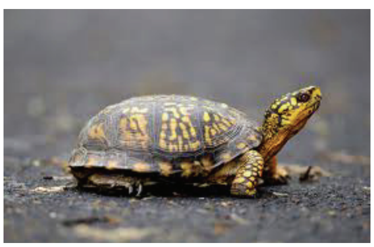
ASCEND
Investment Management, Inc.
Ascend to your financial potential

QUARTERLY INVESTMENT REPORT
June 30, 2012

Dear Investor:

The 2nd quarter may have ended with a bang (recovering from heavier losses to close the quarter down 2.75% for the S&P 500), but the economic challenges of slowing global growth and countries swimming in debt haven't vanished. History is replete with similar economic challenges. For example, according to a June 2012 International Monetary Fund study, since 1970 there have been 147 bank crises, 218 currency crises, and 66 sovereign debt crises. Though our global community may never learn how to fully avoid financial crises, the past shows that we not only survive them, but our financial systems are often strengthened as a result. Despite all the uncertainty, the S&P 500 is up 9.5% for the year.



With much of Europe in recession and at loggerheads over whether to give up on their union or take steps towards a sustainable economic alliance, it's no wonder companies, consumers, and investors around the world have all been a bit shell-shocked.

The only bright spot in our economic data has been housing. Employment indicators continue to show weakness, manufacturing is mixed, and consumer confidence fell to its lowest point this year. We wouldn't be surprised to see GDP growth fall under 2% in the 2nd half of the year.

Last week was the most important week of the quarter for investors. The market was surprised because it was expecting the Health Reform Bill's individual mandate to be struck down by the Supreme Court. The market reaction was positive for hospital and Medicaid HMO stocks since these two groups will have an influx of more paying customers. Traditional HMOs sold off since the law imposes fees starting in 2014 and restricts how much insurers can vary premium prices. But the end of the uncertainty surrounding the legal challenge is a positive for the health care industry.

The Health Care surprise was overcome by a much larger surprise from the European Union Summit. The EU agreed to provide funds directly to banks and share the risks rather than adding to sovereign debt, with the proviso that steps are taken to create a real banking union via a common bank supervisor. They also made sure that the capital injected into Spanish banks would not relegate existing creditors to a subordinated position. That action caused a huge sigh of relief bringing Spain's bond yields lower.

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Europe is far from resolving its debt problems. The path towards a fiscal, banking, and political union will be anything but snappy. But last Thursday's news was a big step in the right direction.

Now that the Supreme Court decision and EU Summit are behind us, investors can get back to focusing on the economy, on jobs and corporate earnings.

Stocks in general are neither too expensive nor too cheap and will continue to look for direction from policy expectations that affect corporate earnings. We don't expect the fiscal-cliff related issues to get resolved in the lame duck session.

But we are optimistic that Congress will pass a major deficit package next year that will tackle the fiscal-cliff issues, which include the expiration of the 2001/2003 Bush tax cuts and the sequester (automatic spending cuts) scheduled to take effect on 1/1/13.

The market will look for some resolution to this potential double whammy of an already slowing economy further constrained by consumers with higher taxes and government spending less.

Perception Versus Reality

Lately, from anecdotal conversations, we have noticed a surprising disconnect between how investors (not Ascend clients!) think about stock market investment returns and how the stock market actually performs. The problem, we think, is in part due to the dramatic fall in home prices and media commentator pronouncements that individuals have lost about 30% - 40% of their net worth in the last few years. It is easy to imagine how individuals who don't follow the numbers closely could assume they are poorer due to the stock market as much as to the housing market. These misunderstandings have been keeping investors on the sidelines.

We hope the charts on the next page help set the record straight and remind investors that good quality stocks do reward patient investors. We could have shown returns 20 or 30 years or more (which supports the "invest in stocks for the long term" argument even more) but we want to focus your attention on the recent financial crisis time frame.

We have always touted the benefits of staying invested through the tough times because attempts to time the market are usually a losing battle. If you get out when stocks are down, it's too darn easy to miss the handful of strong bullish days that bring investment gains back to portfolios.

Of course, we always make sure a portfolio is never 100% invested in stocks in order to minimize the full devastating affect of down market cycles.

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TOTAL RETURNS OF 3 CATEGORIES OF STOCK INDICES

Average Annual & Cumulative Returns

Thru 5/30/12 (except for Year To Date)	S&P 500 Large Cap Stocks	Russell 2000 Small Cap Stocks	MSCI EAFE International Stocks (Developed Markets)
Year to Date (through 6/30/12)	9.5%	6.0%	3.0%
1 year	-0.4%	-8.9%	-20.1%
3 years (average annual return)	14.9%	16.5%	3.4%
3 years	52.5%	58.9%	2.5%
5 years (average annual return)	-0.9%	-0.7%	-6.9%
5 years	-4.5%	-3.6%	-30.0%
10 years (average annual return)	4.1%	5.9%	4.5%
10 years	50.0%	78.1%	55.0%

Notice the fact that large cap domestic stocks (the majority stock category held in portfolios) are down 4.5% over the last 5 years (the brunt of the financial crisis), and investment wealth has <u>not</u> been destroyed by a third or more.

Calendar Returns

`	S&P 500 Large Cap Stocks	Russell 2000 Small Cap Stocks	MSCI EAFE International Stocks (Developed Markets)
2008	-37.0%	-33.8%	-42.6%
2009	26.5%	27.2%	38.5%
2010	15.1%	26.9%	14.6%
2011	2.1%	-4.2%	-14.6%

Notice the fact that if you sold your large cap domestic stocks (the majority stock category held in portfolios) at the end of 2008 in frustration and kept it in cash, your investment wealth is down more than a third (e.g., a $100,000 portfolio at the beginning of 2008 falls to $63,000 at the end of 2008; you sell out and remain in cash; its value today is still $63,000 and more than a third of wealth was destroyed that could have been recovered <u>had it remained invested</u>).

Have a happy July 4th holiday!

Sincerely,

Ellen P. Le

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President

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ESTATE MANAGEMENT
TIP

As an independent investment advisor and financial planner, our role often goes beyond managing investment portfolios.

Examples are helping clients with personal budgeting, establishing a comfortable spending/consumption rate in retirement, determining the best time to take social security benefits, analyzing whether long-term care insurance is appropriate, deciding if a mortgage refinancing makes sense, and understanding the financial trade-offs when making a business or real-estate investment.

Another example is estate management. In the past year we have had two occasions where unfortunately a spouse has died. Naturally it is a sad and stressful time for the surviving spouse.

In our role of alleviating much of the survivor's burden we:

- communicate with attorney to get estate filings completed
- work with accountant and reserve for taxes
- re-title assets
- update account beneficiaries
- update budget and cash flow plan
- update portfolio asset allocations if appropriate

Whether you are single, married, divorced, or widowed, here is a simple checklist you can use to prepare before death. Addressing these issues will ensure that wishes are carried out and make things easier for loved ones:

- Have an updated Will, Durable Power of Attorney, and Health Care Directive.
- Have Trusts drawn up if necessary.
- Write out a "Letter of Instruction" for who should receive personal items not specifically bequeathed in your estate documents.
- Write out specific funeral and memorial wishes.
- Review your beneficiary designations. Remember that if there are discrepancies between your retirement accounts and your Will, that your retirement account designations supersede your Will.
- Have an updated list of all your assets and liabilities.
- Have a list of contact information for key people (Executor, Financial Advisor, Attorney, Accountant, Realtor, Insurance agent, etc.).
- Give copies of documents and lists to loved ones or at least tell them where all the information is.