Global Multicap | 8/31/11

Early September Update
By: Jeffrey P. Davis

Shift: Reduced US large cap equities and increased allocation to emerging markets and US mid cap value stocks.

The recent fall in the equity markets during the month of August created attractive opportunities to shift the portfolio and take advantage of areas of the market that sold off over the preceding few weeks. Our overweight exposure to US large cap stocks, through both active and passive investments, provided some defense during the most recent correction. Our allocation to our Global Brand Exporter portfolio, composed of large US companies with exposure to international and emerging markets, has handily outperformed the market since we added it to the GMC portfolio two years ago. We believe that this is still an attractive segment to be invested in, but decided to take some profits from the portfolio and move this allocation into emerging markets. Emerging market stocks have underperformed over the last twelve months, but valuations have become more attractive with the most recent market correction. We also reduced our allocation to the Russell 1000 Growth ETF which has performed relatively well over the past year, as growth stocks outperformed value stocks by a wide margin. We invested the proceeds into mid cap value stocks, specifically in mid cap banks, which saw increased selling pressure through the month of August.

Equities in our opinion were attractively valued before the market correction of over 20% from the most recent highs reached earlier this year, but the combination of poor politics in Washington and deep structural problems within Europe – both in the Eurozone and in the UK, created a market rout world-wide. We advise patience – in the months ahead, economic data will be impacted negatively by the panic of August. This has been the most serious aftershock of the financial crisis. While accommodation from the world central banks have helped financial markets lift dramatically from 2009 lows, the more long term fix of the US housing market and banking system is still in progress.

Over the past few weeks the market has recovered close to half of the recent correction, yet confidence is still shaky. We believe that the underlying fundamentals of the companies we own are stronger than the confidence investors have in our government's ability to deal with the debt crisis. We advise investors to keep their money where the fundamentals are stronger.

Current Global MultiCap Weights and Recent Shift – August 31, 2011

August 31, 2011		**Strategic Allocation**	**MSCI AC World IMI***	**Shift**	**Relative**
US Equities					
	US Large Cap	41.0%	31.3%	***-9.0%***	9.7%
	US Mid Cap	13.5%	6.2%	***4.0%***	7.3%
	US Small Cap	4.5%	6.5%	***0.0%***	-2.0%
	TOTAL	**59.0%**	**44.0%**		
Non-US Equities					
	International Large Cap	22.0%	37.3%	***0.0%***	-15.3%
	International Small Cap	10.0%	4.7%	***0.0%***	5.3%
	Emerging Markets	7.0%	14.0%	***5.0%***	-7.0%
	TOTAL	**39.0%**	**56.0%**		
Other					
	Cash	**2.0%**	**0.0%**		**2.0%**
GRAND TOTAL		**100.0%**	**100.0%**		**100.0%**

**Long-term forecast, comments and asset allocations are formulated by the GMC team and reflect their most current outlook as of the date shown above.*
Compliance Review # 2334

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