

# Money Manager Newsletter

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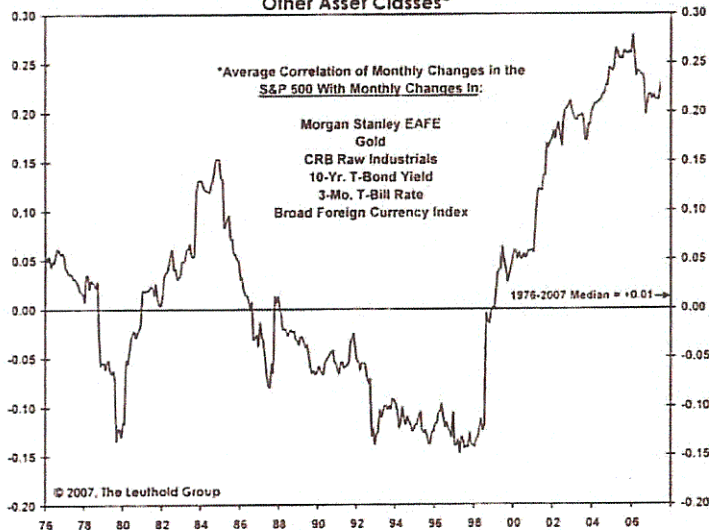
## Investment Consulting Group, Inc.

**Four E's. "The Greatest Enemies of the Equity Investors are Expenses and Emotion."  
Warren Buffet**

This global bull market in stocks has been unusual in that it's been accompanied by bull markets in things that often exhibit little correlation or even negative correlation to equities—such as gold, interest rates and foreign exchange. Had asset allocators been told five years ago that by 2007 gold would be above \$600/oz., oil at \$70/bbl., and short-term interest rates around 5%, how many would have been fully invested in equities?

As shown below, the average, 60-month rolling correlation between monthly changes in the S&P 500 and six other asset classes has skyrocketed to +0.23 —compared with a 30-year median of +0.01.

**The "Correlation of Everything":  
Average 60-Month Correlation of the S&P 500 vs.  
Other Asset Classes\***



The explosion in the number of multi-strategy hedge funds trading across all these markets has played a role in the rising correlations, as players under pressure to deliver short-term alpha have bid up all risky assets. Explanation for the rise in correlations is simply the depreciation in the U.S. dollar.

Many of today's "well-diversified portfolios might have more in common with S&P futures than the "efficient frontier".

Leuthold Group

	Growth Median P/E	Value Median P/E	Historical Growth	Historical Value
Large Cap	22.4	13.6	25.3	11.5
Mid Cap	27.5	15.3	27.0	10.9
Sm Cap	33.6	14.9	31.9	10.6

### THE BEST OF TIMES

Value stocks are overvalued especially mid/small. Growth stocks are undervalued especially Large Cap Royal Growth.

Corporate share repurchases is at record levels "never been higher" buybacks is bullish because it shrinks outstanding shares (supply/demand), but an announced buyback can also be reduced, cancelled or shelved because of a number of economic conditions in the company, the market, and the economy etc.

The normalized P/E ratio of the Dow is 21.2 times and the S & P is 22.9 times.

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