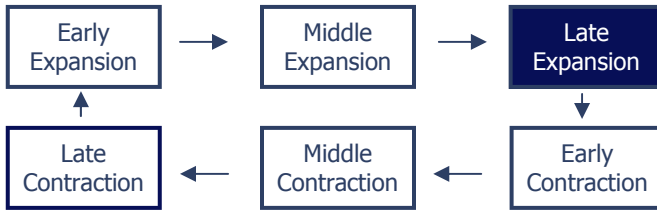




CURRENT U.S. ECONOMIC CYCLE



ECONOMIC NEWS

- U.S. economic data showed signs of firming with moderate improvement in the labor market and manufacturing.
- Global growth continues to slow, led by Europe, as the debt crisis and expected austerity measures have an impact.
- With China also showing signs of slowing, the big question is if a soft landing can be negotiated instead of a steep decline.

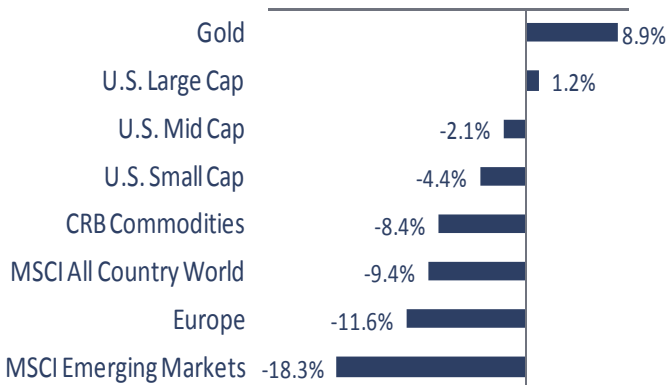
CURRENT ASSET CLASS ALLOCATIONS

Cash & Equivalents	<i>Underweight</i>
Fixed Income	<i>Overweight</i>
Equities	<i>Equal Weight</i>

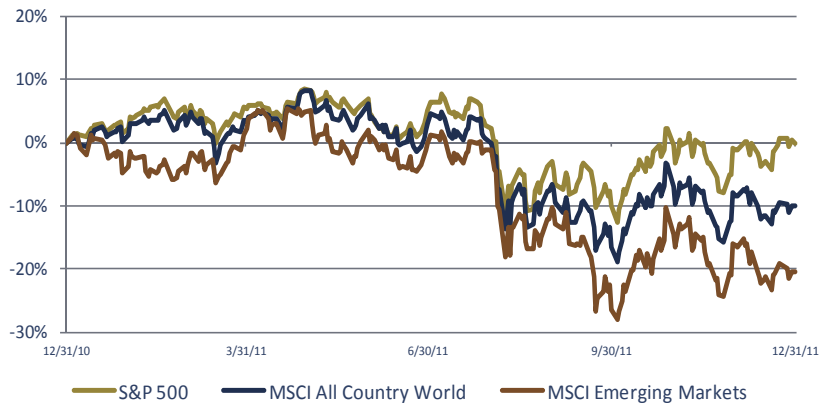
MARKET TRENDS

- The dominant feature for financial markets in 2011 was higher volatility, driven by headline events, not fundamentals.
- Excluding dividends, the S&P 500 finished the year where it began, with all other equity markets in decline.
- The key for 2012 will be the earnings outlook in the U.S., as well as Europe and China solving their issues without a crisis.

2011 Asset Class Total Returns



2011 Major Markets Index Price Movement



The year-end rally for U.S. Large company stocks resulted in a modest gain, but the other equity markets posted losses. Europe and the Emerging Markets experienced double digit declines. Gold was positive, but finished well off its highs.

The price movement of the major stock indexes reveal the increased level of volatility, with the U.S. market down -19% from its highs only to rally +16% from the lows. The All World Index had a swing of -25% from the highs for the year and +19% off of the bottom.

CURRENT THOUGHTS

The volatility seen in 2011 was directly related to the European debt crisis and signs of a new recession, the rising U.S. government debt and credit downgrade, and the real estate bubble in China and growing concerns over their banking system. Unfortunately none of these issues have been resolved, so we look for continued volatility in 2012 as the markets shift their attention from one to the other. We are closer to resolution since Europe has no choice but to put politics aside and confront the problem or risk the collapse of the European Union. In the U.S., funding deadlines will force the deficits to be addressed. China fortunately has the reserves to weather their storm and the political system to make changes quickly. This environment creates shorter time horizons for evaluating strategies, and the need to more quickly adjust to risk/return opportunities.

The purpose of update is to share some of our current views and research. Although we make every effort to be accurate in our content, data are derived from other sources. While we believe these sources to be reliable, we cannot guarantee their validity. Charts and tables shown above are for informational purposes, and are not recommendations for investment in any specific security.