



Proven Investment Management, Personal Service

January 17, 2012

Dear Client:

Happy New Year! Reviewing 2011 we saw markets begin the year calmly, but the tranquility was not to last. With the government stalemate over the debt ceiling in July, continued debt crisis headlines from Europe and monetary tightening in key emerging markets, the global market's roller coaster ride took off. We saw drastic swings in the markets as daily, weekly and quarterly volatility continued throughout the second half of the year. When the smoke cleared the S&P 500 stocks were basically flat for the year, except for dividends. Diversification worked as bonds fulfilled their role as a counterweight to a bipolar stock market with solid increases for the year.

The fourth quarter's strong equity performance and modest gains in our core bonds brought the 2011 annual returns to modest increases over 2010. Our core equity funds that track the S&P 500 had gains of just over 2% for the year. The long-term investment-grade bond fund ended the year with an amazing 17% return. Every Bedrock tactical portfolio had gains for 2011.

The strategic asset classes outside of our core funds did not fare as well. Small and mid-cap stocks closed the year down despite posting double-digit fourth-quarter gains. Fear over Europe and slowing growth in China dragged foreign stocks down over 15%, with China concerns and a flight from risk hitting emerging-markets stocks even harder; they fell 18%. These global fears carried into the international real estate portion of Bedrock's clients' portfolios as this asset class was dragged down in 2011 after achieving two years of double-digit returns. High-quality intermediate bonds, like our long-term core bond holdings, were on the other side of the volatility, with sharp flight-to-safety rallies that helped net full-year gains for fixed income.

#### **Bedrock Update**

Tony Blagrove and his fiancée Lannie spent two weeks exploring Argentina and Chile, finally fulfilling their long-time wish to eat as much steak and wine in one trip as humanly possible. Starting in Santiago, they traveled across the continent by bus making their way to Cordoba, Buenos Aires, and finally Mendoza. The highlight of their trip was in the Mendoza region of Argentina with their fabulous Malbec wines and outdoor activities of white-water rafting, hiking, and horseback riding.

Bedrock offered two webinars to our network of tax professionals and attorneys that work with our clients this past quarter. Sharon Lacy and Joel presented a webinar on "Optimizing Social Security Benefits" in October and Eric and Joel led "Does a Roth Conversion Make Sense?" in November. Both webinars were well received by the professionals that attended. Recordings of both webinars

