



## Investment News

as of January 17<sup>th</sup>, 2012, the Dow closed at 12,482, S&P 500 at 1,294

### Mutual Fund Listing of Funds Serviced

The enclosed report lists the majority of the mutual funds serviced by our firm, Morrison Investments, Inc. The listing is not a recommendation to exchange from your current holdings nor is it a solicitation to consider alternative funds. While this report is different from what we have provided in prior years, we believe it provides easily comparative and alternative fund information that might be useful in the understanding of the funds held within your portfolio. Please note that not every fund is suitable for every investor and alternative funds should only be considered in light of the investor's personal objectives.

In addition to an emphasis of long-term performance over a business cycle, there are several other key factors to be considered when evaluating whether a fund has been successful in adequately achieving its objective. These include the fund's (1) management team and investment style; (2) *asset allocation* and portfolio flexibility; and (3) volatility. Our objective was to provide broad information on the funds we regularly monitor and a brief summary of the funds' key factors. Additional information can be obtained at the fund's website (see listing) or by contacting us.

If there are questions about your current fund or mix of funds or the appropriateness of those funds for your situation, please contact us (by email or phone) so we may provide advice and/or direction pertaining directly to your situation. You would be informed of any costs or taxation if an alternative fund would be more appropriate. Within a family of funds, there are no costs to exchange from one fund to another.

**Thank you for the trust and confidence you've shown to our firm! We are most grateful and don't take your trust lightly.** We are committed to providing you with the best advice and direction we know how.

### 2011 Investment Commentary

Most investments performed well during the first half of 2011, but the last 6 months were particularly volatile with the non-US stock market losing significantly more during the last 6 months than the US stock market. As a result, global and non-US stock market investors did not fair as well as bond or pure US stock investors. Over the past 12 months, the S&P 500 (pure US stock) gained ~2% while the global/world stock market *lost* ~13%. While non-US stocks were hammered, we do not encourage avoiding these markets as fund managers have opportunities to purchase companies at much lower prices than what they were able to during the prior 12 months.

During 2011, the Dow Jones Industrial Average gained or lost more than 200 points in a single trading day more than 20 times (*a swing of 2% or more per day*). By comparison, swings of 2% occurred on average just five times a year from 1950-1999. Often, volatility is defined as "risk" but it is only one measure of risk. Our primary concern with volatility is that it can create fear and the risk is an investor may pull themselves from the markets. This leads to a permanent loss in portfolio value (real "risk") as the investor is no longer invested and therefore not able to participate in the market recovery. As a reminder, the best time to invest is when the news is "bad". When the news is good, the markets have already gone up in value. During volatile times like this, investors must have confidence in the asset allocation, fund strategy and investment managers that will help them navigate these rougher periods.

We remain firmly convinced that lower volatile world stock/bond asset allocations and funds with a reasonably flexible mandate will continue to provide the patient investor with significantly better returns - over time -- than what more stable investments like certificate of deposits, fixed annuities or indexed

annuities will provide. In spite of the very rough periods for investing during the past 10 years, money has been made when portfolios have not chased performance or trends.

***If the nation's economists were laid end to end, they would point in all directions.***

~Arthur H. Motley

## What to Expect in 2012

Based upon positive comments coming from several well-known investors during late 2010, our prior year Investment News indicated a relatively positive note about what to expect in 2011 along with our usual caveats about the unknown. We also stated our nervousness about the bond market as interest rates were expected to rise. But we now know that the 2011 global stock and bond markets did not perform as hoped. There is a certain “folly” in thinking short-term, as events happen that waylay what reasonable economists think might happen. As an example, well-known investor Warren Buffett stated during late 2010 that he was a “huge bull on this country”. Then, in 2011, his well known Berkshire Hathaway portfolio lost 4.7% and his portfolio has only earned 0.8% over the past 5 years. Many of the same conditions - reasonably positive for the US stock market and concerns about rising interest rates – exist for this year.

Truthful reporting by economists and the media (which would include a rating of their 2011 and prior year predictions) would place more emphasis on the word “if” (“if” this or “if” that) and would also indicate they really can't say or know for certain what will transpire. We read many articles that don't leave room for doubt about the writer's projections, when there should always be some uncertainty. A recent article in the Wall Street Journal stated “with a pinch here and a prod there, analysts can make the math say anything about a stock” (or the stock market). A 1933 (post depression) study by economist Alfred Cowles confirmed what the market crash of 1929 amply demonstrated: “Stock forecasters can't forecast with any accuracy.” The good news is that history has shown that for the longer-term focused investor (5 years or longer), a well-allocated portfolio of global stocks and bonds, in spite of the volatility, will typically produce better net results than alternative investments.

We encourage investors to remain fully invested in an allocation that includes both stocks and bonds. An investor that is fully invested in stock funds would be deemed an aggressive investor. An investor invested in funds or a combination of funds that include global stocks and bonds, and smaller portions in cash and maybe even gold, would have the mix we recommend for the longer term. This investor should be able to weather the ups and downs provided by the unknowns that will always be with us.

The concerns are many and do seem to be more than in the past. There is some major worldwide (including the US) debt restructuring that is and must go on. Restructuring debt means someone else has to accept a loss. One writer stated, “Choices must be made to proactively deal with debt problems. It is not a choice between pain or no pain, but exactly which pain do we prefer and how much?” It seems the world must go through economic pain to gain a better financial footing for the future.

In spite of the many issues out there, we remain cautiously optimistic for the future. History has shown these periods end and new periods of growth emerge.

## Summary Advice

If there are questions or concerns about your investments, or if you would like us to take a fresh look and recommend revisions, please contact Karma or me. ***We are grateful for your business and referrals!***

Prepared January 2012, Views by: Thomas A. Morrison, CPA, CFP®, Principal

## Required Disclosure Documents

- Our **Privacy Notice** is enclosed for your reference – Annually regulators require our firm to provide this notice.
- Our **Business Continuity Plan** Summary Disclosure Statement is available – Contact us if you desire a current updated statement which includes information on how to directly contact the investments held with our firm.
- Morrison Financial Services, Ltd., a firm separate from Morrison Investments, Inc., is registered with the IL Department of Securities as an **Investment Advisory** firm, a fee-for-service company. Please contact us if a current copy of that disclosure statement is desired.
- The above documents are also available at our website – [www.mfsadvisor.com](http://www.mfsadvisor.com).