First Quarter 2009 Client Newsletter
Yanni & Associates Investment Advisors, LLC

Investment Review

The first quarter of 2009 saw the market retest the November 2008 low. Quarterly equity returns can be summarized below:

	1st Quarter 2009
S&P 500	-11.01%
S&P Midcap	-8.66%
S&P Smallcap	-16.82%
Morgan Stanley's EAFE (International Stocks)	-13.81%

Investment Forecast

Economy – There (finally) have been some signs of economic recovery recently. In March, there were a few real-estate indicators that exhibited some signs of stabilization. While these economic indicators have shown some signs a potential bottom in the economic cycle has been reached, we still remain cautious that March was the true bottom of the stock market. Also encouraging in March, CitiGroup and Bank of America both announced profits for the first two months of the year. Finally, the government has recently decided to ease its "mark-to-market" rule for banks allowing more flexibility in valuing distressed assets. Also noteworthy during the quarter were a few investment scandals, most notoriously, Bernard Madoff. For a variety of reasons and not exclusive to this latest news, **we have never been big believers in using hedge funds as investments for our client's assets**.

As we enter April, we will start to see many companies report their first quarter earnings. Another wildcard in these upcoming months will be whether or not General Motors or Chrysler will be forced into bankruptcy.

Yanni & Associates Investment Advisors, LLC was quoted twice in print recently. We would particularly encourage you all to read the April 1st article.

● Pittsburgh Post Gazette - Len Boselovic's January 29th article "Steelers May Give Markets Super Lift"

● Pittsburgh Post Gazette - Len Boselovic's April 1st article "Tuition Savings Fund Lagging"

Equities – Even with March's near 10% rise in the S&P 500, that Index is still down -11% for the year. **Despite this recent market upturn, we are still maintaining an underweight to equities until we see additional signs of economic stabilization**. In March, we did move to a slight overweight in "value" stocks versus "growth" as we believe financial firms will lead this market out of its recession. We also do anticipate moving to a "neutral" weighting in stocks later this year, but at this point, prefer to take a more conservative approach.

Fixed Income – Some of our best moves during the past quarter came on the fixed-income side. In early March, there was discussion that General Electric (GE) bonds would be downgraded from AAA status (highest ranking). GE does own an extensive amount of real-estate, but much of it is not levered through loans and as GE is not a bank, it does not have to "mark-to-market" these holdings. This brought about speculation that many charities and foundations would be forced to sell these bonds as they could not own bonds rated less than AAA. **We analyzed the situation and felt this presented an opportunity for our clients.** We purchased a variety of GE bonds with maturities ranging from nine-months to three-years for our clients. In early March, the nine-month GE bonds were yielding over 6% and the three-year GE bonds were yielding over 10%. GE's bonds did end up being downgraded, but only one notch to AA+. The market quickly reacted positively to this news and re-priced GE bonds back to more fair values. **The bonds we purchased all quickly rose up in price (the three-year GE bonds are up 11% since then). Being a smaller investment firm gives us the flexibility to more quickly analyze and react to market news.**

<u>Yanni & Associates Investment Advisors, LLC Firm Update</u>

As we continue through our third year as an independent Firm, **we are proud to say we have signed eight new relationships in the last two quarters**. Many of our new clients resulted from long-term personal relationships needing some assistance with their financial affairs. Some of these new clients also resulted from other commission-based brokers/registered representatives neglecting their clients during this bear market and/or having these client assets too aggressively allocated. **We pride ourselves as fee-based fiduciaries; brokers/registered representatives are not fiduciaries.**

We are also extremely proud to announce **we have hired an Office Manager** in the first quarter, **<u>Irene Pike</u>**. Irene will be handling all office and administrative responsibilities. In her last position, she was a Legal Secretary for Milbank, Tweed, Hadley & McCloy having worked in its New York and Washington, DC, offices. She has met several of our clients thus far and will be more formally introduced to all of you soon.

<u>Our Actions and Recommendations Can Be Summarized As Follows</u>

- We continue to **<u>underweight</u> stocks relative to bonds**.
- We now **<u>slightly overweight</u> "value" stocks relative to "growth" stocks**.
- We continue to **<u>overweight</u> "mid/large" capitalization stocks relative to "small" capitalization stocks**.
- We continue to **<u>slightly underweight</u> international stocks relative to domestic stocks**.
- We continue to **<u>favor shorter maturity/duration</u> fixed-income vehicles**, while focusing on high-grade corporate bonds.
- A few of our "niche" type investments include:
    1. <u>Treasury Inflation Protected Bonds (TIPS)</u> – While inflation remains low in today's environment, our expectations are that inflation will increase in the long-term mainly from the government's numerous bailout packages.
    2. <u>An exchange-traded fund (ETF) that invests in developing "clean technology"</u>.
    3. <u>A hedged currency international fund</u> – This international equity fund hedges its foreign currency exposure, where appropriate, back into the U.S. dollar in order to reduce portfolio volatility due to currency fluctuations.
    4. <u>A Gold ETF</u> – Our belief is inflation will begin to rise in the long-run and investors will re-examine commodities and, in particular, gold, as a safe-haven investment.
    5. <u>A Bullish Dollar ETF</u> – We <u>sold</u> our position in this during the last quarter after the government announced it would be purchasing up to $1 trillion in toxic assets.

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