



April 6, 2011

Dear Investment Client:

While all the news reports focused on the disasters in Japan and the unrest in the Middle East, our stock market posted the best first quarter performance since 1998.

The Dow Jones Average rose 744.22 points or 6.4%, to finish the quarter at 12319.73. The S&P Index advanced 5.4% to finish at 1325.83. The tech-heavy NASDAQ Composite Index rose 4.8% for the first quarter and is nearing its highest level since late 2000. On the fixed-income side, the Barclay's Aggregate Bond Index ended the quarter with a 0.28% total return and the 10 year Treasury note ended the quarter yielding 3.452%, up slightly from 3.299% at the beginning of the year.

International markets also improved. The Dow Jones Global Index ex U.S. provided a 2.6% return for the quarter. Gold which ended 2010 up nearly 30% has not done much in the first quarter as it is about flat at \$1442.10 per ounce. On the other hand, silver hit a new high during the week of March 28th and has increased more than 20% year to date. The U.S. dollar index has declined about 3.6% during the quarter as currency investors have been moving into the Swiss franc and other currencies. This is a concern as the U.S. dollar traditionally rises amid global uncertainty.

Inflation, interest rates, housing, jobs and political leadership in Washington will continue to be a concern for financial markets. Great corporate balance sheets and better than expected earnings and revenue growth will provide the counter balance. This next quarter should provide some interesting things to think about.

Interest rates stayed near historic lows in the first quarter, thanks to the Federal Reserve holding short-term rates near zero and keeping long-term rates under control with its program to buy back as much as \$600 billion in Treasury debt through June. The corporate bond market continues to be strong as corporate cash is very high, earnings are strong and the default rate is very low. This sector of the market should continue to do well as the rejuvenated mergers and acquisitions area continues to expand. The big question for the next quarter and the balance of the year is the direction of Treasury rates. Currently, it now appears that short-term Treasuries might best be liquidated.

Geopolitical troubles, national disasters, inflation and civil wars played a major role on the performance of international markets. Global markets need to deal with soaring energy and food costs and this could also have an impact on the global economic recovery. Our thoughts are with the people of Japan given the extreme devastation and loss of life in the aftermath of the earthquake and tsunami. It is impossible at this point to gauge the full extent of the damage with any degree of precision, but the impact on the global economy should be very small. Over the past 20 years Japan has not played a meaningful role in shaping global growth as its sluggish growth trend would indicate. The strength of the Japanese people will prevail as they begin the long process of rebuilding and restoring their lives.

If you would like to review your current investment strategy to make sure that it is in line with your goals and objectives, please contact our office.

Thank you for your business and have a great spring.

Sincerely,

Patrick J. Burley
President/CEO