

“In the end, how your investments behave is much less important than how you behave.”



Stanton & Castleton, Inc.

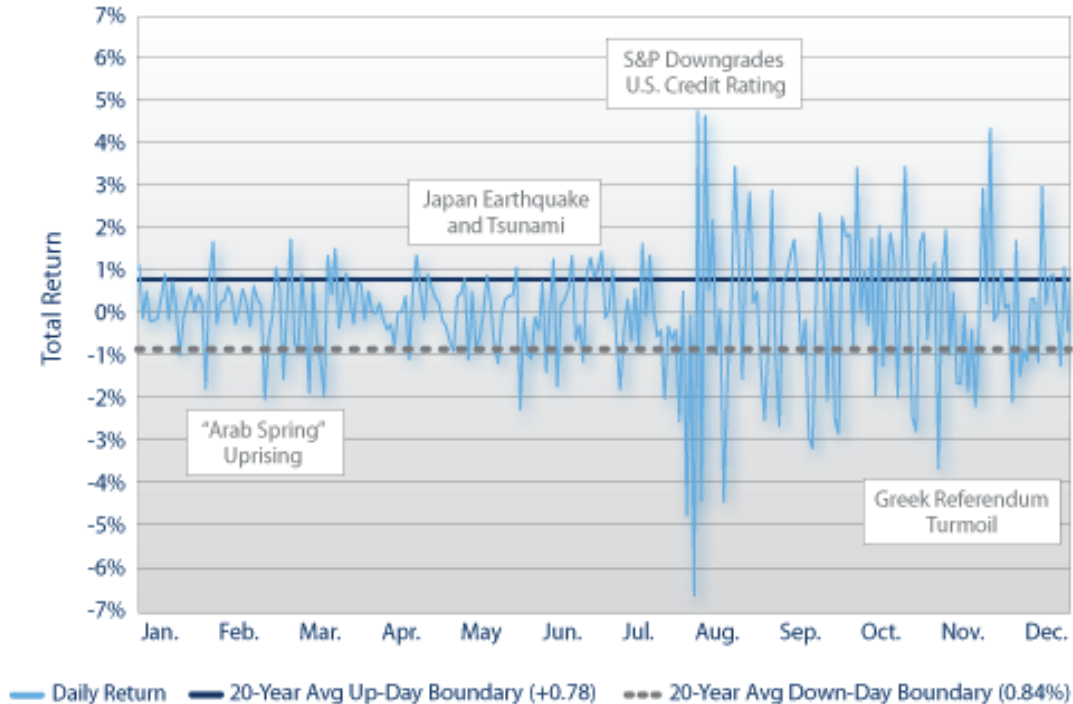
An independent firm

Let's Review: Our Monthly Newsletter.....01/01/2012

This Month:

“No harm no foul” The S&P 500 ended 2011 about where it began for no return, however along the way we saw lots of ups and downs along with a whole lot of anxious news from around the world. During a year like the past one we try and reduce our risk so the day to day volatility does not push us into rash decisions and still get some return. Looking back we feel that we were fairly successful and “No harm no foul” could sum up the year rather well.

Managing the unusual market volatility and the numerous false starts followed by retractions throughout 2011 meant we had to be careful not to chase the market during the highs or react to strongly to the lows. As the chart below shows 2011 was 2 xs more volatile than the historical average.



<http://www.zerohedge.com/>

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We have written a lot of how the last “Great Recession” was one born of over leverage globally, and as such the recovery period is more fitful and takes much longer to gain sustainable traction. Along the way we continue to see economies adjust and also the political fallout of a prolonged contraction. In the US we recovered, however never to the growth rate needed to reach self-sustaining growth without special government assistance.

In Europe we see the beginnings of a new recession as the banking issues never fully addressed come due along with the Sovereign debt of several marginal countries. This is compounded by the European Union and the common currency among members. In short, as the US learned when we first became a country, a confederation of Sovereign States lack the cooperation needed during crisis, often opting to protect the state rather than the union. In the US this lead to the drafting of our Constitution, granting the Federal Government greater powers and agreeing to a binding union of the states. Even with that the larger issues of succession and statehood were tested in our own Civil War. The European Union and Euro is a collection of Sovereign States and worked great in good times, but so far, not so well in bad. We are unsure how this will all work out and apparently neither are market investors.

Toss in a slowing economy in China along with the messy business of Democracy seemingly trying to break out around the world and we can understand why things have been hard to predict. Our view continues to be that the odds favor a reasonable solution to be achieved for most of these issues; however the volatility may stay with us for 2012. This is the very front end of a Decade we feel will end very well but the start will be rocky to say the least.

Bob Stanton (registered principle):

We made it! Survived the holidays and everyone seems to still be sane! Cole made it to the mountains to snowboard and no broken anything, whoo hoo... I would tell you what Ethan did but as he is fond of telling us “I am a man now” so little information available (the man did get his braces off though and looks good) Ryan is back to school and has a new goal of being bi-lingual in the next year. Joyce and I are planning our back yard project and hope to still be talking when it is over! Happy New Year ...

PS: Go Niners!

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Ron Castleton (registered principle):

We are looking forward to 2012 with much anticipation. Our middle son, Sean, “should” graduate from college...Adam, his older brother, is getting settled in as a “working stiff”....and our youngest, Ari, is doing great at Fullerton... we have our fingers crossed that our good fortune holds out. Sunny & I would like to get away for a ski trip, but there doesn’t seem to be any snow!!!

Amy Duranso (administrative assistant):

Happy New Year! 2012 is going to be a busy, yet great year for Ryan and I. Wedding planning is going great...less than 8 months to go! I hope your holidays were great and wish you a fantastic 2012!

Kevin Kraus (Business Development):

Knute is back to school in MD until late May or early June depending on how the lacrosse team does this spring. Time to put my head down and concentrate on developing business...what friend, co-worker or family member do you know that we should be helping as we do you? Call me!

This month “Financial Topic”: One more cartoon!



http://www.google.com/search?q=2012+mayan+cartoon&rls=com.microsoft:en-us:IE-SearchBox&ie=UTF-8&oe=UTF-8&sourceid=ie7&rlz=117ADFA_enUS450

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Benjamin Graham
The Intelligent Investor

The Numbers:

Monthly Closing Values and Changes / 12-30-2011

DOLLAR	stronger	NASDAQ	2,605.15	-15.19
10-YR YIELD	1.87%	S&P 500	1,257.60	+10.64
VOLUME NYSE	2,271,849,984	DJIA	12,217.56	+171.88

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