



THE FOXHALL GLOBAL OUTLOOK



NOVEMBER 09, 2009

PAGE -1-



Dear Paul,

In your last Foxhall Global Outlook you promised to tell us what investments will outperform in this new bull market.

The Key Question Is, What Investments Will Be Growing Over The Next 5 Years?

Despite the retrenchment of companies associated with U.S. consumer spending, there will be companies and industries that, I believe, will experience historic growth in their stock prices.

For some industries and sectors, this next bull market could be the greatest bull market in history!

And that will happen because so many U.S. global companies are benefitting from the global economic expansion in Asia, Latin America and other emerging markets.

OVER THE PAST 50 YEARS, AMERICA HAS EXPERIENCED THE GREATEST ECONOMIC EXPANSION IN THE HISTORY OF ECONOMICS.

We have the richest middle class in the world.

We have a middle class that now has a higher standard of living today than kings and queens did 50 years ago.

A recent commerce department study shows that the people living at the poverty level in America today have a higher standard of living than the middle class had in the 1960's.

And we did all this over the past 50 years with only 175 to 300 million Americans.

But today, we are standing at the threshold of a new economic expansion that will dwarf the last 50 years of our economic expansion.

Right now there are 3 billion people in China, India and the rest of Asia and according to the WORLD BANK, because they are growing at a faster rate than we did, they will accomplish in the next 25 to 30 years what it took us to do in 50 years.

Another recent WORLD BANK study said that for the 1st time in history, the Chinese people now have a middle class, measured in exactly the same way we measure our middle class here in the U.S., and in U.S. dollars terms, that is slightly larger than our middle class in the U.S. Even though this represents only the top wealthiest 12% of China's 1.3 billion population—IT STILL HAS THE SIZE AND BUYING POWER OF THE ENTIRE U.S. MIDDLE CLASS.

AMERICAN COMPANIES ARE DOMINATING ASIA'S MARKETS

Why is that good news for the U.S. economy? For the first time in history, if you look at every industry in China, India and the rest of Asia, where American companies are allowed to compete—American companies mostly dominate those markets.

Look at the U.S. over the past 50 years, there were no foreign companies dominating any industry in the U.S.

In 1960, the 500 companies that make up the S&P 500 INDEX had overseas profits of only 5%. Today, S&P 500 INDEX company overseas profits are almost 50% and that percentage is continuing to increase.

"TODAY WE ARE STANDING AT THE THRESHOLD OF A NEW ECONOMIC EXPANSION THAT WILL DWARF THE LAST 50 YEARS OF OUR ECONOMIC EXPANSION."

For example, General Electric (GE) is one of our largest U.S. companies. Over the past decade, its profits have averaged around 7% to 8% annually. But over the past few years, and before this last recession, those profits had expanded almost 50% to average about 12%. Almost all of that increase has come from sales in Asia, Latin America and other emerging markets.

General Motors is tied for first place as the single largest manufacturer, distributor and seller of cars in China.

Wal-Mart is the largest retail chain in all of China and the largest grocery store chain in China. Wal-Mart now makes almost as much profit per square foot in their Chinese "big-box stores" as they do here in the U.S.

80% of Coca Cola's revenues and profits now come from outside the United States and the fastest growing part of the world for Coke is now Asia.



THE FOXHALL GLOBAL OUTLOOK

NOVEMBER 09, 2009

PAGE -2-

Companies such as Intel, Caterpillar, Microsoft and IBM now derive a majority of their revenue from outside the U.S. Many U.S. companies are thriving globally, in spite of mediocre economic activity here in the U.S.

For most U.S. companies, profitability in the future is not selling to 300 million people here in the U.S. FUTURE PROFITABILITY IS SELLING TO 3 BILLION PEOPLE IN ASIA.

Almost every U.S. company tells the same story. Economists now estimate that U.S. OVERSEAS SALES WILL INCREASE MANY COMPANY EARNINGS OVER THE NEXT 5 YEARS BY MORE THAN 50%.

This means that if earnings increase by 50 percent and PRICE EARNINGS RATIOS remain the same, stock prices could go up 50 percent. THAT COULD MAKE THIS NEXT BULL MARKET THE MOST PROFITABLE BULL MARKET IN HISTORY FOR MANY U.S. GLOBAL COMPANIES!

OK, I PROMISED TO TELL YOU WHICH INDUSTRIES I BELIEVE WILL BOOM OVER THE NEXT 5 YEARS.

As I mentioned in last week's FOXHALL GLOBAL OUTLOOK, if you listen to the economists and analyst on the cable financial news programs, it seems that most of them agree that, AT LEAST HERE IN THE U.S., we will see a lackluster U.S. growth rate AND MEDIOCRE STOCK MARKET RETURNS over the next 5 years.

BUT THAT IS ONLY HALF RIGHT. The truth is, if one studies the detailed company and industry analyst reports, about one-half of all the sectors and industries in the U.S. will be booming because of their global focus, while the other half of the sectors, mainly focused on U.S. consumers, will trend flat or remain in a recession for several more years.

This has happened before. If you look at 1997 to 2000, which was one of the steepest and best bull markets in history, nearly all of the stock market's growth was primarily in two sectors—technology and telecom. If you look at the rest of the S&P 500 Index during that period it was relatively flat except for those two sectors.

This time, most analysts believe that about half the sectors in the S&P 500 INDEX will do well and the other half will underperform.

Based on long-term trends and using elements of FOXHALL CAPITAL'S TREND RECOGNITION TECHNOLOGY™ here are the sectors, industries and regions of the world that I believe will outperform.

HERE ARE THE INVESTMENTS THAT ANALYSTS BELIEVE WILL BOOM IN THIS RECOVERY. THEY ARE PROJECTED TO OUTPERFORM OVER THE NEXT 5 YEARS.

- 1. STRONG GLOBAL CONSUMER FRANCHISES:** These are companies like Coke, Procter & Gamble, Wal-Mart, McDonalds, Kentucky Fried Chicken (which is owned by Yum Brands), Johnson & Johnson, Kimberly-Clark, and other global U.S. consumer brands.
- 2. COMMODITIES:** the oil industry, mining industry and gold.





THE FOXHALL GLOBAL OUTLOOK

NOVEMBER 09, 2009

PAGE -3-

3. INFRASTRUCTURE: Infrastructure spending in both Asia and the U.S. will continue to make most companies that provide products or services to large infrastructure projects a good investment.

4. AGRICULTURE: As American farmers and Agricultural companies continue their 12 years of compounded double digit export growth to foreign countries—primarily in Asia—agricultural Exchange Traded Funds (ETFs) should outperform.

5. U.S. CONSUMER STAPLES: Even though the U.S. consumer will be cutting back on luxuries, they still have to eat and they will continue to buy the basics. Companies like Wal-Mart, Target, McDonalds, Clorox and other basic highly recognizable brands will do well.

6. FINANCIAL SERVICES: With the baby boomers entering retirement, insurance companies and financial planners will encounter an ever-expanding demographic market for their products and services.

7. DEFENSE INDUSTRIES: The world is a dangerous place and will continue to be for the foreseeable future. Defense manufacturers and the companies that provide products and services to this industry should continue to do well in the future.

8. HEALTH CARE: Health Care and Pharmaceuticals will continue to boom as an industry as the U.S. population continues to age and live longer. However, with the new government involvement in health care profits may not be as large as in the past.

9. PACIFIC RIM & EMERGING MARKETS: Last and most importantly, according to the World Bank, the greatest growth over the next 5 years will be centered in Asia and emerging markets. One of the best places to benefit from diversified investments in these areas is through various Asian and emerging markets ETFs.

Many people worry about the rise in economic development in Asia and emerging markets. I REALLY DON'T!

HAVING TO COMPETE GLOBALLY IN DIFFERENT CULTURES AND ECONOMIES AND STILL BEING ABLE TO DOMINATE THOSE FOREIGN INDUSTRIES SAYS A LOT ABOUT AMERICAN COMPETITIVENESS.

This intense global competition which we are winning is keeping us sharp and on the cutting edge. I believe the following long-term trends will ensure that America remains competitive over the next 10 to 20 years. Here are my reasons:

SELF-SUFFICIENCY IN AGRICULTURE. Being self-sufficient in agriculture is good for national security, represents a reliable source of export revenue and gives the U.S. leverage with less endowed trading partners. Only 38% of all of Asia's land is arable—meaning it can grow crops. If Asia wants to continue to feed its 3 billion population as it craves more and more protein, this is a long-term sustainable trend for American farmers.

AN ESTABLISHED TECHNOLOGY LEADER. Technology now comprises the largest share of U.S. Gross Domestic Product (GDP). Leadership in technology provides export revenue and leads to a steady flow of new products and even entire industries.





THE FOXHALL GLOBAL OUTLOOK

NOVEMBER 09, 2009

PAGE -4-

THE U.S. DOLLAR IS STILL THE WORLD'S RESERVE CURRENCY AND WILL STAY THAT WAY FOR AT LEAST 10 YEARS. While under pressure, the dollar remains the world's reserve currency, offering underlying support and trading advantages—at least for the next 10 years.

LOW LEVELS OF FACTORY UTILIZATION. This will take pressure off of prices as the recovery continues.

GLOBAL APPEAL OF MANY U.S. BRANDS. From Hollywood blockbusters and Levi's jeans to Donald Duck Sippy cups, the American brand still sells abroad.

BUSINESS INNOVATION. Recessions often set the stage for future growth. Companies like Xerox and Microsoft were launched during economic downturns.

THE RISE OF A GLOBAL PROFESSIONAL CLASS. American free market principles of transparency, rule of law and market pricing are being adopted by the developing world, leading to the rise of a global professional class.

As an example, historically patents didn't exist in China—the country didn't adopt patent laws until 1985. China now issues 30,000 patents annually, encouraging innovation by protecting property rights and providing work for 150,000 lawyers. Today, China ranks third in patent applications worldwide, behind only the U.S. and Japan—and China is expected to pull into first place in about 3 years by 2012.

THE AMERICAN SPIRIT. An intangible, to be sure, but a large number of Americans still possess a "CAN DO" attitude of self-reliance. This should be something of a bulwark against the rush to big government that we identify as a major factor.

WHAT SHOULD YOU DO NOW?

The bottom line in all this is that if you continue to believe in passive, BUY & HOLD investing you not only have lost a lot of your retirement savings over the past two years and the last decade, but I believe YOU WILL HAVE MEDIOCRE TO VERY POOR RETURNS OVER THE NEXT 5 YEARS.

If you PASSIVELY INVEST in an S&P 500 INDEX fund, you are going to be very disappointed in your returns since most analysts believe, as I have stated earlier, that about half the sectors in the S&P 500 INDEX will decline or remain flat over the foreseeable future. Also, the traditional S&P 500 VALUE OR GROWTH INDEX FUNDS will not be any better. Both of those index funds contain significant percentages of sectors that will not do well in the current recovery.

YOUR ONLY HOPE OF OUTPERFORMING THE STOCK MARKET and reclaiming some of your losses from this past recession is to have an ACTIVE GLOBAL INVESTMENT STRATEGY, like we employ at FOXHALL CAPITAL to primarily invest in those sectors, industries and regions of the world that are outperforming the U.S. stock market as a whole.

The world is changing, the global economy is changing and the American consumer is changing and the old discredited BUY & HOLD investment strategy, that has lost so many



THE FOXHALL GLOBAL OUTLOOK

NOVEMBER 09, 2009

PAGE - 5 -

people so much money over the past decade, is in my opinion, simply not going to work during this new recovery.

Investors need to take charge of their retirement investments with an ACTIVE GLOBAL INVESTMENT STRATEGY and not allow their retirement savings to drift aimlessly in a passive BUY & HOLD index fund.

UNTIL THEN!

—Paul Dietrich
dietrich@foxhallcapital.com
800-416-2053

Disclosure: The opinions and portfolio information provided in the Foxhall Global Outlook are subject to change at any time, and are not to be construed as advice for any individual nor as an offer or solicitation of an offer for purchase or sale of any security. Client accounts may differ from model allocations due to many reasons. All investment strategies offer the potential for loss as well as gain. Individuals should consult with their financial professional to determine an investment strategy appropriate for their objectives, risk level, and time horizon prior to investing. Past performance is not a guarantee of future performance.