

Q U A R T E R L Y R E V I E W



**CHRISTIANA**Trust

A DIVISION OF WSFS BANK



MARCH 31, 2011

# FINANCIAL MARKETS REVIEW

FIRST QUARTER

MARCH 31, 2011

Despite political unrest sweeping across the Middle East, sovereign-debt troubles resurfacing in Europe, rising commodity prices, escalating U.S. government debt and a devastating earthquake and resulting tsunami in Japan, stocks worldwide continued their advance in the first quarter. Bonds showed their resilience too, by posting a small gain in the face of all this turmoil.

Large cap U.S. stocks (+5.9%) enjoyed their best first quarter since 1998 behind solid gains in January (+2.4%) and February (+3.4%) and then held on in March (0.0%) as the natural disaster in Japan tested financial markets. The advance, built on good fourth quarter earnings reports and an increase in merger and acquisition activity, sent the S&P 500 Index up to levels not seen since the summer of 2008. The more domestic economy-oriented mid-cap (+9.4%) and small-cap (+7.9%) stocks fared even better on signs the U.S. job market was improving. The spike in oil prices resulting from the latest political uprisings in the Middle East made energy (+16.3%) the best performing sector while the nuclear accident in Japan resulting from the earthquake and tsunami made utilities (+1.6%) the worst performing sector.

International stocks (+3.4%) fended off a wave of anti-government protests in the Middle East, the worst earthquake ever measured in Japan and the prospect of a bailout for Portugal by the European Union to advance for the quarter. Their performance nearly mirrored domestic stocks in January (+2.4%) and February (+3.3%) but parted ways in March (-2.2%) as events in Japan took their toll. Long-suffering Japan, the world's third largest economy, was up over 6% year-to-date before the earthquake on optimism that corporate profits were turning the corner. The earthquake and resulting tsunami and nuclear accident dashed those hopes near-term as Japan (-5.3%) was the worst performing developed country for the period.

Taxable (+0.4%) and municipal (+0.5%) bonds posted similar modest results for the quarter but took different paths to get there. Steady but low interest payments were the source of returns for taxable bonds as concerns about inflation kept a lid any price appreciation. In contrast, municipal bonds slipped in January (-0.7%) on continuing fears about state and local government finances, then rallied in February (+1.6%) as bargain hunters stepped in after three months of selling and retreated again in March (-0.3%) on renewed concerns about the financial health of municipalities.

It was an impressive start to the year for stocks in the face of fear and uncertainty from the events in the Middle East, Japan and Portugal with their implications on the global economic recovery. The challenge for the balance of the year will be to keep the economy expanding while addressing deficit and debt problems at the federal, state and local level without further burdening consumers who are seeing little income growth while facing rising prices - especially at the grocery store and the gas pump. It won't be easy but nothing worth having comes without some kind of fight.

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## IN THE NEWS



March 29, 2011

### Stocks Ride Telecoms Higher

By Jonathan Cheng

Telecommunications companies led U.S. stocks higher as investors looked with favor on industry consolidation and better-than-expected consumer-confidence figures.

The gains were largely powered by telecom stocks, which surged on continued optimism about consolidation in the industry after AT&T's bid for Deutsche Telekom's T-Mobile USA. A deal would create the country's largest phone carrier. AT&T gained 1.5% and Verizon Communications added 1.4%. Sprint Nextel, the purported loser in an AT&T merger with T-Mobile, tumbled 4.7%.

"There are only a dozen companies in telecoms, and it looks like AT&T would be the monster," said **Scott Armiger**, vice president and portfolio manager at **Christiana Trust**. "With all the swings up and down we've seen in March, some of the telecom advance could also be defensiveness—it's a good place to hide."

**Mr. Armiger** pointed to high dividend yields that are attractive to investors looking to switch out of their bond positions. "It's the late money moving out of bonds—the run in corporate credits is over, and it's time to short Treasuries.....People are just exiting bonds, looking at money-market rates and realizing they have no alternatives, so they go into stocks."



January 28, 2011

### Egypt unrest knocks Wall St to biggest drop in 6 months

By Angela Moon

Increased instability in the Middle East drove up the CBOE Volatility Index, the stock market's fear gauge, as investors scrambled for protective positions.

"The market hates uncertainties, especially geopolitical ones, and based on how that shapes up throughout the weekend (in Egypt), next week's trading will be impacted," said **Thomas Nyheim**, portfolio manager for **Christiana Bank & Trust Co** in Greenville, Delaware.

## Bloomberg

February 25, 2011

### U.S. Stocks Advance as Consumer Confidence Exceeds Forecasts; Boeing Gains

By Rita Nazareth

"We're in a sustainable recovery," said **Thomas Nyheim**, a Greenville, Delaware-based money manager for **Christiana Trust**, which oversees \$7 billion. Consumer confidence beat estimates. Corporate earnings have been pretty good. We're not looking for any pullback in economic growth. Valuations for large companies are very attractive. That should hold stocks up."

February 2, 2011

### U.S. Stocks Drop as Valuation Offsets Optimism About Europe; Aflac Falls

By Rita Nazareth

"We're participating but not afraid to hunker down," said **Scott Armiger**, portfolio manager at **Christiana Trust** in Greenville, Delaware, which has \$6.8 billion in client assets. "The stock market had been overreacting on the good news and underreacting on the bad news. That explains the huge run-up that we've had. Earnings reports were good with occasional misses. However, we need better top line growth because comparisons will be tougher. I wouldn't be surprised to see a pullback. I'm cautiously optimistic on stocks."

To view more quotes by our investment team, please visit the "In the Media" page on our Web site.

# LARGE-CAP GARP EQUITY COMPOSITE

MARCH 31, 2011

## INVESTMENT STYLE

### GROWTH AT A REASONABLE PRICE

The primary objective of the Large-Cap GARP Equity style is growth of principal. This style's goal is to identify companies that have demonstrated superior operating characteristics and long-term prospects. We strive to purchase them at a fair price. These companies will generally have a market capitalization in excess of \$5 Billion. Sector weightings may differ significantly from the S&P 500 Index. Individual issues are identified and selected using quantitative proprietary screens with growth and value factors and fundamental research.

## PORTFOLIO CONSTRUCTION

Portfolios will generally contain 30 to 45 issues. A portfolio's dividend yield will generally be slightly lower than the S&P 500 Index. Turnover is moderate. Over a full market cycle, a portfolio would be expected to demonstrate controlled volatility, a higher ROE, and a moderately higher P/E ratio than the benchmark S&P 500 Index.

## PORTFOLIO CHARACTERISTICS

	<u>Composite</u>	<u>S&amp;P 500</u>
Price/Earnings	17.06	15.40
Price/Book	2.95	2.27
Price/Sales	1.61	1.38
Beta	1.00	1.00
Yield	1.44%	1.86%
*EPS Growth	11.61%	6.00%
Median Market Cap. (\$Millions)	\$41,374.94	
Turnover	25-40%	
Composite ROE	24.04%	

\*5-Year Growth Estimate

## SECTOR WEIGHTINGS

Basic Materials	3.7%
Industrials	14.2%
Telecommunications	1.4%
Consumer Discretionary	7.1%
Utilities	1.0%
Financial	10.0%
Consumer Staples	12.3%
Energy	12.0%
Health Care	11.0%
Technology	19.0%
Cash Equivalents	8.3%

## TOP 10 EQUITY HOLDINGS

Nike Inc.	4.0%
Altera Corp.	3.7%
Oracle Corp.	3.6%
Thermo Fisher Scientific	3.4%
Procter & Gamble	3.3%
Walt Disney Co.	3.1%
EMC Corp.	2.9%
Danaher Corp.	2.7%
Linear Technology Corp.	2.7%
Ball Corp.	2.5%

## PERFORMANCE

	<u>CT</u>	<u>LCC**</u>	<u>S&amp;P 500</u>
1999	34.21%	22.35%	21.04%
2000	1.71%	-8.96%	-9.09%
2001	-12.05%	-13.76%	-11.88%
2002	-23.87%	-23.49%	-22.10%
2003	25.76%	25.59%	28.68%
2004	8.71%	7.79%	10.88%
2005	4.95%	4.85%	4.91%
2006	6.88%	13.50%	15.80%
2007	8.21%	5.80%	5.49%
2008	-32.28%	-37.23%	-37.00%
2009	20.88%	27.14%	26.46%
2010	12.81%	12.90%	15.06%
2011 (3 Mo.)	6.04%	5.40%	5.92%
<b>ITD*</b>	<b>3.28%</b>	<b>1.43%</b>	<b>2.42%</b>

\*Inception to date (1999) annualized

\*\*Large-Cap Core equity mutual fund average from Lipper

Investment products:

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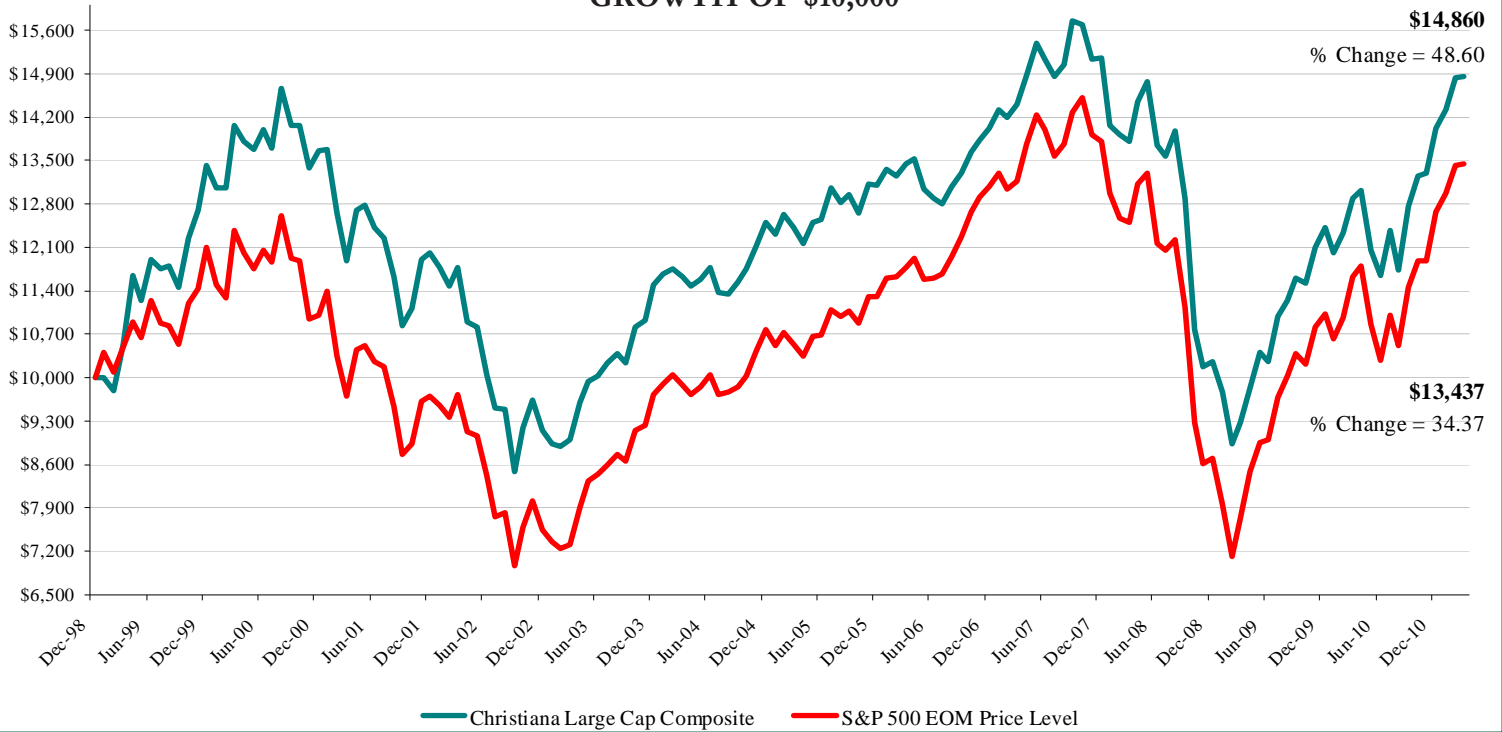
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# LARGE-CAP GARP EQUITY COMPOSITE

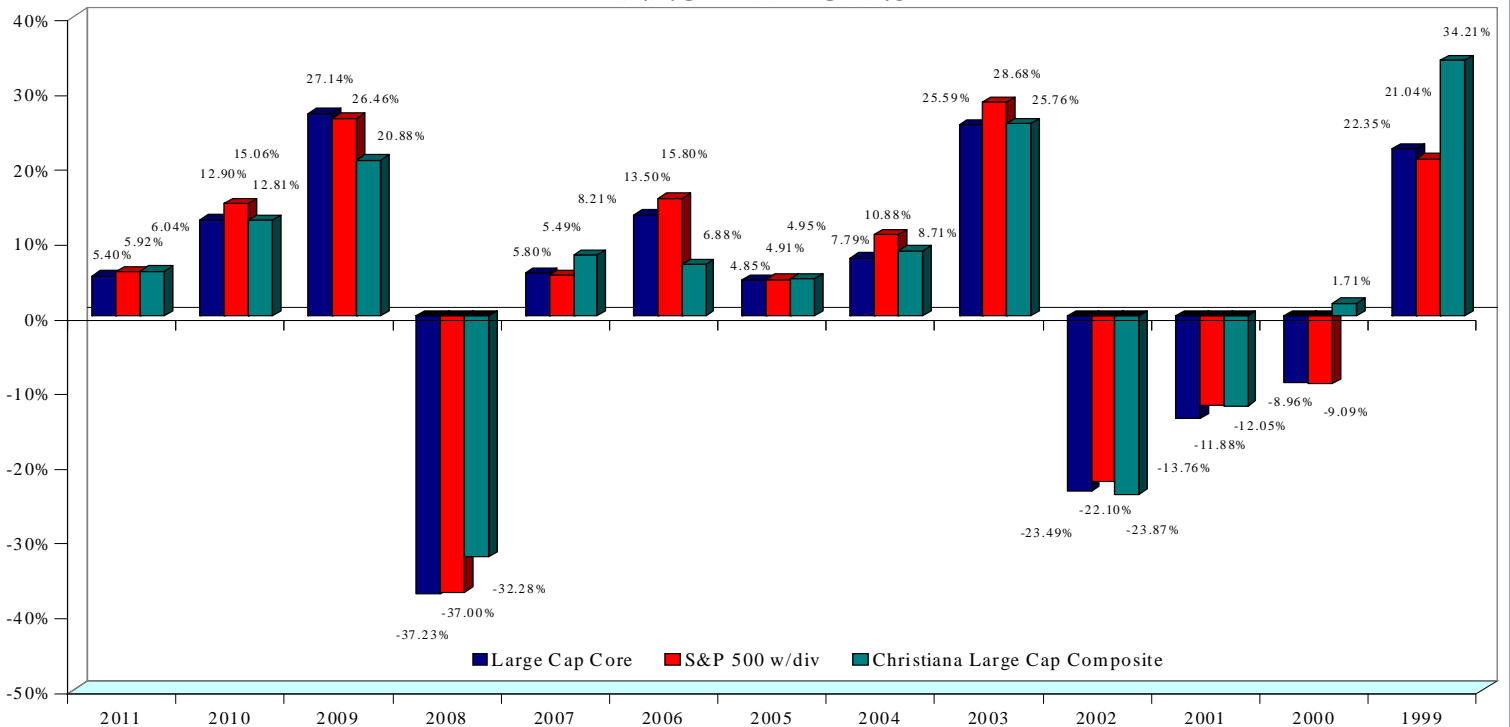
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### GROWTH OF \$10,000



### ANNUAL RETURNS



Large-Cap Equity composite returns represent a dollar weighted composite of all equity accounts where Christiana Trust has full investment discretion. Performance does not reflect the deduction of investment management fees. Leverage is not used in this composite. Composite returns reflect the reinvestment of interest, dividends and capital gains. Past performance is neither a guarantee nor a prediction of future results. The source of returns for the large-cap core equity mutual fund average is Lipper.

**FIXED  
INCOME  
COMPOSITE**

MARCH 31, 2011

**INVESTMENT STYLE**

The primary objective of the Fixed Income style is to generate current income consistent with managing portfolio volatility. The principal characteristic of the process is a quest for value. The process invests by looking at historical spreads as they apply to particular issues as well as relevant trends on a comparative basis.

**PORTFOLIO CONSTRUCTION**

Portfolios utilize investment grade and highly liquid issues. All fixed income market sectors are reviewed. Maturities are spread across the yield curve. High quality, liquid issues are actively managed with the objective of identifying the best relative values. Credit and yield spread analysis is the basis for portfolio construction.

**PORTFOLIO CHARACTERISTICS**

	<u>Composite</u>
Average Maturity (years)	1.6
Yield to Worst	1.81%
Yield to Maturity	4.3%
Duration (years)	1.3
Current Number of Issues	57
Duration Emphasis	Intermediate
Turnover	20%
Current Term Structure	Ladder
Average Quality Issue:	BBB+
Minimum Quality Issue:	BB

**QUALITY ALLOCATIONS**

AAA/Aaa:	1.7%
AA/Aa:	9.3%
A:	13.5%
BBB/Baa:	25.9%
BB/Ba:	12.8%
B:	0.0%
FDIC Insured Certificates of Deposit:	32.4%
Not Rated	1.0%
Cash Equivalents	3.4%

**SECTOR ALLOCATIONS**

US Govts/Agencies:	0.5%
US Inv. Grade Corporates:	63.7%
US High Yield Corporates:	0.0%
US MBS/ABS:	0.0%
Certificates of Deposit:	32.4%
Mortgage Pass Thrus/TBA:	0.0%
Municipals:	0.0%
Emerging Market Debt:	0.0%
Cash Equivalents	3.4%

**PERFORMANCE**

	<u>CT</u>	<u>IB*</u>	<u>B**</u>
1999	-4.41%	-1.32%	0.39%
2000	12.50%	9.74%	10.10%
2001	8.76%	7.57%	8.98%
2002	10.05%	8.14%	9.82%
2003	5.51%	4.55%	4.30%
2004	2.93%	3.83%	3.04%
2005	1.95%	1.77%	1.57%
2006	4.72%	4.00%	4.07%
2007	5.01%	4.70%	7.40%
2008	3.11%	-4.43%	5.08%
2009	4.63%	12.89%	5.25%
2010	5.17%	7.70%	5.89%
2011 (3 Mo.)	0.70%	0.90%	0.34%
<b>ITD***</b>	<b>4.87%</b>	<b>4.80%</b>	<b>5.36%</b>

\*Intermediate Bond mutual fund average from Lipper

\*\*Barclays Intermediate Government/Credit Index

\*\*\*Inception to date (1999) annualized

Investment products:

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# FIXED INCOME COMPOSITE

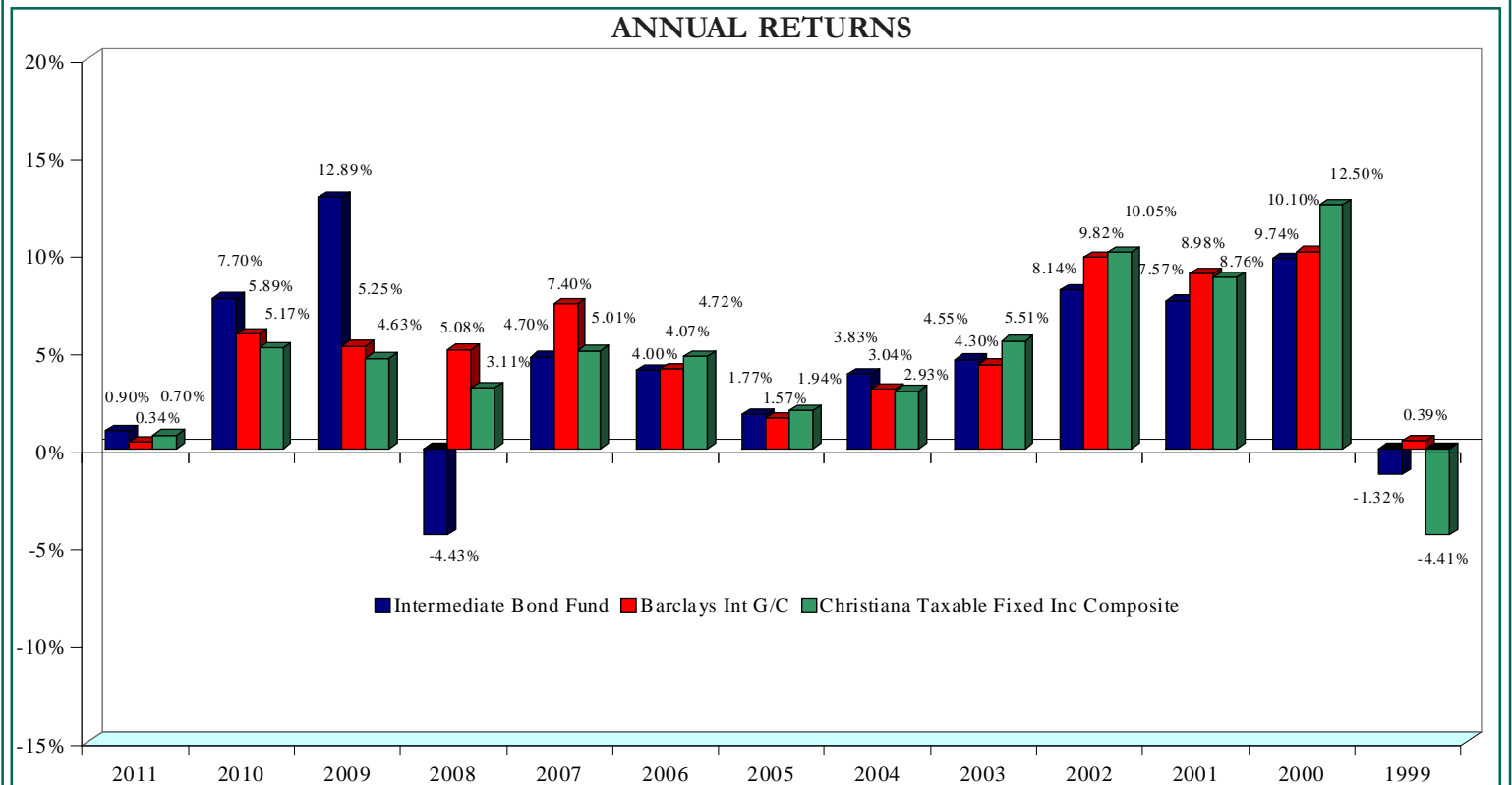
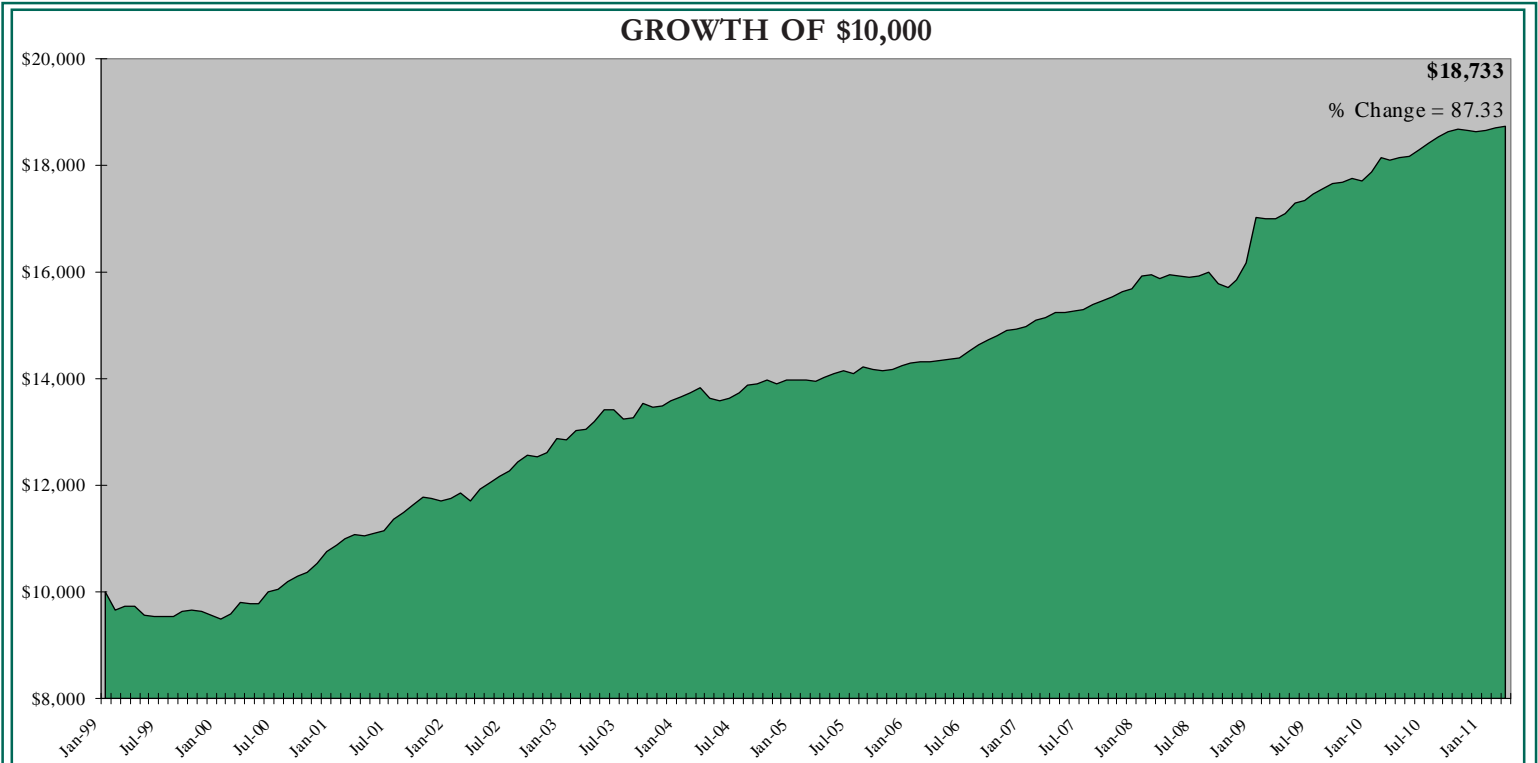
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Intermediate Fixed Income composite returns represent a dollar weighted composite of all fixed income accounts where Christiana Trust has full investment discretion. Performance does not reflect the deduction of investment management fees. Leverage is not used in this composite. Composite returns reflect the reinvestment of interest and capital gains. Past performance is neither a guarantee nor a prediction of future results. The source of returns for the intermediate bond mutual fund average is Lipper.

MARCH 31, 2011

**INVESTMENT STYLE**

The primary objective of the Tax-Exempt Municipal Bond style is to generate current income consistent with managing portfolio volatility. The principal characteristic of the process is a quest for value. The process invests by looking at historical spreads as they apply to particular issues as well as relevant trends on a comparative basis.

**PORTFOLIO CONSTRUCTION**

Portfolios utilize primarily tax-exempt municipal bonds based on client's tax considerations. The composite seeks a high level of income that is exempt from both federal and state income taxes. Maturities are spread across the yield curve. High quality, liquid issues are actively managed with the objective of identifying the best relative values. Credit and yield spread analysis is the basis for portfolio construction.

**PORTFOLIO CHARACTERISTICS**

	<u>Composite</u>
Average Maturity (years)	1.0
Yield to Worst	1.4%
Yield to Maturity	3.6%
Duration (years)	1.3
Current Number of Issues	69
Duration Emphasis	Intermediate
Turnover	20%
Current Term Structure	Ladder
Average Quality Issue:	A+
Minimum Quality Issue:	BB

**QUALITY ALLOCATIONS**

AAA/Aaa:	1.5%
AA/Aa:	52.8%
A:	11.5%
BBB/Baa:	7.8%
BB/Ba:	0.4%
B:	0.0%
FDIC Insured Certificates of Deposit:	1.6%
Not Rated	18.0%
Cash Equivalents	6.4%

**SECTOR ALLOCATIONS**

Municipals:	92.0%
US Govts/Agencies:	0.0%
Certificates of Deposit:	1.6%
US Inv. Grade Corporates:	0.0%
US High Yield Corporates:	0.0%
US MBS/ABS:	0.0%
Mortgage Pass Thrus/TBA:	0.0%
Emerging Market Debt:	0.0%
Cash Equivalents	6.4%

**PERFORMANCE**

	<u>CT</u>	<u>IMB*</u>	<u>B*</u>
1999 (8 Mo.)	-3.72%	-2.17%	-0.60%
2000	13.47%	8.68%	7.70%
2001	3.56%	4.79%	6.20%
2002	10.53%	8.34%	9.26%
2003	3.51%	4.35%	4.13%
2004	2.13%	2.85%	2.71%
2005	1.80%	2.01%	0.95%
2006	3.34%	3.87%	3.34%
2007	4.29%	2.90%	5.13%
2008	2.91%	-1.79%	5.79%
2009	4.20%	9.90%	7.41%
2010	1.64%	2.10%	3.40%
2011 (3 Mo.)	0.52%	0.50%	0.61%
<b>ITD***</b>	<b>3.96%</b>	<b>3.83%</b>	<b>4.67%</b>

\*Intermediate Muni Bond mutual fund average from Lipper

\*Barclays 5-Yr Muni Bond

\*\*\*Inception to date (May 1999) annualized

Investment products:

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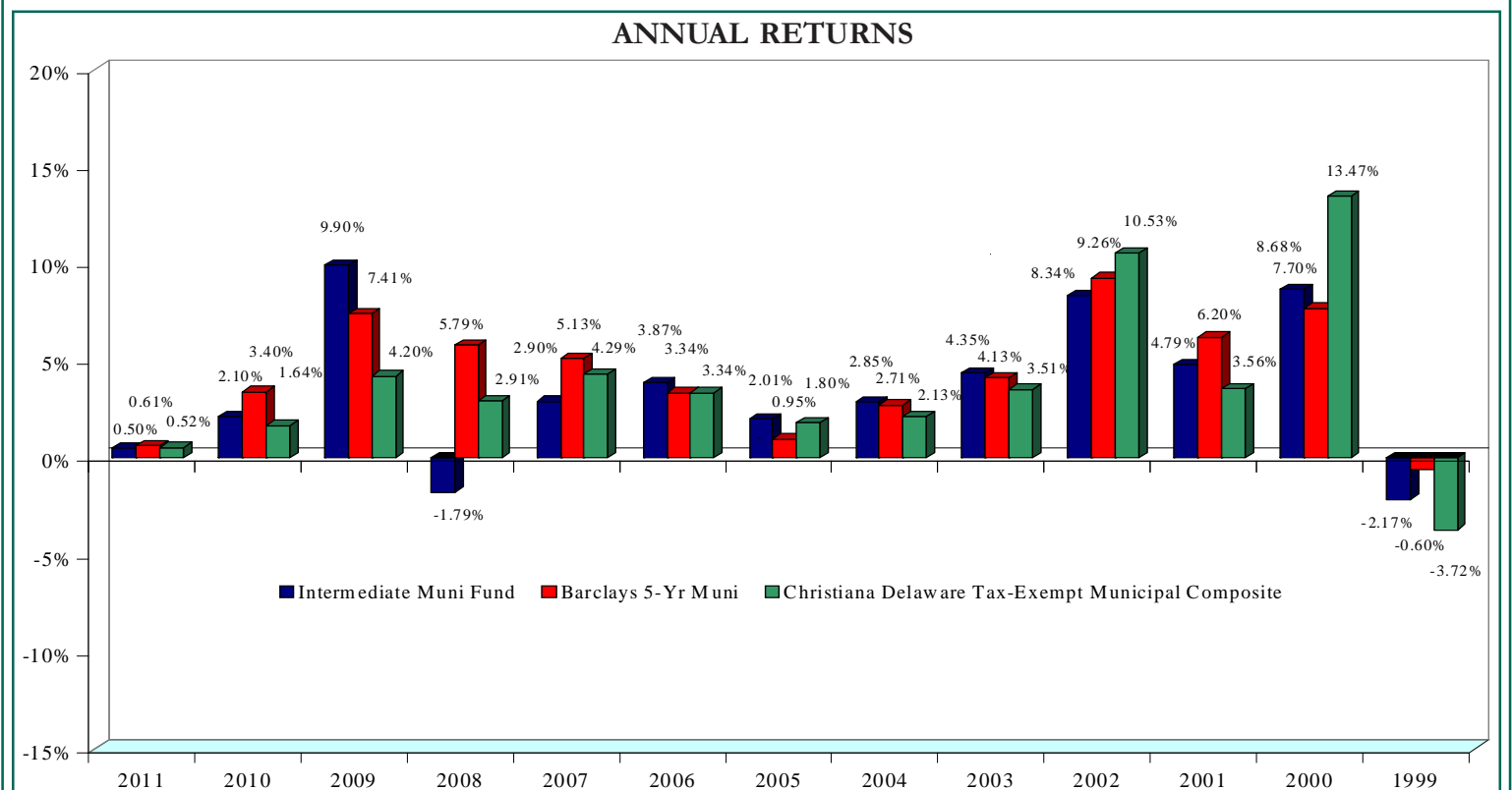
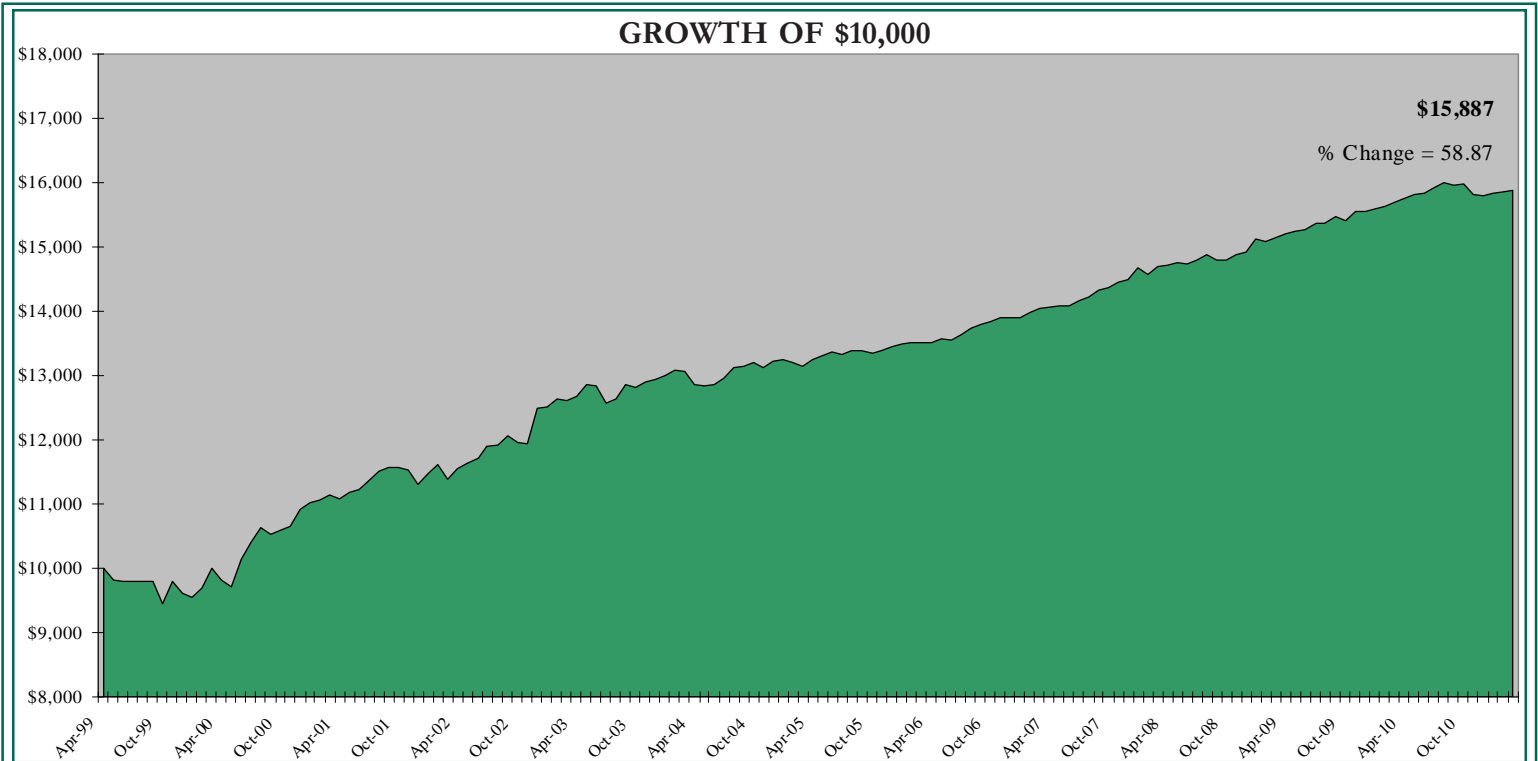
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# TAX-EXEMPT MUNICIPAL COMPOSITE

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