

Basel, Switzerland

N 47° 34' 41"

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Investing in knowledge worldwide.

GaveKal Knowledge Leaders Fund

Investor Presentation

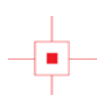
October 18, 2012



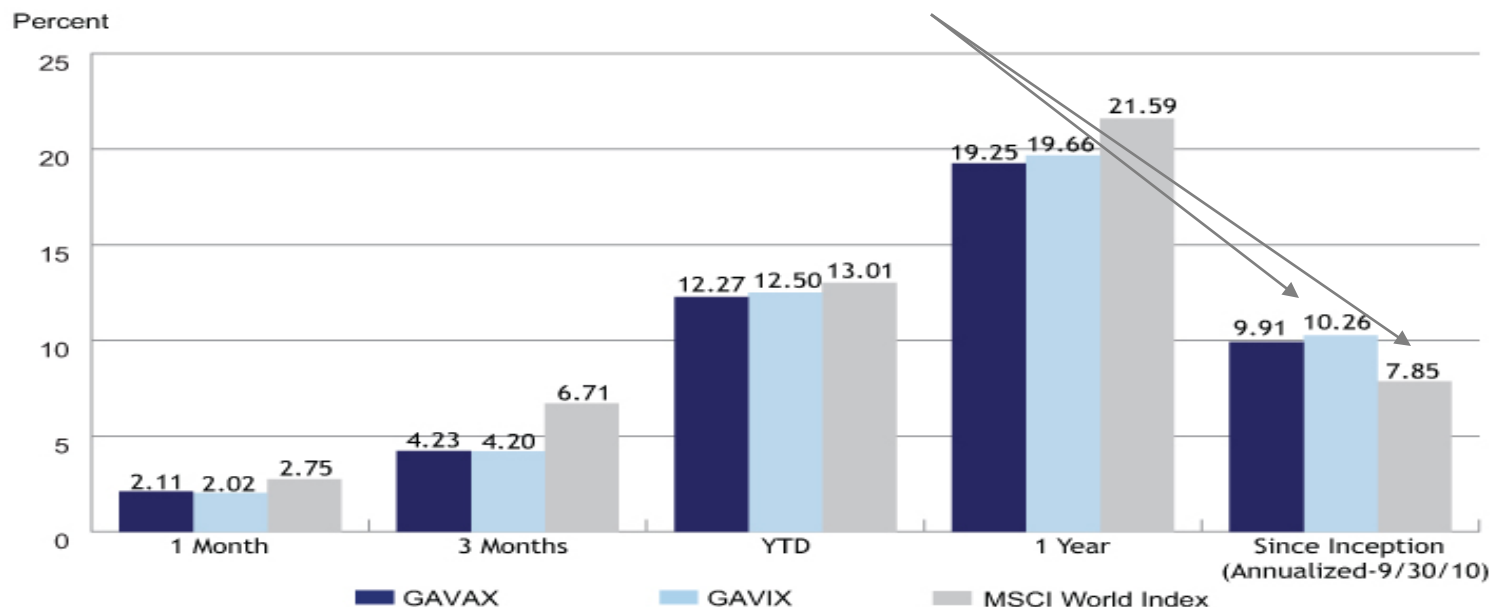


- The GaveKal Knowledge Leaders Fund (I shares) has generated a Sharpe ratio of 1.68 over the last two years and when we compare ourselves to the 155 Morningstar World Stock Funds, we are in the top 1% for the 2-year period ending September 30, 2012; and for the 1-year period also ending 9/30/12 we generated a Sharpe ratio of 2.73 and we are in the top 2% when we compare ourselves to the 167 Morningstar World Stock Funds
- US & European knowledge leaders have appreciated more than the MSCI World Index since the October 3, 2011 low, as have global health care companies
- Sentiment moved into euphoria territory in mid-September, comparable to pre-global financial crisis highs in 2007
- The economic backdrop is soft and uncertain from Asia to North America to Europe
- Earnings estimates are perhaps optimistic, especially for many heavy cyclicals
- Investors seem to favor high margin companies with strong earnings momentum
- Global medical equipment companies offer compelling value and favorable operating performance. They are chicken cyclicals.
- We are overweight health care and own several medical equipment stocks

The Morningstar ranking cited above is based on a rolling two-year performance of the fund's total return through September 30, 2012. Total return does not include sales charges but does account for expenses. Total return measures the increase or decrease of an investment in a fund as a percentage of that initial investment. Total return is determined by taking the change in price, reinvesting, if applicable, all income and capital gains distributions during the period, and dividing by the starting price. Total returns for periods longer than one year are annualized. Total return data is updated daily.



Performance annualized since inception—2 years ago—has beaten the index by 2.4%.



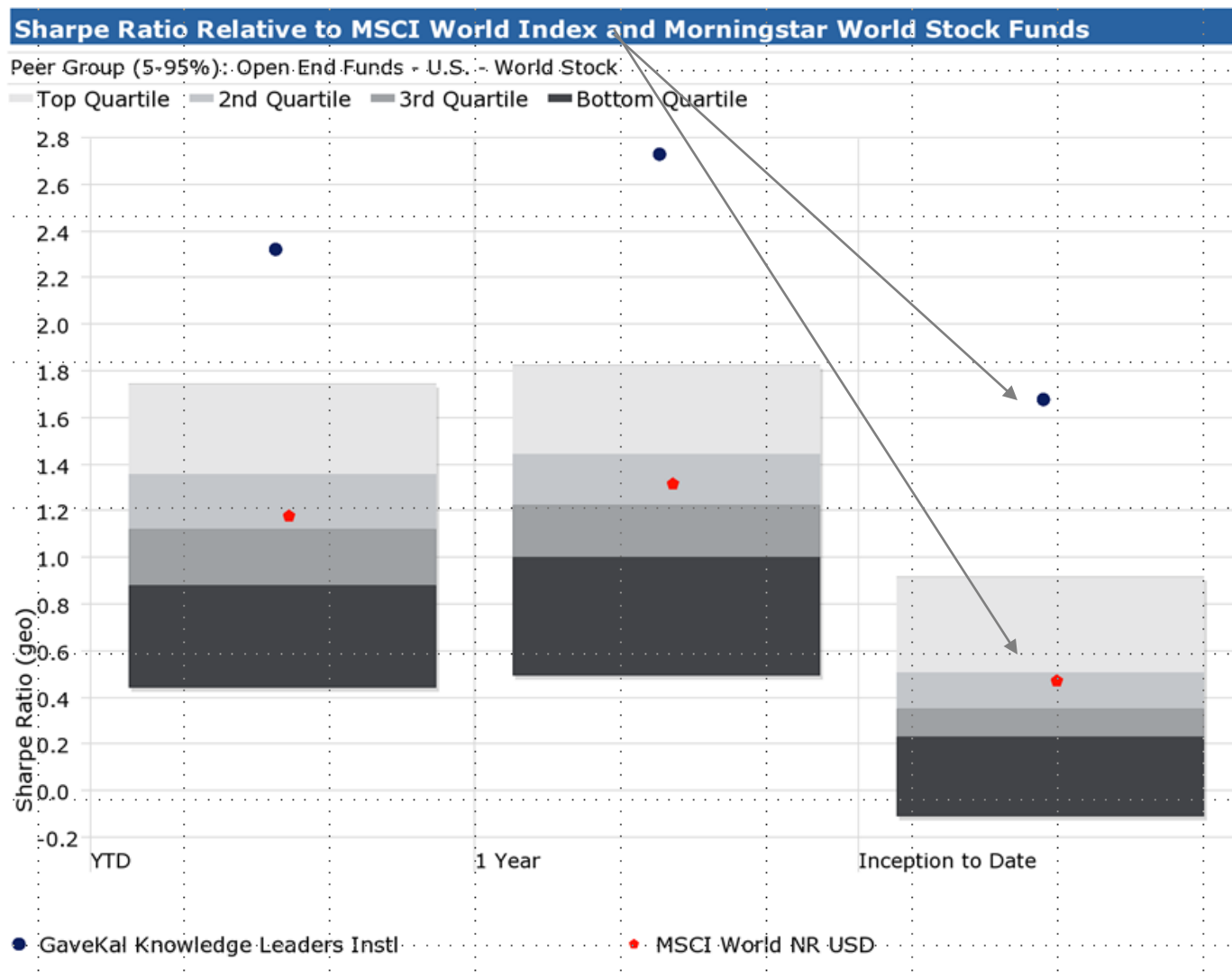
The total annual operating expenses of the Fund are 13.39% and 13.14% and net expenses are 1.50% and 1.25% for the Advisor and Institutional Classes, respectively. The inception date for the GaveKal Platform Company Fund is 9/30/2010.

The performance data quoted here represents past performance. Past performance is no guarantee of future results. Investment return and principal value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain performance information current to the most recent month-end please call 888.998.9890 or visit our website at www.gavekalfunds.com. A redemption fee of 2.00% will be imposed on redemptions or exchanges of shares you have owned for 90 days or less. Please see the prospectus for more information.

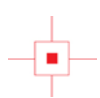
The Fund's advisor has contractually agreed to waive its fees and/or absorb expenses of the Fund to ensure that total annual fund operating expenses (excluding taxes, leverage interest, brokerage commissions, dividend expenses on short sales, acquired fund fees and expenses as determined in accordance with Form N-1A, expenses incurred in connection with any merger or reorganization, or extraordinary expenses such as litigation) do not exceed 1.50% and 1.25% of average daily net assets for Advisor Class and Institutional Class Shares, respectively. This agreement is in effect until December 31, 2012, and it may be terminated before that date only by the Trust's Board of Trustees. The Fund's advisor is permitted to seek reimbursement from the Fund, subject to limitations, for fees it waived and Fund expenses it paid for three years from the date of any such waiver or payment.



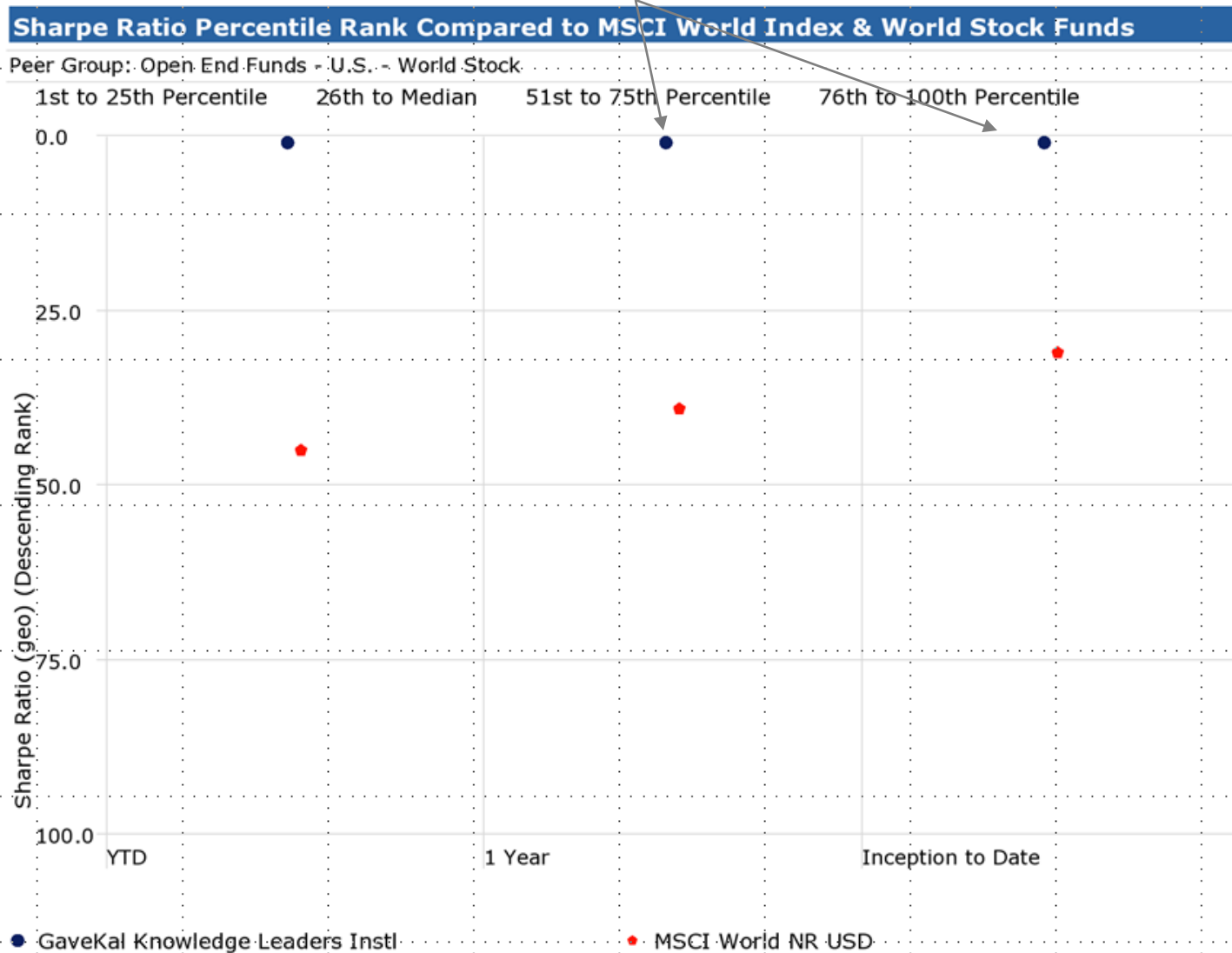
Our annualized since inception, risk-adjusted performance was 3x better than our benchmark.



Source: Morningstar Direct



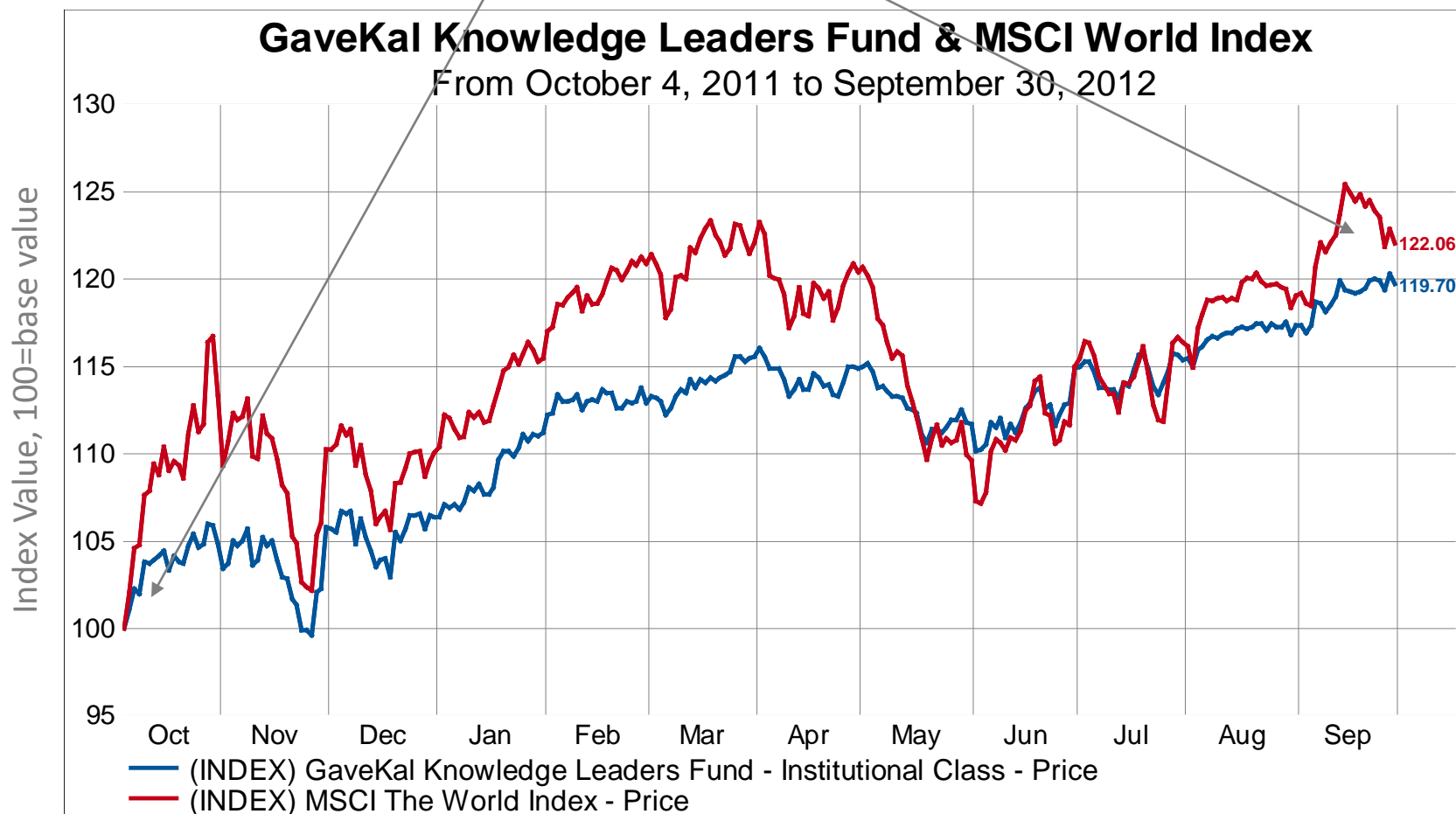
Our 1 year and annualized since inception risk-adjusted performance is top decile.



Source: Morningstar Direct



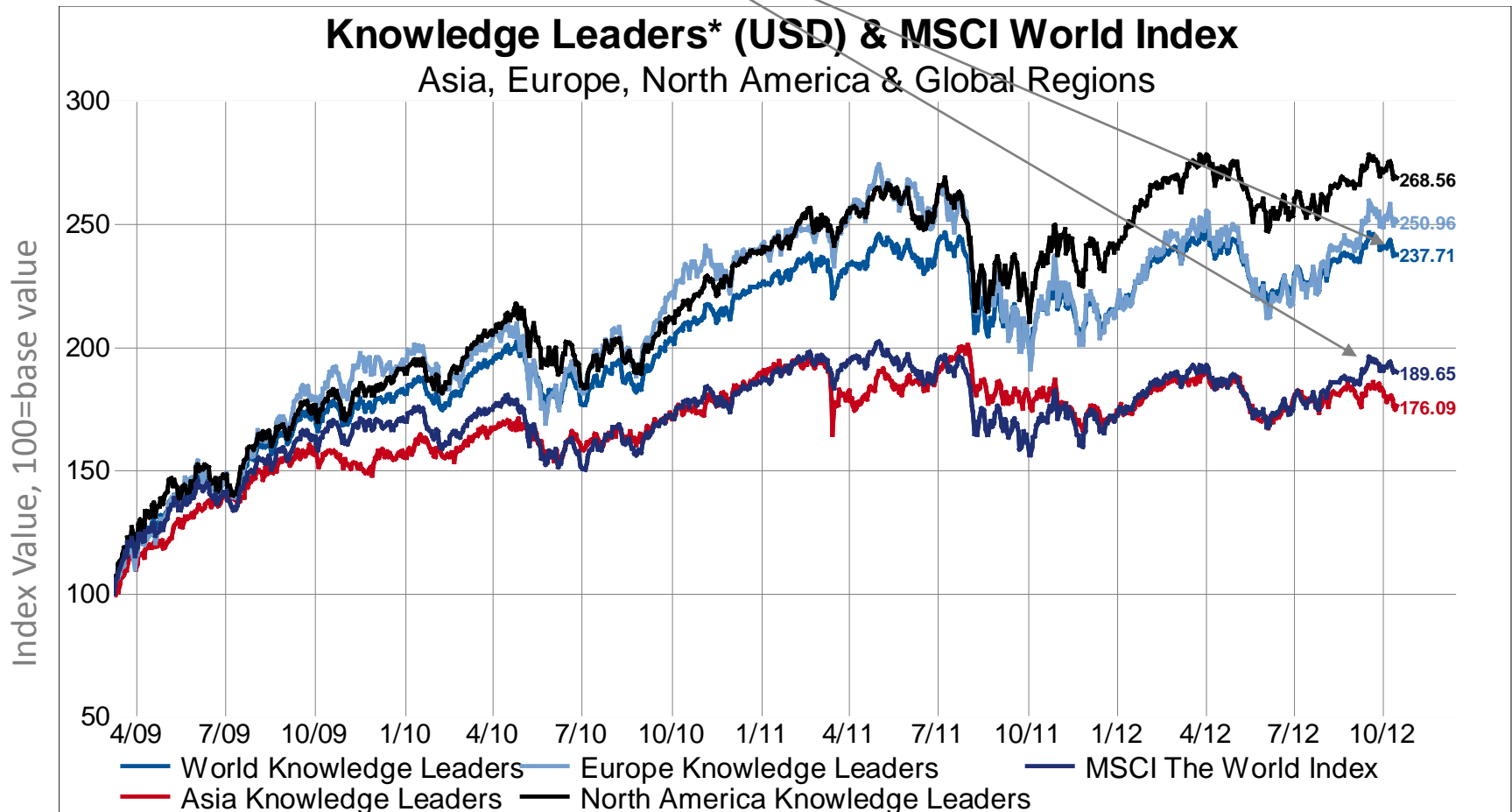
Performance since the October 4, 2011 low has mostly kept pace with the index.



Source: GaveKal Capital



Knowledge leaders have outperformed by 50% since the March 9, 2009 low.



*Knowledge Leaders have been selected using GaveKal's proprietary methodology from the respective geographic MSCI Indices.



When we equal weight the sectors, health care is the best performer over the last year.

A to Z Z to A	Absolute Performance (%)					
	High	High	High	High	High	High
	Low	Low	Low	Low	Low	Low
SECTOR	1 Day	1 Week	1 Month	3 Months	1 Year	4 Years
Health Care	-0.30	-0.17	3.80	9.49	22.10	59.48
Energy	-0.41	-3.02	1.62	14.48	18.10	15.72
Financials	-0.68	-1.82	3.97	12.60	18.07	0.27
Consumer Discretionary	-0.64	-2.53	1.09	7.95	17.28	75.66
Consumer Staples	-0.56	-0.94	0.83	7.61	14.59	42.01
Information Technology	-0.60	-2.84	-0.11	5.28	13.03	47.56
Industrials	-0.73	-2.44	1.53	7.31	12.89	26.97
Telecommunication Services	-0.83	-2.01	3.37	12.87	8.78	16.15
Materials	-0.52	-3.43	4.15	9.41	4.33	24.17
Utilities	-0.40	-0.67	2.51	0.96	-0.92	-3.02
Region Average	-0.59	-2.12	2.27	9.04	14.15	31.17



Performance trends have been dominated by liquidity sensitive sectors as “do whatever it takes” was digested.

Asia, particularly Japan, has been out of favor the last three months.

European financials have jumped on the prospect of more monetary ease.

In North America, cyclicals have led performance trends.

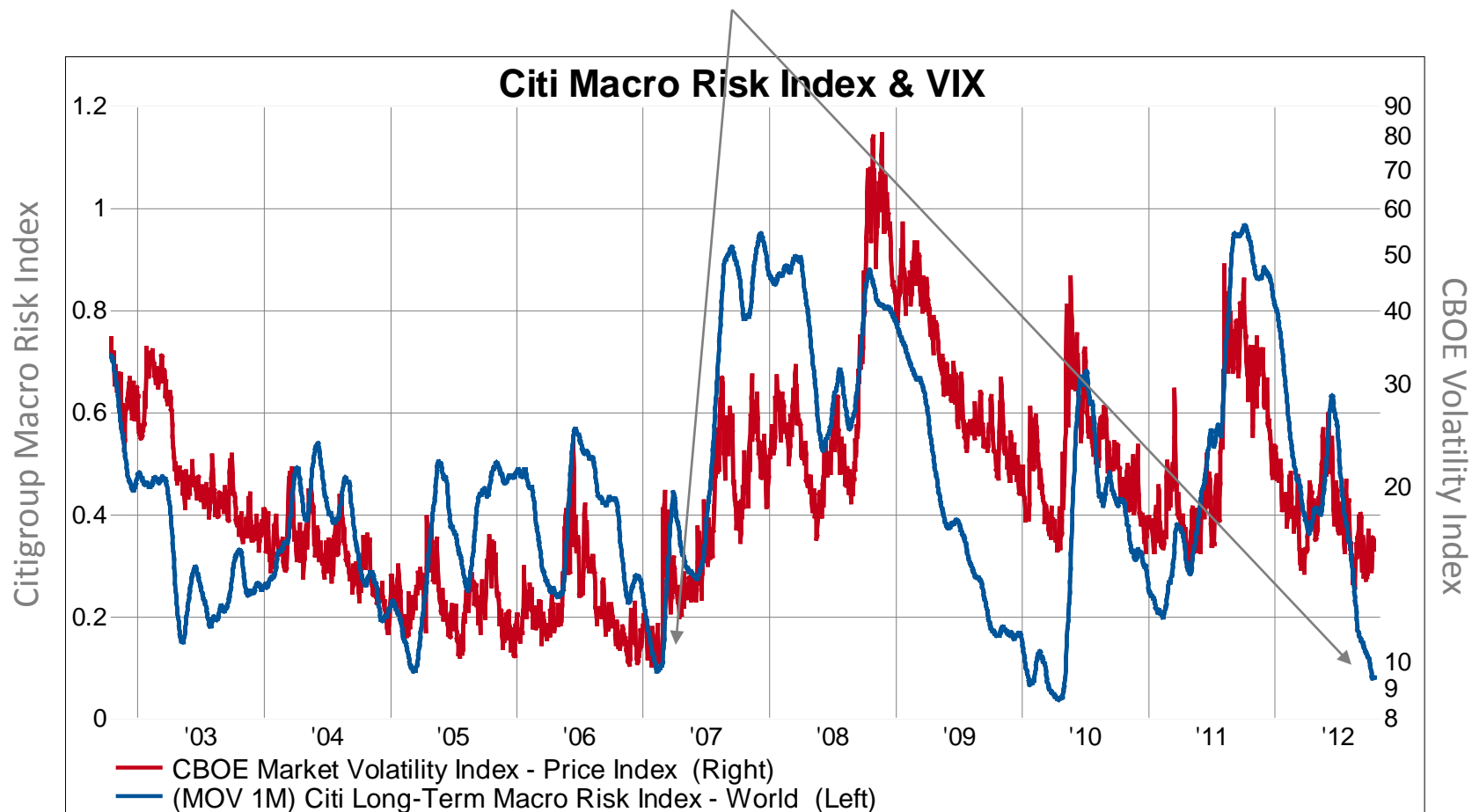
		Absolute Performance (%)					
REGION	SECTOR	1 Day	1 Week	1 Month	3 Months	1 Year	4 Years
Asia-Pacific	Consumer Discretionary	0.11	-0.92	-1.00	2.09	2.34	59.86
	Consumer Staples	0.85	3.13	1.90	8.44	7.81	32.78
	Energy	0.60	-1.43	-0.52	1.28	-2.38	-9.29
	Financials	0.79	1.12	4.16	12.66	19.06	17.49
	Health Care	1.95	2.92	0.89	12.38	13.44	30.58
	Industrials	0.60	-0.87	-0.30	3.53	1.11	15.60
	Information Technology	-0.13	-2.15	-1.27	-0.64	-4.97	-3.30
	Materials	0.50	-3.38	-0.50	-2.05	-13.05	-0.18
	Telecommunication Services	0.89	0.39	2.12	9.39	16.58	48.65
	Utilities	1.70	5.19	0.90	-5.36	-13.67	-8.97
Asia-Pacific Average		0.63	-0.10	0.75	4.75	3.79	20.07
Europe	Consumer Discretionary	-0.23	-3.15	0.75	13.57	15.02	43.51
	Consumer Staples	0.11	-1.53	2.46	11.72	17.05	36.29
	Energy	0.64	-1.20	4.38	20.56	22.56	30.30
	Financials	-0.84	-1.57	7.70	20.59	7.19	-21.10
	Health Care	1.13	0.58	6.14	13.30	22.36	34.42
	Industrials	0.92	-2.03	4.23	14.81	14.87	37.22
	Information Technology	1.10	-3.03	2.81	13.93	13.21	53.67
	Materials	1.00	-2.99	4.87	15.31	8.37	24.72
	Telecommunication Services	0.74	-0.95	3.95	10.86	-3.65	2.40
	Utilities	0.14	-2.31	6.98	9.81	-6.78	-36.70
Europe Average		0.65	-1.91	4.68	15.43	11.37	17.95
North America	Consumer Discretionary	0.90	-1.65	3.70	10.79	27.37	104.83
	Consumer Staples	0.70	-0.62	0.88	5.70	14.48	52.60
	Energy	1.59	-2.45	1.67	16.98	13.62	14.52
	Financials	0.82	-1.38	2.33	8.37	23.72	4.06
	Health Care	0.85	0.23	4.28	6.81	23.07	83.68
	Industrials	0.83	-1.33	1.20	7.09	21.86	31.48
	Information Technology	1.50	-2.12	0.21	6.44	17.66	62.99
	Materials	1.48	-2.15	7.33	13.43	10.64	46.71
	Telecommunication Services	0.65	0.18	6.31	18.93	17.41	17.46
	Utilities	-0.39	0.31	-0.67	0.75	9.57	21.95
North America Average		0.99	-1.37	2.44	9.26	19.49	46.41

Source: GaveKal Capital



Perceptions of low global risk have coincided with volatility touching levels not seen since 2007.

The lows in the Citigroup Macro Risk Index seem to suggest investors are not fearful of the global economy and are thus not paying up to buy insurance.





This has left global markets somewhat extended, especially Europe.

In our work, over 80% above a moving average is overbought.

REGION	SECTOR	20-day			50-day			65-day			100-day			200-day		
		>MA	Highs	Lows	>MA	Highs	Lows	>MA	Highs	Lows	>MA	Highs	Lows	>MA	Highs	Lows
Asia-Pacific	Consumer Discretionary	51%	9%	12%	55%	8%	4%	50%	7%	4%	54%	7%	3%	49%	5%	1%
	Consumer Staples	81%	44%	0%	78%	22%	0%	70%	22%	0%	78%	22%	0%	67%	22%	0%
	Energy	62%	8%	0%	62%	0%	0%	69%	0%	0%	62%	0%	0%	15%	0%	0%
	Financials	84%	20%	0%	85%	17%	0%	88%	16%	0%	97%	16%	0%	86%	15%	0%
	Health Care	85%	38%	0%	81%	23%	0%	85%	23%	0%	92%	23%	0%	92%	19%	0%
	Industrials	58%	7%	3%	56%	4%	1%	56%	3%	1%	64%	3%	1%	45%	3%	1%
	Information Technology	44%	11%	11%	47%	7%	0%	44%	4%	0%	49%	4%	0%	33%	4%	0%
	Materials	50%	8%	6%	48%	2%	6%	40%	2%	6%	38%	2%	6%	28%	2%	6%
	Telecommunication Services	56%	22%	0%	56%	11%	0%	67%	11%	0%	67%	11%	0%	89%	11%	0%
	Utilities	90%	48%	0%	71%	29%	0%	62%	14%	0%	52%	14%	0%	52%	14%	0%
Asia-Pacific Average		65%	17%	4%	64%	11%	2%	63%	9%	2%	67%	9%	1%	56%	9%	1%
Europe	Consumer Discretionary	33%	0%	19%	65%	0%	0%	75%	0%	0%	82%	0%	0%	63%	0%	0%
	Consumer Staples	51%	2%	5%	88%	2%	0%	88%	2%	0%	95%	0%	0%	81%	0%	0%
	Energy	36%	0%	0%	80%	0%	0%	88%	0%	0%	100%	0%	0%	80%	0%	0%
	Financials	44%	4%	1%	92%	4%	0%	95%	4%	0%	98%	2%	0%	85%	1%	0%
	Health Care	89%	14%	0%	93%	14%	0%	93%	14%	0%	89%	14%	0%	86%	7%	0%
	Industrials	59%	6%	2%	85%	6%	0%	87%	5%	0%	91%	3%	0%	76%	3%	0%
	Information Technology	59%	6%	0%	65%	0%	0%	71%	0%	0%	82%	0%	0%	65%	0%	0%
	Materials	50%	2%	2%	78%	2%	2%	82%	2%	2%	82%	2%	2%	58%	0%	2%
	Telecommunication Services	58%	4%	8%	83%	4%	4%	79%	0%	4%	83%	0%	4%	71%	0%	4%
	Utilities	54%	0%	0%	92%	0%	0%	88%	0%	0%	92%	0%	0%	67%	0%	0%
Europe Average		51%	4%	4%	83%	4%	0%	86%	3%	0%	91%	2%	0%	75%	1%	0%
North America	Consumer Discretionary	55%	9%	7%	77%	7%	1%	83%	7%	0%	79%	6%	0%	72%	6%	0%
	Consumer Staples	52%	11%	0%	72%	9%	0%	70%	7%	0%	78%	7%	0%	81%	6%	0%
	Energy	38%	1%	4%	61%	1%	1%	74%	1%	1%	85%	1%	0%	55%	1%	0%
	Financials	37%	2%	6%	71%	2%	2%	73%	2%	2%	81%	2%	0%	81%	2%	0%
	Health Care	85%	20%	2%	92%	18%	2%	85%	13%	2%	83%	13%	0%	83%	13%	0%
	Industrials	47%	4%	5%	67%	4%	1%	70%	2%	1%	72%	2%	0%	58%	1%	0%
	Information Technology	38%	6%	2%	56%	5%	0%	68%	5%	0%	72%	3%	0%	61%	3%	0%
	Materials	57%	2%	0%	80%	2%	0%	78%	2%	0%	80%	2%	0%	65%	2%	0%
	Telecommunication Services	63%	25%	6%	88%	25%	0%	94%	19%	0%	94%	19%	0%	88%	6%	0%
	Utilities	50%	6%	14%	25%	3%	11%	33%	3%	11%	44%	3%	8%	67%	3%	3%
North America Average		49%	7%	5%	69%	6%	1%	73%	5%	1%	77%	5%	0%	70%	4%	0%

Source: GaveKal Capital

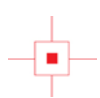


Technically, the market moved into a state of euphoria in early September.

The balance of sentiment indicators we follow reached an extreme. An elevated reading of indicators at extremes indicates euphoria.

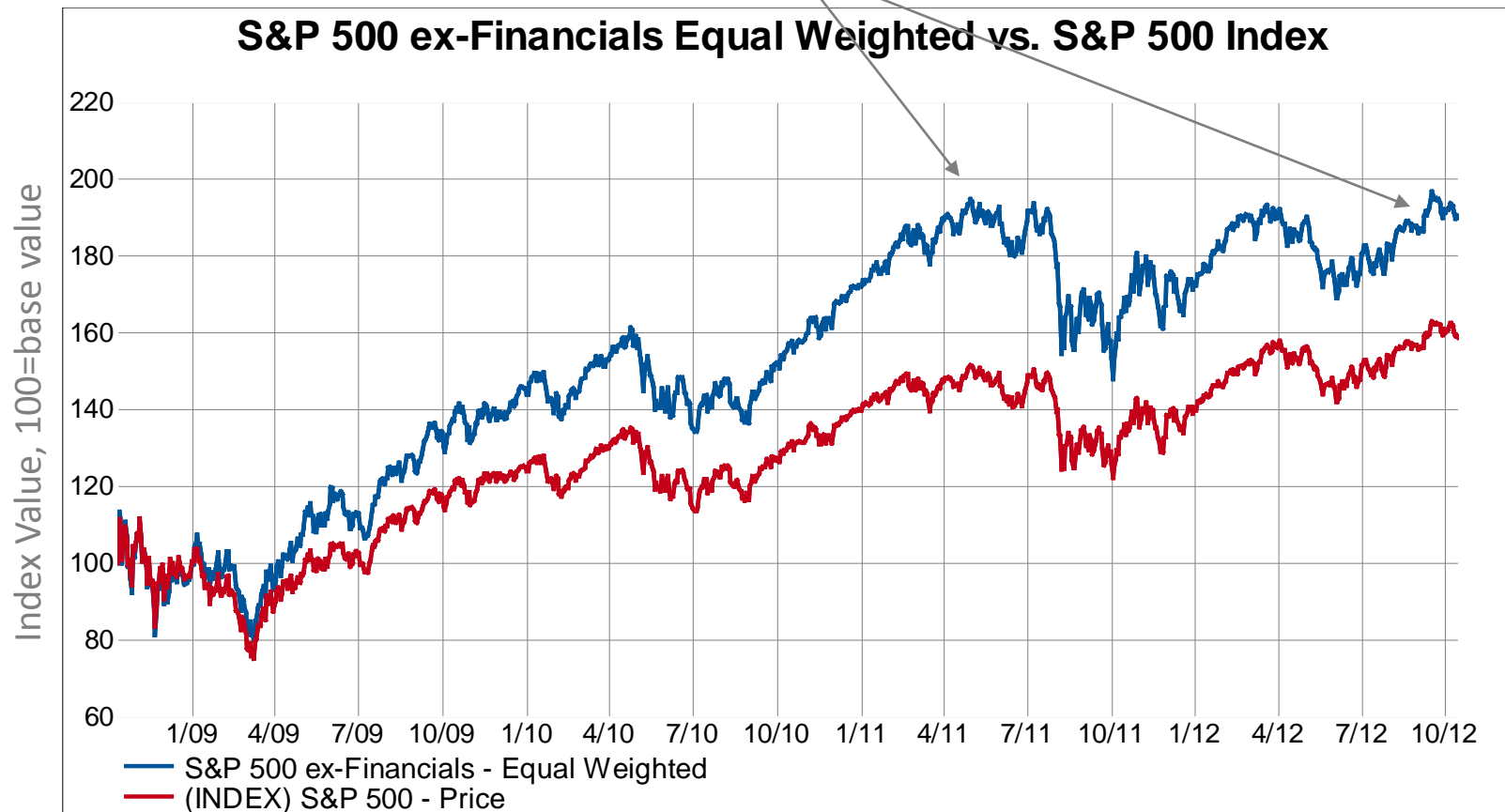


Source: SentimenTrader



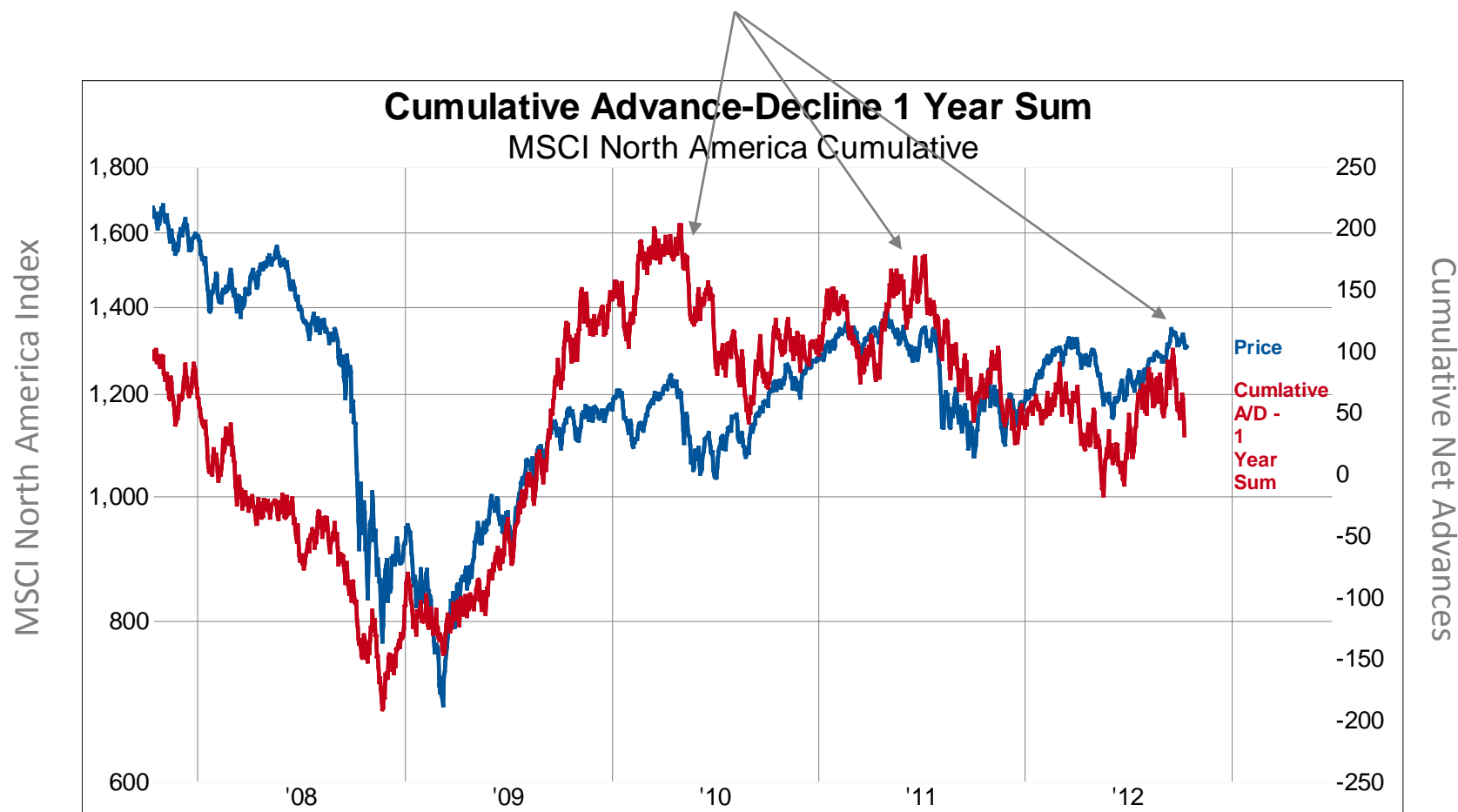
Some of this is an optical illusion.

The move off the March 2009 low lasted for 26 months, and prices doubled. Since then, however, the market has made little progress. This is most easily seen by removing financials and equal weighting the index.



The emotional peak was in April 2010.

While prices made new highs into the Spring of 2011, our cumulative net advancing indicator did not. Since the peak in 2010, our indicator has been making lower highs. This is indicative of the maturity of the bull phase.

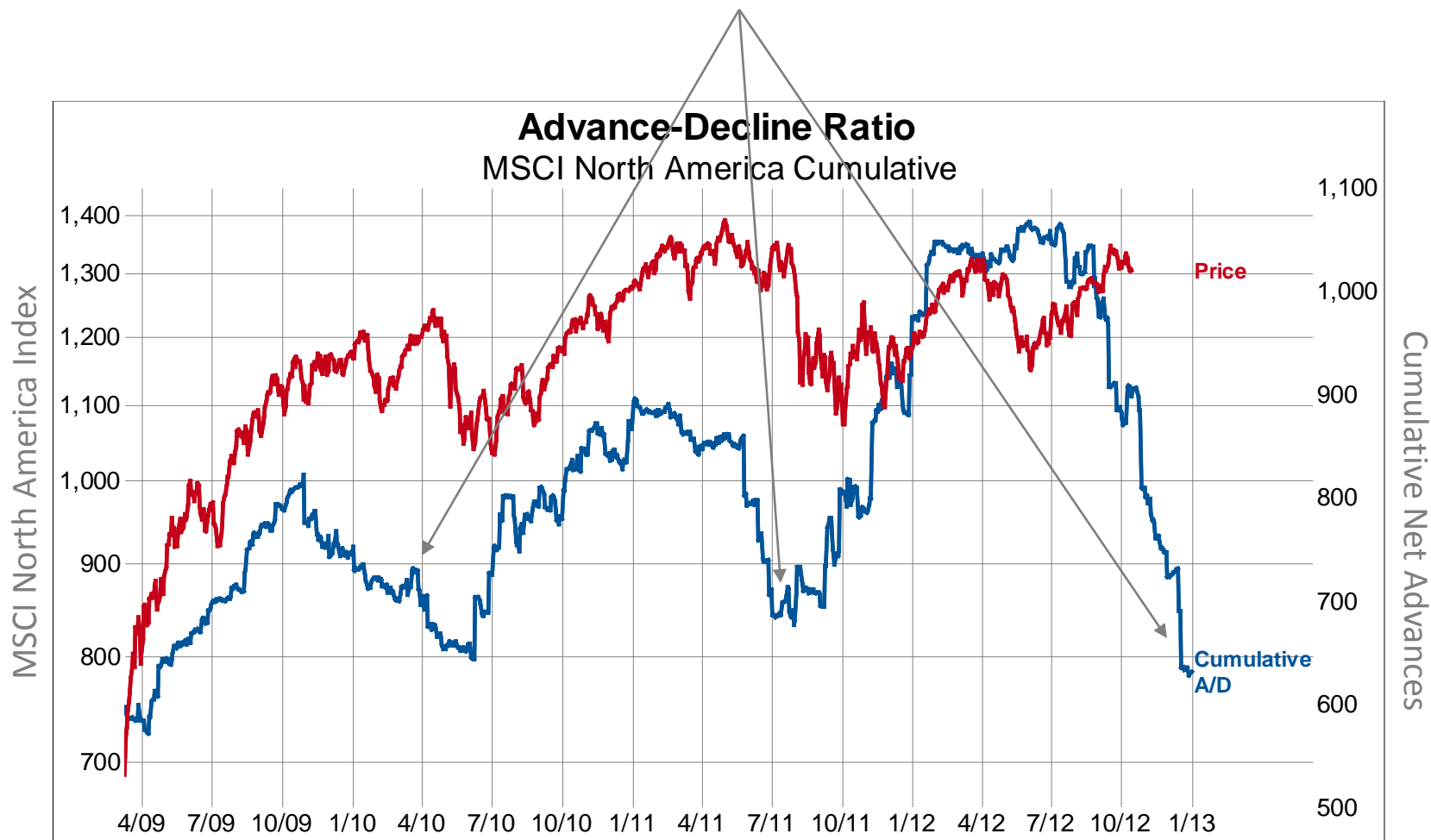


Source: FactSet



Our cumulative advance decline indicator illustrates the divergence.

Over the last four years, drops in cumulative breadth have preceded declines in stocks.

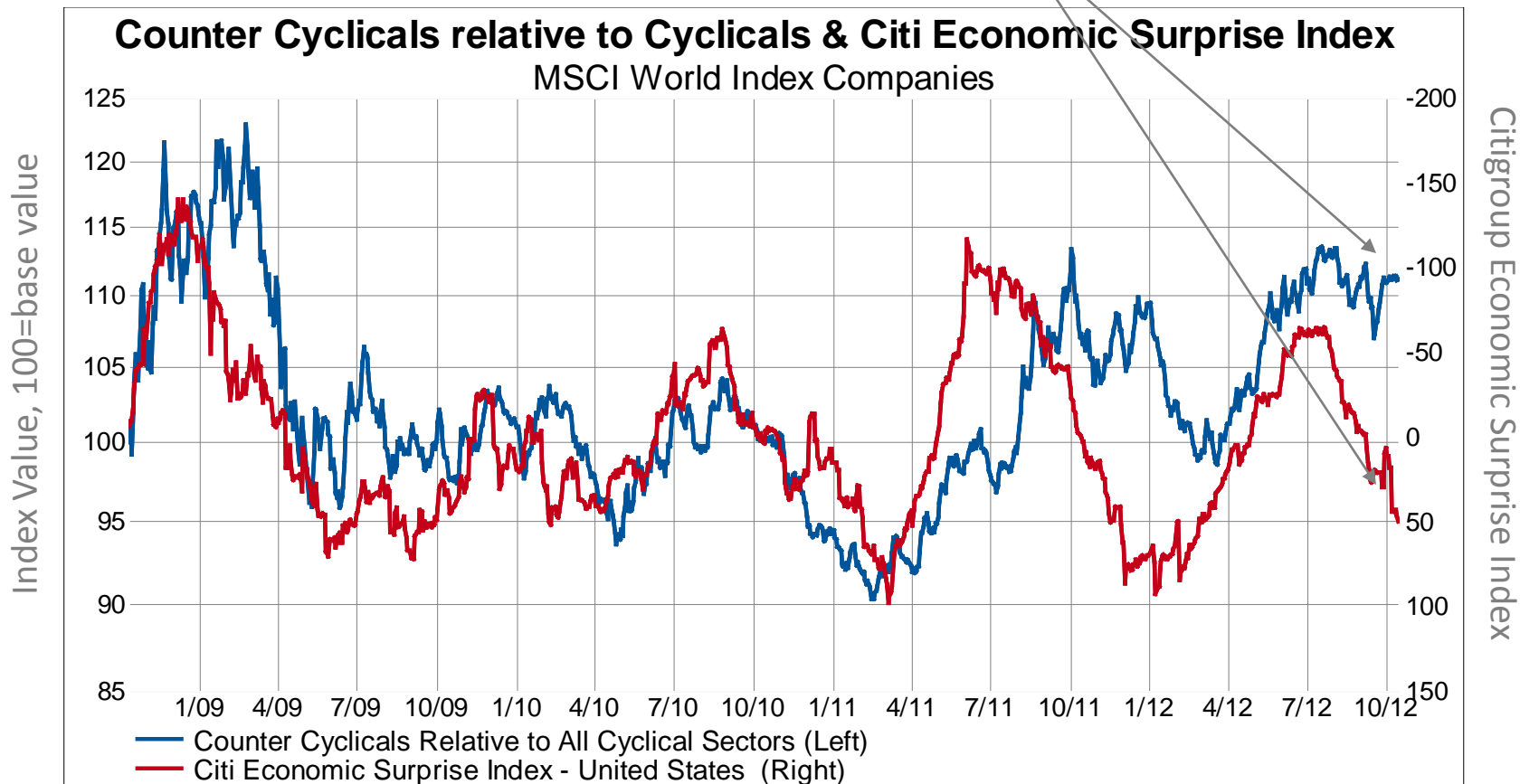


Source: FactSet



Performance trends have followed economic momentum.

When the Citigroup Economic Surprise Index is rising, cyclicals tend to outperform.
The index appears to be rolling over and leadership changing.



Source: FactSet

Global manufacturing is barely in expansion territory. Most concerning is the fact that our diffusion index is back below 50%.

Markit Manufacturing	Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12
USA	53.7	53.6	53.4	53.9	54.3	53.6	56.0	56.0	54.0	52.5	51.4	51.5	51.1
Canada	55.5	53.7	53.3	54.0	50.6	51.8	52.4	53.3	54.7	54.8	53.1	53.0	52.4
Australia	42.3	47.4	47.8	50.2	51.6	51.3	49.5	43.9	42.4	47.2	40.3	45.3	44.1
Japan	49.3	50.6	49.1	50.2	50.7	50.5	51.1	50.7	50.7	49.9	47.9	47.7	48.0
New Zealand	50.6	47.3	46.6	51.9	51.0	57.8	53.7	47.6	55.9	50.0	49.4		
Singapore	48.3	49.5	48.7	49.5	48.7	50.4	50.2	49.7	50.4	50.4	49.8	49.1	
Austria	48.7	48.0	47.6	49.0	51.8	52.0	51.5	51.2	50.2	50.1	47.4	46.7	45.1
Denmark	62.6	43.8	48.2	59.1	54.1	55.8	52.9	62.1	53.0	52.7	47.7	51.4	50.1
France	48.2	48.5	47.3	48.9	48.5	50.0	46.7	46.9	44.7	45.2	43.4	46.0	42.7
Germany	50.3	49.1	47.9	48.4	51.0	50.2	48.4	46.2	45.2	45.0	43.0	44.7	47.4
Greece	43.2	40.5	40.9	42.0	41.0	37.7	41.3	40.7	43.1	40.1	41.9	42.1	42.2
Ireland	47.3	50.1	48.5	48.6	48.3	49.7	51.5	50.1	51.2	53.1	53.9	50.9	51.8
Israel	44.3	50.7	43.8	42.7	36.3	44.5	46.3	53.2	51.0	47.8	41.9		
Italy	48.3	43.3	44.0	44.3	46.8	47.8	47.9	43.8	44.8	44.6	44.3	43.6	45.7
Netherlands	48.9	48.0	46.0	46.2	49.0	50.3	49.6	49.0	47.6	48.9	48.9	49.7	50.7
Spain	43.7	43.9	43.8	43.7	45.1	45.0	44.5	43.5	42.0	41.1	42.3	44.0	44.5
Switzerland	49.3	47.7	45.6	49.1	47.3	49.0	51.1	46.9	45.4	48.1	48.6	46.7	43.6
United Kingdom	50.7	48.1	48.3	50.0	51.9	50.8	51.7	50.0	46.1	48.6	45.1	49.6	48.4
Diffusion Index %		39%	28%	89%	50%	61%	50%	22%	39%	39%	28%	50%	39%

Green light = month over month increase

Yellow light = no change

Red light = month over month decrease



Europe is looking sick.

While manufacturing trends bottomed in July, the bounce in European activity has been very subdued. Only half the countries are expanding manufacturing.

PMI Sub-Indices

European Union Markit Manufacturing		Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12
●	Headline	49.0	47.5	46.8	47.5	49.3	49.3	48.4	46.7	45.5	45.8	44.5	45.9	46.5
●	Backlog of Orders	46.0	43.9	43.8	44.0	45.6	45.9	45.3	45.6	44.7	43.6	41.9	43.8	43.4
●	Employment	51.0	50.5	49.5	49.8	50.0	49.2	49.0	48.2	47.5	47.0	45.7	46.9	47.6
●	Input Prices	53.0	49.7	49.5	49.7	52.4	58.1	59.5	56.5	52.2	45.0	43.5	48.4	54.8
●	Output Prices	51.8	50.4	50.7	50.8	50.8	51.3	51.5	51.1	50.6	49.4	48.7	49.0	49.7
●	New Orders	46.1	44.2	43.3	44.5	47.4	47.7	46.7	44.4	42.7	44.2	42.9	44.8	44.6
●	New Export Orders	46.4	45.0	44.6	46.5	48.3	48.5	48.7	46.2	45.3	45.4	44.4	45.2	45.7
●	Output	50.1	47.3	46.2	47.8	51.3	50.7	49.6	47.1	45.4	45.9	43.8	45.2	46.2
●	Productivity (Non Trend)	50.1	47.3	46.2	47.8	51.3	50.7	49.6	47.1	45.4	45.9	43.8	45.2	46.2
●	Productivity	50.1	47.3	46.2	47.8	51.3	50.7	49.6	47.1	45.4	45.9	43.8	45.2	46.2
●	Quantity of Purchases	45.7	44.1	42.2	45.2	47.7	48.0	46.5	44.3	42.4	41.8	41.5	42.7	42.8
●	Stock of Finished Goods	49.4	49.4	49.1	47.5	47.6	48.5	49.7	48.6	48.7	47.7	47.5	48.0	47.5
●	Stock of Purchases	48.3	47.5	47.1	45.8	45.8	46.6	46.7	45.8	45.9	45.1	44.8	46.1	46.3
●	Suppliers Delivery Times	49.5	49.6	49.2	49.2	48.7	47.9	49.6	51.0	52.1	52.7	53.1	52.1	50.4
●	Diffusion Index %		8%	8%	77%	77%	62%	46%	15%	23%	46%	8%	92%	69%

PMI Sub-Indices

Markit Manufacturing		Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12
●	Austria	48.7	48.0	47.6	49.0	51.8	52.0	51.5	51.2	50.2	50.1	47.4	46.7	45.1
●	Denmark	62.6	43.8	48.2	59.1	54.1	55.8	52.9	62.1	53.0	52.7	47.7	51.4	50.1
●	France	48.2	48.5	47.3	48.9	48.5	50.0	46.7	46.9	44.7	45.2	43.4	46.0	42.7
●	Germany	50.3	49.1	47.9	48.4	51.0	50.2	48.4	46.2	45.2	45.0	43.0	44.7	47.4
●	Greece	43.2	40.5	40.9	42.0	41.0	37.7	41.3	40.7	43.1	40.1	41.9	42.1	42.2
●	Ireland	47.3	50.1	48.5	48.6	48.3	49.7	51.5	50.1	51.2	53.1	53.9	50.9	51.8
●	Israel	44.3	50.7	43.8	42.7	36.3	44.5	46.3	53.2	51.0	47.8	41.9		
●	Italy	48.3	43.3	44.0	44.3	46.8	47.8	47.9	43.8	44.8	44.6	44.3	43.6	45.7
●	Netherlands	48.9	48.0	46.0	46.2	49.0	50.3	49.6	49.0	47.6	48.9	48.9	49.7	50.7
●	Spain	43.7	43.9	43.8	43.7	45.1	45.0	44.5	43.5	42.0	41.1	42.3	44.0	44.5
●	Switzerland	49.3	47.7	45.6	49.1	47.3	49.0	51.1	46.9	45.4	48.1	48.6	46.7	43.6
●	United Kingdom	50.7	48.1	48.3	50.0	51.9	50.8	51.7	50.0	46.1	48.6	45.1	49.6	48.4
●	Diffusion Index %		33%	33%	83%	50%	67%	50%	25%	25%	42%	42%	58%	50%

Source: GaveKal Capital



Most worrying is the fact that growth estimates are still dropping in core Europe.

Growth in Germany for 2013 is now expected to be 1%.

Consensus
Estimates

Consensus Economics - FY2	Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12
GDP	1.3	1.0	0.8	0.5	1.5	1.5	1.5	1.6	1.6	1.4	1.3	1.2	1.0
Industrial Production	2.9	2.4	1.7	0.9	2.7	2.7	2.6	3.0	3.2	2.7	2.3	2.1	1.9
Unemployment	6.7	6.8	6.8	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.6	6.6	6.7
CPI	1.9	1.9	1.8	1.7	1.8	1.8	1.8	1.8	1.9	1.9	1.8	1.8	1.9
Consumption Expenditures	1.1	1.0	0.9	0.9	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.1	1.1
Current Account Balance	135.1	134.5	132.4	128.7	131.5	130.6	130.5	133.0	135.1	136.7	140.0	140.9	142.9
PPI	2.3	2.1	2.1	2.1	2.0	2.1	2.2	2.3	2.2	2.1	2.1	1.8	1.9
Wages & Salaries	2.8	2.8	2.7	2.5	2.6	2.6	2.6	2.6	2.7	2.7	2.8	2.9	2.7

Which is better than France, where estimates have slipped below .5% for 2013.

Consensus
Estimates

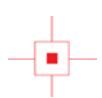
Consensus Economics - FY2	Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12
GDP	1.2	0.9	0.7	0.1	1.0	1.0	0.9	1.0	1.0	0.9	0.7	0.5	0.4
Industrial Production	1.9	1.5	0.5	-0.6	1.8	1.7	1.4	1.5	1.3	0.9	0.7	0.1	-0.5
Unemployment	9.0	9.2	9.2	9.6	9.6	9.7	9.8	9.7	9.8	9.8	9.9	10.0	10.1
CPI	1.7	1.7	1.6	1.7	1.6	1.7	1.8	1.8	1.7	1.7	1.6	1.7	1.7
Consumption Expenditures	1.1	0.8	0.7	0.3	1.1	1.0	0.9	0.8	0.9	0.8	0.7	0.5	0.3
Current Account Balance	-47.2	-49.0	-48.0	-43.7	-41.5	-39.2	-41.8	-40.6	-39.4	-40.9	-41.8	-40.1	-40.5
Wages & Salaries	2.2	2.1	2.0	1.9	1.9	1.9	1.9	1.9	2.0	1.8	1.8	1.8	2.0

Green light = month over month increase

Yellow light = no change

Red light = month over month decrease

Source: Consensus Economics Inc.



Trends in Asia don't look any better.

Manufacturing in Japan has slowed and is contracting

PMI Sub-Indices

Markit Manufacturing		Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12
Headline		49.3	50.6	49.1	50.2	50.7	50.5	51.1	50.7	50.7	49.9	47.9	47.7	48.0
Backlog of Orders		45.2	47.2	45.4	46.1	48.4	46.6	48.7	46.2	46.9	47.9	43.7	42.9	44.2
Employment		50.6	50.4	51.2	51.3	50.0	50.5	49.4	49.1	52.3	50.4	50.6	50.1	50.5
Input Prices	Red light =	58.5	55.1	54.1	54.9	52.8	55.6	54.5	53.6	50.0	49.7	47.6	47.0	48.3
Output Prices	monthly	49.7	48.4	48.5	49.0	47.6	49.4	47.7	47.7	47.5	46.8	46.6	47.7	45.9
New Orders	increase,	48.0	49.5	46.2	47.9	50.8	51.0	52.8	51.3	50.8	49.6	45.5	45.3	45.9
New Export Orders	Yellow light	44.9	47.2	46.0	49.1	50.2	47.1	50.2	48.5	48.2	47.5	43.2	45.5	46.3
Orders to Inventory Ratio	= no change,	1.0	1.0	0.9	1.0	1.1	1.1	1.1	1.0	1.0	1.0	0.9	0.9	
Output	Green light	49.0	52.8	47.7	49.6	51.4	51.3	52.2	51.9	50.8	48.7	47.3	46.9	47.1
Quantity of Purchases	= monthly	47.6	49.5	44.9	46.5	48.2	48.5	50.3	52.6	50.2	49.5	46.3	46.1	46.3
Stock of Finished Goods	increase	49.0	50.3	50.6	49.5	48.0	47.3	49.6	50.7	49.8	47.9	49.9	49.1	48.8
Stock of Purchases		48.8	48.6	49.5	49.6	47.4	46.9	48.7	49.4	48.1	50.2	50.0	48.1	48.0
Suppliers Delivery Times		48.6	49.0	46.2	45.4	47.2	49.6	50.3	49.8	50.0	48.6	51.0	49.7	49.8
Diffusion Index %			67%	33%	83%	58%	58%	67%	33%	33%	25%	25%	25%	67%

Australia is experiencing contracting manufacturing as well.

PMI Sub-Indices

Markit Manufacturing		Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12
Headline	Red light =	42.3	47.4	47.8	50.2	51.6	51.3	49.5	43.9	42.4	47.2	40.3	45.3	44.1
Employment	monthly	45.7	51.6	45.3	46.0	51.0	50.0	51.3	46.1	43.0	48.8	38.9	41.2	40.7
Input Prices	increase,	64.1	68.1	61.6	61.9	58.9	60.1	59.9	60.9	64.1	61.5	66.8	66.1	57.1
New Export Orders	Yellow light =	37.1	47.0	53.4	47.4	49.4	59.7	49.8	44.6	46.0	46.4	48.1	47.3	48.3
New Orders	no change,	44.6	46.9	48.1	49.9	49.9	51.7	48.2	42.0	40.6	46.2	40.4	49.1	44.3
Output	Green light =	39.2	45.9	49.6	51.0	50.7	51.7	50.1	43.9	38.9	47.5	37.8	43.1	45.5
Stocks of Finished Goods	monthly	42.3	47.0	50.5	53.9	54.3	51.1	52.4	46.4	51.2	53.6	45.8	49.1	51.0
Suppliers Delivery Times	increase	38.6	45.7	45.9	52.8	55.6	51.8	47.0	43.1	45.1	42.3	42.4	44.2	41.0
Diffusion Index %			100%	71%	86%	57%	57%	29%	14%	57%	71%	43%	71%	43%



Back in the US, trends have improved somewhat.

The latest click in the PMI series shows an ever so slight expansion in manufacturing in the US.

PMI Sub-Indices

ISM Manufacturing		Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12
●	Headline	52.5	51.8	52.2	53.1	54.1	52.4	53.4	54.8	53.5	49.7	49.8	49.6	51.5
●	New Orders	51.1	53.4	55.0	54.8	57.6	54.9	54.5	58.2	60.1	47.8	48.0	47.1	52.3
●	Production	52.5	52.7	55.7	58.9	55.7	55.3	58.3	61.0	55.6	51.0	51.3	47.2	49.5
●	Inventories	52.0	46.5	46.5	45.5	49.5	49.5	50.0	48.5	46.0	44.0	49.0	53.0	50.5
●	Customers' Inventories	49.0	43.5	50.0	42.5	47.5	46.0	44.5	45.5	43.5	48.5	49.5	49.0	49.5
●	Employment	55.2	54.0	52.4	54.8	54.3	53.2	56.1	57.3	56.9	56.6	52.0	51.6	54.7
●	Imports	54.5	49.5	49.0	54.0	52.5	54.0	53.5	53.5	53.5	53.5	50.5	49.0	49.5
●	New Export Orders	53.5	50.0	52.0	53.0	55.0	59.5	54.0	59.0	53.5	47.5	46.5	47.0	48.5
●	Supplier Deliveries	51.6	52.2	51.3	51.5	53.6	49.0	48.0	49.2	48.7	48.9	48.7	49.3	50.3
●	Backlog of Orders	41.5	47.5	45.0	48.0	52.5	52.0	52.5	49.5	47.0	44.5	43.0	42.5	44.0
●	Prices	56.0	41.0	45.0	47.5	55.5	61.5	61.0	61.0	47.5	37.0	39.5	54.0	58.0
●	Diffusion Index %		40%	50%	70%	70%	30%	40%	60%	10%	20%	50%	40%	90%

Red light =
monthly
increase,
Yellow light
= no change,
Green light
= monthly
increase

Regional surveys of manufacturing are not supportive of the “rapid rebound” case.

PMI Indices

Other Surveys		Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12
●	Chicago PMI	60.4	58.4	62.5	62.2	60.2	64.0	62.2	56.2	52.7	52.9	53.7	53.0	49.7
●	Empire State Manufacturing PMI	-7.4	-7.2	0.8	8.2	13.5	19.5	20.2	6.6	17.1	2.3	7.4	-5.9	-10.4
●	Philadelphia Fed Survey	-12.7	10.8	3.1	6.8	7.3	10.2	12.5	8.5	-5.8	-16.6	-12.9	-7.1	-1.9
●	Austin PMI	47.5	49.7	46.8	48.6	43.2	45.7	58.4	53.4	57.4	56.7	58.8	66.0	59.7
●	Cleveland PMI	19.4	21.4	20.3	22.0	37.9	46.6	46.9	31.7	15.4	7.3			
●	Dallas Fed Survey	-13.7	3.2	4.6	-0.3	15.3	17.8	10.8	-3.4	-5.1	5.8	-13.2	-1.6	-0.9
●	Houston PMI	60.8	61.3	61.6	57.8	59.7	59.6	59.1	59.1	59.6	59.2	59.6	60.3	
●	Kansas City Survey	7.0	8.0	4.0	-2.0	7.0	13.0	9.0	3.0	9.0	3.0	5.0	8.0	2.0
●	Michigan PMI	53.1	59.7	51.5	47.6	65.9	65.1	66.1	62.6	66.1	60.3	54.6	45.7	50.6
●	Milwaukee PMI	55.4	55.5	56.7	57.8	58.4	58.6	51.8	52.9	57.7	60.2	46.7	42.9	47.1
●	Richmond Survey	-2.0	-3.4	1.4	2.6	8.5	11.8	6.9	9.6	3.5	-0.9	-17.3	-9.0	4.0
●	Diffusion Index %		82%	55%	55%	82%	82%	45%	18%	55%	27%	55%	55%	45%

Red light =
monthly
increase,
Yellow light
= no change,
Green light
= monthly
increase



Earning estimates are slipping.

Earning estimates for this year and next are slowly slipping. With revenue estimates holding firm, this would suggest margin compression for 2013.

A to Z Z to A	Change in FY1 Sales Estimate (%)			Change in FY2 Sales Estimate (%)			Change in FY1 EPS Estimate (%)			Change in FY2 EPS Estimate (%)		
	High Low	High Low	High Low	High Low	High Low	High Low	High Low	High Low	High Low	High Low	High Low	High Low
SECTOR	1 Month	3 Months	6 Months	1 Month	3 Months	6 Months	1 Month	3 Months	6 Months	1 Month	3 Months	6 Months
Materials	-0.3	-2.6	-4.0	0.0	-1.9	-5.1	-3.0	-12.2	-16.7	-2.3	-9.3	-13.0
Energy	0.5	0.4	-3.1	0.7	-0.8	-9.7	0.6	-4.5	-15.5	-0.1	-8.2	-14.7
Information Technology	0.2	-0.3	0.4	0.1	0.1	-7.6	-0.8	-4.3	-3.9	-1.9	-4.3	-4.0
Industrials	0.9	1.6	1.4	0.8	1.5	-5.7	-0.6	-2.2	-2.0	-0.3	-2.0	-2.5
Consumer Discretionary	0.7	1.0	0.4	0.6	0.7	-5.3	0.8	-0.5	0.6	0.3	-1.9	-2.2
Consumer Staples	1.0	2.1	1.3	1.0	2.9	-3.5	0.9	0.8	-1.0	0.8	0.8	-0.9
Financials	0.9	1.8	0.2	1.0	1.4	-4.0	0.1	0.9	-1.1	0.1	0.0	-2.2
Health Care	0.5	1.4	2.0	0.6	1.7	-2.5	0.5	1.0	-0.9	0.6	0.7	0.4
Utilities	0.7	1.7	-0.1	0.8	2.1	-2.1	1.8	2.8	-2.5	-0.7	-0.6	-4.4
Telecommunication Services	1.3	2.9	-0.1	1.3	2.8	-2.4	1.2	2.9	-3.7	0.3	0.8	-5.9
Region Average	0.6	1.0	0.0	0.7	0.9	-5.0	0.0	-1.7	-3.9	-0.3	-2.4	-4.3

EPS = Earnings Per Share

With the developed world expected to barely average 1-1.5% growth next year, estimates seem especially high for cyclical sectors.

SECTOR	A to Z Z to A	Sales Growth (%)					Earnings Growth (%)				
		High Low	High Low	High Low	High Low	High Low	High Low	High Low	High Low	High Low	High Low
		FY1	FY2	FY3	FY4	Average	FY1	FY2	FY3	FY4	Average
Materials		2.7	10.1	5.3	5.7	6.1	5.4	30.2	16.7	12.1	17.8
Energy		9.7	10.3	10.3	4.4	9.8	0.7	23.7	25.0	10.1	15.7
Information Technology		6.6	8.6	7.1	5.3	6.9	25.3	19.9	15.9	9.2	19.4
Industrials		7.6	5.2	5.1	5.8	6.1	19.8	16.9	13.7	10.3	16.3
Consumer Discretionary		6.3	6.1	5.9	5.8	6.0	18.7	16.2	15.9	16.5	17.4
Health Care		8.3	6.3	5.4	5.6	6.4	34.6	14.5	11.5	12.8	18.8
Financials		-10.7	5.2	4.6	5.0	0.4	12.9	12.6	12.1	7.6	12.2
Consumer Staples		4.5	5.8	4.7	4.6	5.0	18.8	11.0	10.4	12.7	13.1
Utilities		1.9	4.3	3.3	5.1	3.6	13.4	6.5	7.3	6.3	9.2
Telecommunication Services		2.9	1.7	1.7	1.9	2.1	20.2	5.0	10.2	10.5	13.4
Region Average		2.7	6.5	5.5	5.2	5.0	16.8	16.5	14.2	11.1	15.5

Cyclical earnings estimates seem to have taken the biggest hit.

SECTOR	A to Z Z to A	3 Month Change in Sales Growth Estimate (%)					3 Month Change in EPS Growth Estimate (%)				
		High	High	High	High	High	High	High	High	High	High
		Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
		FY1	FY2	FY3	FY4	Average	FY1	FY2	FY3	FY4	Average
Materials		-0.7	6.6	2.9	-2.1	1.7	-17.0	5.2	4.4	3.8	-0.3
Information Technology		0.2	7.8	7.2	1.1	4.3	-12.0	0.4	2.7	0.8	-2.8
Energy		-0.5	9.6	6.3	1.7	4.5	-10.8	-3.6	3.5	3.5	-1.5
Health Care		-0.3	7.0	5.5	3.9	4.0	-8.7	-0.8	-0.1	0.0	-2.7
Industrials		-0.2	5.8	4.8	3.3	3.4	-8.5	0.1	1.1	0.1	-1.9
Financials		-0.6	5.7	2.5	2.1	2.1	-8.5	-1.2	-0.8	0.4	-2.9
Telecommunication Services		1.4	3.2	-1.5	1.8	1.3	-8.4	-1.3	-2.2	-1.3	-5.1
Consumer Discretionary		0.7	6.3	5.7	4.0	4.2	-6.1	-2.8	0.6	1.2	-1.6
Utilities		0.7	5.1	0.8	2.9	2.4	-4.1	-2.4	-0.7	-3.5	-4.5
Consumer Staples		1.0	6.7	3.6	1.1	3.3	-1.1	0.0	0.1	2.2	0.2
Region Average		0.0	6.5	4.2	2.1	3.2	-8.6	-0.6	0.9	1.0	-2.1

Our diffusion indices suggest earnings difficulties as well, with less than 50% of companies seeing rising estimates over the last 6 months.

SECTOR	A to Z Z to A	FY1 Sales Revision (1=Pos, 0=Neg)			FY1 EPS Revision (1=Pos, 0=Neg)		
		High	High	High	High	High	High
		Low	Low	Low	Low	Low	Low
		1 Month	3 Months	6 Months	1 Month	3 Months	6 Months
Materials		50%	40%	34%	37%	20%	17%
Energy		67%	43%	36%	56%	34%	18%
Utilities		72%	64%	36%	60%	67%	41%
Telecommunication Services		89%	91%	45%	80%	80%	36%
Information Technology		60%	44%	48%	47%	37%	41%
Health Care		70%	60%	48%	65%	61%	49%
Financials		73%	71%	48%	67%	62%	49%
Consumer Discretionary		66%	60%	52%	63%	59%	55%
Consumer Staples		79%	73%	52%	71%	64%	45%
Industrials		72%	66%	53%	56%	52%	42%
Average		69%	61%	47%	59%	52%	42%



Investors are looking for earnings stability in high margin (non-cyclical) companies.

Companies with the highest 3 month revision ratio have generally performed the best recently.

1= Highest 3 Month Change in EPS Estimates 10= Lowest 3 Month Change in EPS Estimates	3 Month Change in EPS Estimate	Performance (%)				
		1 DAY	1 WEEK	1 MONTH	3 MONTHS	1 YEAR
	1	-0.5	-1.6	3.4	14.2	23.4
	2	-0.3	-1.1	3.0	12.4	24.5
	3	-0.3	-0.9	2.6	11.2	23.9
	4	-0.5	-1.3	3.1	11.2	20.6
	5	-0.6	-1.6	2.2	9.1	18.8
	6	-0.6	-2.0	1.8	8.4	16.2
	7	-0.7	-2.1	1.7	7.9	10.9
	8	-0.7	-2.9	1.5	7.3	7.8
	9	-0.8	-3.5	1.3	5.5	2.1
	10	-0.8	-4.5	2.1	2.5	-11.5
	R ²	0.6	0.9	0.9	0.7	0.7

High earnings momentum is a symptom of high margin (non-cyclical) companies.

1= Highest Profit Margin 10= Lowest Profit Margin	Profit Margin	Performance (%)				
		1 DAY	1 WEEK	1 MONTH	3 MONTHS	1 YEAR
	1	-0.1	-1.6	4.6	12.1	19.5
	2	-0.5	-1.8	2.2	9.6	18.3
	3	-0.4	-1.3	1.5	9.2	17.0
	4	-0.5	-1.5	2.4	9.6	15.8
	5	-0.5	-1.9	2.4	10.9	17.6
	6	-0.5	-1.9	2.4	10.0	15.5
	7	-0.7	-2.2	1.4	8.6	12.6
	8	-1.0	-3.0	1.3	7.0	11.9
	9	-0.8	-2.8	1.8	6.3	8.3
	10	-0.9	-3.3	2.5	6.2	-0.5
	R ²	0.8	0.8	0.6	0.9	0.8

Medical devices offer compelling value.

Focusing on free cash flow yield, valuations are the most attractive in a decade. Many companies are offering 2x the free cash flow yield of 2002.

Region	Company Name	Years										
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Current
Asia-Pacific	COCHLEAR	-6.4	23.7	12.6	26.3	8.0	8.9	9.5	15.0	21.7	20.7	18.6
	OLYMPUS CORP	4.8	8.1	-2.0	-4.5	0.4	6.3	3.6	-0.8	3.5	0.4	-0.5
	SYSMEX CORP	2.6	5.5	9.8	1.1	1.1	3.9	0.8	2.0	12.7	8.3	6.4
	TERUMO CORP	8.0	11.6	13.5	13.4	11.3	9.2	17.4	3.8	15.1	7.5	8.3
Europe	GETINGE B	12.3	12.2	7.2	6.5	7.6	3.1	2.0	9.9	12.0	9.1	9.1
	SMITH & NEPHEW	6.1	7.8	8.4	3.6	5.1	7.1	7.2	10.6	13.7	12.2	12.2
	SONOVA HOLDING	4.1	5.0	19.5	12.1	16.6	23.5	20.7	16.5	22.5	14.2	13.6
	STRAUMANN HOLDING	17.7	26.6	18.7	16.4	22.4	25.9	18.4	29.0	20.8	17.4	17.4
	WILLIAM DEMANT HOLDING	14.2	16.4	9.7	11.0	11.9	10.4	11.5	12.4	8.0	12.1	12.1
	ELEKTA B	3.8	11.7	12.3	10.8	7.7	0.5	5.2	9.9	13.0	9.4	5.6
North America	BARD (C.R.)	16.3	10.3	9.9	13.2	12.2	20.7	18.2	21.4	21.1	21.8	21.8
	BAXTER INTERNATIONAL	4.3	7.1	8.6	11.2	16.0	14.3	12.6	15.1	15.6	13.4	13.4
	BECTON DICKINSON	12.3	12.8	16.1	16.4	10.2	10.4	14.5	14.0	13.9	14.1	14.1
	BOSTON SCIENTIFIC CORP	14.5	10.9	22.8	8.9	19.2	6.8	10.6	6.4	0.7	9.2	9.2
	CAREFUSION					14.3	11.5	14.9	14.5	14.3	5.0	5.0
	COVIDIEN						17.9	15.2	13.2	16.4	14.8	14.8
	EDWARDS LIFESCIENCES	10.4	6.8	13.6	8.6	16.5	13.5	6.1	7.7	13.0	13.3	13.3
	HOLOGIC	0.4	-2.2	8.2	12.3	-2.0	17.7	18.6	31.1	24.3	22.2	22.2
	INTUITIVE SURGICAL	-27.7	-14.2	5.7	17.5	21.9	30.2	19.7	31.5	30.6	33.8	33.8
	MEDTRONIC	18.8	22.1	26.6	23.4	8.5	18.6	21.3	22.0	22.1	20.0	24.5
	ST JUDE MEDICAL	22.3	22.0	22.4	19.1	11.5	15.3	13.8	11.6	18.8	17.5	17.5
	STRYKER CORP	12.1	13.9	9.5	12.2	12.0	14.0	15.2	19.8	18.7	14.5	14.5
	VARIAN MEDICAL SYSTEMS	14.9	18.3	17.0	15.0	10.0	13.3	14.1	10.9	16.7	15.5	15.5
	ZIMMER HOLDINGS	13.6	17.7	20.9	19.0	22.1	19.3	10.7	20.8	21.6	20.0	20.0
		8.1	11.6	13.2	12.4	11.5	13.4	12.6	14.5	16.3	14.4	14.3

Source: GaveKal Capital



They are high margin companies with improving trends.

Gross margins across the industry have risen over the last decade and, for many companies, the latest data point is the highest in 10 years.

Region	Company Name	Years										
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Current
Asia-Pacific	COCHLEAR	72.8	80.8	70.0	71.1	69.3	71.2	70.6	72.4	71.0	68.8	60.3
	OLYMPUS CORP	43.2	49.5	48.1	37.0	36.7	42.0	44.8	45.4	44.6	44.6	44.5
	SYSMEX CORP	55.3	56.4	55.8	55.8	56.8	55.7	57.7	61.9	61.9	61.3	60.2
	TERUMO CORP	47.0	46.0	49.8	52.7	53.8	54.4	53.8	51.2	51.6	51.1	50.4
Europe	GETINGE B	41.0	41.6	41.5	43.2	44.4	44.1	45.9	45.9	47.5	48.5	48.5
	SMITH & NEPHEW	68.7	69.2	71.5	73.6	71.5	69.3	71.3	75.8	72.7	71.6	71.6
	SONOVA HOLDING	49.1	48.8	56.3	60.6	66.6	67.9	69.4	68.9	69.7	67.9	66.9
	STRAUMANN HOLDING	79.0	79.6	81.5	80.5	80.6	81.6	81.1	79.7	79.6	82.0	82.0
	WILLIAM DEMANT HOLDING	62.2	63.5	64.6	64.7	68.4	70.3	67.5	68.9	69.8	70.0	70.0
	ELEKTA B	38.0	36.8	37.0	36.3	39.2	39.9	40.8	43.3	44.0	44.2	44.3
North America	BARD (C.R.)	54.3	57.5	60.1	61.5	61.1	60.7	61.2	62.2	62.4	62.1	62.1
	BAXTER INTERNATIONAL	46.8	44.4	41.6	43.3	46.6	49.0	49.6	51.9	47.3	51.0	51.0
	BECTON DICKINSON	48.5	49.2	50.2	50.8	51.4	51.7	51.2	51.9	51.9	52.3	52.3
	BOSTON SCIENTIFIC CORP	67.9	69.8	76.0	75.5	65.0	64.3	62.6	62.3	60.7	61.3	61.3
	CAREFUSION				40.9	45.2	45.1	45.3	43.8	47.5	51.2	51.2
	COVIDIEN						46.3	52.8	52.9	54.4	57.1	57.1
	EDWARDS LIFESCIENCES	57.5	58.2	60.3	62.5	64.0	65.3	66.1	69.4	71.7	72.5	72.5
	HOLOGIC	37.8	36.1	37.3	39.3	41.4	46.0	51.8	49.5	40.6	48.3	48.3
	INTUITIVE SURGICAL	52.0	55.2	63.4	67.6	66.5	69.0	71.0	71.4	72.9	72.5	72.5
	MEDTRONIC	74.2	75.3	75.1	75.7	75.1	74.3	74.5	75.9	75.6	75.3	73.8
	ST JUDE MEDICAL	68.2	68.8	70.9	72.7	72.8	73.5	74.7	73.9	73.2	73.5	73.5
	STRYKER CORP	62.1	62.5	63.4	63.8	65.0	68.2	67.7	67.0	68.0	64.7	64.7
	VARIAN MEDICAL SYSTEMS	38.9	40.5	41.9	42.9	41.5	41.3	42.4	43.4	43.5	43.8	43.8
	ZIMMER HOLDINGS	74.9	72.3	72.5	76.2	76.5	76.3	75.8	74.4	74.6	74.0	74.0
		56.3	57.4	58.6	58.6	59.1	59.5	60.4	61.0	60.7	61.2	60.7

Source: GaveKal Capital



They have been increasing the amount of capital they return to shareholders.

The medical equipment companies have more than doubled the amount of capital allocated to share repurchases in the last decade. We view such shareholder friendly decisions favorably.

Region	Company Name	Years										
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Current
Asia-Pacific	COCHLEAR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	OLYMPUS CORP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.6	0.0	30.4	0.5
	SYSMEX CORP	0.2	1.2	0.1	0.6	0.4	0.1	0.2	0.1	0.0	0.3	0.0
	TERUMO CORP	27.4	23.4	11.8	0.3	0.1	46.4	36.4	57.0	0.0	0.1	0.0
Europe	GETINGE B	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	SMITH & NEPHEW	0.0	0.0	0.0	0.0	0.0	146.1	34.1	0.0	0.6	0.7	0.7
	SONOVA HOLDING	0.0	6.8	0.0	0.3	4.8	3.6	46.1	33.5	2.1	0.0	0.2
	STRAUMANN HOLDING	0.0	0.0	0.0	0.0	10.2	1.3				24.8	24.8
	WILLIAM DEMANT HOLDING	63.2	71.8	83.2	77.9	103.0	117.0	51.7	0.0	0.0	21.8	21.8
	ELEKTA B	0.0	0.0	0.0	0.0	0.0	122.7	55.2	0.0	0.0	0.0	0.0
North America	BARD (C.R.)	26.3	22.6	30.8	35.8	60.4	77.2	44.0	55.3	167.7	38.9	38.9
	BAXTER INTERNATIONAL	98.0	50.1	1.3	0.0	33.8	80.5	79.0	41.8	48.4	56.2	56.2
	BECTON DICKINSON	26.8	38.6	40.9	44.9	41.7	36.3	26.7	32.5	45.2	87.6	87.6
	BOSTON SCIENTIFIC CORP	0.0	72.4	20.0	81.3	0.0	0.0	0.0	0.0	0.0	48.8	48.8
	CAREFUSION								0.0	0.0	0.0	0.0
	COVIDIEN						0.0	0.0	12.4	15.1	43.8	43.8
	EDWARDS LIFESCIENCES	25.5	40.4	32.7	39.1	63.2	62.3	200.1	57.8	79.6	96.5	96.5
	HOLOGIC	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0
	INTUITIVE SURGICAL	0.0	-0.1	0.0	0.1	0.0	0.0	0.0	39.0	37.6	49.0	49.0
	MEDTRONIC	1.6	20.1	30.9	18.1	211.3	34.9	44.3	19.6	24.9	30.5	32.2
	ST JUDE MEDICAL	0.0	109.6	0.0	0.0	107.9	127.2	31.7	115.1	46.4	62.9	62.9
	STRYKER CORP	0.0	0.0	0.0	0.0	0.0	0.0	85.0	0.0	27.5	43.4	43.4
	VARIAN MEDICAL SYSTEMS	35.3	50.1	86.3	90.2	134.1	106.4	70.3	33.3	108.0	106.9	106.9
	ZIMMER HOLDINGS	0.0	0.0	0.0	0.5	76.8	53.1	71.0	82.7	42.4	89.2	89.2
		13.8	23.1	15.4	17.7	38.5	44.2	39.8	26.3	28.1	34.7	33.5

Source: GaveKal Capital

When we capitalize knowledge investments, we can see the large reservoir of intellectual property. Roughly 20% of the assets of the average medical equipment company is knowledge.

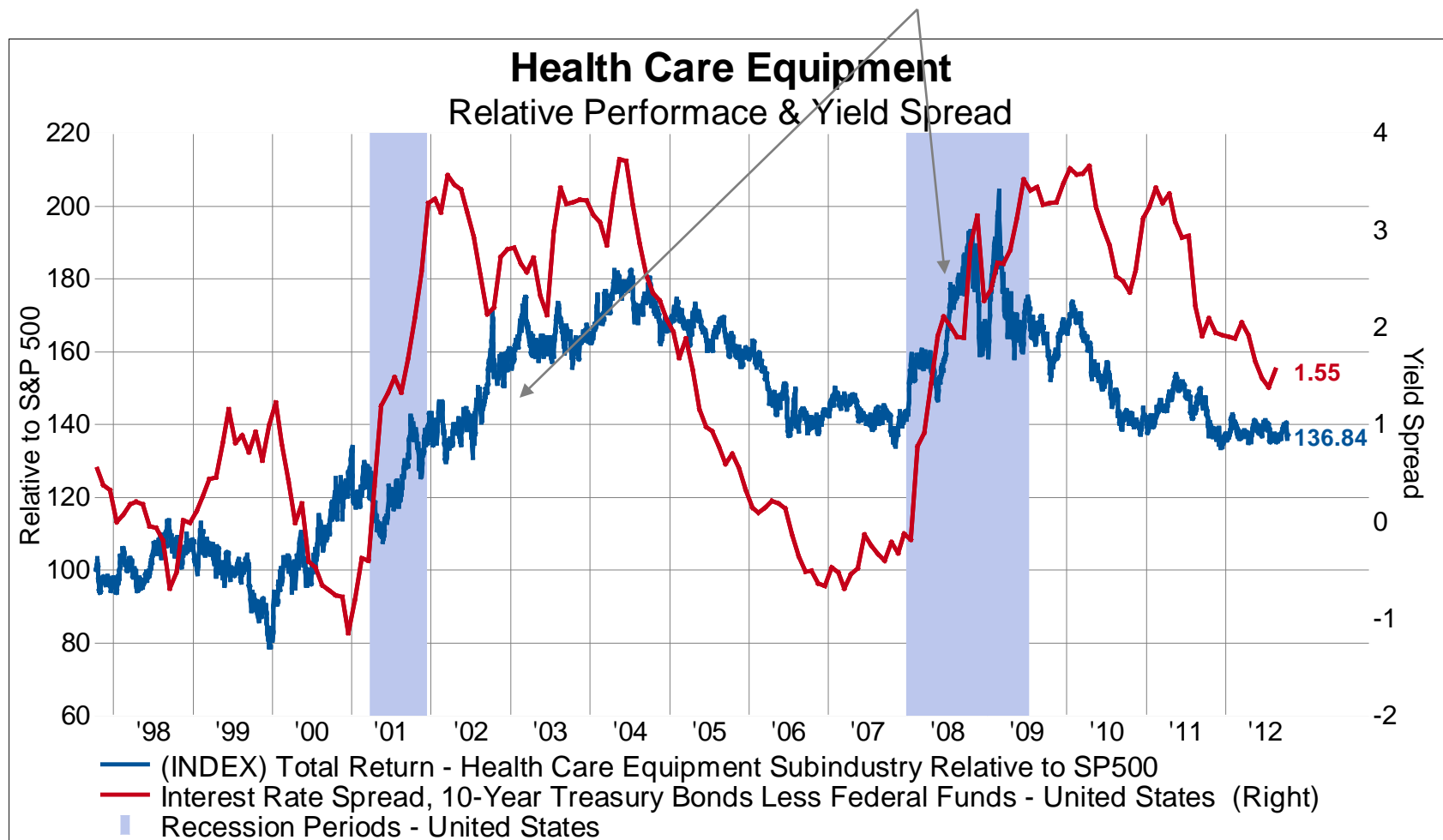
		Percent of Assets (%)				
		High	High	High	High	High
		Low	Low	Low	Low	Low
NAME		Cash	Net Current Assets	Intellectual Property	Plant, Property & Equipment	Long-term Assets
COCHLEAR		5.9	7.7	39.7	5.1	44.8
EDWARDS LIFESCIENCES		15.4	13.1	32.4	10.4	42.8
WILLIAM DEMANT HOLDING		2.6	13.9	31.1	11.5	42.6
SYSMEX CORP		12.0	15.3	30.8	19.4	50.2
STRAUMANN HOLDING		32.4	6.0	30.3	9.5	39.8
OLYMPUS CORP		15.1	9.0	27.2	9.6	36.8
ST JUDE MEDICAL		8.5	11.5	25.1	11.6	36.6
SMITH & NEPHEW		2.9	17.1	24.9	12.4	37.3
SONOVA HOLDING		6.7	4.8	23.3	8.1	31.4
VARIAN MEDICAL SYSTEMS		18.4	10.6	21.4	9.0	30.4
BARD (C.R.)		15.1	6.9	20.4	7.2	27.6
STRYKER CORP		22.3	12.9	19.1	5.8	24.9
BAXTER INTERNATIONAL		12.3	5.7	19.0	23.5	42.5
MEDTRONIC		6.4	10.6	18.9	6.1	25.0
BECTON DICKINSON		12.2	11.8	18.5	25.1	43.6
BOSTON SCIENTIFIC CORP		1.0	4.0	17.1	6.5	23.6
ZIMMER HOLDINGS		12.0	13.0	16.7	11.8	28.5
INTUITIVE SURGICAL		28.4	3.2	15.5	5.4	21.0
COVIDIEN		6.3	7.9	14.1	11.4	25.5
TERUMO CORP		9.8	10.0	14.0	16.4	30.4
ELEKTA B		10.7	7.2	13.7	2.3	16.0
CAREFUSION		14.6	9.4	12.2	5.0	17.2
GETINGE B		3.3	11.3	10.9	7.4	18.3
HOLOGIC		10.9	1.8	8.2	3.6	11.8
Average		11.9	9.4	21.0	10.2	31.2

Source: GaveKal Capital



Contrary to popular belief, medical equipment is an economically sensitive industry.

While many investors perceive medical equipment to be a defensive, safe-haven group, relative performance trends are well correlated to the yield curve.

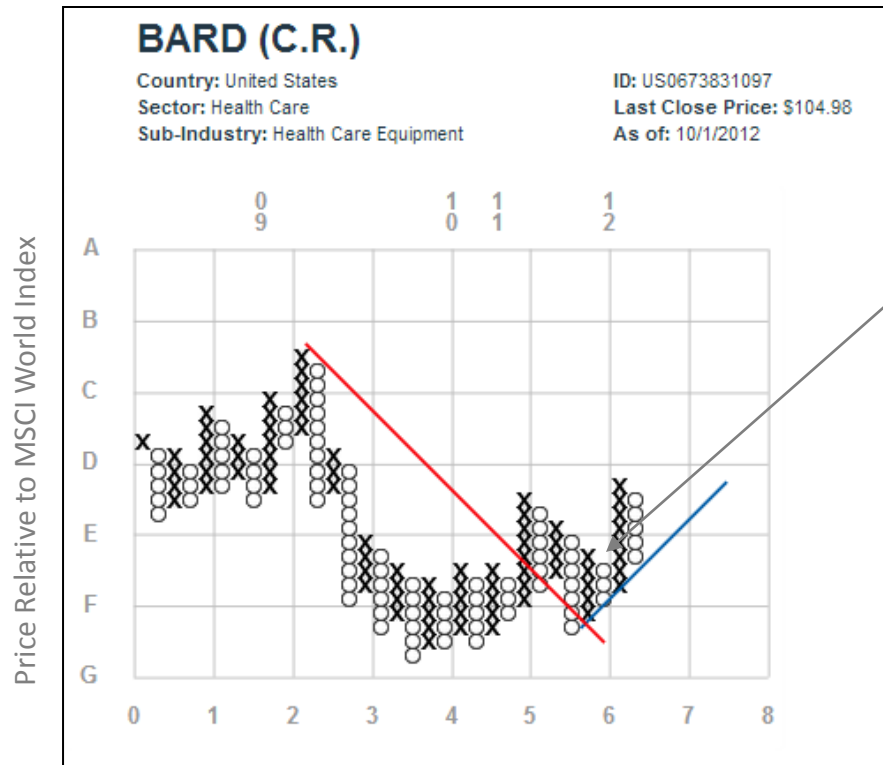


Source: FactSet

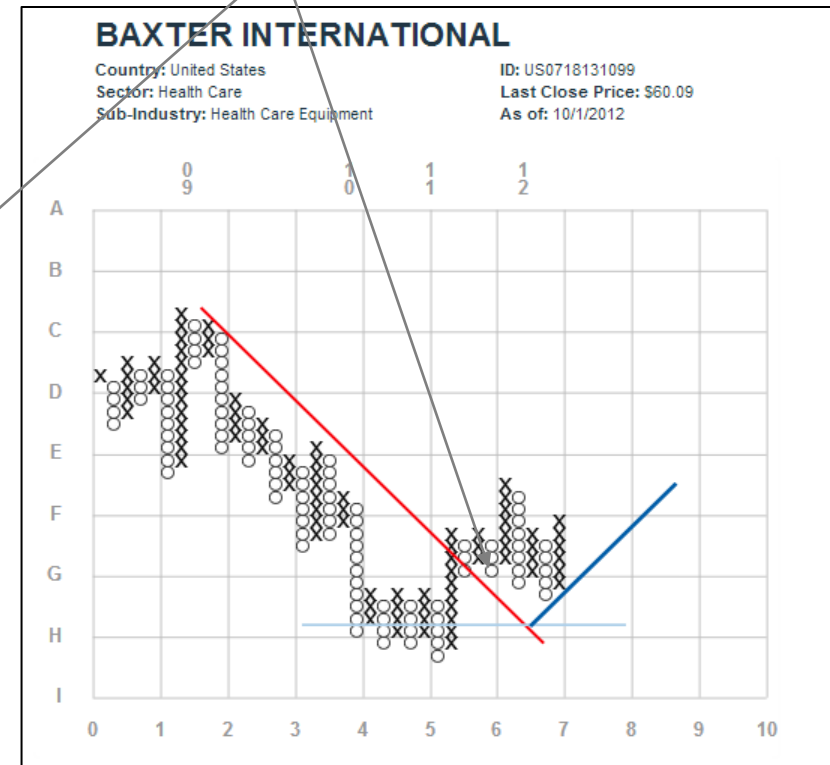


Medical equipment stocks emerging from long-term support.

We look for stocks emerging from long-term relative performance bases of support. Very often this indicates changes in relative performance trends.



Volatility Relative to MSCI World Index



Volatility Relative to MSCI World Index

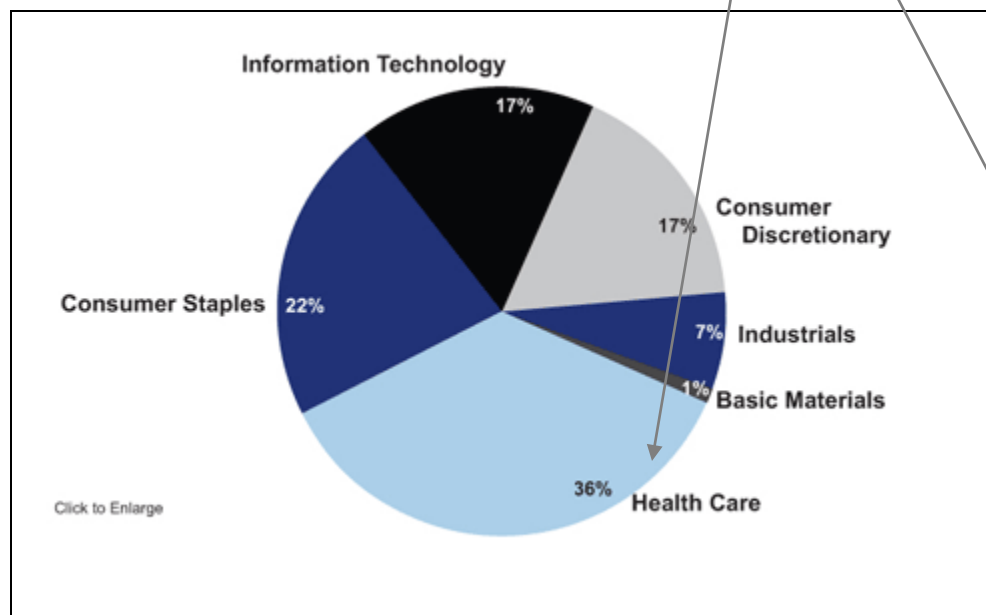
X/O: the X is a 2.5% relative outperformance against the benchmark and the O is a 2.5% relative underperformance against the benchmark.

To move from one column of Xs to a column of Os, we need to see 7.5% relative underperformance and vice versa if moving from Os to Xs, which indicates an outperformance.

The red lines are downtrend resistance lines, the dark blue are uptrend support lines and the light blue line is a base support line. The axes letter and number markers are solely a reference point for discussing what is on the graph.



Health care is our largest sector overweight, and we own two medical equipment stocks in our top 20 holdings.



As of September 30, 2012

Top 20 Holdings	% of Equities
CR Bard Inc	2.77
Bristol-Myers Squibb Co	2.70
Abbott Laboratories	2.70
Pfizer Inc	2.69
Henry Schein Inc	2.68
Chugai Pharmaceutical Co Ltd	2.67
Lockheed Martin Corp	2.61
Astellas Pharma Inc	2.59
Mattel Inc	2.58
Coca-Cola Co	2.56
Gilead Sciences Inc	2.28
Google Inc	2.15
Ajinomoto Co Inc	2.03
EMC Corp	2.02
Becton Dickinson and Co	2.01
Asahi Group Holdings Ltd	1.98
McCormick & Co Inc	1.98
QUALCOMM Inc	1.94
FamilyMart Co Ltd	1.94
CA Inc	1.93



Sharpe Ratio uses a fund's standard deviation and its excess return (the difference between the fund's return and the risk-free return of 90-day Treasury Bills) to determine reward per unit of risk.

Chicken Cyclical: a cyclical company is one that is highly correlated to economic cycles. Chicken Cyclical are companies with a muted exposure to the economy's cycles because they provide upside exposure with less downside risk than heavy cyclical such as energy and materials.

World Knowledge Leaders: knowledge leaders are companies that we have identified as being leaders in innovation and investment in intangible capital. World Knowledge Leaders are constituents in the MSCI World Index.

Europe Knowledge Leaders: knowledge leaders are companies that we have identified as being leaders in innovation and investment in intangible capital. Europe Knowledge Leaders are constituents in the MSCI Europe Index.

Asia Knowledge Leaders: knowledge leaders are companies that we have identified as being leaders in innovation and investment in intangible capital. Asia Knowledge Leaders are constituents in the MSCI Pacific Index.

North America Knowledge Leaders: knowledge leaders are companies that we have identified as being leaders in innovation and investment in intangible capital. North America Knowledge Leaders are constituents in the MSCI North America Index.

MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.

VIX is the ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30 day volatility.

Citi Macro Risk Index measures risk aversion in global financial markets. It is an equally weighted index of emerging market sovereign spreads, US credit spreads, US swap spreads and implied FX, equity and swap rate volatility.

S&P 500 is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors.

Cumulative Net Advancing Indicator is the 1-year moving sum of the daily net change of advancing stocks minus the declining stocks.

Citigroup Economic Surprise Index is an objective and quantitative measure of economic news. It is defined as the weighted historical standard deviations of data surprises (actual releases vs. Bloomberg survey median).

Diffusion Index is a measure of the percentage of data points that have advanced since the prior data point.

Earnings per share (EPS) represents the portion of a company's earnings that is allocated to each share of common stock.



Important Disclosures

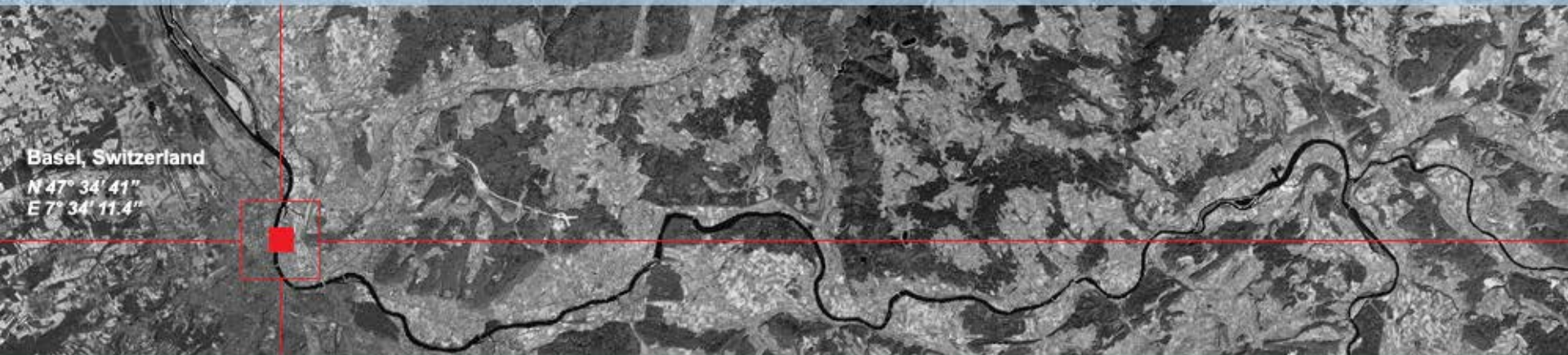
The value of the securities held by the Fund will change due to general market and economic conditions and industry perceptions. Investments in non-US issuers may involve unique risks including, foreign securities that trade in, and receive revenues in, foreign currencies are subject to the risk that those currencies will decline in value relative to the US dollar. Currency fluctuation, adverse political, economic or social developments could undermine the value of the Fund's investments. The securities of mid-cap companies may be subject to more abrupt or erratic market movements and may have lower trading volumes.

The Fund's advisor has contractually agreed to waive its fees and/or absorb expenses of the Fund to ensure that total annual fund operating expenses (excluding taxes, leverage interest, brokerage commissions, dividend expenses on short sales, acquired fund fees and expenses as determined in accordance with Form N-1A, expenses incurred in connection with any merger or reorganization, or extraordinary expenses such as litigation) do not exceed 1.50% and 1.25% of average daily net assets for Advisor Class and Institutional Class Shares, respectively. This agreement is in effect until December 31, 2012, and it may be terminated before that date only by the Trust's Board of Trustees. The Fund's advisor is permitted to seek reimbursement from the Fund, subject to limitations, for fees it waived and Fund expenses it paid for three years from the date of any such waiver or payment.

The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets.

Please consider the Fund's investment objectives, risks, charges and expenses before investing. The prospectus or summary prospectus that contains this and other information about the Fund, is available by calling 888.998.9890 and should be read carefully.

The GaveKal Platform Company Fund is distributed by Grand Distribution Services, LLC, 803 W. Michigan St., Milwaukee, WI, 53233.



Basel, Switzerland

N 47° 34' 41"

E 7° 34' 11.4"

Investing in knowledge worldwide.

For investors interested in the GaveKal Knowledge Leaders Strategy, please contact Shawn Paulk at spaulk@gavekal-usa.com or 704.844.6844.

