

Follow the Leader

Recognizing an important indicator in today's market



Presented by
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Director, Global Investment Strategies

See last slide for important information.

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Diversification does not guarantee a profit or protect against a loss.

The indexes shown do not include any expenses, fees or sales charges, which would lower performance. The indexes shown are unmanaged and should not be considered an investment.

An investment cannot be made directly in an index.

Investments with higher return potential carry greater risk for loss.

Date ranges used in these reports are based on availability of data.

Investing in small companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

The value of equity investments are more volatile than the other securities; stocks are more volatile than corporate bonds, and Government bonds and Treasury Bills are guaranteed as to the timely payment of principal and interest, if held to maturity.

Stocks of small- and medium-sized companies entail special risks, such as limited product lines, markets, and financial resources, and greater market volatility than securities of larger, more established companies.

Foreign securities have additional risks, including exchange rate changes, political and economic upheaval, the relative lack of information about these companies, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Investing in emerging markets involves greater risk than investing in more established markets such as risks relating to the relatively smaller size and lesser liquidity of these markets, high inflation rates, adverse political developments and lack of timely information.



Index Definitions

An investment cannot be made directly in an index; these returns do not reflect any sales charges or fees that would be paid by an investor purchasing the securities they represent. Such costs would lower performance. Index returns assume reinvestment of all distributions

The **S&P 500® Index** is an unmanaged index considered representative of the U.S. stock market.

ECRI Weekly Leading Index is a high-frequency leading index of U.S. economic growth that directly addresses concerns about the freshness of data that forecasters have with existing leading indicators, including the well-known monthly Index of Leading Economic Indicators (LEI).

The Conference Board Leading Economic Index is an American economic leading indicator intended to forecast future economic activity.

ISM Manufacturers New Orders – Inventories Index is a monthly index released by the Institute of Supply Management which tracks the amount of manufacturing activity that occurred in the previous month.

The **Russell 1000® Growth Index** is an unmanaged index considered representative of large-cap growth stocks.

The **Russell 1000® Value Index** is an unmanaged index considered representative of large-cap value stocks.

The **Russell 2000® Growth Index** is an unmanaged index considered representative of small-cap growth stocks.

The **Russell 2000® Value Index** is an unmanaged index considered representative of small-cap value stocks.

The **S&P 500/Citigroup Value Index** is an unmanaged index considered representative of large-cap value stocks.

The **S&P 500/Citigroup Growth Index** is an unmanaged index considered representative of large-cap growth stocks.

The **MSCI AC World Index** is an index considered representative of stock markets of developed and emerging markets.

The **MSCI Emerging MarketsSM Index** is an unmanaged index considered representative of stocks of developing countries.

The **MSCI World IndexSM** is an unmanaged index considered representative of stocks of developed countries.

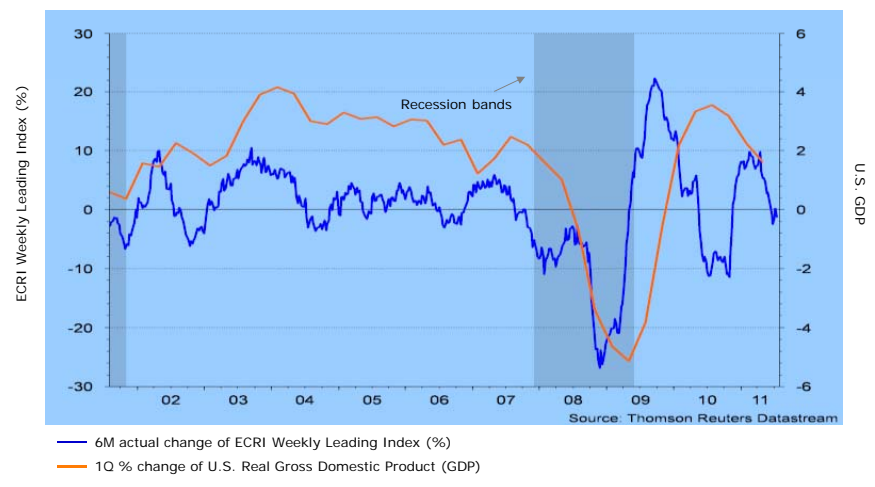
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ECRI Suggests the U.S. Economy is Slowing

Economic Cycle Research Institute (ECRI) % Change Weekly Leading Indicator
As of July 31, 2011

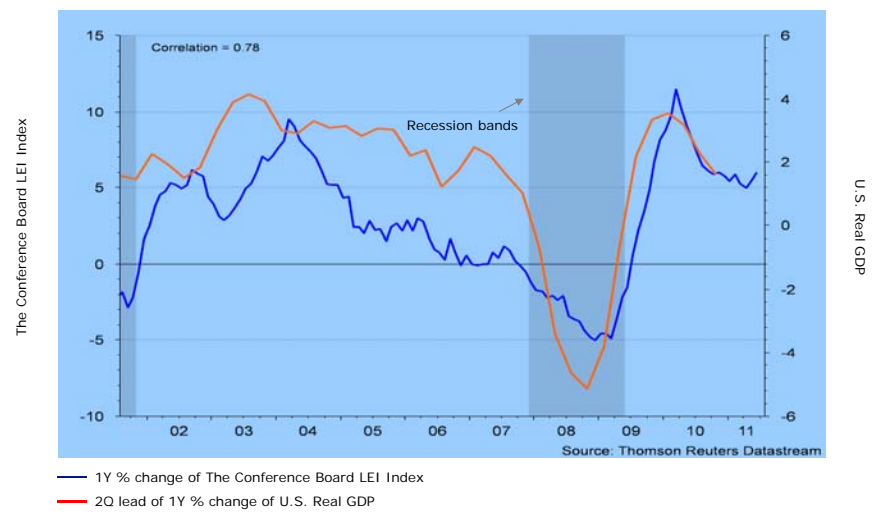


Thomson Reuters Datastream; date range: past 10 years, ending July 31, 2011


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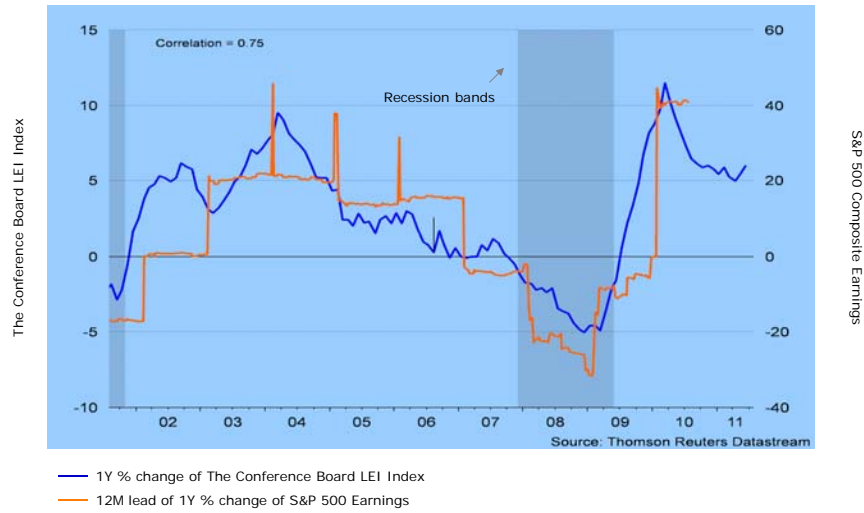
Real GDP Historically Has Followed Leading Economic Indicators (LEI)



Source: Thomson Reuters Datastream; date range: past 10 years, ending July 31, 2011

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S&P 500 Earnings Historically Have Followed LEI



Source: Thomson Reuters Datastream; date range: past 10 years, ending July 31, 2011

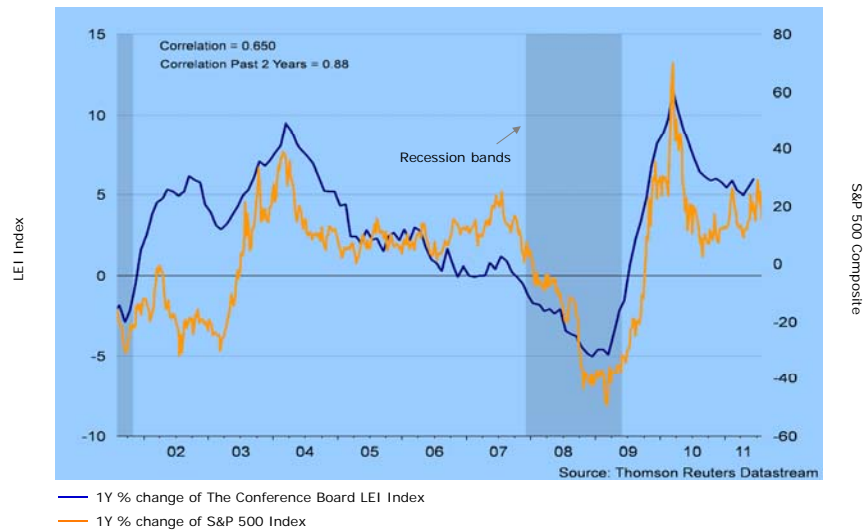
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S&P 500 Index Historically Has Followed LEI



Source: Thomson Reuters Datastream; date range: past 10 years, ending July 31, 2011

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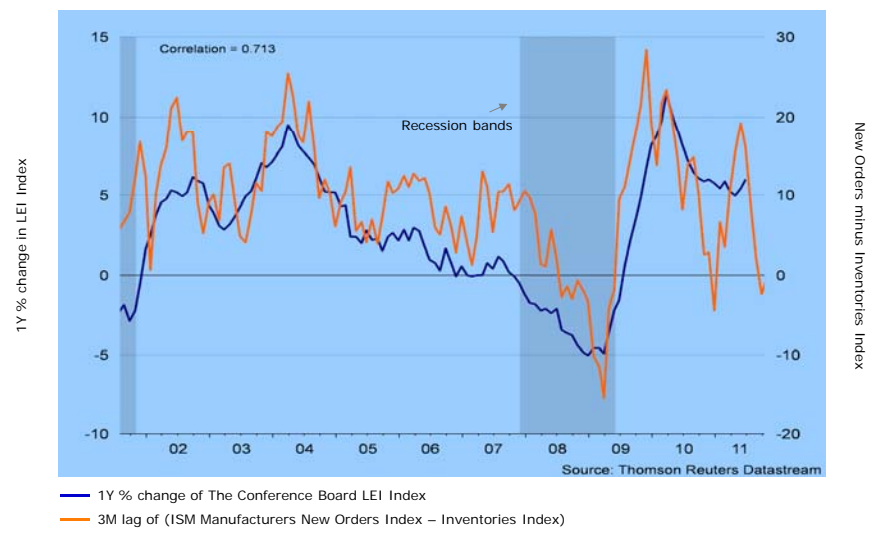
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LEI Historically Has Followed New Orders Minus Inventories Index



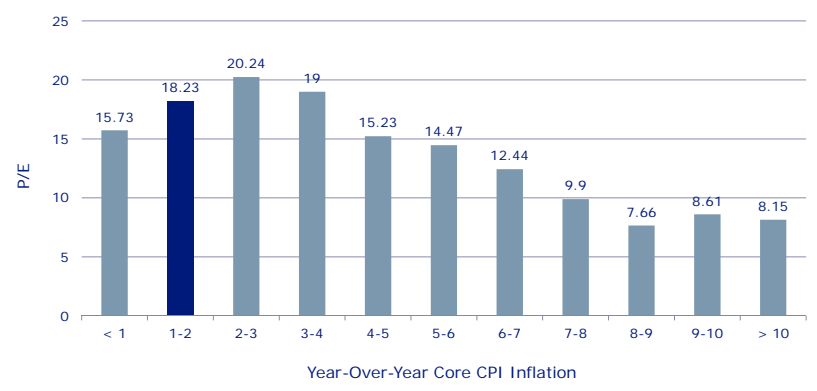
Source: Thomson Reuters Datastream; date range: past 10 years, ending July 31, 2011

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Equity Market Appears Undervalued

S&P 500 Median Trailing P/E in Different Inflationary Environments
March 1958 to June 2011



Index performance is shown for illustrative purposes only.

Sources: Bloomberg L.P., data as of June, 2011

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Equity Markets Have Performed Well When Consumer Confidence is Low

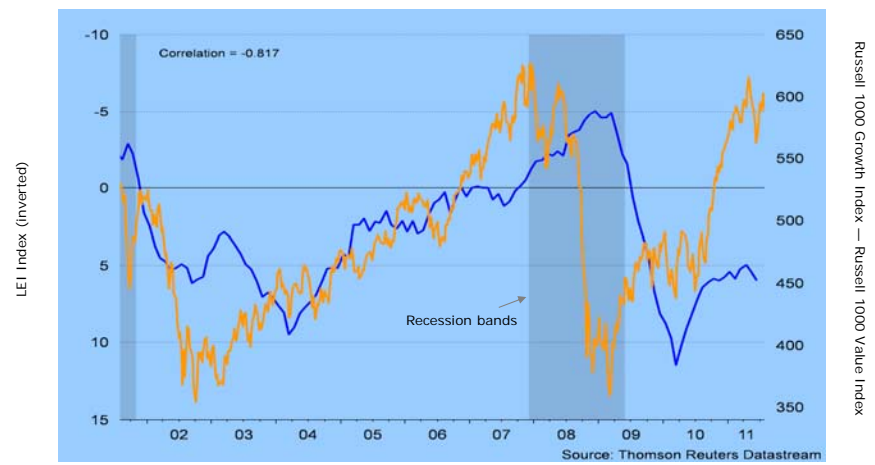
Consumer Confidence Level	S&P 500 Index Year-Over-Year Return (%)	Years Positive (%)
<60	14.85	88
60–69	-0.24	50
70–79	7.06	80
80–89	14.76	84
90–99	8.99	71
100–109	9.65	78
110–119	10.38	63
120–129	19.53	80
130–139	6.06	60
>140	-18.84	0
Median	9.65	72

Index performance is shown for illustrative purposes only. An investment cannot be made directly in an index. Past performance cannot guarantee comparable future results.

Sources: Invesco, Bloomberg L.P. Analysis based on data from February 1967 to July 31, 2011. Date ranges used for this report are based on availability of data.



LEI Historically Has Influenced Large-Cap Growth and Value Performance



— 1Y % change of The Conference Board LEI Index
 — 12M lag of (1Y % change of Russell 1000 Growth Index — 1Y % change of Russell 1000 Value Index)

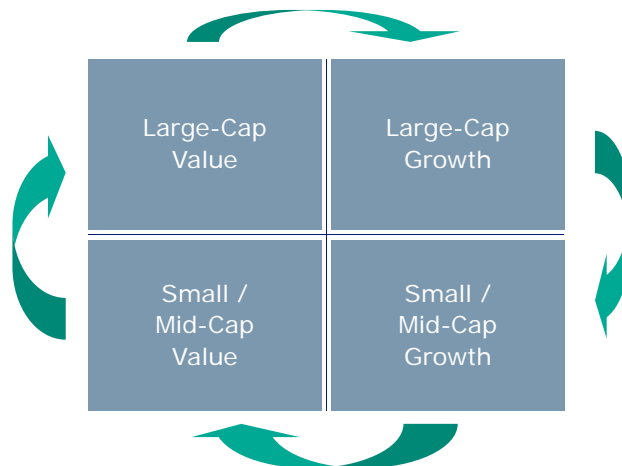
Source: Thomson Reuters Datastream; date range: past 10 years, ending July 31, 2011
 Past performance cannot guarantee future results

Summary

- The Index of Leading Economic Indicators suggests:
 - U.S. GDP growth will slow
 - S&P 500 earnings growth rate will decline
 - The S&P 500 index returns will also likely decline
 - Large Cap stocks likely to outperform small cap stocks
 - Non-cyclical sectors are likely to outperform cyclical sectors



Where to Invest?



This is shown for illustrative purposes only and is not a recommendation. Investors should consider their time frame and all of their personal savings and investments, in addition to their assets and risk tolerance level. Financial professionals can help clients assess their individual situation before making any allocation decisions. Stocks of small- and medium-sized companies entail special risks, such as limited product lines, markets, and financial resources, and greater market volatility than securities of larger, more established companies.



Is There a Predictable Pattern in Asset Class Outperformance?

Date	SCG	SCV	LCV	LCG
Dec-79	50.84	35.38	21.17	15.72
Dec-80	52.26	25.39	23.59	39.41
Dec-81	-9.24	0.15	-7.77	-14.10
Dec-82	20.98	28.52	21.04	22.03
Dec-83	20.13	38.64	28.89	16.23
Dec-84	-15.83	2.27	10.52	2.33
Dec-85	30.97	31.01	29.68	33.31 ¹
Dec-86	3.58	7.41	21.67	14.49
Dec-87	-10.48	-7.11	3.68	6.50
Dec-88	20.37	29.47	21.68	11.95 ¹
Dec-89	20.17	12.43	26.13	36.40
Dec-90	-17.41	-21.78	-6.85	0.20
Dec-91	51.19	41.70	22.56	38.37
Dec-92	7.77	29.14	8.80	5.14
Dec-93	13.37	23.77	18.51	1.55
Dec-94	-2.43	-1.54	-0.63	-3.13 ¹
Dec-95	31.04	25.75	36.99	38.12
Dec-96	11.26	21.37	21.99	23.97
Dec-97	12.95	31.79	29.99	36.52
Dec-98	1.23	-6.45	14.67	42.16
Dec-99	43.09	-1.49	12.73	28.25
Dec-00	-22.43	22.83	6.10	-22.07
Dec-01	-9.23	14.02	-11.72	-12.73
Dec-02	-30.26	-11.43	-20.87	-23.58
Dec-03	48.54	46.03	31.80	25.67 ¹
Dec-04	14.31	22.25	15.76	6.14
Dec-05	4.15	4.71	6.83	1.59
Dec-06	13.35	23.48	20.80	11.01 ¹
Dec-07	7.05	-9.61	2.05	9.08
Dec-08	-38.41	-28.56	-38.54	-34.65 ¹
Dec-09	34.28	20.04	20.50	31.19
Dec-10	28.96	24.23	14.86	14.88

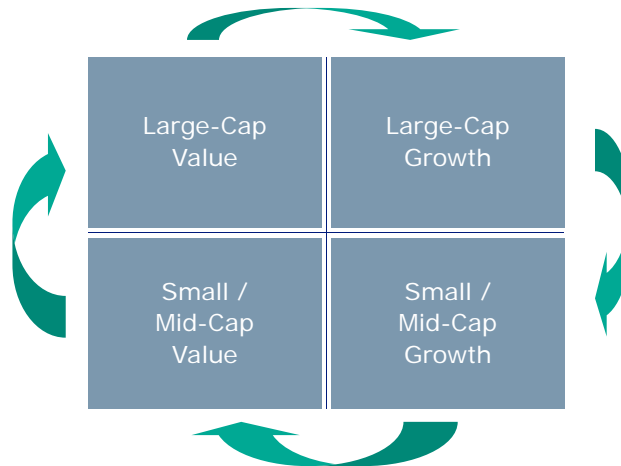
SCG = Russell 2000® Growth Index
 SCV = Russell 2000® Value Index
 LCV = S&P 500/ Citigroup Value Index
 LCG = S&P 500/ Citigroup Growth Index

It is not possible to invest directly in an index and these returns do not reflect any sales charges or fees that would be paid by an investor purchasing the securities they represent. Such costs would lower performance. Index returns assume reinvestment of all distributions. Past performance does not guarantee future results. Diversification does not guarantee a profit or protect against a loss.

¹ Outlier year
 For illustrative purposes only.
 Source: Bloomberg L.P.

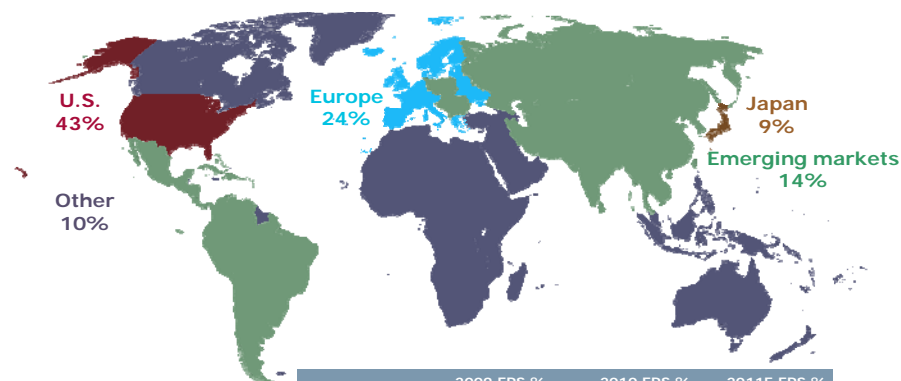


Where to Invest?



Opportunities Around the World

Market capitalization \$52 trillion¹



	2009 EPS %	2010 EPS %	2011E EPS %
U.S.	1.75	29.27	21.00
Japan	-161.00	236.00	9.41
Europe	7.13	41.91	48.48
Emerging Market	11.61	36.42	12.55

¹ Source: MSCI

See slide 19 for complete MSCI disclosure. Market capitalization total and regional percentages based on the MSCI AC World Index as of Dec. 31, 2010. EPS data is from Thompson Financial/First Call consensus earnings estimates, as of Dec. 31, 2010.

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International Outlook Summary

- Europe
 - Strong earnings and low valuations could offset slow growth
 - Overleveraged banks likely to hinder future growth
 - Strong currency reducing inflationary pressures from higher energy costs
- Japan
 - Recent earthquake and radiation fallout will reduce growth
 - Supply disruptions will further reduce competitiveness
 - Strong currency and global slowdown a major headwind
- Emerging Markets
 - Tighter monetary conditions coming to an end
 - Supportive valuations
 - However, rising food and energy prices still an issue

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