

DOWN TO THE WIRE

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2012: The Year It Didn't Happen

Judging by the headlines in the financial press, investors spent much of the past year anxiously awaiting one calamity after another that failed to occur.

The plunge off the so-called fiscal cliff was averted. The euro zone did not fall apart. China's economy and stock market did not crash. The bond market did not implode. The re-election of President Barack Obama did not derail the US market. The "flash glitch" in early August did not lead to further trading disruptions. Doomsday did not arrive on December 21, as some interpreters of the Mayan calendar suggested it would.

Instead, the belief that owning a share of the world's businesses is a sensible idea appears to be alive and well, despite suggestions from some observers that the "cult of equity" is dead. For the year, total return was 16.42% for the MSCI World Index in local currency, and 16.00% for the S&P 500 Index. Among forty-five global stock markets tracked by MSCI, only three posted negative results in local

currency (Chile, Israel, and Morocco), and twelve markets had total returns in excess of 25%, with Turkey leading the pack at 55.8%. Although much of the financial news over the past year highlighted Europe's fragile financial health, most of the region's equity markets outperformed the US, including Austria, Belgium, Denmark, France, Germany, the Netherlands, Sweden, and Switzerland. For US dollar-based investors, results were further enhanced by a modest decline in the US dollar relative to the euro, the Danish krone, and the Swiss franc.

As is so often the case, earning the rewards offered by the world's capital markets may have required a combination of discipline and detachment that eluded many investors. ►

2012 INDEX AND COUNTRY PERFORMANCE

TOTAL RETURN (GROSS DIVIDENDS) FOR 12-MONTH PERIOD ENDING DECEMBER 31, 2012

MSCI INDEX	LOCAL CURRENCY	USD
WORLD	16.42%	16.54%
WORLD ex USA	16.73%	17.02%
EAFE	17.89%	17.90%
EMERGING MARKETS	17.39%	18.63%
EMERGING + FRONTIER MARKETS	17.15%	18.35%
TURKEY	55.80%	64.87%
EGYPT	54.66%	47.10%
BELGIUM	38.56%	40.72%
PHILIPPINES	38.16%	47.56%
THAILAND	30.84%	34.94%
DENMARK	30.37%	31.89%
GERMANY	30.07%	32.10%
INDIA	29.96%	25.97%
HONG KONG	28.01%	28.27%
POLAND	27.05%	40.97%
AUSTRIA	25.07%	27.02%
SOUTH AFRICA	25.07%	19.01%
COLOMBIA	23.87%	35.89%
SINGAPORE	23.54%	30.99%
NEW ZEALAND	23.28%	30.38%
CHINA	22.85%	23.10%
JAPAN	21.78%	8.36%
FRANCE	20.93%	22.82%
AUSTRALIA	20.77%	22.30%
MEXICO	20.09%	29.06%
PERU	19.73%	20.24%
NETHERLANDS	19.35%	21.21%
SWITZERLAND	18.91%	21.47%
SWEDEN	17.11%	23.41%
USA	16.13%	16.13%
FINLAND	14.71%	16.50%
KOREA	12.89%	21.48%
TAIWAN	12.84%	17.66%
HUNGARY	11.86%	22.79%
INDONESIA	11.83%	5.22%
ITALY	11.72%	13.46%
NORWAY	11.63%	19.70%
UNITED KINGDOM	10.24%	15.30%
MALAYSIA	10.23%	14.27%
BRAZIL	10.14%	0.34%
RUSSIA	9.73%	14.39%
CANADA	7.46%	9.90%
IRELAND	4.66%	6.29%
GREECE	4.11%	5.73%
PORTUGAL	3.36%	4.98%
SPAIN	3.12%	4.73%
CZECH REPUBLIC	0.26%	3.48%
CHILE	-0.14%	8.34%
ISRAEL	-6.24%	-3.91%
MOROCCO	-12.63%	-11.48%

Past performance is no guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

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