

# WealthManagement

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## International Newsletter

*In 2011 the international community has witnessed unprecedented public unrest in the Middle East and Northern Africa, earthquakes, a tsunami, a nuclear crisis, rising oil prices and swarm of political rhetoric. Possibly because of these events and a slew of economic indicators it appears that the global economy has slowed in its growth trajectory. Developed markets measured by the MSCI EAFE Index returned 8.38% in 2010, 3.55% in Quarter 1 of 2011 (Q1 2011) and only 1.49% to date for Q2 2011. Emerging markets are seeing a similar trend as shown by the MSCI Emerging Market Index which returned 19.04% in 2010, 1.95% in Q1 2011 and -0.59% to date for Q2 2011. Despite the slowdown in growth we are still experiencing positive growth year-to-date in both international developed and emerging markets. Barclay's Capital now is forecasting 2011 GDP growth for developed economies at 2% and 6.5% in emerging economies.*

### Developed Countries' Outlook

Developed countries for the most part are continuing to recover from the Great Recession. One exception is Japan. The Land of the Rising Sun has been struggling with economic growth and deflation. The March 11th Tohoku earthquake has only caused Japan's economic outlook to deteriorate even further in the short to intermediate term. Japan now appears to be on the brink of another recession reporting a -1% Real GDP year over year (GDP YoY) figure for the first quarter of this year. Germany has experienced dramatic growth lifting neighboring economies with it, namely France's economy, through its export market. Fiscally sound Sweden has continued its impressive trajectory of growth from 2010 well into 2011.

**Germany-** Wonder where all the jobs are? They are in Germany. Germany experienced strong growth in 2010, turning in a Q4 2010 GDP YoY figure of 3.85% and

**Idaho Trust** has offered its International Strategy to Investors since 2001, this enhanced index strategy is benchmarked against the MSCI EAFE Net Index. Idaho Trust manages the strategy using efficient ETF securities that invest in the member countries as defined by the strategy's benchmark.

Strategy investment decisions are driven by a macro, top down quantitative and qualitative analysis. The majority of the strategy's returns are driven by Idaho Trust's outlook of regions and individual countries.

The strategy invests in developed countries with the possibility to opportunistically add exposure to emerging markets, although emerging markets never represent more than 10% of the strategy's allocation. Contact us to implement the Idaho Trust International Strategy in your portfolio.

a Q1 2011 GDP YoY figure of 5.2% driven by its growth in exports. German capacity utilization has been steadily rising since late 2009 and German consumer confidence is also increasing. The current unemployment rate, reported in May, is 7% which has been steadily declining since its recession high of 8.3% in the fall of 2009. The employment outlook looks to continue to improve with unemployment declining and employment opportunities on the rise.

**Japan-** Even before the March Tohoku earthquake, Japan's economic outlook was not promising; today, the short-term outlook for Japan's economy is even worse. Japan is now tasked with rebuilding and getting its economy back on track while facing a likely second recession. In 2010 Japan reported 4 quarters of positive Real GDP growth but at a declining rate. For Q1 2011 Japan reported negative growth with a -1% GDP YoY figure in March. Currently, Japan's priorities are to rebuild essential supply chains for its exports and resolve the country's energy supply shortage.

### Emerging Countries' Outlook

The four biggest emerging economies are China, Brazil, South Korea and Taiwan. Overall, the emerging economies' growth in 2010 has cooled thus far in 2011. In 2010 the MSCI EAFE Emerging Market's Index returned 19.04% while year-to-date 2011 it has returned 1.35%. There have been a number of factors at play in this transition. Rising inflation driven by food and energy prices coupled with currency movements have had negative effects on the emerging market economies which have historically depended on their exports.

**South Korea-** Despite increased tensions with North Korea the South Korean economy turned in an impressive 4.2% GDP YoY figure in Q1 2011. Most of the growth in the economy can be attributed to demand for South Korean exports and improving business and consumer confidence. As with most emerging economies, South Korea is watching its levels of inflation closely. Due to currency valuations and excess capacity, inflation is projected to stay within manageable levels in the short to intermediate term.

**Taiwan-** The economy in Taiwan had a great year in 2010. A trade agreement with China has also improved economic prospects for the island which is now pursuing additional free trade agreements with other countries. Taiwan's economy was driven by its exports in 2010 as evidenced by Taiwan's current account surplus representing a large 9.4% of total GDP.

### Current Exchange Rates

	<b>Japan</b>	¥	<b>80.23</b>
	<b>Brazil</b>	R\$	<b>1.57</b>
	<b>Taiwan</b>	NT\$	<b>28.63</b>
	<b>South Korea</b>	₩	<b>1,080.08</b>

*As of 6.3.2011*

**Brazil-** Brazil, the world's 8th largest economy, is currently dealing with an appreciating currency (the Brazilian Real, R\$) and above target levels of inflation. Brazil's manufacturing business slowed in 2010 partially due to the appreciation of the Real (R\$) which will

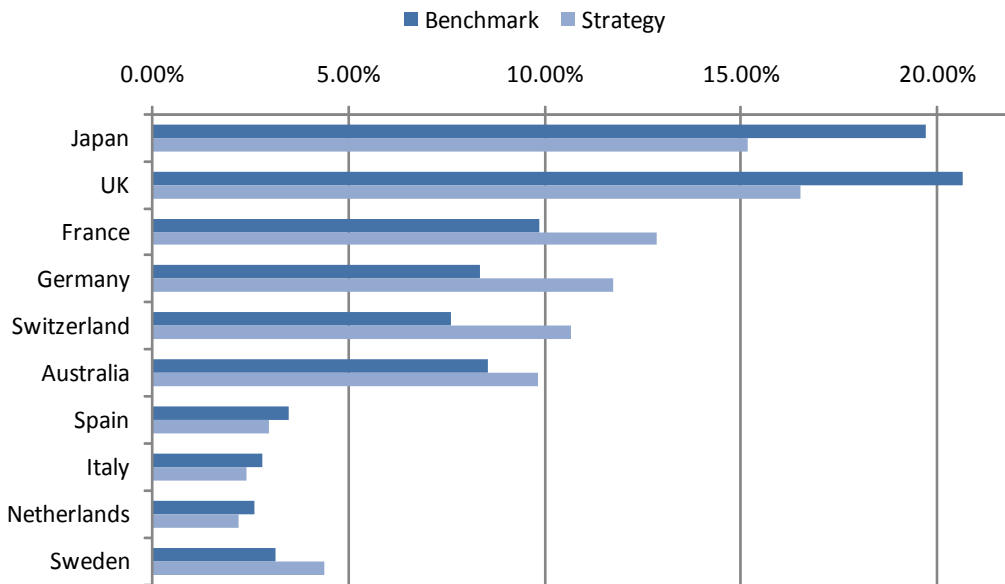


continue to contribute to Brazil's current account deficit. Rising food prices have also hampered consumption given that food represents a large portion of Brazil's domestic consumption basket.

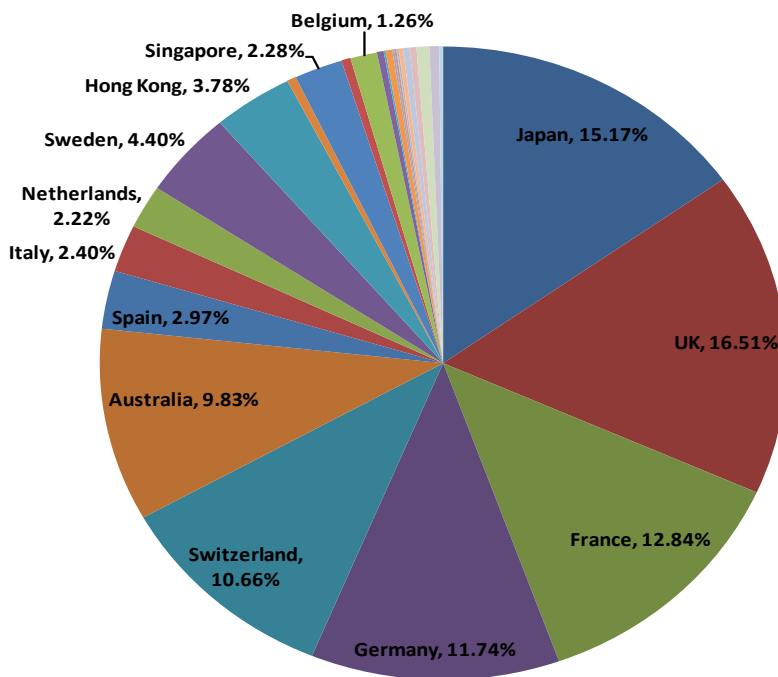
## Idaho Trust's Outlook

The Idaho Trust Investment Strategy is overweight key European countries; namely, Germany, Switzerland and Sweden. Conversely, Idaho Trust is underweight Japan, Italy, Spain and the UK because of their current economic environments. See the charts below for Idaho Trust's positioning and country allocation.

### Strategy Top 10 Country Weightings Versus the Benchmark



### Strategy Country Exposure



### Strategy Performance

#### Idaho Trust

3 Month	2.91%
Year-to-Date	2.91%
1 Year	12.16%
3 Year	-2.04%
5 Year	3.09%

#### MSCI EAFE Net

3 Month	3.36%
Year-to-Date	3.36%
1 Year	10.42%
3 Year	-3.01%
5 Year	1.30%

### Performance vs. Benchmark

3 Month	-0.45%
Year-to-Date	-0.45%
1 Year	1.74%
3 Year	0.97%
5 Year	1.79%
As of 3.31.2011	

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