Investment Strategy Notes

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Softer economic reports on the U.S. economy in May coupled with ongoing issues in Europe, the Middle East, and Asia, led to a weak stock market during the month of May. This weakness has persisted into early June following several disappointing reports on job growth. The pace of the economic recovery during the first half of 2011 has not been sufficient to create enough jobs to bring down the unemployment rate. The Federal Reserve's program of quantative easing, referred to as QE2, is set to end at the end of the month. We can expect an ongoing debate about its effectiveness and what Federal Reserve Policy may evolve in the second half.

It is easy to talk about the stock market as a whole, referencing the level of the Dow Jones Industrial Average (of 30 stocks) or the Standard and Poor's 500. In our own Investment Strategy Notes we often refer to the combined earnings of the S&P 500, and the resultant price to earnings (P/E) multiple that values those estimated earnings. We thought it useful to drill a bit deeper to offer some insight on the earnings progress of ten names on our Focus List. It is important to note that currently, the S&P 500 is approximately 14% below its all time high of 1550, registered in October 2007. Many companies have moved to new highs during the stock market recovery. The table below shows the existing earnings recovery that has produced such moves.

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Company	2007 Earnings Per Share	2011 Earnings Per Share (estimate)	% Change
Automatic Data	1.98	2.61	+32
Chevron	8.39	12.95	+54
Coca Cola	2.70	3.86	+43
Danaher	1.93	2.76	+43
Disney	2.04	2.63	+29
Henry Schein	2.57	3.97	+54
IBM	7.19	13.21	+84
Mc Donald's	2.85	5.10	+79
Praxair	3.62	5.46	+51
Union Pacific	3.41	6.51	+91
S&P 500	**$86.20**	**95.90**	**+11**

One might ask why the S&P 500 has not surpassed its former high. Part of the answer is to look at financials which represented the largest sector of the S&P 500 index as it approached its peak. The largest financial companies continue to suppress the S&P 500 Index.

About Jamison:

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For example, the price decline from October 2007 to now of key components of the financial sector are as follows:

Citigroup	-91%
AIG	-97%
Bank of America	-76%
Wells Fargo	-18%
Fannie Mae	-100%
Freddie Mac	-100%

The Investment Team at Jamison, Eaton & Wood also regularly examines the characteristics of our Focus List and individual portfolios compared to those of the market, such as the S&P 500. We find this a useful drill. The table below, constructed from an equally weighted portfolio consistent with our sector weighting guidelines and using our broadly owned Focus List names, has the following values:

	Earnings % Δ 2011 vs.2010	**Earnings % Δ 2012 vs. 2011**	**Return on Equity**	**EBITDA Margin**	**P/E 2012 rel. to S&P**
Portfolio	+19	+15	21.6	32.4	1.1
S&P 500	+11	+8	16.1	20.6	1.0

Individual portfolio characteristics may vary from this example due to client objectives, tax cost circumstances, and other related factors.

We could extend the comparison, but the point has been established. We frequently refer to our equity investment style as Growth At A Reasonable Price (GARP). We think the exhibit above is a proof statement of the reasonable valuations of our current portfolios.

To receive Investment Strategy Notes by email, please send an email to nicole.graff@jamisonfirst.com.

Year-to-Date Total Returns May 31, 2011

Stock Market Indices		Bond Market Indices	
S&P 500	7.89%	Barclays Intermediate Government	2.17%
Dow Jones	9.68%	Barclays Intermediate Government Credit	2.64%
S&P Mid-Cap	10.81%	Barclays Government Credit	2.64%
EAFE	6.66%	Barclays Quality Intermediate Municipal	3.43%

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