MainStreet Advisors
Financial Market Update

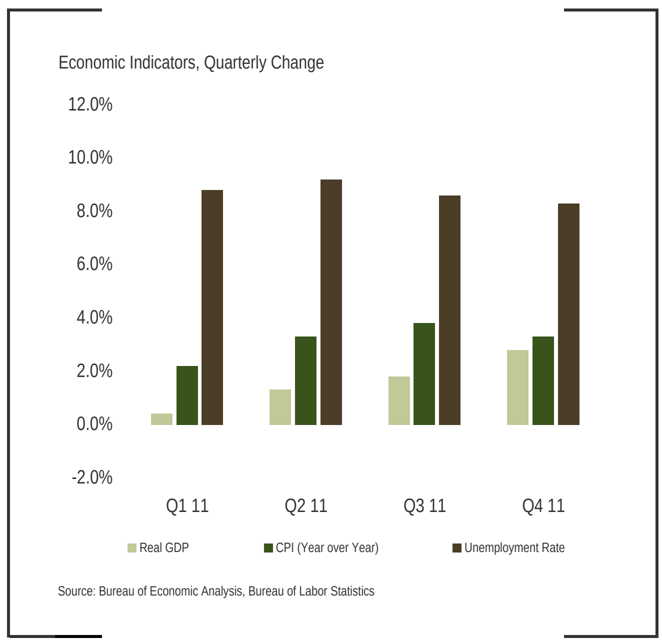
April 5, 2012

Economic Update

The FOMC minutes from last month's meeting indicate that while the idea of QE3 is still being discussed, fewer members seem to be in favor of it. "A couple of members indicated that the initiation of additional stimulus could become necessary if the economy lost momentum or if inflation seemed likely to remain below its mandate consistent rate of 2% over the medium run," the statement read. The previous minutes indicated "a few" as opposed to "a couple" were in favor of additional stimulus. The minutes also indicated the committee was more upbeat about the overall economy and the staff's economists have raised their GDP forecast.

Factory orders resumed their upward trend in February, rising 1.3% according to the Census Bureau. More positive news came from the Institute for Supply Management (ISM) which showed manufacturing in the U.S. expanded at an accelerated pace in March. The PMI registered 53.4 for the month, up one point from February's reading of 52.4. The employment component showed encouraging strength, up 2.9 points to 56.1, while export growth decelerated 5.5 points to 54.0 as demand from overseas softened. Comments from respondents to the ISM survey have been increasingly optimistic over the past few months with business being described as "robust" and "brisk". Growth in the non-manufacturing sector decelerated slightly to 56.0, but still indicated considerable health across a broad section of the economy.

Due to the Good Friday holiday we will not be able to comment on the monthly employment report to be published tomorrow until next week, but if initial jobless claims are any indication we should expect the report to show for the fourth month in a row more than 200,000 jobs were added in the U.S. The number of Americans filing for first-time unemployment benefits fell 6,000 from an upwardly revised previous week to 357,000 for the week ended March 31. The four-week average also fell to 361,750 indicating layoffs are declining and hiring is picking up.



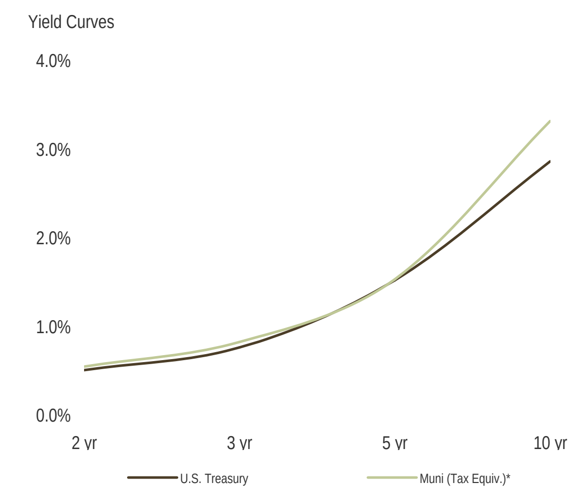
Apr. 2nd	ISM Mfg. Index - Level, March	53.4
Apr. 2nd	Construction Spending, Feb. Monthly Chg.	-1.1%
Apr. 3rd	ICSC-Goldman Same Store Sales, Wkly. Chg.	3.8%
Apr. 3rd	Factory Orders, Feb. Monthly Chg.	1.3%
Apr. 4th	MBA Purchase Applications Index, Wkly. Chg.	4.8%
Apr. 4th	ISM Non-Mfg. Index, March	56.0
Apr. 4th	EIA Petroleum Status Report, Wkly. Chg.	9.0M Barrels
Apr. 5th	Initial Jobless Claims (week ending 3/31)	357,000
Apr. 5th	EIA Natural Gas Report, Wkly. Chg.	42 bcf

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

The release of minutes from the latest Federal Open Market Committee (FOMC) meeting sent yields on bonds sharply higher early this week before heightened concerns over Spain gave support to the Treasury market. The FOMC minutes showed a decreased appetite for further quantitative easing by board members due to the steady improvement in the U.S. economic data. The market had priced in a high probability of further easing which would see the Federal Reserve purchase Treasuries to keep interest rates low across the yield curve. The potential loss of a large buyer in the market and the implied economic strength in the U.S. economy sent bond investors to the exits.

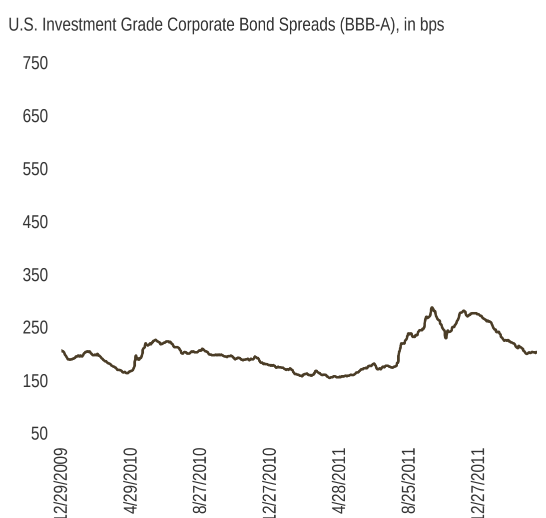
The sell-off in Treasuries, however, was short-lived after European sovereign debt stability concerns were rekindled and investors moved into safe haven assets. Peripheral sovereign bond prices began the week slightly soft and then came under heavier pressure after reports became public that several European banks planned to repay their Long-Term Refinancing Operation (LTRO) loans within a year. The LTRO loans have a three year term and have been used by banks to prop up peripheral debt prices. The prospect of that price support leaving the market led to a poor Spanish debt auction that saw 10-year yields rise to their highest point since the LTRO program began.



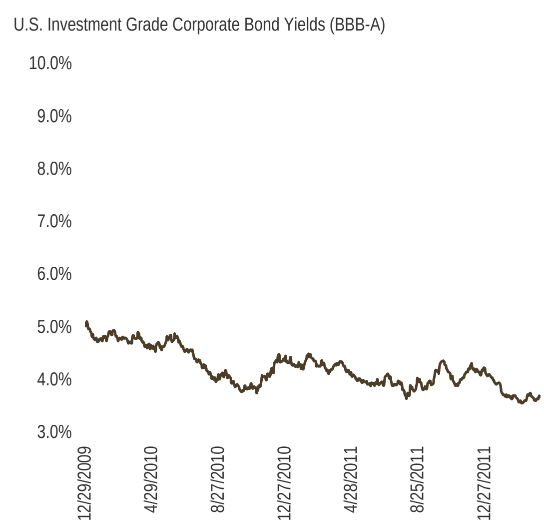
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	3.29.12	4.5.12	Change
3 month T-Bill	0.07%	0.08%	0.01%
2-Year Treasury	0.33%	0.35%	0.02%
5-Year Treasury	1.04%	1.05%	0.01%
10-Year Treasury	2.23%	2.25%	0.02%
30-Year Treasury	3.35%	3.37%	0.02%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

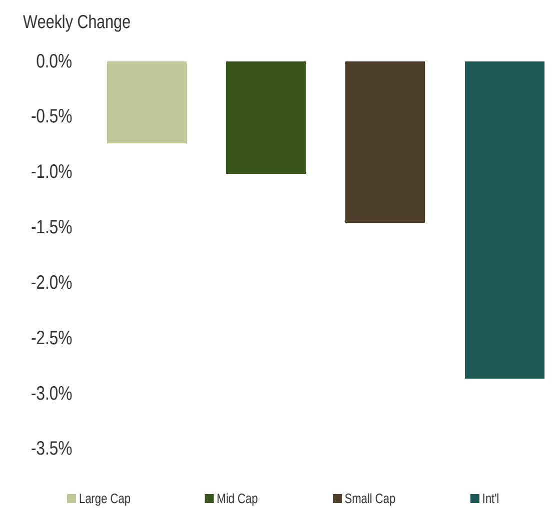
In a shortened trading week to start the second quarter, the equity markets gave back some of the positive performance seen over the first three months of trading in 2012. Both domestically and abroad, equity markets finished negative in the first week of trading for the second quarter. The Dow Jones Industrial Average closed at 13,060.14, down 152 points for the week, or down 1.15%. The broader S&P 500 Index ended the week down 0.74% to close at 1,398.08, while the NASDAQ Composite finished lower by 11 points, or down 0.36% to close the week out at 3,080.50.

News out of Europe has been relatively tame the past couple months after European leaders made aggressive moves to fight off fear of a default by European countries earlier in the year. This week the Spanish debt auction was met with lackluster results causing the 10-year Spanish bonds to jump to 5.6%, the highest levels seen this year. Investors fear Spain will struggle to meet its future obligations and will require additional assistance. The reigniting of the eurozone debt crisis brought the European markets down 2.86% for the week.

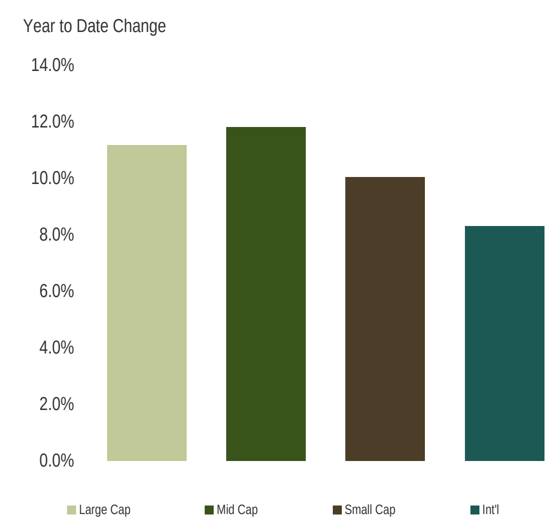
This week San Francisco Fed President John Williams commented on the stronger job market noting the "downside risks to the U.S. economy have lessened." This trend of improving employment caused equity markets to fall on Wednesday as the odds of an additional round of easing are less likely to happen. So far the government has bought $2.3 trillion in long-term securities and expects to keep interest rates low through late 2014. The plan for QE3 is becoming less likely as the economy has shown more stability in the fourth quarter of 2011 and through the first quarter of 2012.

Issue	3.29.12	4.5.12	Change
Dow Jones	13,212.04	13,060.14	-1.15%
S&P 500	1,408.47	1,398.08	-0.74%
NASDAQ	3,091.57	3,080.50	-0.36%
Russell 1000 Growth	663.73	662.54	-0.18%
S&P MidCap 400	994.3	984.26	-1.01%
Russell 2000	830.3	818.24	-1.45%
MSCI EAFE	1,553.46	1,509.02	-2.86%
MSCI Small Cap	1,032.60	1,037.33	-2.78%

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

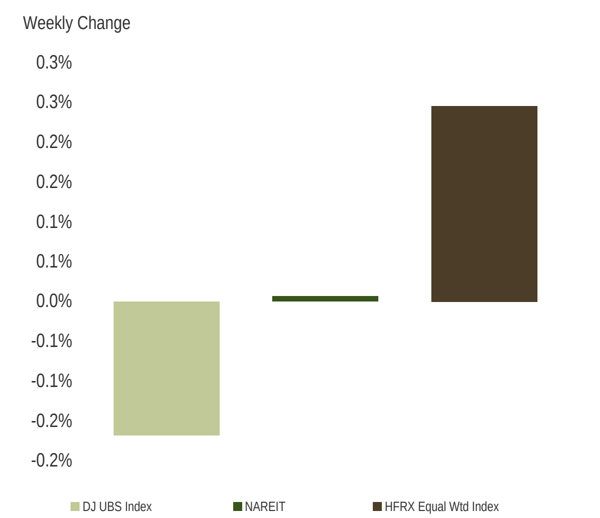
Crude oil gained for the first time in three days as claims for U.S. unemployment benefits dropped to a four-year low, raising hopes that demand will grow with the world's leading user. Crude rose as much as 1.8% after the Labor Department announced jobless claims fell 6,000 to 357,000 in the week ended March 31 and extended its advance as equities erased their loses. For the week, oil gained 0.31%, settling at $103.29 a barrel. In a report from CNN Money, with all the attention on Iran, production outages in areas worldwide are causing about one million barrels of oil a day to "sit on the sidelines", helping push oil and gas prices to near record highs. In places like South Sudan, Yemen and Syria, the oil is offline due to violence, while in Canada and the North Sea, technical problems are the cause. While no single outage is detrimental, taken together, they rival the amount of oil that could be lost from Iran over the next few months as sanctions become enforced.

Gold dropped this week, settling at $1,632.40 an ounce, after hitting three month lows earlier in the week when the Federal Reserve suggested a fresh round of U.S. quantitative easing was unlikely. The precious metal has fallen nearly 9% since late February and many believe it may have peeked as the Fed continues to show optimism thanks to improved economic performance. Ultra-loose monetary policy, which keeps real interest rates and, consequently, the opportunity cost of holding gold low, helped push the metal to record highs in 2011.

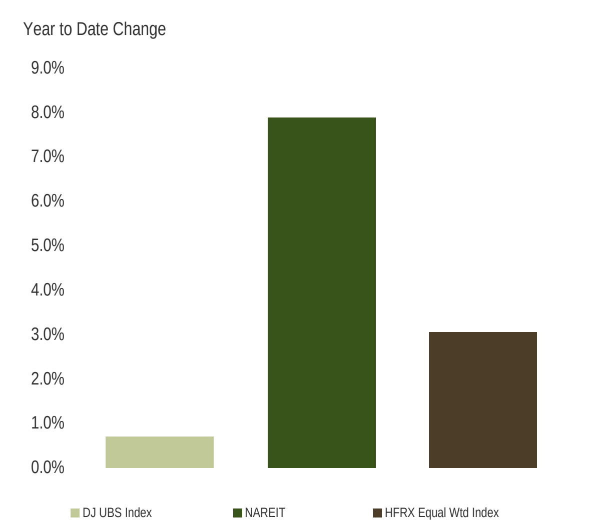
Hedge funds dropped last month, capping off a positive but disappointing first quarter. Hedge Fund Research's (HFR) HFRX Global Hedge Fund Index lost 0.02% in March and even though the benchmark is up 3.14% on the year, it is significantly lagging the S&P 500, which gained in excess of 10% in Q1. In terms of strategy specific funds, fundamental value equity funds were the month's best performer, rising 0.79% (2.31% year-to-date); trailed by distressed restructuring funds at 0.59% (5.8% year-to-date) and event-driven funds at 0.56% (5.81% year-to-date) reported HFR. Managed futures were the hardest hit for the month, dropping 1.41% to wipe out its 2012 gains. The strategy is now down 0.79% on the year.

Issue	Previous Week	Current[1]	Change
Gold	1,670.40	1,632.40	-2.27%
Crude Oil Futures	102.97	103.29	0.31%
Copper	382.50	379.15	-0.88%
Sugar	23.82	23.70	-0.50%
HFRX Equal Wtd. Strat. Index	1,128.11	1,130.88	0.25%
HFRX Equity Hedge Index	1,038.29	1,042.32	0.39%
HFRX Equity Market Neutral	964.64	962.79	-0.19%
HFRX Event Driven	1,381.70	1,384.49	0.20%
HFRX Merger Arbitrage	1,517.95	1,524.68	0.44%
Dow Jones UBS Commodity Index	141.90	141.66	-0.17%
FTSE/NAREIT All REIT	149.13	149.14	0.01%

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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