MainStreet Advisors
Financial Market Update

June 3, 2011
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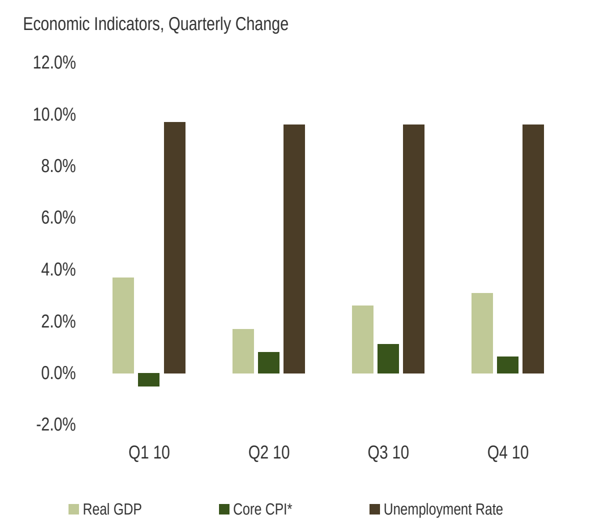
Economic Update

The week was full of severely disappointing employment data indicating that the job market recovery has stalled. The ADP payroll numbers were released at the beginning of the week, showing that employment increased by only 38,000 in May, far below expectations and the smallest increase since September. The weak number was followed by a report from the Labor Department that showed initial jobless claims came in at 424,000 for the previous week. This was higher than expected and marked the eighth straight week that the number was above the key 400,000 level. Another report from the Labor Department that came out at the end of the week showed non-farm payrolls increased far less than economists had expected. The private sector added 83,000 jobs in May, but continued losses in government jobs brought the total increase in payrolls down to 54,000. This was well below the revised 232,000 gain seen in April and the lowest gain in eight months. The unemployment rate edged up to 9.1% – the highest level so far this year.

The release of the latest data for the S&P /Case-Shiller Index this week confirmed that the housing market is in double-dip territory. The national home price index fell 4.2% in the first quarter and is down 5.1% over the past year. Home prices are now down 32.7% from their peak in 2006 and are as low as they've been in nine years. "Home prices continue on their downward spiral with no relief in sight." says David M. Blitzer, Chairman of the Index Committee at S&P Indices. "The rebound in prices seen in 2009 and 2010 was largely due to the first-time home buyer's tax credit. Excluding the results of that policy, there has been no recovery or even stabilization in home prices during or after the recent recession."

Further evidence that economic growth is slowing came from the Institute for Supply Management this week. The PMI was 53.5 for the month of May – still indicating expansion but at a much slower rate than the April reading of 60.4. This was the lowest number reported over the last 12 months and the first reading below 60 for the calendar year.

Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

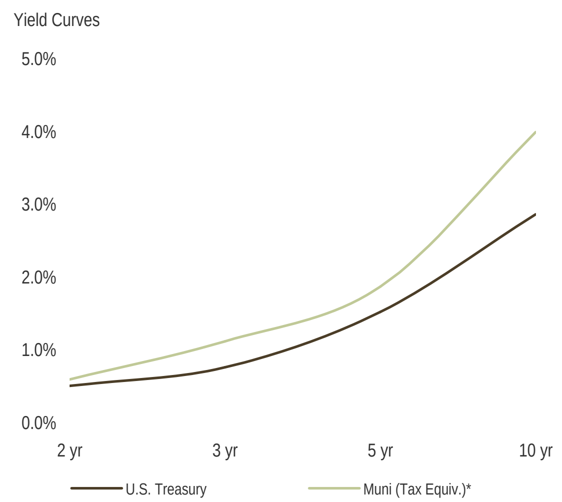


Source: Bureau of Economic Analysis, Bureau of Labor Statistics
*Core CPI excludes energy and food prices from the calculation of the Consumer Price Index

May 31st	S&P/Case-Shiller 10-city Index, Mar. Monthly Chg.	-0.6%
May 31st	Chicago PMI Business Barometer Index, May	56.6
May 31st	Consumer Confidence Index, May	60.8
May 31st	State Street Investor Confidence Index, May	104.1
June 1st	MBA Purchase Applications Index, Wkly. Chg.	0.0%
June 1st	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.4%
June 1st	ISM Mfg. Index - Level, May	53.5
June 1st	Construction Spending, Apr. Monthly Chg.	0.4%
June 2nd	Initial Jobless Claims (Week ending 5/28)	422,000
June 2nd	Factory Orders, Apr. Monthly Chg.	-1.2%
June 2nd	EIA Natural Gas Report, Wkly. Chg.	83 bcf
June 2nd	EIA Petroleum Status Report, Wkly. Chg.	2.9M Barrels
June 3rd	Unemployment Rate, May	9.1%
June 3rd	ISM Non-Mfg. Index, May	54.6

Bond Market Update

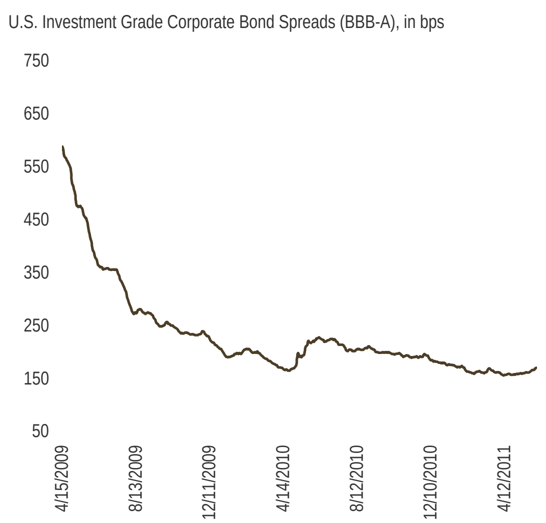
Demand for safe-haven U.S. government debt drove Treasury prices higher amid a poor jobs report on Friday along with Moody's warning of a small but rising risk of a debt default by the United States. Treasuries returned 1.6% last month, the most since August, according to Merrill Lynch, with the recent bullish trend over the last several months coming on the back of weak economic data, suggesting that the recovery may be slow and gradual. Separately, traders cut bets on inflation expectations as the spread, or difference between yields, on the 10-year and similar maturity TIPS, a gauge of trader expectations for consumer price increases, narrowed to 2.25%, down from this year's high of 2.67%. In the interest rate futures market, futures on federal funds for September 2012 delivery were up 3.5% to 99.54, implying that traders see the Fed initiating an increase in its target rate on overnight interbank loans in the fourth quarter of 2012. Meanwhile, Moody's warned it would consider cutting the United State's AAA rating if the White House and Congress do not make progress by mid-July in talks to raise the country's debt limit. The rating agency urged progress before politics takes over in the run-up to the November 2012 presidential election stating, "If this opportunity goes by without them realizing a serious long-term debt/deficit reduction program, then we think that until the presidential election, the chances of such an agreement are really much reduced."



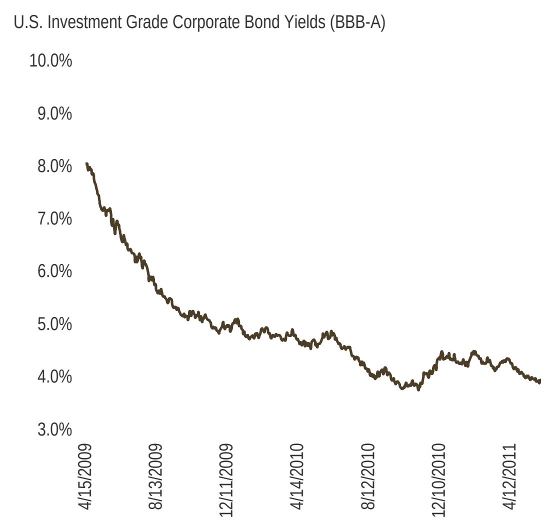
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	5.27.11	6.3.11	Change
3 month T-Bill	0.05%	0.04%	-0.01%
2-Year Treasury	0.48%	0.45%	-0.03%
5-Year Treasury	1.72%	1.65%	-0.07%
10-Year Treasury	3.07%	3.04%	-0.03%
30-Year Treasury	4.23%	4.25%	0.02%

Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

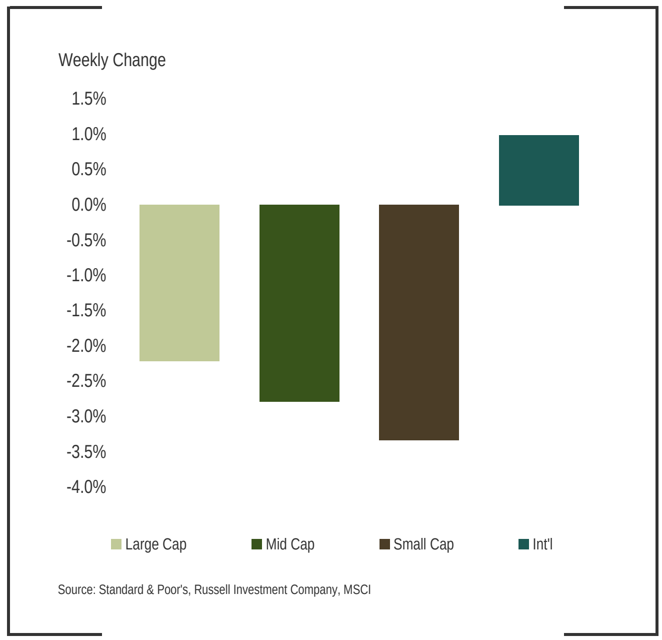
The stock market continued its slide to start the month of June and ended the week in negative territory. The decline in the stock market centered on the recent jobs report that came out Friday morning, which showed the economy adding 54,000 jobs in May, significantly lower than the 244,000 that were added in April and lowest job growth since September of last year. The Dow Jones Industrial Average closed at 12,151.26, down 277 points for the week, or down 2.23%. The broader S&P 500 Index ended the week down 30 points, down 2.21% to close at 1,300.16, while the NASDAQ Composite finished lower by 60 points, or down 2.13% to close the week out at 2,732.78.

European markets followed the U.S. down the last couple of days of the week, but did not give up the entire gain from earlier in the week. The MSCI EAFE Index closed at 1,701.51, up .99%. The week started in positive territory, but finished the week with negative news. The first news was the downgrade to the sovereign debt in Greece from B1 down to Caa1. The current rating is viewed as poor quality with the possibility of default. This debt downgrade was followed by the dismal job report from the United States.

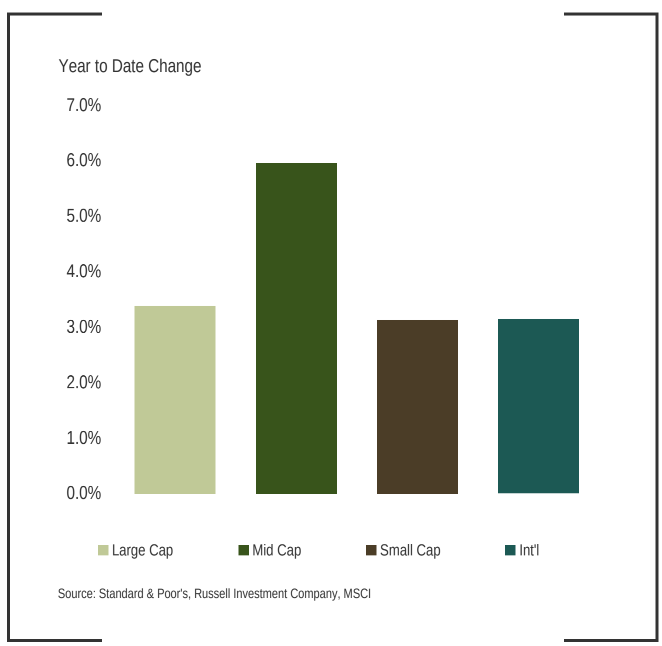
Companies in the private education business received a boost from the federal government this week. The sector has struggled over the past year and has come under much scrutiny due to the lending practices exhibited in the industry. A report from the US Department of Education put forward guidelines that were far less strict than had been originally expected. The new guidelines stipulate that schools must meet three separate guidelines three out of four school years to qualify for federally subsidized student loans. The test involves having a loan repayment rate greater that 35%, graduating students with a debt-to-discretionary income ratio less than 30%, and graduating students with a debt-to-total earnings ratio of less than 12%. Shares of Apollo Group (APOL) were up 16% on the news.

Issue	5.27.11	6.3.11	Change
Dow Jones	12,428.26	12,151.26	-2.23%
S&P 500	1,329.54	1,300.16	-2.21%
NASDAQ	2,792.14	2,732.78	-2.13%
Russell 1000 Growth	612.52	605.29	-1.18%
S&P MidCap 400	988.85	961.26	-2.79%
Russell 2000	836.03	808.17	-3.33%
MSCI EAFE	1,684.84	1,701.51	0.99%
MSCI EM	1,133.37	1,158.96	2.26%
MSCI Small Cap	172.91	176.36	1.99%

Prices reflect most recent data available at the time of publication
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch.



Source: Standard & Poor's, Russell Investment Company, MSCI



Source: Standard & Poor's, Russell Investment Company, MSCI

Alternative Investments Market Update

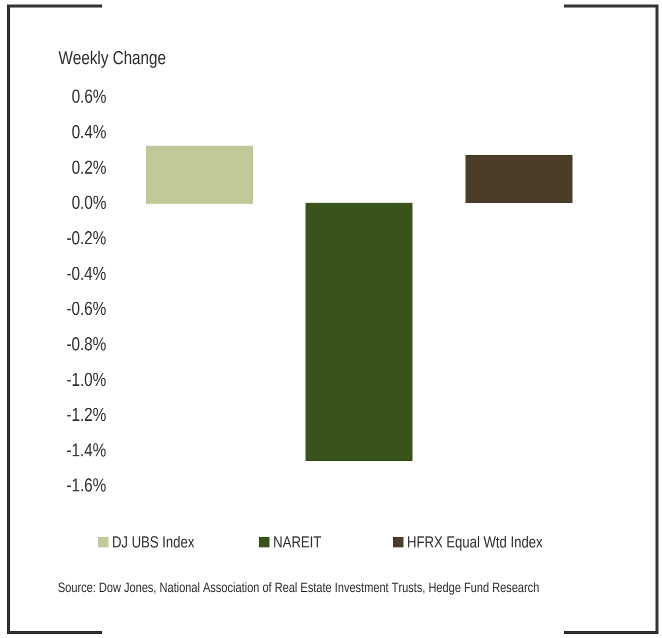
As U.S. jobless claims continue to climb, crude oil fell, capping the biggest weekly decline in a month. Crude dropped 0.04%, or $0.04, to settle at $100.47 a barrel. It could have dipped further had it not been for the dollar continuing to show weakness, which cheapens crude for investors using foreign currencies to broaden their investment appeal. The Organizations of Petroleum Exporting Countries (OPEC), which meets next week, faces strong demand from consumer countries to boost output in order to relieve high prices. The oil market is adequately supplied for now, with U.S. crude inventories at two-year highs, but demand is expected to increase later in the year.

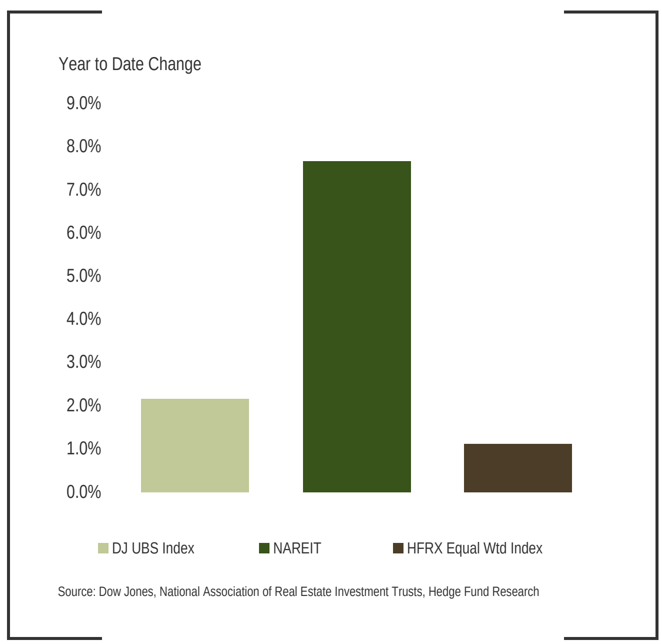
Gold was able to hold onto its gains this week, despite the Labor Department's latest job report. Gold closed at $1,542.40 an ounce, up 0.44%, or $6.70. Experts continue to believe that gold is providing a safe-haven, as investors envision some sort of stimulus in the near future to counter the weakness on the job front, as well as other persistent macroeconomic problems.

According to FINalternatives, hedge funds are diving into emerging markets like never before. Hedge fund capital in emerging markets reached $121 billion in Q1 2011, beating the previous record of $117 billion set in 2007, reports data provider Hedge Fund Research (HFR). Asia, totaling almost $2.3 billion in the first quarter, is one of the primary sources of this new capital. The HFRI Emerging Markets Index posted a slight gain of 0.96% for Q1 2011 and added 1.83% in April to bring year-to-date performance to 2.80%, reports HFR. Kenneth Heinz, president of HFR, stated that the record level of assets invested in emerging market hedge funds "represents the latest evidence that global investors continue to exhibit a preference for accessing specialized emerging markets exposure via hedge funds. As a direct result of the strategic specialization, sophistication and improved structure of emerging market hedge funds, the number of funds located in Brazil, China, Russia, Singapore and UAE all continue to grow, and we expect this trend to continue in 2011 and in coming years."

Issue	Previous Week	Current[1]	Change
Gold	1,535.70	1,542.40	0.44%
Crude Oil Futures	100.51	100.47	-0.04%
Copper	417.85	412.10	-1.38%
Sugar	22.90	23.95	4.59%
HFRX Equal Wtd. Strat. Index	1,177.07	1,180.25	0.27%
HFRX Equity Hedge Index	1,146.11	1,152.36	0.55%
HFRX Equity Market Neutral	1,022.77	1,031.65	0.87%
HFRX Event Driven	1,408.64	1,412.41	0.27%
HFRX Merger Arbitrage	1,556.57	1,544.31	-0.79%
Dow Jones UBS Commodity Index	165.35	165.89	0.33%
FTSE/NAREIT All REIT	146.81	144.67	-1.46%

1 Prices reflect most recent data available at the time of publication
Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research, Bloomberg, The Wall Street Journal, The International Monetary Fund.





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