

## Summer Fun Just Beginning

*Spring stock market pullback sets stage for summer rally.*

*“Worries Grow Over Jobs, Unemployment Rate Climbs to 9.2%”*

- Wall Street Journal  
July 9, 2011

*Global infrastructure spending supports years of higher natural resource prices.*

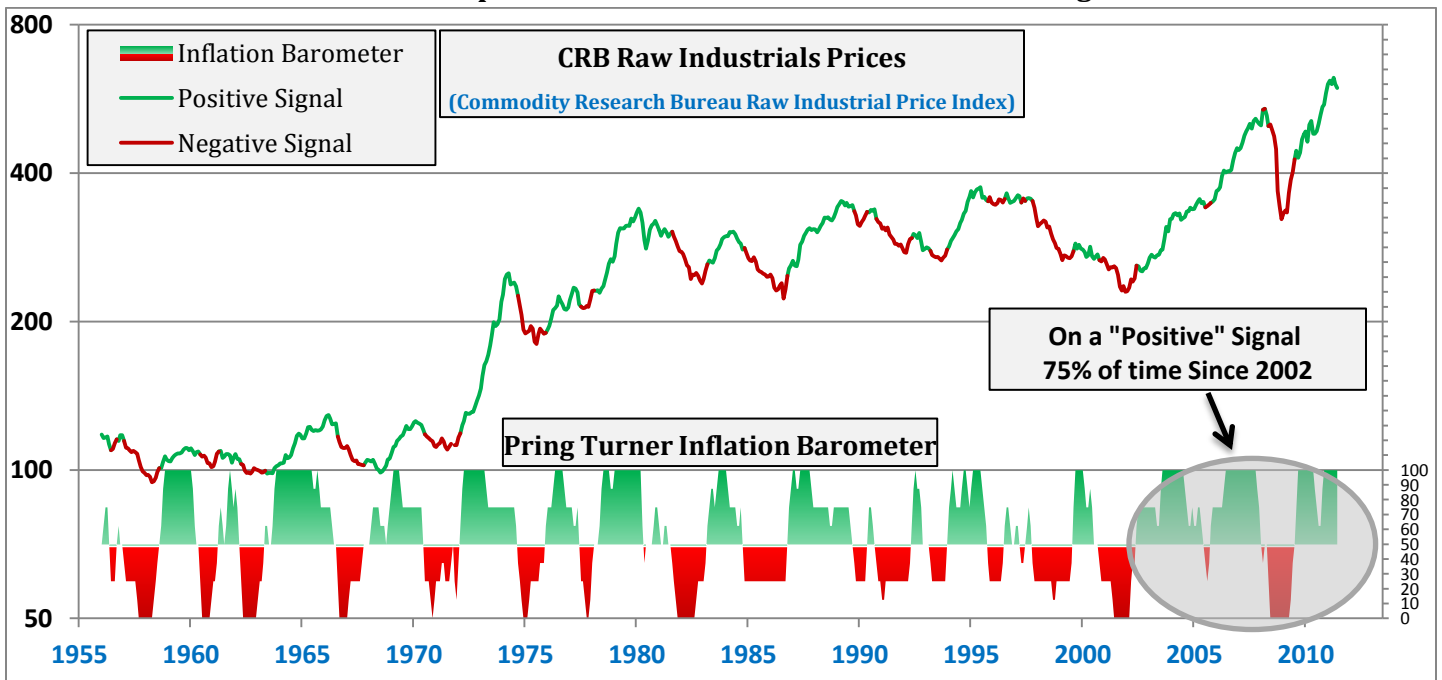
Investor emotions ran high throughout the spring quarter as stocks experienced a painful 8% drop over seven consecutive weeks. This abrupt pullback set the stage for a sharp recovery into quarter end leaving major indexes roughly unchanged. A June 17<sup>th</sup> Interim Update entitled [Summer Rally Set to Begin](#), explained our expectation a summer rally would take the stock market and more importantly your portfolio, to new high benchmarks. The explosive upward thrust over the last few weeks adds encouragement to the optimistic view—we believe the summer fun is just beginning.

### Why do we remain optimistic with economic headlines continuing to disappoint?

We realize the current U.S. recovery remains a tough grind and most folks say it “feels” like we are still in a recession. However, economic growth is robust in emerging economies and many of our favored investments are strong beneficiaries of this underlying global strength. Your portfolio has significant exposure to natural resource (metals and energy) and industrial (machinery and technology) sectors. These sectors cater to the global marketplace and have quite promising profit potential despite continued sluggish U.S. growth.

A dramatic push by Asian, Latin American, and other emerging economies toward industrialization has supercharged the demand for natural resources. Higher demand from dynamically growing markets is evident in much higher prices for energy, metals, and agricultural products. Our proprietary Inflation Barometer is a tool we developed to measure favorable and unfavorable conditions for industrial material prices (CRB Index). It is worth noting this barometer has remained in a favorable position (signaling higher raw material prices) 75% of the time since 2002 and is currently at a maximum 100% reading today. This helps explain our long-term favorable opinion for natural resource and industrial themes and why we continue to feature them in portfolios.

### Natural resource prices rise when then inflation barometer is green...



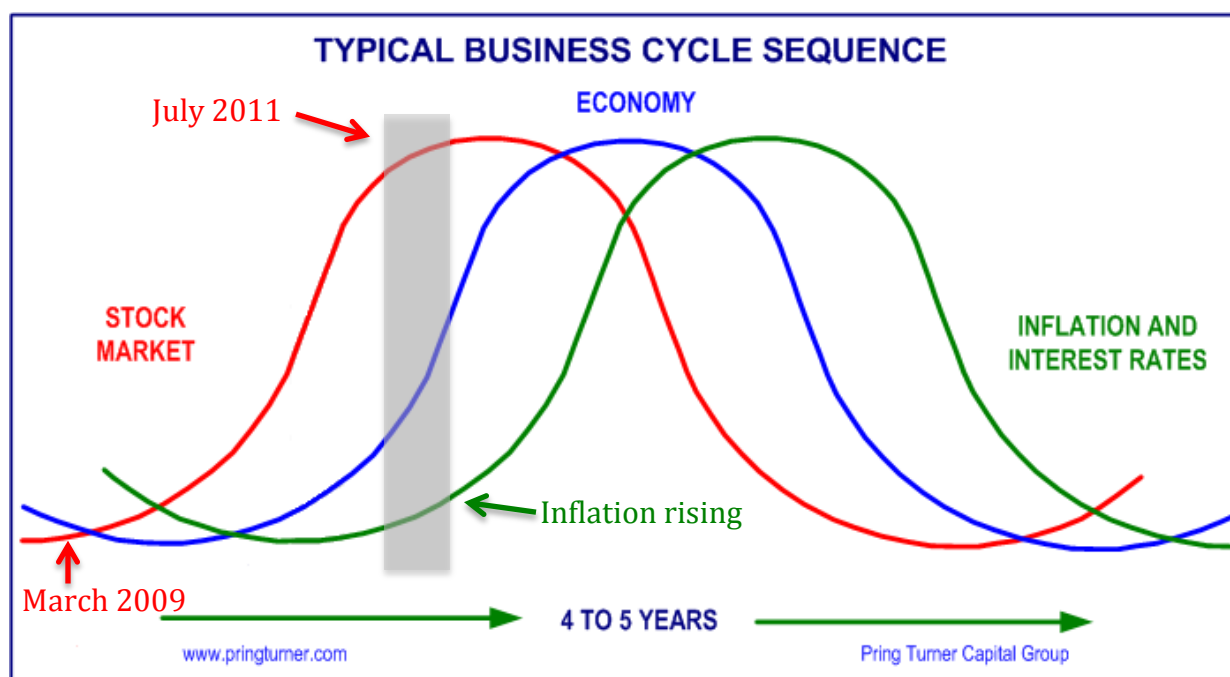
...commodity and material prices are moving up.

Natural resource stocks are also referred to as 'hard asset' investments and can act as a *store of value* during inflationary times. Investors who emphasize 'hard asset' companies protect themselves from a sinking currency and wealth-erosion. Since 2002, the U.S. dollar lost 35% against its major trading partners' currencies, and not coincidentally marks a time of significant strength and out performance from our inflation sensitive investments! Notwithstanding temporary corrections from time to time, **we believe this secular uptrend in hard asset investments will continue for several more years and your portfolio will benefit from voracious global demand for resources.**

## Market Outlook

**Bottom line, we are positive on the intermediate term (2-6 months) stock market outlook.** We do recognize this cyclical equity bull market is quite mature. Pring Turner remains vigilant and is keeping a close watch on events and our market indicators should they alert us to become more cautious. As the economic tides change we will adjust your portfolio based upon our tried and true disciplines.

### The business cycle is progressing normally...



**...we see more upside for the stock market.**

As always, we look forward to the challenges and the important job you have assigned us to protect and grow your valuable assets. Thank you for the opportunity and responsibility you have given Pring Turner to manage your wealth.

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