ALL STAR QUARTERLY

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2011 - 4TH QUARTER REVIEW AND PREVIEW

BOB'S CORNER

S&P Global BMI Index

As 2011 comes to a close and we asked why we underperformed relative to the Russell 3000, the answer was easy. We had more emerging market exposure that underperformed the U.S. equity market considerably. This brings me to my introduction of the **S&P Global BMI Index**. We believe this will be a better representation of the world wide equity distribution among countries than just the Russell 3000 that is totally domestic. The Global BMI is a relatively new Index that consists of 26 developed countries and 20 emerging markets around the world.

With this broader index we will be more accurate on how we perform relative to an index as it better represents our global asset allocation strategies. The back page of our newsletter explains this past year numbers, but looking back to our 3 and 5 year numbers, it looks even better. Almost all of our portfolios have brought a positive risk reward as measured by alpha.

3 yr Alpha vs. R3000:

Inc	Bal.	Con Gro.	Grow
1.92	0.66	0.34	-0.24

3 yr Alpha vs. Global BMI:

Inc	Bal.	Con Gro.	Grow
2.99	2.13	2.00	1.66

5 yr Alpha vs. R3000:

Inc	Bal.	Con Gro.	Grow
1.71	0.62	0.06	-0.49

5 yr Alpha vs. Global BMI:

Inc	Bal.	Con Gro.	Grow
2.20	1.27	0.82	-0.40

THANK YOU for letting the All Star Team guide your financial FUTURE! Looking forward to visiting with all of you very soon.

A New Year Starts with the Same Old Concerns

MARKET OVERVIEW

Overview

A 4th quarter rally helped overcome declines over the previous five months allowing U.S. stock markets to break even for the year. Investors reacted favorably to mild improvement in economic data and modest signs that European leaders were serious about finding solutions to its sovereign debt issues. Congress passed a two-month extension of the payroll tax holiday. Yet many of the issues that burdened the markets in the second half of the year have carried into 2012. Debt issues in Europe and the U.S., dramatic market volatility and stubbornly slow economic growth remain on the radar.

The main global risk confronting markets is the impact of the European debt crisis. Several troubled countries instituted austerity plans designed to reduce government debt levels. Yet measures like these threaten a recession that could affect all of Europe. The impact could even be felt in the U.S. and worldwide.

The debt crisis capped off a year where a variety of external events played a role in the performance of various asset classes. The earthquake and tsunami in Japan, the uncertainty created in the Middle East by the "Arab Spring," and a debt rating downgrade of U.S. treasury securities in August all contributed to market uncertainty. Stocks endured one of the most volatile years in recent history.

The desire for a "safe haven" investment led to strong returns for U.S. Treasuries while the dollar recovered ground lost earlier in the year. This should not be construed as a clean bill of health for the financial position of the U.S., which still needs to address its own long-term debt issues. With an election looming, the markets will be sensitive to a combative political environment.

Slow economic growth has been one of the trends we've expected. Though the U.S. economy showed increasing strength through the year, a recession in Europe could slow growth here and in other global markets in 2012. Corporate earnings growth may slow as well, so the pace of growth will continue to be a key factor to watch in the coming year.

Economy

The 4th Quarter

Growth remains painfully slow but showed encouraging signs in the 4th quarter. Gross Domestic Product (GDP) grew at an annualized rate of 1.8% in the 3rd quarter, an improvement from earlier in the year with expectations that the rate of growth would be higher in the 4th quarter (data released in late January). Still, the rate of growth over the past year is not sufficient to dramatically cut into the unemployment rate or improve the housing market.

American consumers continue to bounce back. Personal income rose 3.9% and consumer spending was up 4.3% in the last monthly release. Savings rates declined to 3.5% after peaking at 5.0% earlier in the year, a sign that consumers were dipping into their savings more. Lower energy prices helped temper inflation, with the annualized rate standing at 3.4%.

Both the manufacturing and service sectors of the economy continue to expand, though at modest rates compared to past recoveries. Exports and new orders are rising, but businesses remain cautious about boosting inventories and hiring. Still, labor markets showed improvement in the 4th quarter as the economy added more than 100,000 jobs in each of the last five months and the unemployment rate dipped to 8.6%. These trends may help the U.S. avoid a recession in the coming year.

There was a continued decline in home prices for the long-struggling housing market, but both existing home sales and new home sales increased in November. Low interest rates, lower prices and rising rents should boost demand for homes in 2012.

Looking Ahead

Based on fundamental trends, the U.S. economy is poised to maintain modest growth in 2012. The biggest threat appears to be how policymakers in Washington and Europe choose to address long-term debt and growth issues. Once those solutions become clearer later in the year, the economy may be better positioned. Until then, business leaders may be hesitant to make significant investments.

Extending the payroll tax cut beyond February, an open issue in Congress as the New Year begins, will be important to maintain healthy consumer spending in the coming year. A failure to extend it could have a negative impact on the domestic economy. Europe's economic struggles may also have a negative impact.

Bond Markets

The 4th Quarter

A variety of issues ranging from the U.S. government debt downgrade to Greece's debt crisis and rising borrowing costs for other European nations strained credit markets in the closing months of the year. This resulted in rising interest rates among credit-related and overseas bond sectors. The market stabilized a bit toward the end of the year as interest rates in several key European markets began to decline.

Investors favored U.S. dollar denominated bonds during the quarter. High-yield bonds led the way, gaining 6.5% during the quarter and finishing the year with a 5.0% return. Treasury Inflation Protected Securities (TIPS) gained 2.7% for the quarter, capping a year where they rose 13.6%. Municipal Bonds returned 2.1% for the quarter and 10.7% for the year. Yet over the past 12 months, all three of those sectors lagged the U.S. Long Government Bond Index. While it only rose 1.8% in the 4th quarter, Long-Term Treasuries returned a stunning 29.2% for the year.

The domestic bond market as a whole (based on the Barclays U.S. Aggregate Bond Index) returned 1.1% for the 4th quarter and 7.8% for the year. By contrast, overseas bond markets suffered. The Barclays Global Aggregate Bond Index was essentially flat for the quarter, but rose 5.6% for the year. Emerging Local Market bonds declined 1.0% in the quarter and lost 5.2% for 2011.

Looking Ahead

Major central banks around the world appear determined to keep money flowing to help stem the negative impact of government austerity measures and a weak economy. Along with lowering interest rates, central banks announced a major liquidity program to support the global banking system in the closing months of 2011. Actions by policy makers and central bankers in the U.S. and Europe will likely have a notable impact on bond markets in 2012.

Investment fundamentals remain strong for bond and credit markets. Corporations are taking advantage of historically low interest rates by issuing more debt. Despite the slow economy, default rates are low and Corporate and High Yield credit spreads have significantly widened. Emerging market bonds also appear attractive as most developing nations have better balance sheets than the U.S., Europe and other developed markets.

Domestic Stock Market

The 4th Quarter

2011 was an odd year for the stock market. Volatility within the year was double the average of the last 50 years, but from beginning to end, there was little change in key market indices. A solid 4th quarter, however gave the market some momentum going into the New Year.

Small Cap stocks led the rebound, gaining 15.5% in the 4th quarter. Mid Cap and Large Cap Stocks returned 12.3% and 11.8% respectively. For the year, Large Cap stocks managed a modest 1.5% total return while Mid Cap stocks declined 1.6% and Small Caps fell 4.2%. Value stocks (+13.3%) altered a year-long trend, outperforming Growth stocks (+10.9%) during the 4th quarter. But for the year, Growth stock enjoyed a modest edge, returning 2.2% compared to a loss of 0.1% for Value stocks.

From an industry perspective, Energy stocks returned 18.2% and Industrial issues gained 17.2% during the quarter to lead the market. For the year, Utilities were the best-performing sector with a gain of 14.8%. Consumer Staples stocks returned 10.8% for the year. Financial stocks were by far the lagging industry in the stock market for 2011, falling 18.4%. Materials stocks lost 11.6% in 2011.

An encouraging sign was a pickup in Initial Public Offerings (IPOs) during the 4th quarter and the expectation that an IPO for the Internet giant Facebook could occur in 2012. Historically, increasing IPO activity tends to be a favorable sign for the stock market.

Performance Update

Market Index	4th Qtr	1 Year	3 Years	5 Years
DJ Industrial Average	11.96	1.34	15.04	0.28
S&P 500	11.82	2.11	14.11	-0.25
Russell 2000	15.47	-4.18	15.63	0.15
S&P Mid Cap 400	12.98	-1.73	19.57	3.32
Russell 3000	**12.12**	**1.03**	**14.88**	**-0.01**
S&P Global BMI	**7.15**	**-7.72**	**13.53**	**-1.16**
MSCI EAFE	3.33	-12.14	7.65	-4.72
MSCI Emerging Mkts	4.42	-18.42	20.07	2.40
NASDAQ Composite	8.19	-0.83	19.37	2.43
Barclays US High Yield Bond	6.46	4.98	24.12	7.54
Barclays US Aggregate Bond	1.12	7.84	6.77	6.50
Barclays Global Aggregate Bond	0.23	5.64	6.04	6.46
JPM Emerging Local Mkt Bond	-1.00	-5.19	3.82	4.54
Barclays US Government Bond	0.84	9.02	4.01	6.56
Barclays US Credit Bond	1.70	8.35	10.90	6.80

Looking Ahead

Uncertainty surrounding policy actions in Europe and Washington cloud the outlook for 2012. Long-term investors should be braced for continued volatility but also keep in mind that investment values are attractive. Stock valuations as measured by Price-to-Earnings ratios (P/E) are less expensive now than their 3-, 5- and 15-year historical averages.

Quarterly corporate profits and corporate cash reserves have both reached record levels. Non-financial firms are sitting on $2 trillion in cash. Some of that money is likely to be used for acquisitions, increased dividends to shareholders and higher capital spending and hiring.

Profit growth in the coming year may slow but still reach the 8-12% range. Technology companies look particularly attractive as many benefit from low debt, high cash levels, strong export markets and a regular stream of new products that generate high margins.

International Markets

The 4th Quarter

The stronger dollar detracted from returns in foreign and emerging market stocks during the 4th quarter. Overseas markets managed modest 4th quarter gains but still ended the year with double-digit declines, as investors appeared anxious to avoid risk amid a variety of headline-making events throughout the year.

The S&P Global BMI (ex-U.S.) Index gained 3.3% during the 4th quarter, but lost 14.0% for the year, well below the performance of U.S. markets. China's market rebounded in the 4th quarter with an 8.1% return to lead all overseas markets. For the year, it suffered a dramatic 19.9% loss. Emerging Markets as a whole gained 4.4% in the quarter but fell 18.4% for the year.

European stocks rebounded with a 5.4% gain for the quarter, but still declined 17.8% in 2011. Japan lost 3.9% in the quarter and 14.3% for the year, as its post-disaster recovery began to slow.

Looking Ahead

After a rugged 2011, overseas stocks are attractively priced. The rising importance of China and other emerging markets in the global economy should drive a resurgence in these markets in 2012 as their central banks shift their focus from fighting inflation to stimulating economic growth and domestic demand.

The European debt crisis has been particularly damaging to large European multi-national stocks, creating more attractive buying opportunities. Many overseas stocks also look appealing as they pay higher dividends than their domestic counterparts.

SUMMARY

Concerns about debt problems in Europe and the U.S. continue to overshadow generally positive fundamental factors as we begin 2012. This elevates the level of risk in the markets. Yet attractive values can be found in both equities and bonds and reasonable gains are possible for those willing to endure continued volatility in the markets.

Investors showed caution in 2011, focusing on assets perceived as "safe" such as gold, U.S. Treasury securities and the dollar. All of these asset groups now trade at a premium. Assets perceived as more "risky," such as stocks, non-Treasury bonds, and commodities are trading at a discount to long-term historical averages. We believe the best opportunity rewards the patient, long-term investors.

What the Heck Happened in 2011?

The simple answer is plenty. The volatility that we experienced was in part due to the fact that the investment markets have become global in nature and so have our allocations as well as our index for comparison (See Bob's Corner for details about the S&P Global BMI). We also experienced more volatility than we can remember with fear driving the emotions of the market. Uncertainty was created by one crisis after another. To name a few: Japan's earthquake, the congressional debt debacle, downgrade in our debt, and the european and sovereign debt crisis. In addition, we maintained our emerging market exposure based on the best value around the world. As these markets underperformed, we lost ground relative to the Russell 3000, but not relative to the S&P Global BMI.

Quarter Model Allocations	ASF Model Performance	Russell 3000	S&P Global BMI	MSCI EM	Barclays US Agg Bond	JPM EM Bond	Under/Over to Russell 3000	Under/Over to S&P Global BMI	Events	Actions
1st Quarter 2011 S: 44%-89% B: 8%-45% C: 3%-11%	+2.49% to +3.51%	+6.38%	+4.36%	+1.69%	+0.42%	+3.29%	-3.89% to -2.87%	-1.87% to -0.85%	Japan Earthquake/ Tsunami	*Euro Pacific to Ivy Intl Core *Janus Forty to JPM Large Growth
2nd Quarter 2011 S: 42-88% B: 45-50% C: 4%-8%	+0.17% to +0.74%	-0.03%	+0.32%	-1.15%	+2.29%	+1.81%	+0.20% to +0.77%	-0.15% to +0.42%	No Major Events	No Major Actions
3rd Quarter 2011 S: 28-64% B: 3-44% C: 28-33%	-9.63% to -14.84%	-15.28%	-17.95%	-22.56%	+3.82%	-8.49%	+5.65% to +0.44%	+8.32% to +3.11%	*US Debt Downgrade *1Q GNP Revised Down and Lower Forecasts	*Sold Intl and U.S. Mid Caps *Sold High Yield *Trimmed Growth *30% Cash
4th Quarter 2011 S: 29-82% B: 7-54% C: 11-17%	+3.65% to +5.08%	+12.12%	+7.15%	+4.42%	+1.12%	-1.00%	-8.47% to -7.04%	-3.50% to -2.07%	*European Debt Concerns *Volatility up Stocks fluctuate up 16%, down 10%, up 8%	*Sold Intl Small *Added Tactical Large Cap Funds and All Asset Fund to manage volatility, increase yields

Key: S= Stock Allocation Ranges, B=Bond Allocation Ranges, C=Cash Allocation Ranges

Summary

As you can see, most of our underperformance came during the 4th quarter, which was the most volatile quarter in what was one of the most volatile years in the last 50. The cash positions within our tactical funds were also a drag on performance during the 4th quarter as the domestic markets rebounded sharply before we could put more back to work. As Europe goes, so will the emerging world. This will be a "make or break" year for the European markets. In addition, the U.S. debt issues still need to be settled and the recent payroll tax cut extension lasts for only two months; more market volatility lies ahead. We believe we are positioned for this uncertainty, attempting to achieve "safer growth," while maintaining our positions in investments that still represent great long-term values. These values are not realized from quarter to quarter, but over the long-term they have almost always been rewarded. We appreciate your patience in what has been a difficult year and look forward to a performance turnaround in 2012.

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