

**December 2011**

	<b>Fund</b>			<b>S&amp;P500</b>		
	<i>MTD</i>	<i>YTD</i>	<i>Inception to date</i>	<i>MTD</i>	<i>YTD</i>	<i>Inception to date</i>
<b>Dec 2005</b>		<b>+14.01%</b>	<b>+14.01%</b>		<b>+4.78%</b>	<b>+4.78%</b>
<b>Dec 2006</b>		<b>+16.91%</b>	<b>+33.29%</b>		<b>+13.62%</b>	<b>+19.05%</b>
<b>Dec 2007</b>		<b>+4.06%</b>	<b>+38.70%</b>		<b>+3.53%</b>	<b>+23.25%</b>
<b>Dec 2008</b>		<b>-47.99%</b>	<b>-27.86%</b>		<b>-38.49%</b>	<b>-24.18%</b>
<b>Dec 2009</b>		<b>+42.74%</b>	<b>+2.97%</b>		<b>+23.45%</b>	<b>-6.40%</b>
<b>Dec 2010</b>		<b>+24.94%</b>	<b>+28.65%</b>		<b>+12.78%</b>	<b>+5.57%</b>
<b>Jan 2011</b>	<b>+1.84%</b>	<b>+1.84%</b>	<b>+31.02%</b>	<b>+2.26%</b>	<b>+2.26%</b>	<b>+7.96%</b>
<b>Feb 2011</b>	<b>+3.93%</b>	<b>+5.85%</b>	<b>+36.17%</b>	<b>+3.20%</b>	<b>+5.53%</b>	<b>+11.41%</b>
<b>Mar 2011</b>	<b>+6.77%</b>	<b>+13.01%</b>	<b>+45.38%</b>	<b>-0.10%</b>	<b>+5.42%</b>	<b>+11.29%</b>
<b>Apr 2011</b>	<b>+1.11%</b>	<b>+14.26%</b>	<b>+46.99%</b>	<b>+2.85%</b>	<b>+8.43%</b>	<b>+14.46%</b>
<b>May 2011</b>	<b>-1.47%</b>	<b>+12.58%</b>	<b>+44.83%</b>	<b>-1.35%</b>	<b>+6.96%</b>	<b>+12.92%</b>
<b>June 2011</b>	<b>+2.39%</b>	<b>+15.26%</b>	<b>+48.28%</b>	<b>-1.83%</b>	<b>+5.01%</b>	<b>+10.85%</b>
<b>July 2011</b>	<b>-0.96%</b>	<b>+14.15%</b>	<b>+46.85%</b>	<b>-2.15%</b>	<b>+2.75%</b>	<b>+8.47%</b>
<b>Aug 2011</b>	<b>-7.47%</b>	<b>+5.62%</b>	<b>+35.88%</b>	<b>-5.68%</b>	<b>-3.08%</b>	<b>+2.31%</b>
<b>Sep 2011</b>	<b>-11.44%</b>	<b>-6.46%</b>	<b>+20.34%</b>	<b>-7.18%</b>	<b>-10.04%</b>	<b>-5.03%</b>
<b>Oct 2011</b>	<b>+12.17%</b>	<b>+4.92%</b>	<b>+34.98%</b>	<b>+10.77%</b>	<b>-0.35%</b>	<b>+5.20%</b>
<b>Nov 2011</b>	<b>-0.51%</b>	<b>+4.38%</b>	<b>+34.29%</b>	<b>-0.51%</b>	<b>-0.85%</b>	<b>+4.67%</b>
<b>Dec 2011</b>	<b>-2.48%</b>	<b>+1.79%</b>	<b>+30.96%</b>	<b>+0.85%</b>	<b>0.00%</b>	<b>+5.56%</b>

In December the Fund fell by 2.48% and the S&P500 rose by 0.85%. The S&P500 closed at 1257.60, compared with 1257.64 a year ago and was thus unchanged in a rare but unexciting coincidence for the second month running. Other indices were more muddled, however, with various being down and certainly there was no respite for our types of stocks, which are those formerly doing well.

As a turgid but interesting year closed, a reversion remained in place whereby stocks tended back towards unchanged on the year. There were still distinct strengths in type of stock and sectors and the traditional safe havens of utilities, staples and healthcare were the best performers on the month and year. A current theme is that triple A defensives may well be yielding more than the long bond which is lower rated. This is driving funds into these safe havens and meanwhile there is a remarkable disinterest in our smaller situations.

We tend to be out of these defensive sectors but this disastrous result is mitigated by not being in financials, which everyone hates, or materials, which were the worst two sectors. There was also a feeling in the second half that it was so easy to lose. Anything clever or hopeful seemed to come unstuck and eventually some strong performing growth stocks topped and fell even without change of fundamentals as the weight of expectation became too much.

I never recall seeing so many flags, a technical formation which occurs on good news, boosting a stock up the pole; followed by a couple of months of sideways consolidation fluttering in the breeze. In a strong market the initial move takes the stock up and away but we end the year with stocks that can have had three flags and have reverted to their original price even though the company is much stronger than a year ago. I don't want to radically shift portfolio weightings to concur with this climate of fear of the next recession, as we have good value in our stocks, these moves come to an end and we have the January effect in small stocks coming up. The Russell 2000, the NYSE Composite Index, and the S&P400 (mid) are all down on the year between 3.2 and 6.1%. The stocks that have held up the big indices are Exxon, Chevron, IBM, Apple and McDonalds. A rare year indeed.

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