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Equities Continue their Upward Trend in February

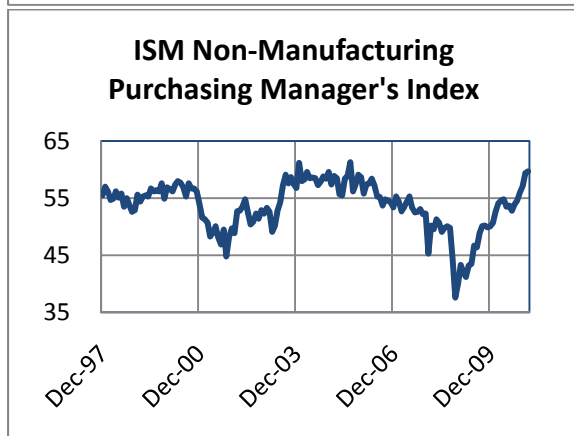
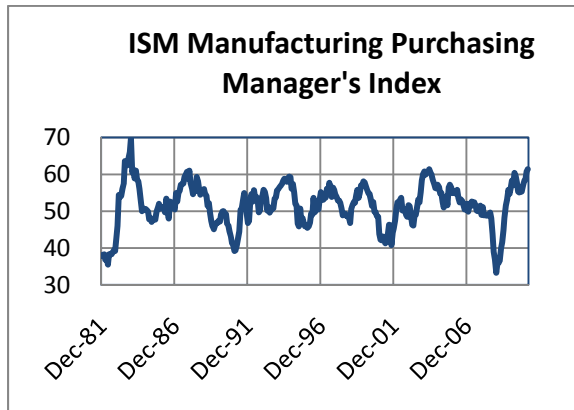
US financial markets continued to rise during the month of February with small and mid-capitalization stocks outperforming large ones. Year-to-date however, large capitalization stocks outperformed small capitalization stocks, but lagged mid-capitalization stocks. Intermediate Treasury yields edged higher in February, while long rates barely budged. Commodities prices increased with gold and oil rising 5.7% and 5.2%, respectively. February saw hard assets outperform financial assets by a wide margin. An improving U.S. economy, strong corporate earnings reports, and positive money flows into mutual funds allowed the U.S. equity markets to continue to power higher. Every S&P 500 sector increased during the month, compared to January when four of ten sectors declined in value. The two best performing sectors in the S&P 500 were the energy and consumer discretionary sectors. Energy has been the clear winner thus far in 2011 as rising oil prices and unrest in the Middle East and Northern Africa have caused energy prices to surge.

Performance Data						
(as of 28-Feb-2011)						
Index Name	Adjusted Market Cap (\$Million)	Index Level	Performance		OP (UP) Versus S&P 500	
			Month	Year to Date	Month	Year to Date
TOTAL RETURNS						
S&P 500 (TR)	N/A	2,238.55	3.43%	5.88%		
PRICE RETURNS						
S&P 500	12,079,220	1,327.22	3.20%	5.53%		
PRICE RETURNS BY SECTOR						
Energy	1,586,508	580.67	6.77%	14.59%	3.57%	9.06%
Industrials	1,340,603	320.28	2.04%	6.36%	-1.16%	0.83%
Information Technology	2,258,265	429.03	1.77%	6.05%	-1.43%	0.52%
Financial Services	1,937,969	226.78	2.75%	5.59%	-0.45%	0.06%
Consumer Discretionary	1,274,682	310.37	5.78%	5.02%	2.58%	-0.51%
Health Care	1,287,788	376.58	2.84%	3.23%	-0.36%	-2.30%
Materials	437,641	245.23	2.50%	2.35%	-0.70%	-3.18%
Utilities	383,767	162.26	0.76%	1.83%	-2.44%	-3.70%
Consumer Staples	1,222,665	305.42	2.40%	0.61%	-0.80%	-4.92%
Telecom Services	349,332	126.68	2.33%	-1.60%	-0.87%	-7.13%

*Source: Standard & Poor's.

Economic Improvement Continues

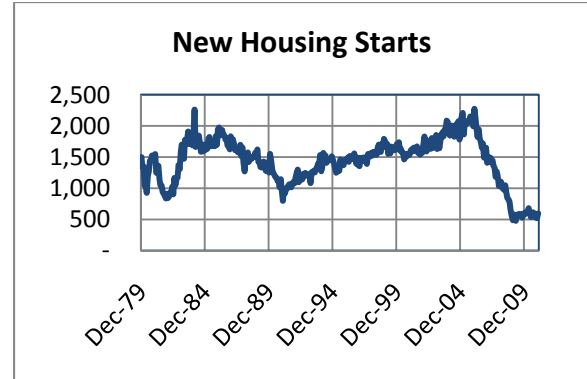
The economic data showed further improvement in February. The unemployment rate fell to 9.0% in January, from 9.4% in December, and 9.8% in November. Private nonfarm jobs grew by 50,000 in January, while the estimate for job creation in December was increased by 26,000. Although the labor market is clearly improving, new jobs are not yet growing fast enough to make the Federal Reserve willing to raise rates. Municipalities are shedding workers, and while this is necessary for them to reduce their budget deficits, it is partially offsetting private sector job growth. Moreover, the labor participation rate fell to a seasonally adjusted 64.2%, a level not seen since 2004, and not breached since 1984. The economy continues to remain bifurcated. Manufacturing production and employment are improving at a rapid rate. The ISM reached 61.4 in February, a level last reached in 1983. The service sector index also is well above 50.



**Source: Institute for Supply Management*

Unfortunately, residential and commercial construction is still very weak. The rate of decline in housing starts has slowed and shows signs of stabilizing at a very low level. Nationally, housing

prices have weakened again. While seasonality and the expiration of housing credits have played a part in declining housing prices in the short-term, additional weakness would be problematic for consumer confidence and spending.



** Source: U.S Census Bureau*

Economic and Market Risks

While inflation remains relatively tame in the industrialized world, it has risen rapidly in emerging markets where a large percentage of the cost of living is determined by food and energy prices. Rising food costs sparked the demonstrations in Northern Africa which have now spread to several countries in the Middle East. The resultant surge in oil prices is likely to slow U.S. consumer spending going forward as gasoline prices rise. Many emerging markets continue to tighten lending standards and are attempting to slow monetary growth.

Inflation is not an issue in the United States, with the Consumer Price Index rising just 1.6% year-over-year through January. However, there is a clear risk that inflation may rise going forward. If it does, the Federal Reserve might raise short-term interest rates faster than many expect.

The threat of an additional spike in oil prices looms due to unrest in Northern Africa and the Middle East. Unrest in Libya has caused Libyan energy production to decline rapidly. Saudi Arabia has pledged to cover the difference, but it remains to be seen if they can ramp up production to offset for the lower output of Libyan sweet crude.

In Europe, there is still the issue of whether Ireland, Greece, Portugal, among others, will be required to restructure their debts. We expect this is likely at some point, but the market has forgotten about this while concentrating on events in Egypt and Libya.

Outlook Unchanged

At the beginning of 2011, we expected equities to generate total returns between 5-10% for the year. The S&P 500 generated a total return of 5.53% through February 28, 2011. While we have been impressed by the market's ability to climb a proverbial "wall of worry," our outlook for the year as a whole hasn't changed. We see clear risks to our forecasts, both to the upside and the downside. On the downside, higher energy prices and rising inflation could force the Federal Reserve to raise interest rates and mute the rally while dampening consumer spending. A double-dip in housing prices and lay-offs by municipalities could impede the

economic recovery before it has become self-sustaining. On the upside, the U.S. economy has been compared to a supertanker: once it gets going, it is hard to get it off course. The consumer has proven to be fairly resilient. If manufacturing continues to grow, and housing and energy prices stabilize, the equity markets could post their third consecutive year of double-digits gains. In addition, we expect emerging markets to continue to power global growth despite current inflationary pressures and geopolitical issues. While we expect the S&P 500 to pull back 5% or so in the second quarter, we still expect the S&P 500 to produce total returns close to 10%.

Monthly Market Statistics							
				Monthly	YTD	12-month	
	12/31/10	01/31/11	02/28/11	% Change	% Change	High	Low
DJIA	11,577.51	11,891.93	12,226.34	2.81%	5.60%	12,417.97	9,596.04
S&P 500	1,257.64	1,286.12	1,327.22	3.20%	5.53%	1,344.07	1,010.91
S&P Midcap 400	907.25	924.77	966.59	4.52%	6.54%	983.84	692.75
NASDAQ Composite	2,652.87	2,700.08	2,782.27	3.04%	4.88%	2,840.51	2,061.14
NASDAQ 100	2,217.86	2,281.91	2,350.99	3.03%	6.00%	2,403.52	1,700.04
Russell 2000	783.65	781.25	823.45	5.40%	5.08%	838.00	587.67
NYSE Arca Tech 100	1,084.81	1,109.09	1,149.57	3.65%	5.97%	1,179.20	840.49
NYSE Financial	4,958.62	5,117.20	5,319.21	3.95%	7.27%	5,414.71	4,251.45
NYSE Healthcare	6,501.53	6,493.00	6,737.21	3.76%	3.62%	6,774.86	5,647.67
NYSE Energy	12,520.29	13,344.42	14,176.90	6.24%	13.23%	14,176.87	9,359.33
MSCI EAFE	1,658.30	1,696.38	1,749.01	3.10%	5.47%	1,758.97	1,305.13
U.S. Dollar Index	78.963	77.754	76.871	-1.14%	-2.65%	88.405	75.882
Gold	1,421.10	1,333.80	1,409.30	5.66%	-0.83%	1422.60	1088.60
Oil	91.38	92.19	96.97	5.18%	6.12%	98.10	68.01
5 yr. Note	2.02%	2.05%	2.14%	4.29%	5.84%	2.74%	1.03%
10 yr. Note	3.30%	3.39%	3.43%	1.09%	3.85%	3.99%	2.38%
30 yr. Bond	4.36%	4.48%	4.50%	0.56%	3.21%	4.84%	3.51%

*Source: Wall Street Journal

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