

**December 2011**

## TWM Market Commentary

### Current Monthly Strategy Returns

#### TWM Income Strategies

Income	1.91%
Momentum Series: Tactical Income	2.00%
IncomePlus	2.59%

#### TWM Core Strategies

Tactical Balanced	1.23%
All Weather	1.83%
Endowment	0.69%
Market Masters	0.30%
Tactical Multi-Strategy	1.59%
Momentum Series: Tactical Allocation	-0.78%
Momentum Series: Tactical Growth	-1.75%

#### TWM Institutional Strategies

Low Volatility	-0.46%
Balanced	0.18%
Growth	-0.53%

#### TWM Specialized Strategies

Capital	0.05%
Momentum Series: Tactical All Asset	0.86%
Black Swan	-2.24%
Core Tactical	-0.46%
Global Tactical	0.83%
Alpha	1.83%
500	2.77%
NASDAQ	2.57%

#### TWM Selected Stock Strategies

Flagship	-1.48%
Legends	-2.09%
Beta	-2.05%

**S&P 500 COMPARISON** 0.85%

## Current Strategy Allocations

### TWM Tactical Balanced

Mid Cap Value	7.60%
Small Cap Value	7.60%
Small Cap Blend	7.60%
REITs	7.60%
Small Cap Growth	7.60%
High Yield Bonds	24.00%
Emerging Market Bonds	24.00%
Cash	14.00%

### TWM All Weather

Inverse S&P 500	14.00%
REITs	14.00%
Dividend Stocks	14.00%
High Yield Bonds	14.00%
Russell 3000	14.00%
Cash	30.00%

### TWM Endowment

Mid Cap Value	12.50%
Small Cap Value	12.50%
Small Cap Blend	12.50%
REITs	12.50%
Small Cap Growth	12.50%
High Yield Bonds	9.50%
Emerging Market Bonds	9.50%
Cash	18.50%

### TWM Market Masters

Mid Cap Value	15.40%
Large Cap Value	15.40%
Small Cap Blend	15.40%
Small Cap Value	15.40%
REITs	15.40%
Cash	23.00%

### **TWM Tactical Multi-Strategy**

Inverse S&P 500	12.00%
REITs	24.00%
High Yield Bonds	12.00%
Emerging Market Bonds	12.00%
Russell 3000	12.00%
Small Cap Value	12.00%
Cash	16.00%

### **Momentum Series: Tactical Allocation**

High Yield Bonds	24.20%
Russell 3000	24.20%
International Stocks	24.20%
REITs	24.20%
Cash	3.20%

### **Momentum Series: Tactical Growth**

10 Year Treasury Bonds	24.25%
Gold	24.25%
Mid Cap Value	24.25%
Small Cap Value	24.25%
Cash	3.00%

### **TWM Income**

Barclay's Aggregate Bond Index	20.00%
High Yield Bonds	20.00%
Long Term U.S. Treasury Bonds	30.00%
Dividend Stocks	10.00%
Cash	20.00%

### **Momentum Series: Tactical Income**

30 Year Treasury Bonds	24.00%
TIPS	24.00%
Dividend Stocks	24.00%
High Yield Bonds	24.00%
Cash	4.00%

### **TWM IncomePlus**

High Yield Bonds	50.00%
Dividend Stocks	23.00%
Treasury Bonds	24.00%
Cash	3.00%

### **TWM Capital**

Energy Stocks	10.00%
Russell 3000	10.00%
Dividend Stocks	10.00%
High Yield Bonds	10.00%
REITs	10.00%
Emerging Market Bonds	10.00%
Cash	40.00%

### **Momentum Series: Tactical All Asset**

REITs	20.00%
Small Cap Value	20.00%
Oil	8.50%
Australian Dollar	10.00%
High Yield Bonds	10.00%
Emerging Market Bonds	10.00%
Cash	21.50%

### **TWM Core Tactical**

Russell 3000	25.00%
TIPS	5.00%
10 Year Treasury Bonds	5.00%
High Yield Bonds	19.00%
International Stocks	19.00%
REITs	19.00%
Cash	8.00%

### **TWM Global Tactical**

TIPS	4.85%
10 Year Treasury Bonds	4.85%
Inverse S&P 500	9.60%
REITs	19.20%
High Yield Bonds	9.60%

Emerging Market Bonds	9.60%
Russell 3000	14.45%
Small Cap Value	9.60%
Cash	18.25%

### TWM Alpha

Inverse S&P 500	48.00%
Cash	52.00%

### TWM 500

Cash	100.00%
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### TWM NASDAQ

Cash	100.00%
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### TWM Black Swan

Russell 3000	24.25%
TIPS	24.25%
10 Year Treasuries	24.25%
Cash	27.25%

### TWM Flagship

High Yield Bonds	12.25%
Russell 3000	12.25%
International Stocks	12.25%
REITs	12.25%
Caterpillar	4.15%
Home Depot	4.15%
International Paper	4.15%
Merck	4.15%
Google	4.15%
U.S. Steel	4.15%
Inverse S&P 500	12.00%
Cash	14.10%

### TWM Legends

Home Depot	4.15%
Amgen	4.15%
Pulte	4.15%
BlackRock	4.15%
Oneok	4.15%
Compania Cervecerias	4.15%
10 Year Treasuries	12.10%
Gold	12.10%
Mid Cap Value	12.10%
Small Cap Value	12.10%
Inverse S&P 500	12.00%
Cash	14.70%

### TWM Beta

Home Depot	5.00%
Amgen	5.00%
Pulte	5.00%
BlackRock	5.00%
Oneok	5.00%
Mid Cap Value	9.50%
Large Cap Value	9.50%
Small Cap Value	9.50%
Small Cap Blend	9.50%
REITs	9.50%
Inverse S&P 500	12.00%
Cash	15.50%

### TWM Institutional Series: Growth

Small Cap Value	5.71%
Mid Cap Value	5.71%
REIT	5.71%
Mexico	5.71%
Regional Banks	5.71%
China	5.71%
Thailand	5.71%
Aberdeen Asia Pacific	1.75%
BlackRock Income Opportunity	1.75%
High Yield Bonds	1.75%
Emerging Market Bonds	1.75%
Morgan Stanley EAFE	4.75%

Australian Dollar	5.00%
Oil	5.00%
Russell 2000	4.75%
Cash	33.53%

### Institutional Series: Balanced

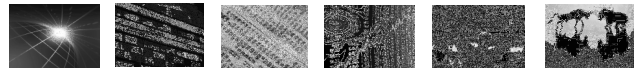
Small Cap Value	4.64%
Mid Cap Value	4.64%
REITs	4.64%
Mexico	4.64%
Regional Bank	4.64%
China	4.64%
Thailand	4.64%
Aberdeen Asia Pacific	6.75%
BlackRock Income Opportunity	6.75%
High Yield	6.75%
Emerging Market Bonds	6.75%
Morgan Stanley EAFE	4.75%
Australian Dollar	3.25%
Dollar	3.25%
Oil	3.25%
Russell 2000	4.75%
Cash	21.27%

### Institutional Series: Low Volatility

Small Cap Value	2.50%
Mid Cap Value	2.50%
REIT	2.50%
Mexico	2.50%
Regional Bank	2.50%
China	2.50%
Thailand	2.50%
Aberdeen Asia Pacific	6.88%
BlackRock Income Opportunity	6.88%
High Yield Bonds	6.88%
Emerging Market Bonds	6.88%
Morgan Stanley EAFE	4.75%
Australian Dollar	8.25%
Dollar	8.25%
Oil	8.25%
Russell 2000	4.75%
Cash	20.73%

### Key Points:

- 1) The risk in the markets right now is still high but the trend is showing signs of moving upwards
- 2) The back and forth of the European crisis will likely keep volatility high.
- 3) We are in a news-driven market that can trump any technical, fundamental or economic data.
- 4) Tactical Asset Allocation (TAA) protects in these environments, and if the picture changes, TAA will adjust to participate in a recovery.



2011 ended right around where it began, but that doesn't begin to tell the whole story of what happened this past year. I cannot remember another year having had so many twists and turns, only to end up going nowhere. As I look back over the year and forward to 2012, a few things come to mind:

1. People like to focus on the day-to-day, headline driven turns we have seen in the market, but: while the headlines are interesting, they are just "noise." The intermediate-term trend is much more important. Over the last quarter of the year we definitely saw an improvement in the trend, as investors started to move out of safe haven assets such as Treasuries, Swiss Francs, and gold, and into stocks.
2. We saw a major decoupling of U.S. and international markets, as we were the cleanest shirt in the dirty laundry. In this global marketplace it is highly unlikely this disconnect can continue long-term; one way or another, something has to give.

3. This decoupling shows the danger of having fixed allocations to a variety of asset classes in the name of diversification. Investors are typically told they must have 20% or so invested internationally; in 2011 that would have cost them around 3% or more.
4. What happens or doesn't happen in Europe will continue to drive markets. No news or good news will probably bring a rally; you already know what happens when we get bad news.

Strategy-wise we have made a number of changes going into 2012. We have sold a lot of our long-term treasuries and gold. We have added positions in emerging market bonds and have moved back into REITs. On the stock side we are weighted more towards value stocks than growth stocks. We have also returned to international stocks, establishing light positions in some of the strategies. We will continue to monitor the trends and will make changes as necessary.

As always, feel free to call us if you have any comments or questions.



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