

“What Does the US Election Mean for US Stocks & Sectors Plus the Macro View into 2009 and Beyond”

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US Investment Focus Conference



PSigma
ASSET MANAGEMENT

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Importance of Issues in Influencing Americans' Vote for President

	Very Important
	%
The economy	89
The situation in Iraq	87
Education	81
Corruption in government	79
Healthcare	79
Energy, including gas prices	79
Terrorism	77
Social Security	73
The federal budget deficit	73
Moral values	69
Medicare	69
Taxes	69
The environment, including global warming	62
Illegal immigration	60

Importance of Issues to US Equity Fund Managers (in their Professional Role) - Only One



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Average Annual Returns on US Asset Classes

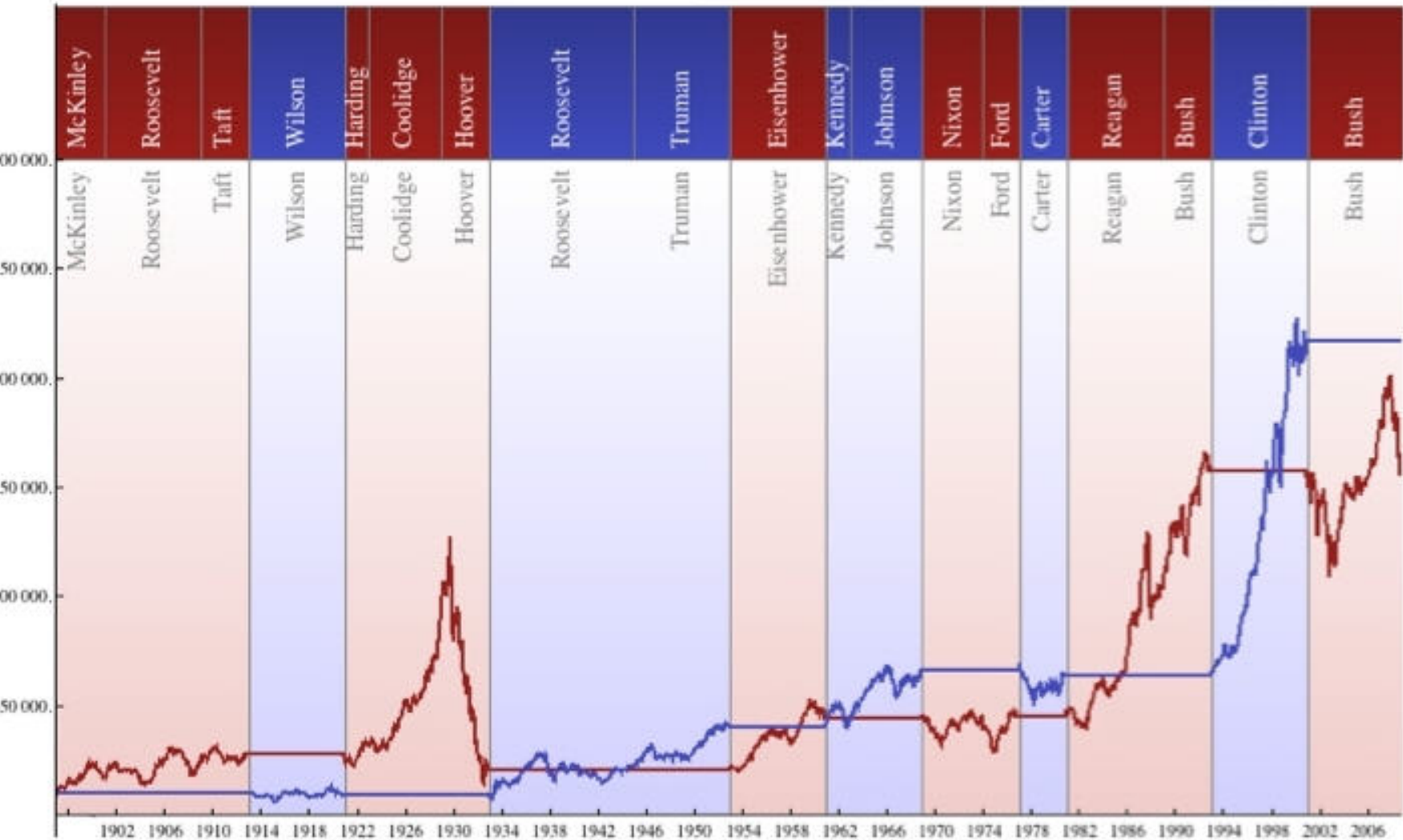
by Presidential Party (since 1929):

	<u>Stocks</u>	<u>Long-Term Gov't Bonds</u>
Democrat	14.9%	3.7%
Republican	8.0%	8.2%

Importance of Issues to US Equity Fund Managers (in their Professional Role) - Only One



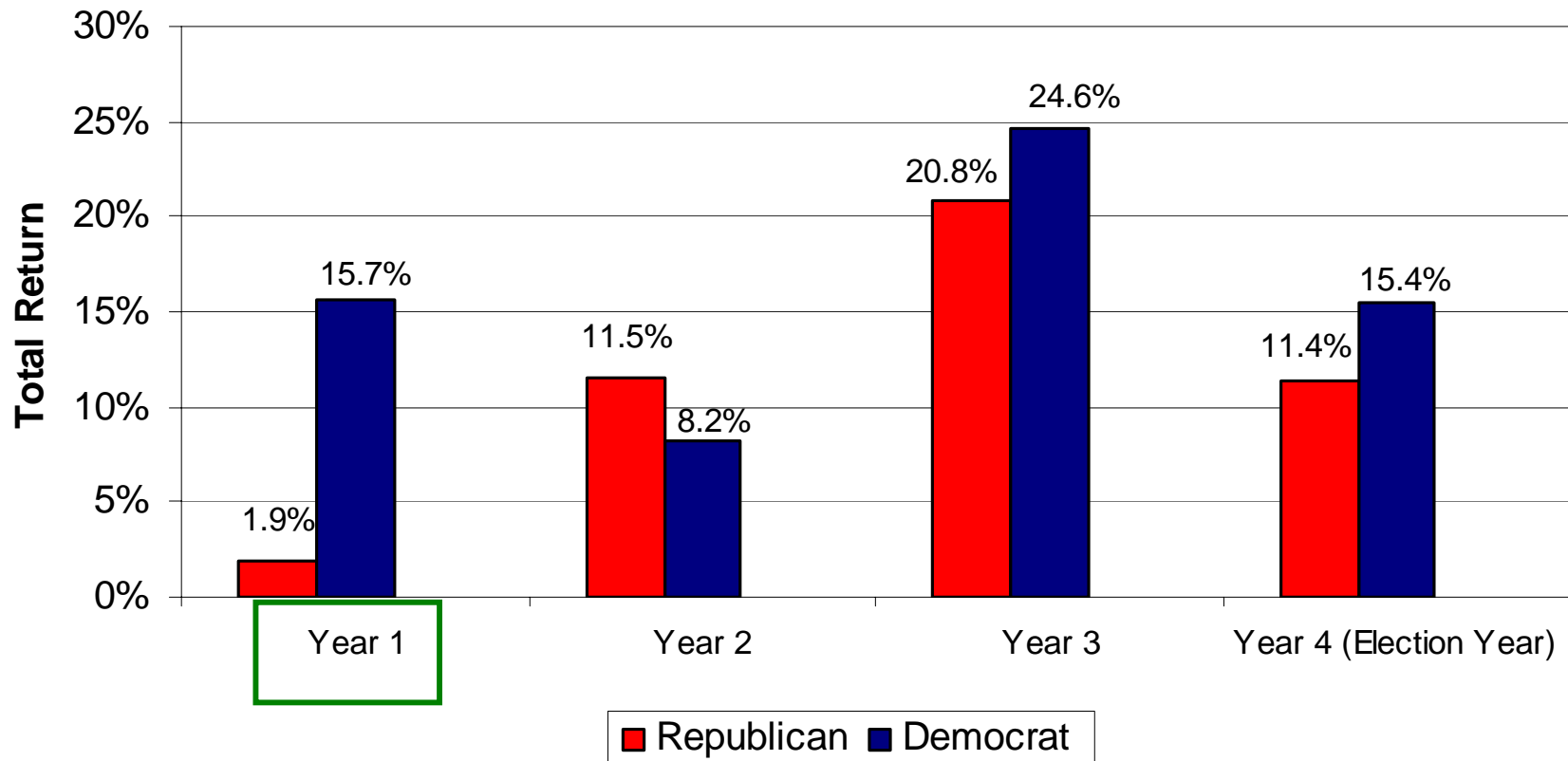
US Stock Market Has Performed Better Under Democrats than Republicans Over the Past 100+ Years



Source: <http://blog.wolfram.com/2008/10/16/stock-market-returns-by-presidential-party>

The First Year of a Democratic Presidential Election have Historically Experienced Solid Stock Returns & Superior to Republicans

Average U.S. Stock Market Returns by Year of Presidential Term & Party (1948 – 2007)



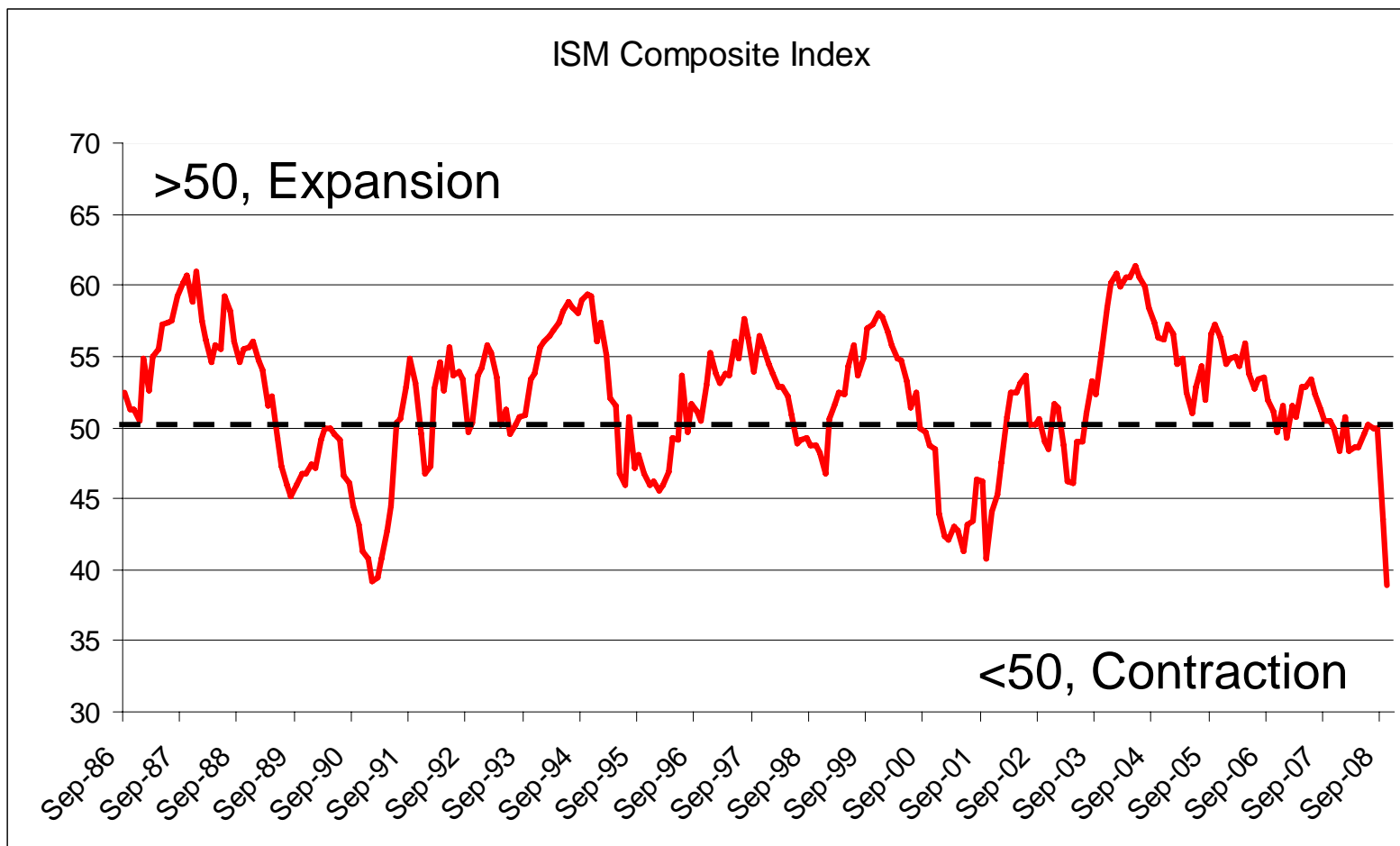
Total Returns (%) from 1926 to 2007 for the S&P 500 Index by Groups

<-20%		-20%<x<-12%		-12%<x<-8%		-8%<x<0		0<x<8%		8%<x<12%		12%<x<20%		> 20%	
1930	-24.90	1973	-14.69	1929	-8.42	1934	-1.44	1947	5.71	1926	11.62	1944	19.75	1927	37.49
1931	-43.34			1932	-8.19	1939	-0.41	1948	5.50	1959	11.96	1949	18.79	1928	43.61
1937	-35.03			1940	-9.78	1953	-0.99	1956	6.56	1968	11.06	1952	18.37	1933	53.99
1974	-26.47			1941	-11.59	1977	-7.18	1960	0.47	1993	10.08	1964	16.48	1935	47.67
2002	-23.80			1946	-8.07	1981	-4.92	1970	4.01	2004	9.33	1965	12.45	1936	33.92
				1957	-10.78	1990	-3.10	1978	6.57	2006	11.78	1971	14.30	1938	31.12
				1962	-8.73			1984	6.27			1972	18.99	1942	20.34
				1966	-10.06			1987	5.25			1979	18.61	1943	25.90
				1969	-8.50			1992	7.62			1986	18.47	1945	36.44
				2000	-9.10			1994	1.32			1988	16.61	1950	31.71
				2001	-11.89			2005	5.07					1951	24.02
								2007	3.65					1954	52.62
														1955	31.56
														1958	43.36
														1961	26.89
														1963	22.80
														1967	23.98
														1975	37.23
														1976	23.93
														1980	32.50
														1982	21.55
														1983	22.56
														1985	31.73
														1989	31.69
														1991	30.47
														1995	37.58
														1996	22.96
														1997	33.36
														1998	28.58
														1999	21.04
														2003	22.32

The S&P 500 Index has grown at or about its “average value” of around 8-12% only 6 times in 82 years, +20% is more likely!

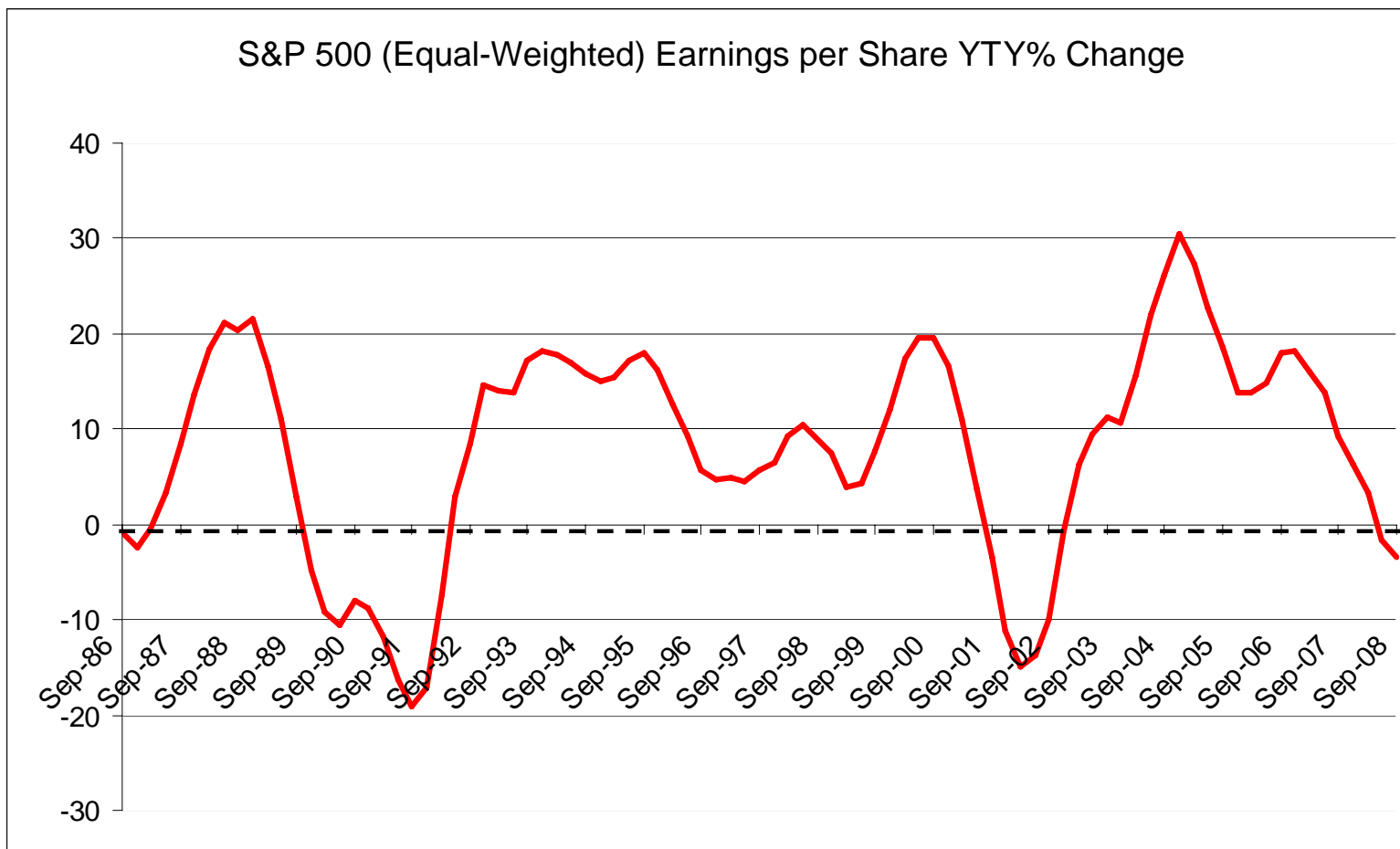
Optimism from New President but Recession & Earnings Slowdown Just Now Taking Hold

Institute for Supply Management Composite Index – Closely Tied to S&P 500 Earnings Per Share Growth



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Optimism from New President but Recession & Earnings Slowdown Just Now Taking Hold

Phase I

ISM at trough and headed higher to 50

TOTAL RETURN

Stocks = 28.7%

Bonds = 4.6%

Cash = 4.3%

Phase II

ISM at 50 and headed to its peak

TOTAL RETURN

Stocks = 15.9%

Cash = 4.4%

Bonds = 3.0%

Phase IV

ISM at 50 and headed to its trough

TOTAL RETURN

Bonds = 16.1%

Cash = 4.9%

Stocks = 0.5%

Phase III

ISM has peaked and headed back down to 50

TOTAL RETURN

Bonds = 10.3%

Cash = 5.2%

Stocks = 0.4%

Stocks are the Best Long Term but Bonds Have Done Comparatively Well When Stocks Have Not in the Short Term

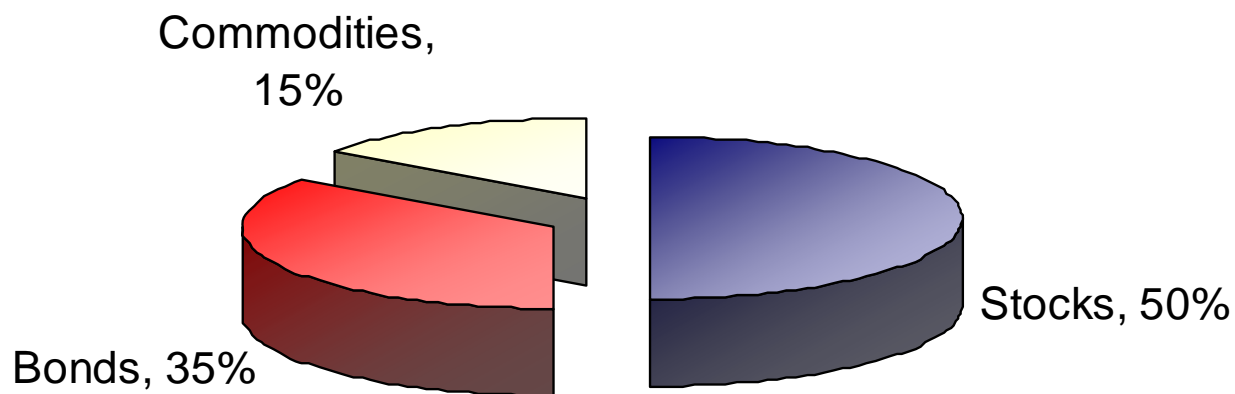
U.S. Stocks %

U.S. Bonds %



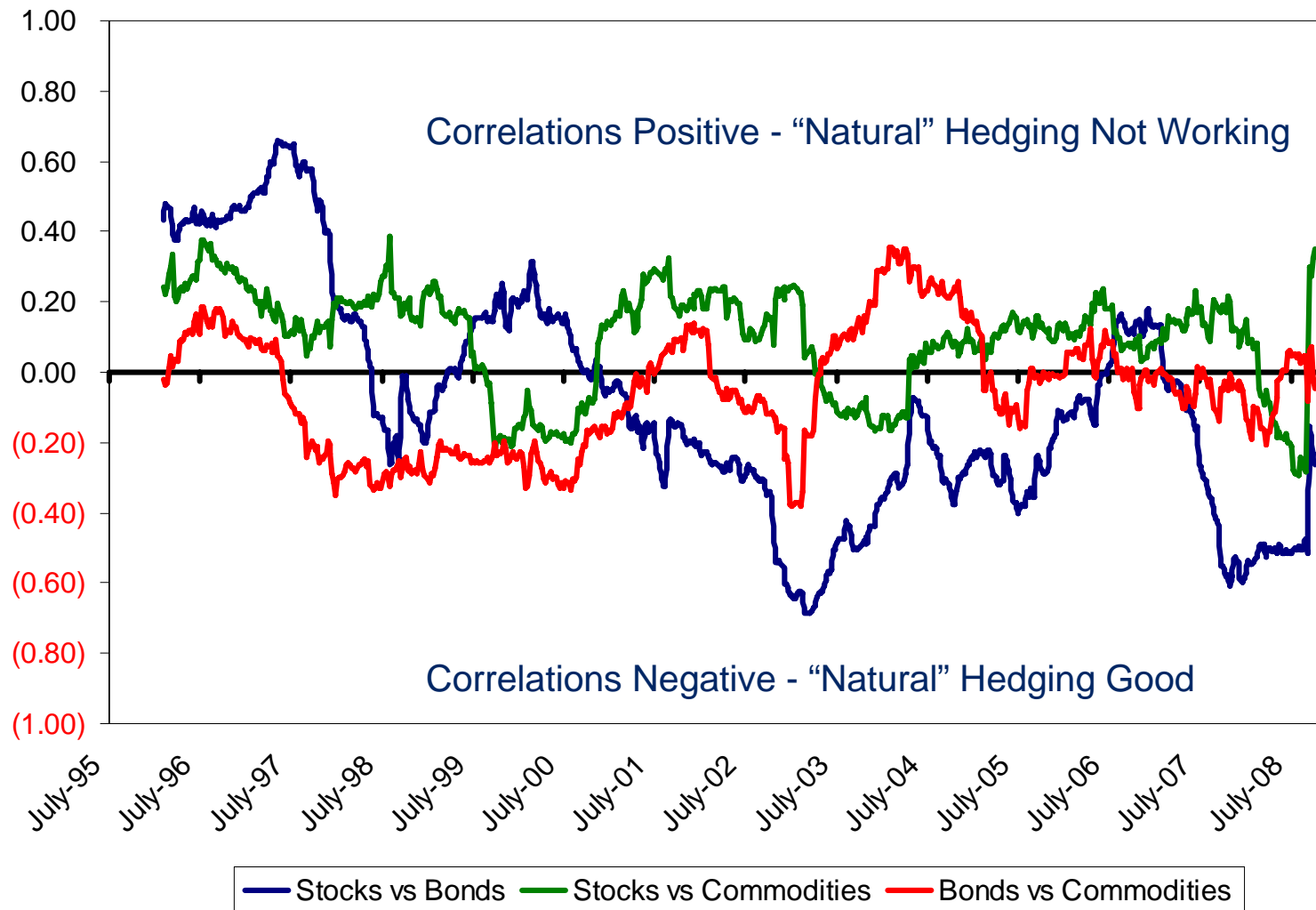
Stocks, Bonds and Commodities as Natural Hedges to Enhance Overall Risk Adjusted Returns

Sample Asset Mix for “Typical” Professional Investor:



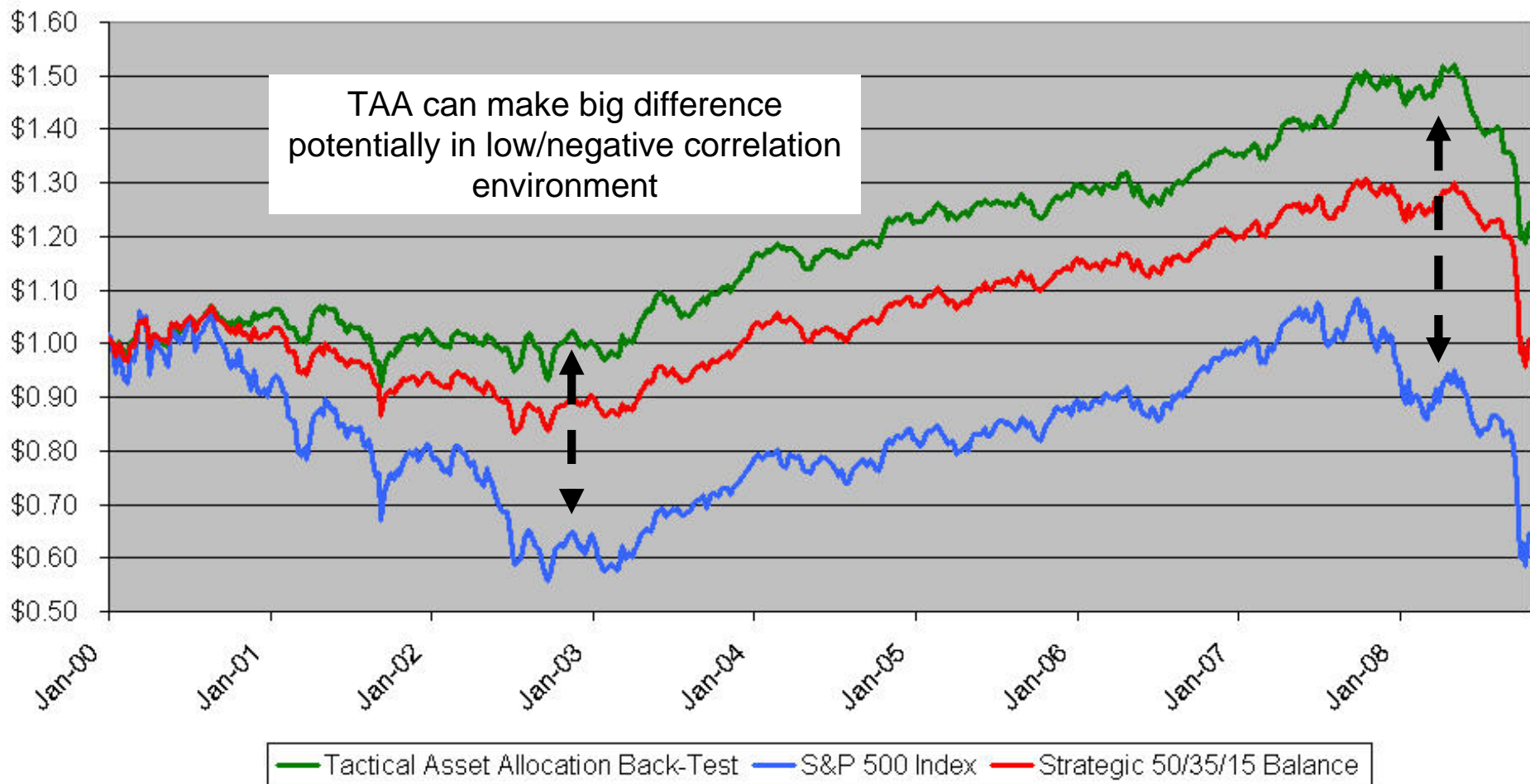
Stocks, Bonds and Commodities as Natural Hedges to Enhance Overall Risk Adjusted Returns – It's Been a Good Environment

Asset Returns Correlation



Stocks, Bonds and Commodities as Natural Hedges to Enhance Overall Risk Adjusted Returns

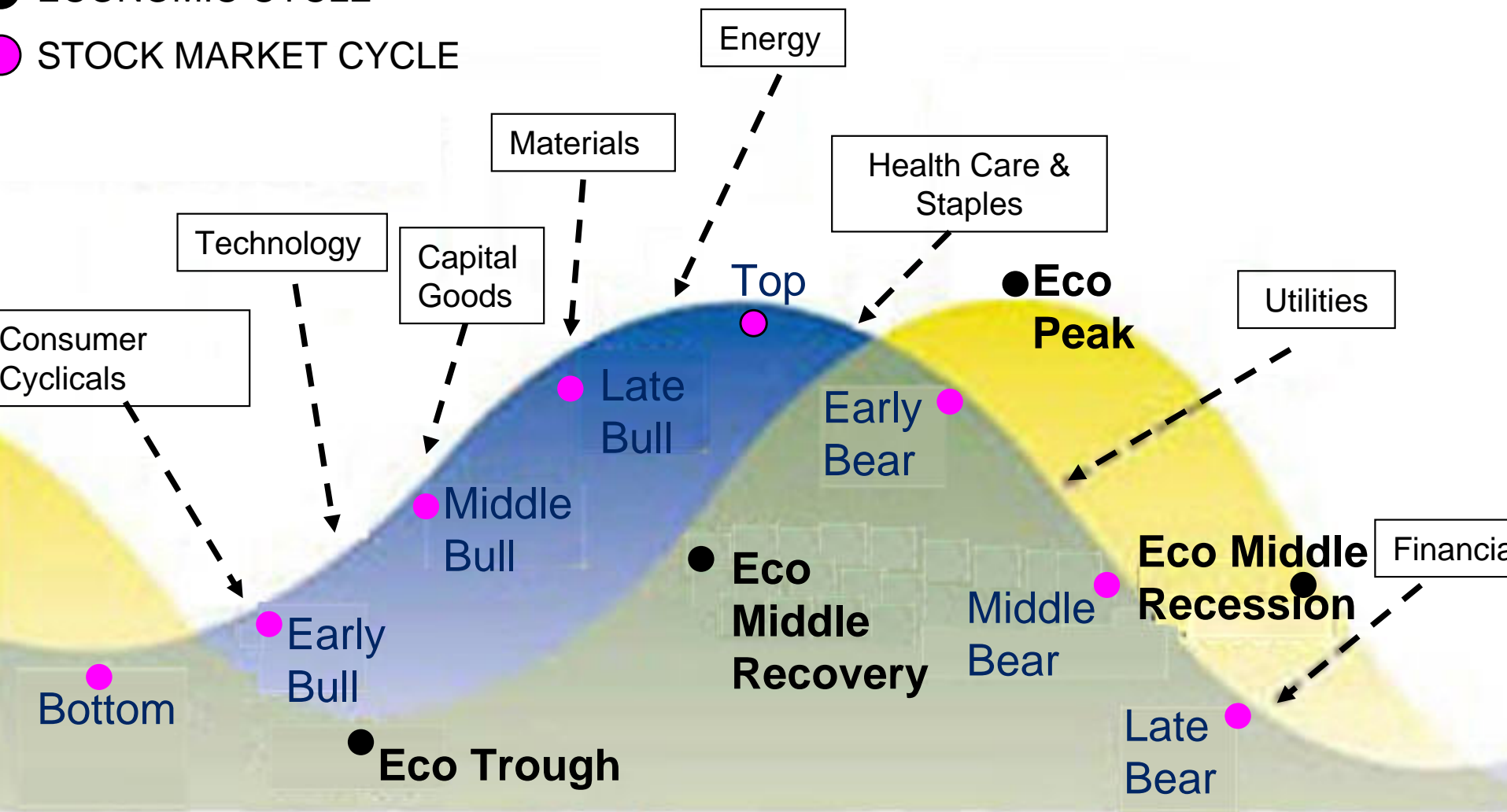
Benefits of Diversification Evident – Opportunity Windows for Tactical (TAA) Strategies Supported by Research



Stock Market and Business Cycle

● ECONOMIC CYCLE

● STOCK MARKET CYCLE



Summary

1. Historical Evidence Indicates Strong Likelihood that US Stocks Will Perform Strongly in First Year of Obama Presidency (20+%)
2. Bull Markets Begin During Recessions
3. Asset Allocation Between Stocks, Bonds and Commodities Remains Effective, Still in “Sweet Spot” for Bonds but Stocks are Poised to Outperform
4. Sector Strategy Within Equities Should Begin to Emphasize Early Cycle Consumer Groups

Important Information

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