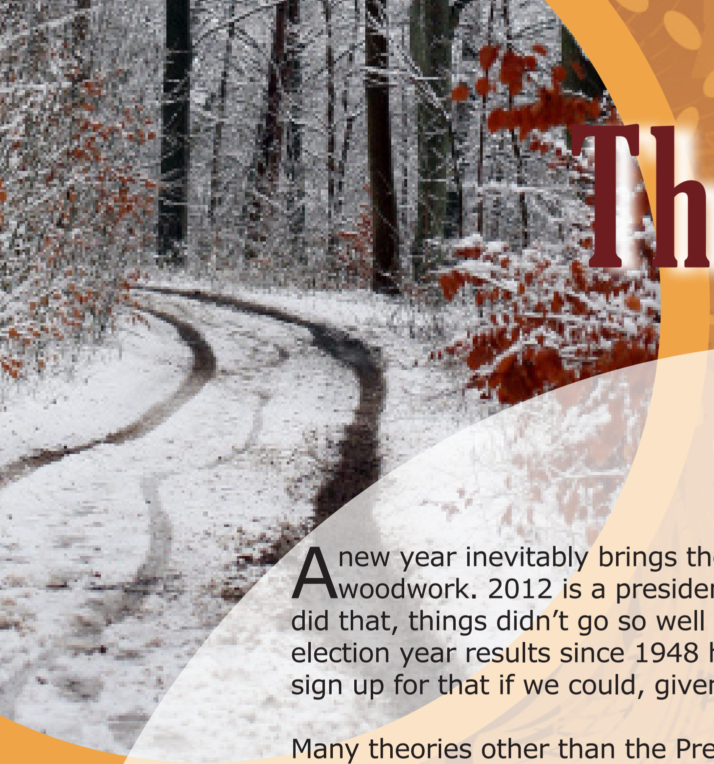

The Road Ahead

A new year inevitably brings the predictions and projections out of the woodwork. 2012 is a presidential election year, and the last time we did that, things didn't go so well (-37% S&P 500 in 2008). However, the election year results since 1948 have averaged 9.79%.* Most of us would sign up for that if we could, given the past several years.

Many theories other than the Presidential Election Cycle Theory exist for predicting market performance. There is the Super Bowl Theory, the Dogs of the Dow Theory, the Dart Board Theory, and others. At the end of the day, no one has a working crystal ball or tomorrow's newspaper.

I sift through a good deal of information regularly to remain current with events impacting financial markets. It is often equal parts optimistic and pessimistic, depending on the bias of the author. The numbers and corresponding rationale proffered usually need to be taken with a grain of salt, because numbers are like POWs… "torture them long enough and they'll say anything."

Bias (maybe) aside, here are some important points worth noting as we begin 2012.

- Europe remains a work in progress, but has not imploded as some predicted.
- The US equity market (S&P 500) has increased 90% off the March '09 lows.
- The international market (MSCI EAFE) has struggled to produce appealing results over the past 5 years, and especially during 2011 when it was -12%.
- Interest rates (and inflation) remain low, with little short term movement expected.
- 2011 was marked by strong corporate profit performance.
- The housing sector is strengthening.
- Unemployment appears to be diminishing nationally.

We have a long way to go when you consider the trillions of dollars lost, those still unemployed, Washington's dysfunctional spending, historic market volatility, and our increased interconnectedness with the global economy and geopolitical events. However, we're in a more stable state of equilibrium than we were three short years ago, with legitimately positive leading indicators. That's not a prediction; rather a reminder to keep proper perspective and emotion when investing.

Sincerely,

John

John D. VanDyke

*Ken Hawkins, Investopedia.com 9/24/11