

PRING

TURNER

CAPITAL GROUP
Registered Investment Advisor

SECULAR UPDATE: Are You Prepared for Another Lost Decade?
Is the Cyclical Bull Market for Stocks Over?



AAII San Francisco Meeting

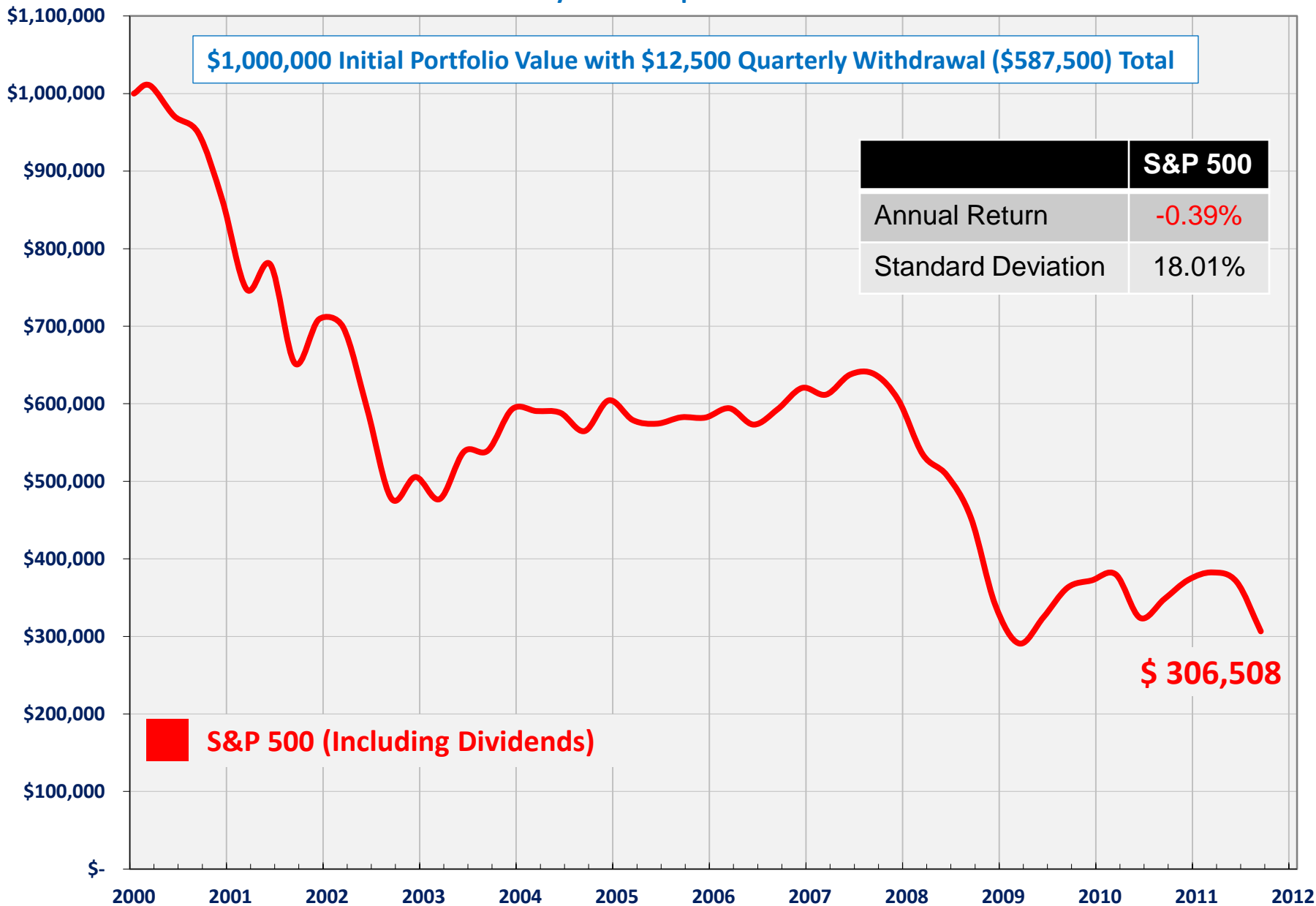
Saturday November 19, 2011

Presented by: Tom Kopas

www.pringturner.com

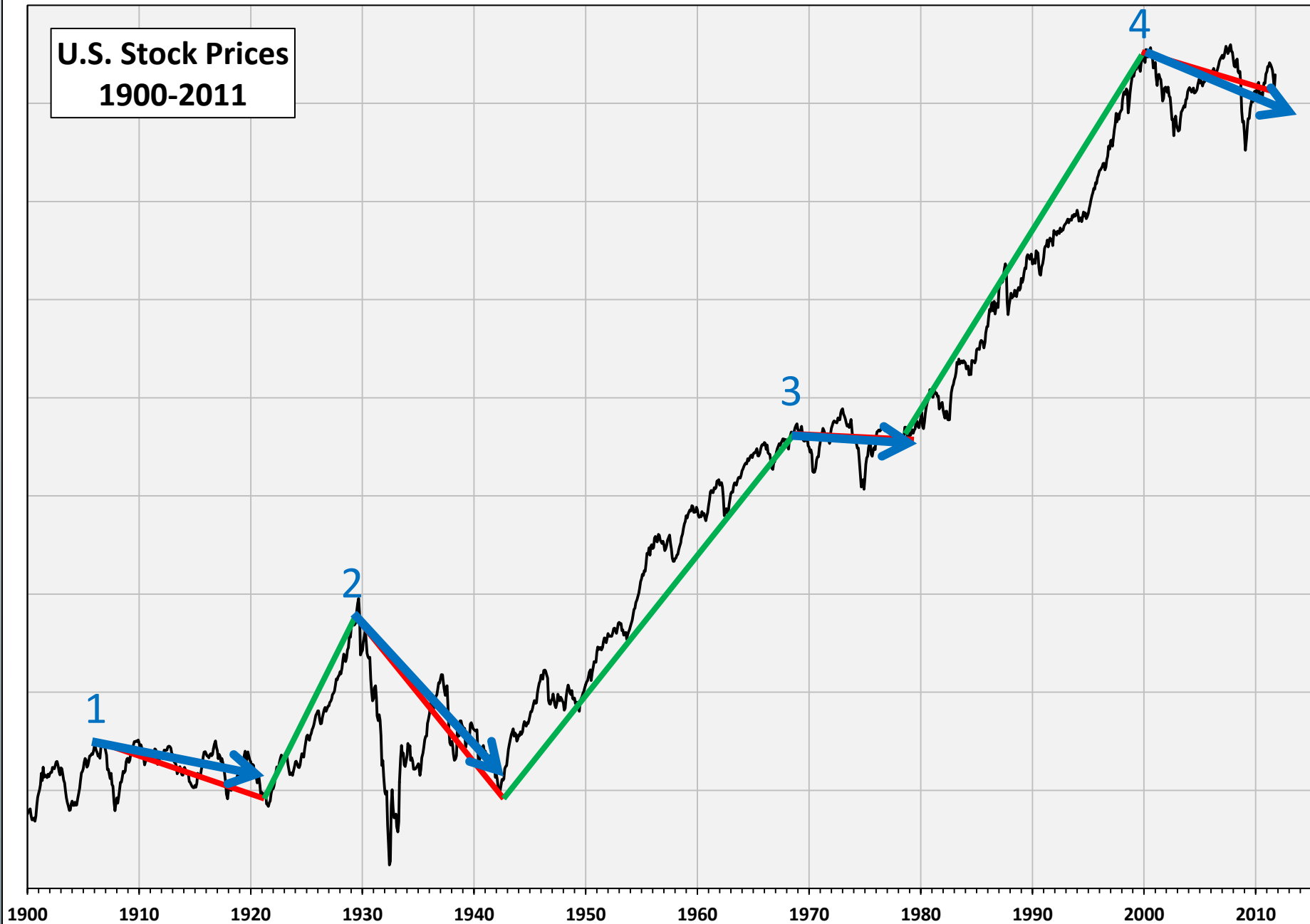
Retiree Nest Egg Through a Lost Decade

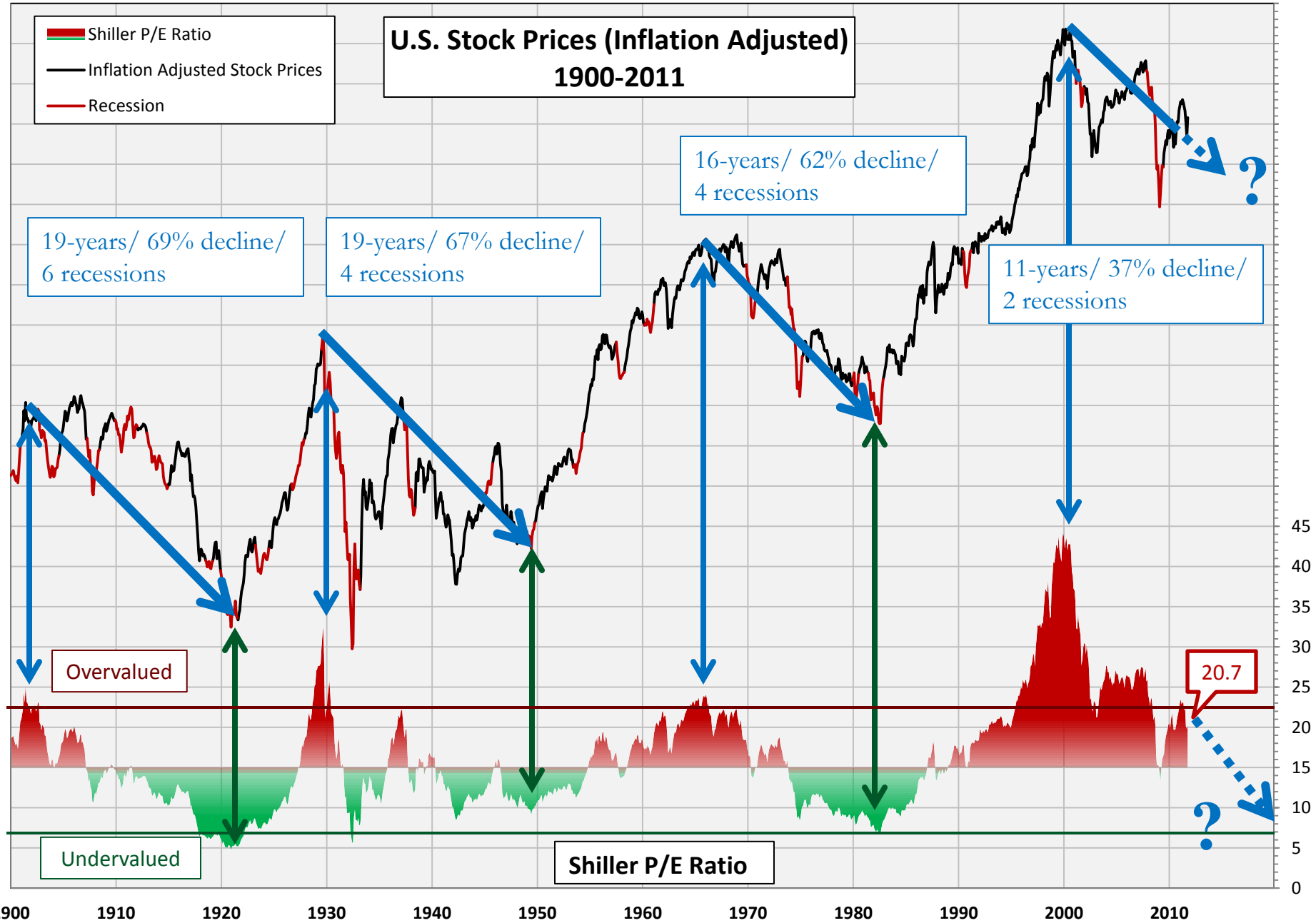
January 2000 – September 2011



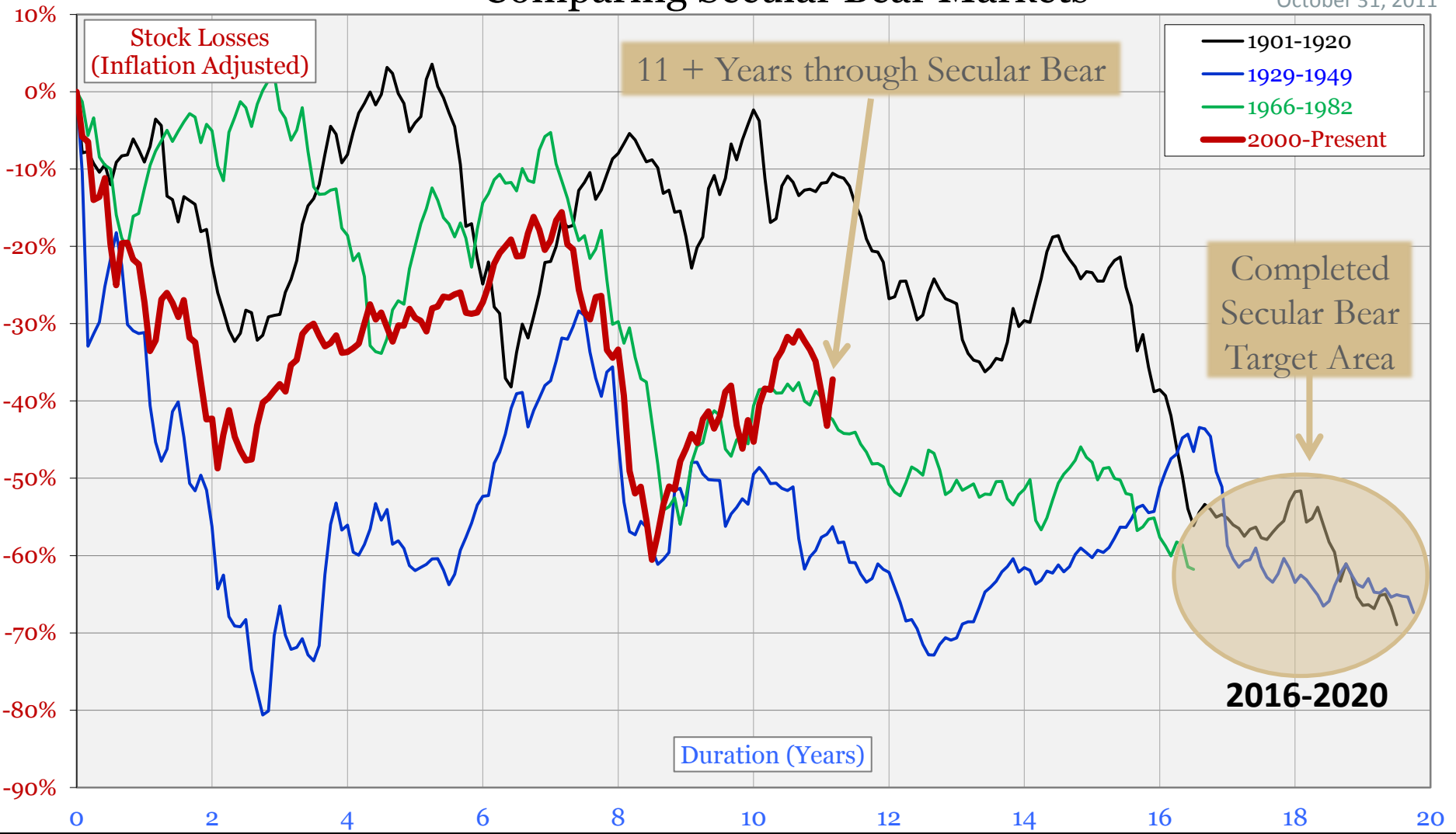
I. Secular Outlook: Stocks

**U.S. Stock Prices
1900-2011**

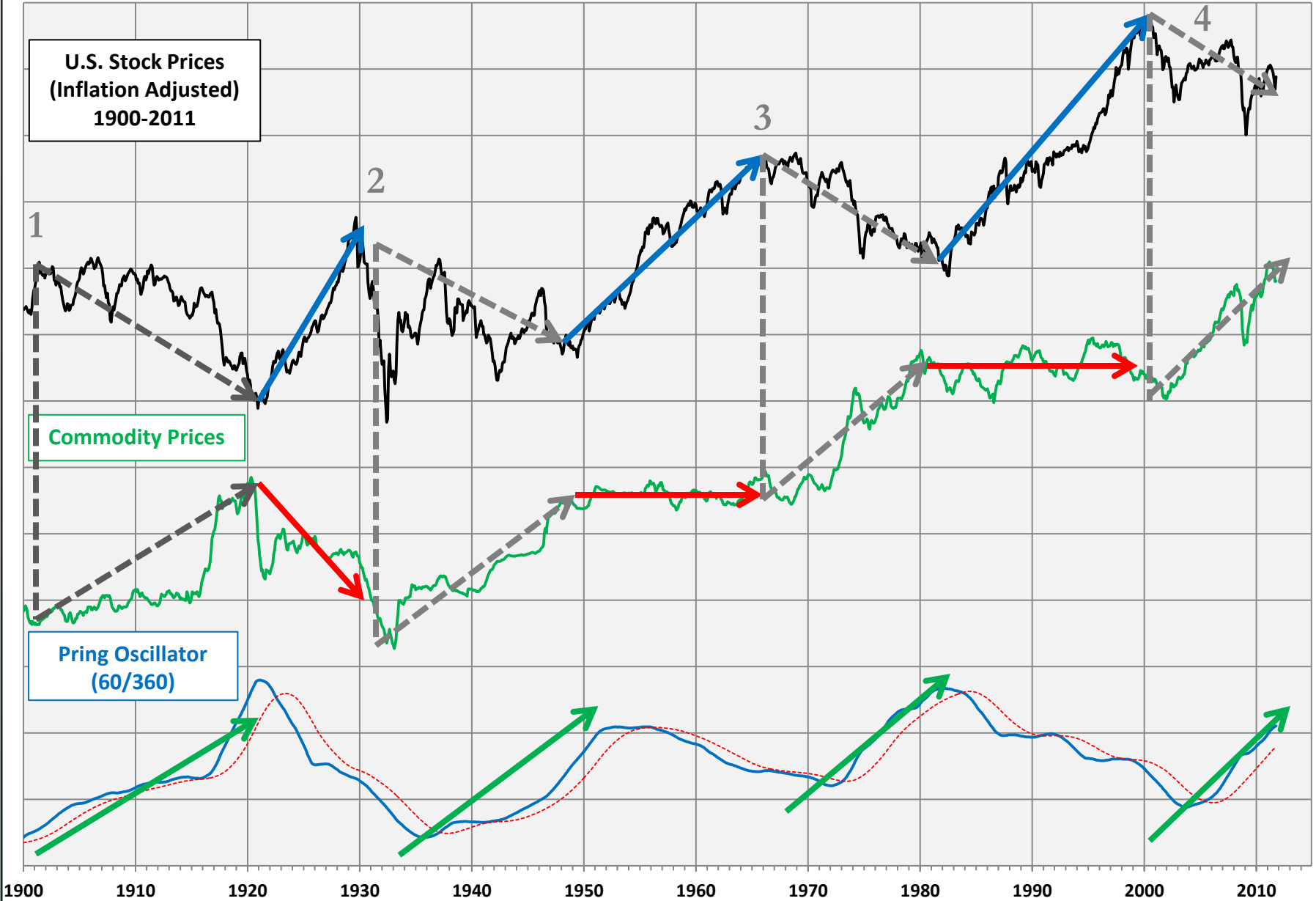




Comparing Secular Bear Markets



	Time Frame	Duration	# of Recessions	Starting P/E	Finishing P/E	Decline (Inf. Adj)
1	1901-1920	19 Yrs 6 Months	6	25.2	5.1	-69%
2	1929-1949	19 Yrs 9 Months	4	32.6	9.1	-67%
3	1966-1982	16 Yrs 6 Months	4	24.1	6.6	-62%
	Average	18 Yrs 7 Months	4.7	27.3	6.9	-66%
4	2000-Present	11 Yrs 2 Months	2	44.2	20.7	-37%



U.S. Stock Prices
(Inflation Adjusted)

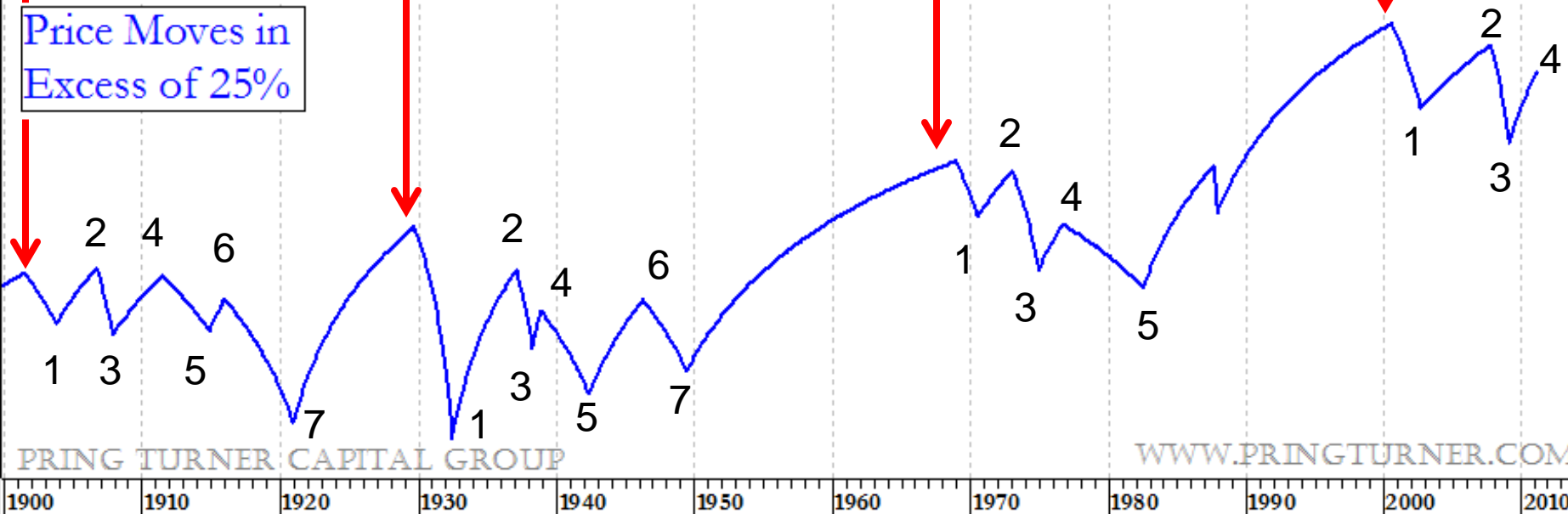
1901

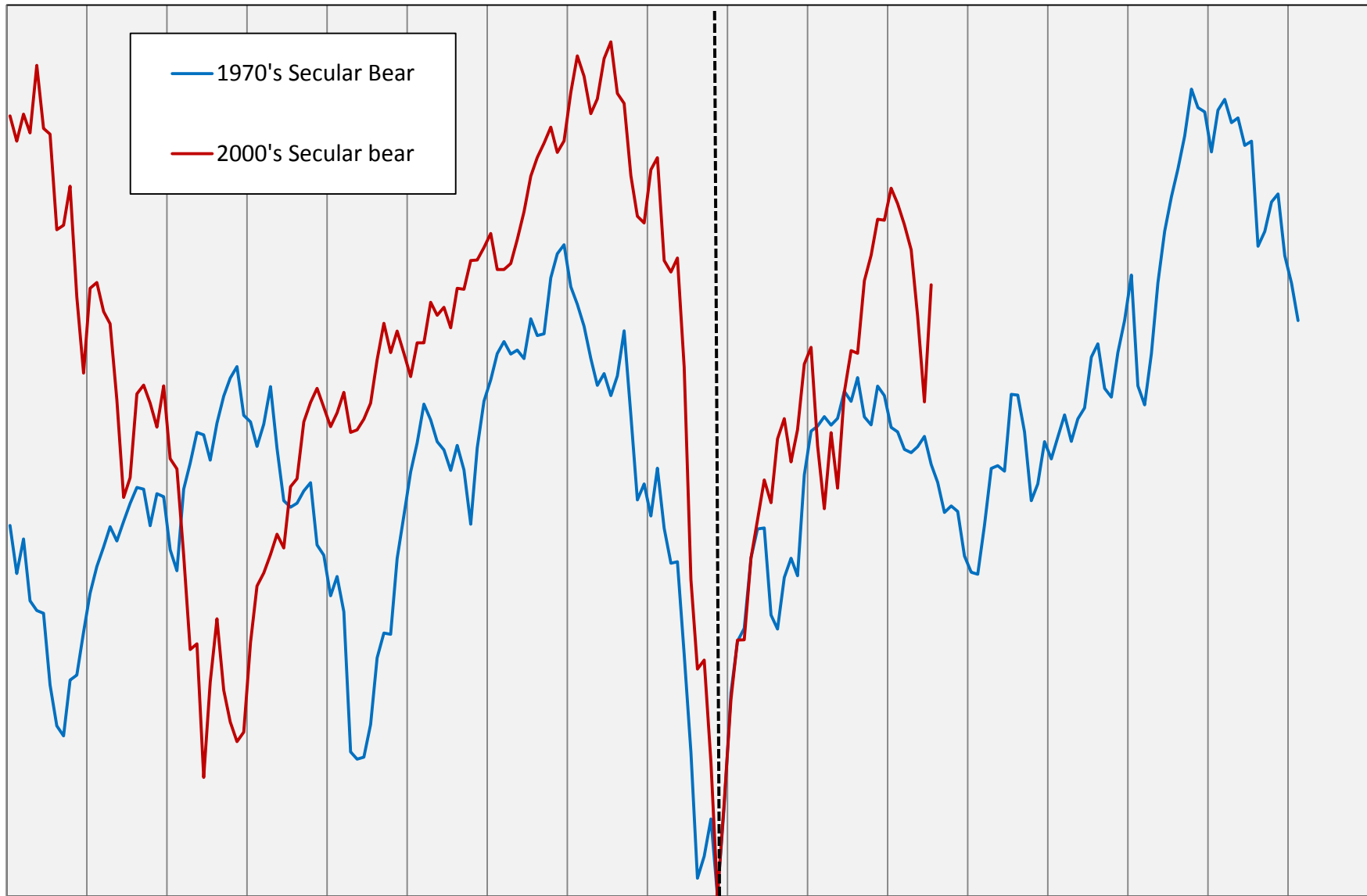
1929

1966

2000

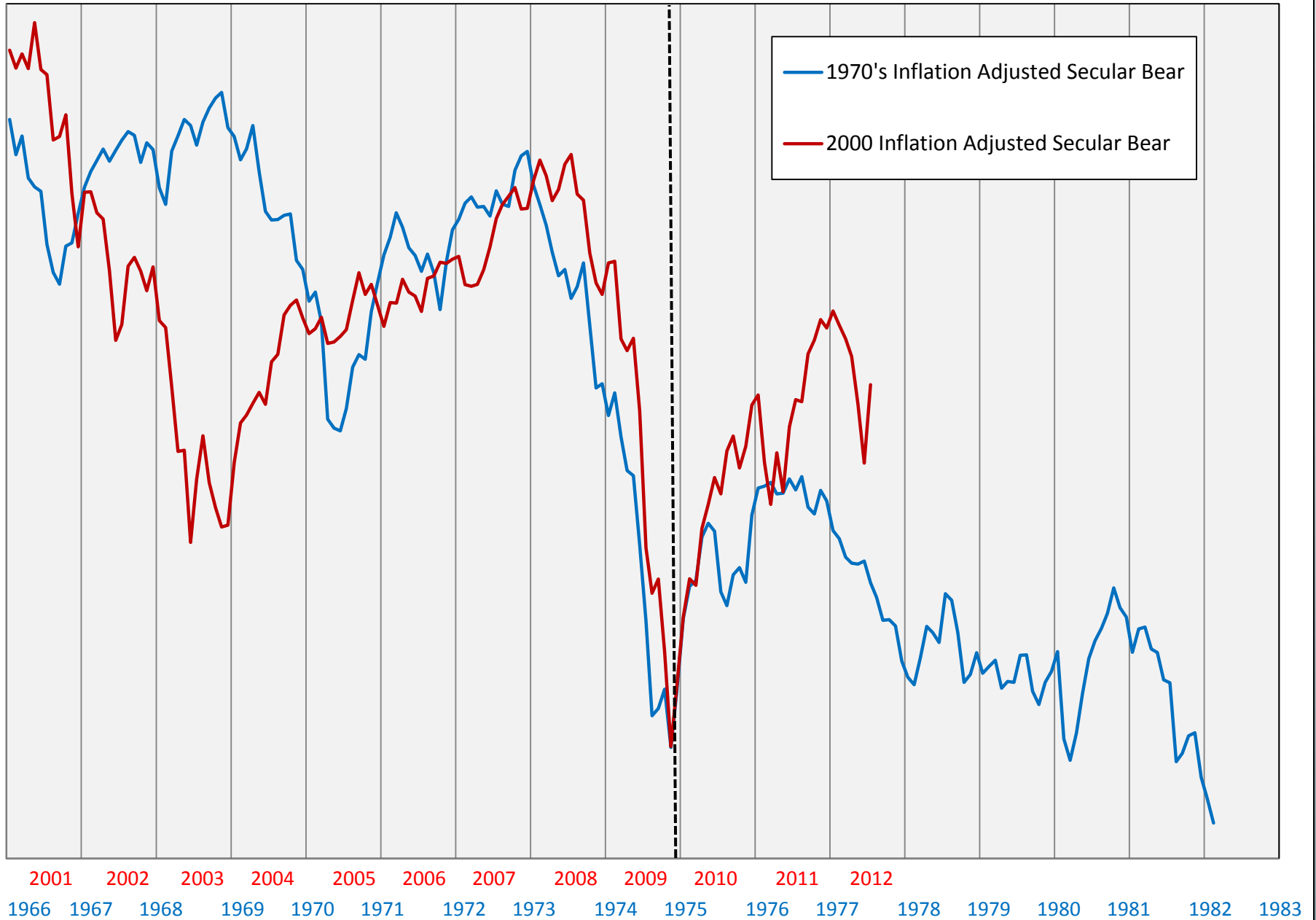
Price Moves in
Excess of 25%





2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012

1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983



Key Points: Secular Trend for Stocks

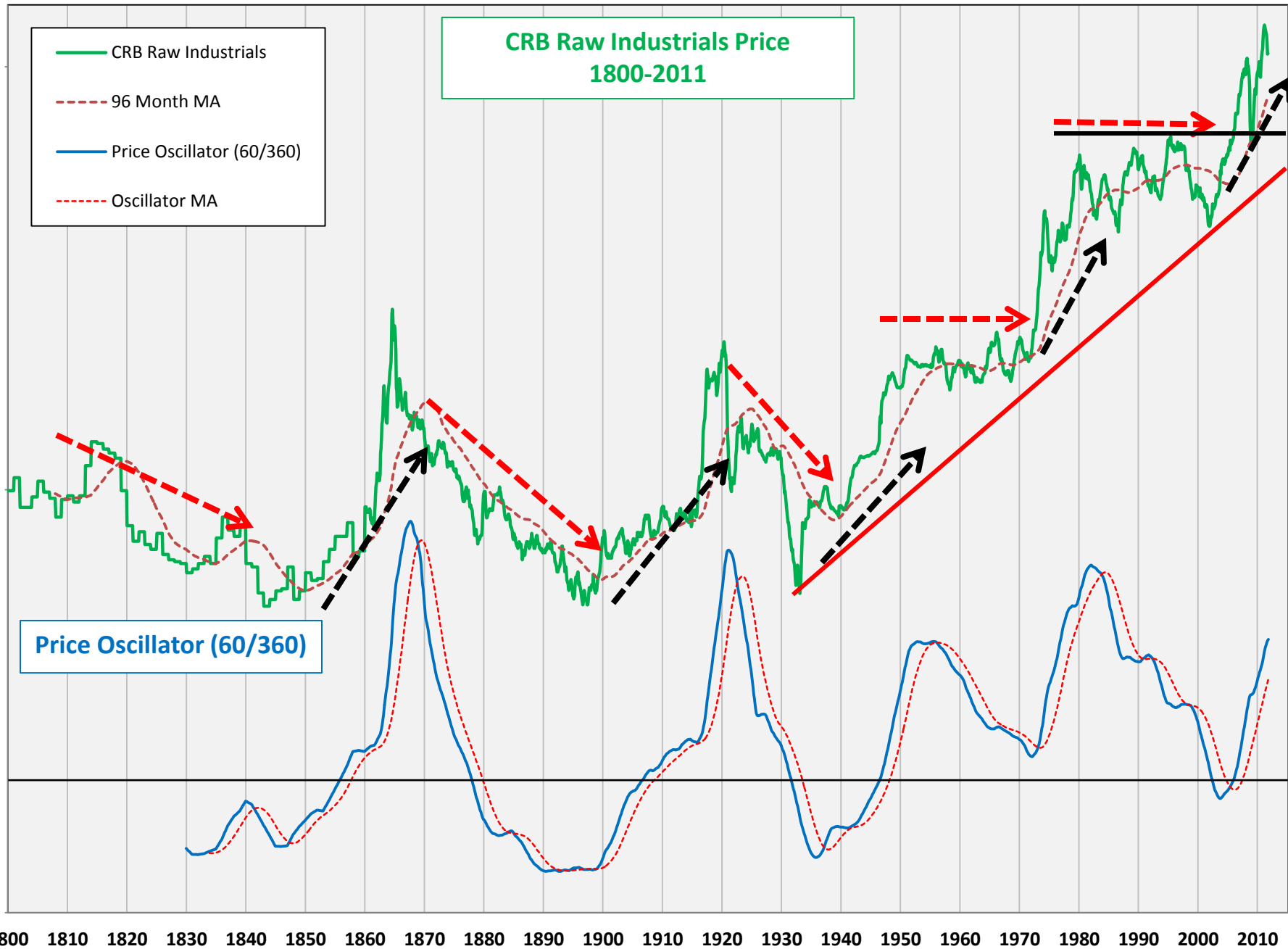
- Long Periods of Alternating Good and Bad Performance
- Secular Trends Change at Extreme Valuation Levels
- Currently 11+ Years through our 4th Secular Bear Market
- Be Aware of Commodity Secular Bull Market
- Capitalize on Cyclical Stock Market Opportunities
- Inflation is Stealth Tax – Be Alert
- Understanding Secular Environment is Key to Success

II. Secular Outlook: Commodities & Bonds

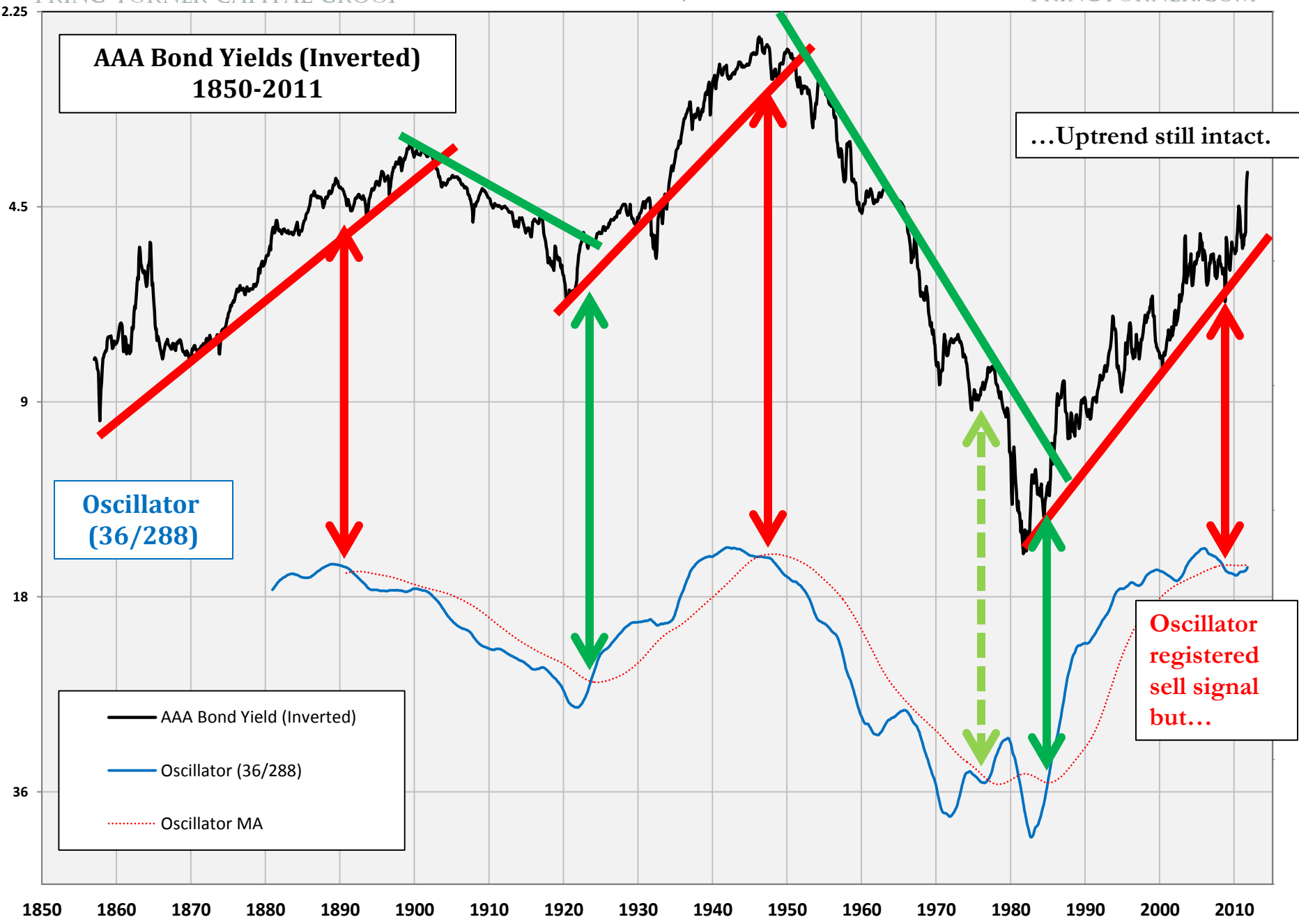
**CRB Raw Industrials Price
1800-2011**

- CRB Raw Industrials
- - - 96 Month MA
- Price Oscillator (60/360)
- - - Oscillator MA

Price Oscillator (60/360)



1800 1810 1820 1830 1840 1850 1860 1870 1880 1890 1900 1910 1920 1930 1940 1950 1960 1970 1980 1990 2000 2010



2
4
8
16

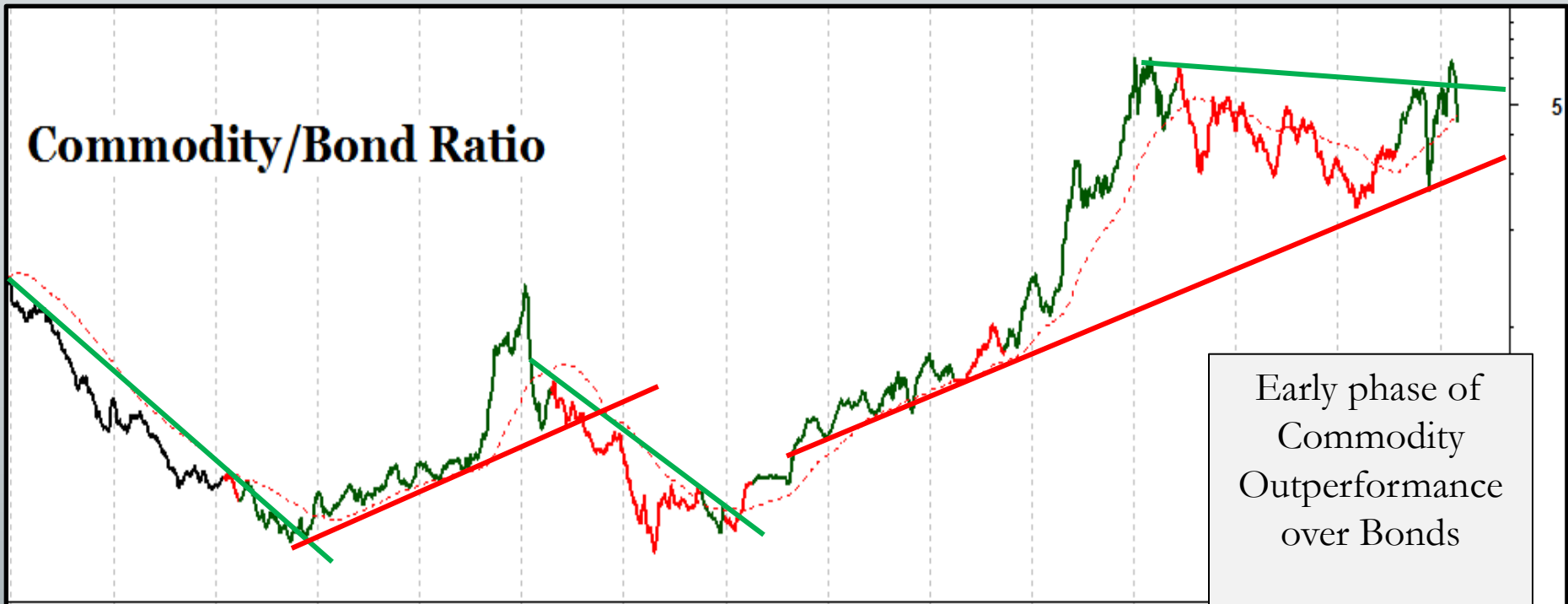
— U.S. Gov't 20-Year Yield (Inverted)

30 Year Secular Bull Market in Bond Prices

1950 1955 1960 1965 1970 1975 1980 1985 1990 1995 2000 2005 2010 2015



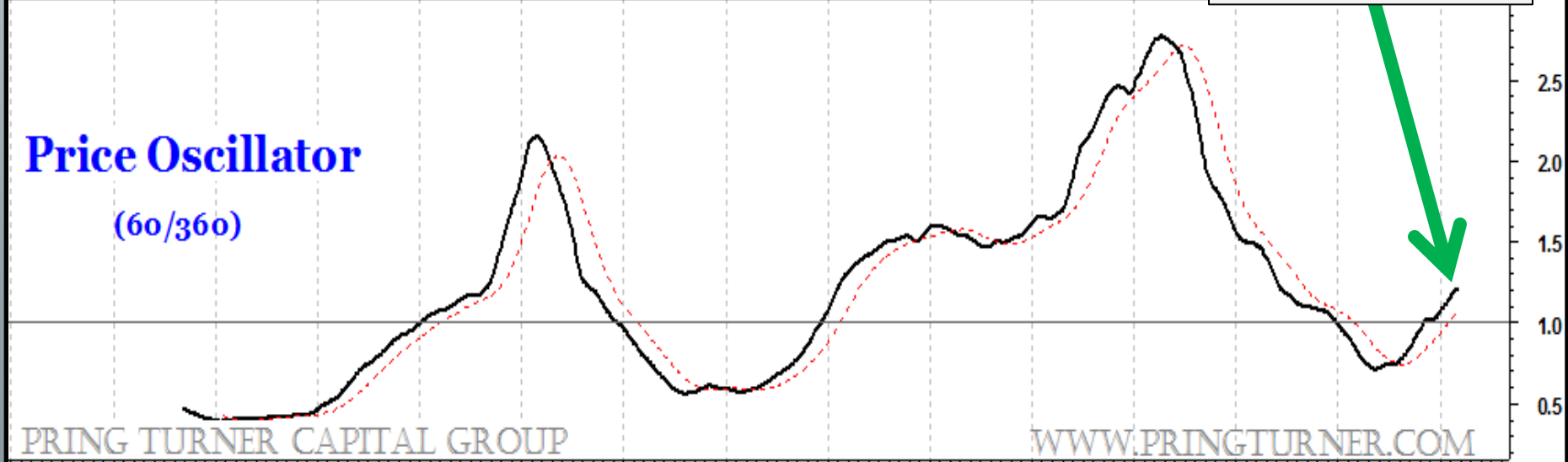
Commodity/Bond Ratio



Early phase of
Commodity
Outperformance
over Bonds

Price Oscillator

(60/360)



DR. BERNANKE EXPLAINS QUANTITATIVE EASING

IF WE FEED THE BANKS ENOUGH DOLLARS, SOMETHING GOOD IS BOUND TO COME OUT THE OTHER END EVENTUALLY...



The United States is spewing a potentially damaging substance into our economy – greenback emissions. Unchecked greenback emissions will certainly cause the purchasing power of currency to melt.

-Warren Buffet, August 2009

Key Points:

Secular Trend Commodities & Bonds

- Commodities Continue Secular Uptrend → Risky for Bonds
- Opportunities in Inflation Sensitive Securities
- Bond prices have been in a Secular Bull for 30 Years
- Bond Owners Beware – Prepare to Change Tactics
- Commodity Outperformance over Bonds to continue
- Protect Purchasing Power – Real Game Changer

III. Investing Around the Business Cycle

Pring Turner Investment Approach

Financial markets are linked in a logical, rational, and sequential relationship to business activity. Financial markets have tracked these business cycle sequences for over 150 years.

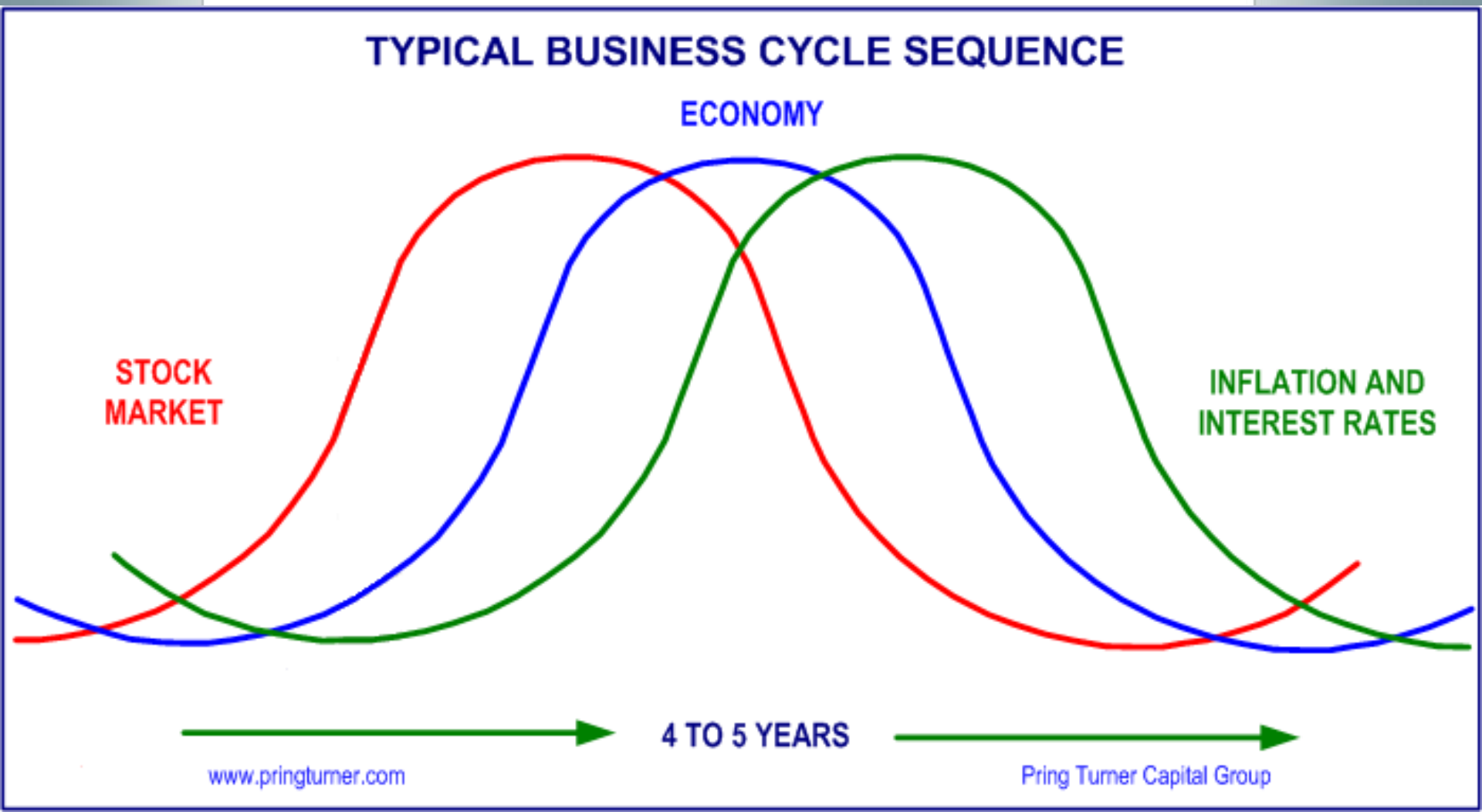
TYPICAL BUSINESS CYCLE SEQUENCE

ECONOMY

STOCK
MARKET

INFLATION AND
INTEREST RATES

4 TO 5 YEARS



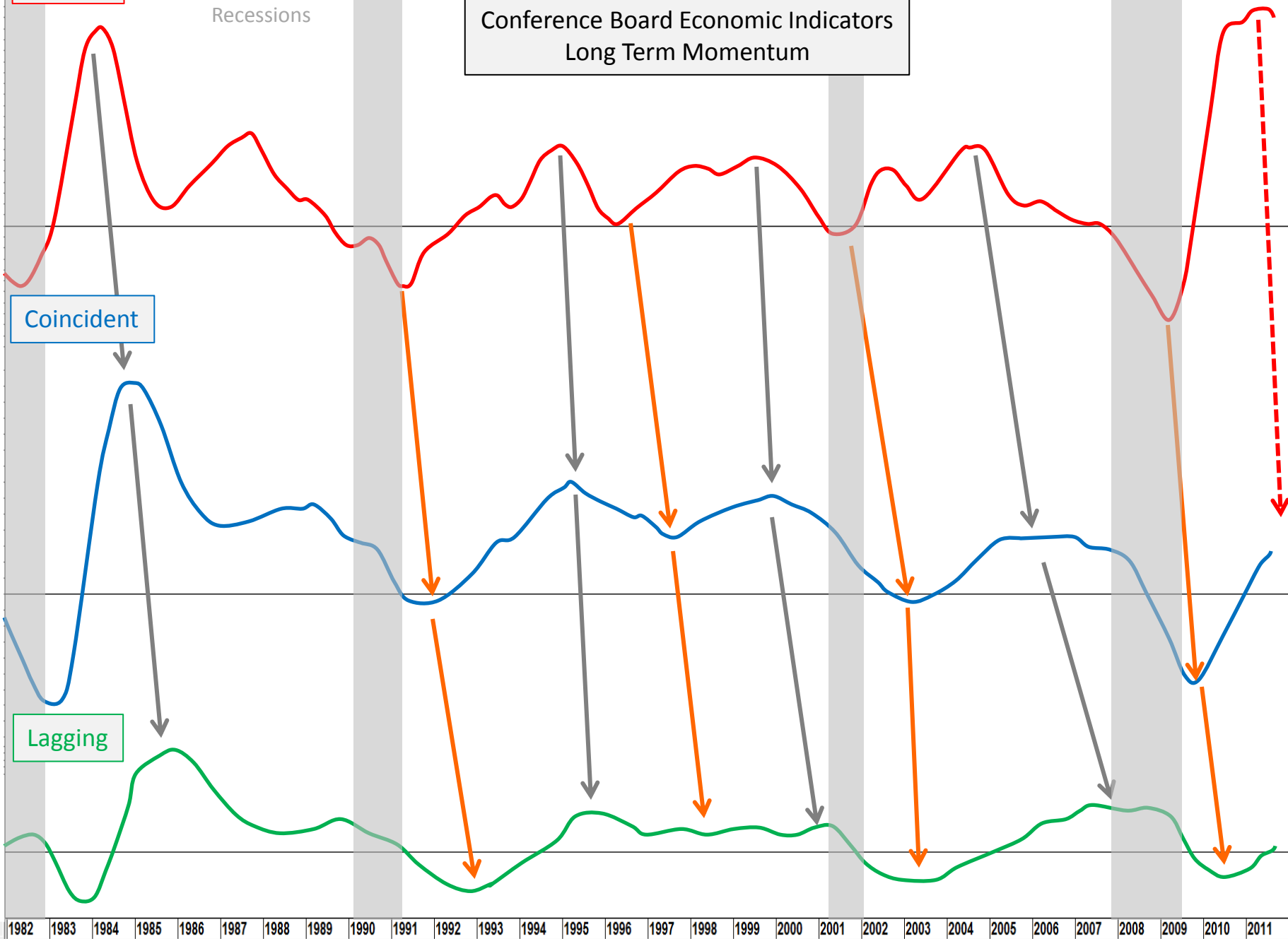
Leading

Recessions

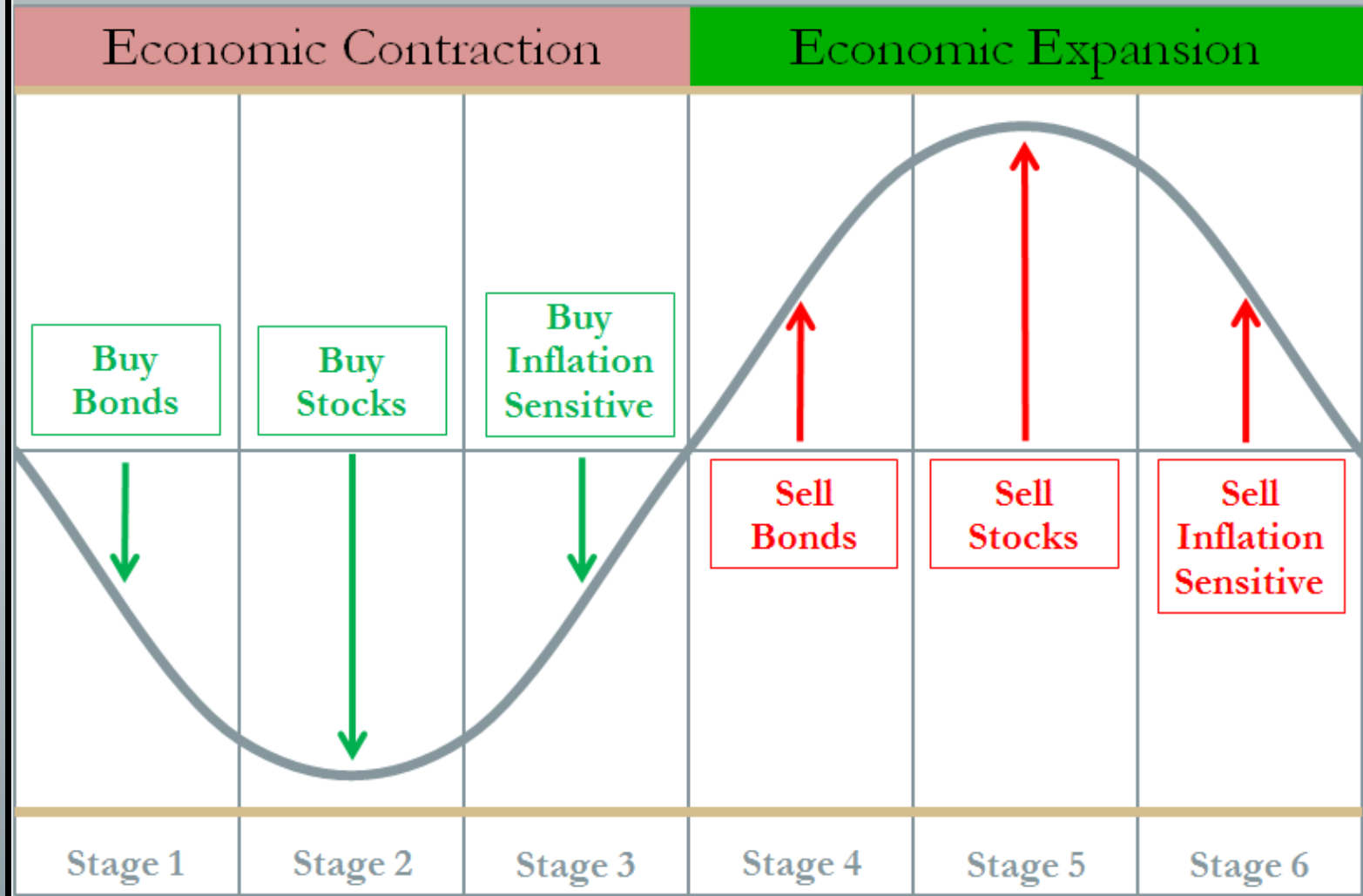
Conference Board Economic Indicators
Long Term Momentum

Coincident

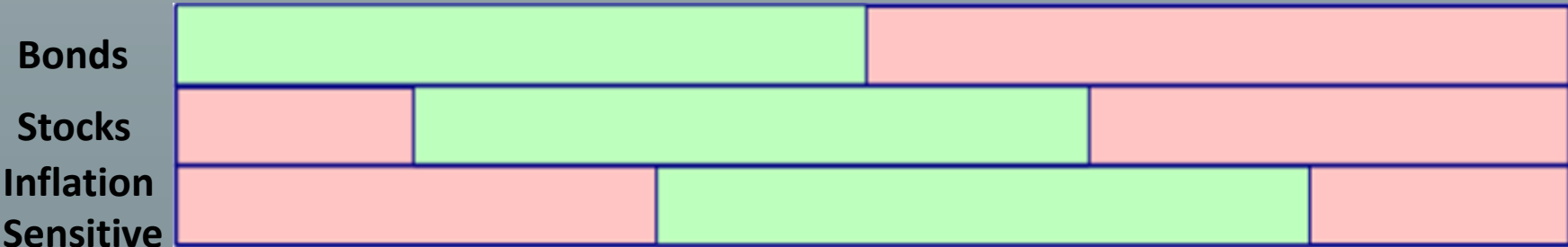
Lagging



Pring Turner's Six Business Cycle Stages



← 4 to 5 YEARS →



Quick Test: Where are we Today?

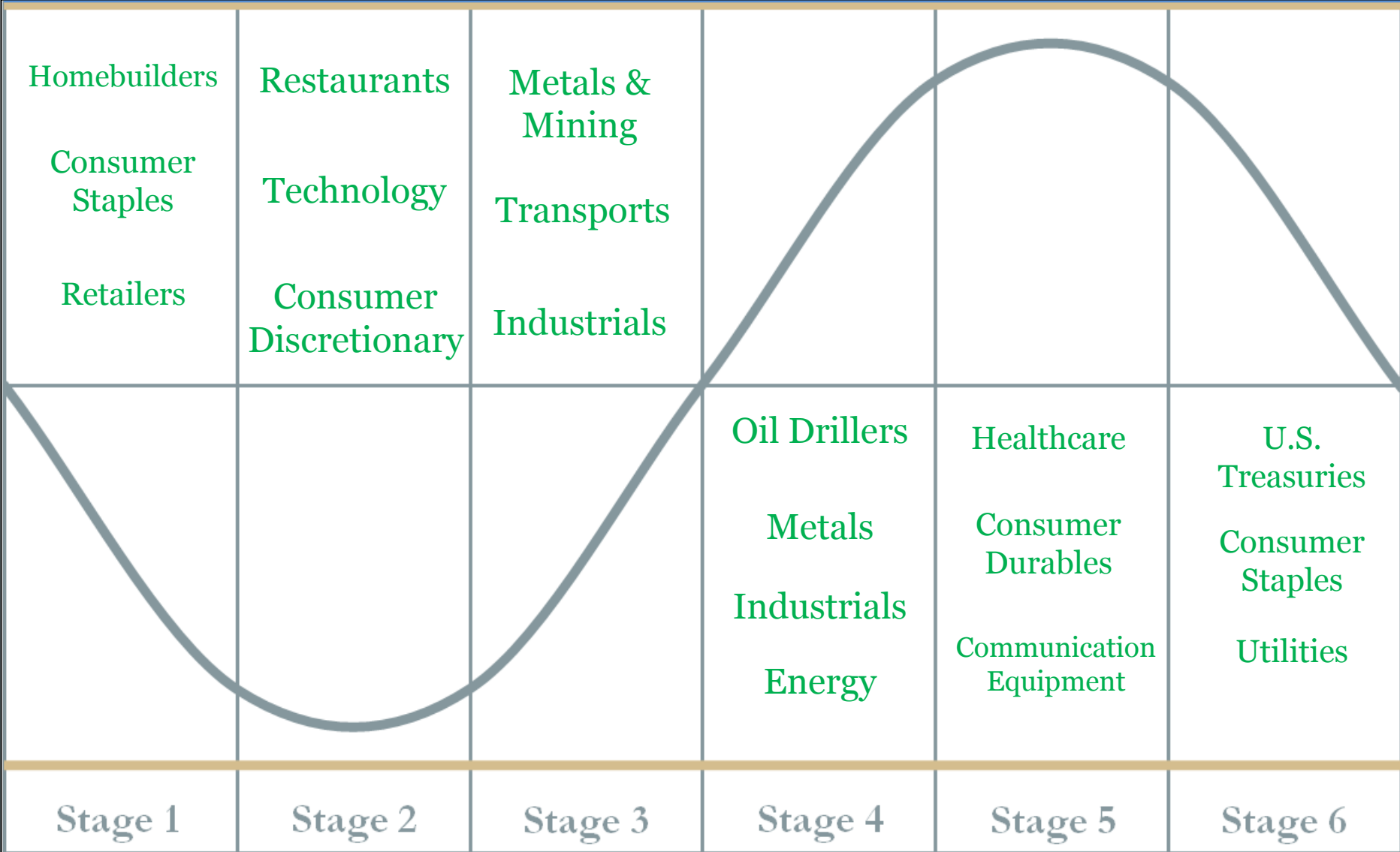
Asset Class	Above 12 Month Moving Average	Below 12 Month Moving Average
Bonds	✓	
Stocks		✓
Commodities		✓

= Stage 1 of Business Cycle

Good Environment for Bonds, Bad Environment for Stocks & Commodities

Pring Turner's Six Business Cycle Stages

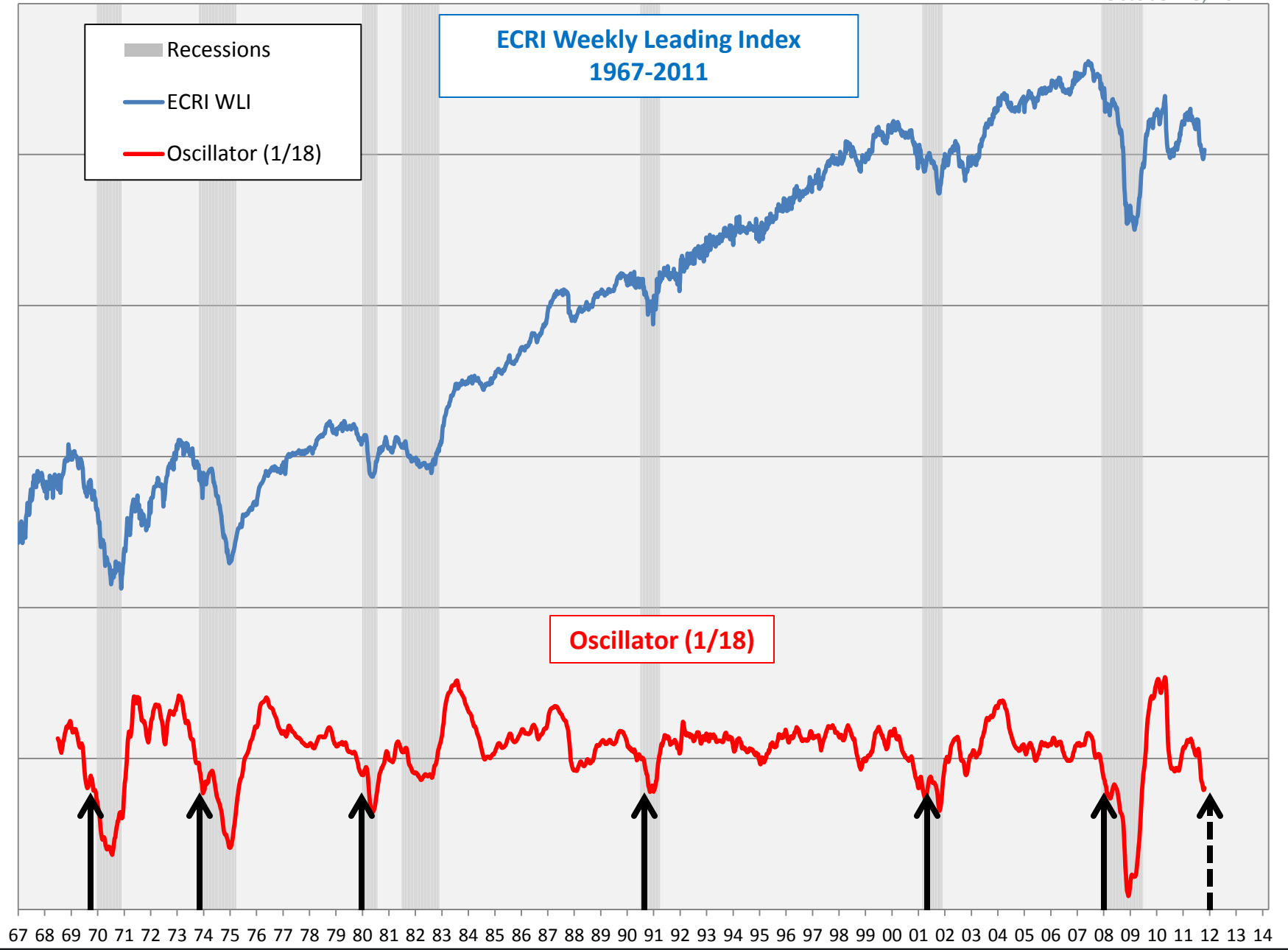
Sector Emphasis



ECRI Weekly Leading Index 1967-2011

- Recessions
- ECRI WLI
- Oscillator (1/18)

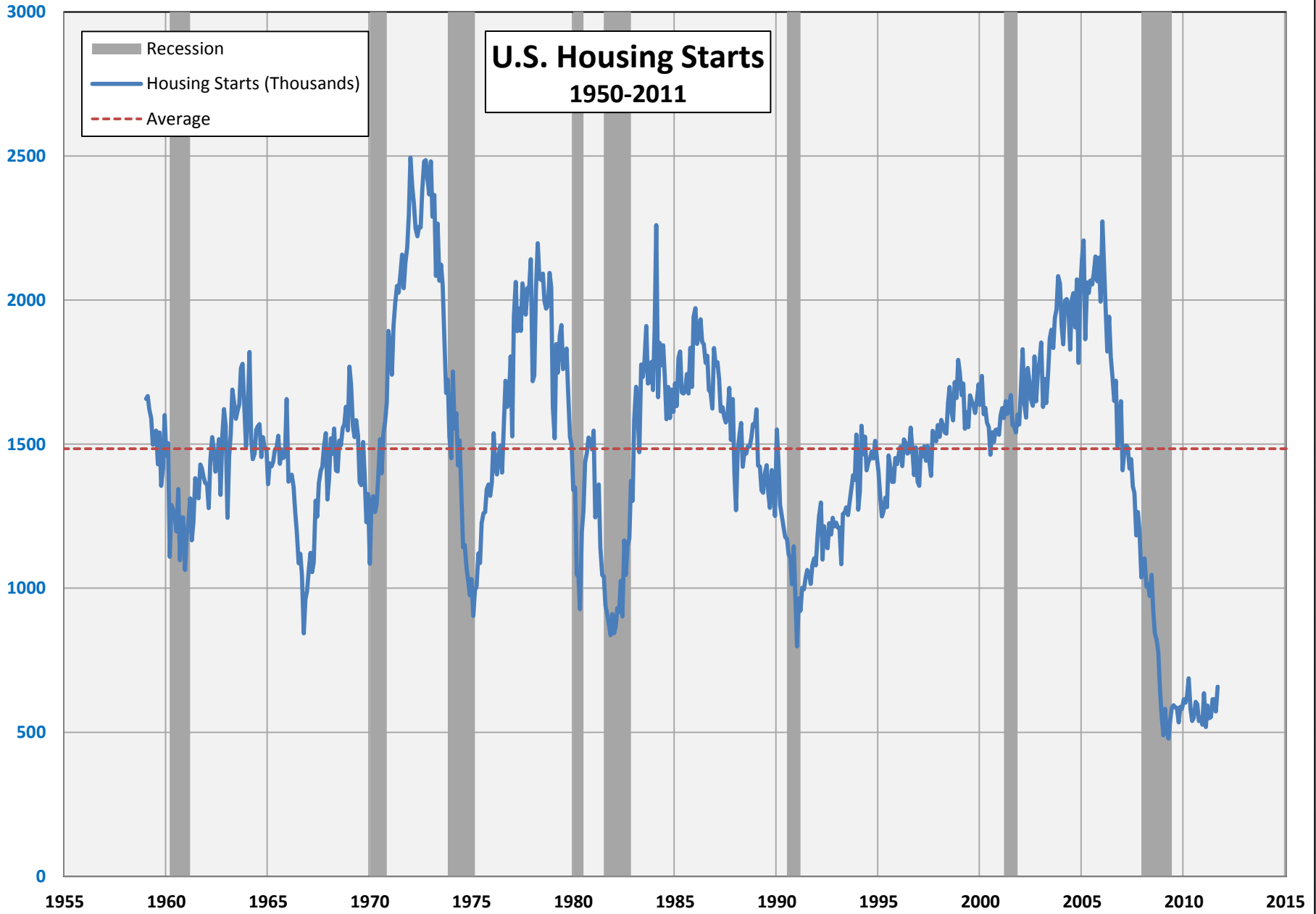
Oscillator (1/18)



Source: Federal Reserve Bank of St. Louis

U.S. Housing Starts 1950-2011

- Recession
- Housing Starts (Thousands)
- Average



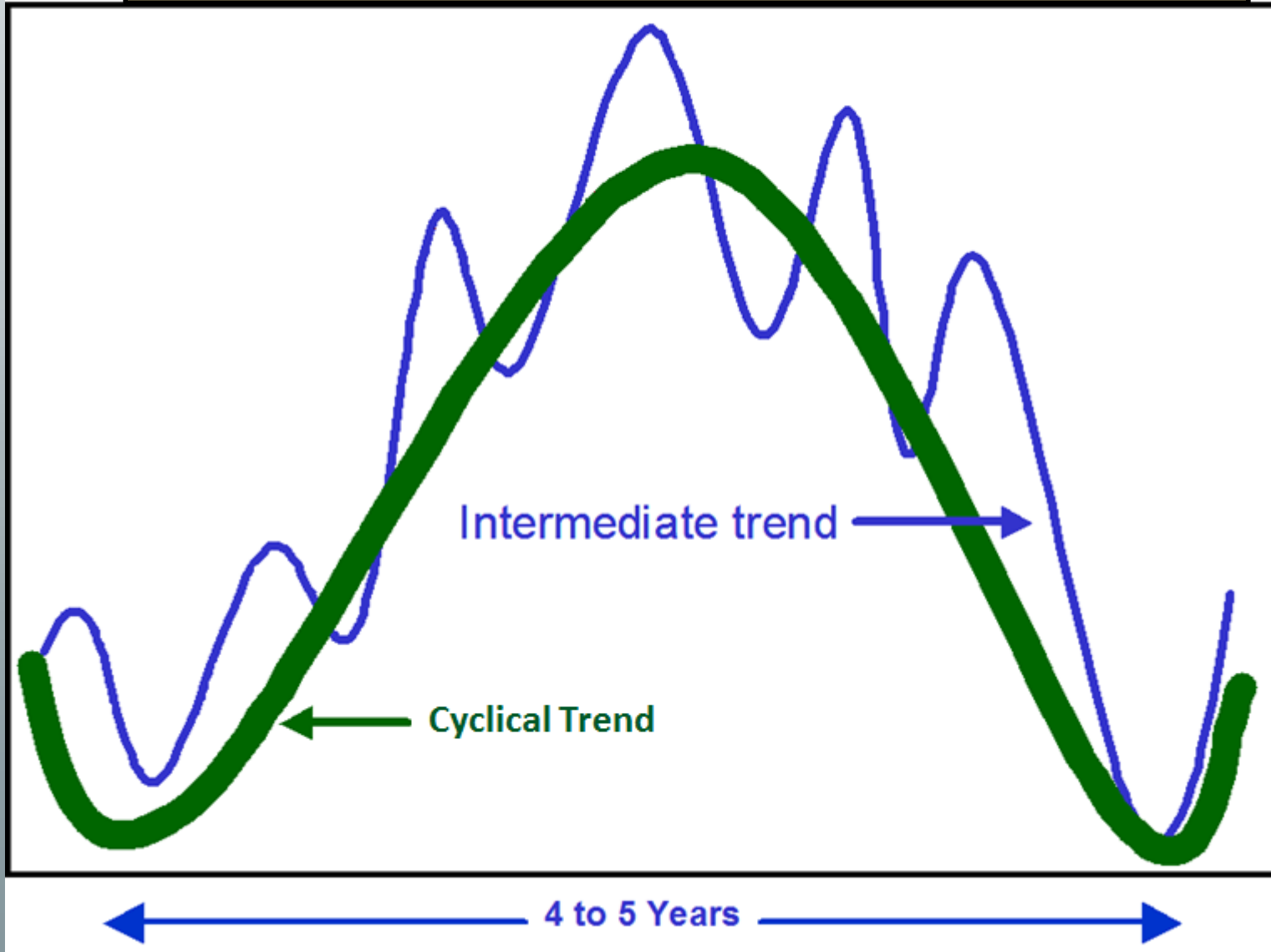
Key Points:

Investing Around the Business Cycle

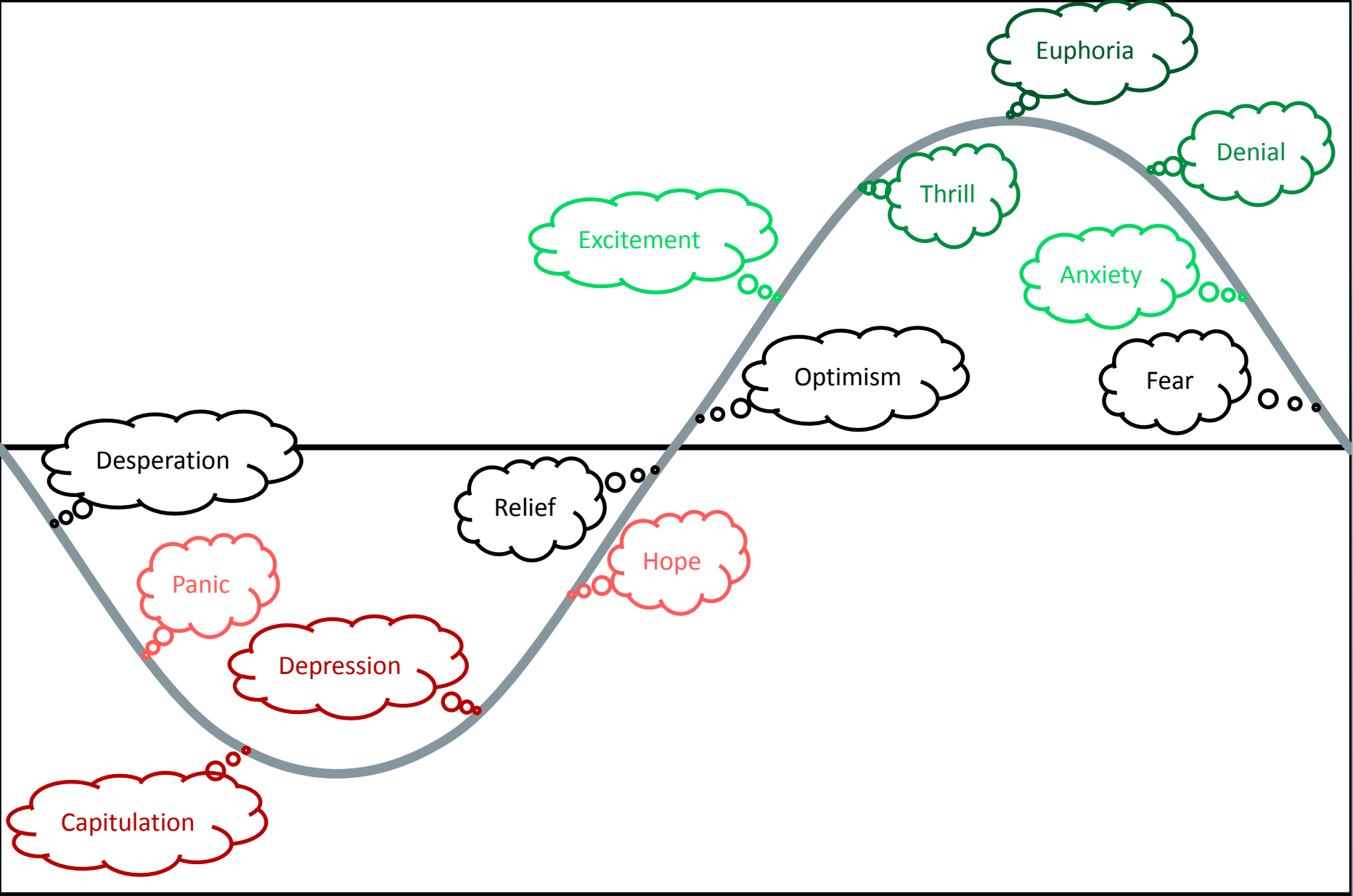
- Markets are Linked in a Logical, Rational, Sequential Relationship
- For over 150 Years, Markets have Tracked Business Cycle Sequences
- Pring Turner Organizes the Business Cycle into 6 stages
- Currently in Stage 1
 - Good for Bonds
 - Bad for Stocks & Commodities
- At Doorstep of the Next Recession?
- Business Cycle Drives Profitable Asset Allocation Decisions

IV. Reducing Risk While Manufacturing Portfolio Returns

Reducing Risk While Manufacturing Portfolio Returns



Investor Sentiment Cycle



Fundamentals

➤ Quality

- Global Leadership Companies
- Earnings, Cash Flow and Dividend Stability
- Strong Balance Sheets

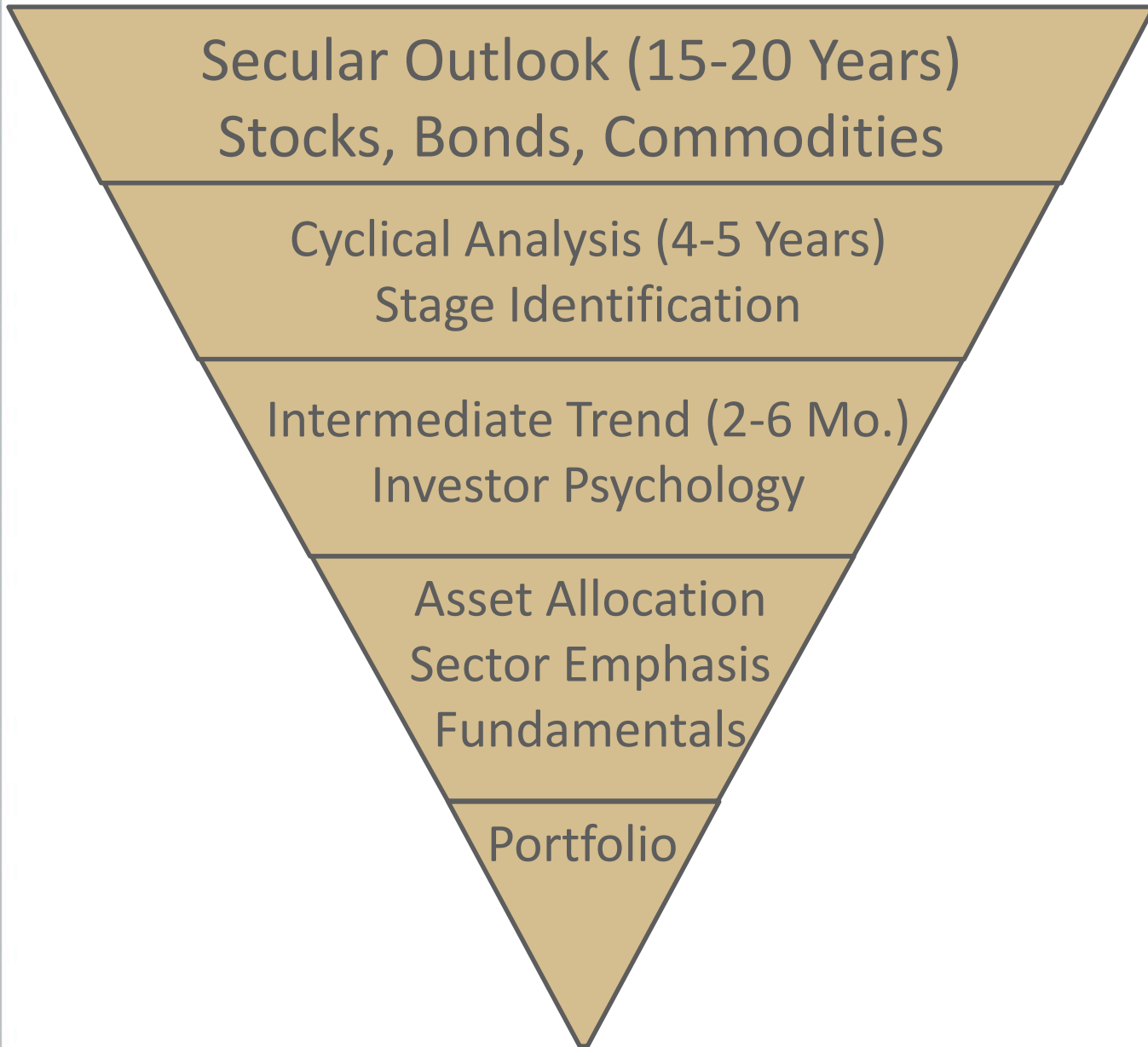
➤ Value

- Low Price/Earnings
- Low Price/Cash Flow
- Buying Back Stock

➤ Income

- Dependable Dividend Stream
- Dividend Growth vs. Fixed Income
- Important Return Component to Portfolio

Pring Turner Portfolio Management Process



V. Observations and Long-term Themes

Stock Markets

Secular Bear

➤ Developed Economies

- High Debt
- Slow Growth
- Aging Population
- High Unemployment

➤ United States

➤ Europe

➤ Japan

Secular Bull

➤ Emerging Economies

- Low Debt
- High Growth
- Young Population
- Strong Jobs

➤ Brazil

➤ Russia

➤ India

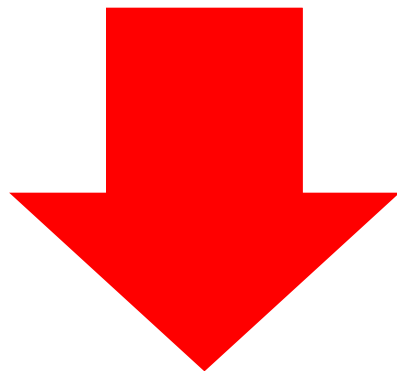
➤ China

Commodities

- Secular Bull Continues
- Resource Based Economies
 - Canada
 - South Africa
 - Australia
 - Latin America

Paper Assets

Real Assets



U.S. Treasuries

➤ Yields Near Historic Lows... despite “AA” Rating

➤ Still A Safe Haven Asset?

➤ Alternatives:

➤ TIPS (WIP)

➤ Emerging Market Debt

➤ Corporates

➤ Muni’s (selectively)

➤ High Yield Bonds

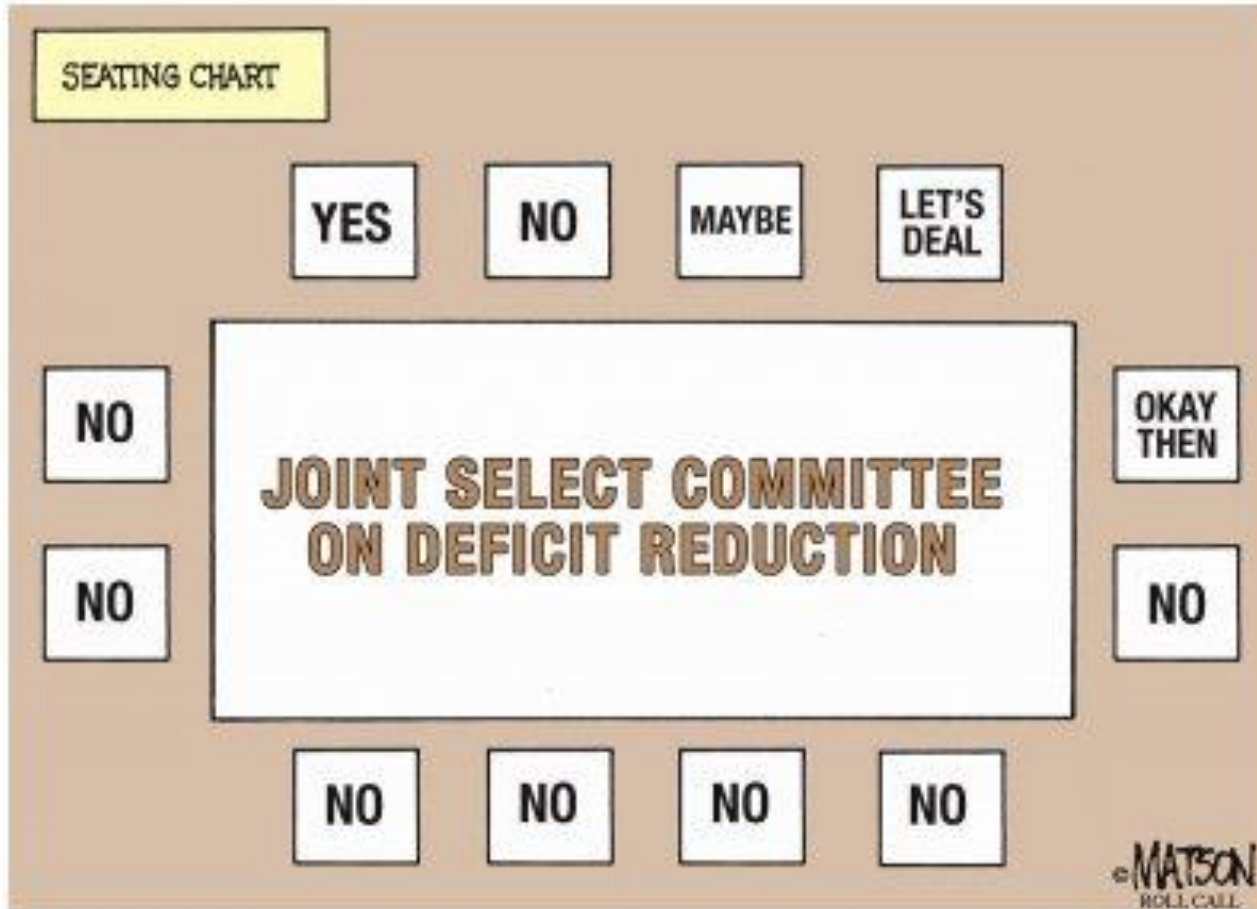
➤ High Quality, Dividend Growth Stocks



Tactics to Protect and Grow Your Wealth

Class	Secular	Cyclical	Tactics
Stocks	Bear	Bear	<p>Use Business Cycle to Tactically Allocate Assets</p> <p>Inflation Themes are in Secular Bull</p> <p>Stage I Themes Favor Staples and Defensive Stocks</p> <p>Quality with International Exposure</p> <p>Income Producers</p>
Bonds	Late Bull	Bull	<p>Review and Reconsider Risks</p> <p>Lower Bond Allocation</p> <p>Reduce Bond Maturities</p> <p>Set up Short-term Bond Ladder</p> <p>Hedge Bonds with Inflation Sensitive Securities</p>
Inflation Sensitive Assets	Bull	Bear	<p>Favor Natural Resource Companies</p> <p>“Chindia” Theme, Global Resource Demand</p> <p>Precious Metal Exposure</p> <p>Resource Based Countries</p> <p>MLP’s and Royalty Trusts</p>

Our esteemed leaders in Washington are meeting to
address our structural budget problems...
will they succeed?





... Or will the markets apply the discipline,
as in Greece & Italy.



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Thank you for Listening...

Have a Happy Thanksgiving!

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