



Global Austerity

3rd Quarter Review & 4th Quarter Preview

BURNS

INVESTMENT GROUP

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Our recurring theme at Burns Investment Group since 2007 has centered on what is now known as global austerity. It became clear to us early on that easy lending policies would lead to heavy debt, low consumer savings due to debt service and higher than ordinary spending. Additionally, we observed that the Financial sector grew to nearly one third of the market capitalization of publicly traded companies globally. Our outlook was that we were entering a period of deleveraging across the board for consumers, corporations, and governments. Ironically, while we believe it is prudent for all individuals to spend within their means and for consumers to lower dependency on debt, this type of prudent spending discipline is not a positive catalyst for future economic growth. The ensuing credit crisis in 2008 accelerated the problem greatly with a massive debt write off, corporate restructuring, and record foreclosures on homes. We believe that government intervention was necessary to support our global economic system, and that the U.S. system was better equipped to address these issues compared to the European Union with such unprecedented intervention. The contentious debate in congress regarding the handling of our spiraling debt along with the lowered credit rating of U.S. bonds has been dwarfed by the credit worthiness of many European countries.

Today, we are still working through the deleveraging process globally while consumers deal with low housing values and a persistently high unemployment rate. Additionally, we believe that a significant housing recovery could take as long as ten years leading to very cautious spending for the foreseeable future. We do note that corporate balance sheets have much improved with lower debt, high cash balances, and stronger earnings growth from restructuring. We are beginning to see some European governments addressing their own spending and debt policies.

Our BIG Strategy Portfolios currently reflect a slow economic growth environment. We continue to review and upgrade the quality of holdings with a focus on strong balance sheets with a growing earnings stream that often leads to higher dividend

growth while keeping an eye on relative values. From 2007 until now we had implemented our strategy to underweight stocks by up to 30% of the equity target of the portfolios rather than to continue maintaining a fully invested policy. We believe the trade off of stocks to bonds is compelling, especially when considering the stock dividend yield when compared with bond yields. We have been underweight holdings in foreign securities.

We have weighted the stock holdings in our managed accounts to reflect an overweight to our benchmarks in the Materials, Telecom, and Utility sectors. This reflects our position in gold mining stocks of which we added as a hedge in 2008 and lowered the weighting this quarter with the run up in gold by trimming profits. We believe the higher yield and defensive nature of Telecom & Utility positions warrant an overweight. We have underweight positions in Consumer Discretionary in anticipation of slower consumer spending, and Energy and Information Technology to enable us to implement an overweight in other sectors. Additionally, we get concerned about any sector that is over 15% such as Information Technology. We have an equal weight to the Consumer Staples and Health Care to reflect the belief that consumers will still buy food products and utilize health services. We are also equal weight Financials and Industrials since we believe the valuations in these sectors more than fully reflect near term earnings pressures. We continue to believe we will see more macro issues, including peripheral Europe as a major overhang on the financial group, despite what we think are manageable exposures by our large banks.

The fixed income portions of our balanced portfolios are positioned in high credit quality bonds with an average duration of about 4 years. We have seen the yield on the 10 year U.S. Treasury bond drop below 2% after beginning the year at around 3.5%. We expect to maintain a high credit quality portfolio with a short to intermediate duration until we can gain better visibility on the future economic growth. We currently do not have any exposure to foreign bonds or lower quality high yield or junk bonds.

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SECTOR INSIGHT Third Quarter 2011: BIG Strategy Portfolios Target Sector Weightings Compared with the S&P 500 Index Weightings

Sector	BIG %	S&P 500	Sector	BIG %	S&P 500
Consumer Discretionary	8.05%	10.65%	Industrials	11.45%	10.27%
Consumer Staples	10.95%	11.68%	Information Technology	10.91%	19.44%
Energy	8.22%	11.63%	Materials*	7.70%	3.36%
Financials	13.19%	13.59%	Telecom Services	9.47%	3.29%
Health Care	11.54%	12.14%	Utilities	8.52%	3.97%

Source: BIG Strategy Portfolios & Morningstar

*Includes Gold Company Stocks & Excludes Gold Bullion

Third Quarter 2011 Sector and Industry Group Performance 3Q 2011 S&P 500 Index -14.3%

5 Best Performing Sectors		5 Worst Performing Sectors	
1. Utilities	0.4%	1. Materials	-25.0%
2. Consumer Staples	-4.9%	2. Financials	-23.1%
3. Information Technology	-8.0%	3. Industrials	-21.5%
4. Telecom Services	-9.2%	4. Energy	-20.9%
5. Health Care	-10.5%	5. Consumer Discretionary	-13.3%

Source: Bloomberg

This information is comparative in nature and is provided for informational purposes only. It is not intended to represent any specific return, yield, or investment, nor is it indicative of future results.

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This portfolio contains investments that are concentrated in specific industries or sectors, thereby increasing its vulnerability to any single industry-specific, sector or regulatory development. This may result in greater price volatility.

Stocks offer long-term growth potential, but may fluctuate more and provide less current income than other investments. An investment in the stock market should be made with an understanding of the risks associated with common stocks, including market fluctuations. Please note that dividends are not guaranteed and are subject to change or elimination.

Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility.

Investing in fixed income securities involves certain risks such as market risk if sold prior to maturity and credit risk especially if investing in high yield bonds, which have lower ratings and are subject to greater volatility. All fixed income investments may be worth less than original cost upon redemption or maturity. Please note that bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline of the value of your investment.