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AIS Tactical Asset Allocation Portfolio (TAAP)

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Target Portfolio Weighting (Approx.)		TAAP	S&P 500
	Fourth Quarter 2011	-1.24%	11.82%
	2011	6.19%	2.11%
Stocks: 18.1%	3 Year Compound Annual Return	19.07%	14.10%
Bonds: 0.0%	5 Year Compound Annual Return	16.01%	-0.25%
Gold: 77.7%	Compound Annual Return Since Inception (3/31/1992)	10.91%	8.06%
Cash: 4.2%			

Portfolio Review:

AIS's Tactical Asset Allocation Portfolio continues to overweight gold as the most attractive asset category among equities, bonds, gold, and cash. Equities hold the second highest allocation in the portfolio. Our current gold allocation is slightly below the 80% maximum as a result of small sales in August when gold was at \$1880 and due to the recent price decline. Our equity position in the fourth quarter rose to 18.1% from 13.1% as a result of one new addition to the portfolio, Parker Drilling, and additions to eight existing positions. These purchases were made on the expectation that the stock market may be completing an intermediate base. Cash declined to 4.2% from 7.6%.

Investment Outlook:

The current investment environment, and that of the past decade, have required creative thought and decision making. The traditional concepts of risk and capital preservation have been turned on their heads. While investors yearn for an absence of volatility in the short run, decisions to achieve that may be destructive in the long-term (e.g. bonds). Investments with higher return potential may be subject to short-term volatility but will deliver greater peace of mind in the long-term.

Although gold has corrected approximately 20% since late August, it remains in a long-term uptrend both in absolute terms and relative to other asset classes. Since the gold bull market commenced in 2002, gold has experienced intermediate corrections each year ranging from 9.6% in 2002 to 33.9% in 2008. At its recent price peak in August there was little evidence of the type of speculative activity that is typical of long-term bull market tops. We cannot be certain that the price correction in gold is completed. However, we remain of the conclusion that gold is in a long-term bull market with considerable upside potential. A study of past secular bull markets, across different asset classes and across both domestic and foreign markets, suggests that during the last third to half of the full time duration of those advances, price often accelerates, creating the greatest percentage gains in those late stages. One can never be certain as to exactly how these long-term bull markets unfold, but it is our view that the probabilities are high that gold's advance will follow this pattern. In spite of 10 years of advancing prices, the uptrend has been orderly and void of speculative excesses. Rather, the attitude towards gold remains highly skeptical. Before the gold bull market runs its course, we anticipate both a multiyear acceleration in price and the emergence of significant speculative activity, as former skeptics climb on board.

The fundamental conditions driving gold are the unprecedented fiscal, monetary, and economic conditions in the developed economies. It is not so much a bull market in gold as a runaway environment in government debt and unprecedented central bank policies to shore up economies.



Gold's price is simply adjusting to the massive increase in financial liabilities. Gold is an asset, while fiat money and government debt are liabilities. Although gold's price has risen significantly in the past decade, government debt and world currency reserves have risen a commensurate amount. As a result the amount of gold held by governments, as a percentage of these government liabilities, remains at historically low levels (see charts). Before the secular bull market in gold ends, we fully expect gold to represent a much higher relative percentage of these government liabilities. In fact it is not inconceivable that at some future date, governments, who own gold and are highly indebted to foreigners, may end up exchanging a portion of their gold for a portion of their outstanding debt. Countries such as the U.S., Italy, and Spain may decide this is the most painless way out of their state of excessive indebtedness.

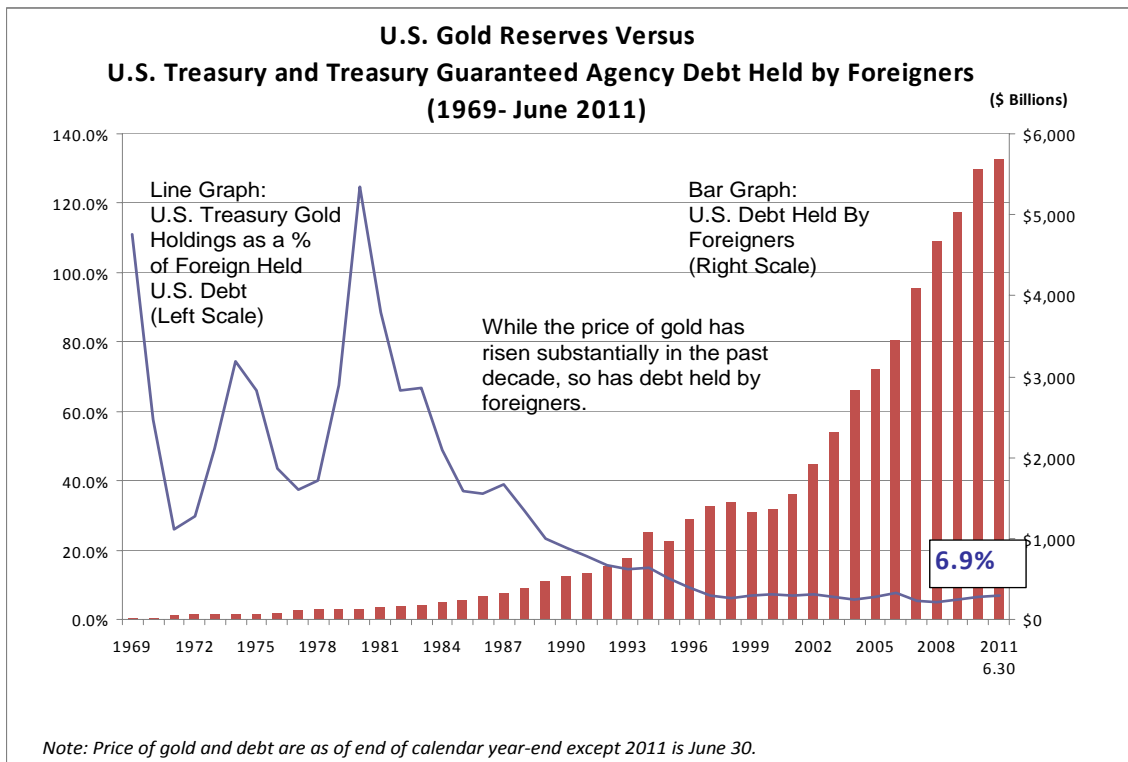
An additional support for rising gold prices is a low real (inflation adjusted) interest rate. So long as the Federal Reserve and other central banks maintain low real interest rates, the probabilities are high that the price of gold will continue to advance. Given the high level of developed country governments' debt to GDP and slow economic growth, central banks may find it difficult to raise rates in the future even if it appears appropriate. As the level of government debt rises, the interest expense on that debt becomes an increasing percentage of government expenditures. Therefore any rise in interest rates could greatly exaggerate the deficit problems in the developed world. It is not inconceivable that in future years central banks, from a practical standpoint, will be unable to reverse the unprecedented quantitative easing that has occurred.

Besides fundamental analysis, AIS also considers both traditional and proprietary technical and quantitative analysis. In developing the TAAP strategy we found that analysis of relative price performance of various asset classes provided valuable information. Relative price performance of non-correlated assets provides clues about changing financial and economic conditions before they become readily apparent. Changes in relative price performance can identify both future opportunity and future excess risk. Therefore regardless of our fundamental view, we respect changes in relative performance. It provides important information that will lead to significant changes in relative weightings within the TAAP portfolio. Relative strength in gold versus financial assets at the beginning of the last decade (after two decades of relative weakness) played an important role in increasing gold's allocation within the TAAP portfolio. Future long-term relative weakness in gold will be respected and lead to a reduction in gold's allocation. To date this is not apparent. In summary, the evidence, supported by unprecedented financial and economic conditions, and by strong technical conditions suggests that gold is in a powerful long-term bull market which may still experience a multiyear price acceleration in the years ahead.

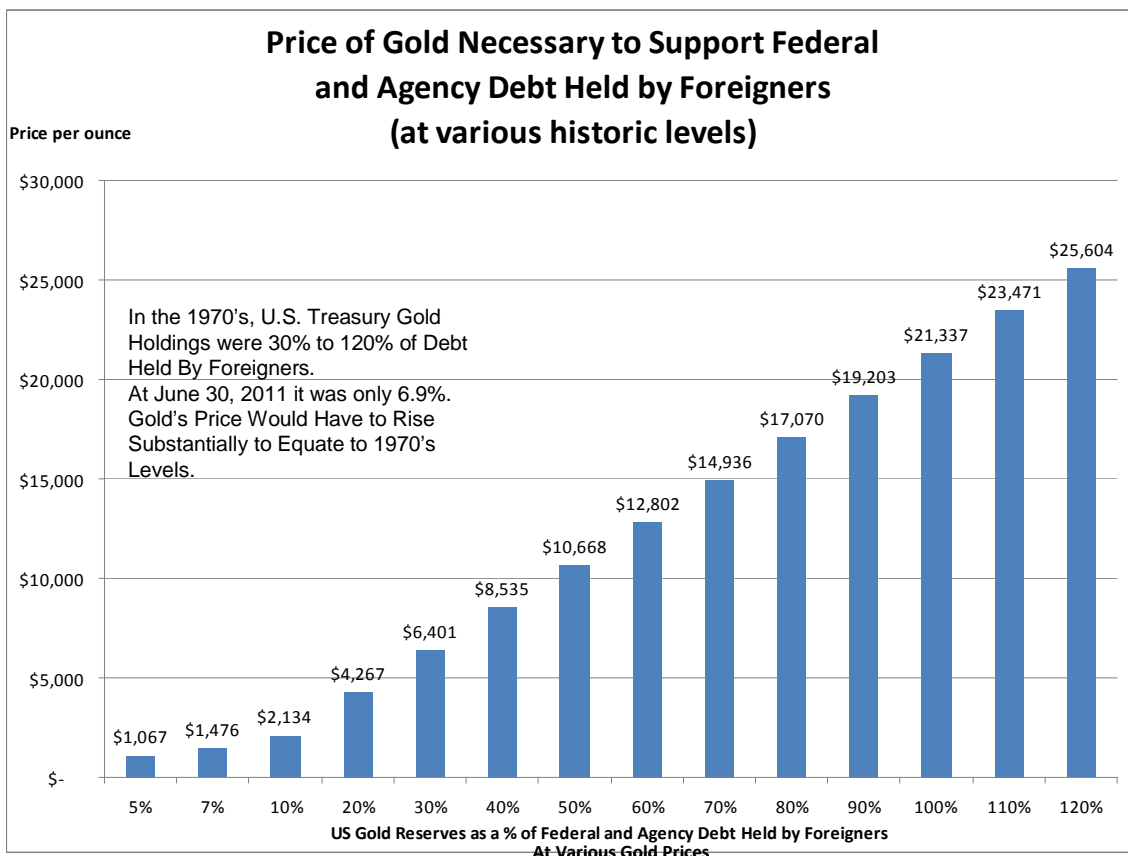
While equities have been in a multiyear bear market since 2000, our conclusion suggests that sector opportunities exist. Global growth is emanating from the developing world. Therefore companies that produce goods and services needed by the developing world can experience revenue and profit growth. Specifically, infrastructure and capital goods producers along with producers of commodities, both industrial and agricultural will be the primary beneficiaries in the years ahead. The evidence suggests that oil will continue to be in short supply. Therefore the few companies with growing production or companies in energy service will be major beneficiaries of this future tight supply environment. Finally, companies with products or services with pricing power and growing demand as a result of proprietary technology will be considered for the portfolio. In summary, TAAP's ability to invest in gold, individual equities, bonds, and cash equivalents provides the diversity necessary to navigate in today's difficult environment.



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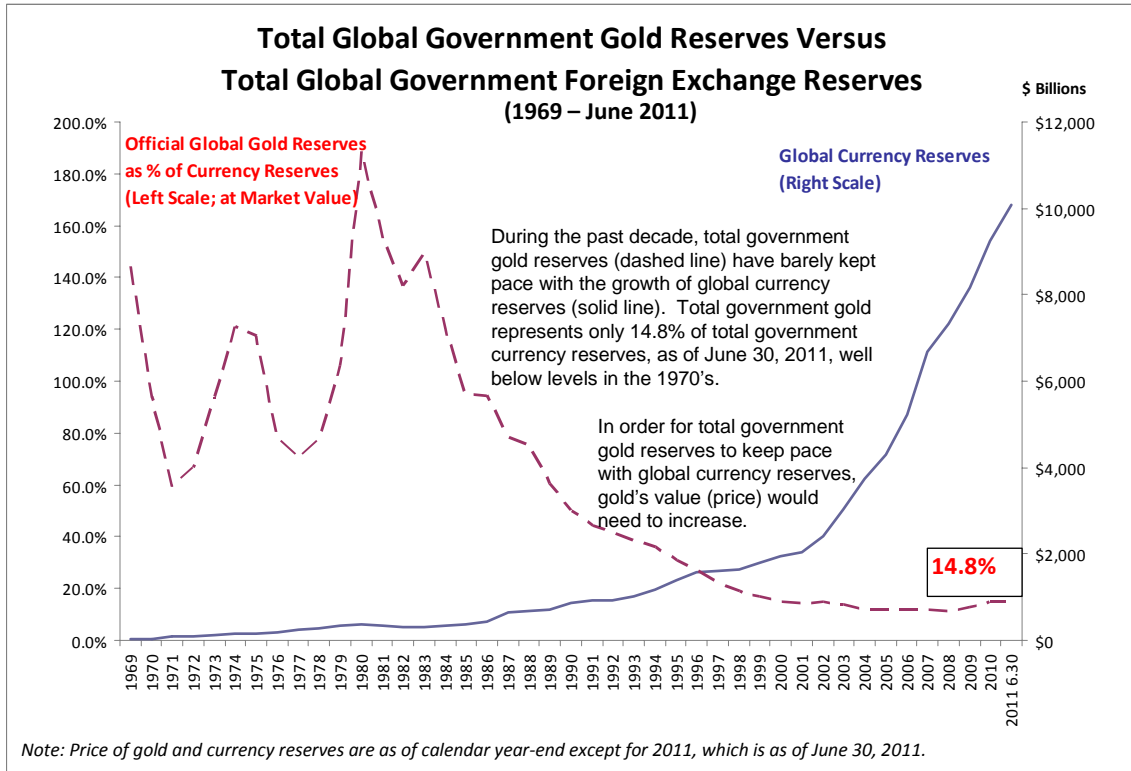


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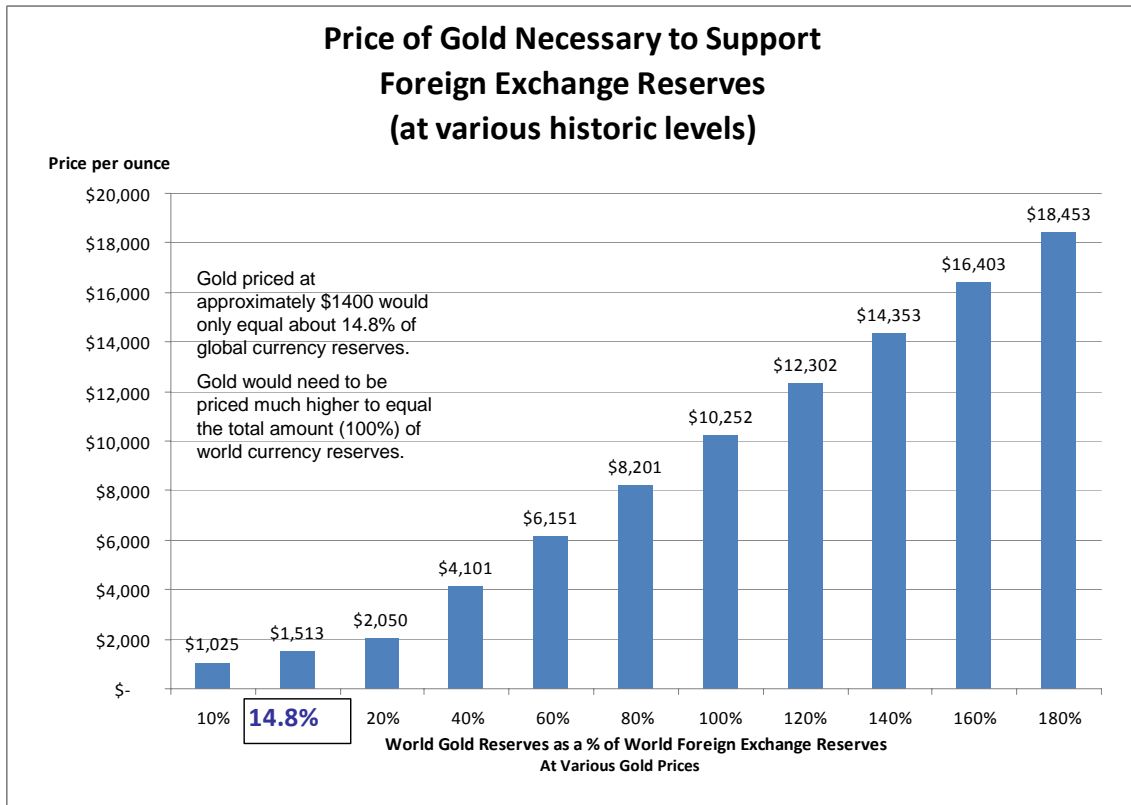




III.



IV.



Past Performance is not necessarily indicative of future results. This information does not constitute an offer to sell any securities or the solicitation of an offer to purchase any securities. For further information on the AIS TAAP Program, contact John R. Hummel at 187 Danbury Road, Wilton, CT 06897 - Telephone: (203) 563-1180 - Facsimile: (203) 563-1186 - E-Mail: info@aisgroup.com