2nd Quarter 2011

INVESTORS UPDATE

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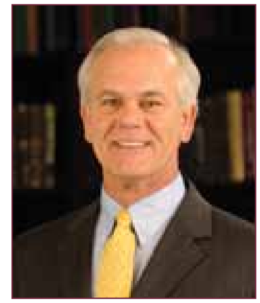
LETTER FROM THE PRESIDENT



James D. King

The primary focus of this quarterly publication is to keep you informed about our views on the markets and the economy, as well as our strategic investment decisions and results. My note to you this issue is intended to provide additional information about NPITC that I hope you find of interest.

With client assets now exceeding $2.4 billion, the company continues to grow. NPITC welcomed eleven industry professionals to our firm over the past 15 months to accommodate our growth and to maintain our commitment to provide unwavering client service. Most recently, Andy Melzer and Linda La Vay joined our client service staff. Andy was appointed manager of our Southern Region, while Linda serves clients out of our Doylestown office. Their positions were previously held by David Acox and John Stirling, both of whom recently retired. Brian Wubbe is the most recent addition to our sales team and assumes responsibility for developing business in the greater Philadelphia area.

In keeping with our resolve to serve clients in the communities where they live and work, we are pleased to report that our Chester County office has moved from Oxford to West Chester. Our review of clients, professional relationships, and evolving demographics of the region led our decision to make this change, and the feedback we have received has been quite positive.

Lastly, you may be interested in the fact that NPITC was recently approved to function as a fiduciary in the state of Florida. While we do not intend to locate staff there at this time, this approval enhances our ability to serve those of our clients, whose needs require the use of a trustee, executor or guardian recognized by the state of Florida and its courts.

We have enjoyed strong growth at NPITC and fully understand that has occurred only as a result of our clients trusting us to provide quality service with integrity. Thank you. We will continue to work very hard to maintain that confidence.

Sincerely,

President and Chief Investment Officer

NATIONAL PENN
INVESTORS TRUST COMPANY

www.npitc.com

OFFICE LOCATIONS:

WYOMISSING	2201 Ridgewood Road, #180	610.372.6414
ALLENTOWN	1620 Pond Road	610.366.9934
DOYLESTOWN	171 North Broad Street	215.230.4405
HAZLETON	12 East Broad Street	570.459.6716
KINGSTON	310 Market Street	570.331.2734
WEST CHESTER	200 North High Street, #101	610.692.2447
YORK	140 East Market Street	717.771.5566

ECONOMIC METRICS

Economy	Actual 12/31/10	Actual 6/30/11	Outlook 12/31/11
Unemployment Rate	9.4%	9.2%	Lower
CPI (YOY)	1.5%	3.6%	Lower
Barrel of oil	$93.41	$95.42	Flat
Gold	$1,420.78	$1,500.35	Lower
USD vs. Euro	$1.3384	$1.4502	Lower Dollar
GDP (Annualized)	3.1%	1.9% (March)	Higher
Equity			
S&P 500	1,257.6	1,320.6	Higher
DJIA 30	11,577.5	12,414.3	Higher
Nasdaq	2,652.9	2,773.5	Higher
Fixed Income (Rates)			
Federal Funds Target Rate	0.25%	0.25%	Flat
3-month Treasury Bill	.12%	.01%	Higher
2-year Treasury Note	.60%	.46%	Higher
10-year Treasury Note	3.30%	3.16%	Higher
30-year Treasury Bond	4.34%	4.37%	Higher

ECONOMY

Unemployment modestly improved during the first half of the year to 9.2%. Employers continued to add jobs at an average of roughly 126,000 each month for the past 6 months. The employment environment has stabilized although the pace of economic recovery has prevented businesses from significantly hiring. Small businesses, representing roughly 60% of new jobs, remain apprehensive about adding workers until more signs of a sustainable economic recovery appear. **We believe the unemployment rate will continue to decline for the remainder of the year albeit at a very slow pace.** The pace of increased employment will coincide with the pace of economic growth. As the economy strengthens, employer's confidence in a sustained economic recovery will be reflected in additional payrolls.

Inflation has substantially increased thus far in 2011. Higher food and energy costs were major contributors to higher inflation as bad weather conditions in the U.S. and political turmoil in the Middle East led to actual and feared supply disruptions for commodities. Core inflation (which excludes food and energy) increased from .8% in December 2010 to 1.5% in May 2011. Although a notable increase, the core inflation level remains well below the Federal Reserve's comfort level of 2%. **We expect recent inflation pressures to subside for the remainder of the year as commodity supply concerns ease.** Companies will be reluctant to raise consumer prices until consumers are financially better positioned to absorb the higher costs.

The price of a **barrel of oil** ended the first half of the year at roughly the same price it started, $95.42 versus $93.41. However, the price was as high as $114.71 on April 29, 2011, because of supply disruptions from the Middle East and OPEC member's reluctance to increase oil production. **We believe the price of oil will not change significantly from current levels.** The emerging markets are implementing fiscal and monetary tools to prevent their economies from over-heating as European countries focus on increased austerity measures to control exploding sovereign debt. However, the reduction of oil demand from these countries will likely be absorbed by Japan and the U.S. as industrial production picks up in Japan and the domestic U.S. economy continues to improve.

Gold continued to appreciate in 2011 ending the first half of the year at $1,500.35 from $1,420.78 in December 2010. Investors maintained their appetite for the commodity in an effort to protect their portfolios from increasing inflation. **We expect the price of gold to decrease as investor demand for hard assets as an inflation hedge subsides.** Much of this year's price rise can be attributed to the Federal Reserve and its accommodative monetary policies to increase inflation and employment. However, given the current level of inflation and the relative stability of the U.S. economy, we do not foresee the Federal Reserve introducing any additional monetary stimulating policies. Therefore, consistent with our views that inflation will subside for the remainder of the year, investors demand for inflation protected hard assets will decrease.

The U.S. dollar depreciated relative to the Euro from $1.3384 in December 2010 to $1.4502 in June 2011. The financial markets are expecting additional monetary tightening from the European Central Bank and accommodative monetary policy from the U.S. Federal Reserve Bank. **We expect the U.S. dollar to rebound and appreciate relative to the Euro for the remainder of the year.**

(continued on page 4)

Terry L. Morris

EQUITY REVIEW

By Terry L. Morris, SVP
Senior Equity Manager

There were many reasons for investors to become nervous during the 2nd Quarter, 2011. Persistently high unemployment; poor housing activity; supply chain disruptions from Japan; continued negative news out of Greece, Italy, Spain, and Portugal; and the Federal Reserve's pre-announced ending of QE II (their stimulative Quantitative Easing II) could easily have combined to cause significant market declines. But while sector leadership changed and investors shifted their focus from cyclical to stable and defensive stock, such as those in Health Care, Consumer Staples, and Utilities (the best performing sectors of the quarter), the market remained relatively solid.

Stocks peaked in the quarter on April 29th, following the announced killing of Osama bin Laden. That news took some of the "terrorist premium" out of the energy market, which had been the best performing sector in the 1st quarter. Overall, **corporate earnings and sales exceeded expectations**, with positive surprises and double-digit growth. The S&P 500 has now posted a gain in 8 of the last 9 quarters; however, unemployment remains stubbornly high, the housing market has yet to stabilize, and the pace of consumer spending does not reflect a vibrant economy.

Most investors agree that **QE2 contributed to higher equity and bond prices and a decline in inflation**, which in turn contributed to an increase in household wealth.

Unfortunately, time appears to be the only antidote to the lethargy our economy is experiencing. More time is needed before consumer balance sheets are in a position to fuel the next economic expansion. In the interim, **it is important that the Federal Reserve continue its accommodative monetary policy**, utilizing traditional and non-traditional expansionary tools. Modest inflation is viewed positively as evidence the deflationary price environment is behind us.

The total return of NPITC's LargeCap Core Strategy for the 2nd Quarter, 2011, was 2.08% versus just 0.10% for the S&P 500. Year-to-date the Strategy has produced a total return of 7.11% versus the S&P 500's 6.02%, and over the course of the past 12 months, 32.15% versus the S&P 500's gain of 30.69%. The Strategy's underweight in the Financial sector and stock selection within the Industrial sector were the biggest drivers of outperformance for the quarter.

NPITC continues to provide strong relative performance, participating in the market's upside potential while managing downside risk. When compared with the characteristics of the S&P 500, **the positive attributes of our strategic approach demonstrate lower price volatility, superior financial strength, and more stable earnings growth, resulting in strong relative performance over longer time periods.** We remain committed to a disciplined equity strategy, focusing on companies with strong balance sheets, solid valuations and consistent earnings growth.

Peter J. Howard

FIXED INCOME COMMENTARY

Peter J. Howard, AVP
Portfolio Manager

In the second quarter, the Barclays Capital U.S. Aggregate Bond Index increased 2.29%. During the period, the U.S. Treasury sector modestly outperformed the corporate sector, returning 2.39% versus 2.28%. Risk aversion increased towards the end of the quarter as investors focused attention on the escalating sovereign debt crisis and weak economic data. **Interest rates were lower across the yield curve, coinciding with a drop in oil prices and inflation.**

By quarter end, Investors were exhibiting a distinct preference for U.S. Treasury securities relative to corporate issues. The Index lost 29 basis points in June, as **economic uncertainty and continuing concerns about sovereign debt forced many investors to the sidelines.** Short-term rates, those most influenced by Federal Reserve policy, fell 10 basis points on the 3-month U.S. Treasury Bill and 37 basis points on the two-year Note. The two-year ended the quarter yielding 0.48%, having touched its all time low of 0.33% in late June. The yield on the 10-year U.S. Treasury Note fell 31 basis points during the quarter.

In June, declines in both the Producer Price Index (PPI) and the Consumer Price Index (CPI) revealed a **drop in inflation**. Given the positive effect low inflation has on the purchasing power enjoyed by consumers an improving inflationary environment generally provides strong suppport for the prices of securities with longer maturities.

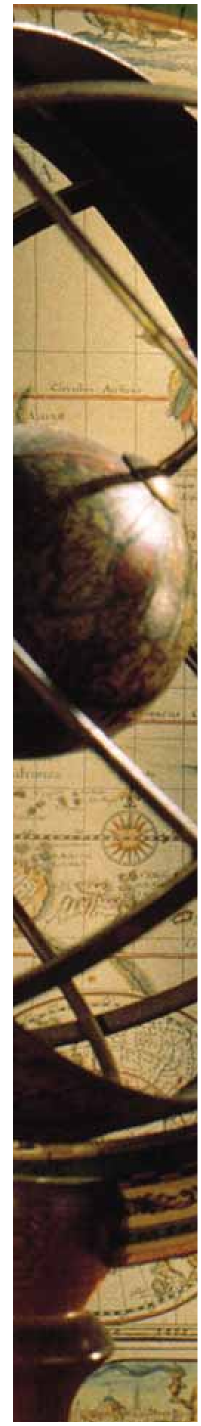
It appears that both monetary (i.e., Federal Reserve) and fiscal (i.e., Government) policies will remain accommodating in order to jump start the economy. We, therefore, expect interest rates to trend higher over time as the domestic economy grows, albeit at a slow pace. With this in mind, we continue to position our fixed income portfolios in securities with shorter maturities relative to our benchmarks. **NPITC fixed income strategies will continue to focus on well diversified holdings with high top-tier, quality issuers.** ▪

To view more information about National Penn Investors Trust Company or past newsletter editions visit *www.npitc.com*.

For the period ended June 30, 2011				Compound, Annualized Returns			Growth of	
	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	$10,000	Since
Equity Strategies								
LargeCap Core Equity	**2.1%**	**7.1%**	**32.1%**	**4.3%**	**5.8%**	**3.6%**	**$42,960**	1/1/1995
S&P 500 Stock Index	0.1%	6.0%	30.7%	3.3%	2.9%	2.7%		
MidCap Core Equity	**1.3%**	**11.9%**	**37.6%**	**7.2%**	**6.5%**		**$20,439**	1/1/2002
S&P 400 Stock Index	(0.7%)	8.6%	39.4%	7.8%	6.6%			
Russel Mid-cap Stock Index	0.4%	8.1%	38.5%	6.5%	5.3%			
SmallCap Equity	**3.0%**	**12.1%**	**43.1%**	**12.1%**	**7.9%**		**$14,669**	2/1/2006
Russell 2000 Stock Index	(1.6%)	6.2%	37.4%	8.0%	4.2%			
AllCap Core Equity[1]	**1.5%**	**6.8%**	**27.0%**	**5.2%**	**4.9%**		**$21,192**	1/1/2003
S&P 500 Stock Index	0.1%	6.0%	30.7%	3.3%	2.9%			
S&P 1500 Stock Index	0.0%	6.3%	31.6%	3.9%	3.3%			
International Equity	**2.8%**	**6.1%**	**32.5%**	**(2.0%)**	**2.4%**		**$14,114**	3/1/2005
MSCI EAFE Index	1.8%	5.3%	30.9%	(1.3%)	2.0%			
DM Equity	**1.0%**	**6.1%**	**32.7%**	**4.1%**	**5.0%**	**5.7%**	**$42,866**	7/1/1994
S&P 500 Stock Index	0.1%	6.0%	30.7%	3.3%	2.9%	2.7%		
Blended Stock Index[2]	(0.0%)	6.4%	32.9%	3.5%	3.7%	4.9%		
Fixed Income Strategies								
Core Fixed Income	**2.3%**	**2.8%**	**3.7%**	**7.1%**	**7.0%**	**6.5%**	**$30,955**	1/1/1995
Barclays Aggregate Index	2.3%	2.7%	3.9%	6.5%	6.5%	5.7%		
Taxable Fixed Income	**2.5%**	**2.9%**	**4.0%**	**6.7%**	**6.8%**	**6.4%**	**$32,287**	1/1/1995
Barclays Gov't/Credit Index	2.3%	2.6%	3.7%	6.2%	6.3%	5.7%		
Short Duration Fixed Inc[3]	**1.4%**	**2.0%**	**3.1%**	**5.5%**	**5.9%**		**$14,646**	8/1/2003
Blended Fixed Index[4]	1.1%	1.3%	2.0%	4.4%	5.3%			
Intermed Gov't Fixed Inc	**1.3%**	**2.0%**	**3.1%**				**$10,497**	2/28/2010
Intermediate Gov't Blend[5]	1.0%	1.1%	1.4%					
Municipal Income	**3.3%**	**4.3%**	**3.8%**	**4.4%**	**4.2%**	**5.0%**	**$25,857**	1/1/1995
Barclays Municipal Index	3.9%	4.4%	3.5%	5.6%	4.9%	5.0%		
DM Taxable Income	**2.0%**	**2.2%**	**4.3%**	**4.6%**	**4.6%**	**4.9%**	**$27,685**	7/1/1994
Barclays Aggregate Index	2.3%	2.7%	3.9%	6.5%	6.5%	5.7%		
DM Tax-Free Income	**3.5%**	**3.8%**	**3.5%**	**3.7%**	**3.6%**	**4.0%**	**$22,118**	7/1/1994
Barclays Municipal Index	3.9%	4.4%	3.5%	5.6%	4.9%	5.0%		

1 Prior to 1/1/2007, the NPITC AllCap Equity strategy was managed by National Penn Capital Advisors.
2 Comprised of the S&P 500, S&P 400, Russell 2000 and MS EAFE equity indices.
3 Previously named "Intermediate Fixed Income."
4 Through 12/31/2009, the Barclays Intermediate Gov't/Credit Index. Thereafter, 50% of the Barclays Intermed Gov't/Credit Index and 50% of the 1-month Libor Rate.
5 Comprised of 50% of the Barclays Intermed Gov't/Credit Index and 50% of the Citigroup 1-month T -Bill Rate.

Performance reported above is that of NPITC's model investment accounts.
Investment returns are time-weighted and calculated prior to assessing account level fees.
Stocks and bonds are not bank deposits, are not insured by the FDIC and can fluctuate in value each day.
Past performance is neither a guarantee nor a prediction of future results.



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The U.S. economy will strengthen during the year as members of the Euro Zone focus on austerity measures to promote fiscal stability. The European Central Bank will be reluctant to continuously increase short term interest rates, as financial markets are anticipating, given the fragility of the European economies.

Gross Domestic Product (GDP) increased at a very moderate pace in the 1st quarter of 2011. The U.S. economy managed to grow despite the unfortunate natural disasters in Japan and the higher food and energy costs in the U.S. We expect the U.S. economy to grow around 3% for the remainder of the year. The U.S. economy should benefit from moderating commodity costs and an increase in Japanese industrial production. The consumer's balance sheet continues to improve and consumer lending from banks continues to grow, albeit slowly. Overall, conditions for a sustainable economy recover remain challenging but continue to reflect improvement and stability.

This report summarizes current views of National Penn Investors Trust Company ("NPITC"), which will change as new economic and market data are reviewed. NPITC periodically presents this information as a review of its current views. It is not intended as a recommendation for specific investment action.