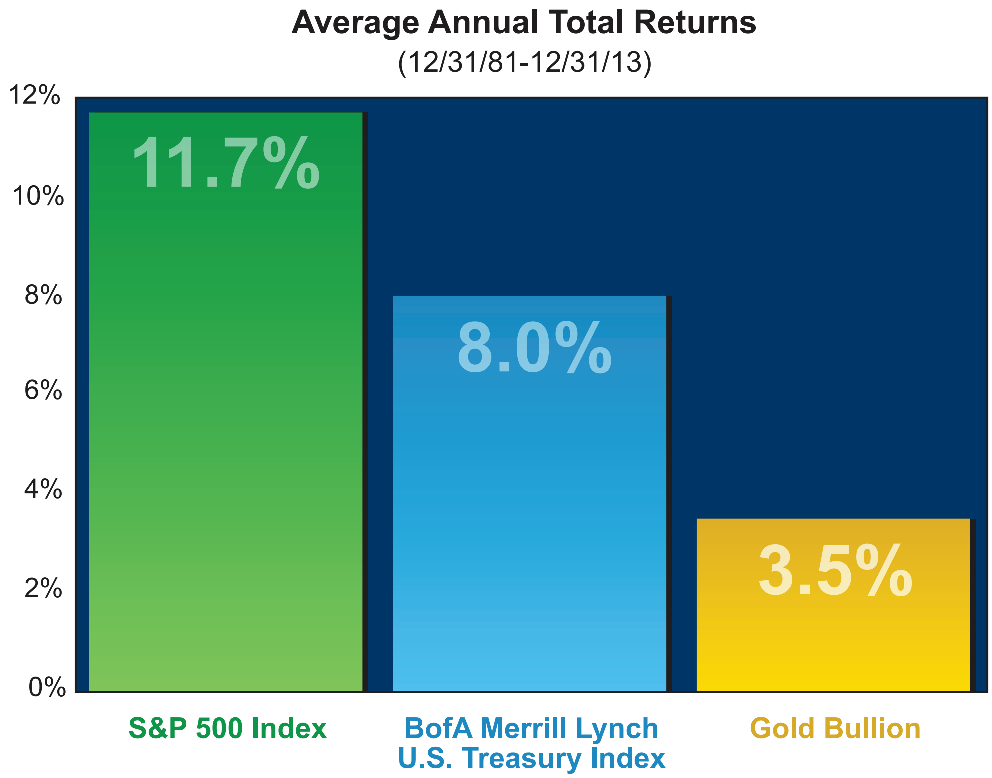
Let's Wind The Clock Back To 1981



Source: Bloomberg. Past performance is no guarantee of future results.

View from the Observation Deck

1. Why is 1981 relevant? It marked the year in which Treasury yields peaked after inflation had spiked to double-digit levels in 1974 and remained elevated until topping out at 14.8% in March 1980, as measured by the Consumer Price Index (CPI).
2. Back then, the 30-Year Treasury Bond (T-Bond) was the benchmark rate in the U.S. Due to limited issuance of the 30-Year T-Bond in recent years, the 10-Year Treasury Note is now considered to be the benchmark.
3. The 30-Year T-Bond closed the 10/26/81 trading session at a yield of 15.21%. That yield stood 11.24 percentage points higher than its closing yield of 3.97% on 12/31/2013. The yield actually bottomed at 2.45% on 7/25/12.
4. The average annual total returns featured in the chart represent arguably the top three major asset classes investors have targeted through the decades in an effort to either grow or preserve their capital.
5. From 1926-2013, the S&P 500 posted an average annual total return of 10.1%, according to Ibbotson Associates/Morningstar. Stocks have clearly demonstrated the potential to grow capital over time.
6. U.S. Treasury notes and bonds have traditionally been sought after by both U.S. and foreign investors because of their liquidity and perceived lack of credit risk.
7. The 32-year period depicted in the chart was the most favorable in history for investing in Treasuries. Looking ahead, however, interest rates appear poised to move higher, not lower, in our opinion.
8. Gold bullion has long been viewed as a potential hedge against inflation. Gold bullion does not distribute any interest or dividends. From 1926-2013, the CPI in the U.S. averaged 3.1%, according to the Bureau of Labor Statistics.
9. While all three asset classes appear to have rewarded investors since 1981, stocks, once again, stood out as the top asset class for growing one's capital over the long term.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance. The BofA Merrill Lynch U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government in its domestic market.

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