August 2011

[In This Issue]

Citizens Bank & Trust

Fed's economic outlook weakens.

Recent Economic Indicators

Thomson Reuters/ Univ. of Michigan Consumer Sentiment	63.8
Consumer Confidence	59.5
Existing Home Sales, Monthly Change	-0.8%
New Home Sales, SAAR*	312,000
Personal Income, Monthly Change	0.1%
Personal Consumption Expenditures, Monthly Change	-0.2%
Non-farm Payroll Increase/Decrease	117,000
Unemployment Rate	9.1%
ISM Non-Manufacturing Index	52.7%
ISM Manufacturing Index (PMI)	50.9%
New Durable Good Orders, Monthly Change	-1.9%
Industrial Production, Monthly Change	0.2%
Capacity Utilization	76.7%
Retail Sales, Monthly Change	-0.1%
CPI, Monthly Change	-0.1%
CPI Core, Monthly Change	0.2%
PPI, Monthly Change	-0.4%
PPI Core, Monthly Change	0.3%
U.S. Trade Deficit	$-50.2 billion
2Q11 Non-farm Productivity, Quarterly Change, SAAR*	-0.3%
2Q11 Real GDP, Quarterly Change, SAAR*	1.3%

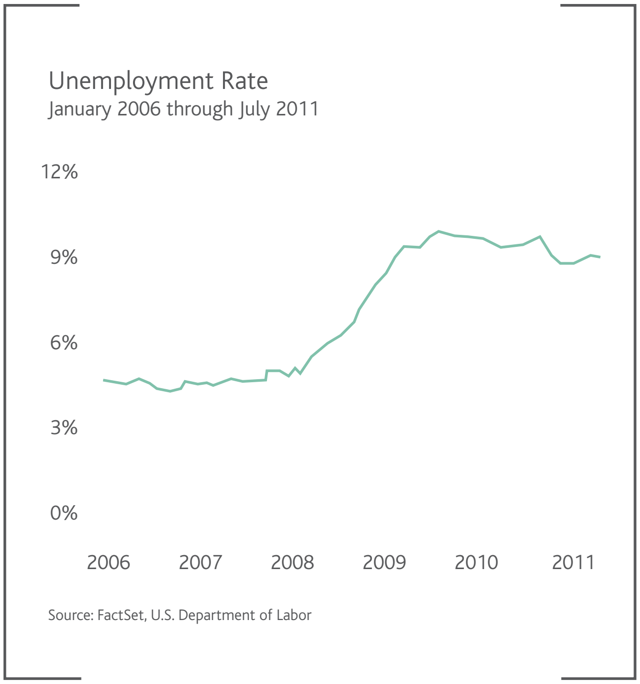
*Seasonally Adjusted Annual Rate
Bureau of Economic Analysis of the U.S. Department of Commerce, U.S. Department of Labor, the Federal Reserve, Thompson/Reuters/University of Michigan, Institute for Supply Management, National Association of Realtors, The Conference Board. Values reflect most recent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

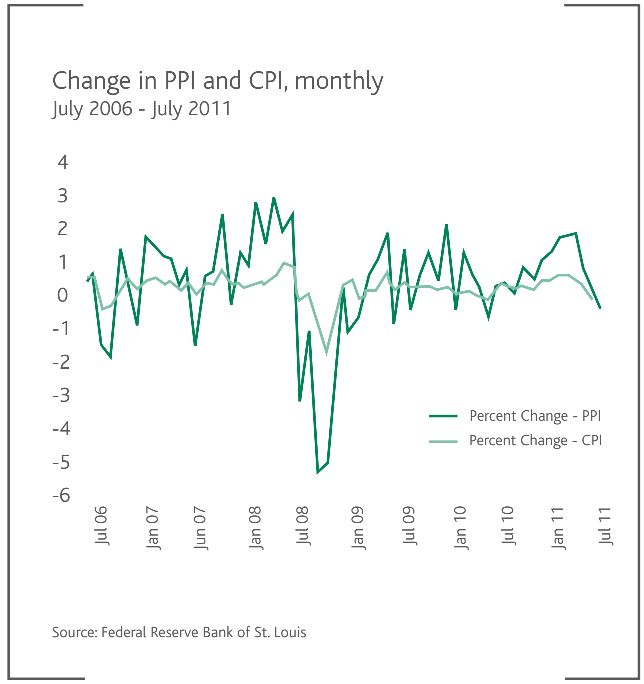
Overview

Most of the market's attention in July was focused on the political drama surrounding the debt ceiling debate. An end to the debacle came at the eleventh hour, but the easing of uncertainty that came with it proved fleeting as the market moved its focus to the weakening economic outlook. While raising the debt ceiling prevented the United States from defaulting, the deal reached left people on both sides of the aisle unhappy and did very little to address the nation's long-term fiscal problems. After the close on Friday, August 5, Standard & Poor's lowered the credit rating on long-term U.S. government debt to AA+, citing the country's rising public debt burden and the "perception of greater policymaking uncertainty."

Minutes were released from the Federal Open Market Committee's meeting in July stating the Committee expects a somewhat slower pace of recovery than it originally anticipated, and they plan to keep the fed funds rate at "exceptionally low" levels through at least mid-2013. The statement read "Indicators suggest a deterioration in overall labor market conditions in recent months, and the unemployment rate has moved up. Household spending has flattened out, investment in non-residential structures is still weak, and the housing sector remains depressed." The statement also mentioned the Committee was prepared to deploy an array of tools as appropriate to promote a stronger recovery.

Further evidence economic growth is slowing came from a report released by the Commerce Department showing the advance estimate for second quarter GDP came in at 1.3%, below the 1.8% figure that economists were expecting. Positive contributions from an uptick in federal government spending and non-residential fixed investment were dampened by a decrease in local and state government spending along with weak growth in consumer spending. The report also showed that first quarter GDP numbers were drastically revised down from 1.9% to 0.4%. While it is clear that economic growth is slowing, it is not as clear how much of it is tied to exogenous events like the supply chain disruptions in Japan. We expect the economy to continue to post mixed signals, with both encouraging and disappointing reports, while showing modest growth.





Employment

The number of Americans filing for first-time unemployment benefits for the week ended July 30 edged slightly lower to 400,000, according to the Labor Department. The previous week's number was revised up to 401,000 meaning this marked the 17th consecutive week the number has come in at or above 400,000 – a key level to stay under for the job market to show sustained improvement. The four-week average moved down for a fifth straight week to 407,750. The Challenger report gave little reason for optimism as it showed planned job cuts surged 60% in July from the previous month amid a flurry of layoffs being announced by large companies including Cisco Systems (CSCO), Merck (MRK) and Borders.

The U.S. added 117,000 jobs in July as the unemployment rate fell to 9.1%, according to the July jobs report from the Labor Department. Stronger private sector payroll growth of 154,000 was dampened by continuing losses in state and local government, but overall the numbers were still better than expected. In another positive sign, the number of jobs created in May and June was revised upward by 54,000 over the two-month period. Economist Robert Dieli, Ph.D. said the establishment survey in the July jobs report was "indicative of an economy that still has some forward momentum."

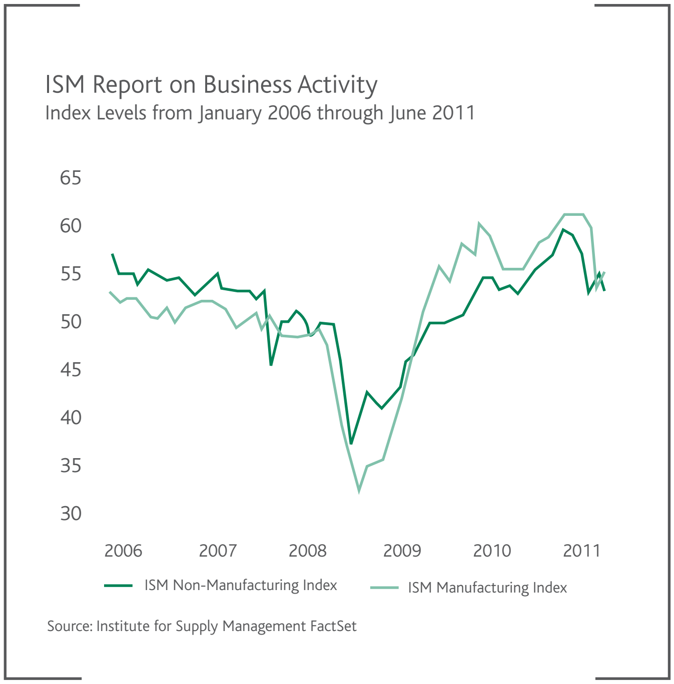
Consumer Confidence and Spending

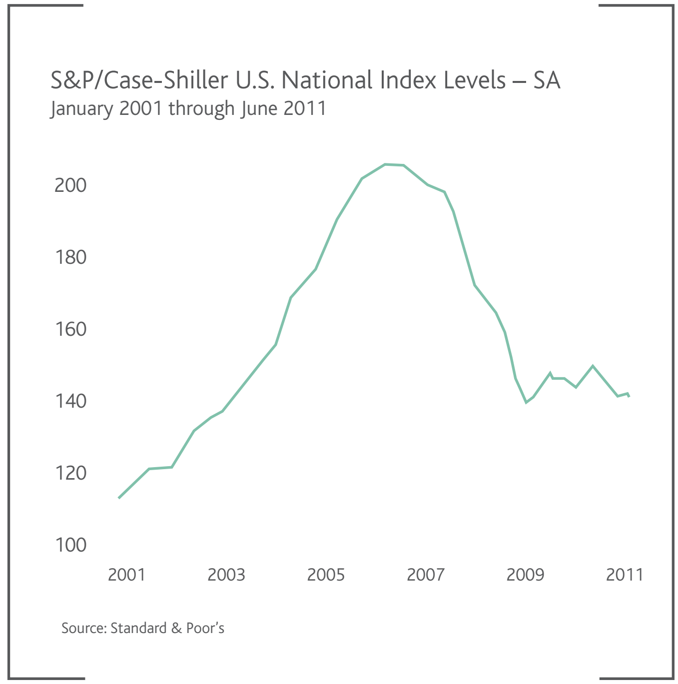
Retail sales reported by the Commerce Department showed a slight improvement in June, rising 0.1% from the prior month to beat analyst expectations. The biggest contributors to the uptick were building materials & garden equipment, autos and clothing & accessories, rising 1.3%, 0.8% and 0.7%, respectively. Surprisingly, gasoline sales experienced a 1.3% decline in the month. The weak overall growth reflects sluggish consumer spending that has been marred by the embattled employment landscape and high gasoline prices.

Consumer Confidence, which had declined significantly in June, improved slightly in July according to the Conference Board. The Index rose 1.9 points during the month to 59.5. Lynn Franco, Director of The Conference Board Consumer Research Center said it was the result of an "improvement in consumers' short-term outlook. Consumers' appraisal of current business and employment conditions, however, was less favorable as concerns about the labor market continue to weigh on consumers' attitudes."

Inflation

The Producer Price Index (PPI) fell in June, dropping 0.4% after a relatively soft rise of 0.2% in May. Energy fell a sizeable 2.8%, helping to ease price pressures, while food rebounded 0.6% after the previous month's 1.4% rise. At the core level, PPI edged up 0.3%, with almost half of the increase attributable to higher prices for light trucks. Overall PPI has risen 7.0% in the past 12 months, with the core figure climbing 2.4%. The Consumer Price Index (CPI) also turned negative on lower energy costs. CPI declined for the first time in 12 months, falling 0.2%, while core CPI increased 0.3%. Year-over-year CPI held steady at 3.4%, and the core rate edged up to 1.6%. Overall the numbers show the threat of inflation remains low in the short-term.





Business Activity

Manufacturing growth appears to have slowed to a crawl, according to a report from the Institute for Supply Management (ISM). The PMI dropped 4.4 points in July from the previous month to 50.9. While the number is still above 50, and therefore indicates a 24th consecutive month of expansion, it is the slowest rate so far during the recovery. When you consider that June's number was inflated by an increase in inventories, the trend for further expansion appears to be souring. The ISM issued another report later in the week that showed the non-manufacturing index edged slightly lower to 52.7 as a deepening contraction in backlog orders overshadowed an increase in business activity.

Housing

The housing market is still showing some weakness in sales volume, but prices are showing surprising strength. Existing home sales dropped for the third straight month in June, falling 0.8% to a seven-month low seasonally adjusted rate of 4.77 million. The report released by the National Association of Realtors (NAR) contained some encouraging news, however, as prices of homes that did sell increased a substantial 8.9% for the month, bringing the median home price to $184,300. Lawrence Yun, NAR chief economist, said "Home sales had been trending up without a tax stimulus, but a variety of issues are weighing on the market including an unusual spike in contract cancellations in the past month." Meanwhile new home sales fell 1.0% to an annual rate of 312,000 in June, according to the Commerce Department. The report also showed that the median price was up 5.8% to $235,200.

The outlook for housing in the coming months improved according to pending home sales figures from the National Association of Realtors. The index, which is based on contract signings, rose 2.4% in June. The recent stock market turmoil surrounding the S&P downgrade of U.S. debt and weaker economic data might shake buyer confidence in the coming months, however.

World Economy

The sovereign debt crisis in Europe continues to weigh on investor confidence. Eurozone leaders announced that a bailout plan for Greece has been approved that will offer €109 billion over the next three years at approximately 3.5% interest. The plan takes aim at an 18-month-old debt crisis that was quickly becoming more volatile and includes measures to prevent the debt issues from spreading further across Europe. The European Central Bank (ECB) also moved in response to rising yields for Spanish and Italian debt, announcing that it will begin buying bonds issued by the two countries in an effort to stabilize markets. Italian and Spanish bonds rallied following the announcement. While by no means a permanent solution, it will at least give the eurozone more time to solve its long-term fiscal problems. While uncertainties abound surrounding the magnitude of this bail-out, insiders suggest German Chancellor Angela Merkel is supportive of the new expanded bond-buying program, lending credence to the belief that world leaders will continue to actively support world economies.

The ECB announced that it would raise interest rates for the second time in three months in an effort to keep inflation at a reasonable level, taking the main policy rate from 1.25% to 1.5%. ECB President Jean-Claude Trichet cautioned that additional rate increases are likely despite the ongoing debt and, once again, denied any private-sector efforts to bail out the country that would result in default.

Very strong demand for all sectors of the fixed income markets.

Fixed Income Current Yields		7/31/11
3 Month U.S. T-bill		0.10%
2 Year U.S. Treasury		0.27%
5 Year U.S. Treasury		1.14%
10 Year U.S. Treasury		2.49%
30 Year U.S. Treasury		3.72%

Total Returns[1]	1 Month	YTD
Barclays U.S. Aggregate	1.59%	4.35%
Barclays U.S. Govt./Credit	1.95%	4.61%
Barclays U.S. Municipal Bond	1.02%	5.48%
Barclays U.S. Corp. High Yield	1.16%	6.19%
Barclays U.S. Long Credit A	4.54%	8.71%
Barclays U.S. Treasury 20+ Year	4.56%	6.36%
Barclays Global Aggregate	2.06%	6.53%
Barclays Emerging Markets	1.95%	7.05%

[1] Month and year-to-date ending 7/31/11
Source: U.S. Department of the Treasury, Barclays Capital
Values reflect most recent data available at time of publication.

Overview

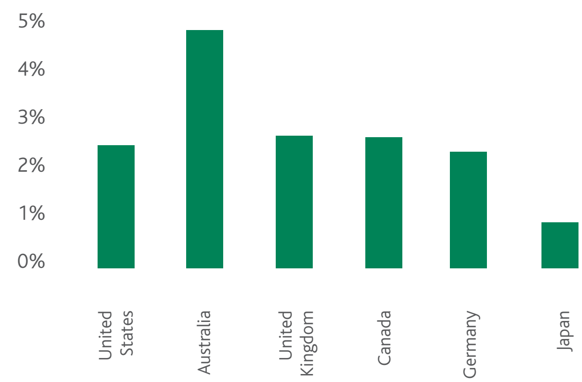
Demand for bonds remained robust as pension funds, insurers, mortgage companies and other investors locked in current yields. U.S. Treasuries rallied on speculation the U.S. economic recovery may lose momentum given the current economic deficit. Other factors that spurred demand for safe-haven U.S. government bonds included a resurgence of risk aversion in the European sovereign debt markets as rating agencies downgraded Portugal alongside a CPI report that showed underlying inflation pressures, excluding food and energy, remain subdued. Although rising oil prices helped drive up overall consumer prices, Federal Reserve Chairman Ben Bernanke suggested such effects are temporary. All else equal, low inflation levels increase the appeal of Treasuries as real return expectations rise. Meanwhile, demand has also surged for T-Bills, Treasuries maturing in a year or less, driving yields to zero or even slightly negative. Flows into T-Bills by money market funds grew amid news that the Bank of New York Mellon Corp. will start charging a fee on large cash deposits next week. Market participants feel if other banks follow suit, it will likely drive more money market funds out of cash and into these short-term securities, keeping yields exceptionally low.

July's strong rally coupled with ongoing economic uncertainties and bond market volatility have left investors exceedingly uncertain about the direction of the markets. Many market strategists feel fear and panic are driving the markets, with the bond bears pointing out that the Treasury has been issuing record amounts of debt to finance growing budget deficits, and yields may need to rise to continue to attract buyers. Also expecting an increase in yields, Bill Gross of PIMCO recently noted that Treasuries are not attractive given negative short-term real yields and the U.S.'s "enormous problems," referring to the country's mounting debt. The bond bulls forecast an extended period of below-average economic growth and weak discretionary spending. They suggest the U.S. faces a protracted post-crisis setting as high unemployment persists and investors have wrongly priced in a rebound in bank lending to restore growth. Despite these conflicting opinions, we feel both

Investment Grade Corporate Spread
In Basis Points, through July 2011

Source: Merrill Lynch

10-Year Government Bond Rates
Latest Yield as of 7/31/2011



Source: Bloomberg

investment grade and high-yield corporate bonds will likely continue to outperform Treasuries given marked improvements in company balance sheets. A steep yield curve combined with the expectation of the Fed keeping rates steady for an extended period of time, suggests investors should focus on intermediate-term securities. Our recommendation for munis continues to be to emphasize high quality general obligation and essential service revenue bonds.

Corporate

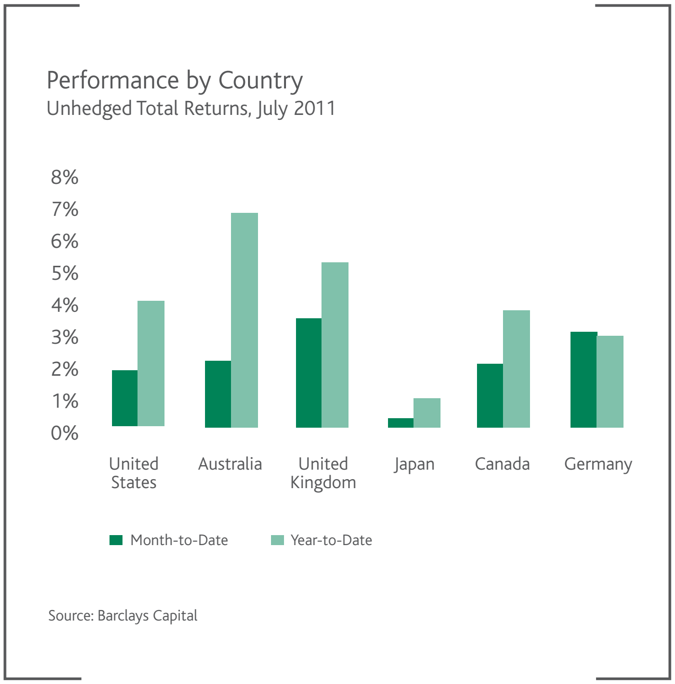
The investment grade corporate sector rallied significantly gaining 2.52% for the month, bringing year-to-date gains to 5.76%. A driver of strong demand in this sector has been a focus on deleveraging in the private sector, with investors redeeming collateralized mortgage-backed securities (CMBS) and other structured asset classes for corporate bonds. New issuance increased considerably as industrial sector companies took advantage of declining interest rates. Meanwhile, fundamentals for investment grade companies have strengthened recently on the back of better than expected earnings. Median net leverage ratios declined significantly to levels not seen since 1994, spurred by the high post-crisis cash positions high grade companies continue to maintain. For comparison, the median level of cash as a percentage of assets has increased to over 4.00%, well above the pre-crisis high of 2.85% set in 2004.

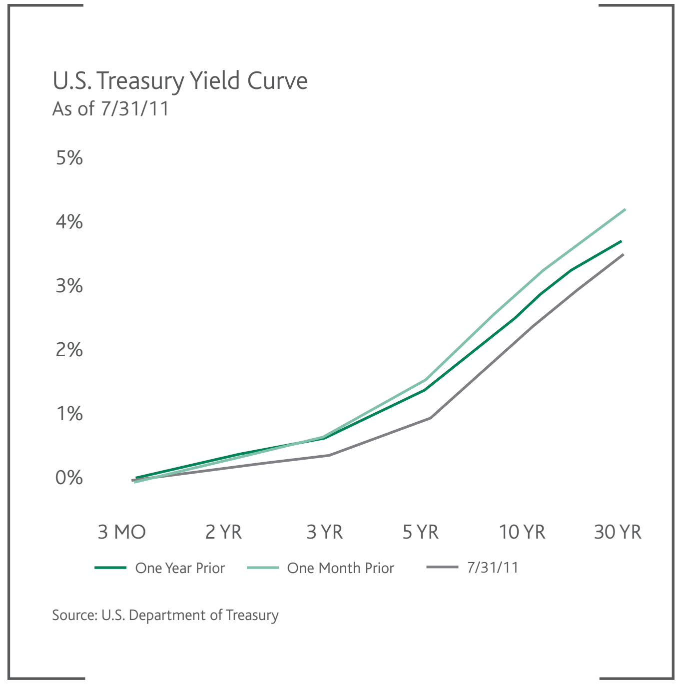
High yield bonds gained 1.19% for the month amid considerable mutual fund inflows, bringing year-to-date gains to 6.19%. Over the past 12 months, the high yield sector returned 12.95%, mostly attributable to still attractive spreads combined with historically low default rates. Despite numerous macro risks, credit market conditions are showing signs of continued improvement, with attractive pricing on new debt and stronger corporate balance sheets. Separately, a recently released senior loan officer survey showed a considerable number of U.S. banks loosening their lending standards. This measure remains a key indicator as it represents a major factor in default forecasting models and has proven to be historically accurate over the course of the last two credit cycles.

Municipals

The Barclays Municipal Bond index rallied for the fourth straight month gaining 1.02% in July, bringing year-to-date gains to 5.48%. A dichotomy in the muni market has developed as bond mutual fund flows continue to be negative and separately managed account purchases have surged. Investors have withdrawn $47 billion from U.S. municipal bond mutual funds since the end of last year, redeeming holdings for 24 straight weeks, according to Lipper Inc. In contrast, separately managed accounts purchased $3 billion more in individual bonds in the last three months of this year than in the same period last year. Because bond funds are traditionally a strong source of demand and support for the tax-exempt market, the recent rally in the face of continued outflows suggests individual bond buyers have been particularly active. From a valuation perspective, munis remain attractive, with the yield ratio of AAA rated G.O. bonds to U.S. Treasuries above long-term. High-quality revenue bonds remain one of the most attractive sectors of the muni market.

Meanwhile, according to a report from Bloomberg, renewed proposals attempting to eliminate the tax-exempt status of municipal bonds have appeared again as a means to increase revenues. Those lobbying for this change have argued that under the current system, it is "inefficient and disproportionately benefiting the wealthy for state and local governments to borrow at favorable rates." Eliminating this asset class would essentially drive up borrowing costs and further strain the budgets of municipal issuers, leading to cuts in services and capital projects. However, with the lack of public support, along with the relatively small amount of incremental federal revenues that would be collected on top of the burdens that would fall on infrastructure development, the current structure of municipal bonds will likely not change in the near-term. Experts continue to claim that muni bonds are an effective way for state and local governments to increase funding.





International

The Barclay's Global Treasury ex-US index gained 2.57% on an unhedged basis, but only gained 0.61% on a local currency basis, consistent with a weaker U.S. dollar against the euro and other currencies. The flight-to-quality rally extended to the international markets with safe-haven countries including Germany, France, Canada, the United Kingdom and Australia performing especially well. Meanwhile, eurozone leaders agreed on a new bailout for Greece along with measures purported to prevent the country's debt crisis from spreading to other areas. Still, market participants remain skeptical, as, even after the new plan, the country will have a staggering amount of debt. The new plan suggests private creditors who hold Greek debt maturing in the near-term "voluntarily" turn in their bonds and accept new longer-dated securities. These private investors would also accept to be repaid at lower interest rates and renounce a small portion of the original interest. This exchange would cause ratings agencies to place Greece into "selective default" – a term indicating it has defaulted on some obligations but is honoring others.

Separately, Moody's cut Portugal's credit rating to below investment grade amid concerns the country will need a second bailout. Discussions to involve private investors in a new rescue plan for Greece make it more likely the European Union will require the same pre-conditions in the case of Portugal, Moody's said in a recent report. Strategists feel this is a strong reminder the sovereign debt crisis does not end with Greece and risks remain with other nations.

Commentary on the current fixed income market environment

In a somewhat anticipated move on Friday, August 5 after close of business, Standard & Poor's Inc. (S&P) lowered the credit rating on long-term U.S. government debt to AA+, citing the country's rising public debt burden and the "perception of greater policy making uncertainty." Although historical precedence would dictate a dramatic bond sell-off after a downgrade, Treasuries have actually rallied, essentially indicating the world is still treating the U.S. as AAA credit. Market participants recognize that the U.S. has the financial wherewithal to pay its debts and is still the safe haven of choice. Default risks remain unchanged and the Treasury has already repeatedly affirmed that bondholders would be made whole even if there was to be a government shutdown. Treasuries are still considered one of the safest investments in the world, with no other market as large or as liquid.

In other news, Italian and Spanish bonds rallied following the European Central Bank (ECB) announcement that it will go into the secondary market and buy the debt of these countries, easing anxieties regarding the threat of the European sovereign debt crisis spreading to other regions. Some strategists estimate that roughly 400 billion euros of Italian and Spanish bonds will need to be absorbed to alleviate upward pressure on their bonds, which would imply a radical expansion of the ECB balance sheet. While uncertainties abound surrounding the magnitude of this bail-out, insiders suggest that German Chancellor Angela Merkel is supportive of the new expanded bond-buying program, lending credence to the belief that world leaders will continue to actively support world economies.

With increased uncertainty, and economic and market conditions changing fast, the Federal Open Market Committee (FOMC) will likely need to take some sort of policy action sooner rather than later. Although many may disagree because of the costs associated with another bond-buying program, strategists feel the FOMC needs to consider this option. Bernanke told Congress on July 13 that the Fed was prepared to buy more Treasury bonds if the economy appeared in danger of stalling or if the threat of deflation had potential to re-emerge. On August 9, the FOMC discussed a range of policy tools to bolster the economy and said it is "prepared to employ these tools as appropriate," suggesting another quantitative easing program is a distinct possibility.

Stock markets weak again in July.

Total Return	Month	YTD
Dow Jones Industrial Average	-2.05%	6.36%
S&P 500	-2.03%	3.87%
NASDAQ Composite	-0.58%	4.40%
S&P 100	-1.14%	3.68%
S&P 400 MidCap	-3.53%	4.73%
S&P 600 SmallCap	-3.21%	4.09%
Russell 2000	-3.61%	2.37%
MSCI EAFE	-1.65%	1.30%

[1]Month and YTD total return ending of 7/31/11

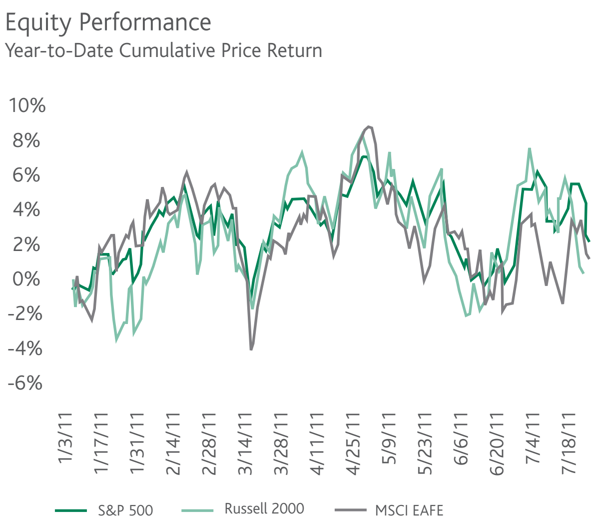
Values reflect most recent data available at the time of publication.
Source: FactSet, Zephyr StyleAdvisor, Standard & Poor's, Russell Indices, The Wall Street Journal, Reuters, Morgan Stanley Capital International, MarketWatch, Financial Times

Overview

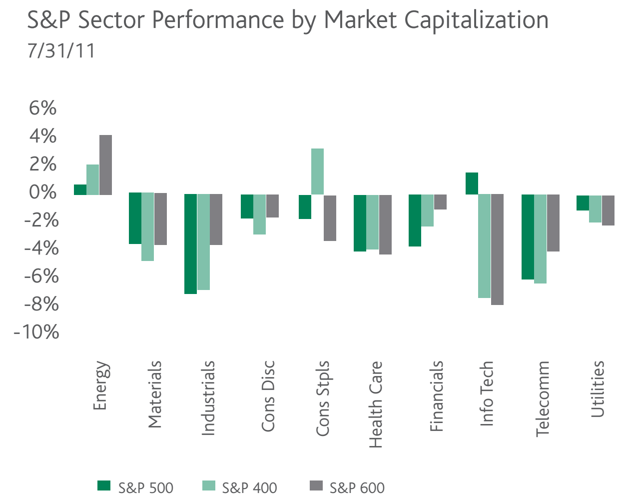
Most major markets closed down for the month of July. Concerns about the European debt crisis, weak U.S. economic data and fears of a U.S default if the debt ceiling issue was not resolved by August 2 weighed on stocks throughout the month. The third week of July was positive helped by strong earnings reports from Apple (AAPL), International Business Machines (IBM), Coca Cola (COKE) and Novartis (ADR). Investors sold off stocks the last week of the month as daily headlines regarding the inability of the government to compromise on a debt ceiling deal weighed on the markets. Faced with the possibility of either a U.S. government default or the loss of the country's AAA credit rating did not sway politicians to come up with a compromise, as a solution was not devised until the last minute. The Dow Jones Industrial Average fell 2.05% on a total return basis in July. The broader S&P 500 index declined 2.03%, while the technology heavy NASDAQ Index declined only 0.58%. The Russell 2000 Index of small capitalization companies dropped 3.61%.

European markets also continued to be volatile as concerns about the debt loads of Greece, Ireland and Portugal continued. Despite the five-year austerity plan approved by the Greek government in the last week of June, most European stock markets were down in July. Of the more prominent MSCI European indices, France (-8.04%) fared the worst, while the UK was flat for the month.

Two IPOs in July proved there is investor appetite for new public companies outside of technology-related firms. Dunkin Brands (DNKN) and Teavana Holdings (TEA) were met with rave reviews. The parent company of Dunkin Donuts, DNKN, went public and opened up 47%. Teavana Holdings, which specializes in selling loose-leaf teas through 161 company-owned stores in 35 states and 19 franchised stores primarily in Mexico, increased 64% on its first day of trading.



Source: Yahoo! Finance



Source: Standard & Poor's

Domestic Equity

Industrials (-6.98%), health care (-3.87%), and financials (-3.61%) declined the most of the S&P 500 economic sectors in July. However, investors took profits in health care companies after strong performance through the first half of the year. Energy (+12.17%) surpassed health care (+9.53%) as the strongest sector year-to-date, while financials (-6.56%), materials (+0.20%) and industrials (+0.49%) were the weakest sectors through the end of July. Only two sectors had positive returns for the month -- information technology (+1.61%) and energy (+0.70%); Google, GOOG, (+19.2%), Apple, APPL, (+16.3%) and International Business Machines, IBM, (+6.0%) led tech stocks on strong earnings reports. According to Russell Indices, large cap stocks outperformed mid and small cap stocks in July on a total return basis for the second month in a row. The Russell 1000 Index was down only 2.17% compared to declines of 3.63% for the Russell MidCap and 3.61% for the Russell 2000 Index of small cap companies. The Russell 1000 Growth (-1.00%) declined less than the Russell 1000 Value index (-3.32%) in June. In mid and small cap, however, value outperformed growth. The Russell MidCap Value Index declined 3.50%, slightly better than the 3.75% drop for the Russell MidCap Growth Index. The Russell 2000 Growth Index fell slightly more than the Russell 2000 Value Index, -3.92% versus -3.31%, respectively.

International Equity

The broad MSCI EAFE Index of developed markets declined 1.57% in U.S. dollar terms in the month of July. The index was led lower by France (-8.04%) and Germany (-3.89%), two countries that had been bucking the trend in 2011. The MSCI Index of Italian stocks declined 9.25% as fears increased that Italy would be the next European country to be hit by sovereign debt woes. Preventing the index from declining even further was positive returns in the MSCI index for Japan (+3.54%) and flat performance for the United Kingdom. The Japanese economy continued to show signs of rebounding after the earthquake and nuclear disaster in March. Signs that overseas investors were beginning to return were also evident.

The MSCI Emerging Markets Index declined slightly (-0.38%) less than the developed markets in July as the indices in China (-0.82%), Brazil (-4.3%) and India (-2.29%) were offset by strength in Korea (+1.78%), Russia (+2.03%) and Thailand (+11.57%). Chinese economic data released during the month was stronger than expected. GDP growth of 9.5%, while slightly lower than 9.7% in the first quarter, was better than the forecast. June industrial production, retail sales, urban fixed asset investment and investment in residential property were all higher than anticipated. Per capita disposable household income rose 7.6% on an inflation adjusted basis in the first six months of the year compared to the same period a year ago. Certification of election results in Thailand calmed foreign investors' concerns about political stability in this emerging market.

Commodities and REITs recover in July.

Total Return	Month	YTD
Dow Jones UBS Commodity Index	2.96%	0.31%
Oil	-0.27%	-5.21%
Copper	4.60%	-0.32%
Gold	8.41%	14.29%
NAREIT- All REITS	0.39%	10.36%
NAREIT-Industrial/Office	0.94%	12.71%
NAREIT- Residential	4.69%	19.42%
S&P Global Property Ex-U.S.	2.40%	-1.66%
HFRI Emerging Markets Index	0.71%	0.47%
HFRI Fund Wtd Comp. Index	0.76%	1.55%
HFRI Equity Market Neutral	0.16%	1.50%
HFRI Event Driven	-0.07%	3.06%
HFRI Market Defensive	2.11%	-2.14%
HFRI Merger Arbitrage	-0.24%	1.95%
HFRI Short Bias	1.76%	-4.06%

[1]Month and YTD total return ending 7/31/11
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. Values reflect most recent data available at time of publication.

Overview

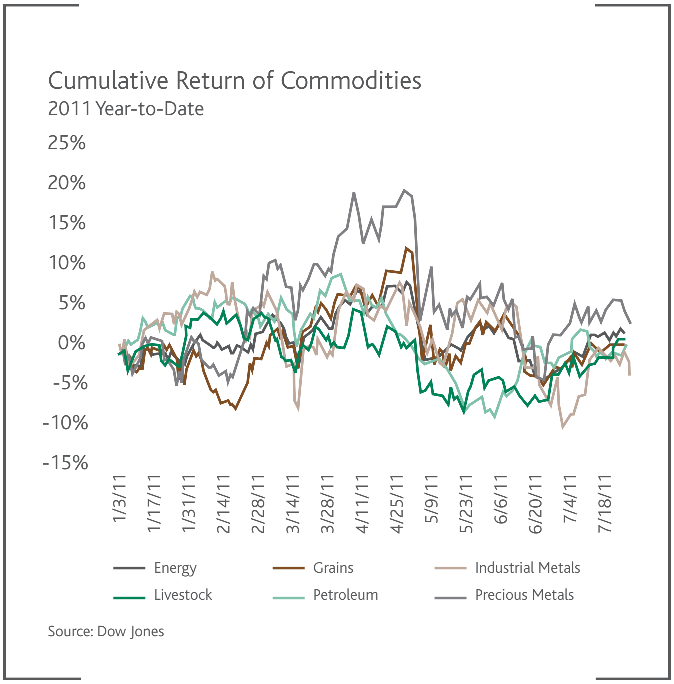
Despite the volatility in other sectors of the market due to increased anxieties surrounding the U.S. debt ceiling and European sovereign debt concerns, alternative investments performed well for the month. In July we saw a gain in commodity prices after two months of losses. The Dow Jones UBS Commodity index gained 2.96% in July, and the index turned positive for the year with a modest 0.31% gain. Real Estate Investment Trusts also posted small gains in July after a difficult June. The FTSE NAREIT All REIT index gained 0.39% for the month, higher by 10.39% for the year, and the FTSE NAREIT ALL Equity REIT index gained 1.05% in July, higher by 11.36% for the year.

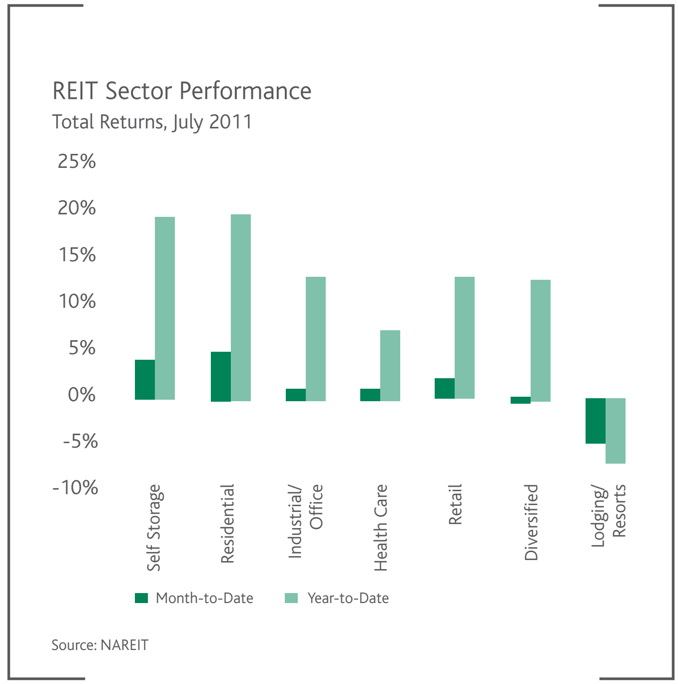
Commodities

Precious metals led the advance in commodity prices in July as the sub-index gained 10.13%. The continued global uncertainty and anxiety bolstered the rally in gold prices. The uncertainty was fed by the U.S. debt ceiling debate, alongside concerns the debt issues in Europe will soon spread to Italy and Spain. Gold was higher by 8.41% in July and is now up 14.92% for the year. Silver also rallied 15.41% in July and, despite being lower by 17.41% over the past three-month period, is higher by 29.43% for the year.

The Energy sub-index was lower by a modest 0.83% in July as Crude Oil was lower by 0.27% and Natural Gas was down by 5.64%. Though crude oil prices were modestly lower in July, there was not much relief at the gas pump. The national regular gas average was $3.71 in July, higher for the month though still below the 2011 peak. Gas prices tend to be highest in Hawaii and Connecticut, with Arizona enjoying the lowest average gas prices in the U.S.

Grains also gained 4.89% in July after being down 8.78% over the proceeding three-month period. Wheat prices recovered this month and were higher by 9.49%, but are down significantly for the year by 25.12%. Wheat prices are expected to fall further this year after an early August report forecasted a bumper crop in Russia that is expected to exceed last year's by over 40%.





Real Estate

Real Estate Investment Trusts (REITs) posted gains in July as they continued to outperform the broader equity markets. The FTSE NAREIT All REIT index was higher by 0.39% and the All EQUITY REITS gained 1.05%. One of the best performing sectors continues to be the Residential market, which includes both apartments and manufactured homes. The sector was higher by 4.69% in July and is higher by 19.42% year-to-date as of July 31. According to Brad Case, NAREIT Senior Vice President of Research and Industry Information, "The story in the multifamily sector is uncertainty about house prices going forward and uncertainty about the mortgage market. So, that creates a suppressed demand for owner-occupied housing, which has certainly helped the rental housing market."

REITs have not been immune to the volatility experienced in the investment markets in early August and were severely impacted by the downgrade of U.S. debt. REITs had a wild two-day swing on August 8 and August 9 as the FTSE NAREIT All REIT Total Return Index fell 9.6% on August 8 and recovered the following day, climbing 9.74% on August 9. "We're certainly in a challenging environment right now," said Keven Lindemann, director with SNL Financial. Commercial real estate has also enjoyed broad gains this year with the Industrial/Office Space higher by 12.71%, though a slowing economy may pose a challenge as demand for office space becomes depressed with stagnant job growth.

Hedge Funds

Hedge funds received a much needed breather for the month of July with relatively stable market conditions leading to modest gains for the average fund. According to Hedge Fund Research, the average hedge fund gained 0.76% for the month, bringing year-to-date gains to 1.55%, after posting two consecutive months of losses. The HFN Hedge Fund Aggregate Index, which tracks more than 3,500 hedge fund products, was up 0.8% in July and up 1.3% year-to-date, while the S&P 500 Total Return Index was down 2.0% in July. Many industry experts continue with the notion that as long as the outlook for the equity market remains uncertain and interest rates low, investors are going to continue seeking alternative investments for uncorrelated and possibly higher returns. The HFRI Fund Weighted Composite Index posted gains of 0.76% for the month, while one of the brightest performers in July was the HFRI Market Defensive Index, up 2.11%.

Citizens Bank & Trust
Trust & Investment Division
222 State Road 60 East
Lake Wales, FL 33853
863.676.7631

The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. This presentation is not intended to be used as a general guide to investing, or as a source of any specific investment recommendations, and makes no implied or express recommendations concerning the manner in which any client's account should or would be handled, as appropriate investment strategies depend upon the client's investment objectives. The portfolio risk management process and the process of building efficient portfolios includes an effort to monitor and manage risk, but should not be confused with and does not imply low or no risk.

Traditional and Efficient Portfolio Statistics include various indices that are unmanaged and are a common measure of performance of their respective asset classes. The indices are not available for direct investment. Past performance is not indicative of future results, which may vary. The value of invesments and the income derived from investments can go down as well as up. Future returns are not guaranteed, and a loss of principal may occur. Investing for short periods may make losses more likely.

The opinions expressed are those of MainStreet Advisors. This information is subject to change at any time, based on market and other conditions. The information presented has been obtained with care from sources believed to be reliable, but is not guaranteed. Member and/or officers may have material ownership interest in investment mentioned. 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.

NOT A DEPOSIT	NOT FDIC INSURED	MAY LOSE VALUE	NOT BANK GUARANTEED
NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY			