



EPOCH

Experience. Insight. Performance.

The Outlook

***William W. Priest, CPA, CFA
Chief Executive Officer, Co-Chief Investment Officer
& Portfolio Manager***

June 10, 2010

Agenda

Section 1: The Bounce

Section 2: The Pause

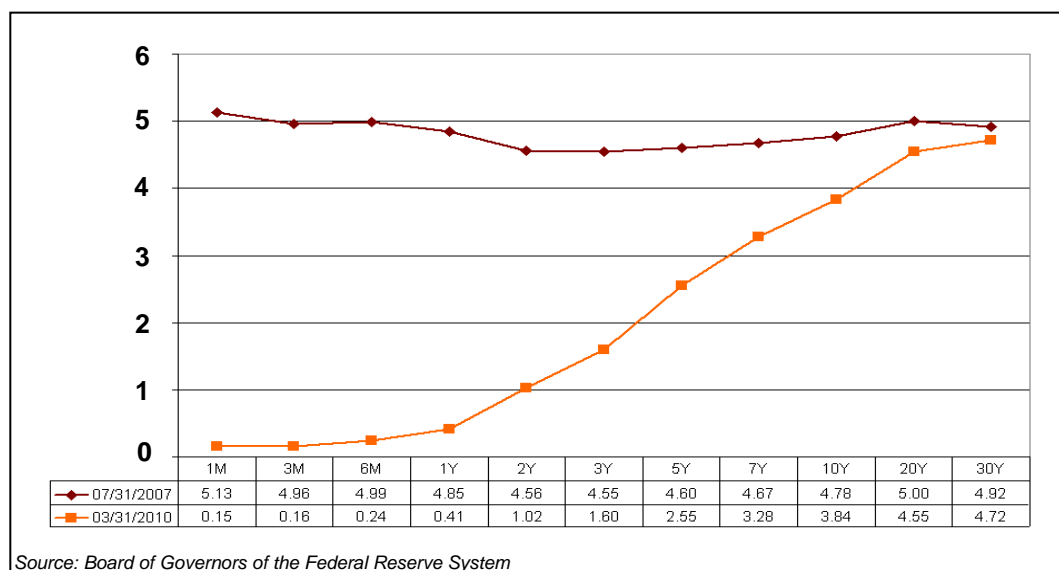
Section 3: The Concerns

Section 4: The Outlook

The Bounce

The Bounce

Figure 1: *Yield Curve July 2007 and March 2010*



The Bounce

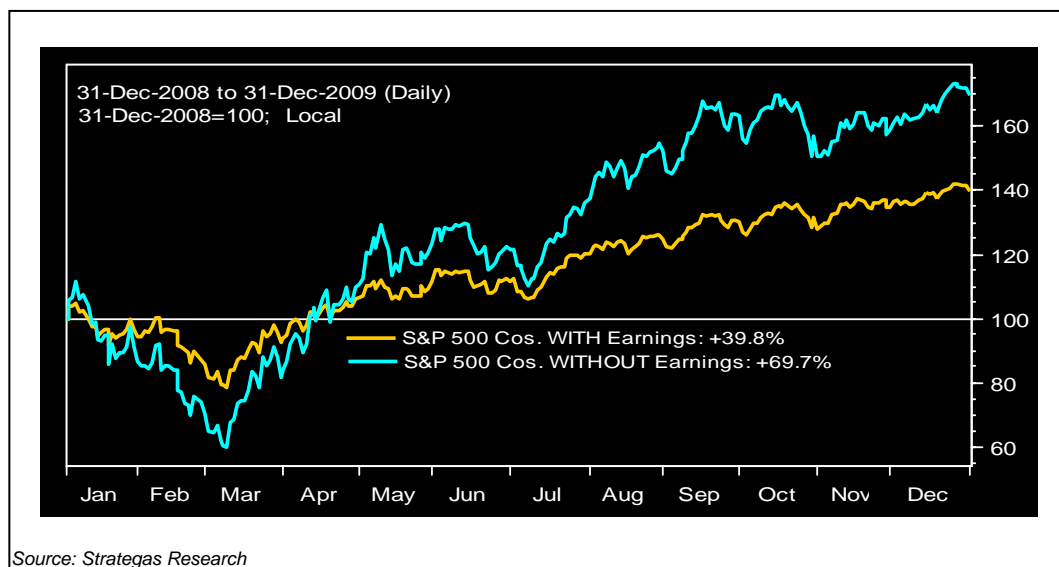
Figure 2: Present Value of a Dollar

Rates	Periods				
	1 Yr	5 Yr	10 Yr	20 Yr	30 Yr
6%	0.94	0.75	0.56	0.31	0.17
5%	0.95	0.78	0.61	0.38	0.23
4%	0.96	0.82	0.68	0.46	0.31
3%	0.97	0.86	0.74	0.55	0.41
2%	0.98	0.90	0.82	0.67	0.55
1%	0.99	0.95	0.90	0.82	0.74

Source: Epoch Investment Partners, Inc.

The Bounce

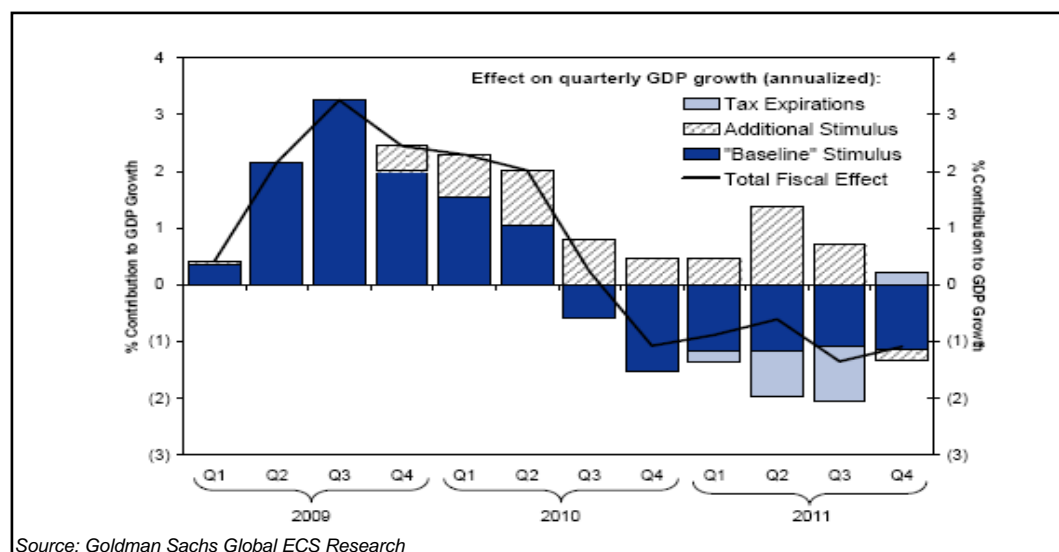
Figure 3: 2009 Quality Analysis: Earnings



The Pause

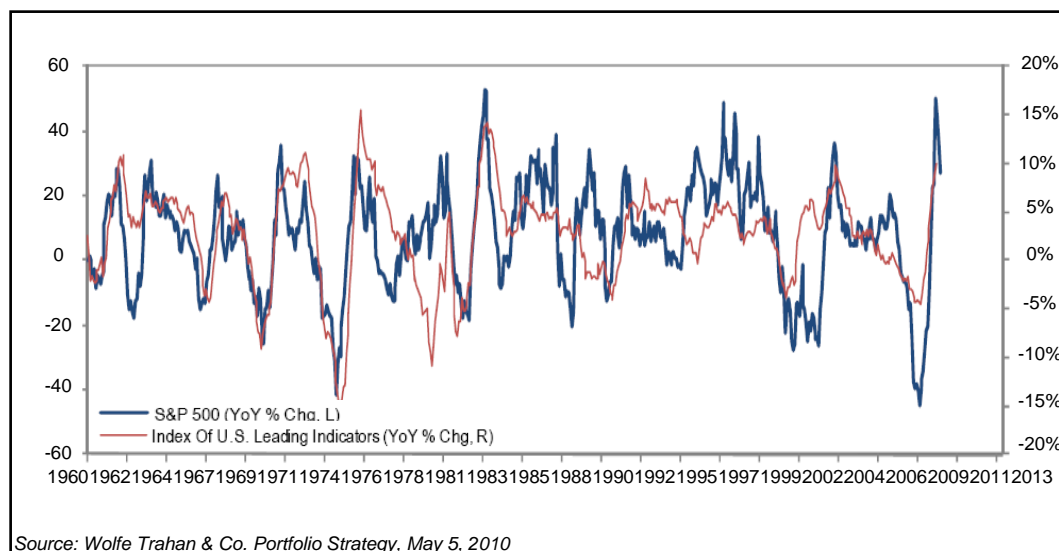
The Pause

Figure 4: Growth Effect of Stimulus Legislation and Tax Expirations



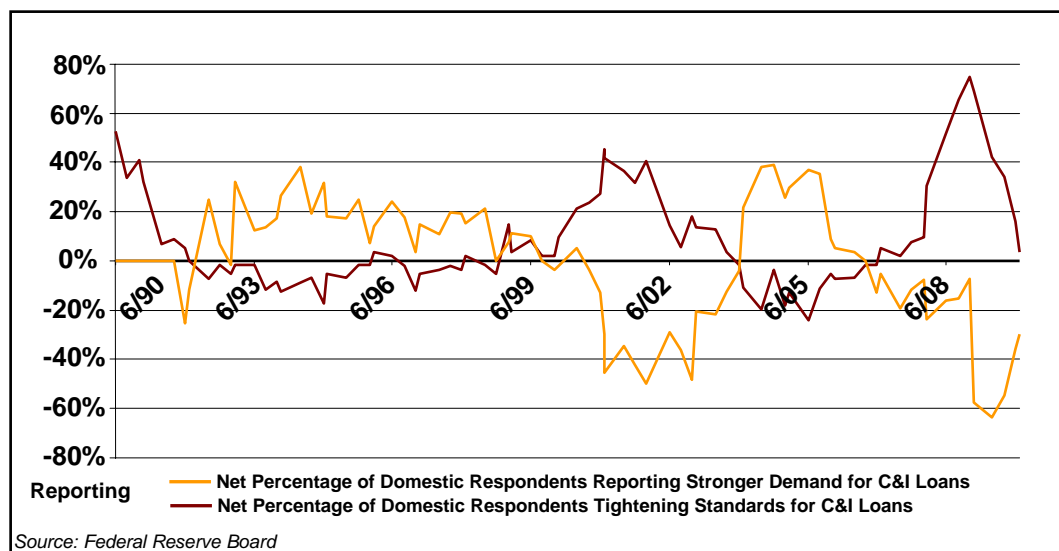
The Pause

Figure 5: Stocks and Leading Indicators - Virtually The Same Thing in Past Decades



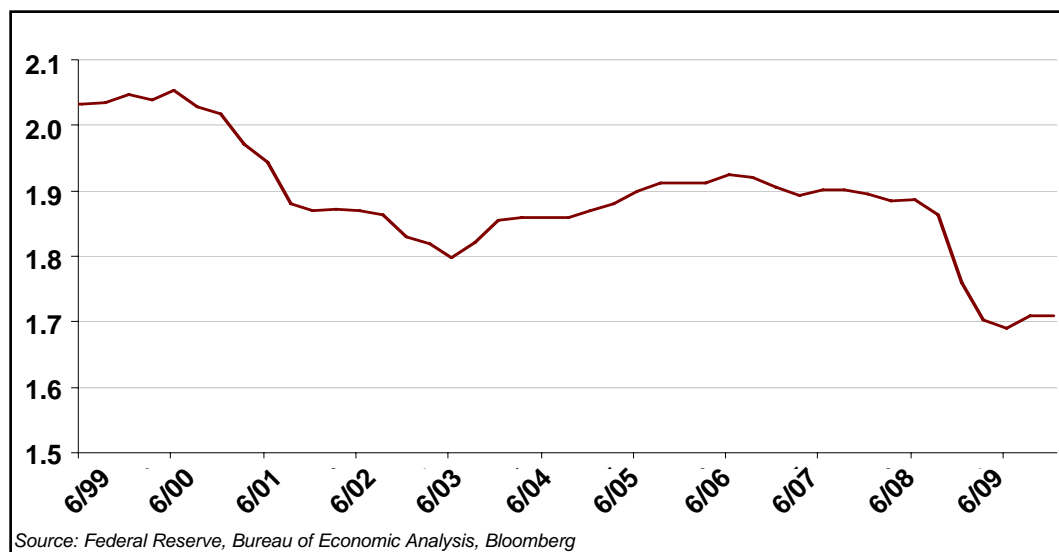
The Pause

Figure 6: *Tightening Standards & Demand for C&I Loans*



The Pause

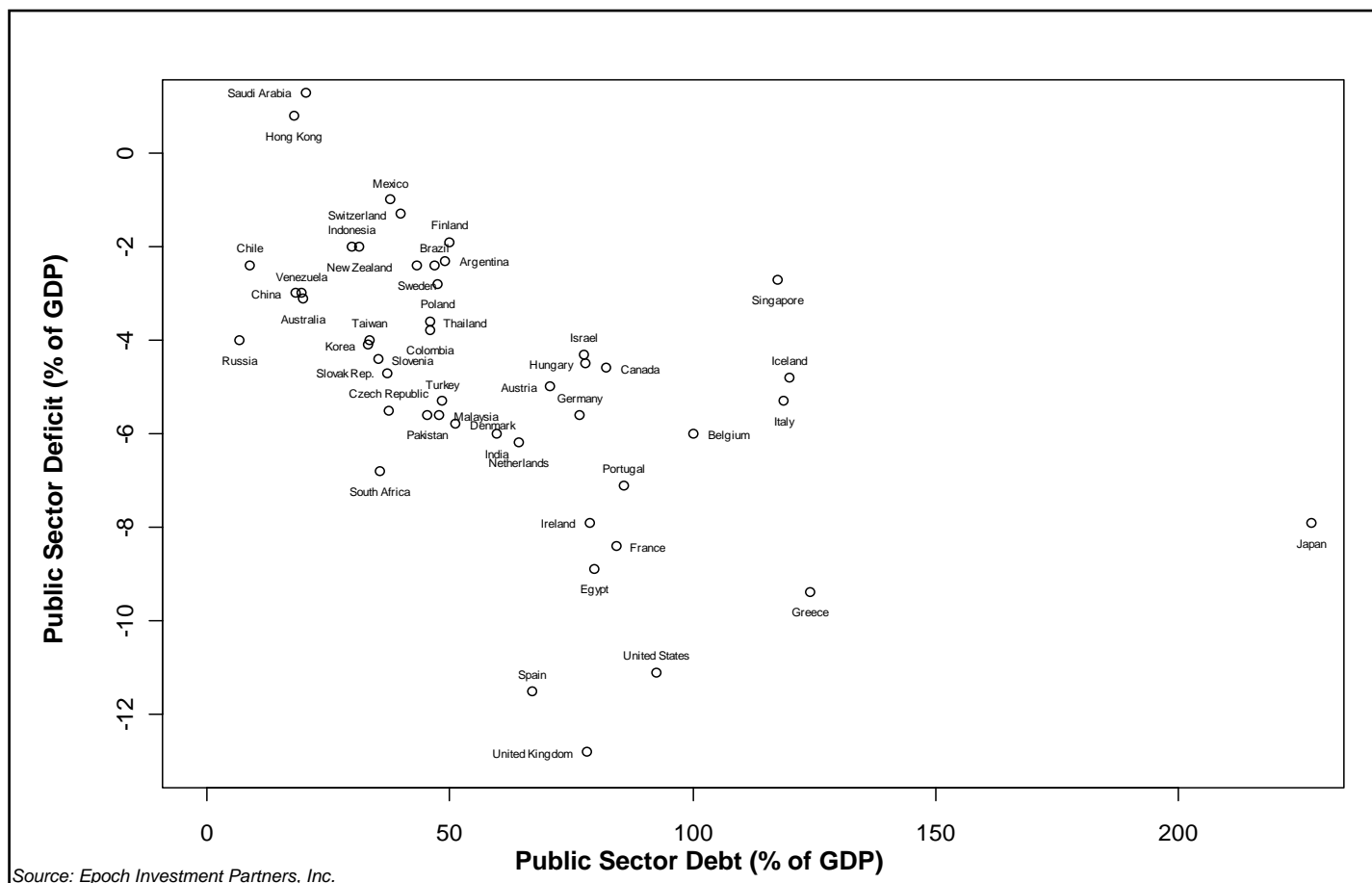
Figure 7: Velocity of Money (GDP/M2)



The Concerns

The Concerns

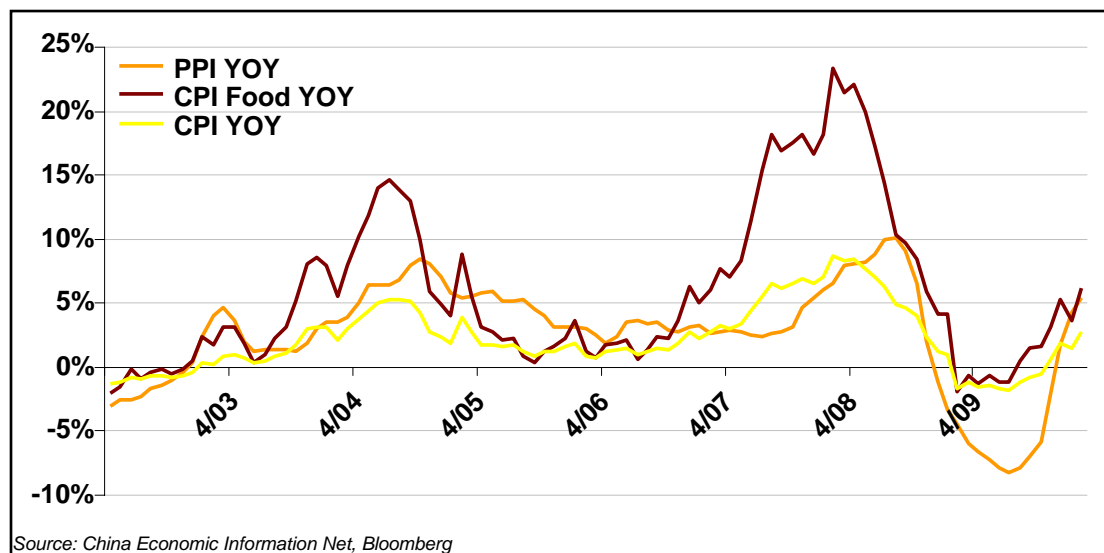
Figure 8: Sovereign Debt



Source: Epoch Investment Partners, Inc.

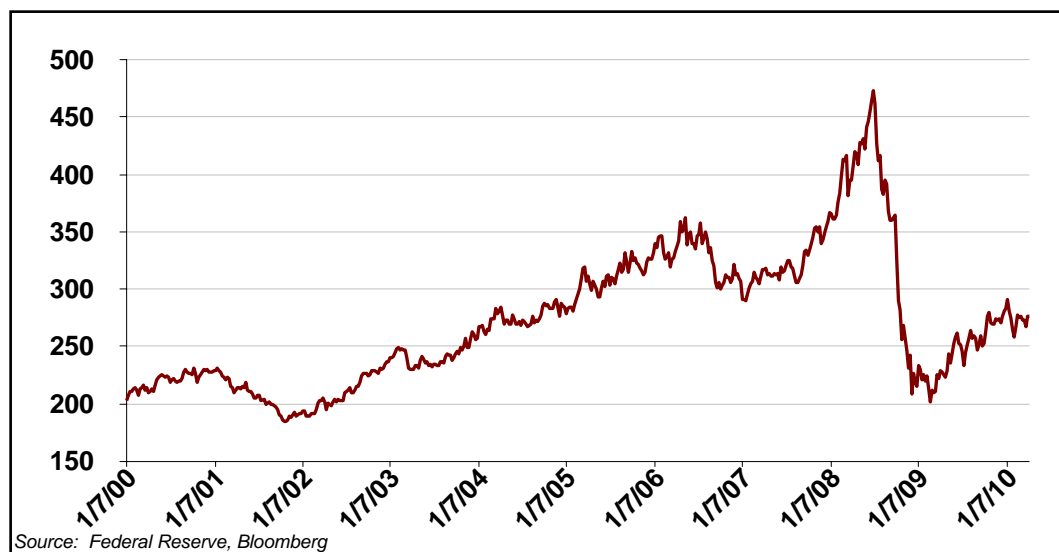
The Concerns

Figure 9: Inflation in China



The Concerns

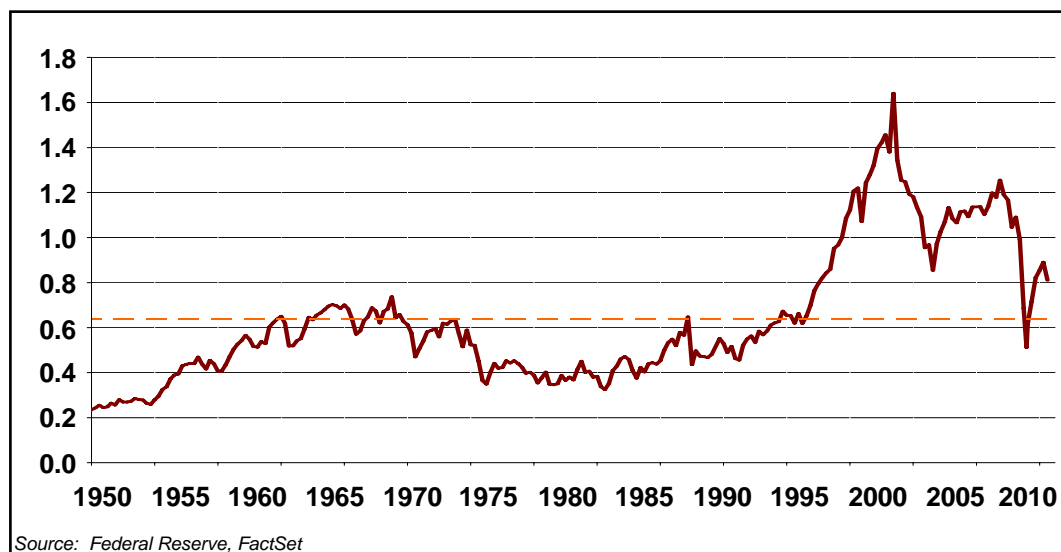
Figure 10: *Commodities (CRB)*



The Outlook

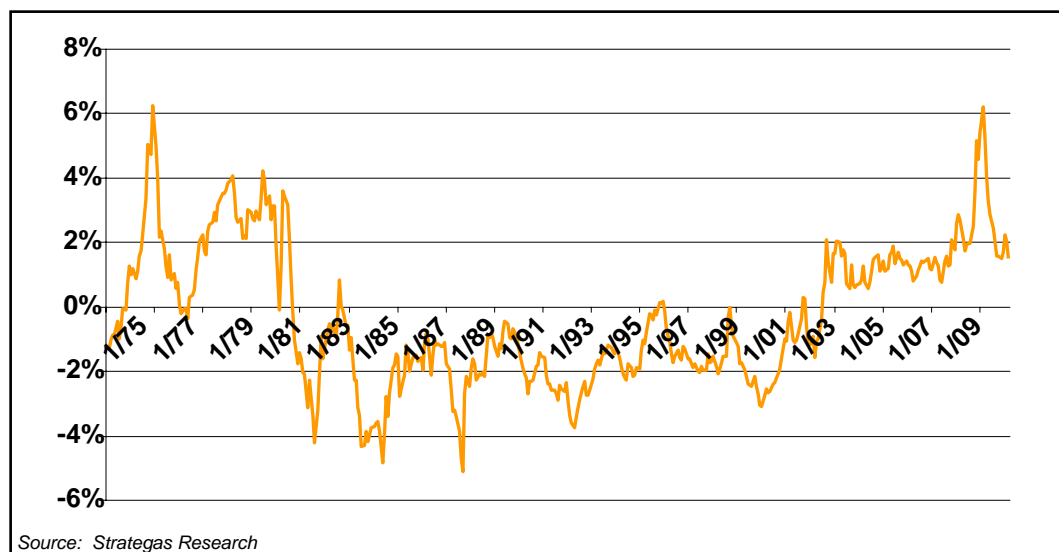
The Outlook

**Figure 11: Total Stock Market Value/Nominal GDP
(1950 - 2010)**



The Outlook

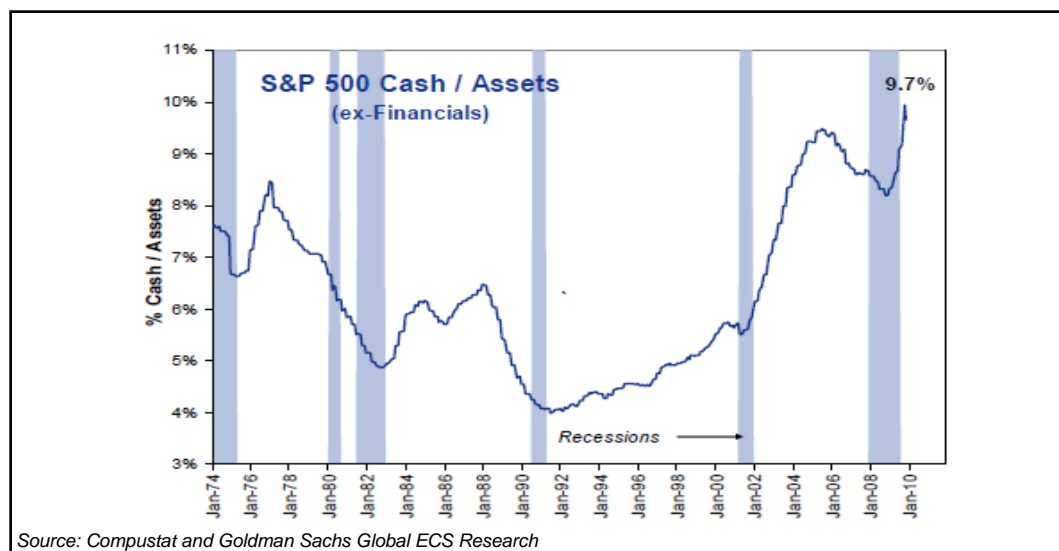
Figure 12: S&P 500 Yield – 10 Year Gvt Bond



- “Buy Beer, Sell Bonds”; *Grant’s Interest Rate Observer*, May 28, 2010

The Outlook

Figure 13: U.S. Non-Financial Corporations' Cash as Pct. Of Total Assets



The Outlook

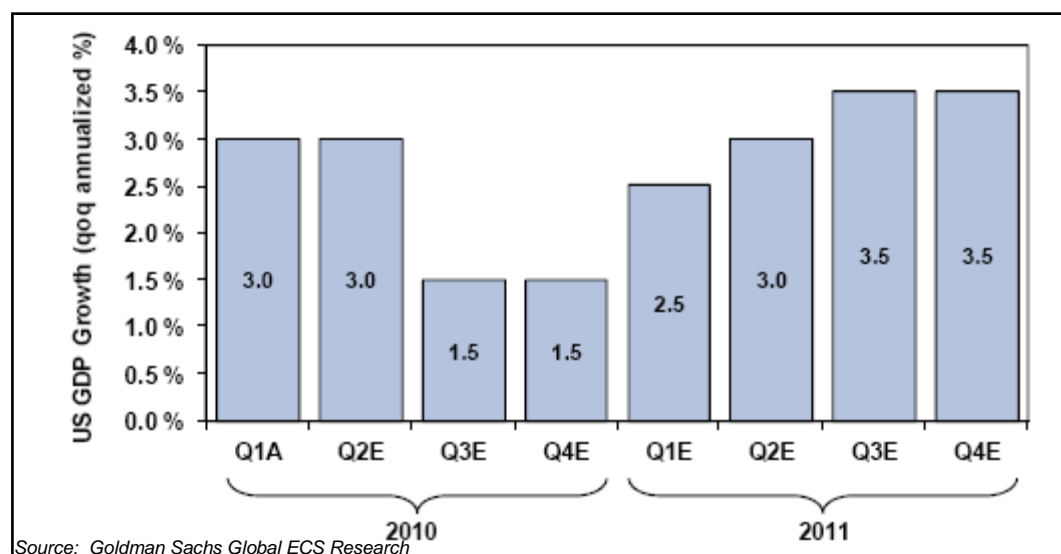
Figure 14: Top-Down vs. Bottom-Up: Goldman Sachs vs. Consensus
As of May 27, 2010

	Contribution to EPS				Annual earnings growth rates			
	GS Top-Down EPS		Bottom-up		GS Top-Down		Bottom-Up	
	2010E	2011E	2010E	2011E	2010E	2011E	2010E	2011E
Energy	\$10	\$14	\$10	\$13	83 %	45 %	98 %	22 %
Materials	2	3	3	3	76	13	83	27
Consumer Discretionary	7	7	8	9	33	3	54	16
Information Technology	14	16	15	17	31	17	45	14
Utilities	3	3	3	3	13	(2)	11	3
Industrials	7	8	8	9	11	13	12	18
Telecom Services	2	3	2	2	4	12	1	10
Consumer Staples	9	9	9	10	2	5	4	11
Health Care	11	12	11	13	2	4	4	12
S&P 500 ex-Financials	65	75	69	79	22	14	29	15
Financials Operating EPS	13	18	13	18	276	38	277	35
S&P 500 Operating EPS	\$78	\$93	\$82	\$97	38 %	18 %	44 %	18 %
+ Provisions & Writedowns	4	0	NA	NA	(71)	(100)	NA	NA
S&P 500 EPS ex-P&W	83	93	NA	NA	15	12	NA	NA

Source: Goldman Sachs Global ECS Research

The Outlook

Figure 15: Goldman Sachs U.S. Economic Quarterly GDP Forecasts
As of May 27, 2010



Summary

Economy

- A modest recovery is underway
- Employment gains will begin but will be modest
- Fiscal and monetary stimulus will continue in 2010 but effects will ebb in second half
- Capital investment will be concentrated in productivity enhancements and short-lived assets
- Margins will be constrained by limited pricing power

Market

- Discounting a robust recovery in April, 2010; not true in May
- Reflecting a secular low in interest rates
- Security selection and valuation will matter more than momentum
 - Companies experiencing growth in end-demand will be winners in a slow recovery