

SELECT CONSULTING, INC.

E-Mail Update 2-1-12

MARKET UPDATE

Stocks just closed out the best January since 1997, rising 4.4% as measured by the S&P 500 index. The largest gains during the month came from the areas of the market that performed poorly last year, namely industrials, financials, small caps and international stocks. On the other hand, many of the top performing segments of the market from 2011 (utilities, consumer defensive and telecommunications) are off to a slow start. This rapid shift in sentiment continues to be a hallmark of the current investment environment, making it imperative that investors continue to take a long term approach to investing.

It also is important to point out that after active managers suffered their worst year in more than a decade, relative to their respective equity benchmarks, they have turned that momentum around with over two thirds of active large cap managers outperforming the S&P 500 so far this year. On the fixed income side, the results are even better with nearly 75% of intermediate term bond funds eclipsing the Barclays Aggregate Index through the first month of the year. Although it is very early in the year, this is a very promising start for active portfolio management.

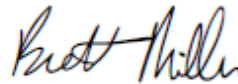
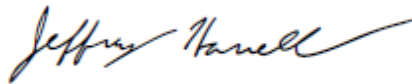
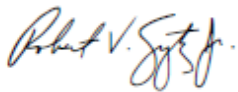
INVESTMENT STRATEGY UPDATE

In an effort to take advantage of the excessive volatility in the market and to force more discipline to the investment process, we are implementing a new rebalancing strategy. The goal of this strategy will be to remove the emotional decisions made by many investors to buy at the top and sell at the bottom. This very simple strategy works like this. When the market falls 10% from a previous high or rises 25% from a previous low, rebalance your portfolio back to its target allocation. According to Pulitzer Prize winner James B. Stewart, over the past decade this approach outperformed a strict buy-and-hold approach by 5% and did even better against the "buy-high, sell-low" approach, which most investors execute to perfection. After studying his research, we plan to incorporate this into our managed accounts immediately and will give you regular updates as to where the stock market is, in relation to this trading strategy via our monthly e-mail updates.

FINANCIAL PLANNING UPDATE

We have been notified by both Charles Schwab and TD Ameritrade that 1099s for 2011 should be ready in mid February. You will either receive these in the mail, or via e-mail depending upon how you have your accounts set up to receive communication from the custodians. As we previously mentioned, the new 1099s now include information related to gains and losses on securities that have been sold in your account during the year. However, if your 1099s are missing any information related to cost basis, be sure and have your CPA contact us directly.

Sincerely,



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