Quantitative Asset Management, LLC
Investment & Advisory Services

Newsletter

April 11, 2011

Dear Clients,

Quarter Ending March 31, 2011			
Year to Date Performance	**Last Full Quarter**	**YTD**	**Index Close**
Dow Jones Industrial Averages	7.07%	16.10%	12,319.73
NASDAQ Composite Price	4.83%	16.02%	2,781.07
Standard & Poor's Averages	5.92%	15.66%	1,325.83
Barclay's Capital Bond Index	0.28%	5.26%	
EAFE-Global Markets	3.44%	10.90%	

Once again, the equity markets turned in some impressive quarterly performance numbers. When looking back over the last two years, the S&P 500 index has essentially doubled from the March of '09 lows. Impressive, until one examines the effect of time on ones returns (the bad news). The S&P is still down about 15% from Nov. '07 highs and up just slightly from ten years ago. However, there is some good news in these numbers too. Valuations are much more attractive today than they were ten years ago.

It appears that the economy is still continuing to improve from the 2008 meltdown, yet we still face many economic issues that threaten our ability to keep the wheels on the proverbial wagon.

I saw a quote the other day that pretty well summarized the current budget debate going on in Washington. David Walker, ex head of the GAO (Government Accountability Office) said the budget debate is "like arguing about the bar tab on the Titanic." Hopefully our government will look up and see the iceberg early enough this time to avert a disaster.

When you read today's headlines, it becomes exceedingly apparent our global economies have plenty to worry about. Here's a list:

- The U.S. budget needs fixing.
- The turmoil in the Middle East has pushed energy prices through old highs. Any consumer dividend from lower energy prices is gone.
- Japan's earth quake and tsunami will modestly impact global economies in the short term. Long term, Japan will need to spend money they don't currently have to rebuild.
- The European Union has financial issues that are still plaguing their economies.

- Our own QE2 stimulus package is reaching an end.
- At some point in the next year the Federal Reserve will be forced to raise interest rates to diminish the inflationary pressures we now face.

On the plus side:

- Riskless investment yields are still close to zero, and are actually negative when adjusted for inflation. This has continued to put pressure on some investors to seek real returns associated with higher risk alternatives.
- Corporations continue to strengthen their balance sheets and cash flows have improved. As a result, significantly more companies are raising or even beginning to pay dividends.
- Corporations will also take some of the burden off consumers once they begin to invest their historically high cash reserves.
- Corporations are beginning to rehire.
- 401(k)'s that become 201(k)'s are now back to 401(k)'s and consumers are increasing their spending.

All in all, I would expect equity markets to cool from the torrid upward pace we have experienced over the last two years. The markets will continue to be quite volatile, creating opportunities to invest at more attractive levels.

As always, please feel free to call should you have any questions.

Sincerely,

Jeffrey L. Farni Sr.

**As required by Advisors Act Rule 204-3 advisory disclosure documents (ADV Part 2A) are available upon request.*