PRING TURNER

CAPITAL GROUP
Registered Investment Advisor

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

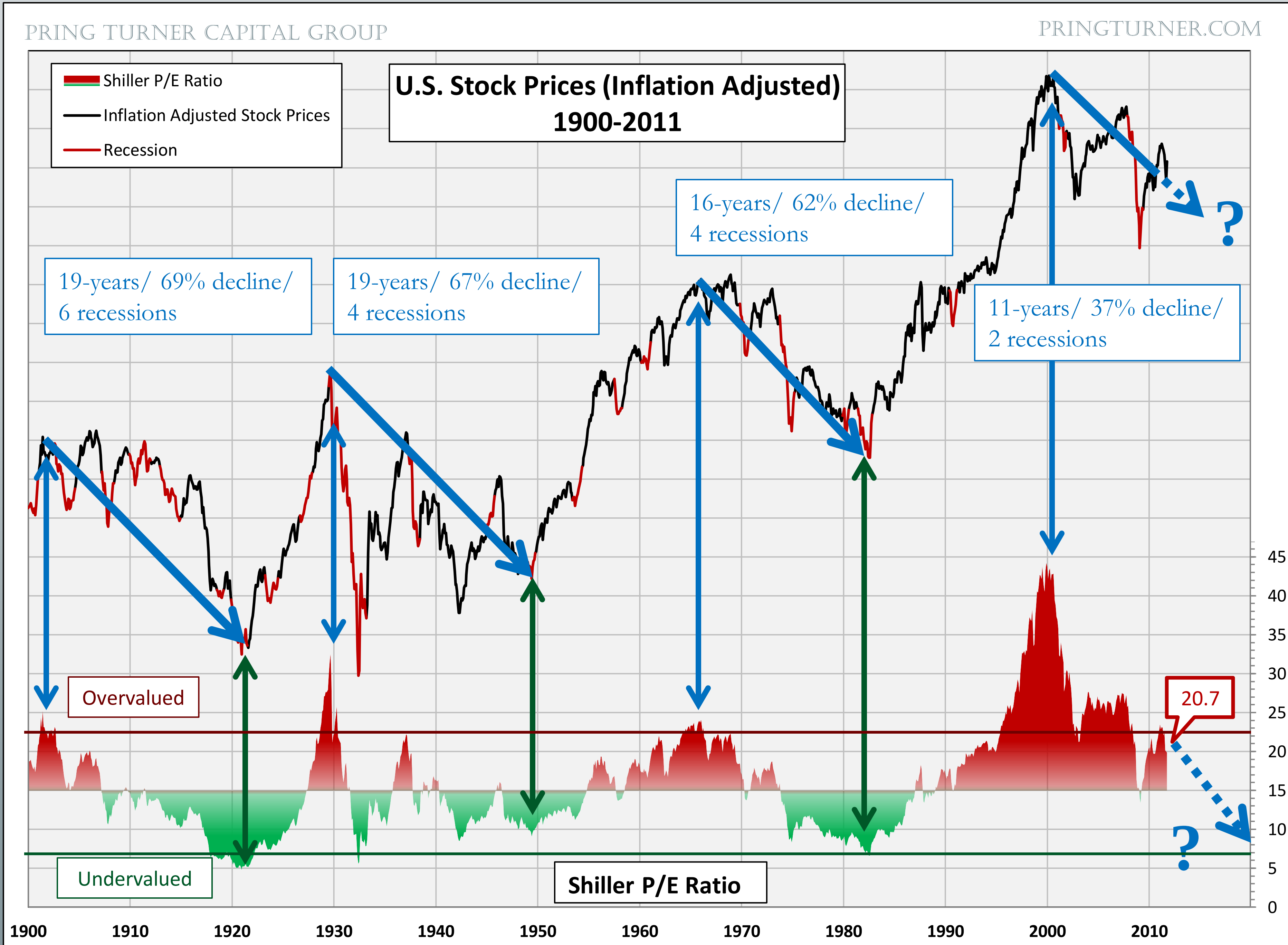
$ums in Retirement Breakfast Meeting

Wednesday January 24, 2012

Presented by: Tom Kopas

www.pringturner.com

I. Secular Outlook: Stocks



PRING TURNER CAPITAL GROUP
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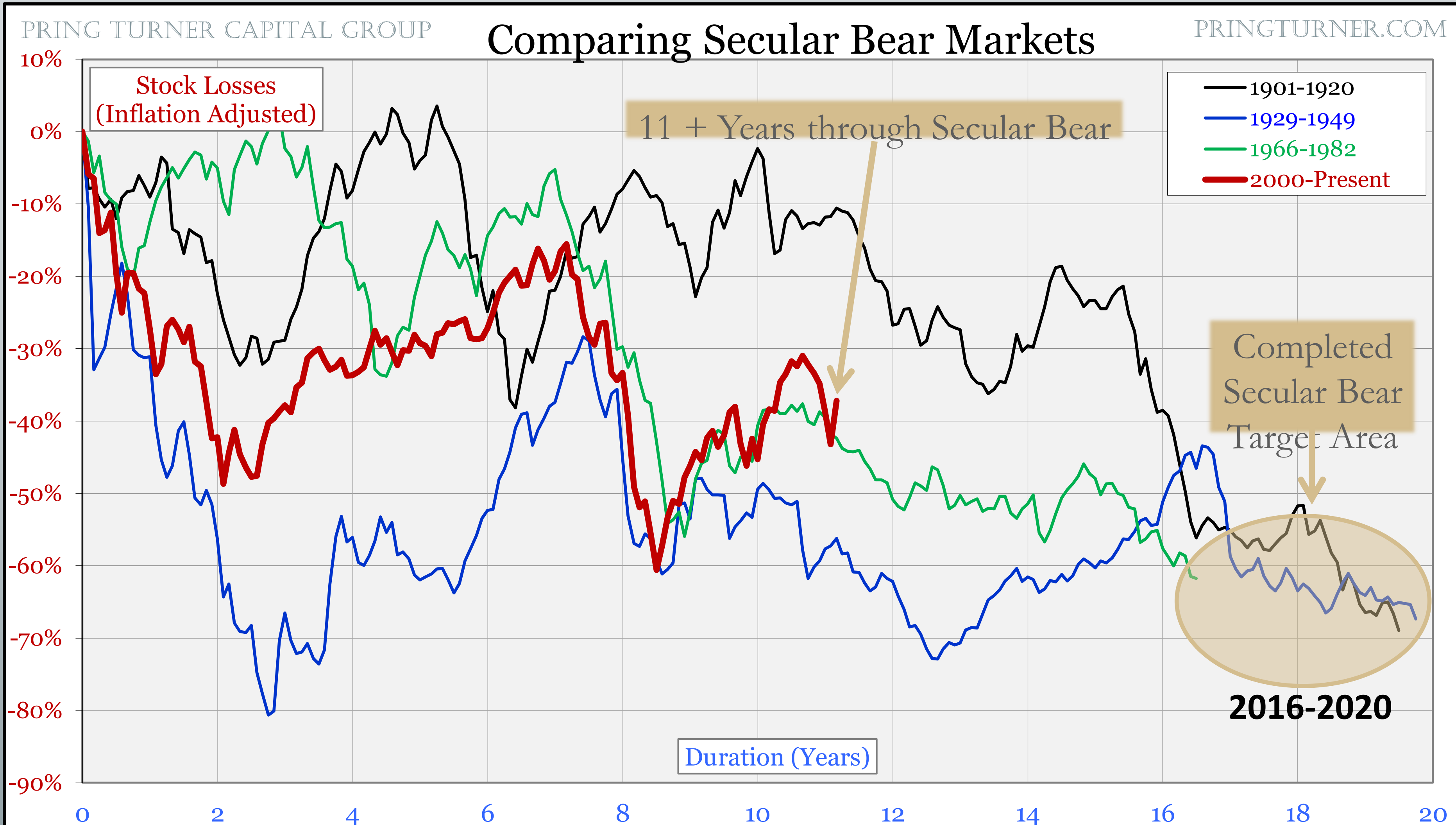
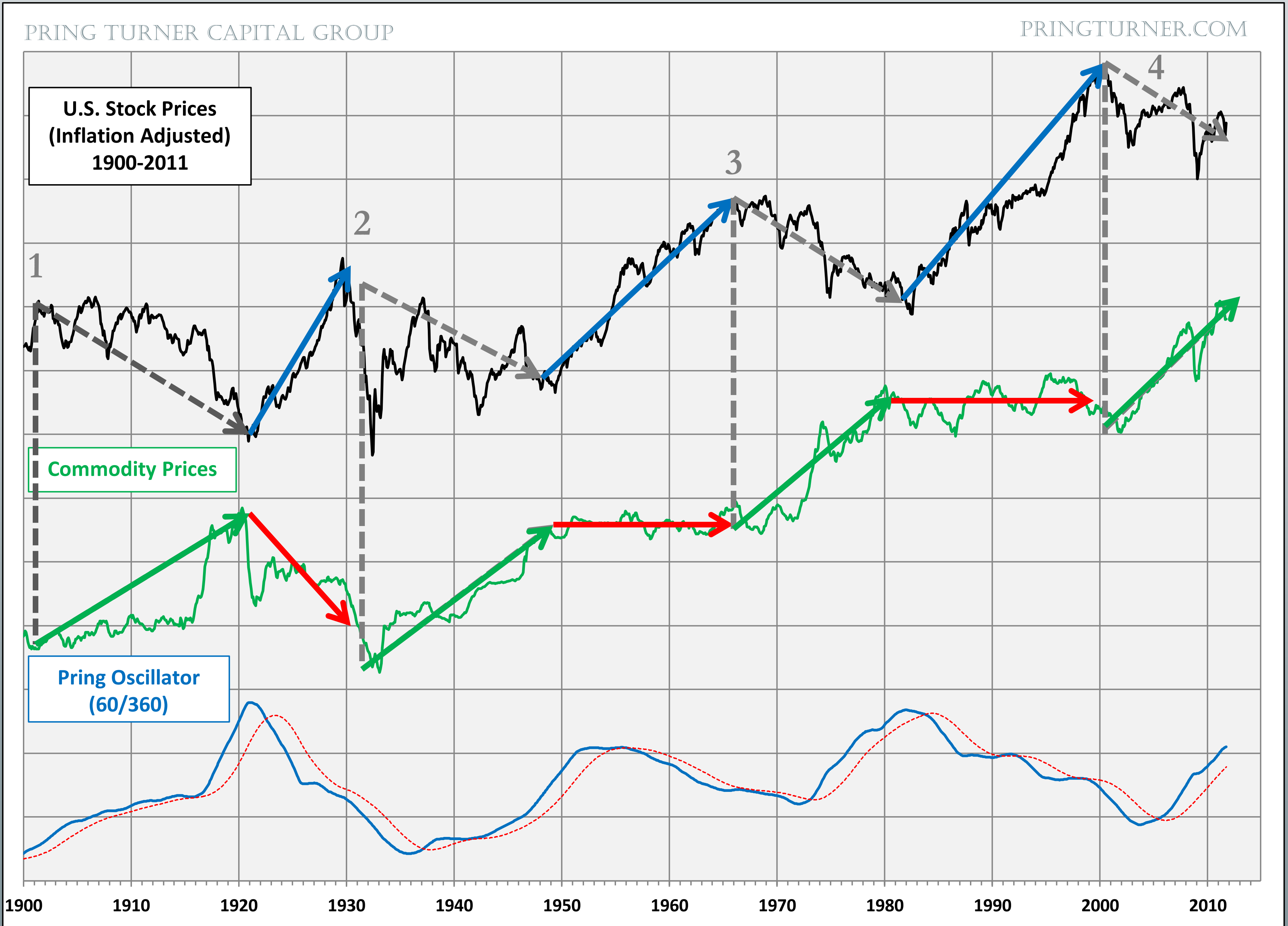
Shiller P/E Ratio
Inflation Adjusted Stock Prices
Recession
U.S. Stock Prices (Inflation Adjusted)
1900-2011
19-years/ 69% decline/
6 recessions
19-years/ 67% decline/
4 recessions
16-years/ 62% decline/
4 recessions
11-years/ 37% decline/
2 recessions
?
Overvalued
Undervalued
20.7
?
Shiller P/E Ratio
45
40
35
30
25
20
15
10
5
0
1900
1910
1920
1930
1940
1950
1960
1970
1980
1990
2000
2010



	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 5 Months	2	44.2	20.7	-37%



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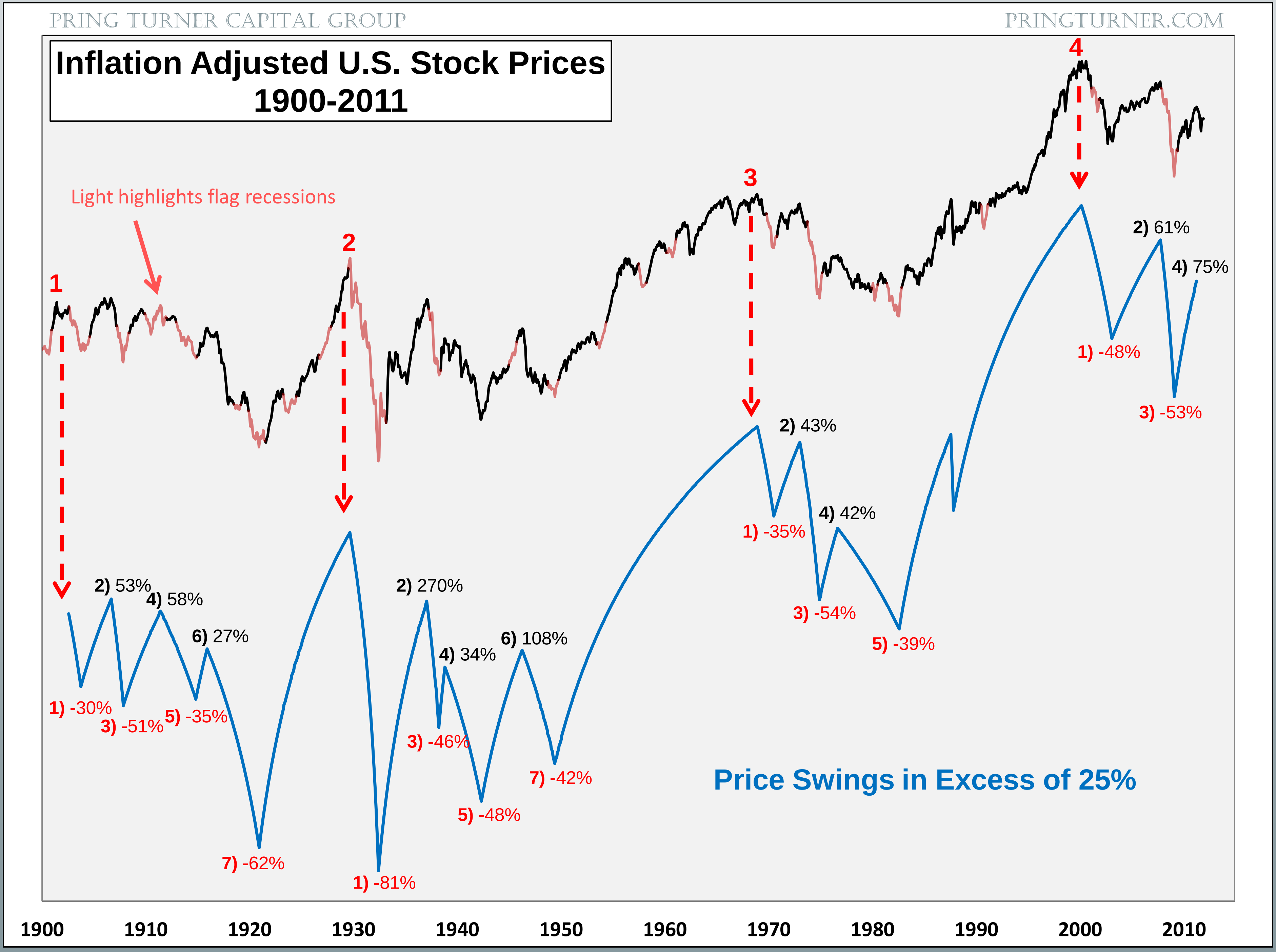
U.S. Stock Prices
(Inflation Adjusted)
1900-2011
Commodity Prices
Pring Oscillator
(60/360)
1
2
3
4
1900
1910
1920
1930
1940
1950
1960
1970
1980
1990
2000
2010


PRING TURNER CAPITAL GROUP
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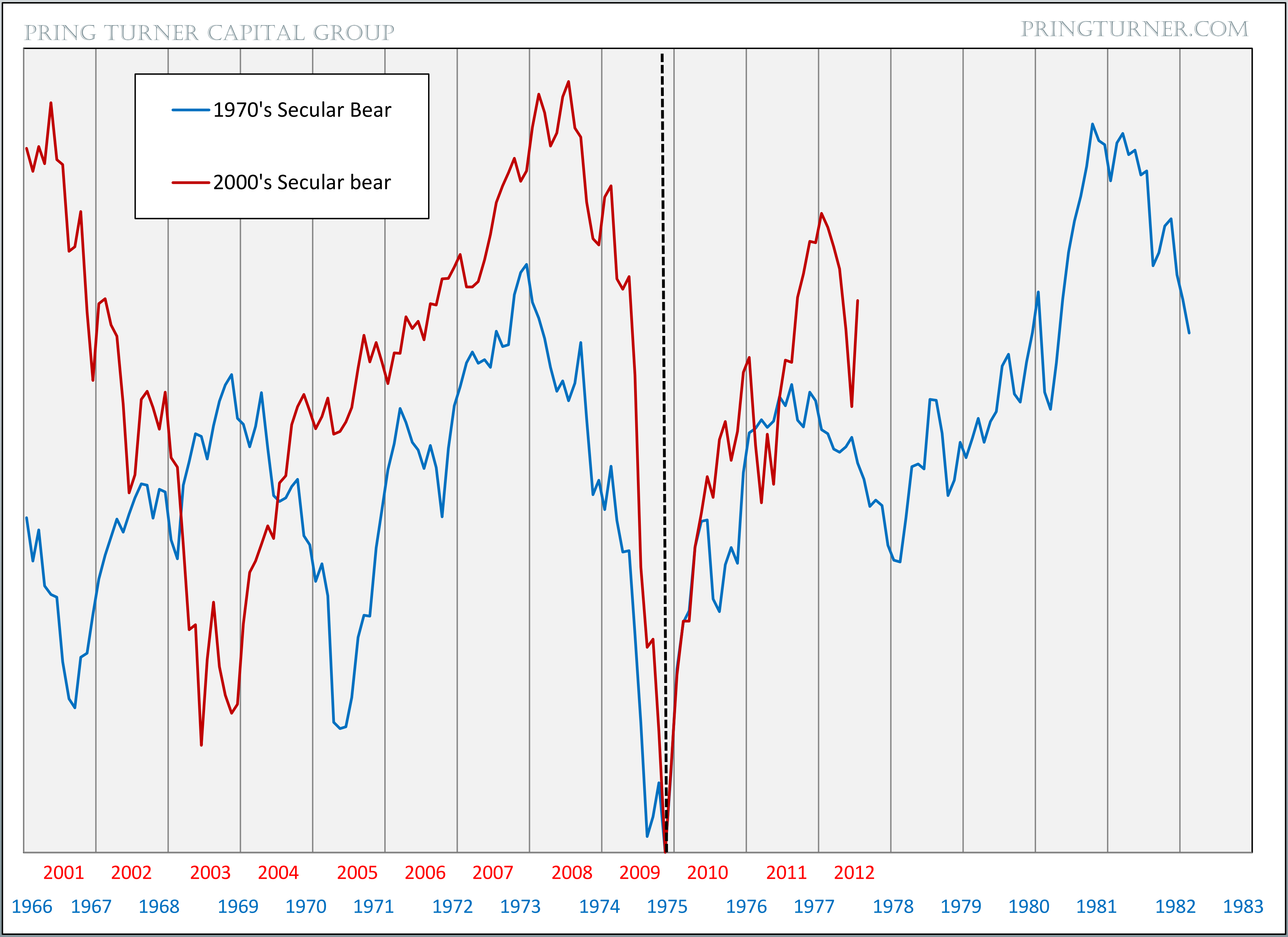
Inflation Adjusted U.S. Stock Prices
1900-2011
Light highlights flag recessions
1
2
3
4
2) 53%
4) 58%
6) 27%
1) -30%
3) -51%
5) -35%
7) -62%
1) -81%
2) 270%
4) 34%
6) 108%
3) -46%
5) -48%
7) -42%
2) 43%
1) -35%
4) 42%
3) -54%
5) -39%
2) 61%
4) 75%
1) -48%
3) -53%
Price Swings in Excess of 25%
1900
1910
1920
1930
1940
1950
1960
1970
1980
1990
2000
2010


PRING TURNER CAPITAL GROUP
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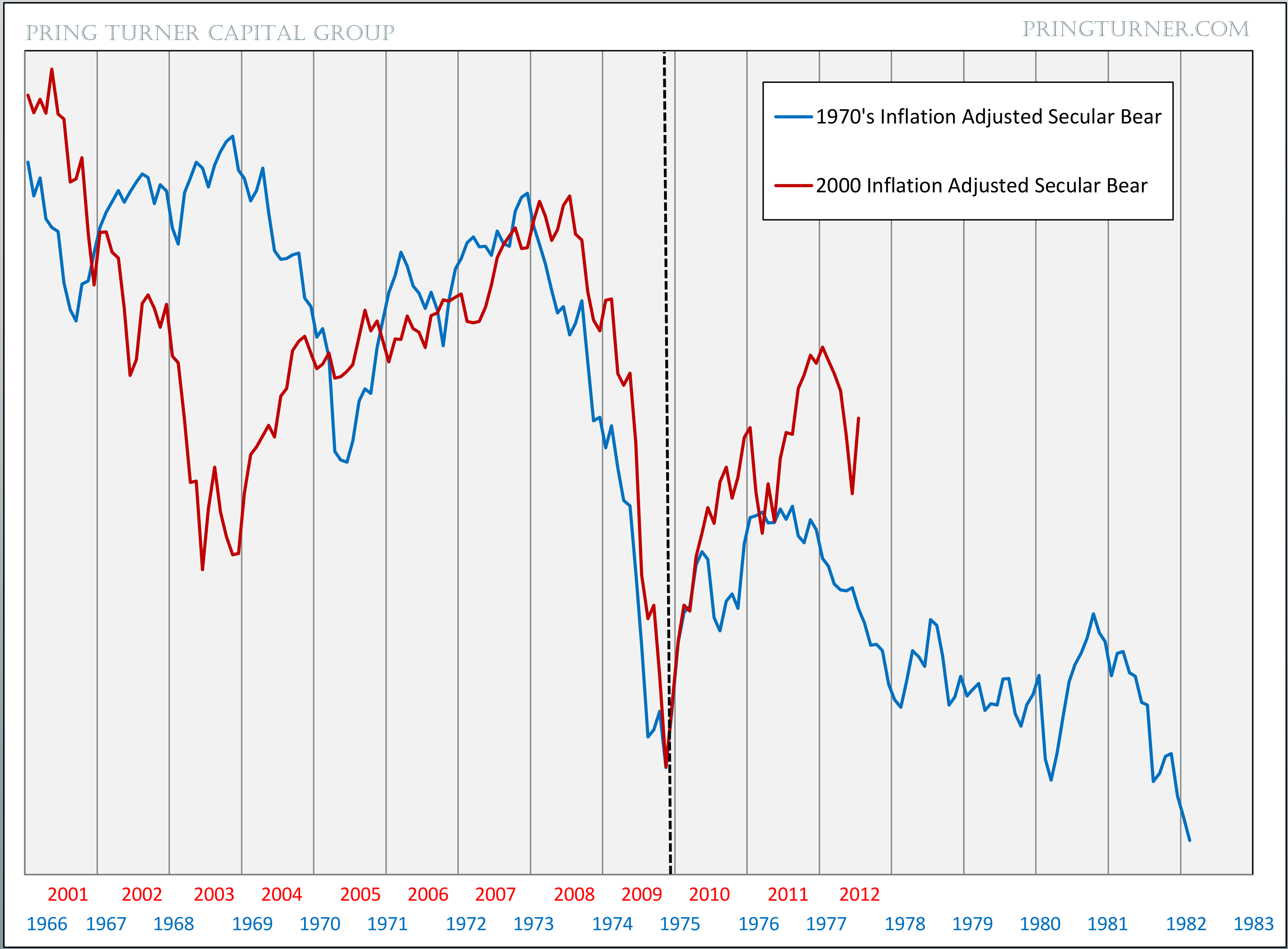
1970's Secular Bear
2000's Secular bear
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
1966
1967
1968
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983



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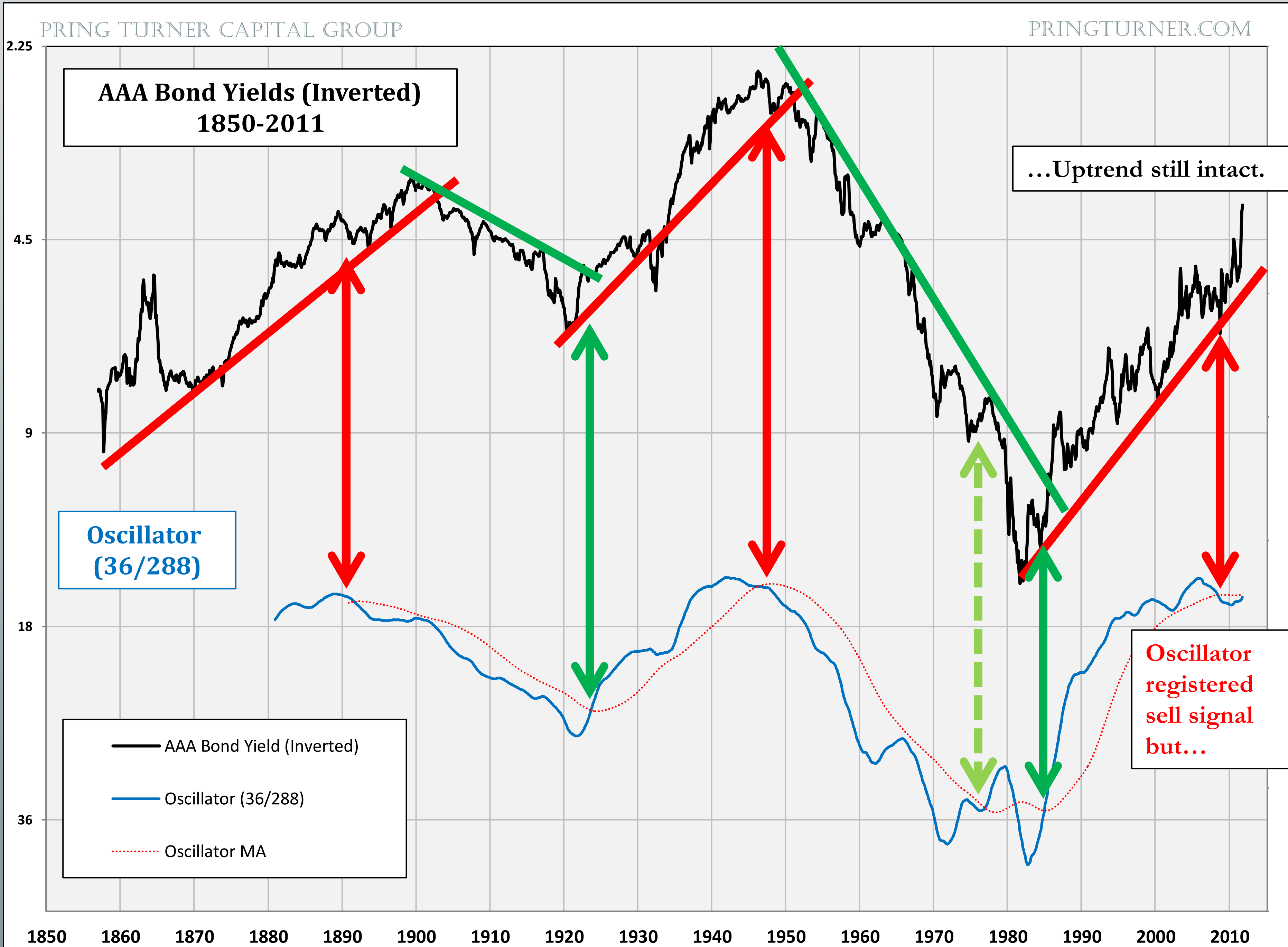
1970's Inflation Adjusted Secular Bear
2000 Inflation Adjusted Secular Bear
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
1966
1967
1968
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983

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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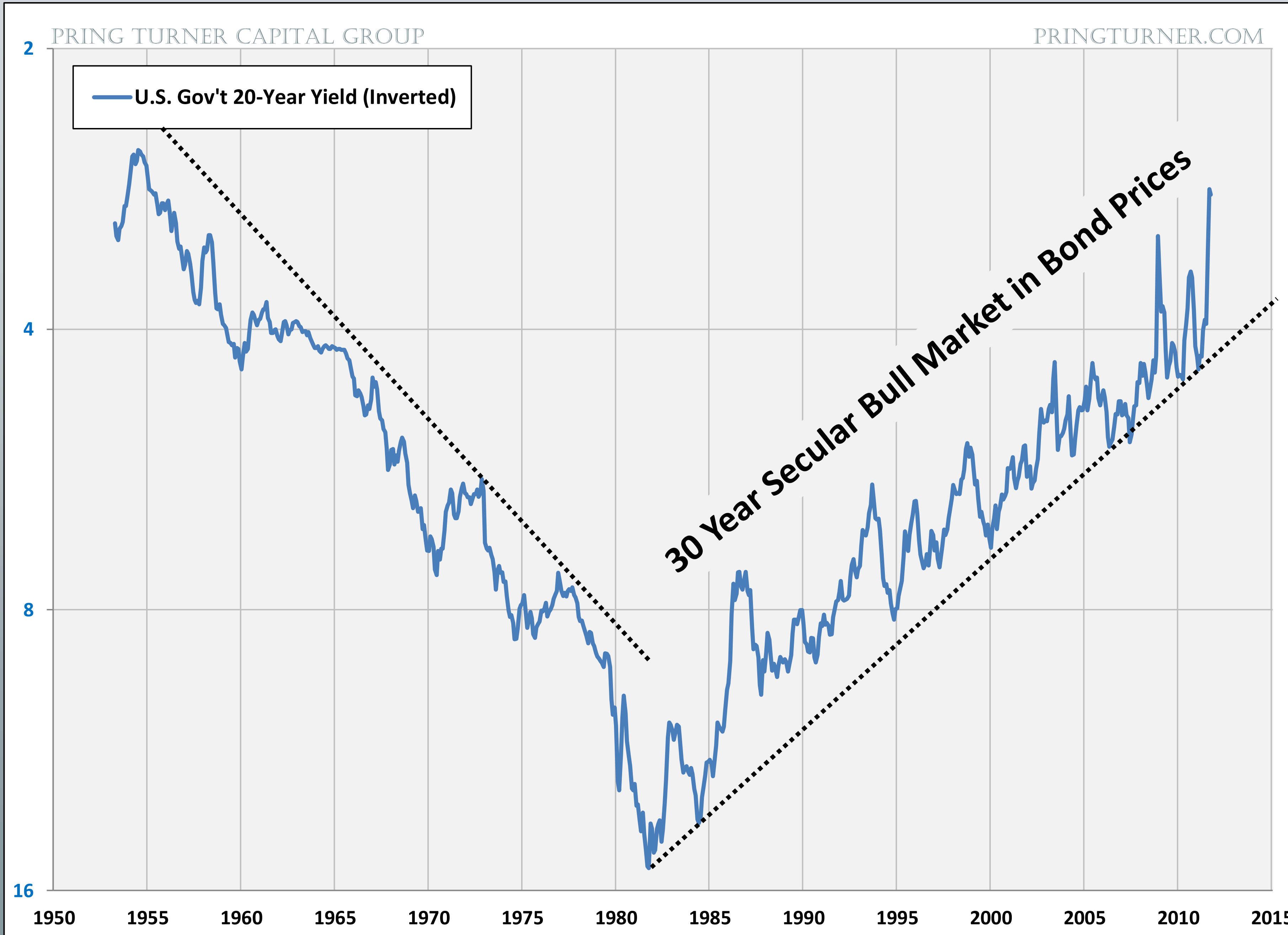
AAA Bond Yields (Inverted)
1850-2011
...Uptrend still intact.
Oscillator
(36/288)
Oscillator
registered
sell signal
but...
AAA Bond Yield (Inverted)
Oscillator (36/288)
Oscillator MA
2.25
4.5
9
18
36
1850
1860
1870
1880
1890
1900
1910
1920
1930
1940
1950
1960
1970
1980
1990
2000
2010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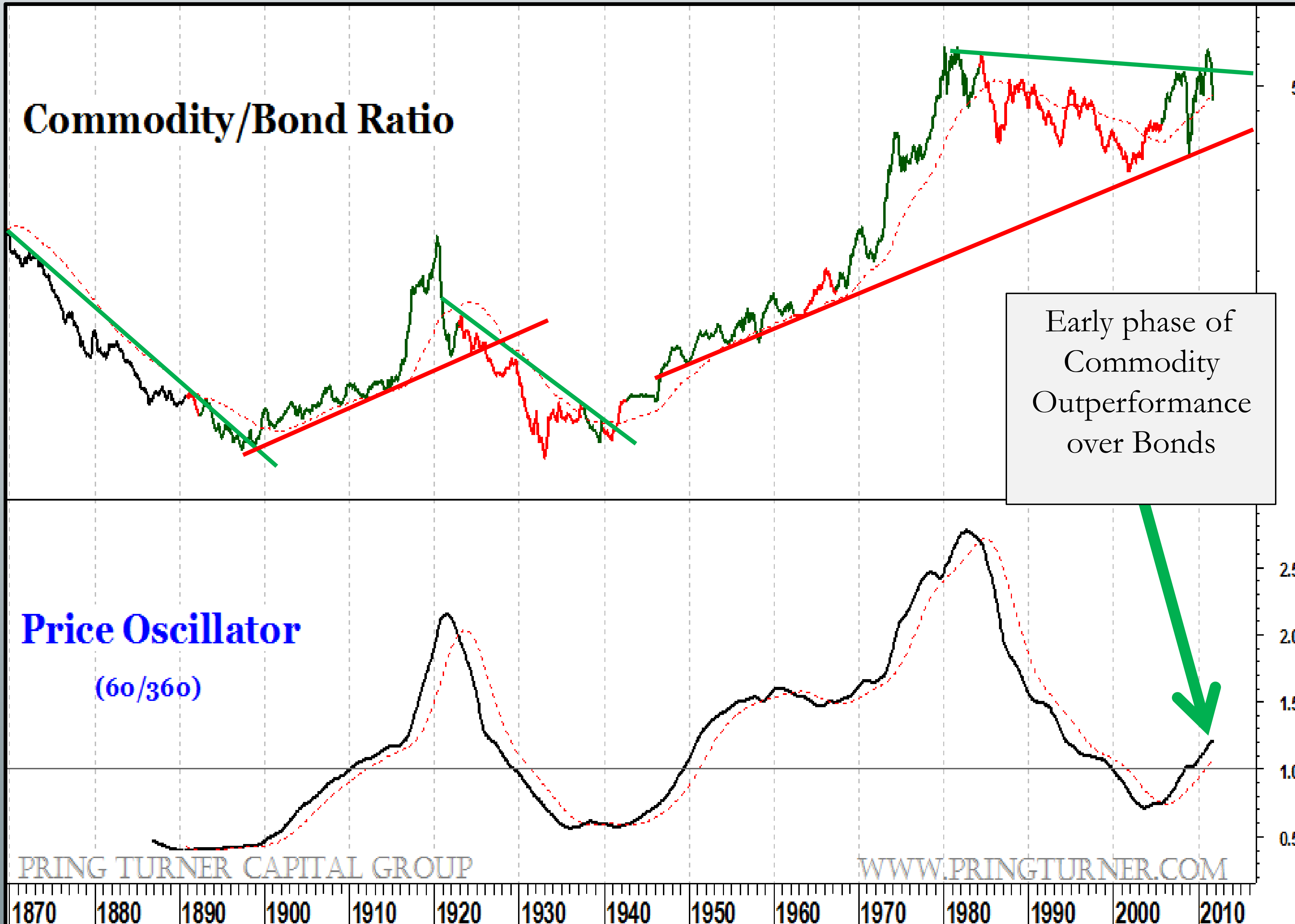
U.S. Gov't 20-Year Yield (Inverted)
30 Year Secular Bull Market in Bond Prices
2
4
8
16
1950
1955
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015



Commodity/Bond Ratio
5
Early phase of Commodity Outperformance over Bonds
Price Oscillator
(60/360)
2.5
2.0
1.5
1.0
0.5
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1870
1880
1890
1900
1910
1920
1930
1940
1950
1960
1970
1980
1990
2000
2010

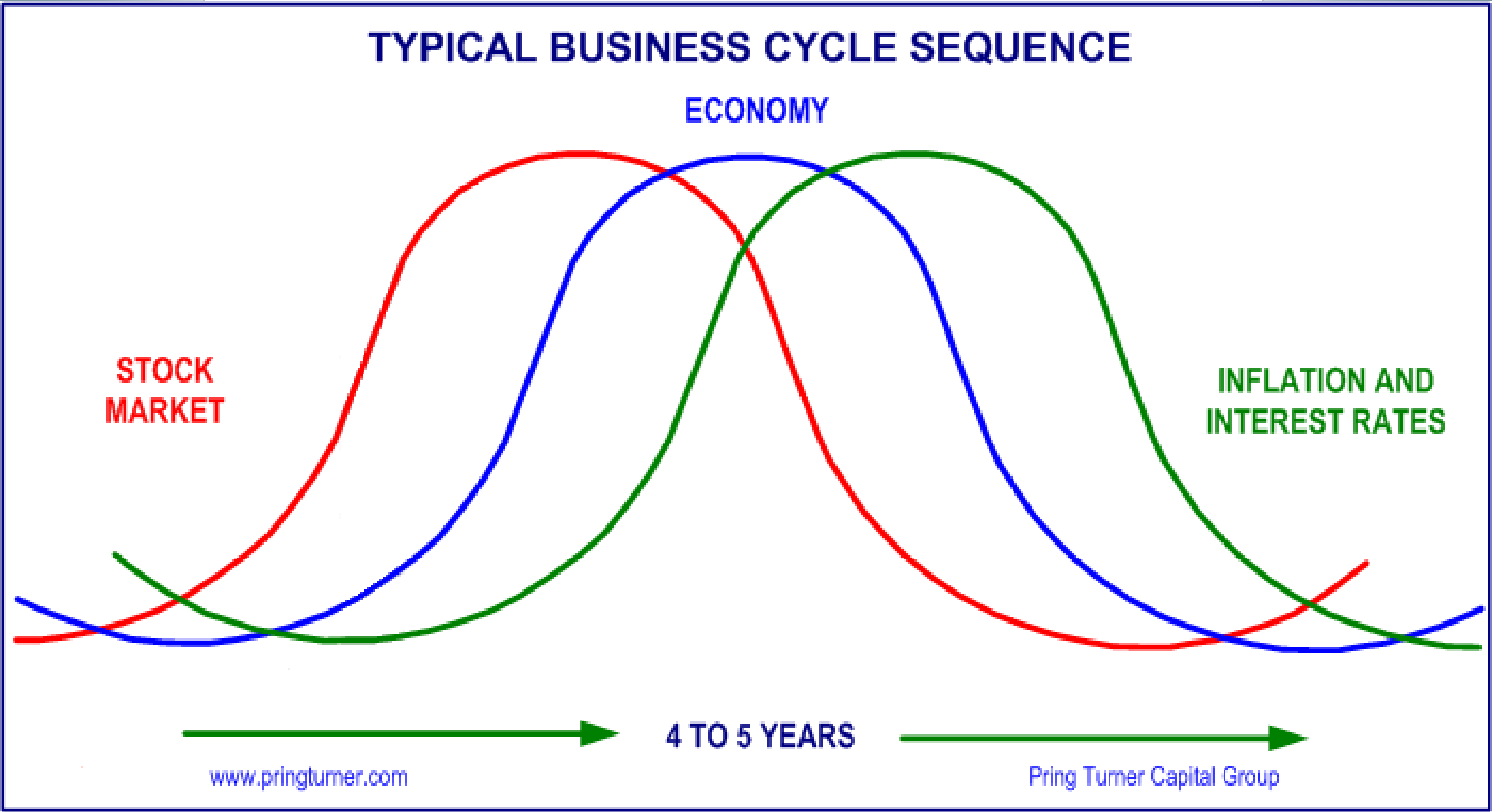
Key Points:
Secular Trend Commodities & Bonds

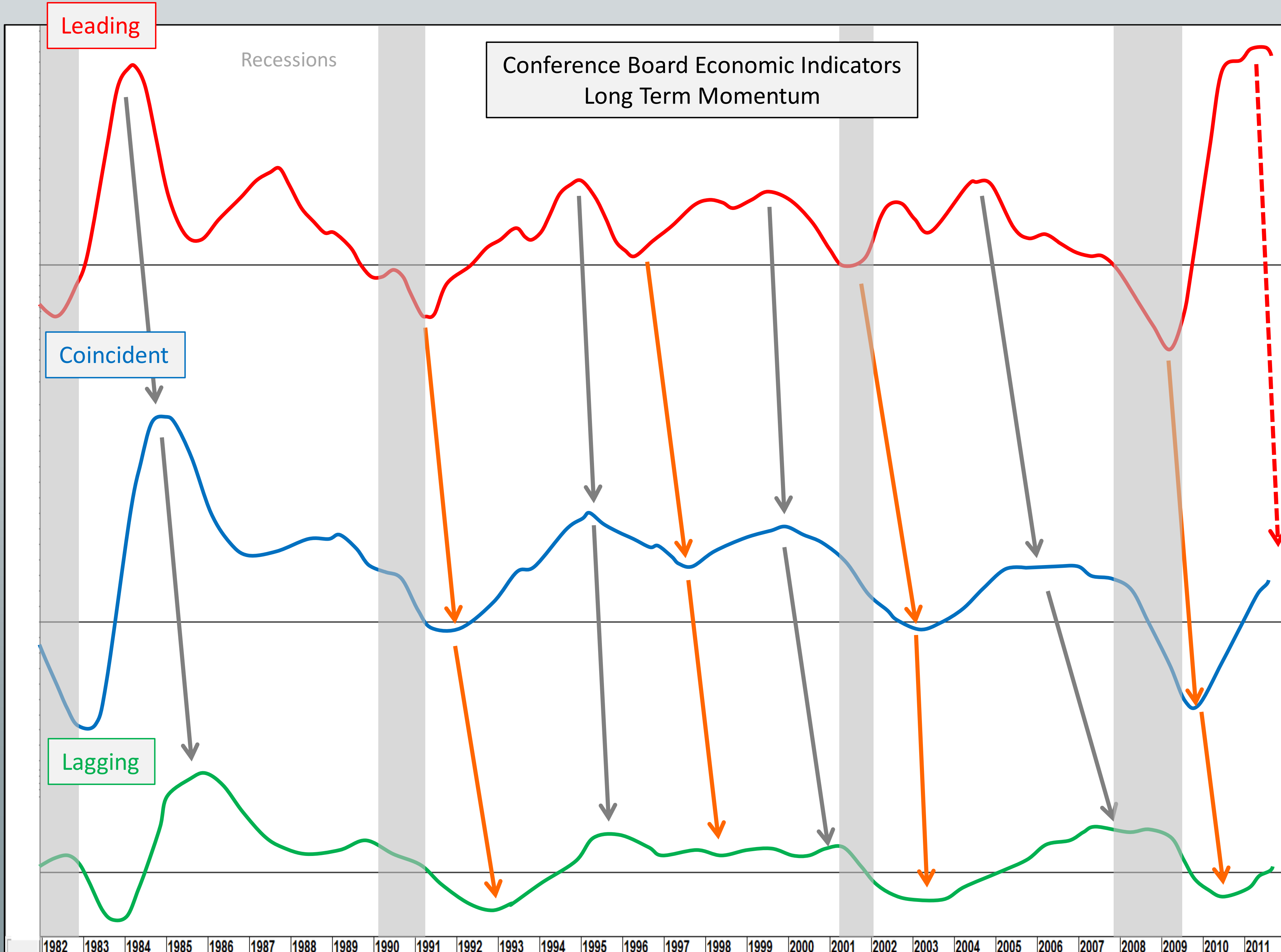
- Commodities Continue Secular Uptrend → Risky for Bonds
- Opportunities in Inflation Sensitive Securities
- Bond prices have been in a Secular Bull for 30 Years
- Bond Owners Beware – Prepare to Change Tactics
- Commodity Outperformance over Bonds to continue
- Protect Purchasing Power – Real Game Changer

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.





Leading
Recessions
Conference Board Economic Indicators
Long Term Momentum
Coincident
Lagging
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
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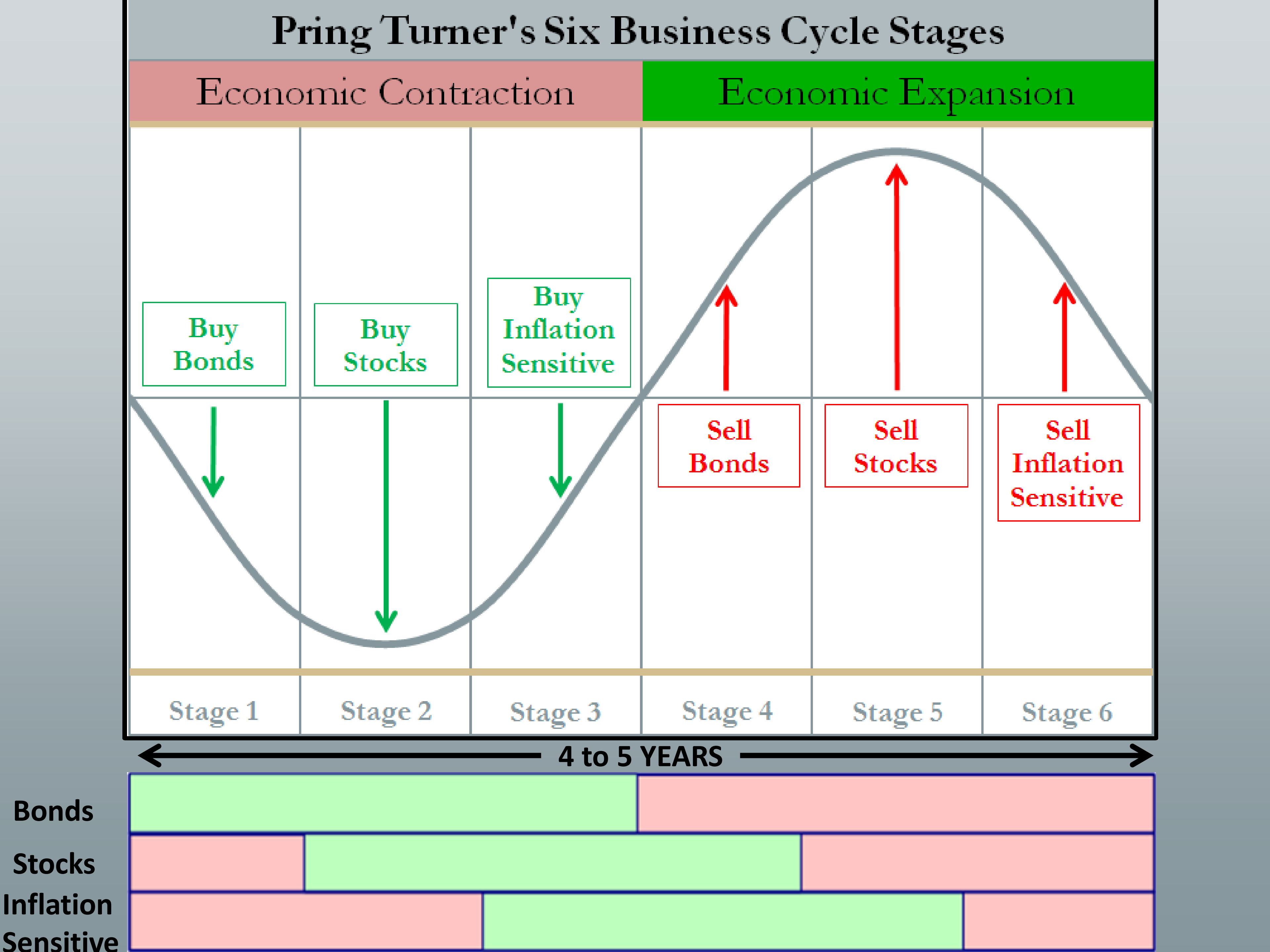
2007
2008
2009
2010
2011



Pring Turner's Six Business Cycle Stages
Economic Contraction
Economic Expansion
Buy Bonds
Buy Stocks
Buy Inflation Sensitive
Sell Bonds
Sell Stocks
Sell Inflation Sensitive
Stage 1
Stage 2
Stage 3
Stage 4
Stage 5
Stage 6
4 to 5 YEARS
Bonds
Stocks
Inflation Sensitive

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

Cheat Sheet: What is the Current Business Cycle Stage?

Stage	1	2	3	4	5	6	7*	8*
Bonds	+	+	+	-	-	-	-	+
Stocks	-	+	+	+	-	-	+	-
Commodities	-	-	+	+	+	-	-	+

+ Denotes the asset class is above its 12 month moving average.

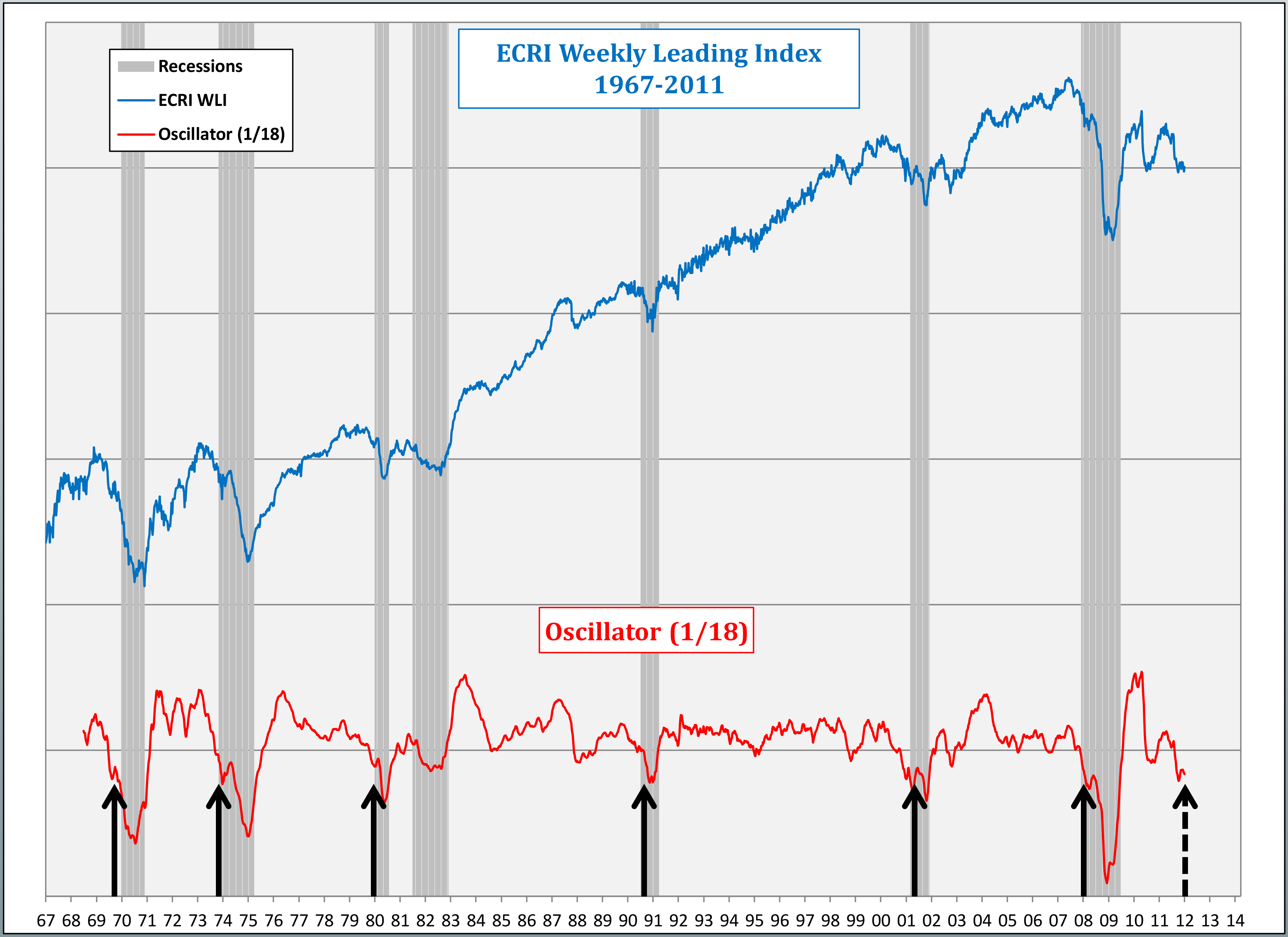
- Denotes the asset class is below its 12 month moving average.

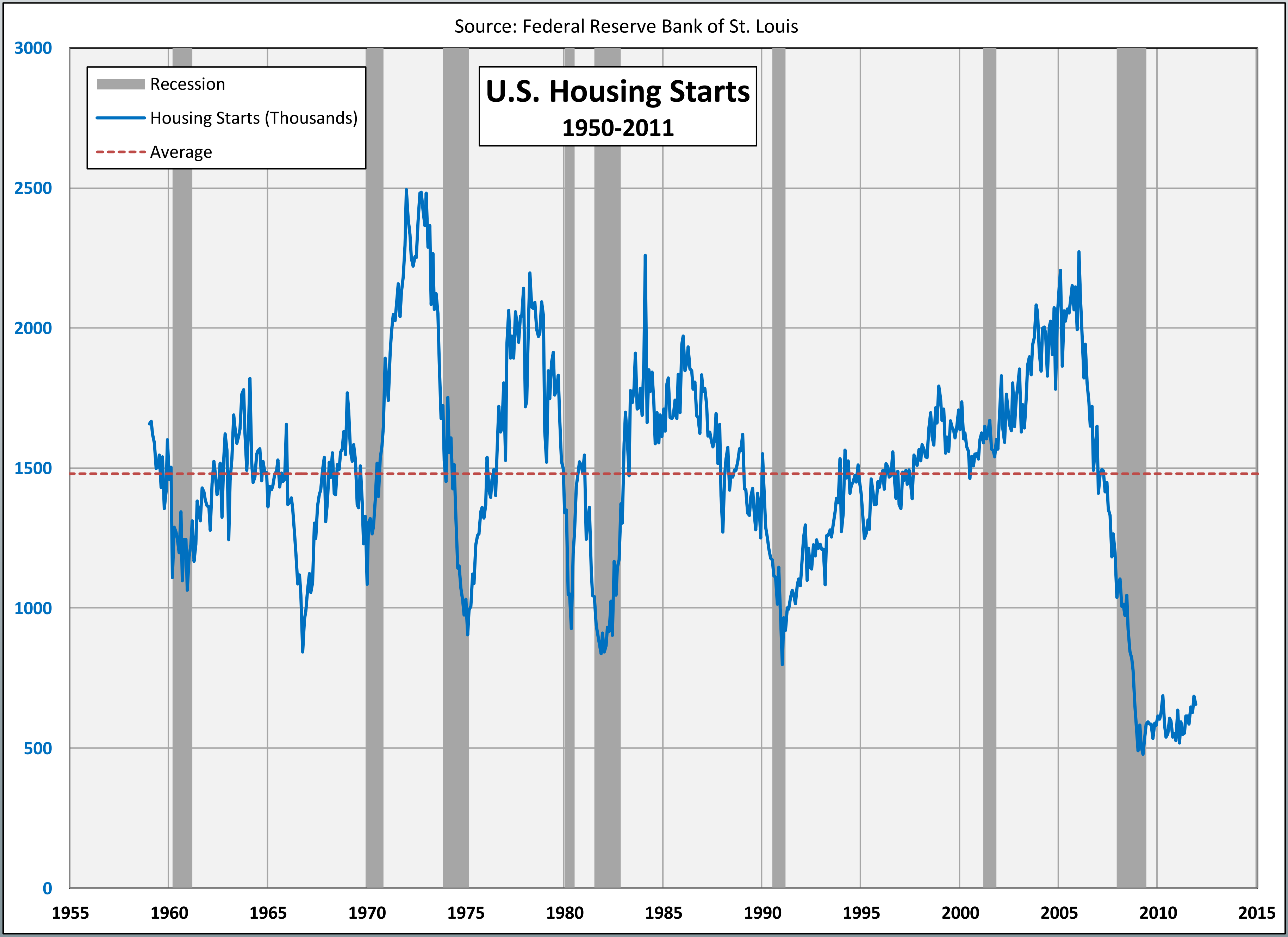
* Denotes an out of sequence stage in the business cycle.

Pring Turner's Six Business Cycle Stages

Sector Emphasis

Stage	1	2	3	4	5	6
Best Performers	Home Builders	Brokers	Communication Equipment	Oil Drillers	Health Care	Household Products
	Restaurants	Automobiles	Diversified Metals	Computer Hardware	Diversified Chemicals	Life Insurance
	Department Stores	Semiconductors	Energy	Gold Shares	Consumer Staples	Food Products
Worst Performers	Diversified Metals	Copper/Gold	Leisure	Hotels	General Merchandising	Chemicals
	Industrials	Oil Drillers	Airlines	Brokers	Automobiles	Railroads
	Communication Equipment	Energy	Home Furnishing	Home Building	Semiconductors	Steel Companies


ECRI Weekly Leading Index
1967-2011
Recessions
ECRI WLI
Oscillator (1/18)
Oscillator (1/18)
67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14


Source: Federal Reserve Bank of St. Louis
U.S. Housing Starts
1950-2011
Recession
Housing Starts (Thousands)
Average
3000
2500
2000
1500
1000
500
0
1955
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015

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

Dow Jones Indexes

Dow Jones Indexes
A CME Group Company

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Dow Jones Indexes to Develop, Co-Brand U.S. Business Cycle Index with Pring Turner

Dow Jones Indexes
A CME Group Company

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Michael A. Petronella
President, Dow Jones Indexes
September 8, 2011

"… we plan to produce an innovative index meant to accurately and effectively measure this unique methodology. Further, the new index's transparent and investable multi-asset portfolio will be well-suited to serve as the basis for ETFs, mutual funds, separately managed accounts and a wide variety of investment products."

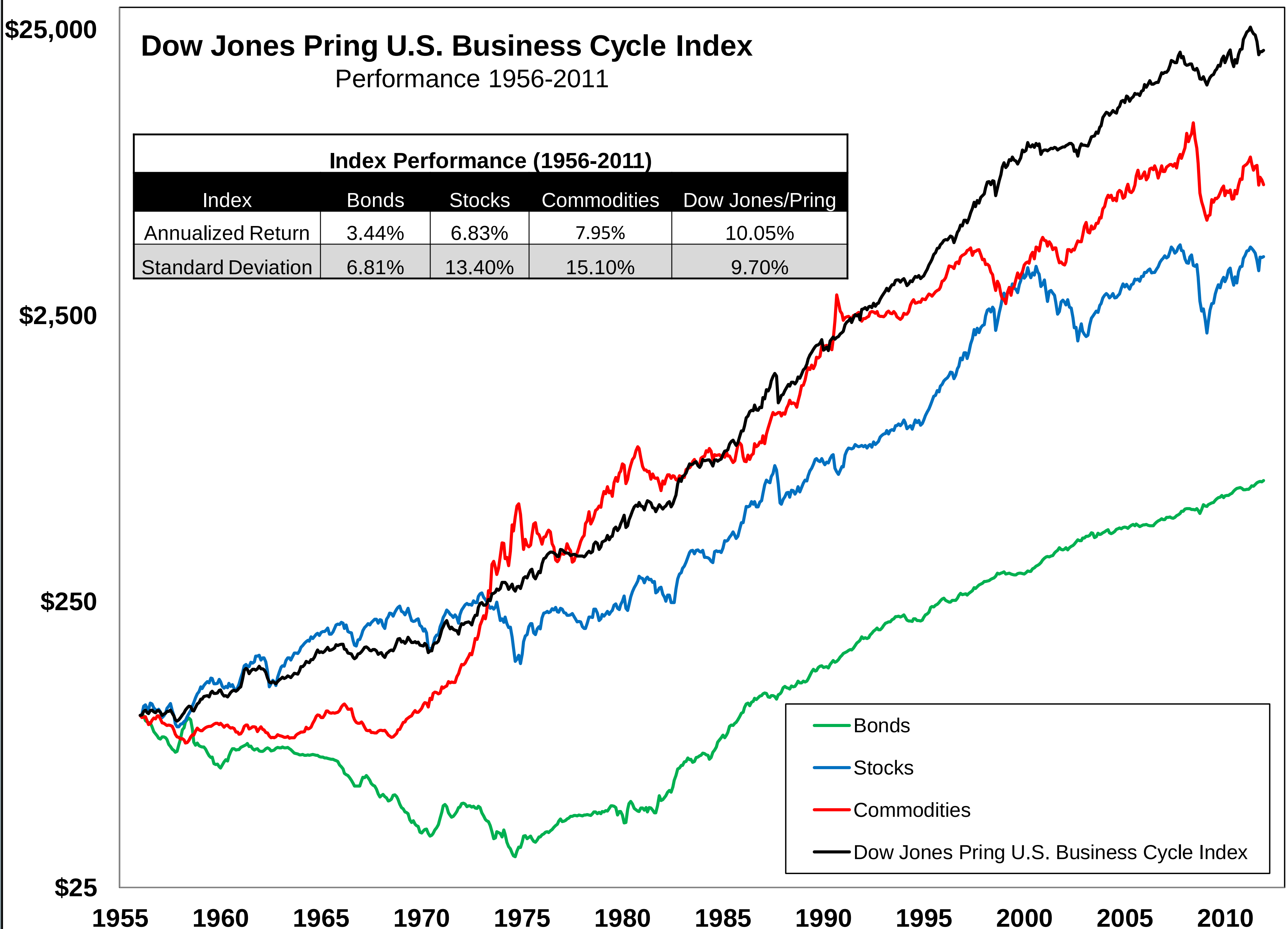
Stage	Dow Jones Pring Index 1956-2011
1	7.8%
2	15.0%
3	18.3%
4	8.5%
5	7.8%
6	9.7%
7	4.3%
8	4.5%
Total	10.1%

Dow Jones Pring U.S. Business Cycle Index

Performance 1956-2011

Index Performance (1956-2011)

Index	Bonds	Stocks	Commodities	Dow Jones/Pring
Annualized Return	3.44%	6.83%	7.95%	10.05%
Standard Deviation	6.81%	13.40%	15.10%	9.70%



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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Thank you for Listening…

Have a Happy, Healthy and Prosperous 2012!

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