



The Coming Change In Expectations

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Today's economic landscape appears grim to be sure. But are there any bright spots in this otherwise bleak outlook? This update addresses this question from both a macro and micro level concluding with what we hope are actionable words of advice for the long-term-oriented equity investor.

Future Equity Returns

Whereas several decades of history suggest a mean return for equities of approximately 10%, our long-term outlook for global equity returns today ranges from 6% to 8%. This number reflects the sum of the current dividend yield (2%+) and an earnings growth rate that parallels the growth rate of global nominal GDP (4% to 6% in our view). We assume no change in P/E ratios given where interest rates are today. Indeed, any upward shift in the yield curve creates a headwind for P/E ratios given their high inverse correlation to interest rates.

We believe there are five quantitative touchstones – economic indicators, sovereign debt issues, monetary policy and deflation, the Euro crisis, and China – that will determine additional changes to these forecasts in the months and years ahead.

Economic Indicators

U.S. Leading Indicators peaked in March and have begun a descent (Figure 1), suggesting annual GDP growth of around 1.5%.

Figure 1: U.S. Leading Indicators Have Begun a Descent

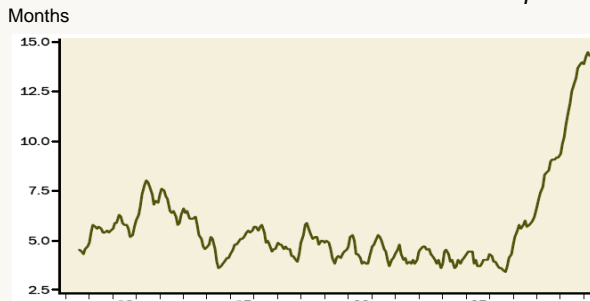


Source: Wolfe Trahan & Co. Portfolio Strategy. Date: May 24, 2010.

Consumer spending has improved, but first quarter growth can be almost completely explained by the drop in the savings rate. Housing looks iffy as well. Mortgage applications fell sharply in May reflecting the expiration of the government's mortgage support program. Figure 2 suggests any pickup will be slow.

Figure 2: It is Taking Longer to Sell a New Home United States: New Single-Family Homes:

Median Number of Months for Sale since Completion



Source: Haver Analytics, Gluskin Sheff. Date: May 27, 2010.

Sovereign Debt Issues

Research has shown that when debt levels reach 90% of GDP, a country's real economic growth rate becomes stunted; on average, future growth is lowered by 100 basis points per annum. The debt level of many countries in the developed world has already hit this 90% benchmark.

With regard to sovereign nation spending, the danger is that it use prolongs the excesses of the previous credit bubble. Ultimately, it is bad policy, as it prevents the necessary deleveraging and stops market clearing mechanisms from eliminating the overhang of unproductive investment that credit bubbles engender.

Monetary Policy and Deflation

We may have increased the supply of money in our economic system, but it has not been loaned by the banking system. The velocity of money is at its lowest level since the Federal Reserve Bank of St. Louis has been keeping records. Until that trend changes, deflation is our problem. The magnitude of debt, both on and off sovereign balance sheets, indicates that an increasing proportion of the annual growth of GDP must be spent servicing the debt. That means slower real growth prospects.

The Euro Crisis

Greece was the proverbial canary in the coal mine. CDS spreads suggest the market is now applying 45% odds that Greece will default within the next five years. And conditions in the rest of Europe don't look much sunnier: the contagion of Greece's financial upheaval has forced the ECB to propose a rescue package with help from the IMF. Fiscal restraint, little growth in the work force, and signs of instability in the banking system strongly suggest both economic growth rates and profits will be revised downward in coming months.

China

China has been the marginal buyer of almost every good manufactured in the world for some time. However, we are now past the peak of the worldwide inventory cycle with the Chinese PMI beginning to slip. The warning bell for China may well be the Australian dollar. It has fallen by just under 7% versus the Yuan since the end of April, possibly reflecting a peaking of economic activity in China, Australia's most important trading partner.

With their currency pegged to ours, China's monetary policy is also ours. But what may be right for us is clearly wrong for them. Inflation is soaring there. The minimum wage scale has been raised 20% in many parts of the country. Whereas the velocity of money in the U.S. remains moribund, it has soared in China and produced inflation. A massive property bubble has ensued and the government is trying to put the brakes on it, but it seems naïve to believe this bubble can be contained without its effects spilling over to the real economy.

Corporate Balance Sheets and Distributions

We have spent the past few paragraphs enumerating the abundance of problems at the macro level of the global economy. But it is important to take a look at the micro picture. The fact is there are few major issues at the corporate level. Corporate balance sheets are the strongest they have been in almost 50 years. Goldman Sachs estimates that cash as a



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percent of total assets of non financial companies at the beginning of 2010 was 9.7%: a record high. From the perspective of corporate leverage, things are also looking up. Debt to equity ratios for the non farm, non financial sector fell to 55% from Q4's 57% and are far below the cycle high of 80%.

As a result of these strengthening fundamentals, we expect corporations to increasingly allocate cash flow to dividends and share repurchases. So far this year, more than 100 companies in the S&P 500 have raised their dividends, and share buybacks have come in at over \$53 billion, up 23% from the same period a year ago. With limited global growth prospects, M&A activity should pick up as firms elect to acquire other firms in order to grow.

Conclusion and Investment Strategy

The foregoing discussion suggests we are in for a period of lowered expectations of real economic growth with equity markets characterized by greater than normal volatility. However, the investor is being paid for this risk to a large extent. Equity cash flow yields now approach three times the coupon level of bonds for many companies. And remember,

equities protect the investor in at least two important ways – they are a hedge against inflation and they capture productivity gains through expanding earnings.

Security selection will matter. Specifically, it will pay to concentrate on those firms with:

- 1) above average free cash flow yields,
- 2) prospects of growing those yields and,
- 3) an absence of significant debt obligations.

Many of these investment candidates will be large global franchises that pay dividends (i.e. cash, share buybacks, and/or debt pay downs), are defensive in character, and have elements of low to moderate cyclicalty. And many of them have almost never been cheaper. Given the headwinds faced by today's investor, patience is required, but it will be worth the wait.

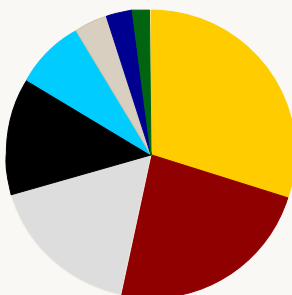
COMPANY OVERVIEW

Epoch Investment Partners, Inc. ("Epoch") is a global asset management firm formed in April 2004 by senior investment professionals who possess, on average, more than 25 years experience. Epoch was created with the specific goal of responding to paradigm shifts within the sources of global equity investment returns and within the structure of the investment management business as a whole. Epoch has been a public company since its inception (NASDAQ: EPHC) and has adhered to all associated demands surrounding appropriate financial and business practices disclosures.

INVESTMENT PHILOSOPHY

Our investment philosophy, as it has been since inception, is to produce superior risk-adjusted returns by identifying companies for investment that not only generate free cash flow but also have management teams that are likely to deploy free cash flow in ways that create shareholder value such as through dividends, share repurchases, debt-reduction, sensible internal re-investment, or accretive acquisitions. Our investment philosophy reflects the changing hierarchy within the three determinants of investment returns: earnings, dividends, and P/E ratios. Throughout history, the relative importance of each determinant has changed dramatically depending upon the economic landscape of the period under review. In the 1980s and 1990s, for example, rising P/E ratios were the principal drivers of equity returns, leading to the popularity of valuation methodologies that reflected Price-to-Book value and Price-to-Earnings metrics. Underlying this 20-year P/E expansion was a collapse in interest rates. However, beginning in June of 2003, this two-decade period of declining interest rates and expanding P/E ratios began to show signs of ending. We believe we have entered a period in which P/E ratios are more likely to remain flat or contract rather than expand as interest rates are more likely to rise rather than fall from recent historical lows. Given the inverse relationship of P/Es to interest rates, P/E multiple expansion will cease to be the primary explanatory variable of equity returns going forward, leaving only earnings growth and dividends to drive equity returns. These two drivers come from a single source: cash flow. Consequently, Epoch's security selection process is focused upon free cash flow metrics as opposed to traditional accounting-based metrics. Free cash flow analysis is a better and more transparent methodology to understand how a business works. In our view, the key to producing superior risk-adjusted equity returns is the identification of companies with an ability to generate free cash flow and to allocate it properly among dividends, share repurchases, debt pay downs, internal reinvestment opportunities and/or acquisitions.

Assets Under Management: \$11.3 Billion (As of June 30, 2010)



U.S. Value	\$ 3,403
U.S. All Cap Value/Balanced	\$ 2,646
Global Equity Shareholder Yield	\$ 1,959
Global / U.S. / Absolute Return / Choice	\$ 1,462
U.S. SMID Cap Value	\$ 902
International	\$ 400
U.S. Small Cap Value	\$ 363
Global Small Cap	\$ 207

In millions and may not total due to rounding.

Performance Second Quarter 2010

	Inception Date	2Q 2010	Annualized Returns					Risk Statistics - Since Inception						
			1 Year	3 Years	5 Years	10 Years	Since Inception	Std Dev.	Sharpe Ratio	Inform. Ratio	Alpha	Beta	R ²	
U.S. ALL CAP VALUE	7/31/1994													
Epoch Gross Return		(12.8)	12.9	(7.7)	0.8	6.5	10.4	13.5	0.5	-	-	-	-	-
Epoch Net Return		(13.0)	12.0	(8.4)	(0.0)	5.6	9.5	-	-	-	-	-	-	-
Russell 3000		(11.3)	15.7	(9.5)	(0.5)	(0.9)	7.3	16.0	0.2	0.4	4.9	0.7	0.8	
Russell 3000 Value		(11.1)	17.6	(12.1)	(1.6)	2.7	7.9	15.4	0.3	0.3	4.3	0.8	0.8	
U.S. VALUE	7/31/2001													
Epoch Gross Return		(12.5)	10.6	(6.8)	1.8	-	4.0	14.5	0.1	-	-	-	-	-
Epoch Net Return		(12.6)	9.8	(7.5)	1.1	-	3.3	-	-	-	-	-	-	-
Russell 1000		(11.4)	15.2	(9.5)	(0.6)	-	0.6	16.1	(0.1)	0.6	3.4	0.8	0.9	
Russell 1000 Value		(11.1)	16.9	(12.3)	(1.6)	-	1.6	16.4	(0.0)	0.4	2.6	0.8	0.8	
S&P 500		(11.4)	14.4	(9.8)	(0.8)	-	0.1	15.9	(0.1)	0.7	3.9	0.8	0.9	
U.S. SMID CAP VALUE	8/31/2006													
Epoch Gross Return		(10.8)	19.0	(7.2)	-	-	(0.9)	21.2	(0.1)	-	-	-	-	-
Epoch Net Return		(11.0)	17.8	(8.1)	-	-	(1.9)	-	-	-	-	-	-	-
Russell 2500		(10.0)	24.0	(8.0)	-	-	(1.8)	23.0	(0.2)	0.2	0.6	0.9	1.0	
Russell 2500 Value		(10.2)	26.5	(9.3)	-	-	(3.5)	23.4	(0.2)	0.4	2.0	0.9	0.9	
U.S. SMALL CAP VALUE	12/31/2002													
Epoch Gross Return		(10.7)	16.2	(7.9)	0.6	-	7.3	17.4	0.3	-	-	-	-	-
Epoch Net Return		(10.9)	15.1	(8.8)	(0.4)	-	6.2	-	-	-	-	-	-	-
Russell 2000		(9.9)	21.5	(8.6)	0.4	-	7.8	20.1	0.3	(0.1)	0.8	0.8	0.9	
Russell 2000 Value		(10.6)	25.1	(9.8)	(0.5)	-	7.8	20.3	0.3	(0.1)	1.0	0.8	0.9	
U.S. CHOICE	4/30/2005													
Epoch Gross Return		(12.0)	18.5	(7.7)	1.5	-	2.5	17.2	(0.0)	-	-	-	-	-
Epoch Net Return		(12.2)	17.5	(8.5)	0.6	-	1.7	-	-	-	-	-	-	-
Russell 3000		(11.3)	15.7	(9.5)	(0.5)	-	0.4	17.1	(0.1)	0.5	2.2	1.0	0.9	
INTERNATIONAL SMALL CAP	1/31/2005													
Epoch Gross Return		(9.3)	18.2	(10.3)	6.5	-	6.8	21.9	0.2	-	-	-	-	-
Epoch Net Return		(9.5)	17.1	(11.1)	5.5	-	5.8	-	-	-	-	-	-	-
S&P EPAC SmallCap Index		(11.0)	11.6	(12.9)	2.7	-	2.8	22.0	0.0	0.8	4.0	1.0	0.9	
MSCI World ex USA Small Cap (Net)		(11.1)	15.7	(12.4)	1.7	-	2.0	22.5	(0.0)	1.0	4.7	1.0	1.0	
GLOBAL SMALL CAP	12/31/2002													
Epoch Gross Return		(9.1)	15.6	(7.1)	4.4	-	10.7	15.5	0.5	-	-	-	-	-
Epoch Net Return		(9.3)	14.5	(8.0)	3.4	-	9.6	-	-	-	-	-	-	-
S&P Developed SmallCap Index		(10.2)	19.1	(10.7)	1.9	-	10.1	19.1	0.4	0.1	2.4	0.8	0.9	
MSCI World Small Cap (Net)		(10.5)	21.0	(9.7)	1.7	-	10.8	19.5	0.4	(0.0)	2.1	0.8	0.9	
GLOBAL CHOICE	9/30/2005													
Epoch Gross Return		(12.9)	13.1	(6.2)	-	-	5.6	17.3	0.2	-	-	-	-	-
Epoch Net Return		(13.1)	12.2	(7.0)	-	-	4.7	-	-	-	-	-	-	-
MSCI World (Net)		(12.7)	10.2	(11.5)	-	-	(1.3)	18.6	(0.2)	1.0	6.8	0.9	0.8	
GLOBAL ABSOLUTE RETURN	12/31/2001													
Epoch Gross Return		(12.1)	11.5	(5.3)	4.1	-	9.7	13.0	0.6	-	-	-	-	-
Epoch Net Return		(12.5)	9.9	(6.7)	2.5	-	8.1	-	-	-	-	-	-	-
S&P 500		(11.4)	14.4	(9.8)	(0.8)	-	0.7	15.7	(0.1)	1.0	9.2	0.7	0.6	
MSCI World (Net)		(12.7)	10.2	(11.5)	0.1	-	2.4	16.6	0.0	0.8	8.0	0.6	0.7	
Barclays Capital U.S. Aggregate		3.5	9.5	7.5	5.5	-	5.7	3.8	0.9	0.3	10.1	0.1	0.0	
GLOBAL EQUITY SHAREHOLDER YIELD	12/31/2005													
Epoch Gross Return		(8.0)	13.0	(6.8)	-	-	2.4	14.5	(0.0)	-	-	-	-	-
Epoch Net Return		(8.2)	12.1	(7.6)	-	-	1.6	-	-	-	-	-	-	-
S&P Developed BMI Index		(12.0)	12.6	(10.6)	-	-	(1.2)	19.6	(0.2)	0.5	3.0	0.7	0.9	
MSCI World (Net)		(12.7)	10.2	(11.5)	-	-	(2.1)	18.9	(0.2)	0.7	3.7	0.7	0.9	

The risk statistics are shown as supplemental information only and supplement the Composite presentation which is located within the Performance Disclosure section of the End Notes. Past performance is not indicative of future results.



END NOTES – PERFORMANCE DISCLOSURE

1. Presentation of the Firm — Epoch Investment Partners, Inc. (“Epoch”) became a registered investment adviser under the Investment Advisers Act of 1940 in June 2004. Performance from April 2001 through May 2004 is for Epoch’s investment team and accounts while at a prior firm. Performance from July 1994 through March 2001 is for Bill Priest and the accounts while at a different prior firm. For both time periods, Bill or the investment team were the only individuals responsible for selecting the securities to buy and sell. Epoch has the books and records supporting the performance of this track record and will provide these records upon request. Epoch claims compliance with the Global Investment Performance Standards (GIPS®).
2. Composite Structure — Epoch’s composites include all tax-exempt and taxable portfolios above \$500,000 in size and are generally managed relative to an applicable market index. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm.

Composite	Creation Date	Current Benchmark	Previous Benchmark History
U.S. All Cap Value	June 2004	Russell 3000; Russell 3000 Value	Effective 7/1/06, the U.S. All Cap Value Composite has been redefined to reflect only those discretionary accounts managed by the All Cap Value Team and following the respective All Cap Value model. As a result, all accounts which are not managed by the All Cap Value Team and have specified client risk preferences have been removed.
U.S. Small Cap Value	June 2004	Russell 2000; Russell 2000 Value	
U.S. SMID Cap Value	September 2006	Russell 2500; Russell 2500 Value	
U.S. Value	June 2004	Russell 1000; Russell 1000 Value	
U.S. Choice	May 2005	Russell 3000	
Global Small Cap	June 2004	MSCI World Small Cap (Net); S&P Developed SmallCap Index	Effective 7/1/2009, performance information for these composites is shown comparative to the MSCI World Small Cap (Net) respectively, on a current and retrospective basis. The benchmark previous to 7/1/2009 was the S&P Developed Small Cap Index.
International Small Cap	February 2005	MSCI World ex USA Small Cap (Net); S&P EPAC SmallCap	Effective 7/1/2009, performance information for these composites is shown comparative to the MSCI World ex-USA Small Cap (Net) respectively, on a current and retrospective basis. The benchmark previous to 7/1/2009 was the S&P EPAC Small Cap Index.
Global Absolute Return	June 2004	S&P 500, Barclays Capital U.S. Aggregate, and MSCI World (Net)	Effective 1/2009, the benchmark was changed for the Global Absolute Return and Global Choice composites from the MSCI World (Gross) Index to the MSCI World (Net) Index because it is more representative of the firm’s accounting methodology with regards to foreign withholding tax treatment.
Global Choice	October 2005	MSCI World (Net)	Effective 1/2009, the benchmark was changed for the Global Absolute Return and Global Choice composites from the MSCI World (Gross) Index to the MSCI World (Net) Index because it is more representative of the firm’s accounting methodology with regards to foreign withholding tax treatment.
Global Equity Shareholder Yield	January 2006	MSCI World (Net); S&P Developed BMI	Effective 7/1/2009, performance information for these composites is shown comparative to the MSCI World (Net) indices, respectively, on a current and retrospective basis. The benchmark previous to 7/1/2009 was the S&P Developed BMI Index.

U.S. All Cap Value is a value equity portfolio managed by Epoch for long-term appreciation through investment in large-, medium- and small-capitalization U.S. companies. U.S. Value is a value equity portfolio managed by Epoch for long-term appreciation through investment in large-capitalization U.S. companies. U.S. SMID Cap Value is a value equity portfolio managed by Epoch for long-term appreciation through investment in small and mid-capitalization U.S. companies. U.S. Small Cap Value is a value equity portfolio managed by Epoch for long-term appreciation through investment in small-capitalization U.S. companies. U.S. Choice is a concentrated U.S. portfolio (typically consisting of approximately 20-25 securities) invested in businesses that reflect high conviction ideas of the Epoch Research Team. International Small Cap is a core equity portfolio managed by Epoch for long-term appreciation through investment in small-capitalization non-U.S. companies. Global Small Cap is a core equity portfolio managed by Epoch for long-term appreciation through investment in small-capitalization U.S. and non-U.S. companies. Global Choice is a concentrated global portfolio (typically consisting of approximately 25-35 securities) invested in businesses that reflect high conviction ideas of the Epoch Research Team. Global Absolute Return is a concentrated global portfolio (typically consisting of approximately 25-35 securities) invested in businesses that reflect high conviction ideas of the Epoch Research Team. Individual positions can be as high as 15% and cash is used aggressively to control loss exposure. The objective of this product is absolute positive return. Global Equity Shareholder Yield is a diversified portfolio of global equity securities with a history of attractive dividend yields and positive growth in free cash flow. The primary objective of this product is to seek a high level of income, with capital appreciation as a secondary investment objective.

3. Risk Statistics Source — Sharpe ratio is a measure of absolute risk adjusted return developed by Professor William Sharpe. It divides the excess return of an account above cash returns by the Standard Deviation of the excess return to determine the reward per unit of risk. Information Ratio is measure of relative risk-adjusted return. It is determined by dividing excess return by Tracking Error. Alpha is a measurement of the expected residual return adjusted for the account Beta. Beta is a quantitative measure of the volatility of the account relative to the account benchmark. R-squared is a measure of how closely an account’s performance correlates with the performance of the account benchmark, ranging from 0, indicating no correlation, to 1, indicating perfect correlation. Composite-level risk statistics are calculated using monthly rates-of-return. Statistics calculated using a sample of less than 36 months can be considered a less reliable estimate of the characteristic’s true value.
4. Benchmark Source — Russell Investments; MSCI Inc.; Standard & Poor’s; and Barclays Capital are the source and owners of the index data contained herein (and all trademarks related thereto), which may not be redistributed. Reference to an index does not imply that the portfolio will achieve returns, volatility or other results similar to the index. The composition of the indices are provided for your information only and may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change over time. Indices are unmanaged. Investors cannot invest directly in indices.
5. Total Return Methodology — Composite returns are presented gross and net of management fees and include the reinvestment of all income. Composite performance is presented net of foreign withholding taxes on dividends, interest income, and capital gains. Withholding taxes may vary according to the investor’s domicile. All information is calculated in USD. Returns include the effect of foreign currency exchange rates. Periods over one year are annualized. Net of fee returns reflect the deduction of the highest annual management fee, calculated on a monthly basis. A fee schedule is an integral part of a complete presentation and is described in Part II of the firm’s ADV, which is available upon request. Additional information regarding policies for calculating and reporting returns is available upon request. Past performance is not indicative of future results. An account could incur losses as well as gains.
6. To receive a complete list and description of Epoch’s composites, GIPS® firm-wide verification or composite verification by Ashland Partners & Company LLP from June 21, 2004 through March 31, 2010, and/or other presentations that adhere to the GIPS® standards, contact us at 212-303-7200, write to Epoch Investment Partners Inc., 640 Fifth Avenue, 18th Floor, New York, NY 10019, or send an email to info@eipny.com.