The Greenwich Roundtable Letter
KNOWLEDGE, VERACITY, FELLOWSHIP
2010

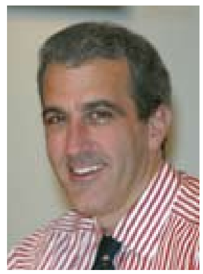
Board of Trustees
Edgar Barksdale
Federal Street Partners
William Brown
UBS Alternative and Quantitative Investments
Mary L. Cahill
Emory Investment Management
Rian Dartnell
Granite Associates
Ingrid Delson
One River Road, LLC
John Griswold
Commondfund Group
Peter Lawrence
FLAG Capital Management
Stephen McMenamin
Indian Harbor, LLC
Ken Shewer
Kenmar Group, Inc.

Officers and Staff
Executive Director
Stephen McMenamin
Director
Vasso Boussios
Treasurer
Douglas M. Perkins

Committee Chairs:
Edgar Barksdale
Education
Peter Lawrence
John Griswold
Executive Committee
David Storrs
External Affairs
Hugh Culverhouse
John Griswold
Human Resources
Ted Seides
Programming

The Greenwich Roundtable Inc.
PO Box 4019
Greenwich, CT 06831
Tel: (203) 625-2600
Fax: (203) 625-4523
rsvp@greenwichroundtable.org
www.greenwichroundtable.org

Greenwich Roundtable Successfully Restructured


Steve McMenamin

In late October we sent an urgent plea for contributions to offset the loss of our symposia underwriters. Your response was strong and immediate. Members and other investors contributed over $125,000. The message was loud and clear: you clearly value our mission, and you're willing to write a check to help us bridge the gap to healthier economic times. You've made a big difference. Thank you!

As with most nonprofits, we've worked hard to align our costs with current and projected revenues. Prudence and common sense dictate that we reduce costs to the extent possible while still fulfilling our mission of educating investors in alternative investment strategies.

With the approval of the Board, I have restructured our operations to reduce our fixed costs and bring our expenses into line with our revenues. On December 1st the staff was released. This was a difficult decision because we had very close working relationships with these fine people, all of whom were dedicated to our members and our mission. To continue to serve our members and achieve our educational goals, we intend to outsource all of our administrative services. Vasso Boussios, whom many of you know, has been retained as a consultant, and she will continue to organize our symposia and provide membership services.

Ingrid Delson has returned to the Board of Trustees. She originally created most of our operational processes. Our treasury, publishing and website functions are being outsourced as well. Today we have $465,000 in reserves in the bank, enough to sustain us for 2 years of operations. *(Continued on page 2)*

Best Practices in Portfolio Construction Charts New Course

Sitting in Peter Bernstein's living room in the summer of 2008, we listened to the great man as he urged us to abandon the policy portfolio. "I asked the question (Are Policy Portfolios Necessary, October 2003), now you need to figure out how to do it." So it was in this spirit that the Best Practices sub committee of the Education Committee began its search (see page 5). *Best Practices in Alternative Investing*: *Portfolio Construction* was released in July 2009. All members should know that we are advocating a radical new direction for building portfolios. All members should know how these practices are different. First, we recommend that investors collect quality managers opportunistically…to refrain from stuffing style boxes. Second, we recommend that assets be organized and selected on how they behave under different economic conditions. In the old school, assets were selected based on how they performed in the market in the past. Third, we recommend that investors adopt a qualitative approach to portfolio construction. In the old school, the over reliance on mathematics was not as useful in predicting the future as was advertised. Finally, we believe that good governance can make a big different. The chief investment officer's first job is to educate the investment committee. Conversely, the investment committee is obligated to support and protect the CIO. Most importantly, Best Practices offers the modern investor a viable road map for adopting a "more flexible" approach. As Peter Bernstein urged all sophisticated investors to be less rigid, to rely less on Policy Portfolio and more on judgement and experience. This is required reading for all members.

Please spread the good word.
www.greenwichroundtable.org/bestpractices

(Continued)

We have successfully trimmed our sails and right-sized our operations. An unintended positive consequence of this crisis is that we are now more independent than ever. In 2009 investors contributed over 85% of GR revenue, while historically, investors have averaged 55%. While underwriters have always provided no-strings funding, today our funding is aligned with our business practices.

What can you expect from the Greenwich Roundtable going forward? First, you can expect us to remain a force for quality in all we offer. Second, we will continue to deliver the same high-IQ programming showcasing the best minds in the investment business. For the time being there will be fewer sessions, but rest assured they will be good. Third, we will continue to deliver authentic Best Practices studies. Our Education Committee continues to break new ground with these original publications. Fourth, we will continue to educate policymakers, regulators and legislators. Fifth, we will continue to operate our website, which continues to be the largest library of alternative investment content in the world. Please write a check whenever you can.

Thank you again for making the Greenwich Roundtable's mission possible.

Steve McMenamin

Fellows:

William Akmentins
Rodney Berens
Kenneth S. Bodenstein
Robin Bradbury
Michael Castine
J. Patrick Cave
Hugh Culverhouse
Robert Davis
John Dickerson
Charles Eaton
Richard Elden
Ron Fingerhut
Nathan Fischer
Marilyn Freeman
Nathan Gelber
Caroline Gillespie
Edward Glassmeyer
Robert Goergen
Robert Greenhill
John Griswold
George Hambrecht
Burt Hilton
James R. Hodge
Elise Hubsher
Paul Isaac
Thomas Israel
Heather James
Mary Ann Johnson
Michelle Johnson
Barbara Justiz
Peter Kimmelman
Wim Kooyker
Nigel Koulajian
Jules Kroll
Jody Lanasa
Marc Lasry
Mark Linnan
Peter Malkin
Peter Matthews
Jamie P. Merisotis
Richard Miller
Arnold Mintz
Kevin R. Mirabile
Morgan Mitchell
Laurence C. Morse, PhD
Michael Murphy
Joseph Nelson
Harry O'Mealia
Tom Ortwein
Virginia Parker
John Paulson
Tim Peterson
Todd Pines
Afroz Qadeer
Brooks Ritchey
Sami Robbana
Malcolm Roberts
Robert Salomon, Jr.
Jack Selby
Paul Selian
Ian Slome
Michael Stellwagen
Mark Stitzer
David Storrs
Jeff Tarrant
Ken Tropin
Eric Vincent
Kurt Voldeng
J. Fred Weintz, Jr.
Gary Wendt
Helmut Weymar
Casey Whalen Sellers
Terry Wolfe

Founding Members

(who have made an appropriate contribution)

Charlie Eaton
Marilyn Freeman
Marc Goodman
Thomas C. Israel
Ken Shewer
David Storrs

Members of Record

Ben Alimansky
Colin G. Ambrose
Eric Bam
Ed Barksdale
Brett H. Barth
Larry D. Bartimer
Rod Berens
Spencer Boggess
Steve Bondi
Bill Brown
David D. Burrows
Sue J. Carter
Laurent Chaix
Peter J. DaPuzzo
Rian Dartnell
Bob Davis
Alain De Coster
David Dekker
Susan Dubin
Nancie Dupier
Christopher J. Evison
William G. Ferrell
Alan A. Fischer
G.S. Beckwith Gilbert
Bob B. Goergen
Robert F. Greenhill Jr
John Griswold
Ray Gustin IV
Albert Hallac
Phillip Harris
Liz R. Hilpman
Jim Hodge
Heather J. James
Mary Ann Johnson
Jeffrey P. Kelly
Ike Kier
Peter Kimmelman
Lilly C. Knight
Eric K. Kostrowski
Jeff C. Landle
Peter Lawrence
Peter Levy
John Loeb, Jr
David MacFarlane
Jacques Martin
Brian Matthews
Scott McIntosh
Neil Messing
Dominic Napolitano
Ed Netter
Cynthia Nicoll
Tom Ortwein
Richard Papert
Neil R. Paragiri
Eliza G. Pepper
Todd Pines
Afroz Qadeer
John B. Salib
David Salomon
Bob S. Salomon, Jr.
Alberto Santulin
Dean Scheinert
Keith Seibert
Ted Seides
Casey D. Whalen Sellers
Jeff S. Silverman
Mark Silverstein
Ian Slome
David B. Small
Lawrence M Stern
Mark Stitzer
Jeffrey Tarrant
John S. Traynor
Takeshi Ueshima
Michael Waldron
Donna H. Walker
Dr. Thomas Weber
Joelle Aractingi Weiss
John Wolcott
Terry Wolfe
Tamara Yiannakou
Kellie Zesch
Paul Zummo

Associate Members

Marie Berggren
Afsaneh Beschloss
Chris L. Bittman
Larry Bowman
Robin Bradbury
Jack R. Buchmiller
Mark Buntz
Mary L. Cahill
Hod Caulkins
Ron Chandiramani
Michael A. Condon
Carey Cooper
Hugh F. Culverhouse
Ward Davenport
Sally Dungan
Richard Elden
Michael Fisher
Ben Funk
Richard Gass
Nathan Gelber
Catherine Gillespie
Gwen H. Goffe
David Greenwald
Carlo Grosso
Claudia Hardin
Stephen C. Hassenfelt
Ralph Heffelman
Brian N. Kaufman
Osman Kilic, Ph.D.
Jim Larkin
Adam Levine
Jacques Lussier, PhD
John McCarthy
Will H. McLean
Paolo di Montorio-Veronese
Laurence C. Morse, PhD
Dr. Joseph G. Nelson
Sindo Oliveros
Andre Pabst
John Picone
Victor Raskin
Margarethe Rokkum-Testi
Nicholas Rotello
Gary Saunders
Paul Selian
Salim A.H. Shariff
David Shukis
Kurt W. Silberstein
J. Scott Simon
Pascal Spielmann
Sandra Vargas
Kurt Voldeng
Rob D. Wedeking
Aleks F. Weiler
Mark W. Yusko

Underwriter's Council:

HedgeServ Limited
Commonfund Institute
FLAG Capital Management

Research Council:

Anonymous
Blenheim Capital Management
Bridgewater Associates, Inc.
Graham Capital Management
Lumina Foundation

Ask Vasso

Dear Vasso,
Is the Greenwich Roundtable going out of business?
Sincerely,
Amy

Dear Amy,
Members and other investors who recently contributed, the Greenwich Roundtable is still in business. The GR slashed its fixed costs by restructuring its operations and is preserving cash. Rest assured that the Roundtable will continue to advance its mission--to educate alternative investors. We thank you for your support and I look forward to seeing you soon.

Dear Vasso,
I left Goldman Sachs and formed a hedge fund. How do I become a member of the Greenwich Roundtable?
Sincerely,
Philip

Dear Philip,
Thank you for your interest. Unfortunately membership in the Roundtable is reserved for LPs. I can however, offer you membership in the Underwriter's Council, where you would be the exclusive sponsor of three (3) Greenwich Roundtable symposia each year. The Underwriter's Council also offers a seat on the Programming or Education Committee. Please make your check for $35,000 payable to "The Greenwich Roundtable, Inc."

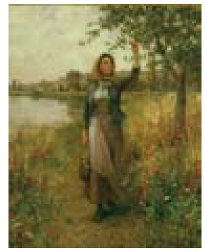
Dear Vasso,
You're doing a great job. How can we help?
Sincerely,
Ahmed

Dear Ahmed,
Write a check. Many hands make light work. Please make your check payable to the Greenwich Roundtable, LLC and mail to the address listed below.

The Greenwich Roundtable, P.O. Box 4019, Greenwich, CT 06831

Exotic Encounters: Art, Travel, and Modernity
January 23, 2010 – April 25, 2010

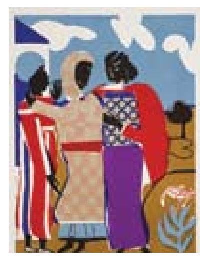
This exhibition displays some of the many gifts made to the Bruce Museum over the last 100 years.



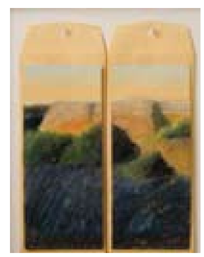
Knight
Daniel Ridgway Knight (1839-1924) *Brittany Girl*
Oil on canvas, 31 x 27 in.
Bequest of George Norris Morgan in memory of Ethel Boies Morgan, 1946

Milesi
Allesandro Milesi
Girl Feeding Pigeons, 1893
Oil on canvas, 51 x 31 in.

Chinese Robe
Imperial Embroidered Silk Dragon Robe
Chinese, Qing Dynasty, 1796-1820
Gift of Mrs. Horton O'Neil



Bearden
Romare Bearden (1914-1988)
Three Women, 1979
Lithograph, 81/100, 28 π x 21 in.
Gift of Raymond Dubrowski, 1982,



Anthony
Carol Anthony (b. 1943)
New Mexico Envelope I, 1979 Craypas enamel on paper, 13 x 12 in.
Gift of Primerica Corporation,

Martinez jar
Maria Martinez (1887-1980)
Ceramic jar, post 1919
13 3/4 x 6 diam.
Gift of Margaret Cranford,

Versailles Dinner Series

The Greenwich Roundtable will be hosting an intimate dinner series for Fellows and large contributors at the Versailles bistro in Greenwich. Speakers will be important policy makers, managers and philanthropists. These dinners will be small, informal and conversational. This series will provide our Fellows with a more intimate setting with speakers who wish to stay below the radar.

GR Subletting its Office

Prime, state-of-the-art, turn-key offices available at discount to market.

Great for hot back-up site or Greenwich branch office.

Doug@greenwichroundtable.org

Managed Futures: Shock Absorbers for Your Portfolio

June 18, 2009 • UNDERWRITTEN BY HedgeServ Limited

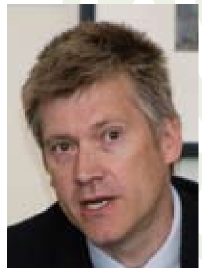
Ken Shewer

Our topic is *Managed Futures: Shock Absorbers for Your Portfolio*. Peter Matthews is a pioneer of the managed futures industry who founded Mint in 1984. He recently returned to the business and created PJM Capital. Steve Evans is Director of Tudor Trading Group and Portfolio Manager of Tensor and Tudor Momentum. At the age of 14, Steve began developing retail video games. Ken Tropin is an old friend of the Roundtable and the founder of Graham Capital. Ken was instrumental in the formation of MFA and is a champion of investor education. Ken Shewer of Kenmar Group is a Trustee of the Roundtable and a 30 year veteran of the managed futures industry. km@kenmar-us.com

Peter Matthews

Peter Matthews
PJM Capital

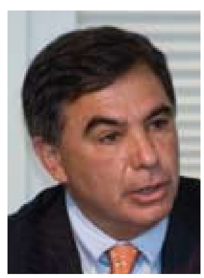
Twenty years ago, I found that systematic trend following worked. And it's still working today. What makes it tick? What is the investment market? First, it's a whole lot of people interacting to trade. These millions of people are all different. There are genetic and geographical differences. There are different institutional constraints and mathematical models. Second, it's a feedback process. Humans create prices. We observe the prices and our unique features make us decide to buy, sell, or do nothing. It's not only us interacting with the prices. We interact with the whole world and the economic system. Third, it's a self-organized setting. We create exchanges and Internet connections. We decide what we want to trade. Nobody makes us do it. Finally, it's competition. We compete for limited resources. We want to make money. It's predator versus prey. Put all of this together and you have a complex adaptive system. It's highly sensitive to initial conditions and sensitive to shocks. It's nonlinear. It has bubbles and crashes. Equilibrium is not sustainable. That means that trend following will never be dead because equilibrium cannot persist. We're trading in a complex adaptive system. It's not anything related to finance theory. Every assumption of traditional finance theory is wrong in a world of complex adaptive systems. Managed futures works because it diversifies across as many markets as possible. The paths in our system can be incredibly dangerous. You want to spread risk. We cut our losses. We let profits run. We wait until the path turns. We want to get rewards for being on those paths. We don't chose up versus down like those in the endowment world. Complex adaptive systems can go in any direction instantaneously. We in the managed futures industry, happily go in either direction. We are prepared for shocks. Variance or volatility is the wrong measure of risk. Our point of view is the ulcer index—drawdowns. You don't care about volatility and standard deviations. You care about losing money. The ulcer index penalizes big drawdowns. It penalizes long drawdowns. Looking at the ulcer index, we come out way ahead of stock, 60/40 bonds, endowment models, and hedge fund indexes. Managed futures are more than a shock absorber. peter@pjmcapital.com



Steve Evans

Steve Evans
Tudor Trading Group

The strategy as a space still needs diversification. You can find a lot of trend followers. There are definitely very good ones. Some don't have as attractive returns as the best in the space. Risk management is essential in any financial strategy. The way to improve risk/reward is through diversification. The four main areas that distinguish one system from another is the universe you trade, the speed of the system, the data sources you use, and the type of signal you look for. In the universe of assets traded, managed futures is a very rich space. You typically trade in the world's most liquid futures. Multiple instruments create a great deal of diversification. Starting with as many assets as possible and understanding their relationships is a great start at diversification. Second is the speed of the system. You can hold something for a few days, a few seconds, or for six months. Short-term holding period tends to provide the most diversification. There are more combinations and permutations that don't overlap with each other. Short-term models are harder to find. The alpha decays more quickly. Third, data source are technical data and fundamental data. Technical data are price, volume, and information about the asset and its derivatives. Fundamental data are economic releases, analyst forecasts, and interest rates. Using different data can lead to different signals. Trend following is most efficient when markets are momentum or sentiment driven because no one is paying attention to fundamentals. Signal type can be broken down into two areas—directional and relative value. A relative value bet might be that the U.S. stock market will outperform the EU market by two percent over the next month. You don't care if all markets go down 10 percent. stevee@tudor.com



Ken Tropin

Ken Tropin
Graham Capital

Our firm has changed in terms of trading approaches and strategies. It's a reflection of the industry and its evolution. We're interested in the macro space both from a discretionary and systematic point of view. Discretionary traders handle just under half of our assets. The rest is managed by a model. It's the best way to get diversification. When we started in 1994, we had only one time horizon. It was very long. Today we have nearly 40 separate trading programs rolled up into one fund or strategy. We now include high frequency trading systems that hold a position for 10 minutes, two hours, and six hours. This is useful from a diversification point of view. Intermediate models hold trades for 10 to 30 days. We still use the original trading systems and they're pretty robust. We've made some improvements but haven't changed how they time the markets. In the early days, we had the open, high, low, and close data. You didn't have any transparency into how you got there. Today, we spend a lot of time on data management and use systems that run on tick data. This gives us more information for short-term trading. Five years ago we averaged 500 trades per month. Now it's between 50,000 and 80,000 trades a month. We have an enormous initiative in smart execution. Smart execution didn't exist in our industry five or seven years ago. An entire department tries to enhance the actual execution of each order. We're trying to buy at a price less than the offer and sell at a price higher than the bid. A few years back, almost all orders were handled orally, one trader to a trading desk, to a pit. Today, 98 percent of trades are machine to machine. Our research department has grown from less than 10 people five years ago to 75 in research and technology. It's becoming a sort of nuclear arms race in our industry—a search for the brightest people, the best data management, and the best technology for electronic trading and smart execution. We have a minus 0.25 correlation to the S&P. That does not mean we are a hedge. We are a systematic global macro. We are a diversifier. We recently did a study that showed that traditional measures of risk are flawed. The Sharp ratio is the most common measure of risk. However, it assumes there is a normal distribution of monthly returns. It underestimates the problems associated with left-tail risk. ktropin@grahamcapital.comt

Please join me in expressing our gratitude to Bob Aaron and his colleagues at HedgeServ Limited, who generously served as the underwriter for today's symposium. raaron@hedgeserv.com

Best Practices in Alternative Investing: Portfolio Construction

July 16, 2009 • UNDERWRITTEN BY The Commonfund Institute

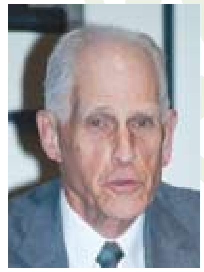
Our topic is *Best Practices in Alternative Investing: Portfolio Construction*. Ed Barksdale is chairman of the Education Committee and runs Federal Street Partners. Rusty Olson ran Eastman Kodak's pension fund, one of the nation's best performing corporate funds. Rusty was the primary author of this study. Bob Prince is the Co-Chief Investment Officer of Bridgewater Associates. Their investment views on portfolio construction deeply influenced our study. Aleks Weiler, moderator and Senior Portfolio Manager at the Canadian Investment Board, wrote the outline for this Best Practices study.

Aleks Weiler
CPP Investment Board

Aleks Weiler

Asset allocation should be a lot more dynamic. Look at how assets behave in the marketplace. If you invest in public or private equity, corporate credit, venture capital, high yields, or distressed, you play off corporate earnings and cash flow. At different points of a cycle, you'll do better in each of those activities. It's a matter of timing. There are two risks—inflation and deflation. Collect quality managers opportunistically. Investing in alternatives is an access class rather than an asset class. There are only a few talented investment groups. The difference between the top and bottom tiers is substantial. Portfolio management in alternatives is all about risk management. Good governance matters. It's important to do what's right for your institution. What's right for Yale probably won't be right for you. Our institutions and clients have their own special needs. At the Canadian Pension plan, we talk about not having the guy in our seat 20 years later cursing us out as the gold standard for how we should be investing. aweiler@cppib.ca

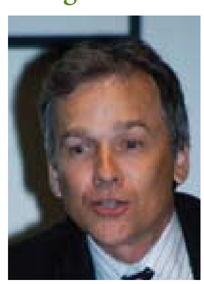
Rusty Olson
former Director of Eastman Kodak's pension fund



Rusty Olson

The essence of our publication is "new school" and "old school." They are not mutually exclusive. Old school is quantitative. It develops asset allocations. Quantitative tools are still useful but they have limitations. They're based on assumptions. Many users don't understand this. Nobody gets assumptions right. Use many iterations of very different assumptions. You want asset allocations that hold up reasonably well under a wide variety of reasonable assumptions. Mean variance optimizers have a further problem—they're based on bell curves. We were inundated with flat left tails last year. You want diversification. That still stands. This publication goes a step further. Different asset classes react differently under different economic conditions. You want hedges for inflation and deflation. You want a structure that takes advantage of growth. The best way is to discern what kind of economic scenario we're moving into. Governance is a critical part. A committee has to delegate a lot of responsibility to a CIO and place confidence in him. Education of the committee is the CIO's number one responsibility. Board compositions vary. Many large universities have people with a great deal of investment experience. Corporate and public pension funds have more lay people. Being a financial expert is different from being an investment expert. The worst thing a committee can do is to have a beauty contest in the selection of investment managers. The CIO and staff should be making those decisions and make recommendations to the committee. Committee meetings should be more forward looking. Only be retrospective if it helps looking forward. rlolson@rochester.rr.com

Bob Prince
Co-Chief Investment Officer,
Bridgewater Associates



Bob Prince

Three basic points. You get more mileage out of risk reduction than return enhancement. Don't believe in numbers. Understand the fundamental determinants of return and then balance those determinants. At Bridgewater, two-thirds of our performance comes from balancing risk well. Only a third comes from getting the bets right. Correlation is unknowable. What is the correlation between stocks and bonds? If the economy is strong, it's good for stocks but bad for bonds. If inflation falls, it's generally good for stocks and bonds. Inflation works in the same direction for stocks and bonds but growth works in opposite directions. We can't know the correlation unless we know the economic environment. Never look at the correlation between any two assets. Balance exposure to economic growth and inflation. Know the source of return. Is it from beta or alpha? Beta means return comes from the risk premium embedded in the asset. It's easy to buy a risk premium. It's not a really a good source of return. Alpha is a bet. There's timing involved. Holding betas limits the ability to produce a very high return. Betas tend to be very expensive. Betas are all related to the same economic environment. It's difficult to get diversification through betas. Alphas are uncorrelated. It's a zero sum game. For every winner there's going to be a loser. Understand whether you are betting on the manager or on the market that they are involved in. Bob.Prince@bwater.com

Ed Barksdale

Ed Barksdale
Federal Street Partners

It's important to look back to how we got here. The 1970s were a hot bed of quantitative thought and approach. There was a real transformation in the way assets were administered. Endowments and foundations were diversifying. They were waking up to the fact that bonds had not been productive for many. Pension funds were becoming large pools of capital compared to the size of companies. In San Francisco, Bill Fouse started the first index fund. Bill Sharpe was a young professor making a name for himself. Barr Rosenberg was beginning to create an empire. There was a lot of quantitative thought going on. The 1920s and 1930s, the focus was on long cycles. The focus shifted to quantitatively characterizing security prices and price movements. That was the genesis of efficient market theories and mean variance analysis. They provided some aid to judgments. They provided the fortitude to stay the course. Quantitative tools are the primary drivers behind asset allocation, portfolio construction, and evaluating managers. The notion that was missed was cyclicality during the bull market of the eighties and the nineties. Many of these concepts were applied without the use of judgment. Endowments, foundations, pension funds, and personal investors found themselves in a difficult predicament because of the focus on quantitative approaches and style boxing. Alternatives such as real estate, private equity, and hedge funds do not fit into these boxes. The flexibility of hedge funds creates asymmetrical distribution of returns. We are beginning to see a resurgence of judgment with a factual basis. We've gone a decade with zero returns. Investors are rethinking their rigidity. They're focusing on more innovative and opportunistic ideas. ewb@federal-street.com

Please join me in expressing our gratitude to John Griswold and his colleagues at The Commonfund Institute, who generously served as the underwriter for today's symposium. jgriswol@cfund.org

Asset Allocation for 2010: Navigating the Risks and Charting the Opportunity

September 24 2009 • UNDERWRITTEN BY HedgeServ Limited

Ken Shewer

Asset Allocation is our annual symposium for CIOs. David Smick, author of The World Is Curved, is an insider to world central bankers and finance ministers. Spencer Lampert is one of the primary macro strategy portfolio managers at the Tudor Investment Corporation. Richard Hokenson is one of the world's most talented demographers. Ken Shewer of Kenmar Group, and Trustee of the Roundtable, moderated. km@kenmar-us.com

David Smick

David Smick
Johnson Smith International, Inc.

The brain has three basic responses in forming expectations of future outcomes. Self-congratulatory G-20 officials should hold off breaking out the champagne. The world economy is still out of balance. Global savings continue to far exceed investment opportunities. Many countries, including Germany and China, are dangerously export dependent. Most have aging demographics. Consumer-led economies could take years. America depends on foreign capital. The world depends on U.S. consumers. A V-shaped recovery is not likely. The U.S. dollar is highly vulnerable. German banks are hiding a mountain of toxic waste finances. Japan's household savings rates dropped from 10 percent to one percent. Manufacturing overcapacity will likely boost non-performing loans by 20 to 30 percent. It's now a credit demand problem. American households are deleveraging faster than expected. This means continued weak consumer demand. Stock investors are ecstatic about a significant recovery. Bond market investors are not. Who's right? Big banks are buying securities, not lending. Medium and small businesses remain credit starved. The affluent know tax-hike attempts are coming. Perhaps a value-added tax. The deficit and debt top Americans' concerns. We depend on China for more than buying our debt. China's stockpiling of commodities fuels upward commodity prices. This offsets U.S. disinflationary pressures. Chinese leadership sits on a political and social powder keg. They need growth rates above 8.5 percent. They claim an 8 percent GDP growth in 2009 and that retail sales grew 16.6 percent in the first half. China's official statistics are not believable. China's elite made the ultimate bet—a V-shaped U.S. and European recovery. Stockpiling commodities is the ultimate inflation hedge. Is China's commodity hedge sustainable? Global trade has collapsed. Empty cargo ships in Singapore outnumber the U.S. and Japanese navies combined. The Obama Administration is flirting with a trade war. If the world doesn't come to grips with the capacity problem, a global trade war seems inevitable. The bad news—a long, painful deleverage process lies ahead with fits and starts. The good news—we're already two years into the process. davidmsmick@att.net

Richard Hokenson

Richard Hokenson
Hokenson & Company

The world is fundamentally and structurally different. We have not been here before. Generations are not replacing themselves. The earth is aging. Japan is aging fastest followed by China. Japan got rich before it got old. It may be the opposite for China. An aging planet is structurally disinflationary. Inflation will surprise on the downside, not the upside. Countries are saving for retirement. There are fewer workers, not enough producers. Exporting countries will have to import. The U.S. should get some respect. It's the only developed country that will have a growing population in 2050. Married Hispanics and married white women have the same birth rates. We have immigrants. People in their 20s, Gen Y, drive consumption. They leave their parents' home and begin a new lifecycle. They need a huge initial inventory to get started. Things wear out and get replaced. Divorce rates are falling, marriage rates are up. Except in Asia where it's the opposite. Marital status determines housing in America. Married couples own homes. Europe is aging faster than the U.S. It needs immigrants. Barriers to Eastern European workers are coming down. There will be an outsourcing to the U.S. because we have the workers. Let's look at the BRIC countries. If Russia was Catholic, a priest would give the last rites. It's the only major country with a declining life expectancy fueled by alcohol and suicide. Male life expectancy is the same as Pakistan—55. China is super aging. Its labor force will hit a brick wall in 10 years. India is a demographic powerhouse with a complication. Eighty-five percent of education money is spent on higher education. You have a lopsided labor force with a huge pool of semi- or illiterate workers. It won't be a manufacturing powerhouse. Brazilian birth rates are falling modestly, less than Asia. Asian women who do not marry don't have children. Men outnumber women in China. Asia has a massive growth in single-person households headed by women. In terms of asset allocation, I'm positive on a U.S. recovery led by Gen Y. I look favorably on the U.S. markets next year. info@hokenson.biz


Spencer Lampert

Spencer Lampert
Tudor Investment Corporation

We all know where we were on September 11, 2001. But where was Dow Jones the day before? At 9,605. Eight years later? The exact same level. In 2001, S&P 500 operating earnings were just under $12 a share. Our second quarter earnings are just under $17 a share. Not surprising. What is surprising is that we have the same price. Some say we don't belong here. I disagree. Corporations are in much better shape. Balance sheets and earnings are cleaner. What happened in the first quarter of this year was an aberration. It was perhaps the most emotional moment in investment history. We lost confidence in our leadership and the economy. Take a look at the economic cycle using the ISM index. When the index crossed 50 in August, Dow was up 12 ½ percent. On average, Dow is up 15 percent. Underperformance is understandable. We have all these headwinds and uncertainties. From the index's 50 to peak, Dow is up an average 22.4 percent in about 17 months. We've been through a very classic economic cycle. Rates were raised. Highly leveraged components got hit the worst. U.S. corporations responded aggressively cutting employment, slashing inventory and capital expenses. Auto companies are slowly hiring. In all eight previous recessions, the stock market rallied nine months before the jobless peak. After the spike, all eight times Dow rallied 15 percent on the average. We are on a normal recession track. Treat it as such. Central banks won't pull away the punchbowl of zero-percent rates. M&A activity is more abundant and will continue. I'm excited about the prospects of risk assets. I love Brazil and certain emerging markets. I like the U.S. stock market. Housing affordability is at a multi-decade high. I see the S&P at 1,300 next summer. Everyone thinks the U.S. consumer can't make a comeback. I'm a contrarian. People are more focused on deflation than inflation. You should have an allocation in gold. The dollar will continue to set new lows. The world wants it. slampert@tudor.com

Please join me in expressing our gratitude to Bob Aaron and his colleagues at HedgeServ Limited, who generously served as the underwriter for today's symposium. raaron@hedgeserv.com

One River Road

Formerly Occupied by the Greenwich Roundtable

Newly Renovated Boutique Office Building…

Ideal For Hot Back-Up Site or a Family Office

- Upscale, Class-A building
- 2,200 sf (turn key)
  - Special Member Sublet Rate: $5,000/mo.
- Also available: 4,000 sf (built to suit)
- Modern architecture
- Water views
- Convenient highway access/Parking available
- Walk to Cos Cob train station and local amenities
- Walking distance to tennis facilities and to boat marina with optional boat dock
- On-site fitness center

For leasing information, please contact:

Vasso Boussios	Doug Perkins
203-625-2600	203-625-2600
vasso@greenwichroundtable.org	doug@greenwichroundtable.org

CUSHMAN & WAKEFIELD®
Global Real Estate Solutions℠