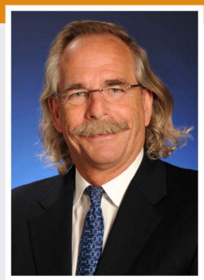
THE OMNIVEST MARKET VIEW



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Investor Confidence Being Challenged

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Investors who have enjoyed the spirited run-up in equities, gold and other risk assets seem to have run into a wall of fear. Modestly weaker than expected economic data in China has contributed to challenge investor confidence. What had been a mantra of “I’ll buy on weakness” has quickly shifted to “I don’t understand why things are falling so far and so quickly”.

Investors are also very keen on remembering the choppy pattern of last year’s equity market when the S&P 500 Index gained 12.50% in the first quarter of 2012, only to fall back by 2.75% in the second quarter. In other words, investors may feel that time is on their side considering the second quarter has just begun and the first quarter’s gain of 10.60% needs time to consolidate its move thus far.

The economic climate also may be challenging investor’s appetite for risk as US Employment came in much weaker than expected which was followed by a surprise decline in retail sales and a sharp drop in consumer confidence. Forthcoming economic data will be closely watched for signs as to whether this current market correction is anything more than a soft patch in an otherwise positive market environment.

As would be expected, 10-year Treasury yields have declined back below the 2.00% level last hit in mid-March where it is now yielding just 1.69%. However, the recent drop in Treasury yields has been matched by the decline in high yield and investment grade yields, leaving spreads largely unchanged over the same time period. This calls into question whether investor confidence is really waning or have equity investors simply been trying to lock in robust gains from the first quarter.

It is our belief that the fundamentals continue to support a further rally in equities and other risk assets. Having said that, we realize that markets do not always move in the same direction for extended periods of time. The long term trends that have been in place since March of 2009 remain intact and will likely continue to remain so until the Federal Reserve begins to slow its purchases of US Treasuries and Mortgage Backed Securities (MBS).

For indicators of market entry points, we would closely watch the Japanese yen and the US Initial Unemployment Claims (IUC). A weaker yen will give evidence that the Bank of Japan is firmly committed to adding liquidity to the Japanese economy. High frequency data such as IUC will give investors a more timely view as to whether labor markets are improving or deteriorating.

And while we are still early in the quarterly earnings season, we do know that 74% of companies that have reported have beaten estimates so far.