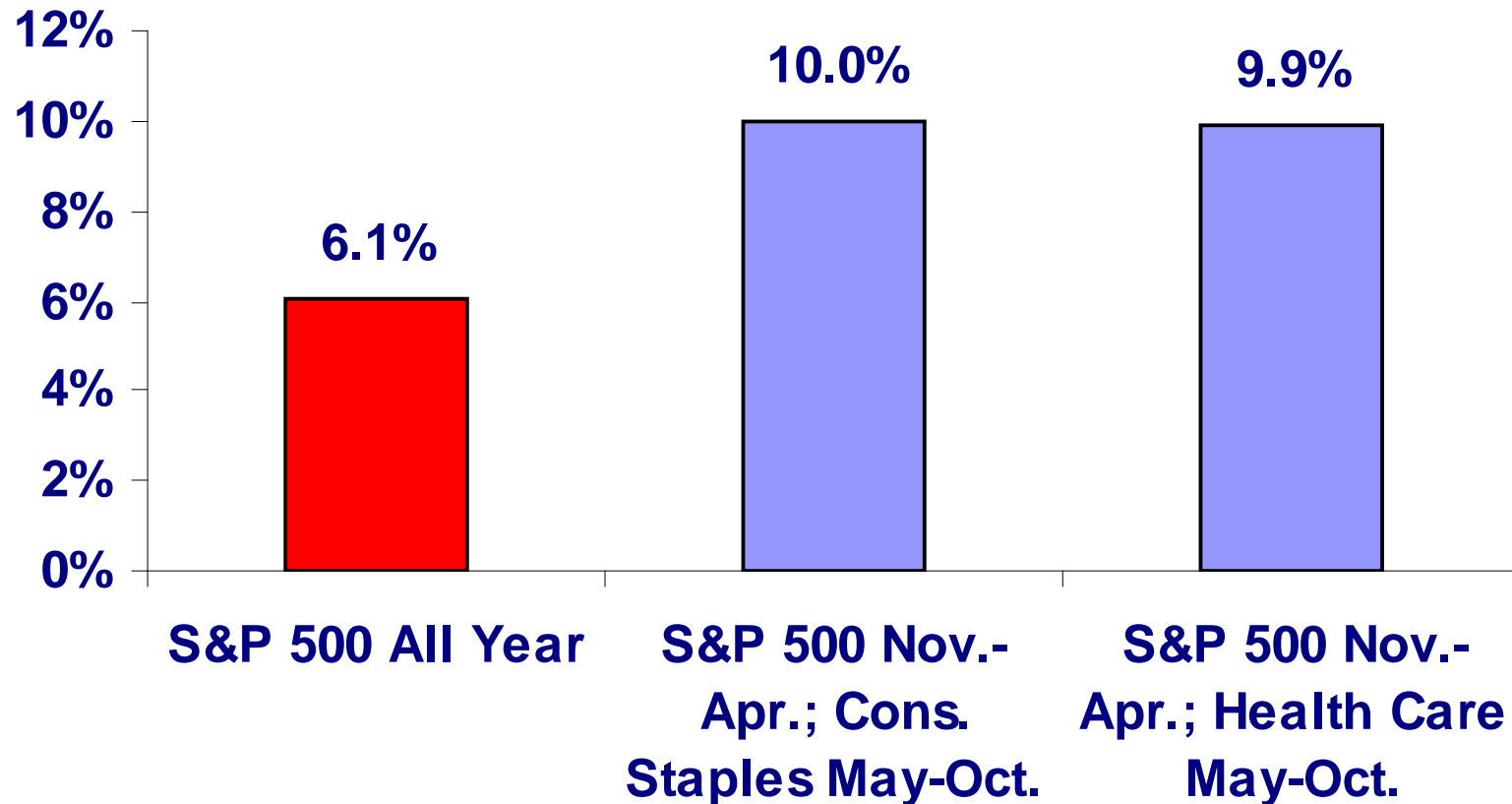
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Rule #3: Sell in May and Then Go Away

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



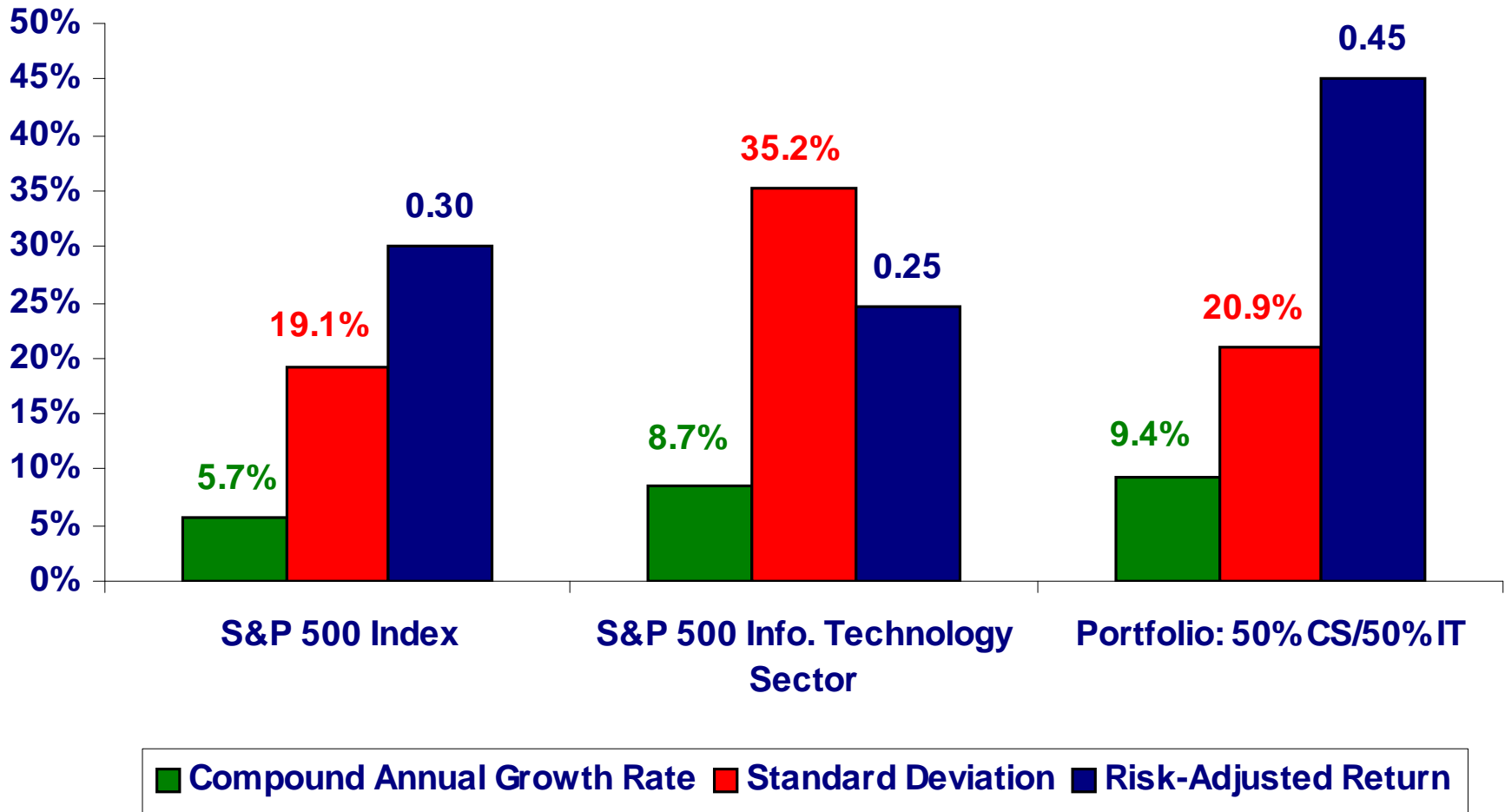
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Rule #4: There's No Free Lunch on Wall Street (Who Says?)

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



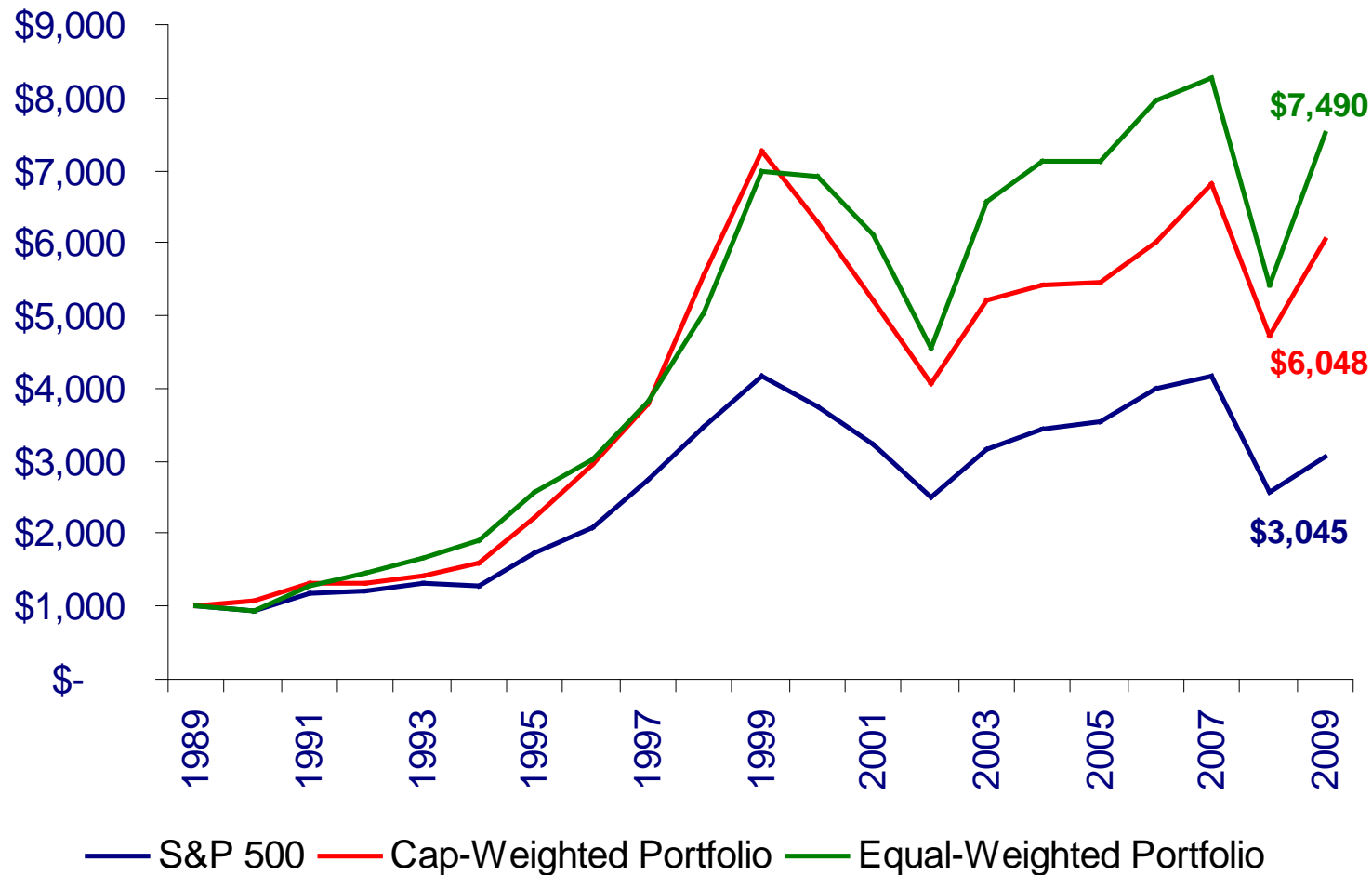
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“Free Lunch” Portfolio: 50% S&P 500 Tech., 50% S&P 500 Cons. Staples

What \$1,000 on 12/31/94 would be hypothetically worth on 12/31/09 (excluding dividends reinvested):



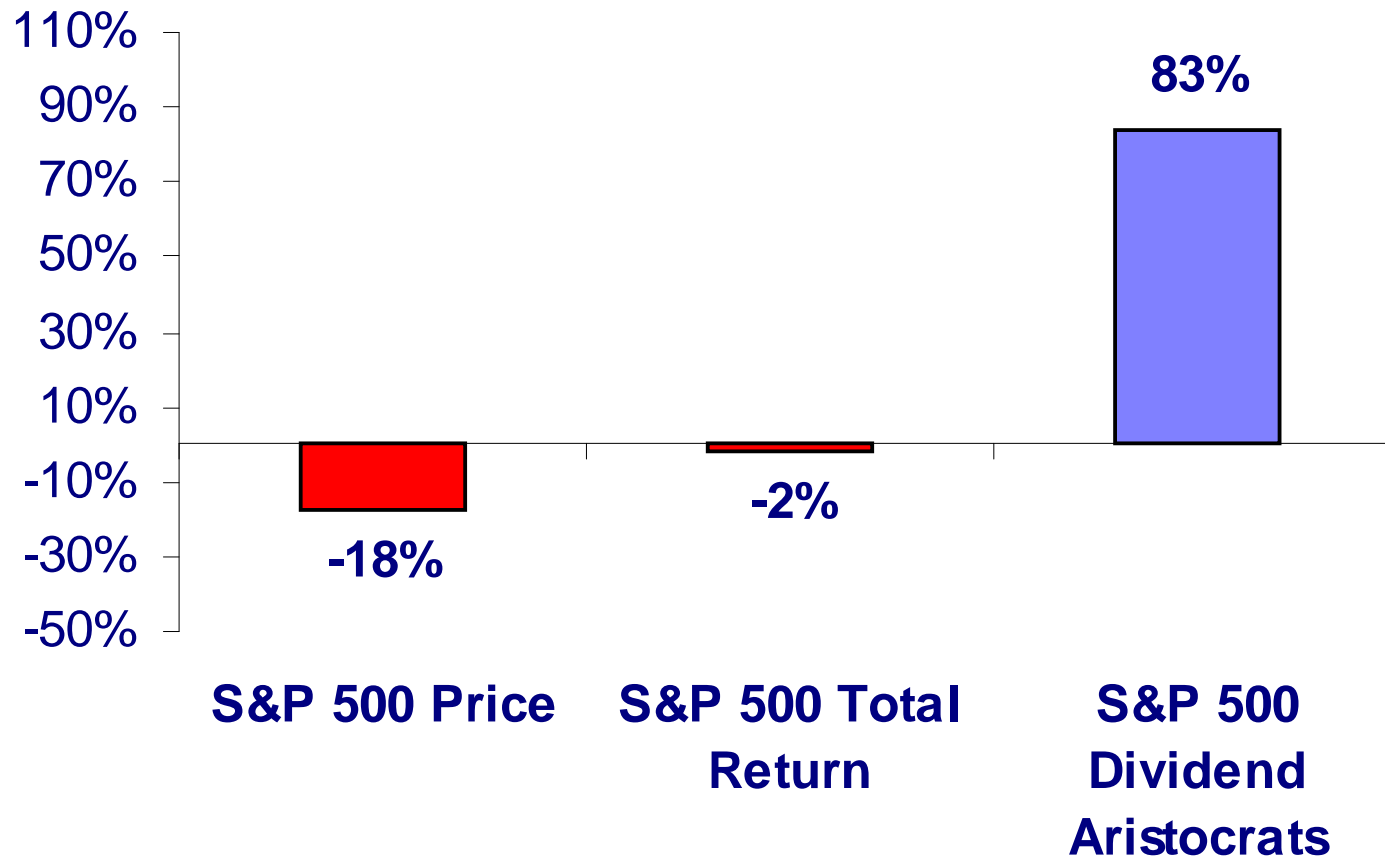
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The Impact of Dividends: S&P 500 and the S&P 500 Dividend Aristocrats

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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S&P Quality Rankings (also known as S&P Earnings & Dividend Rankings)- Growth and stability of earnings and dividends are deemed key elements in establishing S&P's earnings and dividend rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

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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