SELECT ONE ASSET MANAGEMENT PROGRAM

Monthly Howgozit?

CLIENT UPDATE February 3, 2012

JANUARY

At the end of January, the backdrop for stocks was short-term overbought but intermediate-term ("near-term") bullish. While the stock market may have gotten ahead of itself temporarily, we believe a short-term pullback will set the stage for higher prices over the near-term and longer-term.

Aside from the heavily followed January Barometer, which says as stocks go in January so they will go for the remainder of the year, other positive factors are at work. Stocks have historically done quite well during the Presidential Election Year Cycle and the Federal Reserve's plan to keep short-term interest rates near zero until 2014 is forcing money away from low-yielding ("risk-off") assets into riskier ("risk-on") assets like stocks.

Additionally, there may be an official announcement of QE3 before June along with an ad hoc solution out of Europe, which could also drive stocks higher. While low interest rates are artificially inflating the momentum behind this market, fighting against it is like stepping in front of a freight train; i.e., only the most aggressive traders with plenty of patience and capital should be playing the bearish side of this market.

The S&P 500 ("SPX") gained 4.6% in January. Basic materials was the leading sector exchange-traded fund ("ETF"), increasing by over 11%. Financial, industrial, and technology ETFs were up 8.1%, 7.3% and 6.2% respectively. According to Standard & Poor's data, overweighting January's top performing sectors has beaten the SPX for the remaining 11 months of the year more than 70% of the time, delivering a return of 14.6% versus 6.8%, So, while this strategy is hardly a slam dunk, the historical odds look quite good.

Having pointed that out, we will not usually put these S&P-500 sector ETFs into the satellite slots in our portfolio models because they are an integral component of the mutual funds we favor in the core slots. But it's comforting to realize that the four more aggressive S&P sectors are leading the parade to the upside while the performance of the more defensive sectors in last year's "risk-off" market are falling back.

A few warning signs are starting to creep in associated with the short-term pullback we anticipate. For example, we are approaching overhead price resistance from last year. We're always nervous as price resistance from many months ago is approached. This threat is especially worrisome for the NASDAQ Composite ("NASDAQ") because it has led the current rally in relative strength when compared to the other major indexes.

On Friday, February 3, we got the monthly Nonfarm Payrolls report. The good news is that it was quite solid and drove the NASDAQ marginally into new high ground. The bad news is that it only drove the other major indexes further into the resistance area.

We are looking for one of two things to happen: (1) the market will have a sharp short-term correction, relieving the overbought condition before it moves on up or (2) the overbought condition will be relieved gradually by a sideways movement before it moves on up. One way or the other, we expect higher prices.

However, one of our favorite market sayings is: "Chasing stocks can be even more damaging to one's pocketbook than betting on slow horses." So, after recently getting more fully invested and upgrading our current holdings to get more in tune with a "risk-on" market, we will continue to hold some extra cash while we wait to see which possibility plays out.

Of course we cannot rule out something more than a moderate short-term pullback. To get this possibility into perspective we have included on Page 2 a chart of last year's volatile S&P 500 movement from January through August. However, while we are alert to that possibility and prepared to deal with it, we don't expect it for reasons explained in the first two paragraphs above and enlarged upon in the Perspectives section below.

We have also included the Market Carpets, which use a color-coded approach to looking at what has happened over the past three months. Bottom line: Green and red are very good or very bad; blue and orange are less good or bad; yellow is neutral. Some clients and advisors prefer this to charts or statistics.

Performance

Note the three-month and year-to-date numbers in the performance report attached. Through January, the gains in our models ranged from 2.2% to 2.9% for the last three months and they have gone up further in the first few days of February. This three-month period includes a three-week period last November when the S&P 500 and NASDAQ were down -9.3% and -10.6% respectively from the intra-day high to the intra-day low. Considering that, we believe our Clients came out pretty well.

We are also pleased to point out that we have earned positive returns across the board for all the other periods shown on our track record at a time when many individual investors have lost money, become discouraged, and/or withdrawn from the fray. We think the patience of those who have stuck it out will be rewarded in 2012.

Perspective

January 2012 is in the books and historians like what they see. The S&P 500 gained 4.36%, which places the January 2012 performance in the top 25% of all Januarys since 1950. The significance of this is that being in that top quartile has almost always—there's been a 93% success rate— resulted in the stock market moving higher during the balance of the year. 1987 was the only exception to this rule. Furthermore, in about 85% of those years, the balance of the year resulted in additional gains of 10% or more. The average balance of year return for these top quartile Januarys was 17.60%. The record has not been quite as strong in the past couple of decades but is still quite impressive.

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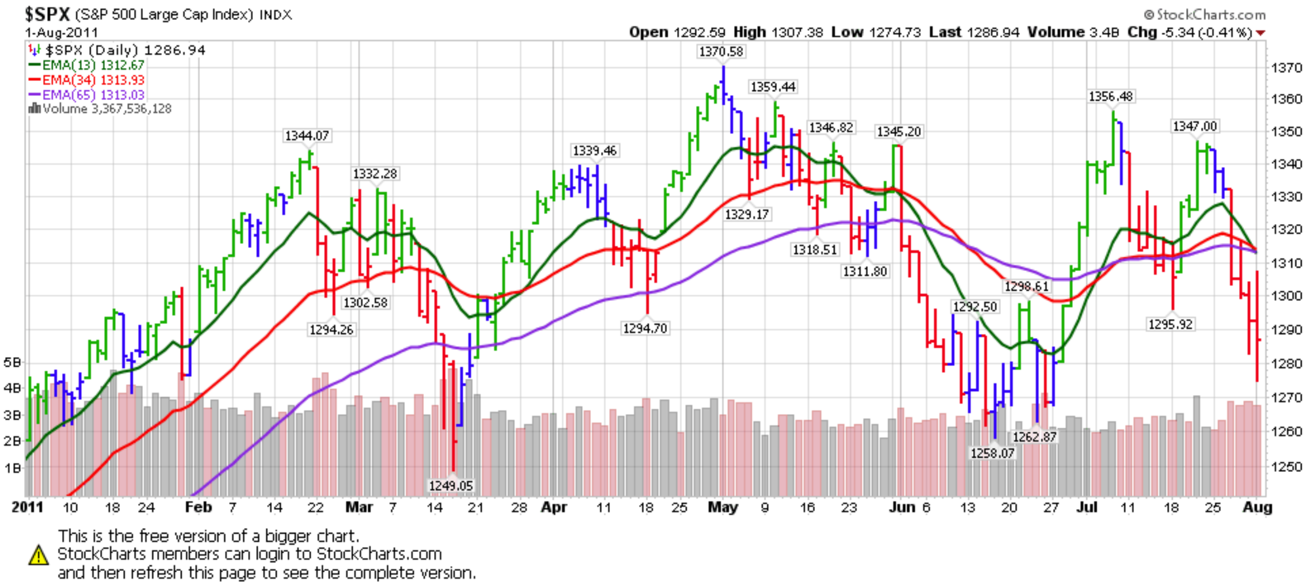

DATE	S&P 500	NAZ Comp	Russell 2000	XLF	XLI	XLK	XLY
11/04/11	2.0	(1.8)	(1.9)	(5.4)	(1.9)	(1.6)	(1.8)
11/11/11	0.8	(0.3)	0.2	0.4	1.0	0.4	1.4
11/18/11	(3.8)	(4.0)	(3.4)	(5.6)	(3.0)	(3.6)	(4.0)
11/25/11	(4.7)	(5.1)	(7.4)	(5.8)	(5.4)	(4.7)	(4.1)
12/02/11	7.4	7.6	10.3	9.7	8.2	7.2	7.5
12/09/11	0.9	0.7	1.7	1.5	0.7	1.2	0.7
12/16/11	(2.8)	3.7	(3.1)	(3.7)	(3.2)	(1.4)	(3.1)
12/23/11	3.7	2.5	3.6	4.9	4.9	2.3	3.4
12/30/11	(0.6)	(0.5)	0.9	(1.1)	(1.0)	(0.4)	(0.4)
01/06/12	1.6	2.6	1.2	3.1	2.5	2.0	2.6
01/13/12	0.8	1.3	1.9	3.1	2.6	0.4	0.8
01/20/12	2.0	2.8	2.6	2.3	1.8	2.7	1.9
01/27/12	0.0	1.0	1.8	0.0	0.8	0.3	0.7
02/05/12	2.1	3.1	4.0	4.2	2.1	3.0	1.6
Codes		Up 1%-3%	Up > 3%	<<1.0 %>>	Down 1%-3%	Down > 3%	

SelectOne

January 31, 2012

Portfolio Manager Returns

Model Portfolio	Past 3 Months	Year To Date	1 Year	3 Year (Annualized)	5 Year (Annualized)
IG Income Growth	2.21	2.17	4.25	7.43	3.54
GI Growth Income	2.79	2.81	3.97	6.85	2.02
MG Moderate Growth	2.79	2.82	3.04	5.54	0.84
HG High Growth	2.87	2.81	3.20	4.19	0.21
AG Aggressive Growth	3.19	3.02	3.52	4.36	0.59
S&P 500 Total Return Index	5.32	4.48	4.22	19.24	0.33
S&P 400 Mid Cap Index	5.47	6.52	1.27	23.38	2.37
S&P 600 Small Cap Index	8.26	6.52	6.25	23.57	1.62
Barclays Cap Aggr Bond Idx	2.01	0.93	9.22	7.91	7.19
Nasdaq Composite	4.82	8.01	4.21	23.98	2.69

Notes

The name of each of the above five portfolio models reflects the investment objectives of that model.

Portrayed results are provided net of advisory fees, brokerage and other commissions or any other expenses. Results do not reflect reinvestment of dividends and/or other earnings.

Portfolio Design Advisors employs no-load mutual funds, load funds purchased at net asset value and exchange traded funds (“ETF’s”) exclusively. Mutual fund transaction fees are paid by Portfolio Design Advisors and do not impact Client portfolio performance. Some mutual funds impose penalties for early redemption. Portfolio Design Advisors exerts every reasonable effort to avoid incurring these penalties but if prudence dictates that a mutual fund be redeemed within the penalty period, such redemption will impact the performance of the portfolios that contain this mutual fund.

Investors should have long-term financial objectives when working with Portfolio Design Advisors. If those objectives change, the Client may move to a new model. If a Client requests model changes more than once per year, the Client may incur the additional transaction fees. Clients should be cautioned against the risk of “chasing performance.”

Client portfolios will be weighted for volatility based on Client objectives. The time of the introduction of a Client’s account is sensitive to volatility. Volatility also impacts the specific mutual funds and cash equivalents used to implement the portfolio, and the timing of the portfolio transactions. Mutual funds may be more or less volatile than the unmanaged indexes based on the performance and/or creditworthiness of the underlying securities.

Each index is considered to be representative of its respective market or market sector and cannot be invested into directly. Each index assumes that dividends are not reinvested.

Portfolio transactions involve purchase and sale of mutual funds that may result in tax consequences for capital gains or losses in non-qualified accounts. Portfolio Design Advisors strives to develop long-term capital gains but the strategy employed may produce short-term capital gains or losses.

All investments have risk and there is no guarantee of future profits. Past performance is not indicative of future results.