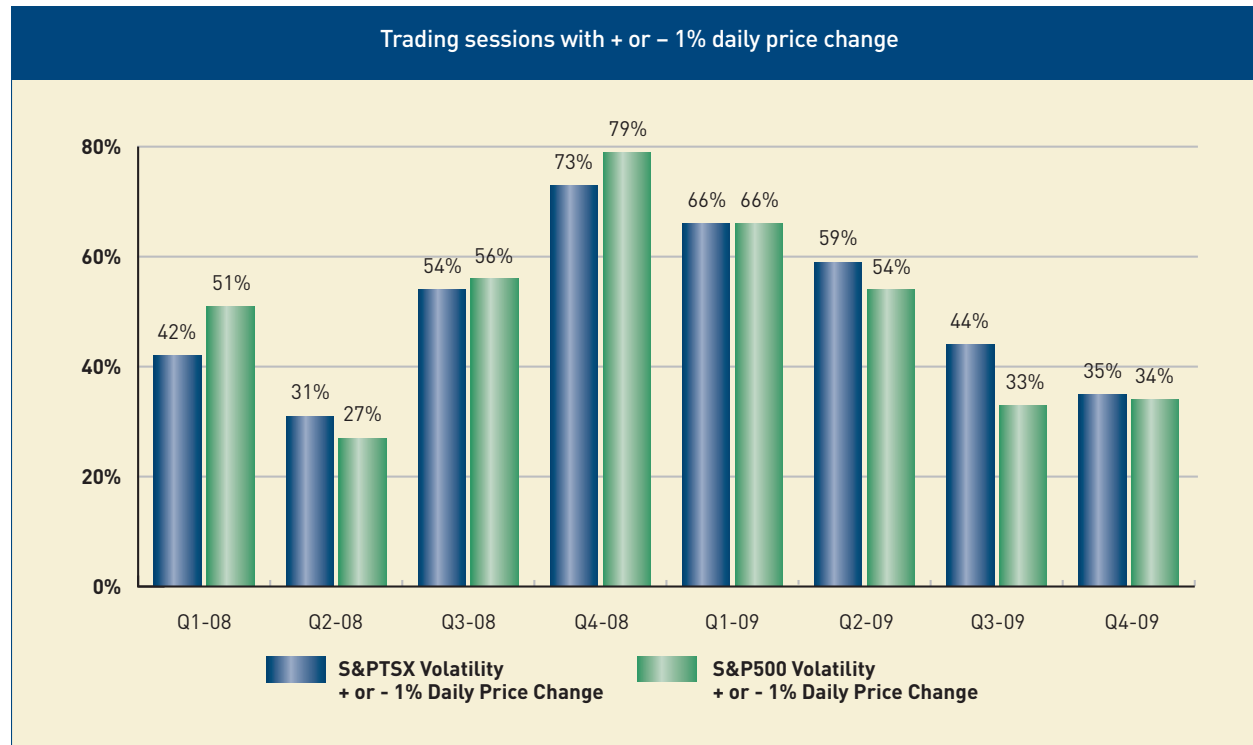


Investor sentiment drives market action

One of the most visible indicators of investor sentiment is daily market volatility. When indexes exhibit extreme moves as measured by +/- 1% price changes on any given day, it is likely that emotions (fear or greed) are driving investment decisions. Why? Because the fundamental value of a business does not change by 1, 3, or 5% in any given day, in this case the market is revaluing the enterprise not on fundamental value, but on emotion. As seen below, volatility by this measure increased dramatically at the end of 2008, as investor concerns over the future resulted in extreme price fluctuations.

In contrast, volatility declined throughout 2009, suggesting a more fundamental approach to pricing assets.



Source: Investors Group Portfolio Analytics

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