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December 1, 2011

DE U.S. and Global Asset Allocations
Broad, Sector/Industry, Country and Global-Regional

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Decision Economics, Inc. (DE)
U.S. and Global Asset Allocations
"Struggling Equity Markets"
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Table A. 1
U.S. Strategic Broad Asset Allocations (December 1, 2011)*

Broad Asset Class	Current Weighting	Commentary
Equities	Overweight 65%, Unchanged (55% Neutral)	Strong earnings and extraordinarily low interest rates expected for a long time, the support for Overweight Equities. Corrections and Consolidations likely, some potentially quite sizeable and long, but over time offset by strong earnings. Macro Risks to "forward" earnings the main source of concern with the most significant Macro Risks non-U.S.. Productivity-driven profits growth is main reason for a big multiple of earnings growth to nominal GDP growth. Non-U.S. revenues and earnings a big help as well, but will that continue? Essentially zero returns on Cash & Equivalent support the Equity Overweight. But, at times, returns on this Asset Class *relatively* attractive, as was the case for most of 2011.
Fixed Income	Slight Underweight 30%, Unchanged (35% Neutral)	Long-term interest rates typically turn up in a business upturn. Expectations for inflation to-come often dominate. But, in the aberrant current episode, short-term interest rates have been set at zero and are implied to remain extremely low. Essentially zero the expectation up to, and throughout, most all of 2013. Fed actions, and more-to-come, aim to hold down long-term interest rates. All this is supportive to bond prices and lower yields. Huge U.S. federal budget deficits and sovereign U.S. debt a big risk, with U.S. parameters Eurozone-like on its worst situations. Tight corporate credit spreads should remain given strong company balance sheets and the economy upcycle, except at times of increased recessionary risks. At times of economy concern, spreads can temporarily widen on perceived macro risks to earnings. With weak U.S. and Global economic growth, inflation ex-shocks should be stable or lower, supportive to higher bond prices. And, U.S. Treasuries, in times of stress and disarray, get a "safe-haven" bid.
Cash & Equivalent	Equal Weight 5%, Unchanged (10% Neutral)	Safety of principal remains a big deal, especially during times of financial distress and uncertainty. But little or no returns make Cash & Equivalent unattractive.
Alternative Assets*	Equal Weight 5% Commodities (Neutral, from Positive) Distressed Assets (Positive, from Neutral) Gold (Positive) Hedge Funds (Neutral) Private Equity(Neutral)	Bullish allocation to Gold continues, supported by its status as a currency substitute, hedge against inflation, and history as a store-of-value. With extraordinarily low interest rates around-the-world, holding, or purchases, of gold is inexpensive. Intermediate-term target for Gold was $1800, still cheap on an inflation-adjusted basis. Longer-term, the expectation is $2200. Commodities as an Asset Class now Neutral, a Downgrade within Alternatives on increased macro risks to the U.S. and Global economic upturns.
Sectors (Equities) Sectors (Credit)	Allocations reflect a more defensive and cautious stance given macroeconomic prospects, several big macro risks, and considerable uncertainties from around-the-world. Top-quality corporates favored, even more than U.S. Treasuries; munis, well-selected, as well; high-yield less so on recession risks; mortgage-backed relatively tighter spreads from slowly improving residential real estate.	Info Tech still the strongest Sector Overweight, a global view; followed by Health Care and Consumer Staples. Energy still Somewhat Overweight on Developing Countries' demands and higher crude oil prices. Defensive Sectors' upgrades hold on continuing downside economic risks, e.g., Consumer Staples (Overweight). Financials a Strong Underweight, a global view. Breaking-up of Eurozone a distinct possibility. Exposure to a recession-bound Europe a negative and can affect Industry and Sector allocations, depending on where and how much business exposure.
Country and Global Regions	Sustained economic upturns still expected in most Countries and Global Regions, but with a number of downside risks to deal with, a Global Regional recession in the Eurozone and in perhaps all of Europe. Eurozone "Double-Dip" on global weakness, lender-imposed austerity, a credit crunch, and market-driven rises in sovereign debt costs. Question on the Eurozone and Europe is how severe the downturn and what impacts on other Global Regions? Asia ex-Japan and Developing Country growth rates much stronger relatively, although economic growth weaker in absolute levels. Even Germany and France at risk. Depressed growth in sovereign-debt ridden regions for quite awhile.	Global stock markets remain *strategically* bullish, but severe Corrections and some Country Bear Equity Markets are in-place. Investors can cautiously scale-in on dips, looking for value, with relative outperformance over time expected from high growth countries. Asian equity markets ex-Japan still the largest Global Overweight. China outlook remains positive *relative* to other countries despite numerous risks that have been impediments. China attempt to disinflate looks over. Next policy moves probably will be stimulative, a plus for China as an equity holding.

*Alternative Asset Allocations out of existing Broad Asset Allocations as between Equities, Fixed Income, and Cash & Equivalent—at discretion of investor.

Table A. 2
Broad Global Equity Asset Allocation*
(Percent of Total)

Country or Global Region	DE Current (12/1/11)	MSCI (10/31/11)	DE (8/15/11)	DE (5/15/11)
U.S.	44.8	44.3	41.4	39.3
Japan	6.8	8.0	6.9	5.4
U.K.	8.6	8.6	7.6	8.2
Eurozone	8.8	10.9	12.0	12.9
Germany	3.2	3.1	4.5	4.4
France	3.2	3.5	4.06	4.2
Italy	0.5	0.9	0.90	1.1
EU	19.5	21.3	21.5	23.6
China	3.2	2.3	3.5	3.7
Developing Asia	9.4	7.7	9.4	9.7
Asia Ex-Japan	11.3	9.4	11.2	11.5
Latin America	3.3	3.0	3.1	3.2
Brazil	2.2	2.0	2.2	2.3
Chile	0.3	0.2	0.26	0.24
BRICs	7.3	6.1	7.8	8.3

*Based on MSCI Global All-Country Index.

Eurozone Countries in Table 2: France, Germany, Spain, Italy, Netherlands, Finland, Belgium, Luxembourg, Greece, Austria, Portugal, Ireland.

EU Countries: U.K., France, Germany, Spain, Italy, Netherlands, Sweden, Finland, Belgium, Denmark, Luxembourg, Greece, Poland, Austria, Portugal, Ireland, Hungary, Czech Republic, Bulgaria, Cyprus, Estonia, Latvia, Lithuania, Malta, Romania, Slovakia, Slovenia.

Developing Asia Countries: China, South Korea, India, Indonesia, Philippines, Taiwan, Malaysia, Thailand.

Asia ex-Japan Countries: China, South Korea, India, Hong Kong, Singapore, Indonesia, Philippines, Taiwan, Malaysia, Thailand.

Latin America Countries: Brazil, Chile, Columbia, Mexico, Peru, Argentina.

Table A. 3
U.S. Economic Forecast:
Selected Measures—"Baseline"
(Ann. Pct. Chg., Unless Otherwise Noted)
December 1, 2011

	2010	2011F	2012F	2013F
Economy				
Real GDP	3.0	1.8	2.6	2.5
Real Consumption	2.0	2.3	2.2	2.3
Real Capital Spending	4.4	8.9	8.4	5.9
Net Trade (2005 $ bils.)	-422	-412.0	-417.2	-408.6
Housing Starts (mils. units)	0.585	0.606	0.703	0.857
Vehicle Sales (mils. units)	11.5	12.7	13.1	13.5
Industrial Production	5.3	4.0	4.5	3.5
Inflation				
CPI-All Urban (%)	1.6	3.3	2.6	2.5
Core PCE Deflator (%)	1.4	1.5	2.1	2.1
Unemployment Rate (Q4 Avg.)	9.6	9.0	8.3	7.7
Interest Rates				
Fed Funds Rate (end-yr. yield)	0.18	0.09	0.17	0.75
10-Year Treas. (end-yr. yield)	3.20	2.13	2.75	4.00
Currency and Stock Market				
U.S. Dollar (Major Curr.)Deprec.	-3.0	-4.8	-2.8	+1.7
S&P500 Oper. EPS	$87	$99	$108	$116
Pct. Chg.	32.9	13.9	9.0	7.6
S&P500 Index (Ann. Avg.)	1,126	1,276	1,374	1,496
Pct. Chg. (Y-o-Y)	18.9	13.3	7.7	8.9
S&P500 Index (Year End)	1,204	1,305	1,429	1,558
Pct. Chg. (Y-o-Y)	18.9	8.4	9.5	9.0
Budget Deficit (Unified)				
(Bils. $s)	-1,294	-1,301	-1,175	-962
(% of GDP)	-8.8	-8.6	-7.4	-5.8
Debt (Gross Public)				
(Bils. $s)	13,167	14,724	16,139	17,461
(% of GDP)	89.8	97.4	101.6	104.7
Current Account				
(Bils. $s)	-470.9	-520.0	-551.5	-607.3
(% of GDP)	-3.2	-3.4	-3.4	-3.6

F-Forecast
Source: Decision Economics, Inc. (DE).

Table A. 4
DE Global Economic Outlook—"Baseline"
(Ann. Pct. Chg., December 1, 2011)

	2009	2010	2011F	2012F	2013F
World*	-1.9	4.3	2.9	2.7	2.9
U.S.	-3.5	3.0	1.8	2.6	2.5
U.K.	-4.9	1.9	0.9	0.7	1.4
Eurozone	-4.0	1.6	1.7	0.6	0.8
Canada	-2.8	3.2	2.2	2.0	2.5
Mexico	-6.1	5.4	3.7	3.2	3.4
Japan	-6.3	4.0	-0.5	0.7	1.5
EMG	6.5	9.3	7.6	6.7	6.4
Brazil	-0.6	7.5	4.0	3.7	3.9
Russia	-7.8	4.0	4.3	4.5	4.2
India	9.1	8.8	7.6	7.5	7.3
China	9.2	10.3	9.2	8.0	7.4

*Weighted average of country economic growth. Division between Expansion/Recession is 2% growth in real GDP, below the corresponding IMF measure of 2-1/2% to 3% which uses purchasing power parity weights for the global GDP calculation.

F - Forecast

Source: Decision Economics, Inc. (DE).

Table A. 5
DE Baseline and Alternative Risk Scenarios and Probabilities
(December 1, 2011)

	Current	Previous
Baseline—"Muddle-Through" or Uptilted "L"	60%	55%
"Double-Dip"—Another Full-Fledged Recession Some Time in 2012	5%	5%
"Double-Dip" Growth Recession with Low Inflation—"Japan-Like"	10%	20%
U.S. Sovereign Debt Crisis	10%	10%
"Delayed Takeoff"—Lags in Spending Hold Economy Back But Then a "Takeoff" on Positive Effects from Previous Massive Monetary and Fiscal Stimulus	15%	10%

Table A. 6
Broad Asset and S&P500 Sector Strategic Allocations
(December 1, 2011)

			DE Weights (%)				Market Weights (%)			
	Relative to Market*		12/1/11	8/15/11	5/15/11	8/15/10	10/31/11	7/31/11	4/31/11	1/31/11
Broad Asset Allocation (1)										
	Curr	***Prev***								
Equities	*1.27*	*1.27*	65	65	75	60	55	55	55	55
Fixed Income	*0.71*	*0.71*	30	30	20	30	35	35	35	35
Cash & Equiv.	*0.50*	*0.50*	5	5	0	5	10	10	10	10
Alternative Assets**	*1.00*	*1.00*	5	5	5	5	--	--	--	--
S&P500 Sector Allocations (2)										
	Curr	***Prev***								
Info Technology	*1.15*	*1.10*	22.6	20.6	20.4	20.2	19.8	18.8	18.2	19.0
Health Care	*1.08*	*1.04*	12.2	11.8	11.7	16.3	11.6	11.3	11.5	10.6
Energy	*1.01*	*1.01*	12.5	13.1	12.5	11.3	12.4	13.0	12.4	12.5
Industrials	*1.01*	*1.06*	10.7	11.3	12.3	12.5	10.6	10.7	11.2	11.2
Consumer Staples	*1.00*	*1.02*	11.7	10.8	10.3	10.9	11.4	10.6	10.5	10.1
Materials	*1.00*	*1.03*	3.5	3.7	3.9	10.6	3.5	3.6	3.6	3.7
Consumer Discr.	*0.99*	*0.98*	10.7	10.4	10.8	9.3	10.7	10.7	10.7	10.6
Financials	*0.85*	*0.95*	11.5	14.2	15.2	3.2	13.3	14.9	15.4	16.3
Telecom Services	*0.71*	*0.70*	2.1	2.1	1.9	2.7	3.1	3.0	3.0	2.9
Utilities	*0.66*	*0.60*	2.5	2.0	1.0	3.0	3.8	3.4	3.3	3.1
S&P500		*1.00*	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Market-Weight = 1.00; based on Institutional Equity balanced portfolio weights—55% equities, 35% fixed income, 10% cash and equivalent.

**Includes but not limited to: Hedge Funds; Commodities; Real Estate; Private Equity; Venture Capital, Distressed Assets, Gold

(1) Fundamental macroeconomic top-down, based on economic and financial market cycles and risks.

(2) Fundamental macroeconomic top-down driven S&P500 industry sales and earnings, disciplined by sector and industry business cycle analyses.

**Alternative Asset Allocations out of existing Broad Asset Allocations as between Equities, Fixed Income and Cash & Equivalent, at discretion of investor.

Table A. 7
DE S&P500 Sector and Industry Allocations*
(December 1, 2011)

	Strong Overweight (10%+)	Overweight (1% to 10%)	Market Weight (0% +/- 1%)	Underweight (-1% to -10%)	Strong Underweight (-10%-or-More)
Sectors	**Info Tech**	**Consumer Staples Energy Health Care Industrials**	**Consumer Discretionary Materials**		**Financials Telecom Services Utilities**
Industries in Sectors					
Consumer Discretionary	Internet Retail Restaurants	Apparel Retail Computer & Electr Retail Education Srvs. Movies & Entertainment Specialty Stores	Casinos & Gaming Distributors Footwear General Merch. Stores Home Furnishings Retail Home Improv. Retail Hotels Leisure Products	Advertising Apparel & Accessories Automobile Mftrs. Automotive Retail Auto Parts & Equip. Broadcasting Cable & Satellite Consumer Electronics Department Stores Homebuilding Home Furnishings Household Appliances Housewares & Specialties Publishing Specialized Consumer Srvs.	Motorcycle Mftrs. Photographic Products Tires & Rubber
Consumer Staples	Soft Drinks	Drug Retail Food Distributors Household Products Hypermarkets & Supercenters Personal Products	Agricultural Products Food Retail Packaged Foods	Brewers Distillers & Vintners Tobacco	
Energy		Integrated Oil & Gas Oil & Gas Equip. & Srvs.	Coal & Consumable Fuels Oil & Gas Expl./Prod. Oil & Gas Refining & Mkting. Oil & Gas Storage & Transportation	Oil & Gas Drilling	
Financials		Consumer Finance Divers. Banks Property & Casualty Insur.	Asset Mgmt. & Custody Insurance Brokers Life & Health Insurance Multi-Line Insurance Office REITs Regional Banks Residential REITs Specialized Finance Specialized REITs	Divers. REITs Industrial REITs Real Estate Srvs. Retail REITs Thrifts & Mortgage Fin	Invest Banking & Brkg. Other Divers Fin'l Srvs.
Health Care	Biotechnology Health Care Equipment Health Care Srvs. Health Care Technology Life Science Tools & Srvs.	Health Care Supplies Pharmaceuticals	Health Care Distributors Health Care Facilities	Managed Health Care	
Industrials		Airfreight & Logistics Constr. & Farm Machinery Environmental & Facilities Srvs. HR & Employ. Srvs Industrial Machinery Railroads	Electrical Cpts. & Equip. Industrial Conglomerates Office Srvs. & Supplies Research & Consulting Srvs. Trade Cos. & Distribs. Trucking	Airlines Building Products Constr & Engineering Divers. Support Srvs.	Aerospace & Defense Comm'l Printing
Information Technology	Application Software Computer Hardware Internet Sftwr. & Srvs. IT Consulting & Srvs.	Computer Storage & Perip Semiconductors Systems Software	Communications Equip. Data Proc. & Outsourced Srvs. Electronic Components Semiconductor Equip.	Electronic Equip Mftrs. Electronic Mfg. Srvs.	Home Entertainment Software Office Electronics
Materials		Diversified Chemicals Gold Industrial Gases	Divers. Metals & Mining Fertilizers & Ag. Chems. Metal & Glass Containers Specialty Chemicals	Aluminum Construction Materials Paper Packaging Paper Products	Steel
Telecom Services			Integrated Telecom Srvs.	Wireless Telecom Srvs.	
Utilities		Independent Power Prods.& Energy Trade	Electric Utilities Gas Utilities	Multi Utilities	

*Fundamental economic top-down equity allocations based on DE U.S. and Global economic prospects—integrating expected return and economic risk. Weights relative to S&P 500 Sector and Industry market caps.

Table A. 8
Eleven (11) Top-Down Macro Investment Themes with
Asset Class, Sector/Industry, Country and Global-Regional Allocation Implications
(1-to-3 Year Horizon)

Note: Multiple themes shape the outlook for a given Sector or Industry. Table 7 provides S&P500 Industry Allocation weightings. These weightings are derived from the net effect of various themes, plus other fundamentals, and risks.

Theme(s)	*Comments*	*Investment Implications*
U.S. economic Expansion facing a minefield of macro downside risks, but expected to endure.	—Expansion characterized by entrenched and sustainable growth though in this episode far from healthy performance on many fronts and ahistorical behavior. —Temporary factors (sharply higher crude oil and energy prices and Japan's natural disasters) part of first year's slowdown. Economy picks up in second half and 2012 as these factors recede, but still weak, relative to history. Stronger than before but weaker than much of history. —Weak jobs market, poor consumer fundamentals, a global economic slowdown, and central government budget cuts at all levels remain downside risk factors. Most prominent near-term is the potential derivative effects on U.S. from the Eurozone economic, financial, and political Crises, banking issues, a credit crunch, and European recession.	—Generally bullish for stocks unless the macro risks overwhelm to smother earnings. —Elevated recession risks suggest caution and more balanced asset allocations. —Weak economy, quieter inflation "to-come" and continuing Fed ease suggest stable to somewhat higher interest rates; thus only a Slight Underweight for Fixed Income. —Lower P-E multiples.
Global Expansion still in process but at varying speeds. Developing Countries applied the brakes for quite awhile slowing growth with higher interest rates. But economic growth is still relatively strong. Shift toward easier monetary policy, globally, in-process now.	—Recovery/Expansion to continue at three-tiered pace: BRICs and other non-Japan Asian and Latin American countries at the forefront; U.S., Canada following up; and Europe back. —"Decoupling" of economic growth as between Developing World and Developed Economies seems well-established. One question is whether the emerging new "Haves" can sustain high growth.	—Relative Overweights on Developing Country equities and Underweights for many Developed Countries. These allocations reflect relative economic performance prospects around-the-world. —Upgrades the U.S., U.K. – Japan, Canada, Germany (a few others) Downgraded but still Overweight. Overall still Underweight U.K. and Japan. U.S. now Slightly Overweight, a significant change. Europe and EU downgraded on a Global Regional basis. Some downgrades for the BRICs.
Disconnect between "Wall Street" and "Main Street" earnings performance and U.S. economy is striking. Difference now a structural feature of the economy, so will continue.	—Disconnect between GDP growth and earnings growth a key feature of recent business cycle upturns. —Earnings propelled by cost-cutting, especially on labor costs, the substitution of Info Tech capital for labor and global diversification of sales, production, and distribution. —Major U.S. companies benefitting from strong overseas global regional growth, particularly in the Developing Countries, where it has heretofore been a weak dollar.	—Superstrong earnings growth an extremely positive fundamental for U.S. equities, especially companies with large shares of revenues from outside the U.S. and North America. —Industrials, Info Tech are Sector winners. —Consumer Sectors are relative losers on labor-saving in production and flat to negative real wage growth as impediments to real income and consumer spending.
Flat interest rates this year and beyond as the Federal Reserve sets an interest rate backdrop that eventually should help interest rate-sensitive spending, sectors, and industries. Also, huge availability of credit latent in the system.	—Having downgraded the economic outlook, the Fed will stay easy as far as the eye can see. —"Exit" from quantitative easing put off again as economy fails to respond to easy monetary policy. —Fed balance sheet to remain elevated. Fed balance sheet to remain so 30% odds on some sort of QE3 if the economy does not respond and inflation starts to tilt down. —Issue for Fed is what additional stimulus measures to apply and why the economy has not responded so far to previous massive monetary policy ease.	—Bullish Equities as Fed ease and low interest rates remain supportive of a cyclical equity bull market. —Extension of Fed ease into 2013 and perhaps 2014 along with weak economic growth, lower inflation ahead, and near zero short-term interest rates support the fixed income market. U.S. deficits and sovereign debt risks are the big negative. Result a Slight Underweight for Fixed Income, with interest rate spreads remaining relatively tight except during times of heightened macro risks. —Japan-like interest rate pattern emerging, including surprisingly low long-term interest rates in a range. But range of interest rate variation much greater now and includes super-low long-term rate possibility unlike anything seen before. —Returns on Fixed Income anemic but in a low Total Return environment has appeal. Slight Underweight on Fixed Income is the result.
Five-year old theme of Seismic Shift negative consumer dynamic remains—"far less growth in spending than in decades" and "far more saving for far longer." This will help keep U.S. economic growth low, prevent jobs creation, hurt real disposable income, and contribute to a holding down in the pace of consumer spending. *But, some early signs of a lift and new trend growth in aggregate consumption at 2% per annum, perhaps approaching 2-1/2%.*	—Reliquefication, a stage in household sector business and financial cycles, or "deleveraging," extended this time—a Seismic Shift departure from decades of history. —New trend growth pace for consumer spending far lower than the 3-1/2% per annum trend growth in real consumption between 1955 and 2005. —Reliquefication very slow this time—at most 65%-70%, on DE proprietary measures, back toward equilibrium. Motion is positive.	—Consumer Discretionary, especially big-ticket items Housing and Autos, the relative losers here, and S&P500 Industries that are derivatively tied to this kind of spending. —Commercial Real Estate and the sub-industries in this Sector also negatively impacted on excess supply and space for much less end-market consumer spending. —Countries that export heavily to the U.S., e.g., Japan, are being impacted negatively.

Table A. 8 (Cont'd.)

Theme(s)	*Comments*	*Investment Implications*
U.S. new "Twin Deficits"—"Jobs" and Federal Government "Budget."	—With the debt ceiling raised, Super Committee failure on a "deal," and S&P downgrade of U.S. sovereign debt to AA+, this macro risk now has become quiet until at least the next period of craziness surrounding U.S. federal budget deficits and debt, perhaps 2012. —More showdowns between the Obama Administration and Congressional Republicans can be expected. Current law, by the final results so far of deficit deliberations, now has built-in schedule of big budget deficit reductions, especially 2013, but "Washington" will not sit still on this. Little progress expected on Medicare, Social Security, and Tax Reform until after the 2012 Election. —Projected nominal GDP growth of 4-1/2% to 5% over the next decade means growing federal government debt-to-GDP ratios.	—Negative dollar against a number of non-"Big 3" currencies. —Over time, the huge federal budget deficits and debt, relative to GDP, a big negative for the U.S. weight in global country asset allocations because economic growth is restrained as a result. —Bearish U.S. sovereign debt except as "safe haven. —Significant budget cuts, if agreed to, would hurt U.S. economic growth and be a negative for corporate profits and equity prices—U.S. and World. —Lower U.S. allocation in global asset allocations a consequence.
Weak jobs growth as businesses substitute capital for labor to reduce labor costs and maximize shareholder value.	—Main impediment to jobs growth is the weak economy. —Job losses may be over, but gains will be modest going forward on labor-saving and cost-cutting by U.S. business. —To maintain a competitive edge, businesses invest more in labor-substituting IT capital, now tax-advantaged on full expensing. —Labor cost-saving by business means fewer jobs, less real income, less consumer spending, less economic growth, less hiring by business, etc..	—Underweight Consumer Discretionary Sector contrary to standard investing playbook for the expansion phase of the business cycle. Retailers, Autos, Consumer Electronics, Hotels, and Cable & Satellite in particular. Recreation, Leisure & Hospitality, Entertainment favored. —Info Tech #1 Overweight, particularly companies exposed to global business equipment and services spending. —Commercial Real Estate and related industries negatively impacted because of derived effects from weak consumption.
"Big Three" currencies—Dollar, Euro, Yen—losing-out relatively. Other previously "Have-Not" country currencies in ascendency over the longer-term.	—Reallocation of foreign exchange away from U.S. dollar, Euro and Yen toward a diversified basket of other currencies and commodities. Protection against erosion of these currencies given the uncertain economic, financial, and political prospects of the countries and regions associated with them. —With so much uncertainty around those countries and regions that previously received the lion's share of equity and currency allocations, no single alternative for diversification appeals but instead more a diversified basket of holdings representing the Countries and Global Regions whose prospects appear relatively better going forward.	—Underweight Dollar, Euro, and Yen-denominated assets. —Positive for Commodities, including Gold, Silver, and Oil as hedges against major currencies. —Overweight Allocations denominated in currencies such as Singapore dollar, Aussie dollar, Korean Won, Brazilian Real (among others).
Housing recovery—2012 and beyond?	—On most metrics—sales, starts, home builder confidence–there is some life now being seen for the housing market. Mounting foreclosures keep holding the housing sector back. —Gains in affordability and improvements in jobs and confidence could lay the foundation for recovery in 2012 and beyond. —Each one (1) percentage point decline in the unemployment rate historically has been associated with an extra 100K new home sales. Once an uptrend in demand is entrenched, builders will pick up the pace of new construction and eventually hire more.	—Potential upside for Home Builders later on, but declining homeownership rates and rising construction materials still hamper recovery in industry earnings. —Opportunities in apartment rental market as rising demand coincides with weak construction. Residential REITS and companies tied to apartment construction and management are beneficiaries. —Allocations here require investor patience but are not misplaced at this point.
Inflation, Overall and Ex-Food and Energy hit bottom in 2010, are higher in 2011, should "top-out" soon, and expected lower in 2012 and 2013, U.S. and worldwide.	—Recent moderation in commodity prices, especially crude oil, coupled with a 9% unemployment rate should keep inflation in check. —Companies attempting to raise prices off higher costs, but hard to imagine significant price inflation without upward pressure from wages, which remain stagnant. —Prolonged growth slowdown and Europe Recession could put deflation risk back on table in 2012. Falling rates of inflation would be an impetus for QE3. —Long-run, "printing money" inflationary. Unprecedented quantitative easing by U.S. and Japanese central banks with more to-come possibly from Bank of England (BOE) and European Central Bank (ECB). Central Bank should act to relieve Eurozone Crises.	—Direction of inflation now supportive to Fixed-Income as an asset class. —Sector/Industries that can benefit from higher prices include Info. Tech., Integrated Oil & Gas, Farm Machinery, Upstream Materials, and Agricultural Products. —Commodities, Commodity stocks, and commodity-exporting country allocations provide a hedge against rising inflation. —Gold a hedge against inflation and a currency alternative. Crude Oil prices economically sensitive. Divergence in path of gold and crude oil prices possible on global growth slowdown.
U.S. manufacturing "Rebirth" or "Renaissance?"	—Emerging markets' labor cost advantage coming to an end, driving some manufacturing back to the U.S.. —Weak dollar making U.S more competitive in global trade while strong EM growth drives demand for U.S. production. —Jobs, however, unlikely to be part of the equation, although share of nonfarm payrolls in Manufacturing probably has bottomed-out and now will rise.	—U.S. Info Tech will be a U.S. focal point in any "Renaissance." —Industrials strongly favored for growth from a secular bottom. —S&P500 Industries tied to exports benefit.

Table A. 9
Global Regional and Index Allocation Weight Summary
(Relative to MSCI All-Country World Index, Based on DE Country-Specific Weights)
(December 1, 2011)

	DE Relative Weights (Mkt=1.00)	DE Market Weights (Pct)	MSCI Market Weights (Pct)	Previous DE Relative Weights 8/15/11	Change in DE Relative Weight*
Regions:					
Latin America (Incl. Mex)	1.10	3.3	3.0	1.00	++
North America	1.02	49.8	48.9	1.01	+
Europe Ex-UK	0.86	13.8	16.0	0.99	--
Pacific Ex-Japan	1.10	5.7	5.2	1.04	++
Eurozone	0.81	8.8	10.9	0.98	--
Europe	0.91	22.4	24.6	0.97	--
Far East	0.90	8.7	9.7	0.91	0
Pacific	0.95	12.5	13.2	0.95	0
MSCI Indexes:					
EMG	1.15	14.2	12.3	1.23	--
EAFE	0.92	33.9	36.7	1.13	--

*Change in Relative Weight: "++" and "- -" represent 5 point or more difference from prior weighting; "+" and "-"= 2 to 4 point difference; "0" = 0 to 2 point difference.

Weights from DE and Morgan Stanley Capital International (MSCI) All-Country World Index.

Table A. 10
Decision Economics, Inc.
Global Equity Asset Allocation by Country*
(Percent)

Country	Relative to Market *		DE Allocations			Market Weight		
	Curr.	Prev.	12/1/11	8/15/11	5/15/11	10/31/11	6/30/11	4/31/11
Overweight								
China	1.42	1.48	3.2	3.5	3.5	2.25	2.36	2.33
South Korea	1.28	1.38	2.5	2.75	2.7	1.96	2.00	2.01
Singapore	1.25	1.17	0.81	0.77	0.7	0.65	0.66	0.68
Indonesia	1.20	1.20	0.44	0.42	0.36	0.37	0.35	0.33
New Zealand	1.20	1.20	0.06	0.06	0.03	0.05	0.05	0.04
Chile	1.14	1.13	0.25	0.26	0.24	0.22	0.23	0.22
Philippines	1.13	1.00	0.09	0.08	0.08	0.08	0.08	0.08
Thailand	1.13	1.00	0.27	0.23	0.24	0.24	0.23	0.24
Peru	1.13	0.00	0.09	0.00	0.0	0.08	0.06	0.07
Canada	1.10	1.35	5.0	6.2	6.8	4.56	4.60	4.68
Brazil	1.10	1.05	2.2	2.2	2.3	2.00	2.10	2.10
Australia	1.09	1.07	3.7	3.6	3.6	3.41	3.36	3.45
Malaysia	1.07	1.05	0.47	0.45	0.4	0.44	0.43	0.39
Colombia	1.06	1.00	0.13	0.11	0.1	0.12	0.11	0.11
Norway	1.06	1.03	0.38	0.37	0.4	0.36	0.36	0.37
India	1.05	1.05	1.0	1.05	1.2	0.95	1.00	0.96
Mexico	1.05	0.95	0.64	0.57	0.53	0.61	0.60	0.59
Israel	1.04	1.05	0.26	0.29	0.28	0.25	0.28	0.27
Germany	1.03	1.28	3.2	4.5	4.3	3.10	3.52	3.54
United States	1.01	0.97	44.8	41.4	40.8	44.34	42.64	42.22
Market Weight (Neutral)								
Czech Republic	1.00	1.00	0.50	0.05	0.05	0.05	0.05	0.05
Denmark	1.00	1.10	0.37	0.45	0.45	0.37	0.41	0.42
Hong Kong	1.00	0.92	1.08	1.0	1.1	1.08	1.09	1.09
Ireland	1.00	0.50	0.10	0.05	0.05	0.10	0.10	0.10
Russia	1.00	1.06	0.87	1.0	1.1	0.87	0.94	0.97
Switzerland	1.00	1.04	3.2	3.4	3.1	3.21	3.26	3.17
Taiwan	1.00	0.60	1.42	0.9	1.01	1.42	1.51	1.53
Turkey	1.00	0.95	0.17	0.18	0.2	0.17	0.19	0.20
United Kingdom	1.00	0.91	8.6	7.6	7.9	8.57	8.33	8.50
Underweight								
Sweden	0.98	0.98	1.11	1.2	1.3	1.13	1.22	1.30
Netherlands	0.95	0.96	0.96	1.0	1.1	1.01	1.04	1.09
Finland	0.94	1.00	0.33	0.38	0.45	0.35	0.38	0.43
France	0.93	1.03	3.2	4.06	4.2	3.45	3.96	3.96
Luxemburg	0.88	1.00	0.14	0.20	0.2	0.16	0.19	0.20
Japan	0.85	0.88	6.8	6.9	5.0	7.98	7.83	7.61
South Africa	0.71	0.80	0.69	0.79	1.03	0.97	0.99	1.03
Poland	0.60	0.78	0.12	0.18	0.24	0.20	0.23	0.24
Italy	0.51	0.85	0.45	0.90	1.13	0.89	1.05	1.13
Belgium	0.49	1.00	0.17	0.37	0.4	0.35	0.37	0.38
Hungary	0.30	0.83	0.01	0.05	0.05	0.04	0.06	0.06
Austria	0.20	1.00	0.02	0.13	0.13	0.10	0.13	0.13
Spain	0.15	0.28	0.20	0.4	0.8	1.31	1.41	1.45
Egypt	0.00	0.00	0.00	0.00	0.0	0.04	0.05	0.04
Argentina	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00
Greece	0.00	0.00	0.00	0.00	0.0	0.05	0.09	0.10
Morocco	0.00	0.00	0.00	0.00	0.0	0.02	0.02	0.02
Portugal	0.00	0.00	0.00	0.00	0.0	0.09	0.10	0.11
TOTAL		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

*Market Weight = 1.00.

Weights from DE and Morgan Stanley Capital International (MSCI) All-Country World Index.

Fundamental macroeconomic top-down Global Regional and Country equity allocations based on integrated DE Global Economic and Financial Markets Baseline Forecasts and Analyses.

"Baseline" Economic Forecasts—47 countries covered, about 93% of world output, 46 for asset allocation.

Table A. 11
Decision Economics, Inc.
Equity Asset Allocation by Country: EAFE*
(Percent)

Country and Region	DE Weightings					MSCI EAFE Weights		
	Relative to Market							
	Curr. (12/1/11)	Prev. (8/15/11)	12/1/11	8/15/11	5/15/11	10/31/11	6/30/11	4/31/11
Overweight								
China	1.63	1.50	0.049	0.045	0.03	0.03	0.03	0.02
Singapore	1.36	1.27	2.25	2.06	2.0	1.65	1.62	1.62
Australia	1.30	1.11	11.7	9.5	10.1	8.98	8.59	8.75
Switzerland	1.20	1.15	10.2	9.6	8.8	8.47	8.35	8.05
Hong Kong	1.10	1.00	3.12	2.79	2.8	2.84	2.79	2.77
New Zealand	1.08	1.08	0.14	0.13	0.11	0.13	0.12	0.11
Germany	1.05	1.50	8.6	13.50	13.5	8.18	9.00	8.99
Norway	1.05	1.00	1.00	0.91	1.0	0.95	0.91	0.94
United Kingdom	1.05	0.95	23.7	20.2	22.6	22.53	21.23	21.50
Market Weight								
Ireland	1.00	0.48	0.26	0.10	0.13	0.26	0.25	0.26
Israel	1.00	1.06	0.66	0.75	0.7	0.66	0.71	0.69
Russia	1.00	1.00	0.03	0.03	0.03	0.03	0.03	0.03
Sweden	1.00	1.01	2.94	3.1	3.3	2.94	3.06	3.23
Underweight								
Japan	0.98	0.87	20.66	17.5	13.45	21.04	20.03	19.29
Netherlands	0.98	1.01	2.51	2.6	3.0	2.56	2.58	2.67
France	0.90	1.10	8.2	11.1	11.1	9.10	10.12	10.05
Finland	0.85	0.85	0.79	0.82	1.1	0.93	0.97	1.09
Belgium	0.80	1.00	0.74	0.96	0.9	0.92	0.96	0.96
Denmark	0.80	1.00	0.78	1.06	1.1	0.98	1.06	1.08
Austria	0.72	1.00	0.18	0.34	0.33	0.25	0.34	0.33
Luxembourg	0.71	1.00	0.29	0.50	0.3	0.41	0.50	0.50
Italy	0.51	0.90	1.2	2.4	2.9	2.34	2.67	2.88
Spain	0.00	0.00	0.00	0.00	0.72	3.45	3.60	3.67
Portugal	0.00	0.00	0.00	0.00	0.0	0.24	0.26	0.27
Greece	0.00	0.00	0.00	0.00	0.0	0.13	0.22	0.25
Total			**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

*Weights from DE and Morgan Stanley Capital International (MSCI) EAFE Index.

DE Fundamental macroeconomic top-down Global Regional and Country equity allocations based on integrated DE Global Economic and Financial Markets "Baseline" Economic Forecasts—47 countries covered, about 93% of world output, 47 countries in asset allocation.

Table A. 12
Decision Economics, Inc.
Equity Asset Allocation by Country: EMG *
(Percent)

Country	Relative to Market Curr. (12/1/11)	Relative to Market Prev. (8/15/11)	DE Weightings 12/1/11	DE Weightings 8/15/11	DE Weightings 5/15/11	MSCI EMG Weights 10/31/11	MSCI EMG Weights 6/30/11	MSCI EMG Weights 4/31/11
Overweight								
Indonesia	1.23	1.15	3.5	3.0	2.6	2.84	2.60	2.43
Malaysia	1.16	1.14	3.9	3.6	2.9	3.36	3.15	2.85
Chile	1.10	1.06	1.87	1.8	1.7	1.70	1.70	1.60
China	1.10	1.07	18.8	18.5	17.9	17.10	17.34	17.17
South Korea	1.05	1.05	15.7	15.5	16.2	14.95	14.75	14.86
Brazil	1.05	1.01	16.05	15.7	15.8	15.32	15.53	15.49
Colombia	1.05	1.00	0.95	0.84	0.63	0.90	0.84	0.79
Mexico	1.05	1.00	0.9	4.40	3.64	4.65	4.40	4.36
Philippines	1.05	0.90	0.67	0.50	0.5	0.64	0.55	0.56
Peru	1.05	0.77	0.61	0.36	0.5	0.58	0.47	0.54
Thailand	1.03	1.00	1.9	1.7	1.87	1.84	1.68	1.76
Market Weight								
Czech Republic	1.00	1.00	0.35	0.38	0.4	0.35	0.38	0.39
India	1.00	1.02	7.26	7.5	7.2	7.26	7.36	7.08
Russia	1.00	1.03	6.6	7.0	7.5	6.60	6.82	7.09
Taiwan	1.00	0.80	10.9	8.9	8.7	10.85	11.13	11.28
Turkey	1.00	1.01	1.3	1.4	1.55	1.30	1.38	1.48
Underweight								
South Africa	0.95	0.90	7.06	6.6	8.0	7.43	7.30	7.59
Poland	0.85	0.94	1.3	1.6	1.86	1.53	1.70	1.76
Hungary	0.70	0.90	0.21	0.38	0.45	0.30	0.42	0.45
Egypt	0.52	1.00	0.17	0.34	0.10	0.33	0.34	0.31
Morocco	0.00	0.00	0.00	0.00	0.0	0.16	0.15	0.15
Hong Kong	0.00	0.00	0.00	0.00	--	0.00	0.00	0.00
Total			**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

*Weights from DE and Morgan Stanley Capital International (MSCI) EMG Index.

**End-April and ex-Israel.

DE Fundamental macroeconomic top-down Global Regional and Country equity allocations based on integrated DE Global Economic and Financial Markets "Baseline" Economic Forecasts—47 countries covered, about 93% of world output, 47 countries in asset allocation.