COULTER & JUSTUS
FINANCIAL SERVICES, LLC

687 Emory Valley Road, Suite A
Oak Ridge, TN 37830
phone: (865) 481-0385
(888) 469-0220
fax: (865) 483-7930
web: cj-fs.com

Year-to-Date Performance

Dow Jones Industrials	2.14%	S&P 500 Index	-1.77%	NASDAQ	-2.77%
Bonds [1]	5.62%	International [2]	-6.17%	Gold [3]	28.11%

September 6, 2011

Dear Valued Client,

Eleven of the twenty-three trading days in August produced movements in the Dow Jones Industrial Average (DJIA) of at least 150 points, six days were lower and five days were higher. There were seven trading days in August where market movements in the DJIA exceeded 300 points, four days were lower and three days were higher. If stock prices are said to be efficient and encompass all past and publicly known information, how are these price movements justifiable in such a short period of time? Taken in another perspective, if the valuation of any stock is dependent upon the present value of future cash flow that occurs over the life of a business, why are stock prices so heavily influenced by "the news of the day" or from 3 months' worth of business activity when their weight with respect to the real impact on the intrinsic value of a business is so small?

Pondering on these questions helps us describe and identify the nature and character of the participants who are setting prices in today's market environment. It is widely accepted that high frequency trading, institutional program trading, exchange traded funds, and short-term traders comprise an overwhelming majority of the average daily market volume. How can the investing public accept these price movements as market realities when those creating this volatility have such little long-term economic interest as shareowners of a business? If you accept Benjamin Graham's statement, "investment is most intelligent when it is most businesslike;" it begs the question of how much intelligent, businesslike investing actually takes place on a daily basis? Oscar Wilde once wrote, "the cynic knows the price of everything and the value of nothing." Simply put, we believe today's marketplace is filled with cynics that have very little understanding of business value. Instead of cursing that reality, we welcome it because it produces the inefficiencies in stock prices that sow the seeds for future outperformance as long-term, value focused investors profit from such deviations between stock price and intrinsic value. In light of these active, speculative-driven participants in the marketplace, it's increasingly clear to us that perspective and patience will be the keys for long-term investment success. No matter what the composition of the market may look like, valuation and business fundamentals are the long-term anchors to stock price performance and time is the investor's best friend as those realities are accurately revealed.

With the discussion above in context, it's clear that the recent pace of economic activity has slowed. Although the first half 2011 headwinds of triple digit oil prices and supply chain disruptions from Japan have dissipated, renewed headwinds created from elevated political uncertainty, both here and

Coulter & Justus Financial Services, LLC

687 Emory Valley Road, Suite A
Oak Ridge, TN 37830
phone: (865) 481-0385
(888) 469-0220
fax: (865) 483-7930
web: cj-fs.com

in Europe, have dampened prospects for robust economic activity for the second half 2011. The downgrade of U.S. Treasury credit from S&P spurred on an attitude among investors to de-risk portfolios and seek safe havens. While consumer confidence is suffering and job creation stalled during the month of August amidst the debt ceiling debate, it remains too early to say whether the economy will move back into recession. Paul Samuelson, a Nobel-laureate economist, once wrote that "Wall Street indexes predicted nine of the last five recessions," reflecting that markets can often give false signals regarding economic movements. Given our earlier discussion regarding the composition of investors driving daily volatility, it's easy to see how short-term oriented investors can latch onto 1 or 2 pieces of lackluster economic reports, boldly and prematurely declare recession, and thereby risk creating and accelerating a self-fulfilling atmosphere of uncertainty that produces negative economic effects. There is much truth to former President Franklin D. Roosevelt's quote, "the only thing we have to fear is fear itself." Since the effectiveness of further interest rate decreases is limited at this point, political and economic leaders should renew their focus on establishing policies that promote and restore confidence and remove uncertainty.

Re-establishment of confidence and balance sheet repair takes time and cannot be rushed or pushed forward through any program from the Federal Reserve that keeps interest rates artificially low. Consequently, our best estimate is that the economy will grow at a frustratingly low rate until enough time has passed to distill the excesses in the housing market and banking system. Despite the near term uncertainties, the things that matter to stock prices over the long-term give us optimism. Equity valuations are historically low, corporate earnings & balance sheets are strong, interest rates & inflation are low, and investor anxiety is elevated. These are the seeds that will create the foundation for attractive equity returns in the years to come.

The journey of wealth preservation and creation cannot be successful without the trust and support that you've placed with us. Although there are elements along this journey that are out of our control, we will continue to focus on what we can control, which involves communicating honestly and openly with clients, diversifying portfolios in line with targeted client objectives, developing effective financial planning & retirement income solutions, and implementing investment strategies built upon sound investment principles.

Thank you for your continued trust and support. We hope this discussion has been helpful. If you have any questions or would like to sit down for a conversation, never hesitate to call.

Sincerely,

Scott Smith

Scott Smith

687 Emory Valley Road, Suite A
Oak Ridge, TN 37830
phone: (865) 481-0385
(888) 469-0220
fax: (865) 483-7930
web: cj-fs.com

1 Bond performance measured from the Vanguard Total Bond Market Index (VBMFX)

2 International performance measured from the I Shares MSCI EAFE Index (EFA)

3 Gold performance measured from the Spider Gold Shares (GLD)

The S&P 500 consists of 500 stocks chosen for market size, liquidity and industry group representation. Each stocks weight in the index is proportionate to its market value. The S&P 500 is one of the most widely used benchmarks of US equity performance.

The opinions and forecasts expressed may not actually come to pass. This information is subject to change at any time, based on market and other conditions and should not be construed as a recommendation of any specific security or investment plan. The advisor does not guarantee the accuracy and completeness, nor assume liability for loss that may result from the reliance by any person upon such information or opinions. Past performance does not guarantee future results.

Diversification can be thought of as spreading your investment dollars into various asset classes to add balance to your portfolio. Although it doesn't guarantee a profit, it may be able to reduce the volatility of your portfolio.