THE MARKETS

A PUBLICATION OF VANTAGE FINANCIAL PARTNERS LIMITED — FOURTH QUARTER 2011

Starting in January 2012 the Markets will no longer be printed but will still be available via our website—now on a monthly basis. Visit www.vantagefinancial.com and watch for our email reminder.

The Last Quarter In Review

The equity markets experienced the worst quarterly decline since the 4th quarter of 2008. The unresolved European Sovereign Debt Crisis combined with concerns over the economy sent investors fleeing risk which created demand for the perceived 'safe assets' such as the U.S. Treasuries.

US Real GDP	Q3 2010	Q 4 2010	Q 41 2011	Q 2 2011	Q 3 2011
	2.5%	2.3%	.4%	1.3%	2.5%

GDP = consumer spending + business investment + government + (exports – imports)
Source: www.bea.gov

The concerns over the economy appeared to be overblown given the 2.5% growth for the quarter. Contributors to the increase of GDP were personal consumption expenditures (PCE), exports, nonresidential fixed investments and federal government spending. These factors were partly offset by a negative contribution from state and local government spending and private inventory investment. In addition, imports, which are a subtraction in the calculation of GDP, increased.

The growth in the quarter indicates the consumer has not stopped spending which is contrary to several sentiment indicators which show a low consumer confidence level. Additionally, corporations have continued to increase their investment spending.

Consumer Price Index	1 Year	3 Year	5 Year	10 Year
	3.90%	1.22%	2.28%	2.37%

Consumer Price Index numbers are annualized through 09/30/2011
Source: www.morningstar.com

The Consumer Price Index has continued to move up with an increase of 3.9% over the past 12 months (before seasonal adjustment.) While this figure has increased considerably, we could begin to see a decline due to the efforts of the emerging market countries to slow their inflation. This index bears watching given our current low interest rates because if inflation were to continue to move up, the Fed may feel the pressure to raise rates prior to the stated timeframe of 2013.

Looking Forward

The world equity markets moved down significantly for the quarter, however, during October much of this movement was recovered partially credited to a realization that the economy may not be as bad as some fear. In addition, the anticipation and completion of a European bail-out package provided markets a lift. While it appears the European officials will begin to put into place the plans needed to resolve the financial crisis, the lack of expediency has increased the odds the European economy could move into a recession in the near term.

Since Europe's difficulties will be with us for a while, increased attention will probably focus on how the overall economy is doing and how our Fiscal and Monetary policies may affect our economy and markets. With unemployment still high the Fed announced in September they would continue their focus toward maintaining low interest rates by selling short term treasuries and buying longer term bonds (Operation Twist.)

> *"I believe that we were able to live up to expectations, that we were able to do the right thing for the euro zone, and this brings us one step further along the road to a good and sensible solution ." Angela Merkel , Chancellor of Germany*

We continue to anticipate a slow growth economy with times of increased volatility due to concerns over the global economy and the developed world's debt situation.

Equity Markets

The equity markets performed poorly in response to the increased uncertainty in Europe with the sovereign debt issues and concerns about the global economy. Overseas turned in the worst results as the Emerging Markets index (EEM) dropped 22.56% and the European index (EAFE) fell over 19.%. The S&P 500 index (U.S. large companies), while fairing better than the other major indices, still produced a significant loss of 13.87%. The 'risk off' sentiment of the markets was also difficult on the Russell 2000 (small companies) which fell 21.87%. The financial services sector was especially hurt as the fear of default in Greece and other European countries grew. The defensive sectors held up better with the utilities sector actually reporting a small gain of .27%. The markets have since rebounded significantly in October. This was mainly driven by the anticipation and later relief from the news of an agreement by European countries to work out a deal. This deal aims to reduce the Greek bonds by 50% and to provide over one trillion Euros for other struggling Euro-area countries. While it was good to see this effort toward resolution, we will continue to monitor how the details are put in place. Many of our portfolios have had an underweight to the Euro area but given the low valuations along with initial progress on the Sovereign issues, we are starting to add to the European equity positions in some portfolios.

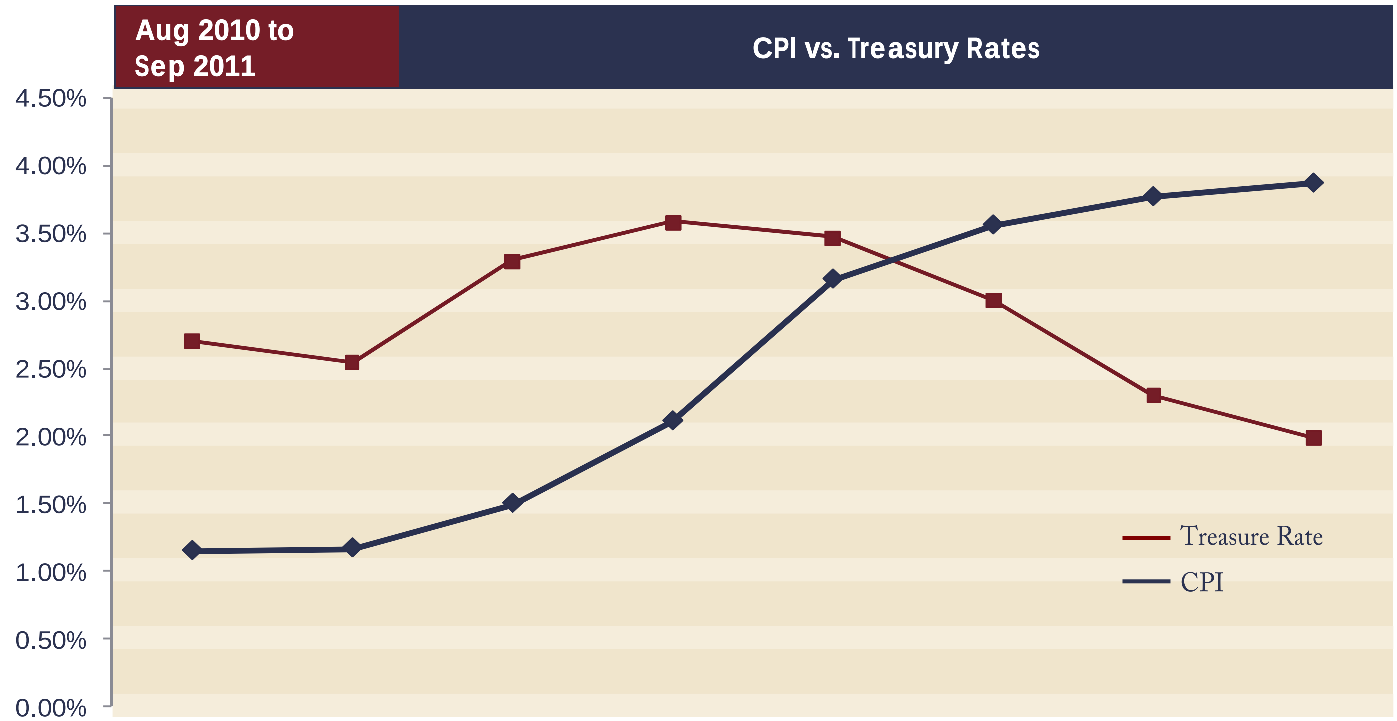
Many corporations continue to perform well and still have lots of cash as a percentage to their debt. This provides a cushion in case the economy turns down as well as opportunity to acquire other companies or expand.

Generally, equities still look attractive for the long term, but remain susceptible to high amounts of volatility. The corporations have done well, yet the money has been slow to enter the economy indicating a lack of confidence in on-going government changes and overall sentiment. Our current focus remains toward dividend paying high quality stocks in addition to overweighting the technology, health care and energy sectors.

Major Indices	Returns †						Risk †			
	3Q 2011	2010	1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year
Barclays Agg Bond Index	3.82%	6.54%	5.26%	7.97%	6.53%	5.66%	2.96%	4.05%	3.62%	3.79%
Barclays Muni Bond Index	3.81%	2.38%	3.88%	8.08%	5.01%	5.09%	4.79%	4.67%	5.20%	4.67%
Dow Jones Industrial Average	-11.49%	14.06%	3.83%	3.15%	1.37%	4.67%	11.99%	19.26%	16.85%	15.04%
S&P 500 Index	-13.87%	15.06%	1.14%	1.23%	-1.18%	2.82%	13.70%	21.25%	18.32%	15.75%
Russell 2000 Small Cap Index	-21.87%	26.85%	-3.53%	-0.37%	-1.02%	6.12%	19.78%	28.24%	23.68%	20.84%
MSCI EAFE (Foreign) Index	-19.01%	7.75%	-9.36%	-1.13%	-3.46%	5.03%	19.22%	25.44%	22.27%	18.46%
MSCI Emerging Mrkts Index	-22.56%	18.88%	-16.15%	6.27%	4.87%	16.07%	20.91%	30.56%	28.61%	24.14%
NASDAQ Composite Index	-12.70%	18.02%	2.96%	5.93%	2.23%	4.73%	14.13%	23.41%	21.08%	20.64%
DJ Wilshire REIT Index	-14.54%	28.07%	1.87%	-2.16%	-3.17%	9.07%	17.78%	401.57%	34.24%	26.40%
DJ/UBS Commodity Index	-11.33%	16.83%	0.02%	-5.67%	-1.10%	5.95%	21.80%	22.34%	21.67%	18.22%
Goldman Sachs Commodity Index	-11.69%	9.03%	2.87%	-15.90%	-5.32%	3.48%	20.60%	29.43%	27.45%	25.13%

† 1, 3, 5 and 10 year return &risk numbers are as of 09/30/2011. Risk, the standard deviation, is a statistical measure of volatility of a portfolio's return around its mean.

Past performance is no guarantee of future results. Source Morningstar Advisor Workstation



	AUG 2010	OCT 2010	DEC 2010	FEB 2011	APR 2011	JUN 2011	AUG 2011	SEP 2011
Treasury Rate	2.70%	2.54%	3.29%	3.58%	3.46%	3.00%	2.30%	1.98%
CPI	1.15%	1.17%	1.50%	2.11%	3.16%	3.56%	3.77%	3.87%

Source: Federalreserve.gov and Bls.gov/cpi. Performance reflected is historical. **Past performance does not guarantee future results.**

This information is for illustrative purposes only and is not intended to convey an expectation of performance.

Interest Rates & Fixed Income

Concern about Greece sovereign debt default and the potential contagion continued which resulted in some of the strongest quarterly performances of bonds on record. This resulted in funds flowing out of the higher risk areas of the bond market into the more conservative fixed income areas. The spread between the conservative bonds and bonds with higher credit risk increased significantly. Given our belief that we are in the midst of a slow growth economy and attractive yields in the corporate sector, we have continued to overweight this higher yielding area.

As mentioned previously, it will be important to monitor any growth in inflation. Above is a chart displaying the relationship between the 10 year treasury note and the Consumer Price Index over a 13-month period the bottom. Over the last few months, the lines have moved in opposite directions, which indicates investments in these treasuries are providing negative 'real' returns (inflation-adjusted.) Again, higher inflation may apply pressure on the Fed to attempt to keep inflation in check by raising interest rates. This would make lower yielding bonds highly susceptible to interest rate risk.

For more information on this type of risk, listen to our webinar: Introduction to Interest Rate Risk. You will find this and other topics at www.vantagefinancial.com; click on Client Links, then Webinars.

Key Rates				
	Prime Rate	3.25%	10 YR Treasury Yield	2.125%
	1 YR CD Rate	0.74%	30 YR Fixed Mortgage Rate	4.20%

As of October 31, 2011 *Source: Bloomberg.com*

COMMODITIES, REAL ESTATE & ALTERNATIVE STRATEGIES

Commodities produced another down quarter. The Morningstar long-only commodity index dropped 8.5% in the third quarter. The energy sector was the biggest detractor on performance falling 12.6%. The Morningstar Agriculture index actually increased 7% for the quarter but remains down for the year. Unsurprisingly, Gold continued to fare well most likely due to the high degree of uncertainty the equity markets showed. The overall Morningstar Metals index ended flat for the quarter.

Real Estate equities had a poor quarter as the U.S. Dow Jones Real Estate Index dropped over 14% and the FTSE Developed Real Estate Non-U.S. fell over 19%. This was in part due to investors reacting to the mixed economic news and the uncertainty surrounding the political process in Europe and the U.S. to address high levels of government debt.

Many of the equity markets are continuing to show extremely high correlation with one another. In considering ways to reduce overall volatility of the portfolios, we look for investments that indicate low correlation to the equity and bond markets. One alternative strategy that we have begun to add to some portfolios is a fund that employs what is known as a Merger and Arbitrage Strategy.

Within this fund, this strategy attempts to take advantage of a spread that is created when an announcement is made regarding a merger or acquisition of a company. Typically when buy out of a company is announced, the share price of the company to be acquired will move close to the announced price, but not all the way leaving a spread of generally 1%-3%. This spread can be captured by buying the stock of the company that is being acquired and shorting the stock of the company making the acquisition. While the spread is relatively small, the strategy can be repeated multiple times over the course of a year.

It is recognized if the merger and/or acquisition doesn't go through the spread will not be picked up which could result in the position closing out and possible market loss. We believe that this strategy could be timely given that many corporations have strong balance sheets yet limited potential for growth from internal investment projects which could make acquiring growth through acquisition attractive.

For questions and advice specific to your portfolio, please contact your Relationship Manager.

""As is our confidence, so is our capacity"

William Hazlitt, English author who lived from 1778-1830

VANTAGE Financial Partners Limited

Nine North Vail Avenue Arlington Heights, IL 60005-1430
847-590-9191 847-590-9009 fax www.vantagefinancial.com