



In response to the current market conditions and to provide some insight into what we are thinking for 2012 we wanted to share these comments.

INFORMEDINVESTOR

KICKING THE CAN-

As we end another quarter and look into a very hazy 2012 we are again reminded of the issues surrounded by delaying the inevitable- or as the media has phrased it "kicking the can down the road".

2011 has seen its fair share of volatility. What looked to be a possible step forward for US stocks has turned out only to be a lot of pushing and pulling with little to show for it. Extreme volatility in our markets played out as a result of a clearly divided US Government, the concerns of further downgrades, US Corporate earnings in flux, and the Euro Zone under constant pressure.

As we noted in the past:
"One thing we do believe is that our economy is going to struggle for a period of time. There is tremendous uncertainty in the future and when this occurs volatility is sure to follow."

Early on the US markets looked to be heading in the right direction, which was until credit concerns from Europe came to the forefront. This, all too familiar face, sent the global markets downward and with that US markets followed. Europe is far from out of the woods. As I write this, Spain, Portugal, Italy, and Ireland appear to be next in line to send ripples through the markets. The one thing that may be different for Europe is that unlike the US they may not be able to kick the can for long before they have to make the difficult decisions. If this were the case, this should create a quicker outcome and allow Europe to get back on track sooner.

Looking into 2012 I'm not confident that business can sustain any meaningful growth and I'm concerned about the things that can't be delayed further. My greatest concern is the real threat of rising inflation in the US. The Federal Reserve has delayed raising interest rates and, although that has benefited long-term bonds, by keeping rates low will likely cause volatility in our markets.

Another concern I have is that the fixed income bubble would be ready to burst if interest rates start moving up. We have been in a historically low interest rate environment for an extended period of time with little benefit for investors.

The thought behind keeping rates low was to create liquidity and to encourage business to invest & grow. That has yet to happen for a number of reasons but today this is largely due to the uncertainty that surrounds the global markets.

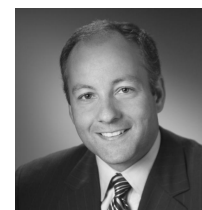
When we look for growth opportunities we are not looking for a short-term story that will unravel in a few months. Instead we are looking to identify ideas that we hope will continue to play out over years. As you can imagine, these ideas have been hard to find in this environment.

At this point, it appears that few businesses and investors have moved off the sidelines and are ready to fully commit and allocate back into equities. Those willing few have been whipped sawed with this volatility and are surely questioning their next move and the risk tradeoff.

Summary

We continue to be committed to our belief that until we have established a solid foundation under our economy that we would be slow to allocate fully back into stocks.

I will be the first to admit that this theme is starting to get old. A normal market correction and then a recovery that would last six months would have been great to see however a long and drawn out recovery with little prospects is difficult to muscle through. My hope was by now that we would be in a position to see some evidence of a sustained recovery. Instead all we see is a market fueled by emotion. Two days of hundred point drops on the Dow followed by a two hundred point rise is not a market built on anything but manipulation and emotion. I understand your frustration but until these conditions change our strategy remains to be positioned in a way toward defending against a potential downside while looking for those long term growth opportunities.



Craig A. Mapstone, Partner
Director of Asset Management

175 Corporate Woods
Rochester, NY 14623

INFORMEDINVESTOR

The views expressed above are for informational purposes only, should not be construed as providing investment advice, and may not necessarily reflect the views held by AXA Advisors. There is no guarantee that any forecasts or opinions in this material will be realized. AXA Advisors, LLC and its affiliates do not provide tax/legal advice, or investment market research. This material is not intended, and should not be relied upon, as investment or financial advice and does not constitute an offer or solicitation of any kind.

PPG-66819-(01/12)

