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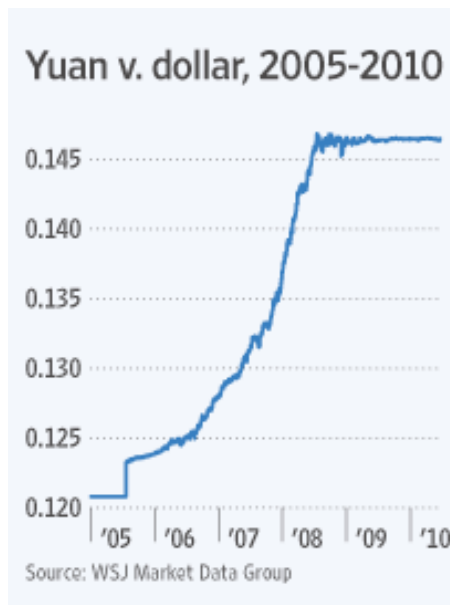
The Chinese Currency Announcement

Investors will have to change how they benefit from Chinese growth.

The Chinese currency move is good news for stocks and signals two important shifts:

- 1) the Chinese believe the Euro crisis has passed and they can take this action without fear of a deepening deflationary reaction
- 2) this move hurts Chinese exporters and helps Chinese consumers

The timing was no accident---this announcement takes the Yuan off the agenda for this week's G20 meeting and makes it harder for those who want protectionist measures in the US Congress. Both positive economic developments in our view.



Since September of 2008 the Chinese pegged the Yuan to the US dollar, helping to stabilize an out-of-control world economy. They clearly believe that the crisis has passed and we should expect the Yuan to resume its controlled climb similar to the move it made between 2005 and 2008.

The prices of Chinese goods in dollars and Euros will increase hurting Chinese exporters, offset by making resources cheaper for Chinese buyers. But a stronger Yuan provides a pay increase for Chinese workers and will increase their purchasing power.

All of this suggests that the resource method of benefiting from Chinese growth will come to an end in the next couple of years and the consumer play is just beginning.

This was the primary message I heard last week in London: emerging market consumers will be the main drivers of growth in the next decade.

DOCK STREET ASSET MANAGEMENT

We made good use of the May correction by buying high quality companies and adding to Asian currency based funds. We think the odds favor higher stock prices from here and a healing of the nasty May swoon.

Best regards,



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