

TOTAL RETURN ON \$1MM INVESTED  
IN THE S&P 500 INDEX OVER THE PAST 10 YEARS



## Outlook For The Fixed Income Markets 5<sup>th</sup> Annual Pacific Region Investment Conference

Thursday, November 3rd, 2005



**RICHMOND CAPITAL MANAGEMENT**

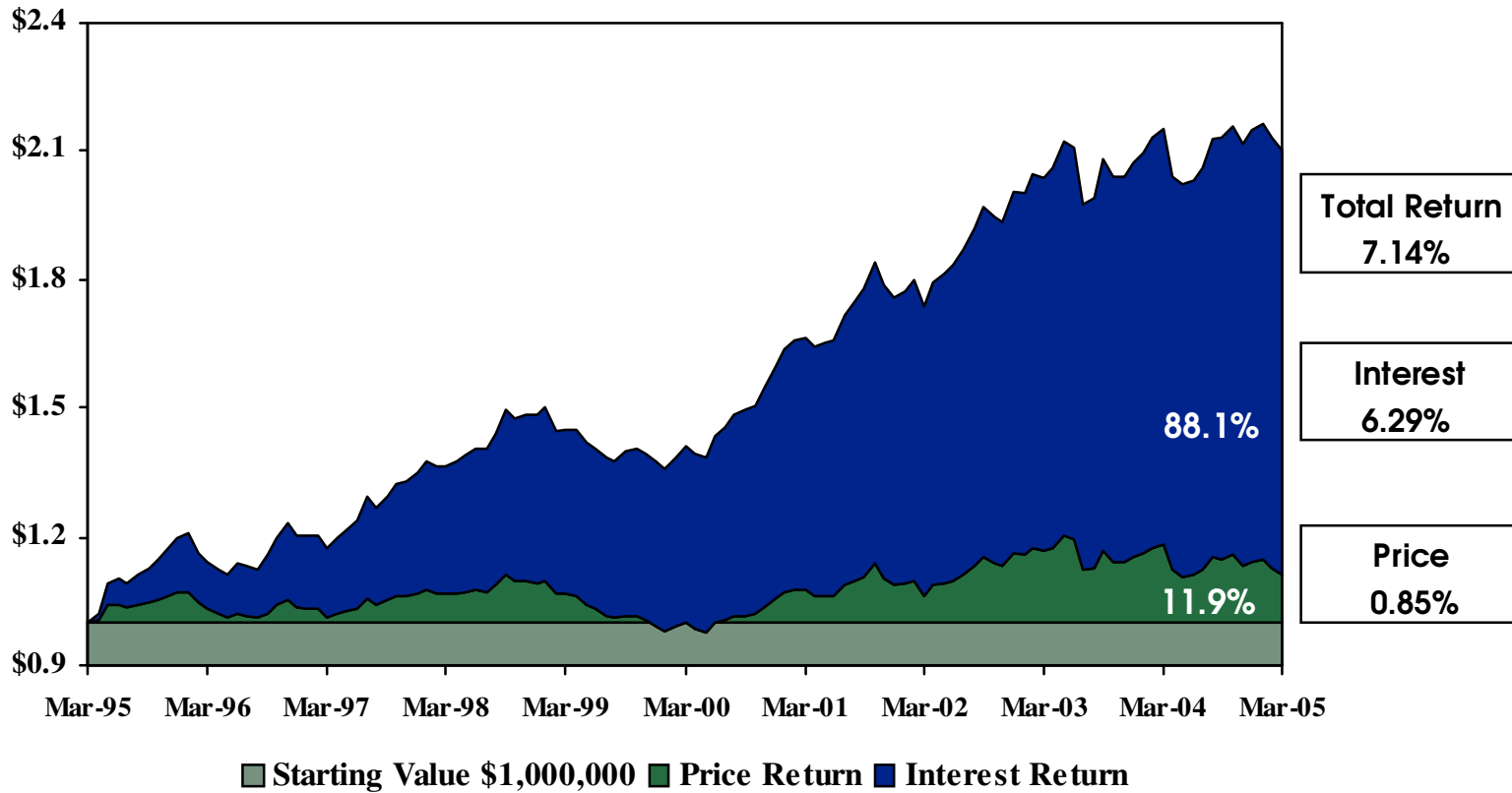
*Howard K. Bos, CFA  
Experience, Knowledge, Service  
Managing Director, Portfolio  
Manager*



## TOTAL RETURN

*\$1 Million Investment in the Lehman Aggregate over past 10 years*

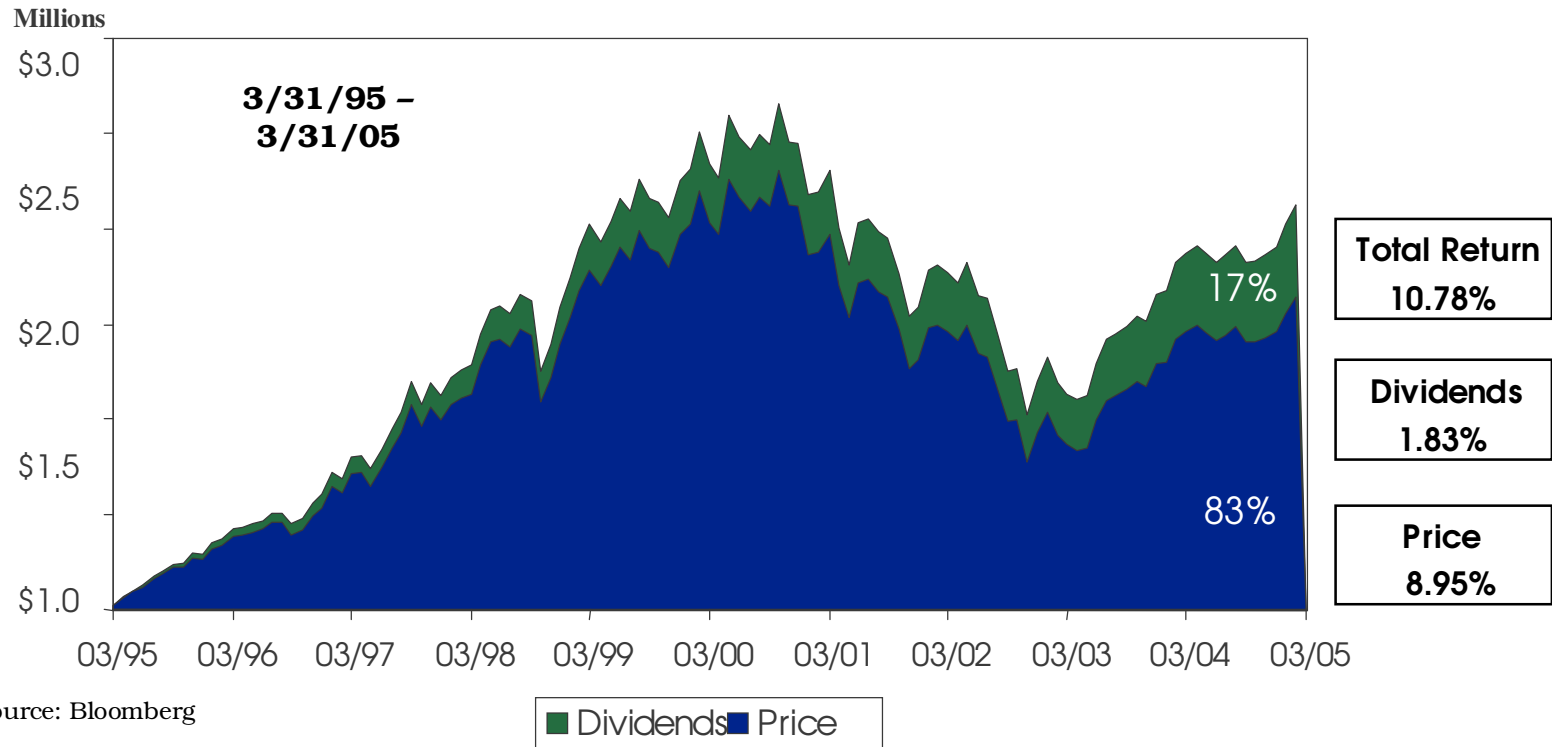
Millions





## TOTAL RETURN

*\$1 Million Investment in the S&P over past 10 years*

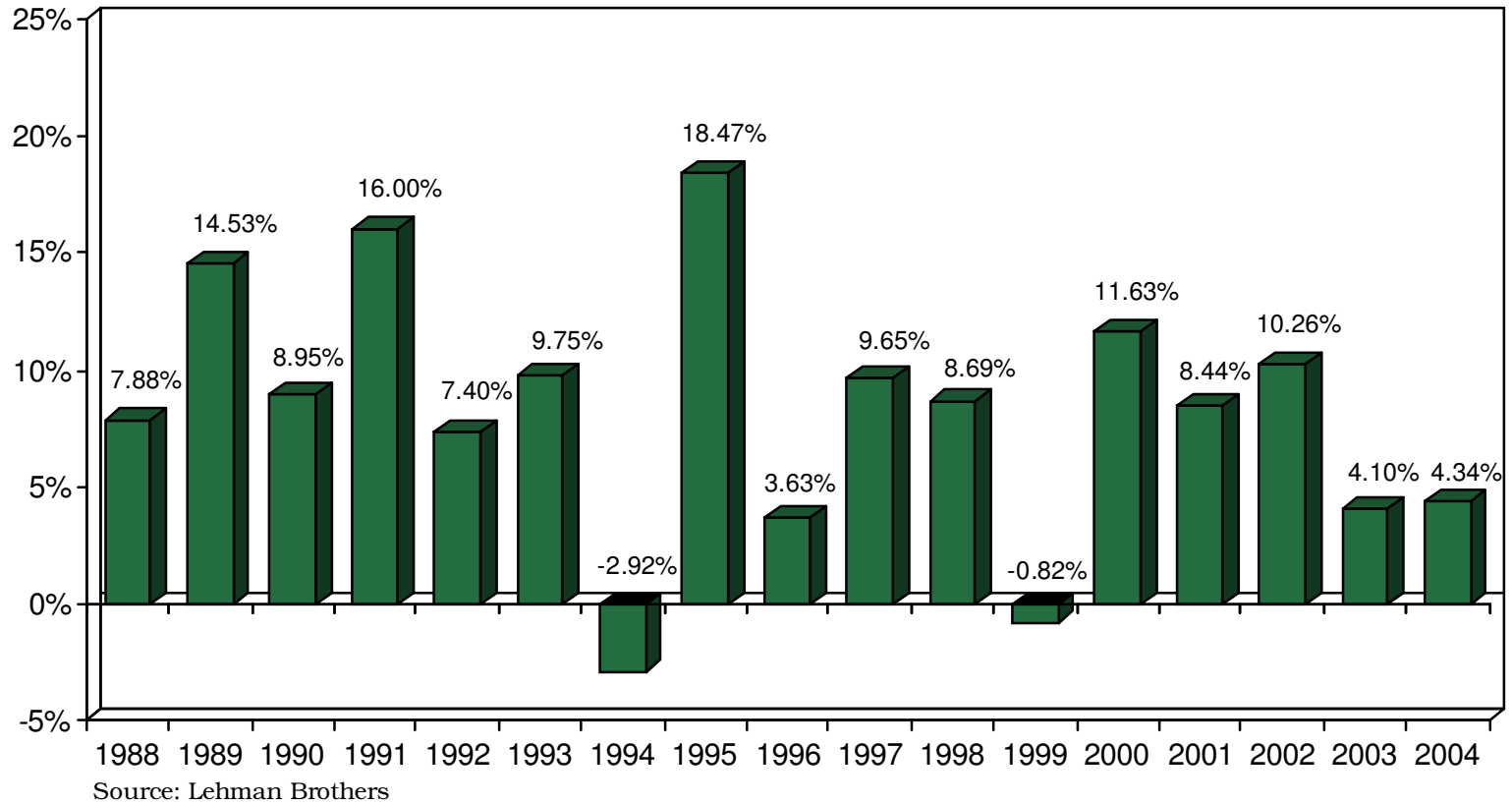


*Richmond Capital estimate of coupon and principal growth of \$1,000,000 invested in the S&P 500 Index for the past 10 years*





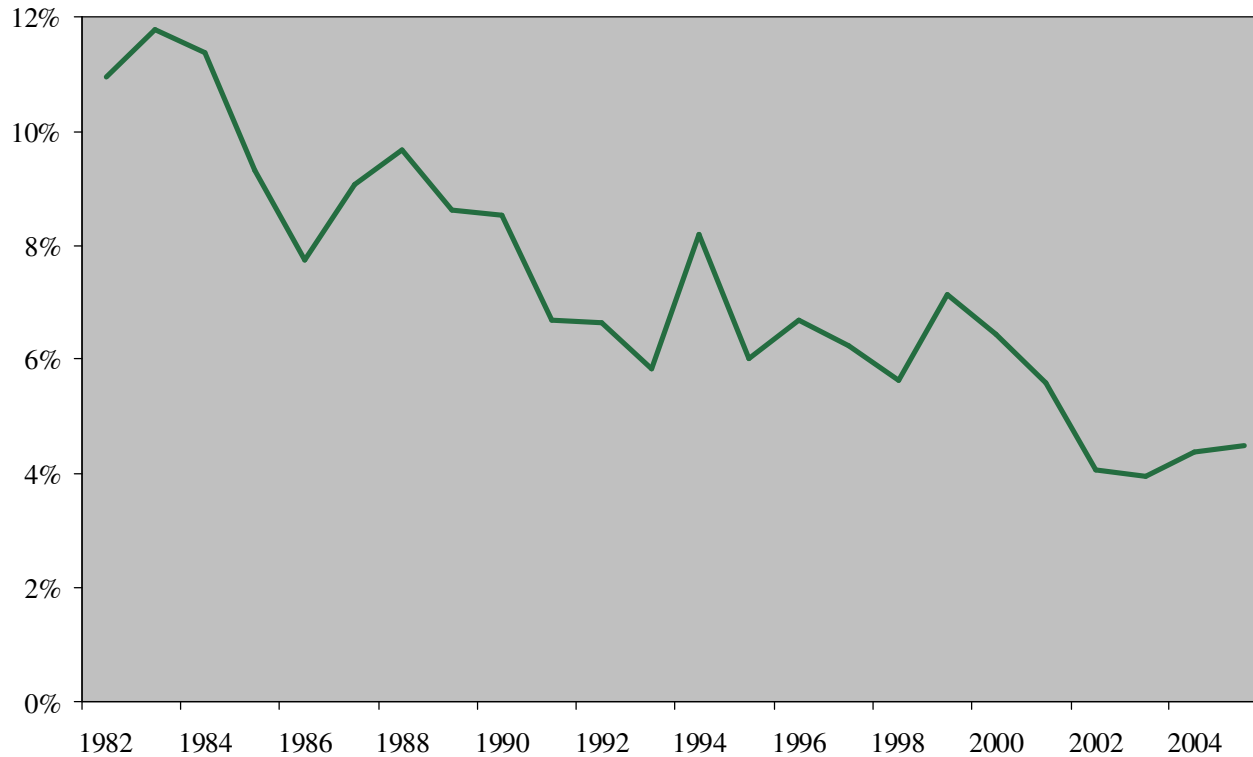
## CALENDAR YEAR RETURNS of Lehman Aggregate Index





## AVERAGE YIELD

*Lehman Brothers Aggregate Index*



High: 1983	Low: 2003	Aug. 2005
11.79%	3.95%	4.60%

Source: Bloomberg





## DO YOU REMEMBER 2000, 2001, 2002?

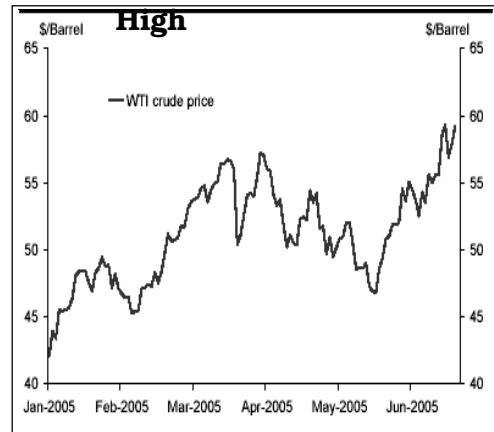
Equities Returned (S&P 500)	Year	Fixed Income Returned (LB Aggregate)
-9.13%	2000	11.63%
-11.83%	2001	8.44%
-22.10%	2002	10.26%



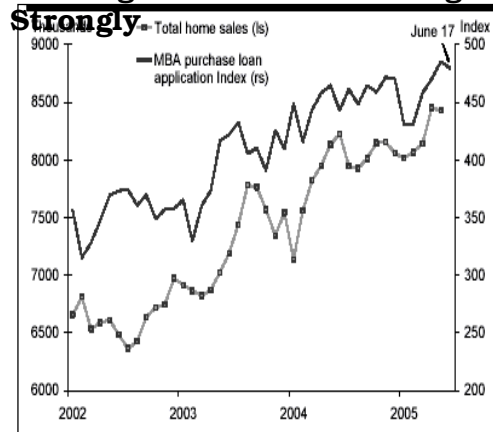


# ECONOMIC FUNDAMENTALS IN THE U.S.

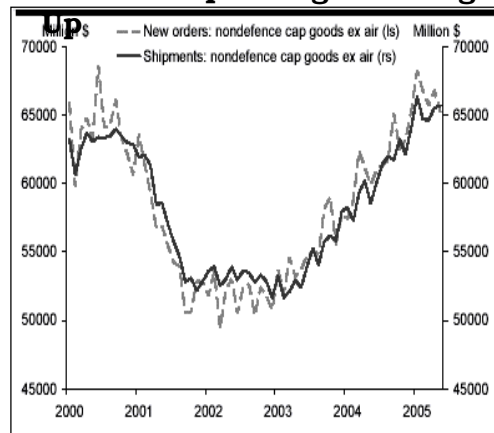
### Oil Hits A New High



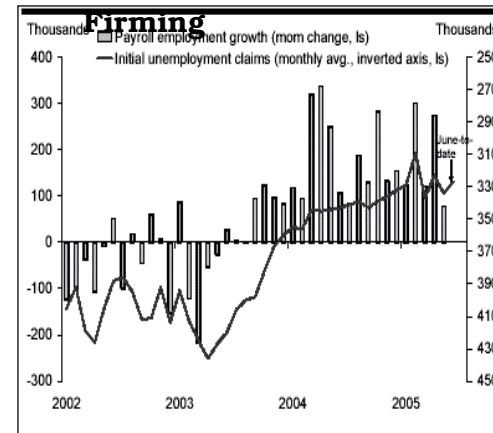
### Housing Market Still Growing Strongly



### Business Spending Trending Up



### Labor Market Still Firming

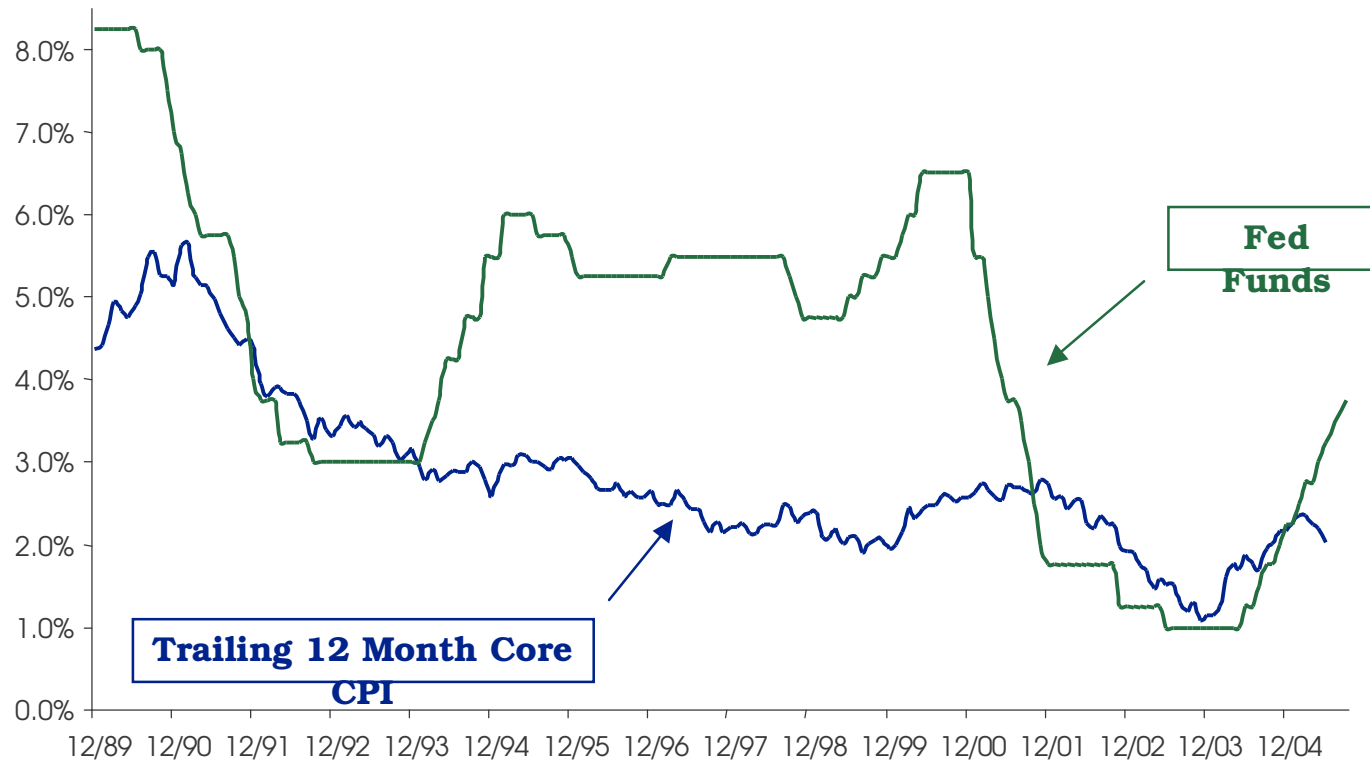


\* Sources: DB Global Markets Research





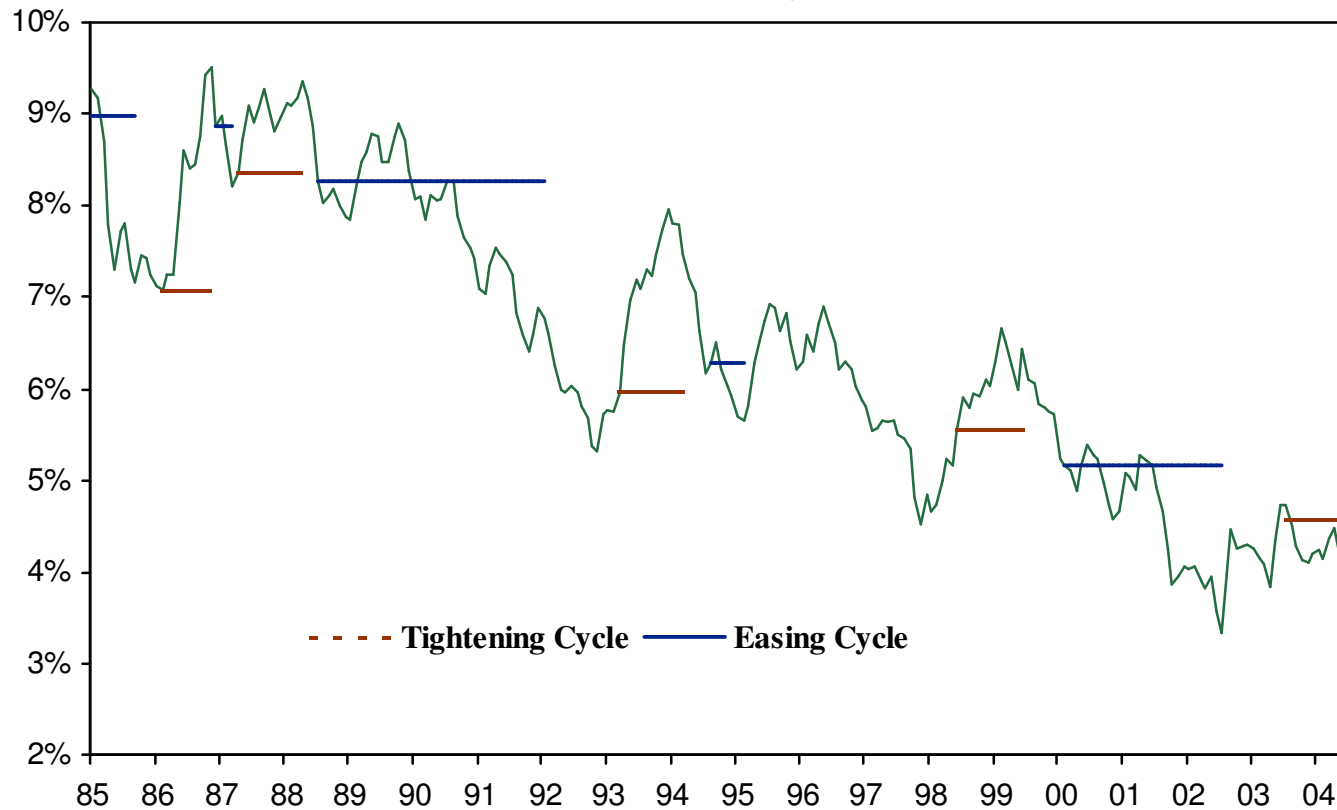
## CORE CPI vs. FED FUNDS





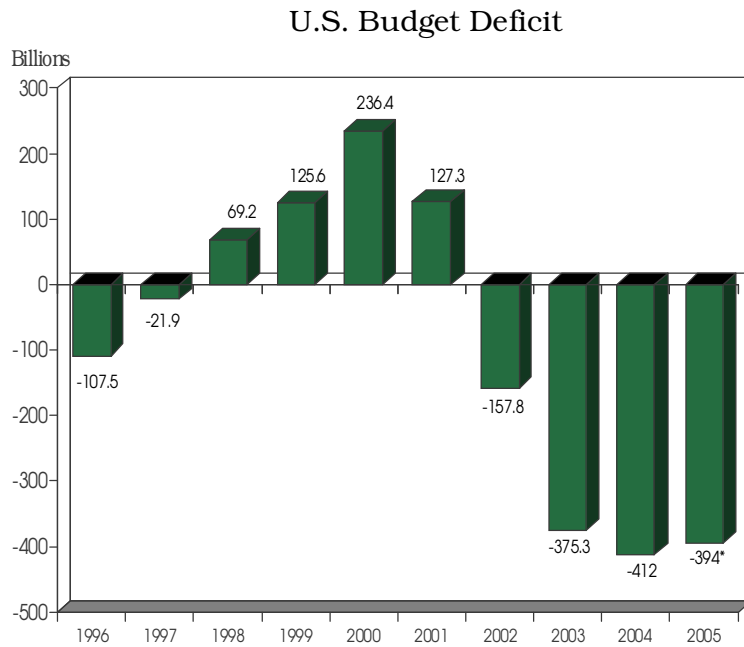
## GREENSPAN'S "CONUNDRUM"

### Ten Year Treasury Yields



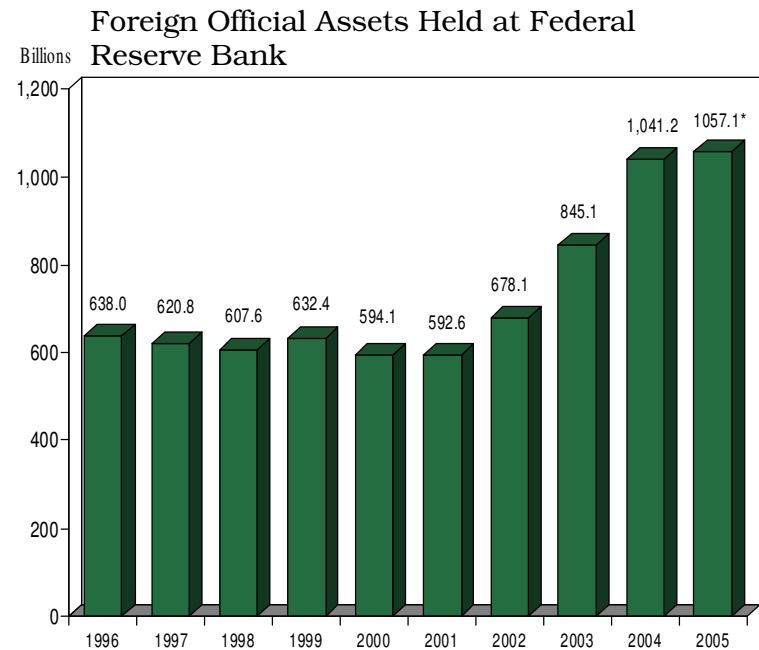


## U.S. BUDGET DEFICIT BAILED OUT BY FOREIGN INVESTING



\* Estimate, excludes cost of Afghanistan and Iraq

Sources: Office of Management and Budget, Congressional Budget Office



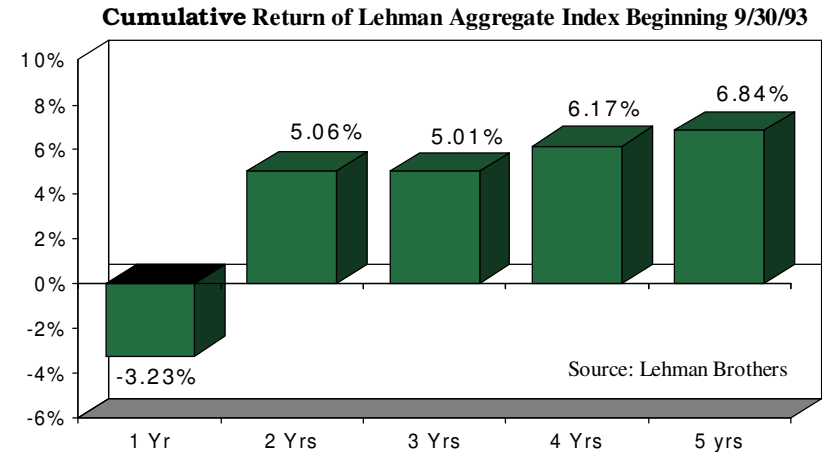
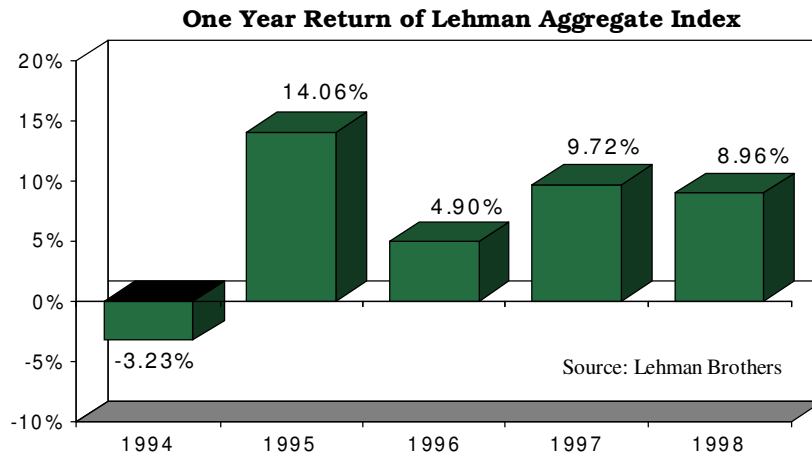
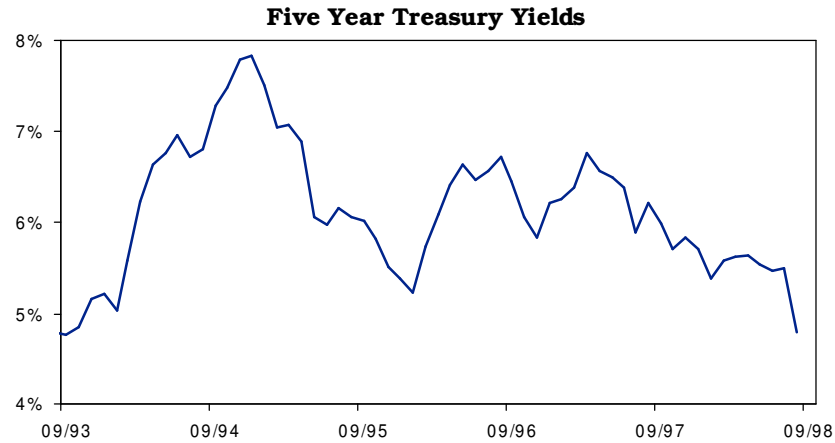
\* As of April 2005

Source: Federal Reserve Board





## POSITIVE ASPECTS OF RISING INTEREST RATES



\* 1998 Return is for 11 months ending 8/31/98



TOTAL RETURN ON \$1MM INVESTED  
IN THE S&P 500 INDEX OVER THE PAST 10 YEARS



## *Global Bonds*

Howard K. Bos, CFA  
*Managing Director, Portfolio  
Manager*



# GLOBAL BONDS CLASSIFICATIONS

## Foreign Bonds

- » Issued in one country by an issuer not domiciled there, and continues to trade there.
- » In the U.S., referred to as Yankee Bonds.

## Eurobonds

- » Usually underwritten by an International Syndicate, offered simultaneously to investors in a number of countries at time of issue, not registered in any particular country's market.
- » Classified based on the currency of denomination (in U.S. dollars: Eurodollar, in Japan: Euroyen.)
- » Not semi-annual coupons but annual payment.

## Global Bonds

- » Issued and traded in both U.S. Yankee and Eurobond market.
- » Typically, entity must:
  - Have a consistent demand for funds of a large amount (usually above \$3 Billion)
  - And have a high credit rating





## WHY CONSIDER GLOBAL INVESTMENTS?

### Diversification

- » **Credit - Banks, Corporations and Sovereigns**
- » **Country - Different Risk for Different Economies**
- » **Currency - To Hedge or Not to Hedge**

### From Perspective of U.S. Investor

- » **U.S.-Pay Bonds (denominated in U.S. dollars)**
- » **Non-U.S. Pay Bonds (denominated in a different currency)**





## CORRELATIONS BETWEEN ASSET CLASSES

*Correlation Matrix (1995 – 2005)*

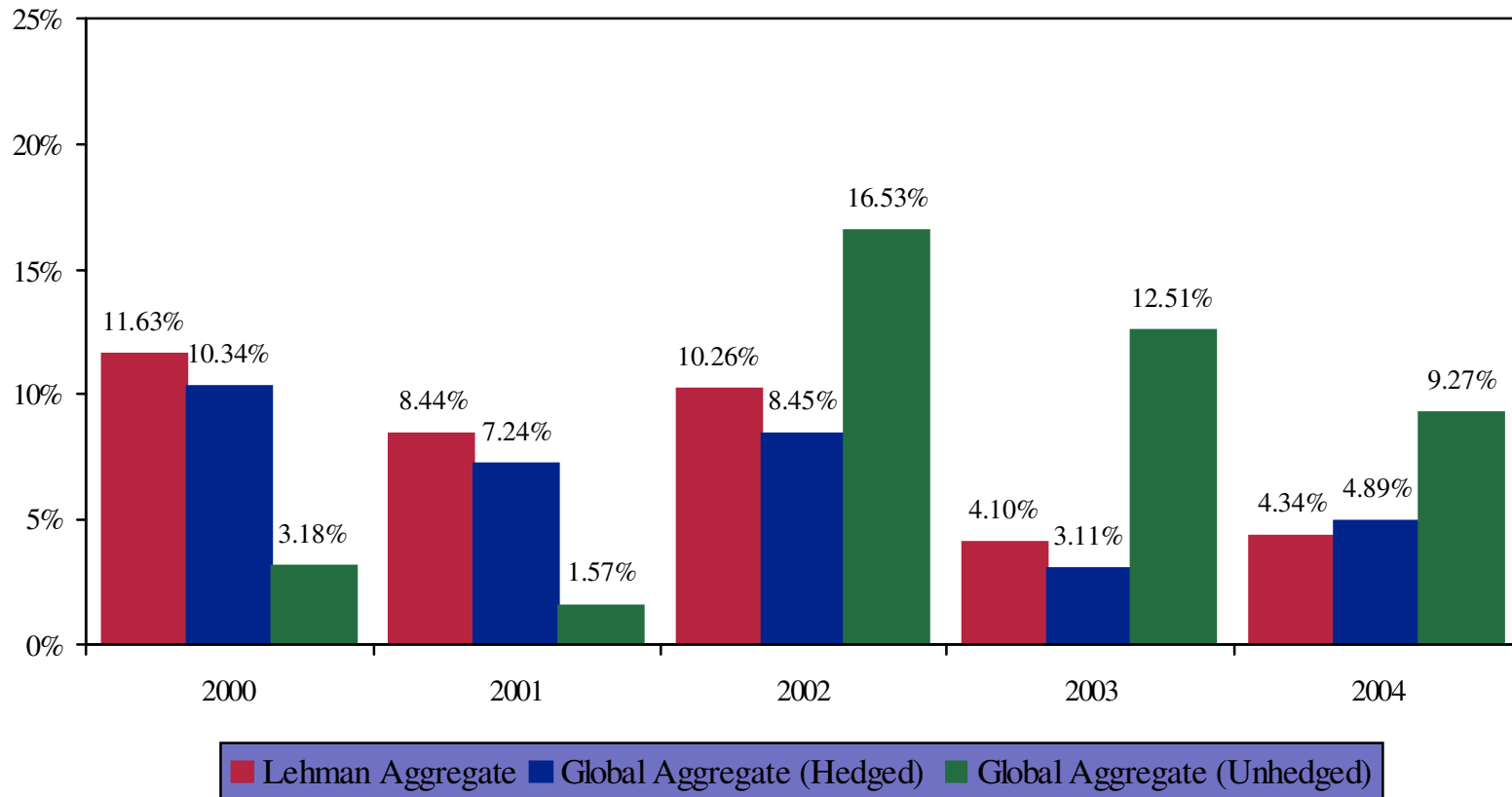
	LB Aggregate	S & P 500	LB High Yield	LB Emerging Markets
LB Aggregate	1.000	-0.063	0.126	0.156
LB High Yield	0.126	0.495	1.000	0.539
LB Emerging Markets	0.156	0.572	0.539	1.000
S&P 500	-0.063	1.000	0.495	0.572

Source: Bloomberg





## DOMESTIC AND GLOBAL ANNUAL RETURNS



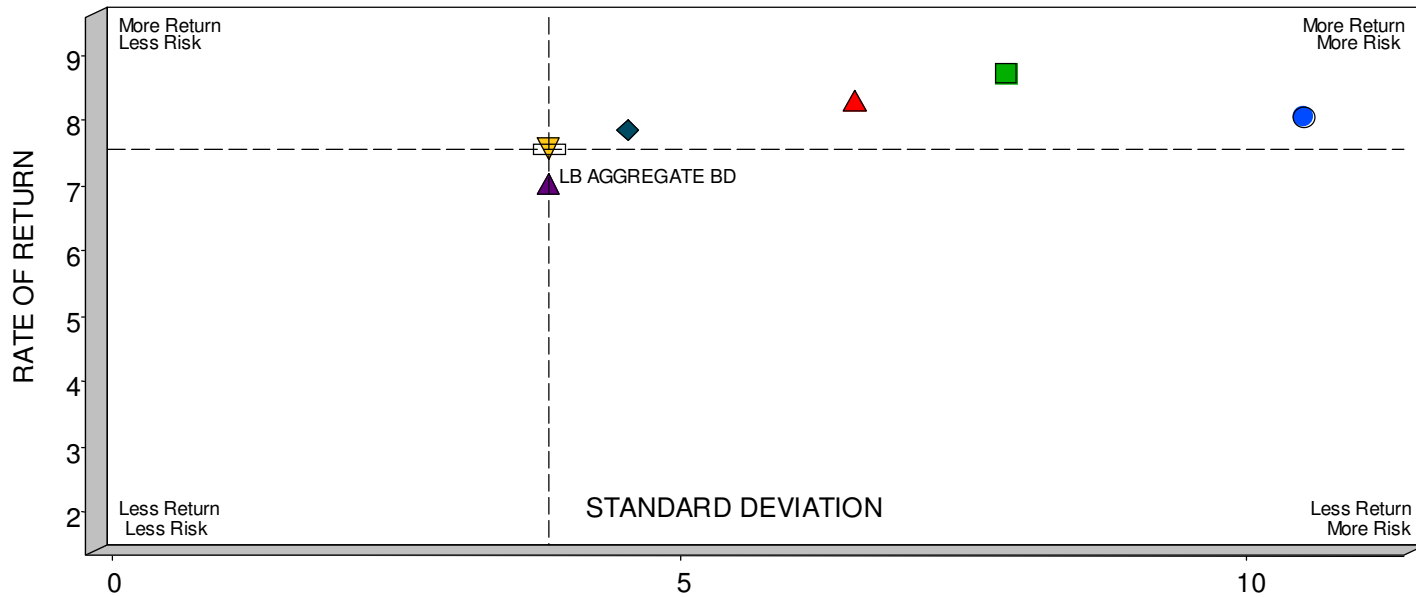
Source: Lehman Brothers





# TOTAL RISK REWARD

June 30, 2000 to June 30, 2005



	ROR	STD DEV
▲ CITIGROUP WORLD BROAD INVST GRADE BOND INDEX	8.13	6.46
● CITIGROUP WORLD GOV'T BOND EX US	7.92	10.38
■ CSFB HIGH YIELD INDEX	8.57	7.77
▼ LEHMAN BROTHERS AGGREGATE BOND	7.41	3.75
◆ LEHMAN BROTHERS GOVERNMENT/CREDIT BOND	7.71	4.44
▲ LEHMAN BROTHERS INTERMEDIATE GOV'T/CREDIT BOND	6.87	3.75





## 10 YEAR GLOBAL RATES

