

Signature Resources Capital Management

Fourth Quarter, 2011

Charlie Brown Quarter

It is that time of year when all the old Charlie Brown movies start to hit the air waves. One classic scene in the Halloween version is when Lucy convinces Charlie Brown to kick the football. Lucy states “I’ll hold it steady.” Sure enough, Charlie gets a head of steam to kick the ball and Lucy pulls it away and he lands on his back. This is what the last quarter felt like. Germany and the EU were holding the ball for Greece, and they continued to pull it away and the markets reacted. Markets were up then down then up then down, finally finishing down.

Beyond the troubles in Europe, we saw the United States lose its Triple-A rating from Standard and Poor’s. With all of the volatility, investors pulled \$71 billion from US Stock mutual funds. Quantitative Easing has ended and the Fed will begin implementing “Operation Twist,” which unlike QE1 and QE2 just might help short-term liquidity. The twist involves moving assets around on the Fed balance sheet, as short term bonds come due they will buy longer dated bonds. The Fed will not expand their balance sheet but suppress (at least this is the plan) long term rates.

Markets

Equity markets around the world had their worst quarter since the end of 2008, as investors reacted negatively to the sovereign debt problems in Europe, the budget stalemate in the US, and poor economic data in most developed countries and in some large emerging countries such as China. The broad US market lost over 15%.

In US dollar terms, the overall performance in other developed markets was even worse, but that performance differential with the US was entirely due to currency fluctuations. In local currency, developed markets as a whole performed on par with the US. As in most of the past few quarters, there was much dispersion in performance at the individual country level. Greece, which remains at the center of Europe’s sovereign-debt woes, was by far the worst performer. At the other end of the spectrum, Japan, whose dollar-denominated returns greatly benefited from the strength of the yen, and New Zealand were the top performers. The US dollar gained ground against most major currencies except the yen, which hurt the dollar-denominated returns of developed market equities.

In US dollar terms, emerging markets had sharply negative returns and trailed developed markets. In local currency, however, emerging markets as a whole had similar performance to developed markets. As in developed markets, there was much dispersion in the performance of different emerging markets. Peru and some of the smaller emerging markets in Asia did relatively well. On the other hand, Russia and other European markets were among the worst performers. The US dollar also gained ground against the main emerging market currencies, which contributed negatively to the dollar-denominated returns of emerging market equities.

Most fixed income securities benefited had excellent returns, especially short-term US government securities, which greatly benefited from the flight to quality, and inflation-protected securities.

Real estate securities had poor returns but good performance relative to other equity asset classes.

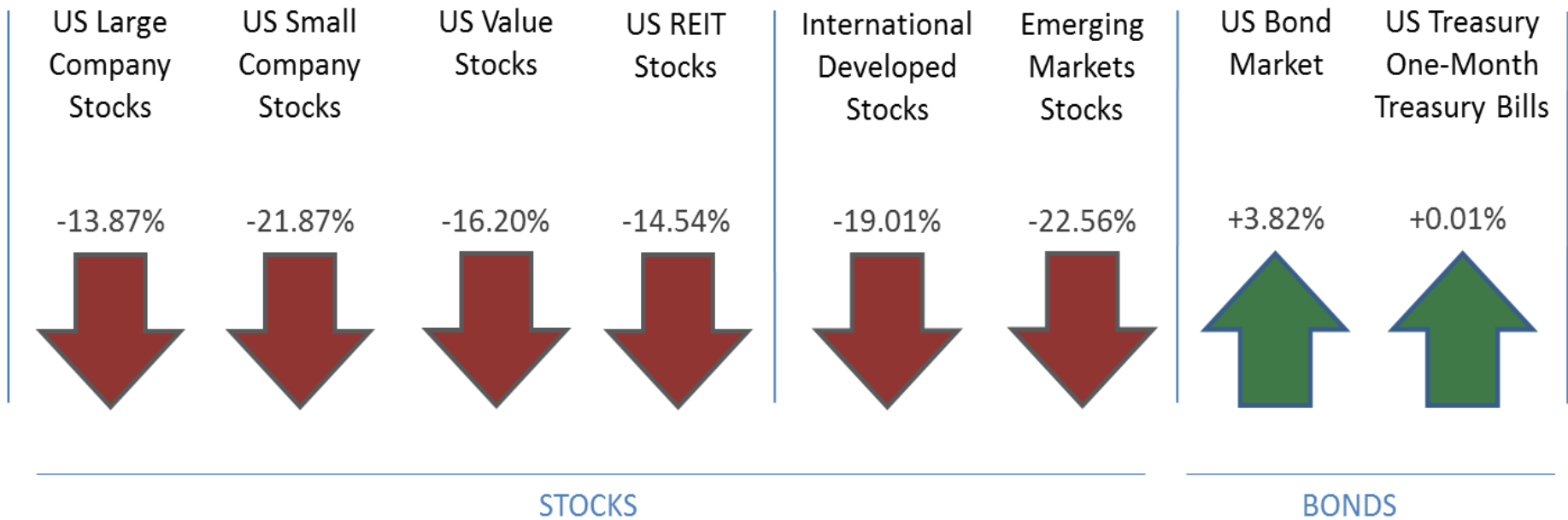
We thank you for allowing us the ability to invest for your future. We look forward to speaking with you in the next couple of weeks.

Morgan Christen, CFA, CFP, MBA
Principal

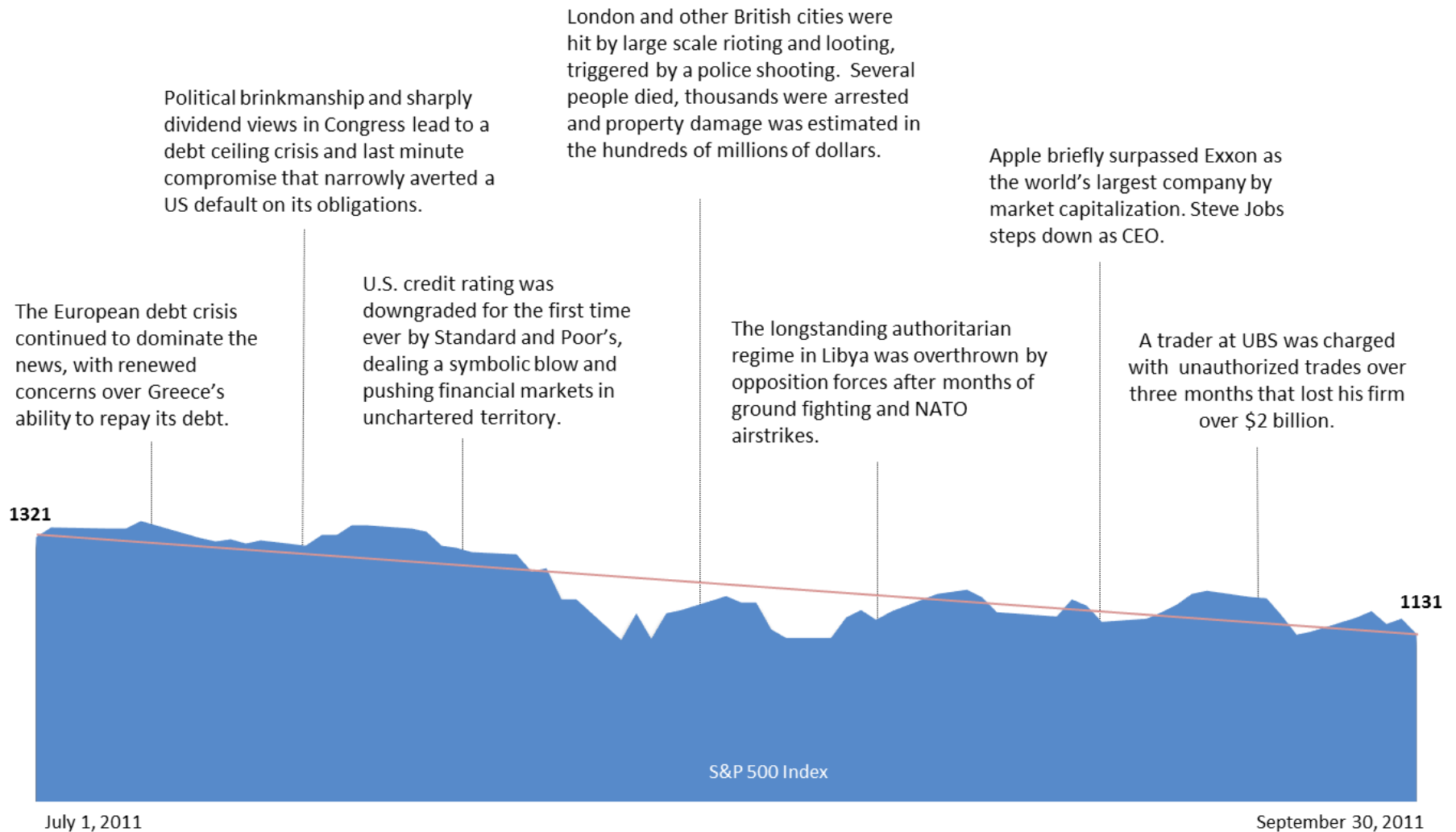
Dow Jones: 11,397
Date: 10/17/2011

Greg Kaltenbach
Principal

Markets Update: A Quarter in Review



Timeline of Events: A Quarter in Review



The graph illustrates the S&P 500 index price changes over the quarter. The return of the price-only index is generally lower than the total return of the index that also includes the dividend returns. Source: The S&P data are provided by Standard & Poor's Index Services Group. The events highlighted are not intended to explain market movements.

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Alternatively, you can email us at morgan@srcapmgt.com. Please be sure to include your name and telephone number.

Disclosures

Market segment (index representation) as follows: US Large Company (S&P 500 Index); US Small Company (Russell 2000 Index), US Value (Russell 1000 Value Index). US Real Estate Market (Dow Jones US Select REIT Index), International Developed (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [gross div.]), US Bond Market (Barclays Capital US Aggregate Bond Index), and Treasury (One-Month US Treasury Bills). The S&P data are provided by Standard & Poor's Index Services Group. Russell data copyright © Russell Investment Group 1995–2011, all rights reserved. MSCI data copyright MSCI 2011, all rights reserved. Dow Jones data (formerly Dow Jones Wilshire) provided by Dow Jones Indexes. Barclays Capital data provided by Barclays Bank PLC. US long-term bonds, bills, and inflation data © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. The graph illustrates the S&P 500 index price changes over the quarter. The return of the price-only index is generally lower than the total return of the index that also includes the dividend returns. Source: The S&P data are provided by Standard & Poor's Index Services Group. The events highlighted are not intended to explain market movements. Source: The S&P data are provided by Standard & Poor's Index Services Group. Inflation is typically defined as the change in the non-seasonally adjusted, all-items Consumer Price Index (CPI) for all urban consumers. CPI data are available from the US Bureau of Labor Statistics. The S&P 500 Index is a free-float market capitalization weighted index of 500 of the largest US companies. This index is calculated on a total return basis with dividends reinvested and is not available for direct investment. Stock is the capital raised by a corporation through the issue of shares entitling holders to an ownership interest of the corporation. Treasury securities are negotiable debt issued by the United States Department of the Treasury. They are backed by the government's full faith and credit and are exempt from state and local taxes. The indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is no guarantee of future results, and there is always the risk that an investor may lose money. Diversification neither assures a profit nor guarantees against loss in a declining market. Past performance is not indicative of future results. The information contained herein is based on internal research derived from various sources and does not purport to be statements of all material facts relating to the securities mentioned. The information contained herein, while not guaranteed as to the accuracy or completeness, has been obtained from sources we believe to be reliable. Opinions expressed herein are subject to change without notice. Securities offered through Signator Investors, Inc. Member FINRA SIPC, 2601 Main St., #700, 949-794-0800. Signature Resources Capital Management, LLC and its investment advisory services are offered independent of Signator Investors, Inc. and any subsidiaries or affiliates.