# CHART OF THE MONTH

## MARCH 2012

According to the All-America Economic Survey released by CNBC today, 37% of the respondents said gold is the “best investment,” followed by real estate at 24%, stocks 19%, savings 14%, and U.S. Treasuries 8%. Gold is the preferred investment across most demographic groups, including income levels, geographic regions, and political affiliations.

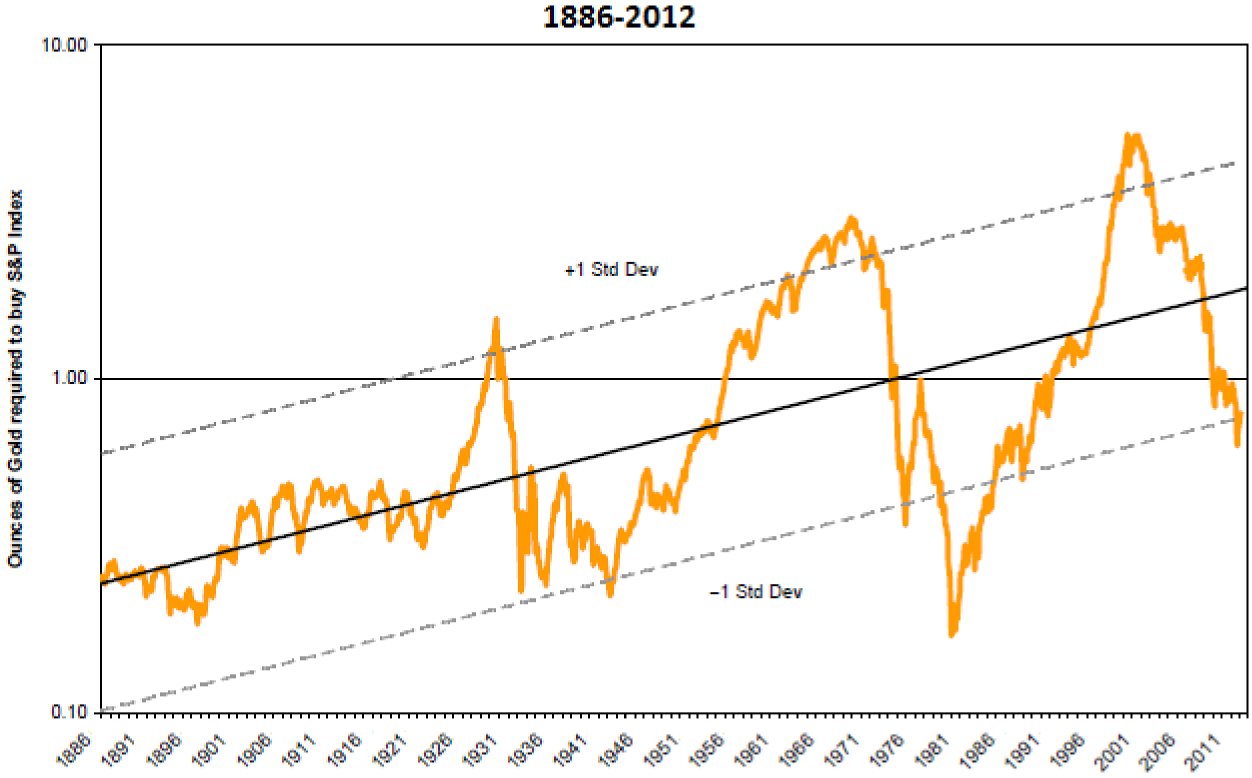
Forty-nine percent of the individuals polled believe now is either a “very bad” or “somewhat bad” time to invest in the stock market. From a contrarian standpoint, the bullish view on gold and the bearish attitude toward stocks may provide value-oriented investors with an opportunity to sell the precious metal and buy equities.

As a group, individual investors are renowned for doing the wrong thing at the wrong time. They tend to chase the asset class that has performed the best over the previous several years with most late arrivals jumping into such “hot” investments close to the peak and capitulating near the bottom. Witness the tech and dot.com bubble at the close of the last century and the real estate boom and bust during the past decade.

While we’re not suggesting that gold prices are on the cusp of crashing, we believe that stocks will outperform the yellow metal over the next quarter of a century. Of note, the major market averages have advanced approximately 25% from their lows and gold has declined 14% from its highs over the past six months.

As shown in the chart below, whenever stocks or gold outperformed the other by more than one standard deviation, investors have been rewarded by shifting their asset allocation from the leader to the laggard. With the S&P 500 currently at 1,405 and gold at $1,660, it would take .85 ounces of gold to buy the stock index. At the peak of the stock market in 2000, it took 5.38 ounces of gold to buy the same index. Just as gold was the better value back then, we contend that stocks are the better value today.

**S&P 500 vs GOLD**
**1886-2012**




LEDERER & ASSOCIATES
INVESTMENT COUNSEL

111 West Ocean Boulevard, Suite 1350, Long Beach, California 90802
Tel: (562) 495-2350 ▲ Fax: (562) 495-2006
www.lederer-associates.com