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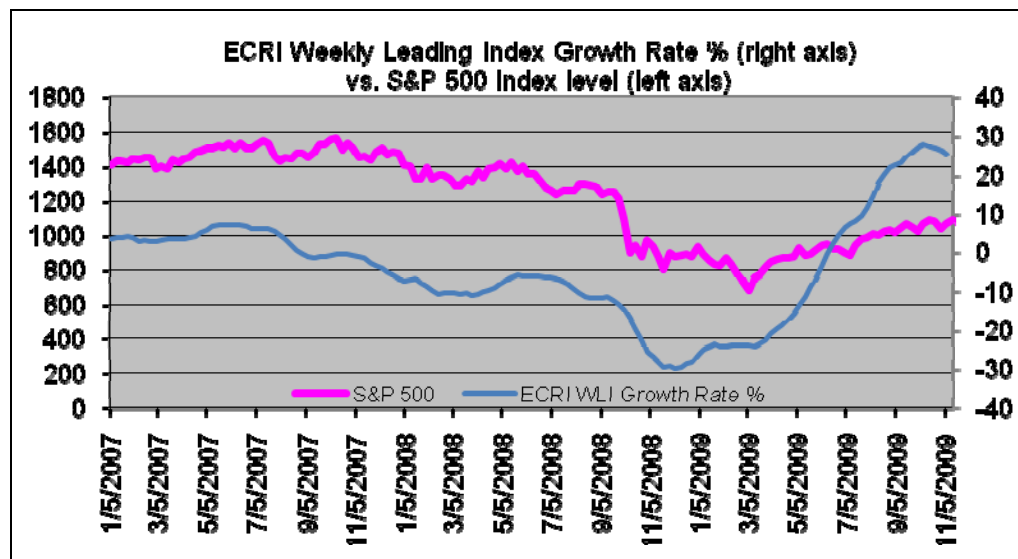
2009 3rd Quarter Review

The third quarter continued the prior period's broad market returns across all indices for investors as the economic recovery gained strength.

The MSAM Growth composite performed similar to the market on a percentage return basis during the third quarter. Investment success was experienced across most market sectors in the composite, especially in areas with international exposure to growth, such as technology. Updated performance numbers are available on the MSAM website: <http://www.msam.net/products.htm>.

Current Observations

Over the last 4 weeks, the growth rate of the Economic Cycle Research Institute (ECRI) leading economic index has peaked in the mid 20% range, but this level is indicative of very healthy GDP growth as the index growth rate remains near all time highs. Measured against prior economic recoveries, ECRI points to the index indicating the strongest recovery since the early 1980's.

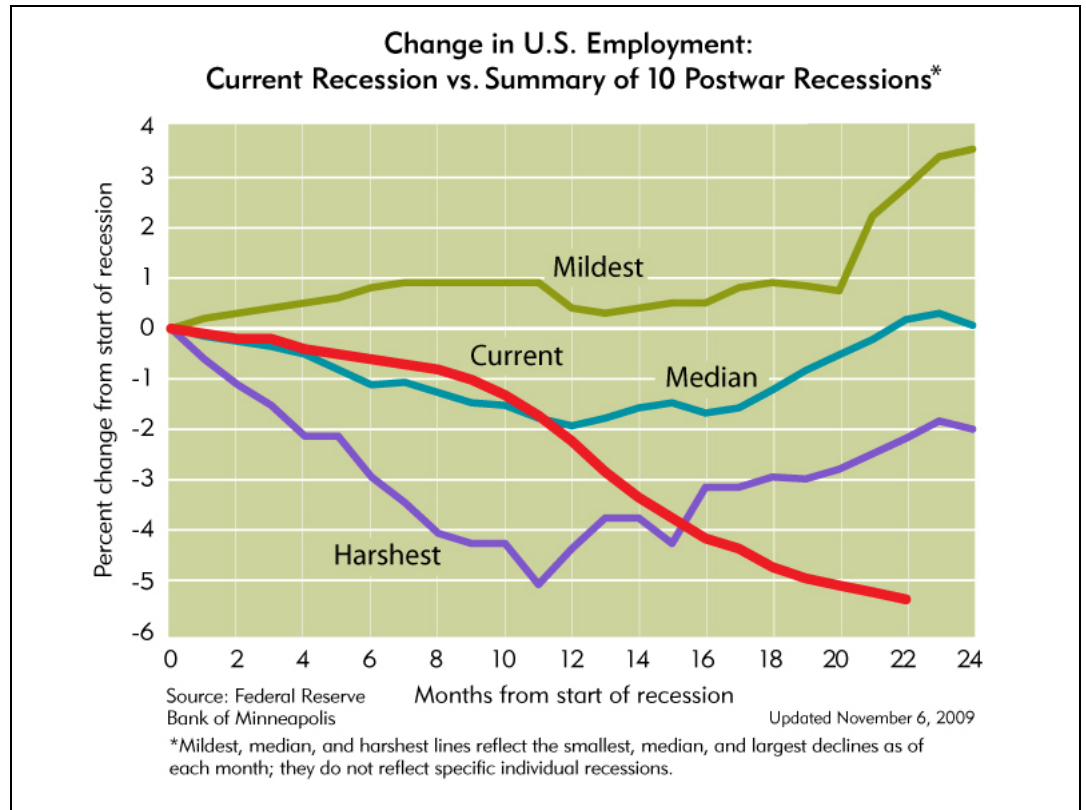


Source: Bloomberg, ECRI

In contrast, one area which has yet to offer a brighter picture is employment. Jobs are certainly a lagging indicator and will lag the recovery of growth in the economy by a few quarters. But the jobs picture in this recession has been quite pronounced when viewing employment activity relative to prior recessions since

World War II.

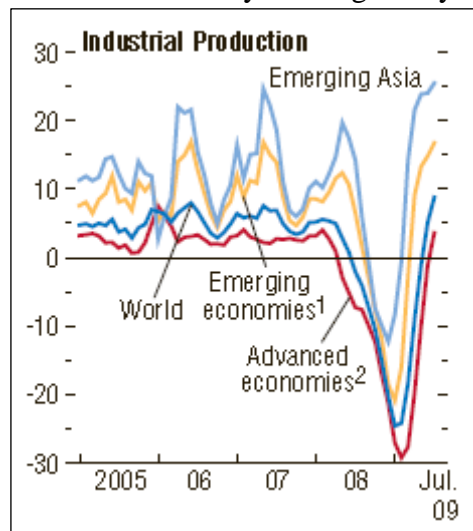
The magnitude of loss in employment during this recession has been severe. However, indications are beginning to show a change in this trend for the better.



Source: Federal Reserve Bank of Minneapolis

This picture explains a lot of the pain we continue to feel and read in the headlines. While it is human nature to extrapolate the down trend in jobs and expect it to continue to worsen, we may be near a turning point as unemployment statistics have appeared to improve recently. In addition, there are expectations that job growth will begin to return within the next quarter in the services sector as the recovery continues to gain strength.

Looking around the world, from industrial production to employment, the worldwide recovery is being led by emerging asia and the emerging economies.



Source: IMF

This trend continued to be echoed by U.S. companies in their respective 3rd quarter earnings conference calls.

Emerging Economies¹ is defined as: Argentina, Brazil, Bulgaria, Chile, China, Columbia, Estonia, Hungary, India, Indonesia, Latvia, Lithuania, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Romania, Russia, Slovak Republic, South Africa, Thailand, Turkey, Ukraine, and Venezuela.

Advanced Economies² is defined as: Australia, Canada, Czech Republic, Denmark, euro area, Hong Kong SAR, Israel, Japan, Korea, New Zealand, Norway, Singapore, Sweden, Switzerland, Taiwan Province of China, United Kingdom, and United States.

Worldwide recovery of growth is being lead by the emerging economies of the world including China and India

Analyst earnings estimates reflect continued improvement

Across the S&P indices in the 3rd quarter, companies continued to beat their respective analyst earnings estimates at a ratio of better than 3:1. Looking toward the future, quarterly and annual year-over-year earnings estimates continue to improve. Most notable in the 4th quarter are Financials, Information Technology, and Materials.

	Q3/09	Q4/09	Q1/10	Q2/10	FY09	FY10
S&P 500 Index Growth	-12.3%	71.4%	28.4%	26.2%	-11.0%	22.2%
Consumer Discretionary	25.3%	-4.3%	56.1%	26.6%	-10.8%	21.7%
Consumer Staples	0.6%	-3.0%	11.2%	9.5%	3.3%	7.5%
Energy	-63.3%	-25.6%	54.6%	69.7%	-57.6%	43.8%
Financials	746.6%	135.2%	72.7%	65.8%	945.2%	55.6%
Health Care	3.5%	-5.1%	3.6%	7.2%	1.2%	8.2%
Industrials	-36.4%	-23.5%	6.1%	5.7%	-34.1%	8.9%
Information Technology	-4.3%	28.1%	40.5%	28.7%	-8.6%	23.3%
Materials	-43.1%	103.0%	152.4%	89.2%	-49.9%	62.8%
Telecommunication Services	-18.4%	-18.2%	-10.7%	-1.2%	-21.6%	5.4%
Utilities	4.2%	-2.3%	-0.7%	-1.2%	-1.6%	6.6%

Source: Bloomberg, Standard & Poors

2009 4th Quarter Preview

The 4th quarter began with what was likely the first real test of investor sentiment and belief in the economic recovery. The S&P indices all lost ground in the month of October as did the MSAM Growth Composite. Performance during October favored large companies. On a percentage return basis, small companies were down about twice as much as their larger brethren. Interestingly however, as November began, many of the fears about the sustainability of the economic recovery present in October subsided, and the indices marched higher.

In general, part of the reason for the October downdraft in the markets appeared to be companies understandably being conservative in offering forward guidance in their respective earnings calls. Many have successfully cut costs, which is mostly within their control. But the next step in the recovery is to grow their respective businesses. Part of that growth is dependent upon the economy and the magnitude of the recovery, of which they have less control. With that in mind, and the experience of the last year, most are being conservative with their commentary and estimates going forward. This presents us as investors with the opportunity to continue to invest in longer term trends at reasonable prices. Estimates may even turn out to be too conservative as leading indicators are pointing to reasonable growth, especially in the emerging world economies.

As noted in the table above: Financials, Technology, and Materials are estimated to grow at a healthy rate in the 4th quarter and beyond. Technology in particular is one area we continue to focus research on. As electronics continue to become ever more present in our lives and technology easily transcends international borders, the investment opportunity is compelling. We look forward to continuing our work for you in the 4th quarter of 2009 and beyond.

Contact Us

Ron Medley
rmedley@msam.net

13537 Barrett Parkway
Drive, Suite 300
Manchester, MO 63021
800-628-6002, x3003
Fax: 314-909-0606
<http://www.msam.net/>