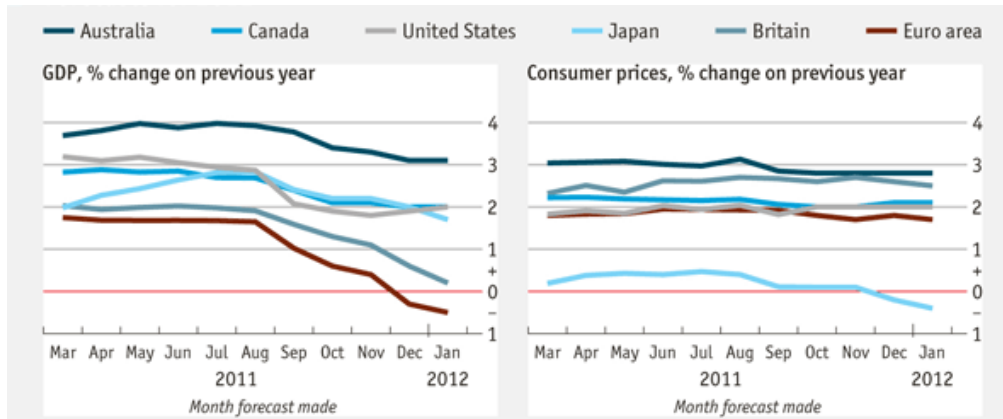


Market Recap

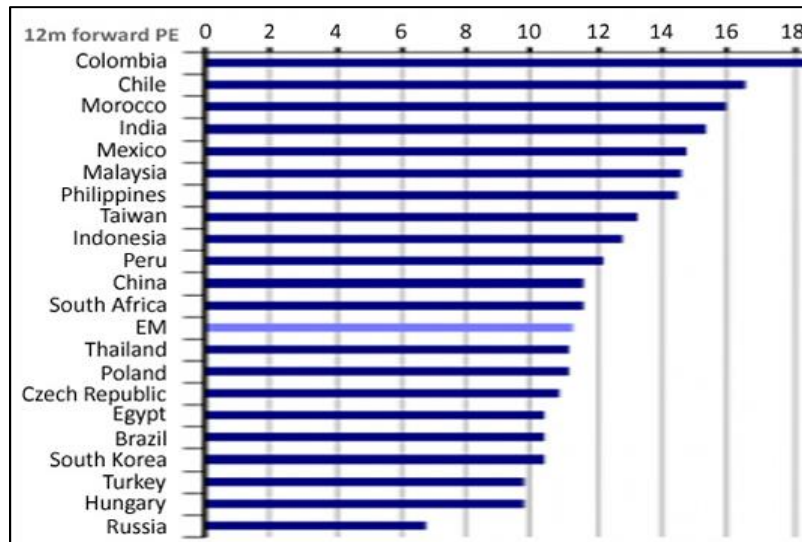
2012 Economic Forecasts



Source: The Economist

Each month, the Economist polls economic forecasters. The latest poll reveals that the outlook for GDP growth in the Euro area has deteriorated significantly since September, when the sovereign-debt crisis escalated. In September, forecasters thought the economy would grow 1%. They are now predicting Euro area economies will decline 0.5%. Still caught in the crisis and a possible break-up of the union, even the so called 'good Eurozone' economies of Germany and France are projected to fall or barely grow. Inflation projections have also fallen and are forecast to stay around the European Central Bank's target of 2%. Pollsters are more optimistic about growth in America this year. Indicators show the U.S. economy picking up and employment rising towards the end of last year.

Emerging Markets P/E Multiples



Source: UBS

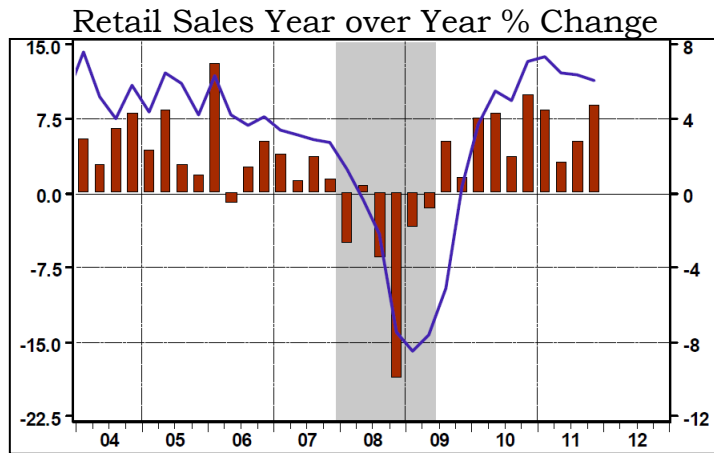
Emerging markets equities were expected to shine in 2011, as Europe and the U.S. faced struggles with their economies. However, the strong returns never materialized as investors fled for safer havens. Moving into 2012, European contagion risks continue to be a threat to emerging markets, but domestic demand is expected to drive growth. Here are some of the projections for key BRIC emerging markets:

Brazil: economic growth expected to slow and inflation continues to be a concern. The central bank has room to ease monetary policy. Brazil's exports will be sensitive to developments in China.

Russia: Higher fiscal spending ahead of their elections could boost private investment. High oil prices could make Russia an attractive equity market. **India:** GDP growth is expected to decline because of a slowdown in domestic consumption and investment. Inflation continues to be a risk and could limit the central bank's policy actions to facilitate growth.

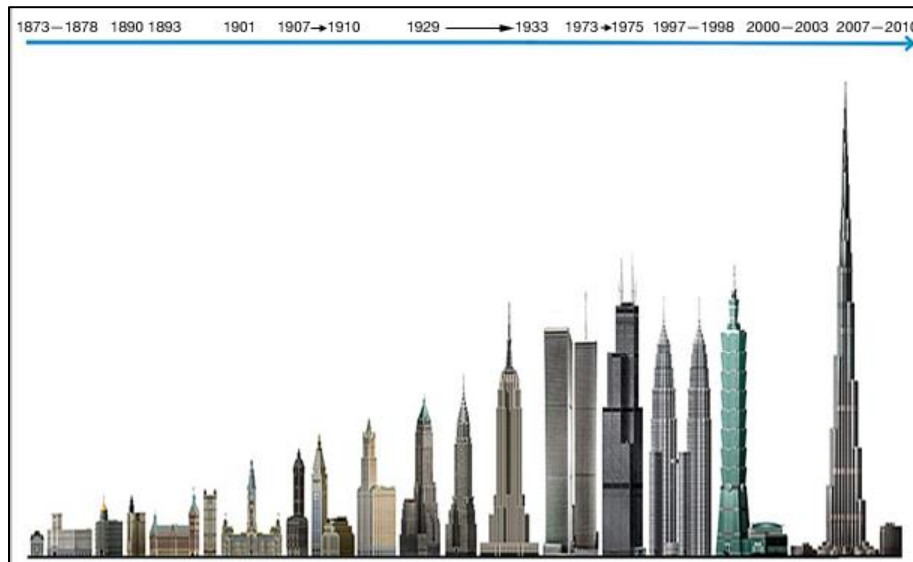
China: markets are less worried about the risk of a hard landing. The property market, the impact of the European debt crisis, and constraints to the central bank's monetary policy continue to be key concerns.

Market Recap



Source: Haver Analytics

Skyscrapers Vs. Economic Crises



Source: Barclays Capital

2011 retail sales paint a mixed picture and hint at uncertainty for GDP growth in 2012. Retail sales rose 0.1% in December, after a 0.4% increase in November. Consumer spending in the fourth quarter (+2.5%) exceeded that of the third quarter (+1.7%). The key question however is whether momentum will continue in the quarters ahead. Despite the strong retail sales of the fourth quarter, the year-to-year trend continues to show a decelerating trend exacerbated by stagnant or declining incomes and continued unemployment. Going forward, gains in income and employment will be necessary to encourage a robust path of consumer spending and continued GDP expansion.

According to Barclay's Skyscraper Index, building booms, especially the construction of the world's tallest buildings, coincide with economic crises. The correlation is not considered arbitrary, as the construction of skyscrapers has indicated a widespread misallocation of capital and an eventual economic correction. The height of the buildings has also reflected the extent of the crisis. For instance, the construction of three record breaking buildings (40 Wall Street, the Chrysler building, and the Empire State building) coincided with the Great Depression. Most recently, the construction of the Burj Khalifa in Dubai coincided with the current global recession. Judging by the Skyscraper Index, investors may want to be wary of the construction boom in China and India. China is expected to complete about 65 of its 124 skyscrapers under construction over the next six years. Meanwhile, India is planning to complete 14 skyscrapers over the next five years, including the Tower of India, which would be the second tallest building in the world.

Contact: If you have any questions or comments, please do not hesitate to contact us at 703.992.6164. For more information about Harbour Capital Advisors, please visit our website at www.harbourcapitaladvisors.com.

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