

Stocks rallied sharply in the 1st quarter as the U.S. economy continued to improve and fears of a debt crisis in Europe subsided. The U.S. unemployment rate fell to 8.2% in March, the lowest level since January of 2009.

The S&P 500 posted a 12.59% return, the best first quarter return since 1998 and the second consecutive double-digit quarterly return. Since its early October low, the S&P 500 has now gained 28%. Bond yields moved higher in the quarter with the improving economy, pushing bond prices lower. The Barclays Government/Corporate Bond Index posted a slightly negative return for the quarter.

The financial sector was the best performing sector in the equity market in the first quarter as bank stocks rebounded sharply. Technology stocks also performed well, helped by very strong performance from Apple. Lower beta sectors lagged the market's advance as investor money flowed into more aggressive stocks. Utilities, which were the best performing sector in the market in 2011, were the only sector to post a loss in the first quarter.

Even with the market's advance, equity market valuations remain reasonable and corporate balance sheets are strong. We expect continued growth in corporate earnings and dividends, which should support higher stock prices.

Return of Various Market Indices								S&P 500		
Data as of: March-2012 [periods > 1 year annualized]								Economic Sector Returns		
Index	Last Month	Last Quarter	Year-to-Date	1 Year	3 Year	5 year	10 Year	Wgt.	Sector	YTD Return
3-Mo US T-Bills (Cash)	0.00%	0.01%	0.01%	0.02%	0.08%	1.04%	1.76%	14.9%	Financial	22.05%
Barclays 1-3 Year Gov't Bonds	-0.05%	-0.02%	-0.02%	1.48%	1.67%	3.50%	3.38%	20.5%	Technology	21.46%
Barclays Gov't/Corp Bonds	-0.93%	-0.07%	-0.07%	8.40%	7.03%	6.19%	5.86%	11.0%	Consumer Discr.	15.96%
Dow Jones Industrial Average	2.15%	8.84%	8.84%	10.18%	23.55%	4.18%	5.02%	10.6%	Industrial	11.31%
DJ Wilshire 5000	3.10%	13.07%	13.07%	7.16%	24.40%	2.47%	5.08%	3.5%	Materials	11.19%
S&P 500 Composite	3.29%	12.59%	12.59%	8.54%	23.42%	2.01%	4.12%	11.4%	Health Care	9.06%
S&P/Citigroup Growth	3.22%	12.27%	12.27%	11.82%	23.76%	4.80%	4.12%	10.8%	Consumer Staple	5.54%
S&P/Citigroup Value	3.37%	12.97%	12.97%	5.26%	23.18%	-0.83%	4.00%	11.2%	Energy	3.88%
S&P 500 Utilities Sector	1.36%	-1.62%	-1.62%	14.82%	16.00%	1.55%	5.91%	2.8%	Telecomm	2.08%
Russell 2000 (Smallcap Stocks)	2.56%	12.44%	12.44%	-0.18%	26.90%	2.13%	6.45%	3.4%	Utility	-1.62%
MSCI EAFE (Int'l Stocks)	-0.40%	10.98%	10.98%	-5.31%	17.68%	-3.04%	6.16%	100%	S&P 500	12.59%