

# Recent Comments from Our Sub-Advisors

October - December 2010

Emphasis by Madison

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WEALTH MANAGEMENT

## Jim Rothenberg - Chairman, American Funds

- ~ "I think most of us who read the newspaper have observed that the economic recovery has been quite slow by historic standards and unemployment has stayed high and it presents a continuing challenge. This recovery, while slow, is still proceeding along. But it's also different than the recoveries we've seen the last couple of times around, perhaps for quite some time. And that is, **this recovery's not being led by the U.S. consumer – in fact, not being led by the U.S. It's really being dominated by the developing countries, who now represent, collectively, more gross domestic product than the U.S. does in the world.** And I think our economy and particularly our politicians are having a great deal of trouble adjusting to that."
- ~ "Corporate America, I think, has adjusted fairly quickly. Certainly, those corporations who can benefit from overseas growth – wherever those growing markets are – I think have done remarkably well. And, corporate America has also done a good job of cutting back where it had to, of trimming its cost structures – and, of course, that's contributed to unemployment on the one hand but pretty good earnings on the other hand."

## Bill Gross – Managing Director, PIMCO

- ~ "The United States and its developed country counterparts face an unfamiliar crisis of unrecognized dimensions and potentially endless proportions. **Politicians and respective electorates focus on taxes or healthcare when the ultimate demon is a lack of global demand and the international competitiveness to thrive.**"
- ~ "The solution for more jobs is seen as a simple quick step of extending the Bush tax cuts or incenting small businesses to hire additional workers, or in the case of Euroland, shoring up government balance sheets with emergency funding. It is not. These policies only temporarily bolster consumption while failing to address the fundamental problem of developed economies: **Job growth is moving inexorably to developing economies because they are more competitive.**"

## Managers of the Tweedy, Browne Global Value Fund

- ~ "Businesses, we like to remind ourselves, are adaptive, income-generating enterprises and many have shown a remarkable ability to anticipate and adapt over time in the face of always changing conditions, increasing profits in the process. A prime example for us is the significant exposure that many today have to rapidly growing markets where middle classes are reasonably expected to double over the next decade."
- ~ "The emerging markets are supplanting the West as the engine of growth for the world economy, and **a growing middle class in countries representing over half the world's population are aspiring to the things we take for granted.** Cultures, government, and businesses are slowly adjusting to new economic realities."
- ~ "We remain firmly committed to the notion that the public markets are there to simply serve us as investors, offering us a convenient way to become engaged and disengaged from business. We have great faith in the resilience of the American people and our financial system, and are quite confident that at some point sensible will take hold and the fog will lift. Until then, we will continue, as we always have, to try to take advantage of the market's volatility and hair trigger nerves to exploit large discrepancies between price and long-term underlying value."