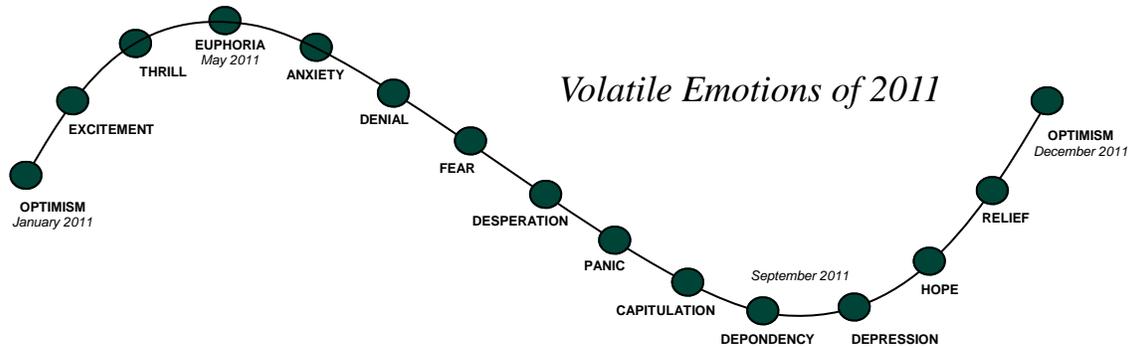


## Year in Review

The S&P 500 is a common stock index and we believe that it provides the best representation of the U.S. stock market. It opened the year on January 3, 2011 at 1257.64. The year started on an upward trend until mid-May and then after the US debt ceiling conversation the market pulled back. The beginning of the year brought optimism and excitement that turned very quickly when all the volatility started. The third quarter ended with the US market down for the year with despondency and depression on everyone minds. October saw a move upward erasing September's losses. The fourth quarter brought us hope, relief and optimism with the S&P 500 ending 2011 at 1257.60. The index ended almost exactly where it started for the year.



Michael Bischoff, CFP®



While U.S. stock markets were flat in 2011, that was not the case for international stocks. All major international indexes recorded double digit declines. An investor's individual overall gain or loss for the year had a lot to do with the amount of exposure they held in international markets. We have heard numerous portfolio managers say, "International markets hold the best long-term growth potential." For the most part we agree with this statement, but understand that international markets can be capable of larger volatility swings than domestic markets. This held true for 2011 in a negative way.

Other assets classes that make up a diversified portfolio include cash, domestic and international bonds, real estate and many types of commodities and natural resources. Varying exposures to these asset classes are based on an individual's risk profile. As everyone knows, cash is paying only slightly above zero. Surprisingly bonds have moved up slightly in value in 2011 as investors continue to be risk adverse and look for yield. At some point, we will see interest rates move up as the economy continues to recover which in turn will affect bond values.

We continue to rebalance portfolios on a regular basis and 2011 brought more portfolio changes than most years. These changes have increased portfolio yields by approximately 20% to 25%. In most cases this income is being reinvested to buy additional shares. We continue to look for managers who historically hold concentrated portfolios, have flexible trading practices, and do not behave like index funds in these volatile markets. We have moved away from some traditional growth funds that have taken on more risk than appropriate at this time.

### Top reasons to be optimistic for 2012 and upcoming years

- Recent housing starts have been stronger than expected.
- Holiday retail sales were higher in November and continued through December.
- New manufacturing orders have led to a spike in durable goods orders.
- Personal and disposable incomes continued to move higher in 2011.
- 325,000 new jobs were added in December along with a downward trend in jobless claims confirms that employment conditions are improving.
- Consumer confidence in November shows the highest level of economic confidence in more than two and a half years.
- The U.S. stock market historically performs well in election years with an over 80% probability of positive returns.
- Domestic oil shale discoveries and reserves
- Advances in technology and health care
- Real estate experts talking about a housing bottom and price recovery
- Price per earnings ratio trending below 20 year averages

## Cost Basis Changes

Due to regulation changes, Charles Schwab and Fidelity are now required to include cost basis information on their 1099 forms. These forms are to be sent to clients by mid-February. Please note that every year a few mutual funds reclassify their distributions and must send out corrected 1099 forms. We recommend that you wait until March to submit your tax return. As a result of these changes, Webb Financial Group will not be sending out cost basis information but we are willing to assist with any questions you may have.

All of us at  
Webb Financial Group  
wish you a healthy and  
prosperous New Year.



## Best wishes in 2012!

In compliance with the SEC rules and regulations, we would like to offer you the most recent copy of our ADV II brochure. Please call if you would like a copy.

**Webb Financial Group**  
provides comprehensive wealth  
management solutions to  
individuals and businesses.  
For over thirty years, we have  
helped our clients achieve  
financial security.

Jerry Webb, CFP® & Chairman

Michael Bischoff, CFP® & COO

Gary Webb, RFC® & CEO

Ryan Shannon, CFP®

Crystal Enderson, Insurance Consultant

Michelle Brennan, RP®

Jessie Pritchard, Associate Advisor

## Passion drives us all!

**Jerry:** Someone recently asked me how it was that no matter how bad the current situation looked, I was positive and optimistic. The answer came to me instantly. My experience over the past 47 years, whether it was regarding relationships, investment performance, or whatever; everything goes through cycles. They go up, they come down. One thing is constant. Overtime, everything recovers and improves. Nothing goes up or down forever. What is difficult for many people, is having what I have been fortunate to have acquired, and that is "Blind faith." Blind faith, accompanied with Faith in God, has always pulled them through. To accomplish these results, requires patience and time. Sounds easy, but it isn't. You must develop strict discipline and never give up, always believing that good will happen. Just relax. I pass this on to you, because I want the best for all our clients. I have no doubt that if you follow this thinking and stay strong, you will be amply rewarded. It works!!

**Crystal:** I have a soft heart for children and animals. My home has always been the place for children to play at and hang out. I love to bake, and teaching a child how to bake brings me great joy. I also wish more people would have passion and understanding for the animals we share our world with. If I won the lottery, I would give most of it away to children and animal welfare charities. They are the innocents in our world, and need us to guide and take care of them.

**Jessie:** A few things that I am very passionate about are my husband, my dog, and reading. My husband, Brandon, is an amazing person and is my best friend. He inspires me in so many ways. My beagle, Bean, has those puppy eyes that express a one-of-a-kind love and friendship. As a hobby, reading is hard to beat. A good book can put you in another world, and occupy hours that feel like minutes. I am also a bit of a music nut.

**Michelle:** I love hanging out with my kids, going to my son's hockey games, watching hockey and going to the WILD games! I enjoy watching my children grow up and being part of their lives. I am passionate about photography. I am fortunate to have awesome friends & co-workers. I love my job, all the challenges it brings and allows growth. Most of all I am thankful for second chances.

**Ryan:** As a husband and father, my life and passions focus around my family. I gain the most joy from time spent with them such as teaching my daughter how to ice skate, going on a date with my wife, and having supper together every evening. For the time that I get to myself, you could find me having fun in the outdoors - hunting, waterskiing, rock climbing, canoeing, hiking, or camping.

**Gary:** I am grateful for many blessings: For my family and my business. I have a passion for serving in various ways such as giving financially to charities, doing pro-bono work for low-income people, educating high-school students about their finances, volunteering as an investment committee member for non-profit organizations and I especially enjoy spending time with my wife and two children.

**Mike:** Helping people gives me a sense of pride and great self-satisfaction. I truly believe that's why I enjoy my profession so much. It's not the markets, economy or the paperwork that keeps me coming back day after day. It's all about my clients and making a difference in an individual's life. I am very proud of the fact that I have great relationships with all of my clients, no matter what age or situation. Whether I'm working with seniors, middle-aged or a family with young children, I always look forward to our conversations and talking with them about whatever is important to them.

*"If passion drives you, let reason hold the reins."— Benjamin Franklin*