

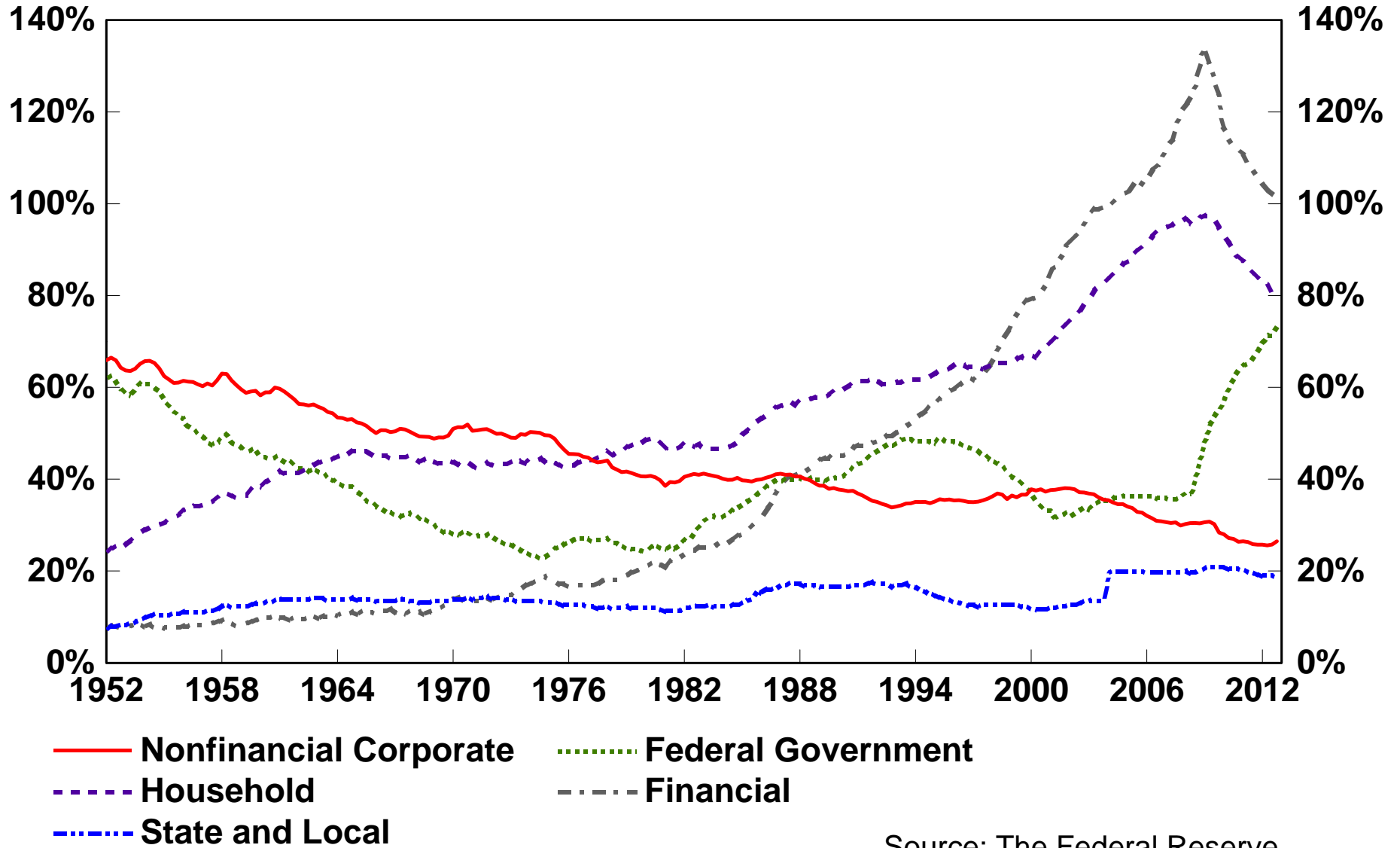
Investment Strategies for a Changing World

**The Ben Graham Centre's 2013 Value Investing Conference
Toronto, Ontario
Dr. A. Gary Shilling
April 10, 2013**

Chart 2

Sector Cumulative Debt and Equity Issuance to GDP

Last points: 4Q 2012



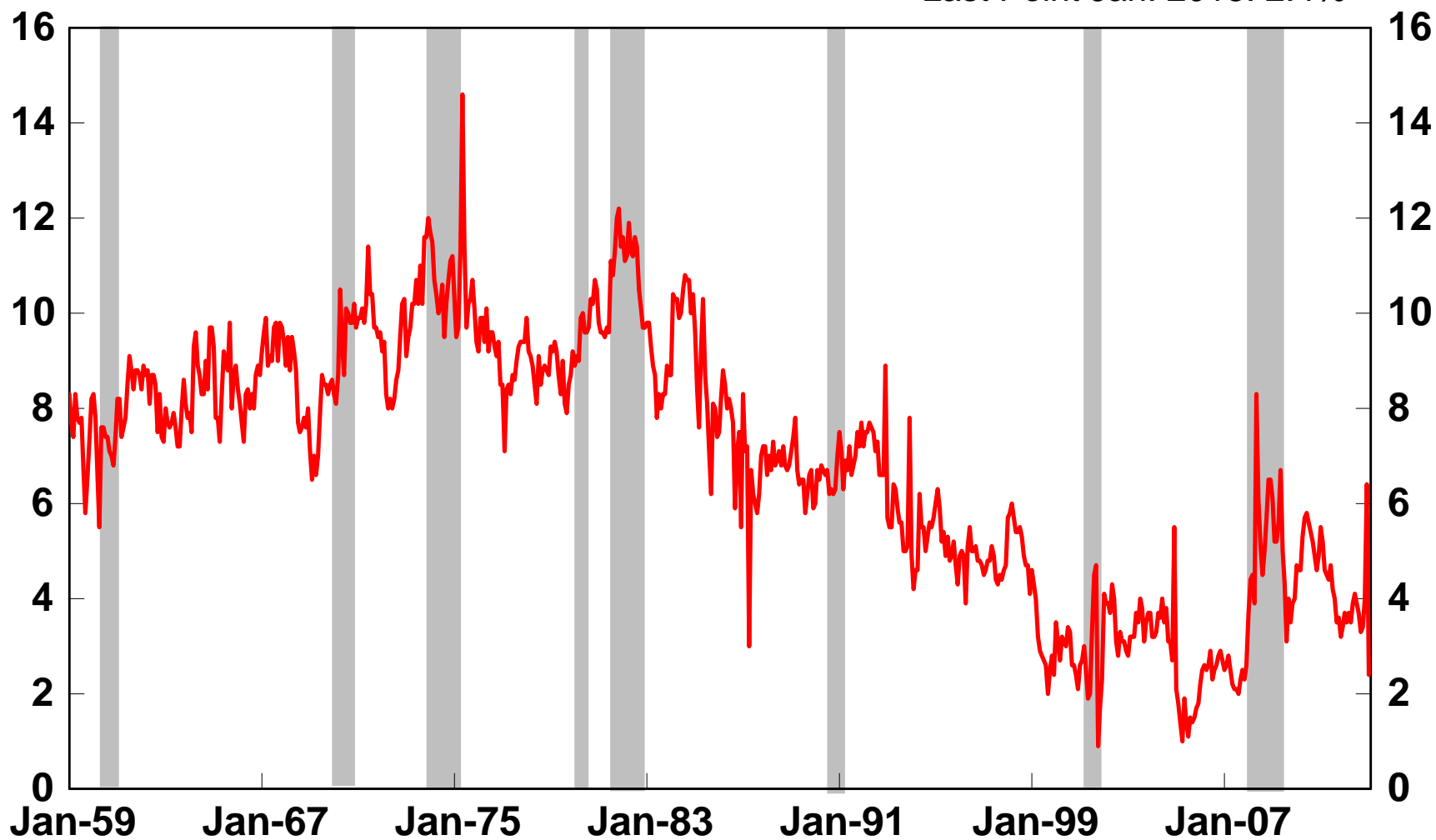
Source: The Federal Reserve

Chart 3

U.S. Personal Saving Rate

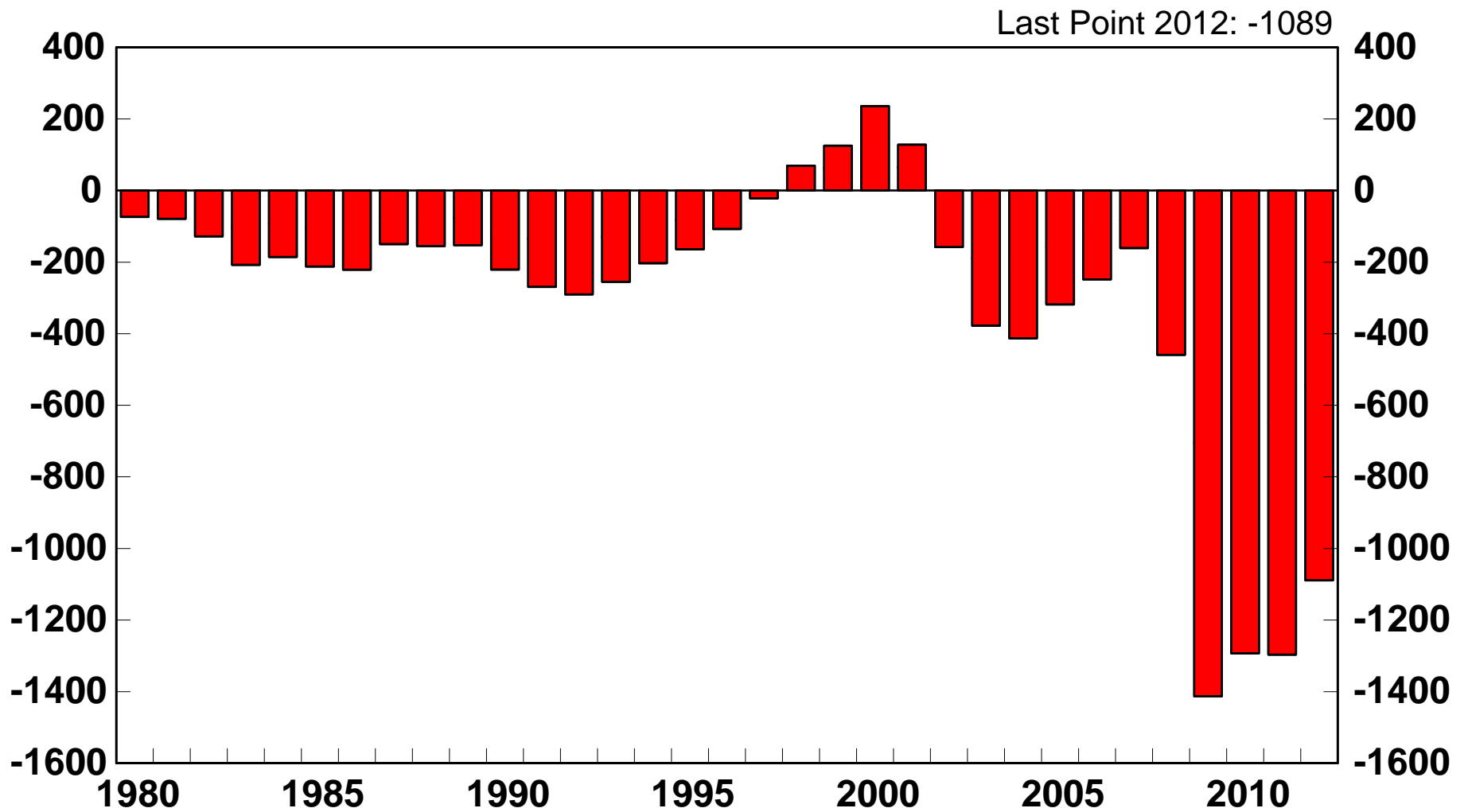
(Seasonally Adjusted Annual Rate)

Last Point Jan. 2013: 2.4%



Source: Bureau of Economic Analysis

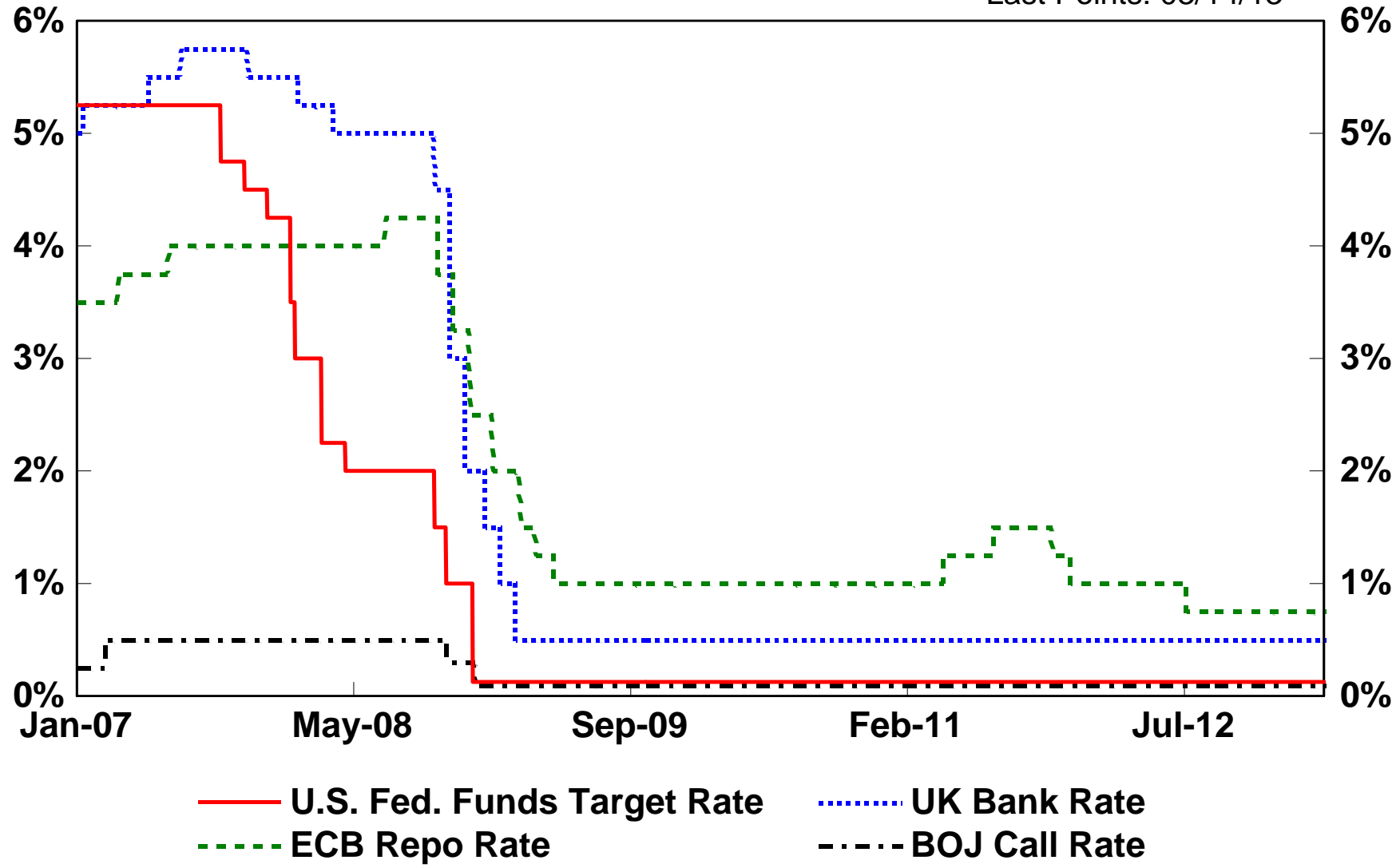
Chart 4 Federal Budget Balance \$ Bil.



Source: Congressional Budget Office

Chart 5 Central Bank Rates

Last Points: 03/14/13



Source: The Central Banks

Chart 6

S&P 500 and Quantitative Easing

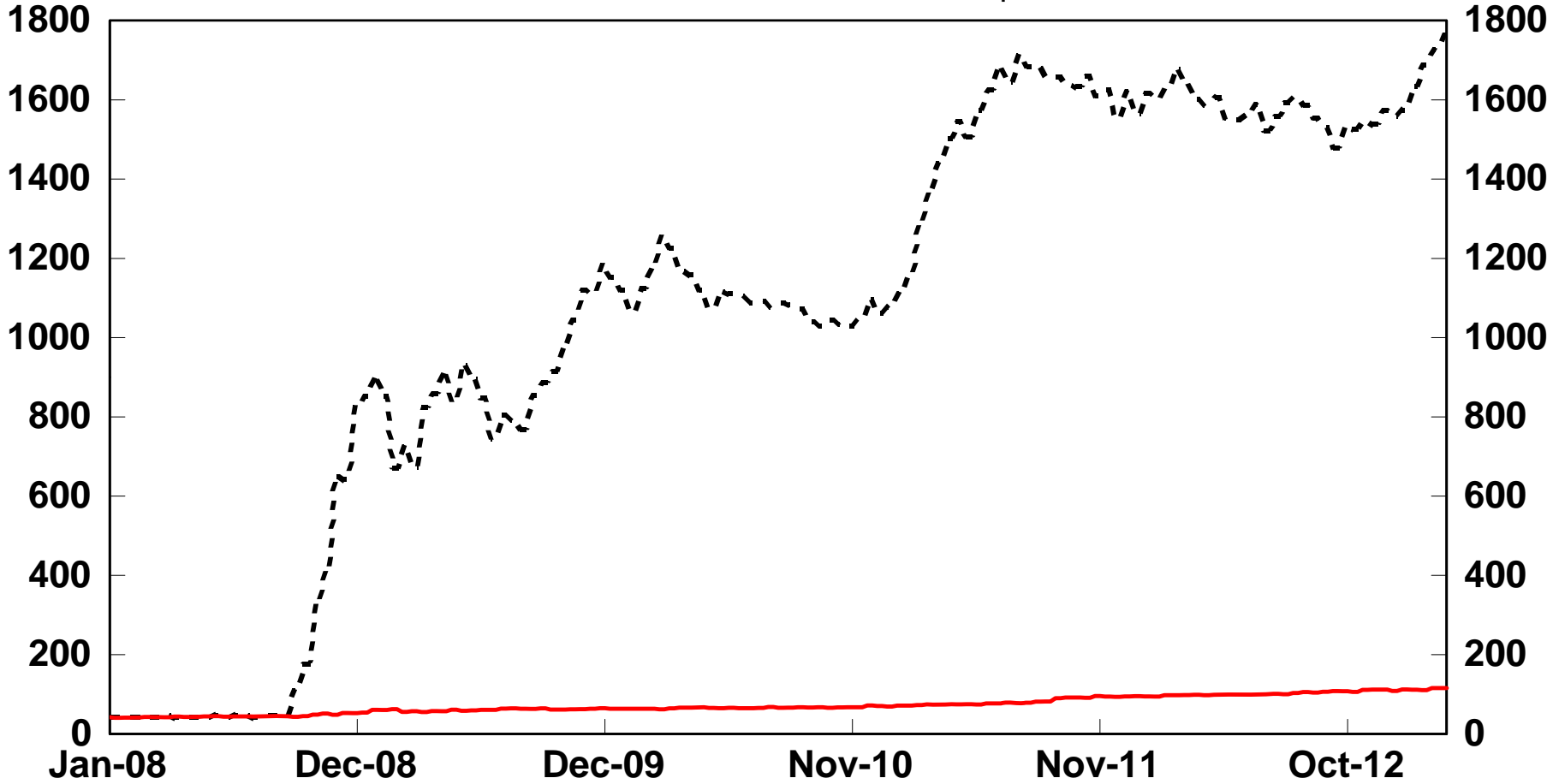
Last Point 03/14/13: 1563



Source: Thomson Reuters, A. Gary Shilling & Co.

Chart 7 Required and Total Reserves of Depository Institutions \$ Bil, SA

Last Points 03/06/13: Required: 115.8, Total: 1764.0

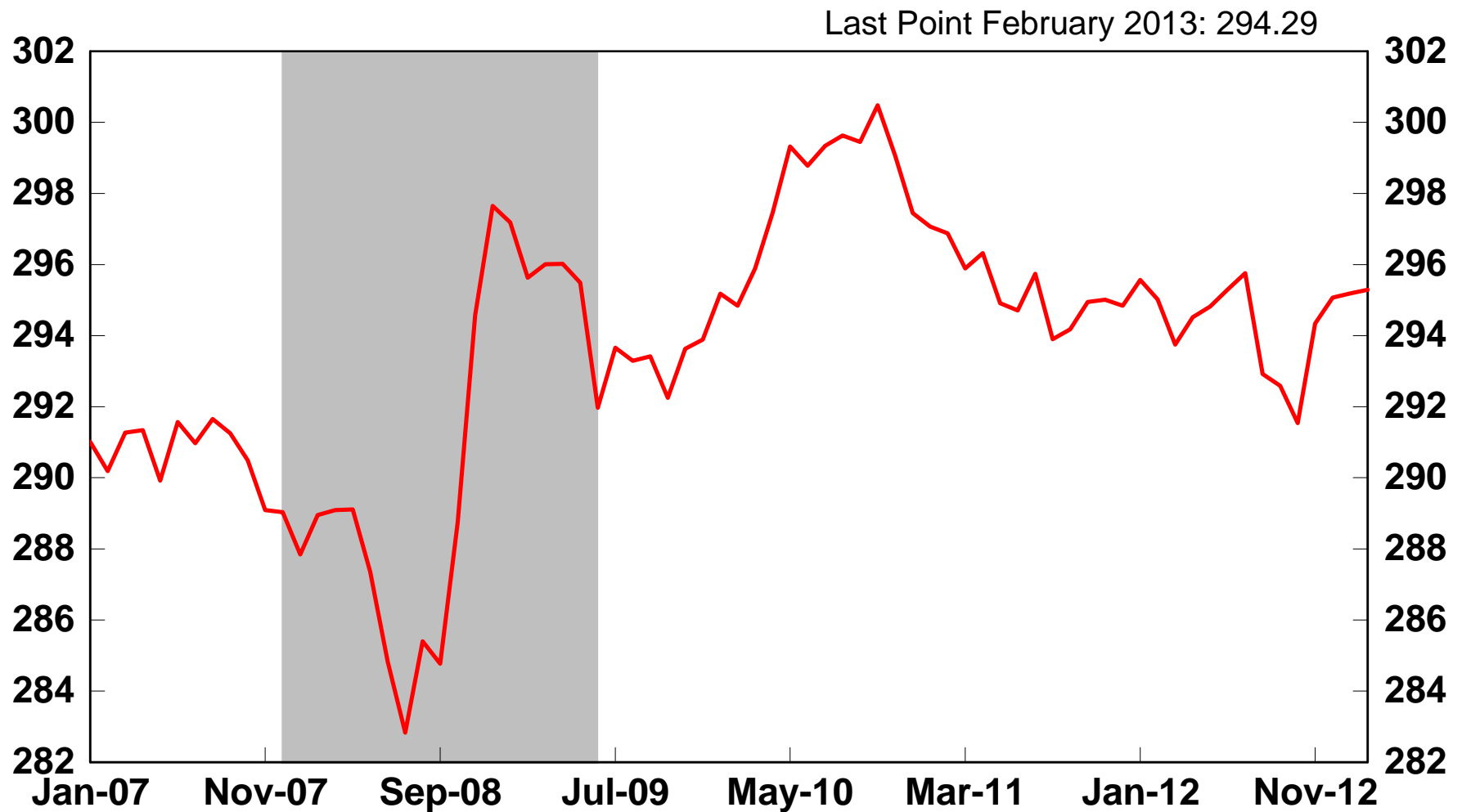


- Required reserves of depository institutions
- - - - Total reserves of depository institutions (excess + required)

Source: The Federal Reserve

Chart 8

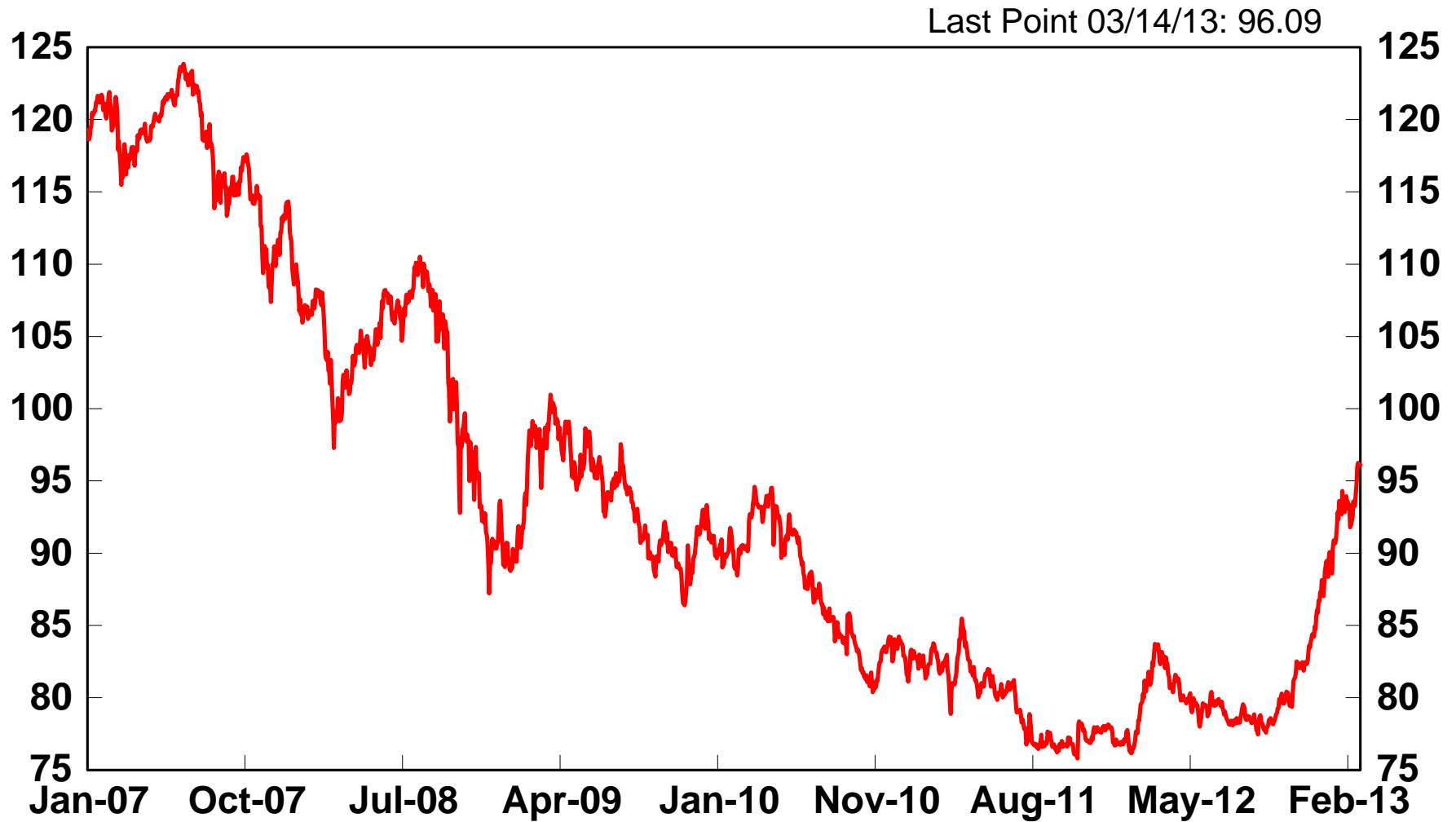
Average Real Weekly Earnings of Private Production and Nonsupervisory Employees (\$1982-84)



Source: Bureau of Labor Statistics

Chart 9

Japanese Yen per U.S. Dollar

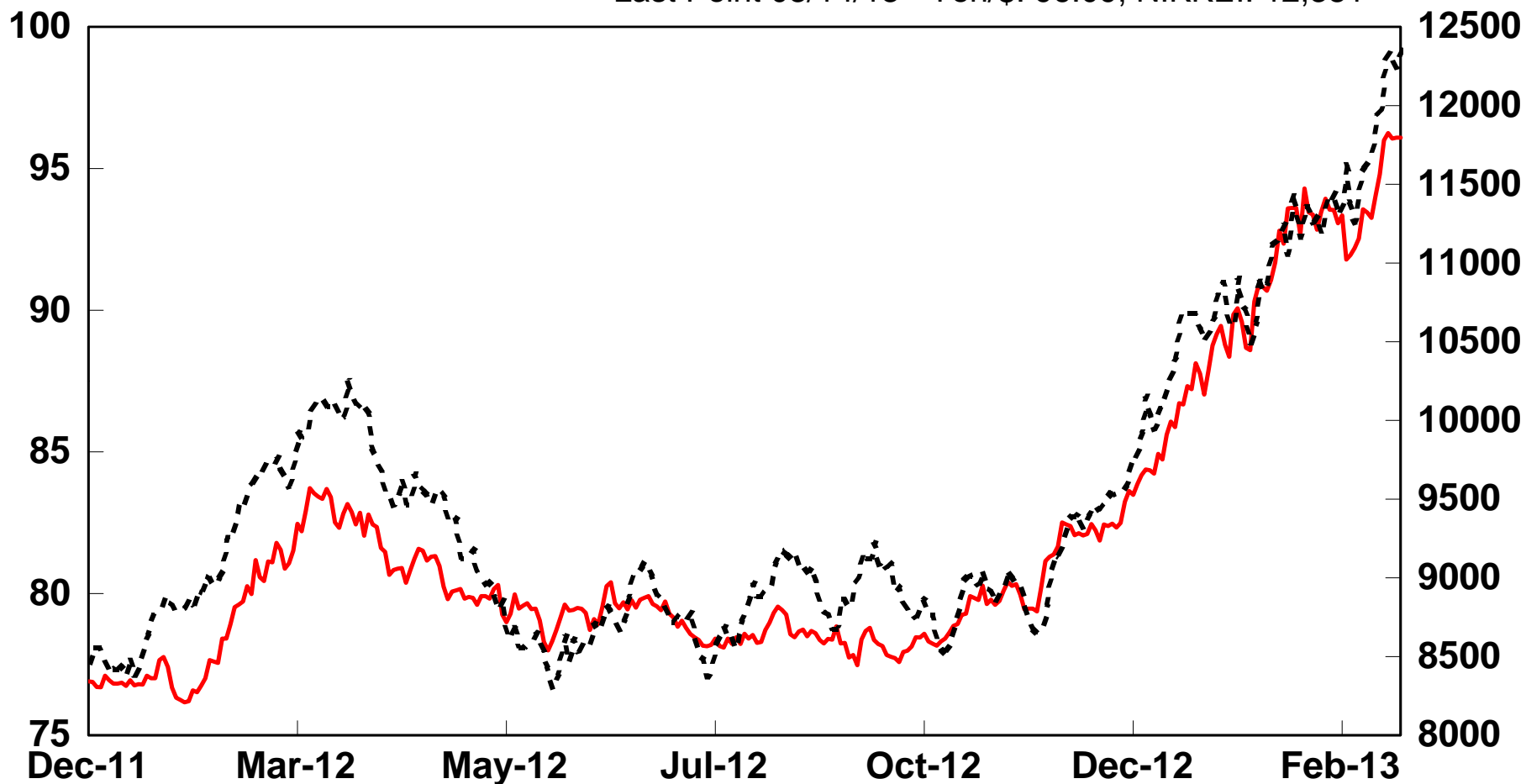


Source: Thomson Reuters

Chart 10

NIKKEI 225 and Yen Exchange Rate

Last Point 03/14/13 - Yen/\$: 96.09, NIKKEI: 12,381

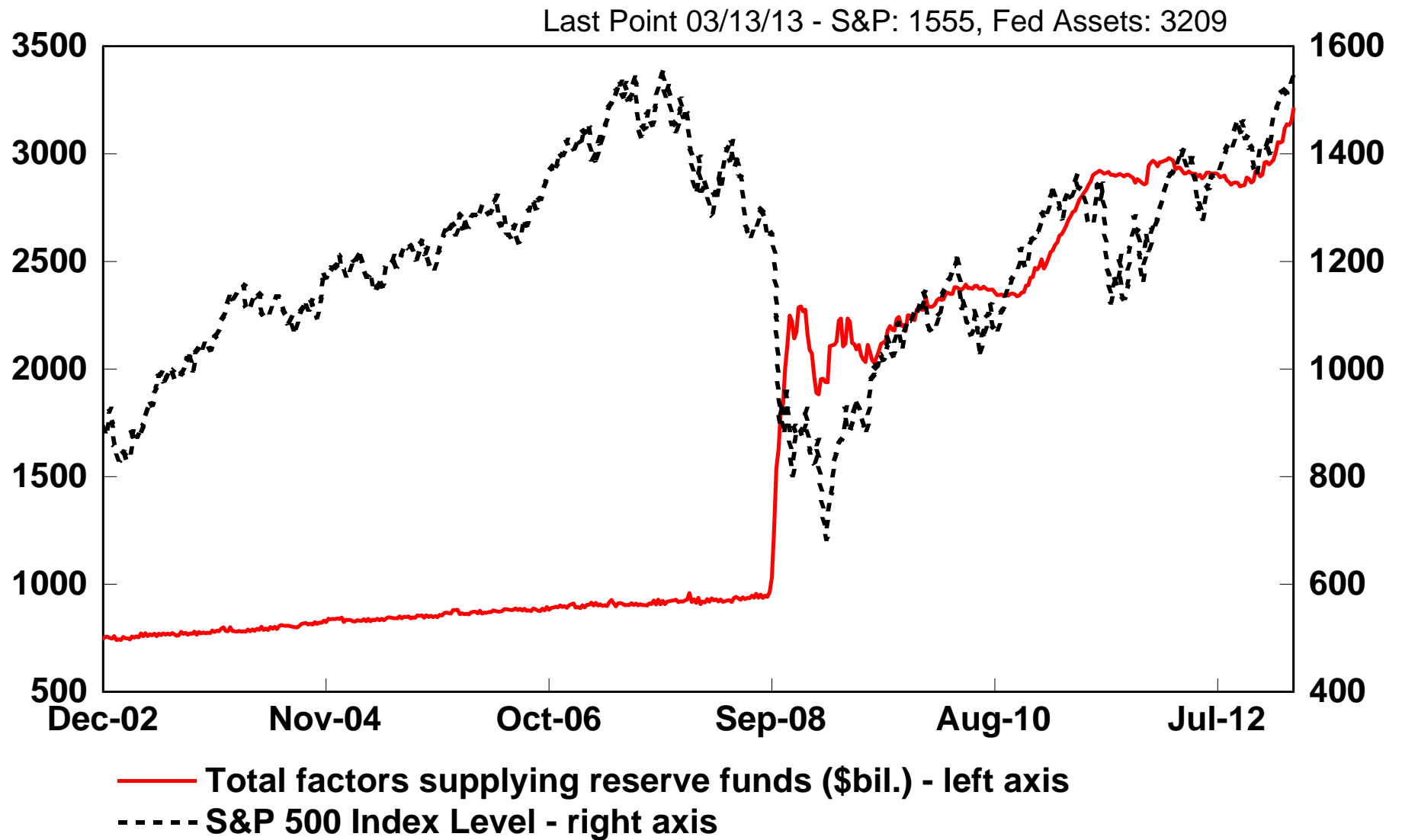


— Yen per Dollar - left axis
- - - - NIKKEI 225 Index - right axis

Source: Thomson Reuters

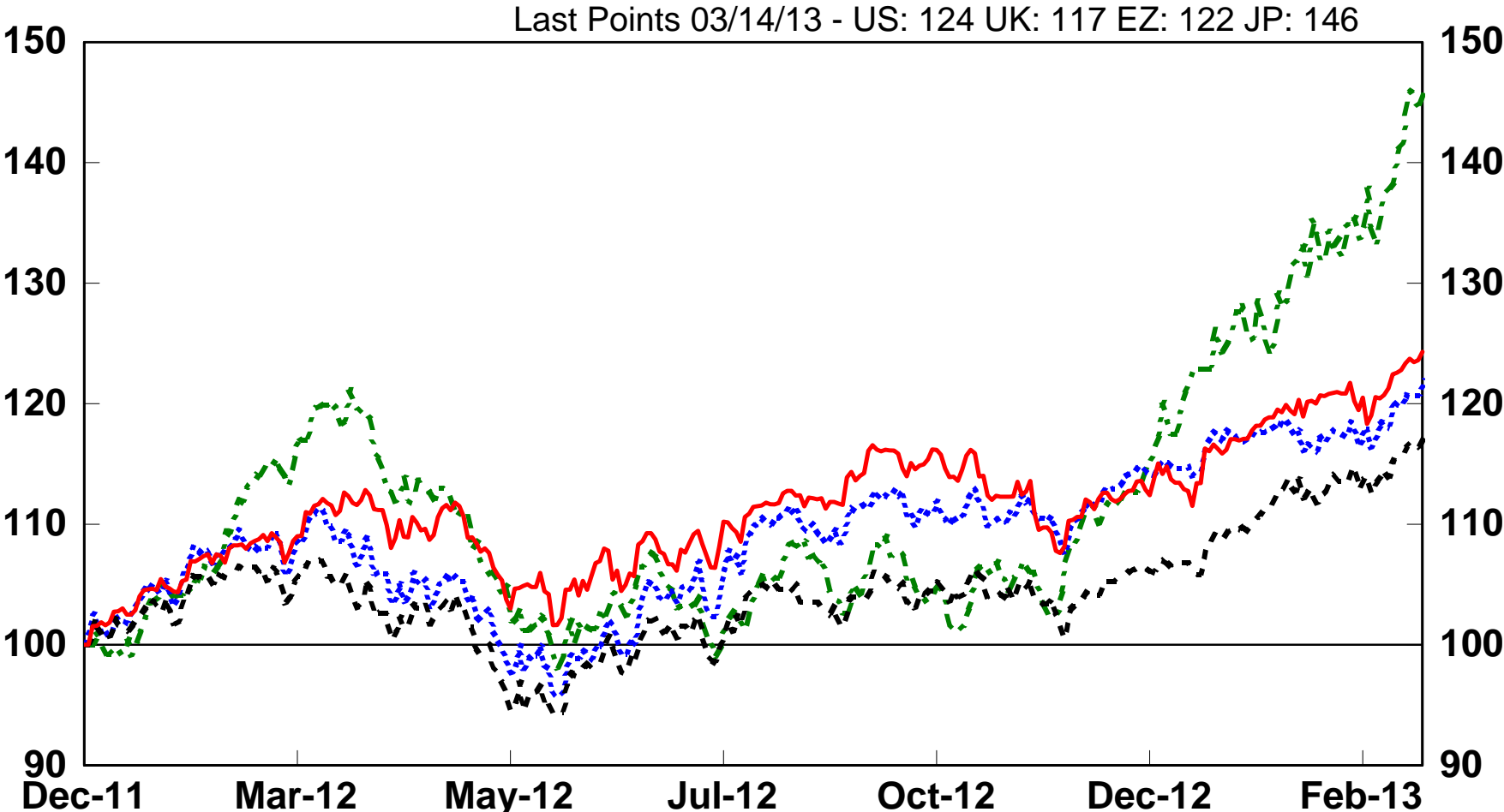
Chart 11

S&P 500 and Federal Reserve Assets



Source: Federal Reserve, Yahoo Finance

Chart 12 Global Stock Exchanges I

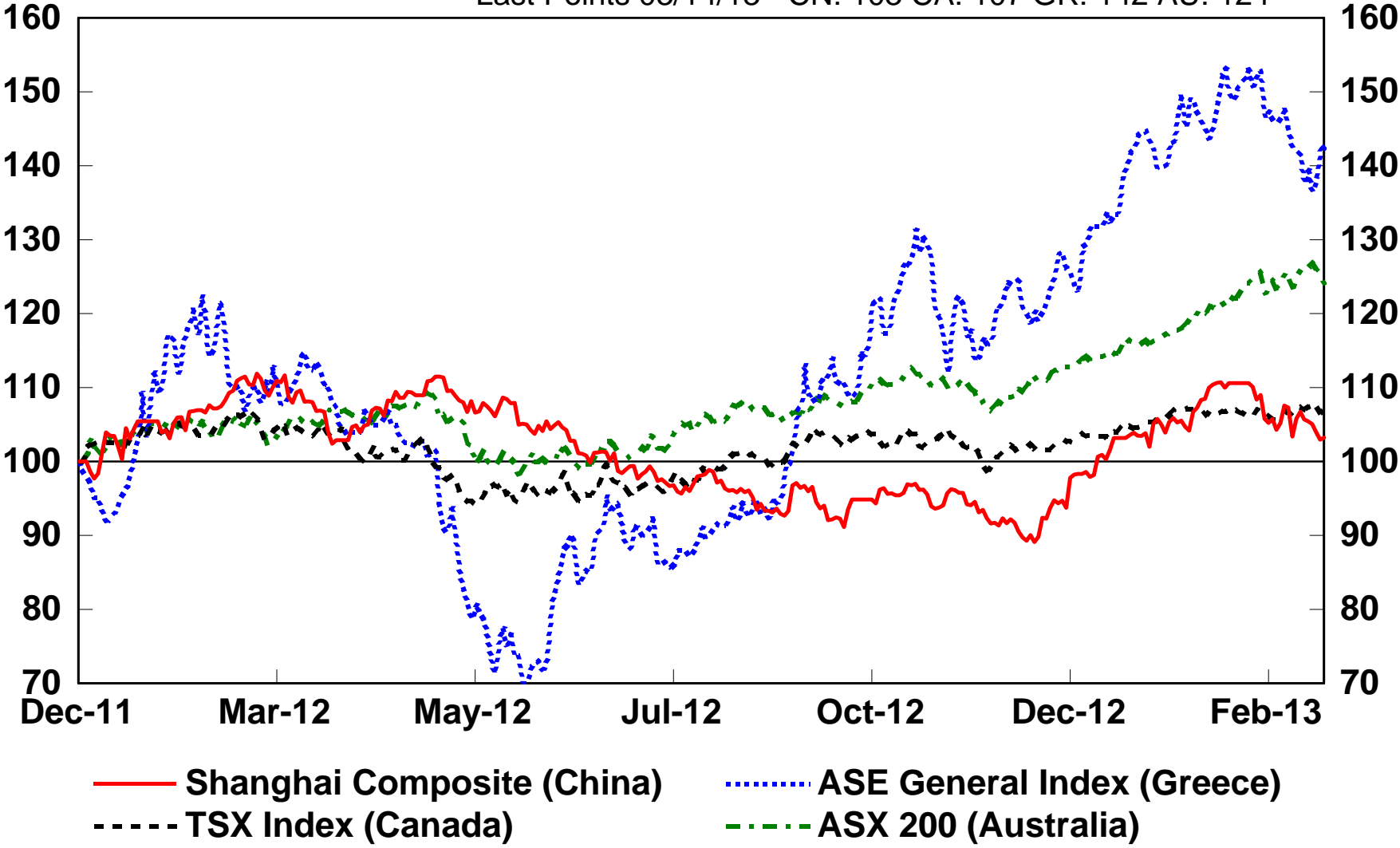


— S&P 500 (US) ····· STOXX 600 (eurozone)
- - - - FTSE 100 (UK) - · - · NIKKEI 225 (Japan)

Source: Bloomberg

Chart 13 Global Stock Exchanges II

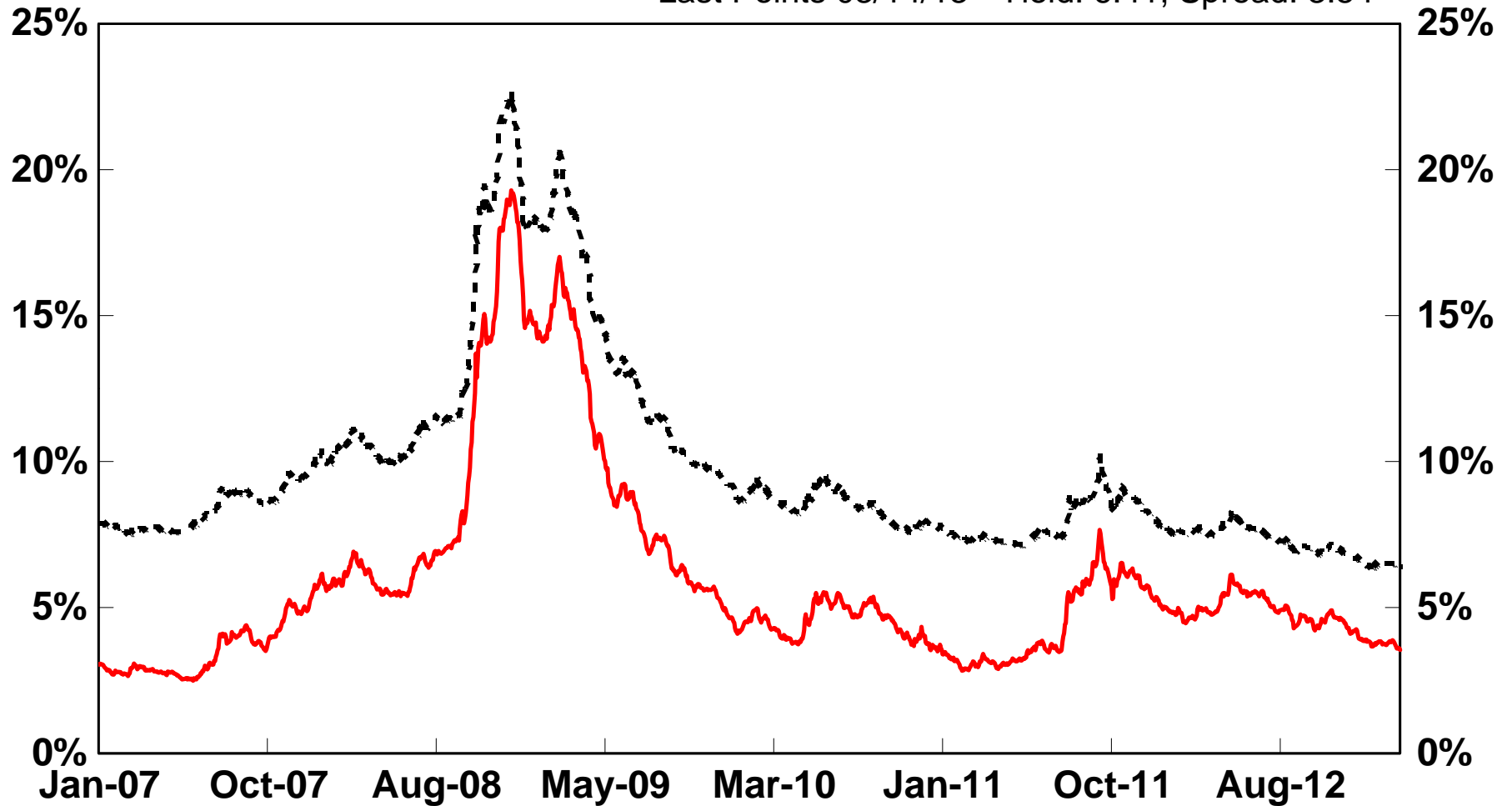
Last Points 03/14/13 - CN: 103 CA: 107 GR: 142 AU: 124



Source: Bloomberg

Chart 14 Junk Bond Yields and Spread vs. Treasurys

Last Points 03/14/13 - Yield: 6.41, Spread: 3.54



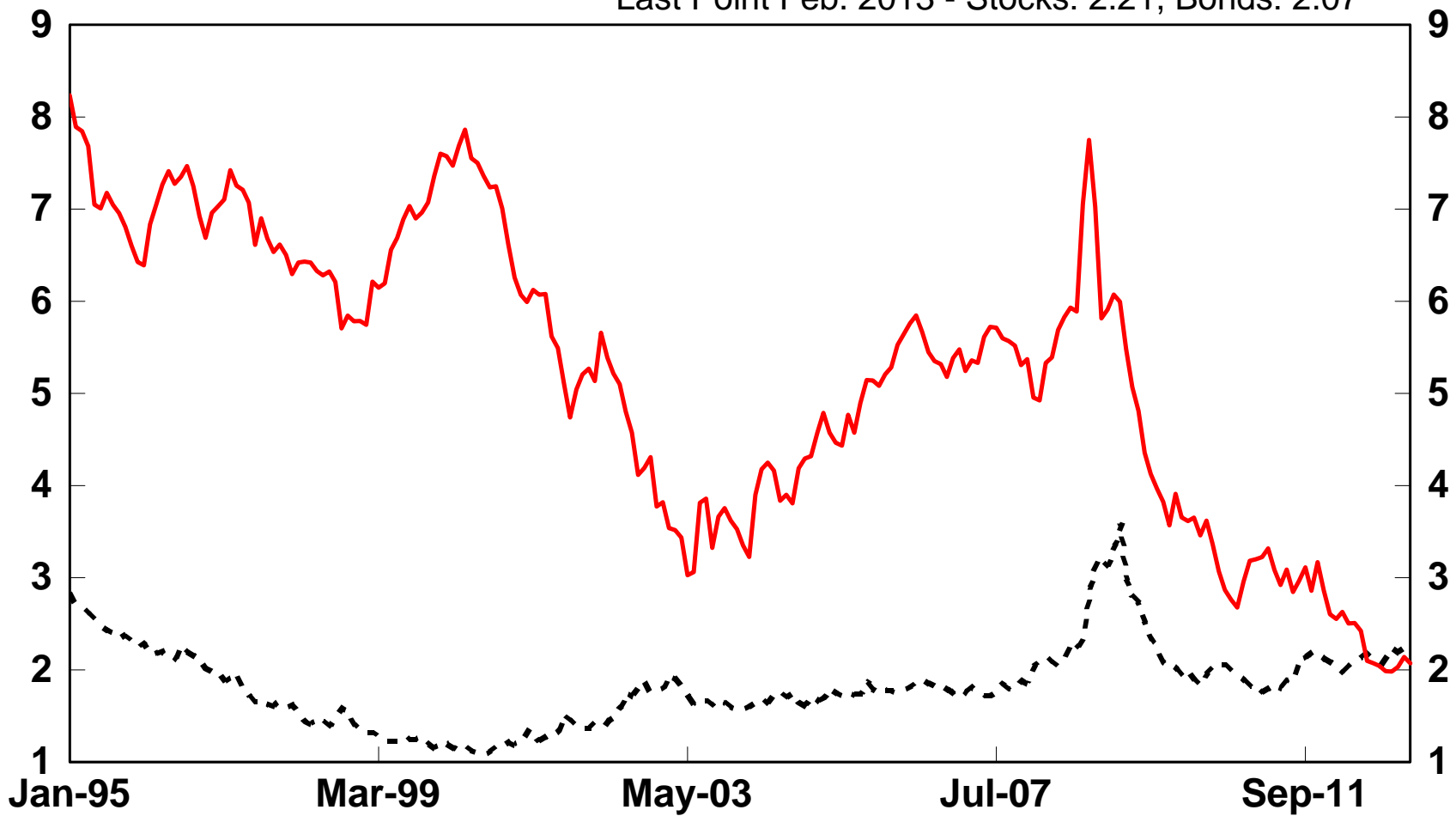
— Junk Bond Spread vs 20 Yr Treasurys
- - - - Junk Bond Yield

Source: Bianco Research, LLC,
Bloomberg

Chart 15

Yield on Corporate Stocks and Bonds

Last Point Feb. 2013 - Stocks: 2.21, Bonds: 2.07

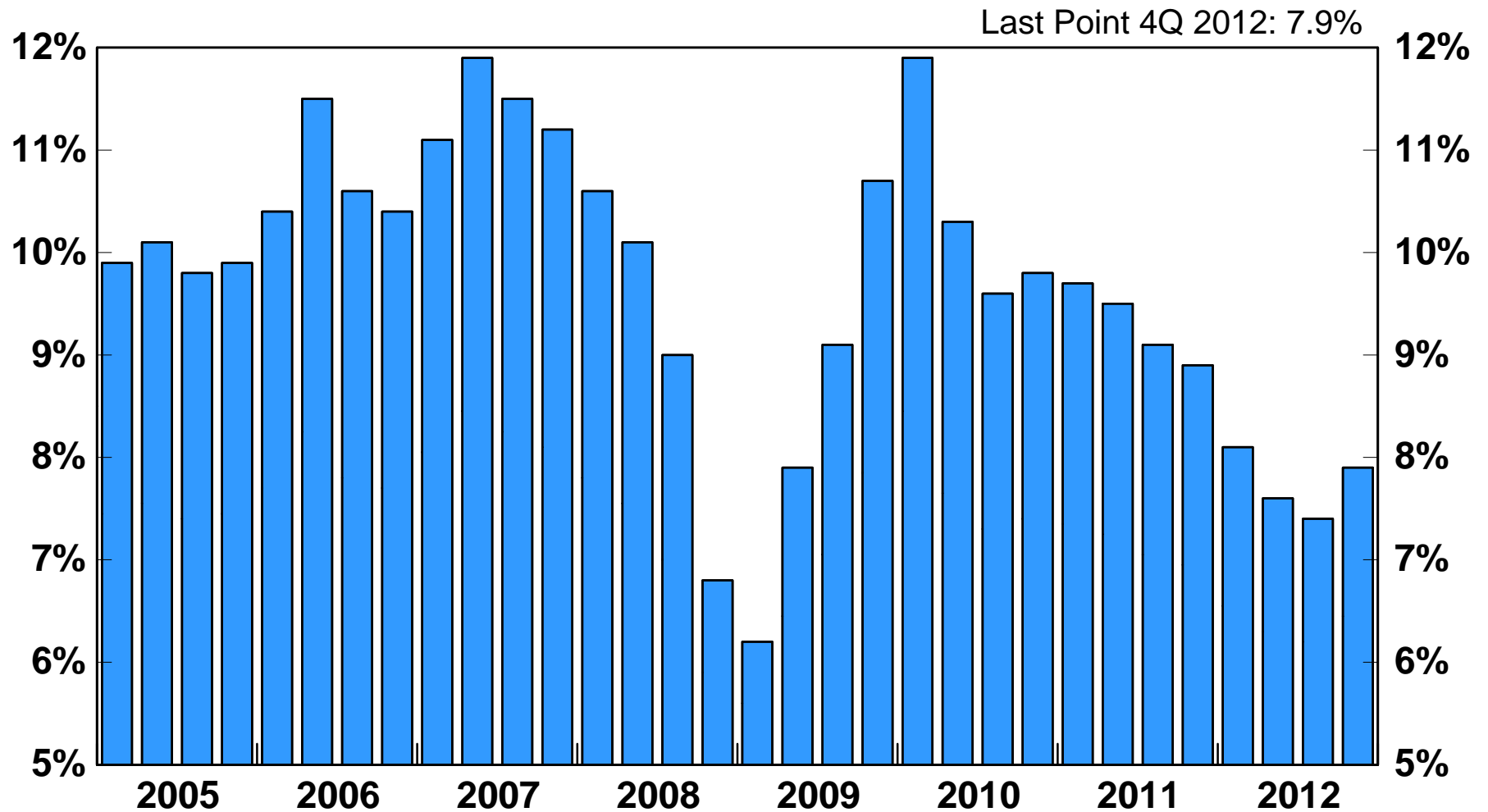


— AA Rated Corporate Bond Yield
- - - S&P 500 Dividend Yield

Source: Haver Analytics, Bank of America Merrill Lynch

Chart 16

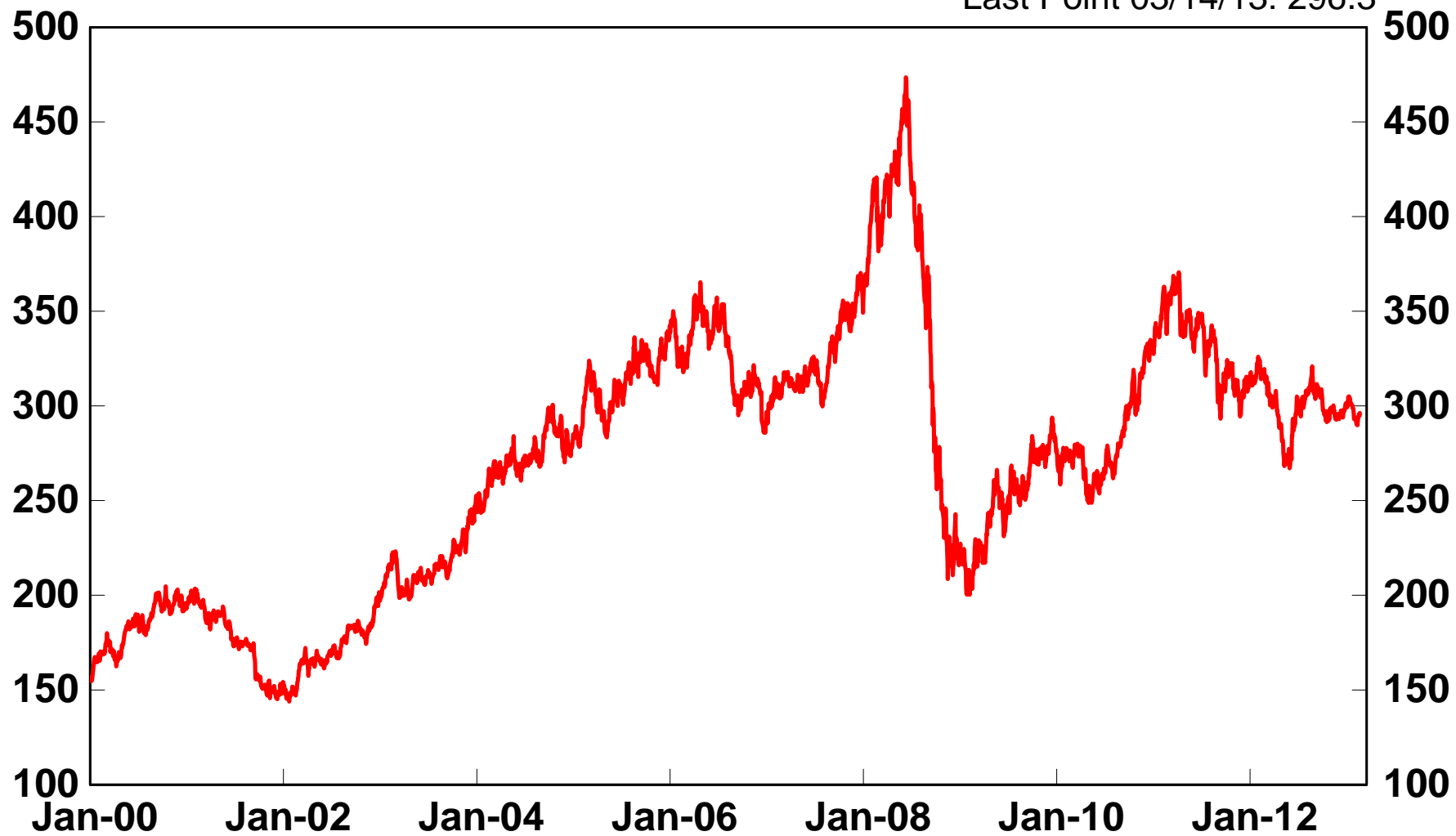
Chinese Gross Domestic Product year / year percentage change



Source: Chinese National Bureau of Statistics

Chart 17 Reuters/Jefferies Commodity Research Bureau Index

Last Point 03/14/13: 296.3



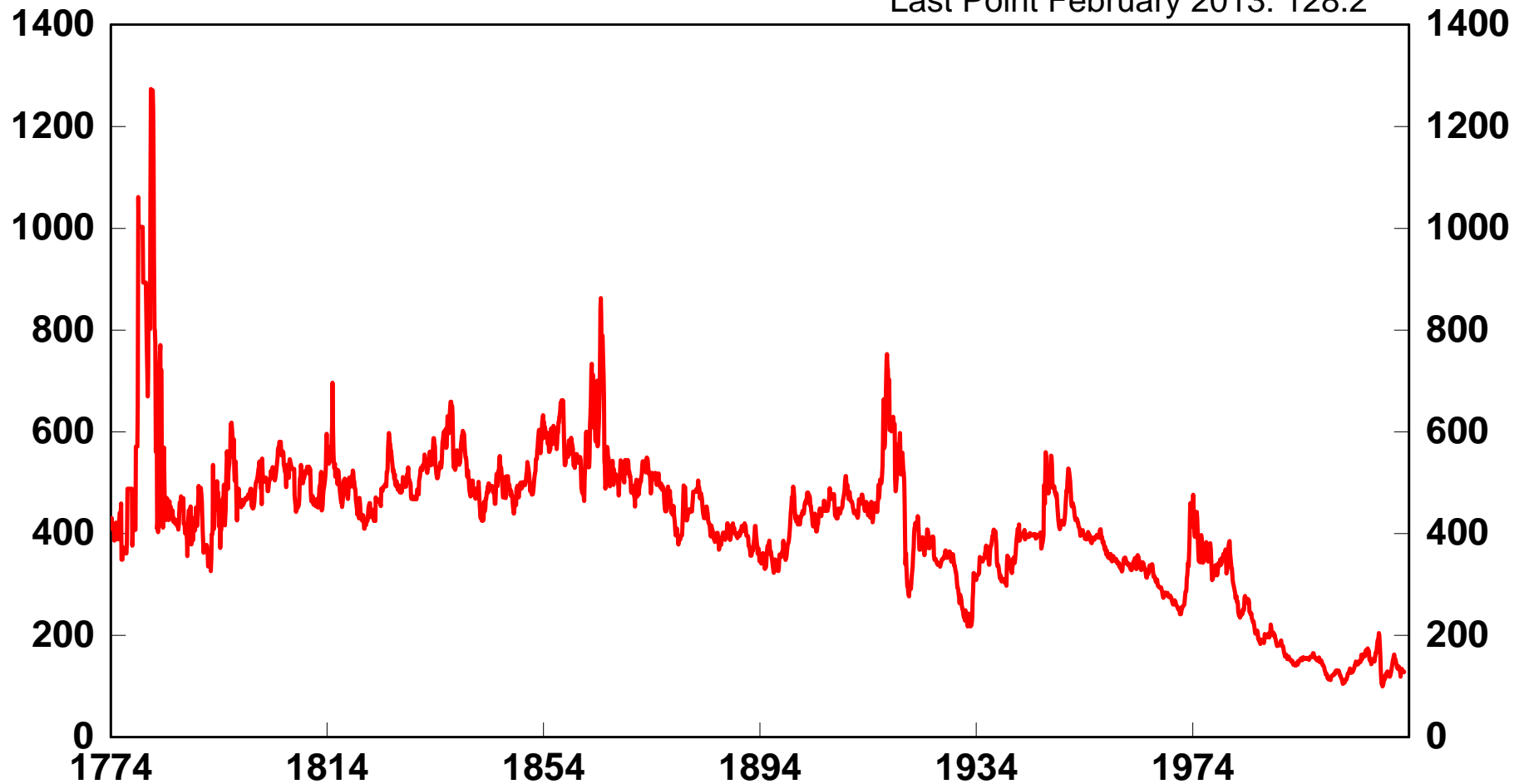
Source: Jefferies and Company

Chart 18

Real U.S. Commodity Prices

CRB Index Deflated by CPI

Last Point February 2013: 128.2

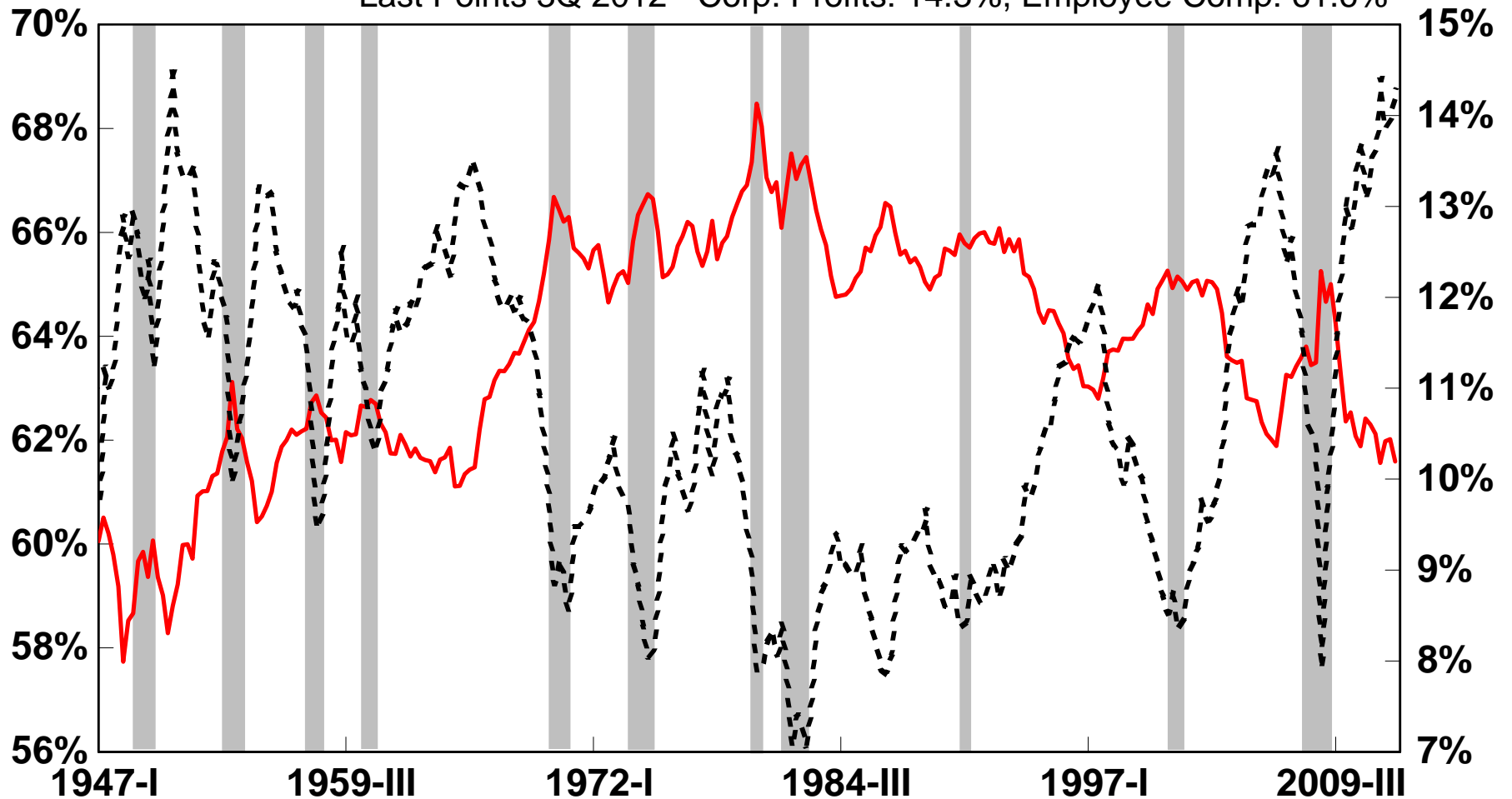


Source: Bianco Research, Bureau of Labor Statistics,
Historical Statistics of the United States

Chart 19

Corporate Profits and Employee Compensation as a percentage of National Income

Last Points 3Q 2012 - Corp. Profits: 14.3%, Employee Comp: 61.6%



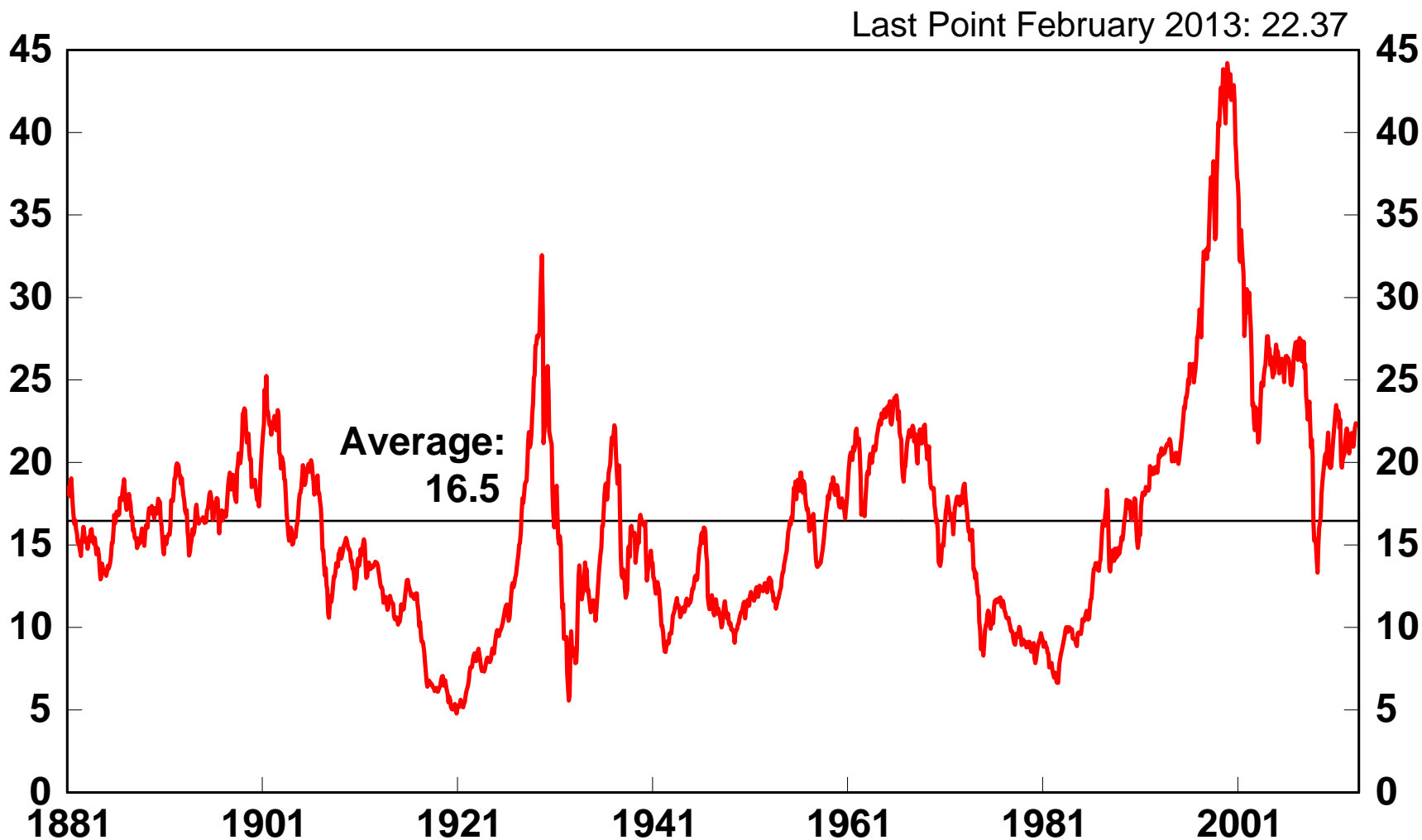
— Compensation of Employees - left axis
 - - - - Corp. Profits with IVA and CCAdj - right axis

Source: Bureau of Economic Analysis

Chart 20

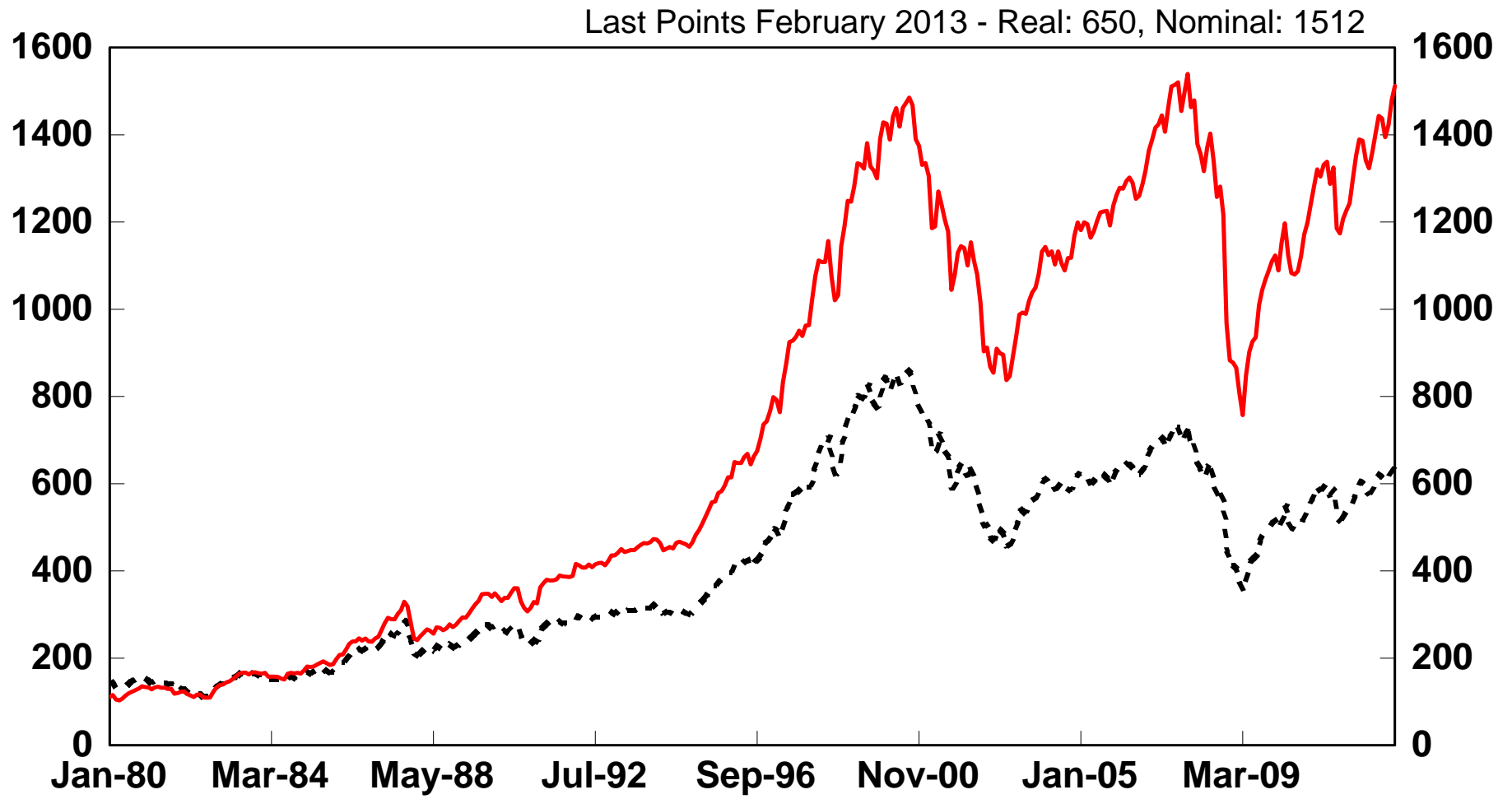
Cyclically Adjusted Stock Price to Earnings Ratio

S&P 500 price / avg. earnings from previous 10 years



Source: Robert Shiller

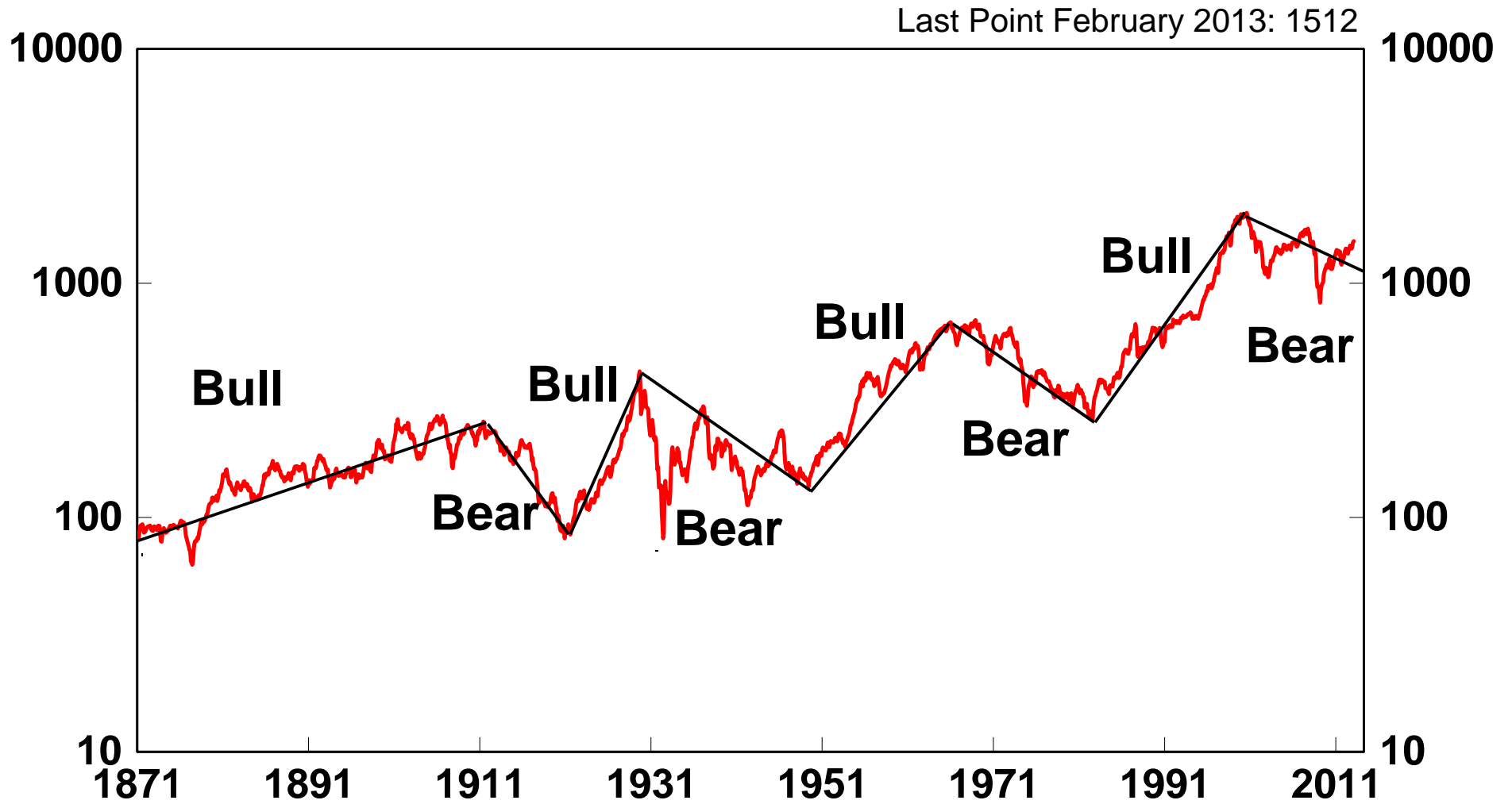
Chart 21 Real and Nominal S&P 500



— Nominal S&P 500
- - - - Real S&P 500 (deflated by CPI, 1982-84 prices)

Source: Haver Analytics

Chart 22
Real S&P 500
log scale, February 2013 prices



Source: Robert Shiller

Chart 23 Historic Inflation and Deflation

Period	Military Engagement	No. of Years	Annualized Wholesale Price Change
1749-1755	Peacetime	6	-0.50%
1756-1763	French-Indian War	8	2.27%
1764-1774	Peacetime	11	-0.35%
1775-1783	American Revolution	9	12.31%
1784-1811	Peacetime	28	-1.91%
1812-1815	War of 1812	4	7.78%
1816-1845	Peacetime	30	-2.36%
1846-1848	Mexican-American War	3	-0.40%
1849-1860	Peacetime	12	1.05%
1861-1865	Civil War	5	14.75%
1866-1916	Peacetime	51	-0.74%
1917-1918	World War I	2	23.92%
1919-1940	Peacetime	22	-2.31%
1941-1945	World War II	5	6.12%
1946-1992	Cold War	47	4.20%
1993-2000	Peacetime	8	1.43%
2001-2012	War on Terror	12	2.90%

	<u>No. of Years</u>	<u>Avg. Price Change</u>
Wartime:	95	5.72%
Peacetime:	168	-1.16%
Years Total:	263	1.25%

Chart 24

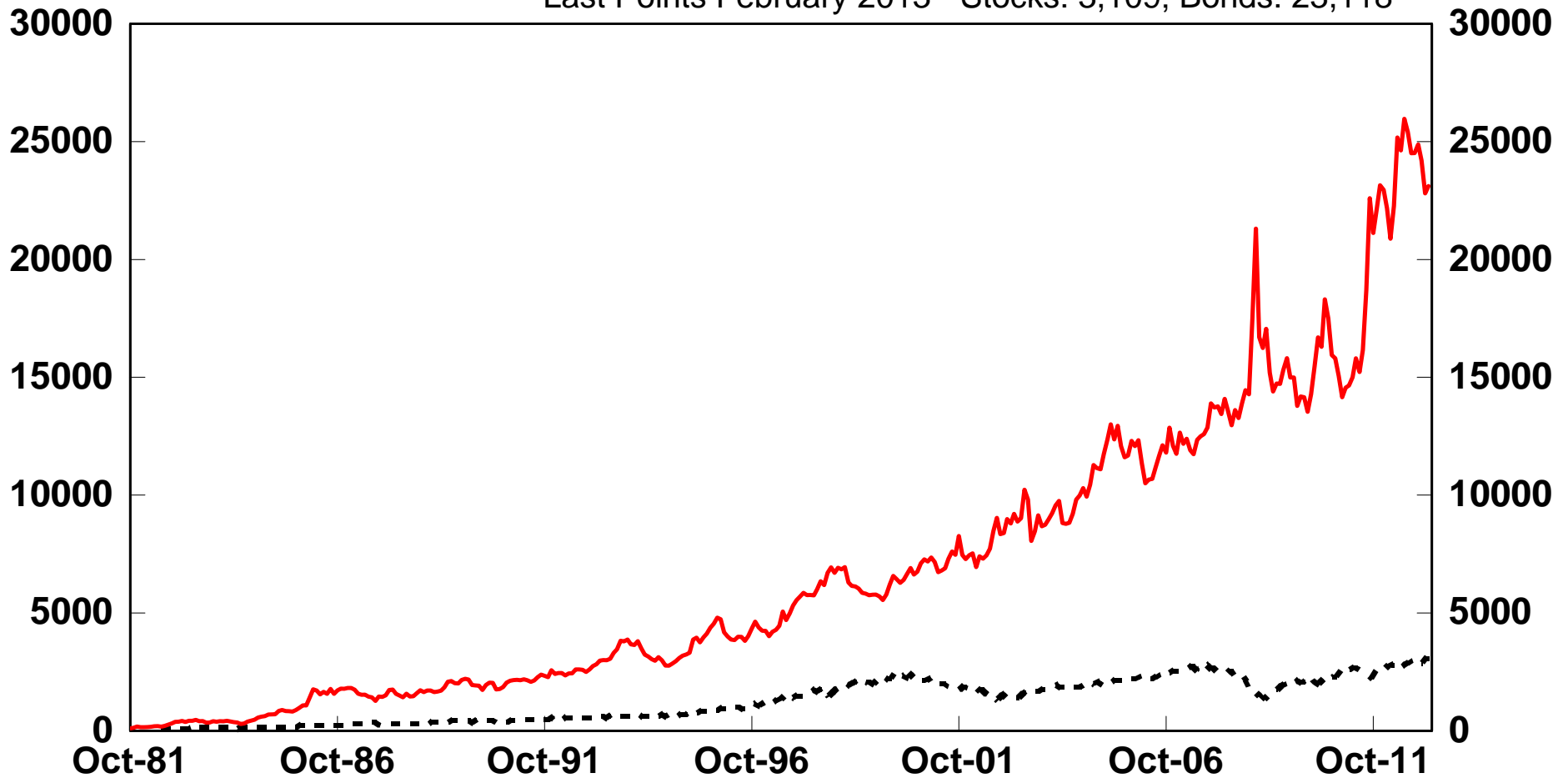
Long Run Investments to Buy

- 1. Treasuries and other high-quality bonds.**
- 2. Income-producing securities.**
- 3. Food and other consumer staples.**
- 4. Small luxuries.**
- 5. The U.S. dollar**
- 6. Rental apartments**
- 7. Health care.**
- 8. Productivity enhancers.**
- 9. North American energy.**

Chart 25

Comparative Stock and Bond Performances

Last Points February 2013 - Stocks: 3,109; Bonds: 23,118



— 25 Year Zero Coupon Bond (Oct-81=100) 23,118 or 18.9% Annual Return
- - - S&P 500 Total Return (July-82=100) 3,109 or 11.9% Annual Return

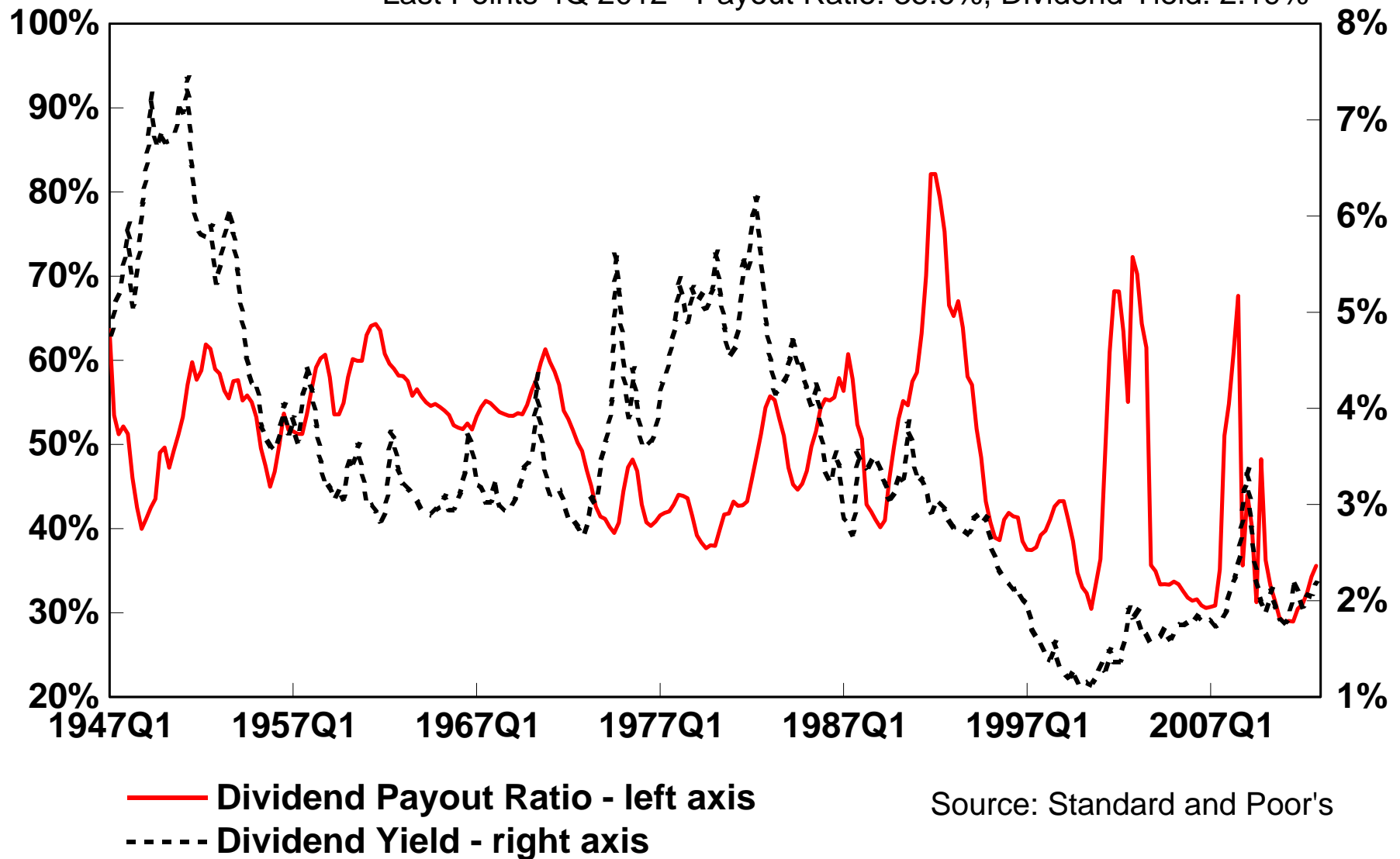
Source: Bianco Research & Haver Analytics

Chart 26

S&P 500 Dividend Yield and Payout Ratio

1947 to present

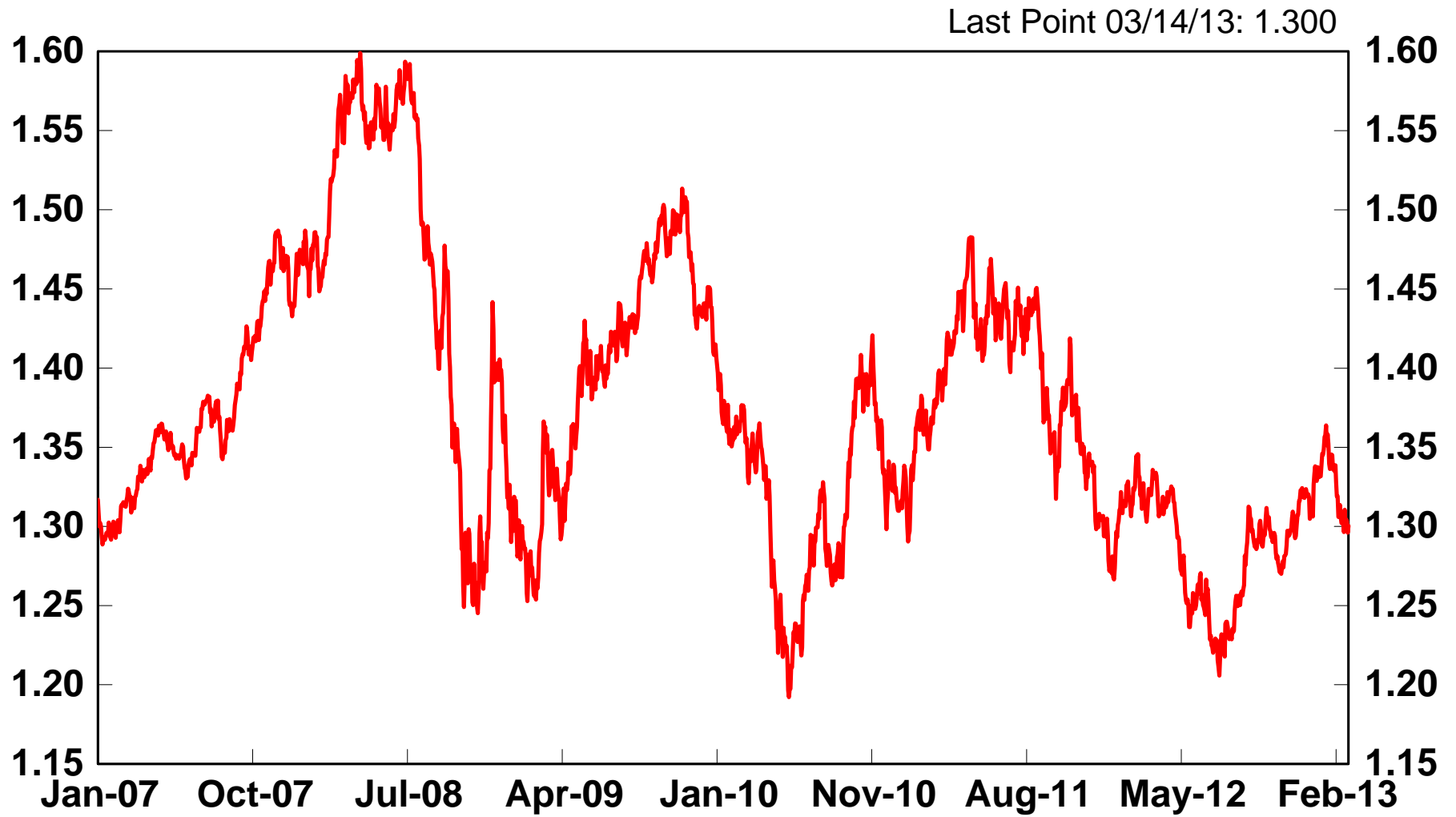
Last Points 4Q 2012 - Payout Ratio: 35.6%, Dividend Yield: 2.19%



Source: Standard and Poor's

Chart 27

U.S. Dollars per Euro



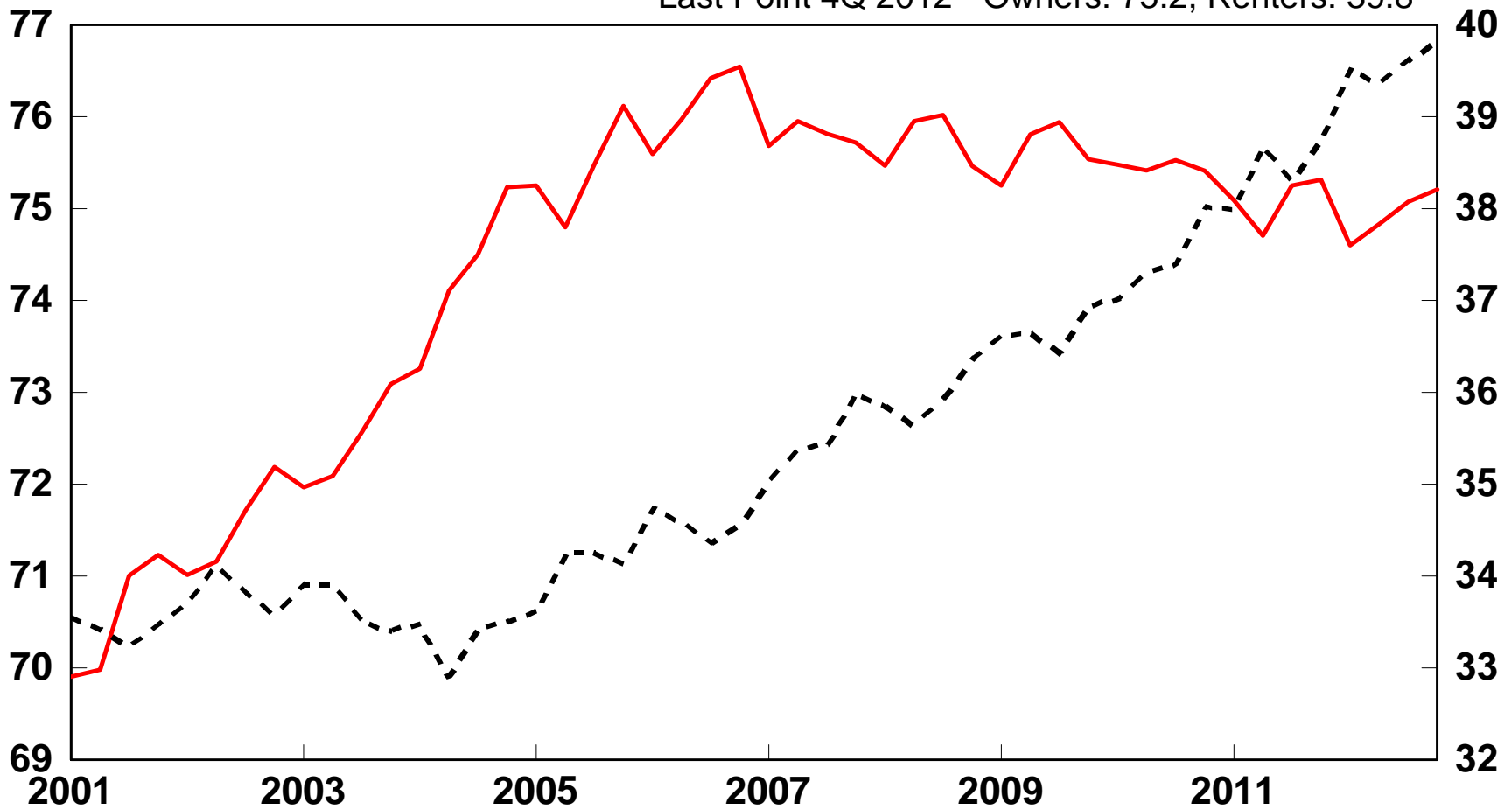
Source: Thomson Reuters

Chart 28

U.S. Homeowner and Renters

millions of households

Last Point 4Q 2012 - Owners: 75.2, Renters: 39.8

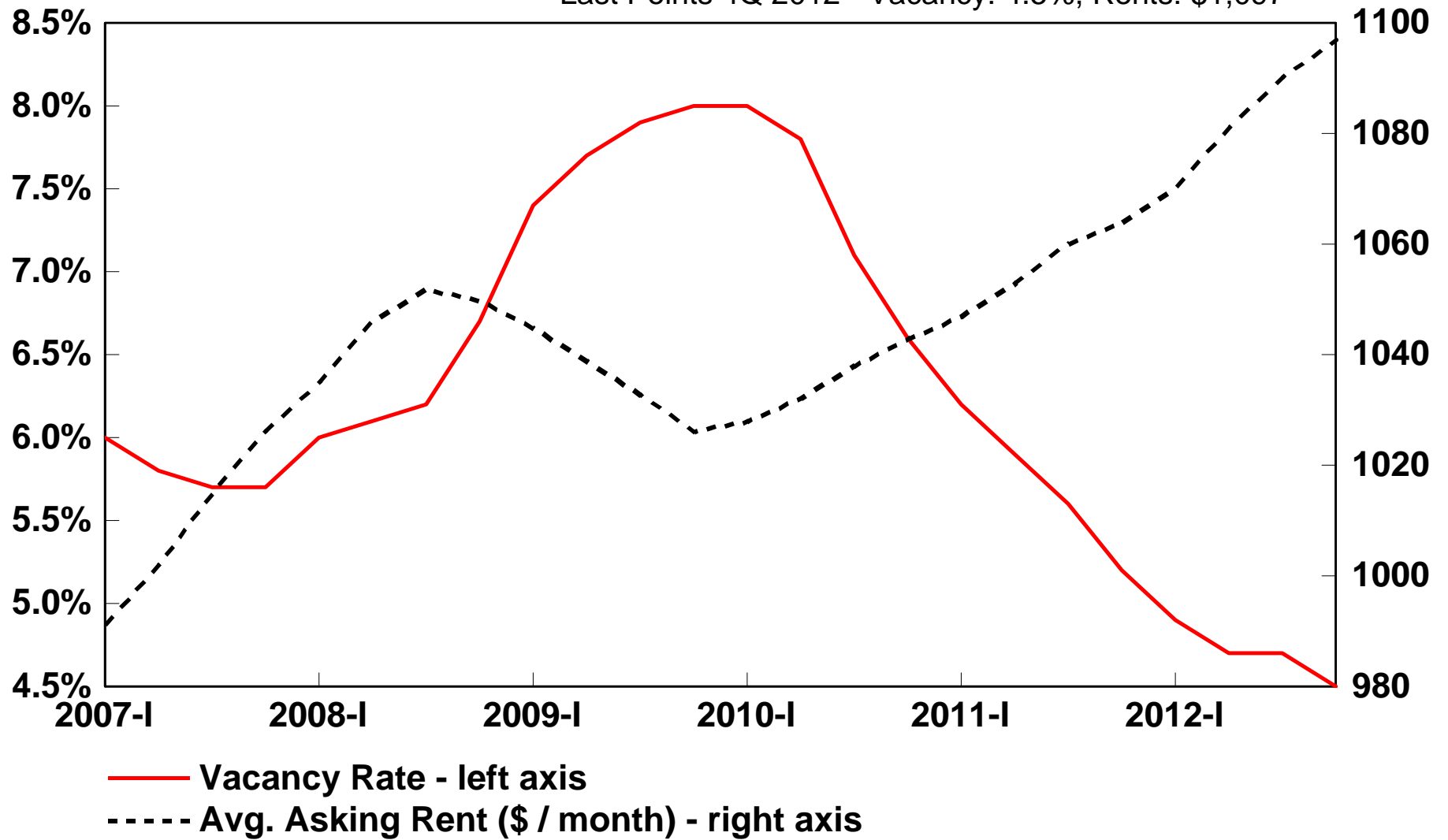


— Homeowners - left axis
 - - - Renters - right axis

Source: Census Bureau

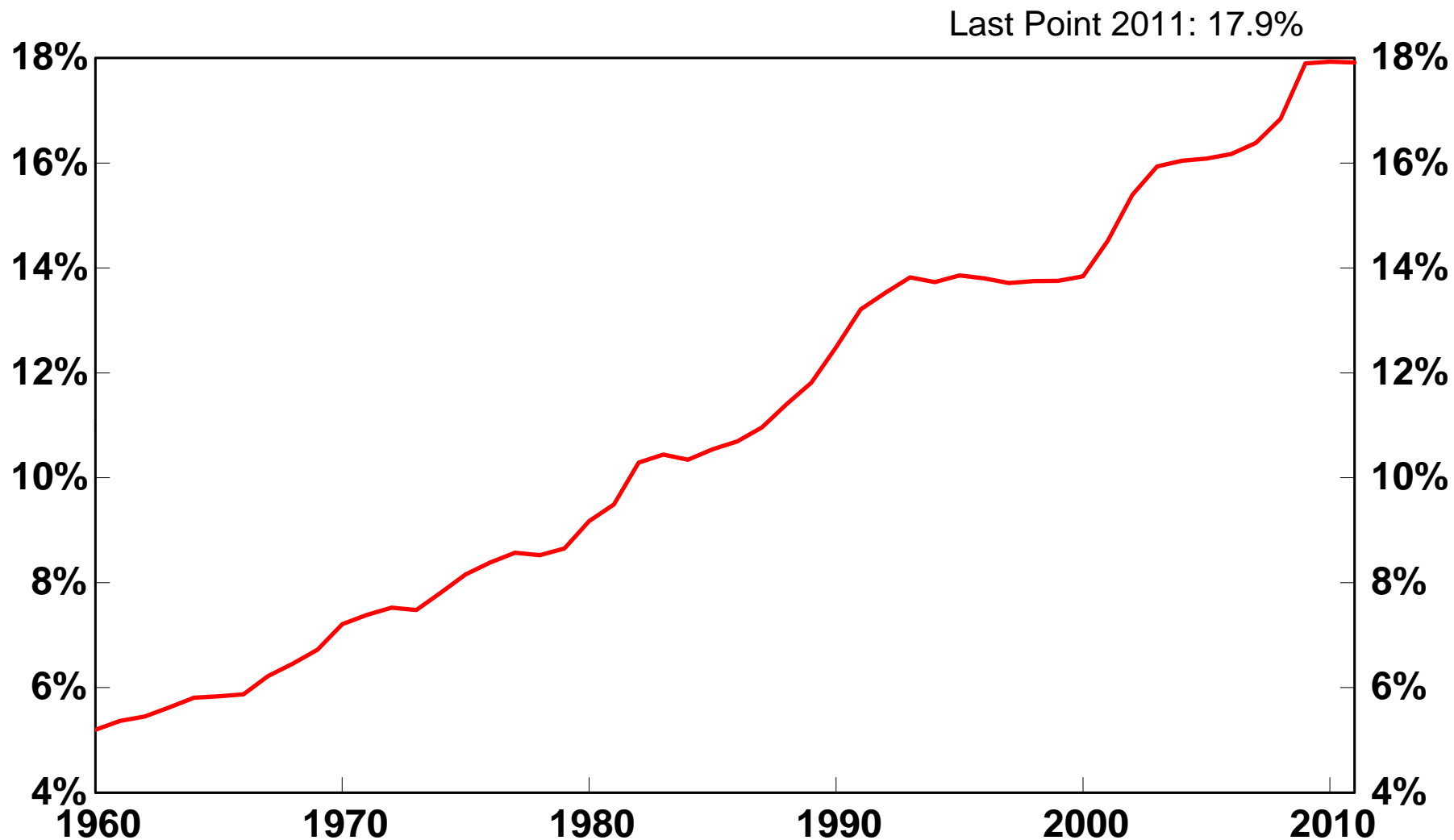
Chart 29 Apartment Vacancy and Rental Rates

Last Points 4Q 2012 - Vacancy: 4.5%, Rents: \$1,097



Source: Mortgage Bankers Association / REIS

Chart 30 National Health Care Expenditures as a percentage of GDP



Source: Department of Health and Human Services

Chart 31

Social Security, Medicare, and Medicaid

as a percent of GDP

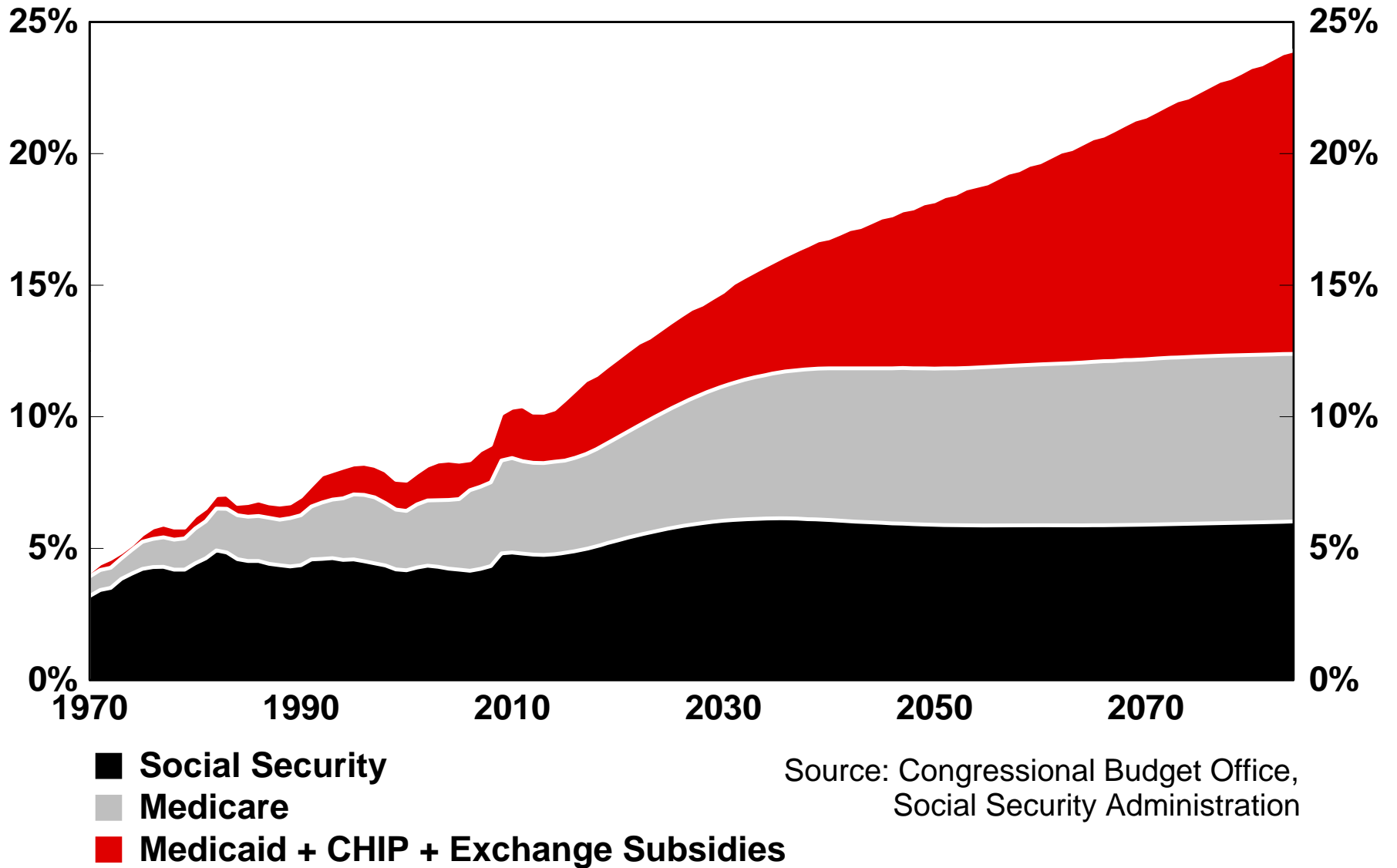
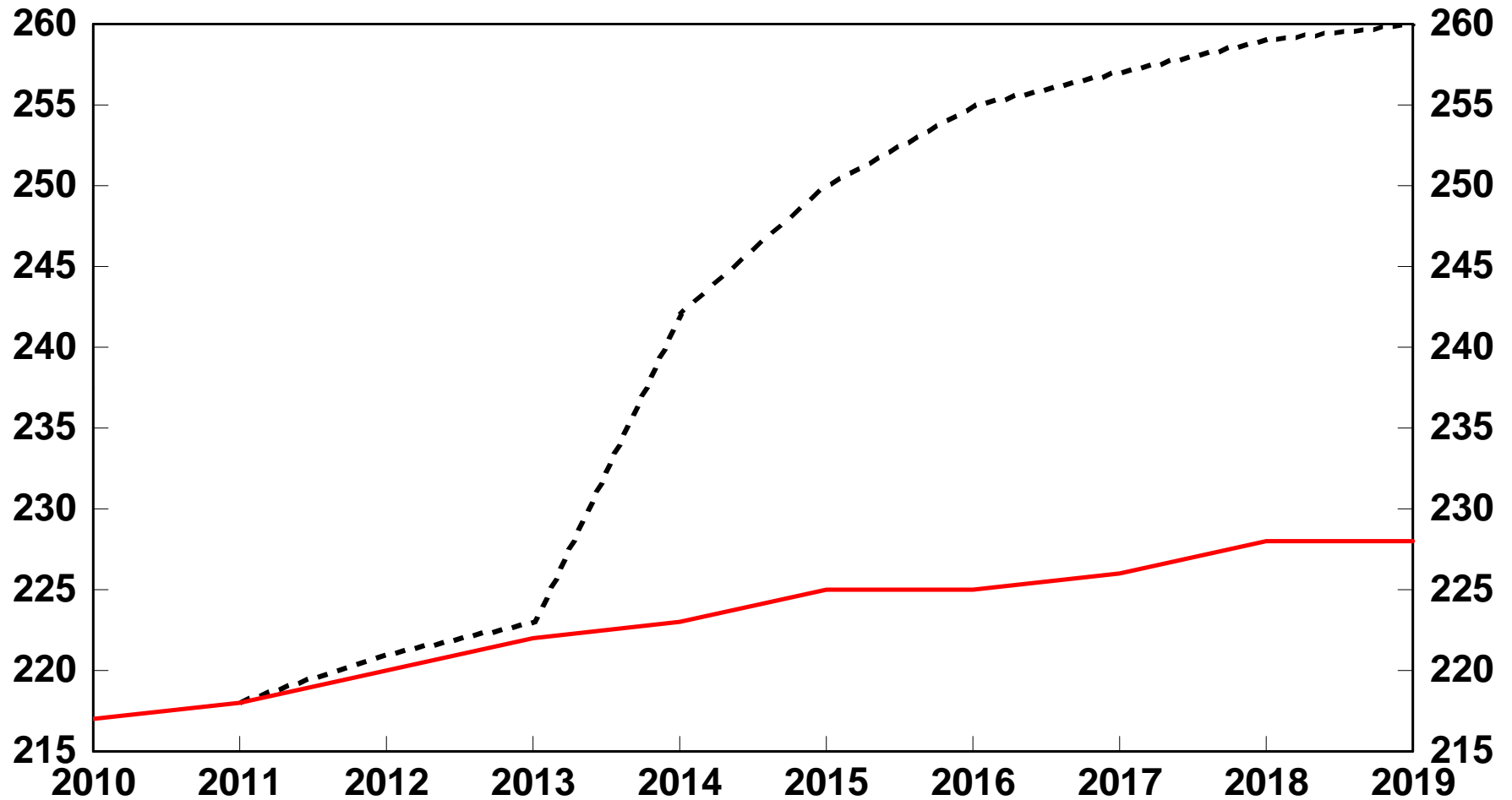


Chart 32

Insured Nonelderly Population

with and without health care bill

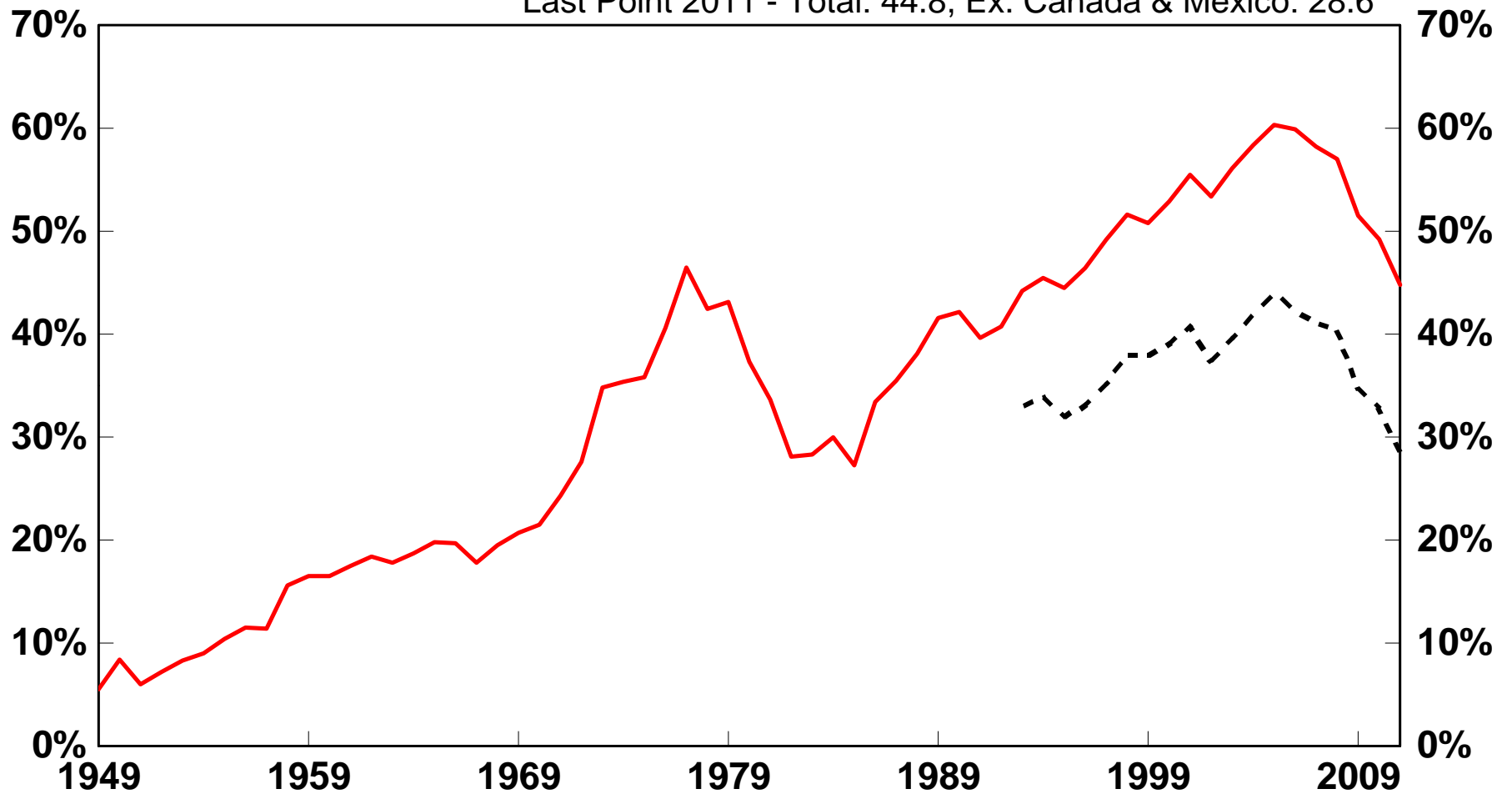


— Without Healthcare Bill
- - - With Healthcare Bill

Source: Congressional Budget Office

Chart 33 Net Petroleum Imports as a % of Supply

Last Point 2011 - Total: 44.8, Ex. Canada & Mexico: 28.6



— Total Net Imports
- - - Net Imports excluding Canada and Mexico

Source: EIA

Chart 34

Long Run Investments to Sell or Avoid

- 1. Big-ticket consumer purchases.**
- 2. Credit card and other consumer lenders.**
- 3. Conventional home builders and suppliers**
- 4. Selected banks and similar financial institutions**
- 5. Junk securities**
- 6. Commodities**
- 7. Developing country stocks and bonds.**