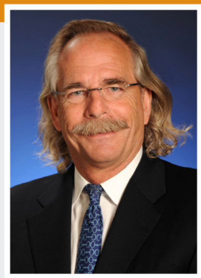
THE OMNIVEST MARKET VIEW
Investments



Tom Sowanick
Co-President
Chief Investment Officer
tom@omnivestgrp.com
Tel: +1 609 921 7939

Eleni Athanatos
eleni@omnivestgrp.com
Tel: +1 609 986 1001

Inflation Does Not Look Transitory to us

June 29, 2011

In our view, inflation is on the verge of becoming a significant concern for the global economy. In nearly every corner of the world, inflation is running roughly 100 bps higher than a year ago with no sign of slowing down.

This morning we heard that Canada's CPI came in at 3.7% for May versus 3.3% in April this year and is now 230 bps higher than a year ago. In Europe, inflation is running at 3.0% pace versus 1.6% last year.

In the US, inflation has risen to 3.4% from 2.0% twelve months ago. Fed Chairman Ben Bernanke has repeatedly said that inflation in the US is simply "transitory", meaning that the Fed will take no action to raise interest rates in an effort to battle this phenomenon. We can only hope that his assessment on inflation is correct.

"Transitory" is not a term that is embraced by any other Central Bank. In fact, it is now widely expected that the ECB will raise rates on July 7th from 1.25% to 1.50%, as Mr. Trichet stated this week that the ECB needs to remain "vigilant" against the threat of inflation.

Regionally, we find that inflation is stubbornly high in Latin America, with an average year-over-year inflation rate of 7.24%. High inflation has pushed LATAM (Latin America) Central Banks to raise interest rates sufficiently high enough to push real interest rates into positive territory. The same is true with most of Asia. As a result, we would expect rates of inflation in these two regions to be tamed first. This will be bullish for their respective local debt markets

Core Europe and the US are lagging considerably in the fight against inflation relative to other Central Banks because Asia and Latin America largely escaped the economic ravages caused by the financial meltdown. It is now critical that the ECB, the BoC and the Fed begin to work in unison to address this global issue or else bond and currency vigilantes will begin to surface in earnest.

Unfortunately, of the three Central Banks mentioned above, the Fed is the least anxious to reverse its near 3-year, 0% interest rate regime. Consequently, there is little reason to expect the US dollar to appreciate against the euro, C-dollar and Brazilian real over the balance of the summer.

In terms of owning inflation protected securities (TIPS), we find that at current price levels they offer absolutely NO protection against further increases in the US inflation rate. Rather, we believe that you should (at this point) own real assets such as commodities for protection or small cap stocks, which have proven to be a decent hedge against inflation historically.