Outlook and Insights

The views discussed here are as of the date of our writing, approximately October 1, 2012, and subject to change without notice.

Contributing authors:
Jeff Zhang, CFA
Executive Vice President, Chief Investment Officer, Active Strategies

Karsten Jeske, Ph.D., CFA
Vice President, Multi-Asset Research

Lowell Bennett, CFA
Managing Director, Investment Strategist

Vassilis Dagioglu
Managing Director, Head of Asset Allocation Portfolio Management

Warren Chiang, CFA
Managing Director, Head of Active Equity

Kenton K. Yee, Ph.D., CAIA
Vice President, Multi-Asset Research

Mellon Capital

EXECUTIVE SUMMARY

Jeff Zhang, CFA, *Executive Vice President, Chief Investment Officer, Active Strategies*

In this publication, we draw on the firm's expertise to share our current investment outlook on several key asset classes. A discussion of the key risks to our outlook follows the section titled "Active Equity."

We would describe the global economy as mixed, but slowly improving overall. Certainly, central bankers in the U.S. and Europe have demonstrated their intentions to provide liquidity, uphold the European currency union, and keep interest rates low. Furthermore, we have seen modest improvement in some economic indicators, particularly in the U.S. Our forecast for U.S. GDP growth is 2.5% over the next year, in line with its long-term trend, as the housing sector seems to be stirring again and some other leading indicators have ticked upward. We anticipate the U.S. inflation rate to average about 2.7% over the next twelve months, based on our models. Our proprietary measures of leading economic indicators (LEI) for Italy and Spain have rebounded, though from a low level, and the measure turned weaker for several northern European countries. We expect Australia to grow, albeit at a slower pace largely due to conditions in China. Thus, our global LEI measure has stabilized since last quarter and indicates mildly positive economic growth.

Our views on asset classes[1] are based on our forward-looking estimates of economic fundamentals and risk. We favor global equities over global bonds although we expect volatility to continue as European policymakers implement mechanisms to address the European debt crisis and the U.S. approaches its fiscal cliff, a series of automatic tax increases and spending cuts that could derail the economy. As detailed in subsequent pages, we favor emerging market equities over those of developed markets, particularly emerging Asian equities, and the currencies of Canada, Sweden, New Zealand, and Australia relative to the euro, the British pound and the U.S. dollar. In commodities, we like petroleum-related products and soybeans based on inventory levels and pricing conditions.

In fixed income, we remain neutral to bearish on global duration as term premiums in developed market government bonds are low in our opinion. However, we see opportunities in German bonds at the longer end of the yield curve. Also, given the outlook for U.S. macroeconomic growth and corporate fundamentals, we find corporate and high yield bonds attractive. Treasury Inflation Protected Securities (TIPS) are overvalued in absolute terms and versus spread sectors, in our opinion. However, we view TIPS as fairly valued versus nominal Treasuries.

A note on our research follows a detailed discussion of our expectations for asset classes. There, we discuss the relationship between emerging market equity and commodities markets and assess their degrees of overlapping exposures.

1 Actual positions in specific portfolios are derived from our forward-looking estimates plus additional proprietary signals, our relative value assessment, and extensive portfolio optimization processes.

Confidential and Proprietary – Do Not Duplicate – This commentary discusses Mellon Capital's model outlook. Portfolio postions may vary significantly from those recommended by our models. These comments are provided as a general market overview and should not be considered investment advice or predictive of future market performance. See attached disclosures.
Copyright © 2012 Mellon Capital Management Corporation

THE GLOBAL ECONOMY

Karsten Jeske, Ph.D., CFA, *Vice President, Multi-Asset Research*

Mellon Capital's Proprietary Expectations for Economic Growth, Leading Economic Indicators and Inflation

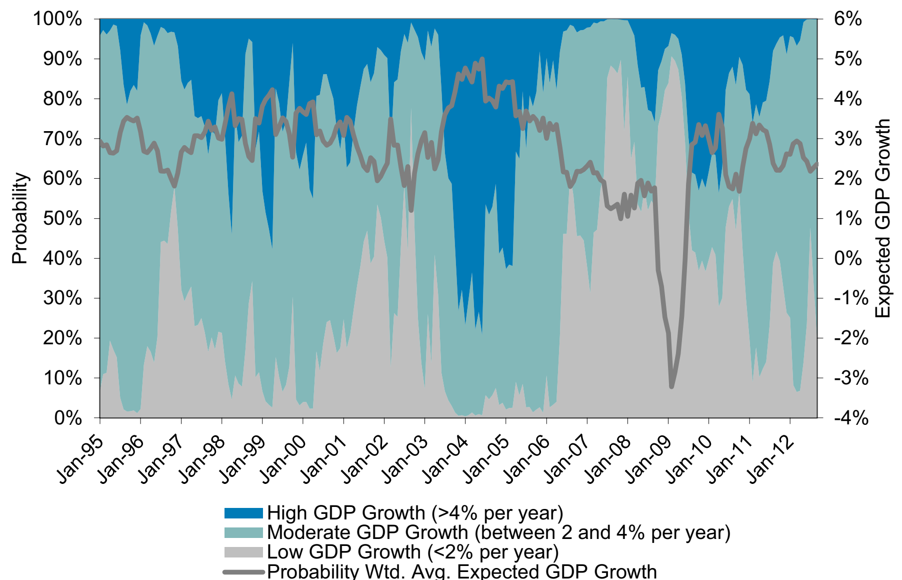
Looking across the globe, we see modestly firmer economic data in the U.S. and a mixed picture in the other developed economies. In the U.S., our proprietary macroeconomic models point to GDP growth strengthening slightly versus our summer projections, but still not significantly above its long-term trend growth rate. We forecast U.S. real GDP growth of 2.5% over the next year, up slightly from 2.4% we expected in early July. The probability distribution for GDP growth is largely unchanged from early July and indicates an 80% probability of growth being between 2% and 4% over the next year. The probability of growth being less than 2% now stands at 20%. Across the globe, the growth outlook looks softer than in the U.S. but conditions are starting to already improve in some countries. The decline in overall global economic conditions we observed three months ago was likely only temporary.

While it is premature to call the recent uncertainty resolved, the extraordinary measures announced by the European Central Bank and especially the previously signaled and recently announced QE3[2] from the Federal Reserve have spurred a notable improvement in financial market indicators. The macro data on U.S. housing confirm this trend, with home prices (measured by the Case-Shiller Index), as well as housing permits and starts, posting significant improvements. We believe this indicates that housing may finally be in recovery mode. In contrast, U.S. payroll employment has been subdued, near or even slightly below long-term trend growth rates. After a strong expansion in first three months of 2012, monthly payroll employment gains were only 87,000 on average per month from April through August, somewhat below the roughly 100,000 to 120,000 often cited as necessary to even keep up with population growth. However, since employment has traditionally been a slightly lagging indicator, we believe this will not have the potential to materially derail the growth prospects going forward. Furthermore, the readings for the U.S. Purchasing Managers Index (PMI), a prominent leading economic indicator, stood at slightly below 50 for three months before recovering to 51.5 in September. These PMI readings are consistent with the economy growing at around trend. The PMI would have to fall significantly below 50 to downgrade our forecast, and thus, we carefully monitor the next releases.

Figure 1: U.S. GDP Growth Expectations for One-year Ahead GDP

January 1995 — September 2012

Data source: Proprietary calculations of Mellon Capital utilizing Thomson Reuters Datastream



2 On September 12, 2012, the Federal Reserve announced a third quantitative easing program which features an open-ended commitment to buy mortgage backed securities. $40 billion of purchases is targeted per month until the outlook for the jobs market improves.

Confidential and Proprietary – Do Not Duplicate – This commentary discusses Mellon Capital's model outlook. Portfolio postions may vary significantly from those recommended by our models. These comments are provided as a general market overview and should not be considered investment advice or predictive of future market performance. See attached disclosures.
Copyright © 2012 Mellon Capital Management Corporation

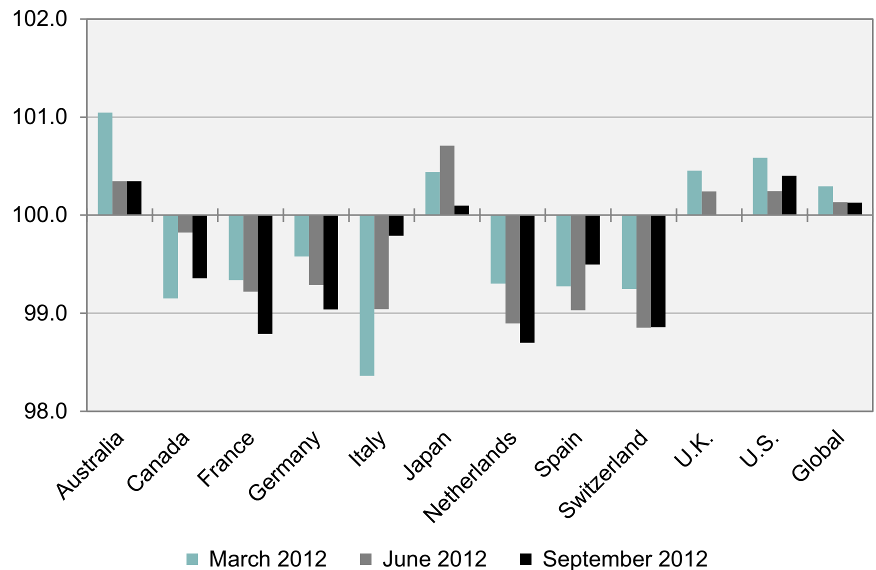
Global Leading Economic Indicators

At Mellon Capital, we generate our own proprietary measure of leading economic indicators (LEI). Our calculation is based on a number of high- and medium-frequency measures of the macro economy and financial markets that we believe are highly effective at estimating subsequent economic growth. A level slightly below 100 would indicate a significant probability of a mild economic contraction. The further the LEI measure is below 100, the slower the pace of economic growth. A level approaching 99, and certainly below 99, would indicate a significant probability of a mild economic contraction.

Three months ago we saw a significant deterioration in the aggregate global leading indicators. By September this trend had stopped. The U.S. LEI has ticked upward and is now just under 100.5. Some of the previously weaker European countries, most notably Italy and Spain, have rebounded strongly, although they still have LEI readings below 100. However, LEIs in northern Europe have experienced some further deterioration with Germany, France, and the Netherlands now at around 99. Japan's LEI has moderated from its earlier bounce; we believe the positive effect from the post-earthquake rebuilding may be wearing off. Australia's LEI is still above 100 but it has also moderated substantially compared to six months ago, most likely reflecting the slowdown in China. Globally, the index is almost unchanged at 100.1.

Figure 2: Leading Economic Indicators
December 2011 — September 2012

Data source: Mellon Capital



U.S. CPI Inflation

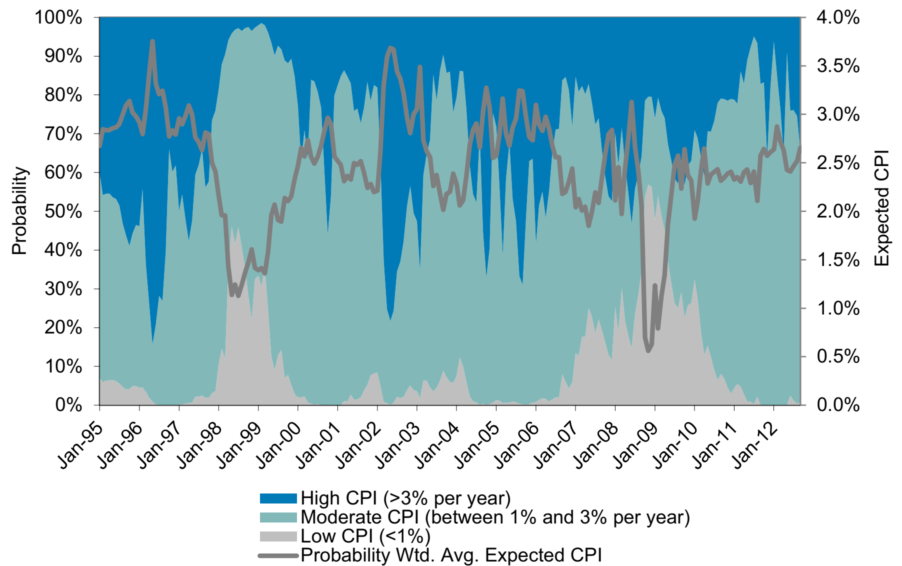
Our models forecast headline CPI inflation in the U.S. of 2.7% over the next twelve months, up from 2.5% in June 2012. The model predicts a 65% probability of U.S. CPI falling within the 1 - 3% range and a 35% probability that inflation will rise above 3%. Core inflation (which excludes food and energy prices) has been around 2% recently, both year-over-year and the most recent three-months (annualized). Adding in accommodative monetary policy and further extraordinary measures by central banks across the globe, we see moderate upside risk on inflation U.S. over the next 12 months.

Confidential and Proprietary – Do Not Duplicate – This commentary discusses Mellon Capital's model outlook. Portfolio postions may vary significantly from those recommended by our models. These comments are provided as a general market overview and should not be considered investment advice or predictive of future market performance. See attached disclosures.
Copyright © 2012 Mellon Capital Management Corporation

Figure 3: U.S. CPI Growth Expectations for One-year Ahead CPI Growth

January 1995 — September 2012

Data source: Proprietary calculations of Mellon Capital utilizing Thomson Reuters Datastream



IMPLICATIONS FOR ASSET ALLOCATION

Lowell Bennett, CFA, *Managing Director, Investment Strategist*
Vassilis Dagioglu, *Managing Director, Head of Asset Allocation Portfolio Management*

Stocks/Bonds/Commodities/Cash

During the third quarter, markets focused on expectations of further monetary stimulus over worsening macroeconomic fundamentals. Leading economic indicators, economic forecasts, and analyst earnings expectations moderated further, particularly for China, France, and Germany. Nevertheless, the prospect that this weakness around the globe would trigger additional aggressive monetary stimulus by most major central banks helped lift equity and commodity prices.

Among the major asset classes, we favor global equities, which are trading well below their historical multiples, relative to bonds. Bonds are unappealing to us given the combination of low global yields, the repeated commitment by most central banks to reignite economic growth and the uncertainty about the inflation impact of their accomodative policies in the medium-to-long-term. However, a number of open issues are likely to create volatility in the near future. We believe investors will remain keenly aware of developments around the so-called "fiscal cliff" in the United States[3] and the uncertainty as to whether the European Central Bank program to purchase bonds of struggling member nations and the activation of the European Stability Mechanism[4] will be sufficient to address the European debt crisis. Lastly, we continue to be moderately positive on commodities, which we believe can help mitigate the risk of oil price shocks as well as profit from the gradual improvement in economic growth.

Emerging markets are trading at more attractive valuations relative to developed markets, in our view.

Developed vs. Emerging Equities

We moderately favor emerging market equities over developed market equities. Despite lower earnings forecasts, emerging markets are trading at more attractive valuations, in our view, relative to developed markets. We expect that emerging market equities will continue to benefit from relatively higher growth rates, stronger balance sheets, and cheaper funding due to easier monetary policies around the world.

Individual Country Equity Markets

During the third quarter, we were happy to see northern European equities outperform most developed equity markets. Looking ahead, we continue to find smaller, but still sizable

3 A series of automatic tax increases and reductions in government spending that become effective in January 2013 unless the U.S. government passes other legislation to reduce the deficit.

4 A fund backed by all 17 members of the European Union intended to provide loans to member countries in need of emergency capital.

Confidential and Proprietary – Do Not Duplicate – This commentary discusses Mellon Capital's model outlook. Portfolio postions may vary significantly from those recommended by our models. These comments are provided as a general market overview and should not be considered investment advice or predictive of future market performance. See attached disclosures.
Copyright © 2012 Mellon Capital Management Corporation

mispricings in favor of the core Euro area stocks, compared to those of Switzerland, Japan, and Hong Kong. The valuations of developed Asian equities are less attractive to us and, in our assessment, exhibit an overall lower quality of earnings.

In contrast with developed Asian countries, emerging Asian economies present significant opportunities, in our view. We continue to favor Chinese equities over Taiwanese equities based on more attractive valuations and relatively more robust growth in China. Forecasts for Chinese economic growth have been revised lower, but we don't expect a hard landing — a sharp slowdown of economic growth possibly leading to a recession — as the Chinese government has approved several projects that are likely to spur economic growth.

U.S. Equity Sectors

As discussed in the section above "The Global Economy", we expect the U.S. economy to continue to grow, though at a tepid pace. As a result, our models favor sectors such as industrials and energy stocks relative to the more defensive sectors such as healthcare and consumer staples.

We view the recent bounce in the euro as temporary because of the poor economic fundamentals in the Euro area.

Currencies

Our views on currencies are based on several macroeconomic factors, including our expectations for real interest rates, monetary policy, and current account imbalances. Since we anticipate poor growth prospects in Europe as well as low yields and further expansion of liquidity by the European Central Bank and the Bank of England, we hold a bearish view for the euro and British pound. We view the recent bounce in the euro as temporary because of the poor economic fundamentals in the Euro area. Our model also disfavors the U.S. dollar, partly due to the broadly expected and now announced quantitative easing by the Federal Reserve which contributed to rising inflation expectations – especially given statements that the Federal Reserve may tolerate some inflation even after the economic recovery accelerates. Conversely, we favor the currencies of Canada, Sweden, New Zealand, and Australia, as these countries are expected to grow relatively faster, have lower debt levels, strong exports, and no major fiscal imbalances.

Fixed Income: Sovereigns and U.S. Treasuries

We continue to be neutral to bearish on global duration in general as term premiums offered by developed market government bonds are low, in our opinion, relative to equities. Central banks have expressed a commitment to continue bond purchases which appear to have been priced into the market and kept global yields low. In addition, the lack of strength in the global economy and tame inflation expectations are also supportive of lower yields

Within this context we believe dispersion across the major sovereign markets provide attractive, opportunities. On a relative basis versus other developed sovereign markets, we strongly favor German bonds on the longer end of the yield curve (on a currency hedged basis) while U.K. bonds remain unattractive as the inflation outlook is less benign in the U.K. as opposed to the Euro area.

For the U.S. Treasury market, we consider U.S. Treasuries overvalued on an absolute basis, especially at the intermediate and long part of the yield curve. QE3 was widely expected though the form ($40 billion per month in mortgage-backed securities and of indeterminate duration) was quickly priced into the market, driving mortgage spreads tighter. With the commitment to keep short rates low through 2015, the risk/return profile for Treasuries is decidedly asymmetric with more downside risk, in our opinion, than upside potential should the economy recover sooner than expected. Although clearly the economic weakness could continue or worsen, and the outlook for inflation could decline, and the Federal Reserve could continue to expand its balance sheet beyond QE3, there is simply not that much room to drive rates lower versus the potential for rates to rise if the economy gains momentum or inflation picks up steam.

Fixed Income: Credit

The credit markets continue to largely follow developments in the equity markets and the global economic outlook. While we remain cognizant of the risks associated with

Confidential and Proprietary – Do Not Duplicate – This commentary discusses Mellon Capital's model outlook. Portfolio postions may vary significantly from those recommended by our models. These comments are provided as a general market overview and should not be considered investment advice or predictive of future market performance. See attached disclosures.
Copyright © 2012 Mellon Capital Management Corporation

developments in the Euro area and the tepidity of the U.S. recovery, we believe current spread levels continue to represent a buying opportunity. In our view, corporate balance sheets remain strong even in the face of soft global and domestic growth and spreads will continue to respond to the strength in the equity markets.

The longer-term prospect of rising interest rates in a slowly expanding economic cycle, combined with stable corporate balance sheets, continues to warrant, in our view, an overweight to U.S. high yield. The high yield sector has lower exposure to interest rates than the higher-quality, longer-duration sectors, and provides greater exposure to credit beta. Additionally, the abundance of liquidity provided by the Federal Reserve is expected to lend additional support to the economy and to credit markets, as investors look for risk premium yields at a time when developed sovereign yields offer little reward. The primary reason for some caution remains the tail risk of the negative global economic impact from an adverse outcome in Europe. However, this risk has eased more recently with the European Central Bank showing willingness to buy sovereign bonds, positive rulings from the German courts, and the decreasing likelihood of a Greek exit from the euro.

Fixed Income: TIPS

We believe Treasury Inflation Protected Securities (TIPS) are overvalued in absolute terms and versus spread sectors. Real yields on TIPS have remained in a very low and narrow trading range and real yields under twenty years are negative. However, versus nominal Treasuries, TIPS remain fairly valued in our view as nominal Treasury rates have also remained in a low trading range, supported by Federal Reserve action. The breakeven inflation rates have crept higher recently, returning near the highs seen last year, but still within the range seen over the last several years, and in line with a long-term modestly growing U.S. economic outlook.

Commodities

We believe expected supply and demand conditions are important driving forces behind commodity price changes. We are generally upbeat towards petroleum-related products, especially gasoline and gas oil, as sustained demand and refinery outages are keeping inventories tight. We also favor soybeans and soy meal due to tight inventories, strong price momentum, and steep backwardation (the latter of which provides an opportunity for additional roll yield[5]).

ACTIVE EQUITY

Warren Chiang, CFA, *Managing Director, Head of Active Equity*

While macro trends will continue to be one driver of equity markets, we see an important role for fundamental signals as companies seek new sources of earnings growth.

We continue to believe that a balanced stock selection approach, incorporating both a top/down and bottom/up methodology, holds the most appeal. During the summer months, the MSCI World Index and the S&P 500® rallied on low volumes and low volatility, responding to macro themes (such as developments in the European debt crisis, the pace of economic growth, and potential further action by the Federal Reserve). Looking forward, we expect equity markets to continue to be sensitive to important global and regional developments, including news from Europe, the U.S. elections, action (or lack thereof) on the U.S. fiscal cliff, and the Chinese leadership handover. While macro trends will continue to be one driver of equity markets, we see an important role for fundamental signals as companies seek new sources of earnings growth.

The low rate environment, in place since early 2009, has enabled many large cap companies to dramatically decrease their cost of capital, while the slack environment for employment has contained wage costs. In particular, the improvement in the balance sheets for the large banks has been strong and sustained mainly through government intervention. Companies sought cost efficiencies to grow earnings. Most recently, overall earnings growth rates have fallen dramatically as companies have fewer and fewer costs efficiencies to implement. With profit margins already at all-time highs, future revenue growth will be a crucial

5 A futures market is considered "backwardated" when the current price of a shorter time-to-maturity futures contract exceeds the current price of a longer dated time-to-maturity futures contract. Thus, additional return is possible by selling the expiring futures contract and buying the longer maturity contract at a lower price.

Confidential and Proprietary – Do Not Duplicate – This commentary discusses Mellon Capital's model outlook. Portfolio postions may vary significantly from those recommended by our models. These comments are provided as a general market overview and should not be considered investment advice or predictive of future market performance. See attached disclosures.
Copyright © 2012 Mellon Capital Management Corporation

factor to determine future earnings growth. Currently, the outlook for revenue growth is weak; however, the implementation of QE3 and the expansion of liquidity in Europe and improvements in China could increase economic growth, which would trickle into company revenues. Our valuation and behavioral/momentum signals help us identify stocks poised for revenue growth as well as our earnings sustainability signals.

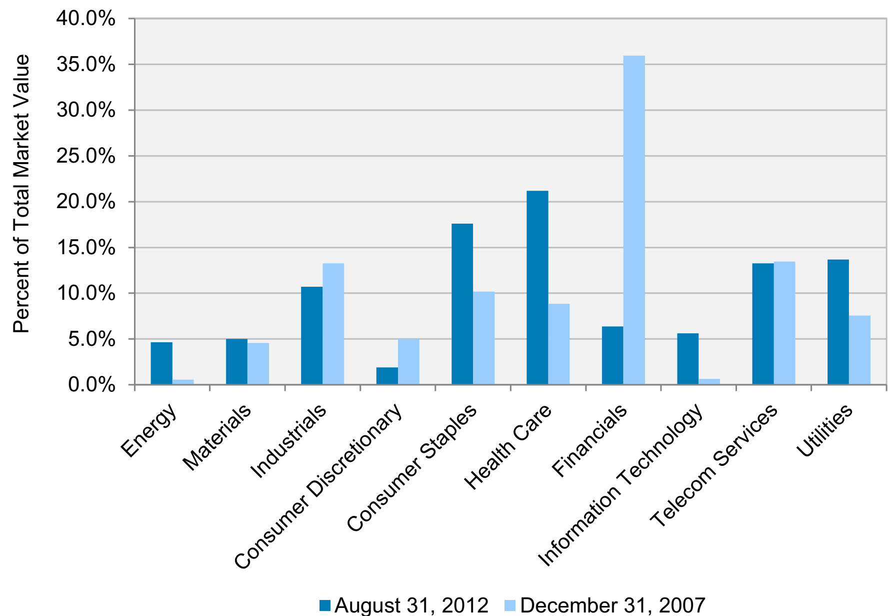
Separately, we have observed a renewed interest in dividend yield tilt strategies, mainly due to the low interest rate environment. Our point is not to debate the strategy's philosophical advantages and disadvantages. However, we would like to highlight one of the implementation risks for investors considering the strategy. Investors likely realize that taking a dividend yield tilt will permanently increase the exposure of the portfolio towards value, lower beta, and lower growth stocks. However, the exposures at the economic sector level can also vary widely if the sector mix is ignored in the risk management process.

Figure 4 shows the sector exposure of a simple portfolio consisting of the top 100 dividend yield companies in the S&P 500® for December 2007 and for August 2012. In this example, the exposure to the financial sector dropped by more than half, from 36% to 18%. In addition, the exposure to the healthcare sector more than doubled. Dividend yield strategies are not typically touted as sector rotation strategies, and ex-ante, we do not believe their value-added is in sector rotation. Yet, strategies tilting towards stocks with high dividend yields can materially shift sector risks. A rigorous risk management process can mitigate and manage this risk.

Figure 4: Sector Weights of the 100 Stocks in the S&P 500® with the Highest Dividend Yield

As of August 31, 2012 and December 31, 2007

Data source: MSCI Inc.



KEY RISKS TO OUR OUTLOOK

- The "fiscal cliff" in the U.S. — the automatic expiration of several temporary tax cuts and the trigger of deep cuts in federal spending in January 2013 — has the potential to throw the U.S. economy into a double-dip recession. Although U.S. politicians in both major parties have expressed their willingness to overturn the changes, there are wide differences in their preferred approaches to reduce the budget deficit.
- Over the last few months, European officials have taken several actions to reduce the risk of a breakup of the currency union. However, at the same time, economic prospects in the Euro area have worsened while financial stresses in the Spanish banking system have grown and uncertainty as to whether Greece can achieve its bailout targets remain. Any of these factors could expose markets to another bout of volatility.

Confidential and Proprietary – Do Not Duplicate – This commentary discusses Mellon Capital's model outlook. Portfolio postions may vary significantly from those recommended by our models. These comments are provided as a general market overview and should not be considered investment advice or predictive of future market performance. See attached disclosures.
Copyright © 2012 Mellon Capital Management Corporation

Special Feature: Research Insight

Investors with a pre-existing allocation to emerging markets should not be deterred from adding commodities to their portfolios.

RESEARCH INSIGHT:
Kenton K. Yee, Ph.D., CAIA, ***Vice President, Multi-Asset Research***

Commodities and Emerging Market Equities: Too Correlated?

Commodity-related investments have grown in popularity not only as a result of their inflation hedging possibilities, but also by their potential for diversification to developed market equities. However, the natural resource and agribusiness industries are significant components of the emerging market stock indices. Thus, investors may wonder whether their emerging market allocations already provide their portfolios with an implicit long exposure to commodities. Should investors with pre-existing allocations to emerging market stocks conclude that adding commodities would be redundant? This question is reasonable. Yet, as we show below, emerging market equities and commodities have not been highly correlated. Therefore, we believe that commodities can help to diversify a stock-bond portfolio, even one with an allocation to emerging markets.

With their economic success, emerging market countries, such as Brazil, China, South Korea, and Taiwan, have become more integrated into the commodities supply and consumption chains. Moreover, large emerging market countries, such as Brazil, Chile, China, India, Russia, and South Africa, are important commodity producers. Contemporaneously, these emerging market countries (especially the BRICS) have become heavy commodity consumers as their infrastructure investment and consumer demands have risen along with their GDP growth. As a result, commodity prices, driven by emerging countries' supply and demand, might be more prone to moving in sync with emerging market equity prices. This includes even the prices of broad equities not classified as "commodity stocks" per se, since rising commodity prices may "lift all boats" in the emerging market world. That is, when the prices of emerging commodity exports rise, the wealth of consumers in emerging economies tends to rise, inducing them to spend more on electronics and other non-commodity products.

How correlated are commodities to emerging market stocks? Fortunately, as indicated in Figure 5, the historical monthly correlations between the MSCI Emerging Markets Index returns and the S&P GSCI Total Return commodity sub-sector indices are not as large as one might guess. As shown, these historical correlations (the lighter blue bars) are all between 5% and 35%. Furthermore, in many cases, the historical correlation of each commodity sector to the MSCI Emerging Markets Index is roughly comparable to its correlation to the S&P 500® (the darker blue bars). The industrial metals sector has the greatest correlation to emerging market stocks at 35%. Sugar (representing soft commodities) has the smallest correlation to emerging market stocks. We feel this is not surprising. Even though many emerging (as well as developed) countries produce sugar, only Brazil exports more than half of its sugar and sugar is just one of many Brazilian commodity exports.

For comparison purposes, Figure 5 also shows the correlation between the MSCI Emerging Market Index and a portfolio of 60% equities and 40% bonds (the lighter blue patterned bar[6]). This correlation is over 60%, which is about twice or more that of the correlations between emerging market stocks and commodities. This is not surprising—it tells us that emerging market equities have typically been more correlated to developed market equities than they have been to commodities. That is, commodities tend to be better diversifiers of the 60-40 stock-bond portfolio than emerging market stocks.

In this note, we will refrain from speculating on the many reasons why emerging market stocks are not more correlated to commodities other than to say emerging market economies, as they develop and industrialize, will likely continue diversifying into non-commodity sectors. It is unlikely that emerging economies will become more commodity-like as they grow. If anything, there is a good likelihood that the BRIC economies and stocks may become less dependent on commodities in the long-run.

Confidential and Proprietary – Do Not Duplicate – This commentary discusses Mellon Capital's model outlook. Portfolio postions may vary significantly from those recommended by our models. These comments are provided as a general market overview and should not be considered investment advice or predictive of future market performance. See attached disclosures.
Copyright © 2012 Mellon Capital Management Corporation

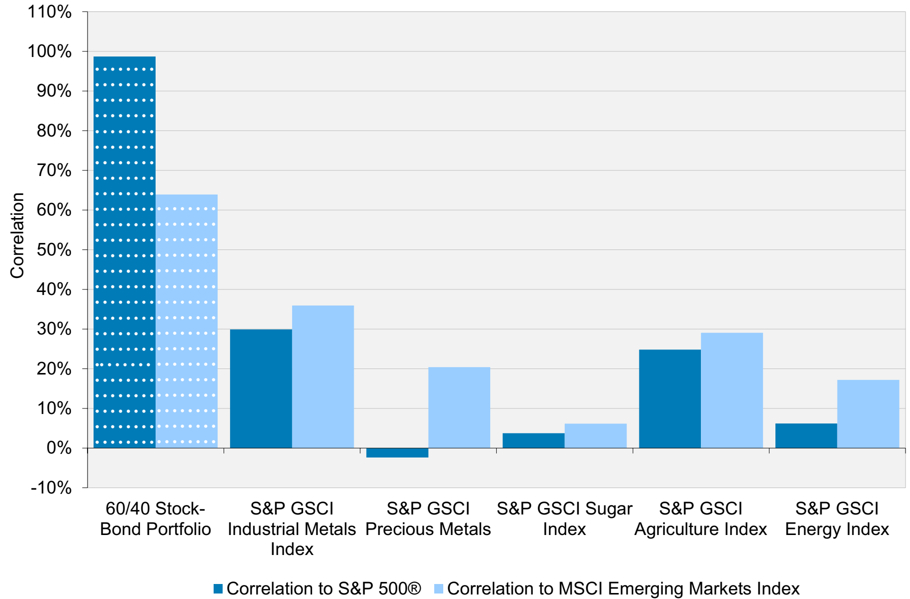
Our bottom line: emerging market stocks have been only modestly correlated to commodities. Investors with a pre-existing allocation to emerging markets should not be deterred from adding commodities to their portfolios. We believe that commodities continue to offer, in addition to inflation hedging benefits, diversification even for portfolios with pre-existing exposure to emerging markets.

Figure 5: Correlation of Commodity Sectors to Emerging and Developed Markets

January 1988 — April 2012

Correlation of a portfolio of 60% S&P 500® and 40% Barclays U.S. Aggregate are shown for comparison purposes only

Data source: Thomson Reuters Datastream and Barclays Capital POINT/Global Family of Indices. ©2012 Barclays Capital Inc. Used with permission.



6 The left-most darker patterned blue bar is the correlation between the S&P 500® and the 60-40 stock-bond portfolio. Not surprisingly, this correlation is close to 100% since the variation of the 60-40 stock-bond portfolio is driven mostly by the variation in its more volatile stock component.

Confidential and Proprietary – Do Not Duplicate – This commentary discusses Mellon Capital's model outlook. Portfolio postions may vary significantly from those recommended by our models. These comments are provided as a general market overview and should not be considered investment advice or predictive of future market performance. See attached disclosures.
Copyright © 2012 Mellon Capital Management Corporation

ABOUT US

Mellon Capital – Global. Insightful. Engaged. Mellon Capital has provided global multi-asset solutions for nearly thirty years. Our precise understanding of world markets, coupled with our fundamentals-based and forward-looking analytical methods are the foundation for tailored client solutions. Our investment capabilities range from indexing to alternatives with the infrastructure and skill to transact in all liquid asset classes and securities.

CONTACT INFORMATION

BUSINESS DEVELOPMENT
Sheryl Linck, Managing Director
412.234.9439
sheryll@mcm.com

CLIENT SERVICE
David Dirks, Managing Director
617.248.4562
davidd@mcm.com

CONSULTANT RELATIONS
Andy Pellegrino, Managing Director
412.234.1909
andyp@mcm.com

PRIMARY LOCATIONS

PITTSBURGH, PA
BNY Mellon Center
500 Grant Street
Pittsburgh, PA 15258

BOSTON, MA
BNY Mellon Center
201 Washington Street
Boston, MA 02108

SAN FRANCISCO, CA
HEADQUARTERS
San Francisco
50 Fremont Street
Suite 3900
San Francisco, CA 94105
415.546.6056

ONLINE
www.mcm.com

A BNY MELLON COMPANY℠

Confidential and Proprietary – Do Not Duplicate – This commentary discusses Mellon Capital's model outlook. Portfolio postions may vary significantly from those recommended by our models. These comments are provided as a general market overview and should not be considered investment advice or predictive of future market performance. See attached disclosures.
Copyright © 2012 Mellon Capital Management Corporation

DISCLOSURE

Portfolio positions may vary significantly from those recommended by our models. This Outlook and Insights is provided as a general market overview and should not be considered investment advice or predictive of future market performance.

Mellon Capital Management and its abbreviated form Mellon Capital are service marks of Mellon Capital Management Corporation.

This publication reflects the opinion of the authors as of the date noted and is subject to change without notice. The information in this publication has been developed internally and/or obtained from sources we believe to be reliable; however, Mellon Capital does not guarantee the accuracy or completeness of such information. This publication is provided for informational purposes only and is not provided as a sales or advertising communication nor does it constitute investment advice or a recommendation for any particular investment product or strategy for any particular investor. Economic forecasts and estimated data reflect subjective judgments and assumptions and unexplained events may occur. Therefore, there can be no assurance that developments will transpire as forecasted in this publication. Past performance is not an indication of future performance.

No part of this article may be reproduced in any form, or referred to in any other publication without express written permission of Mellon Capital Management Corporation.

The providers of the indices referred to herein are not affiliated with Mellon Capital, do not endorse, sponsor, sell or promote the investment strategies or products mentioned herein and they make no representation regarding the advisability of investing in the products and strategies described herein.

"Standard & Poor's®", "S&P®", "S&P 500® Index", "Standard & Poor's 500®", S&P Small Cap 600® Index, "S&P Mid Cap 400® Index" , and "S&P MLPTM Index" are trademarks of McGraw-Hill, Inc., and have been licensed for use by BNY Mellon (together with its affiliates and subsidiaries).

Any funds or securities referred to herein are not sponsored, endorsed or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities or any index on which such funds or securities are based.

Australian prospects and clients, please note the following: If this document is used or distributed in Australia, it is issued by BNY Mellon Asset Management Australia Limited ("BNY AMI Australia") (ABN 56 102 482 815, AFS License No. 227865) located at Level 6, Macquarie Place, Sydney, NSW 2000. BNY AMI Australia holds an Australian Financial Services Licence authorising it to provide financial services in Australia. BNY AMI Australia also introduces the capabilities of BNY Mellon affiliated United States asset managers or investment advisers, such as Mellon Capital Management Corporation, in Australia. Mellon Capital is exempt from the requirement to hold an Australian Financial Services Licence under the Corporations Act 2001 in respect of financial services provided in Australia. Mellon Capital, and any financial services that may be provided by Mellon Capital, are regulated by the SEC under United States laws, which differ from Australian laws.

Japanese prospects and clients, please note the following: BNY Mellon Asset Management Japan Limited ("BNY AMI Japan") provides information about the investment advisory skills and products of BNY Mellon's investment management firms in Japan. Mellon Capital provides subadvisory services to BNY AMI Japan. The presentation is not an invitation of subscription and provides information only. BNY AMI Japan is not responsible for the accuracy and completeness of the information contained in this presentation. Past performance and simulated performance are not a guarantee of future performance or principle and returns. The information may be amended or revoked at any time without notice.

If this document is used or distributed in Hong Kong, it is issued by BNY Mellon Asset Management Hong Kong Limited, whose business address is Level 14, Three Pacific Place, 1 Queen's Road East, Hong Kong. BNY Mellon Asset Management Hong Kong Limited is regulated by the Hong Kong Securities and Futures Commission and its registered office is at 6th floor, Alexandra House, 18 Chater Road, Central, Hong Kong

BNY Mellon Asset Management International Limited. BNY Mellon Asset Management International Limited, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No. 1118580. Authorized and regulated by the Financial Services Authority.

Confidential and Proprietary – Do Not Duplicate – This commentary discusses Mellon Capital's model outlook. Portfolio postions may vary significantly from those recommended by our models. These comments are provided as a general market overview and should not be considered investment advice or predictive of future market performance. See attached disclosures.
Copyright © 2012 Mellon Capital Management Corporation

本情報提供資料は、BNY メロン・グループ（BNY メロンを最終親会社とするグループの総称です）の資産運用会社が提供する情報について、BNY メロン・アセット・マネジメント・ジャパン株式会社が審査の上、掲載したものです。
当資料は情報の提供を目的としたもので、勧誘を目的としたものではありません。当資料は信頼できると思われる情報に基づき作成されていますが、その正確性、完全性を保証するものではありません。ここに示された意見などは、作成時点での見解であり、事前の連絡無しに変更される事もあります。

BNY メロン・アセット・マネジメント・ジャパン株式会社
BNY Mellon Asset Management Japan Limited

金融商品取引業者：関東財務局長（金商）第 406 号
〔加入協会〕社団法人　投資信託協会
　　　　　　一般社団法人　日本投資顧問業協会