April 27, 2011

The first quarter in 2011 continued the trend toward higher share prices and stable interest rates. In spite of an abundance of bad news, the equity markets are undeterred in their steady climb. The bull market shows no signs of slowing down. With little or no speculation and reasonable market prices for many companies, we see very few reasons to be concerned about this stage of the bull market in equities.

We do have concerns about the political components to sustaining the economic recovery. Our other concerns include signs that consumption and spending may be accelerating faster than Curran would like to see. Ironically the consensus opinion among economists and Washington seems to be that spending is not advancing quickly enough.

If spending were to increase at rates that would prevent savings from advancing to at least 10% in the next two years, we would become concerned. So far the savings rate has gradually been increasing from about 0 in the mid 00's to the current rate of about 6% of disposable income.

Curran does not believe spending is the only variable to further growth in the economy. Rather, we believe a combination of modest increases in spending, together with investment and savings is the 'magic' potion.

Our view is 'slow and steady' increases in the economy are preferable to spend and borrow now. Unfortunately, significant reductions in government spending may make it increasingly difficult for the economy to grow. Our view is the economy will continue to improve but not nearly enough to meaningfully reduce the unemployment rate. Our reasoning is significant reductions in government employment are likely over the next few years.

Government productivity will likely prove to be the biggest challenge our economy faces in the next few years. Productivity is a term not generally used to describe efficiency in the delivery of government services. The idea that government must be more efficient is not being discussed. It seems everyone is able to do more with fewer resources except the government.

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As we should expect, the new bull market is climbing a "wall of worry" quite successfully. Historically this is how bull markets behave in the after math of severe bear markets. History tells us a decade of below average returns have always been followed by periods of above average returns. The analysis is not sophisticated but it has worked very well in predicting future stock market prices. Likewise, periods of above average returns have always been followed by periods of below average returns.

Recent market performance, shown below, is what we expect over the next few years. There will be market declines. All bull markets experience significant periodic declines. However, bull markets that emerge form great bear markets provide investors with above average returns lasting for periods of ten years and longer. We continue to advise investors to be fully invested in common stocks based on their asset allocation strategy.

INDEX	1st QUARTER 2011	YEAR TO DATE	LATEST 12 MONTHS
Domestic Equity			
S&P 500 Index	5.87%	5.87%	15.29%
Dow Jones	7.07%	7.07%	16.51%
Russell 1000	6.24%	6.24%	16.69%
Russell 1000 Growth	6.03%	6.03%	18.26%
Russell 1000 Value	6.46%	6.46%	15.15%
Russell Midcap	7.63%	7.63%	24.27%
Russell Midcap Growth	7.85%	7.85%	26.60%
Russell Midcap Value	7.42%	7.42%	22.26%
Russell 2000	7.94%	7.94%	25.79%
Russell 2000 Growth	9.24%	9.24%	31.04%
Russell 2000 Value	6.60%	6.60%	20.63%
International Equity			
MSCI EAFE Index	3.36%	3.36%	10.42%
Domestic Fixed Income			
Barclays Gov/Credit Int. Bond	0.34%	0.34%	4.63%
BofA ML 0-3 Year Treasury	0.05%	0.05%	1.34%
BofA ML Muni 1-3 Year	0.66%	0.66%	1.72%
Consumer Price Index	1.96%	1.96%	2.68%
Cash Equivalents			
Citigroup 3-Mo. Treasury Bill	0.04%	0.04%	0.15%

My mother and father did not graduate from high school. Fortunately for me and thanks to them, my education includes a graduate degree. More importantly they taught me common sense along with their belief that working hard and saving for a rainy day was very important. It is what we must all do today if we are to sustain for our children and grandchildren what we have come to expect in our lives. Simply stated we must work harder, save and invest more.

As we have discussed many times over the past year, it is our view mature economies, like the United States, are entering an investment cycle after many years of enjoying a spending and consumption cycle. Clearly, spending and consumption are more enjoyable but they are not sustainable.

An investment cycle is likely to last 15-20 years. For those who recognize the opportunities presented by investment, the rewards should prove to be substantial.

We continue to be very cautious about fixed income securities. Our forecast is rates are likely to increase with potential for significant losses for investors in long term bonds.

Curran Investment Management is grateful for your trust in us. Kevin and I welcome your opinions and invite you to call us to discuss your portfolios.

Curran Investment Management is Defining Quality.®

Sincerely,

Thomas J. Curran
President

Kevin T. Curran, CFA
Vice President

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Core Equity Portfolio	
Buy/Increase	**Sell/Decrease**
Potash Corp of Saskatchewan	Cisco Systems
Growth & Income Portfolio	
Buy/Increase	**Sell/Decrease**
Accenture PLC (Ireland)	Procter & Gamble
Mid Cap Portfolio	
Buy/Increase	**Sell/Decrease**
Ametek	Ultra Petroleum
FMC Corp	Jacobs Engineering
Gildan Activewear	Energen
Dolby Laboratories	Cognizant Technology
Small Cap Portfolio	
Buy/Increase	**Sell/Decrease**
Atlantic Tele-Network	Lufkin Industries
eResearch Technology	
International Portfolio	
Buy/Increase	**Sell/Decrease**
Potash Corp of Saskatchewan	AstraZeneca PLC
ABB Ltd	Toyota Motor Corp
All-Tech Portfolio	
Buy/Increase	**Sell/Decrease**
Gilead Science	Cisco Systems
Fixed Income	
No Changes	