

## RIC REPORT

**January 13, 2010**

Hello, I'm Michael Hartnett, Chief Global Equity Strategist and chairman of the Research Investment Committee. As the country emerges from the recession and we embark on a new year and a new decade, we know many investors may want to revisit their asset allocation.



In the January Research Investment Committee or RIC Report, called "Overweight Equities, Underweight Bonds," we outline three key asset allocation changes we recommend investors consider as we enter the new year. These include:

Raising of our tactical equity allocation for the moderate investor from 60% to 65%, while reducing bonds from 35% to 30% and keeping cash at 5%. The RIC believes that long-term investors should buy humiliated, or beaten down assets, and in our opinion, equities are currently the most unloved and undervalued asset class.

The RIC also increases non-US equity allocations, as we continue to believe that investor home-country bias remains too high. One of our favorite investment themes continues to be emerging markets. These economies represent over 80% of the world's population but just 13% of the world's equity market capitalization.

We also maintain a preference for large-cap over small-cap stocks, as large caps tend to rebound faster following market downturns and generally derive a greater percentage of their revenues from abroad.

The report details the rationale for all our asset allocation changes and provides specific ideas for implementing each change. We also feature a guest column by our Oil & Gas Equity Analyst, Doug Leggate, who recently initiated coverage on US Large Cap oils stocks. We encourage you to read our full report and to discuss with your Financial Advisor the appropriateness of the ideas and opportunities it presents for your investment strategy.

Thanks very much.