

After two straight years of above average equity returns, 2011 has been a frustrating year. The stock market was incredibly volatile yet again and produced disappointing returns for the year. It was a year when investments based on good fundamentals struggled and those based on less attractive fundamentals did well. Look no further than the 30-year Treasury Bond, which yields under 3% yet returned 9% for the year as investors craved safety so much that they were willing to accept yields that most likely will not even cover long-term inflation.

The equity markets took investors on another roller coaster ride. While this occurred throughout all of the sectors in which we invest, let's use the S & P 500 as an example. This index rallied about 9% for the first four months of the year, then plunged nearly into bear-market territory (-20%) by early October before rallying back 14% by the end of October, losing another 8% by Thanksgiving and then recovering all of that by the final bell. It makes you dizzy just reading about it. Despite this volatility and frustration, one could also view 2011 from a different perspective which is that the market held up reasonably well for a year in which we witnessed a number of serious crises, including the tragic events in Japan, the instability of the European Union amid the Eurozone debt crisis, rioting and unrest in many Arab countries, continued high unemployment and weakness in the U.S. housing market, and extreme partisanship in the U.S. Congress.

Heading into the new year, we urge our clients to exhibit patience. Our portfolios are designed to take advantage of longer-term fundamentals and opportunities. No one can accurately predict the short-term mood and behavior of investors. This is evident in the unusually high number of significant daily and weekly swings we experienced last year in reaction to current headlines.

There are many issues still unresolved that could affect the market in either direction this year. These include when and how the European debt crisis is resolved, China's effect on global growth, geopolitical risks around the globe that could potentially drive up the price of oil, weakness in the U.S. housing market, and high unemployment. Additionally, U.S. fiscal policy remains in limbo and hopefully our lawmakers will finally agree that we will need a combination of tax increases, spending cuts and debt monetization in order to address our own debt and budget problems. This will be difficult in an election year when our leaders are already too focused on their own narrow agendas. On the positive side, U.S. companies are doing well. Profits are at an all-time high and companies are sitting on large amounts of cash which they are reluctant to deploy without clarity on many of the fiscal issues but which they will need to use to maintain growth and high profits. As prices have remained flat and earnings have increased, price/earnings ratios are lower and thus a better entry point for equity investors. Unemployment is trending in the right direction, albeit slowly. Depending on how these issues play out will determine which way the scales will tip for 2012. We expect to see continued volatility as these issues evolve so patience will be key until we have more certainty on many of the issues mentioned above.

This past year has been a period of growth and personnel change at Walden Capital. As you know, Bryan Moylan joined the firm in July as an Associate Advisor working with me on client service and operations, financial planning and investment management. I hope you will have the chance to meet him in person or talk to him over the phone if you have not done so already. Mary Ayasgil has been with me since I started Walden Capital five years ago. She has done a wonderful job running the office and working with clients to help them with whatever service needs they had. Due to health issues resulting from Lyme disease, Mary has decided to leave the firm at the end of January. I appreciate that many of you have expressed to me how much you enjoy working with Mary. She has been a valuable asset to Walden Capital and a big part of our success, and I thank her for her years of dedicated service and hard work on behalf of the firm.

I want to welcome Fran Gibson to the Walden Capital team. Fran joined us at the beginning of the year, and she will take over Mary's role as Office Manager and Client Service Associate. Fran comes to us with over 30 years of experience in office management, financial services marketing and client service. She holds a Bachelor of Fine Arts degree from the University of the Arts and a Master of Arts degree from Temple University. Please join me in welcoming Fran to the firm. I am excited about the team we have assembled to work with you in helping you achieve financial success and realize your life's dreams.

If there is anything we can do to improve your experience with our firm, I would appreciate it if you let me know. As the new year begins, I thank you again for the trust you continue to place in Walden Capital and look forward to working with you in 2012.

Here's to a new year filled with peace, joy and patience!

A handwritten signature in black ink, appearing to read "jill". The signature is written in a cursive, lowercase style with a small loop at the end.