First Quarter 2010 Client Newsletter
Yanni & Associates Investment Advisors, LLC

Review of the Markets

The stock market has continued its positive upward trend through the first quarter of 2010 mainly due to a particularly strong month of March. Quarterly and year-to-date equity returns can be summarized below:

	1st Quarter 2010	Year-to-Date
S&P 500	5.39%	5.39%
S&P Mid-Cap	9.09%	9.09%
S&P Small-Cap	8.61%	8.61%
Morgan Stanley's EAFE (International Stocks)	0.94%	0.94%

Investment Forecast

Economy – The new healthcare bill that was recently passed is a major change for the United States as millions of uninsured citizens will now be able to purchase healthcare insurance. It will certainly help individuals with pre-existing conditions who were not able to purchase health care coverage otherwise. However, from an economic perspective, it appears as if large corporations, otherwise healthy covered individuals, and wealthy families will be the ones who will see a cost increase through higher taxes or premiums. For example, AT&T recently announced a $1 billion charge against earnings due to this health care bill.

The March unemployment report held steady at 9.7%. Though there were an estimated 162,000 new jobs added in March, the government was responsible for approximately 48,000 hired as temporary Census workers. It's still the biggest gain since the recession started, but also fell short of the 200,000 anticipated figure. We continue to believe that the unemployment rate will remain at relatively high levels for years to come. Despite this, we are still encouraged by the large increase in payrolls and again, believe the worst of the job cuts are well behind us.

Equities – The stock market continued its rebound in the first quarter of 2010. As we had mentioned in our previous two newsletters, we thought there was a good probability of a market plateau or pull-back. We did witness that for about eight weeks from the middle of December through the middle of February.

As we continue into the first half of 2010, our annual outlook is the S&P 500 will be positive for the year, but not as much as last year's 26.46% return. We do believe mid-cap and small-cap stocks will continue to prosper as well as "value" stocks in relation to "growth" stocks. While we are maintaining our slight overweight to international stocks, a potential further increase in the dollar may cause us to reduce that exposure in the upcoming months. In recent weeks, the dollar has reversed its trend and strengthened for a variety of reasons including the budget issues in Greece. We are also approaching the summer months, which traditionally have not been as kind to equity markets. There is a saying "Sell in May and Go Away". We are certainly cognizant of historical aberrations, but have not made any portfolio adjustments as a result. However, due to the market reaching relatively high levels again, we believe there could be second stock market pull-back in the upcoming weeks.

Fixed Income – We continue to favor short-term CDs and high-grade corporate bonds including those with step-up interest rate provisions. Additionally, we remain significantly underweighted money market instruments as their yields remain extremely unattractive. We are maintaining our position in an international bond fund for diversification purposes and to hedge against a potentially long-term declining dollar trend. Finally, we did initiate a position in the last several months in a high yield bond ETF (aka junk bonds) as those types of bonds tend to do well during economic recoveries. However, we are not recommending owning individual high yield bonds.

Our fixed-income forecast is that interest rates will start to rise at some point in the future, perhaps six-to-twelve months out. We may see the Federal Reserve start to aggressively attempt to increase short-term rates and/or see various economic pressures influence longer-term rates upwards. At that time, we will begin re-examining our bond fund positions, as we may start to see bond fund prices suffer.

Yanni & Associates Investment Advisors, LLC Firm Update

Our Firm has continued to grow with the addition of four new client relationships over the past quarter. We now have clients in 12 different states: Alabama, Arizona, California, Connecticut, Florida, Georgia, Illinois, Maryland, Michigan, New York, North Carolina and Pennsylvania.

Our Actions and Recommendations Can Be Summarized As Follows

- We are still **neutral-weighted stocks relative to bonds** in relation to our guidance for asset allocation and otherwise customized portfolio structures for our clients on an individual basis.

- Within equities, we maintain our **slight overweight "value" stocks relative to "growth" stocks**.

- Within equities, we remain **overweighted "small/mid" capitalization stocks relative to "large" capitalization stocks**.

- Within equities, we remain **slightly overweighted international stocks relative to domestic stocks**.

- Within fixed-income, we maintain our overweight to **shorter maturity/duration fixed-income vehicles**, while focusing on high-grade corporate bonds and FDIC insured certificates of deposit.

- While we continue to strongly encourage a very diversified portfolio of more traditional securities, we do invest in niche areas as well, based on our views of the economy. A few of our "niche" type investments include:

    1. Treasury Inflation Protected Bonds (TIPS) – Our expectations continue to be that inflation will start to rise in the second half of 2010 or early into 2011.

    2. An Exchange-Traded Fund (ETF) that invests in developing "clean technology".

    3. An International Bond Fund – We continue to believe it will diversify our fixed income holdings and enable us to capture any further weakness in the dollar relative to other currencies.

    4. A Gold ETF & Gold Mining Mutual Fund – We continue to believe inflation will rise in the second half of 2010 and are thus hedging client portfolios accordingly.

    5. High Yield Bond ETF – We believe the economy is going to continue to rebound thus, believing high-yield bonds will continue to prosper over the upcoming months.

    6. Emerging Markets – We continue to believe that emerging markets will perform well in 2010.

    7. Health Care ETF (1Q10) – With the passing of the new healthcare legislation and the potential increase in millions of citizens obtaining health care coverage, we believe that the demand for drugs and other health care related products will increase.

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