

Q U A R T E R L Y R E V I E W



CHRISTIANATrust

A DIVISION OF WSFS BANK



DECEMBER 31, 2011

FINANCIAL MARKETS REVIEW

FOURTH QUARTER

DECEMBER 31, 2011

A sharp October rally gave U.S. stocks their best quarter in over a year, enabling larger companies to post a small positive return for the year while smaller companies significantly cut their losses for 2011. International stocks participated in the rally too but gave back much of their gains over the balance of the period and ended the year with a double digit loss. Another solid quarter for bonds helped them easily outperform stocks in 2011.

Large cap domestic stocks (+11.8%) jumped in the fourth quarter and virtually all the advance occurred in October (+10.9%) on news that the U.S. economy grew 2.5% in the third period, its fastest clip in a year, and European leaders made progress on taming their debt crisis. After an explosive October, stock prices barely budged the remainder of the quarter as the third period GDP number was revised downward twice and more European debt issues surfaced. Mid-cap (+13.0%) and small-cap (+15.5%) stocks followed the same pattern but with even better results for the quarter. While the advance was broad based, the more economically sensitive sectors like energy (+17.6%) and industrials (15.7%) led the way on signs the expansion was intact.

International stocks from both emerging markets (+4.4%) and developed countries (+3.3%) posted more modest gains for the quarter relative to the U.S. as slowing global growth, European debt woes and political unrest around the world took the edge off the October rally. Among developed countries, membership in the besieged single currency the Euro appeared to be a major determinant of performance. This was evidenced by the lower returns of members Germany (+3.9%), France (+2.7%), Italy (+0.7%) and Spain (-2.2%) versus those of non-members the United Kingdom (+9.1%), Sweden (+8.8%) and Australia (+7.5%). Japan (-3.9%) was the exception as this non-member country is beset with its own long list of problems.

Both taxable (+1.1%) and tax-exempt (+2.1%) bonds were steady but less impressive in the final quarter than they had been the previous six months. While interest rates ended the quarter about where they started, there was plenty of movement in between. Yields on the ten-year U.S. Treasury rose from 1.93% to 2.40% early in the period on the good news about the U.S. economy and Europe's debt issues but fell back to 1.88% by quarter-end as the economic data was tempered a bit and Europe's debt problems resurfaced.

In 2011, stocks saw a lot of volatility (year-to-date returns ranged from a high of +8.4% on 4/29 to a low of -12.6% on 10/3) but very little return (+2.1%) for the year while bonds (+7.8%) enjoyed their best year since 2002. For stocks to experience less volatility and better returns in 2012, households and businesses need more confidence in the strength and durability of this economic recovery. Uncertainty about the political and regulatory environment, private and public debt and taxes are hampering planning for both households and businesses. Going into the New Year, we are looking for concrete signs that progress is being made on these issues so the economy will reaccelerate but we are prepared, should policy makers disappoint and a more defensive approach is needed. Let's hope it is the former rather than the latter.

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IN THE NEWS

THE WALL STREET JOURNAL.

WSJ.com

November 22, 2011

U.S. Stocks Resume Decline

By Steven Russolillo

Gross domestic product grew at an inflation-adjusted annual rate of 2.0% in the July-to-September period, lower than the advance estimate of 2.5%. Economists surveyed by Dow Jones Newswires expected a revised figure of 2.3%. A big downward revision to inventory investment dragged down the GDP number, while corporate profits notched steady gains.

“Any potential relief rally was dampened by the revised third-quarter growth figures,” said **Scott Armiger**, portfolio manager at **Christiana Trust**. “We need 2% growth just for job creation to keep up with population growth, let alone rehire those millions of workers that we’ve lost.”



November 22, 2011

US Stocks- Wall St falls fifth straight day on debt worries

The U.S. economy grew at a 2 percent annual rate in the third quarter, down from the government’s prior estimate of 2.5 percent one month ago.

The data on gross domestic product comes after a sharp selloff in stocks spurred by worries about debt problems in the United States and Europe pushed the benchmark S&P 500 down nearly 6 percent over the past week.

“We are still driven by macro issues right now,” said **Scott A. Armiger**, portfolio manager at **Christiana Trust** in Greenville, Delaware.

“This preliminary reading was supposed to be right on the number — 2.5 percent — as the estimate a month ago, so that is a little disappointing.”



October 30, 2011

Stocks: Buckle in for a bumpy ride

By Hibah Yousuf

Investors will also be listening for any hints the Fed chief may make about a third round of bond buying, or QE3, to help stimulate the economy.

As long as the Fed maintains its outlook for slow, but still positive, economic growth, further intervention from the Fed is likely off the table, said **Thomas Nyheim**, portfolio manager at **Christiana Trust**.



October 29, 2011

Fed, unemployment report to grab U.S. spotlight Investors also assess manufacturing data, corporate earnings

By Nicole Hong

All eyes will be on the Chicago and ISM manufacturing indexes and the Fed’s monetary-policy meeting, reports MarketWatch’s Nicole Hong.

“We threw a party because Europe reached a deal, and now we have to clean up and see what’s actually there,” said **Scott Armiger**, portfolio manager at **Christiana Trust**.

Aside from earnings, U.S. investors will also be paying attention to developments next week in the congressional “supercommittee,” which is currently negotiating to reduce the budget deficit by \$1.2 trillion over the next 10 years.

“The market-driving issue is what they are going to do on the deficit-reduction supercommittee,” said **Christiana’s Armiger**. “Europe came up with something, so the super committee will be under pressure to show that we can get things done on this side of the Atlantic, too.”

To view more quotes by our investment team, please visit the “In the Media” page on our Web site.

www.christianatrust.com

LARGE-CAP GARP EQUITY COMPOSITE

DECEMBER 31, 2011

INVESTMENT STYLE

GROWTH AT A REASONABLE PRICE

The primary objective of the Large-Cap GARP Equity style is growth of principal. This style's goal is to identify companies that have demonstrated superior operating characteristics and long-term prospects. We strive to purchase them at a fair price. These companies will generally have a market capitalization in excess of \$5 Billion. Sector weightings may differ significantly from the S&P 500 Index. Individual issues are identified and selected using quantitative proprietary screens with growth and value factors and fundamental research.

PORTFOLIO CONSTRUCTION

Portfolios will generally contain 30 to 45 issues. A portfolio's dividend yield will generally be slightly lower than the S&P 500 Index. Turnover is moderate. Over a full market cycle, a portfolio would be expected to demonstrate controlled volatility, a higher ROE, and a moderately higher P/E ratio than the benchmark S&P 500 Index.

PORTFOLIO CHARACTERISTICS

	<u>Composite</u>	<u>S&P 500</u>
Price/Earnings	13.31	13.56
Price/Book	2.26	2.09
Price/Sales	1.23	1.26
Beta	1.02	1.00
Yield	1.70%	2.08%
*EPS Growth	11.45%	6.00%
Median Market Cap. (\$Millions)	\$43,250.50	
Turnover	25-40%	
Composite ROE	22.80%	

*5-Year Growth Estimate

SECTOR WEIGHTINGS

Basic Materials	4.0%
Industrials	12.8%
Telecommunications	1.9%
Consumer Discretionary	7.3%
Utilities	1.2%
Financial	11.5%
Consumer Staples	13.0%
Energy	11.6%
Health Care	12.7%
Technology	19.1%
Cash Equivalents	4.9%

TOP 10 EQUITY HOLDINGS

Procter & Gamble	4.2%
Walt Disney Co.	3.5%
Wal-Mart Stores Inc.	3.4%
Thermo Fisher Scientific	3.3%
Oracle Corp.	3.2%
Danaher Corp.	3.2%
United Technologies Corp.	3.1%
Ball Corp.	3.0%
Colgate-Palmolive Co.	3.0%
KLA-Tencor Corp	3.0%

PERFORMANCE

	<u>CT</u>	<u>LCC**</u>	<u>S&P 500</u>
1999	34.21%	22.35%	21.04%
2000	1.71%	-8.96%	-9.09%
2001	-12.05%	-13.76%	-11.88%
2002	-23.87%	-23.49%	-22.10%
2003	25.76%	25.59%	28.68%
2004	8.71%	7.79%	10.88%
2005	4.95%	4.85%	4.91%
2006	6.88%	13.50%	15.80%
2007	8.21%	5.80%	5.49%
2008	-32.28%	-37.23%	-37.00%
2009	20.88%	27.14%	26.46%
2010	12.81%	12.90%	15.06%
2011	-0.58%	-0.70%	2.11%
ITD*	2.58%	0.88%	2.00%

*Inception to date (1999) annualized

**Large-Cap Core equity mutual fund average from Lipper

Investment products:

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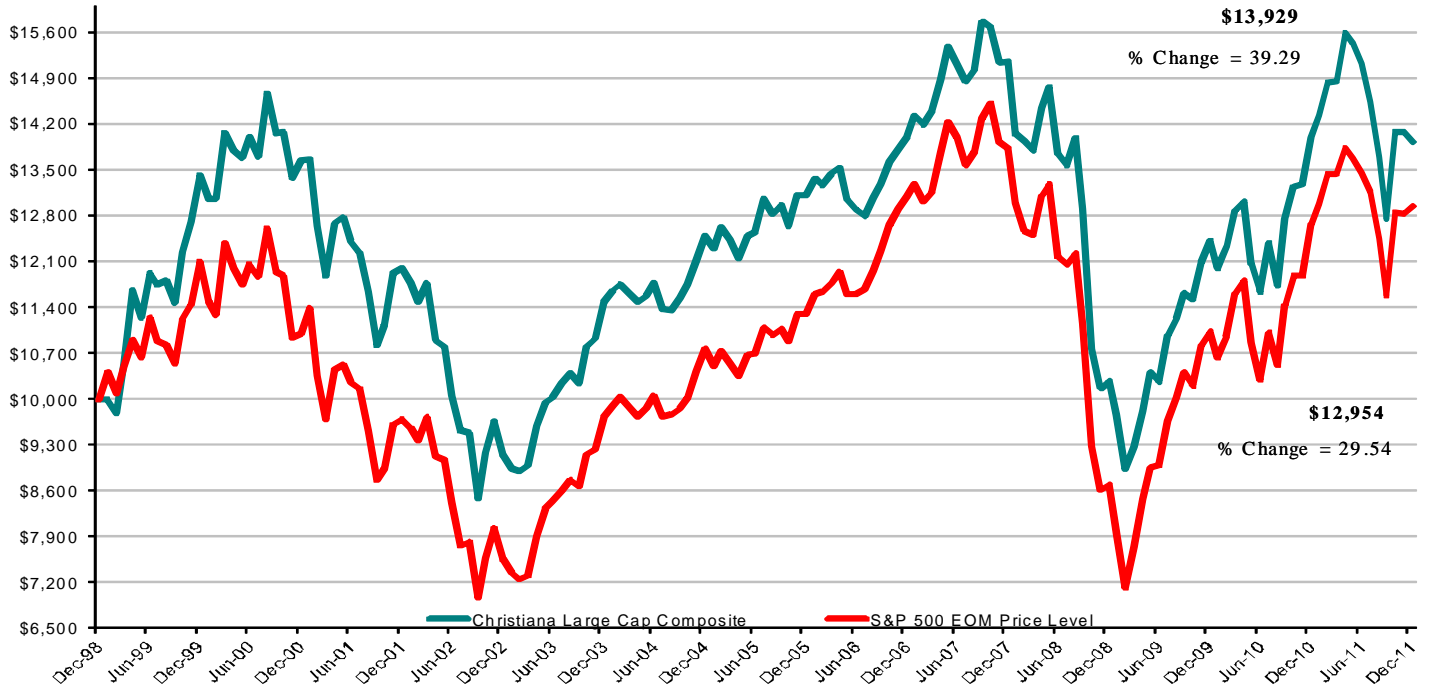
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LARGE-CAP GARP EQUITY COMPOSITE

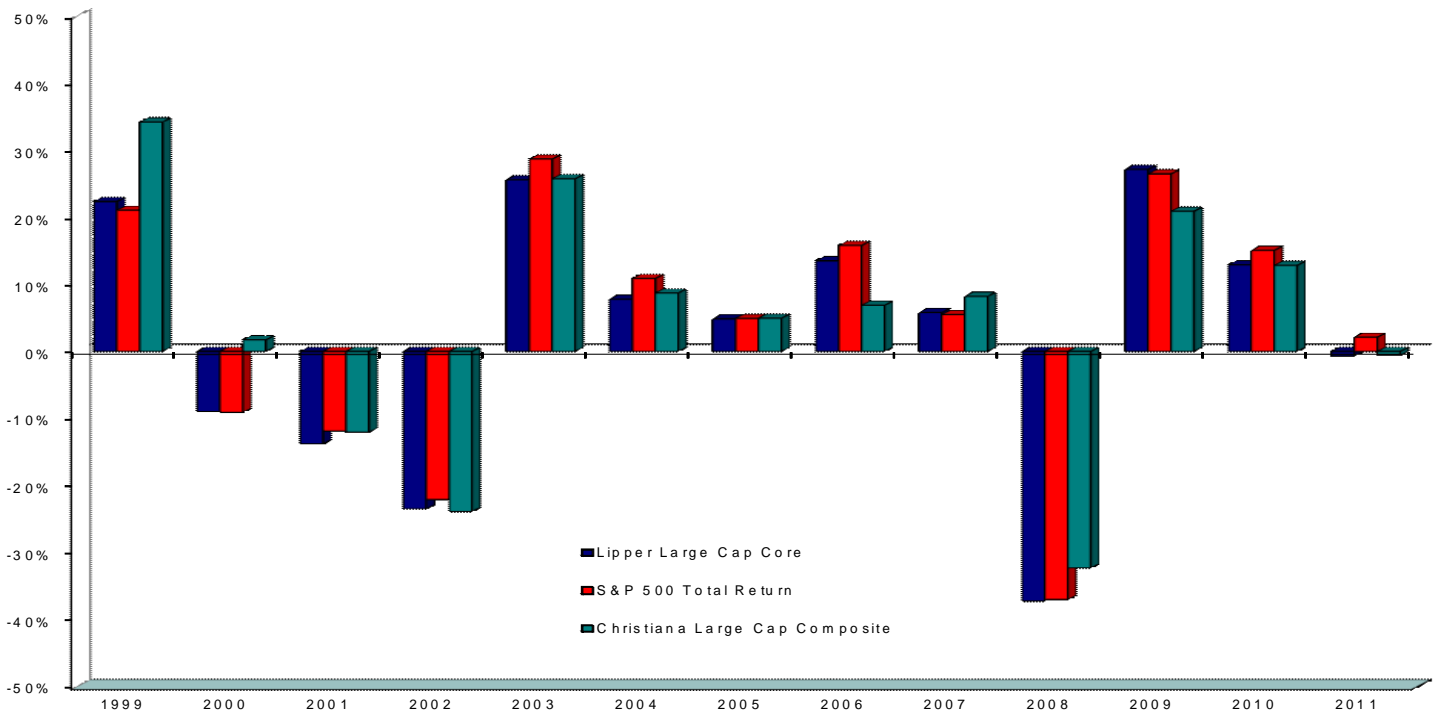
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GROWTH OF \$10,000



ANNUAL RETURNS



Large-Cap Equity composite returns represent a dollar weighted composite of all equity accounts where Christiana Trust has full investment discretion. Performance does not reflect the deduction of investment management fees. Leverage is not used in this composite. Composite returns reflect the reinvestment of interest, dividends and capital gains. Past performance is neither a guarantee nor a prediction of future results. The source of returns for the large-cap core equity mutual fund average is Lipper.

DECEMBER 31, 2011

INVESTMENT STYLE

The primary objective of the Fixed Income style is to generate current income consistent with managing portfolio volatility. The principal characteristic of the process is a quest for value. The process invests by looking at historical spreads as they apply to particular issues as well as relevant trends on a comparative basis.

PORTFOLIO CONSTRUCTION

Portfolios utilize investment grade and highly liquid issues. All fixed income market sectors are reviewed. Maturities are spread across the yield curve. High quality, liquid issues are actively managed with the objective of identifying the best relative values. Credit and yield spread analysis is the basis for portfolio construction.

PORTFOLIO CHARACTERISTICS

	<u>Composite</u>
Average Maturity (years)	1.1
Yield to Worst	2.1%
Yield to Maturity	4.5%
Duration (years)	1.0
Current Number of Issues	89
Duration Emphasis	Intermediate
Turnover	20%
Current Term Structure	Ladder
Average Quality Issue:	BBB+
Minimum Quality Issue:	BBB-

QUALITY ALLOCATIONS

AAA/Aaa:	2.4%
AA/Aa:	10.8%
A:	19.3%
BBB/Baa:	51.8%
BB/Ba:	0.0%
B:	0.0%
FDIC Insured Certificates of Deposit:	10.4%
Not Rated	0.0%
Cash Equivalents	5.3%

SECTOR ALLOCATIONS

US Govts/Agencies:	0.0%
US Inv. Grade Corporates:	84.3%
US High Yield Corporates:	0.0%
US MBS/ABS:	0.0%
Certificates of Deposit:	10.4%
Mortgage Pass Thrus/TBA:	0.0%
Municipals:	0.0%
Emerging Market Debt:	0.0%
Cash Equivalents	5.3%

PERFORMANCE

	<u>CT</u>	<u>IB*</u>	<u>B**</u>
1999	-4.41%	-1.32%	0.39%
2000	12.50%	9.74%	10.10%
2001	8.76%	7.57%	8.98%
2002	10.05%	8.14%	9.82%
2003	5.51%	4.55%	4.30%
2004	2.93%	3.83%	3.04%
2005	1.95%	1.77%	1.57%
2006	4.72%	4.00%	4.07%
2007	5.01%	4.70%	7.40%
2008	3.11%	-4.43%	5.08%
2009	4.63%	12.89%	5.25%
2010	5.17%	7.70%	5.89%
2011	3.49%	6.20%	5.80%
ITD***	4.80%	4.93%	5.48%

*Intermediate Bond mutual fund average from Lipper
**Barclays Intermediate Government/Credit Index
***Inception to date (1999) annualized

Investment products:

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FIXED INCOME COMPOSITE

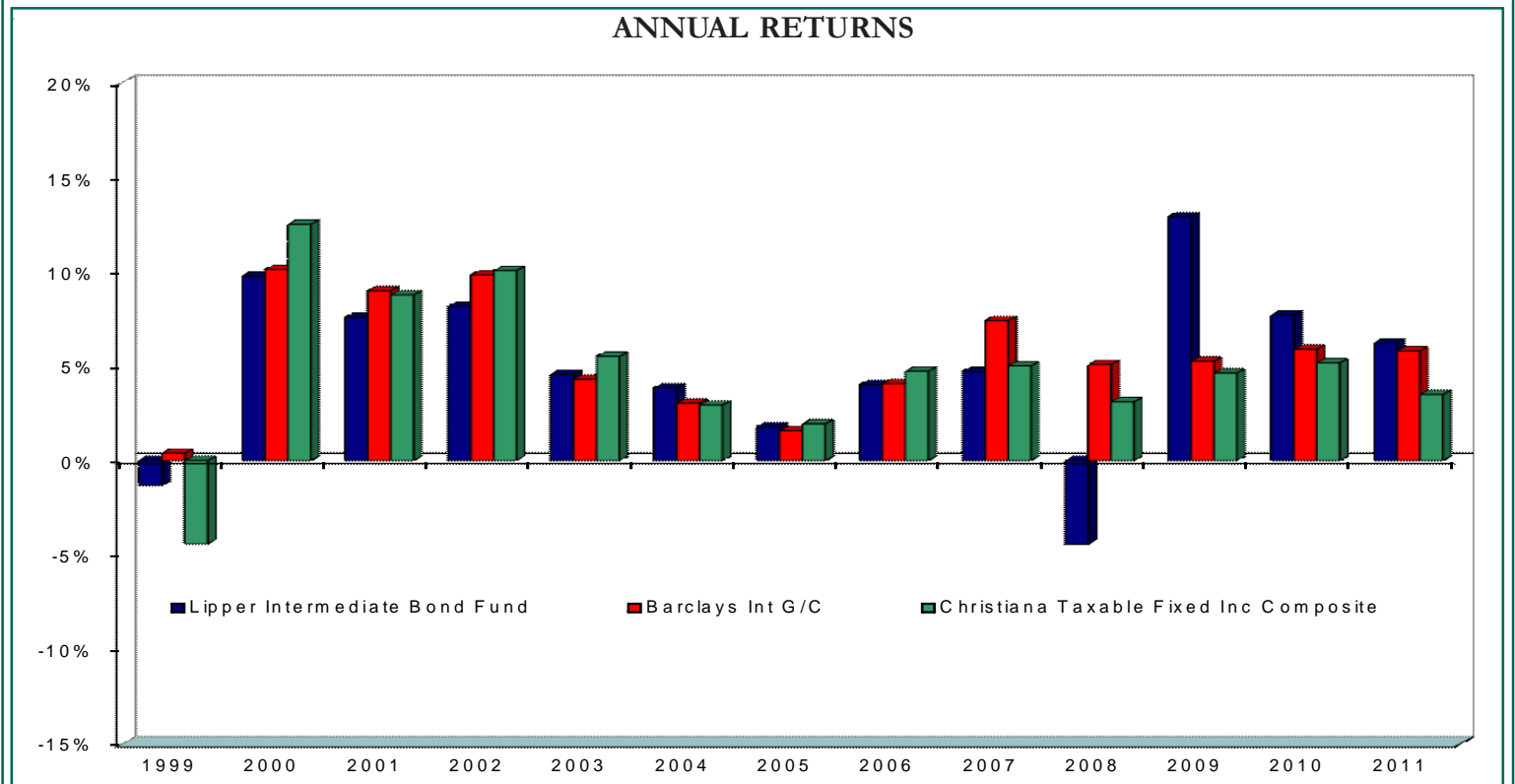
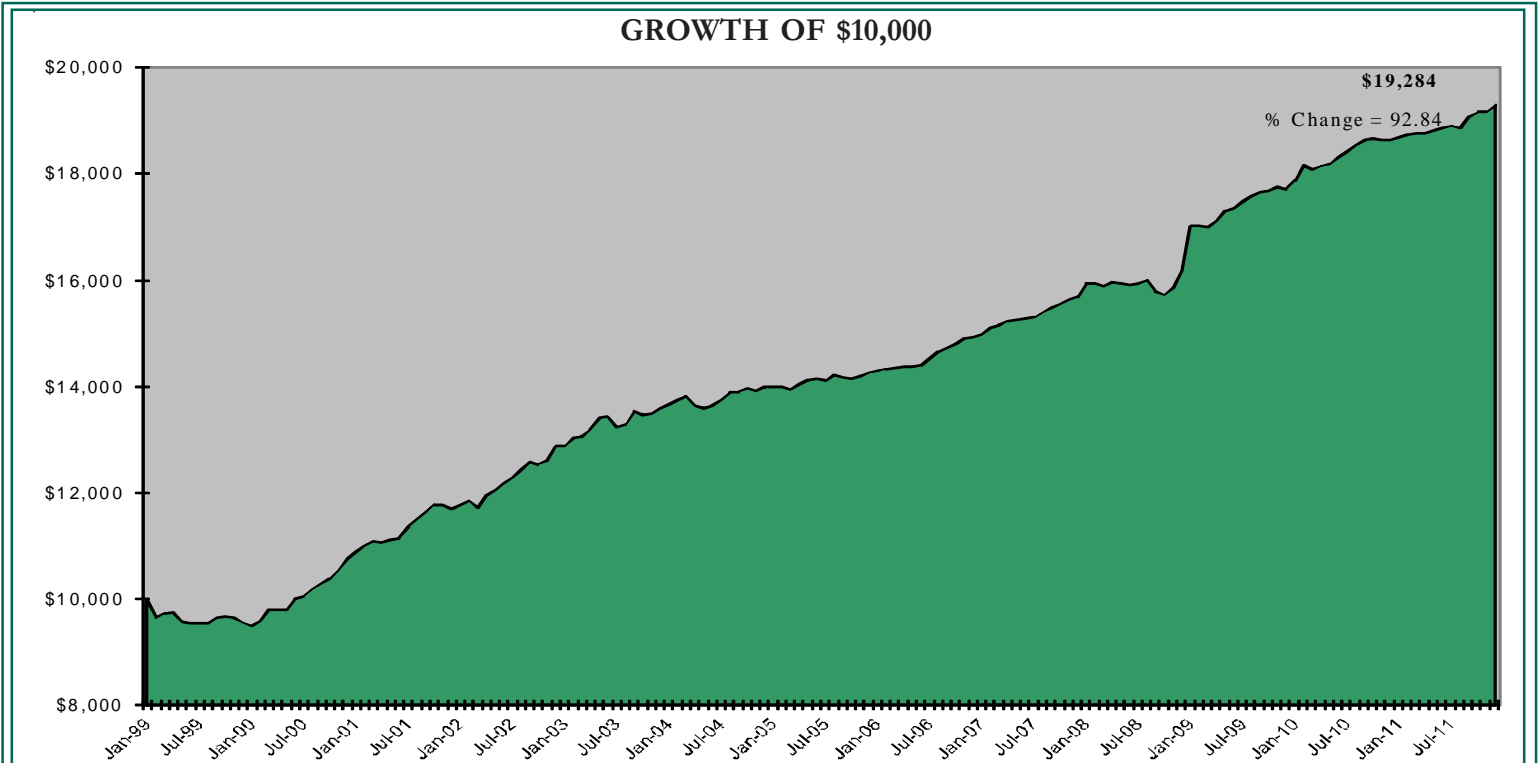
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Intermediate Fixed Income composite returns represent a dollar weighted composite of all fixed income accounts where Christiana Trust has full investment discretion. Performance does not reflect the deduction of investment management fees. Leverage is not used in this composite. Composite returns reflect the reinvestment of interest and capital gains. Past performance is neither a guarantee nor a prediction of future results. The source of returns for the intermediate bond mutual fund average is Lipper.

DECEMBER 31, 2011

INVESTMENT STYLE

The primary objective of the Tax-Exempt Municipal Bond style is to generate current income consistent with managing portfolio volatility. The principal characteristic of the process is a quest for value. The process invests by looking at historical spreads as they apply to particular issues as well as relevant trends on a comparative basis.

PORTFOLIO CONSTRUCTION

Portfolios utilize primarily tax-exempt municipal bonds based on client's tax considerations. The composite seeks a high level of income that is exempt from both federal and state income taxes. Maturities are spread across the yield curve. High quality, liquid issues are actively managed with the objective of identifying the best relative values. Credit and yield spread analysis is the basis for portfolio construction.

PORTFOLIO CHARACTERISTICS

	<u>Composite</u>
Average Maturity (years)	2.9
Yield to Worst	1.2%
Yield to Maturity	3.9%
Duration (years)	2.3
Current Number of Issues	29
Duration Emphasis	Intermediate
Turnover	20%
Current Term Structure	Ladder
Average Quality Issue:	A+
Minimum Quality Issue:	BB

QUALITY ALLOCATIONS

AAA/Aaa:	4.9%
AA/Aa:	35.5%
A:	17.3%
BBB/Baa:	13.5%
BB/Ba:	1.6%
B:	0.0%
FDIC Insured Certificates of Deposit:	6.5%
Not Rated	15.0%
Cash Equivalents	5.7%

SECTOR ALLOCATIONS

Municipals:	87.8%
US Govts/Agencies:	0.0%
Certificates of Deposit:	6.5%
US Inv. Grade Corporates:	0.0%
US High Yield Corporates:	0.0%
US MBS/ABS:	0.0%
Mortgage Pass Thrus/TBA:	0.0%
Emerging Market Debt:	0.0%
Cash Equivalents	5.7%

PERFORMANCE

	<u>CT</u>	<u>IMB*</u>	<u>B*</u>
1999 (8 Mo.)	-3.72%	-2.17%	-0.60%
2000	13.47%	8.68%	7.70%
2001	3.56%	4.79%	6.20%
2002	10.53%	8.34%	9.26%
2003	3.51%	4.35%	4.13%
2004	2.13%	2.85%	2.71%
2005	1.80%	2.01%	0.95%
2006	3.34%	3.87%	3.34%
2007	4.29%	2.90%	5.13%
2008	2.91%	-1.79%	5.79%
2009	4.20%	9.90%	7.41%
2010	1.64%	2.10%	3.40%
2011	4.08%	8.50%	6.93%
ITD***	4.01%	4.22%	4.89%

*Intermediate Muni Bond mutual fund average from Lipper

*Barclays 5-Yr Muni Bond

***Inception to date (May 1999) annualized

Investment products:

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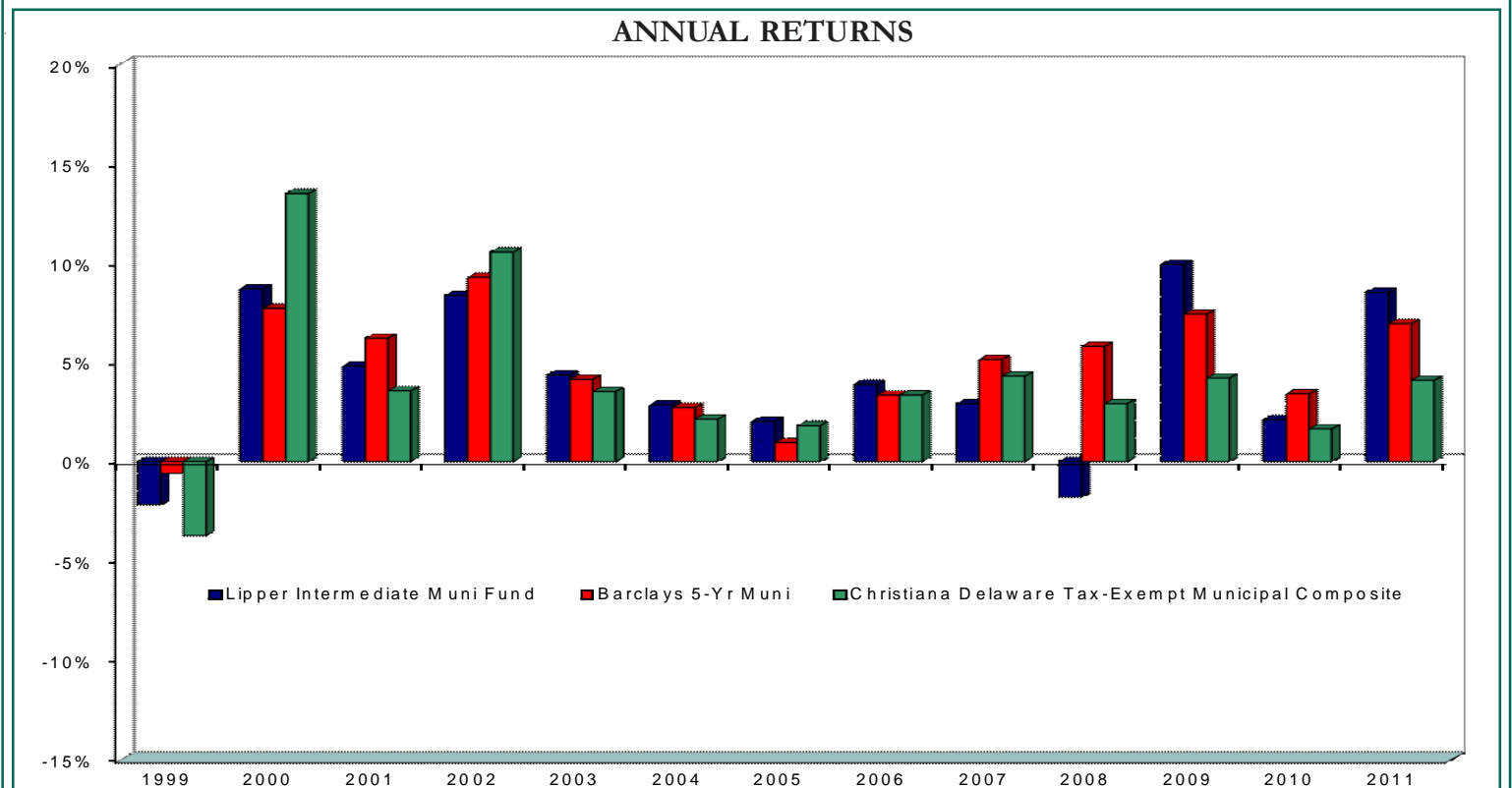
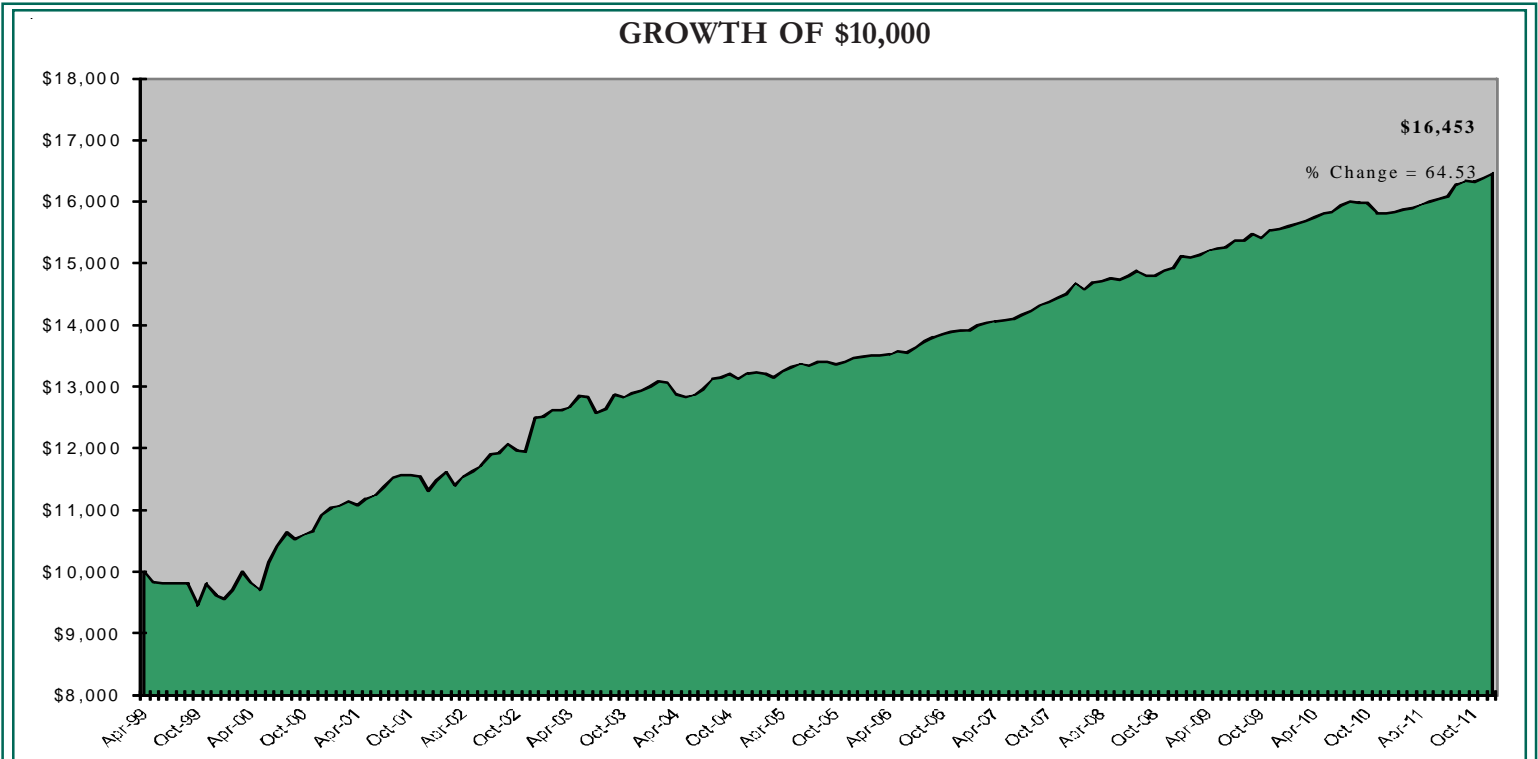
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TAX-EXEMPT MUNICIPAL COMPOSITE

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