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Happy New Year!!!

Please let me use alternative energy as an example of the hyper-volatility that plagued our investment markets –and me – last year. 2011 was to be the year that our new president generated jobs and energy independence with the likes of solar power and rechargeable electric automobiles. Forward to January 2012 and we see a decimated landscape of solar and battery stocks. Such was my buy and sell of A123 and some other alt-energy issues. Another example is health care. With everyone covered under the new USA health care law, the hospital stocks would have lots of paying clients. Forward to now, and we see a questionable outlook for universal coverage. Such was my buy and then sell of Health Management and Community Health. All of the above mentioned issues are markedly lower than our sale prices. We did make some profits on the hospital stocks. As we dive into 2012 I think the natural gas economy is coming to fruition. Last year both Shell and GM embraced natural gas as a fuel to be used in trucks. Fiat (a.k.a. Chrysler) plans to introduce natgas vehicles in the USA by 2017. Five years will pass quickly. Meanwhile we continue to hold and accumulate issues like UGI and Fuel Systems Solutions. I continue to monitor the environmental issues surrounding the extraction of natural gas.

Last month my wife and I traveled to Indonesia (Bali) and Rome, Italy. Indonesia not only kept us safe from terrorist bombings, they also seem to be embracing democracy and improving their economic situation. The people were upbeat and kind. This was our second visit to Bali and prices seemed to be higher than just currency exchanges would imply. Perhaps commodity inflation has impacted their economy just as we have seen in the USA. Upon arriving in Rome we felt that the locals were somewhat withdrawn from us and not particularly upbeat with each other. As I understood the facts on the ground, Italy is very much a cash economy. The individual does not have a lot of debt. When people receive their pay or pension checks it is not uncommon for them to get cash at the bank and pay their rent or mortgage payment in cash. While we were there the new government was passing a law to limit cash payments to about 1,000 Euro. Presto, we will see a lot more tax income to pay Italy's large national debt. My guess is that bailouts will proliferate so the European Union can stay together – so Europe can continue creating trade barriers and continue making it difficult for the USA to export....

I have been doing research on a company called Boingo (what a name...). Their symbol is WIFI and the company has more than 400,000 hotspots worldwide for mobile wireless Internet access. Throughout our trip I saw their WIFI service being offered. You can subscribe to Boingo for \$7.95 per month for unlimited global WIFI broadband access for any 2 mobile devices like your iPhone, Android or Blackberry. Boingo has more hotspots overseas at places like hotels, airports, and train stations. As USA cellular companies continue price hikes on Internet access, I think we will see more USA interest in local WIFI hotspots. Companies like Krispy Kreme partner with Boingo to offer customers WIFI access and share in the revenues. We are accumulating shares for accounts that can accept some additional risk.

You may be interested in reading the November 2011 Vanity Fair article about USA state and local finances:

<http://www.vanityfair.com/business/features/2011/11/michael-lewis-201111.print>

Many underwriters and managers of municipal bonds have spent much time during 2011 seeking to discredit those, like Meredith Whitney, who raise concerns like"U.S. state and local governments faced a collective annual deficit of roughly half a trillion dollars, adding that another trillion-dollar gap existed between what the governments owed retired workers and the money they had on hand to pay them....even these numbers were unreliable, and probably optimistic, as the states did a poor job of providing information about their finances to the public...." I know our clients could use tax-free municipal income. As municipal issuers improve financial disclosures we will add positions in municipal bonds.

Thanks for your business and referrals. I remain available for your questions and humorous stories.

A handwritten signature in blue ink, appearing to be "Kornfield", is written over the bottom right portion of the text.