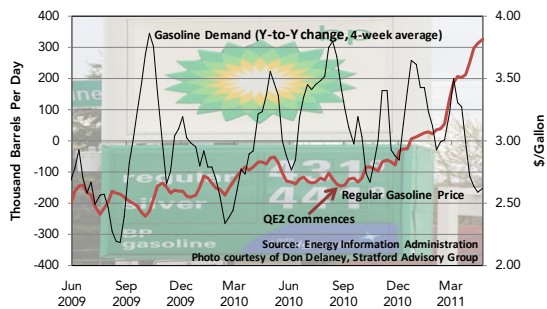


Economic Review

April 2011

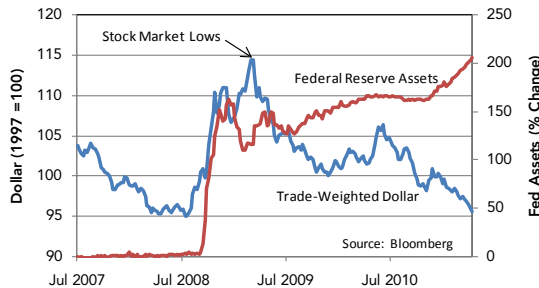
The Federal government narrowly averted a shutdown in April as the President and Congress passed a spending bill, slightly cutting spending levels for the remaining 2011 fiscal year. The Bank of England raised interest rates as it looked to restrain inflation brought on by rising commodity prices. Gold prices surpassed \$1500/ounce and oil surpassed \$113/barrel, prompting retail giant Walmart to voice concerns over consumers' financial health, as core customers spent less on goods as gasoline consumed a growing part of their budgets. The company had previously warned about prices rising this summer. A record breaking number of tornadoes savaged areas from the central US to the east coast. Widespread damages were expected to surpass \$1 billion. Insurance companies were well capitalized to handle the disasters, given a lack of hurricanes in 2010, rising premiums, and a strong stock market. The loss of human life was high, as several towns suffered direct hits from EF5 tornadoes. Auto production in the US and Japan slowed as the shutdown of several Japanese parts manufacturing facilities prompted rationing until production can be restored, a process expected to take several months. China's currency reserves surpassed \$3 trillion as the export giant continued to expand its manufacturing base.

Gasoline Prices Hit All-Time April High



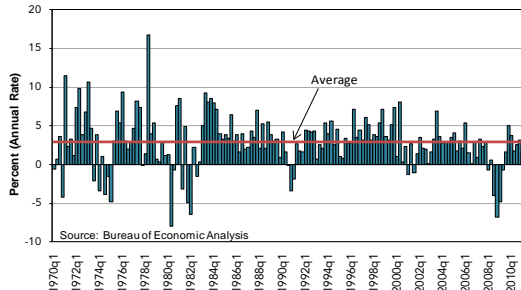
Federal Reserve Chairman Ben Bernanke delivered his first press conference following a regularly scheduled FOMC meeting. The Fed's viewpoint was insightful and somewhat disappointing to investors and consumers who have experienced rising prices. Bernanke's strongest policy emphasis was to lower unemployment, which he believes will fall to between 6.8% and 7.2% by the end of 2013. The end of QE2 (the Fed's \$600 billion purchase of Treasury bonds) in June was reaffirmed. The removal of \$75 billion in money supply growth each month is likely to slow the rise in precious metals and energy. Given the Fed's current outlook, interest rates are unlikely to change in the near-term.

US Dollar Falls, Fed Assets Rise



Although inflation rose at a 6.1% annual rate in the first quarter, Bernanke called the rise "transitory" and almost entirely due to energy prices. He appeared satisfied that energy prices will stabilize and keep inflation grounded, although that will mean \$4/gallon gasoline for the foreseeable future. Since the implementation of QE2 in late August, the average gasoline price has risen 43%, while domestic demand has fallen. Bernanke echoed the Treasury's backing of a "strong" dollar. Since March 2009, the dollar has weakened tremendously and pushed investors' money into assets such as oil, gold, silver, agricultural commodities, and other assets believed to provide protection against inflation.

First Quarter GDP Underwhelming



US GDP grew at a 1.8% annual rate in the first quarter. The rate was lower than previous quarters as federal and state spending declined, and the value of oil imports rose. The drag from lower defense spending (11.7% lower in the quarter) and oil products is expected to wane in upcoming quarters. Private sector growth was higher, driven by an increase of inventories. Private sector hiring continued to improve, although weather events added volatility to employment readings.

Market Returns

As of April 30, 2011

	April	3 Months	YTD
S&P 500	3.0%	6.5%	9.1%
Russell 1000 Value	2.7%	6.9%	9.3%
Russell 1000 Growth	3.4%	6.9%	9.6%
Russell 2000	2.6%	11.1%	10.8%
MSCI EAFE	6.0%	7.0%	9.5%
Emerging Markets	3.1%	8.2%	5.3%
Barclays Agg	1.3%	1.6%	1.7%
3-Month T-Bills	0.0%	0.1%	0.1%

Standard and Poor's issued a negative outlook for US financial conditions. The report cited a deteriorating likelihood that economic growth and fiscal discipline would curb the growing federal deficit. The report was issued following competing budget proposals offered from Washington. Republican Congressman Ryan proposed a 2012 budget that set the groundwork for slowing the growth of federal spending. Main points included transforming Medicare into a premium-support program and broadening the income tax base while lowering tax rates. President Obama issued a second budget for 2012, envisioning higher tax rates for top income earners and examining ways to make Medicare more efficient. Both budget proposals fail to bring future deficits anywhere close to zero. Social Security reform was not proposed in either budget.