

Happy New Year from Kiely Wealth Advisory Group!

As we turn the calendar on 2011, we look back on a year of increased volatility borne largely of unexpected psychological blows - like the debt ceiling debacle and subsequent S&P downgrade of the nation's debt. However, we also were witness to some surprisingly positive results, with U.S. companies generating record profits and continuing to outpace even the most optimistic sales and earnings forecasts. It was also a strange year in the markets, with the U.S. economy growing, unemployment falling, record low interest rates, subdued inflation, and domestic corporations expanding—yet it was primarily the news out of Europe that drove domestic stock prices.

Even stranger, in a year where the U.S. lost its prized triple A credit rating - an event which would have ordinarily spooked buyers away from U.S. bonds - investors instead piled into Treasuries at a record pace, making them one of the best investments of 2011. It was also a year where many felt corporate America would run out of ways to grow, and thus profits would suffer. Instead, domestic corporations experienced one of their most profitable years ever, even as individual investors continued to pull money out of stocks. In contrast, corporate insiders - who know more about their respective companies than anyone else on the planet - were big “net” buyers of stocks in 2011.

The Numbers

For the year, large cap stocks essentially finished the year where they began, with the S&P 500 index opening the year at 1257.64 and ending it at 1257.60, just 0.04 points lower from where it started. Small cap stocks – which had outpaced large cap stocks in eight of the last ten years - were down on the year. For the year, the Russell 2000 stock index fell 5.42%. Fortunately, not all of the news was negative for small caps. Buoyed by record earnings, they hit

all-time highs in the first half of 2011 before eventually succumbing to rampant European debt fears and suffering a 20%+ pull back. In the fourth quarter, however, underlying corporate earnings again rose to the forefront, and small caps finished the year on a nice 15% run-up.

As long term investors, we remain strongly optimistic about domestic stocks. As long as corporate America continues to grow, we will remain patient and be “net” buyers of stocks. In fact, our primary concern as advisors is not with stocks, but with bonds. Interest rates did not rise in 2011, as most (including us) felt they would, but this merely postponed the inevitable. As a result, we continue pursuing a number of unique strategies in order to provide safe, secure income streams for our fixed income investors. As we’ve warned previously, traditional fixed income investing strategies will become counterproductive as interest rates rise, and our primary concern on the fixed income side is with wealth preservation. This is a theme that will continue into 2012 and beyond.

We will provide a full recap of 2011 and our outlook for 2012 (and beyond) in our upcoming newsletter, which will be mailed out on or around January 19th, 2012.

Advisor Agreements & Client Profiles

Most of you have probably noticed that we recently sent out an information packet containing a new Advisor Agreement and Client Profile. With the ever-changing and increasingly complex regulatory environment (think Dodd-Frank) in the financial services industry, we have always believed that the best approach is to retain the top compliance consulting firm to perform a bi-annual audit of our firm. This is especially important for smaller firms like ours. Since many of the new regulations are aimed at the larger Wall Street firms, it can result in unintended consequences for smaller firms. Even though we don’t

engage in the vast majority of the activities the new regulations are aimed at, we still must stay updated on them and ahead of the curve at all times.

The good news, the compliance consultant felt we were way ahead of the curve in terms of our compliance practices. However, they recommended updating the client profile and advisor agreement - even for clients where nothing has changed. So please take a few minutes to fill out the client profile and advisor agreement and send it back in. We understand this is an inconvenience and we apologize, but it's an artifact of the increasingly regulated environment we operate in. While we're ardent supporters of strong and effective regulations designed to protect individual investors, there is little question that the current rules and regulations have become far more complex and convoluted than they need to be in order to accomplish their expressed purpose. The end result is the new client profile and advisor agreement you should have recently received. Again, we apologize for the inconvenience. If it helps, we're no happier about it than you are, as Katie and her operations team are already required to generate reams of additional, and largely inconsequential, paperwork every year.

For those of you who wonder about such things...

1. It does NOT change our fee structure, which we have had in place for 20+ years.
2. It does NOT change the way we manage individual client portfolios.
3. It does NOT change the way we choose managers or implement our strategies.
4. It does NOT change any core component of our firms operations.
5. It DOES update our compliance procedures with current laws and regulations.

Our Dinners

As you know, we hold a series of client dinners and luncheons across the state in late January. This is always our favorite time of year, as we get to thank everyone for your continued confidence in our services. As usual, at the dinners, we will deliver a brief “state of the union” address that examines the previous year’s key events, and then we’ll look ahead to the opportunities and challenges we see in 2012 and beyond. If you have any questions or topics you would like us to address at the dinners, please e-mail or call them in so we can make sure to get them on the agenda. In the meantime, please don’t forget to RSVP for any (or all) of the dinners below. Please mark your calendar and make your reservations as soon as possible by calling our main office in Greenville, NC (877-366-5623) or email Angelique at asmith@thekielygroup.com :

SUNSET BEACH, NC MONDAY, JANUARY 23RD; SEA TRAILS CONVENTION CENTER 6-8:30PM

GREENVILLE, NC TUESDAY, JANUARY 24TH; BROOK VALLEY COUNTRY CLUB 6-8:00PM

ASHEVILLE, NC WEDNESDAY, JANUARY 25TH; ASHEVILLE COUNTRY CLUB 6-8:00PM

Thank You

As usual, if you have any questions or concerns regarding our updates, your portfolio or any of our investment strategies, please feel free to contact us immediately. We always look forward to hearing from you and thank you for your continued confidence in our firm. The recent referrals are much appreciated. As you know, we remain 100% committed towards your financial well-being at all times. If you need anything or your goals or time horizons have changed, please do not hesitate to call or drop an e-mail to set up an appointment. We are here to serve your financial needs, whatever they may

be. Again, we thank you for your continued confidence in our firm and look forward to working together in 2012!

HAPPY NEW YEAR!

- ***Joe and The Gang at KWAG***

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