

UNFCU | Financial Advisors™

A United Nations Federal Credit Union owned company.

October 2012

Financial Markets Overview

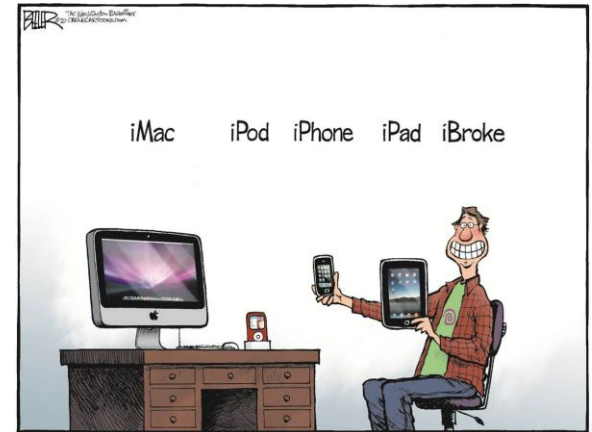
3rd Quarter 2012



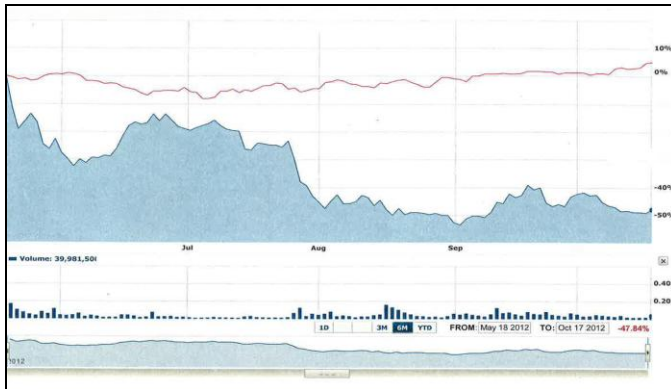
Opportunities and Risks

As a micro cosmos of the markets the stocks of “Apple” and “Facebook” illustrate very well the opportunities and risks in the financial markets.

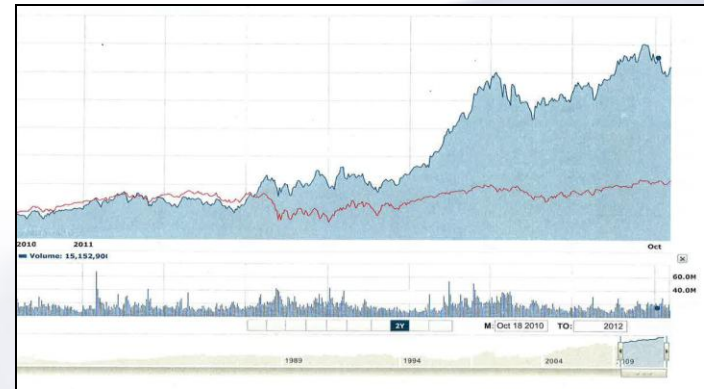
While Facebook was supposed to be the great performer once it went public, it has greatly disappointed so far. Apple on the other hand continues to significantly outperform the S&P 500 Index.



Facebook (FB)



Apple (AAPL)



U.S. Debt Illustration

\$10,000



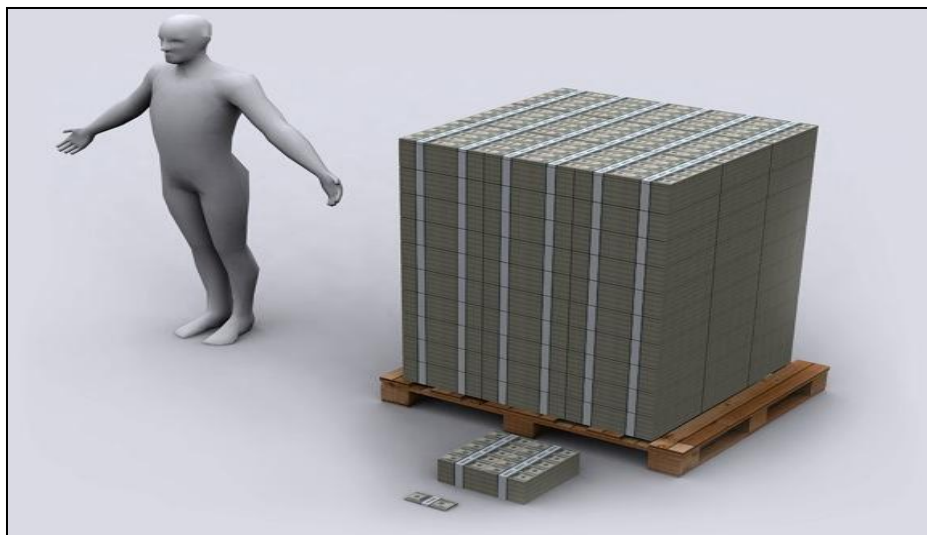
U.S. Debt Illustration (cont'd)

\$ 1 million



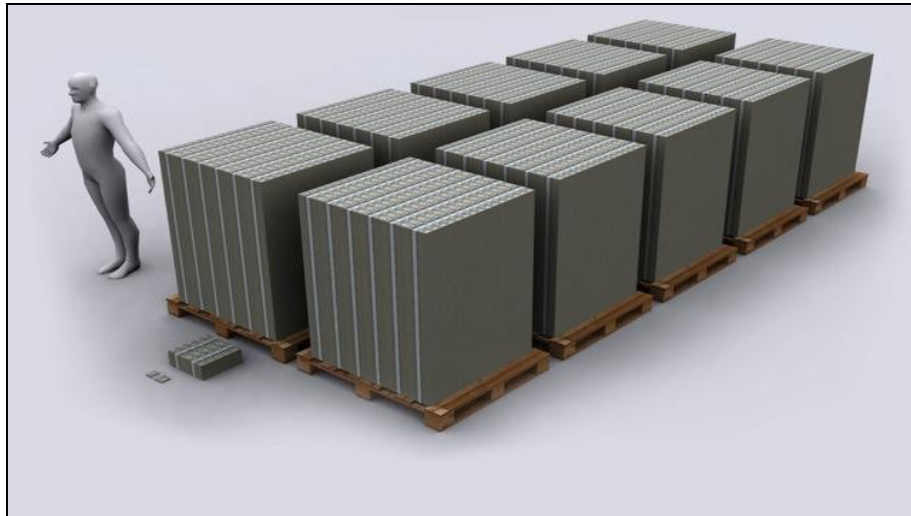
U.S. Debt Illustration (cont'd)

\$ 100 million



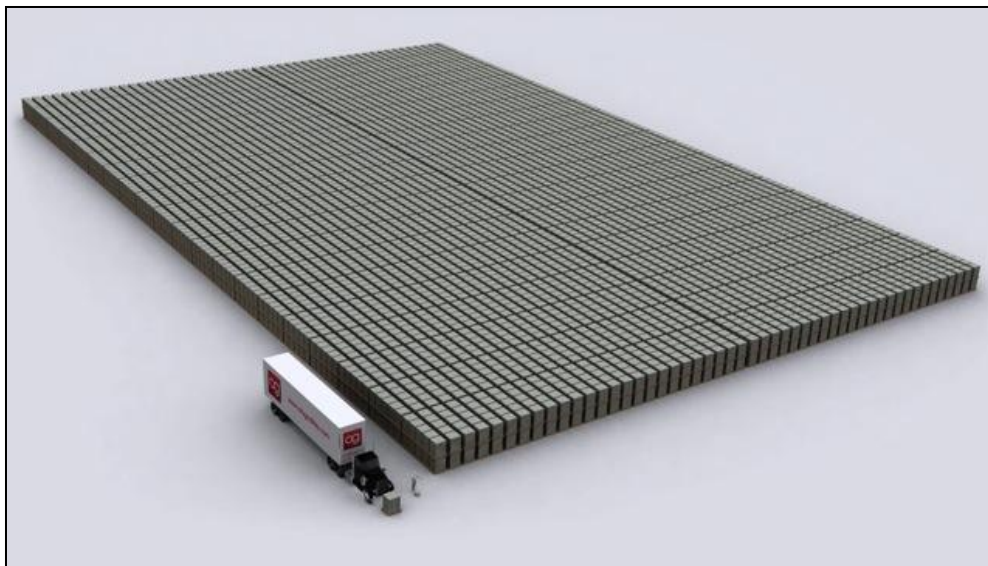
U.S. Debt Illustration (cont'd)

\$ 1 billion



U.S. Debt Illustration (cont'd)

\$ 1 trillion



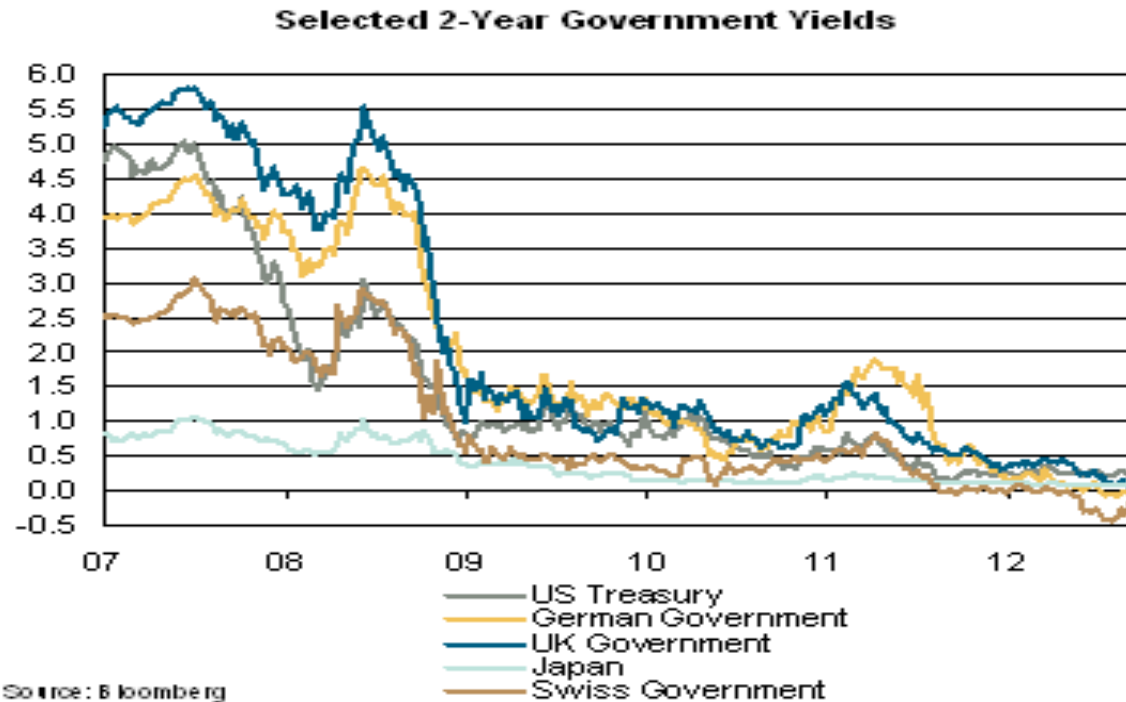
U.S. Debt Illustration (cont'd)

\$ 15 trillion

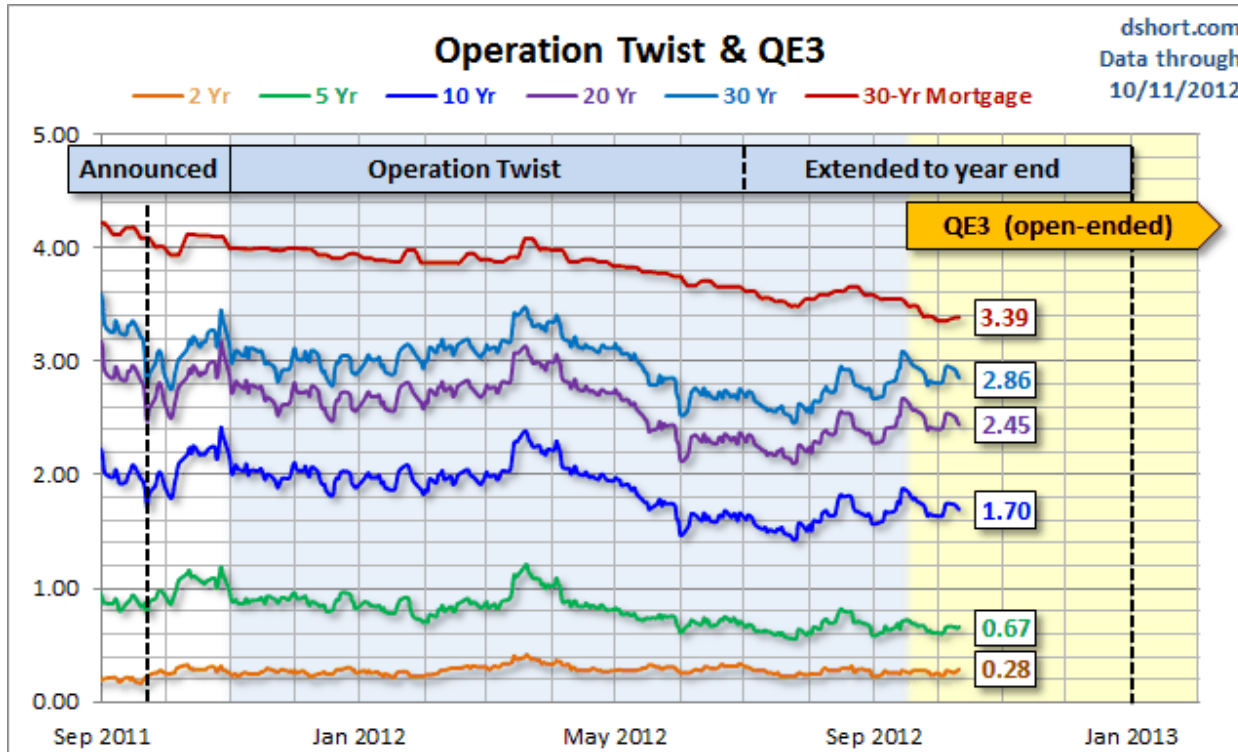


- The last four years the U.S. Budget Deficit has exceeded \$ 1 trillion
- The U.S. Public Debt surpassed \$ 16 trillion a couple of weeks ago

Global Government Bond Yields



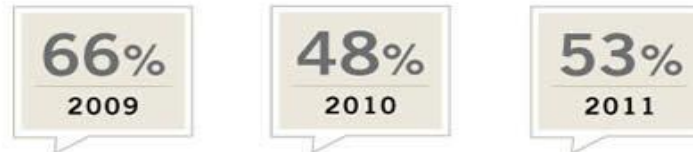
U.S. Government Bond Yields



Perception & Reality

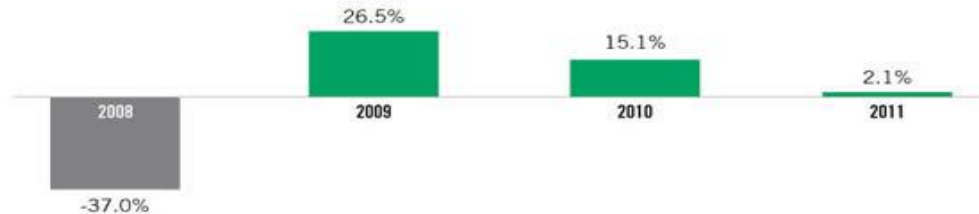
Perception—What Investors Believe Happened

Percentage of Survey Respondents Who Said the Stock Market Was Down or Flat¹



Reality—How the Market Performed

S&P 500 Annual Returns²



This chart is for illustrative purposes only and does not reflect the performance of any Franklin, Templeton or Mutual Series fund. Past performance does not guarantee future results.

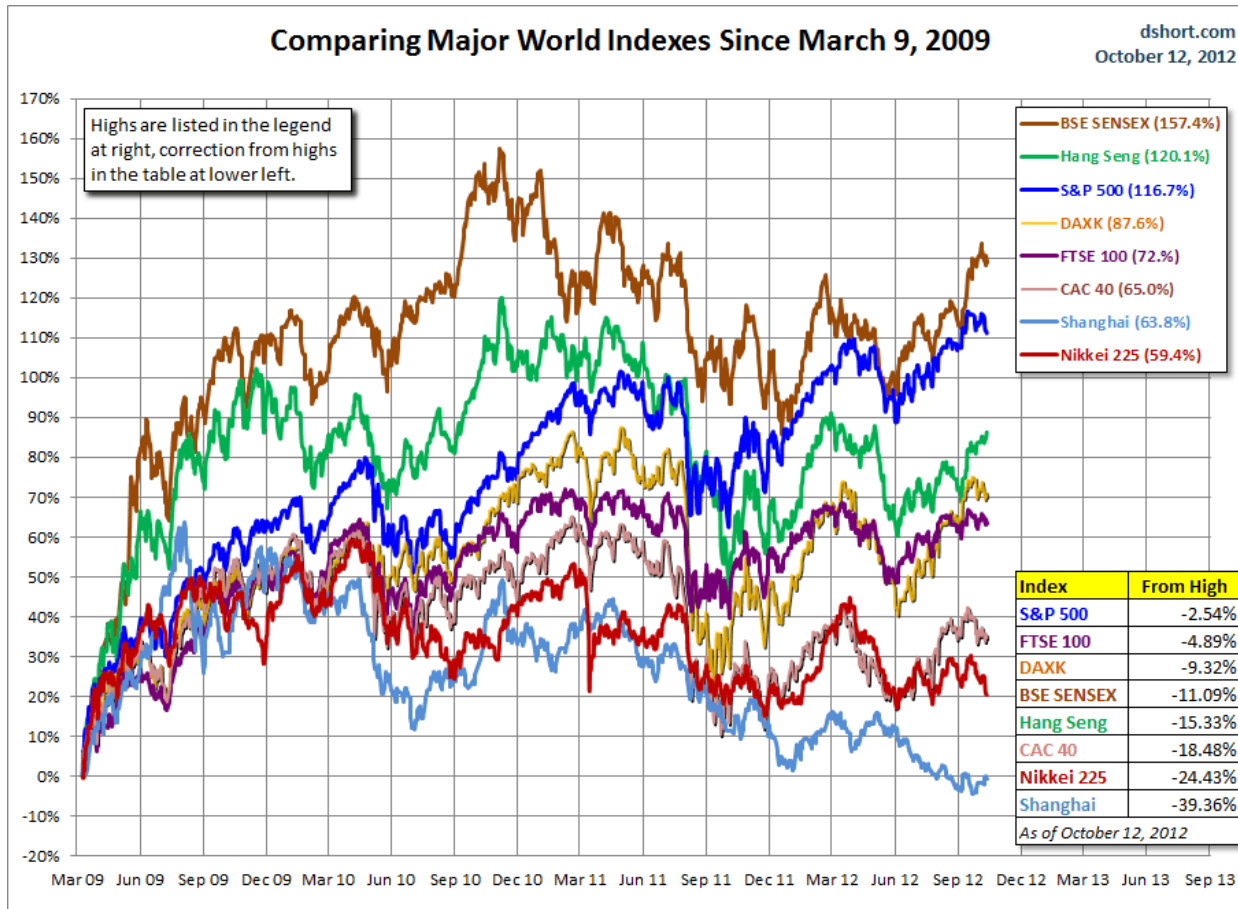
1. Sources: The 2010 Franklin Templeton Global Investor Sentiment Survey, designed in partnership with ORC International, included 1,010 telephone responses from participants age 18 and older in the U.S. from March 25, 2010 to March 28, 2010. The 2011 Franklin Templeton Global Investor Sentiment Survey, designed in partnership with ORC International, included 1,049 online responses from participants age 18 and older in the U.S. from January 6, 2011 to January 7, 2011. The 2012 Franklin Templeton Global Investor Sentiment Survey, designed in partnership with Duke University professor Dan Ariely and Qualtrics, included 1,142 online responses from participants age 18 and older in the U.S. from January 30, 2012 to February 13, 2012.

2. Source: © 2012 Morningstar. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Indexes are unmanaged and one cannot invest directly in an index.

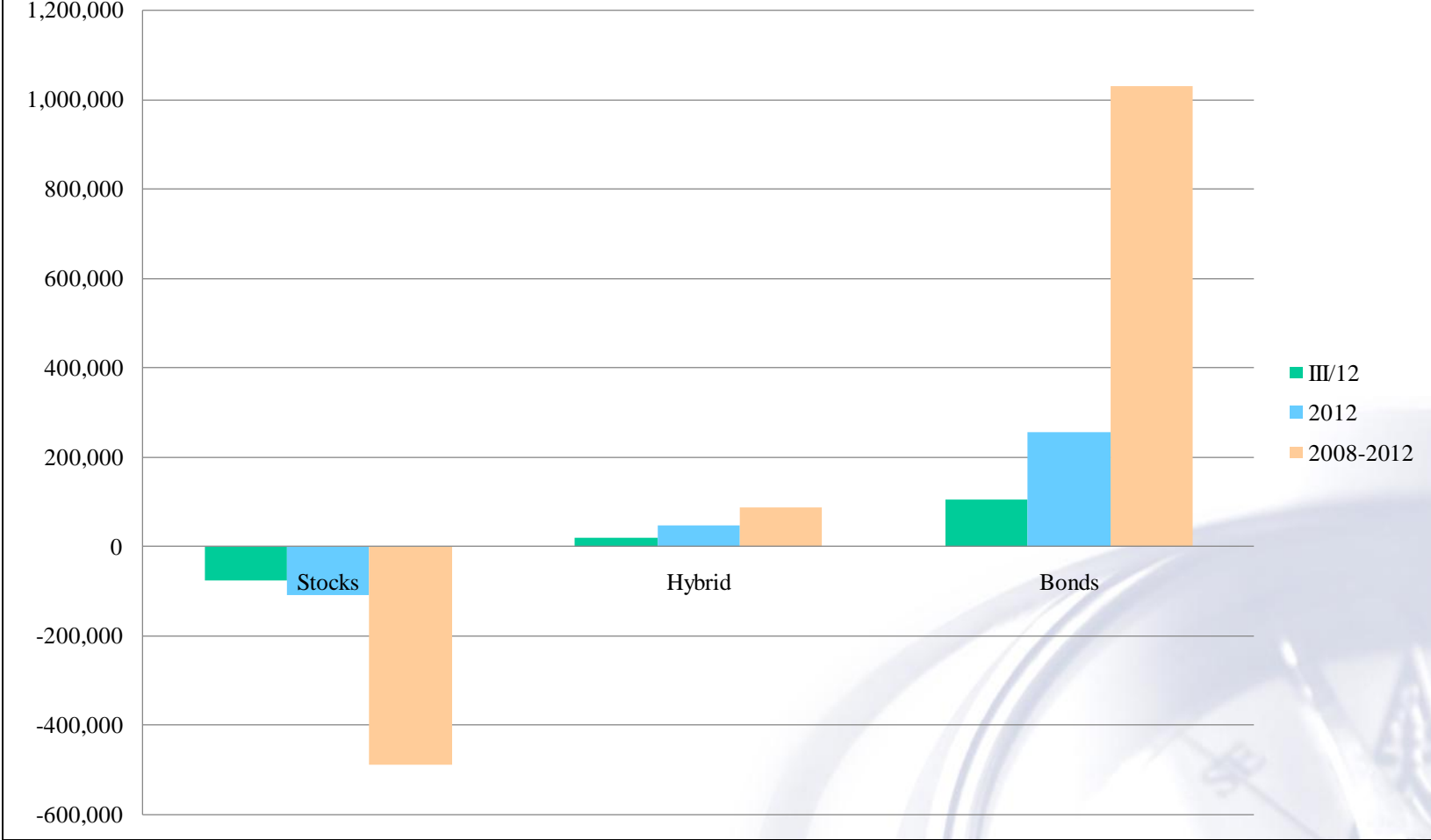
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Perception & Reality (cont'd)



Mutual Fund Flows



Conclusions

- Continuing macro economic issues (deficits / public debt)
- European situation not yet resolved (political / economic uncertainties)
- Ongoing monetary easing → very low interest rates (increasing risks)
- Upcoming U.S. presidential election
- Opportunities in equities markets
- Very cautious regarding long term / high yield / emerging market bonds

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