

Take Five with Roosevelt Investments

An update on our macro economic analysis, equity markets perspective, and portfolio considerations

EQUITY PERSPECTIVE

JANUARY 2012

MACRO VIEWS

Signs of a U.S. Recovery are Underway

Although growth has generally slowed in emerging markets and in Europe, numerous domestic economic indicators suggest the possibility for a self-sustaining U.S. recovery. The housing market, supported by historically low mortgage rates, is experiencing signs of renewed life, with resale inventory falling and new construction starts picking up. Regional manufacturing surveys have recently exceeded expectations and weekly unemployment claims have been trending downward. Consumer sentiment is on the rise and interest rates remain low. These key factors give us reason to believe that U.S. GDP growth will expand in 2012.

Trouble Continues in the Eurozone

Continued economic weakness throughout the Eurozone and related sovereign debt issues with Greece, Italy and France dominated global headlines in the last few weeks of 2011. The region has reached a critical stage with Italy joining a group of eurozone countries whose borrowing costs (as measured by ten-year bond yields) have risen and remained above 7%. Though recent new debt issuances provided marginal relief and investor confidence was uplifted by reassurance from the global Central Bank, the eurozone remains plagued by problems. We believe that the odds for a Lehman-like crisis are unlikely, but expect Europe will continue to struggle to get its sluggish economy back on track. In our opinion, greater investment opportunities currently exist outside of Europe.

Slowing Growth in Emerging Markets

Emerging markets, particularly China and India, are showing signs of decelerating growth. While these economies surged over the past few years, they are now experiencing lower growth levels, making them less attractive from an investment perspective. At the same time, commodity prices have tumbled amid economic cooling. Although emerging markets have long-term appeal, other lower volatility investment opportunities, particularly in the U.S., are currently more attractive.

MARKET VIEWS

Attention Returns to the U.S.

The news out of Europe in the fourth quarter of 2011 rattled the U.S. equity market and triggered extreme stock price volatility. During the period, the Russell 3000 and S&P 500 had 16 and 14 days, respectively, of daily price movements of +/- 2%. A stronger U.S. economy should help buffer the market should Europe and emerging markets face prolonged difficulties in 2012. Additionally, domestic equity valuations are currently compelling. The S&P 500 is trading at roughly 13-times forward earnings, down from historically higher levels. As the economy strengthens, earnings growth should move higher. Relative year-over-year price acceleration should also benefit from flat 2011 equity market returns. As such, we favor U.S. companies and are seeking those that stand to benefit from a domestic cyclical recovery.

RISK TOLERANCE INCREASES

EQUITY RISK MITIGATION GAUGE †



† Demonstrates Roosevelt's current level of perceived market risk.

We continue to reduce our risk tools to reflect our expectation for a nascent domestic recovery. With key market indicators improving, we have grown more risk-tolerant in our equity investment approach. **We believe that the equity markets in 2012 should react more closely to fundamentals and less to headline risk.** This is an environment that we embrace and remain confident that we can provide successful outperformance with less risk over time.

PORTFOLIO OVERVIEW

Homebuilders Look Compelling

With the housing market firming up and certain industry suppliers demonstrating signs of relative strength we are growing increasingly interested in a number of homebuilders. After the recent housing crash, a number of homebuilders succeeded in achieving profitability by downsizing their businesses and reducing fixed costs. These companies should benefit from expanding margins as pent-up demand increases new construction volumes, even if they only reach a fraction of the former historic levels. In fact, we are not suggesting that new construction activity will revert back to the boom days of the mid- 2000's, but an increase in housing starts should restore confidence in the sector. Well-managed companies, such as Lennar and D.R. Horton, stand to benefit.

A Shift in Energy

We continue to favor our energy arbitrage theme. Technological advances in drilling have increased the appeal of natural gas relative to fossil fuels. Domestic supplies are abundant and should remain so for many years to come. With natural gas prices relatively low and demand on the rise, we believe that companies tied to the development of natural gas infrastructure offer an attractive investment opportunity.





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OUR EQUITY INVESTMENT STRATEGIES

Our goal is to deliver strong returns, not only by performing well in up markets, but by capturing only a fraction of a down market, over a full market cycle. Our investment process is well-defined and repeatable, and portfolio construction is the result of thorough analysis. We are pleased to offer the following strategies:

- ALL CAP CORE EQUITY
- LARGE CAP CORE EQUITY
- SMALL / MID CAP CORE EQUITY
- BALANCED PORTFOLIO

FOR MORE INFORMATION

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IMPORTANT DISCLOSURES

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ABOUT ROOSEVELT INVESTMENTS

Roosevelt Investments traces its roots back to 1971 when P. James Roosevelt, a cousin of former President Theodore Roosevelt, founded a financial advisory firm to manage assets for endowments and individuals, including several members of the Roosevelt family and the Theodore Roosevelt Association. Following a merger in 2002 and several other acquisitions, the firm has substantially expanded over the past decade.

Headquartered in New York City, Roosevelt has assets under advisement of approximately \$4.37 billion (consisting of approximately \$3.03 billion under management and approximately \$1.34 billion in programs where we only supply an investment model) as of December 31, 2011. Roosevelt offers several equity and fixed income strategies, including All Cap Core Equity, Large Cap Core Equity, Small/Mid Cap Core Equity, Global Enhanced Fixed Income, Current Income Portfolio (CIP), Intermediate-Term Fixed Income, Core Fixed Income and Balanced Portfolios.

OUR INVESTMENT COMMITTEE

Our portfolio team averages over 20 years of investment experience.

Arthur Sheer
CEO & Portfolio Manager

Robert L. Meyer, CFA
Portfolio Manager

John Roscoe, CFA
Portfolio Manager

Jason Sheer, CFA
Portfolio Manager

Jason Benowitz, CFA
Portfolio Manager

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*Senior Securities Analyst,
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