The Bryn Mawr Trust Company
WEALTH MANAGEMENT DIVISION

Economic Forecast & Market Review

MAY 2010

Our Economic Optimism Continues to Grow

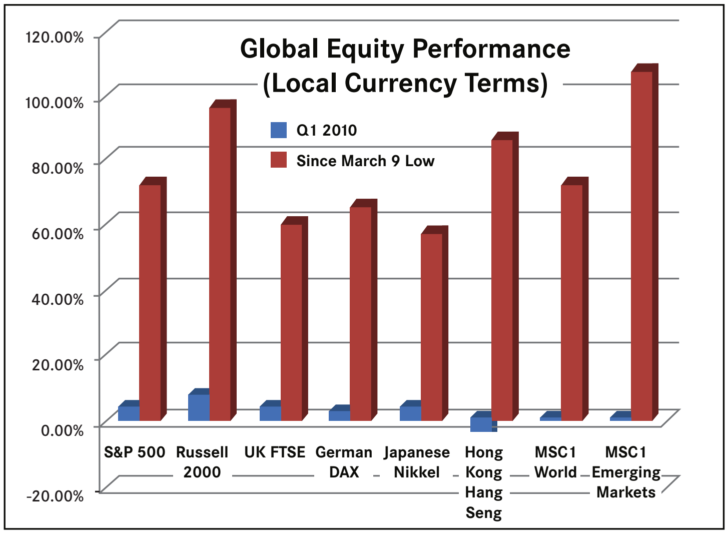
In our last issue of the Economic Forecast and Market review, we indicated signs pointing towards a more constructive economic and market environment. In this report we will highlight our reasons for our continually growing economic optimism.

At the end of a recession, it is typical to have an ongoing chorus of individuals saying that the recovery is too weak, we are heading into a "Double Dip" recession or, more recently, that the U.S., state and local governments are as vulnerable to a financial crisis as Greece.

However, the recent release of the Census Bureau Quarterly Summary of State and Local Government Tax Revenue was full of positive news during the final quarter of 2009. Even the California state controller has noted improvement by recently reporting:

"The State's economy has definitely begun the healing process. For the third consecutive month, California saw improvement in its revenues. Total General Fund receipts were above both the Governor's Budget estimates and last year's totals at this point in 2009. Both retail sales and corporate taxes have come in particularly strong. This provides strong evidence that consumer activity, which is the largest portion of the economy, is finding some level of stasis."

Talk of a "Double Dip" recession has been replaced by debates on the strength of the current economic recovery. Of equal concern to these critics is when the Federal Reserve will be forced to raise short term interest rates in an exit strategy designed to reverse the easy money program of the past several years. The Investment Policy Committee here at Bryn Mawr Trust is not fearful of a 'Double Dip' Recession and we recognize that rates will eventually rise as a natural by-product of a healthier economy. With these thoughts in mind, we have recently expanded our fixed income platform in anticipation of higher interest rates and inflation; however, we do not see such a rise as an immediate threat.



Data Source: Plexus Asset Management

Further, as evidenced by the chart above, this recovery has truly been a global affair with emerging economies leading the way.

Dr. Ed Yardeni, Chief Investment Strategist of Yardeni Research, recently noted that he felt the global economic recovery of 2009 may be turning into the global boom of 2010 and 2011. In addition, he added that the unweighted

Division Head
Francis J. Leto
Executive Vice President
610-581-4730
fleto@bmtc.com

Fiduciary Services
Elizabeth Shevlin Roberts, Esq.
Senior Vice President
610-581-4755
eroberts@bmtc.com

Investments
F. Peter Brodie, CFA
Senior Vice President
610-526-2489
pbrodie@bmtc.com

Custody Services
Anrita McGinn
Group Vice President
610-581-4722
amcginn@bmtc.com

Institutional Trust and Escrow Services
Robert W. Eaddy
Senior Vice President
610-581-4754
readdy@bmtc.com

Retirement Services
Gilbert B. Mateer
Senior Vice President
610-581-4728
gmateer@bmtc.com

BMT Asset Management
Richard K. "Chip" Cobb, Jr.
Senior Vice President
610-581-4770
ccobb@bmtc.com

Multi-Family Office
Judith W. Lau, CFP®
President
302-792-5955
judy.lau@lauassociates.net

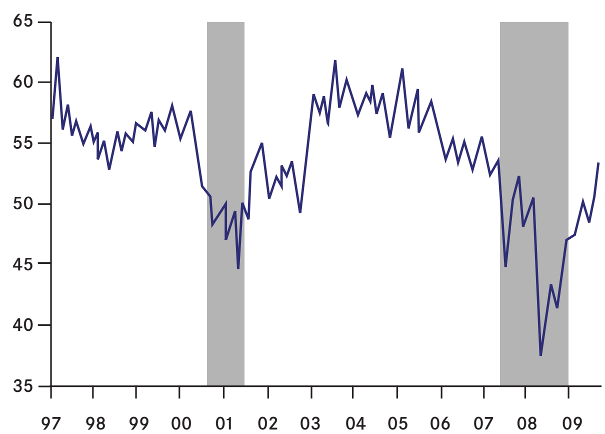
The Bryn Mawr Trust Company of Delaware
Matthew G. Waschull, CTFA®
President
302-798-1790
mwaschull@bmtc.com

averages of expected earnings growth rates for the G6 stock markets are currently expected to be 41.6% and 21.5% for this year and next.

Domestically, Large, Mid and Small Capitalization companies' earnings have significantly exceeded analyst earnings expectations for the previous three consecutive quarters. Despite a dearth of corporate negative pre-announced disappointments, Thomson Reuters projects 1st quarter S&P 500 earnings to run 37% above a year ago, which is roughly five times the historic average. This surprising data, along with a forecast of revenues to rise for a second consecutive quarter, is a pattern we expect will continue for 2010 into 2011, confirming what BMTC believes to be a recovery that is likely to be stronger and last longer than the consensus had previously forecast.

Further evidence of the underlying strength of the economic recovery can be seen in the March Institute of Supply Management (ISM) non-manufacturing Index, which reached 55.4% from 53% in February, far exceeding expectations.

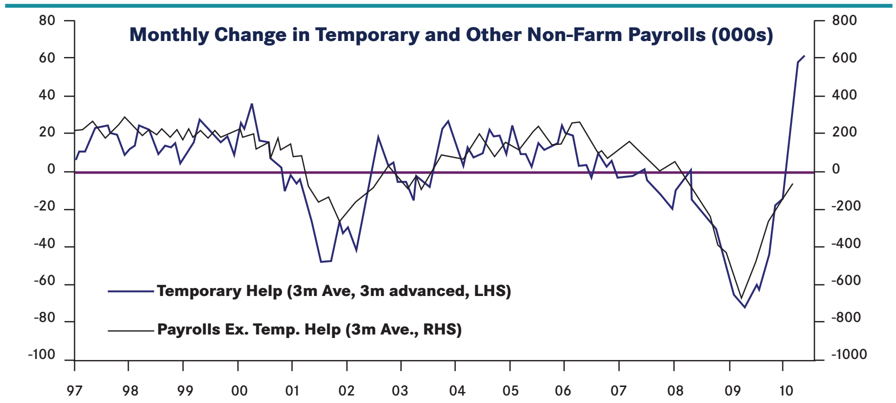
Continuing signs of an expansion in services ISM non-mfg. (index level)



Source: Institute of Supply Management, BofA Merrill Lynch Global Research

The data suggests that the service sector of the U.S. economy improved markedly in March. Order growth was the strongest since August 2005, with fourteen industries reporting growth and only two reporting contraction. Surprisingly, with the strong order growth, inventory levels indicated a slower rate of liquidation, thereby leaving room for gradual inventory accumulation and its eventual positive impact on corporate earnings.

A review of the chart below from the Bureau of Labor Statistics indicates a surprising increase in a reliance on temporary help in preference to full time employment. This is an interesting contrast to an otherwise rosy economic scenario that suggests



Source: Bureau of Labor Statistics

eventual improvement in employment data may be slow to develop. We will continue to monitor this practice as it may well indicate a future trend due partially to potential reactions to government initiatives or it may be a lingering reluctance to add full time staff after such a challenging recession. However, as labor data has tended to lag positive economic data in previous recoveries, we believe this anomaly will be reversed.

Since the market bottom seen in March of 2009, the investment landscape has changed favorably and continues to fuel our optimism about the foreseeable future. However, during the first 2 months of 2010, savings deposits increased by $62 billion, bond funds also had a positive inflow of $62.3 billion while stock funds only saw $17.2 billion in new money. We suspect this seemingly cautious stance taken by investors despite the mostly positive data we cite here will eventually change towards equities over the coming quarters as the underlying positive economic evidence becomes more widely accepted.

While we are optimistic about the economic future here and aboard, we recognize the potential for unexpected market volatility. Our use of Asset Allocation provides, in our opinion, a reasonable foundation for any portfolio no matter what the investment landscape appears to be at any given moment. The BMTC Investment Committee also feels it is important, now more than ever, to reconfirm the current investment objective of client portfolios by discussing the relative risk and return assumptions of that objective with our clients. Therefore, and during the course of 2010, we will be making this review a focal point during regular account update meetings. We look forward to speaking to you.

The Bryn Mawr Trust Company Wealth Management Division 10 S.Bryn Mawr Ave., Bryn Mawr, PA 19010 / 610.581.4708