Portfolio Shift Commentary: April 28, 2011

Unlike the start of the year, which began on a firm note, the economy entered the second quarter with little momentum. The European debt crisis is rearing its ugly head again. Portugal's borrowing costs are spiraling through the roof and speculation is growing that only a debt restructuring can prevent an imminent Greek default. What's more, Standard and Poor's recent negative rating of U.S. government debt is a warning shot that even the world's economic powerhouse is not immune from attacks on fiscal irresponsibility. More directly, geopolitical tensions are underpinning the dispiriting surge in energy prices, which is starting to have a significant impact on consumer spending. With that said, there are reasons to be more optimistic than was the case a year ago. This time, the economy has considerably more muscle to resist growth-retarding forces.

On the equity side, we sold our Australia position and created a new position in South Korea. We believe a recent trade agreement between China, Japan and South Korea has the potential to spur further growth in the area and pave the way for new opportunities. Cooperation with South Korea's two neighbors could lend support and growth opportunities in the disaster-hit region of Japan. South Korea's per capita GDP is about 400% of China, and we believe it is well positioned for growth as Japan rebuilds its economy.

Within fixed income, we exited our high yield and preferred stocks allocations. We believe a number of factors are contributing to higher risks in government sector debt, including slow economic growth, a surge in government debt and uncertainty about the outlook for inflation. In our view, all of these factors suggest growing interest rate risk.

We thank you for your continued support.

Sincerely,

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Senior Vice President, Investments

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US government bonds and treasury bills are guaranteed by the US government and, if held to maturity, offer a fixed rate of return and guaranteed principal value.

Diversification and strategic asset allocation do not ensure a profit or protect against a loss. Investments are subject to market risk, including possible loss of principal. The process of rebalancing may carry tax consequences. Gross Domestic Product (GDP) is the annual market value of all goods and services produced domestically by the US.

International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

High-yield bonds are not suitable for all investors. The risk of default may increase due to changes in the issuer's credit quality. Price changes may occur due to changes in interest rates and the liquidity of the bond. When appropriate, these bonds should only comprise a modest portion of your portfolio.