

Investment Outlook



Economic Statistics Mixed

- The Leading Economic Indicators (LEI) dropped .3% in April after rising 23 of the prior 24 months.
- Recent jobs data disappointed, and unemployment rose back above 9%.
- Home prices fell back to second quarter 2002 levels and new construction remains dormant.
- As a result, several major research firms recently lowered their 2011 GDP growth targets.
- On the positive side, personal consumption set records recently and companies have billions of dollars to invest.
- And bank lending, a critical catalyst for economic growth, appears to be increasing.

Risks and Questions Remain

- When the record stimulus is removed will the economy be self-sustaining?
- Will the Fed successfully be able to stave off inflation?
- How will massive government debt and deficits impact future growth?
- These and other headwinds have made this recovery choppier, and less robust than normal.



Signs of Inflation Appear

- The Fed's stimulus efforts helped stabilize the US and global economies.
- Meanwhile, a weaker than normal recovery has held headline inflation measures down.
- But many costs not yet reflected in government statistics (ie, food and energy prices) have risen.
- Continued dollar weakness, combined with rising gold, commodity and stock prices might signal that inflation has set sail.
- When the economy appears capable of self-sustaining growth, we believe the Fed will begin tightening monetary policy.



Interest Rates Still Historically Low


- The Fed continues to target a 0-.25% Fed Funds rate.
- 30-year fixed mortgages remain below 5%.
- Somewhat counter intuitively, rising rates early in the economic cycle reflect growth.
- Over time, however, rising rates lower asset values and raise borrowing costs.
- We expect 10 year Treasury yields will rise at least 1-1 1/2% by 2013.

Glenview Trust Company

Investment Outlook

3rd Quarter 2011

Corporate Earnings

Weak ←  Strong

Corporate Earnings Solid, But Growth Slowing

- 1st quarter 2011 earnings reports were better than many analysts expected.
- 65% of S&P 500 companies reported consensus-beating results.
- Importantly, revenues and earnings continued growing.
- CEO confidence, however, plunged from a recent all-time high level.
- Current 2011 estimates call for 17% EPS growth compared to 2010.
- As the economic cycle matures, EPS growth typically slows.

Equity Valuation

Cheap  Rich

Equity Valuations Attractive

- In 2010, the S&P 500 gained 15.1% including dividends, a pretty solid year.
- After rising over 7% in the 1st quarter of 2011, stocks surrendered their gains.
- Stock prices currently reflect uncertainty, caution and skepticism.
- At 1300, the S&P 500 trades at about 14 X 2011 EPS estimates.
- Particularly considering today's low interest rates, P/E multiples seem quite attractive.


Equity Outlook

Negative  Positive

Positive Equity Outlook

- Although the economy appears to be hitting a soft patch, expectations for corporate earnings growth remains above 10%.
- So far in 2011, high quality stocks have performed about the same as the overall market.
- Normally, when economic growth slows, large, high quality stocks lead other stocks higher.
- Since stocks remain attractively valued, if not cheap, we believe investors who purchase high quality, dividend paying stocks now will be well-rewarded.

Fixed Income Outlook

Negative  Positive

Cautious Bond Outlook

- Over time, we think interest rates and inflation will rise.
- Fixed income allocations should be toward the low end of their policy range.
- To protect client's capital, we are positioning our fixed income portfolios conservatively.
- We prefer individual bonds with specific maturity dates rather than traditional bond funds.
- Where appropriate, we are utilizing fixed income investments designed to benefit from rising rates to complement traditional laddered bond portfolios.

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Investment Recommendations

Maintain Equity Exposure

- Our long term equity outlook remains positive.
- Companies are generating revenue and earnings growth.
- Increasing earnings, moderate valuation levels (top right) and increasing dividends should drive stocks higher.
- Current economic and market environment favor large-cap, high quality, globally-oriented stocks.

Include Non-US Equities

- Solid global growth, particularly in emerging markets, is a long-term, secular trend.
- Currently, developed and emerging foreign markets trade at very attractive valuation levels.

Add Absolute Return Strategies

- Alternative strategies, including diversified hedge funds and real estate investments, offer attractive returns and diversification to a balanced portfolio.

Fixed Income Outlook

- Bonds yields (bottom right) have declined for 30 years. Over time we expect interest rates and inflation will rise.
- To protect client's capital, while providing required income, we are positioning our fixed income portfolios conservatively.
- We prefer individual bonds with specific maturity dates to traditional bond funds.
- High quality municipal bonds look relatively more attractive than treasury and corporate bonds.
- Overall, fixed income weightings should be toward the lower end of allocation range.

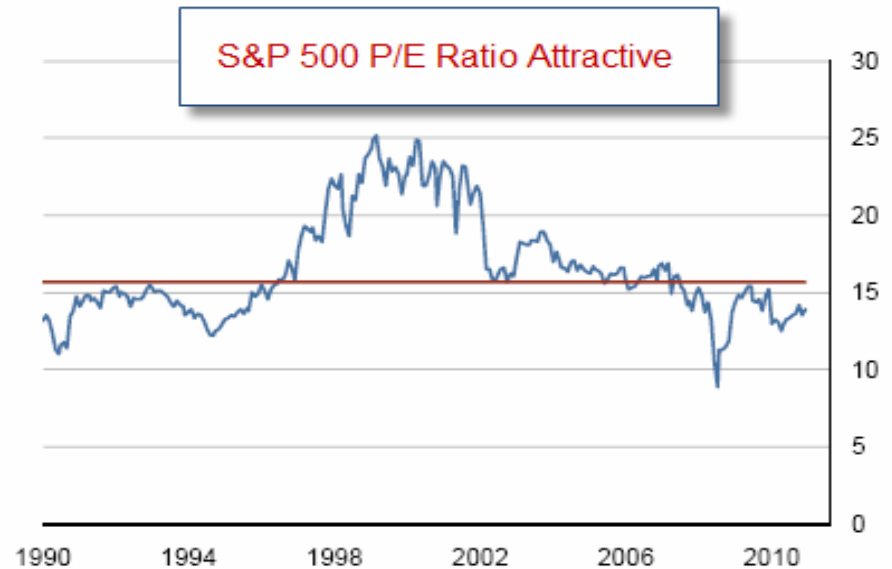
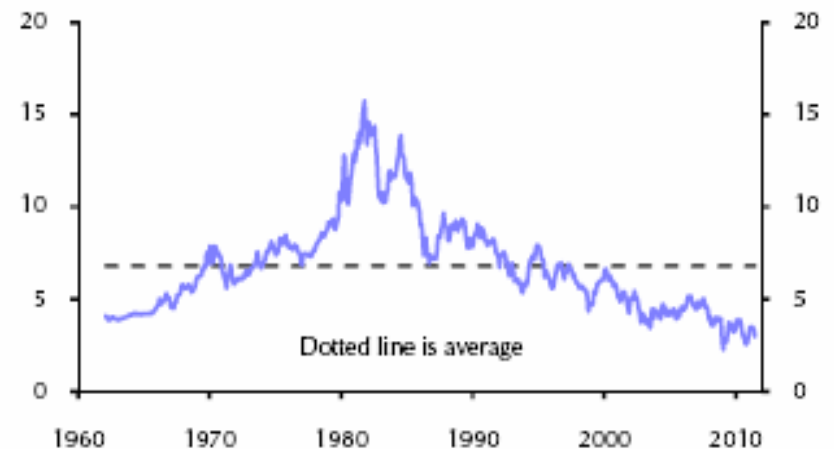


CHART 1: 10-YEAR US TREASURY YIELD (%)



Source – Thomson Datastream