Winans' Investment focus

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

Fourth Quarter 2012

Post-Election Years Can Be Volatile!

Although 2012 was a good year for investors, the never ending political drama left us all fatigued. The contentious election was followed by December's political gridlock surrounding taxes and spending. Unfortunately, 2013 probably won't give investors a respite from Washington's shenanigans as post presidential election years have been economically volatile since 1833.

The long term financial problems facing the world economy are well known. While it might be tempting to keep large amounts of cash on the sidelines waiting for the other fiscal shoe to come crashing down, it literally pays not to fight the Federal Reserve. Central banks around the world continue pumping liquidity into the sluggish global economy.

A key concern is that the tax pendulum has clearly swung against most investors. Increasing taxes will probably be a permanent factor for the next 5 years.

There have been two long periods in U.S. history when the taxes on long-term capital gains were high (1934-1941 and 1970-1979). One of the periods was mild deflation and the other rapid inflation. Both of these high tax periods produced rates of investment return well below historical averages and stock market volatility greatly increased.

Bottom-line: Investment strategies will have to adapt to what worked in the 1970s.

Winans Investments News & Notes

Winans International has changed its name to Winans Investments. We feel this change more clearly defines what we do. You may still see Winans International on some items as, Winans Investments is a DBA for Winans International.

Check out our new website: www.winansinvestments.com

Ken Winans will be speaking to the North Bay Investor's Forum in Santa Rosa on Saturday February 9, 2013.

Ken Winans can be heard on CBS Radio in Los Angeles – KFWB News Talk 980AM Money-101 Wednesdays with Winans 9:45am & 10:45am

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

Fourth Quarter 2012 Market Summary

U.S. common stocks posted their best results since 2009. The Winans Preferred Stock Index is near an all time high and corporate bonds prices reached their highest point in 66 years. U.S. housing posted its first percentage gain since 2006.

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MARKET WATCH

	12/31/11	12/31/12		High Point		Low Point	
	$	$	% Chg	$	Month	$	Month
S&P 500 Index Dividend % = 1.8%	1257.60	1426.19	13.4%	1474.51	Sep.	1258.86	Jan.
DJ Corp. Bond Average Interest % =3.9%	114.65	121.64	6.1%	122.87	Oct.	114.15	Jan.
WI Preferred Stock Index Dividend % = 7.0%	23.23	25.15	8.3%	25.45	Nov.	23.41	Jan.
WI Real Estate Index	240.80	273.00	9.4%	273.00	Dec.	239.30	Jan.

2013 & Beyond

Currently, most of our market research points to a neutral/positive financial environment. Regardless of any short-term investment advance or decline, we expect the foreseeable future will continue to resemble the economically challenging decades of the 1970s and 2000s. During these times, bonds, preferred stocks, and REITs offered comparable returns to common stocks.

Key things to watch in 2013:

1. The January Barometer – January's performance will be key to our immediate course of action. Since 1936, a positive January performance in the S&P 500 has been followed by strong market advances (90% of the time). If the S&P 500 closes at a higher level in January than the previous December, we will likely stay fully invested. However, a negative performance in the S&P 500 during this time frame has typically been followed by intermediate market declines (82% of the time), and would warrant a defensive posture by raising cash levels in our stock portfolios.

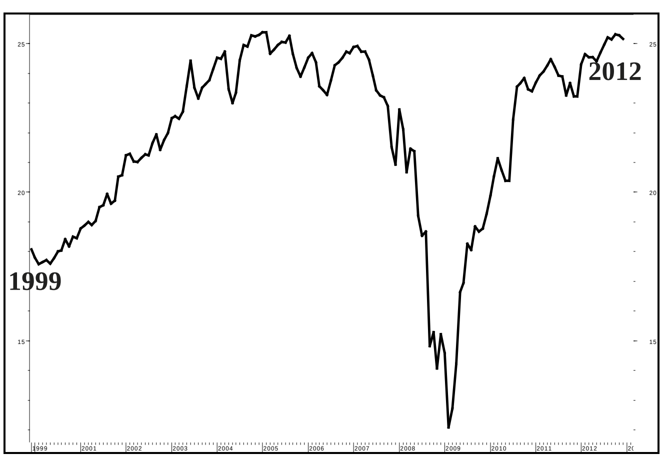
2. Rising Interest Rates – A significant increase in interest rates could cause price volatility for stocks and bonds with maturities exceeding 10 years. Investors should continue to limit fixed-income investments to 10 years and under.

3. Housing – A sustained rebound in home prices is key to the overall strength of this economic recovery. History tells us that there will not be a long-running bull market in stocks until real estate prices have stabilized.

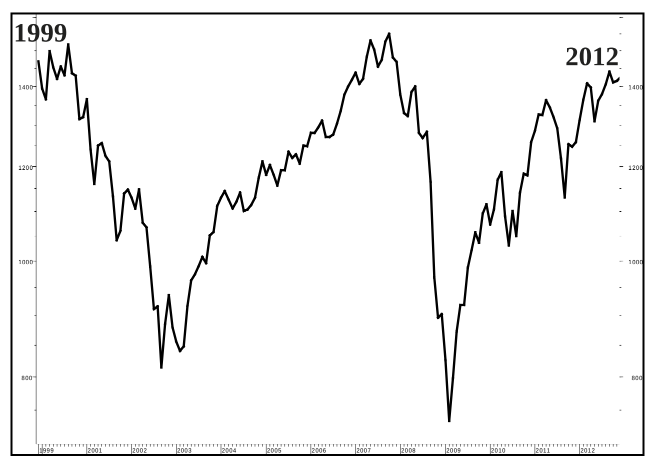
4. Municipal Bond Defaults – If large municipalities (eg., Stockton, CA) continue to file for bankruptcy, these defaults will likely cause losses for municipal bondholders and high levels of price volatility in municipal bonds overall. History shows us that during the widespread municipal defaults from 1931-1933; municipal bond prices declined 33%. We will continue to favor corporate bonds over most municipal issues as a better, more liquid investment choice during these economically fragile times.

Since 1999, fixed-rate preferred shares posted strong price appreciation as investor demand for their high, stable dividends continues.

During this same time, common stocks did have some good years but is still making up ground lost in the bear market of 2008-09. See Charts below:



Winans Preferred Stock Index 1999-2012
Cumulative Price Change: 39%
Cumulative Dividend Yield: 7.4%



S&P 500 Index 1999-2012
Cumulative Price Change: (2.2%)
Cumulative Dividend Yield: 1.9%

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