



Wealth Management &
Institutional Investments

Thoughts on Japan Crisis

March 16, 2011

We wanted to send out a quick note sharing our beliefs on the unfolding tragedy in Japan and the investment implications to your portfolio. First, our hearts go out to all of those directly or indirectly impacted by the destruction caused by the recent earthquake, tsunami and nuclear incident. The loss of life is deeply regrettable.

We have seen the financial markets swoon in an immediate reaction to the above mentioned events. While the crisis is having a direct negative impact on the Japanese economy and its financial markets, we believe the world-wide repercussions will soon abate. The Japanese government and monetary officials have responded rapidly through rescue efforts and additional liquidity provided to the market. Japan has experienced natural disasters in the past and has recovered very quickly. An analysis of the loss of Japan's economic activity will only subtract 0.1% to 0.2% from world-wide economic growth in 2011.

Our investment outlook, while temporarily impacted, remains consistent (and is actually strengthened longer term). We believe that the US will continue on the path of economic recovery and expansion. The recent decline in prices, both domestically and internationally, makes equities very attractive. The "flight to quality" rally in the bond market should be short lived and lead to gradually higher interest rates moving forward once the crisis is resolved. We do not believe this is the beginning of an equity bear market but rather a correction in the current bull market. We have been raising cash over the past several months and are now putting this cash to work in a judicious manner.

Please let us know if you have any questions. We thought you should know our current thinking and how we are reacting in this volatile environment. Thank you for your continued support of Greenwood Capital Associates.

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