MainStreet Advisors Financial Market Update

March 30, 2012

Economic Update

New durable goods orders rebounded in February after a significant drop in January to 2.2%. If transportation is excluded, a more volatile sector, the number falls to 1.6%. However, the instability of transportation should not be a concern in the short-term as large orders for airplanes and other vehicles can significantly skew the data. This published figure was not as high as analysts had hoped, but it does show positive upside for the manufacturing industry and large capital spending for the coming months. For February, the year-over-year change, a more promising and relevant measure to gauge the health of the manufacturing sector, was 12.2%.

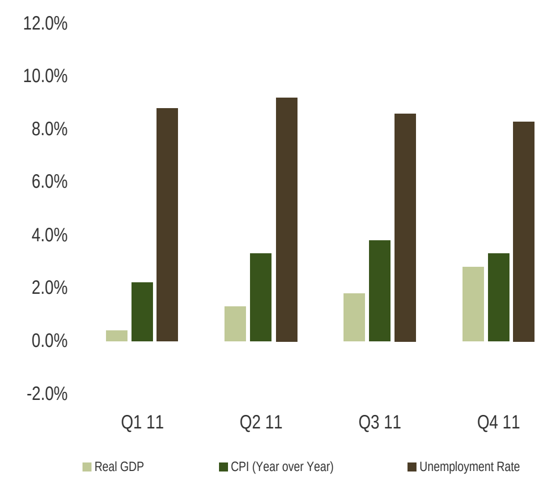
The prior estimates for Q4 2011 GDP growth were confirmed this week at 3.0% after economists had expected a slight upward revision; year-over-year data showed a 1.6% increase from Q4 2010. These figures corroborate the notion of a slow growth environment and a modest general economic improvement for the near-term.

Initial unemployment claims declined by 5,000 last week, further improving the employment situation, but the numbers were a bit less aggressive than expected. We have seen a fairly steady downtrend in jobless claims since 2009 when considering 4-week moving averages, a more reliable factor than the raw weekly numbers. This past week brings the level of jobless claims to 359,000 – down from over 600,000 in 2009 – marking the lowest reading since August 2008.

Consistent with the theme of slow, steady improvement, personal income growth was up 0.2% in February after a comparable gain in January. Wage growth was slightly stronger at 0.3%, and consumer spending jumped 0.8% last month after a 0.2% gain in January. Economists may suggest these numbers are a better indicator of how the consumer is reacting to current economic conditions, compared to Consumer Confidence numbers, as the economy tends to be driven by what consumers do as opposed to what they say.

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.

Economic Indicators, Quarterly Change



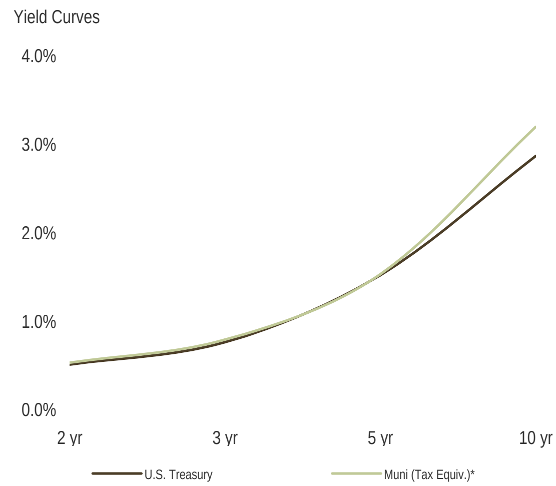
Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Mar. 26th	Pending Home Sales, Feb. Monthly Chg.	-0.5%
Mar. 27th	S&P/Case-Shiller 20-city Index, Jan. Monthly Chg.	0.0%
Mar. 27th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-0.5%
Mar. 27th	Consumer Confidence Index, March	70.2
Mar. 27th	State Street Investor Confidence Index, March	91.6
Mar. 28th	MBA Purchase Applications Index, Wkly. Chg.	-2.7%
Mar. 28th	Durable Goods New Orders, Feb. Monthly Chg.	2.2%
Mar. 28th	EIA Petroleum Status Report, Wkly. Chg.	7.1M Barrels
Mar. 29th	GDP Price Index, Q4f Quarterly Change SAAR*	3.0%
Mar. 29th	Initial Jobless Claims (week ending 3/24)	359,000
Mar. 30th	Personal Income, February Monthly Chg.	0.2%
Mar. 30th	Consumer Spending, February Monthly Chg.	0.8%
Mar. 30th	Core PCE Price Index, February Monthly Chg.	0.1%
Mar. 30th	Chicago PMI Business Barometer Index, March	62.2
Mar. 30th	Consumer Sentiment Index, March	76.2

Bond Market Update

Investors showed caution this week as economic data improved but fell short of optimistic expectations. Fixed income benefited from the ensuing modest risk aversion with yields continuing to drop from the year's highs two weeks ago. Investors focused purchases on the short end of the yield curve as they remain convinced the tepid data will help the Federal Reserve maintain 0% short-term rates for an extended period but will eventually lead to robust growth. Prices did soften across the yield curve on Friday after eurozone finance ministers announced a 40% increase in the size of its bailout fund and strengthened hopes the EU sovereign debt crisis will be contained to southern Europe.

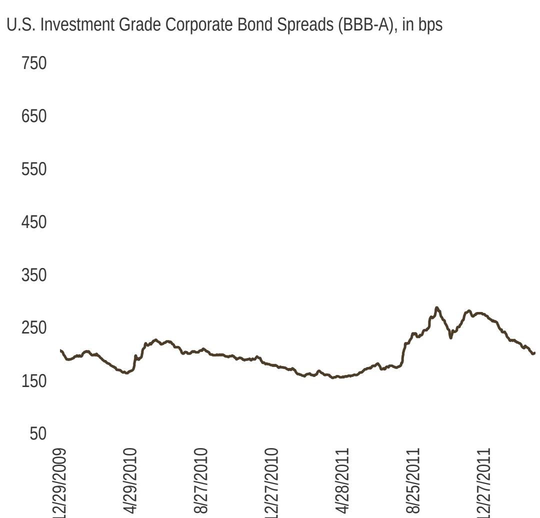
International fixed income followed the U.S. trend of risk aversion. Spanish and Italian notes suffered one of their worst trading days of 2012 on Thursday as Italy heads into recession and Spain's recession continues to deepen. Spreads between Italian and Spanish 10-year notes and the benchmark yield jumped 13 and 14 basis points, respectively. The growing economic concerns proved a poor time for Italian banks to announce large losses and cast doubts on the sector's ability to continue to prop up the sovereign debt market with large purchases.



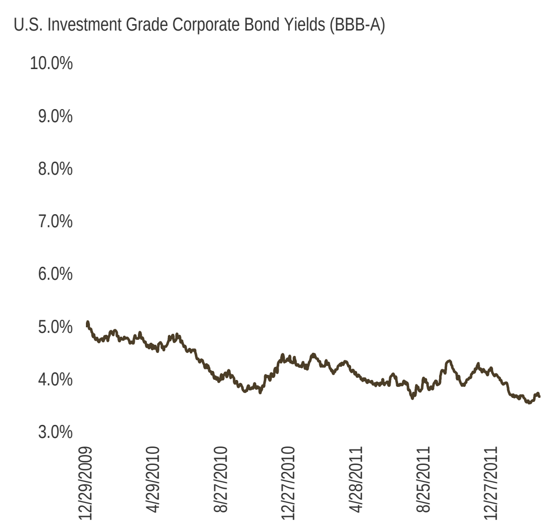
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	3.23.12	3.30.12	Change
3 month T-Bill	0.08%	0.07%	-0.01%
2-Year Treasury	0.37%	0.33%	-0.04%
5-Year Treasury	1.10%	1.04%	-0.06%
10-Year Treasury	2.25%	2.23%	-0.02%
30-Year Treasury	3.31%	3.35%	0.04%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

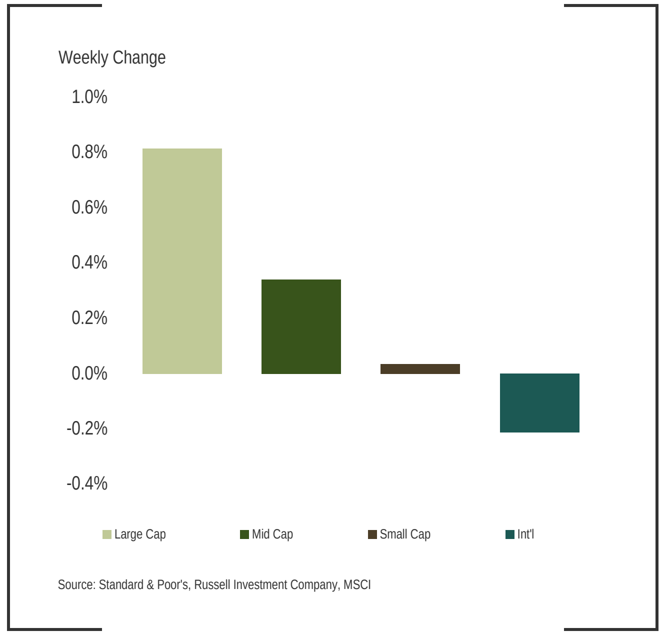
Stock markets rallied to begin the week after Ben Bernanke signaled the Fed's accommodative policy will continue for the foreseeable future, but closed Friday with mixed results for the five-day trading period due to negative economic data both here and abroad. The Dow Jones closed at 13212.04, up 1.0% for the five-day trading period. The S&P 500 Index finished the week at 1408.47, up 0.8% for the week, recording its largest first quarter advance in 14 years. The NASDAQ Composite Index closed the week out at 3091.57, up 0.8%.

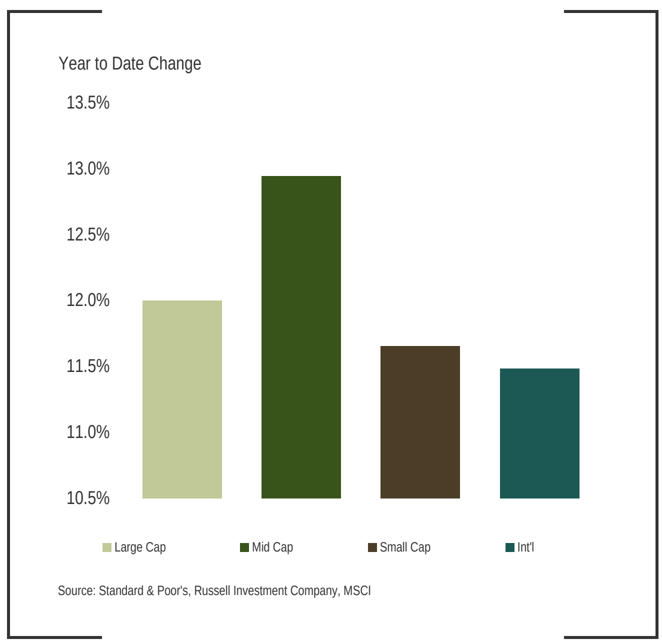
International markets were mixed with Japan positive, Europe down slightly and China very weak. The European Commission reported its economic sentiment indicator was slightly lower in March for both the EU and the eurozone nations. The decline was mainly driven by decreasing confidence in the industrial and construction sectors. The Shanghai Composite index fell 3.7% for the week and was down 8% from its high earlier this month on concerns of slowing growth. The Japanese Nikkei stock market increased 0.7% since last Friday. Germany's DAX Index finished the week 0.7% lower, while the FTSE 100 Index and the French CAC Index both fell 1.5%.

It was a busy week for initial public offerings from a wide variety of companies in the advertising, organic food, biopharmaceutical and industrial process industries. Mobile advertising service provider Millennial Media advanced 92% to $25 in its trading debut. Natural foods company Annie's Inc. rose 89% on its first day of trading. In a surprise move, Best Buy announced it will close 50 big box stores and open 100 smaller outlets after reporting weak quarterly results. Paychex reported earnings ahead of expectations as the company saw revenue improvement in both payroll services and human resource services; the company also reaffirmed its full year guidance.

Issue	3.23.12	3.30.12	Change
Dow Jones	13,080.73	13,212.04	1.00%
S&P 500	1,397.11	1,408.47	0.81%
NASDAQ	3,067.92	3,091.57	0.77%
Russell 1000 Growth	657.63	663.73	0.93%
S&P MidCap 400	990.93	994.3	0.34%
Russell 2000	830.03	830.3	0.03%
MSCI EAFE	1,556.76	1,553.46	-0.21%
MSCI Small Cap	1,040.58	1,032.60	0.56%

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.





Alternative Investments Market Update

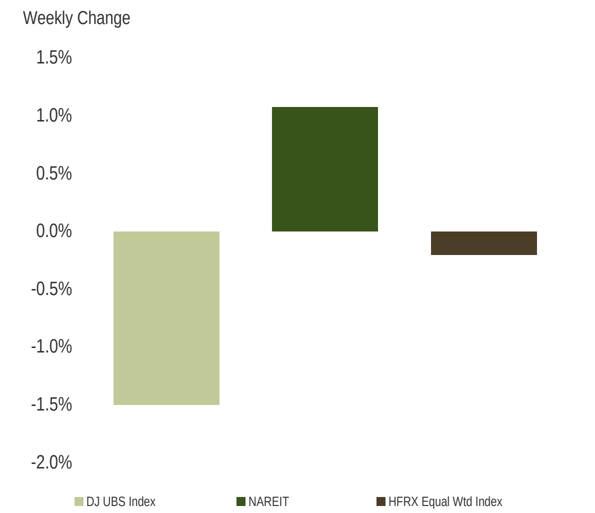
Crude oil ended the week down 3.65%, closing at $102.97 a gallon, even after President Obama announced there is enough oil in the world markets to allow countries the ability to rely less on imports from Iran. The president is required to decide by March 30, and every six months thereafter, whether the price and supply of non-Iranian oil is sufficient enough to allow for countries to cut their oil purchases from Iran. Gas prices in the U.S. have climbed nearly 20% this year on worries over a confrontation with Iran. A gallon of gas currently costs an average of $3.93, up from $3.30 a gallon in December. Despite the weekly drop, crude ended Q1 up 4.2%. Gold snapped a three-day losing streak to settle higher on Friday, ending the week up 0.48%, or $7.90, at $1,670.40 an ounce as the dollar continues to weaken along with positive data on U.S. consumer spending. Bullion ended Q1 up 6.6%, but was well below the gains of other precious metals as platinum rose 17% and silver gained 16%.

As the European Central Bank's 1 trillion euro cash injection boosted assets across the board, hedge funds returned 5% in the first two months of the year, the best start to a calendar year since 2000 according to Hedge Fund Research (HFR). Many managers remain positive on the markets but, in a number of cases, have opted to trim their bets, influenced by sharp volatility last year during the eurozone debt crisis that saw the average fund lose 5.3% and some more bullish funds take much bigger losses. In a report from HFR, one manager claimed that while they all want the rally to continue, their "relatively cautious about the broader macroeconomic environment and the political environment, and uncertainty certainly prevails." Many managers came into 2012 with low levels of risk, missing out on the start of the rally after underestimating the impact on the markets from the European Central Bank's "long term refinancing operations", aimed at avoiding another credit crunch. As markets continued to rebound during Q1, however, a number of funds raised their bets, primarily favoring commodities and financials.

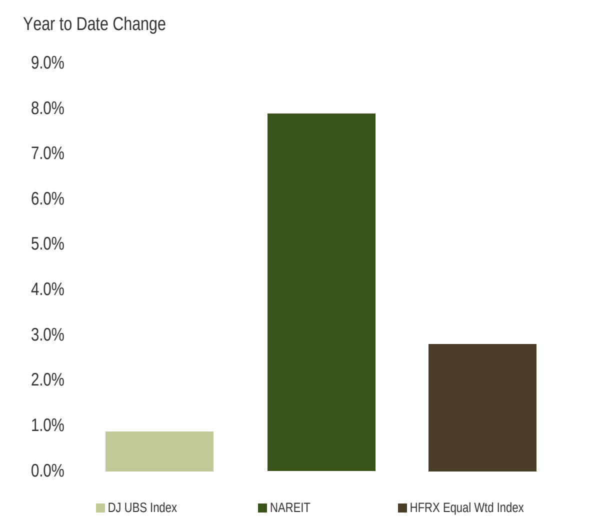
Issue	Previous Week	Current[1]	Change
Gold	1,662.50	1,670.40	0.48%
Crude Oil Futures	106.87	102.97	-3.65%
Copper	380.95	382.50	0.41%
Sugar	25.63	23.82	-7.06%
HFRX Equal Wtd. Strat. Index	1,130.37	1,128.11	-0.20%
HFRX Equity Hedge Index	1,039.30	1,038.29	-0.10%
HFRX Equity Market Neutral	965.63	964.64	-0.10%
HFRX Event Driven	1,383.36	1,381.70	-0.12%
HFRX Merger Arbitrage	1,522.49	1,517.95	-0.30%
Dow Jones UBS Commodity Index	144.06	141.90	-1.50%
FTSE/NAREIT All REIT	147.55	149.13	1.07%

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

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