MainStreet Advisors
Financial Market Update

August 12, 2011

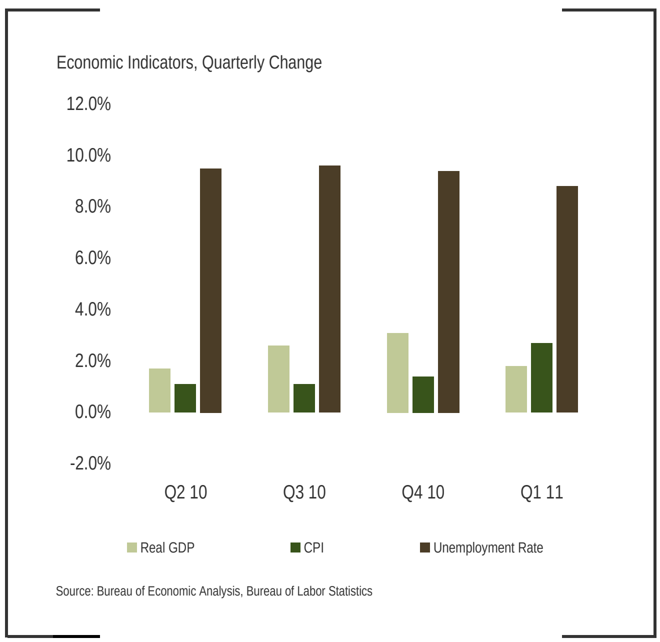
Economic Update

It was a very volatile week driven by a U.S. government debt downgrade by S&P, unprecedented statements out of the Fed, and a deepening European debt crisis. Minutes were released from the FOMC stating the Committee expects a somewhat slower pace of recovery than it originally anticipated. In an unexpected move the Fed explicitly identified a time frame for their current policy, stating they plan to keep the fed funds rate at "exceptionally low" levels through at least mid-2013. The statement read "Indicators suggest a deterioration in overall labor market conditions in recent months" and "the housing sector remains depressed." The statement also mentioned the Committee was prepared to deploy an array of tools as appropriate to promote a stronger recovery. It is important to note that the Committee was not in agreement, as three of the members voted against the action.

The European Central Bank moved in response to rising yields for Spanish and Italian debt, announcing that it will begin buying bonds issued by the two countries in an effort to stabilize markets. While not a permanent solution, it will at least give the eurozone more time to solve its long-term fiscal problems.

The U.S. Commerce Department announced on Thursday that the trade deficit worsened in June despite lower oil prices. The trade gap widened from a revised $50.8 billion in May to $53.1 billion as exports fell 2.3%, led by a $2.0 billion drop in industrial supply exports. The number came in worse than the $48.0 billion economists were predicting.

There was at least some good news this week as initial jobless claims fell below 400,000 for the first time in four months, according to the Labor Department. The number of Americans filing for first-time unemployment benefits dropped 5,000 from the previous week to 395,000 for the week ended August 6. Continuing claims showed improvement as well, down 60,000 to 3.688 million for the week ended July 30. Retail sales also improved, jumping 0.5% in July following a 0.3% rise the month before, according to the Commerce Department.



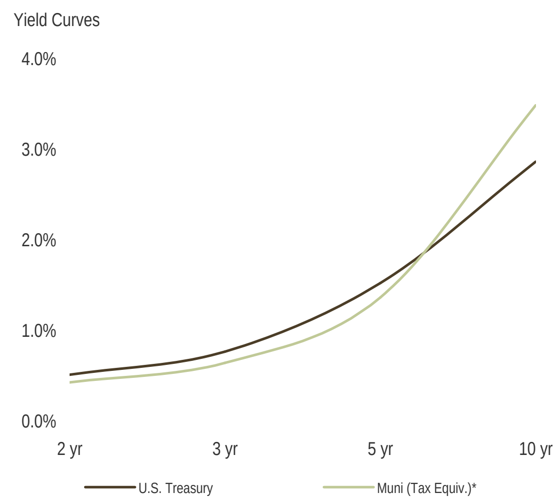
Aug. 9th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.5%
Aug. 10th	MBA Purchase Applications Index, Wkly. Chg.	-0.9%
Aug. 10th	Wholesale Inventories, June Monthly Chg.	0.6%
Aug. 10th	EIA Petroleum Status Report, Wkly. Chg.	-5.2M Barrels
Aug. 11th	International Trade Balance Level, June	-53.1B
Aug. 11th	Initial Jobless Claims (Week ending 8/6)	395,000
Aug. 11th	EIA Natural Gas Report, Wkly. Chg.	25 bcf
Aug. 12th	Retail Sales, July Monthly Chg.	0.5%
Aug. 12th	Consumer Sentiment Index, August	54.9
Aug. 12th	Business Inventories, June Monthly Chg.	0.3%

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.

Bond Market Update

Treasuries rallied considerably for the week amid expectations the Federal Reserve's pledge to keep short-term rates low until at least 2013 is an indication of a slowing economic recovery. In case you missed it, Standard & Poor's Inc. (S&P) also lowered their credit rating on long-term U.S. government debt to AA+, citing the country's rising public debt burden and the "perception of greater policymaking uncertainty." Although historical precedence would dictate a dramatic bond sell-off after a downgrade, Treasuries have actually rallied after the announcement, indicating that the world is still treating the U.S. as AAA credit. Market participants recognize that the U.S. has the financial wherewithal to pay its debts, and Treasuries are still considered one of the safest investments in the world, with no other market as large or as liquid.

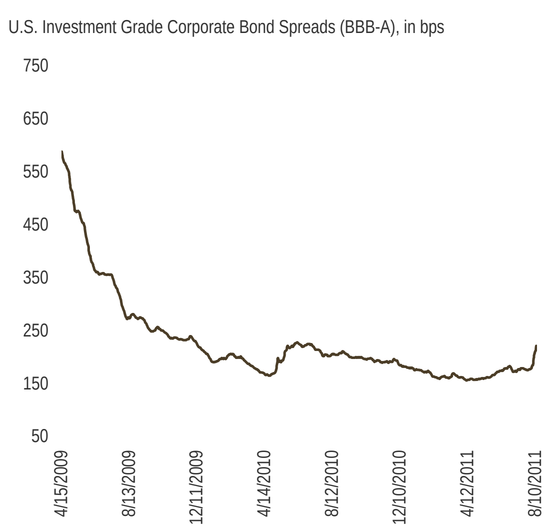
With increased uncertainty, and economic and market conditions changing fast, the Federal Open Market Committee (FOMC) will likely need to take some sort of policy action sooner rather than later. Bernanke told Congress on July 13 that the Fed was prepared to buy more Treasury bonds if the economy appeared in danger of stalling or if the threat of deflation looked like it was going to re-emerge. On Tuesday, the FOMC discussed a range of policy tools to bolster the economy and said it is "prepared to employ these tools as appropriate," suggesting another quantitative easing program is a distinct possibility.



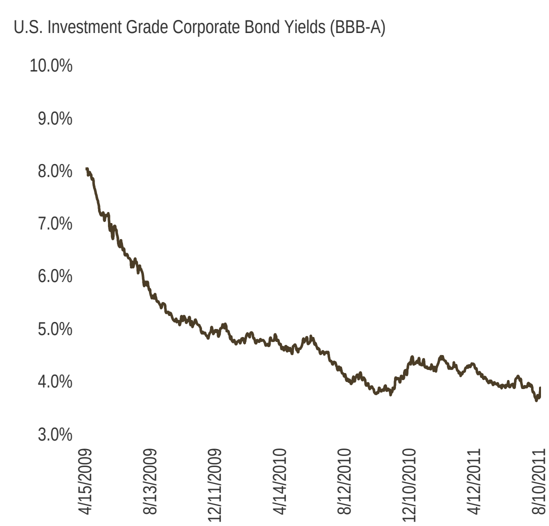
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	8.5.11	8.12.11	Change
3 month T-Bill	0.01%	0.02%	0.01%
2-Year Treasury	0.28%	0.20%	-0.08%
5-Year Treasury	1.23%	0.96%	-0.27%
10-Year Treasury	2.58%	2.24%	-0.34%
30-Year Treasury	3.82%	3.72%	-0.10%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

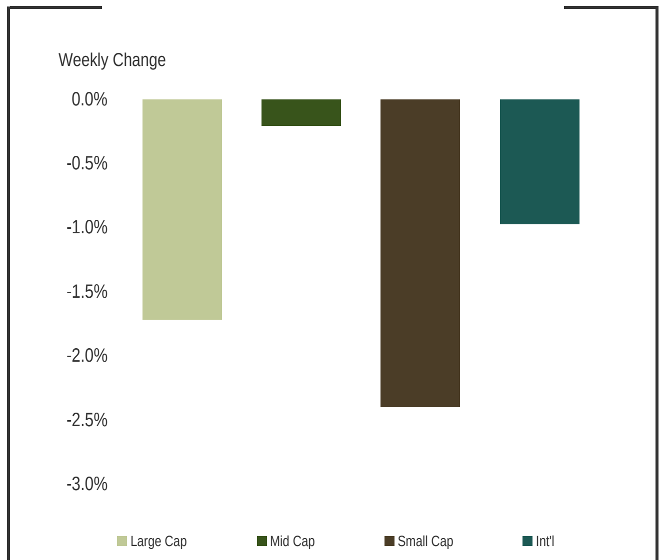
The stock market finished a volatile week on a positive note with the Dow Jones Index up triple digits the last three trading days; however it did not make back the losses incurred earlier in the week. It was as if the running of the bulls had taken place the first half of the week as investors were digesting not only the downgrade by S&P, but also the European debt crisis, lackluster macroeconomic data, and several rumors of additional downgrades. As of Wednesday this week, the net outflows from mutual funds in the past week totaled $14 billion. The Dow Jones Industrial Average closed at 11,269.02, down 175 points for the week, or down 1.53%. The broader S&P 500 Index ended the week down by 1.72% to close at 1,178.81, while the NASDAQ Composite finished lower by 24 points, or down 0.96% to close the week out at 2,507.98.

The financial sector was hit hardest falling 4.84% as investors were concerned the European sovereign debt issues may spill over into the U.S. banking sector. Bank of America (BAC) fell over 20% on Monday due to rumors that an additional lawsuit will be filed stemming from the fallout of Countrywide and Merrill Lynch. On Wednesday, after the Fed meeting, CEO of Bank of America, Brian Moynihan, spoke regarding the bank's strategy for dealing with the mortgage problem in order to instill confidence in its shareholders that the bank will meet its' capital requirements.

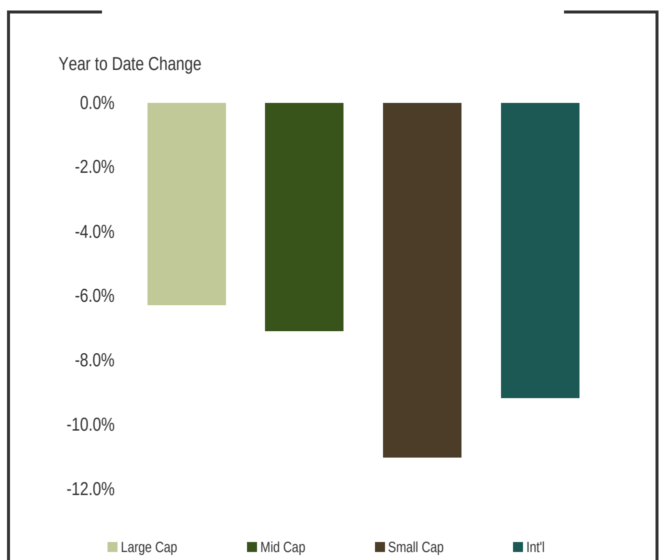
Cisco System (CSCO) announced earnings on Thursday that beat analysts' expectations. The stock was propelled higher by a surge in investor confidence after the CEO, John Chambers, spoke the same day. Chambers mentioned spending in the technology sector continues to pick up, and Cisco is not seeing a slowdown in spending. Additionally, the company saw revenue increase across several business lines. CSCO finished the day up over 16%. These results helped bolster the rest of the technology sector, which finished the week down less that 1%.

Issue	8.5.11	8.12.11	Change
Dow Jones	11,444.61	11,269.02	-1.53%
S&P 500	1,199.38	1,178.81	-1.72%
NASDAQ	2,532.41	2,507.98	-0.96%
Russell 1000 Growth	558.15	553.30	-0.87%
S&P MidCap 400	844.78	843.08	-0.20%
Russell 2000	714.63	697.5	-2.40%
MSCI EAFE	1,513.23	1,498.56	-0.97%
MSCI Small Cap	1,106.09	989.95	-0.33%

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

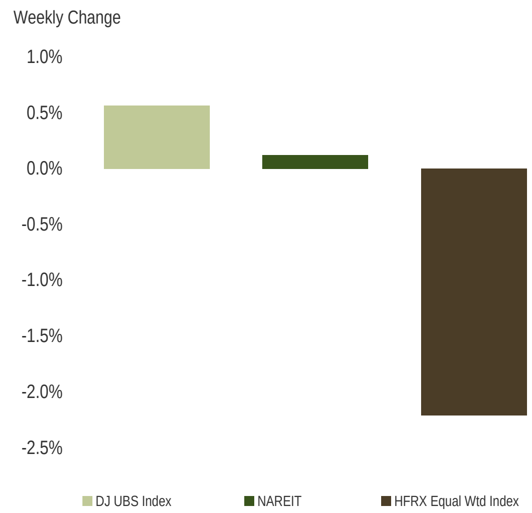
Gold hit a record high this week as investors sought shelter from slumping equities after Standard & Poor's downgraded US debt from AAA to AA+. The precious metal reached $1,817.60 an ounce, closing above platinum for the first time since 2008 and has gained 23% year-to-date. Gold finished the week up 5.06%, but ended up settling at $1,749.30 an ounce thanks to a 0.5% jump in U.S. retail sales for July, temporarily easing concerns among investors. Experts continue to view gold as a safe investment in times of economic uncertainty primarily because bullion remains "well underpinned in the short term, with very limited downside."

The debt downgrade may also have a major impact on real estate investment trusts (REITs). Traditionally, high yielding REITs garner attention due to their reliable income. However recent reports suggest that this downgrade could have a considerable impact on REIT earnings, along with their dividends. According to REIT.com, the majority of agency mortgaged REITs have portfolios made up principally of mortgages insured by the federal agencies Fannie Mae, Freddie Mac and Ginnie Mae. This downgrade on U.S. debt would make paper from these federal agencies suffer a downgrade along with most other government-related bonds. In terms of specific sectors, experts singled out necessity-driven areas such as health care and grocery/drug-anchored retail centers as some that are positioned to withstand a softening in the market. The FTSE NAREIT All REIT Total Returns Index fell 9.6% on Monday, but recovered nearly all of its losses, climbing 9.74% on Tuesday's trading.

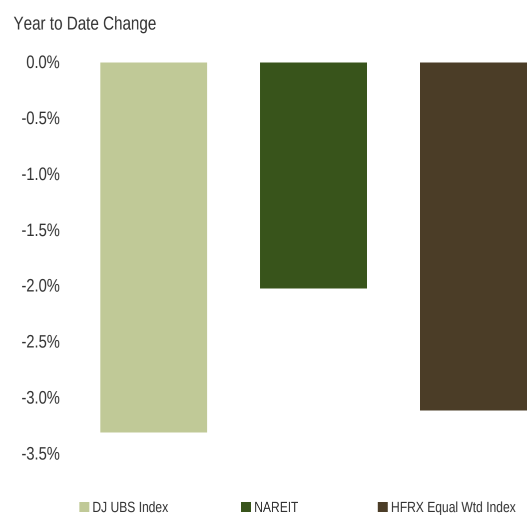
Hedge funds ended the first half with their sixth-straight monthly inflow, but according to a recent report from FINAlternatives, the second half of the year may shape up rather differently. The hedge fund industry took in $3.8 billion in net inflows in June, bringing total first-half inflows to $73 billion, the highest total in four years. However, total fund assets actually declined in June, the average hedge fund's second straight month of performance losses, by nearly $16 billion. Experts question if strong inflows will continue despite the recent fallout in the equity markets.

Issue	Previous Week	Current[1]	Change
Gold	1,665.10	1,749.30	5.06%
Crude Oil Futures	87.09	85.40	-1.94%
Copper	412.35	402.00	-2.51%
Sugar	27.54	27.84	1.09%
HFRX Equal Wtd. Strat. Index	1,156.51	1,131.01	-2.20%
HFRX Equity Hedge Index	1,103.76	1,045.08	-5.32%
HFRX Equity Market Neutral	1,028.40	1,016.13	-1.19%
HFRX Event Driven	1,373.38	1,326.55	-3.41%
HFRX Merger Arbitrage	1,520.89	1,481.90	-2.56%
Dow Jones UBS Commodity Index	156.15	157.03	0.56%
FTSE/NAREIT All REIT	131.52	131.68	0.12%

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.



Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research



Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research

MainStreet Advisors performance results reflect time-weighted rates of returns based upon MainStreet Advisors proprietary trading strategies. Performance results reflect the reinvestment of dividends and other earnings as well as the deduction of management and transaction fees. Performance does not reflect additional fees charged by institutions MainStreet Advisors provides investment services. In some cases, performance reflects the quarterly rebalancing of assets based upon MainStreet Advisors Tactical Asset Allocation Models.

Past performance may not be indicative of future results, and the performance of a specific individual account may vary substantially from performance presented herein. Therefore, no current or prospective client should assume that future performance will be profitable or equal the performance results reflected herein. In calculating account performance, MainStreet Advisors has relied upon information provided by various sources believed to be accurate and reliable but cannot be guaranteed. All past recommendations are available upon request. Investments in equities, fixed income, mutual funds, and exchange traded funds involve risk and may lose value.

Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will be profitable. MainStreet Advisors investment strategies may involve portfolio turnover, which could negatively impact the next after-tax gain experienced by an individual client.

MainStreet Advisors displays its performance results in addition to the market index that it believes represents a similar strategy in terms of asset allocation (stocks, bonds), generally accepted investment objectives (growth, income, or balanced), style benchmarks (growth, value, or core), geographic allocations (US, Foreign, or Global), sector allocation potential, and cap size objective (small cap, mid cap, or large cap). The index is shown in order for clients to make a comparison of performance for the designated time period. However, the indices shown above may not completely reflect the risk or volatility of the overall market or of the risk taken by the MainStreet Advisors program. The indices shown are not intended to be an absolute benchmark for the MainStreet Advisors program due to the fact that clients may not be able to duplicate exact holdings in the indices shown. MainStreet Advisors programs may reallocate some or all assets in the program to cash in response to market conditions, and MainStreet Advisors programs utilize a flexible management strategy with regard to equity selection, cap size, style, and asset allocation. It should be noted that market indices are always fully invested and holdings are limited to the index charter. The market index used for comparison is an unmanaged index and is a common measure of performance of the relevant stock markets. They are not available for direct investment.

MAINSTREET ADVISORS™

120 North LaSalle Street, 37th Floor
Chicago, Illinois 60602
312.223.0270 direct
312.223.0276 fax
www.mainstreetadv.com