MainStreet Advisors
Financial Market Update

October 12, 2012

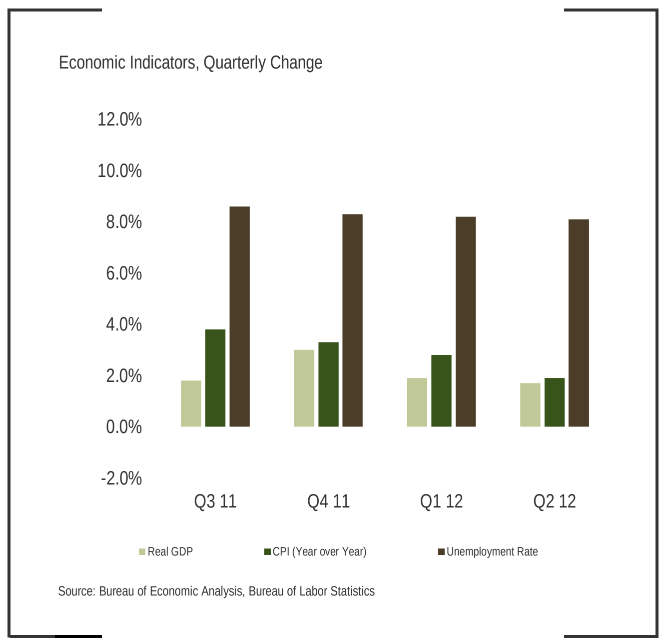
Economic Update

The International Monetary Fund (IMF) lowered its forecast for global growth in its latest World Economic Outlook report released this week. The IMF is now predicting growth of only 3.3% this year (down 0.2% from July) and 3.6% for 2013 (previously 3.9%). "The recovery has suffered new setbacks, and uncertainty weighs heavily on the outlook," the IMF said. Growth predictions for 2013 include 2.1% for the U.S., 0.2% for the eurozone, and 8.2% for China. They also warned that if we fall off the so-called "fiscal cliff" here in the U.S. that it would push the country into recession. The IMF's gloomier outlook comes at a time when most economic data has been showing signs of modest improvement.

Euro-region industrial production expanded for the second month in a row in August, according to the European Union's statistics office in Luxembourg. Output in the 17-member eurozone rose 0.6% during the month with troubled Portugal leading the group with a 6.8% increase.

Confidence among U.S. consumers is rising according to the Thomson Reuters/University of Michigan consumer sentiment index. The index rose 4.8 points to 83.1 in October – the highest level since September of 2007. Economists had actually been expecting the number to drop to 78, so this was a big surprise to the upside. A rising stock market as well as higher property values should give consumers the confidence to spend more this holiday season.

The number of Americans filing for first-time unemployment benefits improved dramatically, falling 30,000 to 339,000 for the week ended October 6. It was the largest single-week drop since July and the best reading of the recovery. The four-week average fell 11,500 to 364,000 and is now trending 10,000 below last month. The number appears to be an anomaly, though, as one Labor Department analyst said the drop probably occurred because a single state that likely did not fully process end-of-quarter claims on time posted a large decline. If that is the case we should expect to see claims shoot back up next week.



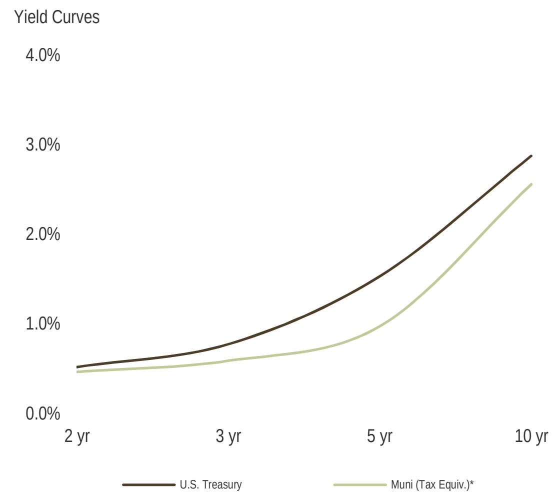
Oct. 9th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.2%
Oct. 10th	MBA Purchase Applications Index, Wkly. Chg.	-1.2%
Oct. 10th	Wholesale Inventories, Aug. Monthly Chg.	0.5%
Oct. 11th	International Trade Balance Level, August	-44.2B
Oct. 11th	Initial Jobless Claims (week ending 10/6)	339,000
Oct. 11th	Import Prices, Sep. Monthly Chg.	1.1%
Oct. 11th	Export Prices, Sep. Monthly Chg.	0.8%
Oct. 11th	EIA Natural Gas Report, Wkly. Chg.	72 bcf
Oct. 11th	EIA Petroleum Status Report, Wkly. Chg.	1.7M Barrels
Oct. 12th	Producer Price Index, September Monthly Chg.	1.1%
Oct. 12th	Consumer Sentiment Index, October	83.1

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

For the third week out of the past four, U.S. Treasuries rallied amid robust demand despite yields near historically low levels as investor anxieties continued regarding stalling global growth and the eurozone's ongoing debt crisis. Fitch Ratings recently reported European periphery government debt could suffer additional credit downgrades should policy makers prolong introducing an "ultimate solution" for the region. Additionally, the International Monetary Fund lowered its global growth forecasts, noting the risk of a steeper slowdown is now "alarmingly high." Separately, aggressive demand for the U.S. Treasury's ten-year note auction drove prices higher on Friday, with a stronger than expected bid-to-cover ratio and yields near all-time lows. In a sign of considerable foreign interest, "indirect buyers", often a reflection of overseas demand, purchased almost 42% of the notes, the highest level since June.

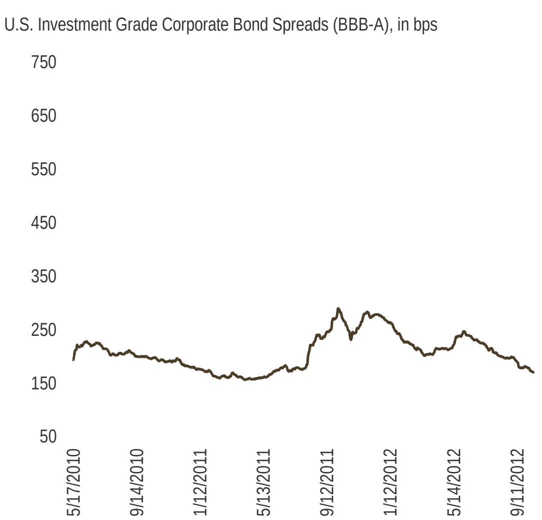
Meanwhile, in an effort to reduce tensions in the eurozone bond markets, the ECB noted in its monthly bulletin the effectiveness of its new bond purchase program has been disrupted. "The current situation is characterized by severe distortions in government bond markets, which originate, in particular, from unfounded fears on the part of investors of the reversibility of the euro," it said.



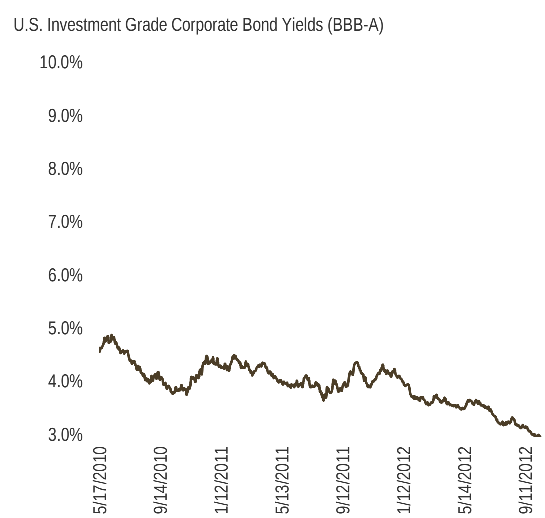
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	10.5.12	10.12.12	Change
3 month T-Bill	0.11%	0.11%	0.00%
2-Year Treasury	0.27%	0.27%	0.00%
5-Year Treasury	0.67%	0.67%	0.00%
10-Year Treasury	1.75%	1.69%	-0.06%
30-Year Treasury	2.96%	2.83%	-0.13%

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



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

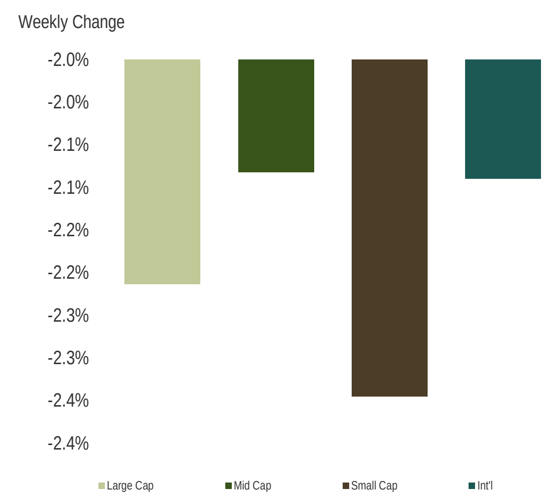
After a strong start to October and the last quarter of 2012, most major stock markets were down for the week, the worst five-day trading period in four months. News that the IMF lowered its global growth forecast and Standard and Poor's ratings downgrade of Spain to one level about junk status contributed to the weakness. Strong U.S. consumer sentiment data was not enough to rally the markets Friday. The Dow Jones Industrial Average closed at 13328.85, 2.1% lower than last Friday. The S&P 500 Index finished at 1428.59, down 2.2% for the five-day trading period. The NASDAQ Composite Index ended the week 2.9% lower at 3044.11.

Stocks were also weak overseas. The FTSE 100 Index fell 1.3% while Germany's DAX Index declined 2.2% and the CAC Index in France dropped 2.0%. Japan's Nikkei Index fell over 3% and is down 8% since hitting a four-month high on September 19. China continues to rebound from recent lows with the Shanghai Composite Index up about 1% since last Friday. Brazil's central bank cut interest rates by 25 basis points to an all-time low, citing global concerns about weak economic growth. Brazil's market was flat for the week.

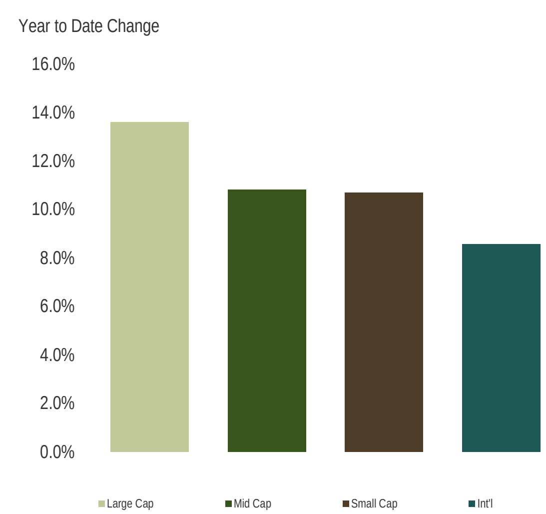
Third quarter corporate earnings season began on Tuesday. Alcoa profits were ahead of expectations but the company lowered its outlook for global aluminum consumption growth from 7% to 6% on slowing Chinese demand. JP Morgan reported revenue growth ahead of expectations, citing strength in mortgage lending and fixed income capital markets. Wells Fargo's revenue growth was also aided by strength in refinancings, as home mortgage applications increased 11% over last year. "Underlying credit quality continued to show improvement in the third quarter, as the overall financial condition of businesses and consumers strengthened, the housing market in many areas of the nation improved, and we continued to work to reduce problem assets and make new, high-quality loans," stated Wells Fargo Chief Risk Officer Mike Loughlin.

Issue	10.5.12	10.12.12	Change
Dow Jones	13,610.15	13,328.85	-2.07%
S&P 500	1,460.93	1,428.59	-2.21%
NASDAQ	3,136.19	3,044.11	-2.94%
Russell 1000 Growth	678.13	661.42	-2.46%
S&P MidCap 400	996.36	975.61	-2.08%
Russell 2000	842.86	823.09	-2.35%
MSCI EAFE	1,544.98	1,512.69	-2.09%
MSCI Small Cap	1,005.52	995.95	-2.04%

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, Wolfe Trahan.



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



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

Alternative Investments Market Update

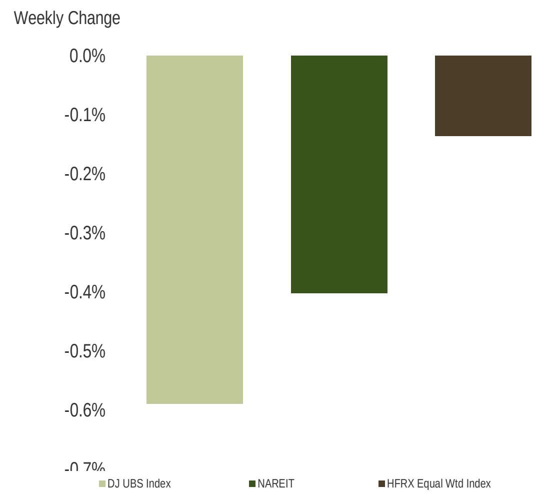
Gold fell 1.58% this week, settling at $1,755.80 an ounce, as better U.S. consumer sentiment and improved jobs data stirred worries the Fed might withdraw its bullion-friendly stimulus sooner than expected. The precious metal, which was on pace for its biggest weekly loss in almost two months, may be due for a rebound though, as many analysts believe the ongoing eurozone debt worries and economic uncertainty may continue to add value to the metal as a safe haven investment.

Crude oil finished the week with its first weekly gain in almost a month on fears of a possible supply interruption in the Middle East in addition to concerns regarding the sluggish global economic recovery. Although U.S. economic data appeared to show improvements, there was still concern about slowdowns in China and particularly Europe with S&P cutting Spain's credit rating to BBB-. Adding pressure was the International Energy Agency's (IEA) five-year forecast released this week showing a slowdown in global oil demand growth despite a rise in expected supply. According to the Wall Street Journal, the IEA forecast reports that, in the intermediate-term, global oil production capacity would grow to 102 million barrels a day by 2017, surpassing its demand forecast of 95.7 million barrels a day. For the week, crude gained 1.86%, closing at $91.57 a barrel.

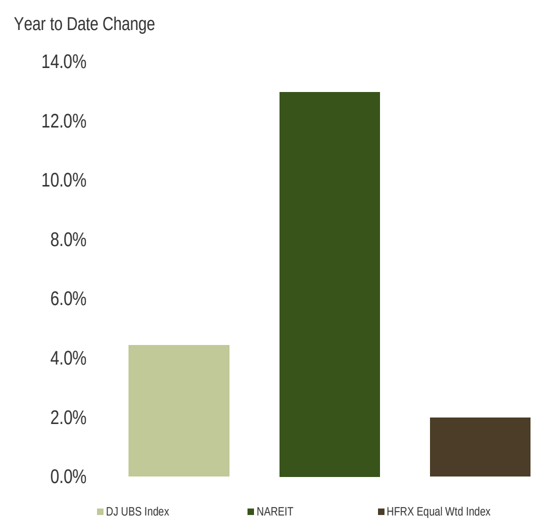
Despite strong performance across the industry, hedge fund investors pulled out more money than they put in over the past month in a possible sign of nervousness regarding the uncertain state of major economies and their impact on returns. Net outflows from hedge funds, as measured by the SS&C GlobeOp Capital Movement Index, which tracks monthly net subscriptions to and redemptions from funds, were 0.67% of the total during the month of September. This figure represents the third month of net outflows this year - July's figure showed net outflows of 1% while January's figure saw investors withdraw 0.71% of the total - and came during a month when most hedge funds posted positive returns. SS&C claims that while inflows have remained steady, outflows have spiked in line with quarter-end rebalancing. Although this rationale makes sense, it may be important to note October of 2011 and 2010 saw inflows of 0.3% and 1.12%, respectively.

Issue	Previous Week	Current[1]	Change
Gold	1,784.00	1,755.80	-1.58%
Crude Oil Futures	89.90	91.57	1.86%
Copper	375.90	369.35	-1.74%
Sugar	21.54	20.05	-6.92%
HFRX Equal Wtd. Strat. Index	1,120.78	1,119.25	-0.14%
HFRX Equity Hedge Index	1,038.08	1,038.86	0.08%
HFRX Equity Market Neutral	927.83	930.22	0.26%
HFRX Event Driven	1,372.07	1,369.51	-0.19%
HFRX Merger Arbitrage	1,503.32	1,503.81	0.03%
Dow Jones UBS Commodity Index	147.79	146.92	-0.59%
FTSE/NAREIT All REIT	156.80	156.17	-0.40%

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.

Any investments purchased or sold are not deposit accounts and are not endorsed by or insured by the Federal Deposit Insurance Corporation (FDIC), are not obligations of the Bank, are not guaranteed by the Bank or any other entity, and involve investment risk, including possible loss of principal. MainStreet Advisors and Bank are independently owned and operated. MainStreet Advisors is an SEC registered investment advisor. Form ADV Part II is available upon request.

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