



Citizens Bank & Trust Market Review

April 2012
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U.S. economic improvement appears sustainable.

Recent Economic Indicators

Thomson Reuters/Univ. of Michigan Consumer Sentiment	76.2
Consumer Confidence	70.2
Existing Home Sales, Monthly Change	-0.90%
New Home Sales, SAAR*	313,000
Personal Income, Monthly Change	0.20%
Personal Consumption Expenditures, Monthly Change	0.80%
Non-farm Payroll Increase/Decrease	120,000
Unemployment Rate	8.2%
ISM Non-Manufacturing Index	56.0%
ISM Manufacturing Index (PMI)	53.4%
New Durable Good Orders, Monthly Change	2.2%
Industrial Production, Monthly Change	0.0%
Capacity Utilization	78.7%
Retail Sales, Monthly Change	1.1%
CPI, Monthly Change	0.4%
CPI Core, Monthly Change	0.3%
PPI, Monthly Change	0.4%
PPI Core, Monthly Change	0.2%
U.S. Trade Deficit	\$52.6 billion
4Q11 Non-farm Productivity, Quarterly Change, SAAR*	0.9%
4Q11 Real GDP, Quarterly Change, SAAR*	3.0%

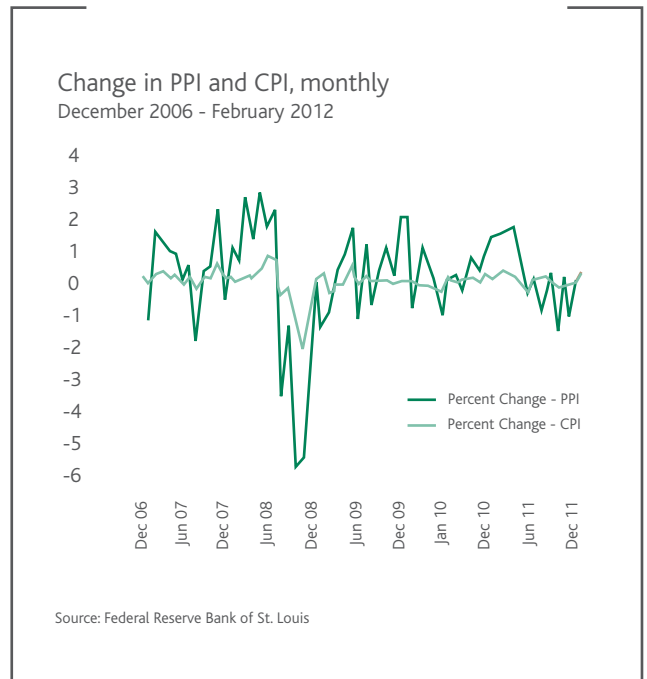
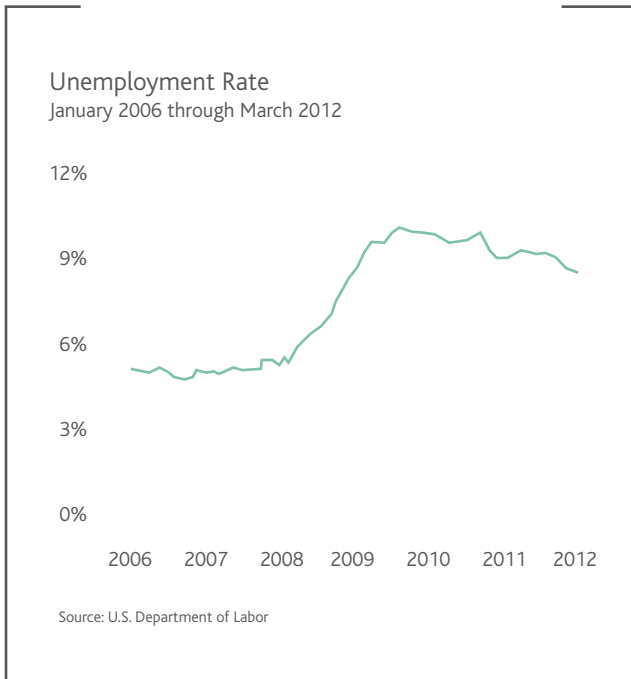
*Seasonally Adjusted Annual Rate
Bureau of Economic Analysis of the U.S. Department of Commerce, U.S. Department of Labor, the Federal Reserve, Thomson/Reuters/University of Michigan, Institute for Supply Management, National Association of Realtors, The Conference Board.
Values reflect most recent data available at time of publication.

Overview

The better-than-expected U.S. economic growth rate for the fourth quarter was reaffirmed at 3.0% in the Commerce Department's third and final estimate. Year-over-year data showed a 1.6% increase from Q4 2010. These figures along with other economic data released during the month coincide with the notion of a modest general economic improvement over the near-term.

As expected the Federal Open Market Committee (FOMC) left rates unchanged when they met in March. They did, however, give the economy an upgrade over recent announcements. The statement noted "Labor market conditions have improved further; the unemployment rate has declined notably in recent months but remains elevated." The committee expects moderate economic growth with a gradual improvement in the unemployment rate and also believes inflation will remain at levels consistent with its dual mandate. The minutes released a few weeks later gave the market more insight and indicated 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.

A 2.7% drop in imports and a slight 0.1% in exports combined for a significantly lower U.S. trade gap in February. The trade deficit narrowed by \$6.5 billion to \$46.0 billion during the month, according to the Commerce Department. This is likely only a one-month anomaly, however, as the entire improvement can be explained by a drop in the deficit with China which had significantly lower output due to the 15-day Chinese New Year holiday.



Employment

The job market sent conflicting signals in March. Initial jobless claims continued to show strength as the number of Americans filing for first-time unemployment benefits fell to a four-year low during the month. Initial jobless claims dipped as low as 353,000 (revised) for the week ended March 17, according to the Labor Department. The four-week average as of month end fell to 361,750, indicating layoffs are declining and hiring is picking up. This level is considered normal for a healthy job market and is a significant improvement from the peak levels of over 600,000 during the recession.

Meanwhile the March employment report was disappointing as the increase in payrolls was well below expectations. Only 120,000 jobs were added during the month when analysts were expecting 201,000 after increases of 240,000 in February and 275,000 in January. A 34,000 decline in retail jobs surprised as retail sales numbers have been favorable in recent months. The report also showed the unemployment rate edged down to 8.2% from 8.3% reflecting a 164,000 decline in labor participation. Interpreting this data as a return to slower growth would be a premature, however, given its history of massive revisions. Unseasonably warm weather may have boosted data in the previous months taking away from March, and the number contradicts with what the weekly initial claims reports have been telling us. We need to see more data before any conclusions can be drawn.

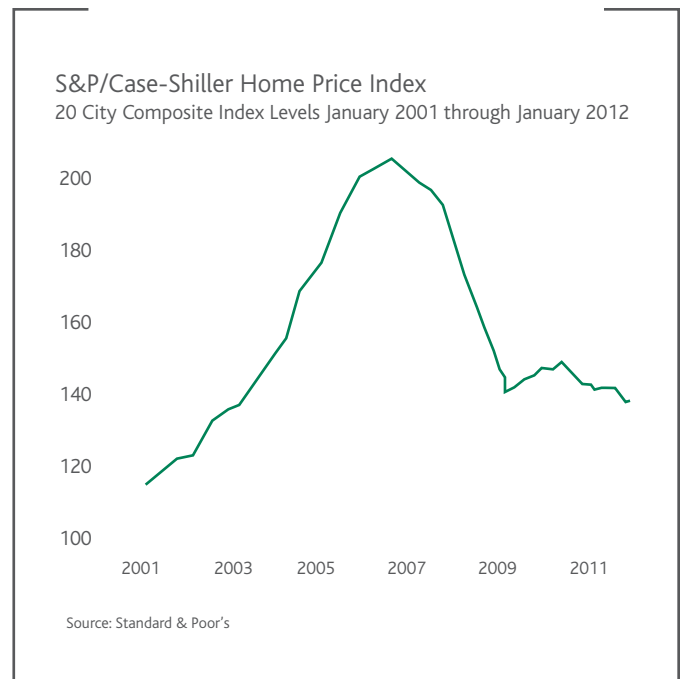
Consumer Confidence and Spending

Consumer confidence retreated slightly in March after surging in February. The Conference Board's index fell 1.4 points during the month to 70.2. Lynn Franco, Director of The Conference Board Consumer Research Center, said "The Present Situation Index now stands at its highest level in three and a half years, suggesting that despite this month's dip in confidence, consumers feel the economy is not losing momentum."

The economy is driven by what consumers do as opposed to what they say or feel, and the consumer spent more money than analysts had been anticipating as retail sales posted a healthy gain in February. The data from the Census Bureau showed retail sales were up a strong 1.1% during the month, following an upwardly revised 0.6% rise in January. Strength was seen in the automobile and gasoline components, which explained nearly half of the rise, but robust sales were also seen in many other components. A report from the Commerce Department echoed this trend, showing consumer spending jumped 0.8% during the month. So while higher gasoline prices are costing consumers, it has not curtailed their willingness to spend more in other areas.

Inflation

Inflation accelerated at the consumer level in February on higher energy costs. A report from the Labor Department showed the consumer price index (CPI) was up 0.4% in January, following a 0.2% rise the previous month. Gasoline prices surged 6.0%, but the Fed's statement earlier in the month indicated they believe energy's recent upward pressure on overall prices is temporary. Year-over-year CPI inflation held steady at 2.9%. Inflation at the producer level was also up 0.4% during the month after rebounding 0.1% in February. With inflation picking up again and the more upbeat outlook from the Fed, additional monetary easing seems unlikely at this point.



Business Activity

New durable goods orders rebounded 2.2% in February after a significant drop the previous month. Excluding the more volatile transportation component the number falls to 1.6%. The instability of transportation should not be a concern in the short-term as large orders for airplanes 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. Year-over-year growth was 12.2% indicating the manufacturing sector has been quite healthy. Factory orders resumed their upward trend in February, rising 1.3% according to the Census Bureau. Both gauges were bolstered by strong auto sales that have been running at an annual pace in excess of 14 million for the past three months.

Additional 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.

Housing

There was mixed data released this month on the condition of the U.S. housing market. The NAHB housing market index edged down a point to 28. Any reading below 50 indicates poor conditions, but this is still a significant improvement from the January 2009 all-time low of 8. Housing starts slipped 1.1% in February, but the

prior month was revised up to a 3.7% gain, according to the Census Bureau. Strength for the month was in the multifamily component which jumped 21.1% as single-family starts fell 9.9%. Permits were moderately stronger up 5.1%.

Sales of existing homes were down 0.9% in February, but that was compared to a January figure that was revised sharply higher to a 5.7% gain. The report from the National Association of Realtors also showed prices firmed during the month, up 1.3% after a steep 4.7% drop in January. The median price for an existing home now stands at \$156,600. Meanwhile the Census Bureau reported new home sales fell 1.6% in February. There was some good news in the report though as median prices for new homes surged 8.3% to \$233,700 – the highest level since June.

World Economy

China's General Administration of Customs reported a trade deficit – yes, deficit – for February that was the largest in 22 years. The world's second largest economy imported \$31.5 billion more in goods than it exported. The consumer slowdown in Europe, China's largest trading partner, resulted in a \$9 billion drop in exports to the region. The data is heavily clouded by the 15-day Chinese New year holiday which dampens production, so it is difficult to determine if this should be taken as a worrisome sign. Additional concerns over China's slowing economy came as manufacturing in the country weakened in March. The purchasing manager's index fell to 48.1 from the prior month's reading of 49.6, according to HSBC; any reading below 50 indicates contraction. "With new export orders sluggish and domestic demand still softening, China's slowdown has yet to finish," wrote HSBC China economist Xiaoping Ma in the report.

Meanwhile prices in China continue to rise, especially for food. The national consumer price level rose 3.6% year-over-year in March with the food component soaring 7.5%. Higher prices are a product of the nation's robust economic growth of 9.2% last year, as well as their policy of currency manipulation that undervalues the Yuan.

Most fixed income markets decline for the month.

Fixed Income Current Yields	3/31/12
3 Month U.S. T-bill	0.07%
2 Year U.S. Treasury	0.33%
5 Year U.S. Treasury	1.04%
10 Year U.S. Treasury	2.23%
30 Year U.S. Treasury	3.35%

Total Returns	Month	YTD
Barclays U.S. Aggregate	-0.55%	0.30%
Barclays U.S. Govt./Credit	-0.86%	0.08%
Barclays U.S. Municipal Bond	-0.65%	1.75%
Barclays U.S. Corp. High Yield	-0.14%	5.34%
Barclays U.S. Long Credit A	-2.42%	0.80%
Barclays U.S. Treasury 20+ Year	-4.22%	-6.73%
Barclays Global Aggregate	-0.72%	0.87%
Barclays Emerging Markets	0.35%	5.51%

Month and YTD ending 3/31/12.
 Source: U.S. Department of the Treasury, Barclays Capital
 Values reflect most recent data available at time of publication.

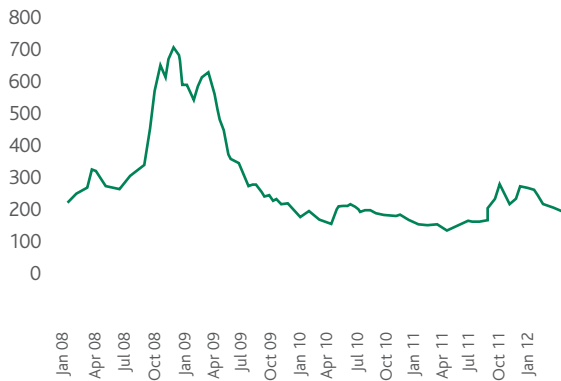
Overview

In contrast to last month, most bond market asset classes fell in March, with long-term U.S. Treasuries and TIPS performing particularly poorly. The only segment posting positive returns was emerging markets, as investors focused on areas with healthy economic growth. Separately, the outlook for Europe deteriorated modestly, with yields on Italian and Spanish 10-year government debt increasing beyond the 5.0% level.

Despite negative returns for the month, yields on investment grade and high yield corporate debt have fallen considerably, and spreads have tightened since the beginning of the year, according to Barclays, as investors have reacted receptively to solid corporate earnings, drifting away from the flight-to-safety trade. Reflecting this change in demand, mutual funds and ETFs focused on this sector of the bond market have experienced robust inflows over the past several months. The Federal Reserve's Operation Twist program, which began in October and has focused on purchasing longer-dated government bonds, has also been a key factor holding yields near historic lows.

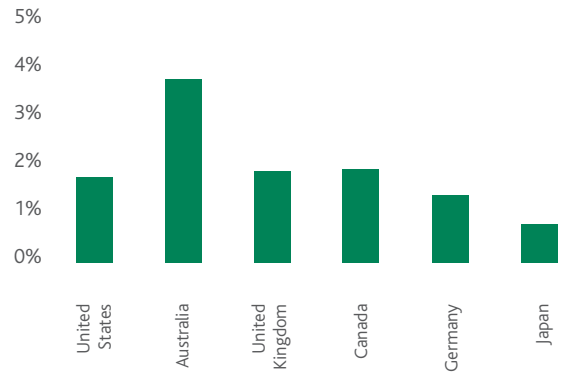
Barclays reiterated their forecast for a 2% yield on the 10-year note, commenting the market has been "too aggressive" in expecting the Fed to increase rates in 2013 instead of its 2014 guidance. Renewed anxieties concerning Europe's credit crisis and the toll it has taken on the region's economy was the primary driver of the flight-to-safety trade after a weaker than expected purchasing manager's index report showed business activity slowed considerably for the month. Although market participants refocused on the slowdown in Europe, many analysts feel the U.S.'s own economic health will be a significant driver of demand going forward. Investors are particularly interested in how the Fed will interpret upcoming economic data and how it will affect future monetary stimulus. However, views among the central bank's policy makers are varied, with St. Louis regional president James Bullard commenting that recent loose monetary policy will lead to a spike in inflation, while Chicago president Charles Evans called for an even stronger commitment to keep short-term interest rates low.

Investment Grade Corporate Spread
In Basis Points, through March 2012



Source: Merrill Lynch

10-Year Government Bond Rates
Latest Yield as of 3/31/2012



Source: Bloomberg

Corporate

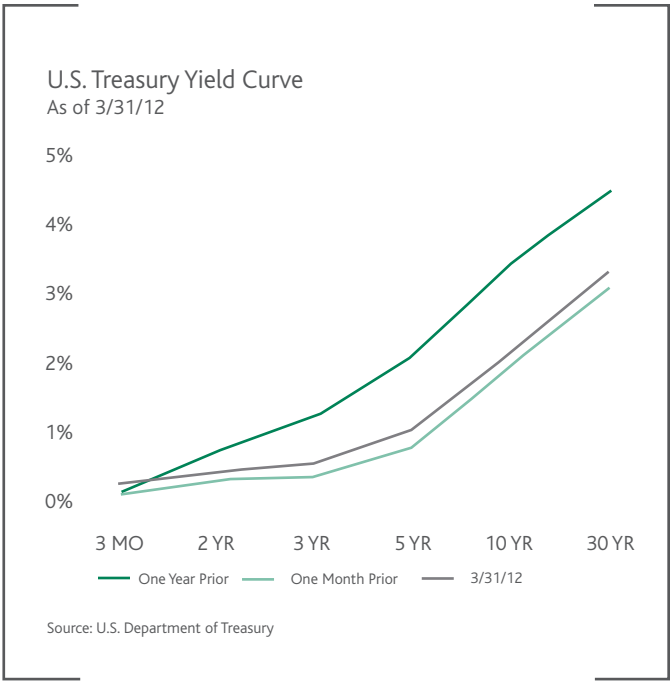
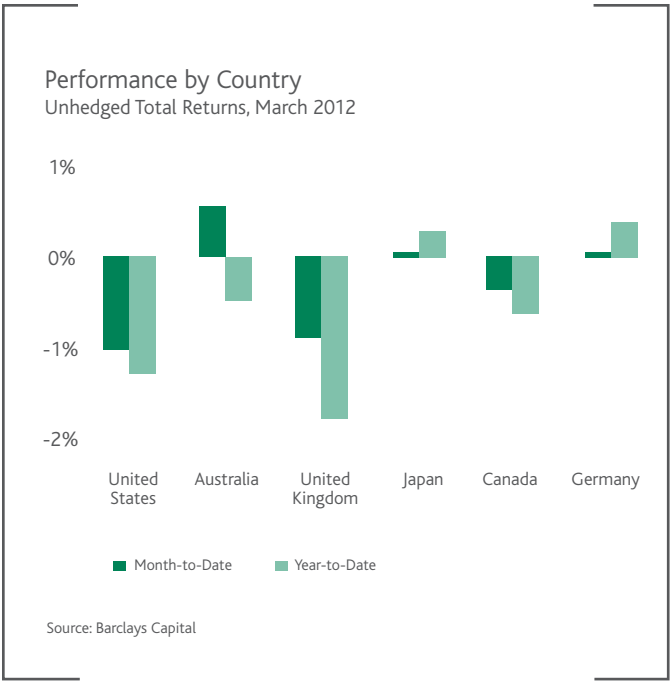
The investment grade corporate sector finished lower by 0.97% for the month, bringing year-to-date gains to 2.08%. The Federal Reserve's pledge to keep short-term rates low encouraged corporations to issue bonds at record levels in the first quarter. Investment grade volume topped \$294 billion, the largest first quarter new issuance on record and the fifth largest quarter ever, according to Thomson Reuters. Similar to last month, relative spreads above Treasuries narrowed modestly yet have not tightened to levels consistent with weakening buyer interest, suggesting continued strength looking forward. However, corporate bond spreads tend to fluctuate with the economic cycle. Should the recovery become more firmly established, expect spreads to tighten further. Meanwhile, Moody's said it would decide in mid-May whether to lower its ratings for 17 global banks including Morgan Stanley, Bank of America and Citigroup.

High yield bonds fell modestly losing 0.14% for the month, bringing year-to-date gains to 5.34% as yields in this space continue to decline. Since the beginning of the year, an increased appetite for higher yielding bonds has led to a 1.08% decrease in interest rates for the JP Morgan Domestic High Yield index. Despite these falling yields, investors have allocated more than \$14 billion into this sector so far in 2012. From a fundamental perspective, most BB and B rated corporate credits have strengthened their balance sheets, added liquidity and pushed out debt maturity schedules, which should position them well to endure a still slow economic environment without additional financing. Finally, ratings agency upgrades continue to outpace downgrades by a wide margin, with default rates expected to rise only modestly and remain well below long-term averages.

Municipals

Following the lead of most other fixed income sectors for the month, the Barclays Municipal Bond index declined by 0.65%, with year-to-date gains at 1.75%. Overall, revenue bonds outperformed general obligation (G.O.) bonds for a fourth straight month as diminished prospects for tax collections continue to plague the G.O. market. From a demand perspective, retail mutual fund flows remain positive as interest rates stabilize and remain range-bound. However, ongoing fundamental challenges, including increased sensitivity to bankruptcy issues, may cause choppiness in institutional demand. New supply issuance for the first quarter totaled almost \$80 billion, an increase of 72% versus the same period last year. With rates hovering near all-time lows and a substantial pipeline of bond call dates upcoming, many strategists expect refundings to increase in the short-term. Despite this expected increase in new issuance, supply levels remain well below historical averages.

Looking forward, many strategists remain constructive on the muni market given a supportive macro environment, but expect performance to be driven by yield and spread compression relative to Treasuries. Although default risks remain low, we advocate a focus away from lower-rated state and local G.O.s, favoring essential service revenue bonds as an alternative. At the same time, investors should pursue selective selling on the long end of the yield curve and among weaker credits rated BBB and below, given excessively robust demand in these areas. Finally, we continue to recommend high quality municipal bonds in the five- to 10-year maturity range for moderate to aggressive investors, and a one- to five-year focus for conservative investors.



International

The Barclay's Global Treasury ex-US index fell 1.11% on an unhedged basis, but lost only 0.07% on a local currency basis, consistent with a stronger U.S. dollar against the euro and other major currencies. Many safe-haven countries performed well, with France, Germany and Australia posting modest gains for the month. Spain, down 1.98%, underperformed all of its eurozone peers, as well as every other country in the Global Government Index, by a wide margin on renewed fiscal concerns after weaker than expected PMI numbers and the potential for a debt restructuring of its own.

Meanwhile, the looming threat from the European sovereign debt crisis may be subsiding, according to U.S. Treasury Secretary Timothy Geithner and Fed Chairman Bernanke in testimony before the House oversight committee. "In the past few months, financial stresses in Europe have lessened, which has contributed to an improved tone of financial markets around the world, including the United States," Mr. Bernanke said. Geithner added, "European economies at the center of the crisis have made very significant progress."

Despite these positive trends, the policy makers noted serious concerns remain about Europe's impact on financial markets and growth. The eurozone entered into a period of economic contraction at the end of 2011, as countries like Spain still struggle with relatively high borrowing costs, recessionary concerns and austerity plan implementation. At the same time, Portugal continues to suffer from an economic contraction and high unemployment. Although the country recently secured a 78 billion euro bailout package from the European Union-International Monetary Fund (IMF), many analysts feel its ability to regain full access to the capital markets remains a key uncertainty. The IMF said, "The adverse combination of low growth, higher interest rates, and unaddressed future spending pressures would push debt on an unsustainable trajectory." While Spain and Italy continue to struggle with economic growth, these countries have been some of the better-performing areas of the global bond market. Although it appears the European Central Bank (ECB) will support them going forward, trading in these countries is currently far more of a political judgment than a sound fundamental investment decision. Many strategists suggest focusing on sovereign bonds in the healthier core nations of Northern Europe and Scandinavia. We continue to recommend exposure to this segment of the bond market by means of the Templeton Global Bond Fund, which historically has avoided troubled sovereign areas.

Best first quarter for U.S. markets since 1998.

Total Return	Month	YTD
Dow Jones Industrial Average	2.15%	8.84%
S&P 500	3.29%	12.59%
NASDAQ Composite	4.27%	18.96%
S&P 100	3.55%	12.88%
S&P 400 MidCap	1.88%	13.50%
S&P 600 SmallCap	2.90%	11.99%
Russell 2000	2.56%	12.44%
MSCI EAFE	-0.91%	9.97%

Month and YTD total return ending of 03/31/2012.

Values reflect most recent data available at the time of publication.
 Source: Zephyr StyleAdvisor, Standard & Poor's, Russell Indices, The Wall Street Journal, Reuters, Morgan Stanley Capital International, MarketWatch, Financial Times, Bloomberg, Chinavestor.com

Overview

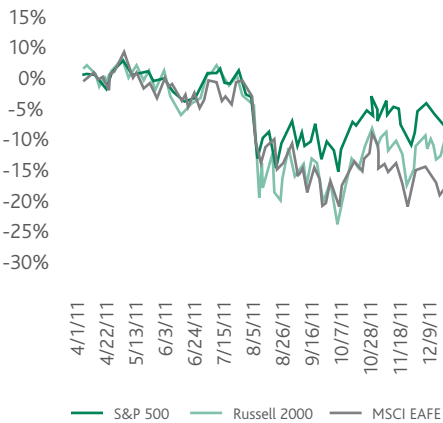
Continued positive economic data led domestic stocks higher again in the month of March, but international markets were generally weaker. Stocks worldwide were down early in the month on concerns that not enough private bondholders would participate in Greece's debt swap deal alongside news that China's government lowered its economic growth target to 7.5% from last year's 8.0%. Domestic markets rebounded as the month progressed on positive economic reports, but overseas markets struggled to overcome the sell-off.

The Dow Jones Industrial Average had a total return in March of 2.2%, its sixth consecutive month of gains. The broader S&P 500 Index returned 3.3%, while the technology heavy NASDAQ Composite Index returned 4.3%. For the first quarter of 2012 the NASDAQ (+19.0%) continues to outpace the S&P 500 (+12.6%) and the Dow (+8.8%) on a total return basis. The Dow's gain was its best first quarter return in its history.

Final fourth quarter 2011 corporate earnings results are in, and two-thirds of all S&P 500 companies reported positive growth while one-third had negative earnings. By sector, only 15% of industrials companies reported lower results over the prior year, while 60% of telecommunications companies showed negative growth. According to FactSet, S&P 500 Index first quarter 2012 earnings are estimated to be flat with the same quarter a year ago, with only four sectors expected to report positive growth. Going forward, second quarter earnings are expected to grow 7%, followed by 5% and 16% growth for the final two quarters of 2012.

Equity Performance

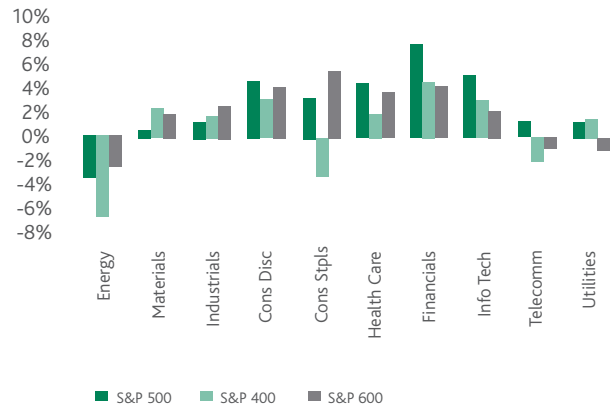
Trailing one Year Cumulative Price Return, as of 3/31/12



Source: Yahoo! Finance

S&P Sector Performance by Market Capitalization

3/31/12



Source: Standard & Poor's

Domestic Equity

Financials (+7.5%), Information Technology (+5.1%) and Consumer Discretionary (+4.5%) had the highest total returns of the S&P large cap sectors in March. Investors continued to see bargains in money center banks despite their very strong performance the first two months of the year. Bank of America (+20.0%), JP Morgan Chase (+17.0%) and Citigroup (+9.7%) all outperformed. Apple (+10.5%) and Autodesk (+11.8%) led the IT sector. Returns were negative for Energy (-3.4%) and only slightly positive for Materials (+0.3%) and Industrials (+1.2%). Oil service stocks Halliburton (-9.1%) and Schlumberger (-9.9%) both posted negative returns as oil prices declined after a sharp increase in February. Financials and Information Technology both reported returns of over 21% for the first quarter of 2012, while Materials and Industrials were each up 11%. Utilities (-1.9%) was the only sector to have a negative total return. Energy (+3.7%) and Consumer Staples (+5.3%) also trailed the S&P 500 Index for the quarter.

According to Standard & Poor's, large cap stocks outperformed small cap and mid cap stocks in March. The S&P 500 Index returned 3.3% compared to 2.9% for the S&P SmallCap 600 Index and 1.9% for the S&P MidCap 400 Index. For the first quarter of 2012, mid cap stocks led with a total return of 13.5%, followed by 12.6% for large cap and 12.0% for small cap.

Last month value stocks outperformed growth in large cap and mid cap, but trailed in small cap. The return for the S&P 500 Value Index (+3.4%) was slightly better than the S&P 500 Growth Index (+3.2%). The S&P MidCap 400 Value Index had a total return of 2.1%, ahead of the 1.7% return for the S&P MidCap 400 Growth Index. The S&P SmallCap 600 Value Index underperformed the S&P SmallCap 600 Growth Index, 2.8% versus 3.0%, respectively. For the first quarter of 2012, value outperformed growth in large cap and small cap, but underperformed in mid cap. The S&P 500 Value Index outperformed the Growth, +13.0% versus +12.3%, as did the S&P SmallCap 600 Value Index, +12.9% for the Value versus +11.2% for the Growth. The S&P MidCap 400 Value Index had a total return of 12.9%, trailing the S&P MidCap 400 Growth Index return of 14.9%.

International Equity

The 2012 international equities rebound took a breather in March after strong performance in January and February. The broad MSCI EAFE Index of developed markets had a total return of -0.4% in U.S. dollar terms for the month of March with mixed performance from the major markets. Spain (-6.0%), Italy (-2.5%) and the UK (-1.2%) all declined, while Japan (+1.4%) and Germany (+0.9%) were slightly positive. Fears of slowing growth in China and weak economic reports out of Europe led to profit taking in developed international stocks. The MSCI EAFE Index had a total return of 11.0% for the first quarter of 2012, led by Germany (+21.0%), France (+12.3%) and Japan (+11.4%). The only developed market index to show a decline in the quarter was Spain (-3.0%).

Emerging markets were weaker than developed in March with a negative total return for the MSCI Emerging Markets Index of -3.3% for the month. Investors took profits in China (-6.9%), Brazil (-6.3%) and India (-5.3%) after strong returns for the first two months of the year. Growth in Brazil over the last quarter of 2011 came in below expectations at 1.4% versus 1.6% while Chinese economic reports showed a record trade deficit number and slowing manufacturing. The total return for the MSCI EAFE Emerging Markets Index year-to-date was 14.1% through the end of March led by India (+20.0%), Brazil (+13.9%), and Russia (+18.6%). The MSCI country index for China was up 9.9% on a total return basis for the first quarter.

Commodities slow relative to Hedge Funds and REITs.

Price Change	Month	YTD
Dow Jones UBS		
Commodity Index	-4.14%	0.89%
Oil	-4.18%	3.06%
Copper	-1.40%	11.13%
Gold	-2.45%	6.37%
NAREIT- All REITS	4.39%	10.41%
NAREIT-Industrial/Office	4.41%	-14.66%
NAREIT- Residential	8.36%	8.49%
S&P Global Property Ex-U.S.	7.61%	17.30%
HFRI Emerging Markets Index	-1.47%	7.35%
HFRI Fund Wtd Comp. Index	-0.01%	4.94%
HFRI Equity Market Neutral	0.08%	1.86%
HFRI Event Driven	0.18%	4.51%
HFRI Market Defensive	-1.72%	-1.00%
HFRI Merger Arbitrage	0.06%	1.69%
HFRI Short Bias	-1.84%	-10.25%

Month and YTD total return as of 3/31/12
 Values reflect most recent data available at the time of publication.
 Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research, Standard and Poor's, wsj.com - Market Data Center, Private Equity Online, FINalternatives.

Overview

Commodities reported a relatively flat month, as performance of Natural Gas and Precious Metals fell. Hedge Funds posted strong performance for the quarter, although the industry as a whole continues to lag the S&P 500. Real estate investment trusts showed promise, reporting positive returns across all sectors.

Commodities

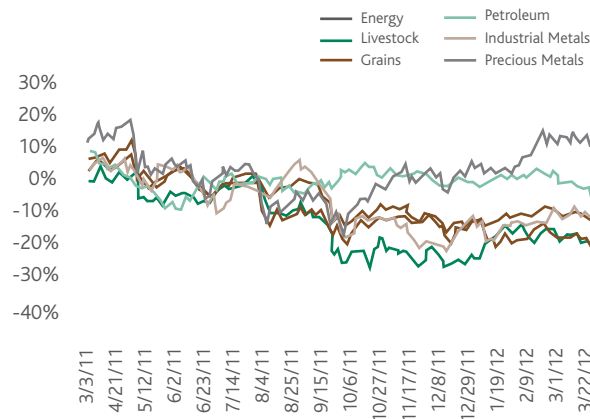
The Dow Jones UBS Commodity Index was down over 4% after a 2.70% gain in February, bringing the year-to-date return down to just under 1%. Natural gas prices slipped once again alongside prices of crude oil and gold, as the commodity markets are driven by economic news releases and announcements from the Fed.

In Precious Metals, Gold and Silver fell 2.45% and 6.23%, respectively, for the month of March. With the Fed's announcement that another round of quantitative easing is not in its immediate plans, the U.S. money base is not likely to increase in the near-term, in effect suppressing a tailwind to precious metal prices. Should the Fed decide to proceed with an economic stimulus in the face of prospective weak economic growth, the prices of gold and silver may again begin to rise. Gold ended the month at \$1,672 per ounce – lower than the May futures price of \$1,683.60 per ounce – indicating the market is pricing in a slight bump to prices for the month of April.

Crude oil (WTI) was down about 4% in March after a big February gain, while Brent Crude was flat for the month. Natural gas storage numbers came in strong, further depressing the already low prices. The inventories of natural gas are nearly 60% higher than they were at this time last year, while demand is 15% lower for the same period. The high supply/low demand combination, coupled with national temperatures of more than 14 degrees warmer than the 30-year average, has pushed prices down to levels not seen since 1999, forcing gas rigs to close. The U.S. Energy Administration views this as a bottom for the natural gas market and forecasts rising prices in the next few months.

Cumulative Return of Commodities

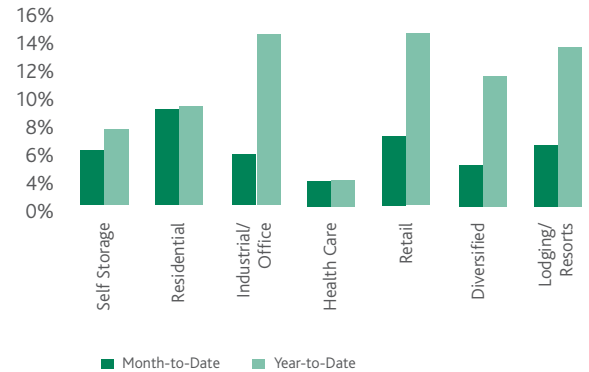
Trailing One Year, as of 3/31/12



Source: Dow Jones

REIT Sector Performance

Total Returns, March 2012



Source: NAREIT

Real Estate

March was a good month for real estate investment trusts (REITs) as not one sector or subsector slipped into the red. The FTSE NAREIT All REITs index gained 4.39% last month, bringing its Q1 gains to 10.41%. Keeping pace with the S&P 500, the FTSE NAREIT All Equity REITs index posted returns of 4.84% in March and is up 10.49% on the year. In terms of sector specific REITs, residential was the strongest gaining 8.36%, bringing its year-to-date gains to 8.49%. Retail continued where it left off in February gaining 5.87% and is now up 14.56% on the year. Lodging/Resort, which was down 14.31% last year, is now up 13.39% through Q1 after gaining 5.15% last month.

Investors loaded into stocks of small real estate companies during Q1, an indication that the improving economy is encouraging investors to take on more risk. In a report from the Wall Street Journal, the three best performing REITs last quarter have market capitalizations of less than \$1 billion and were among the worst performing stocks last year. Many of the small cap REITs are considered riskier investments than larger companies because they usually come with heavy debt loads and tenant demand is more sensitive to economic pressures, which explains why their stock prices tend to be on the cheaper side.

Hedge Funds

Hedge funds are off to their strongest start since 2006, with the average fund gaining 4.94% in Q1, but the industry's performance still trailed U.S. stocks posting their strongest Q1 gains in more than a decade. Q1 performance follows three straight years in which hedge funds have lagged the S&P 500, and the industry's performance was basically flat in March, according to Hedge Fund Research, Inc. The HFRI Fund Weighted Composite Index was up 4.94% in Q1, despite a slight loss of 0.01% in March. For the quarter, equity hedge funds posted the strongest gains adding 7.3%, their best Q1 performance since 2000, while reporting positive returns of 0.3% for the month. The best performing strategy last month was relative value arbitrage funds, up 0.6% for a Q1 gain of 4.3%. Not all strategies experienced a positive month, however, as macro funds declined by 0.92%, although they remain up 1.2% for the quarter.

In a report from the New York Times, although many believe the newly imposed Dodd-Frank law to be "too onerous and restrictive," hedge funds appear pleased with the new legislation. These funds, which have long avoided outside oversight, were recently brought into the regulatory fold with this legislation. The Dodd-Frank law requires those with more than \$150 million in assets to register with the Securities and Exchange Commission (SEC). A recent study conducted by the business school at Hofstra University and the accounting firm EisnerAmper found that most hedge funds felt registration was the "cost of doing business and believed that investors felt safer as a result of it." The report went on to note registration requires hedge funds to "disclose information about their business operations, including who they bank with, who their auditor is and what types of investment strategies they deploy," information which has been difficult to obtain in the past. Although the study only surveyed 41 hedge funds and asset managers, researchers found the responses to be fairly consistent, especially between large and small hedge funds. "The regulatory landscape for hedge funds in 2012 is dramatically different from what came before as Dodd-Frank's rules become final," Nicholas Tsafos, a partner at EisnerAmper, said in a statement. "While the large firms are largely embracing the changes, they are threatening to smaller hedge funds as start-up costs increase."



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