

NCTR/Future of Equities

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Investment Perspectives

Event

Massive Liquidity
Injection

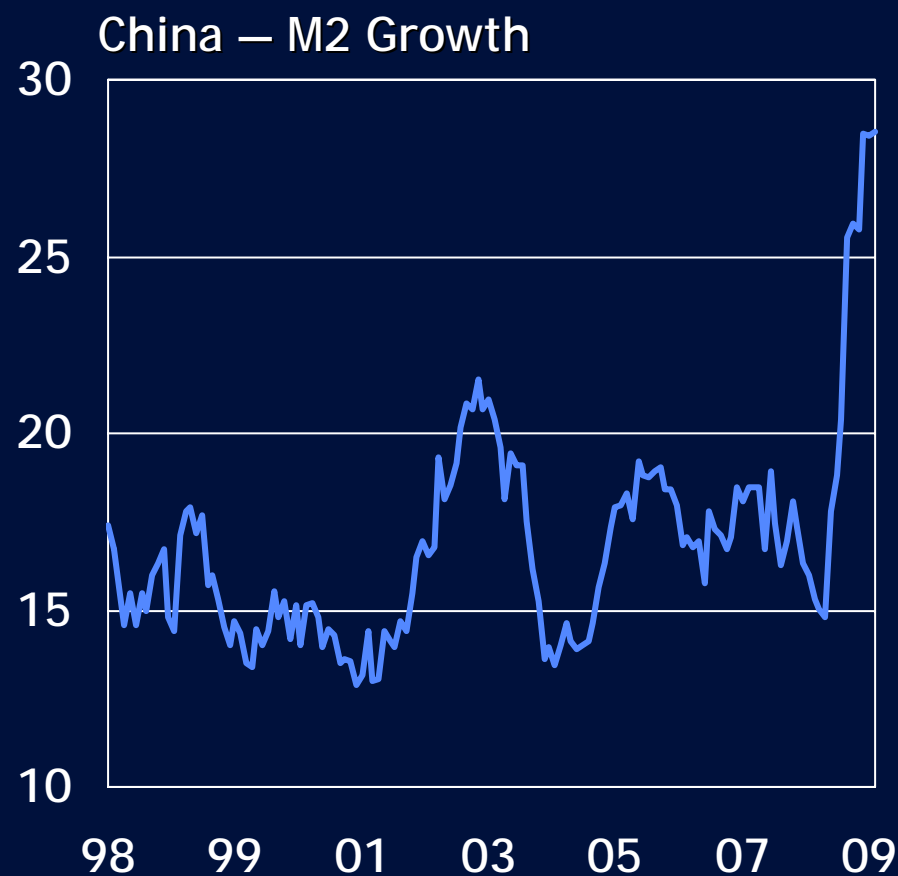
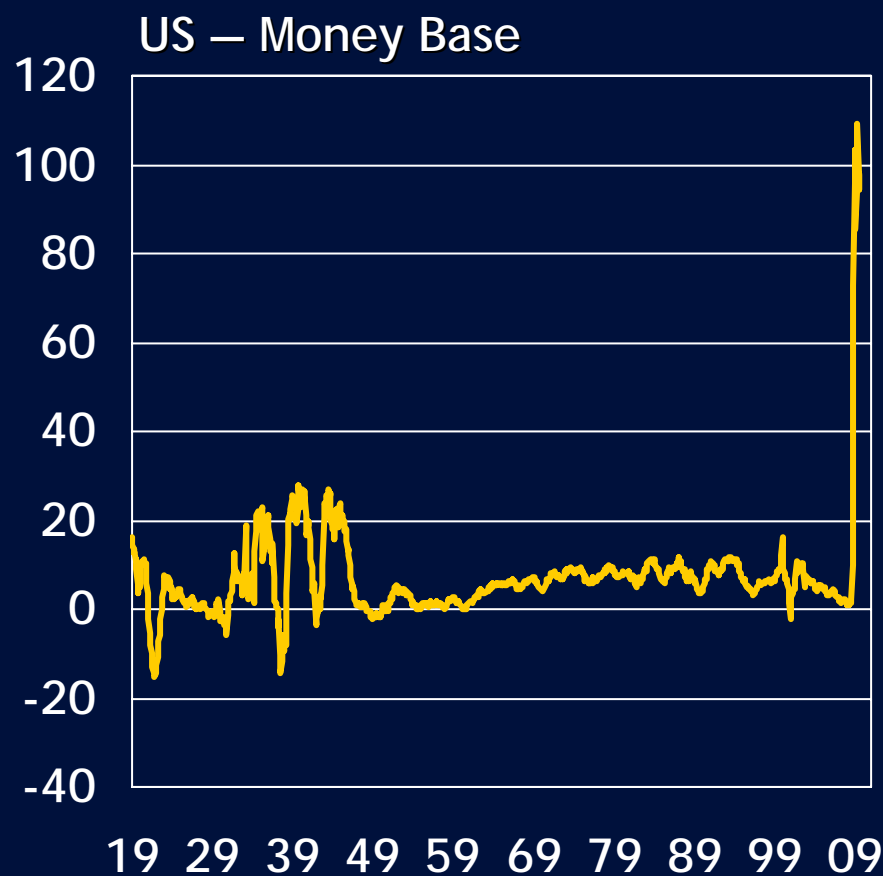
Impact

Spreads Pre-Lehman

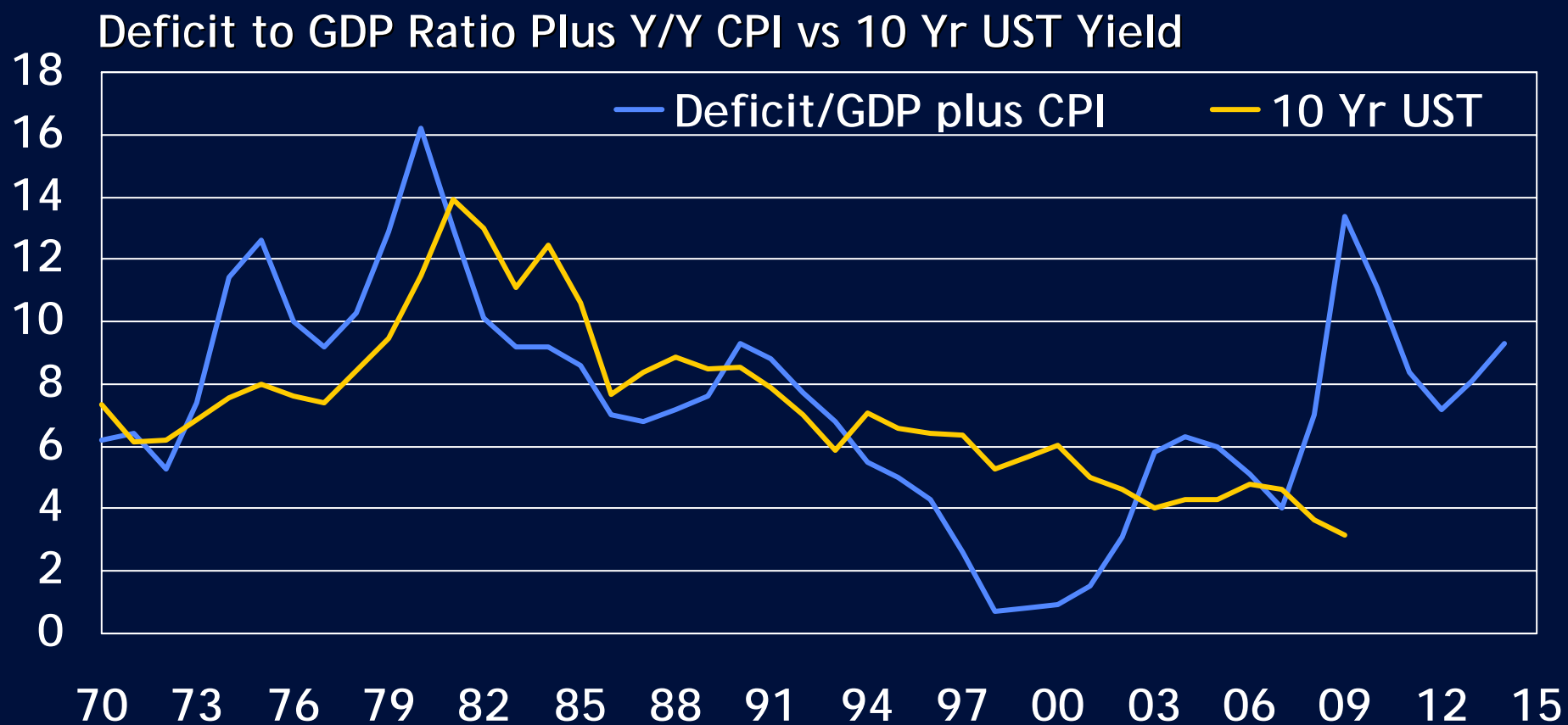
Opportunity

New Bubbles Created

New Bubbles — Opening the Printing Presses



New Bubbles – The Deficit, Inflation, and Interest Rates



Sources: CBO, BLS, Federal Reserve

New Bubbles – Corporate Bond Yields Near 40 Year Lows



New Opportunities — Which Would You Rather Own?

Company	Dividend Yield	Intermediate Bond Yield
Pitney Bowes	6.4%	4.2%
AT&T	6.3	3.9
Eli Lilly & Company	5.9	3.4
Chevron	3.9	3.4
McDonalds	3.6	3.5
Proctor & Gamble	3.3	3.3
Pepsi	3.2	3.3

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Massive Liquidity
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World Rides China's
Coattails

Impact

Spreads Pre-Lehman

Commodities
Rebound

Opportunity

New Bubbles Created

Complex Road Ahead

Can China Follow the Developed Country Roadmap Further?

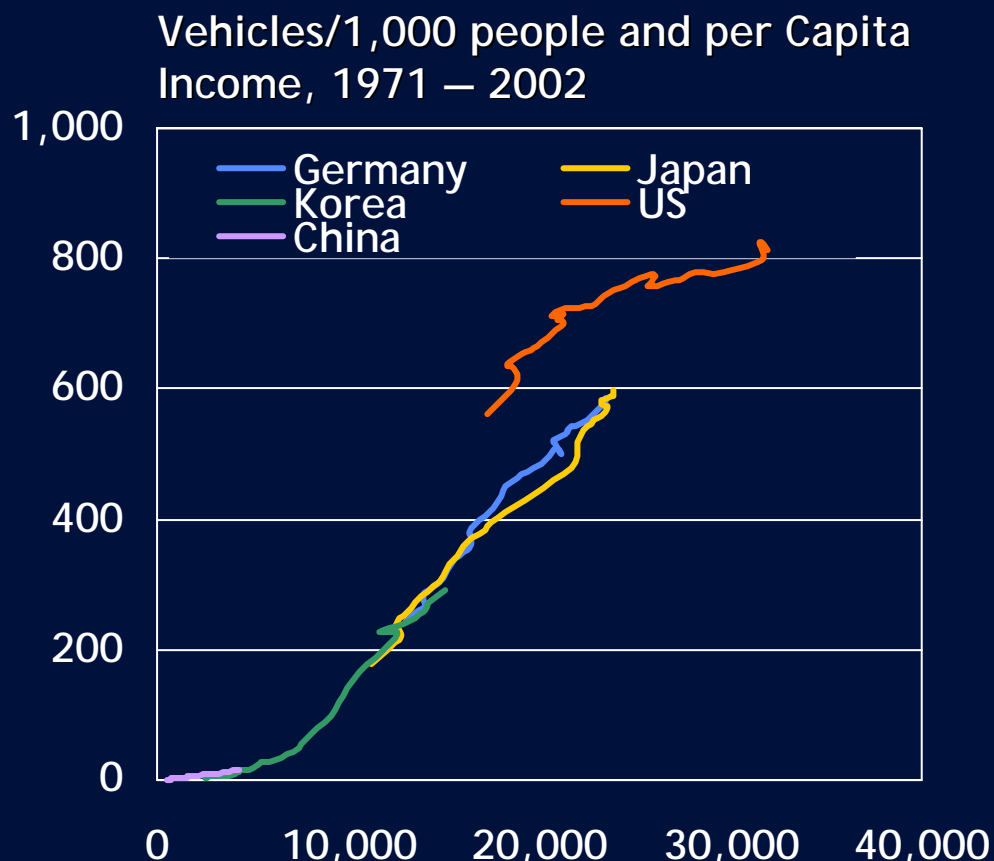
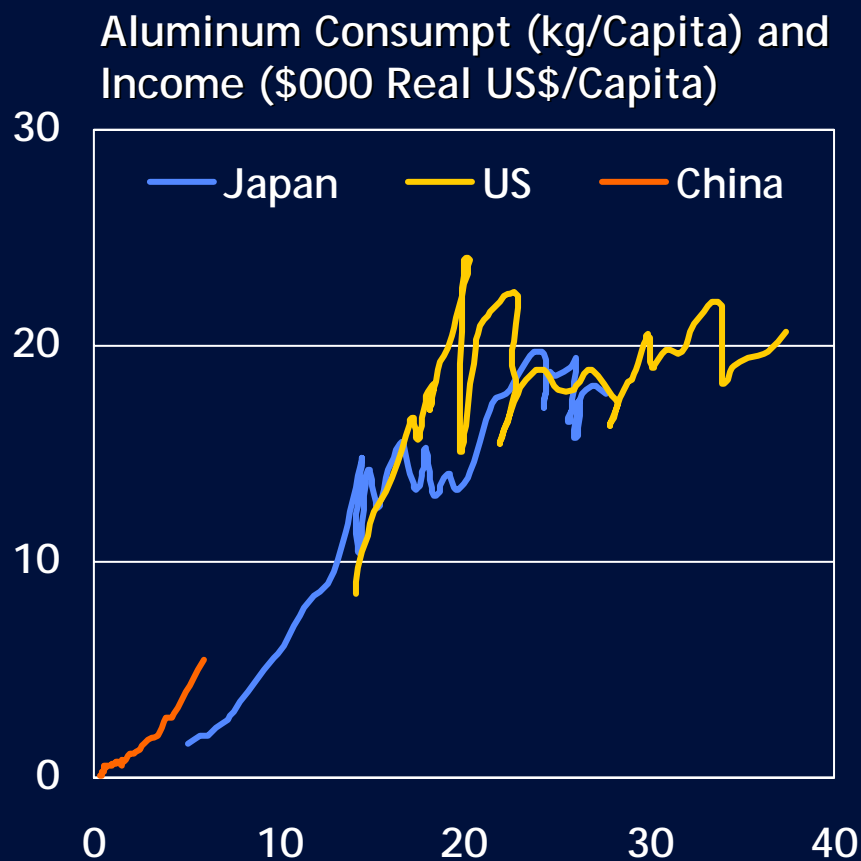
China has followed a well-worn path to prosperity

- Invest, educate, privatize, urbanize, industrialize
-

China's growth up to now was "easy"

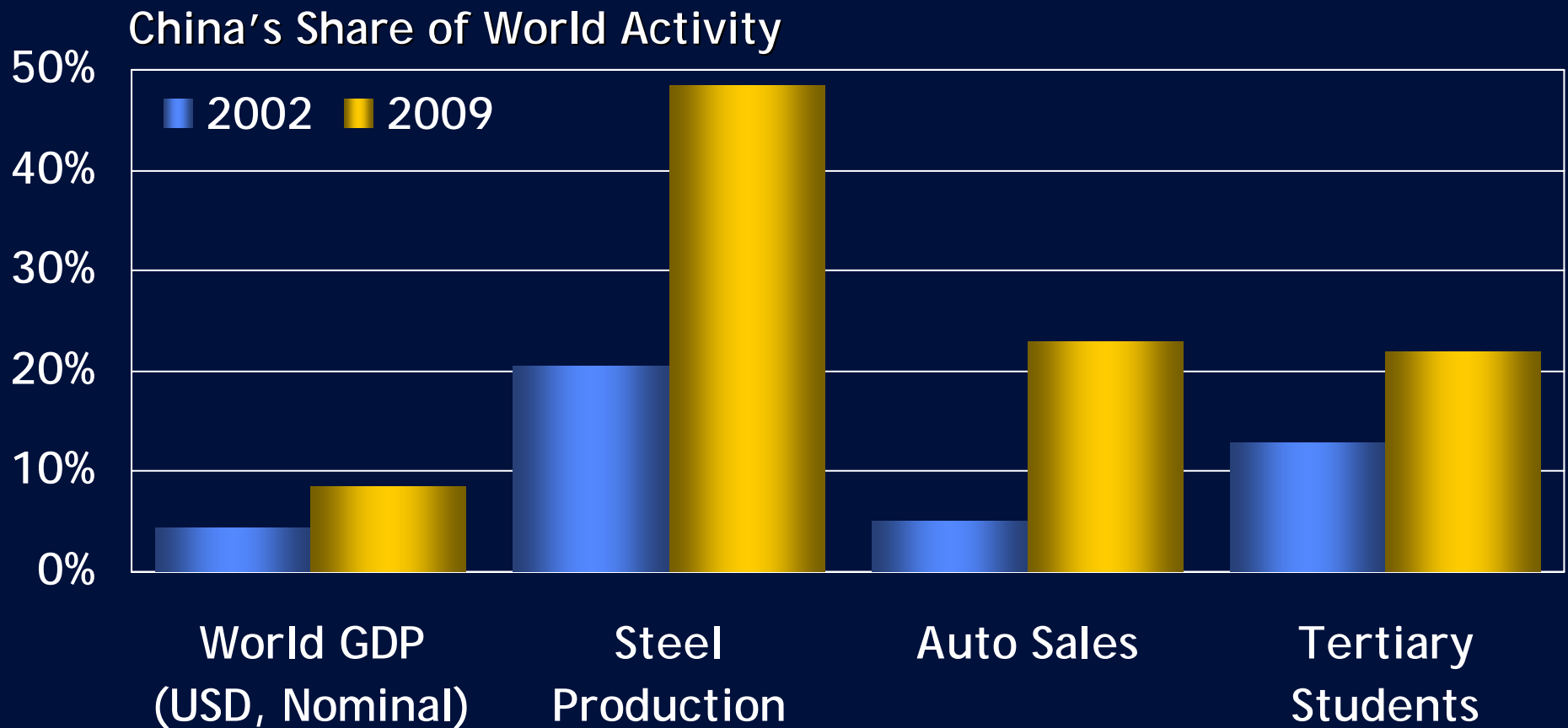
- China's growth didn't squeeze anyone else
- US centrality was source of stability
- A big China bumps into everyone
- A multi-centric world may be more volatile

The First Steps on a Well-Worn Path



Source: IMF
Data as of 2005

But at an Early Stage China Is Already Huge



Sources: UN, UNESCO, WEO, Wellington Management estimates

Investment Perspectives

Event

Massive Liquidity Injection

World Rides China's Coattails

Correlations Spike/
Safety Dominates

Impact

Spreads Pre-Lehman

Commodities Rebound

Worst Year for Active Managers

Opportunity

New Bubbles Created

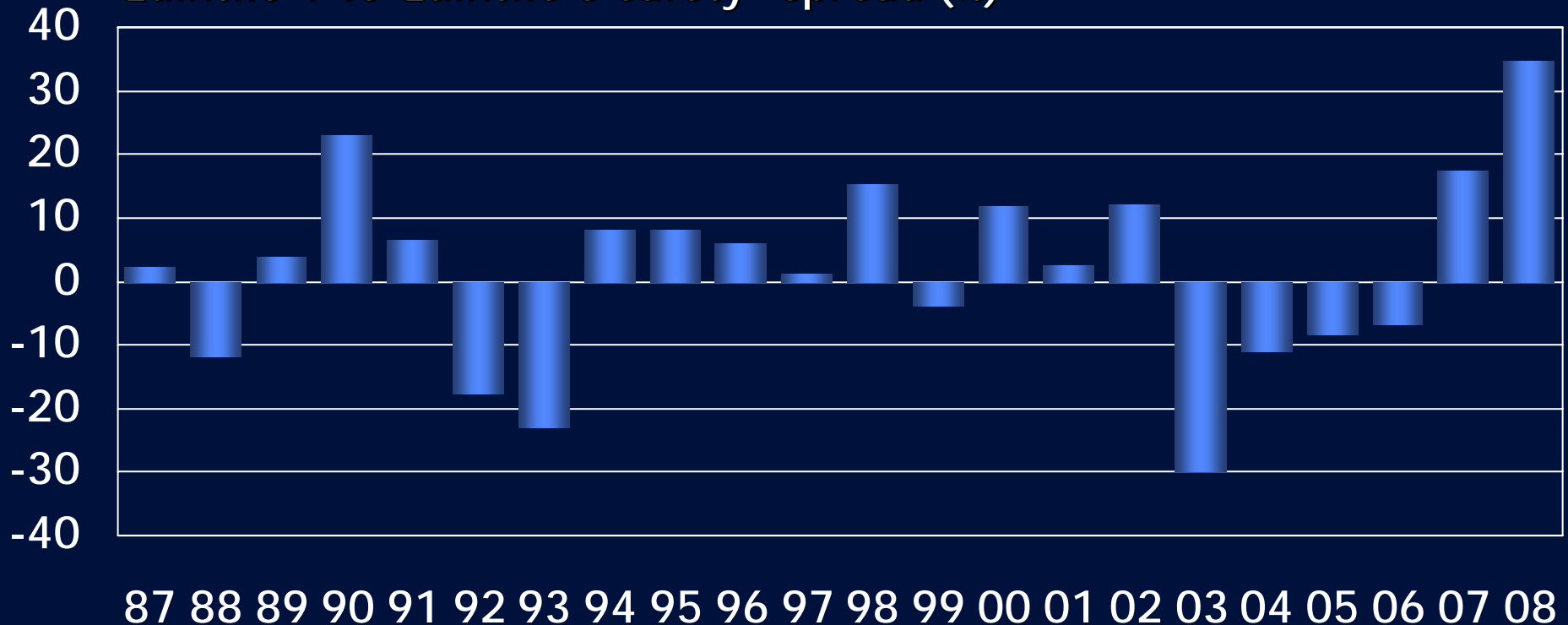
Complex Road Ahead

Revenge of the Stock Picker

Returns to "Safety" Reach All Time High

Russell 1000 Index

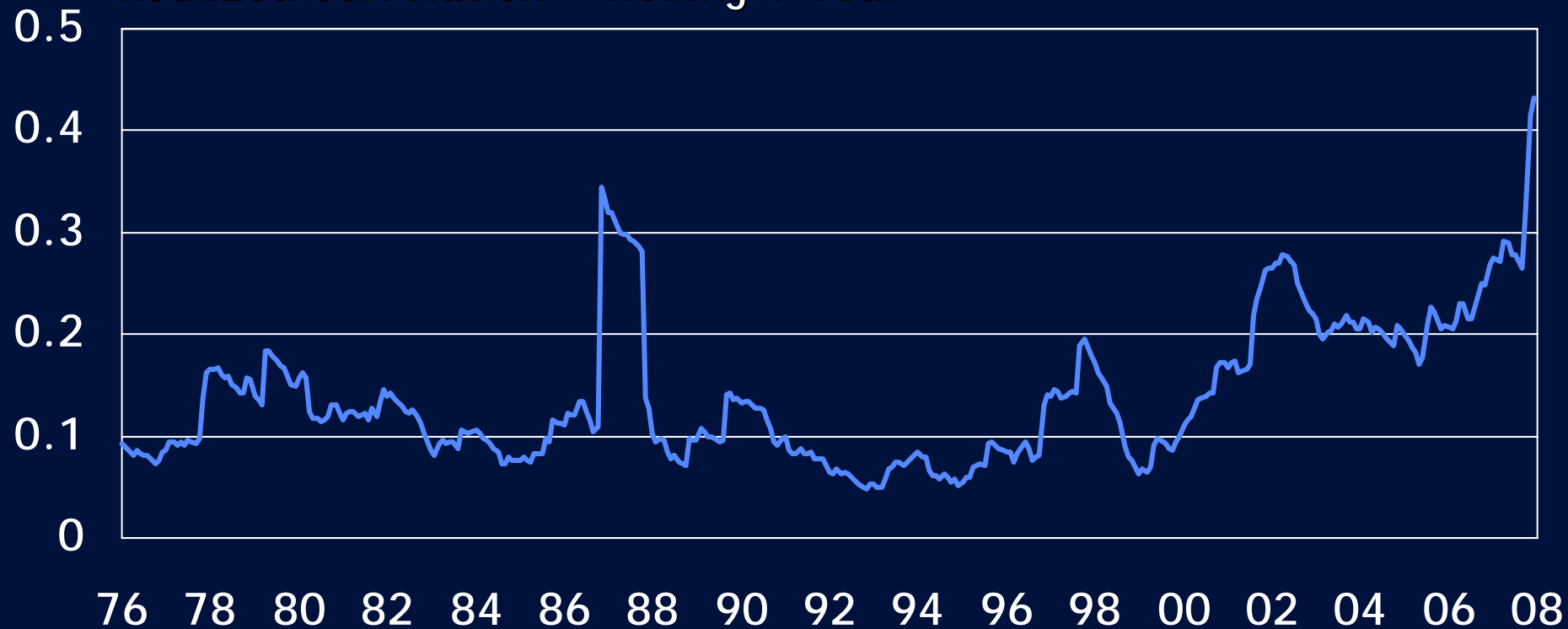
Quintile 1 vs Quintile 5 Safety* Spread (%)



*Average of the quintile 1 vs quintile 5 return spread of BARRA's EPS variability, leverage, and volatility factors

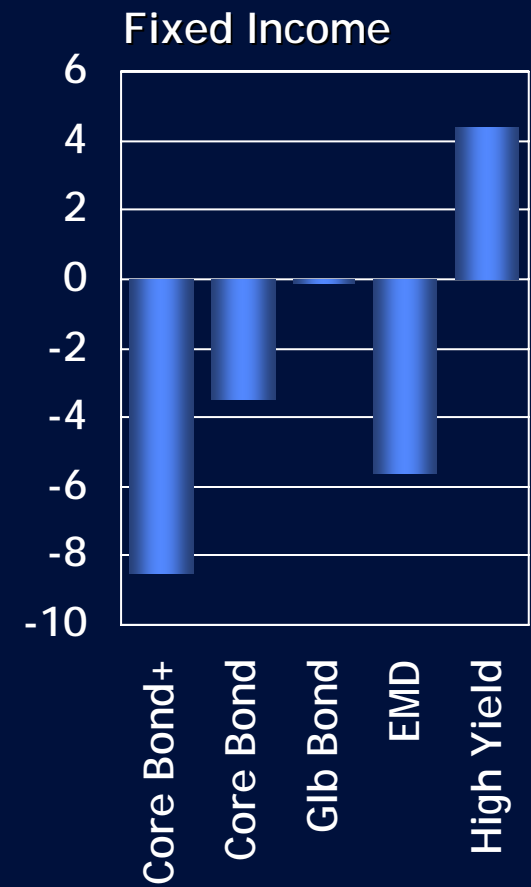
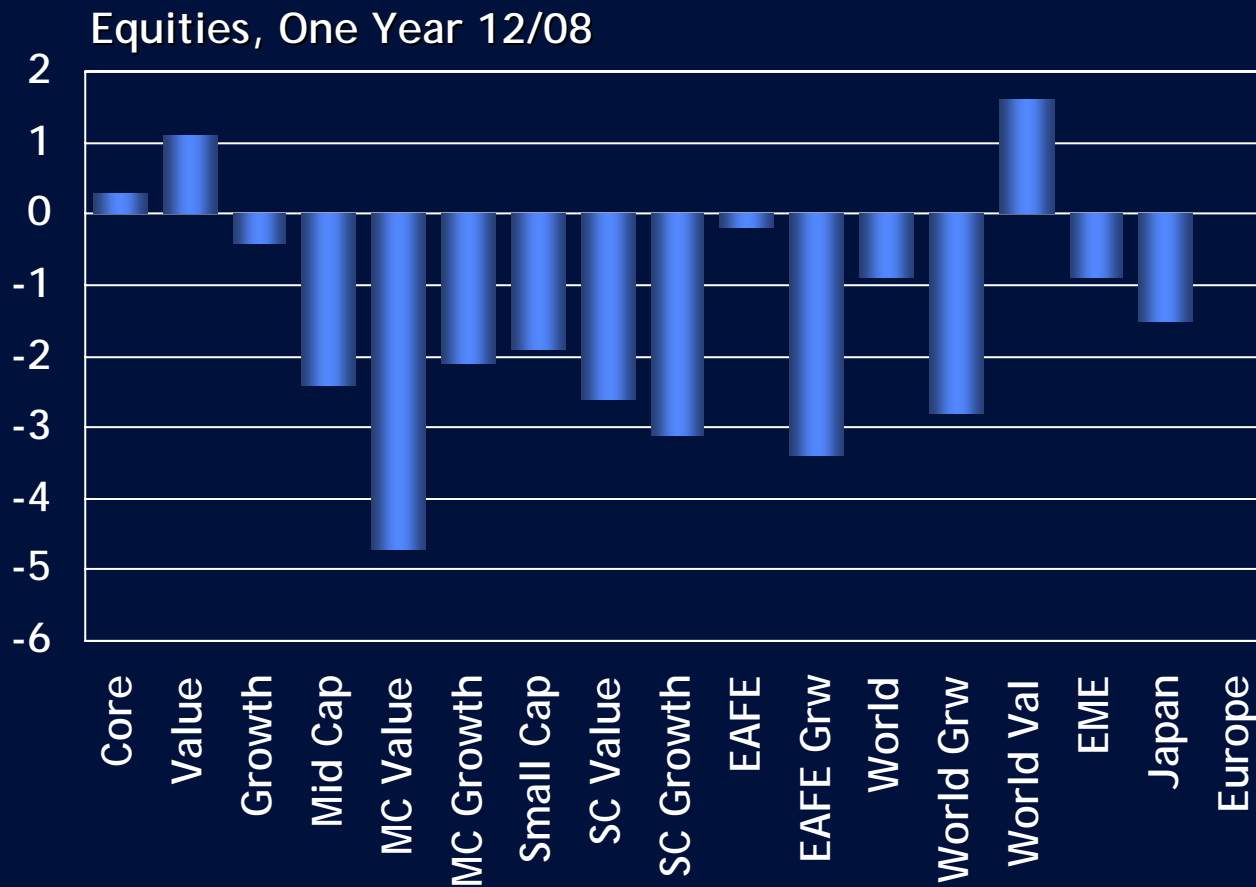
Stock Correlations at All-Time Highs

Correlation Among Stocks Extremely High
Realized Correlation – Rolling 1-Year



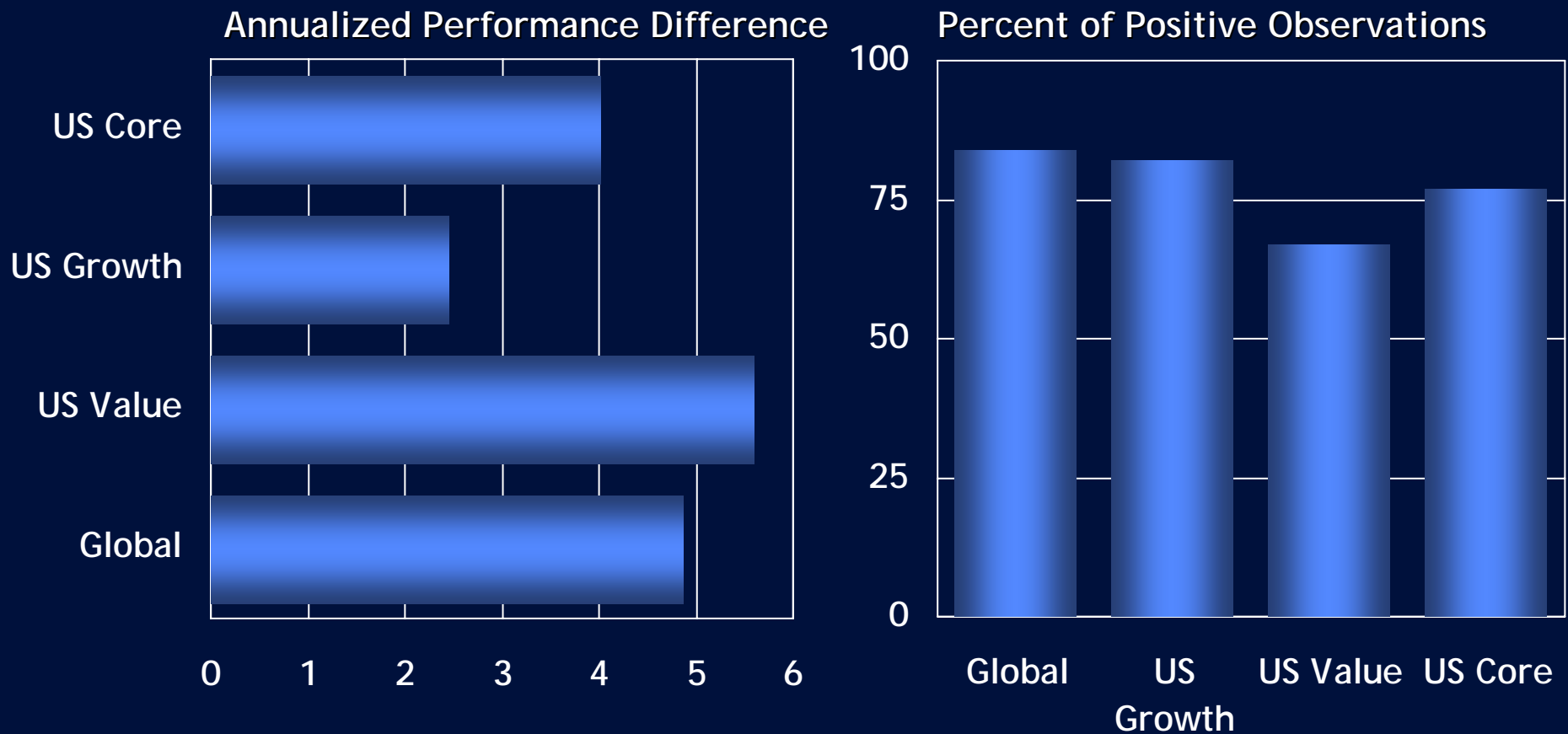
Universe is largest 1,900 US Stocks

Median Manager Relative Performance



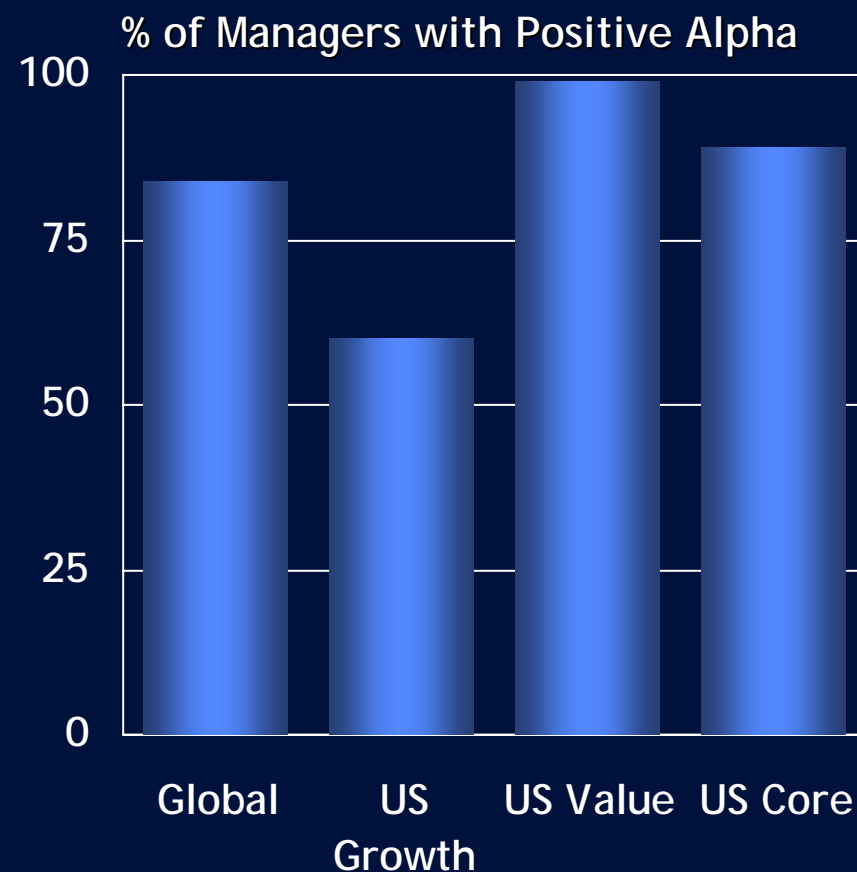
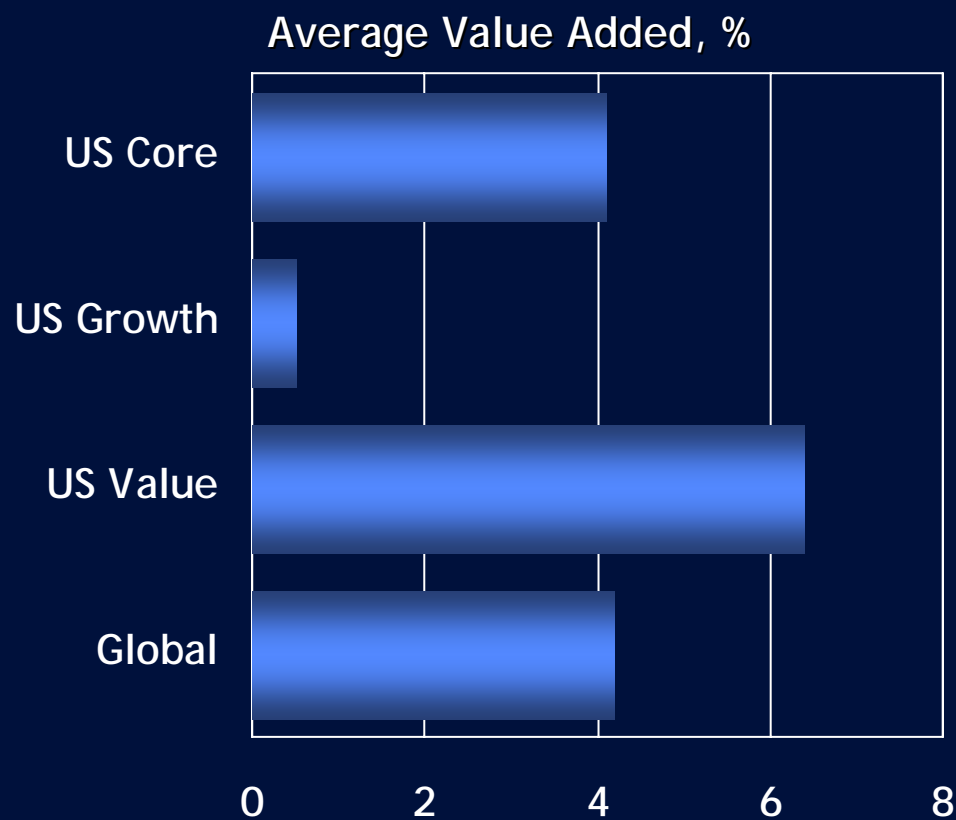
Source: Mercer

Returns to High Tracking Risk (>5%) Managers After Correlation Peaks*



*3 years following 2002, 3Q98, 4Q90, 4Q87
Source: Mercer

Returns to High Tracking Risk Managers First Half 2009



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World Rides China's Coattails

Correlations Spike/
Safety Dominates

Market Rebounds/
Abyss Avoided

Impact

Spreads Pre-Lehman

Commodities Rebound

Worst Year for Active Managers

Unprecedented Range of Opinion

Opportunity

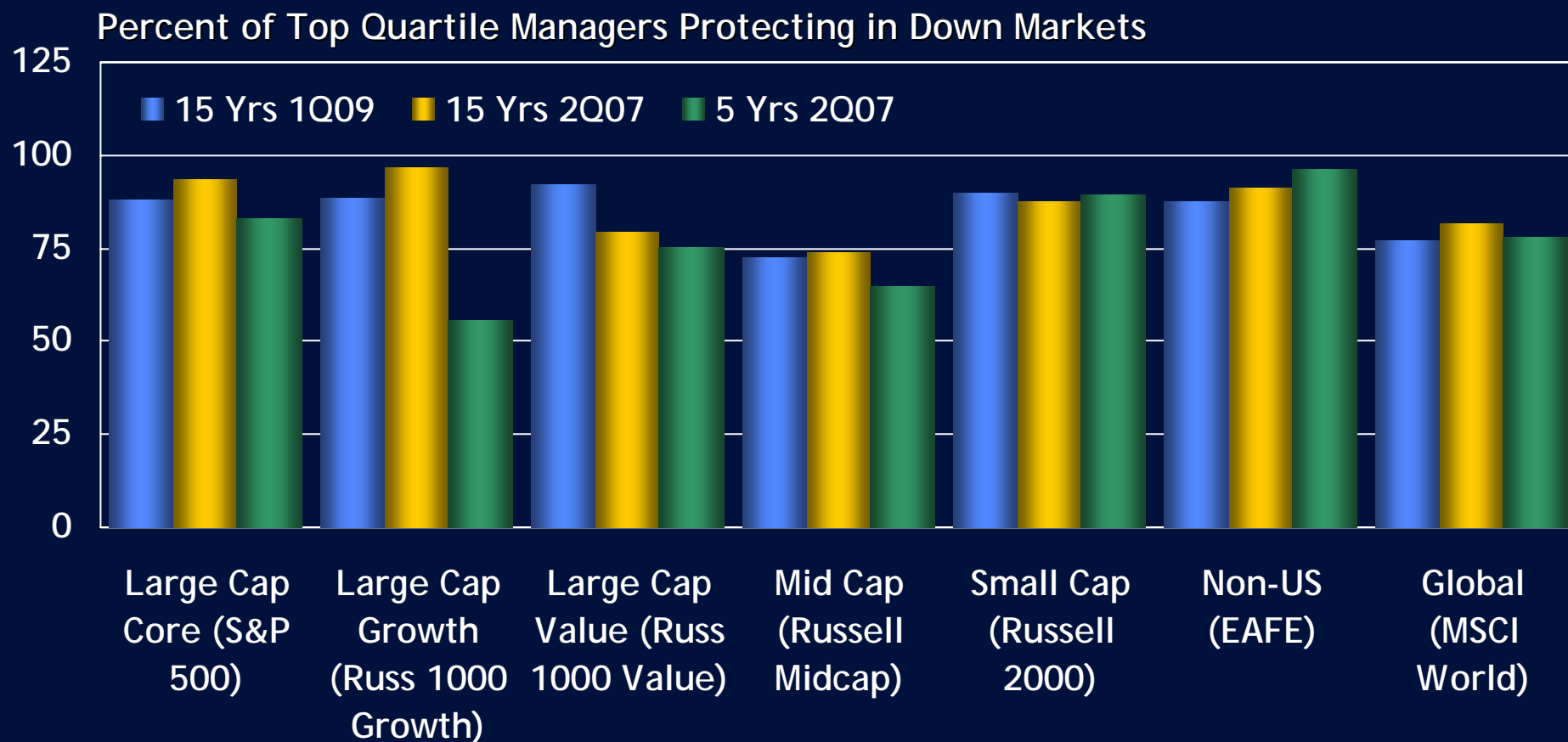
New Bubbles Created

Complex Road Ahead

Revenge of the Stock Picker

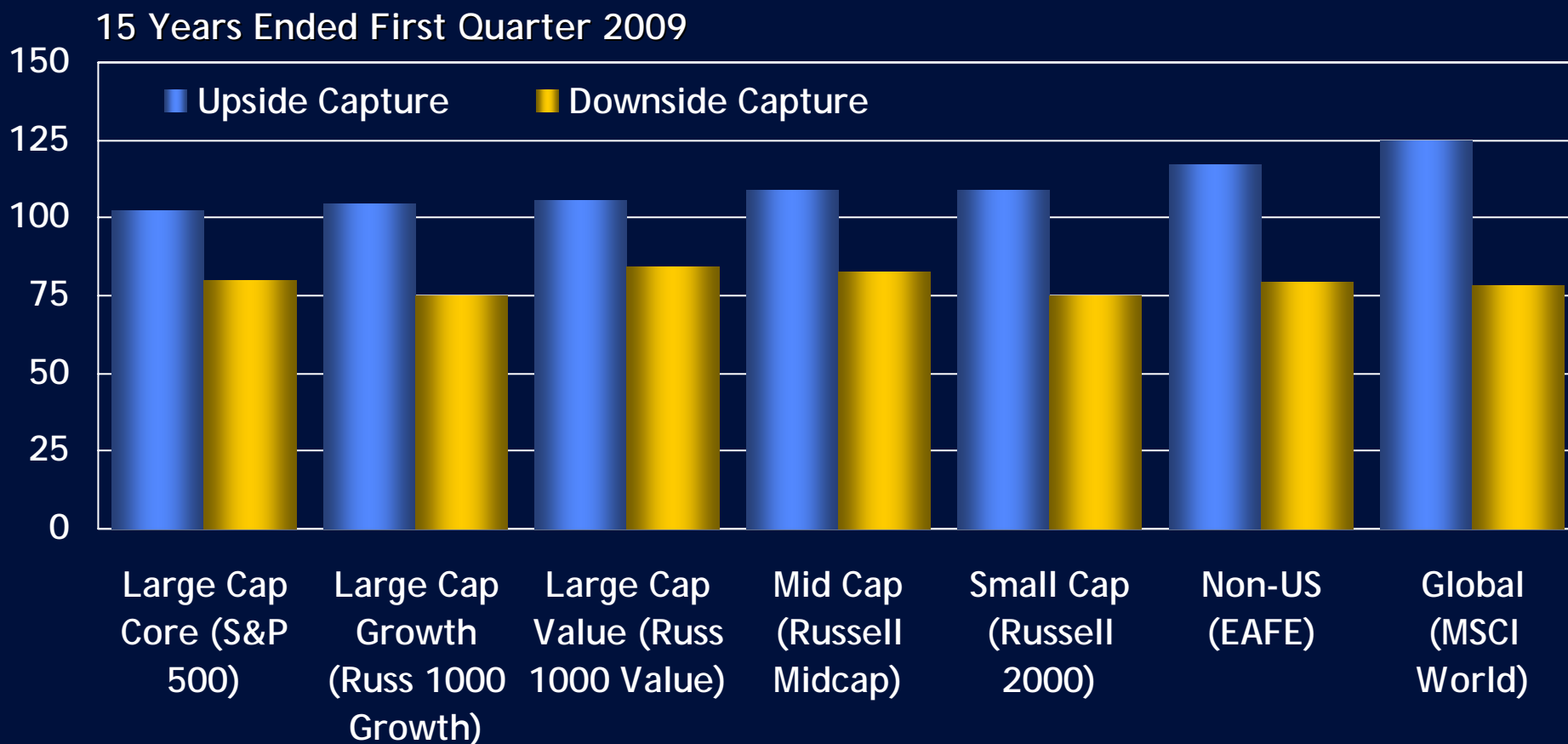
Downside Risk Still Important

Downside Protection Matters in a Variety of Markets



Sources: eVestment, Wellington Management

Top Quartile Managers Hold Their Own in Up Markets/Shine in Down Markets



Sources: eVestment, Wellington Management

Disclosure

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As of 6/09



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