SLOAN
WEALTH MANAGEMENT, LLC

Keep Your Eye on The Ball

2012 Year end Letter

Fundamentals vs. Fear -
Worry About Your Worries

2012 SWM Moderate Risk Composite + 17.6%

Other 2012 Indices	
Global Dow	+ 10.7%
Dow Jones Industrial	+ 7.3%
HFRI Hedge Fund Index	+ 6.2%
Alerian MLP	+4.8%
Gold	+ 7.0%
Oil (WTIC)	- 7.1%

The members of the Portfolio Management Team at Sloan Wealth Management (SWM) coach two baseball teams, two soccer teams, one T-ball team and one basketball team for our collective young children. Thus, we find ourselves stressing the basics. Learning the fundamentals of how to catch a pop-up will eliminate some of the fear of getting hit in the face. In 2012, we found many parallels to the capital markets as our portfolios posted high double digit returns in the face of fear. Fueled by the media, bad memories and political shenanigans, many investors took their eye off the ball and missed another great year of wealth creation in the capital markets.

Auld Lang Syne - Should Old Acquaintance be Forgot...

This song written in 1788 by Scotsman Robert Burns is traditionally played at the stroke of midnight on New Year's Eve. At SWM, we thoroughly enjoy the process of penning our year end letter. We discuss the events in our lives as they relate to events in the capital markets – giving merit to the highs, cursing the lows and making sure we learn from both - and no acquaintances are forgotten. Part of our process is to review our past year end letters to make sure they are worth the paper they were printed on. (Our past musings can be read at www.sloanwm.com). We realize this is a humbling business, but also feel it's appropriate to highlight the results of our hard work and thoughtful research. The following are some highlights of our research opinions from last year - based on the fundamentals and not fear.

-Stocks outperform bonds (we believe this trend will continue in 2013)
-Homebuilding industry rebounded and sector was one of the best performing in the stock market
-Corporate spending on technology increased and so did the price of the tech stocks
-Germany thrives on weak Euro (2nd highest returning developed country in world in 2012)
-Volatility caused by global hedge funds and computer programs continued
-Low yield on bonds will drive money to equities
-This current decade has high probability of being profitable for our clients

SWM Moderate Risk Decade Scorecard			
2010	**2011**	**2012**	**Cumulative Total**
+18.2%	-1.9%	+17.6%	**+36.3%**

Now, with the decade 30% complete, $1 million invested on January 1, 2010 would amount to $1.36 million at the end of 2012 or a 36.3% cumulative return. The Moderate Risk Composite is made up of a collection of globally diversified portfolios with a similar moderate risk level.

Globe Trotting -Technology Continues to Shrink the World

In 2012, an estimated one third of the world (over two billion people) now has access to the internet. The summer Olympics served as a further reminder of how the world is connected, as did the returns of the global capital markets. In the USA, the resilience of our stock market and our economy was on further display after super storm Sandy and the "Fiscal Cliff" failed to hold down our nation. We hope the phrase "Fiscal Cliff" will soon be forgotten.

Das ist Gut ("This is good" in German) – As predicted in our previous letters, the European Union remains intact and the financial crisis on the other side of the pond did not take down the global economy. In last year's letter, we discussed our investment in Germany. It was the second best performing developed country in 2012. In the emerging world, China seems to have engineered a soft landing and looks to grow around 7.5% per year while India at a rate of 6.5% annually. The emerging markets continue to fuel growth around the world as the largest demographic shift in the history of mankind occurs with over one billion people making their way above the poverty line in the coming decades. Once over the poverty line, one tends to improve their eating, transportation and increase overall consumption of goods and services.

Best Kept Secret - Valuations Matter

Let's review the fundamentals of stock valuation to discuss the current state of the stock market.

> *"In 2012 SWM continued our commitment to growth with the addition of Chris Davis and doubling the size of our office space in the Crescent Court." –*
> **Frank Sloan, President**

Earnings - When purchasing a stock, you are buying a stream of future earnings. The earnings of the S&P 500 in 2011 were the highest in history at over $96. That record did not last long, as 2012 is forecast to be in the $100 range. The consensus estimates for 2013 is $112. Despite all of the events of the year, many companies posted record earnings. Our portfolios were up 17.6% while US GDP is estimated to only grow at 2.5% to prove again that portfolios can go up and corporations can make money while the economy muddles along.

Multiples - The second part of the picture is the multiple placed on those profits. This multiple is the premium an investor is willing to pay for these future earnings. The current price-to-earnings multiple (P/E) of the market is 13 times 2013 earnings estimates. The average multiple when interest rates are this low is closer to 16 times earnings. In conclusion, with a modest increase in earnings and a more normalized multiple, the stock market could be poised for further gains in 2013.

Rebound - Underestimating the Housing Recovery

We predict the domestic economy will continue to grow modestly for the 5th straight year. The recovery in housing will be a fundamental reason and lead to the aforementioned multiple expansion. We believe the effects of the housing recovery are being greatly underestimated. Home building helps many industries beyond its namesake. Home building creates jobs in concrete, lumber, light fixtures, heating and cooling, real estate agents, mortgage brokers, lawyers and many others. In addition, it creates property tax revenues that fund communities and even education. The National Association of Home Builders estimates that three jobs are created for every home built.

Aside from these positive effects to the economy, an improvement in home prices creates confidence. In most cases, the home is a family's largest asset. The increase in price of your largest asset creates financial stability and wealth which fuels multiple expansion.

Pride Beyond the Numbers

At SWM, we take great pride in the wealth we create for our clients. The wealth gives our clients freedom to pursue their dreams and follow philanthropic interests. Our hard work, years of experience, decision making skills and countless hours of analysis produce much more than numbers on paper. As we close the books on 2012, we wish you and your family peace and happiness in 2013 and we promise to never forget the trust you place in our firm and the purpose of the wealth we manage for you.

The Sloan Wealth Management Portfolio Management Team

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