STANDARD
&POOR'S

The Outlook

Intelligence for the Individual Investor

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What's Inside

Looking Ahead

A host of companies are building electric power transmission lines to take advantage of the increased return on equity that the government is offering as an incentive to get new projects built. Find out who the players are in the May 6 issue of *The Outlook*.

Green Shoots Need Strong Roots

Alec Young
International Equity
Strategist

After an explosive rally, fundamentals stabilized, but much of the improvement appears to be already priced into global stock market valuations.

After an extremely volatile start to the year, driven by ongoing credit market turmoil and downward negative revisions to 2009 global economic and earnings per share (EPS) forecasts, stock markets rebounded sharply since early March.

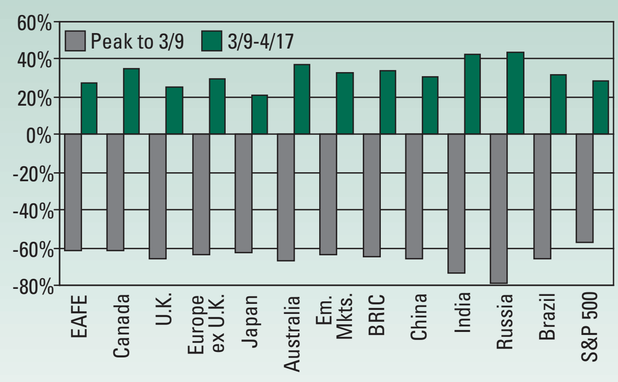
Tentative signs of global economic and credit market stability coupled with compelling valuations fueled the advance, in our view. While global macroeconomic news isn't encouraging, investors are hoping that the situation will not deteriorate further, which could set the stage for a gradual return to positive gross domestic product (GDP) and EPS growth by 2010, by our analysis.

Through April 20, emerging markets showed the best gains, with Latin America, emerging Asia, and EMEA all posting solid year-to-date appreciation. On the other hand, developed markets remain modestly lower year-to-date, with the United States outperforming Europe and Japan.

From a valuation standpoint, by early March, given the amount of negative news that we believe was discounted in equity prices, the United States was trading at only 11.0 times 2009 estimated EPS, overseas developed markets were trading at a mere 8.7, and emerging markets only 7.9. Therefore, it is not surprising to us that at the first concrete signs of recovery, equities would enjoy some overdue P/E expansion, as investors finally had the confidence to envision better days ahead. All that was needed was a catalyst, in our view.

We believe that catalyst came in the form of economic "green shoots." Specifically, China's aggressive domestic stimulus spending appears to be helping to offset export manufacturing weakness driven by OECD recessions. While Standard & Poor's still expects China's GDP to decelerate to 6.5% in 2009 from 9% last year, markets had been concerned the slowdown would be even worse, by our analysis. In addition,

TOO FAR, TOO FAST



Sources: Standard and Poor's Index Services, MSCI (in U.S. Dollars).

(Continued on page 9)

Intelligencer

Headlines, Highlights, and What's on Our Minds

HELPING THE EARTH: If you could earn the return of the S&P 500 while investing only in the index member companies that have the lowest carbon footprint, would you? Standard & Poor's and Deutsche Bank think you just might. Recently, Deutsche Bank announced plans to create a family of index products based on S&P's new Carbon Efficient index, a group of S&P 500 companies that have about half the carbon dioxide emissions per dollar of revenue compared to the index as a whole. The index is constructed so that it tracks the S&P 500's return closely, and you won't be giving up oil stocks, since each sector within the new index is given at least 50% of its original weighting in the 500. Procter & Gamble (PG 50 ★★★★★), Chevron (CVX 64 ★★★★★), and Johnson & Johnson (JNJ 51 ★★★★) are the three largest holdings. If the federal government approves a legislated cap on carbon dioxide emissions, such as the "cap and trade" system now being drafted by Senator Dianne Feinstein, D-California, carbon-efficient companies would have an advantage over their less-efficient competitors. / Vaughan Scully

OIL DEMAND DROPPING: Oil demand in the United States fell more than 3% during the first quarter of 2009, reaching the lowest level for a first quarter since 1998, according to data released April 16 by the American Petroleum Institute (API). The API, a U.S trade association representing about 400 oil and natural gas companies, believes this data reflect a drop in economic activity because of the recession. The report also said U.S. demand for distillate fuel oil (measured as deliveries), including diesel and heating oil, fell 8.5% from the same quarter a year ago and jet fuel demand dropped 7.6%, but demand for gasoline rose 0.8% year-on-year. On April 15, the API said U.S. first quarter drilling activity declined to 2004 levels. An estimated 11,071 oil and natural gas wells and dry holes were completed in the first quarter of 2009, down 22% from the year-ago quarter and a 35% decrease from last year's fourth quarter. These sobering oil reports may have negative implications for the following exchange-traded funds: PowerShares DB Oil (DBO), PowerShares Dynamic Oil & Gas Services (PXJ), UltraShort DJ-AIG Crude Oil ProShares (SCO), and SPDR S&P International Energy Sector (IPW). / Art Epstein

MARKET MEASURES

INDEX	CLOSE WED. 4/22/2009	% CHG. YEAR TO DATE	% CHG. PAST 52 WKS.	‡OPERATING —EARNINGS— *2008	*E2009	†P/E RATIO	INDICATED ANNUAL DIVIDEND	% YIELD
S&P 500 Composite	843.55	-6.6	-38.2	49.51	59.20	14.25	24.06	2.85
S&P MidCap 400	537.92	-0.1	-34.8	30.03	34.94	15.39	10.52	1.96
S&P SmallCap 600	251.38	-6.5	-33.2	10.22	12.21	20.59	3.94	1.57
S&P SuperComposite 1500	192.40	-6.1	-37.8	11.12	13.27	14.50	5.26	2.73
Dow Jones Industrials	7886.57	-10.1	-37.5	462.49	378.88	20.82	276.77	3.51
Nasdaq Composite	1646.12	4.4	-30.0	...	...	...	...	...
S&P Global 1200	956.12	-7.0	-42.6	...	...	...	...	...
BBB Indus. Bond Yield (10-yr.)	8.85	-0.28 ◊	2.08 ◊			...	...	...

Data through April 22, 2009. E-Estimated. †Based on estimated 2009 earnings. ‡Before special factors. ◊Actual change in yield (not percentage change). *In the April 22 issue of *The Outlook*, we incorrectly listed 2010 estimates as 2009 estimates and 2009 estimates as 2008 actual. *The Outlook* regrets the error.

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Standard & Poor's The Outlook

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S&P EVALUATION SYMBOLS

STARS Rankings*

Our evaluation of the 12-month potential of stocks is indicated by STARS:

★★★★★ **Strong Buy**—Total return is expected to outperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★ **Buy**—Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★ **Hold**—Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★ **Sell**—Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

★ **Strong Sell**—Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

NR Not ranked.

*The fund and ETF STARS rankings come from S&P's mutual fund reports.

Quality Rankings (QR)

Our appraisals of the growth and stability of earnings and dividends over the past 10 years for STARS and other companies are indicated by Quality Rankings:

A+	Highest	**B+**	Average	**C**	Lowest
A	High	**B**	Below Avg.	**D**	In reorganization
A-	Above Avg.	**B-**	Lower	**NR**	Not Ranked

Quality Rankings are not intended to predict stock price movements.

The Observatory

Selected actions for April 20 through April 24.

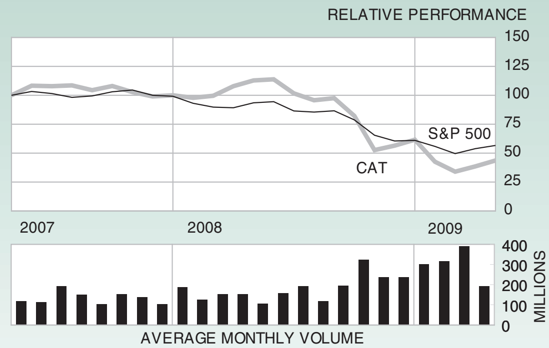
One to Watch

Caterpillar CAT 32

To ★★★ From ★★★★★

First-quarter earnings of $0.39 a share vs. $1.45 a year ago beat our forecast by $0.19, but the company lowered its 2009 revenue and earnings guidance to reflect a weaker-than-expected global economy. Revenues fell 22%, with construction machinery sales particularly weak. Also, to improve its funded status, Caterpillar plans to contribute $1 billion to its pension plans, including up to 25 million of its shares. We cut our per-share 2009 earnings estimate by $1.80 to $1.60 and initiated 2010 at $1.90. We also reduced our target price by $13 to $32 — 20.0 times our 2009 estimate and a typical valuation for Caterpillar as it moves forward from a trough in earnings. ■

CATERPILLAR (CAT)



SECTOR CHANGES

S&P Equity Strategy downgraded the S&P 500 health care sector to underweight from marketweight and lowered its recommendation on the S&P 500 energy sector to marketweight from overweight. S&P analysts forecast 2009 energy sector earnings per share will decline 39%, as West Texas Intermediate crude oil prices are expected to average only $45.12 a barrel in 2009 vs. 2008's $99.74 a barrel average. With respect to the health care sector, we believe tentative signs of economic stability have reduced investor risk-aversion enough to preclude continued defensive sector outperformance.

RISING STARS

Gilead Sciences GILD 46

To ★★★★★ From ★★★★

First-quarter earnings of $0.63 a share vs. $0.51 a year ago beat our estimate by $0.06. Revenues rose 22%, above our forecast, fueled by solid demand for HIV medications. Gilead said it expects only modest pressure from the global recession and foreign exchange on results, and affirmed its 2009 sales guidance, which we think will prove conservative. We are encouraged by prospects for further HIV franchise growth, with the Atripla launch in France planned for mid-year. We raised our 2009 earnings estimate by $0.08 to $2.46 and 2010's by $0.02 to $2.80. We boosted our 12-month target price by $1 to $59, on a premium-to-peers P/E-to-growth ratio, on the expectation of strong cash flows and the company's dominant market share in the HIV space.

Sun Microsystems JAVA 9

To ★★★ From ★★

Sun's board unanimously agreed to an acquisition of the company by Oracle (ORCL 19 ★★★) for $9.50 per share in cash. The companies plan to close the transaction in the summer, subject to regulatory approvals and customary closing conditions. We view a sale as a reasonable strategy, as Sun's earnings prospects weakened in recent quarters. We forecast a loss of $0.10 a share for fiscal 2009 (ending June), excluding restructuring costs and goodwill impairment charges. We raised our 12-month target price to $9.50 from $6.00 to approximate the planned acquisition price.

FALLING STARS

Oracle ORCL 19

To ★★★ From ★★★★

Oracle expects its proposed deal to acquire Sun Microsystems (JAVA 9 ★★★) at $9.50 per share, or $5.6 billion, would add at least $0.15 to earnings in the first year after close. While the acquisition of the Java programming language and Solaris operating systems would offer strategic benefits, we are concerned about Oracle's entry into hardware and the impact it could have on operating margins. We think that the company can afford the transaction, but we are concerned by operational challenges. We kept our $20 target price. ■

For a rolling eight-day list of STARS changes, additions, and deletions by S&P Equity Research, please visit our website.

Vaughan Scully
S&P Editorial

Riding a Wave of Infrastructure Spending

The current economic crisis offers no shortage of contradictions for investors to ponder.

For one, construction activity came to a screeching halt in many areas because of the lack of available credit, creating a deluge of order cancellations that are hurting profits at construction and heavy equipment companies. At the same time, the economic stimulus package that Congress passed promises $100 billion for new infrastructure projects and could create a bonanza for the very same construction and heavy equipment companies currently suffering from a lack of spending, according to Standard & Poor's Equity Research.

So far, the "show-me-the-money" camp of investors carried the day, with shares of several infrastructure dependent companies recently trading at about a 50% discount to their highs a year ago. With each passing day, that pessimism has largely proven well-founded: Shares in Manitowoc Co. (MTW 5 ★★★), a Wisconsin-based crane manufacturer, plunged after the company informed investors that global demand "continues to decline further than previously anticipated," and first-quarter earnings will be less than half what the company previously expected.

Even so, S&P thinks some infrastructure-related companies should navigate the economic crisis fairly well, and stand to see revenue rise sharply as demand likely picks up in late 2009 and 2010. S&P has strong buy recommendations on two companies heavily dependent on infrastructure investment.

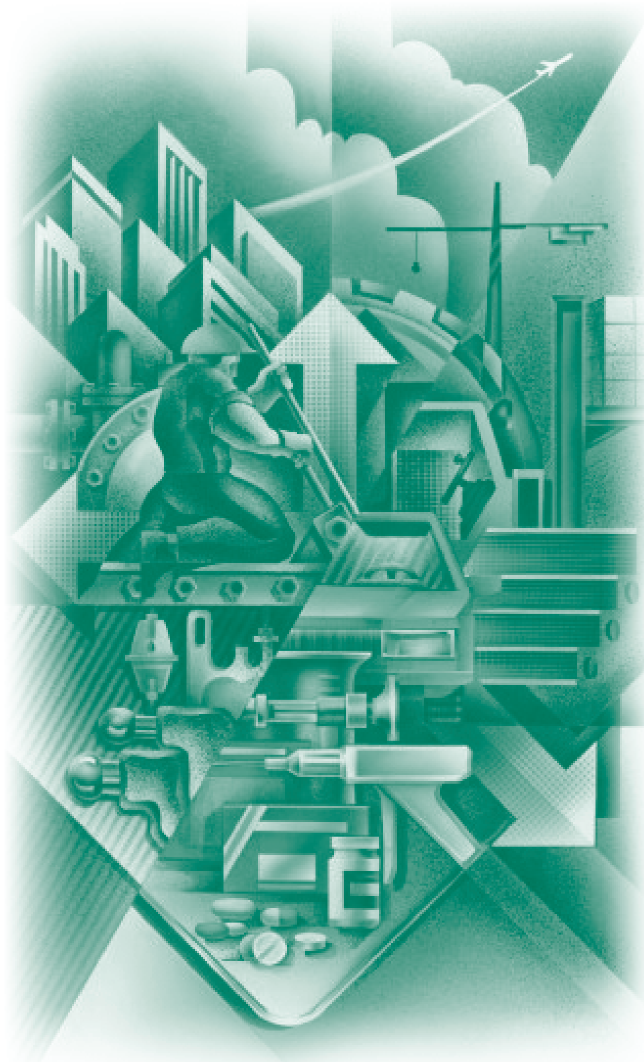
"It seems unlikely that infrastructure-related business will firm up for a few more quarters," says Michael Jaffe, an equity analyst at S&P. "At the same time, despite the current gloom in the infrastructure area, we placed five-STARS rankings on a couple of infrastructure-related issues that we see gaining the largest benefits from government packages and a possible revival of the economy."

Shares in Jacobs Engineering plunged 57% from their May 2008 high, even as the company reported a string of new contracts and maintains a growing backlog of orders. Jacobs, which got about half its revenue in fiscal 2008 (ended September) working for oil and chemical companies, said in January that even though it suffered order cancellations totaling $840 million in the September to December 2008 period, its backlog grew to $16 billion compared with $15 billion at the end

POSITIVE POTENTIAL IMPLICATIONS

COMPANY / TICKER	‡STARS	‡QUALITY RANKING	*RISK	STYLE	CURRENT PRICE	**12-MONTH TARGET PRICE	†P/E RATIO	YIELD (%)
Astec Industries / ASTE	5	B-	Medium	Blend	29	32	12.9	Nil
Jacobs Engineering / JEC	5	B+	Medium	Growth	44	55	11.7	Nil

*Based on our analysts' assessment of qualitative factors, including financial strength, potential share volatility, competitive position, industry cyclicality, regulatory/legal issues, and other factors. **Please note that all investments carry risks. Specific risks to each stock recommendation and target price can be found in each company's individual stock report. ‡See definitions on page 2. †Based on S&P estimated fiscal 2009 earnings. Source: S&P Equity Research.



of 2007.

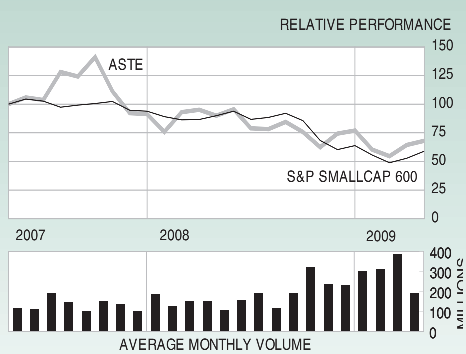
In the 12 months ended December, the company derived 34% of its revenue from refining, 12% from chemicals, and 10% from oil & gas. S&P anticipates that refining projects will continue to be the major source of Jacobs' revenues. Earnings per share for the quarter rose 18% compared with the previous year, and S&P expects revenue growth of close to 20% in the year ending September 2009. Driving that gain would be "strength in the company's national government, buildings and infrastructure segments, with President Obama's stimulus plan likely beginning to contribute in 2010," says S&P equity analyst Stewart Scharf.

Another company in a similar position is Astec Industries, which makes asphalt road building equipment. While announcing fourth-quarter earnings, CEO Don Brock noted that with just 4% of the stimulus package funding going to highways and bridges, "the infrastructure part of the stimulus bill is relatively small." More important, he said, is the highway construction bill now making its way through Congress, which he called "the best opportunity in my lifetime to see a major rebuilding of our highways and our bridges and our infrastructure." The American Association of State Highway and Transportation Officials called for a massive $545 billion over six years, almost double the $286 billion approved in the previous year's bill. However the House Transportation and Infrastructure Committee recommended $324 billion be spent, a 13% increase from the previous year.

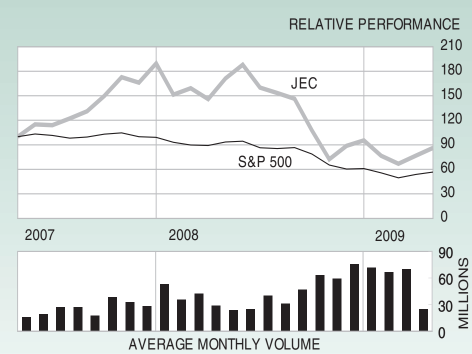
S&P equity analyst Mathew Christy sees spending recovering later in the year, which should help Astec bounce back from a rocky start. He sees Astec's "much lower results in the first quarter of 2009 being nearly offset by improved results through the remainder of the year, as improved demand resulting from infrastructure-related spending programs benefits revenue."

Many of the road building stimulus funds have "use-it or lose-it" clauses that require the states to spend the funds within 120 days of receipt, essentially making Astec, according to Christy, an early beneficiary of infrastructure spending. In addition, economic forecasting firm IHS Global Insight estimates higher highway construction spending in 2009 than in 2008. ■

ASTEC INDUSTRIES (ASTE)



JACOBS ENGINEERING (JEC)



Talking ETFs and Funds

Vaughan Scully
S&P Editorial

S&P looks at socially responsible investing.

Exchange traded funds (ETFs) had a tough year in 2008: roughly 50 of the more than 700 ETFs listed in the United States were liquidated last year. But, not to worry, ETF sponsors are still hard at work to create new portfolios that scratch every investment itch known to mankind.

This will be good news for those interested in "socially responsible investing" (SRI), as there will be several additions to the relatively thin list of ETFs focused on companies with sustainable environmental practices, good corporate governance, respectful policies for workers, and other attributes aimed at making the world a "kinder, gentler" place.

At the end of 2007, there were 173 different mutual funds but just eight ETFs screening for positive social and environmental practices, according to a report by the Washington DC-based Social Investment Forum.

Of these, the PowerShares Wilder Clean Energy Portfolio is the largest, with about $600 million in assets under management. (By contrast, Ariel Fund, a broad based, socially responsible mutual fund launched in 1986, has close to $1.3 billion in assets under management.) Other ETFs include the iShares KLD Select Social Index Fund and the iShares KLD 400 Social Index Fund.

Generally, funds specializing in socially responsible investing have broad definitions of what that means. So far, most of the socially responsible ETFs have narrower definitions focusing mostly on the development of alternative energy and "green" or eco-friendly business policies and practices.

While advocates of socially responsible investing like to champion the idea that one can "do well by doing good," socially responsible funds and ETFs have not been immune to the market downturn.

Nevertheless, clients interested in the socially responsible investing space may also want to keep their eyes open for several ETF launches planned for 2009.

New Hampshire-based mutual fund manager Pax World — which takes environmental, social, and governance issues into account in all its funds — plans to launch three new SRI-screened ETFs in 2009: the sShares FTSE Environmental Technologies Index ETF, and two regionally oriented funds; the sShares KLD Europe Asia Pacific Sustainability Index ETF and the sShares KLD North America Sustainability Index ETF.

Oklahoma-based Veritas Funds plans to launch four funds designed to appeal to the Baptist, Roman Catholic, Lutheran, and Methodist denominations of Christianity as well as a general, non-denominational Christian fund. The Catholic fund, for instance, will exclude companies that make contraceptives or engage in stem cell research.

The table lists selected socially responsible ETFs and funds. ■

ETFS AND FUNDS

FUND/ETF NAME	TICKER	TOTAL RET 1-YEAR	TOTAL RET 3-YEAR	TOTAL RET 5-YEAR	EXPENSE RATIO (GROSS)	12B-1	MINIMUM INITIAL INVESTMENT ($)
Ariel	ARGFX	-51.1	-24.2	-11.5	1.07	0.25	1,000
Calvert Social Investment Balanced	CSIFX	-27.4	-9.0	-3.1	1.21	0.24	1,000
Calvert Social Investment Enhanced Equity	CMIFX	-40.3	-16.5	-7.5	1.36	0.25	5,000
Calvert Social Investment Equity	CSIEX	-34.1	-11.1	-3.9	1.21	0.25	1,000
Calvert Social Investment Money Market	CSIXX	2.0	3.6	2.9	0.82	0.00	1,000
Domini Social Equity	DSEFX	-38.4	-14.8	-6.9	1.24	0.25	2,500
First Trust Nasdaq Clean Edge US Liquid	QCLN	-53.9	NA	NA	0.97	0.00	1
iShares KLD 400 Social Index	DSI	-35.3	NA	NA	0.50	0.00	1
iShares KLD Select Social Index	KLD	-36.4	-12.9	NA	0.50	0.00	1
Legg Mason Partners Social Awareness	SSIAX	-27.7	-8.1	-3.4	1.20	0.25	1,000
PowerShares CleanTech Portfolio	PZD	-47.8	NA	NA	0.77	0.00	1
PowerShares Global Clean Energy	PBD	-57.3	NA	NA	0.75	0.00	1
PowerShares WilderHill Clean Energy	PBW	-61.0	-28.7	NA	0.67	0.00	1
PowerShares WilderHill Progressive Energy	PUW	-46.0	NA	NA	0.88	0.00	1

Source: Standard & Poor's Mutual Fund Reports. Total returns through January 31, 2009; include reinvested dividends and capital gains; all annualized; calculations do not reflect the effect of sales charges. NA-Not available.

Justin Menza
S&P Editorial

Can Copper Prices Sustain Latin American Markets?

With the downturn in the global economy, it may not be enough.

Chinese imports of copper surged to a record high in March, climbing 13.8% from February's levels. As a result, copper prices rose and helped strengthen the equity markets of two of Latin America's major metals exporters, Chile and Peru.

But it remains to be seen whether this trend will continue, given the economic downturn in developed countries.

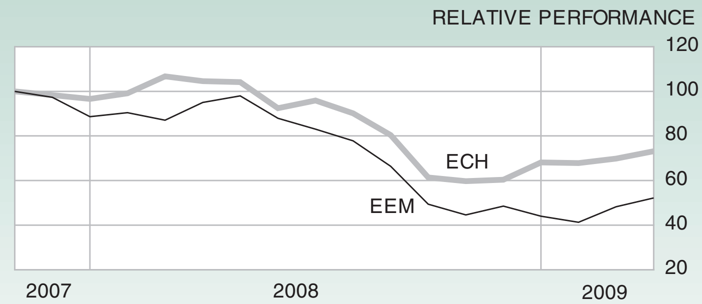
Growing optimism about the Chinese economy's recovery pushed copper prices to nearly a six-month high and could lead to stronger demand for copper and other metals. Chile, along with Japan, Australia, and Europe, supplied the bulk of Chinese copper in recent months. It remains unclear whether these imports are a result of real demand for the metal in China, or a result of the country replenishing strategic stockpiles, with copper cheaper now than in 2008. The latter could suggest that recent gains may be unsustainable.

S&P Equity Analyst Leo Larkin expects copper demand will fall 2% in 2009 compared with flat demand in 2008.

"We think demand growth in China, the world's largest consumer of copper, will be up just 1% in 2009, versus 2008's estimated growth of 3%," says Larkin, who estimates average copper prices of $1.50 a pound this year compared with $3.15 in 2008. Also, Larkin expects demand in the United States, the world's second-largest consumer, to fall in 2009 on a 1% decrease in construction activity and a 24.7% decline in homebuilding.

Nevertheless, the MSCI Chile index gained 23.0% in U.S. dollar terms year-to-date through April 17 and climbed 11.3% over the past three months. Similarly, Peru, which is the world's largest silver producer and among the world's top five producers of copper, advanced 10.2% and rose 25.9% over the previous three months.

ISHARES CHILE FUND (ECH) VS. MSCI EMERGING MARKETS INDEX (EEM)



Economic research firm IHS Global Insight anticipates growth of 0.2% for Chile this year (3.2% growth in 2008) and a 2.9% expansion or Peru (9.8% growth in 2008). If these forecasts hold, it would put both countries among the select few expected to post positive gross domestic product (GDP) growth this year.

Chile aggressively slashed interest rates by 250 basis points in March to 2.25% to cope with the slowdown in activity and did not rule out further cuts. The country also took advantage of high copper prices and demand in recent years to build up a $22 billion wealth fund, $4 billion of which is being used for tax cuts and other handouts in an attempt to add one percentage point to economic growth in 2009.

In Peru, economic growth is expected to be stronger than in neighboring countries despite a sharp deceleration. "The recession in the United States, coupled with the deceleration in Asian economies — in particular China — will translate into lower demand for Peruvian exports. In addition, the global slowdown has already translated into lower prices of key commodity exports, which will hurt the balance of payments and fiscal accounts," notes IHS Global Insight.

S&P International Equity Strategist Alec Young notes that, longer-term, when developed markets recover, emerging markets should outperform, due to their relatively stronger secular GDP and earnings per share (EPS) growth rates than those of developed economies. Near-term, however, Young is more cautious, highlighting the global economic challenges and the recent large increase in MSCI Emerging Markets index's valuation. The MSCI EM index is now trading at roughly 11.8 times 2009 consensus EPS, compared with just 7.9 times at the low.

While there is an ETF for the Chilean market, the iShares MSCI Chile Investable Market Index Fund (ECH), there are no Peruvian ETFs. One way to get exposure to the Peruvian market, and the rise in metals prices, is through the country's largest publicly listed mining company, Minas Buenaventura (BVN 20 NR), which trades in New York as an American Depositary Receipt. ■

Royal Blue Chips

Beth Piskora
Managing Editor
S&P Editorial

These six stocks rewarded investors with a princely sum over the past 10 years.

To invest for solid long-term total return, consider companies that not only offer strong price appreciation potential, but also pay a dividend. Companies that pay — and boost — dividends consistently, while retaining sufficient cash to expand their businesses, have traditionally been impressive long-term investments. The six stocks in the table all have the following characteristics:

• A dividend increase in each of the past 10 years.

• An S&P Quality Ranking of at least A-, indicating above-average earnings and dividend growth and stability over the past 10 years.

• An S&P investment ranking of four or five STARS, indicating that our analysts expect the stocks, over the next 12 months, to outperform the S&P 500 in total return, with shares rising in price on an absolute basis.

• A stock price higher than it was 10 years ago. ■

POSITIVE POTENTIAL IMPLICATIONS

COMPANY / TICKER	‡STARS	‡QUALITY RANKING	*RISK	STYLE	CURRENT PRICE	**12-MONTH TARGET PRICE	†P/E RATIO	YIELD (%)
Archer-Daniels-Midland / ADM	4	A+	Medium	Blend	25	34	6.1	2.2
● Church & Dwight / CHD	5	A+	Low	Growth	53	63	15.9	0.7
Colgate-Palmolive / CL	5	A+	Low	Growth	59	76	13.9	3.0
● Family Dollar Stores /FDO	5	A+	Medium	Blend	34	40	6.9	1.6
● Owens & Minor / OMI	4	A	Medium	Blend	34	40	13.1	2.7
● PepsiCo / PEP	4	A+	Low	Growth	48	57	12.9	3.5

●Master List issue. *Based on our analysts' assessment of qualitative factors, including financial strength, potential share volatility, competitive position, industry cyclicality, regulatory/legal issues, and other factors. **Please note that all investments carry risks. Specific risks to each stock recommendation and target price can be found in each company's individual stock report. ‡See definitions on page 2. †Based on S&P estimated fiscal 2009 earnings. Source: S&P Equity Research.

Active Management vs. Indexing

Beth Piskora
Managing Editor
S&P Editorial

This select list of funds outperformed for the past five- and 10-year periods.

Over the five-year market cycle from 2004 to 2008, the S&P 500 outperformed 71.9% of actively managed large cap funds, according to the Standard & Poor's Index Versus Active Fund Scorecard. These results are similar to that of the previous five-year cycle from 1999 to 2003.

"The belief that bear markets strongly favor active management is a myth," says Srikant Dash, global head of research & design at Standard & Poor's Index Services, which operates independently from S&P Equity Research. "A majority of active funds in each of the nine domestic equity style boxes were outperformed by indices during the down markets of 2008. The bear market of 2000 to 2002 showed similar outcomes."

The table lists a very select list of actively-managed, no-load, low-expense funds that outperformed the S&P 500 for the five- and 10-year periods, though all three posted losses for the past one- and three-year periods. All three funds show strong performance since inception, and all three are from large, well-recognized fund families.

Consult with your advisor as to whether a portfolio of actively-managed funds, index funds, or a mix of both types of funds makes the most sense for your investment goals and risk tolerance. ■

FUNDS

NAME / TICKER	TOTAL RET 1-YEAR	TOTAL RET 3-YEAR	TOTAL RET 5-YEAR	TOTAL RET 10-YEAR	*SINCE INCEPTION	MINIMUM INITIAL INVESTMENT	EXPENSE RATIO	TELEPHONE NUMBER (800)
American Century Equity Income / TWEIX	-22.98	-5.43	0.07	5.49	9.50	2,500	0.97	345-2021
Fidelity Contrafund / FCNTX	-33.79	-9.15	0.25	1.58	11.63	2,500	0.95	544-9797
T. Rowe Price New Era / PRNEX	-50.03	-10.59	4.76	8.21	9.44	2,500	0.64	638-5660

Source: Standard & Poor's Mutual Fund Reports. Total returns are through March 31, 2009; include reinvested dividends and capital gains, all annualized; calculations do not reflect the effect of sales charges. *TWEIX launched 1994; FCNTX in 1990; PRNEX in 1997.

Green Shoots Need Strong Roots *(Continued from cover)*

many U.S. economic data series stopped deteriorating, spurring hopes of a gradual recovery by late 2009. The U.S. economy represents 23% of global GDP and 30% of global consumption, highlighting the importance of a U.S. recovery for the rest of the world.

S&P Equity Strategy believes confidence is driving emerging market (EM) alpha relative to global benchmarks — once the global economy recovers, this asset class's faster secular economic and EPS growth should resume. We believe China's recent economic stabilization only reinforced this view. In addition, a lack of leverage at both the corporate and consumer level is fueling hopes that the EM recovery trajectory will be much stronger than that of the United States, Europe, and Japan, where we expect ongoing de-leveraging to mute the magnitude of the next cyclical upturn.

We believe that after the major global equity rally, which began on March 9, much of the nascent fundamental improvement is priced into worldwide stock market valuations. The S&P 500 is now trading at about 14.3 times 2009 estimated EPS, while developed overseas equities are fetching 12.7, with EM equities trading at 11.8 (see table, left).

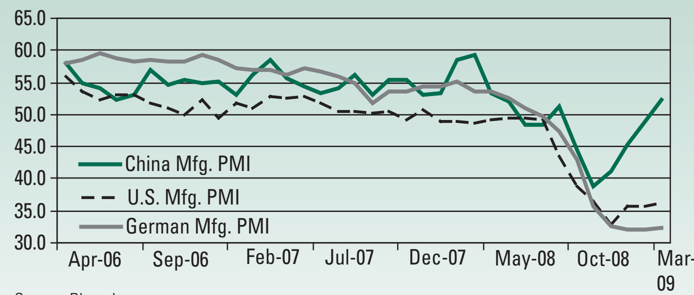
While we are confident global equities saw their cycle lows, we believe greater evidence of global economic and credit market stability will be needed to fuel meaningful near-term upside from current levels. We think markets will likely be higher in a year's time, but we would not be surprised to see some near-term consolidation of the recent advance as investors await more evidence of improvement. ■

NO BARGAIN ANYMORE

ASSET CLASS	CYCLE LOW 2009E P/E	APR. 20 2009E P/E
EAFE	8.7	12.7
Canada	9.3	12.9
U.K.	7.7	10.4
Europe ex U.K.	8.5	10.6
Pacific ex-Jpn	10.6	13.8
Em. Mkts.	7.9	11.8
China	9.9	13.0
India	10.2	13.5
Russia	3.5	6.6
Brazil	6.5	10.3
S&P 500	11.0	14.3

Sources: S&P Equity Research, MSCI, Thomson One Analytics.

NASCENT RECOVERY ALREADY DISCOUNTED BY EQUITY RALLY



Source: Bloomberg.

World of Finance

New opportunities emerge for Chinese life insurers.

China's life insurance industry experienced a sharp decline in demand for new policies in the first quarter of 2009 as the country's economic growth decelerated. Standard & Poor's Economics expects Chinese gross domestic product (GDP) to expand 6.5% in 2009 versus 9% in 2008.

However, while premium growth may remain stagnant in the short run, we believe new governmental health care reforms will provide another expansion opportunity for the industry.

However, the life insurance growth trend remains largely intact, in our view, as life insurance adoption throughout the country remains low.

In 2007, for instance, life insurance premiums as a percentage of GDP (a measure of penetration levels) totaled only 1.83% compared with 4.18% for the United States, according to data from Swiss Re's Sigma publication.

Additionally, the Chinese government recently opened up a potentially major new opportunity for the country's life insurance industry. In early April, the government unveiled an 850 billion yuan health care reform plan, which will likely encourage both companies and individuals to buy insurance products to supplement the basic medical care coverage.

These developments have positive potential implications for China Life Insurance (LFC 52 ★★★★), Ping An Insurance (2318 Hong Kong NR), iShares FTSE/Xinhua China 25 ETF (FXI), Dreyfus Greater China Fund; Class A Shares, (DPCAX), Fidelity China Region Fund (FHKCX), Matthews China Fund (MCHFX), and Templeton China World Fund (TCWAX). ■

Total Return Portfolio

12/31/2008 - 4/20/2009
Base Currency: US Dollar

The Total Return Portfolio underperformed its benchmark year-to-date through April 20, losing 8.6% vs. a 2.9% loss in the S&P 500. The data we have provided shows which stocks and sectors contributed to, or detracted from, the portfolio's performance through April 20. For information on individual stocks in the portfolio, please visit *www.outlook.standardandpoors.com* for Standard & Poor's reports on the companies. ■

TOP CONTRIBUTORS BY HOLDING

COMPANY NAME	AVERAGE WEIGHT	RETURN	CONTRIBUTION
Heinz (H.J.)	3.88	5.70	0.38
Sensient Technologies	7.79	3.88	0.33
Kinder Morgan Energy	7.47	5.26	0.30
Altria Group	1.68	15.03	0.24
Cullen/Frost	7.05	0.13	0.06

TOP DETRACTORS BY HOLDING

COMPANY NAME	AVERAGE WEIGHT	RETURN	CONTRIBUTION
ExxonMobil	9.96	-15.97	-1.65
JPMorgan Chase*	2.06	-30.50	-1.63
Chubb	6.88	-16.59	-1.27
Abbott Laboratories	7.29	-16.42	-1.23
Entergy	5.36	-17.12	-1.03

*Replaced on February 17.

TOP CONTRIBUTORS BY SECTOR

SECTOR	AVERAGE WEIGHT	RETURN	CONTRIBUTION
Consumer Staples	12.74	2.17	0.66
Materials	7.79	3.88	0.33
Telecom Services	5.91	-6.09	-0.33
Consumer Discretionary	10.14	-8.94	-0.94

TOP DETRACTORS BY SECTOR

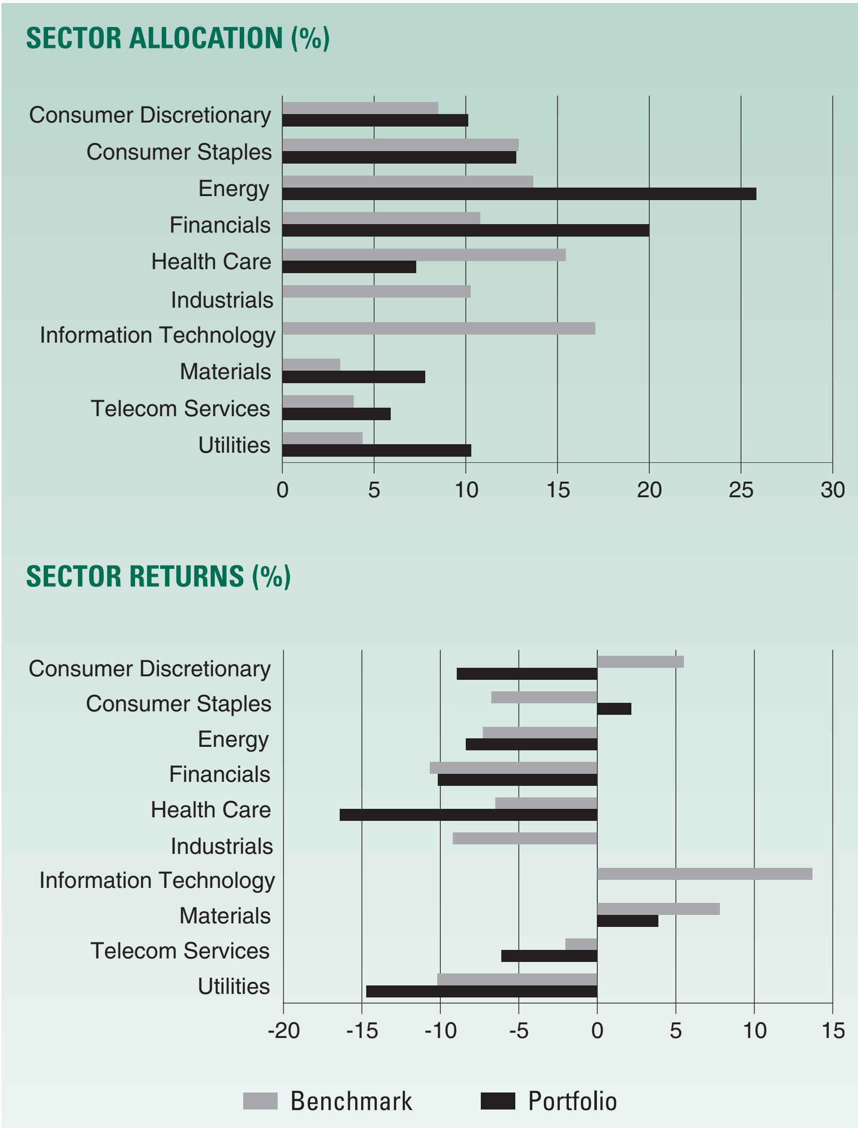
SECTOR	AVERAGE WEIGHT	RETURN	CONTRIBUTION
Financials	19.99	-10.16	-3.10
Energy	25.84	-8.36	-2.19
Utilities	10.30	-14.71	-1.75
Health Care	7.29	-16.42	-1.23

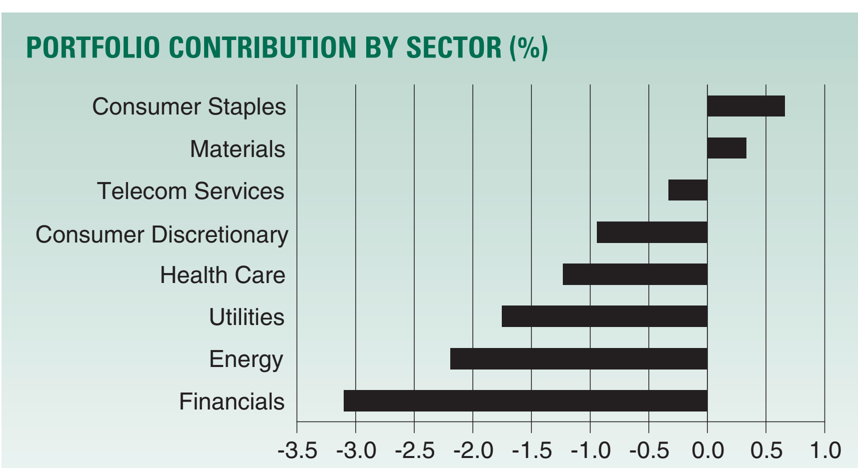
TOTAL RETURN PORTFOLIO

COMPANY / TICKER	‡STARS	‡QUALITY RANKING	*RISK	STYLE	CURRENT PRICE	**12-MONTH TARGET PRICE	†P/E RATIO	YIELD (%)
Abbott Laboratories / ABT	4	A-	Medium	Growth	43	52	11.8	3.7
Altria Group / MO	5	A	Medium	Blend	17	21	9.8	7.5
AT&T / T	5	B+	Medium	Value	26	29	12.1	6.3
Chevron / CVX	5	A-	Low	Blend	64	84	13.6	4.1
Chubb / CB	5	A-	Medium	Blend	41	54	8.0	3.4
Coca-Cola / KO	5	A	Low	Growth	43	50	13.2	3.8
Cullen/Frost / CFR	5	A	Low	Blend	46	54	13.3	3.7
Entergy / ETR	4	A	Medium	Blend	65	82	9.6	4.6
ExxonMobil / XOM	5	A+	Low	Blend	65	88	15.6	2.5
Heinz (H.J.) / HNZ	4	B+	Low	Blend	34	40	11.7	4.9
Home Properties / HME	4	B+	Low	Value	36	34	10.6	7.4
Kinder Morgan Energy / KMP	5	NR	Low	Foreign	47	59	23.0	8.9
McDonald's / MCD	4	A-	Medium	Growth	54	66	14.2	3.7
Oneok / OKE	5	A-	Medium	Blend	25	34	9.4	6.4
Sensient Technologies / SXT	4	B+	Medium	Blend	23	27	11.9	3.3

*Based on our analysts' assessment of qualitative factors, including financial strength, potential share volatility, competitive position, industry cyclicality, regulatory/legal issues, and other factors. **Please note that all investments carry risks. Specific risks to each stock recommendation and target price can be found in each company's individual stock report. †Price/earnings ratios are based on Standard & Poor's estimated fiscal 2009 per-share earnings. ‡See definitions on page 2. Past performance is no guarantee of future results. Source: S&P Equity Research.

Total Return Portfolio vs. S&P 500





Source: S&P Equity Research.

LARGEST HOLDINGS

COMPANY NAME	AVERAGE WEIGHT	RETURN
McDonald's	10.14	-8.94
ExxonMobil	9.96	-15.97
Chevron	8.41	-9.93
Sensient Technologies	7.79	3.88
Kinder Morgan Energy	7.47	5.26

BEST PERFORMERS

COMPANY NAME	AVERAGE WEIGHT	RETURN
Altria Group	1.68	15.03
Heinz (H.J.)	3.88	5.70
Kinder Morgan Energy	7.47	5.26
Sensient Technologies	7.79	3.88
Coca-Cola	7.18	0.48

WORST PERFORMERS

COMPANY NAME	AVERAGE WEIGHT	RETURN
JPMorgan Chase*	2.06	-30.50
Entergy	5.36	-17.12
Chubb	6.88	-16.59
Abbott Laboratories	7.29	-16.42
ExxonMobil	9.96	-15.97

*Replaced on February 17.

For more information

on individual stocks in the portfolio,

visit our website

www.outlook.standardandpoors.com.

Industry Momentum Portfolio

This Standard & Poor's portfolio identifies industries with the potential for above-average price performance.

S&P's Industry Momentum Portfolio, maintained by chief investment strategist Sam Stovall, selects its investments based on relative strength, a technique that involves buying industries with exceptional 12-month price performance.

The model issues a buy recommendation when an industry's index value change has been in the top 10% of all industry index value changes in the S&P 500 over the past 12 months. An industry is removed from the list when its 12-month relative performance falls below the top 30% of the universe.

Because no exchange-traded funds are available to track all S&P industries, we use the company with the highest STARS ranking to serve as a proxy for the industry. If there are two or more stocks with the same STARS ranking, we select the company with the largest market cap. To reduce turnover, industry proxies may remain in the portfolio even if their STARS rankings are subsequently reduced.

We update the portfolio on the last trading day of each month. Changes are reported at *www.outlook.standardandpoors.com*. Using back-tested results for 1971 to 1999, this portfolio's average price appreciation beat that of the S&P 500 by more than five percentage points per year. This year through April 20, the portfolio lost 10.1% on a capital appreciation basis vs. a 3.7% loss in the S&P 500. Past performance is no guarantee of future results. ■

INDUSTRY MOMENTUM PORTFOLIO

COMPANY / TICKER	‡STARS	‡QUALITY RANKING	CURRENT PRICE	**12-MONTH TARGET PRICE	†P/E RATIO	YIELD (%)
AUTOMOTIVE RETAIL						
AutoZone / AZO	4	B+	164	170	14.6	Nil
BIOTECHNOLOGY						
Genzyme / GENZ	5	B-	51	82	12.4	Nil
BREWERS						
Molson Coors Brewing / TAP	4	A-	37	43	11.2	2.2
DISTILLERS & VINTNERS						
Constellation Brands / STZ	4	B	11	15	6.8	Nil
EDUCATION SERVICES						
Apollo / APOL	4	B+	62	103	15.9	Nil
ENVIRONMENTAL & FACILITIES SERVICES						
Waste Management / WMI	4	B+	27	35	12.6	4.3
GOLD						
Newmont Mining / NEM	3	C	38	40	16.3	1.1
HEALTH CARE SERVICES						
Laboratory Corp. America / LH	4	B+	63	76	13.0	Nil
HOME FURNISHINGS						
Bed Bath & Beyond / BBBY	2	B+	31	28	19.5	Nil
HOME IMPROVEMENT RETAIL						
Lowe's / LOW	4	A	21	22	18.9	1.6
HYPERMARKETS & SUPER CENTERS						
Costco Wholesale / COST	3	A-	47	45	18.7	1.4
INSURANCE BROKERS						
Aon / AOC	4	B+	40	50	11.6	1.5
INTERNET RETAIL						
Amazon.com / AMZN	2	B-	79	68	50.6	Nil
PACKAGED FOODS & MEATS						
●General Mills / GIS	5	A-	49	65	12.7	3.5
RESTAURANTS						
●McDonald's / MCD	4	A-	54	66	14.2	3.7
SPECIALIZED CONSUMER SERVICES						
H & R Block / HRB	2	B+	16	16	9.9	3.8
SPECIALTY CHEMICALS						
Ecolab / ECL	4	A+	37	40	18.5	1.5
TRADING COMPANIES & DISTRIBUTORS						
●Fastenal / FAST	5	A	36	45	22.5	1.9

●Master List issue. ‡See definitions on page 2. †Based on S&P estimated fiscal 2009 earnings. **Please note that all investments carry risks. Specific risks to each stock recommendation and target price can be found in each company's individual stock report. Past performance is no guarantee of future results. Source: S&P Equity Research.