



October 1, 2012

2012 3rd Quarter Recap

Dear Client:

The markets behaved well in the third quarter posting solid gains (although the ride got a bit rocky during the last week). The S&P finished the quarter up 5.76%, while the Dow and European index showed very respectable returns of 4.33%, and 6.09%, respectively.

Notwithstanding the last week of the quarter when equities fell five of the last six days due to anemic economic data and less than favorable news out of Europe, year to date performance has been impressive. The S&P is up almost 15%, while the Dow (up 10%) and the NASDAQ (up 20%) also showed very respectable returns.

Index	Index Close	Q3 Total Return (%)	YTD Total Return (%)
S&P 500	1,440.67	5.76	14.55
DJIA	13,437.13	4.33	9.98
NASDAQ	3,116.23	6.17	19.62
MSCI EAFE	53.00	6.09	7.01
MSCI Emerging Markets	41.33	5.62	8.94
Barclays Bond Aggr.	112.45	1.03	1.26

Europe continues to attract the attention of the press. While recent reports out of the UK are favorable, other recent developments include:

- New anti-austerity protests and uncertainty over bailout terms in Spain and Greece
- The resurgence of Catalan secessionism in Spain (20% of Spain's GDP)
- The likely departure of Mario Monti as Italy's prime minister next year
- Obstacles to creating a credible EU banking union and the necessary reforms
- Continued weak economic outlook in the Eurozone



The fourth quarter is now upon us. The themes we mentioned in our summer letter last month remain the focus going into year-end: the U.S. Presidential Election, the above described European situation, and the fiscal cliff.

As your fiduciary, we are monitoring these events and focused on the potential impact they will have on the economy and your portfolios.

We look forward to reviewing your performance with you in the coming month.

If we can be of assistance in the interim, please do not hesitate to reach out to us.

Enjoy the fall,

Locust Capital Management