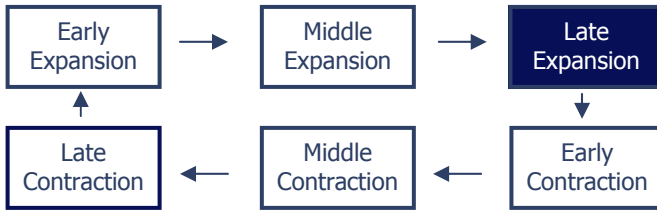




CURRENT ECONOMIC CYCLE



ECONOMIC NEWS

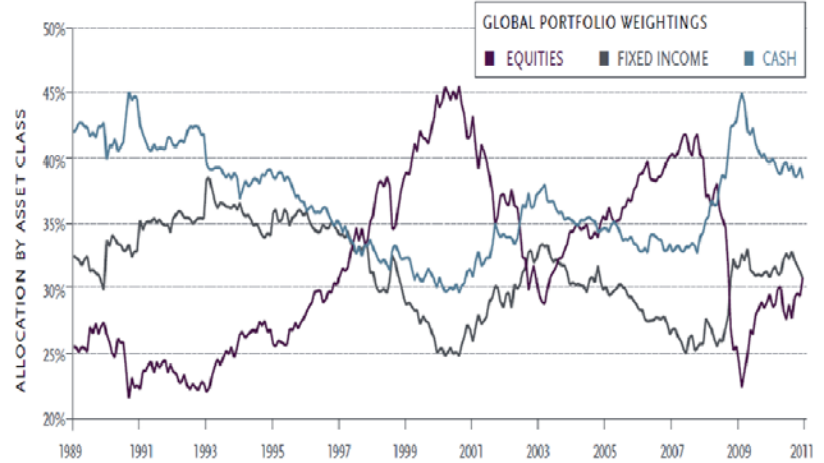
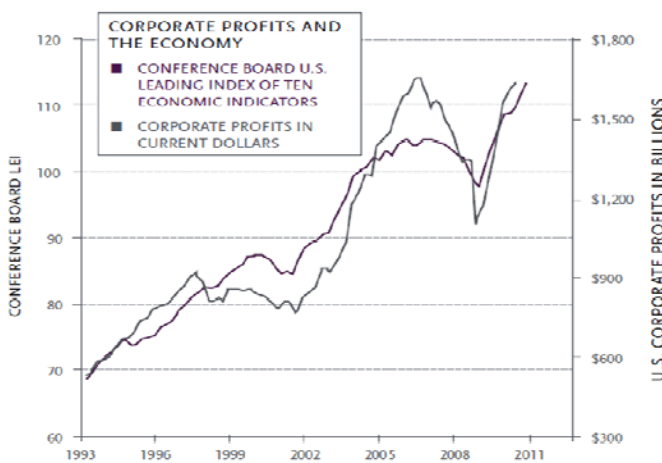
- In the 4th quarter of 2010, the economy grew at an annual rate of 3.1%, with 2011 projected to be in the 2.5 to 3.0% range.
- Unemployment remains an issue, but private sector jobs are beginning to increase with 230,000 added in February.
- Inflation is higher than initial projections, fueled primarily by higher energy and food prices.

CURRENT ASSET CLASS ALLOCATIONS

Cash & Equivalents	<i>Underweight</i>
Fixed Income	<i>Underweight</i>
Equities	<i>Overweight</i>

MARKET TRENDS

- The U.S. stock markets experienced a correction in February and March of -7%, but rallied in the last weeks of the quarter.
- The financial markets showed resiliency in the face of the crisis in Japan and turmoil in the Middle East and North Africa.
- The driver of the equity markets is corporate profitability.
- Global markets have lagged due to inflation concerns in the developing economies, especially China.



The leading economic indicators continue to improve, indicating further growth in the economy. There is a close correlation of these indicators to corporate profits, which are now approaching the previous highs of 2006–2007.

In addition to corporate profits, stock prices are being supported and moved higher by the momentum created by the flows of funds out of cash and bonds into equities. With bond values dropping and the Fed keeping returns on money markets low, funds are moving to riskier assets.

CURRENT THOUGHTS

The economic news continues to reflect improvement in most areas, but the housing market and the unemployment picture remain problematic. The Federal Reserve continues to expand its balance sheet by purchasing more U.S. Treasuries, a tactic referred to as “quantitative easing”. The goal is to force assets from cash into riskier investments, such as stocks and commodities in an attempt to help consumers repair their balance sheets. Prices on these assets have risen, but it remains to be seen if it will stimulate spending across the consumer base or if another “bubble” is being created. The consequence of this strategy is a weakened U.S. dollar, leading to commodity price inflation. When the falling dollar is combined with conflict in the Middle East, the price of oil continues to rise and at some point it will become a drag on economic expansion.

The purpose of update is to share some of our current views and research. Although we make every effort to be accurate in our content, data are derived from other sources. While we believe these sources to be reliable, we cannot guarantee their validity. Charts and tables shown above are for informational purposes, and are not recommendations for investment in any specific security.