

## **Fourth Quarter Newsletter December 2009**

### **Quantfolio Update**

**B**ased on our in depth analysis of the funds in AMP Quantfolios, no changes were made in the fourth quarter. As we continue our quantitative and qualitative analysis, we may increase our percentage in the emerging markets' asset class.

### **What are Emerging Markets?**

**T**he emerging markets are currently described as 26 developing economies. These countries are in Eastern Europe, Africa, the Middle East, Latin America, the Far East, and Asia and are characterized by having lower per-capita incomes, and are in the process of building their industrial and commercial base.

While these countries are not as refined as the United States, Europe, and Japan, they do have physical financial infrastructure including banks, a stock exchange and a unified currency. Some of these emerging economies' prospects are due to healthy banks, small deficits, natural resources and rising discretionary incomes.

### **Economic Update**

**T**he decade of the 2000's ended with dramatic volatility in the final year. The S&P 500 Index plunged to 667 in March and then reversed direction to finish 2009 in the black at 1115, up 23% for the year. As we bid adieu to the past year, there are some encouraging signs for 2010:

1. Companies in the US expanded in December at the fastest rate in almost four years. The Institute for Supply Management - Chicago's manufacturing index rose to 56. A reading over 50 signals manufacturing growth.
2. The unemployment rate is beginning to slow. The November employment report showed the lowest number of job losses (-11,000) since 2007. The overall unemployment rate has dropped from 10.2% to 10.0%.
3. Consumer Confidence rose in November.
4. The US government has extended its support for the housing market until the middle of 2010.

Even though the economy has displayed some positive signs, we must be cautious with our perspective for a 2010 recovery. The burgeoning deficit is of major concern. Additionally, business leaders are uncertain about health care reform and new regulations, all of which leads to caution toward hiring. Without a continual increase in employment, there will be an anchor on consumer spending which accounts for 60% of the US GDP. Consequently, the economic and market recovery is likely to be shallower than the historical norm.

### **Regulatory Disclosures**

**T**he Securities and Exchange Commission requires that we annually publish the following information:

1. The current AMP form ADV is available on request.
2. AMP does not disclose client information without client approval. Non-usable information is

shredded prior to disposal. Employees have access to client data on a need to know basis.

3. AMP will exercise proxy voting on client securities under management. Upon request, Proxy Voting and Guidelines are available. Proxy Voting of securities listed as not under management on AMP reports is the client's responsibility.

### **Holiday Greetings**

**T**he principals and staff at AMP hope that you, your families and loved ones have enjoyed a joyous holiday season. We wish you the best for a happy, healthy and prosperous 2010.

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