

BEACON STREET CAPITAL, LLC

INVESTMENT MANAGEMENT

Institutional-level Money Management for Individuals

January 2012

Highlights

- Our **High Income MLPs** continued to outperform and was ranked #1 again last quarter by Money Manager Review for 1 year and since inception.

Our Mission:

To provide a new pathway to alpha.

Our Objective:

To achieve "better-than-market" returns with low volatility over a 3-5 year horizon.

Our Products:

Separately Managed Accounts of individually selected large-cap growth stocks:

1. S&P500/Select
2. DowJones/Select

And best-of-breed high yielding, tax-deferred energy Master Limited Partnerships:

3. High Income & Growth

Fourth Quarter 2011 Newsletter

Stock indices were up strongly in the final quarter of 2011 with the DJIA up +12% to close with an overall +6% gain for the year. The S&P 500 Index was also strong in the quarter with a +11.8% gain and closed with a small gain of only +2.1% for the year. The catalysts were continued improvement in earnings of U.S. companies, shrinkage of inventories and increased capital spending all of which generated positive growth potential as measured by our Q.E.P. Index. As a result we remained concentrated in energy, industrial and technology stocks.

Interest rates remained low as ten year US Treasury yields stayed under 2%. In contrast our energy MLP composite portfolio had a current yield of 6.8% and gained 12.6% for the year. Gold was up more than 10% for the year despite a late year setback, and oil closed the year at approximately \$100 per barrel for an annual gain of more than 10% for the year.

European Worries Continue

While the U.S. economy plods along, the European Union continues to struggle with the enormous debts of its weakest economies, initially Greece and Portugal but now Italy and Spain. While the former two are manageable the latter two are considered too big to bail. Italy has €2.5 trillion in debt which must be rolled over at high interest rates in order to attract buyers. Yields in recent Italian debt auctions reached, and briefly exceeded, 7% which is unsustainable for all but a brief period. Also, French banks hold large amounts of Italian bonds which puts their solvency into question. Furthermore, to get current debt levels under control the European leaders are forcing member countries to cut spending and raise taxes, which could put several countries back into deep recessions.

As the fourth quarter unfolded there appeared to be a high probability that the European Central Bank ("ECB") would become the lender of last resort similar to what the Federal Reserve has done in the US. Other ideas were floated such as having banks raise more capital, bringing the International Monetary Fund in for assistance, creating a separate fund open to investors and sovereign-wealth funds from outside Europe (i.e., China, India and Brazil), and having banks take a 50% write-down on their Greek bonds. With the appearance of a plan, by the end of October the Dow had gained back much of what was lost in the 3rd quarter. But the plan was voluntary and there was no certainty about the success of raising money from outside nations or private investors. Plus, the IMF and ECB would not grant debt relief to Greece. As a result, in early November the U.S. markets began to factor risk back into the markets and the Dow dropped 8% from its recent high-water mark.

BEACON STREET
CAPITAL, LLC

3350 Riverwood Pkwy
Suite 1900
Atlanta, GA 30339

Tel: 770-984-5433
www.beaconstreetcapital.com

Fourth Quarter 2011 Newsletter

U. S. Dollar



The next plan was for the ECB to lend money to European banks over a 3-year period (Long-Term Resolution Obligations, or “LTRO”) and hold the banks’ sovereign debt as collateral. This is the same basic program that the Fed ran when they accepted toxic loans from U.S. banks as securities after the failure of Lehman Brothers. However, with the near-term needs of the Euro-zone at roughly €2.5 trillion, the LTRO covers barely 20% of what will ultimately be needed. Nevertheless, it was at least a plan that would buy time and not be inflationary. This was first reflected in the markets when the U.S. dollar began to rally in mid-November as gold and commodities began to decline. In the meantime, positive earnings were being reported by U.S. companies which took the Euro crises off the front page of news reports. Consequently, stocks rallied into year-end.

There seems to be no resolution that will get these economies growing again, reduce their debt-to-GDP ratios or increase their economic prosperity. Therefore, the problems of Europe will be hanging over the financial markets at least through 2012 if not beyond.

Euro



Caution for 2012

The stock market had little in the way of gains in 2011 in the face of uncertainty in the Middle East, volatile commodity prices, rising energy prices, a volatile dollar, mostly falling interest rates, high unemployment, sluggish economic growth, significant domestic deficits, increasing levels of U.S. debt and frightening European sovereign debt fears. In 2012 we can add to all of these uncertainties the Presidential election cycle and the partisanship that will naturally come from that and we suspect there will again be volatile markets and a lack of clarity. These types of concerns are what led us to hold 15%-25% cash in our portfolios throughout 2011 and why we will probably hold similar amounts in 2012. We are not and will never be perfect in our analysis but we will tend toward the conservative side when there is as much uncertainty as we experienced in 2011 and as much as we anticipate in 2012. We expect periodic air pockets to appear in the market which will give us the opportunity to put some of that cash to work at better prices. Investing is a long-term game and by being prudent we believe we will be better equipped to play for the long-haul. We will continue to manage our client’s portfolios with these thoughts in mind and will be disciplined in our decision making process.

Gold



U.S. Equities Performance

Overall on a portfolio weighted basis this quarter our US equity holdings outperformed the S&P 500 index by a bit more than 200 basis points but our cash holdings brought our overall returns down to in-line with the index. From a sector attribution perspective for the quarter in domestic equities we outperformed the S&P 500 sector returns in Energy, Industrials, Consumer Discretionary, Consumer Staples, Health Care, Information Technology and Telecom Services; while our performance lagged in Materials and Financials (we own no Utilities). We had over-weighted positions relative to the index in Energy, Industrials, Information Technology, Telecom Services and Materials which boosted our returns in those areas. We held under-weighted positions in the Consumer areas and Health Care which detracted from those returns.

S&P 500 Index



Fourth Quarter 2011 Newsletter

Large Cap Growth

	4Q11	1 Year	5 Yr. Avg	10 Yr. Avg
S&P500/Select	12.5%	2.5%	2.9%	4.8%
S&P500 Index	11.8%	2.1%	-0.3%	2.9%

Inception: January 2002

Dow Jones Ind. Avg.



We held only one financial stock (IntercontinentalExchange, ICE). In general financials and utilities do not fit our methodology and we do not believe it prudent to attempt to force them into the equation. We prefer energy MLPs to utilities due to their tax benefits, attractive yields and rising distribution rates. We still believe financial stocks possess extreme levels of risk and that the jury continues to be out on which companies will ultimately be the winners and losers in that sector.

Mega-Cap Growth

	4Q11	1Year	5 Yr. Avg.	Avg. Since Inception
DowJones/Select	10.2%	2.9%	2.7%	4.1%
Dow Jones Ind. Avg.	12.0%	5.5%	-0.4%	1.7%

Inception: April 2002

Energy MLP Performance

Oil



Oil prices rallied in the fourth quarter, finishing up about 10% from the previous quarter's end. Energy stocks in general were strong as well with the S&P 500 Energy sector gaining 17.6% for the quarter. The Alerian MLP Index was higher by 16.3% for the quarter while our *MLP High Income & Growth* composite gained 15.6%. Fixed income fared worse as the Barclays Aggregate Bond Index gained only 1.2%, while alternative income strategies, such as the Dow Jones Utility Index and the Dow Jones REIT Index gained 7.2% and 14.6% respectively.

Alerian MLP Index



The best performing sectors in our MLP composite were the Crude & Refined Pipeline Operators (+21.6%), Major Diversified companies (+19.9%) and Natural Gas & Refined Storage Operators (+18.3%), while Sea Transport (+8.7%) and Oil & Gas Production (+8.5%) lowered our overall returns although their performance was solidly positive. Almost 50% of our holdings increased their distribution rates in the fourth quarter and all but two have increased distributions over the past year, several at double-digit rates. In today's low interest rate environment this ability to grow cash flows and increase distributions is a major part of our thesis for MLP investments. The continuing proliferation of shale gas in the US also bodes well for this sector as many miles of new pipelines will be required to gather these new sources of gas and bring it to end markets, and we believe MLPs will enjoy many years of growth in order to satisfy these needs. Energy Master Limited Partnerships remain an excellent alternative to traditional fixed income investments and act as an excellent diversification tool within an overall portfolio structure.

High Income & Growth

	4Q11	1 Year	2Yr. Avg.	Avg. Since Inception
High Income & Growth	15.6%	12.8%	26.4%	44.3%
Alerian MLP Index	16.3%	13.9%	24.4%	34.5%
Dow Jones REIT	14.6%	4.2%	-1.8%	24.0%
Dow Jones Utilities	7.2%	14.7%	8.1%	8.2%
Barclays Aggregate Bond	1.2%	7.7%	7.0%	6.6%
<i>Inception: February 2009</i>				

Best Regards,

BEACON STREET CAPITAL, LLC

About the Firm

Beacon Street Capital, LLC, is a private investment boutique with special skills, experience and analytics. It provides affluent individuals, business professionals and foundations in the Southeast with a conservative, consistent, long-term approach to investment management that has generated excess returns with reduced volatility. Our strategy reflects sound investing principles, delivered with a sophisticated level of financial services. We believe our clients deserve nothing less.

We select for our clients individual equity securities that show positive internal growth potential and financial strength. These securities are actively monitored and held by an independent custodian in a Separately Managed Account, and we provide detailed quarterly updates to each client of their holdings and performance.

Whether growing assets for retirement or building a family estate, we believe that wealth properly managed is wealth with a future. Please contact us to explore how we can help you with this process.

All results are unaudited and net of fees. Composite returns began January 2002 for the S&P500/*Select* and April 2002 for the DowJones/*Select*, are asset weighted and net of fees. Returns prior to November 2001 and March 2002 are total returns for model portfolios managed by Beacon Street Research, Inc., an affiliated company, on a real-time basis using the same methodology and manager, with stocks selected from those comprising the Standard & Poor's 500-Stock Index and Dow Jones Industrial Average. **Past performance is no indication or guarantee of future performance.**

This document and the information contained herein are not and should not be construed as an offer to sell securities. This document is for information purposes only and does not represent an offer or solicitation to purchase securities of any kind. While Beacon Street Capital, LLC has taken reasonable efforts to ensure the correctness of the information contained herein, Beacon Street Capital, LLC makes no representations or warranties as to the accuracy or completeness of such information. **Nothing contained herein is, or should be relied on as, a promise, representation or prediction as to future performance.** Beacon Street Capital, LLC, its employees, officers or affiliates may, in some instances, have long or short positions or holdings in the securities or other related investments of companies mentioned herein.