

- European Market Influences
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- Consumer Confidence on the rise
- Vehicle Sales on the rise
- 2012 Reading List

YELLOWSTONE VIEWPOINT

MARKET PERSPECTIVE

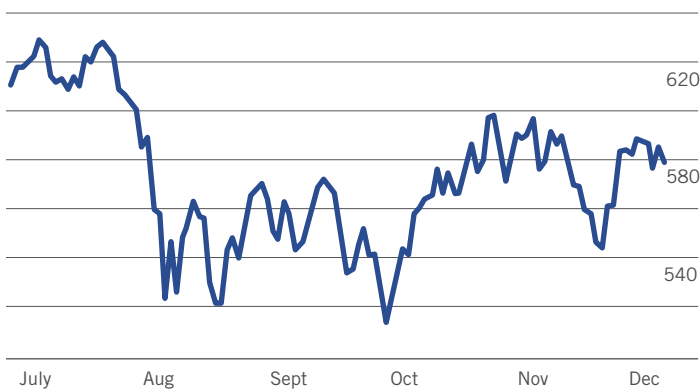
EUROPEAN-GRIPPED MARKET

Brad Christensen - DIRECTOR OF TRADING

The market has been focused on 'governmentals' and not 'fundamentals'.

Idaho's Sawtooth Mountains are a sight to behold. Jagged chunks of exposed granite spike angrily heavenward. They're the product of century after century of violent battles between the upward-thrusting inner-earth and the bulk and heft of alpine glaciers.

Russell 1000 Growth Index



Data as of Dec 16, 2011 - Bloomberg

Not dissimilar, a single adjective describes the market action in the last half of 2011; sharp. You won't find many soft, round tops and troughs in today's equity market. The ongoing battle between very solid, upward-thrusting corporate profits and the bulk and heft of European sovereign insolvency hasn't been waged for centuries, but it has left behind a chart that invokes the outline of those Sawtooth Mountains against the horizon.

If you look at history as a guide, the alpine glaciers will eventually win the battle – see the Appalachian Range. Yet, in the instance more

pertinent to investors in today's equity market, history says that the corporate profits will eventually win out – see the 1990s.

So, for the long-sighted investor, today's market is entertaining. But, for the hyperopic investor who vacillates at the myopia-inducing swings of European economic drama, (a category into which many more of us fall), it is far from amusing. In fact, it's downright maddening.

Consider that corporate earnings grew approximately 16% in the last-reported quarter (Bloomberg). Meanwhile, 9 of the last 10 leading economic indicators have come in at positive readings (Conference Board). With those facts as a backdrop, you'd find it hard to believe that the market continues to struggle and rallies only at the behest of ECB Governing Council decisions and IMF directives.

It's a market that has focused far too much on the "governmentals" and not enough on the "fundamentals." It's that kind of fear-driven market which has caused Utilities, Healthcare, and Consumer Staples to lead returns in 2011, turning on their heads the investment theses of professional money managers, hedge funds, and savvy individual investors.

We don't foresee this kind of aberration continuing in the coming year. The valuation of economically sensitive companies is profoundly low. While we'd never pretend that what's going on in Europe is irrelevant, it would be an even greater mistake to join the current fallacious groupthink that says that corporate profits are irrelevant.



As Yellowstone Partners Director of Trading and a Registered Investment Advisor Rep, Brad provides a uniquely valuable perspective and disciplined approach to Yellowstone's market research as he evaluates existing and prospective investments.

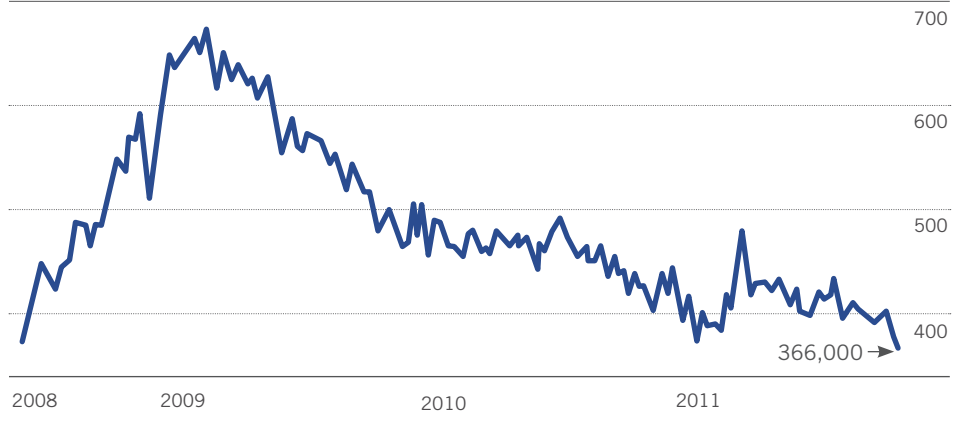


ECONOMIC OUTLOOK

Initial Jobless Claims: Lowest Reading in Three Years

It bears mentioning that the third weekly Unemployment Claims Report of December came in at 366,000 – the lowest reading since 2008. If we weren't seeing nonfarm payrolls climb and the overall unemployment rate drop, one might be able to make the case that it's simply a factor of the unemployed giving up hope. Yet, those two concurrent indicators demonstrate exactly the opposite. Keep in mind that there are generally 300k-350k unemployment claims per week even in a growing economy, so we're really approaching a normalized figure.

Initial Jobless Claims



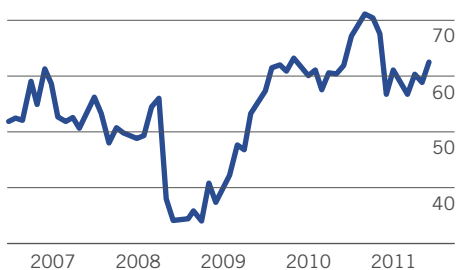
Thousands of initial jobless claims - Data as of Dec 16, 2011

Chicago Purchasing Managers Index

Data as of Dec 16, 2011 - Bloomberg

Similar to the ISM Manufacturing Index, the Chicago PMI indicates expansion with a reading over 50. What it's measuring is the number of firms which are reporting improved business relative to those reporting deteriorating business conditions. As you can see from the chart, we aren't at the levels we were earlier in the spring, but we are still very solidly above 60, which, incidentally, is well above the readings from 2007 - the last time the market rested on more stable footing.

Chicago PMI



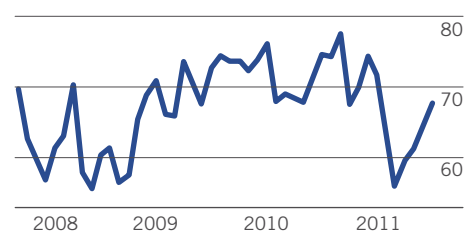
Michigan Consumer Confidence

Data as of Dec 16, 2011 - Bloomberg

Three months ago, one economic datapoint was particularly concerning – consumers were as pessimistic as they had been in the depths of the 2008 recession. Yet, with the onset of fall, shoppers re-opened their wallets and suddenly began to feel comfortable again. The last three reports have brought this indicator from a dire low just over 55, to a much more encouraging reading of 67.7. Last quarter we referenced vehicle sales as a preview to

genuine consumer sentiment. Perhaps this is one we got right.

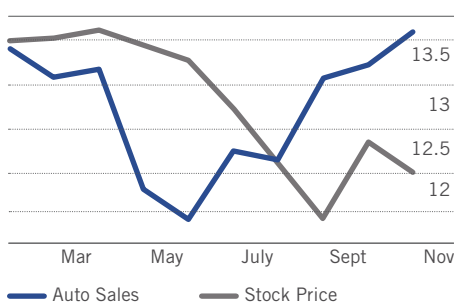
Consumer Sentiment



TAILWINDS

Auto Manufacturers: Value in Recovery from Summer Slump

US Auto Sales vs. Stock Price



Data as of Dec 16, 2011 - Bloomberg

February of 2011 marked an exciting time for auto manufacturers. For the first time since the 2008 recession (with the excusable excep-

tion of the Cash for Clunkers supermonth), monthly US light vehicle sales eclipsed the 13 million annual run rate. Domestic vehicle manufacturers cruised along at nearly 10x earnings and all was right with the world.

Yet, inexplicably, summer didn't bring freewheeling consumers and vehicle sales dropped to a run rate below 11 million. The Manheim US Used Vehicle index spiked to its highest reading ever, and the Auto sector felt the pressure of a vacuum in new auto interest. By September, along with the rest of the market, valuations sagged to their lowest levels on the year. In the meantime, however, spiking used-vehicle prices, aggressive promotions,

and a reinvigorated consumer had recharged vehicle sales - so much so, in fact, that by November we had surged above the earlier high.

Also inexplicable; auto manufacturers have failed to see a valuation increase commensurate with the rise. While they benefited from the market's brief return to attention to fundamentals in the October earnings season, valuations remain at almost half of what they were in Jan-Feb. While we don't anticipate that we'll be seeing premium valuations on companies that still struggle under the yoke of a crawling economy, here is a case for an area of the market which seems to be especially underappreciated.

COMPANY ANNOUNCEMENT



Mark Johnson - Investment Advisor who joined Yellowstone Partners in 2011

Welcome Mark Johnson

Yellowstone Partners would like to welcome Mr. Mark Johnson as the newest addition to the Yellowstone Advisor Team – servicing clients in the Utah/Idaho areas.

Mark had the intellect and the interest to pursue economics and accounting from an early age, but he had far too much character to confine himself to such tedious professions. After graduating cum laude from the University of Utah with a Bachelor's degree in Economics, his magnetic personality drew him to a profession that would allow him to practice a truer passion – working with people to meet their financial objectives.

In 1993 he started with Fidelity Investments as a financial representative. In 2003, he joined Zion's Investment Securities and eventually became a wealth manager for Contango Capital – a Registered Investment Advisor which serves clients of Zions Bank. Today, as a Yellowstone Partners advisor,

Mark finds that the most satisfying part of managing investments for his clients is the opportunity to develop long-term relationships. He appreciates the chance to meet with people and discuss their interests, dreams, and goals.

That same magnetic personality that pushed Mark away from numbers (and pulls people toward him) also managed to lure in a spouse far his superior: Toni, his wife of 20 years. Together they have a pair of boys and a pair of girls who keep them both very busy. If that weren't enough, Mark also dedicates an extraordinary amount of his time to church and youth groups.

We are extremely grateful to have Mark as a part of our team.

Disclaimer

The data and information contained within this report are deemed to be from reliable sources, but cannot be guaranteed as accurate or complete. Market conditions and our expectations are constantly changing. The opinions and forecasts mentioned in

this report subject to change at any time and without notice. This update is published for informational purposes only and should not be taken as instruction or solicitation to buy or sell any security. Investing in securities markets involves risks that may result in financial losses. Past performance does not guarantee future results.

HAPPY HOLIDAYS

Yellowstone Partners 2012 Reading List

Many of our clients have recommended books which have taught us immeasurable lessons, enhanced our perspective, and provided relief and comfort. In hopes that we might be able to share the same with you, we offer our 2012 recommended reading list.

This Time is Different: Eight Centuries of Financial Folly

Carmen Reinhart and Kenneth Rogoff

"It provides a good analysis of the aftermath of sovereign and other financial debt crises and how long it takes to recover from one."

— Robert Natale

How We Decide

Jonah Lehrer

"Lehrer offers a perceptive inspection of the decision-making process – bringing along real-world examples that give stunning insight into the thought processes that form the basis for our actions."

— Dave Hansen

Breaking Night: A Memoir of Forgiveness, Survival, and My Journey from Homeless to Harvard

Liz Murray

"An incredible story of one woman's triumph over circumstances which dragged her from the depths of despair to the pinnacles of hope."

— Barbara Faulkner

A Christmas Carol

Charles Dickens

"The metaphors in this book are as timeless as the adages that we draw from it – it is a classic, Christmas time or not."

— Cameron High

Larry H. Miller Autobiography

"The story of Larry Miller is one that is intriguing and inspiring. It recounts the stories of his failures and triumphs and regards them each with the respect they're due."

— Brock Bowden

Rickenbacker Autobiography

"A good read for the hardworking, opportunistic, persevering, visionary, one-of-a-kind people of the world."

— Don Wiscomb

Atlas Shrugged

Ayn Rand

"Rand masterfully captures love and hate, ambition and indolence, admiration and jealousy – it is simultaneously a philosophical treatise, a suspenseful drama, and romance."

— Brad Christensen

How to Win Friends and Influence People

Dale Carnegie

"Published in 1936, these fundamentals of human interaction will forever outlive their times. In today's craze of social media, let's not forget agelessness of genuine concern for others."

— Aly Webster

Have a Safe and Happy Holiday

The year is coming to a close and as we turn our attention to what the next holds in store we want to extend our wishes to you for a safe and prosperous year.

Don't hesitate to get in contact with us if you have questions or changing needs with your account in 2012.

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