

Q1  
2011

## Points of Interest

**P1** Dow closes up 742 points and S&P 500 closes up 68 points in 1Q 2011

**P2** Venus is the only planet that rotates clockwise.

**P3** More than 2 million documents will be lost by the IRS this year. The IRS employees tax manual has instructions for collecting taxes after a nuclear war.

**P4** More than 50% of the people in the world have never made or received a telephone call.



*"Helping Your Investments Reach Their Peak"*



*Pension Fund Evaluations, Inc.*

## First Quarter Market Update

The S&P 500 Index has risen almost 4% in 2011, a faster pace than last year. But, recent geopolitical uncertainty has held back some gains.

The benchmark for U.S. stocks has fallen from a high of 1,343 reached Feb. 18. Unrest in the Middle East and the subsequent spike in the price of crude oil spooked investors about consumers' tolerance for higher gasoline prices. Then, the earthquake and ensuing nuclear calamity prompted a sell-off. Shares rebounded in the past week, but there are other risks looming -- a host of geopolitical concerns and the threat of slower economic and profit growth.

It appears that the disconnect between lower quality stocks and higher quality stocks might be over. The markets finally started to reward earnings during the quarter. The S&P 500 rose 3.8 percent in 2011 through yesterday, extending last year's 13 percent rally, amid government stimulus measures and corporate earnings that beat analysts' estimates. Earnings-per-share beat analysts' estimates at about 76 percent of the 33 companies in the S&P 500 that reported results since April 11, by Bloomberg.

### Equities

The market posted the slightest of losses in March, down 0.11%, the first monthly decline since the November loss of 0.23%. As a matter of fact (statistically speaking at least), the 5.42% first quarter gain combined with the previous 10.20% fourth quarter gain, brings the six-month jump to 16.18% - an impressive gain considering the events. Energy is up 16.29% for the quarter and up 54.84% from Bernanke's speech last August. Typically, you can't spell Energy without XOM (Exxon Mobil Corp.) which makes up 26% of the sector. Similarly, you can't spell Telecom without T (AT&T), 49% of the sector which may increase to over 50% if the T-Mobile deal goes through. However, XOM's +15.06% YTD performance.

Expected earnings will now take center stage, and absent a major situation, S&P 500 issues are expected to react to them. Optimism for U.S. large-caps is high, as political stability is viewed as a major attraction. For the first quarter, the S&P 500 posted a 5.42% gain - its best opening quarter since 1998. Dividends came back into play as permission was

**P5** Antarctica is the only land on our planet that is not owned by any country.

given to several large banks to start and increase payments and buyback's. For dividend investors the first quarter saw a 7% increase in their payment, a pace not expected to be extended to all of 2011. P/Es remained relatively low for the forward 2011 S&P 500, giving investors encouraging fundamentals to hold stocks. Consumer Staples charged ahead by 10.38%, helping the index post a 2.32% March gain and a +9.02%, year-to-date. The sector's gains were concentrated on lower value establishments, such as Chipotle Mexican Grill (Fast-food Mexican, up 11.2%), Dollar Tree (discount stores, up 10.3%), and 99(Cents) Only Stores (deep-discount stores, up 17.8%).

## Fixed Income

Yields for U.S. Treasury bills fell in March with the S&P/BGCantor U.S. Treasury Bill Index now yielding less than 10 bps. With a year-to-date return of just 0.04%, after retuning just 20 bps in 2010, this risk free benchmark is providing very little returns to investors. Moving out the treasury curve to find higher yields has not proven to be a profitable alternative in the early part of 2011, with treasury bonds showing losses in the first quarter.

03/31/11	QTR	YTD
S&P 500	5.92%	5.92%
R 1000 G	6.03%	6.03%
R 1000 V	6.46%	6.46%
R Mid Cap	7.63%	7.63%
R 2000 G	9.24%	9.24%
R 2000 V	6.60%	6.60%
MSCI EAFE	3.45%	3.45%

	Quarter	1 Year
Utilities	1.62%	7.44%
Materials	4.07%	21.86%
Consumer Stap	1.74%	7.19%
Financial's	2.76%	2.77%
Energy	16.29%	36.95%

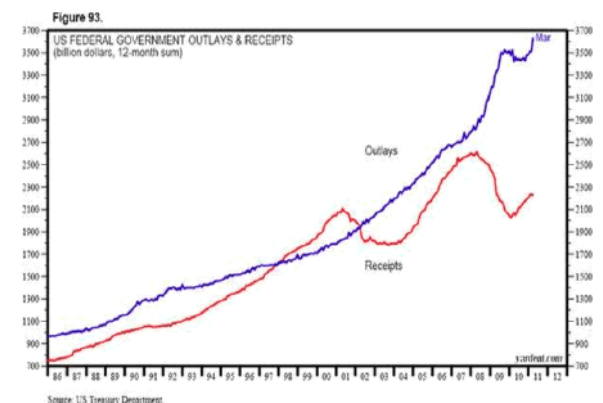
## To Bad we all can't spend what we don't have!

This morning's news proves this point without question. The ratings agency Standard & Poor's has affirmed the triple A rating of the sovereign debt of the United States, but dropped its outlook to a negative rating. This action has sparked an early morning sell-off in the stock market even though S&P did nothing but point out the obvious.

Just look at the chart below, which tracks federal government spending versus receipts since 1990. One can quickly see that America has a spending addiction at a time when receipts, while recovering, have not yet returned to the pre-recession level.

The point that S&P makes, and again it is self-evident, is that even if the economy continues to advance the government cannot continue to spend 25% of GDP while receipts historically in good times and bad only come in at 20% or so.

Accordingly, unless America is to become a different sort of country (like socialized Europe,) then spending levels must change and soon.



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