

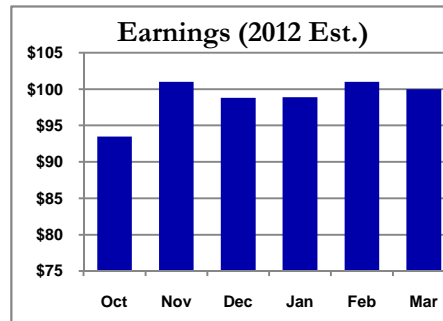
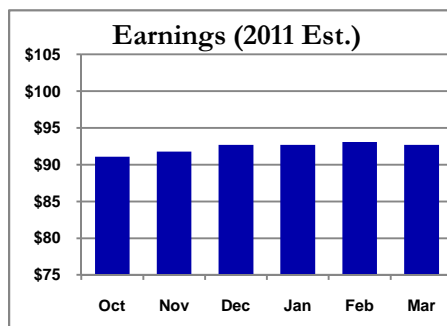
## FIRST QUARTER FINANCIAL MARKET COMMENTARY

### "NINETY DAYS IN NINETY SECONDS"

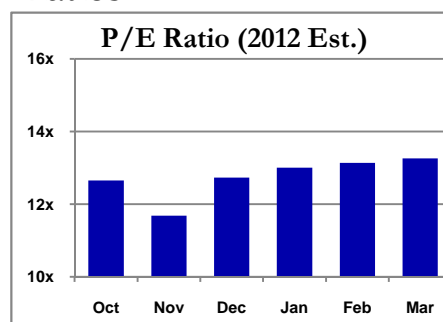
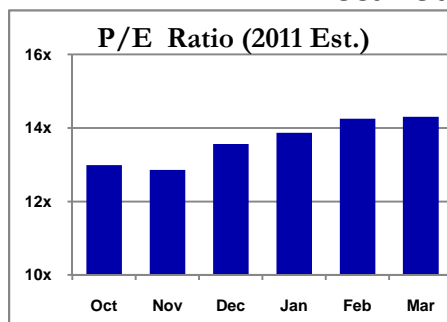
MARCH 31, 2011

- ♦ Macroeconomic concerns took a back seat to positive microeconomic news during the first quarter. The world experienced natural disasters in Japan, political and social unrest across the Middle East, and continued debt worries in Europe. While these situations often dominate the news, the financial market impact of similar events in the past has typically been modest in terms of both magnitude and duration. The key drivers for the stock market remain strong profit and revenue trends across a broad range of companies and industries. These factors helped the stock market produce positive returns during each month of the quarter.
- ♦ Equity investors should commemorate March 18th as "\$10 Billion Friday". On that day five of the nation's largest banks received approval from the Federal Reserve Board to raise their dividends significantly and Cisco initiated a dividend for the first time in its history. As a result of the decisions by these six companies, \$10 billion in additional dividends will be distributed to their shareholders during the next twelve months. While these actions are certainly noteworthy, more modest dividend increases have been announced by a large number of companies across all economic sectors and these increased payouts are helping to support equity market valuations.
- ♦ Earnings estimates trended slightly higher during the quarter and the P/E ratio based on 2011 earnings remains below average at about 14x. Strong corporate profits and attractive valuations have spurred net inflows into equity mutual funds this year.

### S&P 500 Earnings Estimates

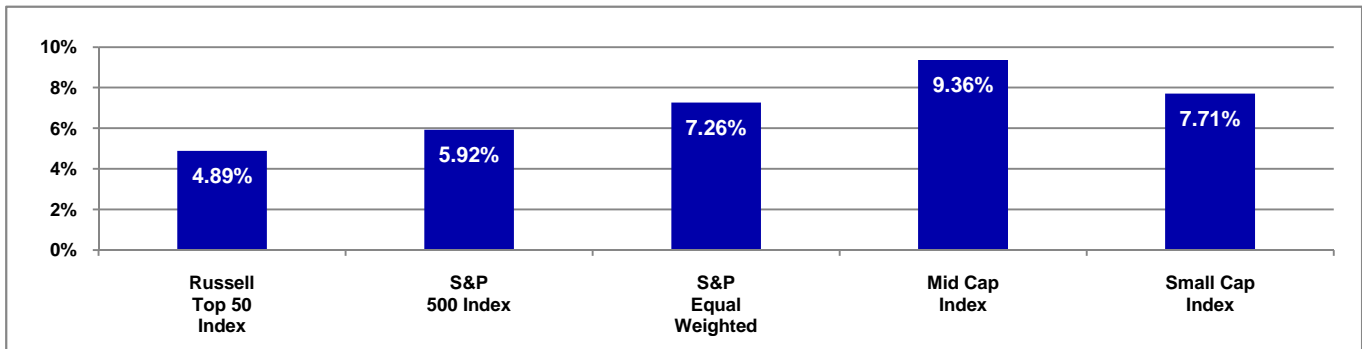


### S&P 500 P/E Ratios

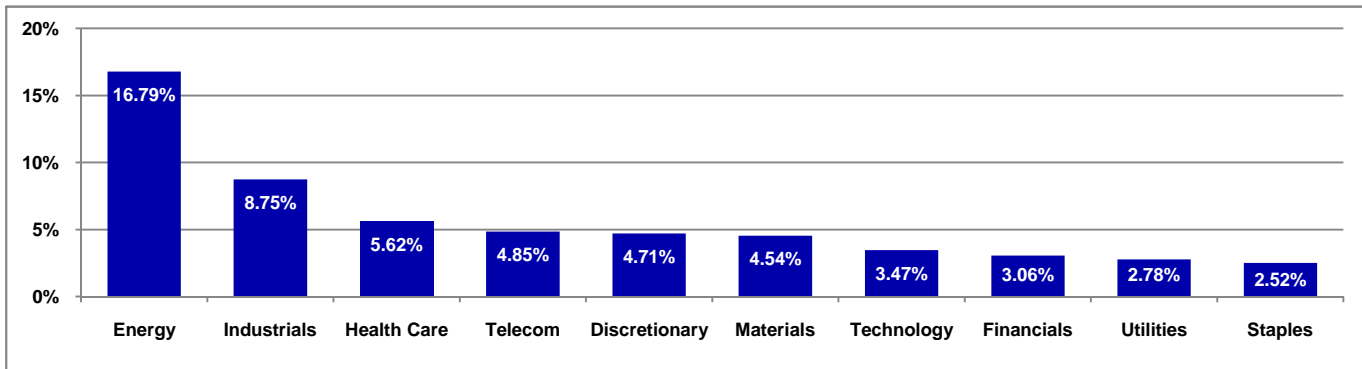


- ◆ First quarter stock market returns, based upon both the company size and economic sector, were universally positive. The S&P Mid Cap Index generated the best performance during the first quarter among all market capitalization benchmarks. At the sector level, returns were skewed by the strong results of the energy and industrial sectors. Interestingly, all of the eight other sectors actually underperformed the S&P 500 Index during the quarter.

### First Quarter Performance (including income) by Market Capitalization



### First Quarter S&P 500 Performance (including income) by Economic Sector



- ◆ A generational opportunity to inject fiscal discipline into public sector spending appears to be gaining momentum. The previously untouchable issues of entitlements, pensions and retiree healthcare costs are beginning to be addressed by elected officials in Washington, as well as local leaders across the country. Progress on these issues should have a positive long term impact on the financial markets.
- ◆ Our outlook remains optimistic in spite of an abundance of uncertainty surrounding global events. Rising corporate profits and dividends, as well as an active merger environment, should provide positive fundamental support for stock prices.