

### MARKET COMMENTARY

Equity markets around the world surged during the first quarter of 2012. The major US indexes all rose close to or more than double digits. The Dow Jones Industrial Average (DJIA) increased 8%, the S&P 500 12%, and the Nasdaq 18%. The period marked the best first quarter market performance in 14 years and seemed reminiscent of the bull market of the early 1990s. By sector, financials and technology outperformed the broader index, up 22% and 21% respectively. The utility sector posted the only loss in the S&P, declining -3% during the quarter. Market conditions favored asset appreciation. Interest rates remained near historic lows, employment gains trended upward in recent months, and annualized auto sales recovered from the depths of 8 million units in 2008 to 14 million units so far in 2012. As we mentioned in last quarter's Market Commentary, news of the European financial crisis and the high risk of contagion to the US battered financial markets in 2011. However, in 2012, the continuation of the European Central Bank's quantitative easing policy, the Long-Term Refinancing Operation (LTRO), stabilized markets, resulting in higher asset prices around the world. All in, it was a positive, historic quarter.

Controversy currently prevails regarding the continuation of the first quarter's market trends. Corporate profits, arguably, the primary driver of stock prices, will likely show slower growth this year (an estimated 6.9% vs. 7.9% in 2011).

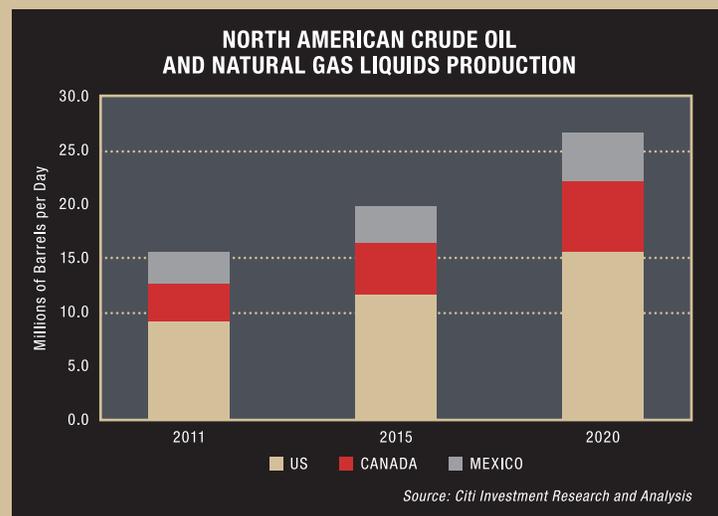
GROWTH OF US CORPORATE PROFITS	
2008	-26.8%
2009	0.4%
2010	32.2%
2011	7.9%
2012E	6.9%

Since the recovery from the recession of 2008-2009, corporate profits have experienced historic growth and along with cash flow, have reached record levels. The US corporate world is financially strong with record levels of cash on the balance sheet and considerably reduced debt (leverage). Profit margins in most instances are near peak levels. Consequently, profit increases will depend on revenue growth and overall economic expansion / demand. With strong balance sheets and cash flow, corporations have the means to expand, but need to realize demand growth. This is the challenge to investors, governments and corporations.

Over the long-term, several structural trends in the global economy hold promise of boosting global growth. Some of these trends are evolving now and are beginning to impact the US and the global economy.

### Energy Revolution

The US became the world's largest net exporter of petroleum products in 2011. Even though demand for petroleum products in the US has softened due to the slow US economic recovery, supply has increased at a faster pace. Over the past five years, North America has also become the fastest growing oil and natural gas producing region in the world. The Energy Revolution has come about through new technologies of finding and recovering fossil fuels including fracturing and horizontal and deep water drilling. Within the next few years, if these trends continue, North America will be a larger producer of hydrocarbons than the Middle East and Russia. The graph from Citi Investment Research and Analysis illustrates the US is projected to produce over 15 million barrels per day of oil and natural gas liquids by 2020.



The implications of the Energy Revolution are notable. It should add to our GDP growth by a few percentage points through the creation of several million jobs. Our dependency on Middle East oil is waning and should improve our energy security and trade balance. A caveat is the political landscape and the trade-offs between environmental and increased supply issues. Nonetheless, the Energy Revolution could step up the pace of the US recovery and provide sustainable GDP growth for a decade or more.

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### Fourth Generation Technology

Social networking and cloud computing are leading the latest evolution of hardware and software technologies. This is the fourth IT cycle in the past 50 years, beginning with mainframe, 1960s-1970s; to client/servers, 1980s-1990s; to the web tier, 2000-2011, and now application modernization. Application modernization involves the integration across enterprise networks of massive data through convergence of multiple technologies such as cloud computing, big data and fast data. Enterprise IT spending has lagged over the past decade and now because of the integration of improved hardware and applications, enterprises are compelled to spend to be competitive. International Data Corporation estimates the amount of information created and replicated through 2011 was over 1.8 zettabytes which is equal to 1.8 trillion gigabytes. This is expected to grow 50 times in the next ten years. Fortunately, technological advances in software, semiconductors and storage continue, enabling ever-faster processing. Innovation across the technology spectrum is leading the way to a better end-user experience and to value creation.

### Urbanization

Data from the United Nations show the world population continues to migrate to cities from rural areas. In 1950, 70% of the world's population lived in rural areas. By 2009, the number was 50% and is projected to be 30% by 2050. By 2037, cities in emerging countries will have 50% of the world population. From 2010 to 2050, world population in urban areas will increase by 2.6 billion with over 90% of the growth in emerging countries. Typically, as the share of a country's urban population rises by five percentage points, there is an associated gain in per capita economic activity of 10%. This forecast not only has significant implications for cities in emerging countries, but also for the global supply of commodities and services associated with the building of infrastructure, housing, commerce and retail markets. Industrial commodities, such as steel, copper and cement should benefit meaningfully in early development, followed by information technology and social services. Urbanization has the potential to significantly affect global GDP in the coming years as employment shifts from lower value agricultural labor to higher value, more skilled jobs in manufacturing, services and finance. The critical element to the development of these markets is geopolitical stability. Time will tell if governments can realize the opportunities Urbanization presents to their societies.

Our investment strategy encompasses short-term and long-term time horizons. While the Energy Revolution, Fourth Generation Technology and Urbanization themes present long-term investing opportunities, we remain vigilant of macroeconomic issues that will challenge progress in the years to come. In general, we believe a balanced approach with appropriate diversification across asset classes can provide risk-adjusted returns that meet investors' goals.

## FIRM BROCHURE

In March, Winfield filed a new Firm Brochure with the United States Securities and Exchange Commission (SEC). This brochure provides information about the qualifications and business practices of our company. Clients of Winfield received a copy of the Firm Brochure at the end of the first quarter. Information about Winfield is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 801-54970.

## MARKET PERFORMANCE

	2011	2012 YTD
Dow Jones	8.35%	8.91%
S&P 500	2.14%	12.66%
Nasdaq	-1.80%	18.67%
Russell 2000	-5.45%	12.06%
MSCI EAFE	-11.73%	9.97%
Barclays Agg	7.84%	-0.30%

## WHEN TO WORK WITH WINFIELD

### PRIVATE INDIVIDUAL INVESTORS

- Manage accumulated wealth, inheritances and settlements to meet investment objectives

### ENDOWMENTS AND FOUNDATIONS

- Manage assets with a long-term growth strategy while meeting investment policy requirements

### BUSINESS OWNERS

- Customize investment portfolios to meet investment objectives and lessen risk of concentrated assets
- Defer taxable earnings in profit sharing plans
- Manage and advise 401(k) plans

### BUSINESS PROFESSIONALS

- Customize investment portfolios, manage stock options and consolidate 401(k)/IRA plans to meet investment objectives and lessen risk of concentrated assets

### RETIREES

- Customize investment portfolios to meet investment objectives with the option of drawing income
- Management of IRAs, trusts and taxable accounts

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