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WINTER 2012

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If At First You Don't Succeed

Biologists often talk about the "ecology" of an organism: the tallest oak in the forest is the tallest not just because it grew from the hardiest acorn; it is the tallest also because no other trees blocked its sunlight, the soil around it was deep and rich, no rabbit chewed through its bark as a sapling, and no lumberjack cut it down before it matured.

—Malcolm Gladwell
Outliers: The Story of Success

What does it mean to be successful? If you ask one hundred people what it means to be successful, you will probably get one hundred different answers, but at their core, a vast majority would at some point reference material prosperity. This is really not surprising considering that both of the definitions provided by Merriam-Webster Dictionary mention prosperity, wealth, or position.

In the book, *How They Succeeded*, by Orison Swett Marden, Marshall Field related the story of his success, beginning with his motivation:

"I had a leaning toward business, and took up with it as early as possible, I was naturally of a saving disposition: I had to be. Those were saving times. A dollar looked very big to us boys in those days; and as we had difficult labor, in earning it, we did not quickly spend it. I however, determined *not* to remain poor."

If At First You Don't Succeed

However, thinking of this as the only definition, or measure, of success immediately brings to mind the cautionary tale of King Midas…a kind king who, by the above definition, was the very picture of success. But his success did not satisfy him, and in a moment where Dionysus offered to reward him for a kindness he had shown to an old satyr, he asked for what he thought would bring him the ultimate success. The golden touch. We all know how this turns out. Broken, and with a new view of what success meant to him after accidently turning his daughter to gold, he begged Dionysus to remove the golden touch and restore everything to how it had been.

SO THE VERY FIRST TRUTH ABOUT SUCCESS, IS THAT IN ORDER TO ACHIEVE IT, YOU HAVE TO FIRST DEFINE IT. AND THAT MAY NOT BE AS SIMPLE AS MONEY IN THE BANK, PRESTIGIOUS TITLE, OR FAME. BUT AFTER THE FIRST STEP OF THE WHAT, COMES THE HOW.

So the very first truth about success, is that in order to achieve it, you have to first define it. And that may not be as simple as money in the bank, prestigious title, or fame. But after the first step of the what, comes the how.

In our culture, we tend to believe in and revere the idea of the self-made individual. In fact, it is the promise of coming from a position of nothing and "making something" of themselves, that brings thousands of immigrants to our country. In his book, *Outliers: The Story of Success*, Malcolm Gladwell presents countless ideas that really work together to turn our perception of success on its head. Two ideas really stand out.

One is that no one is truly self-made. When looking at these "outliers", people whose material success is so far above their peers as to make them extreme anomalies, you notice trends. In fact, so much so that you can look at their area of success and predict birthdays, areas of the country they are from, religion, parents' professions, and even the countries their ancestors immigrated from. So the second truth about success is that many people, and factors, contribute to it.

But this does not at all take away from the second idea, which is all about an individual's hard work. And if you've ever even heard of this book, you've heard about the studies that show that the difference between genius and mediocrity is 10,000 hours of hard work. In fact, neurologist Dr. Daniel Levitin stated, "The emerging picture from such studies is that 10,000 hours of practice is required to achieve the level of mastery associated with being a world-class expert—in anything." More fascinating is that they haven't found "naturals" who could rise to the top without putting in the hours, or "grinds" who put in the hours but couldn't break into the top ranks of the masters. So the third truth about success is that it takes focus, commitment, and hard work.

So what are you chasing? What would be your biggest triumph? What is your passion? What would you do to make someone else's life better? What would make you truly happy?

As we look to another new year, take some time to think about what success—financial, spiritual, intellectual, emotional, relational—truly means to you. Then set some goals and pursue them with determination. Success is not easy; it takes introspection, definition, determination, and action. But it is attainable. As is a life lived Confidently, Fully, and Purposefully.

MARKET SENSE

Standing Apart From The Crowd

In our commentary a year-ago we discussed the conventional wisdom that the market at the beginning of 2011 had 'returned to normal.' This view was supported by the historically average returns during 2010 in most asset classes as well as the low level of the VIX (the market's accepted gauge of fear.) In retrospect, this view looks a bit naive.

In fact, at the time we were skeptical and warned of the "bill coming due," referring to a phrase coined by one of our favorite analysts, Jason Trennert. In that letter of a year ago, we stated that, "[b]y summer [of 2011] the markets could be looking toward 2012 and not pleased with what they see… We caution the reader to recognize that it is too early to make definitive statements about how things may play out this year[again, 2011], but we anticipate that our next portfolio shifts will be to reduce market exposures rather than increase them."

As 2011 progressed, many things played out consistent with our expectations. The markets did, in fact, peak during the spring, and we made material portfolio adjustments in July, shifting assets to more conservative positioning by reducing emerging market, commodity, and more aggressive U.S. holdings in favor of cash and hedged allocations. This move certainly aided performance during the year. However, the market is complex, and the future cannot accurately be forecasted by any mortal being. The three big 'surprises' of the year were the spike in volatility across all markets, the significant dispersion between U.S. equity markets and most other worldwide equity markets, and the continued drop in yields of long maturity U.S. treasury bonds.

2011 IN REVIEW

After a general decline in volatility from 2009 through early 2011, fear re-entered the markets in a very real way over the summer. At that time, the market was digesting concerns about a rapidly deteriorating situation in Europe, concerns over the prospect of renewed recession in the U.S., and fears of a U.S. treasury default and the unknown impact of credit downgrades of U.S. treasuries. These were all very real risks, and their coming all at once brought back concerns of a 2007-09 style credit event and sharp decline in global economic activity. As the summer turned to fall these fears eased slightly, allowing markets to recover part of the summer's swoon. Volatility eased somewhat, but remains elevated compared to the first quarter of 2011.

Market Sense

The irony of the situation is that with all of the angst and energy expended on trying to anticipate every twist and turn of the market in 2011, things ended the year exactly where they started for the U.S. investor. It was as if the year hadn't even happened. As measured by the S&P 500 price index the market literally returned 0.0% (dividends did propel the total return index to a slight gain). The S&P 500 rang in 2011 at 1257.64, and when the apple dropped in Times Square to start 2012, the index stood at 1257.60. A loss of 0.003%! However, the real story was that virtually every market outside the U.S. experienced significant losses. Excluding the U.S., the developed world posted a loss of 15% and the emerging markets turned in a dismal minus 23%. The only two countries in a major index to beat the U.S. were Indonesia and the Philippines, hardly the places where an investor would prudently allocate large amounts of capital. Even within the U.S. there was significant dispersion among types of stocks. The Russell 2000 index of smaller companies lost 5.5% and within sectors, utilities were the leaders with a 14% return and consumer stocks second with 11% gain while financials dropped 18% and materials declined 12%.

The final surprise of the year was the continued decline in U.S. treasury rates. The benchmark 10-year U.S. treasury started the year with a yield of 3.31% (seemed low at the time) and ended with a floor hugging yield of 1.87%. We find it interesting that an informal survey done by one of our research providers, Bank Credit Analyst, showed that if investors made a decision to buy and hold this benchmark U.S. treasury for the full 10-years they would demand, on average, a yield of 6%. This is all the information we need to know to tell us that investors in these securities are banking on the 'greater fool' to someday buy their holdings from them. Thus, we continue to believe that it is appropriate to remain underweight to traditional, high quality bonds, and overweight shorter-term fixed income instruments with some level of credit risk. In doing this we acknowledge that global policy makers can use both their carrots and their sticks to beat the market into submission, which can keep rates low for a long-time, or even to cause rates to drop further.

ECONOMIC AND MARKET OUTLOOK

The best way we have found to describe the current economic and market environment is to discuss our views of the 'base-case' and 'tail-risk' scenarios. We can best define the base-case as the most logical path forward and is usually equivalent to the so-called conventional wisdom. This case can often manifest itself in surveys of economic analysts and the annual average projection of Wall Street's top analysts. These groups reflect the conventional wisdom and usually show either a trend toward moderately more positive, or moderately more negative results. The tail-risk scenarios are those that are usually characterized by the talking heads on television and usually come across as extreme - either positive or negative. In normal markets, tail-risk scenarios have a low likelihood of occurring, yet can have dramatic results on the market and the economy when they do occur. In today's world of huge macro forces and unknowable reactions from global policy makers, these tail-risk scenarios, appropriately, garner much more attention and the market is forced to factor them into current prices.

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S&P 500	*11.8*	*2.1*
Dow Jones Industrials	*12.8*	*8.4*
Russell 2000 (U.S. Small Company)	*15.5*	*-4.2*
MSCI EAFE (International)	*3.3*	*-12.1*
Dow Jones - UBS Commodity Index	*0.3*	*-13.3*
BarCap U.S. Aggregate (Taxable Bond)	*1.1*	*7.8*
BarCap 5 Year Muni (Tax-Free Bonds)	*1.5*	*6.9*

The first five months of 2011 exhibited relatively stable base-case and tail-risk characteristics. There were no significant deviations to economic data and no policy-driven market moves were occurring, so the markets gradually moved higher. As we moved into summer, both the base-case scenarios and tail-risk scenarios began deteriorating dramatically. Conventional wisdom shifted toward an imminent recession in the U.S. and tail-risk concerns related to the Euro zone were renewed. During the final quarter, asset prices rose slightly, as economic data was stronger. Yet the market moves were capped by the ongoing tail-risk fears of systemic financial crisis in Europe. Much of the dispersion in asset prices came during this quarter as the improving base case for U.S. investors was paired with rising tail-risk fears out of Europe.

Importantly, as we look into 2012, the possibility for a more favorable environment that includes improving base case and tail risk scenarios must be considered. Though questions remain, the possibility that the tide has turned in Europe is real and if policy makers globally continue to push for new rounds of monetary stimulus, we believe a renewed move higher in equity prices could be ahead. As we write this letter, the jury is still out. Without boring the reader with all the details, the market is by many accounts at a very critical juncture. Markets do not typically reside at such key technical levels for extended periods, and we anticipate a break one direction or the other soon.

In summary, the U.S. economy is showing some positive momentum as we move into the new year. If the risks of a shock driven by a Euro zone financial crisis are, at least temporarily, manageable, and if global policy makers are on the cusp of a renewed push toward increased stimulus and liquidity, then economic trends during 2012 could be better than envisioned only a few months ago. Such a turn in sentiment, combined with renewed buying by hedge funds and institutional investors could drive the markets upward, led by commodities and emerging market equities. We are not yet thoroughly convinced, but we believe it may make sense to increase risk exposures in the near future.

CONCLUDING THOUGHTS

We acknowledge that the year just concluded was tough on any investor who believes in active management and follows the principles of broad diversification and global allocations. The combination of debilitating volatility and waves of 'flight to quality' buying of U.S. assets, including treasuries, made fools out of multi-decade market sages. We witnessed the career ending run of an investor who had beaten the S&P 500 fifteen years in a row, the reversal of fortune of two of the Morningstar *Managers of the Decade*, a public *mea culpa* from the biggest investment winner of the implosion in sub-prime mortgages, and even Warren Buffett underperformed the market by nearly 10%. Many renowned investors struggled, but the masses also failed to achieve their goals in 2011. The data is not yet finalized, but it appears that somewhere between 80% and 90% of managers failed to at least match their benchmarks last year. Success last year for many was defined as the survival to fight another day.

As we ponder the year we are struck by a quote from Ray Dalio at Bridgewater Associates: "making money is a zero-sum game, so to be successful you have to be willing to stand apart from the crowd. And you have to be right." At SignatureFD we recognize that having conviction in our ideas and having a portfolio that can be different from the herd is our role and it is one we embrace. Importantly though, this must be balanced with a level of hubris that allows one to calculate the costs if one is wrong. These ideals drive our everyday investment philosophy.

As we return to Dalio's quote above, we would add two stipulations; first, it is only being right in the long-run that matters, and second, you must survive the short-term to get to the long-term. We are living in historic times and we take very seriously our work to help you manage your family assets with a goal of reasonable growth and preservation of purchasing power as the two most important objectives. Please do not hesitate to contact us with any concerns or questions.

4 Tips to Making 2012 Your Best Health Year Ever

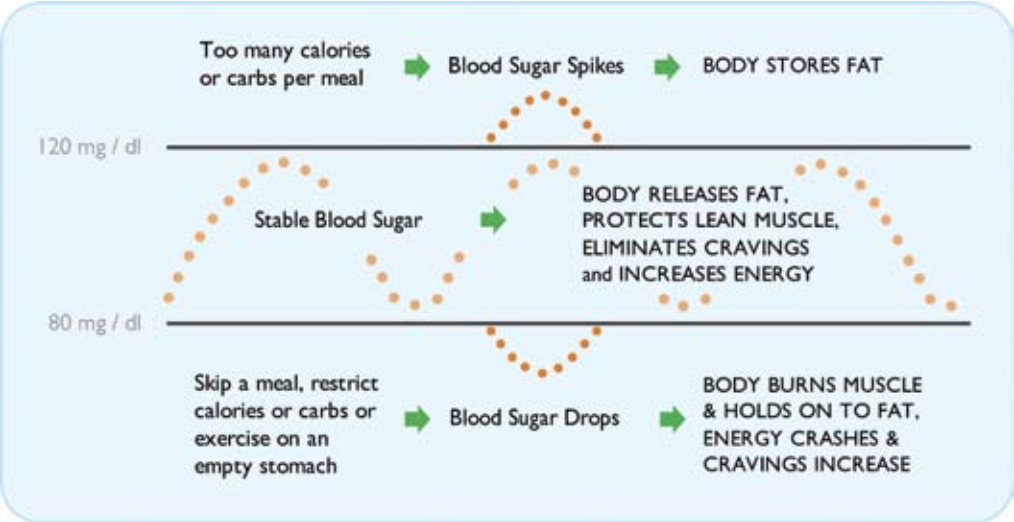
By Mark Macdonald
Creator of Venice Nutrition, and Author of the NY Times Bestseller, *Body Confidence*

Come New Year, many of us are overweight, struggling with low energy and frustrated. We reach our "Tipping Point" where we just can't take it anymore and will do *anything* to look and feel like our old selves. This is when diets attack. This year, instead of "crash dieting" and over-exercising only to lose the weight and gain it all back, why not focus on science-based strategies designed to help you achieve permanent results? Follow the tried and true plan below and make 2012 the year you look *and* feel your absolute best!

TIP 1 - USE THE RIGHT STRATEGIES.

A. Stabilize your Blood Sugar instead of focusing on Calories in vs. Calories out. Calorie deficits only slow your metabolism. Instead, focus on stabilizing your blood sugar to create balance within your body.

- Eat one hour within waking and every 3 to 4 hours until bed time (5-6 meals a day).
- Every meal should have a balance of complete protein (from an animal or soy), carbohydrates and fat.
- Eat smaller meals and aim to feel satisfied (not full) afterwards. Every meal should have about the same calories.



(More in depth information can be found in the *Body Confidence* book or by visiting www.VeniceNutrition.com)

B. Maximize your cardio and strength training. Good nutrition releases stored body fat and exercise burns that fat up in your muscle. So, the goal is to activate maximum muscle during exercise:

- Do Both Types of Cardio
  - Fat Burning (3 -5 days per week, at least 30 minutes) — keep a consistent heart rate by walking on a treadmill with an incline, jogging, or climbing stairs.
  - High Intensity Cardio (1-2 days per week, 30 minutes only) — spike heart rate for one minute and then recover while sprinting or spinning.
- Add strength training to boost metabolism and strengthen muscle and bones.
  - Try Pilates, Yoga, or resistance training 2-4 days per week depending on your goals.

TIP 2 - PACE YOURSELF.

To turn your New Year plan into an actual lifestyle, you must pace yourself and let go of unrealistic goals. Understand that if you cross the finish line in 5 months rather than 3 months and you enjoyed those 5 months, you're more likely to follow your program indefinitely.

TIP 3 - ENJOY YOUR FOOD.

If you hate your food choices it's only a matter of time before you ditch your plan. Here's how to keep your meals exciting:

- When stabilizing blood sugar, you can eat anything. Just make sure to choose the proteins, carbohydrates and fats you actually *like* and get creative by switching it up!
- Add flavor with herbs, spices and low calorie condiments.

TIP 4 - HAVE FUN WITH YOUR EXERCISE.

The trick is to explore your options and find an exercise plan that feels right. A few ideas:

- Exercise with family or friends.
- Take a group class that appeals to you.
- Turn your favorite sport into cardio (tennis, soccer, etc.)

By re-thinking your game plan, you can make 2012 your best health year ever. Now go have some fun and make it happen!

Mark Macdonald is the creator and CEO of Venice Nutrition and author of the NY Times Best Selling Book, Body Confidence. *For over a decade Venice Nutrition has been educating people on how to realistically work nutrition, fitness and a healthy lifestyle permanently into their world. For more in depth information on the Venice Nutrition Program visit www.VeniceNutrition.com*

SignatureFD Brief

SignatureFD Educating Others David Fisher was invited to sit on a panel during the 2011 Financial Advisor Form hosted by the S&P Indices in Atlanta October 4th. The panel explored different tactical and income strategies with ETFs. David spoke specifically on investing strategies within different sectors and how that relates back to the overall allocation of a portfolio.

Blair Cunningham spoke to the Sutton Middle School PTA Coffee Talk on the topic of Helping Your Child be Financially Responsible in the Midst of Affluence. We value the opportunity to speak to parents regarding teaching children about fiscal responsibility and look forward to continuing this initiative.

SignatureFD Women's Practice Upcoming Events
SignatureFD's Women's Practice is excited to co-sponsor two book signing events in January and February. Erin Wolf, author of "If I Knew What I Know Now: Secrets to Career Success from Top Women Leaders" with be at the Ansley Golf Club on January 26th. We will also host Joanna Barsh, author of "How Remarkable Women Lead", at the Fox Theatre on February 29th. Please let your advisor know if you would like to join the women of SignatureFD at these events. We look forward to seeing you there!

SignatureFD Congratulates the Hubbells Laura Rubin & Mike Hubbell were married in their hometown of New Orleans on October 22, 2011 at the Cita Dennis Hubbell branch of the New Orleans Public Library. Congratulations to Mike & Laura!

SignatureFD Annual Chili Smackdown Todd Sheets dominated the competition in SignatureFD's 3rd Annual Chili Smackdown in November. Not only did Todd win the official judging by a panel of nonpartisan chili eaters, but he also took home the coveted "People's Choice" award. It was the first time in competition history that the same person has won both awards. Way to go, Todd!

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SPOTLIGHT

Brittain A. Bloomfield
Client Concierge

Brittain is a graduate of Auburn University where she earned a Bachelor degree in International Business with a concentration in Marketing and a language in Spanish. She joined SignatureFD in January of 2012. As a Client Concierge, Brittain is responsible for helping our advisors coordinate the different services that comprise our overall Client Experience, such as meeting coordination, catering and event planning.

Brittain is involved with several local charities. She currently volunteers at the Leukemia & Lymphoma Society, which is the world's largest voluntary health organization dedicated to funding blood cancer research, education and patient services. Brittain is a native Atlantan who attended The Lovett School and currently resides in Vinings.

When I'm not working: I am reading, playing tennis, or listening to music

Favorite Movie: *Good Will Hunting*

Favorite book: *Pillars of the Earth*

First Car: Land Rover Discovery

First Job: Caterer at LowCountry Barbeque

Next Big Trip I'd Like to Take: The Mediterranean

Executive I admire: Steve Jobs