

## Solutions for a New Economy

Our goal is to provide confidence in guiding complex decisions, provide oversight based on wisdom, and offer extensive knowledge, backed with formal educations.

Our services include retirement plan consulting, endowment & foundation consulting, along with individual investment & retirement management services.

By always acting in a fiduciary capacity, we provide objective and unbiased investment advisory services to our clients.



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## Sleuthing Through 2012

Until my children started participating in the Destination Imagination® program, I paid little attention to the term sleuth or sleuthing. The term originated from sleuthhound or bloodhound. As it shifted to a figurative nature, the term encompassed an eager pursuer, detective, or being on the trail of something.

As our thoughts move toward the economy and financial markets of 2012, we will need to be eager pursuers of returns. Returns will not come from just one area and will not have a lot of consistency. In other terms, we will need to sleuth through 2012 – on the trail and eagerly pursuing market shifts.

Since market predictions are difficult, many consultants prefer to provide historic market newsletters. Unfortunately, near term historic information provides little value in moving market participants toward their goals. We would like to share with you some forward looking sentiments from a 2012 survey that the CFA Institute produced.

In general, the respondents to the survey believe that global markets will either

expand or stay consistent in 2012. When questioned about their local markets, most believed that their local market will not see an economic contraction in 2012.

One of the largest market events in 2011 related to the sovereign debt crisis in Europe. Early in the 1990s, I worked with a hedge fund that did significant work with Italian debt instruments. Never did I imagine that 20 years later, world capital markets would be focused on Italian interest rates.

The majority, 52% of the respondents, expect that the global debt crisis will worsen in 2012. Unfortunately, the majority of the respondents believe that the credit crisis will have a long term negative impact. It is anticipated that the impact of the crisis will last three to five years.

The survey also ranked ethical issues facing the global markets. The ethical issues identified included advisers misrepresenting their products/services and a general lack of honesty and integrity.

## This Issue's Trivia Question

Q: In 2011, Brazil's GDP (\$2.52 Trillion) surpassed the UK's GDP (\$2.48 Trillion). Brazil will surpass another European country within four years. Which country is it?

A: France.

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## Rumors of Fees

Wall Street strategists believe that the S&P 500 will close 2012 between 1,200 and 1,500. Strategists at the higher end cite strong corporate profits and job growth. Strategists at the lower end of the predictions cite continued sovereign debt issues in Europe as problematic.

From an interest rate perspective, the Federal Reserve has indicated that it will keep interest rates low until at least late 2014. This should be good news for those with mortgage debt. Lower interest rate resets on variable rate mortgages and continued refinancing opportunities should be beneficial to homeowners.

As with 2011, most of the market focus will probably be on stocks with dividend yields. In many cases, companies have higher dividend yields than interest rates on their debt. This is a strong incentive for fixed income investors to move to equities.

No matter what the eventual outcome of the markets, we will be sleuthing through 2012 alongside of you.

Most retirement plan participants do not recognize that they are paying fees. As a result, the Department of Labor has developed new fee disclosure rules that will be taking effect in 2012. Although the fee disclosures will provide for fee transparency, they also heighten the need for retirement plan fiduciaries to understand their fee allocation methodology.

Over the past decade, a lot of progress has been made with respect to the competitiveness of retirement plan fees. As a result, many plan sponsors are now faced with decisions on how to allocate excess revenue that is produced in retirement plans. With the new fee disclosure rules, participants will inevitably focus on the methodology that fiduciary committees use to allocate the excess back to accounts.

In a simple method, any

excess revenue is used to pay plan expenses such as audit and consulting fees. On the most sophisticated front, any excess revenue is allocated back to the specific participant's account that generated the revenue. Methodologies to return excess revenue to participants may also be calculated per capita, pro-rata based on the account balance, or pro-rata based on account level investment allocations.

These methodologies all present unique benefits and issues.

We would be pleased to provide your committee with an overview of fee allocation methodologies and issues. In addition, participants are going to have some good questions for your human resource group. Are you prepared to answer those questions? We look forward to hearing from you and sharing our insights on this important topic.

**Plan Sponsors,  
are you ready?  
Retirement  
Participants will  
be focused on  
fees in 2012.**

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