



**PROFESSIONAL
PLANNING
ASSOCIATES, INC**

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Dear Valued Investor,

In the first half of 2011, the investing climate has been favorable — producing modest single-digit gains for the major asset classes. Two years after the green shoots of economic growth were first evident in mid-2009, they have blossomed and taken root. However, neither bulls nor bears, we continue to expect the economy and the markets will be range-bound in 2011. Bound by economic and fiscal forces that will restrain growth, but not reverse it, we adhere to our prior forecast for modest single-digit rates of return: high single digits for stocks and low single digits for bonds

At the mid-point of the year, 2011 is on track for the key elements of our forecast that we articulated at the end of 2010:

- The job market is staging a comeback. Our expectation for the creation of roughly 200,000 net new jobs on average per month in 2011 has been met, so far.
- Policymakers have delivered economic stimulus. The Federal Reserve (Fed) has provided substantial economic stimulus, concluding the QE2 Treasury purchase program on June 30, 2011.
- Investors are playing it safe. Inflows to riskier markets remain anemic, contributing to modest performance for both stocks and more aggressively postured bonds.
- Currencies are influencing returns. As we expected, the currency impact on investing has been pronounced in 2011. The U.S. trade-weighted value of the dollar has fallen about 5% so far in 2011.

Key themes for investors can be found in a set of transitions unfolding in the second half of 2011. These transitions may offer investors positive options, in a period where the performance of the major indexes is likely to be lackluster. These transitions include:

- The evolution in the stage of the business cycle from economic recovery to modest, uneven growth.
- The change in economic policy to the withdrawal of the fiscal and monetary stimulus provided over the past several years.
- The return of inflation that we call reflation.
- The shifting geopolitical landscape.

Market volatility, which we expect to remain elevated, may present risks to be sidestepped and opportunities to be taken advantage of. Investors with a more opportunistic profile may benefit from a tactical approach to investing in order to find attractive opportunities when offered and successfully take profits when appropriate. Longer-term strategic investors should consider remaining broadly diversified. As always, I encourage you to contact David Waters if you have any questions.

Sincerely,

David Waters

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The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

Stock investing may involve risk including loss of principal.

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