

Annual Letter to our Clients 2011

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We open this year's letter by thanking you for the trust you have placed in our firm. We recognize that our greatest asset is the relationship we maintain with our clients.

In looking back at the past year, we are pleased. Pleased with the improvements we see across all aspects of our economy, and genuinely pleased with the performance of all markets for our investors. If 2010 can be classified as anything, 'normal' may be the best description we have. Most investors saw quality returns for their investment portfolios with more than just a few bright spots to discuss going forward.

It's easy to remain fixated on the past. We crawled through a ten-year period of time where the equity markets produced little to no appreciable profit for investors. Bond investors were greatly rewarded with interest rates that continued to move lower, while equity investors remained bruised following a period of sub-standard results. Do we believe that this is a 'new normal' for the equity investor? No. As with any period of below average performance, the law of averages will apply and potentially reward investors with better returns in the future. With record low interest rates, corporations have been able to leverage this windfall for the long-term benefit of their shareholders. Corporate balance sheets have improved substantially in light of the 2008 and 2009 economic environment and with the mild economic recovery seen to date, corporations may have the wind at their backs for the distant future.

We will admit that our economic system leaves some things to be desired. The monetary system has been injected with a significant level of stimulus that leaves some to believe that inflationary pressures can and will exist in the intermediate term. The banking situation has changed for the better; however, banks and their capacity for lending remains both low and slow. This will surely change but it will most certainly take time. Until then, we expect that economic growth may remain slow to moderate. We feel that significant inflationary pressures will not exist until bank lending activities improve, creating more demand for labor and the raw materials associated with greater economic growth.

The national unemployment rate has recently changed for the better - a trend that reverses course with a predictable level of constant improvement. The risk of a double-dip recessionary environment has seriously been mitigated. We believe in the ability of a global recovery, and do not see any type of theme emerging that would cause the economic growth of the United States to be jeopardized.

At times where it is difficult to see the forest for the trees, we remain committed to the improvement of the services we deliver to our clients. As with any market environment, we are constantly tested with the joys of confidence, and the struggles of bad news. We have been reminded that markets are best navigated by patience and look forward to continuing our working relationship with you and your family.

Respectfully,

