

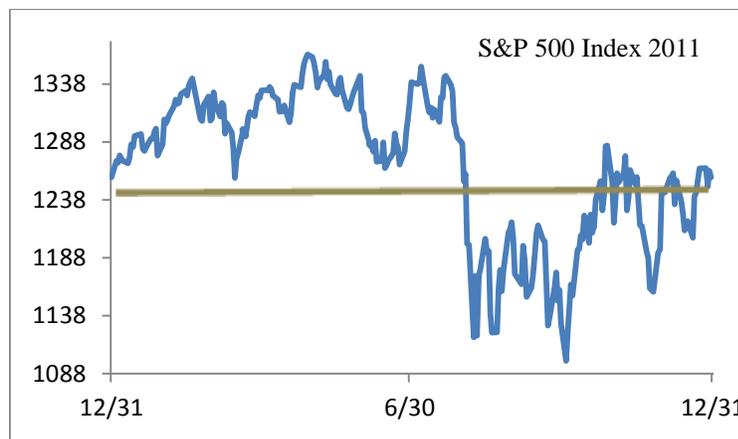


**SLOAN**  
WEALTH MANAGEMENT, LLC

## KNOWLEDGE IS THE ANTIDOTE TO FEAR

We usually think it is cheeky to title a letter with a pithy quote from a famous author, but we are making an exception as these words by Ralph Waldo Emerson are extremely apropos to the year that was 2011.

The fear that exists today in the global capital markets is at an extreme level. This is not surprising as the media (alongside the negative investment bloggers) have turned fear-mongering into an art form. This irresponsible reporting, in combination with investor's ability to monitor the violent ups and downs of their portfolios in real time has driven many investors to their tipping point.



### Other Major World Indices in 2011

**Dow Jones Global Index (ex-US) -16.3%**

**Europe -14.5%**

**China -18.2%**

**Japan -14.2%**

**Brazil -21.6%**

## Take Two– Call in the Morning

We offer a dose of facts as an antidote to this epidemic of fear:

- 2011 is expected to post the highest earnings in the history of the S&P 500.

-The average earnings growth in 2011 for the S&P 500 is expected to be over 15%.

-Corporate balance sheets are stronger than they have been in several decades with an estimated \$2 trillion in cash.

-Despite an earthquake in Japan (and threat of nuclear meltdown), a downgrade of the credit of the United States of America and all of the EU's drama, the US stock market was almost flat for the year.

-The global economy grew at an estimated 4% in 2011.

-Leading economic indicators point to modest growth of the US economy in 2012.

-Interest rates are at historic lows.

-The average price of gas is under \$3.50 a gallon.

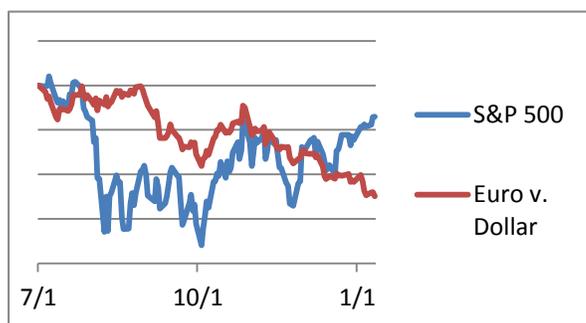
There are few people that could argue with these facts (news commentators that give financial advice, but were journalism majors and never worked in finance excluded). However, it is clear that fear has trumped the fundamentals for now. One of the few things you can count on in the capital markets is that fundamentals matter over time. The other - the same fear that pulls the market down can turn to greed and result in market climbing exuberance. The bright minds in our country and all over the world will find solutions and the 7 billion people on this planet will forge ahead.

*2011 presented opportunities to reposition portfolios to take advantage of the market's next major advance. At the same time, we continue to monitor risk with allocations to bonds, diversification and thoughtful rebalancing of certain asset classes.*

## The Other Side of the Pond

Not mentioning Europe in our year end letter would be a great omission. For a second straight year, the EU has been much of the fuel filling the fear tank. While we agree they have many problems, there may be light at the end of the tunnel.

As European countries are teetering on recession, a weak Euro might be just what they need to stimulate the recovery of their export driven economies. As illustrated by the chart below, there appears to be a decoupling in progress of the S&P 500 Index and the Euro. The weaker the Euro, the more price competitive their products become in the global economy. A rising S&P 500 and a weak Euro can't be all bad.



So what is everybody so worried about? Of course we recognize the importance of Europe in our global economy. Conversely, the importance of the emerging markets cannot be ignored either. India and China both grew an estimated 8-9% in 2011. There are 300 million people in the US, 1.3 billion in China and 1.2 billion in India. The EU population is just 400 million.

*We continued our commitment to better serve our clients by hiring James P. Henry in early 2011. James has his MBA and over seven years of industry experience.*

## Boule de Cristal (French for Crystal Ball)

As we stated in last year's letter (view previous letters at [sloanwm.com](http://sloanwm.com)), we feel investors should focus on the high probability that this could be a rewarding decade. The volatility of the market can often mask the improving fundamentals. Now two years into the decade, we are pleased that the SWM Moderate Risk Composite is up 14% (net of fees).

This election year will create endless entertainment, needed discussion on the future of our great nation and finally clarity for corporations and individuals. This clarity should allow corporations to loosen their purse strings and continue to fuel growth.

This decade continues to look promising. The technological innovations, in combination with the largest demographic shift in the history of mankind taking place as over a billion people cross above the poverty line, makes us optimistic. We are seeing improvement in the US housing market as near record low inventories have been reached and new production is demanded. In addition, we are keeping a close eye on a renewed resurgence in the US manufacturing sector as companies begin to move manufacturing back to US soil from overseas.

Human nature is a tough force to fight. Since the beginning of time, humans have not only found a way to survive and thrive, but also create a way to advance their current situation. Technology has accelerated this process. The future is bright. The world is a marvelous place. The fear can turn to greed and reward investors who are patient.

We wish you all Peace and Happiness in 2012.

*SWM – Portfolio Management Team*

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