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Dear Valued Client,

Sometimes as one year passes to the next, we reflect fondly on the events of the year before. Unfortunately, for so many of us, 2011 was not that kind of year.

Market-moving events throughout 2011 resulted in extreme volatility. Performance across stocks, bonds, and commodities—and the ups and downs of the headlines—were often concerning.

Looking back, 2011 was very difficult for investors, and many upsetting events caused intense pessimism that negatively impacted the markets. We had some of the worst weather conditions on record in the U.S.; tornadoes, hurricanes, blizzards, and wildfires all took a toll on the communities, the agriculture industry, and the economy. Japan suffered an insurmountable loss of life, as families and communities were devastated by the earthquake and tsunami. Spreading Arab unrest and the collapse of North African governments caused great concern. Our own policymakers in Congress could not agree on a debt limit deal, and once they did, a major rating agency downgraded its rating on the U.S. Overseas, confidence in European policymakers eroded as Greece appeared to be on the brink of bankruptcy and the eurozone sovereign debt crisis escalated.

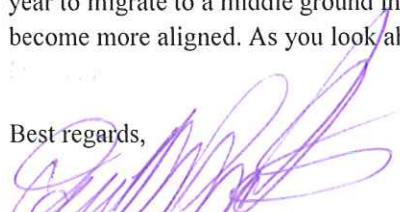
Amidst these challenging hurdles, the markets responded positively to many encouraging events. The U.S. saw steady private sector job growth throughout the year, corporations' earnings reached new highs, and the Fed pledged to keep short-term interest rates on hold until 2013. The European debt crisis began subsiding when European leaders worked together to agree on new bank support and a "Grand Plan" for managing their debt. The eurozone situation will continue to impact the markets in 2012, but we are encouraged by policymakers' initial steps.

After a year of extremes and volatility, the S&P 500 Index, which is a leading indicator for large cap equity performance, ended the year almost exactly where it began at 1,257.60. However, the S&P's performance can be seen as a positive. Given everything that happened during the year—the fair amount of good, and the fair amount of bad—the market's performance demonstrated its resiliency.

Even though 2011 was not necessarily the kind of year we will miss, we should recognize that there are some positive takeaways. We avoided a return to a recession in the U.S., and we did not have the return to the 2008-2009 financial conditions that many were predicting. The U.S. economy continued to grow moderately, demonstrating continued solid fundamentals. We saw some initial stabilizing measures in Europe, and critically, a global financial crisis that so many feared was averted. Despite all the volatility and challenges, the markets proved resilient, and this gives us some optimism for 2012.

Looking ahead, we need to continue to expect elevated volatility but, we think this will subside. We expect the extremes of the past year to migrate to a middle ground in 2012, where we believe investor sentiment, economic activity, and the market's direction will become more aligned. As you look ahead to meeting in the middle in 2012, please contact me with any questions.

Best regards,



David M. Muffenberg, CLU, ChFC
President and LPL Registered Principal

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