



**WHM Capital Advisors
4th Quarter 2011
Client Report
Investment Review and Commentary**

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<i>Index Performance:</i>	<i>Index</i>	<i>4th Quarter</i>	<i>YTD 11</i>	<i>12 mth</i>
<i>Dow Jones Industrial Average</i>	<i>12,218</i>	<i>11.95%</i>	<i>5.53%</i>	<i>5.53%</i>
<i>Standard & Poor's 500</i>	<i>1,258</i>	<i>10.20%</i>	<i>0.00%</i>	<i>0.00%</i>
<i>Salomon Bros Govt/Corp Bond</i>	<i>1,245</i>	<i>0.88%</i>	<i>5.84%</i>	<i>5.84%</i>

Complete WHM Capital Advisors Composite Data is available by contacting the firm.

"Are the winds changing?"

Equity markets saw a nice rebound in the 4th quarter, mainly due to less news from Europe and further earnings growth from US corporations. Central Bankers in the US and Europe continued to push liquidity into the system through massive quantitative easing programs designed to alleviate fears in the European banking system of liquidity concerns. Meanwhile in the US, consumers spent heavily during a holiday season that resulted in a rise in spending levels of 14% above 2010 levels. Consumer confidence had a nice rise into the holiday season, hitting 64.5 in December, up from 55.2 in November 2011.

Consumer participation is welcome after years of lowered spending. Housing numbers, including housing starts and housing sales, have been improving. Jobless claims have fallen steadily through the last half of 2011. Job growth among small and medium sized business is also moving in a positive direction. Household formation is also growing again after years of flat performance. These are the green shoots that should precede sustained growth in the housing markets. The trouble with forecasting a bottom in the housing market is that we will not notice it until the markets begin to move positively in a meaningful way. Job growth and consumer sentiment will pave the way.

Equity market volatility continues to make headlines. It also masks positive announcements by companies on earnings and cash levels which are at record highs. As we enter the 4th quarter earnings reporting period the general sentiment is that companies' earnings growth will slow. We see this as a natural progression in an economic cycle. Typically in the early stages of a recovery corporate earnings grow at very fast rates. Companies get leaner and create efficiencies necessitated by economic conditions during a recession, and they benefit from smaller scale and increased efficiency as economic activity begins picking up during a recovery. Earnings will begin to plateau as productivity grows and companies' gains in efficiency give way to a reduction in excess capacity. We may be entering this plateau stage, as evidenced by improvement in the labor market which suggests that companies are at or near capacity and must take on more employees to continue growing. 4th quarter earnings results and future earnings guidance from companies will be the tale of the tape.

From a process standpoint, we continue to use frequent and systematic portfolio rebalancing to harness market volatility to our favor. Investors have to be willing to disregard market moves driven by emotion and sentiment, and continue to focus on fundamental drivers of value. We remain market realists, looking beyond headlines and news items to empirical measures of the portfolio investments.

We are still seeing some inefficient pricing of risks in credit markets. US Treasury yields are still at multi year lows and do not provide acceptable levels of income relative to prices. We have found other opportunities in global corporate debt markets where strong profitability, high levels of cash, and low levels of debt still make for attractive yield investments.

In addition to corporate bonds, we have expanded our search for yield to selected Utilities and Energy Storage and Transportation holdings. Stocks of companies in these industries currently provide investors yields that range from approximately 4.00% to 8.00% annually, compared to 10-year US Treasury Bonds with a yield that ranged between 1.80% and 2.42% during the 4th quarter. Our research and analysis of these stocks focuses on identifying companies that demonstrate consistency, not only in paying dividends, but also in generating profits necessary to sustain superior dividend payouts. Utilities holdings such as Duke Energy (NYSE: DUK) and Entergy Corp. (NYSE: ETR), as well as Energy Storage and Transportation holdings Plains All American Pipelines, LP (NYSE: PAA) and Targa Resources Partners, LP (NYSE: NGLS), are among holdings in this group that benefited portfolios both through dividends and increased price over the quarter.

We are sticking by our decision to decrease broad equity exposure in portfolios to concentrate more on individual holdings. One of the more interesting notes from our equity holdings in the past quarter was Amgen (AMGN: NASDAQ). Their corporate board of directors had approved a 6 Billion dollar stock buy-back, in the form of a Dutch auction. Amgen made a tender offer to all shareholders whereby the shareholder could tender their shares to company at a range of \$52-\$60 per share. We used our updated in-house valuation tools incorporating the company's most recent financials and found the fair value on the stock to be closer to \$66 per share. We decided on behalf of clients to not participate in the auction due to the higher anticipated share price post auction. When the auction closed in early December, the stock price of Amgen rose to \$66 per share. Prior to the auction, the shares were trading in the mid 50's. As of this writing, Amgen was trading at \$69 per share.

WHM Capital Advisors is a financial advisory firm providing research, analysis and advice to a diversified global client base that includes institutions, corporations and high net worth individuals. Founded in 2002, the firm's areas of expertise are in valuation consulting, succession planning, mergers and acquisitions advice and investment management. In addition, the firm has a related technology company that designs applications to analyze complex financial issues for clients.

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