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

Review of the Markets

The stock market pulled back in early May and this negative performance carried through June as we witnessed our first negative quarter in over a year. Quarterly and year-to-date equity returns can be summarized below:

	2nd Quarter 2010	Year-to-Date
S&P 500	-11.43%	-6.65%
S&P Mid-Cap	-9.59%	-1.36%
S&P Small-Cap	-8.73%	-0.88%
Morgan Stanley's EAFE (International Stocks)	-8.29%	-6.04%

Yanni & Associates Investment Advisors, LLC recent quotes in various publications:

● Pittsburgh Business Times, "Spooked by market volatility? Get used to it", Patty Tascarella, May 14-20, 2010
● Pittsburgh Post Gazette, "Weak jobs report sends market down", Ann Belser, June 5th, 2010.

Investment Forecast

Economy – Thus far, 2010 has brought us many new significant economic issues. The first major one was the new health care plan, which we discussed in our last newsletter. Then in late April was the BP oil spill. In the upcoming months the economy may experience an aftershock from this tragedy through a decrease in consumer spending (fewer vacations) in the southeast, loss of coastal service jobs and thus tax revenue, as well as a national increase in the price of seafood. The final and third event occurred in early May when Greece accepted an approximate $1 trillion bailout package. As part of this, the International Monetary Fund's (IMF) portion is approximately one-third of this value. We would then like to point out that the United States is one of the major financial supporters of the IMF. It's no wonder that the markets' last two months have produced negative returns. However, we believe this will ultimately create an opportunistic entry point for stocks in the upcoming weeks.

Overall, the domestic economy continues to show signs of growth despite problems with various European countries' budget deficits (mainly Greece). Unemployment continues to be a concern as it remains near 10%. We expect this rate to be at relatively high levels for several years. **We made various portfolio structural changes throughout the quarter which will be outlined in the sections below.** Overall, we still believe the economy is poised to continue its recovery over the months ahead.

Equities – We made various changes to our client's investments throughout the quarter. Starting on April 28th, we significantly decreased our international stock holdings and sold our international bond holdings. We did this in anticipation of further turmoil due to Greece's budgetary issues. Later in the quarter, we sold our positions in Gold and the Gold mining mutual fund. With part of the proceeds, we purchased a position in an Oil Exchange-Traded Fund (ETF). We then redeployed the remaining proceeds into both domestic equities and fixed-income investments. **We note that in our last newsletter we clearly anticipated that these types of measures were a possibility and we stated there "could be second stock market pull-back in the upcoming weeks".**

Looking ahead, we believe there is a high likelihood of additional volatility in the short-term before the markets continue their upward trend. While we do believe we are at or close to the bottom in the stock market, we have decided to take the more conservative route and have not shifted to an "overweight stock" position.

Fixed Income – Recent government inferences are suggesting that the Federal Reserve may not start raising interest rates until well into 2011 now. We originally thought they would be doing this in 2010, but are now tending to agree that there is a stronger likelihood of these actions being delayed until next year. We continue to maintain our position in Treasury Inflation Protected Securities (TIPS) and high-yield bonds. As noted above, we did sell our position in the international bond fund this past quarter. Otherwise, we continue to favor short-term high grade CDs and corporate bonds.

Yanni & Associates Investment Advisors, LLC Firm Update

Our Firm has continued to grow adding more clients again over the past quarter. We now have clients in 14 different states: Alabama, Arizona, California, Connecticut, Florida, Georgia, Illinois, Maryland, Michigan, New York, North Carolina, Pennsylvania, **South Carolina,** and **Virginia**.

YAIA also hired Nile Doaty as an Administrative Assistant early in the quarter. Nile is a graduate of Pennsylvania State University with a major in Marketing and a minor in Accounting. She worked for approximately 15 years at various financial organizations before taking time off to raise her four children.

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 recently shifted to **underweight 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 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 Securities (TIPS) – Our expectations continue to be that inflation will start to rise at some point in the upcoming years.

    2. A "clean technology" ETF

    3. A position in an Oil ETF – We initiated a position in an Oil ETF during the quarter with part of the proceeds from the sales of the Gold ETF and the Gold mining mutual fund. We sold the positions in gold for two reasons: (1) we were concerned about a pullback after gold retouched its all-time high of $1,200 an ounce and, (2) we pragmatically decided to take our profits. We are contemplating re-entering gold at some point in the near future again, particularly if we do see a significant pullback in its price. However, we do believe that the price of oil may begin to rise due to the possibility of increased drilling regulations due to the BP oil spill.

    4. High Yield Bond ETF – We believe the economy will continue to grow in the second half of 2010 and thus, believe high-yield bonds will prosper over the upcoming months.

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

Matthew A. Yanni, CFA, CFP®
Principal & Chief Compliance Officer — **office – (724) 940-0310**
Yanni & Associates Investment Advisors, LLC — **cell – (724) 612-5944**
2000 Corporate Drive, Suite 450 — **www.yanniassociates.com**
Wexford, PA 15090 — **matt@yanniassociates.com**