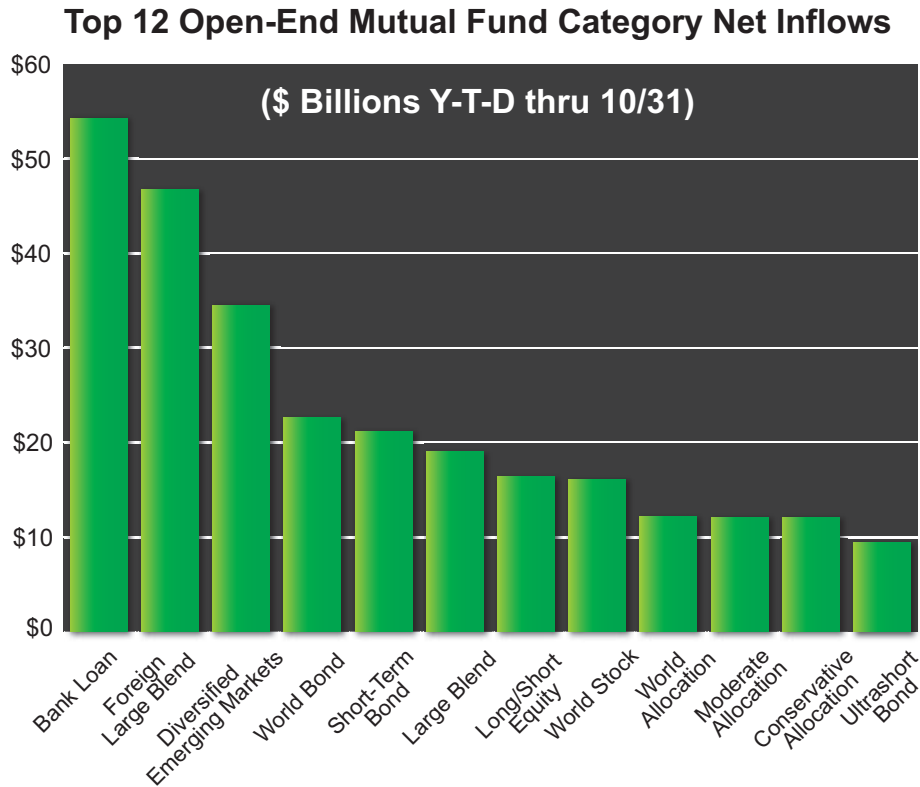


Fund Flows Suggest Retail Investors Are Allocating Capital Strategically



Source: Morningstar

View from the Observation Deck

1. The securities markets are a bit like political elections in that both have the potential to expose a particular bias or sentiment held by the masses.
2. In our opinion, the data in the chart indicates that many retail investors understand and embrace the transition underway in the economy, especially with respect to the future direction (likely higher) of interest rates.
3. We base our opinion on the following: investors are shortening bond durations; capital is flowing into risk assets; and capital is flowing into foreign equity markets where the future growth prospects look optimistic.
4. Low duration fund categories, such as Bank Loan, Short-Term Bond and Ultrasort Bond, have reported strong inflows, while Intermediate-Term Bond funds reported net outflows y-t-d totaling \$65.1 billion.
5. Eight of the 12 categories in the chart offer investors some exposure to stocks. Currently, investors appear to find foreign stocks more appealing than domestic equities.

This chart is for illustrative purposes only. There can be no assurance that any of the projections cited will occur.