

Stocks staged a strong 4<sup>th</sup> quarter rally, helped by signs of strength in the U.S. economy and optimism that Europe was taking steps to address debt levels that plagued the region throughout 2011. The U.S. unemployment rate fell to 8.6% in November, the lowest level since March of 2009.

The rebound left the year end price of the S&P 500 virtually unchanged from where it began the year. With dividends included, the S&P 500 managed a total return of just over 2% for the year. The year wasn't without its ups and downs though. A rally to begin the year was followed by a 19% drop from the May peak through the early October market bottom. As concerns about Europe and the loss of the U.S. AAA rating eased, the market staged an impressive 4<sup>th</sup> quarter rebound.

All sectors of the market posted gains for the 4<sup>th</sup> quarter. The energy sector posted the strongest gains, helped by a 25% increase in the price of crude oil during the quarter. The financial sector also rebounded, but remained the worst performing sector for the year. Lower beta sectors lagged the market in the quarter, with telecommunications and utilities performing worst. Utilities remained the best performing sector in the market for the year though, helped by strong performance during the market's summer decline.

Looking forward, the market appears ready to continue its 4<sup>th</sup> quarter rally. Valuations remain attractive and corporate balance sheets are very strong. Dividend increases, share repurchases, and merger activity should continue as corporations look to spend excess cash.

Return of Various Market Indices								S&P 500		
Index	Last Month	Last Quarter	Year-to-Date	Data as of: December-2011 [periods > 1 year annualized]				Economic Sector Returns		
				1 Year	3 Year	5 year	10 Year	Wgt.	Sector	YTD Return
3-Mo US T-Bills (Cash)	0.00%	0.00%	0.04%	0.04%	0.09%	1.29%	1.80%	3.9%	Utility	19.91%
Barclays 1-3 Year Gov't Bonds	0.06%	0.21%	1.56%	1.56%	1.79%	3.80%	3.38%	11.5%	Consumer Staple	13.99%
Barclays Gov't/Corp Bonds	1.30%	1.21%	8.71%	8.71%	6.59%	6.52%	5.81%	11.9%	Health Care	12.73%
Dow Jones Industrial Average	1.58%	12.78%	8.38%	8.38%	14.89%	2.37%	4.57%	3.2%	Telecomm	6.27%
DJ Wilshire 5000	0.71%	11.97%	0.52%	0.52%	15.24%	0.28%	3.90%	10.7%	Consumer Discr.	6.13%
S&P 500 Composite	1.02%	11.82%	2.11%	2.11%	14.11%	-0.25%	2.92%	12.3%	Energy	4.72%
S&P/Citigroup Growth	0.33%	10.81%	4.65%	4.65%	16.57%	2.38%	2.84%	19.0%	Technology	2.41%
S&P/Citigroup Value	1.82%	12.98%	-0.48%	-0.48%	11.55%	-2.96%	2.87%	10.7%	Industrial	-0.59%
S&P 500 Utilities Sector	3.37%	8.28%	19.91%	19.91%	12.27%	3.71%	6.43%	3.5%	Materials	-9.75%
Russell 2000 (Smallcap Stocks)	0.66%	15.47%	-4.18%	-4.18%	15.63%	0.15%	5.62%	13.4%	Financial	-17.06%
MSCI EAFE (Int'l Stocks)	-0.94%	3.38%	-11.73%	-11.73%	8.16%	-4.26%	5.12%	100%	S&P 500	2.11%

Source: Morningstar