Van Sant & Mewshaw Inc.

Registered Investment Advisor

Common Sense Advisor ©

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MARKET MANTRA

ANALYSIS/COMMENTARY

This year will mark the 99th anniversary of the sinking of the RMS Titanic. The Titanic was the biggest and most advanced ship of her day. The ship could carry a total of 3,547 passengers and crew yet it was only equipped with enough life boats for 1,178. There was very little thought given to the "highly improbable" risk of sinking. This year will also be the fourth year since the US equity markets set new highs, back in 2007. We remember 2007

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Returns 2010

INDEX	YTD	1 YEAR
S&P 500	+12.78%	+12.78%
Dow Jones Industrial	+11.02%	+11.02%
Nasdaq	+16.91%	+16.91%
Russell 2000	+25.31%	+25.31%
Foreign Stocks	+7.75%	+7.75%
Very Aggressive	+17.09%	+17.09%
Aggressive	+14.46%	+14.46%
Moderate	+11.83%	+11.83%
Conservative	+9.13%	+9.13%
Very Conservative	+6.48%	+6.48%
1YR T Bill	+0.20%	+0.20%

NEWS AND UPDATES

VSM Named FIVE STAR Wealth Manager for 2011 to be profiled Feb issue Baltimore Magazine

We are pleased to share with our clients excerpts from the official notification. ***"Baltimore Magazine contracted with Crescendo Business Services to administer a rigorous research process to identify wealth managers who are exceptional in both their ability and commitment to overall satisfaction. Approximately 1 in 4 high net worth households and all FINRA license holders were asked to evaluate wealth managers in the Baltimore community. Common examples of wealth managers are financial planners, investment advisors, tax advisors and estate planning attorneys. The final list was reviewed by a blue-ribbon panel of local financial services industry professionals. Fewer than seven percent of the wealth managers in the Baltimore area were selected."*** What makes this special for us is we were nominated by our clients and our peers. We thank you for your support and your trust, which you have given and placed in us.

Capital Gain and Loss Statement for 2010

The Capital Gain and Loss Statement is not included with the quarterly/annual *VSM* statements, it is sent out by request only. Please call or e-mail *VSM* if you wish to receive this statement.

Required by the SEC

Rule 204-3(a) of the Investment Advisor Act requires all Investment Advisors to offer, annually, a copy of their Form ADV, Part II to all of their clients. Please consider this as our offer to deliver our most recent Form ADV, Part II. To request a copy call 410-825-8844 or visit the VSM website at vs-m.com.

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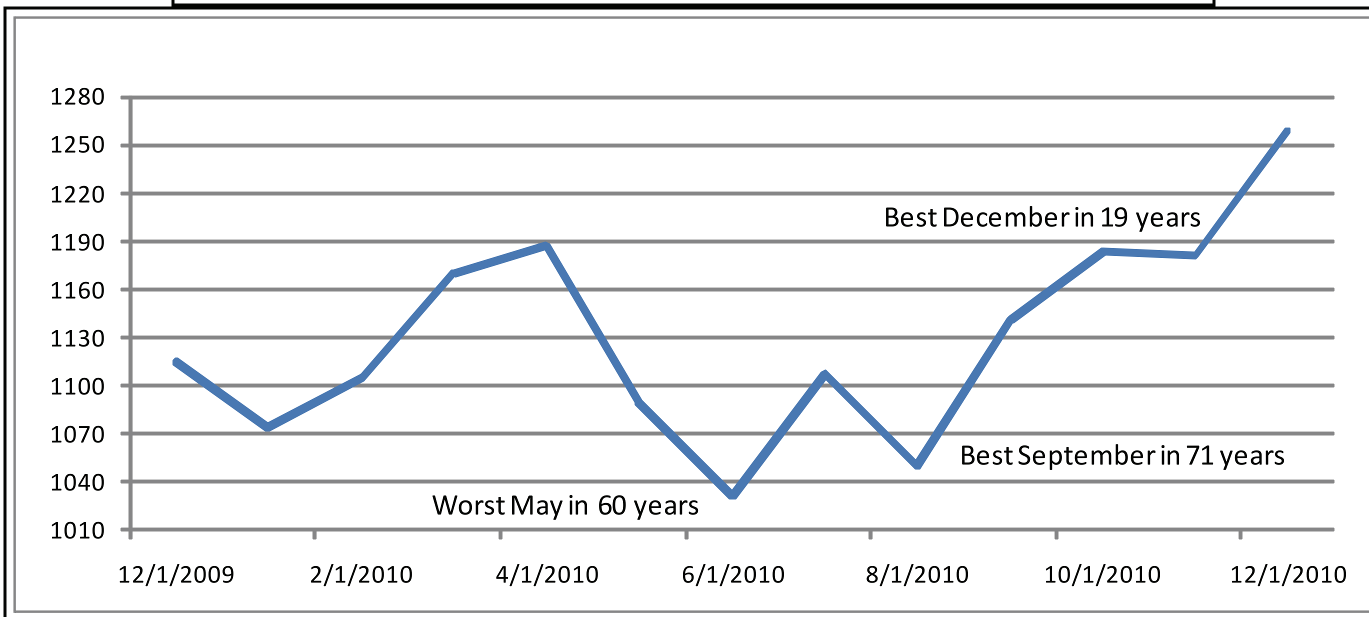
very well. Like the Titanic, the global economy was presumed to be unsinkable. The US and the world were experiencing solid growth and a booming housing and real estate market and talk once again rose of Dow 36,000. There was very little thought given to the "highly improbable" risk of a global economic collapse. Alas, that which is presumed by so many to be improbable often becomes inevitable. As of this past December, the total ten, five and three year annualized returns for the Vanguard S&P 500 Index fund, including dividends, is 1.31%, 2.21% and -2.90%, respectively. Since the vast majority of investors fail to even approach the returns from the broad market (S&P 500 Index) it would be prudent to assume that the vast majority of investors have fared far worse than the broad indices. However, with prudence, the pain of the past few years might not have led to financial ruin for so many. As an example a broadly diversified portfolio (Morningstar's Moderate benchmark) provided five and three year annualized returns of 5.38% and 1.98%, respectively. While these annualized rates of return are nowhere near historical rates of return, certainly properly allocated investors would not have been subject to financial ruin. Thus, just as disaster did not have to occur with the sinking of the Titanic, financial ruin did not have to happen to so many investors. By focusing on variables that can be controlled like risk and cost, investors would be better prepared for the markets many gyrations. The biggest factor that may have led to the downfall of so many investors is the tendency to react to their emotions. Most investors typically become their own worst enemies, reacting at the worst time. This past year was no exception. For 2010 the market continued its manic-depressive behavior frightening investors as it stumbled its way to a positive return. The month of May produced its worst return in sixty years dropping over 8%, and then in September it gave its best performance in seventy one years with a gain of 8.8%. And spread throughout the year, we had a "Flash Crash" when the Dow dropped 1000 points in less than 20 minutes, followed by the European debt crisis flaring and a downhill slide from April to July of 15%. Then, just as the S&P 500 hit its low of 1010 on July 1st and investors were thinking, déjà vu 2008, it reversed itself with a July to December upshot of 24.91%, with the month of December up 6.5%, logging the best performance for that month in nineteen years. Equity returns are never consistent or predictable throughout any market cycle.

Most all of our empirical knowledge gained with regard to the process of investing and portfolio management has been derived from studying bad investment decisions; our own and those of others. Thankfully, we have avoided those mistakes that have proved devastating and irreparable to investors' portfolios by staying focused on results over the entire market cycle. That which seems to have influenced investors behavior leading to such disasters is a lack of discipline combined with an emotional response to the markets. The fear formented from the market peak of 2007 to the trough of 2009 and the hope generated by the market recovery from the bottom in 2009 to December 2010 makes this present market cycle ripe for such responses. For now, we'll stay focused on avoiding icebergs.

2010 Proved to be a Roller Coaster Ride of Fear and Hope for Investors



Notable Quotes

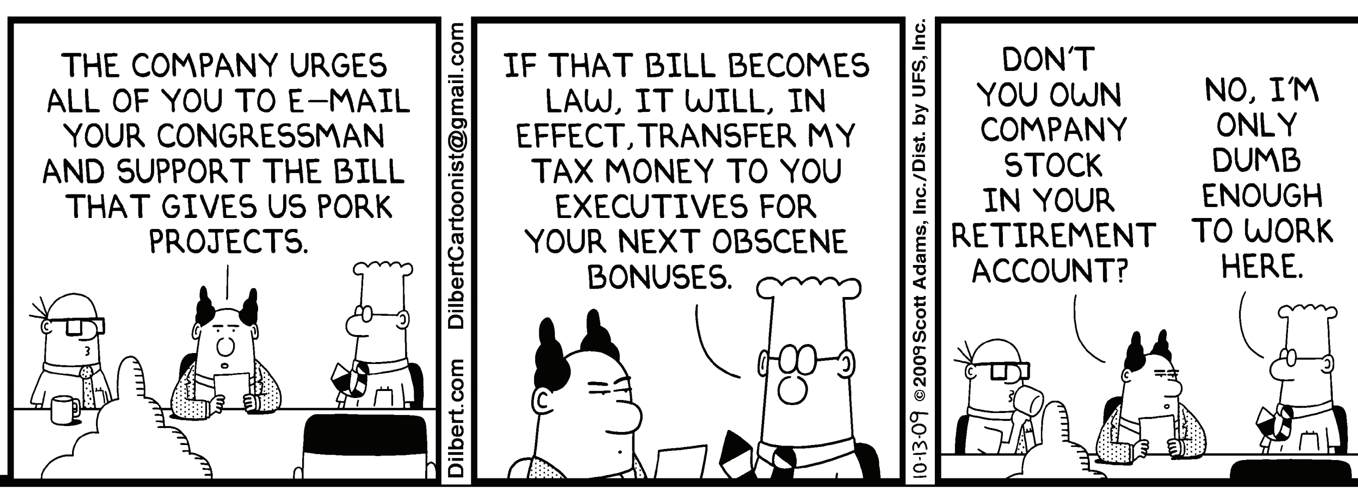
"Larry Hagman, the actor best known for portraying the ruthless J.R. Ewing on the 1980s hit show "Dallas," has won an $11.5 million arbitration claim against Citigroup Global Markets Inc. The claim stemmed from unspecified securities in accounts he controlled and the purchase of a life insurance policy, according to the arbitration award. Yesterday, a three member Financial Industry Regulatory Authority Inc. panel awarded Mr. Hagman, two trusts in his name and two retirement accounts in his name the following: $1.1 million in compensatory damages, $440,000 in legal fees and $10 million in punitive damages to a charity of his choice. "We are disappointed and disagree with the panel's finding, and are reviewing our options," said Alexander Samuelson, a spokesman for Citigroup."(*J.R. Wins again: Cti ordered to pay Larry Hagman $11.5 M, Investment News, Bruce Kelly,10/7/2010)*

"When Prudential Financial Inc. invests the death benefits owed to survivors of soldiers killed in battle, the money comes from a source with deep pockets: the U.S. government. After a U.S. soldier dies in combat -- including the more than 4,000 service members who have been killed in Iraq and Afghanistan -- the Department of Veterans Affairs sends Prudential the full amount of each family's life insurance coverage, usually $400,000. The government has paid Prudential $1.7 billion for these benefits since 2003, when the war in Iraq began, according to information provided by the VA, Bloomberg Markets magazine reports in its November issue. Prudential holds that taxpayer money, invests it and reaps the gains. Here's how it works: If survivors request a lump-sum payment of the death benefit, Prudential opens a so-called retained-asset account, a quasi-checking account that allows families to draw money when they're ready to spend it. Until the money is used, it stays in Prudential's corporate account. There, the insurer invests the funds, mostly in bonds, making returns as much as eight times higher than what it is paying out to holders of the retained-asset account. What this means is that Prudential is investing -- and profiting from -- death benefits owed to the families of slain soldiers, using money provided by the U.S. government."*(Prudential Profits From Slain Soldiers With Help From Taxpayers, The Washington Post, David Evans, 10/01/2010)*

"U.S. auto-safety regulators proposed requiring backup cameras on all new vehicles by 2014 to prevent drivers from backing over pedestrians, a rule that may cost as much as $2.7 billion. The National Highway Traffic Safety Administration, which published proposed rule today, said an average of 292 people die each year from back-over accidents, which primarily kill children and the elderly. To equip a new-vehicle fleet of 16.6 million produced in a year would cost from $1.9 billion to $2.7 billion, the agency said in the proposal, calling the cost "substantial" and saying it might reduce back-over deaths and injuries by almost half.*"(U.S. Regulators Propose Requiring Backup Cameras in All New Cars by 2014, Bloomberg News, Angela Greiling Keane, 12/3/2010)*

"Rarely do we find men who willingly engage in hard, solid thinking. There is almost a universal quest for easy answers and half baked solutions. Nothing pains some people more than having to think."*(Martin Luther King Jr., 1929-1968)*

DILBERT BY SCOTT ADAMS



Core Asset Allocations
December 31, 2010

AGGREGATE INDEX	VERY CONSERVATIVE	CONSERVATIVE	MODERATE	AGGRESSIVE	VERY AGGRESSIVE
Equity	20%	40%	60%	80%	100%
Fixed Income	80%	60%	40%	20%	0%
YTD Return	6.48%	9.13%	11.83%	14.46%	17.09%
One-Year Total Return	6.48%	9.139%	11.83%	14.46%	17.09%
Three-Year Return	3.28%	2.03%	0.77%	-0.48%	-1.74%
Five-Year Return	4.57%	4.16%	3.76%	3.35%	2.94%
Ten-Year Return	4.18%	3.75%	3.31%	2.88%	2.45%
Worst One-Year Return	-6.57%	-15.50%	-25.57%	-33.79%	-43.17%
Worst Three-Year Return	-1.93%	-1.89%	-6.71%	-11.51%	-16.28%
Best One-Year Return	17.37%	25.99%	36.08%	46.16%	56.24%
Best Three-Year Return	12.27%	16.59%	21.27%	25.97%	30.68%

Risk and return are inextricably intertwined.
Do not expect high returns without high risk and safety without low returns.

THE PURPOSE OF THE CORE ASSET ALLOCATION

Our Core Asset Allocations are hypothetical model allocations which reflect a logical, passive, strategic asset allocation for long-term investors who are subjected to varying degrees of risk. They are based on our evaluation of the historical long-term risk and return relationships of the asset classes, and what we consider to be realistic and reasonable expectations going forward. It is the starting point for our strategic active asset allocation process. The Core Allocation will serve as a benchmark against which to measure our value added.

The Core Allocation is the asset allocation that we will implement when our conviction level about any specific asset class is not high enough to justify changing the asset allocation mix. It gives us a sensible long-term allocation, based on sound research. It gives us a constant frame-of-reference against which to measure the risk and return relationship between actual client accounts and their respective benchmark represented by the Core Allocation.

All performance results of the Core Allocations are based on actual index funds which have been model/back-tested for the relevant asset allocation. The Core Allocation construction and the subsequent results were achieved with the benefit of hindsight and in no way does it reflect an actual portfolio result. The Core Allocations performance does not reflect management fees or transaction cost associated with the management of actual portfolios. There are limitations inherent in model allocation. In particular, model performance may not reflect the impact that economic and market factors may have had on the advisor's decision making process if the advisor were actually managing client money. This report should not be construed as advice meeting the particular needs of any investor. Investors are advised that past performance is no guarantee of future results. Historical data provided by Morningstar and made available upon request.