



Letter from the Chief Portfolio Manager

Overcoming a pair of major shocks in the first quarter, global financial markets recovered amid growing optimism that the recovery from the financial crisis had become self-sustaining.

It wasn't an easy ride, however. The markets were sent for a loop as political turmoil spread in North Africa and Middle East. That was followed by the devastating earthquake and the nuclear crisis in Japan, which sent investors scrambling to reassess their hopeful outlooks for the second time in the span of a month. While the markets staggered, they recovered and showed they were tough enough to take the one-two

–punch. They go into the second quarter still having to navigate strong cross-currents, but with sentiment buttressed by the ability to shake off these twin shocks. Despite the first quarter having a lot of volatility... we're coming out of it with a fair amount of momentum thanks to the quick recovery of the markets.

Looking forward, the budget talks were heading to the brink as Congress failed to reach a budget deal. Republicans and Democrats stumbled close to a government shutdown attempting to close the loop on a 2011 budget



Scott Spiering
 Founder & CEO

funding the government. Now that there has been an agreement, the bigger fight will be the 2012 budget and on a plan that will reshape the government for decades to come.

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Quarter In Review



Jonathan L. Chatfield, CFA
 Portfolio Manager

The first quarter marked a real turning point for the economy and stock market. Real signs of economic recovery became apparent – the unemployment rate declined, the ISM Manufac-

turing Report showed growth in 15 of the 18 domestic manufacturing industries, and corporate earnings beat expectations. The ever forward-looking stock market started to price in earnings growth expectations based on the now more apparent recovery. As investors became more optimistic that recover from the economic crisis has finally taken hold The Dow Jones Industrial Average gained 6.4%, its best first quarter in 12 years. Meanwhile, the Goldman Sachs Commodities index

gained over 11% for the quarter, reacting to the turmoil in the Middle East that sparked a sharp rise in oil prices. Rising oil prices has sparked renewed concerns over inflation and a potential economic slowdown, which in turn renews concerns over a possible rise in interest rates as the Fed takes steps to contain inflation. We remain concerned that the markets may be priced to perfection and any disappointment in earnings could spark a market correction. We continue to feel the market is fully

valued and therefore are currently underweighted in stocks, tiptoeing in where we see value and taking profits as the market conditions permit.

Market Index Returns YTD 3/31/2011

Dow Jones Industrials	6.41%
S&P 500	5.42%
Russell 2000	7.94%
MSCI EAFE	3.36%
MSCI US REIT	6.49%
S&P/GS Commodity Idx	11.56%
BarCap US Aggregate Bd	0.42%

The Importance Of a Written Financial Plan



Dená Baker
Financial Planning

Dená Baker focuses on financial planning. She is working towards the CFP designation and is in charge of writing and presenting financial plans to our clients. The financial planning process is an important part of the relationships we have with our clients. It allows you to share with us your financial information. We are then able to incorporate this information into a written financial plan that forecasts future cash flows

and demonstrates the tools that we recommend to achieve your financial goals. The process includes an evaluation of your financial situation, income taxes, insurance, investments, retirement planning and estate planning. Anchor Bay works with you to develop strategies to meet your needs in these areas. Each year we review your financial plan to ensure your investments are meeting your needs and goals, and

work with you as needed to update the plan to reflect any changes to your financial situation. We encourage clients who have not yet taken advantage of our financial planning services to meet with Dená and discover the added benefits we can provide to you in a written financial plan.

A Protective Strategy in a Potentially Inflationary Environment

In the anticipated inflationary environment that we believe could unfold, we are repositioning the portfolio to some extent. We believe an underweight to equities is appropriate to cushion against possible downside at the first hints of an uptick in inflation or a decisive shift by the Fed towards a tight monetary policy, which will spark a rise in interest rates. As the second quarter started we began to lighten up on the more “growthy”

(stocks that pay little or no dividends, with the majority of return coming from share price appreciation, and higher beta stocks) as well as core positions whose dividends are no longer favorable following recent price run-ups. Proceeds from these sales will go into solid dividend paying companies, with strong balance sheets and a solid track record of paying steady or increasing dividends year after year.

Company News/ Events

We would like you to join us in welcoming Dená Baker, the newest member of our staff. We hired Dená last quarter to head up our Financial Planning division. Welcome to the team Dená! We look forward to the valuable assistance you will provide to

Anchor Bay clients through the financial planning process.

Reminder

Contact Anchor Bay regarding any change in your financial condition.

A critical part of the effective management of your assets is ongoing communication with Anchor Bay about your financial condition. Please keep us informed of any changes in your financial goals, concerns, or time horizon so that we may incorporate them into your financial plan and make the appropriate adjustments to your investment portfolio. Such changes might include the purchase or sale of a house, any large expenditure you may be planning for which we need to provide liquidity, or any change in your tolerance for risk which may require adjustment to a more conservative portfolio.



April Reed
Client Services