Monthly Investment Update

First National Bank
Investment Management & Trust

April 2009

Highlights

March represented a reversal month, with the stock market bouncing significantly from it's low on March 9th. Equities responded to the Federal Reserve, Treasury and worldwide efforts by governments to address the financial crisis. With fears of systemic collapse abating, investors showed a small willingness to take on more risk. Even with the March rally, stocks posted their 6th consecutive losing quarter and the worst first quarter since 1939. This string of quarterly declines is the longest stretch since the six quarters that ended in June 1970. The performance of commodities was mixed with oil prices up and gold down. Treasury notes continued to rally as the Federal Reserve implemented the program to buy government securities.

Source: Wall Street Journal, Bloomberg

Asset Class	Index	3/31/09	Total Return 1 Month	Total Return 3 Month	Total Return YTD	Total Return 1 Year
Domestic Equities	Dow Jones Industrial Average	7,609	7.93%	-12.48%	-12.48%	-35.94%
	S&P 500	798	8.76%	-11.01%	-11.01%	-38.09%
	S&P 400 Mid-Cap	489	9.05%	-8.66%	-8.66%	-36.10%
	Russell 2000	423	8.93%	-14.95%	-14.95%	-37.48%
International Equities	EAFE Index	1,056	6.32%	-13.97%	-13.97%	-46.34%
Fixed Income	2-year USTN	0.80%	0.51%	0.26%	0.26%	4.31%
	10-year USTN	2.67%	3.35%	-2.72%	-2.72%	10.46%

Source: Bloomberg

Market Update

Equities

March's positive performance was broad based with large, mid and small capitalization stocks all up around 9%. International markets also participated in the rally with emerging markets doing better than developed markets. In terms of the major indices, the NASDAQ Composite led the S&P 500 and Dow Jones Industrial Average for the month and quarter, up 10.9% and -3.1% respectively. On a sector basis, information technology was positive in the first quarter, up 4.0%. Basic materials is the second best performing sector so far in 2009. On the negative side, financials were again the worst performing, closely followed by industrials. First quarter earnings are likely to be a test for the market due to the economic recession and tight credit markets.

Source: Bloomberg, Bank of America

Fixed Income

Bond returns were subdued in the first quarter with the Barclay's Capital U.S. Government Credit Index down 0.05%. Risk aversion continued in fixed income markets in March and the first quarter as U.S. government bonds continued to outperform corporate bonds. Short maturity bonds (1-5 years) have performed well in 2009 relative to long maturity bonds (>10 years). Even though the economy is currently experiencing deflation, investors are becoming concerned about inflation into 2010. After lagging for much of 2008, municipal bonds were the best performing fixed income asset class in the first quarter. The Barclay's Capital 7 Year Municipal Bond Index was up 0.03% in March and 2.32% in the first quarter. Longer maturity bonds led municipal bonds to a strong quarter.

Source: Barclay's Capital

Bottom Line

Will the stock market rally continue, or is this another bear market rally? Equities rallied with glimmers of good news on the economy and in the bond market. In our opinion, the key to a sustainable rally is an improvement in the global economy. This is unlikely without an increase in the capital position of financials. Banks aggressively selling toxic assets through the Public-Private Investment Fund would be a positive, but is in no way guaranteed. The labor market and extent of job losses will continue to dampen consumption and reduce future economic growth. This quarter's reporting season will also be critical as companies' results will give an indication of the current level of business sales and profitability.

Investment Team

Kurt Spieler, CFA*	Chief Investment Officer
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*These individuals make up Tributary Capital Management. Tributary Capital Management provides sub-investment advisory services to Investment Management & Trust clients.

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