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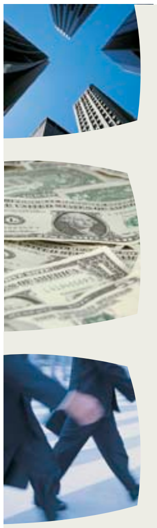

Winans Investment focus

ADDRESSING THE NEEDS OF INDIVIDUAL INVESTORS AND PLANTING THE SEEDS FOR A SECURE FUTURE.

Welcome to the newly created Winans Investment Focus. This will replace the quarterly newsletter you've received in the past. We'd love to hear your comments at liz@winansintl.com or (415) 506-3070.

Winans International Celebrates 20 Years

2012 marks the twentieth anniversary of Winans International. The firm began as a one-man shop with its founder and president, Kenneth Winans, working out of his home. Back then, Ken had six clients. Today, we still have those original clients, and many more. We have grown our staff to six, full-time employees, who each have a specific job to provide excellent service to all of our clients. Our office space has grown from a spare room in Ken's home to a 4,000 square foot space in Novato.

Even after twenty years, we feel the same today as when Ken started: The primary job of an investment advisor is to balance the external risks and rewards of investing with each client's expectations. We look at each client individually and create customized portfolios suited specifically to that client's needs.

Winans International continues to grow and we look forward to the next twenty years!

Winans International News & Notes

If you know anyone who would benefit from our services, we would be happy to speak to them.

In an effort to communicate more effectively, we will be sending out monthly emails which will provide investment analysis and news. If you or anyone you know would like to be on the email list, please let us know.

Ken Winans will be speaking in Sun Valley (Feb), Marin County (Mar), and Phoenix (Mar). Please contact us for details.

Ken Winans' Forbes articles can be found at www.forbes.com. Enter *Ken Winans* in the search box.

Books by Ken Winans are available at www.Amazon.com.

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MARKET WATCH

	12/31/10	12/30/11		High Point		Low Point	
	$	$	% Chg	$	Month	$	Month
S&P 500 Index Dividend % = 1.8%	1257.6	1257.6	(0%)	1371	May	1074.8	Oct
DJ Corp. Bond Average Interest % =3.9%	111.1	114.7	3%	116.06	Nov	108.9	Feb
WI Preferred Stock Index Dividend % = 7.0%	23.40	23.23	(.7%)	24.54	May	21.77	Aug
WI Real Estate Index	257.9	228.5	(12%)	257.9	Jan	228.5	Dec

Post-Bubble Investing Doldrums – High Volatility, Low Returns

The world is still cleaning up the wreckage left behind by the financial hurricane of 2008. Although the media has made much about how 2011 was one of the most volatile years in history, the fact is the current, post-bubble period has much in common with similar economic scenarios of the past, like the 1970s (a controversial war ends, "Guns & Butter" overspending by the government, a jobless recovery, etc.).

Between the end of the bull market of post WWII in 1965 and the start of the 1980s, there was a 16-year period in which the DJIA traded sideways within a well-defined 37% range. During this time, DJIA had good years half of the time and mediocre-to-bad years the other half of the time within this trading range.

Does this sound vaguely familiar? Since 1999, the S&P 500 has traded sideways within a well-defined range of 800 and 1550, with five good years (03-04, 06, 09, 10) and seven mediocre-to-bad years (00-02, 05, 07, 11) within this trading range.

Bluntly put, trading ranges are financial hardball, where profits can be made by using a disciplined investment approach, when cash is raised when markets are in downtrends (for instance, when the S&P 500 is below is 200-day moving average) and where every stock position in a portfolio has a profit-taking price and a stop-loss point.

Cautious investors should consider investing a higher portion of their portfolios in the more predictable returns of holding short to mid-term corporate bonds rather than the ongoing volatility of a sideways moving market.

In reviewing our client portfolios for 2011, several things come to light:

1. Corporate bonds and preferred stocks had another good year. Since 2008, corporate bonds and preferred stocks have had record-breaking price appreciation. While investment opportunities still exist, we expect future returns to go back to historical norms where income produces most of the annual return for these investments.

2. Stock picking works. By generally avoiding financial stocks and foreign ETFs, our stock portfolios have generally withstood the volatility well.

3. ETF investments vastly under-performed direct investing in individual stocks and bonds. Although average returns were good, individual portfolio returns ranged widely. In reviewing accounts with lower performance, the common problem was tied to high exposure to ETFs. While these funds can be effective investments over the long term, they are not without faults. We have made adjustments in how we will use these investments in the future.

2012 & Beyond:
Currently, most of our investment research is pointed to positive market conditions. Regardless of any short-term market advance, we expect the foreseeable future will resemble the economically challenging decade of the 1970s, and the financial markets will mirror the inertia of 1965 to 1982. At that time, major stock market averages traded within a well-defined range and other investment types (bonds, preferred stocks, REITs, etc.) offered comparable returns.

There are several key things to watch in 2012:
1. The January Barometer – January's performance will be key to our immediate course of action. Since 1936, a strong January performance in the S&P 500 has been followed by market advances averaging 12% (92% of the time. If the S&P 500 closes at a higher level on January 31 than the previous December 31, we will probably maintain a positive basis. However, negative performance in the S&P 500 during this time-frame have been followed by market declines averaging -7% (80% of the time).

2. Housing – Real Estate's falling price continue to be the elephant in the room in regards to the overall strength of this economic recovery. History tells us that there will not be a long-running bull market until real estate prices have stabilized.

3. Inflation – The fear of the government's monetary stimulus programs creating conditions for future inflation should cause higher price volatility for bonds with maturities exceeding 15 years. Investors should continue to limit fixed-income investments to 10 years and under.

4. Municipal Bonds – The fear of large municipalities filing for bankruptcy nationwide will continue to cause high levels of price volatility in municipal bonds. History shows us that during the widespread municipal defaults from 1931-1933; municipal bond yields increased 48%. We will continue to favor corporate bonds over most municipal issues.

WINANS Investment Activity

Here's what we are doing in our portfolios right now:

Common Stocks:
We are buying fundamentally strong stocks that are trading above their 200-day moving averages. We will likely take profits or cut losses at pre-established prices in the future.

Real Estate Investment Trusts:
We are selectively investing in common and preferred shares of apartment buildings and storage REITs with strong fundamentals that are trading above their 200-day moving averages. We will likely take profits or cut losses at pre-established prices in the future.

Corporate Bonds:
We will continue to buy and hold short to medium term bonds in stable companies that are currently yielding 5% to 7% annually.

Preferred Stocks:
Non-financial preferred stocks maintain attractive yields and can be good for up to 25% of an income portfolio.

2011 Market Summary

U.S. common stocks had mixed single-digit results. Preferred stocks outperformed U.S. common stocks for a fourth year in a row. Corporate bonds prices reached an eight-year high. U.S. housing prices declined to a four-year low.

Though the S&P ended the year mostly unchanged, the bulk of our portfolios ended the year up.