VOLUME 2, ISSUE 4 Yellowstone Partners QUARTERLY UPDATE DEC 14, 2009

Yellowstone VIEWPOINT

The market has given us few extra reasons to rejoice this holiday season —

Market Perspective

THUS FAR, the fourth quarter of 2009 hasn't disappointed from the positive trend we've seen since March. The month of November logged a 6% gain in the S&P 500 Index as corporate earnings again surprised to the upside. With December underway and reports previewing a strong consumer showing throughout the holidays, it seems that the Grinch that stole last Christmas may have had a change of heart.

The story has been consistent weakening in the US Dollar and a corresponding move upward in commodities, international stocks, and domestic stocks whose profits come largely in foreign currencies. From September 1 to November 30, the US Dollar's value in Euros dropped 5.2%.

As a result, gold finds itself at all time highs - at nearly $1,200 an ounce, and oil has once again topped $80 a barrel. The materials complex has literally been resurrected and the global growth story is once again gracing the tongues of market pundits.

But let's face it, those of us who'd like to spend some time traveling the world in retirement, aren't exactly content to see our retirement accounts thrive at the expense of rapid worldwide dollar devaluation. The kind of growth we want to see is what has always been responsible for growth in the market over decades of history: Corporate Earnings.

> It seems the Grinch that stole last Christmas may have had a change of heart.

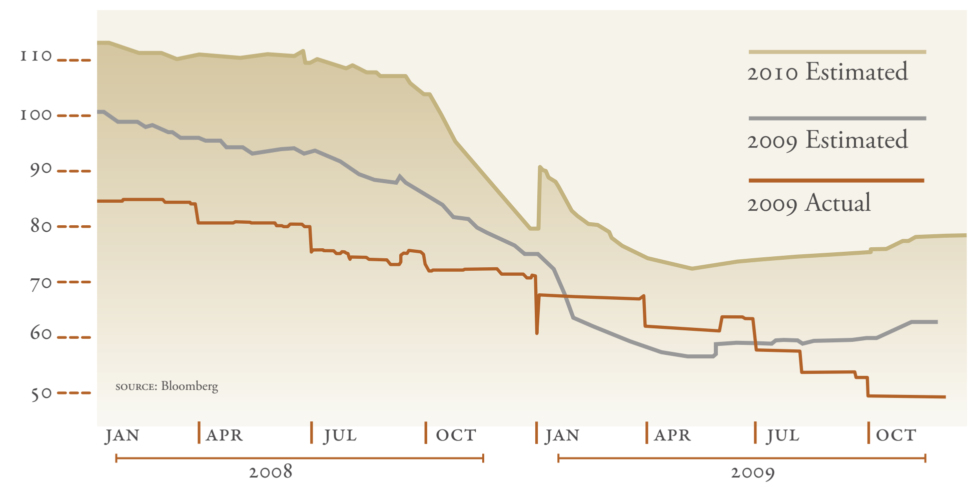
While there are many ways to look at this, the most basic is simply to look at Earnings Per Share on the S&P 500 Index. To offer some frame, at the beginning of 2008, companies in the S&P 500 had earned a total of about $85 per share over the previous 12 months. At that point, estimates for the end of 2008 were upbeat- $100 per share. Then 2008 happened.

As you can see from the chart above, the first five months of 2009 were characterized by declining estimates as well as declining actual earnings. For the first time in at least a few years, analysts saw the year ending at levels lower than the Trailing 12M Earnings. However, by June, estimates finally started to pick up, and for the first time since the summer of 2007, earnings estimates have been rising.

What we have yet to see, however, is definitive and substantive positive growth in actual Trailing 12M Earnings. That's what the waiters tell us is on the menu for the closing quarter of 2009. Their estimates seem richly-seasoned given the steady crumbling of the past few quarters. The numbers we're watching have next quarter baked at 87% net growth in S&P 500 EPS – glazed with a continued positive reversal in Financials, with a side of hearty growth in the Materials, Consumer, and Information Technology sectors. Mmm… sounds *delicious.*

S&P EARNINGS PER SHARE

IN $'S PER SHARE



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Economic Outlook

GDP GROWTH

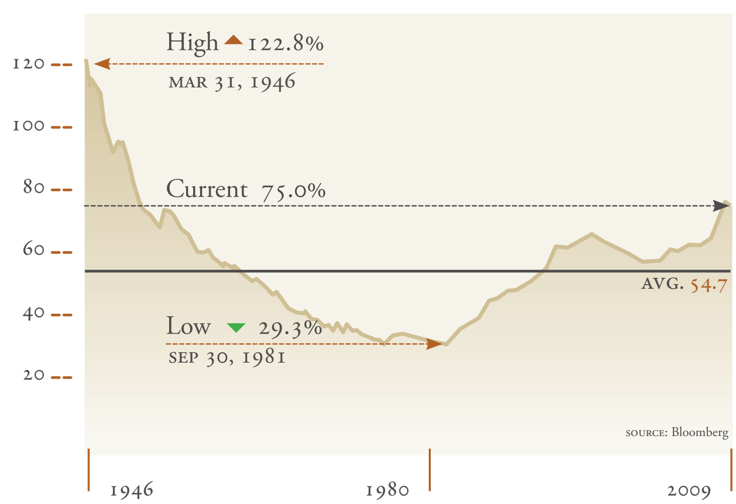
THE FIRST QUARTER of 2009 brought us some very ugly news on the GDP front – a (6.4%) quarter over quarter (QoQ) drop… something the US economy hadn't seen since 1982, and something we hope not to see again for a long, long time. Yet, six months later, QoQ GDP is actually growing again, at 2.8% as of the 9/30 report. That equates to a swing of almost 10%.

While we estimated that Exports would play a major role in the GDP recovery, and they have, they've been joined by nearly every piece of the GDP measure, including corporate profits, personal consumption, and investment/inventories. Surprisingly, the weakest contributor to QoQ GDP growth is actually government spending. That doesn't, however, stop the ratio of government debt to GDP from staying at alarming levels.

> Despite the concern over rampant spending & shrinking GDP, this is a path we've tread before.

U.S. DEBT/GDP RATIO

IN % OF GROSS DOMESTIC PRODUCT



By our figures, the national debt stands at 75% of GDP – the kind of number you would expect to be unprecedented. Yet, despite the rampant spending and shrinking GDP that we've seen, this is a path we've tread before, albeit on the way down. When these numbers were first calculated and recorded in 1946, the US was fighting its way out of a 120% debt to GDP ratio. By 1951 we had dropped to 75%, so that's a spot that we haven't visited in 58 years.

A POSITIVE EMPLOYMENT REPORT

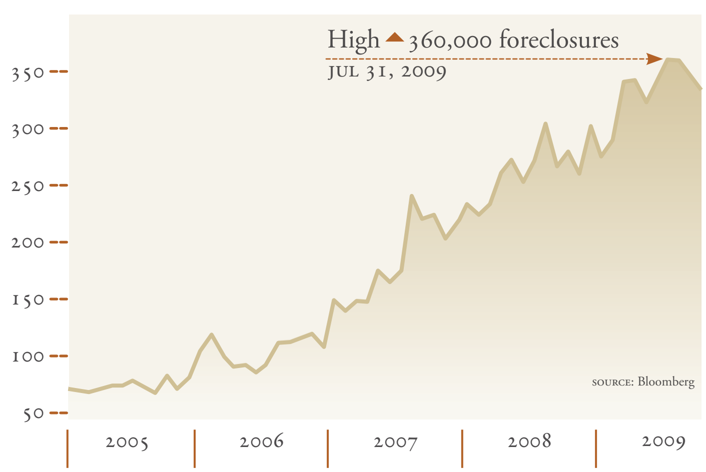
IT HAS BEEN A LONG TIME since we've had some real good news in the employment reports. We've justified the aggressive rally in the market despite mounting job losses because historically employment tends to lag a recovery… but there's a part of us that really wants to see those numbers turn over. At least for the time being, we got that in the 12/4 report. While estimates had non-farm payrolls declining by 125,000, the actual number came in much better, at a calming loss of 11,000. This brought us a small tick down in unemployment from 10.2% to 10% - a move in the direction we'd prefer to continue to see. Raymond James' Senior Economist makes an interesting observation: "The unemployment is likely to be the main determinant of when the Fed will start raising interest rates, and that the dollar should regain support when it becomes clear that [interest rates will rise]." That's a sequence to which we'll pay close attention.

A BREAK IN HOME FORECLOSURES?

THE RISE IN FORECLOSURES has been a painful thing to watch over the past four years. We've gone from 68,000 in 2005 to as high as 360,000 in the summer of 2009, and this despite the banks' best efforts to prevent as many as possible by bargaining with homeowners.

HOME FORECLOSURES

IN THOUSANDS OF FORECLOSURES



However, the latest numbers suggest a cooling in the rate at which mortgagees are defaulting, a warming statistic along with other positive indicators - including solid existing home sales and continued low mortgage rates (which are back at record lows). We're still looking for that intersection of housing supply and demand that will stabilize housing and reestablish a base from which to grow.

Welcoming Advisors

THREE NEW REPRESENTATIVES

YELLOWSTONE PARTNERS is extremely proud to announce the addition of several new Investment Advisor Representatives to our team. Just as our clients appreciate our approach to managing investment portfolios, these new advisors find the Yellowstone brand appealing and working with our team provides an excellent solution for their goals and the needs of their clients. As a result of this growth, we now have operations in Cedar City and St. George, Utah, and Casper, Wyoming.

JOHN LUTZ .... *Casper, WY*
KEVIN DONOVAN.............. *Cedar City, UT*
DARRELL WRIGHT .... *St. George, UT*

We welcome these advisors and their clients and look forward to the opportunity to provide the level of service and attention that we have made a hallmark of our company and helping all of you reach more milestones.

JOHN LUTZ, JR., CASPER, WY

JOHN HAS BEEN A FINANCIAL ADVISOR for almost 10 years, serving clients in the Casper, Wyoming area. He graduated from Hillsdale College, whose rich history entails dedication to the principle of Equality – something that John has carried with him into his personal life as someone who is inclusive, generous, and outgoing. When he's not in the office, you'll either find him spending time with his wife, Sandra and their five children, or hitting the trails - skiing, mountain biking, or hiking.

KEVIN DONOVAN, CEDAR CITY, UT

KEVIN'S INVESTMENT INDUSTRY EXPERIENCE took him through several different states before he finally settled in southern Utah. As literally the only Notre Dame football fan within a 400 mile radius - Kevin is obviously the kind of person who thinks critically and independently and isn't afraid to chart his own course. Kevin, his wife, Elise, and their four children spend much of their free time on the lake.

DARRELL WRIGHT, ST. GEORGE, UT

DARRELL HAS BEEN IN THE banking and investment advisory profession since 2002. He has competed in several Triathlons, which might offer some insight into his tenacious nature – never content with mediocrity and always striving to better himself and others. He and his wife, Trina, have two boys who like to fish and hike with their dad.

"We can easily forgive a child who is afraid of the dark. The real tragedy of life is when men are afraid of the light."

—Plato

"Don't tell me how educated you are, tell me how much you traveled."

— Mohammed

Client Corner

CONTACTING CLIENTS

AS PART OF A ROUTINE PROCEDURE with the regulatory authorities, we have been informed that occasionally the SEC will contact clients to verify overall values from their statement. This has been mandated due to what happened last year with Bernard Madoff and the many falsified investment schemes. As with any situation in which you are being asked for sensitive or private information, we would urge you to confirm the identity of the questioner and provide the information you are comfortable sharing. If you have any questions or concerns, please don't hesitate to call our toll free number, 1-800-252-3693.

TAX GAIN/LOSS HARVESTING

OFTEN AT THIS TIME OF YEAR, many of our clients are considering harvesting gains or losses for tax purposes. While we obviously have reason to hold what we're holding, we're open to helping you meet your needs and are sensitive to tax considerations.

If you would like to make any adjustments, or would just like to know where you stand on both realized and unrealized returns on the year, please call Brad at (800) 252-8693 or email brad@yellowstonepartners.com.

CONTACT .... *brad@yellowstonepartners.com*

An Investment for the Ages?

LOOKING THROUGH THE GLITTER OF GOLD

As we have watched the spot price for gold slice aggressively through previous highs, boldly ascending at an alarming pace, capriciously eclipsing expectations, the question must be asked: *is Gold an investment for the ages?*

The simple answer is, "yes and no." The slightly difficult answer is, "it depends." The thoroughly complex answer is, "keep reading."

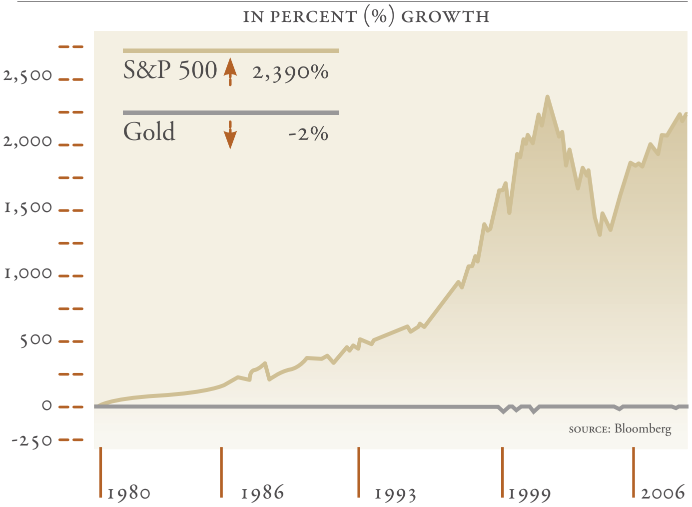
If Warren Buffett has taught us anything, it's that investing is about finding value. Investing is about arbitrage... imbalance not between perception of value and reality, but between perception of value today, and perception of value in the future.

> Investing is about arbitrage... between perception of value today, and perception of value in the future.

Gold is a solid investment if the perception of value will be greater in the future than it is at present. "Future" in this sense can only be defined by the duration specified by the investor. For some investors, "future" might be dozens of years, for others; "future" might be a matter of minutes.

To illustrate; consider that if you bought gold any time from January to March or June to December of 1980, you would likely have waited some 26 years before you ever made a profit... and that's if you didn't sell when your investment dropped more than 50%. And by that time, if your journey on Earth hadn't already expired, you would need that investment at least to double just to get back what inflation had taken from you over those 26 years... something it still hasn't done even three years later at all-time highs.

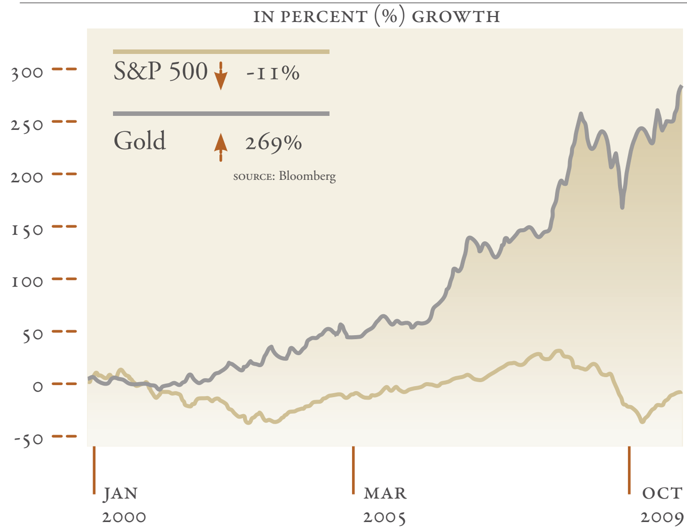
29 YEARS OF GOLD
IN PERCENT (%) GROWTH



Yet, had you allocated your investments to the S& P 500 Index over that same timeframe, you would have the kind of investment returns that we all dream of - the kind with a comma: 2,390% (Almost 13% annualized).

In contrast, if you had bought gold in early 2000 (while we're seeing with perfect 20/20 hindsight, let's just go ahead and say you called the top of the Nasdaq and cashed out at 5000), now, some 9 years later, you would be sitting atop your cash heap with a wide grin and a 268% gain (14.3% annualized).

9 YEARS OF GOLD
IN PERCENT (%) GROWTH



To provide reference, consider that in this same scenario, had you invested in the S&P 500 Index, you'd be pining over an 11% loss.

Then, to summarize, gold is and isn't an investment for the ages. As with everything in investing, it is a question of timing - a question of value. There is a reason the answer is, so often, "maybe."

This is a case study for diversification. The lesson might be never to spurn any single investment category, and never to believe any to be infallible. *There is no replacement for prudent diversification of investment assets.*