



Navigating Market Volatility

Tim Suffish, Senior VP, Head of Equities, provides a glimpse to how assets are shielded from market turbulence

Many believe that the fear and uncertainty prevalent among today's stock market investors are holding stock prices back. The market implosion of 2008 along with high unemployment, concerns about sovereign debt in Europe and the weak global recovery have created a "crisis-phobic" investment class.

Still, we understand that the going has been rough and we've felt it too. In spite of this, we want to continue to understand and support your values; this holds true even if the "right decision" may not always feel comfortable.

Volatility generates emotion

In the macro world, volatility is this force of uncertainty that pushes stocks up and down and every which way. We see the precipitous falls and sharp rises on a number of indices. Because of these movements, it's normal to feel uneasy if not downright afraid of what it's all doing to your investments. We know. That's why we're here.

Small movements, not big ones

My colleagues here at the trading desk don't always think in terms of big swings. With you in mind, we let our experience and understanding of what's happening determine certain courses of action. For example, pilots know that turbulence can be very abrupt and often scary, yet the corrective actions they take are not big

movements of their controls, but small, calculated, incremental adjustments which position the plane to a different altitude or course of travel. The journey may stay there for awhile, but again the pilot will make adjustments right up to its destination.

Looking beyond the volatility

You may not realize this, but investors tend to focus on volatility more so than they realize. We acknowledge its presence, but place a focus on certain actions that can help you during this downside. Depending on your circumstances and financial objectives, we may place more of your assets in cash. Or we may elect to sell some of your equity positions or suggest changes in fixed income.

On course in spite of the bumps

So, like a good pilot, we as your investment managers try to stay the course that points you towards your financial goals, but make appropriate adjustments along the way. Sometimes they're not comfortable or feel right to you, and we understand that. Think of the pilot who banks or drops a plane to a better position. For a moment, it may feel uncomfortable, but shortly thereafter, the plane moves smoothly forward.

Investment rides can be choppy, but remember that we're at the controls on your behalf.

Cover Volatility

2-3 Two new hires!
Got insurance?
From the Desk of....

4 President's message

This just in....!

As a result of recent legislative changes, your 1099 tax forms will not be mailed until February 15, 2012. Please refer to your statement for additional information.

Frank Carrazza Financial Planning merges with St. Germain

Michael R. Matty, CFA™, CFP® President, of St. Germain Investment Management is pleased to announce the merger of Frank Carrazza Financial Planning with St. Germain Investment Management. Frank A. Carrazza, Jr. assumes the position of Director of Financial Planning for the firm. He will oversee the financial planning services of St. Germain while continuing his responsibilities of managing client assets and providing financial and insurance planning advice to individuals and small business owners.

Mr. Carrazza brings a broad range of knowledge and experience in areas of investments, income and capital preservation. Since 1976, Frank has been an independent professional since leaving a senior position at IBM in Boston. As a financial advisor, he offered securities through Commonwealth Financial Network®, a broker/dealer and member of FINRA and SIPC.

He has served as president of the Estate Planning Council of Hampden County as well as president of the Western Mass Chapter of Financial Service Professionals. Mr. Carrazza holds the following certifications: Certified Financial Planner [CFP®], Chartered Life Underwriter [CLU], Chartered Financial Consultant [ChFCA], Accredited Investment Fiduciary [AIF] and Registered Investment Advisor [RIA].



Earle Hollister appointed Compliance Manager



To deal with the increasing complexity and demands of regulatory compliance, the firm has also appointed Earle Hollister, MBA to the position of Compliance Manager. Earle brings to the job 23 years of experience as an insurance producer, sales manager, stockbroker, registered representative, registered securities principal, and municipal securities principal.

Earle comes to St Germain after 14 years with Charter Oak Insurance and Financial Services Co., the Hartford/Springfield Agency of MassMutual. During the last 12 years as the Agency Supervisory Officer and Compliance Officer, Earle was responsible for the day-to-day supervision of 43 sites in 3 states with 150 registered representatives. Prior to MassMutual/Novak, Earle was the Compliance Officer for the local office of New England Securities. Other Industry experience includes sales positions at Prudential, The New England, and Merrill Lynch. Prior to his Insurance/Securities career, he held various positions as a Manufacturing Engineer and Engineering Manager for Digital Equipment Corp and other local OEM's.

Earle holds an engineering degree from UMASS/Amherst and an MBA from Western New England College. He holds Series 7, 63, 24, and 53 registrations.

From the desk of...

A Primer on Equity Income Investing

Amy Santarelli
VP Relationship Management



Ms. Santarelli provides a short, clear and straightforward introduction to an investment instrument that might be suitable for you.

Leading Investors: In its simplest terms, what is equity income?

Amy Santarelli: In terms of a big picture point-of-view, Equity Income is a balanced portfolio that invests primarily in stocks, with a smaller position in bonds and cash. Rather than focus on growth, however, the primary objective of the stock portfolio is income generation from dividends.

LI: With the focus on income, it sounds similar to fixed income, but it's not the same, right?

Amy Santarelli: A key difference is that bonds provide a stated, fixed income stream. With the current low level of yields, there is real concern that inflation will ultimately eat away at the purchasing power of the income stream.

We believe that it is important to have a portion of your portfolio in fixed income and the stability that it brings, but equity income stocks can provide additional income with the potential for some growth. By mixing the two asset classes, you'll absolutely have more volatility

than with a fixed income portfolio, however the long term potential to keep ahead of inflation is an important consideration.

LI: You mentioned dividend growth. How do you analyze or consider a dividend or even a group of dividends?

Amy Santarelli: We look for companies that have attractive, solid dividends today, as well as a strong history of increasing dividends. If a company pays a \$1 per share in annual dividends today, we'd like to see that rise to \$1.50 over the next 5 years. Increasing dividends is a key benefit to equity income, and is important to maintaining a leg up on inflation.

LI: And under this current market, investors are likely to stick with solid companies. Are small, aggressively growing companies considered?

Amy Santarelli: Yes, it's true that companies that pay and grow dividends tend to be more mature, stable companies. It's a part of the life cycle of a business. Smaller growth companies are tempting, but are not selected.

“Now, what would Frank Carrazza say....?”

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Dealing with Change(s)



Michael R. Matty, CFA™, CFP®
President

If after reading this you experience a sense of déjà vu, it's probably because several of my points are recurring themes: planning, asset allocation, diversification, relying on professionals to guide you and so on. Much of it pertains to dealing with changes that could influence or directly affect your investment objectives and financial goals.

Any provides an overview of yet another type of investment strategy in this newsletter. Our equity income portfolio has had outstanding performance in recent years, though please call us for more specific information. For some, equity income investing may appear novel, but we've used it and other types of instruments for quite some time. Similarly, we made mention of our ability to now provide certain services regarding insurance and annuities. We're not changing our basic approach; we want to be able to meet the needs of more of our clients.

While we've long espoused our conservative, disciplined approach to investing, that doesn't mean that we as a firm remain static to an ever-changing economy or global markets. Merging with Frank Carrazza meant his clients gained access to our resources and competencies. Conversely, our clients can now tap into Frank's working knowledge and experience in estate planning, insurance, financial planning and other key areas. As a firm, we can provide more alternatives or options to deal with changes in your life or the world around us.

Some of you may remember when we handled all transactions with paper, pencil, a typewriter and a multitude of cards. The demands of business, financial markets, data collecting and storage has made the use of computers, sophisticated software and yes, the Internet, non-negotiable: no one can escape using them. Because of this increased complexity and interconnectivity of information, it also increases challenges related to privacy, suitability, accuracy and access.

I save my comments on Earle Hollister joining us to end my column because his responsibilities reflect not only our desire and commitment to be compliant with regulatory directives, but to demonstrate to you and others that protecting your interest goes far beyond choosing asset allocation, investing strategy and financial goals. Maintaining compliance responsibilities is, as it should be, part and parcel of a financial firm's culture. Hence, bringing a compliance manager on board to review, refine and update various procedures and communication pieces made practical and fiduciary sense. While we understand the increasing demands of financial regulation, we also are aware that managing those demands allows us to focus on managing your assets. Change isn't always bad, often it can be good. Taking the first step to recognize the change and its challenges is often the hardest one. Once in motion, we rely on the experts.

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