

Recent Comments from Our Sub-Advisors

October - December 2009

Madison

WEALTH MANAGEMENT

Bruce Berkowitz – Portfolio Manager and Founder, Fairholme Fund

Note: Morningstar named Bruce Berkowitz US stock-fund manager of the year for 2009.

- ~ "I've had a lot of fun and continue to enjoy myself. We expand our circle of competence - slowly. We hopefully get better and wiser and don't make the same mistake twice. After about 30 years I've made my fair share of mistakes. **I have a trick I use: I put all of my family's money into the fund.** I'm using every device I know of to make sure we maintain a level playing field and put ourselves in the shoes of our shareholders. The only way to do that is to become as large a shareholder as possible."
- ~ "We got a little lucky last year. Besides the near collapse of the financial markets, we also had the threat of the nationalization of the health care system, which is about one-sixth of our economy. After our analysis, we determined that could not happen. We were able to benefit in bigger and better ways in the health care sector, especially with the insurers. The markets have improved. Equities remain cheaply valued relative to their free cash flows – at least for the companies we invest in."
- ~ "Our tagline is "ignore the crowd." If a big voice came down from the sky and said "buy this," we wouldn't unless we did the homework. Shame on us for buying something just because someone else did. The trick in life is not to die. The trick in investing is not to lose. We assume, like my family, that most of our shareholders have put all their long term-wealth with us and that wealth will be needed down the road."

Ron Baron - CEO & Chief Investment Officer, Baron Funds

- ~ "Because investors panicked last year, stock markets crashed. That has created what I believe is the best investment opportunity of my entire career. This opportunity was born amidst...failures of 'too big to fail' institutions...a financial panic and a six month stock market 'crash' more severe than any since the 1930's...business revenue and profit declines greater than any during my career...significant increases in unemployment...and Ponzi schemes of unimaginable scale...followed by 771 coordinated government initiatives that included zero interest rates!"
- ~ "We believe that Panic of 2008-09 and ensuing Great Recession will be a wakeup call to America similar to the way Sputnik energized our nation more than fifty years ago. Efforts to be more respectful of our environment; to be more efficient with energy usage; to rebuild again infrastructure; to achieve cost effective healthcare outcomes; and to better educate our adults and our young will create jobs. We are investing to take advantage of these ideas."
- ~ "Long-term inflation is no joke. Inflation is not a problem now, but things are going to cost a lot more in the future than they do today. Disinterest in stocks by so many now offers opportunities to invest in growth companies 'on sale'."

John Calamos - Chairman, Calamos Investments

"It seems likely that a shift in global wealth will occur and be in favor of the developing nations. The U.S. is moving toward the limit of its global capacity to run deficits, while China is fast becoming a global consumer."

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Managers of the Tweedy, Browne Global Value Fund

- ~ "In looking back over the financial crisis last year, we continue to be struck by the extraordinary faith accorded by financial institutions and hedge funds in just a handful of numbers. Behavioralists have spoken frequently about the dangerous tendency of investors to think highly of themselves and their judgments, and the tendency to overestimate the reliability of their information. That has occurred in spades over the last decade as investors both amateur and professional alike fell prey to this classic form of behavioral error, 'overconfidence'. One could argue that this has been a pivotal factor in a number of the financial debacles that have arisen over the last twenty years, including the financial crisis we find ourselves in today."
- ~ "Global equity markets have risen like a phoenix over the last six months from the dark days of early March. The snapback has been fast and furious, and was not unlike that which has occurred from past recession lows. While we cannot be certain where equity markets are heading in the short term, we all feel pretty confident about the long term. Investors who are concerned about our near-to-intermediate term economic prospects should not lose sight of the fact that cheap valuations can often offset a lot of macroeconomic ills. While we can provide no guarantees regarding future returns, we nevertheless believe that looking back five-to-ten years from now, even from these levels in the market, this will have proven to be an excellent time to be actively investing."

Jim Rothenberg - Chairman, American Funds

- ~ "I like to remind people that markets are lead indicators. They don't follow along after the economy. So, the market has now risen significantly from the levels of last October and again last March. But the economic recovery is just sort of beginning, and some people even argue it hasn't begun. Nonetheless, I think the markets move in advance of these things and perhaps have caught some people by surprise."
- ~ "One of the important trends in the global economy is the growing role of developing countries. Today, more than three-quarters of the listed companies, about 60% of the stock market capitalization, and greater than half the outstanding debt securities are located outside the United States. Emerging markets now represent such a large percentage of the world's population, global economy and world's stock market value that they simply have changed the way many companies around the world do business, and the way investors should look at the world."
- ~ "The world in which we're going forward, here, is different than the world we came from. We used to think of virtually every recovery being led globally by the U.S. consumer. Not happening this time. And so, a theme that we have expounded for quite some time is the importance of global diversification, including emerging markets, and it is really startling to see that this recovery is being led by Asia, Brazil, particularly China and India. But they are more the drivers of getting us out of this economic doldrums than the good old U.S. consumer, who's still struggling."

Dan Fuss & Kathleen Gaffney – Managers, Loomis Sayles Bond Fund

Note: Morningstar named Dan Fuss, Kathleen Gaffney and their team US fixed income-fund managers of the year for 2009.

- ~ "We have had a tremendous run this year. The crisis from last year feels like a lifetime ago. The market took off like a rocket in 2009. It's been a total role reversal by sector from 2008. In 2008, you wanted to own Treasuries and not own high-yield bonds and that's totally the opposite this year. You couldn't own enough high-yield in 2009. Triple CCC rated high-yield bonds are up 75% and that's even taken us a little by surprise."
- ~ "Having a portfolio with non-dollar holdings will help us deal with a weak dollar in the short term, while preparing us for an inflation environment that could lie further down the road. The non-dollar holdings have represented about one third of the returns this year and we think the non-dollar exposure will continue to be an important component of returns in 2010."