QUANTITATIVE ASSET MANAGEMENT, LLC
Investment & Advisory Services

Newsletter

July 13, 2011

Dear Clients,

Quarter Ending June 30, 2011			
Year to Date Performance	**Last Full Quarter**	**YTD**	**Index Close**
Dow Jones Industrial Averages	1.41%	29.92%	12,414.34
NASDAQ Composite Price	-0.27%	31.54%	2,773.52
Standard & Poor's Averages	0.10%	30.72%	1,320.64
Barclay's Capital Bond Index	2.32%	3.68%	
EAFE-Global Markets	1.83%	30.93%	

As the August 2nd deadline looms for extending our debt ceiling, the investment markets flounder. In addition, the European economic crisis creates more uncertainty, and the investment markets don't like uncertainty.

The world is still in the process of deleveraging. The housing crisis is still being fought, and rising energy costs have negatively affected consumer spending. All of which have contributed to a weak labor market and slow economic growth. These are long term economic issues and will not be fixed overnight.

The end of the second quarter saw QE2 (Quantitative Easing 2) come to an end, the impact of which is subject to much debate. Future stimulus packages are not as likely given the financial condition of the Federal Government and many State and local governments as well. The required significant cuts in government spending to balance budgets will curtail our current economic growth for the foreseeable future.

The good news is corporate spending will eventually kick in as this whole process of rebalancing takes effect. Interest rates should stay low until the economic recovery starts to accelerate.

Back in the mid-seventies, during one of our other economic crises, I attended a meeting sponsored by the Affiliated Mutual Funds Group. The keynote speaker was Jack McCarthy, their chief investment guru. I had been a broker for about four years and had just lived through one of the worst periods in our economic and investment history. The Dow Jones average was at 1,000 in 1966, dropped sharply in the late sixties, reached a record high of 1053 in February 1973, then, proceeded to collapse about 50% over the next two years. Mr. McCarthy was in town to explain how we got there and where we were going. He explained that while seeking an answer

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he had an epiphany. “Our congressmen and senators make the right decisions, but only after they have exhausted all the wrong ones.” This hit home then and is still applicable in my opinion today. Mr. McCarthy also literally stood on the table and declared “we’re there.” His prediction, amidst all the gloom and doom, was that the markets had bottomed in 1975. He was right but we did not reach new highs in the Dow until August 1982. The Dow doubled in seven years, but it took sixteen years to get back to where it had been in 1966. I believe we are currently in the latter half of a similar pattern.

Thomas Jefferson had it figured out long ago, why can’t our politicians? To quote Mr. Jefferson:

“My reading of history convinces me that most bad
government results are from too much government”

and

“I predict future happiness for Americans if they can prevent
the government from wasting the labors of the people under
the pretense of taking care of them.”

No matter how you look at where we are today, we have too many people working for, or subsidized by our governments. Tough and unpopular decisions need to be made, and I hope we don’t exhaust all the wrong decisions before we get it right this time.

Sincerely,

Jeffrey L. Farni Sr.

**As required by Advisors Act Rule 204-3 advisory disclosure documents (ADV Part 2A) are available upon request.*

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