

## Economic Outlook and Portfolio Positioning

Expectations drive the broad equity market. Over the past 25 years, relative returns of style and size of stocks have varied during different GDP growth scenarios. The chart below illustrates these key takeaways:

- Across most periods, value companies have historically had the best relative returns.
- Real GDP has historically grown at a rate of 2.6%. For the buy-and-hold investor, this chart suggests that value is the most attractive style\*.

Relative Returns During Varying GDP Growth Scenarios\*

Real GDP Growth				
<1.0%	1.0%–2.5%	2.5%–3.5%	3.5%–4.5%	>=4.5%
Lg Val. +1.1%	Mid Grw. +1.7%	Mid Val. +1.1%	Mid Val. +0.4%	Mid Grw. +1.4%
Mid Val. +1.1%	Sm Val. +1.0%	Sm Val. +0.9%	Lg Val. +0.4%	Lg Grw. +1.4%
Sm Val. +0.8%	Sm Grw. +0.9%	Mid Grw. +0.5%	Lg Grw. -0.2%	Sm Grw. +1.0%
Lg Grw. -0.9%	Mid Val. +0.8%	Lg Val. +0.5%	Sm Val. -0.2%	Lg Val. -1.5%
Mid Grw. -1.2%	Lg Grw. +0.3%	Sm Grw. +0.4%	Mid Grw. -0.2%	Sm Val. -1.6%
Sm Grw. -1.7%	Lg Val. -0.5%	Lg Grw. -0.4%	Sm Grw. -1.9%	Mid Val. -1.7%

Lg Grw. = Russell 1000 Growth  
Lg Val. = Russell 1000 Value

Mid Grw. = Russell Midcap Growth  
Mid Val. = Russell Midcap Value

Sm Grw. = Russell 2000 Growth  
Sm Val. = Russell 2000 Value

\*1/1/1986 through 12/31/2011

Source: Furey Research Partners and FactSet Research Systems, Inc. Average quarterly returns compared to Russell 3000 Index.

**Gross Domestic Product (GDP)** is the market value of the goods and services produced by labor and property in the U.S.

The **Russell 1000 Growth Index** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The **Russell 1000 Value Index** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The **Russell 2000 Growth Index** measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The **Russell 2000 Value Index** measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The **Russell Midcap Growth Index** measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The **Russell Midcap Value Index** measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth rates. The **Russell 3000 Index** measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. All indices are unmanaged. It is not possible to invest directly in an index. Value investments are subject to the risk that their intrinsic value may not be recognized by the broad market.

**Past performance does not guarantee future results.**

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