



Quarterly Market Update – Q2 2011

MCS has a unique dual goal of achieving a 15% average annualized return in conjunction with protecting your principal. Although our goals and investment strategy have not changed, due to recent unexpected news announcements we have decided to exit some of our current tactical investments and wait for another entry point as conditions improve.

When we initiated the investments in mid March, the 10-20% upside potential was achievable based on the earnings and revenue of the companies that make up the ETFs we invested in. The 90% confidence of achieving the goal was visible at time, also. Since then several factors have changed that could be detrimental to the marketplace.

What changed?

- Japan upgraded its nuclear emergency to the maximum level of seven on an international atomic crises scale after they experienced a 7.0 aftershock. These events will extend the recovery in Japan. This could mean slower growth globally. Japan is the third largest economy in the world and manufactures a large portion of the world's electronic components. Additionally, the entire world economy is still in a recovery mode from the financial meltdown of 2008.
- On Thursday April 14th, the International Monetary Fund (IMF) unexpectedly announced a downgrade of the U.S. GDP for 2011 from 3.0 to 2.8.
- On Monday, April 18th the S&P Rating Agency downgraded the U.S. Credit Outlook from Stable to Negative. This is the first time in U.S. history that the outlook has been rated negative. This is extremely significant.

As a result, our confidence in a continued rise in prices has diminished to below the level that our strategy demands in order to remain invested in these securities. MCS will return to our research phase, eagerly looking for the next opportunity to enter the market. We expect at least one other entry point this year. In the meantime the portfolio is protected from the possibility of a severe downturn.

When the opportunity for profits is overshadowed by the risk of being in the market, MCS will always exit tactical positions to protect your portfolio. We are pleased that the total portfolios are in a positive position currently.

We appreciate your understanding and support in these circumstances, as protection of principal is paramount. We would be happy to answer any questions that you may have (571)379-8586.
