



Dear Client:

April 3, 2012

2012 1st Quarter Recap

Finally... the equity markets answered our call and delivered very strong results for the first quarter of 2012. Record earnings, improved U.S. manufacturing and retail sales, and attempts by European leaders to contain their debt crisis helped stocks rally, globally, in the quarter. Stock returns beat gold returns as demand for assets that protect against losses has faded.

The S&P had its best quarter in over a decade returning over 12%. The S&P has rallied 28 percent since it reached a one- year low on Oct. 3, 2012. The outlook continues to be stable and profits for the S&P 500 companies are expected to rise 13 percent in 2012 after climbing 9.9 percent in 2011.

As mentioned above, the relative stability in Europe coupled with strong economic numbers during the quarter out of China and Germany resulted in strong returns for both the EAFE (up 10.82%) and Emerging Markets (up 13.21%).

Ten Year Treasury bonds fell 1.3 percent (as yields increased). Corporate bonds increased 2.4 percent, while the Barclays aggregate closed the quarter down 0.36%.

The 2012 forecast for 10 Year Treasuries, which closed the quarter at 2.22%, ranges from 2.2-3.0%. As a result, we have been defensive by reducing the duration of our fixed income portfolios as well as continuing with exposure to high yield and foreign bonds to generate interest income

As we mentioned in our last communication, we recommend “proceeding with caution, but proceeding”. This will be our mantra for Q2 2012. Our portfolios performed extremely well in the quarter (irrespective of our conservative core satellite approach) and all indications point to continued positive momentum (albeit with some risks). We will remain disciplined in our approach and rebalance portfolios where needed to keep our portfolios in balance.

Index	Index Close	Q1 Total Returns (%)
S&P 500	1,408.47	12.00
DJIA	13,212.04	8.14
NASDAQ	3,091.57	18.67
MSCI EAFE	54.89	10.82
MSCI Emerging Markets	42.95	13.21
Barclays Bond Aggr.	109.85	-0.36



Tax Season

As tax season comes to an end, we stand ready to serve you for any last minute needs. While we do not offer tax advice, we are happy to assist by furnishing you with the appropriate information. We would also be happy to have a conversation with your CPA or tax preparer if that would be helpful.

We are honored to be your fiduciary partner. We thank you for your business and your referrals. We look forward to speaking with you soon. Please don't hesitate to contact us should you have any questions or require any additional information.

Best Personal Regards,

Locust Capital Management, LLC