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
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About Pring Turner Capital Group

Pring Turner Capital Group is a registered investment advisor providing investment management services on a fee-only basis since 1977. The three managing partners, Martin Pring, Joe Turner, and Tom Kopas combine for over 110 years of professional investment experience. The firm is internationally known for its business cycle research. Dow Jones Indexes, a leading global index provider, and Mr. Pring recently announced they are teaming up to develop a business cycle index that follows the Pring Turner "Six-Stage" business cycle investment strategy. The planned index will be a dynamic rules-based tool designed to determine the asset allocation classes and sectors that perform well in the various business cycle stages. In addition, the Pring Turner team is co-authoring a book to be published by McGraw Hill in 2012 entitled, "Investing in the Second Lost Decade."

Biographies

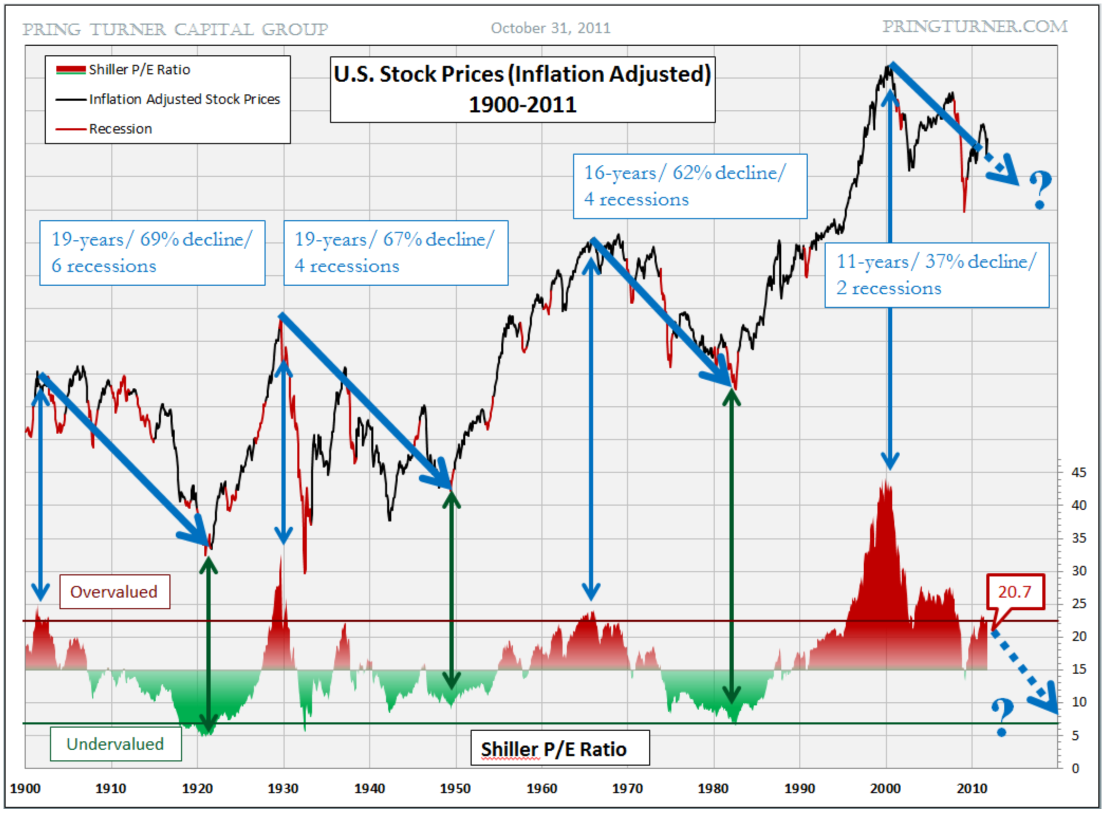
Martin Pring has provided research to the international investment community since 1968. His research has been highlighted in the Wall Street Journal and Barron's, and he has been regularly interviewed by the financial media. Martin has authored several best-selling books including: *How to Forecast Interest Rates*, *Technical Analysis Explained*, *The All-Season Investor*, and his latest, *The Investor's Guide to Active Asset Allocation*. In 2004 Martin was honored by his peers with the Market Technicians Association "Lifetime Achievement Award".

Joe Turner is president of Pring Turner Capital Group and he has been serving investors since 1968. He has been providing fee-only investment management since 1977. Joe is known for his economic and business cycle research and has lectured extensively around the country on these subjects. He has taught graduate level courses at Golden Gate University in San Francisco on business cycle investing, asset allocation, and stock market analysis.

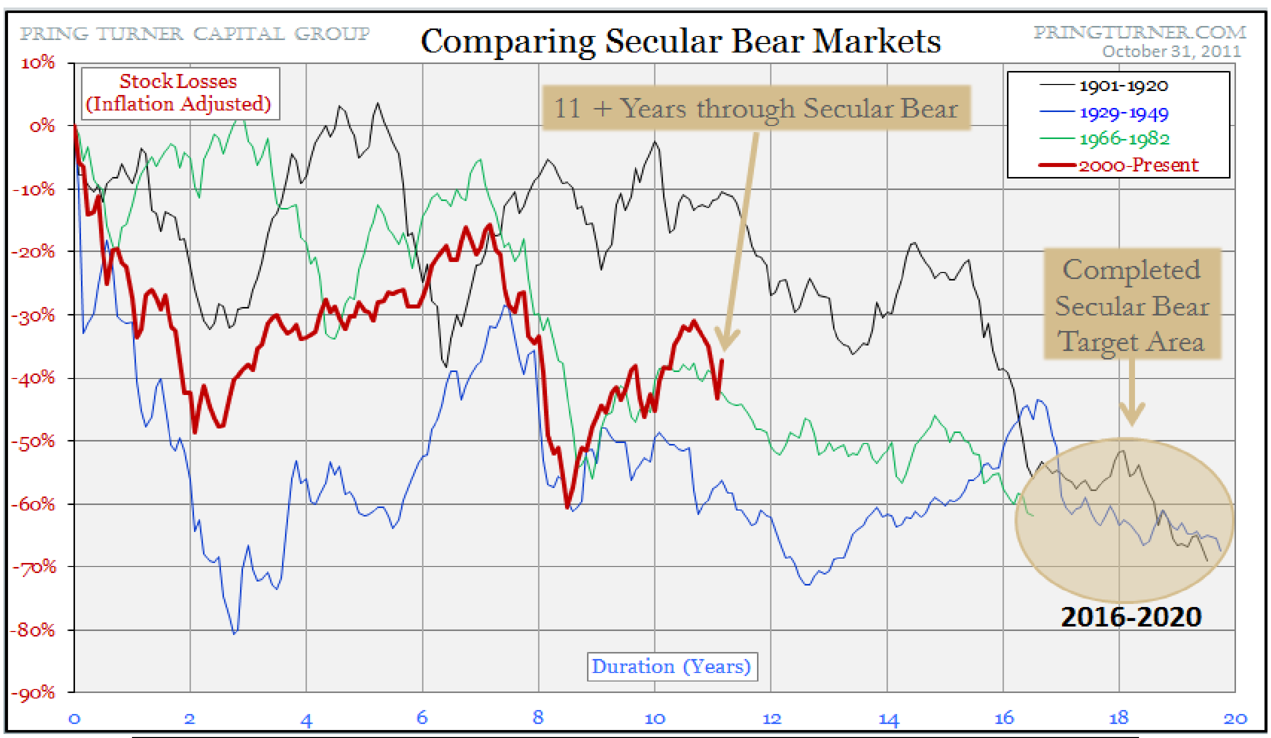
Tom Kopas began his career in the investment industry in 1981 and spent more than 20 years as a financial consultant with major Wall Street brokerage firms before joining the Pring Turner team in 2002. Tom is a career-long investment educator. He has taught investment and retirement planning courses covering topics on portfolio management, taxes, estate planning and municipal securities. He is frequently invited to share his knowledge and experience about investing around the business cycle with investment and retirement groups.

I. The Secular Trends for Stocks

The Secular Bear Market is Only Half Over…



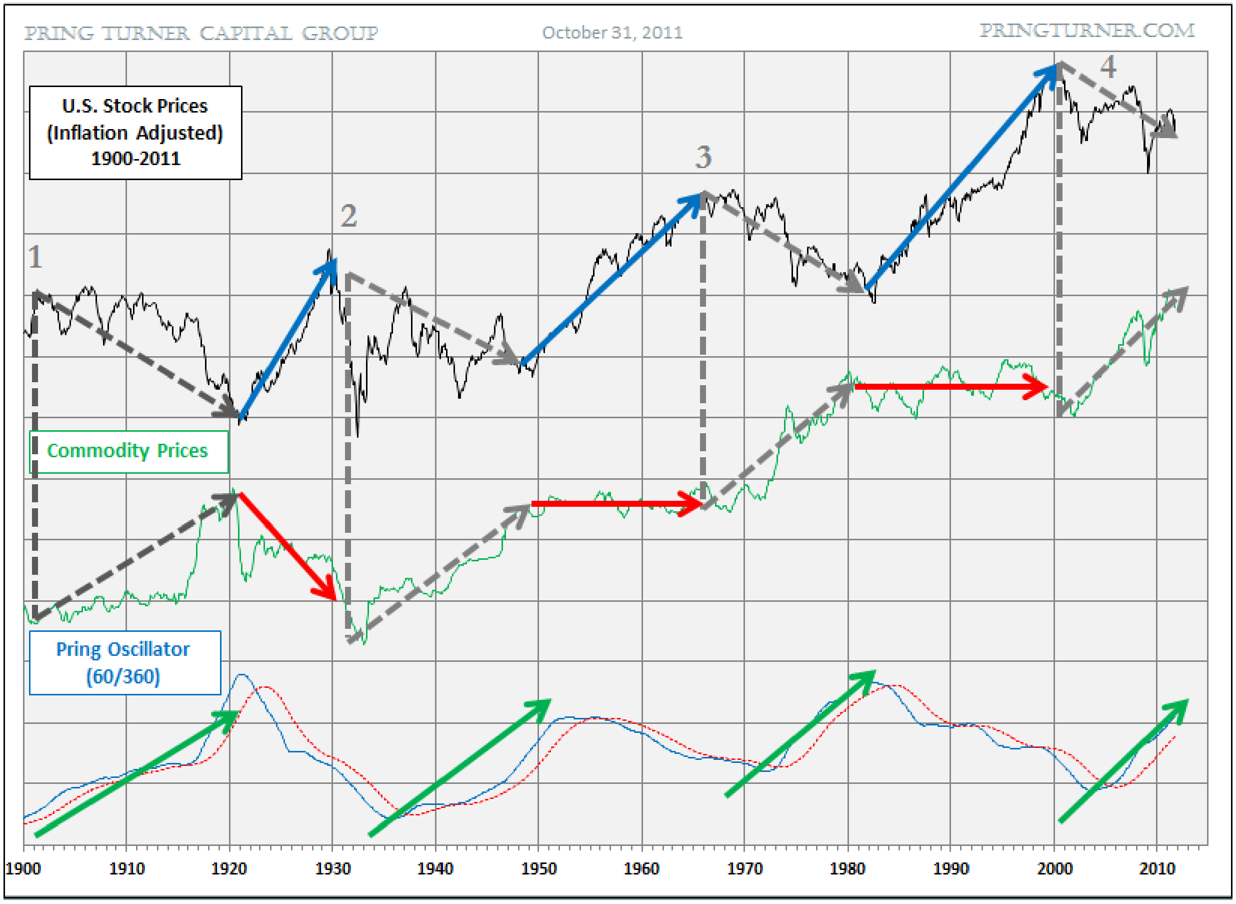
Secular Bear Markets End at Very Low Valuations.



	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%

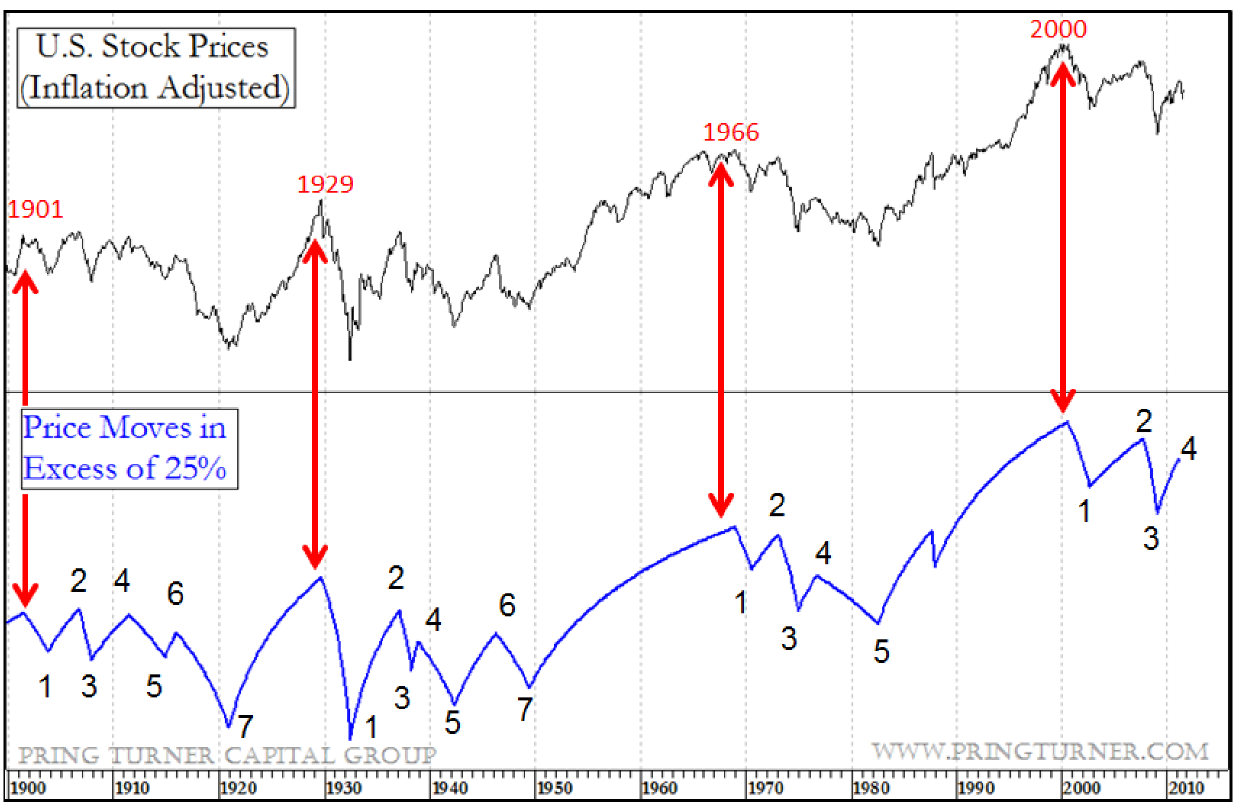
… it May Take Two or More Business Cycles for Valuations to Reach Lows.

Commodities are in a Secular Bull Market…



…Historically a Bad Environment for Stocks.

It is Possible to Build Wealth in a Secular Bear Market…



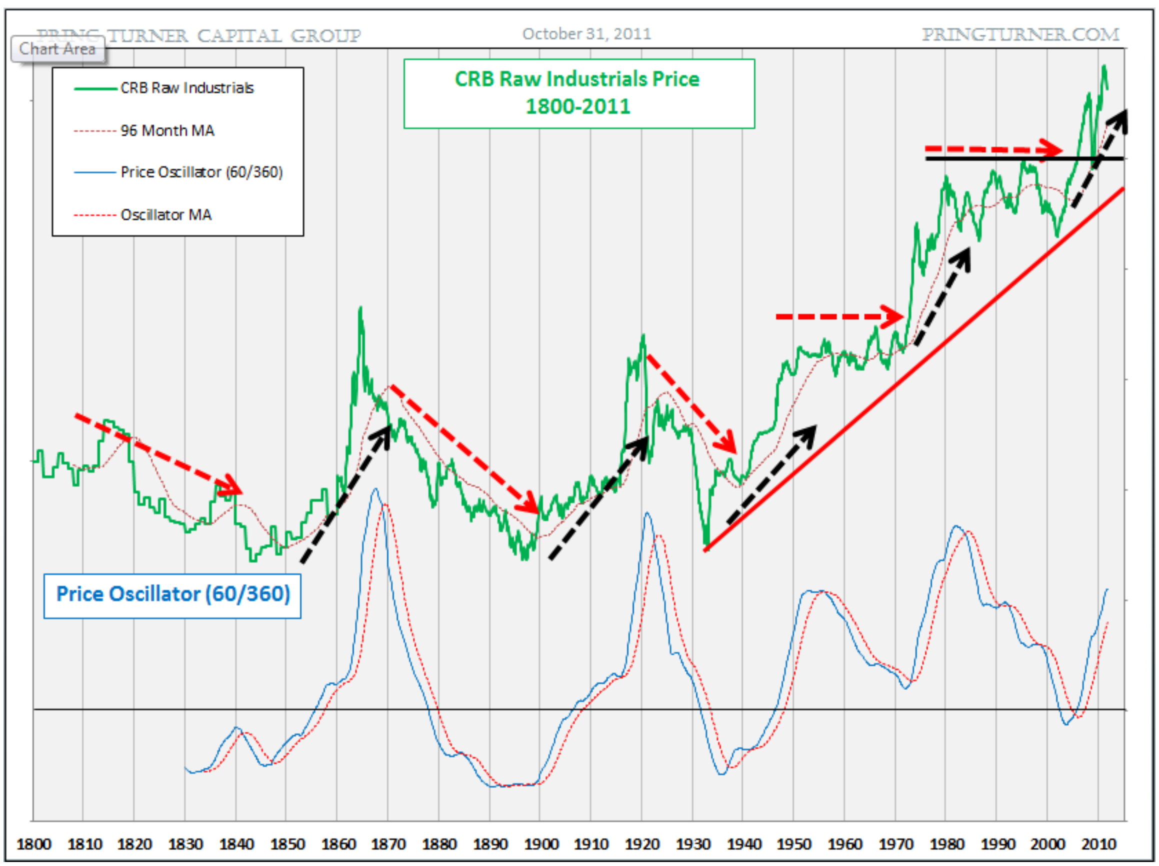
…One Way is by Taking Advantage of Business Cycle Swings.

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

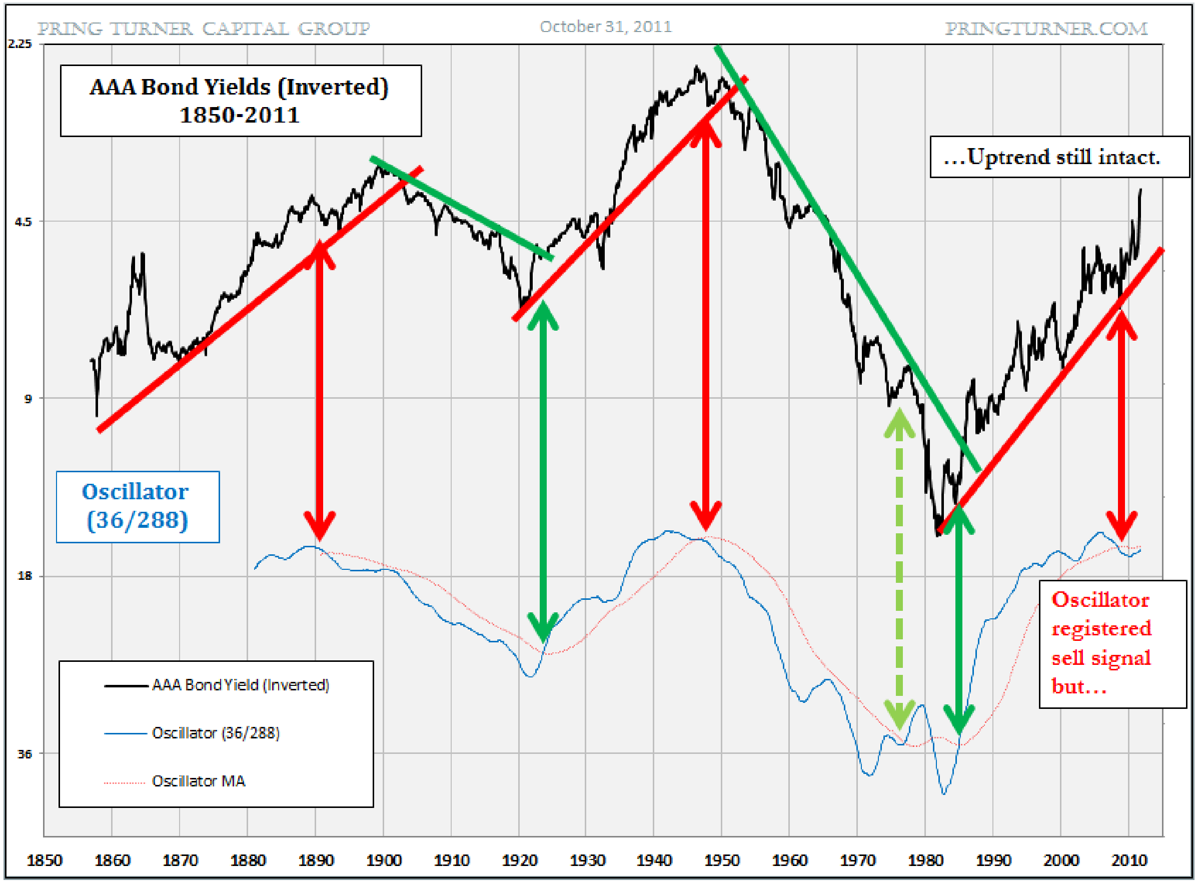
II. Secular Trend for Commodities and Bonds

The Long Term Trend for Commodities is in Full Swing…

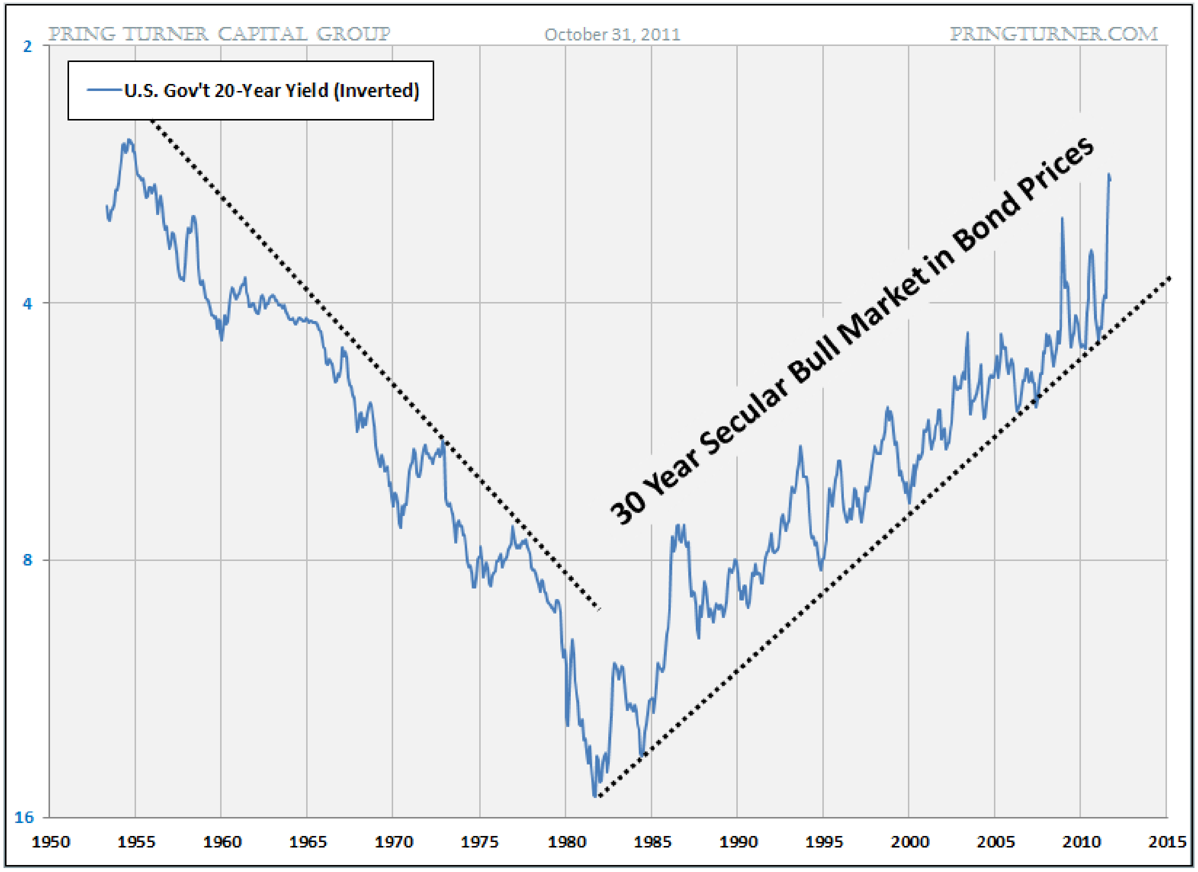


… With No Sign of Reversal on the Horizon.

The Secular Trend for Bonds is Well Advanced…

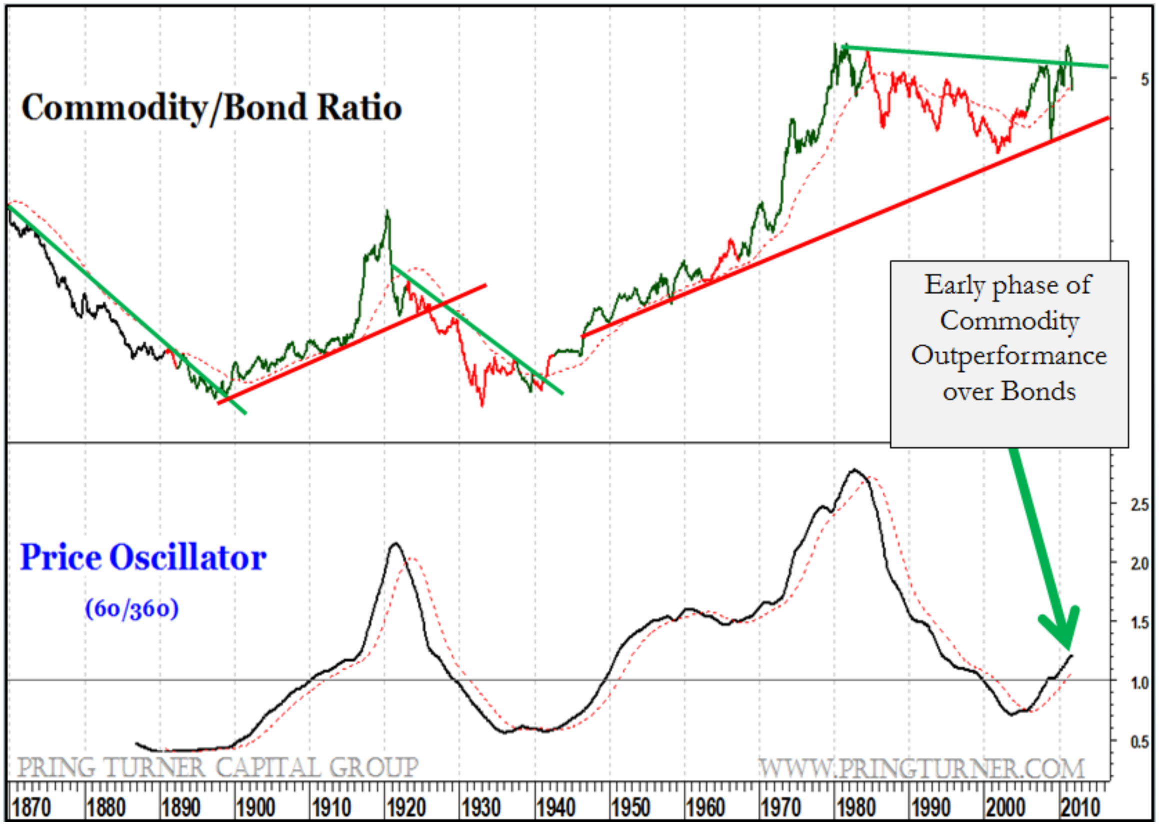


… Bond Owners Should be on High Alert!



A Trend Reversal will be Signaled if Rates Rise Above 4.5%

The Ultimate Inflation vs. Deflation Indicator…

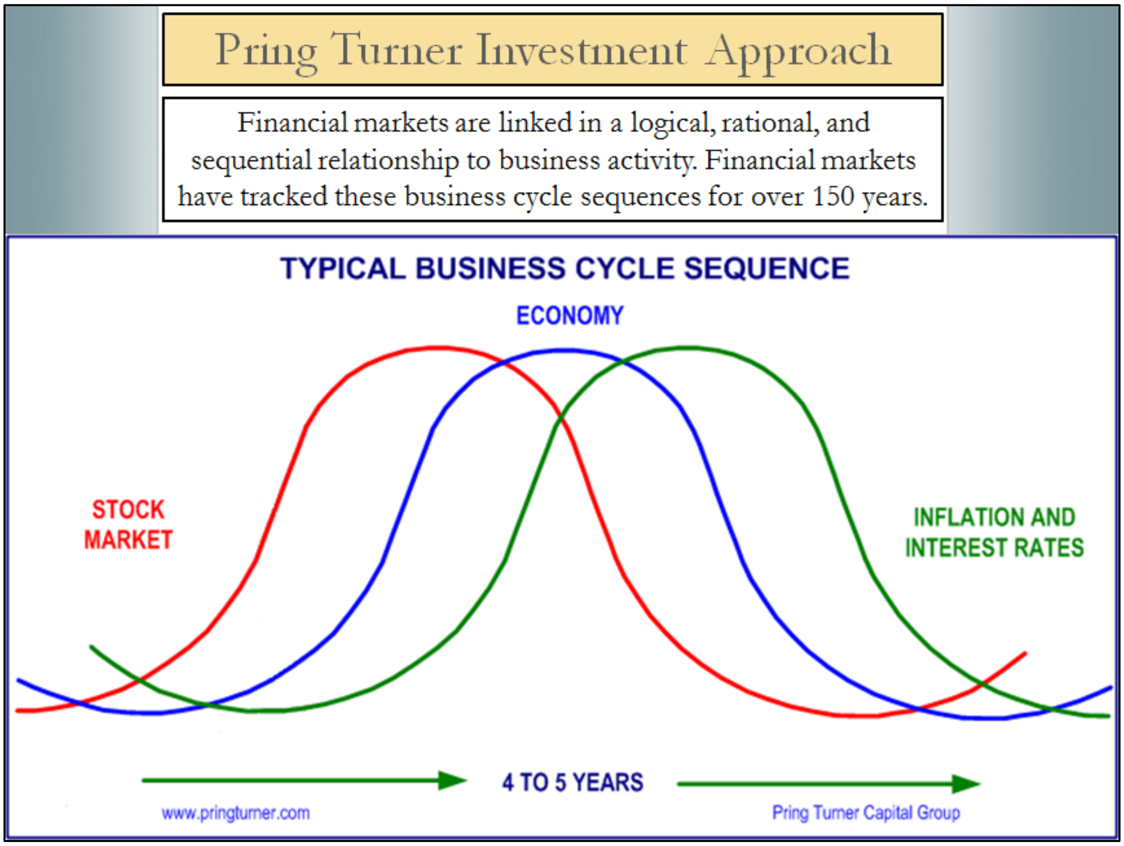


… Points to Commodities Outperforming Bonds for Years to Come!

Key Points: Secular Trend Commodities & Bonds

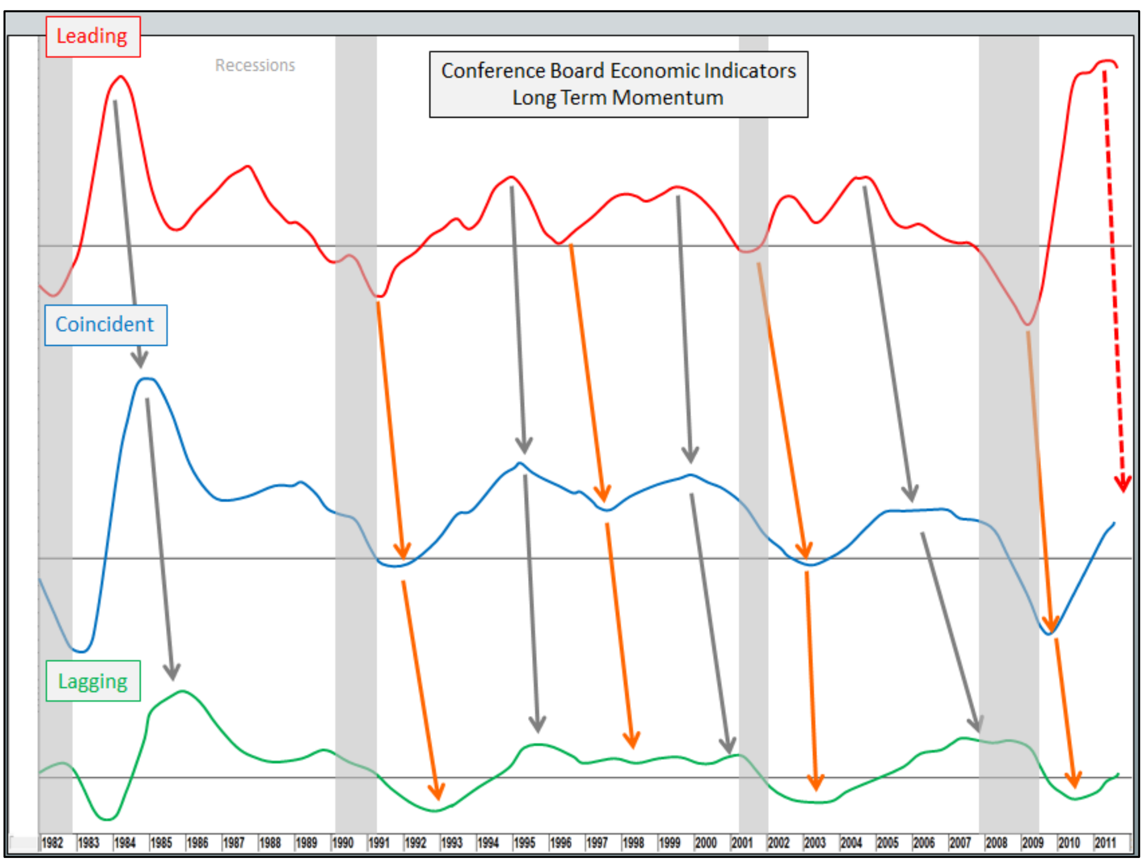
- Commodities Continue Secular Uptrend → Risky for Bonds
- Opportunities in Inflation Sensitive Securities
- Bond prices have been in a Secular Bull for 30 Years
- Bond Owners Beware – Prepare to Change Tactics
- Commodity Outperformance over Bonds to continue
- Protect Purchasing Power – Real Game Changer

III. Investing Around the Business Cycle



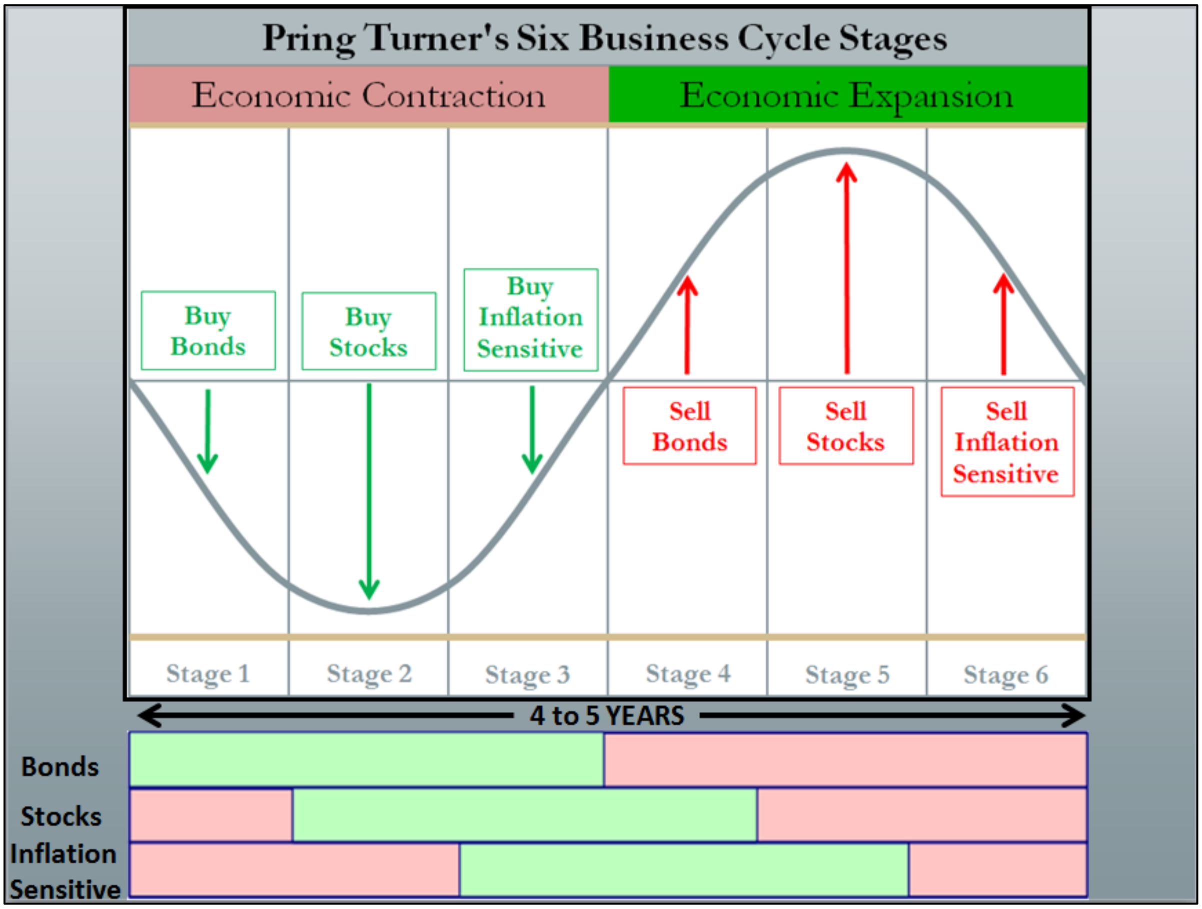
Where are We Today?

The Momentum of Leading Economic Indicators is Peaking…



… What is the Next Step?

Follow Business Cycle Sequence to Adjust Asset Allocation



Our Stage Analysis Suggests we are in Stage 1!

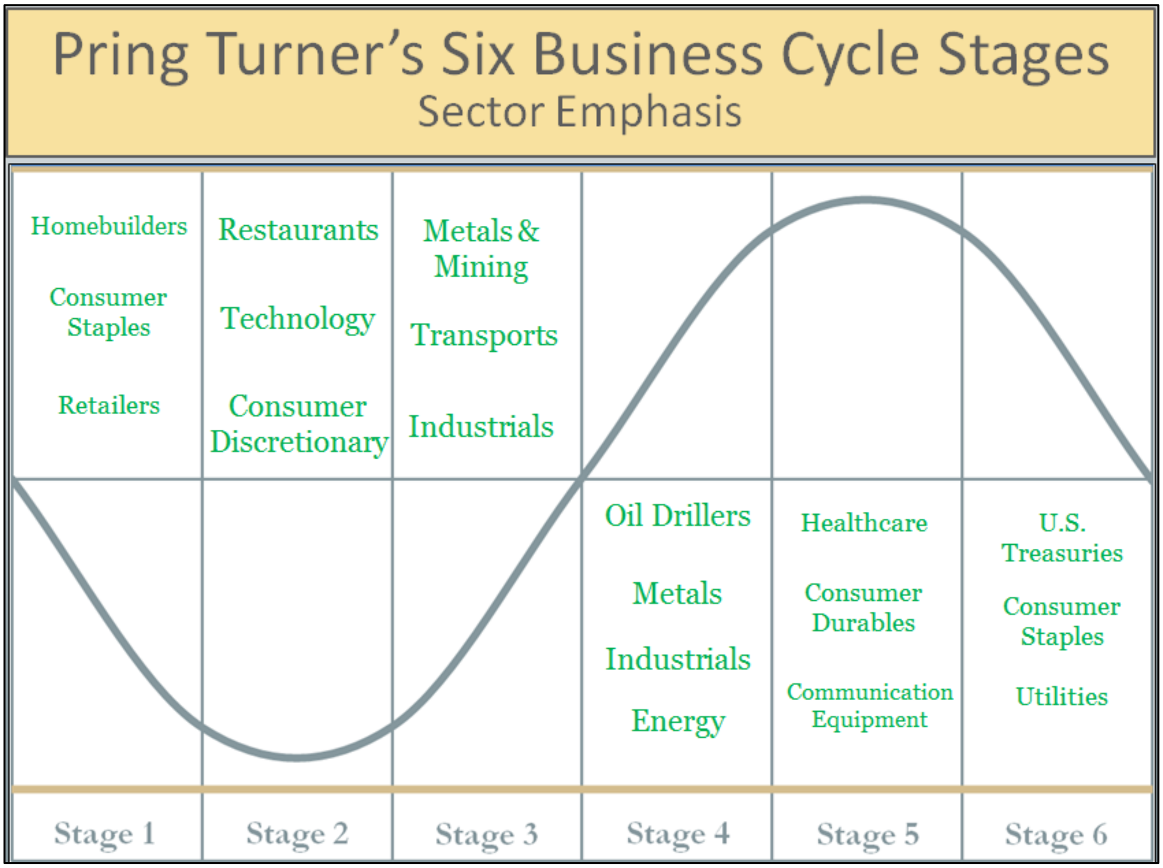
Quick Test: Where are we Today?

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

= Stage 1 of Business Cycle

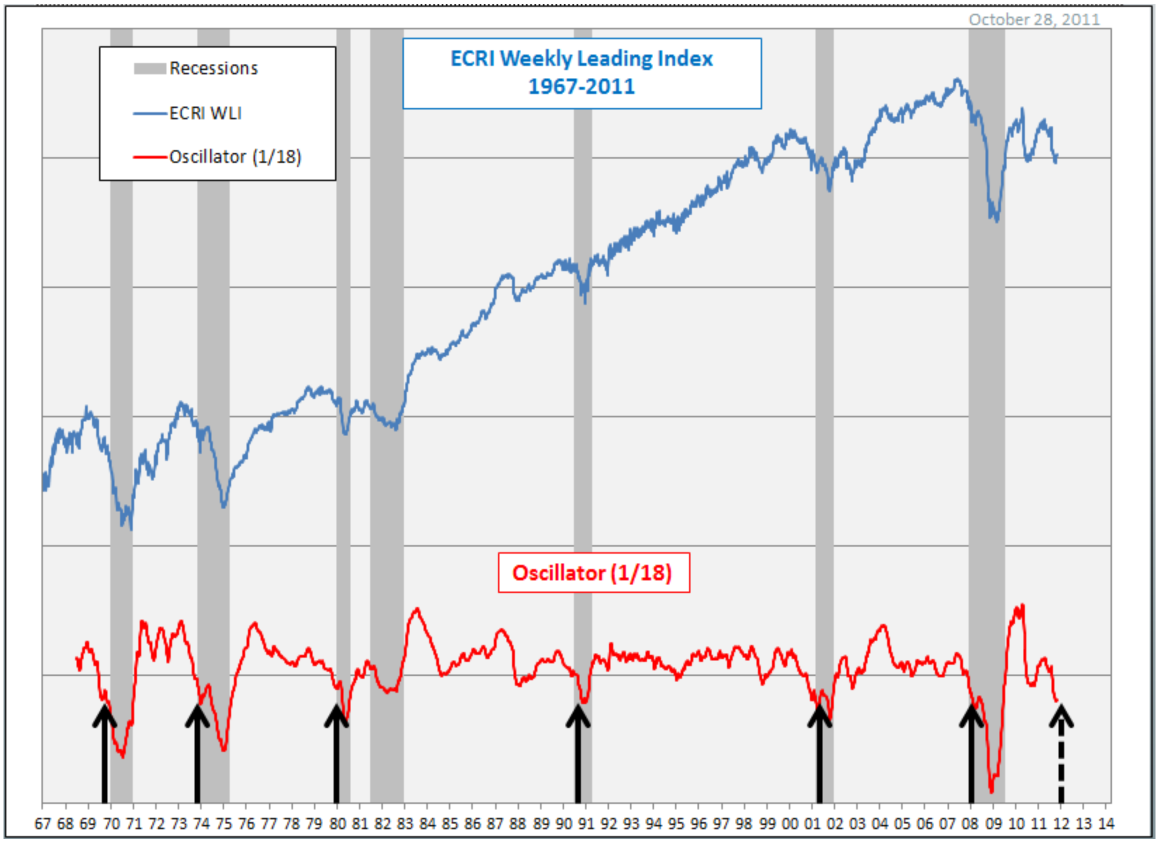
Good Environment for Bonds, Bad Environment for Stocks & Commodities

Sector Rotation through the Business Cycle Stages…



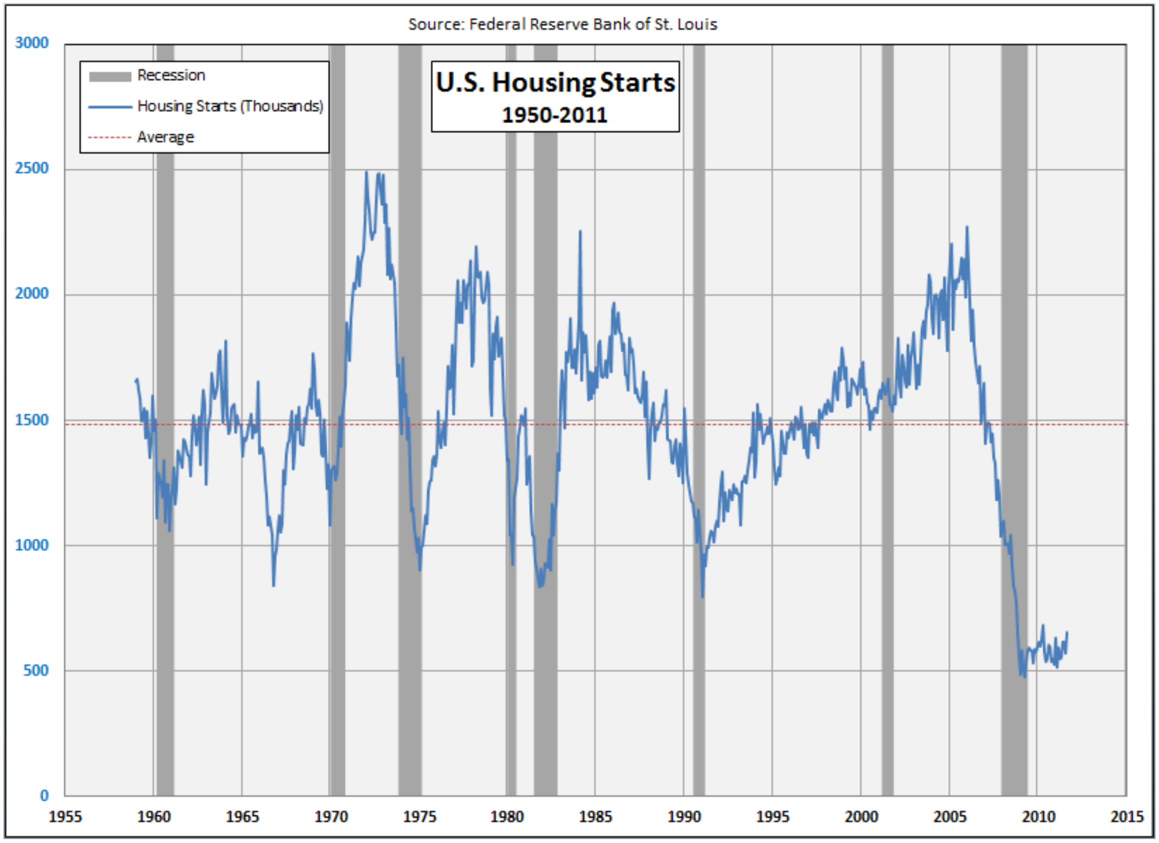
… Will Further Improve Performance and Reduce Risk!

A Leading Index from an Independent Business Cycle Research Group…



… at Levels Historically Associated with onset of Recession.

The Good News is the Next Recession should be Relatively Mild…



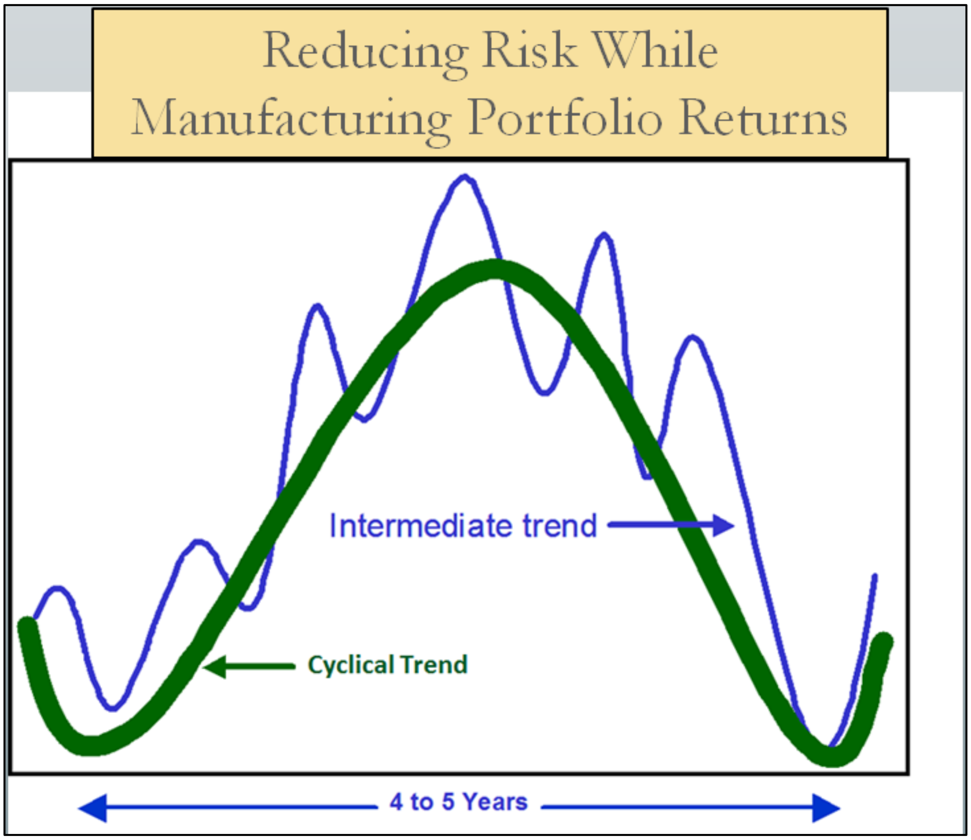
…How Many More Layoffs are Likely from these Low Levels?

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

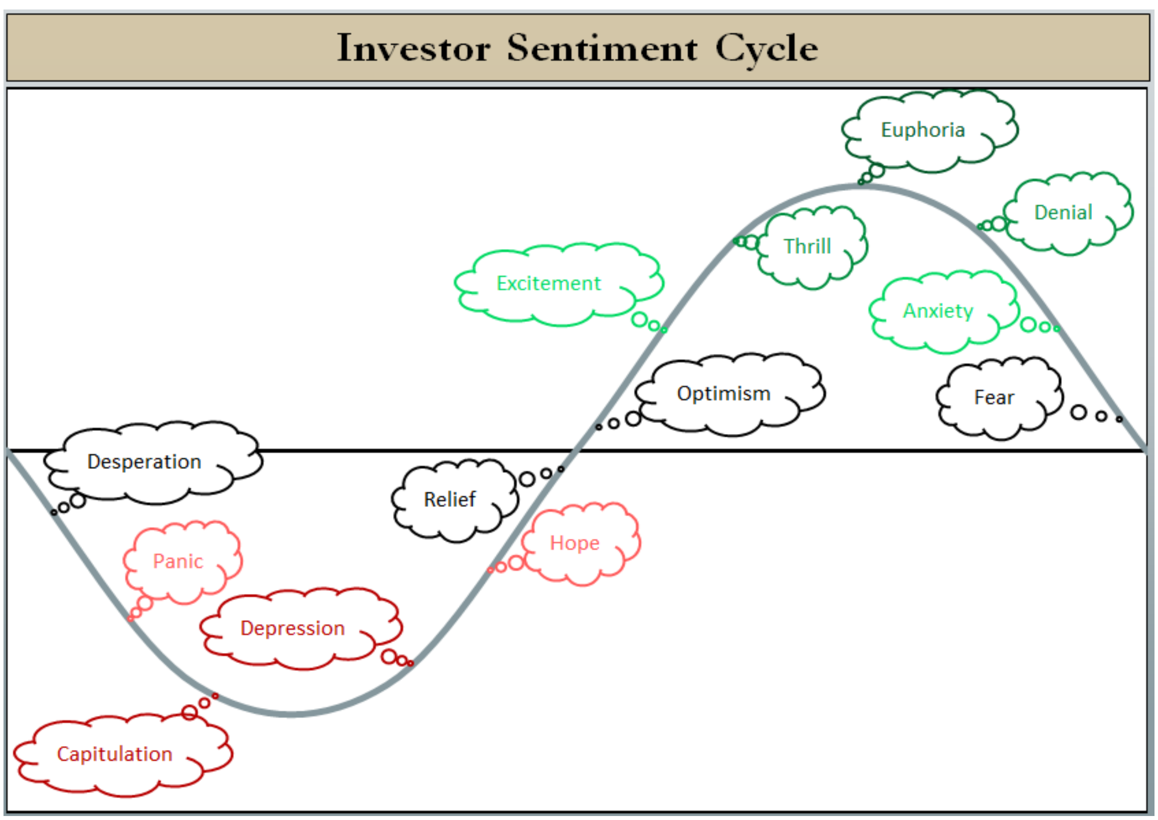
IV. Reducing Risk

Gauging Intermediate Moves Around the Cyclical Trend…



… Allow for Important Tactical Portfolio Shifts.

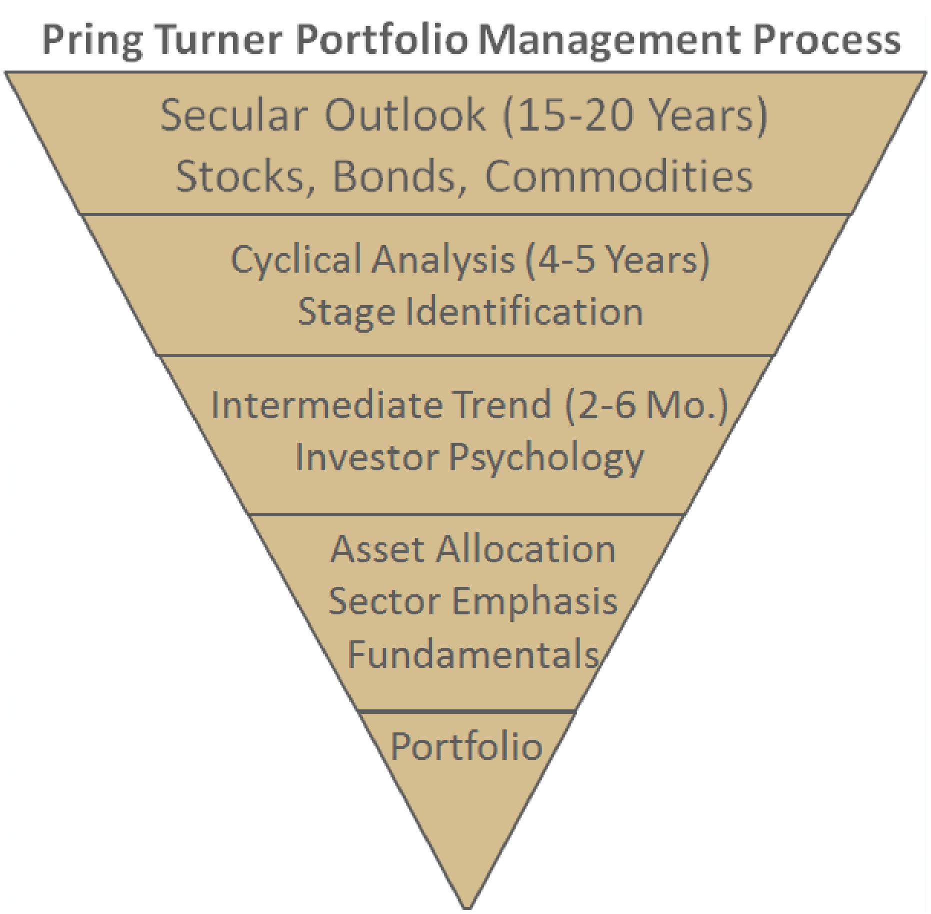
Understanding Investor Emotions…



… is Critical to Successful Investment Decision-Making.

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



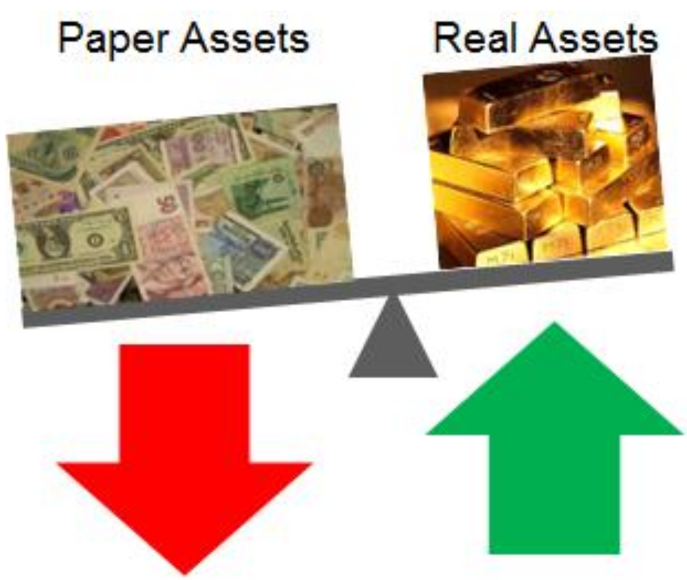
Stock Markets

Secular Bear	Secular Bull
➢ Developed Economies	➢ Emerging Economies
➢ High Debt	➢ Low Debt
➢ Slow Growth	➢ High Growth
➢ Aging Population	➢ Young Population
➢ High Unemployment	➢ Strong Jobs
➢ United States	➢ Brazil
➢ Europe	➢ Russia
➢ Japan	➢ India
	➢ China

Commodities

- ➢ Secular Bull Continues
- ➢ Resource Based Economies

➢ Canada	➢ South Africa
➢ Australia	➢ Latin America



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

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Look for our book
to be published in 2012!