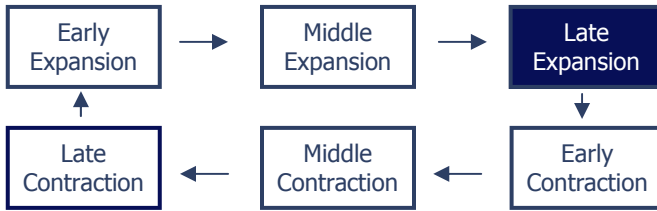




CURRENT ECONOMIC CYCLE



ECONOMIC NEWS

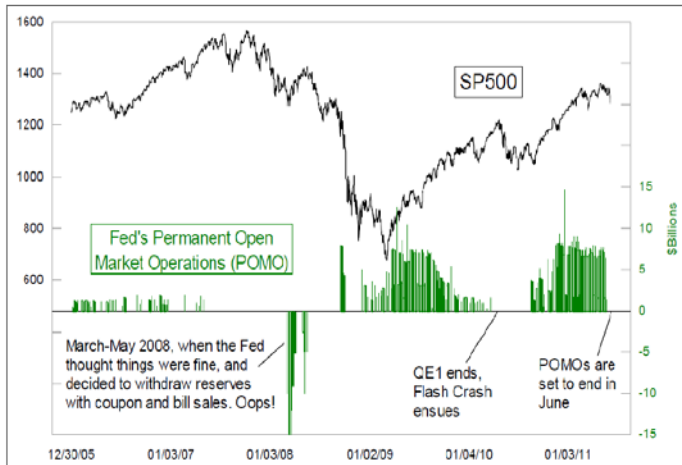
- After the economy grew in the 4th quarter of 2010 at an annual rate of 3.1%, the 1st quarter of 2011 slowed to 1.8%.
- The unemployment picture worsened as only 54,000 jobs were created in the last monthly report, well below expectations.
- The economy appears to be at an inflection point, where growth will resume later in the year or the slowdown will persist.

CURRENT ASSET CLASS ALLOCATIONS

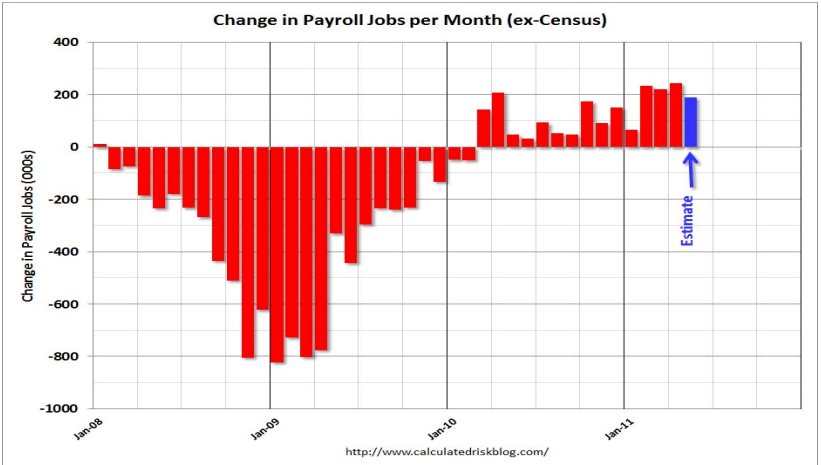
Cash & Equivalents	<i>Underweight</i>
Fixed Income	<i>Moving to Overweight</i>
Equities	<i>Moving to Equal Weight</i>

MARKET TRENDS

- The U.S. stock markets have seen the return of volatility with a second correction of over -7% beginning in May and extending for the last seven weeks.
- The focus has been on the weakening economic data and the impact of the reduction of stimulus coming from Washington.
- Global markets have lagged early in the year over inflation concerns, but the growth outlook has been improving lately.



This chart shows the correlation between the Fed's purchases of Treasuries at auction and the S&P 500 stock index. Whenever stimulus has been there, the market has rallied. Can the market continue the uptrend without the Fed?



Even though we have seen consistent job creation over the past month, the numbers continue to stay near or below the 200,000 level. This is significant because in order for the unemployment rate to decline, there has to be net new jobs of over 250,000 each month.

CURRENT THOUGHTS

Only time will tell if the economy is just in a temporary soft spot, or if the weight of the continued job market concerns and an increasing appetite for austerity will cause an extended period of slow growth. The residential real estate market continues to trend even lower as a result of high unemployment, much tougher lending standards, and a current inventory of homes that is projected to last three years at current activity levels. Even though the Fed will soon end its expansion of its balance sheet through the purchase of Treasuries, they will maintain the current levels and reinvest interest and maturing bonds. This should soften the impact on interest rates because of their withdrawal from the Treasury auctions. The driver for stock prices continues to be earnings, but after nearing record levels, pressures on profit margins typically begin to increase.

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.