



# Economic Outlook & Stock Market Strategy

*Symphonic*  
FINANCIAL ADVISORS

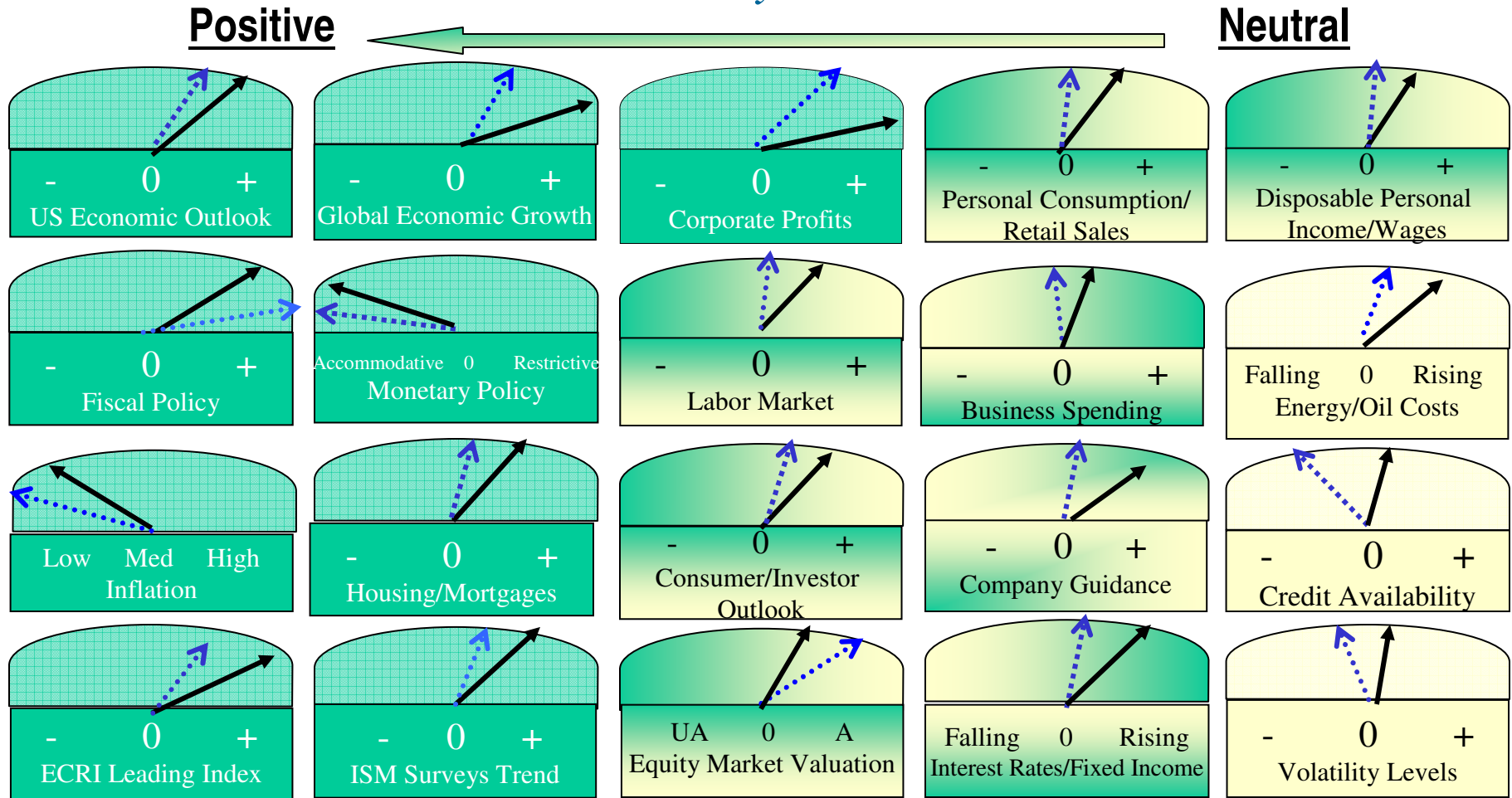
by Rochdale Investment Management  
for Symphonic Financial Advisors & their clients  
January 2010

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# Economic and Financial Indicators

January 2010



This Month
 Last Month

Indicators Reflect Forecasts of a 3-6 Month Time Horizon

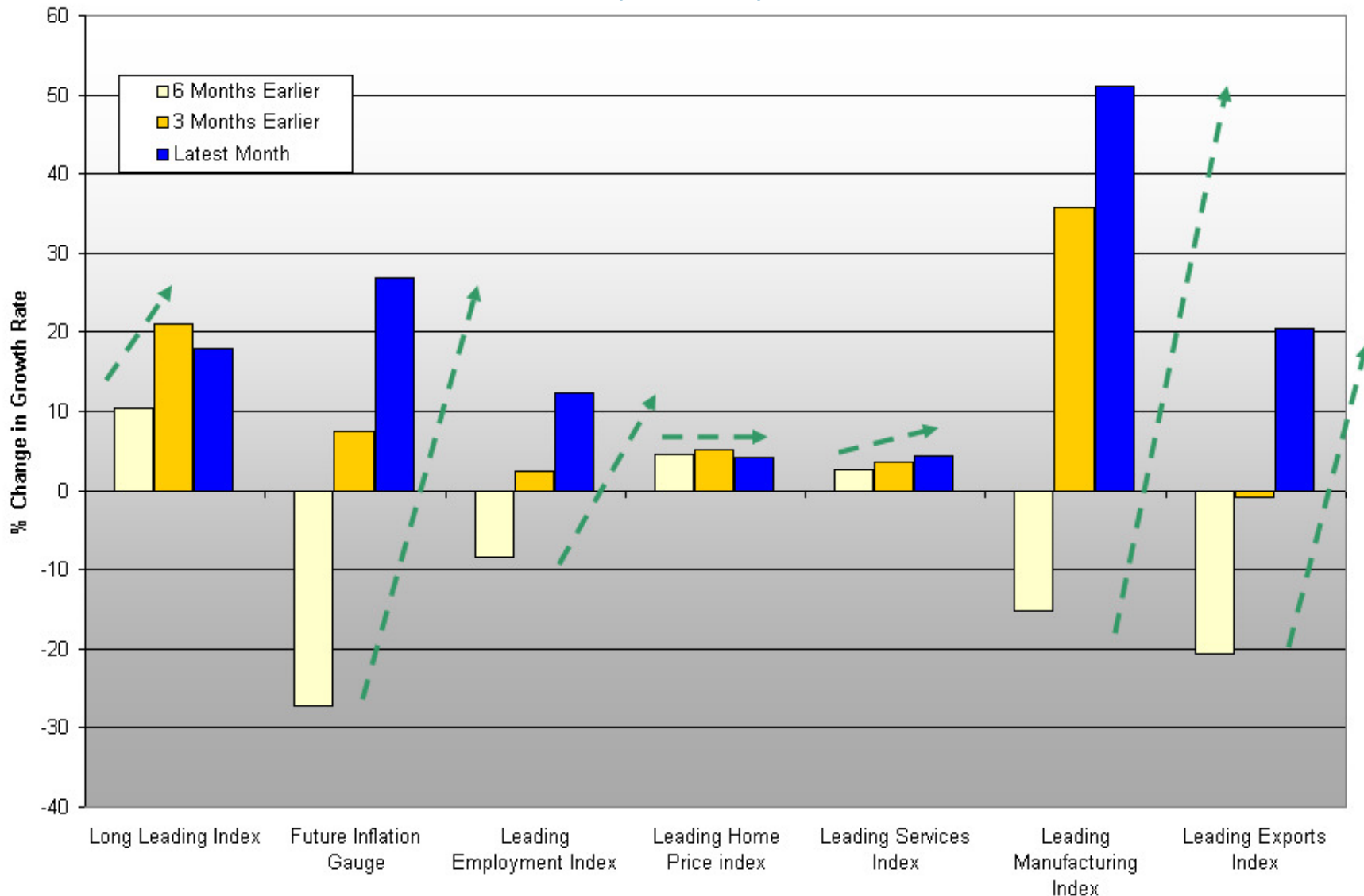


Sources: Wall Street Journal, Conference Board, Federal Reserve, Rochdale Investment Management 1/6/10

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# US Recovery Stays on Track



A sustained surge in ECRI's forward looking leading economic indexes indicate the early stage of recovery to be stronger than anticipated.

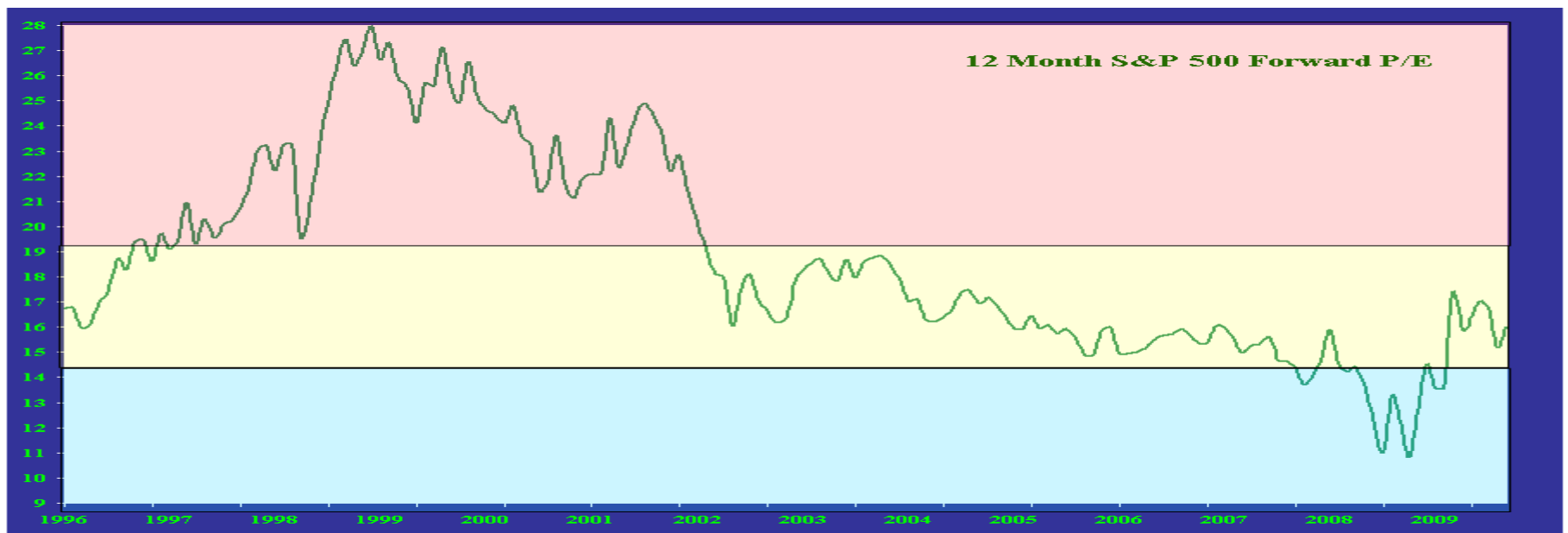
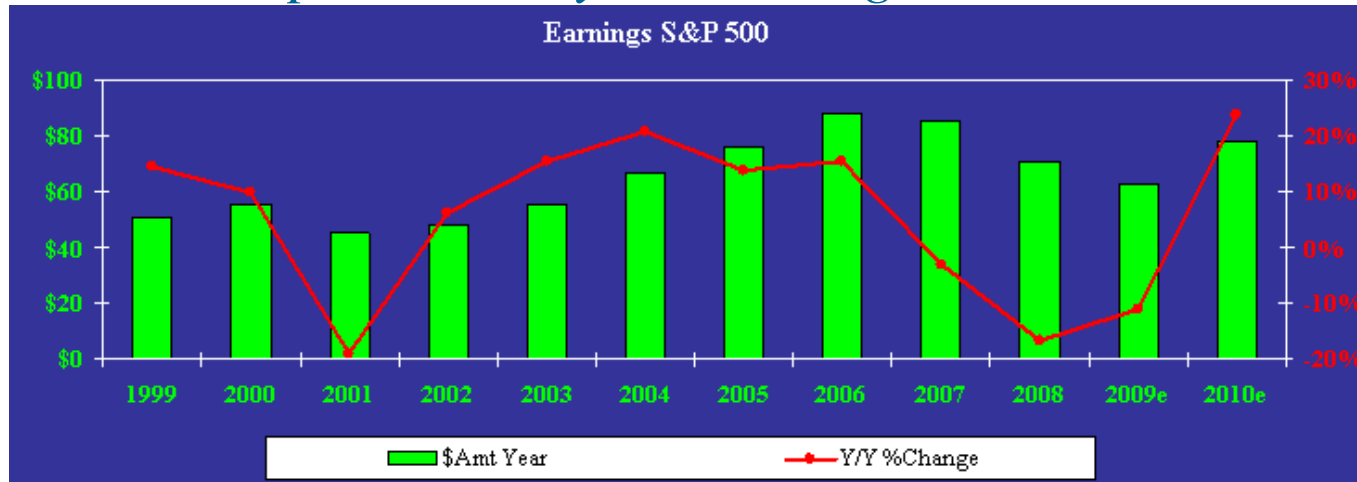


Source: Economic Cycle Research Institute, "U.S. Cyclical Outlook," January 2010.

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# Corporate Earnings & Market Valuation

## “V-Shape Recovery in Earnings Forecasted”



Attractively Valued
  Fairly Valued
  Overvalued



Source: Rochdale, Thomson Financial, Baseline, 1/6/10  
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# Sector/Industry Outlook

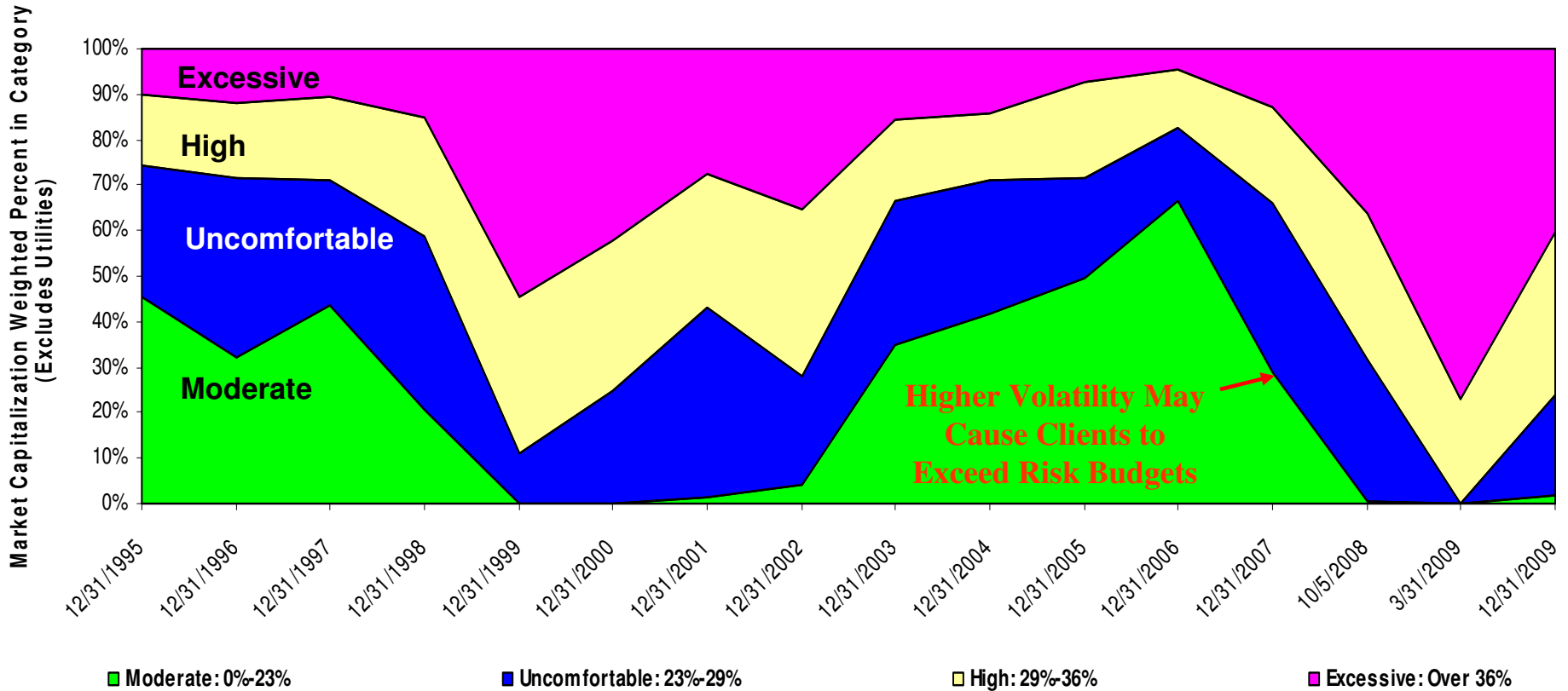
Weighting	Industry Group	Sector
<b>Overweight</b>	Capital Goods Consumer Durables & Apparel Consumer Services Diversified Financials & International Banks Energy Materials Semiconductors & Semiconductor Equipment Software & Services Technology Hardware & Equipment	Industrials Consumer Discretionary Consumer Discretionary Financials Energy Materials Information Technology Information Technology Information Technology
<b>Equal Weight</b>	Commercial & Professional Services Consumer Services Insurance Retailing Transportation	Industrials Consumer Discretionary Financials Consumer Discretionary Industrials
<b>Underweight</b>	Domestic Banks Food & Staples Retailing Health Care Equipment & Services Household & Personal Products Media Pharmaceuticals Biotechnology & Life Sciences	Financials Consumer Staples Health Care Consumer Staples Consumer Discretionary Health Care
<b>Significant Underweight</b>	Automobiles & Components Food Beverage & Tobacco Real Estate Telecommunication Services Utilities	Consumer Discretionary Consumer Staples Financials Telecommunication Services Utilities

Industry Group weightings are driven by a combination of proprietary model rankings and fundamental analysis. Weightings pertain to Rochdale's target portfolio and do not necessarily reflect the current allocation of any actual portfolio.



# S&P 500 Volatility Zones - 1995 to 2009

## *Risk Environment Remains Elevated*



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 January 4, 2010. 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	9 - 10	9 - 10	15 - 17	25 - 40
Small/Mid Cap	Positive	10 - 12	11 - 12	21	35 - 50
International	Positive	11 - 15	10 - 13	23	30 - 50
Dividend and Income	Positive	8 - 10	8	15	20 - 35
Fixed Income (Investment Grade)	Neutral	5 - 6	5	5 - 7	5 - 10
High Yield Fixed Income	Positive	8 - 9	8 - 9	12 - 15	25
International Trade Finance	Positive	3 - 5	5	2 - 5	5
Low Volatility Alternative Strategy	Positive	7 - 9	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.

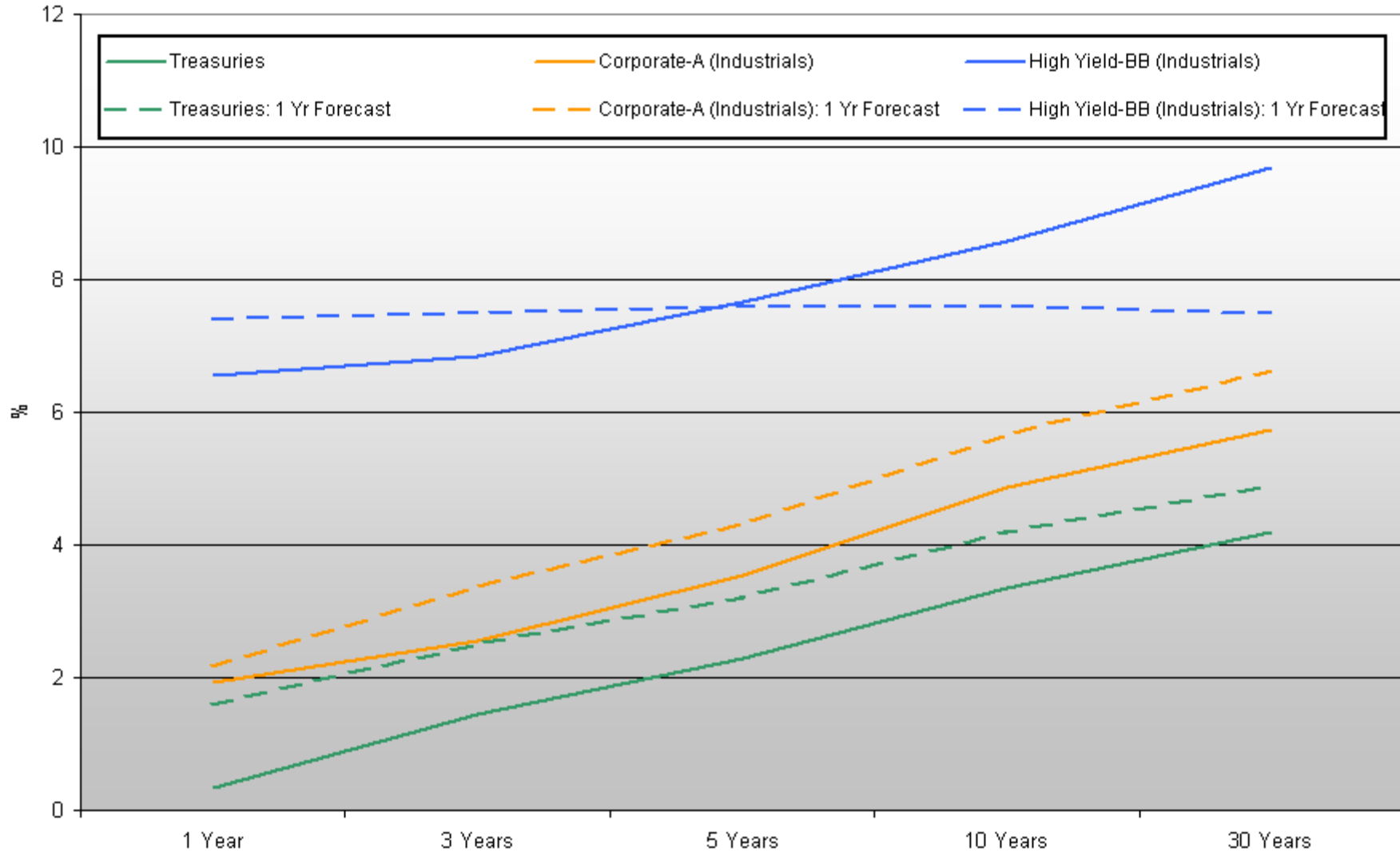
**Annualized Risk** is defined as an annual standard deviation of return or a degree of uncertainty of annual return estimated over a long-term period.

**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.



# Yield Curve



Sources: Blue Chip Financial, Thomson Baseline, Morgan Keegan,  
 Rochdale Investment Management  
 December 2009

# Portfolio Strategy

Portfolio Strategy		
Asset Class	Short Term	Long Term
<b>US Stocks</b>	<b>BUY (Underweight)</b> Monetary & Fiscal Policy Actions Support Economic Recovery (Late 2009) V-shaped Earnings Recovery Volatility Likely to Continue for Several Months or Longer	<b>BUY</b> Reasonable Valuations Slower Economic Growth Than in Prior Recoveries (Square Root Recovery)
<b>HDI Stocks</b>	<b>BUY (Overweight)</b> Attractive Valuations Yields Attractive in Current Low Inflation Environment Profitable in Slow Growth Environment	<b>BUY</b> Attractive 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> 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 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> 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>Structured Legal Claims Settlements</b>	<b>BUY</b> Safety of Principal Predictability of Principal & Interest Payments High Yield - Better Returns than Comparable Fixed Income and Annuities Strong Reinvestable Cash Flow (12%+, annually) Unique Opportunity to Capture Distressed Pricing	<b>BUY</b> Brings Stability and Diversification to Overall Client Portfolios. Greater Cash Flows Allow Reinvestment in Higher Return Generating Asset Classes. Self-liquidating Pool Subjects Portfolio to Lower Capital Fluctuations (Interest Rate Risk)
<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> Risky & Illiquid Forced Deleveraging	<b>HOLD</b> Lower Returns Due to Lingering Credit Tightness Liquidity Issues

These represent the opinions of Rochdale Investment Management and are subject to change without notice.

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Sources: Rochdale Investment Management,  
Blue Chip Economic Indicators,  
Wall Street Journal, Conference Board, Federal Reserve  
January 2010



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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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