AMM

AMERICAN MONEY MANAGEMENT, LLC

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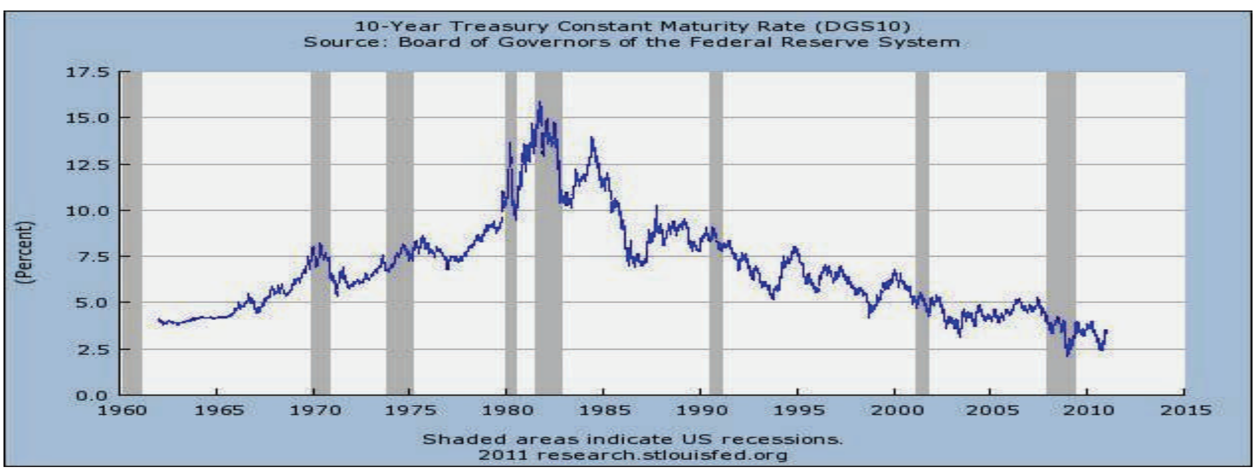
HAPPY NEW YEAR ~ THE BIG PICTURE

In our fourth quarter communication, we focused on the Federal Reserve's decision to embark on a second round of economic stimulus with the goal of both stimulating economic activity and creating a reasonable amount of asset price inflation. At the time, we believed that the second round of stimulus along with a "favorable" election outcome would most likely prove positive for asset prices over the short-run. While longer-term economic concerns (unemployment, household and government debt levels, sovereign debt concerns, etc) remain, our base case view for 2011 is that global asset prices will continue to grind higher. There are several tailwinds that continue to provide "lift" to the economy: layoffs appear to have peaked, corporate profits are expected to grow to record highs in 2011, household balance sheets continue to improve, and consumer sentiment is showing signs of improvement. *Additionally, the third year of a presidential election cycle is historically very strong for equity markets with an average return on the Dow of 16% since 1941, with no down years over this period.* (Source: Stock Traders Almanac, 2010)

WHAT ABOUT THE BOND MARKET

While all of these factors are proving favorable to economic conditions, we view the shift in bond market sentiment to be a critical big picture driver of asset prices in the years ahead. Chart A below provides a glimpse at the almost 30 year bond bull market that started in the early 1980s (declining rates signifying rising prices).

Chart A



Bonds, like all assets, will continue to go through ups and downs. However, we believe there is a high likelihood that the persistently high levels of government debt will help pave the way for a secular period of rising interest rates. ***Although significantly higher rates may cause problems for the economy down the road, it will provide welcome relief to our retired and income-oriented investors. Additionally, we believe the shorter-term effect (1-3 years) will be a continued strengthening of investor sentiment towards stocks and other competing assets accompanied by a weakening in sentiment towards bonds***. While we do not expect this to play out in a completely linear fashion, we believe that investors looking back a few years from now will see a period characterized by generally rising stock prices (with periodic downdrafts) and generally declining bond prices.

(OVER)

Where We are Investing Capital Now

Alternative Assets: We continue to favor a three pronged approach to our alternative asset basket.

1. Merger Arbitrage: We feel that the current high levels of cash on corporate balance sheets and the constructive interest rate environment will continue to support merger activity in the coming year. The hedged nature of Merger Arbitrage strategies should also allow for some downside support in the event of a short-term market downturn.
2. Commodities: Commodity prices have been increasing as investor inflation expectations continue to rise. We continue to invest in a broad based commodity index with exposure to oil, gold, silver, etc.
3. Real Estate: Like commodities, real estate is an asset inflation beneficiary. We have been adding to Real Estate Investment Trust (REIT) exposure, which we feel provides both income and upside at current price levels.

Bonds: Given our outlook for rates, we have been steadily *decreasing* our exposure to bonds sensitive to rising US interest rates over the last quarter. Nevertheless, we continue to see value in Emerging Market Bonds, which include the bonds of countries like Brazil and Indonesia. Yields here remain well above domestic counterparts, and we believe the growth dynamics in many emerging countries provide for upside in prices. Where appropriate, we have also started adding to Floating Rate Bank Loans. These loans have adjustable rates which generally trend higher in a rising interest rate environment. Finally, we continue to hold exposure to treasury inflation protected bonds (TIP).

Stocks: We have been steadily adding to stock-oriented exposure where appropriate. Our most recent portfolio addition is the S&P Dividend Aristocrat ETF (SDY) which invests in large-cap blue chip companies within the S&P 500 that have *increased dividends every year for at least 25 years*. Top holdings include Walgreens, Exxon Mobil and PepsiCo. Additionally, where appropriate, we continue to add to emerging and frontier market stock positions as we believe long-term growth dynamics in these countries are very favorable.

We manage several different portfolio strategies, and not every client has exposure to the securities listed above. Please contact us if you want to discuss any of your portfolio positions in greater detail.

4th Quarter in Review

For the calendar year 2010, the S&P 500 gained 15.06%, International stocks (EAFE) gained 7.75%, and Bonds (BarCap US Aggregate Index) gained 6.54%. We have updated the below table from our last communication to reflect fourth quarter returns. We continue to view the depressed longer-term returns opportunistically and believe equity-oriented investors will benefit from a return to more normalized levels.

	3 Year Annualized	5 Year Annualized	10 Year Annualized
S&P 500	-2.86%	2.29%	1.41%
EAFE	-7.02%	2.46%	3.50%
BarCap US AGG	5.90%	5.80%	5.84%

Enclosed is a copy of our current Privacy Notice. We can also provide you with a current copy of our SEC Form ADV Part II, at your request. Should you have any questions regarding your investment account(s), or if there have been any recent changes to your investment and/or retirement objectives, please do not hesitate to contact our office.

As always, we thank you for entrusting AMM to help you achieve your investment and retirement objectives.

AMERICAN MONEY MANAGEMENT, LLC

Your Portfolio Management Team

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