



# Europe to the Fore

Market Update from Jim Ulland

Last spring, all eyes were on the Middle East. This summer, US government budget woes took center stage. Now, with fall upon us, attention is focused on Europe as it tries to halt the sovereign debt contagion from spreading beyond Greece.

Markets, both at home and abroad, swing daily on news out of Europe. The good news is that the EU announced a viable debt reduction plan in late October. The Eurozone financial rescue fund has been expanded, banks have agreed to write down the value of Greek bonds thereby helping the country lower its debt, and stricter capital requirements for Eurozone banks have been introduced with a bank recapitalization component. Positive developments to be sure, but it remains to be seen if struggling countries can adopt strict enough austerity measures to combat their budget deficits. And with European banks exposed to assets tied to the troubled countries, even the economies thought to be sound are being carefully watched. Europe's debt problems will continue to affect the economic landscape, but the crisis atmosphere has passed.

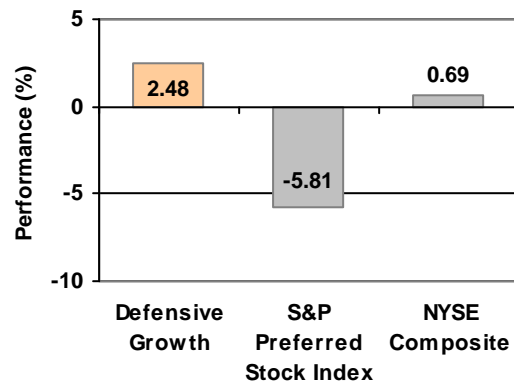
In the US, key economic indicators have been more promising. Third quarter corporate earnings have been better than expected, and third quarter GDP expanded at a 2.5% annual rate (compared to 1.3% in the second quarter). However, with the unemployment rate holding near 9%, budget imbalances, and weak job creation, the economic recovery continues to be painfully slow. With such uncertainty, we remain defensive in our investment strategy.

## Trust Preferred Securities

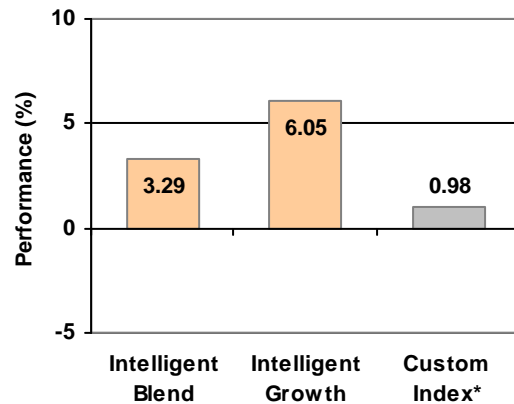
UIA Defensive Growth portfolios using Trust Preferred securities have yields of almost 8 percent. As the graph on the next page illustrates,

### Last 12-Months Performance

10/31/10 through 10/31/11

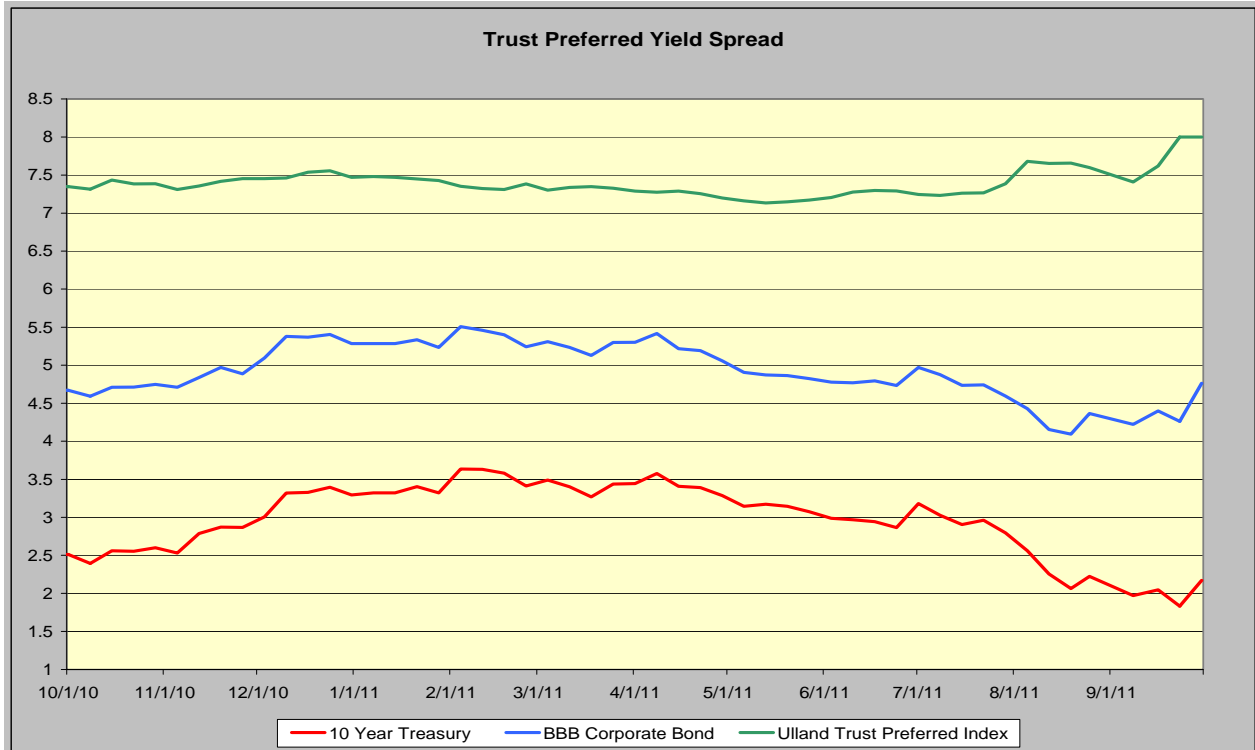


Our Defensive Growth strategy gained 2.48%, after fees, vs. -5.81% for the S&P Preferred Stock Index and .69% for the NYSE Composite Index. Defensive Growth portfolios hold varying amounts of equity and fixed income. Trust Preferred securities are the largest holding.



Intelligent Blend and Intelligent Growth portfolios returned 3.29% and 6.05%, respectively, in the last 12 months while our custom benchmark gained .98%.

\*Custom Index is composed of 50% Russell 3000 Index and 50% S&P Preferred Stock Index. This composition mirrors the approximate allocation for Intelligent Blend and Growth strategies.



this strategy has maintained a healthy yield advantage over other types of fixed income during the past 12 months.

Slow economic growth and low inflation make a good environment for our Trust Preferred strategy. As you can see, over the past year ending September 30<sup>th</sup>, our Trust Preferred strategy maintained at least a two-plus percent greater yield over corporate bonds and substantially more over government bonds. This favorable gap opened to nearly four percentage points over corporate bonds by September 30<sup>th</sup>.

Compared to the volatility exhibited by stocks, trust preferred share prices have remained relatively stable and continue to produce compelling total returns. The Dodd-Frank financial reform bill effectively put a floor under trust preferred share prices, helping to reduce volatility. Since these shares are publicly traded, they also provide liquidity not available in corporate or municipal bonds.

Because of the implementation of the Dodd-Frank legislation, we utilize a trading strategy to maximize the current yield plus appreciation to redemption of these securities.

**The nearly 8% current yield plus expected price appreciation have made this strategy popular for investors holding cash, CDs, or low-yielding fixed income securities.**

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### Selective With Stocks

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In light of the uncertain economic environment, we remain selective with stocks. We like domestic oil and natural gas exploration & production companies, large US exporters and select opportunities in healthcare and technology. For patient investors, we like foreign ETFs representing high-growth economies. We feel Asia and Latin America will respond faster than the US market once the recovery improves.

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### Opportunity

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**Our Defensive Growth Strategy using Trust Preferred Securities has provided steady income during this uncertain market environment.** Investors can transfer stocks or start with cash. Our minimum account size is \$300,000.

If you would like to meet with us, please call Nat Beebe at 612.312.1402 or email him at [nat.beebe@ullandinvestment.com](mailto:nat.beebe@ullandinvestment.com). Visit our website - [www.ullandinvestment.com](http://www.ullandinvestment.com).