



MANAGED ASSET PORTFOLIOS

MAP VIEWS *Fourth Quarter 2011*

The third quarter proved to be challenging for the financial markets. Political bickering in Washington over the debt ceiling in early August, followed shortly by S&P's decision to strip the U.S. of its long standing AAA debt rating rattled investors. Against the backdrop of these two events, the U.S. economy continued to struggle, and Europe attempted to find a solution for its mounting debt crisis.

As the table below illustrates, the confluence of these events pushed worldwide stock prices lower.

<i>Third Quarter</i>		
<i>Index</i>	<i>Simple Return</i>	<i>With Dividends Reinvested</i>
Dow Jones Industrials	- 12.0905 %	- 11.4915 %
S & P 500	- 14.3279 %	- 13.8681 %
MSCI (ACWI)	- 17.8983 %	- 17.3188 %
Nasdaq Composite	- 12.9121 %	- 12.6963 %

<i>Year to Date 2011</i>		
<i>Index</i>	<i>Simple Return</i>	<i>With Dividends Reinvested</i>
Dow Jones Industrials	- 5.7364 %	- 3.8947 %
S & P 500	- 10.0363 %	- 8.6788 %
MSCI (ACWI)	- 15.1222 %	- 13.2150 %
Nasdaq Composite	- 8.9514 %	- 8.3196 %

The Dow Jones Industrials finished the quarter with a loss of 12%, its largest percentage decline since the first quarter of 2009. In August and September, the Dow rose or fell by more than 1% on 29 days, and there were 15 days with final moves of more than 2%. The last time the markets were that volatile was in March and April of 2009. The damage was even worse in Europe where bank stocks fell precipitously. The main German and French stock indexes lost over 25%, their largest quarterly declines since 2002.

Some of the market's weakness may be attributable to the June 30th ending of QE2. Following the ending of QE2, economic data and stock prices began to weaken. The Federal Reserve Board announced its plans to implement "Operation Twist" following its September meeting in an attempt to help the economy and the financial markets. Under this program, the Fed will sell \$400 million of short-term securities and purchase \$400 million of longer-term securities in an attempt to drive long dated yields even lower.

October has proven to be a kinder month for stocks, as corporate earnings have, for the most part, been favorable (a positive indicator that while the economy may be sluggish, it may be able to avoid another recession). Also, it appears Europe is making some progress on its debt/banking crisis. While October has a nasty reputation in the minds of investors, September has historically been the worse month of the year and more bear markets have actually ended in October than any other month. Furthermore, the third quarter is historically the worst (with 2011's third quarter being the worst since 1928), while the fourth quarter is historically the best. Could history repeat itself?

With the economy struggling, unemployment remaining stubbornly high, the stock market still wobbly and an election coming up next November, we believe Washington will use every tool at its disposal to prop up the economy and financial markets. QE1 and QE2 both were kind to the financial markets, although their actual

help to the economy is somewhat debatable. We believe it is only a matter of time before the Fed rolls out QE3 and would not be surprised if the Fed coordinated their efforts with Europe and even China. We do not believe China can sit idle while their two largest trading partners falter economically.

Just as their predecessors, we believe QE3 will be more beneficial to the financial markets than the economy. To the extent, however, that the stock market does play a role in consumer and corporate confidence, it may have a modestly positive impact on the broader economy.

Unfortunately, we do not believe there are any quick fixes to mend the ailing economy. The U.S. Economy continues to struggle with an excess amount of debt. Over the past fifty years, total debt to GDP has risen from 100% to over 350% today. Both consumers and government are responsible for this debt increase. Throughout the 1990's, consumer borrowing relative to annual income was about 84%. Today, it stands at 112%, although down from the September 2007 peak of 127%. Structurally, it is a positive to see consumer borrowing moving lower, but the downside is that it creates a drag on the economy.

Europe continues to grapple with its debt challenges and will likely continue to do so, until they finally agree to issue Euro bonds. We view it as a necessary evil as the stronger countries such as Germany and France will end up paying one way or the other...either bail out their banks that own the sovereign paper of the weaker countries or bail out the weaker countries themselves.

Despite these daunting economic challenges, why are we selectively constructive on the stock market? For starters let's review the financial merits of the other major asset classes.

Cash offers virtually zero return. Bond yields are at their lowest level since the Great Depression and both commercial and residential real estate continues to suffer from an excess amount of supply and too little demand. Lastly, that brings us to stocks. Valuations are attractive, dividend yields are compelling and perhaps most importantly, stocks have historically been good hedges against rising inflation.

Selling at 12.4 times trailing earnings, the S&P 500 is trading 4.6% below its average valuation at the lowest point during the last nine bear markets according to data compiled by Bloomberg. Many quality companies are providing dividend yields well in excess of bond yields. We believe stocks with high dividend yields, in defensive industries are very attractive, especially given our views on the macro economy. Furthermore, dividends of quality companies tend to increase over time, whereas bond coupons do not.

We continue to remain defensive, shunning financials and other economically sensitive issues, as the market muddles its way through the economic malaise. We do believe, however, that the pull back in stock prices has created an opportunity which we intend to capitalize on selectively, in sectors such as food, beverages, healthcare, energy, and a limited number of foreign markets. As always, we are truly thankful for all of the referrals our clients have provided us over the years. If you have family members or friends who could benefit from our services, we would greatly appreciate the referral. As a token of our appreciation we will send you a gift certificate for a dinner at a local restaurant. Lastly, we invite you to visit our new and enhanced website at www.managedassetportfolios.com.

Kindest regards,

A handwritten signature in black ink that reads "Michael S. Quid". The signature is written in a cursive, flowing style.

President & Chief Investment Officer