

Perspect • ive

A Newsletter from Biondo Investment Advisors, LLC

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Second Quarter 2011

On The Horizon

Summer is officially here – which means that things are a little quiet on the conference front, but we look forward to attending the Jefferies 2011 Global Industrial and Aerospace & Defense Conference in New York City on August 9th through the 11th. This conference will have more than 200 companies present that will focus on one-on-one and small group meetings, in addition to valuable content through thematic sessions and company presentations.

Last quarter we attended the Sanford Bernstein Best Ideas Conference in New York City on April 7th. We heard about 20 presentations from Bernstein's analysts discussing their best stock ideas. We gained some good insight on several industries such as healthcare, industrials and financials. We added a few of the stocks to our watch list and will follow them closely.

We also attended the Sanford Bernstein Strategic Decisions Conference June 1st – 3rd in New York City. Over 150 CEOs made presentations over the three days. We came away feeling very good about several of our strategy holdings, including J P Morgan Chase, Vertex Pharmaceuticals and Yum! Brands. The general takeaway is that companies are feeling much better about their companies and industries than they did a year ago.

Another rather big piece of news on the horizon is that both the Biondo Growth Fund and the Biondo Focus Fund are in the queue to be on the Morgan Stanley Smith Barney platform in the coming months...but you can read about that in our upcoming issue of *Perspect-ive*. ■

Second Quarter Review



By: Joseph P. Biondo

We are now halfway through the year and what a ride it has been. In this issue of *Perspect-ive*, we've decided to share our thoughts on the past six months, discuss some specific outcomes regarding our portfolio strategy and offer our outlook for the balance of 2011.

The second quarter proved to be much more challenging than the first. The financial impact of the tsunami in Japan, a continued battle over higher input prices in emerging economies and continued concerns over the European debt crisis – particularly Greece – provided investors with plenty to fret over. The result of such concern was a pause in equity markets here in the U.S. Similar to last year, weakness in the markets caused the chorus of double-dip recession to grow louder.

Our performance was weak during the second quarter – Biondo Growth was -2.13% for the quarter as compared to 0.76% for the Russell 1000 Growth, while Biondo Focus was -6.53% as compared to 0.10% for the S&P 500. For the year-to-date period, Biondo Growth

is up 6.31% as compared to 6.83% for the Russell 1000 Growth and Biondo Focus is up 7.52% as compared to 6.02% for the S&P 500 Index.

Our view is that the market weakness during the quarter was a normal and healthy pause in an otherwise strong uptrend. As is typical, these corrections allow us to see which of our investments are continuing to display strength that may indicate the need for additional purchases, and those that are performing poorly and may need to be weeded out. During the quarter, we did trim and eliminate some of our weaker holdings while adding to stronger performers. Always feel free to give us a call (570.296.5525) if you would like detailed information regarding actions taken in your portfolio during the quarter.

Employment?

We continue to be concerned about employment, or lack thereof, in the U.S. Quite simply, our belief is that until we see job creation at a steady pace, we will continue to muddle through with a sub-par recovery for the U.S. economy. The issue is that a slow recovery – which means 2-2.5% GDP growth to us – is not going to allow for much improvement to the unemployment problem. Most economists agree that GDP needs to grow at least 3% to result in some real strong job-growth numbers for a sustained period.

During the last recession, 8 million jobs were lost in this country. During this slow recovery, only about 1 million

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jobs have been created and 2 million people have left the workforce – leaving 5 million jobs needed to return to a healthy employment rate. This is a tough hole to dig out of and clearly will not be done in the short term. Coming out of the recession many companies cut costs and improved productivity, with the downside that some firms don't need to hire new workers.

We continue to believe the recovery will take longer than normal. Economic recoveries are typically aided early on by growth in new construction – both residential and commercial. Because the most recent downturn had much to do with excess supply of housing, we have not enjoyed job growth in these areas normally associated with recovery.

Recovery

A slow-growth recovery is extremely fragile. If there is any type of "exogenous" shock – such as that witnessed in Japan, economies can easily decelerate to the verge of recession. During the first half of the year, we have had two such shocks in Japan and Europe. While it is our view that the U.S. economy has sustained these impacts, any major negative events in the second half could put the recovery in jeopardy.

In our last newsletter, we stated that our chief concern was rising energy costs. Particularly, we were

concerned that oil prices had been steadily advancing, resulting in gas prices above \$4.00 on the national average. This acts as an additional tax burden to an already pressured consumer. During the quarter, the combination of Saudi Arabia pumping additional reserves and the Obama Administration tapping the Strategic Petroleum Reserve helped drop the price of oil by 11%. The resulting decline in fuel prices has alleviated some of our concern regarding consumer spending as well the overall level of inflation.

As we write, all eyes in the investment world have now turned to an issue here at home, the debt ceiling. While it appears to be politics as usual between Republicans and Democrats, it is our belief that resolution will come by the August deadline. From our perspective, the most sensible solution will address both revenues and spending. In any political compromise,

the best deal will be struck if both parties walk away dissatisfied. Should no compromise be reached, the consequences could rattle markets across the globe. We do see a debt deal being done as neither party wants to face the prospect of a government default.

For the Next Six Months...

Our bottom-up view remains that publicly traded companies here in the U.S. are healthy and offer attractive return opportunities relative to risk. Despite many

uncertainties both at home and abroad, U.S. equities have held solid relative strength readings as compared to other available asset classes. As a whole, corporate balance sheets are in great shape and prospects for growth in the global marketplace are promising.

Turning more specifically to our portfolio holdings, we are well-positioned in the investments we have made. The companies we own are growing at healthy rates, are well-managed and are priced attractively to offer continued upside potential. We continue to be overweight in healthcare companies, as both their growth rates and risk/return profiles still appear to be the most attractive in our view.

Until next quarter....

Joseph P. Biondo

Sources: Market Street Advisors, Russell Investments, Bloomberg, foxbusiness.com, About.com, npr.org, cbsnews.com, the hill.com, abcnews.com, Baseline

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"I've... March with us"



This year we are doing it again. On Sunday, October 2nd, 2011 at 11:00 a.m. at Firefly Field in Matamoras, PA we will walk in support of babies everywhere and we encourage you to join us. For more information about how you can donate, create a team or join a team, please visit www.MarchForBabies.org.

Our goal is to raise more money than we did last year to help the March of Dimes continue to invest in research to find the answers to premature birth and provide comfort and information to families who are affected. We certainly hope you can join us. ■

By: Joseph P. Biondo

My son Lorenzo was born 16 weeks premature on April 27th, 2007. After a courageous fight, he passed away on June 12th, 2007. In 2008, family and friends formed Team Biondo to honor Lorenzo and join in the March for Babies efforts to help reduce the rate of premature births in the U.S. By participating in the March for Babies, we were able to share our story and educate others on all of the great things the March of Dimes does to prevent premature births.

After two years of marching in New Jersey, my wife and I decided to launch a new event closer to home. In conjunction with March of Dimes and a wonderful committee of friends, we held the first Delaware River March for Babies last September at Firefly Field in Matamoras, PA. We are proud to say that it was the most successful inaugural event in Pennsylvania history – more than 500 registered walkers joined us and helped to raise over \$50,000.



**WALKING TOGETHER
FOR STRONGER,
HEALTHIER
BABIESSM**

Spotlight on: Patrice Singleton

Meet the new addition to the Biondo team.

Patrice joined The Biondo Group in June of 2011 after working in the investment advisory industry for 17 years as Vice President and Director of Administration and Human Resources for Harding Loevner. During her 17 year tenure, she also assumed the role of Chief Compliance Officer and was a member of the Board of Directors. Patrice attended the

New York Institute of Finance and holds Certifications in Human Resources. At The Biondo Group, she assists in the development of the company's business plans, general administration of the firm and is responsible for the human resource and personnel functions. Patrice lives with her husband, Tim, in their 1835 farmhouse located in Dingmans Ferry, PA. She loves the outdoors and spends much of her spare time hiking with her dog and riding her horses. ■



Our Focus Fund is Helping Us Grow...

We are pleased to announce that after the one-year anniversary of the Biondo Focus Fund, it has joined the Biondo Growth Fund in its availability on all of the fee-based platforms at UBS. The Biondo Focus Fund is a combination of our best ideas across all our different portfolios.

UBS has offices in more than 50 countries, including all major financial centers, and employs approximately 65,000 people. UBS AG is the parent company of the UBS Group. The operational structure of the Group comprises

the Corporate Center and four business divisions: Wealth Management & Swiss Bank, Wealth Management Americas, Global Asset Management and the Investment Bank.

"It's hard for people to put all their 'eggs in one basket,' which makes mutual funds an alternative that provides many benefits that are often overlooked, misunderstood, or not even known by the average investor," said Joseph P. Biondo, Portfolio Manager and Chief Investment Officer at Biondo Investment Advisors. "We monitor

these companies closely and make adjustments based on how well the companies are performing."

Now, the Biondo Focus Fund will be available to more than 12,000 UBS representatives nationwide.

The addition of the Biondo Focus Fund to the UBS platform is just one more way we continue to broaden our horizons and grow our business. For more information about the Biondo Focus Fund, or any of our other products, please feel free to give us a call today at 570.296.5525. ■

Mutual fund investing involves risk including loss of principal. The Biondo Growth Fund and the Biondo Focus Fund may invest in medium and small-cap companies, which may be subject to more erratic market movements than large-cap stocks; foreign securities, which are subject to currency fluctuations and political uncertainty; derivative securities, which may carry market, credit, and liquidity risks; and fixed income securities, which are subject to interest rate, credit and inflation risks. The Funds may also invest in shares of other underlying funds, which may be subject to their own operating fees and expenses, and are subject to specific risks, depending on the nature of the strategy of the fund. These risks could include liquidity risk, sector risk, as well as risks associated with fixed income securities, real estate investments, and commodities, to name a few. The use of leverage may be employed which can magnify any price movements, resulting in high volatility and potentially significant loss of principal. The Funds may invest in shorted securities, which are often speculative and riskier than "long" positions, and losses are potentially unlimited.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Biondo Growth Fund and the Biondo Focus Fund. This and other important information about the Funds is contained in the prospectus, which can be obtained by calling 877-BIONDOS (246-6367). The prospectus should be read carefully before investing. The Biondo Growth Fund and the Biondo Focus Fund are distributed by Northern Lights Distributors, LLC member FINRA. Biondo Investment Advisors, LLC is not affiliated with Northern Lights Distributors, LLC. 1580-NLD-7/22/2011

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