



Meridian Investment Advisors, Inc.

July 7, 2011

Dear Investment Client:

After the financial markets struggled over the past few weeks, the final week of the quarter provided U.S. stocks with their largest weekly gain in two years bringing the quarterly return into the positive column.

The Dow Jones average ended the quarter at 12,414.34 up 0.8% for the quarter and 7.2% year to date. During this volatile quarter the broader Standard & Poor's 500 Stock Index provided a gain of 0.1% and has a total return of 6.0% for the year. Since the market low of March 2009, the S&P 500 Index is up 104.7% but it is still off 8.4% from the market peak which was established during October 2007. The International Market MSCI-EAFE Index was up 1.8% for the quarter and up 5.3% year to date.

The bond market experienced the opposite movement to the stock market the final few weeks of the quarter. The 10-year Treasury yield, which rises as prices fall, increased by .33 percentage point, which was one of the sharpest rises since 2009. The Fixed Income market as measured by the U.S. Barclays Capital Index is up 2.72% year to date. We feel that yields will remain at approximately current levels until the economy strengthens further over the coming months.

After an attention-getting move above \$100 per barrel during the first quarter, oil ended the second quarter down 11%, at \$95.42. This decline was due in part to lower demand and the release of oil reserves. Other commodity prices declined during the quarter with wheat prices down 23% and corn down 20% from the high. These reductions will continue to keep inflation (and therefore interest rates) in check for the foreseeable future.

Volatility will continue to be high as financial markets digest weaker than expected economic numbers. That should start to change later in the third quarter and with strong corporate earnings the equity market should be on solid footing. The majority of money managers are not concerned about the economic impact of the conclusion of the U.S. Federal Reserve's second round of quantitative easing and don't expect interest rates to rise until 2012.

Many of the issues putting downward pressure on the markets have come to a conclusion as we've begun to see improved economic data. This easing of anxiety over the U.S. economy has been improved by developments in the Greek financial crisis.

During June, U.S. manufacturing showed brisk expansion with the Chicago Regional survey beating economists' expectations. This indicates that the manufacturing sector is turning around. If this strength continues it will have a positive effect on many other sectors of the economy.

Over the next few months the world will have its eyes on the U.S. relative to the debt ceiling. There's no easy way out and a lot of people will be upset with whatever decision is ultimately made, but it is time to put our fiscal house in order. There will be long term economic and investment implications from this decision, and we're watching closely to see how your portfolios will be impacted.

If you would like to review your current asset allocation or the enclosed reports, please contact us at your convenience. Thank you and have a great summer!

Sincerely,

Patrick J. Burley
President / CEO

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