VANTAGE CONSULTING GROUP
3500 PACIFIC AVENUE VIRGINIA BEACH, VA 23451 (757) 491-1200 FAX (757) 422-5378

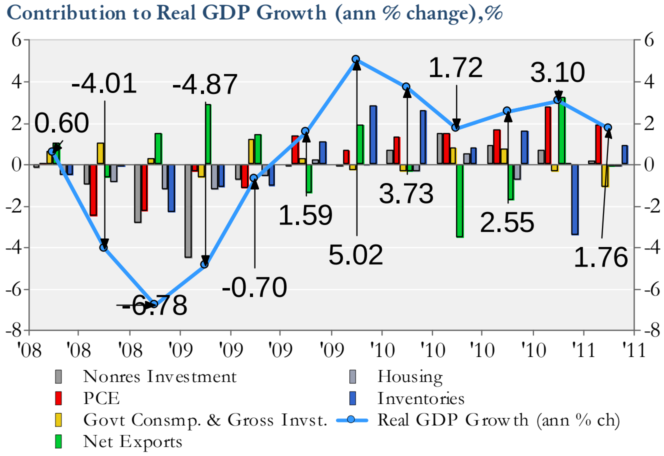
Market Review

April 2011

Economic Review

The 2011 first quarter Real GDP in the U.S. increased at an annual rate of 1.8% after a 3.1% rise in the previous quarter according to the advance estimates from BEA. The weakened growth rate is primarily attributed to higher food and energy prices along with adverse weather during the first two months of the quarter. Personal consumption expenditure, which accounts for 70% of the output, increased 2.7% in the first quarter vs. 4.0% during the fourth quarter. A larger decrease in federal, state and local government spending, decelerations in nonresidential fixed investment and exports coupled with an increase in imports all contributed to the slowdown in Real GDP numbers during the first quarter.

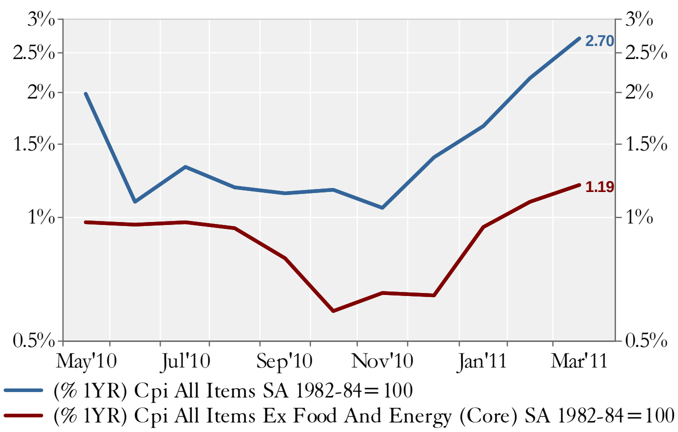
Contribution to Real GDP Growth (ann % change),%



source: Factset Reasearch Systems

The Consumer Price Index was up 0.5% in March primarily driven by a 3.5% increase in energy and a 0.8% increase in food. The core CPI (ex Food and Energy) was up 0.1% in March and is up 1.2% year-over-year.

US Consumer Price Inflation



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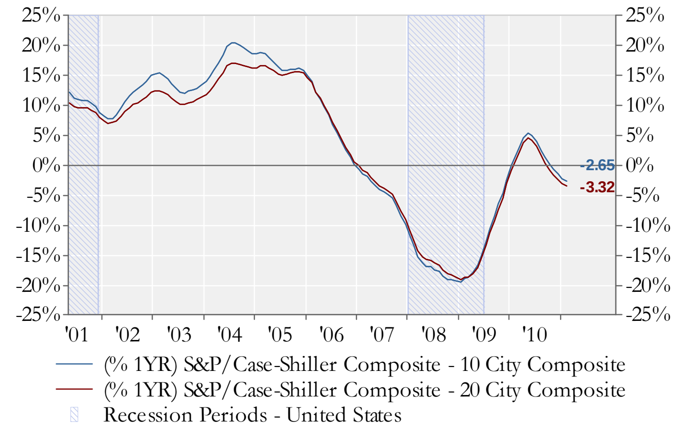
Year over year, the S&P Case-Shiller 10-city and 20-city home price index decreased 2.65% and 3.32% respectively. Existing home sales were up 3.7% in March compared to the 8.9% decline in February. New home sales increased by 11.11% in March to 300 K annualized units. These sales, however, are still nearly 22% lower than a year ago.

S&P/Case-Shiller Home Price Indices



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S&P reaffirmed the U.S. debt's AAA rating but lowered the long term outlook to negative from stable citing concerns over the country's long term fiscal health. The Federal Reserve held its first ever press conference immediately after the FOMC meeting during the last week of April. During the press conference, Ben Bernanke reiterated the Fed's willingness to hold interest rates at exceptionally low levels for an extended period (Bernanke clarified that the extended period means at least two FOMC meetings). He also repeated that the $600 billion asset purchase program will be completed at the end of June and that the end of this program is unlikely to have any significant impact on the financial markets or on the economy, in the opinion of the FOMC.

The rest of the globe seems to be taking a different approach to rising energy and food prices. Across the pond, the European Central Bank raised rates by 25 bps to 1.25%, its first policy change since May 2009. China's National Bureau of Statistics reported the year-over-year inflation rose to 5.4% in March, primarily driven by food prices. China has raised its key interest rates four times since October 2010. Rising inflation has been a concern for the other Asian giant as well and in a bid to rein it in, the Indian central bank raised its repo rate by 0.5% to 7.25%.

Portugal became the third European Union country to seek a financial aid package. There is also a growing skepticism as to whether Greece will be able to pay its huge debt.

Equity Markets

U.S. Equity markets made decent gains in April buoyed by the improving employment picture during the initial part of the month and strong corporate earnings during the latter half of the month. Mergers and acquisitions remain elevated as cash rich companies try to put the money to work in a low interest environment.

The S&P 500 Total Return Index rallied for an eighth straight month, advancing 2.96% in April and extending this year's gain to 9.06%. Small cap stocks slightly underperformed large and mid-cap stocks in April. The Russell 2000 Index rose 2.64% while the S&P Mid-Cap climbed 2.72%.

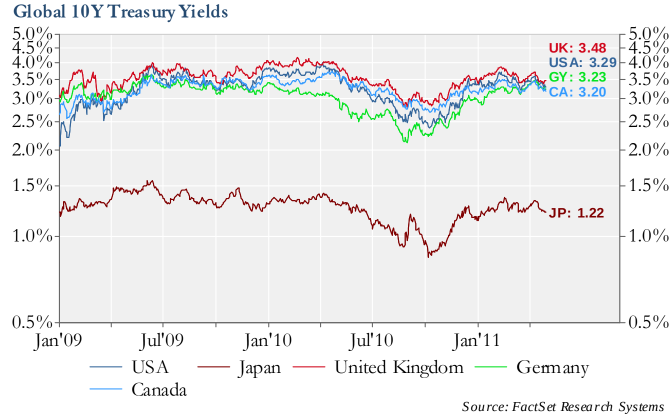
The weakness in the Dollar gave strength to the international equity markets. The MSCI World Index gained 4.31% in April while the MSCI EAFE rallied 6.08%. The FTSE 100 and STOXX 600 made 2.97% and 3.4% respectively. MSCI Emerging markets advanced 3.12% last month.

Bond Markets

The U.S. bond market, as measured by the Barclays Capital U.S. Aggregate Index, had the best returns since August 2010, advancing 1.27% in April.

The U.S. Benchmark 10 year yields fell 18 bps in April, the largest decline since August 2010, closing at 3.29%. The 2 year yields fell 22 bps during the same period, closing at 0.61%. In fact, the 2 year Treasuries posted their best weekly performance on April 18th, helped by benign inflation numbers and U.S. President's speech on his plan to cut the deficit. The Treasury market continued to post gains as worries over European debt underscored concerns over U.S. sovereign debt rating. Soft GDP numbers and weak jobless claims benefited Treasuries toward the end of the month.

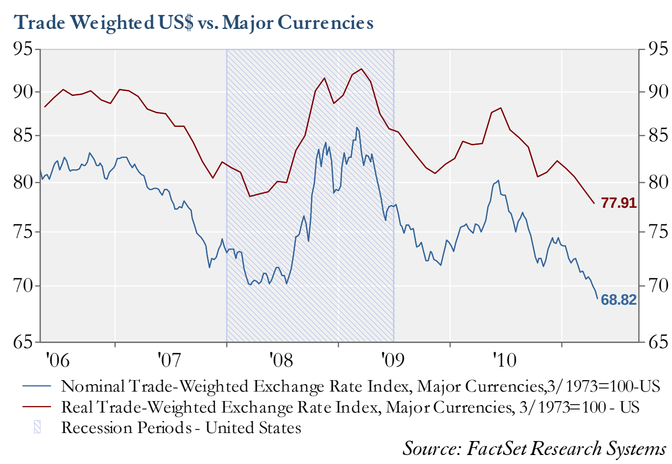
The yield on the German 10 Year Bund decreased 11 bps to close at 3.23% for April. The UK 10 Year GILT yield also fell 11 bps for the month, closing at 3.47%.



Source: FactSet Research Systems

Currency

The U.S. Dollar Index continued to weaken and hit a three year low against the basket of major currencies as the Federal Reserve continues to stay dovish and keep the short term interest rates near zero. The Euro rose 4.6%, the British Pound 4.06%, the New Zealand Dollar 6.3% and the Japanese Yen 2.3%. The Euro delivered its best month against the Dollar since September, buoyed by expectations that ECB will continue to raise rates to contain the euro-zone inflation. The Euro closed at 1.4836 USD and the British Pound closed at 1.6679 USD for April.

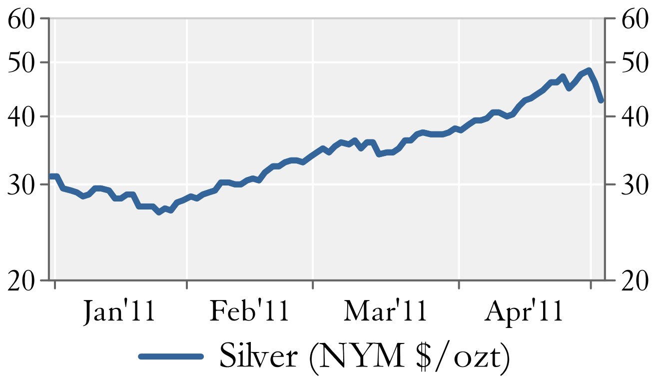


Source: FactSet Research Systems

Commodity Markets

Commodities outperformed stocks and bonds for the fifth straight month in the wake of a weakening Dollar. The S&P GSCI Index and Dow Jones UBS Commodity Index rallied 4.41% and 3.46% respectively during April. Gold and Silver reached record highs as investors continued to hedge exposure to fiat currencies. Gold futures closed at a record $1,556.40 per ounce, advancing 8.09% during the month. Spot Silver reached $49.79 per troy ounce on April 25th and closed the month at $48.60 per troy ounce, gaining 28.27% - the biggest one month gain in its history. Silver has lost nearly 19% MTD through close of May 4th.

Silver (NYM$/ozt)



Source: FactSet Prices

Copper was down for the second consecutive month amid reports of slowing economic growth in the U.S. and concerns of further interest rate hikes in Europe and emerging economies will slow growth.

Crude oil posted its eighth straight month of gains on the back of the weaker Dollar and continued crisis in Middle East. Crude gained 6.76% in NYM closing at $113.93/bbl.

Soft commodities were mixed in April. Coffee and Cocoa were amongst the best performing commodities after Silver in April. However, Sugar saw its prices plummeting to a six month low, owing to better supplies and weaker demand.