1st Quarter 2013 Performance Review

Dear Client:

Signs of domestic economic improvement along with increased confidence of consumers about their finances (amid rising stock and home prices) resulted in record highs and double digit returns for domestic equities in the first quarter of 2013. It is about time!

Q1 returns were so strong they would represent respectable full year returns with the Dow and S&P gaining 11.25% and 10.03% respectively for the quarter.

Investors moved into US equities after the fiscal cliff was averted and grew more confident when the Federal Reserve reinforced its low rate monetary policy. Additionally, the markets shook off a scare out of the Eurozone when Cypriot banks sought a bail out from the European Central Bank.

Index	Index Close	Q1 Price Return (%)	1 Yr Price Return (%)
S&P 500	1,569.19	10.03%	11.41%
DJIA	14,578.54	11.25%	10.34%
NASDAQ	3,267.52	8.21%	5.69%
Barclays Aggregate Bond	110.73	-0.32%	0.80%
MSCI EAFE	58.98	3.73%	7.45%
MSCI Emerging Markets	42.77	-3.56%	-0.42%

High corporate profits, attractive price/earnings ratios, low energy costs, improving employment and a soft US Dollar support these strong equity markets. However, we need to always remember that markets do not move in a straight upward line. Although we are not suggesting a volatile correction in the second quarter, we would not be surprised if there is profit taking and a pull-back of sorts. Recent history supports this trend of poor second quarter performance. In 2010, the

Eurozone stress resulted in a 13.6% drop in the Dow. In 2011, we experienced a 16.8% downturn when the US lost is AAA rating. And in 2012, we experienced a 9% loss due to recession fears.

Mark Zandi, a local economist, commented on Q1, stating that “the surging markets not only reflects an improving economy, but also helps drive its improvement. This is one of the best reasons to be optimistic about the country’s prospects.”

Investors tend to have short memories when markets are rallying. However, at Locust Capital our goal is to build diverse portfolios that benefit from strong market rallies but also reduce risk and protect capital. While we are happy with the recent market performance, we will continue with our disciplined approach of investing in a variety of asset classes that generate income, yield, and appreciation.

We look forward to speaking to you over the coming quarter and are here if you need us for anything!

Enjoy the Spring!

Sincerely,

Locust Capital Management