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APRIL 2011 INVESTMENT UPDATE

Dear Friends and Clients,

There were several political developments on the global front during the quarter ended March 31, 2011. The wild cards continue to be the ongoing developments in both Japan and Libya, as well as the Euro debt crisis, where there could be further repercussions from Portugal's rejection of the austerity plan. All of these developments contributed to the blue chip market indexes hitting bottom on March 16th for this recent correction. Even though we did not get a clear resolution of either the nuclear crisis in Japan or the turmoil in Libya, investors did not seem to care. Since the March 16 bottom, the Dow surged over 700 points. For the quarter, the Standard & Poor 500 index closed at 1325.83, up 5.42 %.

Actually, it's quite a rocket ride we have been on-ever since the stock market bottomed two years ago, but especially since the sharp midcourse "correction" ended last summer. From the major low on March 9, 2009, the benchmark Standard & Poor's 500 index has nearly doubled, the biggest gain in such a compressed time frame since 1933. Just since the July 2010 bottom, the index was up a stunning 31% before Wall Street's long-delayed "correction" finally arrived in March along with the shock from Japan. By now, the human dimensions of the Japanese tragedy are becoming horrifyingly clear, yet the long-term economic impact of the earthquake, tsunami and now, radiation released from nuclear power plants, is still unclear and may remain uncertain for a while. Before discussing the financial aspects, one can't help reflecting, a moment, on the humanitarian dimension of the tragedy. Here, in one of the world's most advanced economies – despite the best of preparations, the best of warning systems and the best of rescue efforts – we are witnessing a natural disaster that has taken thousands of lives.

Will Japan's earthquake/tsunami drag the global economy into recession and sabotage the worldwide bull-market for stocks? Despite the emotionally wrenching footage of wrecked towers, crippled power plants and homeless people, the overwhelming odds say "no". Within a few months, perhaps before spring is out, most analysts expect the U.S. stock market and many overseas bourses (excluding Tokyo) to be touching new 2011 highs.

However, as we previously discussed, our own two-year bull market on the NYSE was showing signs of age even before the news from Japan broke out. During the past quarter, statistics reflect that fewer stocks are participating on the upside, valuations of U.S. corporations are trading at a higher premium to the replacement value of their assets, and lastly, insiders and other knowledgeable investors are bailing out of their company's stock. Stocks were already acting wobbly before the Japanese earthquake struck. When Mother Nature spoke, though, investors had no choice but to listen.

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As far as our investment strategy is concerned, we continue to maintain our standard two-pronged strategy, which is to continue to maintain a substantial exposure to common stocks (and mutual funds) as long as there is a reasonable prospect for double-digit returns. Furthermore, we will continue to take profits more frequently so that we could gradually increase our weighting in the fixed income portion of our portfolios.

As far as the equity portion of our portfolios is concerned, during the quarter, we added to our allocation of water utilities by purchasing American States Water (AWR), with a current yield of 3.1%. We also added to the emerging markets sector by purchasing some foreign telecos that offer generous dividends with great potential such as Cellcom Israel (CEL) and Telekom Indonesia (TLK). We also added to our positions in Western Asset Emerging Markets (ESD) as well as the Power Shares India Portfolio (PIN). In addition, we added to our allocation of homebuilding by purchasing Vulcan Materials Company (VMC).

As far as the fixed side of our portfolios, the price of a typical long-dated Treasury bond jumped six points from mid-February to mid-March, which dropped its yield to its lowest level since early December. Meanwhile, our Build America bonds have done even better, with the share price of Power Shares Build America Bond Portfolio (BAB) recently touching a four-month high.

In addition, we continue to add to the Vanguard Intermediate Investment Grade Fund (VFICX), with a current yield of 3.5%, which is pretty generous for a fund with an average maturity of 6.7 years and an average credit quality of A1. We also added to our position in the DoubleLine Total Return Bond (DLTNX). Both of these bond funds present a good opportunity to help balance our portfolio allocation, especially since corporate bonds have recently lagged the Treasury rally. Furthermore, for selected taxable accounts, we continue to add to the Nuveen Quality Income Municipal Fund (NQU) and the Vanguard Intermediate-Term Tax Exempt Fund (VWITX), with current yields of approximately 7.0% and 3.70% respectively.

We want to thank all of you for giving our firm the opportunity to serve you. We thank you very much for the trust and confidence you have placed in our firm as it is always appreciated. Please contact me should you have any questions or comments. Also, we want to invite you to visit our website at www.farmandcpa.com for a quick Retirement Calculator, our latest firm news, and Market Commentary archives.