INVESTMENT UPDATE
NEWSLETTER

ALLEN TRUST COMPANY

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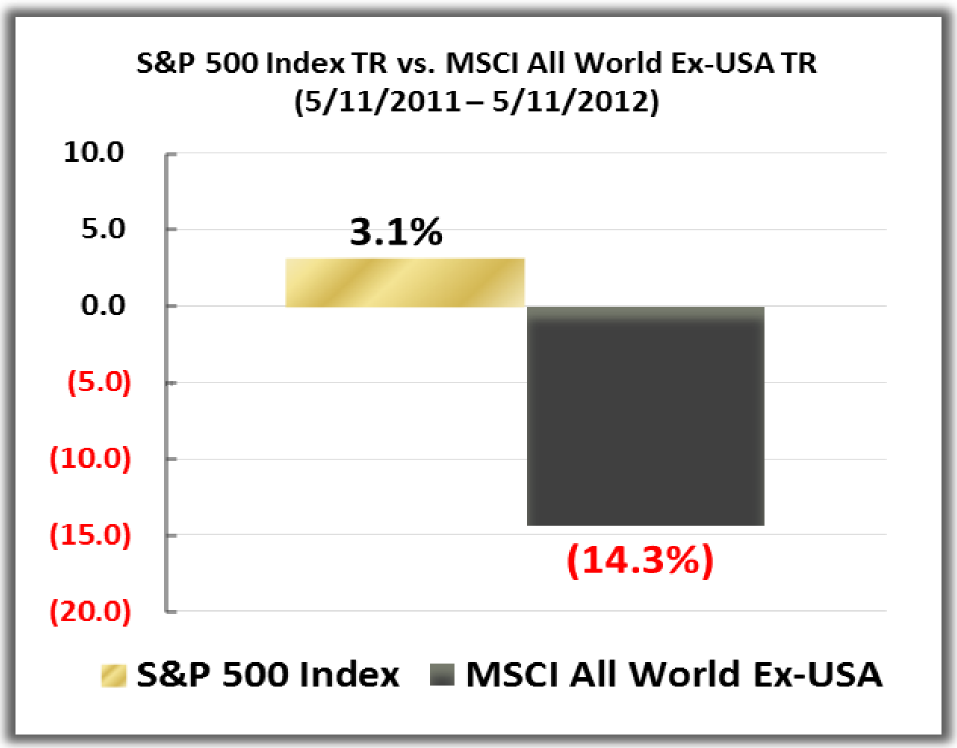
Here and There

For most of the modern era, U.S. investors have regarded equities as having two geographies: "here" (USA) and "there" (everywhere else). As globalization accelerated following the Cold War, however, the distinction seemed to matter less and less, and to some degree began to seem risibly outmoded – consider the popularity of Thomas Friedman's pre-Financial Crisis love letter to globalization, The World Is Flat. Consider also the high correlation between markets in late 2008-early 2009 as they plunged in near lock-step, which seemed to confirm the notion, or at least its dark side.

No matter the 21st century world's shape or topography, for the last year, US stocks have done far better than just about any other country's, moving up while others fell down. US stocks have, in a word, "decoupled" from their foreign counterparts along the clear lines of that pre-globalization orthodoxy.



Data Source: Bloomberg

Will stocks "here" continue to outrun the issues besetting stocks "there" (think major currency doubts, political tumult, and economic growth slipping or rolling over)? No, we believe, but neither will all foreign companies be annihilated – which is another way of saying that we think many foreign stocks are starting to offer good relative value, albeit with risk. Expect to see us buying more, not for the sake of any Great Recoupling, but just because good assets and cash flows are cheaper. A dollar here buys more there.