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Second Quarter 2011

ARS Insights

Anderson, Riley, & Spoor, P.A.

Registered Investment Advisor

Index Returns

First Quarter 2011

- S&P 500 5.9%
- Dow Jones Industrial 6.4%
- Russell 2000 7.9%
- EAFE (Int'l Index) 3.4%
- Barclays Cap Agg. Bond 0.4%
- DJ-UBS Commodity Index 4.5%

"The hardest thing in the world to understand is the income tax." -Albert Einstein

"Did you ever notice that when you put the words "The" and "IRS" together, it spells "THEIRS?" -Author Unknown

Spring Is In The Air — Tony Anderson, President

As I mentioned last quarter, in February, both ARS and our affiliated CPA firm, Spoor & Associates, relocated to our new offices in downtown St. Petersburg. Trying to move two businesses just prior to "tax season" was probably not ideal, but both firms were able to get settled in quickly and return to business as usual.

In March, the Dow Jones Industrial Average celebrated the two year anniversary since the bottom was reached on March 9, 2009. On that day the DJIA traded down to 6,440, compared to March 31, 2011 when it traded at 12,381. In other words, the stock market has been able to recover <u>almost</u> 100% since the bottom was reached two years ago. This performance has been in the face of unusually high unemployment, rising commodity prices, unsustainably low interest rates, political instability in the Middle East, and natural disasters in Japan.

Based on our top down analysis of the economic cycle, we believe that we are in the middle to late stages of the current economic recovery. At this point in the cycle, history shows the sectors to emphasize are Materials, Energy, Telecom and Consumer Staples. In addition to these sectors, we will continue to look for and add exposure to select individual stocks trading at attractive valuations where there is a catalyst to drive the share price higher.

We have also been actively repositioning our bond exposure to take advantage of the declining value of the U.S. Dollar and in anticipation of rising interest rates. Given the negative attention being placed on the U.S. deficit and debt levels, we believe there will continue to be downward pressure on the U.S. Dollar for years to

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Recovery to Continue With One Caveat . . . — Kurt Ulrich, CFA

The last quarter was marked by some startling events. Japan experienced one of the worst earthquakes on record. The resulting tsunami inflicted enormous damage to coastal cities. Unrest in the Mid East including civil war in Libya exerted upward pressure on oil prices. Most agricultural commodities experienced double digit increases and gold approached $1,500 per ounce. Worldwide consumer price inflation is on the rise.

As a result, worldwide global growth estimates are being revised downward at the same time inflation forecasts are being revised upward. Despite all of the above it appears the US's economic recovery is still intact and should continue with one caveat…that oil prices don't spike to levels that destroy demand and trigger a recession.

The global economy cannot grow without cheap energy and, oil is still the primary source of transportation energy. The Organization of Petroleum Exporting Countries (OPEC) produces over 40% of the world's oil output. The turmoil in the Mid East (where many of these countries are located) has disrupted the supply of oil and as a result the price has naturally increased. In addition, worldwide demand for oil is at an all-time highs creating further tightness in oil markets. Fortunately, the US has plenty of energy in the form of natural gas but lacks the infrastructure to utilize this vast resource. Some members of Congress are introducing an energy bill which would incentivize natural gas use. While this should have been addressed years ago it is now getting attention from both sides of the political aisle in Washington. Let's hope things progress in this area for it is the ONLY energy source that can supplant imported oil to meet our energy needs in the next decade.

We are closely monitoring interest rates as they have been slowly trending up for months. We expect that trajectory to continue with inflation on the rise and the government's diminished ability to keep rates low. Our investment

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Anderson, Riley & Spoor, P.A. has made a strong commitment in talent, resources, and technology to address the financial needs of affluent individuals and their families. ARS is committed to finding solutions for building and preserving wealth for our clients. ARS offers objective, independent fee-only investment advice to our clients. We are able to offer choices and flexibility that many other investment managers can't even consider. ARS has been managing assets for our clients since 1997. Our affiliation with Spoor & Associates, P.A., a CPA firm with over 30 years experience, means we have the knowledge and expertise to handle our clients' unique financial needs.

If you would like additional information about the services offered by Anderson, Riley & Spoor, P.A., please contact us at (727) 322-7681.

We're on the Web! www.arsinvestments.com

Spring Is In The Air *(cont'd. from pg. 1)*

come. Also, with the economy continuing to show signs of improvement (if only modest), it will become increasingly difficult for the Federal Reserve to justify maintaining its overly accommodative low interest rate stance and we expect the Fed will raise interest rates to offset rising inflation.

As a firm, we have been blessed with tremendous growth over the past few years and as a result I'm excited to announce that next week ARS will be adding another exceptional team member. Nate Goad will be joining ARS as a Relationship/Portfolio Manager to help us continue to provide "white glove" service to our clients. We know that choosing an Investment Advisor to partner with, who you can trust and who is accessible when you need them, is an important decision. We will never take the trust you have placed in ARS for granted and will strive to always seek ways to improve how we serve our clients.

Best Regards,

Tony Anderson

Recovery to Continue With One Caveat *(cont'd. from pg. 1)*

team has responded by emphasizing short maturities, investment grade and high yield corporate credits, floating rate bank loans and international sovereign debt. At a time where treasury prices have fallen our bond holdings have done well on average.

Equity prices rose into late February and have bounced around since. Many of the external "shocks" mentioned above have created some trepidation as the economy digests these events. Moving forward our team has developed a "theme" that will guide our decisions. This theme has the following characteristics and objectives: 1. Inflation will continue to increase and interest rates are expected to rise; 2. Global growth will be more robust in emerging nations; 3. Invest in companies able to grow in an inflationary environment; 4. Emphasize companies that produce/sell into emerging economies (Energy, Basic Materials, Technology, Staples); 5. Identify special situations with undervalued assets where management is attempting to unlock this value.

We remain focused on managing investments with prudence, common sense and research. Our primary goal is to protect against substantial declines while attempting to reap above average risk-adjusted returns. We think this is the best way to protect and build wealth…especially in the days ahead.

Enjoy the Spring.

Kurt Ulrich, CFA

If you would like a copy of the most recent version of our Form ADV Part II, one is always available to you upon written request.