



July 1, 2010

Re: 2nd Quarter 2010

Market Summary							
Price Changes (%) YTD:	12/31/09	6/30/10		High Point		Low Point	
	\$	\$	% Chg	\$	Month	\$	Month
S&P 500 Index (SPX)	1115.1	1030.7	(7.57%)	1219.8	Apr	1028.3	Jun
DJ Corp. Bond Index (DJCBPD)	108.08	110.64	2.37%	110.64	Jun	107.14	Feb
WI Preferred Stock Index (WIPSI)	19.28	20.39	5.76%	21.50	Apr	19.39	Jan
WI Real Estate Index (WIREI)	250.5	232.2	(7.3%)	253.0	Feb	232.2	Jun

Market Summary: Since last March, corporate bonds and preferred stocks have posted price advances while common stocks and residential housing have produced significant declines.

A New Downtrend in Stocks has Begun

The *Winans Trend Indicator™* has given its first sell signal since January 2008 which confirms the negative signal given by the *Winans January Barometer* earlier this year. Within our individual client portfolios, we are taking defensive action by:

1. Trimming large individual stock positions (i.e. taking profits).
2. Reducing exposure to any individual stocks that violate their intermediate uptrends.
3. Making necessary adjustments to the Winans Long/Short Fund (ETFMX) as indicated by market conditions.
4. Maintaining high cash levels and/or investing in corporate income investments.

While the depth of any correction is uncertain, we will maintain this cautious posture until our research indicates that the stock market is significantly oversold.

What should investors remember during these historic times?

Common Stocks: *WHEN* to buy and sell is as important as *WHAT* to buy and sell during these types of market conditions! We believe profitable navigation of these market conditions is possible by using higher levels of investment rotation, a willingness to hold high levels of cash after significant market advances and/or using the *Winans Long/Short Fund* (symbol: *ETFMX*) for hedging during volatile downturns.

Corporate Bonds: Short to medium term bonds in stable companies are currently yielding 5% to 7.5% annually. Conservative investors should consider investing a large portion of their portfolios into the near certain returns of holding corporate bonds rather than the ongoing volatility of the stock market or the high risk of default facing many municipal bond holders. Remember that most bonds pay their interest payments twice a year, and the owed interest might not be shown in this quarter performance report.

Preferred Stocks: We expect preferred stocks to maintain attractive yields. We feel they can be a good addition for up to a 25% allocation in an income portfolio.

News

- **New & Improved Portfolio Overview Reports** – We have switched our portfolio reporting over to a new system called “Portfolio Center” and have integrated improvements suggested by our clients. Please review the *Definitions Page* attached to this letter for more information.
- **Winans International eResearch** – We posted some of our technical research free on www.stockcharts.com. Go to “**Search the Site**” and enter “**Winans**”. This chart summary will provide a more detailed and more frequent market analysis than we typically provide in our quarterly client letters.

Notes

- **Annual Client Meetings** – Communication is absolutely critical when it comes to investing. If we haven’t spoken in the last six months, please call our office at your earliest convenience to make an appointment for a phone meeting.
- **Mutual Fund Fees** – Winans International typically uses mutual funds only when sales loads can be waived or when the fund is no-load. Also, if we use a mutual fund in a client portfolio and WI is also the fund’s manager, then WI’s management fee is waived for those assets invested in that mutual fund. Go to www.wimutualfunds.com for more information on our mutual funds.
- **Client Investment Restrictions** – If you made special requests regarding the management of the portfolio (large cash holdings, investment selections, etc.), please let us know what your overall objectives are so we can adjust the portfolio accordingly.
- **Proxy Mailings** – If you receive notices in the mail regarding investments held in your portfolio, please forward them to us so that they can be handled in a timely manner.
- **Company Retirement Plans** – If you are having us oversee your investments in an employer sponsored retirement plan, please forward us any notices dealing with changes in the plan. Additionally, please ensure that we receive statements in a timely manner.
- **Brokerage House Selection** – Winans International works with many different brokerage houses in order to serve the wide-ranging needs of our clients. If you are not satisfied with your current broker, please let us know so we can help you find a firm that is better suited to your needs.
- **Form ADV, Part II** - If you would like a copy of our current Form ADV, Part II, call our office and we will be glad to send one to you.

The primary job of an investment manager is to balance external risks to the rewards of investing with each client’s expectations and situation. We continue to hope for the best, but plan for the worst as we move forward in 2010. At Winans International, we have devoted substantial time and resources to refining our time-tested strategy to successfully deal with today’s economic uncertainties.

Please feel free to call me directly with your questions or concerns.

Sincerely,

Kenneth G. Winans, CMT