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DEAR FRIENDS,

- Post-election rhetoric quickly turns to Fiscal Cliff dual
- Equities show mixed results during November, however maintain gains for 2012
- The Fed continues to force the long end of the yield curve down through increasing the money supply

Equities maintained demonstrated a very orderly trading range through the election and post-election as well. Returns for the month left mixed results, with consistent volume along the way. We believe the market was assuming a high probability for a Romney win, which we now know never materialized. Initially we saw mostly price retreats after the election, but the bulls stepped in and provided some stability to fend off a significant sell off. Volume remained fairly strong throughout the month.

Index [1]	Nov'12	2012 YTD
S&P 500	2.4%	14.94%
Dow	.52%	7.74 %
NASDAQ	.77%	13.29%
S&P 400 Mid Cap	-.30%	13.77 %
Russell 2000	-2.26%	9.47%
MSCI EAFE (Intl)	2.14%	8.82%

Commodity price [2]	11/30/12	1/1/12	1/1/11	1/1/10	1/1/09
Crude oil	$88.91	$98.98	$73.71	$79.74	$95.98
Gold	$1726	$1566	$1066	$1097	$833

* Past performance is no guarantee of future results.

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[1] WSJ Online 10/31/12
[2] Bloomberg Online 10/31/12

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The fact of the matter is we will either avoid the cliff by kicking the can down the road again, or a deal won't be struck and we will deal with the results.

We won't spend time discussing the Fiscal Cliff talks, as we assume everyone is as sick of hearing about the daily posturing as we are. Suffice it to say daily market direction for the remainder of 2012 will most likely be driven by the latest rumor(s) on the talks. The fact of the matter is we will either avoid the cliff by kicking the can down the road again, or a deal won't be struck and we will deal with the results.

The mix of spending cuts and tax increases the "Cliff" brings may be more aggressive than what our economy can handle in a short period of time. The downside is based upon a number of factors; it may push us into another recession. Frankly that's not the end of the world. The US economy has sustained a slow climb out of the last recession, and the economy has some legs. Based upon historical economic cycles, we are reaching the average time before a downturn happens again anyways. Our point is that we may face some market drops if we don't reach an agreement, but we will with an agreement as well.

It would be to our country's best interest to have a more gradual phase in of spending cuts and tax increases. While we are not political pundits, it does appear Washington will come to an agreement to avoid the cliff. The process always seems slow and ugly, but it's still the best system in the world.

The Fed continues to keep long term rates at historically low levels, with most predictions of more of the same. All indications from the Fed are on an expansionary strategy through increasing money supply and velocity through at least the middle of 2013.

We would like to leave you with the belief whether or not Washington gains an agreement or not, the US economy has enough steam to get through it. We would prefer a less aggressive implementation of tax increases and spending cuts than the cliff provides. However we will take what they give us.

Please accept our best wishes for the holiday season.

Our economy continues to grow at a slower pace than we entered 2012 with. We are running on 5 or 6 cylinders as opposed to eight. But the car is running, not stalled, not in Park, and certainly not shut off.

The final factors to keep in mind in upcoming months are commodity prices. The US drought we are experiencing will cause a rippling on food and other commodity prices. It is predicted we will see a temporary reduction in meat prices, followed by an increase. Oil quietly crept up by $10 per barrel in the past 30 days, primarily due to the typical driving season ending in September.

So what does all this mean? Our economy continues to grow at a slower pace than we entered 2012 with. We are running on 5 or 6 cylinders as opposed to eight. But the car is running, not stalled, not in Park, and certainly not shut off. We have often spoken about the expected long, slow ascent from the recent recession. This is clear evidence we continue to be on that journey.