CABOT MONEY MANAGEMENT, INC.

QUARTERLY REVIEW

FOURTH QUARTER 2011

IN THIS ISSUE

Cabot Money Management, Inc.
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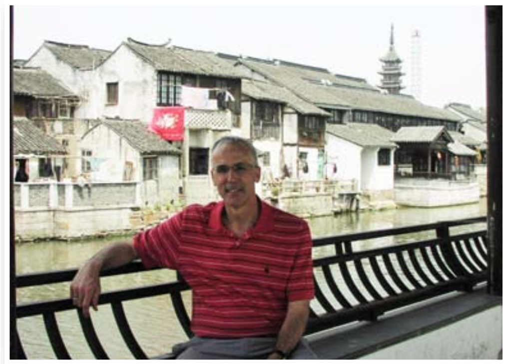
Dear Friends:



Rob Lutts traveled to China to research investment opportunities in this emerging market.

As we write this there is much concern and worry about economies and markets around the globe. During periods like the current one we often observe a shift in investor preference to ultra-safe investments. Today investors globally are seeking safe harbor investments; this means U.S. Treasuries and blue chip stocks like the Dow Jones Industrials Average type companies. Today investors prefer the safety of a company like McDonald's or high-yielding utilities over the growth prospects of small, fast-growing companies. We believe this preference will not be permanent and investors will once again pay for growth and seek new investment ideas. There are many opportunities to build wealth and create value. Today, we believe the following offer unusual opportunity: emerging markets, well-positioned technology companies, health care companies positioned for growth, productivity-oriented companies helping to make our world a more efficient place to work and do business, and, finally, in the alternative space we favor precious metals, with gold being our top choice.

As we observe central banks like the U.S. Fed and the ECB dealing with the massive debt overload in the developed economies, one thing becomes very clear to investors: Governments globally (and central banks) will be required very soon to devise plans to inject new capital into the banking system and shore up the finances of the weak economies. As this is done, there is one thing we can most clearly predict: governments will have even larger debt balances to deal with. Thus the ultimate solution will come soon and it is quite simply by running the money printing presses (actually digitally created money). No government leader alive today will ever admit to this dastardly deed, however this is precisely what the U.S. Federal Reserve has been doing for close to four years. They have created out of thin air about three trillion new dollars in the US economy. This has helped our economy stabilize and now gives it a chance to recover. We fully expect Europe will be forced to take a similar step and will end up running the printing presses as well. Some economists estimate that they will need about two trillion more USD to shore up both governments and banks. These acts of creating (printing) money have serious consequences that are now fully appreciated today. We believe these acts will create high levels of inflation in 2-3 years time. This is precisely why we feel gold and other precious metals are a necessity today to protect against the coming currency debasement. We believe the gold bull market has many years to run until it will be complete.

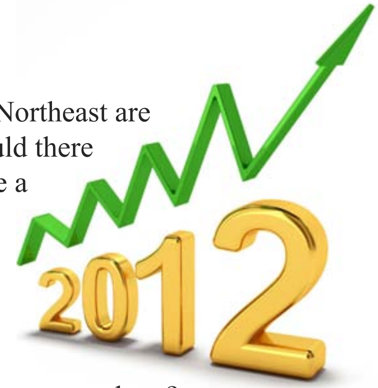
We are putting these themes and ideas to work in our investment strategies. We believe the world is changing quickly and we aim to help you and your family benefit from these changes. Thank you for the honor of being stewards of your wealth and your family's financial future.

Robert T. Lutts
President and Chief Investment Officer
Cabot Money Management, Inc.

Financial Planning

Greg Stevens, CFP®, CRPS®
Senior Financial Counselor

Start the New Year Off Right By Reviewing Your Financial Plan



Another year has passed us by and those of us here in the Northeast are preparing for a long stretch of cold weather and snow. Could there be any better time to reassess your financial plan? Here are a few items to think about as we head into a new year:

Is your investment allocation appropriate?

- How did your portfolio perform?
- Do you know what securities you own and why you own them?
- How did you determine your allocation?
- Is your investment allocation in line with your goals and tolerance for risk?
- Are you properly diversified?

When is the last time you reviewed your estate plan?

- Who have you listed as beneficiaries of your retirement accounts?
- How will your non-retirement assets be split at your death?

If you have a large estate or a complex family situation (second marriage, disabled children, etc.), talk to your advisor about the benefits of creating a Trust to hold your assets

Have you taken advantage of all tax savings opportunities?

- Have you "maxed out" your employer sponsored plan or IRA?
    - Contributions to these plans are made pre-tax (withheld from your gross pay, before taxes are withheld) and the growth of the assets are tax deferred. You can also make a contribution to your IRA or ROTH, if eligible, for the 2011 tax year through April 15, 2012.
    - Small business owners or sole proprietors should consider the benefits of their own retirement plan, designed to suit their specific needs. The contribution limits and tax benefits could exceed those of a traditional IRA, ROTH or retirement plan designed for larger firms.

There is a great deal of uncertainty over what changes will be made to the tax code starting in 2013. Be sure you talk with your financial advisor or tax professional prior to selling highly appreciated assets, so they can help you create a plan to minimize the tax impact.

A sound financial plan helps us all prepare for the future. Understanding the basic components and how they work together could also help you sleep a little easier at night, knowing that you're in control.

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Inflation The Key Investment Variable

An investment process begins with a plan that provides a logical methodology designed to achieve a certain investment objective. These objectives must be realistic and measureable. The strategy plays a vital role because markets are dynamic in nature and unpredictable. A strategy's role is to prevent a misalignment of risk that will eventually make the investors uncomfortable with the investment process and may lead to a failed plan. The secret is to align the investment strategies with the client's expectations. These expectations are usually assumed or perceived to be income or capital appreciation, the return. This is important but they can be much more complicated, dynamic and sometimes, apparently illogical. To insure that client's expectations are being met over time may require continuous dialog and education with the clients to make sure that the market opportunities within a strategy are still supporting current investment needs. This interactive process guides expectations towards achievable realistic goals.

Inflation is one of the key variables that can affect expectations and thus affect an investor's long-term goals. Inflation is the double-edged sword because it tends to erode returns and hinders an investor's ability to earn positive real returns. It's often referred to as the silent robber because most investors are not aware they are actually losing money in real or inflation adjusted terms. If you earn 5% on a corporate bond and the inflation rate is 3%, you have a real return of 2%. The real return is simply the difference between the investment return (+) and Inflation rate (-). An individual investing in a money market fund over the last two years has earned close to 0%, but when adjusting for inflation they have actually lost -4.4%*. Think of inflation as a negative wealth effect because it lowers your standard of living by reducing you current purchasing power. Losses don't appear on investment statements, but they do surface in the physical everyday world through higher prices and a deterioration of your wealth.

There is a very important interrelationship that impacts investor's expectations. Links exist between risk, volatility and expected returns. Additionally volatility caused by risk may require more time and concerns about inflation. If you are a younger investor you can take more risk because you have a longer time horizon. But inflation is likely to become a larger concern. With less risk and a shorter time horizon inflation becomes negligible. Keeping the investment fundamental and expectations in balance is the job of a good adviser and highlights the importance of staying invested and operating within a good investment plan.

*CPI calculation: CPI Index
Source: Bureau of Labor Statistics
Period: January 1st 2010 – October 2011
Price Change: +4.42% for the period or +2.4% annualized

Investment Strategies

Bill Larkin, Jr.
Portfolio Manager

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Investment Strategies

Timothy Moore, CFA®
Portfolio Manager

Around the World and Back Again
Takeaways from My Trip to China

Last month, I spent a week in China meeting CEOs and CFOs of 14 different companies across 9 distinct industries in Beijing and Shanghai. Attending these conferences fuels idea generation and thought-provoking updates on emerging themes across the world.

This was my first trip to China. It has been nearly 7 years since I was in Asia (Vietnam and Thailand). The progress in China over the past decade is truly remarkable and evident when walking the streets or driving through the cities.

Tim Moore poses with an executive from New Oriental Education while traveling in China.

While some Americans are worried and even complain about China "stealing jobs away from the US", it is helpful to realize that trade with China has improved the overall US economy and even the earnings power of many US stocks which have exposure to China and the rest of Asia.

China's GDP is impressively growing four times as fast as the GDP in the United States and Europe. While inflation in China was 6.3% over this summer, it has finally started cooling down to possibly 5% in early 2012. This is still double that of the US inflation due to wages up 15% per year the last few years in China and even food prices up 10-15% per year.

Tim Moore on the great wall of China.

A main driver of China's success has been urbanization as the younger population moves from rural areas and farms (farmers are 50% of China's population versus 70% a decade ago) into cities and suburbs for a better standard of living. Approximately 300 million people are expected to move into cities over the next 15-20 years, which is the size of the United States! Another driver is the rising Middle Class becoming a higher part of the population at 30% today, compared to only 10% in 1995. It could reach 45-50% by 2020 which would continue to fuel consumer spending and overall economic boom.

Personal savings rates in China are very high at 25-30%, compared to only 4% in the United States. China's government has less than half the debt level of the US (as % of GDP). China also owns 60% of the World's Foreign Currency Reserves (foreign deposits and bonds). This makes China the number 1 holder of US Treasuries, owning nearly 25%.

The most interesting theme from my visit was apparent by touring the impressive malls and luxury shopping which barely existed a decade ago. I noticed that prices in Shanghai and Beijing were 20-40% above what we would pay in the US for Nike sneakers, Coach handbags and Apple products. The stores were packed and this consumer spending is a true sign of the rising Middle Class and status progress!

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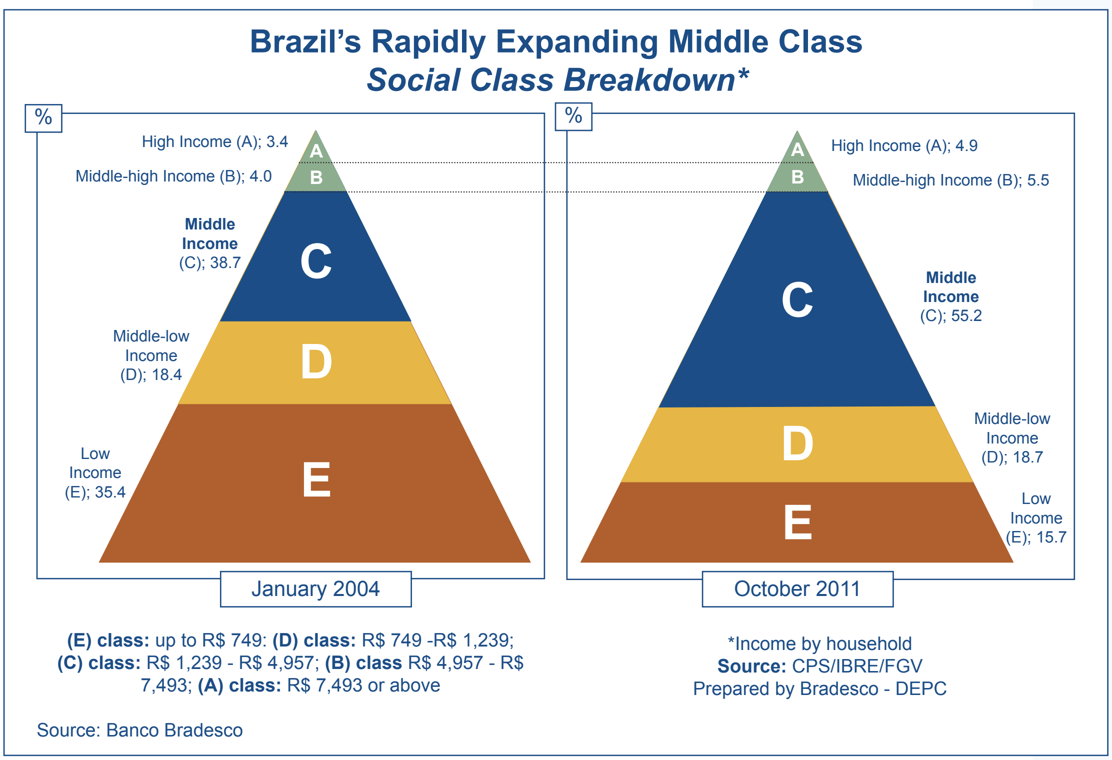
Brazil – A Bright Future

Dennis Wassung poses for a photo while traveling in Rio de Janeiro, Brazil.

At Cabot, we believe it is important to get out and travel to the key places where we invest, to do research to better understand the companies and industries in a number of markets, and this is even more important in the emerging markets. I recently traveled to Brazil -- both São Paulo and Rio de Janeiro – to attend a major Brazilian equity market conference, meet with a number of leading companies, and to learn about and experience the Brazilian economy and culture. First and foremost, my trip to Brazil was excellent, and I was able to get an on-the-ground perspective for Brazil, its economy, its people, and the long-term opportunity the country has ahead of itself.

Brazil is very uniquely positioned to succeed in the coming years. Brazil has immense natural resources (oil and gas, iron ore, sugar, food, etc.), that are increasingly important to the global economy (and to countries like China, specifically). The emerging market middle-class expansion theme is alive and well in Brazil, with a very upwardly mobile population - driving growth in domestic consumption, imports, and a range of industries. Roughly 25 million Brazilians have moved up into the middle class since 2002. While currently in a bit of a soft spot, with real GDP growth of about zero for Q3 2011, the sustainable growth outlook is solid -- with expectations of real GDP growth in the 3.5%-4.0%, with inflation running around 5.5%-6.0% (currently 7.3% and declining).



Overall, we believe Brazil continues to have a very bright – and profitable – future of strong growth and growing importance in the global economy. Brazil is in a very unique position among its emerging markets peers. Brazil's vast natural resources, coupled with a large, upwardly mobile population, and a government supportive of growth and a strong economy, could yield very attractive results for those who choose to invest here.

Investment Strategies

Dennis Wassung, Jr., CFA®
Portfolio Manager

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Observations from Beijing, Tianjin, Nantong and Shanghai China

Robert T. Lutts
President, Chief Investment Officer

- Met with senior management of 18 China based public companies including healthcare, technology, auto, education, energy and retail companies.
- Met with Mr. Li Young, Vice Chair Finance Minister - Peoples Republic of China
- Also had several meetings with prominent China economists and strategists

Summary of Findings:

1. China and Southeast Asia continue to be very attractive places to invest and find value-creating public companies. Primary reasons why China should continue to grow ...Chinese government has excellent financial strength and has ability to shape a strong economy. Impressive fact: 2011 government revenues will grow more than 29%. *They have tremendous flexibility and ability to shape a strong economy. This is in sharp contrast to the large debt problems of Europe and USA.*

2. China is a very big market. China has over 140 cities with more than 1 million population! We believe incomes could grow by more than 10-15 percent per year. This will drive large growth for consumption companies.

3. Sectors most attractively positioned for growth and ability to create value for shareholders: Ranked in order of attractiveness:

Healthcare:	15-20 percent annual growth with steady profits.
Technology:	Internet use and expansion will drive high growth here. China has 450 million net users today growing to 800 million in five years.
Education:	The key to China's long term success!
Energy:	Government is driving lots of new changes - LNG opportunity
Automobile:	Will grow single digits this year. Highly competitive.
Retail:	Good growth in top line...inflation a concern. Must be selective.
Banking:	Margin pressures – better opportunities in future.

4. Large contrast in factors supporting the facilitation of growth and shareholder value -creation when one compares USA and Europe with Asia and more specifically China.

   A. Government in China is very healthy financially. And they have great flexibility in their ability to support economic growth. Contrast this with weak financial condition of governments in USA and Europe. Interesting fact: China has a social security system when money is actually set aside in an account for the beneficiaries. Very different from USA system of ponzie program where there are no funds in the retirement plan.

   B. Corporations are financially quite healthy with strong profitability and excellent balance sheets. Asian companies generally avoid large debt balances and this gives them more flexibility to handle economic variability.

   C. Individuals have very healthy attitudes toward savings and debt. Average loan to value ratio on a mortgage is about 50 percent in China. In the USA many have mortgages larger than the value of their homes and average borrowing is 80 percent. Also, a Geely automobile executive told me that all purchase in his showrooms are now being done with all cash. So no borrowing at all to buy a car in China today. Savings rates are still very high in China where 30-40 percent of income is saved.

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The Season of Giving

"The generous donation from Cabot Money Management will be a tremendous help in our effort to assist people who are struggling during this challenging economic environment."

- Sue Gabriel
Executive Director
Beverly Bootstraps Community Services

Ron Brown and Lynette Gray gratefully accepted the donation made on behalf of Cabot clients.

This year we made charitable contributions on behalf of our clients to three non-profit organizations. 100% of the net proceeds from this year's holiday card benefits **The Home for Little Wanderers**, whose mission is to ensure the development and well-being of children and families living in at-risk circumstances. Another contribution was made to **St. Joseph's Food Pantry**, who serves 2,000 people – many of whom are children or single parents – who are in real need of food assistance. And the other contribution was made to **Beverly Bootstraps Community Services** whose mission is to provide critical resources to families and individuals so they may achieve self-sufficiency.

Beverly Bootstraps

The Home for Little Wanderers

St. Joseph's Food Pantry

On Behalf of the Cabot Team

Cabot Senior Financial Counselor, Greg Stevens, organized two food drives to benefit **St. Joseph's Food Pantry**. The first food drive was specifically focused on Thanksgiving dinner. The food pantry serves more than 1,200 Thanksgiving dinners complete with turkey, mashed potatoes, gravy, stuffing, green beans and cranberry sauce. The second food drive was aimed at replenishing the shelves at the food pantry. The items in highest demand were cereal and shelf stable milk. Under Greg's leadership, the Cabot team pulled together and he was able to deliver a variety of canned goods, pasta and soup, as well as cereal and shelf stable milk.

Led by Senior Financial Counselor Greg Stevens (far right), Cabot staff donated food to help families during the holidays.

*VeAnn Campbell joins other volunteers at the new home of **St. Joseph's Food Pantry** in Salem. To support their ongoing mission, Cabot Money Management, Inc., presented VeAnn with a holiday donation on behalf of Cabot clients.*

Around Cabot

Richard A. Morrell, Jr.
Marketing Manager

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CABOT MONEY MANAGEMENT, INC.

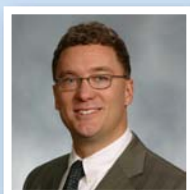
Cabot in the Community

Cabot Money Management's Equity Analyst, Craig Goryl recently visited Carol Carr's Investing Class at Salem High School. Craig was able to share his insights on the importance of a disciplined approach to evaluating stocks as well as reviewing the differences between value, growth and core investing styles. Craig also discussed several advanced techniques such as international investing, short selling and buying on margin. Above all, Craig stressed the need for proper diversification.

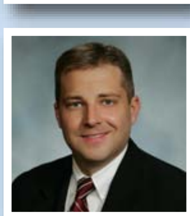
In an effort to put the lessons into action, the class was split into groups and each investing team was charged with choosing stocks. After researching companies using the techniques that Craig taught, the teams made their selections and watched for weeks as their stocks would ebb and flow with the market. The winning team was awarded with special gifts from Cabot Money Management.

Congratulations!

In order to provide the highest level of service possible, we continually expand our knowledge and expertise. Please join us in congratulating William and Tom on their recent achievements.

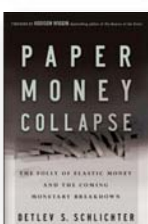


William Larkin, Jr.
Portfolio Manager
William recently completed his graduate studies and earned his MBA from the University of Bradford. He has been employed with Cabot since 2000 and is a member of the firm's Investment Policy and Portfolio Management Committees.



Thomas C. Vautin, CFA®, CFP®, EA
Portfolio Manager
In addition to being a Certified Financial Planner™, Tom Vautin is now a CFA® charterholder and adds this designation to his credentials. Tom holds a Bachelor of Arts degree in economics and an MBA from the University of Rochester.

Cabot Reading Corner



Paper Money Collapse
The Foley of Elastic Money and the Coming Monetary Meltdown
By: Detlev S. Schlichter, Wiley 2011

All serious investors today need to know the consequences of the incredible monetary expansion Central Bankers have undertaken over the past four years. The world of money has been manipulated, exploded, and taken hostage by well meaning government officials. There are serious consequences to these actions and this book takes a hard look at possible outcomes. Mr. Schlichter has 19 years experience as an investment professional and has a good understanding of the teachings of The Currency School of the Austrian School of Economics. The author believes our current system of elastic money will not fare well in the coming decade. He addresses the question: What if elastic money is always inferior to inelastic commodity money, as many eminent economist of the past asserted with apodictic certainty? This book has many new ideas and addresses some very important points for investors. As you many expect, the author is a fan of gold-oriented investments and believes we should never have gone off the gold standard. This book is not for the novice economist; however, it is well-written and organized.