LYKE Financial Inc.

Investing Insight

LYKE FINANCIAL, INC.

Why You Should Keep Investing in 2012
(And Even Up Your Ante)

Any investor should be willing to admit 2011 was a pretty crazy year for the markets.

They were churned through the year by a weather and nuclear disaster in Japan, a deadlock over finances in Congress that led to a downgrade of U.S. debt, and a major crisis in Europe that threatened to blow apart the European Union and end the Euro as a currency.

The third quarter saw world markets swoon to bear market levels, only to recover swiftly in October, which turned out to be the best month for investors in 20 years.

Withdrawals from mutual funds indicated that many investors fled the market altogether during the year after being pounded with headlines predicting economic disaster and even another Great Depression.

It's never different

Even though the Chicken Little's will tell you it's different this time, a look back at market history suggests it never is different. Consider some history:

Over the last 61 years, the Standard & Poor's 500 Stock Index has increased by 11% compounded annually. Those gains came despite 10 bear markets and 10 recessions.

Think the 2008 financial and auto bailouts were unprecedented? You are forgetting the $293 billion bailout of the savings and loan industry in 1989, the $10 billion bailout of New York City in 1975, the first bailout of Chrysler in 1980, the bailout of Lockheed in 1971, and numerous others.

Unemployment topped 8% in 7 calendar years, 9% (not counting 2011) in five calendar years, and 10% in three calendar years.

European debt crisis got you down? How about the Latin American debt crisis of the 1980s, the Japanese asset bubble burst in the 1990s, the Asian debt crisis in 1997, and the Russian debt crisis of 1989?

Over this period one president was assassinated and unsuccessful attempts were made on three others. We had terrorist attacks in New York, Washington D.C., and Oklahoma City.

Wars and conflict

The United States fought in five wars and numerous military engagements. It faced the Cold War and the Cuban Missile Crisis.

Society was entangled by the Civil Rights, Black Power, Equal Rights, Gay Rights and the Environmental movements.

All of these events and trends rolled the markets. At the end of the day, $1 invested in big U.S. stocks in 1950 is worth about $600 today. Think times are tough today? Yes, they are, but they've been tough—or even tougher—in recent history.

What's your job?

Your job as an investor is to control your emotions, don't do anything rash, remain diversified, and stay the course. That's how you reap a decent long-term return.

Yes, it is true that many investors have made next to nothing for five years running—mainly due to the 2008 bear market. But that trend is unlikely to continue. Long periods of high volatility and underperformance by the stock market have always been followed by extended periods of outperformance and lower volatility.

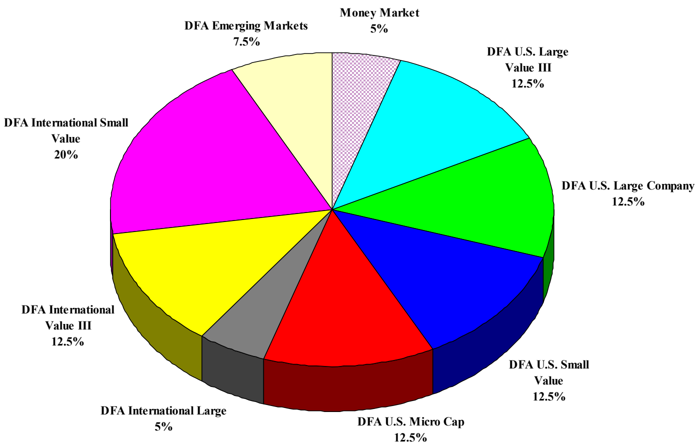
Will this time be different? Perhaps—anything is possible. But a look back at history suggests that the odds are on the side of long-term investors who vow to weather the short-term storms.

Inside this issue:

Portfolio Returns:
January 1, 2012—March 31, 2012*

AGGRESSIVE GROWTH

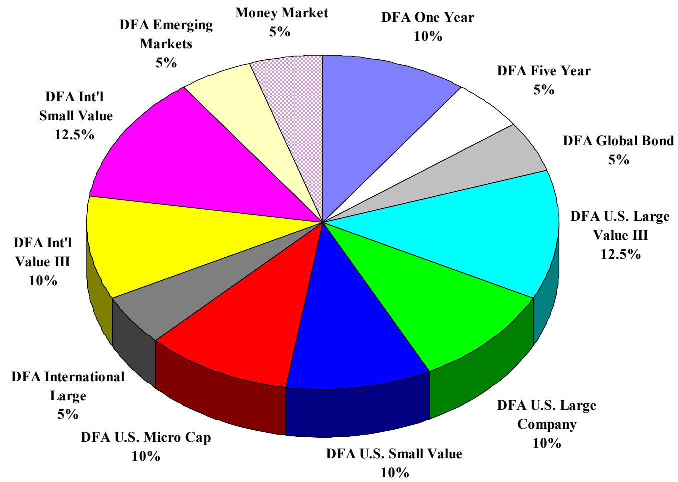
95% Equities/5% Fixed



Rate of Return 12.42%

LONG TERM GROWTH

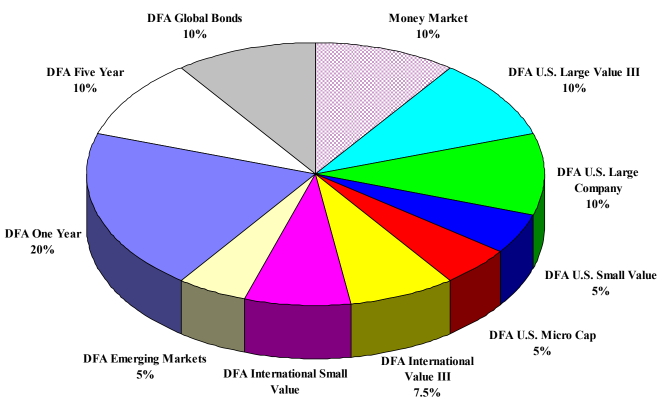
75% Equities/25% Fixed



Rate of Return 9.37%

BALANCED GROWTH

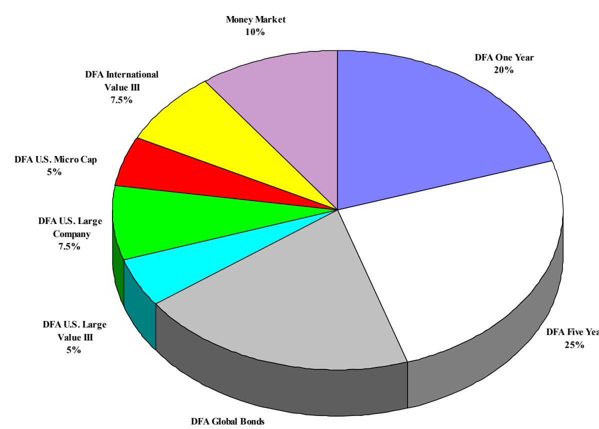
50% Equities/50% Fixed



Rate of Return 6.19%

INCOME & GROWTH

25% Equities/75% Fixed



Rate of Return 2.75%

**Individual returns may vary slightly based upon assets, size and fees charged.*

Where's the Party?

By Weston Wellington

The surge in stock prices around the world in the first quarter serves as a reminder that predicting market trends can be a frustrating business. Six months ago, the outlook for stock prices appeared to be fading from grim to grimmer: Congressional leaders were wrangling unsuccessfully to craft a deficit reduction plan, Standard & Poor's had removed its AAA rating on US Treasury obligations, and Greece appeared one step away from defaulting on its debt. Yet just when many investors least expected it, stocks staged a powerful rally: From the low for the year on October 3, the S&P 500 Index rebounded 28.1% through March 30 while the Russell 2000 Index jumped 36.2%. As the news excerpts below suggest, it is worth recalling the Wall Street adage that "bull markets climb a wall of worry."

August 5, 2011-S&P downgrades US Treasury debt to AA+ from AAA; stocks plunge in the biggest selloff since 2008.

September 3, 2011-Journalist: "The US economy slammed into a wall in August, failing to add new jobs for the first time in nearly a year."

September 5, 2011-Gold reaches a record high of $1,895 per oz. (London Fix).

September 19, 2011-Wall Street chief equity strategist: "I don't think we've seen the lows for the year by any stretch. Things have to get much worse before they get better."

September 23, 2011-Journalist: "The world economy once again stands on a precipice."

September 26, 2011-Investor: "I don't see anything changing in the next two or three years."

October 1, 2011-Economist cover story: "Unless politicians act more boldly, the world economy will keep heading towards a black hole."

October 3, 2011-US stock prices slump to their lows of the year: 1099.23 for the S&P 500 and 609.49 for the Russell 2000 Index.

October 13, 2011-Census Bureau reports the weakest income growth over a ten-year period since records began in 1967.

October 20, 2011-Col. Muammar el-Qaddafi killed by Libyan rebel forces.

November 20, 2011-Consumer goods CEO: "Consumers everywhere continue to be cautious and hesitant to spend."

November 21, 2011-US Congressional "supercommittee" fails to reach deficit reduction agreement.

November 24, 2011-Market strategist: "Earnings growth is very quickly decelerating."

November 28, 2011-Moody's Investors Service warns that multiple countries could default on their debt.

November 29, 2011-AMR Corp., parent of American Airlines, files for bankruptcy.

December 10, 2011-Detroit's mayor predicts the city will run out of cash by April 2012.

January 6, 2012-Gasoline prices are at the highest point ever for a new year.

January 18, 2012-World Bank: "Developed and developing-country growth rates could fall by as much or more than in 2008-09."

January 18, 2012-Eastman Kodak files for bankruptcy.

January 25, 2012-Report from Davos World Economic Forum: "Global elite fears renewed downturn."

February 13, 2012-Journalist: "There is still plenty that could go wrong in Europe, while U.S. economic growth remains slow and corporate earnings are looking less and less robust."

February 27, 2012-Money manager: "This is a business-as-usual overpriced market and you'll get a zero return for seven years."

March 2, 2012-Eurostat reports that Eurozone unemployment in January reached 10.7%, the highest in fifteen years.

March 12, 2012-Strategist: "The stock market has effectively doubled since the March '09 low, and we're still in redemption territory for equity funds."

March 19, 2012-Journalist: "Expectations for earnings have been steadily scaled back this year, as the mood among companies has worsened."

Meeting Expectations

All DFA portfolios are designed to deliver "market rates of return." DFA is not trying to "beat" the market by employing crystal ball type strategies, only working to achieve market returns, historically outpacing 90% of the active managers who attempt to beat the market.

To evaluate your portfolio, it is helpful to look at the various DFA funds and **compare them** to the specific markets in which they are invested:

	03/31/12 Return*
DFA U.S. Large Co.	**12.54%**
S&P 500 Index	12.59%
DFA U.S. Large Value	**13.09%**
S&P 500 Value	12.97%
DFA U.S. Micro Cap	**12.25%**
Russell 2000	12.44%
DFA U.S. Small Value	**13.39%**
Russell 2000 Value	11.59%
DFA Emerging Markets	**13.63%**
MSCI Emerging Market Idx	13.65%
DFA Int'l Large Company	**10.99%**
MSCI EAFE Large Co Idx	9.98%
DFA Int'l Large Value	**11.42%**
MSCI EAFE Value	9.72%
DFA Int'l Small Value	**16.72%**
MSCI EAFE Sm Cap Index	14.17%
DFA One Yr. Gov't Bond	**0.38%**
BarCap 1-3 Yr. Gov't	-0.02%
DFA Short-Term Gov't Bond	**0.35%**
BarCap 1-5 Yr. Gov't	-0.11%
DFA 5 Yr. Global Bond	**1.47%**
Citi World Bond Index	-0.51%

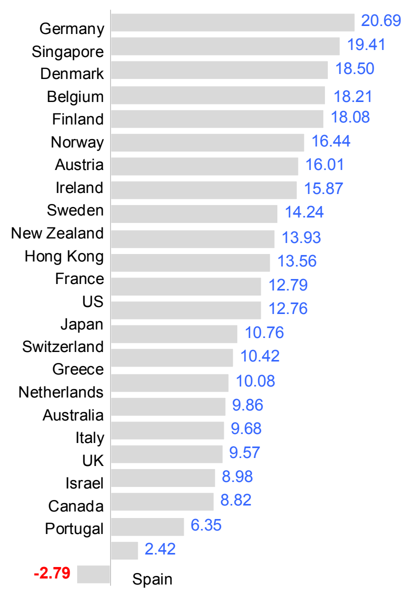
**Morningstar 3/31/12*

Select Country Performance

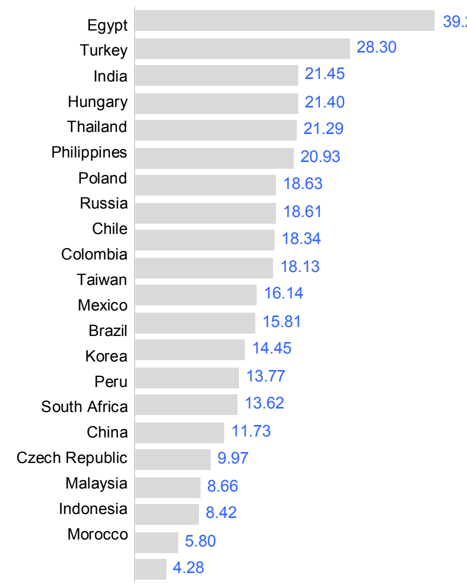
First Quarter 2012 Index Returns

Individual country market performance varied considerably in both developed and emerging markets. The difference between the best-performing developed market, Germany, and the worst-performing market, Spain, was 23.48% (20.69% vs. -2.79%). In emerging markets, the difference between the best performer (Egypt) and worst performer (Morocco) was almost 35% (39.23% vs. 4.28%).

Developed Markets (% returns)



Emerging Markets (% returns)



Country performance based on respective indices in the MSCI All Country World IMI Index (for developed markets) and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data

Still Avoiding Stocks

The first-quarter rally certainly didn't make investors giddy about buying U.S.-stock funds. These funds continued to see more investor cash flow out than in, though the pace of net outflow slowed significantly from the second half of 2011.

So far in 2012, through March 28, U.S.-stock funds saw about $14.9 billion in net redemptions, according to the most recent estimate by the Investment Company Institute trade group. Foreign-stock funds took in about $5 billion.

Meanwhile, investors continued to show a strong preference for bond funds, with an estimated $93.7 billion going into taxable and tax-exempt bond funds, according to the ICI.

Now that equity returns are showing substantial gains, it's likely that you will see the tide turn again with investors pulling out of bonds and chase the high returns of equities. Discipline is the critical component, so you continue to buy low and sell high.

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