



David Straus, CFA  
Senior Portfolio Manager

Joshua Olds, CFA  
Portfolio Manager

### Equities are Flat in March Despite Rising Volatility

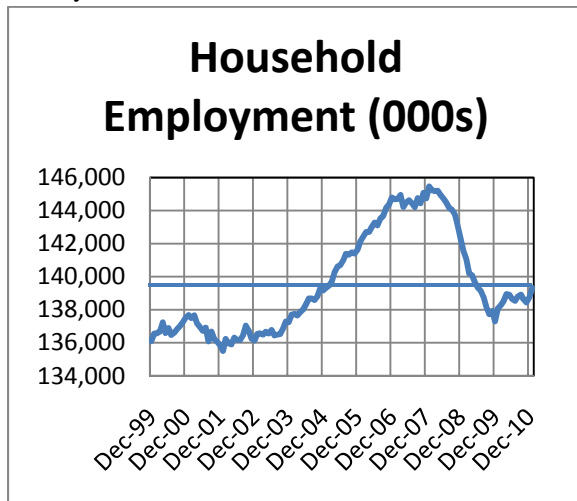
Equity markets were mixed during March, despite a near 7% decline during the first two weeks of the month. The S&P 500 finished unchanged, while the small and mid-capitalization indices rose 2.3% and 2.4%, respectively. Energy and industrial stocks continued to lead, while financials and information technology stocks lagged in March. Emerging market stocks outperformed developed markets, including the United States by a wide margin. Investors shifted their focus to the high growth rates in emerging markets, as concerns about inflationary pressures ebbed. Oil prices continued their upward trend, with crude oil rising 10% for the month. A weakening dollar, geopolitical uncertainties, and stronger growth all contributed to rising oil prices. Intermediate and long-term Treasury rates continued to grind higher as increasing GDP growth and rising inflation expectations made bonds appear less attractive.

Performance Data							
As of March 31, 2011							
Index Name	Adjusted Market Cap (\$Million)	Index Level	Performance			OP (UP) Versus S&P 500	
			1 Day	Month	Year to Date	Month	Year to Date
<b>TOTAL RETURNS</b>							
S&P 500 (TR)	N/A	2,239.44	-0.18%	0.04%	5.92%		
<b>PRICE RETURNS</b>							
S&P 500	12,067,736	1,325.83	-0.18%	-0.11%	5.42%		
<b>PRICE RETURNS BY SECTOR</b>							
Energy	1,601,700	589.31	-0.34%	1.49%	16.29%	1.60%	10.87%
Industrials	1,359,068	325.80	0.36%	1.73%	8.20%	1.84%	2.78%
Health Care	1,325,614	383.00	-0.04%	1.71%	4.99%	1.82%	-0.43%
Consumer Discretionary	1,260,748	308.40	-0.39%	-0.63%	4.35%	-0.52%	-1.07%
Materials	445,946	249.36	0.41%	1.68%	4.07%	1.79%	-1.35%
Telecom Services	367,909	133.25	-0.02%	5.19%	3.51%	5.30%	-1.91%
Information Technology	2,184,075	417.63	-0.25%	-2.66%	3.23%	-2.55%	-2.19%
Financial Services	1,904,883	220.71	-0.44%	-2.68%	2.76%	-2.57%	-2.66%
Consumer Staples	1,233,038	308.85	-0.22%	1.12%	1.74%	1.23%	-3.68%
Utilities	384,755	161.92	-0.28%	-0.21%	1.62%	-0.10%	-3.80%

\*Source: Standard & Poor's.

## Economic Improvement Continues

While there are a number of concerns internationally, the domestic economy continues to improve. Employment is recovering, although it has a ways to go before it approaches peak levels reached in January 2008. Household employment has increased by approximately 2,000,000 from its low in January of 2010, but it still must climb another 6,100,000 to reach peak levels before adjusting for population growth. To put this into context, household employment first reached current levels in January 2005.



Source: Bureau of Labor Statistics

GDP growth has begun to accelerate, helped by rising corporate profits, improving labor market conditions, and slowly improving credit markets. Strong corporate balance sheets and profits have led to an increase in investment and hiring. This has more than offset a reduction in municipal employees. While we expect that GDP growth slowed in the first quarter of the year due to supply-chain disruptions cause by the Japanese earthquake among other reasons, we expect GDP growth to accelerate later in 2011.

### Key Risk: Consumer Discomfort

While the market continues to climb a wall of worry, there are several domestic and international risks that contributed to the pullback in March and remain going forward. The biggest risk, in our opinion, is inflation. While the Consumer Price Index increased 2.1% year over year according to the BLS, it increased 5.6% on an annualized basis for the three months ended February 28, 2011, in large part due to sharp increases in food and energy prices.

Government officials appear to have little understanding of the hardship this causes the average person. New York Fed President William Dudley recently pointed out that the iPad 2 costs the same as the iPad 1 despite being twice as powerful. While the Fed President is correct, you can't eat iPads, even if they are a type of Apple.

While housing prices continue to fall or move sideways, depending on where you live and at what price you are referring to, apartment rents continue to rise. For renters, who are growing more numerous as mortgage credit remains hard to come by, this will add to inflationary pressures in the United States.

### Key Risk: International Issues

There are several problems that run the risk of being a drag on the global economy. The 9.0 earthquake in Japan caused incalculable damage. Japan is a key cog in the global manufacturing sector. The loss of production means that key components for cars, electronic equipment, etc. may run short. This threatens to shut down production until Japanese production can be restarted or the components can be obtained from different sources. This will likely reduce GDP growth until corporations around the world determine how to alleviate supply constraints.

In Northern Africa and the Middle East, circumstances change by the day. The outcomes of protests in Libya, Bahrain, and Syria are still in flux. As the region sits on vast quantities of oil, continued protests will likely lead to elevated oil prices which pose a risk to consumers in the United States and throughout the world.

In Europe, several of the peripheral countries are struggling with high unemployment, high debt levels, and elevated borrowing costs. Slow growth, high unemployment, and rising price levels are a toxic combination. While Europe has not been in the headlines lately, problems still persist and will have to be dealt with.

### Outlook Unchanged: Cautiously Optimistic

The S&P 500 generated a total return of 5.92% through March 31, 2011. Equity markets continue to grind higher, while Treasury prices edged lower. U.S. economic growth has been surprisingly resilient, with economic and geopolitical issues lingering in the background. Reasonable valuations and strong earnings growth prospects continue to lend support to

equities. Overseas, we have become more constructive about emerging market equities and fixed income securities. We think value has been restored in these markets and expect rapid growth rates to reassert themselves and lead to a continued outperformance compared to US equities. In addition, cash and bond yields are poor alternatives for people who are trying to generate yield and/or total return.

We expect bond yields to grind higher over the year as economic growth and the end of quantitative easing reduces the attractiveness of bonds. While we expect intermittent corrections of around 5-10% during the year, we still expect the S&P 500 to generate a total return of approximately 10% for 2011.

Monthly Market Statistics							
				Monthly	YTD	12-month	
	12/31/10	02/28/11	03/31/11	% Change	% Change	High	Low
<b>DJIA</b>	11,577.51	12,226.34	12,319.73	0.76%	6.41%	12,391.25	9,686.48
<b>S&amp;P 500</b>	1,257.64	1,327.22	1,325.83	-0.10%	5.42%	1,343.01	1,022.58
<b>S&amp;P Midcap 400</b>	907.25	966.59	989.05	2.32%	9.02%	989.05	700.16
<b>NASDAQ Composite</b>	2,652.87	2,782.27	2,781.07	-0.04%	4.83%	2,833.95	2,091.79
<b>NASDAQ 100</b>	2,217.86	2,350.99	2,338.99	-0.51%	5.46%	2,397.94	1,728.34
<b>Russell 2000</b>	783.65	823.45	843.55	2.44%	7.64%	843.55	590.03
<b>NYSE Arca Tech 100</b>	1,084.81	1,149.57	1,152.77	0.28%	6.26%	1,179.20	840.49
<b>NYSE Financial</b>	4,958.62	5,319.21	5,150.94	-3.16%	3.88%	5,414.71	4,251.45
<b>NYSE Healthcare</b>	6,501.53	6,737.21	6,778.06	0.61%	4.25%	6,837.51	5,647.67
<b>NYSE Energy</b>	12,520.29	14,176.90	14,277.21	0.71%	14.03%	14,295.71	9,359.33
<b>MSCI EAFE</b>	1,658.30	1,749.01	1,702.55	-2.66%	2.67%	1,758.97	1,305.13
<b>MSCI EM</b>	1,151.38	1,107.77	1,170.87	5.70%	1.69%	1,758.97	1,305.13
<b>U.S. Dollar Index</b>	78.963	76.871	75.857	-1.32%	-3.93%	88.405	75.401
<b>Gold</b>	1,421.10	1,409.30	1,438.90	2.10%	1.25%	1438.90	1125.10
<b>Oil</b>	91.38	96.97	106.72	10.05%	16.79%	106.72	68.01
<b>5 yr. Note</b>	2.02%	2.14%	2.22%	3.84%	9.90%	2.76%	1.02%
<b>10 yr. Note</b>	3.30%	3.43%	3.45%	0.67%	4.55%	4.01%	2.33%
<b>30 yr. Bond</b>	4.36%	4.50%	4.51%	0.22%	3.44%	4.86%	3.46%

\*Source: Wall Street Journal

**Johnston Lemon Asset Management, Inc. 1101 Vermont Avenue, N.W. Suite 800 Washington, D.C. 20005 (202)-842-5506**

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