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Dow Jones Industrial Avg.		**12,217.56**	**Standard and Poor's 500**		**1257.60**
2011(YTD)	+5.5%	4th Qtr. +12.0%	2011(YTD)	0.0	4th Qtr. +11.2%

"Borrowers are nearly always ill-spenders, and it is with lent money that all evil is mainly done and all unjust war protracted." John Ruskin (1866)

Overview- Divination of Stock Market Trends – At the beginning of each year, Wall Street experts appear from every direction to enlighten investors with their expectations and prognostications for the year ahead. Rather than being an exercise, which provides valuable information, it is an opportunity for the soothsayers of Wall Street to impart their wisdom to an anxious and hopeful audience. It is hard to imagine any of Wall Street's esteemed investment strategists predicted the Standard and Poor's 500 would finish the year 2011 virtually unchanged. How would they be able to exhibit their insightfulness, if they proclaimed stocks were expected to end the year where they started? Even such a bold prediction would have minimized the dramatic fluctuations, which occurred during the year especially the near 20% decline occurring in July and August or the similar percentage rebound in October.

Elsewhere in the investment firmament, two of the wisest investors were caught off-guard. Bill Gross of PIMCO, manager of the largest fixed-income fund in the world, made a contrary move with U.S. Treasury bonds and as a result missed a major rally in bond prices. Sheepishly, I must admit I agreed with his assessment of Treasuries being overvalued, and I think they are even more overvalued now. Nevertheless, another star who stumbled was Jim Paulson, a prominent hedge fund manager, noted for making an insane amount of money trading sub-prime mortgage securities. He made a bullish bet on gold that failed to pan out. What lessons can be learned from trying to predict stock or bond market trends?

The lessons are simple and time tested. Set realistic goals. Emphasize quality. Own companies that reward their investors with either dividends or stock-buybacks (I prefer the former). Favor investing over trading. Diversify broadly. Pay attention to what you own. By adhering to these simple guidelines, an investor is able to reduce the anxiety stemming from the heightened volatility or unexpected bad news. The outlook is never as bad or as good as the headlines suggest. Investors must cope with the proliferation of news sources and the tidal wave of new social media, which results in a continuous 24 hour bombardment of information. This necessitates an efficient screening method to separate the wheat from the chaff. An investor is then in a position to evaluate the critical information and make a wise decision. This requires an investor to be disciplined, both on the buy side and the sell side. It is too easy to become psychologically invested in a stock to the point previously established limits are ignored with the result a purchase opportunity is missed or a significant gain melts away.

Having been somewhat dismissive of stock market predictions earlier, I will dutifully and humbly offer ours for 2012. The economy continues on a subdued recovery path. If the outlook for stocks was totally reliant on the progress of the domestic economy, positive returns would be a logical expectation. However, as was evident in the results for 2011, other factors can influence the outcome. Two issues, which weighed heavily on investors last year, were the serious financial stresses in Europe and domestic political squabbles particularly regarding the country's debt ceiling and the persistent, gaping budget deficit. Unfortunately both issues continue to plague us and the country's financial challenges will be thoroughly aired in the hotly contested Presidential campaign. It remains to be seen what psychological effect these polarizing debates will have on investors. In spite of these potential "bumps-in-the-road", there is a reasonably good chance stocks will provide double-digit returns this year. This result presupposes corporate earnings continuing to advance at a respectable pace (at least six to eight percent) and employment numbers demonstrating further improvement. This is not a daring prediction, since stocks started the year with a healthy advance.

Speaking as a value-oriented manager, I see two reasons to proceed cautiously with purchases: first, stocks have rallied nearly 20% over the past 3-4 months, and second, most stocks are at best fairly valued, rather than undervalued. Volatility in the markets is likely to increase as the year progresses and the political campaigns intensify. Therefore, we are more comfortable waiting for a correction and more favorable prices.

Searching for yield in the fixed income market is like trying to find water in the middle of a desert. Instead of referring to debt instruments as fixed income, we suggest using the term "fixed principal" because the income feature is negligible. Chairman Bernanke's zero interest rate policy has forced investors in need of income to consider riskier alternatives. Many retirees are stepping out of their comfort zone in order to address their income needs. They are no longer able to rely upon government insured certificates of deposit and government debt obligation as they had in the past. Many are now being forced to reduce the amount of income they expect to withdraw from their accounts or even to make the more difficult decision of making principal withdrawals to meet their income needs.

Given the federal government's dire need for revenue, investors can expect dividends and capital gains to be high on the list of proposed revenue enhancements. Once again, savers and investors are going to be targeted as capable of carrying a heavier tax load, which will be referred to as "their fair share". If the savers, many of whom are retirees who have set aside funds to provide for their own needs, are going to be absorbing an additional tax, why aren't the 47% who pay no income taxes being asked to make a sacrifice as well? The class warfare clash will yield nothing but bitterness and more divisiveness. The extent of the nation's financial indebtedness is beyond the comprehension of most citizens. Just ask anyone, "How many zeros are in **a trillion**?" ($1,000,000,000,000. Yes, 12!!) Recall the previously agreed upon bill approved by the Senate last week will increase the nation's debt ceiling by an additional **$1.2 trillion** to **$16.4 trillion**. This country is hurtling toward a financial catastrophe with no one in Washington even willing to acknowledge the problem. Disheartening, to say the least.

At Lenk Ladner we strive to help each investor adapt to the challenging investment environment by eliciting her/his preferences. This occurs as an account is being established and the profile is refined and updated as circumstances change. This enhances our ability to help each client achieve the delicate balance between required income, capital gains, and preservation of principal. Risk management has become a more critical element of the process as interest rates have fallen to unprecedented levels.

Housekeeping - Each year at this time, we offer you an updated copy of the Form ADV, Part A we file with the SEC. Please let us know if you wish us to send you a copy. It also will be available on our soon-to-be launched website. How exciting! For those of you looking forward to paying your taxes or receiving a refund, you will need to be patient. Schwab has indicated they will be sending out the necessary tax information by February 15^{th}. After you receive it, if you feel you are missing any information, please contact us. Now is also a good time to call and arrange for a review of your account(s). So far, so good with our winter weather (unless you are a skier). JML