



## The Rennie Quarterly Return

Rennie & Associates  
Financial/Investment Planning  
Volume 5, Issue 3  
December 31, 2012

### 2012 – It was a very good year

Worry! Worry! Worry!

For sure, there is never any shortage of things to worry about. Damned if we do. Damned if we don't. Woe is me. Woe is you. Woe is all of us.

Therefore, perchance that many will miss a really positive event, financially anyway, we'd like to state stoutly, unequivocally, that calendar year 2012 was a very good year. So, while you continue to read, just imagine "old blue eyes," Frank Sinatra, crooning his memorable hit "It Was a Very Good Year" in the background.

The U. S. stock market, the largest stock market in the world—by far, was up almost 16%. Admittedly, that was far below the 52.6% of 1952 but far above the -37.0% of 2008. More importantly, however, it was nicely above the average 9.8% return since the early 1920's.

Foreign, developed stock markets, somewhat dominated by Europe, were up over 18%. Given the enormous debt overhang of Greece, Spain, Italy, etc., this is a tribute to those companies that were adaptable enough to remain profitable—no small achievement.

And then, emerging stock markets, the "cowboys" of the stock market universe, produced returns of almost 19%, outpacing both U. S. and developed market's returns. On a ten year basis, emerging market returns, over 16%, are still substantially ahead.

U. S. Bonds, the "safe" investment, delivered returns of about 4%, not bad for investors seeking capital preservation. Actively managed bond mutual funds, however, delivered returns of almost 7%. Compare these to the "ultra-safe" returns of one-year CDs of about 0.6%, and five-year CDs of about 1.2%. Ugh!!!

Delving a bit more deeply, emerging market bonds had another banner year, up about 17%—not too shabby. This was not an anomaly; ten-year returns average about 12%.

Real estate, as measured by an index of Real Estate Investment Trusts (REITs), returned over 17%, nicely above its ten-year average of almost 12%.

Only commodities, as measured by broadly based indices of metals, farm products, oil, gas, etc., were non-starters for the year. Their returns were slightly negative. Our favorite PIMCO Commodity Real Return Strategy Fund, however, produced acceptable returns of almost 5%.

Summarizing, if one was invested in the markets in 2012, almost anywhere in the markets, one has to have a warm, but still uncomfortable feeling—no one is ever really confident that solid returns of the past were real—and in the near future, the bottom may just drop out.

Okay, now what?

Most economic forecasts foretell a grudging path forward about evenly divided between

a gentle upward slope and a gentle downward slope.

Here in the U. S., we're looking at higher taxes, more regulation, slow employment growth, and, not surprisingly, businesses afraid to make major capital expenditures. Still, one has to be comforted by the fact that businesses, chastened by the 2008 downturn, should to continue to produce acceptable profits.

Euroland will probably plod along with very low growth, ever-higher taxes, and a crushing debt burden. Its contribution to global growth will be marginal, at best.

Emerging markets appear attractive. China seems to be growing again; Southeast Asia looks solid; India is holding its own. But across the spectrum, it's a virtual minefield. One must absolutely, positively invest with seasoned professionals.

In spite of all of the above, we believe that skillful investors will be pleased, but still worried that they were in the markets when 2013 comes to a close.

•••••

Note: Rennie & Associates will change our mailing address effective January 1, 2013. The new address will be:

20 Morning Dew  
Irvine, CA 92603

There will be no changes in phone or fax numbers, or email addresses. Gary and Ed continue with their present responsibilities.

Gary B. Rennie, CFP®, AWMA®  
Chief Executive Officer  
Phone: (949) 679-4775  
Fax: (949) 679-4775  
Cell: (949) 769-1343  
Email: [gbrennie@cox.net](mailto:gbrennie@cox.net)

E. P. Rennie, CFP®, CFA®  
President  
Phone: (949) 650-8622  
Fax: (949) 650-6683  
Email: [ecrennie@att.net](mailto:ecrennie@att.net)

1608 Galaxy Drive  
Newport Beach, CA 92660

[www.rennieandassociatesfp.com](http://www.rennieandassociatesfp.com)

Our Two



Hope is not a strategy.

Roger Goodell  
NFL Commissioner



Quarterly Trivia:

Who was the first U. S. billionaire?

Henry Ford