

Lighthouse Beacon

A Guide in the 21st Century

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Lighthouse Investment Commentary

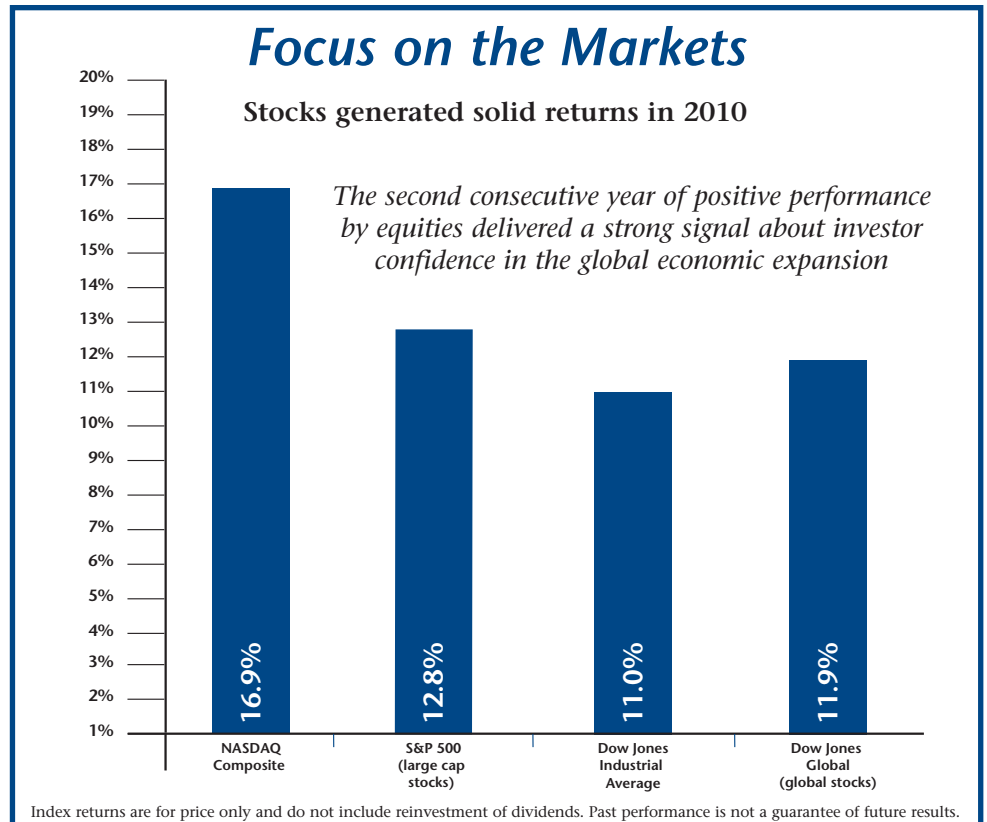
The Future is Now

Just three years after teetering on the brink of collapse, the economy has entered a period of sustained, healthy growth.

Investors should plan accordingly.

A new economic landscape has emerged in sharp focus. We are well into an expansionary cycle that is lifting the global economy, including the United States. Just look at what is happening:

- The world's economy grew by a reported 4.9% rate in 2010, with growth continuing at an estimated 4.6% pace in 2011. Accelerating growth in developing nations is offsetting the likely effects of a leveling off in some red-hot emerging markets.
- The U.S. economic expansion strengthened as 2010 progressed, rising from a 1.7% annual pace in the second quarter to 2.6% in the third quarter, with an early estimate of 3.2% for the fourth and final quarter.
- In the United States, the private sector finally is starting to create new jobs, while inflationary pressures remain low, the Federal Reserve maintains an accommodative monetary



policy and Congress and the President have agreed to extend lower tax rates for at least two more years.

- Corporate profits consistently exceed expectations, rising faster than they did before the recession, further solidifying already-strong company balance sheets and creating cash reserves –more than \$1 trillion in S&P 500 companies alone—that can be allocated for capital

investments, dividend increases and merger-and-acquisition activities.

- Discretionary consumer spending is rising, as evidenced by an unexpectedly strong holiday sales season.
- Huge hordes of money are stowed away in money market funds and other low-yielding investments, waiting to be deployed in the capital markets.

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Still, on a daily basis we hear and read about skepticism and doubt, often coupled with dire predictions based on the endless extrapolation of one or two isolated facts or reports. It is true that every bull market sees stocks rising on a “wall of worry.” The current bull market is no exception, but the tenor and tenacity of today’s doubters seem to be intensified by the extremes of controversy-fueled bickering in our media and politics. To be sure, the nation’s debt burdens need to be addressed squarely and forthrightly, as do the sovereign debt problems in some European nations. However, we should not let our focus be derailed and our judgment clouded by the almost endless parade of short-term statistics and reports flowing from government offices, private trade groups, think tanks and journals. Many of these reports can be useful. However, some of these reports relate to transitory phenomena – monthly retail sales and housing sales, oil inventories, new jobless claims. These and other events often can vary widely based on the weather, the time of the year, one day or hour’s headlines, and even the actions of financial speculators. Further, many are subject to revision.

In the investment world, we always have to be discriminating about what we pay attention to. Success requires distinguishing between information that is both true and relevant and assertions that may be neither.

The fact is that there just are so many statistics being reported,

with many not very helpful in making good investment decisions. The investment industry calls this “noise”. We live in an era of 24-hour news reporting, instant commentaries, increasing access to an Internet that makes equally available both a wealth of useful information from reliable sources and a flood of misleading statements from unqualified or ideologically motivated commentators.

To navigate through all this, we need to be skeptical of the importance of short-term statistics as well as informed about what may be longer-term cyclical and even secular movements. We need to discriminate in assessing all of

this information. It may not be important when retail or new-home sales take a sharp dip during periods of terrible weather. It is important when corporate profits keep climbing, month after month.

We all suffered in the awful markets of 2007 and 2008, and we won’t soon forget the pain. But it is time to stop thinking about the recession and the bear market. They both ended in 2009. The economic cycle has turned to a growth phase.

The wise investor won’t wait for the opportunities of the future. The opportunities are here.

The future is now.

Lighthouse Guides

Q: *I keep hearing about cloud computing. What is that all about?*

A: The answer is simple. . . and it is complex. Cloud computing is simple in what it does. It is complex in all the technological tools that go into it.

At its most basic, cloud computing is a worldwide, web-based storage system for your digital files. The system allows you to access those files remotely from different devices, so long as they can be connected to the Internet. Your files no longer need to be stored on the hard drive of your computer. They are on your Cloud.

You already may be using your Cloud without realizing it. By

accessing your e-mail account or paying bills online when you are away from your computer, you are using Cloud. Very soon, your Cloud will also be able to store movies that you have purchased.

Two important benefits are instant access, even when you can’t use your own computer, and less reliance on expensive, powerful personal computers with large hard drives. Moreover, security will be very tight – a very important feature for corporations as well as individuals.

Cloud computing will be mainstream in the not too distant future. Corporations both large and small are investing billions of dollars to make this happen.

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