SLAVIC MUTUAL FUNDS
MANAGEMENT CORPORATION

The Investment Committee of the Slavic Mutual Funds Management Corporation met on January 3rd, 2012. Present at the meeting were the following committee members:

John Slavic
Alan Moore
Jim Schoenmaker

The chairman called the meeting to order for the purpose of:

- Discussing the Economic Outlook for 2012
- Reviewing the allocations of the Aggressive, Moderate and Conservative managed portfolios

At the beginning of 2011, many on Wall Street presented their optimistic forecasts; Goldman Sachs and others predicted the S&P Index would be 1450 by year end and it came in at 1250, actually down 1% from 2010. Most models are based on current data melded with historical averages; actual events occurring usually cause the models to miss by a wide margin; math doesn't encompass event predicting well, which is its flaw in our opinion. Therefore, the committee is focused on risk management through asset allocation that targets qualitative decision with significantly less weighting toward quantitative analysis: fund information is readily available through service companies like Morningstar and FI360, and do influence the committee's fund selections after the asset class allocations have been determined. However, ranking the risk of the events that could occur next year is much more important than observing that the DOW is at 13 times earnings today and the historical average is 15, and then extrapolating that data to predict the Index will rise next year gravitating back to the mean. The flip side of a "probable rise" is the risk that it won't. In its deliberations, the committee considered the following negative and positive events that could impact portfolios in 2012 and set the managed portfolios accordingly.

Negatives in order of importance:

1. A banking crisis in Europe created by a Greek default or collapse of the Union.
2. Recessions in Europe and China which could cause a recession or slowdown in the US economy.
3. Congress and the administration fail to address deficit and debt issues and US credibility suffers.
4. Military action against Iran which would destabilize the oil market (or Saudi Arabia has trouble).
5. A trade war with China.

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Positives:

1. Consumers are continuing to spend and support the economy.
2. France and Germany have at least agreed that they cannot afford to have the Euro fail.
3. Employment is improving, although very slowly.
4. The stock market has proven resilient through the deficit crisis in August and the Europe crisis.
5. The US banks have improved their capital ratios and could withstand a European bank crash; or at least the Fed would come to their rescue with more quantitative easing.

The bottom line for 2012 is that the negatives tend to outweigh the positives from a valuation point of view. If the DOW is only 13% undervalued today(PE 13 Versus PE 15) and the risk is that the it falls to the bottom of the 2011 trading range, which was 10,500, that is a possible decline of 20% which is larger than the potential return. Qualitatively and quantitatively, the portfolios should continue to be conservatively allocated within the published bands.

The committee agreed to the following fund allocations:

AGGRESSIVE		2012 Allocation	Net Expense
Vanguard Total Stock Market Index (VTSSX) 1.91% Yield		40%	0.03%
American Funds Euro Pacific (RERGX) 1.92% Yield		5%	0.03%
MFS Utilities (MMUJX) 3.4% Yield		20%	0.13%
Vanguard REIT (VGRSX) 3.42% Yield		5%	0.01%
Vanguard Energy (VGENX)		5%	0.02%
Vanguard Inflation Protected Securities (VIPSX) 3.68% Yield		5%	0.02%
Vanguard Short Term Federal (VSGDX) 1.15% Yield		20%	0.02%
Vanguard Prime Money Market		0%	0.00%
	Stocks	**75%**	
	Bonds	**25%**	
	Total	**100%**	0.25%

MODERATE		2012 Allocation	Net Expense
Vanguard Total Stock Market Index (VTSSX) 1.91% Yield		20%	0.01%
American Funds Euro Pacific (RERGX) 1.92% Yield		10%	0.05%
MFS Utilities (MMUJX) 3.4% Yield		15%	0.10%
Vanguard REIT (VGRSX) 3.42% Yield		5%	0.01%
Vanguard Energy (VGENX)		5%	0.02%
Vanguard Inflation Protected Securities (VIPSX) 3.68% Yield		5%	0.02%
Vanguard Short Term Federal (VSGDX) 1.15% Yield		20%	0.02%
Vanguard Prime Money Market		20%	0.05%
	Stocks	**55%**	
	Bonds	**45%**	
	Total	**100%**	0.27%

CONSERVATIVE		2012 Allocation	Net Expense
Vanguard Total Stock Market Index (VTSSX) 1.91% Yield		7%	0.00%
American Funds Euro Pacific (RERGX) 1.92% Yield		5%	0.03%
MFS Utilities (MMUJX) 3.4% Yield		15%	0.10%
Vanguard REIT (VGRSX) 3.42% Yield		5%	0.01%
Vanguard Energy (VGENX)		3%	0.01%
Vanguard Inflation Protected Securities (VIPSX) 3.68% Yield		10%	0.03%
Vanguard Short Term Federal (VSGDX) 1.15% Yield		35%	0.04%
Vanguard Prime Money Market		20%	0.05%
	Stocks	**30%**	
	Bonds	**70%**	
	Total	**100%**	0.26%

The committee recognized the fluid nature of the markets and the economy in general. Given the political and economic risks now visible for 2012, the beta, or risk exposure, of the portfolios were reduced from 2011 levels. Dividends from equity, bond and utility allocations were considered as an important element in the total return anticipated for 2012.

With no other business to consider, the meeting was adjourned.

Chairman

1|3|2012
Date