January 25, 2012

First, let me wish you a healthy and prosperous New Year.

As I look back on 2011, many of the broad U.S. indices actually changed very little over 12 months. The year was marked by an unusual amount of stock market volatility, reflecting investors' concerns about how the U.S. and Europe would handle their unsustainable level of debt and budget deficits; the pace of the U.S. economic recovery; and the outcome of political strife in the oil-producing Mideast. The S&P 500 Total Return index was up 8% year-to-date in April, touching a three-year high; down 13% by early October; and up 11% in October alone. For the year, the S&P 500 was up 2%. Consider the following:

| INDEX | 4th QUARTER 2011 | YEAR TO DATE | LATEST 12 MONTHS |
|---|---|---|---|
| **Domestic Equity** | | | |
| S&P 500 Index | 11.82% | 2.11% | 2.11% |
| Dow Jones | 12.78% | 8.38% | 8.38% |
| Russell 1000 | 11.84% | 1.50% | 1.50% |
| Russell 1000 Growth | 10.61% | 2.64% | 2.64% |
| Russell 1000 Value | 13.11% | 0.39% | 0.39% |
| Russell Midcap | 12.31% | -1.55% | -1.55% |
| Russell Midcap Growth | 11.24% | -1.65% | -1.65% |
| Russell Midcap Value | 13.37% | -1.38% | -1.38% |
| Russell 2000 | 15.47% | -4.18% | -4.18% |
| Russell 2000 Growth | 14.99% | -2.91% | -2.91% |
| Russell 2000 Value | 15.97% | -5.50% | -5.50% |
| **International Equity** | | | |
| MSCI EAFE Index | 3.33% | -12.14% | -12.14% |
| **Domestic Fixed Income** | | | |
| Barclays Gov/Credit Int. Bond | 0.84% | 5.80% | 5.80% |
| BofA ML 0-3 Year Treasury | 0.14% | 1.16% | 1.16% |
| BofA ML Muni 1-3 Year | 0.32% | 2.36% | 2.36% |
| Consumer Price Index | -0.54% | 2.96% | 2.96% |
| **Cash Equivalents** | | | |
| Citigroup 3-Mo. Treasury Bill | 0.01% | 0.08% | 0.08% |

The U.S. stock indices that performed the best in 2011 were those with historically lower volatility. Large-cap stocks (represented in the S&P 500, Dow Jones, and Russell 1000 indices), outperformed mid-cap stocks, which in turn outperformed small-cap stocks (Russell 2000).

The natural disaster in Japan and intensified sovereign debt crisis in Europe dragged down international stock prices (MSCI EAFE index).

On the bright side, this led to a flight to quality debt. U.S. Treasuries rallied in spite of an S&P downgrade of the federal government's long-term debt from AAA to AA+. Also buoying the U.S. bond market were the Federal Reserve's purchases of longer-term Treasuries; subdued inflation; and the Fed's announcement that they would keep short-term interest rates low. This defied the expectations of many experts, who sold entire bond portfolios earlier in the year only to miss a continuation of the bull market in bonds. At Curran, we maintained our fixed income holdings.

Our outlook for 2012 is for U.S. stocks to outperform bonds, and the market to remain very volatile. Our optimism on the stock market stems from the strong fundamentals: healthy corporate balance sheets; reasonable price/earnings ratios; and a strengthening of the U.S. economy. For corporations that came out of the financial crisis more productive, the next development we look for is revenue growth. In the last few years, controlling expenses drove the strong growth in profit margins.

Another reason for our stock-market optimism is based on a contrarian indicator, mutual fund flows, reported by the Investment Company Institute (ICI). ICI data clearly show investors are continuing to sell equities and are buying fixed income. While we are surprised by the continuing redemptions and reductions in equity holdings by investors outside Curran, these outflows have a silver lining. They are allowing long-term investors to buy the greatest companies at prices we believe are cheap, and they may be a signal the stock market is poised for more robust growth.

The ICI data also suggest investors are unwittingly taking risks in fixed income. When interest rates rise from their very low levels, bond prices will fall. Interest rate risk does not discriminate. Bond holdings will lose value because new bonds will be available with more attractive returns. While we believe the Federal Reserve's decision to tighten short-term credit is not imminent, the inflation risk is likely to be discounted sooner than many believe. If this were to be the case, intermediate and longer term bonds would be subject to market declines. The most significant risk we see is in long-term U.S. Treasuries, which performed well last year.

We believe the outlook for the U.S. is significantly better than for Europe, where the IMF has predicted a mild recession. While this is good news for U.S. stocks, we expect high volatility during the year. With the sharp split between Republicans and Democrats, political gridlock will become evident again in the Presidential election run-up and afterwards in debates on the debt ceiling and the long-term path to budget deficit reduction. The outcome of the Supreme Court's review of the healthcare reform law could also have an impact. As with last year, volatility will intensify with any surprises in the European Central Bank's ability to manage and contain the Eurozone's sovereign debt crisis.

We appreciate your fortitude to withstand market volatility and stay committed to the asset allocation strategy we created to achieve your objectives. We are confident our selection of high quality securities and our execution of your strategy will permit us to reap the rewards long-term investing in equities has provided investors over the long run.

Curran Investment Management is grateful for your trust in us. Kevin and I welcome your opinions and invite you to call us to discuss your portfolios.

Curran Investment Management is Defining Quality.®

Sincerely,

Thomas J. Curran

President

Kevin T. Curran, CFA

Vice President

Deborah M. Lyttle

Senior Research Analyst

*This material was prepared by or obtained from sources that CIM believes to be reliable, but CIM does not guarantee its accuracy. The securities identified do not represent all of the securities purchased, sold or recommended and the reader should not assume that any listed security was or will be profitable. Market indices referenced are unmanaged and representative of large and small domestic and international stocks and bonds, each with unique risks. Information about them is provided to illustrate market trends and does not represent the performance of any specific investment. You cannot invest directly in an index. Past performance cannot guarantee future results.*

In the fourth quarter of 2011, the following changes were made in the portfolios we manage.

| Portfolio Changes | |
|---|---|
| **Buy/Increase** | **Sell/Decrease** |
| Core Equity Portfolio | |
| **No Changes** | |
| Growth & Income Portfolio | |
| **No Changes** | |
| Mid Cap Portfolio | |
| **No Changes** | |
| Small Cap Portfolio | |
| Buffalo Wild Wings (BWLD) | eResearch Technology (ERT) |
| | Raven Industries (RAVN) |
| International Portfolio | |
| **No Changes** | |
| International ETF | |
| **No Changes** | |
| All-Tech Portfolio | |
| **No Changes** | |
| PFG (Portfolio for Growth) | |
| **No Changes** | |
| PFI (Portfolio for Income) | |
| **No Changes** | |

**Curran's Method for Capital Loss Harvesting (for managed accounts)**

Throughout the year, and especially as the end of the year approaches, we review client taxable accounts (i.e., other than tax-deferred accounts such as IRAs) to identify equity positions with substantial capital losses.

Typically then we sell the position in order to book the loss for income tax purposes.

If it is a position we want to continue to hold indefinitely, we would buy a temporary replacement security, that is, something similar to the original security, and hold it for 30 days.

After 31 days we can sell the replacement position and repurchase the original security. This is necessary in order to avoid the so-called IRS "wash sale" rule, which suspends the recognition of tax losses on securities that are sold and repurchased within 30 days.

The result of this loss-harvesting is to create a pool of capital losses that can be used to offset capital gains and other income. By this means we minimize the amount of net capital gains on which taxes are due.

| | **Tax Loss Harvesting** | |
|---|---|---|
| **Sold** | **Purchased Temporary Replacement** | **Status** |
| | Core Equity Portfolio | |
| Becton Dickinson (BDX) | SPDR Financial Select Sector (XLF) | Reviewing |
| Joy Global (JOY) | Caterpillar (CAT) | Repurchased JOY (Dec) |
| Potash (POT) | SPDR Materials Select Sector (XLB) | Repurchased POT (Dec) |
| Stryker (SYK) | Zimmer Holdings (ZMH) | Repurchased SYK (Dec) |
| | Growth & Income Portfolio | |
| Harris (HRS) | SPDR Technology Select Sector (XLK) | Replaced with McDonalds (MCD) (Jan) |
| | Mid Cap Portfolio | |
| DeVry (DV) | iShares Russell Midcap (IWR) | Repurchased DV (Jan) |
| Gildan Activewear (GIL) | iShares Russell Midcap (IWR) | Repurchased GIL(Jan) |
| Dolby Laboratories (DLB) | iShares Russell Midcap (IWR) | Repurchased DLB (Jan) |
| | Small Cap Portfolio | |
| Bio Reference Labs (BRLI) | iShares Russell 2000 Growth (IWO) | Repurchased BRLI (Dec) |
| National Presto Industries (NPK) | PowerShares Small Cap Industrials (PSCI) | Replaced with Synaptics (SYNA) (Jan) |
| ICON Plc (ICLR) | PowerShares Small Cap Healthcare (PSCH) | Replaced with OpenTable (OPEN) (Jan) |
| | All Tech Portfolio | |
| Logitech International (LOGI) | PowerShares Small Cap Info Tech (PSCT) | Replaced with eBay (EBAY) (Jan) |
| BMC Software (BMC) | SPDR Technology Select Sector (XLK) | Repurchased BMC (Jan) |

Note: The following portfolios had no changes: International Portfolio, International ETF, Portfolio for Growth and Portfolio for Income.