

CHARTWELL REVIEW

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Dancing by the Door



Imagine you're at a great party. The venue is beautiful, the crowd is fine, the service attentive. There's been good food and drink available all night long. The band's really been rocking, too, and playing almost all of your favorite numbers. You and your partner have been dancing up a storm. It's been a wonderful time.

Sure, it's getting pretty late. And, everyone knows the band is going to stop sometime soon. Also, it's a really big party, so the lines at the coat check and car valet are virtually guaranteed to be very long, *unless* you get there in time to be near the front of them. But, hey, this party isn't done yet! And, as Chuck Prince (ex-Citigroup) was fond of saying, when the music plays you *gotta* dance!

So, what do you do? You keep on dancing, of course. But, you dance close to the door.

From the looks of tables 1&2, you either needed to be brain dead or, (gasp!) a Treasury bond investor, in order to *not* make money hand over fist during the first quarter and over the past twelve months. Not so cumulatively over the past two or three years, where only bond buyers and emerging markets investors were in the black - and even then not by all that much (about average returns for investment grade bonds and bond funds, and a bit below average for high yield bonds).

Last quarter, we said, "we would not chase risk assets at this juncture, and recommend adding to long-only equity allocations just on weakness." The market gave us an excellent opportunity to do that in early February. By February 6th, the S&P 500 index had dipped 9.2% from its January 19th interim high, the Russell 2000 was down 8.7%, and the Dow Jones Global ex-US indices had weakened by almost 12%. That was a good time to re-balance underweighted equity allocations.

Table 1: Index Benchmarks

Market Index	Trailing Returns *				
	Q1 10	1 Yr	3 Yr	5 Yr	10 Yr
S&P 500	5.4	49.8	(4.2)	1.9	(0.7)
U.S. Large-cap Stocks	4.6	45.9	(4.2)	1.6	(2.1)
U.S. Mid-cap Stocks	8.7	67.7	(3.3)	4.2	4.8
U.S. Small-cap Stocks	8.9	62.8	(4.0)	3.4	3.7
Foreign Stocks (devel)	0.9	55.2	(6.6)	4.2	1.7
Foreign Stocks (emerg)	2.5	81.6	5.5	16.0	10.1
T-bills	0.0	0.1	1.8	2.7	2.7
U.S. Aggregate Bonds	1.8	7.7	6.1	5.4	6.3
High Yield Bonds	4.0	53.9	5.9	7.1	7.2
Global Bonds, unhedged	(1.3)	6.3	7.2	4.8	6.5
CPI, annualized	1.7	2.3	2.2	2.6	2.5
Dow UBS Commodity	(5.0)	20.5	(6.9)	(1.4)	5.7
Chartwell Global 65/35	2.5	38.3	0.8	5.6	4.7

Table 2: Average Mutual Fund Returns

Fund Category	Trailing Returns *				
	Q1 10	1 Yr	3 Yr	5 Yr	10 Yr
U.S. Large-cap	5.2	50.6	(3.5)	2.4	0.6
U.S. Mid-cap	7.6	60.9	(2.4)	4.2	3.6
U.S. Small-cap	8.2	65.1	(3.3)	3.6	4.9
International Lg. Cap	1.3	54.3	(6.1)	4.5	2.4
International Sm. Cap	4.1	72.4	(6.6)	6.2	5.0
Emerg. Mkt. Equity	3.1	84.0	3.4	14.7	9.6
Balanced/Hybrid	3.7	34.5	(0.0)	3.7	3.4
General Bonds	2.7	18.8	5.6	5.2	6.1
Government Bonds	1.5	2.0	5.9	5.1	5.8
High Yield Bonds	4.1	45.0	4.2	5.8	5.6

* Annualized trailing returns for periods ending 3/31/10.

Not the Cha Cha, yet

In March, the final estimate of 4th quarter real GDP growth was released. Although revised downward to +5.6% (preliminary estimate had been +5.9%), the report clearly confirmed that the economic recovery which started last summer was continuing. The big driver was businesses inventories declining by much less than they did in Q2 and Q3. Table 3 breaks it all down.

At the end of April, the Feds will issue their advance estimate of how much our economy grew in the 1st quarter of this new decade. The headline number is expected to be +3.1%, but optimism for a better result has been rising recently. Growth slowed quite a bit from the 4th quarter, because the inventory factor wasn't as big. However, economists expect the US consumer grew their spending slightly faster than they grew their earnings, as the savings rate again shifted downward.

Table 3: Breaking Down 2009 Real GDP

<i>Factor</i>	<u>% Change from Preceding Period</u> <i>(seasonally adjusted at annual rates)</i>			
	4Q '09	3Q '09	2Q '09	1Q '09
Real GDP Growth	5.6	2.2	(0.7)	(6.4)
Nominal GDP Growth	6.1	2.6	(0.8)	(4.6)
Disposable Income	1.0	(3.6)	6.2	0.2
Personal Consumption	1.6	2.8	(0.9)	0.6
Private Investment	46.1	5.0	(23.7)	(50.5)
<i>Fixed - Businesses</i>	5.3	(5.9)	(9.6)	(39.9)
<i>Fixed - Residential</i>	3.8	18.9	(23.3)	(38.2)
<i>Chg. In Inventories (\$BN)</i>	<i>\$(20)</i>	<i>\$(139)</i>	<i>\$(160)</i>	<i>\$(113)</i>
Exports	22.8	17.8	(4.1)	(29.9)
Imports	15.8	21.3	(14.7)	(36.4)
Government Spending	(1.3)	2.6	6.7	(2.6)

The employment situation remained unsettled during the first quarter, but it looks as if the bottom might have finally been put in. After declining by 269,000 persons in Q4, and 783,000 in Q3, non-farm payrolls **rose** by 162,000 in the 1st quarter. About 30% of the net new jobs were in the Federal government (read: temporary census-takers), but almost as many were in goods-producing areas.

Even better, according to the household survey (on which the unemployment rate is based), the number of persons identified as employed rose by a huge 1.1 million in the first quarter of 2010, compared to a decline of 976,000 in last year's 4th quarter and 970,000 in the 1st quarter of 2009. Despite there being much ground to cover viz. job creation, with the headline unemployment rate at 9.7% (15mm persons) and the broader U-6 measure at 16.9% (26mm persons), most economists feel the first quarter marked the turn.

Before seasonality adjustments, general consumer prices rose quite modestly in the 1st quarter, increasing at just a 1.7% annualized rate. They were up just 2.3% for the 12 months ending in March. The CPI ex-food & energy rose just 1.1% during the past year. Housing costs (42% of CPI) are estimated to have fallen by 0.6% over the past year, while transportation costs (17% of CPI) were up 13.3% - primarily due to gasoline prices. Medical costs are estimated up 3.7% over the past year.

The rate of growth in manufacturing activity accelerated through the quarter. The Purchasing Managers Index registered 59.6% in March, a solid increase to February's seasonally adjusted reading of 56.5%, and the highest reading in a year. A reading above 50 percent indicates that the manufacturing economy is generally expanding. Both the new orders and production index rose above 60% this month, closing the first quarter with significant momentum. The Inventories Index provided a positive surprise, indicating growth for the first time following 46 months of liquidation.

While not as robust, economic activity in the non-manufacturing sector grew in March for the third consecutive month. The NMI (Non-Manufacturing Index) registered 55.4% in March, 2.4% higher than in February, indicating growth in the non-manufacturing sector. The Non-Manufacturing Business Activity Index increased 5.2%, to 60%, reflecting growth for the fourth consecutive month. The New Orders Index increased 7.3%, to 62.3%. Only the Employment Index, at 49.8%, pointed downward.

As a consequence of increased manufacturing activity, Producer Prices continued to rise in this early recovery period. PPI-Finished Goods rose at a 6% annual rate in the quarter. While this was slower than in the 4th quarter (+9%), the PPI-Finished Index has advanced 6% over the past year. PPI-Crude Materials jumped another 9.2% in the quarter, following a 12.6% increase for the three months ending December. The 12-month change in the PPI-Crude Index is 33+%, with crude nonfood materials *less* energy up 44%.

Globally, the economic recovery is also going slightly better than expected just a few months ago, according to the IMF. After shrinking 0.6% last year, the IMF projects global growth of 4.2% in 2010, 0.3% faster than its forecast in January. Much of that upward revision can be attributed to the American economy, which the IMF now expects to expand by 3.1% in 2010 (up from its +2.7% forecast in January). Emerging and Developing Economies are forecast to grow by 6.3%, with Developing Asia at +8.7%. Both India and Brazil are also considered likely to perform much better this year than initially expected. Conversely, the Euro Area economies may grow by only 1% in 2010 and 1.5% in 2011, the UK by 1.3% this year, and Japan only 1.9%.



Bonds Tango On

After rising notably late last year, Treasury yields shifted into “waltz” mode during the first quarter. This enabled US investment grade bonds to enjoy a strong quarter to start 2010, and the Barclays Aggregate finished up 1.8% (see table 4). Amid improving economic conditions, yields declined in every major domestic bond sector, as investors bid up prices. Credit-related sectors again led in the quarter while Treasuries, despite being the laggard, posted positive returns.

With a 9% return, Commercial Mortgage-Backed Securities (CMBS) were by far the top performing sector for the quarter. That continued the sector’s recovery from the depths of 2008 (see table 5) and marked its 4th consecutive positive quarterly return.

The Corporate bond sector was the other top performer in the quarter, due to the same combination of higher coupon payments and greater price appreciation enjoyed by CMBS (just not as much). It’s not really accurate to say investors continued to rotate out of Treasuries in favor of corporates, because more new bonds were floated by the US Treasury than during any quarter in our history. Rather, relative market preference continued to shift to corporate bonds, as risk appetite further strengthened and investors looked for additional yield pickups. Also, investors feel they can evaluate the risks associated with corporate P&L’s and balance sheets with greater clarity than they can those of the sovereign – which is expected to run annual fiscal deficits exceeding \$1Tn for each of the next 10 years. It also helps that those corporate balance sheets have been in repair mode

Appetite for credit risk was also positively *skewed* in the quarter. BBB’s outperformed AAA’s by 1%, while High Yield bonds outperformed BBB’s by an even greater 1.7%. As we can see in Figure 1, the spread on the Barclays High Yield index narrowed by 50bps, to levels last seen at the end of 2007. This was despite record new quarterly issuance in the primary market of \$40 billion.

Although intermediate and long interest rates remain well above the fear-filled lows of December 2008, yields on the benchmark 10-year Treasury have recently been range-bound. The rate was 3.84% at the end of December, and 3.84% at the end of March. In between, its yield ranged from a low of 3.56% on February 8th, to a high of 3.88% on March 25th.

With the front end of the yield curve anchored by the Fed at 0%, the 2-year Treasury yielded just 1.03% at quarter’s end. Thus, the “10-2” spread was +281bps. In the last 20 years, the “10-2” yield curve has never been steeper than +283bps, which was its average level this past February. Its median spread during the past decade was +144bps. Its median level in the 90’s was only +60bps, while the 10-year bond averaged a 6.66% yield.

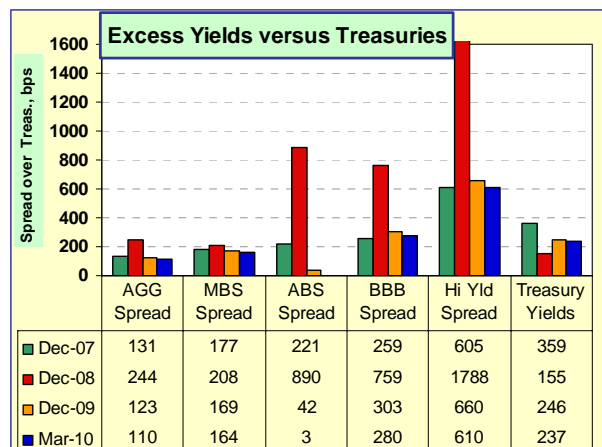
Table 4: Primary Bond Sector Returns

Bond Index	1Q '10	1 year	3 years
US Aggregate Bonds	1.8%	7.7%	6.1%
3-mo. T-bills	0.0	0.2	2.0
US Treasury, long	0.9	(7.3)	5.8
U.S. TIPS	0.9	6.7	6.2
Agency MBS	1.5	5.2	7.1
CMBS	9.0	41.6	3.6
ABS	2.2	18.5	3.9
Inv. Grade Credit	2.3	20.8	6.0
High Yield Credit	4.6	56.2	6.7
Non-US Global, Hedged	1.2	3.4	5.2
Non-US Global, Unhedged	(1.9)	8.2	7.7
Emerging Mkts Bonds	3.6	27.3	7.0

Table 5: “Spread”Bonds Continued to Outperform

<i>Excess Returns versus Treasuries, duration-adjusted (%)</i>			
Bond Sector	1Q '10	2009	2008
Aggregate Bonds	0.6	7.5	(7.1)
US Agencies	0.3	2.9	(1.5)
Agency MBS	0.7	5.0	(2.3)
Comm'l MBS	8.0	29.6	(32.7)
Asset-Backed bonds	1.3	25.0	(22.2)
Invest. Grade Credit	1.1	19.9	(17.9)
High Yield Credit	3.5	59.6	(38.3)
Primary Non-U.S.	0.1	7.3	(6.4)
Emerging Markets	3.1	38.0	(28.4)
AAA Subprime	5.2	18.0	(40.1)

Figure 1 As Credit Spreads Continued to Decline



Domestic Equities Continue to Bugaloo

Stronger relative economic growth, both here and abroad, a highly favorable current interest rate regime, adequately liquid capital markets, and favorable earnings (both current and forecast) enabled US stock markets to continue to gain ground during the first quarter of 2010. The Dow Jones Industrial Average rose 4.8%, the S&P 500 Index advanced 5.4%, and both the Russell 1000 index and the NASDAQ Composite climbed 5.7%.

Continuing the general trend that started when the bull market began in March 2009, the size effect (*smaller > larger*) was again evident in the quarter, after being reversed in Q4. After matching losses in January, small-cap stocks notably outperformed large-caps in February and March. The Top 200 largest stocks advanced “just” 4.6% in the quarter, while small-cap and micro-cap stocks climbed 8.9% and 9.9%, respectively. During this 12-month bull market, the size effect has been very robust, accounting for a 20% differential return between Top 200 (+45%) and Micro-cap (+65%) stocks.

From a style perspective, there was a shift in the recent trend of growth stocks outperforming value stocks, which had been evident throughout most of 2009. In every primary capitalization range, the value effect (*value > growth*) was once again observable this quarter. Growth stocks underperformed during the weak January market, matched returns in February, and then again fell short during a robust March. As a result, the 12-month data also reflects value beating growth across the capitalization ranges. Despite this reversal, the longer term (2-5 years) trend has favored growth investing.

From a US sector perspective, returns were quite disparate, as the more cyclical areas of the market outperformed. Per Table 7, stocks in the Industrials, Financials, and Consumer Discretionary sectors all posted returns in excess of 10%. The Industrials and Consumer Discretionary sectors benefited from rising expectations that business and consumer spending has stabilized, and in certain areas is growing. Financials gained as real estate prices have clearly stabilized, which is expected to help reduce further deterioration in loan portfolios. Citicorp and BofA led the Financials in the quarter, exactly reversing their 4th quarter experience.

The Utilities and Telecom Services sectors were the only ones to produce negative returns in the quarter, although large-cap energy stocks barely broke even. Consumers continue cutting fixed-line phones as quickly as ever, and business spending on telecom services remains down sharply from two years ago. Higher dividend Utilities stock prices are often based on interest rate *expectations*, which remain negative. The energy story still revolves around the supply of oil & gas. Weak natural gas prices and a low crack spread have weighed negatively on the sector during the past two years.

The passage of healthcare reform in the US removed some of the political uncertainty surrounding healthcare stocks. While that sector advanced in real terms, it lagged its more cyclical brethren.

The Information Technology sector turned in its weakest quarter since the market rally started. Contributing to the results were weaker performances in the computer hardware and software areas. Some of this was due to just old fashioned market rotation. Tech was the 4th quarter’s strongest performing sector, and has been one of the most successful during the highly volatile past two years. No tree grows to the sky without interruption.

Small-cap sector performance differed by degree during the quarter. Small health care, consumer discretionary, and tech stocks, which collectively account for 47% of small-caps’ market value, notably outperformed their large-cap brethren. Small-cap Industrials, which account for 15% of small stocks’ value, underperformed.

Table 6: U.S. Equity Market Size/Style Returns

	<u>1Q '10</u>	<u>1-Year</u>	<u>Trailing Periods</u>	
			<u>2-Years</u>	<u>5-Years</u>
Growth				
Top Cap	3.5	45.1	(0.8)	3.2
Mid Cap	7.7	63.0	(0.8)	4.3
Small Cap	7.6	60.3	1.0	3.8
Micro Cap	6.4	62.5	(0.6)	0.0
Value				
Top Cap	5.6	46.7	(7.9)	(0.0)
Mid Cap	9.6	72.4	(0.4)	3.7
Small Cap	10.0	65.1	0.4	2.8
Micro Cap	12.8	66.6	(3.5)	(0.1)

Table 7: U.S. Equity Sector Returns

<u>Sector</u>	<u>Large-cap Returns (%)</u>		<u>Small-cap Returns (%)</u>	
	<u>1Q '10</u>	<u>2-Yrs</u>	<u>1Q '10</u>	<u>2-Yrs</u>
Industrials	13.1	(7.9)	5.6	(6.9)
Financials	12.2	(15.7)	11.7	(6.3)
Consumer Disc.	10.9	6.0	16.2	4.1
Consumer Staples	5.7	2.3	11.5	4.2
Materials	3.5	(7.3)	7.8	(2.7)
Health Care	3.3	4.2	11.4	8.5
Info Technology	1.8	5.4	6.6	7.4
Energy	0.5	(9.9)	4.7	(15.9)
Utilities	(3.4)	(7.9)	1.0	(1.8)
Telecom Svcs	(3.6)	(7.8)	(0.5)	(8.5)



International Markets – the Tempo Shifts

Global markets started the quarter on a positive note, but peaked in mid-January as China started tightening its monetary policy. Investor concerns about slower global economic growth led investors to cash in some of their 2009 profits. In Europe, the debt crisis in Greece, followed closely by similar fiscal issues facing Portugal, Spain, and Italy, dominated financial markets. Concerns over the viability of the Euro led to a significant 6% currency weakening versus the US\$.

By February, sentiment began to improve as global economic data continued to support the concept of a broad-based recovery. European business sentiment is trending upward, exports continue to be a source of strength (and will only improve if the Euro declines further), interest rates remain low, and corporate earnings are generally improving. These factors, coupled with increased hopes the Greek situation will ultimately be contained, sparked a strong quarter-end rally in March. The MSCI World ex-US index rose 6.5% that month, pulling quarterly results into low, but positive territory (+1.4%). However, this modest gain masked a wide range of local outcomes, as only seven developed country markets posted positive returns in the quarter.

Per Table 8, the difference-maker for international portfolios last quarter was Japan. As the largest non-US market, its 8.7% advance in ¥ terms and 8.3% gain in US\$ terms drove developed market performance upward. Exports improved, retail sales figures showed some signs of life, and local unemployment rates declined. To encourage credit growth and improve liquidity conditions, the Bank of Japan doubled the amount of money available to banks. More government intervention is expected.

The Nordic countries also turned in strong showings, with Denmark, Finland and Sweden each climbing 7% to 12%. Resource-rich Australia advanced 10.2% in local terms, and 6.9% in US\$ terms. The Canadian market was up 6.2%, as the Loonie was one of a very few currencies to appreciate against the Greenback.

On the negative side of the ledger, the United Kingdom, having emerged from recession in the 4th quarter, saw the FTSE 100 climb 6% in local terms, but a depreciating £ knocked US\$ returns back to -0.6%. The worst performing European markets were those marked with most serious fiscal issues. Stock markets in Spain, Greece, Portugal and Italy, dropped -7% to -15%.

During the quarter, international growth stocks modestly outperformed value stocks (2% versus 0.9%).

Emerging markets continued to outpace developed markets, but fell short of US equities for the quarter, gaining 2.5%. The BRIC-block climbed only 1%, because the Chinese and Brazilian markets each declined, by -1.6% and -0.1%, respectively.

Strong commodity prices continued to support the Russian market, which rose 6.8%. This helped propel Emerging Eastern Europe to a performance leadership position in the first quarter, up 6.4%. With the Chinese and Taiwanese (-3.8%) markets off, Emerging Asia struggled to muster a 1.4% gain. Notably, the entire Emerging Markets sector has provided US investors with a total return of 81.6% over the past year.

The best performing global sectors in the quarter were Industrials and Consumer Discretionary, with much of that due to US strength. Across non-US markets, tech stocks gained 11.8%. Financials, the largest sector in the global index, turned in modest performance outside the US (up 0.9%), but strong returns from a global perspective. As in the US, the worst global sectors were telecom and utilities, each dropping -3.6%.

Table 8: International Markets Returns

<i>(index level = net)</i>	U.S. Dollar Return %		Local Currency Return %	
	<u>1Q '10</u>	<u>1-Year</u>	<u>1Q '10</u>	<u>1-Year</u>
World, ex-USA	1.4	56.8	4.2	44.8
- MSCI Growth	2.0	51.4	4.6	39.1
- MSCI Value	0.9	62.5	3.8	50.9
- Europe	(1.7)	57.2	3.6	50.5
- Pacific, ex-Japan	3.1	82.5	1.7	50.3
- Japan	8.3	38.0	8.7	30.6
- United Kingdom	(0.6)	59.6	5.8	50.8
Int'l Small Cap	5.5	75.2	7.9	61.1
Emerging Mkts	2.5	81.6	1.4	58.4
- EM Asia	1.4	73.8	(0.3)	58.5
- EM Europe & ME	6.9	97.8	5.5	74.0
- EM Latin America	1.7	97.8	2.3	60.2
- EM BRIC	1.0	86.4	0.9	65.6

Table 9: Global Sector Returns (% in US\$)

<i>as of March 31, 2010</i>	Primary Market (Large Cap)		Extended Market (Small Cap)	
<i>(GICS Sector)</i>	<u>1Q '10</u>	<u>2 Years</u>	<u>1Q '10</u>	<u>2 Years</u>
Industrials	9.3	(7.6)	5.2	(8.5)
Cons. Discretionary	6.9	(0.1)	9.4	(2.8)
Financials	4.7	(14.6)	6.7	(10.6)
Cons. Staples	4.0	1.0	6.6	(1.1)
Info Technology	3.9	2.4	6.9	4.5
Materials	2.4	(6.6)	7.2	(4.0)
Health Care	1.6	3.2	8.3	3.4
Energy	(1.1)	(7.3)	5.2	(10.4)
Telecom Services	(3.6)	(4.6)	3.8	(2.1)
Utilities	(3.6)	(11.2)	0.2	(3.0)



Dancing with the Stars

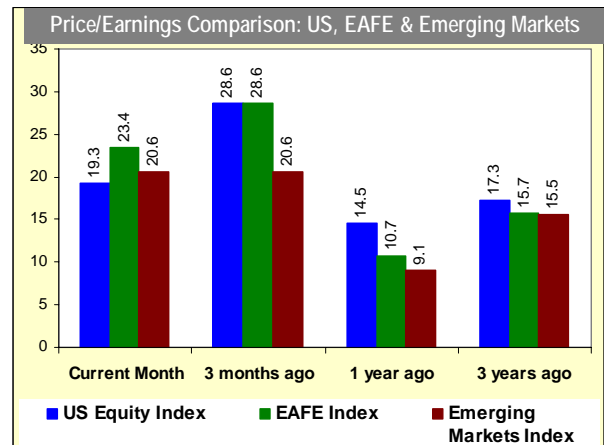
For bond investors, credit risk has been the name of the game over the past 15 months. Now, with spreads back to Dec. 2007 levels, investors are asking, “what’s next for fixed income?” Clearly the global economy is on firmer footing, emerging markets country growth is accelerating, the financial system is healthier, and developed countries have gargantuan government financing needs to fill (with the US owning the biggest bucket). Consensus is that systematic risk factors – supply, economic recovery, inflation - *have to* result in upward pressure on Treasury yields, taking everything else with them. But, the US yield curve is already all-time steep, the Fed controls the short end, and prior rising rate environments have been accompanied by flatter, or even negative, yield curves. With the Fed seen as hesitant (for many reasons) to raise short rates until a pattern of much lower employment and fewer home foreclosures emerges, it’s not crystal clear that bond portfolio total returns will be negative.

On the other hand, sovereign credit risk is taking quite a shellacking. Concerns on this front in Europe have manifested significant volatility among bonds of EU nations. Greece and Portugal are only a small piece of the potential problem, each with economies smaller than the state of Massachusetts. The real concern for Europe is Spain, which is huge by comparison.

We don’t think it will stop in Europe. In what may be a less rare event in the future, three US corporate issues recently traded at yield levels less than a US Treasury bond of the same maturity! To our minds, this was a watershed event. The markets ultimately know no patriotism, and an out of order fiscal house can only be tolerated for so long. We think the stars are aligned for global corporate and Emerging Markets issues to trade below their lowest credit spreads ever. Most other bond investors certainly want to be dancing close to the door.

The substantial increases in equity and commodity prices over the past twelve months could suggest markets have risen too fast, and equities are primed for a significant correction or even a return to bear market conditions. We hold the contrary view, considering longer-term equity prospects strong for both developed and developing markets. We also expect considerable short-term volatility along the way, notwithstanding the VIX at 20. Economic recovery and equity market recovery seldom move in lock step, as demonstrated by the 1st quarter’s experience in perhaps the world’s two strongest major economies, China and Brazil. Which is why we’ve advocated buying the dips in order to increase underweighted equity positions.

As we transition from global *recovery* to global *expansion*, we think the field of runners will begin to spread out. And, differential government policy response represents by far the biggest “known unknown” factor. We’re really in uncharted waters in that regard. Which brings us to this quarter’s back page chart, below.



We’ve just finished a 3-year period during which Emerging Markets stocks outperformed our domestic market by over 9.5% per annum. Conventional wisdom is that in the process EM stocks must now be trading quite rich to domestic stocks. Higher, yes, but not by nearly as much as you might think. And, where will economic growth be coming from over the next 3-5 years? Where are government balance sheets in better shape? Where will companies, and their owners, keep more of what they make?

JPMorgan estimates the US equity market’s composite valuation is at 88% of its 22-year average, and the EAFE index is at 76%, based on the metrics of forward P/Earnings, P/Book, P/Cashflow, and Dividends.

Finally, factoids from Investment Company Institute -

- In 2009, Net New Cash Flows into bond funds was +\$375bn, was +\$31bn into foreign equity funds, and was -\$40bn outflow from domestic equity funds.
- So far in 2010, bond fund inflows are +\$113bn, foreign stock is +\$31bn, and US stock is +\$7.5bn.

Sell high, buy low. See you next quarter!

Natalka Bukalo

Richard Shaffer, CFA