# The Guardian Insight

Timely Perspectives from the
GCA Investment Committee

July 23rd, 2009

"...there needn't be a rush for anyone to chase these dramatic lifts in equity markets"

**Current Sentiment:**
In the latest installment of the Investment Committee deliberations, the sentiment continued to cautiously move towards increasing equity allocations in our portfolios.

We are approaching a neutral/full weight on the equity side but are not quite there yet. Bonds remain fully weighted, leaving cash as still overweight.

**Current Observations:**
While there is no mistaking the fact that markets around the world have had sizable rallies over the past months, our concern over their sustainability remains.

There is no question that the once lopsided odds of equity market underperformance from 6 months ago are now more evenly weighted.

Continuing on our theme from last month of the market climbing a 'wall of worry', and with full admission on our part that we have no crystal ball, it seems only logical to let our equity weight move higher, helped in part by the market itself.

There need be no rush for anyone to chase these dramatic lifts in equity markets however. As we continue to identify attractive companies to add to our existing holdings they will find their way into the portfolios.

A primary source of our lingering concern for the markets is the deceiving fact that while companies continue to best the reduced earnings estimates provided by the analyst community, this is being done on the back of cost cutting instead of revenue growth.

In fact most companies are seeing dramatic reductions in their top-line growth and roughly half of reporting companies are missing their revenue growth numbers despite beating on the bottom line.

We know that cost cutting can't go on indefinitely and at some point revenues have to increase. When this actually happens is the 64 thousand dollar question.

**Conclusion:**
The confidence in the market is still nascent and fragile. We have seen many instances of wildly optimistic reports from one corner of the markets lead to rallies, only to see negative reports released soon there after drive the markets to violent sell-offs. These are not the markings of a completely healthy market.

As humans we are an impatient species. But waiting for more evidence to corroborate a true turn in the economy should not be maligned, but rather embraced. After all, wasn't the world reportedly coming to an end a mere four months ago?

**Guardian Capital Advisors Investment Committee**


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