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

Review of the Markets

Quarterly and year-to-date equity returns can be summarized below:

	1Q10	2Q10	3Q10	**4Q10**	**2010**
S&P 500	5.39%	-11.43%	11.29%	**10.76%**	**15.06%**
S&P Mid-Cap	9.09%	-9.59%	13.12%	**13.50%**	**26.64%**
S&P Small-Cap	8.61%	-8.73%	9.62%	**16.24%**	**26.31%**
Morgan Stanley's EAFE (International Stocks)	0.94%	-8.29%	16.83%	**6.65%**	**8.21%**

Investment Review & Forecast

For the year-end review, we wanted to highlight a few of our statements from our earlier 2010 newsletters:

1Q10 Newsletter:

- Unemployment was going to remain at relatively high levels for years to come – *we still believe this*.
- Our 2010 outlook for the S&P 500 was positive for the year, but not as much as 2009's 26.46% return.
- Stated we were contemplating a future decrease in international stocks, *which we acted upon in April*.
- Stated our belief that mid and small-cap stocks will continue to prosper, *which did happen*.
- Were cognizant of the "Sell in May and Go Away" stock market anomaly and wrote "we believe there could be second stock market pull-back in the upcoming weeks", *which did happen*.
- Stated our belief that interest rates would rise in the next 6-12 months, which we later published it would be months beyond that. Expressed our concern that once interest rates start to rise, bond funds will suffer.

2Q10 Newsletter:

- We took our profits in the Gold exchange-traded fund (ETF) at the end of May and substituted that position with an Oil ETF. *Since then, the OIL ETF has provided us with a positive return, but not as much as gold*.
- Stated that "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." We will also note that six-months ending June 2010, the S&P 500 actually had a negative -6.65% return!

3Q10 Newsletter:

- We again reiterated our concern for high unemployment, stated that companies have record cash levels and discussed several alternatives for which companies are choosing to use their cash.
- Stated our belief that the upcoming November elections could boost the market, with a possible short-term correction before November and then a boost afterwards, *which did happen*.
- Stated that we believed the markets would be up about 10% a year from then; *we shall see…*
- Expressed our concern for municipal and local governments' debt, *which is still a concern*.

2011 Forecast:

- We continue to believe the stock market will provide us with a positive 2011 return, averaging around 10%.
- We continue to believe we are in the early-to-mid stages of the economic cycle ("3rd or 4th inning").
- While the Federal Reserve may raise interest rates in 2011, we are very cautious with regards to interest rates rising and our client's positions in bond funds and ETFs. We are still favoring individual bonds and a high yield bond ETF, which may not be affected by a rise in interest rates.
- Risks to the economy include: high unemployment levels, China's inflation, European budget deficits, local municipalities' debt, a potential double-dip domestic housing recession, long-term inflation prospects, and a soaring government budget deficit. Market volatility could increase if outlined risks do not subside.
- We believe there is potential for a short-term minor stock market pullback, which should create excellent opportunities to invest excess cash into stocks.

Yanni & Associates Investment Advisors, LLC Firm Update

In surpassing its fourth year since inception, YAIA would like to once again thank all of our clients for their confidence and referrals. Over half of our new clients for 2010 were referrals from existing clients!

We are planning to raise our account size minimum at some point in the future (currently, at $250,000). Certainly, we will be "grandfathering" all existing clients who do not meet that threshold at that time. We are also planning to hire a "professional level" employee at some point within the next 12-18 months. This will be done to free up additional time for me to devote to the management of YAIA's clients' assets.

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

- Pittsburgh Post Gazette, ETFs Can Be Safe, If You Do Your Homework, Len Boselovic October 10, 2010
- What should investors do if a company in which they own stock files for bankruptcy?, Pittsburgh Business Times, Patty Tascarella, November 18, 2010.
- *Pittsburgh Business Times, Personal Portfolio Section (investment forecast), Patty Tascarella, January 21, 2011*

2011 Portfolio Recommendations:

- Maintaining our **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 **over-weighted "small/mid" capitalization stocks relative to "large" capitalization stocks**.
- Within equities, we remain **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. A Technology ETF – We did initiate a "niche" position into a Technology ETF in the quarter as we have witnessed on average positive earnings announcements from this sector.
  2. Treasury Inflation Protected Securities (TIPS) – Our expectations continue to be that inflation will start to rise at some point in the upcoming years.
  3. A "clean technology" ETF – Over the next several years, we believe the government will continue to provide incentives for "green" businesses. Additionally, we believe we are in the early stages of a fundamental shift in consumer preferences to be more eco-friendly.
  4. A position in an Oil ETF – We are maintaining our position in an Oil ETF as we believe the economy will continue to recover, thus putting pressure on oil prices to slowly advance upwards.
  5. High Yield Bond ETF – We believe the economy will continue to grow, therefore high-yield bonds may prosper during the upcoming months.

Matthew A. Yanni, CFA, CFP®
Principal & Chief Compliance Officer
Yanni & Associates Investment Advisors, LLC
2000 Corporate Drive, Suite 450
Wexford, PA 15090

office – (724) 940-0310
cell – (724) 612-5944
www.yanniassociates.com
matt@yanniassociates.com