

**FROM THE DESK OF
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SOMETIMES WE LOSE PERSPECTIVE

It's been a rough ride lately for investors. The stock market was down through the end of the third quarter and then along comes October and the stock market has one of its best months ever! Even though the market is up a bit for the year now, it continues to gyrate wildly as investors try to discern what the future holds. Optimism is in short supply.

The focus is on the European debt crisis and our own struggling economy. At home, we see high unemployment, slow growth and a continuing debt problem. The Occupy Wall Street movement reminds us that we spent billions of taxpayer money to bail out the very people who helped get us into this mess in the first place. Overseas we watch as country after country struggles on the brink of insolvency. We have become numb reading about war and unrest in the Middle East and Africa. Confidence in our global leaders has evaporated. We ask ourselves if things could get much worse.

At times like these, it is easy to lose perspective. The truth is we have been here before many times. The details are always different, but we have been here before. Even though it always seems like "it is different this time," it is not. This is really quite familiar territory.

I decided to look back over the course of my life time and this is what I found.

SINCE 1950:

Tough markets and bad economy

- There have been 10 Bear markets
- There have been 10 recessions (averaging about 10 months apiece)
- Tech bubble (early 2000s)
- Housing bubble (2007 through ?)

World Economic Crises

- Latin American debt crisis (early 1980s)
- Japanese asset bubble burst (early 1990s)
- Asian debt crisis (1997)
- Russian debt crisis (1998)

Government bailouts

- Penn Central Railroad (1970/\$3.2 billion)
- Lockheed (1971/\$1.4 billion)
- Franklin National Bank (1974/\$7.8 billion)
- New York City (1975/\$9.4 billion)
- Chrysler (1980/\$4 billion)
- Continental Illinois National Bank & Trust (1984/\$9.5 billion)
- The entire S&L industry (1989/\$293 billion)

Unemployment

- In 18 calendar years it has been greater than 7%
- In 7 calendar years it has been greater than 8%
- In 5 calendar years it has been greater than 9% (not counting 2011)
- In 3 calendar years it has been greater than 10%
- It was almost 11% in 1982 (10.8%)

Wars

- Korea
- Viet Nam
- Iraq I
- Iraq II
- Afghanistan
- Not to mention military engagements involving US troops in Bosnia, Grenada, Haiti, Dominican Republic, Panama, Lebanon, Yemen and Somalia.
- And don't forget the Cold War and the Cuban Missile crisis.

Violence and Turmoil

- Three unsuccessful Presidential assassination attempts (Truman, Ford, Reagan)
- One successful attempt (Kennedy/1960s)
- Watergate (1970s)
- Munich Olympics (1970s)
- Unabomber (1970s-1990s)
- Oklahoma City bombing (1995)
- 9/11 (2001)

Change and Societal Disruption

- Civil Rights movement
- Black Power movement
- Equal Rights movement
- Gay Rights movement
- Environmental movement

YET SOMEHOW THROUGH IT ALL WE MAKE PROGRESS

We started the period without

- Computers
- The internet
- Fax machines
- Color TV
- Seat belts in cars
- Jet engines on commercial aircraft
- Microwave ovens
- Satellites in the sky
- Footprints on the moon
- Contact lenses
- Cell phones
- Credit cards
- ATM machines
- iPods

Life is better for most people

- Life expectancies have increased (from 68 to 78 years in the US)
- Infant mortality rates have decreased (global: from 156 to 45 per 1,000 live births)
- US GDP has increased from \$294 billion to \$15 trillion
- Literacy rates have improved (global adult rate: 56% to 83%)
- Income has increased (US median household income has doubled-after inflation)

Through all the turmoil wealth continues to grow and long-term investors have prospered

- The richest man in the US, Bill Gates, founded his company in 1975.
- The best investments for the next 60 years probably don't even exist yet.
- In 1950 the Dow Jones Industrials was at 216. Today it is at over 12,000.
- \$100,000 invested in the S&P 500 in 1950 would be worth \$62,600,000 today.

So despite all the difficulties and turmoil of the past 60 years we continue to make progress. There are about 7 billion people in the world today. They don't stop trying to improve their lives just because times are tough. As you can see, times are always tough. The question is not "when are things going to be good again." There will always be difficulties and challenges. The question is "how are you going to navigate through the challenges and difficulties that we are sure to encounter?"

Frontier's track record goes back to 1999. We have lived through 2 Bear markets, the tech bubble, the housing bubble and the sub-prime crisis. This period includes what has been called the lost decade. It's called that because if you had invested \$100,000 in the S&P 500 at the beginning of 1999, you would have only about \$116,000 today.

But if you had invested in Frontier's Long-Term Growth portfolio in 1999, you'd have more than doubled your money to about \$208,000—that is before our fees. So it is possible to make money even in troubled times. In fact, in both good years and bad years our Long-Term Growth portfolio has beaten the S&P 500 every year since its inception—that's 12 years in a row now. Our other portfolios have done consistently well, too.

Of course, no one knows what the future holds and there is no guarantee that we will do as well going forward. But the same team will be using the same investment process to manage portfolios for our clients going forward. There is one thing that we can guarantee: that we will maintain our perspective and do our best to navigate through the challenges that the future is sure to bring.

Scott MacKillop
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