

Solutions for a New Economy

Our goal is to provide confidence in guiding complex decisions, provide oversight based on wisdom, and offer extensive knowledge, backed with formal educations.

Our services include retirement plan consulting, endowment & foundation consulting, along with individual investment & retirement management services.

By always acting in a fiduciary capacity, we provide objective and unbiased investment advisory services to our clients.



Brian G. Carrington, CFA

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The Impact Zone

The Impact Zone in surfing is the spot on a wave where the water is just about to collapse and explode, entailing the greatest opportunity and danger for a surfer. The Impact Zone for investors is typically during periods of high stock market volatility and offers some of the greatest opportunities and dangers for investors.

We can recite periods of historically high volatility in the markets. Examples include the Crash of 1987, the Asian Crisis, September 11, 2001, the Dot Com Crash, and the Great Recession. We know that volatility soars after major uncertainty appears. History has also shown that volatile periods make for excellent periods to invest.

Investors attempt to make judgments based on future volatility. Professional investors look at the Chicago Board Options Exchange (CBOE) Volatility Index (VIX) as one glimpse into the future. This index measures expected future levels of volatility in the US markets. The VIX parallels the impact zone in surfing as it is also called the investor fear gauge.

The VIX has a range of 0 to 100 but typically measures at the lower end of the range. The value of the index represents the anticipated movement in the S&P 500 Index over the next 30 days. The index is derived from values of S&P 500 Index option contracts. The movements represented can be either up or down and are constantly being revised.

Over the last 52 weeks, the range of the index has been between 14.27 and 31.28 with implied monthly movements of 4.1% to 9.0%. The reading while writing this piece was 27.16. This reading indicates that the S&P 500 Index is expected to move +/- 7.8% over the next 30 days.

The VIX is only one gauge of risk and investor's should not alter their long-term asset allocation plans based on short-term changes in volatility. Since investors tend to be in the impact zone, the goal is to extract the greatest opportunities that the impact zone provides while effectively managing the dangers.

This Issue's Trivia Question

Q: What has been the highest reading of the VIX?

A: The VIX reached 89.53 on October 24, 2008, implying a movement of 26% in the S&P 500 Index over 30 days.

The U.S. markets were already declining when the VIX reached a high and declined an additional 22% over the ensuing months. At the lowest reading of the S&P 500 Index on March 5, 2009, the VIX had an implied movement of 14%. Thirty days later, the S&P Index was up 23%.

Contact Information

Brian G. Carrington, CFA
Principal

O 952 476 2770

brian.carrington@
perceptive-edge.com

Perceptive Edge
Investment
Management, Inc.

PO Box 604
Wayzata, MN 55391

perceptive-edge.com

The Market at a Glance

2008	2009	2010	YTD (6/30)
Bonds 5.24%	Mid Growth 46.29%	Small Growth 29.09%	Mid Growth 9.59%
Cash 2.06%	Small Growth 34.47%	Mid Growth 26.38%	Small Growth 8.59%
Small Value -28.92%	Mid Value 34.21%	Mid Value 24.75%	Mid Value 6.69%
Large Growth -36.06%	Large Growth 34.21%	Small Value 24.50%	Large Growth 5.75%
Large Value -36.09%	International 32.46%	Large Growth 13.21%	Large Value 5.54%
Mid Value -38.44%	Small Value 20.58%	Large Value 11.69%	International 5.35%
Small Growth -38.54%	Large Value 14.59%	International 8.21%	Small Value 3.77%
International -43.06%	Bonds 5.93%	Bonds 6.54%	Bonds 2.72%
Mid Growth -44.32%	Cash 0.21%	Cash 0.12%	Cash 0.08%

The Economy at a Glance

	2007	2008	2009	2010	2011 ¹
GDP¹	14,061.8	14,369.1	14,119.0	14,660.4	15,018.1
Personal Income²	11,912.3	12,391.1	12,174.9	12,541.0	13,063.3
Corporate Profits²	1,691.1	1,289.1	1,328.6	1,756.2	1,833.3
Unemployment Rate	4.6%	5.8%	9.3%	9.6%	9.2%
Unemployed³	7,078	8,924	14,265	14,825	14,087
Not in Labor Force³	78,743	79,501	81,659	83,941	86,069
Industrial Production	100	96.3	85.5	90.1	93.0
CPI – Annual Average	2.8%	3.8%	-0.4%	1.6%	N/A
Money Supply²	7,494.7	8,248.3	8,530.9	8,817.0	9,001.1

1) Last Available Reading 2) Billions, 3) Millions

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