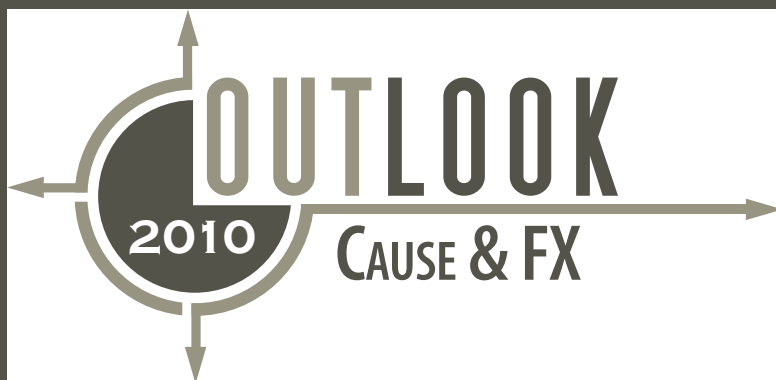




THE STRATEGIST

DIRECTION. CONFIDENCE. INDEPENDENCE.

SPECIAL YEAR AHEAD ISSUE:



Last year was one of fundamental ease and emotional challenge. Conditions have changed across economic systems, ushering in the trends of the coming decade:

- **CAUSE:** Three Billion Asian Boomers
FX: Asian Tiger currencies appreciate, domestic brands will flourish
- **CAUSE:** State Capitalism continues
FX: long-term bull market in bonds ends, valuation differences accelerate
- **CAUSE:** Demographic Divergence
FX: Western World challenges, Emerged World opportunities
- **CAUSE:** Global Sectors
FX: boundaries matter less, look southeast for the new global stars

Contents

- 2 Outlook 2010 CAUSE & FX** The decade closed with significant turbulence and change. 2010 will be a transition year, leading to positive change and investment opportunity. We believe the major drivers of the next decade will be State Capitalism, Technology Convergence and Asia Brands.
- 3 2009 – THE UPSIDE OF DOWN** Last year the fundamentals were easy, emotionally it was devastating. Our message was positive: the bottom was at hand and upside was in order. This came through in spades.
- 4 The Past Decade** Our investment discipline and identification of key themes led to significant outperformance.
- 6 The Next Decade CAUSE & FX** In the next decade, Strategic State Capitalism, Technology Convergence and Asia Brands will have the most profound FX on economic systems. Demographic realities suggest structural investment shifts will occur.
- 7 Strategic State Capitalism** We identified the inflection point of State Capitalism in 2008 – easy monetary policy fostered financial innovation at the expense of future sustainability. The next decade will see a pronounced shift as strategic stimulus programs set the stage for getting the most out of the resources we have (or will replace). This will be in two forms: stick and carrot.
- 12 Technology Convergence** Significant change happens amidst crisis, not the status quo. Demographic realities suggest crisis ahead. However, we believe technology convergence will lead our way out.
- 14 Meet Carol** At 79, Carol lives in the house she raised her family in. Technology viewed as games & gadgets have been transformed into game changers.
- 16 Asia Brands** The Asian trading bloc will assert itself. These names will enter the portfolio, and you may see a few around – Want Want anyone?
- 17 2010 Tactics** 2010 is a year of transition. Increase margin of safety through virtual bonds and a bias to value and quality of earnings. Seek exposure to lower risk geographies through currencies and yield.