

The first quarter of 2011 was the best for the stock market in over ten years. The S&P 500 was up over 5 percent. Your portfolios continue to perform well as we ride the wave of excellent fundamentals.

If I had told you that there would be civil war in Egypt, Libya, Bahrain, Yemen, Syria and that oil would be well north of \$100/barrel....that there would be a nuclear meltdown in Japan....and that Greece, Ireland, and Portugal amongst others would need a bailout....AND that the market would go up!!! You would have thought that I was crazy!

What is going on? The market is climbing a wall of worry. Like investing in real estate there are three things to focus on.....fundamentals, fundamentals, and fundamentals.

Revenues....yes revenues for the S&P 500 are projected to be up 14% this quarter versus a year ago. Earnings this year could be up close to 20%. Price earnings multiples are low by historical standards. The Federal Reserve is on our side. They want asset prices to go up....that will create income and that is the only way we will pay off the loans we took to bail out the free market system.

The investment themes remain the same. Global growth, innovation, and a recovering US economy are the drivers of earnings for the companies we own.

A weaker dollar combined with demand from emerging markets is hugely positive for multinational businesses and smaller companies that benefit from the order flow from those larger companies. The proliferation of mobile broadband is driving demand for devices such as Apple's I Pad. Or is it the other way around?!

What are the risks? Gasoline prices are one. At some point the average consumer will feel the pain and a pull back in retail spending could harm the recovery. Another risk is a complete melt down of the nuclear reactors in Japan....the world's third largest economy could disrupt the supply chain for autos and electronics amongst other components of manufacturing.

We can't control these issues, of course. It is more prudent to focus on controlling the risks that we can. Diversification across our themes and a focus on fundamentals of businesses that are able to take advantage of economic forces is paramount to performing in this difficult market environment.

Enclosed is our disclosure form ADV as required by the SEC. Also enclosed is our privacy statement. We make great efforts to comply with securities regulations and to protect your privacy. If you would like additional information please do not hesitate to email me directly at bhutchens@hutchco.net or call the office.

Sincerely,

William D. Hutchens, Jr., CFA