



*“Optimism is the faith that leads to achievement.
Nothing can be done without hope and confidence.”*
Helen Keller

BANTA’S “TOP FOURTEEN” – YOUR COMPASS IN 2012

The Economy’s Compass – Seven Corporate Fundamentals for 2012

2011 concludes with continued uneasiness about the future from the volatility of global stock markets, to the enduring uncertainty of the worldwide economy, to the intensity of the unending political theater. Indeed, the past few years have been anything but balanced, yet what remains true to form is that the strategic investor – **particularly the owner of shares of stocks** – understands that he or she owns a business accountable to **measures of success**. These *corporate fundamentals* yield clarity unlike any other indicator. For as long as **consumers need markets** and **markets need consumers**, the publicly held corporation remains a bastion by which consumers, suppliers, investors and policy makers set their compass to a “true north” – a place where accountability and results remain unwavering. These corporate fundamental drivers include:

1. Accountability to strong **corporate governance** is paramount
2. **Competitive markets** demand excellence
3. **Product and service innovation** propel customer demand
4. Variation in **production efficiencies** is unacceptable
5. **Customer satisfaction** drives long-term revenue growth
6. **Global strategies** increase market share and effective resource allocation
7. **Dividend payments** enhance shareholder loyalty

We believe these seven corporate fundamentals minimize the uncertainty of what lies ahead because their roots are supported by the **economic legitimacy** of market forces – not political ideology, media influence or international pressure. The seven fundamentals of owning shares of stock in corporations are outlined in the Investor’s Compass below.

The Investor's Compass — Seven Stock Ownership Fundamentals for 2012

In 2012, the investor will see political clarity affirmed in the American electoral contest and the Eurozone's central banking policy – both major contributors to the anxiety in 2011. As for clarity in the equity markets, **economic measures** such as a trending decrease in the unemployment rate, slow but steady GDP growth, and minimal inflation will add to a more transparent view of the investment climate. What is important for all investors to embrace is that the investment income of tomorrow relies on a new environment as we list below. Yes, corporate fundamentals remain unchanged, but the stock market itself is revealing opportunities that must be realized. These include:

1. After 30 years, the **bull market in bonds is over** – the landscape of fixed income security has changed
2. Stocks are **under-owned** by individuals and institutions – fear has driven \$2.6 trillion to money market funds earning nothing and losing purchasing power by the day
3. Stocks are driven by **earnings** – despite market volatility, earnings are at **record levels and climbing** even with unemployment currently below 9%
4. Inflation is a bigger long-term threat than deflation – **stocks preserve purchasing power** in this environment
5. Stocks are attractively valued with the **lowest PE ratios** since 1991
6. With record low interest rates there is a shortage of investment income and retiring baby boomers will **buy stocks for dividends**
7. **Stocks are an asset** whose transparency rests on corporate strategy and customer loyalty

At Banta Asset Management we look forward to 2012 with **hope** grounded on competitive corporations pushing forward each day to create value for a wide constituency. We also look to 2012 with **confidence** knowing that economic fundamentals have always been on the side of the firm rooted in **management excellence**, the policy maker who supports **market excellence**, and the investor who **buys excellence** in a share of stock. This is how 2012 is beginning to take shape.

With continued confidence,

Banta Asset Management