FONTIS
Investments LLC

DEAR FRIENDS,

- Eurozone crisis continues to control the headlines, with many markets following
- With the most recent Fed meeting, what does it mean for the markets?
- The 10 Year Treasury hovers around 1.5%, the flight to quality continues

After the dust settled, June turned out positive for the major US equity indexes. With a significant amount of daily and weekly volatility shifts, it all ended with a bang. We felt several points during the month where the Eurozone Crisis determined market direction for that day. Greek elections, austerity measure updates and populous sentiment each had their day In June.

Christopher J. Mason
President | Chief Investment Officer

7760 France Avenue South, 11th Floor
Bloomington, MN 55435
Tel 952-715-4926
Fax 952-715-4927
Chris.Mason@fontiswm.com
www.fontiswm.com

Index [1]	June'12	2012 YTD
S&P 500	6.57%	8.27%
Dow	6.29%	5.39%
NASDAQ	6.84%	10.46%
S&P 400 Mid Cap	5.02%	7.05%
Russell 2000	8.28%	6.40%
MSCI EAFE (Intl)	7.33%	-1.32%

Commodity price [2]	6/30/12	1/1/12	1/1/11	1/1/10	1/1/09
Crude oil	$84.96	$98.98	$73.71	$79.74	$95.98
Gold	$1603.50	$1,566.30	$1,066.42	$1,097.48	$833.52

* Past performance is no guarantee of future results.

FONTIS Investments LLC

We continue our ascent out of the recent recession at all be it slow, but steady pace.

As we reach the midpoint of 2012, let's back up and take a look at the major issues driving our markets today and most likely will through the end of the year.

Presidential Election: Obviously the 500 lb. elephant in the room, the November election will drive some of the daily market movement. Historically, we reach lows in June or early July, see markets gain until early August, and then drop a bit until the election. Historically since the environment gets in greater vision with the President and balance in Congress known, oftentimes we see a rally by year end.

Eurozone Debt Crisis: I don't want to spend a great deal of time rehashing all the news you have seen, it is having an impact currently and will through the end of the year. The debt levels will not go down unless the following areas are addressed: governments spending less and/or increasing revenue. The only other option of course, is to default on debt payments. This has happened in the past and will in the future. The increase in revenue can come from incremental tax rate hikes, or the economies of the respective countries grow, thus increasing revenues. Short of those items changing, they are kicking the can down the road. Current plans of "pump-priming" central banks will avoid liquidity problems in the near term; however will not resolve the underlying cash flow problems. Greece, Spain, Italy and Ireland are under significant pressure to resolve these imbalances. The problems have been mounting for years and the solution(s) are also years away.

Military& Social Conflicts: Iran and North Korea are the most significant hot spots we currently are witnessing. The ebbs and flows of diplomacy and country reactions create fears which impact the world markets. Iran has an added weapon to affect the world economy-and that is oil. They can disrupt oil flow from the Middle East, which is very near and dear to our hearts in the US.

Slowing US (and World) Economic Growth: We are not in a recession; however growth in GDP for 2012 has been ratcheted down as the year progresses by many experts, including the Fed. The Feds recent meeting provided little for the markets to get excited about. The only notable item is they are continuing to sell short term treasuries in order to buy long term treasuries. This increased demand for long term treasuries, keeps those yields lower than had they not taken the action. Mortgage rates and borrowing costs remain at historically low levels. **Approximately 13% of US exports currently go to Europe**, thus the Eurozone issues have added to the slowing of our GDP growth. Other economic releases of Initial Jobless Claims, housing sales of new and existing homes provided recent bright spots. The world economies in developed and emerging markets have slowed, driving many commodity prices down, namely oil prices. We have benefited from lower fuel costs as world demand wanes, which has shown up at the pump.

To conclude, we are in the warm doldrums of the summer months, just before a highly contested election season. We remain cautiously optimistic about the markets, liking some factors, and not liking others. A very common theme for June, with the added emotion of the election. **We continue our ascent out of the recent recession at all be it slow, but steady pace**.