WEST FINANCIAL SERVICES, INC.

A Sandy Spring Bank Company

During 2011, increased levels of volatility gave investors a sense of whiplash. High oil prices and the earthquake in Japan slowed global GDP growth in the first half of the year. Heading into the second half of the year, concerns escalated over the U.S. credit rating downgrade and a potential Greek default, while sovereign yield spreads in the Eurozone rose to unsustainable levels across the region. Despite the headlines, domestic equity indices finished a challenging year on a positive note.

The year-end total return for the S&P 500 was 2.11%. This is a far cry from the average 10% plus return anticipated by Wall Street strategists at the beginning of the year. However, earnings per share (EPS) for the S&P 500 actually grew 15%. The underperformance of the index compared to the underlying earnings growth reflects a lack of confidence in the market and our ability to deal with the uncertainty behind the financial news headlines.

In the final quarter of 2011, stocks rebounded from the summer's correction. U.S. economic data confirmed an improvement in manufacturing and a strengthening employment picture, as concerns dissipated over the U.S. credit rating downgrade. The total return for the S&P 500 in the fourth quarter was 11.82%. Mid and small capitalization stocks returned 12.98% and 17.17%, respectively. International equities underperformed domestic indices, gaining just 3.33%. While the focus was on the situation in Europe, the Index was heavily impacted by a significant decline in Japanese equities.

Performance for various indices for the three-month (not annualized), one-year, three-year and five-year periods appears below:

	Bond Indices			Equity Indices					
Dates	Barclays Cap 1-5 Yr. A3/A-	Barclays Cap US Credit Index	Barclays Muni	Dow Jones Ind. Avg.	NASDAQ Composite	S&P 500 (Large)	S&P 400 (Medium)	S&P 600 (Small)	MSCI/EAFE (Int'l)
9/30/11 - 12/31/11	0.66%	1.70%	2.12%	12.78%	7.86%	11.82%	12.98%	17.17%	3.33%
12/31/10 - 12/31/11	2.65%	8.35%	10.70%	8.38%	-1.80%	2.11%	-1.73%	1.02%	-12.14%
12/31/08 - 12/31/11	6.60%	10.90%	8.57%	14.89%	18.21%	14.11%	19.57%	17.01%	7.65%
12/31/06 - 12/31/11	4.87%	6.80%	5.22%	2.37%	1.52%	-0.25%	3.32%	1.94%	- 4.72%

In December, the Federal Open Market Committee confirmed a moderately improving economy and issued a statement that the target federal funds rate will remain at 0% to 0.25%, at least through mid-2013. The Federal Reserve's stimulus program, along with the flight to quality from Europe's debt crisis, has kept Treasury yields low. The 10-year Treasury reached a record low yield of 1.67% on September 23rd and has a current yield of 1.98%.

Heading into 2012, concerns about Europe will continue to keep risk levels high. There is no simple solution to Europe's problems. In the near-term, the European Central Bank has averted fear of a financial crisis from an insolvent banking system by offering three year loans, at 1%, to banks in the region. This was an important step, since European banks have more than €700 Billion in debt maturing in 2012. While not a panacea, the loans will provide funding at a time when the Eurozone is probably entering a recession. The slowdown is creating ripple effects throughout the world, including China's monetary policy and those of other emerging economies.

The U.S. economy is expected to grow slowly in 2012. Though economic data remains mixed, several indicators, such as factory orders, consumer sentiment data and auto sales, build a case for positive growth. For U.S. equities, even a mild expansion of 1% to 2% in GDP should offer an opportunity for continued corporate earnings growth. Expectations for earnings-per-share (EPS) growth for the S&P 500 are 7%, or $107 per share, for 2012. The current Price-to-Earnings ratio for the S&P 500 is 12.5x expected EPS, which continues to be a discount to longer-term averages. In plain English, stocks are cheap and remain attractive relative to bonds, though short-term fear can trump valuation. One of Warren Buffet's greatest maxims is, "In the short run, the market's a voting machine and sometimes people vote very non-intelligently." At a minimum, there is comfort in paying a low valuation for a high quality company.

For fixed income, we continue to lengthen our bond ladders out to six to seven year maturities. Corporate bonds maturing in 1 to 7 years have yields ranging from approximately 1% to 5%, depending on credit quality. Municipal bonds, while attractive versus Treasuries, are still yielding far below corporate bonds on a taxable equivalent basis.

Enclosed you will find your portfolio appraisal as of December 31, 2011. We have provided performance reports for the quarter, one-year, three-year and five-year periods, where applicable. A statement of realized Capital Gains & Losses will be mailed separately. The brokerage firm where your account is held will be sending Form1099-DIV (dividends) and 1099-INT (interest) information to you directly. This year the brokerage firms will also begin sending a form 1099-B which will report gains and losses. We reported on potential conflicts with the 1099-B in our March 2011 quarterly letter, which can be found on our website or provided upon request. We also recommend that you use the gain and loss report that we provide, which reconciles our cost basis information with the data provided by the brokerage firms and includes documentation to substantiate differences, if any.

We are proud to announce that in February 2012, West Financial Services will celebrate its 30 year anniversary. We are very grateful for your long term trust in our services. In November 2011, Dana Sippel, CFP®, CPA, was chosen as one of the "Best Financial Advisers for Doctors" in *Medical Economics* magazine.

Should you have any questions regarding your portfolios, please feel free to contact us at any time. Referrals of family, friends and colleagues who may benefit from financial planning and investment management guidance are always welcome. Thank you for your continued confidence, and we look forward to working with you in the new year.

Glen J. Buco

Glen J. Buco, CFP®
President

Glenn Robinson

Glenn Robinson, CFA
Director of Equity Research

Norma Graves

Norma Graves, CFP®
Director of Fixed Income & CCO