



Perspective

On The Horizon

Continuing our commitment to our bottom-up approach to research and spending the majority of our efforts at the company level, we will be attending a number of different conferences in the second quarter.

The first event, Jefferies Global Technology, Internet, Media and Telecom Conference, May 10th – 13th in New York City, is an annual conference that highlights over 200 technology, internet, media and telecom companies in a comprehensive and informative format. The three and a half day event will feature concurrent tracks of over 200 presentations from leading U.S.-based and international companies. In addition, breakout sessions, thematic panel discussions and investor meetings will also be offered throughout the conference.

The second event, Sanford Bernstein Strategic Decisions Conference, June 1st – 3rd in New York City, will host financial professionals to hear the presentations of more than 80 different organizations. Last year’s speakers included the CEOs of many S&P 500 companies, such as Bank of America, Starbucks, Cisco, Merck, Disney, 3M and Boeing, in addition to presentations by Bernstein Analysts and Sanford C. Bernstein Chief Investment Strategist Adam Parker.

These conferences are the cornerstone of our research process and enable us to make the best decisions possible for clients by allowing us to meet face to face with management teams at the companies in which we invest. We look forward to sharing our thoughts on these events in our next issue of Perspective. ■

First Quarter Review

By: Joseph P. Biondo

The first quarter of 2011 has come to a close, but not without a bang, and has left much for reflection. To start on a positive note, U.S. equities were able to carry the strength that began in September and posted the strongest first-quarter performance since 1998. Despite several nerve-wracking headlines, equity markets continue to display both strength and resiliency. Less positive, tensions have risen across several nations in the Middle East, causing oil prices to rise to over \$100/barrel and gas prices to rise to nearly \$4/gallon in many areas of the country.

Political gridlock has been highlighted by the fact that we are more than a quarter of the way into the year and a 2011 budget has still not been passed by Congress. The largest earthquake on record in Japanese history, the ensuing Tsunami and several aftershocks have wreaked havoc on Tokyo Electric Power’s nuclear facility, causing great consternation across the globe regarding radiation and contamination. Food price inflation is on the rise in the developing world, while developed nations grapple with higher energy prices and record deficits. Emerging economies, most notably China, are trying to curb inflation by raising interest rates.

While there are many issues facing the world’s economies, our separate account and mutual fund strategies displayed strong absolute and relative performance in the first quarter. Biondo Growth was up 8.10% as compared with 6.03% for the Russell 1000 Growth Index, while Biondo Focus was up 14.66% versus 5.92% for the S&P 500 Index for the quarter. Our portfolios were strong and we believe they are well positioned to take advantage of opportunities for the foreseeable future. We have aligned our investment strategies with a combination of larger companies that are inexpensive relative to their growth and a few small to mid-sized companies with explosive



earnings potential over the next several years.

From a sector perspective, energy and industrial-related companies turned in the strongest performance, as we anticipated in our last update in January. We were thankfully well-positioned in these areas which was additive to returns for the quarter. Although financials were not among the top-performing sector groups, our two largest financial holdings outperformed the market, which also added to returns for the quarter. Stock-picking appears to matter again, a positive development in our view since this has historically been a source of strength for the portfolios we manage.

In This Issue:

On The Horizon.....	1
First Quarter In Review	1
“I’ve”	3
Spotlight on: Vertex Pharmaceuticals....	3

First Quarter Review (continued)

Economic Recovery?

Several indicators point to an economic recovery underway here at home – including a pick-up in manufacturing and a marked improvement in the employment picture. We have been expecting a sub-par recovery here in the U.S., as the financial crisis of 2008 left great damage in its wake. Most notably, the housing market was left in shambles and continues to struggle as we enter the second quarter. If the inflationary trends of recent months continue, we anticipate a negative impact to economic growth later this year. These pressures essentially act as an additional tax burden, hitting the most vulnerable consumers the hardest.

As we move forward, we are encouraged by the relative strength of U.S. equities and the resiliency we have witnessed in recent months. As we started the year, we were optimistic about equities in 2011 and that remains so today. Due to continued rising equity prices, risk may be more elevated today than it was just a few months ago; however the underlying strength of the markets keeps us aggressively situated and confident that 2011 will continue to be a money-making year for properly positioned investors.

Due to the engineered slowdown in developing countries, the woes European nations are encountering, the major setback in Japan and debt concerns globally, we continue to believe that US equities are becoming the most attractive investment class in a liquidity-driven world. There was an inflow into U.S. equity mutual funds – a trend that we believe is in its infancy. This should help add fuel to the fire, as managers will need to put this capital to work in their strategies. In addition investors have begun to pour money into riskier assets in recent months, after years of favoring the comfort of safer investments with much more modest return profiles.

While we believe the Federal Reserve has done a nice job of stimulating economic activity over the past two years, it has come at a cost. Rising commodities prices and an inflated debt burden will act as headwinds for economic expansion, and in our view, the single biggest concern today is rising oil prices. Most importantly, policies have placed continued pressure

on the middle-class – while asset prices have risen, it has failed as of yet to trickle down to economic activity. The middle class has suffered from a low rate of interest on their savings, disappointing overall job growth and the absence of wage increases. Although this has benefitted large companies, small companies and the middle class are necessary ingredients for a continued economic recovery.

Given recent debates in Washington over the budgets, we anticipate political gridlock to continue and the potential for negative headlines is high. The only thing that could change the political landscape is compromise, yet we may be too close to the next election cycle to see that actually occur.

Take Action?

The “action” of the market in recent months has been impressive. Even more interesting is how it appears to be flying under the radar to those of us in the profession. Resiliency is one of the major signs of a strong bull market and this current environment has been demonstrating it in spades. We cannot help but notice we have not witnessed such strength in the face of potentially negative news since the mid to late 1990’s. Our best advice is to fight the ever-present temptation to look at current headlines while making investment decisions, but instead, focus on what the markets are telling you – the U.S. equity markets are the place to be for now and make some hay while the sun is shining. Remember, markets are never wrong, opinions are.

Where We Stand

We remain confident in our positioning. The companies we own continue to grow revenues and profits while valuations remain attractive in our view. As always, we are invested in companies that we view as well-run with excellent opportunities for growth. With valuations remaining reasonable, we currently see attractive upside potential, with little downside,

from a portfolio perspective. Although we carry our list of concerns, we will continue to take our cues from the markets and the companies that we own as opposed to the headlines - this philosophy has served us well for many years and we look forward to the rest of 2011.

As we write, we are at the beginning of earnings season. It is of great interest to us to see how commodity inflation has affected

companies in general and how well our holdings have been able to manage in this environment. Investors will likely be discerning in this period and volatility could run well above average over the next month. Those companies that are best able to manage these pressures should be well rewarded, while those who don’t may well be punished harshly given the advance of the past six months. Higher input costs may prove economic forecasts too optimistic and would likely pressure equity markets during the course of the year.

At this point in the cycle, we continue to favor larger companies from a valuation perspective. While margin expansion has largely been the result of cost-cutting measures taken during the Great Recession, we favor companies that have expanded top-line growth over the past year and are likely to continue to do so for the foreseeable future.

As always, should you have any concerns or would like to discuss your individual situation; our team stands ready to serve your needs. We are honored by the opportunity to serve all of our clients and look forward to continued success in 2011. ■

Sources: Barron’s, Institute for Supply Management, Seeking Alpha, Thomson Reuters Lipper, The Seattle Times, Mountain Television Network, NY1, Dorsey & Wright Associates, Russell Investments, SDS MarketWatch, Gemini Fund Services, LLC, Zephyr

Several indicators point to an economic recovery underway here at home

"I've ..."

By: Joseph P. Biondo

On Wednesday, March 31st, several members of the Biondo Investment Advisors' Team attended the Chefs Do Dinner fundraising event, which paid tribute to not only the amazing things that the Center for Developmental Disabilities (CDD) does for the children of the community, but also to two wonderful people, as well as our friends, Peter and Sharon Daniel – the owners and Chefs of The Fork at Twin Lakes in Shohola, PA. The couple was awarded the Children's Champion Award for their unwavering support

of CDD and their biggest fundraiser of the year, Chefs Do Dinner.

The fundraiser was held at the Best Western Inn in Matamoras, PA and hosted more than ten chefs, who showcased some of their best dishes in support of the event. With 340 people at the event, the organization was able to raise \$53,000 to help fund and support its initiatives throughout the year, and \$9,000 for specific gift items for the Center's programs.

For more than 40 years, the CDD

has provided educational, therapeutic, behavioral and family support services for children with developmental delays and disabilities from birth to kindergarten age. CDD is located at 101 Pocono Drive in Milford, PA. They can be contacted at 570-296-3992 and have a web site at www.cddkids.org.

The Biondo family has been actively involved with CDD for many years and I am currently the President of the Board of Directors. We are proud to support an organization that does so much for so many. ■



Pictured at left: Joseph P. Biondo, far left, and Greg Lutfy, far right, with the owners of the Fork at Twin Lakes and recipients of the 2011 Children's Champion Award, Sharon and Peter Daniel.

Spotlight on: Vertex Pharmaceuticals

By: Scott Goginsky

For quite some time, we have been buying shares of Vertex Pharmaceuticals because we believe the company is a well-run organization with a solid management, and research and development team.

On Friday, March 4th, I attended a management dinner at Remi, a

restaurant in mid-town Manhattan, where four members of the senior management team of Vertex discussed two promising drugs that are currently under development. The first, Telaprevir, is a medication for the treatment of Hepatitis C which is set to launch later this year. Vertex also announced that it has recently received some very positive test data for its

Cystic Fibrosis drug that could be approved as early as next year. These two announcements are big breakthroughs in the medical industry where treatment options were limited in the past for these diseases. Vertex Pharmaceuticals is a stock that we have been buying and with these two advancements, we think it becomes a much more compelling investment. ■

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