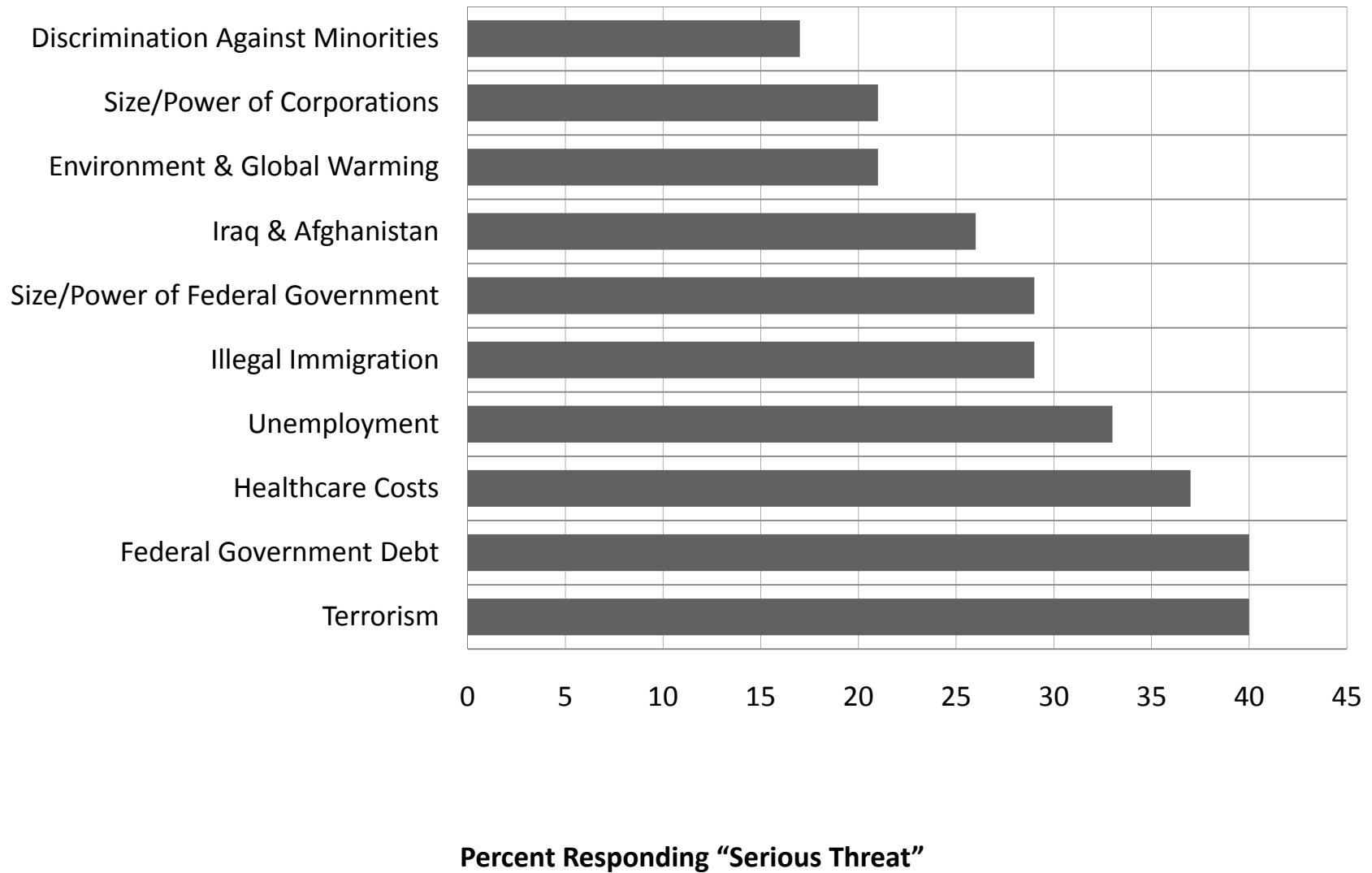


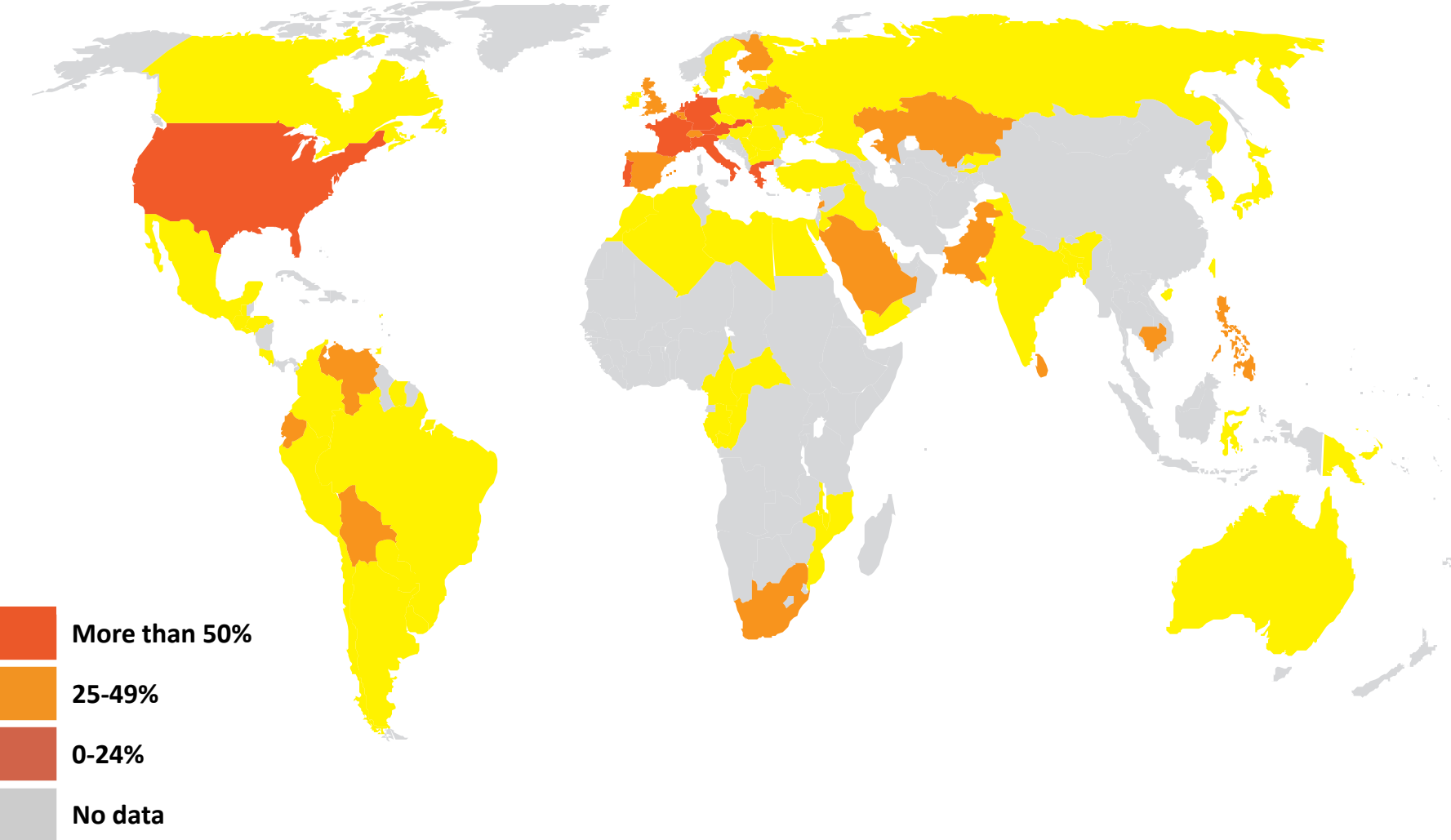
# Perceived Threats to U.S. Future Well-Being



Source: Gallup (2010)



# Gold's Share of National FOREX Reserves



Source: WGC (2010)

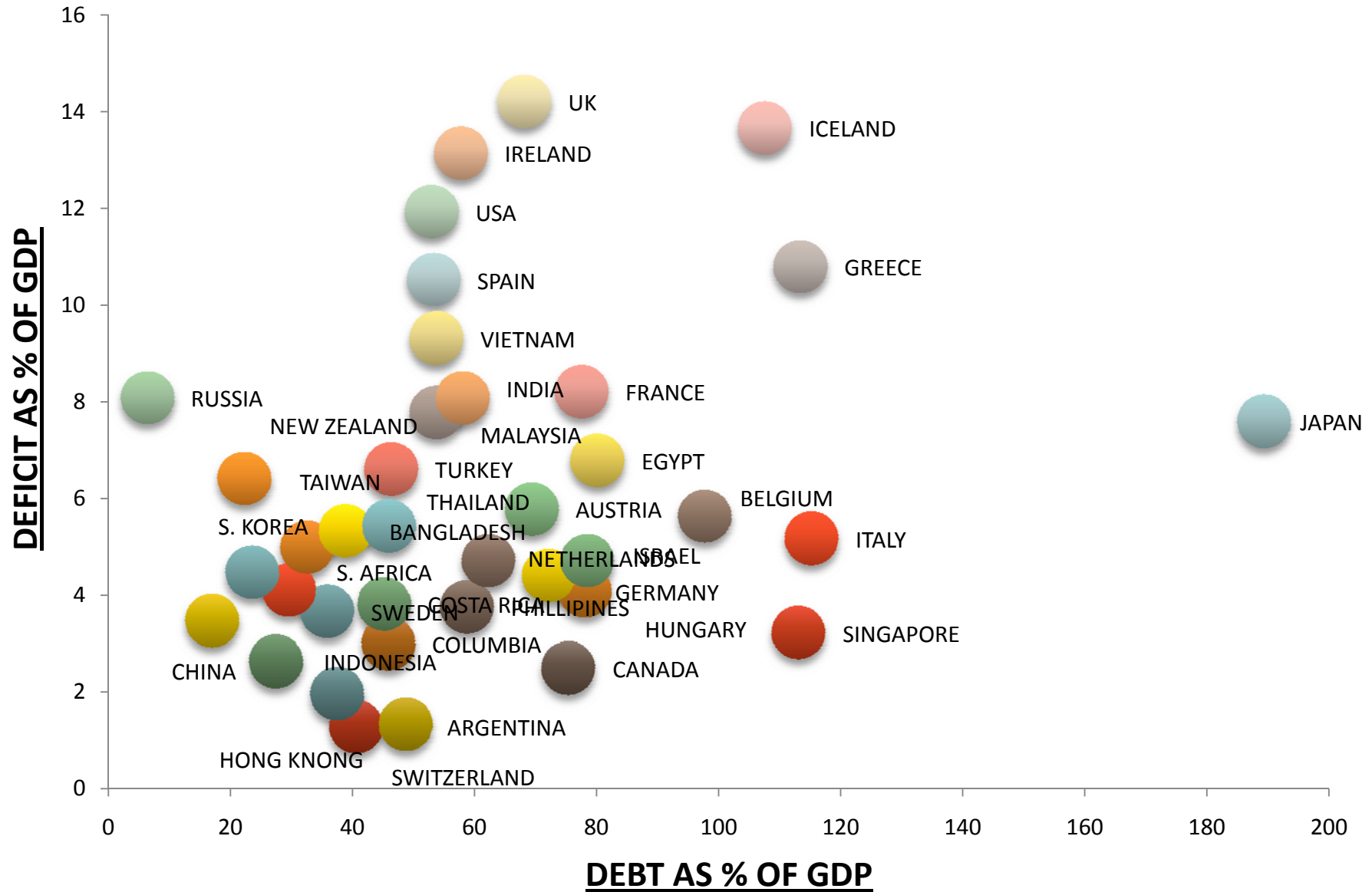
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	LOW RISK	HIGH RISK
HIGH OPPORTUNITY	<p><b>Building Blocks</b></p> <p>Manager Skill Market Risk</p> <p><b>Examples</b></p> <p>Hedged Strategies Enhanced Income Emerging Market Debt Gold</p>	<p><b>Building Block</b></p> <p>Illiquid Total Return</p> <p><b>Examples</b></p> <p>Private Real Estate Private Equity Black Swan Events</p>
LOW OPPORTUNITY	<p><b>Building Blocks</b></p> <p>Liquidity Reserves Safe</p> <p><b>Examples</b></p> <p>Cash TIPS Municipal Bonds</p>	<p><b>Building Blocks</b></p> <p>Market Risk Safe</p> <p><b>Examples</b></p> <p>Stocks Treasury Bonds Commodities</p>



# Fiscal Conditions, Emerging Markets vs. Developed Markets

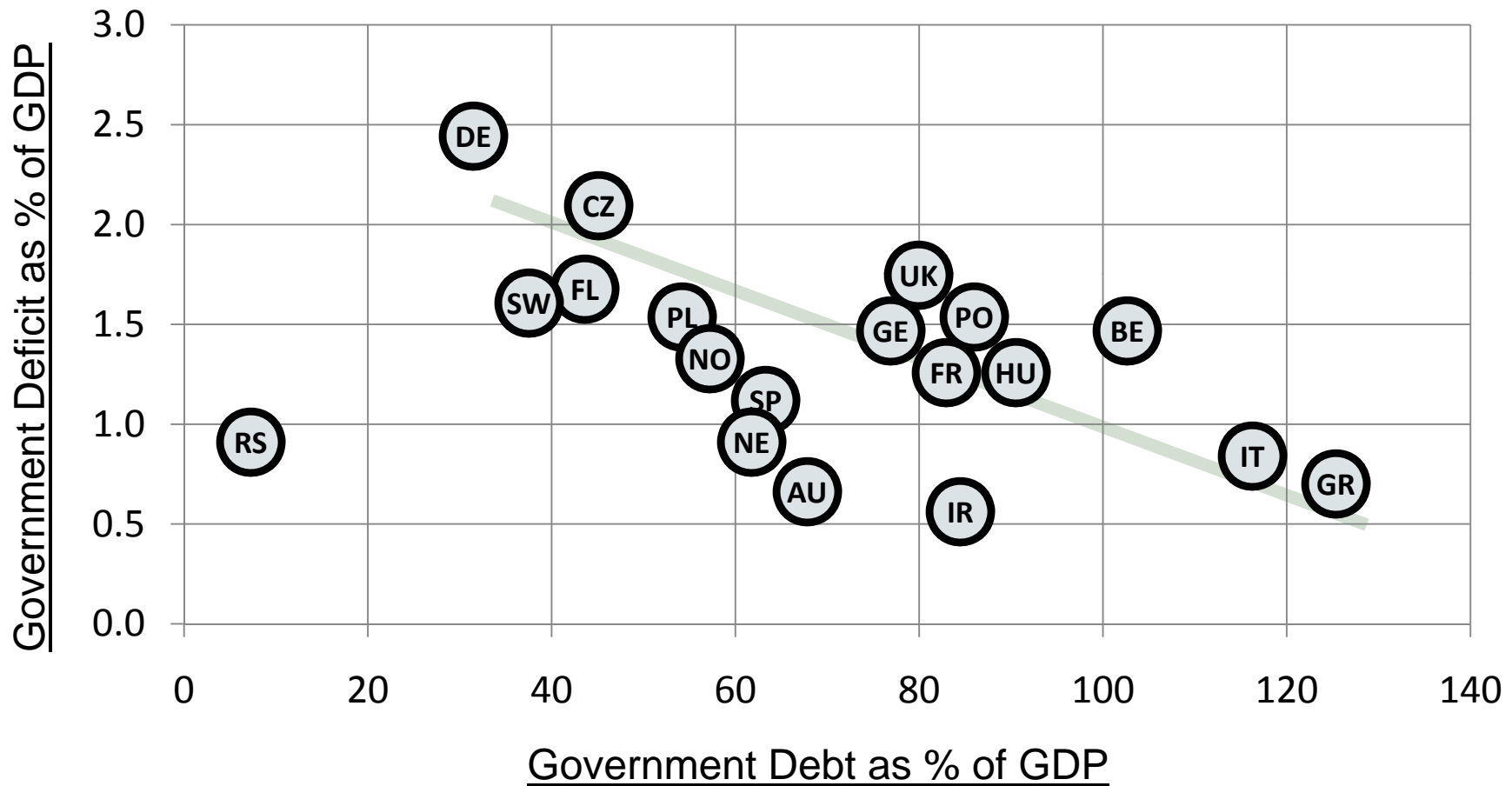


Source: Ned Davis Research (2010)

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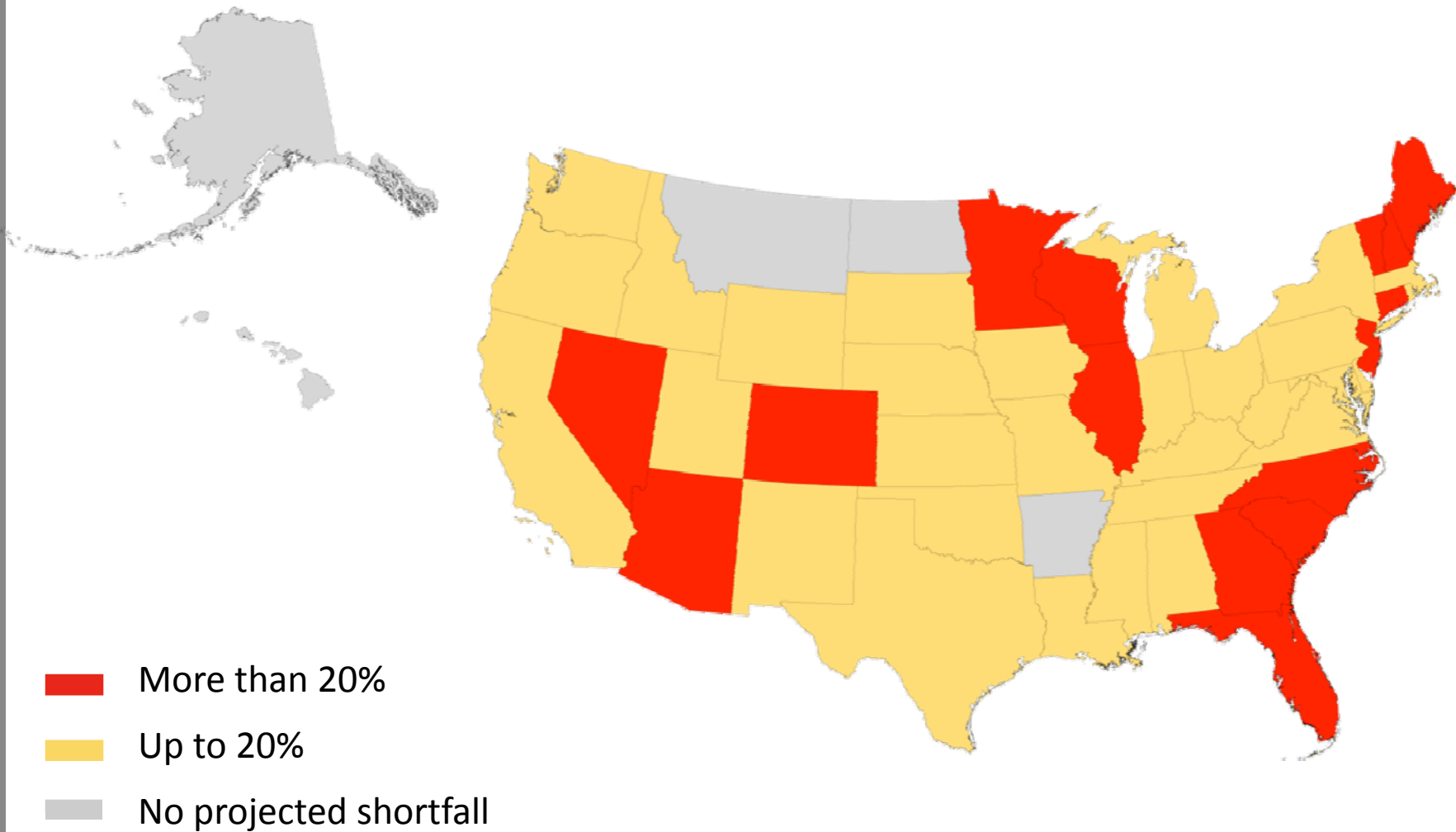
## European Markets are Cheap for a Reason



Source: Ned Davis Research (2010)

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# Budget Shortfalls by State (as % of FY10 Budget)



Source: Center on Budget and Policy Priorities (2010)

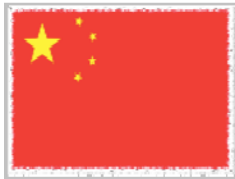
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# Inflation Rates



Japan



China



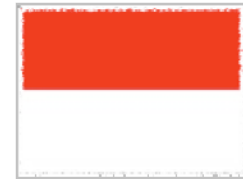
Germany



Italy



Brazil



Indonesia



United States



Spain



Greece



Australia



Mexico



Turkey



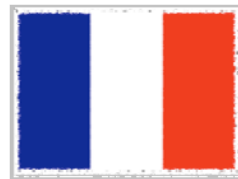
Hong Kong



Taiwan



United Kingdom



France



Russia



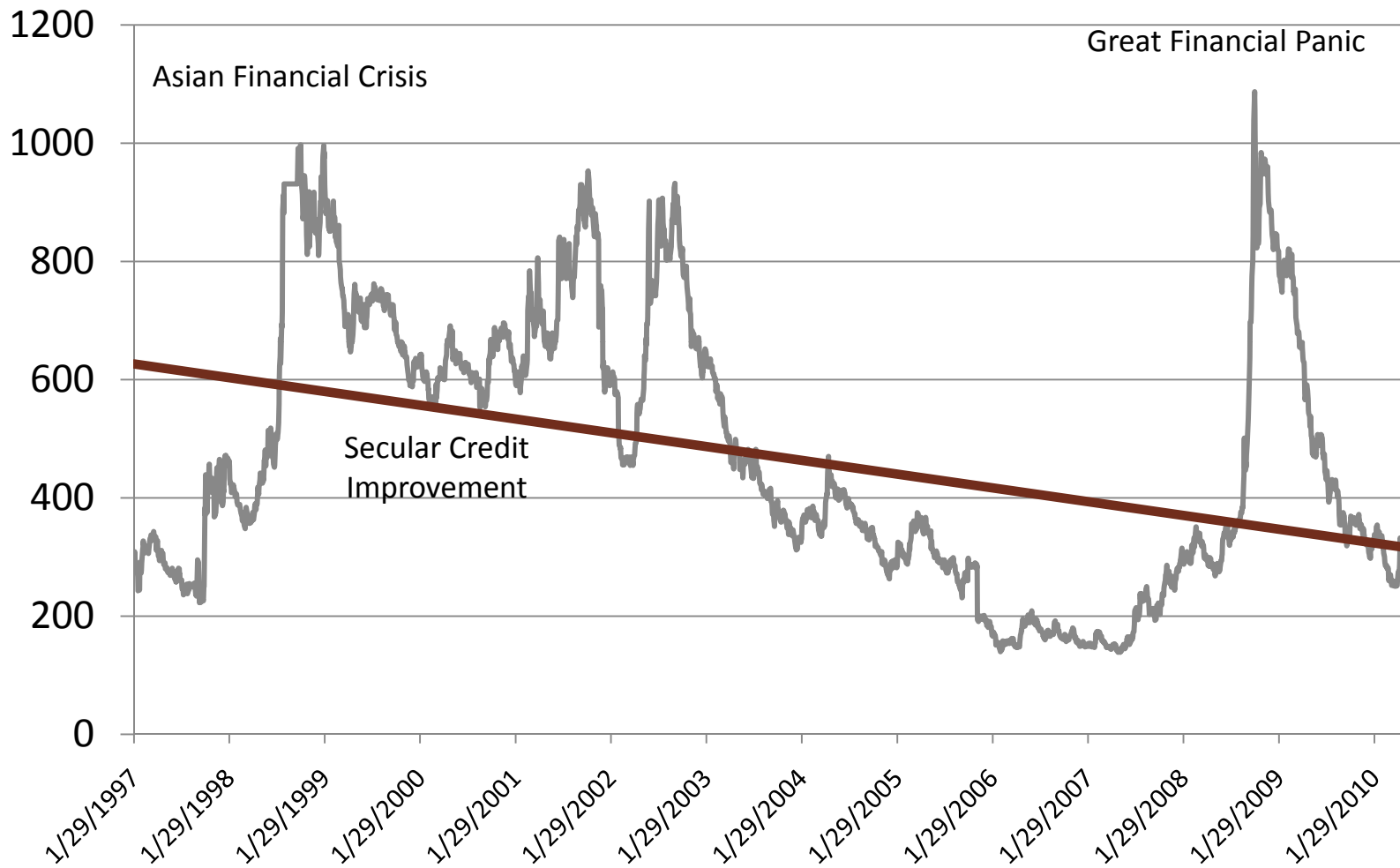
India

LOW INFLATION

MODERATE INFLATION

HIGH INFLATION

# Emerging Market Debt

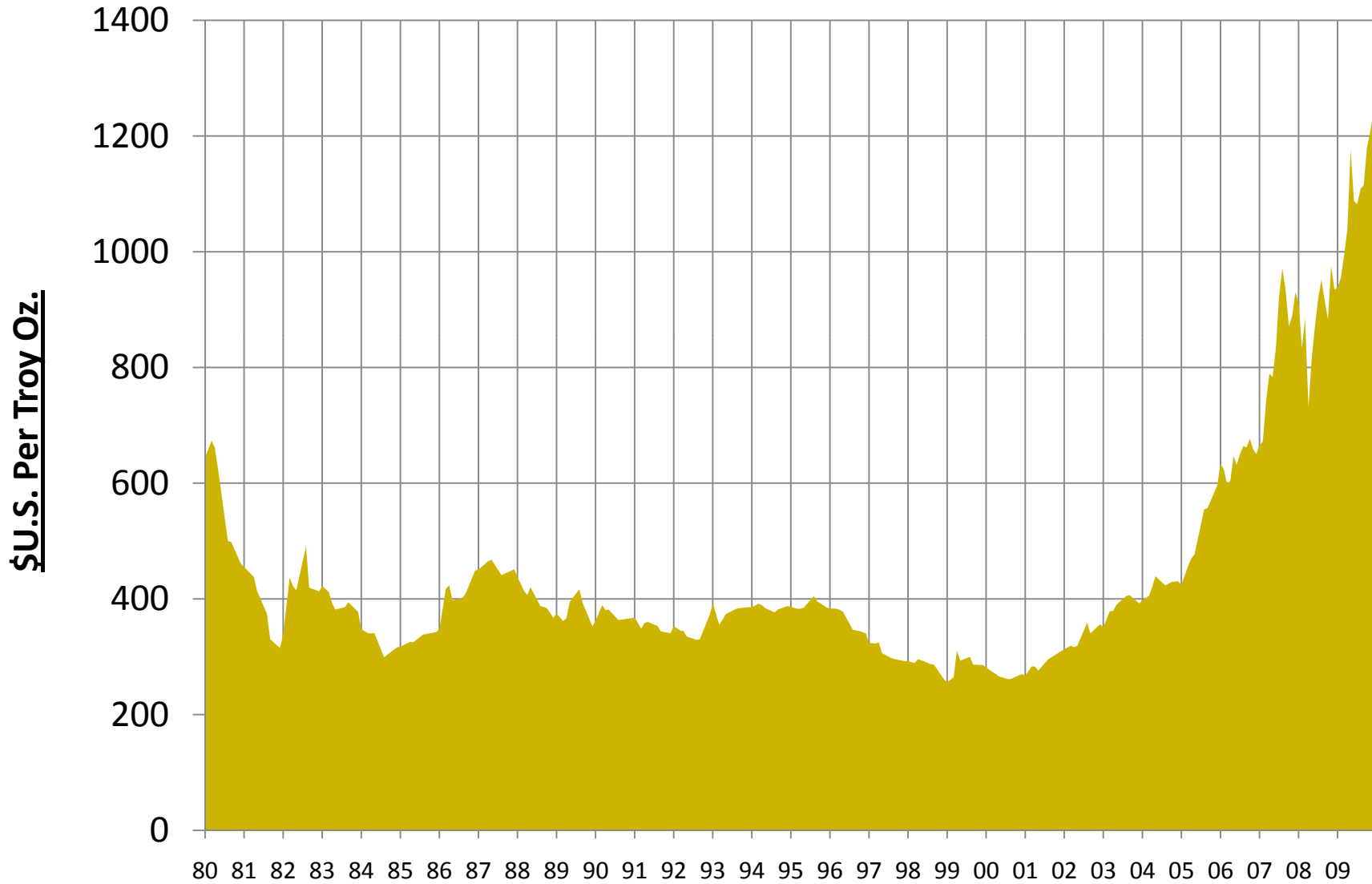


Sources: Balentine, J.P. Morgan, Factset (2010)

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# Gold = Fear Now + Inflation Later



Source: Factset (2010)

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## Actions We Have Taken

Problem	Action
Market Volatility	Eliminated Small Cap Stock Exposure, Eliminated High-Yield Bond Exposure, Significantly Reduced Exposure to International Stocks, Increased Hedged Strategies
Deflation & Currency Debasement in Developed World	Reduced Market Risk, Gold
State Budget Shortfalls	Quality Exposure Within Municipals
Potential Tax Increases	Index Implementation, Tax-Overlay Strategies
Low Interest Rates in Developed World	Enhanced Income Strategy (MLPs, Convertibles and High-Yield ETFs)
Inflation & Currency Appreciation in Emerging World	Emerging Market Debt



# Where Next?



## Developed World

- ▶ Will banks be willing to lend more
- ▶ Will businesses be willing to hire and invest more
- ▶ Will governments commit to credible fiscal consolidation



## Emerging World

- ▶ Will governments increase interest rates and allow currencies to appreciate to rebalance economies towards domestic consumption and investment

