Loring Ward Quarterly Market Commentary

As of March 31, 2012

Loring Ward's Asset Class Investing portfolios are strategically invested with a focus on long-term performance objectives. Portfolio allocations and investments are not adjusted in response to market news or economic events; however, we evaluate and report on market and economic conditions to provide our investors with perspective and to put portfolio performance in proper context.

U.S. Economic Review

Only one quarter removed from an extremely volatile 2011, 2012 has been quite a change. The S&P 500 had the best January return since 1997. That was subsequently followed up by the best February since 1998! March also saw robust gains and we ended the quarter up 12.6%.

Investors had been exposed to quarter after quarter of enormous volatility over the last five years. In 2011 there were 48 days when the S&P 500 fell by more than 1%. In the first three months of 2012, that happened only once (a 1.54% decline on March 6th)! Volatility indeed fell throughout the quarter, and by the end we were below both recent and longer term averages. The smoothness of the gains was almost as impressive as the gains themselves.

Economic data continued to improve noticeably in the first quarter. Final Q4 real GDP growth came in at 3.0%, continuing an upward trend we've seen the last four quarters. This is in line with, or slightly above, the estimated long term trend growth rate for GDP. While still below most recovery scenarios, this rate does reflect an improving economy.

Unemployment also continued downward to 8.3% in January and ended the quarter at 8.2% in March. We haven't seen levels that low since the first quarter of 2009. The four week moving average of unemployment claims also continued to fall throughout the quarter, a four year low, and signaling an improving labor market. Since May 2010 government employment has fallen by 1 million, while the private sector has added 3.7 million jobs.

Inflation was a mixed bag in the quarter, with fuel prices rising significantly, but other inputs moderating. The headline inflation number arrived at 0.4%, while the core rate (excluding food and energy) was up only 0.1%. On an annual basis inflation decelerated from 3.4% to 2.9%, with core inflation at 2.2%.

The worries over political deadlock, stagnant employment and a double dip recession all seem distant memories, though they remain concerns on the horizon.

Financial Markets Review

The fourth quarter was historically good for domestic equities, where we saw across-the-board gains of double digits. This quarter International markets kept up with their domestic counterparts. Bond yields rose for the first time in several quarters.

Fixed Income

After a drastic fall on the 10 Year Treasury yield in 2011, this quarter saw a modest rise ending the year up 34 basis points at 2.23%.

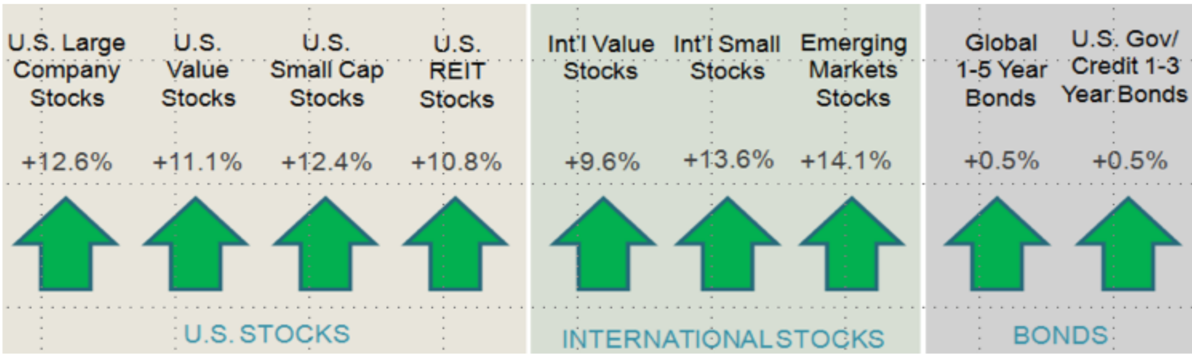
Domestic Equity

Investors who persevered through 2011 saw more of the return side of equities than risk in Q1 of 2012. For the quarter there were gains across the board for the equity, small cap and value areas, REITs also performed well.

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Bloomberg Economic Calendar, U.S. Department of the Treasury

U.S. and International Market Indexes

January 1, 2012 through March 31, 2012



Source: Morningstar Jan 2012. Market segment (Index representation) as follows: U.S. Large Company Stocks (S&P 500 Index); U.S. Small Company Stocks (Russell 2000 Index), U.S. Value Stocks (Russell 1000 Value Index). U.S. Real Estate Market (Dow Jones U.S. Select REIT Index), International Developed (MSCI EAFE Index (net div.)), Emerging Markets (MSCI Emerging Markets Index (gross div)), Global Bonds (Citi WGBI 1-5 Yr Hdg U.S.D), U.S. Bonds (BofA ML Corp&Govt 1-3 Yr TR). Source: Morningstar Direct. Indexes are unmanaged baskets of securities that are not available for direct investment by investors. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. All investments involve risk, including loss of principal. Foreign securities involve additional risks, including foreign currency changes, political risks, foreign taxes, and different methods of accounting and financial reporting.

- Broad U.S. equity market, as measured by the Russell 3000 Index, gained 12.9%.
- U.S. large value equities, as measured by the Russell 1000 Value Index, rose 11.1%.
- U.S. small cap equities gained 12.4% for the quarter, as measured by the Russell 2000 Index.
- U.S. REITs, as measured by the Dow Jones U.S. Select REIT Index, gained 10.8% for the quarter.

For the last 12 months, returns were positive with the broad stock market returning 8.5%. The value premium was slightly negative over the same period, lagging the broad market by returning 4.8%. The small cap premium was not rewarded over the last 12 months, with small cap falling 0.2%.

International Equity

International equities experienced a dramatic turnaround following painful losses in 2011. Concerns surrounding the Euro and slowing growth rates across many developed and emerging economies turned out to be temporarily overblown, though many potential dangers still lie ahead. But the risk of remaining in those securities was well compensated for in Q1 of 2012. In fact, out of 44 International Developed and Developed markets in the MSCI All World Index all but one (Spain, -3%) had positive returns for the quarter.

Sovereign debt worries have continued in Greece, although it was able to complete one round of negotiations with debt holders which will likely impose a haircut to Greek debt held by the private sector of nearly 75%. This was ruled as a default for the purposes of triggering Credit Default Swaps (CDS). Those CDS on Greek debt have a notional value of roughly $3.2 billion, just a fraction of the CDS universe totaling some $15.7 trillion outstanding.

- International value equities, as measured by the MSCI World Ex. U.S. Value Index (net), rose 9.61% in U.S. dollar terms.
- International small equities, as measured by the MSCI World Ex. U.S. Small Cap Index (net), rose 13.6% in U.S. dollar terms.
- Emerging Markets, as measured by the MSCI Emerging Markets Index (net), gained 14.1% for the quarter.

Over the last 12 months, returns remained negative for international equities with International Large Value falling 7.9%. Small cap saw similar returns, losing 7.37%. Emerging Markets declined the most, falling 8.8% for that period, though all 12 month returns were significantly improved from calendar year 2011.

Source: Morningstar Direct Apr 2012. Market segment (Index representation) as follows: U.S. Large Company Stocks (S&P 500 Index); U.S. Small Company Stocks (Russell 2000 Index), U.S. Value Stocks (Russell 1000 Value Index). U.S. Real Estate Market (Dow Jones U.S. Select REIT Index), International Developed (MSCI EAFE Index (net div.)), Emerging Markets (MSCI Emerging Markets Index (gross div)), Global Bonds (Citi WGBI 1-5 Yr Hdg USD), U.S. Bonds (BofA ML Corp&Govt 1-3 Yr TR). Source: Morningstar Direct. Indexes are unmanaged baskets of securities that are not available for direct investment by investors. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. All investments involve risk, including loss of principal. Foreign securities involve additional risks, including foreign currency changes, political risks, foreign taxes and different methods of accounting and financial reporting.