DELTA
FINANCIAL ADVISORS
Investment Counsel

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Economic Comments

In the face of bitter political infighting, and the imminent arrival of the fiscal cliff, the U.S. economy was poised to shrink as 2012 closed. Thanks to a last minute tax deal and continued consumer optimism, the economy continues to struggle forward. With the ongoing economic head winds, the Federal Reserve has maintained its $85 billion/month bond buying program. At its late March meeting, the bankôs rate setting committee reaffirmed its intention to maintain this fiscal stimulus until it sees an appreciable recovery in the job market.

Government reported inflation continues to give Federal Reserve policy makers flexibility as recent readings indicate that prices are climbing at an annual rate of 1.3 percent - well beneath the Fedôs 2 percent target. The challenge with reported inflation though is that all individuals experience price increases differently. Interestingly enough, the methodology for calculating housing costs (a component of inflation) changed 30 years ago. This change understated inflation during the housing boom and is resulting in an overstatement today of the ñtrue inflation rateò.

While the Federal Reserve is striving to grow the economy with its aggressive use of monetary tools, the Federal government is effectively trying to shrink the economy by being more fiscally prudent with the implementation of the long delayed budget sequestration. Finally implemented starting on March 1, 2013, the $85 billion/year cuts were enacted in 2011 and originally set to begin on January 1st. However, these reductions in Federal spending were delayed until March as part of 2012ôs year-end tax/budget deal. Split evenly between defense and non-defense spending, the sequestrationôs spending cuts are but a token effort by Congress to rein in out of control Federal largess. Nonetheless, the relatively modest cuts are anticipated by some economists to reduce overall economic growth in 2013 by as much as 0.5 percentage points.

Despite the recently implemented higher tax regime, Februaryôs consumer spending rebounded to its highest level in 3 years as Americans spent more on both capital goods and services. Mirroring the increased spending was an improvement in consumer outlook. The Thomson Reuters/ University of Michiganôs index of consumer sentiment rose to 78.6 from 77.6 for the month. Driving the positive outlook were expectations for accelerating employment gains through the remainder of 2013. Partially as a result of the dampened demand due to the fiscal cliff and

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partially as a result of expectations for continued employment advances, 1st quarter economic activity is now anticipated to be relatively robust, at least in comparison to tepid recent performance, at around 3% growth.

Even recent job numbers are showing improvement - whether this change is sustainable is yet to be proven. U.S. employers, in 3 out of the last 4 months, have added more than 200,000 positions causing unemployment to drop to 7.7% - the lowest level in more than 4 years. More critically, the jobs improvement appears more widespread with even the recently moribund construction area showing appreciable employment growth. Adding to improved consumer sentiment has been the ongoing rebound in the housing market. Since 2012, the S&P/Case-Shiller home price index has gained more than 7%.

The situation is not totally rosy though. A key driver behind the unemployment decline has been the reduced rate of workforce participation. As a smaller percentage of potential workers look for jobs, the overall unemployment rate declines, because government statisticians only consider someone unemployed if they are actively seeking work (and not if they want a job but have grown frustrated and given up on their search).

On balance though, we do remain cautiously optimistic on near-term economic activity. The recent budget deal was relatively well received by investors and lenders. While only a beginning towards putting the U.S. on a permanent and sound financial footing, it was at least a start. Dangers continue to abound as the recent bank/debt crisis in tiny Cyprus recently highlighted. Potential challenges continue to flourish. Time will tell if the worldôs politicians and policymakers are up to this critical task.

Analyst Corner

Doctors are always eager to prescribe fresh fruits and vegetables to their patients. Following some recent research, we are eager to prescribe a serving of shares of Fresh Del Monte, *NYSE: FDP*. Based out of the Cayman Islands, the company is one of the globeôs largest producers, and marketers, of fresh fruits, vegetables and greens. While food industry growth is typically in the low to mid single digits, we believe that FDP has a number of levers that it can use to enhance shareholder value. With a minimal amount of debt and a small dividend payout, there are multiple vehicles by which the company's managers can increase the return of cash to shareholders. Moreover, with management owning more than 1/3 of the company, there is ample incentive to see shareholder results improve. Even though the company has struggled in recent years, we believe that so much bad news has been incorporated into the stockôs outlook that even a little bit of good news will be readily embraced by investors. Although not an appropriate investment for all individuals, we believe FDP could be a worthwhile holding for investors requiring a bit more green - in their pocket books, that is!

Market Comments

In recent days, the Dow Jones Industrial average and the S&P 500 have roared back and achieved new record highs. Clearly, the lights are still on and the music is still playing at the recent Wall Street party. The market finished up a sizzling 10.6% for 2013ôs first quarter.

Interestingly, investors showed little discrimination between various stocks as all market sectors advanced strongly. While the healthcare sector was the most robust with a 15.8% upward swing, even the market lagging IT sector showed a solid 4.6% increase during the period. The fixed income market did not join the stock investorsô party, though, as the 10-year Treasury showed a modest decline in price.

Helping drive the marketôs recent advance was better than expected earnings to close out 2012. While sharply higher than initial expectations of 1.9% profit growth, the 6.1% earnings advance was still appreciably lower than the 40-year average of 9.8%. What will prove more interesting in the upcoming earnings season will be revenue growth as the most recent quarterôs sales grew at a relatively anemic 1.4% annual rate. Since the Financial Bubble, earnings growth has largely been driven by profit margin expansion - the challenge is that margins currently stand appreciably above their historical averages. Simply put, with millions still out of work, companies face little pressure to raise salaries while continued productivity gains allow for sales increases without adding new workers.

Interestingly though, analysts anticipate that the budget sequestration has proven to be a non-event for stock investors. Even though the reduced Federal spending is anticipated to prevent the creation of 700,000 jobs and dampen economic growth, Wall Street has shrugged off the news as it is not anticipated to have a meaningful impact on corporate profits. Investors appear to be more focused, and pleased by, the hint of fiscal austerity by extremely fiscally imprudent Washington.

Looking forward, we continue to see stocks to be among the most attractively valued liquid investment asset. One thing to be aware of is that since the Federal Reserve opened up its cash spigots starting in 2009, lower credit quality companies have substantially outperformed higher quality holdings. When the Central Bank eventually removes this stimulus, we believe that these holdings will be amongst the biggest casualties. As we look to take future moves, this issue causes us to return yet again to our core belief of risk appropriate investing.

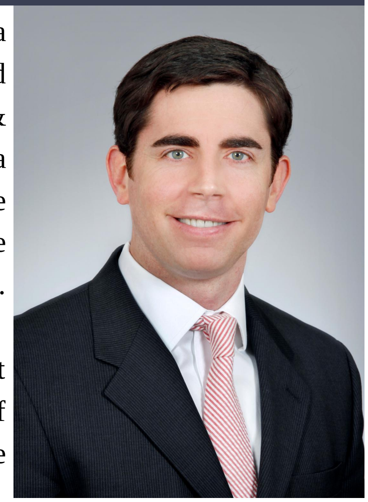
While the equity markets have been very strong in recent months, now is not the time to sharply change your targeted stock allocation. Instead, this is a highly appropriate time for investors to re-evaluate both their longer term objectives and ability to absorb risk to make sure that these issues are appropriately addressed in their portfolios. With the markets having been on a strong upswing in recent months, the only certainty that we can offer is that the current good times shall eventually pass.

Performance as of 3/31/13

	Close	Month	YTD	1 Year
DJIA	14,578.54	3.86%	11.93%	13.37%
S & P 500	1,569.19	3.75%	10.61%	13.96%
NASDAQ Comp.	3,267.52	3.40%	8.21%	5.69%

	Quarter end yield	Prior Year end yield	Yield 1 year ago
10 yr. U.S. Treasury	1.85%	1.76%	2.22%

Firm News



We are happy to announce that J. McCall Baldwin recently joined our firm as a portfolio manager. McCall has over ten years of varied experience in business and financial analysis. Starting his career with the accounting and consulting firm Ernst & Young, McCall next joined MidFirst Bank in Arizona. Most recently, he acted as a financial consultant with an emphasis on capital allocation, business processes and private company valuations. In addition to a Bachelor of Science degree in Accounting from the University of Richmond and a Master of Business Administration from Arizona State, Mr. Baldwin is also a Certified Public Accountant.

We are very excited to have McCall helping us with both portfolio management and financial planning. McCall additionally has a background in business valuation, so if he can be of any assistance to someone needing to have their company valued, please give him a call.

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