



UNINSPIRED MARKET

As we end the first month of 2012 with roughly a 4% gain in the S&P 500, we find ourselves in what appears to be a familiar area -- a frustrating trading range. We have determined that this environment is not conducive to being fully invested. While most of our companies have done well, especially over the past three months, we continue to be cautious in our optimism.

We have built our cash position again in hopes that we may find opportunities to put this cash back to work. We currently have around 15% in cash and will probably employ this into some higher dividend paying stocks. There is no real yield in the fixed income market other than high yield bonds. But these are too much a step down in quality for our comfort level. We are finding a few opportunities in electric and gas utilities, with their 3% to 4% dividends in this sector. We are focusing on higher quality names that have exhibited an increasing dividend payout over the past few years. The geographic location of the companies is also very important, i.e. companies situated in growing areas -- not Detroit.

We continue to be deeply concerned with the political climate in the U.S. and Europe as we have said before, our current problematic environment is more political than economic. The U.S. continues to improve from the recession but it still has a long way to go. We need housing to improve. We need more people working in worthwhile jobs. We need a Congress that will change its path to encourage economics and less entitlements and environment. They have offered no real incentives. There is a balance in between and Congress is elected to find it. It is not possible to continue to allow the interest cost of the national debt to remain as high as 30%+ of GDP and expect any real economic benefit.

It's so obvious that the economic disaster in Europe has been caused by the same policies that the U.S. is heading toward and that the majority of politicians continue to keep their eyes on votes and not what is best economically for this country. Nothing short of a complete political overhaul will enable this country to regain the footing that it has enjoyed for lo these many years. If this doesn't happen, well, we will just have to wait and see.

The United States has always found a way to work out of problems in the past and be the safe-haven economy globally. In many ways, it still is, but something has to change before too long or we will lose this distinction.

Therefore we will not be participating in the investment guessing game until we see signs that this environment will improve. We will continue to own good companies that continue to grow and are benefitting in this economy but we will also have a stronger cash and/or dividend producing percentage as well. It has always been against our grain to not be more invested but we have always contended that while we cannot control the marketplace, we can certainly manage our portfolios to match our interpretation of the environment risks as we see it.

As always, thanks for the trust and responsibility that you have placed with our Company.