

The Unfolding Crisis in Japan and World Capital Markets—March 16, 2011

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Like you, we have been actively following the events in Japan as we pray for the people affected by this horrible tragedy. While we cannot predict the ultimate impact of this crisis on world capital markets and economies, we'd like to encourage you to keep the following things in mind:

- While we are quite concerned about, and are closely watching, how these events might affect the global capital markets over the *short term*, we do not believe there's any reason to panic at this point:
 - Failing investor confidence, short-term market volatility, and slower economic growth are predictable outcomes whenever natural disasters of this magnitude occur;
 - We anticipate that most of the economic impact will be limited to Japan, and it is less likely the rest of the world economy will be severely affected by the disaster;
 - Throughout history, the capital markets have reacted to countless crises, including natural disasters, and have usually generated positive results for investors who do not panic.
- The nuclear situation is, perhaps, the greatest area for concern:
 - There are reports that the Fukushima incident is likely to be upgraded to a "level 5" on the International Nuclear and Radiological Event Scale (INES), which runs from 0 to 7;
 - By comparison, the partial meltdown at Three Mile Island, Pennsylvania in 1979 was an INES level 5;
 - The 1986 explosion at the Chernobyl reactor in Ukraine is the only nuclear incident to be classified as an INES level 7 event.
- The Kobe earthquake, which hit Japan on January 17th, 1995, might offer a similar example of how Japan and world economies will survive this catastrophe:
 - While there are notable differences between the Kobe and Sendai disasters, Japanese industrial production, which fell by 2.6% during the month of the Kobe quake, fully recovered to pre-disaster levels only two months later.ⁱ
 - The Japanese are a strong, productive, innovative, and extremely resourceful people whom we believe will rise, rebuild, and prosper again.

While we cannot control world events, we can control our reactions to short-term market fluctuations, caused by world events, by sticking to an investment discipline rooted in long-term planning objectives. If you have any questions or concerns about your investments, please do not hesitate to contact us.

Yours in the good times and the bad,



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ⁱ Source: Japan Ministry of Economy, Trade, and Industry, Haver Analytics, FMRCo (MARE) as of 2/28/11