

March 13, 2008

Dear Friend,

Attending conferences designed for investment advisors is one way we continue to educate ourselves as investment professionals. In turn, we are able to use this knowledge to help us bring value to our clients. Recently, Rob, Dick, and Howie attended the Charles Schwab Impact Conference in Las Vegas, Nevada. As usually is the case at these events, we were able to hear from some of the most respected minds in the financial world.

We had the privilege of attending a dinner where Jeremy Siegel gave an economic outlook presentation. Professor Siegel is a well-known professor of finance at the Wharton School at the University of Pennsylvania whose research is very highly regarded. He has authored several books, including *Stocks for the Long Run*, and, most recently, *The Future for Investors*. One topic Professor Siegel spoke about that we found of particular interest is the changing global economy, and how international stocks will continue to become a larger percentage of the global economy.

Looking at the global economy historically, we find that in 1970 the U.S. made up 66% of global market capitalization. ⁽¹⁾ By December, 2007, this number had fallen to approximately 41%. ⁽²⁾ It is estimated that by 2030 the U.S. will make up less than 30% of the global stock market. ⁽¹⁾

There is opportunity here for U.S. companies and investors. Globally, there are countries with huge populations that are experiencing growth like we saw in this country for the past century. As free markets, democracy, trade, technology, and the rule of law emerge in these cultures for the first time, they are becoming consumers of products like automobiles, computers, cell phones and the like. As these economies with populations numbering in the billions continue to grow, the U.S. will continue to have a smaller and smaller percentage of global market capitalization; yet will have more and more opportunity to offer goods and services to this ever-expanding customer base.

Having an allocation to international stocks is also an opportunity. Research has shown that an investment portfolio that includes an allocation of international equities not only increases potential returns, but also decreases risk. The U.S. may never again be the dominant global economy that it once was, but opportunities for the investor are plentiful. The global economy is changing and, as Americans, we need to be aware of this and participate in the change.

As always, if you have any questions or would like to discuss this subject further, please don't hesitate to contact us.

Arcadia Investment Advisors

References:

- (1) <http://www.morganstanley.com>
- (2) Standard & Poor's – Indices S&P/Citigroup World By Numbers