



# Economic Outlook & Stock Market Strategy

*Symphonic*  
FINANCIAL ADVISORS

by Rochdale Investment Management  
for Symphonic Financial Advisors & their clients  
September 2009

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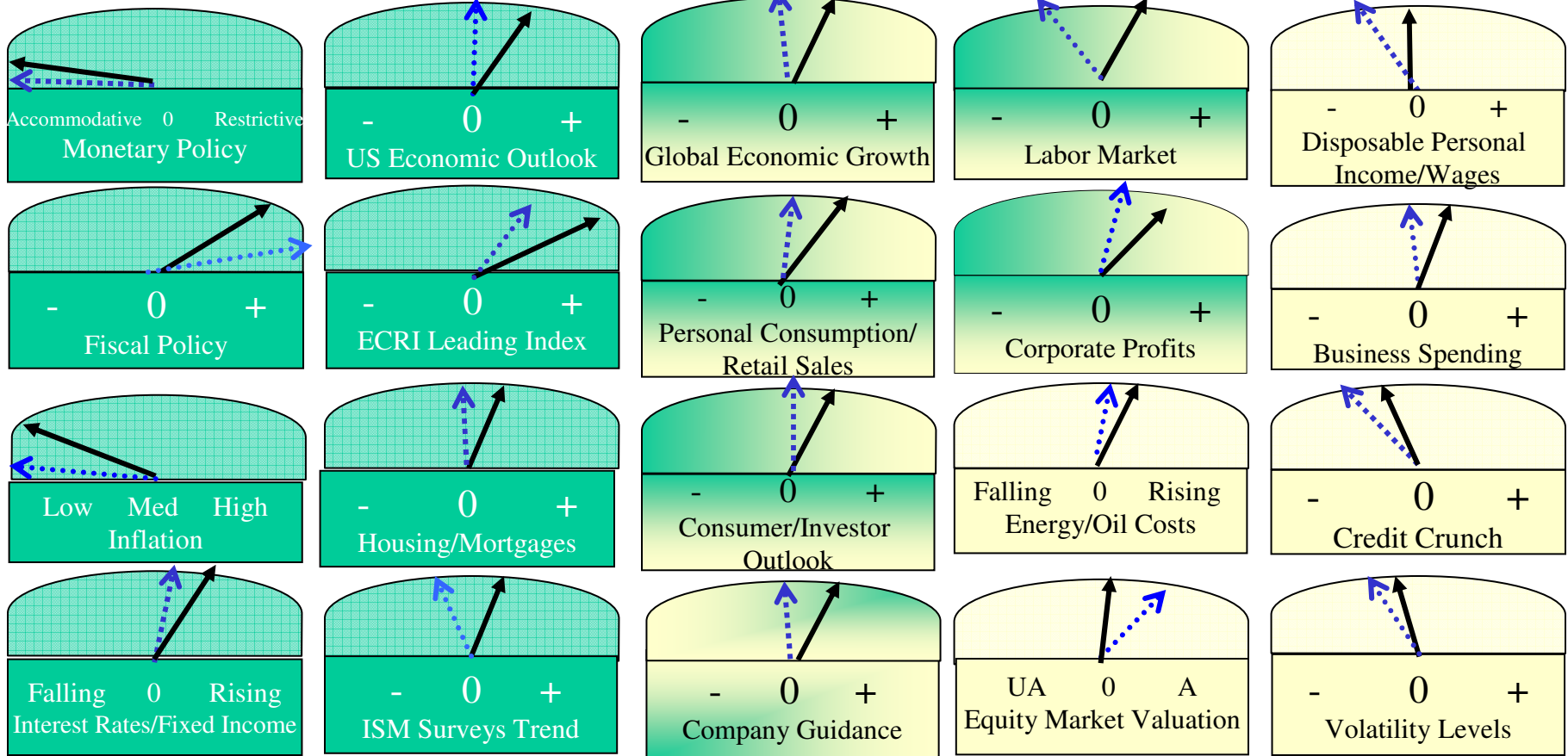
# Economic and Financial Indicators

September 2009

**Positive**



**Neutral**



This Month
 Last Month

Indicators Reflect Forecasts of a 3-6 Month Time Horizon

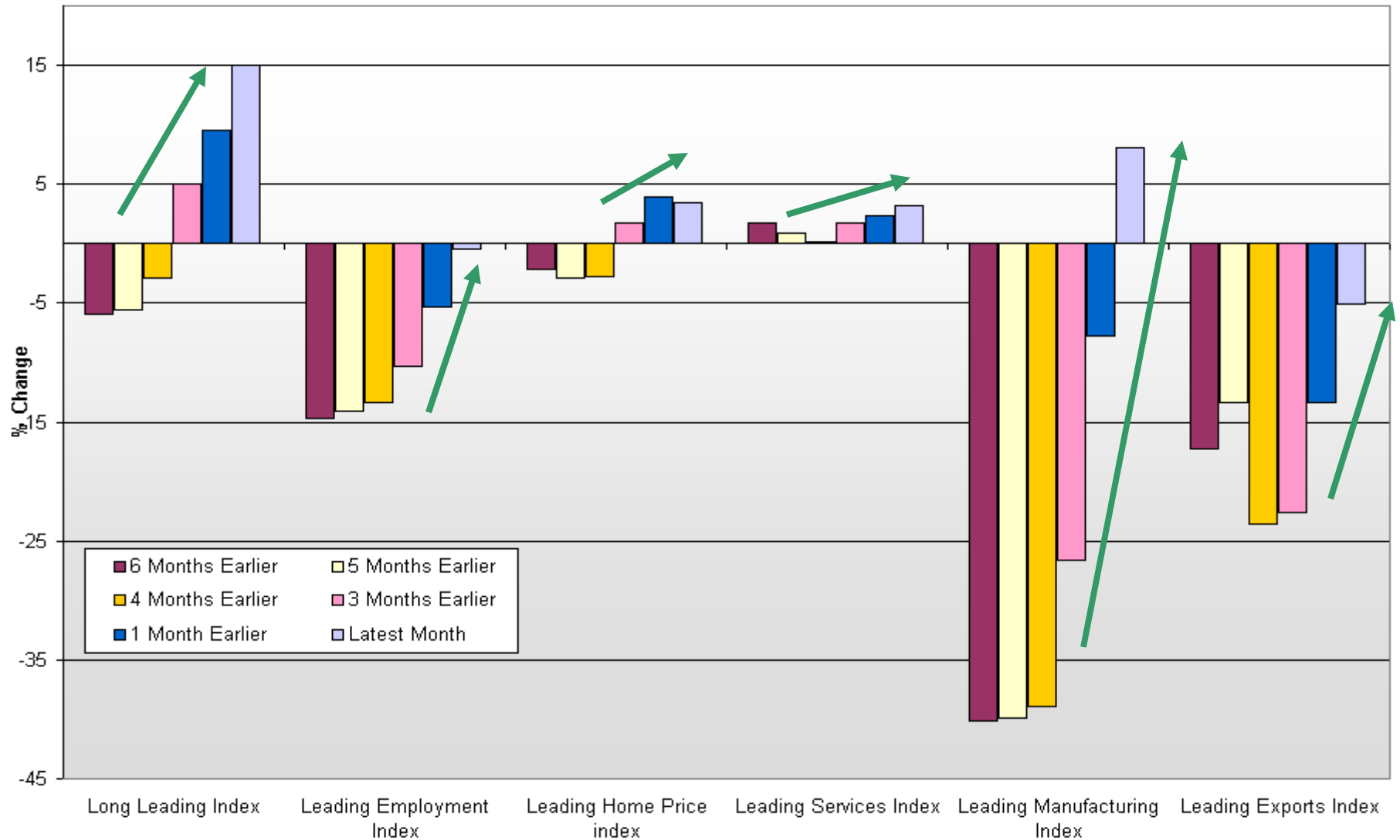


Sources: Wall Street Journal, Conference Board, Federal Reserve, Rochdale Investment Management 9/10/09

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# Unrelenting Advances in Leading Indexes Indicate Recovery is at Hand

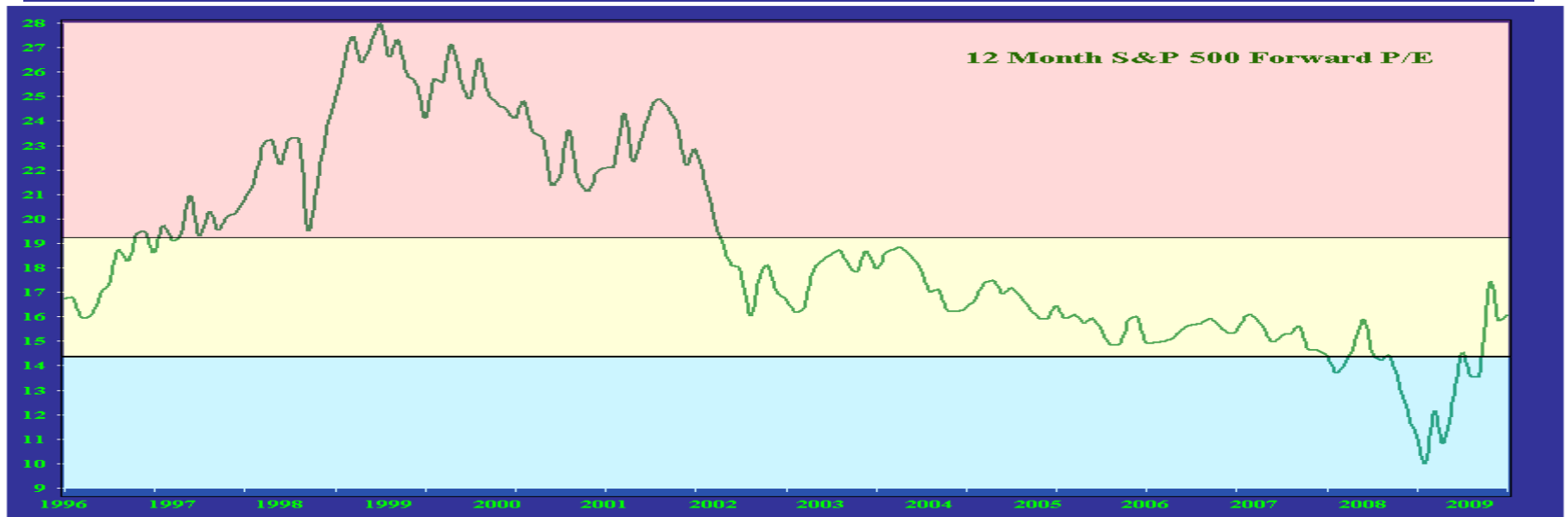
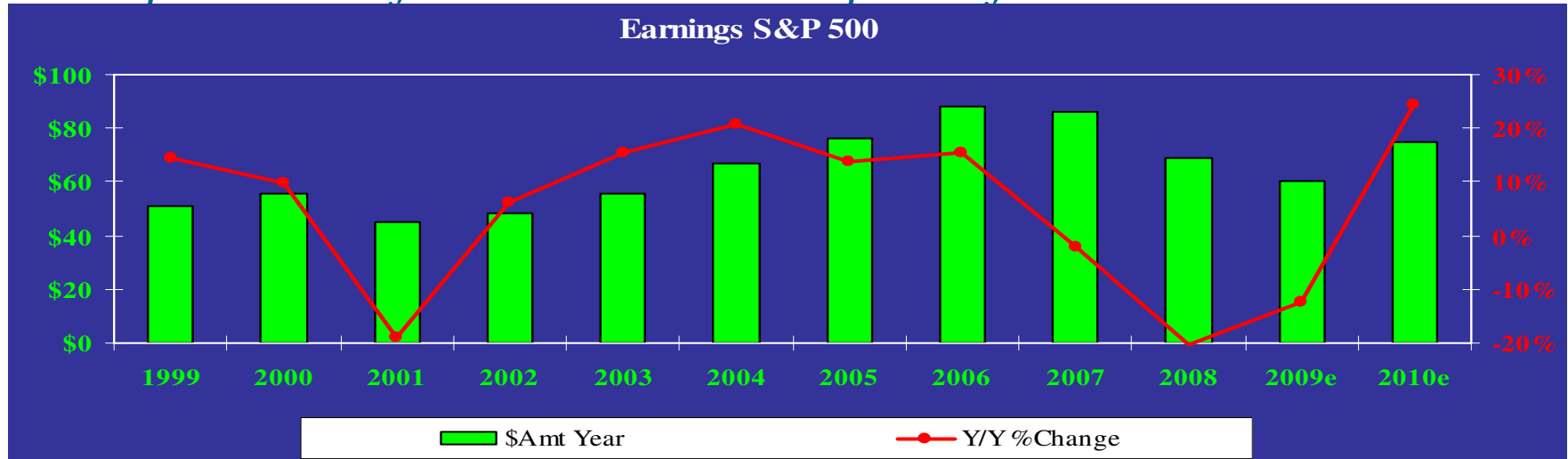


Pronounced, pervasive and persistent upturns in a succession of leading economic indexes point to a business cycle upturn by as early as summer's end.



# Corporate Earnings & Market Valuation

*“Corporate Profit Growth Set to Improve for 1<sup>st</sup> Time in 3 Years”*



Attractively Valued     
  Fairly Valued     
  Overvalued



Source: Rochdale, Thomson Financial, Baseline, 9/14/09

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# Sector/Industry Outlook

	Industry Group	Sector	Rank	Value	Growth	Quality	Technical	Economic
ATTRACTIVE	Health Care Equipment & Services	Health Care	1	+	+	=	=	=
	Consumer Services	Consumer Discretionary	2	-	=	+	=	+
	Food Beverage & Tobacco	Consumer Staples	3	=	+	+	=	=
	Capital Goods	Industrials	4	+	=	=	=	=
	Retailing	Consumer Discretionary	5	=	=	=	+	+
	Materials	Materials	6	-	=	-	+	+
NEUTRAL	Consumer Durables & Apparel	Consumer Discretionary	7	=	=	=	=	+
	Semiconductors & Semiconductor Equipment	Information Technology	8	-	+	=	+	=
	Telecommunication Services	Telecommunication Services	9	+	+	=	-	-
	Automobiles & Components	Consumer Discretionary	10	-	+	-	+	+
	Transportation	Industrials	11	=	=	=	-	+
	Household & Personal Products	Consumer Staples	12	=	-	+	-	=
	Pharmaceuticals Biotechnology & Life Sciences	Health Care	13	=	+	+	-	-
	Commercial & Professional Services	Industrials	14	-	-	+	=	=
	Utilities	Utilities	15	+	-	=	-	=
	Real Estate	Financials	16	=	=	-	=	=
	Technology Hardware & Equipment	Information Technology	17	-	=	=	+	-
	Diversified Financials	Financials	18	=	=	-	=	-
UNATTRACTIVE	Software & Services	Information Technology	19	-	-	=	=	=
	Banks	Financials	20	=	-	-	-	=
	Energy	Energy	21	+	-	-	-	=
	Insurance	Financials	22	=	=	-	+	-
	Food & Staples Retailing	Consumer Staples	23	+	-	+	=	-
	Media	Consumer Discretionary	24	=	=	=	=	-

**Value:** Indicators consider industry group (IG) valuation level using a combination of ratios, such as Price to Book Value and Price to Earnings, where discounted IGs are preferred.

**Growth:** Indicators attempt to capture industry groups with improving growth prospects to identify growth that is not reflected in the current price.

**Quality:** Indicators reflect an industry group's prospective future operating performance via a combination of factors that value higher cash flow returns from investments made.

**Technical:** Indicators are based on an industry group's performance momentum relative to the market.

**Economic:** Indicators forecast industry groups' relative performance using broad macro-economic indicators, such as: Industrial Production, Inflation, Oil Price, and the Dollar Exchange Rate.



Rochdale Investment Management, September 2009

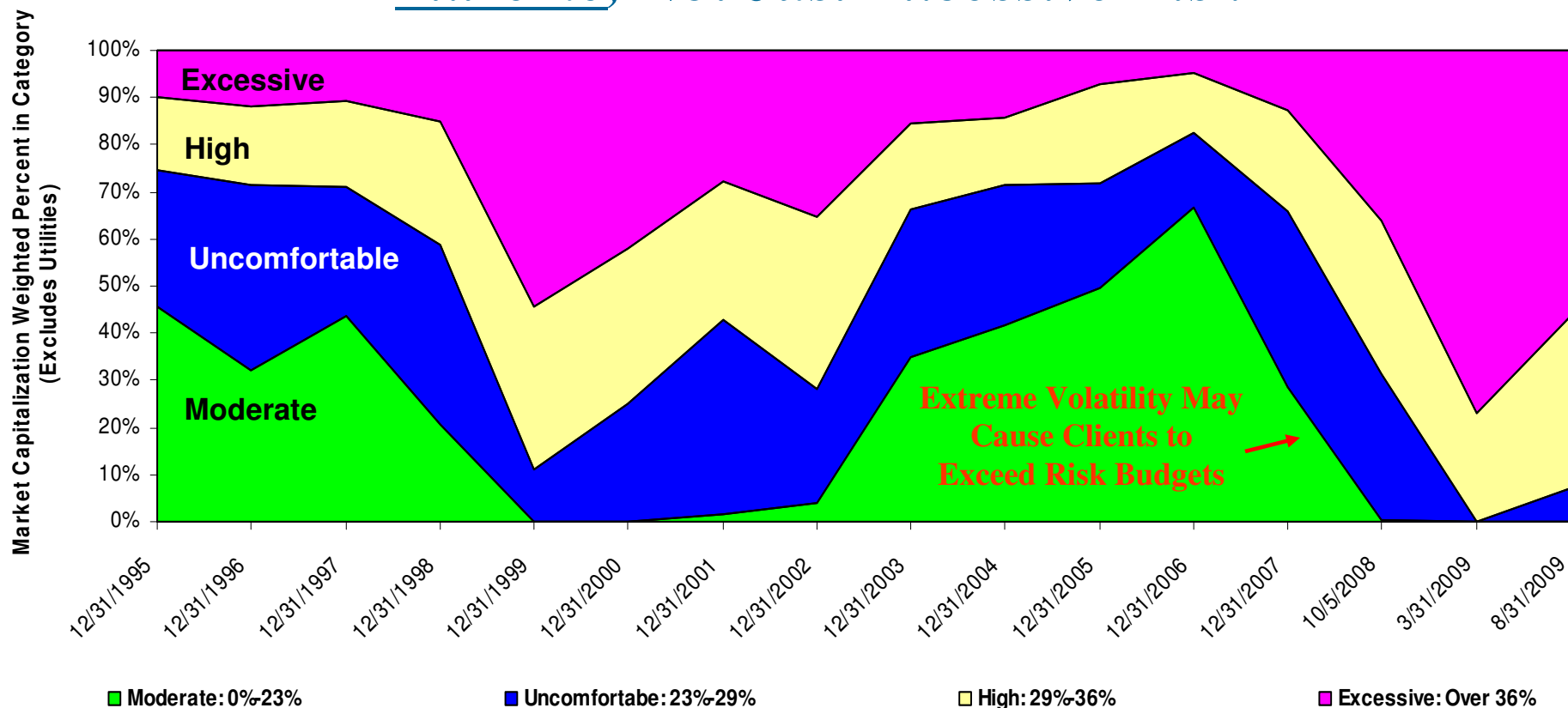
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Ranking is based on the opinions of Rochdale, based on its proprietary sector research.

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# S&P 500 Volatility Zones - 1995 to 2009

## *Extreme, Not Just Excessive Risk*



Persistent, heightened volatility requires investors to revisit portfolio allocations and rethink approach to equity investing. An adjustment to the portfolio's equity allocation may be necessary to meet risk tolerance.



As of August 31, 2009. Rochdale Investment Management uses Barra Inc.'s Aegis System™ 'Total Risk' data as a measure of volatility. Barra Inc.'s Aegis System™ is a third party equity risk management software package used to help assess risk/return trade offs.

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# Capital Market Assumptions

## *Average Normalized Expectations*

Asset Class	Near Term Trend	Intermediate Term Expectations*	Historical Longer Term Average	Annualized Risk (%) (1)	Downside Exposure (%) (2)
Large Cap	Positive	8 - 10	9 - 10	15 - 17	25 - 40
Small/Mid Cap	Positive	9 - 12	11 - 12	21	35 - 50
International	Positive	10 - 15	10 - 13	23	30 - 50
Dividend and Income	Positive	8 - 10	8	15	20 - 35
Fixed Income (Investment Grade)	Positive	5 - 6	5	5 - 7	5 - 10
High Yield Fixed Income	Positive	8 - 10	8 - 9	12 - 15	25
International Trade Finance	Positive	3 - 5	5	2 - 5	5
Low Volatility Alternative Strategy	Positive	6 - 8	7 - 8	5 - 10	10 - 15
Cash	Neutral	1	2.5 - 3	0	0

(1) Expect 1 out of every 4-5 years      (2) Expect 1 out of every 10-15 years

**\*Subject to oil, interest rates and housing staying within forecasted ranges**

**Annualized Return** is the average expected annual change of an asset class value estimated over a long-term period.

**Annualized Risk** is defined as an annual standard deviation of return or a degree of uncertainty of annual return estimated over a long-term period.

**Downside Exposure** represents the longest continuous decline in an asset class extending one or more years.

Past performance is not indicative of future results. There can be no guarantee of future performance.



# Portfolio Strategy

Asset Class	Portfolio Strategy	
	Short Term	Long Term
<b>US Stocks</b>	<b>BUY (Underweight)</b> Monetary & Fiscal Policy Actions Support Economic Recovery Recovery Likely by Late 2009 All Leading Indicators Positive Volatility Likely to Continue for Several Months or Longer	<b>BUY</b> Reasonable Valuations Once Past Recession Slower Economic Growth Than in Prior Recoveries (Square Root Recovery)
<b>HDI Stocks</b>	<b>BUY (Overweight)</b> Very Attractive Valuations Yields Attractive in Current Low Inflation Environment Profitable in Slow Growth Environment	<b>BUY</b> Stable and Predictable Cash Flow Yields Higher Current Cash Flow than Common Stocks and Fixed Income Growing Dividend Income Mitigates Effects of Inflation & Rising Interest Rates Potential for Moderate Capital Appreciation
<b>International Stocks</b>	<b>BUY (Overweight)</b> Long Leading Indexes Predicting Positive Growth for Non-Japan Asia Eurozone & Japan Expected to Lag US & Asia Focus on Select Emerging Markets	<b>BUY</b> Asia in Better Fiscal Condition & Better Secular Growth vs. US Productive Stimulus Impact Stronger Demographics vs. US Reasonable Valuations
<b>Bonds</b>	<b>BUY (Neutral Weight)</b> Treasuries: Overvalued (Possible Short Sale) Investment Grade: Interest Rates Reasonable, Stay Short & Intermediate Term. Return of the "risk premium".	<b>HOLD</b> Inflation & Interest Rate Risk Stay Short to Intermediate
<b>High Yield (Bonds &amp; Loans)</b>	<b>BUY (Overweight)</b> Very Attractive Valuations, High Yields Unique Opportunity For Capital Appreciation Senior Bank Loan Market Opportunities Steep Price Discounts Overcompensate for Expected Defaults Profitable in Slow Growth Recovery	<b>BUY</b> Higher in Capital Structure Than Common and Preferred Total Returns: 8-10% Capital appreciation potential due to liquidity premium Some Floating Rate Offers Inflation Risk Mitigation Dislocation in market is temporary as credit markets thaw over 6-18 months
<b>Private Trade Financed Fixed Income (Senior Secured Loans)</b>	<b>BUY</b> Very Attractive Yield Spreads Floating Yields Spreads Offer Inflation Mitigation Hard Asset Collateralized Loans Principal and Interest Cash Flow Generation Short Term Maturities	<b>BUY (Intermediate Term)</b> Well Collateralized, Low Default Risk Floating Rate Offers Inflation Risk Mitigation Dislocation in Market Creates Attractive Opportunities Rigorous Underwriting of Pricing & Structure
<b>Alternative Low Volatility Strategies</b>	<b>BUY (Overweight)</b> Good Quality/Lower Volatility/ Diversifier for Equities Brings Low Correlation Portfolio Benefits Diversification Benefits/ Return Enhancer For Fixed Income	<b>BUY</b> Hedged Strategies Generate Favorable Upside vs. Downside Over Equities Low Correlation with Equities Takes Advantage of Volatility Across Markets
<b>AI: High Volatility, High Leverage</b>	<b>AVOID</b> Very Risky & Illiquid Forced Deleveraging	<b>HOLD</b> Lower Returns Due to Lingering Credit Tightness Liquidity Issues



Sources: Rochdale Investment Management,  
Blue Chip Economic Indicators,  
Wall Street Journal, Conference Board, Federal Reserve  
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# Important Disclosures

The Standard & Poor's (S&P) 500 Index represents 500 large U.S. Companies.

The ECRI's U.S. Long Leading Index (USLLI) is a composite index designed to lead cyclical swings of the U.S. economy. It is a comprehensive summary measure of U.S. economic conditions made up of leading indicators of the U.S. economy including measures of production, employment, income, and sales.

U.S. Leading Employment Index (USLEI) is designed to lead cycles in U.S. employment activity. It is a summary measure of the best leading indicators of U.S. employment activity.

U.S. Leading Home Price Index (USLHPI) is designed to lead cyclical swings in real median home prices. It is a summary measure of the best leading indicators of U.S. home prices.

U.S. Leading Services Index (USLSI) is designed to lead the service sector activity. It is a summary measure of the best leading indicators of U.S. service sector activity.

U.S. Leading Manufacturing Index (USLMI) is designed to lead the manufacturing sector activity. It is a summary measure of the best leading indicators of U.S. manufacturing sector activity.

U.S. Leading Exports Index (USLEI) is designed to lead cycles in exports. It is a summary measure of the best leading indicators of U.S. export activity.

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