



Positioning for 2011

Market Update from Jim Ulland

You might be surprised to learn that during each of the last 8 months, investors withdrew money from US stock mutual funds. This is a startling statistic considering how well the US stock market has performed since last summer. Why would investors shun US stock funds in an upward-trending market?

Steady outflows from US stock mutual funds last year suggest that investors were not comfortable with the staying power of a very meager economic recovery. Eight months ago stocks were hardly a sure thing. Europe was in a sovereign debt crisis, unemployment claims had yet to trend lower, and few were predicting a turnaround in consumer spending. It wasn't until the Fed announced its latest effort to lower interest rates and companies began reporting strong fourth quarter retail sales that stocks really moved.

On the other hand, investors experienced equity-like returns in fixed income throughout much of 2010. Why move to the volatility of stocks with the Fed determined to keep interest rates low and bond prices keeping up with stocks? In fact, bond funds did not experience any monthly net outflows until Nov. and Dec. when interest rates turned up.

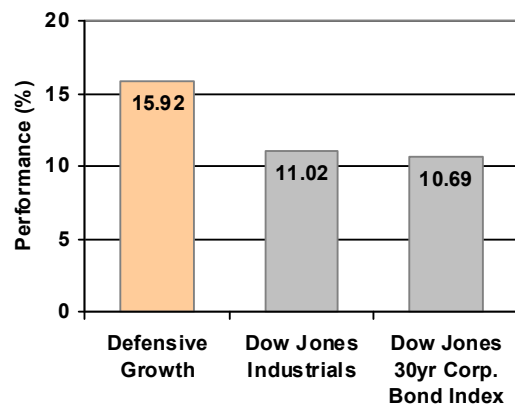
By year-end, it hardly mattered as most asset classes posted nice gains. 2011, however, is likely to be different. Fading government stimulus efforts, rising budget deficits, and unpredictable interest rate movements, among others, will present challenges for both stock and bond investors.

A Core Strategy: Trust Preferred Securities

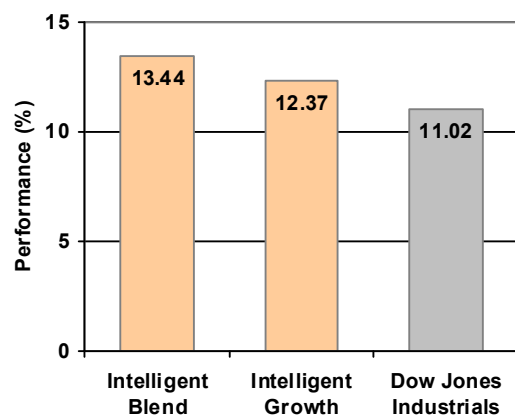
We are positioning portfolios for growth and stability amid the uncertainty in 2011. In other words – catch the upside while protecting against the downside. With an average yield of 7.4 percent, low volatility trust preferred securities will provide core returns for portfolios.

UIA 2010 Performance

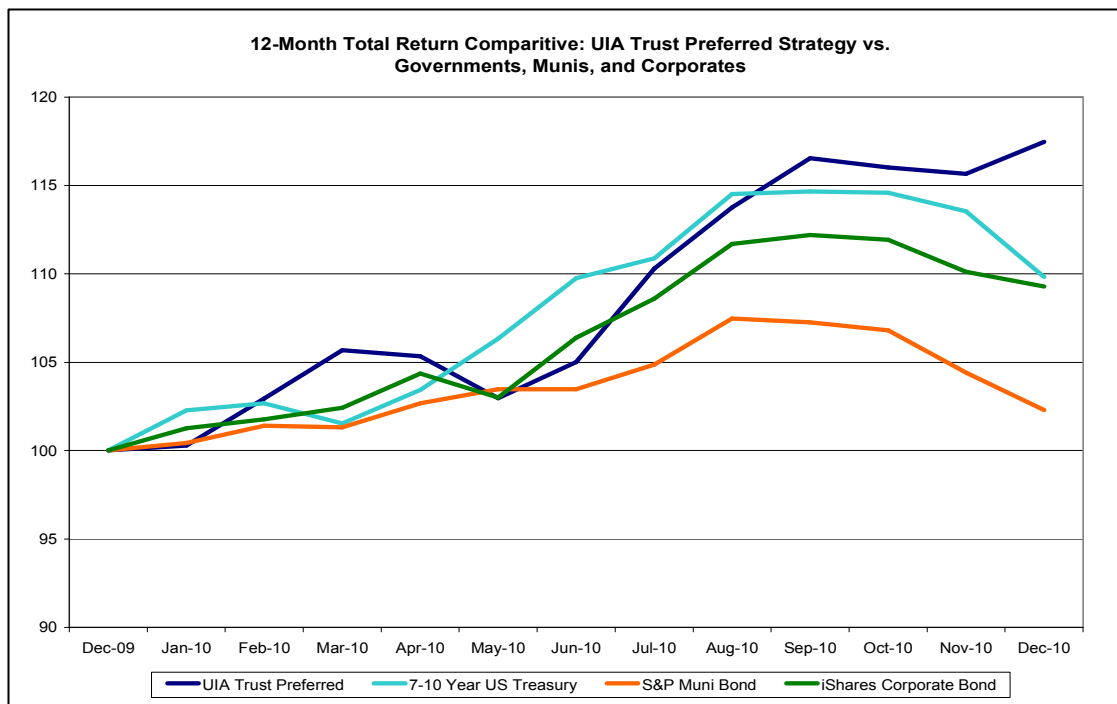
12/31/09 through 12/31/10



In 2010, our Defensive Growth strategy gained nearly 16%, after fees, vs. 11% for the Dow Jones Industrials and 10.7% for the Dow Jones Corporate Bond Index. Defensive Growth portfolios hold varying amounts of equity and fixed income. Trust preferreds are the largest holding.



Intelligent Blend and Intelligent Growth portfolios returned 13.4% and 12.4%, respectively, in 2010 while the Dow Jones Industrial Index gained 11%. Intelligent Blend and Growth portfolios lagged the Russell 3000 and 2000 Indices, respectively, in 2010.



Last month, despite the Fed's efforts to do otherwise, interest rates started to creep higher. This set off a wave of selling of low-yielding government and corporate bonds. Trust preferred securities, however, were largely unaffected. Why? (Please visit our website for a more in-depth explanation of the security).

The Dodd-Frank Wall Street Reform Act, in essence, converted trust preferred shares from long-term securities to intermediate-term ones by creating an economic incentive for the large US banks to redeem the shares over three years, beginning in 2013. We believe this development put a floor under trust preferred share prices, even in the event of rising interest rates.

In fact, the fourth quarter provided an interest rate stress test for trust preferreds. The chart above highlights trust preferred outperformance relative to fixed income alternatives last year and specifically in Nov. and Dec. when interest rates moved higher.

In this environment, it is remarkable that trust preferred securities continue to yield between 7-8 percent. We find our Defensive Growth Strategy using Trust Preferred Securities vastly superior to any combination of CDs, cash, money markets, muni-bonds, corporate or government securities.

Foreign index funds and export-heavy US companies will provide a growth component for our Defensive Growth portfolios. Asian and Latin American countries continue to exhibit strong growth with forecasted GDP growth several points higher than the US. Incremental dollars will move toward foreign and domestic stocks as economic fundamentals warrant. Our equity portfolios, Intelligent Blend & Growth, are more aggressive with higher concentrations of equities. The focus in these strategies is to overweight select foreign markets and US exporters.

Opportunity

Our Defensive Growth Strategy using Trust Preferred Securities has provided steady returns during this uncertain market environment. We work with individuals, foundations, and family offices to achieve their goals.

Investors can transfer stocks or start with cash. Our minimum account size is \$300,000.

If you would like to meet with us, please call Keith Wolter at 612.312.1407 or email him at keith.wolter@ullandinvestment.com. Visit our website - www.ullandinvestment.com.

Performance figures are subject to revision.
On July 1, 1997, Ulland Investment Advisors started offering the Intelligent Growth style to the public. On July 1, 1998, Ulland Investment Advisors started offering the Intelligent Blend style. Performance is calculated following GIPS standards. Only annual performance will be verified. Annual performance may vary when the verification process is complete. Performance is shown on a time-weighted basis as calculated on Axis portfolio software. Performance is presented net of fees. Calculations are based on the reinvestment of dividends and gains unless these amounts were paid out to the client. Performance does include situations in which clients requested that certain securities be allowed to exceed 10% of the portfolio's value. It should not be assumed that recommendations made in the future will be profitable or will equal the performance shown above. Lurie, Besikof, Lapidus & Co., LLP of Minneapolis has examined past performance figures. Their report is available upon request. If you would like a copy of our SEC Form ADV II, please contact the firm at the address below.