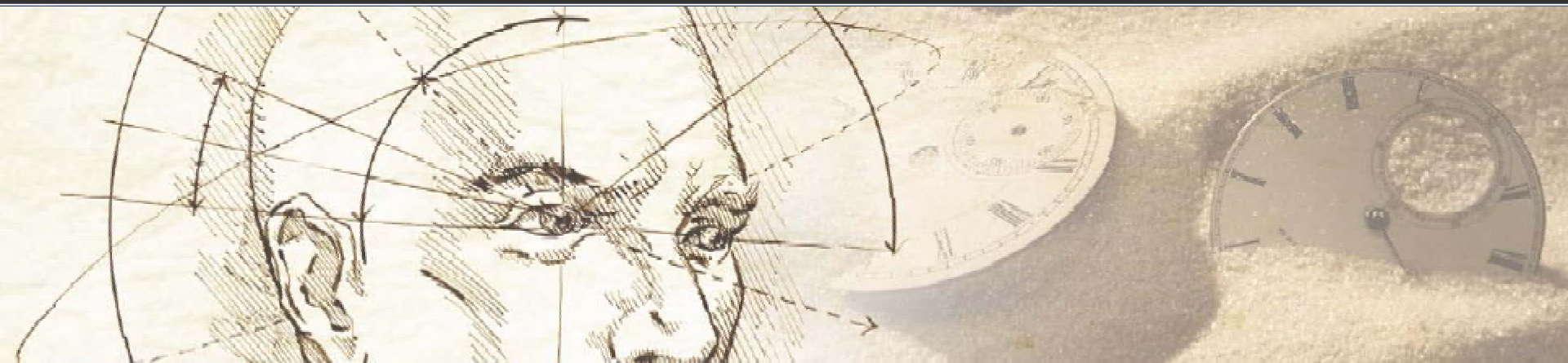


Understanding Markets and Long-term Investing

Q3 2009



Disclaimer

Any statements contained herein that are not based on historical fact are forward-looking statements. Any forward-looking statements represent the portfolio manager's best judgment as of the present date as to what may occur in the future. However, forward-looking statements are subject to many risks, uncertainties and assumptions, and are based on the portfolio manager's present opinions and views. For this reason, the actual outcome of the events or results predicted may differ materially from what is expressed. Furthermore, the portfolio manager's views, opinions or assumptions may subsequently change based on previously unknown information, or for other reasons. Mackenzie Financial Corporation and its affiliates assume no obligation to update any forward-looking information contained herein. The reader is cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements.

The story behind these charts...

The beauty of newspapers, from a publisher's perspective, is that they're addictive. A story doesn't unfold all in one go, like a novel. It fills in, bit by bit, over days. So, you have to keep buying the next day's newspaper.

The story of markets and individual investments, as presented in various media, is like that. Every day, we get a few disjointed pieces of information. But, for some reason, they rarely add up to a practical investment principle, like diversification. More often, they simply stir up emotions.

The charts in the following pages are, by contrast, the accumulation of years and years of data. They tell a long-term story of market behaviour - good and bad. They lay the groundwork for an understanding of risks and rewards. They set the stage for rational discussions of asset mix and individual investments.

We assembled these charts because we're not interested in selling papers. We're interested in growing wealth for long-term investors.

Predicting the winner is difficult

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Emerging Markets 82.3%	Foreign Equities 14.5%	US Large Cap 33.9%	Cdn. Small Cap 28.7%	US Large Cap 39.2%	US Large Cap 37.7%	Emerging Markets 57.2%	Cdn. Bonds 10.3%	US Small Cap 8.8%	Cdn. Bonds 8.7%	Cdn. Small Cap 42.7%	Emerging Markets 16.8%	Emerging Markets 31.2%	Emerging Markets 32.1%	Emerging Markets 18.6%	Cdn. Bonds 6.4%
Cdn. Small Cap 48.3%	Global Equities 11.9%	US Small Cap 24.9%	Cdn. Large Cap 28.4%	US Small Cap 27.7%	Global Equities 33.7%	Cdn. Large Cap 31.7%	Cdn. Large Cap 7.4%	Cdn. Bonds 8.1%	Cdn. Small Cap -0.9%	Emerging Markets 27.8%	Cdn. Large Cap 14.5%	Cdn. Large Cap 24.1%	Foreign Equities 26.8%	Cdn. Large Cap 9.8%	US Small Cap -17.9%
Foreign Equities 38.5%	US Large Cap 7.4%	Cdn. Bonds 20.7%	US Large Cap 23.4%	Global Equities 21.3%	Foreign Equities 28.9%	Cdn. Small Cap 20.3%	Cdn. Small Cap 7.3%	Emerging Markets 3.8%	Emerging Markets -7.0%	Cdn. Large Cap 26.7%	Cdn. Small Cap 14.1%	Cdn. Small Cap 19.7%	Global Equities 20.6%	Cdn. Bonds 3.7%	US Large Cap -21.9%
Cdn. Large Cap 32.6%	US Small Cap 4.0%	Global Equities 18.1%	US Small Cap 16.9%	Cdn. Large Cap 15.0%	Cdn. Bonds 9.2%	Foreign Equities 20.1%	US Small Cap 0.8%	Cdn. Small Cap 3.4%	Cdn. Large Cap -12.4%	US Small Cap 20.5%	Foreign Equities 12.4%	Foreign Equities 10.5%	US Small Cap 18.3%	Cdn. Small Cap 2.0%	Global Equities -26.1%
Global Equities 28.3%	Cdn. Large Cap -0.2%	Cdn. Large Cap 14.5%	Global Equities 14.4%	Cdn. Bonds 9.6%	US Small Cap 4.4%	Global Equities 18.2%	US Large Cap -5.5%	US Large Cap -6.5%	Foreign Equities -16.4%	Foreign Equities 13.9%	US Small Cap 10.2%	Global Equities 6.6%	Cdn. Large Cap 17.3%	Foreign Equities -5.3%	Foreign Equities -29.4%
US Small Cap 23.9%	Emerging Markets -1.8%	Cdn. Small Cap 13.9%	Cdn. Bonds 12.3%	Cdn. Small Cap 7.0%	Cdn. Large Cap -1.6%	US Small Cap 14.4%	Global Equities -9.5%	Global Equities -11.4%	Global Equities -20.2%	Global Equities 9.4%	Global Equities 7.3%	Cdn. Bonds 6.5%	Cdn. Small Cap 16.6%	Global Equities -7.1%	Cdn. Large Cap -33.0%
Cdn. Bonds 18.1%	Cdn. Bonds -4.3%	Foreign Equities 8.6%	Foreign Equities 6.7%	Foreign Equities 6.5%	Cdn. Small Cap -17.9%	US Large Cap 14.2%	Foreign Equities -10.6%	Cdn. Large Cap -12.6%	US Small Cap -21.1%	Cdn. Bonds 6.7%	Cdn. Bonds 7.2%	US Large Cap 1.6%	US Large Cap 15.7%	US Large Cap -10.6%	Emerging Markets -41.4%
US Large Cap 14.7%	Cdn. Small Cap -8.6%	Emerging Markets -7.8%	Emerging Markets 6.6%	Emerging Markets -7.7%	Emerging Markets -19.9%	Cdn. Bonds -1.1%	Emerging Markets -28.2%	Foreign Equities -16.4%	US Large Cap -22.7%	US Large Cap 5.3%	US Large Cap 3.3%	US Small Cap 1.3%	Cdn. Bonds 4.1%	US Small Cap -16.5%	Cdn. Small Cap -46.6%

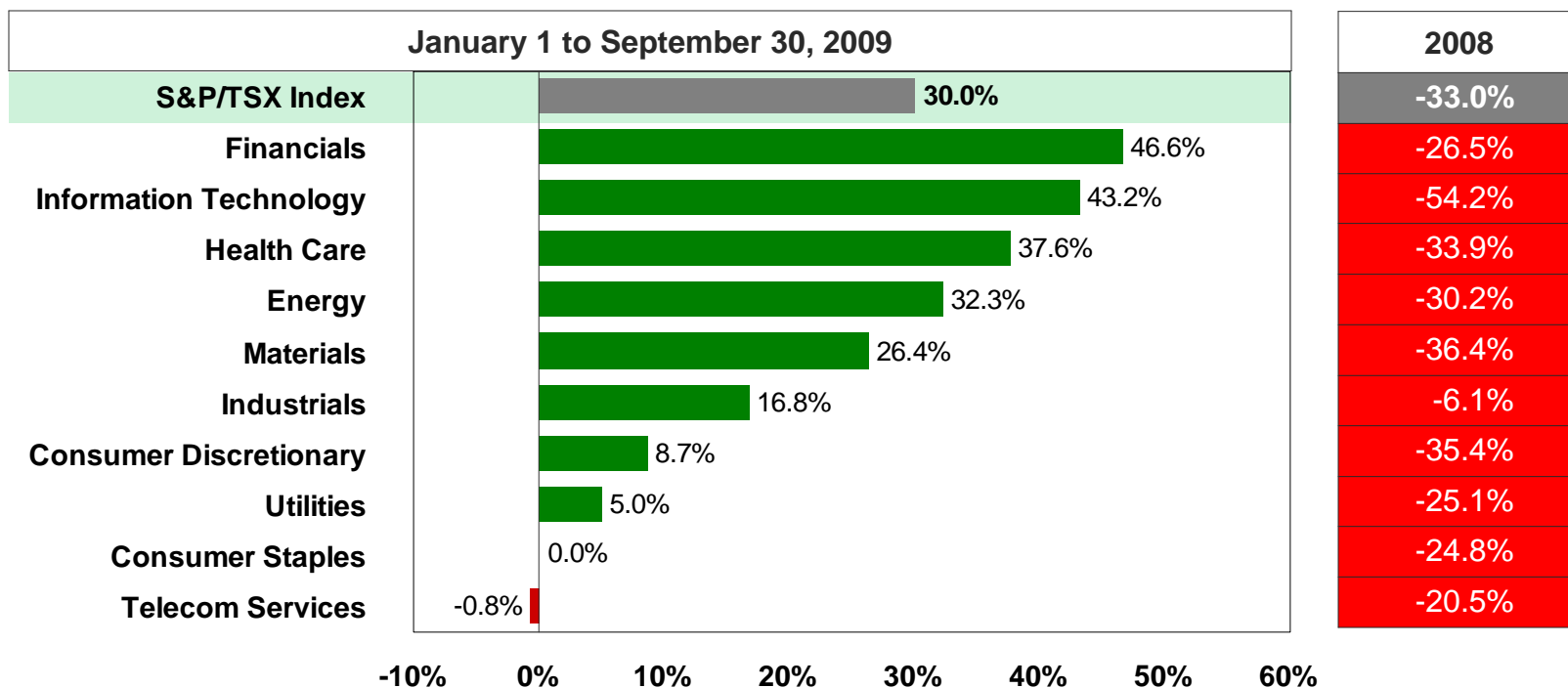
Canadian Bonds: DEX Universe Bond Total Return Index
Canadian Large Cap: S&P/TSX Total Return Index
Canadian Small Cap: BMO Nesbitt Burns Cdn Small Cap Index
Emerging Markets: MSCI Emerging Markets Free Index (\$Cdn)

Global Equities: MSCI World Index (\$Cdn)
Foreign Equities: MSCI EAFE Index (\$Cdn)
US Large Cap: S&P 500 Total Return Index (\$Cdn)
US Small Cap: Russell 2000 Index (\$Cdn)

Source: Globe HySales, as at December 2008

A closer look at the TSX . . .




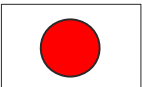


Returns on TSX for YTD 2009 (and 2008)



Source: Standard & Poor's, as of September 30, 2009

Currency: the hidden difference

Comparing YTD-09 returns in local currency to CDN\$-based

	Canada	U.S.	Euro Area	Japan	Emerg. Mkts	World
Stock markets						
Local currency returns	30.0%	19.3%	23.7%	8.1%	51.8%	20.9%
CDN\$-based returns	30.0%	3.7%	15.1%	-4.9%	43.4%	9.2%

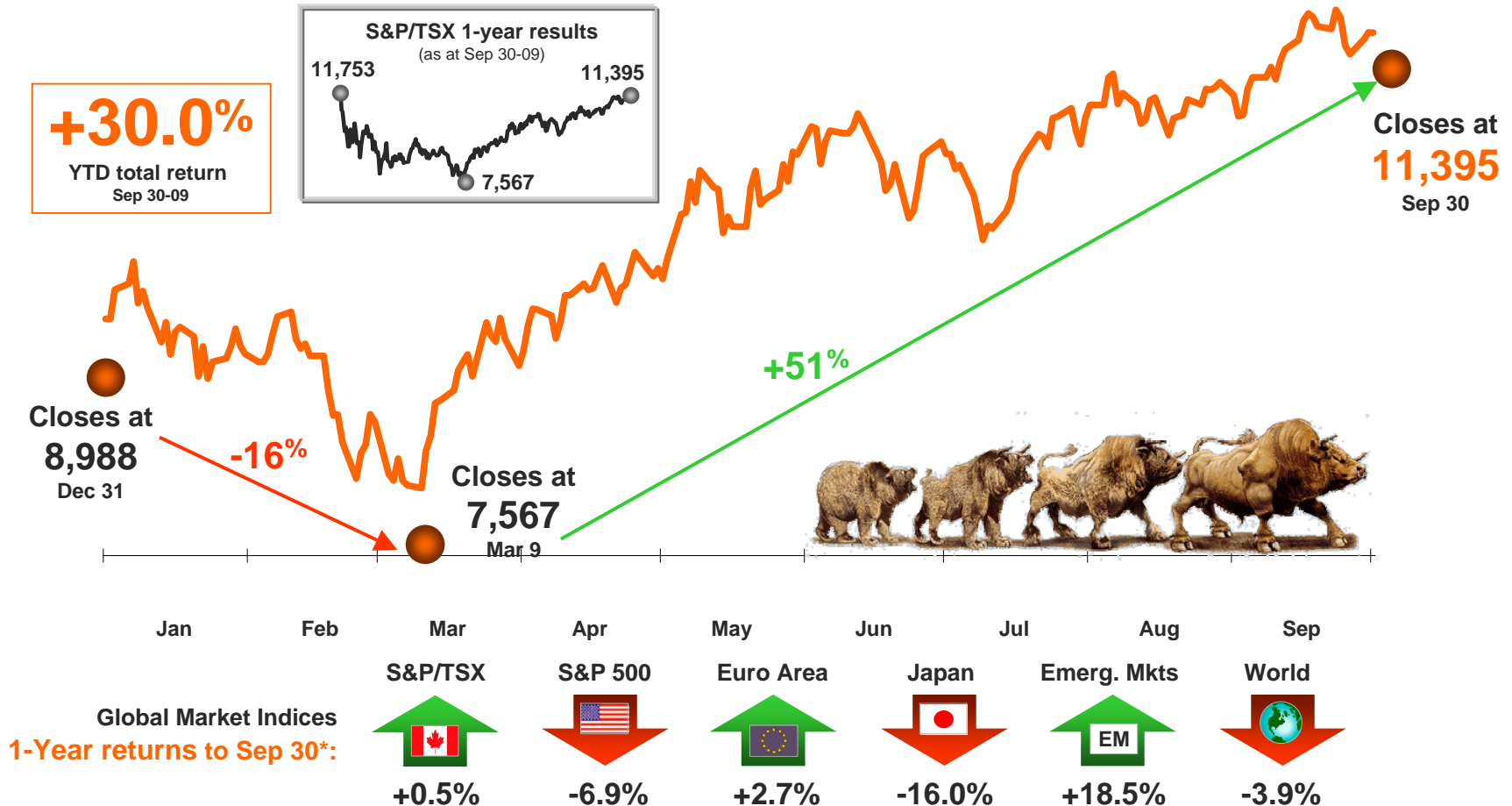
Note: Above expressed in total returns

(Canada: S&P/TSX; U.S.: S&P500; Euro: MSCI Europe; Japan: MSCI Japan; World: MSCI World)

Source: Datastream, as at September 30, 2009

2009 at-a-Glance

S&P/TSX Composite Index (as at Sept 30, 2009)



Source: Datastream, MSCI indices unless otherwise noted, as at September 30, 2009; * total returns, local currency.

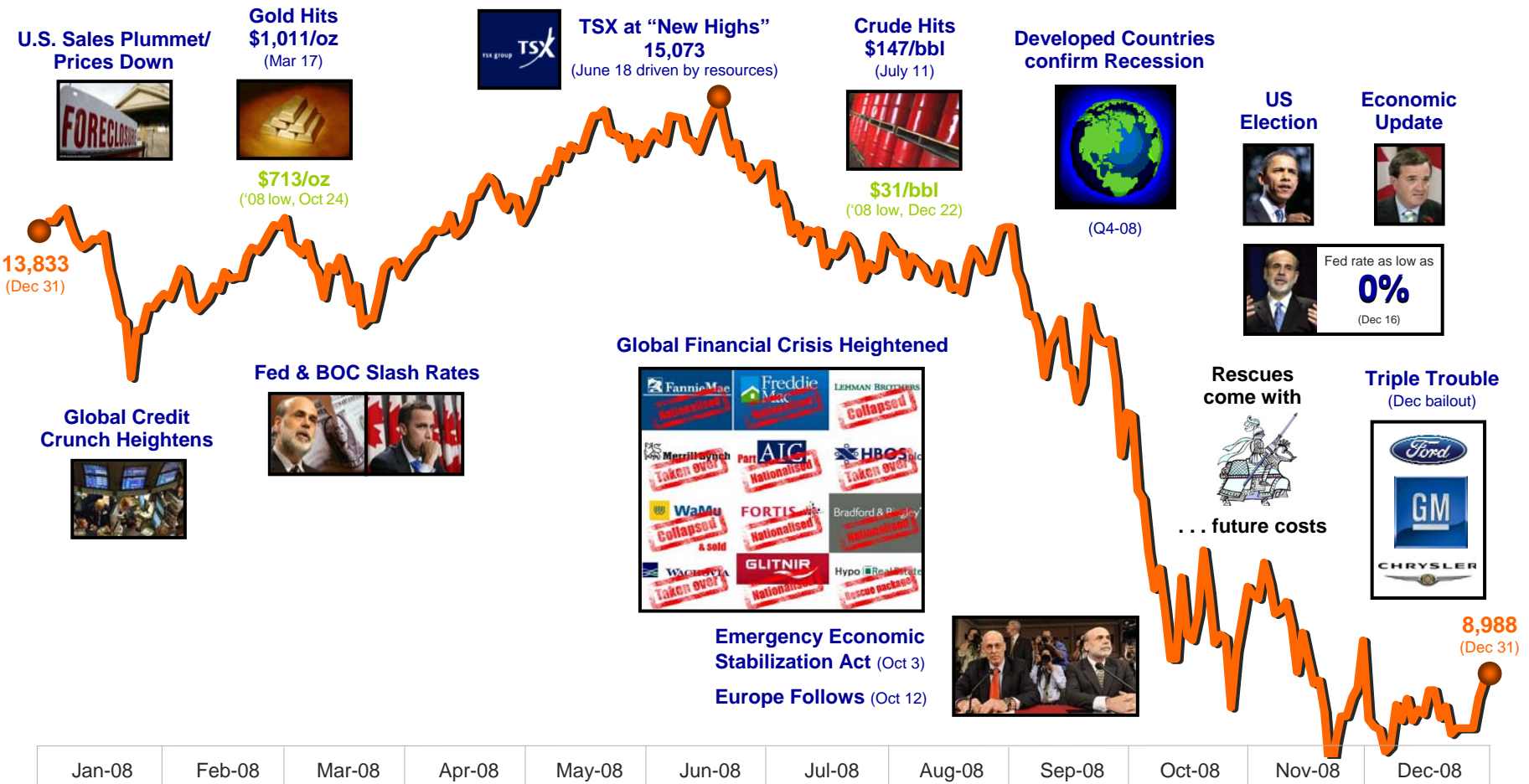
2009 at-a-Glance: Key Events

S&P/TSX Composite Index (as at Sept 30, 2009)



2008 at-a-Glance: Key Events

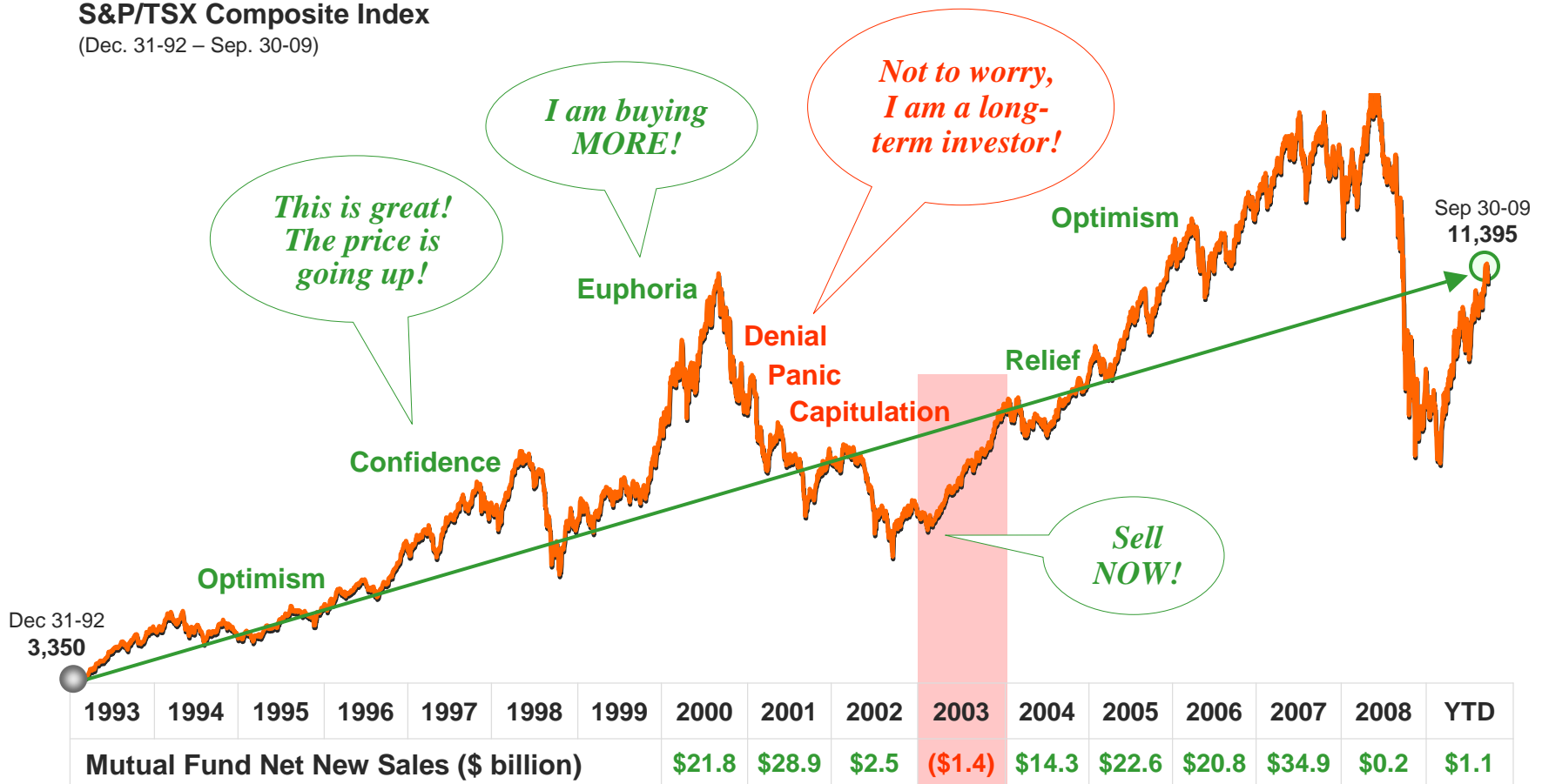
S&P/TSX Composite Index (as at December 31, 2008)



Sources: Datastream, as at Dec. 31, 2008; total returns, local currency, Financial crisis visual: BBC News

Certainty #3 in life . . . A market will cycle, challenging investor emotions

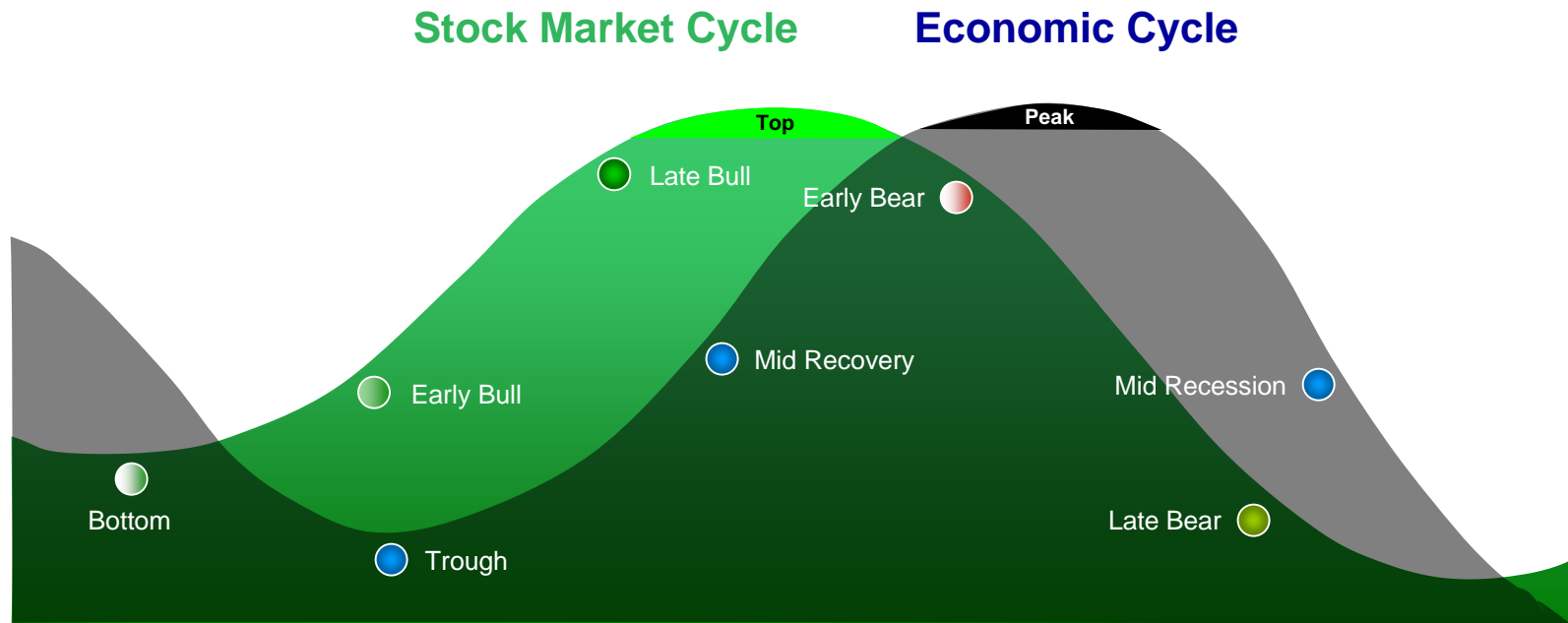
S&P/TSX Composite Index
(Dec. 31-92 – Sep. 30-09)



Sources: Datastream (index) as at Sep. 30, 2009; IFIC (mutual fund net sales) as at Sep. 30, 2009

Always remember . . . it's only a cycle

Market cycle relative to economic cycle . . . but each has differences



For illustrative purposes only

Today *versus* Great Depression

No comparison

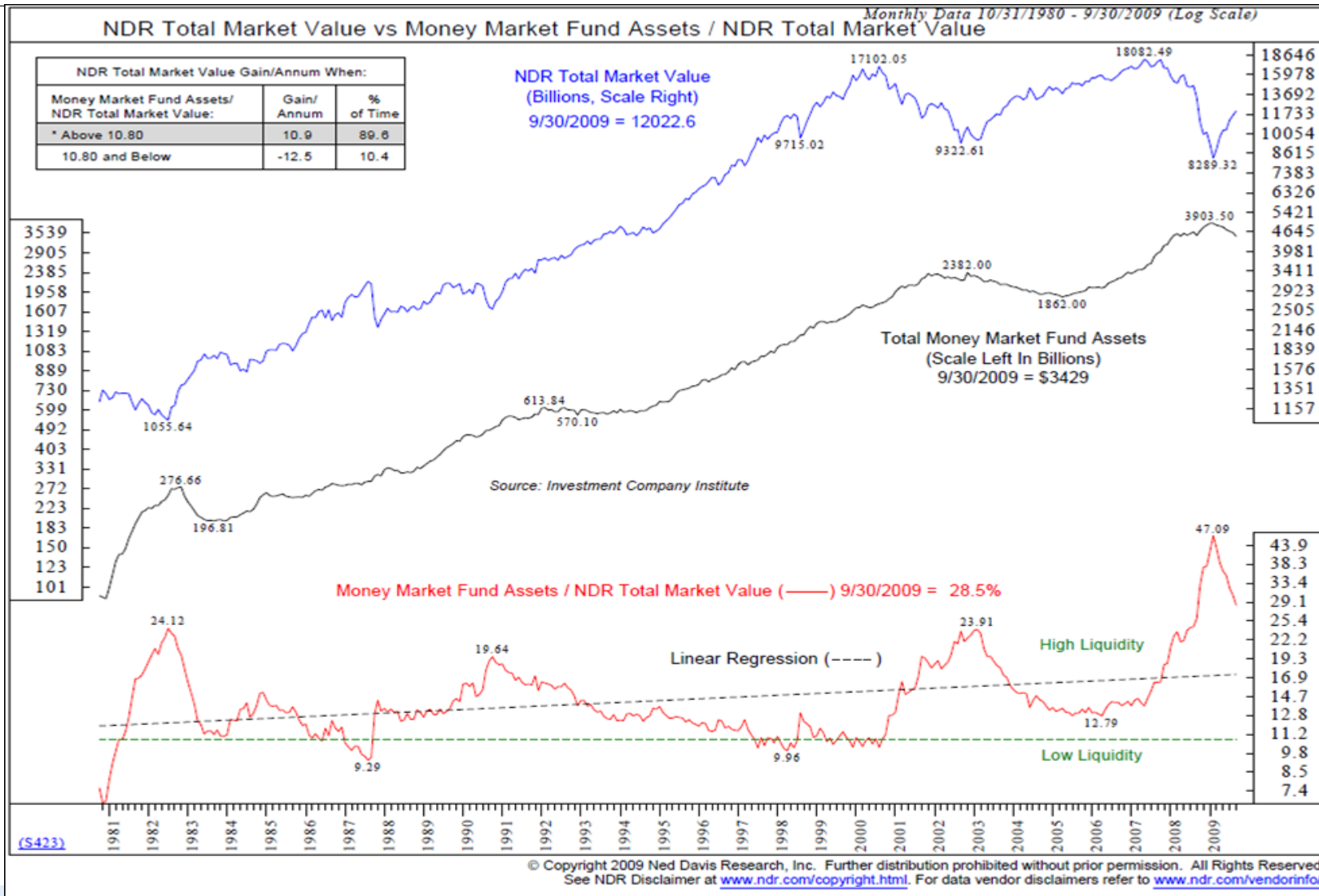
Key Factor	Great Depression ⁽¹⁾	Mid 2008 ⁽¹⁾	2009F ⁽²⁾
Gross domestic product growth	-27%	+1%	-2.4%
Industrial production	-52%	-2%	-10.3%
Unemployment rate high	25%	6%	9.2%
Federal deficit as percentage of GDP	1.4%	4.9%	11.2%*
U.S. exports	-66%	+15%	-11.2%
Consumer Price Index	-27%	+4%	-0.4%
Money supply	-29%	+3%	n/a

Sources: ⁽¹⁾ Schwab Investing Insights, Fall, 2008, Federal Reserve, Historical Statistics of the United States, Bureau of Labor Statistics, Bureau of Economic Analysis, National Bureau of Economic Research

⁽²⁾ © BMO Capital Markets Economics, Oct. 2, 2009; Federal deficit as % GDP from Congressional Budget Office, August 2009

* Estimate by Congressional Budget Office and the Joint Committee on Taxation, assumes President's proposals enacted.

High Investor Cash Reserves Depress Markets Short-Term, Fuel Them Long-Term



Source: Ned Davis Research, Sept. 30, 2009

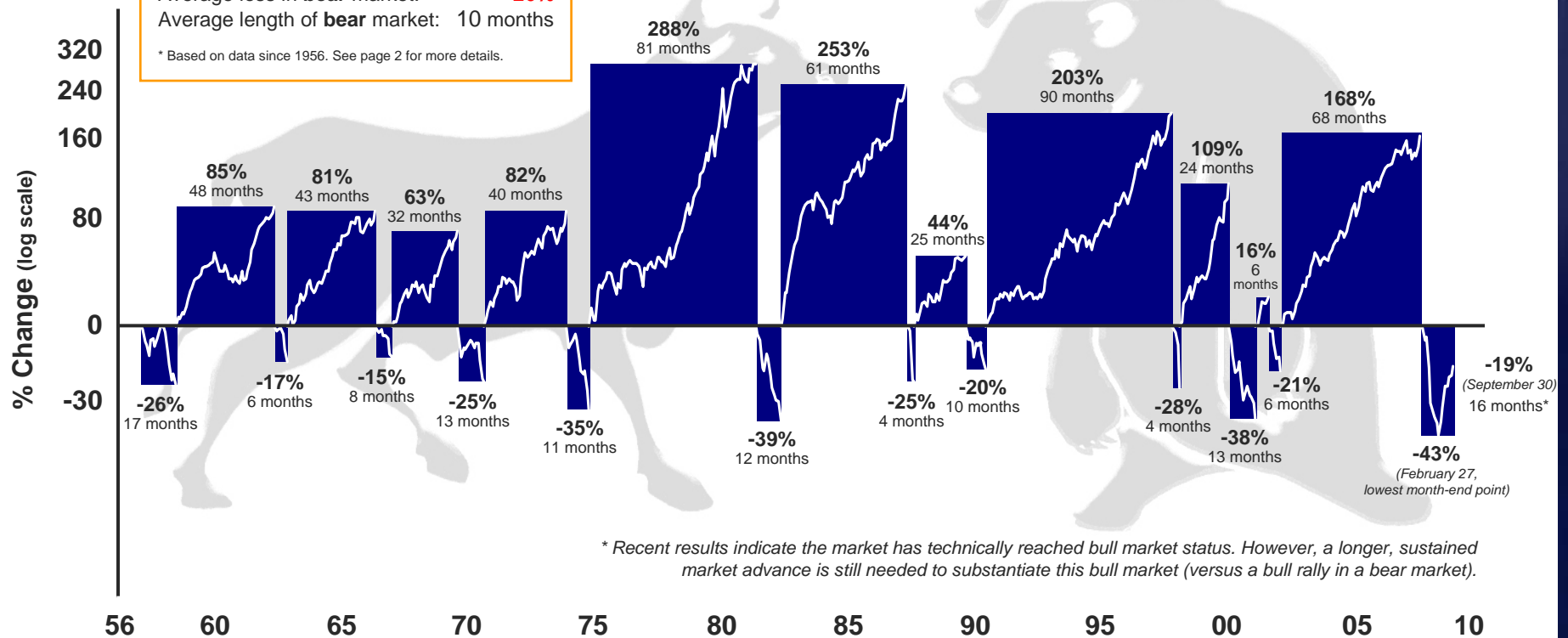
Bull & Bear Markets

S&P/TSX Composite Index to September 2009

Bull & Bear Facts*

Average gain in **bull** market: **+127%**
 Average length of **bull** market: 47 months
 Average loss in **bear** market: **-26%**
 Average length of **bear** market: 10 months

* Based on data since 1956. See page 2 for more details.



* Recent results indicate the market has technically reached bull market status. However, a longer, sustained market advance is still needed to substantiate this bull market (versus a bull rally in a bear market).

Source: Mackenzie Financial (Datastream: month-end data points as at September 30, 2009; total return, local currency)

Bull & Bear Markets

S&P/TSX Composite Index to September 2009

THE RISKS AND REWARDS OF INVESTING

- This chart represents the bull and bear markets in the S&P/TSX Index since 1956. All bars above the line are bull markets; all bars below are bear markets.
- For the purposes of this illustration, a bull (bear) market is defined as a positive (negative) move greater than 15% that lasts at least 3 months.
- The first bar represents a bear market which, at its lowest point, dropped to -26% and lasted 17 months. This was followed by a bull market rising 85% and lasting 48 months.
- Since 1956 there have been 11 bull markets and 12 bear markets. As can be seen from the chart, bull markets typically last longer and provide a more significant percentage change.
- Bear markets during this period have averaged -26% and lasted only 10 months. Bull markets during this period have averaged 127% and lasted 47 months. This is the reward for accepting the risk of bear markets.

INVESTOR BEHAVIOUR

- According to the chart, markets spend more time in positive territory (bull) than negative (bear).
- Bull markets are, on average, longer and more intense, providing a more significant percentage change.
- On average bear markets are more brief, and yet engender fear. It is during these periods that there are significant investment 'bargains' to be found.
- Investor discipline during bear markets is critical.

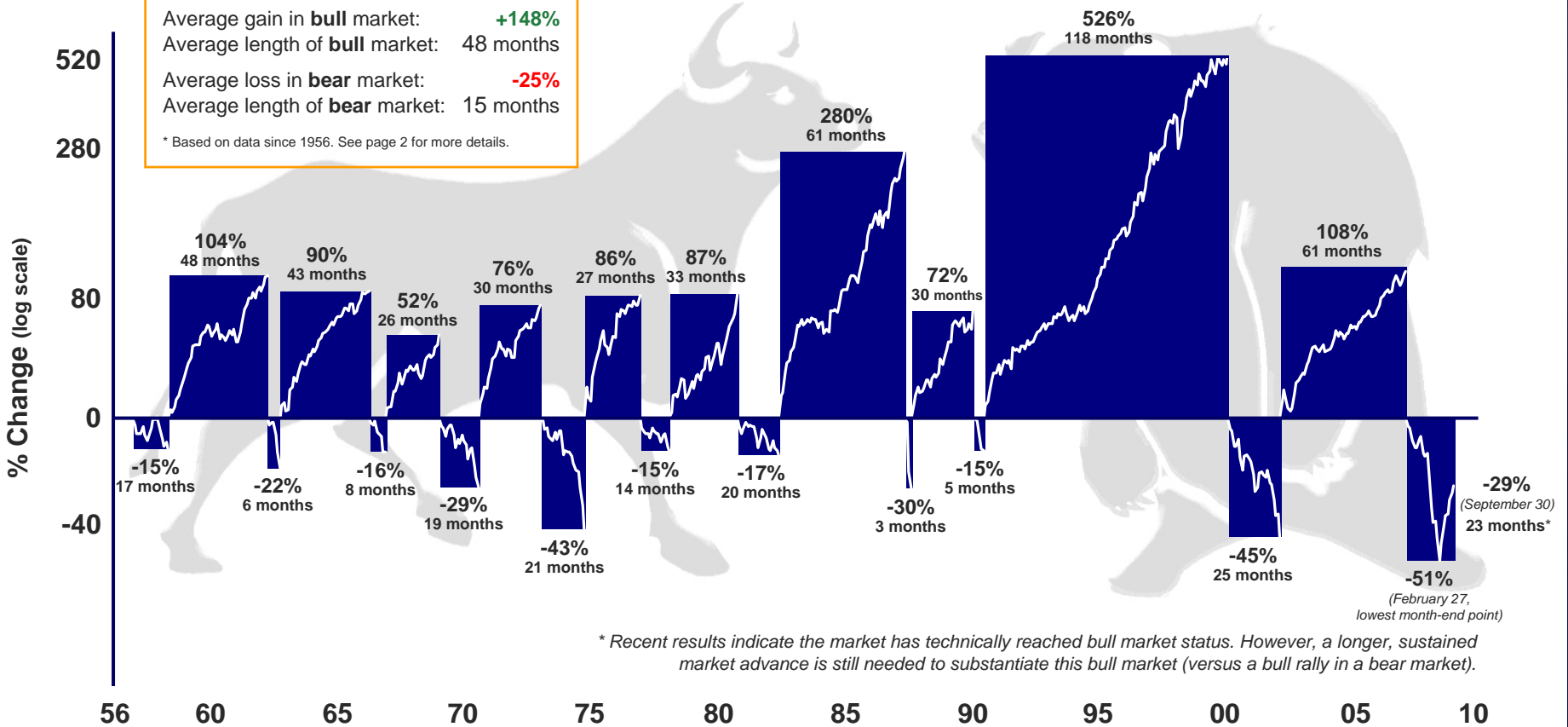
Bull & Bear Markets

S&P 500 Composite Index to September 2009

Bull & Bear Facts*

Average gain in **bull** market: **+148%**
 Average length of **bull** market: 48 months
 Average loss in **bear** market: **-25%**
 Average length of **bear** market: 15 months

* Based on data since 1956. See page 2 for more details.



* Recent results indicate the market has technically reached bull market status. However, a longer, sustained market advance is still needed to substantiate this bull market (versus a bull rally in a bear market).

Source: Mackenzie Financial (Datastream: month-end data points as at September 30, 2009; total return, local currency)

Bull & Bear Markets

S&P 500 Composite Index to September 2009

THE RISKS AND REWARDS OF INVESTING

- This chart represents the bull and bear markets in the S&P 500 Composite Total Return since 1956. All bars above the line are bull markets; all bars below are bear markets.
- For the purposes of this illustration, a bull (bear) market is defined as a positive (negative) move greater than 15% that lasts at least 3 months.
- The first bar represents a bear market which, at its lowest point, dropped to -15% and lasted 17 months. This was followed by a bull market rising 104% and lasting 48 months.
- Since 1956 there have been 10 bull markets and 11 bear markets. As can be seen from the chart, bull markets typically last longer and provide a more significant percentage change.
- Bear markets during this period have averaged -25% and lasted only 15 months. Bull markets during this period have averaged 148% and lasted 48 months. This is the reward for accepting the risk of bear markets.

INVESTOR BEHAVIOUR

- According to the chart, markets spend more time in positive territory (bull) than negative (bear).
- Bull markets are, on average, longer and more intense, providing a more significant percentage change.
- On average bear markets are more brief, and yet engender fear. It is during these periods that there are significant investment 'bargains' to be found.
- Investor discipline during bear markets is critical.

S&P/TSX Declines Greater Than 30%

Period		Peak Value	Trough Value	Decline	Months from Peak to Trough	Total Price Return (from trough)		
Peak Date	Trough Date					3 months	1 year	10 years
Sep 2 1929	Jun 1 1932	332.61	64.20	-80.7%	33	45.8%	79.2%	37.9%
Jul 3 1956	Dec 3 1957	617.67	432.11	-30.0%	17	5.8%	26.8%	108.1%
Oct 1 1973	Sep 3 1974	1329.28	832.98	-37.3%	11	1.4%	17.2%	186.5%
Nov 28 1980	Jul 8 1982	2402.23	1346.35	-44.0%	19	26.2%	84.1%	153.7%
Aug 13 1987	Oct 28 1987	4112.86	2837.79	-31.0%	3	7.9%	20.0%	137.4%
Apr 22 1998	Oct 5 1998	7822.25	5336.15	-31.8%	6	24.8%	31.0%	102.5%
Sep 1 2000	Oct 9 2002	11388.80	5695.33	-50.0%	25	18.9%	33.5%	N/A
Jun 18 2008	Mar 9 2009	15073.13	7566.94	-49.8%	9	39.4%	N/A	N/A
Average:				-43.5%	16	18.7%	41.7%	121.0%
Ex- Period 1 (Great Depression):				-37.4%	13	14.2%	35.4%	137.6%
Annualized Price Return (excludes dividends)								
Average:								8.0%
Ex- Period 1 (Great Depression):								9.0%

Why Commit Now When Further 5-8% Decline Possible? Because Best Returns Come Fast And Early in New Bull

Mean Group Performance During NDR Defined Bear and Bull Markets

Group Name	Bull Market		Last Third Bull	Total Bull Market
	4/19/1980 - Present	Second Third Bull		
Broadcast Media	38.98	22.35	19.19	121.70
Consumer Durables & Apparel	53.16	16.16	15.55	118.42
Consumer Services	55.01	19.32	16.83	123.34
Retailing	61.14	23.55	28.36	178.10
Consumer Staples	30.81	14.93	18.45	85.04
Energy	19.29	30.15	22.12	86.96
Banking	42.21	20.32	14.52	128.39
Diversified Financials	58.73	30.47	24.76	191.44
Insurance	42.12	18.45	17.89	119.67
Real Estate Investment Trusts	32.70	11.56	6.62	62.97
Health Care Equipment & Services	44.18	29.06	12.46	128.22
Pharmaceuticals Biotechnology & Life Sciences	43.26	14.54	27.85	116.45
Capital Goods	40.32	20.23	21.30	114.29
Commercial Services & Supplies	43.81	22.95	18.63	134.76
Transportation	47.75	18.18	19.84	117.79
Software & Services	73.48	26.22	35.92	252.53
Technology Hardware & Equipment	67.13	28.45	24.12	197.62
Materials	37.60	18.61	18.39	96.96
Telecommunications Services	42.72	23.25	24.48	138.13
Utilities	21.80	10.04	5.16	44.56

* Only Used Groups With Price Data Back To 10/14/1980
NED DAVIS RESEARCH, INC.

Bear market decisions...

Value of \$10,000 invested in the S&P 500 (US\$) January 31, 1973:

3 Months Later...	\$9,285
6 Months Later...	\$9,465
9 Months Later...	\$9,545
12 Months Later...	\$8,587
1 Year, 8 Months Later (Sept/74 Market Low)	\$5,816

At what point do you think most investors would have given up and thrown in the towel?

\$5,816 removed from the market & re-invested in an interest bearing CD at 10.5%:

6 months later...	\$6,121
12 months later...	\$6,426
2 years later...	\$7,101
5 years later...	\$9,581
10 years later...	\$16,145 (after re-investment Sept/79 for 5 yrs at prevailing rate of 11%)

Bear market decisions...

What if you had kept your \$5,816 invested in the S&P 500 (US\$) instead of going into cash on Sept 30, 1974?



10 years later...	\$24,671
5 years later...	\$12,596
2 years later...	\$10,468
12 months later...	\$ 8,033
6 months later...	\$ 7,820

Food for thought.

Bear market decisions...

What if you invested an additional \$10,000 in the S&P 500 (US\$) instead of going into cash on Sept 30, 1974 ?



10 years later...	\$67,091
5 years later...	\$34,254
2 years later...	\$28,465
12 months later...	\$21,846
6 months later...	\$21,266

Food for thought.

Bear market decisions...

Value of \$10,000 invested in the S&P 500 (US\$) August 31, 2000:

3 months later...	\$8,688
6 months later...	\$8,216
9 months later...	\$8,349
12 months later...	\$7,561
2 years, 1 month later (Sept/02 Market Low)	\$5,527

At what point do you think most investors would have given up and thrown in the towel?

\$5,527 removed from the market & re-invested in a 5-year GIC at 3.28%

12 months later...	\$5,708
2 years later...	\$5,895
3 years later...	\$6,087
5 years later	\$6,493

Bear market decisions...

What if you had kept your \$5,527 invested in the S&P 500 (US\$) instead of going into cash on Sept 30, 2002 ?

5 years later...

\$11,334

3 years later...

\$ 8,787

2 years later...

\$ 7,829

12 months later...

\$ 6,875

6 months later...

\$ 5,804

Food for thought.

Bear market decisions...

What if you invested an additional \$10,000 in the S&P 500 (US\$) instead of going into cash on Sept 30, 2002 ?

5 years later...

\$31,842

3 years later...

\$24,685

2 years later...

\$21,992

12 months later...

\$19,315

6 months later...

\$16,306

Food for thought.

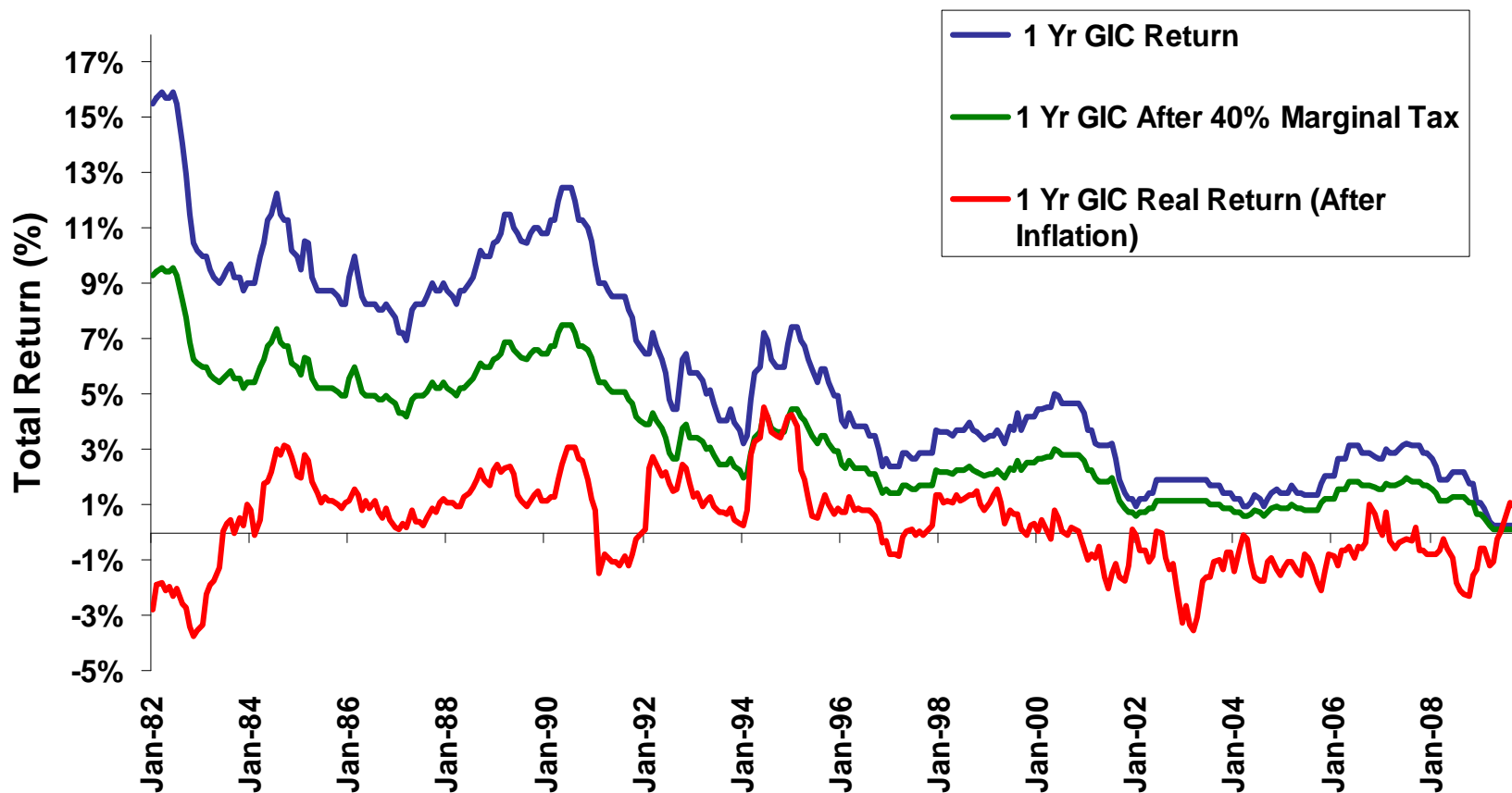
Staying Invested Improves Returns

Crisis	Market Low	1 Year Later	2 Years Later
The Korean War	07/13/1950	28.8%	39.3%
Cuban Missile Crisis	10/23/1962	33.8%	57.3%
JFK Assassination	11/23/1963	25.0%	33.0%
1969 to 70 Market Break	05/26/1970	43.6%	53.9%
1973 to 74 Market Break	12/06/1974	42.2%	66.5%
1979 to 80 Oil Crisis	03/27/1980	27.9%	5.9%
1987 Stock Market Crash	10/19/1987	22.9%	54.3%
Desert Storm	10/11/1990	21.1%	30.2%
Soviet coup d'état attempt	08/19/1991	11.1%	21.2%
Asian Financial Crisis	04/02/1997	49.3%	76.2%
Dot-com Bubble crash / Sept 11 / Enron	10/09/2002	33.7%	44.8%
Invasion of Iraq	03/11/2003	38.2%	50.6%
North Korean Missile Test	07/17/2006	25.5%	2.1%
Subprime Mortgage Crisis	03/09/2009	?	?
Average Appreciation		31.0%	41.2%

Snapshots in time of significant negative international events from 1950 to Mar 2009, and the subsequent change in market value from the stock market low in that calendar year to one and two years hence.

Benchmark: S&P 500

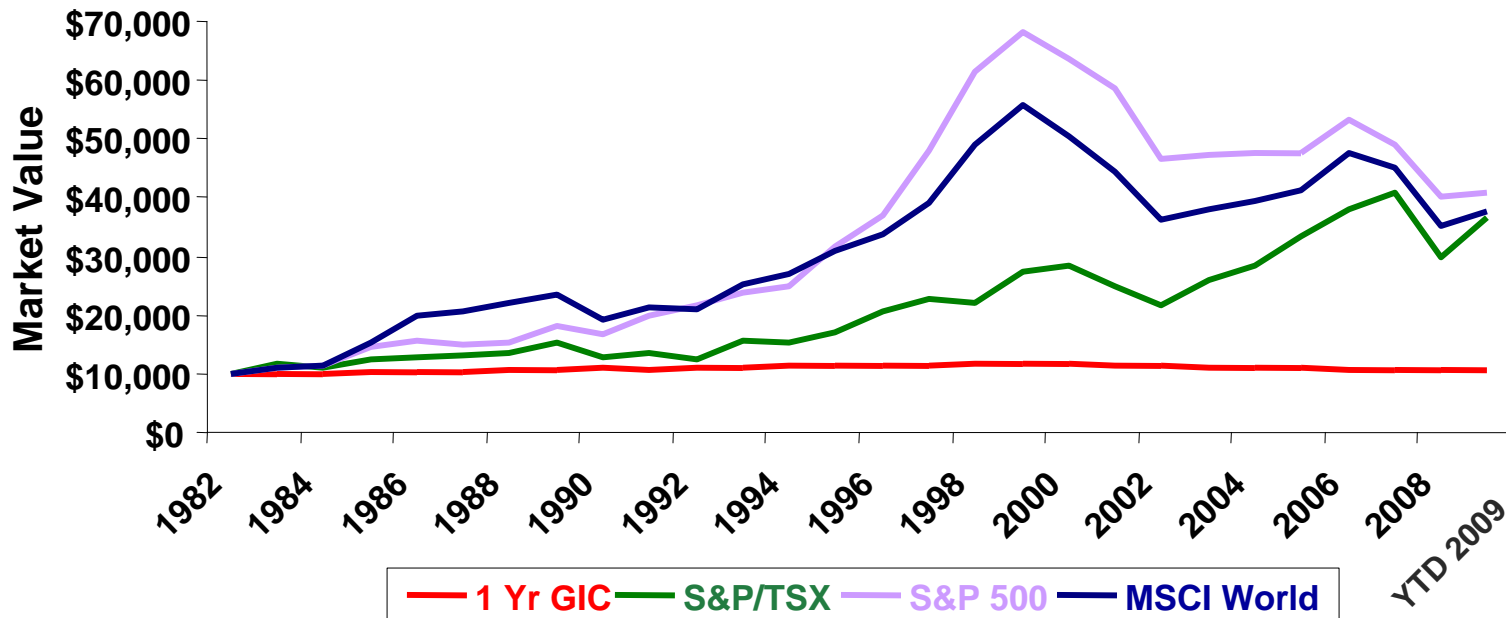
Real Return of a GIC



Source: Globe HySales, Bloomberg. As of September 30, 2009.

Real Return of \$10,000

S&P 500 Real Return:	\$40,815
MSCI World Real Return:	\$37,526
S&P/TSX Real Return:	\$36,510
GIC Real Return:	\$10,724

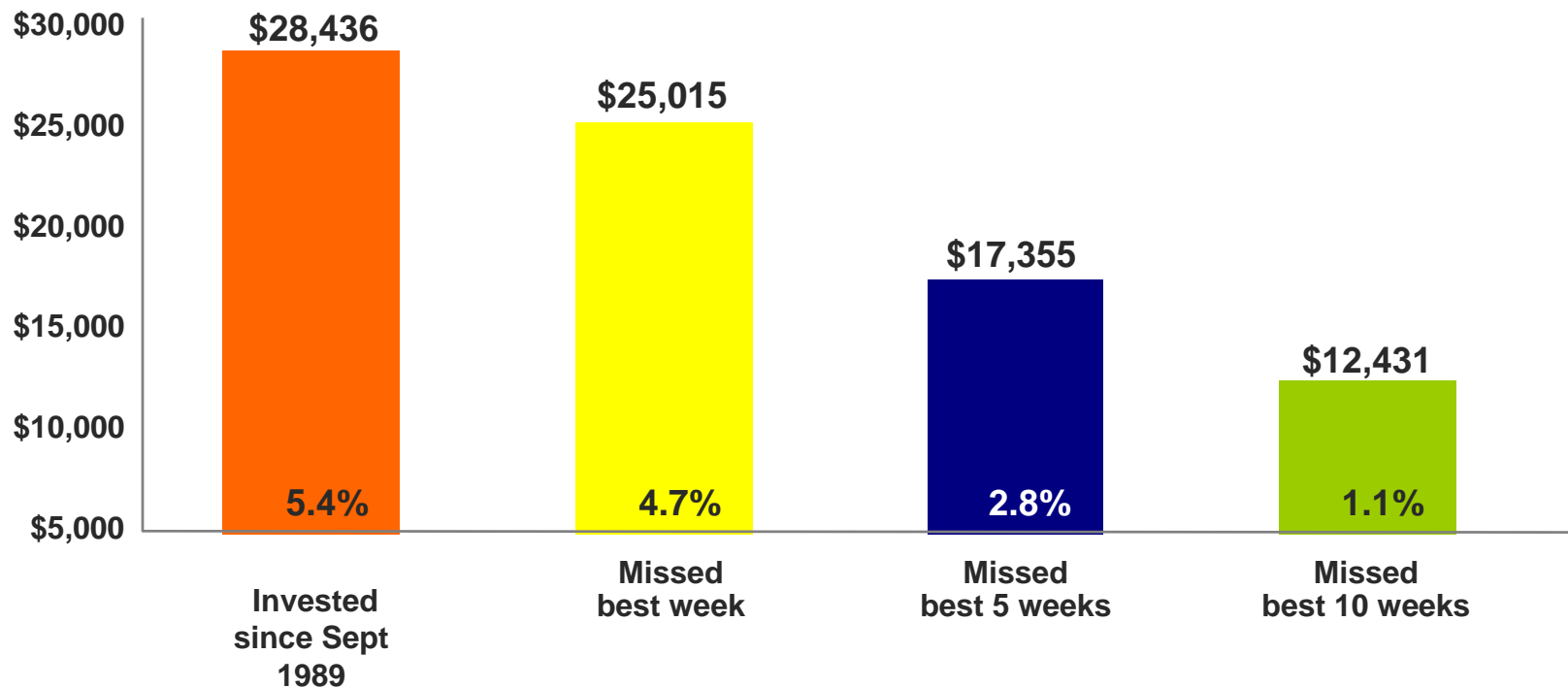


Source: Datastream. September 30, 2009. Marginal Tax Rate = 40%.

20 Years of the S&P/TSX

You can't afford to miss the best weeks

Value of \$10,000 invested Sept 1989 to Sept 2009



20 Years of the S&P/TSX

Stock market gains are often swift and unpredictable. Investors who choose to stay out of the market, even for short periods, frequently miss out on great opportunities.

This chart assumes an investor put \$10,000 into the S&P/TSX 20 years ago (Sept. 29, 1989). Over this period the average annual return for the S&P/TSX was 5.4%. Look what happens if the same investor attempts to time the market.

Missing the best week: Assume an investor was worried that the market was overvalued and decided to take his or her money out of their investments and as a consequence missed the best week. Their return drops from 5.4% to 4.7%.

Missing the best five weeks: Return drops to 2.8%.

Missing the best 10 weeks: Return drops to 1.1%.

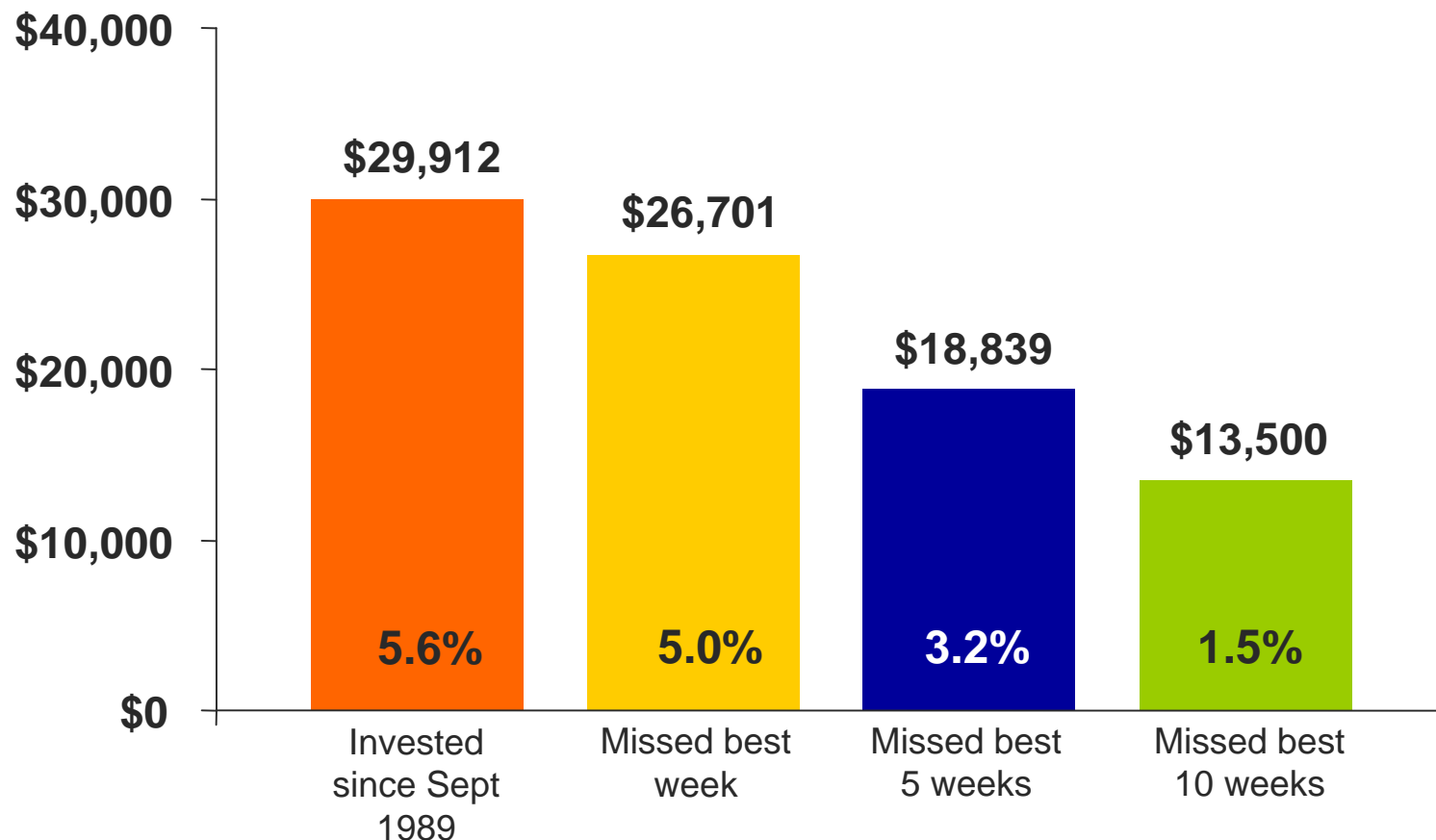
Being in the market for the entire 20-year period would have resulted in a portfolio value of \$28,436. If the investor missed the top ten weeks the portfolio value drops to \$12,431.

Considering that there are 1,040 weeks in 20 years – 10 weeks make up less than 1% of the available time – missing those time periods reduces the investor's gain by more than \$16,005. That's more than half of the investor's total return!

20 Years of the S&P 500

You can't afford to miss the best weeks

Value of \$10,000 invested Sept 1989 to Sept 2009



20 Years of the S&P 500

Stock market gains are often swift and unpredictable. Investors who choose to stay out of the market, even for short periods, frequently miss out on great opportunities.

This chart assumes an investor put \$10,000 into the S&P 500 20 years ago (Sept. 29, 1989). Over this period the average annual return for the S&P 500 was 5.6% (Cdn\$). Look what happens if the same investor attempts to time the market.

Missing the best week: Assume an investor was worried that the market was overvalued and decided to take his or her money out of their investments and as a consequence missed the best week. Their return drops from 5.6% to 5.0%.

Missing the best five weeks: Return drops to 3.2%.

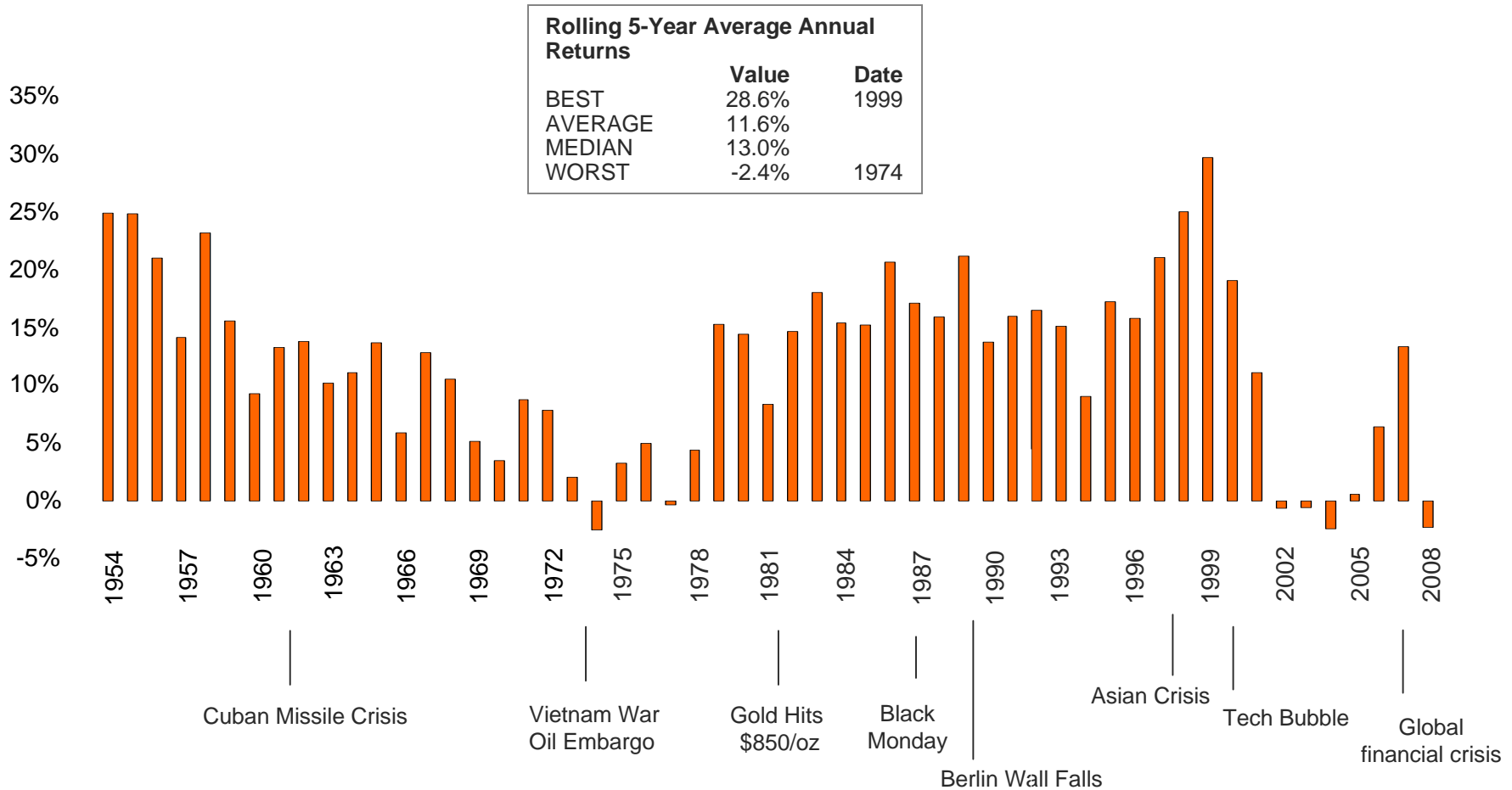
Missing the best 10 weeks: Return drops to 1.5%.

Being in the market for the entire 20-year period would have resulted in a portfolio value of \$29,912. If the investor missed the top ten weeks the portfolio value drops to \$13,500.

Considering that there are 1,040 weeks in 20 years – 10 weeks make up less than 1% of the available time – missing those time periods reduces the investor's gain by more than \$16,412. That's over half of the investor's total return!

Stay invested: patience is rewarded

ROLLING 5-YEAR AVERAGE ANNUAL COMPOUND RETURNS (S&P 500) - ONLY SIX NEGATIVE PERIODS



Investor expectations

Observations

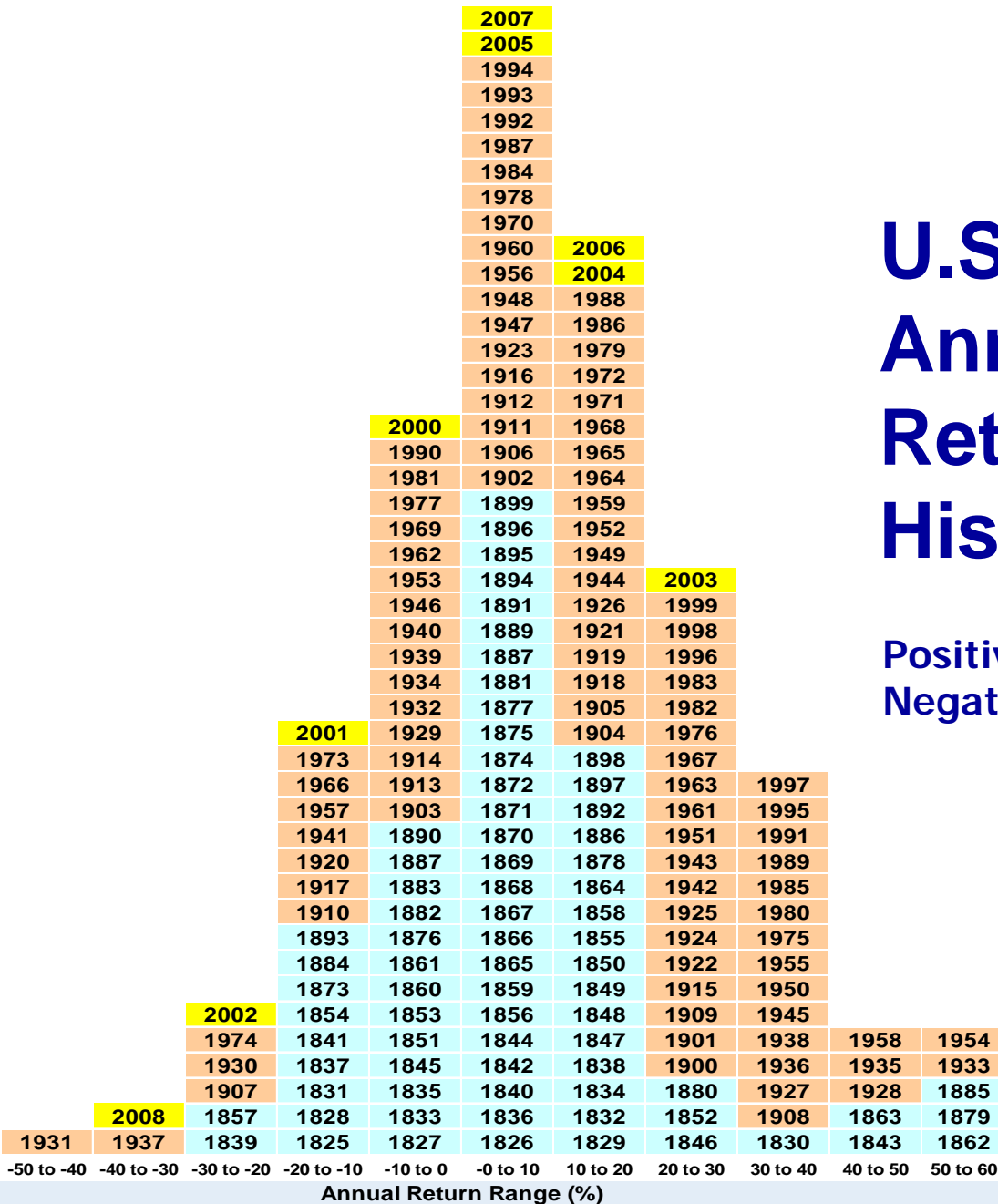
- Since 1954, there has been only one 5-year period when investors simply broke even (1972-1977).
- Since 1954, there have been only six 5-year periods when investors lost money
- The average 5-year rolling return has been 11.6%

Implications

- Consider the first bar on the chart. If you had put money into the market at the beginning of 1949, your portfolio would have grown almost 24% annually by the end of 1954.
- Investment strategists and professionals constantly warn investors about important economic variables, such as interest rates, inflation, a depreciating currency, oil prices rising, and even presidential elections. It is often suggested that, before investing, investors wait for certainty to arise around a specific variable. However, there will always be uncertainty in the market.

Conclusion

- If a long-term perspective was maintained, performance did not suffer during times of uncertainty or crisis.
- Waiting on the sidelines until there is no uncertainty could mean a missed investment opportunity.

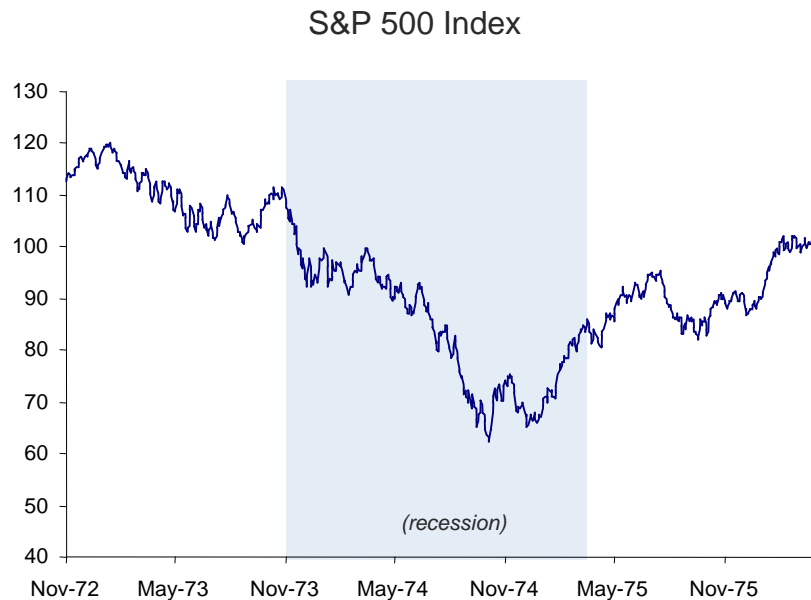


U.S. Stock Market Annual Total Return: 184-Year History

Positive Years: 129 (70%)
Negative Years: 55 (30%)

A Tale of 4 Recessions

Recession # 1: 1973 to 1975

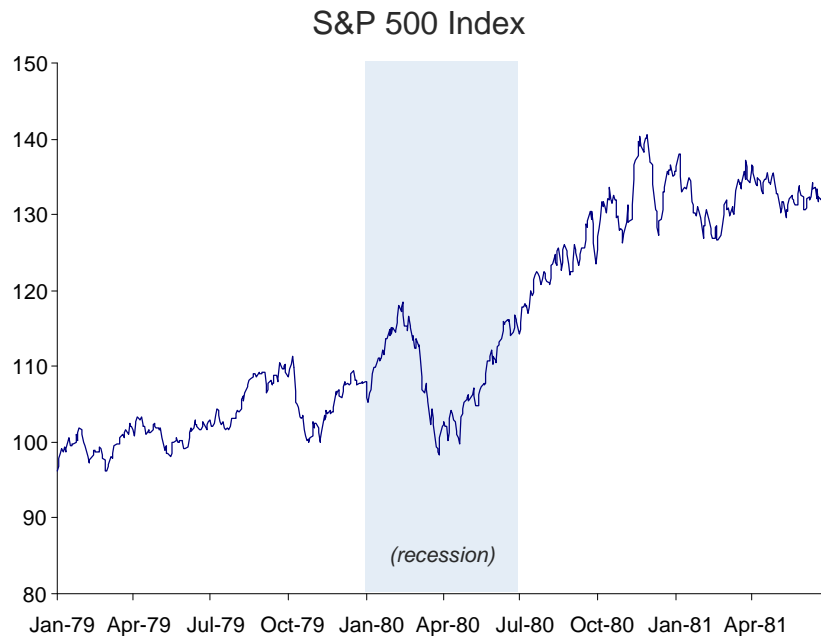


Recession started: Nov. 1973
ended: March 1975
End announced: N/A

- **Oct. 1973 Arab oil embargo causes oil prices to quadruple**
- **Inflation rate soars from 6.2% in 1973 to 11% in 1974**

A Tale of 4 Recessions

Recession # 2: 1980



Recession started: Jan. 1980
ended: July 1980
End announced: July 1981

- **Double-digit inflation since mid-1970s**
- **Oil imports reduced from Iran in 1979**
- **US central bank aggressively raises interest rates**

A Tale of 4 Recessions

Recession # 3: 1981 to 1982

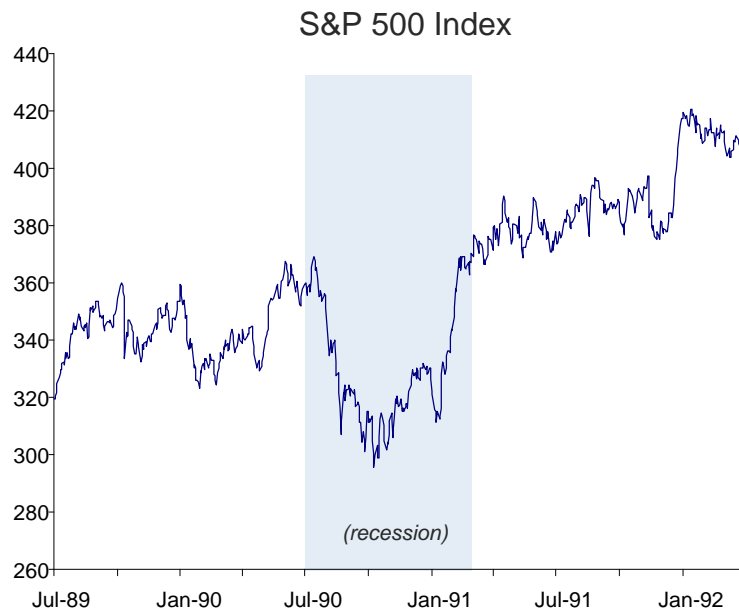


Recession started: July 1981
ended: Nov. 1982
End announced: July 1983

- **Runaway inflation: \$1 in 1975 has same buying power as \$2 in 1985**
- **US central bank raises rates from 11% (1979) to 20% (1981)**

A Tale of 4 Recessions

Recession # 4: 1990 to 1991



Recession started: July 1990
ended: March 1991
End announced: Dec. 1992

- Real estate bubble of late 1980s bursts
- Savings & Loan Crisis: 1,000+ institutions bankrupt (1986-1995)

Diagnosing a recession

- A recession is typically diagnosed six months after it has started
- By the time the end is officially announced, a recession could have been over for 6 to 21 months
- Experienced investors buy stocks when they are “on sale” and the mid-point of a recession has generally provided that opportunity

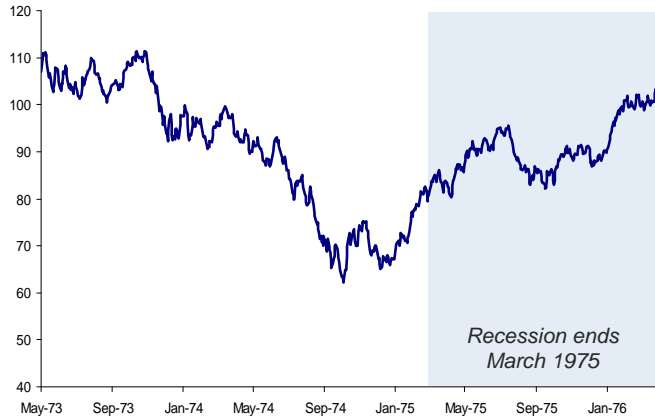
Where are we now?



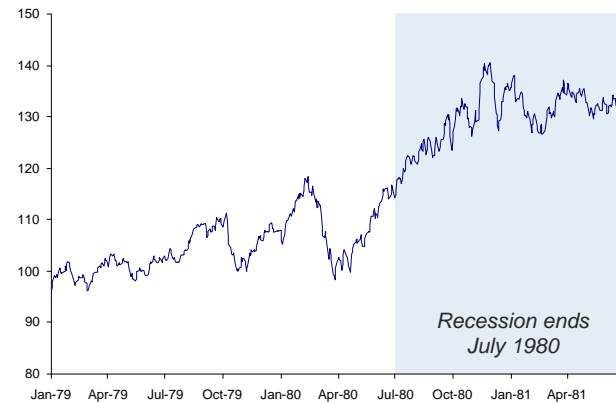
- From its high on Oct. 9, 2007, the S&P 500 Index falls 57% to its low on March 9, 2009
- 1973 to 1974 crash: Market falls 48% (Jan-73 to Oct-74)
- 1987 crash: Market falls 33.5% (Aug-87 to Dec-87)

12 months after recession officially ended...

1973-1975: +23.3%



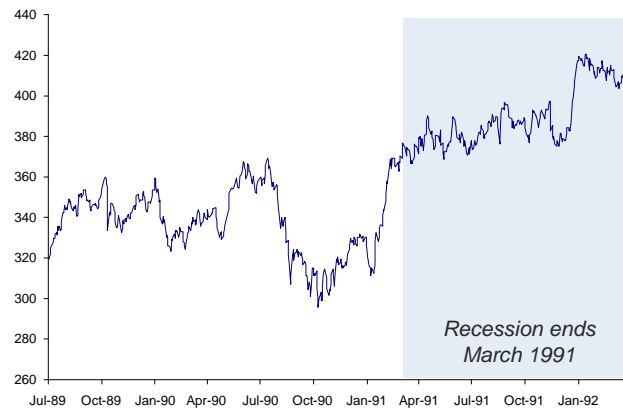
1980: +14.9%



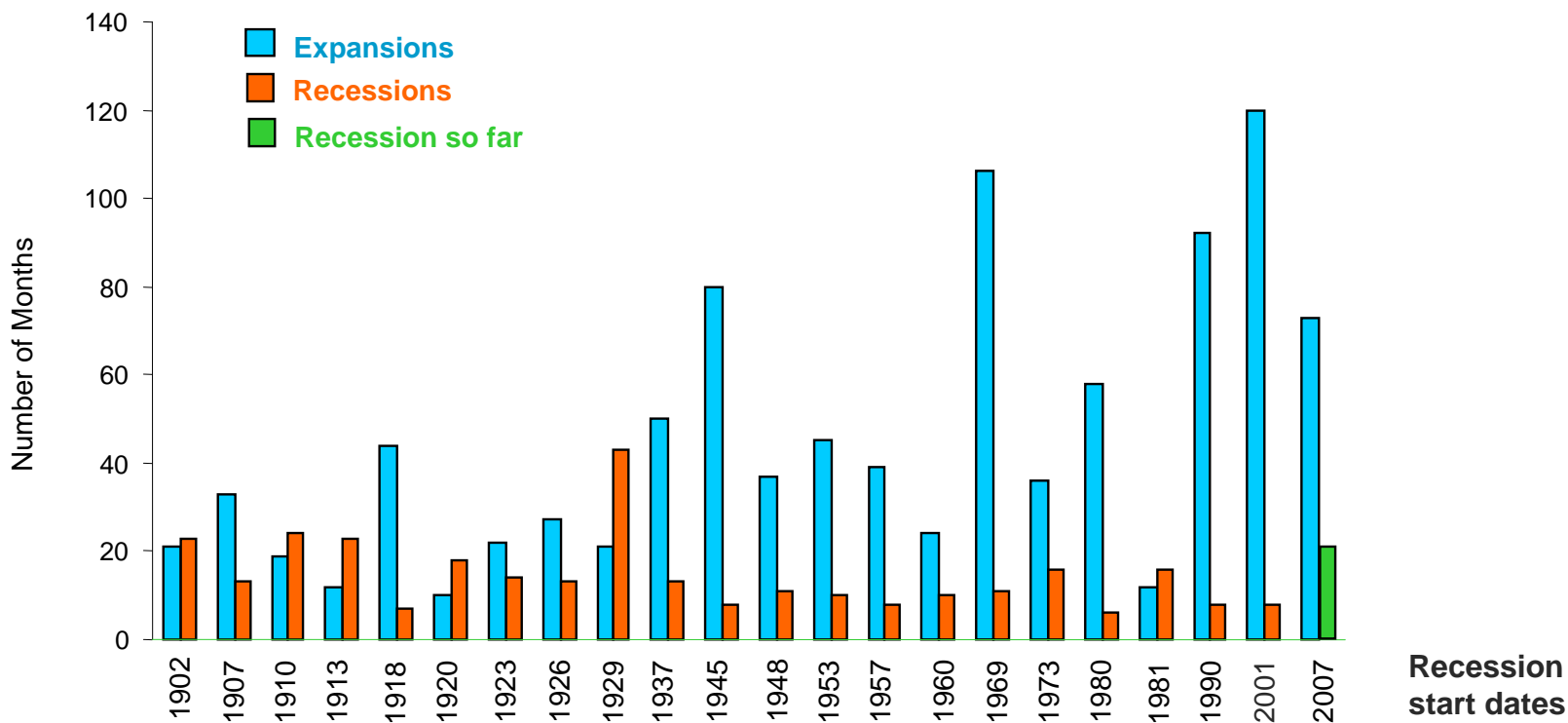
1981-1982: +20.7%



1990-1991: +10.6%



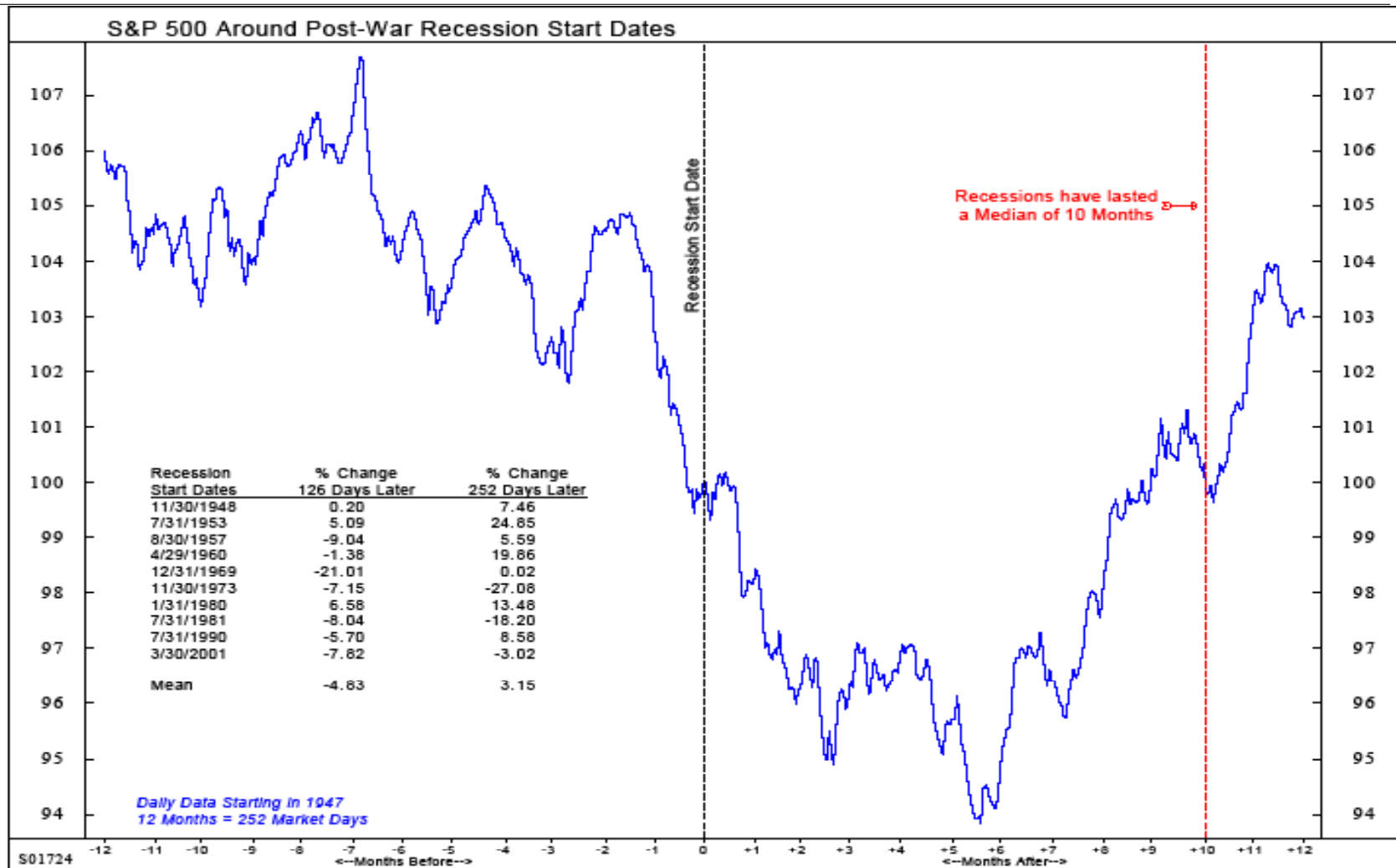
Expansions vs. Recessions in the US



Average length	Recession	Expansion
1902 to 2001 (21 cycles)	14 months	43 months
1945 to 2001 (10 cycles)	10 months	57 months

Recession is the number of months from peak to trough. Expansion is the number of months from the previous trough to latest peak, e.g. 120 months: March 1991 to March 2001 expansion.
Source: National Bureau of Economic Research.

Half Way Through Recessions, Economy Slips Further, But Stocks Anticipate Next Cycle



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Based on past 5 recessions, individual sectors can rally 15-35% from market low before the end of recession

Exhibit 7

Discretionary the Most Consistent Early Cyclical

S&P 500 Total Return From Trough To End Of Recession

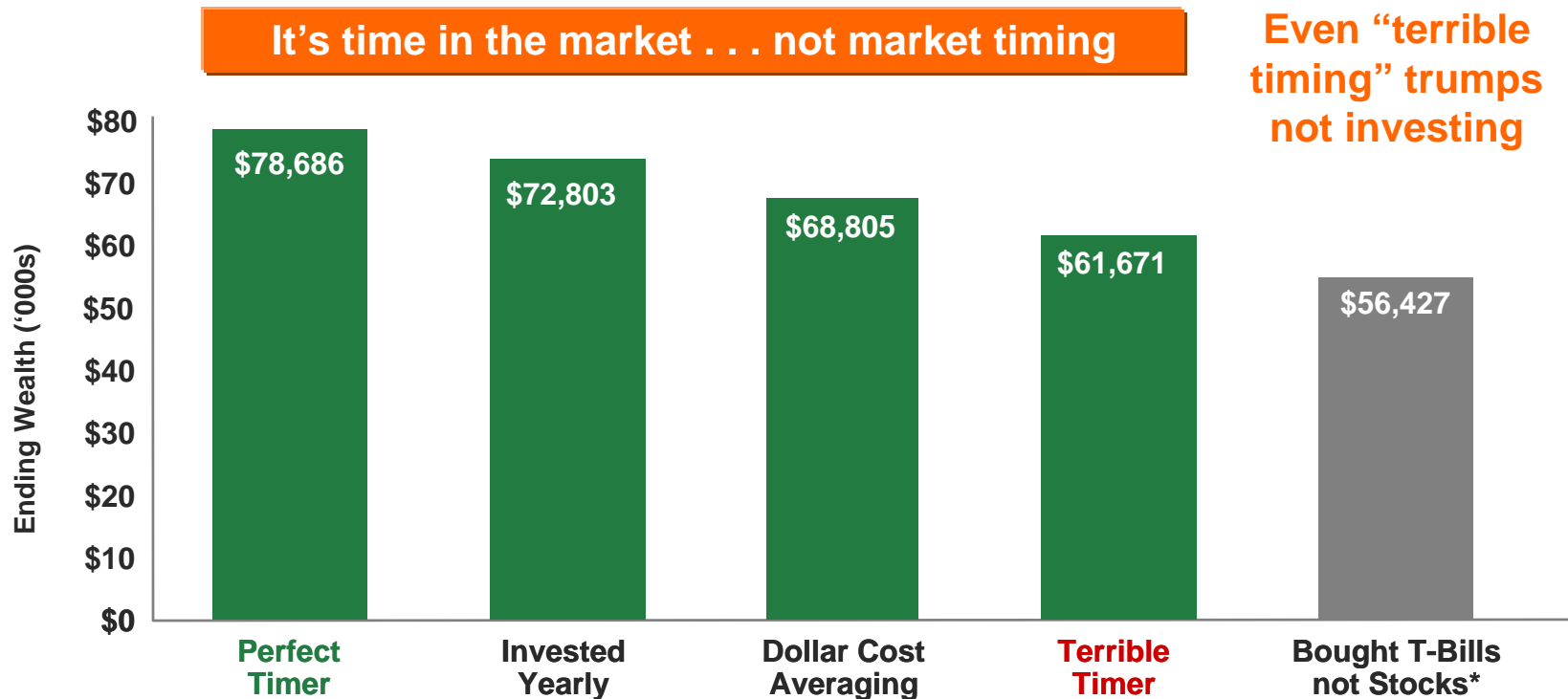
	1973	1980	1981	1990	2001	Average	Median
Cons Discret	43%	21%	46%	38%	16%	33%	38%
Info Tech	23%	14%	38%	32%	37%	29%	32%
Industrials	26%	23%	42%	29%	12%	26%	26%
Cons Staples	25%	18%	28%	30%	2%	21%	25%
Materials	29%	22%	36%	25%	15%	25%	25%
Financials	23%	11%	50%	57%	5%	29%	23%
S&P 500	23%	16%	32%	25%	10%	21%	23%
Health Care	14%	16%	27%	33%	4%	19%	16%
Energy	6%	12%	13%	8%	-1%	8%	8%
Utilities	18%	7%	17%	7%	-6%	9%	7%
Telecom	20%	3%	51%	3%	-12%	13%	3%

Source: FactSet, Morgan Stanley Research

When is the *right time* to invest ?

Five approaches - five investment results

Investing \$2,000/yr in S&P 500 Index over 20 years



* Purchased U.S. 30-day T-bills

Source: Datastream, Globe HySales; investment period Dec. 1988 – Dec. 2008

We have seen near 'historic' declines.

Gives hope for better markets in years to come

10-year rolling return of S&P 500 Index, Dec 31, 1925 to Sept 30, 2009

