

Take Five with Roosevelt Investments

An update on our global and domestic macro views, compelling investment themes and portfolio considerations



September 8, 2011

MACRO VIEWS

World Outlook

Italy and Spain

Euro debt contagion is threatening to spread to the larger economies of Europe. Italy and Spain are much larger economies by GDP with more debt outstanding. Current debt rescue facilities are generally inadequate to handle either country, and the consequences of a credit crunch could be severe.

Political Developments in the Eurozone

Eurozone members are having trouble presenting a cohesive, timely plan for handling the sovereign debt crisis. The EFSF (European Financial Stability Facility), the Euro rescue fund, needs to be raised significantly and given additional powers to alleviate concerns about Italy and Spain. There has also been discussion about using the EFSF to guarantee bank debt issuance and shore up an ailing financial sector.

Emerging Markets

Emerging market economies are likely to decelerate as a lag effect of tightening monetary policy takes effect. However, as commodity prices have moderated and inflation fears taper off, emerging market central banks could potentially ease policy. Growth could reaccelerate as a result and may provide a tail wind to the world economy.

U. S. Outlook

Continued Deleveraging

The economic environment is likely to remain fragile over the next few years. The Great Recession was a product of a financial crisis rather than a more conventional cyclical bottom. Recessions born out of financial crises historically require a prolonged period of deleveraging where growth is anemic.

Economy Deteriorating

Economic concerns were exacerbated by the debt ceiling fiasco. Investors adjusted their outlook for expected growth and the stock market responded with a pull back. Recent economic data including zero job growth for August has indicated that the tepid recovery may be slowing down.

Fed Reaction

The Fed is now more likely to intervene as fears of a double dip develop. Tools at its disposal include another round of quantitative easing or potentially lengthening the average maturity of Fed holdings with the result of driving down long term interest rates. Actions taken by the Fed could have a positive impact on the stock market without remedying the fundamentals of the economy. **We will closely monitor Fed action and may make adjustments to the portfolio should additional stimulus be provided.**

Impact of Credit Downgrade

The S&P's decision did not sway investor's opinion on the credit worthiness of the U.S. government. During the recent market

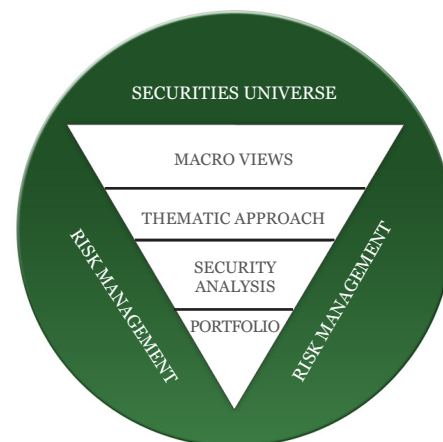
correction, investors flocked to Treasuries in a classic flight to safety. Yields actually decreased in the aftermath of the downgrade.

THEMATIC APPROACH

Dawn of the Smartphone

Mobile Wallet

Smartphones that are ubiquitous among American consumers could soon add the ability to pay for transactions with a simple wave over a retail scanner. The potential market is tremendous, with one consulting firm projecting its size at \$618 billion by 2016. Mobile payment technology has the potential to transform several major industries.



Roosevelt Investments' Approach

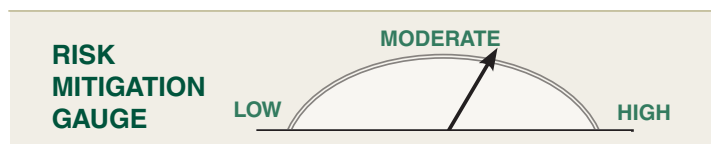
Companies that are poised to build the infrastructure required and process the upcoming payments may make attractive investments.

PORTFOLIO OVERVIEW

Three Portfolio Considerations

In light of the shift in structural economic, political, social, demographic and industry changes, we have taken the following portfolio actions:

1. Gold has been added to the portfolio as a short position on paper currency which depreciates in the lax monetary environments that the U.S. Fed and European Central Bank may be pushed to pursue.
2. We have modestly added to our inverse positions, but they remain below our historical highs. We continue to remain cautious overall on the global economy, but also believe that possible monetary action by the Fed may buoy the stock market.
3. While we remain cautious, we also believe that now is the time to start to look for opportunities in the wake of the market wreckage. Many good companies may have been thrown out with the bad. We believe that when the dust settles, compelling values will abound and we are prepared to take advantage of this.



**The above graphic demonstrates the current level of risk that Roosevelt perceives in the market.





Take Five with Roosevelt



About Roosevelt Investments

Roosevelt Investments traces its roots back to 1971 when P. James Roosevelt, a cousin of former President Theodore Roosevelt, founded the predecessor firm to what is known today as The Roosevelt Investment Group. Headquartered in New York City, Roosevelt manages assets for institutions, foundations, endowments, and high net worth individuals. As of June 30, 2011, our Assets Under Advisement were approximately \$5.3 Billion (consisting of approximately \$3.9 billion under management and approximately \$1.4 Billion in programs where we only supply an investment model). 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 and Balanced Portfolios.

Investment Committee

Our investment team has an average of over 20 years of investment experience.

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Portfolio Manager

John Roscoe, CFA
Portfolio Manager

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