April 2010

The Age Curve Report

How to Profit from the Ever-Changing Demographic Landscape

Demographic Landscape

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Will Earnings Meet Expectations?

Earnings season is upon us once again, and with the economy in apparent recovery mode (though the National Bureau of Economic Research believes it "premature" to call the recession's end), and the stock market soaring, companies are going to have to significantly beat earnings expectations in order to maintain the market's ascent. Let us repeat that: "*significantly* beat earnings expectations."

Thus far, reporting companies are for the most part beating expectations. However, it seems apparent that investors have set an exceptionally high bar for companies to "beat." Google, General Electric, Coca Cola, Bank of America, Goldman Sachs and IBM all reported earnings that handily surpassed expectations, but investors were unimpressed and drove these companies share prices lower after their earnings were released.

Perhaps it should not come as a surprise as the market has rallied so far high in the past 12 months. And, as we've been pointing out for the past two months, our models point to a pause in the rally this spring, followed by choppy trading with a relative downward bias until the rally continues late in the year.

Negative investor reaction to positive earnings may be an early warning signal that the market needs to pause. We may have to wait until next earnings season to see positive investor reaction to those earnings beats.

Model Portfolio Update

The model Age Curve Master Portfolio is showing a return of 99.7 percent, and represents a 70.7 percentage point outperformance over the S&P Global Index ETF (IOO) since our buy signal of December 5, 2008.

The Model Age Curve Master Portfolio:	**99.7%**
S&P Global 100 Index:	**29.0%**
S&P 500:	**35.7%**
U.S. Bond Index:	**4.9%**

This State Has Urban and Rural Population Boom

Let's play a word association game. What state is most associated with the following four words?

Tobacco.

Furniture.

Textiles.

Mayberry.

The answer was undoubtedly easy for many, but some may have struggled. Let's examine the association words:

Tobacco. "Virginia" probably comes to mind as cigarettes have long been marketed as having "fine Virginia tobacco." However, the state we are highlighting produces far more tobacco than Virginia, and has led the nation in tobacco production for over 100 years.

Furniture. Perhaps another tough one. Pennsylvania? Vermont? Michigan? The state we are highlighting produced almost 35 percent of the *world's* furniture in the not-so-distant past.

Textiles. Many people might think of the New England region which led the nation into the industrial revolution with its textile mills. However, this state's cheap labor allowed it to catch up to and overtake

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the New England states' lead in textile production by the mid 1930s.

Mayberry? If you can't make the state association with this word you were probably born after 1965. If you were born before 1965 you can almost certainly whistle the theme song for that iconic television program–*The Andy Griffith Show*–that portrayed the fictional town of Mayberry.

Mayberry, North Carolina, that is.

Tobacco, furniture making and textiles have been North Carolina's primary industries for the past century; however, all three have been in serious decline for the past 25 years. The "Mayberries" of North Carolina, the hundreds of small, rural towns spread across what is a very rural-oriented state are surprisingly not declining in lockstep with with the state's traditional key industries. Surprising because the majority of North Carolina's small towns are, or "were," highly dependent on any one of–if not two or all three of–those traditional industries.

In fact, North Carolina, the eighth fastest growing state in the country, appears to be unique in that its rural population is growing almost as fast as its urban population. Other fast growing states are seeing the majority of their population gains in urban areas, and experiencing population stagnation, and in some cases significant declines, in many of their rural counties. The proportion of rural to urban population in the state is estimated to be almost evenly split at 52 to 48, the highest rural proportion of the 10 fastest growing states

As of July 1, 2009, the U.S. Census Bureau estimated the population of North Carolina at 9,380,884, making it the 10th most populated state in the nation. Since the last census in 2000, the state's population has increased by 1,340,334, or 16.7 percent, exceeding the 9.1 percent rate of growth for the U.S. as a whole. sixth highest increase by number and eighth highest percentage-wise. , and eighth highest rate in the country.

According to the Census Bureau, between 2000 and 2009 North Carolina experienced the sixth largest population increase by number and the eighth largest increase percentage-wise. Its natural population increase (the difference between births and deaths) was the the seventh largest of all states at about 458,000, with 1,143,251 births far outpacing 685,324 deaths.

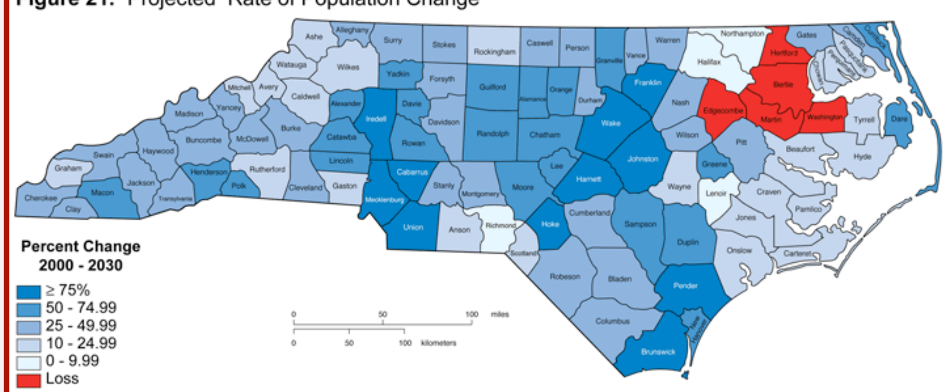
However, the biggest driver of North Carolina's growth was migration, as the state registered the fourth largest net migration gain in the country for the period at almost 900,000, with the fourth largest gain in the country in domestic migration, 675,000, and 10th largest gain in international migration, 214,500. On a year-over-year basis, the Census Bureau estimates that North Carolina experienced the third largest increase in population by number, between 2008 and 2009, with the state gaining 133,750 new residents. This 1.4 percent gain in population was the ninth biggest by percentage.

Interim Census Bureau population projections for the state as of 2005, estimated that North Carolina's population in 2030 will be 12,227,739, which represents an increase of almost 52 percent, or about 4.2 million from the 8,049,313 recorded during the 2000 Census. Based on these interim projections the census bureau determined that North Carolina will experience the seventh largest rate of growth of all states on a percentage basis, and that by 2030 it will be the seventh largest state by population in the country.

North Carolina's recent population boom began in earnest in the 1990s, a decade which saw the state's population grow by more than 21 percent, a significant increase over the 12.7 percent population growth experienced during the 1980s. So far this decade, the state is showing an increase of 16.7 percent.

During the 1990s, urban areas grew by 25 percent, adding about 800,000 people, while rural counties grew by 18 percent and added about 600,000 new residents, according to the North

Figure 21. Projected Rate of Population Change



Note: NC Change = 54.6%
Source: US Censes and N.C. State Demographer

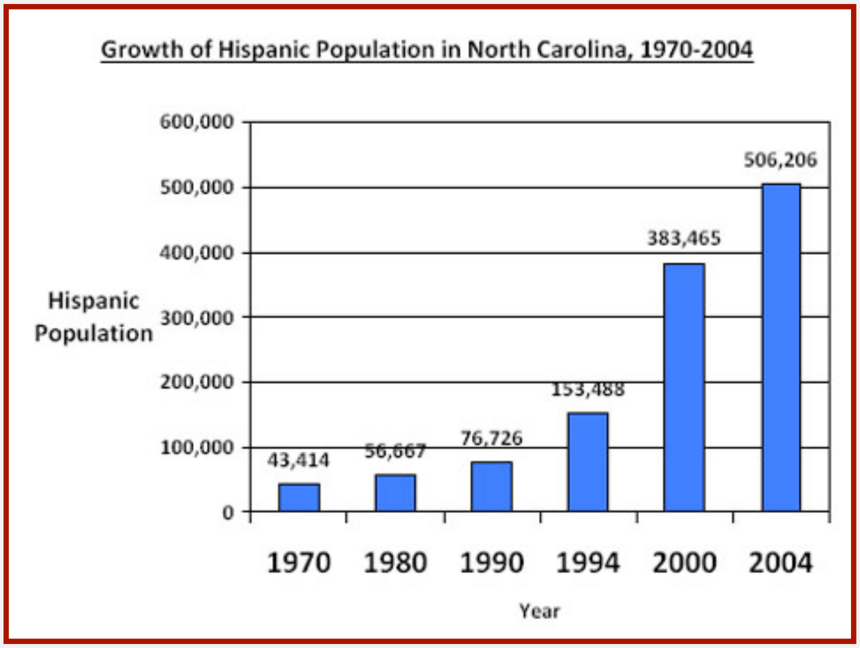
Carolina Rural Economic Development Center. Four of the five fastest growing counties that decade were rural, and 28 rural counties grew by more than 20 percent, while an additional 35 rural counties grew by more than 10 percent. Many of the fastest growing counties are located adjacent to urban areas, while many others are considered "high amenity" counties that draw tourists and retirees.

While the state's population growth so far this decade is not as robust as it was in the 1990s, it is still among the nation's highest, and many rural counties continue to draw in new residents, though not as many as during the 1990s. While only three counties experienced population declines in the 1990s, so far this decade 18 counties are experiencing declines, according to the U.S. Census Bureau. However, as of 2008, the total decline in these counties only added up to about 16,500 people, and a majority of the state's rural counties experienced gains, many in excess of 20 percent.

During the past two decades net migration is considered responsible for 70 percent of the state's population gain as a whole, and for 70 percent of the increase in rural populations. Domestic migration has been fueled by job seekers from the "rust belt," and a large influx of retirees. International migration has been fueled by Hispanics, with about 300,000 moving into the state during the 1990s, a 394 percent increase in the state's Hispanic population, the largest growth rate in the U.S for that decade. Since 2000, at least another 200,000 Hispanics have moved into the state. Government and private sector analysts estimate that between 40 to 45 percent of new Hispanic residents settle in rural counties.

While North Carolina's population boom emerged in the face of significant declines in its textile, furniture and tobacco industries, their decline has been offset by impressive growth in other businesses and industries, such as financial services, pharmaceuticals, technology, communications, educational services, health care, biotechnology, and leisure and hospitality. And textiles, furniture and tobacco remain important manufacturing industries in the state, and low labor costs and other business-friendly amenities (such as lowest union membership rate in the country) have drawn a host of other manufacturing firms into the state. Many of these new manufacturing plants have been built in traditionally rural counties and in the state's smaller cities, many of which serve as these rural county seats.

Agriculture has also undergone significant diversification as the importance of tobacco has waned. Cotton production has replaced tens of thousands of acres of tobacco,



North Carolina's Largest Companies (by revenue)

- Bank of America Corp.
- Lowe's
- Nucor
- Duke Energy
- BB&T Corp.
- Progress Energy
- Reynolds American
- Pantry
- VF
- Sonic Automotive
- Goodrich
- Family Dollar Stores
- SPX
- Laboratory Corp. of America
- Hanesbrands
- CommScope
- Ruddick
- Belk
- Ingles Markets
- Carlisle
- R.H. Donnelley
- Martin Marietta Materials
- Piedmont Natural Gas
- Alliance One International

†*Ranking compiled by Fortune Magazine, Spring 2009.

while farms in the western part of the state have turned to niche farming, such as grapes for winemaking, and organic fruits and vegetables. Hog and poultry production has also boomed, with the state now ranked second in the nation in hog production, and having the world's largest meat processing facility in rural Bladen County. North Carolina is ranked second in turkey production, fifth in broiler chickens, and 8th in egg production.

The state's largest city, Charlotte, a small railroad hub and textile center with a population of 200,000 in 1960, started transforming itself into a banking center in the 1970s and grew into the nation's second largest (after New York City) financial center by 2000. Combined with the significant expansion of several other industries, such as steel making, retail distribution, defense contracting, and electronics, the city of Charlotte, its county–Mecklenburg–and adjacent rural counties experienced among the highest population growth rates in the state for the past three decades.

The cities of Raleigh and Durham have benefited from their development of Research Triangle Park (RTP), the largest and oldest continuously operating research and science park in the U.S. RTP is home to more than 170 companies (most of which are considered high tech) and federal research offices. The success of RTP gave rise over the past 25 years to similar research centers in other cities in the state, such as the Piedmont Triad Research Park in Winston-Salem, North Carolina Research Campus in former textile center Kannapolis, and Gateway University Research Park in Greensboro. While computer and communications firms, along with pharmaceutical companies, have long held a large presence in these research centers, the fields of biotechnology, biochemistry, environmental sciences, genetics and nanotechnology have become increasingly important.

With both expansive mountain ranges and a long coastline, along with world-renowned golfing, fishing (fresh and salt water) and hunting, tourism has emerged over the past 25 years as a major industry in its own right. Employing more than 180,000 people and generating more than $15 billion per year in visitor spending, North Carolina is the sixth most visited state in the nation.

As of 2008, North Carolina's gross state product of about $400 billion made it the ninth wealthiest in the nation in terms of gross domestic product. As with other Southern states, North Carolina's per capita income has always lagged behind the national average, but its relatively low cost of living makes up for it.

Thus, North Carolina's population boom has been driven by a strong economy, which is in turn propped up by a favorable business climate. But there is a distinct

Forbes Gives North Carolina High Ranking

North Carolina was ranked 5th in the 2009 Forbes Magazine "Best States for Business" a one-point decline from its 2008 ranking of four. The state saw the biggest year-over-year improvement in the "Economic Climate" ranking, climbing to the number 16 spot from 21st in 2008. It also saw gains (with lower numbers being best) in rankings gauging "Business Costs," but saw a significant decline in "Growth Prospects," and modest declines in "Regulatory Environment" and "Labor."

Criterion	2009	2008
Overall Rank	5	4
Business Costs	3	4
Labor	15	14
Regulatory Environment	4	2
Economic Climate	16	21
Growth Prospects	33	11
Quality of Life	34	34

Of the six categories that make up the Forbes survey, the Business costs ranking, which is based primarily on labor, energy and taxes, weighs most heavily on the overall survey. Other data points include:

Labor–educational attainment, net migration, and projected population growth;

Regulatory Environment–regulatory and tort climate, incentives, transportation and bond ratings;

Economic Climate–job, income and gross state product growth, along with unemployment and the presence of large companies;

Growth Prospects–projected job outlook,, income and gross state product growth as well as business openings/closings and venture capital investments;

Quality of Life–index of schools, health, crime, cost of living and poverty rates.

dichotomy between urban and rural areas, as the urban areas are far richer than the rural ones. In large part, the economies of the urban areas support–and are supported by–employment in the higher-paying "knowledge" and service fields, while the rural economies are driven by employment in the low-wage agriculture and manufacturing fields. In fact, the rural-oriented counties that are not adjacent to counties holding the state's six largest cities or on the coast and mountains supporting tourism and the rising retiree population are for the most part considered to be severely economically distressed. And this distress is exacerbated during economic downturns as low-wage employment is generally hardest hit, and usually gives these rural counties the highest rates of unemployment.

So the "Mayberries" of North Carolina still exist, and from a population standpoint many have grown. In many cases, though, these small rural towns and surrounding rural areas have lost some of the idyllic charm as depicted in the TV show. This is marked throughout rural North Carolina by scores upon scores of once proud towns, villages and settlements whose buildings are now weatherbeaten and dilapidated, and which exude an air of poverty and malaise. Such areas are rife with trailer parks, which have sprouted across rural North Carolina as rapidly as Kudzu has overtaken the South. These parks house the burgeoning population of low-wage earning newcomers both international and domestic.

North Carolina is rich and has among the strongest economies in the country. There is little doubt that its economy will continue to grow and that its population will continue to expand due to migration. And by being rich with an overall strong economy, the state gives the low-wage earning newcomer the hope and potential that he or she may one day move out of the trailer park, perhaps into one of the once-charming house in town that needs some refurbishment.

New Report Belies Perception that Most Immigrants Low-Skilled

Many native-born Americans may need to change their perception that the majority of immigrants work in low-wage, blue-collar, unskilled jobs such as construction, manufacturing, food service, and cleaning, as a new study found that in the nation's 25 largest metropolitan area combined, as many immigrants work in higher-paying white-collar jobs as they do in lower-paying blue-collar jobs. In fact, in 14 of the 25 metropolitan area studied, more immigrants worked in white-collar jobs than in all other jobs combined. Additionally, the study found a correlation between a metro area's economic growth and rate of immigration, with those areas having significant economic growth during the past two decades also experiencing a large influx of immigrants, and those areas with weaker growth having a smaller influx of immigrants.

The report–*Across the Spectrum: The Wide Range of Jobs Immigrants Do*–belies the common perception that often comes up during the debate over immigration that the surge in immigration over the past two decades as flooded the U.S. with low-wage foreign workers. These findings by the Fiscal Policy Institute are important, as the majority of Americans are opposed to allowing more low-skilled foreign laborers into the country, as they believe them to be a drag on the economy and a burden to public services. On the other hand, according to recent surveys, a majority of Americans favor the admittance of more high-skilled immigrants, who they believe contribute to economic growth

25 largest metro areas	Managerial & professional plus technical, sales, and administrative support	Service, blue-collar, and farming and forestry*	Do more immigrants work in the two mostly higher-wage occupational groups than in the two mostly lower-wage groups?
New York	50.6%	49.4%	yes
Los Angeles	46.8%	53.2%	
Chicago	43.4%	56.6%	
Dallas	35.6%	64.4%	
Philadelphia	56.1%	43.9%	yes
Houston	38.8%	61.2%	
Miami	52.8%	47.2%	yes
Washington	56.1%	43.9%	yes
Atlanta	46.7%	53.3%	
Boston	55.0%	45.0%	yes
Detroit	59.0%	41.0%	yes
San Francisco	54.2%	45.8%	yes
Phoenix	34.7%	65.3%	
Riverside	37.8%	62.2%	
Seattle	51.9%	48.1%	yes
Minneapolis	48.9%	51.1%	
San Diego	49.0%	51.0%	
St. Louis	54.5%	45.5%	yes
Tampa	50.9%	49.1%	yes
Baltimore	59.8%	40.2%	yes
Denver	37.8%	62.2%	
Pittsburgh	80.2%	19.8%	yes
Portland	42.5%	57.5%	
Cincinnati	56.5%	43.5%	yes
Cleveland	56.7%	43.3%	yes
25 metro areas combined	48.1%	51.9%	
United States	45.8%	54.2%	

In 14 of 25 metro areas, more immigrants work in the two mostly higher-wage occupational groups than in the two generally lower-wage groups.

To come up with their conclusions the Fiscal Policy Institute examined census data for the 25 largest metropolitan areas from 1990 to 2008, and analyzed five broad and 21 detailed occupations to determine what share of each occupation was held by immigrants. The institute examined the immigrant share of economic input, and found it consistent with the immigrant proportion of the population. It looked at the correlation of aggregate metro area economic growth and growing in immigrant share of the labor force, "finding unsurprisingly that immigration and economic growth go hand in hand."

In the 25 largest U.S. metropolitan areas the immigrant share of the population varies widely, from 37 percent in metro Miami to 3 percent in metro Pittsburgh. In looking at data for 2008, the institute determined that 48.1 percent of immigrants in the nation's 25 largest metropolitan areas work in mostly higher-wage occupations. In 14 of the 25, more than 50 percent of immigrants worked in higher-wage occupations. While the common perception is that most immigrants work primarily in low-skilled jobs, the institute found that immigrants are "spread surprisingly evenly across" four broad occupational categories–

1. managerial and professional specialty (24 percent);
2. technical, sales and administrative support (23 percent);
3. service jobs (21 percent)
4. blue-collar construction and production (29 percent)–

with a much smaller segment–about 3 percent–working in farming, fishing and forestry (in metro areas these are mostly landscaping and gardening jobs).

The report shows how "contrary to common misperception, immigrants are spread quite broadly across a wide range of occupations in most metropolitan areas." However, while in some metropolitan areas immigrants are "quite strikingly concentrated in the higher-skilled occupations," in others they tend to be concentrated in more lower-skilled occupations. Pittsburgh, Cleveland and St. Louis had a high concentration of higher-skilled immigrants, while Dallas and Phoenix had a marked concentration of lower-skilled immigrants.

In examining this disparity the institute determined that areas with the slowest economic growth seemed to have the most high-skilled immigrants, while lower-skilled immigrants seemed to be more concentrated in the areas of high economic growth. The reason for this is "clear enough," according to the institute, because "immigration and growth go hand in hand." Areas with lower growth end up with a comparatively smaller number of immigrants. While such places will still draw in higher-skilled immigrants who are drawn from the global talent pool, immigrants looking for jobs in lower-skilled trades are not likely to seek them out in slow-growth areas. It's not so much that "lower-growth areas have a large number of high-skilled immigrants as that immigration overall is comparatively low." Thus, a booming metropolitan area will have both higher- and lower-skilled immigrants as part of their economic composition, and it seems that cities with thriving immigrant

Growth in immigrant share of labor force and metro area economic growth go hand in hand

1990 to 2008

Metropolitan Area	Immigrant share of labor force 1990	Immigrant share of labor force 2008	Percentage point change in share of immigrants in labor force 1990 to 2008	Economic growth of metro area 1990 to 2008	Growth in earnings per worker 1990 to 2008
Phoenix	8.1%	20.4%	12.3	**140.4%**	31.8%
Atlanta	4.6%	17.6%	13.1	**98.9%**	27.2%
Denver	5.2%	14.8%	9.5	**98.1%**	33.4%
Houston	14.8%	27.7%	13.0	**90.9%**	31.7%
Portland	6.6%	15.4%	8.8	**88.9%**	30.1%
Dallas	9.8%	22.7%	12.9	**86.4%**	26.0%
Seattle	8.2%	18.5%	10.3	**79.9%**	39.5%
Tampa	7.1%	13.9%	6.8	**75.2%**	30.8%
Riverside	17.8%	29.5%	11.7	**74.8%**	7.7%
Washington	14.3%	26.7%	12.3	**73.1%**	38.1%
Minneapolis	3.2%	11.0%	7.8	**66.9%**	34.8%
Miami	34.3%	45.7%	11.4	**63.5%**	25.8%
San Francisco	23.6%	35.5%	11.9	**55.2%**	39.0%
San Diego	20.0%	28.1%	8.1	**52.7%**	32.7%
Boston	10.9%	18.8%	7.9	**52.7%**	38.1%
Cincinnati	2.1%	4.4%	2.2	**48.1%**	22.9%
Baltimore	4.3%	9.9%	5.6	**45.5%**	31.5%
Chicago	13.6%	22.6%	9.0	**43.9%**	24.7%
New York	23.7%	35.4%	11.7	**42.8%**	30.2%
Philadelphia	5.3%	10.7%	5.3	**39.9%**	27.8%
St. Louis	2.1%	4.7%	2.6	**37.4%**	23.2%
Los Angeles	35.6%	43.0%	7.3	**29.0%**	20.3%
Cleveland	4.9%	6.4%	1.5	**25.1%**	17.2%
Pittsburgh	2.1%	3.2%	1.1	**23.3%**	27.7%
Detroit	5.5%	9.7%	4.2	**12.6%**	11.7%
25 metro areas	15.9%	24.8%	8.9	**54.0%**	27.4%
United States	9.3%	15.7%	6.4	**54.2%**	26.9%

Figure 10b.

Source: FPI analysis of 1990 Census and 2008 ACS data. Growth is measured in inflation-adjusted dollars. Universe for labor force is people 16 years of age and older and in the civilian labor force. Growth in earnings per worker based on wage and salary earnings for workers employed in the civilian labor force aged 16 and older reporting at least $100 in wage and salary income. Universe for proprietors' income is people 16 and older who reported proprietors' income. Economic growth of metro area is measured as percent growth in aggregate wage and salary earnings plus proprietors' income. Earnings per worker divides aggregate earnings by total civilian labor force. The denominator thus includes employees, self-employed workers, and business owners, as well as unemployed workers.

populations containing both high-earning and lower-wage workers have the most prosperous economies.

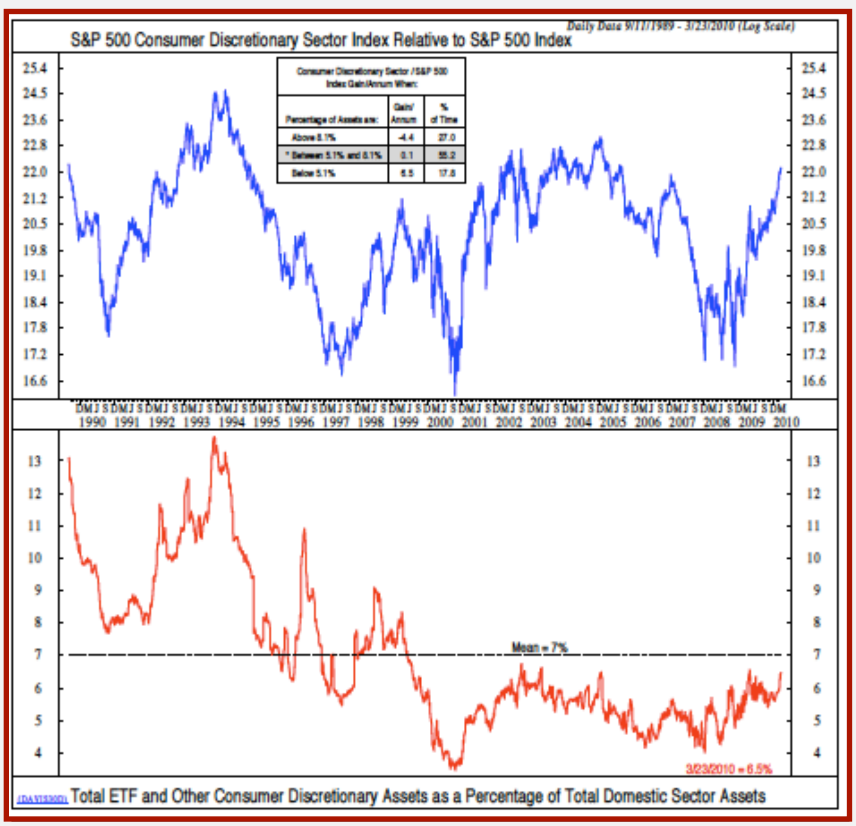
The close association between immigration and economic growth is easily explained, according to the institute. "Immigrants go where there are jobs, and when they do earn money, but goods and services, bring new ideas, start businesses, and generally contribute to economic growth. This is not to say that immigrants cause growth, but rather that immigration and economic growth go hand in hand."

Sector Overview: Is Consumer Discretionary a Tale of Two Cities?

One of the key reasons our model portfolio has performed so well since its inception (5th December 2008) has been its overweight stance towards the Consumer Discretionary Sector. In particular, those smaller to mid-cap companies that are currently, and will continue to feel, the positive effects of the emerging demand of Generation Y.

The chart below shows the S&P 500 Consumer Discretionary Sector Index Relative to the S&P 500 Index. The top chart shows the outperformance of the sector since the market lows in late 2008 and early 2009. The second chart is of particular interest, as it shows the Total ETF and Other Consumer Discretionary Assets as a percentage of Total Domestic Sector Assets since 1990. The range has been a high of just over 13 percent in 1994 and lows of near 4 percent in 2000 and 2008.

The current figure of 6.5 percent shows that investors expectations for this sector are still lukewarm over the longer term. However, over the shorter term investors should be aware that the sector relative for this sector in the top chart is returning to the upper band where historically (1994, and 2002-2004) it has been correct to lessen heavy overweight positions or to pare back expectations for strong market outperformance in stocks are that are overvalued on a Price to Sales Basis.



However these charts only tell half the story of Consumer Discretionary sector relative outperformance, as they mask the very strong outperformance from the sector's mid- to small-cap stocks, which were priced for extinction in early 2009.

In the table on the next page we have listed the sector's top 20 stocks by market capitalization and those favored by Age Curve Consulting given their strong position to the emerging generational demand of Generation Y. On the whole, despite strong performances from Ford (690%), Time Warner (292%) and Johnson Controls (258%), our favored Consumer Discretionary mid- to small-cap stocks performed better. This was in the main down to the depressed valuations these stocks were put on in March 2009. In many cases stocks could be purchased on P/S ratios of around 0.1 or their sales could be purchased for 10 cents on the dollar.

In the last year 90 percent of Consumer Discretionary stocks have exceeded earnings forecasts. This has been due to a mix of earnings being ahead because of a true fundamental improvement, and the fact that sentiment was so skeptical towards this sector a year ago. Therefore, over the last 12 months it has been very easy to surprise to the upside.

We feel that over the next 12 months the sector may struggle to match the previous "surprise ratio" given the greater expectations of Wall

Street analysts and overall higher market valuations than a year ago. Longer term we feel there remains many wonderful "Generational Opportunities" within the Consumer Discretionary Sector, especially in the mid- to small-cap stocks; however, we would not advise readers to chase our favored names at this point and would recommend traders take profits and reenter at hopefully lower levels in September/October.

In terms of P/S the overall market appears stretched to the upside. That is not to say the market cannot remain overvalued for long periods of time. When other valuation indictors are used along with the Ned Davis Research Crowd Sentiment Poll, we see them as consistent with a potential April trading peak.

	Stock	Price	Code	Weight	PSR	ROCE	March '09 low	Gain
	S&P 500	119.36	SPY				68.92	73.2%
	Consumer Discretionary	34.34	XLY				16.32	110.4%
	Sectors Top Twenty							
1	McDonald's Corp.	69.03	MCD	6.65%	3.1	35.9	52.12	32.4%
2	Walt Disney Co.	35.83	DIS	6.22%	1.8	9.8	15.83	126.3%
3	Home Depot Inc.	35.01	HD	5.33%	1.0	6.2	18.00	94.5%
4	Comcast Corp. Cl A	18.32	CMCSA	4.66%	1.5	9.0	11.63	57.5%
5	Amazon.com Inc.	142.23	AMZN	4.36%	1.7	34.8	61.69	130.6%
6	Ford Motor Co.	13.42	F	4.05%	0.3	0	1.70	689.4%
7	Target Corp.	55.99	TGT	3.77%	0.6	24.8	25.65	118.3%
8	Lowe's Cos.	26.29	LOW	3.47%	0.9	4.3	13.39	96.3%
9	Time Warner Inc.	33.00	TWX	3.40%	1.3	7.0	8.43	291.5%
10	News Corp. Cl A	15.75	NWSA	3.18%	1.2	4.2	5.31	196.6%
11	DIRECTV Group Inc.	35.55	DTV	2.98%	1.4	-3.7	19.68	80.6%
12	Nike Inc. Cl B	75.17	NKE	2.63%	1.9	21.4	39.94	88.2%
13	Johnson Controls Inc.	32.69	JCI	1.97%	0.7	15.2	9.13	258.1%
14	Viacom Inc'B'	34.98	VIA.B	1.90%	1.3	33.3	13.92	151.3%
15	Yum! Brands Inc.	42.70	YUM	1.79%	2.1	93.5	24.5	74.3%
16	TJX Cos.	45.68	TJX	1.72%	0.8	54.4	21.49	112.6%
17	Starbucks Corp.	24.96	SBUX	1.66%	1.7	30.3	8.36	198.6%
18	Time Warner Cable Inc.	51.64	TWC	1.63%	1.0	15.3	25.52	102.4%
19	Staples Inc.	24.26	SPLS	1.58%	0.7	14.1	14.81	63.8%
20	Kohl's Corp.	57.14	KSS	1.57%	0.8	22.7	34.5	65.6%
	Average Gain							151.4%
	ACR Favoured Stocks							
	Hasbro	39.85	HAS		1.0	43.8	22.07	80.6%
	Mattel	23.84	MAT		1.1	52.8	10.59	125.1%
	Leapfrog	6.72	LF		0.6	66.9	1.26	433.3%
	Ross Stores	56.42	ROST		0.9	50.6	29.45	91.6%
	The Children's Place	48.41	PLCE		0.7	24.0	18.28	164.8%
	Aeropostale	30.59	ARO		0.9	87.9	15.01	103.8%
	Pacific Sunwear of California	5.95	PSUN		0.4	-45.1	1.32	350.8%
	Quicksilver	5.14	ZQK		0.4	-4.8	0.94	446.8%
	Skechers USA	38.73	SKX		1.2	15.4	5.71	578.3%
	LaCrosse Footwear	15.23	BOOT		0.6	14.4	7.1	114.5%
	K12 Inc	25.28	LRN		2.0	19.2	14.75	71.4%
	Chipotle Mexican Grill	124.05	CMG		2.5	18.3	49.19	152.2%
	Select Comfort	8.71	SCSS		0.9	0	0.2	4,255.0%
	Standard Pacific Corp	5.51	SPF		0.5	34.4	0.69	698.6%
	Meritage Homes	20.39	MTH		0.6	37.5	8.83	130.9%
	Average Gain							519.8%

Sector Overview: Health Care Update

There are several long term economic trends that have evolved in the health Care sector that are just too powerful to ignore. This month we update our views on the U.S. health care sector. We look at the demographics and valuation metrics, and look at which sub-industries offer the best opportunities.

TOTAL HOUSEHOLDS ESTIMATE 2010 AND 2015 (A)

AGE	< 25	25-34	35-44	45-54	55-64	65-74	> 75	All
Year 2010 (millions)	**7.1**	**20.5**	**22.4**	**25.3**	**21.8**	**13.3**	**12.2**	**122.6**
Year 2015 (millions)	**7.2**	**21.8**	**22.4**	**24.6**	**24.3**	**16.8**	**13.0**	**130.1**
Compound Annual Growth Rate	*0.4%*	*1.3%*	*0.0%*	*-0.6%*	*2.2%*	*4.7%*	*1.2%*	*1.2%*

Source: Joint Center for Housing Studies, George S. Masnick and Eric S. Belsky, Harvard University. Appendix B, Table 1 from the study "Household Projections in Retrospect and Prospect"

AVERAGE ANNUAL HOUSEHOLD* EXPENDITURE BY AGE GROUP (B) IN U.S. DOLLARS

AGE	< 25	25-34	35-44	45-54	55-64	65-74	> 75	All
Healthcare**	682	1737	2499	2930	3825	4779	4413	2976
Cash Contributions	427	1036	1550	2152	2163	2033	2291	1737
Miscellaneous	280	726	862	957	1316	659	507	840
Personal Care Products and Services	370	547	728	736	630	559	456	616
Transportation	5464	8699	9797	10691	9377	6740	4392	8604
Entertainment	1608	2766	3603	3297	3036	2418	1349	2835
Food, Beverage & Tobacco	5146	7018	8665	8638	7236	5908	4167	7204
Housing	9975	17318	20649	19562	17611	13845	12035	17109
Apparel and services	1351	1965	2235	2228	1622	1381	755	1801
Personal Insurance and Pensions	2283	5510	7165	7853	6943	2616	1003	5605
Education and Reading	1739	838	1055	2136	1024	497	324	1162
Total	**$29,325**	**$48,159**	**$58,808**	**$61,179**	**$54,783**	**$41,433**	**$31,692**	**$50,486**

Source: Bureau of Labor Statistics, 2008 Consumer Expenditure Survey, Table 3.
**Average spending of a consumer unit (household) by age of reference person (head of household). See http://www.bls.gov/cex/ for details.*
***Consists of health insurance (including Medicare payments), drugs, medical supplies, and medical services.*
Ned Davis Research, Inc. T_CP0909.6

The U.S. population is aging and those aged 65 and over are expected to comprise more than 20 percent of the population by 2050, up from 12.8 percent in 2009. The population of the working adults (aged 20 to 64) is projected to fall by 5.7 percentage points to just 54 percent, while the country's youth (aged 0 to 19) will slip by 1.6 percentage points to under 26 percent.

In other words, it took 40 years for the 65 plus demographic band to grow from 20 million people to the current figure of about 40 million. Adding the next 20 million will only take 13 years, and in 28 years, the elderly population of the U.S. will have doubled to 80 million.

This aging population will continue to lead to higher spending on medical care. The top section of the above table shows the aging of the U.S. population. A recent study by Harvard University confirms that the age groups for 55- to 64- and 65- to 74-year-olds have the highest projected growth rates in the coming years.

The bottom section of the table shows the various categories of spending by age group, according to the Census Bureau's latest Consumer Expenditure Survey. Health care spending is projected to increase for these two age groups at the expense of nearly all other categories. We expect this trend to continue as the population ages and consumers continue to demand further health care services.

It is interesting to note that 50 percent of the increase in personal consumption expenditure has been due to the continued rise in medical costs. Spending on medical care services has continued to climb, surging to a record 16 percent of Personal Consumption Expenditure (PCE) in 2009. Excluding spending on health care services, PCE actually declined somewhat from a peak of 60.1 percent at the end of 2001 to 58/.8 percent in the firth quarter of 2007, before drifting back toward the 60 percent level. There has been remarkably steady and stable non-medical consumer spending over the years, with the exception of the tech boom in the late 1990s.

Not surprisingly, the elderly spend the most on medical care each year, with health care costs growing exponentially as we age and our health deteriorates. On a per capita basis, those 65 years old and older spend anywhere from $10,000 to $25,000 plus on health care in 2004, compared to $4,5000 on average for the working age population and $2,650 for youth.

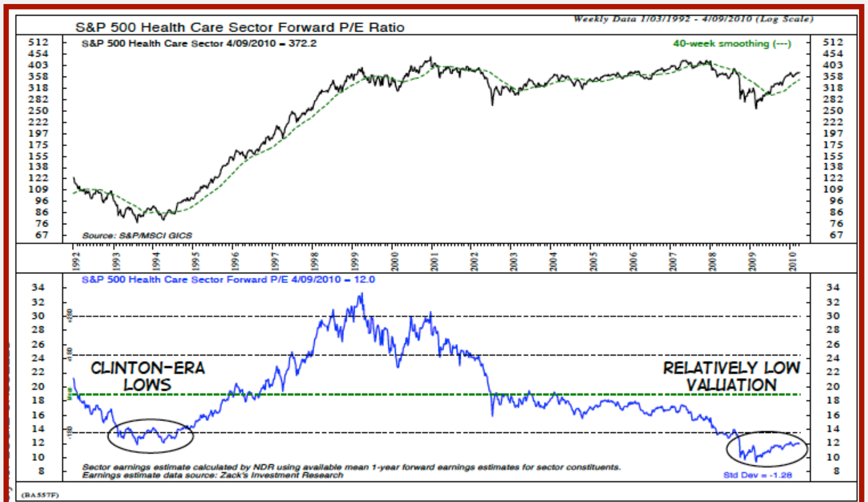
Although the economic and market environments are very different with today's health care legislation than around the 1993 Clinton health care reform initiative, investor sentiment is very similar. For example, the sector is showing a near record low forward P/E ratio on an absolute basis, (please see charts on next page).

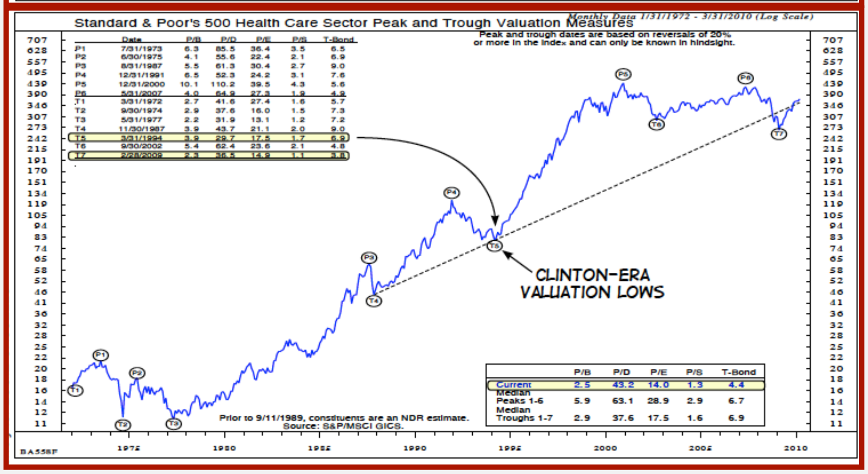
In fact, valuations are also favorable. These bottomed in February 2009 at some of the lowest multiples ever seen. Today's multiples remain near historic lows, even after the sector's 46 percent move off the bottom, and are much lower than those seen after the failed 1993 Clinton-era health care reform. Currently the sector sells on a P/B of 2.3, P/E of 14.9 and P/S of 1.1 versus 1993 of P/B of 3.9, P/E of 17.5 and P/S of 1.7.

Within the health care sector, we favor generics, as we believe they are increasingly taking market share from the higher-cost brand name drugs as a more affordable option in both private and public health care plans. Total prescriptions sales grew 5.1 percent to $300.3 billion in 2009. However, generic drugs were prescribed 3 to 1 over brand name equivalents in 2009, having shifted from just 57 percent of prescriptions dispensed five years earlier.

We do not expect this trend of brand name market erosion to go away. Although patent expiration of blockbuster drugs, and associated revenues appears to have stabilized, there remains over $100 billion in branded drugs, such as Liptitor and Plavix, expected to come off patent over the next five years. As a result, we expect generic prescription volumes to increase further, due to the rise in availability of multiple low-cost versions available in the market place. However, 2012, the peak off-patent year may signal an end to this market share shift to generics. It is reasonable to assume that future revenue growth at the big pharmaceutical companies could slow from the double digit rates seen in 2001 to 2004, as more patents expire.

Generic profit margins appear poised to return to pre-recessionary levels. Sales have picked up dramatically over the past year, helping to lift margins back to more normal levels. Over the longer term an additional 19 million people being assured insurance coverage by 2014 and more favorable provisions for preventive care and speciality pharmaceutical coverage, will expand the total volume of prescription drugs dispensed. This will in our opinion be a huge plus for the generic drug companies.





AHEAD OF THE CURVE BY KEN GRONBACH

Rumors of Boomers' Deceasing are Greatly Exaggerated

The funeral industry has been a disappointing sector for almost a decade. It hardly seems right because of the death and taxes axiom, you know there are two things you can count on: Death and Taxes. Well, apparently you can't count on death. At the recent International Cemetery Cremation and Funeral Association Exposition and Conference in San Antonio the question on everyone's lips was: Why are funerals and cremations at a twenty year low. Just a decade ago the industry was experiencing over three million deaths and now that number is a third less. Lots of stories circulated; alien abductions, body snatchers, secret private home funerals and burials- none seemed to satisfy or be tenable.

All of this seemed very unjust, especially in light of the fact that the ICCFA had been given "positive" information about the huge Boomer Generation beginning to die en mass starting in the year 2000.This good news coursed through the industry like a wild fire. The industry braced for explosive demand. The mom and pop funeral homes made huge capital improvements, the big boys bought each other up with a vengeance and Wall Street geared up for a killing. This information came from a very reliable source, an internationally famous demographer and expert on aging who spoke at this same conference back in the mid-nineties. The year 2000 came and went. The year 2005 passed. Now it's 2010, and still nothing.

Why weren't the Boomers dying? Didn't they know that the industry was counting on them? The Baby Boomers weren't dying because the forecast by the famous demographer and expert on aging was twenty years off. That is correct, twenty years off. That's a big mistake in the field of demography, huge.

Continued on Page 15

THE INFORMED INVESTOR BY LOGIE CASSELLS

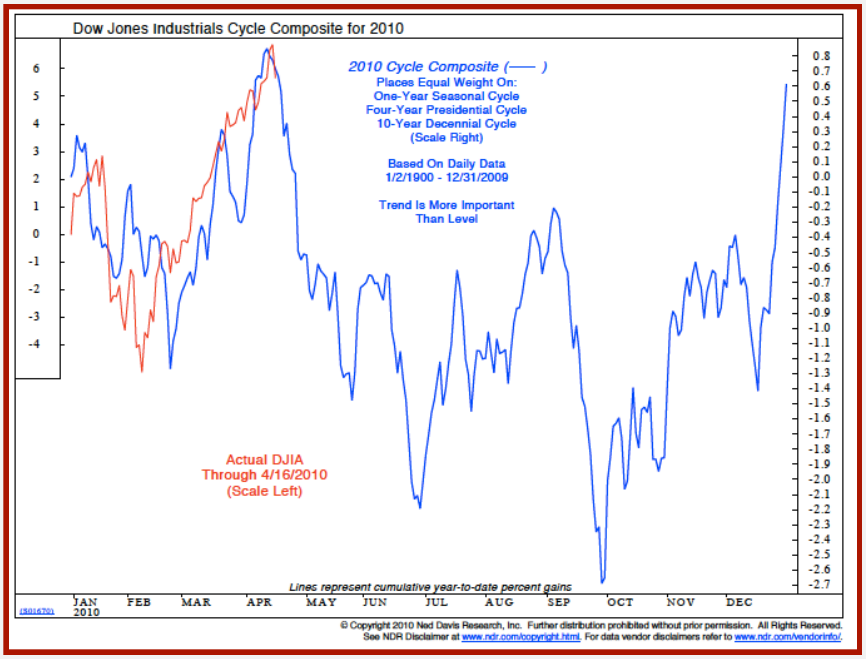
Market Overview: Rising Sentiment and Market Expectations

Compared to the depressed levels of a year ago, stocks are beginning to feel stretched at a time when the Ned Davis Research Cycle Composite (see chart) is alerting us that seasonal tailwinds may be about to turn into headwinds.

Another earnings season is upon us, at a time of rising expectations. Further headlines will emerge out of Europe and China, with some being encouraging and others not. Even the nattering nabobs of negativity are beginning to raise the economic bar and talk about how the economy is turning the corner.

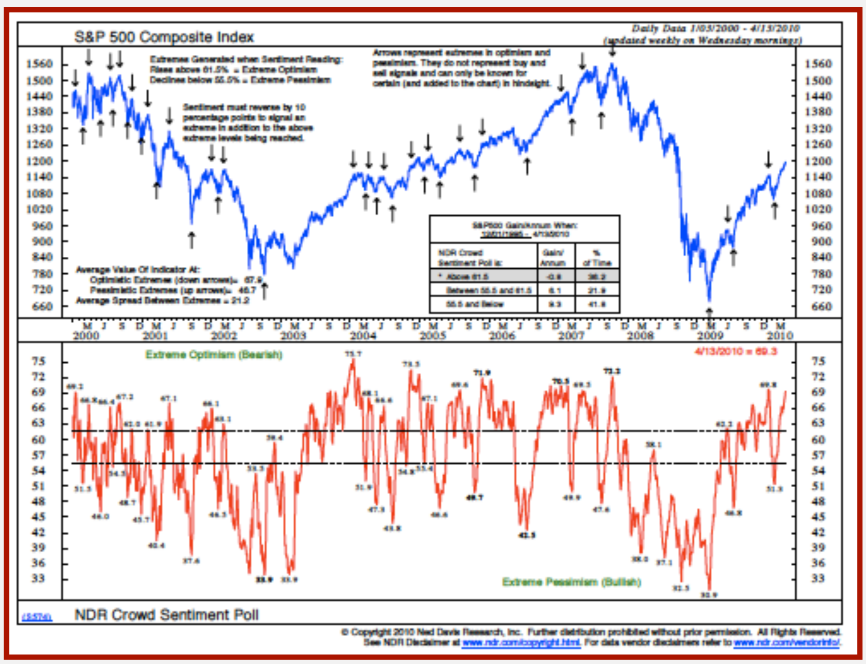
So what are the current market's risks? we believe that compared to a year ago, equities may be pricing in too much good news short term, leaving them vulnerable to disappointment if second quarter reports on earnings and economic conditions do not live up to Wall Street expectations. While equity valuations have expanded and appear mildly overvalued, this pressure will ease if, as usually happens in a bull's second year, earnings growth moves into a sustainable uptrend. However, if earnings momentum slows, together with signs that the economic recovery is losing momentum in the U.S. and other major developed economies, then the question on investor's minds will be "How far will the market correct?"

Inflation and interest surprises are less likely. Therefore, if we start to hear talk of a "Goldilocks" economy of not too fast and not too slow, and if we start to see signs of a market that is "Priced for Perfection," then the margin for error will narrow.



Currently sentiment indicators show optimism rising again (see chart). Sentiment together with volume and new stock highs tend to peak before prices do. The chart below shows new highs hit a new peak at 888 in the week ending April 9, 2010. If that does mark the rally high, the median lead time to a stock market peak is 33.6 weeks.

Overall sentiment appears stretched enough to the upside to provide a warning. However given the current positive tape action, the warning at this point seems to be more for traders than investors.



An Update on PIIGS

We can see from the relative chart of the PIIGS composite that it continues to underperform the MSCI World Index and has reached near new ten year lows.

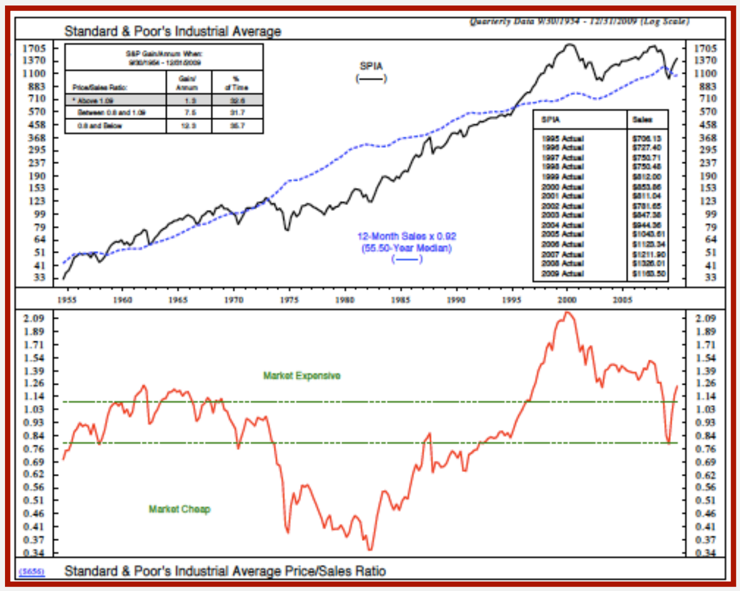
We continue to believe that the Greek the other PIIG member's fiscal problems are only starting and will take a further 12 to 18 months before the contagion negatively impacts global equity markets.

The key question is who is next to be bailed out?

Market Data: Performance & Valuation

Stock market valuations are starting to look stretched. Our favorite valuation yardstick–the price to sales ratio–made the market look undervalued in March 2009; however, it now appears to be heading uncomfortably into a reading that suggests that the market is getting overvalued.

This, along with other models, suggest that the market may pause in the near term, and probably even give back some gains. At the least, recent gains soon need to consolidate, and we expect choppy trading, with potentially some wide swings, during the next few months, before the market can make a sustained move higher late in the year.



Performance from March 9, 2009 Market Low to April 16, 2010

	Markets	03/09/09	04/16/10	%	Prv.*		U.S. Sector	03/09/09	04/16/10	%	Prv.*
IOO	S&P Global	36.01	61.55	70.0%	65.0%	XLB	Materials	18.18	33.17	82.5%	82.5%
SPY	S & P 500	68.11	119.36	75.2%	67.8%	XLV	Health Care	21.88	34.33	56.9%	45.5%
EWU	MSCI U.K.	9.00	16.75	86.1%	76.1%	XLP	Consumer Staples	19.41	27.91	43.8%	41.6%
EWG	MSCI Germany	12.73	22.11	73.6%	65.4%	XLY	Consumer Discret.	16.11	34.37	113.3%	97.8%
EWJ	MSCI Japan	6.87	10.50	52.8%	48.6%	XLE	Energy	38.86	59.30	52.5%	49.4%
EEM	Emerging Markets	20.69	42.46	105.2%	98.1%	XLF	Financials	6.26	16.36	161.3%	143.6%
DBC	Commodity Index	19.09	24.25	27.0%	25.2%	XLI	Industrials	15.36	32.09	108.9%	93.8%
GLD	Gold	90.57	111.24	22.8%	21.3%	XLK	Technology	13.22	23.73	79.5%	69.7%
HYG	U.S. Corporate Debt	61.64	88.46	43.5%	42.5%	XLU	Utilities	22.74	29.83	31.2%	31.8%
TLT	20-Year Treasury	103.65	89.86	-13.3%	-13.4%	QQQQ	Nasdaq Composite	25.74	49.53	92.4%	80.8%
UUP	U.S. Dollar	27.75	23.65	-14.7%	-14.9%	IWM	Russell 2000	34.39	71.46	107.8%	94.1%

All prices are in U.S Dollars *Prv. is the sector's return from March 9, 2009 to March 8, 2010

Model Portfolio Quarterly Earnings Overview

Earnings Season to Date

So far 37 US companies have reported earnings and 27 (73%) of them have beaten earnings estimates. However the average one-day change for these companies on their report days has been -0.36%. The biggest companies to have reported last week are: Alcoa (AA) kicked off earnings season with a weak report as usual. Intel (INTC) and JP Morgan (JPM) had strong numbers and traded higher following their reports mid-week, and then Google (GOOG), Bank of America (BAC), and General Electric (GE) finished the week on a sour note.

The Google chart below shows that despite beating earnings and revenue estimates, the shares ended the day at a 7.6 percent loss in high volume.

Mattel Swings to First-Quarter Profit

Mattel (MAT) swung to a surprise first-quarter profit on strong sales across the board, helping to boost margins.

After struggling with dwindling sales of its famous toys, the maker of Barbies and Hot Wheels has seen stronger demand for its iconic doll recently. Mattel has also improved its lineup of toys based on popular movies and television shows.

Analysts said Mattel's year-end inventories were in good shape, which could bode well for retailer restocking trends in the first half of the year.

"I am pleased with the performance across our portfolio of brands, including our core brands and our licensed evergreen brands, especially our newest properties--World Wrestling Entertainment, Thomas and Friends, and Toy Story," Chairman and Chief Executive Robert Eckert said Friday.

The largest U.S. toy maker reported a profit of 7 cents a share, compared with a prior-year loss of 14 cents a share. Revenue increased 12% to $880.1 million.

Wall Street analysts were forecasting a loss of 3 cents on $860 million in revenue.

Gross margin widened to 49.1% from 44% amid the revenue gains. Sales of Mattel's girls and boy brands unit, its biggest arm and the one that includes Barbies and Hot Wheels, rose 14% as Barbie logged 5% growth. The Wheels segment, which includes Hot Wheels, Matchbox and Tyco R/C, rose 3%.

Hasbro's Earnings Triple!

Hasbro's (HAS) first-quarter earnings tripled amid a tax benefit and strong across-the-board sales, showing strength like larger toy maker Mattel did last Friday with its results.

Chairman and Chief Executive Brian Goldner said Monday that Hasbro expects to post higher 2010 results despite the spending impact from creating a children's-television channel with Discovery Communications Inc., "and absent a further deterioration in the value of foreign currencies, consumer spending or global economic conditions."

Hasbro's board Monday also authorized an additional $625 million share repurchase plan. There was $63.8 million left as of March 31 from a prior reauthorization. Hasbro's market value is about $5.4 billion.

The company has seen recent strength in its products for boys, largely helped by sales of TV- and movie-related toys that have piggybacked off the success of their big-screen counterparts.

The toy maker of GI Joe action figures and Nerf toys reported a profit of 40 cents a share, up from 14 cents, a year earlier. Meanwhile, revenue climbed 8% to $672.4 million and rose 5% excluding currency impacts. Wall Street analysts had most recently forecast earnings of 16 cents on $643 million in revenue.

Gross margin rose to 60.9% from 60.6% while operating-margin gains were much higher because of lower royalty and amortization costs.

Hasbro's boys' segment saw revenue jump 3%, while games and puzzles, the biggest division for the company, had 7% growth. Girls' sales increased 16%.

Model Age Curve Master Portfolio

Model Portfolio Transactions

Apr 9, 2010	Gold ETF	GLD	Buy	458	113.85			Contrarian buy
Apr 12, 2010	Poland ETF	PLND	Sell	1,000	26.71	23.9	11.8%	Uncertainty over Government
Apr 18, 2010	Acorn Energy	ACFN	Sell	5,319	6.40	5.64	13.5%	Sell weak performers before April Highs
Apr 18, 2010	Neo Materials	CA:NEM	Sell	6,450	3.99	4.48	-10.9%	Sell weak performers before April Highs

	Model Age Curve Master Portfolio							**Date**	**16 April '10**
Ticker	**Name**	**P/S***	**Cost**	**Price**	**No.**	**% of Fund**	**Value**	**G/L**	**G/L %**
	Bonds, Gold and other					**14.9%**			
UUP	PowerShares US Dollar ETF		22.8	23.7	3,862	4.6%	91,336	3,244	3.7%
HYG	IShares High Yield Corporate Bond ETF		83.2	88.5	1,183	5.2%	104,648	6,187	6.3%
GLD	SPDR Gold Trust		111.4	111.2	916	5.1%	101,896	-147	-0.1%
	Technology and Telecoms					**2.2%**			
SWKS	Skyworks Solutions	2.5	12.4	16.2	2,684	2.2%	43,373	10,065	30.2%
	Consumer Discretionary					**26.1%**			
ROST	Ross Stores	0.8	43.4	56.4	784	2.2%	44,233	10,247	30.1%
PLCE	Children's Place Retail Stores	0.7	29.9	48.4	895	2.2%	43,327	16,575	62.0%
ARO	Aeropostale	1.0	32.9	30.6	1,328	2.0%	40,624	-3,028	-6.9%
ZQK	Quicksilver	0.1	2.3	5.1	7,000	1.8%	35,980	20,160	127.4%
PSS	Collective Brands	0.4	21.0	24.1	1,663	2.0%	40,112	5,189	14.9%
BOOT	LaCrosse Footwear	0.6	13.9	15.2	2,516	1.9%	38,319	3,321	9.5%
CMG	Chipotle Mexican Grill	1.9	81.0	124.1	298	1.9%	36,967	12,829	53.1%
LRN	K-12	1.6	20.3	25.3	1,465	1.9%	37,035	7,296	24.5%
MAT	Mattel Inc.	1.4	20.3	23.8	1,595	1.9%	38,025	5,726	17.7%
HAS	Hasbro Inc.	1.2	30.8	39.9	1,136	2.3%	45,270	10,281	29.4%
SNE	Sony Corp.	0.4	34.2	35.6	1,175	2.1%	41,783	1,575	3.9%
SKX	Skechers USA Inc.	1.0	27.6	38.7	854	1.7%	33,075	9,496	40.3%
LF	LeapFrog Enterprises Inc.	0.5	5.3	6.7	6,629	2.2%	44,547	9,546	27.3%
	Industrials					**6.8%**			
XLI	SPDR Industrial Sector Index Fund ETF		22.8	32.1	1,752	2.8%	56,222	16,224	40.6%
LLL	L-3 Communications Holdings	0.6	88.5	94.8	384	1.8%	36,403	2,419	7.1%
AGCO	AGCO Corp	0.5	30.5	38.3	1,156	2.2%	44,298	9,086	25.8%
	Energy and Materials					**3.5%**			
RJA	Rogers Agriculture ETN		8.1	7.3	4,337	1.6%	31,834	-3,166	-9.0%
NLR	Market Vectors Nuclear Energy		23.7	22.6	1,686	1.9%	38,087	-1,939	-4.8%
	Financials					**4.3%**			
WFC	Wells Fargo & Co.	1.4	18.2	32.6	1,375	2.2%	44,770	19,773	79.1%
RKH	Merrill Lynch Regional Bank ETF		63.6	91.0	471	2.1%	42,837	12,901	43.1%
	Health Care					**1.8%**			
MHS	Medco Health Solutions Inc.	0.5	61.4	61.8	570	1.8%	35,237	268	0.8%
	Consumer Staples					**15.7%**			
SAM	Boston Beer Co. Cl A	1.1	25.9	56.5	761	2.2%	42,958	23,241	117.9%
THS	TreeHouse Foods	0.8	40.2	43.4	746	1.6%	32,361	2,387	8.0%

*P/S based on trailing 12 months

Ticker	Name	P/S*	Cost	Price	No.	% of Fund	Value	G/L	G/L %
	Consumer Staples Continued								
WVVI	Willamette Valley Vineyards	1.0	3.3	3.5	11,079	1.9%	38,223	1,773	4.9%
WFMI	Whole Foods Market	0.6	30.5	39.1	1,256	2.5%	49,122	10,839	28.3%
NUS	Nu Skin	1.2	15.3	31.0	1,368	2.1%	42,381	21,464	102.6%
RDEN	Elizabeth Arden Inc.	0.5	16.6	19.0	2,110	2.0%	40,048	5,064	14.5%
JBSS	John Sanfilippo & Sons	0.2	15.8	15.9	1,904	1.5%	30,274	286	1.0%
UNFI	United Natural Foods Inc.	0.4	28.1	30.2	1,248	1.9%	37,652	2,646	7.6%
	Developed Overseas Markets					**0.0%**			
	Emerging Markets					**1.2%**			
TUR	ishares MSCI Turkey Market Index Fund ETF		49.6	60.7	400	1.2%	24,296	4,476	22.6%
	Cash					**23.5%**	469,889		
	Value of Model Beacon Master Portfolio						1,997,441		

Ahead of the Curve, *from page 10*

For years we have been hearing about the Graying of America, the time when an overwhelming majority of the people in the United States would be elderly. It was easy to conjure up images of motorized wheel chair traffic jams on city sidewalks and busload after busload of sight seeing blue haired widows in caravans. The Graying of America, it is not clear when the phrase was coined but the popular belief is that it began in earnest about fifteen years ago in the nineties when someone had the startling revelation that the Baby Boomers were no longer kids and that the fastest growing segment of our population was elderly people in their eighties. The problem is these two facts had nothing to do with each other.

It's true the Baby Boomers were aging but they were no where near being elderly, not by a long shot. In fact, fifteen years ago in 1995 Baby Boomers ranged in age from about thirty-one years old to fifty years old.

It was also true the one of the fastest growing segments of our population at that time was folks eighty-five years old plus. This was the huge G.I. Generation, the Baby Boomer's parents born 1905 to 1924, who at that time were aged seventy-one to ninety. (Remember that the live birth count of the G.I. Generation was augmented by millions of European immigrants) But the graying of America, at least as far as the Boomers were concerned, was a myth. Maybe AARP started the rumor.

What everyone overlooked was the Silent Generation born 1925 to 1944, the smallest generation of the last one hundred years. It is positioned quietly between the Baby Boomers and their parents, the G.I. Generation. (There was little or no immigration during the Silent birth years) The tiny Silent Generation nearly crippled the funeral industry and the assisted living industry as well because it simply did not have the critical mass to utilize the infrastructure built up in anticipation of the Boomers aging and dying. The graying of America myth cost two industries billions of dollars and the pain is still being felt. The Silent Generation is now sixty-six to eighty five years old. This diminutive generation now solidly occupies the elderly and dying segment of the United States population. That will all change completely in five to ten years when the Boomers finally fulfill the Graying of America myth by becoming elderly and dying right on time but twenty years later than expected.

Generations have been defined in twenty year increments for thousands of years. It makes them easy to figure out. A generation is roughly the amount of time it takes one generation to begin to produce another. We have five distinct generations in the United States today. They are:

G.I. Generation: 1905-1924 56.6 million

Silent Generation: 1925-1944 52.5 million

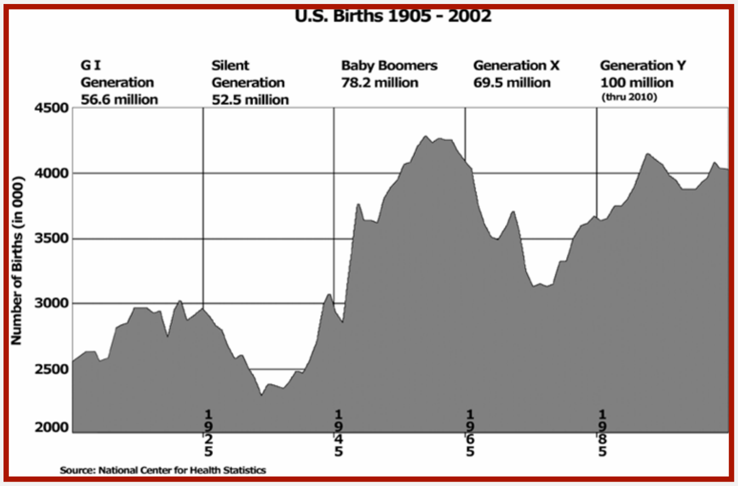
Baby Boomers: 1945-1964 78.2 million

Generation X: 1965-1984 69.5 million

Generation Y: 1985-2004 79.5 million

Generation Z 2005-2024 +16 million (thus far)

Most American's die in their seventies. Women die on average between 76-78 years old. Men on the other hand die on average between 72-74 years old. On the surface it would then follow that if the oldest Baby Boomers are now



only sixty-five years old, the funeral industry is certainly going to have to wait a few years for this crush of new customers. The logic and math work but there are a couple of other interesting factors at work here. One is the size of the Boomer Generation and the other is their overall health. By virtue of the Boomer's shear numbers there are millions that are already dead and many that that will die before reaching the average dying ages.

The funeral industry is already feeling this impact. The health of the Boomer Generation is a wild card for the funeral industry. Obesity is epidemic and no one knows the implications of all the self medicating the Boomers did in the sixties and seventies. Will the Boomers lower the average age people die? The jury is out but it looks like that could well happen.

As if the beleaguered funeral industry didn't have enough problems, the influence of Boomers dying on the traditional funeral begs the question: What are they going to change? Because that's what Boomers do. They change things, everything. Look at their history. Will funeral homes remain relevant? Will all Boomers be cremated? Will the somber tones and creepy music of the traditional funeral be replaced with celebration and rock 'n' roll? Will there be church services? Will you be able to buy a funeral kit on line or at Wal-Mart and do your own? Will funeral services be cyber rather than in person? Will the deceased live on as an avatar? How will funeral directors communicate with Generation Y kids as they make arrangements for their Boomer parents?

The funeral industry is at a crossroad with change bearing down on it like a runaway train. The next five years or so will be very defining. Demand will most certainly increase and the progressive contingent will prepare, change and dramatically prosper.

Bob Dylan wrote about this when he penned the lyrics "The times they are a changing…"

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 The report is published during the first half of every month, and on average is 15 pages long.

Subscription: $299 per year, or $78 quarterly, via website sign-up at www.theagecurvereport.com Issues are transmitted in PDF format by web page download.

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ACC would like to thank Ned Davis Research, Inc. for the use of its data and chart services.
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