



Dear Valued Client:

December 1, 2011

The Members of Locust Capital spend significant time monitoring the markets, keeping abreast of the macro issues, discussing our position and reading volumes of articles that attempt to shed light on the impact the current events and trends have on the long term stability of the markets.

An advertisement recently came across our desk that stated: "An adrenaline rush is great for skydiving. Not so great for investing". The extreme volatility continues globally and exudes frustration and exhaustion for disciplined investors like us.

USA Today ran an article in November that offered advice on "How to invest in sanity in volatile times". Many of the themes will be familiar to you but we thought that it may provide confirmation (and some comfort) on our approach to the markets... as well as provide some "sanity"!

The article begins by suggesting that your best friends in a long-term, choppy market are investing regularly, staying diversified, and rebalancing when things are truly out of hand. It goes on to point out that, while the DOW zigzagged over 2,000 points from high to low between June 1 and October 31, the index was only down only 2.7% by the end of that month.

Some of the others themes in the article included:

- During big "plunges", buying opportunities exist.
- Add to your savings in regular intervals (i.e. continue to contribute to your retirement plans).
- Dollar cost averaging will help performance (and possibly the twitch in your left eye).
- Maintain a balance between equities and bonds.
- Decrease volatility by focused rebalancing as needed, do not simply defer to annual rebalancing.
- Continue to bear in mind your tolerance for risk- maybe it is time to rethink your allocation.

While we feel like a broken record when we mention the frail Euro Zone situation and the inept political situation in the US as the root cause for the market unrest, we should maintain the course and take comfort in the above themes, and most importantly, enjoy family and friend during the Holiday Season.

We are available at your convenience to discuss the above further over the coming weeks.

Warm Regards for a wonderful holiday season,

Locust Capital Management