INTERMARKET FORECASTING

TOP DOWN INSIGHTS . . . BOTTOM LINE RESULTS

TRACK RECORD 2012

IFI enjoyed great forecasting success in 2012, predicting near-exact gains in the S&P 500 and EAFE, the rebound in housing and homebuilding stocks, out-performance by *Financials*, the decline in U.S. T-Bond yields, out-performance by junk bonds, the dollar's depreciation, higher commodity prices, and Mr. Obama's re-election. Overall, we correctly forecasted directional shifts in 81% of the 137 assets we cover, versus our long-term success rate of 66% (page 2). In 2012 we also out-performed 65% of our Wall Street peers, versus our usual outperformance of 61% (pages 3, 11). Below we summarize the results:

- Global equities (MSCI World) gained 12.7% in 2012, after losing 5.1% in 2011, while IFI's **Global equity portfolio** slightly out-performed in 2012, with a 12.9% gain, due mainly to our recommended portfolio *over-weighting* in the Asia-Pacific region, which gained 13.6% and out-performed the world index (Table 3, page 5).

- Our **U.S.-Specific** portfolio returned 12.6% in 2012, due mainly to larger portfolio allocations in equities (a 60% share, yielding a return of 14.5%) and bonds (a 25% share, yielding a return 13.7%, due mostly to junk bonds), relative to allocations in commodities (15%) and T-Bills (0%). In contrast, a passive benchmark (65% stocks, 30% bonds, 5% T-Bills) would have returned 11.7%, so our advised portfolio out-performed by 1% point (Table 3, page 5).

- Our model portfolio for **U.S. Equity Styles** returned 14.5%, which under-performed the passive benchmark of equal-weighted styles by 1.4% point (Table 3, page 5). We advised larger portfolio shares in growth stocks, but value stocks out-performed, by 3% points. We advised portfolio weights of 45% each in *large-cap growth stocks* and *small-cap growth stocks*, each of which gained 14.2%, but minor shares in *small-and-large-cap value stocks,* which returned 17.2%. On relative performance in **sector rotation** (Tables 6 and 7, pages 8-9) our model portfolio gained 14.0%, a bit below the S&P 500 gain. Our five *most-favored* sectors (*Energy*, *Financials, Information Technology, Industrials*, *Consumer Discretionary*) delivered a weighted gain of 9.7%, while our five *least-favored* sectors (including *Utilities* and *Telecomm*) added a mere 2.1%.

- IFI's model portfolio for **U.S.-Specific Fixed Income** returned 13.0% in 2012, far-surpassing the 3.8% return delivered by the standard benchmark (the LB Aggregate Government-Corporate Bond Index; see Table 3, page 5), mostly because we disproportionately favored corporate bonds (especially junk bonds), versus U.S. Treasury Bonds (where we advised an allocation of just 10%). Junk bonds returned 15.6% in 2012, while T-Bonds returned only 4.2%. We correctly projected a *declining* U.S. yield curve, as well as a persistent narrowing of credit spreads (Table 5, page 7). In 2012 our success rate on U.S. interest rates was 93%.

- We anticipated the broad depreciation of the **U.S. dollar** (including against the euro), but also its appreciation against Brazil's real, and our commodity models correctly forecasted the general rise in **commodity prices,** in sub-groups like *Precious Metals*, *Base Metals* and *Agricultural Goods* (but not Energy), plus the rise in the all-important gold price (Table 4, page 6).

- In 2012 we out-performed 65% of peers (top ten investment strategists polled by *Barron's*) on U.S. stock, corporate profits, T-Bond yields, and U.S. GDP growth (Table 9, pages 11-2), slightly above our average historical out-performance of 61%. We were right to be relatively more bullish on U.S. stocks than rivals and bullish on T-Bonds (all rivals were bearish).

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IFI's Market-Based Forecasting Method

IFI's unique forecasting system uses signals from forward-looking market prices to anticipate risk-adjusted returns on currencies, commodities, stocks, bonds and bills globally. We eschew the use of mere economic data, which are backward-looking, perpetually revised after-the-fact and thus inherently incapable of capturing the outlooks and incentives faced by market-makers with their own capital (or their clients' capital) at risk.

IFI's core aim is to uncover quantitative, predictive and exploitable relationships consistent with the principles of classical (or "supply-side") economics,[1] market-clearing price theory, market efficiency and empirical financial history. The finance-investment research on which we rely most is Arbitrage Pricing Theory (APT).[2] The evidence shows that market prices reflect the combined, forward-looking wisdom of the most astute market-makers – and as such, prices themselves reliably embody forecasts. We "decode" the messages in prices by performing rigorous regression analyses on price data, scrupulously retaining only statistically significant explanatory factors. We employ no "gurus" and reject any resort to subjective "hunches," anecdotes or pop psychology.[3]

Our approach is *neither* "top-down" (GDP-based) nor "bottom-up" (company-specific) but focuses on the reliable *inter-connections* among the five key markets, yet also incorporates judgments about political-legal matters.

The empirical record demonstrates that an investor's initial asset allocation explains more than 80% of the returns ultimately achieved – so security selection and timing account for less than 20% of total returns (execution costs determine the balance). Thus in forecasting asset-class performance, IFI focuses precisely on the element of investment decision-making that most influences one's bottom-line results. IFI's time horizon is *one-year*, because there we find the most dependable forecasting success. We also provide forecasts looking a half-year ahead, but very short-term (and very long-term) forecasts are much less reliable and (for now at least) beyond our mission or purview. Optimal use of our forecasting system is achieved by *tactical asset allocation* (with a year-ahead horizon), versus day-trading, "market timing," or strategic asset allocation (using multi-year horizons).

Today's investor has many practical means of profiting by our forecasts and asset-allocation advice. For many years now it's been both unnecessary (and dangerous) to be a "stock picker" (or bond picker) – and much safer (and wiser) to profit from forecasts of broad asset classes and sub-classes.[4] By now 100% of the variables in our monthly report represent *investable* assets. At IFI we don't waste time forecasting GDP, CPI, non-farm payrolls and the sundry other "measures" provided by Washington, since no one can actually invest in such statistics and since they offer nothing but mere hindsight about the market-based activity investors truly care about.

For easy reference we provide a numbered list of every research report that we issued in 2012 (see pages 12-13). Clients also can access every IFI report (as far back as February 2000) by special access code on our website. The primary report upon which "Track Record 2012" is based is our "Outlook 2012," published a year ago. As market conditions (and thus the price signals we rely upon) changed during the year we altered our year-ahead forecasts; but to be strictly objective, "for the record" in 2012 we focus on our year-ahead outlook from a year ago. As previously, we also include *all* the variables that we forecasted in 2012 – whether good, bad or ugly.[5]

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[1] See "Saysian Economics," *The Capitalist Advisor*, InterMarket Forecasting, Inc., December 31, 2003 (Part I) and January 5, 2004 (Part II).

[2] See "Arbitrage Pricing Theory," http://en.wikipedia.org/wiki/Arbitrage_pricing_theory. For technical articles on APT, see http://www.kellogg.northwestern.edu/faculty/korajczy/htm/aptlist.htm. For APT articles focused on investment applications and forecasting using the yield curve (or "the term structure of interest rates), see the work of Campbell Harvey, finance professor at Duke University (http://www.duke.edu/~charvey/research.htm).

[3] For more on our basic forecasting framework, see "Introducing the 'Policy Mix Index,'" *The Capitalist Advisor*, InterMarket Forecasting, Inc., April 23, 2002 and "The Basics of Inter-Market Forecasting," *The Capitalist Advisor*, InterMarket Forecasting, Inc., September 7, 2004. Also see the "Methodology" tab on our web site (www.intermarketforecasting.com).

[4] See "Exchange-Traded Funds: Asset Allocation Made Easy," *Investment Focus*, InterMarket Forecasting, Inc., April 11, 2003. Today there are more than 1000 exchange-traded funds (ETFs) tracking every kind of asset class. IFI's monthly forecast report (*The InterMarket Forecaster*) includes the most usable ETFs.

[5] Some forecasters dishonestly "cherry-pick" their track records so as to emphasize only their successes; IFI prides itself on presenting the *full* record, not a mere *partial* one. Of course, there's nothing magical about measuring forecasting success solely in the calendar year after December; it's merely a convention in the field. The reports we issue *during* the year also can be consulted for our subsequent forecasting success. Please contact IFI for full details.

Table One

Forecasted Variables in 2012 & IFI's Success Rates

Table	Page	Category	# of Variables	Correctly Forecasted Number	Correctly Forecasted Percent
3	5	Returns on IFI Model Portfolios	4	3	75%
4	6	U.S. Dollar & Commodities	44	32	73%
5	7	U.S. Money Market & Fixed Income	14	13	93%
6, 7	8	U.S. Equities & Sector Rotation	40	33	83%
8	10	International Markets	35	30	86%
		Total	**137**	**111**	**81%**

IFI vs 12 Other Strategists

Table	Page	Category	# of Competitors	Out-Performed by IFI Number	Out-Performed by IFI Percent
9	11	S&P 500 Price Index	10	10	100%
9	11	S&P 500 Earnings per Share	10	4	40%
9	12	10-Year U.S. Treasury Bond Yield	10	10	100%
9	12	Overnight Fed Funds Rate	10	2	20%
		Average		**6.5**	**65%**

IFI Annual Track Records

Year	# of Variables	% Correct	Above/ Below Average	% of WS Peers Surpassed
2001	68	70%	4%	64%
2002	100	60%	-6%	79%
2003	140	84%	18%	58%
2004	136	78%	12%	48%
2005	148	70%	4%	83%
2006	148	65%	-1%	54%
2007	126	49%	-17%	72%
2008	126	48%	-18%	63%
2009	125	79%	13%	54%
2010	126	72%	6%	52%
2011	129	33%	-33%	40%
2012	137	81%	15%	65%
AVG	126	66%		61%

Table Two

IFI's Asset Allocation Recommendations in 2012

Allocations Assume a One-year Time Horizon

Global Investor	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012
U.S.	14%	15%	19%	23%	27%	30%	31%	34%	36%	37%	40%	42%	46%
Europe/U.K.	21%	21%	23%	23%	24%	25%	27%	28%	30%	31%	31%	30%	29%
Asia-Pacific/Japan	40%	41%	37%	35%	32%	30%	28%	26%	24%	22%	21%	20%	19%
Latin America/Canada	25%	23%	21%	19%	17%	15%	14%	12%	10%	10%	8%	8%	6%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Investor													
Equities	50%	60%	65%	65%	65%	65%	65%	65%	65%	65%	65%	70%	70%
Bonds (U.S. & Corporate)	25%	25%	25%	25%	30%	25%	20%	15%	15%	15%	15%	15%	15%
Bills (T-Bills & Aaa C/P)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Commodities/Gold	25%	15%	10%	10%	5%	10%	15%	20%	20%	20%	20%	15%	15%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Fixed Income Investor													
U.S. Treasury Bonds	0%	10%	10%	10%	15%	20%	15%	15%	10%	10%	10%	10%	5%
Inflation-Indexed Bonds	15%	5%	5%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Medium-Term Treasury Notes	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Investment-Grade Corporate Bonds	50%	50%	55%	40%	40%	35%	35%	30%	30%	30%	30%	25%	25%
Non-Invest.-Grade Corporate Bonds	35%	35%	30%	45%	45%	45%	50%	55%	60%	60%	60%	65%	70%
Convertible Corporate Bonds	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Equity Investor													
Large-Cap Growth	45%	45%	40%	35%	35%	35%	35%	40%	45%	45%	45%	45%	40%
Large-Cap Value	5%	5%	10%	15%	15%	15%	15%	15%	15%	15%	15%	20%	25%
Small-Cap Growth	45%	45%	35%	30%	30%	30%	30%	30%	30%	30%	30%	25%	20%
Small-Cap Value	5%	5%	15%	20%	20%	20%	20%	15%	10%	10%	10%	10%	15%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Table Three

Returns on Major Asset Classes & IFI's Model Portfolios

Based on IFI's Advised Portfolio Weightings at the Beginning of 2012 *

Global Equity Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Total Returns per Asset Class: Weighted Avg.
Latin America/Canada	23%	6.53%	1.50%
Asia-Pacific/Japan	41%	13.61%	5.58%
Europe/U.K.	21%	16.34%	3.43%
U.S. (S&P 500)	15%	15.99%	2.40%
Sum of Weighted-Average Returns:			**12.91%**
Benchmark Return (MSCI World):			**12.72%**
Excess/Deficient Return vs. Benchmark:			**0.20%**

U.S.-Specific Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Total Returns per Asset Class: Weighted Avg.
Equities (1)	60%	14.48%	8.69%
Bonds (Treas. & Corp.) (2)	25%	12.98%	3.25%
Commodities/Gold (3)	15%	2.90%	0.43%
3-Month Treasury Bills	0%	0.11%	0.00%
Sum of Weighted-Average Returns:			**12.37%**
Benchmark Return (4):			**11.65%**
Excess/Deficient Return vs. Benchmark:			**0.71%**

1. See weighted-average calculation from "U.S.-Specific Equity Investor"
2. See weighted-average calculation from "U.S.-Specific Bond Investor"
3. Half from the Goldman Sachs Commodity Index and half from gold
4. Benchmark: Equities 65%, Bonds 30%, T-Bills 5% = 100%

U.S.-Specific Bond Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Total Returns per Asset Class: Weighted Avg.
Inv.-Grade Corp. Bonds	50%	13.15%	6.58%
Non-Inv.-Grade Corp. Bonds	35%	15.58%	5.45%
Long-Term Treasury Bonds	10%	4.18%	0.42%
Inflation-Indexed T-Bonds	5%	10.65%	0.53%
Medium-Term T-Notes	0%	2.27%	0.00%
Convertible Corporate Bonds	0%	14.96%	0.00%
Sum of Weighted-Average Returns:			**12.98%**
Benchmark Return (Lehman Agg.):			**3.75%**
Excess/Deficient Return vs. Benchmark:			**9.23%**

U.S.-Specific Equity Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Total Returns per Asset Class: Weighted Avg.
Large-Cap Growth (in S&P 500)	45%	14.18%	6.38%
Small-Cap Growth (in S&P 600)	45%	14.15%	6.37%
Small-Cap Value (in S&P 600)	5%	17.39%	0.87%
Large-Cap Value (in S&P 500)	5%	17.23%	0.86%
Sum of Weighted-Average Returns:			**14.48%**
Benchmark Return (50% in S&P500, 50% in S&P600):			**15.85%**
Excess/Deficient Return vs. Benchmark:			**-1.37%**

* "Outlook 2012," January 11, 2012.

Table Four

THE U.S. DOLLAR & COMMODITIES

IFI Forecasts versus Actual Results, Dec. 2011 - Dec. 2012

	% Changes in 2012		Directionally
U.S. Dollar in Foreign Exchange	**Forecasted**	**Actual**	**Correct?**
Dollar Index	-3.3%	-0.3%	yes
in Euro	-3.3%	-1.7%	yes
in JapaneseYen	-2.1%	7.5%	no
in Swiss Franc	-5.2%	-1.7%	yes
in British Pound	-2.6%	-3.5%	yes
in Canadian Dollar	-4.7%	-2.7%	yes
in Australian Dollar	-2.8%	-0.9%	yes
in Mexican Peso	1.3%	-5.3%	no
in Brazilian Real	2.0%	14.4%	yes
	% Changes in 2012		Directionally
Broad Commodity Indexes	**Forecasted**	**Actual**	**Correct?**
CRB Index: Spot Prices (All Commodities)	7.4%	0.6%	yes
Diversified Basket of Commodities [DBC]	8.6%	2.7%	yes
Precious Metals [DBP]	11.7%	1.6%	yes
Base Metals [DBB]	4.5%	1.7%	yes
Energy Products [DBE]	12.1%	-1.1%	no
Agricultural Goods [DBA]	6.1%	0.2%	yes
Goldman Sachs Commodity Index [GSP]	10.6%	-1.1%	no
	% Changes in 2012		Directionally
Specific Commodities	**Forecasted**	**Actual**	**Correct?**
Aluminum	8.0%	4.5%	yes
Coal	2.1%	-13.5%	no
Cocoa	6.6%	13.2%	yes
Coffee	6.4%	-35.6%	no
Copper	2.9%	5.6%	yes
Corn	7.7%	18.2%	yes
Cotton	10.2%	-17.2%	no
Crude Oil	9.8%	-10.4%	no
Electricity	21.2%	11.0%	yes
Gasoline	9.9%	4.2%	yes
Gold	18.0%	2.6%	yes
Heating Oil	12.3%	3.9%	yes
Lead	3.2%	12.5%	yes
Lean Hogs	2.3%	0.6%	yes
Live Cattle	3.4%	9.7%	yes
Natural Gas	7.4%	13.8%	yes
Nickel	2.9%	-8.3%	no
Oats	4.0%	24.1%	yes
Orange Juice	4.8%	-22.4%	no
Palladium	12.8%	6.6%	yes
Platinum	7.6%	8.5%	yes
Silver	8.5%	4.9%	yes
Soybeans	7.2%	24.0%	yes
Steel	4.7%	-46.1%	no
Sugar	7.3%	-18.4%	no
Tin	5.1%	14.8%	yes
Wheat	6.8%	22.0%	yes
Zinc	4.3%	4.0%	yes

Table Five

U.S. MONEY MARKET & FIXED INCOME

IFI Forecasts versus Actual Results, Dec. 2011 - Dec 2012

	Yield Levels (averages in %)				Forecasted	Actual	
U.S. Treasury Yield Curve	**Actual Dec 11**	**Forecast Jun 12**	**Forecast Dec 12**	**Actual Dec 12**	**Change in 2012 (bps)**	**Change in 2012 (bps)**	**Directionally Correct?**
Fed Funds Rate	0.07	0.06	0.06	0.17	-1	10	no
3 mo. T-Bill Rate	0.01	0.02	0.03	0.07	2	6	yes
2 yr. T-Note Yield	0.26	0.22	0.25	0.25	-1	-1	yes
5 yr. T-Note Yield	0.89	0.79	0.86	0.70	-3	-19	yes
10 yr. T-Bond Yield	1.98	1.76	1.89	1.72	-9	-26	yes
30 yr. T-Bond Yield	2.98	2.74	2.90	2.88	-8	-10	yes
Forecasted vs. Actual: Absolute Total Return on T-Bonds:					3.6%	4.2%	yes
Forecasted vs. Actual: Relative Total Return, T-Bonds vs. T-Bills:					3.5%	4.1%	yes

	Yield Levels (averages in %)				Forecasted	Actual	
U.S. Corporate Bond Yields (%)	**Actual Dec 11**	**Forecast Jun 12**	**Forecast Dec 12**	**Actual Dec 12**	**Change in 2012 (bps)**	**Change in 2012 (bps)**	**Directionally Correct?**
Non-Investment Grade	8.60	8.30	7.91	6.27	-69	-233	yes
Investment-Grade (Baa-rated)	5.25	4.95	4.85	4.63	-40	-62	yes
Investment-Grade (Aaa-rated)	3.93	3.65	3.60	3.65	-33	-28	yes
U.S. Corp. Yield Spreads to 10-yr T-Bond (bps)							
Non-Investment Grade	662	654	602	455	-60	-207	yes
Investment-Grade (Baa-rated)	327	319	296	291	-31	-36	yes
Investment-Grade (Aaa-rated)	195	189	171	193	-24	-2	yes

Table Six

U.S. EQUITIES & SECTOR ROTATION

IFI Forecasts versus Actual Results, Dec. 2011 - Dec 2012

	% Changes in 2012		Directionally
U.S. Equities and Style Bets	**Forecasted**	**Actual**	**Correct?**
DJIA 30	12.9%	8.9%	yes
NASDAQ Composite	15.1%	15.5%	yes
Large-Cap (S&P 500)	14.3%	14.4%	yes
Large-Cap Value (S&P 500)	9.9%	18.7%	yes
Large-Cap Growth (S&P 500)	18.8%	15.2%	yes
Large-Cap Value vs Large-Cap Growth (% pts)	-8.9%	3.4%	no
Super-Cap (S&P 100)	13.4%	17.3%	yes
Small-Cap (S&P 600)	15.1%	15.5%	yes
Small-Cap Value (S&P 600)	9.8%	18.1%	yes
Small-Cap Growth (S&P 600)	18.5%	13.0%	yes
Small-Cap Value vs Small-Cap Growth (% pts)	-8.7%	5.1%	no
Small-Cap (Russell 2000)	15.4%	15.3%	yes
Large-Cap vs. Small Cap (% pts)	-1.1%	-0.9%	yes
	% Changes in 2012		**Directionally**
S&P 500 Sectors: Absolute Change (%)	**Forecasted**	**Actual**	**Correct?**
Consumer Discretionary	15.2%	21.9%	yes
Consumer Staples	9.5%	11.2%	yes
Energy	18.1%	3.7%	yes
Financials	17.3%	25.6%	yes
Health Care	10.0%	19.0%	yes
Industrials	15.7%	13.0%	yes
Information Technology	16.7%	12.3%	yes
Materials	10.5%	9.7%	yes
Telecommunications Services	8.6%	16.6%	yes
Utilities	8.3%	0.2%	yes
	% Changes in 2012		**Directionally**
S&P 500 Sectors: Change versus S&P 500 (% pts)	**Forecasted**	**Actual**	**Correct?**
Consumer Discretionary	1.0%	7.5%	yes
Consumer Staples	-4.8%	-3.2%	yes
Energy	3.9%	-10.7%	no
Financials	3.0%	11.2%	yes
Health Care	-4.2%	4.6%	no
Industrials	1.4%	-1.4%	no
Information Technology	2.4%	-2.0%	no
Materials	-3.8%	-4.7%	yes
Telecommunications Services	-5.6%	2.2%	no
Utilities	-6.0%	-14.2%	yes

Table Seven

The Absolute & Relative Price Performance of S&P 500 Sectors

Organized by IFI's Advised Weightings at the Beginning of 2012 *

Changes in averages: Dec. 2011 to Dec. 2012

	IFI's Advised	Over-weight/	Absolute Changes		Relative to S&P 500	
Sectors	Weighting	Under-weight	Simple	Weighted	Simple	Weighted
Energy	22%	10%	3.7%	0.8%	-10.7%	-2.3%
Financials	17%	3%	25.6%	4.4%	11.2%	1.9%
Information Technology	17%	-2%	12.3%	2.1%	-2.0%	-0.3%
Industrials	15%	4%	13.0%	1.9%	-1.4%	-0.2%
Consumer Discretionary	12%	1%	21.9%	2.6%	7.5%	0.9%
Materials	7%	3%	9.7%	0.7%	-4.7%	-0.3%
Health Care	5%	-7%	19.0%	0.9%	4.6%	0.2%
Consumer Staples	3%	-9%	11.2%	0.3%	-3.2%	-0.1%
Telecomm Services	1%	-2%	16.6%	0.2%	2.2%	0.0%
Utilities	1%	-3%	0.2%	0.0%	-14.2%	-0.1%
Change in S&P 500: +14.4%			IFI Sector Portfolio:	14.0%		-0.4%
			Performance of IFI's 5 Most-Favored Sectors: 15.3%	11.9%	0.9%	-0.1%
			Performance of IFI's 5 Least-Favored Sectors: 11.3%	2.1%	-3.1%	-0.3%
			Relative Performance, Most-Favored minus Least-Favored: 4.0%	9.7%	4.0%	0.2%
			(average)	(sum)	(average)	(sum)

* "Outlook 2012," January 11, 2012.

Table Eight

INTERNATIONAL MARKETS

IFI Forecasts versus Actual Results, Dec. 2011 - Dec 2012

	% Changes in 2012		Directionally
Foreign Currencies vs the U.S.$	**Forecasted**	**Actual**	**Correct?**
See Table Four (page 6), the inverse of these currency forecasts			
Foreign Government Bond Yields	**Changes in bps**		
Germany	-14	-63	yes
Japan	4	-23	no
Switzerland	-4	-20	yes
Britain	-11	-33	yes
Canada	2	-21	no
Australia	-16	-60	yes
Spain	-13	-17	yes
Mexico	10	-22	no
Brazil	16	-33	no
Foreign Equities: Broad [ETF Symbols]	**Changes in %**		
EAFE [EFA]	18.1%	17.1%	yes
Asia-Pacific ex-Japan [ADRA]	24.3%	13.8%	yes
Europe ex-Britain [IEV]	14.4%	19.7%	yes
Americas ex-Canada [ILF]	12.0%	3.1%	yes
Emerging Markets	19.8%	14.9%	yes
Foreign Equities: Asia-Pacific [ETF Symbols]	**Changes in %**		
Australia [EWA]	19.9%	19.6%	yes
Hong Kong [EWH]	23.4%	28.4%	yes
Japan [EWJ]	23.1%	6.4%	yes
Malaysia [EWM]	22.6%	14.2%	yes
Singapore [EWS]	28.0%	27.7%	yes
South Korea [EWY]	19.3%	16.8%	yes
Taiwan [EWT]	32.8%	18.2%	yes
Foreign Equities: Europe [ETF Symbols]	**Changes in %**		
Austria [EWO]	23.0%	28.9%	yes
Britain [EWU]	20.3%	15.4%	yes
France [EWQ]	15.3%	22.4%	yes
Germany [EWG]	16.0%	28.6%	yes
Italy [EWI]	4.9%	10.2%	yes
Netherlands [EWN]	15.4%	22.2%	yes
Spain [EWP]	11.6%	2.2%	yes
Sweden [EWD]	14.4%	23.3%	yes
Switzerland [EWL]	14.9%	23.2%	yes
Foreign Equities: Americas [ETF Symbols]	**Changes in %**		
Canada [EWC]	20.2%	9.7%	yes
Brazil [EWZ]	13.2%	-4.7%	no
Chile [ECH]	12.4%	8.3%	yes
Mexico [EWW]	10.5%	30.6%	yes

Table Nine

IFI's Forecasts for 2012 Compared to Wall Street Strategists

Source: "Outlook 2012," Barron's, December 19, 2011

	S&P 500 Price Index			
Forecaster/Firm	**Actual Dec. 2011**	**Forecasted Dec. 2012**	**Forecasted % Change**	**Actual Change (%)**
Steve Auth/Federated Investors		1,450	16.7%	
John Praveen/Prudential		1,430	15.0%	
Thomas Lee/J.P. Morgan		1,430	15.0%	
S&P 500 Price Index (actual)	**1,243**	**1,422**		**14.4%**
Richard Salsman/InterMarket Forecasting		**1,421**	**14.3%**	
Jeffrey Knight/Putnam Investments		1,420	14.2%	
Tobias Levkovich/Citibank		1,375	10.6%	
Robert Doll/BlackRock Financial		1,350	8.6%	
Savita Subramanian/BofA Merrill Lynch		1,350	8.6%	
Barry Knapp/Barclays Capital		1,330	7.0%	
David Kostin/Goldman Sachs		1,250	0.6%	
Adam Parker/Morgan Stanley		1,238	-0.4%	

	S&P 500 Operating Earnings per share			
Forecaster/Firm	**Actual Dec. 2011**	**Forecasted Dec. 2012**	**Forecasted % Change**	**Actual Change (%)**
Steve Auth/Federated Investors		$110.0	14.1%	
Richard Salsman/InterMarket Forecasting		**$108.5**	**12.5%**	
John Praveen/Prudential		$107.0	10.9%	
S&P 500 OPS (actual - Full Year)	**$96.4**	**$105.5**		**9.4%**
Jeffrey Knight/Putnam Investments		$105.0	8.9%	
Thomas Lee/J.P. Morgan		$105.0	8.9%	
Savita Subramanian/BofA Merrill Lynch		$104.5	8.4%	
Adam Parker/Morgan Stanley		$103.2	7.0%	
Barry Knapp/Barclays Capital		$103.0	6.8%	
Robert Doll/BlackRock Financial		$102.5	6.3%	
Tobias Levkovich/Citibank		$101.0	4.7%	
David Kostin/Goldman Sachs		$100.0	3.7%	

	10-Year U.S. Treasury Bond Yield			
Forecaster/Firm	**Actual Dec. 2011**	**Forecasted Dec. 2012**	**Forecasted Change (bps)**	**Actual Change (bp)**
Jeffrey Knight/Putnam Investments		3.25%	127	
Steve Auth/Federated Investors		3.00%	102	
Robert Doll/BlackRock Financial		3.00%	102	
John Praveen/Prudential		2.60%	62	
David Kostin/Goldman Sachs		2.50%	52	
Thomas Lee/J.P. Morgan		2.50%	52	
Tobias Levkovich/Citibank		2.40%	42	
Savita Subramanian/BofA Merrill Lynch		2.40%	42	
Barry Knapp/Barclays Capital		2.00%	2	
Adam Parker/Morgan Stanley		2.00%	2	
Richard Salsman/InterMarket Forecasting		**1.89%**	**-9**	
10-Year U.S. Treasury Bond Yield (actual)	**1.98%**	**1.72%**		**-26**

	Growth Rate of U.S. Economy			
Forecaster/Firm	**Actual 2011**	**Forecasted 2012**	**Forecasted Change (% pts)**	**Actual Change (% pts)**
Jeffrey Knight/Putnam Investments		3.0%	1.0%	
Steve Auth/Federated Investors		2.8%	0.8%	
Richard Salsman/InterMarket Forecasting		**2.8%**	**0.8%**	
Barry Knapp/Barclays Capital		2.5%	0.5%	
John Praveen/Prudential		2.5%	0.5%	
Adam Parker/Morgan Stanley		2.2%	0.2%	
Robert Doll/BlackRock Financial		2.0%	0.0%	
Tobias Levkovich/Citibank		1.9%	-0.1%	
Savita Subramanian/BofA Merrill Lynch		1.9%	-0.1%	
Thomas Lee/J.P. Morgan		1.7%	-0.3%	
David Kostin/Goldman Sachs		1.5%	-0.5%	
Growth Rate in U.S. Real GDP (actual)	**2.0%**	**1.5%**		**-0.5%**

Appendix

IFI Research Reports in 2012

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23. "U.S. Household Deleveraging is Not the Real Impediment to a Vigorous Economic Recovery," *Investor Alert*, June 22, 2012.

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25. "Note to Worrywarts: Euro-Zone Debt Woes Aren't Boosting Financial Stress Measures," *Investment Focus*, July 10, 2012.

26. "The Unheralded Revival in U.S. Corporate Profitability and Industrial Production," *Investor Alert*, July 16, 2012.

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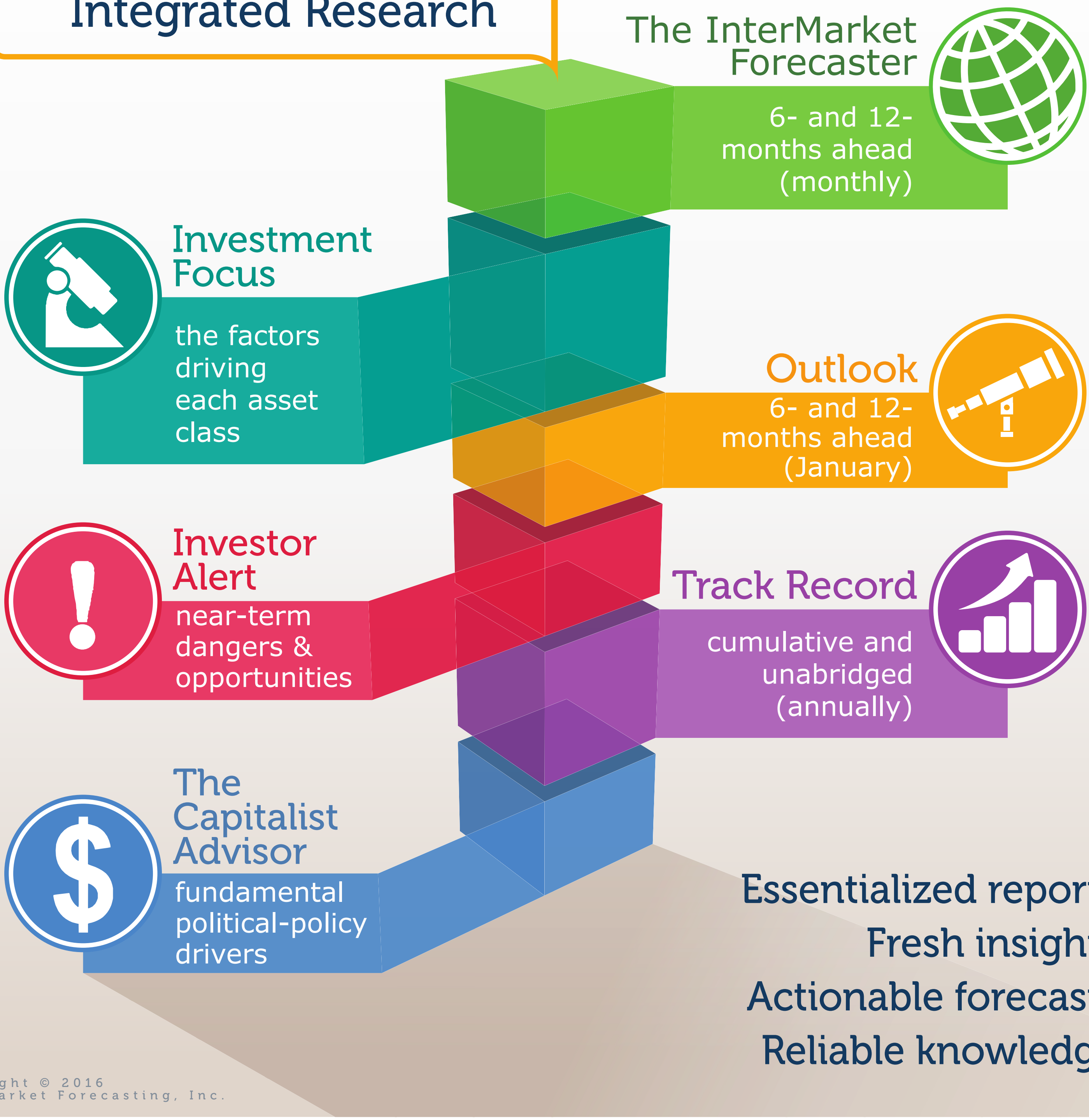

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Richard M. Salsman, Ph.D., CFA®

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