

Money Talks

120 King Street, Northampton, MA 01060
413/584-9121 800/332-9558 Fax:413/585-5748

FEBRUARY 2012
Visit us at www.gagewiley.com

32 Court Street, Plymouth, MA 02360
Meetings By Appointment Only

Market Comment

Every New Year we celebrate the ending of one year and the beginning of the next. We reflect on how fast the year passed, what took place (both good and bad), and contemplate the year to come. The S&P 500 started 2011 at 1257.64 and ended the year at 1257.60 – off about three thousandths of a percent. It will go down in the books as though nothing happened, but as we all know, nothing could be further from the truth.

2011 began on a positive note. The U.S. economy was showing continued signs of improvement, pushing stocks to a peak in April. Our banking system, that had only two years ago lost its proverbial shirt, appeared to have found it. The summer months brought worry of another recession, but just when everyone was talking about it, the U.S. economy started to show signs of life again and finished the year on a stronger note. China, a market heavyweight these days, was able to quell fears of an impending economic rough patch and show that their leaders were capable of dealing with the challenges of accelerating housing prices and concerns about rising inflation.

Despite its volatility, the 2011 market managed to sidestep disaster despite the potential for it appearing around every corner. It started with the earthquake and tsunami in Japan that caused radiation to spew from damaged nuclear reactors. The Arab Spring brought turmoil to the oil-rich countries. The summer brought gridlock in Washington that prevented any meaningful progress in addressing our ballooning deficit and led to the first-ever credit downgrade of U.S. debt. And lastly (but far from least!), the European sovereign debt crisis had several countries teetering on the brink of default, causing stock and bond markets to flinch with each headline out of Europe.

For all its ups and downs, the ability of the market to stay level after such a year

is a testament to the stability it has regained since the collapse of 2008-09.

Many things have improved. Companies are stronger. Employment appears to be slowly improving. Consumers have trimmed their debt loads and increased saving, while at the same time they continued to help the economy by judicious spending. Interest rates are still low, making it inexpensive for businesses to borrow, and inflation remains low. Still, as we know from history, a debt-induced financial and banking crisis like the one we have just lived through has a long road to full recovery. We may not be out of the woods yet, but the woods do seem to be thinning.

2012 has started the year on a good note, with all the major market indices moving up thus far. Though the uncertainties we felt last year will not go away, as we progress further more things will become clear. With an election year in the making, the uncertain political landscape will start to take shape and show indications of what the outcome may be. European leaders will continue to work on solutions to their own challenges. Markets appreciate clarity.

While uncertainty in today's market is unavoidable, it is important to have a goal you are able to hold on to, and to remember there will always be investment opportunities. If you are investing for the long-term, for income in retirement, or whatever your objectives may be, clearly defining and understanding your needs can help quell some worries. Having a good plan is the best way to participate in opportunities in today's market. As always, we encourage you to contact your financial advisor to talk about your investment goals.

Email Encryption

For those of us who use it, we all love the ease and convenience of email. A quick, easy way to gain access to information that before would take days in the mail,

email has become the communication method of choice for many of our clients. But it is important to remember that confidential information sent through the internet should have an extra layer of protection. In order to protect your personal information, any emails sent from this office that contain such information will be encrypted. We have recently upgraded our encryption software and hope you will find it simple and easy to use.

The next time we send you an email using the *new* encryption service, you will receive an email with the subject line: **Perimeter MailSafe Registration Invitation**, and you will be prompted to register and choose a password. You will then be able to open the email in a separate window. As a helpful new feature, you'll also have the option to respond within that window and send an encrypted reply. We believe the process will be simple and self-explanatory, but do not hesitate to call if you have trouble.

Welcome!

We are happy to start the New Year with the introduction of Adam Kelly; the newest member of the Gage-Wiley/New England Capital team. In January, Adam moved from Pittsburgh to join our staff as Chief Compliance Officer.

Adam is charged with the responsibility of ensuring that the firm adheres to the highest degree of professional and ethical standards, pursuing industry best practices and regulatory requirements. Adam has an MBA from Duquesne University and a Bachelor's degree in Finance from Robert Morris University. He has approximately 14 years of financial services experience in the areas of compliance, due diligence, corporate actions, trading, operations and sales.

Adam brings a solid understanding of today's stringent regulatory landscape, a grasp of the breadth of broker/dealer and investment advisor operations, and an aptitude in both business management and marketing. We are pleased to welcome him on board and look forward to the contributions he will make to our team.

Year-to-date through 1/17/12: DJIA 12,482.07 +2.2% — S&P 500 1,293.67 +2.9% — NASDAQ 2,728.08 +4.7%

SELECTED STOCKS FOR DIFFERENT OBJECTIVES

INCOME STOCKS

	Recent Price	Yield	Est EPS Next Year
<u>Calamos Conv&High Inc Fd</u> (CHY) <i>Closed-end fund of convertible securities</i>	12.28	8.35%	N/A
<u>Vanguard Interm Term Corp Bond ETF</u> (VCIT) <i>Intermediate term investment grade corp bond ETF</i>	82.94	3.82%	N/A
<u>iShares DJ US Telecom</u> (IYZ) <i>Telecommunications ETF</i>	21.30	3.02%	N/A
<u>iShares Dow Jones Dividend</u> (DVI) <i>Diversified basket of dividend paying stocks</i>	53.98	3.28%	N/A
<u>iShares S&P US Pfd Stk Idx</u> (PFF) <i>Tracks price/yield of index</i>	37.27	5.88%	N/A

GROWTH STOCKS

	Recent Price	Est P/E	Est EPS Next Year
<u>Microsoft</u> (MSFT) <i>Technology giant</i>	28.25	9.32	3.03
<u>General Electric</u> (GE) <i>Global infrastructure, finance and media</i>	18.74	10.65	1.76
<u>Time Warner</u> (TWX) <i>Multi-media company</i>	37.31	10.34	3.61
<u>BlackRock</u> (BLK) <i>Leader in investment, advisory and risk mgmt</i>	187.46	12.72	14.74
<u>Gilead Sciences</u> (GILD) <i>Leading HIV drug maker</i>	46.26	9.99	4.63

GROWTH AND INCOME STOCKS

	Recent Price	Yield	Est EPS Next Year
<u>Abbott Labs</u> (ABT) <i>Global healthcare company</i>	55.71	3.45%	5.44
<u>Procter & Gamble</u> (PG) <i>Worldwide mfr of consumer goods</i>	66.26	3.17%	4.56
<u>Kimberly Clark</u> (KMB) <i>Global health and hygiene products</i>	73.65	3.80%	5.67
<u>Johnson and Johnson</u> (JNJ) <i>Manufacturer healthcare products</i>	65.12	3.50%	5.61
<u>AT&T</u> (T) <i>Worldwide telecom holding company</i>	30.25	5.82%	2.59

AGGRESSIVE GROWTH STOCKS

	Recent Price	Est P/E	Est EPS Next Year
<u>Petroleo Brasileiro (Petrobras)</u> (PBR) <i>Brazilian oil company</i>	28.97	8.09	3.58
<u>Apple</u> (AAPL) <i>Technology giant</i>	424.70	10.75	39.51
<u>Vanguard MSCI Emerging Mkts ETF</u> (VWO) <i>Emerging markets ETF</i>	40.27	N/A	N/A
<u>Blackstone Group</u> (BX) <i>Asset mgmt firm specializing in private equity</i>	15.37	7.61	2.02
<u>Freeport McMoran Copper & Gold</u> (FCX) <i>Leading producer of copper and gold</i>	43.07	7.29	5.91

Our objective is to present a variety of companies in a diverse group of industries. Stocks that are no longer on the list make way for new companies which we believe might be interesting and/or timely. A removal from the newsletter does not imply a stock should be sold. Nor are we suggesting any particular stock is suitable for an individual client. Investment decisions should be based on individual client objectives and should be reviewed with your Gage-Wiley representative. Past results are no guarantee of future performance. Gage-Wiley & Co., Inc. and/or its affiliates may buy, sell or trade the above securities or other related investments for their own accounts or for the accounts of their clients before, during or after their appearance above. Information contained in this document is based on data gathered from what we believe are reliable sources. It is not guaranteed as to accuracy.

New Additions

Vanguard Intermediate Term Corporate Bond ETF (VCIT): The Vanguard Intermediate Corporate Bond exchange traded fund invests primarily in investment grade corporate bonds with maturities in the 5-10 year range and an average duration of 6 years. With the Federal Reserve committed to keep interest rates at a low level for an extended period of time, holding bonds with high quality characteristics and moderate duration is reasonable. Currently, the Vanguard Intermediate Corporate Bond Fund yields over 3.8%, an attractive yield for a high quality, conservative investment.

Vanguard MSCI Emerging Markets ETF (VWO): The Vanguard MSCI Emerging Markets Fund is an exchange traded fund that mirrors the MSCI Emerging Markets Index. The index is composed of stocks located in Brazil, China, Russia, Korea, and Taiwan. While emerging economies have historically exhibited high volatility, their growth outlooks versus developed markets suggest the risk is worth the reward. Recent data show that emerging market economies are projected to grow by over 4% in the next year, with China and India growing by over 7% and 6%, respectively. In contrast, developed countries are projected to grow by about 1%. VWO gives investors an opportunity to capitalize on this growth disparity and, given its higher risk profile, is suitable for aggressive growth investors.