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A Chart Worth Noting

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We are asked all the time whether the US market can appreciate while the Chinese economy slows more than people think. The answer so far has been a definitive yes.

The chart below shows the returns over the last 12 months from the S&P 500 and the CSI 300 Index. Note that the US has appreciated (total return) over 30% during the last twelve months, while the Chinese stock market was down more than 9%. This nearly forty percentage point return spread has occurred coincidentally with the Chinese economy producing significantly disappointing results.

We continue to believe that the global economy is going through a major change that is opposite from the trends of the 2000s, and that strongly favors US equities over emerging market equities. We remain positioned accordingly.



Source: Bloomberg. As of 9/30/12.



INDEX DESCRIPTIONS:

The following descriptions, while believed to be accurate, are in some cases abbreviated versions of more detailed or comprehensive definitions available from the sponsors or originators of the respective indices. Anyone interested in such further details is free to consult each such sponsor's or originator's website.

The past performance of an index is not a guarantee of future results.

Each index reflects an unmanaged universe of securities without any deduction for advisory fees or other expenses that would reduce actual returns, as well as the reinvestment of all income and dividends. An actual investment in the securities included in the index would require an investor to incur transaction costs, which would lower the performance results. **Indices are not actively managed and investors cannot invest directly in the indices.**

US Equities: Standard & Poor's (S&P) 500[®] Index. The S&P 500[®] Index is an unmanaged, capitalization-weighted index designed to measure the performance of the broad US economy through changes in the aggregate market value of 500 stocks representing all major industries.

Chinese Equities: CSI 300 Index. The CSI 300 Index is a freefloat-weighted index that consists of 300 A-share stocks listed on the Shanghai or Shenzhen Stock Exchanges and aims to reflect the price fluctuation and performance of the China A share market.

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