



PACIFIC ASSET MANAGEMENT

April 20, 2011

Enclosed are your 1st quarter 2011 statements for your review. The quarter saw a plethora of negative news: the political upheaval in the Middle East, soaring energy prices, and the devastating tragedy in Japan resulting from the earthquake and tsunami. Despite these events, the U.S. equity markets produced their best 1st quarter since 1998.

All portfolio asset classes delivered positive returns with US small growth company securities leading the way at nearly 8% for the quarter. US real estate securities posted returns just shy of 7%, while US small value securities recorded a return north of 6.5%. The international markets, while positive, trailed the performance of the US with returns in all asset classes roughly around 3.5%. Emerging markets finished up over 2% for the quarter. Lastly, bonds provided a minimal return of .5%.

It is impossible to predict which asset class is going to perform well on a quarter to quarter basis, or even year to year for that matter. But what we do know is the closest thing to a free lunch is to globally diversify your portfolio to capture long term market returns. Most of you have maintained the course and as a result have and will continue to be rewarded for your discipline in tumultuous times. What's important is to have an investment philosophy, not a market outlook.

We would like to leave you with these reminders:

- 1) The real definition of "money" is "purchasing power."
- 2) Equities have a much superior long-term record of preserving purchasing power than bonds. Net of inflation equities have produced a real rate of return more than two and one half times that of bonds.
- 3) Bonds primary role in a portfolio is to reduce volatility.

As always, we encourage you to contact us with any questions or concerns, as well as any major life event changes that warrant revisiting your asset allocation. We also thank you for the referrals you have sent our way, which is the greatest compliment you can give us.

Best Regards,

The Pacific Asset Management Team