VANTAGE CONSULTING GROUP
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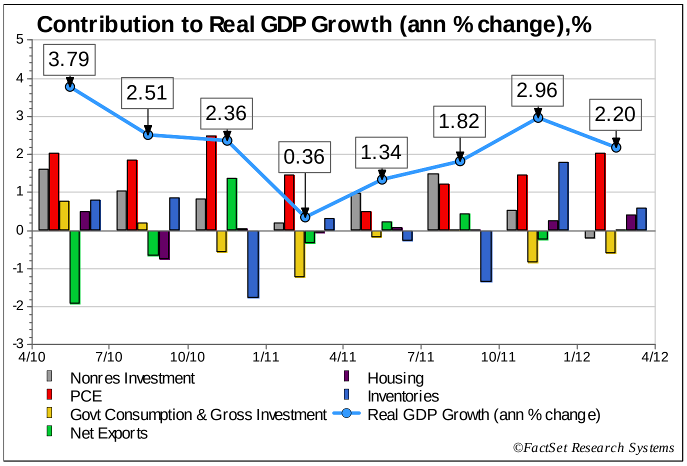
Market Review

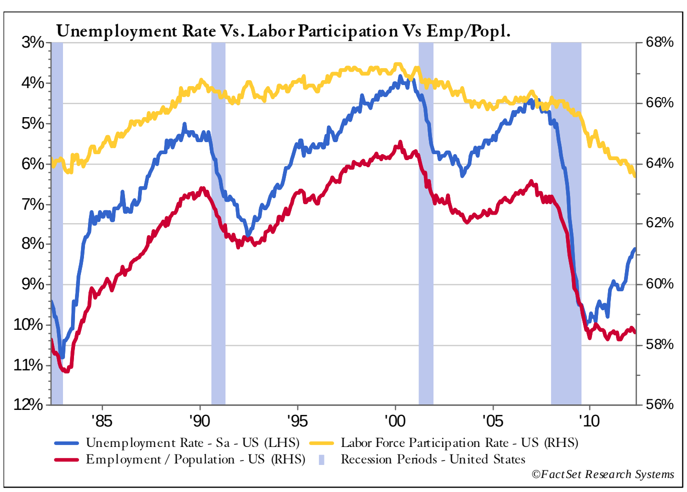
April 2012

Economic Review

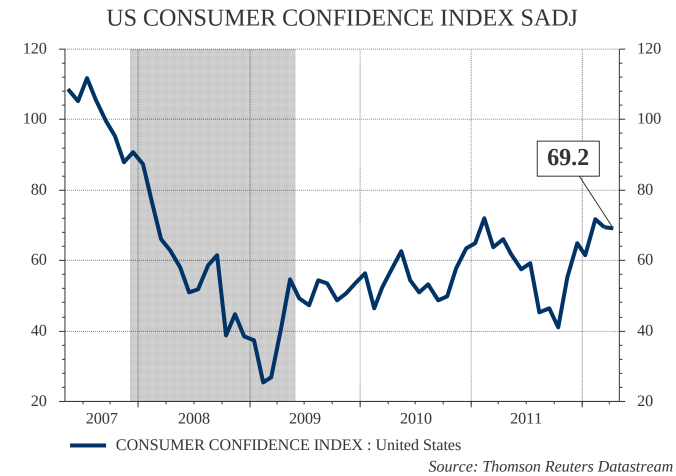
Despite the mild winter, U.S. first quarter GDP came in at a 2.2% annualized growth rate, down from the 3.0% pace in the fourth quarter of last year and below the consensus of 2.5%. This has reignited debates about the sustainability of the recovery and the possibility of further Fed intervention. While the buildup of Inventories (blue bar in the chart below) was the primary reason behind GDP growth in the fourth quarter, Personal Consumption Expenditure (red bar) fueled the growth in the first quarter. Inventories and Housing also contributed positively to the GDP growth in the first quarter.



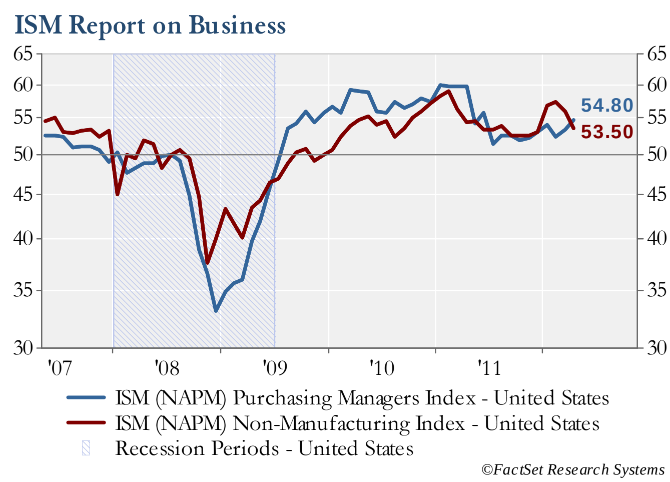
Nonfarm payroll employment rose by a modest 115,000 in April, after adding 120,000 in March, raising fears of a slowing recovery. The unemployment rate declined to a three year low of 8.1%, as the labor force participation rate fell to a 30 year low of 63.6%. The four week average weekly jobless claims reversed the recent downtrend in April and reached a three month high at 381,750.



Monthly retails sales increased 0.8% in March and 6.5% from a year ago. Consumer spending increased 0.3%, while real personal income increased 0.2% in March from a month ago. The Personal Savings rate came in at 3.8% in March, compared to 3.7% in February. The Consumer Confidence Index fell to 69.2 in April from 69.5 a month ago.



ISM Manufacturing Index (PMI) increased to 54.8% in April, up from 53.4% in March indicating an expansion in the manufacturing sector for the 33rd consecutive month. The ISM Non-Manufacturing Index declined to 53.5% in April from 56% in March. A reading above 50 indicates expansion, and below 50 indicates contraction. The headline Consumer Price Index (CPI) increased 0.3% in March from a month prior and 2.7% year over year while core CPI increased 0.2% in March from a month earlier and 2.3% year over year.



Home prices continued to fall as the S&P Case-Shiller Home Price Index 20-city composite fell by 0.8% in February from January. The index is down 3.5% from a year

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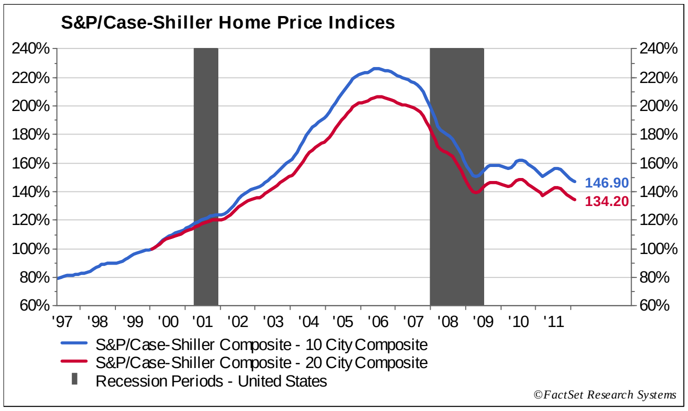
ago. New home sales came in at a seasonally adjusted annual rate of 328,000 in March, down 7.1% from the revised February rate of 353,000, but 7.5% above the March, 2011 figure of 305,000. Existing homes sales declined 2.6% from a month earlier to 4.48 million annual rate in March, but are up 5.2% from March 2011.



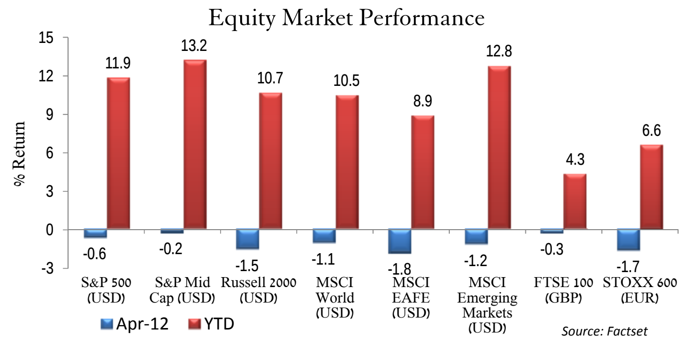
The Federal Open Market Committee (FOMC) kept interest rate policy unchanged in April. The FOMC statement anticipated moderate economic growth and was prepared to do more as needed.

Political and economic uncertainty in Europe dominated April. French credit default spreads widened as the French elections favorite candidate, Mr. Hollande, promised to amend the current EU fiscal treaty. The unemployment rate in Spain has increased to 24.4%. S&P downgraded Spain's credit rating by two notches to BBB+ and placed it on negative outlook. Yields rose in Spain and Italy as these countries had weak bond auctions. Eurozone manufacturing PMI registered a reading of 46 in April, the lowest level since June 2009 and down sharply from 47.7 in March.

Chinese first quarter real GDP grew at 8.1% year over year, well below the market expectations. Reserve Bank of India cut the repo rate by 50 bps.

Equity Markets

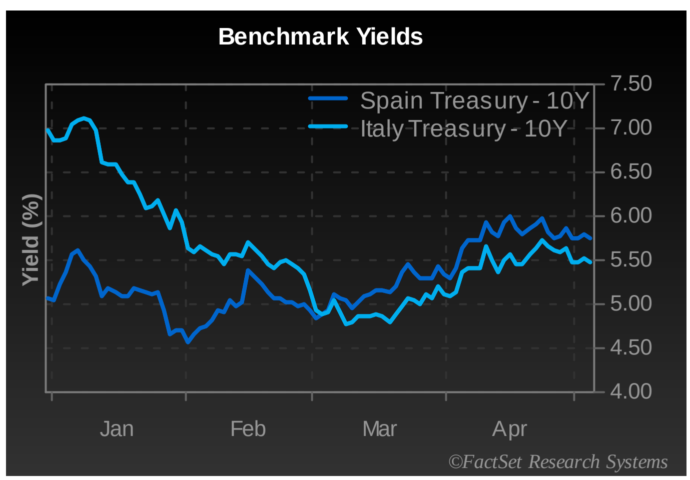
April saw global equity markets give back some of the gains made in recent months, as investors grew more risk averse on renewed concerns of global economic slowdown and ongoing European sovereign debt issues (especially in Spain). US equities fared relatively better than international equities and ended near March levels in part due to strong corporate earnings in the latter half of the month. The financial sector underperformed the rest of the market while utilities and consumer staples made modest gains. Large cap outperformed small cap and growth trumped value.



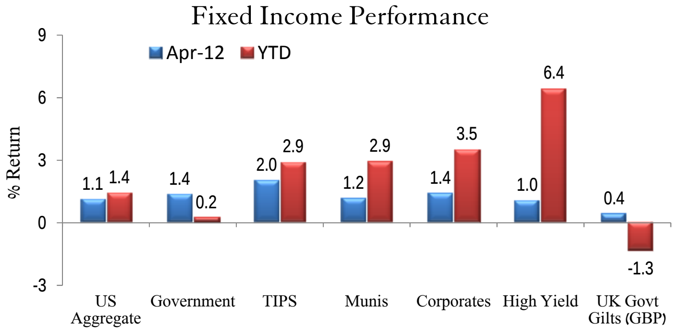
U.S. stocks declined during the first half of the month on Spanish debt concerns, weaker growth in China and relatively weaker U.S. economic data. Weak job growth (120,000), rising Italian and Spanish borrowing rates and concerns of slowing global growth kept any equity rally in check. Stocks gained during the latter half of the month as strong earnings offset European concerns and a weak US GDP report. These gains however were not enough to offset the losses made during the initial half of the month.

Bond Markets

Fixed income benefitted from the risk off sentiment in April. Treasuries outperformed corporate and high yield fixed income as Treasury yields declined and credit spreads widened. Credit spreads had been tightening since December, 2011.



The Barclays Capital U.S. Aggregate Index increased 1.1% in April and is up 1.4% YTD. Corporate AA spreads widened 7 basis points in April. Though the credit spreads widened modestly, corporates and high yield generated positive returns in April as overall yields fell significantly. The US 10 Year Treasury yields fell 30 bps to close at 1.91% while the 30 Year Treasury yields fell 32 bps to close at 3.11% during April.



Source: Factset

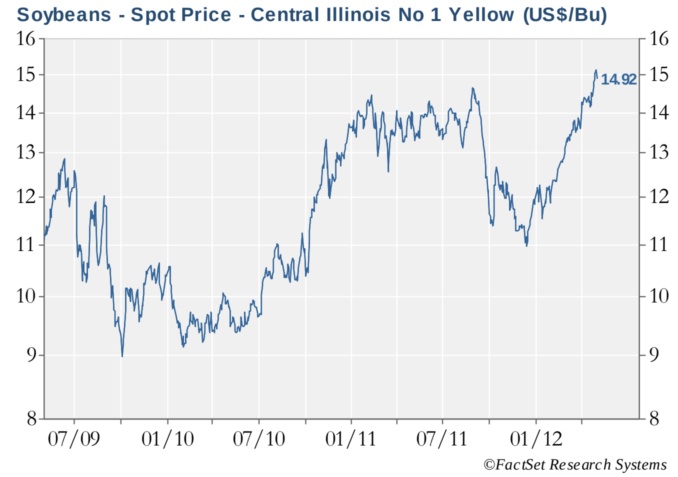
The UK 10 Year GILT yield fell 9 bps to close at 2.11%. The German 10 year Bund yield fell 13 bps and closed at 1.66%.

Currency

The U.S. Dollar Index declined 0.18%, falling to 78.86 from 79 against a basket of six currencies. The Japanese Yen appreciated the most amongst the 16 trading partners, gaining 3.07% against the US Dollar while Brazil real was the weakest currency amongst these in April, depreciating 3.69%. The Euro weakened 0.61% closing at 1.3236 USD/EUR for April while the British pound appreciated 1.63% to close at 1.6238 USD/GBP.

Commodity Markets

Commodities, as measured by the S&P GSCI Commodity Index, were down 0.51% in April after declining 2.35% the prior month. The Index is up 5.3% for the year. Soybeans had the strongest gains, rallying 7.1%, on robust demand and drought in South America. Lead and Zinc also had strong gains with returns of 6.0% and 3.4% respectively.



Crude Oil increased 1.3% on hopes that increased consumer spending will cause a surge in demand. Gold retreated 0.45%, its third consecutive month in decline, and Silver lost 4.7% in April as the Federal Reserve appeared to reevaluate the need for additional quantitative easing.

Sugar was the biggest loser, declining 11.9% in April. The plunge in sugar prices is the biggest monthly decline since March 2011. Wheat and Lean Hogs underperformed the rest with returns of 6.4% and 4.9% respectively.

Soybeans, Unleaded Gasoline and Brent Crude lead the 24 commodities in the GSCI index for the year with returns of 23.6%, 14.7% and 13% respectively. Natural Gas, Coffee and Wheat had the least gains for the year with returns of 35.9%, 22.5% and 9.9% respectively.