

January 3, 2012

Dear MAM Client,

Happy New Year! I hope that you and your loved ones had wonderful Holidays. December is quarter-end so I am keeping this month's Commentary short. We will be sending out quarterly reports this week. In the report I will discuss:

1. Stock Market & MAM Performance for the 4th quarter and full year 2011
2. Economy Outlook- "A Fragile Recovery" Improves into "Moderate Expansion"
3. Reasons for Concern in 2012
4. Reasons for Optimism in 2012
5. Current Portfolio Positioning- Focus on Dividend-Paying Stocks and Use of Bonds to Reduce Volatility

2011 Performance: Thanks to a strong fourth quarter, the stock market finished with mixed performance for 2011. While U.S. large-cap stocks were slightly positive, smaller cap U.S. stocks fell while most international markets performed very poorly. *Unadjusted for dividends*, the S & P 500 was flat, the Nasdaq dropped 1.8%, the Russell 2000 fell 5.5%, and the international equity index MSCI EAFE dropped 14.8%. Bonds, as represented by the Barclays U.S. Aggregate Index, rose 7.9% for the year. Excluding the "very conservative" portfolios (which rose 2.1% for the year), the composite return of assets in MAM portfolios was a loss of 0.6% (after fees) versus a gain of 2.0% for the Vanguard Index 500 Fund (symbol VFINX) with dividends reinvested.

Link to Webinar Regarding Retirement Analysis: Last month we held two webinars for clients to discuss the Retirement Analysis that we are able to create for clients. These webinars were held for those clients who did not attend the seminars we held in November. Here is a link to a recording of the 50-minute webinar:

[http://www.mamportfolios.com/TabAccordiongradient.aspx?spid=125393&Title=MAM Webinars](http://www.mamportfolios.com/TabAccordiongradient.aspx?spid=125393&Title=MAM%20Webinars)

Please let Alexey or I know if you are interested in having a Retirement Analysis prepared for you.

Estimated Tax Payments: For those of you who pay estimated payments, I want to remind you that the due date for the fourth quarter payment is January 17, 2012.

We have already uploaded to the MAM Web site (www.mamportfolios.com) the December 2011 month-end values and year-to-date performance for client portfolios.

Please let me know if you have any questions or comments.

Steve McCarthy, CPA, CFP®