

Constructing a Truly Global Investment Portfolio

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History of the World Economy

- ☐ Commanding Heights by Daniel Yergin 6 hr DVD
 - ☐ Economist Magazine
 - ☐ Avoid CNBC
 - ☐ Read "Money Advice" wkly email
 - ☐ Pre WWII
 - ☐ WWII changed US
 - ☐ US GDP from 65%-35% to 25%-75%
 - ☐ Freedom = success
 - ☐ Fourth Wave
 - ☐ Gender Equality
 - ☐ Leisure time; health; education; trinkets for the rich; luxury goods
-

Analyze your portfolio

- ☐ 65% of the investment opportunities are found outside of the U.S.
- ☐ What percentage of your stock holdings are outside the U.S.?
- ☐ Granted that many US companies operate in the foreign sector.
- ☐ What percentage of your foreign holdings are in the emerging-markets?

Advantage: Tokyo *Nov 2007*

When measured as a percentage of its GDP, Japan's stock market has only a modest valuation.

Country	Stock-Market Value (tril)	GDP (tril)	Stock Market As % of GDP
U.K.	\$4.14	\$2.36	176%
U.S.	19.03	13.60	143
Canada	1.80	1.27	142
France	2.94	2.23	132
China	2.21	2.55	115
Japan	4.99	4.46	112
Germany	2.18	2.90	75
Italy	1.13	1.84	61

Source: MacroMavens

FREEST ECONOMIES

- | | |
|---|--|
| <input type="checkbox"/> Hong Kong (EWH) | <input type="checkbox"/> Sweden (EWD) |
| <input type="checkbox"/> Singapore (EWS) | <input type="checkbox"/> Canada (EWC) |
| <input type="checkbox"/> United Kingdom (EWU) | <input type="checkbox"/> Austria (EWO) |
| <input type="checkbox"/> Switzerland (EWL) | <input type="checkbox"/> Germany (EWG) |
| <input type="checkbox"/> Australia (EWA) | <input type="checkbox"/> Netherlands (EWN) |

(From a Heritage Foundation study)

HEALTHCARE

- ☐ As countries develop more middle class families, expenditures for healthcare will rise.
 - ☐ Invest in iShares S&P Global Healthcare Index Fund (IXJ)
-

TECHNOLOGY

iShares S&P Global
Technology Index Fund
(IXN)

EDUCATION

It is the "Fourth Wave" of development
after agriculture, industry and service

- ❑ For-profit US education companies are
Apollo (APOL), Sylvan Learning
Centers (SYL), ITT Educational (ESI),
 - ❑ EDU: New Oriental Edu&Tech Grp;
Beijing; share; 50 PE; 872,000
students
-

INVEST IN "HARD" ASSETS

- ❑ As the emerging-market countries develop and advance, the price of commodities will continue to go up.
 - ❑ Invest in IGE: iShares Goldman Sachs Natural Resources' Index Fund
-

...Top 10 Leading Countries in Closing the Gender Gap (7 is highest)

❑ Sweden	5.53	❑ New Zealand	4.89
❑ Norway	5.39	❑ Canada	4.87
❑ Iceland	5.32	❑ U. K.	4.75
❑ Denmark	5.27	❑ Germany	4.61
❑ Finland	5.19	❑ Australia	4.61

The US ranks 17th after Latvia, Lithuania, France, Netherlands, Estonia, and Iceland.
There is a close correlation between gender equality and economic performance. >>>>>

From: Women's Leaders Programme of the World Economic Forum
A survey of 58 countries: OECD plus 28 emerging countries.

2006 STOCK MARKET GAINS: INVEST IN WOMEN!!!

<input type="checkbox"/> Sweden	+43.5%	<input type="checkbox"/> New Zealand	+13.4
<input type="checkbox"/> Norway	+43.1	<input type="checkbox"/> Canada	+16.4
<input type="checkbox"/> Iceland	+42.4	<input type="checkbox"/> U. K.	+28.2
<input type="checkbox"/> Denmark	+34.2	<input type="checkbox"/> Germany	+35.2
<input type="checkbox"/> Finland	+28.4	<input type="checkbox"/> Australia	+28.3

World Stock Market average gain = 19%
US Standard & Poor's 500 Average = 15.7%
IEV – iShares S&P Europe 350 Index = 32.8

THE “PACIFIC TIGERS”

- ☐ Countries along the Pacific rim in Asia are the fastest growing countries in the world
 - ☐ Buy iShares MSCI Pacific (ex-Japan)
 - ☐ Buy APB Asia-Pacific Fund (Closed-end) on the NYSE
-

JAPANESE TECHNOLOGY

- ☐ EWJ iShares Japan Index
 - ☐ Japan Smaller Companies
closed-end mutual fund.
JOF on NYSE
 - ☐ Buy Takeda Pharmaceutical.
TKPHF as an ADR
 - ☐ Buy Kyocera. KYO as an ADR
-

BOOMING CHINA

- ☐ EWH: iShares Hong Kong Index
 - ☐ FXI: FTSE Xinhua China 25 Index
 - ☐ BHP: Broken Hill Proprietary –
Billiton ADR (Australian metals)
-

CELLULAR IN CHINA

- ❑ China has 1.3 billion pop.
- ❑ China has the most cellular users in the world
- ❑ Invest in China Mobile
- ❑ Buy as an ADR on the NYSE
- ❑ Symbol is CHL

Asset Classes					
Stability			Appreciation		
Short Money	US Bonds	Foreign Bonds	US Stocks	Foreign Stocks	Hard Asset Stocks
Cash Money-Market CDs	Short-term Intermediate-term Investment Grade Inflation Protected Total Return	Short-term Intermediate-term Sovereign Corporate Emerging Markets	Large Cap Mid Cap Small Cap Micro Cap Growth Value Technology Internet Healthcare	Developed Countries Foreign Value Foreign Small Cap Emerging Markets Economic Freedom Hong Kong Singapore Australia United Kingdom Ireland Switzerland Canada Netherlands Belgium Germany Sweden Austria	Natural Resources Oil Gas Coal Gold Mining Precious Metals Diamonds Water REITs
Provides stability in volatile markets					
	Balanced by Hard Asset Stocks				Balances Bonds
		Protected against a drop in the US dollar		Protected against a drop in the US dollar	

Marotta Wealth Management Average Return 2003-2007

- ☐ 5.58% US Bonds
 - ☐ 9.00% Foreign Bonds
 - ☐ 14.22% US Stocks
 - ☐ 24.54% Foreign Stocks
 - ☐ 30.75% Hard Asset Stocks
 - ☐ 15.29% Total Asset Allocation
-

FOREIGN ETFs

- ☐ EFA iShares MSCI EAFE Index Fund
 - ☐ EFV iShares MSCI EAFE Value Index Fund
 - ☐ IFSM iShares FTSE Dev Small Cap Ex North America
 - ☐ EEM iShares MSCI Emerging Markets Index Fund
-

FOREIGN (EFA) BEATS US (S&P500)



2002 through September 2007

EFA 21 countries (+100%) beats S&P500 (+25%)

Emerging Markets beats EFA



2003 through September 2007

EEM 22 countries (+298%) beats EFA (+147%).

MSCI Emerging Markets Index Fund (EEM)

Exposure by Region

Asia/Far East Ex-Japan	50.90%
Eastern Europe	12.30%
South America	9.50%
North America	8.70%
Africa	7.00%
Western Europe	6.40%
Middle East	5.20%

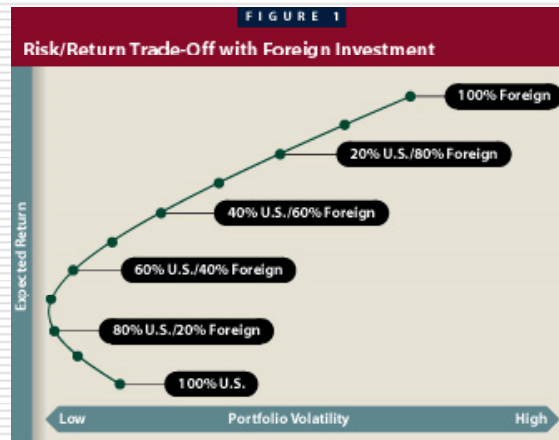
"BRIC" Countries

- ☐ Invest in the fastest growing countries: Brazil, Russia, India, China
 - ☐ Buy the Claymore BRIC Fund
 - ☐ The symbol is EEB.
-

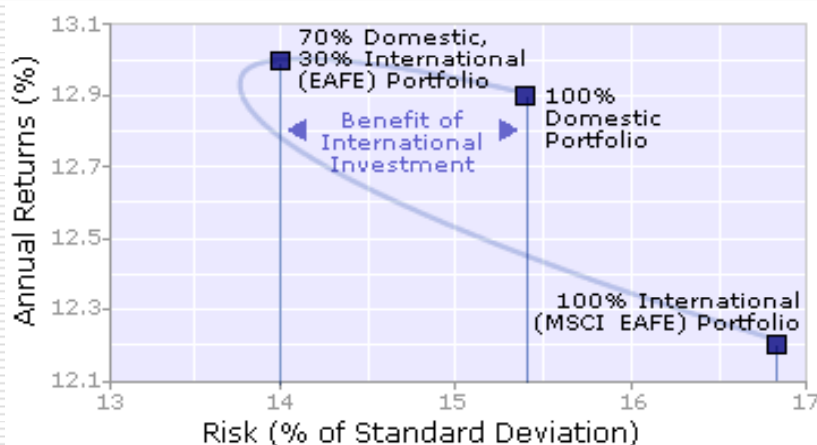
Get Out of the Dollar

- ❑ It is the safest world currency, BUT
- ❑ We are running a huge trade deficit
- ❑ The \$ is going down against other currencies
- ❑ Invest in foreign stocks & bonds
- ❑ Invest in the Euro: Buy the Currency Shares Euro Trust Fund; symbol FXE

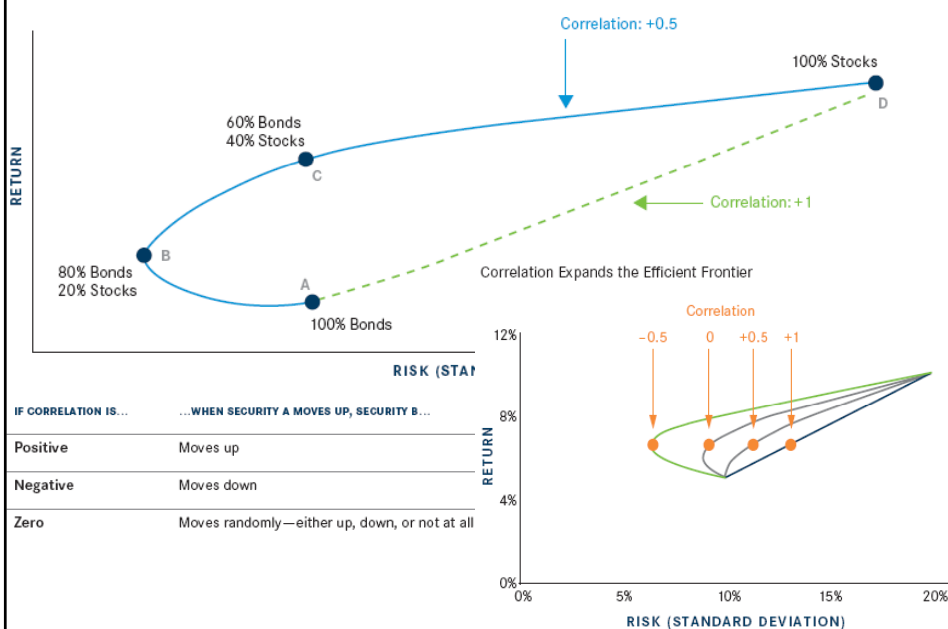
Optimal Global Portfolios



Improving Returns 1970-2000



Correlation and Portfolio Risk and Return



FOREIGN BOND MUTUAL FUNDS

- ☐ American Century International Bond Fund (BEGBX)
- ☐ T. Rowe Price Int'l Bond Fund (RPIBX)
- ☐ Pimco Foreign Bond Fund (PFBDX, PFUIX)
- ☐ Pimco Emerging Market Bond Fund (PEMDX, PEBIX)

SEND ME YOUR QUESTIONS

- ☐ I will be happy to answer your investment questions.
- ☐ Email them to me:
george@emarotta.com
- ☐ If I can't answer, I will ask my son David.
- ☐ Good luck investing in the future.

FREE EMAIL INVESTMENT LETTER

- ☐ Sign up for my email letter.
- ☐ Give me your email address.
- ☐ Sign-up sheets are in front.



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iShares Age Appropriate Portfolios

Recommendation good only until: 6/9/08

Symbol		Age:	10	15	20	25	30	35	40	45	50
MMF	Money Market		0%	0%	0%	0%	0%	0%	0%	0%	0%
AGG	Leman Aggregate Bond		0%	0%	0%	2%	3%	6%	7%	8%	9%
PFBDX	PIMCO Foreign Bond		0%	0%	0%	2%	3%	6%	7%	8%	9%
IWD	iShares Russell 1000 Value		4%	6%	9%	10%	10%	11%	11%	12%	12%
IWF	iShares Russell 1000 Growth		19%	18%	17%	15%	14%	12%	11%	10%	9%
IWM	iShares Russell 2000		31%	36%	34%	29%	21%	23%	22%	20%	19%
EFA	iShares EFA Index		27%	27%	27%	25%	25%	21%	20%	19%	18%
EEM	iShares Emerging Markets		13%	13%	13%	12%	11%	10%	10%	9%	9%
IGE	iShares Goldman Sachs Nat Res		0%	0%	0%	5%	7%	11%	12%	14%	15%
Beta			0.98	0.98	0.97	0.93	0.91	0.84	0.83	0.80	0.78
Expected Real Return: Inflation +			6.34%	6.34%	6.33%	6.16%	6.06%	5.85%	5.79%	5.60%	5.63%

Symbol		Age:	55	60	65	70	75	80	85	90	95
MMF	Money Market		0%	0%	0%	0%	0%	0%	0%	5%	10%
AGG	Leman Aggregate Bond		10%	11%	12%	16%	18%	21%	25%	31%	45%
PFBDX	PIMCO Foreign Bond		10%	11%	12%	16%	18%	21%	25%	31%	45%
IWD	iShares Russell 1000 Value		12%	12%	12%	12%	11%	11%	9%	5%	0%
IWF	iShares Russell 1000 Growth		9%	8%	7%	5%	4%	3%	2%	0%	0%
IWM	iShares Russell 2000		18%	16%	14%	11%	9%	6%	3%	1%	0%
EFA	iShares EFA Index		17%	17%	17%	12%	12%	10%	8%	4%	0%
EEM	iShares Emerging Markets		8%	8%	7%	6%	5%	4%	3%	1%	0%
IGE	iShares Goldman Sachs Nat Res		16%	17%	19%	22%	23%	24%	26%	22%	0%
Beta			0.76	0.74	0.72	0.64	0.60	0.54	0.46	0.29	0.00
Expected Real Return: Inflation +			5.55%	5.47%	5.37%	5.11%	4.95%	4.74%	4.47%	3.93%	3.00%

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